

Report of Santander Bank Polska Group for Quarter 1 2023



FINANCIAL HIGHLIGHTS

		PLN k		EUR k	
		1.01.2023-	1.01.2022-	1.01.2023-	1.01.2022-
		31.03.2023	31.03.2022	31.03.2023	31.03.2022
Consolidated financial statements of Santander Bank Polska Group					
I	Net interest income	3 092 291	2 243 949	657 864	482 860
II	Net fee and commission income	662 395	660 727	140 920	142 177
III	Profit before tax	1 656 008	1 426 064	352 305	306 865
IV	Net profit attributable to owners of the parent entity	1 191 990	959 532	253 588	206 475
V	Total net cash flows	(5 620 409)	(958 768)	(1 195 704)	(206 311)
VI	Profit of the period attributable to non-controlling interests	24 819	69 734	5 280	15 006
VII	Profit per share in PLN/EUR	11,66	9,39	2,48	2,02
VIII	Diluted earnings per share in PLN/EUR	11,66	9,39	2,48	2,02
Stand alone financial statements of Santander Bank Polska S.A.					
I	Net interest income	2 701 891	1 841 791	574 809	396 323
II	Net fee and commission income	598 991	584 912	127 431	125 863
III	Profit before tax	1 503 411	1 125 101	319 841	242 103
IV	Profit for the period	1 103 199	798 214	234 698	171 762
V	Total net cash flows	(5 705 020)	(734 042)	(1 213 705)	(157 954)
VI	Profit per share in PLN/EUR	10,80	7,81	2,30	1,68
VII	Diluted earnings per share in PLN/EUR	10,80	7,81	2,30	1,68

FINANCIAL HIGHLIGHTS

		PLN k		EUR k	
		31.03.2023	31.12.2022	31.03.2023	31.12.2022
		Consolidated financial statements of Santander Bank Polska Group			
I	Total assets	258 620 665	259 167 215	55 314 012	55 260 712
II	Deposits from banks	3 850 379	4 031 252	823 522	859 560
III	Deposits from customers	197 172 162	196 496 806	42 171 353	41 897 867
IV	Total liabilities	226 671 658	229 051 877	48 480 731	48 839 395
V	Total equity	31 949 007	30 115 338	6 833 281	6 421 318
VI	Non-controlling interests in equity	1 845 628	1 797 255	394 745	383 218
VII	Number of shares	102 189 314	102 189 314		
VIII	Net book value per share in PLN/EUR	312,65	294,70	66,87	62,84
IX	Capital ratio	21,04% *	21,13%*		
X	Declared or Paid dividend per share in PLN/EUR	-**	2,68		0,57
Stand alone financial statements of Santander Bank Polska S.A.					
I	Total assets	236 782 986	238 098 041	50 643 351	50 768 255
II	Deposits from banks	2 230 264	2 245 128	477 011	478 716
III	Deposits from customers	185 471 171	185 655 260	39 668 735	39 586 187
IV	Total liabilities	208 835 488	211 802 781	44 665 916	45 161 471
V	Total equity	27 947 498	26 295 260	5 977 435	5 606 785
VI	Number of shares	102 189 314	102 189 314		
VII	Net book value per share in PLN/EUR	273,49	257,32	58,49	54,87
VIII	Capital ratio	24,45% *	24,32%*		
IX	Declared or Paid dividend per share in PLN/EUR	-**	2,68		0,57

*The data includes profits included in own funds, taking into account the applicable EBA guidelines

**Detailed information are described in Note 43.

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

- for balance sheet items – average NBP exchange rate as at 31.03.2023: EUR 1 = PLN 4,6755 and as at 31.12.2022: EUR 1 = PLN 4,6899
- for profit and loss items – as at 31.03.2023 - the rate is calculated as the average of NBP exchange rates prevailing as at the last day of each month in 2023: EUR 1 = PLN 4,7005; as at 31.03.2022 - 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 4,6472

As at 31.03.2023, FX denominated balance sheet positions were converted into PLN in line with the NBP FX table no. 064/A/NBP/2023 dd. 31.03.2023.

Overview of Performance

of Santander Bank Polska
Group in Q1 2023



Contents

I.	Basic Information about Santander Bank Polska Group in Q1 2023	3
1.	Key achievements.....	3
2.	Financial and business highlights of Santander Bank Polska Group.....	4
3.	Key external factors.....	5
4.	Corporate events	5
5.	Ownership structure.....	7
6.	Structure of Santander Bank Polska Group	8
7.	Share price of Santander Bank Polska S.A. vs the market	9
8.	Rating of Santander Bank Polska S.A.....	10
II.	Macroeconomic Situation in Q1 2023	11
III.	Business Development in Q1 2023	13
1.	Business development of Santander Bank Polska S.A. and non-banking subsidiaries	13
2.	Business development of Santander Consumer Bank Group.....	19
IV.	Organisational and Infrastructural Development	20
1.	Human resources management.....	20
2.	Development of distribution channels of Santander Bank Polska S.A.....	20
3.	Development of distribution channels of Santander Consumer Bank S.A.	22
4.	Continuation of digital transformation	23
V.	Financial Performance in Q1 2023	25
1.	Consolidated income statement.....	25
2.	Consolidated statement of financial position.....	34
3.	Selected financial ratios of Santander Bank Polska Group.....	38
4.	Factors which may affect the financial results in the next quarter	39
VI.	Risk Management	40
1.	Risk management priorities in Q1 2023	40
2.	Material risk factors projected for the next quarters of 2023	41
VII.	Other Information	42

I. Basic Information about Santander Bank Polska Group in Q1 2023

1. Key achievements

EFFICIENCY AND SECURITY

- ▶ Group's solid capital position confirmed by capital ratios as at 31 March 2023, including the total capital ratio of 21.04% (18.12% as at 31 March 2022).
- ▶ Higher ROE YoY (12.4% vs 8.6% as at 31 March 2022).
- ▶ Sound liquidity position. Net customer loans to deposits ratio at 78.5%. Supervisory liquidity ratios well above the regulatory minimum.
- ▶ Close monitoring of risk and implementation of relevant prudential measures.
- ▶ Increase in cost efficiency supported by high income growth rate. Decline in the cost-to-income ratio from 39.8% to 33.8% in Q1 2023.
- ▶ Further automation and optimisation of operational processes.
- ▶ Improved availability, reliability, performance and cybersecurity of the Group's systems.

BUSINESS VOLUMES AND ASSET QUALITY

- ▶ 5.2% YoY increase in total assets to PLN 258.6bn.
- ▶ 5.3% YoY growth in deposits from customers to PLN 197.2bn supported by an increase in term deposits (+103.1% YoY).
- ▶ 3.2% YoY increase in gross loans and advances to customers to PLN 160.6bn, including loans to business customers and the public sector (+10.9% YoY) and leasing receivables (+10.7% YoY).
- ▶ Good quality of the credit portfolio, with a stable NPL ratio of 4.8%.
- ▶ Growth of the annualised net interest margin from 4.02% in Q1 2022 to 5.40% in Q1 2023, supported by an increase in business volumes.
- ▶ Stable level of net fee and commission income (+0.3% YoY) thanks to higher income from banking activities, with lower income dependent on the financial market conditions (i.e. from brokerage activities and investment fund management).
- ▶ Dynamic growth in the number of transactions made via mobile banking (+31.2% YoY) and in the share of this channel in remote loan sales.

CUSTOMERS AND COMMUNITIES

- ▶ 7.5m customers of Santander Bank Polska S.A. and Santander Consumer Bank S.A., including 3.6m loyal customers.
- ▶ 12.5% YoY increase in the number of Accounts As I Want It opened with Santander Bank Polska S.A. to 3.0m.
- ▶ 4.1m digital customers of both banks, including 2.9m 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.
- ▶ Continuation of the special offer for Ukrainian citizens.
- ▶ Implementation of further measures to support sustainable development and promote cybersecurity culture.

2. Financial and business highlights of Santander Bank Polska Group

Selected income statement items		Q1 2023	Q1 2022	YoY change (2023/2022)
Total income	PLN m	3,745.6	2,987.7	25.4%
Total costs	PLN m	(1,265.9)	(1,189.3)	6.4%
Net expected credit loss allowances	PLN m	(232.6)	(119.3)	95.0%
Profit before tax	PLN m	1,656.0	1,426.1	16.1%
Profit attributable to the parent entity	PLN m	1,192.0	959.5	24.2%
Selected balance sheet items		31.03.2023	31.03.2022	YoY change (2023/2022)
Total assets	PLN m	258,620.7	245,938.5	5.2%
Total equity	PLN m	31,948.9	27,007.2	18.3%
Net loans and advances to customers	PLN m	154,743.6	149,702.3	3.4%
Deposits from customers	PLN m	197,172.2	187,320.2	5.3%
Selected off-balance sheet items		31.03.2023	31.03.2022	YoY change (2023/2022)
Net assets of investment funds ¹⁾	PLN bn	13.7	14.1	-0.4
Selected ratios ²⁾		31.03.2023	31.03.2022	YoY change (2023/2022)
Costs/Income	%	33.8%	39.8%	-6.0 p.p.
Total capital ratio	%	21.04%	18.12%	2.92% p.p.
ROE	%	12.4%	8.6%	3.8 p.p.
NPL ratio	%	4.8%	4.8%	0.0 p.p.
Cost of credit risk	%	0.64%	0.59%	0.05 p.p.
Loans/Deposits	%	78.5%	79.9%	-1.4 p.p.
Selected non-financial data		31.03.2023	31.03.2022	YoY change (2023/2022)
Electronic banking users ³⁾	m	6.4	5.9	0.5
Active digital customers ⁴⁾	m	4.1	3.4	0.7
Active mobile banking customers	m	2.9	2.5	0.4
Debit cards	m	4.7	4.5	0.2
Credit cards	m	0.9	1.0	-0.1
Customer base	m	7.5	7.2	0.3
Branch network	locations	382	417	-35
Santander Zones and off-site locations	locations	17	13	4
Partner outlets	locations	427	435	-8
Employment	FTEs	11,311	11,309	2

1) Assets in investment funds managed by Santander Towarzystwo Funduszy Inwestycyjnych S.A.

2) For definitions of the ratios presented in the table above, see Chapter V "Financial Performance in Q1 2023", Part 3 "Selected financial ratios of Santander Bank Polska Group".

3) Registered users with active access to internet and mobile banking services of Santander Bank Polska S.A. and Santander Consumer Bank S.A.

4) Active users of electronic banking services of Santander Bank Polska S.A. and Santander Consumer Bank S.A. who at least once used the services 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 1Q 2023

Economic growth	▶ Further deceleration in economic growth, including weakness in consumer demand.
Labour market	▶ Unemployment rate at record low, wage growth below inflation but still in double digits.
Inflation	<ul style="list-style-type: none"> ▶ Peak inflation reached in February 2023, beginning a downward trend from March. ▶ Price momentum still high, declines in annual inflation rate mainly due to statistical effects. ▶ Core inflation still on an upward trend.
Monetary policy	▶ Stabilisation of key interest rates, although the policy tightening cycle has not been formally closed.
Fiscal policy	<ul style="list-style-type: none"> ▶ State budget performance in the first months of 2023 slightly worse than a year earlier. ▶ Tax revenues benefited from high inflation and rapid nominal GDP growth, as well as from the rollback of the anti-inflationary shield on energy prices, but were hurt by weaker consumption and higher PIT tax refunds.
Credit market	▶ Total loan growth continued to slow, but new transactions stopped falling and the number of loan applications went up. Deposits accelerated on the back of growth in net foreign assets.
Financial markets	<ul style="list-style-type: none"> ▶ High volatility in debt markets due to fluctuating expectations for global monetary policy outlook. ▶ Stability of the zloty despite volatile global sentiment.

4. Corporate events

Major corporate events in the reporting period until the release date of the interim report for Q1 2023

Annual and Extraordinary General Meetings	<ul style="list-style-type: none"> ▶ On 12 January 2023, the Extraordinary General Meeting (EGM) of Santander Bank Polska S.A. was held. It authorised the Management Board to carry out the buyback of the Bank's shares as part of Incentive Plan VII and established a capital reserve for that purpose. The EGM also introduced changes to AGM Resolution no. 30 of 27 April 2022 on the rules of the incentive plan, performed suitability assessment of Supervisory Board members and discussed changes made by the Supervisory Board to the Policy on Suitability Assessment of Supervisory Board Members in Santander Bank Polska S.A. and to the Terms of Reference of the Supervisory Board of Santander Bank Polska S.A. ▶ On 19 April 2023 the Annual General Meeting (AGM) was held which adopted routine resolutions, approved the amendments to the Bank's Statutes, agreed on the establishment of reserve capital for the buyback of own shares under Incentive Scheme VII and authorized the Management Board to make such purchases. The AGM distributed the profit for 2022 in accordance with the Management Board recommendation provided below and presented information on the purchases of own shares to date.
Establishment of the bond programme	<ul style="list-style-type: none"> ▶ On 31 January 2023, the Management Board of Santander Bank Polska S.A. adopted a resolution on the establishment of the bond programme with the maximum total nominal value of PLN 5bn. The bonds: <ul style="list-style-type: none"> ▶ will be offered in Poland and will not require preparation of a prospectus or base prospectus; ▶ will be offered exclusively to investors that are eligible counterparties or professional clients; ▶ can be unsubordinated bonds or subordinated bonds (T2 bonds representing Tier 2 capital instruments) or bonds which are eligible liabilities (MREL bonds); ▶ will be denominated in PLN and the nominal value of one bond will be no less than PLN 1k or a multiple of this amount, with the unit nominal value of each T2 bond and each MREL bond amounting to at least PLN 500k; ▶ will bear a floating interest rate determined through bookbuilding; ▶ will be dematerialised and will be registered with the Central Securities Depository of Poland (Krajowy Depozyt Papierów Wartościowych S.A., KDPW); ▶ once admitted, will be traded in an alternative trading system of the Warsaw Stock Exchange (Giełda Papierów Wartościowych w Warszawie S.A.).
Issue of bonds under the programme	<ul style="list-style-type: none"> ▶ Pursuant to the Management Board's decision of 14 March 2023, the Bank issued series 1/2023 senior non-preferred bonds as part of the above-mentioned programme with the following terms and conditions: <ul style="list-style-type: none"> ▶ The bonds will be redeemed on 31 March 2025 subject to the Bank's right to exercise a call option. ▶ The nominal value of one bond will be PLN 500k and the total nominal value of bonds will not exceed PLN 1,900m. ▶ The issue price of the bonds will be equal to their nominal value. ▶ The bonds will bear a floating interest rate equal to the sum of 6M WIBOR and the margin of 1.90% per annum. ▶ The bonds will be issued as liabilities which can be classified as eligible liabilities. ▶ All benefits arising from the bonds will be cash benefits. ▶ The bonds will not be secured.

Major corporate events in the reporting period until the release date of the interim report for Q1 2023 (cont.)

<p>Issue of bonds under the programme (cont.)</p>	<ul style="list-style-type: none"> ▶ The above issue of senior non-preferred bonds was settled on 30 March 2023. All the bonds totalling PLN 1,900m were taken up.
<p>Individual recommendation of the Polish Financial Supervision Authority (KNF) with regard to satisfaction of the criteria for payment of a dividend from the net profit earned in 2022</p>	<ul style="list-style-type: none"> ▶ On 17 March 2023, the Management Board of Santander Bank Polska S.A. received an individual recommendation from the KNF with regard to the Bank's dividend policy. ▶ According to the KNF, as at 31 December 2022 the Bank met the basic criteria of the Dividend Policy to pay a dividend up to 100% of its net profit earned in 2022. Additionally, after factoring in the quality of the Bank's loan portfolio measured as the share of NPLs in the total portfolio of receivables from the non-financial sector, the potential dividend payout ratio remained at 100%. At the same time, the Bank's receivables arising from FX home loans to households do not account for more than five per cent of its portfolio of receivables from the non-financial sector. ▶ However, taking into account the uncertainty related to the macroeconomic situation as well as: (a) dynamic changes in the banking sector's environment; (b) risks that the Bank is exposed to, including the risk related to the CJEU's decision on case C-520/21; (c) potential deterioration of credit quality due to increased inflation, economic slowdown as well as high debt service costs for borrowers; (d) need to ensure the stability of the Bank's business and its further growth, the KNF recommended that the Bank: <ul style="list-style-type: none"> ▷ does not pay dividend from the profit earned in 2022 until the CJEU issues its decision with regard to the reimbursement of additional costs in excess of the funds paid out in performance of the CHF loan agreement invalidated on grounds of unfair clauses (in relation to the request for preliminary ruling from the Regional Court for Warsaw-Śródmieście in Warsaw – case C-520/21); ▷ consults the supervisory authority before paying a dividend from the profit earned in 2022 after the CJEU issues the above-mentioned decision; ▷ consults the supervisory authority before taking any other measures which could reduce its own funds (in particular if they go beyond the scope of the ordinary business and operational activity), including the distribution of the profit retained in previous years or the buybacks or purchases of the Bank's shares.
<p>Recommendation of the Bank's Management Board on profit distribution and dividend payment</p>	<ul style="list-style-type: none"> ▶ On 22 March 2023, the Management Board of Santander Bank Polska S.A. issued the following recommendation on the distribution of profit earned in 2022 and the profit from the sale of shares in AVIVA insurance companies: <ul style="list-style-type: none"> ▷ Profit for 2022 totalling PLN 2,449.0m to be distributed as follows: <ul style="list-style-type: none"> ✓ PLN 72.4m to be allocated to a capital reserve; ✓ PLN 2,376.7m to be allocated to a dividend reserve. ▷ Profit of PLN 840.9m earned on the sale of shares in AVIVA insurance companies to be allocated to the dividend reserve. ▶ The above decision takes into account macroeconomic environment as well as the KNF's recommendations and position. ▶ The recommendation was endorsed by the Bank's Supervisory Board. ▶ The recommended profit distribution does not preclude the Management Board's right to decide on payment of an interim dividend to shareholders and to use the dividend reserve for that purpose. It will be contingent in particular on the positive opinion of the KNF, once the CJEU takes a decision on case C-520/21, as well as on the economic situation and market conditions.
<p>Rules for the buyback of shares as part of Incentive Plan VII</p>	<ul style="list-style-type: none"> ▶ On 23 February 2023, the Bank's Management Board passed a resolution on the commencement of buyback of the Bank's own shares as part of Incentive Plan VII in order to pay out awards for 2022 (2022 buyback) based on the KNF consent and other authorisations and resolutions of relevant governing bodies. The following rules for 2022 buyback were defined: <ul style="list-style-type: none"> ▷ The maximum amount allocated to the 2022 buyback is PLN 55.3m and the Bank may buy back not more than 207k shares (representing not more than 0.2% of the Bank's share capital). ▷ The buyback was planned to take place in two periods: between 24 February 2023 and 24 March 2023 and between 25 April 2023 and 30 June 2023 subject to the Management Board's right to withdraw from the buyback or close it early. ▷ The Bank's shares will be purchased on the regulated market of the Warsaw Stock Exchange via the agency of Santander Brokerage Poland. ▷ The price of own shares subject to buyback cannot be lower than PLN 50 and higher than PLN 500. ▷ The Bank may purchase not more than 25% of average daily share volume traded during 20 session days preceding the buyback day. ▷ The shares will be bought back from the dedicated capital reserve.
<p>Buyback of shares under Incentive Plan VII</p>	<ul style="list-style-type: none"> ▶ To perform its obligations under Incentive Plan VII, the Bank was buying back its shares to pay out awards to the participants. As at 14 March 2023, the Bank purchased the total of 165,406 own shares representing 0.162% share in the registered capital and in the total number of votes at the Bank's General Meeting. Instructions were made to transfer the above shares to the participants. Having settled all the instructions, the Bank does not hold any own shares. ▶ As the number of shares bought back by the Bank was sufficient to pay awards to the participants of Incentive Plan VII for 2022, on 14 March 2023 the Bank's Management Board closed the buyback programme in 2023.
<p>Changes to the Bank's Management Board composition</p>	<ul style="list-style-type: none"> ▶ As a result of the resignation of Carlos Polaino Izquierdo, on 13 December 2022 María Elena Lanciego Pérez was appointed a member of the Bank's Management Board in charge of the Financial Accounting and Control Division, effective as of 1 January 2023. ▶ On 4 April 2023, the Bank's Supervisory Board adopted a resolution appointing Magdalena Proga-Stepień as a Management Board member, effective as of 4 April 2023.

Major corporate events in the reporting period until the release date of the interim report for Q1 2023 (cont.)

KNF's position on compliance with requirements for assessing the adequacy of internal regulations concerning the operations and effectiveness of supervisory boards

▶ On 4 April 2022, the Bank received the KNF's position addressed to banks operating as joint stock companies on compliance with requirements for assessing the adequacy of internal regulations concerning the operations and effectiveness of supervisory boards arising from the KNF's Recommendation Z on internal governance in banks. As the KNF expected banks to submit the regulator's position to their general meetings, the position was published on the Bank's website.

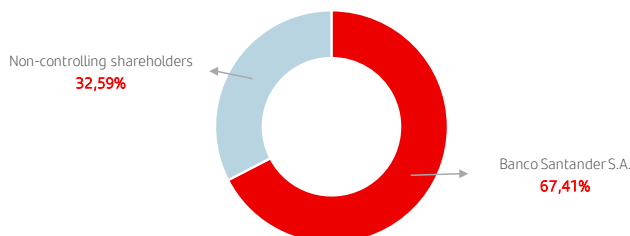
5. Ownership structure

> The table below presents the entities with significant holdings of Santander Bank Polska S.A. shares as at 31 March 2023 and 31 December 2022.

Shareholders with a stake of 5% and higher	Number of shares and voting rights		% in the share capital and total votes at AGM	
	31.03.2023	31.12.2022	31.03.2023	31.12.2022
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 Otworthy Fundusz Emerytalny (OFE) is managed by Nationale-Nederlanden Powszechnie Towarzystwo Emerytalne (PTE) S.A.

Ownership structure of Santander Bank Polska share capital as at 31.03.2023



As at 31 March 2023, Banco Santander S.A. held a controlling stake of 67.41% in the registered capital of Santander Bank Polska S.A. and in the total number of votes at the Bank's General Meeting. 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 Otworthy Fundusz Emerytalny (OFE) exceeded the 5% threshold in terms of share capital and voting power.

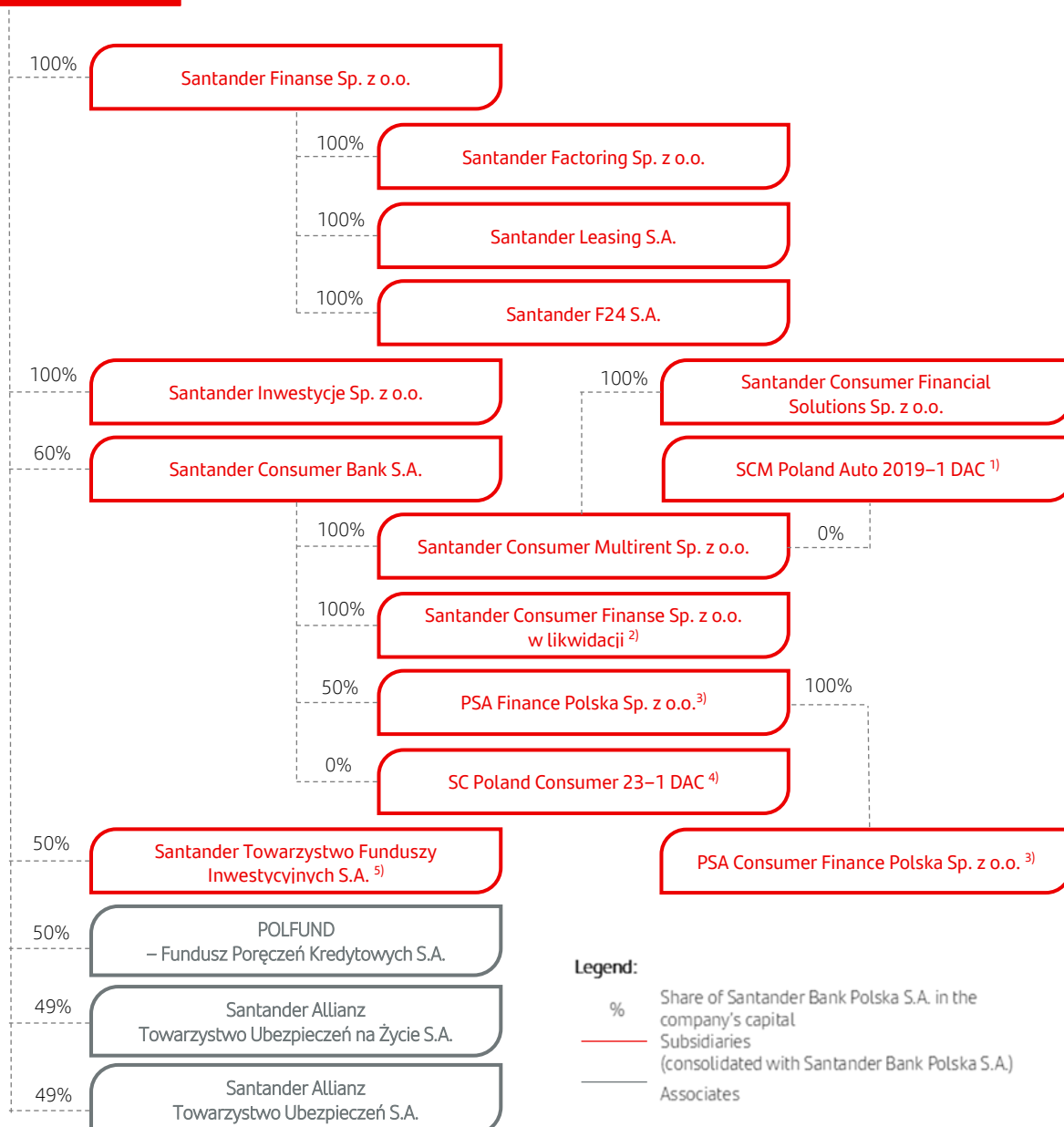
According to the information held by the Management Board, the ownership structure did not change in the period from the end of Q1 2023 until the authorisation of the Report of Santander Bank Polska Group for Q1 2023 for issue.

On 12 January 2023, the Extraordinary General Meeting of Santander Bank Polska S.A. authorised Management Board members to acquire own shares to perform the Bank's obligations under Incentive Plan VII. In Q1 2023, the Bank's Management Board made transactions covering the total of 165,406 own shares representing 0.162% share in the registered capital and in the total number of votes at the Bank's General Meeting. As the number of repurchased shares was sufficient to pay out awards for 2022 to the Incentive Plan participants, on 14 March 2023 the Bank announced the end of the share buyback in 2023. Instructions were made to transfer the above shares to the participants. Having settled all the instructions, the Bank does not hold any own shares. For more information about the share buyback under Incentive Plan VII, see Part 4 "Corporate events".

6. Structure of Santander Bank Polska Group

> Subsidiaries and associates of Santander Bank Polska S.A. as at 31 March 2023

Santander Bank Polska S.A.



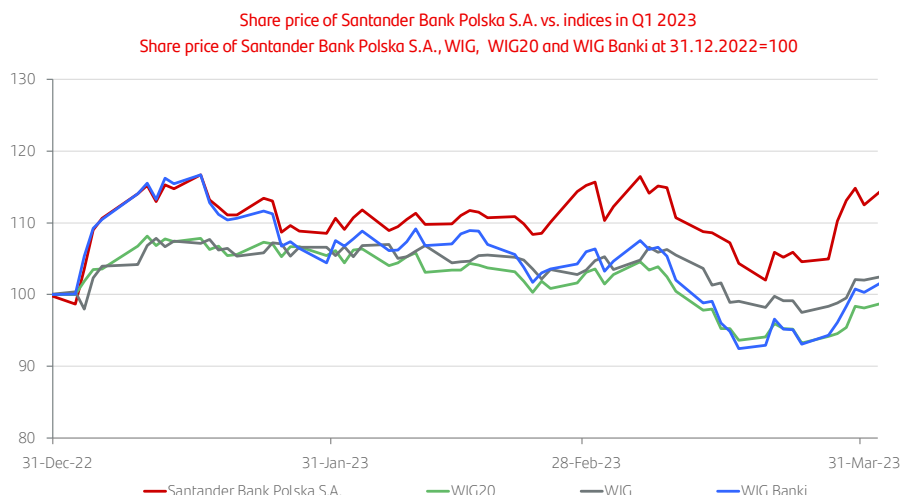
- 1) SCM Poland Auto 2019-1 Designated Activity Company with its registered office in Dublin was incorporated on 18 November 2019. Its shareholder is a legal person that is not connected with the Group. It is an SPV established to securitise a part of the lease portfolio of Santander Consumer Multirent Sp. z o.o., which is its controlling entity in accordance with the conditions laid down in IFRS 10.7.
- 2) 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.
- 3) 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) SC Poland Consumer 23-1 Designated Activity Company (DAC) is a special purpose vehicle incorporated in Dublin on 17 June 2022 for the purpose of securitising a part of the retail loan portfolio of Santander Consumer Bank S.A. (SCB S.A.) The SPV does not have any capital connections with SCB S.A., which is its controlling entity in accordance with the conditions laid down in IFRS 10.7.
- 5) Co-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 global Santander Group and hold an equal stake of 50% in the company's share capital. In practice, Santander Bank Polska S.A. controls Santander TFI S.A. within the meaning of the International Financial Reporting Standards (IFRS) because, as the main business partner and distributor of investment products, Santander Bank Polska S.A. has a real impact on the operations and financial performance of Santander TFI S.A.

7. Share price of Santander Bank Polska S.A. vs the market

The first quarter of 2023 was the period of high volatility and significant fluctuations in asset prices on financial markets, including the Warsaw Stock Exchange. While the interest rate policy of the Monetary Policy Council was relatively stable, the CJEU advocate general's opinion on CHF loans, negative for banks, and speculations about the possible extension of payment holidays in 2024 put a downward pressure on bank stocks. However, it was March news about the solvency crisis of US banks hit by falls in the bond market and bank runs that sent bank shares in a tailspin. Concerns also spread to Europe, resulting in the emergency rescue of one of the largest banks – Credit Suisse, which was taken over by UBS, its competitor. It was not until regulators stepped in with their liquidity instruments that the confidence crisis eased and stocks rebounded. As market sentiment improved, Santander Bank Polska S.A. closed the first quarter with an impressive rate of return at 12.5%. In comparison, WIG-Banks gained 0.3% and WIG20 lost 1.9% in that period.

A determining factor for both SBP share price and the entire market is the inflationary pressure, which will shape the policy of central banks and affect the transfer of assets between market segments. Investors are still concerned about the war in Ukraine, whose impact on the market valuation of assets, notably energy commodities, may increase in the second half of the year. Furthermore, Polish banks are awaiting the CJEU ruling, which may determine the cost of risk and affect the performance of the sector. Santander Bank Polska S.A. met the KNF requirements for paying a dividend from the profit for 2022, but the regulator recommended that the Bank did not make any distributions until the CJEU passes its judgment on CHF loans. Meanwhile, the Bank's Management Board recommended that PLN 2.38bn of the profit earned in 2022 and PLN 0.84bn of the profit arising from the sale of Aviva companies be allocated to the dividend reserve.

Key data on shares of Santander Bank Polska S.A.	Unit	31.03.2023	31.12.2022
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	291.80	259.40
Ytd change	%	12.5%	-25.6%
Highest closing share price Ytd	PLN	302.00	385.00
Date of the highest closing share price	-	06.03.2023	12.01.2022
Lowest closing share price Ytd	PLN	256.00	191.70
Date of the lowest closing share price	-	02.01.2023	10.10.2022
Capitalisation at the end of the period	PLN m	29,818.84	26,507.91
Average trading volume per session (PLN m)	PLN m	69,371	72,485



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 rating assigned by the agencies to the Bank, which remained in effect on the date the Report of Santander Bank Polska Group for Q1 2023 was authorised for issue. A more detailed rating justification is presented in the Management Board Report on Santander Bank Polska Group Performance in 2022 (including Report on Santander Bank Polska S.A. Performance).

