Report of Santander Bank Polska Group for Quarter 3 2022

FINANCIAL HIGHLIGHTS

		PLN k		EUR k	
		1.01.2022-30.09.2022	1.01.2021-30.09.2021 restated	1.01.2022-30.09.2022	1.01.2021-30.09.2021 restated
	Consolidated financial statements of Santander Bank Polska Group				
I	Net interest income	6 819 497	4 229 948	1 454 671	927 925
II	Net fee and commission income	1 947 230	1 846 207	415 365	405 003
III	Profit before tax	3 003 925	1 609 898	640 769	353 164
IV	Net profit attributable to owners of the parent entity	1 895 773	918 126	404 388	201 410
V	Total net cash flows	14 802 701	(5 435 680)	3 157 573	(1 192 427)
VI	Profit of the period attributable to non-controlling interests	166 218	125 085	35 456	27 440
VII	Profit per share in PLN/EUR	18,55	8,98	3,96	1,97
VIII	Diluted earnings per share in PLN/EUR	18,55	8,98	3,96	1,97
	Stand alone financial statements of Santander Bank Polska S.A.				
I	Net interest income	5 621 035	3 168 006	1 199 026	694 967
II	Net fee and commission income	1 739 266	1 569 668	371 004	344 339
III	Profit before tax	2 452 767	1 215 100	523 201	266 557
IV	Profit for the period	1 650 017	772 783	351 966	169 526
V	Total net cash flows	14 978 261	(5 214 524)	3 195 022	(1 143 912)
VI	Profit per share in PLN/EUR	16,15	7,56	3,44	1,66
VII	Diluted earnings per share in PLN/EUR	16,15	7,56	3,44	1,66

FINANCIAL HIGHLIGHTS

		PLN k		EUR k	
		30.09.2022	31.12.2021 restated	30.09.2022	31.12.2021 restated
	Consolidated financial statements of Santander Bank Polska Group				
I	Total assets	263 395 142	243 017 264	54 087 466	52 836 732
II	Deposits from banks	6 391 477	4 400 138	1 312 472	956 677
III	Deposits from customers	189 500 975	185 373 443	38 913 503	40 303 832
IV	Total liabilities	234 548 600	215 803 688	48 163 908	46 919 965
V	Total equity	28 846 542	27 213 576	5 923 558	5 916 767
VI	Non-controlling interests in equity	1 740 039	1 681 896	357 312	365 677
VII	Number of shares	102 189 314	102 189 314		
VIII	Net book value per share in PLN/EUR	282,29	266,31	57,97	57,90
IX	Capital ratio	18,93%	19,05%*		
X	Declared or Paid dividend per share in PLN/EUR	2,68**	2,16	0,57	0,47
	Stand alone financial statements of Santander Bank Polska S.A.				
I	Total assets	240 644 590	216 715 146	49 415 703	47 118 134
II	Deposits from banks	3 327 854	1 337 573	683 366	290 815
III	Deposits from customers	178 831 140	175 354 581	36 722 481	38 125 534
IV	Total liabilities	215 435 314	192 887 794	44 239 048	41 937 599
V	Total equity	25 209 276	23 827 352	5 176 655	5 180 535
VI	Number of shares	102 189 314	102 189 314		
VII	Net book value per share in PLN/EUR	246,69	233,17	50,66	50,70
VIII	Capital ratio	21,28%	21,56%*		
IX	Declared or Paid dividend per share in PLN/EUR	2,68**	2,16	0,57	0,47

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

**Detailed information are described in Note 42.

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

- for balance sheet items – average NBP exchange rate as at 30.09.2022: EUR 1 = PLN 4,8698 and as at 31.12.2021: EUR 1 = PLN 4.5994
- for profit and loss items – as at 30.09.2022 - 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 4,6880; as at 30.09.2021 - 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 4.5585

As at 30.09.2022, FX denominated balance sheet positions were converted into PLN in line with the NBP FX table no. 190/A/NBP/2022 dd. 30.09.2022.

Overview
of Santander Bank Polska Group
Performance in Q3 2022

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I. General Information on Santander Bank Polska Group in Q3 2022

1. Key Achievements

EFFICIENCY AND SECURITY

- *Group's solid capital position confirmed by capital ratios as at 30 September 2022, including the total capital ratio of 18.93%.*
- *Sound liquidity position. Net customer loans to deposits ratio at 81.0%. Supervisory liquidity ratios well above the regulatory minimum.*
- *Close monitoring of risk and implementation of relevant prudential measures.*
- *Significant YoY improvement in the cost of credit risk from 0.89% to 0.55% as at the end of September 2022, and reduction of the NPL ratio to 4.9%.*
- *Improved cost efficiency based on high income growth rate, despite increased charges related to the support for borrowers and the banking system. Decline in the cost-to-income ratio to 41.9% from 43.8% for the three quarters of 2021.*
- *Improved availability, reliability, performance and cybersecurity of the Group's systems.*

BUSINESS VOLUMES AND ACTIVITY

- *13.3% YoY increase in total assets to PLN 263.4bn.*
- *6.9% YoY growth in deposits from customers to PLN 189.5bn supported by an increase in term deposits (+115.1% YoY).*
- *6.1% YoY increase in gross loans and advances to customers to PLN 159.5bn, including loans to business customers and the public sector (+12.3% YoY), and lease receivables (+9.8% YoY).*
- *Growth of cumulative net interest margin from 2.61% for the three quarters of 2021 to 4.10% for the three quarters of 2022 in line with interest rate movements, supported by an increase in business volumes, and taking into account payment deferrals.*
- *5.5% YoY increase in net fee and commission income on account of FX fees (+32.0% YoY), credit fees (+12.2% YoY) and debit card fees (+16.1% YoY).*
- *Dynamic growth in the number of transactions made via mobile banking (+33.5% YoY) and in the share of this channel in remote sales.*

CUSTOMERS AND COMMUNITIES

- *7.3m customers of Santander Bank Polska S.A. and Santander Consumer Bank S.A., including 3.5m loyal customers.*
- *16.4% YoY increase in the number of Accounts As I Want It opened with Santander Bank Polska S.A. to 2.8m.*
- *3.5m digital customers of both banks, including 2.6m mobile banking customers.*
- *Further automation, robotisation, optimisation and simplification of operational processes.*
- *Continued delivery of IT projects aimed at improving experience of customers and employees (accelerated digitalisation of the retail business, development of the HR platform).*
- *Self-service solutions for customers applying for payment deferral and support offered via the Bank's helpline.*
- *Implementation of further measures to support sustainable development and promote cybersecurity culture.*
- *Awards and recognitions for development and implementation of BLIK cheques (as an innovative tool for distribution of humanitarian aid).*

2. Key Financial and Business Data on Santander Bank Polska Group

Key financial data of Santander Bank Polska Group

Selected Income Statement data		Q1-Q3 2022	Q1-Q3 2021 restated data[1)]	YoY Change (2022 / 2021)
Total income	PLN m	8,866.8	6,585.4	34.6%
Total costs	PLN m	(3,711.4)	(2,887.6)	28.5%
Impairment losses on loans and advances	PLN m	(570.8)	(850.5)	-32.9%
Profit before tax	PLN m	3,003.9	1,609.9	86.6%
Net profit attributable to Santander Bank Polska S.A.	PLN m	1,895.8	918.1	106.5%
Selected Balance Sheet data		**30.09.2022**	**30.09.2021 restated data[1)]**	**YoY Change (2022 / 2021)**
Total assets	PLN m	263,395.1	232,393.2	13.3%
Total equity	PLN m	28,846.5	28,988.4	-0.5%
Net loans and advances to customers	PLN m	153,538.6	144,087.4	6.6%
Deposits from customers	PLN m	189,501.0	177,320.4	6.9%
Selected off-Balance Sheet data		**30.09.2022**	**30.09.2021**	**YoY Change (2022 / 2021)**
Net assets under management in investment funds [2)]	PLN bn	12.4	19.3	-6.9
Selected ratios [3)]		**30.09.2022**	**30.09.2021**	**YoY Change (2022 / 2021)**
Total costs / Total income	%	41.9%	43.8%	-1.9 p.p.
Total capital ratio	%	18.93%	20.38%	-1.5 p.p.
ROE	%	9.1%	4.1%	5.0 p.p.
NPL ratio	%	4.9%	5.4%	-0.5 p.p.
Credit risk ratio	%	0.55%	0.89%	-0.3 p.p.
Net customer loans/customer deposits	%	81.0%	81.3%	-0.3 p.p.

Key non-financial data of Santander Bank Polska Group

Selected non-financial data		30.09.2022	30.09.2021	YoY Change (2022 / 2021)
Electronic banking users [4)]	m	6.1	5.6	0.5
Active digital customers [5)]	m	3.5	3.1	0.4
Active mobile banking customers	m	2.6	2.2	0.4
Debit cards	m	4.6	4.4	0.2
Credit cards	m	1.0	1.1	-0.1
Customer base	m	7.3	7.0	0.3
Branches	locations	397	457	-60
Off-site locations and Santander zones	locations	16	12	4
Partner outlets	locations	428	428	0
Employment	FTEs	11,325	11,440	-115

1) *As of 1 January 2022, the Group changed the accounting policy rules for recognition of legal risk connected with foreign currency mortgage loans, which is now measured and presented in accordance with IFRS 9 (previously: IAS 37). The Group reduces the gross carrying amount of mortgage loans in line with IFRS 9. If there is no exposure to cover the estimated provision or the existing exposure is insufficient, the provision is recognised in accordance with IAS 37. The total impact of the above risk on the Group's performance is presented in a separate line of the income statement. It includes provisions for legal risk and legal claims raised and released by the Bank. Those items were previously disclosed separately in other operating expenses and operating income.*
2) *Assets in investment funds managed by Santander Towarzystwo Funduszy Inwestycyjnych S.A.*
3) *For definitions of ratios presented in the table above, see Section 3 "Selected Financial Ratios" of Chapter V "Financial Performance after Q3 2022".*
4) *Registered users with active access to internet and mobile banking service of Santander Bank Polska S.A. and Santander Consumer Bank S.A.*
5) *Active users of electronic banking service of Santander Bank Polska S.A. and Santander Consumer Bank S.A. who at least once used the service in the last month of the reporting period.*

3. Key External Factors

Key macroeconomic factors impacting financial and business performance of Santander Bank Polska Group in Q1-3 2022

Economic growth	• Significant economic slowdown after a solid start of the year.
Labour market	• Record low unemployment rate, still solid wage growth, although lower than inflation. • Strong migrant flows from and to Ukraine.
Inflation	• Further increase in prices, additionally amplified by energy crisis. Inflation particularly strong in basic categories, covering essential goods and services. • Lowered taxes on some products maintained by the government ("anti-inflation shield").
Monetary policy	• Further increases in interest rates, with their scale decreased in Q3.
Fiscal policy	• High inflation and quick nominal GDP growth boosting tax revenues and ensuring high surplus in the central budget. • Proposals to protect households from the effects of the energy crisis.
Credit market	• An increase in demand for working capital loans from companies in the face of high inflation, a drastic decrease in demand for mortgage loans from households due to rising interest rates and the outbreak of the war. Stabilisation of consumer loan sales at high levels. • Payment deferrals available to all PLN mortgage borrowers.
Financial markets	• Significant decline in the value of government bonds and increase in IRS rates. • Very high volatility of the zloty.

4. Corporate Events

Major corporate events in the reporting period (until the release date of the interim report for Q3 2022)

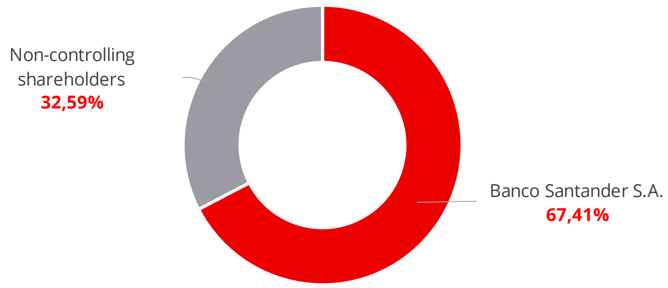
Act on crowdfunding for business and support for borrowers	• After the Act on crowdfunding for business and support for borrowers of 7 July 2022 (Payment Deferral Act) was signed by the President on 14 July 2022, the Bank published the estimated cost of payment deferral solutions on the profit before tax of Santander Bank Polska S.A. and its Group for Q3 2022: PLN 1.3bn on a standalone basis and PLN 1.4bn on a consolidated basis, assuming that 50% of eligible customers will have all the possible installments suspended. • The ultimate impact of costs arising from payment deferral on the Group's financial performance depends on the number of customers using the solution, the number of instalments deferred by them and the time they start applying the payment deferral.
Additional own funds requirement in relation to the other systemically important institution buffer	• On 3 October 2022, the Bank received a decision of the Financial Stability Committee issued on 23 September 2022 at the request of the Polish Financial Supervision Authority (KNF) as part of the administrative proceedings conducted by the KNF to review the adequacy of the other systemically important institution (O-SII) buffer imposed on the Bank. • The Financial Stability Committee endorsed the O-SII buffer equivalent to 1.00% of the total risk exposure. • The final decision on the amount of the O-SII buffer will be published after completion of the aforementioned proceedings.
Change of credit rating	• On 14 September 2022, Fitch Ratings downgraded the Viability Rating (VR) of Santander Bank Polska S.A. to "bbb" from "bbb+" and removed it from Rating Watch Negative (RWN). The above rating action reflected the increased pressure on the Bank's credit profile from its operating environment in relation to government intervention in the Polish banking sector. • The agency affirmed the Bank's long-term issuer default rating (IDR) at "BBB+" with a stable outlook and assigned a new rating, i.e. Shareholder Support Rating (SSR) of "bbb+".

5. Ownership Structure

Shareholders with a stake of 5% and higher	Number of shares and voting rights		% in the share capital and total number of voting rights	
	30.09.2022	31.12.2021	30.09.2022	31.12.2021
Banco Santander S.A.	68,880,774	68,880,774	67.41%	67.41%
Nationale-Nederlanden OFE [1)]	5,123,581	5,123,581	5.01%	5.01%
Other shareholders	28,184,959	28,184,959	27.58%	27.58%
Total	**102,189,314**	**102,189,314**	**100.00%**	**100.00%**

1) Nationale-Nederlanden Otwarty Fundusz Emerytalny (OFE) is managed by Nationale-Nederlanden Powszechne Towarzystwo Emerytalne (PTE) S.A.

OWNERSHIP STRUCTURE OF SANTANDER BANK POLSKA SHARE CAPITAL AS AT 30.09.2022

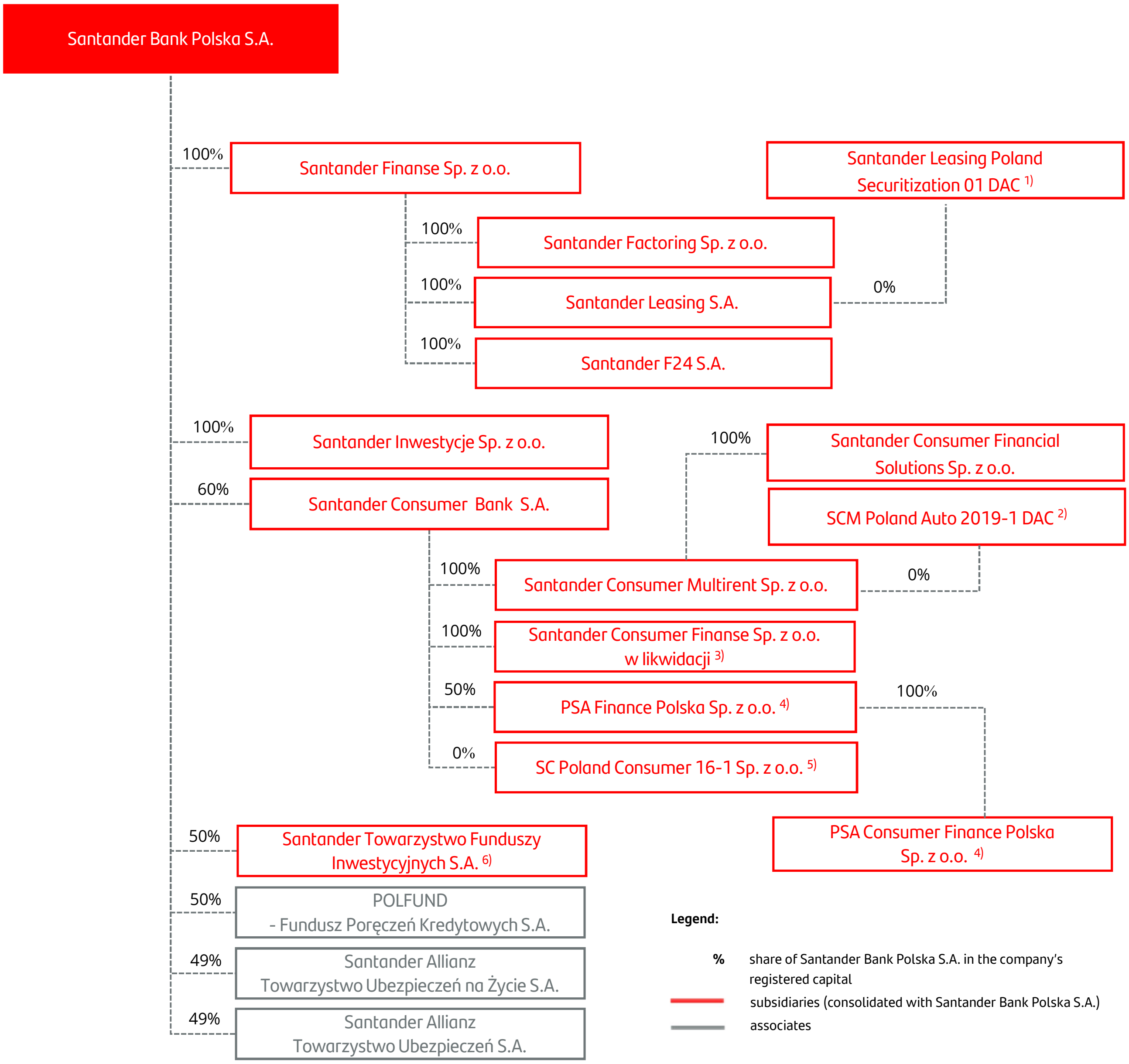


Santander Bank Polska S.A. is a subsidiary of Banco Santander S.A. with its registered office in Madrid, which held 67.41% share in the Bank's registered capital and in the total number of votes at the Bank's General Meeting as at 30 September 2022. The remaining shares were held by the minority shareholders, of which, according to the information held by the Bank's Management Board, only Nationale-Nederlanden Otwarty Fundusz Emerytalny (OFE) exceeded the 5% threshold in terms of share capital and voting power.

According to the information held by the Management Board, the ownership structure did not change in the period from the end of Q3 2022 until the authorisation of the Report of Santander Bank Polska Group for Q3 2022 for issue.

6. Structure of Santander Bank Polska Group

SUBSIDIARIES AND ASSOCIATES OF SANTANDER BANK POLSKA S.A. AS AT 30 SEPTEMBER 2022



1) *Santander Leasing Poland Securitization 01 Designated Activity Company (DAC) with its registered office in Dublin is a special purpose vehicle incorporated on 30 August 2018 for the sole purpose of securitisation of a lease and credit portfolio. The company does not have any capital connections with Santander Leasing S.A., which is its controlling entity in accordance with the conditions laid down in IFRS 10.7.*
2) *SCM Poland Auto 2019-1 Designated Activity Company with its registered office in Dublin was incorporated on 18 November 2019. Its shareholder is a legal person that is not connected with the Group. It is an SPV established to securitise a part of the lease portfolio of Santander Consumer Multirent Sp. z o.o., which is its controlling entity in accordance with the conditions laid down in IFRS 10.7.*
3) *Santander Consumer Finanse Sp. z o.o. w likwidacji was dissolved and put into liquidation as of 31 December 2020 by virtue of a resolution of the company's Extraordinary General Meeting of 23 December 2020.*
4) *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).*
5) *SC Poland Consumer 16-1 Sp. z o.o. is an SPV set up for the purpose of securitisation of part of SCB credit portfolio. The entity has no capital connections with Santander Consumer Bank S.A., which is its controlling entity in accordance with the conditions laid down in IFRS 10.7.*
6) *Both owners of Santander Towarzystwo Funduszy Inwestycyjnych S.A. (Santander TFI S.A.), i.e. Santander Bank Polska S.A. and Banco Santander S.A., are members of Santander Group and hold an equal stake of 50% in the company's share capital. In practice, Santander Towarzystwo Funduszy Inwestycyjnych S.A. is controlled by Santander Bank Polska S.A., through which Banco Santander S.A. pursues its policy in Poland.*

7. Share Price vs. Indices

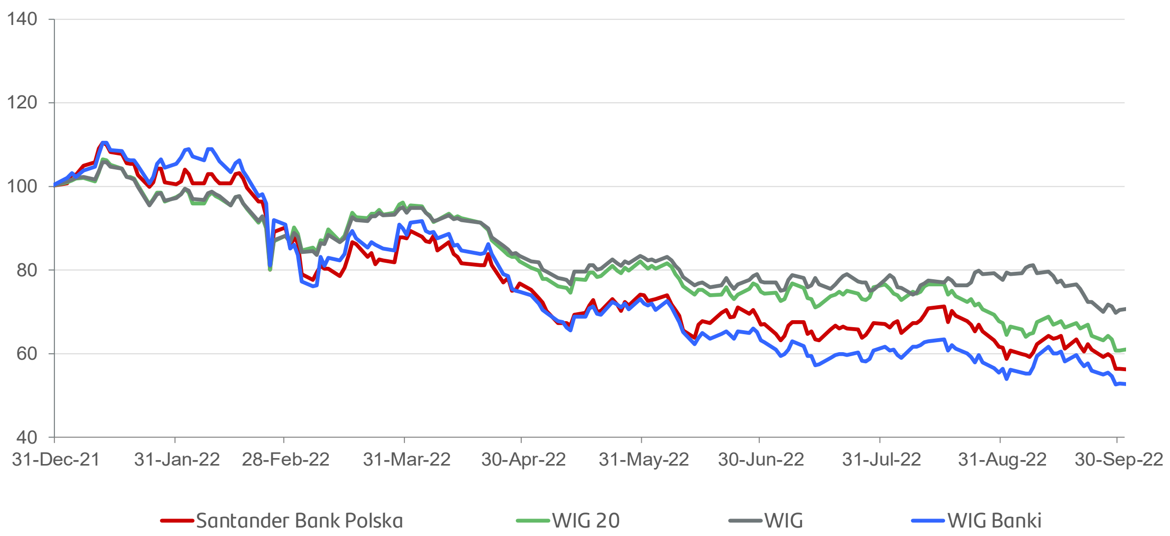
In Q3 2022, the share price of Santander Bank Polska S.A. continued the downward trend, reflecting a low demand for the equities of the Bank – and the banking sector as a whole – observed since the beginning of the year. The Bank's stock price started to fall on 13 January 2022, from PLN 385.0 to PLN 196.90 at the end of September. This trend was caused by global conditions and local factors related to the economic and political situation. The key drivers of the weak performance of the Bank's stocks were the economic consequences of the war in Ukraine, triggering new turbulences after Covid-19 pandemic. The main one is the energy crisis, which significantly contributed to the rising inflation over the last three months. The response of central banks (including the Polish Monetary Policy Council) that increased the cost of money caused global risk aversion across the financial markets. The Warsaw Stock Exchange was hit hard, with the main indices returning to pandemic lows after two years. Lower consumer sentiment and continued depreciation of the Polish zloty limited consumption and further slowed down the economic growth. The banking sector was additionally affected by the political decisions to introduce payment deferrals as well as hints about a windfall tax to be imposed on state and private companies. As a result, in Q3 2022 alone, the share price of Santander Bank Polska S.A. decreased by 15.5%, while WIG-Banks lost 16.2%.

Key data on shares of Santander Bank Polska S.A.	Unit	30.09.2022	31.12.2021
Total number of shares at the end of the period	item	102,189,314	102,189,314
Nominal value per share	PLN	10.00	10.00
Closing share price at the end of the reporting period	PLN	196.90	348.50
Ytd change	%	-43.5%	87.7%
Highest closing share price Ytd	PLN	385.00	382.30
Date of the highest closing share price	-	12.01.2022	05.11.2021
Lowest closing share price Ytd	PLN	196.30	181.40
Date of the lowest closing share price	-	29.09.2022	29.01.2021
Capitalisation at the end of the period	PLN m	20,121.08	35,612.98
Dividend per share paid [1)]	PLN	2.68	2.16
Record date	-	25.05.2022	08.10.2021
Dividend payment date	-	01.06.2022	15.10.2021

1) *In June 2022, a dividend of PLN 2.68 per share was paid from the net profit for 2021. In October 2021, an interim dividend of PLN 2.16 per share was paid out.*

SHARE PRICE OF SANTANDER BANK POLSKA S.A. VS. INDICES IN 2022

SHARE PRICE OF SANTANDER BANK POLSKA S.A., WIG, WIG20 AND WIG BANKS AT 31.12.2021=100



8. Rating of Santander Bank Polska S.A.

Santander Bank Polska S.A. has bilateral credit rating agreements with Fitch Ratings and Moody's Investors Service.

The tables below show the latest ratings assigned by the agencies to the Bank, which remained in effect on the date the Report of Santander Bank Polska Group for Q3 2022 was authorised for issue.

Ratings by Fitch Ratings

Rating category	Ratings changed/affirmed on 14.09.2022[1)]	Ratings changed/affirmed on 5.08.2022	Ratings changed/affirmed on 11.06.2021 and 23.09.2021[2)]
Long-term issuer default rating (long-term IDR)	BBB+	BBB+	BBB+
Outlook for the long-term IDR	stable	stable	stable
Short-term issuer default rating (short-term IDR)	F2	F2	F2
Viability rating (VR)	bbb removed from Rating Watch Negative	bbb+ placed on Rating Watch Negative	bbb+
Support rating	-	2	2
Shareholder support rating	bbb+	-	-
National long-term rating	AA(pol)	AA(pol)	AA(pol)
Outlook for the long-term rating	stable	stable	stable
National short-term rating	F1+(pol)	F1+(pol)	F1+(pol)
Long-term senior unsecured debt rating (EMTN Programme)	BBB+	BBB+	BBB+
Short-term senior unsecured debt rating (EMTN Programme)	F2	F2	F2

1) Ratings of Santander Bank Polska S.A. applicable as at 30 September 2022

2) Ratings of Santander Bank Polska S.A. applicable as at 31 December 2021

On 5 August 2022, Fitch Ratings placed the Viability Rating (VR) of Santander Bank Polska S.A. on Rating Watch Negative (RWN), and on 14 September 2022 it downgraded it to "bbb" from "bbb+" and removed it from RWN. At the same time, the agency affirmed the Bank's long-term Issuer Default Rating (IDR) at "BBB+" with a stable outlook.

The downgrade of the Bank's VR reflected the increased pressure on the Bank's credit profile from its operating environment in relation to government intervention in the Polish banking sector.

The agency also withdrew the Bank's Support Rating of "2" as it was no longer relevant. In line with the rating criteria and methodology, the Bank was assigned a new rating, i.e. a Shareholder Support Rating (SSR) of "bbb+".

According to Fitch Ratings, both IDR and SSR of the Bank were driven by a high probability of support from its parent, Banco Santander S.A. (A-/Stable/a-), 2nd largest bank in terms of capitalisation in the eurozone and 37th globally (as at the end of June 2022).

VR of Santander Bank Polska S.A. reflects the Bank's solid capital position, healthy funding and liquidity, recurring earnings and good asset quality against the risks from the operating environment. Costs of legal risk connected with the foreign currency mortgage portfolio additionally weigh on the Bank's profitability.

Ratings by Moody's Investors Service

Rating category	Ratings upgrade on 3.06.2019[1)]
Long-term/short-term counterparty risk rating	A1/P-1
Long-term/short-term deposit rating	A2/P-1
Outlook for long-term deposit rating	stable
Baseline credit assessment (BCA)	baa2
Adjusted baseline credit assessment	baa1
Long-term/short-term counterparty risk assessment	A1 (cr)/P-1 (cr)
Senior unsecured euro notes rating (EMTN Programme)	(P) A3

1) *Ratings of Santander Bank Polska S.A. applicable as at 30 September 2022 and 31 December 2021*

The ratings assigned to Santander Bank Polska S.A. by Moody's Investors Service were presented in the annual report for 2021 and have not changed since then (according to the available information).

II. Macroeconomic Situation in Q3 2022

Economic growth

The Polish economy decelerated strongly in the second quarter of 2022, partly due to Russia's invasion of Ukraine and the resulting surge in energy commodity prices. GDP growth data for the third quarter are not yet known, but it can be expected that the annual growth rate continued to decelerate (to around 2% YoY), even if the quarter-on-quarter change was marginally above zero. Given the prospect of an energy crisis and natural gas supply constraints, particularly pronounced in Europe, a rapid economic rebound in Poland cannot be expected. The deepening slowdown is indicated by worsening business and consumer sentiment and a negative, though not particularly strong, trend in monthly economic activity data. The trough of this mini-cycle is probably still ahead of us, probably early next year. Its depth will be determined by the scale of energy problems during the heating season. Negative annual GDP growth at the beginning of 2023 has to be reckoned with. It is worth noting that in the second quarter of 2022, the slowdown in the economy was mainly driven by an inventory correction, while private consumption and investment continued to grow at a solid pace. The current account deficit grew from less than 3% of GDP at the end of the first quarter to almost 4% in August with exports still failing to keep up with import growth.

Labour market

The labour market remained in pretty good shape in the second and third quarter, which was reflected by the number of the unemployed and the unemployment rate at all-time lows. Year-on-year wage growth remained in double digits, but no longer outpaced inflation. The net inflow of refugees from Ukraine stabilised at around 2 million people and the government reported that around 400 thousand people found employment in Poland in several service sectors.

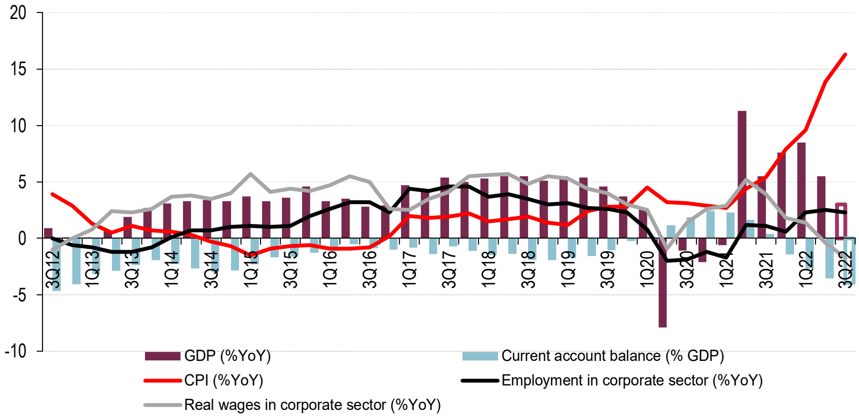
Inflation

Inflation briefly stalled at around 15.5% YoY in the middle of this year and stopped surprising upwards, but readings for August and September again clearly beat expectations and showed that the peak is still ahead. A large contributor to inflation was the rising cost of housing, particularly energy. The government extended the inflation shield and prepared other tools to protect households from strong increases in the cost of living. Core inflation recorded its highest level on record (since 2001) in September in both year-on-year and month-on-month terms (10.7% and 1.4% respectively), demonstrating that the inflationary impulse is still spilling over the economy. Producer prices also rose at a robust pace, exceeding 25% YoY in recent months. Inflation is likely to peak in February 2023 to around 20% YoY, after which it will begin a slow decline just below 10%. However, this forecast is subject to a high degree of uncertainty.

Monetary policy

The Monetary Policy Council has been raising interest rates since the fourth quarter of 2021. Rates went up by 50 basis points in July and by 25 points in September (as usual, there was no MPC decision-making meeting in August). The reference rate then reached 6.75%.

SELECTED MACROECONOMIC INDICATORS



Credit and deposit market

In the third quarter, the credit and deposit markets were influenced by the monetary tightening cycle started in the previous periods and by the increased uncertainty due to the Russian aggression against Ukraine. In September, total loan growth was around 3.9% YoY after adjusting for exchange rate moves. The growth rate of the entire loan market slowed down compared to June (5.2% YoY), and there were even more marked changes in individual categories. Zloty-denominated housing loans slowed down sharply: to 2.7% YoY in September from 7.2% YoY in June as a result of falling demand for credit and an increase in repayment rates. After the introduction of payment deferrals in August, according to our estimates, the early repayment rate in the banking sector fell and therefore the credit volume decline slowed down. In August, the sales of new PLN mortgage loans was around 65% lower than a year before. Consumer loans slowed to -2.6% YoY in September from -0.3% YoY in June, while loans for companies accelerated to 15.4% YoY from 13.2% YoY.

The rise in interest rates also influenced the structure of deposits: term deposits continued to grow, accelerating to 95% YoY in September from 49% YoY in June. Current deposits, on the other hand, fell by almost 9% YoY in September after falling by 3% YoY in June.

