Report of Santander Bank Polska Group for the first half of 2022

FINANCIAL HIGHLIGHTS		PLN k		EUR k	
		1.01.2022-30.06.2022	1.01.2021-30.06.2021 restated	1.01.2022-30.06.2022	1.01.2021-30.06.2021 restated
	Consolidated financial statements of Santander Bank Polska Group				
I	Net interest income	5 178 794	2 786 535	1 115 470	612 802
II	Net fee and commission income	1 281 428	1 211 354	276 009	266 396
III	Profit before tax	2 472 694	792 410	532 598	174 263
IV	Net profit attributable to owners of the parent entity	1 616 390	374 297	348 157	82 314
V	Total net cash flows	(6 544 346)	(7 314 600)	(1 409 599)	(1 608 594)
VI	Profit of the period attributable to non-controlling interests	123 875	64 083	26 682	14 093
VII	Profit per share in PLN/EUR	15,82	3,66	3,41	0,80
VIII	Diluted earnings per share in PLN/EUR	15,82	3,66	3,41	0,80
	Stand alone financial statements of Santander Bank Polska S.A.				
I	Net interest income	4 379 583	2 093 632	943 327	460 422
II	Net fee and commission income	1 142 844	1 033 049	246 159	227 184
III	Profit before tax	2 120 105	630 916	456 653	138 748
IV	Profit for the period	1 476 210	347 085	317 964	76 329
V	Total net cash flows	(6 281 575)	(7 037 358)	(1 353 000)	(1 547 624)
VI	Profit per share in PLN/EUR	14,45	3,40	3,11	0,75
VII	Diluted earnings per share in PLN/EUR	14,45	3,40	3,11	0,75

FINANCIAL HIGHLIGHTS		PLN k		EUR k	
		30.06.2022	31.12.2021 restated	30.06.2022	31.12.2021 restated
	Consolidated financial statements of Santander Bank Polska Group				
I	Total assets	246 504 606	243 017 264	52 665 172	52 836 732
II	Deposits from banks	4 865 023	4 400 138	1 039 402	956 677
III	Deposits from customers	183 536 302	185 373 443	39 212 131	40 303 832
IV	Total liabilities	218 039 887	215 803 688	46 583 747	46 919 965
V	Total equity	28 464 719	27 213 576	6 081 425	5 916 767
VI	Non-controlling interests in equity	1 691 689	1 681 896	361 426	365 677
VII	Number of shares	102 189 314	102 189 314		
VIII	Net book value per share in PLN/EUR	278,55	266,31	59,51	57,90
IX	Capital ratio	19,18%	19,05%*		
X	Declared or Paid dividend per share in PLN/EUR	2,68**	2,16	0,58	0,47
	Stand alone financial statements of Santander Bank Polska S.A.				
I	Total assets	224 845 474	216 715 146	48 037 746	47 118 134
II	Deposits from banks	1 770 106	1 337 573	378 179	290 815
III	Deposits from customers	173 722 678	175 354 581	37 115 472	38 125 534
IV	Total liabilities	199 853 900	192 887 794	42 698 351	41 937 599
V	Total equity	24 991 574	23 827 352	5 339 395	5 180 535
VI	Number of shares	102 189 314	102 189 314		
VII	Net book value per share in PLN/EUR	244,56	233,17	52,25	50,70
VIII	Capital ratio	21,75%	21,56%*		
IX	Declared or Paid dividend per share in PLN/EUR	2,68**	2,16	0,58	0,47

*including profits allocated to own funds in accordance with the KNF decision and relevant EBA guidelines

**Detailed information are described in Note 43.

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

- for balance sheet items – average NBP exchange rate as at 30.06.2022: EUR 1 = PLN 4,6806 and as at 31.12.2021: EUR 1 = PLN 4.5994
- for profit and loss items – as at 30.06.2022 - the rate is calculated as the average of NBP exchange rates prevailing as at the last day of each month in 2022: EUR 1 = PLN 4,6427; as at 30.06.2021 - the rate is calculated as the average of NBP exchange rates prevailing as at the last day of each month in 2021: EUR 1 = PLN 4.5472

As at 30.06.2022, FX denominated balance sheet positions were converted into PLN in line with the NBP FX table no. 125/A/NBP/2022 dd. 30.06.2022.

Condensed Interim Consolidated Financial Statements of Santander Bank Polska Group for the 6-month period ended 30 June 2022

In thousands PLN

I. Condensed consolidated income statement

	for the period:	1.04.2022-30.06.2022	1.01.2022-30.06.2022	1.04.2021-30.06.2021* restated	1.01.2021-30.06.2021* restated
Interest income and similar to interest		**3 438 855**	**5 901 553**	**1 503 872**	**2 985 950**
Interest income on financial assets measured at amortised cost		2 732 292	4 671 251	1 205 474	2 394 635
Interest income on financial assets measured at fair value through other comprehensive income		533 234	927 925	216 694	429 996
Income similar to interest on financial assets measured at fair value through profit or loss		19 339	34 689	3 926	7 320
Income similar to interest on finance leases		153 990	267 688	77 778	153 999
Interest expense		**(504 010)**	**(722 759)**	**(93 501)**	**(199 415)**
Net interest income	Note 6	**2 934 845**	**5 178 794**	**1 410 371**	**2 786 535**
Fee and commission income		782 283	1 576 526	720 477	1 437 970
Fee and commission expense		(161 582)	(295 098)	(120 397)	(226 616)
Net fee and commission income	Note 7	**620 701**	**1 281 428**	**600 080**	**1 211 354**
Dividend income		8 684	8 919	101 972	102 824
Net trading income and revaluation	Note 8	(29 153)	30 231	57 741	128 772
Gains (losses) from other financial securities	Note 9	(34 671)	(33 196)	37 575	64 366
Gain/loss on derecognition of financial instruments measured at amortised cost		(22 736)	(38 911)	717	1 511
Other operating income	Note 10	47 911	85 969	53 387	83 786
Impairment allowances for expected credit losses	Note 11	(110 252)	(229 533)	(263 847)	(626 926)
Cost of legal risk associated with foreign currency mortgage loans	Note 33	(850 918)	(947 379)	(529 834)	(736 525)
Operating expenses incl.:		(1 342 797)	(2 532 092)	(909 558)	(1 962 058)
-Staff, operating expenses and management costs	Note 12,13	(1 173 293)	(2 189 278)	(730 985)	(1 602 852)
-Amortisation of property, plant and equipment and Intangible assets		(92 872)	(187 128)	(98 288)	(198 948)
-Amortisation of right of use asset		(38 263)	(76 563)	(45 470)	(92 737)
-Other operating expenses	Note 14	(38 369)	(79 123)	(34 815)	(67 521)
Share in net profits (loss) of entities accounted for by the equity method		15 762	36 050	19 825	39 276
Tax on financial institutions		(190 746)	(367 586)	(147 545)	(300 505)
Profit before tax		**1 046 630**	**2 472 694**	**430 884**	**792 410**
Corporate income tax	Note 15	(335 631)	(732 429)	(185 362)	(354 030)
Consolidated profit for the period		**710 999**	**1 740 265**	**245 522**	**438 380**
of which:					
-attributable to owners of the parent entity		656 858	1 616 390	222 544	374 297
-attributable to non-controlling interests		54 141	123 875	22 978	64 083
Net earnings per share					
Basic earnings per share (PLN/share)		6,43	15,82	2,17	3,66
Diluted earnings per share (PLN/share)		6,43	15,82	2,17	3,66

*Details in note 2.5.

In thousands PLN

II. Condensed consolidated statement of comprehensive income

for the period:	1.04.2022-30.06.2022	1.01.2022-30.06.2022	1.04.2021-30.06.2021	1.01.2021-30.06.2021
Consolidated profit for the period	**710 999**	**1 740 265**	**245 522**	**438 380**
Items that will be reclassified subsequently to profit or loss:	**1 124 457**	**(117 956)**	**(323 856)**	**(472 371)**
Revaluation and sales of debt financial assets measured at fair value through other comprehensive income gross*	1 576 154	171 421	(436 848)	(624 925)
Deferred tax	(299 469)	(32 570)	83 001	118 736
Revaluation of cash flow hedging instruments gross	(187 936)	(317 046)	37 025	41 750
Deferred tax	35 708	60 239	(7 034)	(7 932)
Items that will not be reclassified subsequently to profit or loss:	**(13 657)**	**(4 739)**	**(5 516)**	**382 444**
Revaluation of equity financial assets measured at fair value through other comprehensive income gross	(16 860)	(5 850)	(6 786)	472 177
Deferred and current tax	3 203	1 111	1 270	(89 733)
Total other comprehensive income, net	**1 110 800**	**(122 695)**	**(329 372)**	**(89 927)**
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD	**1 821 799**	**1 617 570**	**(83 850)**	**348 453**
Total comprehensive income attributable to:				
- owners of the parent entity	1 784 369	1 531 519	(96 144)	295 391
- non-controlling interests	37 430	86 051	12 294	53 062

* in the period ended 30 June 2022 the Bank changed the classification of specific bonds portfolio - details in note 21

In thousands PLN

III. Condensed consolidated statement of financial position

as at:		30.06.2022	31.12.2021* restated	01.01.2021* restated
ASSETS				
Cash and balances with central banks	Note 16	6 234 817	8 438 275	5 489 303
Loans and advances to banks	Note 17	5 208 983	2 690 252	2 926 522
Financial assets held for trading	Note 18	8 770 744	4 020 117	3 182 769
Hedging derivatives	Note 19	761 558	163 177	7 654
Loans and advances to customers, incl.:	Note 20	152 635 266	146 391 345	141 436 291
- measured at amortised cost		138 934 740	133 378 724	129 357 246
- measured at fair value through other comprehensive income		2 134 840	1 729 848	1 556 791
- measured at fair value through profit and loss		382 811	553 830	892 226
- from finance leases		11 182 875	10 728 943	9 630 028
Buy-sell-back transactions		1 286 283	453 372	293 583
Investment securities, incl.:	Note 21	62 902 779	71 866 260	66 783 434
- debt securities measured at fair value through other comprehensive income**		47 864 390	70 064 796	65 700 052
- debt securities measured at fair value through profit and loss		117 252	116 977	110 155
- debt investment securities measured at amortised cost**		14 740 412	1 421 272	-
- equity securities measured at fair value through other comprehensive income		177 287	259 788	857 331
- equity securities measured at fair value through profit and loss		3 438	3 427	115 896
Assets pledged as collateral		555 000	534 437	657 664
Investments in associates	Note 22	871 903	932 740	998 397
Intangible assets		654 248	692 802	708 356
Goodwill		1 712 056	1 712 056	1 712 056
Property, plant and equipment		656 417	732 909	803 429
Right of use assets		535 231	517 102	710 657
Current income tax assets		257 476	216 884	-
Net deferred tax assets		2 030 765	2 383 710	1 996 552
Fixed assets classified as held for sale	Note 23	4 758	4 817	11 901
Other assets		1 426 322	1 267 009	1 030 287
Total assets		**246 504 606**	**243 017 264**	**228 748 855**

* details are described in Note 2.5

** in the period ended 30 June 2022, the Bank reclassified the portfolio of selected bonds – details are described in Note 21

In thousands PLN

as at:		30.06.2022	31.12.2021* restated	01.01.2021* restated
LIABILITIES AND EQUITY				
Deposits from banks	Note 24	4 865 023	4 400 138	5 373 312
Hedging derivatives	Note 19	2 103 731	1 762 334	1 775 098
Financial liabilities held for trading	Note 18	8 307 827	3 878 081	3 030 340
Deposits from customers	Note 25	183 536 302	185 373 443	171 522 255
Sell-buy-back transactions		879 858	510 277	653 687
Subordinated liabilities	Note 26	2 791 968	2 750 440	2 754 605
Debt securities in issue	Note 27	10 355 769	12 805 462	11 241 312
Lease liabilities		473 240	452 499	624 690
Current income tax liabilities		-	-	79 049
Deffered tax liability		176	-	-
Provisions for off balance sheet credit facilities	Note 28	56 948	60 811	64 541
Other provisions	Note 29	614 451	499 913	389 661
Other liabilities	Note 30	4 054 594	3 310 290	2 582 315
Total liabilities		218 039 887	215 803 688	200 090 865
Equity				
Equity attributable to owners of the parent entity		26 773 030	25 531 680	26 994 750
Share capital		1 021 893	1 021 893	1 021 893
Other reserve capital		23 858 400	22 178 344	21 296 994
Revaluation reserve		(1 493 680)	(1 354 715)	1 839 292
Retained earnings		1 770 027	2 574 474	1 799 404
Profit for the period		1 616 390	1 111 684	1 037 167
Non-controlling interests in equity		1 691 689	1 681 896	1 663 240
Total equity		28 464 719	27 213 576	28 657 990
Total liabilities and equity		**246 504 606**	**243 017 264**	**228 748 855**

* details are described in Note 2.5

In thousands PLN

IV. Condensed consolidated statement of changes in equity

Consolidated statement of changes in equity 1.01.2022 - 30.06.2022	Equity attributable to owners of parent entity: Share capital	Other reserve capital	Revaluation reserve	Retained earnings and profit for the period	Total	Non-controlling interests	Total equity
As at the beginning of the period	**1 021 893**	**22 178 344**	**(1 354 715)**	**3 686 158**	**25 531 680**	**1 681 896**	**27 213 576**
Total comprehensive income	-	-	(84 871)	1 616 390	1 531 519	86 051	1 617 570
Consolidated profit for the period	-	-	-	*1 616 390*	*1 616 390*	*123 875*	*1 740 265*
Other comprehensive income	-	-	*(84 871)*	-	*(84 871)*	*(37 824)*	*(122 695)*
Profit allocation to other reserve capital	-	*1 680 056*	-	(1 680 056)	-	-	-
Profit allocation to dividends	-	-	-	(273 867)	(273 867)	(76 258)	(350 125)
Transfer of revaluation of equity financial assets measured at fair value through other comprehensive income	-	-	(37 792)	37 792	-	-	-
Other changes	-	-	(16 302)	-	(16 302)	-	(16 302)
As at the end of the period	**1 021 893**	**23 858 400**	**(1 493 680)**	**3 386 417**	**26 773 030**	**1 691 689**	**28 464 719**

As at the end of the period revaluation reserve in the amount of PLN (1,493,680) k comprises: revaluation of debt securities in the amount of PLN (1,343,652) k, revaluation of equity securities in the amount of PLN 121,527 k, revaluation of cash flow hedge activities in the amount of PLN (284,837) k and accumulated actuarial gains - provision for retirement allowances of PLN 13,282 k.

Consolidated statement of changes in equity 1.01.2021 - 30.06.2021	Equity attributable to owners of parent entity: Share capital	Other reserve capital	Revaluation reserve	Retained earnings and profit for the period	Total	Non-controlling interests	Total equity
As at the beginning of the period	**1 021 893**	**21 296 994**	**1 839 292**	**2 836 571**	**26 994 750**	**1 663 240**	**28 657 990**
Total comprehensive income	-	-	(78 906)	374 297	295 391	53 062	348 453
Consolidated profit for the period	-	-	-	*374 297*	*374 297*	*64 083*	*438 380*
Other comprehensive income	-	-	*(78 906)*	-	*(78 906)*	*(11 021)*	*(89 927)*
Profit allocation to other reserve capital	-	1 110 963	-	(1 110 963)	-	-	-
Profit allocation to dividends	-	-	-	-	-	(68 155)	(68 155)
Transfer of revaluation of equity financial assets measured at fair value through other comprehensive income	-	-	100	(100)	-	-	-
Other changes	-	(8 884)	(5 894)	8 884	(5 894)	-	(5 894)
As at the end of the period	**1 021 893**	**22 399 073**	**1 754 592**	**2 108 689**	**27 284 247**	**1 648 147**	**28 932 394**

As at the end of the period revaluation reserve in the amount of PLN 1,754,592 k comprises: revaluation of debt securities in the amount of PLN 754,391 k, revaluation of equity securities in the amount of PLN 966,183 k, revaluation of cash flow hedge activities in the amount of PLN 26,170 k and accumulated actuarial gains - provision for retirement allowances of PLN 7,848 k.

In thousands PLN

V. Condensed consolidated statement of cash flows

for the period:	1.01.2022-30.06.2022	1.01.2021-30.06.2021* restated
Cash flows from operating activities		
Profit before tax	**2 472 694**	**792 410**
Adjustments for:		
Share in net profits of entities accounted for by the equity method	(36 050)	(39 276)
Depreciation/amortisation	263 691	291 685
Profit from investing activities	1 536	(47 631)
Interest accrued excluded from operating activities	(730 952)	(270 485)
Dividends	(85 550)	(215 463)
Impairment losses (reversal)	4 800	15 700
Changes in:		
Provisions	110 675	22 174
Financial assets / liabilities held for trading	(352 246)	(564 385)
Assets pledged as collateral	(20 563)	115 510
Hedging derivatives	(259 159)	(386 801)
Loans and advances to banks	(324 554)	1 609
Loans and advances to customers	(10 736 153)	(1 999 201)
Deposits from banks	693 801	(1 468 983)
Deposits from customers	(1 228 675)	3 006 227
Buy-sell/ Sell-buy-back transactions	(112 989)	(445 188)
Other assets and liabilities	826 113	391 161
Interest received on operating activities	4 730 531	2 581 907
Interest paid on operating activities	(597 227)	(90 432)
Paid income tax	(387 296)	(488 675)
Net cash flows from operating activities	**(5 767 573)**	**1 201 863**
Cash flows from investing activities		
Inflows	**5 864 190**	**5 462 989**
Sale/maturity of investment securities	5 186 350	4 861 680
Sale of intangible assets and property, plant and equipment	27 138	41 837
Dividends received	4 297	94 081
Interest received	646 405	465 391
Outflows	**(3 089 302)**	**(14 653 676)**
Purchase of investment securities	(2 984 018)	(14 498 814)
Purchase of intangible assets and property, plant and equipment	(105 284)	(154 862)
Net cash flows from investing activities	**2 774 888**	**(9 190 687)**
Cash flows from financing activities		
Inflows	**5 777 971**	**7 901 471**
Debt securities in issue	2 711 350	4 715 000
Drawing of loans	3 066 621	3 186 471
Outflows	**(9 329 632)**	**(7 227 247)**
Debt securities buy out	(5 309 569)	(2 806 846)
Repayment of loans and advances	(3 406 478)	(4 174 733)
Repayment of lease liabilities	(86 886)	(91 104)
Dividends to shareholders	(332 350)	(68 155)
Interest paid	(194 349)	(86 409)
Net cash flows from financing activities	**(3 551 661)**	**674 224**
Total net cash flows	**(6 544 346)**	**(7 314 600)**
Cash and cash equivalents at the beginning of the accounting period	**18 346 368**	**13 632 245**
Cash and cash equivalents at the end of the accounting period	**11 802 022**	**6 317 645**

* details are described in Note 2.5

Notes presented on pages 12-66 constitute an integral part of this Financial Statements

VI. Additional notes to condensed interim consolidated financial statements

1. General information about issuer

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

Condensed interim consolidated financial statement of Santander Bank Polska Group for the 6-month period ended 30 June 2022 includes Bank's financial information as well as information of its subsidiaries (forming together the "Group").

