

Report of Santander Bank Polska Group for Quarter 1 2020



FINANCIAL HIGHLIGHTS

	PLN k		EUR k	
	1.01.2020- 31.03.2020	1.01.2019- 31.03.2019* restated	1.01.2020- 31.03.2020	1.01.2019- 31.03.2019* restated
Consolidated financial statements of Santander Bank Polska Group				
I Net interest income	1 636 313	1 608 600	372 202	374 285
II Net fee and commission income	538 244	520 062	122 431	121 007
III Profit before tax	384 954	604 190	87 563	140 581
IV Net profit attributable to owners of Santander Bank Polska SA	170 934	339 007	38 881	78 879
V Total net cash flows	(2 188 726)	(7 017 759)	(497 856)	(1 632 872)
VI Profit of the period attributable to non-controlling interests	61 943	73 549	14 090	17 113
VII Profit per share in PLN/EUR	1,67	3,32	0,38	0,77
VIII Diluted earnings per share in PLN/EUR	1,67	3,32	0,38	0,77
Stand alone financial statements of Santander Bank Polska S.A.				
I Net interest income	1 230 415	1 171 256	279 875	272 525
II Net fee and commission income	429 795	416 292	97 763	96 862
III Profit before tax	183 755	676 284	41 798	157 356
IV Profit for the period	66 708	547 369	15 174	127 360
V Total net cash flows	(2 411 373)	(7 024 636)	(548 501)	(1 634 473)
VI Profit per share in PLN/EUR	0,65	5,36	0,15	1,25
VII Diluted earnings per share in PLN/EUR	0,65	5,36	0,15	1,25

FINANCIAL HIGHLIGHTS

	PLN k		EUR k	
	31.03.2020	31.12.2019	31.03.2020	31.12.2019
Consolidated financial statements of Santander Bank Polska Group				
I Total assets	215 899 523	209 476 166	47 426 471	49 190 129
II Deposits from banks	5 392 512	5 031 744	1 184 569	1 181 577
III Deposits from customers	157 756 779	156 480 343	34 654 302	36 745 413
IV Total liabilities	188 658 010	182 496 656	41 442 350	42 854 680
V Total equity	27 241 513	26 979 510	5 984 121	6 335 449
VI Non-controlling interests in equity	1 606 437	1 547 523	352 885	363 396
VII Number of shares	102 088 305	102 088 305		
VIII Net book value per share in PLN/EUR	266,84	264,28	58,62	62,06
IX Capital ratio	16,79%	17,07%		
X Declared or Paid dividend per share in PLN/EUR	-**	19,72	-**	4,58
Stand alone financial statements of Santander Bank Polska S.A.				
I Total assets	186 977 423	181 471 487	41 073 177	42 613 946
II Deposits from banks	1 803 441	1 506 141	396 160	353 679
III Deposits from customers	146 505 331	144 760 017	32 182 706	33 993 194
IV Total liabilities	162 694 182	157 293 901	35 738 897	36 936 457
V Total equity	24 283 241	24 177 586	5 334 280	5 677 489
VI Number of shares	102 088 305	102 088 305		
VII Net book value per share in PLN/EUR	237,87	236,83	52,25	55,61
VIII Capital ratio	19,36%	19,58%		
IX Declared or Paid dividend per share in PLN/EUR	-**	19,72	-**	4,58

* Detailed information are described in Note 2.4.

** Detailed information are described in Note 36.

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

- for balance sheet items – average NBP exchange rate as at 31.03.2020: EUR 1 = PLN 4.5523 and as at 31.12.2019: EUR 1 = PLN 4.2585
- for profit and loss items – as at 31.03.2020- the rate is calculated as the average of NBP exchange rates prevailing as at the last day of each month in 2020: EUR 1 = PLN 4.3963; as at 31.12.2019 - 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 4.3018

As at 31.03.2020, FX denominated balance sheet positions were converted into PLN in line with the NBP FX table no. 063/A/NBP/2020 dd. 31.03.2020.

Overview of Santander Bank Polska Group Performance in Quarter 1 2020

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I. Basic Information about Santander Bank Polska Group and its Performance in Q1 2020

1. Key Achievements

<p>6.9% YoY increase in gross loans and advances to customers to PLN 153.2bn, including cash loans (+15.8% YoY), home loans (+5.5% YoY) and loans to enterprises and the public sector (+4.5% YoY)</p>	<p>6.8% YoY growth in deposits to PLN 157.8bn, supported by an increase in current balances from personal customers (+16.5% YoY) and from enterprises and the public sector (+26.8% YoY)</p>	<p>3.3% YoY increase in total assets</p>
<p>Dynamic sales of brokerage accounts and an increase in stock trading supported by market trends and remote technologies</p>	<p>Higher net income from currency exchange (+13.7% YoY) and brokerage services (+52.5% YoY) with a growing use of remote channels</p>	<p>1.7% YoY increase in net interest income (5.0% YoY excluding adjustments in respect of partial reimbursement of fees on early repaid consumer loans)</p>
<p>Sound liquidity position with net customer loans to deposits ratio at 93.6%</p>	<p>Group's solid capital position confirmed by capital ratios as at 31 March 2020, including total capital ratio of 16.79%</p>	<p>2.4% YoY increase in total operating expenses and a stable level on a comparative basis</p>
<p>Change of the Group's work organisation and effective adaptation to the new circumstances caused by the pandemic</p>	<p>Further development and a growing use of remote channels in the sales and after-sales processes</p>	<p>Implementation of a range of solutions to support borrowers in connection with temporary suspension of business activities and economic impact of the pandemic</p>
<p>2.6m digital customers, including 1.6m mobile banking customers</p>	<p>Increase of 88.6% YoY (to 951.5k) and 105.6% YoY (to 13m) in the number of digital cards and mobile transactions, respectively</p>	<p>7.2m customers of Santander Bank Polska S.A. and Santander Consumer Bank S.A., including 3.5m loyal customers</p>

2. Overview of Activities of Santander Bank Polska Group

Key financial data of Santander Bank Polska Group

Selected Income Statement data		Q1 2020	Q1 2019	YoY Change (%)
Total income	PLN m	2 248,5	2 242,5	0,3%
Total costs	PLN m	(1 265,3)	(1 236,2)	2,4%
Impairment losses on loans and advances	PLN m	(466,3)	(262,7)	77,5%
Profit before tax	PLN m	385,0	604,2	-36,3%
Net profit attributable to Santander Bank Polska S.A.	PLN m	170,9	339,0	-49,6%
Selected Balance Sheet data		31.03.2020	31.03.2019	YoY Change (%)
Total assets	PLN m	215 899,5	209 028,5	3,3%
Net loans and advances to customers	PLN m	147 672,9	138 667,1	6,5%
Deposits from customers	PLN m	157 756,8	147 745,9	6,8%
Total equity	PLN m	27 241,5	26 789,5	1,7%
Selected off-Balance Sheet data		31.03.2020	31.03.2019	YoY Change (%)
Net assets of Santander mutual funds ¹⁾	PLN bn	12,0	15,4	-22,1%
Selected ratios ²⁾		31.03.2020	31.03.2019	YoY Change (p.p.)
Total costs/Total income	%	56,3%	55,1%	1,2%
Total capital ratio	%	16,79%	16,47%	0,3%
ROE	%	8,5%	10,4%	-1,9%
NPL ratio	%	5,2%	4,8%	0,4%
Credit risk ratio	%	0,96%	0,81%	0,2%
Customer net loans/customer deposits	%	93,6%	93,9%	-0,3%

Key non-financial data of Santander Bank Polska Group

Selected non-financial data		31.03.2020	31.03.2019	YoY Change
Internet and mobile banking customers ³⁾	m	4,0	4,1	-0,1
Digital (active) internet and mobile banking customers ⁴⁾	m	2,6	2,4	0,2
Digital (active) mobile banking customers	m	1,6	1,4	0,2
Debit cards	m	4,2	4,1	0,1
Credit cards	m	1,2	1,3	-0,1
Customer base	m	7,2	7,0	0,2
Branches	locations	640	723	-83
Partner outlets	locations	327	297	30
Employment	FTEs	13 383	14 642	-1 259

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

2) For definitions of ratios presented in the table above, see part 3 „Selected Financial Ratios”, Chapter V “Financial Performance after Q1 2020”.

3) Registered users of Santander internet and mobile banking services. Effective from Q1 2020, more restrictive definition of this customer group is applied. The comparable number as at 31 March 2020 was 4.6m customers.

4) Active users of Santander electronic banking who at least once used the service in the last month of the reporting period. The stated numbers do not include 0.2m of active customers of Santander Consumer Bank S.A.

3. Key External Factors

Presented below are factors and events which significantly affected the Group's financial results in Q1 2020:

- Outbreak of the coronavirus pandemic resulting in significant supply and demand shocks for the global and Polish economies, pushing them towards an unexpected recession.
- In March, liquidity problems of many firms, temporary business closures, suspended production at factories, limited availability of labour because of health issues and the need to take care of children due to the closed schools and kindergartens.
- Some sectors (e.g. tourism, food and beverages, entertainment, hairdressers) brought to a temporary standstill, other businesses posting a decrease in turnover (e.g. shops).
- Unexpected interest rate cuts by the NBP, significantly decreasing the maximum allowed cost of credit.
- Precautionary behaviour of households resulting in an increased demand for cash and foreign currencies as a store of value; pressure to use payment and credit cards instead of cash for hygiene reasons.
- Further increase in both the headline and core inflation; price increases, notably food and household costs.
- Significant falls on global stock markets and big outflows from investment funds.
- Fast depreciation of the zloty and a noticeable decrease in the yield of Polish government bonds.

4. Corporate Events

Major corporate events in the reporting period

<p>KNF recommendations regarding own funds</p>	<p>Individual recommendation of the KNF regarding an increase in own funds</p> <ul style="list-style-type: none"> • On 9 March 2020, the Polish Financial Supervision Authority (KNF) issued an individual recommendation for Santander Bank Polska S.A. to increase its own funds by retaining at least 50% of its profit earned between 1 January 2019 and 31 December 2019. • The KNF confirmed that as at 31 December 2019 the bank met the basic dividend policy criteria for commercial banks for distribution of up to 100% of the profit earned between 1 January 2019 and 31 December 2019. • Having applied additional criteria due to the significant portfolio of foreign currency home mortgages held by the bank, the dividend payout ratio was adjusted by 50 p.p., which means that the maximum dividend yield could be 50% of the profit earned in 2019.
<p>Recommendation regarding profit distribution for 2019</p>	<p>Recommendation of the bank's Management Board regarding proposed profit distribution for 2019</p> <ul style="list-style-type: none"> • In its letter of 26 March 2020, the KNF stated that in view of the epidemic in Poland and its adverse impact on the economy, including on the banking sector, it expected that banks would retain their entire profits earned in the previous years irrespective of steps already taken in relation to the epidemic. The KNF also expects that banks will not take any other measures which could weaken the capital base, in particular if they go beyond the scope of the ordinary business and operational activity, unless such measures are agreed with the supervisor. • In accordance with the above-mentioned KNF letter, and having regard to changes in the macroeconomic environment, on 31 March 2020 the Management Board of Santander Bank Polska S.A. adopted a resolution recommending the retention of the bank's entire net profit for 2019 totalling PLN 2,113.5m. Accordingly, 50% of the net profit was allocated to the reserve capital and 50% was left undistributed.
<p>Impact of the NBP interest rate cuts on financial performance of Santander Bank Polska Group for 2020</p>	<p>Estimated impact of the Monetary Policy Council's decision on the Group's net interest income</p> <ul style="list-style-type: none"> • The Management Board of Santander Bank Polska S.A. publicly announced that based on its projections the Monetary Policy Council decisions on interest rate cuts of 17 March 2020 and 8 April 2020 will have a negative impact of PLN 380-450m on the Group's net interest income earned in 2020. • This impact is based on estimations only and may be revised. It will materialise gradually over the year.

Major corporate events in the reporting period (cont.)

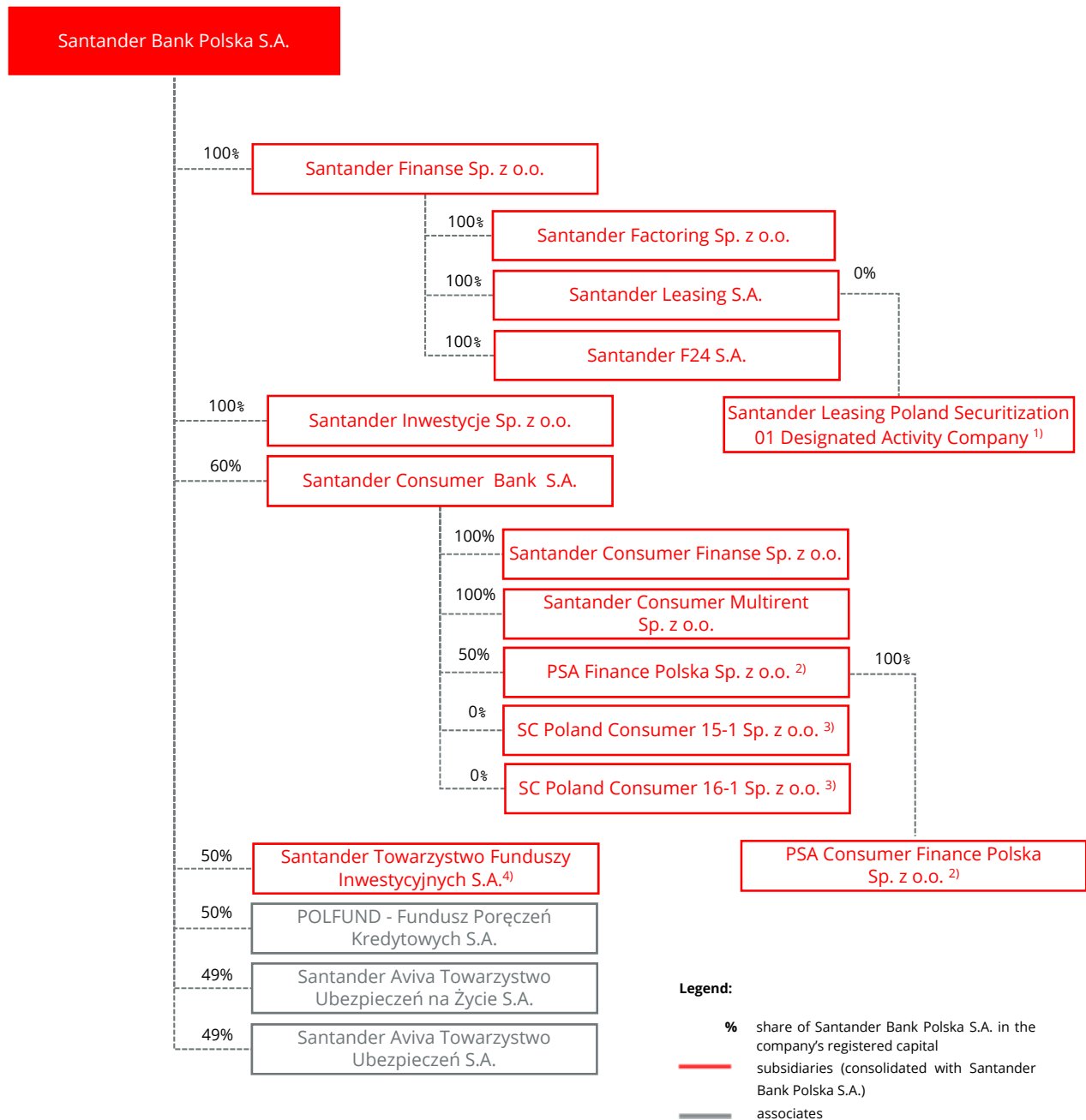
“We will double your impact” (“Podwójna moc pomagania”) charity event

Financial support for hospitals in relation to the COVID-19 pandemic

- On 25 March 2020, Santander Bank Polska S.A. launched a charity event called “We will double your impact” (“Podwójna moc pomagania”) to help health professionals fight the SARS-CoV-2 virus. The bank donated PLN 2m for medical equipment to eight hospitals and launched a fundraising initiative, declaring to double the amount donated. As at the date of approval of this report Santander Bank Polska Foundation raised PLN 5m to donate to 23 hospitals.
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5. Structure of Santander Bank Polska Group

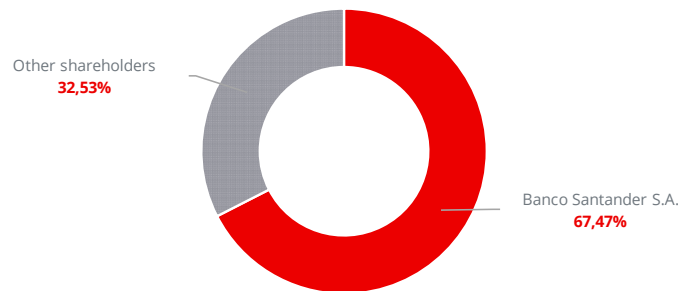
SUBSIDIARIES AND ASSOCIATES OF SANTANDER BANK POLSKA S.A. AS AT 31 MARCH 2020



- ¹⁾ 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 a lease and credit portfolio. The company does not have any capital or personal connections with Santander Leasing S.A., its parent entity.
- ²⁾ According to the Management Board of Santander Bank Polska S.A. the investment in PSA Finance Polska Sp. z o.o. is an investment in a subsidiary for the purpose of consolidated financial statements due to the fact that it is controlled by Santander Consumer Bank S.A. (directly) and Santander Bank Polska S.A. (indirectly).
- ³⁾ 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 part of SCB S.A. credit portfolio. The shareholder of each of the companies is a legal person that is not connected with the Group. The companies are controlled by SCB S.A. as they meet the conditions laid down in IFRS 10.7.
- ⁴⁾ Both owners of Santander Towarzystwo Funduszy Inwestycyjnych S.A. (Santander TFI S.A.), i.e. Santander Bank Polska S.A. and Banco Santander S.A., are members of Santander Group and hold an equal stake of 50% in the company's share capital. Santander TFI S.A. is controlled by Santander Bank Polska S.A.

6. Ownership Structure

OWNERSHIP STRUCTURE OF SANTANDER BANK POLSKA SHARE EQUITY AS AT 31.03.2020 AND 31.12.2019



Santander Bank Polska S.A. is a subsidiary of Banco Santander S.A., which held 67.47% share in the bank's registered capital and the total number of votes at the bank's General Meeting as at 31 March 2020. The remaining shares were held by the minority shareholders, of which only the funds managed by Nationale-Nederlanden Powszechno Towarzystwo Emerytalne S.A., i.e. Nationale-Nederlanden Otwarty Fundusz Emerytalny (OFE) and Nationale-Nederlanden Dobrowolny Fundusz Emerytalny (DFE) exceeded the 5% threshold according to the information held by the bank's Management Board as at the date of approval of this report.

The ownership structure of Santander Bank Polska S.A. did not change compared with the end of December 2019.

Detailed 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 2020.

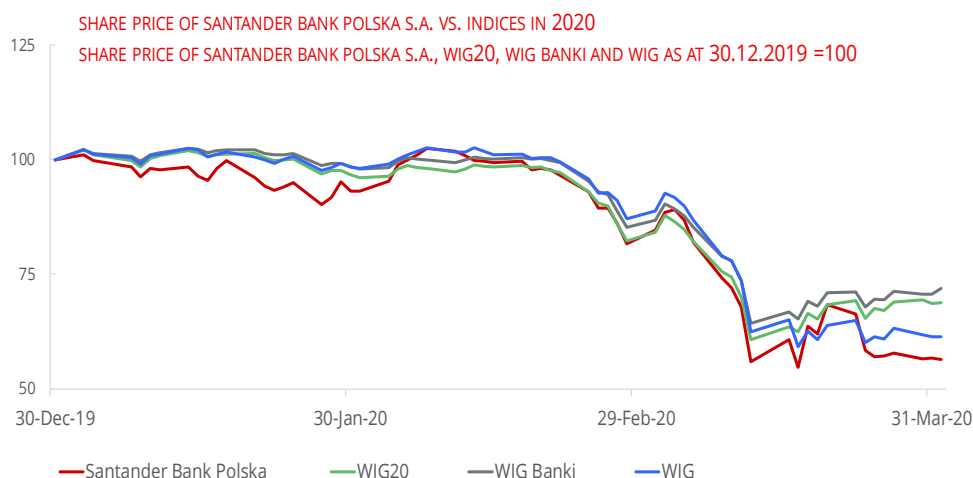
7. Share Price vs. Indices

Despite the reports from China on the spread of the SARS-CoV-2 virus, the situation in the WSE markets was stable throughout January and part of February 2020.

Poland's fight with the coronavirus started in March, which weighed heavily on share prices. The new circumstances caused uncertainty and pessimism among investors, resulting in mass sell-offs, which were limited by the central bank intervention and the rescue package. Markets were highly volatile in this period.

WIG, the broad-based index, was down 15.5% in March and 28% during the first three months of the year. Following the drop of 14.5% in March, WIG20 closed the first quarter with a loss of 29.6%. WIG-Banks, an industry index, lost 40.2% in the year to date after a fall of 29.5% in March. Banks' stock prices reacted negatively to the interest rate cut and the projected increase in the cost of credit risk in relation to the expected macroeconomic downturn.

Against this background, the share price of Santander Bank Polska S.A. fell from PLN 307.40 as at 30 December 2019 to PLN 174.10 as at 31 March 2020 and ranked third in the sector in terms of market capitalisation (PLN 17,773.6m at the end of March 2020).



II. Macroeconomic Situation in Q1 2020

Economic growth

The Polish economy finished 2019 in clear slowdown trend: in 4Q19 Polish GDP growth declined to 3.2% YoY, the lowest in three years with the biggest disappointment coming from private consumption (+3.3% YoY). In January and February industrial and construction output as well as trade balance data surprised to the upside despite still falling business confidence, giving hope that the economic slowdown would be rather smooth. However, the outbreak of the Covid-19 disease changed the economic outlook completely. The problem has been initially viewed mainly as a disruption in supply chains but when it evolved into pandemic and countries started to introduce economic and social activity restrictions (lockdowns) it became almost certain that the global economy will suffer from sharp economic contraction, caused by consumption drop, among others. The first statistical data for March signalled a clear downturn in economic growth.

Labour market

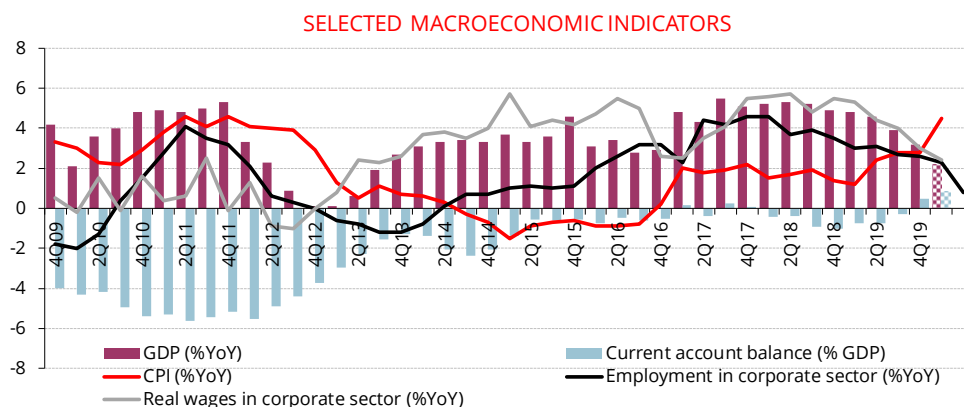
At the end of 2019, some signals of weaker labour demand emerged and wage growth faded. Rise of the minimum wage in 2020 supported the overall wages growth at the start of 2020. The unemployment rate remained at its record low level: 2.9% at the beginning of the year, according to LFS. March employment data showed the biggest monthly drop of employed in March (-34k people month-on-month) since early 90-ties. Wage growth decelerated in March to 6.4% YoY.

Inflation

In late 2019/early 2020, CPI rose faster than expected, reaching 4.7% YoY in February, and eased only slightly in March (to 4.6%). This was due to the “unfreezing” of the energy prices, further rise of food prices (7-8% YoY), strong rise of the services prices (above 6% YoY), particularly those related to household maintenance. As a result, at the start of the year the pace of price increase in Poland was the highest in the EU.

Monetary policy

At the start of 2020, the Monetary Policy Council was keeping policy unchanged, maintaining the opinion that the inflation's rise was temporary, as the GDP growth was slowing and the outlook for the global economy was highly uncertain. As late as in early March the MPC still signalled the willingness to keep interest rates unchanged and no need to launch other ways of monetary stimulation. However already on March 17 the MPC decided to relax monetary policy in emergency mode. The interest rates have been significantly reduced: reference rate by 50bp, lombard rate by 100bp while rediscount rate by 70bp; the deposit rate remained at 0.50%. Also, the reserve requirement rate got lowered to 0.5% from 3.5% while simultaneously the rate paid on those reserves increased to the height of the reference rate (then at 1.0%) from 0.5%. The central bank also launched a program to purchase Polish government bonds on the secondary market (Polish QE, without pre-announced scale and pace of purchases), use repo transactions via which liquidity to the banking system would be provided, and introduce a tool enabling banks to refinance corporate loans with the central bank (dubbed Polish TLTRO). On the scheduled meeting on April 8 the MPC further lowered rates: the reference rate to 0.5% by 50bp, lombard rate to 1.0%, deposit rate to 0.0% and rediscount rate at 0.55%. The QE program got wider in scope – bonds with the guarantee by the state treasury got included.



Credit and deposit markets

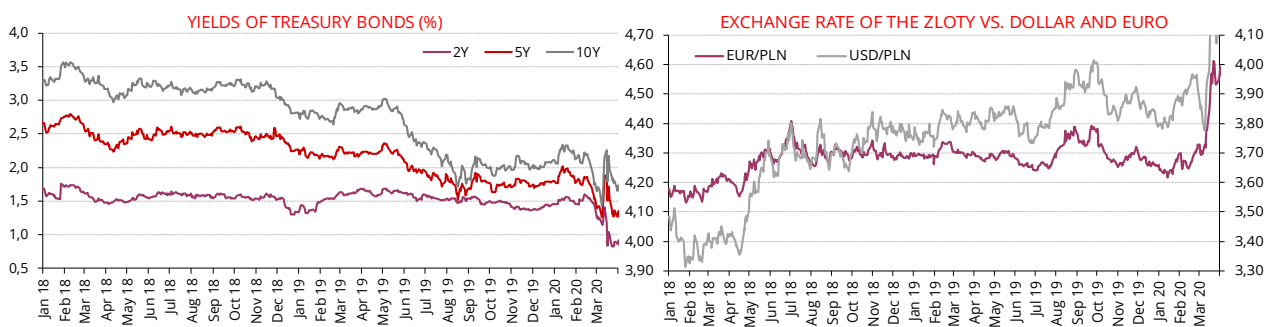
In 1Q 2020, total credit growth adjusted for exchange rate fluctuations reached 4.7% YoY vs 5.2% YoY at the end of 2019, with household loans slowing to 6.1% YoY and corporate loans to 3.2%. In household credit, two tendencies were still observed in February: further acceleration of PLN-denominated mortgage loans (to 12.7% YoY in March) and a gradual decline of consumer loans growth: from over 9% YoY to 6.6% in the last six months. The total deposits growth accelerated to 10.5% YoY in March (from 8.5% at the end of 2019) thanks to a visible acceleration in corporate deposits (from 4Q 2019 average of 8% YoY to above 18% in March) and amid stable growth of household deposits (9.2% YoY in March vs. 9.3% in December 2019). The rise in deposits was still triggered solely by current account balances (up 21% YoY in March).

Financial markets

The outbreak of the new coronavirus in China and its subsequent fast worldwide spreading caused market shock as investors started to price in a recession scenario due to the precautionary measures introduced in many countries to end the pandemic. As a consequence, global stock indexes and commodity prices plummeted to their multi-month/year lows, emerging market currencies depreciated sharply and bond yields dropped meaningfully. The COVID-19 has infected all major developed economies which prompted the central banks and countries to act decisively. Interest rate cuts have been delivered worldwide (with the Fed trimming rates to 0%) and asset purchase programs have been launched/expanded. Countries announced fiscal expansion in order to preserve workplaces. In mid-March, the global market mood stabilized and even improved somewhat as investors focused on the information that the COVID-19 epidemic is losing momentum in some regions of the world and that governments and central banks announced further measures to limit the scale of the economic recession. Also, some countries already started to consider easing of the lockdown restrictions.

