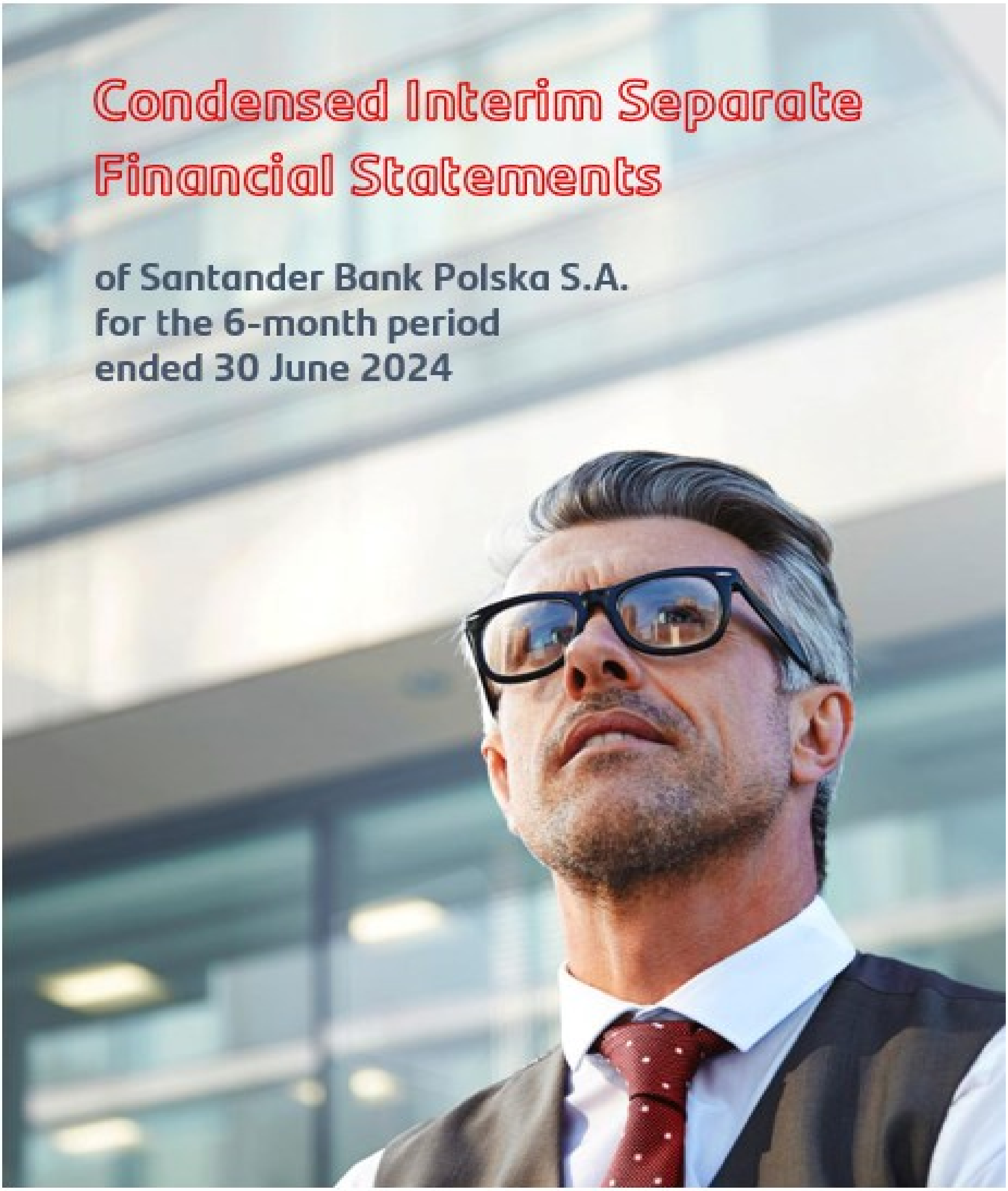
Condensed Interim Separate Financial Statements