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
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 IDR	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 31 March 2023

Ratings by Moody's Investors Service

Rating category	Ratings affirmed on 20.12.2022 ¹⁾	Ratings upgraded on 3.06.2019
Long-term/short-term counterparty risk rating	A1/P-1	A1/P-1
Long-term/short-term deposit rating	A2/P-1	A2/P-1
Outlook for long-term deposit rating	stable	stable
Baseline credit assessment (BCA)	baa2	baa2
Adjusted baseline credit assessment	baa1	baa1
Long-term/short-term counterparty risk assessment	A1 (cr)/P-1 (cr)	A1 (cr)/P-1 (cr)
Senior unsecured euro notes rating (EMTN Programme)	(P) A3	(P) A3

1) Ratings of Santander Bank Polska S.A. applicable as at 31 March 2023

II. Macroeconomic Situation in Q1 2023

Economic growth

The Polish economy continued to decelerate markedly in Q1 2023. The GDP growth rate, which had already slowed significantly to 2.0% YoY in Q4 2022, most likely decelerated again strongly at the beginning of the year and, according to our estimates, fell below zero (official data will not be published until May). The available high-frequency data indicate that the first quarter saw continued stagnation in private consumption and slowdown in industry. However, investment and construction activity grew at a good pace and the foreign trade balance improved. The first quarter of 2023 will most likely mark the bottom of the current cycle in terms of annual GDP growth. Subsequent quarters should already see a gradual rebound as recovery in Europe and global trade sets in and as private consumption increases.

Labour market

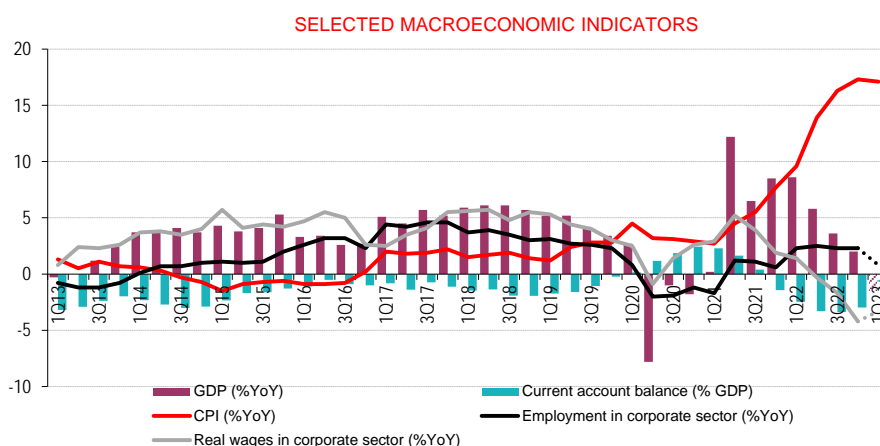
The slowing economy resulted in a weakened demand for labour, but this did not translate into an unemployment increase. Instead, wages lost their growth momentum and consequently failed to keep pace with the consumer price growth rate. Declines in manufacturing employment were accompanied by an influx of workers into service sectors, including, presumably, many refugees from Ukraine. The first months of 2023 saw a weaker employment growth, but at the same time, the surveyed companies did not clearly indicate less interest in increasing employment. According to the Labour Force Survey, the unemployment rate, after seasonal adjustment, stood at 2.9% in December 2022, which is the same level as a year earlier and as in the final months before the pandemic. It also remained unchanged in February 2023. In the first quarter, wages in the corporate sector continued to grow at double-digit rates (just over 13% YoY), supported by an increase in the minimum wage since the beginning of the year.

Inflation

The rate of inflation began to decline in Q4 2022, but as expected, it rose again in February 2023, hitting a local peak (18.4% YoY). Both the February climb and the retreat in March to 16.1% YoY were mainly driven by statistical effects. At the same time, however, price momentum (as measured by month-on-month changes) remains very high, and is increasingly concentrated in the core component of inflation – core inflation is still building up in YoY terms (we estimate it reached 12.2% YoY in March). It should be noted that strong inflationary pressures persist despite an apparent cooling of consumer demand at the turn of the year. The surprising persistence of core inflation is also seen in other countries. We believe that the CPI inflation will markedly fall in 2023 YoY, sliding to around 10% by the year-end. Its annual average will be around 13.5% compared to 14.3% in 2022.

Monetary policy

Since September 2022 the Monetary Policy Council has kept interest rates unchanged, including the reference rate at 6.75%, taking the view that such level is sufficient to bring inflation down to the target over an extended horizon (until the end of 2025) without risking an excessive economic downturn. The monetary tightening cycle has not formally ended, but the bar for further rate hikes seems to be set extremely high. On the other hand, the chances of interest rate cuts this year can be assessed as low, as the process of returning inflation to the target will probably be slower than what is assumed in central bank's projections.



Credit and deposit market

At the beginning of the year, the credit market continued the previous months' trends: loan growth slowed in almost all segments. This was a result of the interest rate hikes of the previous year and the cautious behaviour of households, which were overpaying their loans amid heightened uncertainties. However, signs of a change in negative trends gradually began to surface: new loan sales stopped falling, and the number of new loan applications went up.

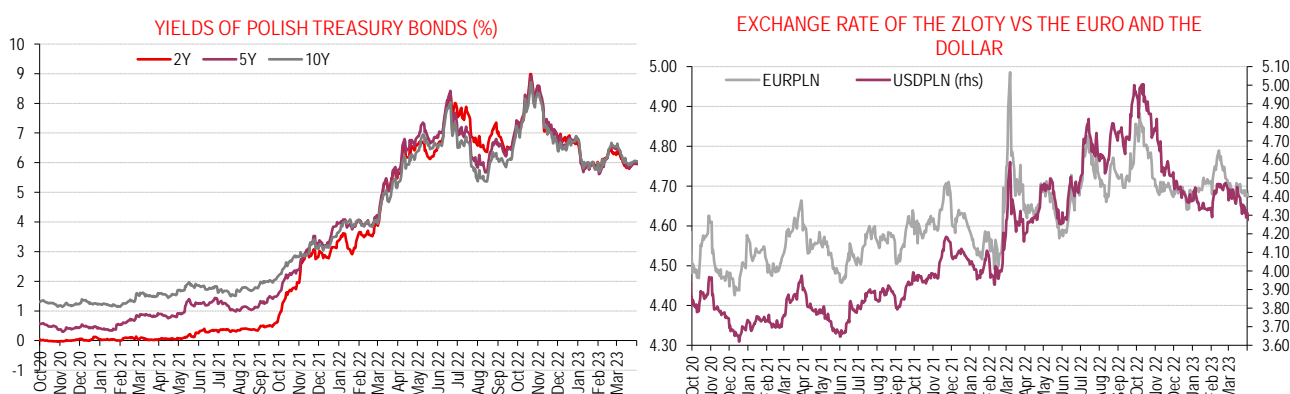
Deposit growth accelerated in Q1 2023 despite the continued deceleration of loans. The main source of deposit creation was the banking sector's net foreign assets, which can be linked to the improvement in the balance of payments.

Financial market situation

The main themes affecting the global market behaviour in Q1 2023 were the slower pace of disinflation, which translated into more hawkish rhetoric from the Fed and ECB in January and February, as well as the March banking crisis on both sides of the Atlantic, which led to a significant reduction in the target interest rates expected by the market and the propensity of major central banks to continue with the vigorous monetary tightening cycle. Change trends in the domestic financial market largely followed those of the core markets, although in the face of the unchanged monetary policy of the National Bank of Poland and the stable situation of the domestic banking sector, they were of a much more moderate nature, and the Polish zloty showed remarkable resilience even against the background of the Central and Eastern European region.

In the first weeks of January, the main event in the domestic market was the publication of the lower-than-market-consensus CPI inflation for December. In the context of a series of near-constant upside inflation surprises in earlier months, the new reading, which ran contrary to those trends, allowed markets to believe in the gradual waning of inflationary pressures, a scenario which had been contemplated by the NBP for a long time. As a result, the first days of January saw sharp declines in interest rate expectations and domestic government bond yields across the entire width of the curve. The 10-year yield, which started the year at 6.88%, fell to 5.86% by 9 January, and on 3 February reached the quarter's minimum at 5.69%. At the same time, with the drop in expectations for NBP interest rates, the zloty's exchange rate against the euro, which started the year at 4.69, rose slightly above 4.70. In February, yields continued to rise. They were helped by better conditions in the major markets and a slower-than-expected disinflationary process, which also influenced domestic market expectations in those aspects. The zloty, on the other hand, weakened by about 10 figures against the euro by mid-February, losing on the difference in expectations of the ECB vs NBP interest rate target. Only in the second half of February, along with a higher-than-expected inflation reading for January (the result of the partial lifting of the anti-inflation shields), did it manage to recover somewhat with a renewed increase in the market's expectation of the NBP's interest rate path in 2023.

In early March, the situation in the core markets reversed sharply. The collapse of two regional banks in the US, followed by the problems of Swiss investment bank Credit Suisse, which, with the help of the SNB, had to be taken over by its long-time rival UBS, forced major central banks to revise their plans for further monetary tightening. While it is true that both the ECB and the Fed raised interest rates in March in line with their earlier suggestions, their rhetoric has visibly softened, and the prospects for further rate hikes have been conditioned by the further course of financial markets. In the domestic market, the March turmoil in global markets led to a renewed decline in the expected path of NBP interest rates and yields. 10-year yields, which reached 6.76% on 21 February, fell to 6.07% by the end of March. The Polish zloty, on the other hand, managed to maintain a stable performance against the euro during March despite the marked weakening of other regional currencies. The zloty was helped by the favourable liquidity situation in the local market and the stable situation of the domestic banking sector. In the last days of March, the zloty even managed to strengthen a little as the situation in the markets gradually calmed down. Overall, throughout the quarter, the zloty gained slightly against the euro from 4.69 at the beginning of the quarter to 4.675 at the end of the quarter, and yields fell sharply. The 2Y went from 6.73% to 6.29%, the 5Y from 6.88% to 5.98%, and the 10Y from 6.88% to 6.07%.



III. Business Development in Q1 2023

1. Business development of Santander Bank Polska S.A. and non-banking subsidiaries

1.1. Retail Banking Division

Product line for personal customers	Activities of the Retail Banking Division in Q1 2023
Cash loans	<ul style="list-style-type: none"> ▶ The Bank focused on the continuous development of digital processes in line with customers' expectations. ▶ The product range was expanded to include the ECO cash loan and a cash loan with a fixed interest rate. ▶ The pricing policy was adjusted to prevailing macroeconomic conditions. ▶ Analytical work was underway in relevant portfolios in relation to regulatory changes, including the replacement of WIBOR (Warsaw Interbank Offered Rate) with WIRON (Warsaw Interest Rate Overnight). ▶ In Q1 2023, cash loan sales of Santander Bank Polska S.A. were PLN 2.3bn, up 7.8% YoY. The share of remote sales was 63% vs 54% in Q1 2022. As at 31 March 2023, the cash loan portfolio of Santander Bank Polska S.A. totalled PLN 15.5bn, up 5.3 YoY.
Mortgage loans	<ul style="list-style-type: none"> ▶ In February 2023, the Bank simplified the mortgage loan application process for freelancers. ▶ In March 2023, the Family Home Loan (Rodzinny Kredyt Mieszkaniowy) was modified in accordance with the amended FHL Act. ▶ In March 2023, a fully remote process was put in place to provide customers with a statement for the notary required to establish a mortgage. ▶ The pilot of CHF to PLN loan conversion on preferential terms was continued. 2,863 settlements were signed. ▶ In the reporting period, the pricing of mortgage loans was modified several times. Margins on variable rate loans were increased and fixed interest rates for the first five years were changed depending on 5Y IRS quotations. ▶ In Q1 2023, the value of new mortgage loans totalled PLN 780.4m, up 19.6% Ytd and down 73.0% YoY. The gross mortgage loan portfolio of Santander Bank Polska S.A. decreased by 5.1% YoY to PLN 50.8bn at 31 March 2023. PLN mortgage loans totalled PLN 46.3bn, down 0.3% YoY. ▶ The Bank is ranked fourth in the mortgage loan market with a share of 9.2% in terms of new mortgage loans and equity releases and fourth with a share of 10.6% in terms of the value of the portfolio (data published by the Polish Bank Association as at the end of February 2023).
Personal accounts and bundled products, including:	<ul style="list-style-type: none"> ▶ The number of PLN personal accounts grew by 5.3% YoY to 4.5m as at 31 March 2023. The number of Accounts As I Want It (the main acquisition product for a wide group of customers) was 3.0m, up 12.5% YoY. Together with FX accounts, the personal accounts base totalled 5.6m (+6.9% YoY). ▶ In Q1 2023, the Bank continued to offer personal accounts for Ukrainian refugees on special terms. The Bank waived account maintenance fees, card fees and fees for transfers to Ukraine.
▶ <i>Payment cards</i>	<ul style="list-style-type: none"> ▶ In Q1 2023, the Bank continued its promotional, sales and relationship-building activities to increase payment card turnover. The card plastic recycling process was underway to support sustainable development. ▶ Measures were taken to extend the offer of a debit card linked to a payment account for refugees from Ukraine. ▶ Work was in progress on the extension of the range and functionality of card products. ▶ As at 31 March 2023, the personal debit card portfolio comprised around 4.7m cards and increased by 4.5% YoY, generating 21% higher cashless turnover YoY. ▶ The credit card portfolio of Santander Bank Polska S.A. included 655k instruments, a decrease of 9.9% YoY. The quarterly cashless turnover increased by 17% YoY while the credit card debt decreased by 3.3% YoY.

Product line for personal customers	Activities of the Retail Banking Division in Q1 2023 (cont.)
Deposit and investment products, including:	<ul style="list-style-type: none"> ▶ In Q1 2023, the Bank's priority in terms of management of deposit and investment products amid high interest rates and high inflation was to maintain the existing portfolio while optimising its average cost and ensuring high satisfaction of savers. ▶ The total balance of deposits went down in Q1 2023 due to higher outflows from deposit accounts to investment products and measures taken by the Bank to optimise the cost of deposits. ▶ The most popular products in the reporting period were term deposits (including 3-, 6- and 12-month deposits), savings accounts (including Max Savings Account/ Konto Max oszczędnościowe with a special deal for depositors of new funds) and low-risk investment products (debt funds). ▶ The Bank's investment offer consisted mainly of brokerage services and investment funds, including funds managed by the Bank's subsidiary Santander Towarzystwo Funduszy Inwestycyjnych S.A. (Santander TFI S.A.) and selected Polish and foreign funds.
➤ <i>Deposits</i>	<ul style="list-style-type: none"> ▶ In Q1 2023, the deposit offer of Santander Bank Polska S.A. was adjusted to market conditions, i.e. stable interest rates and pricing offered by competitors. A range of promotions were introduced to meet customers' expectations. ▶ The savings product offer was modified twice, including in relation to term deposits and a PLN savings account. ▶ In Q1 2023, the Bank launched a new Investor Deposit (Lokata dla Inwestora) on special terms for customers investing their money in investment funds, with an interest rate of 8% on up to PLN 400k. The Bank also made a special offer on new funds in the Max Savings Account (Konto Max Oszczędnościowe), with an interest rate of 8% on up to PLN 100k. At the same time, the Bank optimised interest rates on off-sale products, which stabilised the overall deposit cost. ▶ The Bank's share in the retail deposit market decreased in the reporting period. The share of term deposit balances grew at the expense of current accounts. ▶ As at 31 March 2023, total deposits from retail customers amounted to PLN 101.6bn, and were stable YoY and slightly lower Ytd (-0.7%). Term deposit balances, which grew dynamically last year, declined by 0.8% to PLN 29.7bn in the first three months of 2023. Current account balances fell by 0.7% Ytd and by 18.8% YoY to PLN 71.8bn.
➤ <i>Investment funds</i>	<ul style="list-style-type: none"> ▶ As investment funds started to offer significantly higher yields, they became a popular savings option. ▶ In Q1 2023, net sales of investment funds managed by Santander TFI S.A were positive at PLN 789.4m. ▶ Particularly popular were short-term debt sub-funds actively promoted in H2 2022. In January and February 2023, Santander TFI S.A. was ranked second in terms of net sales and its share in the retail market increased by 30 b.p. to 9.61% as at 28 February 2023. ▶ As at 31 March 2023, the total net assets of investment funds managed by Santander TFI S.A. were PLN 13.7bn, up 11.4% Ytd and down 3.3% YoY. ▶ In Q1 2023, Santander TFI S.A. took further measures to build its market position in terms of Employee Capital Plans. They included a campaign addressed to employers (supporting the first automatic enrollment), allowing the company to acquire new ECP participants.
➤ <i>Brokerage services</i>	<ul style="list-style-type: none"> ▶ As of January 2023, the range of structured products was expanded to include products that meet sustainability criteria (e.g. green bonds). ▶ On 9 January 2023, multi-factor authentication (MFA) was implemented in the brokerage platform. Secure biometric login solutions have been available to users of the mobile application for some time now.
Bancassurance	<ul style="list-style-type: none"> ▶ The first part of changes arising from the IDD BIS project was implemented (analysis of customer needs in the sale of Life and Health/ Życie i zdrowie insurance, Worry-free Mortgage/ Spokojna Hipoteka insurance and motor insurance). ▶ In response to customers' expectations, the scope of the life and health insurance was extended to include an additional child insurance package and an additional risk in the health insurance package (benign tumor operation). ▶ A life insurance linked to a mortgage loan was offered to citizens of non-EEA countries irrespective of their residence status in Poland.
Private Banking	<ul style="list-style-type: none"> ▶ In Q1 2023, customers were reallocated between segments and portfolios. Like every year, the portfolio of Private Banking customers was expanded to include customers from other segments with assets above PLN 1m. The monthly transfer of customers to the Private Banking segment was streamlined. ▶ New Private Banking customers are steadily onboarded. ▶ For another year, Santander Brokerage Poland was recognised in Euromoney Private Banking Awards, receiving the title of Best International Private Banking 2023 in Poland.
Temporary solutions related to the war in Ukraine	<ul style="list-style-type: none"> ▶ In Q1 2023, the Bank continued to offer special solutions for Ukrainian citizens: <ul style="list-style-type: none"> ▶ waiver of an account maintenance fee and a monthly card fee until 30 April 2023; ▶ simplification of the onboarding process in terms of the required documents and extension of the list of identity documents; ▶ waiver of fees for transfers from and to Ukraine until 30 April 2023. ▶ The Bank continued to restrict access to banking products for non-residents from Russia, including with regard to personal and savings accounts and term deposits. ▶ In Q1 2023, the Bank acquired 30k foreign customers, of which 44% were Ukrainians (13.3k). The total number of foreign customers increased to 537k, of which 62% are Ukrainians.

SMEs

Product line for SMEs	Activities of the Retail Banking Division in Q1 2023
Business accounts and bundled products	<ul style="list-style-type: none"> ▶ In Q1 2023, the Bank offered a range of promotions for SME customers: <ul style="list-style-type: none"> ▶ another edition of the special offer of the Business Account Worth Recommending (Konto Firmowe Godne Polecenia) available online (including bonuses for specific banking operations and use of selected products and a waiver of selected fees and charges for an indefinite period); ▶ special offer of POS terminals; ▶ special deal on softPOS terminals, a new product in the Bank's offer (thanks to the softPOS applications, customers can use their tablet or phone as a terminal); ▶ promotion of additional services: eLeasing (leaseback up to PLN 20k), eHealth/ eZdrowie (private healthcare packages), eAccounting/ eKsięgowość, eAgreements/ eUmowy, eDebtCollection/ eWindykacja. ▶ Interest rates on the following term deposits were increased: Lokata24 Biznes Impet and Lokata Biznes Impet. ▶ SME customers could take part in webinars organised by the Bank in partnership with inFakt (taxation methods) and Mitoz Brzeziński (changes in business).
Loans	<ul style="list-style-type: none"> ▶ In Q1 2023, the Bank introduced a range of promotions to increase customers' satisfaction with financing solutions. They included the following special terms: <ul style="list-style-type: none"> ▶ a loan with 0% arrangement fee available in remote channels; ▶ an arrangement fee reduced to 0.5% available in branches and the Multichannel Communication Centre; ▶ special pricing for customers intending to switch their loans from other banks. ▶ The Bank prepared a prelimit offer for existing customers of the Bank and the leasing company.
Leasing	<ul style="list-style-type: none"> ▶ On 2 March 2023, Santander Leasing S.A. signed an operational agreement with Bank Gospodarstwa Krajowego to grant liquidity loans to companies from the Łódzkie Province using funds available under the Smart Growth Operational Programme 2014–2020. The pool of aid funds allocated to that region is PLN 25m. Zero-interest rate loans are aimed to support micro, small and medium companies hit by changes in economic conditions, Covid-19 pandemic or Russian invasion of Ukraine. ▶ In March 2023, Santander Leasing S.A. introduced a new version of leasing agreement and the General Terms and Conditions, which were simplified in accordance with the plain language standards. The purpose of the changes was to ensure that communication with customers is clear and transparent and that documents are easy to navigate. ▶ The company launched zielonepanele.pl, a website where customers can learn about the benefits of investments in photovoltaic solutions, check information about the cost of installation, indicative financing terms and offers of selected suppliers, as well as submit a request for proposal. The purpose of the initiative is to reach a new customer group and present advantages of investments in renewable energy. ▶ At the beginning of February 2023, the company introduced a simplified procedure with respect to key products in the renewable energy segment. Customers may apply for financing of photovoltaic panels with a capacity of up to 50kWh, heat pumps with a capacity of up to 60kW, energy storage facilities with a capacity of up to 50kW and chargers for electric cars with a net value of PLN 250k. The maximum financing period is 10 years and a down payment is 10%. ▶ A promotional margin was introduced (until 31 March 2023) on a consumer loan for sustainable assets, including photovoltaic panels, heat pumps and energy storage facilities and batteries. ▶ A simplified procedure for financing heavy-duty vehicles of up to PLN 1m was implemented for non-agro SME customers (excluding customers providing passenger transport services). Customers from the road freight transport sector with annual turnover from PLN 2m could apply for leasing with a down payment from 0%. ▶ In Q1 2023, Santander Leasing S.A. financed assets of PLN 1.8bn (+14.6% YoY). The growth was driven mainly by sales in the vehicles segment (+31.5% YoY).
Solutions for business customers from Ukraine	<ul style="list-style-type: none"> ▶ In Q1 2023, the Bank continued to offer aid solutions to business customers from Ukraine: the Bank waived selected fees until 30 April 2023, including a business account maintenance fee (PLN and FX accounts) and fees for new and existing company debit cards (excluding charge cards) issued to PLN or FX accounts (such as a monthly card fee and fees for the list of card transactions, the balance check at ATMs and card renewal). ▶ Fees for transfers from and to Ukraine were suspended until 30 April 2023. ▶ The following operational changes were maintained in relation to the situation in Ukraine: <ul style="list-style-type: none"> ▶ The Bank no longer executes transactions with banks banned from the SWIFT clearing system by the European Union, the United Kingdom and the United States. ▶ Rouble exchange has been discontinued. ▶ No business accounts are offered to Russian non-residents due to the current geopolitical situation and increased risk of money laundering and terrorist financing.

1.2. Business and Corporate Banking Division

Business highlights of Q1 2023

→ Increase in the number of mobile customers	+10% YoY
→ Increase in the number of customer transactions	+6% YoY
→ Increase in FX income from eFX platform	+11% YoY
→ Utilisation of trade finance limits	+6% YoY
→ Growth of credit volumes	+9% YoY

Area	Activities of the Business and Corporate Banking Division in Q1 2023
Business developments	<ul style="list-style-type: none"> ▶ Strong business growth in all segments and business lines, generating 51.8% higher income, including from transactional banking (+82.5% YoY), factoring (+19.9% YoY), leasing (25.6% YoY) and lending (+16.1% YoY). ▶ Sound sales performance despite challenging market conditions, notably in terms of credit limits (+5.5% YoY) and trade finance (+8.7% YoY). ▶ Increase in volumes, including lending volumes (+8.6% YoY), leasing volumes (+14.0% YoY) and factoring volumes (+11.9% YoY). ▶ Growing sales in digital channels, particularly in terms of currency exchange (+10,7% YoY). ▶ 5.5% YoY increase in the number of transactions made by customers. ▶ High credit quality of the corporate portfolio, with a low and stable cost of risk.
Business transformation/digitalisation	<p>Simplification and digitalisation</p> <ul style="list-style-type: none"> ▶ Continuation of digitalisation and development projects aimed to ensure best-in-class services. ▶ Implementation of new solutions for iBiznes24 mobile users: export of the repayment schedule, option to change the startup screen, changed contents and presentation of tooltips. ▶ Introduction of an option for customers to buy a qualified signature via electronic banking of Santander Bank Polska S.A., enabling simpler and faster execution of documents in remote channels, easier storage of documents in electronic form and reduction of workload. ▶ Improvement of phone banking experience by integrating phone systems with CRM Salesforce, which ensures faster and more effective services for customers. Launch of specialist processes to speed up execution of customers' instructions regarding bank certificates, opinions for auditors and sealed cash deposits. ▶ Development of the CLP (Corporate Lending Platform) – introduction of changes resulting in a considerable increase in the number of credit customers handled by the Bank and substantial limitation of email correspondence on the Business side, reducing turnaround times: <ul style="list-style-type: none"> ▷ a functionality enabling the sanction of a working capital loan and its end-to-end service in the CLP, which makes the credit decision-making process much simpler and faster; ▷ an option to renew the de minimis guarantee; ▷ services for customers availing of lease loans; ▷ new screens in the system, reducing operational risk; ▷ a number of other functionalities which increase user-friendliness of the CLP. <p>Products</p> <ul style="list-style-type: none"> ▶ Introduction of changes arising from the amended Development Act and execution of first agreements under new rules. ▶ Modification of the credit process: implementation of a credit decision-maker model in relation to customers with turnover of up to PLN 60m, resulting in decentralisation and speed-up of the credit decision-making process. ▶ Introduction of CAP options with a deferred premium in accordance with customers' expectations, enabling flexible allocation of pre-hedging costs. A non-exercised CAP option can be transferred to another project. It is particularly important for property developers. <p>Transformation</p> <ul style="list-style-type: none"> ▶ Continuation of #4US and #4Leaders – innovative transformation programmes aimed to improve work environment, develop skills and share leadership experiences.

Area	Activities of the Business and Corporate Banking Division in Q1 2023 (cont.)
Commercial activities	<ul style="list-style-type: none"> ▶ The Bank was the partner of the BUDMA International Construction and Architecture Fair, promoting solutions that facilitate global business growth. ▶ The Bank was invited by the Polish Chamber of Packaging to participate in the Warsaw Plast Expo International Plastics Industry Trade Fair, where it gave a presentation to plastic packaging manufacturers. ▶ Preparation of sector flash reports on freight transport by road and automotive market analysis for customers.
Awards and recognitions	<ul style="list-style-type: none"> ▶ At the gala celebrating the 10th anniversary of de minimis guarantees, the Bank was awarded the title of Cooperation Quality Leader by the BGK, in recognition of satisfactory cooperation with the state bank as well as high quality of its guarantee portfolio and documents.

Area	Activities of Santander Factoring Sp. z o.o. in Q1 2023
Factoring	<ul style="list-style-type: none"> ▶ The credit portfolio of Santander Factoring Sp. z o.o. grew by 1.5% YoY to PLN 7.6bn as at 31 March 2023. ▶ The receivables purchased by the company increased by 20.5% YoY in Q1 2023 to PLN 11.4bn.

1.3. Corporate and Investment Banking Division

Unit	Key activities in Q1 2023
Credit Markets Department	<ul style="list-style-type: none"> ▶ Project finance and syndicated lending: <ul style="list-style-type: none"> ▷ A leading role (including as the ESG Coordinator) in the refinancing of a credit agreement for a company from the retail sector. ▷ Participation in syndicated lending for a group from the energy sector. ▷ Financing of a project in the residential lettings sector. ▶ Active communication with key customers in terms of acquisitions, project finance (particularly in connection with renewable energy), securitisation structuring and finance, and debt and rating advisory services. ▶ Steady activity in the asset turnover and underwriting area: Notable performance in the telecommunications sector (including in relation to telecoms infrastructure). Satisfactory turnover of supply chain finance due to great interest from local banks and international institutions. ▶ Stable activity in the local bank debt market despite significant uncertainty caused by the geopolitical situation, weighed down by growing cost of PLN finance for foreign banks operating in Poland. Great popularity of transactions in the renewable energy, infrastructure and logistic property sectors. ▶ Issue of the Bank's MREL- eligible senior non-preferred bonds with the nominal value of PLN 1.9bn, the first transaction of this kind in Poland and the second largest issue in the financial sector since 2017. In addition, participation in the issue of EUR 750 million worth of MREL-eligible eurobonds for a customer from the financial sector.
Capital Markets Department	<ul style="list-style-type: none"> ▶ Acting as the joint bookrunner in relation to the sale of shares of a company from the retail sector, the first transaction of this kind on the WSE in 2023 and one of the largest deals in recent years. ▶ Acting as the sole global coordinator and bookrunner in connection with the potential issue of shares with pre-emptive rights by a leading company from the renewable energy sector. ▶ Transactional advisory and intermediary services for an acquirer in the tender offer for shares of a leading entity from the chemical sector. ▶ Intermediary services in relation to share buyback for an interior fittings manufacturer. ▶ Participation in multiple M&A and ECM projects, with the former focused on relatively resilient sectors (renewable energy, basic consumer goods, utilities, etc.).

Unit	Key activities in Q1 2023 (cont.)
<p>Global Transactional Banking Department</p>	<ul style="list-style-type: none"> ▶ Business trends in trade finance: <ul style="list-style-type: none"> ▷ Increase in the demand for working capital finance in Q1 2023 despite persistently high PLN reference rate. Resulting slow but steady growth in the utilisation of working capital finance. Increased customers' interest in mitigating counterparty risk. ▷ Higher popularity of guarantee products reported in 2022 also observed in Q1 2023. ▷ Active use of export finance products as part of existing transactions and acquisition of new business based on these structures by customers looking for stable long-term sources of financing. ▷ Limited direct impact of Russia's invasion of Ukraine on CIB customers and indirect impact of the resulting economic environment (higher prices and shortage of commodities, higher cost of energy, disrupted or extended supply chains, etc.) on the financial standing of borrowers, demand for working capital finance and limitation or deferral of investment plans. Customers looking for stable long-term funding sources, including with the support of export credit agencies. ▶ Business trends in transactional banking: <ul style="list-style-type: none"> ▷ Significant increase in the balance of current accounts and term deposits in Q1 2023 due to transactions made by the CIB Division in that period and customers' tendency to accumulate capital because of the geopolitical situation and economic environment. New deposits were characterised by high volumes, satisfactory yields and predictability due to agreements and individual arrangements made with customers. The record high balance of deposits in Q1 2023 is expected to gradually decrease in subsequent months, still remaining well above the levels reported in the corresponding periods last year. ▷ Based on the transactions made in Q1 2023, high profitability is expected to be maintained in the transactional banking area until the end of 2023. ▷ Stable level of fees and charges YoY. At the start of the year, the Bank amended its fee collection policy and introduced system changes, as a result of which selected fees were deferred until the later part of the year. ▶ Business trends in other areas: <ul style="list-style-type: none"> ▷ Greater interest in back-up credit limits indicated by customers' queries and requests for limit increase. ▷ No signs of deterioration in customers' financial standing measured by PD and ODR based on GTB credit facilities.
<p>Financial Markets Area</p>	<ul style="list-style-type: none"> ▶ Main activities related to services for business customers of Santander Brokerage Poland: <ul style="list-style-type: none"> ▷ First position of the brokers team and fourth position of the equity research team in the ranking published by <i>Parkiet</i>. ▷ Second position of Mateusz Choromański in the brokers ranking and first position of Kamil Stolarski and Tomasz Sokołowski in the analysts ranking by sectors. ▶ Activities in the equity research area: <ul style="list-style-type: none"> ▷ Publication of more than 40 recommendations with regard to CEE listed companies. ▷ Providing institutional investors with an opportunity to participate in investor conferences. ▶ Treasury Services Department: <ul style="list-style-type: none"> ▷ Increased popularity of investment products, including higher volume and number of transactions in the SME and Private Banking segments. ▷ Declining demand for interest rate hedges amid hints about possible interest rate cuts at the end of the year. ▶ FX turnover at a level similar to 2022. Downward trend caused by the economic slowdown offset by increased turnover driven by high inflation.

