

Selected Financial Information on Santander Bank Polska Group for 2023

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

The financial information provided herein and concerning the quarter and the year ended 31 December 2023 includes the selected, preliminary, unaudited data which has been prepared for information purposes, in addition to the interim reporting obligations of Santander Bank Polska Group. The scope of disclosures does not meet the definition of an interim report required by the International Accounting Standard 34 Interim Financial Reporting or the Regulation of the Minister of Finance of 29 March 2018 on current and financial reports published by the issuers of securities and the rules of equal treatment of the information required by the laws of a non-member state. Some financial data may be subject to revision in the Group's Annual Report for 2023 to be published on 16 February 2024 along with an independent auditor's opinion.

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I. Consolidated income statement

	for the period:	1.10.2023- 31.12.2023	1.01.2023- 31.12.2023	1.10.2022- 31.12.2022* restated	1.01.2022- 31.12.2022* restated
Interest income and similar to interest		4 720 076	18 409 758	4 047 537	12 538 584
Interest income on financial assets measured at amortised cost		3 867 435	14 925 201	3 228 968	9 650 812
Interest income on financial assets measured at fair value through other comprehensive income		595 485	2 472 065	573 150	2 119 238
Income similar to interest on financial assets measured at fair value through profit or loss		14 968	82 910	34 745	96 144
Income similar to interest on finance leases		242 188	929 582	210 674	672 390
Interest expense		(1 292 200)	(5 293 859)	(1 214 727)	(2 886 277)
Net interest income		3 427 876	13 115 899	2 832 810	9 652 307
Fee and commission income		878 407	3 331 561	790 903	3 173 217
Fee and commission expense		(168 309)	(614 559)	(171 715)	(606 799)
Net fee and commission income		710 098	2 717 002	619 188	2 566 418
Dividend income		53	11 471	377	10 639
Net trading income and revaluation		21 076	306 619	61 094	126 748
Gains (losses) from other financial securities		(4 238)	(5 121)	18 429	(23 051)
Gain/loss on derecognition of financial instruments measured at amortised cost		(26 196)	(322 492)	(86 556)	(169 235)
Other operating income		40 900	168 901	69 395	217 706
Impairment allowances for expected credit losses		(255 243)	(1 149 377)	(323 864)	(894 685)
Cost of legal risk associated with foreign currency mortgage loans		(1 012 676)	(2 592 326)	(668 806)	(1 739 088)
Operating expenses incl.:		(1 213 386)	(4 714 997)	(986 297)	(4 697 706)
-Staff, operating expenses and management costs		(1 017 317)	(3 934 824)	(799 056)	(3 977 482)
-Amortisation of property, plant and equipment and Intangible assets		(120 545)	(424 561)	(102 298)	(381 645)
-Amortisation of right of use asset		(29 235)	(144 918)	(27 745)	(141 940)
-Other operating expenses		(46 289)	(210 694)	(57 198)	(196 639)
Share in net profits (loss) of entities accounted for by the equity method		20 158	96 937	24 040	84 049
Tax on financial institutions		(195 034)	(782 495)	(210 788)	(781 155)
Profit before tax		1 513 388	6 850 021	1 349 022	4 352 947
Corporate income tax		(506 545)	(1 902 192)	(402 238)	(1 344 172)
Consolidated profit for the period		1 006 843	4 947 829	946 784	3 008 775
of which:					
-attributable to owners of the parent entity		980 121	4 831 107	903 325	2 799 098
-attributable to non-controlling interests		26 722	116 722	43 459	209 677
Net earnings per share					
Basic earnings per share (PLN/share)		9,60	47,28	8,84	27,39
Diluted earnings per share (PLN/share)		9,60	47,28	8,84	27,39

*details are described in XI

II. Consolidated statement of comprehensive income

	1.10.2023- 31.12.2023	1.01.2023- 31.12.2023	1.10.2022- 31.12.2022* restated	1.01.2022- 31.12.2022* restated
for the period:				
Consolidated profit for the period	1 006 843	4 947 829	946 784	3 008 775
Items that will be reclassified subsequently to profit or loss:	595 400	2 459 699	532 161	(1 408 991)
Revaluation and sales of debt financial assets measured at fair value through other comprehensive income gross	342 803	1 953 159	623 453	(1 392 566)
Deferred tax	(65 132)	(371 100)	(118 456)	264 588
Revaluation of cash flow hedging instruments gross	393 516	1 083 506	33 535	(346 930)
Deferred tax	(75 787)	(205 866)	(6 371)	65 917
Items that will not be reclassified subsequently to profit or loss:	28 277	46 395	14 073	17 123
Revaluation of equity financial assets measured at fair value through other comprehensive income gross	47 909	72 822	26 838	21 032
Deferred and current tax	(9 102)	(13 836)	(5 099)	(3 996)
Provision for retirement benefits – actuarial gains/losses gross	(13 000)	(15 544)	(9 447)	124
Deferred tax	2 470	2 953	1 781	(37)
Total other comprehensive income, net	623 677	2 506 094	546 234	(1 391 868)
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD	1 630 520	7 453 923	1 493 018	1 616 907
Total comprehensive income attributable to:				
- owners of the parent entity	1 609 504	7 292 186	1 435 802	1 425 290
- non-controlling interests	21 016	161 737	57 216	191 617

*details are described in XI

III. Consolidated statement of financial position

	as at:	30.09.2023*	31.12.2022*
		restated	restated
ASSETS			
Cash and balances with central banks	8 417 519	10 214 806	10 170 022
Loans and advances to banks	9 533 840	10 149 496	9 577 499
Financial assets held for trading	8 939 360	8 503 745	6 883 616
Hedging derivatives	1 575 056	1 178 694	549 177
Loans and advances to customers incl.:	159 520 007	158 139 731	152 508 692
- measured at amortised cost	143 488 004	142 214 984	137 888 696
- measured at fair value through other comprehensive income	2 798 234	2 970 656	2 628 660
- measured at fair value through profit and loss	85 093	91 203	239 694
- from finance leases	13 148 676	12 862 888	11 751 642
Reverse sale and repurchase agreements	12 676 594	12 442 068	13 824 606
Investment securities incl.:	67 523 003	68 080 580	53 334 112
- debt securities measured at fair value through other comprehensive income	47 598 570	55 735 711	49 845 849
- debt securities measured at fair value through profit and loss	2 005	1 969	64 707
- debt investment securities measured at amortised cost	19 639 468	12 107 959	3 156 009
- equity securities measured at fair value through other comprehensive income	277 121	229 212	204 299
- equity securities measured at fair value through profit and loss	5 839	5 729	63 248
Assets pledged as collateral	271 933	92 812	2 318 219
Investments in associates	967 514	941 025	921 495
Intangible assets	881 857	776 915	740 756
Goodwill	1 712 056	1 712 056	1 712 056
Property, plant and equipment	765 278	718 240	688 262
Right of use asset	494 296	498 896	497 352
Deferred tax assets	1 751 189	1 969 891	2 485 768
Fixed assets classified as held for sale	6 453	4 820	5 973
Other assets	1 615 930	1 730 575	1 299 620
Total assets	276 651 885	277 154 350	257 517 225
LIABILITIES AND EQUITY			
Deposits from banks	4 156 453	3 788 309	4 031 252
Hedging derivatives	880 538	1 356 392	1 979 089
Financial liabilities held for trading	8 818 493	8 649 197	7 108 826
Deposits from customers	209 277 356	210 038 315	196 496 806
Sale and repurchase agreements	273 547	92 843	2 324 926
Subordinated liabilities	2 686 343	2 814 131	2 807 013
Debt securities in issue	9 247 159	8 823 853	9 330 648
Lease liabilities	365 833	390 207	419 965
Current income tax liabilities	1 174 609	897 628	80 751
Deferred tax liability	435	406	281
Provisions for financial liabilities and guarantees granted	123 085	75 929	61 869
Other provisions	967 106	813 616	627 311
Other liabilities	4 989 910	5 008 768	3 783 140
Total liabilities	242 960 867	242 749 594	229 051 877
Equity			
Equity attributable to owners of parent entity	31 762 645	32 487 491	26 668 093
Share capital	1 021 893	1 021 893	1 021 893
Other reserve capital	25 097 202	27 418 891	23 858 400
Revaluation reserve	(298 688)	(933 200)	(2 781 325)
Retained earnings	1 111 131	1 128 921	1 770 027
Profit for the period	4 831 107	3 850 986	2 799 098
Non-controlling interests in equity	1 928 373	1 917 265	1 797 255
Total equity	33 691 018	34 404 756	28 465 348
Total liabilities and equity	276 651 885	277 154 350	257 517 225