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

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

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

In thousands PLN

Santander Bank Polska Group consists of the following entities:

Subsidiaries:

	Subsidiaries	Registered office	[%] of votes on AGM at 30.06.2022	[%] of votes on AGM at 31.12.2021
1.	Santander Finanse sp. z o.o.	Poznań	100%	100%
2.	Santander Factoring sp. z o.o.	Warszawa	100% of AGM votes are held by Santander Finanse sp. z o.o.	100% of AGM votes are held by Santander Finanse sp. z o.o.
3.	Santander Leasing S.A.	Poznań	100% of AGM votes are held by Santander Finanse sp. z o.o.	100% of AGM votes are held by Santander Finanse sp. z o.o.
4.	Santander Leasing Poland Securitization 01	Dublin	subsidiary of Santander Leasing S.A.	subsidiary of Santander Leasing S.A.
5.	Santander Inwestycje sp. z o.o.	Warszawa	100%	100%
6.	Santander F24 S.A.	Poznań	100% of AGM votes are held by Santander Finanse sp. z o.o.	100% of AGM votes are held by Santander Finanse sp. z o.o.
7.	Santander Towarzystwo Funduszy Inwestycyjnych S.A. [1)]	Poznań	50%	50%
8.	Santander Consumer Bank S.A.	Wrocław	60%	60%
9.	Santander Consumer Finanse sp. z o.o.[2)]	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.
10.	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.
11.	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.
12.	Santander Consumer Multirent sp. z o.o.	Wrocław	100% of AGM votes are held by Santander Consumer Bank S.A.	100% of AGM votes are held by Santander Consumer Bank S.A.
13.	SCM POLAND AUTO 2019-1 DAC [4)]	Dublin	subsidiary of Santander Consumer Multirent S.A.	subsidiary of Santander Consumer Multirent S.A.
14.	Santander Consumer Financial Solutions Sp. z o.o. [5)]	Wrocław	subsidiary of Santander Consumer Multirent S.A.	subsidiary of Santander Consumer Multirent S.A.
15.	S.C. Poland Consumer 16-1 sp.z o.o. [6)]	Warszawa	subsidiary of Santander Consumer Bank S.A.	subsidiary of Santander Consumer Bank S.A.

1. As at 30.06.2022, Santander Bank Polska was a co-owner of Santander Towarzystwo Funduszy Inwestycyjnych SA, together with Banco Santander SA. Both owners are members of Santander Group and each holds an equal stake of 50% in the company's share capital. In practice, Santander Bank Polska exercises control over the subsidiary Santander Towarzystwo Funduszy Inwestycyjnych SA because through it, Banco Santander implements its policy in Poland. Consequently, the company is treated as a subsidiary.

2. The General Meeting held on 23 December 2020 adopted a resolution to dissolve Santander Consumer Finanse Sp. z o.o. and start the liquidation process.

3. According to the Management Board of Santander Bank Polska Group, 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).

4. On 18 November 2019, SCM Poland Auto 2019-1 Designated Activity Company with its registered office in Dublin was incorporated under Irish law. It is a special purpose vehicle established to securitise the lease portfolio. The company is controlled by Santander Consumer Multirent Sp. z o.o and its shareholder is a legal person that is not connected with the Group.

5. On 27 August 2020, Santander Consumer Financial Solutions Sp. z o.o. (SCFS Sp. z o.o.) with its registered office in Wrocław was incorporated under Polish law. The company offers lease of passenger cars, lease loans and finance lease for consumers. It is a wholly-owned subsidiary of Santander Consumer Multirent Sp. z o.o.

6. SC Poland Consumer 16-1 sp. z o.o. was set up for the purpose of securitisation of a part of the loan portfolio; their shareholder is a Polish legal entity who has no ties with the Group; the company is controlled by Santander Consumer Bank, in accordance with the control criteria set out in IFRS 10.7.

In thousands PLN

Associates:

	Associates	Registered office	[%] of votes on AGM at 30.06.2022	[%] of votes on AGM at 31.12.2021
1.	POLFUND - Fundusz Poręczeń Kredytowych S.A.	Szczecin	50%	50%
2.	Santander - Allianz Towarzystwo Ubezpieczeń S.A.	Warszawa	49%	49%
3.	Santander - Allianz Towarzystwo Ubezpieczeń na Życie S.A.	Warszawa	49%	49%

2. Basis of preparation of condensed interim consolidated financial statements

2.1. Statement of compliance

These condensed interim consolidated financial statements of Santander Bank Polska S.A. Group were prepared in accordance with the International Accounting Standard 34 " Interim financial reporting" as adopted by the European Union.

The accounting principles were applied uniformly by individual units of the Santander Bank Polska S.A. Group. Santander Bank Polska S.A. Group applied the same accounting principles and calculation methods as in the preparation of the consolidated financial statements for the year ended as at 31 December 2021, except for the income tax charge, which was calculated in accordance with the principles set out in IAS34.30c and changes in the accounting policy regarding legal risk for the portfolio of mortgage loans denominated / indexed to foreign currencies and income statement presentation changes, both described in point 2.5.

2.2. Basis of preparation of financial statements

Presented consolidated condensed interim financial statement does not contain information and disclosures required in annual financial statement and should be read together with consolidated financial statements as at 31 December 2021.

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

In its assessment, the Management Board considered, inter alia, the impact of current situation in Ukraine and has determined that it does not create material uncertainty about the Group's ability to continue as a going concern.

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

These condensed interim consolidated financial statements of Santander Bank Polska S.A. Group have been prepared in accordance with the International Accounting Standard 34 " Interim financial reporting"adopted by the European Union. Santander Bank Polska S.A. Group prepared consolidated financial statements in accordance with following valuation rules:

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
Equity financial assets	Fair value through profit or loss
Debt securities measured at fair value through profit or loss	Fair value through profit or loss
Non-current assets	The purchase price or production cost reduced by total depreciation charges and total impairment losses
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.

In thousands PLN

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

IFRS	Nature of changes	Effective from	Influence on Santander Bank Polska S.A. Group
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 , reassurance 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 consolidated financial statements.
Amendments to IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors	Amendments to IAS 8 include definition of accounting estimates, which should help to distinguish between accounting policies and accounting estimates.	1 January 2023	The amendment will not have a significant impact on consolidated financial statements.
Amendments to IAS 12	Amendments clarify how companies account for deferred tax on transactions such as leases and decommissioning obligations.	1 January 2023	The amendment will not have a significant impact on consolidated financial statements.*
Amendments to IAS 1	There are two amendments to IAS 1. The first one affect requirements for the presentation of liabilities. Specifically, they clarify one of the criteria for classifying a liability as non-current. The second one concern accounting policy disclosures with regard to the scope of such disclosures.	1 January 2023	The amendment will not have a significant impact on consolidated financial statements.*

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

In thousands PLN

2.4 Standards and interpretations or changes to existing standards or interpretations which were applied for the first time in the accounting year 2022

IFRS	Nature of changes	Effective from	Influence on Santander Bank Polska S.A. Group
Annual improvements to IFRS standards 2018-2020	As a result of annual improvements project, amendments to four IFRSs were introduced (IFRS1, IFRS9, IFRS16, IAS 41). Amendments to IFRS 9 clarify which fees an entity applies when "10% test" is performed for derecognition of financial asset. For IFRS 16 an illustrative example for lease incentives treatments was changed, not to cause confusion.	1 January 2022	The amendment does not have a significant impact on consolidated financial statements.
Amendments to IAS 37 Provisions	The changes concern the clarification of the scope of costs that should be taken into account in assessing whether the contract is a onerous contract.	1 January 2022	The amendment does not have a significant impact on consolidated financial statements.
Amendments to IAS 16 Property, Plant and Equipment	The changes indicate, i.a, that revenues from the sale of goods produced in the course of bringing an asset to the desired location and condition, cannot be deducted from the costs associated with this asset. Instead, such revenues should be recognized in the profit and loss account along with the costs of manufacturing these products.	1 January 2022	The amendment does not have a significant impact on consolidated financial statements.
Amendments to IFRS 3 Business combinations	IFRS 3 "Business Combinations" outlines the accounting when an acquirer obtains control of a business (e.g. an acquisition or merger). Such business combinations are accounted for using the 'acquisition method', which generally requires assets acquired and liabilities assumed to be measured at their fair values at the acquisition date.	1 January 2022	The amendment does not have a significant impact on consolidated financial statements.

2.5 Comparability of previous periods

Change (1): Legal risk related to the mortgage loans portfolio denominated and indexed in foreign currencies.

Based on the analysis, due to the applicable legal situation related to mortgage loans portfolio denominated and indexed in foreign currencies, the Bank decided to change the accounting policy for their recognition, starting from 1 January 2022.

Prior to the amendment, the legal risk of this portfolio was recognized in accordance with IAS 37 Provisions, Contingent Liabilities and Contingent Assets. From 1 January 2022, the Group decided to apply IFRS 9 Financial Instruments.

Due to the inability to recover some of the planned cash flows, the Bank decided to reduce, from 1 January 2022, the gross carrying amount of mortgage loans denominated and indexed in foreign currencies in accordance with IFRS 9 (IFRS 9 B5.4.6) and in the absence of exposure or insufficient exposure, create provision according to IAS 37.

Taking into consideration the significance of portfolio`s legal risk cost and in accordance with paragraph 29 of IAS 1 Presentation of financial statements, the Group decided to present a separate line in the consolidated income statement ("Impact of legal risk of mortgage loans in convertible currencies"), which presents the overall impact of the portfolio's legal risk on the income statement.

The change in accounting policy was intended to provide users of financial statements with more useful information on the impact of the legal risk of the portfolio of loans denominated and indexed in foreign currencies on the financial position, financial result and cash flows of the Group.

The change also aligned the approach used in the Group's financial statements with the market practice observed in this respect.

Comparative data as at 1 January 2021 and 31 December 2021 and all reporting periods in between have been appropriately restated in order to assure comparability.

The introduced change in accounting policy did not affect the amount of the Group's net assets as at the moment of introduction, i.e. as of January 1, 2022, as well as the value of net assets in the comparative period, i.e. as of January 1, 2021 and December 31, 2021.

In thousands PLN

Changes (2): Changes in the presentation of selected items of the income statement and the statement of financial position

To present the financial position and financial performance of the Group in the best possible way, as well as to provide the highest value for the users of the Group's financial statements, the following items were presented separately:

(a) "Income similar to interest on finance leases" in the consolidated income statement and "Loans and advances from finance leases" in the consolidated statement of financial position;

(b) "Gain/loss on derecognition of financial instruments measured at amortised cost" in the consolidated income statement

Consolidated income statement

	for the period: 1.01.2021-30.06.2021			
	before	adjustment (1)	adjustment (2)	after
Interest income and similar to interest	**2 987 461**	**-**	**(1 511)**	**2 985 950**
Interest income on financial assets measured at amortised cost	2 550 145	-	(155 510)	2 394 635
Interest income on financial assets measured at fair value through other comprehensive income	429 996	-	-	429 996
Income similar to interest on financial assets measured at fair value through profit or loss	7 320	-	-	7 320
Income similar to interest on finance leases	-	-	153 999	153 999
Interest expense	**(199 415)**	**-**	**-**	**(199 415)**
Net interest income	**2 788 046**	**-**	**(1 511)**	**2 786 535**
Fee and commission income	1 437 970	-	-	1 437 970
Fee and commission expense	(226 616)	-	-	(226 616)
Net fee and commission income	**1 211 354**	**-**	**-**	**1 211 354**
Dividend income	102 824	-	-	102 824
Net trading income and revaluation	128 772	-	-	128 772
Gains (losses) from other financial securities	64 366	-	-	64 366
Gains (losses) on derecognition of financial instruments measured at amortised cost	-	-	1 511	1 511
Other operating income	96 803	(13 017)	-	83 786
Impairment allowances for expected credit losses	(626 926)	-	-	(626 926)
Cost of legal risk associated with foreign currency mortgage loans	-	(736 525)	-	(736 525)
Operating expenses incl.:	(2 711 600)	749 542	-	(1 962 058)
-Staff, operating expenses and management costs	(1 602 852)	-	-	(1 602 852)
-Amortisation of property, plant and equipment and Intangible assets	(198 948)	-	-	(198 948)
-Amortisation of right of use asset	(92 737)	-	-	(92 737)
-Other operating expenses	(817 063)	749 542	-	(67 521)
Share in net profits (loss) of entities accounted for by the equity method	39 276	-	-	39 276
Tax on financial institutions	(300 505)	-	-	(300 505)
Profit before tax	**792 410**	**-**	**-**	**792 410**
Corporate income tax	(354 030)	-	-	(354 030)
Consolidated profit for the period	**438 380**	**-**	**-**	**438 380**
of which:				
-attributable to owners of the parent entity	374 297	-	-	374 297
-attributable to non-controlling interests	64 083	-	-	64 083
Net earnings per share				
Basic earnings per share (PLN/share)	3,66	-	-	3,66
Diluted earnings per share (PLN/share)	3,66	-	-	3,66

1) Adjustment resulting from changes in accounting policy

2) Adjustment resulting from changes in the presentation

In thousands PLN

Consolidated statement of financial position

	as at: 31.12.2021			
	before	adjustment (1)	adjustment (2)	after
Loans and advances to customers incl.:	148 250 421	(1 859 076)	-	146 391 345
- measured at amortised cost	145 966 743	(1 859 076)	(10 728 943)	133 378 724
- from finance leases	-	-	10 728 943	10 728 943
Total assets	**244 876 340**	**(1 859 076)**	**-**	**243 017 264**
Other provisions	2 358 989	(1 859 076)	-	499 913
Total liabilities	**217 662 764**	**(1 859 076)**	**-**	**215 803 688**

1) Adjustment resulting from changes in accounting policy
2) Adjustment resulting from changes in the presentation

	as at: 1.01.2021			
	before	adjustment (1)	adjustment (2)	after
Loans and advances to customers incl.:	141 998 745	(562 454)	-	141 436 291
- measured at amortised cost	139 549 728	(562 454)	(9 630 028)	129 357 246
- from finance leases	-	-	9 630 028	9 630 028
Total assets	**229 311 309**	**(562 454)**	**-**	**228 748 855**
Other provisions	952 115	(562 454)	-	389 661
Total liabilities	**200 653 319**	**(562 454)**	**-**	**200 090 865**

1) Adjustment resulting from changes in accounting policy
2) Adjustment resulting from changes in the presentation

Consolidated statement of cash flows

	for the period: 1.01.2021 - 30.06.2021		
	before	adjustment (1)	after
Changes in:			
Provisions	627 662	(605 488)	22 174
Loans and advances to customers	(2 604 689)	605 488	(1 999 201)

1) Adjustment resulting from changes in accounting policy

2.6 Use of estimates

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

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

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

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

Key estimates include:

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

Allowances for expected credit losses in respect of financial assets

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

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

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

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

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

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

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

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

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

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

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

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

A credit-impaired assets

Credit-impaired assets are classified as Stage 3 or POCI. A financial asset or a group of financial assets are impaired if, and only if, there was objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset or asset was recognized as POCI and that impairment event (or events) had an impact on the estimated future cash flows of the financial asset or group of financial assets that could be reliably estimated. It may not be possible to identify a single, event that caused the impairment, rather the combined effect of several events may have caused the impairment. Objective evidence that a financial asset or group of assets was impaired includes observable data:

- significant financial difficulty of the issuer or debtor;
- a breach of contract, e.g. delay in repayment of interest or principal over 90 days in an amount exceeding the materiality threshold (PLN 400 for individual and small and medium-sized enterprises and PLN 2,000 for business and corporate clients) and at the same time relative thresholds (above 1% of the amount past due in relation to the balance sheet amount);
- the Santander Bank Polska S.A. Group, for economic or legal reasons relating to the debtor's financial difficulty, granting to the debtor a concession that the Santander Bank Polska S.A. Group would not otherwise consider, which fulfill below criteria:
  - (1) contingent restructuring transactions that meet the criteria for reclassification into basket 3 (quantitative and / or qualitative),
  - (2) contingent restructuring transactions previously classified as non-performing, which have been refinanced or restructured, or are more than 30 days past due to the customer's with observed financial difficulties,
  - (3) restructured transactions, where contractual clauses have been applied that defer payments through a grace period for repayment of the principal for a period longer than two years,
  - (4) restructured transactions including debt write-off, interest grace periods or repaid in installments without contractual interest,
  - (5) restructured transactions, where there was a change in the net present value of cash flows (NPV) of at least 1% compared to the NPV before the application of the forbearance measures,
  - (6) transactions where:
    - inadequate repayment schedules (initial or later, if used) were applied, which are related to, inter alia, repeated situations of non-compliance with the schedule, changes in the repayment schedule in order to avoid situations of non-compliance with it, or
    - a repayment schedule that is based on expectations, unsupported by macroeconomic forecasts or credible assumptions about the borrower's ability or willingness to repay was applied.
  - (7) transactions for which the Group has reasonable doubts as to the probability of payment by the customer.
- it becoming probable that the debtor will enter bankruptcy, recovery proceedings, arrangement or other financial reorganisation;
- the disappearance of an active market for that financial asset because of financial difficulties;
- exposures subject to the statutory moratorium, the so-called Shield 4.0 (Act of 19 June 2020 on interest subsidies for bank loans granted to entrepreneurs affected by COVID-19) - application of a moratorium on the basis of a declaration of loss of source of income.

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

- In the case of individual customers, the probation period is 180 days.
- In the case of SME customers, the probation period is 180 days, and assessment of the customer's financial standing and repayment capacity is required in some cases. However, the exposure cannot be reclassified to Stage 1 or 2 in the case of fraud, client`s death, discontinuation of business, bankruptcy, or pending restructuring/ liquidation proceedings.

- In the case of business and corporate customers, the probation period is 92 days, and positive assessment of the financial standing is required (the Group assesses all remaining payments as likely to be repaid as scheduled in the agreement). The exposure cannot be reclassified to Stage 1 or 2 in the case of fraud, discontinuation of business, or pending restructuring/ insolvency/ liquidation proceedings.
- Additionally, if the customer is in Stage 3 and subject to the forbearance process (incl. so-called Shield 4.0 moratoria), they may be reclassified to Stage 2 not earlier than after 365 days (from the start of forbearance or from the downgrade to the NPL portfolio, whichever is later) of regular payments, repayment by the client of the amount previously overdue / written off (if any) and after finding that there are no concerns as to the further repayment of the entire debt in accordance with the agreed terms of restructuring.

Changes in the classification resulting from Recommendation R

From January 2022, the Group adjusted the rules of exposure classification to the new guidelines resulting from the KNF recommendation. The main changes in the classification of exposures relate to the situation where:

- the Group has balance sheet exposures towards the obligor which are past due more than 90 days and which constitute over 20% of all balance sheet exposures towards this obligor, all balance sheet and off-balance sheet exposures towards this obligor are considered non-performing
- delay in repayment for a given exposure exceeding 90 days in a situation where the materiality criterion of an overdue credit obligation has not been met for a given exposure results in classification into a stage 2

A significant increases in credit risk

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

- Qualitative assumptions:
  - Implementing dedicated monitoring strategies for the customer following the identification of early warning signals that indicate a significant increase in credit risk
  - Restructuring actions connected with making concessions to the customers as a result of their difficult financial standing
  - Delay in payment as defined by the applicable standard, i.e. 30 days past due combined with the materiality threshold
- Quantitative assumptions:
  - A risk buffer method based on the comparison of curves illustrating the probability of default over the currently remaining lifetime of the exposure based on the risk level assessment at exposure recognition and at reporting date. Risk buffer is set in relative terms for every single exposure based on its risk assessment resulting from internal models and other parameters of exposure impacting assessment of the Group whether the increase might have significantly increased since initial recognition of the exposure (such parameters considered types of the products, term structure as well as profitability). Risk buffer methodology was prepared internally and is based on the information gathered in course of the decisioning process as well as in process of transactions structuring.