2. Business development of Santander Consumer Bank Group

Area	Activities of Santander Consumer Bank Group in selected areas in Q1 2023
Key focus areas of Santander Consumer Bank Group's operations	<ul style="list-style-type: none"> ▶ In the reporting period, Santander Consumer Bank Group focused on: <ul style="list-style-type: none"> ▷ Maintaining the leadership position in the installment loan market through a stable share in traditional sales, maintaining relationships with large retailers and profitability of cooperation with trade partners, further growing online sales as well as identifying new sales growth opportunities. ▷ Optimising the product range in accordance with the Usury Prevention Act. ▷ Maintaining the volume of loans and leases financing new cars and increasing sales in the used car finance area.
Lending	<ul style="list-style-type: none"> ▶ As at 31 March 2023, net loans and advances granted by SCB Group amounted to PLN 16.0bn and increased by 2.6% Ytd on account of higher supply of cars subject to lease and higher demand for stock finance, factoring and installment loans. ▶ A lower balance of cash loans reflects a weaker demand due to high interest rates and inflation, and restrictions arising from the Usury Prevention Act. ▶ Based on its partnership with the largest retail chains in terms of installment loans, the bank increased the use of remote channels to 70% in terms of number and 64% in terms of value. ▶ It also simplified the cash loan sanction process in the mobile application, as a result of which the share of this sales channel grew considerably. ▶ In Q1 2023, SCB S.A. sold the written-off credit portfolio of PLN 194.8m, with a P&L impact of PLN 40.5m gross (PLN 32.9m net).
Deposits	<ul style="list-style-type: none"> ▶ As at 31 March 2023, deposits from customers of Santander Consumer Bank Group totalled PLN 11.2bn and increased by 8.2% Ytd owing to the continuation of acquisition activities started in late 2022 to attract new deposits from both retail and corporate customers. ▶ The prevailing market conditions, particularly lower expectations of further interest rate hikes and initiatives taken by competitors, enabled SCB S.A. to lower interest rates on deposits with longer tenors.

IV. Organisational and Infrastructural Development

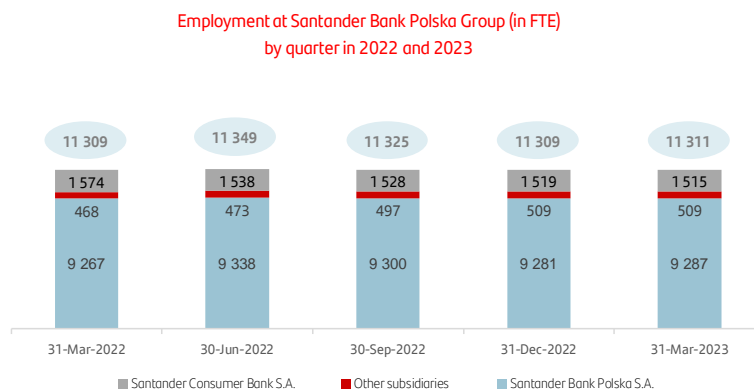
1. Human resources management

As at 31 March 2023, the number of FTEs in Santander Bank Polska Group was 11,311 (11,309 as at 31 December 2022), including FTEs of Santander Bank Polska S.A. 9,287 (9,281 as at 31 December 2022) and 1,515 FTEs of Santander Consumer Bank Group (1,519 as at 31 December 2022).

The employment in Santander Bank Polska Group was stable 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.



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

Basic Statistics on Distribution Channels

Santander Bank Polska S.A.	31.03.2023	31.12.2022	31.03.2022
Branches (locations)	332	335	363
Off-site locations	2	2	2
Santander Zones (acquisition stands)	15	14	11
Partner outlets	170	170	165
Business and Corporate Banking Centres	6	6	6
Single-function ATMs	456	472	586
Dual-function machines	959	952	910
Registered internet and mobile banking customers ¹⁾ (in thousands)	4,949	4,869	4,624
Digital (active) mobile and internet banking customers ²⁾ (in thousands)	3,367	3,285	3,130
Digital (active) mobile banking customers ³⁾ (in thousands)	2,533	2,452	2,310
iBiznes24 – registered companies ⁴⁾ (in thousands)	25	25	23

1) The number of customers who signed an electronic banking agreement under which they can use the available products and services.

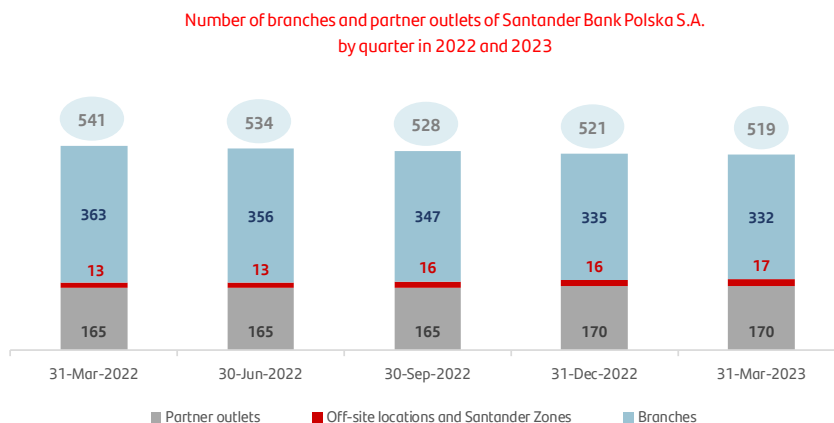
2) The number of active internet and mobile banking users (digital customers) who at least once logged into internet or mobile banking or checked their balance without logging in the last month of the reporting period.

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) Customers using iBiznes24 – an electronic platform for business customers (iBiznes24, iBiznes24 mobile and iBiznes24 Connect).

Traditional distribution channels

As at 31 March 2023, Santander Bank Polska S.A. had 332 branches, 2 off-site locations, 15 Santander Zones and 170 partner outlets. During Q1 2023, the number of bank outlets (branches, off-site locations and acquisition stands) decreased by 2 (3 branches were liquidated and a new Santander Zone was set up in Łódź), and the number of partner outlets was stable Ytd.



At the end of March 2023, the Private Banking model included 63 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 three dedicated offices.

Intermediaries network

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

- In Q1 2023, the external network employed 263 people as the Bank's tied agents on average per month (Mobile Agency Network). 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. The mortgage loan offer did not change, neither did the terms of cooperation between the Bank and brokers.

ATMs

As at 31 March 2023, the network of self-service devices of Santander Bank Polska S.A. comprised 1,415 units, including 456 ATMs (dispensing cash only) and 959 dual function machines (including 510 recyclers, i.e. devices enabling withdrawal of cash that has been previously deposited by other customers).

The Bank continued to replace machines and increase the number of dual function devices. As a result, in Q1 2023 seven dual function machines were installed and 16 single function machines were removed.

Remote channels

In Q1 2023, Santander Bank Polska S.A. further improved 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.

The changes were intended to improve the user-friendliness of existing features and processes, and add new ones, while enhancing security of operations. Furthermore, channel integration was continued, harmonising customer service across the bank.

Electronic channel	Selected solutions and improvements introduced in Q1 2023
Santander.pl	<ul style="list-style-type: none"> ▶ Completion of the WCAG accessibility audit.
Internet and mobile banking	<ul style="list-style-type: none"> ▶ Introduction of an option for sole traders who use Mini Firma services and have an active NIK identification number for personal customers to integrate their NIK in internet banking. ▶ 2.5m users of the Santander mobile application. ▶ Launch of a pilot version of Santander OneApp, an application which is pending mass rollout.
Santander Open	<ul style="list-style-type: none"> ▶ Extension of the availability of Santander Open service to include Nest Bank S.A. (6 March 2023), allowing customers to integrate accounts online (AIS) and initiate transfers (PIS) via electronic and mobile banking in relation to accounts held with any of the following nine banks: Alior Bank S.A., Bank Millennium S.A., BNP Paribas S.A., Credit Agricole S.A., ING Bank Śląski S.A., mBank S.A., PKO BP S.A., Pekao S.A. and Nest Bank S.A.
Multichannel Communication Centre (MCC)	<ul style="list-style-type: none"> ▶ Introduction of an option to accept instructions from an attorney, minor or statutory representative to close an account via phone or Online Advisor (previously, it was only possible at branches). ▶ Definition of a procedure with respect to vulnerable customers who indicate difficult personal circumstances, illness or other limitations in their complaints as part of measures taken by the Bank to build relationships (help with daily banking and elimination of inconveniences) and retain customers (offers made on the basis of customer complaints). ▶ Implementation of a tool for sending documents to customers that meets the KNF's encryption and security requirements. ▶ Introduction of an option for integrating the NIK identification number of a business customer with that of a personal customer via phone (previously, this option was available only in the video channel). ▶ Implementation of an upgraded version of IVR for customers, which is more coherent, easier to use, shorter, more transparent and faster (energetic voice over, new on-hold music).

3. 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.	31.03.2023	31.12.2022	31.03.2022
Branches	50	50	54
Partner outlets	257	263	270
Car finance partners	1,260	1,188	1,219
Hire purchase partners	6,048	6,085	6,777
Registered internet and mobile banking customers ¹⁾ (in thousands)	1,462	1,404	1,258
Digital (active) mobile and internet banking customers ²⁾ (in thousands)	767	348	265
Digital (active) mobile banking customers ³⁾ (in thousands)	337	276	192

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. In Q1 2023, this category also includes e-commerce customers.

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. Continuation of digital transformation

The table below presents the selected IT projects delivered by Santander Bank Polska Group in Q1 2023 in line with the main directions of digital transformation.

Initiative	Key projects delivered in Q1 2023
Improvement of availability, reliability and performance of the Bank's systems	<ul style="list-style-type: none"> ▶ Set-up of a high-availability environment in the Data Centre for the core payment processing system. ▶ Implementation of measures to increase the availability of the card transaction authorisation system. ▶ Upgrade of the IT security system for the main privileged access management system, including the implementation of a disaster recovery solution. ▶ Implementation of a new version of the application for branch documentation scanning and archiving, ensuring increased cybersecurity. ▶ Continued replacement of network devices and increase in the capacity of network connections at branches (the process is to cover 100% branches by June 2023). ▶ Introduction of enhancements and fixes and development of internet banking and the new mobile application (pilot in progress).
Participation in global optimisation initiatives of Santander Group	<ul style="list-style-type: none"> ▶ Completion of all project work on the Office365 cloud solution. ▶ Implementation of changes to the system for processing domestic and foreign payments in respect of scanning outgoing foreign payments, SEPA payments and incoming Express Elixir payments. ▶ Completion of the next stages of the project aimed to deploy the system for processing credit and guarantee lines for corporate customers related to, among other things, syndicated lending (agency) agreements and API. ▶ Implementation of the DNS infrastructure as part of the Azure Landing Zone project; ensuring the readiness of the landing zone for automatic creation of virtual machines and developing an onboarding process for new initiatives in Azure. ▶ Progress in OneAML project with regard to the OneFCC Sanctions area (screening of retail customers and payment messages), KYC (processes related to new and existing customers) and the data model for calibration and testing of the Data Hub. ▶ RBO – definition of the business scope (including processes for retail and SME customers) and launch of analytical and development work on solutions for retail customers to be implemented in the next quarter.
Enhancement of security of the Bank's systems	<ul style="list-style-type: none"> ▶ Completed migration of business applications to a new container platform (Openshift 4), with an increased capacity and potential for automation of tests and implementation. ▶ Upgrade of the software on the Bank's key network devices. ▶ Enhancement of the security, reliability and performance of web servers for electronic banking through the migration to the new software. ▶ Completion of the first stage of the project aimed to migrate the central authentication mechanism to version 2022. ▶ Improvement of the security of electronic banking (update of WebSphere, security patches, update of Angular and the database). ▶ Continuation of the campaign: "Don't believe in fairy tales for adults" in social media to promote the knowledge of cyber risk and warn customers of latest threats via different communication channels: social media, electronic banking, websites and CRM messages.
Implementation of regulatory requirements	<ul style="list-style-type: none"> ▶ Implementation of system changes to ensure compliance with applicable legislation concerning the New Polish Deal, PIT, remote work and Statistics Poland. ▶ ISO20022 – migration of the technical platform connecting the national real-time gross settlement systems to the new platform: Eurosystem Single Market Infrastructure Gateway, and preparation for processing payments via SWIFT in the new XML (Extensible Markup Language) format. ▶ Implementation of mandatory changes in the Express Elixir transaction settlement process. ▶ Launch of a new process concerning CHF lawsuits based on the Litigation Inventory (RPS). ▶ Modification of the statement on submission to debt enforcement in line with the requirements arising from the amended Code of Civil Proceedings. ▶ Continuation of the project aimed to introduce a new IT solution for Santander Brokerage Poland. ▶ Further work as part of the WIBOR reform (cessation of WIBOR and transfer to WIRON, i.e. Warsaw Interest Rate Overnight): <ul style="list-style-type: none"> ▶ Participation in the development of sector rules for calculating WIRON; ▶ Final stage of business and system analyses regarding the new production; start of the analysis on the migration of the old portfolio; ▶ Preparations for the first test OIS transaction based on WIRON; further analysis of the approach proposed by the National Working Group and its impact on the financial market systems. ▶ STIR (ICT system of the National Clearing House) – implementation of requirements arising from the Act on financial information system: preparations for reporting to the National Clearing House (KIR) starting from 9 May 2023 (and reporting by Santander Brokerage Poland starting from November 2023). ▶ IDD BIS (Insurance Distribution Directive): implementation of an email archiving solution to meet information obligations.

Initiative	Key projects delivered in Q1 2023 cont.
Automation and optimisation of operational processes	<ul style="list-style-type: none"> ▶ Optimisation and reorganisation of monthly batch processing in the Bank's core system, ensuring faster supply of financial data to the data warehouse and to an overdue loan management system. ▶ Implementation of system changes with regard to the deductions module, mandate contracts, personal files, automation of document generation, jubilees, internships, etc. ▶ Implementation of a process to send electronic statements on mortgage establishment to notaries as part of the centralisation of after-sales services related to mortgage loans. ▶ Optimisation of the central closure of retail and SME accounts. ▶ Automation and standardisation of remote account sales: replacement of the previous application by central systems supporting sales and after-sales processes. ▶ Integration of the telephone service system for corporate customers with CRM – Salesforce. ▶ Optimisation of the application for central management of garnishee orders: automation of transfers pending approval, management of requests and statements on early execution of a garnishee order. ▶ Digitalisation and electronic dispatch of tax documents (PIT-11, construction allowance, IFT). ▶ Pilot of a new application for electronic signature of documents (ePodpis) at branches (documents outside the main process). ▶ Further work in the G1 credit stream in connection with the planned implementation of a remote cash loan process for new customers (NTB) and remote confirmation of income under an employment contract or pension (as part of the Income Verification Module). ▶ Further development work in the bancassurance stream in relation to the planned implementation of a new architecture for the sale and renewal of insurance.

V. Financial Performance in Q1 2023

1. Consolidated income statement

Structure of Santander Bank Polska Group's profit before tax

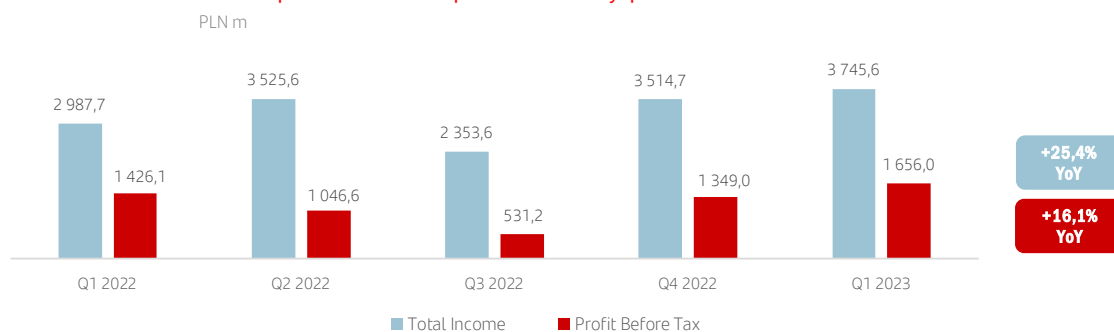
Condensed Consolidated Income Statement of Santander Bank Polska Group in PLN m (for analytical purposes)	Q1 2023	Q1 2022	YoY change
Total income	3,745.6	2,987.7	25.4%
- Net interest income	3,092.3	2,244.0	37.8%
- Net fee and commission income	662.4	660.7	0.3%
- Other income ¹⁾	(9.1)	83.0	-
Total costs	(1,265.9)	(1,189.3)	6.4%
- Staff, general and administrative expenses	(1,089.7)	(1,015.9)	7.3%
- Depreciation/amortisation ²⁾	(134.2)	(132.6)	1.2%
- Other operating expenses	(42.0)	(40.8)	2.9%
Net expected credit loss allowances	(232.6)	(119.3)	95.0%
Cost of legal risk connected with foreign currency mortgage loans ³⁾	(420.6)	(96.5)	335.9%
Profit/loss attributable to the entities accounted for using the equity method	25.1	20.3	23.6%
Tax on financial institutions	(195.6)	(176.8)	10.6%
Consolidated profit before tax	1,656.0	1,426.1	16.1%
Tax charges	(439.2)	(396.8)	10.7%
Net profit for the period	1,216.8	1,029.3	18.2%
- Net profit attributable to the shareholders of the parent entity	1,192.0	959.5	24.2%
- Net profit attributable to the non-controlling shareholders	24.8	69.8	-64.5%

1) Other income includes total non-interest and non-fee income of the Group comprising 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) Starting from 1 January 2022, the Group recognises and presents legal risk connected with foreign currency mortgage loans in accordance with IFRS 9, i.e. it reduces the gross carrying amount of mortgage loans in line with the above standard. 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 raised and released provisions for legal risk and legal claims.

The Group's total income and profit before tax by quarter in 2022 and 2023



The profit before tax of Santander Bank Polska Group for the 3-month period ended 31 March 2023 was PLN 1,656.0m, up 16.1% YoY. The profit attributable to the shareholders of the parent entity increased by 24.2% YoY to PLN 1,192.0m.

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 31.6% YoY and
- the underlying profit attributable to the shareholders of the parent entity went up by 40.5% YoY.

Comparability of periods

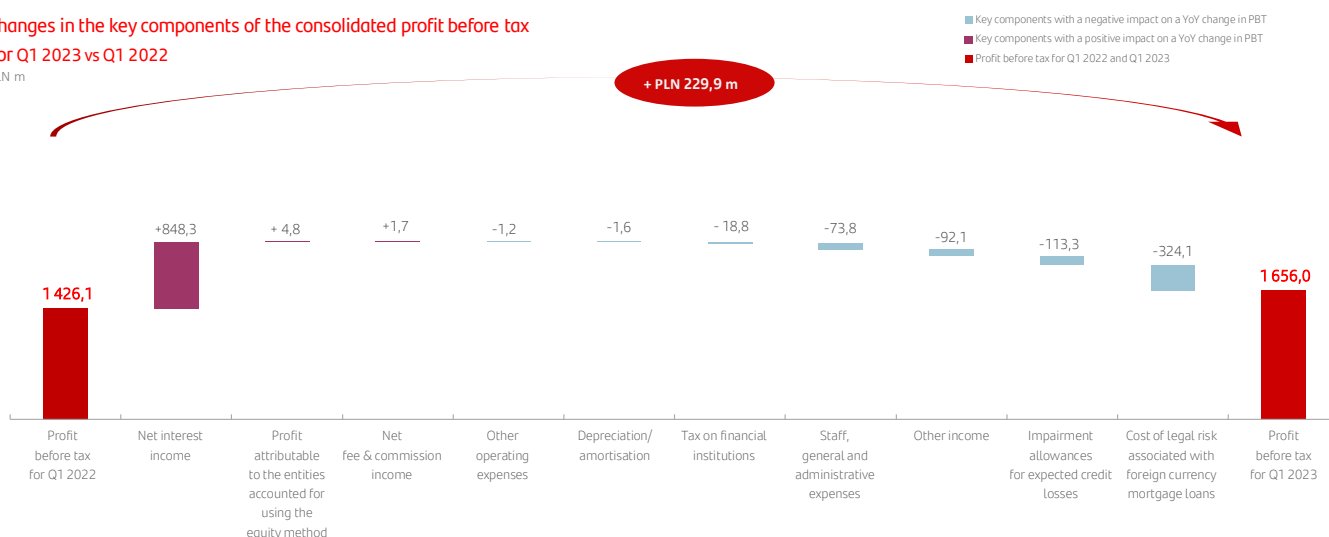
Selected items of the income statement affecting the comparability of periods

	Q1 2023	Q1 2022
Cost of legal risk connected with foreign currency mortgage loans <i>(income statement item)</i>	▶ PLN 420.6m	▶ PLN 96.5m
Cost of settlements connected with foreign currency mortgage loans <i>(gain/loss on derecognition of financial instruments measured at amortised cost)</i>	▶ PLN 185.8m	▶ PLN 20.1m
Contributions to the Bank Guarantee Fund made by Santander Bank Polska S.A. and Santander Consumer Bank S.A. <i>(general and administrative expenses)</i>	▶ PLN 187.4m, including a contribution of PLN 2.9m to the bank guarantee fund and PLN 184.5m to the bank resolution fund	▶ PLN 277.6m, including a contribution of PLN 55.2m to the bank guarantee fund and PLN 222.4m to the bank resolution fund
Costs of share-based incentive scheme <i>(staff expenses)</i>	▶ PLN 54.7 m	▶ No corresponding costs

Determinants of the Group's profit for Q1 2023

Changes in the key components of the consolidated profit before tax for Q1 2023 vs Q1 2022

PLN m



The increase in the consolidated profit before tax in Q1 2023 was driven mainly by net interest income, which was up 37.8% YoY as a consequence of interest rate hikes in 2022 and satisfactory growth of the Group's key credit portfolios.

Gain on derivatives improved due to more favourable conditions in the money market (relative stabilisation of interest rates), resulting in an increase of 113.8% YoY in net trading income and revaluation. Gain on other financial instruments went up too (+PLN 3.7m YoY) on account of a positive change in the valuation of Visa Inc. shares and profit on the settlement of the conversion and sale of series A Visa shares recognised in the current reporting period.

Net fee and commission income had a fairly neutral impact on the Group's profitability (+0.3% YoY) but note should be taken of an increase in net fee and commission income from the core business (credit fees, debit cards, electronic and payments services) alongside a decrease in net fee and commission income from activities in the stock and investment fund markets caused by prevailing investors' sentiments.

The profit before tax for Q1 2023 was weighed down by cost of legal risk and settlements connected with foreign currency mortgage loans (+420.1% YoY) and higher expected credit loss allowances (+95.0% YoY) resulting from the evolution of the macroeconomic environment (economic slowdown, high inflation, weakening consumer demand, higher geopolitical risk) and potential deterioration of borrowers' repayment capacity. Another factor that adversely affected the Group's profit before tax was staff, general and administrative expenses, which grew by 7.3% YoY on account of the new share-based incentive plan, base salary rises and inflationary pressure. This was coupled with an increase in tax on financial institutions (+10.6% YoY) following the YoY growth in taxable assets.

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 2023	Q1 2022	YoY change
Santander Bank Polska S.A.	1,503.4	1,125.1	33.6%
Subsidiaries:	127.5	280.7	-54.6%
Santander Consumer Bank S.A. and its subsidiaries ¹⁾	61.7	195.8	-68.5%
Santander Towarzystwo Funduszy Inwestycyjnych S.A.	17.2	24.8	-30.6%
Santander Finanse Sp. z o.o. and its subsidiaries ²⁾ (Santander Leasing S.A., Santander Factoring Sp. z o.o., Santander F24 S.A.)	48.3	60.0	-19.5%
Santander Inwestycje Sp. z o.o.	0.3	0.1	200.0%
Equity method valuation	25.1	20.3	23.6%
Exclusion of dividends received by Santander Bank Polska S.A. and consolidation adjustments	-	-	-
Profit before tax	1,656.0	1,426.1	16.1%

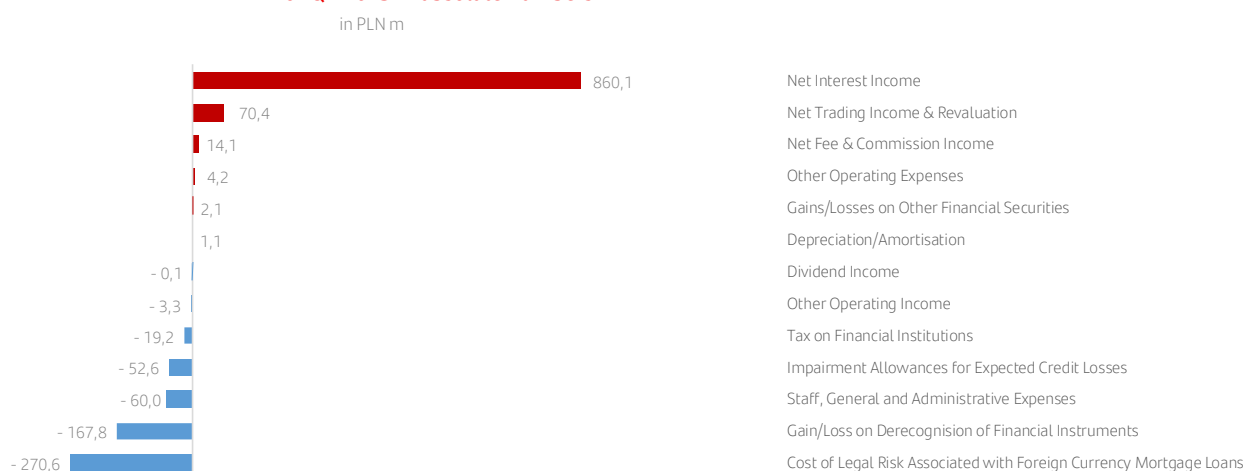
1) In both periods under review, SCB Group comprised Santander Consumer Bank S.A. and the following entities: Santander Consumer Multirent Sp. z o.o., Santander Consumer Finanse Sp. z o.o. w likwidacji (a company in liquidation), PSA Finance Polska Sp. z o.o., PSA Consumer Finance Polska Sp. z o.o., Santander Consumer Financial Solutions Sp. z o.o. and SCM Poland Auto 2019-1 DAC. In 2022, SCB S.A. lost control over S.C. Poland Consumer 16-1 Sp. z o.o. due to the restructuring of the securitisation transaction and established a new entity to secure a retail loan portfolio: S.C. Poland Consumer 23-1 DAC. The amounts provided above represent profit before tax (after intercompany transactions and consolidation adjustments) of SCB Group for the periods indicated.

2) Due to the settlement of the securitisation transaction, in 2022 Santander Bank Polska S.A. lost control over Santander Leasing Poland Securitization 01 Designated Activity Company with its registered office in Dublin. The Bank had no capital connections with that entity.

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

The profit before tax of Santander Bank Polska S.A. was PLN 1,503.4m, up 33.6% YoY. Changes to the components of the Bank's profit before tax are presented below.

Year-on-year changes in the main items of the income statement of Santander Bank Polska S.A. for Q1 2023 in absolute numbers



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 trading income and revaluation. The increase in the above-mentioned items was partly offset by a rise in cost of legal risk and settlements connected with foreign currency mortgage loans, staff, general and administrative expenses, net expected credit loss allowances and tax on financial institutions.

Subsidiaries

The subsidiaries consolidated by Santander Bank Polska S.A. reported a decline of 54.6% 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 Q1 2023 was PLN 61.7m (after intercompany transactions and consolidation adjustments) and decreased by 68.5% YoY as a combined effect of the following:

- A decline of 5.4% YoY in net interest income to PLN 310.2m resulting from growing cost of funding and implementation of statutory solutions regarding maximum non-interest costs of consumer loans (effective as of 18 December 2022).
- A decrease of 31.2% YoY in net fee and commission income to PLN 22.9m on account of lower fee and commission income from credit cards and insurance products resulting from the above-mentioned consumer loan legislation.
- Net expected credit loss allowances of PLN 43.4m compared with a positive balance of PLN 7.8m in Q1 2022 resulting from:
 - ✓ Lower sales of overdue receivables affecting the profit on sales.
 - ✓ No non-recurring events recognised in the comparative period (i.e. the release of provisions following the change in the approach to the recognition of legal risk connected with foreign currency mortgage loans).
 - ✓ Normalisation of credit risk in the context of the changing structure of the credit portfolio (a lower share of mortgage loans and a higher share of consumer loans).
- An increase of 50.8% YoY in other non-interest and non-fee income to PLN 12.9m reflecting an improvement in key components (net trading income and revaluation, gain on other financial instruments and other operating income).
- A moderate increase of 4.0% in operating expenses to PLN 130.4m on account of higher staff expenses, higher depreciation/ amortisation, and update of provisions for legal claims.
- Cost of legal risk connected with foreign currency mortgage loans was PLN 72.4m vs PLN 18.8m in Q1 2022 and resulted from the update of legal risk and new provisions raised for settlements with foreign currency mortgage borrowers.

Other subsidiaries

The profit before tax of Santander TFI S.A. for Q1 2023 decreased by 30.6% YoY to PLN 17.2m due to lower income from management fees and higher operating expenses driven by inflation. The decline in the income from management fees was caused by lower YoY value of average assets under management and average margin reflecting changes in the asset structure (increased share of low-margin assets). At the same time, the company posted higher net interest income and higher income from success fees resulting from higher asset prices despite the turbulences observed in February and March.

The profit before tax posted by companies controlled by Santander Finanse Sp. z o.o. decreased by 19.5% YoY to PLN 48.3m.

The total profit before tax of Santander Leasing S.A., Santander Finanse Sp. z o.o. and Santander F24 S.A. for Q1 2023 fell by 2.5% YoY to PLN 35.1m on account of higher net expected credit loss allowances, impact of valuation of instruments hedging the fixed-rate portfolio (IRS) and FX differences. Strong sales generated in the reporting period (notably in the vehicles segment) triggered an increase of 11% YoY in the lease portfolio as well as growth in net interest income and net insurance income.

The profit before tax posted by Santander Factoring Sp. z o.o. decreased by 44.8% YoY to PLN 13.2m, reflecting lower net fee and commission income combined with higher operating expenses and net expected credit loss allowances.

Structure of Santander Bank Polska Group's profit before tax

Total income

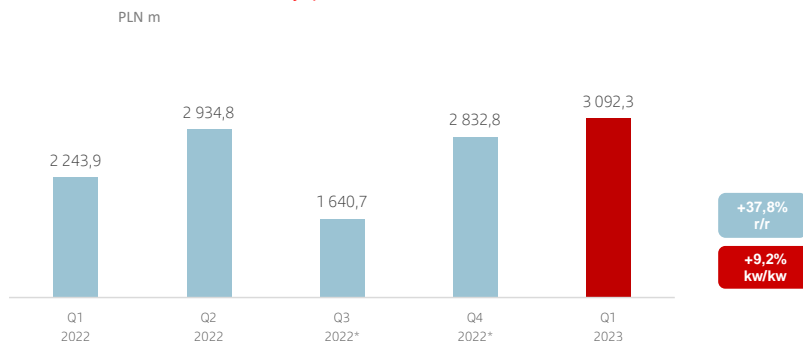
The total income of Santander Bank Polska Group for the first three months of 2023 increased by 25.4% YoY to PLN 3,745.6m.

Net interest income

Net interest income for Q1 2023 was PLN 3,092.3m and grew by 37.8% YoY as an effect of a series of NBP interest rate hikes (by 5.00 p.p. in total in 2022) aimed at tightening the monetary policy and curbing inflation.

The negative adjustment of PLN 1,544.4m to interest income in respect of payment holidays estimated and recognised last year was sufficient to cover the costs of this solution in Q1 2023. Accordingly, no adjustment in this regard was made in the current reporting period to interest income from home loans. Interest income was, however, reduced by liabilities of PLN 6.3m in respect of reimbursement of a bridge margin (a fee paid by customers until the entry of a mortgage to the land and mortgage register).

Net interest income by quarter in 2022 and 2023



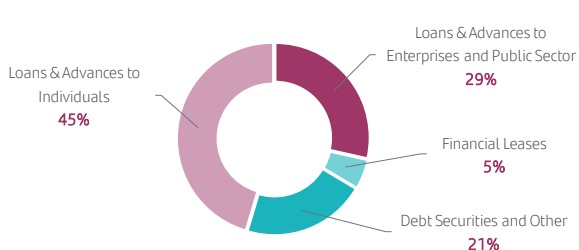
* In H2 2022, net interest income included an adjustment of PLN 1,544.4m in total in respect of payment holidays, of which PLN 1,358.2m was taken to P&L for Q3 2022.

