

Selected Financial Information on Santander Bank Polska Group for 2020

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

The financial information provided herein and concerning the quarter and the year ended 31 December 2020 includes the selected, preliminary, unaudited data which has been prepared for information purposes, in addition to the interim reporting obligations of Santander Bank Polska Group. The scope of disclosures does not meet the definition of an interim report required by the International Accounting Standard 34 Interim Financial Reporting or the Regulation of the Minister of Finance of 29 March 2018 on current and financial reports published by the issuers of securities and the rules of equal treatment of the information required by the laws of a non-member state. Some financial data may be subject to revision in the Group's Annual Report for 2020 to be published on 23 February 2021 along with an independent auditor's opinion.

I. Consolidated income statement.....	3
II. Consolidated statement of comprehensive income	4
III. Consolidated statement of financial position	5
IV. Consolidated statement of changes in equity	6
V. Consolidated statement of cash flows.....	8
VI. Income statement of Santander Bank Polska.....	9
VII. Statement of comprehensive income	10
VIII. Statement of financial position of Santander Bank Polska.....	11
IX. Statement of changes in equity	12
X. Statement of cash flows.....	14
XI. Credit exposures with assistance tools due to COVID-19	15
XII. Overview of financial performance of Santander Bank Polska Group in 2020	19

I. Consolidated income statement

	for the period:	1.10.2020- 31.12.2020	1.01.2020- 31.12.2020	1.10.2019- 31.12.2019	1.01.2019- 31.12.2019
Interest income and similar to interest		1 539 580	6 896 752	2 097 532	8 461 836
Interest income on financial assets measured at amortised cost		1 311 566	5 986 368	1 852 731	7 467 538
Interest income on financial assets measured at fair value through other comprehensive income		217 748	853 841	215 747	833 824
Income similar to interest - financial assets measured at fair value through profit or loss		10 266	56 543	29 054	160 474
Interest expense		(128 861)	(1 008 603)	(450 529)	(1 881 667)
Net interest income		1 410 719	5 888 149	1 647 003	6 580 169
Fee and commission income		704 582	2 638 807	694 952	2 648 049
Fee and commission expense		(135 281)	(486 701)	(153 246)	(519 877)
Net fee and commission income		569 301	2 152 106	541 706	2 128 172
Dividend income		387	22 883	513	99 221
Net trading income and revaluation		57 273	150 509	73 136	215 549
Gains (losses) from other financial securities		76 068	257 712	48 383	185 475
Other operating income		68 666	175 979	69 832	253 495
Impairment losses on loans and advances		(456 695)	(1 762 812)	(263 551)	(1 219 353)
Operating expenses incl.:		(1 328 984)	(4 487 986)	(1 231 429)	(4 466 290)
-Staff, Operating expenses and management costs		(844 631)	(3 262 541)	(766 961)	(3 426 232)
-Amortisation of property, plant and equipment and Intangible assets		(112 306)	(405 263)	(119 571)	(425 224)
-Amortisation of right of use asset		(36 044)	(188 332)	(41 258)	(202 951)
-Other operating expenses		(336 003)	(631 850)	(303 639)	(411 883)
Share in net profits (loss) of entities accounted for by the equity method		17 901	86 360	18 268	67 192
Tax on financial institutions		(153 040)	(602 003)	(147 305)	(599 034)
Profit before tax		261 596	1 880 897	756 556	3 244 596
Corporate income tax		(144 408)	(643 723)	(182 156)	(800 488)
Consolidated profit for the period		117 188	1 237 174	574 400	2 444 108
of which:					
-attributable to owners of Santander Bank Polska SA		81 546	1 037 167	507 034	2 138 347
-attributable to non-controlling interests		35 642	200 007	67 366	305 761
Net earnings per share (PLN/share)					
Basic earnings per share		0,80	10,16	4,97	20,95
Diluted earnings per share		0,80	10,15	4,95	20,92

II. Consolidated statement of comprehensive income

for the period:	1.10.2020- 31.12.2020	1.01.2020- 31.12.2020	1.10.2019- 31.12.2019	1.01.2019- 31.12.2019
Consolidated profit for the period	117 188	1 237 174	574 400	2 444 108
Other comprehensive income which can be transferred to the profit and loss net account:	39 939	541 358	(78 421)	208 609
Revaluation and sales of debt securities measured at fair value through other comprehensive income gross	53 246	649 030	(59 003)	208 554
Deferred tax	(10 117)	(123 316)	11 211	(39 625)
Revaluation of cash flow hedging instruments gross	(3 938)	19 314	(37 813)	48 988
Deferred tax	748	(3 670)	7 184	(9 308)
Other comprehensive income which can't be transferred to the profit and loss net account:	43 001	(23 342)	62 595	48 950
Revaluation and sales of equity securities measured at fair value through other comprehensive income gross	52 011	(26 655)	76 095	67 861
Deferred and current tax	(9 882)	4 874	(14 489)	(17 822)
Provision for retirement allowances – actuarial gains/losses gross	1 076	(1 927)	1 220	(1 345)
Deferred tax	(204)	366	(231)	256
Total other comprehensive income net	82 940	518 016	(15 826)	257 559
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD	200 128	1 755 190	558 574	2 701 667
Total comprehensive income attributable to:				
Owners of Santander Bank Polska SA	166 427	1 552 918	491 391	2 399 940
Non-controlling interests	33 701	202 272	67 183	301 727

III. Consolidated statement of financial position

	as at:	31.12.2020	30.09.2020	31.12.2019
ASSETS				
Cash and balances with central banks		5 489 303	2 907 749	7 973 014
Loans and advances to banks		2 926 522	2 971 312	3 716 582
Financial assets held for trading		3 182 769	4 697 681	2 058 508
Hedging derivatives		7 654	32 634	43 973
Loans and advances to customers incl.:		141 998 745	142 051 438	143 402 629
- measured at amortised cost		139 549 728	139 855 112	141 282 371
- measured at fair value through other comprehensive income		1 556 791	1 140 320	923 811
- measured at fair value through profit and loss		892 226	1 056 006	1 196 447
Buy-sell-back transactions		293 583	125 828	1 851 171
Investment securities incl.:		66 783 434	61 209 949	41 328 134
- debt securities measured at fair value through other comprehensive income		65 700 052	60 192 017	40 248 937
- debt securities measured at fair value through profit and loss		110 155	103 695	194 285
- equity securities measured at fair value through other comprehensive income		857 331	808 264	884 912
- equity securities measured at fair value through profit and loss		115 896	105 973	-
Assets pledged as collateral		657 664	828 689	1 089 558
Investments in associates		998 397	978 234	903 113
Intangible assets		708 356	688 811	772 117
Goodwill		1 712 056	1 712 056	1 712 056
Property, plant and equipment		803 429	784 112	874 078
Right of use asset		710 657	735 823	838 792
Net deferred tax assets		1 996 552	1 964 394	1 847 916
Assets classified as held for sale		11 901	10 923	2 679
Other assets		1 030 287	1 134 331	1 061 846
Total assets		229 311 309	222 833 964	209 476 166
LIABILITIES AND EQUITY				
Deposits from banks		5 373 312	5 188 853	5 031 744
Hedging derivatives		1 775 098	1 699 290	995 627
Financial liabilities held for trading		3 030 340	2 869 257	1 856 813
Deposits from customers		171 522 255	166 726 404	156 480 343
Sell-buy-back transactions		653 687	826 814	990 863
Subordinated liabilities		2 754 605	2 731 657	2 630 271
Debt securities in issue		11 241 312	10 312 795	10 629 516
Lease liabilities		624 690	645 156	746 632
Current income tax liabilities		79 049	90 245	343 763
Provisions for off balance sheet credit facilities		64 541	59 563	66 109
Other provisions		952 115	507 401	445 615
Other liabilities		2 582 315	2 720 500	2 279 360
Total liabilities		200 653 319	194 377 935	182 496 656
Equity				
Equity attributable to owners of Santander Bank Polska SA		26 994 750	26 826 490	25 431 987
Share capital		1 021 893	1 021 893	1 020 883
Other reserve capital		21 296 994	21 296 994	20 141 925
Revaluation reserve		1 839 292	1 752 578	1 316 061
Retained earnings		1 799 404	1 799 404	814 771
Profit for the period		1 037 167	955 621	2 138 347
Non-controlling interests in equity		1 663 240	1 629 539	1 547 523
Total equity		28 657 990	28 456 029	26 979 510
Total liabilities and equity		229 311 309	222 833 964	209 476 166