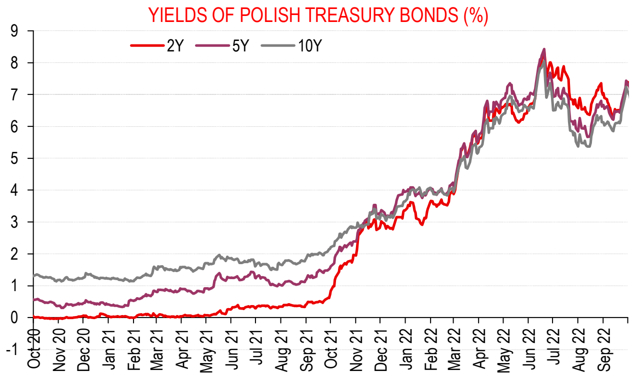
Financial market situation

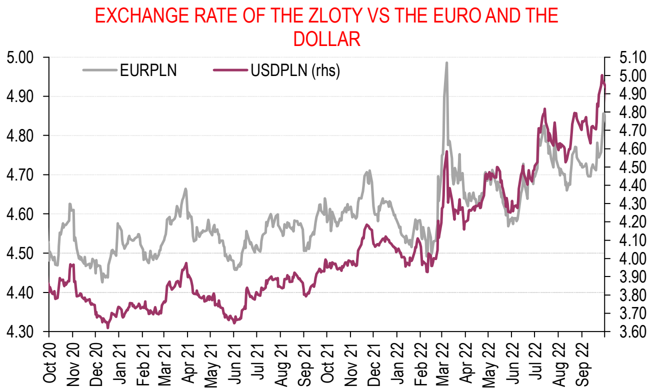
From the beginning of 2022 until the end of the third quarter, the main factors determining the behaviour of global financial markets were market expectations for monetary tightening, rising on the back of persistently high inflation, which first translated into more hawkish rhetoric of major central banks and then into rate hikes. Another factor was a gradual increase in risk aversion, first due to the outbreak of the war in Ukraine in late February, and then as a result of rising global recessionary fears.

Due to the geographic proximity of the war in Ukraine, the currencies and bonds of CEE countries, including Poland, suffered particularly heavy losses. Although since the beginning of this year, pandemic restrictions have been gradually lifted in most developed countries (but not in Asia),the global supply problems generating inflationary pressures persisted. The outbreak of the war in Ukraine, and the sanctions imposed on Russia, further exacerbated the global supply shock resulting from the rising prices of energy commodities, which further disrupted supply chains and spurred market volatility. All these factors led to even bigger global problems with persistently high inflation. At the same time, the supply-side nature of the shock to the global economy made it more difficult for central banks to respond effectively to high inflation, as they faced the prospects of weakened economic growth. However, subsequent significantly higher-than-expected inflation readings forced more aggressive rate hikes by central banks which had to increase the pace of rate increases to keep inflation expectations from de-anchoring. In the case of the NBP, the situation was somewhat different. Despite further increases in domestic inflation, the scale of subsequent rate hikes started to diminish starting in July, and the MPC began to signal its willingness to end the interest rate hike cycle soon.

From the beginning of 2022 until the end of the third quarter, US 10-year yields rose from 1.50% to 3.80%, with a peak in yields reached a few days before the end of September at 4.02%. German 10-year yields increased from -0.18% to 2.11%, with a peak also reached a few days before the end of the third quarter at 2.35%. Polish bond yields rose until the end of September in a similar trend sequence to that in the core markets, with the domestic debt weakening more slowly from mid-June onward, due to the MPC's signalled willingness to end the hike cycle soon. As a result, while yields in the main markets set new one-year peaks in late September, domestic yields were not able to do so despite their rebound observed since mid-August. From the beginning of 2022 until the end of the third quarter, domestic yields moved as follows: 2Y rose from 3.35% to 7.49%, 5Y from 3.99% to 7.41%, and 10Y from 3.71% to 7.16%, with 10Y yields peaking at 8.17% in the second half of June.

The zloty's exchange rate against the euro weakened from 4.60 to 4.87 by the end of the third quarter of 2022. Until the outbreak of the war in Ukraine, the zloty had been appreciating, with the peak close to 4.48 reached in mid-February. However, after the outbreak of the war, it depreciated sharply, reaching its historic low at 5. By mid-April, it rebounded to around 4.60, supported by strong economic performance and large rate hikes by the NBP. What worked against its further appreciation was the lack of Poland-EU compromise on the rule of law, including the CJEU ruling on the legality of the conditionality mechanism linking payment of EU funds with a country's compliance with the EU values. Other factors included the slowdown in the pace of rate hikes by the NBP in the third quarter, and the dovish rhetoric of the NBP signalling its willingness to suspend or end the cycle of rate hikes soon, despite the increase in their scale in the USA and the Eurozone.





III. Business Development in Q3 2022

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

1.1. Retail Banking Division

Personal customers

Product line for personal customers	Activities of the Retail Banking Division in Q3 2022
Cash loans	• During the reporting period, the Bank implemented: ✓ A solution enabling the borrower's spouse authorised by the Bank to remotely submit a statement giving their consent for incurring a credit obligation after they have read the details of the offer and credit documentation. ✓ Short-term online cash loan deals offering preferential pricing terms and supporting online purchases. • In response to customers' expectations, the Bank extended an offer of a fixed-rate cash loan for up to 60 months on special pricing conditions. • ECO cash loan was made available in new sales channels (network of agents and intermediaries). • During the first nine months of 2022, cash loan sales of Santander Bank Polska S.A. were PLN 6.9bn, up 29.5% YoY and down 3.2% QoQ. Sales generated via remote channels for the three quarters of 2022 accounted for 53.5% vs 44.8% in the same period last year. As at 30 September 2022, the cash loan portfolio of Santander Bank Polska S.A. totalled PLN 14.9bn, up 1.5% YoY.

Product line for personal customers	Activities of the Retail Banking Division in Q3 2022 (cont.)
Mortgage loans	• In July 2022, the Bank's offer was expanded to include Guaranteed Home Loan, i.e. a no-deposit mortgage loan secured with BGK guarantee. • Processes were further modified to reduce the necessary visits at branches: ✓ The dispatch of documents required to establish a mortgage was centralised and such documents are now delivered to customers directly. ✓ The execution of an agreement on assignment of receivables under a property insurance policy was simplified. • New legal regulations were implemented: ✓ Act on support for borrowers (July), providing for payment deferrals for customers and mandatory contributions to the Borrowers Support Fund (the Bank introduced an online application for payment deferral); ✓ amended Act on mortgage loans (September), providing for reimbursement of a bridge margin collected until the entry of the mortgage to the land and mortgage register. • In Q3 2022, the pricing of mortgage loans was modified several times: ✓ Fixed interest rates for the first five years were changed depending on 5Y IRS quotations. ✓ Margins on variable-rate loans were increased (September). • During the three quarters of 2022, the value of new mortgage loans totalled PLN 6.4bn and was stable YoY. Mortgage loans with a fixed interest rate for the first five years of the lending period accounted for 69% of total mortgage sales. • The gross mortgage portfolio of Santander Bank Polska S.A. decreased by 1.4% YoY to PLN 52.2bn at the end of September 2022. PLN mortgage loans totalled PLN 45.7bn, up 3.6% YoY.
Personal accounts and bundled products, including:	• The number of PLN personal accounts grew by 7.1% YoY and reached 4.4m as at 30 September 2022. The number of Accounts As I Want It (the main acquisition product for a wide group of customers) was 2.8m, up 16.4% YoY. Together with FX accounts, the personal accounts base was nearly 5.5m. • In Q3 2022, the Bank launched a special offer called "PLN 100 of pocket money" ("100 zł kieszonkowego") for customers aged 13–17, which translated into 50% increase in sales in this age group.
➢ ***Payment cards***	• The Bank waived fees for withdrawals from third-party ATMs in Poland and abroad made during summer by customers availing of an ATM package with a Customised Card. • As at 30 September 2022, the debit card portfolio comprised 4.6m cards and increased by 5.5% YoY, generating 28% higher non-cash turnover YoY. • The credit card portfolio of Santander Bank Polska S.A. included 684.9k instruments, a decrease of 12.1% YoY. The turnover increased by 15% YoY (in value terms).
Deposit and investment products, including:	• In Q3 2022, the Bank's priority in terms of management of deposit and investment products amid increasing interest rates and soaring inflation was to maintain the existing portfolio and optimise its average cost. • The popularity of term deposits increased, as did transfers of funds across the banking market. The total balance of retail deposits decreased over the quarter by 0.6% • The most popular products in the reporting period were term deposits (including Mobile Term Deposit/ Lokata Mobilna and negotiated deposits), savings accounts (including Max Savings Account/ Konto Max oszczędnościowe with a special deal for depositors of new funds, and Select Savings Account/ Konto Oszczędnościowe Select) and low-risk investment products.

Product line for personal customers	Activities of the Retail Banking Division in Q3 2022 (cont.)
➢ ***Deposits***	• In Q3 2022, the Bank's PLN term deposit offer was modified twice due to the continued rise in interest rates. Interest rate on 4-month Mobile Deposit (Lokata Mobilna) was also increased twice (from 5% to 6.25% on 29 August), and the maximum deposit amount was raised to PLN 100k. My Goals service was expanded to include a new regular savings solution, whereby a part of salary is set aside automatically. • The Bank's share in the deposit market decreased in the reporting period. The structure of deposits changed too due to outflows from personal and savings accounts and growing balances of term deposits. • As at 30 September 2022, total deposits from retail customers increased by 2.4% YoY to PLN 99.1bn. In line with the market trends, term deposit balances grew by 134.3% YoY to PLN 20.3bn, while current account balances decreased by 10.7% YoY to PLN 78.6bn, including 30.8% YoY decline in savings account balances to PLN 22.2bn.
➢ ***Investment funds***	• While the balance of sales and redemptions of investment funds managed by Santander TFI S.A. was positive in August, net sales for Q3 2022 were negative. The net monthly sales were lowest in September. • In Q3 2022, outflows were reported for all categories of investment funds (except for money market funds and Santander PPK SFIO), but were most severe for corporate bond subfunds. • As at 30 September 2022, the total net assets of investment funds managed by Santander TFI S.A. were PLN 12.4bn, down 36.0% YoY and 29.5% Ytd. • To increase distribution, Santander TFI S.A. prepared an extensive product training programme for branch employees of Santander Bank Polska S.A.
➢ ***Brokerage services***	• The Bank signed an agreement with a supplier of a new brokerage system, under which the internet and mobile services for customers and back-office system will be modified. The new system will be launched at the start of 2024. • The scope of the active stock market advisory service was expanded to include treasury bonds, as a result of which the service is now also available to more conservative investors. • The unfavourable stock market situation triggered an increase in customers' demand for the Bank's structured products with 100% capital protection. The Bank steadily expands the scope of structured products for high net worth customers (PB and Select), offering products with shorter investment horizon (e.g. one year). In Q3, six issues of structured certificates were made.
Bancassurance	• In Q3 2022, a standardised insurance package (third party liability insurance, damage and theft insurance and personal accident insurance) from four insurers (Benefia, Generali, InterRisk and Link4) was offered to customers in Santander internet and Santander mobile. A motor insurance comparison engine was also deployed. • During the three quarters of 2022, insurance premiums collected increased by 30.2% YoY, mainly on account of sales of life insurance and cash loan insurance. Compared to Q2, premiums collected decreased by 5.7% due to deceleration of sales of mortgage, SME and cash loans.
Private Banking	• In Q3 2022, the scope of structured bonds for Private Banking customers was extended to include instruments with one-year maturity, resulting in record sales of certificates (+55.4% QoQ).

Small and medium-sized enterprises (SMEs)

Product line for SMEs	Activities of the Retail Banking Division in Q3 2022
Business accounts and bundled products	• In Q3, the Bank offered a range of special deals on business accounts, including: ✓ another edition of the special offer of the Business Account Worth Recommending (Konto Firmowe Godne Polecenia), valid from 1 July until 30 November 2022 (including a waiver of selected fees and charges for an indefinite period for customers opening the account online, and bonuses for customers making card payments or concluding a loan or lease agreement); ✓ special offer of the Business Account Worth Recommending with a bonus for customers who open the account and grant marketing consents; ✓ eShop with Santander (a benefit package for customers running online business and using the business account). • The special deals also included POS terminals on preferential terms and promotion of additional services for business customers: eBidSecurity/ eWadia (bid guarantees), eLeasing (leaseback up to PLN 20k), eHealth/ eZdrowie (private healthcare packages with LUX MED), eAccounting/ eKsięgowość, eAgreements/ eUmowy, eDebtCollection/ eWindykacja, eShop/ eSklep and eFactoring/ eFaktoring. • The Bank continued "EmPOWERed in business" ("MOCne w biznesie"), a series of workshops run by inspiring businesswomen and competitions for the best business plan offering investments and grants for the winners. The participants were also offered a special deal on the Business Account Worth Recommending called "EmPOWERed at the start" ("MOCne na starcie") and lease products with a fuel card with free first refuelling.
Loans	• To increase customer satisfaction with products and services, in Q3 2022 the Bank introduced a number of new functionalities in SME processes: ✓ Offered online loans to first-time borrowers; ✓ Implemented improvements in remote channels in relation to overdrafts secured with de minimis guarantee. • As part of development of the SME offer, the Bank prepared: ✓ a special offer for customers transferring their exposure from another bank, including a lower margin and an arrangement fee of 0%; ✓ a credit offer for customers using eAccounting services; ✓ simplified financial data confirmation rules for sole traders and facilitated lending procedure for B2B customers.

Product line for SMEs	Activities of Santander Leasing S.A. in Q3 2022
Leasing	• In the period of nine months ended 30 September 2022, Santander Leasing S.A. financed fixed assets of PLN 4.9bn, down 1.8% YoY. Higher sales growth rate was recorded in the machinery and equipment segment, while sales in the vehicles segment decelerated YoY (due to limited supply in the automotive market arising from supply chain disruptions caused by the pandemic and the war in Ukraine).

1.2. Business and Corporate Banking Division

Direction	Activities of the Business and Corporate Banking Division in Q3 2022
Business developments	• The Business and Corporate Banking Division continues to deliver its growth strategy, with a focus on best customer and employee experience, simplification and digitalisation of key products and processes and dynamic business growth, notably in remote channels. • In Q3 2022, the Division reported a substantial rise in income in the key business lines, including currency exchange (+29.9% YoY), transactional banking (+18.3% YoY), trade finance (+23.6% YoY) and factoring (+17.5% YoY). • Sales continued to grow dynamically in the majority of business lines, particularly loans (+31.3% YoY), trade finance limits (+23.8% YoY) and factoring (+17.8% YoY). • Loans and advances to customers increased by 16.4% YoY, mainly on account of factoring (+49.0% YoY) and credit facilities (+16.2% YoY).
Development of processes and products	• The Business and Corporate Banking Division continued to deliver the strategic Agile programmes, with a particular focus on the new electronic banking solution (iBiznes24 2.0) and a credit workflow on the Corporate Lending Platform (CLP). • Along with an upgrade of the iBiznes24 platform, the Bank implemented an updated Trade Finance module, e-FX platform and repository of information for customers, enhancing the speed and security of finance management by corporate customers. • The new electronic banking system for businesses offers innovative solutions that facilitate remote banking by large companies and corporations. They include functionalities that make it easier to work with multiple accounts: batch processing, settlement of trade and investment transactions, and generation of reports. The tool is easy to use as it is designed to support businesses in managing their finance and save time. • The CLP platform was modified, including further automation of processes related to checklists in the credit process, generation of BGK bills of exchange for loans secured with de minimis guarantees and renewal of factoring limits. • The Bank's lending offer was expanded to include overdrafts for 24 and 36 months. • Credit clauses were simplified by limiting the list of options and modifying their wording. In addition, the clauses review process was automated.
Awards	• The Business and Corporate Banking Division received the following awards: ✓ a special award for the best cooperating institution in the Business Protector programme granted by the National Contact Point for Financial Instruments of the EU Programmes of the Polish Bank Association; ✓ an award for the best bank for corporate responsibility in Central and Eastern Europe granted by Euromoney, recognising the Bank's support for Ukrainian refugees, including UNHCR Cash Assistance – an innovative solution based on BLIK cheques.

Direction	Activities of Santander Factoring Sp. z o.o.
Factoring	• The credit portfolio of Santander Factoring Sp. z o.o. grew by 9.4% YoY to PLN 7.0bn as at 30 September 2022. • The receivables purchased by the company increased by 16.5% YoY during the three quarters of 2022 to PLN 29.7bn, which ranks the company fourth in the factoring market. • Santander Factoring Sp. z o.o. continued cooperation with BGK, including the launch of a factoring programme under the new Crisis Guarantee Fund.

1.3. Corporate and Investment Banking Division

Unit	Key activities of the Corporate and Investment Banking Division in Q3 2022
Credit Markets Department	• Funding (loans and corporate bonds issues) towards medium- and long-term investments of CIB customers provided by the Division single-handedly and in cooperation with other units. • Active communication with key customers, and expert and/or operational support in terms of acquisitions, project finance, infrastructure finance, and debt and rating advisory services. • Execution of deals in the sectors which are relatively resilient to the crisis (such as renewable energy), notably as part of project finance and syndicated lending, including: ✓ Acting as the lead arranger, facility agent and underwriter in refinancing of the portfolio of wind farms with total capacity of 132 MW. ✓ Participation in syndicated lending for companies from the infrastructure and construction sectors. • Sustained interest in the secondary syndicated loan market and transactions in the renewable energy and logistics sectors, a trend observed among other banks in Poland too. Closure of several deals as part of trade finance and corporate finance. • Continuation of a service development strategy in terms of bond issue arrangement (DCM) in Poland and abroad, including the issue of 5-year eurobonds of EUR 500m for Bank Gospodarstwa Krajowego (National Road Fund), with the Bank mandated as an active joint bookrunner, and execution of several transactions of PLN 1,150m in total for Polish financial sector companies, in which the Bank acted as a sole book runner.
Capital Markets Department	• Advisory services in connection with acquisition of 51 MW photovoltaic platforms constructed in 2021–2022, supporting transition to renewable energy and delivery of the Bank's green agenda.
Global Transactional Banking Department	• Business trends in transactional banking: ✓ Stable level of deposit balances, with an increased fluctuation of high-value deposits, mainly as a result of the policy of energy companies which keep switching their large deposits between banks. The margin on term deposits is steadily decreasing due to strong market competition. • Business trends in trade finance: ✓ Lower YoY utilisation of working capital finance limits resulting from considerably higher interest rates and subdued trading activity of customers. ✓ Increased demand for documentary instruments, particularly from the energy sector companies. ✓ Limitation or postponement of investments by customers looking for stable long-term funding sources, including with the support of export credit agencies. • Business trends in other areas: ✓ Continued increase in overdraft utilisation in July and August 2022 (up 55% YoY on average), mainly due to rising costs of energy, labour and materials. ✓ Change of the guarantee scheme as part of the BGK support package for businesses, including the set-up of the Crisis Guarantee Fund (at the turn of July and August 2022) providing liquidity and investment guarantees as well as factoring limit guarantees to medium and large companies making them eligible for higher facility amounts.

Unit	Key activities of the Corporate and Investment Banking Division in Q3 2022 (cont.)
Financial Markets Area	• Focus on development in accordance with the adopted strategy, particularly on process effectiveness, automation, digitalisation, new technologies and innovations, ecosystems and 24/7 access. The main initiatives designed to increase process effectiveness, automation and digitalisation included: ✓ Design of global solutions for automation of currency exchange as part of the PagoNxt project. ✓ Launch of the second stage of the global project focused on pricing and management of FX positions in electronic channels. ✓ Further improvement of treasury agreement generation. ✓ Design of solutions for digitalisation of the customer onboarding process (procedures to be completed before establishing the relationship with the customer). ✓ Extension of the scope of interest rate hedging products available as part of an automated credit workflow. ✓ Migration of treasury tool functionalities to the new infrastructure. • Main activities related to services for business customers of Santander Brokerage Poland: ✓ Continued work on the new product (Global Connect). ✓ Successful tender offer for shares of a company from the waste processing industry (delisting). • Business trends observed: ✓ Visible slowdown affecting the number of active customers and transactions and volumes in the FX market. Lower demand for hedging transactions due to companies' difficulties with making projections for the next quarters. ✓ Lower margins on existing transactions and high interest rates decreasing customers' interest in hedging solutions. • Great popularity of investment products used to diversify PLN portfolios.

2. Business Development Santander Consumer Bank Group

Area	Activities of Santander Consumer Bank Group in Q3 2022
Lending	• As at 30 September 2022, net loans and advances granted by Santander Consumer Bank Group totalled PLN 15.4bn and increased by 1.8% Ytd due to business loans, namely lease receivables and working capital loans. At the same time cash loans and credit card receivables decreased along with the maturing mortgage loan portfolio (no new sales). • Santander Consumer Bank S.A. adjusted loan interest rates in line with prevailing market trends. It offered cash loans and car loans with a fixed interest rate and credit cards with a fixed monthly payment in accordance with customers' expectations. • Sales of credit cards and cash loans were supported by promotional campaigns, e.g. a referral programme for customers of Santander Consumer Bank S.A. valid until the end of 2022, under which both a referring customer and a customer taking out a cash loan or credit card were rewarded with a voucher to be used at a popular network of grocery stores. Cash loans were also promoted as part of the "Last Minute" campaigns offering cash loans on preferential terms for a short period of time. • In the segment of hire purchase loans, Santander Consumer Bank S.A. focused on the continuation of cooperation with retail chains and further growth of e-commerce.
Deposits	• As at 30 September 2022, deposits from customers of SCB Group totalled PLN 10.1bn and increased by 8.3% Ytd, supported by dynamic growth of savings account balances and higher volume of deposits from corporate customers. • As interest rate hikes continued, the bank steadily adjusted its deposit pricing to dynamic changes in the market environment and actions taken by competitors. The marketing activities focused on the online channel.
Other products	• In July 2022, SCB S.A.'s partner outlets started to sell insurance which is not linked to banking products: "My Home" ("Mój Dom") and "My Health" ("Moje Zdrowie"). These two insurance policies have been offered by the bank's branches since May, along with a third non-linked product: "Safe Finance" ("Bezpieczne Finanse"). • In late August 2022, SCB S.A. implemented life insurance linked to cash loans, which is compliant with the recommendations of the Office of Competition and Consumer Protection (UOKiK). The "Help at your beck and call" ("Pomoc na zawołanie") assistance insurance linked to a cash loan and credit card has been replaced by the "My Home" ("Mój Dom") non-linked insurance.
Sources of funding	• In Q3 2022, SCB S.A. signed an agreement with EBRD providing for PLN 350m worth of funding for energy transition projects. The funds will be used to finance investments in photovoltaic systems.

IV. Organisational and Infrastructure Development

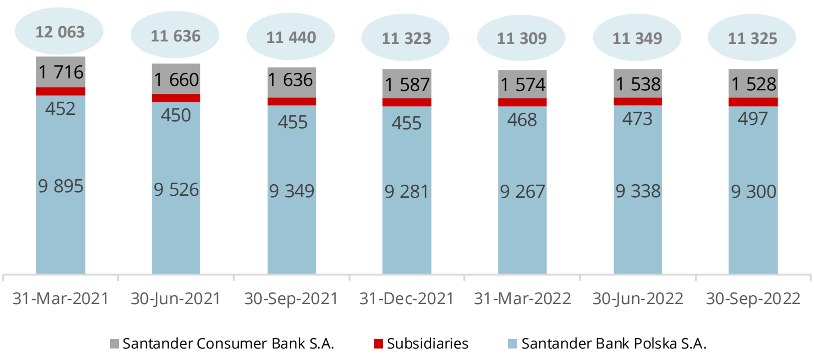
1. Human Resources Management

Employment

As at 30 September 2022, the number of FTEs in Santander Bank Polska Group was 11,325, including 9,300 FTEs of Santander Bank Polska S.A. and 1,528 FTEs of Santander Consumer Bank Group.

EMPLOYMENT OF SANTANDER BANK POLSKA GROUP

EMPLOYMENT AT SANTANDER BANK POLSKA GROUP (IN FTE)
BY QUARTER IN 2021 AND 2022



The employment in Santander Bank Polska Group was stable Ytd and decreased by 1.0% YoY.

The Group continues the transformation of the business model through digitalisation, branch network optimisation, migration of products and services to remote distribution channels, and gradual implementation of technological and organisational solutions increasing operational efficiency of the organisation. The objective is to allocate the maximum resources to strengthen customer relationships, grow business and build skills matching the target profile for the organisation.

The HR processes take into account both present operational needs as well as market conditions. They are based on natural employee attrition as well as collective redundancies continued at Santander Bank Polska S.A.

Pursuant to the resolution of the Management Board of Santander Bank Polska S.A. dated 29 October 2020, collective redundancies will cover up to two thousand employees and will be completed by 31 December 2022. 932 employees have been made redundant since the start of the programme. At Santander Consumer Bank S.A., the last collective redundancies programme was completed on 31 December 2021.

Remuneration policy

Pursuant to the decision of the Bank's Management Board, in Q3 2022 the salary review process was carried out to:

- ensure that base salaries reflect market rates;
- increase the pay of the lowest earners across the Bank;
- ensure equal pay for women and men performing the same roles;
- reward employees engaged in the Bank’s digital transformation and in strategic projects and initiatives;
- reward top performers who demonstrate the Bank’s corporate values.

The salary review enabled the Bank to increase competitiveness of remuneration and reduce the gender pay gap. The Bank constantly monitors salary rates across the market based on payroll reports and takes relevant decisions as part of the remuneration strategy.

Selected HR initiatives

HR projects	Activities in Q3 2022
Work in a hybrid model	• Pursuant to the Bank's Management Board's decision, employees of the Business Support Centre (BSC) returned to the offices at the beginning of September 2022 and work in a hybrid model (2–3 days in the office on average per week). Cultural and development activities were launched to support the Bank's employees and leaders in the transition to the new work model (combining in-office and remote work).
Creation of an employee-focused corporate culture	• To promote the culture of openness, the Bank continued to run communication campaigns to encourage employees to speak up and report their concerns. A series of webinars were carried out to raise the awareness of bullying and other unwanted behaviours in the workplace. Educational materials were also prepared for managers ("Workplace Diagnostics").
Digitalising processes and ensuring flexible work environment	• An application for electronic exchange of selected HR documents using a qualified electronic signature (paperless HR) was implemented in the self-service platform for employees and managers. The new process simplifies, accelerates and digitalises the submission and confirmation of HR documents. It is also another step towards mass-rollout of qualified electronic signature for all employees and full digitalisation of personal files. The above measures enhance the security of employee data storage and support the Bank's green agenda as they reduce the use of paper. • New online services were launched in HR Portal as part of ongoing digitalisation of HR systems. A training monitoring application was also implemented, providing constant and quick access to up-to-date information about mandatory training and completion rates.
Leadership	• The Bank continued the development programmes such as the Advisor of the Future (Doradca Przyszłości), and internship programmes: BRIDGE (MOST) and Mundo. Tutoring and mentoring programmes supported the development of the Group into a self-learning organisation.
Differently-abled project	• Measures were taken to build an inclusive bank for customers and create a diverse workplace for people with disabilities (the Differently-abled project and Barrier-Free Banking Programme), including educational and communication campaigns aimed at increasing the awareness of the needs and rights of people with disabilities (a sign language course launched on the International Day of Sign Languages in September, promotion of information about the rights of people with disability certificates).

2. Response to the Pandemic Threat and the War in Ukraine

As the state of epidemic was lifted in Poland in May 2022 no new decisions were taken by the Bank in Q3 regarding safety measures related to Covid-19. The internal Covid-19 protocols still apply, but quarantine or isolation is no longer required under national regulations.

The financial and non-financial aid measures introduced in Q1 2022 in connection with the war in Ukraine for employees, customers and citizens from Ukraine were valid until the end of September 2022. The relevant information in this respect was published on a dedicated website ("Help for Ukraine").

3. Digital Transformation of Santander Bank Polska Group

Initiative	Key projects delivered in Q3 2022
Improvement of availability, reliability and performance of the Bank's systems	• As part of migration of existing Data Centres, the Primary Data Centre was relocated from Wrocław to a new location (including the central system, branch banking systems, credit systems and back-office systems). • The electronic channel capacity was improved as part of the stabilisation programme. The Bank increased the number of servers processing customer queries, eliminating bottlenecks by distributing the traffic into several communication nodes. • The following solutions were implemented: ✓ an innovative process for obtaining the borrower's spouse's consent during an online loan application process; ✓ a motor insurance comparison engine for the Bank's customers. • Another milestone was achieved as part of the Galaxy1 programme (Smart Loans stream): renewal of overdrafts secured by de minimis guarantee.
Participation in global optimisation initiatives of Santander Group	• As part of the 4P Programme (simplification), a new mortgage post-sales service model was deployed, centralising the collateral release process (documents are sent directly to the customer rather than the branch).
Enhancement of security of the Bank's systems	• A new anti-fraud platform was implemented, enhancing fraud detection and prevention. • Further measures were taken to foster the cybersecurity culture among the Bank's clients and employees, including: initiatives aimed at increasing the social media reach of the cyber education campaign "Don't believe in fairy tales for adults" (e.g. a competition for a fairy tale for internet users), publication of warnings about emerging cyberthreats, update of the Bank's websites on safe banking to reflect emerging threats, use of other communication channels for educational and awareness-raising purposes.
Implementation of regulatory requirements	• The Bank implemented: ✓ key government programmes: "Good Start (300+)" and "Payment deferral"; ✓ new procedures and automated processes related to the Borrowers Support Fund; ✓ internal tests as well as tests conducted in coordination with a group of Polish banks, the National Bank of Poland and the European Central Bank in relation to ISO20022 and ESMIG; ✓ mandatory changes to processes and procedures arising from the amended Development Act; ✓ changes in the Ankieta system related to new regulatory requirements (Target Market Regulation) and introduction of online exchange of information about MIFID questionnaires between banking systems. • The implementation of additional security mechanisms in the ATM network was completed • KYC Refresh – the process of blocking transactions in non-active accounts was automated. • eKancelaria – the first stage of implementation of an internal correspondence management application was completed (a solution that meets the requirements arising from the Electronic Delivery Act). • The transaction control model was modified in line with AML requirements regarding occasional and high-amount lodgments.
Automation and optimisation of operational processes	• A mechanism was deployed in the online channel to ensure uninterrupted implementation of front-end solutions. • The following was implemented: ✓ External Information Exchange System (SWIZ) for all customer segments, digitalising the process of gathering property information from appraisers; ✓ robotisation of processes related to future collateral (statements on submission to debt enforcement) for the SME segment. • As part of the strategic 4P (simplification) programme, the Bank launched an initiative to speed up the delivery of the paperless agenda (85% of correspondence with customers is electronic). Special focus was placed on a wider use of electronic authorisation tools in advisor-based channels, reduction of operations involving printouts and limitation of paper correspondence with customers. • The commercial and residential property monitoring process was automated.

4. Distribution Channels

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

Basic statistics on distribution channels

Santander Bank Polska S.A.	30.09.2022	31.12.2021	30.09.2021
Branches (locations)	347	383	402
Off-site locations	2	2	2
Santander Zones (acquisition stands)	14	11	10
Partner outlets	165	164	155
Business and Corporate Banking Centres	6	6	6
Single-function ATMs	521	610	643
Dual-function machines	931	914	912
Registered internet and mobile banking customers [1] (in thousands)	4,810	4,492	4,406
Digital (active) mobile and internet banking customers [2] (in thousands)	3,235	2,998	2,917
Digital (active) mobile banking customers [3] (in thousands)	2,372	2,194	2,093
iBiznes24 – registered companies [4] (in thousands)	24	25	24

1) *The number of customers who signed an electronic banking agreement under which they can use the available products and services.*
2) *The number of active internet and mobile banking users (digital customers) who at least once logged into internet or mobile banking or checked their balance without logging in the last month of the reporting period.*
3) *The number of active mobile banking customers who at least once logged into the mobile application or its light version or checked their balance without logging in the last month of the reporting period.*
4) *Only customers using iBiznes24 – an electronic platform for business customers (the customers having access to Moja Firma plus and Mini Firma platforms are not included).*

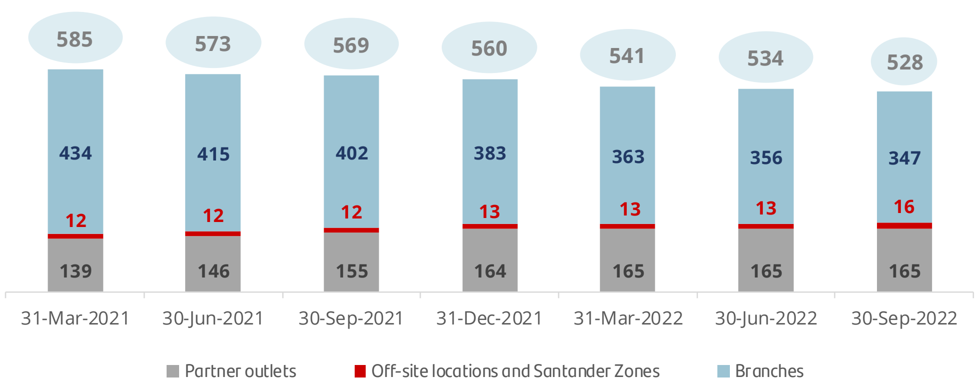
Traditional distribution channels

As at 30 September 2022, Santander Bank Polska S.A. had 347 branches, 2 off-site locations, 14 Santander Zones and 165 partner outlets. During the first nine months of 2022, the number of bank outlets (branches, off-site locations and Santander Zones) decreased by 33, and the number of partner outlets increased by 1.