of Santander Bank Polska S.A. for the 6-month period ended 30 June 2024



Santander

In thousands of PLN

I. Condensed income statement

	for the period	1.04.2024-30.06.2024	1.01.2024-30.06.2024	1.04.2023-30.06.2023* restated	1.01.2023-30.06.2023* restated
Interest income and similar to income		**3 834 559**	**7 770 743**	**3 848 423**	**7 529 889**
Interest income on financial assets measured at amortised cost		3 368 970	6 799 083	3 256 427	6 372 402
Interest income on financial assets measured at fair value through other comprehensive income		441 832	938 458	575 015	1 113 441
Income similar to interest on financial assets measured at fair value through profit or loss		23 757	33 202	16 981	44 046
Interest expense		**(1 024 838)**	**(2 030 521)**	**(1 054 544)**	**(2 034 119)**
Net interest income	Note 6	**2 809 721**	**5 740 222**	**2 793 879**	**5 495 770**
Fee and commission income		752 645	1 488 901	729 751	1 401 934
Fee and commission expense		(120 567)	(216 779)	(133 086)	(206 278)
Net fee and commission income	Note 7	**632 078**	**1 272 122**	**596 665**	**1 195 656**
Dividend income		167 032	168 837	240 223	240 378
Net trading income and revaluation	Note 8	77 506	77 629	14 710	140 804
Gains (losses) from other financial securities	Note 9	901	7 821	(2 324)	921
Gain/loss on derecognition of financial instruments measured at amortised cost	Note 32	(20 573)	(28 343)	(77 589)	(261 565)
Other operating income	Note 10	27 009	36 967	17 608	28 168
Impairment losses on loans and advances	Note 11	(267 075)	(408 197)	(267 975)	(446 251)
Cost of legal risk associated with foreign currency mortgage loans	Note 32	(799 333)	(1 013 322)	(559 375)	(907 623)
Operating expenses incl.:		(1 026 730)	(2 139 662)	(888 762)	(1 927 295)
-Staff, operating expenses and management costs	Note 12 and 13	(871 648)	(1 842 466)	(745 780)	(1 661 355)
-Amortisation of property, plant and equipment and Intangible assets		(96 486)	(189 718)	(87 307)	(169 925)
-Amortisation of right of use asset		(32 421)	(65 237)	(31 953)	(62 380)
-Other operating expenses	Note 14	(26 175)	(42 241)	(23 722)	(33 635)
Tax on financial institutions		(187 386)	(377 224)	(184 557)	(373 049)
Profit before tax		**1 413 150**	**3 336 850**	**1 682 503**	**3 185 914**
Corporate income tax	Note 15	(430 249)	(881 303)	(412 332)	(812 544)
Net profit for the period		**982 901**	**2 455 547**	**1 270 171**	**2 373 370**
Net earnings per share					
Basic earnings per share (PLN/share)		10,03	24,03	12,43	23,23
Diluted earnings per share (PLN/share)		10,03	24,03	12,43	23,23

*details in note 2.5

In thousands of PLN

II. Condensed statement of comprehensive income

	1.04.2024-30.06.2024	1.01.2024-30.06.2024	1.04.2023-30.06.2023* restated	1.01.2023-30.06.2023* restated
Net profit for the period	**982 901**	**2 455 547**	**1 270 171**	**2 373 370**
Items that will be reclassified subsequently to profit or loss:	**(63 183)**	**(280 766)**	**522 898**	**1 313 415**
Revaluation and sales of debt financial assets measured at fair value through other comprehensive income gross	7 678	313 313	410 347	1 175 481
Deferred tax	(1 458)	(59 529)	(77 965)	(223 341)
Revaluation of cash flow hedging instruments gross	(85 682)	(659 938)	235 205	446 019
Deferred tax	16 279	125 388	(44 689)	(84 744)
Items that will not be reclassified subsequently to profit or loss:	**95 300**	**95 288**	**18 170**	**18 167**
Revaluation of equity financial assets measured at fair value through other comprehensive income gross	116 357	116 342	22 433	22 429
Deferred and current tax	(22 108)	(22 105)	(4 263)	(4 262)
Provision for retirement benefits – actuarial gains/losses gross	1 298	1 298	-	-
Deferred tax	(247)	(247)	-	-
Total other comprehensive income, net	**32 117**	**(185 478)**	**541 068**	**1 331 582**
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD	**1 015 018**	**2 270 069**	**1 811 239**	**3 704 952**