IV. Consolidated statement of changes in equity

Consolidated statement of changes in equity 1.01.2020 - 31.12.2020	Equity attributable to owners of parent entity				Total	Non-controlling	
	Share capital	Other reserve capital	Revaluation reserve	Retained earnings and profit for the period		interests	Total equity
As at the beginning of the period	1 020 883	20 141 925	1 316 061	2 953 118	25 431 987	1 547 523	26 979 510
Total comprehensive income	-	-	515 751	1 037 167	1 552 918	202 272	1 755 190
<i>Consolidated profit for the period</i>	-	-	-	1 037 167	1 037 167	200 007	1 237 174
<i>Other comprehensive income</i>	-	-	515 751	-	515 751	2 265	518 016
Issue of shares	1 010	-	-	-	1 010	-	1 010
Profit allocation to other reserve capital	-	1 153 463	-	(1 153 463)	-	-	-
Profit allocation to dividends	-	-	-	-	-	(86 555)	(86 555)
Valuation of share-based payments	-	1 606	-	-	1 606	-	1 606
Profit on sale of equity securities measured at fair value through other comprehensive income	-	-	251	(251)	-	-	-
Other changes	-	-	7 229	-	7 229	-	7 229
As at the end of the period	1 021 893	21 296 994	1 839 292	2 836 571	26 994 750	1 663 240	28 657 990

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

Consolidated statement of changes in equity 1.01.2020 - 30.09.2020	Equity attributable to owners of parent entity				Total	Non-controlling	
	Share capital	Other reserve capital	Revaluation reserve	Retained earnings and profit for the period		interests	Total equity
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	-	-	430 870	955 621	1 386 491	168 571	1 555 062
<i>Consolidated profit for the period</i>	-	-	-	955 621	955 621	164 365	1 119 986
<i>Other comprehensive income</i>	-	-	430 870	-	430 870	4 206	435 076
Issue of shares	1 010	-	-	-	1 010	-	1 010
Profit allocation to other reserve capital	-	1 153 463	-	(1 153 463)	-	-	-
Profit allocation to dividends	-	-	-	-	-	(86 555)	(86 555)
Valuation of share-based payments	-	1 606	-	-	1 606	-	1 606
Profit on sale of equity securities measured at fair value through other comprehensive income	-	-	251	(251)	-	-	-
Other changes	-	-	5 396	-	5 396	-	5 396
As at the end of the period	1 021 893	21 296 994	1 752 578	2 755 025	26 826 490	1 629 539	28 456 029

As at the end of the period revaluation reserve in the amount of PLN 1,752,578 k comprises: valuation of debt securities in the amount of PLN 1,209,241 k, valuation of equity securities in the amount of PLN 541,489 k, valuation of cash flow hedge activities in the amount of PLN (5,629) k and accumulated actuarial gains - provision for retirement allowances of PLN 7,477 k.

Equity attributable to owners of parent entity							
Consolidated statement of changes in equity 1.01.2019 - 31.12.2019	Equity attributable to owners of parent entity				Retained earnings and		Total equity
	Share capital	Other reserve capital	Revaluation reserve	profit for the period	Total	Non-controlling interests	
As at the beginning of the period	1 020 883	18 911 741	1 019 373	4 078 520	25 030 517	1 564 184	26 594 701
Total comprehensive income	-	-	261 593	2 138 347	2 399 940	301 727	2 701 667
<i>Consolidated profit for the period</i>	-	-	-	2 138 347	2 138 347	305 761	2 444 108
<i>Other comprehensive income</i>	-	-	261 593	-	261 593	(4 034)	257 559
Profit allocation to other reserve capital	-	1 206 218	-	(1 206 218)	-	-	-
Profit allocation to dividends	-	-	-	(2 012 683)	(2 012 683)	(318 388)	(2 331 071)
Valuation of share-based payments	-	11 474	-	-	11 474	-	11 474
Profit on sale of equity securities measured at fair value through other comprehensive income	-	-	34 885	(34 885)	-	-	-
Equity adjustment due to liquidation of Santander Securities SA	-	12 492	210	(12 702)	-	-	-
Other changes	-	-	-	2 739	2 739	-	2 739
As at the end of the period	1 020 883	20 141 925	1 316 061	2 953 118	25 431 987	1 547 523	26 979 510

As at the end of the period revaluation reserve in the amount of PLN 1,316,061 k comprises: valuation of debt securities in the amount of PLN 725,544 k, valuation of equity securities in the amount of PLN 605,169 k, valuation of cash flow hedge activities in the amount of PLN (24,426) k and accumulated actuarial gains - provision for retirement allowances of PLN 9,774 k.

V. Consolidated statement of cash flows

	for the period	1.01.2020- 31.12.2020	1.01.2019- 31.12.2019
Profit before tax		1 880 897	3 244 596
Total adjustments:			
Share in net profits of entities accounted for by the equity method		(86 360)	(67 192)
Depreciation/amortisation		593 595	628 175
Profit from investing activities		(236 801)	(219 385)
Interest accrued excluded from operating activities		(480 479)	(354 187)
Dividends		(22 689)	(97 784)
Impairment losses (reversal)		48 740	34 037
Changes:			
Provisions		504 932	297 795
Financial assets / liabilities held for trading		(110 894)	(404 927)
Assets pledged as collateral		431 894	619 186
Hedging derivatives		789 038	(69 253)
Loans and advances to banks		(9 989)	(49 286)
Loans and advances to customers		(4 669 195)	(13 165 931)
Deposits from banks		1 255 240	736 791
Deposits from customers		16 210 291	9 411 957
Buy-sell/ Sell-buy-back transactions		(151 958)	(1 568 069)
Other assets and liabilities		513 722	(616 644)
Interest received on operating activities		6 170 272	7 598 103
Interest paid on operating activities		(576 945)	(1 474 463)
Paid income tax		(1 180 644)	(899 277)
Net cash flows from operating activities		20 872 667	3 584 242
Inflows		8 180 856	8 224 879
Sale/maturity of investment securities		7 049 099	6 996 521
Sale of intangible assets and property, plant and equipment		98 017	213 979
Dividends received		22 689	156 329
Interest received		1 011 051	858 050
Outflows		(30 908 013)	(12 636 011)
Purchase of investment securities		(30 519 023)	(12 185 175)
Purchase of intangible assets and property, plant and equipment		(388 990)	(450 836)
Net cash flows from investing activities		(22 727 157)	(4 411 132)
Inflows		10 108 930	8 910 256
Debt securities in issue		5 532 720	6 574 500
Proceeds from issuing/shares		1 010	-
Drawing of loans		4 575 200	2 335 756
Outflows		(11 888 050)	(10 240 038)
Debt securities buy out		(5 185 553)	(5 278 326)
Repayment of loans and advances		(6 102 565)	(2 044 255)
Repayment of lease liabilities		(192 785)	(189 283)
Dividends to shareholders		(86 555)	(2 331 071)
Interest paid		(320 592)	(397 103)
Net cash flows from financing activities		(1 779 120)	(1 329 782)
Total net cash flows		(3 633 610)	(2 156 672)
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		13 632 245	17 265 855