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

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

Santander Bank Polska S.A. Group does not identify low credit risk exposures under IFRS 9 standard rules, which allows to recognize 12-month expected loss even in cease of significant increase of credit risk since initial recognition.

ECL measurement

Another key feature introduced by IFRS 9 is the approach to the estimation of risk parameters. For the purpose of estimating allowances for expected losses, Santander Bank Polska S.A. Group uses its own estimates of risk parameters that are based on internal models.

Expected credit losses are the sum of individual products for each exposure of the estimated values of PD, LGD and EAD parameters in particular periods (depending on the stage either in the horizon of 12 months or in lifetime) discounted using the effective interest rate. The estimated parameters are adjusted for macroeconomic scenarios in accordance with the assumptions of IFRS 9. To this end, the Group determines the factors which affect individual asset classes to estimate an appropriate evolution of risk parameters. The Group uses scenarios developed internally by the analytical team, which are updated on a monthly basis at least every six months. The models and parameters generated for the needs of IFRS 9 are subject to model management process and periodic calibration and validation. These tools are also used in the financial planning process.

Determination of forward-looking events and their likelihood

Forward-looking events are reflected both in the process of estimating ECL and when determining a significant increase in credit risk, by developing appropriate macroeconomic scenarios and then reflecting them in the estimation of parameters for each scenario. The final parameter value and the ECL is the weighted average of the parameters weighted by the likelihood of each scenario. Group uses three scenario types: the baseline scenario and two alternative scenarios, which reflect the probable alternative options of the baseline scenario: upside and downside scenario.

Baseline

Year 2022 with still high momentum, very high inflation and rising interest rates, was hit by a new shock: war in Ukraine, weighing on Polish exports and enhancing supply-side problems, including increasing commodity prices and total cut of natural gas imports from Russia. War shock and monetary policy shock will bring the economic growth down, probably to a recession in 2H22, followed by a moderate rebound. Inflation, however, is likely to remain elevated for an extended period. In the baseline scenario, in 2022 the economy is expected to grow by 5%, mostly thanks to the strong economic momentum in IH22. In 2H 2022 the economy is likely to enter a technical recession and then to rebound, also supported by EU Recovery Funds. However, the transfers of the funds will be contingent on fulfillment of certain requirements. In 2023 GDP growth is expected at 1.2%. CPI is to remain elevated, with 13.3% average growth in 2022 and 9.2% in 2023.

The government responded to rising inflation with more fiscal stimulus (cuts in taxes, new benefits) and this is one of factors increasing the inflation's persistence. In general, high inflation environment will be favourable for the central budget inflows, so after a temporary jump in deficit in 2022, a consolidation is expected. The NBP will continue with interest rate hikes, bringing the main rate from 1.75% at the end of 2021 to 7.25% in 1Q23. Further on, the NBP will reduce interest rates to 5.25%, but keep them at elevated level due to heightened inflation. EURPLN was under influence of negative shocks and positive inflation spread between Poland and the euro zone. Temporarily EURPLN reached 5.00 in reaction to war in Ukraine. The zloty is expected to appreciate somewhat, but to generally remain historically weak with above 4.50 per euro. The upward tendency in interest rates will undermine demand for loans, especially on the mortgage and consumer market, while companies' demand will remain in the post-pandemic upswing. In general, however, loan growth is expected to remain low and this will also translate into weaker growth of deposits. However, change in interest rates will yield a major change in deposit breakdown, with strong upward tendency of term deposits.

Downside

The downside scenario was built under an assumption that inflation will continue to rise further, despite monetary policy tightening, triggering a stronger reaction of the National Bank of Poland and thus undermining the economy stronger than expected in the baseline scenario. In 2023 the economy is expected to shrink by 1.0% and then to rebound by 2.0% in 2024. CPI will remain in double-digit territory in 2022 and 2023 and then decline to 8.2% in 2024.

High inflation will encourage the NBP to continue with the hiking cycle, bringing the NBP reference rate to 9.0% in 4Q22. Later the NBP will respond to the slowing economic growth, bringing the rate down to 4.0% in 3Q24. Weaker economic performance and high inflation will be undermining the zloty, averaging 4.60 per euro in 2023 and 2024. Lower economic activity will negatively affect the demand for loans in the banking system, especially in the household sector, as companies could be in need of liquidity loans. Deposits growth rate will also be slowing down.

Upside

The upside scenario was built under an assumption that supply shock will be dissipating in 2H22, lowering probability of new supply-side inflation shocks, allowing for a faster economic growth and for a less strict monetary policy. In 2023 the economy is expected to expand by 3.2% and then by 5.3% in 2024. CPI will remain in double-digit territory in 2022 and 2023 and then decline to 9.4% in 2024. High inflation will encourage the NBP to continue with the hiking cycle, bringing the NBP reference rate to 7.25% in 4Q22. Later the NBP will adjust its rates to 5.75% in 3Q24. Stronger economic performance will support the zloty, which however will remain relatively elevated due to heightened inflation, averaging 4.49 per euro in 2023 and 2024. Stronger economic activity will positively affect the demand for loans in the banking system, but relatively high rates will act in the opposite direction, so the total loan growth is expected to remain moderate, translating also into moderate growth of deposits.

In thousands PLN

Scenario as at 2022.06.30		baseline		best case		worst case	
likehood		60%		20%		20%	
		2022	average, next 3 years	2022	average, next 3 years	2022	average, next 3 years
GDP	YoT	5,0%	2,8%	5,8%	4,4%	4,6%	1,2%
WIBOR 3M	average	6,5%	6,2%	7,2%	7,0%	7,6%	5,7%
unemployment rate	% active	2,9%	3,2%	2,9%	2,8%	2,9%	3,4%
CPI	YoY	13,3%	7,4%	13,3%	8,3%	14,2%	7,9%
EURPLN	period-end	4,55	4,53	4,52	4,49	4,59	4,59

Management provisions

At the end of the first half of 2022, in addition to the ECL resulting from the complex calculation model implemented in the system, Santander Banka Polska S.A. Group accounted for management adjustments, updating the risk level with current and expected future events:

- A management provision for retail portfolio and portfolio covered by SME rating in the amount of PLN 35 400k PLN related to the planned implementation of new LGD models in the third quarter of 2022 (models under validation).
- A management provision for the PLN Mortgage portfolio in the amount of PLN 6 400k due to high uncertainity as to the future level of interest rates.
- A management provision for the Cash portfolio in the amount of PLN 14 400k related to the observed increase share of our customers in consumer finance companies (CFC).
- A management provision for the SME portfolio in the amount of PLN 11 400k due to the observed increase of overdues in the construction and transport sectors.
- A management provision for the Corporate customers in the amount of PLN 20 000k due to the estimated impact of increasing costs for borrowers on risk profile of the portfolio with high leverage ratio.

In the second quarter of 2022, the Group reviewed the risk parameters used to calculate the expected credit losses, in particular it updated the systemically applied macroeconomic scenarios, as a consequence the existing management adjustment of PLN 59,400k established to reflect the impact of the deterioration of the macroeconomic outlook was withdrawn. Other management adjustments were also reviewed. The total amount of withdrawn management adjustments amounted to PLN 134 785k.

Potential ECL variability

Significant volatility for the income statement may be reclassifications to Stage 2 from Stage 1. The theoretical reclassification of given percentage of exposures from Stage 1 with the highest risk level to Stage 2 for each type of exposure would result in an increase in write-offs according to below table (portfolio as at 30 June 2022).

	additional expected credit loss (mPLN)			
reclassification from stage 1 to stage 2	individuals	mortgage loans	business	Total
1%	22,1	12,1	6,7	**40,8**
5%	121,6	49,5	34,5	**205,6**
10%	243,2	80,8	65,7	**389,7**

In thousands PLN

The above estimates show expected variability of loss allowances as a result of transfers between Stage 1 and Stage 2, resulting in material changes in the degree to which exposures are covered with allowances in respect of different ECL horizons.

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

	in PLN m	change in ECL level			
scenario			30.06.2022		31.12.2021
	individuals	mortgage loans	business	Total	Total
best case	11,3	3,8	20,1	35,2	20,5
worst case	(20,0)	(2,3)	(21,0)	(43,3)	(20,1)

Estimates for legal claims

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

Details on the value of the provisions and the assumptions made for their calculation are provided in Notes 29, 32 and 33.

Estimates for legal risk arising from mortgage loans in foreign currencies

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

Legal risk is estimated based on a number of assumptions, taking into account: a specific time horizon, a number of probabilities such as the probability of possible settlements and the probability of submitting claims by borrowers.

Legal risk is estimated individually for each exposure in the event of litigation and in terms of portfolio in the absence of such.

Santander Bank Polska Group takes into account the impact of legal risk as an adjustment to the gross book value of this portfolio. If there is no credit exposure or its value is insufficient, the impact of legal risk is presented as a provision.

The result on legal risk is presented in a separate position in income statement "Impact of legal risk related to mortgage loans in foreign currencies"

In the second quarter of 2022, the Group recognized PLN 850 918 k as cost of legal risk related to mortgage loans in foreign currencies.

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

Details presenting impact of the above-mentioned risk on financial statement and the assumptions adopted for their calculation are contained in notes 29 and 33, respectively.

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

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

On 14 July 2022, the President of the Republic of Poland signed the Act on crowdfunding for business and support for borrowers. One of the purposes of the Act is to help the mortgage borrowers by enabling them to defer their repayments.

As at the 30 June 2022 balance sheet date, there was no final and precise version of regulations on payment deferral that is a necessary prerequisite that would enable making a reliable estimate of how these regulations will impact the Group's financial position. Consequently, management applied their judgement and has decided to recognise the impact of the payment deferrals on the day the corresponding regulations were substantively enacted in July 2022. In July 2022, the impact will be recognised as an adjustment of gross carrying value of the mortgage loans and a corresponding reduction of interest income. Once enacted, the legislation drives timing and/or amounts of the contractual cash flows that the lender is able to legally enforce, thus resulting in the revision of the gross carrying value of the loans.

Details in note 44.

2.8 Change of accounting policy

Santander Bank Polska S.A. Group consistently applied the adopted accounting principles both for the reporting period for which the report is prepared and for the comparative period, except for the changes resulting from the change in accounting policy with regard to the legal risk of mortgage loans denominated / indexed to foreign currencies and income statement presentation changes, both described in point 2.5.

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 2022 the following changes were introduced:

- 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.
- review of the items reported in ALM and Centre segment, as a result of which a part of the income, costs and balance sheet volumes was allocated to business segments. The change mainly concerns the allocation of equity, as well as the allocation of operating costs and depreciation.
- distinguishing of a separate line in P&L presentation related to the cost of legal risk associated with foreign currency mortgage loans
- split of the net fee and commission into income and expense
- reclassification of the provision for legal risk associated with the portfolio of foreign currency mortgage loans from the item Other provisions to the item Loans and advances to customers (as a reduction of the gross balance sheet value). More details on the above reclassification are provided in the note 2.5.

Comparable data are adjusted accordingly.

In the part regarding Santander Bank Polska, the provisions for legal risk connected with the portfolio of FX mortgage were presented in Retail Banking segment. Simultaneously, in the part regarding Santander Consumer Bank, the provisions for legal risk connected with the portfolio of FX mortgage loans were presented in the Santander Consumer segment. More details regarding the above provisions are described in the note 33.

Contribution to fund under Institutional Protection Scheme (IPS) in the amount of PLN 407 263 k was divided by Segments. More details regarding the above contribution are described in the note 38.

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).

In thousands PLN

Consolidated income statement by business segments

01.04.2022 - 30.06.2022	Segment Retail Banking *	Segment Business and Corporate Banking	Segment Corporate& Investment Banking	Segment ALM and Centre	Segment Santander Consumer	Total
Net interest income	**1 510 749**	**402 359**	**173 707**	**524 702**	**323 328**	**2 934 845**
incl. internal transactions	(1 568)	98	1 470	12 704	(12 704)	-
Fee and commission income	461 474	153 812	118 110	(2 000)	50 887	782 283
Fee and commission expense	(123 771)	(7 218)	(5 319)	1 705	(26 979)	(161 582)
Net fee and commission income	**337 703**	**146 594**	**112 791**	**(295)**	**23 908**	**620 701**
incl. internal transactions	47 081	31 437	(78 456)	784	(846)	-
Other income	**(6 960)**	**44 624**	**89 851**	**(185 155)**	**18 991**	**(38 649)**
incl. internal transactions	1 389	31 633	(32 097)	(925)	-	-
Dividend income	**8 566**	**-**	**113**	**-**	**5**	**8 684**
Operating costs	**(755 773)**	**(207 136)**	**(131 114)**	**(19 525)**	**(98 114)**	**(1 211 662)**
incl. internal transactions	-	-	-	252	(252)	-
Depreciation/amortisation	**(93 673)**	**(15 209)**	**(8 520)**	**(2)**	**(13 731)**	**(131 135)**
Impairment losses on loans and advances	**(105 229)**	**(15 802)**	**(15 483)**	**2 161**	**24 101**	**(110 252)**
Cost of legal risk associated with foreign currency mortgage loans	**(720 729)**	**-**	**-**	**-**	**(130 189)**	**(850 918)**
Share in net profits (loss) of entities accounted for by the equity method	**15 552**	**-**	**-**	**210**	**-**	**15 762**
Tax on financial institutions	**-**	**-**	**-**	**(183 794)**	**(6 952)**	**(190 746)**
Profit before tax	**190 206**	**355 430**	**221 345**	**138 302**	**141 347**	**1 046 630**
Corporate income tax						(335 631)
Consolidated profit for the period						**710 999**
of which:						
attributable to owners of the parent entity						656 858
attributable to non-controlling interests						54 141

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

In thousands PLN

01.01.2022 - 30.06.2022	Segment Retail Banking *	Segment Business and Corporate Banking	Segment Corporate& Investment Banking	Segment ALM and Centre	Segment Santander Consumer	Total
Net interest income	**2 763 463**	**752 423**	**294 354**	**717 701**	**650 853**	**5 178 794**
incl. internal transactions	(2 045)	(352)	2 397	18 684	(18 684)	**-**
Fee and commission income	933 475	317 993	237 289	(14 937)	102 706	**1 576 526**
Fee and commission expense	(237 390)	(15 983)	(10 400)	13 994	(45 319)	**(295 098)**
Net fee and commission income	**696 085**	**302 010**	**226 889**	**(943)**	**57 387**	**1 281 428**
incl. internal transactions	104 026	64 589	(166 981)	(50)	(1 584)	**-**
Other income	**(30 645)**	**77 041**	**190 882**	**(221 866)**	**28 681**	**44 093**
incl. internal transactions	2 736	68 449	(69 726)	(1 459)	-	**-**
Dividend income	**8 779**	**-**	**129**	**-**	**11**	**8 919**
Operating costs	**(1 392 091)**	**(361 467)**	**(236 553)**	**(37 638)**	**(240 652)**	**(2 268 401)**
incl. internal transactions	-	-	-	852	(852)	**-**
Depreciation/amortisation	**(188 021)**	**(30 901)**	**(17 176)**	**(2)**	**(27 591)**	**(263 691)**
Impairment losses on loans and advances	**(221 409)**	**(29 315)**	**(12 267)**	**1 324**	**32 134**	**(229 533)**
Cost of legal risk associated with foreign currency mortgage loans	**(798 404)**	**-**	**-**	**-**	**(148 975)**	**(947 379)**
Share in net profits (loss) of entities accounted for by the equity method	**35 923**	**-**	**-**	**127**	**-**	**36 050**
Tax on financial institutions	**-**	**-**	**-**	**(353 045)**	**(14 541)**	**(367 586)**
Profit before tax	**873 680**	**709 791**	**446 258**	**105 658**	**337 307**	**2 472 694**
Corporate income tax						**(732 429)**
Consolidated profit for the period						**1 740 265**
of which:						
attributable to owners of the parent entity						**1 616 390**
attributable to non-controlling interests						**123 875**

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

In thousands PLN

Consolidated income statement by business segments

1.04.2021-30.06.2021	Segment Retail Banking *	Segment Business and Corporate Banking	Segment Corporate& Investment Banking	Segment ALM and Centre	Segment Santander Consumer	Total
Net interest income	**723 342**	**182 387**	**64 435**	**156 571**	**283 636**	**1 410 371**
incl. internal transactions	(460)	(457)	975	2 163	(2 221)	-
Fee and commission income	450 156	136 505	99 324	(19 582)	54 075	720 478
Fee and commission expense	(100 998)	(7 277)	(4 576)	15 142	(22 688)	(120 397)
Net fee and commission income	**349 158**	**129 228**	**94 748**	**(4 440)**	**31 386**	**600 080**
incl. internal transactions	39 836	29 352	(67 815)	(494)	(879)	-
Other income	**4 723**	**16 199**	**25 073**	**78 293**	**25 132**	**149 420**
incl. internal transactions	(130)	15 106	(14 897)	40	(119)	-
Dividend income	**101 359**	**-**	**610**	**-**	**3**	**101 972**
Operating costs	**(455 098)**	**(99 140)**	**(78 132)**	**(20 544)**	**(112 886)**	**(765 800)**
incl. internal transactions	-	-	-	1 030	(1 030)	-
Depreciation/amortisation	**(106 041)**	**(16 464)**	**(7 987)**	**-**	**(13 266)**	**(143 758)**
Impairment losses on loans and advances	**(157 416)**	**(57 859)**	**8 677**	**3 480**	**(60 729)**	**(263 847)**
Cost of legal risk associated with foreign currency mortgage loans	**(432 520)**	**-**	**-**	**-**	**(97 314)**	**(529 834)**
Share in net profits (loss) of entities accounted for by the equity method	**19 558**	**-**	**-**	**267**	**-**	**19 825**
Tax on financial institutions	**-**	**-**	**-**	**(140 163)**	**(7 382)**	**(147 545)**
Profit before tax	**47 065**	**154 351**	**107 424**	**73 464**	**48 581**	**430 884**
Corporate income tax						(185 362)
Consolidated profit for the period						**245 522**
of which:						
attributable to owners of the parent entity						**222 544**
attributable to non-controlling interests						**22 978**