*details are described in XI

IV. Consolidated statement of changes in equity

Consolidated statement of changes in equity 1.01.2023 - 31.12.2023	Equity attributable to owners of parent entity						Total	Non- controlling interests	Total equity
	Share capital	Own shares	Other reserve capital	Revaluation reserve	Retained earnings and profit for the period				
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	
<i>Reclassification of specific bonds portfolio as at the beginning of the period*</i>	-	-	-	(1 649 990)	-	(1 649 990)	-	(1 649 990)	
As at the beginning of the period after reclassification	1 021 893	-	23 858 400	(2 781 325)	4 569 125	26 668 093	1 797 255	28 465 348	
Total comprehensive income	-	-	-	2 461 079	4 831 107	7 292 186	161 737	7 453 923	
<i>Consolidated profit for the period</i>	-	-	-	-	4 831 107	4 831 107	116 722	4 947 829	
<i>Other comprehensive income</i>	-	-	-	2 461 079	-	2 461 079	45 015	2 506 094	
Inclusion of share based incentive scheme	-	-	198 912	-	-	198 912	-	198 912	
Purchase of own shares	-	(48 884)	-	-	-	(48 884)	-	(48 884)	
Settlement of the purchase of own shares under share based incentive scheme	-	48 884	(48 249)	-	-	635	-	635	
Profit allocation to other reserve capital	-	-	3 464 692	-	(3 464 692)	-	-	-	
Interim dividend	-	-	(2 375 902)	-	-	(2 375 902)	-	(2 375 902)	
Profit allocation to dividends	-	-	-	-	-	-	(37 861)	(37 861)	
Other changes	-	-	(651)	21 558	6 698	27 605	7 242	34 847	
As at the end of the period	1 021 893	-	25 097 202	(298 688)	5 942 238	31 762 645	1 928 373	33 691 018	

*details are described in XI

As at the end of the period revaluation reserve in the amount of PLN (298,688) k comprises: change in revaluation of debt securities in the amount of PLN (1,059,952) k, revaluation of equity securities in the amount of PLN 202,287 k, revaluation of cash flow hedge activities in the amount of PLN 558,326 k and accumulated actuarial gains - provision for retirement allowances of PLN 651 k.

Equity attributable to owners of parent entity

Consolidated statement of changes in equity 1.01.2023 - 30.09.2023	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
<i>Reclassification of specific bonds portfolio as at the beginning of the period*</i>	-	-	-	(1 649 990)	-	(1 649 990)	-	(1 649 990)
As at the beginning of the period after reclassification	1 021 893	-	23 858 400	(2 781 325)	4 569 125	26 668 093	1 797 255	28 465 348
Total comprehensive income	-	-	-	1 831 696	3 850 986	5 682 682	140 721	5 823 403
<i>Consolidated profit for the period</i>	-	-	-	-	3 850 986	3 850 986	90 000	3 940 986
<i>Other comprehensive income</i>	-	-	-	1 831 696	-	1 831 696	50 721	1 882 417
Inclusion of share based incentive scheme	-	-	169 200	-	-	169 200	-	169 200
Purchase of own shares	-	(48 884)	-	-	-	(48 884)	-	(48 884)
Settlement of the purchase of own shares under share based incentive scheme	-	48 884	(48 249)	-	-	635	-	635
Profit allocation to other reserve capital	-	-	3 440 191	-	(3 440 191)	-	-	-
Profit allocation to dividends	-	-	-	-	-	-	(37 861)	(37 861)
Other changes	-	-	(651)	16 429	(13)	15 765	17 150	32 915
As at the end of the period	1 021 893	-	27 418 891	(933 200)	4 979 907	32 487 491	1 917 265	34 404 756

*details are described in XI

As at the end of the period revaluation reserve in the amount of PLN (933,200) k comprises: change in revaluation of debt securities in the amount of PLN (1,346,416) k, revaluation of equity securities in the amount of PLN 163,482 k, revaluation of cash flow hedge activities in the amount of PLN 239,066 k and accumulated actuarial gains - provision for retirement allowances of PLN 10,668 k.

Equity attributable to owners of parent entity

Consolidated statement of changes in equity 1.01.2022 - 31.12.2022	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	-		-	(1 373 808)	2 799 098	1 425 290	191 617	1 616 907
<i>Consolidated profit for the period</i>	-		-	-	2 799 098	2 799 098	209 677	3 008 775
<i>Other comprehensive income*</i>	-		-	(1 373 808)	-	(1 373 808)	(18 060)	(1 391 868)
Profit allocation to other reserve capital	-		1 680 056	-	(1 680 056)	-	-	-
Profit allocation to dividends	-		-	-	(273 867)	(273 867)	(76 258)	(350 125)
Transfer of revaluation of equity financial assets measured at fair value through other comprehensive income	-		-	(37 792)	37 792	-	-	-
Other changes	-		-	(15 010)	-	(15 010)	-	(15 010)
As at the end of the period	1 021 893		23 858 400	(2 781 325)	4 569 125	26 668 093	1 797 255	28 465 348

*details are described in XI

As at the end of the period revaluation reserve in the amount of PLN (2,781,325) k comprises: revaluation of debt securities in the amount of PLN (2,624,400) k, revaluation of equity securities in the amount of PLN 143,301 k, revaluation of cash flow hedge activities in the amount of PLN (313,417) k and accumulated actuarial gains - provision for retirement allowances of PLN 13,191 k.