In Q1 2020, Polish bond yields declined. The 10Y tenor fell from 2.15% at the start of the year to 1.68% at the end of quarter, with a high of 2.35% in early January and low at 1.45% in March. The 2Y tenor declined by even more than that to 0.925% and hence the 2x10 steepness increased by 10bp to 77bp. Polish bonds were supported by plethora of factors, both external and local ones. As for the external ones, the coronavirus-induced unprecedented global slowdown resulted in main central banks' policy responses in the form of cuts to main rates and/or liquidity and QE program. As for the local factors the front end of the yield curve was supported by NBP 50bp rate cut in March and expected injection of additional liquidity in the banking system. The long end of the yield curve was capped by the launch of NBP QE program which succeeded in stabilizing and lowering yields despite the much increased POLGBs supply this year (maybe even more than PLN130bn). Spread to German curve was volatile (high at 280bp, low at 212bp) but in the end narrowed a 20bp and closed the quarter at 215bp.

The worldwide risk aversion hit the Polish currency. The scale of the zloty's depreciation in 1Q 2020 may look substantial, but when compared to the Emerging Markets universe, the EUR/PLN was around the middle of the pack. Some currencies lost much more, and it seems that being a commodity exporter might have generated additional negative pressure. In 1Q 2020, EUR/PLN rose by 6.9% (temporarily reaching 4.63, its highest since mid-2009), USD/PLN by 9% (quarterly peak at 4.30, its highest since 2H2001), CHF/PLN by 9.6% (in the last five years, the exchange rate was higher only in early 2015 then the SNB removed EUR/CHF 1.20 floor causing sharp franc appreciation), GBP/PLN by 2.6%.



III. Business Development in Q1 2020

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

Strategic long-term goal

The strategic goal of Santander Bank Polska Group is to help customers prosper by gaining a better understanding of their needs and providing them with tailored products and services. The Group strives to provide unparalleled services to increase customers' loyalty and satisfaction, which largely determines the income generated by the Group and its position in the banking sector.

The main development directions arising from the Group's overarching goal are presented in the tables below in the subsections on individual business segments.

Measures connected with the COVID-19 pandemic

In March 2020, the Group's priorities and focus areas changed due to the spread of the SARS-CoV-2 virus. The most important issue was to ensure the safety of employees and customers, whilst maintaining the continuity of business and services. This required reorganisation of the Group's operations and posed a significant IT challenge. Presented below are the key solutions implemented in connection with the pandemic:

Safe work environment and support for employees:

- The organisation of work changed as follows:
 - ✓ Employees from units which can remotely deliver all their business processes switched to working from home.
 - ✓ The working time of branch staff was shortened from eight to six hours, of which five hours were dedicated to direct customer service. The bonus schemes of branch employees were adjusted to the current circumstances.
 - ✓ Vulnerable employees (people above 55 years of age with underlying conditions) were assigned to other tasks than customer service.
 - ✓ A remote recruitment process was implemented.
- The bank launched extensive coordinated communication campaigns for employees:
 - ✓ Regular updates sent via traditional and dedicated channels (such as intranet sites: "Coronavirus" and "Extreme Ownership", newsletters and mailings).
 - ✓ Regular feedback from employees used to deliver the next communication initiatives.
- Employees were offered additional forms of support in accordance with their diverse needs, such as:
 - ✓ External psychological support provided via chat or phone to help staff cope with stress.
 - ✓ Online consultation with HR experts on HR issues during the pandemic.
 - ✓ "Extreme Ownership" intranet site set up to provide managers with best practice and guidelines on how to manage virtual teams and handle stress during the crisis.
- Measures taken in relation to Branch Banking:
 - ✓ regular supply of protective equipment to branches;
 - ✓ disinfection of all open branches and their ATMs;
 - ✓ implementation of a new incentive scheme along with suspension of existing sales plans;
 - ✓ reporting on availability of branches and presentation of relevant information online, including in social media and at www.santander.pl/koronawirus;
 - ✓ regular updates provided to customer advisors about changes to the organisation of work during the pandemic (coordination of communication with sales network, prompt response to internal communication needs, set-up of a dedicated website with key information for branch staff).

Support for customers

- Sales campaigns were reviewed, as a result of which campaigns requiring a branch visit were suspended, other existing campaigns were modified and new initiatives were launched to promote remote channels.
- An option to sign a personal or business account agreement via a courier was temporarily suspended for the sake of safety of customers and employees.
- The limit of contactless payments without a PIN was increased from PLN 50 to PLN 100 for holders of debit and credit cards (March 2020).
- An extensive communication campaign was launched to inform customers about changes in the organisation of branch work and support for borrowers, and to encourage them to use remote channels (including free-of-charge ATMs across Poland and contactless payments up to PLN 100). The messages addressed to business customers additionally included information about rules of PLN and FX cash transactions, e-guarantees available via electronic channels and support for businesses. A special information campaign was addressed to older people.
- In relation to the COVID-19 pandemic, Santander Bank Polska Group implemented temporary solutions to support borrowers from personal, SME, business and corporate segments:
 - ✓ an option to apply via remote channels for deferral of capital repayments on cash loans and mortgage loans for three or six months;
 - ✓ automatic two-month extension of SME business overdrafts due for renewal in the next three months (available since 17 March 2020); and a possibility for large companies to apply for such extension without additional fees and charges as part of a simplified lending procedure;
 - ✓ an option for business customers to apply for an interest-only period of up to 6 months on credit, factoring and lease agreements;
 - ✓ waiver of a management fee and a fee for failure to ensure the declared inflows previously charged from SME customers;
 - ✓ further improvements to simplify lending to businesses, including submission of documents.
- Other solutions are mainly addressed to SME customers and include:
 - ✓ waiver of fees on Business Accounts Worth Recommending on condition of payment of social insurance contributions from that account;
 - ✓ a possibility to order a payment terminal via remote channels and use it free of charge until the end of June 2020 as part of Non-Cash Payments Initiative.
- The bank provided financing for business customers with preferential collateral provided by the EU or domestic institutions (e.g. higher de minimis guarantees available on more attractive terms; guarantees from the BGK Liquidity Guarantee Fund covering up to 80% of a business loan amount).
- In view of an increased use of electronic banking services, strong focus was placed on further development of remote channels, notably iBiznes24.

Risk Management

The bank regularly monitors developments connected with the spread of the coronavirus and promptly responds to dynamic changes to reduce any risks to employees and customers. It takes preventive measures, including campaigns addressed to customers and employees to increase their awareness of cyber risk. It also closely monitors the areas exposed to fraud risk. Alongside this, the bank develops processes that increase access to banking services via remote channels (phone, internet), whilst ensuring that the services are safe and user friendly. This allows the bank to maintain full business continuity.

As part of credit risk management, the Group closely monitors the current economic environment and trends in the credit portfolios. Due to uncertainty as to further developments related to the COVID-19 pandemic, particularly the economic slowdown and effects of financial stimulus package, the Group raised an additional impairment provision for the expected credit losses in the amount of PLN 119m as a post-model adjustment. Details of the adjustment are provided in Notes 2 and 9 of the "Condensed Interim Consolidated Financial Statements for the 3-month period ended 31 March 2020".

When implementing new solutions to support borrowers, the Group closely monitors and adheres to the guidelines issued by the Polish and European banking supervision authorities, taking a prudent approach to ensure security for the bank's deposit customers.

1.1. Retail Banking Division

Main development directions

In Q1 2020, the strategic activities of the Retail Banking Division focused on:

- Creating an outstanding experience for customers (e.g. by launching new projects to improve credit processes for retail customers) and employees (e.g. by improving the work environment of advisors and implementing a new communication portal).
- Simplifying and digitalising products and processes.
- Acquiring new customers and growing business, mainly in digital channels.

Development of selected business areas

The table below presents the performance of individual product lines of the Retail Banking Segment (personal and SME customers) in the reporting period:

Personal customers

Product line for personal customers	Activities in Q1 2020
Cash loans	<ul style="list-style-type: none"> • In March 2020, the bank launched a range of special deals to encourage customers to sign up for cash loans via remote channels: 2nd edition of "Online cash loan with 0% fee and insurance" ("Kredyt gotówkowy online z prowizją 0% i ubezpieczeniem"), 3rd edition of "Cheap online loan" ("Tani kredyt online"), "Online cash loan – worth your while" ("Kredyt gotówkowy – warto online"), 5th edition of "Lower instalment" ("Lżejsza rata"). • In Q1 2020, the cash loan sales of Santander Bank Polska S.A. totalled PLN 2.0bn, up 10.2% YoY. 31.2% of cash loans were delivered via remote channels, compared with 24.2% over the same period last year. • The cash loan portfolio of Santander Bank Polska S.A. was up 20.6% YoY and totalled PLN 14.7bn at the end of March 2020.
Mortgage loans	<ul style="list-style-type: none"> • In February 2020, Santander Bank Polska S.A. modified its mortgage pricing policy to encourage customers to have a higher own contribution when buying a property. Both variable and fixed interest rates on mortgage loans were linked to LTV and the highest margin/interest rate is charged on mortgage loans with LTV above 80%. • In Q1 2020, the value of new mortgage loans totalled PLN 1.4bn, down 4.2% YoY. The gross mortgage portfolio grew by 5.7% YoY to PLN 50.6bn as at 31 March 2020. The value of PLN mortgage loans amounted to PLN 40.4bn, up 7.0% YoY.

Product line for personal customers	Activities in Q1 2020 (cont.)
Personal accounts and bundled products, including:	<ul style="list-style-type: none"> • The internet banking functionality was expanded to include an option for parents to open an account for children up to 13 years of age. It is a savings and settlement account without a card or access to internet or mobile banking, which helps children learn how to manage and save money. • On 1 February 2020, the bank launched the 6th edition of the Referrals Programme, which awards both the person who recommends a personal account with Santander Bank Polska S.A. and the person who opens it. • The number of PLN personal accounts grew by 5.0% YoY and reached 3.8m as at 31 March 2020. The number of Accounts As I Want It (the main acquisition product for a wide group of customers) was 1.9m. Together with FX accounts, the personal accounts base totalled nearly 4.7m.
<p>➤ Payment cards</p>	<ul style="list-style-type: none"> • In Q1 2020, the bank ran a number of promotional campaigns to support sales of credit cards to personal customers: <ul style="list-style-type: none"> ✓ Until the end of January, the bank offered a special deal called “Gain up to PLN 90 with a credit card” (“Zyskaj 90 zł z kartą kredytową”) to celebrate the 20th anniversary of credit card issuance. ✓ On 1 February, two promotions were launched: <ul style="list-style-type: none"> ▪ “Mastercard credit card on special offer” (“Karta kredytowa Mastercard w promocji”) that can be signed up for in remote channels and is available free of charge during the first two years; ▪ “PLN 800 with VISA credit card” (“800 zł z kartą kredytową VISA”) offering cashback on transactions made during 12 months and prizes for signing an agreement on an additional card and a mobile card. • As at 31 March 2020, the volumes of key payment cards offered by Santander Bank Polska S.A. were as follows: <ul style="list-style-type: none"> ✓ The personal debit card portfolio (excluding prepaid cards) comprised more than 3.9m cards and increased by 2.4% YoY. Taking business cards into account, the total number of debit cards reached 4.2m, up 3.2% YoY. ✓ The credit card portfolio included 801.1k instruments, a decrease of 7.1% YoY. ✓ The number of digital cards used to make HCE, Google Pay, Garmin Pay and Apple Pay mobile payments added up to 951.5k (up 88.6% YoY).
Deposit and investment products, including:	<ul style="list-style-type: none"> • In Q1 2020, the bank’s priority in terms of management of deposit and investment products was to provide an offering that suits the needs of customers from different segments and to maintain profitability of the deposit and investment portfolio in the volatile financial market environment.
<p>➤ Deposits</p>	<ul style="list-style-type: none"> • The savings account continued to be the most popular product among personal customers. The account comes in a number of options which are tailored to individual customer segments. <ul style="list-style-type: none"> ✓ On 2 March 2020, the existing range of savings accounts, namely the Regular Savings Account for Standard and Premium customers and the Private Banking Savings Account for Private Banking customers, was expanded to include the Select Savings Account for Select customers. The new account is available on preferential terms as part of the offer called “We reward active customers” (“Doceniamy aktywnych”): customers who make a stated number of transactions earn higher interest rate of 1.30% per year on balances up to PLN 400k. • On 2 March 2020, the bank launched a special deal for deposit customers which can open a bonus deposit account with a higher interest rate provided that they sign an agreement on a VISA credit card and use it actively. Customers who sign up for the promotion called “Earn as much as 1.80% p.a. on a deposit account with a credit card” (“Nawet 1,80% w skali roku na lokacie z kartą kredytową”) can additionally benefit from the “PLN 800 with a VISA credit card” special deal.

Product line for personal customers	Activities in Q1 2020 (cont.)
<p>➤ Deposits (cont.)</p>	<ul style="list-style-type: none"> • In Q1 2020, the deposit proposition of Santander Bank Polska S.A. was reviewed and adjusted to the new market rates. <ul style="list-style-type: none"> ✓ On 2 March 2020, the bank reduced interest rates on selected savings and personal accounts. ✓ On 25 March 2020, the bank lowered interest rates on all personal term deposits in PLN, USD and GBP, after the Polish Monetary Policy Council decided to reduce the reference rate by 0.5p.p. on 17 March 2020 and after the Federal Reserve and the Bank of England announced interest rate cuts in March. • As at 31 March 2020, total deposits from retail customers amounted to PLN 88.9bn, up 7.6% YoY. Current account balances increased by 16.8% YoY to PLN 66.4bn, including PLN 30.5bn worth of savings account balances (up 10.8% YoY). As a result of interest rate optimisation, term deposits decreased by 12.8% YoY to PLN 22.4bn.
<p>➤ Investment funds</p>	<ul style="list-style-type: none"> • In Q1 2020, the total net sales of investment funds managed by Santander TFI S.A. were negative due to mass redemptions of investment fund units observed in March 2020 as a result of the pandemic (in January and February 2020, positive net sales were reported). The largest outflows were recorded by corporate bond funds. • As at 31 March 2020, the total net assets of investment funds managed by Santander Bank Polska S.A. were PLN 12.0bn and decreased by 29.0% QoQ and 21.8% YoY as a result of an unprecedented outflow of funds and fall in asset prices across financial markets in March. • In Q1 2020, the investment funds managed by Santander TFI S.A. introduced a number of changes in terms of fees management: <ul style="list-style-type: none"> ✓ On 1 January 2020, Santander FIO, an open-end investment fund, lowered management fees in relation to five sub-funds. ✓ Fees for management of the Employee Capital Plans were permanently reduced (starting from the year in which the target date falls), which together with zero performance and conversion fees made it one of the most attractive offers of this kind in the market. ✓ A special deal on Santander FIO and Santander Prestiż SFIO funds was launched on 16 March 2020, as part of which customers can purchase, redeem and convert investment fund units free of charge.
<p>➤ Brokerage services</p>	<ul style="list-style-type: none"> • In Q1 2020, Santander Brokerage Poland reported the following growths in business volumes: <ul style="list-style-type: none"> ✓ The number of brokerage accounts grew by 445% YoY and the number of active investors increased by 60% YoY as customers were offered an option to open a brokerage account via Santander internet (in a Buy-by-Click formula) and to start investing via the remote channels. This was also an effect of a successful promotional campaign and an increased capital market volatility caused by the coronavirus pandemic. ✓ The value of investments in foreign markets went up by 375% YoY after a simple order placement process had been put in place (along with automatic conversion without the need to hold foreign currency) and expert analyses on foreign instruments had been made available to customers. • The functionality of the Inwestor mobile application was expanded to include biometrics and transfers to predefined accounts held by customers with other financial institutions or to other own accounts maintained by Santander Brokerage Poland. • Santander Brokerage Poland was awarded by the Warsaw Stock Exchange for the highest share in the index options trading without market-making in 2019.
<p>Bancassurance</p>	<ul style="list-style-type: none"> • In Q1 2020, income from bancassurance was generated mainly on the basis of the following products: individual insurance packages for cash loan borrowers (Życie, Życie+, Praca), insurance package for business loan borrowers (Biznes Gwarant life insurance), Opiekun Rodziny life insurance and Locum/ Locum Comfort home insurance. • Premiums on insurance linked with the bank's products increased by 19% YoY on account of credit protection insurance, which was an effect of higher cash loan sales. • Meanwhile, sales of non-linked insurance products decreased YoY due to lower sales generated in March due to the COVID-19 pandemic.

Small and medium-sized customer (SME) segment

Product line for SMEs	Activities in Q1 2020
Business accounts and bundled products	<ul style="list-style-type: none"> On 2 March 2020, the bank provided personal customers with a possibility to set up a sole proprietorship along with a business account via Santander internet. A range of special offers were made to encourage customers to use the bank's products and services: <ul style="list-style-type: none"> ✓ The bank continued with the "Promotion for Businesses" ("Promocja dla Przedsiębiorców") in the remote channels (e-request, electronic banking platform and the Multichannel Communication Centre), as part of which customers were exempt from selected business account fees for 24 months and could get cashback if they made certain operations. ✓ Customers using inFakt accounting services were encouraged to set up a business account as part of the "Promotion for Businesses" and to activate e-Accounting in the Moja Firma electronic banking services. ✓ The bank launched the fifth edition of the special deal called "I got a Six" ("Dostałem Szóstkę") for new and existing customers who sign a payment terminal agreement, offering them a possibility to use the terminal free of charge during a specific period provided that they fulfil certain conditions.
Business loans	<ul style="list-style-type: none"> On 14 January 2020, the range of credit facilities was expanded to include Business Express Loan for Professionals up to PLN 500k.
Lease	<ul style="list-style-type: none"> In Q1 2020, Santander Leasing S.A. financed fixed assets of PLN 1.2bn (+5% YoY), including vehicles, and machines and equipment. In the reporting period, the company issued two series of bonds with a variable interest rate: <ul style="list-style-type: none"> ✓ series D bonds of PLN 440m with the maturity date of 10 March 2021; ✓ series E bonds of PLN 550m with the maturity date of 4 December 2020. In March 2020, Santander Leasing S.A. signed an annex to the securitisation agreement of December 2018 providing for a EUR 100m increase in financing. Accordingly, Santander Leasing Poland Securitization 01 DAC, a special purpose vehicle, issued bonds of EUR 330m which were secured by a registered pledge on cash flows from the securitised assets. Further to this, the subordinated loan granted by Santander Leasing S.A. was increased to EUR 122.3m. The bonds bear an interest rate based on 1M EURIBOR and mature in March 2036.
Deposits	<ul style="list-style-type: none"> On 25 March 2020, Santander Bank Polska S.A. lowered interest rates on selected business term deposit accounts in PLN, USD and GBP, after the Polish Monetary Policy Council decided to reduce the reference rate by 0.5 p.p. on 17 March 2020 and after the Federal Reserve and the Bank of England announced interest rate cuts in March.

1.2. Business and Corporate Banking Division

Main development directions

In Q1 2020, as in the previous periods, the Business and Corporate Banking Division focused on developing comprehensive customer services, particularly in the areas which build competitive advantage in the value chain, including:

- proposition for selected sectors
- digitalisation of processes and products for the corporate segment
- effectiveness of risk management processes
- development of electronic banking channels as well as CRM and Big Data tools.

Development of selected business areas

Presented below are the main focus areas of the Business and Corporate Banking Segment in Q1 2020.

Development direction	Activities in Q1 2020
Development of the product offering and service processes	<ul style="list-style-type: none"> • Extension of the range of products and services for shared customers of Private Banking and Business and Corporate Banking segments. • Strong focus on standardisation and simplification of the credit process for customers. • Further implementation of Standard Credit Facilities, i.e. solutions enabling process improvements such as shortening the time-to-yes and time-to-cash. • Creating value for customers by providing expertise, facilitating B2B networking and offering tools and products to support delivery of business plans. • Award from Bank Gospodarstwa Krajowego for the highest sales of loans secured by Biznesmax guarantees in Poland (45% share in the market). • Regular customer satisfaction surveys.
Financing for customers	<ul style="list-style-type: none"> • Arrangement of a syndicated loan of PLN 180m for a group from the energy sector, with Santander Bank Polska S.A. acting as the Facility and Security Agent with the biggest share in the deal (40%). • Disbursement of the first tranche of a syndicated loan granted by four banks to finance an office scheme in Warsaw with the total leasable area of 78.3k sqm. The total lending amount is EUR 162m (plus PLN 20m of VAT financing) and Santander Bank Polska S.A. acts as the Facility Agent.
Cross-segment expertise-based sector approach	<ul style="list-style-type: none"> • Further support for the process of building expertise within the organisation and among customers. ✓ Regular publication of reports on strategic sectors (automotive/ TFL, food/ FMCG, industrial production, windows & doors and services) and participation of the bank's experts in industry meetings. ✓ Publication of market commentaries and periodical reports providing an overview of respective sectors.
Activities supporting trade finance	<ul style="list-style-type: none"> • Further development of the platform enabling exporters and importers to share their knowledge and experience and establish relationships with new business partners. • Continuation of a series of business breakfasts organised by the Foreign Trade Office (Szczecin, Zielona Góra, Gdańsk, Kalisz) for around 100 existing and prospective customers (thematic panels included Santander Trade Portal, financing solutions offered together with the Treasury Services Department and Santander Factoring Sp. z o.o., International Business and Google).

Development direction	Activities in Q1 2020 (cont.)
Activities supporting foreign expansion of Polish exporters	<ul style="list-style-type: none"> • Further support for foreign expansion of Polish exporters and foreign investors in Poland leveraging the global footprint of Santander Group (facilitation of networking through B2B meetings and foreign trade missions). • Active participation of representatives of the International Banking Office in the following meetings: <ul style="list-style-type: none"> ✓ Go Poland (January 2020) organised in Porto (Portugal) by the Polish–Portuguese Chamber of Commerce to promote Poland, present legal and tax aspects of investing in Poland and facilitate networking between Polish and Portuguese companies; ✓ business seminar called “New investment opportunities in the Dolnośląskie and Świętokrzyskie Provinces” organised in February 2020 in Madrid by the Polish–Spanish Chamber of Commerce and the Spanish Confederation of Employers’ Organisations (CEOE) in partnership with Santander Bank Polska S.A. to present the investment potential of the above regions, legal and tax aspects of doing business in Poland, the banking sector and products and services of Santander Bank Polska S.A.; ✓ annual conference of members of the Polish–Portuguese Chamber of Commerce hosted by Santander Bank Polska S.A. in Warsaw in February 2020, including networking meetings and presentation of macroeconomic forecast for 2020 by the Head of the Economic Analysis Department, taking into account the impact of COVID-19 on the global economy; ✓ meeting between Polish companies and the Undersecretary of State at the Ministry of Finance organised by the Polish–German Chamber of Commerce in March 2020 with the participation of the representatives of the Business and Corporate Banking Division to discuss changes in the tax system, new taxes, withholding tax, tax scheme reporting, instruments supporting innovation and entrepreneurship and impact of COVID-19 on the Polish and German economy, and to facilitate networking between participants.
Focus on development of the iBiznes24 platform	<ul style="list-style-type: none"> • Further development of iBiznes24 with a particular focus on: <ul style="list-style-type: none"> ✓ Improvement of system performance through a range of enhancements aimed to eliminate downtimes and slowdowns. ✓ Implementation of changes required by law (e.g. individual payer’s account). ✓ Launch of NPS transactional survey for electronic banking users. • Stronger focus on remote services (remote training/maintenance visits, promotion of remote solutions such as eGuarantee).
Factoring business	<ul style="list-style-type: none"> • During the first three months of 2020, the receivables purchased by Santander Factoring Sp. z o.o. came in at PLN 7.4bn, up 5.9% YoY, which gave the company a market share of 10.4% and the fourth position in the ranking of members of the Polish Association of Factoring Companies. • As at the end of March 2020, the company’s credit exposure was PLN 6bn, up 17.4% YoY. • On 30 January 2020, Santander Factoring Sp. z o.o. issued series G bonds of PLN 620m, with an interest rate based on 1M WIBOR and the maturity date of 30 July 2020.

1.3. Corporate and Investment Banking Division

Main directions

The Corporate and Investment Banking Division (CIB) helps customers prosper and enhances their positive experience by focusing on service quality, market position and staff development.

Service quality	Service quality is continually improved through customisation, digitalisation and diversification of the product range.
Market position	The bank steadily strengthens its market position through a range of activities, ensuring top ranking positions of its strategic products and services.
Staff development	The bank’s employees pursue their professional careers in accordance with the Group’s values, taking advantage of experience-sharing opportunities in an international work environment.

As at 31 March 2020, the CIB Division provided end-to-end services to nearly 250 of the largest companies and groups in Poland. It also rendered services to corporations within the integrated international Corporate and Investment Banking structures of Santander Group and cooperated with Group units in terms of transactions in debt securities.

Performance of selected areas

In Q1 2020, individual units of the Corporate and Investment Banking Division focused on the initiatives presented below.

Unit	Key activities in Q1 2020
Credit Markets Department	<ul style="list-style-type: none"> • High level of business activity. Execution of transactions arranged in 2019 and early 2020 despite the COVID-19 outbreak. • Completion of a number of new deals such as five bond issues, financing asset acquisition and sale, syndicated lending and receipt of a mandate for debt-related advisory services. Among the most noteworthy are the following: <ul style="list-style-type: none"> ✓ Co-arrangement of the first green bond issue in Poland of PLN 1bn among non-financial entities ✓ Acting as a Joint Bookrunner of EUR 1.5bn Eurobond issue with negative yield for a state entity issuer. It was the first transaction of this kind outside the Eurozone and for a <AAA country • Active management of the credit portfolio through the sale of selected exposures. • Deceleration of business growth at the end of March reflected in a lower number of early-stage transactions, yet still relatively high potential for transactions in the defensive sectors such as TMT and renewable energy, notably as part of project finance and syndicated lending. • Handling ad-hoc transactions under a personalised approach (bridge financing, short-term liquidity support).
Capital Markets Department	<ul style="list-style-type: none"> • Good performance in the M&A and ECM markets thanks to the completion of transactions arranged in 2019. Record high number of deals closed in March. • The major transactions concluded: <ul style="list-style-type: none"> ✓ Acting as Sole Intermediary Broker and Financial Advisor in a PLN 5.3bn public tender offer, the second largest tender offer in the history of Polish capital market and the biggest one in 9 years. ✓ Carrying out the first IPO on the Warsaw Stock Exchange since April 2019 despite very difficult market conditions caused by the coronavirus pandemic. • Suspension or slowdown of work on selected early-stage transactions by investors.
Global Transactional Banking Department	<ul style="list-style-type: none"> • Strong focus on trade finance, particularly export financing and cooperation with KUKE. • Business trends observed: <ul style="list-style-type: none"> ✓ Decrease in term deposits, partially offset by an increase in deposit margins and current account balances. ✓ Significant reduction in payment cash flows. ✓ Available limits for committed and uncommitted revolving credit facilities in connection with the expected higher demand from customers.
Financial Markets Area	<ul style="list-style-type: none"> • Launch of the brokerage infrastructure to support services for business customers, starting from implementation of a new market-making system based on one of the best solutions available in the equity market. • Issuance of 51 recommendations and organisation of the 2020 CEE Equity Outlook conference for institutional investors, attended by several dozens investment and pension fund managers. • Continuous development of the Kantor Santander currency exchange platform to provide unparalleled customer experience (longer operating hours, new features facilitating the use of the platform). • Design of a new single-platform portal for the bank's analytical products in partnership with Santander Group units to provide business customers with access to products of all regions in which Santander Group operates.

2. Business Development of Santander Consumer Bank Group

Main development directions

- In Q1 2020, Santander Consumer Bank Group focused on five strategic priorities:



Measures connected with the COVID-19 outbreak in Poland

- In March 2020, the bank redefined its priorities and focused on modifying sale processes due to the COVID-19 pandemic.
- Customers who signed credit agreements before 25 March 2020 were provided with a possibility to apply for a payment holiday on cash loans, instalment loans, mortgage loans and car loans (except for loans with a balloon instalment). Capital payments are suspended and the last instalment is postponed by three months (apart from car and mortgage loans, which mature as initially agreed).
- Customers were encouraged to bank via remote channels such as a mobile application and internet banking and were informed about shorter operating hours of branches.
- The limit of contactless transactions with credit cards was increased to PLN 100 and customers were encouraged to use cards to make online transactions.
- The bank supported its trade partners in shifting from traditional to online sales.