VI. Income statement of Santander Bank Polska

	1.10.2020- 31.12.2020	1.01.2020- 31.12.2020	1.10.2019- 31.12.2019	1.01.2019- 31.12.2019
for the period:				
Interest income and similar to interest	1 109 607	5 002 557	1 544 524	6 243 772
Interest income on financial assets measured at amortised cost	891 742	4 146 469	1 322 488	5 341 992
Interest income on financial assets measured at fair value through other comprehensive income	211 843	816 253	202 456	781 164
Income similar to interest - financial assets measured at fair value through profit or loss	6 022	39 835	19 580	120 616
Interest expenses	(67 236)	(634 255)	(318 943)	(1 426 346)
Net interest income	1 042 371	4 368 302	1 225 581	4 817 426
Fee and commission income	582 366	2 089 039	522 301	2 017 476
Fee and commission expenses	(90 721)	(323 532)	(102 336)	(319 039)
Net fee and commission income	491 645	1 765 507	419 965	1 698 437
Dividend income	384	108 679	21 319	608 752
Net trading income and revaluation	48 402	154 588	64 322	204 721
Gains (losses) from other financial securities	62 846	242 885	46 432	184 634
Other operating income	48 765	106 064	58 794	194 267
Impairment losses on loans and advances	(348 406)	(1 361 577)	(190 043)	(868 538)
Operating expenses incl.:	(1 086 745)	(3 595 940)	(925 988)	(3 550 242)
-Staff, Operating expenses and management costs	(694 861)	(2 649 985)	(603 409)	(2 762 161)
-Amortisation of property, plant and equipment and Intangible assets	(91 255)	(357 396)	(92 090)	(368 386)
-Amortisation of right of use asset	(38 364)	(157 471)	(40 418)	(165 475)
-Other operating expenses	(262 265)	(431 088)	(190 071)	(254 220)
Tax on financial institutions	(144 204)	(560 781)	(135 261)	(554 368)
Profit before tax	115 058	1 227 727	585 121	2 735 089
Corporate income tax	(112 197)	(489 315)	(176 678)	(621 565)
Profit for the period	2 861	738 412	408 443	2 113 524
Net earnings per share (PLN/share)				
Basic earnings per share	0,03	7,23	4,00	20,70
Diluted earnings per share	0,02	7,22	3,99	20,68

VII. Statement of comprehensive income

	1.10.2020- 31.12.2020	1.01.2020- 31.12.2020	1.10.2019- 31.12.2019	1.01.2019- 31.12.2019
for the period:				
Profit for the period	2 861	738 412	408 443	2 113 524
Other comprehensive income which can be transferred to the profit and loss net account:	45 991	536 610	(78 142)	215 996
Revaluation and sales of debt securities measured at fair value through other comprehensive income gross	59 953	642 520	(61 493)	217 416
Deferred tax	(11 391)	(122 079)	11 684	(41 309)
Revaluation of cash flow hedging instruments gross	(3 174)	19 962	(34 979)	49 246
Deferred tax	603	(3 793)	6 646	(9 357)
Other comprehensive income which can't be transferred to the profit and loss net account:	36 750	(32 380)	59 053	46 259
Revaluation and sales of equity securities measured at fair value through other comprehensive income gross	45 813	(36 711)	71 521	64 472
Deferred and current tax	(8 704)	6 785	(13 620)	(17 178)
Provision for retirement allowances – actuarial gains/losses gross	(442)	(3 029)	1 422	(1 278)
Deferred tax	83	575	(270)	243
Total other comprehensive income net	82 741	504 230	(19 089)	262 255
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD	85 602	1 242 642	389 354	2 375 779

VIII. Statement of financial position of Santander Bank Polska

	31.12.2020	30.09.2020	31.12.2019
ASSETS			
Cash and balances with central banks	5 369 638	2 879 498	7 821 831
Loans and advances to banks	2 918 962	2 959 974	3 851 564
Financial assets held for trading	3 218 460	4 729 821	2 066 616
Hedging derivatives	6 901	31 024	37 608
Loans and advances to customers incl.:	119 077 346	119 368 728	118 356 427
- measured at amortised cost	116 786 037	117 467 587	116 566 001
- measured at fair value through other comprehensive income	1 556 791	1 140 320	923 811
- measured at fair value through profit and loss	734 518	760 821	866 615
Buy-sell-back transactions	293 583	125 828	1 851 171
Investment securities incl.:	64 355 667	58 599 499	39 591 351
- debt securities measured at fair value through other comprehensive income	63 312 701	57 615 310	38 542 546
- debt securities measured at fair value through profit and loss	106 639	100 396	187 536
- equity securities measured at fair value through other comprehensive income	823 633	777 820	861 269
- equity securities measured at fair value through profit and loss	112 694	105 973	-
Assets pledged as collateral	14 392	178 161	30 737
Investments in subsidiaries and associates	2 377 407	2 377 407	2 377 407
Intangible assets	628 643	622 443	718 532
Goodwill	1 688 516	1 688 516	1 688 516
Property, plant and equipment	576 975	574 455	630 233
Right of use asset	642 396	663 061	767 280
Net deferred tax assets	1 199 689	1 150 189	1 013 450
Assets classified as held for sale	4 308	1 513	2 016
Other assets	767 587	817 337	666 748
Total assets	203 140 470	196 767 454	181 471 487
LIABILITIES AND EQUITY			
Deposits from banks	2 993 349	2 947 602	1 506 141
Hedging derivatives	1 686 042	1 618 994	979 550
Financial liabilities held for trading	3 053 416	2 890 556	1 857 837
Deposits from customers	161 133 491	155 706 082	144 760 017
Sell-buy-back transactions	14 387	178 026	30 774
Subordinated liabilities	2 654 394	2 630 763	2 529 855
Debt securities in issue	2 772 351	2 261 971	2 687 960
Lease liabilities	712 304	726 432	816 365
Current income tax liabilities	138 782	135 062	329 095
Provisions for off balance sheet credit facilities	74 436	70 027	56 064
Other provisions	670 645	324 392	256 508
Other liabilities	1 814 029	1 940 305	1 483 735
Total liabilities	177 717 626	171 430 212	157 293 901
Equity			
Share capital	1 021 893	1 021 893	1 020 883
Other reserve capital	20 273 125	20 273 125	19 214 757
Revaluation reserve	1 819 661	1 736 920	1 315 180
Retained earnings	1 569 753	1 569 753	513 242
Profit for the period	738 412	735 551	2 113 524
Total equity	25 422 844	25 337 242	24 177 586
Total liabilities and equity	203 140 470	196 767 454	181 471 487