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

In thousands PLN

1.01.2021-30.06.2021	Segment Retail Banking *	Segment Business and Corporate Banking	Segment Corporate& Investment Banking	Segment ALM and Centre	Segment Santander Consumer	Total
Net interest income	**1 437 234**	**365 956**	**129 838**	**282 839**	**570 668**	**2 786 535**
incl. internal transactions	(877)	(883)	1 876	5 138	(5 254)	-
Fee and commission income	878 260	268 025	212 163	(29 900)	109 422	**1 437 970**
Fee and commission expense	(188 513)	(12 207)	(10 095)	25 187	(40 988)	**(226 616)**
Net fee and commission income	**689 747**	**255 818**	**202 068**	**(4 712)**	**68 433**	**1 211 354**
incl. internal transactions	76 019	54 378	(127 953)	(900)	(1 544)	-
Other income	**31 447**	**35 355**	**71 235**	**96 612**	**43 786**	**278 435**
incl. internal transactions	(150)	33 378	(33 008)	62	(282)	-
Dividend income	**102 202**	**-**	**615**	**-**	**7**	**102 824**
Operating costs	**(1 001 566)**	**(227 243)**	**(167 384)**	**(23 168)**	**(251 012)**	**(1 670 373)**
incl. internal transactions	-	-	-	1 218	(1 218)	-
Depreciation/amortisation	**(215 491)**	**(32 836)**	**(16 010)**	**-**	**(27 348)**	**(291 685)**
Impairment losses on loans and advances	**(328 089)**	**(78 698)**	**(112 343)**	**7 862**	**(115 658)**	**(626 926)**
Cost of legal risk associated with foreign currency mortgage loans	**(597 885)**	**-**	**-**	**-**	**(138 640)**	**(736 525)**
Share in net profits (loss) of entities accounted for by the equity method	**39 157**	**-**	**-**	**119**	**-**	**39 276**
Tax on financial institutions	**-**	**-**	**-**	**(284 880)**	**(15 625)**	**(300 505)**
Profit before tax	**156 756**	**318 352**	**108 019**	**74 672**	**134 612**	**792 410**
Corporate income tax						**(354 030)**
Consolidated profit for the period						**438 380**
of which:						
attributable to owners of the parent entity						**374 297**
attributable to non-controlling interests						**64 083**

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

In thousands PLN

Consolidated statement of financial position by business segments

30.06.2022	Segment Retail Banking *	Segment Business and Corporate Banking	Segment Corporate& Investment Banking	Segment ALM and Centre	Segment Santander Consumer	Total
Loans and advances to customers	84 433 057	36 409 963	16 543 299	-	15 248 947	152 635 266
Investments in associates	825 833	-	-	46 070	-	871 903
Other assets	7 698 922	1 387 401	10 530 146	68 516 207	4 864 761	92 997 437
Total assets	**92 957 812**	**37 797 364**	**27 073 445**	**68 562 277**	**20 113 708**	**246 504 606**
Deposits from customers	122 973 443	36 464 492	10 671 659	4 395 169	9 031 539	183 536 302
Other liabilities	669 066	773 938	8 798 533	17 115 625	7 146 423	34 503 585
Equity	11 428 034	6 647 602	4 462 323	1 991 014	3 935 746	28 464 719
Total equity and liabilities	**135 070 543**	**43 886 032**	**23 932 515**	**23 501 808**	**20 113 708**	**246 504 606**

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

31.12.2021	Segment Retail Banking *	Segment Business and Corporate Banking	Segment Corporate & Investment Banking	Segment ALM and Centre	Segment Santander Consumer	Total
Loans and advances to customers	82 973 450	33 844 593	14 447 348	-	15 125 954	146 391 345
Investments in associates	886 796	-	-	45 944	-	932 740
Other assets	9 295 564	1 981 600	5 028 240	74 415 504	4 972 271	95 693 179
Total assets	**93 155 810**	**35 826 193**	**19 475 588**	**74 461 448**	**20 098 225**	**243 017 264**
Deposits from customers	125 698 755	38 826 413	8 513 493	3 051 554	9 283 228	185 373 443
Other liabilities	610 226	455 806	5 113 381	17 257 731	6 993 101	30 430 245
Equity	11 368 207	6 334 201	3 885 179	1 804 093	3 821 896	27 213 576
Total equity and liabilities	**137 677 188**	**45 616 420**	**17 512 053**	**22 113 378**	**20 098 225**	**243 017 264**

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

4. Risk management

In the first half of 2022, Santander Bank Polska Group managed its risks in accordance with the principles laid down in the consolidated financial statements for 2021.

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

In the first half of 2022,the Group continues to monitor the pandemic situation and its impact on the economy, and constantly assesses the likelihood of new waves of Covid-19 and their impact on the credit portfolio.

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

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

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

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

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

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

Information on the creation of a new IPS system for commercial banks is included in Note 38.

Planned reform of the WIBOR benchmark

Santander Bank Polska Capital Group commenced work on the analysis of the impact of the planned reform of the WIBOR benchmark, assuming the introduction of a new interest rate benchmark, for which the input data will be ON (overnight) transactions. The Bank actively participates in the work of the national working group for the reform of benchmarks (NGR) under the aegis of the PFSA Office, as well as in sector consultations with all interested participants in this process.

The purpose of the group's work is to prepare a roadmap and a schedule of activities for a smooth and safe implementation of each element of a process leading to the WIBOR interest rate benchmark being replaced with a new benchmark.

The group's activities involve participation of representatives of the Ministry of Finance, the National Bank of Poland, the Polish Financial Supervision Authority, the Bank Guarantee Fund, the Polish Development Fund Group, the Warsaw Stock Exchange, the National Depository for Securities, Bank Gospodarstwa Krajowego, GPW Benchmark, leading commercial banks, banks affiliating cooperative banks, investment fund management companies, insurance undertakings, and professional associations of financial market entities. International or foreign institutions may be invited to join the group's activities.

Due to the preliminary nature of the work, it is difficult to estimate the impact of the change on the values presented in the financial statements.

5. Capital management

Details on capital management have been presented in document „Information on Capital Adequacy of Santander Bank Polska Group as at 30th June 2022".

In thousands PLN

6. Net interest income

Interest income and similar to interest	1.04.2022-30.06.2022	1.01.2022-30.06.2022	1.04.2021-30.06.2021	1.01.2021-30.06.2021
Interest income on financial assets measured at amortised cost	**2 732 292**	**4 671 251**	**1 205 474**	**2 394 635**
Loans and advances to enterprises and leasing agreements	829 035	1 402 858	356 377	705 776
Loans and advances to individuals, of which:	1 685 920	2 973 215	848 568	1 686 605
Home mortgage loans	*855 658*	*1 408 698*	*279 564*	*552 125*
Loans and advances to banks	90 037	117 734	112	443
Loans and advances to public sector	6 259	9 316	(877)	(1 004)
Reverse repo transactions	42 572	64 985	1 294	2 815
Debt securities	70 650	87 442	-	-
Interest recorded on hedging IRS	7 819	15 701	-	-
Interest income on financial assets measured at fair value through other comprehensive income	**533 234**	**927 925**	**216 694**	**429 996**
Loans and advances to enterprises	30 134	45 741	12 832	24 149
Debt securities	503 100	882 184	203 862	405 847
Income similar to interest - financial assets measured at fair value through profit or loss	**19 339**	**34 689**	**3 926**	**7 320**
Loans and advances to enterprises	1 354	2 019	207	414
Loans and advances to individuals	13 709	25 179	3 330	6 906
Debt securities	4 276	7 491	389	-
Income similar to interest on finance leases	**153 990**	**267 688**	**77 778**	**153 999**
Total income	**3 438 855**	**5 901 553**	**1 503 872**	**2 985 950**

Interest expenses	1.04.2022-30.06.2022	1.01.2022-30.06.2022	1.04.2021-30.06.2021	1.01.2021-30.06.2021
Interest expenses on financial liabilities measured at amortised cost	**(504 010)**	**(722 759)**	**(93 501)**	**(199 415)**
Liabilities to individuals	(94 736)	(123 631)	(25 116)	(58 786)
Liabilities to enterprises	(166 598)	(228 665)	(9 756)	(22 365)
Repo transactions	(44 822)	(64 239)	847	1 461
Liabilities to public sector	(47 555)	(65 612)	(10)	(791)
Liabilities to banks	(40 197)	(59 538)	(5 883)	(12 244)
Lease liability	(3 745)	(7 078)	(3 747)	(7 937)
Subordinated liabilities and issue of securities	(106 357)	(173 996)	(37 835)	(74 997)
Interest recorded on hedging IRS	-	-	(12 001)	(23 756)
Total costs	**(504 010)**	**(722 759)**	**(93 501)**	**(199 415)**
Net interest income	**2 934 845**	**5 178 794**	**1 410 371**	**2 786 535**

In thousands PLN

7. Net fee and commission income

Fee and commission income	1.04.2022-30.06.2022	1.01.2022-30.06.2022	1.04.2021-30.06.2021	1.01.2021-30.06.2021
eBusiness & payments	66 850	129 997	60 311	118 773
Current accounts and money transfer	107 116	225 220	94 908	192 878
Asset management fees	47 729	106 180	70 966	138 088
Foreign exchange commissions	177 671	360 426	136 633	256 447
Credit commissions incl. factoring commissions and other	117 590	225 084	95 712	208 829
Insurance commissions	63 432	124 690	56 910	110 376
Commissions from brokerage activities	27 867	72 461	29 860	74 650
Credit cards	35 542	69 032	35 663	71 006
Card fees (debit cards)	98 752	183 314	87 008	172 243
Off-balance sheet guarantee commissions	25 539	52 397	26 589	52 638
Finance lease commissions	7 379	13 004	6 210	12 222
Issue arrangement fees	2 651	5 240	15 353	20 740
Distribution fees	4 165	9 481	4 354	9 080
Total	**782 283**	**1 576 526**	**720 477**	**1 437 970**
Fee and commission expenses	**1.04.2022-30.06.2022**	**1.01.2022-30.06.2022**	**1.04.2021-30.06.2021**	**1.01.2021-30.06.2021**
eBusiness & payments	(18 405)	(32 758)	(13 738)	(26 299)
Distribution fees	(1 990)	(4 258)	(3 413)	(6 542)
Commissions from brokerage activities	(3 174)	(8 157)	(3 595)	(8 917)
Credit cards	(6 655)	(9 333)	(3 411)	(6 430)
Card fees (debit cards)	(30 510)	(50 845)	(24 503)	(45 601)
Credit commissions paid	(23 402)	(47 117)	(25 481)	(41 659)
Insurance commissions	(4 460)	(8 890)	(4 488)	(8 638)
Finance lease commissions	(12 016)	(22 196)	(8 009)	(16 038)
Asset management fees and other costs	(2 868)	(8 488)	(5 615)	(11 123)
Other	(58 102)	(103 056)	(28 144)	(55 369)
Total	**(161 582)**	**(295 098)**	**(120 397)**	**(226 616)**
Net fee and commission income	**620 701**	**1 281 428**	**600 080**	**1 211 354**

8. Net trading income and revaluation

Net trading income and revaluation	1.04.2022-30.06.2022	1.01.2022-30.06.2022	1.04.2021-30.06.2021	1.01.2021-30.06.2021
Derivative instruments	(136 443)	(114 436)	226 604	339 421
Interbank FX transactions and other FX related income	91 638	118 582	(170 307)	(226 591)
Net gains on sale of equity securities measured at fair value through profit or loss	(13 133)	(6 665)	18 161	29 541
Net gains on sale of debt securities measured at fair value through profit or loss	20 505	29 589	(17 839)	(14 980)
Change in fair value of loans and advances mandatorily measured at fair value through profit or loss	8 280	3 161	1 122	1 381
Total	**(29 153)**	**30 231**	**57 741**	**128 772**

The above amounts included CVA and DVA adjustments in the amount of PLN 11,198k for H1 2022, PLN 8,724k for 2Q 2022 and PLN 5,126k for H1 2021, PLN 2,251k for 2Q 2021.

In thousands PLN

9. Gains (losses) from other financial securities

Gains (losses) from financial securities	1.04.2022-30.06.2022	1.01.2022-30.06.2022	1.04.2021-30.06.2021	1.01.2021-30.06.2021
Net gains on sale of debt securities measured at fair value through other comprehensive income	-	212	10 006	38 182
Net gains on sale of debt securities measured at fair value through profit or loss	-	-	-	8
Net gains on sale of equity securities measured at fair value through profit and loss	-	-	8 148	8 148
Change in fair value of financial securities measured at fair value through profit or loss	(15 228)	(12 443)	18 924	11 577
Impairment losses on securities	(1 066)	(1 066)	(4 015)	(4 015)
Total profit (losses) on financial instruments	**(16 294)**	**(13 297)**	**33 063**	**53 900**
Change in fair value of hedging instruments	416 049	578 743	40 499	164 755
Change in fair value of underlying hedged positions	(434 426)	(598 642)	(35 987)	(154 289)
Total profit (losses) on hedging and hedged instruments	**(18 377)**	**(19 899)**	**4 512**	**10 466**
Total	**(34 671)**	**(33 196)**	**37 575**	**64 366**

10. Other operating income

Other operating income	1.04.2022-30.06.2022	1.01.2022-30.06.2022	1.04.2021-30.06.2021	1.01.2021-30.06.2021
Income from services rendered	8 234	18 022	5 415	10 845
Release of provision for legal cases and other assets*	4 156	9 339	4 125	9 728
Recovery of other receivables (expired, cancelled and uncollectable)	28	41	33	72
Settlements of leasing agreements	-	48	893	2 409
Received compensations, penalties and fines	438	844	288	492
Gains on lease modifications	1 881	1 881	10 885	12 276
Income from claims received from the insurer	11 812	21 729	4 151	7 276
Other	21 362	34 065	27 597	40 688
Total	**47 911**	**85 969**	**53 387**	**83 786**

*Details in note 29.

In thousands PLN

11. Impairment allowances for expected credit losses

Impairment allowances for expected credit losses on loans and advances measured at amortised cost	1.04.2022-30.06.2022	1.01.2022-30.06.2022	1.04.2021-30.06.2021	1.01.2021-30.06.2021
Charge for loans and advances to banks	**5**	**(16)**	**5**	**15**
Stage 1	5	(16)	5	15
Stage 2	-	-	-	-
Stage 3	-	-	-	-
POCI	-	-	-	-
Charge for loans and advances to customers	**(97 843)**	**(275 750)**	**(253 308)**	**(654 697)**
Stage 1	22 130	(45 156)	(44 037)	(86 650)
Stage 2	(71 356)	(148 473)	32 171	10 471
Stage 3	(79 250)	(142 525)	(253 385)	(602 664)
POCI	30 633	60 404	11 943	24 146
Recoveries of loans previously written off	**(6 993)**	**42 051**	**(11 588)**	**17 083**
Stage 1	-	-	-	-
Stage 2	-	-	-	-
Stage 3	(6 993)	42 051	(11 588)	17 083
POCI	-	-	-	-
Off-balance sheet credit related facilities	**(5 421)**	**4 182**	**1 044**	**10 673**
Stage 1	(1 957)	4 165	(1 249)	(2 717)
Stage 2	(1 103)	1 361	650	2 916
Stage 3	(2 361)	(1 344)	1 643	10 474
POCI	-	-	-	-
Total	**(110 252)**	**(229 533)**	**(263 847)**	**(626 926)**

12. Employee costs

Employee costs	1.04.2022-30.06.2022	1.01.2022-30.06.2022	1.04.2021-30.06.2021	1.01.2021-30.06.2021
Salaries and bonuses	(369 938)	(721 785)	(328 578)	(663 245)
Salary related costs	(67 226)	(135 322)	(59 291)	(123 388)
Cost of contributions to Employee Capital Plans	(2 348)	(4 732)	(2 163)	(4 402)
Staff benefits costs	(9 701)	(18 925)	(8 877)	(17 061)
Professional trainings	(2 504)	(4 191)	(2 094)	(3 618)
Retirement fund, holiday provisions and other employee costs	(10)	(17)	(5)	(10)
Restructuring provision	-	-	(4 600)	(4 600)
Total	**(451 727)**	**(884 972)**	**(405 608)**	**(816 324)**

In thousands PLN

13. General and administrative expenses

General and administrative expenses	1.04.2022-30.06.2022	1.01.2022-30.06.2022	1.04.2021-30.06.2021	1.01.2021-30.06.2021
Maintenance of premises	(28 743)	(55 419)	(26 921)	(54 317)
Short-term lease costs	(1 998)	(3 974)	(2 096)	(4 461)
Low-value assets lease costs	(305)	(627)	(409)	(758)
Costs of variable lease payments not included in the measurement of the lease liability	(162)	(676)	(38)	(126)
Non-tax deductible VAT	(9 119)	(18 793)	(10 832)	(21 805)
Marketing and representation	(38 798)	(68 273)	(35 605)	(60 337)
IT systems costs	(110 610)	(218 090)	(96 087)	(189 630)
Cost of BFG, KNF and KDPW	2 953	(284 742)	(33 017)	(225 110)
Cost for paument to protection system (IPS)*	(407 262)	(407 262)	-	-
Postal and telecommunication costs	(14 803)	(31 595)	(13 744)	(27 497)
Consulting and advisory fees	(17 317)	(34 491)	(23 815)	(38 817)
Cars, transport expenses, carriage of cash	(15 596)	(28 761)	(13 857)	(26 889)
Other external services	(40 786)	(75 776)	(32 821)	(66 166)
Stationery, cards, cheques etc.	(3 297)	(8 880)	(4 944)	(9 988)
Sundry taxes and charges	(11 594)	(21 652)	(10 615)	(20 132)
Data transmission	(5 647)	(9 448)	(2 384)	(5 125)
KIR, SWIFT settlements	(7 967)	(15 626)	(6 694)	(14 021)
Security costs	(5 252)	(10 655)	(5 909)	(11 810)
Costs of repairs	(913)	(1 746)	(1 684)	(3 272)
Other	(4 350)	(7 820)	(3 905)	(6 267)
Total	**(721 566)**	**(1 304 306)**	**(325 377)**	**(786 528)**

*Details in note 38

14. Other operating expenses

Other operating expenses	1.04.2022-30.06.2022	1.01.2022-30.06.2022	1.04.2021-30.06.2021	1.01.2021-30.06.2021
Charge of provisions for legal cases and other assets*	(6 978)	(19 717)	(8 584)	(14 580)
Impairment loss on property, plant, equipment, intangible assets covered by financial lease agreements and other fixed assets	(4 186)	(6 656)	(2 909)	(11 692)
Gain on sales or liquidation of fixed assets, intangible assets and assets for disposal	1 104	(1 748)	3 940	1 293
Costs of purchased services	(4 311)	(5 378)	(1 113)	(1 984)
Other membership fees	(324)	(686)	(341)	(575)
Paid compensations, penalties and fines	(249)	(603)	(166)	(890)
Donations paid	(2 226)	(2 881)	(5 738)	(5 764)
Other	(21 199)	(41 454)	(19 904)	(33 329)
Total	**(38 369)**	**(79 123)**	**(34 815)**	**(67 521)**

*Details in Note 29

15. Corporate income tax

Corporate income tax	1.04.2022-30.06.2022	1.01.2022-30.06.2022	1.04.2021-30.06.2021	1.01.2021-30.06.2021
Current tax charge in the income statement	(245 862)	(331 037)	(170 651)	(271 313)
Deferred tax	(83 314)	(394 661)	(17 033)	(85 030)
Adjustments from previous years	(6 455)	(6 731)	2 322	2 313
Total tax on gross profit	**(335 631)**	**(732 429)**	**(185 362)**	**(354 030)**

In thousands PLN

Corporate total tax charge information	1.04.2022-30.06.2022	1.01.2022-30.06.2022	1.04.2021-30.06.2021	1.01.2021-30.06.2021
Profit before tax	1 046 630	2 472 694	430 884	792 410
Tax rate	19%	19%	19%	19%
Tax calculated at the tax rate	(198 860)	(469 812)	(81 868)	(150 558)
Non-tax-deductible expenses	(7 685)	(12 520)	(3 840)	(7 702)
Cost of legal risk associated with foreign currency mortgage loans	(134 308)	(162 504)	(93 517)	(130 127)
The fee to the Bank Guarantee Fund	2 073	(50 672)	(4 922)	(39 591)
Tax on financial institutions	(36 240)	(69 840)	(28 033)	(57 095)
Non-taxable income	11 260	11 385	19 435	25 115
Adjustment of prior years tax	(6 455)	(6 731)	2 322	2 313
Tax effect of consolidation adjustments	14 584	14 584	21 518	21 518
Non-tax deductible bad debt provisions	(3 198)	(5 771)	(4 635)	(7 802)
Other	23 198	19 452	(11 822)	(10 101)
Total tax on gross profit	**(335 631)**	**(732 429)**	**(185 362)**	**(354 030)**

Deferred tax recognised in other comprehensive income	30.06.2022	31.12.2021
Relating to valuation of debt investments measured at fair value through other comprehensive income	324 756	357 326
Relating to valuation of equity investments measured at fair value through other comprehensive income	(28 366)	(38 342)
Relating to cash flow hedging activity	69 235	8 995
Relating to valuation of defined benefit plans	(3 272)	(3 272)
Total	**362 353**	**324 707**

16. Cash and balances with central banks

Cash and balances with central banks	30.06.2022	31.12.2021
Cash	3 220 378	2 664 945
Current accounts in central banks	3 014 439	5 773 330
Total	**6 234 817**	**8 438 275**

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 until 29 November 2021 was 0.5%.