The Bank continues the pilot transformation of branches under the cashless service model. The project has already been implemented in Gdańsk, Legnica and Kalisz, where branches providing cash services operate next to branches without cashier services (11 in total at the end of September 2022). As part of the pilot, the Bank encourages customers to use cards and BLIK payments, and promotes the mobile application as an easy, safe and convenient way of banking. Customers may use self-service devices (ATMs/ CDMs), which are available 24/7.

BRANCHES AND PARTNER OUTLETS OF SANTANDER BANK POLSKA S.A.

NUMBER OF BRANCHES AND PARTNER OUTLETS OF SANTANDER BANK POLSKA S.A.
BY QUARTER IN 2021 AND 2022



Indirect distribution channels, whose main role is to acquire new customers, include agents, intermediaries/ brokers and Santander Zones.

- In Q3 2022, the external network employed 290 people as the Bank's tied agents on average per month. The Bank used their services to offer cash loans, mortgage loans, SME loans, loan insurance, personal and business accounts, and leasing facilities.
- Cooperation with financial and real estate brokers (network agents) was centrally managed under nine agreements.
- In Q3 2022, another three Santander Zones were opened in shopping centres (in Warsaw, Szczecin and Poznań).

As at the end of September 2022, the Private Banking model covered 58 Private Bankers based in 24 outlets across Poland (4 Private Banking Centres and 20 other locations).

Services to businesses and corporations were provided by two departments: the Business Clients Department and the Corporate Clients Department with their 6 Banking Centres (3 Business Banking Centres and 3 Corporate Banking Centres) operating within three regional structures through 29 offices located Poland-wide. Premium customers and entities from the public and commercial properties sector were handled by four dedicated offices.

ATMs

As at 30 September 2022, the network of self-service devices of Santander Bank Polska S.A. comprised 1,452 units, including 521 ATMs and 931 dual function machines (including 482 recyclers, i.e. devices enabling withdrawal of cash that has been previously deposited by other customers).

The Bank continued to review and optimise the configuration of cassettes, instal recyclers and optimise its off-site machines, removing and relocating economically unviable, low-transaction ATMs. As a result of the above measures, the number of recyclers increased by 42 Ytd and the number of other dual-function machines and ATMs decreased by 114 Ytd.

Remote channels

In the reporting period, Santander Bank Polska S.A. continued to improve the functionality and capacity of digital contact channels in line with its long-term strategy which is to increase the share of such channels in customer acquisition and sales.

Electronic channel	Selected solutions and improvements introduced in Q3 2022
Santander.pl	• All visitors to santander.pl can use the website in a more convenient way, as it currently has the fastest download speed among banking websites in Poland. The download speed is the key factor improving the conversion rate.
Internet and mobile banking	• The following solutions were implemented in internet banking: ✓ an application for "Good Start" allowance (at the start of July) as part of the social benefits package; ✓ optimisations in the online KYC (Know Your Customer) questionnaire to increase the number of questionnaires completed (July, September). • The Bank continued the pilot of One App, as part of which 200 thousand customers were migrated from the light transactional service (internet banking in a mobile browser on a phone) to the Santander mobile application.
Multichannel Communication Centre (MCC)	• In August 2022, the Bank launched the pilot of the MCC Behavioural Assessment Model designed to monitor and analyse actions and eliminate potential risks in customer service. The model introduces a uniform fraud risk management process applicable to all employees based on transparent measurement of operational control results according to the risk levels adopted by the Bank (operational risk, reputational risk, ethical risk, misselling risk and fraud risk). • A campaign was run to support the AML process in terms of updating the data of non-active or high-risk customers and unblocking non-active accounts. • MCC advisors supported customers with the following self-service solutions: ✓ unblocking a card via Santander internet which has been blocked due to security reasons; ✓ applying for payment deferral (via the Bank's helpline IVR managed by advisors addressing questions and doubts from customers).

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

The section below presents the main sales channels of Santander Consumer Bank S.A.

Santander Consumer Bank S.A.	30.09.2022	31.12.2021	30.09.2021
Branches	50	54	55
Partner Outlets	263	271	273
Auto Loan Lending Partners	1,129	1,161	1,079
Installment Loan Lending Partners	6,316	7,028	7,153
Registered internet and mobile banking customers [1)] (in thousand)	1,339	1,257	1,187
Digital (active) internet and mobile banking customers [2)] (in thousand)	313	237	202
Digital (active) mobile banking customers [3)] (in thousand)	242	165	133

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

2) *The number of active internet and mobile banking users (digital customers) who at least once logged into internet or mobile banking or checked their balance without logging in the last month of the reporting period.*

3) *The number of active mobile banking customers who at least once logged into the mobile application or its light version or checked their balance without logging in the last month of the reporting period.*

V. Financial Performance after Q3 2022

1. Income Statement

Structure of Santander Bank Polska Group's profit before tax

Condensed Consolidated Income Statement of Santander Bank Polska Group in PLN m (for analytical purposes)	Q1–Q3 2022	Q1–Q3 2021 [4] restated data	YoY change
Total income	**8,866.8**	**6,585.4**	**34.6%**
- Net interest income	6,819.5	4,229.9	61.2%
- Net fee and commission income	1,947.2	1,846.2	5.5%
- Other income [1]	100.1	509.3	-80.3%
Total costs	**(3,711.4)**	**(2,887.6)**	**28.5%**
- Staff, general and administrative expenses	(3,178.4)	(2,338.4)	35.9%
- Depreciation/amortisation [2]	(393.6)	(435.9)	-9.7%
- Other operating expenses	(139.4)	(113.3)	23.0%
Net expected credit loss allowances	**(570.8)**	**(850.5)**	**-32.9%**
Cost of legal risk connected with foreign currency mortgage loans [3]	**(1,070.3)**	**(844.7)**	**26.7%**
Profit/loss attributable to the entities accounted for using the equity method	60.0	57.4	4.5%
Tax on financial institutions	(570.4)	(450.1)	26.7%
Consolidated profit before tax	**3,003.9**	**1,609.9**	**86.6%**
Tax charges	(941.9)	(566.7)	66.2%
Net profit for the period	**2,062.0**	**1,043.2**	**97.7%**
- Net profit attributable to the shareholders of the parent entity	**1,895.8**	**918.1**	**106.5%**
- Net profit attributable to the non-controlling shareholders	166.2	125.1	32.9%

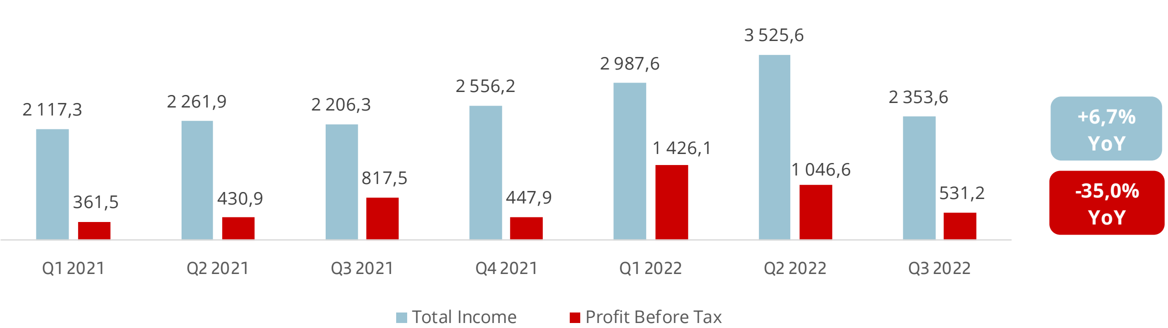
1) *Other income includes total non-interest and non-fee income of the Group. It comprises in particular the following items of the full income statement: dividend income, net trading income and revaluation, gain/ loss on other financial instruments, gain/ loss on derecognition of financial instruments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

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

3) *As of 1 January 2022, the Group changed the accounting policy rules for recognition of legal risk connected with foreign currency mortgage loans, which is now measured and presented in accordance with IFRS 9 (previously: IAS 37). The Group reduces the gross carrying amount of mortgage loans in line with IFRS 9. If there is no exposure to cover the estimated provision or the existing exposure is insufficient, the provision is recognised in accordance with IAS 37. The total impact of the above risk on the Group's performance is presented in a separate line of the income statement. It includes provisions for legal risk and legal claims raised and released by the Bank. Those items were previously disclosed separately in other operating expenses and operating income.*

4) *As a result of the above-mentioned change to the accounting policy as well as changes to the presentation of the selected items of the full income statement (i.e. introduction of the following lines: "Income similar to interest on finance leases" and "Gain/ loss on derecognition of financial instruments measured at amortised cost"), the comparative data for Q1-Q3 2021 needed to be restated.*

THE GROUP'S TOTAL INCOME AND PROFIT BEFORE TAX BY QUARTER IN 2021 AND 2022



Santander

The **profit before tax of Santander Bank Polska Group** for the 9-month period ended 30 September 2022 was PLN 3,003.9m, up 86.6% YoY. The profit attributable to the Bank's shareholders increased by 106.5% YoY to PLN 1,895.8m.

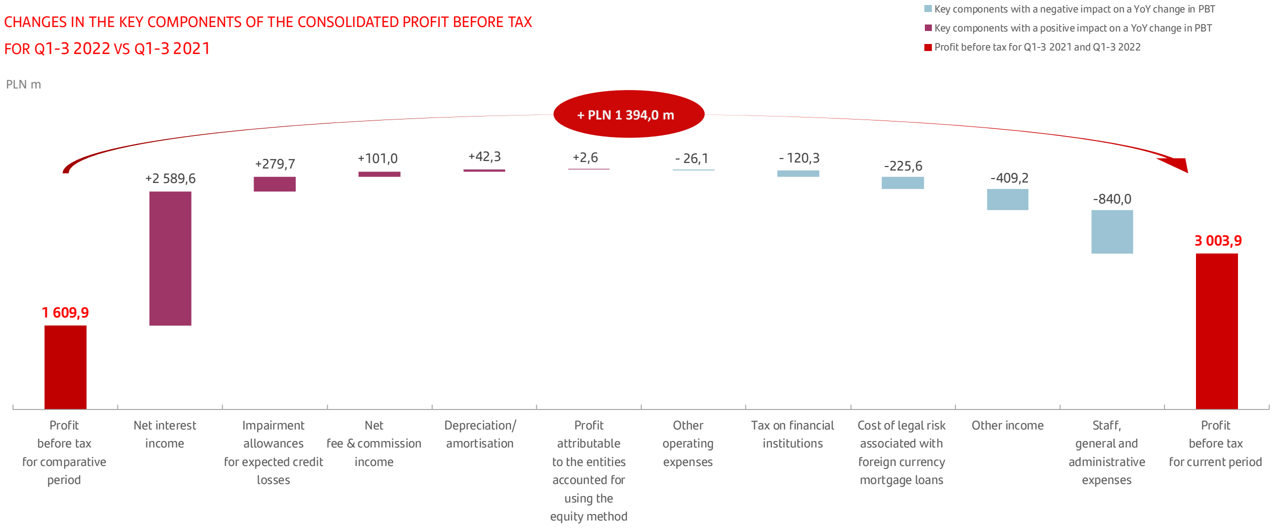
The table presented in the "Comparability of periods" section below contains the selected items of the income statement of Santander Bank Polska Group which affect the comparability of the analysed periods. After the relevant adjustments:

- the **underlying profit before tax** increased by 146.5% YoY and
- the **underlying profit attributable to the shareholders of the parent entity** went up by 158.7% YoY.

Comparability of periods

Selected items of the income statement affecting the comparability of periods	Q1–Q3 2022	Q1–Q3 2021
Negative adjustment to interest income on mortgage loans due to payment deferrals *(interest income)*	• PLN 1,356.9m, including PLN 1,346.0m in relation to Santander Bank Polska S.A., and PLN 10.9m in relation to Santander Consumer Bank S.A.	• No corresponding adjustment
Negative adjustment to interest income on mortgage loans due to reimbursement of a bridge margin and fees on prepaid/ repaid loans *(interest income)*	• PLN 71.8m recognised by Santander Bank Polska S.A., including PLN 31.3m worth of liability related to reimbursement of a bridge margin	• No corresponding adjustments
Cost of legal risk connected with foreign currency mortgage loans *(income statement item)*	• PLN 1,070.3m	• PLN 844.7m
Costs related to the protection scheme (IPS) *(general and administrative expenses)*	• PLN 445.7m – a contribution made by Santander Bank Polska S.A. to the aid fund established as part of the protection scheme	• No corresponding costs
Contributions to the Bank Guarantee Fund made by Santander Bank Polska S.A. and Santander Consumer Bank S.A. *(general and administrative expenses)*	• PLN 269.2m, including a contribution of PLN 60.3m to the bank guarantee fund and PLN 208.9m to the bank resolution fund	• PLN 235.3m, including a contribution of PLN 81.2m to the bank guarantee fund and PLN 154.1m to the bank resolution fund
Contribution to the Borrowers Support Fund *(general and administrative expenses)*	• PLN 165m, including PLN 140m in the case of Santander Bank Polska S.A., and PLN 25m in the case of Santander Consumer Bank S.A.	• No corresponding costs
Dividend income *(income statement item)*	• PLN 10.3m	• PLN 104.2m, including PLN 89.0m from companies from former Aviva Group

Determinants of the Group's profit for three quarters of 2022



The profit before tax for the 9-month period ended 30 September 2022 was driven by high net interest income resulting from a series of unprecedented NBP interest rate hikes and satisfactory growth of the Group's key credit portfolios. The net interest income growth rate was decelerated by payment deferrals, whose estimated financial impact was recognised in Q3 2022. At the same time, however, the strong interest rate increase caused a decline in net trading income and revaluation, and gains on other financial instruments due to higher yield of debt securities, lower value of equity instruments and lower gains on derivatives. The impact of these factors is included in the "other income" category presented in the graph above.

The consolidated profit was also positively affected by lower expected credit loss allowances reflecting stable financial standing of customers (mainly throughout H1 2022) despite worsening macroeconomic environment and outlook. It was additionally supported by net fee and commission income, notably from currency exchange, account maintenance, cash transactions, loans, insurance, and debit cards.

The profit before tax for the three quarters of 2022 was weighed down by cost of legal risk connected with foreign currency mortgage loans and staff, administrative and general expenses which included the Group's contribution to the aid fund established by member banks of the institutional protection scheme as well as contributions to the Borrowers Support Fund and the BFG resolution fund. This was coupled with an increase in tax on financial institutions following the growth in taxable assets. At the same time, dividend income (included in "other income" presented in the graph above) was lower due to the divestment of three insurance companies from Aviva Group in 2021, which used to be classified to the portfolio of investment financial assets of Santander Bank Polska S.A.

Profit before tax of Santander Bank Polska Group by contributing entities

Components of Santander Bank Polska Group's profit before tax in PLN m (by contributing entities)	Q1–Q3 2022	Q1–Q3 2021	YoY change
Santander Bank Polska S.A.	**2,452.8**	**1,215.1**	**101.9%**
Subsidiaries:	**653.0**	**508.4**	**28.4%**
Santander Consumer Bank S.A. and its subsidiaries [1)]	448.1	273.5	63.8%
Santander Towarzystwo Funduszy Inwestycyjnych S.A.	68.8	109.8	-37.3%
Santander Finanse Sp. z o.o. and its subsidiaries (Santander Leasing S.A., Santander Leasing Poland Securitization 01 Designated Activity Company, Santander Factoring Sp. z o.o., Santander F24 S.A.)	135.8	120.6	12.6%
Santander Inwestycje Sp. z o.o.	0.3	4.5	-93.3%
Equity method valuation	**60.0**	**57.4**	**4.5%**
Exclusion of dividends received by Santander Bank Polska S.A. and consolidation adjustments	**(161.9)**	**(171.0)**	**-5.3%**
Profit before tax	**3,003.9**	**1,609.9**	**86.6%**

1) *In both periods under review, SCB Group comprised Santander Consumer Bank S.A. and the following entities: Santander Consumer Multirent Sp. z o.o., Santander Consumer Finanse Sp. z o.o. w likwidacji (a company in liquidation), SC Poland Consumer 16-1 Sp. z o.o., PSA Finance Polska Sp. z o.o., PSA Consumer Finance Polska Sp. z o.o., Santander Consumer Financial Solutions Sp. z o.o. and SCM Poland Auto 2019-1 DAC. The amounts provided above represent profit before tax (after intercompany transactions and consolidation adjustments) of SCB Group for the periods indicated.*

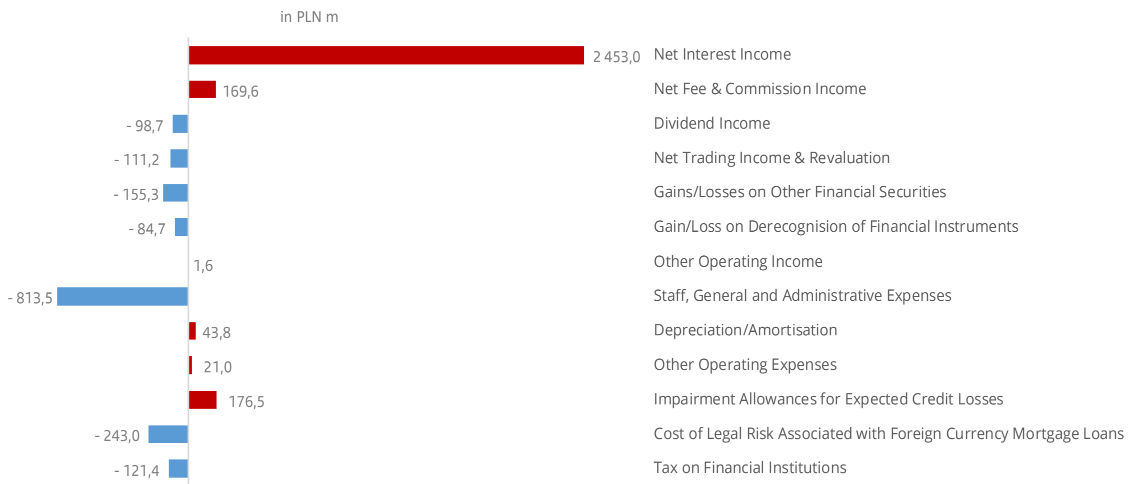
Santander Bank Polska S.A. (parent entity of Santander Bank Polska Group)

The **profit before tax** of Santander Bank Polska S.A. was PLN 2,452.8m, up 101.9% YoY.

Changes in the main components of the standalone profit reflect the trends relating to the consolidated profit. Similarly to the Group, the Bank's profit before tax was positively affected by net interest income, net fee and commission income and net expected credit loss allowances. The increase attributed to the above-mentioned items was offset in part by a rise in staff expenses, general and administrative expenses, cost of legal risk connected with foreign currency mortgage loans and tax on financial institutions, as well as a decrease in gains on trading and investment financial instruments and in dividend income.

Changes to the components of the profit before tax earned by the Bank are presented below.

YEAR-ON-YEAR CHANGES IN THE MAIN ITEMS OF THE INCOME STATEMENT
OF SANTANDER BANK POLSKA S.A. FOR Q1-3 2022 IN ABSOLUTE NUMBERS



Subsidiaries

The subsidiaries consolidated by Santander Bank Polska S.A. reported an increase of 28.4% YoY in their total profit before tax.

SCB Group

The contribution of Santander Consumer Bank Group to the consolidated **profit before tax** of Santander Bank Polska Group for the three quarters of 2022 was PLN 448.1m (after intercompany transactions and consolidation adjustments) and went up by 63.8% YoY as a combined effect of the following:

- A rise of 11.5% YoY in **net interest income** to PLN 974.7m, supported by steady growth of interest rates since Q4 2021.
- A decrease of 15.7% YoY in **net fee and commission income** to PLN 85.7m on account of lower fee and commission income from credit cards and insurance products.
- **Net expected credit loss allowances** of PLN 59.2m vs PLN 167.7m in the comparative period, resulting from an update of risk parameters and a revised approach to recognition of legal risk associated with CHF mortgage loans (in accordance with IFRS 9) resulting in the release of credit provisions.
- An increase of 12.7% YoY in **other non-interest and non-fee income** to PLN 51.3m as a consequence of release of higher amounts of provisions for legal claims and a lower gain on transactions in financial instruments as part of trading and investment activities reflecting prevailing market conditions.
- A rise of 10.8% YoY in **operating expenses** to PLN 435.7m during the three quarters of 2022 caused by a mandatory contribution of PLN 25m to the Borrowers Support Fund and higher provisions raised for legal claims.
- Cost of legal risk connected with foreign currency mortgage loans which totalled PLN 147.1m vs PLN 164.5m in the corresponding period of 2021.

Other subsidiaries

Profit before tax of Santander TFI S.A. for the nine months of 2022 decreased by 37.3% YoY to PLN 68.8m, as a result of a decline in net fee and commission income due to market pressure, in relation to both management and success fees. The outflow of assets from the investment funds market observed since October 2021 was additionally worsened by Russia's invasion of Ukraine, high inflation and monetary policy tightening by central banks. During the first nine months of 2022, customers pulled out their money from all categories of funds, but corporate bond funds were hit most severely. Apart from a decrease in the average net asset value, investment fund management fees were also adversely affected by the reduction of the maximum annual management fee to 2% as of 1 January 2022 in accordance with the Regulation of the Minister of Finance of 13 December 2018 on the maximum amount of fixed remuneration for an investment fund company for managing an open-end investment fund or a specialised open-end investment fund. At the same time, the company's income from success fees went down and the underlying fee calculation model was changed.

Profit before tax posted by companies controlled by Santander Finanse Sp. z o.o. went up by 12.6% YoY to PLN 135.8m.

- Total profit before tax of Santander Leasing S.A., Santander Finanse Sp. z o.o., Santander Leasing Poland Securitization 01 Designated Activity Company and Santander F24 S.A. grew by 3.2% YoY to PLN 73.9m. In the reporting period, Santander Leasing S.A. paid higher fees and commissions related to synthetic securitisation due to the launch of a new project. Excluding the cost of securitisation, profit before tax of leasing companies was up PLN 16.4m (+20.0% YoY), supported by growth of net interest income (+9.2% YoY) and net insurance income (+8% YoY). Despite deteriorating business conditions (limited availability of assets to be financed), higher YoY sales were reported in the machines and equipment segment, along with an increase of 9.0% YoY in the leasing portfolio. Although net expected credit loss allowances were up 1.4% YoY, the quality of the leasing portfolio was still good, with the NPL ratio of 3.8% (+0.5 p.p. YoY).
- The profit before tax posted by Santander Factoring Sp. z o.o. increased by 26.3% YoY to PLN 61.9m. It resulted from a dynamic rise of 38.1% YoY in net interest income driven by strong growth of factoring receivables (+9.4% YoY). Meanwhile, the company's cost base went up and the positive impact of net expected credit loss allowances for the factoring portfolio was lower than before.

Structure of Santander Bank Polska Group's profit before tax

Total income

During the first nine months of 2022, total income of Santander Bank Polska Group increased by 34.6% YoY to PLN 8,866.8m.

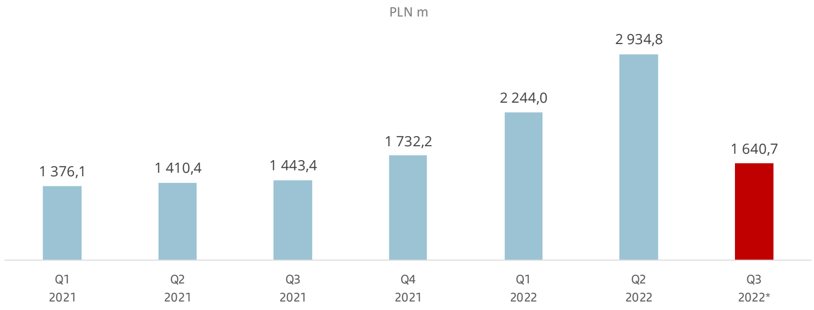
Net interest income

Net interest income for the three quarters of 2022 was PLN 6,819.5m and grew by 61.2% YoY as an effect of a series of unprecedented increases in NBP interest rates started in Q4 2021 (three hikes by 1.65 p.p. in total in 2021) and continued until September 2022 (eight hikes by 5.00 p.p. in total) aimed at tightening the monetary policy and curbing inflation.

The above figure includes a negative adjustment of PLN 1,356.9m recognised in P&L for Q3 to account for the Act on crowdfunding for business and support for borrowers, which became effective in July 2022. Pursuant to the above legislation, borrowers who have taken out a PLN loan for own housing needs will be able to apply for a payment deferral and have their principal and interest payments suspended for four months in this and the next year (for two months in Q3 and two months in Q4 of 2022 and for one month in each quarter of 2023). The impact of payment deferrals on the performance of Santander Bank Polska Group was estimated based on the assumption that 50% of eligible borrowers will have all the possible loan instalments suspended. At the end of Q4 2022, the Group will analyse the percentage of customers using the solution and will consider potential revision of the estimated impact of that solution on net interest income.

In Q3 2022, net interest income was additionally reduced by liabilities connected with the Act on mortgage loans and supervision over mortgage loan intermediaries and agents, including a liability of PLN 31.2m for reimbursement of a bridge margin (i.e. additional fees paid by customers until the mortgage is entered in the land and mortgage register) and a liability of PLN 40.5m for reimbursement of funds in relation to pro-rate settlement of total fees charged in connection with early repaid mortgage loans (agreements concluded since 22 July 2017).

NET INTEREST INCOME BY QUARTER IN 2021 AND 2022



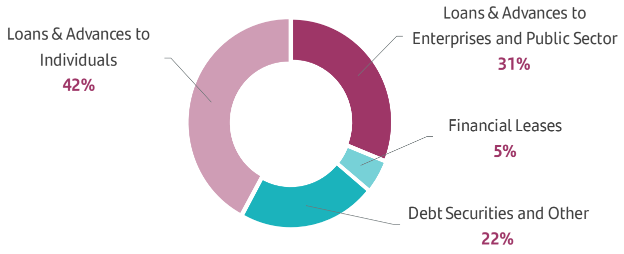
* *Net interest income for Q3 2022 includes a negative adjustment of PLN 1,356.9m in total in respect of payment deferrals.*

In a macroeconomic environment marked by high uncertainty and strong competition in the banking sector, the Group flexibly managed its pricing and successfully acquired and retained business. The pricing of deposit and credit products was regularly adjusted to market rates and the Group's objectives in terms of competitive position, balance sheet structure, liquidity and profitability. A considerable YoY growth was reported in balance sheet items, both in loans and advances to customers and deposits from customers. Loans and advances to enterprises and the public sector grew by 12.3% YoY, and lease receivables increased by 9.8% YoY. At the same time, deposits from enterprises and the public sector went up by 12.8% YoY and retail deposit balances rose by 2.5% YoY. Due to the dramatically rising interest rates customers turned to term deposits, which was reflected in the transfer of funds from current accounts (including savings accounts) to term bank deposits. Deposits increased as investors backed out of investment funds amid uncertainties around the geopolitical situation, volatility of equity and commodity markets and considerable decreases in the bond market.

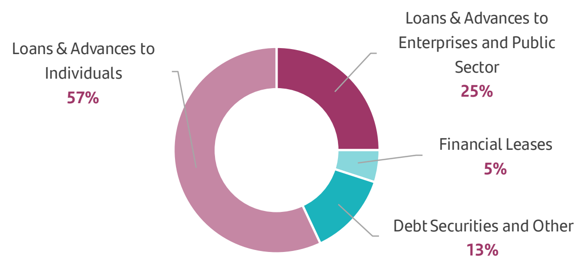
In these circumstances, interest income for the three quarters of 2022 totalled PLN 8,491.0m and was up 87.9% YoY, supported by all categories of assets generating interest income, mainly loans and advances to business and personal customers, and debt securities.

Interest expenses grew at a much faster rate of 479.3% YoY to PLN 1,671.6m predominantly on the back of deposits from customers (enterprises, the public sector and individuals), reverse repo transactions, deposits from banks and liabilities in respect of debt securities in issue.

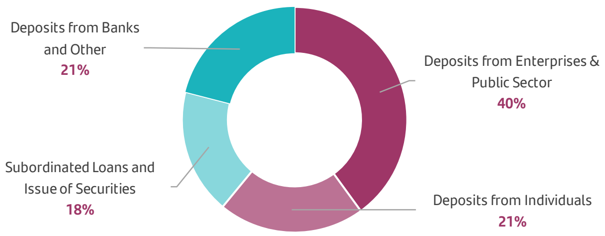
STRUCTURE OF INTEREST REVENUE FOR Q1-3 2022



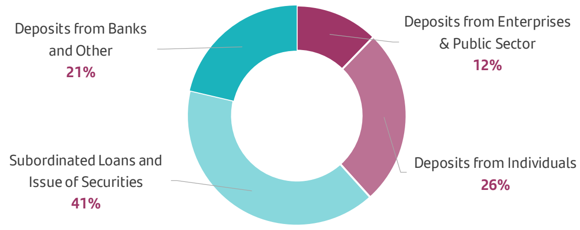
STRUCTURE OF INTEREST REVENUE IN Q1-3 2022



STRUCTURE OF INTEREST EXPENSE FOR Q1-3 2022



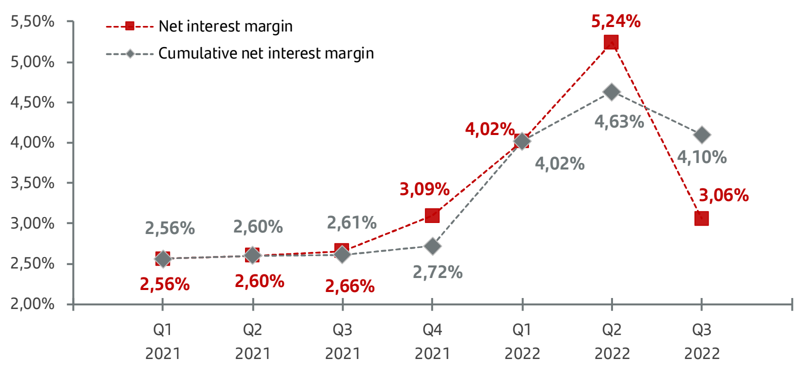
STRUCTURE OF INTEREST EXPENSE FOR Q1-3 2021



The **net interest margin** after the three quarters of 2022 (annualised on a Ytd basis) went up to 4.10% from 2.61% in the corresponding period of 2021. The margin increase was driven by developments in the money market and growth and performance of assets generating net interest income, notably loans and advances to businesses and individuals as well as lease and factoring receivables. The margin growth was also supported by the debt securities in which the Group invests its liquidity surplus. While the value of that portfolio decreased, interest income generated by it continued to grow.

In Q3 2022, the **net interest margin** (annualised on a quarterly basis) was 3.06% vs 5.24% in Q2 2022 and 2.66% in Q3 2021. The quarterly margin was strongly affected by payment deferrals and liabilities arising from regulations applicable to mortgage loans, whose estimated financial impact was recognised in Q3 2022. However, the margin increased on September 2021, which was driven by the same factors as those that helped the year-on-year growth in net interest income.