IX. Statement of changes in equity

Statement of changes in equity		Other reserve	Revaluation	Retained earnings and	
1.01.2020 - 31.12.2020	Share capital	capital	reserve	profit for the	Total
As at the beginning of the period	1 020 883	19 214 757	1 315 180	2 626 766	24 177 586
Total comprehensive income	-	-	504 230	738 412	1 242 642
<i>Profit for the period</i>	-	-	-	738 412	738 412
<i>Other comprehensive income</i>	-	-	504 230	-	504 230
Issue of shares	1 010	-	-	-	1 010
Profit allocation to other reserve capital	-	1 056 762	-	(1 056 762)	-
Valuation of share-based payments	-	1 606	-	-	1 606
Profit on sale of equity securities measured at fair value through other comprehensive income	-	-	251	(251)	-
As at the end of the period	1 021 893	20 273 125	1 819 661	2 308 165	25 422 844

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

Statement of changes in equity		Other reserve	Revaluation	Retained earnings and	
1.01.2020 - 30.09.2020	Share capital	capital	reserve	profit for the	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	-	-	421 489	735 551	1 157 040
<i>Profit for the period</i>	-	-	-	735 551	735 551
<i>Other comprehensive income</i>	-	-	421 489	-	421 489
Issue of shares	1 010	-	-	-	1 010
Profit allocation to other reserve capital	-	1 056 762	-	(1 056 762)	-
Valuation of share-based payments	-	1 606	-	-	1 606
Profit on sale of equity securities measured at fair value through other comprehensive income	-	-	251	(251)	-
As at the end of the period	1 021 893	20 273 125	1 736 920	2 305 304	25 337 242

As at the end of the period revaluation reserve in the amount of PLN 1,736,920 k comprises: valuation of debt securities in the amount of PLN 1,192,381 k, valuation of equity securities in the amount of PLN 545,065 k, valuation of cash flow hedge activities in the amount of PLN (8,278) k and accumulated actuarial gains - provision for retirement allowances of PLN 7,752 k.

Statement of changes in equity				Retained earnings and profit for the period	
1.01.2019 - 31.12.2019	Share capital	Other reserve capital	Revaluation reserve		Total
As at the beginning of the period	1 020 883	18 093 257	1 030 661	3 650 808	23 795 609
Total comprehensive income	-	-	262 255	2 113 524	2 375 779
<i>Profit for the period</i>	-	-	-	2 113 524	2 113 524
<i>Other comprehensive income</i>	-	-	262 255	-	262 255
Profit allocation to other reserve capital	-	1 102 619	-	(1 102 619)	-
Profit allocation to dividends	-	-	-	(2 012 683)	(2 012 683)
Valuation of share-based payments	-	11 474	-	-	11 474
Profit on sale of equity securities measured at fair value through other comprehensive income	-	-	22 264	(22 264)	-
Equity adjustment due to liquidation of Santander Securities SA	-	7 407	-	-	7 407
Equity as at 31.12.2019	1 020 883	19 214 757	1 315 180	2 626 766	24 177 586

As at the end of the period revaluation reserve in the amount of PLN 1,315,180 k comprises: valuation of debt securities in the amount of PLN 720,501 k, valuation of equity securities in the amount of PLN 611,848 k, valuation of cash flow hedge activities in the amount of PLN (27,017) k and accumulated actuarial gains - provision for retirement allowances of PLN 9,848 k.

X. Statement of cash flows

	for the period	1.01.2020- 31.12.2020	1.01.2019- 31.12.2019
Profit before tax		1 227 727	2 735 089
Total adjustments:			
Depreciation/amortisation		514 867	533 861
Profit from investing activities		(221 593)	(222 555)
Interest accrued excluded from operating activities		(583 589)	(549 393)
Dividends		(108 485)	(607 315)
Impairment losses (reversal)		46 860	40 070
Changes in:			
Provisions		432 509	170 785
Financial assets / liabilities held for trading		(116 425)	(409 446)
Assets pledged as collateral		16 345	343 413
Hedging derivatives		730 688	(69 467)
Loans and advances to banks		(7 099)	(47 792)
Loans and advances to customers		(4 919 567)	(6 058 862)
Deposits from banks		1 481 425	480 119
Deposits from customers		17 028 627	7 845 057
Buy-sell/ Sell-buy-back transactions		171 015	(1 421 517)
Other assets and liabilities		342 865	(493 303)
Interest received on operating activities		4 271 983	5 546 408
Interest paid on operating activities		(391 287)	(1 220 701)
Paid income tax		(984 378)	(608 216)
Net cash flows from operating activities		18 932 488	5 986 235
Inflows		7 016 008	7 683 632
Sale/maturity of investment securities		5 878 063	6 075 628
Sale of intangible assets and property, plant and equipment		35 831	171 636
Dividends received		108 485	607 199
Interest received		993 629	829 169
Outflows		(28 975 510)	(11 325 694)
Purchase of investment securities		(28 712 488)	(11 002 378)
Purchase of intangible assets and property, plant and equipment		(263 022)	(323 316)
Net cash flows from investing activities		(21 959 502)	(3 642 062)
Inflows		462 190	632 000
Debt securities in issue		444 930	632 000
Proceeds from issuing/shares		1 010	-
Drawing of loans		16 250	-
Outflows		(1 180 844)	(5 007 254)
Debt securities buy out		(550 000)	(1 232 000)
Repayment of loans and advances		(311 359)	(1 433 269)
Repayment of lease liabilities		(169 799)	(150 116)
Dividends to shareholders		-	(2 012 683)
Interest paid		(149 686)	(179 186)
Net cash flows from financing activities		(718 654)	(4 375 254)
Total net cash flows		(3 745 668)	(2 031 081)
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		13 411 198	17 156 866

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

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

The range of tools included:

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

The table below presents data on the assistance tools provided by the Group as part of initiatives aimed at mitigating the negative effects of the COVID-19 epidemic by 31 December 2020.

Type of assistance tool	Number of clients with granted assistance tools	Gross carrying amount of granted assistance tools (in PLN k)
Non-legislative moratoria	149 665	21 642 609
Legislative moratoria	2 340	253 722
Moratoria	152 005	21 896 331
liquidity BGK	11 631	2 987 385
All assistance tools	163 636	24 883 716

The table below shows the size of the provided assistance tools in the form of legislative and non-legislative moratoria as at 31 December 2020