While the interest rate environment was more stable, 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 10.9% YoY, and lease receivables increased by 10.7% YoY. At the same time, deposits from enterprises and the public sector went up by 10.8% YoY and retail deposit balances rose by 1.1% YoY. The structure of the Group's deposit and investment products changed gradually as funds from current accounts were steadily transferred to interest-bearing term deposits and investment funds yielding better results due to the improved market sentiment (which worsened temporarily in March as a result of turbulences caused by the collapse of foreign banks).

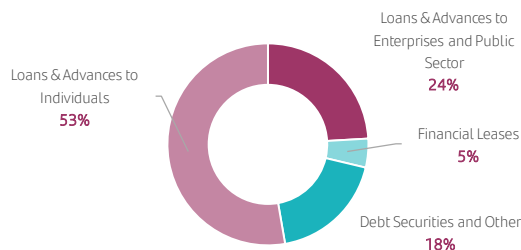
Interest income for Q1 2023 totalled PLN 4,338.4m and was up 76.2% YoY, supported by all categories of earning assets, mainly loans and advances to business and personal customers, and debt securities.

Interest expenses grew much faster by 469.7% YoY to PLN 1,246.2m on the back of deposits from customers (including deposits from enterprises and the public sector and from personal customers) as well as liabilities in respect of repurchase transactions and debt securities in issue.

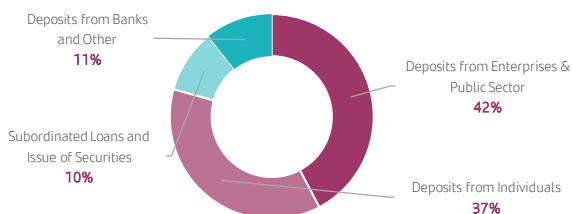
Structure of interest revenue for Q1 2023



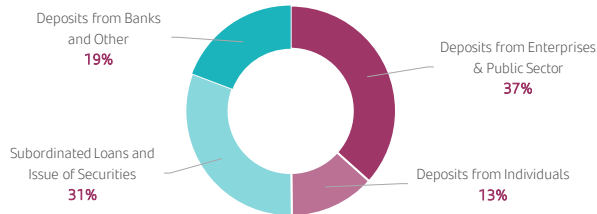
Structure of interest revenue in Q1 2022



Structure of interest expense for Q1 2023



Structure of interest expense for Q1 2022

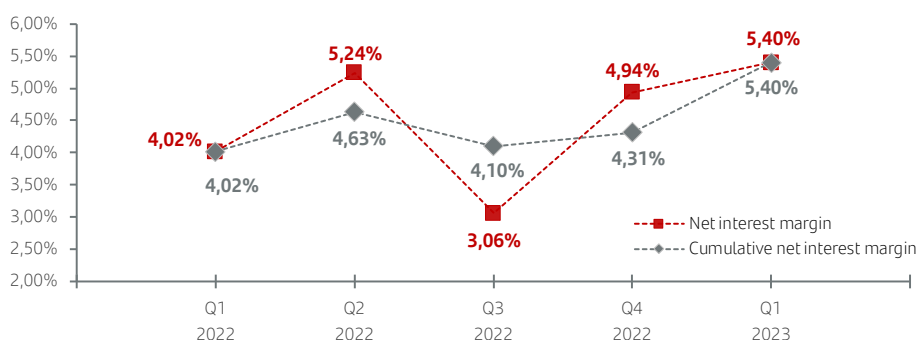


In Q1 2023, the quarterly net interest margin (annualised on a quarterly basis) was 5.40% vs 4.94% in Q4 2022 and 4.02% in Q1 2022.

The YoY increase of 1.38 p.p. in the net interest margin was driven by developments in the money market as well as growth in the volume and performance of the Group's earning assets, notably loans and advances to businesses and individuals and lease receivables. The margin growth was also supported by the debt securities in which the Group invested its liquidity surplus. While the value of that portfolio decreased, interest income generated by it continued to grow in 2022.

The Ytd increase of 0.46 p.p. in the net interest margin was attributed to growth in interest income in all categories of earning assets (+6.4% Ytd in total) based on business volumes. It was also caused by the base effect connected with a one-off charge of PLN 186.2m in respect of payment holidays recognised in the comparative period. Excluding the impact of the above-mentioned negative adjustment to interest income disclosed in Q4 2022 as an update of the estimated cost of payment holidays (resulting from the change to the assumed level of their utilisation by customers), the net interest margin grew by 0.13 p.p. Ytd.

**Net interest margin¹⁾ by quarter in the years 2022 and 2023
(including swap points²⁾)**



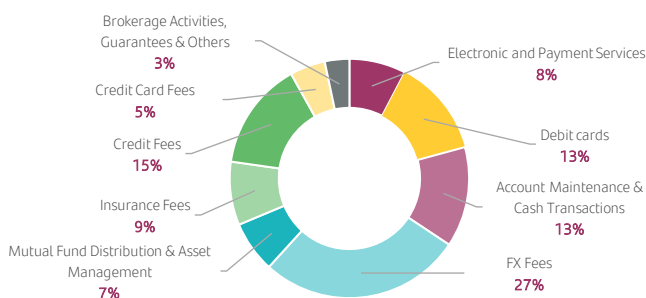
- 1) Net interest margin curve annualised on a quarterly and year-to-date basis. The margin for Q3 2022 takes into account the estimated financial impact of payment deferrals and liabilities arising from regulations concerning mortgage loans in the total amount of PLN 1,430.0m compared to PLN 192.7m recognised in Q4 2022. Excluding the impact of the above adjustments on the Group's net interest income, at the end of December 2022 the cumulative margin was 4.96% and the quarterly margin was 5.28%.
- 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

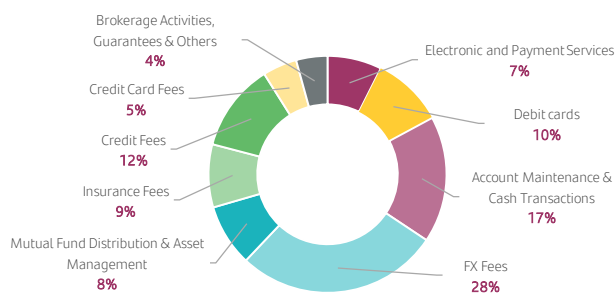
Net fee and commission income (PLN m)	Q1 2023	Q1 2022	YoY change
FX fees	181.5	182.8	-0.7%
Credit fees ¹⁾	97.0	79.2	22.5%
Account maintenance and cash transactions ²⁾	89.8	114.1	-21.3%
Debit cards	87.0	64.2	35.5%
Insurance fees	56.8	56.8	0.0%
Electronic and payment services ³⁾	50.7	48.8	3.9%
Asset management and distribution	46.0	55.9	-17.7%
Brokerage activities	32.5	39.6	-17.9%
Credit cards	31.6	30.8	2.6%
Guaranties and sureties	8.0	10.2	-21.6%
Other fees ⁴⁾	(18.5)	(21.7)	-14.7%
Total	662.4	660.7	0.3%

- 1) 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.
- 2) Fee and commission income from account maintenance and cash transactions has been reduced by the corresponding expenses which in Note 5 to the Condensed Interim Consolidated Financial Statements of Santander Bank Polska Group for the 3-month period ended 31 March 2023 are included in the line item "Other" (PLN 3.7m for Q1 2023 and PLN 4.0m for Q1 2022).
- 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) Issue arrangement fees and other fees.

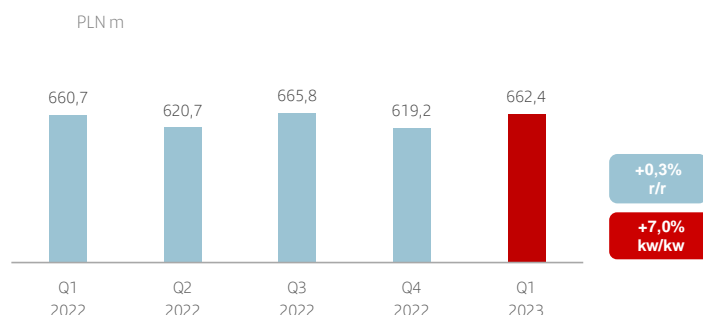
Net fee & commission income structure in Q1 2023



Net fee & commission income structure in Q1 2022



Net fee & commission income by quarter in 2022 and 2023

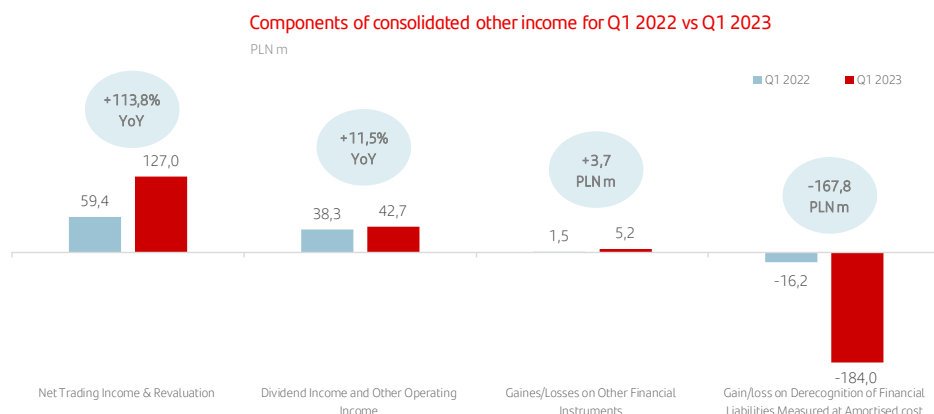


Net fee and commission income for the 3-month period ended 31 March 2023 totalled PLN 662.4m and was relatively stable (+0.3% YoY). A decrease in the Group's income from operations in the investment fund and stock markets and from account maintenance and cash transactions was offset by an increase in other components of net fee and commission income, notably from lending and debit card services.

The key changes to net fee and commission income items were as follows:

- An increase of 22.5% YoY in net credit fee income is a combined effect of the Group's services related to project finance for corporate customers, modification of fees in line with market trends and lower cost of agency services.
- A decrease of 21.3% YoY in net fee and commission income from account maintenance and cash transactions reflects favourable pricing for corporate customers with regard to liquidity management and preferential terms for customers from Ukraine such as free-of-charge current accounts and settlement products. The base of current and personal accounts operated by the Bank grew steadily in the year to date, with a particular increase reported in the number of Accounts As I Want It (+12.5% YoY to 3.0m). These changes translated into a higher number of transactions with debit cards and an increased use of electronic services and payments.
- An increase of 35.5% YoY in net income from debit cards is a combined effect of a growing number of cards (+4.5% YoY), a higher value of non-cash transactions with such cards (+21% YoY), a seasonal increase in income from currency exchange transactions (winter holidays, high exchange rates) and higher income from settlement of financial support from payment organisations for 2022
- Net fee and commission income disclosed under the Group's electronic and payment services went up by 3.9% YoY as a consequence of international payments and services provided to third party institutions.
- A 17.9% YoY decrease in income from brokerage services resulted from lower stock market trading compared to Q1 2022, with a revival reported at the start of the year followed by increased volatility in response to Russia's invasion of Ukraine. In the current year the situation has normalized, resulting in a relatively lower investor activity.
- Net fee and commission income from distribution and asset management declined by 17.7% YoY on account of lower income from management fees collected by funds managed by Santander TFI S.A. The decrease in the above income is attributed to lower average net value of assets after months of negative net sales and a growing share of lower-margin products.
- Net fee and commission income from guarantees and sureties was down 21.6% YoY as a combined effect of higher cost related to securitisation transactions and higher income from guarantees.
- FX fee income declined by 0.7% YoY on account of lower FX turnover (-3%) accompanied by a slight decrease in average quotations. The fall in the turnover was reported in both the eFX channel (in the retail customer segment) and the traditional channel (in the retail, business and corporate customer segments).

Non-interest and non-fee income



Non-interest and non-fee income of Santander Bank Polska Group presented above was negative at -PLN 9.1m and declined by PLN 92.1m YoY due to a loss of PLN 184.0m on derecognition of financial instruments measured at amortised cost (vs a loss of PLN 16.2m in the corresponding period last year). In Q1 2023, this line item included settlements with foreign currency loan borrowers totalling PLN 185.8m.

The Group reported an increase in other components of non-interest and non-fee income, including:

- A rise of 113.8% YoY to PLN 127.0m in net trading income and revaluation, reflecting a higher gain of PLN 114.8m on transactions in derivative and interbank FX markets (vs PLN 49.0m in Q1 2022).
- An increase of PLN 3.7m to PLN 5.2m in gain on other financial instruments, as a combined effect of:
 - ✓ A positive difference in the valuation of Visa Inc. shares reflecting a rise in the share price, among other things (positive adjustment of PLN 12.0m in the fair value of Visa Inc. shares vs PLN 2.8m in the comparative period).
 - ✓ A profit of PLN 2.9m from the conversion of series A convertible preference shares of Visa Inc. to 68k ordinary shares sold in several stages.

At the same time, the Group incurred a loss of PLN 4.3m (vs a profit of PLN 0.2m in Q1 2022) on the sale of debt instruments due to an increase in bond yields triggered by the evolution of interest rates, and higher loss of PLN 5.6m on hedged and hedging instruments (vs a loss of PLN 1.5m in Q1 2022).

- Other operating income and dividend income totalled PLN 42.7m, up 11.5% YoY on account of higher income from indemnity payments, among other things.

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 2023	Q1 2022	Q1 2023	Q1 2022	Q1 2023	Q1 2022	Q1 2023	Q1 2022	Q1 2023	Q1 2022
Allowance on loans and advances to customers	(33.8)	(67.3)	(148.1)	(77.1)	(101.6)	(63.3)	17.8	29.8	(265.7)	(177.9)
Recoveries of loans previously written off	-	-	-	-	34.6	49.0	-	-	34.6	49.0
Allowance on off-balance sheet credit liabilities	(3.2)	6.1	0.1	2.5	1.6	1.0	-	-	(1.5)	9.6
Total	(37.0)	(61.2)	(148.0)	(74.6)	(65.3)	(13.3)	17.8	29.8	(232.6)	(119.3)

In Q1 2023, the charge made by Santander Bank Polska Group to the income statement on account of net expected credit loss allowances was PLN 232.6m, up 95.0% YoY. This figure includes net allowances of Santander Consumer Bank Group, which totalled PLN 43.4m and increased by PLN 51.2m YoY.

Net allowances on loans and advances to the Group's customers for Q1 2023 were a combined effect of:

- An increase in short arrears in the portfolio of personal customers. The risk of downgrades to NPLs in the mortgage loans portfolio was effectively mitigated by aid measures. Another positive factor was the update of the LTV ratio for mortgage loans, reflecting an increase in the value of properties.
- Stable level of arrears and downgrades to NPLs in the SME segment.
- No major developments (entries to NPLs) in the corporate segment, with provisions steadily raised to account for worsening ratings and risk parameters of the performing loan portfolio.
- New management adjustments made in Q1 2023 for the total amount of PLN 16.2m.
- Sale of credit receivables of Santander Bank Polska S.A. and Santander Consumer Bank S.A. totalling PLN 496.5m at a profit before tax of PLN 79.9m (last year, receivables of PLN 377.4m were sold at a profit before tax of PLN 65.6m).

In Q1 2023, the cost of credit risk of Santander Bank Polska Group was 0.64% vs 0.59% in Q1 2022, with a higher value of the credit portfolio measured at amortised cost (+4.9% 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 2023	Q1 2022	YoY change
Staff, general and administrative expenses, of which:	(1,089.7)	(1,015.9)	7.3%
- Staff expenses	(535.4)	(433.2)	23.6%
- General and administrative expenses	(554.3)	(582.7)	-4.9%
Depreciation/amortisation	(134.2)	(132.6)	1.2%
- Depreciation/amortisation of property, plant and equipment and intangible assets	(97.0)	(94.3)	2.9%
- Depreciation of the right-of-use asset	(37.2)	(38.3)	-2.9%
Other operating expenses	(42.0)	(40.8)	2.9%
Total costs	(1,265.9)	(1,189.3)	6.4%

In Q1 2023, total operating expenses of Santander Bank Polska Group increased by 6.4% YoY to PLN 1,265.9m, reflecting higher staff expenses, depreciation/amortisation and other operating expenses. The level of expenses was also adversely affected by indexation and revision of pricing due to an increasing inflation rate, among other things.

As total income grew faster than operating expenses, the Group's cost to income ratio was 33.8% in Q1 2023 vs 39.8% in Q1 2022.

Staff expenses

Staff expenses for Q1 2023 totalled PLN 535.4m and increased by 23.6% YoY, with stable levels of average employment. The main components of staff expenses, i.e. salaries, bonuses and statutory deductions from salaries, went up by 23.8% YoY to PLN 519.8m on account of the salary review in line with market rates conducted in September 2022 and an accrual of PLN 54.7m for the newly established share-based incentive plan (Incentive Plan VII). In the reporting period, the Group disclosed higher cost of internal meetings and trainings in connection with the employees' return to offices as part of the hybrid work model.

General and administrative expenses

In Q1 2023, general and administrative expenses of Santander Bank Polska Group decreased by 4.9% YoY to PLN 554.3m. Fees payable to market regulators (BFG, KNF and KDPW), which were the largest contributing item, totalled PLN 198.4m and declined by 31.0% YoY. A charge to the Group's income statement on account of contributions to the BFG decreased by 32.5% YoY to PLN 187.4m due to the waiver of a quarterly contribution to the bank guarantee fund (in view of the Bank's participation in the Institutional Protection Scheme) and an expected decline in the calculation basis for annual contribution to the bank resolution fund. In Q1 2023, the contribution made by Santander Consumer Bank S.A. to the guarantee fund was PLN 2.9m (vs PLN 55.2m worth of contributions paid by both banks in Q1 2022), and the contribution made by Santander Bank Polska S.A. to the resolution fund was PLN 184.5m (vs PLN 222.4m in Q1 2022).

Excluding the mandatory contributions payable to the BFG, the Group's general and administrative expenses increased by 20.2% YoY, mainly on account of higher cost of IT usage and marketing as well as the cost of third party services, cars and transport services.

The cost of IT usage, the second largest cost item, went up by 21.1% YoY in connection with delivery of various IT projects (business, regulatory and optimisation ones) across Santander Group and locally and due to processes related to support and maintenance of the existing infrastructure. The increase in marketing and entertainment (+25.7% YoY) results from advertising campaigns (promoting SME products, My Goals, Max Savings Account, etc.), periodic market surveys related to customer satisfaction and higher cost of entertainment. The costs of third party services also increased by 50.0% YoY in relation to an increase in back office service rates and remuneration payable to temporary staff, and the launch of new external services as part of banking operations.

Higher cost of maintenance of premises (+24.1% YoY) is attributed to higher prices of energy, heating and other service charges as well as rent indexation. External factors (higher prices of CIT services and fuel) also contributed to an increase of 26.7% YoY in cost of car fleet and transport services.

At the same time, the Group reported a decrease in postal and telecommunication fees (-13.2% YoY) and a moderate reduction in other cost items.

Tax and other charges

Tax on financial institutions for Q1 2023 totalled PLN 195.6m and was up 10.6% YoY, reflecting a YoY 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 439.2m and effectively lower compared to the previous year (the effective tax rate fell from 27.8% for Q1 2022 to 26.5% for Q1 2023), mainly on account of an increase in profit before tax combined with higher cost of legal risk related to foreign currency mortgage loans, higher tax on financial institutions and lower contributions to the Bank Guarantee Fund.

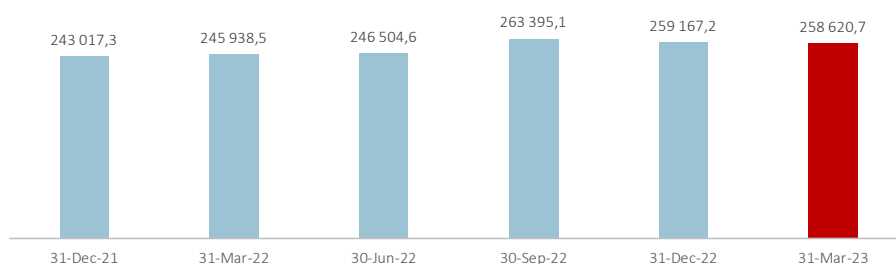
2. Consolidated statement of financial position

Consolidated assets

As at 31 March 2023, the total assets of Santander Bank Polska Group were PLN 258,620.7m, up 5.2% YoY and down 0.2% Ytd. The value and structure of the Group's financial position is determined by the parent entity, which held 91.6% of the consolidated total assets vs 91.9% as at the end of December 2022.

Total consolidated assets at the end of consecutive quarters in 2022 and 2023

PLN m



Structure of consolidated assets

Assets in PLN m (for analytical purposes)	Structure 31.03.2023		Structure 31.12.2022		Structure 31.03.2022		Change 1/3	Change 1/5
	1	2	3	4	5	6		
Net loans and advances to customers	154,743.6	59.8%	152,508.7	58.8%	149,702.3	60.9%	1.5%	3.4%
Investment securities	54,983.3	21.3%	55,371.1	21.4%	66,394.8	27.0%	-0.7%	-17.2%
Reverse sale and repurchase agreements and assets pledged as collateral	11,470.9	4.4%	16,142.8	6.2%	1,378.8	0.5%	-28.9%	731.9%
Cash and balances at central banks	11,118.5	4.3%	10,170.0	3.9%	7,446.4	3.0%	9.3%	49.3%
Financial assets held for trading and hedging derivatives	7,884.9	3.0%	7,432.8	2.9%	6,582.2	2.7%	6.1%	19.8%
Loans and advances to banks	10,316.9	4.0%	9,577.5	3.7%	5,604.0	2.3%	7.7%	84.1%
Property, plant and equipment, intangible assets, goodwill and right-of-use assets	3,590.9	1.4%	3,638.5	1.4%	3,635.9	1.5%	-1.3%	-1.2%
Other assets ¹⁾	4,511.7	1.8%	4,325.8	1.7%	5,194.1	2.1%	4.3%	-13.1%
Total	258,620.7	100.0%	259,167.2	100.0%	245,938.5	100.0%	-0.2%	5.2%

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

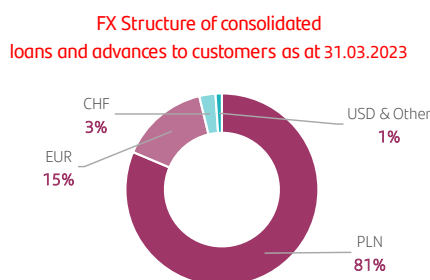
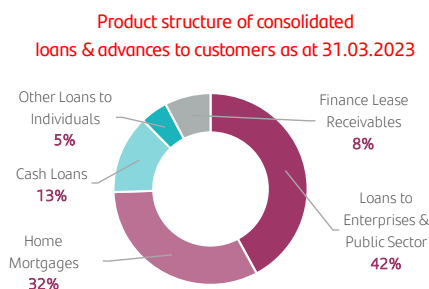
In the above condensed statement of financial position as at 31 March 2023, net loans and advances to customers were the key item of the consolidated assets (59.8%). They totalled PLN 154,743.6m and increased by 1.5% compared to the end of December 2022 along with a rise in loans for business customers and the public sector and lease receivables.

The Group's dynamic activity in the interbank repo market decelerated as reflected in assets under buy-sell-back transactions and assets pledged as collateral, which declined by 28.9% Ytd. As part of ongoing liquidity management, the Group also increased the level of term deposits and loans disclosed under loans and advances to banks (+7.7% Ytd), cash and balances with the central bank (+9.3% Ytd) as well as the value of financial assets held for trading and hedging derivatives (+6.1% Ytd) resulting from the growth of the trading portfolio of treasury bonds.

At the same time, the balance of investment securities decreased by 0.7% Ytd along with the maturity of NBP bills from the portfolio of securities measured at fair value through other comprehensive income, which was partly offset by the purchase of treasury bonds held in the portfolio of debt financial assets measured at amortised cost.

Credit portfolio

Loans and advances to customers in PLN m	31.03.2023	31.12.2022	31.03.2022	Change	Change
	1	2	3	1/2	1/3
Loans and advances to individuals	80,654.7	81,483.3	83,461.9	-1.0%	-3.4%
Loans and advances to enterprises and the public sector	67,584.7	64,833.2	60,941.1	4.2%	10.9%
Finance lease receivables	12,310.7	11,998.3	11,119.5	2.6%	10.7%
Other	73.9	77.9	75.2	-5.1%	-1.7%
Total	160,624.0	158,392.7	155,597.7	1.4%	3.2%

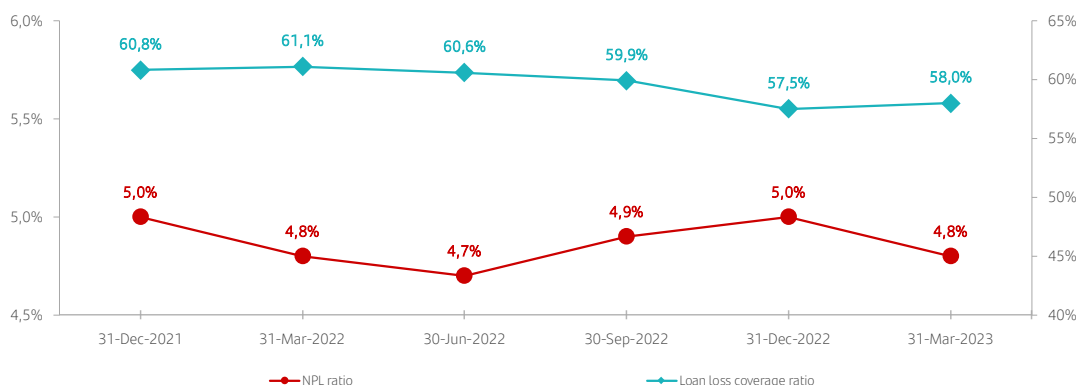


As at 31 March 2023, consolidated gross loans and advances to customers were PLN 160,624.0m and increased by 1.4% vs 31 December 2022. The portfolio includes loans and advances to customers measured at amortised cost of PLN 144,998.5m (+1.0% Ytd), loans and advances to customers measured at fair value through other comprehensive income of PLN 3,135.2m (+19.0% Ytd), loans and advances to customers measured at fair value through profit or loss of PLN 179.5m (-25.1% Ytd), and finance lease receivables of PLN 12,310.7m presented below.

The section below presents the Group's credit exposures by key portfolios in terms of customer segments and products:

- Loans and advances to individuals decreased by 1.0% Ytd to PLN 80,654.7m as at the end of March 2023. Home loans, which were the main contributor to this figure, totalled PLN 51,985.2m and decreased by 2.2% Ytd as a result of a slowdown in the mortgage loan market and an increase in an adjustment to the gross carrying amount in respect of legal risk connected with foreign currency mortgage loans. Cash loans, the second largest constituent item, totalled PLN 21,263.9m (+1.1% Ytd) as a result of moderate growth in sales.
- Loans and advances to enterprises and the public sector (including factoring receivables) went up by 4.2% Ytd to PLN 67,584.7m supported by higher utilisation of overdrafts by business customers, and an increase in the Group's exposure on account of term loans in the Business and Corporate Banking segment and the Corporate and Investment Banking segment, including loans for investment purposes.
- Finance lease receivables of the subsidiaries of Santander Bank Polska S.A. rose by 2.6% Ytd to PLN 12,310.7m, supported by 14.6% growth in sales, particularly in the vehicles segment.

Credit quality ratios by quarter in 2022 and 2023



As at 31 March 2023, the NPL ratio was 4.8% and the provision coverage ratio for impaired loans was 58.0%. The respective ratios were 4.8% and 61.1% as at the end of March 2022 and 5.0 and 57.5% as at the end of December 2022.

Structure of consolidated equity and liabilities

Equity and liabilities in PLN m (for analytical purposes)	Structure		Structure		Structure		Change 1/3	Change 1/5
	31.03.2023	31.03.2023	31.12.2022	31.12.2022	31.03.2022	31.03.2022		
	1	2	3	4	5	6		
Deposits from customers	197,172.2	76.2%	196,496.8	75.8%	187,320.2	76.1%	0.3%	5,3%
Subordinated liabilities and debt securities in issue	11,685.2	4.5%	12,137.7	4.7%	13,939.1	5.7%	-3.7%	-16,2%
Financial liabilities held for trading and hedging derivatives	8,937.9	3.5%	9,087.9	3.5%	8,057.8	3.3%	-1.7%	10,9%
Deposits from banks and sale and repurchase agreements	4,191.7	1.6%	6,356.2	2.5%	5,167.2	2.1%	-34.1%	-18,9%
Other liabilities ¹⁾	4,684.8	1.8%	4,973.3	1.9%	4,447.0	1.8%	-5.8%	5,3%
Total equity	31,948.9	12.4%	30,115.3	11.6%	27,007.2	11.0%	6.1%	18,3%
Total	258,620.7	100.0%	259,167.2	100.0%	245,938.5	100.0%	-0.2%	5,2%

1) Other liabilities include lease liabilities, current income tax liabilities, deferred tax liabilities, provisions for financial liabilities and guarantees granted, other provisions and other liabilities.

As at 31 March 2023, deposits from customers totalled PLN 197,172.2m and were the largest constituent item of the total equity and liabilities (76.2%) disclosed in the consolidated statement of financial position and the main source of funding for the Group's assets. They were broadly stable in value terms (+0.3% Ytd) but their structure changed in favour of term deposits.

A decrease was reported in other categories of liabilities, notably in deposits from banks and repo transactions, which went down by 34.1% Ytd, reflecting the Group's decelerated activity in the repo market.

Subordinated liabilities and liabilities in respect of debt securities in issue were down 3.7% in Q1 2023, with the latter item decreasing by 5.1% Ytd to PLN 8,858.4m, as a combined effect of the issue of debt instruments with a total nominal value of PLN 2,060.0m and redemption of PLN 2,481.1m worth of securities on their maturity dates.

On 15 February 2023, Santander Faktoring Sp. z o.o. issued PLN 160m worth of series P bonds with an interest rate equal to 1M WIBOR plus margin and a maturity date of 15 August 2023. The issue was guaranteed by Santander Bank Polska S.A.

On 30 March 2023, Santander Bank Polska S.A. issued PLN 1.9bn worth of series 1/2023 senior non-preferred bonds as part of the programme for issuing bonds up to PLN 5bn. The bonds bear an interest rate equal to the sum of 6M WIBOR and the margin of 1.90% on the nominal value of the issue. The bonds will be redeemed on 31 March 2025 subject to the Bank's right to exercise a call option. The bonds were issued for sustainability purposes.

Deposit base

Deposits by entities

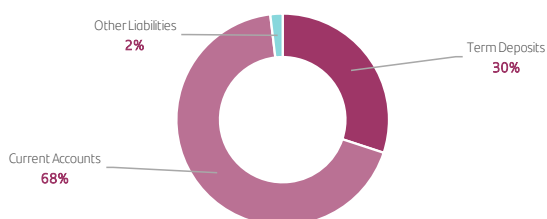
	31.03.2023	31.12.2022	31.03.2022	Change	Change
Deposits from customers in PLN m	1	2	3	1/2	1/3
Deposits from individuals	107,914.3	107,927.3	106,739.1	0.0%	1.1%
Deposits from enterprises and the public sector	89,257.9	88,569.5	80,581.1	0.8%	10.8%
Total	197,172.2	196,496.8	187,320.2	0.3%	5.3%

As at 31 March 2023, consolidated deposits from customers totalled PLN 197,172.2m and increased by 0.3% Ytd as an effect of high base comprising funds received by customers under state aid programmes during the pandemic period and inflow of funds at the end of 2022 deferred by business customers for future investments.

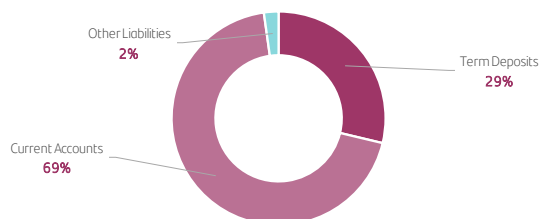
- The retail deposit base totalled PLN 107,914.3m and was stable compared to 31 December 2022. Customers continued to move their funds from current and savings accounts to term deposits offering interest rates adjusted to the high interest rate environment. Accordingly, the balance of term deposits increased by 1.3% Ytd to PLN 35,306.1m, whereas the total balance of savings and current accounts declined by 0.7% Ytd to PLN 72,326.5m. Personal customers also more often invested their liquidity surpluses in investment funds managed by Santander TFI S.A., which reported stronger performance in Q1 2023 and a positive balance of contributions and redemptions.
- Deposits from enterprises and the public sector increased by 0.8% Ytd to PLN 89,257.9m as a consequence of a rise of 10.8% Ytd in term deposits to PLN 23,944.5m and a fall of 1.6% Ytd in current deposits to PLN 61,902.1m.