V. Consolidated statement of cash flows

	for the period	1.01.2023- 31.12.2023	1.01.2022- 31.12.2022* restated
Cash flows from operating activities			
Profit before tax		6 850 021	4 352 947
Adjustments for:			
Share in net profits of entities accounted for by the equity method		(96 937)	(84 049)
Depreciation/amortisation		569 479	523 585
Net gains on investing activities		5 021	26 502
Interest accrued excluded from operating activities		(1 814 295)	(1 322 372)
Dividends		(87 706)	(86 460)
Impairment losses (reversal)		5 573	9 585
Changes in:			
Provisions		401 011	128 456
Financial assets / liabilities held for trading		(416 839)	327 586
Assets pledged as collateral		(133 235)	373 590
Hedging derivatives		(1 376 461)	(232 395)
Loans and advances to banks		1 627 108	(3 011 899)
Loans and advances to customers		(21 217 107)	(15 456 016)
Deposits from banks		570 638	963 275
Deposits from customers		17 547 915	13 403 051
Buy-sell/ Sell-buy-back transactions		(4 142 162)	1 858 626
Other assets and liabilities		1 471 356	414 484
Interest received on operating activities		15 001 042	9 998 507
Interest paid on operating activities		(4 848 756)	(2 642 782)
Paid income tax		(665 188)	(818 322)
Net cash flows from operating activities		9 250 478	8 725 899
Cash flows from investing activities			
Inflows		16 213 375	18 876 361
Sale/maturity of investment securities		13 837 008	17 351 882
Sale of intangible assets and property, plant and equipment		34 721	54 218
Dividends received		87 706	86 460
Interest received		2 253 940	1 383 801
Outflows		(21 417 015)	(5 431 137)
Purchase of investment securities		(20 782 119)	(4 982 096)
Purchase of intangible assets and property, plant and equipment		(634 896)	(449 041)
Net cash flows from investing activities		(5 203 640)	13 445 224
Cash flows from financing activities			
Inflows		10 071 205	10 976 551
Debt securities in issue		6 875 760	5 426 350
Drawing of loans		3 195 445	5 550 201
Outflows		(14 035 889)	(17 001 003)
Debt securities buy out		(6 721 700)	(9 088 033)
Repayment of loans and advances		(3 890 984)	(6 866 749)
Repayment of lease liabilities		(169 580)	(163 765)
Dividends to shareholders		(2 413 763)	(350 125)
Purchase of own shares		(48 884)	-
Interest paid		(790 978)	(532 331)
Net cash flows from financing activities		(3 964 684)	(6 024 452)
Total net cash flows		82 154	16 146 671
- including change resulting from FX differences		(965 909)	301 980
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		34 575 193	34 493 039

*details are described in XI

VI. Separate income statement

	1.10.2023- 31.12.2023	1.01.2023- 31.12.2023	1.10.2022- 31.12.2022* restated	1.01.2022- 31.12.2022* restated
for the period:				
Interest income and similar to interest	3 998 882	15 604 018	3 361 411	10 189 968
Interest income on financial assets measured at amortised cost	3 426 181	13 240 163	2 819 110	8 151 748
Interest income on financial assets measured at fair value through other comprehensive income	562 023	2 300 743	513 389	1 962 341
Income similar to interest on financial assets measured at fair value through profit or loss	10 678	63 112	28 912	75 879
Interest expense	(1 021 576)	(4 164 431)	(941 904)	(2 149 426)
Net interest income	2 977 306	11 439 587	2 419 507	8 040 542
Fee and commission income	730 294	2 829 144	667 330	2 699 737
Fee and commission expense	(126 964)	(443 345)	(128 675)	(421 816)
Net fee and commission income	603 330	2 385 799	538 655	2 277 921
Dividend income	18	241 567	317	172 181
Net trading income and revaluation	17 872	298 573	55 843	109 912
Gains (losses) from other financial securities	(7 422)	(12 363)	20 584	(19 820)
Gain/loss on derecognition of financial instruments measured at amortised cost	(22 796)	(316 773)	(86 556)	(169 235)
Other operating income	18 553	74 836	29 161	74 552
Impairment allowances for expected credit losses	(283 169)	(945 710)	(334 422)	(798 605)
Cost of legal risk associated with foreign currency mortgage loans	(777 212)	(2 081 557)	(505 168)	(1 428 333)
Operating expenses incl.:	(1 017 096)	(3 936 495)	(788 755)	(3 908 534)
-Staff, operating expenses and management costs	(861 820)	(3 309 013)	(650 239)	(3 378 652)
-Amortisation of property, plant and equipment and Intangible assets	(92 444)	(350 702)	(77 979)	(321 549)
-Amortisation of right of use asset	(32 292)	(126 784)	(30 967)	(125 382)
-Other operating expenses	(30 540)	(149 996)	(29 570)	(82 951)
Tax on financial institutions	(186 258)	(751 162)	(203 655)	(752 303)
Profit before tax	1 323 126	6 396 302	1 145 511	3 598 278
Corporate income tax	(431 072)	(1 723 324)	(346 485)	(1 149 235)
Profit for the period	892 054	4 672 978	799 026	2 449 043
Net earnings per share				
Basic earnings per share (PLN/share)	8,05	45,73	7,82	23,97
Diluted earnings per share (PLN/share)	8,05	45,73	7,82	23,97

*details are described in XI

VII. Separate statement of comprehensive income

	1.10.2023-	1.01.2023-	1.10.2022-	1.01.2022-
for the period:	31.12.2023	31.12.2023	31.12.2022*	31.12.2022*
			restated	restated
Profit for the period	892 054	4 672 978	799 026	2 449 043
Items that will be reclassified subsequently to profit or loss:	608 432	2 347 063	496 878	(1 363 397)
Revaluation and sales of debt financial assets measured at fair value through other comprehensive income gross*	354 163	1 832 301	588 246	(1 332 664)
Deferred tax	(67 290)	(348 137)	(111 767)	253 206
Revaluation of cash flow hedging instruments gross	396 986	1 065 307	25 184	(350 542)
Deferred tax	(75 427)	(202 408)	(4 785)	66 603
Items that will not be reclassified subsequently to profit or loss:	29 643	46 076	14 411	6 139
Revaluation of equity financial assets measured at fair value through other comprehensive income gross	47 909	72 166	26 187	8 050
Deferred and current tax	(9 103)	(13 712)	(4 975)	(1 529)
Provision for retirement benefits – actuarial gains/losses gross	(11 313)	(15 282)	(8 397)	(472)
Deferred tax	2 150	2 904	1 596	90
Total other comprehensive income, net	638 075	2 393 139	511 289	(1 357 258)
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD	1 530 129	7 066 117	1 310 315	1 091 785

*details are described in XI

VIII. Separate statement of financial position

	as at:	30.09.2023*	31.12.2022*
	31.12.2023	restated	restated
ASSETS			
Cash and balances with central banks	8 275 110	10 055 676	10 135 099
Loans and advances to banks	9 048 400	10 163 692	9 709 800
Financial assets held for trading	8 941 960	8 504 385	6 879 751
Hedging derivatives	1 559 374	1 168 436	537 924
Loans and advances to customers incl.:	140 903 101	139 369 030	134 842 828
- measured at amortised cost	138 093 756	136 384 182	132 062 037
- measured at fair value through other comprehensive income	2 798 234	2 970 656	2 628 660
- measured at fair value through profit and loss	11 111	14 192	152 131
Reverse sale and repurchase agreements	12 676 594	12 442 068	13 824 606
Investment securities incl.:	62 952 586	63 997 843	50 086 938
- debt securities measured at fair value through other comprehensive income	44 814 032	52 842 389	46 609 817
- debt securities measured at fair value through profit and loss	-	-	62 907
- debt investment securities measured at amortised cost	17 866 218	10 931 027	3 156 009
- equity securities measured at fair value through other comprehensive income	272 336	224 427	200 170
- equity securities measured at fair value through profit and loss	-	-	58 035
Assets pledged as collateral	271 933	92 812	2 157 372
Investments in subsidiaries and associates	2 377 407	2 377 407	2 377 407
Intangible assets	730 461	629 391	625 519
Goodwill	1 688 516	1 688 516	1 688 516
Property, plant and equipment	472 100	460 356	497 686
Right of use asset	449 610	445 839	437 342
Deferred tax assets	986 915	1 176 557	1 718 293
Fixed assets classified as held for sale	4 308	4 308	4 308
Other assets	1 062 826	1 286 288	924 662
Total assets	252 401 201	253 862 604	236 448 051
LIABILITIES AND EQUITY			
Deposits from banks	2 668 293	2 558 775	2 245 128
Hedging derivatives	829 565	1 281 137	1 872 039
Financial liabilities held for trading	8 834 034	8 652 974	7 117 867
Deposits from customers	195 365 937	196 815 498	185 655 260
Sale and repurchase agreements	273 547	92 843	2 158 520
Subordinated liabilities	2 585 476	2 710 887	2 705 885
Debt securities in issue	5 929 056	5 383 767	5 899 300
Lease liabilities	484 012	496 951	516 881
Current income tax liabilities	1 127 618	842 247	85 412
Provisions for financial liabilities and guarantees granted	151 294	89 034	74 012
Other provisions	741 677	621 183	463 657
Other liabilities	3 925 195	4 015 750	3 008 820
Total liabilities	222 915 704	223 561 046	211 802 781
Equity			
Share capital	1 021 893	1 021 893	1 021 893
Other reserve capital	23 369 548	25 715 738	22 305 509
Revaluation reserve	(275 166)	(913 241)	(2 668 305)
Retained earnings	696 244	696 244	1 537 130
Profit for the period	4 672 978	3 780 924	2 449 043
Total equity	29 485 497	30 301 558	24 645 270
Total liabilities and equity	252 401 201	253 862 604	236 448 051