*details in note 2.5

In thousands of PLN

III. Condensed statement of financial position

	as at:	30.06.2024	31.12.2023
ASSETS			
Cash and balances with central banks	Note 16	9 006 972	8 275 110
Loans and advances to banks	Note 17	5 824 473	9 048 400
Financial assets held for trading	Note 18	6 864 471	8 941 960
Hedging derivatives	Note 19	1 101 387	1 559 374
Loans and advances to customers incl.:	Note 20	147 560 182	140 903 101
- measured at amortised cost		143 654 253	138 093 756
- measured at fair value through other comprehensive income		3 895 201	2 798 234
- measured at fair value through profit and loss		10 728	11 111
Reverse sale and repurchase agreements		11 528 953	12 676 594
Investment securities incl.:	Note 21	62 351 179	62 952 586
- debt securities measured at fair value through other comprehensive income		33 832 014	44 814 032
- debt investment securities measured at amortised cost		28 130 487	17 866 218
- equity securities measured at fair value through other comprehensive income		388 678	272 336
Assets pledged as collateral		4 133 946	271 933
Investments in subsidiaries and associates	Note 22	2 377 407	2 377 407
Intangible assets		724 733	730 461
Goodwill		1 688 516	1 688 516
Property, plant and equipment		420 159	472 100
Right of use asset		473 033	449 610
Deferred tax assets		708 729	986 915
Fixed assets classified as held for sale	Note 23	4 308	4 308
Other assets		1 982 585	1 062 826
Total assets		**256 751 033**	**252 401 201**
LIABILITIES AND EQUITY			
Deposits from banks	Note 24	2 849 452	2 668 293
Hedging derivatives	Note 19	601 139	829 565
Financial liabilities held for trading	Note 18	7 085 792	8 834 034
Deposits from customers	Note 25	200 191 909	195 365 937
Sale and repurchase agreements		4 133 721	273 547
Subordinated liabilities	Note 26	2 572 920	2 585 476
Debt securities in issue	Note 27	6 196 341	5 929 056
Lease liabilities		503 006	484 012
Current income tax liabilities		176 215	1 127 618
Provisions for financial liabilities and guarantees granted	Note 28	140 788	151 294
Other provisions	Note 29	1 030 354	741 677
Other liabilities	Note 30	4 108 143	3 925 195
Total liabilities		229 589 780	222 915 704
Equity			
Share capital		1 021 893	1 021 893
Other reserve capital		22 366 349	23 369 548
Revaluation reserve		(460 644)	(275 166)
Retained earnings		1 778 108	696 244
Profit for the period		2 455 547	4 672 978
Total equity		27 161 253	29 485 497
Total liabilities and equity		**256 751 033**	**252 401 201**

Notes presented on pages 9– 52 constitute an integral part of these Financial Statements.

In thousands of PLN

IV. Condensed statement of changes in equity

Statement of changes in equity 1.01.2024 - 30.06.2024	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**	**-**	**23 369 548**	**(275 166)**	**5 369 222**	**29 485 497**
Total comprehensive income	-	-	-	(185 478)	2 455 547	2 270 069
Profit for the period	-	-	-	-	*2 455 547*	*2 455 547*
Other comprehensive income	-	-	-	*(185 478)*	-	*(185 478)*
Inclusion of share based incentive scheme	-	-	38 752	-	-	38 752
Purchase of own shares	-	(72 334)	-	-	-	(72 334)
Settlement of the purchase of own shares under share based incentive scheme	-	72 334	(72 592)	-	-	(258)
Profit allocation to other reserve capital	-	-	87 042	-	(87 042)	-
Profit allocation to dividends	-	-	(1 056 637)	-	(3 504 072)	(4 560 709)
Other changes	-	-	236	-	-	236
As at the end of the period	**1 021 893**	**-**	**22 366 349**	**(460 644)**	**4 233 655**	**27 161 253**

As at the end of the period revaluation reserve in the amount of PLN (460,644) k comprises: change in revaluation of debt securities in the amount of PLN (777,885) k, revaluation of equity securities in the amount of PLN 294,098 k, revaluation of cash flow hedge instruments in the amount of PLN 22,715 k and accumulated actuarial gains of PLN 428 k.