Pursuant to the Monetary Policy Council's decision of 6 October 2021, the minimum reserve ratio was increased from 0.5% to 2.0%. It applied to minimum reserves held as of 30 November 2021 and calculated on the basis of the data for October 2021.

On 8 February 2022, the Monetary Policy Council decided to further increase the minimum reserve ratio from 2.0% to 3.5%. It applies to minimum reserves held as of 31 March 2022.

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

17. Loans and advances to banks

Loans and advances to banks	30.06.2022	31.12.2021
Loans and advances	1 534 850	98 232
Current accounts	3 674 255	2 592 126
Gross receivables	**5 209 105**	**2 690 358**
Allowance for impairment	(122)	(106)
Total	**5 208 983**	**2 690 252**

In thousands PLN

18. Financial assets and liabilities held for trading

	30.06.2022		31.12.2021	
Financial assets and liabilities held for trading	**Assets**	**Liabilities**	**Assets**	**Liabilities**
Trading derivatives	**7 998 283**	**7 634 520**	**3 658 438**	**3 492 496**
Interest rate operations	5 603 932	5 459 142	2 273 851	2 266 649
FX operations	2 394 351	2 175 378	1 384 587	1 225 847
Debt and equity securities	**772 461**	**-**	**361 679**	**-**
Debt securities	**749 383**	**-**	**313 350**	**-**
Government securities:	735 451	-	299 046	-
- bonds	735 451	-	299 046	-
Other securities:	13 932	-	14 304	-
- bonds	13 932	-	14 304	-
Equity securities	**23 078**	**-**	**48 329**	**-**
Short sale	**-**	**673 307**	**-**	**385 585**
Total	**8 770 744**	**8 307 827**	**4 020 117**	**3 878 081**

Financial assets and liabilities held for trading - trading derivatives include the change in the value of counterparty risk in the amount of PLN 1,089 k as at 30.06.2022 and PLN (8,043) k as at 31.12.2021.

19. Hedging derivatives

	30.06.2022		31.12.2021	
Hedging derivatives	**Assets**	**Liabilities**	**Assets**	**Liabilities**
Derivatives hedging fair value	736 713	13 094	163 177	29 105
Derivatives hedging cash flow	24 845	2 090 637	-	1 733 229
Total	**761 558**	**2 103 731**	**163 177**	**1 762 334**

As at 30.06.2022 Hedging derivatives - derivatives hedging cash flow include value adjustments day first profit or loss for start forward CIRS transactions in the amount of PLN (4,883) k and PLN (5,404) k as at 31.12.2021.

20. Loans and advances to customers

	30.06.2022				
Loans and advances to customers	**measured at amortised cost**	**measured at fair value through other comprehensive income**	**measured at fair value through profit and loss**	**from finance leases**	**Total**
Loans and advances to enterprises	60 744 868	2 140 368	47 239	-	62 932 475
Loans and advances to individuals, of which:	82 980 986	-	335 572	-	83 316 558
*Home mortgage loans **	*55 350 479*	-	-	-	*55 350 479*
Finance lease receivables	-	-	-	11 421 377	11 421 377
Loans and advances to public sector	632 318	-	-	-	632 318
Other receivables	87 092	-	-	-	87 092
Gross receivables	**144 445 264**	**2 140 368**	**382 811**	**11 421 377**	**158 389 820**
Allowance for impairment	(5 510 524)	(5 528)	-	(238 502)	(5 754 554)
Total	**138 934 740**	**2 134 840**	**382 811**	**11 182 875**	**152 635 266**

* Includes changes in gross receivables recognized in note 33 Legal risk connected with CHF mortgage loans

In thousands PLN

Loans and advances to customers	31.12.2021 measured at amortised cost	measured at fair value through other comprehensive income	measured at fair value through profit and loss	from finance leases	Total
Loans and advances to enterprises	56 155 127	1 732 895	49 667	-	57 937 689
Loans and advances to individuals, of which:	82 535 016	-	504 163	-	83 039 179
*Home mortgage loans **	*54 740 891*	-	-	-	*54 740 891*
Finance lease receivables	-	-	-	10 937 915	10 937 915
Loans and advances to public sector	278 530	-	-	-	278 530
Other receivables	58 372	-	-	-	58 372
Gross receivables	**139 027 045**	**1 732 895**	**553 830**	**10 937 915**	**152 251 685**
Allowance for impairment	(5 648 321)	(3 047)	-	(208 972)	(5 860 340)
Total	**133 378 724**	**1 729 848**	**553 830**	**10 728 943**	**146 391 345**

* Includes changes in gross receivables recognized in note 33 Legal risk connected with CHF mortgage loans

Impact of the legal risk of mortgage loans in foreign currency	Gross carrying amount of mortgage loans in foreign currency before adjustment due to legal risk costs	Impact of the legal risk of mortgage loans in foreign currency	Gross carrying amount of mortgage loans in foreign currency after adjustment due to legal risk costs
30.06.2022			
Mortgage loans in foreign currency - adjustment to gross carrying amount	9 119 856	2 651 167	6 468 689
Provision in respect of legal risk connected with foreign currency mortgage loans		313 310	
Total		**2 964 477**	
31.12.2021			
Mortgage loans in foreign currency - adjustment to gross carrying amount	9 265 163	1 859 075	7 406 088
Provision in respect of legal risk connected with foreign currency mortgage loans		176 058	
Total		**2 035 133**	

Loans and advances to enterprises 30.06.2022	Gross carrying amount	Allowance for expected credit losses	Net
Stage 1	52 281 420	(202 675)	52 078 745
Stage 2	5 079 824	(300 730)	4 779 094
Stage 3	3 113 370	(1 794 465)	1 318 905
POCI	270 254	(50 943)	219 311
Total	**60 744 868**	**(2 348 813)**	**58 396 055**

Loans and advances to individuals 30.06.2022	Gross carrying amount	Allowance for expected credit losses	Net
Stage 1	76 317 572	(454 794)	75 862 778
Stage 2	3 050 955	(290 342)	2 760 613
Stage 3	3 196 023	(2 278 670)	917 353
POCI	416 436	(137 907)	278 529
Total	**82 980 986**	**(3 161 713)**	**79 819 273**

In thousands PLN

Finance lease receivables 30.06.2022	Gross carrying amount	Allowance for expected credit losses	Net
Stage 1	10 500 835	(25 955)	10 474 880
Stage 2	594 323	(37 587)	556 736
Stage 3	323 549	(174 191)	149 358
POCI	2 670	(769)	1 901
Total	**11 421 377**	**(238 502)**	**11 182 875**

Loans and advances to enterprises 31.12.2021	Gross carrying amount	Allowance for expected credit losses	Net
Stage 1	48 271 183	(187 810)	48 083 373
Stage 2	4 466 109	(269 927)	4 196 182
Stage 3	3 198 708	(1 917 917)	1 280 791
POCI	219 126	(49 445)	169 681
Total	**56 155 126**	**(2 425 099)**	**53 730 027**

Loans and advances to individuals 31.12.2021	Gross carrying amount	Allowance for expected credit losses	Net
Stage 1	76 429 577	(477 586)	75 951 991
Stage 2	2 302 939	(291 862)	2 011 077
Stage 3	3 399 480	(2 290 930)	1 108 550
POCI	403 020	(162 847)	240 173
Total	**82 535 016**	**(3 223 225)**	**79 311 791**

Finance lease receivables 31.12.2021	Gross carrying amount	Allowance for expected credit losses	Net
Stage 1	10 061 124	(28 739)	10 032 385
Stage 2	584 613	(32 425)	552 188
Stage 3	289 854	(147 054)	142 800
POCI	2 324	(754)	1 570
Total	**10 937 915**	**(208 972)**	**10 728 943**

In thousands PLN

Movements on impairment losses on loans and advances to customers measured at amortised cost for reporting period	1.01.2022-30.06.2022	1.01.2021-30.06.2021
Balance at the beginning of the period	**(5 648 321)**	**(6 122 440)**
Charge/write back of current period	**(291 537)**	**(501 191)**
Stage 1	(39 960)	(76 229)
Stage 2	(144 678)	9 801
Stage 3	(120 706)	(421 235)
POCI	13 807	(13 528)
Write off/Sale of receivables	**378 299**	**564 390**
Stage 1	-	-
Stage 2	-	-
Stage 3	372 482	564 390
POCI	5 817	-
Transfer	**69 603**	**50 612**
Stage 1	50 473	13 486
Stage 2	115 617	184 447
Stage 3	(99 928)	(147 118)
POCI	3 441	(203)
FX differences	**(18 568)**	**13 155**
Stage 1	(1 352)	621
Stage 2	(2 816)	2 036
Stage 3	(14 008)	10 135
POCI	(392)	363
Balance at the end of the period	**(5 510 524)**	**(5 995 474)**

21. Investment securities

Investment securities	30.06.2022	31.12.2021
Debt investment securities measured at fair value through other comprehensive income	**47 864 390**	**70 064 796**
Government securities:	45 201 966	49 225 514
- bills	-	-
- bonds	45 201 966	49 225 514
Central Bank securities:	-	6 997 960
- bills	-	6 997 960
Other securities:	2 662 424	13 841 322
-bonds	2 662 424	13 841 322
Debt investment securities measured at fair value through profit and loss	**117 252**	**116 977**
Debt investment securities measured at amortised cost	**14 740 412**	**1 421 272**
Government securities:	2 473 509	1 421 272
- bonds	2 473 509	1 421 272
Other securities:	12 266 903	-
- bonds	12 266 903	-
Equity investment securities measured at fair value through other comprehensive income	**177 287**	**259 788**
- listed	-	64 320
- unlisted	177 287	195 468
Equity investment securities measured at fair value through profit and loss	**3 438**	**3 427**
- unlisted	3 438	3 427
Total	**62 902 779**	**71 866 260**

Change of classification of specific bonds portfolio

In the first quarter of 2022 the Management of the Bank performed a review of its asset and liability management policy.

Considering the following external factors observable in the economy and markets and constituting a material change of a scenario for inflation and interest rates in Poland:

- An unprecedented increase in inflation expectations globally and locally;
- Significant acceleration in interest rate increases with more increases expected;
- Russian invasion in Ukraine resulting in headwinds to economic growth and fuelling global inflationary pressure further;
- Highly increased volatility of the Polish currency and interest rates;
- Polish inflation forecasts adjusted significantly upwards and for a longer period;

the Management identified the necessity to revise the existing strategy and related business model regarding the management of customer deposits.

The Bank's business model strategy for customer deposits has assumed to-date that any deposit including all current accounts, regardless of its existing price characteristics, may be subject to repricing risk and its price is linked to prevailing market rates depending on market conditions and/or the liquidity position of the Bank. This in turn has had a direct impact on the ALCo business model, which in the past was limited to investments into assets classified as Held To Collect and for Sale ("HTC&S"). The option to sell these assets and reinvest was required for the Bank to be able to manage and protect the net interest margin in case the deposits would need to be remunerated.

The analyses performed by the Management resulted in the following conclusions. The stable part of the current accounts, including retail current accounts and the *"Konto Jakie Chcę"* ("KJC") specifically, has been and remains the main source of interest rate risk in the liability side of the balance sheet (long-term fixed rate positions which are modelled by the Bank). As such, in order to manage risk in the balance sheet (to protect the balance sheet i.e. the market/economic value of equity - MVE) a corresponding fixed rate position is required in the asset side of the balance sheet. This can be obtained either by directly investing into fixed rate assets or via derivative hedging (via interest rate swaps). Given the excess liquidity of the Bank historically and specifically since the beginning of 2020 i.e. the start of Covid support programs leading to the excess liquidity across the market, the strategy has been to utilize the excess liquidity to purchase fixed rate assets to the ALCO portfolio. Given that in order to fund COVID support programs the Polish government decided BGK and PFR would issue long term bonds, the Bank decided to acquire them as part of the strategy mentioned above – which was reflected in a dedicated ALCo mandate for these securities valid from April 2020. The evolution of EVE sensitivity showed that the growth in current accounts had been constantly fuelling growth in risk exposure, and despite model recalibration to account for potential uncertainty regarding the pricing of these deposits the decision to purchase the COVID bonds was directly linked to the management of risk (management of rising EVE sensitivity exposure) resulting from the growth in stable PLN current accounts, including the KJC.

In the light of the increased repricing risk for the deposit base in general, given the change in macroeconomic conditions described above, the Bank decided to cease an element of its significant commercial activity to date, namely to resign from the possibility to remunerate the KJC account going forward. This was confirmed by formal decisions of the Asset and Liability Management Committee ("ALCo") and the Management Board of the Bank in March 2022.

The direct consequence of the change in strategy for these particular current accounts that will be managed differently going forward is simultaneously triggering a change in the investment strategy of the underlying assets. The protection strategy has to change as the fixed rate assets which hedge the interest rate risk exposure of the KJC portfolio have to be included in a new business model: Held To Collect ("HTC"). Under that strategy, the Bank invests in fixed rate assets which will be held to maturity to offset interest rate risk of this portfolio.

We have identified that the specific portfolio of fixed rate bonds described above should be reclassified to HTC model as the sale option is no longer valid for the purpose of the execution of the revised strategy. The bonds are invested on the basis that the core deposits (specifically KJC current accounts) are stable, therefore do not require reinvestment option. All bonds with required specification have been included in the revised business model.

All the criteria stipulated in IFRS 9 as required to implement a change in the business model have been fulfilled. It is infrequent, stimulated by external factors, considered to have significant impact for the business and visible for external parties. Also the decision about the change of the business model (and consequently the change of classification of financial instruments) has been made under the prescribed governance regime, with ALCo and the Management Board decisions.

Following the provisions of IFRS 9, as the decision on the change of the business model was made in the first quarter of 2022, and the Bank publishes interim financial statements on a quarterly basis, the reclassification has been included in the next interim financial report, i.e. this financial report for H1 2022, with effective date of implementation as at 1.04.2022.

The impact of the reclassification of specific financial instruments on the financial position of the Bank and its assets structure as at 1.04.2022 is as follows. Debt investment securities measured at fair value through other comprehensive income of PLN 10,521.72m have been reclassified and related fair value adjustment has been reversed, also related deferred tax asset of PLN 353.11m has been released. Debt investment securities measured at amortised cost of PLN 12,380.19m have been recognised. The changes resulted in the net other comprehensive income increase in the amount of PLN 1,505.36m.

In thousands PLN

Following the change of classification from HTC&S into HTC category in accordance with IFRS 9, the Bank is required to make the accounting entries in order to measure the portfolio of the bonds at the reclassification date as if it had always been measured at amortised cost. The portfolio has been reclassified at fair value and at the reclassification date the cumulative loss previously recognised in other comprehensive income was removed from equity and adjusted against the fair value of the portfolio of bonds. Deferred tax asset related to cumulative loss previously recognised in other comprehensive income was reversed accordingly. There were no significant expected credit losses recognised for respective bonds.

The table below shows the value of gains/losses from changes in the fair value of investment securities that would have been recognized in the revaluation reserve if the investment securities had not been reclassified.