Development of selected business areas

The table below summarises the performance of individual product lines of Santander Consumer Bank Group in the reporting period:

Product line	Activities in Q1 2020
Loans	<ul style="list-style-type: none"> At the start of the year, the bank launches sales of two new Banking Services Packages which complement the cash loan and consolidated loan offer, providing such features as deferral or change of the payment date. Existing and prospective customers were offered a possibility to sign an online cash loan agreement. The bank modified pricing of cash loans and consolidated loans, increasing the range of arrangement fees. The interest rates were adapted to the reduced NBP reference rate. As at 31 March 2019, net loans and advances granted by Santander Consumer Bank Group amounted to PLN 17.2bn and were 7.1% higher YoY, largely due to an increase in balances of cash loans, installment loans and w/c loans as well as growth in new car leases for business customers.
Deposits	<ul style="list-style-type: none"> As at 31 March 2020, deposits from customers of Santander Consumer Bank Group totalled PLN 10.0bn and increased by 11.5% YoY. In January, the bank reduced interest rates on retail deposits in line with market rates. The bank continues to promote term deposits with tenors of one to three years. Due to the COVID-19 pandemic lockdown, branch sales declined in the second half of March, while sales in the remote channels went up.
Debt sale	<ul style="list-style-type: none"> In March 2020, Santander Consumer Bank S.A. sold the written-off portfolio of cash loans, instalment loans and car loans of PLN 282.5m, with a P&L impact of PLN 28.7m gross (PLN 23.3m net).
Other	<ul style="list-style-type: none"> In Q1 2020, the bank extended the cooperation agreement with Suzuki Motor Poland regarding stock financing for Suzuki dealerships and exclusive participation in Suzuki Finance programme which supports retail car sales.

IV. Organisation and Infrastructure Development

1. Human Resources

Employment

As at 31 March 2020, the number of FTEs in Santander Bank Polska Group was 13,383 vs. 13,642 as at 31 December 2019. These headcount figures include 10,630 FTEs of Santander Bank Polska S.A. (10,726 as at 31 December 2019) and 2,287 FTEs of Santander Consumer Bank Group (2,452 as at 31 December 2019). The decrease of 1.9% YoY in employment in Q1 2020 was caused by collective redundancies in 2019, i.e. termination of employment agreements with employees for whom 31 December 2019 was the last day of work.

Changes to the Group's employment levels result from ongoing transformation of the business model through digitalisation, continued migration of sales and banking services to remote distribution channels and gradual implementation of technological and organisational solutions increasing operational efficiency. The Group's objective is to allocate the maximum resources to grow business and build competencies, which involves steady reduction of branch headcount and increase in staffing levels of business support areas. The HR processes are delivered based on natural employee attrition, taking into account present business needs and market conditions.

Selected HR Initiatives

The Business Partnership Division steadily simplified and improved internal processes to enhance positive employee experience. One of the key projects delivered in the last quarter was the integration of functionalities of various systems into a single application: HR Portal. Users of mobile corporate email were provided with access to that portal via mobile phones. Further to this, the car lease offer for employees was expanded to include new makes.

In March 2020, the bank introduced a new solution for employees called Symmetrical: a salary advance based on the number of days worked during the month. Employees can initiate the process using a simple application and the money is quickly transferred to their accounts.

As part of extensive measures connected with the COVID-19 pandemic, a range of solutions were put in place in March 2020 to provide support to employees and maintain a safe work environment in the new circumstances. For details, see Chapter III "Business Development in Q1 2020".

2. Distribution Channels

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

Basic Statistics on Distribution Channels

Santander Bank Polska S.A.	31.03.2020	31.12.2019	31.03.2019
Branches (location)	501	515	571
Partner Outlets	132	134	124
Business and Corporate Banking Centres	19	19	18
ATMs and CDMs (unifunctional)	762	777	840
Dual Function Machines	935	923	906
Registered internet and mobile banking customers (in thousands) ¹⁾	3 988	4 424	4 126
Digital (active) internet and mobile banking customers (in thousands) ²⁾	2 607	2 510	2 401
Digital (active) mobile banking customers (in thousands) ³⁾	1 647	1 577	1 396
Registered iBiznes24 companies ⁴⁾ (in thousands)	19	18	17

1) In Q1 2020, a narrower definition of electronic banking users was adopted. The comparable number (compliant with the previous definition) as at 31 March 2020 was 4 559 customers.

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

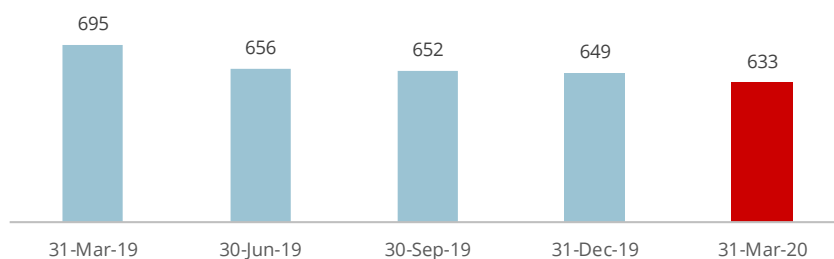
3) Number of active users of the Santander mobile service.

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

Branch network

In Q1 2020, the number of branches of Santander Bank Polska S.A. declined by 14 to 501 at the end of March 2020. The number of partner outlets was reduced by 2 to 132 in the same period. In March 2020, the bank launched the ninth Santander Zone in the Pasaż Grunwaldzki shopping centre in Wrocław and more such venues are about to open. The main objective of Santander Zones is to acquire customers through the sale of personal accounts in a remote, paperless process and to promote Santander brand among customers.

NUMBER OF BRANCHES AND OUTLETS OF SANTANDER BANK POLSKA S.A.
BY QUARTER IN YEARS 2019-2020



ATMs

In Q1 2020, the bank continued to install recyclers, i.e. dual function ATMs enabling withdrawal of cash that has been previously deposited by other customers. The number of such devices increased by 14 Ytd to 412.

As at 31 March 2020, the network of self-service devices of Santander Bank Polska S.A. comprised 1,697 units, including 760 ATMs, 2 CDMs and 935 dual function machines (dual-chamber devices and recyclers).

The bank was ranked third among Polish banks in terms of the number of ATMs and second in terms of the number of machines with a cash deposit function.

Remote channels

In the reporting period, the bank focused on improving the functionality and capacity of digital contact channels in line with its long-term strategy which is to increase the share of such channels in customer acquisition and sales. Most importantly, the bank was adapting to how customers choose to carry out their banking, taking into account external trends and developments promoting remote communication and services.

In Q1 2020, the following enhancements were implemented in internet and mobile banking:

- Biometric solutions in the Inwestor mobile application
- A possibility to open an account for children under 13 via internet banking
- An option for customers with access to electronic banking to open a business account and set up a sole proprietorship.

CRM solutions

Below are the main customer relationship management solutions implemented in the reporting period:

- Personalised messages in internet banking, resulting in a two-fold increase in the customer's interest in the bank's products and services measured by the number of clicks.
- Quick support in the completion of online applications using real-time technology.
- Simplification of communication, documents and website content as part of the "Rzecz Jasna" plain language project, including training for 250 employees.

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

Presented below are the main sales channels of Santander Consumer Bank S.A.

Basic Statistics on Distribution Channels

Santander Consumer Bank	31.03.2020	31.12.2019	31.03.2019
Branches	139	150	152
Partner Outlets	195	183	173
Auto Loan lending Partners	695	780	738
Installment Loan Lending Partners	7 057	7224	7164
Registered electronic banking users (in thousands)	178	253	150

The bank steadily develops the network of partner outlets to increase access to products and services for customers who prefer traditional face-to-face interactions rather than remote banking. It optimises the network of own branches by transforming them into partner outlets. Further to this, it uses latest technologies to adapt branch banking to external requirements and expectations and new operating standards.

V. Financial Performance after Q1 2020

1. Income Statement of Santander Bank Polska Group

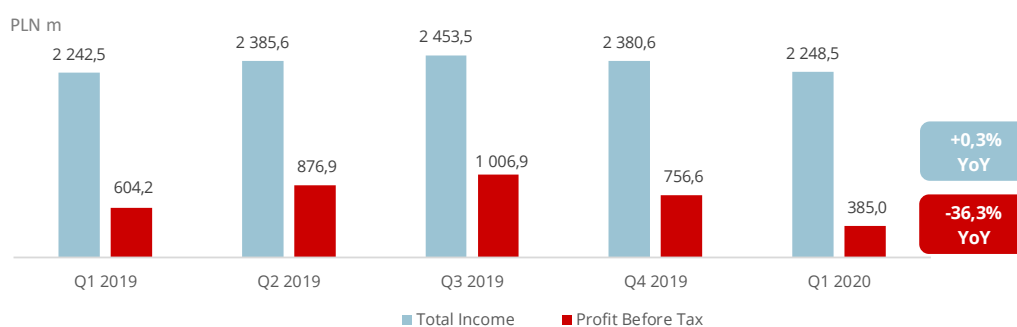
Structure of Santander Bank Polska Group's profit before tax

Condensed Consolidated Income Statement of Santander Bank Polska Group in PLN m (for analytical purposes)	Q1 2020	Q1 2019	YoY Change
Total income	2 248,5	2 242,5	0,3%
- Net interest income	1 636,3	1 608,6	1,7%
- Net fee & commission income	538,2	520,1	3,5%
- Other income ¹⁾	74,0	113,8	-35,0%
Total costs	(1 265,3)	(1 236,2)	2,4%
- Staff, general and administrative expenses	(1 021,7)	(1 056,8)	-3,3%
- Depreciation/amortisation ²⁾	(152,3)	(152,6)	-0,2%
- Other operating expenses	(91,3)	(26,8)	240,7%
Impairment losses on loans and advances	(466,3)	(262,7)	77,5%
Profit/loss attributable to the entities accounted for using the equity method	16,7	14,3	16,8%
Tax on financial institutions	(148,6)	(153,7)	-3,3%
Consolidated profit before tax	385,0	604,2	-36,3%
Tax charges	(152,1)	(191,6)	-20,6%
Net profit for the period	232,9	412,6	-43,6%
- Net profit attributable to Santander Bank Polska shareholders	170,9	339,0	-49,6%
- Net profit attributable to non-controlling shareholders	62,0	73,6	-15,8%

1) Other income includes total non-interest and non-fee income of the Group. It comprises in particular the following items of the full income statement: dividend income, net trading income and revaluation, gain/ loss on other financial instruments and other operating income.

2) Amortisation/ depreciation includes depreciation of property, plant and equipment, amortisation of intangible assets and depreciation of the right-of-use asset.

THE GROUP'S TOTAL INCOME AND PROFIT BEFORE TAX BY QUARTER
IN 2019 AND 2020



In Q1 2020, Santander Bank Polska Group posted a profit before tax of PLN 385.0m, down 36.3% YoY. Profit attributable to the shareholders of Santander Bank Polska S.A. decreased by 49.6% YoY to PLN 170.9m.

On a comparative basis, i.e.:

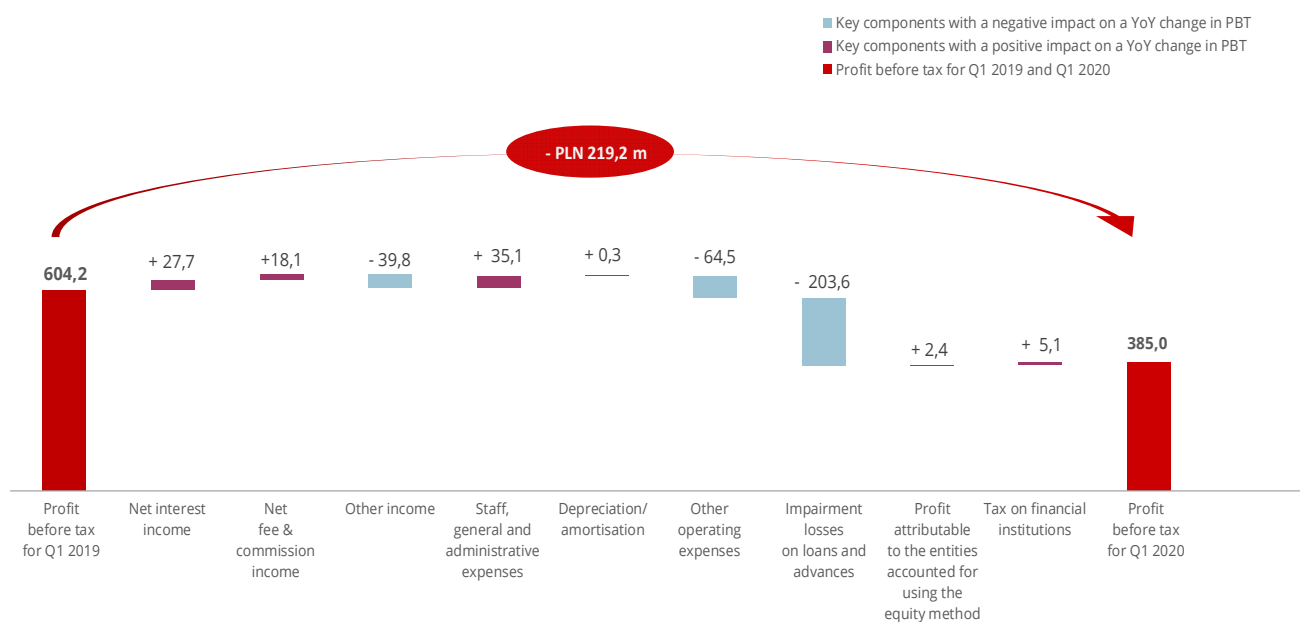
- assuming a fixed level of contributions to the BFG and
- excluding the following items:
 - ✓ from the profit for Q1 2020:
 - adjustment to interest income in relation to refund of a portion of fees on early repaid consumer loans (PLN 52.6m)
 - provisions for legal risk connected with the consumer loans portfolio (PLN 47.1m)
 - a post-model adjustment, i.e. additional impairment provision for expected credit losses relating to the deteriorating economic outlook (PLN 119m)
 - ✓ from the profit for Q1 2019:
 - provision for employment restructuring at Santander Bank Polska S.A. (PLN 80m)

the **underlying profit before tax** decreased by 2.0% YoY and the **underlying profit attributable to the shareholders of the parent** went up by 2.8% YoY.

Determinants of the Group's profit for Q1 2020

CHANGES IN THE KEY COMPONENTS OF THE CONSOLIDATED PROFIT BEFORE TAX FOR Q1 2019 VS Q1 2020

PLN m



- During the first three months of 2020, the Group achieved satisfactory results from the core business despite a charge to net interest income on account of costs of partial refund of fees connected with early repayment of consumer loans in line with the CJEU ruling (C 383/18).
 - ✓ **Net interest income** increased by 1.7% YoY. Excluding the amount of PLN 52.6m for partial reimbursement of fees on early repaid consumer loans, the underlying net interest income went up by 5.0% YoY, reflecting steady growth of credit volumes and a decrease in asset funding costs.
 - ✓ **Net fee and commission income** was up 3.5% YoY due to an increase in income from FX fees (+13.7% YoY), insurance fees (+28.4% YoY) and brokerage fees (+52.5% YoY), driven by currency exchange and brokerage transactions, cash loan sales and volatility of financial markets.

- Other income declined by 35% YoY along with a decrease in the Group's income from financial instruments:
 - ✓ **Net trading income and revaluation** was down 87% YoY due to a negative change of PLN 8m in the fair value of credit receivables measured through profit or loss (vs. an increase of PLN 21.5m in their value in Q1 2019), and a fall in a total gain on derivatives, interbank FX transactions and FX trading (-35.3% YoY), combined with a lower total loss on trading in equity and debt instruments.
 - ✓ **Gains on other financial instruments** decreased by 19.5% as a result of a negative adjustment of market valuation of shares in Visa Inc. at PLN 29.8m, compared with an increase of PLN 24.6m in the fair value of these instruments in the same period last year. The above changes in valuation were partly offset by a higher gain on sales of government bonds (+43.5m YoY).
- **Net impairment allowances on loans and advances** went up by 77.5% YoY, reflecting:
 - ✓ growth in new credit exposures towards individuals and businesses;
 - ✓ individual cases of financial standing deterioration of customers;
 - ✓ additional impairment provision for expected credit losses of PLN 119m raised as a post-model adjustment relating to the uncertainty about further epidemic and economic developments.
- **Total operating expenses** went up by 2.4%, impacted by:
 - ✓ higher fees payable to market regulators resulting from an increase of PLN 67.0m YoY in the total mandatory contributions to the Bank Guarantee Fund recognised in Q1 2020 (an annual contribution to the bank resolution fund rose by 24.4% YoY to PLN 248m and a quarterly contribution to the bank guarantee fund grew by 86.1% YoY to PLN 39.6m);
 - ✓ provisions of PLN 47.1m for legal risk connected with customer claims for partial reimbursement of fees related to early repaid consumer loans;
 - ✓ increase of 55.4% YoY in provisions for legal claims and other assets;
 - ✓ impairment allowances of PLN 8.7m in respect of property, plant and equipment and intangible assets arising from lease contracts as well as other long-term assets, taken to other operating expenses (in accordance with IFRS 16).

Comparability of periods

Selected items of the income statement affecting the comparability of periods

	Q1 2020	Q1 2019
Contributions to the BFG made by Santander Bank Polska Group <i>(general and administrative expenses)</i>	<ul style="list-style-type: none"> • PLN 287.6m, including a contribution of PLN 39.6m to the bank guarantee fund and PLN 248m to the bank resolution fund 	<ul style="list-style-type: none"> • PLN 220.6m, including a contribution of PLN 21.3m to the bank guarantee fund and PLN 199.3m to the bank resolution fund
Legal risk provision <i>(other operating expense)</i>	<ul style="list-style-type: none"> • Provision of PLN 47.1m for partial refund of fees in respect of early repaid consumer loans 	<ul style="list-style-type: none"> • No such provision
Charge to net interest income in respect of costs connected with reimbursement of fees related to early repaid consumer loans <i>(net interest income)</i>	<ul style="list-style-type: none"> • PLN 52.6m 	<ul style="list-style-type: none"> • No such charge
Additional impairment provision raised as a post-model adjustment <i>(net impairment allowances on loans and advances)</i>	<ul style="list-style-type: none"> • PLN 119m 	<ul style="list-style-type: none"> • No such provision
Restructuring provision <i>(staff expenses)</i>	<ul style="list-style-type: none"> • PLN 5.6m at Santander Consumer Bank S.A. 	<ul style="list-style-type: none"> • PLN 80.0m for severance pay for employees selected for collective redundancies at Santander Bank Polska S.A.

Structure of profit before tax earned by Santander Bank Polska Group by contributing entities

Components of Santander Bank Polska Group Profit Before Tax in PLN m (by contributing entities)	Q1 2020	Q1 2019	YoY Change
Santander Bank Polska S.A.	183,8	676,3	-72,8%
Subsidiary undertakings:	184,5	248,7	-25,8%
Santander Consumer Bank S.A. and its subsidiaries ¹⁾	121,2	172,6	-29,8%
Santander Towarzystwo Funduszy Inwestycyjnych S.A.	50,7	51,4	-1,4%
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.)	12,5	26,1	-52,1%
Other companies ²⁾	0,1	(1,4)	-107,1%
Equity method valuation	16,7	14,3	16,8%
Elimination of dividends received by Santander Bank Polska S.A. and consolidation adjustments ³⁾	-	(335,1)	-
Profit before tax	385,0	604,2	-36,3%

1) As at 31 March 2020 and 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 of SCB Group (after intercompany and consolidation adjustments) for the periods indicated.

2) Santander Inwestycje Sp. z o.o. and Santander Securities S.A. until the latter's division and dissolution on 8 November 2019.

3) The figure for Q1 2019 is dividend of PLN 335.1m from SCB S.A.

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

The unconsolidated profit before tax of Santander Bank Polska S.A. for Q1 2020 totalled PLN 183.8m and decreased by 72.8% YoY, mainly due to a high base effect resulting from the recognition of a dividend of PLN 335.1m from Santander Consumer Bank S.A. for 2018 in the comparative period.

The direction and causes of changes to other components of the profit generated by the bank are largely the same as in the case of the items presented in the consolidated statements.

- The bank posted solid income from the core business, including an increase in:
 - ✓ net interest income (+5.1% YoY to PLN 1,230.4m) on account of dynamic growth of the credit portfolio and a lower cost of asset funding;
 - ✓ net fee and commission income (+3.2% YoY to PLN 429.8m), largely due to a significant rise in income from brokerage activities and currency exchange.
- Meanwhile, a substantial decrease was reported in income from transactions in financial instruments, notably in:
 - ✓ net trading income and revaluation (-58.9% YoY to PLN 20.2m) on account of a lower total gain on wholesale transactions in interbank FX and derivative markets and a change in the fair value of credit receivables measured through profit or loss;
 - ✓ gains on other financial instruments (-14.6% to PLN 27.7m) due to a negative change in the market valuation of Visa Inc.'s shares in the current reporting period versus their fair value increase in the comparative period.
- In the reporting period, an increase was recorded in charges made to the income statement in respect of:
 - ✓ net impairment allowances (+121.0% to PLN 397.1m) driven by the growth of the credit portfolio and PLN 119m of impairment provision raised for expected credit losses related to deterioration of economic prospects (post-model adjustment);
 - ✓ general and administrative expenses (+10.4% to PLN 483.4m) as a result of higher contributions to the BFG and costs connected with IT usage;
 - ✓ other operating expenses (+140.0% to PLN 37.4m) in connection with provisions for legal risk associated with consumer loans as well as top-up of provisions for legal claims and other assets.

Subsidiaries

The subsidiaries consolidated by Santander Bank Polska S.A. reported a decrease of 25.8% YoY in their total profit before tax mainly as a result of a drop in profitability of Santander Consumer Bank Group and companies controlled by Santander Finanse Sp. z o.o.

SCB Group

The contribution of Santander Consumer Bank Group to the consolidated profit before tax of Santander Bank Polska Group for Q1 2020 was PLN 121.2m (after intercompany transactions and consolidation adjustments) and decreased by 29.8% YoY as a combined effect of the following:

- A 9.1% YoY decrease in net interest income to PLN 356.0m, due to a negative adjustment to interest income on account of early repaid consumer loans. The financial impact of the above adjustment was alleviated by interest income from the growing credit portfolio with a favourable product structure in terms of net interest margin.
- An increase of 11.1% YoY to PLN 37.2m in net fee and commission income driven by PLN 13m rise in insurance proceeds (one-off income from update of parameters of provision for insurance premium refunds). This was combined with higher fee and commission expenses related to securitisation, lack of handling fee from cash transactions (since July 2019) and higher costs of settlements with retail network partners.
- A drop of 28.4% YoY to PLN 55.1m in net impairment allowances, resulting from an increase of PLN 18.5m in proceeds from debt sale compared with the last year.
- An increase of 22.0% YoY to PLN 220.5m in operating expenses, reflecting a top-up of PLN 5.6m in the restructuring provision, and a provision of PLN 6.5m for legal claims related to the foreign currency mortgage loans portfolio and a provision of PLN 29.5m for legal risk connected with partial reimbursement of fees on early repaid consumer loans.

Other subsidiaries

Profit before tax of Santander TFI S.A. for Q1 2020 decreased by 1.4% to PLN 50.7m. Despite the sharp decline in financial markets in March 2020, income from management fees went up by 3.7% YoY, reflecting a higher level of average net assets under management recorded in January and February 2020 compared with the same period last year. The growth rate of fee income was outpaced by fee expenses (+5.3% YoY), which included costs associated with the Employee Capital Plans launched in November 2019. This new product also triggered a rise in staff and general expenses related to its service and sale.

Total profit before tax posted by companies controlled by Santander Finanse Sp. z o.o. dropped by 52.1% YoY to PLN 12.5m.

- The total profit before tax of Santander Leasing S.A., Santander Finanse Sp. z o.o., Santander Leasing Poland Securitization 01 Designated Activity Company and Santander F24 S.A. declined by 13.5m YoY to PLN 5.9m. This was mainly attributed to the negative impact of FX differences and valuation of financial instruments hedging the fixed-rate portfolio (interest rate swaps), as well as higher impairment allowances on lease receivables. The rapid development of the lease business in that period resulted in a 13% YoY increase in the performing portfolio, a 7.0% YoY growth of net interest income and a 10% rise in net insurance income.
- The profit before tax posted by Santander Factoring Sp. z o.o. was fairly stable year-on-year and totalled PLN 6.6m. A 24.8% YoY increase in net interest income, driven by a 17.4% growth of factoring exposures, was offset by a decline in net fee and commission income and a rise in impairment allowances.

Structure of Santander Bank Polska Group's profit before tax

Total income

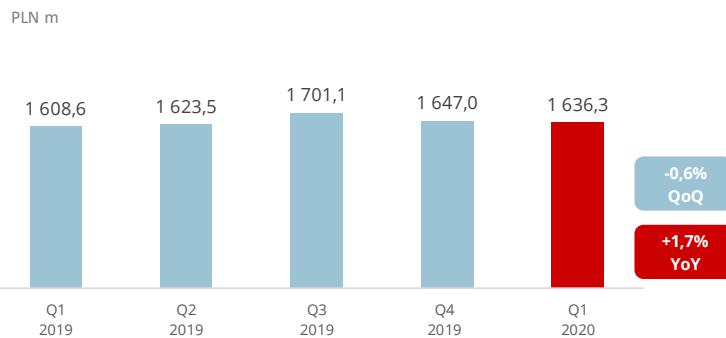
Total income of Santander Bank Polska Group for Q1 2020 amounted to PLN 2,248.5m and was stable year-on-year (+0.3%). Excluding the charge of PLN 52.6m to net interest income in respect of partial reimbursement of fees related to early repaid consumer loans, the underlying total income grew by 2.6% YoY.

Net interest income

Net interest income for the first three months of 2020 amounted to PLN 1,636.3m and increased by 1.7% YoY. This figure includes a negative adjustment of PLN 52.6m on account of partial refund of fees on early repaid consumer loans. Excluding these charges, net interest income was up 5.0% YoY, reflecting:

- higher net earning assets (including loans for business and personal customers);
- favourable developments in the Group's balance sheet structure (YoY increase in low-cost balances of personal savings and current accounts, high-margin cash loans and loans for SMEs);
- flexible pricing and product management in line with market developments (NBP rate cut of 50 bps in March) and internal objectives, resulting in a decrease in the cost of asset funding.

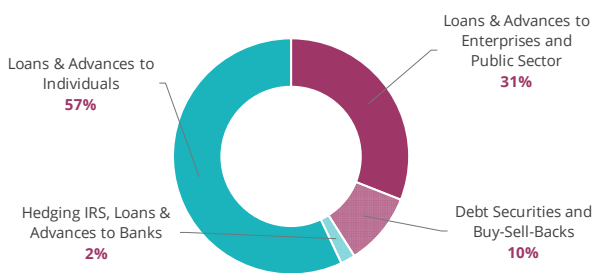
NET INTEREST INCOME BY QUARTER IN 2019 AND 2020



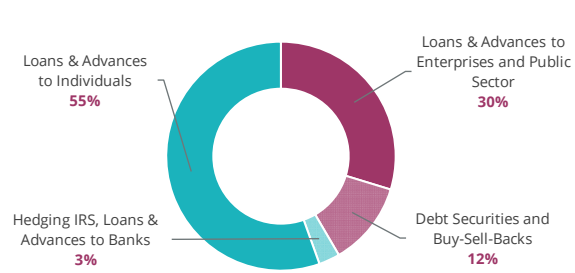
Interest income for Q1 2020 totalled PLN 2,050.1m and was down 1.5% YoY due to lower yields on debt securities, repurchase transactions and IRS hedges. The growth was mainly driven by credit portfolios.

Interest expense dropped by 12.5% to PLN 413.8m on account of reduction in interest rates on savings accounts and term deposit accounts in PLN and selected foreign currencies in March 2020.