Statement of changes in equity 1.01.2023 - 30.06.2023	Share capital	Own shares	Other reserve capital	Revaluation reserve	Retained earnings and profit for the period	Total
As at the beginning of the period as previously reported	**1 021 893**	**-**	**22 305 509**	**(1 018 315)**	**3 986 173**	**26 295 260**
*Reclassification of specific bonds portfolio as at the beginning of the period**	-	-	-	*(1 649 990)*	-	*(1 649 990)*
As at the beginning of the period as restated	**1 021 893**	**-**	**22 305 509**	**(2 668 305)**	**3 986 173**	**24 645 270**
Total comprehensive income	-	-	-	1 331 582	2 373 370	3 704 952
Profit for the period	-	-	-	-	*2 373 370*	*2 373 370*
Other comprehensive income	-	-	-	*1 331 582*	-	*1 331 582*
Inclusion of share based incentive scheme	-	-	153 403	-	-	153 403
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**	**-**	**25 699 941**	**(1 336 723)**	**3 069 614**	**28 454 725**

*details in note 2.5

As at the end of the period revaluation reserve in the amount of PLN (1,336,723) k comprises: revaluation of debt securities in the amount of PLN (1,563,694) k, revaluation of equity securities in the amount of PLN 159,574 k, revaluation of cash flow hedge instruments in the amount of PLN 55,642 k and accumulated actuarial gains of PLN 11,755 k.

In thousands of PLN

V. Condensed statement of cash flows

for the period	1.01.2024-30.06.2024	1.01.2023-30.06.2023* restated
Cash flows from operating activities		
Profit before tax	**3 336 850**	**3 185 914**
Adjustments for:		
Depreciation/amortisation	254 955	232 305
Net gains on investing activities	(3 284)	3 293
Interest accrued excluded from operating activities	(1 031 141)	(983 372)
Dividends	(167 145)	(240 130)
Impairment losses (reversal)	1 935	3 813
Changes in:		
Provisions	278 171	99 230
Financial assets / liabilities held for trading	384 249	(1 123 882)
Assets pledged as collateral	(1 698 979)	-
Hedging derivatives	276 433	(743 219)
Loans and advances to banks	(2 346 016)	2 231 754
Loans and advances to customers	(12 173 818)	(8 615 196)
Deposits from banks	243 034	85 154
Deposits from customers	6 154 920	4 330 105
Buy-sell/ Sell-buy-back transactions	3 795 647	(2 763 390)
Other assets and liabilities	(1 490 927)	(396 524)
Interest received on operating activities	6 042 131	6 271 257
Interests paid on operating activities	(1 446 307)	(2 158 942)
Paid income tax	(1 511 013)	(283 464)
Net cash flows from operating activities	**(1 100 305)**	**(865 294)**
Cash flows from investing activities		
Inflows	**9 055 202**	**7 642 514**
Sale/maturity of investment securities	7 806 528	6 362 178
Sale of intangible assets and property, plant and equipment	713	7 623
Dividends received	162 188	155 400
Interest received	1 085 773	1 117 313
Outflows	**(11 386 681)**	**(6 208 694)**
Purchase of investment securities	(11 249 640)	(6 100 801)
Purchase of intangible assets and property, plant and equipment	(137 041)	(107 893)
Net cash flows from investing activities	**(2 331 479)**	**1 433 820**
Cash flows from financing activities		
Inflows	**2 226 077**	**1 900 000**
Debt securities issued	2 156 000	1 900 000
Drawing of loans	70 077	-
Outflows	**(6 951 615)**	**(2 610 363)**
Debt securities buy out	(1 900 000)	(2 340 050)
Repayment of loans and advances	(47 908)	-
Repayment of lease liabilities	(73 194)	(76 021)
Dividends to shareholders	(4 560 709)	-
Purchase of own shares	(72 334)	(48 884)
Interest paid	(297 470)	(145 408)
Net cash flows from financing activities	**(4 725 538)**	**(710 363)**
Total net cash flows	**(8 157 322)**	**(141 837)**
- including change resulting from FX differences	(43 665)	(736 815)
Cash and cash equivalents at the beginning of the accounting period	**33 698 888**	**34 490 824**
Cash and cash equivalents at the end of the accounting period	**25 541 566**	**34 348 987**

*details in note 2.5

VI. Additional notes to condensed interim 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.

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

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

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

In thousands of PLN

2. Basis of preparation of condensed interim financial statements

2.1. Statement of compliance

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

Santander Bank Polska S.A. applied the same accounting principles and calculation methods as in the preparation of the financial statements for the year ended as at 31 December 2023, except for the income tax charge, which was calculated in accordance with the principles set out in IAS34.30c and changes in accounting standards explained in p. 2.4.

2.2. Basis of preparation of financial statements

Presented condensed interim financial statement does not contain information and disclosures required in annual financial statement and should be read together with financial statements as at 31 December 2023.