Reclassification of investment securities from measured at fair value through other comprehensive income to measured at amortized cost	30.06.2022	1.04.2022
Reclassification date – 1.04.2022		
Measurement of debt investment securities measured at fair value through other comprehensive income	9 925 017	10 521 724
Gains/losses from changes in the fair value of investment securities that would have been recognized in the revaluation reserve if the investment securities had not been reclassified (after taking into account the tax effect)	(483 332)	n/a

22. Investments in associates

Balance sheet value of associates	30.06.2022	31.12.2021
Polfund - Fundusz Poręczeń Kredytowych S.A.	46 070	45 944
Santander - Allianz Towarzystwo Ubezpieczeń S.A. and Santander - Allianz Towarzystwo Ubezpieczeń na Życie S.A.	825 833	886 796
Total	**871 903**	**932 740**

Movements on investments in associates	1.01.2022-30.06.2022	1.01.2021-30.06.2021
As at the beginning of the period	**932 740**	**998 397**
Share of profits/(losses)	36 050	39 276
Dividends	(76 760)	(113 254)
Other	(20 127)	(7 276)
As at the end of the period	**871 903**	**917 143**

23. Fixed assets classified as held for sale

Fixed assets classified as held for sale	30.06.2022	31.12.2021
Land and buildings	4 308	4 308
Other fixed assets	450	509
Total	**4 758**	**4 817**

24. Deposits from banks

Deposits from banks	30.06.2022	31.12.2021
Term deposits	478 693	123 051
Loans received from banks	2 810 955	2 974 651
Current accounts	1 575 375	1 302 436
Total	**4 865 023**	**4 400 138**

In thousands PLN

25. Deposits from customers

Deposits from customers	30.06.2022	31.12.2021
Deposits from individuals	**105 055 858**	**106 267 792**
Term deposits	20 417 003	14 078 671
Current accounts	84 425 223	91 990 149
Other	213 632	198 972
Deposits from enterprises	**70 870 458**	**71 375 840**
Term deposits	11 549 165	9 951 599
Current accounts	54 696 221	58 318 901
Loans received from financial institution	1 266 468	1 403 413
Other	3 358 604	1 701 927
Deposits from public sector	**7 609 986**	**7 729 811**
Term deposits	1 356 374	558 431
Current accounts	6 247 353	7 171 126
Other	6 259	254
Total	**183 536 302**	**185 373 443**

26. 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	1.01.2022-30.06.2022	1.01.2021-30.06.2021
As at the beginning of the period	**2 750 440**	**2 754 605**
Additions from:	**77 390**	**33 684**
- interest on subordinated loans	47 940	33 684
- FX differences	29 450	-
Disposals from:	**(35 862)**	**(67 366)**
- interest repayment	(35 862)	(34 447)
- FX differences	-	(32 919)
As at the end of the period	**2 791 968**	**2 720 923**
Short-term	25 513	12 461
Long-term (over 1 year)	2 766 455	2 708 462

27. Debt securities in issue

Debt securities in issue on 30.06.2022

Name of the entity issuing the securities	Type of securities	Nominal value	Currency	Date of issue	Redemption date	Book Value (In thousands of PLN)
Santander Bank Polska S.A.	Bonds	100 000	EUR	18.12.2020	18.12.2023	468 466
Santander Bank Polska S.A.	Bonds	750 000	EUR	29.11.2021	29.11.2024	3 515 163
Santander Bank Polska S.A.	Certificates of deposits	750 000	PLN	22.12.2021	22.12.2023	751 422
Santander Bank Polska S.A.	Bonds	500 000	EUR	30.03.2022	30.03.2024	2 352 429
Santander Leasing S.A.	Bonds	235 000	PLN	23.06.2022	23.06.2023	234 559
Santander Consumer Bank S.A.	Bonds	261 400	PLN	06.10.2017	07.10.2022	265 050
Santander Consumer Bank S.A.	Bonds	60 000	PLN	07.12.2017	07.10.2022	60 838
Santander Consumer Bank S.A.	Bonds	100 000	PLN	01.04.2021	03.04.2023	101 313
Santander Consumer Multirent sp. z o.o.	Bonds	160 000	PLN	27.05.2021	26.05.2023	160 650
Santander Consumer Multirent sp. z o.o.	Bonds	220 000	PLN	06.12.2021	06.12.2023	220 620
S.C. Poland Consumer 16-1 sp. z o.o.	Bonds	797 234	PLN	25.07.2019	16.07.2030	799 442
S.C. Poland Consumer 16-1 sp. z o.o.	Bonds	531 490	PLN	25.07.2019	16.07.2030	532 962
SCM POLAND AUTO 2019-1 DAC	Bonds	891 000	PLN	20.07.2020	31.07.2028	892 855
Total						**10 355 769**

Debt securities in issue on 31.12.2021

Name of the entity issuing the securities	Type of securities	Nominal value	Currency	Date of issue	Redemption date	Book Value (In thousands of PLN)
Santander Bank Polska S.A.	Bonds	100 000	EUR	18.12.2020	18.12.2023	459 969
Santander Bank Polska S.A.	Bonds	750 000	EUR	29.11.2021	29.11.2024	3 450 264
Santander Bank Polska S.A.	Certificates of deposits	750 000	PLN	22.12.2021	22.12.2023	750 649
Santander Factoring Sp. z o.o.	Bonds	655 000	PLN	03.08.2021	03.02.2022	654 782
Santander Leasing S.A.	Bonds	1 100 000	PLN	11.03.2021	11.03.2022	1 016 060
Santander Leasing S.A.	Bonds	850 000	PLN	23.06.2021	23.06.2022	849 103
Santander Leasing Poland Securitization 01	Bonds	330 000	EUR	25.03.2020	20.03.2036	1 517 801
Santander Consumer Bank S.A.	Bonds	261 400	PLN	06.10.2017	07.10.2022	262 094
Santander Consumer Bank S.A.	Bonds	60 000	PLN	07.12.2017	07.10.2022	60 159
Santander Consumer Bank S.A.	Bonds	60 000	PLN	29.03.2018	29.03.2022	60 155
Santander Consumer Bank S.A.	Bonds	100 000	PLN	01.04.2021	03.04.2023	100 145
Santander Consumer Multirent sp. z o.o.	Bonds	160 000	PLN	27.05.2021	26.05.2023	160 283
Santander Consumer Multirent sp. z o.o.	Bonds	250 000	PLN	27.09.2021	25.02.2022	250 205
Santander Consumer Multirent sp. z o.o.	Bonds	250 000	PLN	27.09.2021	28.03.2022	250 234
Santander Consumer Multirent sp. z o.o.	Bonds	220 000	PLN	06.12.2021	06.12.2023	220 350
S.C. Poland Consumer 16-1 sp. z o.o.	Bonds	800 000	PLN	25.07.2019	16.07.2030	801 010
S.C. Poland Consumer 16-1 sp. z o.o.	Bonds	1 200 000	PLN	25.07.2019	16.07.2030	1 201 515
SCM POLAND AUTO 2019-1 DAC	Bonds	740 000	PLN	20.07.2020	31.07.2028	740 684
Total						**12 805 462**

In thousands PLN

Movements in debt securities in issue	1.01.2022-30.06.2022	1.01.2021-30.06.2021
As at the beginning of the period	**12 805 462**	**11 241 312**
Increase (due to:)	**2 959 731**	**4 752 837**
- debt securities in issue	2 711 350	4 715 000
- interest on debt securities in issue	123 525	37 837
- FX differences	124 461	-
- other changes	395	-
Decrease (due to):	**(5 409 424)**	**(2 925 323)**
- debt securities repurchase	(5 309 569)	(2 806 846)
- interest repayment	(99 855)	(26 804)
- FX differences	-	(87 135)
- other changes	-	(4 538)
As at the end of the period	**10 355 769**	**13 068 826**

28. Provisions for off balance sheet credit facilities

Provisions for off balance sheet credit facilities	30.06.2022	31.12.2021
Provisions for financial commitments to grant loans and credit lines	38 035	43 872
Provisions for financial guarantees	18 201	16 406
Other provisions	712	533
Total	**56 948**	**60 811**

Change in provisions for off balance sheet credit facilities	1.01.2022-30.06.2022
As at the beginning of the period	**60 811**
Provision charge	62 050
Write back	(66 230)
Other changes	317
As at the end of the period	**56 948**
Short-term	34 193
Long-term	22 755

Change in provisions for off balance sheet credit facilities	1.01.2021-30.06.2021
As at the beginning of the period	**64 541**
Provision charge	64 466
Write back	(75 140)
Other changes	(255)
As at the end of the period	**53 612**
Short-term	38 053
Long-term	15 559

29. Other provisions

Other provisions	30.06.2022	31.12.2021
Provision for legal risk connected with foreign currency mortgage loans	313 310	176 059
Provisions for reimbursement of costs related to early repayment of consumer	70 929	80 945
Provisions for legal claims and other	153 426	148 601
Provisions for restructuring	76 786	94 308
Total	**614 451**	**499 913**

In thousands PLN

Change in other provisions 1.01.2022 - 30.06.2022	Provision for legal risk connected with foreign currency mortgage loans	Provisions for reimbursement of costs related to early repayment of consumer loans	Provisions for legal claims and other	Provisions for restructuring	Total
As at the beginning of the period	**176 059**	**80 945**	**148 601**	**94 308**	**499 913**
Provision charge/relase	126 306	(10 016)	35 444	1 016	152 750
Utilization	(6 050)	-	(30 619)	(18 538)	(55 206)
Other	16 995	-	-	-	16 995
As at the end of the period	**313 310**	**70 929**	**153 426**	**76 786**	**614 451**

Change in other provisions 1.01.2021 - 30.06.2021	Provision for legal risk connected with foreign currency mortgage loans	Provisions for reimbursement of costs related to early repayment of consumer loans	Provisions for legal claims and other	Provisions for restructuring	Total
As at the beginning of the period	**40 649**	**117 722**	**83 628**	**147 662**	**389 661**
Provision chargé/relase	101 719	-	18 416	4 600	124 735
Utilization	(898)	(23 383)	(12 314)	(49 291)	(85 886)
Other	(5 400)	(284)	(62)	-	(5 746)
As at the end of the period	**136 070**	**94 055**	**89 668**	**102 971**	**422 764**

30. Other liabilities

Other liabilities	30.06.2022	31.12.2021
Settlements of stock exchange transactions	39 320	64 259
Interbank and interbranch settlements	895 033	319 716
Employee provisions	305 228	383 915
Sundry creditors	1 194 980	1 588 584
Liabilities from contracts with customers	188 353	194 578
Public and law settlements	136 055	100 489
Accrued liabilities	1 131 508	452 625
Finance lease related settlements	152 181	177 348
Other	11 936	28 776
Total	**4 054 594**	**3 310 290**
of which financial liabilities *	3 718 250	2 986 447

*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 employee provisions 1.01.2022 - 30.06.2022		*of which: Provisions for retirement allowances*
As at the beginning of the period	**383 915**	***42 728***
Provision charge	167 367	*313*
Utilization	(245 687)	-
Release of provisions	(367)	-
As at the end of the period	**305 228**	***43 041***
Short-term	262 187	-
Long-term	43 041	*43 041*

In thousands PLN

Change in employee provisions 1.01.2021 - 30.06.2021		*of which: Provisions for retirement allowances*
As at the beginning of the period	**266 220**	***48 266***
Provision charge	143 691	*335*
Utilization	(123 695)	*(16)*
Release of provisions	(25 857)	*(20)*
Other changes	156	-
As at the end of the period	**260 515**	***48 565***
Short-term	211 950	-
Long-term	48 565	*48 565*

31. Fair value

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

Below is a summary of the book values and fair values of the individual groups of assets and liabilities not carried at fair value in the financial statements.

	30.06.2022		31.12.2021	
ASSETS	**Book Value**	**Fair value**	**Book Value**	**Fair value**
Cash and balances with central banks	6 234 817	6 234 817	8 438 275	8 438 275
Loans and advances to banks	5 208 983	5 208 983	2 690 252	2 690 252
Loans and advances to customers measured at amortised cost	138 934 740	139 254 469	133 378 724	136 175 898
-individuals	25 186 039	24 948 878	25 370 762	25 343 510
-housing loans *	54 633 234	55 098 114	53 941 029	56 649 000
-business	58 396 055	58 488 065	53 730 027	53 846 482
Debt investment securities measured at amortised cost	14 740 412	12 186 702	1 421 272	1 411 022
LIABILITIES				
Deposits from banks	4 865 023	4 865 023	4 400 138	4 400 138
Deposits from customers	183 536 302	183 349 773	185 373 443	185 272 700
Debt securities in issue	10 355 769	10 324 934	12 805 462	12 883 692
Subordinated liabilities	2 791 968	2 787 651	2 750 440	2 743 086

*fair value measurement takes into account the impact of the payment deferral solutions described in the Note 44

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

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

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

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

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

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

Debt securities in issue and subordinated liabilities: The Group has made an assumption that fair value of those securities is based on discounted cash flows methods incorporating adequate interest rates. Debt securities in issue and subordinated liabilities were classified in their entirety as Level 3 of the fair value hierarchy due to application of a measurement model with significant unobservable inputs. For Debt securities in issue and other items of liabilities, not carried at fair value in the financial statements, including: lease liabilities and other liabilities - the fair value does not differ significantly from the presented carrying amounts.

For other items of assets and liabilities, not carried at fair value in the financial statements, including: sell-buy-back, buy-sell-back transactions, lease liabilities, other liabilities and other assets - the fair value does not differ significantly from the presented carrying amounts.

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

As at 30.06.2022 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.

In thousands PLN

Sensitivity analysis of the fair value of the credit cards portfolio and underwriting loans

The analysis covered the population of credit cards disclosed as 'Loans and advances to customers measured at fair value through other comprehensive income' and underwriting loans as at the end of June 2022 and in the comparable period for interest rate changes.

in PLN m		Fair value in respective scenarios		
		baseline	1 p.p. decrease in interest rates	1 p.p. increase in interest rates
30.06.2022	Credit cards portfolio	335,6	335,6	335,7
	Underwritting loans	2 134,8	2 078,6	2 191,0
31.12.2021	Credit cards portfolio	504,2	504,2	503,7
	Underwritting loans	1 729,8	1 670,0	1 789,6

The fair value of the credit card and underwriting loans portfolio was calculated for individual scenarios, taking into account the modified interest rate projections used both for calculating interest and for discounting cash flows.

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 (A-series) of Visa Inc., including a discount which takes into account the limited liquidity of preferential shares.	Discount taking into account the limited liquidity of preferential 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; selection of peer group
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 exchange rate	Net asset value of the company
SHARES IN KRAJOWA IZBA ROZLICZENIOWA SA	Estimation of the fair value based on the net assets value of the company	Net asset value of the company
SHARES IN WAŁBRZYSKA SPECJALNA STREFA EKONOMICZNA „INVEST-PARK" SP Z O.O.		

In thousands PLN

As at 30.06.2022 and in the comparable periods the Group classified its financial instruments to the following fair value levels:

30.06.2022	Level I	Level II	Level III	Total
Financial assets				
Financial assets held for trading	772 461	7 985 132	13 151	8 770 744
Hedging derivatives	-	761 558	-	761 558
Loans and advances to customers measured at fair value through other comprehensive income	-	-	2 134 840	2 134 840
Loans and advances to customers measured at fair value through profit and loss	-	-	382 811	382 811
Debt securities measured at fair value through other comprehensive income	47 700 822	161 158	2 410	47 864 390
Debt securities measured at fair value through profit and loss	-	-	117 252	117 252
Equity securities measured at fair value through other comprehensive income	-	-	3 438	3 438
Equity securities measured at fair value through other comprehensive income	-	-	177 287	177 287
Total	**48 473 283**	**8 907 848**	**2 831 189**	**60 212 320**
Financial liabilities				
Financial liabilities held for trading	673 307	7 622 847	11 673	8 307 827
Hedging derivatives	-	2 103 731	-	2 103 731
Total	**673 307**	**9 726 578**	**11 673**	**10 411 558**

31.12.2021	Level I	Level II	Level III	Total
Financial assets				
Financial assets held for trading	361 679	3 654 553	3 885	4 020 117
Hedging derivatives	-	163 177	-	163 177
Loans and advances to customers measured at fair value through other comprehensive income	-	-	1 729 848	1 729 848
Loans and advances to customers measured at fair value through profit and loss	-	-	553 830	553 830
Debt securities measured at fair value through other comprehensive income	58 805 233	11 256 088	3 475	70 064 796
Debt securities measured at fair value through profit and loss	-	-	116 977	116 977
Equity securities measured at fair value through other comprehensive income	-	-	3 427	3 427
Equity securities measured at fair value through other comprehensive income	64 320	-	195 468	259 788
Total	**59 231 232**	**15 073 818**	**2 606 910**	**76 911 960**
Financial liabilities				
Financial liabilities held for trading	385 585	3 489 880	2 616	3 878 081
Hedging derivatives	-	1 762 334	-	1 762 334
Total	**385 585**	**5 252 214**	**2 616**	**5 640 415**

In thousands PLN

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

30.06.2022	Financial assets for trading	Loans and advances to customers measured at fair value through profit and loss	Loans and advances to customers measured at fair value through other comprehensive income	Debt securities measured at fair value through profit and loss	Debt securities measured at fair value through other comprehensive income	Equity securities measured at fair value through other comprehensive income	Equity securities measured at fair value through other comprehensive income	Financial liabilities held for trading
As at the beginning of the period	**3 885**	**553 830**	**1 729 848**	**116 977**	**3 475**	**195 468**	**3 427**	**2 616**
Profit or losses								
recognised in income statement	7 940	*26 046*	-	*275*	-	-	*11*	*8 820*
recognised in equity (OCI)	-	-	*45 741*	-	-	*(18 181)*	-	-
Purchase/granting	2 358	91 416	671 204	-	-	-	-	915
Sale	-	(7 453)	(300 000)	-	-	-	-	-
Matured	-	(280 145)	(17 907)	-	-	-	-	-
Transfer	(1 032)	-	-	-	-	-	-	(678)
Other	-	(883)	5 954	-	(1 065)	-	-	-
As at the end of the period	**13 151**	**382 811**	**2 134 840**	**117 252**	**2 410**	**177 287**	**3 438**	**11 673**

Level III

31.12.2021	Financial assets for trading	Loans and advances to customers measured at fair value through profit and loss	Loans and advances to customers measured at fair value through other comprehensive income	Debt securities measured at fair value through profit and loss	Debt securities measured at fair value through other comprehensive income	Equity securities measured at fair value through other comprehensive income	Equity securities measured at fair value through other comprehensive income	Financial liabilities held for trading
As at the beginning of the period	**2 064**	**892 226**	**1 556 791**	**110 155**	**7 492**	**826 737**	**115 896**	**-**
Profit or losses								
recognised in income statement	164	*22 104*	-	*(1 768)*	-	-	*3 968*	*1 782*
recognised in equity (OCI)	-	-	*45 769*	-	-	*485 025*	-	-
Purchase/granting	2 011	323 272	1 738 526	-	-	428	-	700
Sale	-	(1 978)	(845 276)	(500)	-	(1 116 722)	(116 422)	-
Matured	-	(647 734)	(661 980)	-	-	-	-	-
Transfer	(354)	(15 872)	-	-	-	-	-	134
Other	-	(18 188)	(103 982)	9 090	(4 017)	-	(15)	-
As at the end of the period	**3 885**	**553 830**	**1 729 848**	**116 977**	**3 475**	**195 468**	**3 427**	**2 616**

In thousands PLN

32. Contingent liabilities

Significant court proceedings

As at 30.06.2022 the value of all litigation amounts to PLN 4 458 006k. This amount includes PLN 1 082 874 k claimed by the Group, PLN 3 301 052 k in claims against the Group and PLN 74 080 k of the Group's receivables due to bankruptcy or arrangement cases.

The amount of all court proceedings which had been completed in the period from 1.01.2022 to 30.06.2022 amounted to PLN 150 837 k.

As at 31.12.2021 the value of all litigation amounts to PLN 3 721 903 k. This amount includes PLN 1 133 832 k claimed by the Group, PLN 2 533 296 k in claims against the Group and PLN 54,775 k of the Group's receivables due to bankruptcy or arrangement cases.

As at 31.12.2021 the amount of all court proceedings which had been completed amounted to PLN 659 326 k.

As at 31.12.2021, the value of provisions for legal claims was PLN 923 617 k. In 441 cases against Santander Bank Polska SA, where the claim value was high (at least PLN 500 k), a provisions of PLN 211 070 k was raised.