Deposits by tenors

Structure of consolidated customer deposits as at 31.03.2023



Structure of consolidated customer deposits as at 31.12.2022

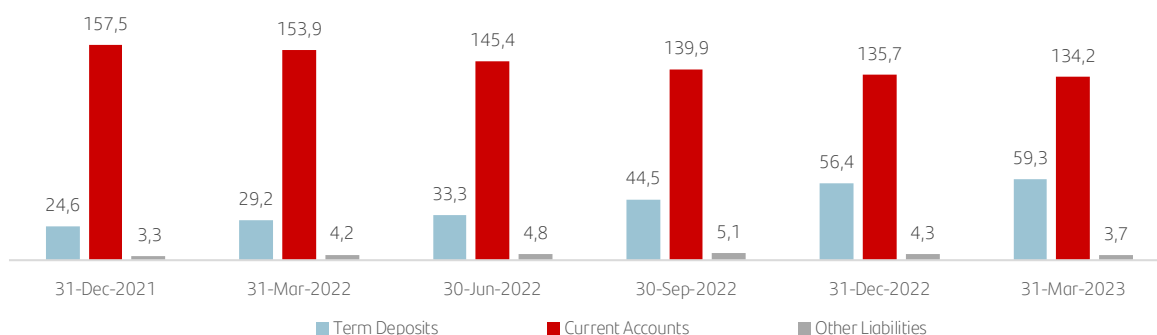


In Q1 2023, the Group's total term deposits from customers were PLN 59,250.6m and increased by 5.0% Ytd. Current account balances fell by 1.1% Ytd to PLN 134,228.7m, and other liabilities were PLN 3,692.9m, down 14.9% Ytd.

Loans and advances from financial institutions (PLN 1,271.9m vs PLN 1,316.7m as at 31 December 2022) 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 Ytd decrease in the above line item results from scheduled repayments.

Term deposits and current accounts * at quarter-ends of 2022 and 2023

PLN m



* Include savings accounts

3. Selected financial ratios of Santander Bank Polska Group

Selected financial ratios of Santander Bank Polska Group

Q1 2023

Q1 2022

	Q1 2023	Q1 2022
Cost/Income	33.8%	39.8%
Net interest income/Total income	82.6%	75.1%
Net interest margin ¹⁾	5.40%	4.02%
Net fee and commission income/Total income	17.7%	22.1%
Net loans and advances to customers/Deposits from customers	78.5%	79.9%
NPL ratio ²⁾	4.8%	4.8%
NPL provision coverage ratio ³⁾	58.0%	61.1%
Cost of credit risk ⁴⁾	0.64%	0.59%
ROE ⁵⁾	12.4%	8.6%
ROTE ⁶⁾	13.3%	8.7%
ROA ⁷⁾	1.2%	0.8%
Total capital ratio ⁸⁾	21.04%	18.12%
Tier 1 capital ratio ⁹⁾	19.39%	16.19%
Book value per share (PLN)	312.65	264.29
Earnings per ordinary share (PLN) ¹⁰⁾	11.66	9.39

- 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 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, 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 last 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. The comparative period includes profits allocated to own funds pursuant to applicable EBA guidelines.
- 9) Tier 1 capital ratio calculated as a quotient of Tier 1 capital and risk-weighted assets for credit, market and operational risk. The comparative period includes profits allocated to own funds pursuant to applicable EBA guidelines.
- 10) Net profit for the period attributable to shareholders of the parent entity to the average weighted number of ordinary shares.

4. Factors which may affect the financial results in the next quarter

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

- War between Russia and Ukraine, impact of sanctions and international trade restrictions. Migration movements. Restrictions on the supply of energy resources.
- Possible further changes in monetary policy by the ECB, Fed and other key central banks to combat rising inflation.
- Persistently elevated inflation.
- MPC's further decisions on interest rates.
- Foreign currency loans: banks' decisions on settlements with customers and further litigation.
- "Payment holidays" - the possibility of extending the deferral of PLN mortgage repayments.
- Changes in the valuation of credit risk in financial markets, including under the influence of changes in the assessment of geopolitical risk.
- Changes in bond yields dependent on monetary and fiscal policy expectations, among other factors.
- Changes in credit demand in the context of liquidity, rate increases and the impact of the armed conflict.
- Changes in the financial situation of households influenced by labour market trends.
- Changes in clients' savings allocation decisions influenced by expected returns on various asset classes and changes in attitudes toward saving and spending.
- Further developments in global equity markets and their impact on the demand for mutual fund units and stocks.
- Suspension of EU structural fund disbursements to Poland due to the ongoing dispute over the rule of law and the government's failure to meet the condition to restore the independence of the judiciary.

VI. Risk Management

1. Risk management priorities in Q1 2023

War in Ukraine, deterioration of the macroeconomic environment and inflation

As the war between Russia and Ukraine continues, the importance of geopolitical risk in risk management processes is still high. The Group identifies this risk both in its operations and in relation to its loan book and financial assets. It is based on the definition and assessment of material risks that may arise due to the geopolitical situation and threaten the delivery of business plans at Santander Bank Polska S.A.

To maintain business continuity, the Group closely monitors external developments and their impact on its operations. The monitoring covers, among other things, the key threats related to the above armed conflict to ensure that the Group appropriately adjusts its controls to potential scenarios and is fully prepared to minimise the impact of emerging risks. Both first and second line of defence units are involved in this process and key information is provided to senior management.

As in the previous periods, in Q1 2023 the Bank regularly monitored its credit portfolio in terms of the impact of geopolitical factors on the performance of borrowers from individual segments. Particularly, the Bank assessed direct consequences (sanctions, restriction of operations of business customers in Russia and Belarus) and indirect consequences (increased prices of energy, commodities and materials) of the geopolitical situation for borrowers. The quality of loans held by Ukrainian citizens was closely monitored too.

Apart from the standard monitoring performed on an ongoing basis, the Bank assessed the impact of the geopolitical factors on individual customers by:

- analysing macroeconomic indicators and monitoring behavioural models (including transactional patterns);
- monitoring market trends using stress tests based on external and internal macroeconomic scenarios (the analysis covered in particular zloty depreciation and interest rate hikes).

The Bank also identified and analysed potential new risks for individual sectors and portfolios connected with the geopolitical situation and developed relevant mitigants.

Due to increasing interest rates, new laws were introduced in 2022 under which banks offered payment holidays and increased access to the Borrowers Support Fund. Both processes, implemented in remote channels last year, remain in the Group's offer in 2023. The use of these aid solutions by customers is still closely monitored.

Problems of the banking sector

In March 2023, the banking sector's risk increased globally following the collapse of two US banks: Silicon Valley Bank (10 March 2023) and Signature Bank (12 March 2023). The resulting market nervousness added to the problems of Credit Suisse, which was acquired by USB on 19 March 2023 due to its rapidly deteriorating liquidity position. At the end of Q1, there were also news about problems of Deutsche Bank caused by a slump in its share price and of several French banks which are under tax fraud investigation.

So far, there have been limited turbulences in the Polish market, but note should be taken of the downgrade of ratings of mBank S.A. and Bank Millennium S.A. due to their exposure to CHF mortgage loans.

Cybersecurity

The importance of cybersecurity has been steadily growing because of the increasing digitalisation of the banking sector. The geopolitical situation did not improve in Q1 2023, therefore the risk of targeted attacks made by well-structured, disciplined and sophisticated hacker groups was monitored on an ongoing basis. The risk connected with the consequences of potential attacks was regularly analysed and relevant measures were taken where justified.

Active disinformation campaigns aimed to destabilise the financial sector were also subject to close monitoring. The Bank kept taking measures to build awareness among employees and customers, e.g. by issuing security warnings about emerging threats. Particular focus was placed on the problem of unauthorised transactions and on the security of processes, including the authentication and authorisation of transactions in remote channels. Other priority issue was the risk of DDoS attacks, malware and attacks against customers and employees with the use of social engineering.

Cyber attacks have become more sophisticated and specialised. Particularly popular are attacks based on new technologies offered by cybercriminals under a service model.

ESG risks

The Group keeps developing its resources in terms of the management of ESG (Environmental, Social and Governance) risks. In Q1 2023, the Head of ESG Risk was appointed in the Risk Management Division, who is mainly responsible for ensuring that ESG risk is appropriately assessed by managing data collection and analysis using business intelligence solutions, and for initiating, supporting and coordinating ESG-related activities. The ESG policies and procedures were also reviewed and are to be supplemented. Measures were taken to formalise the admission process for sustainable finance. A series of meetings were held in the Risk Management Division to raise the awareness of ESG risks and present the impact of ESG requirements on the Bank's operations.

In Q1 2023, the Group joined the project on the measurement of financed emissions in accordance with the PCAF methodology in order to more precisely analyse the structure of emissions in all sectors and set goals in this respect. The project involves six training sessions for all interested units of the Bank on the three scopes of emissions and their calculation.

2. Material risk factors projected for the next quarters of 2023

Continuing high inflation and weaker demand caused by lower purchasing power of consumers will remain the key risk factors in the next quarters of 2023. Differences in the growth rates of variables such as revenues or individual cost items (e.g. energy, commodities, materials, remuneration) during economic slowdown which are caused by global macroeconomic factors have already negatively affected the financial performance and economic projections of companies from various sectors. In 2023, capital expenditure of private companies and the public sector is expected to decline due to a lower inflow of EU funds resulting from Poland's conflict with the European Commission over the rule of law as well as the deterioration in the financial standing of local authorities. The decrease in purchasing power may additionally cause problems with loan repayments and limit the repayment capacity of personal customers. This will affect the evolution of the risk profile of the loan book as well as the demand for credit.

The war in Ukraine will remain an important factor that will dynamically change social and economic circumstances, requiring prompt response and adaptation to new conditions as in 2022.

All this uncertainty may reduce the risk appetite of investors, affecting the volatility and liquidity of equity and investment fund markets.

The prolonged uncertainty around the security of the banking system (caused by the collapse of Silicon Valley Bank) may result in higher cost of funding and deterioration of banks' liquidity position in a long term. It is also possible that the number of transactions between banks will be reduced due to concerns about growing counterparty credit risk.

The legal situation connected with CHF mortgage loan cases is still unstable. The Group assesses the risk of lost cases on an ongoing basis. The Group manages the risk of unfavourable court rulings, taking into account an additional open FX position that may arise in the future and cause losses for the Group.

Cyber risk and risk related to modern digital technology have been the top concerns for many years. This relates both to human behaviour and technological aspects. The following threats will still prevail: the loss or theft of sensitive data, disruption of key services, attacks against customer assets and fraudulent transactions. They result from the dynamic growth of modern IT technologies and digital transformation.

In 2023, the risk of ransomware attacks, DDoS attacks or use of social engineering is not likely to decrease. Supply chain attacks, mobile malware attacks, cyber spying and attacks involving artificial intelligence are expected to be a growing threat to cybersecurity. Other challenges will include supplier risk management, cloud computing and shadow IT.

Due to the geopolitical situation connected with the war in Ukraine, the Group will place a special focus on the risk of targeted attacks made by well-structured, disciplined and sophisticated hacker groups.

The Group will continue to build, test and improve digital operational resilience ensuring the continuity and high quality of services in accordance with the Digital Operational Resilience Act (DORA).

Another priority for the next quarters of 2023 will be to implement new elements of ESG risk management in the Group. It will be particularly important to integrate climate-related factors into existing risk assessment policies and procedures for the purpose of investment and credit decision-making as well as to approve and implement the CLIMATE RACE Target Operational Model in accordance with the Santander Group's plan. The analysis of environmental risk will become an integral part of the standard analysis of credit risk. It will cover the borrower's exposure to environmental risks related to climate change as well as the impact of those risks on the customer's business and their repayment capacity in the next years.

VII. Other Information

Bank's shares held by Supervisory and Management Board members

As at the release dates of the financial reports for the periods ended 31 March 2023 and 31 December 2022, 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 and awarded to them as part of Incentive Plan VII as at the release dates of the above-mentioned reports.

Performance shares awarded to Management Board members are deferred and will be transferred to their individual brokerage accounts in 2024–2029.

Management Board members as at the publication date of the report for Q1 2023	Number of shares of Santander Bank Polska S.A.		
	25.04.2023	22.02.2023	
	Shares held	Shares awarded as part of the incentive plan ¹⁾	Shares held
Michał Gajewski	4,795	9,519	4,795
Andrzej Burliga	1,884	2,539	1,884
Lech Gałkowski ²⁾	-	2,956	951
María Elena Lanciego Pérez ³⁾	-	-	-
Patryk Nowakowski	-	2,484	-
Juan de Porras Aguirre	3,379	3,627	3,379
Magdalena Proga-Stępień ⁴⁾	-	-	-
Arkadiusz Przybył ²⁾	-	2,956	2,999
Maciej Reluga	2,301	2,484	2,301
Dorota Strojowska	2,732	2,484	2,732
Total	15,091	29,049	19,041

1) Shares awarded to members of the Management Board of Santander Bank Polska S.A. as part of Incentive Plan VII which are deferred and will be transferred to respective brokerage accounts in 2024–2029.

2) Lech Gałkowski and Arkadiusz Przybył sold all of their shares of Santander Bank Polska S.A. on 6 March 2023 and 9 March 2023 respectively.

3) María Elena Lanciego Pérez took up her role as a Management Board member on 1 January 2023

4) Magdalena Proga-Stępień took up her role as a Management Board member on 4 April 2023. Under Incentive Scheme VII in 2023 she was granted - as a representative of the key management - 1,310 shares for 2022 on a deferred basis. They will be transferred in the years 2024–2029.

Incentive Plan VII

In Q1 2023, Santander Bank Polska S.A. continued as scheduled the delivery of Incentive Plan VII in accordance with the authorisation given to the Bank's Management Board under the Resolution of the Extraordinary General Meeting of 12 January 2023 to acquire the Bank's shares under the incentive scheme and establish a capital reserve for that purpose. The plan is addressed to the employees of the Bank and its subsidiaries who significantly contribute to growth in the value of the organisation. Its purpose is to motivate the participants to achieve business and qualitative goals in line with the Group's long-term strategy. This mechanism is designed to strengthen the employees' relationship with the Group and encourage them to act in its long-term interest.

The plan covers all persons with an identified employee status in Santander Bank Polska Group. In addition, the Management Board determined the list of other key participants, which was approved by the Supervisory Board. Those employees can participate in the plan on a voluntary basis.

The participants will be entitled to variable remuneration in the form of the Bank's shares provided that they meet the terms and conditions stipulated in the participation agreement and the resolution. To that end, Santander Bank Polska S.A. will buy back up to 2,331,000 shares from 1 January 2023 until 31 December 2033.

The plan covers the period of five years (2022–2026). However, as the payment of variable remuneration is deferred, the share buyback and allocation will be completed by 2033.

The triggers for vesting the rights to the Award in any given year, including the Retention Award, are provided in Note 42 of Condensed Interim Consolidated Financial Statement of Santander Bank Polska S.A. for 3-Month Period Ended 31 March 2023.

For the purpose of the plan in Q1 2023, Santander Bank Polska S.A. bought back 165,406 shares (of 207,000 shares eligible for buyback) with the value of PLN 48,884,192 (from PLN 55,300,000 worth of capital reserve allocated to the delivery of the plan for 2022).

All the above shares were transferred to individual brokerage accounts of the participants of Incentive Plan VII. As the number of shares bought back by the Bank was sufficient to pay awards to the participants for 2022, on 16 March 2023 the Bank's Management Board adopted a resolution to end the buyback process in 2023.

As at 31 March 2023, the total amount recognised in line with IFRS 2 (Share-based Payments) in the Group's equity (establishment of the capital reserve for the buyback of treasury shares) came in at PLN 126,835k, including PLN 54,725k taken to staff expenses in Q1 2023.

Condensed Interim Consolidated Financial Statements

of Santander Bank Polska Group
for the 3-month period ended
31 March 2023



I. Condensed consolidated income statement.....	6
II. Condensed consolidated statement of comprehensive income	7
III. Condensed consolidated statement of financial position	8
IV. Condensed consolidated statement of changes in equity.....	10
V. Condensed consolidated statement of cash flows.....	11
VI. Condensed income statement	12
VII. Condensed statement of comprehensive income.....	13
VIII. Condensed statement of financial position	14
IX. Condensed statement of changes in equity.....	15
X. Condensed statement of cash flows	16
XI. Additional notes to condensed interim consolidated financial statements	17
1. General information about issuer	17
2. Basis of preparation of condensed interim consolidated financial statements	19
3. Operating segments reporting	26
4. Net interest income	31
5. Net fee and commission income	32
6. Net trading income and revaluation	32
7. Gains (losses) from other financial securities	33
8. Other operating income	33
9. Impairment allowances for expected credit losses	33
10. Employee costs	34
11. General and administrative expenses	34
12. Other operating expenses	35
13. Corporate income tax	35
14. Cash and balances with central banks	36
15. Loans and advances to banks	36
16. Financial assets and liabilities held for trading	36
17. Loans and advances to customers	37
18. Investment securities	38
19. Investments in associates	40

20. Deposits from banks	40
21. Deposits from customers	41
22. Subordinated liabilities	41
23. Debt securities in issue	41
24. Provisions for financial liabilities and guarantees granted	43
25. Other provisions	43
26. Other liabilities	44
27. Fair value	45
28. Contingent liabilities	49
29. Legal risk connected with CHF mortgage loans	50
30. Shareholders with min. 5% voting power	57
31. Capital Adequacy	57
32. Impact of IFRS 9 on capital adequacy and leverage ratio	60
33. Liquidity measures	62
34. Related parties	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	66
36. Any loan default or breach of a loan agreement that has not been remedied on or before the end of the reporting period	66
37. Character and amounts of items which are extraordinary due to their nature, volume or occurrence	66
38. Information concerning issuing loan and guarantees by an issuer or its subsidiary	66
39. Creation and reversal of impairment charges for financial assets, tangible fixed assets, intangible fixed assets and other assets	66
40. Material purchases or sales of tangible fixed assets and material obligations arising from the purchase of tangible fixed assets	67
41. Acquisitions and disposals of investments in subsidiaries and associates	67
42. Share based incentive scheme	67
43. Dividend per share	68
44. Events which occurred subsequently to the end of the reporting period	68

I. Condensed consolidated income statement

	for the period:	1.01.2023- 31.03.2023	1.01.2022- 31.03.2022
Interest income and similar to interest		4 338 449	2 462 698
Interest income on financial assets measured at amortised cost		3 544 571	1 938 959
Interest income on financial assets measured at fair value through other comprehensive income		544 093	394 691
Income similar to interest on financial assets measured at fair value through profit or loss		32 546	15 350
Income similar to interest on finance leases		217 239	113 698
Interest expense		(1 246 158)	(218 749)
Net interest income	Note 4	3 092 291	2 243 949
Fee and commission income		780 616	794 243
Fee and commission expense		(118 221)	(133 516)
Net fee and commission income	Note 5	662 395	660 727
Dividend income		165	235
Net trading income and revaluation	Note 6	126 953	59 384
Gains (losses) from other financial securities	Note 7	5 177	1 475
Gain/loss on derecognition of financial instruments measured at amortised cost	Note 29	(183 976)	(16 175)
Other operating income	Note 8	42 547	38 058
Impairment allowances for expected credit losses	Note 9	(232 631)	(119 281)
Cost of legal risk associated with foreign currency mortgage loans	Note 29	(420 602)	(96 461)
Operating expenses incl.:		(1 265 874)	(1 189 295)
-Staff, operating expenses and management costs	Note 10,11	(1 089 651)	(1 015 985)
-Amortisation of property, plant and equipment and Intangible assets		(97 001)	(94 256)
-Amortisation of right of use asset		(37 238)	(38 300)
-Other operating expenses	Note 12	(41 984)	(40 754)
Share in net profits (loss) of entities accounted for by the equity method		25 079	20 288
Tax on financial institutions		(195 516)	(176 840)
Profit before tax		1 656 008	1 426 064
Corporate income tax	Note 13	(439 199)	(396 798)
Consolidated profit for the period		1 216 809	1 029 266
of which:			
-attributable to owners of the parent entity		1 191 990	959 532
-attributable to non-controlling interests		24 819	69 734
Net earnings per share			
Basic earnings per share (PLN/share)		11,66	9,39
Diluted earnings per share (PLN/share)		11,66	9,39

II. Condensed consolidated statement of comprehensive income

	1.01.2023- 31.03.2023	1.01.2022- 31.03.2022
Consolidated profit for the period	1 216 809	1 029 266
Items that will be reclassified subsequently to profit or loss:	529 994	(1 242 413)
Revaluation and sales of debt financial assets measured at fair value through other comprehensive income gross	434 816	(1 404 733)
Deferred tax	(82 615)	266 899
Revaluation of cash flow hedging instruments gross	219 497	(129 110)
Deferred tax	(41 704)	24 531
Items that will not be reclassified subsequently to profit or loss:	(3)	8 918
Revaluation of equity financial assets measured at fair value through other comprehensive income gross	(4)	11 010
Deferred and current tax	1	(2 092)
Total other comprehensive income, net	529 991	(1 233 495)
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD	1 746 800	(204 229)
Total comprehensive income attributable to:		
- owners of the parent entity	1 698 427	(252 850)
- non-controlling interests	48 373	48 621

III. Condensed consolidated statement of financial position

	as at:	31.03.2023	31.12.2022
ASSETS			
Cash and balances with central banks	Note 14	11 118 554	10 170 022
Loans and advances to banks	Note 15	10 316 900	9 577 499
Financial assets held for trading	Note 16	7 346 197	6 883 616
Hedging derivatives		538 654	549 177
Loans and advances to customers incl.:	Note 17	154 743 582	152 508 692
- measured at amortised cost		139 387 600	137 888 696
- measured at fair value through other comprehensive income		3 127 609	2 628 660
- measured at fair value through profit and loss		179 526	239 694
- from finance leases		12 048 847	11 751 642
Reverse sale and repurchase agreements		11 129 345	13 824 606
Investment securities incl.:	Note 18	54 983 346	55 371 137
- debt securities measured at fair value through other comprehensive income		36 635 470	39 539 535
- debt securities measured at fair value through profit and loss		68 484	64 707
- debt investment securities measured at amortised cost		18 069 580	15 499 348
- equity securities measured at fair value through other comprehensive income		204 294	204 299
- equity securities measured at fair value through profit and loss		5 518	63 248
Assets pledged as collateral		341 528	2 318 219
Investments in associates	Note 19	957 621	921 495
Intangible assets		720 935	740 756
Goodwill		1 712 056	1 712 056
Property, plant and equipment		662 943	688 262
Right of use assets		494 961	497 352
Deferred tax assets		1 856 058	2 098 733
Fixed assets classified as held for sale		5 391	5 973
Other assets		1 692 594	1 299 620
Total assets		258 620 665	259 167 215

	as at:	31.03.2023	31.12.2022
LIABILITIES AND EQUITY			
Deposits from banks	Note 20	3 850 379	4 031 252
Hedging derivatives		1 639 163	1 979 089
Financial liabilities held for trading	Note 16	7 298 705	7 108 826
Deposits from customers	Note 21	197 172 162	196 496 806
Sale and repurchase agreements		341 315	2 324 926
Subordinated liabilities	Note 22	2 826 795	2 807 013
Debt securities in issue	Note 23	8 858 378	9 330 648
Lease liabilities		408 493	419 965
Current income tax liabilities		206 141	80 751
Deferred tax liability		283	281
Provisions for financial liabilities and guarantees granted	Note 24	63 307	61 869
Other provisions	Note 25	649 698	627 311
Other liabilities	Note 26	3 356 839	3 783 140
Total liabilities		226 671 658	229 051 877
Equity			
Equity attributable to owners of the parent entity		30 103 379	28 318 083
Share capital		1 021 893	1 021 893
Other reserve capital		23 936 335	23 858 400
Revaluation reserve		(615 951)	(1 131 335)
Retained earnings		4 569 112	1 770 027
Profit for the period		1 191 990	2 799 098
Non-controlling interests in equity		1 845 628	1 797 255
Total equity		31 949 007	30 115 338
Total liabilities and equity		258 620 665	259 167 215

IV. Condensed consolidated statement of changes in equity

Consolidated statement of changes in equity 1.01.2023 - 31.03.2023	Equity attributable to owners of parent entity							
	Share capital	Own shares	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	-	23 858 400	(1 131 335)	4 569 125	28 318 083	1 797 255	30 115 338
Total comprehensive income	-	-	-	506 437	1 191 990	1 698 427	48 373	1 746 800
Consolidated profit for the period	-	-	-	-	1 191 990	1 191 990	24 819	1 216 809
Other comprehensive income	-	-	-	506 437	-	506 437	23 554	529 991
Creation of reserve capital for the purchase of own shares	-	-	126 835	-	-	126 835	-	126 835
Purchase of own shares	-	(48 884)	-	-	-	(48 884)	-	(48 884)
Transfer of own shares to employees	-	-	(48 249)	-	-	(48 249)	-	(48 249)
Settlement of purchase of own shares	-	48 884	-	-	-	48 884	-	48 884
Other changes	-	-	(651)	8 947	(13)	8 283	-	8 283
As at the end of the period	1 021 893	-	23 936 335	(615 951)	5 761 102	30 103 379	1 845 628	31 949 007

Details regarding the share based incentive scheme are described in note 42.

As at the end of the period revaluation reserve in the amount of PLN (615,951) k comprises: revaluation of debt securities in the amount of PLN (634,004) k, revaluation of equity securities in the amount of PLN 143,299 k, revaluation of cash flow hedge activities in the amount of PLN (138,437) k and accumulated actuarial gains - provision for retirement allowances of PLN 13,191 k.

Consolidated statement of changes in equity 1.01.2022 - 31.03.2022	Equity attributable to owners of parent entity							
	Share capital	Own shares	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	-	-	-	(1 212 382)	959 532	(252 850)	48 621	(204 229)
Consolidated profit for the period	-	-	-	-	959 532	959 532	69 734	1 029 266
Other comprehensive income	-	-	-	(1 212 382)	-	(1 212 382)	(21 113)	(1 233 495)
Profit allocation to other reserve capital	-	-	72 608	-	(72 608)	-	-	-
Other changes	-	-	-	(2 094)	-	(2 094)	-	(2 094)
As at the end of the period	1 021 893	-	22 250 952	(2 569 191)	4 573 082	25 276 736	1 730 517	27 007 253

As at the end of the period revaluation reserve in the amount of PLN (2,569,191) k comprises: revaluation of debt securities in the amount of PLN (2,620,508) k, revaluation of equity securities in the amount of PLN 172,976 k, revaluation of cash flow hedge activities in the amount of PLN (131,941) k and accumulated actuarial gains - provision for retirement allowances of PLN 13,282 k.

V. Condensed consolidated statement of cash flows

	for the period	1.01.2023- 31.03.2023	1.01.2022- 31.03.2022
Cash flows from operating activities			
Profit before tax		1 656 008	1 426 064
Adjustments for:			
Share in net profits of entities accounted for by the equity method		(25 079)	(20 288)
Depreciation/amortisation		134 239	132 556
Net gains on investing activities		2 094	2 640
Interest accrued excluded from operating activities		(424 461)	(289 505)
Dividends		(163)	(219)
Impairment losses (reversal)		402	2 470
Changes in:			
Provisions		23 825	(8 480)
Financial assets / liabilities held for trading		(322 734)	162 788
Assets pledged as collateral		(171 161)	(90 213)
Hedging derivatives		(259 881)	(168 030)
Loans and advances to banks		1 046 627	(177 785)
Loans and advances to customers		(5 647 022)	(5 203 817)
Deposits from banks		86 242	683 304
Deposits from customers		1 809 070	1 868 164
Buy-sell/ Sell-buy-back transactions		(4 011 570)	77 792
Other assets and liabilities		(604 220)	(411 570)
Interest received on operating activities		3 778 341	1 957 716
Interest paid on operating activities		(1 230 665)	(136 971)
Paid income tax		(197 398)	(90 108)
Net cash flows from operating activities		(4 357 506)	(283 492)
Cash flows from investing activities			
Inflows		4 368 316	3 260 078
Sale/maturity of investment securities		4 121 337	3 087 814
Sale of intangible assets and property, plant and equipment		7 374	8 702
Dividends received		163	219
Interest received		239 442	163 343
Outflows		(4 645 266)	(1 745 323)
Purchase of investment securities		(4 583 684)	(1 698 415)
Purchase of intangible assets and property, plant and equipment		(61 582)	(46 908)
Net cash flows from investing activities		(276 950)	1 514 755
Cash flows from financing activities			
Inflows		2 855 399	4 198 816
Debt securities in issue		2 060 000	2 325 350
Drawing of loans		795 399	1 873 466
Outflows		(3 841 352)	(6 388 847)
Debt securities buy out		(2 481 050)	(4 062 885)
Repayment of loans and advances		(1 083 544)	(2 211 387)
Repayment of lease liabilities		(41 580)	(40 772)
Purchase of own shares		(48 884)	-
Interest paid		(186 294)	(73 803)
Net cash flows from financing activities		(985 953)	(2 190 031)
Total net cash flows		(5 620 409)	(958 768)
Cash and cash equivalents at the beginning of the accounting period		34 493 039	18 346 368
Cash and cash equivalents at the end of the accounting period		28 872 630	17 387 600

Notes presented on pages 17-69 constitute an integral part of this Financial Statements

VI. Condensed income statement

	for the period	1.01.2023- 31.03.2023	1.01.2022- 31.03.2022
Interest income and similar to income		3 688 034	1 972 867
Interest income on financial assets measured at amortised cost		3 173 251	1 583 178
Interest income on financial assets measured at fair value through other comprehensive income		487 718	377 926
Income similar to interest on financial assets measured at fair value through profit or loss		27 065	11 763
Interest expense		(986 143)	(131 076)
Net interest income		2 701 891	1 841 791
Fee and commission income		672 183	673 185
Fee and commission expense		(73 192)	(88 273)
Net fee and commission income		598 991	584 912
Dividend income		155	229
Net trading income and revaluation		126 094	55 660
Gains (losses) from other financial securities		3 245	1 144
Gain/loss on derecognition of financial instruments measured at amortised cost		(183 976)	(16 173)
Other operating income		10 560	13 908
Impairment losses on loans and advances		(178 276)	(125 652)
Cost of legal risk associated with foreign currency mortgage loans		(348 248)	(77 675)
Operating expenses incl.:		(1 038 533)	(983 792)
-Staff, operating expenses and management costs		(915 575)	(855 530)
-Amortisation of property, plant and equipment and Intangible assets		(82 618)	(82 558)
-Amortisation of right of use asset		(30 427)	(31 572)
-Other operating expenses		(9 913)	(14 132)
Tax on financial institutions		(188 492)	(169 251)
Profit before tax		1 503 411	1 125 101
Corporate income tax		(400 212)	(326 887)
Profit for the period		1 103 199	798 214
Net earnings per share			
Basic earnings per share (PLN/share)		10,80	7,81
Diluted earnings per share (PLN/share)		10,80	7,81

VII. Condensed statement of comprehensive income

	1.01.2023- 31.03.2023	1.01.2022- 31.03.2022
Profit for the period	1 103 199	798 214
Items that will be reclassified subsequently to profit or loss:	471 107	(1 189 632)
Revaluation and sales of debt financial assets measured at fair value through other comprehensive income gross	370 800	(1 342 261)
Deferred tax	(70 452)	255 030
Revaluation of cash flow hedging instruments gross	210 814	(126 421)
Deferred tax	(40 055)	24 020
Items that will not be reclassified subsequently to profit or loss:	(3)	10
Revaluation of equity financial assets measured at fair value through other comprehensive income gross	(4)	12
Deferred and current tax	1	(2)
Total other comprehensive income, net	471 104	(1 189 622)
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD	1 574 303	(391 408)

VIII. Condensed statement of financial position

	31.03.2023	31.12.2022
ASSETS		
Cash and balances with central banks	11 101 719	10 135 099
Loans and advances to banks	10 348 709	9 709 800
Financial assets held for trading	7 345 012	6 879 751
Hedging derivatives	522 804	537 924
Loans and advances to customers incl.:	136 936 609	134 842 828
- measured at amortised cost	133 712 225	132 062 037
- measured at fair value through other comprehensive income	3 127 609	2 628 660
- measured at fair value through profit and loss	96 775	152 131
Reverse sale and repurchase agreements	11 129 345	13 824 606
Investment securities incl.:	51 169 786	52 123 963
- debt securities measured at fair value through other comprehensive income	33 250 220	36 303 503
- debt securities measured at fair value through profit and loss	66 585	62 907
- debt investment securities measured at amortised cost	17 652 816	15 499 348
- equity securities measured at fair value through other comprehensive income	200 165	200 170
- equity securities measured at fair value through profit and loss	-	58 035
Assets pledged as collateral	341 528	2 157 372
Investments in subsidiaries and associates	2 377 407	2 377 407
Intangible assets	606 445	625 519
Goodwill	1 688 516	1 688 516
Property, plant and equipment	468 806	497 686
Right of use asset	433 910	437 342
Deferred tax assets	1 099 072	1 331 258
Fixed assets classified as held for sale	4 308	4 308
Other assets	1 209 010	924 662
Total assets	236 782 986	238 098 041
LIABILITIES AND EQUITY		
Deposits from banks	2 230 264	2 245 128
Hedging derivatives	1 554 361	1 872 039
Financial liabilities held for trading	7 305 747	7 117 867
Deposits from customers	185 471 171	185 655 260
Sale and repurchase agreements	341 315	2 158 520
Subordinated liabilities	2 723 360	2 705 885
Debt securities in issue	5 410 252	5 899 300
Lease liabilities	505 773	516 881
Current income tax liabilities	197 985	85 412
Provisions for financial liabilities and guarantees granted	76 227	74 012
Other provisions	469 244	463 657
Other liabilities	2 549 789	3 008 820
Total liabilities	208 835 488	211 802 781
Equity		
Share capital	1 021 893	1 021 893
Other reserve capital	22 383 444	22 305 509
Revaluation reserve	(547 211)	(1 018 315)
Retained earnings	3 986 173	1 537 130
Profit for the period	1 103 199	2 449 043
Total equity	27 947 498	26 295 260
Total liabilities and equity	236 782 986	238 098 041

IX. Condensed statement of changes in equity

Statement of changes in equity			Other reserve	Revaluation	Retained earnings and	
1.01.2023 - 31.03.2023	Share capital	Own shares	capital	reserve	profit for the	Total
					period	
As at the beginning of the period	1 021 893	-	22 305 509	(1 018 315)	3 986 173	26 295 260
Total comprehensive income	-	-	-	471 104	1 103 199	1 574 303
<i>Profit for the period</i>	-	-	-	-	1 103 199	1 103 199
<i>Other comprehensive income</i>	-	-	-	471 104	-	471 104
Creation of reserve capital for the purchase of own shares	-	-	126 835	-	-	126 835
Purchase of own shares	-	(48 884)	-	-	-	(48 884)
Transfer of own shares to employees	-	-	(48 249)	-	-	(48 249)
Settlement of purchase of own shares	-	48 884	-	-	-	48 884
Other changes	-	-	(651)	-	-	(651)
As at the end of the period	1 021 893	-	22 383 444	(547 211)	5 089 372	27 947 498

Details regarding the share based incentive scheme are described in note 42.