These financial statements have been prepared on the assumption that the Bank 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.

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

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

In thousands of PLN

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

IFRS	Nature of changes	Effective from	Influence on Santander Bank Polska S.A.
Amendments to IAS 21: Lack of Exchangeability	Amendments require disclosure of information that enables users of financial statements to understand the impact of a currency not being exchangeable.	1 January 2025	The amendment will not have a significant impact on financial statements.*
Amendments to the Classification and Measurement of Financial Instruments (Amendments to IFRS 9 and IFRS 7)	Amendments regarding classification and measurement of financial instruments clarify derecognition of a financial liability settled through electronic transfer,present examples of contractual terms that are consistent with a basic lending arrangement,clarify characteristics of non-recourse features and contractually linked instruments and specify new disclosures.	1 January 2026	The amendment may have impact on some of the disclosures in financial statements.*
IFRS 18 Presentation and Disclosure in Financial Statements	IFRS 18 includes requirements for all entities applying IFRS for the presentation and disclosure of information in financial statements.	1 January 2027	The amendment may have impact on some of the disclosures and income statement in financial statements.*
IFRS 19 Subsidiaries without Public Accountability: Disclosures	IFRS 19 specifies reduced disclosure requirements that an eligible entity is permitted to apply instead of the disclosure requirements in other IFRS Accounting Standards.	1 January 2027	The amendment will not have an impact on 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 2024

IFRS	Nature of changes	Effective from	Influence on Santander Bank Polska S.A.
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 doesn`t have a significant impact on financial statements.
Amendments to IFRS 16	Clarification on the calculation of the leasing liability in sales and leaseback transactions with variable fees.	1 January 2024	The amendment doesn`t not have a significant impact on financial statements.
Amendments to IAS 7/ IFRS 7: Supplier Finance Agreements	Amendments require an entity to disclose qualitative and quantitative information about its supplier finance programs, such as terms and conditions – including, for example, extended payment terms and security or guarantees provided.	1 January 2024	The amendment doesn`t have a significant impact on financial statements.

In thousands of PLN

2.5 Comparability of previous periods

Change in the classification of the specific bond portfolio

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 I 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 the consolidated financial statements for 2023 and classified again the portfolio of selected bonds as financial assets measured at fair value through other comprehensive income. The impact of the corresponding correction on the published consolidated financial statements as at 30 June 2023 is presented below.

Items in the separate income statement

	for the period: 1.01.2023 - 30.06.2023		
	before	adjustment	after
Interest income and similar to interest	**7 529 889**	**-**	**7 529 889**
Interest income on financial assets measured at amortised cost	6 474 211	(101 809)	6 372 402
Interest income on financial assets measured at fair value through other comprehensive income	1 011 632	101 809	1 113 441
Income similar to interest on financial assets measured at fair value through profit or loss	44 046	-	44 046

Items in the separate statement of comprehensive income

	for the period: 1.01.2023 - 30.06.2023		
	before	adjustment	after
Net profit for the period	**2 373 370**		**2 373 370**
Items that will be reclassified subsequently to profit or loss:	**756 319**	**557 096**	**1 313 415**
Revaluation and sales of debt financial assets measured at fair value through other comprehensive income gross	487 708	687 773	1 175 481
Deferred tax	(92 664)	(130 677)	(223 341)
Revaluation of cash flow hedging instruments gross	446 019	-	446 019
Deferred tax	(84 744)	-	(84 744)
Items that will not be reclassified subsequently to profit or loss	**18 167**	**-**	**18 167**
Total other comprehensive income, net	**774 486**	**557 096**	**1 331 582**
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD	**3 147 856**	**557 096**	**3 704 952**

In thousands of PLN

Items in the separate statement of changes in equity

	for the period: 1.01.2023-30.06.2023				
	Revaluation reserve before	Total equity before	adjustment	Revaluation reserve after	Total equity 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	774 486	3 147 856	557 096	1 331 582	3 704 952
Other comprehensive income	*774 486*	*774 486*	*557 096*	*1 331 582*	*1 331 582*
As at the end of the period	**(243 829)**	**29 547 619**	**(1 092 894)**	**(1 336 723)**	**28 454 725**

*Item includes revaluation and sales of debt financial assets measured at fair value through other comprehensive income gross in the amount of PLN (1,349,252)k and deferred tax in the amount of PLN 256,358k.