NET INTEREST MARGIN[1)] BY QUARTER IN THE YEARS 2021 AND 2022 (INCLUDING SWAP POINTS)[2)]



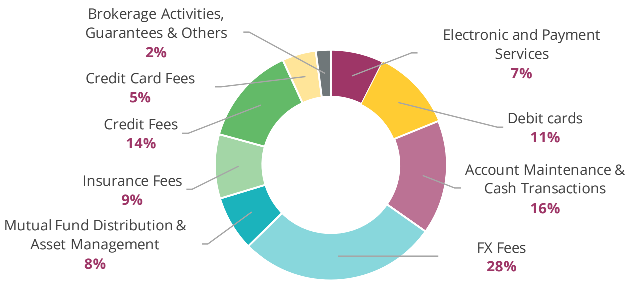
1) *Net interest margin in consecutive quarters, annualised on a quarterly and year-to-date basis. The amounts for 2021 have been restated to account for the change of the accounting policy related to recognition of legal risk connected with foreign currency mortgage loans in accordance with IFRS 9. The margin as at the end of Q3 2022 includes the financial impact of payment deferrals and liabilities arising from applicable regulations. Excluding the impact of such adjustments on the Group's net interest income, the cumulative margin was 4.86% and quarterly margin was 5.58%.*
2) *The calculation of the net interest margin of Santander Bank Polska S.A. takes account of swap points allocation from derivative instruments used for the purpose of liquidity management but excludes interest income from the portfolio of debt securities held for trading and other exposures connected with trading.*

Net fee and commission income

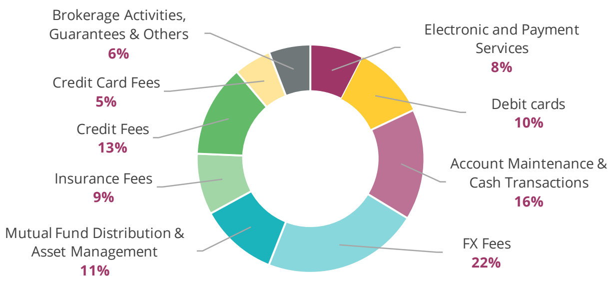
Net Fee and Commission Income (in PLN m)	Q1-Q3 2022	Q1-Q3 2021	YoY Change
FX fees	541.3	410.0	32.0%
Account maintenance and cash transactions [1]	311.0	290.9	6.9%
Credit fees [2]	270.4	241.0	12.2%
Debit cards	221.9	191.1	16.1%
Insurance fees	175.9	161.1	9.2%
Asset management and distribution	149.1	204.2	-27.0%
Electronic and payment services [3]	144.4	140.5	2.8%
Credit cards	92.1	98.4	-6.4%
Brokerage activities	88.7	85.6	3.6%
Guarantees and sureties [4]	21.8	38.6	-43.5%
Other [5]	(69.2)	(15.2)	355.3%
Total	**1,947.4**	**1,846.2**	**5.5%**

1) Fee income from account maintenance and cash transactions has been reduced by the corresponding expenses which in Note 5 to the Condensed Interim Consolidated Financial Statements of Santander Bank Polska Group for the 9-month period ended 30 September 2022 are included in the line item "Other" (PLN 14.1m for Q1–Q3 2022 vs PLN 4.2m for Q1–Q3 2021).
2) Net fee and commission income from lending, factoring and lease activities which is not amortised to net interest income. This line item includes inter alia the cost of credit agency fees.
3) Fees for payments (foreign and mass payments, Western Union transfers), trade finance, services for third party institutions as well as other electronic and telecommunications services.
4) Fee income from guarantees and sureties has been reduced by the corresponding expenses which in Note 5 to the Condensed Interim Consolidated Financial Statements of Santander Bank Polska Group for the 9-month period ended 30 September 2022 are included in the line item "Other" (PLN 61.5m for Q1–Q3 2022 vs PLN 44.0m for Q1–Q3 2021).
5) Issue arrangement fees and other fees.

NET FEE & COMMISSION INCOME STRUCTURE IN Q1-3 2022

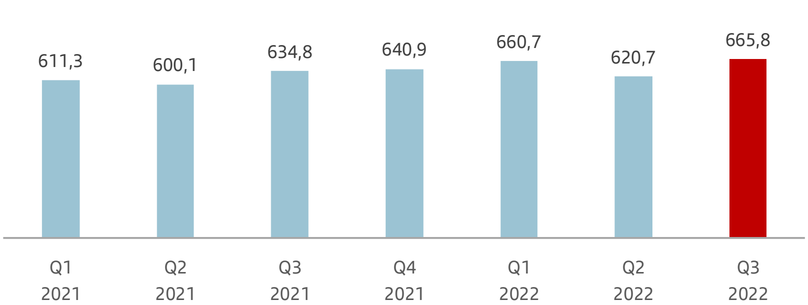


NET FEE & COMMISSION INCOME STRUCTURE IN Q1-3 2021



NET FEE & COMMISSION INCOME BY QUARTER IN 2021 AND 2022

PLN m

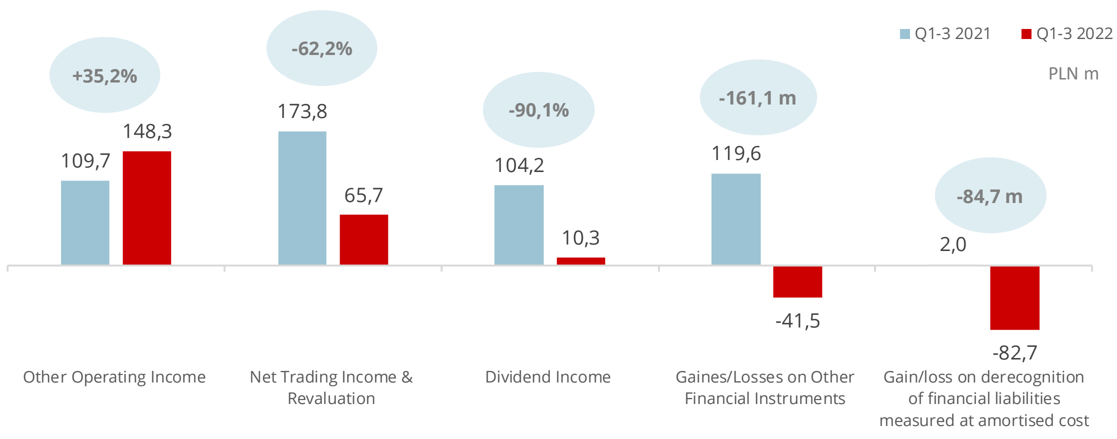


Net fee and commission income for the 9-month period ended 30 September 2022 totalled PLN 1,947.2m and increased by 5.5% YoY, driven by the performance of individual business lines of Santander Bank Polska S.A. and its subsidiaries. The key changes were as follows:

- FX fee income rose by 32.0% YoY on account of higher FX turnover, accompanied by a slight drop in average quotations. The growth in the above-mentioned income was generated by both traditional and electronic channels. Nevertheless, it was most strongly driven by electronic currency exchange platforms such as e-FX (iBiznes24 module) and Kantor Santander (available in Santander online and Santander mobile), and transactions initiated by customers from business segments.
- An increase of 6.9% YoY in net fee and commission income from account maintenance and cash transactions reflects higher income from fees on cash management services provided to business entities with high liquidity (resulting from government support programmes, among other things). The base of current and personal accounts operated by the Bank has grown considerably Ytd. The most pronounced increase (+16.4% YoY) was reported in the portfolio of Accounts As I Want It (Konto Jakie Chcę), which grew to 2.8m, supported by the special offer with preferential terms for Ukrainian citizens. The larger number of accounts translated mainly into a higher number of transactions with debit cards.
- Higher net fee and commission income from insurance (+9.2% YoY) was generated by insurance linked to bank products of Santander Bank Polska S.A., notably cash loans, as well as insurance not linked to the Bank's products such as life insurance. The above increase was also supported by insurance products offered by Santander Leasing S.A.
- A rise of 12.2% YoY in net credit fee income is a combined effect of the Group's services related to overdrafts and project finance for corporate customers, modification of fees in line with market trends and lower cost of agency services.
- An increase of 16.1% YoY in net income from debit cards is a combined effect of a growing number of cards (+5.5% YoY), a higher value of non-cash (+29% YoY) and cash (+13% YoY) transactions made with such cards, and higher income from currency exchange transactions, especially during the summer holiday season.
- Net fee and commission income disclosed under the Group's electronic and payment services went up by 2.8% YoY as a consequence of higher turnover from international payments and increased use of existing electronic channels.
- An increase of 3.6% YoY in net fee and commission income from brokerage activities results from higher income earned in the derivative market amid slowdown in investor activity in the spot market in Q2 and Q3 due to surging inflation and deteriorating economic prospects (after a period of more active trading at the beginning of the year driven by increased market volatility triggered by Russia's invasion of Ukraine).
- Net fee and commission income from distribution and asset management declined by 27.0% YoY on account of lower income from management fees and success fees collected by funds managed by Santander TFI S.A. Lower income from management fees is attributed to lower average net value of assets following eleven months of negative net sales and statutory reduction of the maximum management fee to 2% as of 1 January 2022. At the same time, developments in the financial markets reflecting macroeconomic and geopolitical uncertainty put pressure on the performance of investment funds.
- Net fee and commission income from issuance and management of a combined portfolio of credit cards of Santander Bank Polska S.A. and Santander Consumer Bank S.A. decreased by 6.4% YoY due to lower fee and commission income generated by the portfolio of the latter bank.
- Net fee and commission income from guarantees and sureties was down 43.5% YoY as a result of higher cost of guarantee services coupled with a relatively stable level of income.

Non-interest and non-fee income

COMPONENTS OF OTHER INCOME FOR Q1-3 2021 VS. Q1-3 2022



Non-interest and non-fee income of Santander Bank Polska Group presented above totalled PLN 100.1m and was down 80.3% YoY on account of changes in the following components:

- Net trading income and revaluation decreased by 62.2% YoY to PLN 65.7m amid prevailing financial market trends: rising bond yields and IRS spreads and pressure on the zloty. This line item was affected by the following portfolios and actions:
  - ✓ A gain of PLN 40.2m on derivatives, interbank FX transactions and FX trading transactions, down 72.6% YoY.
  - ✓ A positive change of PLN 5.9m in the fair value of credit card receivables measured through profit or loss for the nine months of 2022 (PLN 3.6m for the nine months of 2021).
  - ✓ Total gain on trading in equity and debt securities measured at fair value through profit or loss of PLN 19.6m, down 17.3% YoY.
- Transactions in other financial instruments generated a loss of PLN 41.5m (a decrease of PLN 161.1m YoY) due to a negative result on the sale of bonds (-PLN 1.0m) and on hedging and hedged instruments (-PLN 16.4m) compared to a positive result of PLN 96.2m and PLN 13.7m, respectively, in the corresponding period last year. The non-interest and non-fee income in the current reporting period was also negatively affected by the valuation of Visa Inc. shares, reflecting a decline in the share price, among other things (negative adjustment of PLN 23m in the fair value of Visa Inc. shares vs a positive change of PLN 5.6m in the comparative period).
- Consolidated dividend income decreased by 90.1% to PLN 10.3m following the divestment of three insurance companies from Aviva Group included in the portfolio of investment financial assets of Santander Bank Polska S.A. closed in November 2021. In the comparative period, two of the above-mentioned companies paid a dividend of PLN 89.0m in total to the Bank.
- The Group incurred a loss of PLN 82.7m on derecognition of financial instruments measured at amortised cost vs a gain of PLN 2.0m in the comparative period.
- Other operating income was PLN 148.3m and increased by 35.2% YoY due to release of higher amounts of provisions for legal claims, higher indemnity payments from insurers and higher income from sale of services.

Expected credit loss allowances

Net expected credit loss allowances on loans and advances measured at amortised cost (PLN m)	Stage 1		Stage 2		Stage 3		POCI		Total	Total
	Q1-Q3 2022	Q1-Q3 2021	Q1-Q3 2022	Q1-Q3 2021	Q1-Q3 2022	Q1-Q3 2021	Q1-Q3 2022	Q1-Q3 2021	Q1-Q3 2022	Q1-Q3 2021
Allowance on loans and advances to customers	(101.8)	(125.7)	(299.6)	(25.5)	(272.6)	(751.1)	68.3	37.6	(605.7)	(864.7)
Recoveries of loans previously written off	-	-	-	-	35.3	7.7	-	-	35.3	7.7
Allowance on off-balance sheet credit liabilities	2.8	(7.3)	(1.4)	3.0	(1.8)	10.8	-	-	(0.4)	6.5
Total	**(99.0)**	**(133.0)**	**(301.0)**	**(22.5)**	**(239.1)**	**(732.6)**	**68.3**	**37.6**	**(570.8)**	**(850.5)**

From January to September 2022, the charge made by Santander Bank Polska Group to the income statement on account of net expected credit loss allowances was PLN 570.8m, down 32.9% YoY. This figure includes net allowances of Santander Consumer Bank Group, which totalled PLN 59.2m and decreased by 64.7% YoY.

Net allowances on loans and advances to the Group's customers for the nine months ended on 30 September 2022 were a combined effect of:

- Stabilisation of or decrease in credit risk in personal, SME and corporate loan portfolios in H1 2022, followed by an increase in Q3 2022 due to deterioration of customers' standing as a result of record price rises (notably of energy). New downgrades to the non-performing loan portfolio were reported in the case of corporate customers, along with higher allowances on the performing portfolio. At the same time, however, a significant exposure was upgraded to the performing portfolio. A moderate increase in delinquencies was identified in Q3 2022 in the portfolio of personal and SME customers, while risk connected with the mortgage loan portfolio was mitigated with aid measures.
- Review and update of model parameters and macroeconomic scenarios (taking into account forecasts) as part of reviews, resulting in recognition/ derecognition of management adjustment for expected credit losses to account for uncertainty about the geopolitical situation and macroeconomic outlook. In Q3 2022, Santander Bank Polska S.A. continued to recognise the management adjustment of PLN 32.2m related to the macroeconomic situation and raised a provision of PLN 18.2m to account for the downgrade of customers benefiting from the Borrowers Support Fund to the non-performing loan portfolio due to the loss of repayment capacity.
- Sale of credit receivables from retail and business customers of Santander Bank Polska S.A. and Santander Consumer Bank S.A. totalling PLN 1,180.9m at a profit before tax of PLN 137.6m (in the comparative period, receivables of PLN 1,910.9m were sold at a profit before tax of PLN 76.6m).

During the reporting period, the cost of credit risk of Santander Bank Polska Group was 0.55% vs 0.89% in the corresponding period last year, with a higher value of the credit portfolio measured at amortised cost (+6.0% YoY including finance lease receivables). The Group closely monitors its loan portfolio, and promptly responds to changes in risk by adjusting credit ratings and classifying exposures to individual stages (taking into account the risk connected with the epidemic threat, the war in Ukraine and deteriorating macroeconomic conditions).

Total costs

Total costs (PLN m)	Q1-Q3 2022	Q1-Q3 2021	YoY change
Staff, general and administrative expenses, of which:	**(3,178.4)**	**(2,338.4)**	**35.9%**
- Staff expenses	(1,345.5)	(1,221.2)	10.2%
- General and administrative expenses	(1,832.9)	(1,117.2)	64.1%
Depreciation/amortisation	**(393.6)**	**(435.9)**	**-9.7%**
- Depreciation/amortisation of PP&E and intangible assets	(279.4)	(299.0)	-6.6%
- Depreciation of right-of-use asset	(114.2)	(136.9)	-16.6%
Other operating expenses	**(139.4)**	**(113.3)**	**23.0%**
Total costs	**(3,711.4)**	**(2,887.6)**	**28.5%**

Total operating expenses of Santander Bank Polska Group for the nine months of 2022 went up by 28.5% YoY to PLN 3,711.4m on account of an increase in salaries, the Bank's participation in the newly established institutional protection scheme, mandatory contribution to the Borrowers Support Fund, higher contribution to the BFG resolution fund and dynamically growing cost of marketing and IT usage. Other significant contributing factors included indexation and revision of pricing due to an increasing inflation rate, among other things.

On a comparative basis, i.e. excluding the impact of the contribution to the Borrowers Support Fund and contributions to the funds operated under institutional and mandatory protection schemes to ensure stability of the banking sector, the underlying total operating expenses were up 6.8% YoY.

As total income grew faster than operating expenses, the Group's cost to income ratio was 41.9% for the three quarters of 2022 vs 43.8% for the three quarters of 2021.

Staff expenses

Staff expenses totalled PLN 1,345.5m for the three quarters of 2022 and increased by 10.2% YoY. The average employment decreased by 4.3% YoY. The main components of staff expenses, i.e. salaries, bonuses and statutory deductions from salaries, went up by 10.6% YoY to PLN 1,302.6m on account of the salary review in line with market rates conducted in the previous and current year (October 2021 and September 2022) and the higher bonus pool calculated against the base salary. Cost of training increased by 31.5% YoY to PLN 6.8m. The majority of training initiatives were delivered on a remote basis.

General and administrative expenses

General and administrative expenses of Santander Bank Polska Group for the three quarters of 2022 increased by 64.1% YoY to PLN 1,832.9m. The largest constituent item was a contribution of PLN 445.7m made by Santander Bank Polska S.A. to the aid fund established together with seven other commercial banks as part of the institutional protection scheme. The above amount was estimated on the basis of the guaranteed funds of Santander Bank Polska S.A. Furthermore, the Group contributed PLN 165m to the Borrowers Support Fund operating in a new form since July 2022, as specified in the Act on crowdfunding for business and support for borrowers of 7 July 2022.

Fees payable to market regulators (BFG, KNF and KDPW) increased by 13.9% YoY to PLN 295.4m due to higher contributions to the BFG. The charge to the Group's income statement on account of these contributions went up by 14.4% YoY to PLN 269.2m (an annual contribution to the bank resolution fund increased by 35.6% YoY to PLN 208.9m and a quarterly contribution to the bank guarantee fund decreased by 25.7% YoY to PLN 60.3m).

Excluding the mandatory contributions payable to the BFG and contributions to the new protection scheme for commercial banks and the Borrowers Support Fund, the Group's general and administrative expenses increased by 8.1% YoY, mainly on account of higher cost of IT usage and marketing. The cost of IT usage went up by 12.5% YoY in connection with delivery of various IT projects across Santander Group and locally, as well as due to processes related to support and maintenance of the existing infrastructure. The increase in marketing and entertainment (+19.2% YoY) results from advertising campaigns (promoting e.g. solutions implemented as part of the retail business digitalisation programme), sponsorship activities and extensive correspondence to customers.

The cost of data transmission went up by 97.4% YoY on account of fees for cloud services and progress in the migration to the new Data Centre. An increase was also reported in postal and telecommunications fees (+9.9% YoY) due to higher rates and mass correspondence on changes in the schedule of fees and charges and interest rates. The costs of third party services increased by 8.4% YoY in relation to the printout of the above-mentioned correspondence to customers, an increase in back office service rates, and the launch of new external services as part of banking operations. A rise of 7.6% YoY in consultancy and advisory fees was connected with the retail business digitalisation programme, among other things.

At the same time, the Group reported a decrease in the costs of maintenance of premises (-8.1% YoY) and security costs (-16.3% YoY) resulting from the optimisation of the branch network and the office space in the Business Support Centre. The cost of purchase of equipment went down too (-14.7% YoY), as did the cost of consumables, printouts, cheques and cards (-10.8% YoY).

Tax and other charges

Tax on financial institutions for the three quarters of 2022 totalled PLN 570.4m and was up 26.7% YoY, reflecting an increase in assets, including loans and advances, and a decrease in the portfolio of treasury securities which lowers the tax base.

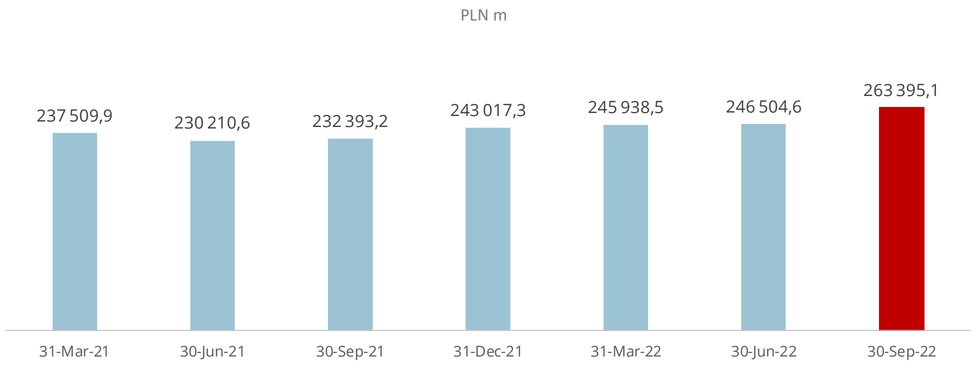
Corporate income tax was PLN 941.9m and effectively lower compared to the previous year (the effective tax rate fell from 35.2% for the three quarters of 2021 to 31.4% for the three quarters of 2022), mainly on account of a strong increase in profit before tax, which was reported along with higher cost of legal risk related to foreign currency mortgage loans, contributions to the Bank Guarantee Fund, tax on financial institutions, and an additional charge related to the Borrowers Support Fund.

2. Statement of Financial Position

Consolidated assets

As at 30 September 2022, the total assets of Santander Bank Polska Group were PLN 263,395.1m, and increased by 13.3% YoY and 8.4% Ytd on account of receivables from repo transactions, loans and advances to customers and banks, financial assets held for trading and assets held as collateral. The value and structure of the Group's financial position is determined by the parent entity, which held 91.4% of the consolidated total assets vs 89.2% as at the end of December 2021.

TOTAL ASSETS AT THE END OF CONSECUTIVE QUARTERS IN 2021 AND 2022 [1)]



1) *The total assets for individual quarters of 2021 were restated to reflect the Group's modified accounting policy (as of 1 January 2022) with respect to the recognition of legal risk connected with foreign currency mortgage loans, which are now measured and presented in accordance with IFRS 9 (previously: IAS 37).*

Structure of consolidated assets

Assets [1] in PLN m (for analytical purposes)	30.09.2022	Structure 30.09.2022	31.12.2021	Structure 31.12.2021	30.09.2021	Structure 30.09.2021	Change	Change
	1	2	3	4	5	6	1/3	1/5
Loans and advances to customers	153,538.6	58.3%	146,391.3	60.2%	144,087.4	62.0%	4.9%	6.6%
Investment financial assets	49,158.3	18.7%	71,866.3	29.6%	70,048.9	30.1%	-31.6%	-29.8%
Buy-sell-back transactions and assets pledged as collateral	22,325.6	8.5%	987.8	0.4%	975.0	0.4%	2160.1%	2189.8%
Cash and operations with central banks	11,514.3	4.4%	8,438.3	3.5%	2,774.7	1.2%	36.5%	315.0%
Financial assets held for trading and hedging derivatives	10,750.6	4.1%	4,183.3	1.7%	3,180.4	1.4%	157.0%	238.0%
Loans and advances to banks	8,005.5	3.0%	2,690.3	1.1%	3,139.9	1.4%	197.6%	155.0%
Property, plant and equipment, intangible assets, goodwill and right-of-use assets	3,526.5	1.3%	3,654.9	1.5%	3,648.2	1.6%	-3.5%	-3.3%
Other assets [2]	4,575.7	1.7%	4,805.1	2.0%	4,538.7	1.9%	-4.8%	0.8%
Total	**263,395.1**	**100.0%**	**243,017.3**	**100.0%**	**232,393.2**	**100.0%**	**8.4%**	**13.3%**

1) *As of 1 January 2022, the Group changed the accounting policy rules for recognition of legal risk connected with foreign currency mortgage loans, which are now measured and presented in accordance with IFRS 9 (previously: IAS 37). The Group reduces the gross carrying amount of mortgage loans in line with IFRS 9. If there is no exposure to cover the estimated provision or the existing exposure is insufficient, the provision is recognised in accordance with IAS 37. The comparative data presented in the table have been restated in accordance with the revised accounting policy.*

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

In the above condensed statement of financial position as at 30 September 2022, net loans and advances to customers were the key item of the consolidated assets (58.3%). They totalled PLN 153,538.6m and increased by 4.9% compared to the end of December 2021 along with a rise in loans for business customers and the public sector and lease and factoring receivables.

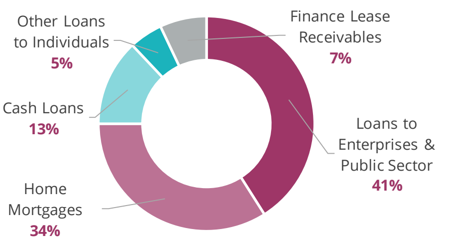
As part of ongoing liquidity management, the Group increased the level of term deposits, loans and current account balances disclosed under loans and advances to banks (+197.6%) as well as the volume of financial assets held for trading and hedging derivatives (+157.0%) on account of interest rate and FX trading derivatives, as well as cash and balances with the central bank (+36.5%). The Group's increased activity in the interbank repo market is reflected in assets under buy-sell-back transactions and assets pledged as collateral, which went up by PLN 21,337.8m over the nine months of 2022.

At the same time, the balance of investment financial assets decreased by 31.6% on account of a decline in the portfolio of debt investment securities measured at fair value through other comprehensive income, in which the Bank has invested liquidity surplus since 2020 by purchasing bonds issued or guaranteed by the State Treasury. As part of the above line item, on 1 April 2022 the Bank reclassified the portfolio of debt instruments hedging interest rate risk of PLN personal accounts to reflect the change in the business model applicable to those investments from "held to collect and for sale" (HTC&S) to "held to collect" (HTC). Accordingly, the Bank reclassified the specific debt securities measured at fair value through other comprehensive income of PLN 10.5bn and reversed the related fair value adjustment, derecognised the related tax income and recognised investment debt financial assets measured at amortised cost of PLN 12.4bn.

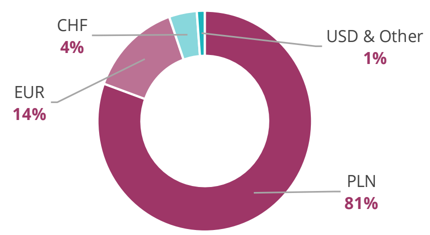
Credit portfolio

Loans and advances to customers in PLN m	30.09.2022	31.12.2021	30.09.2021	Change	Change
	1	2	3	1/2	1/3
Loans and advances to individuals	82,781.2	83,039.2	81,846.2	-0.3%	1.1%
Loans and advances to enterprises and the public sector	64,949.5	58,216.2	57,848.3	11.6%	12.3%
Finance lease receivables	11,693.1	10,937.9	10,654.3	6.9%	9.8%
Other	87.1	58.4	50.1	49.1%	73.9%
Total	**159,510.9**	**152,251.7**	**150,398.9**	**4.8%**	**6.1%**

PRODUCT STRUCTURE OF CONSOLIDATED LOANS & ADVANCES TO CUSTOMERS AS AT 30.09.2022



FX STRUCTURE OF CONSOLIDATED LOANS AND ADVANCES TO CUSTOMERS AS AT 30.09.2022

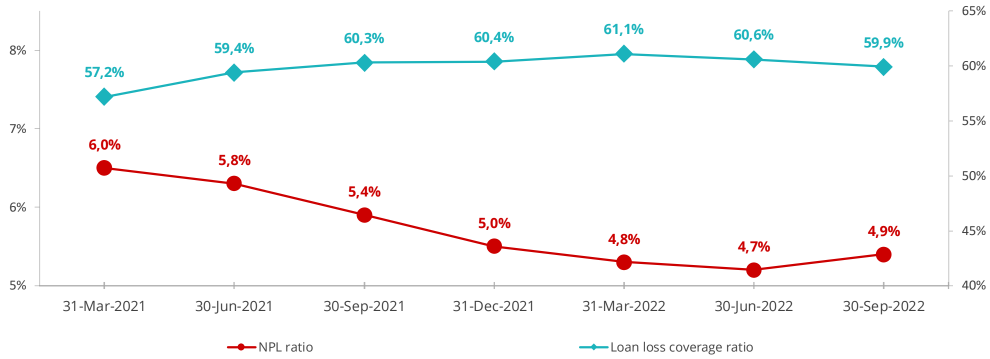


As at 30 September 2022, consolidated gross loans and advances to customers were PLN 159,510.9m and increased by 4.8% vs 31 December 2021. The portfolio includes loans and advances to customers measured at amortised cost of PLN 144,904.3m (+4.2%), loans and advances to customers measured at fair value through other comprehensive income of PLN 2,600.5m (+50.1%), loans and advances to customers measured at fair value through profit or loss of PLN 313.0m (-43.5%), and finance lease receivables of PLN 11,693.1m presented below.

The section below presents the Group's credit exposures by key portfolios:

- Compared with 31 December 2021, loans and advances to individuals were broadly stable and totalled PLN 82,781.2m (-0.3%). Home loans, which were the main contributor to this figure, totalled PLN 54,682.1m and were stable (-0.1%). Sales were comparable to the last year's levels, although they have been steadily decelerating compared with the very good start to 2022 due to a difficult macroeconomic environment (Russia's invasion of Ukraine and series of NBP interest rate hikes aimed to curb the increasing inflation). The second largest constituent item was cash loans, which totalled PLN 20,920.6m (+0.6%), with sales growing by 29.5% YoY.
- Loans and advances to enterprises and the public sector (including factoring receivables) went up by 11.6% to PLN 64,949.5m as a result of higher utilisation of overdrafts by customers from all business segments, and higher exposure on account of term loans in the Business and Corporate Banking segment and the Corporate and Investment Banking segment.
- Finance lease receivables of subsidiaries of Santander Bank Polska S.A. rose by 6.9% Ytd to PLN 11,693.1m, supported by growth in sales of machines and equipment and of vehicles.

CREDIT QUALITY RATIOS BY QUARTER IN 2021 AND 2022



The NPL ratio was 4.9% as at 30 September 2022 compared to 5.0% as at 31 December 2021 and 5.4% as at 30 September 2021. The provision coverage ratio for impaired loans was 59.9% compared with 60.4% as at 31 December 2021 and 60.3% as at 30 September 2021.

Structure of consolidated equity and liabilities

Liabilities and equity [1)] in PLN m (for analytical purposes)	30.09.2022	Structure 30.09.2022	31.12.2021	Structure 31.12.2021	30.09.2021	Structure 30.09.2021	Change	Change
	1	2	3	4	5	6	1/3	1/5
Deposits from customers	189,501.0	71.9%	185,373.5	76.3%	177,320.4	76.3%	2.2%	6.9%
Deposits from banks and sell-buy-back transactions	14,489.0	5.5%	4,910.4	2.0%	4,184.3	1.8%	195.1%	246.3%
Subordinated liabilities and debt securities in issue	14,352.8	5.4%	15,555.9	6.4%	13,689.3	5.9%	-7.7%	4.8%
Financial liabilities held for trading and hedging derivatives	11,790.1	4.5%	5,640.4	2.3%	4,017.7	1.7%	109.0%	193.5%
Other liabilities [2)]	4,415.7	1.7%	4,323.5	1.8%	4,193.1	1.8%	2.1%	5.3%
Total equity	28,846.5	11.0%	27,213.6	11.2%	28,988.4	12.5%	6.0%	-0.5%
Total	**263,395.1**	**100.0%**	**243,017.3**	**100.0%**	**232,393.2**	**100.0%**	**8.4%**	**13.3%**

1) *The comparative data presented in the table have been restated in accordance with the revised accounting policy related to recognition of legal risk connected with foreign currency mortgage loans.*
2) *Other liabilities include lease liabilities, current tax liabilities, deferred tax liabilities, provisions for off-balance sheet liabilities bearing credit risk, other provisions and other liabilities.*

As at 30 September 2022, deposits from customers totalled PLN 189,501.0m and were the largest constituent item of the Group's total equity and liabilities (71.9%) disclosed in its consolidated statement of financial position and the main source of funding for the Group's assets. During the first nine months of 2022, they went up by 2.2%.

An increase was also observed in financial liabilities held for trading and hedging derivatives (+109.0%), largely supported by interest rate and FX derivatives, and in deposits from banks and sell-buy-back transactions (+195.1%), reflecting the Group's increased activity in the sell-buy-back market.

Subordinated liabilities and liabilities in respect of debt securities in issue decreased by 7.7% during the first nine months of 2022 (with the latter item falling by 10.4% to PLN 11,474.4m), as a combined effect of the issue of debt instruments with a total nominal value of PLN 3,861.4m and redemption of PLN 5,636.6m worth of securities on their maturity dates. Under the EMTN Programme, the Bank issued fixed-coupon senior non-preferred notes with a nominal value of EUR 500m, which were taken up in full by Banco Santander S.A. The notes mature on 30 March 2024. Santander Leasing S.A. issued three series of 1-year bonds with a total nominal value of PLN 1,235m, a put option and an interest rate based on 3M WIBOR. The above issues are guaranteed by the Bank. Santander Factoring Sp. z o.o. issued 6-month bonds with a nominal value of PLN 150.0m and an interest rate based on 1M WIBOR. The contribution of Santander Consumer Bank Group to the Santander Bank Polska Group's securities issuing activity was PLN 151m by the nominal value.

Deposit base

Deposits by holders

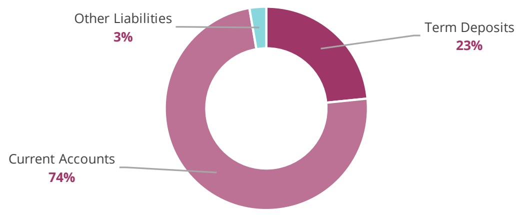
Deposits from customers in PLN m	30.09.2022	31.12.2021	30.09.2021	Change	Change
	1	2	3	1/2	1/3
Deposits from individuals	104,601.6	106,267.8	102,072.6	-1.6%	2.5%
Deposits from enterprises and the public sector	84,899.4	79,105.7	75,247.8	7.3%	12.8%
Total	**189,501.0**	**185,373.5**	**177,320.4**	**2.2%**	**6.9%**

As at 30 September 2022, consolidated deposits from customers totalled PLN 189,501.0m and increased by 2.2% over a high base built in 2020 and 2021 with funds deriving, among others, from state aid programmes aimed to contain the economic impact of the Covid-19 pandemic.