				Gross carrying amount					
	Granted	Expired	Active	Performing		Of which: Instruments with significant increase in credit risk since initial recognition but not credit- impaired (Stage 2)	Non performing		
				Of which: exposures with forbearance measures			Of which: exposures with forbearance measures	Of which: Unlikely to pay that are not past-due or past-due <= 90 days	
Loans and advances subject to moratorium	21 896 331	19 282 432	2 613 899	21 258 960	493 075	3 098 158	637 371	346 112	465 928
of which: Households	8 587 007	8 112 769	474 238	8 124 623	74 930	915 711	462 384	279 133	353 588
Santander Bank Polska	7 537 027	7 096 516	440 511	7 147 624	74 930	562 757	389 403	279 133	311 172
Santander Consumer Bank	1 049 966	1 016 239	33 727	976 985	-	352 940	72 981	-	42 416
Santander Leasing	14	14	-	14	-	14	-	-	-
Collateralised by residential immovable property	5 888 091	5 579 090	309 001	5 652 832	50 223	475 551	235 259	186 989	216 015
Santander Bank Polska	5 599 602	5 295 090	304 512	5 379 603	50 223	394 492	219 999	186 989	202 607
Santander Consumer Bank	288 489	284 000	4 489	273 229	-	81 059	15 260	-	13 408
Consumer loans	2 698 916	2 533 679	165 237	2 471 792	24 707	440 160	227 124	92 144	137 573
Santander Bank Polska	1 937 425	1 801 426	135 999	1 768 021	24 707	168 265	169 404	92 144	108 565
Santander Consumer Bank	761 477	732 239	29 238	703 757	-	271 881	57 720	-	29 009
of which: Non-financial corporations	13 309 324	11 169 663	2 139 661	13 134 337	418 145	2 182 447	174 987	66 980	112 340
Santander Bank Polska	9 360 687	8 606 808	753 879	9 215 763	418 145	1 826 982	144 924	65 882	94 272
Santander Consumer Bank	536 250	524 130	12 120	534 374	-	12 389	1 876	-	240
Santander Leasing	2 106 758	2 026 261	80 497	2 080 097	-	332 695	26 661	-	16 301
Santander Factoring	1 305 629	12 464	1 293 165	1 304 103	-	10 381	1 526	1 098	1 527
SME loans	2 831 579	2 761 124	70 455	2 748 689	88 681	391 852	82 890	14 703	40 231
Santander Bank Polska	2 244 697	2 193 985	50 712	2 168 848	88 681	346 351	75 849	14 703	37 089
Santander Consumer Bank	390 759	385 465	5 294	389 009	-	11 160	1 750	-	144
Santander Leasing	196 123	181 674	14 449	190 832	-	34 341	5 291	-	2 999
Corporate loans	10 477 746	8 408 539	2 069 206	10 385 648	329 464	1 790 595	92 098	52 276	72 108
Santander Bank Polska	7 115 990	6 412 823	703 167	7 046 915	329 464	1 480 631	69 075	51 179	57 184
Santander Consumer Bank	145 491	138 665	6 826	145 365	-	1 229	126	-	96
Santander Leasing	1 910 635	1 844 587	66 048	1 889 265	-	298 354	21 370	-	13 302
Santander Factoring	1 305 629	12 464	1 293 165	1 304 103	-	10 381	1 526	1 098	1 527

Data for Santander Consumer Bank concern SCB Group

	Accumulated impairment, accumulated negative changes in fair value due to credit risk							
	Gross carrying amount of granted moratoria	Performing			Non performing			
				Of which: exposures with forbearance measures	Of which: Instruments with significant increase in credit risk since initial recognition but not credit-impaired (Stage 2)		Of which: exposures with forbearance measures	Of which: Unlikely to pay that are not past-due or past-due <= 90 days
Loans and advances subject to moratorium	21 896 331	(626 073)	(340 617)	(38 834)	(200 578)	(285 456)	(132 263)	(189 903)
of which: Households	8 587 007	(358 430)	(144 416)	(3 456)	(93 964)	(214 014)	(112 517)	(151 233)
Santander Bank Polska	7 537 027	(244 768)	(76 325)	(3 456)	(37 936)	(168 443)	(112 517)	(125 732)
Santander Consumer Bank	1 049 966	(113 662)	(68 091)	-	(56 028)	(45 571)	-	(25 500)
Santander Leasing	14	-	-	-	-	-	-	-
Collateralised by residential immovable property	5 888 091	(110 510)	(30 244)	(1 334)	(24 369)	(80 267)	(63 116)	(73 804)
Santander Bank Polska	5 599 602	(92 142)	(19 118)	(1 334)	(13 624)	(73 024)	(63 116)	(67 264)
Santander Consumer Bank	288 489	(18 368)	(11 126)	-	(10 745)	(7 242)	-	(6 540)
Consumer loans	2 698 916	(247 919)	(114 172)	(2 122)	(69 595)	(133 747)	(49 401)	(77 429)
Santander Bank Polska	1 937 425	(152 626)	(57 208)	(2 122)	(24 312)	(95 418)	(49 401)	(58 469)
Santander Consumer Bank	761 477	(95 293)	(56 964)	-	(45 283)	(38 329)	-	(18 960)
of which: Non-financial corporations	13 309 324	(267 644)	(196 201)	(35 378)	(106 614)	(71 442)	(19 746)	(38 671)
Santander Bank Polska	9 360 687	(238 920)	(175 491)	(35 378)	(93 922)	(63 429)	(19 698)	(34 644)
Santander Consumer Bank	536 250	(4 903)	(4 043)	-	(962)	(860)	-	(192)
Santander Leasing	2 106 758	(21 873)	(14 822)	-	(11 091)	(7 051)	-	(3 732)
Santander Factoring	1 305 629	(1 947)	(1 845)	-	(639)	(102)	(48)	(102)
SME loans	2 831 579	(150 116)	(99 581)	(17 062)	(45 756)	(50 536)	(10 418)	(24 447)
Santander Bank Polska	2 244 697	(142 780)	(94 340)	(17 062)	(43 193)	(48 440)	(10 418)	(23 647)
Santander Consumer Bank	390 759	(3 949)	(3 134)	-	(917)	(814)	-	(154)
Santander Leasing	196 123	(3 388)	(2 106)	-	(1 646)	(1 282)	-	(646)
Corporate loans	10 477 746	(117 527)	(96 621)	(18 316)	(60 857)	(20 906)	(9 328)	(14 223)
Santander Bank Polska	7 115 990	(96 140)	(81 151)	(18 316)	(50 729)	(14 989)	(9 280)	(10 997)
Santander Consumer Bank	145 491	(954)	(909)	-	(44)	(46)	-	(38)
Santander Leasing	1 910 635	(18 485)	(12 716)	-	(9 445)	(5 769)	-	(3 086)
Santander Factoring	1 305 629	(1 947)	(1 845)	-	(639)	(102)	(48)	(102)

Data for Santander Consumer Bank concern SCB Group

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

Santander Bank Polska S.A. Group recognized by 31 December 2020, PLN 34 656 k, as a reduction in interest income that is a reduction in the gross carrying amount due to modifications that do not result in the derecognition of financial instruments.

In accordance with the criteria adopted for assessing modifications, the Group identified a small percentage of modifications resulting from COVID-19 as modifications leading to derecognition of financial instruments.

XII. Overview of financial performance of Santander Bank Polska Group in 2020

Key determinants of the Group's profit

The **profit before tax of Santander Bank Polska Group** for the 12-month period ended 31 December 2020 was PLN 1,880.9m, down 42.0% YoY. The profit attributable to the bank's shareholders declined by 51.5% YoY to PLN 1,037.2m. This performance was achieved along with a 8.6% YoY decrease in **total income** to PLN 8,647.3m and stabilisation of **total operating expense** at PLN 4,488.0m (+0.5% YoY).

The profit for 2020 was largely affected by **external factors connected with the Covid-19 pandemic and the regulatory environment**, in particular:

- interest rate cuts causing a decrease in net interest margin;
- higher cost of credit resulting from, inter alia, increased credit risk of the customer loan book induced by the Covid-19 pandemic recession and additional allowance made for expected credit losses to account for the uncertainty of the extent of the negative impact of the pandemic;
- lower demand for credit due to the subdued economic activity and support provided to businesses by the public sector;
- higher legal risk associated with foreign currency mortgage loans arising from customer claims;
- increase in early repayments of cash loans, adversely affecting net interest income;
- higher contributions to the bank guarantee fund and the resolution fund operated by the Bank Guarantee Fund (BFG);
- digital transformation and optimisation process accelerated by macroeconomic and efficiency factors, resulting in the launch of collective redundancies at Santander Consumer Bank S.A. and Santander Bank Polska S.A., along with provisions raised in this respect;
- implementation of regulatory initiatives and mitigation measures (cost of project delivery, lower dividend income);
- increased volatility of financial markets;
- effectively higher tax charge on a YoY basis.