2.6 Use of estimates

Preparation of financial statements in accordance with the International Financial Reporting Standards (" 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.

Key estimates include:

- Allowances for expected credit losses
- Estimates of provisions for legal claims
- Estimates of risk arising from mortgage loans in foreign currencies
- Estimates of the impact of the credit holidays resulting from the amendment to the Act on crowdfunding for business ventures and assistance to borrowers

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 are 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 are 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 are 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 Bank'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 realisation 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 orginated financial assets that are impaired on 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., 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. would not otherwise consider, which fulfil below criteria:
    1. restructuring transactions classified in the Stage 3 category (before restructuring decision),
    2. transactions restructured in the contingency period that meet the criteria for reclassification to the Stage 3 (quantitative and/or qualitative),
    3. transactions restructured during the contingency period previously classified as non-performing due to observed customer financial difficulties, have been restructured again or are more than 30 days past due,

(4) 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,

(5) restructured transactions including debt write-off, interest grace periods or repaid in installments without contractual interest,

(6) restructured transactions, where there was a decrease in the net present value of cash flows (NPV) of at least 1% compared to the NPV before the application of the forbearance measures,

(7) transactions where there is a repeated failure to comply with the established payment plan of previous forbearances that has led to successive forbearances of the same exposure (transaction),

(8) transactions where:

- in inadequate repayment schedules 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

(9) transactions for which the Bank 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 Bank 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 increase 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 Bank 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 Bank 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.

- Absolute threshold criterion - a significant increase in risk is considered to have occurred when, over the horizon of the current remaining life of the exposure, the annualised PD at the reporting date exceeds the corresponding PD at the time the exposure was recognised by an amount greater than the threshold.
- In addition, the Bank applies the threefold risk criterion. It is met when, over the horizon of the current remaining life of the exposure, the annualised PD as at the reporting date exceeds three times the corresponding PD at the time the exposure was recognised.

New criteria for a significant increase in risk (absolute threshold and a condition verifying at least a threefold increase in PD) were introduced in the second quarter of 2024 for retail portfolios and SMEs. As a result of the changes introduced, credit exposure amounting to PLN 7,009,149 k was reclassified to Stage 2 and the estimated level of loan impairments was changed in the amount of PLN 124,495 k (increase, which charged the current year's result).

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

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

Santander Bank Polska S.A. 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. 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 Bank determines the factors which affect individual asset classes to estimate an appropriate evolution of risk parameters.

The Bank uses scenarios developed internally by the analytical team, which are updated on a monthly basis at least every six months.

The models and parameters generated for the needs of IFRS 9 are subject to model management process and periodic calibration and validation. These tools are also used in the financial planning process.

Determination of forward-looking information and their likelihood

Forward-looking events are reflected both in the process of estimating ECL and when determining a significant increase in credit risk, by developing appropriate macroeconomic scenarios and then reflecting them in the estimation of parameters for each scenario. The final parameter value and the ECL is the weighted average of the parameters weighted by the likelihood of each scenario. Bank uses three scenario types: the baseline scenario and two alternative scenarios, which reflect the probable alternative options of the baseline scenario: upside and downside scenario. Scenario weights are determined using the expected GDP path and the confidence intervals for this forecast in such a way that the weights reflect the uncertainty about the future development of this factor.

The Bank's models most often indicate the dependence of the quality of loan portfolios on the market situation in terms of the level of deposits, loans, as well as the levels of measures related to interest rates.

Baseline scenario

In 2023, the Polish economy grew by only 0.2% as it felt the effects of the Russian invasion of Ukraine combined with a strong inflationary impulse. In the middle of last year, the economy began to show signs of recovery and accelerated in the first quarter of this year. The baseline scenario assumes that the Polish economy will continue to recover and grow by 3.1% in 2024 and 3.5% in 2025. Growth in 2024 will be driven primarily by strong private consumption, supported by a solid labour market, high indexation of social benefits and strong consumer confidence. After a forecasted standstill in 2024, investments will increase in 2025, driven by EU funds. Inflation CPI is expected to increase to 5% in the second half of 2024, mainly due to higher energy prices, and to fall to the target by the end of 2026. CPI is expected to average 3.8% in 2024 4.5% in 2025 and 3.5% in 2026.