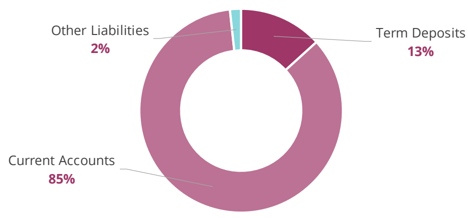
- The retail deposit base reached PLN 104,601.6m and declined by 1.6% compared to 31 December 2021. At the same time, its structure changed in favour of term deposits, which became a more attractive option to customers due to developments in the money market. Term deposits increased by 79.2% to PLN 25,232.1m, mainly due to the transfer of funds from savings accounts and current accounts (which fell by 30.1% to PLN 22.7bn and by 5.2% to PLN 56.4bn) and from investment funds, affected by downturn in the equity and bond markets and uncertainty around the geopolitical and macroeconomic situation.
- Deposits from enterprises and the public sector increased by 7.3% Ytd to PLN 84,899.4m as a consequence of an increase of 83.3% in term deposits to PLN 19,263.7m and a fall of 7.1% in current deposits to PLN 60,853.9m.

Deposits by tenors

STRUCTURE OF CONSOLIDATED CUSTOMER DEPOSITS AS AT 30.09.2022



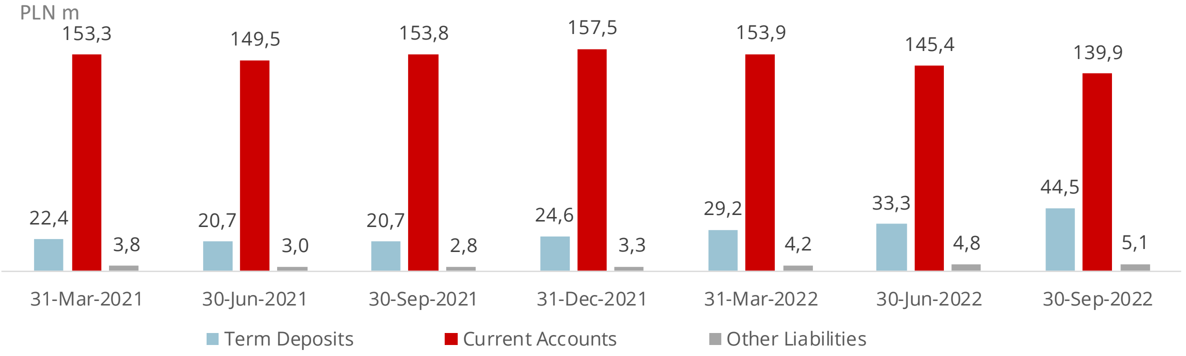
STRUCTURE OF CONSOLIDATED CUSTOMER DEPOSITS AS AT 31.12.2021



During the nine months of 2022, the Group's total term deposits from customers amounted to PLN 44,495.9m and increased by 81.0%. Current account balances fell by 11.1% to PLN 139,943.4m, and other liabilities were PLN 5,061.7m, up 53.7%.

Loans and advances from financial institutions (PLN 1,412.5m vs PLN 1,403.4m as at 31 December 2021) were one of the main components of other liabilities and were disclosed under deposits from enterprises, which included loans granted by international financial organisations (the European Investment Bank/ EIB, the European Bank for Reconstruction and Development/ EBRD and the Council of Europe Development Bank/ CEB) to finance the lending activity of the Bank and its subsidiaries. The year-to-date decrease under this heading results from repayment of loans, disbursement of EUR 75m worth of loan tranche under the agreement between Santander Leasing S.A. and the Council of Europe Development Bank and disbursement of USD 100m worth of loan under an agreement between Santander Factoring Sp. z o.o. and an international commercial bank.

TERM DEPOSITS AND CURRENT ACCOUNTS * AT QUARTER-ENDS OF 2021 AND 2022



* *Including savings accounts*

3. Selected Financial Ratios

Selected financial ratios of Santander Bank Polska Group	Q1-Q3 2022	Q1-Q3 2021 [11]
Total costs/Total income	41.9%	43.8%
Net interest income/Total income	76.9%	64.2%
Net interest margin [1]	4.10%	2.61%
Net fee and commission income/Total income	22.0%	28.0%
Net customer loans/Customer deposits	81.0%	81.3%
NPL ratio [2]	4.9%	5.4%
NPL coverage ratio [3]	59.9%	60.3%
Cost of credit risk [4]	0.55%	0.89%
ROE [5]	9.1%	4.1%
ROTE [6]	9.5%	4.9%
ROA [7]	0.8%	0.4%
Total capital ratio [8]	18.93%	20.38%
Tier 1 capital ratio [9]	17.16%	18.38%
Book value per share (PLN)	282.29	283.67
Earnings per share (PLN) [10]	18.55	8.98

1) *Net interest income annualised on a year-to-date basis (excluding interest income from the portfolio of debt securities held for trading and other exposures related to trading) to average net earning assets as at the end of consecutive quarters after the end of the year preceding a given accounting year (excluding financial assets held for trading, hedging derivatives, other exposures related to trading and other loans and advances to customers).*

2) *Lease receivables and gross loans and advances to customers measured at amortised cost and classified to stage 3 and POCI exposures to the total gross portfolio of such loans and advances and lease receivables as at the end of the reporting period.*

3) *Impairment allowances for loans and advances to customers measured at amortised cost and lease receivables classified to stage 3 and POCI exposures to gross value of such loans and advances and lease receivables as at the end of the reporting period.*

4) *Net expected credit loss allowances (for four consecutive quarters) to average gross loans and advances to customers measured at amortised cost and lease receivables (as at the end of the current reporting period and the end of the previous year).*

5) *Profit attributable to the parent's shareholders (for four consecutive quarters) to average equity (as at the end of the current reporting period and the end of the previous year), excluding non-controlling interests, current period profit, dividend reserve/ undistributed portion of the profit and recommended dividend.*

6) *Profit attributable to the parent's shareholders (for four consecutive quarters) to average tangible equity (as at the end of the current reporting period and the end of the previous year) defined as common equity attributable to the parent's shareholders less revaluation reserve, current year profit, recommended dividend, undistributed portion of the profit/ dividend reserve, intangible assets and goodwill.*

7) *Profit attributable to the parent's shareholders (for four consecutive quarters) to average total assets (as at the end of the current reporting period and the end of the previous year).*

8) *The capital ratio was calculated on the basis of own funds and total capital requirements established for the individual risk types by means of the standardised approach, in line with the CRD IV/CRR package.*

9) *Tier 1 capital ratio calculated as a quotient of Tier 1 capital and risk-weighted assets for credit, market and operational risk.*

10) *Net profit for the period attributable to shareholders of the parent divided by the average weighted number of ordinary shares.*

11) *Except for the NPL ratio and the NPL coverage ratio, all comparative ratios were calculated on the basis of data restated as a result of change of the accounting policy regarding recognition of legal risk of the foreign currency mortgage loan portfolio, effective as of 1 January 2022.*

CAPITAL RATIOS OF SANTANDER BANK POLSKA GROUP
AS AT 30 SEPTEMBER 2022, 31 DECEMBER 2021 AND 30 SEPTEMBER 2021

	Capital ratios of Santander Bank Polska Group	30.09.2022	31.12.2021 [1)]	30.09.2021
I	Total capital requirement	11,050.9	10,827.5	10,688.5
II	Capital and funds after deductions	26,151.9	25,778.9	27,231.2
	Total capital ratio [II/(I*12.5)]	**18.93%**	**19.05%**	**20.38%**
	Tier 1 capital ratio	**17.16%**	**17.10%**	**18.38%**

1) *Including profits allocated to own funds pursuant to the KNF decision.*

CAPITAL RATIOS OF SANTANDER BANK POLSKA S.A. AND SANTANDER CONSUMER BANK S.A.
AS AT 30 SEPTEMBER 2022, 31 DECEMBER 2021 AND 30 SEPTEMBER 2021

Capital ratios of Santander Bank Polska S.A.	30.09.2022	31.12.2021 [1)]	30.09.2021
Total capital ratio	21.28%	21.56%	23.45%
Tier 1 capital ratio	19.18%	19.23%	21.08%

1) *Including profits allocated to own funds pursuant to the KNF decision.*

Capital ratios of Santander Consumer Bank S.A.	30.09.2022	31.12.2021 [1)]	30.09.2021
Total capital ratio	27.84%	26.20%	28.00%
Tier 1 capital ratio	26.26%	24.70%	26.44%

1) *Including profits allocated to own funds pursuant to the KNF decision.*

4. Factors Which May Affect Financial Results in the Next Quarter and Beyond

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

- War between Russia and Ukraine, impact of sanctions and disruption in international trade. Migration flows. Limited supply of energy commodities.
- Potential further changes in the monetary policy of the ECB, the Federal Reserve and other main central banks aimed at fighting rising inflation.
- Continued elevated inflation.
- Further MPC decisions regarding interest rates.
- FX loans: decisions on settlements with customers and outcome of court proceedings.
- Payment deferrals – a possibility to suspend PLN mortgage debt repayments.
- Fluctuation in credit risk prices on the financial markets, also due to changes in geopolitical risks.
- Changes in bond yields which are a function of monetary and fiscal policy expectations.
- Changes in the demand for loans in the context of fluctuations in liquidity, rising rates and impact of the war.
- Changes in households' financial situation under the influence of labour market trends.
- Changes to customers' savings allocation decisions, impacted by expected yields from different asset classes as well as changes to the approach to saving and spending.
- Evolution of the global equity markets and its impact on the demand for investment funds and equities.
- Withholding of EU funds for Poland due to the ongoing dispute over the rule of law and the government's failure to meet the condition to restore judicial independence.

VI. Risk Management

1. Risk Management Priorities in 2022

Further development of risk management processes and tools

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 the management, analysis and use of data in tools and reports to support prompt, informed and secure decision-making leading to sustainable growth of business volumes.

Dealing with threats to business continuity

In Q3 2022, the Bank took further measures in terms of business continuity management in relation to the war in Ukraine. The special situations management committees take ongoing decisions regarding financial liquidity, legislative support, public programmes, cybersecurity, physical security, etc. New sanction regulations are constantly monitored and implemented and their impact on the Group's operations is regularly assessed. The appropriateness of response plans is tested (in terms of operational activities) in the case of escalation of the armed conflict in Ukraine. Furthermore, the Bank constantly monitors the impact of the geopolitical situation and the surge in prices of energy and energy commodities on credit risk.

Special focus is placed on cybersecurity due to the risk of cyberattacks, the need to enable a large number of the Bank's head office staff to work in a hybrid model (partial work from home), and significant 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 Group 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.

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.

Given that power suppliers set acceptable levels of power consumption for each stage of electricity supply to office facilities pursuant to the Regulation of the Council of Ministers on detailed rules and procedure for introducing restrictions in the sale of solid fuels and in the supply and uptake of electricity or heat of 8 November 2021 (Journal of Laws of 2021, item 2209) and taking into account the current geopolitical situation and climate issues, the limitation and/or disruption of electricity supply should be seen as one of the material risks to the Group's business continuity. The Group has not yet classified this risk as special situation; however, additional mitigants have been put in place.

Dealing with threats arising from deterioration of the macroeconomic situation

Further deterioration of the macroeconomic conditions is observed, notably rising inflation (higher interest rates, 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 (based on comprehensive management information and portfolio stress tests). As at the date of this report, the quality of the credit portfolio was assessed as satisfactory. The Group prepares action plans in case the market situation adversely affects the financial performance of business customers. The Bank keeps the additional management provision raised in June 2022 to account for the expected deterioration in the quality of the corporate loans portfolio, notably companies with a high debt level.

Given the current macroeconomic situation, the Group reviewed its credit portfolio and identified the companies with high exposure whose financial standing may be adversely affected by the rise in energy prices. This portfolio is monitored on an ongoing basis and relevant strategies towards such customers are prepared. The Group expects that the macroeconomic conditions and changeable legal environment may negatively affect the risk level of the portfolio in a medium- to long-term perspective.

To assess the negative impact of the above risk factors on individual corporate customers, the Group conducts periodical analyses to identify an increase in credit risk.

2. Material Risk Factors Expected in the Next Quarter

The Group expects that the macroeconomic situation will further deteriorate in Q4 2022. The negative market trends observed since H2 2021 (increasing interest rates and production costs related to prices of commodities, energy, gas and fuel, as well as new restrictions and requirements connected with sanctions imposed in relation to the war in Ukraine) and changing legal environment are expected to adversely affect the financial results of businesses. Therefore, the Group will continue to closely monitor the portfolio and market conditions to promptly and appropriately adjust the credit policy to economic developments.

As the state of the Covid-19 epidemic was lifted in Poland in May 2022 and the state of epidemic threat was declared, the quality of the credit portfolio is not expected to deteriorate for that reason. Nonetheless, the past experience prompts the Group to stay alert during autumn and winter due to a potential increase in the number of cases and possible restrictions which might adversely affect the profitability of some economic sectors. The Group monitors the situation on an ongoing basis and will respond appropriately, based on the lessons learned from the pandemic.

The Group will continue to monitor court decisions in cases relating to loans indexed to or denominated in foreign currency, and will regularly assess the adequacy of provisions raised for individual cases and collective costs of legal risk. It will also constantly monitor the use of payment deferrals by mortgage borrowers. In Q3 2022, the Group recognised an estimated impact of the above solution on its financial performance. If the assumptions regarding the use of payment deferrals are exceeded, the above financial impact will be revised in Q4 2022.

In Q3 2022, interest rates were further increased (with NBP reference rate reaching 6.75% at the end of September), which positively contributed to the Group's net interest income. At the same time, measures were put in place to limit the sensitivity of the bond portfolio to interest rate changes. A part of the portfolio was hedged with IRS transactions, as a result of which changes in the valuation of bonds in Q3 2022 were less significant than in H1 2022 despite the continued high volatility of market rates.

Increasing competition in the deposit market observed since Q2 2022 causes a rise in the Bank's interest expense and puts a pressure on deposit balances, notably in the retail segment. The costs of deposits can be expected to continue to grow in Q4 2022.

Cyber risk remains one of the key risks to the banking and financial sector. This relates both to human behaviour and technological aspects. The key threats include the loss or theft of sensitive data, disruption of key services, attacks against customer assets and fraudulent transactions in the wake of the dynamic growth of modern IT technologies, digital transformation and globalisation.

Cyber attacks have become more sophisticated and specialised. Particularly popular are attacks based on new technologies offered by cybercriminals under a service model. In response to those threats, the 2022–2023 Cybersecurity and Financial Crime Prevention Strategy of Santander Bank Polska Group was developed, and specific mitigants were included in the Cybersecurity Transformation Plan.

VII. Other Information

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

As at the release dates of the financial reports for the periods ended 30 September 2022, 30 June 2022 and 31 December 2021, no member of the Supervisory Board held any shares of Santander Bank Polska S.A.

The table below shows shares of Santander Bank Polska S.A. held by Management Board members as at the release dates of the above-mentioned reports.

Management Board Members as at 30.09.2022	26.10.2022	28.07.2022	23.02.2022
	Number of shares of Santander Bank Polska S.A.		
Michał Gajewski	4,795	4,795	4,795
Andrzej Burliga	1,884	1,884	1,884
Lech Gałkowski	951	951	951
Patryk Nowakowski [1)]	-	-	-
Carlos Polaino Izquierdo [1)]	-	-	3,126
Juan de Porras Aguirre	3,379	3,379	3,379
Arkadiusz Przybył	2,999	2,999	2,999
Maciej Reluga	2,301	2,301	2,301
Dorota Strojkowska	2,732	2,732	2,732
Total	**19,041**	**19,041**	**22,167**

1) *Patryk Nowakowski and Carlos Polaino Izquierdo disposed of their entire holdings of Santander Bank Polska shares on 24 November 2021 and 10 March 2022, respectively.*

Major awards, distinctions and positions in rankings

Award	Receipt date	Area awarded in Q3 2022
Technology competitions Technobusiness 2022	July 2022	Third place in the Banking category of the Technobusiness 2022 competition organised by *Gazeta Bankowa* for Poland's first GTS platform: One Trade Portal, enabling customers to check the status of a payment sent via the SWIFT network and fees collected by banks participating in transactions.
Euromoney Awards for Excellence	July 2022	Title of the best bank for corporate responsibility in Central and Eastern Europe in this year's edition of Euromoney Awards for Excellence in recognition of the Bank's support for Ukrainian refugees, including UNHCR Cash Assistance (an innovative solution based on BLIK cheques, facilitating the distribution of financial aid for Ukrainian refugees).
Business Protector 2022	July 2022	Special award for the best cooperating institution in the Business Protector programme granted by the National Contact Point for Financial Instruments of the EU Programmes of the Polish Bank Association for the support provided by the Bank to business customers to contain the financial impact of the pandemic.
e-Commerce Polska Awards 2022	September 2022	Award for development and implementation of BLIK cheques as an innovative tool for distribution of humanitarian aid for Ukrainian refugees.

Condensed Interim Consolidated Financial Statements of Santander Bank Polska Group for the 9-month period ended 30 September 2022

In thousands PLN

I. Condensed consolidated income statement

for the period:		1.07.2022-30.09.2022	1.01.2022-30.09.2022	1.07.2021-30.09.2021* restated	1.01.2021-30.09.2021* restated
Interest income and similar to interest		**2 589 494**	**8 491 047**	**1 532 526**	**4 518 476**
Interest income on financial assets measured at amortised cost		1 853 098	6 524 349	1 247 077	3 641 712
Interest income on financial assets measured at fair value through other comprehensive income		515 658	1 443 583	201 680	631 676
Income similar to interest on financial assets measured at fair value through profit or loss		26 710	61 399	3 186	10 506
Income similar to interest on finance leases		194 028	461 716	80 583	234 582
Interest expense		**(948 791)**	**(1 671 550)**	**(89 113)**	**(288 528)**
Net interest income	Note 4	**1 640 703**	**6 819 497**	**1 443 413**	**4 229 948**
Fee and commission income		805 788	2 382 314	758 226	2 196 196
Fee and commission expense		(139 986)	(435 084)	(123 373)	(349 989)
Net fee and commission income	Note 5	**665 802**	**1 947 230**	**634 853**	**1 846 207**
Dividend income		1 343	10 262	1 392	104 216
Net trading income and revaluation	Note 6	35 423	65 654	45 044	173 816
Gains (losses) from other financial securities	Note 7	(8 284)	(41 480)	55 240	119 606
Gain/loss on derecognition of financial instruments measured at amortised cost		(43 768)	(82 679)	482	1 993
Other operating income	Note 8	62 342	148 311	25 843	109 629
Impairment allowances for expected credit losses	Note 9	(341 288)	(570 821)	(223 561)	(850 487)
Cost of legal risk associated with foreign currency mortgage loans	Note 29	(122 903)	(1 070 282)	(108 141)	(844 666)
Operating expenses incl.:		(1 179 317)	(3 711 409)	(925 584)	(2 887 642)
-Staff, operating expenses and management costs	Note 10,11	(989 148)	(3 178 426)	(735 577)	(2 338 429)
-Amortisation of property, plant and equipment and Intangible assets		(92 219)	(279 347)	(100 045)	(298 993)
-Amortisation of right of use asset		(37 632)	(114 195)	(44 210)	(136 947)
-Other operating expenses	Note 12	(60 318)	(139 441)	(45 752)	(113 273)
Share in net profits (loss) of entities accounted for by the equity method		23 959	60 009	18 096	57 372
Tax on financial institutions		(202 781)	(570 367)	(149 589)	(450 094)
Profit before tax		**531 231**	**3 003 925**	**817 488**	**1 609 898**
Corporate income tax	Note 13	(209 505)	(941 934)	(212 657)	(566 687)
Consolidated profit for the period		**321 726**	**2 061 991**	**604 831**	**1 043 211**
of which:					
-attributable to owners of the parent entity		279 383	1 895 773	543 829	918 126
-attributable to non-controlling interests		42 343	166 218	61 002	125 085
Net earnings per share					
Basic earnings per share (PLN/share)		2,73	18,55	5,32	8,98
Diluted earnings per share (PLN/share)		2,73	18,55	5,32	8,98

*Details in note 2.5.

In thousands PLN

II. Condensed consolidated statement of comprehensive income

for the period:	1.07.2022-30.09.2022	1.01.2022-30.09.2022	1.07.2021-30.09.2021	1.01.2021-30.09.2021
Consolidated profit for the period	**321 726**	**2 061 991**	**604 831**	**1 043 211**
Items that will be reclassified subsequently to profit or loss:	**51 125**	**(66 831)**	**(355 899)**	**(828 270)**
Revaluation and sales of debt financial assets measured at fair value through other comprehensive income gross*	126 537	297 958	(417 265)	(1 042 190)
Deferred tax	(24 042)	(56 612)	79 280	198 016
Revaluation of cash flow hedging instruments gross	(63 419)	(380 465)	(22 115)	19 635
Deferred tax	12 049	72 288	4 201	(3 731)
Items that will not be reclassified subsequently to profit or loss:	**7 789**	**3 050**	**28 548**	**410 992**
Revaluation of equity financial assets measured at fair value through other comprehensive income gross	44	(5 806)	33 890	506 067
Deferred and current tax	(8)	1 103	(6 438)	(96 171)
Provision for retirement benefits – actuarial gains/losses gross	9 571	9 571	1 353	1 353
Deferred tax	(1 818)	(1 818)	(257)	(257)
Total other comprehensive income, net	**58 914**	**(63 781)**	**(327 351)**	**(417 278)**
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD	**380 640**	**1 998 210**	**277 480**	**625 933**
Total comprehensive income attributable to:				
- owners of the parent entity	332 290	1 863 809	216 153	511 544
- non-controlling interests	48 350	134 401	61 327	114 389

* in the reporting period the Bank changed the classification of specific bonds portfolio - details in note 18

In thousands PLN

III. Condensed consolidated statement of financial position

	as at:	30.09.2022	31.12.2021* restated	01.01.2021* restated
ASSETS				
Cash and balances with central banks	Note 14	11 514 275	8 438 275	5 489 303
Loans and advances to banks	Note 15	8 005 479	2 690 252	2 926 522
Financial assets held for trading	Note 16	9 827 586	4 020 117	3 182 769
Hedging derivatives		923 063	163 177	7 654
Loans and advances to customers incl.:	Note 17	153 538 643	146 391 345	141 436 291
- measured at amortised cost		139 204 303	133 378 724	129 357 246
- measured at fair value through other comprehensive income		2 594 431	1 729 848	1 556 791
- measured at fair value through profit and loss		312 994	553 830	892 226
- from finance leases		11 426 915	10 728 943	9 630 028
Buy-sell-back transactions		14 282 007	453 372	293 583
Investment securities incl.:	Note 18	49 158 286	71 866 260	66 783 434
- debt securities measured at fair value through other comprehensive income**		34 072 379	70 064 796	65 700 052
- debt securities measured at fair value through profit and loss		62 445	116 977	110 155
- debt investment securities measured at amortised cost**		14 785 144	1 421 272	-
- equity securities measured at fair value through other comprehensive income		177 460	259 788	857 331
- equity securities measured at fair value through profit and loss		60 858	3 427	115 896
Assets pledged as collateral		8 043 599	534 437	657 664
Investments in associates	Note 19	897 323	932 740	998 397
Intangible assets		655 551	692 802	708 356
Goodwill		1 712 056	1 712 056	1 712 056
Property, plant and equipment		639 154	732 909	803 429
Right of use assets		519 746	517 102	710 657
Current income tax assets		17 404	216 884	-
Net deferred tax assets		2 275 640	2 383 710	1 996 552
Fixed assets classified as held for sale		4 875	4 817	11 901
Other assets		1 380 455	1 267 009	1 030 287
Total assets		**263 395 142**	**243 017 264**	**228 748 855**

* details are described in Note 2.5

** in the reporting period the Bank changed the classification of specific bonds portfolio - details in note 18

In thousands PLN

as at:		30.09.2022	31.12.2021* restated	01.01.2021* restated
LIABILITIES AND EQUITY				
Deposits from banks	Note 20	6 391 477	4 400 138	5 373 312
Hedging derivatives		2 478 269	1 762 334	1 775 098
Financial liabilities held for trading	Note 16	9 311 850	3 878 081	3 030 340
Deposits from customers	Note 21	189 500 975	185 373 443	171 522 255
Sell-buy-back transactions		8 097 478	510 277	653 687
Subordinated liabilities	Note 22	2 878 394	2 750 440	2 754 605
Debt securities in issue	Note 23	11 474 406	12 805 462	11 241 312
Lease liabilities		463 800	452 499	624 690
Current income tax liabilities		-	-	79 049
Deffered tax liability		174	-	-
Provisions for off balance sheet credit facilities	Note 24	62 316	60 811	64 541
Other provisions	Note 25	621 702	499 913	389 661
Other liabilities	Note 26	3 267 759	3 310 290	2 582 315
Total liabilities		234 548 600	215 803 688	200 090 865
Equity				
Equity attributable to owners of the parent entity		27 106 503	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		(1 439 590)	(1 354 715)	1 839 292
Retained earnings		1 770 027	2 574 474	1 799 404
Profit for the period		1 895 773	1 111 684	1 037 167
Non-controlling interests in equity		1 740 039	1 681 896	1 663 240
Total equity		28 846 542	27 213 576	28 657 990
Total liabilities and equity		**263 395 142**	**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 - 30.09.2022	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	-	-	(31 964)	1 895 773	1 863 809	134 401	1 998 210
Consolidated profit for the period	*-*	*-*	*-*	*1 895 773*	*1 895 773*	*166 218*	*2 061 991*
Other comprehensive income	*-*	*-*	*(31 964)*	*-*	*(31 964)*	*(31 817)*	*(63 781)*
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	-	-	(15 119)	-	(15 119)	-	(15 119)
As at the end of the period	**1 021 893**	**23 858 400**	**(1 439 590)**	**3 665 800**	**27 106 503**	**1 740 039**	**28 846 542**

As at the end of the period revaluation reserve in the amount of PLN (1,439,590) k comprises: revaluation of debt securities in the amount of PLN (1,243,778) k, revaluation of equity securities in the amount of PLN 121,563 k, revaluation of cash flow hedge activities in the amount of PLN (337,875) k and accumulated actuarial gains - provision for retirement allowances of PLN 20,500 k.

Consolidated statement of changes in equity 1.01.2021 - 30.09.2021	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	-	-	(406 582)	918 126	511 544	114 389	625 933
Consolidated profit for the period	*-*	*-*	*-*	*918 126*	*918 126*	*125 085*	*1 043 211*
Other comprehensive income	*-*	*-*	*(406 582)*	*-*	*(406 582)*	*(10 696)*	*(417 278)*
Profit allocation to other reserve capital	-	1 110 963	-	(1 110 963)	-	-	-
Interim dividend	-	(220 729)	-	-	(220 729)	-	(220 729)
Profit allocation to dividends	-	-	-	-	-	(68 155)	(68 155)
Transfer of revaluation of equity financial assets measured at fair value through other comprehensive income	-	-	140	(140)	-	-	-
Other changes	-	(8 884)	(6 660)	8 884	(6 660)	-	(6 660)
As at the end of the period	**1 021 893**	**22 178 344**	**1 426 190**	**2 652 478**	**27 278 905**	**1 709 474**	**28 988 379**

As at the end of the period revaluation reserve in the amount of PLN 1,426,190 k comprises: revaluation of debt securities in the amount of PLN 414,848 k, revaluation of equity securities in the amount of PLN 993,675 k, revaluation of cash flow hedge activities in the amount of PLN 8,758 k and accumulated actuarial gains - provision for retirement allowances of PLN 8,909 k.

In thousands PLN

V. Condensed consolidated statement of cash flows

for the period:	1.01.2022-30.09.2022	1.01.2021-30.09.2021* restated
Cash flows from operating activities		
Profit before tax	**3 003 925**	**1 609 898**
Adjustments for:		
Share in net profits of entities accounted for by the equity method	(60 009)	(57 372)
Depreciation/amortisation	393 542	435 941
Net gains on investing activities	12 206	(98 536)
Interest accrued excluded from operating activities	(1 077 221)	(392 205)
Dividends	(86 094)	(215 718)
Impairment losses (reversal)	4 546	31 396
Changes in:		
Provisions	123 294	55 694
Financial assets / liabilities held for trading	(404 016)	(507 945)
Assets pledged as collateral	377 710	113 111
Hedging derivatives	(12 338)	(193 163)
Loans and advances to banks	(420 839)	(76 992)
Loans and advances to customers	(13 213 867)	(6 598 441)
Deposits from banks	2 165 590	(1 256 798)
Deposits from customers	5 260 328	7 332 289
Buy-sell/ Sell-buy-back transactions	7 455 819	(135 498)
Other assets and liabilities	179 165	84 614
Interest received on operating activities	6 455 487	3 924 457
Interest paid on operating activities	(1 491 398)	(93 072)
Paid income tax	(615 703)	(719 834)
Net cash flows from operating activities	**8 050 127**	**3 241 826**
Cash flows from investing activities		
Inflows	**13 067 105**	**12 396 386**
Sale/maturity of investment securities	12 201 787	11 289 902
Sale of intangible assets and property, plant and equipment	35 300	74 790
Dividends received	86 094	215 718
Interest received	743 924	815 976
Outflows	**(3 666 956)**	**(18 476 487)**
Purchase of investment securities	(3 468 090)	(18 236 256)
Purchase of intangible assets and property, plant and equipment	(198 866)	(240 231)
Net cash flows from investing activities	**9 400 149**	**(6 080 101)**
Cash flows from financing activities		
Inflows	**8 839 623**	**11 126 675**
Debt securities in issue	3 861 350	6 870 000
Drawing of loans	4 978 273	4 256 675
Outflows	**(11 487 198)**	**(13 724 080)**
Debt securities buy out	(5 636 619)	(7 176 644)
Repayment of loans and advances	(5 060 931)	(6 191 286)
Repayment of lease liabilities	(129 738)	(143 697)
Dividends to shareholders	(350 125)	(68 155)
Interest paid	(309 785)	(144 298)
Net cash flows from financing activities	**(2 647 575)**	**(2 597 405)**
Total net cash flows	**14 802 701**	**(5 435 680)**
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	**33 149 069**	**8 196 565**

* details are described in Note 2.5

In thousands PLN

VI. Condensed income statement

for the period	1.07.2022-30.09.2022	1.01.2022-30.09.2022	1.07.2021-30.09.2021* restated	1.01.2021-30.09.2021* restated
Interest income and similar to income	**1 962 975**	**6 828 557**	**1 125 958**	**3 336 896**
Interest income on financial assets measured at amortised cost	1 480 253	5 435 143	924 813	2 705 448
Interest income on financial assets measured at fair value through other comprehensive income	461 876	1 346 447	198 857	623 258
Income similar to interest on financial assets measured at fair value through profit or loss	20 846	46 967	2 288	8 190
Interest expense	**(721 523)**	**(1 207 522)**	**(51 584)**	**(168 890)**
Net interest income	**1 241 452**	**5 621 035**	**1 074 374**	**3 168 006**
Fee and commission income	692 845	2 032 407	616 858	1 793 820
Fee and commission expense	(96 423)	(293 141)	(80 239)	(224 152)
Net fee and commission income	**596 422**	**1 739 266**	**536 619**	**1 569 668**
Dividend income	1 077	171 864	1 316	270 543
Net trading income and revaluation	35 235	54 069	43 057	165 272
Gains (losses) from other financial securities	(7 399)	(40 404)	56 726	114 908
Gain/loss on derecognition of financial instruments measured at amortised cost	(43 768)	(82 679)	482	1 993
Other operating income	18 385	45 391	5 425	43 820
Impairment losses on loans and advances	(228 279)	(464 183)	(148 331)	(640 717)
Cost of legal risk associated with foreign currency mortgage loans	(124 759)	(923 165)	(82 257)	(680 143)
Operating expenses incl.:	(960 093)	(3 119 779)	(760 896)	(2 371 040)
-Staff, operating expenses and management costs	(824 284)	(2 728 413)	(603 611)	(1 914 880)
-Amortisation of property, plant and equipment and Intangible assets	(80 049)	(243 570)	(89 675)	(270 020)
-Amortisation of right of use asset	(31 140)	(94 415)	(36 527)	(111 739)
-Other operating expenses	(24 620)	(53 381)	(31 083)	(74 401)
Tax on financial institutions	(195 611)	(548 648)	(142 331)	(427 210)
Profit before tax	**332 662**	**2 452 767**	**584 184**	**1 215 100**
Corporate income tax	(158 855)	(802 750)	(158 486)	(442 317)
Profit for the period	**173 807**	**1 650 017**	**425 698**	**772 783**
Net earnings per share	**-**	**-**	**-**	**-**
Basic earnings per share (PLN/share)	1,70	16,15	4,16	7,56
Diluted earnings per share (PLN/share)	1,70	16,15	4,16	7,56

*Details in note 2.5.