*details are described in XI

IX. Separate statement of changes in equity

Statement of changes in equity 1.01.2023 - 31.12.2023	Share capital	Own shares	Other reserve capital	Revaluation reserve	Retained earnings and profit for the period	Total
As at the beginning of the period	1 021 893	-	22 305 509	(1 018 315)	3 986 173	26 295 260
<i>Reclassification of specific bonds portfolio as at the beginning of the period*</i>	-	-	-	(1 649 990)	-	(1 649 990)
As at the beginning of the period after reclassification	1 021 893	-	22 305 509	(2 668 305)	3 986 173	24 645 270
Total comprehensive income	-	-	-	2 393 139	4 672 978	7 066 117
<i>Profit for the period</i>	-	-	-	-	4 672 978	4 672 978
<i>Other comprehensive income</i>	-	-	-	2 393 139	-	2 393 139
Inclusion of share based incentive scheme	-	-	198 912	-	-	198 912
Purchase of own shares	-	(48 884)	-	-	-	(48 884)
Settlement of the purchase of own shares under share based incentive scheme	-	48 884	(48 249)	-	-	635
Profit allocation to other reserve capital	-	-	3 289 929	-	(3 289 929)	-
Interim dividend	-	-	(2 375 902)	-	-	(2 375 902)
Other changes	-	-	(651)	-	-	(651)
As at the end of the period	1 021 893	-	23 369 548	(275 166)	5 369 222	29 485 497

*details are described in XI

As at the end of the period revaluation reserve in the amount of PLN (275,166) k comprises: change in revaluation of debt securities in the amount of PLN (1,031,669) k, revaluation of equity securities in the amount of PLN 199,860 k, revaluation of cash flow hedge activities in the amount of PLN 557,266 k and accumulated actuarial gains - provision for retirement allowances of PLN (623) k.

Statement of changes in equity 1.01.2023 - 30.09.2023	Share capital	Own shares	Other reserve capital	Revaluation reserve	Retained earnings and profit for the period	Total
As at the beginning of the period	1 021 893	-	22 305 509	(1 018 315)	3 986 173	26 295 260
<i>Reclassification of specific bonds portfolio as at the beginning of the period*</i>	-	-	-	(1 649 990)	-	(1 649 990)
As at the beginning of the period after reclassification	1 021 893	-	22 305 509	(2 668 305)	3 986 173	24 645 270
Total comprehensive income	-	-	-	1 755 064	3 780 924	5 535 988
<i>Profit for the period</i>	-	-	-	-	3 780 924	3 780 924
<i>Other comprehensive income</i>	-	-	-	1 755 064	-	1 755 064
Inclusion of share based incentive scheme	-	-	169 200	-	-	169 200
Purchase of own shares	-	(48 884)	-	-	-	(48 884)
Settlement of the purchase of own shares under share based incentive scheme	-	48 884	(48 249)	-	-	635
Profit allocation to other reserve capital	-	-	3 289 929	-	(3 289 929)	-
Other changes	-	-	(651)	-	-	(651)
As at the end of the period	1 021 893	-	25 715 738	(913 241)	4 477 168	30 301 558

*details are described in XI

As at the end of the period revaluation reserve in the amount of PLN (913,241) k comprises: change in revaluation of debt securities in the amount of PLN (1,318,542) k, revaluation of equity securities in the amount of PLN 161,055 k, revaluation of cash flow hedge activities in the amount of PLN 235,706 k and accumulated actuarial gains - provision for retirement allowances of PLN 8,540 k.

Statement of changes in equity 1.01.2022 - 31.12.2022	Share capital	Own shares	Other reserve capital	Revaluation reserve	Retained earnings and profit for the period	Total
As at the beginning of the period	1 021 893	-	20 790 808	(1 311 047)	3 325 698	23 827 352
Total comprehensive income	-	-	-	(1 357 258)	2 449 043	1 091 785
<i>Profit for the period</i>	-	-	-	-	2 449 043	2 449 043
<i>Other comprehensive income*</i>	-	-	-	(1 357 258)	-	(1 357 258)
Profit allocation to other reserve capital	-	-	1 514 701	-	(1 514 701)	-
Profit allocation to dividends	-	-	-	-	(273 867)	(273 867)
As at the end of the period	1 021 893	-	22 305 509	(2 668 305)	3 986 173	24 645 270

*details are described in XI

As at the end of the period revaluation reserve in the amount of PLN (2,668,305) k comprises: change in revaluation of debt securities in the amount of PLN (2,515,833) k, revaluation of equity securities in the amount of PLN 141,406 k, revaluation of cash flow hedge activities in the amount of PLN (305,633) k and accumulated actuarial gains - provision for retirement allowances of PLN 11,755 k.

X. Separate statement of cash flows

	for the period	1.01.2023- 31.12.2023	1.01.2022- 31.12.2022* restated
Cash flows from operating activities			
Profit before tax		6 396 302	3 598 278
Adjustments for:			
Depreciation/amortisation		477 486	446 931
Net gains on investing activities		6 769	18 291
Interest accrued excluded from operating activities		(2 011 345)	(1 584 492)
Dividends		(240 269)	(171 242)
Impairment losses (reversal)		4 390	12 158
Changes in:			
Provisions		355 302	124 632
Financial assets / liabilities held for trading		(416 804)	338 496
Assets pledged as collateral		(110 353)	21 462
Hedging derivatives		(1 285 031)	(175 256)
Loans and advances to banks		1 644 598	(3 005 112)
Loans and advances to customers		(17 751 486)	(18 141 728)
Deposits from banks		524 521	993 419
Deposits from customers		13 301 911	12 203 847
Buy-sell/ Sell-buy-back transactions		(3 976 188)	2 177 770
Other assets and liabilities		1 269 265	455 901
Interest received on operating activities		12 438 286	7 898 958
Interests paid on operating activities		(4 101 274)	(2 243 194)
Paid income tax		(511 093)	(683 462)
Net cash flows from operating activities		6 014 987	2 285 657
Cash flows from investing activities			
Inflows		14 663 141	17 712 343
Sale/maturity of investment securities		12 259 146	16 255 502
Sale of intangible assets and property, plant and equipment		13 048	35 821
Dividends received		240 269	171 242
Interest received		2 150 678	1 249 778
Outflows		(18 883 143)	(3 978 441)
Purchase of investment securities		(18 433 175)	(3 625 654)
Purchase of intangible assets and property, plant and equipment		(449 968)	(352 787)
Net cash flows from investing activities		(4 220 002)	13 733 902
Cash flows from financing activities			
Inflows		6 032 802	2 325 350
Debt securities in issue		5 865 760	2 325 350
Drawing of loans		167 042	-
Outflows		(8 619 723)	(1 884 062)
Debt securities buy out		(5 605 700)	(1 219 340)
Repayment of loans and advances		(87 560)	(75 149)
Repayment of lease liabilities		(154 407)	(152 101)
Dividends to shareholders		(2 375 902)	(273 867)
Purchase of own shares		(48 884)	-
Interest paid		(347 270)	(163 605)
Net cash flows from financing activities		(2 586 921)	441 288
Total net cash flows		(791 936)	16 460 847
- including change resulting from FX differences		(964 375)	302 120
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		33 698 888	34 490 824

*details are described in XI

XI. Comparability with the results presented in prior periods

Change in the classification of the specific bond portfolio – error correction

In Q1 2022, the Bank's Management Board reviewed the assets and liabilities management policy and changed the classification of the specific bond portfolio.