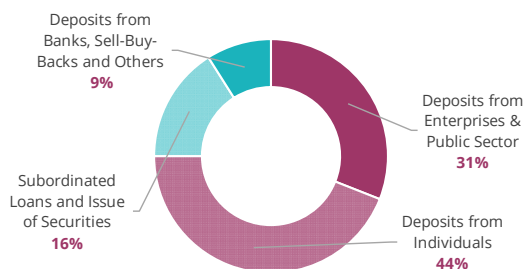
STRUCTURE OF INTEREST REVENUE IN Q1 2020



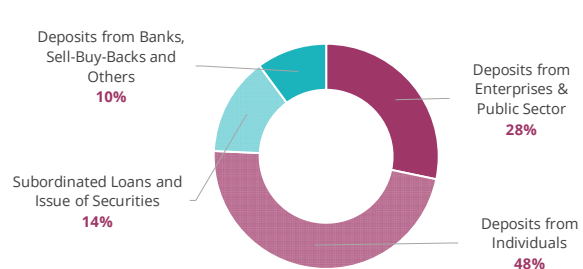
STRUCTURE OF INTEREST REVENUES IN Q1 2019



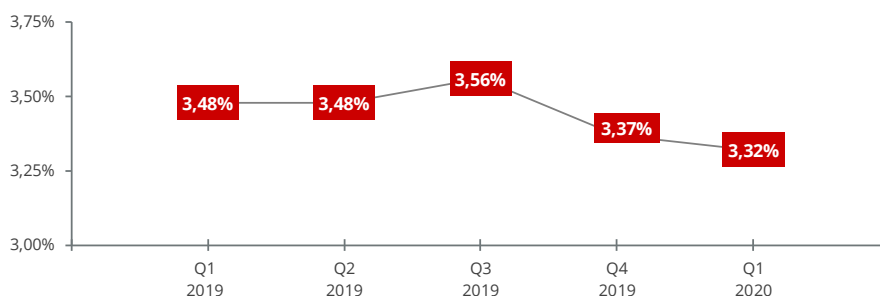
STRUCTURE OF INTEREST EXPENSE IN Q1 2020



STRUCTURE OF INTEREST EXPENSE IN Q1 2019



NET INTEREST MARGIN¹⁾ BY QUARTER IN THE YEARS 2019 AND 2020
(INCLUDING SWAP POINTS)²⁾



- 1) The net quarterly interest margin for 2019 reflects the change to the accounting treatment of repurchase transactions applied retrospectively in Q4 2019.
- 2) The calculation of the net interest margin of Santander Bank Polska S.A. takes account of swap points allocation from derivative instruments used for the purpose of liquidity management but excludes interest income from the portfolio of debt securities held for trading and other exposures connected with trading.

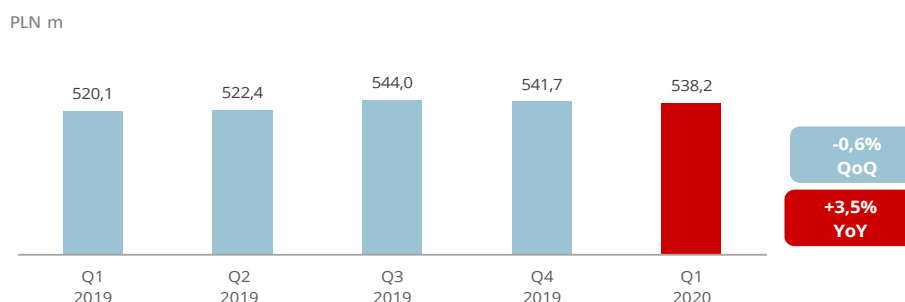
Net interest margin for Q1 2020 (annualised on a quarterly basis) totalled 3.32% and was down 5 bps Ytd and 16 bps YoY. In the first quarter, the margin was under pressure from the debt securities portfolio, but benefited from lower costs of funding a growing asset base.

Net fee and commission income

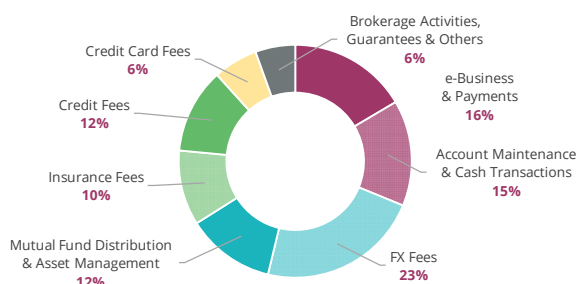
Net Fee and Commission Income (in PLN m)	Q1 2020	Q1 2019	YoY Change
FX fees	121,5	106,9	13,7%
E-Business and payments ¹⁾	88,9	94,5	-5,9%
Account maintenance and cash transactions ²⁾	79,0	80,8	-2,2%
Credit fees ³⁾	63,6	77,0	-17,4%
Asset management and distribution	66,2	64,5	2,6%
Insurance fees	56,0	43,6	28,4%
Credit cards	33,2	35,3	-5,9%
Brokerage activities	24,7	16,2	52,5%
Guarantees and sureties ⁴⁾	10,6	14,5	-26,9%
Other ⁵⁾	(5,5)	(13,2)	-58,3%
Total	538,2	520,1	3,5%

- 1) Fees for payments (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 Interim Consolidated Financial Statements of Santander Bank Polska Group for the 3-month period ended 31 March 2020 are included in the line item "Other" (PLN 0.7m for Q1 2020 and PLN 0.2m for Q1 2019).
- 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) Fee income from guarantees has been reduced by the corresponding expenses which in Note 5 to the Condensed Interim Consolidated Financial Statements of Santander Bank Polska Group for the 3-month period ended 31 March 2020 are included in the line item "Other" (PLN 13.2m for Q1 2020 and PLN 2.9m for Q1 2019).
- 5) Issue arrangement fees and others.

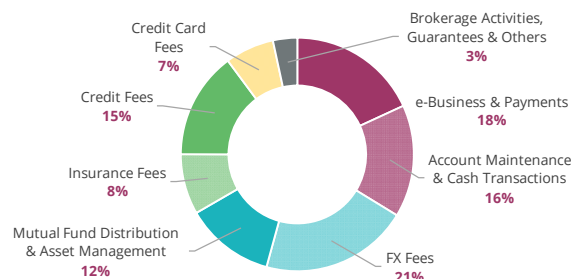
NET FEE & COMMISSION INCOME BY QUARTER
IN THE YEARS 2019 AND 2020



NET COMMISSION INCOME STRUCTURE IN Q1 2020



NET COMMISSION INCOME STRUCTURE IN Q1 2019

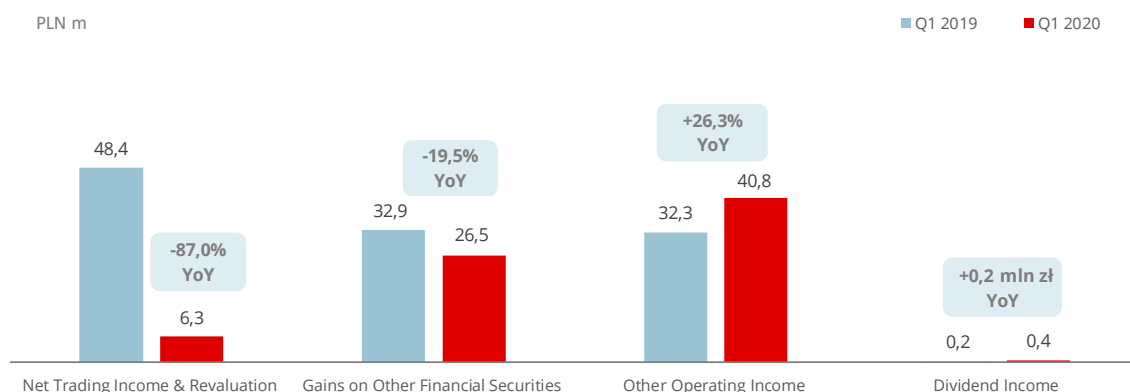


Net fee and commission income for the 3-month period ended 31 March 2020 amounted to PLN 538.2m and increased by 3.5% YoY, driven by the performance of business lines of Santander Bank Polska S.A. and its subsidiaries. The key changes were as follows:

- An improvement in net FX fee income (+13.7% YoY) reflects, inter alia, the comprehensive measures taken by Santander Bank Polska S.A. to support foreign trade and develop e-FX services in iBiznes24 and Kantor Santander currency exchange platform available in Santander online and Santander mobile.
- A 17.4% YoY decrease in credit fees is a consequence of lower sales of overdrafts for SMEs due to external factors, in particular the epidemic situation announced in March 2020 and the uncertain business prospects. Net fee and commission income was also negatively impacted by higher cost of credit agency incurred by Santander Consumer Bank S.A. as part of maintenance and development of the partner network.
- An increase of 28.4% YoY in net fee and commission income from insurance business is a combined effect of solid sales of motor insurance by Santander Leasing S.A. and recognition of a one-off income resulting from an update of parameters of the provision for insurance premium refunds. Net insurance income of Santander Bank Polska S.A. was stable, supported by a strong increase in the premium on insurance linked to credit facilities driven by sales growth of payment protection insurance for cash loans during the first two months of the year.
- Net fee and commission income from issuance and management of a combined portfolio of credit cards of Santander Bank Polska S.A. and Santander Consumer Bank S.A. decreased by 5.9% YoY due to a reduced number of cards resulting from modification of the product range and varied intensity of promotional and CRM activities. Meanwhile, income from credit card transfers declined, while costs associated with 1|2|3 card refunds went up.
- Brokerage fees rose by 52.5% YoY as a result of higher trading generated by all segments of Santander Brokerage Poland customers who looked for investment opportunities in view of the crash in stock markets and their increased volatility. The growth in trading was supported by remote processes available in the internet and mobile banking services, such as a new procedure for opening an investment account. In March alone, 3.2k accounts were opened, i.e. 50% more than in the entire 2019.
- A 2.6% increase in net fee and commission income from distribution and asset management is attributed to higher income generated by Santander TFI S.A. from asset management and reflects higher average net assets under management during the first two months of 2020 compared with the same period last year. In March 2020, monthly net fee and commission income declined along with a decrease in average assets and margin.
- A 26.9% YoY drop in net fee and commission income from guarantees was largely down to higher costs incurred by the bank and its subsidiaries in relation to guarantee activities.

Non-interest and non-fee income

Components of Other Income for Q1 2019 vs. Q1 2020



Non-interest and non-fee income of Santander Bank Polska Group presented above totalled PLN 74.0m and decreased by 35.0% YoY, mainly due to the volatility of the financial instruments market:

- Net trading income and revaluation for Q1 2020 was PLN 6.3m, down 87.0% YoY due to:
 - Decrease of 35.3% YoY to PLN 28.1m in total gain on 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 43.1m for Q1 2020 vs. PLN 45.1m for Q1 2019), which is disclosed under "Interest income".
 - Negative change of PLN 8.0m in the fair value of credit receivables measured through profit or loss in Q1 2020 vs. an increase in fair value of PLN 21.5m in Q1 2019.
 - A loss of PLN 13.8m in Q1 2020 (down PLN 2.7m YoY) on trading in debt and equity securities measured at fair value through profit or loss.
- Gains on other financial instruments totalled PLN 26.5m vs. PLN 32.9m in the same period last year. Amid favourable market trends (low bond yields), the Group generated profit of PLN 52.0m from the sale of government bonds (PLN 8.5m in Q1 2019) and recorded a negative change in the fair value of shares of Visa Inc. amounting to PLN 29.8m vs. a positive change totalling PLN 24.6m in Q1 2019 (excluding FX differences).
- Other operating income totalled PLN 40.8m and increased by 26.3% YoY due to release of provisions for legal claims and other assets amounting to PLN 15.2m (PLN 4.3m in Q1 2019). At the same time, the Group posted a lower gain on sale/liquidation of property, plant and equipment and assets held for sale, totalling PLN 1.1m (down PLN 5.9m YoY).

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 2020	Q1 2019	Q1 2020	Q1 2019	Q1 2020	Q1 2019	Q1 2020	Q1 2019	Q1 2020	Q1 2019
Charge on loans and advances to banks	-	-	-	-	-	-	-	-	-	-
Charge on loans and advances to customers	(12,1)	(16,6)	(261,0)	(47,5)	(218,5)	(244,5)	1,9	28,5	(489,7)	(280,1)
Recoveries of loans previously written off	-	-	-	-	18,6	7,4	-	-	18,6	7,4
Off-balance sheet credit related facilities	8,0	2,5	1,2	2,9	(4,4)	4,6	-	-	4,8	10,0
Total	(4,1)	(14,1)	(259,8)	(44,6)	(204,3)	(232,5)	1,9	28,5	(466,3)	(262,7)

In Q1 2020, the credit impairment charge to the income statement of Santander Bank Polska Group was PLN 466.3m vs. PLN 262.7m in the corresponding period last year. Impairment allowances of Santander Consumer Bank Group totalled PLN 55.1m vs. PLN 76.9m in Q1 2019.

The increase in impairment allowances on loans to the Group's customers (from PLN 280.1m for Q1 2019 to PLN 489.7m for Q1 2020) is attributed to:

- ✓ An increase in new credit exposures, with a high share of consumer loans, mortgage loans and SME loans.
- ✓ Individual cases of deterioration of financial standing of customers.
- ✓ An additional impairment provision of PLN 119m for expected credit losses raised as a post-model adjustment to capture uncertainties relating to further economic developments.

In Q1 2020, the Group reported profit before tax of PLN 22.8m on the sale of credit receivables of Santander Bank Polska S.A. and Santander Consumer Bank S.A., which is an increase of PLN 12.4m YoY. Credit receivables from personal and business customers were sold in the total amount of PLN 781.9m. Last year, the Group sold credit receivables of PLN 104.2m and generated a profit before tax of PLN 10.4m.

NPL ratio (including POCI exposures) was 5.2% as at 31 March 2020 (4.8% as at 31 March 2019), while the ratio of impairment allowances to average gross loans and advances measured at amortised cost was 0.96% (0.81% a year before).

Total costs

Total costs of (in PLN m)	Q1 2020	Q1 2019	YoY Change
Staff, general and administrative expenses, of which:	(1 021,7)	(1 056,8)	-3,3%
- Staff expenses	(447,7)	(524,6)	-14,7%
- General and administrative expenses	(574,0)	(532,2)	7,9%
Depreciation/amortisation	(152,3)	(152,6)	-0,2%
- Depreciation/amortisation of PP&E and intangible assets	(99,1)	(99,6)	-0,5%
- Depreciation of right-of-use assets	(53,2)	(53,0)	0,4%
Other operating expenses	(91,3)	(26,8)	240,7%
Total costs	(1 265,3)	(1 236,2)	2,4%

In Q1 2020, total operating costs of Santander Bank Polska Group increased by 2.4% YoY to PLN 1,265.3m. On a comparative basis, i.e. assuming the constant level of fees payable to the Bank Guarantee Fund in both analysed periods (that is excluding an increase of PLN 67m from the cost base for Q1 2020) and excluding from the current reporting period the provisions of PLN 47.1m for legal risk connected with customer claims for partial reimbursement of fees related to early repaid consumer loans, and from the base period the provision of PLN 80m in respect of employment restructuring at Santander Bank Polska S.A. in 2019, the underlying operating expenses were stable YoY (-0.4%).

The Group's cost to income ratio increased moderately to 56.3% from 55.1% in Q1 2019. Adjusting for the above-mentioned cost and income items, the underlying cost to income ratio went down from 51.6% to 50.0% in Q1 2020.

Staff expenses

In Q1 2020, staff expenses of Santander Bank Polska Group totalled PLN 447.7m, down 14.7% YoY. On a comparative basis, i.e. excluding the employee restructuring provision from both periods (provision of PLN 80m recognised by Santander Bank Polska S.A. in Q1 2019 and provision of PLN 5.6m disclosed by Santander Consumer Bank S.A. in Q1 2020), consolidated staff expenses were stable year-on-year (-0.6%). This reflects a decrease of 10.0% YoY in average employment, salary review, annual bonuses connected with performance review and employer's contributions to the Employee Capital Plans.

General and administrative expenses

General and administrative expenses of Santander Bank Polska Group went up by 7.9% to PLN 574.0m, largely as a result of an increase in amounts payable to the BFG, including an annual contribution to the bank resolution fund for 2020 (+24.4% YoY to PLN 248m) and a quarterly contribution to the bank guarantee fund (+86.1% to PLN 39.6m). If the above-mentioned contributions had not changed compared to the last year, the Group's general and administrative expenses would have declined by 4.7% YoY.

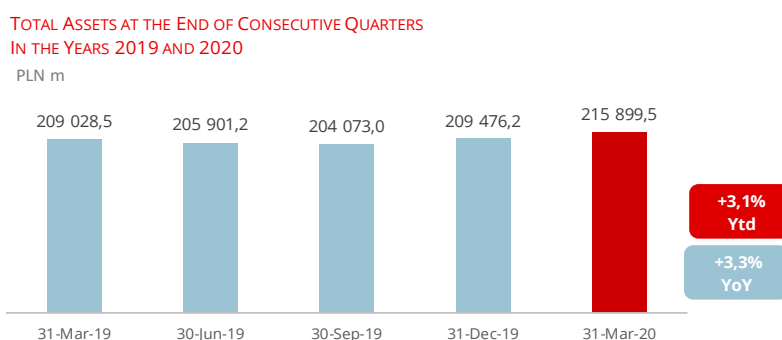
In Q1 2020, the most pronounced decrease (-39.0% YoY) was recorded in the cost of maintenance of premises, which resulted from optimisation of the branch network and lower cost of repairs. Lower number of branches and optimised cash replenishment process reduced expenses generated by "cars, transport services and carriage of cash" (-27.4% YoY). Cost of marketing and entertainment were also considerably lower (-26.5% YoY), as the bank completed the brand awareness campaign continued last year. Noteworthy are also falls in consumables, forms, cards and cheques (-27.7% YoY), and cost of security (-22.9% YoY).

At the same time, the cost of branch equipment and refurbishment went up (+225.1% YoY), as did the cost of IT usage (+6.3% YoY), which was connected with the support and maintenance of Santander Group systems used by the Multichannel Communication Centre and Branch Banking.

2. Statement of Financial Position of Santander Bank Polska Group

Consolidated assets

As at 31 March 2020, the total assets of Santander Bank Polska Group were PLN 215,899.5m, up 3.1% Ytd and 3.3% YoY. The value and structure of the Group's financial position was determined by the parent entity, which held 86.6% of the consolidated total assets, similarly as three months before.



Structure of consolidated assets

Assets in PLN m (condensed presentation for analytical purposes)	31.03.2020	Structure 31.03.2020	31.12.2019	Structure 31.12.2019	31.03.2019	Structure 31.03.2019	QoQ Change	YoY Change
	1	2	3	4	5	6	1/3	1/6
Loans and advances to customers ¹⁾	147 672,9	68,4%	143 402,6	68,5%	138 667,1	66,3%	3,0%	6,5%
Investment financial assets	41 193,1	19,1%	41 328,1	19,7%	37 976,6	18,2%	-0,3%	8,5%
Cash and operations with Central Banks	7 106,1	3,3%	7 973,0	3,8%	7 201,6	3,5%	-10,9%	-1,3%
Loans and advances to banks	5 552,4	2,6%	3 716,6	1,8%	1 700,6	0,8%	49,4%	226,5%
Fixed assets, intangibles, goodwill and right-of-use assets	4 076,5	1,9%	4 197,1	2,0%	4 222,1	2,0%	-2,9%	-3,4%
Financial assets held for trading and hedging derivatives	3 924,4	1,8%	2 102,5	1,0%	1 483,9	0,7%	86,7%	164,5%
Buy-sell-back transactions and assets pledged as collateral	2 312,6	1,0%	2 940,7	1,4%	13 955,4	6,7%	-21,4%	-83,4%
Other assets ²⁾	4 061,5	1,9%	3 815,6	1,8%	3 821,2	1,8%	6,4%	6,3%
Total	215 899,5	100,0%	209 476,2	100,0%	209 028,5	100,0%	3,1%	3,3%

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

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

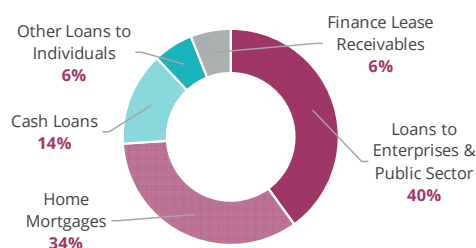
In the above condensed statement of financial position as at 31 March 2020, net loans and advances to customers were the key item of consolidated assets. They totalled PLN 147,672.9m and were up 3.0% Ytd on account of lending to personal customers (cash loans and mortgage loans) and to small and medium-sized businesses, which was additionally supported by currency exchange rates.

As part of management of the Group's liquidity and balance sheet structure, a drop was reported in Q1 2020 in cash and balances at central banks (-10.9% Ytd) and receivables from repo transactions disclosed under buy-sell-back transactions and assets pledged as collateral (-21.4% Ytd). Meanwhile, significant increases were recorded in loans and advances to banks (+49.4% Ytd) and financial assets held for trading and hedging derivatives (+86.7% Ytd), reflecting the Group's services related to the tender offer for shares and trends in the derivatives market, respectively.

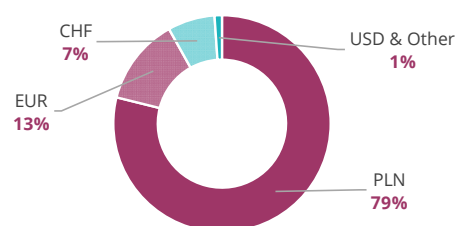
Credit portfolio

Gross Loans and Advances to Customers (in PLN m)	31.03.2020	31.12.2019	31.03.2019	QoQ Change	YoY Change
Loans and advances to individuals	82 109,9	80 895,6	75 908,3	1,5%	8,2%
Loans and advances to enterprises and public sector customers	61 591,6	58 455,0	58 963,5	5,4%	4,5%
Finance lease receivables	9 497,6	9 267,0	8 437,0	2,5%	12,6%
Other	37,4	29,4	22,9	27,2%	63,3%
Total	153 236,5	148 647,0	143 331,7	3,1%	6,9%

PRODUCT STRUCTURE OF CONSOLIDATED LOANS & ADVANCES TO CUSTOMERS AS AT 31.03.2020



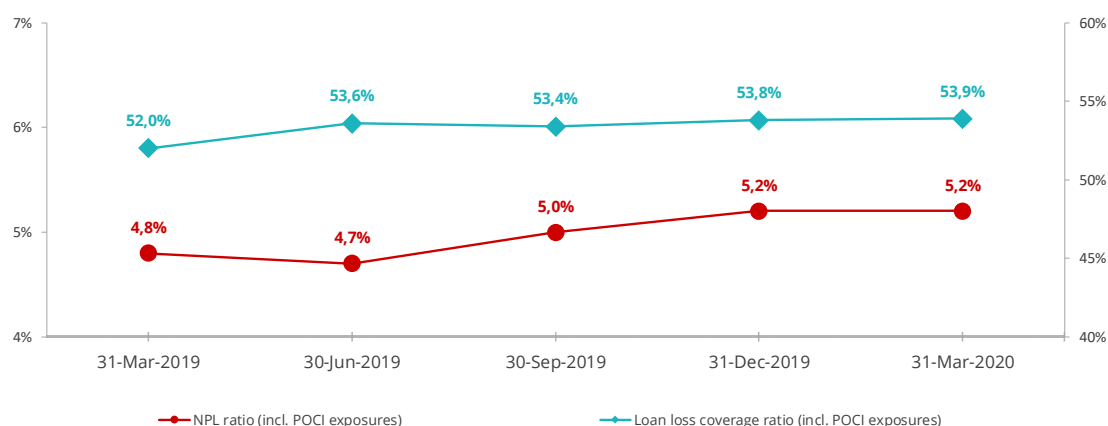
FX STRUCTURE OF CONSOLIDATED LOANS AND ADVANCES TO CUSTOMERS AS AT 31.03.2020



As at 31 March 2020, consolidated gross loans and advances to customers were PLN 153,236.5 and increased by 3.1% on 31 December 2019. The portfolio includes loans and advances to customers measured at amortised cost (PLN 151,188.9m), loans and advances to customers measured at fair value through profit or loss (PLN 1,101.2m) and loans and advances to customers measured at fair value through other comprehensive income (PLN 946.4m).

- Loans and advances to individuals increased by 1.5% Ytd to PLN 82,109.9m. Housing loans, which were the main contributor to this figure, went up by 2.5% Ytd to PLN 52,510.6m. The second significant constituent item, i.e. cash loans increased by 1.6% Ytd to PLN 21,496.4m.
- Loans and advances to enterprises and the public sector went up by 5.4% Ytd to PLN 61,591.6m. This line item includes credit exposures of Santander Leasing S.A., Santander Consumer Multirent Sp. z o.o. and PSA Finance Polska Sp. z o.o. related to financing machines and vehicles, which totalled PLN 4.4bn at the end of March 2020.
- Finance lease portfolios of subsidiaries of Santander Bank Polska S.A. rose by 2.5% Ytd to PLN 9,497.7m on account of growth in the sales of machines, equipment and vehicles.

CREDIT QUALITY RATIOS BY QUARTER IN 2019 AND 2020



Including POCI exposures (purchased or originated credit-impaired loans), NPL ratio was 5.2% as at 31 March 2020 vs. 5.2% three months before and 4.8% a year before. The provision coverage ratio for impaired loans was 53.9% as at 31 March 2020 compared with 53.8% as at 31 December 2019 and 52.0% as at 31 March 2019.

Structure of consolidated equity and liabilities

Liabilities & Equity in PLN m (condensed presentation for analytical purposes)	31.03.2020	Structure 31.03.2020	31.12.2019	Structure 31.12.2019	31.03.2019	Structure 31.03.2019	QoQ Change	YoY Change
	1	2	3	4	5	6	1/3	1/6
Deposits from customers	157 756,8	73,1%	156 480,3	74,7%	147 745,9	70,7%	0,8%	6,8%
Subordinated liabilities and debt securities in issue	14 555,9	6,7%	13 259,8	6,3%	11 950,8	5,7%	9,8%	21,8%
Deposits from banks	5 392,5	2,5%	5 031,8	2,4%	3 000,0	1,4%	7,2%	79,8%
Financial liabilities held for trading and hedging derivatives	5 346,3	2,5%	2 852,4	1,4%	2 799,5	1,4%	87,4%	91,0%
Sell-buy-back transactions	1 143,1	0,5%	990,9	0,5%	12 276,5	5,9%	15,4%	-90,7%
Other liabilities ¹⁾	4 463,4	2,1%	3 881,5	1,8%	4 466,3	2,1%	15,0%	-0,1%
Total equity	27 241,5	12,6%	26 979,5	12,9%	26 789,5	12,8%	1,0%	1,7%
Total	215 899,5	100,0%	209 476,2	100,0%	209 028,5	100,0%	3,1%	3,3%

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

Deposits from customers disclosed in the consolidated statement of financial position of Santander Bank Polska Group as at 31 March 2020 totalled PLN 157,756.8m and increased by 0.8% Ytd. These liabilities were the largest constituent item of the Group's total equity and liabilities (73.1%) and were the main source of funding for the Group's assets.

Compared with the end of 2019, an upward trend was observed in financial liabilities held for trading and hedging derivatives (+87.4% Ytd) which was driven by the Group's trading in FX and interest rate derivatives amid increased market volatility.

The line item aggregating subordinated liabilities and debt securities in issue went up by 9.8% Ytd as a result of new issues of debt instruments by members of Santander Bank Polska Group for a total nominal value of PLN 3,120.7m, redemption of matured securities for PLN 1,106.6m and their repurchase of PLN 1,052.9m.

In Q1 2020, Santander Factoring Sp. z o.o. issued variable-coupon bonds with a nominal value of PLN 620m, and Santander Leasing S.A. made two issues of variable-coupon bonds with a total nominal value of PLN 990m. Further to this, Santander Leasing Poland Securitization 01 DAC, a special purpose vehicle, issued bonds of EUR 330m secured by a registered pledge on cash flows from the securitised assets.

Deposit base

Deposits by entities

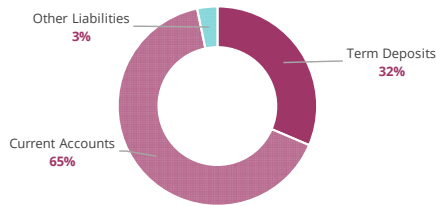
Deposits from Customers	31.03.2020	31.12.2019	31.03.2019	QoQ Change	YoY Change
Deposits from individuals	95 861,3	91 716,3	89 183,3	4,5%	7,5%
Deposits from enterprises and public sector customers	61 895,5	64 764,0	58 562,6	-4,4%	5,7%
Total	157 756,8	156 480,3	147 745,9	0,8%	6,8%

During the first three months of 2020, consolidated deposits from customers increased by 0.8% to PLN 157,756.8m as at the end of March. The share of current account balances increased by 6% Ytd at the expense of term deposits, which declined by 8.9% in the analysed period.