The above factors triggered a reduction in net interest income, net trading income and dividend income, whilst increasing net allowances for expected credit losses and certain cost items.

At the same time, the Group kept costs under control, maintained stable net fee and commission income and earned a higher gain on the sale of debt securities.

The table presented in the "Comparability of periods" section below contains the selected items of the income statement of Santander Bank Polska Group which affect the comparability of the analysed periods.

On a comparative basis, i.e. assuming a fixed level of contributions to the BFG and excluding income items and charges specified in the above-mentioned table from the periods in which they were generated or incurred,

- the **underlying profit before tax** decreased by 21.2% YoY and
- the **underlying profit attributable to the shareholders of Santander Bank Polska S.A.** went down by 21.7% YoY.

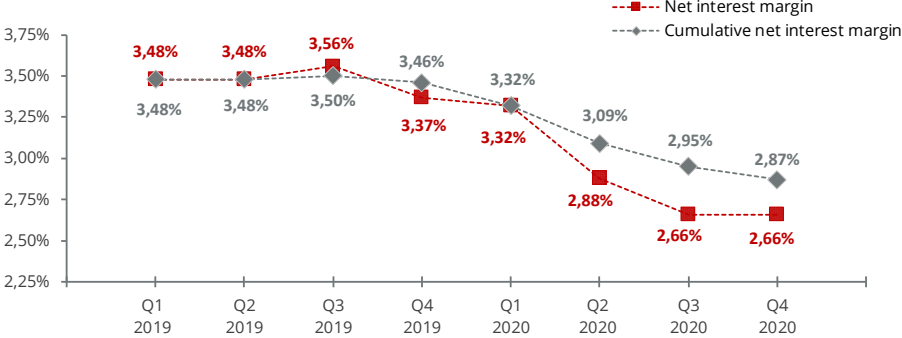
Comparability of periods

Selected items of the income statement affecting the comparability of periods

	2020	2019
Contributions to the BFG made by Santander Bank Polska Group <i>(general and administrative expenses)</i>	<ul style="list-style-type: none"> • PLN 410.9m, including a contribution of PLN 163.8m to the bank guarantee fund and a contribution of PLN 247.2m to the bank resolution fund 	<ul style="list-style-type: none"> • PLN 282.8m, including a contribution of PLN 83.5m to the bank guarantee fund and a contribution of PLN 199.3m to the bank resolution fund
Provisions for legal disputes and other assets <i>(other operating expense)</i>	<ul style="list-style-type: none"> • PLN 322.1m, primarily provisions for claims related to foreign currency mortgage loans 	<ul style="list-style-type: none"> • PLN 59.5m
Adjustment to net interest income in respect of an obligation to reimburse fees related to early repaid consumer loans <i>(net interest income)</i>	<ul style="list-style-type: none"> • PLN 165.0m, including PLN 101.5m in relation to Santander Bank Polska S.A., and PLN 63.5m in relation to Santander Consumer Bank Group 	<ul style="list-style-type: none"> • PLN 100.4m, including PLN 45.7m in relation to Santander Bank Polska S.A., and PLN 54.6m in relation to Santander Consumer Bank Group
Collective provision for legal risk <i>(other operating expense)</i>	<ul style="list-style-type: none"> • PLN 201.2m, including a provision of PLN 85.3m for the foreign currency mortgage loan portfolio and a provision of PLN 115.9m for reimbursement of fees in respect of early repaid consumer loans 	<ul style="list-style-type: none"> • PLN 266.6m, including a provision of PLN 173.1m connected with a foreign currency mortgage loan portfolio and a provision of PLN 93.5m for reimbursement of fees in respect of early repaid consumer loans
Provision for employment restructuring <i>(staff expenses)</i>	<ul style="list-style-type: none"> • PLN 153.6m, including PLN 121.0m and PLN 32.6m for severance pay for employees selected for collective redundancies at Santander Bank Polska S.A. and Santander Consumer Bank S.A., respectively 	<ul style="list-style-type: none"> • PLN 99.8m, including PLN 92.4m for severance pay for employees selected for collective redundancies at Santander Bank Polska S.A. and PLN 7.4m for optimisation of employment at Santander Consumer Bank S.A.
Additional expected credit loss allowance connected with the Covid-19 pandemic (post-model adjustment) <i>(net expected credit loss allowances)</i>	<ul style="list-style-type: none"> • PLN 121.4m, including PLN 80.3m in relation to Santander Bank Polska S.A., PLN 30.1m in relation to Santander Consumer Bank S.A. and PLN 11.0m in relation to other subsidiaries 	<ul style="list-style-type: none"> • No such allowance
Income of Santander Consumer Bank S.A. from revision of the model for calculation of provisions for insurance premium refunds <i>(net interest income and net fee and commission income)</i>	<ul style="list-style-type: none"> • PLN 103m, including PLN 90m recognised in interest income and PLN 13m in fee and commission income 	<ul style="list-style-type: none"> • No such one-off income
Dividend income	<ul style="list-style-type: none"> • PLN 22.9m, including PLN 11.0m from Aviva Powszechne Towarzystwo Emerytalne Aviva Santander S.A. 	<ul style="list-style-type: none"> • PLN 99.2m, including PLN 88.6m from three companies from Aviva Group
Impact of investments and divestments <i>(other operating income)</i>	<ul style="list-style-type: none"> • No such transactions 	<ul style="list-style-type: none"> • Gain of PLN 59.1m on settlement of the sale of an organised part of the enterprise of Santander Bank Polska S.A. (Investment Services Centre)

Profit structure

Key aggregates and components of the income statement of Santander Bank Polska Group for 2020