On 1 April 2022, debt securities measured at fair value through other comprehensive income of PLN 10,521.72m were reclassified and the related fair value adjustment was reversed. Additionally, the related deferred tax asset of PLN 353.11m was derecognised. Debt investment securities measured at amortised cost of PLN 12,380.19m were recognised. The changes resulted in an increase of PLN 1,505.36m in net other comprehensive income.

Detailed information about the reclassification was presented in the condensed consolidated financial statements for H1 2022 and the consolidated financial statements for 2022.

In Q4 2023, the Bank received a letter from the Polish Financial Supervision Authority (KNF) recommending that:

1. when preparing subsequent consolidated and separate financial statements and condensed consolidated and separate financial statements, the Bank should:

- classify the bond portfolio as financial assets measured at fair value through other comprehensive income;
- reverse the effects of the reclassification made in 2022; and

2. when preparing the consolidated and separate financial statements for 2023, the Bank should correct the comparative amounts for 2022 to account for the recommendation referred to in point 1 in accordance with paragraph 42(a) of IAS 8.

The Bank's Management Board thoroughly analysed the regulatory recommendation and decided to implement it when preparing the consolidated financial statements for 2023. Accordingly, the Bank made a retrospective correction in these selected financial information and classified again the portfolio of selected bonds as financial assets measured at fair value through other comprehensive income. The impact of the above correction on the published consolidated financial statements as at 31 December 2022 is presented below.

Items in the consolidated income statement

	for the period: 1.01.2022 - 31.12.2022		
	before	adjustment	after
Interest income and similar to interest	12 538 584	-	12 538 584
Interest income on financial assets measured at amortised cost	9 804 957	(154 145)	9 650 812
Interest income on financial assets measured at fair value through other comprehensive income	1 965 093	154 145	2 119 238
Income similar to interest on financial assets measured at fair value through profit or loss	96 144	-	96 144
Income similar to interest on finance leases	672 390	-	672 390

Items in the consolidated statement of comprehensive income

	for the period: 1.01.2023-30.09.2023		
	before	adjustment	after
Consolidated net profit for the period	3 940 986	-	3 940 986
Items that will be reclassified subsequently to profit or loss:	1 109 298	755 001	1 864 299
Revaluation and sales of debt financial assets measured at fair value through other comprehensive income gross	678 255	932 101	1 610 356
Deferred tax	(128 868)	(177 100)	(305 968)
Revaluation of cash flow hedging instruments gross	689 990	-	689 990
Deferred tax	(130 079)	-	(130 079)
Items that will not be reclassified subsequently to profit or loss	18 118	-	18 118
Total other comprehensive income, net	1 127 416	755 001	1 882 417
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD	5 068 402	755 001	5 823 403
Total comprehensive income attributable to:			
- owners of the parent entity	4 927 681	755 001	5 682 682
- non-controlling interests	140 721	-	140 721

for the period: 1.01.2022-31.12.2022

	before	adjustment	after
Consolidated net profit for the period	3 008 775	-	3 008 775
Items that will be reclassified subsequently to profit or loss:	240 999	(1 649 990)	(1 408 991)
Revaluation and sales of debt financial assets measured at fair value through other comprehensive income gross	644 459	(2 037 025)	(1 392 566)
Deferred tax	(122 447)	387 035	264 588
Revaluation of cash flow hedging instruments gross	(346 930)	-	(346 930)
Deferred tax	65 917	-	65 917
Items that will not be reclassified subsequently to profit or loss	17 123	-	17 123
Total other comprehensive income, net	258 122	(1 649 990)	(1 391 868)
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD	3 266 897	(1 649 990)	1 616 907
Total comprehensive income attributable to:			
- owners of the parent entity	3 075 280	(1 649 990)	1 425 290
- non-controlling interests	191 617	-	191 617

Items in the consolidated statement of financial position

as at: 30.09.2023

	before	adjustment	after
Investment securities incl.:	69 185 505	(1 104 925)	68 080 580
- debt securities measured at fair value through other comprehensive income	44 543 297	11 192 414	55 735 711
- debt investment securities measured at amortised cost	24 405 298	(12 297 339)	12 107 959
Deferred tax assets	1 759 955	209 936	1 969 891
Total assets	278 049 339	(894 989)	277 154 350
Revaluation reserve	(38 211)	(894 989)	(933 200)
Total equity	35 299 745	(894 989)	34 404 756
Total liabilities and equity	278 049 339	(894 989)	277 154 350

as at: 31.12.2022

	before	adjustment	after
Investment securities incl.:	55 371 137	(2 037 025)	53 334 112
- debt securities measured at fair value through other comprehensive income	39 539 535	10 306 314	49 845 849
- debt investment securities measured at amortised cost	15 499 348	(12 343 339)	3 156 009
Deferred tax assets	2 098 733	387 035	2 485 768
Total assets	259 167 215	(1 649 990)	257 517 225
Revaluation reserve	(1 131 335)	(1 649 990)	(2 781 325)
Total equity	30 115 338	(1 649 990)	28 465 348
Total liabilities and equity	259 167 215	(1 649 990)	257 517 225

Items in the consolidated statement of changes in equity

for the period: 1.01.2023-30.09.2023

	Revaluation reserve	Total equity	adjustment	Revaluation reserve	Total equity
	before	before		after	after
As at the beginning of the period	(1 131 335)	30 115 338	(1 649 990)	(2 781 325)	28 465 348
Total comprehensive income	1 076 695	5 068 402	755 001	1 831 696	5 823 403
Other comprehensive income	1 076 695	1 127 416	755 001*	1 831 696	1 882 417
As at the end of the period	(38 211)	35 299 745	(894 989)	(933 200)	34 404 756

*Item includes revaluation and sales of debt financial assets measured at fair value through other comprehensive income gross in the amount of PLN 932,101k and deferred tax in the amount of PLN (177,100)k.

	for the period: 1.01.2022-31.12.2022				
	Revaluation reserve	Total equity		Revaluation reserve	Total equity
	before	before	adjustment	after	after
As at the beginning of the period	(1 354 715)	27 213 576	-	(1 354 715)	27 213 576
Total comprehensive income	276 182	3 266 897	(1 649 990)	(1 373 808)	1 616 907
Other comprehensive income	276 182	258 122	(1 649 990)*	(1 373 808)	(1 391 868)
As at the end of the period	(1 131 335)	30 115 338	(1 649 990)	(2 781 325)	28 465 348

*Item includes revaluation and sales of debt financial assets measured at fair value through other comprehensive income gross in the amount of PLN (2,037,025)k and deferred tax in the amount of PLN 387,035k.