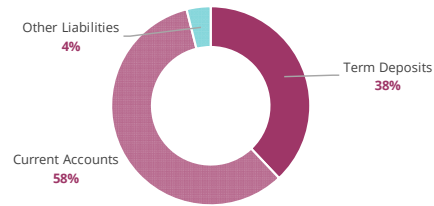
- The retail deposit base was up 4.5% at PLN 95,861.3m, driven by an increase in current account balances (+8.0% Ytd), including savings accounts (PLN 30,5bn vs. PLN 29.1bn as at 31 December 2019). The value of term deposits was down 2.6%
- Deposits from enterprises and the public sector decreased by 4.4% Ytd to PLN 61,895.5m, alongside a fall in term deposits (-16.7% Ytd), which was partly offset by an increase in the balance of current accounts (+2.5% Ytd).

Deposits by tenors

STRUCTURE OF CONSOLIDATED CUSTOMER DEPOSITS AS AT 31.03.2020



STRUCTURE OF CONSOLIDATED CUSTOMER DEPOSITS AS AT 31.03.2019

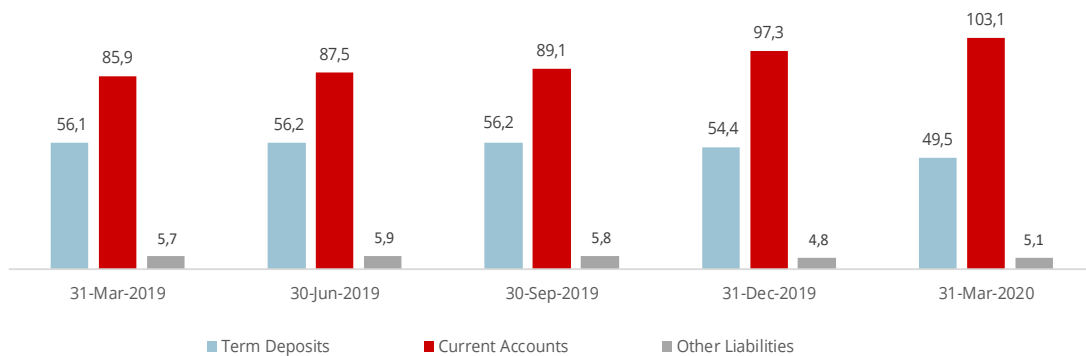


The Group's total term deposits from customers amounted to PLN 49,540.9m and decreased by 8.9% Ytd. Current account balances rose by 6.0% Ytd to PLN 103,099.5m, and other liabilities were PLN 5,116.4m, up 7.0% Ytd.

Loans and advances (PLN 3,658.7m vs. PLN 3,537.0m as at 31 December 2019) were the largest constituent item of other liabilities and were disclosed under deposits from enterprises, which included loans granted by international financial organisations (the European Investment Bank/ EIB, the European Bank for Reconstruction and Development/ EBRD and the Council of Europe Development Bank/ CEB) to finance credit delivery of the bank and its subsidiaries. In Q1 2020, the EBDR disbursed a tranche of EUR 50m as part of the agreement with Santander Leasing S.A. made last year.

TERM DEPOSITS AND CURRENT ACCOUNTS * AT QUARTER-ENDS OF 2019 AND 2020

PLN m



* including savings accounts

3. Selected Ratios of Santander Bank Polska Group

Selected financial ratios of Santander Bank Polska Group	Q1 2020	Q1 2019 ¹¹⁾
Total costs/Total income	56,3%	55,1%
Net interest income/Total income	72,8%	71,7%
Net interest margin ¹⁾	3,32%	3,48%
Net commission income/Total income	23,9%	23,2%
Customer net loans/Customer deposits	93,6%	93,9%
NPL ratio ²⁾	5,2%	4,8%
NPL coverage ratio ³⁾	53,9%	52,0%
Credit risk ratio ⁴⁾	0,96%	0,81%
ROE ⁵⁾	8,5%	10,4%
ROTE ⁶⁾	10,1%	12,4%
ROA ⁷⁾	0,9%	1,1%
Capital ratio ⁸⁾	16,79%	16,47%
Tier I ratio ⁹⁾	14,91%	14,63%
Book value per share (in PLN)	266,84	262,42
Earnings per share (in PLN) ¹⁰⁾	1,67	3,32

- 1) Net interest income annualised on a year-to-date basis (excluding interest income from the portfolio of debt securities held for trading and other exposures related to trading) to average net earning assets as at the end of subsequent quarters after the end of the year preceding the accounting year (excluding financial assets held for trading, hedging derivatives, other exposures related to trading and other loans and advances to customers).
- 2) Gross loans and advances to customers classified to stage 3 and POCI exposures to the portfolio of gross loans and advances to customers measured at amortised cost at the end of the reporting period.
- 3) Impairment allowances for loans and advances to customers classified to stage 3 and measured at amortised cost and POCI exposures to gross value of such loans and advances at the end of the reporting period.
- 4) Impairment allowances (for four consecutive quarters) to average gross loans and advances to customers (as at the end of the current reporting period and the end of the last year).
- 5) Profit attributable to the parent's shareholders (for four consecutive quarters) to average equity (as at the end of the current reporting period and the end of the last year), net of non-controlling interests, current period profit and the undistributed portion of the profit. The underlying ROE for 2019 was 10.6% as at 31 March 2020.
- 6) Profit attributable to the parent's shareholders (for four consecutive quarters) to average tangible equity (as at the end of the current reporting period and the end of the last year) defined as common equity attributable to the parent's shareholders less revaluation reserve, current year profit, dividend, undistributed portion of the profit, intangible assets and goodwill.
- 7) Profit attributable to the parent's shareholders (for four consecutive quarters) to average total assets (as at the end of the current reporting period and the end of the last year). The underlying ROA was 1.2% as at 31 March 2020.
- 8) The capital adequacy ratio was calculated on the basis of own funds and total capital requirements established for the individual risk types by means of the standardised approach, in line with the CRD IV/CRR package.
- 9) Tier 1 capital ratio calculated as a quotient of Tier 1 capital and risk-weighted assets for credit, market and operational risk.
- 10) Net profit for the period attributable to shareholders of the parent entity divided by the average weighted number of ordinary shares.
- 11) The ratios for Q1 2019 were recalculated taking into account the impact of an adjustment to the accounting treatment of repurchase transactions.

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 2020, 31 December 2019 and 31 March 2019.

Capital Ratios of Santander Bank Polska Group	31.03.2020	31.12.2019	31.03.2019
I Total capital requirement	11 841,6	11 454,5	11 655,6
II Own funds after reductions	24 847,3	24 440,2	23 994,9
Total Capital Ratio [II/(I*12.5)]	16,79%	17,07%	16,47%
Tier I Ratio	14,91%	15,21%	14,63%

Presented below are the total capital ratio and Tier 1 ratio of Santander Bank Polska S.A. and Santander Consumer Bank S.A. as at 31 March 2020, 31 December 2019 and 31 March 2019.

Santander Bank Polska Capital Ratios	31.03.2020	31.12.2019	31.03.2019
Total Capital Ratio	19,36%	19,58%	18,78%
Tier I Ratio	17,15%	17,38%	16,62%

Santander Consumer Bank Capital Ratios	31.03.2020	31.12.2019	31.03.2019
Total Capital Ratio	18,64%	19,03%	19,19%
Tier I Ratio	17,27%	17,64%	17,78%

4. Key Factors Affecting the Profit in the Next Quarter and Beyond

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

- Potential further changes in monetary policy of ECB, Fed or other main central banks (including NBP) aimed at limiting the depth of the global recession.
- Possible extension of anti-crisis measures by the government and state agencies leading, among others, to a significant rise of deficit.
- Information about further spread of the pandemic, affecting government's decisions about the timing of "opening" of the economy, i.e. lifting the restrictions on movement and doing business.
- Changes in credit risk pricing in the financial markets.
- Changes in bond yields depending, among others, on expectations regarding monetary and fiscal policy outlook and changes in banking sector's liquidity.
- Changes in demand for loans amid changes in liquidity and expectations for the future.
- Changes in households' financial situation under the impact of labour market trends, but also affected by the companies' use of government rescue package designed to reduce job cuts.
- Changes in clients' decisions regarding the allocation of savings depending on expected returns on different asset classes.
- Further developments on the global stock market and its impact on demand for investment funds units or equity shares.

VI. Other Information

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

As at the release date of the current report (Report of Santander Bank Polska Group for Q1 2020) and the previous report (Annual Report of Santander Bank Polska Group for 2019), 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 reports for the periods ended 31 March 2020 and 31 December 2019.

Management Board Members	28.04.2020		20.02.2020	
	No. of Santander Bank Polska shares	Rights ¹⁾ (6th Incentive Scheme)	No. of Santander Bank Polska shares	Rights (6th Incentive Scheme)
Michał Gajewski	-	4 795	-	5 420
Andrzej Burliga	1 389	2 495	1 389	2 820
Michael McCarthy	1 528	2 875	1 528	3 250
Patryk Nowakowski	329	726	329	820
Carlos Polaino Izquierdo	631	2 495	631	2 820
Juan de Porras Aguirre	1 397	1 982	1 397	2 240
Arkadiusz Przybył	-	2 999	-	3 390
Maciej Reluga	505	1 796	505	2 030
Dorota Strojowska	635	2 097	635	2 370
Total	6 414	22 260	6 414	25 160

1) The number of conditional rights to shares granted to members of the Management Board of Santander Bank Polska S.A. as part of the 6th Incentive Programme has changed as a result of recalculation made under the Supervisory Board's resolution of 20 February 2020 on delivery of the criteria for granting annual awards to participants for individual years of the programme.

Condensed Interim Consolidated
Financial Statements of
Santander Bank Polska Group
for the 3-month period
ended 31 March 2020

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I. Condensed consolidated income statement

	for the period:	1.01.2020- 31.03.2020	1.01.2019- 31.03.2019* restated
Interest income and similar to income		2 050 090	2 081 699
Interest income on financial assets measured at amortised cost		1 816 161	1 821 282
Interest income on financial assets measured at fair value through other comprehensive income		206 593	209 674
Income similar to interest on financial assets measured at fair value through profit or loss		27 336	50 743
Interest expense		(413 777)	(473 099)
Net interest income	Note 4	1 636 313	1 608 600
Fee and commission income		661 836	629 803
Fee and commission expense		(123 592)	(109 741)
Net fee and commission income	Note 5	538 244	520 062
Dividend income		349	247
Net trading income and revaluation	Note 6	6 303	48 432
Gains (losses) from other financial securities	Note 7	26 486	32 855
Other operating income	Note 8	40 816	32 269
Impairment losses on loans and advances	Note 9	(466 300)	(262 688)
Operating expenses incl.:		(1 265 327)	(1 236 232)
-Staff, operating expenses and management costs	Note 10 and 11	(1 021 684)	(1 056 859)
-Amortisation of property, plant and equipment and Intangible assets		(99 142)	(99 583)
-Amortisation of right of use asset		(53 160)	(52 998)
-Other operating expenses	Note 12	(91 341)	(26 792)
Share in net profits (loss) of entities accounted for by the equity method		16 699	14 338
Tax on financial institutions		(148 629)	(153 693)
Profit before tax		384 954	604 190
Corporate income tax	Note 13	(152 077)	(191 634)
Consolidated profit for the period		232 877	412 556
of which:			
-attributable to owners of Santander Bank Polska SA		170 934	339 007
-attributable to non-controlling interests		61 943	73 549
Net earnings per share			
Basic earnings per share (PLN/share)		1,67	3,32
Diluted earnings per share (PLN/share)		1,67	3,32

* details in Note 2.4.

II. Condensed consolidated statement of comprehensive income

	for the period:	1.01.2020- 31.03.2020	1.01.2019- 31.03.2019* restated
Consolidated profit for the period		232 877	412 556
Other comprehensive income which can be transferred to the profit and loss net account:		29 737	4 909
Valuation and sales of debt securities measured at fair value through other comprehensive income gross		(24 188)	(63 443)
Deferred tax		4 596	12 054
Valuation of cash flow hedging instruments gross		60 900	69 504
Deferred tax		(11 571)	(13 206)
Other comprehensive income which can't be transferred to the profit and loss net account:		(2 978)	(3 085)
Valuation and sales of equity securities measured at fair value through other comprehensive income gross		(3 676)	(3 809)
Deferred and current tax		698	724
Total other comprehensive income for the period net		26 759	1 824
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD		259 636	414 380
Total comprehensive income attributable to:			
Owners of Santander Bank Polska SA		200 722	344 684
Non-controlling interests		58 914	69 696

* details in Note 2.4.

III. Condensed consolidated statement of financial position

	as at:	31.03.2020	31.12.2019
ASSETS			
Cash and balances with central banks	Note 14	7 106 086	7 973 014
Loans and advances to banks	Note 15	5 552 427	3 716 582
Financial assets held for trading	Note 16	3 902 375	2 058 508
Hedging derivatives		22 023	43 973
Loans and advances to customers incl.:	Note 17	147 672 910	143 402 629
- measured at amortised cost		145 625 317	141 282 371
- measured at fair value through other comprehensive income		946 418	923 811
- measured at fair value through profit or loss		1 101 175	1 196 447
Buy-sell-back transactions		1 160 328	1 851 171
Investment securities incl.:	Note 18	41 193 093	41 328 134
- debt securities measured at fair value through other comprehensive income		40 130 536	40 248 937
- debt securities measured at fair value through profit and loss		181 321	194 285
- equity securities measured at fair value through other comprehensive income		881 236	884 912
Assets pledged as collateral		1 152 234	1 089 558
Investments in associates	Note 19	920 752	903 113
Intangible assets		728 938	772 117
Goodwill		1 712 056	1 712 056
Property, plant and equipment		838 877	874 078
Right of use assets		796 671	838 792
Net deferred tax assets		1 866 048	1 847 916
Assets classified as held for sale		7 184	2 679
Other assets		1 267 521	1 061 846
Total assets		215 899 523	209 476 166
LIABILITIES AND EQUITY			
Deposits from banks	Note 20	5 392 512	5 031 744
Hedging derivatives		1 863 473	995 627
Financial liabilities held for trading	Note 16	3 482 834	1 856 813
Deposits from customers	Note 21	157 756 779	156 480 343
Sell-buy-back transactions		1 143 063	990 863
Subordinated liabilities	Note 22	2 743 390	2 630 271
Debt securities in issue	Note 23	11 812 558	10 629 516
Lease liabilities		726 541	746 632
Current income tax liabilities		317 142	343 763
Provisions for off balance sheet credit facilities	Note 24	62 126	66 109
Other provisions	Note 25	484 383	445 615
Other liabilities	Note 26	2 873 209	2 279 360
Total liabilities		188 658 010	182 496 656
Equity			
Equity attributable to owners of Santander Bank Polska S.A.		25 635 076	25 431 987
Share capital		1 020 883	1 020 883
Other reserve capital		20 184 917	20 141 925
Revaluation reserve		1 346 610	1 316 061
Retained earnings		2 911 732	814 771
Profit for the period		170 934	2 138 347
Non-controlling interests in equity		1 606 437	1 547 523
Total equity		27 241 513	26 979 510
Total liabilities and equity		215 899 523	209 476 166

Notes presented on pages 17 – 63 constitute an integral part of this Financial Statements.

IV. Condensed consolidated statement of changes in equity

Consolidated statement of changes in equity 1.01.2020 - 31.03.2020	Equity attributable to equity holders of parent entity				Total	Non-controlling interests	Total equity
	Share capital	Other reserve capital	Revaluation reserve	Retained earnings and profit for the period			
As at the beginning of the period	1 020 883	20 141 925	1 316 061	2 953 118	25 431 987	1 547 523	26 979 510
Total comprehensive income	-	-	29 788	170 934	200 722	58 914	259 636
<i>Consolidated profit for the period</i>	-	-	-	170 934	170 934	61 943	232 877
<i>Other comprehensive income</i>	-	-	29 788	-	29 788	(3 029)	26 759
Profit allocation to other reserve capital	-	41 386	-	(41 386)	-	-	-
Share scheme charge	-	1 606	-	-	1 606	-	1 606
Other changes	-	-	761	-	761	-	761
As at the end of the period	1 020 883	20 184 917	1 346 610	3 082 666	25 635 076	1 606 437	27 241 513

As at the end of the period revaluation reserve in the amount of PLN 1,346,610 k comprises: valuation of debt securities in the amount of PLN 711,280 k, valuation of equity securities in the amount of PLN 602,191 k, valuation of cash flow hedge activities in the amount of PLN 23,365 k and accumulated actuarial gains - provision for retirement allowances of PLN 9,774 k.

Consolidated statement of changes in equity 1.01.2019 - 31.03.2019	Equity attributable to equity holders of parent entity				Total	Non-controlling interests	Total equity
	Share capital	Other reserve capital	Revaluation reserve	Retained earnings and profit for the period			
Equity as at 31.12.2018	1 020 883	18 969 482	1 019 373	4 094 289	25 104 027	1 564 184	26 668 211
Effect of a change in the tax on financial institutions as a result of an adjustment to repo transactions	-	-	-	(47 331)	(47 331)	-	(47 331)
Settlement of acquisition of demerged part of Deutsche Bank Polska SA and DB Securities SA	-	(57 741)	-	31 562	(26 179)	-	(26 179)
Equity as at 1.01.2019 (restated)	1 020 883	18 911 741	1 019 373	4 078 520	25 030 517	1 564 184	26 594 701
Total comprehensive income	-	-	5 677	339 007	344 684	69 696	414 380
<i>Consolidated profit for the period</i>	-	-	-	339 007	339 007	73 549	412 556
<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 changes	-	-	-	1 088	1 088	-	1 088
As at the end of the period	1 020 883	18 914 513	1 025 050	4 418 615	25 379 061	1 410 453	26 789 514

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

V. Condensed consolidated statement of cash flows

	for the period	1.01.2020- 31.03.2020	1.01.2019- 31.03.2019* restated
Profit before tax		384 954	604 190
Total adjustments:			
Share in net profits of entities accounted for by the equity method		(16 699)	(14 338)
Depreciation/amortisation		152 302	152 581
Profit from investing activities		(53 087)	(15 480)
Interest accrued excluded from operating activities		(82 183)	(119 035)
Impairment losses (reversal)		8 688	(10)
		393 975	607 908
Changes:			
Provisions		34 785	56 294
Financial assets / liabilities held for trading		(364 598)	170 151
Assets pledged as collateral		(62 676)	106 846
Hedging derivatives		862 734	(57 248)
Loans and advances to banks		(9 662)	(77 191)
Loans and advances to customers		(6 028 583)	(2 901 180)
Deposits from banks		631 121	162 541
Deposits from customers		1 516 676	(1 473 519)
Buy-sell/ Sell-buy-back transactions		179 018	(2 004 856)
Other assets and liabilities		412 348	367 044
		(2 828 837)	(5 651 118)
Interest received on operating activities		1 815 917	1 785 460
Interests paid on operating activities		(295 655)	(357 982)
Dividends		(349)	(246)
Paid income tax		(203 286)	(225 975)
Net cash flows from operating activities		(1 118 235)	(3 841 953)
Inflows		2 517 362	1 441 736
Sale/maturity of investment securities		2 369 149	1 274 716
Sale of intangible assets and property, plant and equipment		15 875	16 804
Dividends received		349	246
Interest received		131 989	149 970
Outflows		(4 187 754)	(4 142 833)
Purchase of investment securities		(4 144 419)	(4 107 597)
Purchase of intangible assets and property, plant and equipment		(43 335)	(35 236)
Net cash flows from investing activities		(1 670 392)	(2 701 097)
Inflows		3 410 261	264 360
Debt securities in issue		2 067 790	-
Drawing of loans		1 342 471	264 360
Outflows		(2 810 360)	(739 069)
Debt securities buy out		(1 106 587)	(83 775)
Repayment of loans		(1 576 603)	(316 184)
Repayment of lease liability		(49 782)	(39 755)
Dividends and other payments to shareholders		-	(223 427)
Interest paid		(77 388)	(75 928)
Net cash flows from financing activities		599 901	(474 709)
Total net cash flows		(2 188 726)	(7 017 759)
Cash and cash equivalents at the beginning of the accounting period		17 265 855	19 422 527
Cash and cash equivalents at the end of the accounting period		15 077 129	12 404 768

* details in Note 2.4.

Notes presented on pages 17 – 63 constitute an integral part of this Financial Statements.

VI. Condensed income statement of Santander Bank Polska SA

	for the period:	1.01.2020- 31.03.2020	1.01.2019- 31.03.2019* restated
Interest income and similar to interest		1 513 846	1 546 549
Interest income on financial assets measured at amortised cost		1 301 119	1 309 238
Interest income on financial assets measured at fair value through other comprehensive income		193 685	196 976
Income similar to interest - financial assets measured at fair value through profit or loss		19 042	40 335
Interest expenses		(283 431)	(375 293)
Net interest income		1 230 415	1 171 256
Fee and commission income		506 156	482 330
Fee and commission expenses		(76 361)	(66 038)
Net fee and commission income		429 795	416 292
Dividend income		343	335 383
Net trading income and revaluation		20 212	49 127
Gains (losses) from other financial securities		27 689	32 424
Other operating income		16 143	17 274
Impairment losses on loans and advances		(397 052)	(179 629)
Operating expenses incl.:		(1 007 313)	(1 022 520)
-Staff, Operating expenses and management costs		(839 452)	(877 218)
-Amortisation of property, plant and equipment and Intangible assets		(89 498)	(89 388)
-Amortisation of right of use asset		(40 982)	(40 339)
-Other operating expenses		(37 381)	(15 575)
Tax on financial institutions		(136 477)	(143 323)
Profit before tax		183 755	676 284
Corporate income tax		(117 047)	(128 915)
Profit for the period		66 708	547 369
Net earnings per share (PLN/share)			
Basic earnings per share		0,65	5,36
Diluted earnings per share		0,65	5,36

* details in Note 2.4.

VII. Condensed statement of comprehensive income

	for the period:	1.01.2020- 31.03.2020	1.01.2019- 31.03.2019* restated
Profit for the period		66 708	547 369
Other comprehensive income which can be transferred to the profit and loss net account:		37 309	11 912
Valuation and sales of debt securities measured at fair value through other comprehensive income gross		(10 090)	(49 822)
Deferred tax		1 917	9 466
Valuation of cash flow hedging instruments gross		56 151	64 528
Deferred tax		(10 669)	(12 260)
Other comprehensive income which can't be transferred to the profit and loss net account:		32	2
Valuation and sales of equity securities measured at fair value through other comprehensive income gross		40	2
Deferred and current tax		(8)	-
Total other comprehensive income for the period net		37 341	11 914
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD		104 049	559 283

* details in Note 2.4.

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

	as at:	31.03.2020	31.12.2019
ASSETS			
Cash and balances with central banks		6 929 898	7 821 831
Loans and advances to banks		5 537 860	3 851 564
Financial assets held for trading		4 142 187	2 066 616
Hedging derivatives		22 023	37 608
Loans and advances to customers incl.:		121 792 725	118 356 427
- measured at amortised cost		120 050 389	116 566 001
- measured at fair value through other comprehensive income		946 418	923 811
- measured at fair value through profit or loss		795 918	866 615
Buy-sell-back transactions		1 160 328	1 851 171
Investment securities incl.:		39 339 353	39 591 351
- debt securities measured at fair value through other comprehensive income		38 302 463	38 542 546
- debt securities measured at fair value through profit and loss		175 582	187 536
- equity securities measured at fair value through other comprehensive income		861 308	861 269
Assets pledged as collateral		90 045	30 737
Investments in subsidiaries and associates		2 377 407	2 377 407
Intangible assets		674 901	718 532
Goodwill		1 688 516	1 688 516
Property, plant and equipment		603 322	630 233
Right of use asset		721 237	767 280
Net deferred tax assets		1 033 167	1 013 450
Assets classified as held for sale		2 016	2 016
Other assets		862 438	666 748
Total assets		186 977 423	181 471 487
LIABILITIES AND EQUITY			
Deposits from banks		1 803 441	1 506 141
Hedging derivatives		1 788 747	979 550
Financial liabilities held for trading		3 479 380	1 857 837
Deposits from customers		146 505 331	144 760 017
Sell-buy-back transactions		90 026	30 774
Subordinated liabilities		2 642 078	2 529 855
Debt securities in issue		2 842 624	2 687 960
Lease liabilities		799 018	816 365
Current income tax liabilities		318 273	329 095
Provisions for off balance sheet credit facilities		72 514	56 064
Other provisions		258 863	256 508
Other liabilities		2 093 887	1 483 735
Total liabilities		162 694 182	157 293 901
Equity			
Share capital		1 020 883	1 020 883
Other reserve capital		19 216 363	19 214 757
Revaluation reserve		1 352 521	1 315 180
Retained earnings		2 626 766	513 242
Profit for the period		66 708	2 113 524
Total equity		24 283 241	24 177 586
Total liabilities and equity		186 977 423	181 471 487

Notes presented on pages 17 – 63 constitute an integral part of this Financial Statements.

IX. Condensed statement of changes in equity

Statement of changes in equity 1.01.2020 - 31.03.2020	Share capital	Other reserve capital	Revaluation reserve	Retained earnings and profit for the period	Total
As at the beginning of the period	1 020 883	19 214 757	1 315 180	2 626 766	24 177 586
Total comprehensive income	-	-	37 341	66 708	104 049
<i>Profit for the period</i>	-	-	-	66 708	66 708
<i>Other comprehensive income</i>	-	-	37 341	-	37 341
Share scheme charge	-	1 606	-	-	1 606
As at the end of the period	1 020 883	19 216 363	1 352 521	2 693 474	24 283 241

As at the end of the period revaluation reserve in the amount of PLN 1,352,521 k comprises: valuation of debt securities in the amount of PLN 712,327 k, valuation of equity securities in the amount of PLN 611,881 k, valuation of cash flow hedge activities in the amount of PLN 18 465 k and accumulated actuarial gains - provision for retirement allowances of PLN 9,848 k.

Statement of changes in equity 1.01.2019 - 31.03.2019	Share capital	Other reserve capital	Revaluation reserve	Retained earnings and profit for the period	Total
Equity as at 31.12.2018	1 020 883	18 150 998	1 030 661	3 657 815	23 860 357
Effect of a change in the tax on financial institutions as a result of an adjustment to repo transactions	-	-	-	(47 331)	(47 331)
Settlement of acquisition of demerged part of Deutsche Bank Polska SA	-	(57 741)	-	40 324	(17 417)
Equity as at 1.01.2019 (restated)	1 020 883	18 093 257	1 030 661	3 650 808	23 795 609
Total comprehensive income	-	-	11 914	547 369	559 283
<i>Profit for the period</i>	-	-	-	547 369	547 369
<i>Other comprehensive income</i>	-	-	11 914	-	11 914
Share scheme charge	-	2 772	-	-	2 772
As at the end of the period	1 020 883	18 096 029	1 042 575	4 198 177	24 357 664

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

X. Condensed statement of cash flows

	for the period	1.01.2020- 31.03.2020	1.01.2019- 31.03.2019* restated
Profit before tax		183 755	676 284
Total adjustments:			
Depreciation/amortisation		130 480	129 727
Profit from investing activities		(52 884)	(14 203)
Interest accrued excluded from operating activities		(134 334)	(157 910)
Impairment losses (reversal)		8 688	-
		135 705	633 898
Changes in:			
Provisions		18 805	56 553
Financial assets / liabilities held for trading		(600 780)	168 178
Assets pledged as collateral		(59 308)	102 575
Hedging derivatives		802 349	(55 603)
Loans and advances to banks		(56 205)	(9 953)
Loans and advances to customers		(4 683 551)	(2 348 773)
Deposits from banks		300 290	185 522
Deposits from customers		1 981 399	(1 520 413)
Buy-sell/ Sell-buy-back transactions		86 587	(2 015 966)
Other assets and liabilities		383 694	207 110
		(1 826 720)	(5 230 770)
Interest received on operating activities		1 298 689	1 265 869
Interests paid on operating activities		(216 852)	(324 107)
Dividends		(343)	(335 382)
Paid income tax		(156 346)	(123 463)
Net cash flows from operating activities		(765 867)	(4 113 955)
Inflows		1 524 444	1 020 619
Sale/maturity of investment securities		1 399 052	874 944
Sale of intangible assets and property, plant and equipment		1 927	7 632
Dividends received		343	241
Interest received		123 122	137 802
Outflows		(3 060 069)	(3 721 975)
Purchase of investment securities		(3 040 160)	(3 707 597)
Purchase of intangible assets and property, plant and equipment		(19 909)	(14 378)
Net cash flows from investing activities		(1 535 625)	(2 701 356)
Outflows		(109 881)	(209 325)
Repayment of loans		(40 986)	(149 189)
Repayment of lease liability		(43 184)	(34 756)
Interest paid		(25 711)	(25 380)
Net cash flows from financing activities		(109 881)	(209 325)
Total net cash flows		(2 411 373)	(7 024 636)
Cash and cash equivalents at the beginning of the accounting period		17 156 866	19 187 947
Cash and cash equivalents at the end of the accounting period		14 745 493	12 163 311

* details in Note 2.4.