As at the end of the period revaluation reserve in the amount of PLN (547,211) k comprises: revaluation of debt securities in the amount of PLN (565,495) k, revaluation of equity securities in the amount of PLN 141,403 k, revaluation of cash flow hedge activities in the amount of PLN (134,874) k and accumulated actuarial gains - provision for retirement allowances of PLN 11,755 k.

Statement of changes in equity			Other reserve	Revaluation	Retained earnings and	
1.01.2022 - 31.03.2022	Share capital	Own shares	capital	reserve	profit for the	Total
					period	
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	-	-	-	(1 189 622)	798 214	(391 408)
<i>Profit for the period</i>	-	-	-	-	798 214	798 214
<i>Other comprehensive income</i>	-	-	-	(1 189 622)	-	(1 189 622)
As at the end of the period	1 021 893	-	20 790 808	(2 500 669)	4 123 912	23 435 944

As at the end of the period revaluation reserve in the amount of PLN (2,500,669) k comprises: revaluation of debt securities in the amount of PLN (2,523,607) k, revaluation of equity securities in the amount of PLN 134,896 k, revaluation of cash flow hedge activities in the amount of PLN (124,096) k and accumulated actuarial gains - provision for retirement allowances of PLN 12,138 k.

X. Condensed statement of cash flows

	for the period	1.01.2023- 31.03.2023	1.01.2022- 31.03.2022
Cash flows from operating activities			
Profit before tax		1 503 411	1 125 101
Adjustments for:			
Depreciation/amortisation		113 045	114 130
Net gains on investing activities		6 082	3 213
Interest accrued excluded from operating activities		(476 679)	(349 046)
Dividends		(153)	(213)
Impairment losses (reversal)		392	2 470
Changes in:			
Provisions		7 802	(13 727)
Financial assets / liabilities held for trading		(327 413)	166 974
Assets pledged as collateral		(332 008)	(174 039)
Hedging derivatives		(223 158)	(178 299)
Loans and advances to banks		1 052 417	(178 076)
Loans and advances to customers		(4 933 985)	(8 623 287)
Deposits from banks		6 894	357 294
Deposits from customers		706 449	2 176 151
Buy-sell/ Sell-buy-back transactions		(3 845 594)	138 184
Other assets and liabilities		(573 675)	(322 625)
Interest received on operating activities		3 195 107	1 507 133
Interests paid on operating activities		(1 037 737)	(125 247)
Paid income tax		(165 960)	(65 692)
Net cash flows from operating activities		(5 324 763)	(4 439 601)
Cash flows from investing activities			
Inflows		4 257 607	2 448 824
Sale/maturity of investment securities		4 020 450	2 316 840
Sale of intangible assets and property, plant and equipment		1 765	4 644
Dividends received		153	213
Interest received		235 239	127 127
Outflows		(4 037 135)	(1 012 481)
Purchase of investment securities		(3 999 956)	(981 975)
Purchase of intangible assets and property, plant and equipment		(37 179)	(30 506)
Net cash flows from investing activities		220 472	1 436 343
Cash flows from financing activities			
Inflows		1 900 000	2 325 350
Debt securities in issue		1 900 000	2 325 350
Outflows		(2 500 729)	(56 134)
Debt securities buy out		(2 340 050)	-
Repayment of lease liabilities		(37 411)	(37 521)
Purchase of own shares		(48 884)	-
Interest paid		(74 384)	(18 613)
Net cash flows from financing activities		(600 729)	2 269 216
Total net cash flows		(5 705 020)	(734 042)
Cash and cash equivalents at the beginning of the accounting period		34 490 824	18 029 977
Cash and cash equivalents at the end of the accounting period		28 785 804	17 295 935

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 3-month period ended 31 March 2023 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.

Santander Bank Polska Group consists of the following entities:

Subsidiaries:

Subsidiaries	Registered office	[%] of votes on AGM at 31.03.2023	[%] of votes on AGM at 31.12.2022
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 Inwestycje sp. z o.o.	Warszawa	100%	100%
5. 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.
6. Santander Towarzystwo Funduszy Inwestycyjnych S.A. ¹⁾	Poznań	50%	50%
7. Santander Consumer Bank S.A.	Wrocław	60%	60%
8. 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.
9. 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.
10. 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.
11. 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.
12. SCM POLAND AUTO 2019-1 DAC ⁴⁾	Dublin	subsidiary of Santander Consumer Multirent S.A.	subsidiary of Santander Consumer Multirent S.A.
13. Santander Consumer Financial Solutions Sp. z o.o. ⁵⁾	Wrocław	subsidiary of Santander Consumer Multirent S.A.	subsidiary of Santander Consumer Multirent S.A.
14. S.C. Poland Consumer 23-1 DAC. ⁶⁾	Dublin	subsidiary of Santander Consumer Bank S.A.	subsidiary of Santander Consumer Bank S.A.

1. The 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 global Santander Group and hold an equal stake of 50% in the company's share capital. In practice, Santander Bank Polska S.A. exercises control over Santander TFI S.A. within the meaning of the International Financial Reporting Standards (IFRS) because it has a real impact on the company's operations and financial performance as its main business partner and distributor of investment products.

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).

On 3 April 2023, PSA Finance Polska Sp. z o.o. was renamed Stellantis Financial Services Polska Sp. z o.o., while PSA Consumer Finance Polska Sp. z o.o. operates under the name Stellantis Consumer Financial Services Polska Sp. z o.o.

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. On 17 June 2022, SC Poland 23-1 Designated Activity Company with its registered office in Dublin was incorporated under Irish law. It is a special purpose vehicle established to securitise the retail loan portfolio. The company is controlled by Santander Consumer Bank S.A. and its shareholder is a legal person that is not connected with the Group.

Associates:

Associates	Registered office	[%] of votes on AGM at 31.03.2023	[%] of votes on AGM at 31.12.2022
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 2022, except for the income tax charge, which was calculated in accordance with the principles set out in IAS34.30c and changes in accounting standards p. 2.4.

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 2022.

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 meet the contractual cash flows test	Amortized cost
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-trading	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
Right of use assets (IFRS 16)	Initial measurement 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.

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
Amendments to IAS 1	The amendments affect requirements for the presentation of liabilities. Specifically, they clarify one of the criteria for classifying a liability as non-current.	1 January 2024	The amendment will not have a significant impact on consolidated financial statements.*
Amendments to IFRS 16	Change in the calculation of the lease liability in sale and leaseback transactions.	1 January 2024	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.

2.4 Standards and interpretations or changes to existing standards or interpretations which were applied for the first time in the accounting year 2023

IFRS	Nature of changes	Effective from	Influence on Santander Bank Polska S.A. Group
IFRS 17 Insurance Contracts	IFRS 17 defines a new approach to the recognition, valuation, presentation and disclosure of insurance contracts. The main purpose of IFRS 17 is to guarantee the transparency and comparability of insurers' financial statements. In order to meet this requirement the entity will disclose a lot of quantitative and qualitative information enabling the users of financial statements to assess the effect that insurance contracts have on the financial position, financial performance and cash flows of the entity. IFRS 17 introduces a number of significant changes in relation to the existing requirements of IFRS 4. They concern, among others: aggregation levels at which the calculations are made, methods for the valuation of insurance liabilities, recognition a profit or loss over the period, reinsurance recognition, separation of the investment component and presentation of particular items of the balance sheet and profit and loss account of reporting units including the separate presentation of insurance revenues, insurance service expenses and insurance finance income or expenses.	1 January 2023	The Group considered the impact of the standard on the valuation of investments in associates and performance guarantee. The Group assesses this impact on the consolidated financial statements as insignificant.
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 does 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 does not have a significant impact on consolidated financial statements.
Amendments to IAS 1	The amendment concern accounting policy disclosures with regard to the scope of such disclosures.	1 January 2023	The amendment has a significant impact on disclosures and information presented in consolidated financial statements.

2.5 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 whether/when a significant increase in credit risk occurred;
- determination of any forward-looking information 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 rating 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 originated 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 stage 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.

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 credit 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 the course of the decision process as well as in the process of transactions structuring.

The fact that the exposure is supported by the Borrowers' Support Fund is reported as a forbore 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 case of significant increase of credit risk since initial recognition.

ECL measurement

Another key feature required 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 first quarter of 2023, in addition to ECL resulting from the complex calculation model implemented in the system, Santander Bank Polska S.A. Group created management adjustments, updating the risk level with current and expected future events, which resulted in:

- The management adjustment was increased from PLN 14 100 k up to PLN 19 600 k for retail mortgage portfolio reflecting the risk of which may increase after the cessation of aid measures
- A management adjustment amounting to PLN 10 690 k on the portfolio of corporate loans regarding the method of recognizing collateral in the form of guarantees of Bank Gospodarstwa Krajowego in LGD model

Other management adjustments remained at the level of the fourth quarter of 2022 i.e.

- A management provision for SME portfolio in the amount of PLN 30 000 k, due to additional risk of external sale (its share has increased significantly) not covered by PD model
- A management provision for corporate portfolio in the amount of PLN 37 000 k, due to estimated impact of rising costs (including energy) on the portfolio's risk profile and additional risk in sectors involved in the sale and production of durable goods for household use
- A management provision for SME leasing portfolio in the amount of PLN 20 000 k, due to estimated impact of future changes in rating model.

Estimates for legal claims

Santander Bank Polska S.A. Group raises provisions for legal claims in accordance with IAS 37. The provisions have been estimated considering the likelihood of 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 Note 25.

Due to their specific nature, estimates related to legal claims of mortgage loans in foreign currencies are described below.

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.

Gross book value adjustment resulting from legal risk is estimated based on a number of assumptions, taking into account: a specific time horizon and a number of probabilities such as:

- the probability of possible settlements and
- the probability of submitting claims by borrowers, and
- the probability in terms of the number of disputes

which are described in more details in Note 29.

In 2022, the Group prepared a settlement scenario which reflects the level of losses for future settlements.

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 accounts for the impact of legal risk as an adjustment to the gross book value of the mortgage loans 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 "Cost of legal risk associated with foreign currency mortgage loans" and "Gain/loss on derecognition of financial instruments measured at amortised cost".

In the first quarter 2023, the Group recognized PLN 420 602 k as cost of legal risk related to mortgage loans in foreign currencies and PLN 185 754 k as a negative result of derecognition of financial instruments due to concluded settlements.

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

Details presenting the impact of the above-mentioned risk on financial statement, 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

Based on the conditions defined in the act, the Group made one-off estimate of the impact of the holidays on the Group's financial result at the time of entry into force of the Act and recognized it as a decrease in the carrying amount of the mortgage loan portfolio and a decrease in interest income.

In the first quarter of 2023 the Group did not update the estimate.

The current level of participation (in terms of volume) for installments possible to be deferred in 2022 was 61.2%. The participation assumption (in terms of volume) for installments possible to be deferred in 2023 is 63.8%. The average level assumed by the Group is 62.5%.

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

In the first quarter of 2023, the Group incurred PLN 6,300 k cost of increasing the liability for the reimbursement of fees incurred until the establishment of the mortgage. The amount decreased interest costs. The liability balance as at 31 March 2023 amounted to PLN 27,700 k.

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

In the first quarter of 2023, the Group did not change its estimates of commission reimbursement for mortgage loans in the event of early repayment.

2.6 Change of accounting policy

Santander Bank Polska S.A. Group consistently applied the adopted accounting principles both for the reporting period for all reporting periods presented in these financial statements.

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 2023 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.
- allocation of tax on financial institutions on business segments
- change of allocation criteria of capital and net interest income from capital into business segments

Comparable data are adjusted accordingly.

In the part regarding Santander Bank Polska, the cost of legal risk connected with the portfolio of FX mortgage were presented in Retail Banking segment. Simultaneously, in the part regarding Santander Consumer Bank, the cost of 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 liability for reimbursement of the mortgage loan fee due to partial and total early loan repayments, and the liability due to the return of additional costs of mortgage loans incurred by individual customers until the mortgage entry were presented in comparable figures in Retail Banking segment. More details are described in the note 2.5.

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

Retail Banking

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

Business & Corporate Banking

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

Corporate & Investment Banking

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

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

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

ALM and Centre

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

Santander Consumer

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

Consolidated income statement by business segments

	Segment Retail Banking *	Segment Business and Corporate Banking	Segment Corporate& Investment Banking	Segment ALM and Centre	Segment Santander Consumer	Total
1.01.2023 - 31.03.2023						
Net interest income	1 805 898	563 773	205 812	206 897	309 911	3 092 291
incl. internal transactions	(689)	(914)	1 583	27 680	(27 660)	-
Fee and commission income	452 681	151 547	129 681	-	46 707	780 616
Fee and commission expense	(77 220)	(9 622)	(7 836)	-	(23 543)	(118 221)
Net fee and commission income	375 461	141 925	121 845	-	23 164	662 395
incl. internal transactions	76 757	45 762	(122 405)	-	(114)	-
Other income	(170 810)	24 041	69 727	56 103	11 640	(9 299)
incl. internal transactions	2 930	16 870	(19 321)	(481)	2	-
Dividend income	153	-	2	-	10	165
Operating costs	(672 211)	(163 481)	(127 128)	(24 599)	(144 216)	(1 131 635)
incl. internal transactions	-	-	-	618	(618)	-
Depreciation/amortisation	(94 612)	(15 070)	(8 529)	-	(16 028)	(134 239)
Impairment losses on loans and advances	(161 999)	(16 692)	(10 504)	30	(43 466)	(232 631)
Cost of legal risk associated with foreign currency mortgage loans	(348 249)	-	-	-	(72 353)	(420 602)
Share in net profits (loss) of entities accounted for by the equity method	25 176	-	-	(97)	-	25 079
Tax on financial institutions	(111 671)	(49 892)	(26 928)	-	(7 025)	(195 516)
Profit before tax	647 136	484 604	224 297	238 334	61 637	1 656 008
Corporate income tax						(439 199)
Consolidated profit for the period						1 216 809
of which:						
attributable to owners of the parent entity						1 191 990
attributable to non-controlling interests						24 819

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

	Segment Retail Banking *	Segment Business and Corporate Banking	Segment Corporate& Investment Banking	Segment ALM and Centre	Segment Santander Consumer	Total
1.01.2023-31.03.2023						
Fee and commission income	452 681	151 547	129 681	-	46 707	780 616
Electronic and payment services	44 517	17 863	6 063	-	-	68 443
Current accounts and money transfer	63 996	25 248	3 928	-	391	93 563
Asset management fees	45 390	88	-	-	-	45 478
Foreign exchange commissions	75 996	45 915	59 615	-	-	181 526
Credit commissions incl. factoring commissions and other	33 489	34 641	34 126	-	16 273	118 529
Insurance commissions	43 632	2 659	406	-	13 681	60 378
Commissions from brokerage activities	25 857	9	10 376	-	-	36 242
Credit cards	22 271	-	-	-	12 367	34 638
Card fees (debit cards)	89 761	4 227	448	-	-	94 436
Off-balance sheet guarantee commissions	1 261	19 891	7 050	-	57	28 259
Finance lease commissions	2 674	552	83	-	3 938	7 247
Issue arrangement fees	-	454	7 586	-	-	8 040
Distribution fees	3 837	-	-	-	-	3 837

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

Consolidated income statement by business segments

1.01.2022 - 31.03.2022	Segment Retail Banking *	Segment Business and Corporate Banking	Segment Corporate& Investment Banking	Segment ALM and Centre	Segment Santander Consumer	Total
Net interest income	1 197 203	323 650	101 934	293 637	327 525	2 243 949
incl. internal transactions	(477)	(450)	927	5 980	(5 980)	-
Fee and commission income	457 140	166 621	118 663	-	51 819	794 243
Fee and commission expense	(100 723)	(9 725)	(4 728)	-	(18 340)	(133 516)
Net fee and commission income	356 417	156 896	113 935	-	33 479	660 727
incl. internal transactions	84 262	48 126	(131 650)	-	(738)	-
Other income	(23 919)	32 534	101 148	(36 711)	9 690	82 742
incl. internal transactions	1 122	36 923	(37 511)	(534)	-	-
Dividend income	213	-	16	-	6	235
Operating costs	(637 877)	(155 414)	(103 953)	(16 957)	(142 538)	(1 056 739)
incl. internal transactions	-	-	-	600	(600)	-
Depreciation/amortisation	(94 348)	(15 692)	(8 656)	-	(13 860)	(132 556)
Impairment losses on loans and advances	(116 887)	(12 806)	3 216	(837)	8 033	(119 281)
Cost of legal risk associated with foreign currency mortgage loans	(77 675)	-	-	-	(18 786)	(96 461)
Share in net profits (loss) of entities accounted for by the equity method	20 371	-	-	(83)	-	20 288
Tax on financial institutions	(112 063)	(39 473)	(17 715)	-	(7 589)	(176 840)
Profit before tax	511 435	289 695	189 925	239 049	195 960	1 426 064
Corporate income tax						(396 798)
Consolidated profit for the period						1 029 266
of which:						
attributable to owners of the parent entity						959 532
attributable to non-controlling interests						69 734

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

1.01.2022-31.03.2022	Segment Retail Banking *	Segment Business and Corporate Banking	Segment Corporate& Investment Banking	Segment ALM and Centre	Segment Santander Consumer	Total
Fee and commission income	457 140	166 621	118 663	-	51 819	794 243
Electronic and payment services	39 798	16 930	6 480	-	(61)	63 147
Current accounts and money transfer	67 294	41 117	9 220	-	473	118 104
Asset management fees	58 248	203	-	-	-	58 451
Foreign exchange commissions	81 273	43 704	57 778	-	-	182 755
Credit commissions incl. factoring commissions and other	31 876	39 126	20 206	-	16 286	107 494
Insurance commissions	39 843	2 241	470	-	18 704	61 258
Commissions from brokerage activities	28 708	1 959	13 929	-	(2)	44 594
Credit cards	20 129	-	-	-	13 361	33 490
Card fees (debit cards)	80 929	3 266	367	-	-	84 562
Off-balance sheet guarantee commissions	2 111	17 761	7 559	-	(573)	26 858
Finance lease commissions	1 615	314	65	-	3 631	5 625
Issue arrangement fees	-	-	2 589	-	-	2 589
Distribution fees	5 316	-	-	-	-	5 316

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

Consolidated statement of financial position by business segments

	Segment Retail Banking *	Segment Business and Corporate Banking	Segment Corporate & Investment Banking	Segment ALM and Centre	Segment Santander Consumer	Total
31.03.2023						
Loans and advances to customers	81 546 000	38 740 649	18 409 826	-	16 047 107	154 743 582
Investments in associates	910 986	-	-	46 635	-	957 621
Other assets	10 025 954	2 306 599	9 921 633	75 689 358	4 975 918	102 919 462
Total assets	92 482 940	41 047 248	28 331 459	75 735 993	21 023 025	258 620 665
Deposits from customers	124 889 074	39 940 201	18 976 892	2 162 947	11 203 048	197 172 162
Other liabilities	653 899	776 460	6 609 248	15 880 374	5 579 515	29 499 496
Equity	5 838 489	3 734 312	2 694 866	15 440 878	4 240 462	31 949 007
Total equity and liabilities	131 381 462	44 450 973	28 281 006	33 484 199	21 023 025	258 620 665

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

	Segment Retail Banking *	Segment Business and Corporate Banking	Segment Corporate & Investment Banking	Segment ALM and Centre	Segment Santander Consumer	Total
31.12.2022						
Loans and advances to customers	82 212 188	38 524 736	16 137 424	-	15 634 344	152 508 692
Investments in associates	874 763	-	-	46 732	-	921 495
Other assets	10 210 612	2 255 636	8 080 111	80 507 545	4 683 124	105 737 028
Total assets	93 297 563	40 780 372	24 217 535	80 554 277	20 317 468	259 167 215
Deposits from customers	126 245 713	41 098 731	14 938 881	3 863 549	10 349 932	196 496 806
Other liabilities	1 027 334	810 140	6 321 369	18 569 343	5 826 885	32 555 071
Equity	5 294 919	4 028 975	2 606 734	14 044 059	4 140 651	30 115 338
Total equity and liabilities	132 567 966	45 937 846	23 866 984	36 476 951	20 317 468	259 167 215

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

4. Net interest income

	1.01.2023- 31.03.2023	1.01.2022- 31.03.2022
Interest income and similar to interest		
Interest income on financial assets measured at amortised cost	3 544 570	1 938 959
Loans and advances to enterprises	1 147 612	573 823
Loans and advances to individuals, of which:	1 958 800	1 287 295
<i>Home mortgage loans</i>	991 928	553 040
Loans and advances to banks	185 449	27 697
Loans and advances to public sector	21 931	3 057
Reverse repo transactions	125 645	22 413
Debt securities	101 824	16 792
Interest recorded on hedging IRS	3 309	7 882
Interest income on financial assets measured at fair value through other comprehensive income	544 094	394 691
Loans and advances to enterprises	59 605	15 607
Loans and advances to public sector	6 482	-
Debt securities	478 007	379 084
Income similar to interest - financial assets measured at fair value through profit or loss	32 546	15 350
Loans and advances to enterprises	1 078	665
Loans and advances to individuals	9 360	11 470
Debt securities	22 108	3 215
Income similar to interest on finance leases	217 239	113 698
Total income	4 338 449	2 462 698
	1.01.2023- 31.03.2023	1.01.2022- 31.03.2022
Interest expenses		
Interest expenses on financial liabilities measured at amortised cost	(1 246 158)	(218 749)
Liabilities to individuals	(461 537)	(28 895)
Liabilities to enterprises	(439 623)	(62 067)
Repo transactions	(83 101)	(19 417)
Liabilities to public sector	(87 090)	(18 057)
Liabilities to banks	(45 139)	(19 341)
Lease liability	(4 411)	(3 333)
Subordinated liabilities and issue of securities	(125 257)	(67 639)
Total costs	(1 246 158)	(218 749)
Net interest income	3 092 291	2 243 949

5. Net fee and commission income

	1.01.2023- 31.03.2023	1.01.2022- 31.03.2022
Fee and commission income		
eBusiness & payments	68 443	63 147
Current accounts and money transfer	93 563	118 104
Asset management fees	45 478	58 451
Foreign exchange commissions	181 526	182 755
Credit commissions incl. factoring commissions and other	118 529	107 494
Insurance commissions	60 378	61 258
Commissions from brokerage activities	36 242	44 594
Credit cards	34 638	33 490
Card fees (debit cards)	94 436	84 562
Off-balance sheet guarantee commissions	28 259	26 858
Finance lease commissions	7 247	5 625
Issue arrangement fees	8 040	2 589
Distribution fees	3 837	5 316
Total	780 616	794 243
Fee and commission expenses		
eBusiness & payments	(17 759)	(14 353)
Distribution fees	(2 022)	(2 268)
Commissions from brokerage activities	(3 729)	(4 983)
Credit cards	(3 004)	(2 678)
Card fees (debit cards)	(7 476)	(20 335)
Credit commissions paid	(17 238)	(23 715)
Insurance commissions	(3 614)	(4 430)
Finance lease commissions	(11 522)	(10 180)
Asset management fees and other costs	(1 281)	(5 620)
Off-balance sheet guarantee commissions	(20 270)	(16 638)
Other	(30 306)	(28 316)
Total	(118 221)	(133 516)
Net fee and commission income	662 395	660 727

6. Net trading income and revaluation

	1.01.2023- 31.03.2023	1.01.2022- 31.03.2022
Net trading income and revaluation		
Derivative instruments	128 607	22 007
Interbank FX transactions and other FX related income	(13 777)	26 944
Net gains on sale of equity securities measured at fair value through profit or loss	9 537	6 468
Net gains on sale of debt securities measured at fair value through profit or loss	(394)	9 084
Change in fair value of loans and advances mandatorily measured at fair value through profit or loss	2 980	(5 119)
Total	126 953	59 384

The above amounts included CVA and DVA adjustments in the amount of PLN 446 k for 1Q 2023 and PLN 2 474 k for 1Q 2022.

7. Gains (losses) from other financial securities

	1.01.2023- 31.03.2023	1.01.2022- 31.03.2022
Gains (losses) from other financial securities		
Net gains on sale of debt securities measured at fair value through other comprehensive income	(4 253)	212
Net gains on sale of equity securities measured at fair value through profit and loss	2 887	-
Change in fair value of financial securities measured at fair value through profit or loss	12 095	2 785
Total profit (losses) on financial instruments	10 729	2 997
Change in fair value of hedging instruments	(152 915)	162 694
Change in fair value of underlying hedged positions	147 363	(164 216)
Total profit (losses) on hedging and hedged instruments	(5 552)	(1 522)
Total	5 177	1 475

8. Other operating income

	1.01.2023- 31.03.2023	1.01.2022- 31.03.2022
Other operating income		
Income from services rendered	3 744	9 788
Release of provision for legal cases and other assets	3 916	5 183
Recovery of other receivables (expired, cancelled and uncollectable)	19	13
Settlements of leasing agreements	-	48
Received compensations, penalties and fines	748	406
Gains on lease modifications	914	-
Income from claims received from the insurer	16 015	9 917
Other	17 191	12 703
Total	42 547	38 058

9. Impairment allowances for expected credit losses

	1.01.2023- 31.03.2023	1.01.2022- 31.03.2022
Impairment allowances for expected credit losses on loans and advances measured at amortised cost		
Charge for loans and advances to banks	32	(21)
Stage 1	32	(21)
Stage 2	-	-
Stage 3	-	-
POCI	-	-
Charge for loans and advances to customers	(265 785)	(177 907)
Stage 1	(33 856)	(67 286)
Stage 2	(148 125)	(77 117)
Stage 3	(101 561)	(63 275)
POCI	17 757	29 771
Recoveries of loans previously written off	34 631	49 044
Stage 1	-	-
Stage 2	-	-
Stage 3	34 631	49 044
POCI	-	-
Off-balance sheet credit related facilities	(1 509)	9 603
Stage 1	(3 203)	6 122
Stage 2	62	2 464
Stage 3	1 632	1 017
POCI	-	-
Total	(232 631)	(119 281)

10. Employee costs

	1.01.2023- 31.03.2023	1.01.2022- 31.03.2022
Employee costs		
Salaries and bonuses	(444 878)	(351 847)
Salary related costs	(74 905)	(68 096)
Cost of contributions to Employee Capital Plans	(3 064)	(2 384)
Staff benefits costs	(10 200)	(9 224)
Professional trainings	(2 310)	(1 687)
Retirement fund, holiday provisions and other employee costs	(8)	(7)
Total	(535 365)	(433 245)

11. General and administrative expenses

	1.01.2023- 31.03.2023	1.01.2022- 31.03.2022
General and administrative expenses		
Maintenance of premises	(33 096)	(26 676)
Short-term lease costs	(2 203)	(1 976)
Low-value assets lease costs	(306)	(322)
Costs of variable lease payments not included in the measurement of the lease liability	(430)	(514)
Non-tax deductible VAT	(9 906)	(9 674)
Marketing and representation	(37 059)	(29 475)
IT systems costs	(130 171)	(107 480)
Cost of BFG, KNF and KDPW	(198 443)	(287 695)
Postal and telecommunication costs	(14 580)	(16 792)
Consulting and advisory fees	(16 041)	(17 174)
Cars, transport expenses, carriage of cash	(16 679)	(13 165)
Other external services	(52 479)	(34 990)
Stationery, cards, cheques etc.	(5 457)	(5 583)
Sundry taxes and charges	(10 888)	(10 058)
Data transmission	(5 263)	(3 801)
KIR, SWIFT settlements	(9 613)	(7 659)
Security costs	(4 659)	(5 403)
Costs of repairs	(877)	(833)
Other	(6 136)	(3 470)
Total	(554 286)	(582 740)

12. Other operating expenses

	1.01.2023- 31.03.2023	1.01.2022- 31.03.2022
Other operating expenses		
Charge of provisions for legal cases and other assets	(9 110)	(12 739)
Impairment loss on property, plant, equipment, intangible assets covered by financial lease agreements and other fixed assets	(1 085)	(2 470)
Gain on sales or liquidation of fixed assets, intangible assets and assets for disposal	(728)	(2 852)
Costs of purchased services	(763)	(1 067)
Other membership fees	(291)	(362)
Paid compensations, penalties and fines	(160)	(354)
Donations paid	(14)	(655)
Other	(29 833)	(20 255)
Total	(41 984)	(40 754)

13. Corporate income tax

	1.01.2023- 31.03.2023	1.01.2022- 31.03.2022
Corporate income tax		
Current tax charge in the income statement	(326 499)	(86 018)
Deferred tax	(116 411)	(311 203)
Adjustments from previous years	3 711	423
Total tax on gross profit	(439 199)	(396 798)

	1.01.2023- 31.03.2023	1.01.2022- 31.03.2022
Corporate total tax charge information		
Profit before tax	1 656 008	1 426 064
Tax rate	19%	19%
Tax calculated at the tax rate	(314 642)	(270 952)
Non-tax-deductible expenses	(5 337)	(5 867)
Cost of legal risk associated with foreign currency mortgage loans	(53 027)	(28 196)
The fee to the Bank Guarantee Fund	(35 601)	(52 745)
Tax on financial institutions	(37 144)	(33 600)
Non-taxable income	6 743	125
Non-tax deductible bad debt provisions	(1 574)	(2 555)
Adjustment of prior years tax	3 711	423
Other	(2 328)	(3 431)
Total tax on gross profit	(439 199)	(396 798)

	31.03.2023	31.12.2022
Deferred tax recognised in other comprehensive income		
Relating to valuation of debt investments measured at fair value through other comprehensive income	152 264	234 879
Relating to valuation of equity investments measured at fair value through other comprehensive income	(33 472)	(33 473)
Relating to cash flow hedging activity	33 208	74 912
Relating to valuation of defined benefit plans	(3 309)	(3 309)
Total	148 691	273 009

14. Cash and balances with central banks

Cash and balances with central banks	31.03.2023	31.12.2022
Cash	2 744 579	3 198 679
Current accounts in central banks	8 373 975	6 852 602
Term deposits	-	118 741
Total	11 118 554	10 170 022

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 was 3.5% as at 31.03.2023 r. and 31.12.2022 r.