Items in the separate income statement

	for the period: 1.01.2022 - 31.12.2022		
	before	adjustment	after
Interest income and similar to income	10 189 968	-	10 189 968
Interest income on financial assets measured at amortised cost	8 305 893	(154 145)	8 151 748
Interest income on financial assets measured at fair value through other comprehensive income	1 808 196	154 145	1 962 341
Income similar to interest on financial assets measured at fair value through profit or loss	75 879	-	75 879

Items in the separate statement of comprehensive income

	for the period: 1.01.2023-30.09.2023		
	before	adjustment	after
Net profit for the period	3 780 924	-	3 780 924
Items that will be reclassified subsequently to profit or loss:	983 630	755 001	1 738 631
Revaluation and sales of debt financial assets measured at fair value through other comprehensive income gross	546 037	932 101	1 478 138
Deferred tax	(103 747)	(177 100)	(280 847)
Revaluation of cash flow hedging instruments gross	668 321	-	668 321
Deferred tax	(126 981)	-	(126 981)
Items that will not be reclassified subsequently to profit or loss	16 433	-	16 433
Total other comprehensive income, net	1 000 063	755 001	1 755 064
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD	4 780 987	755 001	5 535 988

	for the period: 1.01.2022-31.12.2022		
	before	adjustment	after
Net profit for the period	2 449 043	-	2 449 043
Items that will be reclassified subsequently to profit or loss:	286 593	(1 649 990)	(1 363 397)
Revaluation and sales of debt financial assets measured at fair value through other comprehensive income gross	704 361	(2 037 025)	(1 332 664)
Deferred tax	(133 829)	387 035	253 206
Revaluation of cash flow hedging instruments gross	(350 542)	-	(350 542)
Deferred tax	66 603	-	66 603
Items that will not be reclassified subsequently to profit or loss	6 139	-	6 139
Total other comprehensive income, net	292 732	(1 649 990)	(1 357 258)
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD	2 741 775	(1 649 990)	1 091 785

Items in the separate statement of financial position

	as at: 30.09.2023		
	before	adjustment	after
Investment securities incl.:	65 102 768	(1 104 925)	63 997 843
- debt securities measured at fair value through other comprehensive income	41 649 975	11 192 414	52 842 389
- debt investment securities measured at amortised cost	23 228 366	(12 297 339)	10 931 027
Deferred tax assets	966 621	209 936	1 176 557
Total assets	254 757 593	(894 989)	253 862 604
Revaluation reserve	(18 252)	(894 989)	(913 241)
Total equity	31 196 547	(894 989)	30 301 558
Total liabilities and equity	254 757 593	(894 989)	253 862 604

	as at: 31.12.2022		
	before	adjustment	after
Investment securities incl.:	52 123 963	(2 037 025)	50 086 938
- debt securities measured at fair value through other comprehensive income	36 303 503	10 306 314	46 609 817
- debt investment securities measured at amortised cost	15 499 348	(12 343 339)	3 156 009
Deferred tax assets	1 331 258	387 035	1 718 293
Total assets	238 098 041	(1 649 990)	236 448 051
Revaluation reserve	(1 018 315)	(1 649 990)	(2 668 305)
Total equity	26 295 260	(1 649 990)	24 645 270
Total liabilities and equity	238 098 041	(1 649 990)	236 448 051

Items in the separate statement of changes in equity

	for the period: 1.01.2023-30.09.2023				
	Revaluation reserve	Total equity		Revaluation reserve	Total equity
	before	before	adjustment	after	after
As at the beginning of the period	(1 018 315)	26 295 260	(1 649 990)	(2 668 305)	24 645 270
Total comprehensive income	1 000 063	4 780 987	755 001	1 755 064	5 535 988
Other comprehensive income	1 000 063	1 000 063	755 001*	1 755 064	1 755 064
As at the end of the period	(18 252)	31 196 547	(894 989)	(913 241)	30 301 558

*Item includes revaluation and sales of debt financial assets measured at fair value through other comprehensive income gross in the amount of PLN 932,101k and deferred tax in the amount of PLN (177,100)k.

	for the period: 1.01.2022-31.12.2022				
	Revaluation reserve	Total equity		Revaluation reserve	Total equity
	before	before	adjustment	after	after
As at the beginning of the period	(1 311 047)	23 827 352	-	(1 311 047)	23 827 352
Total comprehensive income	292 732	2 741 775	(1 649 990)	(1 357 258)	1 091 785
Other comprehensive income	292 732	292 732	(1 649 990)*	(1 357 258)	(1 357 258)
As at the end of the period	(1 018 315)	26 295 260	(1 649 990)	(2 668 305)	24 645 270

*Item includes revaluation and sales of debt financial assets measured at fair value through other comprehensive income gross in the amount of PLN (2,037,025)k and deferred tax in the amount of PLN 387,035k.

XII. Overview of financial performance of Santander Bank Polska Group in 2023

Factors and events with significant impact on the financial results of Santander Bank Polska Group in 2023

Economic growth	<ul style="list-style-type: none"> No clear rebound of economic activity in the first half of the year. Persistently weak economic conditions in Europe affecting Polish exports.
Labour market	<ul style="list-style-type: none"> Unemployment rate at record low level. Continued double-digit wage growth.
Inflation	<ul style="list-style-type: none"> Unexpectedly fast decline in inflation in terms of fuel, energy and food prices. Clear but gradual decrease in the core CPI.
Monetary policy	<ul style="list-style-type: none"> Sharp interest rate cut by the NBP in September, surprising the market. Possible further monetary easing hinted by the MPC in the case of continued decline in inflation, followed by a change in the rhetoric in November and December putting a stop to interest rate cuts.
Fiscal policy	<ul style="list-style-type: none"> Worse state budget performance compared to the previous year. Very low income to GDP ratio. Average income from VAT at a mere few percent for the majority of the year despite high inflation and reintroduction of standard VAT rate on energy. The draft budget for 2024 indicating higher projected general government deficit in 2023 (5.2%) as well as high deficit (4.5%) and a clear increase in public debt in 2024.
Credit market	<ul style="list-style-type: none"> Increased demand from households and record high monthly sales of mortgage loans in late 2023 caused by the 2% Safe Mortgage government programme. A rise in the demand for consumer loans during the year.
Financial markets	<ul style="list-style-type: none"> High volatility of debt markets amid changing expectations as to global inflation and monetary policy; market concerns over rising yields of US bonds; shifts in pricing in interest rate cuts in Poland following the surprising decision of the Monetary Policy Council in September; movements caused by prospects of Poland's record high borrowing needs in the next year. Polish zloty clearly gaining in value in the first half of the year, including when compared to other emerging market currencies, and holding steady thereafter despite volatile global sentiment and record low EUR/USD rate this year; clear PLN sell-off caused by the MPC's interest rate cut in September followed by strong appreciation on the results of parliamentary elections in Poland.

Group's profitability

The profit before tax of Santander Bank Polska Group for the 12-month period ended 31 December 2023 was PLN 6,850.0m, up 57.4% YoY. The profit attributable to the shareholders of the parent entity increased by 72.6% YoY to PLN 4,831.1m.

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 14.9% YoY;
- the underlying profit attributable to the shareholders of the parent entity went up by 16.7% YoY.

Determinants of the Group's profit for 2023

The largest contributor to the growth in the consolidated profit before tax of Santander Bank Polska Group for 2023 was net interest income, which increased by 35.9% YoY. Excluding an impact of the negative adjustment due to payment holidays (PLN 49.3m in 2023 and PLN 1,544.4m in 2022) from both analysed periods, the underlying net interest income was up 17.6% YoY. Higher net interest income is attributed to the growth in the Group's credit portfolios and the continuously high interest rate environment despite the reference rate cut of 100 b.p. in total by the Monetary Policy Council in September and October 2023.