Off-balance sheet liabilities

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

	30.06.2022			
Contingent liabilities	**Stage 1**	**Stage 2**	**Stage 3**	**Total**
Liabilities sanctioned	**42 549 412**	**1 038 025**	**51 556**	**43 638 993**
- financial	**34 491 378**	**828 088**	**39 920**	**35 359 386**
- credit lines	30 077 908	770 750	26 083	30 874 741
- credit cards debits	3 468 956	50 231	10 330	3 529 517
- import letters of credit	896 819	7 107	3 507	907 433
- term deposits with future commencement term	47 695	-	-	47 695
- guarantees	**8 089 553**	**217 701**	**29 301**	**8 336 555**
Provision for off-balance sheet liabilities	**(31 519)**	**(7 764)**	**(17 665)**	**(56 948)**
Liabilities received				**55 300 353**
- financial				**451 045**
- guarantees				**54 849 308**
Total	**42 549 412**	**1 038 025**	**51 556**	**98 939 346**

	31.12.2021			
Contingent liabilities	**Stage 1**	**Stage 2**	**Stage 3**	**Total**
Liabilities sanctioned	**44 542 432**	**883 386**	**52 463**	**45 478 281**
- financial	**35 785 367**	**709 686**	**46 434**	**36 541 487**
- credit lines	30 799 120	639 398	36 399	31 474 917
- credit cards debits	3 671 725	63 935	8 674	3 744 334
- import letters of credit	1 314 522	6 353	1 361	1 322 236
- guarantees	**8 792 556**	**182 951**	**22 098**	**8 997 605**
Provision for off-balance sheet liabilities	**(35 491)**	**(9 251)**	**(16 069)**	**(60 811)**
Liabilities received				**54 956 051**
- financial				**26 439**
- guarantees				**54 929 612**
Total	**44 542 432**	**883 386**	**52 463**	**100 434 332**

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

As at 30.06.2022, Santander Bank Polska Group was sued in 896 cases concerning partial refund of an arrangement fee on consumer loans, including 161 cases against Santander Consumer Bank S.A. and 735 cases against Santander Bank Polska S.A. For these proceedings Santander Bank Polska Group raised provisions in the total amount of PLN 140k including provisions raised by Santander Consumer Bank S.A. in the amount of PLN 44k and provisions raised by Santander Bank Polska S.A in the amount of PLN 96k.

On 11.09.2019, the CJEU issued a ruling in case C 383/18, in which it held that pursuant to Directive 2008/48/EC of the European Parliament and of the Council the in the event of early repayment of the loan, consumer is entitled to an equitable reduction in the total cost of the credit, irrespective of whether such costs are linked to the lending period.

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 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. It is important to settle the interpretation of national law, which will indicate the method and the time horizon of settlements.

When assessing legal risk associated with Article 49 of the Consumer Credit Act, the Santander Bank Polska Group raises provisions for legal risks related to disputes regarding art. 49 of the Consumer Credit Act taking in to account interpretation differences.

33. Legal risk connected with CHF mortgage loans

As at 30 June 2022, the Group had retail exposures of PLN 9,119,856k (before adjustment to the gross carrying amount under IFRS 9 at PLN 2,651,167k) (PLN 9,265,163k as at 31 December 2021 before the adjustment of PLN 1,859,075k to the gross carrying amount in line with IFRS 9) in respect of mortgage loans denominated in and indexed to CHF.

Owing to differences in the legal structure of these two types of loans and the underlying agreement templates, the assessment of legal risk varies.

There are differences in court rulings on loans indexed to or denominated in foreign currencies:

– rulings unfavourable to banks, which generally fall into two main categories: (1) judgments resulting in the invalidation of the loan agreement owing to the unfairness of the clauses providing for loan indexation and for the application of an exchange rate from the bank's FX table (prevailing practice); (2) judgments resulting in the conversion of the loan to PLN, meaning that owing to the unfairness of the said clauses, the indexation mechanism is to be removed and the loan concerned is to be treated as a PLN loan with an interest rate based on CHF LIBOR;

– rulings partially favourable to banks where loan indexation itself is deemed to be lawful but application of an exchange rate based on the bank's FX table is deemed to be unfair and as such it should be replaced by an objective indexation rate, 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.

– rulings favourable to banks where conversion clauses are not deemed to be unfair and the case against the bank is dismissed.

In addition, due to the legal uncertainty described below, related to the lack of a conclusive position of the Supreme Court and the pending preliminary rulings of the Court of Justice of the European Union (CJEU), other types of rulings may also be expected in the ruling practice of common courts, especially first-instance courts, including those pointing to the absolute invalidity of the loan agreement due to unlawfulness of certain contractual provisions. Currently, in the Group's opinion, such rulings do not have a material impact on the legal risk assessment of court cases related to CHF mortgage loans – due to their rarity, lack of confirmation in the ruling practice of higher courts, and the lack of well-established differences as to the practical consequences of such rulings compared to the prevailing ruling practice based on the concept of nullity of the contract due to the presence of unfair clauses (therefore, they are not reflected in the estimates of provisions for legal risk raised as at 30 June 2022).

The above differences result from several key rulings issued by the CJEU and the Supreme Court, which leave a margin of interpretation.

On 3 October 2019, the CJEU issued a ruling (C-260/18) regarding the consequences of potentially unfair terms in a CHF-indexed loan agreement. The ruling is of key importance to the current ruling practice. The CJEU found that if the indexation clause is held to be unfair and if after the removal of the indexation mechanism the nature of the main subject matter of the agreement is likely to change, a national court may annul the agreement, having presented to the borrower the consequences of this solution and having obtained their consent. At the same time, according to the CJEU, the national court may decide that the agreement should continue in existence after the indexation 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.

Before the CJEU judgment was issued, the Supreme Court's stance as to the consequences of rendering the exchange rate calculation clause unfair was that indexed loan agreements are valid and lawful and the loan agreement, once the FX clause is eliminated, retains the features of an agreement on an indexed loan. In 2019, in some cases, the Supreme Court ruled that the indexation clause should be removed, and the agreement may 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.

In its judgement of 11 December 2019 issued in the case against Santander Bank Polska S.A. (V CSK 382/18, justification published in April 2020), the Supreme Court decided that invalidation of indexation and continuation of the agreement as a PLN loan with a LIBOR-based interest rate is not permissible because indexation clauses are the element of the main contractual obligations of the parties, so their unfairness and elimination from the agreement makes the loan agreement invalid. This triggers the need for mutual settlements between the parties owing to unjust enrichment. At the same time, the Supreme Court stated that the previous judgements of the CJEU do not preclude the bank from demanding compensation for unjustified (i.e. without an agreement) use of the loan principal as a result of invalidation of the agreement.

In its ruling of 16 February 2021 (III CZP 11/20), the Supreme Court stated that the borrower whose loan agreement is annulled may claim reimbursement of the sums paid to the bank irrespective of whether and to what extent they owe the amounts to the bank in respect of unduly received loan proceeds (two separate claims theory). At the same time, the Supreme Court held that there are legal instruments in place, such as set-off and the right of retention, which make it possible to concurrently account for mutual settlements in relation to unjust enrichment following the annulment of the loan agreement.

In the Group's opinion, another important development affecting the ruling practice was the CJEU judgment issued on 29 April 2021 (C-19/20), in which the CJEU indicated that the purpose of Directive 93/13/EEC on unfair terms in consumer contracts was not to annul the credit agreement, but to restore the contractual balance, and noted that when assessing the effects of unfairness of a contract, the court should take into account objective criteria, not only the consumer's situation. In addition, the CJEU stated that in order to ensure that the contract can continue in existence, the court should apply all available measures, including an analysis of the possibility of removing only some of the clauses considered unfair; at the same time, the national court should not change the substance of the contractual obligation. The CJEU confirmed that the court should always inform the consumer of all potential claims that the bank might have due to possible annulment of the contract (the majority of courts do not meet this requirement). At the same time, the CJEU did not respond to questions regarding potential claims of the bank towards the borrower, which may indicate that these claims are outside the CJEU's remit and their assessment is exclusively subject to the national law.

In its resolution of 7 May 2021 (III CZP 6/21) adopted by a bench of seven judges (and having the force of a legal rule), the Supreme Court stated that the parties may make unjust enrichment claims in the event of annulment of the loan agreement, with the settlement being made in accordance with the two separate claims theory (confirming the position expressed in the ruling of 16 February 2021). The Supreme Court confirmed that banks may pursue their claims towards borrowers as part of the lawsuits filed by customers based on the alleged set-off or retention. The Supreme Court also pointed out that the limitation of the bank's claims for return of unjust enrichment may not commence until the contract is considered permanently ineffective, i.e. until the consumer takes an informed decision as to invalidity of the contract, after they have been duly informed about the unfairness of contractual provisions and the related effects.

Despite the above resolution adopted by the Supreme Court (having the force of a legal rule) there are still doubts as to disputes regarding loans linked to a foreign currency.

Notwithstanding the resolution of 7 May 2021, in 2021 the Supreme Court was expected to take – at the request of the First President of the Supreme Court (III CZP 11/21) – a position in the form of a resolution of the entire Civil Chamber on the key aspects of the disputes (i.e. the possibility for a loan agreement to continue in existence after removal of the unfair clauses, as well as the consequences of possible annulment of the entire agreement, including the basic principles of settlements between the borrower and the bank in this regard). The position of the Supreme Court was to clarify the discrepancies and harmonise the case law with respect to foreign currency loans. The Supreme Court met several times, with the last session taking place on 2 September 2021. However, the resolution was not adopted, and the Supreme Court requested a preliminary ruling from the CJEU on the constitutional issues. The date of adopting the resolution is not known.

On 2 September 2021, the CJEU issued another judgment (C-932/19) concerning loans based on a foreign currency (case against a Hungarian bank) in which it confirmed that pursuant to Directive 93/13/ECC the objective is to restore the balance between the parties while preserving the validity of the agreement, and that the situation of one of the parties cannot be regarded by the court as the decisive criterion determining the fate of the agreement. At the same time, the CJEU confirmed that in order to uphold the agreement it is necessary to refer to the national legislation (supplementary provisions) which will ensure due performance of the agreement even if the borrower objects to it or if such legislation was not effective at the time the agreement was made.

In its judgment of 18 November 2021 on a loan indexed to a foreign currency (C-212/20), the CJEU held that the loan agreement must precisely define the criteria for determination of an exchange rate so that a consumer can evaluate the economic consequences of the agreement. The CJEU also stated that the agreement may continue in existence based on a supplementary provision only if its annulment could expose the consumer to unfavourable consequences. It further upheld its stance previously presented in its judgment of 3 October 2019 that gaps in the agreement cannot be filled on the basis of national provisions of a general nature which refer to the principle of equity or established customs. The CJEU reiterated that supplementary provisions or applicable provisions may be used where the parties to the agreement so agree.

Although the CJEU judgments indicate the primacy of the resolution under which the agreement should continue in existence and the balance between the parties should be restored, the majority of court decisions is not favourable to the Group.

There are also other issues pending the CJEU judgement that are relevant to the ruling practice concerning loans indexed to or denominated in a foreign currency. In August 2021, the District Court for Warsaw–Śródmieście requested a preliminary ruling from the CJEU on the settlement of benefits arising from the non-contractual use of the capital in the case of annulment of the agreement pursuant to Directive 93/13/EEC on unfair terms in consumer contracts. In November 2021, the Regional Court in Warsaw asked the CJEU to give a preliminary ruling on the commencement of the limitation of claims for return of considerations following the annulment of the agreement and the possibility to exercise the right of retention by the entity (where the return of the considerations received from the consumer would only be possible if the consumer offered to return or secured the return of the considerations received from the entity). In January 2022, new requests for preliminary rulings were submitted to the CJEU by the Regional Court in Kraków (regarding the possibility to exercise the right of retention as part of settlement of an annulled agreement) and by the District Court for Warsaw-Śródmieście (regarding the legal basis for the annulment of a loan agreement and the resulting settlements as well as the effect of a contractual clause being entered in the register of unfair clauses in the course of an abstract review in relation to individual court proceedings). In addition, in March 2022 the District Court in Warsaw approached the CJEU with a request for a preliminary ruling on the court's use of a precautionary measure (securing a claim) which consists in suspending the performance of the agreement for the duration of the proceedings.

Pending the CJEU judgment are also the questions referred for a preliminary ruling by the District Court for Warsaw-Wola concerning the scope of application of Directive 93/13/ECC on unfair terms in consumer contracts (whether it includes the settlement of an invalid agreement) and the importance of the consumer's will for the court adjudicating on the annulment of the agreement. In October 2020, the District Court for Warsaw-Śródmieście requested a preliminary ruling from the CJEU on: the possibility to apply supplementary provisions of national law to fill the gaps caused by the removal of the unfair terms, the commencement of the limitation of the consumer's claims for return of considerations resulting from the annulment of the agreement, possibility to remove only a part of the clause considered to be unfair and modify by interpretation the part of the agreement that has not been considered unfair (for the agreement to continue in existence).

It is still difficult to assess the potential impact of the CJUE judgments on rulings of Polish courts in cases regarding foreign currency loans. To date, the Supreme Court has not taken a position to clarify the discrepancies and harmonise the case law with respect to foreign currency loans.

As there is no uniform ruling practice and – in the Management Board's opinion – it is not possible to predict the Supreme Court's decisions on individual cases, as at the date of these financial statements the Group estimated legal risk associated with the portfolio of loans indexed to and denominated in a foreign currency using a model which considers different possible judgments (in the form of adjustment to the gross carrying amount for active exposures or provisions for inactive exposures), including those which are the subject of the request for the resolution of the entire Civil Chamber of the Supreme Court. The Group is monitoring court decisions taken with regard to foreign currency loans in terms of changes in the ruling practice.

In December 2020, the Chairman of the Polish Financial Supervision Authority (KNF) presented a proposal for voluntary settlements between banks and borrowers under which CHF loans would be retrospectively settled as PLN loans bearing an interest rate based on WIBOR plus margin. The Bank has been testing such settlements in relation to different customer groups in parallel with own settlement solutions. The tests will need to be continued due to lingering legal uncertainty and unstable economic environment caused by interest rate hikes. The results of ongoing tests have been included in the model which is currently used to calculate legal risk provisions, both in terms of the impact of proposed settlements to customers' willingness to bring the case to court and with respect to the potential outcomes of court proceedings.

In view of the above, 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. Total cumulative impact of legal risk associated with foreign currency mortgage loans is recognised in line with the requirements arising from:

- IFRS 9 Financial Instruments – in the case of outstanding loans and
- IAS 37 Provisions, Contingent Liabilities and Contingent Assets – in the case of loans repaid in full or if the gross carrying amount of an outstanding loan is lower than the value of risk.

In thousands PLN

The adjustment to the gross carrying amount (in accordance with IFRS 9) and provisions (in accordance with IAS 37) were estimated taking into account a number of assumptions which significantly influence the estimate reflected in the Group's financial statements.

As at 30 June 2022, there were 10,324 pending lawsuits against the Group over loans indexed to or denominated in CHF, with the disputed amount totalling PLN 2,785,358k. This included two class actions filed under the Class Action Act:

- a class action against Santander Bank Polska S.A. in respect of 534 CHF-indexed loans, with the disputed amount of PLN 50,983k;
- a class action against Santander Consumer Bank S.A. in respect of 31 CHF-indexed loans, with the disputed amount of PLN 38k.

As at 31 December 2021, there were 8,474 pending lawsuits against the Group over loans indexed to or denominated in CHF, with the disputed amount totalling PLN 2,091,915k. This included two class actions filed under the Class Action Act:

- a class action against Santander Bank Polska S.A. in respect of 534 CHF-indexed loans, with the disputed amount of PLN 50,983k;
- a class action against Santander Consumer Bank S.A. in respect of 31 CHF-indexed loans, with the disputed amount of PLN 38k.

As at 30 June 2022, the total cumulative impact of legal risk associated with foreign currency mortgage loans in the Group was estimated at PLN 2,964,477k, including:

- IFRS 9 adjustment to the gross carrying amount at PLN 2,651,167k (including PLN 2,124,195k in the case of Santander Bank Polska S.A. and PLN 526,972k in the case of Santander Consumer Bank S.A.)
- IAS 37 provision at PLN 313,310k (including PLN 235,297k in the case of Santander Bank Polska S.A. and PLN 78,013k in the case of Santander Consumer Bank S.A.)

As at 31 December 2021, the total cumulative impact of legal risk associated with foreign currency mortgage loans in the Group was estimated at PLN 2,035,134k, including:

- IFRS 9 adjustment to the gross carrying amount at PLN 1,859,075k (including PLN 1,469,728k in the case of Santander Bank Polska S.A. and PLN 389,347k in the case of Santander Consumer Bank S.A.)
- IAS 37 provision at PLN 176,059k (including PLN 128,043k in the case of Santander Bank Polska S.A. and PLN 48,016k in the case of Santander Consumer Bank S.A.)

The tables below present the total cost of legal risk connected with mortgage loans recognised in the Group's income statement and the statement of financial position:

Cost of legal risk connected with foreign currency mortgage loans	**1.04.2022-30.06.2022**	**1.01.2022-30.06.2022**	**1.04.2021-30.06.2021**	**1.01.2021-30.06.2021**
Impact of legal risk associated with foreign currency mortgage loans recognised as adjustment to gross carrying amount	(677,741)	(738,354)	(450,761)	(615,223)
Impact of legal risk associated with foreign currency mortgage loans recognised as provision	(126,087)	(126,306)	(67,580)	(96,346)
Other costs	(47,090)	(82,719)	(11,493)	(24,956)
Total cost of legal risk associated with foreign currency mortgage loans	**(850,918)**	**(947,379)**	**(529,834)**	**(736,525)**

	30.06.2022	**31.12.2021**
Adjustment to gross carrying amount owing to legal risk associated with foreign currency mortgage loans	2,651,167	1,859,075
Provision for legal risk associated with foreign currency mortgage loans	313,310	176,059
Total cumulative impact of legal risk associated with foreign currency mortgage loans	**2,964,477**	**2,035,134**

Total adjustment to the gross carrying amount and provisions for legal risk and legal provisions (for legal claims and a collective portion) account for 32.5% of the active portfolio of CHF loans.

The change in the above provisions in H1 2022 is due to factors such as new court cases (up 1,850 compared to December 2021) and a change in total loss should the Group lose the case resulting from changes to the assumed level of the likelihood of claims being resolved in favour of customers.

In H1 2022, we also observed more court rulings (most of which, as specified above, declare loan agreements invalid as a result of the unfairness of contractual terms), but the number of cases ended with a final and non-appealable judgment remains relatively low.

The Group used a statistical model to estimate the likelihood of claims being made by borrowers in relation to both active and repaid loans based on the existing claims against the Group and the estimated growth in their number. The model assesses the so-called lifetime risk and is based on a range of behavioural characteristics related to the loan and the customer. The Group assumes that lawsuits have been or will be filed against the Group in relation to approx. 19.6% of loans (active and repaid). These assumptions are highly sensitive to a number of external factors, including but not limited to the ruling practice of Polish courts, the level of publicity around individual rulings, measures taken by the mediating law firms and the cost of proceedings. The Group expects that most of the lawsuits will be filed by mid-2023, and then the number of new claims will drop as the legal environment will become more structured.

For the purpose of calculation of provisions, the Group also estimated how likely it is that a specific number of lawsuits will be filed and what the possible end scenarios are in this respect. The likelihood ratios differ between indexed and denominated loans. The likelihood of unfavourable ruling for the Group is higher for the former and lower for the latter. The Group also considered the disproportion in rulings issued by first and second instance courts, the relatively low number of final and non-appealable judgments and protracted proceedings in some courts. As at 30 June 2022, 443 final and non-appealable judgments were issued in cases against the Group (including those passed after the CJEU ruling of 3 October 2019), of which 393 were unfavourable to the Bank, and 50 were entirely or partially favourable to the Bank (compared to 175 judgments as at 31 December 2021, including 148 unfavourable ones and 27 entirely or partially favourable). When assessing these likelihoods, the Group used the support of law firms and conducted thorough analysis of the ruling practice in cases concerning indexed and denominated loans.