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

15. Loans and advances to banks

Loans and advances to banks	31.03.2023	31.12.2022
Loans and advances	7 425 896	6 290 099
Current accounts	2 891 115	3 287 543
Gross receivables	10 317 011	9 577 642
Allowance for impairment	(111)	(143)
Total	10 316 900	9 577 499

16. Financial assets and liabilities held for trading

Financial assets and liabilities held for trading	31.03.2023		31.12.2022	
	Assets	Liabilities	Assets	Liabilities
Trading derivatives	6 349 888	6 328 883	6 639 069	6 913 266
Interest rate operations	4 549 032	4 484 374	4 675 518	4 624 966
FX operations	1 800 856	1 844 509	1 963 551	2 288 300
Debt and equity securities	996 309	-	244 547	-
Debt securities	969 476	-	229 290	-
Government securities:	953 798	-	213 206	-
- bonds	953 798	-	213 206	-
Other securities:	15 678	-	16 084	-
- bonds	15 678	-	16 084	-
Equity securities	26 833	-	15 257	-
Short sale	-	969 822	-	195 560
Total financial assets/liabilities	7 346 197	7 298 705	6 883 616	7 108 826

Financial assets and liabilities held for trading - trading derivatives include the change in the value of counterparty risk in the amount of PLN (3,379) k as at 31.03.2023 and PLN 1,242 k as at 31.12.2022.

17. Loans and advances to customers

Loans and advances to customers	31.03.2023				
	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	63 477 691	2 800 325	25 265	-	66 303 281
Loans and advances to individuals, of which:	80 500 390	-	154 261	-	80 654 651
Home mortgage loans *	51 985 234	-	-	-	51 985 234
Finance lease receivables	-	-	-	12 310 748	12 310 748
Loans and advances to public sector	946 542	334 910	-	-	1 281 452
Other receivables	73 876	-	-	-	73 876
Gross receivables	144 998 499	3 135 235	179 526	12 310 748	160 624 008
Allowance for impairment	(5 610 899)	(7 626)	-	(261 901)	(5 880 426)
Total	139 387 600	3 127 609	179 526	12 048 847	154 743 582

* 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 2.5.

Loans and advances to customers	31.12.2022				
	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	61 207 015	2 306 972	39 205	-	63 553 192
Loans and advances to individuals, of which:	81 282 830	-	200 489	-	81 483 319
Home mortgage loans *	53 175 569	-	-	-	53 175 569
Finance lease receivables	-	-	-	11 998 301	11 998 301
Loans and advances to public sector	951 570	328 428	-	-	1 279 998
Other receivables	77 914	-	-	-	77 914
Gross receivables	143 519 329	2 635 400	239 694	11 998 301	158 392 724
Allowance for impairment	(5 630 633)	(6 740)	-	(246 659)	(5 884 032)
Total	137 888 696	2 628 660	239 694	11 751 642	152 508 692

* 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 2.5.

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
31.03.2023			
Mortgage loans in foreign currency - adjustment to gross carrying amount	7 474 793	3 163 853	4 310 940
Provision in respect of legal risk connected with foreign currency mortgage loans		453 038	
Total		3 616 891	
31.12.2022			
Mortgage loans in foreign currency - adjustment to gross carrying amount	8 393 684	3 136 301	5 257 383
Provision in respect of legal risk connected with foreign currency mortgage loans		420 952	
Total		3 557 253	

Movements on impairment losses on loans and advances to customers measured at amortised cost for reporting period	1.01.2023-31.03.2023	1.01.2022-31.03.2022
Balance at the beginning of the period	(5 630 633)	(5 648 321)
Charge/write back of current period	(272 233)	(198 178)
Stage 1	(33 029)	(67 097)
Stage 2	(138 871)	(79 049)
Stage 3	(96 874)	(55 957)
POCI	(3 459)	3 925
Write off/Sale of receivables	266 424	139 029
Stage 1	-	-
Stage 2	-	-
Stage 3	265 481	138 547
POCI	943	482
Transfer	22 738	37 566
Stage 1	27 275	30 082
Stage 2	121 906	39 315
Stage 3	(128 446)	(32 859)
POCI	2 003	1 028
FX differences	2 805	(7 624)
Stage 1	400	(243)
Stage 2	382	419
Stage 3	1 899	(7 599)
POCI	124	(201)
Balance at the end of the period	(5 610 899)	(5 677 528)

18. Investment securities

Investment securities	31.03.2023	31.12.2022
Debt investment securities measured at fair value through other comprehensive income	36 635 470	39 539 535
Government securities:	34 499 164	34 127 213
- bonds	34 499 164	34 127 213
Central Bank securities:	-	3 898 145
- bills	-	3 898 145
Other securities:	2 136 306	1 514 177
-bonds	2 136 306	1 514 177
Debt investment securities measured at fair value through profit and loss	68 484	64 707
Debt investment securities measured at amortised cost	18 069 580	15 499 348
Government securities:	5 579 196	3 156 009
- bonds	5 579 196	3 156 009
Other securities:	12 490 384	12 343 339
- bonds	12 490 384	12 343 339
Equity investment securities measured at fair value through other comprehensive income	204 294	204 299
- unlisted	204 294	204 299
Equity investment securities measured at fair value through profit and loss	5 518	63 248
- unlisted	5 518	63 248
Total	54 983 346	55 371 137

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

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

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

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

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

Following the provisions of IFRS 9, as the decision on the change of the business model was made in the first quarter of 2022, and the Bank publishes interim financial statements on a quarterly basis, the reclassification has been included in the next interim financial 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 was 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

Fair value of debt investment securities reclassified as at 31 March 2023	10 743 106
Gain/ loss on change in the fair value of debt investment securities which would have been recognised in other comprehensive income between 1 January and 31 March 2023 if the investment securities had not been reclassified (taking into account tax impact)	179 320

19. Investments in associates

Balance sheet value of associates	31.03.2023	31.12.2022
Polfund - Fundusz Poręczeń Kredytowych S.A.	46 635	46 732
Santander - Allianz Towarzystwo Ubezpieczeń S.A. and Santander - Allianz Towarzystwo Ubezpieczeń na Życie S.A.	910 986	874 763
Total	957 621	921 495

Movements on investments in associates	1.01.2023- 31.03.2023	1.01.2022- 31.03.2022
As at the beginning of the period	921 495	932 740
Share of profits/(losses)	25 079	20 288
Other	11 047	(2 587)
As at the end of the period	957 621	950 441

20. Deposits from banks

Deposits from banks	31.03.2023	31.12.2022
Term deposits	199 350	162 325
Loans received from banks	1 488 931	1 747 378
Current accounts	2 162 098	2 121 549
Total	3 850 379	4 031 252

21. Deposits from customers

Deposits from customers	31.03.2023	31.12.2022
Deposits from individuals	107 914 237	107 927 297
Term deposits	35 306 120	34 841 903
Current accounts	72 326 510	72 816 188
Other	281 607	269 206
Deposits from enterprises	80 632 772	79 548 735
Term deposits	22 528 810	20 614 957
Current accounts	54 697 026	54 874 341
Loans received from financial institution	1 271 925	1 316 684
Other	2 135 011	2 742 753
Deposits from public sector	8 625 154	9 020 774
Term deposits	1 415 667	990 676
Current accounts	7 205 120	8 021 258
Other	4 367	8 840
Total	197 172 163	196 496 806

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	1.01.2023- 31.03.2023	1.01.2022- 31.03.2022
As at the beginning of the period	2 807 013	2 750 440
Additions from:	46 485	37 140
- interest on subordinated loans	46 485	17 953
- FX differences	-	19 187
Disposals from:	(26 703)	(14 135)
- interest repayment	(21 873)	(14 135)
- FX differences	(4 830)	-
As at the end of the period	2 826 795	2 773 445
Short-term	61 328	17 255
Long-term (over 1 year)	2 765 467	2 756 190

23. Debt securities in issue

Debt securities in issue on 31.03.2023

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	750 000	EUR	29.11.2021	29.11.2024	3 509 331
Santander Bank Polska S.A.	Bonds	1 900 000	PLN	30.03.2023	30.03.2025	1 900 921
Santander Leasing S.A.	Bonds	235 000	PLN	23.06.2022	23.06.2023	235 219
Santander Leasing S.A.	Bonds	100 000	PLN	10.08.2022	10.08.2023	100 818
Santander Factoring Sp. z o.o.	Bonds	160 000	PLN	15.02.2023	15.08.2023	160 323
Santander Consumer Bank S.A.	Bonds	100 000	PLN	01.04.2021	03.04.2023	103 856
Santander Consumer Bank S.A.	Bonds	300 000	PLN	28.10.2022	06.12.2024	301 349
Santander Consumer Multirent sp. z o.o.	Bonds	160 000	PLN	27.05.2021	26.05.2023	160 866
Santander Consumer Multirent sp. z o.o.	Bonds	220 000	PLN	06.12.2021	06.12.2023	220 859
Santander Consumer Multirent sp. z o.o.	Bonds	265 000	PLN	26.10.2022	28.10.2024	268 320
S.C. Poland Consumer 23-1 DAC	Bonds	1 000 000	PLN	01.12.2022	16.11.2032	1 003 340
SCM POLAND AUTO 2019-1 DAC	Bonds	891 000	PLN	20.07.2020	31.07.2028	893 176
Total						8 858 378

Debt securities in issue on 31.12.2022

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	750 000	EUR	29.11.2021	29.11.2024	3 518 153
Santander Bank Polska S.A.	Bonds	500 000	EUR	30.03.2022	30.03.2024	2 381 147
Santander Leasing S.A.	Bonds	235 000	PLN	23.06.2022	23.06.2023	235 019
Santander Leasing S.A.	Bonds	100 000	PLN	10.08.2022	10.08.2023	101 551
Santander Factoring Sp. z o.o.	Bonds	150 000	PLN	28.07.2022	27.01.2023	141 053
Santander Consumer Bank S.A.	Bonds	100 000	PLN	01.04.2021	03.04.2023	101 917
Santander Consumer Bank S.A.	Bonds	300 000	PLN	28.10.2022	06.12.2024	301 361
Santander Consumer Multirent sp. z o.o.	Bonds	160 000	PLN	27.05.2021	26.05.2023	161 142
Santander Consumer Multirent sp. z o.o.	Bonds	220 000	PLN	06.12.2021	06.12.2023	220 784
Santander Consumer Multirent sp. z o.o.	Bonds	265 000	PLN	26.10.2022	28.10.2024	268 491
S.C. Poland Consumer 23-1 DAC	Bonds	1 000 000	PLN	01.12.2022	16.11.2032	1 006 625
SCM POLAND AUTO 2019-1 DAC	Bonds	891 000	PLN	20.07.2020	31.07.2028	893 405
Total						9 330 648

	1.01.2023- 31.03.2023	1.01.2022- 31.03.2022
Movements in debt securities in issue		
As at the beginning of the period	9 330 648	12 805 462
Increase (due to):	2 138 857	2 461 080
- debt securities in issue	2 060 000	2 325 350
- interest on debt securities in issue	78 857	48 255
- FX differences	-	86 526
- other changes	-	949
Decrease (due to):	(2 611 127)	(4 100 847)
- debt securities repurchase	(2 481 050)	(4 062 885)
- interest repayment	(114 011)	(37 962)
- FX differences	(15 700)	-
- other changes	(366)	-
As at the end of the period	8 858 378	11 165 695

24. Provisions for financial liabilities and guarantees granted

Provisions for financial liabilities and guarantees granted	31.03.2023	31.12.2022
Provisions for financial commitments to grant loans and credit lines	46 384	43 255
Provisions for financial guarantees	16 194	17 554
Other provisions	729	1 060
Total	63 307	61 869

Change in provisions for financial liabilities and guarantees granted	1.01.2023- 31.03.2023
As at the beginning of the period	61 869
Provision charge	32 586
Write back	(31 077)
Other changes	(71)
As at the end of the period	63 307
Short-term	36 503
Long-term	26 804

Change in provisions for financial liabilities and guarantees granted	1.01.2022- 31.03.2022
As at the beginning of the period	60 811
Provision charge	26 609
Write back	(36 212)
Other changes	174
As at the end of the period	51 382
Short-term	34 897
Long-term	16 485

25. Other provisions

Other provisions	31.03.2023	31.12.2022
Provision for legal risk connected with foreign currency mortgage loans	453 038	420 952
Provisions for reimbursement of costs related to early repayment of consumer and mortgage loans	49 319	52 233
Provisions for legal claims and other	132 332	132 337
Provisions for restructuring	15 009	21 789
Total	649 698	627 311

Change in other provisions 1.01.2023 - 31.03.2023	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	420 952	52 233	132 337	21 789	627 311
Provision charge/release	49 936	22	28 475	-	78 433
Utilization	(11 543)	(2 936)	(28 480)	(6 780)	(49 739)
Other	(6 307)	-	-	-	(6 307)
As at the end of the period	453 038	49 319	132 332	15 009	649 698

*details in Note 29

Change in other provisions 1.01.2022 - 31.03.2022	Provision for legal risk connected with foreign currency mortgage loans	Provisions for reimbursement of costs related to early repayment of consumer loans	Provisions for legal claims and other	Provisions for restructuring	Total
As at the beginning of the period	176 059	80 945	148 601	94 308	499 913
Provision charge/release	219	(4 713)	18 588	(5)	14 089
Utilization	(4 694)	-	(13 470)	(9 181)	(27 345)
Other	14 205	-	-	-	14 205
As at the end of the period	185 789	76 232	153 719	85 122	500 862

26. Other liabilities

Other liabilities	31.03.2023	31.12.2022
Settlements of stock exchange transactions	86 557	43 417
Interbank and interbranch settlements	750 557	1 116 171
Employee provisions	237 340	446 011
Sundry creditors	1 069 294	1 236 882
Liabilities from contracts with customers	195 563	187 584
Public and law settlements	212 116	150 142
Accrued liabilities	649 044	405 982
Finance lease related settlements	150 340	184 200
Other	6 028	12 751
Total	3 356 839	3 783 140
of which financial liabilities *	2 943 132	3 432 663

*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 1.01.2023 - 31.03.2023	<i>of which:</i> Provisions for retirement allowances	
As at the beginning of the period	446 011	44 700
Provision charge	68 680	788
Utilization	(199 561)	-
Release of provisions	(5 680)	-
Other changes	(72 110)	-
As at the end of the period	237 340	45 488
Short-term	191 852	-
Long-term	45 488	45 488

		<i>of which:</i> Provisions for retirement allowances
Change in employee provisions		
1.01.2022 - 31.03.2022		
As at the beginning of the period	383 915	42 728
Provision charge	78 062	76
Utilization	(216 379)	-
Release of provisions	(236)	-
As at the end of the period	245 362	42 804
Short-term	202 558	-
Long-term	42 804	42 804

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.

	31.03.2023		31.12.2022	
	Book Value	Fair value	Book Value	Fair value
ASSETS				
Cash and balances with central banks	11 118 554	11 118 554	10 170 022	10 170 022
Loans and advances to banks	10 316 900	10 316 900	9 577 499	9 577 499
Loans and advances to customers measured at amortised cost	139 387 600	140 537 988	137 888 696	138 751 711
Reverse sale and repurchase agreements	11 129 345	11 129 345	13 824 606	13 824 606
Debt investment securities measured at amortised cost	18 069 580	16 363 486	15 499 348	13 332 182
LIABILITIES				
Deposits from banks	3 850 379	3 850 379	4 031 252	4 031 252
Deposits from customers	197 172 162	197 152 233	196 496 806	196 431 894
Sale and repurchase agreements	341 315	341 315	2 324 926	2 324 926
Subordinated liabilities	2 826 795	2 781 054	2 807 013	2 782 760

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 31.03.2023 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. The Group also classifies NBP bills into this category.

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:

LEVEL 3	VALUATION METHOD	UNOBSERVABLE INPUT
LOANS AND ADVANCES TO CUSTOMERS	Discounted cash flow method	Effective margin on loans
A AND C-SERIES PREFERENCE SHARES OF VISA INC.	Estimating the fair value based on the current market value of the listed ordinary shares (A-series) of Visa Inc., including a discount which takes into account the limited liquidity of preferential shares.	Discount taking into account the limited liquidity of preferential shares.
SHARES IN BIURO INFORMACJI KREDYTOWEJ SA	Estimation of the fair value based on the present value of the forecast results of the company	Forecast results of the company
SHARES IN POLSKI STANDARD PŁATNOŚCI SP. Z O.O.	Estimation of the fair value based on the present value of the forecast results of the company	Forecast results of the company; selection of peer group
SHARES IN SOCIETY FOR WORLDWIDE INTERBANK FINANCIAL TELECOMMUNICATION	Estimation of the fair value based on the net assets value of the company and average FX exchange rate	Net asset value of the company
SHARES IN KRAJOWA IZBA ROZLICZENIOWA SA SHARES IN WAŁBRZYSKA SPECJALNA STREFA EKONOMICZNA „INVEST-PARK” SP Z O.O.	Estimation of the fair value based on the net assets value of the company	Net asset value of the company

As at 31.03.2023 and in the comparable periods the Group classified its financial instruments to the following fair value levels:

31.03.2023	Level I	Level II	Level III	Total
Financial assets				
Financial assets held for trading	996 309	6 340 111	9 777	7 346 197
Hedging derivatives	-	538 654	-	538 654
Loans and advances to customers measured at fair value through other comprehensive income	-	-	3 127 609	3 127 609
Loans and advances to customers measured at fair value through profit and loss	-	-	179 526	179 526
Debt securities measured at fair value through other comprehensive income	36 633 060	-	2 410	36 635 470
Debt securities measured at fair value through profit and loss	-	-	68 484	68 484
Equity securities measured at fair value through other comprehensive income	-	-	5 518	5 518
Equity securities measured at fair value through other comprehensive income	-	-	204 294	204 294
Total	37 629 369	6 878 765	3 597 618	48 105 752
Financial liabilities				
Financial liabilities held for trading	969 822	6 322 819	6 064	7 298 705
Hedging derivatives	-	1 639 163	-	1 639 163
Total	969 822	7 961 982	6 064	8 937 868
31.12.2022	Level I	Level II	Level III	Total
Financial assets				
Financial assets held for trading	244 547	6 627 061	12 008	6 883 616
Hedging derivatives	-	549 177	-	549 177
Loans and advances to customers measured at fair value through other comprehensive income	-	-	2 628 660	2 628 660
Loans and advances to customers measured at fair value through profit and loss	-	-	239 694	239 694
Debt securities measured at fair value through other comprehensive income	35 435 926	4 101 199	2 410	39 539 535
Debt securities measured at fair value through profit and loss	-	-	64 707	64 707
Equity securities measured at fair value through other comprehensive income	-	-	63 248	63 248
Equity securities measured at fair value through other comprehensive income	-	-	204 299	204 299
Total	35 680 473	11 277 437	3 215 026	50 172 936
Financial liabilities				
Financial liabilities held for trading	195 560	6 904 911	8 355	7 108 826
Hedging derivatives	-	1 979 089	-	1 979 089
Total	195 560	8 884 000	8 355	9 087 915

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

Level III

	Financial assets 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
31.03.2023								
As at the beginning of the period	12 008	239 694	2 628 660	64 707	2 410	204 299	63 248	8 355
Profit or losses								
<i>recognised in income statement</i>	(1 511)	9 563	-	5 060	-	-	5 726	(1 670)
<i>recognised in equity (OCI)</i>	-	-	66 086	-	-	(5)	-	-
Purchase/granting	136	12 738	733 984	-	-	-	-	8
Sale	-	-	-	-	-	-	(64 122)	-
Matured	-	(82 019)	(297 054)	-	-	-	-	-
Transfer	(857)	-	-	-	-	-	-	(629)
Other	-	(450)	(4 067)	(1 283)	-	-	666	-
As at the end of the period	9 777	179 526	3 127 609	68 484	2 410	204 294	5 518	6 064

	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
31.12.2022								
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								
<i>recognised in income statement</i>	5 517	52 477	-	(6 326)	-	-	3 264	6 131
<i>recognised in equity (OCI)</i>	-	-	150 167	-	-	8 702	-	-
Purchase/granting	4 696	136 238	1 330 740	-	-	129	59 179	1 139
Sale	-	(24 145)	(430 000)	(59 179)	-	-	-	-
Matured	-	(476 789)	(154 869)	-	-	-	-	-
Transfer	(2 089)	-	-	-	-	-	-	(1 532)
Other	-	(1 917)	2 774	13 235	(1 065)	-	(2 622)	-
As at the end of the period	12 008	239 694	2 628 660	64 707	2 410	204 299	63 248	8 355

28. Contingent liabilities

Significant court proceedings

As at 31.03.2023 the value of all litigation amounts to PLN 6 060 409 k. This amount includes PLN 1 234 651k claimed by the Group, PLN 4 750 180 k in claims against the Group and PLN 75 578k of the Group's receivables due to bankruptcy or arrangement cases.

As at 31.03.2023 the amount of all court proceedings which had been completed amounted to PLN 237 881 k.

As at 31.03.2023 the provisions for instigated lawsuits recognised in accordance with IAS 37 totalled PLN 454,668k and the adjustment to gross carrying amount under IFRS 9 related to instigated lawsuits totalled PLN 2,156,206 k. In 1,726 cases against Santander Bank Polska SA, where the claim value was high (equal or above PLN 500 k), the total value of provisions for legal claims recognised in accordance with IAS 37 and the adjustment to gross carrying amount under IFRS 9 related to legal claims was PLN 723 914 k

As at 31.12.2022 the value of all litigation amounts to PLN 5 634 583 k. This amount includes PLN 1 384 887k claimed by the Group, PLN 4 175 352 k in claims against the Group and PLN 74 344k of the Group's receivables due to bankruptcy or arrangement cases.

As at 31.12.2022 the amount of all court proceedings which had been completed amounted to PLN 254 496 k.

As at 31.12.2022 the provisions for instigated lawsuits recognised in accordance with IAS 37 totalled PLN 274 028k and the adjustment to gross carrying amount under IFRS 9 related to instigated lawsuits totalled PLN 2,149,834k. In 1,403 cases against Santander Bank Polska SA, where the claim value was high (equal or above PLN 500 k), the total value of provisions for legal claims recognised in accordance with IAS 37 and the adjustment to gross carrying amount under IFRS 9 related to legal claims was PLN 656 613 k.

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.

Contingent liabilities	31.03.2023			
	Stage 1	Stage 2	Stage 3	Total
Liabilities sanctioned	47 624 495	852 457	35 316	48 512 268
- financial	38 822 983	622 575	29 318	39 474 876
- credit lines	34 560 587	572 834	18 446	35 151 867
- credit cards debits	3 442 205	36 407	10 423	3 489 035
- import letters of credit	810 606	13 334	449	824 389
- term deposits with future commencement term	9 585	-	-	9 585
- guarantees	8 836 172	240 330	24 197	9 100 699
Provision for off-balance sheet liabilities	(34 660)	(10 448)	(18 199)	(63 307)
Liabilities received				62 202 899
- financial				354 496
- guarantees				61 848 403
Total	47 624 495	852 457	35 316	110 715 167
Contingent liabilities	31.12.2022			
	Stage 1	Stage 2	Stage 3	Total
Liabilities sanctioned	42 131 632	1 046 623	36 712	43 214 967
- financial	33 468 058	843 410	29 658	34 341 126
- credit lines	29 210 066	790 162	17 860	30 018 088
- credit cards debits	3 427 292	43 599	10 233	3 481 124
- import letters of credit	808 939	9 649	1 565	820 153
- term deposits with future commencement term	21 761	-	-	21 761
- guarantees	8 694 921	213 929	26 860	8 935 710
Provision for off-balance sheet liabilities	(31 347)	(10 716)	(19 806)	(61 869)
Liabilities received				56 315 458
- financial				364 732
- guarantees				55 950 726
Total	42 131 632	1 046 623	36 712	99 530 425

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

As at 31.03.2023, Santander Bank Polska Group was sued in 620 cases concerning partial refund of an arrangement fee on consumer loans, including 38 cases against Santander Consumer Bank S.A. and 582 cases against Santander Bank Polska S.A. For these proceedings Santander Bank Polska Group raised provisions in the total amount of PLN 41k including provisions raised by Santander Consumer Bank S.A. in the amount of PLN 16k and provisions raised by Santander Bank Polska S.A. in the amount of PLN 25k.

As at 31.12.2022, Santander Bank Polska Group was sued in 655 cases concerning partial refund of an arrangement fee on consumer loans, including 34 cases against Santander Consumer Bank S.A. and 621 cases against Santander Bank Polska S.A. For these proceedings Santander Bank Polska Group raised provisions in the total amount of PLN 66k including provisions raised by Santander Consumer Bank S.A. in the amount of PLN 16k and provisions raised by Santander Bank Polska S.A. in the amount of PLN 50k.

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 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 26 September 2022, UOKiK (the Office of Competition and Consumer Protection) initiated proceedings against the Bank regarding the use of practices that violate collective consumer interests. UOKiK accused the Bank that in the case of an 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 did not proportionally reduce the one-off costs of the loan, i.e. the sanction fee and the immovable property valuation cost.

The Bank has addressed UOKiK's claims. The Bank's position is based on the current ruling practice, in particular: the CJEU's judgement on case no. C-555/21 (dated 9 February 2023), where the CJEU indicated that the right to reduce the costs did not apply to the payments made by the consumer to the lender or a third party in full before the early repayment date. This condition applies irrespective of the term of the loan agreement in question. The Bank is waiting for the ruling of the Polish Supreme Court on case CZP 144/22.

In the meantime, from 21 October 2022 onwards the Bank started to proportionally reduce costs related to the arrangement fee in the case of an early repayment of a mortgage loan granted under the Polish Act on Mortgage Loans and the supervision over mortgage brokers and agents

29. Legal risk connected with CHF mortgage loans

As at 31 March 2023, the Group had a portfolio 36.2k loans denominated in and indexed to CHF totalling PLN 7,474,793k before adjustment to the gross carrying amount at PLN 3,163,853k reducing contractual cash flows in respect of legal risk

As at 31 December 2022, the Group had a portfolio 39.9k loans denominated in and indexed to CHF totalling PLN 8,393,684k before adjustment to the gross carrying amount at PLN 3,136,301k reducing contractual cash flows in respect of legal risk. Due 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 due 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 a rate relevant for CHF;

– 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. Some courts rule on the elimination of the loan indexation (as a consequence of the removal of unfair indexation clauses from the agreement), resulting in the borrower's liability being treated as a PLN loan bearing 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, the 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 31 December 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 was held to be unfair and if after the removal of the indexation mechanism the nature of the main subject matter of the agreement was likely to change, the national court might 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 a rate relevant for CHF); 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 a rate relevant for CHF. These rulings were an exception to the previous decisions made by the Supreme Court.

In its judgment 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 an interest rate based on a rate relevant for CHF 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 judgments 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 invalidation 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. It further 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. The CJEU also 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.

On 16 March 2023, the CJEU issued a preliminary ruling on questions submitted by the District Court for Warsaw-Wola in May 2021, regarding: 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 and which reflect the applicable national law of contract; case registered under ref. no. C-6/22. In the mentioned judgement, the CJEU: 1) confirmed that the national law governs the settlements between the parties after the cancellation of the loan agreement, subject to Directive 93/13/EEC; 2) pointed out that the primary objective of Directive 93/13/EEC was to restore the balance between the parties, i.e. to put the consumer back in the position arising from a loan agreement concluded on fair terms; 3) recognised that losses suffered under an invalid agreement should not be distributed equally (the consumer should not bear 50% or more of the costs involved); 4) ruled that the courts should encourage and allow the parties to negotiate the interest rates (which may mean that, according to the CJEU, the question is still unresolved when it comes to currency conversion aimed to restore the balance between the parties after the conversion clauses were held unfair).

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 in lawsuits brought by CHF borrowers are not favourable to the Group.

There are also other issues pending the CJEU judgment 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. The case number is C-520/21. After the first hearing which took place on 12 October 2022, the CJEU decided to ask the Advocate General for an opinion. The opinion was provided on 16 February 2023; however, it is not binding nor does it finally resolve the question submitted to the CJEU – rather, it only presents the Advocate General's stance.

In the Advocate General's opinion:

- consumer claims do not contradict the Directive, but they are legitimate only if they are valid under national law (the decision in this respect lies with the national court); the Advocate General believes that the court can also consider such a consumer claim in terms of potential abuse of rights and dismiss it;
- the Directive prevents banks from making claims for the so-called remuneration for the use of capital; However, the Advocate General does not give a direct opinion on other potential forms of settlement with regard to the value of money over time; in particular, he does not formulate any clear thesis on how to define the "capital" which could be returned.

Owing to: (a) the non-binding character of the opinion; (b) the significant margin of interpretation left by the opinion; (c) inability to predict the outcome of the CJEU's final decision, especially uncertainty as to whether the decision will include unambiguous instructions or only general guidelines allowing national courts to make their own assessments and decisions on detailed solutions; and (d) the importance of the ruling practice of national courts in respect of implementing the judgments of the CJEU – there are currently no grounds for reflecting the consequences of the opinion in the cost of legal risk related to CHF mortgage loans as presented in these financial statements. At the same time, the Group believes that if the CJEU adopts a position in line with the Advocate General's opinion, the negative consequences for the Group can be material.

In addition, the Bank's Management Board believes that the non-binding opinion of the Advocate General, the upcoming judgment of the CJEU and the future ruling practice of courts may give rise to the following trends influencing the level of estimated risk:

- higher likelihood of losing a court dispute;
- higher likelihood of losing a court dispute and failing to recover the cost of capital and lower likelihood of scenarios other than loan agreement annulment;
- higher likelihood of engaging in a court dispute and of a settlement scenario, which translates into a lower likelihood of the passive scenario.

According to the Bank's Management Board, the information available as at 31 March 2023 does not indicate a risk of non-compliance either with regulatory capital adequacy requirements or the going-concern principle presented in consolidated financial statements.

With the Advocate General's opinion having already been filed together with the case records, a judgement regarding case C-520/21 can be expected within several months (i.e. still in 2023).

It should be noted that the District Court for Warsaw-Śródmieście made another request for a preliminary ruling from the CJEU referring directly to the settlement of benefits arising from the non-contractual use of the bank's capital (case C-756/22), which is reviewed separately (without impact on case no. C-520/21) and which may affect the CJEU ruling practice in this case (i.e. C-756/22).

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). The case number is C-28/22. It will be examined after the judgment in case C-520/21 is passed.

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, limitation of claims 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).

The request of the Regional Court in Kraków is registered under C-424/22. It will be examined after a judgment in case C-520/21 is passed.

The CJEU did not respond to the question referred by the Regional Court for Warsaw-Śródmieście regarding the choice of a legal basis for the annulment of a loan agreement, indicating that it falls within the remit of the national court (order of 18 November 2022, C-138/22). Other requests for preliminary rulings submitted by the Regional Court for Warsaw-Śródmieście were registered under C-139/22 (regarding 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) and C-140/22 (regarding the limitation of claims in relation to settlements between the parties). The first case is pending examination, and the second case has been suspended until a judgment is passed in case C-520/21.

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. The case has been registered under C-287/22.

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

The Supreme Court still does not have a uniform approach to the ruling practice regarding CHF loans. An example of the discrepancies is the Supreme Court's judgement of 28 September 2022 in case II CSKP 412/22. In its decision, the Supreme Court emphasised that the unfairness of a contractual provision including a reference to the bank's exchange rate table cannot result in automatic annulment of the entire legal relationship, as both the provisions of the Polish Civil Code regarding consumer protection and Directive 93/13/EEC provide that an agreement should continue in force after unfair terms have been removed. This should be applied as a rule while the annulment of an agreement as an exception. Therefore, if the provisions setting out basic rights and obligations of the parties are retained, there are no grounds to conclude that such an agreement cannot be performed going forward. The Supreme Court pointed out that linking a rate relevant for CHF to a PLN loan (after removing the indexation clause) may raise some doubts from an economic point of view but concluded that there are no legal impediments to such a structure of an agreement.