Notes presented on pages 17 – 63 constitute an integral part of this Financial Statements.

XI. Additional notes to consolidated financial statements

1. General information about issuer

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

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 consolidated financial statements of Santander Bank Polska Group for the 3-month period ended 31 March 2020 includes the Bank's financial information as well as information of its subsidiaries and associated entities (forming together the "Group").

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

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

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

Santander Bank Polska Group consists of the following entities:

Subsidiaries:

Subsidiaries	Registered office	[%] of votes on AGM at 31.03.2020	[%] of votes on AGM at 31.03.2019
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	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. Santander F24 S.A. (formerly BZ WBK F24 S.A.)/ BZ WBK Nieruchomości S.A.	Poznań	100% of AGM votes are held by Santander Finanse sp. z o.o.	100% of AGM votes are held by Santander Finanse sp. z o.o.
7. Santander Securities S.A.	Warszawa	- ¹⁾	100%
8. Santander Towarzystwo Funduszy Inwestycyjnych S.A. (formerly BZ WBK Towarzystwo Funduszy Inwestycyjnych S.A.) ²⁾	Poznań	50%	50%
9. Santander Consumer Bank S.A.	Wrocław	60%	60%
10. 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.
11. PSA Finance Polska sp. z o.o. ³⁾	Warszawa	50% of AGM votes are held by Santander Consumer Bank S.A. and 50% of AGM votes are held by Banque PSA Finance S.A.	50% of AGM votes are held by Santander Consumer Bank S.A. and 50% of AGM votes are held by Banque PSA Finance S.A.
12. PSA Consumer Finance Polska sp. z o.o. ³⁾	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.
13. 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.
14. S.C. Poland Consumer 15-1 sp.z o.o. ⁴⁾	Warszawa	subsidiary of Santander Consumer Bank S.A.	subsidiary of Santander Consumer Bank S.A.
15. S.C. Poland Consumer 16-1 sp.z o.o. ⁴⁾	Warszawa	subsidiary of Santander Consumer Bank S.A.	subsidiary of Santander Consumer Bank S.A.

¹⁾ On 8 November 2019, Santander Securities S.A. was struck off the National Court Register.

²⁾ As at 31.03.2020, Santander Bank Polska was a co-owner of Santander Towarzystwo Funduszy Inwestycyjnych SA, together with Banco Santander SA. Both owners are members of Santander Group and each holds an equal stake of 50% in the company's share capital. In practice, Santander Bank Polska exercises control over the subsidiary Santander Towarzystwo Funduszy Inwestycyjnych SA because though it, Banco Santander implements its policy in Poland. Consequently, the company is treated as a subsidiary.

³⁾ 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.

⁴⁾ 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; their shareholder is polish legal entity who has no ties with the Group; the companies 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 31.03.2020	[%] of votes on AGM at 31.03.2019
POLFUND - Fundusz Poręczeń Kredytowych S.A.	Szczecin	50%	50%
Santander - Aviva Towarzystwo Ubezpieczeń S.A.	Poznań	49%	49%
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 Accounting Standards (IAS 34) adopted by the European Union, which are applied on a consistent basis and, in the case of matters not governed by the above Standards, in accordance with the provisions of the Accounting Act of 29 September 1994 (consolidated text: Journal of Law 2019, item 351) 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
IFRS 17 Insurance Contracts*	IFRS 17 defines a new approach to the recognition, valuation, presentation and disclosure of insurance contracts. The main purpose of IFRS 17 is to guarantee the transparency and comparability of insurers' financial statements. In order to meet this requirement the entity will disclose a lot of quantitative and qualitative information enabling the users of financial statements to assess the effect that insurance contracts have on the financial position, financial performance and cash flows of the entity. IFRS 17 introduces a number of significant changes in relation to the existing requirements of IFRS 4. They concern, among others: aggregation levels at which the calculations are made, methods for the valuation of insurance liabilities, recognition a profit or loss over the period, reinsurance recognition, separation of the investment component and presentation of particular items of the balance sheet and profit and loss account of reporting units including the separate presentation of insurance revenues, insurance service expenses and insurance finance income or expenses.	1 January 2023**	The standard will not have a significant impact on financial statement**
Improvements to IFRS 10 and IAS 28*	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. Should the non-monetary 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. The amendments were published on 11 September 2014.	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.
Amendments to IAS 1*	The amendments affect requirements in IAS 1 for the presentation of liabilities. Specifically, they clarify one of the criteria for classifying a liability as non-current.	1 January 2022	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.

**New effective date was introduced, changes are to be presented within 2Q of 2020

2.3 Standards and interpretations or changes to existing standards or interpretations which were applied for the first time in the accounting year 2020

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:</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 were published together with the justification for the changes. 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 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 amendment 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 currently entered definition has been narrowed down and is likely to result in more acquisitions being classified as a purchase of assets.	1 January 2020	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.

2.4 Comparability with the results presented in prior periods

The consolidated financial statements of Santander Bank Polska Group for 2019 and the financial statements of Santander Bank Polska S.A. for 2019 present detailed information about the impact of error correction on the comparative periods.

The analysis conducted by the bank in 2019 revealed irregularities in the recognition of selected transactions in government debt securities in the previous years. As a result, instead of separate purchase and sale transactions, the foregoing transactions were recognised as sell-buy-back and buy-sell-back transactions. The change in the recognition of these transactions did not have an impact on the financial result except for an additional tax on financial institutions and statutory interest due.

Furthermore, as a result of an analysis, assets held as collateral were separately presented in the statement of financial position.

The following items were also presented separately in the statement of cash flows: interest received in relation to operating activities and interest paid in relation to operating activities.

In the condensed interim consolidated financial statements of Santander Bank Polska Group for the 3-month period ended 31 March 2020, the comparative period data presented in the standalone and consolidated income statements were appropriately restated. Furthermore, the bank decided to change the presentation of the result of modification of lease assets and liabilities in the consolidated income statement.

1) The consolidated and standalone profit for the period from 1 January 2019 to 31 March 2019 was reduced by PLN 11,680k due to change in the amount of tax on financial institutions resulting from the adjustment of repurchase transactions.

This change was reflected in the consolidated and standalone income statement, statement of comprehensive income and statement of cash flows.

2) Furthermore, following the analysis made in 2020 the Group changed the presentation of the result of modification of lease assets/liabilities in the consolidated income statement.

The table below shows the impact of the above presentation changes on comparative data in the consolidated income statement.

Consolidated income statement

	for the period:		1.01.2019-31.03.2019
	Before	Adjustment	
Interest income and similar to income	2 081 699	-	2 081 699
Interest income on financial assets measured at amortised cost	1 821 282	-	1 821 282
Interest income on financial assets measured at fair value through other comprehensive income	209 674	-	209 674
Income similar to interest on financial assets measured at fair value through profit or loss	50 743	-	50 743
Interest expense	(473 099)	-	(473 099)
Net interest income	1 608 600	-	1 608 600
Fee and commission income	629 803	-	629 803
Fee and commission expense	(109 741)	-	(109 741)
Net fee and commission income	520 062	-	520 062
Dividend income	247	-	247
Net gains/(losses) on subordinated entities	-	-	-
Net trading income and revaluation	48 432	-	48 432
Gains (losses) from other financial securities	32 855	-	32 855
Other operating income	34 870	(2 601) ¹⁾	32 269
Impairment losses on loans and advances	(262 688)	-	(262 688)
Operating expenses incl.:	(1 238 833)	2 601 ¹⁾	(1 236 232)
-Staff, operating expenses and management costs	(1 056 859)	-	(1 056 859)
-Amortisation of property, plant and equipment and Intangible assets	(99 583)	-	(99 583)
-Amortisation of right of use asset	(52 998)	-	(52 998)
-Other operating expenses	(29 393)	2 601 ¹⁾	(26 792)
Share in net profits (loss) of entities accounted for by the equity method	14 338		14 338
Tax on financial institutions	(142 013)	(11 680) ²⁾	(153 693)
Profit before tax	615 870	(11 680)	604 190
Corporate income tax	(191 634)	-	(191 634)
Consolidated profit for the period	424 236	(11 680)	412 556
of which:			
-attributable to owners of Santander Bank Polska SA	350 687	(11 680)	339 007
-attributable to non-controlling interests	73 549	-	73 549

The following changes were made to the consolidated and standalone statement of cash flows for the period from 1 January 2019 to 31 March 2019:

- 1) changes resulting from reclassification of selected transactions in government debt securities transactions from separate purchase and sale transactions to buy-sell-back and sell-buy-back transactions, including in relation to tax on financial institutions;
- 2) changes resulting from separate presentation of assets held as collateral in the statement of financial position;
- 3) changes resulting from separate presentation of interest received in relation to operating activities and interest paid in relation to operating activities in the statement of cash flows.

Presented below are changes made to the consolidated and standalone statement of cash flows for the period from 1 January 2019 to 31 March 2019.

Consolidated statement of cash flows

	for the period		1.01.2019 - 31.03.2019		
	Before	Adjustment	Adjustment	Adjustment	After
Profit before tax	615 870	(11 680) ¹⁾	-	-	604 190
Total adjustments:					
Share in net profits of entities accounted for by the equity method	(14 338)	-	-	-	(14 338)
Depreciation/amortisation	152 581	-	-	-	152 581
Profit from investing activities	(15 480)	-	-	-	(15 480)
Interest accrued excluded from operating activities	(119 035)	-	-	-	(119 035)
Impairment losses (reversal)	(10)	-	-	-	(10)
	619 588	(11 680)	-	-	607 908
Changes:					
Provisions	56 294	-	-	-	56 294
Financial assets / liabilities held for trading	(3 220 805)	3 510 423 ¹⁾	(102 575) ²⁾	(16 892) ³⁾	170 151
Assets pledged as collateral	-	-	106 846 ²⁾	-	106 846
Hedging derivatives	(5 209)	-	-	(52 039) ³⁾	(57 248)
Loans and advances to banks	(66 704)	-	-	(10 487) ³⁾	(77 191)
Loans and advances to customers	(1 206 765)	-	-	(1 694 415) ³⁾	(2 901 180)
Deposits from banks	156 937	-	-	5 604 ³⁾	162 541
Deposits from customers	(1 808 401)	-	-	334 882 ³⁾	(1 473 519)
Buy-sell/ Sell-buy-back transactions	2 729 432	(4 738 005) ¹⁾	-	3 717 ³⁾	(2 004 856)
Other assets and liabilities	359 302	11 680 ¹⁾	(6 090) ²⁾	2 152 ³⁾	367 044
	(3 005 919)	(1 215 902)	(1 819)	(1 427 478)	(5 651 118)
Interest received on operating activities	-	-	-	1 785 460 ³⁾	1 785 460
Interests paid on operating activities	-	-	-	(357 982) ³⁾	(357 982)
Dividends	(246)	-	-	-	(246)
Paid income tax	(225 975)	-	-	-	(225 975)
Net cash flows from operating activities	(2 612 552)	(1 227 582)	(1 819)	-	(3 841 953)
Inflows	1 439 917	-	1 819	-	1 441 736
Sale/maturity of investment securities	1 274 716	-	-	-	1 274 716
Sale of intangible assets and property, plant and equipment	16 804	-	-	-	16 804
Dividends received	246	-	-	-	246
Interest received	148 151	-	1 819 ²⁾	-	149 970
Outflows	(4 142 833)	-	-	-	(4 142 833)
Purchase of investment securities	(4 107 597)	-	-	-	(4 107 597)
Purchase of intangible assets and property, plant and equipment	(35 236)	-	-	-	(35 236)
Net cash flows from investing activities	(2 702 916)	-	1 819	-	(2 701 097)
Inflows	264 360	-	-	-	264 360
Debt securities in issue	-	-	-	-	-
Drawing of loans	264 360	-	-	-	264 360
Outflows	(739 069)	-	-	-	(739 069)
Debt securities buy out	(83 775)	-	-	-	(83 775)
Repayment of loans	(316 184)	-	-	-	(316 184)
Repayment of lease liability	(39 755)	-	-	-	(39 755)
Dividends and other payments to shareholders	(223 427)	-	-	-	(223 427)
Interest paid	(75 928)	-	-	-	(75 928)
Net cash flows from financing activities	(474 709)	-	-	-	(474 709)
Total net cash flows	(5 790 177)	(1 227 582)	-	-	(7 017 759)
Cash and cash equivalents at the beginning of the accounting period	18 012 307	1 410 220 ¹⁾	-	-	19 422 527
Cash and cash equivalents at the end of the accounting period	12 222 130	182 638 ¹⁾	-	-	12 404 768

Statement of cash flows

	for the period		1.01.2019 - 31.03.2019		
	Before	Adjustment	Adjustment	Adjustment	After
Profit before tax	687 964	(11 680) ¹⁾	-	-	676 284
Total adjustments:					
Depreciation/amortisation	129 727	-	-	-	129 727
Profit from investing activities	(14 203)	-	-	-	(14 203)
Interest accrued excluded from operating activities	(157 910)	-	-	-	(157 910)
	645 578	(11 680)	-	-	633 898
Changes in:					
Provisions	56 553	-	-	-	56 553
Financial assets / liabilities held for trading	(3 222 778)	3 510 423 ¹⁾	(102 575) ²⁾	(16 892) ³⁾	168 178
Assets pledged as collateral	-	-	102 575 ²⁾	-	102 575
Hedging derivatives	(9 183)	-	-	(46 420) ³⁾	(55 603)
Loans and advances to banks	(823)	-	-	(9 130) ³⁾	(9 953)
Loans and advances to customers	(1 166 973)	-	-	(1 181 800) ³⁾	(2 348 773)
Deposits from banks	182 842	-	-	2 680 ³⁾	185 522
Deposits from customers	(1 827 167)	-	-	306 754 ³⁾	(1 520 413)
Buy-sell/ Sell-buy-back transactions	2 718 860	(4 738 005) ¹⁾	-	3 179 ³⁾	(2 015 966)
Other assets and liabilities	195 563	11 680 ¹⁾	-	(133) ³⁾	207 110
	(3 073 106)	(1 215 902)	-	(941 762)	(5 230 770)
Interest received on operating activities	-	-	-	1 265 869 ³⁾	1 265 869
Interests paid on operating activities	-	-	-	(324 107) ³⁾	(324 107)
Dividends	(335 382)	-	-	-	(335 382)
Paid income tax	(123 463)	-	-	-	(123 463)
Net cash flows from operating activities	(2 886 373)	(1 227 582)	-	-	(4 113 955)
Inflows	1 020 619	-	-	-	1 020 619
Sale/maturity of investment securities	874 944	-	-	-	874 944
Sale of intangible assets and property, plant and equipment	7 632	-	-	-	7 632
Dividends received	241	-	-	-	241
Interest received	137 802	-	-	-	137 802
Outflows	(3 721 975)	-	-	-	(3 721 975)
Purchase of investment securities	(3 707 597)	-	-	-	(3 707 597)
Purchase of intangible assets and property, plant and equipment	(14 378)	-	-	-	(14 378)
Net cash flows from investing activities	(2 701 356)	-	-	-	(2 701 356)
Outflows	(209 325)	-	-	-	(209 325)
Repayment of loans	(149 189)	-	-	-	(149 189)
Repayment of lease liability	(34 756)	-	-	-	(34 756)
Interest paid	(25 380)	-	-	-	(25 380)
Net cash flows from financing activities	(209 325)	-	-	-	(209 325)
Total net cash flows	(5 797 054)	(1 227 582)	-	-	(7 024 636)
Cash and cash equivalents at the beginning of the accounting period	17 777 727	1 410 220 ¹⁾	-	-	19 187 947
Cash and cash equivalents at the end of the accounting period	11 980 673	182 638 ¹⁾	-	-	12 163 311

2.5 Basis of preparation of consolidated financial statements

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 S.A. Group were prepared in accordance with the International Accounting Standards (IAS 34) applied consistently adopted by the European Union. Santander Bank Polska S.A. Group has produced condensed interim financial statements in accordance with the historical cost principle, except for the items below:

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

The accounting policies have been applied consistently by Santander Bank Polska S.A. Group entities. The same accounting principles were applied as in the case of the consolidated financial statements for the period ending 31 December 2019.

2.6 Changes in estimated values

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

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

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

Main estimates made by Santander Bank Polska S.A. Group

Impairment allowances for expected credit losses in respect of financial assets

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

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

A significant increases in credit risk

IFRS 9 requires issuers to assess at each reporting date whether the credit risk of a financial instrument has increased significantly since its initial recognition. Change in credit risk determines calculation of estimated credit loss. Santander Bank Polska Group when assessing significant increase in credit risk takes into consideration the changes in the lifetime risk of default, i.e. over the entire expected life of the instrument, based on qualitative and quantitative criteria, which were fully described in consolidated financial statement as at 31 December 2019.

In terms of high degree of uncertainty with COVID-19 Santander Bank Polska S.A Group closely monitors current market situation and credit portfolio behavior. The Group enabled three-month or six-month debt moratoria on principal payments to their clients as at 31 March 2020. Santander Bank Polska S.A. Group does not automatically consider debt moratoria as a trigger for significant increase in credit risk, however stage 2 classification arises from the probability of default during whole life of the financial instrument.

Due to high uncertainty of possible COVID-19 impacts, especially in the context of timing and range of potential economic slowdown, Santander Bank Polska S.A. Group decided to create additional provision for expected credit loss, in form of post-model adjustment amounting to PLN 119,000 k, to be assigned to credit losses resulting from COVID-19. The Group will include in subsequent reporting periods incoming reliable information about economic outlooks and portfolio performance either in ECL model or additional post-model adjustment described above.

The concept of modification

Debt moratoria causes changes both in timing and value of future cash flows, thus satisfies definition of modification according to IFRS 9. Santander Bank Polska S.A Group assesses COVID-19 debt moratoria in the same manner as current changes in cash flows resulting from annex. Description of minor and substantial modification, qualitative and quantitative criteria and modification accounting impact can be found in consolidated financial statement as at 31 December 2019, and was not subject to any changes within the first quarter of 2020.

Estimates for legal claims

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

The provisions have been estimated considering the likelihood of payment.

Current amount of provision is presented in Note 28.

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

Santander Bank Polska S.A. Group constantly monitors level of credit risk referring to mortgage loans in foreign currencies, which would justify the change in collective provision. Calculation approach was presented in consolidated financial statement as at 31 December 2019.

The Group has made no changes in risk assessment for mortgage loans in foreign currencies as at 31 March 2020, and will carry on with monitoring in subsequent reporting periods.

Details regarding the value of the provisions for the above-mentioned items are provided in Note 28.

Estimates regarding reimbursement of fees related to early repaid consumer loans

Santander Bank Polska S.A. Group analyses level of partial reimbursement of fees on consumer loans repaid ahead of their contractual maturity on the ongoing basis. Based on the most recent data, the Group updated provision amount for potential client reimbursements on early repayments before 11 September 2019.

Due to supplementary explanation of UOKiK on the early repayment of a consumer loan or credit, stating that banks should use a linear method when calculating the reimbursement, Santander Bank Polska S.A Group has charged profit and loss as at 31 March 2020, being the adjustment to the linear method calculation.

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

2.7 Judgements that 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. Santander Bank Polska Group did not make any new judgements.

2.8 Changes to accounting principles

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

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

3. Operating segments reporting

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

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

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

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

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

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

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

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

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

In 2020 introduced the following changes:

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

Comparable data are adjusted accordingly.

Additionally, adjustments to the following comparable data were made in relation to the errors of previous periods corrected in these Financial Statements:

- the adjustment concerning the additional tax payment from financial institutions was presented in the Consolidated Income Statement in ALM and Centre segment in line 'Tax on financial institutions'.
- Reclassification of the result on the assets / liabilities concerning leasing transactions in Santander Consumer Bank was made between the lines 'Other income' and 'Operating costs' and was reflected in the Santander Consumer segment.

All the above changes are described in detail in Note 2.4 of these Financial Statements.

The provisions for legal risk connected with reimbursement of portion of fees related to early repayment of consumer loans were presented in Retail Banking segment, whereas in the part regarding Santander Consumer Bank in the Santander Consumer segment. Details regarding the above provisions are described in Note 28.

Additional write-off for expected credit losses in the form of so-called adjustments to values resulting from post model adjustments in the amount of PLN 119,000 thousand was estimated and presented in the results of particular business segments. The adjustment was also described in detail in notes 2 and 9 of these Financial Statements.

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

Retail Banking

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

Business & Corporate Banking

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

Corporate & Investment Banking

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

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

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

ALM and Centre

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

Santander Consumer

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

Consolidated income statement by business segments

	Segment Retail Banking *	Segment Business and Corporate Banking	Segment Corporate & Investment Banking	Segment ALM and Centre	Segment Santander Consumer	Total
1.01.2020-31.03.2020						
Net interest income	833 816	205 129	73 329	166 171	357 868	1 636 313
incl. internal transactions	(396)	(756)	1 165	1 253	(1 266)	-
Net fee and commission income	326 224	105 141	76 292	(6 679)	37 266	538 244
incl. internal transactions	43 954	19 743	(62 698)	(300)	(699)	-
Other income	12 630	14 822	20 021	12 005	14 127	73 605
incl. internal transactions	1 430	13 824	(14 963)	(1 521)	1 230	-
Dividend income	-	-	-	342	7	349
Operating costs	(514 965)	(116 896)	(67 596)	(210 555)	(203 013)	(1 113 025)
incl. internal transactions	-	-	-	334	(334)	-
Depreciation/amortisation	(85 579)	(13 673)	(5 438)	(30 003)	(17 609)	(152 302)
Impairment losses on loans and advances	(290 244)	(60 737)	(55 393)	(4 981)	(54 945)	(466 300)
Share in net profits (loss) of entities accounted for by the equity method	-	-	-	16 699	-	16 699
Tax on financial institutions	-	-	-	(136 477)	(12 152)	(148 629)
Profit before tax	281 882	133 786	41 215	(193 478)	121 549	384 954
Corporate income tax						(152 077)
Consolidated profit for the period						232 877
of which:						
attributable to owners of Santander Bank Polska SA						170 934
attributable to non-controlling interests						61 943

* 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
31.03.2020						
Loans and advances to customers	80 233 070	35 497 012	14 770 352	-	17 172 476	147 672 910
Investments in associates	-	-	-	920 752	-	920 752
Other assets	8 628 288	1 687 851	4 739 059	47 710 327	4 540 336	67 305 861
Total assets	88 861 358	37 184 863	19 509 411	48 631 079	21 712 812	215 899 523
Deposits from customers	105 239 479	28 489 310	9 277 921	4 793 800	9 956 269	157 756 779
Other liabilities and equity	6 213 827	4 158 079	6 692 131	29 322 164	11 756 543	58 142 744
Total equity and liabilities	111 453 306	32 647 389	15 970 052	34 115 964	21 712 812	215 899 523

* 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
1.01.2019-31.03.2019						
Net interest income	755 417	209 529	75 885	174 215	393 554	1 608 600
incl. internal transactions	(800)	(612)	1 421	759	(768)	-
Net fee and commission income	329 386	105 629	54 276	(2 778)	33 549	520 062
incl. internal transactions	35 700	22 219	(58 018)	809	(710)	-
Other income	12 317	21 386	12 349	56 221	11 283	113 556
incl. internal transactions	1 972	7 904	(8 771)	196	(1 301)	-
Dividend income	-	-	1	241	5	247
Operating costs	(478 326)	(111 506)	(64 942)	(271 123)	(157 754)	(1 083 651)
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	(171 866)	(16 577)	6 956	(4 426)	(76 775)	(262 688)
Share in net profits (loss) of entities accounted for by the equity method	-	-	-	14 338	-	14 338
Tax on financial institutions	-	-	-	(143 323)	(10 370)	(153 693)
Profit before tax	360 469	194 583	78 735	(204 336)	174 739	604 190
Corporate income tax						(191 634)
Consolidated profit for the period						412 556
of which:						
attributable to owners of Santander Bank Polska SA						339 007
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
31.12.2019						
Loans and advances to customers	78 266 092	34 110 482	13 431 027	-	17 595 028	143 402 629
Investments in associates	-	-	-	903 113	-	903 113
Other assets	9 153 899	2 021 815	3 098 796	46 633 728	4 262 186	65 170 424
Total assets	87 419 991	36 132 297	16 529 823	47 536 841	21 857 214	209 476 166
Deposits from customers	101 204 622	28 459 949	12 157 398	4 259 024	10 399 350	156 480 343
Other liabilities and equity	6 180 120	4 368 892	5 480 388	25 508 559	11 457 864	52 995 823
Total equity and liabilities	107 384 742	32 828 841	17 637 786	29 767 583	21 857 214	209 476 166

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

4. Net interest income

	1.01.2020- 31.03.2020	1.01.2019- 31.03.2019
Interest income and similar to interest		
Interest income on financial assets measured at amortised cost	1 816 161	1 821 282
Loans and advances to enterprises and leasing agreements	615 521	607 477
Loans and advances to individuals, of which:	1 139 006	1 129 340
<i>Home mortgage loans</i>	423 909	396 264
Loans and advances to banks	9 889	12 821
Loans and advances to public sector	2 803	2 762
Reverse repo transactions	11 609	24 615
Interest recorded on hedging IRS	37 333	44 267
Interest income on financial assets measured at fair value through other comprehensive income	206 593	209 674
Loans and advances to enterprises	10 598	4 538
Debt securities	195 995	205 136
Income similar to interest - financial assets measured at fair value through profit or loss	27 336	50 743
Loans and advances to enterprises	508	501
Loans and advances to individuals	22 877	27 342
Debt securities	3 951	22 900
Total income	2 050 090	2 081 699
	1.01.2020- 31.03.2020	1.01.2019- 31.03.2019
Interest expenses		
Interest expenses on financial liabilities measured at amortised cost	(413 777)	(473 099)
Liabilities to individuals	(181 213)	(223 733)
Liabilities to enterprises	(116 967)	(120 991)
Repo transactions	(6 829)	(29 378)
Liabilities to public sector	(11 898)	(12 924)
Liabilities to banks	(23 574)	(14 066)
Lease liability	(5 268)	(4 480)
Subordinated liabilities and issue of securities	(68 028)	(67 527)
Total costs	(413 777)	(473 099)
Net interest income	1 636 313	1 608 600

5. Net fee and commission income

	1.01.2020- 31.03.2020	1.01.2019- 31.03.2019
Fee and commission income		
eBusiness & payments	132 181	135 129
Current accounts and money transfer	79 708	81 089
Asset management fees	70 263	67 785
Foreign exchange commissions	121 539	106 851
Credit commissions incl. factoring commissions and other	93 088	100 706
Insurance commissions	60 310	48 711
Commissions from brokerage activities	28 274	18 716
Credit cards	34 740	44 401
Off-balance sheet guarantee commissions	23 810	17 391
Finance lease commissions	6 455	6 277
Issue arrangement fees	7 223	1 034
Distribution fees	4 245	1 713
Total	661 836	629 803
Fee and commission expenses		
eBusiness & payments	(43 280)	(40 656)
Distribution fees	(2 307)	(2 826)
Commissions from brokerage activities	(3 614)	(2 503)
Credit cards	(1 522)	(9 122)
Credit commissions paid	(28 684)	(22 419)
Insurance commissions	(4 340)	(5 138)
Finance lease commissions	(7 287)	(7 564)
Asset management fees and other costs	(6 001)	(2 139)
Other	(26 557)	(17 374)
Total	(123 592)	(109 741)
Net fee and commission income	538 244	520 062

6. Net trading income and revaluation

	1.01.2020- 31.03.2020	1.01.2019- 31.03.2019
Net trading income and revaluation		
Derivative instruments	(657 220)	(41 134)
Interbank FX transactions and other FX related income	685 364	84 620
Profit on equity securities measured at fair value through profit or loss	(12 775)	969
Profit on debt securities measured at fair value through profit or loss	(1 064)	(17 521)
Change in fair value of loans and advances mandatorily measured at fair value through profit or loss	(8 002)	21 498
Total	6 303	48 432

The amounts included CVA and DVA adjustments which in 1Q 2020 and 1Q 2019 totaled PLN (15,291) k and PLN (1,341) k respectively.