In thousands PLN

VII. Condensed statement of comprehensive income

for the period:	1.07.2022-30.09.2022	1.01.2022-30.09.2022	1.07.2021-30.09.2021	1.01.2021-30.09.2021
Profit for the period	**173 807**	**1 650 017**	**425 698**	**772 783**
Items that will be reclassified subsequently to profit or loss:	**37 440**	**14 046**	**(356 625)**	**(801 444)**
Revaluation and sales of debt financial assets measured at fair value through other comprehensive income gross*	114 789	393 067	(419 710)	(1 013 469)
Deferred tax	(21 810)	(74 683)	79 745	192 559
Revaluation of cash flow hedging instruments gross	(68 567)	(375 726)	(20 568)	24 032
Deferred tax	13 028	71 388	3 908	(4 566)
Items that will not be reclassified subsequently to profit or loss:	**6 455**	**(8 272)**	**23 301**	**379 236**
Revaluation of equity financial assets measured at fair value through other comprehensive income gross	44	(18 137)	27 519	466 969
Deferred and current tax	(8)	3 446	(5 228)	(88 743)
Provision for retirement benefits – actuarial gains/losses gross	7 925	7 925	1 247	1 247
Deferred tax	(1 506)	(1 506)	(237)	(237)
Total other comprehensive income, net	**43 895**	**5 774**	**(333 324)**	**(422 208)**
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD	**217 702**	**1 655 791**	**92 374**	**350 575**

* in the reporting period the Bank changed the classification of specific bonds portfolio - details in note 18

In thousands PLN

VIII. Condensed statement of financial position

as at:	30.09.2022	31.12.2021* restated	01.01.2021* restated
ASSETS			
Cash and balances with central banks	11 409 623	8 167 900	5 369 638
Loans and advances to banks	8 071 231	2 743 994	2 918 962
Financial assets held for trading	9 827 619	4 020 966	3 218 460
Hedging derivatives	923 063	163 043	6 901
Loans and advances to customers incl.:	134 669 665	123 979 402	118 660 194
- measured at amortised cost	131 854 807	121 798 998	116 368 885
- measured at fair value through other comprehensive income	2 594 431	1 729 848	1 556 791
- measured at fair value through profit and loss	220 427	450 556	734 518
Buy-sell-back transactions	14 282 007	453 372	293 583
Investment securities incl.:	45 584 570	68 865 411	64 355 667
- debt securities measured at fair value through other comprehensive income	30 508 888	67 138 415	63 312 701
- debt securities measured at fair value through profit and loss	60 713	113 733	106 639
- debt investment securities measured at amortised cost	14 785 144	1 421 272	-
- equity securities measured at fair value through other comprehensive income	173 983	191 991	823 633
- equity securities measured at fair value through profit and loss	55 842	-	112 694
Assets pledged as collateral	7 886 872	21 462	14 392
Investments in subsidiaries and associates	2 377 407	2 377 407	2 377 407
Intangible assets	549 240	590 959	628 643
Goodwill	1 688 516	1 688 516	1 688 516
Property, plant and equipment	457 963	545 431	576 975
Right of use asset	463 138	460 682	642 396
Current income tax assets	11 274	212 204	-
Net deferred tax assets	1 458 540	1 568 080	1 199 689
Fixed assets classified as held for sale	4 308	4 308	4 308
Other assets	979 554	852 009	767 587
Total assets	**240 644 590**	**216 715 146**	**202 723 318**

* details are described in Note 2.5

** in the reporting period the Bank changed the classification of specific bonds portfolio - details in note 18

In thousands PLN

as at:	30.09.2022	31.12.2021* restated	01.01.2021* restated
LIABILITIES AND EQUITY			
Deposits from banks	3 327 854	1 337 573	2 993 349
Hedging derivatives	2 275 045	1 641 824	1 686 042
Financial liabilities held for trading	9 321 483	3 880 926	3 053 416
Deposits from customers	178 831 140	175 354 581	161 133 491
Sell-buy-back transactions	7 920 343	21 448	14 387
Subordinated liabilities	2 775 257	2 649 991	2 654 394
Debt securities in issue	7 372 926	4 660 882	2 772 351
Lease liabilities	562 952	556 169	712 304
Current income tax liabilities	-	-	138 782
Provisions for off balance sheet credit facilities	74 550	73 130	74 436
Other provisions	451 728	339 907	253 493
Other liabilities	2 522 036	2 371 363	1 814 029
Total liabilities	215 435 314	192 887 794	177 300 474
Equity			
Share capital	1 021 893	1 021 893	1 021 893
Other reserve capital	22 305 509	20 790 808	20 273 125
Revaluation reserve	(1 305 273)	(1 311 047)	1 819 661
Retained earnings	1 537 130	2 409 820	1 569 753
Profit for the period	1 650 017	915 878	738 412
Total equity	25 209 276	23 827 352	25 422 844
Total liabilities and equity	**240 644 590**	**216 715 146**	**202 723 318**

* details are described in Note 2.5

In thousands PLN

IX. Condensed statement of changes in equity

Statement of changes in equity 1.01.2022 - 30.09.2022	Share capital	Other reserve capital	Revaluation reserve	Retained earnings and profit for the period	Total
As at the beginning of the period	**1 021 893**	**20 790 808**	**(1 311 047)**	**3 325 698**	**23 827 352**
Total comprehensive income	-	-	5 774	1 650 017	1 655 791
Profit for the period	*-*	*-*	*-*	*1 650 017*	*1 650 017*
Other comprehensive income	*-*	*-*	*5 774*	*-*	*5 774*
Profit allocation to other reserve capital	-	1 514 701	-	(1 514 701)	-
Profit allocation to dividends	-	-	-	(273 867)	(273 867)
As at the end of the period	**1 021 893**	**22 305 509**	**(1 305 273)**	**3 187 147**	**25 209 276**

As at the end of the period revaluation reserve in the amount of PLN (1,305,273) k comprises: revaluation of debt securities in the amount of PLN (1,117,992) k, revaluation of equity securities in the amount of PLN 120,195 k, revaluation of cash flow hedge activities in the amount of PLN (326,033) k and accumulated actuarial gains - provision for retirement allowances of PLN 18,557 k.

Statement of changes in equity 1.01.2021 - 30.09.2021	Share capital	Other reserve capital	Revaluation reserve	Retained earnings and profit for the period	Total
As at the beginning of the period	**1 021 893**	**20 273 125**	**1 819 661**	**2 308 165**	**25 422 844**
Total comprehensive income	-	-	(422 208)	772 783	350 575
Profit for the period	*-*	*-*	*-*	*772 783*	*772 783*
Other comprehensive income	*-*	*-*	*(422 208)*	*-*	*(422 208)*
Profit allocation to other reserve capital	-	738 412	-	(738 412)	-
Interim dividend	-	(220 729)	-	-	(220 729)
Transfer of revaluation of equity financial assets measured at fair value through other comprehensive income	-	-	100	(100)	-
As at the end of the period	**1 021 893**	**20 790 808**	**1 397 553**	**2 342 436**	**25 552 690**

As at the end of the period revaluation reserve in the amount of PLN 1,397,553 k comprises: revaluation of debt securities in the amount of PLN 420,032 k, revaluation of equity securities in the amount of PLN 960,500 k, revaluation of cash flow hedge activities in the amount of PLN 8,617 k and accumulated actuarial gains - provision for retirement allowances of PLN 8,404 k.

In thousands PLN

X. Condensed statement of cash flows

for the period	1.01.2022-30.09.2022	1.01.2021-30.09.2021* restated
Cash flows from operating activities		
Profit before tax	**2 452 767**	**1 215 100**
Adjustments for:		
Depreciation/amortisation	337 985	381 759
Net gains on investing activities	8 306	(89 651)
Interest accrued excluded from operating activities	(1 256 396)	(439 138)
Dividends	(170 936)	(268 791)
Impairment losses (reversal)	6 902	31 395
Changes in:		
Provisions	113 241	63 771
Financial assets / liabilities held for trading	(396 412)	(499 220)
Assets pledged as collateral	21 462	14 392
Hedging derivatives	(72 233)	(158 058)
Loans and advances to banks	(415 584)	4 232
Loans and advances to customers	(15 302 062)	(4 332 259)
Deposits from banks	2 051 629	(1 395 945)
Deposits from customers	4 472 506	7 562 504
Buy-sell/ Sell-buy-back transactions	7 766 085	(7 172)
Other assets and liabilities	236 182	80 476
Interest received on operating activities	4 970 336	2 745 024
Interests paid on operating activities	(1 264 397)	(88 151)
Paid income tax	(493 634)	(626 782)
Net cash flows from operating activities	**3 065 747**	**4 193 486**
Cash flows from investing activities		
Inflows	**12 390 448**	**11 464 561**
Sale/maturity of investment securities	11 562 865	10 354 450
Sale of intangible assets and property, plant and equipment	22 432	33 315
Dividends received	170 936	268 791
Interest received	634 215	808 005
Outflows	**(2 292 993)**	**(17 143 734)**
Purchase of investment securities	(2 151 650)	(16 969 534)
Purchase of intangible assets and property, plant and equipment	(141 343)	(174 200)
Net cash flows from investing activities	**10 097 455**	**(5 679 173)**
Cash flows from financing activities		
Inflows	**2 325 350**	**-**
Debt securities in issue	2 325 350	-
Outflows	**(510 291)**	**(3 728 837)**
Debt securities buy out	-	(2 294 798)
Repayment of loans and advances	(48 855)	(1 229 510)
Repayment of lease liabilities	(112 766)	(121 792)
Dividends to shareholders	(273 867)	-
Interest paid	(74 803)	(82 737)
Net cash flows from financing activities	**1 815 059**	**(3 728 837)**
Total net cash flows	**14 978 261**	**(5 214 524)**
Cash and cash equivalents at the beginning of the accounting period	**18 029 977**	**13 411 198**
Cash and cash equivalents at the end of the accounting period	**33 008 238**	**8 196 674**

* details are described in Note 2.5

XI. 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 9-month period ended 30 September 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 30.09.2022	[%] 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 30.09.2022, 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 30.09.2022	[%] 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.

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 - 30.09.2021			
	before	adjustment (1)	adjustment (2)	after
Interest income and similar to interest	**4 520 469**	**-**	**(1 993)**	**4 518 476**
Interest income on financial assets measured at amortised cost	3 878 287	-	(236 575)	3 641 712
Interest income on financial assets measured at fair value through other comprehensive income	631 676	-	-	631 676
Income similar to interest on financial assets measured at fair value through profit or loss	10 506	-	-	10 506
Income similar to interest on finance leases	-	-	234 582	234 582
Interest expense	**(288 528)**	**-**	**-**	**(288 528)**
Net interest income	**4 231 941**	**-**	**(1 993)**	**4 229 948**
Fee and commission income	2 196 196	-	-	2 196 196
Fee and commission expense	(349 989)	-	-	(349 989)
Net fee and commission income	**1 846 207**	**-**	**-**	**1 846 207**
Dividend income	104 216	-	-	104 216
Net trading income and revaluation	173 816	-	-	173 816
Gains (losses) from other financial securities	119 606	-	-	119 606
Gains (losses) on derecognition of financial instruments measured at amortised cost	-	-	1 993	1 993
Other operating income	166 272	(56 643)	-	109 629
Impairment allowances for expected credit losses	(850 487)	-	-	(850 487)
Cost of legal risk associated with foreign currency mortgage loans	-	(844 666)	-	(844 666)
Operating expenses incl.:	(3 788 951)	901 309	-	(2 887 642)
-Staff, operating expenses and management costs	(2 338 429)	-	-	(2 338 429)
-Amortisation of property, plant and equipment and Intangible assets	(298 993)	-	-	(298 993)
-Amortisation of right of use asset	(136 947)	-	-	(136 947)
-Other operating expenses	(1 014 582)	901 309	-	(113 273)
Share in net profits (loss) of entities accounted for by the equity method	57 372	-	-	57 372
Tax on financial institutions	(450 094)	-	-	(450 094)
Profit before tax	**1 609 898**	**-**	**-**	**1 609 898**
Corporate income tax	(566 687)	-	-	(566 687)
Consolidated profit for the period	**1 043 211**	**-**	**-**	**1 043 211**
of which:				
-attributable to owners of the parent entity	918 126	-	-	918 126
-attributable to non-controlling interests	125 085	-	-	125 085
Net earnings per share				
Basic earnings per share (PLN/share)	8,98	-	-	8,98
Diluted earnings per share (PLN/share)	8,98	-	-	8,98

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 - 30.09.2021		
	before	adjustment (1)	after
Changes in:			
Provisions	753 248	(697 554)	55 694
Loans and advances to customers	(7 295 995)	697 554	(6 598 441)

1) Adjustment resulting from changes in accounting policy

In thousands PLN

Income statement

	for the period: 1.01.2021-30.09.2021			
	before	adjustment (1)	adjustment (2)	after
Interest income and similar to income	**3 338 889**	**-**	**(1 993)**	**3 336 896**
Interest income on financial assets measured at amortised cost	2 707 441	-	(1 993)	2 705 448
Interest income on financial assets measured at fair value through other comprehensive income	623 258	-	-	623 258
Income similar to interest on financial assets measured at fair value through profit or loss	8 190	-	-	8 190
Interest expense	**(168 890)**	**-**	**-**	**(168 890)**
Net interest income	**3 169 999**	**-**	**(1 993)**	**3 168 006**
Fee and commission income	1 793 820	-	-	1 793 820
Fee and commission expense	(224 152)	-	-	(224 152)
Net fee and commission income	**1 569 668**	**-**	**-**	**1 569 668**
Dividend income	270 543	-	-	270 543
Net trading income and revaluation	165 272	-	-	165 272
Gains (losses) from other financial securities	114 908	-	-	114 908
Gain/loss on derecognition of financial instruments measured at amortised cost	-	-	1 993	1 993
Other operating income	100 463	(56 643)	-	43 820
Impairment losses on loans and advances	(640 717)	-	-	(640 717)
Cost of legal risk associated with foreign currency mortgage loans	-	(680 143)	-	(680 143)
Operating expenses incl.:	(3 107 826)	736 786	-	(2 371 040)
-Staff, operating expenses and management costs	(1 914 880)	-	-	(1 914 880)
-Amortisation of property, plant and equipment and Intangible assets	(270 020)	-	-	(270 020)
-Amortisation of right of use asset	(111 739)	-	-	(111 739)
-Other operating expenses	(811 187)	736 786	-	(74 401)
Tax on financial institutions	(427 210)	-	-	(427 210)
Profit before tax	**1 215 100**	**-**	**-**	**1 215 100**
Corporate income tax	(442 317)	-	-	(442 317)
Profit for the period	**772 783**	**-**	**-**	**772 783**
Net earnings per share				
Basic earnings per share (PLN/share)	7,56	-	-	7,56
Diluted earnings per share (PLN/share)	7,56	-	-	7,56

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

Statement of financial position

	as at: 31.12.2021		
	before	adjustment (1)	after
Loans and advances to customers incl.:	125 449 130	(1 469 728)	123 979 402
- measured at amortised cost	123 268 726	(1 469 728)	121 798 998
Total assets	**218 184 874**	**(1 469 728)**	**216 715 146**
Other provisions	1 809 635	(1 469 728)	339 907
Total liabilities	**194 357 522**	**(1 469 728)**	**192 887 794**

	as at: 1.01.2021		
	before	adjustment (1)	after
Loans and advances to customers incl.:	119 077 346	(417 152)	118 660 194
- measured at amortised cost	116 786 037	(417 152)	116 368 885
Total assets	**203 140 470**	**(417 152)**	**202 723 318**
Other provisions	670 645	(417 152)	253 493
Total liabilities	**177 717 626**	**(417 152)**	**177 0 474**

1) Adjustment resulting from changes in accounting policy

In thousands PLN

Statement of cash flows

	for the period: 1.01.2021 - 30.09.2021		
	before	adjustment (1)	after
Changes in:			
Provisions	630 932	(567 161)	63 771
Loans and advances to customers	(4 899 420)	567 161	(4 332 259)

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
- Estimates of the impact of payment deferrals under the Crowdfunding Act for business and support to borrowers
- Estimates of the return of increased margin in period till mortgage collateral is registered by court
- Estimates of commission reimbursement for mortgage loans in the event of early repayment

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.

Management provisions

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

- Creation of a management provision for exposures under the Borrowers' Support Fund in the amount of PLN 18 200 k, related to the planned reclassification of the part of these exposures to the Stage 3, due to the no possibility to service the debt according to the current schedule.
- Withdrawal of the management adjustment for the portfolio with SME rating in the amount of PLN 19 300 k reflecting the impact of the new LGD model, as a consequence of the system implementation of this model in the third quarter of 2022.
- Maintaining other management provisions.

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 25, 28 and 29.

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 according to IAS 37.

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 third quarter of 2022, the Group recognized PLN 122 903 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 25 and 29, respectively.

Estimates of the impact of payment deferrals under the Crowdfunding Act for business and support to borrowers

On July 14, 2022, the President of the Republic of Poland signed the Act on crowdfunding for business ventures and assistance to borrowers, aimed at support for people repaying mortgage loans in a difficult financial situation in the form of the so-called payment holidays, governing the scope of assistance and borrowers who can benefit from such assistance.
Based on the conditions defined in the act, the size of the portfolio for which payment deferral may occur and assuming that 50% of entitled customers will defer all available payments, the Group estimated the impact of the holidays on the Group's financial result at approximately PLN 1 358 000 k.

The impact was recognised as a change in estimate, using cumulative catch up method, of the present value of expected payments that form the gross carrying value of the mortgage loans and a corresponding reduction of interest income.
The real impact on the Group's financial result will depend, inter alia, on the number of clients who will use these support solutions, the number of installments deferred by each of these clients and the moment they start taking advantage of deferral.

The new regulations also provide for strengthening the Borrowers Support Fund. The Group estimates its share in the Fund at PLN 165 000 k (including PLN 140 000 k from Santander Bank Polska S.A. and PLN 25 000 k from Santander Consumer Bank S.A.), which was 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.

Estimates of the return of increased margin in period till mortgage collateral is registered by court

Due to the entry into force on 17 September 2022 of the Act of August 5, 2022 on the amendment to the Mortgage Loan Act and the supervision over mortgage brokers and agents, the Group may charge additional costs related to waiting for the mortgage collateral to be registered by court. However, after making the entry, it is obliged to reimburse the borrower for these costs or include them towards the repayment of the loan.
The Act applies to contracts concluded from the date of its entry into force and to contracts concluded before the date of its entry into force, if the mortgage has not been entered by that date.
In the third quarter of 2022, the Group recognised a liability for reimbursement to individual customers of additional mortgage costs incurred until the mortgage collateral is established in the amount of PLN 31 300 k, which decreased interest income.

Estimates of commission reimbursement for mortgage loans in the event of early repayment

The Group analyzed the introduction of a proportional reduction of the total cost of the loan by a commission in the event of repayment of all or part of the mortgage loan before maturity (for contracts granted from 22.07.2017), taking into account the position of the Office of Competition and Consumer Protection in this respect and the received recommendation from the Polish Financial Supervision Authority.
As a result, the Group decided to change the current approach and create a liability for the reimbursement of commission to customers in the event of early mortgage repayment in the amount of PLN 40 500 k, which decreased interest income.

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.

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 Liabilities to the item Receivables from 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 29.

In the part regarding Santander Bank Polska, the provision of 40 500 k PLN for reimbursement of the mortgage loan fee due to partial and total early loan repayments, and the provision of 31 300 k PLN due to the return of additional costs of mortgage loans incurred by individual customers until the mortgage entry were presented in Retail Banking segment.

Contribution to fund under Institutional Protection Scheme (IPS) in the amount of 445 704 k PLN was divided by business Segments.

More details regarding the above contribution are described in the note 37.

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

1.07.2022 - 30.09.2022	Segment Retail Banking *	Segment Business and Corporate Banking	Segment Corporate& Investment Banking	Segment ALM and Centre	Segment Santander Consumer	Total
Net interest income	**107 103**	**468 721**	**195 035**	**546 690**	**323 154**	**1 640 703**
incl. internal transactions	(390)	(1 183)	1 547	20 214	(20 188)	-
Fee and commission income	490 371	150 740	121 011	(7 352)	51 018	**805 788**
Fee and commission expense	(110 089)	(8 031)	(6 940)	7 053	(21 979)	**(139 986)**
Net fee and commission income	**380 282**	**142 709**	**114 071**	**(299)**	**29 039**	**665 802**
incl. internal transactions	49 230	29 442	(77 958)	(51)	(663)	-
Other income	**(22 299)**	**32 137**	**27 793**	**(15 974)**	**24 056**	**45 713**
incl. internal transactions	956	21 799	(21 973)	(784)	2	-
Dividend income	**541**	**-**	**799**	**-**	**3**	**1 343**
Operating costs	**(664 800)**	**(111 231)**	**(87 896)**	**(31 197)**	**(154 342)**	**(1 049 466)**
incl. internal transactions	-	-	-	151	(151)	-
Depreciation/amortisation	**(92 165)**	**(14 855)**	**(8 891)**	**2**	**(13 942)**	**(129 851)**
Impairment losses on loans and advances	**(204 351)**	**(45 491)**	**(2 399)**	**2 153**	**(91 200)**	**(341 288)**
Cost of legal risk associated with foreign currency mortgage loans	**(124 761)**	-	-	-	**1 858**	**(122 903)**
Share in net profits (loss) of entities accounted for by the equity method	**23 345**	**-**	**-**	**614**	**-**	**23 959**
Tax on financial institutions	**-**	**-**	**-**	**(195 622)**	**(7 159)**	**(202 781)**
Profit before tax	**(597 105)**	**471 990**	**238 512**	**501 989**	**118 626**	**531 231**
Corporate income tax						**(209 505)**
Consolidated profit for the period						**321 726**
of which:						
attributable to owners of the parent entity						**279 383**
attributable to non-controlling interests						**42 343**

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

In thousands PLN

1.01.2022 - 30.09.2022	Segment Retail Banking *	Segment Business and Corporate Banking	Segment Corporate& Investment Banking	Segment ALM and Centre	Segment Santander Consumer	Total
Net interest income	**2 870 566**	**1 221 144**	**489 389**	**1 264 391**	**974 007**	**6 819 497**
incl. internal transactions	(2 435)	(1 535)	3 944	38 898	(38 872)	-
Fee and commission income	1 423 846	468 733	358 300	(22 289)	153 724	2 382 314
Fee and commission expense	(347 479)	(24 014)	(17 340)	21 047	(67 298)	(435 084)
Net fee and commission income	**1 076 367**	**444 719**	**340 960**	**(1 242)**	**86 426**	**1 947 230**
incl. internal transactions	153 256	94 031	(244 939)	(101)	(2 247)	-
Other income	**(52 944)**	**109 178**	**218 675**	**(237 840)**	**52 737**	**89 806**
incl. internal transactions	3 692	90 248	(91 699)	(2 243)	2	-
Dividend income	**9 320**	**-**	**928**	**-**	**14**	**10 262**
Operating costs	**(2 056 891)**	**(472 698)**	**(324 449)**	**(68 835)**	**(394 994)**	**(3 317 867)**
incl. internal transactions	-	-	-	1 003	(1 003)	-
Depreciation/amortisation	**(280 186)**	**(45 756)**	**(26 067)**	**-**	**(41 533)**	**(393 542)**
Impairment losses on loans and advances	**(425 760)**	**(74 806)**	**(14 666)**	**3 477**	**(59 066)**	**(570 821)**
Cost of legal risk associated with foreign currency mortgage loans	**(923 165)**	**-**	**-**	**-**	**(147 117)**	**(1 070 282)**
Share in net profits (loss) of entities accounted for by the equity method	**59 268**	**-**	**-**	**741**	**-**	**60 009**
Tax on financial institutions	**-**	**-**	**-**	**(548 667)**	**(21 700)**	**(570 367)**
Profit before tax	**276 575**	**1 181 781**	**684 770**	**412 025**	**448 774**	**3 003 925**
Corporate income tax						(941 934)
Consolidated profit for the period						**2 061 991**
of which:						
attributable to owners of the parent entity						1 895 773
attributable to non-controlling interests						166 218

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

In thousands PLN

Consolidated income statement by business segments

1.07.2021-30.09.2021	Segment Retail Banking *	Segment Business and Corporate Banking	Segment Corporate& Investment Banking	Segment ALM and Centre	Segment Santander Consumer	Total
Net interest income	**760 710**	**183 730**	**56 989**	**138 641**	**303 343**	**1 443 413**
incl. internal transactions	(470)	(480)	988	2 144	(2 182)	-
Fee and commission income	471 200	146 016	101 424	(16 363)	55 949	**758 226**
Fee and commission expense	(108 170)	(8 087)	(5 497)	20 209	(21 828)	**(123 373)**
Net fee and commission income	**363 030**	**137 929**	**95 927**	**3 846**	**34 121**	**634 853**
incl. internal transactions	47 789	30 378	(76 600)	(820)	(747)	-
Other income	**8 619**	**10 801**	**37 406**	**62 822**	**6 961**	**126 609**
incl. internal transactions	(224)	14 770	(14 464)	12	(94)	-
Dividend income	**252**	**-**	**1 137**	**-**	**3**	**1 392**
Operating costs	**(479 318)**	**(99 070)**	**(75 322)**	**(22 374)**	**(105 245)**	**(781 329)**
incl. internal transactions	-	-	-	793	(793)	-
Depreciation/amortisation	**(105 885)**	**(16 599)**	**(8 108)**	**-**	**(13 663)**	**(144 255)**
Impairment losses on loans and advances	**(127 934)**	**(45 120)**	**(706)**	**2 598**	**(52 399)**	**(223 561)**
Cost of legal risk associated with foreign currency mortgage loans	**(82 255)**	**-**	**-**	**-**	**(25 886)**	**(108 141)**
Share in net profits (loss) of entities accounted for by the equity method	**18 120**	**-**	**-**	**(24)**	**-**	**18 096**
Tax on financial institutions	**-**	**-**	**-**	**(142 330)**	**(7 259)**	**(149 589)**
Profit before tax	**355 339**	**171 671**	**107 323**	**43 179**	**139 976**	**817 488**
Corporate income tax						**(212 657)**
Consolidated profit for the period						**604 831**
of which:						
attributable to owners of the parent entity						**543 829**
attributable to non-controlling interests						**61 002**

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

In thousands PLN

1.01.2021-30.09.2021	Segment Retail Banking *	Segment Business and Corporate Banking	Segment Corporate& Investment Banking	Segment ALM and Centre	Segment Santander Consumer	Total
Net interest income	**2 197 944**	**549 686**	**186 827**	**421 480**	**874 011**	**4 229 948**
incl. internal transactions	(1 347)	(1 363)	2 864	7 282	(7 436)	-
Fee and commission income	1 349 460	414 042	313 586	(46 263)	165 371	**2 196 196**
Fee and commission expense	(296 683)	(20 294)	(15 592)	45 397	(62 817)	**(349 989)**
Net fee and commission income	**1 052 777**	**393 748**	**297 994**	**(866)**	**102 554**	**1 846 207**
incl. internal transactions	123 808	84 756	(204 553)	(1 720)	(2 291)	-
Other income	**40 066**	**46 156**	**108 641**	**159 434**	**50 747**	**405 044**
incl. internal transactions	(374)	48 148	(47 472)	74	(376)	-
Dividend income	**102 454**	**-**	**1 752**	**-**	**10**	**104 216**
Operating costs	**(1 480 885)**	**(326 312)**	**(242 706)**	**(45 542)**	**(356 257)**	**(2 451 702)**
incl. internal transactions	-	-	-	2 011	(2 011)	-
Depreciation/amortisation	**(321 376)**	**(49 435)**	**(24 118)**	**-**	**(41 011)**	**(435 940)**
Impairment losses on loans and advances	**(456 023)**	**(123 818)**	**(113 049)**	**10 460**	**(168 057)**	**(850 487)**
Cost of legal risk associated with foreign currency mortgage loans	**(680 141)**	**-**	**-**	**-**	**(164 525)**	**(844 666)**
Share in net profits (loss) of entities accounted for by the equity method	**57 277**	**-**	**-**	**95**	**-**	**57 372**
Tax on financial institutions	**-**	**-**	**-**	**(427 210)**	**(22 884)**	**(450 094)**
Profit before tax	**512 093**	**490 025**	**215 341**	**117 851**	**274 588**	**1 609 898**
Corporate income tax						**(566 687)**
Consolidated profit for the period						**1 043 211**
of which:						
attributable to owners of the parent entity						**918 126**
attributable to non-controlling interests						**125 085**

* 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

30.09.2022	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	83 790 992	38 594 177	15 749 237	-	15 404 237	**153 538 643**
Investments in associates	850 639	-	-	46 684	-	**897 323**
Other assets	11 337 963	2 526 204	11 499 119	78 457 786	5 138 104	**108 959 176**
Total assets	**95 979 594**	**41 120 381**	**27 248 356**	**78 504 470**	**20 542 341**	**263 395 142**
Deposits from customers	122 761 175	37 889 249	14 273 464	4 521 228	10 055 859	**189 500 975**
Other liabilities	820 420	824 756	8 395 312	28 549 226	6 457 911	**45 047 625**
Equity	11 409 601	7 118 582	4 677 360	1 612 428	4 028 571	**28 846 542**
Total equity and liabilities	**134 991 196**	**45 832 587**	**27 346 136**	**34 682 882**	**20 542 341**	**263 395 142**

* 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)

In thousands PLN

4. Net interest income

Interest income and similar to interest	1.07.2022-30.09.2022	1.01.2022-30.09.2022	1.07.2021-30.09.2021	1.01.2021-30.09.2021
Interest income on financial assets measured at amortised cost	**1 853 098**	**6 524 349**	**1 247 077**	**3 641 712**
Loans and advances to enterprises and leasing agreements	1 038 089	2 440 947	353 585	1 059 361
Loans and advances to individuals, of which:	522 878	3 496 093	893 766	2 580 371
*Home mortgage loans**	*(420 150)*	*988 548*	*292 442*	*844 567*
Loans and advances to banks	132 934	250 668	(3 223)	(2 780)
Loans and advances to public sector	23 073	32 389	5 421	4 417
Reverse repo transactions	52 489	117 474	(2 472)	343
Debt securities	71 357	158 799	-	-
Interest recorded on hedging IRS	12 278	27 979	-	-
Interest income on financial assets measured at fair value through other comprehensive income	**515 658**	**1 443 583**	**201 680**	**631 676**
Loans and advances to enterprises	44 906	90 647	11 034	35 183
Debt securities	470 752	1 352 936	190 646	596 493
Income similar to interest - financial assets measured at fair value through profit or loss	**26 710**	**61 399**	**3 186**	**10 506**
Loans and advances to enterprises	1 175	3 194	215	629
Loans and advances to individuals	13 749	38 928	2 971	9 877
Debt securities	11 786	19 277	-	-
Income similar to interest on finance leases	**194 028**	**461 716**	**80 583**	**234 582**
Total income	**2 589 494**	**8 491 047**	**1 532 526**	**4 518 476**

Interest expenses	1.07.2022-30.09.2022	1.01.2022-30.09.2022	1.07.2021-30.09.2021	1.01.2021-30.09.2021
Interest expenses on financial liabilities measured at amortised cost	**(948 791)**	**(1 671 550)**	**(89 113)**	**(288 528)**
Liabilities to individuals	(225 208)	(348 839)	(16 288)	(75 074)
Liabilities to enterprises	(291 450)	(520 115)	(8 747)	(31 112)
Repo transactions	(157 010)	(221 249)	758	2 219
Liabilities to public sector	(76 281)	(141 893)	(3 634)	(4 425)
Liabilities to banks	(66 137)	(125 675)	(4 807)	(17 051)
Lease liability	(3 534)	(10 612)	(3 477)	(11 414)
Subordinated liabilities and issue of securities	(129 171)	(303 167)	(41 379)	(116 376)
Interest recorded on hedging IRS	-	-	(11 539)	(35 295)
Total costs	**(948 791)**	**(1 671 550)**	**(89 113)**	**(288 528)**
Net interest income	**1 640 703**	**6 819 497**	**1 443 413**	**4 229 948**

*Includes impact of the payment deferrals – details in note 2.6

In thousands PLN

5. Net fee and commission income

Fee and commission income	1.07.2022-30.09.2022	1.01.2022-30.09.2022	1.07.2021-30.09.2021	1.01.2021-30.09.2021
eBusiness & payments	66 047	196 044	63 547	182 320
Current accounts and money transfer	99 822	325 042	102 230	295 108
Asset management fees	46 348	152 528	77 947	216 035
Foreign exchange commissions	180 839	541 265	153 602	410 049
Credit commissions incl. factoring commissions and other	123 324	348 408	110 256	319 085
Insurance commissions	64 228	188 918	63 822	174 198
Commissions from brokerage activities	27 873	100 334	23 110	97 760
Credit cards	38 387	107 419	37 211	108 217
Card fees (debit cards)	114 044	297 358	83 503	255 746
Off-balance sheet guarantee commissions	30 827	83 224	30 028	82 666
Finance lease commissions	7 379	20 383	6 188	18 410
Issue arrangement fees	4 182	9 422	1 385	22 125
Distribution fees	2 488	11 969	5 397	14 477
Total	**805 788**	**2 382 314**	**758 226**	**2 196 196**

Fee and commission expenses	1.07.2022-30.09.2022	1.01.2022-30.09.2022	1.07.2021-30.09.2021	1.01.2021-30.09.2021
eBusiness & payments	(18 861)	(51 619)	(15 491)	(41 790)
Distribution fees	(1 951)	(6 209)	(3 159)	(9 701)
Commissions from brokerage activities	(3 453)	(11 610)	(3 253)	(12 170)
Credit cards	(6 033)	(15 366)	(3 347)	(9 777)
Card fees (debit cards)	(24 588)	(75 433)	(19 049)	(64 650)
Credit commissions paid	(17 926)	(65 043)	(30 695)	(72 354)
Insurance commissions	(4 171)	(13 061)	(4 461)	(13 100)
Finance lease commissions	(11 185)	(33 381)	(8 142)	(24 179)
Asset management fees and other costs	(691)	(9 179)	(5 524)	(16 647)
Other	(51 127)	(154 183)	(30 252)	(85 621)
Total	**(139 986)**	**(435 084)**	**(123 373)**	**(349 989)**
Net fee and commission income	**665 802**	**1 947 230**	**634 853**	**1 846 207**

6. Net trading income and revaluation

Net trading income and revaluation	1.07.2022-30.09.2022	1.01.2022-30.09.2022	1.07.2021-30.09.2021	1.01.2021-30.09.2021
Derivative instruments	(273 241)	(387 677)	(274 769)	64 652
Interbank FX transactions and other FX related income	309 287	427 869	308 478	81 887
Net gains on sale of equity securities measured at fair value through profit or loss	(1 555)	(8 220)	4 916	34 457
Net gains on sale of debt securities measured at fair value through profit or loss	(1 816)	27 773	4 172	(10 808)
Change in fair value of loans and advances mandatorily measured at fair value through profit or loss	2 748	5 909	2 247	3 628
Total	**35 423**	**65 654**	**45 044**	**173 816**

The above amounts included CVA and DVA adjustments in the amount of PLN 11,392 k for 1-3Q 2022, PLN 194 k for 3Q 2022 and PLN 4,371 k for 1-3Q 2021, PLN (754) k for 3Q 2021.