Gain on derivatives improved due to more favourable conditions in the money market, resulting in an increase of 141.8% YoY in net trading income and revaluation. Gain on other financial instruments went up too (+PLN 18.0m YoY) due to the settlement of the conversion and sale of series A shares of Visa Inc. and sale of all series C preference shares of that company, which limited the negative impact of movements in its share price.

Net fee and commission income was up 5.9% YoY on account of, among other things, net fee and commission income from the core business, i.e. lending and guarantee activities and settlement and payment activities (card, electronic and payment services) as well as insurance activities and currency exchange. A YoY increase was also observed in net fee and commission income from activities in the stock and investment fund markets reflecting trading volumes, volatility of financial markets and higher value of average assets managed by the Group.

Staff, general and administrative expenses were down 1.1% YoY due to a substantially lower contribution to the aid fund of System Ochrony Banków Komercyjnych S.A., lower amounts payable to the Bank Guarantee Fund and no need to make contributions to the Borrowers Support Fund. The financial effect of lower contributions payable to systemic institutions was partly offset by an increase in other components of general and administrative expenses and higher cost of salaries resulting from periodical pay rises in line with external and internal conditions.

The profit before tax for 2023 was negatively affected by the cost of PLN 2,922.1m in respect of legal risk and settlements connected with CHF mortgage loans (+52.0% YoY) and higher expected credit loss allowances (+28.5% YoY) reflecting the negative impact of the economic situation on the quality of the portfolio.

Comparability of periods

Selected items of the income statement affecting the comparability of periods

	2023	2022
Cost of legal risk connected with foreign currency mortgage loans <i>(income statement item)</i>	▶ PLN 2,592.3m	▶ PLN 1,739.1m
Cost of settlements connected with foreign currency mortgage loans <i>(gain/loss on derecognition of financial instruments measured at amortised cost)</i>	▶ PLN 329.8m	▶ PLN 183.3m
Negative adjustment to interest income on mortgage loans due to the so-called "statutory payment holidays" <i>(interest income)</i>	▶ PLN 49.3m	▶ PLN 1,544.4m, including PLN 1,538.0m in relation to Santander Bank Polska S.A., and PLN 6.4m in relation to Santander Consumer Bank S.A.
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>	▶ Contribution of PLN 174.6m to the bank resolution fund	▶ PLN 264.6m, including a contribution of PLN 55.6m to the bank guarantee fund and PLN 209.0m to the bank resolution fund
Costs related to the Institutional Protection Scheme (IPS) <i>(general and administrative expenses)</i>	▶ PLN 0.3m	▶ PLN 445.7m
Costs related to the Borrowers Support Fund <i>(general and administrative expenses)</i>	▶ No corresponding costs	▶ PLN 173.6m, including a contribution of PLN 139.6m made by Santander Bank Polska S.A., and a contribution of PLN 34.0m made by Santander Consumer Bank S.A.

Profit structure

Key aggregates and components of the income statement of Santander Bank Polska Group for 2023

Total income, including:	<ul style="list-style-type: none"> • Total income of Santander Bank Polska Group for 2023 increased by 29.2% YoY to PLN 15,992.3m. • Excluding the impact of "statutory payment holidays" for PLN mortgage loan borrowers and settlements with CHF mortgage loan borrowers (a total of PLN 379.1m in 2023 and PLN 1,727.7m in 2022), the underlying total income was up 16.0% YoY.
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Key aggregates and components of the income statement of Santander Bank Polska Group for 2023 (cont.)

Net interest income	<ul style="list-style-type: none"> • Net interest income of Santander Bank Polska Group grew by 35.9% YoY to PLN 13,115.9m on account of increased credit volumes resulting from the high interest rate environment following a series of NBP interest rate hikes until September 2022. In September and October 2023, the first interest rate cuts of 1 p.p. were made since 2020 (with the reference rate reduced to 5.75%), marking the start of the monetary policy easing cycle. • The consolidated net interest income takes into account the negative adjustment to interest income in respect of the "statutory payment holidays" for PLN mortgage loan borrowers, which totalled PLN 49.3m in 2023 and PLN 1.544,4m in 2022. This facility was introduced under the Act on crowdfunding for business and support for borrowers of 7 July 2022 to enable the borrowers who had taken out a PLN mortgage loan to suspend their principal and interest payments for four months in 2022 and 2023. • During the 12-month period ended 31 December 2023, the cumulative net interest margin (annualised on a Ytd basis) was 5.39% vs 4.31% in the corresponding period of 2022. The YoY margin increase of 1.08 p.p. is largely attributed to the charge made in the comparative period in respect of the adjustment due to payment holidays, which was preliminarily estimated for the entire period of availability of that solution. The YoY increase of 0.42 p.p. on a comparative basis reflects trends in the money market (including high interest rates in 2023) as well as higher business volumes and effectiveness of the Group's earning assets.
Net fee and commission income	<ul style="list-style-type: none"> • Net fee and commission income for 2023 was PLN 2,717.0m and increased by 5.9% YoY. Significant or moderate growth was reported in the majority of business lines, notably in guarantees and sureties, debit cards, loans and insurance, and asset management and distribution. Despite a higher volume of accounts, a YoY decrease was reported in account maintenance fees as an effect of the management of fee and charge schemes and promotional and preference terms offered to customers.
Other income	<ul style="list-style-type: none"> • Non-interest and non-fee income of Santander Bank Polska Group totalled PLN 159.4m and was down 2.1% YoY, primarily under the impact of: <ul style="list-style-type: none"> → A rise of 141.8% YoY in net trading income and revaluation to PLN 306.6m reflecting higher gain on derivatives and FX transactions (PLN 221.4m, up 138.9% YoY). → Lower loss of PLN 5.1m on other financial instruments (down PLN 17.9m YoY) on account of a profit of PLN 5.8m from the sale of treasury bonds (vs loss of PLN 10.2m), profit of PLN 2.9m from the conversion of convertible preference shares of Visa Inc. to series A shares and their subsequent sale, as well as positive change in the valuation of Visa Inc. shares (PLN 13.1m for 2023 on a consolidated basis) until the sale of all preference shares of Visa Inc. held by Santander Bank Polska S.A. in September 2023. → Loss of PLN 322.5m on derecognition of financial instruments measured at amortised cost (vs PLN 169.2m last year). This line item includes mainly costs of voluntary settlements with CHF home loan borrowers, which totalled PLN 329.8m for 2023 vs PLN 183.3m for 2022.
Costs of legal risk	<ul style="list-style-type: none"> • Costs of legal risk connected with foreign currency mortgage loans increased by 49.1% YoY to PLN 2,592.1m as a result of, among other things, legal developments in Poland connected with CHF mortgage loans.

Key aggregates and components of the income statement of Santander Bank Polska Group for 2023 (cont.)