In thousands of PLN

The years 2023-24 were election years in Poland, which favoured a more expansive fiscal policy, with a generous indexation of existing social benefits and the introduction of new ones. In this context, with a good situation on the labour market and a moderate increase in inflation, when preparing macroeconomic scenarios, the market priced the central bank to slowly normalize monetary policy, reducing rates by 25 basis points in 2024 and another 50 in 2025, which will bring the NBP reference rate to 5% in end of 2025.

The euro exchange rate expressed in zlotys dropped significantly in the second half of 2023, which was caused by the change of government and the unblocking of EU funds. The zloty has some short-term appreciation potential due to the expected strong inflow of EU funds and the slower easing of monetary policy in Poland than in other countries. However, in the longer term, geopolitical risks and purchasing power parity will probably cause the exchange rate to increase towards 4.35.

A rebounding economy, interest rate cuts in 2023 and the government's borrower support program have revived the lending market and this recovery is expected to continue in the coming quarters. Deposit growth was strong, driven by growth in net foreign assets of the banking sector, but is expected to converge to loan growth.

Worst case scenario

The worst case scenario was built assuming a deterioration in consumer confidence, leading to a decline in private consumption in the short term, accompanied by poor use of EU funds, which translates into lower investment outlays in the economy, as well as a weaker inflow of foreign workers, which will weaken the long-term growth potential in Poland.

In the negative scenario, the economy is expected to grow by 1.8% in 2024 and by 1.2% in 2025. Slower growth will translate into faster disinflation, with CPI falling from 11.4% in 2023 to 3.4% in 2024 and 2.4% in 2025.

Weaker growth prospects will encourage the NBP to further reduce interest rates and will cause the NBP reference rate to drop to 2.00% by the end of 2024.Less optimistic economic results and low NBP interest rates will weaken the zloty, and the euro exchange rate will increase towards 4.45.

Lower economic activity will negatively impact demand for loans in the banking system, especially in the household sector, as businesses may need liquidity loans. The growth rate of deposits will also slow down.

Best case scenario

The best case scenario was built assuming a quick disbursement of EU funds, strong private consumption and a strong inflow of workers into the economy, which will allow it to record higher long-term growth rates.

The economy is expected to accelerate to 5.5% in 2024 and 5.2% in 2025. Higher growth will contribute to higher CPI inflation, which will average 3.9% in 2024, increase to 6.2% in 2025, and 3.9% in 2026.

Strong economic growth and an increased CPI will encourage the NBP to start a cycle of increases, which will raise the reference rate to 6.75% in the first quarter of 2025. Monetary policy easing will come in 2026, after the CPI declines, and rates will drop to 5.50%.

The Polish currency is expected to appreciate in the coming quarters, but the pace of appreciation will be limited by high inflation in Poland. The euro exchange rate is expected to fall to 4.20-4.25 in the coming years.

Accelerating economic activity will have a positive impact on the demand for loans in the banking system, which will also support money creation and the growth of deposits.

Scenario as at 30. 06. 2024		baseline		best case		worst case	
likelihood		60%		20%		20%	
		2024	average, next 3 years	2024	average, next 3 years	2024	average, next 3 years
GDP	YoT	3.1%	3.4%	5.5%	5.2%	1.8%	1.5%
WIBOR 3M	average	5.8%	5.2%	6.6%	6.4%	2.9%	2.2%
unemployment rate	% active	3.1%	3.1%	3.1%	2.8%	3.2%	3.6%
CPI	YoY	3.8%	3.5%	3.9%	4.3%	3.4%	2.0%
EURPLN	period-end	4.34	4.34	4,27	4.23	4.44	4.46

In thousands of PLN

Management ECL adjustments

In the first quarter of 2024, in addition to ECL write-offs resulting from the complex calculation model implemented in the system, Santander Bank Polska S.A. reviewed management adjustments updating the risk level with current and expected future events, as a result of which:

- the management adjustment has been released in the amount of PLN 19,600 k on the portfolio of mortgage-secured retail loans, the risk of which may increase after the cessation of assistance activities – payment holidays for 2022 and 2023,
- management adjustment has been updated to the amount of PLN 39,710 k on the corporate portfolio to cover the underestimation of the LGD parameter (PLN 27,520 k on 31.12.2023). This is the only management ECL adjustment in force as at the end of June 2024).