7. Gains (losses) from other financial securities

	1.01.2020- 31.03.2020	1.01.2019- 31.03.2019
Gains (losses) from other financial securities		
Profit on sale of debt securities measured at fair value through other comprehensive income	51 976	8 486
Profit (loss) on sale of debt securities mandatorily measured at fair value through profit or loss	(5)	-
Change in fair value of debt securities mandatorily measured at fair value through profit or loss	(29 930)	24 673
Total profit (losses) on financial instruments	22 041	33 159
Change in fair value of hedging instruments	(179 604)	(4 108)
Change in fair value of underlying hedged positions	184 049	3 804
Total profit (losses) on hedging and hedged instruments	4 445	(304)
Total	26 486	32 855

8. Other operating income

	1.01.2020- 31.03.2020	1.01.2019- 31.03.2019
Other operating income		
Income on sale of services	6 020	5 655
Release of provision for legal cases and other assets	15 211	4 329
Settlements of leasing agreements	1 188	958
Recovery of other receivables (expired, cancelled and uncollectable)	202	788
Profit on sales or liquidation of fixed assets, intangible assets and assets for disposal	1 116	7 036
Received compensations, penalties and fines	245	395
Profit on lease modifications	1 055	-
Other	15 779	13 108
Total	40 816	32 269

9. Impairment losses on loans and advances

	1.01.2020- 31.03.2020	1.01.2019- 31.03.2019
Impairment losses on loans and advances measured at amortised cost		
Charge for loans and advances to banks	(4)	-
Stage 1	(4)	-
Stage 2	-	-
Stage 3	-	-
POCI	-	-
Charge for loans and advances to customers	(489 635)	(280 118)
Stage 1	(12 044)	(16 561)
Stage 2	(260 944)	(47 557)
Stage 3	(218 512)	(244 530)
POCI	1 865	28 530
Recoveries of loans previously written off	18 572	7 442
Stage 1	-	-
Stage 2	-	-
Stage 3	18 572	7 442
POCI	-	-
Off-balance sheet credit related facilities	4 767	9 988
Stage 1	8 017	2 495
Stage 2	1 127	2 942
Stage 3	(4 377)	4 551
POCI	-	-
Total	(466 300)	(262 688)

Due to high uncertainty of possible COVID-19 impacts, especially in the context of timing and range of potential economic slowdown, Santander Bank Polska S.A. Group decided to create additional provision for expected credit loss, in form of post-model adjustment amounting to PLN 119,000 k, to be assigned to credit losses resulting from COVID-19 (stage 2). The Group will include in subsequent reporting periods incoming reliable information about economic outlooks and portfolio performance either in ECL model or additional post-model adjustment described above.

10. Employee costs

Employee costs	1.01.2020- 31.03.2020	1.01.2019- 31.03.2019
Salaries and bonuses	(360 903)	(365 098)
Salary related costs	(67 574)	(68 093)
Cost of contributions to Employee Capital Plans	(2 389)	-
Staff benefits costs	(8 659)	(8 896)
Professional trainings	(2 388)	(2 527)
Retirement fund, holiday provisions and other employee costs	(137)	(5)
Restructuring provision*	(5 612)	(80 000)
Total	(447 662)	(524 619)

*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.

A provision of PLN (92,400 k) was raised in Santander Bank Polska S.A. books in relation to employment restructuring. By the end of December 2019, 1,324 employees left the organisation as part of the collective redundancies process. The provision was fully utilized until 31.01.2020. Details on charge and utilization of restructuring provision are disclosed in Note 25

11. General and administrative expenses

General and administrative expenses	1.01.2020- 31.03.2020	1.01.2019- 31.03.2019
Maintenance of premises	(30 257)	(49 625)
Short-term lease costs	(2 202)	(1 520)
Low-value assets lease costs	(999)	(215)
Costs of variable lease payments not included in the measurement of the lease liability	(151)	(216)
Non-tax deductible VAT	(12 693)	(8 389)
Marketing and representation	(25 493)	(34 702)
IT systems costs	(82 364)	(77 507)
Cost of BFG, KNF and KDPW	(294 897)	(227 995)
Postal and telecommunication costs	(17 218)	(15 747)
Consulting and advisory fees	(15 713)	(14 522)
Cars, transport expenses, carriage of cash	(13 939)	(19 188)
Other external services	(39 040)	(40 571)
Stationery, cards, cheques etc.	(5 723)	(7 921)
Sundry taxes and charges	(9 171)	(9 636)
Data transmission	(2 877)	(3 320)
KIR, SWIFT settlements	(6 186)	(8 888)
Security costs	(5 693)	(7 380)
Costs of repairs	(3 114)	(958)
Other	(6 292)	(3 940)
Total	(574 022)	(532 240)

12. Other operating expenses

	1.01.2020- 31.03.2020	1.01.2019- 31.03.2019
Other operating expenses		
Charge of provisions for legal cases and other assets	(21 264)	(13 687)
Charge of provisions for legal risk*	(47 105)	-
Impairment loss on property, plant, equipment, intangible assets covered by financial lease agreements and other fixed assets	(8 688)	-
Costs of purchased services	(963)	(498)
Other membership fees	(188)	(182)
Paid compensations, penalties and fines	(775)	(300)
Donations paid	(2 034)	(2 233)
Costs of lease modifications	(60)	(50)
Other	(10 264)	(9 842)
Total	(91 341)	(26 792)

* details in note 25

13. Corporate income tax

	1.01.2020- 31.03.2020	1.01.2019- 31.03.2019
Corporate income tax		
Current tax charge in the income statement	(174 392)	(179 731)
Deffered tax	15 696	(10 328)
Adjustments from previous years	6 619	(1 575)
Total tax on gross profit	(152 077)	(191 634)

	1.01.2020- 31.03.2020	1.01.2019- 31.03.2019
Corporate total tax charge information		
Profit before tax	384 954	604 190
Tax rate	19%	19%
Tax calculated at the tax rate	(73 141)	(114 796)
Non-tax-deductible expenses	(255)	(447)
The fee to the Bank Guarantee Fund	(54 649)	(41 915)
Tax on financial institutions	(28 240)	(29 201)
Non-taxable income	3 516	-
Adjustment of prior year tax	6 619	(1 575)
Other	(5 927)	(3 700)
Total tax on gross profit	(152 077)	(191 634)

	31.03.2020	31.12.2019
Deferred tax recognised in other comprehensive income		
Relating to valuation of debt investments measured at fair value through other comprehensive income	(165 621)	(170 217)
Relating to valuation of equity investments measured at fair value through other comprehensive income	(141 114)	(141 812)
Relating to cash flow hedging activity	(6 069)	5 502
Relating to valuation of defined benefit plans	(2 280)	(2 280)
Total	(315 084)	(308 807)

14. Cash and balances with central banks

Cash and balances with central banks	31.03.2020	31.12.2019
Cash	2 691 012	2 381 455
Current accounts in central banks	4 415 074	5 591 557
Term deposits	-	2
Total	7 106 086	7 973 014

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

Pursuant to Resolution no. 2/2020 of 17 March 2020 the minimum reserve requirement has been reduced to 0.5% and applies as of 30 April 2020.

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	31.03.2020	31.12.2019
Loans and advances	1 957 500	2 115 445
Current accounts	3 595 029	1 601 232
Gross receivables	5 552 529	3 716 677
Allowance for impairment	(102)	(95)
Total	5 552 427	3 716 582

16. Financial assets and liabilities held for trading

Financial assets and liabilities held for trading	31.03.2020		31.12.2019	
	Assets	Liabilities	Assets	Liabilities
Trading derivatives	3 673 575	3 339 834	1 474 161	1 524 250
Interest rate operations	1 508 980	1 505 261	719 181	766 820
Transactions on equity instruments	85	85	1 450	1 450
FX operations	2 164 510	1 834 488	753 530	755 980
Debt and equity securities	228 800	-	584 347	-
Debt securities	224 172	-	546 607	-
Government securities:	215 475	-	391 616	-
- bonds	215 475	-	391 616	-
Central Bank securities:	-	-	149 987	-
- bills	-	-	149 987	-
Other securities:	8 697	-	5 004	-
- bonds	8 697	-	5 004	-
Equity securities	4 628	-	37 740	-
Short sale	-	143 000	-	332 563
Total financial assets/liabilities	3 902 375	3 482 834	2 058 508	1 856 813

Financial assets and liabilities held for trading - trading derivatives include the change in the value of counterparty risk in the amount of PLN (19,216) k as at 31.03.2020 and PLN (3,933) k as at 31.12.2019.

17. Loans and advances to customers

31.03.2020

Loans and advances to customers	Measured at amortised cost	Measured at fair value through other comprehensive income		Measured at fair value through profit or loss	Total
Loans and advances to enterprises	60 223 909	946 418	53 713		61 224 040
Loans and advances to individuals, of which:	81 062 397	-	1 047 462		82 109 859
<i>Home mortgage loans</i>	52 510 564	-	-		52 510 564
Lease receivables	9 497 654	-	-		9 497 654
Loans and advances to public sector	367 532	-	-		367 532
Other receivables	37 383	-	-		37 383
Gross receivables	151 188 875	946 418	1 101 175		153 236 468
Allowance for impairment *	(5 563 558)	-	-		(5 563 558)
Total	145 625 317	946 418	1 101 175		147 672 910

* incl.: management provision for Bank portfolio to reflect uncertainty resulting from COVID-19 pandemic in the amount of PLN 119,000 k

31.12.2019

Loans and advances to customers	Measured at amortised cost	Measured at fair value through other comprehensive income		Measured at fair value through profit or loss	Total
Loans and advances to enterprises	57 165 101	923 811	53 649		58 142 561
Loans and advances to individuals, of which:	79 752 787	-	1 142 798		80 895 585
<i>Home mortgage loans</i>	51 209 256	-	-		51 209 256
Lease receivables	9 266 969	-	-		9 266 969
Loans and advances to public sector	312 469	-	-		312 469
Other receivables	29 409	-	-		29 409
Gross receivables	146 526 735	923 811	1 196 447		148 646 993
Allowance for impairment	(5 244 364)	-	-		(5 244 364)
Total	141 282 371	923 811	1 196 447		143 402 629

Movements on impairment losses on loans and advances to customers measured at amortised cost for reporting period	1.01.2020- 31.03.2020	1.01.2019- 31.03.2019
Balance at the beginning of the period	(5 244 364)	(4 384 322)
Charge/write back of current period	(502 652)	(329 344)
Stage 1	(12 211)	(16 482)
Stage 2	(260 943)	(47 557)
Stage 3	(218 512)	(244 531)
POCI	(10 986)	(20 774)
Write off/Sale of receivables	220 722	46 739
Stage 1	1 177	-
Stage 2	-	-
Stage 3	219 545	46 739
POCI	-	-
Transfer	(4 229)	4 462
Stage 1	23 108	23 776
Stage 2	108 035	25 537
Stage 3	(133 980)	(44 453)
POCI	(1 392)	(398)
FX differences	(33 035)	(2 045)
Stage 1	(2 353)	(127)
Stage 2	(6 243)	(431)
Stage 3	(24 298)	(1 477)
POCI	(141)	(10)
Balance at the end of the period	(5 563 558)	(4 664 510)

Santander Factoring – risk participation agreements

In H2 2019, Santander Factoring Sp. z o.o. and Banco Santander S.A. signed risk participation agreements whereby Santander Factoring Sp. z o.o. would be able to transfer credit risk onto Banco Santander S.A. headquartered in Madrid or Banco Santander S.A. Branch in Frankfurt. Banco Santander S.A. may participate in the risk through Unfunded Risk Participation (whereby it issues a guarantee) or Funded Risk Participation (whereby it provides financing and assumes the insolvency risk for the debtor of Santander Factoring Sp. z o.o.). Assumption of the debtor's insolvency risk reduces the RWA ratio for the Company's assets.

Santander Factoring Sp. z o.o. pays an agreed remuneration to Banco Santander S.A., both for the guarantee issued and for the financing provided. In the case of Funded Risk Participation, interest on financing is calculated at the base rate (WIBOR/ EURIBOR) increased by a margin set for the factoring agreement in question. In the case of Unfunded Risk Participation, the remuneration is calculated by multiplying the guaranteed amount (for a given month) and the margin.

Santander Factoring Sp. z o.o. loan debt owed to Banco Santander S.A. Branch in Frankfurt as at 31 March 2020 totaled PLN 1,366,482 k (principal and interest). Specific instalments mature in the period from April to August 2020. As at 31 March 2020, the value of factoring receivables financed with the loans was PLN 1,024,510 k. Assets covered by the Funded Risk Participation agreement continue to be recognised in the financial statement because criteria for the transfer of financial assets have not been fulfilled.

The difference between the amount of received loans and the value of factoring receivables financed from this source as at 31 March 2020 was PLN 335,803 k. It resulted both from the early repayment of factoring receivables and the lower-than-expected value of invoices submitted by customers in respect of specific instalments. Repayment of the tranches is conditioned upon the repayment of factoring receivables to Santander Factoring Sp. z o.o. At the same time, Santander Factoring Sp. z o.o. is unable to sell or pledge the factoring receivables financed by the Frankfurt Branch.

The table below compares the carrying amounts and fair values of loan debt payments owed to Banco Santander S.A. Branch in Frankfurt and factoring receivables financed from these loans, as at 31 March 2020. The fair value of financial assets should not differ much from their carrying amount, considering short time to maturity for financial assets and financial liabilities (respectively) as well as the credit risk recognised in the carrying amount of financial assets.

31.03.2020	Carrying amount	Fair value
Loans from Banco Santander S.A., Frankfurt Branch	1 366 482	1 366 482
Factoring receivables financed with the loans	1 024 510	1 024 510

As at 31 March 2020, Santander Factoring Sp. z o.o. held the following assets secured by guarantees:

- PLN 1,024,510 k – assets secured under the Funded Risk Participation Agreement signed with Banco Santander S.A. Frankfurt Branch on 20 September 2019;
- PLN 465,094 k – assets secured under the Unfunded Risk Participation Agreement signed with Banco Santander S.A. and Banco Santander S.A. Frankfurt Branch on 22 November 2019;
- PLN 375,000 k – assets secured by guarantees granted by a third party bank.

Risk takeover by Banco Santander S.A. and Banco Santander S.A. Branch in Frankfurt reduced the provision for impairment of factoring receivables as at 31 March 2020 by PLN 1,144 k.

18. Investment securities

Investment securities	31.03.2020	31.12.2019
Debt investment securities measured at fair value through other comprehensive income	40 130 536	40 248 937
Government securities:	36 500 147	34 332 625
- bonds	36 500 147	34 332 625
Central Bank securities:	1 499 917	3 849 679
- bills	1 499 917	3 849 679
Other securities:	2 130 472	2 066 633
-bonds	2 130 472	2 066 633
Debt investment securities measured at fair value through profit and loss	181 321	194 285
Equity investment securities measured at fair value through other comprehensive income	881 236	884 912
- listed	16 280	19 996
- unlisted	864 956	864 916
Total	41 193 093	41 328 134

19. Investments in associates

Balance sheet value of associates	31.03.2020	31.12.2019
Polfund - Fundusz Poręczeń Kredytowych S.A.	44 967	45 273
Santander - Aviva Towarzystwo Ubezpieczeń S.A. and Santander - Aviva Towarzystwo Ubezpieczeń na Życie S.A.	875 785	857 840
Total	920 752	903 113
	1.01.2020-	1.01.2019-
	31.03.2020	31.03.2019
Movements on investments in associates		
Balance at the beginning of the period	903 113	891 952
Share of profits/(losses)	16 699	14 338
Dividends	-	-
Other	940	594
As at the end of the period	920 752	906 884

20. Deposits from banks

Deposits from banks	31.03.2020	31.12.2019
Term deposits	738 535	468 294
Loans received from banks	2 984 844	3 213 874
Current accounts	1 669 133	1 349 576
Total	5 392 512	5 031 744

21. Deposits from customers

Deposits from customers	31.03.2020	31.12.2019
Deposits from individuals	95 861 240	91 716 261
Term deposits	29 208 714	29 984 379
Current accounts	66 424 191	61 519 766
Other	228 335	212 116
Deposits from enterprises	57 701 617	60 281 335
Term deposits	19 365 716	23 656 190
Current accounts	33 447 919	32 054 525
Loans	3 658 748	3 536 953
Other	1 229 234	1 033 667
Deposits from public sector	4 193 922	4 482 747
Term deposits	966 507	750 095
Current accounts	3 227 355	3 732 587
Other	60	65
Total	157 756 779	156 480 343

22. Subordinated liabilities

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

Movements in subordinated liabilities	1.01.2020- 31.03.2020	1.01.2019- 31.03.2019
As at the beginning of the period	2 630 271	2 644 341
Additions from:	126 646	21 543
- interest on subordinated loans	21 935	20 825
- FX differences	104 711	718
Disposals from:	(13 527)	(13 018)
- interest repayment	(13 527)	(13 018)
As at the end of the period	2 743 390	2 652 866
Short-term	24 996	24 651
Long-term (over 1 year)	2 718 394	2 628 215

23. Debt securities in issue

Issuance of debt securities in 1Q 2020 (non-matured securities)	Nominal value	Currency	Redemption date
Series G bonds of Santander Factoring	620 000	PLN	30.07.2020
Series D bonds of Santander Leasing	440 000	PLN	10.03.2021
Series E bonds of Santander Leasing	550 000	PLN	04.12.2020
Senior bonds of Santander Leasing Poland Securitization 01 03/2020	330 000	EUR	03.2036

Issuance of debt securities in 2019 (non-matured securities)	Nominal value	Currency	Redemption date
Series J bank securities	550 000	PLN	27.04.2020
Series F bonds of Santander Factoring	710 000	PLN	22.04.2020
Senior bonds of Santander Leasing Poland Securitization 01 05/2019	1 202 500	PLN	20.02.2035
Series A bonds of Santander Leasing	350 000	PLN	10.02.2020
Series B bonds of Santander Leasing	350 000	PLN	10.03.2020
Series C bonds of Santander Leasing	430 000	PLN	21.09.2020
Securitized bonds Float sale	1 200 000	PLN	16.07.2030
Securitized bonds Float sale	800 000	PLN	16.07.2030

Movements in debt securities in issue	1.01.2020- 31.03.2020	1.01.2019- 31.03.2019
As at the beginning of the period	10 629 516	9 368 617
Increase (due to):	3 371 383	47 489
- debt securities in issue	3 120 707	-
- interest on debt securities in issue	38 684	46 308
- FX differences	211 992	948
- other changes	-	233
Decrease (due to):	(2 188 341)	(118 196)
- debt securities redemption	(1 106 587)	(83 775)
- debt securities repurchase	(1 052 917)	-
- interest repayment	(27 836)	(34 421)
- other changes	(1 001)	-
As at the end of the period	11 812 558	9 297 910

24. Provisions for off balance sheet credit facilities

Provisions for off balance sheet credit facilities	31.03.2020	31.12.2019
Provisions for financial liabilities to grant loans and credit lines	36 507	48 865
Provisions for financial guarantees	25 115	16 856
Other provisions	504	388
Total	62 126	66 109

Change in provisions for off balance sheet credit facilities	31.03.2020
As at 1.01.2020	66 109
Provision charge	34 554
Write back	(39 319)
Other changes	782
As at the end of the period	62 126
Short-term	48 094
Long-term	14 032

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

25. Other provisions

Other provisions	31.03.2020	31.12.2019
Provisions for legal claims	142 842	135 659
Provisions for legal risk*	329 947	295 216
Provisions for restructuring**	11 594	14 740
Total	484 383	445 615

*Details regarding the provisions for legal risk are presented in note 28

** Details about the provisions for restructuring are presented in note 10.

Change in other provisions on 31.03.2020	Provisions for legal claims *	Provisions for restructuring	Provisions for legal risk	Total
As at the beginning of the period	135 659	14 740	295 216	445 615
Provision charge	7 613	5 612	72 547	85 772
Utilization	(60)	(7 844)	(37 816)	(45 720)
Write back	(370)	(914)	-	(1 284)
As at the end of the period	142 842	11 594	329 947	484 383

*Provisions for cases disputed in court also include individual provisions and provisions for class actions.

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

*Provisions for cases disputed in court also include individual provisions and provisions for class actions.

26. Other liabilities

Other liabilities	31.03.2020	31.12.2019
Settlements of stock exchange transactions	94 099	25 264
Interbank settlements	568 600	224 485
Employee provisions	245 280	368 514
Sundry creditors	774 584	647 576
Liabilities from contracts with customers	261 375	278 814
Public and law settlements	164 310	106 393
Accrued liabilities	680 444	519 263
Finance lease related settlements	76 625	101 418
Other	7 892	7 633
Total	2 873 209	2 279 360
of which financial liabilities *	2 439 632	1 886 520

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

Change in provisions	Employee provisions			Total
	Provisions for retirement allowances	Other provisions	of which:	
1.01.2020 - 31.03.2020				
As at the beginning of the period	368 514	44 636	-	368 514
Provision charge	74 275	374	-	74 275
Utilization	(178 667)	(7)	-	(178 667)
Write back	(18 842)	-	-	(18 842)
As at the end of the period	245 280	45 003	-	245 280
Short-term	200 277	-	-	200 277
Long-term	45 003	45 003	-	45 003

Change in provisions 1.01.2019 - 31.03.2019	Employee provisions			Total
		of which: Provisions for retirement allowances	Other provisions	
As at the beginning of the period	405 231	40 858	3 300	408 531
Provision charge	71 393	517	-	71 393
Utilization	(216 185)	-	-	(216 185)
Write back	(21 841)	(5)	-	(21 841)
Other changes	54	-	-	54
As 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

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.

	31.03.2020		31.12.2019	
	Book Value	Fair value	Book Value	Fair value
ASSETS				
Cash and balances with central banks	7 106 086	7 106 086	7 973 014	7 973 014
Loans and advances to banks	5 552 427	5 552 427	3 716 582	3 716 582
Loans and advances to customers measured at amortised cost	145 625 317	146 532 217	141 282 371	141 958 073
LIABILITIES				
Deposits from banks	5 392 512	5 392 512	5 031 744	5 031 744
Deposits from customers	157 756 779	157 796 127	156 480 343	156 520 781
Subordinated liabilities	2 743 390	2 730 949	2 630 271	2 619 205

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

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

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

Loans and advances to banks: The fair value of deposits is measured using discounted cash flows at the current money market interest rates for receivables of similar credit risk, maturity and currency. In the case of demand deposits without a fixed maturity date or with maturity up to 6 months, it is assumed that their fair value is not significantly different than their book value. The process of fair value estimation for these instruments is not affected by the long-term nature of the business with depositors. Loans and advances to banks were classified in their entirety as Level 3 of the fair value hierarchy due to application of a measurement model with significant unobservable inputs.

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

Deposits from banks and deposits from customers: Fair value of the deposits with maturity exceeding 6 months was estimated based on the cash flows discounted by the current market rates for the deposits with similar maturity dates. In

the case of demand deposits without a fixed maturity date or with maturity up to 6 months, it is assumed that their fair value is not significantly different than their book value. The process of fair value estimation for these instruments is not affected by the long-term nature of the business with depositors. Deposits from banks and deposits from customers were classified in their entirety as Level 3 of the fair value hierarchy due to application of a measurement model with significant unobservable inputs.

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

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

As at 31.03.2020 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) Santander Aviva Towarzystwo Ubezpieczeń na Życie SA (AVIVA TUŻ),
- b) Aviva Powszechne Towarzystwo Emerytalne Aviva Santander SA (AVIVA PTE),
- c) Santander Aviva Towarzystwo Ubezpieczeń SA (AVIVA TU),

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.

Level 3: Other valuation techniques.

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

LEVEL 3	VALUATION METHOD	UNOBSERVABLE INPUT
LOANS AND ADVANCES TO CUSTOMERS	Discounted cash flow method	Effective margin on loans
C-SERIES PREFERENCE SHARES OF VISA INC.	Estimating the fair value based on the current market value of the listed ordinary shares of Visa Inc., including a discount which takes into account the limited liquidity of C-series shares and the terms and conditions of the conversion of C-series shares into ordinary shares.	Discount taking into account the limited liquidity of C-series shares and the terms of converting the C-series shares into ordinary shares.
SHARES IN BIURO INFORMACJI KREDYTOWEJ SA	Estimation of the fair value based on the present value of the forecast results of the company	Forecast results of the company
SHARES IN POLSKI STANDARD PŁATNOŚCI SP. Z O.O.	Estimation of the fair value based on the present value of the forecast results of the company	Forecast results of the company
SHARES IN SOCIETY FOR WORLDWIDE INTERBANK FINANCIAL TELECOMMUNICATION	Estimation of the fair value based on the net assets value of the company and average FX	Net asset value of the Company
SHARES IN KRAJOWA IZBA ROZLICZENIOWA SA	Estimation of the fair value based on the present value of the forecast results of the company	Forecast results of the company
SHARES IN WAŁBRZYSKA SPECJALNA STREFA EKONOMICZNA „INVEST-PARK” SP Z O.O.	Estimation of the fair value based on the present value of the forecast results of the company	Net asset value of the Company
SHARES IN AVIVA POWSZECHNE TOWARZYSTWO EMERYTALNE AVIVA SANTANDER SA		Forecast results of the company + discount
AVIVA TOWARZYSTWO UBEZPIECZEŃ NA ŻYCIE SA		Forecast results of the company
AVIVA TOWARZYSTWO UBEZPIECZEŃ OGÓLNYCH SA		Forecast results of the company
LEGNICKA SPECJALNA STREFA EKONOMICZNA SA	Periodic valuation based on net assets value; Estimation of the fair value based on the present value of the forecast results of the company	Net asset value and future results of the Company
POLSKI HOLDING OBRONNY SP. Z O.O. BUMAR		
WARSZAWSKI ROLNO-SPOŻYWCZY RYNEK HURTOWY SA		
AGROREG AGENCJA ROZWOJU REGIONALNEGO SA W NOWEJ RUDZIE		

As at 31.03.2020 and in the comparable periods the Group classified its financial instruments to the following fair value levels:

31.03.2020	Level I	Level II	Level III	Total
Financial assets				
Financial assets held for trading	228 800	3 673 575	-	3 902 375
Hedging derivatives	-	22 023	-	22 023
Loans and advances to customers measured at fair value through other comprehensive income	-	-	946 418	946 418
Loans and advances to customers measured at fair value through profit and loss	-	-	1 101 175	1 101 175
Debt securities measured at fair value through other comprehensive income	40 114 509	-	16 027	40 130 536
Debt securities measured at fair value through profit and loss	-	-	181 321	181 321
Equity securities measured at fair value through other comprehensive income	16 280	-	864 956	881 236
Total	40 359 589	3 695 598	3 109 897	47 165 084
Financial liabilities				
Financial liabilities held for trading	143 000	3 339 834	-	3 482 834
Hedging derivatives	-	1 863 473	-	1 863 473
Total	143 000	5 203 307	-	5 346 307
31.12.2019	Level I	Level II	Level III	Total
Financial assets				
Financial assets held for trading	584 347	1 474 161	-	2 058 508
Hedging derivatives	-	43 973	-	43 973
Loans and advances to customers measured at fair value through other comprehensive income	-	-	923 811	923 811
Loans and advances to customers measured at fair value through profit and loss	-	-	1 196 447	1 196 447
Debt securities measured at fair value through other comprehensive income	40 232 910	-	16 027	40 248 937
Debt securities measured at fair value through profit and loss	-	-	194 285	194 285
Equity securities measured at fair value through other comprehensive income	19 996	-	864 916	884 912
Total	40 837 253	1 518 134	3 195 486	45 550 873
Financial liabilities				
Financial liabilities held for trading	332 563	1 524 250	-	1 856 813
Hedging derivatives	-	995 627	-	995 627
Total	332 563	2 519 877	-	2 852 440

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

Level III	Financial assets				
	Loans and advances to customers measured at fair value through profit and loss	Loans and advances to customers measured at fair value through other comprehensive income	Debt securities measured at fair value through profit and loss	Debt securities measured at fair value through other comprehensive income	Equity securities measured at fair value through other comprehensive income
31.03.2020					
As at the beginning of the period	1 196 447	923 811	194 285	16 027	864 916
Profit or losses					
<i>recognised in income statement</i>	6 724	10 598	(12 464)	-	-
<i>recognised in equity (OCI)</i>	-	-	-	-	40
Purchase/granting	99 777	194 327	-	-	-
Sale	(2)	(50 000)	(500)	-	-
Matured	(200 004)	(155 739)	-	-	-
Other	(1 767)	23 421	-	-	-
As at the end of the period	1 101 175	946 418	181 321	16 027	864 956

Level III	Financial assets				
	Loans and advances to customers measured at fair value through profit and loss	Loans and advances to customers measured at fair value through other comprehensive income	Debt securities measured at fair value through profit and loss	Debt securities measured at fair value through other comprehensive income	Equity securities measured at fair value through other comprehensive income
31.12.2019					
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>	107 700	-	58 274	-	-
<i>recognised in equity (OCI)</i>	-	-	-	-	64 409
Purchase/granting	539 632	645 517	-	-	-
Sale	-	(45 000)	(500)	-	(4 311)
Matured	(803 187)	(42 875)	-	-	-
Other	(7 728)	(582)	-	(11 243)	-
As at the end of the period	1 196 447	923 811	194 285	16 027	864 916

28. Contingent liabilities

Significant court proceedings

As at 31.03.2020 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 1,853,959 k, which is 6.77% of the Group's equity. This amount includes PLN 1,032,583 k claimed by the Group, PLN 771,785 k in claims against the Group and PLN 49,591 k of the Group's receivables due to bankruptcy or arrangement cases.