Although court rulings on the unfairness of contractual provisions including references to the bank's exchange rate table are largely unfavourable for banks, this issue is not yet resolved. On 24 November 2022, the Court of Competition and Consumer Protection repealed the decision of the President of the Office of Competition and Consumer Protection dated 22 September 2020, imposing a fine on Santander Bank Polska S.A. for using unfair terms in annexes to agreements on loans indexed to CHF regarding the rules for setting exchange rate tables. In its judgment, which is not yet final and non-appealable, the Court of Competition and Consumer Protection confirmed that the practice of setting exchange rate tables (with references to market exchange rates) and calculating and charging spread on that basis is a common market practice which does not violate consumers' interests.

As there is no uniform ruling practice and – in the Management Board's opinion – it is not possible to predict the Supreme Court's and CJEU's decisions on individual cases. As at the date of these financial statements, the Group estimated the 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. This model may also be affected by the CJEU ruling expected to be issued in 2023 regarding the bank's right to claim a reimbursement of the cost of capital from the borrower if the loan agreement is invalidated. The potential impact will also depend on whether or not the CJEU ruling will be conclusive or will merely include general guidelines, leaving to the discretion of national courts the assessment and decision-making with respect to specific solutions regarding the application of EU and national law. In the Group's opinion, key here will be the stance of the Supreme Court and the ruling practice of national courts. The cost of capital is recognised as one of potential rulings, and this document includes a provisions sensitivity analysis (how much the volume of provisions would change if the said cost was eliminated). The Group is monitoring court decisions taken with regard to foreign currency loans in terms of changes in the ruling practice.

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 active 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 active 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 31 March 2023, there were 13,693 pending lawsuits against the Group over loans indexed to or denominated in CHF, with the disputed amount totalling PLN 4,224,428k. This included two class actions filed under the Class Action Act:

- a class action against Santander Bank Polska S.A. in respect of 511 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 2022, there were 12,225 pending lawsuits against the Group over loans indexed to or denominated in CHF, with the disputed amount totalling PLN 3,609,610k. 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 March 2023, the total cumulative impact of legal risk associated with foreign currency mortgage loans in the Group was estimated at PLN 3,616,891k, including:

- IFRS 9 adjustment to the gross carrying amount at PLN 3,163,853 k (including PLN 2,524,688k in the case of Santander Bank Polska S.A. and PLN 639,165k in the case of Santander Consumer Bank S.A.)
- IAS 37 provision at PLN 453,038k (including PLN 330,577k in the case of Santander Bank Polska S.A. and PLN 122,461k in the case of Santander Consumer Bank S.A.).

As at 31 December 2022, the total cumulative impact of legal risk associated with foreign currency mortgage loans in the Group was estimated at PLN 3,557,253k, including:

- IFRS 9 adjustment to the gross carrying amount at PLN 3,136,301k (including PLN 2,491,692k in the case of Santander Bank Polska S.A. and PLN 644,609k in the case of Santander Consumer Bank S.A.)
- IAS 37 provision at PLN 420,952k (including PLN 318,682k in the case of Santander Bank Polska S.A. and PLN 102,270k in the case of Santander Consumer Bank S.A.).

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

	1.01.2023- 31.03.2023	1.01.2022- 31.03.2022
Cost of legal risk connected with foreign currency mortgage loans		
Impact of legal risk associated with foreign currency mortgage loans recognised as adjustment to gross carrying amount	(270 235)	(60 612)
Impact of legal risk associated with foreign currency mortgage loans recognised as provision	(49 937)	(219)
Other costs	(100 430)	(35 629)
Total cost of legal risk associated with foreign currency mortgage loans	(420 602)	(96 460)

As a result of the settlements made (both pre-court and following the lawsuits), PLN 185,754k was taken to the Group's P&L for Q1 2023 and recognised in the consolidated income statement as "Gain/ loss on derecognition of financial instruments measured at amortised cost" (PLN 20,087k for Q1 2022). The above amount is an effect of the conversion of loans into PLN, as a result of which the Group derecognised CHF loans.

	31.03.2023	31.12.2022
Adjustment to gross carrying amount owing to legal risk associated with foreign currency mortgage loans	3 163 853	3 136 301
Provision for legal risk associated with foreign currency mortgage loans	453 038	420 952
Total cumulative impact of legal risk associated with foreign currency mortgage loans	3 616 891	3 557 253

As at 31 March 2023, the total adjustment to the gross carrying amount and provisions for legal risk and legal provisions (for legal claims and a collective portion) account for 48.4% of the active portfolio of CHF loans (before adjustment to the gross carrying amount in line with IFRS 9).

The movement in the volume of provisions from January to March 2023 results mainly from updated information about the level of expected settlements.

In 2022 and in Q1 2023, 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).

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 lawsuits 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. 23.0%% 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. Customers' interest in proposed settlements is another important aspect affecting the estimates. The Group expects that most of the lawsuits will be filed by the end of 2024, 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 likelihoods 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 31 March 2023, 1,315 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 1,239 were unfavourable to the Bank, and 76 were entirely or partially favourable to the Bank (compared to 927 judgments as at 31 December 2022, including 861 unfavourable ones and 66 entirely or partially favourable). When assessing these likelihoods, the Group used the support of law firms and conducted thorough analysis of the ruling practice in cases concerning indexed and denominated loans.

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

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

These scenarios also vary in terms of likelihood depending on the type of agreement and in terms of the level of losses incurred in case of their materialisation. They were estimated with the support of external law firms independent from the Group. Each of these scenarios has an estimated expected loss level based on the available historical data.

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

Settlements

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 prepared settlement proposals which take into account both the key elements of conversion of home loans indexed to CHF, as proposed by the KNF Chairman, and the conditions defined internally by the Bank. The proposals are being presented to customers. This is reflected in the model which is currently used to calculate legal risk provisions, both in terms of the impact of proposed settlements on customers' willingness to bring the case to court and with respect to the potential outcomes of court proceedings. By 31 March 2023, the Bank made 5,495 settlements (both pre-court and following the lawsuits), the majority of which (2,907) were reached in Q1 2023.

In mid-2022, the Group prepared a settlement scenario which reflects the level of losses for future settlements. The scenario is based on acceptance levels and losses for loans in line with the settlement tests described above. The acceptance level of future settlements is affected by factors such as the interest rate of PLN loans, the CHF/PLN conversion rate, the development of the ruling practice and the duration of proceedings. In Q1 2023, the Group updated the settlement scenario to reflect a growing interest in settlements.

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	
	25.04.2023	22.02.2023	25.04.2023	22.02.2023	25.04.2023	22.02.2023	25.04.2023	22.02.2023
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 number of votes at the Santander Bank Polska General Meeting as at the publication date of the condensed interim consolidated report for 1Q 2023 /25.04.2023/ 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, which was the official legal basis as at 31.03.2023.

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.

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

	a	b	c	d	e	
	31.03.2023*	31.12.2022*	30.09.2022	30.06.2022	31.03.2022	
Available own funds (amounts)						
1	Common Equity Tier 1 (CET1) capital	26 765 107	26 423 081	23 702 494	23 350 609	21 838 048
2	Tier 1 capital	26 765 107	26 423 081	23 702 494	23 350 609	21 838 048
3	Total capital	29 047 221	28 783 032	26 151 901	25 874 078	24 438 171
Risk-weighted exposure amounts						
4	Total risk exposure amount	138 044 910	136 189 011	138 135 913	134 891 388	134 884 116
Capital ratios (as a percentage of risk-weighted exposure amount)						
5	Common Equity Tier 1 ratio (%)	19,39%	19,40%	17,16%	17,31%	16,19%
6	Tier 1 ratio (%)	19,39%	19,40%	17,16%	17,31%	16,19%
7	Total capital ratio (%)	21,04%	21,13%	18,93%	19,18%	18,12%
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 (%)	0,01%	0,01%	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%	0,00%
EU 7c	of which: to be made up of Tier 1 capital (%)	0,01%	0,01%	0,01%	0,01%	0,01%
EU 7d	Total SREP own funds requirements (%)	8,02%	8,02%	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 (%)					
9	Institution specific countercyclical capital buffer (%)	0,01%	0,01%	0,01%	0,01%	0,01%
EU 9a	Systemic risk buffer (%)					
10	Global Systemically Important Institution buffer (%)					
EU 10a	Other Systemically Important Institution buffer (%)	1,00%	1,00%	0,75%	0,75%	0,75%
11	Combined buffer requirement (%)	3,51%	3,51%	3,26%	3,26%	3,26%
EU 11a	Overall capital requirements (%)	11,53%	11,53%	11,29%	11,29%	11,29%
12	CET1 available after meeting the total SREP own funds requirements (%)	13,02%	13,11%	10,90%	11,15%	10,09%
Leverage ratio						
13	Total exposure measure	271 334 767	270 469 138	282 267 175	257 502 286	255 778 223
14	Leverage ratio (%)	9,86%	8,83%	8,40%	9,07%	8,54%
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)	65 545 484	66 679 371	67 558 911	69 228 871	70 982 475
EU 16a	Cash outflows - Total weighted value	49 333 834	47 361 142	44 692 470	42 356 588	40 817 190
EU 16b	Cash inflows - Total weighted value	11 815 709	10 337 555	9 326 377	7 909 171	7 269 341
16	Total net cash outflows (adjusted value)	37 518 125	37 023 586	35 366 093	34 447 418	33 547 849
17	Liquidity coverage ratio (%)	175%	180%	191%	201%	212%
Net Stable Funding Ratio						
18	Total available stable funding	190 342 122	187 329 790	184 427 253	182 475 190	184 206 100
19	Total required stable funding	128 165 663	123 106 911	124 417 668	124 292 706	121 555 988
20	NSFR ratio (%)	149%	152%	148%	147%	152%

*data in relevant periods include profits included in own funds taking into account the decision of the General Meeting of Shareholders and applicable EBA guidelines.

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
		31.03.2023	31.03.2023	31.12.2022*	30.09.2022	30.06.2022	31.03.2022
Own funds and eligible liabilities, ratios and components							
1	Own funds and eligible liabilities	34 969 560	34 969 560	35 085 058	33 842 443	33 181 045	31 658 764
EU-1a	Of which own funds and subordinated liabilities	31 462 935					
2	Total risk exposure amount of the resolution group (TREA)	138 044 910	138 044 910	136 189 011	138 135 913	134 891 388	134 884 116
3	Own funds and eligible liabilities as a percentage of TREA (row1/row2)	25,33%	25,33%	25,76%	24,50%	24,60%	23,47%
EU-3a	Of which own funds and subordinated liabilities	22,79%					
4	Total exposure measure of the resolution group	271 334 767	271 334 767	270 469 138	282 267 175	257 502 286	255 778 223
5	Own funds and eligible liabilities as percentage of the total exposure measure	12,89%	12,89%	12,97%	11,99%	12,89%	12,38%
EU-5a	Of which own funds or subordinated liabilities	11,60%					
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-instruments If the subordination discretion as per Article 72b(3) CRR is applied (max 3.5% exemption)		3 506 625	3 517 425	4 834 757	4 721 199	4 704 625
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 (%)		100,00%	100,00%	98,88%	99,85%	100,00%
Minimum requirement for own funds and eligible liabilities (MREL)**							
	TLAC as a percentage of TREA		18,00%	18,00%	18,00%	18,00%	18,00%
	TLAC as percentage of TEM		6,75%	6,75%	6,75%	6,75%	6,75%
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	4,46%					
EU-10	Of which to be met with own funds or subordinated liabilities	4,46%					

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

** Excluding the combined buffer requirement

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
	31.03.2023*	31.12.2022*	31.03.2023*
1 Credit risk (excluding CCR)	113 955 520	113 749 423	9 116 442
2 Of which the standardised approach	113 955 520	113 749 423	9 116 442
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	4 107 760	4 085 562	328 621
7 Of which the standardised approach	2 748 968	2 806 213	219 917
8 Of which internal model method (IMM)	-	-	-
EU 8a Of which exposures to a CCP	101 072	111 775	8 086
EU 8b Of which credit valuation adjustment - CVA	646 485	573 173	51 719
9 Of which other CCR	611 235	594 400	48 899
15 Settlement risk	-	-	-
16 Securitisation exposures in the non-trading book (after the cap)	740 429	667 575	59 234
17 Of which SEC-IRBA approach	-	-	-
18 Of which SEC-ERBA (including IAA)	75 000	-	6 000
19 Of which SEC-SA approach	665 429	667 575	53 234
EU 19a Of which 1250%	-	-	-
20 Position, foreign exchange and commodities risks (Market risk)	1 831 257	2 007 478	146 501
21 Of which the standardised approach	1 831 257	2 007 478	146 501
22 Of which IMA	-	-	-
EU 22a Large exposures	-	-	-
23 Operational risk	17 409 945	15 678 974	1 392 796
EU 23a Of which basic indicator approach	-	-	-
EU 23b Of which standardised approach	17 409 945	15 678 974	1 392 796
EU 23c Of which advanced measurement approach	-	-	-
24 Amounts below the thresholds for deduction (subject to 250% risk weight)	7 656 217	8 092 589	612 497
29 Total	138 044 910	136 189 011	11 043 593

*data in relevant periods include profits included in own funds taking into account the decision of the General Meeting of Shareholders and applicable EBA guidelines.

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.

Available capital (amounts)		31.03.2023*	31.12.2022*	30.09.2022	30.06.2022	31.03.2022
1	Common Equity Tier 1 (CET1) capital	26 765 107	26 423 081	23 702 494	23 350 609	21 838 048
2	Common Equity Tier 1 (CET1) capital as if IFRS 9 or analogous ECLs transitional arrangements had not been applied	26 644 797	26 166 155	23 509 368	23 194 052	21 637 258
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	26 765 107	26 423 081	23 702 494	23 350 609	21 838 048
3	Tier 1 capital	26 765 107	26 423 081	23 702 494	23 350 609	21 838 048
4	Tier 1 capital as if IFRS 9 or analogous ECLs transitional arrangements had not been applied	26 644 797	26 166 155	23 509 368	23 194 052	21 637 258
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	26 765 107	26 423 081	23 702 494	23 350 609	21 838 048
5	Total capital	29 047 221	28 783 032	26 151 901	25 874 078	24 438 171
6	Total capital as if IFRS 9 or analogous ECLs transitional arrangements had not been applied	28 926 911	28 524 999	25 958 647	25 717 244	24 236 961
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	29 047 221	28 783 032	26 151 901	25 874 078	24 438 171
Risk-weighted assets (amounts)						
7	Total risk-weighted assets	138 044 910	136 189 011	138 135 913	134 891 388	134 884 116
8	Total risk-weighted assets as if IFRS 9 or analogous ECLs transitional arrangements had not been applied	137 995 152	136 082 829	137 976 846	134 825 176	134 783 023
Capital ratios						
9	Common Equity Tier 1 (as a percentage of risk exposure amount)	19,39%	19,40%	17,16%	17,31%	16,19%
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	19,31%	19,23%	17,04%	17,20%	16,05%
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	19,39%	19,40%	17,16%	17,31%	16,19%
11	Tier 1 (as a percentage of risk exposure amount)	19,39%	19,40%	17,16%	17,31%	16,19%
12	Tier 1 (as a percentage of risk exposure amount) as if IFRS 9 or analogous ECLs transitional arrangements had not been applied	19,31%	19,23%	17,04%	17,20%	16,05%
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	19,39%	19,40%	17,16%	17,31%	16,19%
13	Total capital (as a percentage of risk exposure amount)	21,04%	21,13%	18,93%	19,18%	18,12%
14	Total capital (as a percentage of risk exposure amount) as if IFRS 9 or analogous ECLs transitional arrangements had not been applied	20,96%	20,96%	18,81%	19,07%	17,98%
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	21,04%	21,13%	18,93%	19,18%	18,12%
Leverage ratio						
15	Leverage ratio total exposure measure	271 334 767	270 469 138	282 267 175	257 502 286	255 778 223
16	Leverage ratio	9,86%	8,83%	8,40%	9,07%	8,54%
17	Leverage ratio as if IFRS 9 or analogous ECLs transitional arrangements had not been applied	9,82%	8,78%	8,33%	9,01%	8,46%
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	9,86%	8,83%	8,40%	9,07%	8,54%

*including in relevant periods include profits included in own funds taking into account the applicable 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.

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	31.03.2023	31.12.2022	30.09.2022	30.06.2022
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:	133 322 150	133 405 665	133 165 571	132 359 154
3	Stable deposits	80 726 238	81 506 867	82 254 823	82 483 444
4	Less stable deposits	47 748 827	47 190 944	46 297 934	45 365 687
5	Unsecured wholesale funding	55 961 102	53 595 224	51 410 335	50 175 761
6	Operational deposits (all counterparties) and deposits in networks of cooperative banks	-	-	-	-
7	Non-operational deposits (all counterparties)	55 505 818	53 047 179	50 807 188	49 345 748
8	Unsecured debt	455 285	548 045	603 148	830 014
9	Secured wholesale funding				
10	Additional requirements	30 480 803	29 838 504	29 154 078	28 843 832
11	Outflows related to derivative exposures and other collateral requirements	5 147 388	4 178 955	3 333 668	2 778 714
12	Outflows related to loss of funding on debt products	-	-	-	-
13	Credit and liquidity facilities	25 333 415	25 659 549	25 820 410	26 065 118
14	Other contractual funding obligations	2 399 201	2 440 337	2 143 026	1 354 427
15	Other contingent funding obligations	15 545 830	15 572 656	15 384 252	15 275 829
16	TOTAL CASH OUTFLOWS				
CASH - INFLOWS					
17	Secured lending (e.g. reverse repos)	6 918 314	5 205 327	3 363 062	659 374
18	Inflows from fully performing exposures	9 493 140	8 633 913	8 268 004	7 432 008
19	Other cash inflows	3 377 164	2 727 178	2 048 607	1 476 632
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	19 788 618	16 566 418	13 679 672	9 568 014
EU-20a	Fully exempt inflows	-	-	-	-
EU-20b	Inflows subject to 90% cap	-	-	-	-
EU-20c	Inflows subject to 75% cap	19 788 618	16 566 418	13 679 672	9 568 014

		e	f	g	h
		Total weighted value (average)			
EU 1a	Quarter ending on	31.03.2023	31.12.2022	30.09.2022	30.06.2022
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)	65 545 484	66 679 371	67 558 911	69 228 871
CASH - OUTFLOWS					
2	Retail deposits and deposits from small business customers, of which:	10 868 857	10 822 101	10 722 448	10 585 994
3	<i>Stable deposits</i>	4 036 312	4 075 343	4 112 741	4 124 172
4	<i>Less stable deposits</i>	6 832 545	6 746 758	6 609 707	6 461 822
5	Unsecured wholesale funding	28 186 758	27 280 627	26 005 974	25 124 193
6	<i>Operational deposits (all counterparties) and deposits in networks of cooperative banks</i>	-	-	-	-
7	<i>Non-operational deposits (all counterparties)</i>	27 731 473	26 732 582	25 402 827	24 294 179
8	<i>Unsecured debt</i>	455 285	548 045	603 148	830 014
9	Secured wholesale funding	-	-	-	-
10	Additional requirements	7 400 035	6 332 376	5 464 335	4 939 969
11	<i>Outflows related to derivative exposures and other collateral requirements</i>	5 147 388	4 178 955	3 333 668	2 778 714
12	<i>Outflows related to loss of funding on debt products</i>	-	-	-	-
13	<i>Credit and liquidity facilities</i>	2 252 647	2 153 421	2 130 667	2 161 255
14	Other contractual funding obligations	2 113 806	2 098 730	1 762 921	984 575
15	Other contingent funding obligations	764 378	827 307	736 792	721 858
16	TOTAL CASH OUTFLOWS	49 333 834	47 361 142	44 692 470	42 356 588
CASH - INFLOWS					
17	Secured lending (e.g. reverse repos)	-	-	-	-
18	Inflows from fully performing exposures	8 438 545	7 610 377	7 277 771	6 432 539
19	Other cash inflows	3 377 164	2 727 178	2 048 607	1 476 632
	(Difference between total weighted inflows and total weighted outflows arising from transactions in third countries where there are transfer restrictions or which are denominated in non-convertible currencies)	-	-	-	-
EU-19a		-	-	-	-
EU-19b	(Excess inflows from a related specialised credit institution)	-	-	-	-
20	TOTAL CASH INFLOWS	11 815 709	10 337 555	9 326 377	7 909 171
EU-20a	<i>Fully exempt inflows</i>	-	-	-	-
EU-20b	<i>Inflows subject to 90% cap</i>	-	-	-	-
EU-20c	<i>Inflows subject to 75% cap</i>	11 815 709	10 337 555	9 326 377	7 909 171
TOTAL ADJUSTED VALUE					
EU-21	LIQUIDITY BUFFER	65 545 484	66 679 371	67 558 911	69 228 871
22	TOTAL NET CASH OUTFLOWS	37 518 125	37 023 586	35 366 093	34 447 418
23	LIQUIDITY COVERAGE RATIO	175%	180%	191%	201%

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), government bonds of Germany, Spain and the United States and bonds issued by the European Investment Bank, NBP bills (NBP), 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 it should be noted that in 2022 there was an increase in the share of assets in foreign currencies in the composition of liquid assets.

Disclosed LCR in March 2023 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.

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. The Group also focuses on diversifying sources of long-term financing, being present 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 March 2023 r. Santander Bank Polska S.A. prepaid issues of EUR 0.5 billion of bonds and issued PLN 1.9 billion of bonds. In the current strategy, the Group attempts to minimize the share of secured financing.

General description of the institution's liquidity buffer structure:

High quality liquid assets (HQLAs) consists of: extremely liquid securities (mainly Treasury Bonds or bonds fully guaranteed by Polish Central Government, government bonds of Germany, Spain, the United States and bonds issued by the European Investment Bank), central bank assets (including NBP bills), cash, surplus in current accounts of National Bank of Poland (NBP) over the amount of mandatory reserve. As of March 2023, 31st the above mentioned categories accounted for 92.1%, 3.0%, 4.3% and 0.6%, 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 periodically 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 March 2023, 31st PLN 23.6 million. 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.

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	31.03.2023	31.12.2022
Assets	343	214
Loans and advances to customers	283	154
Other assets	60	60
Liabilities	40 463	56 298
Deposits from customers	40 414	56 243
Other liabilities	49	55

Transactions with associates	1.01.2023- 31.03.2023	1.01.2022- 31.03.2022
Income	13 763	11 669
Interest income	4	-
Fee and commission income	13 759	11 667
Other operating income	-	2
Expenses	518	212
Interest expense	518	212

Transactions with Santander Group	with the parent company		with other entities	
	31.03.2023	31.12.2022	31.03.2023	31.12.2022
Assets	10 674 221	10 301 473	1 522	1 749
Loans and advances to banks, incl:	6 273 658	6 202 306	1 513	1 749
<i>Current accounts</i>	518 587	566 447	1 513	1 749
<i>Loans and advances</i>	5 755 071	5 635 859	-	-
Financial assets held for trading	4 391 069	4 098 301	9	-
Other assets	9 494	866	-	-
Liabilities	8 691 956	10 988 611	130 017	108 574
Deposits from banks incl.:	1 473 457	1 288 557	6 792	17 142
<i>Current accounts and advances</i>	1 066 530	595 307	6 792	17 142
<i>Loans from other banks</i>	406 927	693 250	-	-
Financial liabilities held for trading	3 689 155	3 796 232	3	-
Deposits from customers	-	-	77 811	70 288
Lease liabilities	-	-	25	25
Debt securities in issue	3 509 331	5 899 300	-	-
Other liabilities	20 013	4 522	45 386	21 119
Contingent liabilities	5 823 394	3 326 481	5 198	5 320
Sanctioned:	-	-	3 601	3 827
<i>guarantees</i>	-	-	3 601	3 827
Received:	5 823 394	3 326 481	1 597	1 493
<i>guarantees</i>	5 823 394	3 326 481	1 597	1 493

	with the parent company		with other entities	
	1.01.2023- 31.03.2023	1.01.2022- 31.03.2022	1.01.2023- 31.03.2023	1.01.2022- 31.03.2022
Transactions with Santander Group				
Income	242 302	210 360	627	4 673
Interest income	47 155	(305)	2	2
Fee and commission income	6 378	3 819	27	438
Other operating income	-	53	353	4 032
Net trading income and revaluation	188 769	206 793	245	201
Expenses	51 455	21 243	42 496	30 770
Interest expense	31 008	7 919	230	413
Fee and commission expense	2 485	2 030	28	227
Operating expenses incl.:	17 962	11 294	42 238	30 130
<i>Staff, Operating expenses and management costs</i>	17 908	11 292	42 217	30 130
<i>Other operating expenses</i>	54	2	21	-

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

There were no changes in the business or economic circumstances that would affect the fair value of the entity's financial assets or financial liabilities, whether these assets or liabilities were recognised at fair value or amortised cost. Details in Note 27.

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

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

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

As at 31.03.2023 and 31.12.2022 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 31.03.2023 and 31.12.2022 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. Share based incentive scheme

In Q1 2023, Santander Bank Polska S.A. continued Incentive Plan VII in accordance with Resolution no. 3 of the Extraordinary General Meeting of 12 January 2023 on the authorisation of the Management Board members to acquire (buy back) own shares as part of Incentive Plan VII and initiative delivered as planned.

The plan is addressed to the employees who significantly contribute to growth in the value of the organisation. Its purpose is to motivate the participants to achieve business and qualitative goals in line with the Group's long-term strategy by providing an instrument that strengthens the employees' relationship with the organisation and encourages them to act in its long-term interest.

The plan covers all persons with an identified employee status in Santander Bank Polska Group. The list of other key participants has been determined by the Bank's Management Board and approved by the Supervisory Board. Those employees can participate in the plan on a voluntary basis.

The participants were entitled to variable remuneration in the form of the Bank's shares provided that they meet the terms and conditions stipulated in the Participation Agreement and the Resolution. To that end, Santander Bank Polska S.A. will buy back up to 2,331,000 shares from 1 January 2023 until 31 December 2033.

The programme covers the period of five years (2022–2026). However, as the payment of variable remuneration is deferred, the share buyback and allocation will be completed by 2033.

The triggers for vesting the right to the Award in a given year will be jointly:

- 1) Delivery of at least 50% of the SAN PL's PAT target for a given year;
- 2) Delivery of at least 80% of the team business targets for a given year at the level of SAN PL, Division or unit, with a proviso that the performance against the target is calculated as the weighted average of performance against at least 3 business targets defined as part of the financial plan approved by the Supervisory Board for a given year for SAN PL, Division or unit where the Participant works, in particular:
 - a) PAT (profit after tax) of SAN PL Group (excluding Santander Consumer Bank);
 - b) ROTE (return on tangible equity expressed as a percentage) calculated in line with SAN PL reporting methodology;
 - c) NPS (Net Promoter Score – calculated in line with SAN PL reporting methodology);
 - d) RORWA – return on risk weighted assets calculated in line with SAN PL reporting methodology;
 - e) number of customers;
 - f) number of digital customers.
- 3) The Participant's performance rating for a given year at the level not lower than 1.5 on the 1-4 rating scale.

Moreover, the Supervisory Board, acting at the Management Board's request, decides to grant the Retention Award to a Participant, if the following criteria are met:

- 1) the Participant's average annual, individual performance rating is at least 2.0 on the 1-4 rating scale during the period of their participation in the Incentive Plan VII;
- 2) the average annual weighted performance against the Bank's targets in the years 2022-2026 is at least 80%, taking into account the following weights:
 - a) 40% for the average annual performance against the PAT target;
 - b) 40% for the average annual performance against the RORWA target;
 - c) 20% for the average annual performance against the ESG target.

For the purpose of the plan in Q1 2023, Santander Bank Polska S.A. bought back 165,406 shares (of 207,000 shares eligible for buyback) with the value of PLN 48,884,192 (from PLN 55,300,000 worth of capital reserve allocated to the delivery of the plan for 2022).

All the above shares were transferred to individual brokerage accounts of the participants of Incentive Plan VII. As the number of shares bought back by the Bank was sufficient to pay awards to the participants for 2022, on 16 March 2023 the Bank's Management Board adopted a resolution to end the buyback process in 2023.

As at 31 March 2023, the total amount recognised in line with IFRS 2 (Share-based Payments) in the Group's equity (establishment of the capital reserve for the buyback of treasury shares) came in at PLN 126,835k, including PLN 54,725k taken to staff expenses in Q1 2023.

43. Dividend per share

Recommendation of the Bank's Management Board regarding 2022 profit distribution and allocation of the undistributed profit earned on selling shares in AVIVA insurance companies.

The Management Board of Santander Bank Polska S.A. hereby announces that on 22 March 2023 it issued a recommendation on distribution of 2022 profit and the profit earned on the sale of shares in AVIVA insurance companies. The recommendation was positively reviewed by the Bank's Supervisory Board.

In line with the above decision, the Bank's Management Board recommends that:

1. the profit of PLN 2,449,042,525.50 earned in 2022 be distributed as follows:
 - PLN 72,357,000.00 - to be allocated to the capital reserve;
 - PLN 2,376,685,525.50 - to 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 (Dividend Reserve).
2. the amount of PLN 840,886,574.78 representing the profit earned on the sale of shares in AVIVA insurance companies and posted under other comprehensive income be allocated to the Dividend Reserve.

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 16 March 2023, of which the Bank informed in its current report no. 13/2023 of 17 March 2023.

The profit distribution recommended to the Annual General Meeting will not preclude the Management Board's potential decision to distribute profit to the shareholders in the form of interim dividend and to use the Dividend Reserve for that purpose pursuant to the authorisation given to the Management Board in accordance with § 50(4) of the Bank's Statutes.

It will be contingent in particular on the positive opinion of the KNF once the CJEU takes a decision on case C-520/21 as well as economic situation and market conditions.

The Management Board's potential decision to pay an interim dividend will also require the approval of the Supervisory Board.

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

Re distribution of profit and decision on capital reserve created

On 19.04.2023 the Bank's Annual General Meeting adopted a resolution on re distribution of profit and decision on capital reserve created on the basis of Resolution no. 6/2021 of the Bank's Annual General Meeting of March 22,2021

1. The Bank's Annual General Meeting distributed the Bank's net profit earned in the accounting year from 1 January 2022 to 31 December 2022 in the amount of PLN 2,449,042,525.50 as follows:

- PLN 72,357,000.00 – to be allocated to the capital reserve;
- PLN 2,376,685,525.50 – to be allocated to the dividend reserve (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 (Resolution no. 6/2021)

2. The Annual General Meeting allocates to the Dividend Reserve the amount of PLN 840,886,574.78, which represents the undistributed profit earned on the sale of shares in AVIVA insurance companies and posted under other comprehensive income

Authorising the Bank's Management Board to purchase (buy-back) own shares to execute the Incentive Plan VII and create the capital reserve for the purchase of those shares

The Annual General Meeting of Shareholders of Santander Bank Polska S.A. authorised the Bank's Management Board to purchase (buy back) the Bank's fully covered own shares.

The total amount that the Bank can spend on the purchase of own shares in 2024, including the cost of the purchase, is PLN 72,357,000.

In order to purchase (buy back) own shares, the Annual General Meeting raised the capital reserve in the Bank, earmarked for the purchase of own shares.

The Annual General Meeting transfers from Bank's capital reserve to the capital reserve for the purchase of own shares the amount of PLN 72,357,000, which as per article 348(1) of the CCC can be allocated for distribution among the company's shareholders.

Appointment of the Management Board Member of Santander Bank Polska S.A.

On 4 April 2023 the Supervisory Board of the Bank passed a resolution on appointing Ms. Magdalena Proga-Stępień for the position of Management Board Member of the Bank. Ms. Magdalena Proga-Stępień took up the position on 4 April 2023.

Signatures of the persons representing the entity

Date	Name	Function	Signature
24.04.2023	Michał Gajewski	President	
24.04.2023	Andrzej Burliga	Vice-President	
24.04.2023	Juan de Porras Aguirre	Vice-President	
24.04.2023	Arkadiusz Przybył	Vice-President	
24.04.2023	Lech Gałkowski	Member	
24.04.2023	María Elena Lanciego Pérez	Member	
24.04.2023	Patryk Nowakowski	Member	
24.04.2023	Magdalena Proga-Stępień	Member	
24.04.2023	Maciej Reluga	Member	
24.04.2023	Dorota Strojowska	Member	

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

Date	Name	Function	Signature
24.04.2023	Wojciech Skalski	Financial Accounting Area Director	