As the current ruling practice is not uniform, the Group considers the following scenarios of possible court rulings that might lead to financial losses:

- annulment of the whole loan agreement due to identification of unfair clauses, with no cost of capital to be reimbursed by the borrower;
- annulment of the loan agreement clauses identified as unfair, resulting in the loan to be converted into PLN, with the CHF LIBOR-based interest rate being maintained;
- decisions leading to the settlement by the borrower of the cost of capital obtained:
  - annulment of the whole loan agreement as it contains unfair clauses, with the cost of capital to be reimbursed by the borrower;
  - conversion of the loan to PLN with an interest rate based on WIBOR;
- annulment of the loan agreement clauses identified as unfair with respect to the FX differences determination mechanism, resulting in the average NBP rate to be applied.

The likelihoods of these scenarios also vary depending on the type of agreement, and are based on a relatively small sample of rulings. They were estimated with the support of external law firms independent from the Group. Each of these scenarios has an estimated expected loss level based on the available historical data.

In the Group's opinion, the expected number of cases estimated based on the statistical model is also characterised by uncertainty owing to such factors as: the duration of court proceedings (also estimated based on a relatively short time horizon of available statistics, which does not meet the conditions for application of quantitative methods) and the growing costs related to the instigation and continuation of court proceedings.

The Group prepared a settlement scenario as at 30 June 2022 which reflects the level of losses for future settlements. The scenario is based on acceptance levels and losses for loans in line with the settlement tests described above. The acceptance level of future settlements is affected by factors such as the interest rate of PLN, the CHF/PLN conversion rate, the development of the ruling practice and the duration of proceedings.

The Group will continue to monitor and evaluate the adequacy of the above-mentioned provisions in subsequent reporting periods.

Due to the high uncertainty around both individual assumptions and their total impact, the Group carried out the following sensitivity analysis of the estimated provision by estimating the impact of variability of individual parameters on the provision value.

The estimates are prepared in the form of a univariate analysis of provision value sensitivity.

Taking into account the variability of the parameters outlined below, the impact on the collective provision for legal risk estimated as at 30 June 2022 is as follows:

In thousands PLN

Scenario	Change in the collective provision [in PLNm]
Tripling the number of customers filing a lawsuit	1,749
Doubling the number of customers filing a lawsuit	875
50% reduction in the number of customers filing a lawsuit	-437
Relative increase of 5% in likelihood of losing the case	42
Relative decrease of 5% in likelihood of losing the case	-42
Non-recognition of reimbursement of the cost of principal	122

For all the parameters, the variability range in the sensitivity analysis was estimated taking into account the existing market conditions. The adopted variability ranges may change depending on market developments, which may significantly affect the results of the sensitivity analysis.

Taking into account the variability of the parameters outlined below, the impact on the provision for individual legal claims estimated as at 30 June 2022 is as follows:

Scenario	Change in the individual provision [in PLNm]
Relative increase of 5% in likelihood of losing the case	91
Relative decrease of 5% in likelihood of losing the case	-91
Non-recognition of reimbursement of the cost of principal	273

34. Shareholders with min. 5% voting power

Shareholder	Number of shares held		% in the share capital		Number of votes at AGM		Voting power at AGM	
	28.07.2022	26.04.2022	28.07.2022	26.04.2022	28.07.2022	26.04.2022	28.07.2022	26.04.2022
Banco Santander S.A.	68 880 774	68 880 774	67,41%	67,41%	68 880 774	68 880 774	67,41%	67,41%
Nationale-Nederlanden OFE *	5 123 581	5 123 581	5,01%	5,01%	5 123 581	5 123 581	5,01%	5,01%
Others	28 184 959	28 184 959	27,58%	27,58%	28 184 959	28 184 959	27,58%	27,58%
Total	**102 189 314**	**102 189 314**	**100%**	**100%**	**102 189 314**	**102 189 314**	**100%**	**100%**

* Nationale-Nederlanden OFE is managed by Nationale-Nederlanden Powszechne Towarzystwo Emerytalne SA

According to the information held by the Bank's Management Board, the shareholders with a min. 5% of the total numer of votes at the Santander Bank Polska General Meeting as at the publication date of the condensed interim consolidated report for 1H 2022 /28.07.2022/ are Banco Santander SA and Funds managed by Nationale-Nederlanden Powszechne Towarzystwo Emerytalne SA.

35. 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.

In thousands PLN

Transactions with associates	30.06.2022	31.12.2021
Assets	**247**	**63**
Loans and advances to customers	167	-
Other assets	80	63
Liabilities	**67 046**	**50 783**
Deposits from customers	66 988	50 708
Other liabilities	58	75

Transactions with associates	1.01.2022-30.06.2022	1.01.2021-30.06.2021
Income	**29 422**	**24 804**
Interest income	4	-
Fee and commission income	29 415	24 804
Other operating income	3	-
Expenses	**618**	**1**
Interest expense	618	1

	with the parent company		with other entities	
Transactions with Santander Group	**30.06.2022**	**31.12.2021**	**30.06.2022**	**31.12.2021**
Assets	**6 045 019**	**2 205 680**	**9 373**	**28 379**
Loans and advances to banks, incl:	1 643 449	406 371	9 317	20 773
Current accounts	*579 412*	*406 371*	*9 317*	*20 773*
Loans and advances	*1 064 037*	-	-	-
Financial assets held for trading	4 401 539	1 797 764	-	-
Other assets	31	1 545	56	7 606
Liabilities	**12 368 330**	**7 643 555**	**231 783**	**254 932**
Deposits from banks incl.:	1 605 854	1 879 707	118 633	119 507
Current accounts	*288 799*	*138 571*	*118 633*	*119 507*
Loans from other banks	*1 317 055*	*1 741 136*	-	-
Financial liabilities held for trading	4 403 246	1 850 935	-	-
Deposits from customers	-	-	56 810	84 647
Lease liabilities	-	-	25	25
Debt securities in issue	6 336 058	3 910 233	-	-
Other liabilities	23 172	2 680	56 315	50 753
Contingent liabilities	**3 788 405**	**5 325 641**	**22 237**	**64 355**
Sanctioned:	2 100	-	12 752	32 536
financial	*2 100*	-	-	-
guarantees	-	-	*12 752*	*32 536*
Received:	3 786 305	5 325 641	9 485	31 819
guarantees	*3 786 305*	*5 325 641*	*9 485*	*31 819*

In thousands PLN

Transakcje z Grupą Santander	with the parent company 1.01.2022-30.06.2022	with the parent company 1.01.2021-30.06.2021	with other entities 1.01.2022-30.06.2022	with other entities 1.01.2021-30.06.2021
Income	**540 258**	**296 583**	**5 198**	**451**
Interest income	(317)	(1 149)	3	9
Fee and commission income	5 934	3 462	458	66
Other operating income	84	1	4 377	376
Net trading income and revaluation	534 557	294 269	360	-
Expenses	**54 071**	**32 606**	**64 111**	**48 383**
Interest expense	28 080	10 280	1 899	-
Fee and commission expense	3 296	4 726	327	245
Net trading income and revaluation	-	-	-	102
Operating expenses incl.:	22 695	17 600	61 885	48 036
Staff,Operating expenses and management costs	*22 693*	*17 535*	*61 885*	*48 036*
Other operating expenses	*2*	*65*	*-*	*-*

Transactions with Members of Management and Supervisory Boards

Remuneration of Santander Bank Polska Management Board Members, Supervisory Board Members and key management Santander Bank Polska Group's.

Loans and advances granted to the key management personnel

As at 30.06.2022, 31.12.2021 and 30.06.2021 members of the Management Board were bound by the non-compete agreements which remain in force after they step down from their function. If a Member of the Management Board is removed from their function or not appointed for another term, he/she is entitled to a once-off severance pay. The severance pay does not apply if the person accepts another function in the Bank.

Loans and advances have been sanctioned on regular terms and conditions.

Transactions with members of Management Board and Key Management Personnel	Management Board Members 1.01.2022-30.06.2022	Management Board Members 1.01.2021-30.06.2021	Key Management Personnel 1.01.2022-30.06.2022	Key Management Personnel 1.01.2021-30.06.2021
Fixed renumeration	7 121	6 590	25 074	24 889
Additional benefits (e.g among others, life insurance cover without pension option, medical cover, travel expenses and school fees)	1 395	878	1 038	1 039
Variable remuneration paid in 2022 and 2021*	10 988	7 069	18 798	15 504
Equivalent paid for unused annual leave	-	-	17	103
Additional compensation for termination of the contract and the non-competition clause	-	396	-	2 438
Provisions for retirement benefits and provision for unused holidays	2 032	1 396	6 885	7 679
The number of conditional rights to shares	-	-	-	-

* included part of the award for 2021, 2020, 2019, 2018, 2017 and 2016 which was conditional and deferred in time

	Management Board Members 30.06.2022	Management Board Members 31.12.2021	Key Management Personnel 30.06.2022	Key Management Personnel 31.12.2021
Loans and advances made by the Bank to the Members of the Management Board/Key Management and to their relatives	5 481	5 996	19 855	23 580
Deposits from The Management Board/Key management and their relatives	8 743	14 014	18 186	15 577

The category of key management personnel includes the persons covered by the principles outlined in the "Santander Bank Polska Group Remuneration Policy" and in the justified cases – by the principles separately specified in the companies.

Santander Bank Polska Group applies the "Santander Bank Polska Group Remuneration Policy". The Policy has been approved by the bank's Management Board and Supervisory Board and is reviewed annually or each time significant organisational changes are made.

Persons holding managerial positions are paid variable remuneration once a year following the end of the settlement period and release of the bank's results. Variable remuneration is awarded in accordance with applicable bonus regulations and paid in cash and in the form of shares or related financial instruments - phantom shares. The latter shall represent min. 50% of the total amount of variable remuneration. Payment of min. 40% of variable remuneration referred to above is conditional and deferred for the period of three years with the possibility of extending the period to 5 years. Variable remuneration is paid in arrears in equal annual instalments depending on individual performance in the period subject to assessment and the value of the shares or related financial instrument.

In H1 2022, the total remuneration paid to the Supervisory Board Members of Santander Bank Polska totalled PLN 1,091.9 k. Mr John Power received remuneration of PLN 54.4 k from subsidiaries for his membership in their Supervisory Boards.

In H1 2021, the total remuneration paid to the Supervisory Board Members of Santander Bank Polska totalled PLN 1,042 k. Mr John Power received remuneration of PLN 47.5 k from subsidiaries for his membership in their Supervisory Boards.

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

The monetary policy tightening cycle started by the National Bank of Poland in 2021 and continued in 2022 (by increasing the level of interest rates) resulted in a further increase in the profitability of the debt securities portfolio and, consequently, a decrease in the valuation of those securities.

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

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

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

Creation of a new IPS system for commercial banks

On June 10, 2022, the Polish Financial Supervision Authority approved the draft agreement and recognized the commercial bank protection scheme (IPS – Institutional Protection Scheme) referred to in Article 4.1.9a of the Banking Law Act of 29 August 1997.

Santander Bank Polska S.A. with 7 other commercial banks (Alior Bank S.A., BNP Paribas Bank Polska S.A., ING Bank Śląski S.A., mBank S.A., Bank Millennium S.A., Bank Polska Kasa Opieki S.A., PKO Bank Polski S.A.) (Member Banks) signed an agreement and created a joint-stock company being the protection scheme managing entity (Managing Entity). Currently, it is under the process of registration. The share capital of the Managing Entity shall be PLN 1,000,000. The Bank will take up 12,914 shares of the Managing Entity, of the total par value of PLN 129,140 or ca. 12,9% of its share capital.

The Managing Entity shall establish an aid fund to ensure resources for funding the tasks of the protection scheme. The aid fund will be formed of the contributions made by Member Banks being 0,4% of the amount of the guaranteed funds of the given bank covered by the mandatory deposit guarantee scheme, referred to in Article 2.34 of the Act on the Bank Guarantee Fund, the Deposit Guarantee Scheme and Resolution of 10 June 2016 (BGF Act). Given the level of guaranteed funds of the Bank as at the end of Q1 2022, it is estimated that the Bank will pay the amount of PLN 407,263,243 to the aid fund after the entity's registration. Due to the fact that the agreement was signed and approved by the KNF Office, this amount was recognized in the Bank's financial result for the second quarter of 2022 presented in these financial statements. Subsequent contributions to the aid fund shall require a unanimous resolution of the general meeting of the Managing Entity.

Based on Article. 34 sec. 1 of the Act of April 7, 2022 Amending the Act on Covered Bonds and Mortgage Banks and Certain Other Acts (Journal of Laws, item 872, "Act Amending the Act on Covered Bonds"), obligation to make contributions due for 2022 to the obligatory deposit guarantee scheme contributed by banks and branches of foreign banks was suspended until October 31, 2022, for fees which were not paid before the effective date of this provision, i.e. by May 7, 2022. Therefore, the Bank Guarantee Fund did not specify the amount of contributions to the obligatory deposit guarantee scheme made by banks and branches of foreign banks due for the second quarter of 2022.

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

As at 30.06.2022 and 31.12.2021 Santander Bank Polska and its subsidiaries had not issued any guarantees to one business unit or a subsidiary totalling a minimum of 10% of the issuer's equity.

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

Details in Notes 10 and 14.

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

As at 30.06.2022 and 31.12.2021 or Santander Bank Polska S.A. or its subsidiaries have not made significant sales and purchases of property, plant and equipment. There were no significant liabilities arising from purchase of fixed assets either.

42. Acquisitions and disposals of investments in subsidiaries and associates

There were no acquisitions or sales of subsidiaries and associates in the reporting period.

43. Dividend per share

The Management Board's recommendation on the distribution of profit for 2021 and undistributed profit for 2019.

The Management Board of Santander Bank Polska S.A. informed that on 31 March 2022 it issued a recommendation on the distribution of profit for 2021 and undistributed profit for 2019. The recommendation was approved by the Bank's Supervisory Board.
In line with the decision taken, the Bank's Management Board recommended that the profit of PLN 915,877,566.59 for 2021 be distributed as follows:

- PLN 273,867,361.52 to be allocated to dividend for shareholders;
- PLN 457,938,783.30 to be allocated to reserve capital;
- PLN 184,071,421.77 to be kept undistributed.
- the undistributed profit of PLN 1,056,761,994.64 for 2019 be allocated to the Dividend Reserve created by force of resolution no. 6 of the Annual General Meeting of 22 March 2021 on profit distribution and creation of capital reserve.

In addition, the Management Board recommends that the dividend to be paid out of the profit earned in 2021 should include 102,189,314 shares of series A, B, C, D, E, F, G, H, I, J, K, L, M, N and O; the Dividend will represent 29.90% of the net profit earned in 2021; the Dividend per share will be PLN 2.68; the Dividend record date will be 25 May 2022 and the Dividend will be paid on 1 June 2022.

The Bank's Management Board and Supervisory Board presented this proposal along with the recommendation at the Bank's Annual General Meeting.

The Bank hereby informed that:

1. Pursuant to Article 349 § 1 of the Commercial Companies Code and § 50(4) of the Bank's Statutes, and based on Management Board resolution no. 175/2021 of 1 September 2021 and Supervisory Board resolution no. 122/2021 of 1 September 2021, on 15 October 2021 the Bank paid interim dividend of PLN 220,728,918.24 ("Interim Dividend"). The Interim Dividend included 102,189,314 shares (one hundred two million one hundred eighty-nine thousand and three hundred fourteen) of series A, B, C, D, E, F, G, H, I, J, K, L, M, N and O. The Interim Dividend per share was PLN 2.16 and the record date for the Interim Dividend was 8 October 2021.
2. The Interim Dividend was paid from the Dividend Reserve created by force of resolution of the Annual General Meeting no. 6/2021 of 22 March 2021 from the part of the net profit earned by the Bank in 2020; it does not reduce the Dividend to be paid out to shareholders.

When taking its decision, the Management Board took into account the current macroeconomic environment as well as the recommendations and current position of the Polish Financial Supervision Authority (KNF), including that outlined in the KNF's letter of 23 February 2022, of which the Bank informed in its current report no. 5/2022 of 23 February 2022, as well as the position outlined in the letter of 9 March 2020 confirming the Bank's compliance with the criteria for paying a dividend from the profit earned in 2019, of which the Bank informed in its current report no. 4/2020 of 10 March 2020.

Annual General Meeting of Santander Bank Polska S.A. - resolution re. dividend payment.

Santander Bank Polska S.A. informed that the Annual General Meeting of the Bank, held on 27 April 2022, adopted a resolution on dividend payment.

It was decided to allocate to dividend for shareholders the amount of PLN 273,867,361.52 from the Bank's net profit for 2021.

102,189,314 (say: one hundred two million, one hundred eighty nine thousand and three hundred fourteen) series A, B, C, D, E, F, G, H, I, J, K, L, M, N and O shares give entitlement to the dividend to be paid out from 2021 profit.

Dividend per one: A, B, C, D, E, F, G, H, I, J, K, L, N and O series share was PLN 2.68.

The Dividend record day was 25 May 2022 and the Dividend was paid out on 1 June 2022.

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

Act on crowdfunding for business and support for borrowers

On 14 July 2022, the President of the Republic of Poland signed the Act on crowdfunding for business and support for borrowers. One of the purposes of the Act is to help the mortgage borrowers by enabling them to defer their repayments.

According to the Act:

– the borrowers will be able to defer the repayment of loan instalments in two months of Q3 and Q4 2022 and in one month of each quarter of 2023;

– the deferred instalments will extend the lending period;

– the payment deferral will be available to the borrowers who are repaying PLN mortgage loans taken out for housing purposes before 1 July 2022;

– the borrowers who have taken out more than one mortgage loan can only defer the repayment of one of their loans;

– the bank will not accrue interest on the deferred instalment.

The Group estimates that the impact of the introduced payment deferral solutions on the Group’s and Bank’s profit before tax in Q3 2022 will be approximately PLN 1.358bn and PLN 1.346bn respectively, assuming that the solution is fully used by 50% of eligible customers. The Group estimates that any change in the number of eligible borrowers fully using the credit holidays by 10% will result in a change of the above estimation by PLN 272 million. The actual impact from payment deferral solutions on the Group’s financial performance will depend on factors such as the number of customers who will use the solution, the number of instalments deferred by each of these customers and the time they start applying the payment deferral.

As at the 30 June 2022 balance sheet date, there was no final and precise version of regulations on payment deferral that is a necessary prerequisite that would enable making a reliable estimate of how these regulations will impact the Group's financial position. Consequently, management applied their judgement and has decided to recognise the impact of the payment deferrals on the day the corresponding regulations were substantively enacted in July 2022. In July 2022, the impact will be recognised as an adjustment of gross carrying value of the mortgage loans and a corresponding reduction of interest income. Once enacted, the legislation drives timing and/or amounts of the contractual cash flows that the lender is able to legally enforce, thus resulting in the revision of the gross carrying value of the loans.

The new regulations also provide for strengthening the Borrowers Support Fund. The Group estimates its share in the Fund at PLN 165m (including PLN 140m from Santander Bank Polska S.A. and PLN 25m from Santander Consumer Bank S.A.), which will be charged to the Group's profit before tax in Q3 2022. The final amount of contributions will be set by the Board of the Borrowers Support Fund at a later date.

Signatures of the persons representing the entity

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

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

Date	Name	Function	Signature
27.07.2022	Wojciech Skalski	Financial Accounting Area Director	