In thousands PLN

7. Gains (losses) from other financial securities

Gains (losses) from financial securities	1.07.2022-30.09.2022	1.01.2022-30.09.2022	1.07.2021-30.09.2021	1.01.2021-30.09.2021
Net gains on sale of debt securities measured at fair value through other comprehensive income	(1 222)	(1 010)	57 985	96 167
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
Change in fair value of financial securities measured at fair value through profit or loss	(10 519)	(22 962)	(5 949)	5 628
Impairment losses on securities	-	(1 066)	-	(4 015)
Total profit (losses) on financial instruments	**(11 741)**	**(25 038)**	**52 036**	**105 936**
Change in fair value of hedging instruments	(46 081)	532 662	75 953	240 708
Change in fair value of underlying hedged positions	49 538	(549 104)	(72 749)	(227 038)
Total profit (losses) on hedging and hedged instruments	**3 457**	**(16 442)**	**3 204**	**13 670**
Total	**(8 284)**	**(41 480)**	**55 240**	**119 606**

8. Other operating income

Other operating income	1.07.2022-30.09.2022	1.01.2022-30.09.2022	1.07.2021-30.09.2021	1.01.2021-30.09.2021
Income from services rendered	11 883	29 905	4 724	15 569
Release of provision for legal cases and other assets*	23 585	32 924	1 399	11 127
Recovery of other receivables (expired, cancelled and uncollectable)	16	57	111	183
Settlements of leasing agreements	-	48	999	3 408
Received compensations, penalties and fines	683	1 527	645	1 137
Gains on lease modifications	-	1 881	10	12 286
Income from claims received from the insurer	11 232	32 961	5 836	13 112
Other	14 943	49 008	12 119	52 807
Total	**62 342**	**148 311**	**25 843**	**109 629**

*Details in note 25

In thousands PLN

9. Impairment allowances for expected credit losses

Impairment allowances for expected credit losses on loans and advances measured at amortised cost	1.07.2022-30.09.2022	1.01.2022-30.09.2022	1.07.2021-30.09.2021	1.01.2021-30.09.2021
Charge for loans and advances to banks	**41**	**25**	**(3)**	**12**
Stage 1	41	25	(3)	12
Stage 2	-	-	-	-
Stage 3	-	-	-	-
POCI	-	-	-	-
Charge for loans and advances to customers	**(329 919)**	**(605 669)**	**(210 013)**	**(864 710)**
Stage 1	(56 624)	(101 780)	(39 021)	(125 671)
Stage 2	(151 097)	(299 570)	(35 995)	(25 524)
Stage 3	(130 133)	(272 658)	(148 473)	(751 137)
POCI	7 935	68 339	13 476	37 622
Recoveries of loans previously written off	**(6 794)**	**35 257**	**(9 395)**	**7 688**
Stage 1	-	-	-	-
Stage 2	-	-	-	-
Stage 3	(6 794)	35 257	(9 395)	7 688
POCI	-	-	-	-
Off-balance sheet credit related facilities	**(4 616)**	**(434)**	**(4 150)**	**6 523**
Stage 1	(1 362)	2 803	(4 571)	(7 288)
Stage 2	(2 756)	(1 395)	127	3 043
Stage 3	(498)	(1 842)	294	10 768
POCI	-	-	-	-
Total	**(341 288)**	**(570 821)**	**(223 561)**	**(850 487)**

10. Employee costs

Employee costs	1.07.2022-30.09.2022	1.01.2022-30.09.2022	1.07.2021-30.09.2021	1.01.2021-30.09.2021
Salaries and bonuses	(379 771)	(1 101 556)	(333 584)	(996 829)
Salary related costs	(65 693)	(201 015)	(57 802)	(181 190)
Cost of contributions to Employee Capital Plans	(2 500)	(7 232)	(2 193)	(6 595)
Staff benefits costs	(9 650)	(28 575)	(9 416)	(26 477)
Professional trainings	(2 640)	(6 831)	(1 575)	(5 193)
Retirement fund, holiday provisions and other employee costs	(264)	(281)	(152)	(162)
Restructuring provision	-	-	(172)	(4 772)
Total	**(460 518)**	**(1 345 490)**	**(404 894)**	**(1 221 218)**

In thousands PLN

11. General and administrative expenses

General and administrative expenses	1.07.2022-30.09.2022	1.01.2022-30.09.2022	1.07.2021-30.09.2021	1.01.2021-30.09.2021
Maintenance of premises	(26 106)	(81 525)	(34 379)	(88 696)
Short-term lease costs	(2 077)	(6 051)	(2 153)	(6 614)
Low-value assets lease costs	(295)	(922)	(364)	(1 122)
Costs of variable lease payments not included in the measurement of the lease liability	(17)	(693)	-	(126)
Non-tax deductible VAT	(9 519)	(28 312)	(12 453)	(34 258)
Marketing and representation	(43 095)	(111 368)	(33 086)	(93 423)
IT systems costs	(104 605)	(322 695)	(97 184)	(286 814)
Cost of BFG, KNF and KDPW	(10 702)	(295 444)	(34 341)	(259 451)
Cost of payment to protection system (IPS)*	(38 442)	(445 704)	-	-
Postal and telecommunication costs	(12 900)	(44 495)	(13 002)	(40 499)
Consulting and advisory fees	(24 698)	(59 189)	(16 204)	(55 021)
Cars, transport expenses, carriage of cash	(14 979)	(43 740)	(14 394)	(41 283)
Other external services	(33 498)	(109 274)	(34 600)	(100 766)
Stationery, cards, cheques etc.	(4 650)	(13 530)	(5 176)	(15 164)
Sundry taxes and charges	(12 207)	(33 859)	(11 395)	(31 527)
Data transmission	(5 027)	(14 475)	(2 208)	(7 333)
KIR, SWIFT settlements	(7 933)	(23 559)	(6 790)	(20 811)
Security costs	(4 901)	(15 556)	(6 772)	(18 582)
Costs of repairs	(3 179)	(4 925)	(2 503)	(5 775)
Cost of payment to the Borrowers Support Fund	(165 000)	(165 000)	-	-
Other	(4 800)	(12 620)	(3 679)	(9 946)
Total	**(528 630)**	**(1 832 936)**	**(330 683)**	**(1 117 211)**

*Details in note 37

12. Other operating expenses

Other operating expenses	1.07.2022-30.09.2022	1.01.2022-30.09.2022	1.07.2021-30.09.2021	1.01.2021-30.09.2021
Charge of provisions for legal cases and other assets*	(21 033)	(40 750)	(11 260)	(25 840)
Impairment loss on property, plant, equipment, intangible assets covered by financial lease agreements and other fixed assets	(453)	(7 109)	(15 696)	(27 388)
Gain on sales or liquidation of fixed assets, intangible assets and assets for disposal	(9 448)	(11 196)	(7 080)	(5 787)
Costs of purchased services	(8 644)	(14 022)	(953)	(2 937)
Other membership fees	(311)	(997)	(260)	(835)
Paid compensations, penalties and fines	(85)	(688)	(447)	(1 339)
Donations paid	(1 584)	(4 465)	(14)	(5 778)
Other	(18 760)	(60 214)	(10 042)	(43 369)
Total	**(60 318)**	**(139 441)**	**(45 752)**	**(113 273)**

*Details in note 25

13. Corporate income tax

Corporate income tax	1.07.2022-30.09.2022	1.01.2022-30.09.2022	1.07.2021-30.09.2021	1.01.2021-30.09.2021
Current tax charge in the income statement	(468 463)	(799 500)	(208 217)	(479 530)
Deferred tax	258 972	(135 689)	(4 440)	(89 470)
Adjustments from previous years	(14)	(6 745)	-	2 313
Total tax on gross profit	**(209 505)**	**(941 934)**	**(212 657)**	**(566 687)**

In thousands PLN

Corporate total tax charge information	1.07.2022-30.09.2022	1.01.2022-30.09.2022	1.07.2021-30.09.2021	1.01.2021-30.09.2021
Profit before tax	531 231	3 003 925	817 488	1 609 898
Tax rate	19%	19%	19%	19%
Tax calculated at the tax rate	(100 934)	(570 746)	(155 323)	(305 881)
Non-tax-deductible expenses	(3 173)	(9 994)	(4 603)	(10 593)
Cost of legal risk associated with foreign currency mortgage loans	(32 389)	(194 893)	(23 211)	(150 425)
The fee to the Bank Guarantee Fund	(479)	(51 151)	(5 112)	(44 703)
The Borrowers Support Fund	(31 350)	(31 350)	-	-
Tax on financial institutions	(38 526)	(108 366)	(28 423)	(85 518)
Non-taxable income	256	11 641	324	25 439
Adjustment of prior years tax	(14)	(6 745)	-	2 313
Tax effect of consolidation adjustments	-	14 584	-	21 518
Non-tax deductible bad debt provisions	(2 914)	(9 405)	609	(5 890)
Other	18	14 491	3 082	(12 947)
Total tax on gross profit	**(209 505)**	**(941 934)**	**(212 657)**	**(566 687)**

Deferred tax recognised in other comprehensive income	30.09.2022	31.12.2021
Relating to valuation of debt investments measured at fair value through other comprehensive income	300 714	357 326
Relating to valuation of equity investments measured at fair value through other comprehensive income	(28 374)	(38 342)
Relating to cash flow hedging activity	81 283	8 995
Relating to valuation of defined benefit plans	(5 090)	(3 272)
Total	**348 533**	**324 707**

14. Cash and balances with central banks

Cash and balances with central banks	30.09.2022	31.12.2021
Cash	3 087 616	2 664 945
Current accounts in central banks	8 426 659	5 773 330
Total	**11 514 275**	**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.

15. Loans and advances to banks

Loans and advances to banks	30.09.2022	31.12.2021
Loans and advances	3 654 661	98 232
Current accounts	4 350 948	2 592 126
Gross receivables	**8 005 609**	**2 690 358**
Allowance for impairment	(130)	(106)
Total	**8 005 479**	**2 690 252**

In thousands PLN

16. Financial assets and liabilities held for trading

Financial assets and liabilities held for trading	30.09.2022 Assets	30.09.2022 Liabilities	31.12.2021 Assets	31.12.2021 Liabilities
Trading derivatives	**9 029 945**	**8 989 993**	**3 658 438**	**3 492 496**
Interest rate operations	5 532 138	5 485 021	2 273 851	2 266 649
FX operations	3 497 807	3 504 972	1 384 587	1 225 847
Debt and equity securities	**797 641**	**-**	**361 679**	**-**
Debt securities	**780 425**	**-**	**313 350**	**-**
Government securities:	764 758	-	299 046	-
- bonds	764 758	-	299 046	-
Other securities:	15 667	-	14 304	-
- bonds	15 667	-	14 304	-
Equity securities	**17 216**	**-**	**48 329**	**-**
Short sale	**-**	**321 857**	**-**	**385 585**
Total	**9 827 586**	**9 311 850**	**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 (574) k as at 30.09.2022 and PLN (8,043) k as at 31.12.2021.

17. Loans and advances to customers

Loans and advances to customers	30.09.2022 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	61 474 879	2 183 887	38 307	-	63 697 073
Loans and advances to individuals, of which:	82 506 479	-	274 687	-	82 781 166
*Home mortgage loans **	*54 682 076*	-	-	-	*54 682 076*
Finance lease receivables	-	-	-	11 693 070	11 693 070
Loans and advances to public sector	835 753	416 651	-	-	1 252 404
Other receivables	87 145	-	-	-	87 145
Gross receivables	**144 904 256**	**2 600 538**	**312 994**	**11 693 070**	**159 510 858**
Allowance for impairment	(5 699 953)	(6 107)	-	(266 155)	(5 972 215)
Total	**139 204 303**	**2 594 431**	**312 994**	**11 426 915**	**153 538 643**

* Includes changes in gross receivables recognized in note 29 Legal risk connected with CHF mortgage loans and impact of the payment deferrals – details in note 2.6

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 29 Legal risk connected with CHF mortgage loans

In thousands PLN

Impact of the legal risk of mortgage loans in foreign currency	Gross carrying amount of mortgage loans in foreign currency before adjustment due to legal risk costs	Impact of the legal risk of mortgage loans in foreign currency	Gross carrying amount of mortgage loans in foreign currency after adjustment due to legal risk costs
30.09.2022			
Mortgage loans in foreign currency - adjustment to gross carrying amount	9 404 995	2 846 686	6 558 309
Provision in respect of legal risk connected with foreign currency mortgage loans		353 686	
Total		**3 200 372**	
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**	

Movements on impairment losses on loans and advances to customers measured at amortised cost for reporting period	1.01.2022-30.09.2022	1.01.2021-30.09.2021
Balance at the beginning of the period	**(5 648 321)**	**(6 122 440)**
Charge/write back of current period	**(613 225)**	**(748 182)**
Stage 1	(91 538)	(113 048)
Stage 2	(287 476)	(26 075)
Stage 3	(236 952)	(608 908)
POCI	2 741	(151)
Write off/Sale of receivables	**535 720**	**873 101**
Stage 1	-	-
Stage 2	-	-
Stage 3	520 577	873 101
POCI	15 143	-
Transfer	**70 787**	**57 407**
Stage 1	80 705	23 353
Stage 2	210 711	251 773
Stage 3	(226 738)	(217 139)
POCI	6 109	(580)
FX differences	**(44 914)**	**(4 997)**
Stage 1	(3 530)	(237)
Stage 2	(7 513)	541
Stage 3	(35 529)	(5 292)
POCI	1 658	(9)
Balance at the end of the period	**(5 699 953)**	**(5 945 111)**

In thousands PLN

18. Investment securities

Investment securities	30.09.2022	31.12.2021
Debt investment securities measured at fair value through other comprehensive income	**34 072 379**	**70 064 796**
Government securities:	31 315 795	49 225 514
- bills	-	-
- bonds	31 315 795	49 225 514
Central Bank securities:	-	6 997 960
- bills	-	6 997 960
Other securities:	2 756 584	13 841 322
-bonds	2 756 584	13 841 322
Debt investment securities measured at fair value through profit and loss	**62 445**	**116 977**
Debt investment securities measured at amortised cost	**14 785 144**	**1 421 272**
Government securities:	2 493 445	1 421 272
- bonds	2 493 445	1 421 272
Other securities:	12 291 699	-
- bonds	12 291 699	-
Equity investment securities measured at fair value through other comprehensive income	**177 460**	**259 788**
- listed	-	64 320
- unlisted	177 460	195 468
Equity investment securities measured at fair value through profit and loss	**60 858**	**3 427**
- unlisted	60 858	3 427
Total	**49 158 286**	**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 thousands PLN

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 reports, 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.

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	**30.09.2022**	**01.04.2022**
Reclassification date - 1.04.2022		
Measurement of debt investment securities measured at fair value through other comprehensive income	9 977 722	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)	(440 641)	n/a

19. Investments in associates

Balance sheet value of associates	**30.09.2022**	**31.12.2021**
Polfund - Fundusz Poręczeń Kredytowych S.A.	46 684	45 944
Santander - Allianz Towarzystwo Ubezpieczeń S.A. and Santander - Allianz Towarzystwo Ubezpieczeń na Życie S.A.	850 639	886 796
Total	**897 323**	**932 740**

In thousands PLN

Movements on investments in associates	1.01.2022-30.09.2022	1.01.2021-30.09.2021
As at the beginning of the period	**932 740**	**998 397**
Share of profits/(losses)	60 009	57 372
Dividends	(76 760)	(113 254)
Other	(18 666)	(8 223)
As at the end of the period	**897 323**	**934 292**

20. Deposits from banks

Deposits from banks	30.09.2022	31.12.2021
Term deposits	1 693 313	123 051
Loans received from banks	2 970 564	2 974 651
Current accounts	1 727 600	1 302 436
Total	**6 391 477**	**4 400 138**

21. Deposits from customers

Deposits from customers	30.09.2022	31.12.2021
Deposits from individuals	**104 601 595**	**106 267 792**
Term deposits	25 232 138	14 078 671
Current accounts	79 089 520	91 990 149
Other	279 937	198 972
Deposits from enterprises	**77 500 915**	**71 375 840**
Term deposits	17 609 098	9 951 599
Current accounts	55 116 962	58 318 901
Loans received from financial institution	1 412 540	1 403 413
Other	3 362 315	1 701 927
Deposits from public sector	**7 398 465**	**7 729 811**
Term deposits	1 654 630	558 431
Current accounts	5 736 932	7 171 126
Other	6 903	254
Total	**189 500 975**	**185 373 443**

22. Subordinated liabilities

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

Movements in subordinated liabilities	1.01.2022-30.09.2022	1.01.2021-30.09.2021
As at the beginning of the period	**2 750 440**	**2 754 605**
Additions from:	**178 180**	**58 893**
- interest on subordinated loans	81 063	51 640
- FX differences	97 117	7 253
Disposals from:	**(50 226)**	**(48 340)**
- interest repayment	(50 226)	(48 340)
As at the end of the period	**2 878 394**	**2 765 158**
Short-term	44 274	16 525
Long-term (over 1 year)	2 834 120	2 748 633

23. Debt securities in issue

Debt securities in issue on 30.09.2022

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	487 602
Santander Bank Polska S.A.	Bonds	750 000	EUR	29.11.2021	29.11.2024	3 659 363
Santander Bank Polska S.A.	Certificates of deposits	750 000	PLN	22.12.2021	22.12.2023	765 959
Santander Bank Polska S.A.	Bonds	500 000	EUR	30.03.2022	30.03.2024	2 460 002
Santander Leasing S.A.	Bonds	235 000	PLN	23.06.2022	23.06.2023	234 765
Santander Leasing S.A.	Bonds	600 000	PLN	10.08.2022	10.08.2023	604 412
Santander Leasing S.A.	Bonds	400 000	PLN	28.09.2022	28.09.2023	399 253
Santander Factoring Sp. z o.o.	Bonds	150 000	PLN	28.07.2022	27.01.2023	149 932
Santander Consumer Bank S.A.	Bonds	261 400	PLN	06.10.2017	07.10.2022	269 042
Santander Consumer Bank S.A.	Bonds	60 000	PLN	07.12.2017	07.10.2022	61 754
Santander Consumer Bank S.A.	Bonds	100 000	PLN	01.04.2021	03.04.2023	102 715
Santander Consumer Multirent sp. z o.o.	Bonds	160 000	PLN	27.05.2021	26.05.2023	160 849
Santander Consumer Multirent sp. z o.o.	Bonds	220 000	PLN	06.12.2021	06.12.2023	220 776
S.C. Poland Consumer 16-1 sp. z o.o.	Bonds	601 004	PLN	25.07.2019	16.07.2030	602 966
S.C. Poland Consumer 16-1 sp. z o.o.	Bonds	400 670	PLN	25.07.2019	16.07.2030	401 978
SCM POLAND AUTO 2019-1 DAC	Bonds	891 000	PLN	20.07.2020	31.07.2028	893 038
Total						**11 474 406**

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**

Movements in debt securities in issue	1.01.2022-30.09.2022	1.01.2021-30.09.2021
As at the beginning of the period	**12 805 462**	**11 241 312**
Increase (due to:)	**4 459 477**	**6 928 971**
- debt securities in issue	3 861 350	6 870 000
- interest on debt securities in issue	218 246	58 232
- FX differences	379 881	739
Decrease (due to):	**(5 790 533)**	**(7 246 163)**
- debt securities repurchase	(5 636 619)	(7 176 644)
- interest repayment	(151 691)	(58 419)
- other changes	(2 223)	(11 100)
As at the end of the period	**11 474 406**	**10 924 120**

24. Provisions for off balance sheet credit facilities

Provisions for off balance sheet credit facilities	30.09.2022	31.12.2021
Provisions for financial commitments to grant loans and credit lines	43 817	43 872
Provisions for financial guarantees	17 683	16 406
Other provisions	816	533
Total	**62 316**	**60 811**

In thousands PLN

Change in provisions for off balance sheet credit facilities	1.01.2022-30.09.2022
As at the beginning of the period	**60 811**
Provision charge	95 317
Write back	(94 883)
Other changes	1 071
As at the end of the period	**62 316**
Short-term	38 511
Long-term	23 805

Change in provisions for off balance sheet credit facilities	1.01.2021-30.09.2021
As at the beginning of the period	**64 541**
Provision charge	96 059
Write back	(102 581)
Other changes	120
As at the end of the period	**58 139**
Short-term	37 937
Long-term	20 202

25. Other provisions

Other provisions	30.09.2022	31.12.2021
Provision for legal risk connected with foreign currency mortgage loans	353 687	176 059
Provisions for reimbursement of costs related to early repayment of consumer and mortgage loans	66 393	80 945
Provisions for legal claims and other	133 335	148 600
Provisions for restructuring	68 287	94 309
Total	**621 702**	**499 913**

Change in other provisions 1.01.2022 - 30.09.2022	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**	**148 600**	**94 308**	**499 913**
Provision charge	158 361	-	50 708	994	210 063
Utilization	(8 059)	(14 552)	(65 973)	(27 015)	(115 599)
Other	27 326	-	-	-	27 326
As at the end of the period	**353 687**	**66 393**	**133 335**	**68 287**	**621 702**

Change in other provisions 1.01.2021 - 30.09.2021	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 charge	134 142	-	27 755	4 600	166 497
Utilization	(2 577)	(29 932)	(21 408)	(62 204)	(116 121)
Other	12 552	(284)	(547)	-	11 721
As at the end of the period	**184 766**	**87 506**	**89 428**	**90 058**	**451 758**

In thousands PLN

26. Other liabilities

Other liabilities	30.09.2022	31.12.2021
Settlements of stock exchange transactions	37 690	64 259
Interbank and interbranch settlements	580 514	319 716
Employee provisions	351 535	383 915
Sundry creditors	1 144 046	1 588 584
Liabilities from contracts with customers	193 653	194 578
Public and law settlements	137 126	100 489
Accrued liabilities	668 916	452 625
Finance lease related settlements	138 194	177 348
Other	16 085	28 776
Total	**3 267 759**	**3 310 290**
of which financial liabilities *	2 920 895	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 - 30.09.2022		*of which: Provisions for retirement allowances*
As at the beginning of the period	**383 915**	***42 728***
Provision charge	252 080	*1 246*
Utilization	(274 347)	*(23)*
Release of provisions	(10 113)	*(9 571)*
As at the end of the period	**351 535**	***34 380***
Short-term	317 155	*-*
Long-term	34 380	*34 380*

Change in employee provisions 1.01.2021 - 30.09.2021		*of which: Provisions for retirement allowances*
As at the beginning of the period	**266 220**	***48 266***
Provision charge	214 938	*1 092*
Utilization	(142 945)	*(24)*
Release of provisions	(33 681)	*(1 378)*
As at the end of the period	**304 532**	***47 956***
Short-term	256 576	*-*
Long-term	47 956	*47 956*

27. Fair value

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

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

In thousands PLN

	30.09.2022		31.12.2021	
ASSETS	Book Value	Fair value	Book Value	Fair value
Cash and balances with central banks	11 514 275	11 514 275	8 438 275	8 438 275
Loans and advances to banks	8 005 479	8 005 479	2 690 252	2 690 252
Loans and advances to customers measured at amortised cost	139 204 303	140 907 260	133 378 724	136 175 898
Debt investment securities measured at amortised cost	14 785 144	12 290 843	1 421 272	1 411 022
LIABILITIES				
Deposits from banks	6 391 477	6 391 477	4 400 138	4 400 138
Deposits from customers	189 500 975	189 404 178	185 373 443	185 272 700
Subordinated liabilities	2 878 394	2 844 075	2 750 440	2 743 086

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 30.09.2022 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.

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:

<table>
<tr><th>LEVEL 3</th><th>VALUATION METHOD</th><th>UNOBSERVABLE INPUT</th></tr>
<tr><td>LOANS AND ADVANCES TO CUSTOMERS</td><td>Discounted cash flow method</td><td>Effective margin on loans</td></tr>
<tr><td>A AND C-SERIES PREFERENCE SHARES OF VISA INC.</td><td>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.</td><td>Discount taking into account the limited liquidity of preferential shares.</td></tr>
<tr><td>SHARES IN BIURO INFORMACJI KREDYTOWEJ SA</td><td>Estimation of the fair value based on the present value of the forecast results of the company</td><td>Forecast results of the company</td></tr>
<tr><td>SHARES IN POLSKI STANDARD PŁATNOŚCI SP. Z O.O.</td><td>Estimation of the fair value based on the present value of the forecast results of the company</td><td>Forecast results of the company; selection of peer group</td></tr>
<tr><td>SHARES IN SOCIETY FOR WORLDWIDE INTERBANK FINANCIAL TELECOMMUNICATION</td><td>Estimation of the fair value based on the net assets value of the company and average FX exchange rate</td><td>Net asset value of the company</td></tr>
<tr><td>SHARES IN KRAJOWA IZBA ROZLICZENIOWA SA</td><td rowspan="2">Estimation of the fair value based on the net assets value of the company</td><td rowspan="2">Net asset value of the company</td></tr>
<tr><td>SHARES IN WAŁBRZYSKA SPECJALNA STREFA EKONOMICZNA „INVEST-PARK" SP Z O.O.</td></tr>
</table>

In thousands PLN

As at 30.09.2022 and in the comparable periods the Group classified its financial instruments to the following fair value levels:

30.09.2022	Level I	Level II	Level III	Total
Financial assets				
Financial assets held for trading	797 641	9 015 701	14 244	9 827 586
Hedging derivatives	-	923 063	-	923 063
Loans and advances to customers measured at fair value through other comprehensive income	-	-	2 594 431	2 594 431
Loans and advances to customers measured at fair value through profit and loss	-	-	312 994	312 994
Debt securities measured at fair value through other comprehensive income	33 864 136	206 263	1 980	34 072 379
Debt securities measured at fair value through profit and loss	-	-	62 445	62 445
Equity securities measured at fair value through other comprehensive income	-	-	60 858	60 858
Equity securities measured at fair value through other comprehensive income	-	-	177 460	177 460
Total	**34 661 777**	**10 145 027**	**3 224 412**	**48 031 216**
Financial liabilities				
Financial liabilities held for trading	321 857	8 978 610	11 383	9 311 850
Hedging derivatives	-	2 478 269	-	2 478 269
Total	**321 857**	**11 456 879**	**11 383**	**11 790 119**

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

30.09.2022	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	7 745	*48 365*	-	*(16 310)*	-	-	*(6 652)*	*8 462*
recognised in equity (OCI)	-	-	*90 646*	-	-	*(18 137)*	-	-
Purchase/granting	3 819	120 231	1 115 462	-	-	129	59 179	1 110
Sale	-	(24 145)	(350 000)	(59 179)	-	-	-	-
Matured	-	(383 647)	(17 631)	-	-	-	-	-
Transfer	(1 205)	-	-	-	-	-	-	(805)
Other	-	(1 640)	26 106	20 957	(1 495)	-	4 904	-
As at the end of the period	**14 244**	**312 994**	**2 594 431**	**62 445**	**1 980**	**177 460**	**60 858**	**11 383**

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

28. Contingent liabilities

Significant court proceedings

As at 30.09.2022 the value of all litigation amounts to PLN 4 913 576k. This amount includes PLN 1 145 036 k claimed by the Group, PLN 3 692 072 k in claims against the Group and PLN 76 468 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 30.09.2022 amounted to PLN 197 468 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.

	30.09.2022			
Contingent liabilities	**Stage 1**	**Stage 2**	**Stage 3**	**Total**
Liabilities sanctioned	**43 500 120**	**883 647**	**85 460**	**44 469 227**
- financial	**35 052 326**	**686 444**	**77 701**	**35 816 471**
- credit lines	30 612 984	633 476	64 350	31 310 810
- credit cards debits	3 461 821	43 312	10 502	3 515 635
- import letters of credit	891 370	9 656	2 849	903 875
- term deposits with future commencement term	86 151	-	-	86 151
- guarantees	**8 481 018**	**207 649**	**26 405**	**8 715 072**
Provision for off-balance sheet liabilities	**(33 224)**	**(10 446)**	**(18 646)**	**(62 316)**
Liabilities received				**56 149 693**
- financial				**549 243**
- guarantees				**55 600 450**
Total	**43 500 120**	**883 647**	**85 460**	**100 618 920**

	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 30.09.2022, Santander Bank Polska Group was sued in 839 cases concerning partial refund of an arrangement fee on consumer loans, including 149 cases against Santander Consumer Bank S.A. and 690 cases against Santander Bank Polska S.A. For these proceedings Santander Bank Polska Group raised provisions in the total amount of PLN 133k including provisions raised by Santander Consumer Bank S.A. in the amount of PLN 47k and provisions raised by Santander Bank Polska S.A in the amount of PLN 86k.

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 Article 49 of the Consumer Credit Act indicates that the arrangement fee should be refunded in the event of early repayment of the loan.

The Bank adheres to the established ruling practice as regards user rights related to early repayment of consumer loans. The issue of transfer of consumer rights to debt purchasing companies is still outstanding.

When assessing legal risk associated with disputes under Article 49 of the Consumer Credit Act, Santander Bank Polska Group raises provisions in this respect, taking into account the above-mentioned interpretation differences.

Proceedings of the Office of Competition and Consumer Protection on the reimbursement of costs in the case of early mortgage repayment

By the decision of September 26, 2022. UOKiK initiated proceedings against the Bank regarding the use of practices violating collective consumer interests. UOKiK accuses the bank that in the case of early repayment of a mortgage loan granted under the Act on Mortgage Loans and the supervision over mortgage brokers and agents of 23.03.2017. The Bank does not proportionally reduce the one-off costs of the loan due to the commission for granting and the cost of real estate appraisal.

The bank analyzes in detail the allegations of the Office of Competition and Consumer Protection as expressed in the decision. The Bank's position will be influenced by the current judicial decisions, including in particular the pending rulings of the Supreme Court in case III CZP 144/22 and the Court of Justice of the European Union in case C 555/21.

Detailed information on the commission reimbursement for mortgage loans in the event of early repayment is described in note 2.6.

29. Legal risk connected with CHF mortgage loans

As at 30 September 2022, the Group had retail exposures of PLN 9,404,995 k (before adjustment to the gross carrying amount under IFRS 9 at PLN 2 846 686 k) (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. There are also rulings leading to the elimination of loan indexation (as a result of eliminating abusive indexation clauses from the agreement) with the effect of treating the borrower's obligation as a PLN loan with an interest rate based on WIBOR.

– 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 September 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.

On 8 September 2022, the CJEU issued another ruling on loans indexed to a foreign currency (joined cases C-80/21, C-81/21, C-82/21). The CJEU reiterated that the purpose of Directive 93/13/EEC is not to annul all agreements containing unfair terms, but to restore the balance between the parties. The CJEU also pointed to the importance of the consumer's intention regarding the possibility to retain or invalidate the agreement containing unfair terms in the context of supplementary national provisions under which the agreement can continue in force (making it clear that the consumer's intention does not prevail over the court's objective assessment). In the above ruling, the CJEU did not analyse or assess the nature of the Polish supplementary provisions in terms of their applicability. The CJEU also referred to the limitation period for the consumer's claims for recovery of sums paid following the annulment of the agreement, stating that it would be unreasonable to assume that this period should begin to run from the date of each payment made by the consumer as the consumer might not be aware of the existence or nature of unfair terms in the agreement. The CJEU did not consider the limitation period for the bank's claims arising from invalidation of the agreement; however, the position presented above seems reasonable and consistent with the position of the Supreme Court, according to which the limitation period for such claims cannot start earlier than on the date when the consumer gives their expressive consent for annulment of the agreement.

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 in May 2021 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), the importance of the consumer's will for the court adjudicating on the annulment of the agreement, as well as the possibility for an agreement to continue in force after unfair clauses are removed in accordance with the national law of obligations which may be applied directly or by analogy.