Total income	<ul style="list-style-type: none"> • Total income of Santander Bank Polska Group for 2020 decreased by 8.6% YoY to PLN 8,647.3m. • Excluding the income items presented in the table “Selected items of the income statement affecting the comparability of periods”, which are used to adjust the net interest income and net fee and commission income, dividend income and other operating income, the underlying total income was down 7.6% YoY, reflecting the interest rate cuts and the volatility of financial markets. 																											
Net interest income	<ul style="list-style-type: none"> • Net interest income of Santander Bank Polska Group decreased by 10.5% YoY to PLN 5,888.1m as a result of the pressure on net interest margin from three NBP rate cuts in H1 2020, deceleration of credit delivery caused by the Covid-19 pandemic and lower yields of the investment portfolio of debt securities. Net interest income incorporates higher reimbursement of fees on early repaid consumer loans in accordance with the CJEU judgment (by PLN 64.6m YoY), which is more than offset by income of PLN 90m earned by Santander Consumer Bank S.A. on the revision of the model for calculation of provisions for insurance premium refunds. • The loans subject to moratoria reduced the Group's net interest income by PLN 34.7m. • The cumulated net interest margin (annualised on a year-to-date basis) went down to 2.87% in 2020 from 3.46% in 2019 in line with the interest rate movements. In the past year a couple of distinct business trends could be discerned: the steady outflow of funds from term deposits, growing popularity of investment solutions (except in March and April), high increase in current funds from government support schemes, deceleration of credit delivery due to the economic shock caused by the Covid-19 pandemic, and growing investments of free cash in low-yield debt securities. The majority of the foregoing factors had a negative impact on the margin. • Net interest margin (annualised on a quarterly basis) totalled 2.66% in Q4 2020 and was stable QoQ and down 71 bp YoY. The margin reported in H2 2020 fully reflected the impact of interest rate cuts introduced in H1 2020, both in terms of interest income and interest expense. It was also affected by the continuing business trends for deposits, loans and debt securities, which were all reinforced by the Covid-19 pandemic. <p style="text-align: center;">NET INTEREST MARGIN¹⁾ BY QUARTER IN THE YEARS 2019 AND 2020 (INCLUDING SWAP POINTS)²⁾</p>  <table border="1" data-bbox="443 1115 1348 1451"> <thead> <tr> <th>Quarter</th> <th>Net interest margin (%)</th> <th>Cumulative net interest margin (%)</th> </tr> </thead> <tbody> <tr> <td>Q1 2019</td> <td>3,48%</td> <td>3,48%</td> </tr> <tr> <td>Q2 2019</td> <td>3,48%</td> <td>3,48%</td> </tr> <tr> <td>Q3 2019</td> <td>3,56%</td> <td>3,50%</td> </tr> <tr> <td>Q4 2019</td> <td>3,37%</td> <td>3,46%</td> </tr> <tr> <td>Q1 2020</td> <td>3,32%</td> <td>3,32%</td> </tr> <tr> <td>Q2 2020</td> <td>2,88%</td> <td>3,09%</td> </tr> <tr> <td>Q3 2020</td> <td>2,66%</td> <td>2,95%</td> </tr> <tr> <td>Q4 2020</td> <td>2,66%</td> <td>2,87%</td> </tr> </tbody> </table> <p>1. Net interest margin curve based on quarterly and year-to-date annualisation. 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.</p>	Quarter	Net interest margin (%)	Cumulative net interest margin (%)	Q1 2019	3,48%	3,48%	Q2 2019	3,48%	3,48%	Q3 2019	3,56%	3,50%	Q4 2019	3,37%	3,46%	Q1 2020	3,32%	3,32%	Q2 2020	2,88%	3,09%	Q3 2020	2,66%	2,95%	Q4 2020	2,66%	2,87%
Quarter	Net interest margin (%)	Cumulative net interest margin (%)																										
Q1 2019	3,48%	3,48%																										
Q2 2019	3,48%	3,48%																										
Q3 2019	3,56%	3,50%																										
Q4 2019	3,37%	3,46%																										
Q1 2020	3,32%	3,32%																										
Q2 2020	2,88%	3,09%																										
Q3 2020	2,66%	2,95%																										
Q4 2020	2,66%	2,87%																										
Net fee and commission income	<ul style="list-style-type: none"> • Net fee and commission income for 2020 was PLN 2,152.1m and increased by 1.1% YoY, reflecting the well-diversified business of the Group. The Group generated significantly higher income in the capital market, particularly from brokerage services and issue arrangement, which offset a decrease in fee and commission income from the management of investment fund assets, whose average value declined YoY. At the same time, lower fee and commission income from payment transactions routed through customers' accounts, cross-border payments and credit card payments was counterbalanced by higher income from FX fees and debit card fees as well as reduced credit agency fees. 																											

Key aggregates and components of the income statement of Santander Bank Polska Group for 2020

Other income	<ul style="list-style-type: none"> • Other income (non-interest and non-fee income) was down 19.5% YoY to PLN 607.1m, as a combined effect of the following changes to its components: <ul style="list-style-type: none"> ✓ Net trading income and revaluation decreased by 30.2% YoY to PLN 150.5m, reflecting a lower total gain on derivatives and FX transactions, and a negative change in the fair value of credit card receivables. ✓ Other operating income decreased by 30.6% YoY to PLN 176.0m, as an effect of high base resulting from PLN 59.1m recognised in the comparative period in respect of settlement of sale of an organised part of the enterprise of Santander Bank Polska S.A. (Investment Services Centre) and a higher volume of property sale transactions. ✓ Dividend income was down 76.9% YoY, as in 2020 Aviva insurance companies retained the entire profit for 2019 in line with the supervisory guidelines for the insurance sector. In the base period, the Group recognised dividend income of PLN 76.2m from the above-mentioned companies. ✓ A negative impact of the foregoing components on other income was mitigated by an increase of 38.9% YoY to PLN 257.7m in gains on other financial instruments from the sale of government bonds with record low yields.
Net allowances	<ul style="list-style-type: none"> • Expected credit loss allowances increased by 44.6% YoY to PLN 1,762.8m, as the Group's risk profile changed due to the Covid-19 pandemic, resulting in the following: <ul style="list-style-type: none"> ✓ revision of an additional expected credit loss allowance to PLN 121.4m (post-model adjustment accounting for the sustained uncertainty as to the impact of the pandemic); ✓ change in the ratings of individual credit exposures, resulting in their reclassification or increase in expected losses on the corporate portfolio; ✓ downgrade of certain personal customers using statutory aid to the non-performing portfolio (in accordance with the regulatory recommendation); ✓ regular review and update of risk parameters.
Total operating expenses	<ul style="list-style-type: none"> • Total operating expenses went up by 0.5% YoY to PLN 4,488.0m. • Assuming the fixed level of fees payable to the Bank Guarantee Fund in both analysed periods and excluding the restructuring provision, the underlying total operating expenses were down 8.8% YoY, reflecting a decrease in depreciation/ amortisation and total remuneration, as well as savings in the selected cost items achieved as a result of optimisation and transformation processes. • Given the 8.6% YoY decrease in total income and relatively stable cost base, the cost to income ratio grew from 47.2% in 2019 to 51.9% in 2020. The underlying cost to income ratio (C/I) for 2020 was 42.4% (43.0% in 2019).
Staff and general expenses	<ul style="list-style-type: none"> • Staff and general expenses declined by 4.8% YoY to PLN 3,262.5m as a result of steady delivery of optimisation and transformation processes. <ul style="list-style-type: none"> ✓ Staff expenses were down 6.7% YoY, reflecting reduction in salaries caused by changes to the bonus schemes during the Covid-19 pandemic as well as lower average employment compared to the last year. This was combined with lower costs of training delivered in remote channels. At the same time, restructuring provisions were topped up in respect of severance pay for employees selected for collective redundancies in Santander Bank Polska S.A. and Santander Consumer Bank S.A. ✓ A decrease of 2.4% YoY in general and administrative expenses is a combined effect of: <ul style="list-style-type: none"> ▪ systemic solutions implemented to curtail costs (branch network optimisation, car fleet management); ▪ external factors resulting in both cost increase (higher contributions to the BFG, higher consultancy and advisory fees and cost of IT usage) and cost savings (limitation of advertising activities, business travel and cost of external services due to the change of work and customer service model).
Other operating expenses	<ul style="list-style-type: none"> • Other operating expenses went up by 53.4% YoY to PLN 631.9m, mainly on account of significantly higher provisions for legal disputes concerning mortgages in foreign currency, and higher impairment allowances in respect of property, plant and equipment and intangible assets arising from lease contracts recognised in the reporting period. The increasing legal claims regarding FX mortgages result from CJEU judgment of 3 October 2019 in case C-260/18.