As at 31.03.2020 the amount of all court proceedings which had been completed amounted to PLN 196,560 k.

As at 31.03.2020, the value of provisions for legal claims was PLN 142,842 k. In 70 cases against Santander Bank Polska SA, where the claim value was high (above PLN 500 k), a provisions of PLN 37,431 k was raised.

Court proceedings on CHF mortgage loans

As at 31.03.2020, the Group had PLN 10,597,781 k worth of retail exposures in respect of mortgage loans denominated in, or indexed to, CHF.

So far, in the vast majority of cases brought against Santander Bank Polska S.A. courts have decided in favour of the bank: 19 final and binding rulings were handed down dismissing borrowers' claims; 12 judgments were issued against the bank and in 2 cases the courts decided that the bank should replace the foreign exchange clauses referring to the bank's exchange rate tables with an average NBP rate. In the case of Santander Consumer Bank S.A., in 11 lawsuits courts decided in favour of the bank and in 13 lawsuits – against it.

So far, there have been significant differences in courts' rulings on CHF loan cases:

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

The Supreme Court used to present a uniform stance as to the consequences of rendering the exchange rate calculation clause unfair: indexed loan agreements were lawful and the loan agreement at issue retained the features of an indexed loan agreement. However, in some recent cases, the Supreme Court ruled that the indexation clause was invalid and the agreement should be treated as an agreement on a PLN loan with an interest rate based on LIBOR. These rulings were an exception to the previous decisions made by the Supreme Court.

On 3.10.2019, the Court of Justice of the European Union (CJEU) ruled on the case of a loan granted by Raiffeisen Bank Polska S.A. regarding the consequences of potentially unfair terms in a CHF-indexed loan agreement. The CJEU found that if the indexation clause was held to be unfair and if after the removal of the indexing mechanism the nature of the main subject matter of the agreement was likely to alter, the national court might annul the agreement, having presented to the borrower the consequences of such a solution and having obtained their consent. At the same time, according to the CJEU, the national court might decide that the agreement should continue in existence after the indexing mechanism is removed (whereby the loan at issue would be treated as a PLN loan with an interest rate based on LIBOR); however, such a solution was deemed uncertain. The CJEU precluded the possibility to substitute unfair terms of the agreement with general provisions of the Polish law, but confirmed the possibility of replacing the gaps in the agreement with explicit supplementary provisions or other rules agreed by the parties.

The CJEU ruling does not resolve the doubts as to the consequences of potentially unfair terms in foreign currency loan agreements. The CJEU ruling does not resolve the doubts as to the consequences of potentially unfair terms in foreign currency loan agreements. The courts continue to take different stance on the matter. Some of them have requested preliminary rulings from the CJEU, which may affect future court verdicts (five requests from the Regional Court in Gdańsk of 30.12.2019 and two requests from the Regional Court in Warszawa-Wola of 22.01.2020). It is still difficult to assess the potential impact of the ruling on court judgments in cases regarding foreign currency loans. The established opinion of the

Supreme Court may be of importance here. It is difficult to assess the potential impact of the ruling on court judgments in cases regarding foreign currency loans. The established opinion of the Supreme Court may be of importance here.

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

The Group identified the risk that the scheduled cash flows from the portfolio of mortgage loans denominated in and indexed to foreign currencies might not be fully recoverable and/or that a liability might arise resulting in a future cash outflow. The Group raises provisions for legal claims and legal risk in accordance with IAS 37 *Provisions, Contingent Liabilities and Contingent Assets*. The amount of provisions was estimated taking into account a number of assumptions, which significantly influence the estimate reflected in the Group's financial statements.

As at 31.03.2020, there were 1,878 pending lawsuits against the Group over loans indexed to, or denominated in, a foreign currency (mainly CHF), with the disputed amount totalling PLN 360,430 k. This included two class actions filed under the Act on pursuing claims through group proceedings:

- a class action against Santander Bank Polska S.A. in respect of 527 CHF-indexed loans, with the disputed amount of PLN 47,022 k;
- a class action against Santander Consumer Bank S.A. in respect of 31 CHF-indexed loans, with the disputed amount of PLN 38 k.

As at 31.03.2020 the Group raised provisions for legal claims related to the above lawsuits in the amount of PLN 73,974 k. Moreover, in 2019, the Group raised collective provisions for legal risk of PLN 173,077k due to the higher number of cases related to contractual clauses in agreements on loans indexed to and denominated in foreign currencies. The bank and its subsidiary Santander Consumer Bank S.A. (SCB) raised provisions of PLN 149,000k and PLN 24,077k, respectively. The Group monitors the legal status and estimates the said credit risk on an ongoing basis. As at 31.03.2020, the Group did not report any need to change the level of collective provision for the legal risk on FX mortgage loans indexed to and denominated in foreign currencies.

Following these operations (new provisions raised, existing provisions reclassified), the balance of collective provisions for legal risk related to contractual clauses in agreements on loans indexed to and denominated in foreign currencies totaled PLN 192,964k as at 31.03.2020. The Group will continue to monitor and evaluate the adequacy of the above-mentioned provisions in subsequent reporting periods.

The methodology of calculating collective provision for the legal risk on FX mortgage loans indexed to and denominated in foreign currencies has not changed against the methodology specified in the financial statements for 2019.

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

On 11.09.2019, the CJEU issued a ruling in case C 383/18, in which it held that pursuant to Article 16(1) in conjunction with Article 3(g) of Directive 2008/48/EC of the European Parliament and of the Council of 23 April 2008 on credit agreements for consumers ("Directive") the consumer is entitled to an equitable reduction in the total cost of the credit (except for notarial fees and taxes), irrespective of whether such costs are linked to the lending period.

However, the CJEU's ruling concerns the interpretation of the provisions of the Directive which are not directly binding and must be transposed by respective member states. Accordingly, it is the national law and its interpretation that are key to resolving disputes over the refund of fees for consumer loans, therefore, it is important to settle the interpretation of national law, which will indicate the method on the basis of which the settlements should be made, and the time horizon covered by the obligation to refund the commission.

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

When assessing the legal risk attached to the court cases in the context of Article 49 of the Consumer Credit Act, the Group raises provisions for legal claims and legal risk in accordance with IAS 37 *Provisions, Contingent Liabilities and Contingent Assets*. Pursuant to the recommendation issued by the President of the UOKiK in relation to the CJEU judgment, Santander Bank Polska Group calculated the amount of reimbursement on early repaid consumer loans on a straight-line basis and made a relevant charge to the Q1 result in this respect. The estimate takes account of the difference in fee settlement using an interest method and a straight-line method, as well as the expected prepayments in this portfolio.

As at 31.03.2020, Santander Bank Group was sued in 260 cases concerning partial refund of an arrangement fee on consumer loans, including 151 cases against Santander Consumer Bank S.A. and 109 cases against Santander Bank Polska S.A. For these proceedings Santander Bank Group raised provisions in the total amount of PLN 730k PLN, including provisions raised by Santander Consumer Bank S.A. in the amount of PLN 675k PLN and provisions raised by Santander Bank Polska S.A in the amount of PLN 55k PLN.

Moreover, based on the history of claims to date, the Group estimated the amount of fees to be reimbursed from December 2011 until the date of CJEU's ruling on this case, using a likelihood matrix corresponding to product types, repayment methods and the reimbursement amount.

In 2020, the Group charged financial result with PLN 99,696k in respect of the reimbursement obligation, which caused a corresponding reduction in net income of both the Bank and SCB Group (by PLN 44,751k and PLN 54,946k, respectively). The above amount includes: (a) the cost of provisions; (b) recognised reimbursement obligations; and (c) revised value of the portfolio of loans measured at amortised cost.

Out of the foregoing amounts, the net interest income for this reporting period was reduced by PLN 27,151k in the Bank and PLN 25,441k in SCB, respectively.

As at 31.12.2019 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 1,579,363 k, which is 5.85% of the Group's equity. This amount includes PLN 925,730 k claimed by the Group, PLN 604,262 k in claims against the Group and PLN 49,371 k of the Group's receivables due to bankruptcy or arrangement cases.

As at 31.12.2019 the amount of all court proceedings which had been completed amounted to PLN 630,285 k.

As at 31.12.2019, the value of provisions for legal claims was PLN 135,659 k. In 61 cases against Santander Bank Polska SA, where the claim value was high (above PLN 500 k), a provisions of PLN 36,672 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 and their value 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	31.03.2020			Total
	Stage 1	Stage 2	Stage 3	
Liabilities sanctioned				
- financial	26 323 944	448 016	58 625	26 830 585
- credit lines	21 653 889	320 847	48 602	22 023 338
- credit cards debits	4 081 768	122 089	10 023	4 213 880
- import letters of credit	587 149	5 080	-	592 229
- term deposits with future commencement term	1 138	-	-	1 138
- guarantees	6 380 471	122 982	41 514	6 544 967
Provision for off-balance sheet liabilities	(23 750)	(6 873)	(31 503)	(62 126)
Total	32 680 665	564 125	68 636	33 313 426

31.12.2019

Contingent liabilities - sanctioned	Stage 1	Stage 2	Stage 3	Total
Liabilities sanctioned				
- financial	33 003 043	436 630	66 938	33 506 611
- credit lines	28 394 392	302 847	56 138	28 753 377
- credit cards debits	4 001 749	126 485	10 800	4 139 034
- import letters of credit	606 902	7 298	-	614 200
- guarantees	6 529 154	149 680	32 781	6 711 615
Provision for off-balance sheet liabilities	(31 555)	(8 185)	(26 369)	(66 109)
Total	39 500 642	578 125	73 350	40 152 117

29. Shareholders with min. 5% voting power

Shareholder	Number of shares held		% in the share capital		Number of votes at AGM		Voting power at AGM	
	28.04.2020	20.02.2020	28.04.2020	20.02.2020	28.04.2020	20.02.2020	28.04.2020	20.02.2020
Banco Santander S.A.	68 880 774	68 880 774	67,47%	67,47%	68 880 774	68 880 774	67,47%	67,47%
Nationale-Nederlanden OFE *	5 123 581	5 123 581	5,02%	5,02%	5 123 581	5 123 581	5,02%	5,02%
Nationale-Nederlanden DFE *	28 083 950	28 083 950	27,51%	27,51%	28 083 950	28 083 950	27,51%	27,51%
Others	28 083 950	28 083 950	27,51%	27,51%	28 083 950	28 083 950	27,51%	27,51%
Total	102 088 305	102 088 305	100%	100%	102 088 305	102 088 305	100%	100%

* Funds managed by Nationale-Nederlanden Powszechna Towarzystwo Emerytalne SA

According to the information held by the Bank's Management Board, the shareholders with a min. 5% of the total number of votes at the Santander Bank Polska General Meeting as at the publication date of the condensed interim consolidated report for 1Q 2020 /28.04.2020/ are Banco Santander SA and Funds managed by Nationale-Nederlanden Powszechna Towarzystwo Emerytalne SA.: Nationale-Nederlanden Otwarty Fundusz Emerytalny and Nationale-Nederlanden Dobrowolny Fundusz Emerytalny

30. Related parties

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

Transactions with associates	31.03.2020	31.12.2019
Assets	68	69
Other assets	68	69
Liabilities	118 917	96 286
Deposits from customers	118 803	96 157
Other liabilities	114	129

	01.01.2020- 31.03.2020	01.01.2019- 31.03.2019
Transactions with associates		
Income	8 106	9 191
Fee and commission income	8 106	9 191
Expenses	520	961
Interest expense	281	427
Fee and commission expense	239	300
Operating expenses incl.:	-	234
<i>General and administrative expenses</i>	-	234

	with the parent company		with other entities	
	31.03.2020	31.12.2019	31.03.2020	31.12.2019
Transactions with Santander Group				
Assets	2 959 487	1 409 334	14 969	23 855
Loans and advances to banks, incl:	1 604 165	740 278	12 140	16 794
<i>Loans and advances</i>	1 040 793	545 774	-	-
<i>Current accounts</i>	563 372	194 504	12 140	16 794
Financial assets held for trading	1 354 973	668 115	96	2
Other assets	349	941	2 733	7 059
Liabilities	3 170 499	2 126 708	116 575	136 108
Deposits from banks incl.:	1 786 960	1 474 523	17 980	26 532
<i>Current accounts</i>	420 478	381 234	17 980	26 532
<i>Loans from other banks*</i>	1 366 482	1 093 289	-	-
Financial liabilities held for trading	1 370 791	628 143	-	-
Deposits from customers	-	-	81 811	69 511
Lease liabilities	-	-	1 001	1 027
Other liabilities	12 748	24 042	15 783	39 038
Contingent liabilities	-	-	33 204	3 063
Sanctioned:	-	-	33 204	3 063
<i>guarantees</i>	-	-	33 204	3 063

	with the parent company		with other entities	
	01.01.2020- 31.03.2020	01.01.2019- 31.03.2019	01.01.2020- 31.03.2020	01.01.2019- 31.03.2019
Transactions with Santander Group				
Income	1 526	123 090	901	794
Interest income	1 009	2 095	2	9
Fee and commission income	514	453	72	67
Other operating income	3	-	3	2
Net trading income and revaluation	-	120 542	824	716
Expenses	39 799	13 186	16 735	12 653
Interest expense	7 450	2 715	68	304
Fee and commission expense	2 710	698	37	25
Net trading income and revaluation	20 403	-	-	-
Operating expenses incl.:	9 236	9 773	16 630	12 324
<i>Staff, Operating expenses and management costs</i>	9 236	9 773	16 630	12 324

* Details about the Funded Risk Participation are presented in Note 17

31. Acquisitions and disposals of investments in subsidiaries and associates

In 1Q2020 there was no acquisitions and disposals of investments in subsidiaries and associates.

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 31.03.2020.

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 tabel below presents a details of own funds, adjustments and capital adequacy ratios as at 31.03.2020.

	31.03.2020
Common Equity Tier 1 (CET1) capital before regulatory adjustments	24 566 252
Common Equity Tier 1 (CET1) capital	22 072 814
Additional Tier 1 (AT1) capital before regulatory adjustments	-
Additional Tier 1 (AT1) capital	-
Tier 1 capital	22 072 814
Tier 2 (T2) capital before regulatory adjustment	2 774 462
Tier 2 (T2) capital	2 774 462
Total capital	24 847 276
Total regulatory adjustments to Common Equity Tier 1 (CET1)	(2 493 438)
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)	14,91%
Tier 1 (as a percentage of total risk exposure amount)	14,91%
Total capital (as a percentage of total risk exposure amount)	16,79%
Combined buffer requirement	4 817 733

The following table summaries key metrics about TLAC available and TLAC requirements applied at the Santander Bank Polska Group level

Resolution group	31.03.2020	31.12.2019	30.09.2019	30.06.2019
1 Total Loss Absorbing Capacity (TLAC) available	27 081 716	26 824 328	26 679 007	26 581 276
1a Fully loaded ECL accounting model TLAC available*	26 879 953	26 570 620	26 486 761	26 535 495
2 Total RWA at the level of the resolution group	148 020 351	143 180 901	148 832 179	146 860 022
3 TLAC as a percentage of RWA (row1/row2) (%)	18,30%	18,73%	17,93%	18,10%
3a Fully loaded ECL accounting model TLAC as a percentage of fully loaded ECL accounting model RWA (%)	18,17%	18,58%	17,82%	18,09%
4 Leverage exposure measure at the level of the resolution group	222 075 146	216 545 068	211 890 820	213 078 028
5 TLAC as a percentage of leverage exposure measure (row1/row4) (%)	12,19%	12,39%	12,59%	12,47%
5a Fully loaded ECL accounting model TLAC as a percentage of fully loaded ECL accounting model Leverage exposure measure (%)	12,11%	12,28%	12,51%	12,45%
6a Does the subordination exemption in the antepenultimate paragraph of Section 11 of the FSB TLAC Term Sheet apply?	No	No	No	No
6b Does the subordination exemption in the penultimate paragraph of Section 11 of the FSB TLAC Term Sheet apply?	No	No	No	No
6c If the capped subordination exemption applies, the amount of funding issued that ranks pari passu with Excluded Liabilities and that is recognised as external TLAC, divided by funding issued that ranks pari passu with Excluded Liabilities and that would be recognised as external TLAC if no cap was applied (%)	N/A	N/A	N/A	N/A

* including total capital as if IFRS 9 or analogous ECLs transitional arrangements had not been applied

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

		RWAs		Minimum capital requirements
		31.03.2020	31.12.2019	31.03.2020
	1. Credit risk (excluding CCR)	120 966 183	117 771 664	9 677 295
Article 438(c)(d)	2. Of which the standardised approach	120 966 183	117 771 664	9 677 295
Article 107 Article 438(c)(d)	6. CCR	2 511 123	1 641 140	200 889
Article 438(c)(d)	7. Of which mark to market	2 120 241	1 345 945	169 619
Article 438(c)(d)	11. Of which risk exposure amount for contributions to the default fund of a CCP	6 131	3 858	490
Article 438(c)(d)	12. Of which CVA	384 751	291 337	30 780
Article 438 (e)	19. Market risk	1 488 674	1 609 978	119 094
	20. Of which the standardised approach	1 488 674	1 609 978	119 094
Article 438(f)	23. Operational risk	15 755 929	14 980 731	1 260 474
	25. Of which standardised approach	15 755 929	14 980 731	1 260 474
Article 437(2), Article 48 and Article 60	27. Amounts below the thresholds for deduction (subject to 250% risk weight)	7 298 442	7 177 388	583 875
29. Total		148 020 351	143 180 901	11 841 627

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

Tier I capital	22 072 814
Leverage ratio total exposure	222 075 146
Leverage ratio	9,94%
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)	31.03.2020	31.12.2019	30.09.2019	30.06.2019	31.03.2019	31.12.2018	30.09.2018	30.06.2018
1	Common Equity Tier 1 (CET1) capital	22 072 814	21 772 007	21 304 929	21 213 963	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	21 871 052	21 518 299	21 112 683	21 022 236	21 162 089	19 984 622	19 476 357	19 518 903
3	Tier 1 capital	22 072 814	21 772 007	21 304 929	21 213 963	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	21 871 052	21 518 299	21 112 683	21 022 236	21 162 089	19 984 622	19 476 357	19 518 903
5	Total capital	24 847 276	24 440 183	24 022 983	23 878 687	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	24 645 212	24 186 104	23 830 358	23 686 570	23 837 572	22 658 089	22 141 723	22 215 395
	Risk-weighted assets (amounts)								
7	Total risk-weighted assets	148 020 351	143 180 901	148 832 179	146 860 022	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	147 914 691	143 036 349	148 669 000	146 651 223	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)	14,91%	15,21%	14,31%	14,45%	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	14,79%	15,04%	14,20%	14,33%	14,53%	13,99%	15,37%	15,53%
11	Tier 1 (as a percentage of risk exposure amount)	14,91%	15,21%	14,31%	14,45%	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	14,79%	15,04%	14,20%	14,33%	14,53%	13,99%	15,37%	15,53%
13	Total capital (as a percentage of risk exposure amount)	16,79%	17,07%	16,14%	16,26%	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	16,66%	16,91%	16,03%	16,15%	16,37%	15,86%	17,48%	17,67%
	Leverage ratio								
15	Leverage ratio total exposure measure	222 075 146	216 545 068	211 890 820	213 078 028	221 096 601	212 258 409	186 417 103	177 260 235
16	Leverage ratio	9,94%	10,05%	10,05%	9,96%	9,64%	9,50%	10,55%	11,09%
17	Leverage ratio as if IFRS 9 or analogous ECLs transitional arrangements had not been applied	9,86%	9,95%	9,97%	9,87%	9,58%	9,42%	10,46%	11,02%

35. Liquidity measures

Liquidity Coverage Ratio

The following table presents the values and components of the liquidity coverage ratio in accordance with the template that is a part of the EBA/GL/2017/01 guidelines on LCR disclosure.

Scope of consolidation: consolidated

Currency and units (PLN million)

Quarter ending on (DD Month YYYY)	Total unweighted value (average)				Total weighted value (average)			
	31.03.2020	31.12.2019	30.09.2019	30.06.2019	31.03.2020	31.12.2019	30.09.2019	30.06.2019
Number of data points used in the calculation of averages	12	12	12	12	12	12	12	12
HIGH-QUALITY LIQUID ASSETS								
1 Total high-quality liquid assets (HQLA)					38 877	38 223	37 216	36 079
CASH-OUTFLOWS								
2 Retail deposits and deposits from small business customers, of which:	84 461	80 502	77 290	72 363	7 449	7 031	6 662	6 030
3 <i>Stable deposits</i>	47 760	46 140	45 230	44 941	2 388	2 307	2 262	2 247
4 <i>Less stable deposits</i>	36 701	34 361	32 060	27 421	5 061	4 724	4 401	3 782
5 Unsecured wholesale funding	36 895	37 637	36 724	35 368	16 871	16 850	16 349	15 637
6 <i>Operational deposits (all counterparties) and deposits in networks of cooperative banks</i>	7 491	7 975	7 604	7 036	1 871	1 991	1 899	1 757
7 <i>Non-operational deposits (all counterparties)</i>	29 149	29 407	28 899	28 207	14 745	14 603	14 230	13 756
8 <i>Unsecured debt</i>	255	255	221	125	255	255	221	125
9 Secured wholesale funding					-	-	-	-
10 Additional requirements	24 341	22 970	22 236	21 388	4 476	3 831	3 406	3 192
11 <i>Outflows related to derivative exposures and other collateral requirements</i>	2 561	1 887	1 466	1 281	2 561	1 887	1 466	1 281
12 <i>Outflows related to loss of funding on debt products</i>	-	-	-	-	-	-	-	-
13 <i>Credit and liquidity facilities</i>	21 780	21 082	20 770	20 107	1 915	1 943	1 940	1 911
14 Other contractual funding obligations	1 599	1 672	1 983	1 961	1 322	1 419	1 726	1 712
15 Other contingent funding obligations	11 331	11 336	10 899	10 225	515	529	516	493
16 TOTAL CASH OUTFLOWS					30 633	29 658	28 660	27 065
CASH-INFLOWS								
17 Secured lending (eg reverse repos)	992	769	413	256	1	1	1	1
18 Inflows from fully performing exposures	6 786	6 410	6 095	5 891	5 644	5 291	4 983	4 805
19 Other cash inflows	1 236	1 000	833	741	1 236	1 000	833	741
(Difference between total weighted inflows and total weighted outflows arising from transactions in third countries where there are transfer restrictions or which are denominated in non-convertible currencies)					-	-	-	-
EU-19a								
(Excess inflows from a related specialised credit institution)					-	-	-	-
EU-19b								
20 TOTAL CASH INFLOWS	9 013	8 179	7 342	6 889	6 881	6 292	5 818	5 547
<i>EU-20a Fully exempt inflows</i>	-	-	-	-	-	-	-	-
<i>EU-20b Inflows Subject to 90% Cap</i>	-	-	-	-	-	-	-	-
<i>EU-20c Inflows Subject to 75% Cap</i>	9 013	8 179	7 342	6 889	6 881	6 292	5 818	5 547
TOTAL ADJUSTED VALUE								
21 LIQUIDITY BUFFER					38 877	38 223	37 216	36 079
22 TOTAL NET CASH OUTFLOWS					23 752	23 366	22 842	21 518
23 LIQUIDITY COVERAGE RATIO (%)					164%	164%	163%	169%

36. Dividend per share

Bank's Management Board recommendation regarding proposed profit distribution for 2019

The Management Board of Santander Bank Polska S.A. informed that in compliance with the expectations issued by the Polish Financial Supervision Authority ("PFSA") in the letter dated 26th March 2020, has adopted today a resolution recommending the retention of the entire net profit achieved by the Bank in the accounting year commenced on 01.01.2019 and ended on 31.12.2019 in the amount of PLN 2,113,523,989.28 and the allocation of 50% of the Bank's net profit in amount of PLN 1,056,761,994.64 to the reserve capital and the amount of PLN 1,056,761,994.64 left undivided.

The Bank's Supervisory Board approved this recommendation.

The Management Board and the Supervisory Board will submit the above proposal along with the recommendation to the Annual General Meeting of the Bank.

The following are arguments to support the notified proposals regarding profit distribution for 2019.

As at 31st December 2019 the capital ratios amounted:

- Tier I ratio (T1) for the Bank 17,38% and for the Group 15,21%
- Total Capital Ratio for the Bank 19,58% and for the Group 17,07%

Considering above and the criteria regarding dividend payment presented in the PFSA's letter dated 24th December 2019 The Bank received from the PFSA recommendation dated 9th March 2020 regarding increasing the own funds of the Bank by retaining at least 50% of the net profit for the period from 1st January 2019 to 31st December 2019 ("Recommendation").

The PFSA's recommendation shows that as at 31st December 2019 the Bank met the criteria to pay to shareholders a dividend up to 50% of the Bank's net profit for the period from 1st January 2019 to 31st December 2019.

However, in the letter dated 26th March 2020 the PFSA pointed that taking into account current situation related to the state of the epidemic announced in Poland and possible further negative economic consequences of this state, as well as their expected impact on banks, the PFSA expects that banking sector - regardless of any actions already undertaken in this respect - will retain entire profit earned in previous years.

The PFSA expects that no other actions are undertaken without agreement with the PFSA, in particular those actions outside of the scope of ongoing business and operating activities, which may result in weakening of capital position.

Considering the PFSA's recommendation and expectation respectively of 9th March 2020 and 26th March 2020 and current changes in the macroeconomic environment, the Bank's Management Board recommends to retain the entire net profit for the period from 1 January to 31st December 2019 by allocating 50% of 2019 profit to the reserve capital and 50% of profit will be left undivided.

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 is PLN 19.72,
- per one: M series share is 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 Annual General Meeting, held on 16th May 2019, made a decision on dividend payment.

37. Events which occurred subsequently to the end of the reporting period

Fitch Ratings affirms Santander Bank Polska IDR rating at BBB+ and changes the perspective to negative due to coronavirus outbreak.

On 14.04.2020 the Management Board of Santander Bank Polska S.A. published the rating decision issued by Fitch Ratings Agency. Agency changed the perspective of Santander Bank Polska S.A. Ratings Stable to Negative due to economic fallout from the coronavirus outbreak. Fitch has affirmed Santander BP's IDR at 'BBB+' and its VR at 'bbb+'.

Impact of the Monetary Policy Council's decision to cut interest rate on the financial performance of Santander Bank Polska Group in 2020

The Management Board of Santander Bank Polska S.A. informed about the impact of the Monetary Policy Council decisions on interest rate cuts of 17 March 2020 and 8 April 2020 on the financial performance of Santander Bank Polska Group in 2020.

As at the date 9 April 2020, based on its calculations, the Bank reports that the MPC's decisions to reduce interest rates by 100 basis points in total will adversely impact the Bank's net interest income by PLN 300 to 350 million. The net interest income of Santander Consumer Bank S.A., the Bank's subsidiary, will be impacted likewise - by PLN 80 to 100 million.

Therefore, the adverse impact on the Group's net interest income in 2020 will range from PLN 380 to 450 million.

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

Both the provided figures and assumptions might change.

Signatures of the persons representing the entity

Date	Name	Function	Signature
27.04.2020	Michał Gajewski	President	
27.04.2020	Andrzej Burliga	Vice-President	
27.04.2020	Michael McCarthy	Vice-President	
27.04.2020	Juan de Porrás Aguirre	Vice-President	
27.04.2020	Arkadiusz Przybył	Vice-President	
27.04.2020	Patryk Nowakowski	Member	
27.04.2020	Carlos Polaino Izquierdo	Member	
27.04.2020	Maciej Reluga	Member	
27.04.2020	Dorota Strojowska	Member	

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

Date	Name	Function	Signature
27.04.2020	Wojciech Skalski	Financial Accounting Area Director	