Net allowances	<ul style="list-style-type: none"> • Net expected credit loss allowances totalled PLN 1,149.4m and went up by 28.5% YoY, with a concurrent increase of 4.3% in gross loans and advances measured at amortised cost. The cost of risk for 2023 was 0.72% vs 0.59% for 2022. In H1 2023, the cost of risk increased moderately as a result of deterioration in customers' standing and prospects due to geopolitical and macroeconomic developments. However, in H2 2023 the cost of risk of the majority of credit portfolios stabilised or decreased. • The level of net allowances was positively affected by the sale of credit receivables from personal and business customers of Santander Bank Polska S.A. and Santander Consumer Bank S.A. totalling PLN 2,249.7m at a profit before tax of PLN 238.8m (last year, credit receivables of PLN 1,689.7m were sold at a profit before tax of PLN 185.8m).
Total operating expenses	<ul style="list-style-type: none"> • In 2023, total operating expenses of Santander Bank Polska Group were relatively stable (up 0.4% YoY) and totalled PLN 4,715.0m. An increase in staff expenses resulting from the salary reviews in Q4 2022 and 2023 was accompanied by a decrease in general and administrative expenses reflecting lower contributions to the Bank Guarantee Fund (down 34.0% to PLN 174.6m) and the Institutional Protection Scheme/ SOBK (down 99.9% YoY to PLN 0.3m) and no contributions required to be made to the Borrowers Support Fund. This is an effect of high contributions made by the largest banks last year both to the mechanism supporting home loan borrowers in distress (PLN 173.6m) and to the Institutional Protection Scheme aid fund, with PLN 445.7m contributed by Santander Bank Polska S.A. A significant increase was reported in the following items of general and administrative expenses: marketing and entertainment (+12.4% YoY), use of IT systems (+20.9% YoY), maintenance of premises (+14.4% YoY) and cost of third party services (+35.4% YoY) connected with new group projects and outsourcing of services. • Growth was also reported in other operating expenses in respect of provisions for other assets, and depreciation/amortisation of property, plant and equipment and intangible assets, resulting from delivery of further investment projects and capitalisation of the related costs. • As total income grew by 29.2% YoY and total costs were stable, the cost to income ratio was 29.5% in 2023 vs 37.9% in 2022.
Taxes	<ul style="list-style-type: none"> • Tax on financial institutions for 2023 totalled PLN 782.5m and was stable compared to 2022, reflecting a YoY increase in assets with a YoY rise in the portfolio of tax-exempt treasury securities and a new tax exemption on securities which are statutorily guaranteed by the State Treasury. • Corporate income tax was PLN 1,902.2m and effectively lower compared to the previous year (the effective tax rate fell from 30.9% for 2022 to 27.8% for 2023), mainly on account of an increase in profit before tax combined with higher cost of legal risk related to foreign currency mortgage loans, lower contributions to the Bank Guarantee Fund and no payments required to be made to the Borrowers Support Fund.

Key business volumes and selected efficiency ratios

Key business data of Santander Bank Polska Group for 2023

Loans and advances to customers	<ul style="list-style-type: none"> • Gross loans and advances to customers totalled PLN 165,211.9m and were up 4.3% YoY as a combined effect of: <ul style="list-style-type: none"> → an increase of 5.9% YoY in the portfolio of loans and advances to enterprises and the public sector to PLN 68,666.2m on account of term loans and factoring receivables; → a rise of 11.8% YoY in the portfolio of finance lease receivables to PLN 13,418.7m, due to continued strong sales, notably in the vehicles segment; → an increase of 1.9% YoY in the portfolio of personal loans to PLN 83,052.5m, as a result of a recovery in the mortgage loan market and higher demand for cash loans.
Credit quality	<ul style="list-style-type: none"> • NPL ratio decreased from 5.0% to 4.6% as at 31 December 2023. The ratio of impairment allowances to average gross lease and credit receivables measured at amortised cost was 0.72% (0.59% the year before). • The provision coverage ratio for impaired loans was 55.4% compared with 57.5% as at 31 December 2022.
Deposits from customers	<ul style="list-style-type: none"> • Deposits from customers grew by 6.5% YoY to PLN 209,277.4m as a result of an increase of 6.8% YoY in personal deposits to PLN 115,261.2m and a rise of 6.1% YoY in deposits from enterprises and the public sector to PLN 94,016.2m. • The growth in deposits from customers in 2023 was mainly supported by term deposit account balances of personal customers as well as business entities and the public sector.
Liquidity	<ul style="list-style-type: none"> • Net customer loans to deposits ratio was 76.2% as at 31 December 2023 compared with 77.6% as at 31 December 2022.
Capital adequacy	<ul style="list-style-type: none"> • The total capital ratio was 18.56% (19.74% as at 31 December 2022), that is much above the regulatory minimum, ensuring security of operations and stable growth. The YoY decline in the ratio is mainly attributable to interim dividend pay-out in December 2023. • Tier 1 capital ratio was 17.18% vs 18.02% as at 31 December 2022.
Return on equity	<ul style="list-style-type: none"> • ROE totalled 20.3% (11.9% as at 31 December 2022).
Assets under management	<ul style="list-style-type: none"> • Net value of assets in investment funds managed by Santander Towarzystwo Funduszy Inwestycyjnych S.A. totalled PLN 18.9bn, up 54.2% YoY. • In 2023, net sales of the above investment funds were record high at PLN 4.3bn. The most popular products were short-term debt sub-funds, which were promoted since mid-2022 and whose projected rates of return were regularly published since May 2022. Investment funds of Santander Towarzystwo Funduszy Inwestycyjnych S.A. posted highest net sales in the market.
Customer base	<ul style="list-style-type: none"> • The customer base of Santander Bank Polska S.A. and Santander Consumer Bank S.A. totalled 7.5m, including 5.9m customers of the parent entity. As at the end of December 2023, the number of loyal customers of both banks exceeded 3.6m. • The number of PLN personal accounts of Santander Bank Polska S.A. was 4.6m (+3.4% YoY). Together with FX accounts, the personal accounts base totalled 5.8m (+4.9% YoY).
Electronic banking	<ul style="list-style-type: none"> • The number of customers with access to electronic banking services of Santander Bank Polska S.A. and Santander Consumer Bank S.A. was 6.4m (+2.4% YoY). • The number of active electronic banking customers, i.e. digital customers of Santander Bank Polska S.A. and Santander Consumer Bank S.A. (those who at least once used the internet or mobile banking in the last month of the year) exceeded 4.2m (+16.9% YoY), including nearly 3.0m active mobile customers (+10.4% YoY). • The payment card base of Santander Bank Polska Group included nearly 4.8m debit cards (+3.5% YoY) and 0.9m credit cards of Santander Bank Polska S.A. and Santander Consumer Bank S.A. (-7.1% YoY).

Selected ratios

Selected financial ratios of Santander Bank Polska Group	2023	2022 restated data
Cost/Income	29.5%	37.9%
Net interest income/Total income	82.0%	78.0%
Net interest margin ¹⁾	5.39%	4.31%
Net fee and commission income/Total income	17.0%	20.7%
Net loans and advances to customers/Deposits from customers	76.2%	77.6%
NPL ratio ²⁾	4.6%	5.0%
NPL provision coverage ratio ³⁾	55.4%	57.5%
Cost of credit risk ⁴⁾	0.72%	0.59%
ROE ⁵⁾	20.3%	11.9%
ROTE ⁶⁾	21.2%	12.1%
ROA ⁷⁾	1.8%	1.1%
Total capital ratio ⁸⁾	18.56%	19.74%
Tier 1 capital ratio ⁹⁾	17.18%	18.02%
Book value per share (PLN)	329.69	278.56
Earnings per ordinary share (PLN) ¹⁰⁾	47.28	27.39

- 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/ undistributed portion of the profit and recommended dividend.
- 6) Profit attributable to the parent's shareholders (for four consecutive quarters) to average tangible equity (as at the end of the current reporting period and the end of the previous year) defined as common equity attributable to the parent's shareholders less revaluation reserve, current year profit, recommended dividend, undistributed portion of the profit/ dividend reserve, intangible assets and goodwill.
- 7) Profit attributable to the parent's shareholders (for four consecutive quarters) to average total assets (as at the end of the current reporting period and the end of the previous year).
- 8) The capital ratio was calculated on the basis of own funds and total capital requirements established for the individual risk types by means of the standardised approach, in line with the CRD IV/CRR package. The comparative period includes profits allocated to own funds pursuant to applicable EBA guidelines.
- 9) Tier 1 ratio is Tier 1 capital expressed as a percentage of 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 divided by the average weighted number of ordinary shares.