Key aggregates and components of the income statement of Santander Bank Polska Group for 2020

Taxes	<ul style="list-style-type: none"> • Tax on financial institutions payable by the Group totalled PLN 602.0m (+0.5% YoY), reflecting a stable customer loan-book. • Income tax for 2020 was PLN 643.7m and effectively higher compared to the last year (the effective tax rate rose from 24.7% to 34.2% in 2020), mainly as a result of lower profit before tax recognised in the reporting period, lower dividend income, higher contributions to the BFG and higher provisions for claims related to foreign currency mortgage loans.
--------------	---

Key business volumes and selected efficiency ratios

Key business data of Santander Bank Polska Group for 2020

Loans and advances to customers	<ul style="list-style-type: none"> • Gross loans and advances to customers totalled PLN 148,274.5m and were broadly stable compared to the end of 2019 (-0.3% YoY) as a result of the following: <ul style="list-style-type: none"> ✓ a stable value of the personal loans portfolio of PLN 81,387.9m (+0.6% YoY), reflecting a growth in mortgage loans and a decline in consumer loans; ✓ an increase of 5.6% YoY in finance lease to PLN 9,783.4m; ✓ a drop of 2.4% YoY in loans and advances to enterprises and the public sector to PLN 57,069.6m.
Credit quality	<ul style="list-style-type: none"> • NPL ratio was 5.8% as at 31 December 2020 (5.2% as at 31 December 2019), while the ratio of impairment allowances to average gross loans and advances measured at amortised cost was 1.21% (0.85% the year before). • The provision coverage ratio for impaired loans was 57.9% compared with 53.8% as at 31 December 2019.
Deposits from customers	<ul style="list-style-type: none"> • Deposits from customers grew by 9.6% YoY to PLN 171,522.3m as a result of an increase of 7.1% YoY in personal deposits to PLN 98,213.4m and 13.2% YoY in deposits from enterprises and the public sector to PLN 73,308.9m. • The above growth was largely supported by current account balances of personal and business customers.
Liquidity	<ul style="list-style-type: none"> • Net customer loans to deposits ratio was 82.8% as at 31 December 2020 compared with 91.6% as at 31 December 2019.
Capital adequacy	<ul style="list-style-type: none"> • The total capital ratio stood at 20.04% (17.07% as at 31 December 2019), that is much above the regulatory minimum, ensuring security of operations and stable growth. • Tier 1 capital ratio was 18.01% vs 15.21% as at 31 December 2019.
Return on equity	<ul style="list-style-type: none"> • ROE totalled 4.4% (9.7% as at 31 December 2019).
Assets under management	<ul style="list-style-type: none"> • Net value of assets in investment funds managed by Santander Towarzystwo Funduszy Inwestycyjnych S.A. was PLN 16.2bn, down 4.4% YoY. • Except for March and April 2020, investment funds posted positive net asset sales, which reached their yearly maximum in July. The highest balance of contributions and redemptions was reported by short-term debt sub-funds.
Customer base	<ul style="list-style-type: none"> • Total customer base exceeded 7.1m, including 5.2m customers of Santander Bank Polska S.A. As at the end of December 2020, the number of loyal customers of Santander Bank Polska S.A. and Santander Consumer Bank S.A. totalled 3.5m. • The number of PLN personal accounts of Santander Bank Polska S.A. was 4.0m (+4.3% YoY), including 2.2m Accounts As I Want It. Together with FX accounts, the personal accounts base totalled 4.8m.
Electronic banking	<ul style="list-style-type: none"> • The number of customers with access to Santander electronic banking services was 4.2m and decreased by 5.5% YoY, as the definition of the above-mentioned customers was narrowed down starting from Q1 2020. • The number of digital customers (those who at least once used the Santander internet or Santander mobile service in December) exceeded 2.8m (+9.8% YoY), including over 1.9m active mobile customers (+18.3% YoY). • The Santander Bank Polska Group payment card base (excluding prepaid cards) included nearly 4.3m debit cards (+2.5% YoY) and 1.2m credit cards of Santander Bank Polska S.A. and Santander Consumer Bank S.A. (-6.4% YoY).

Selected ratios

Selected financial ratios of Santander Bank Polska Group	2020	2019
Total costs/Total income	51,9%	47,2%
Net interest income/Total income	68,1%	69,5%
Net interest margin ¹⁾	2,87%	3,46%
Net commission income/Total income	24,9%	22,5%
Customer net loans/Customer deposits	82,8%	91,6%
NPL ratio ²⁾	5,8%	5,2%
NPL coverage ratio ³⁾	57,9%	53,8%
Credit risk ratio ⁴⁾	1,21%	0,85%
ROE ⁵⁾	4,4%	9,7%
ROTE ⁶⁾	5,3%	11,7%
ROA ⁷⁾	0,5%	1,0%
Capital ratio ⁸⁾	20,04%	17,07%
Tier I ratio ⁹⁾	18,01%	15,21%
Book value per share (in PLN)	280,44	264,28
Earnings per share (in PLN) ¹⁰⁾	10,16	20,95

- 1) Net interest income annualised on a year-to-date basis (excluding interest income from the portfolio of debt securities held for trading and other exposures related to trading) to average net earning assets as at the end of consecutive quarters after the end of the year preceding a given accounting year (excluding financial assets held for trading, hedging derivatives, other exposures related to trading and other loans and advances to customers).
- 2) Gross loans and advances to customers classified to stage 3 and POCI exposures to the portfolio of gross loans and advances to customers measured at amortised cost at the end of the reporting period.
- 3) Impairment allowances for loans and advances to customers classified to stage 3 and measured at amortised cost and POCI exposures to gross value of such loans and advances at the end of the reporting period.
- 4) Net expected credit loss allowance (for four consecutive quarters) to average gross loans and advances to customers measured at amortised cost (as at the end of the current reporting period and the end of the last year).
- 5) Profit attributable to the parent's shareholders (for four consecutive quarters) to average equity (as at the end of the current reporting period and the end of the last year), net of non-controlling interests, current period profit and the undistributed portion of the profit.
- 6) Profit attributable to the parent's shareholders (for four consecutive quarters) to average tangible equity (as at the end of the 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).
- 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 to the average weighted number of ordinary shares.

Macroeconomic factors impacting financial performance and business volumes

Key macroeconomic factors impacting financial and business performance of Santander Bank Polska Group in 2020

Health situation	<ul style="list-style-type: none"> Outbreak of the Covid-19 pandemic and significant reduction in operations of the selected sectors.
Economic growth	<ul style="list-style-type: none"> The sharpest decline in Poland's GDP in Q2 2020 since 1990, followed by a fast and solid economic rebound in Q3 and yet another – albeit much less severe – slowdown in Q4. Economic downturn in Europe. The results of the European manufacturing sector in the second half of the year quite immune to the second wave of pandemic.
Labour market	<ul style="list-style-type: none"> Moderate increase in unemployment and slight deceleration of wage growth. Clear deterioration in consumer confidence. Temporary outflow of migrant workers to their home countries.
Inflation	<ul style="list-style-type: none"> Slow decrease in inflation. Increase in house prices (except for one quarter).

Key macroeconomic factors impacting financial and business performance of Santander Bank Polska Group in 2020

Monetary policy	<ul style="list-style-type: none">• NBP interest rates cut to record low (0.1%) and launch of the asset purchase programme. Central bank's FX interventions at the end of the year.
Fiscal policy	<ul style="list-style-type: none">• Expansionary fiscal policy aimed to support the economy in times of crisis.
Credit market	<ul style="list-style-type: none">• Lower demand for credit, notably from companies using state aid (PFR Financial Shield).
Financial markets	<ul style="list-style-type: none">• Clear increase in uncertainty.• Changes of mood in international financial markets influenced by the expected policy orientation of the main central banks (Federal Reserve, ECB), incoming macroeconomic data and worries about the health crisis.• PLN depreciation (temporarily below 4.60 for EUR 1) and a significant decrease in yields of Polish government bonds.