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.

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 September 2022, there were 11 190 pending lawsuits against the Group over loans indexed to or denominated in CHF, with the disputed amount totalling PLN 3 175 984k . This included two class actions filed under the Class Action Act:

- a class action against Santander Bank Polska S.A. in respect of 559 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 September 2022, the total cumulative impact of legal risk associated with foreign currency mortgage loans in the Group was estimated at PLN 3,200,373k, including:

- IFRS 9 adjustment to the gross carrying amount at PLN 2,846,686k (including PLN 2,287,285k in the case of Santander Bank Polska S.A. and PLN 559,401k in the case of Santander Consumer Bank S.A.)
- IAS 37 provision at PLN 353,687k (including PLN 266,411k in the case of Santander Bank Polska S.A. and PLN 87,276k 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.)

In thousands PLN

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	1.07.2022-30.09.2022	1.01.2022-30.09.2022	1.07.2021-30.09.2021	1.01.2021-30.09.2021
Impact of legal risk associated with foreign currency mortgage loans recognised as adjustment to gross carrying amount	(31 674)	(770 028)	(50 520)	(665 743)
Impact of legal risk associated with foreign currency mortgage loans recognised as provision	(32 055)	(158 361)	(46 776)	(143 122)
Other costs	(59 174)	(141 893)	(10 845)	(35 801)
Total cost of legal risk associated with foreign currency mortgage loans	**(122 903)**	**(1 070 282)**	**(108 141)**	**(844 666)**

	30.09.2022	31.12.2021
Adjustment to gross carrying amount owing to legal risk associated with foreign currency mortgage loans	2,846,686	1,859,075
Provision for legal risk associated with foreign currency mortgage loans	353,687	176,059
Total cumulative impact of legal risk associated with foreign currency mortgage loans	**3,200,373**	**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 34% of the active portfolio of CHF loans.

The difference in the balance of the above provisions between January and September 2022 was attributed to an increase in the number of new court cases (up 2,716 on December 2021) and the update of the number of the expected lawsuits.

In 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. 19.7% 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 September 2022, 613 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 553 were unfavourable to the Bank, and 60 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.

30. Shareholders with min. 5% voting power

Shareholder	Number of shares held		% in the share capital		Number of votes at AGM		Voting power at AGM	
	26.10.2022	28.07.2022	26.10.2022	28.07.2022	26.10.2022	28.07.2022	26.10.2022	28.07.2022
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 3Q 2022 /26.10.2022/ are Banco Santander SA and Funds managed by Nationale-Nederlanden Powszechne Towarzystwo Emerytalne SA.

31. Capital Adequacy

The capital requirements of Santander Bank Polska Capital Group are set in accordance with part III of Regulation (EU) No 575/2013 of the European Parliament and of the Council of 26.06.2013 on prudential requirements for credit institutions and investment firms and amending Regulation (EU) No 648/2012 ("CRR"), as amended, inter alia, by CRR II, Regulation (EU) 2020/873 of the European Parliament and of the Council of 24 June 2020 amending Regulations (EU) No 575/2013 and (EU) 2019/876 as regards certain adjustments in response to the COVID-19 pandemic, which was the official legal basis as at 30.09.2022.

The capital ratios of Santander Bank Polska Group calculated in accordance with the CRR requirements and an individual capital decision of the supervisory body are above the minimum requirements.

In thousands PLN

Below the most important metrics in accordance with Article 447 CRR.

		a	b	c	d	e
		30.09.2022	30.06.2022	31.03.2022	31.12.2021*	30.09.2021
Available own funds (amounts)						
1	Common Equity Tier 1 (CET1) capital	23 702 494	23 350 609	21 838 048	23 141 977	24 555 302
2	Tier 1 capital	23 702 494	23 350 609	21 838 048	23 141 977	24 555 302
3	Total capital	26 151 901	25 874 078	24 438 171	25 778 873	27 231 229
Risk-weighted exposure amounts						
4	Total risk exposure amount	138 135 913	134 891 388	134 884 116	135 344 122	133 605 850
Capital ratios (as a percentage of risk-weighted exposure amount)						
5	Common Equity Tier 1 ratio (%)	17,16%	17,31%	16,19%	17,10%	18,38%
6	Tier 1 ratio (%)	17,16%	17,31%	16,19%	17,10%	18,38%
7	Total capital ratio (%)	18,93%	19,18%	18,12%	19,05%	20,38%
Additional own funds requirements to address risks other than the risk of excessive leverage (as a percentage of risk-weighted exposure amount)						
EU 7a	Additional own funds requirements to address risks other than the risk of excessive leverage (%)	0,02%	0,02%	0,02%	0,02%	0,02%
EU 7b	of which: to be made up of CET1 capital (%)	0,00%	0,00%	0,00%	0,00%	0,01%
EU 7c	of which: to be made up of Tier 1 capital (%)	0,01%	0,01%	0,01%	0,01%	0,00%
EU 7d	Total SREP own funds requirements (%)	8,03%	8,03%	8,03%	8,03%	8,03%
Combined buffer and overall capital requirement (as a percentage of risk-weighted exposure amount)						
8	Capital conservation buffer (%)	2,50%	2,50%	2,50%	2,50%	2,50%
EU 8a	Conservation buffer due to macro-prudential or systemic risk identified at the level of a Member State (%)	0,00%	0,00%	0,00%	0,00%	0,00%
9	Institution specific countercyclical capital buffer (%)	0,01%	0,01%	0,01%	0,01%	0,01%
EU 9a	Systemic risk buffer (%)	0,00%	0,00%	0,00%	0,00%	0,00%
10	Global Systemically Important Institution buffer (%)	0,00%	0,00%	0,00%	0,00%	0,00%
EU 10a	Other Systemically Important Institution buffer (%)	0,75%	0,75%	0,75%	0,75%	0,75%
11	Combined buffer requirement (%)	3,26%	3,26%	3,26%	3,26%	3,26%
EU 11a	Overall capital requirements (%)	11,29%	11,29%	11,29%	11,29%	11,29%
12	CET1 available after meeting the total SREP own funds requirements (%)	10,90%	11,15%	10,09%	11,02%	12,35%
Leverage ratio						
13	Total exposure measure	282 267 175	257 502 286	255 778 223	253 598 723	247 729 473
14	Leverage ratio (%)	8,40%	9,07%	8,54%	9,13%	9,91%
Additional own funds requirements to address the risk of excessive leverage (as a percentage of total exposure measure)						
EU 14a	Additional own funds requirements to address the risk of excessive leverage (%)	-	-	-	-	-
EU 14b	of which: to be made up of CET1 capital (percentage points)	-	-	-	-	-
EU 14c	Total SREP leverage ratio requirements (%)	3,00%	3,00%	3,00%	3,00%	3,00%
Leverage ratio buffer and overall leverage ratio requirement (as a percentage of total exposure measure)						
EU 14d	Leverage ratio buffer requirement (%)	-	-	-	-	-
EU 14e	Overall leverage ratio requirement (%)	3,00%	3,00%	3,00%	3,00%	3,00%
Liquidity Coverage Ratio						
15	Total high-quality liquid assets (HQLA) (Weighted value - average)	67 558 911	69 228 871	70 982 475	70 328 417	68 378 215
EU 16a	Cash outflows - Total weighted value	44 692 470	42 356 588	40 817 190	39 576 331	39 068 606
EU 16b	Cash inflows - Total weighted value	9 326 377	7 909 171	7 269 341	7 151 124	6 934 581
16	Total net cash outflows (adjusted value)	35 366 093	34 447 418	33 547 849	32 425 207	32 134 025
17	Liquidity coverage ratio (%)	191%	201%	212%	217%	213%
Net Stable Funding Ratio						
18	Total available stable funding	184 427 253	182 475 190	184 206 100	183 370 235	175 779 608
19	Total required stable funding	124 417 668	124 292 706	121 555 988	119 348 687	118 662 479
20	NSFR ratio (%)	148%	147%	152%	154%	148%

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

In thousands PLN

The following table summarizes key metrics about MREL I TLAC requirements applied at the Santander Bank Polska Group level

		Minimum requirement for own funds and eligible liabilities (MREL)	G-SII Requirement for own funds and eligible liabilities (TLAC)				
		a	b	c	d	e	f
		30.09.2022	30.09.2022	30.06.2022	31.03.2022	31.12.2021*	30.09.2021
	Own funds and eligible liabilities, ratios and components						
1	Own funds and eligible liabilities	33 897 016	33 842 443	33 181 045	31 658 764	29 300 156	27 819 189
EU-1a	Of which own funds and subordinated liabilities	29 007 686					
2	Total risk exposure amount of the resolution group (TREA)	138 135 913	138 135 913	134 891 388	134 884 116	135 344 122	133 605 850
3	Own funds and eligible liabilities as a percentage of TREA (row1/row2)	24,54%	24,50%	24,60%	23,47%	21,65%	20,82%
EU-3a	Of which own funds and subordinated liabilities	21,00%					
4	Total exposure measure of the resolution group	282 267 175	282 267 175	257 502 286	255 778 223	253 598 723	247 729 473
5	Own funds and eligible liabilities as percentage of the total exposure measure	12,01%	11,99%	12,89%	12,38%	11,55%	11,23%
EU-5a	Of which own funds or subordinated liabilities	10,28%					
6a	Does the subordination exemption in Article 72b(4) of the CRR apply? (5% exemption)		no	no	no	no	no
6b	Pro-memo item - Aggregate amount of permitted non-subordinated eligible liabilities in-struments If the subordination discretion as per Article 72b(3) CRR is applied (max 3.5% exemption)		4 834 757	4 721 199	4 704 625	3 383 603	481 145
6c	Pro-memo item: If a capped subordination exemption applies under Article 72b (3) CRR, the amount of funding issued that ranks pari passu with excluded liabilities and that is recognised under row 1, divided by funding issued that ranks pari passu with excluded Liabilities and that would be recognised under row 1 if no cap was applied (%)		-	-	-	-	-
	Minimum requirement for own funds and eligible liabilities (MREL)**						
	TLAC as a percentage of TREA		18,00%	18,00%	16,00%	16,00%	16,00%
	TLAC as percentage of TEM		6,75%	6,75%	6,00%	6,00%	6,00%
EU-7	MREL requirement expressed as percentage of the total risk exposure amount	11,72%					
EU-8	Of which to be met with own funds or subordinated liabilities	10,69%					
EU-9	MREL requirement expressed as percentage of the total exposure measure	3,00%					
EU-10	Of which to be met with own funds or subordinated liabilities	3,00%					

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

** Excluding the combined buffer requirement

In thousands PLN

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

		Total risk exposure amounts (TREA)		Total own funds requirements
		a	b	c
		30.09.2022	30.06.2022	30.09.2022
1	**Credit risk (excluding CCR)**	**115 307 506**	**112 782 777**	**9 224 600**
2	Of which the standardised approach	115 307 506	112 782 777	9 224 600
3	Of which the Foundation IRB (F-IRB) approach	-	-	-
4	Of which slotting approach	-	-	-
EU 4a	Of which equities under the simple riskweighted approach	-	-	-
5	Of which the Advanced IRB (A-IRB) approach	-	-	-
6	**Counterparty credit risk - CCR**	**5 120 340**	**4 284 776**	**409 627**
7	Of which the standardised approach	3 773 967	3 138 414	301 917
8	Of which internal model method (IMM)	-	-	-
EU 8a	Of which exposures to a CCP	130 162	137 479	10 413
EU 8b	Of which credit valuation adjustment - CVA	565 996	511 634	45 280
9	Of which other CCR	650 215	497 250	52 017
15	**Settlement risk**	**-**	**-**	**-**
16	**Securitisation exposures in the non-trading book (after the cap)**	**681 274**	**631 945**	**54 502**
17	Of which SEC-IRBA approach	-	-	-
18	Of which SEC-ERBA (including IAA)	-	-	-
19	Of which SEC-SA approach	681 274	631 945	54 502
EU 19a	Of which 1250%	-	-	-
20	**Position, foreign exchange and commodities risks (Market risk)**	**1 347 819**	**1 512 915**	**107 826**
21	Of which the standardised approach	1 347 819	1 512 915	107 826
22	Of which IMA	-	-	-
EU 22a	**Large exposures**	**-**	**-**	**-**
23	**Operational risk**	**15 678 974**	**15 678 974**	**1 254 318**
EU 23a	Of which basic indicator approach	-	-	-
EU 23b	Of which standardised approach	15 678 974	15 678 974	1 254 318
EU 23c	Of which advanced measurement approach	-	-	-
24	Amounts below the thresholds for deduction (subject to 250% risk weight)	8 449 530	7 792 317	675 962
29	**Total**	**138 135 913**	**134 891 388**	**11 050 873**

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

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

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

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

Below, Santander Bank Polska Group has disclosed own funds, capital ratios, as well as the leverage ratio, both including and excluding application of transitional solutions stemming from Article 473a of Regulation (EU) No 575/2013 in accordance with Guidelines EBA/GL/2020/12 from 11 August 2020 amending Guidelines EBA/GL/2018/01 on uniform disclosures under Article 473a of Regulation (EU) No 575/2013 (CRR) on the transitional period for mitigating the impact of the introduction of IFRS 9 on own funds to ensure compliance with the CRR 'quick fix' in response to the COVID-19 pandemic.

In thousands PLN

	Available capital (amounts)	30.09.2022	30.06.2022	31.03.2022	31.12.2021*	30.09.2021
1	Common Equity Tier 1 (CET1) capital	23 702 494	23 350 609	21 838 048	23 141 977	24 555 302
2	Common Equity Tier 1 (CET1) capital as if IFRS 9 or analogous ECLs transitional arrangements had not been applied	23 509 368	23 194 052	21 637 258	22 828 513	24 267 432
2a	CET1 capital as if the temporary treatment of unrealised gains and losses measured at fair value through OCI (other comprehensive income) in accordance with Article 468 of the CRR had not been applied	23 702 494	23 350 609	21 838 048	23 141 977	24 555 302
3	Tier 1 capital	23 702 494	23 350 609	21 838 048	23 141 977	24 555 302
4	Tier 1 capital as if IFRS 9 or analogous ECLs transitional arrangements had not been applied	23 509 368	23 194 052	21 637 258	22 828 513	24 267 432
4a	Tier 1 capital as if the temporary treatment of unrealised gains and losses measured at fair value through OCI in accordance with Article 468 of the CRR had not been applied	23 702 494	23 350 609	21 838 048	23 141 977	24 555 302
5	Total capital	26 151 901	25 874 078	24 438 171	25 778 873	27 231 229
6	Total capital as if IFRS 9 or analogous ECLs transitional arrangements had not been applied	25 958 647	25 717 244	24 236 961	25 465 144	26 943 093
6a	Total capital as if the temporary treatment of unrealised gains and losses measured at fair value through OCI in accordance with Article 468 of the CRR had not been applied	26 151 901	25 874 078	24 438 171	25 778 873	27 231 229
	Risk-weighted assets (amounts)					
7	Total risk-weighted assets	138 135 913	134 891 388	134 884 116	135 344 122	133 605 850
8	Total risk-weighted assets as if IFRS 9 or analogous ECLs transitional arrangements had not been applied	137 976 846	134 825 176	134 783 023	135 082 733	133 481 966
	Capital ratios					
9	Common Equity Tier 1 (as a percentage of risk exposure amount)	17,16%	17,31%	16,19%	17,10%	18,38%
10	Common Equity Tier 1 (as a percentage of risk exposure amount) as if IFRS 9 or analogous ECLs transitional arrangements had not been applied	17,04%	17,20%	16,05%	16,90%	18,18%
10a	CET1 (as a percentage of risk exposure amount) as if the temporary treatment of unrealised gains and losses measured at fair value through OCI in accordance with Article 468 of the CRR had not been applied	17,16%	17,31%	16,19%	17,10%	18,38%
11	Tier 1 (as a percentage of risk exposure amount)	17,16%	17,31%	16,19%	17,10%	18,38%
12	Tier 1 (as a percentage of risk exposure amount) as if IFRS 9 or analogous ECLs transitional arrangements had not been applied	17,04%	17,20%	16,05%	16,90%	18,18%
12a	Tier 1 (as a percentage of risk exposure amount) as if the temporary treatment of unrealised gains and losses measured at fair value through OCI in accordance with Article 468 of the CRR had not been applied	17,16%	17,31%	16,19%	17,10%	18,38%
13	Total capital (as a percentage of risk exposure amount)	18,93%	19,18%	18,12%	19,05%	20,38%
14	Total capital (as a percentage of risk exposure amount) as if IFRS 9 or analogous ECLs transitional arrangements had not been applied	18,81%	19,07%	17,98%	18,85%	20,18%
14a	Total capital (as a percentage of risk exposure amount) as if the temporary treatment of unrealised gains and losses measured at fair value through OCI in accordance with Article 468 of the CRR had not been applied	18,93%	19,18%	18,12%	19,05%	20,38%
	Leverage ratio					
15	Leverage ratio total exposure measure	282 267 175	257 502 286	255 778 223	253 598 723	247 729 473
16	Leverage ratio	8,40%	9,07%	8,54%	9,13%	9,91%
17	Leverage ratio as if IFRS 9 or analogous ECLs transitional arrangements had not been applied	8,33%	9,01%	8,46%	9,01%	9,81%
17a	Leverage ratio as if the temporary treatment of unrealised gains and losses measured at fair value through OCI in accordance with Article 468 of the CRR had not been applied	8,40%	9,07%	8,54%	9,13%	9,91%

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

Santander Bank Polska Group does not apply the temporary treatment of unrealized gains and losses measured at fair value through other comprehensive income in accordance with Article 468 of the CRR, therefore own funds, capital and leverage ratios already reflect the full impact of unrealized gains and losses measured at fair value through other comprehensive income.

In thousands PLN

33. Liquidity measures

The table below presents the liquidity coverage ratio information.

		a	b	c	d
		Total unweighted value (average)			
EU 1a	Quarter ending on	30.09.2022	30.06.2022	31.03.2022	31.12.2021
EU 1b	Number of data points used in the calculation of averages	12	12	12	12
	CASH - OUTFLOWS				
2	**Retail deposits and deposits from small business customers, of which:**	**133 165 571**	**132 359 154**	**130 669 051**	**128 491 942**
3	*Stable deposits*	*82 254 823*	*82 483 444*	*82 195 587*	*80 957 649*
4	*Less stable deposits*	*46 297 934*	*45 365 687*	*43 994 757*	*42 795 093*
5	**Unsecured wholesale funding**	**51 410 335**	**50 175 761**	**49 433 200**	**47 979 510**
6	*Operational deposits (all counterparties) and deposits in networks of cooperative banks*	-	-	-	-
7	*Non-operational deposits (all counterparties)*	*50 807 188*	*49 345 748*	*48 528 854*	*47 338 499*
8	*Unsecured debt*	*603 148*	*830 014*	*904 346*	*641 011*
9	**Secured wholesale funding**				
10	**Additional requirements**	**29 154 078**	**28 843 832**	**28 496 681**	**28 276 188**
11	*Outflows related to derivative exposures and other collateral requirements*	*3 333 668*	*2 778 714*	*2 489 649*	*2 466 537*
12	*Outflows related to loss of funding on debt products*	-	-	-	-
13	*Credit and liquidity facilities*	*25 820 410*	*26 065 118*	*26 007 032*	*25 809 651*
14	**Other contractual funding obligations**	**2 143 026**	**1 354 427**	**965 133**	**1 152 290**
15	**Other contingent funding obligations**	**15 384 252**	**15 275 829**	**15 435 547**	**14 931 506**
16	**TOTAL CASH OUTFLOWS**				
	CASH - INFLOWS				
17	**Secured lending (e.g. reverse repos)**	**3 363 062**	**659 374**	**586 500**	**466 656**
18	**Inflows from fully performing exposures**	**8 268 004**	**7 432 008**	**7 104 797**	**7 388 529**
19	**Other cash inflows**	**2 048 607**	**1 476 632**	**1 168 450**	**809 113**
EU-19a	**(Difference between total weighted inflows and total weighted outflows arising from transactions in third countries where there are transfer restrictions or which are denominated in non-convertible currencies)**				
EU-19b	**(Excess inflows from a related specialised credit institution)**				
20	**TOTAL CASH INFLOWS**	**13 679 672**	**9 568 014**	**8 859 747**	**8 664 298**
EU-20a	***Fully exempt inflows***	-	-	-	-
EU-20b	***Inflows subject to 90% cap***	-	-	-	-
EU-20c	***Inflows subject to 75% cap***	*13 679 672*	*9 568 014*	*8 859 747*	*8 664 298*

In thousands PLN

		e	f	g	h
		Total weighted value (average)			
EU 1a	Quarter ending on	30.09.2022	30.06.2022	31.03.2022	31.12.2021
EU 1b	Number of data points used in the calculation of averages	12	12	12	12
	HIGH-QUALITY LIQUID ASSETS				
1	Total high-quality liquid assets (HQLA)	67 558 911	69 228 871	70 982 475	70 328 417
	CASH - OUTFLOWS				
2	Retail deposits and deposits from small business customers, of which:	10 722 448	10 585 994	10 364 807	10 120 380
3	*Stable deposits*	*4 112 741*	*4 124 172*	*4 109 779*	*4 047 882*
4	*Less stable deposits*	*6 609 707*	*6 461 822*	*6 255 028*	*6 072 498*
5	Unsecured wholesale funding	26 005 974	25 124 193	24 464 080	23 285 878
6	*Operational deposits (all counterparties) and deposits in networks of cooperative banks*	-	-	-	-
7	*Non-operational deposits (all counterparties)*	*25 402 827*	*24 294 179*	*23 559 734*	*22 644 866*
8	*Unsecured debt*	*603 148*	*830 014*	*904 346*	*641 011*
9	Secured wholesale funding	-	-	-	-
10	Additional requirements	5 464 335	4 939 969	4 635 953	4 715 350
11	*Outflows related to derivative exposures and other collateral requirements*	*3 333 668*	*2 778 714*	*2 489 649*	*2 466 537*
12	*Outflows related to loss of funding on debt products*	-	-	-	-
13	*Credit and liquidity facilities*	*2 130 667*	*2 161 255*	*2 146 304*	*2 248 813*
14	Other contractual funding obligations	1 762 921	984 575	598 380	783 346
15	Other contingent funding obligations	736 792	721 858	753 970	671 378
16	TOTAL CASH OUTFLOWS	44 692 470	42 356 588	40 817 190	39 576 331
	CASH - INFLOWS				
17	Secured lending (e.g. reverse repos)	-	-	-	-
18	Inflows from fully performing exposures	7 277 771	6 432 539	6 100 891	6 342 011
19	Other cash inflows	2 048 607	1 476 632	1 168 450	809 113
EU-19a	(Difference between total weighted inflows and total weighted outflows arising from transactions in third countries where there are transfer restrictions or which are denominated in non-convertible currencies)	-	-	-	-
EU-19b	(Excess inflows from a related specialised credit institution)	-	-	-	-
20	TOTAL CASH INFLOWS	9 326 377	7 909 171	7 269 341	7 151 124
EU-20a	***Fully exempt inflows***	-	-	-	-
EU-20b	***Inflows subject to 90% cap***	-	-	-	-
EU-20c	***Inflows subject to 75% cap***	*9 326 377*	*7 909 171*	*7 269 341*	*7 151 124*
	TOTAL ADJUSTED VALUE				
EU-21	LIQUIDITY BUFFER	67 558 911	69 228 871	70 982 475	70 328 417
22	TOTAL NET CASH OUTFLOWS	35 366 093	34 447 418	33 547 849	32 425 207
23	LIQUIDITY COVERAGE RATIO	191,03%	200,97%	211,59%	216,89%

The main factors influencing the Liquidity Coverage Ratio (hereinafter 'LCR') are:

- on the outflow side, retail deposits, and then non-operating non-retail deposits, additional outflows due to the impact of a negative market scenario on the valuation of derivatives and outflows due to irrevocable off-balance sheet liabilities, including those related to trade financing,

- on the inflows side, these are mainly the expected inflows from receivables from financial institutions (interbank and central bank deposits),

- on the side of liquid assets, the main part are liquid Treasury bonds or bonds fully guaranteed by the Treasury (including securities issued by the Polish Development Fund and Bank Gospodarstwa Krajowego as part of anti-crisis shields during the COVID-19 pandemic), treasury bonds issued by government of Germany and Spain, NBP bills (NBP), bonds issued by European Investment Bank and then cash and the surplus on NBP accounts over the amount of the required reserve.

The main factors remain substantially the same over time, although recently, due to the growing interest rates, the share of retail clients' term deposits in the deposit base has continued to grow.

Disclosed LCR in September 2022 remains on high and safe level, much above both the regulatory and internal Group's limits. The indicator that remains at a high level is primarily the result of high level of deposit base (especially in 'stable retail deposits' category) and realized issues, allocated mainly in high quality liquid assets. At the end of September 2022 the LCR reached 173.6% and was 1.0 percentage point higher than at the end of previous quarter.

In line with the Liquidity Risk Policy, the Group prudently manages an appropriately diversified deposit base. Financing is mostly based on the current accounts and term deposits of individual clients and enterprises, mainly non-financial. As of September 30, 2022, the share of the deposit base in external financing sources accounted for 85.6%, and deposits of the 10 largest customers accounted for 2.9% of the deposit base. The Group also focuses on increasing the level of diversification of long-term financing sources, expanding its presence on wholesale markets by issuing debt and taking long-term loans on the financial market. A significant, but much smaller than the aforementioned, part of financing are own issues in the form of both subordinated and ordinary debt. It should be noted that in the third Quarter of 2022 r. Santander Leasing S.A. issued PLN 1 billion of bonds and Santander Factoring Sp. z o.o. issued PLN 150 million of bonds and obtained credit financing in the amount of USD 100 million. In the current strategy, the Group attempts to reduce the share of secured financing.

General description of the institution's liquidity buffer structure:

High quality liquid assets (HQLAs) consists of: liquid securities that can be quickly converted into cash with minimal impact on the price received on the open market (mainly Treasury bonds of Polish Government or bonds fully guaranteed by Central Government, as well as Treasury bonds of the German and Spanish Government), central bank assets (including NBP bills), bonds issued by European Investment Bank, cash, surplus in current accounts of National Bank of Poland (NBP) over the amount of mandatory reserve. As of September 2022, 30th the above mentioned categories accounted for 90.8%, 0.5%, 1.2%, 4.8% and 2.7%, respectively, of the liquid buffer. All components of liquid buffer are recognized as level 1 of liquid assets.

The main derivatives exposures of Group come from cross currency and fx swaps transactions. These transactions are aimed at obtaining funding in foreign currency (eg. CHF for financing of mortgages) from one side, and are the form of managing of liquidity surplus in currencies (eg. EUR) from the other hand.

LCR calculation include derivative payables and receivables during the next 30 days, posted and received collaterals (margin calls) due to valuation of derivative contracts and additional outflows due to impact of an adverse market scenario on derivative transactions (calculated with the usage of regulatory method of 'historical look back approach').

Notwithstanding the fulfillment of the required LCR limits at the aggregated level for all currencies, the Group maintains the LCR ratio above 100% for the domestic currency (PLN). In the case of the second currency identified as significant within the meaning of the CRR provisions, the occurring mismatches are additionally monitored as part of the adjusted gap analysis and stress scenarios for the EUR currency. The Bank has the option of adjusting the liquidity position in EUR by acquiring liquid funds in this currency on the wholesale financial market, including, inter alia, FX swap transactions on dates beyond the LCR horizon (i.e. over 30 days).

The Group uses secured instruments to fund its activity to a limited degree only. However, in accordance with the existing contractual provisions, if the Group’s rating is reduced by one notch (to BBB), the maximum potential additional security on account of those instruments would be as at September 2022, 30th PLN 25.8 m. At the same time, it should be noted that this potential obligation is not unconditional and its final value would depend on negotiations between the bank and its counterparty in relation to the above transactions.

In thousands PLN

34. Related parties

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

Transactions with associates	30.09.2022	31.12.2021
Assets	**221**	**63**
Loans and advances to customers	161	-
Other assets	60	63
Liabilities	**56 120**	**50 783**
Deposits from customers	56 065	50 708
Other liabilities	55	75

Transactions with associates	1.01.2022-30.09.2022	1.01.2021-30.09.2021
Income	**48 745**	**41 891**
Interest income	7	-
Fee and commission income	48 737	41 891
Other operating income	1	-
Expenses	**1 123**	**2**
Interest expense	1 123	2

	with the parent company		with other entities	
Transactions with Santander Group	**30.09.2022**	**31.12.2021**	**30.09.2022**	**31.12.2021**
Assets	**6 400 644**	**2 205 680**	**11 323**	**28 379**
Loans and advances to banks, incl:	1 600 686	406 371	11 314	20 773
Current accounts	*659 559*	*406 371*	*11 314*	*20 773*
Loans and advances	*941 127*	-	-	-
Financial assets held for trading	4 790 651	1 797 764	-	-
Other assets	9 307	1 545	9	7 606
Liabilities	**13 037 158**	**7 643 555**	**177 040**	**254 932**
Deposits from banks incl.:	1 686 265	1 879 707	41 015	119 507
Current accounts and advances	*789 278*	*138 571*	*41 015*	*119 507*
Loans from other banks	*896 987*	*1 741 136*	-	-
Financial liabilities held for trading	4 725 372	1 850 935	-	-
Deposits from customers	-	-	64 848	84 647
Lease liabilities	-	-	25	25
Debt securities in issue	6 606 966	3 910 233	-	-
Other liabilities	18 555	2 680	71 152	50 753
Contingent liabilities	**4 548 895**	**5 325 641**	**6 688**	**64 355**
Sanctioned:	-	-	5 205	32 536
guarantees	-	-	*5 205*	*32 536*
Received:	4 548 895	5 325 641	1 483	31 819
guarantees	*4 548 895*	*5 325 641*	*1 483*	*31 819*

In thousands PLN

Transakcje z Grupą Santander	with the parent company 1.01.2022-30.09.2022	with the parent company 1.01.2021-30.09.2021	with other entities 1.01.2022-30.09.2022	with other entities 1.01.2021-30.09.2021
Income	**625 202**	**385 821**	**12 730**	**778**
Interest income	6 940	(2 066)	5	12
Fee and commission income	8 490	4 729	621	242
Other operating income	84	1	11 874	524
Net trading income and revaluation	609 688	383 157	230	-
Expenses	**92 835**	**48 878**	**98 202**	**73 196**
Interest expense	53 009	15 441	3 037	1
Fee and commission expense	5 046	6 750	288	395
Net trading income and revaluation	-	-	-	246
Operating expenses incl.:	34 780	26 687	94 877	72 554
Staff,Operating expenses and management costs	*34 778*	*26 622*	*94 877*	*72 554*
Other operating expenses	*2*	*65*	*-*	*-*

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

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.

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

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

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

Creation of management unit – System Ochrony Banków Komercyjnych S.A. and BFG adopted a resolution decision for Getin Noble Bank S.A.

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

Santander Bank Polska S.A. together 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). The share capital of the Managing Entity (under the name of System Ochrony Banków Komercyjnych S.A.) amounts to PLN 1,000,000. The Bank acquired 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 established an aid fund to ensure resources for funding the tasks of the protection scheme. The aid fund was 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, the Bank paid the amount of PLN 407,263,243 to the aid fund. This amount was recognized in the Bank's financial result for the second quarter of 2022. On September 2022 The Bank Guarantee Fund applied to the SOBK S.A. for making another payment to the assistance fund. General meeting of SOBK S.A. made a unanimous decision to make an additional contribution to the assistance fund. Consequently, Santander Bank Polska S.A. in September 2022, has paid PLN 38,441,065.02 to the assistance fund. This amount was charged to the Bank's financial result for the third quarter of 2022.

On September 30, 2022, the Bank Guarantee Fund started resolution process for Getin Noble Bank S.A., whose operations on October 3, 2022 were transferred to the so-called a bridge bank (Velo Bank), the majority shareholder of which is the BFG. The minority block of shares in the bridge bank was acquired by SOBK S.A using the funds from the assistance fund, as part of the support for the resolution process. In accordance with generally applicable provisions of law, SOBK does not have the right to vote in the governing bodies of the bridge institution, and thus will not affect its management, assuming the role of a passive investor, supporting the stability of this institution.

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

As at 30.09.2022 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.

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

Details in Notes 8 and 12.

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

As at 30.09.2022 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.

41. Acquisitions and disposals of investments in subsidiaries and associates

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

42. 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.

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

There were no major events subsequent to the end of the interim period.

Signatures of the persons representing the entity

Date	Name	Function	Signature
25.10.2022	Michał Gajewski	President	
25.10.2022	Andrzej Burliga	Vice-President	
25.10.2022	Juan de Porras Aguirre	Vice-President	
25.10.2022	Arkadiusz Przybył	Vice-President	
25.10.2022	Lech Gałkowski	Member	
25.10.2022	Patryk Nowakowski	Member	
25.10.2022	Carlos Polaino Izquierdo	Member	
25.10.2022	Maciej Reluga	Member	
25.10.2022	Dorota Strojkowska	Member	

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

Date	Name	Function	Signature
25.10.2022	Wojciech Skalski	Financial Accounting Area Director	