Potential ECL variability

Significant volatility for the income statement may be reclassifications to Stage 2 from Stage 1. The theoretical reclassification of given percentage of exposures from Stage 1 with the highest risk level to Stage 2 for each type of exposure would result in an increase in write-offs according to below table (portfolio as at 30 June 2024).

	additional expected credit loss (mPLN)				
reclassification from stage 1 to stage 2	**individuals**	**mortgage loans**	**business**	**Total 30.06.2024**	**Total 31.12.2023**
1%	7,5	6,0	4,5	18,0	20,5
5%	31,9	21,3	25,8	79,0	97,9
10%	55,5	32,8	48,7	137,0	172,7

The above estimates show expected variability of loss allowances as a result of transfers between Stage 1 and Stage 2, resulting in significant changes in the degree to which exposures are covered with allowances in respect of different ECL horizons. Changes in forecasts of macroeconomic indicators may result in significant effects affecting the level of created provisions. Adoption of macroeconomic parameter estimates at only one scenario level (pessimistic or optimistic) will result in a one-off change in ECL at the level below.

	in PLN m	change in ECL level			
scenario				**30.06.2024**	**31.12.2023**
	individuals	**mortgages loans**	**business**	**Total**	**Total**
pessimistic	43,1	4,6	24,4	72,1	60,4
optimistic	-45,7	-4,0	-24,2	-73,9	-65,6

Estimates of provisions for legal claims

Santander Bank Polska S.A. 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 notes 29, 32 and 33

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

Estimates of 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, Bank 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 32.

In mid-2022, Bank 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.

As explained in the accounting policies, Santander Bank Polska S.A. 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 of changes in 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 second quarter of 2024, the Bank recognized PLN 799,333 k as cost of legal risk related to mortgage loans in foreign currencies and PLN 21,918 k as a cost of signed settlements.

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

Details presenting the impact of the above-mentioned risk on financial statements, assumptions adopted for their calculation, scenario description and sensitivity analysis are contained in notes 29 and 32, respectively.

Estimates of the impact of the credit holidays resulting from the amendment to the Act on crowdfunding for business ventures and assistance to borrowers.

Based on the conditions defined in the amended Act, the size of the portfolio for which credit holidays may occur and the assumptions regarding the number of eligible customers who will benefit from the deferral of installments, the Bank estimated the impact of the holidays on the financial result at the time of entry into force of the Act and recognized it as a reduction in the carrying amount of the mortgage loan portfolio and a decrease in interest income in the amount of PLN 134,500 k. The amended Act introduces qualification criteria that were not included in the original Act. These criteria concern the relation of the installment to an income and the number of dependent children (in the case of at least 3 children, the level of income is not taken into account). The assumed hit rate for the mortgage loan portfolio meeting the conditions of the Act is 15%. The estimated hit rate takes into account both applications for credit holidays that have been submitted so far and those that will be submitted by the end of the government credit holiday program. As at June 30, 2024, the Bank did not find it necessary to update the estimate.

2.7 Change of accounting policy

Except for the changes described in note 2.3,Santander Bank Polska S.A. consistently applied the adopted accounting principles both for the reporting period for all reporting periods presented in these financial statements

3. Operating segments reporting

Data regarding the respective business segments are presented in „Condensed interim consolidated financial statements of Santander Bank Polska Group for 6-month period ended 30 June 2024" published on 24 July 2024.

4. Risk management

Information on risk management included in „Condensed interim consolidated financial statements of Santander Bank Polska Group for 6-month period ended 30 June 2024" fully stand in for notes to this condensed interim financial statements.

5. Capital management

Details on capital management have been presented in document „Information on Capital Adequacy of Santander Bank Polska Group as at 30 June 2024".

In thousands of PLN

6. Net interest income

Interest income and similar to interest	1.04.2024-30.06.2024	1.01.2024-30.06.2024	1.04.2023-30.06.2023* restated	1.01.2023-30.06.2023* restated
Interest income on financial assets measured at amortised cost	**3 368 970**	**6 799 083**	**3 256 427**	**6 372 402**
Loans and advances to enterprises and leasing agreements	1 201 778	2 386 627	1 266 865	2 423 083
Loans and advances to individuals, of which:	1 441 070	3 037 272	1 573 121	3 159 221
Home mortgage loans	*801 632*	*1 767 410*	*945 837*	*1 922 132*
Loans and advances to banks	217 339	424 914	200 260	381 808
Loans and advances to public sector	23 798	48 416	20 553	42 469
Reverse repo transactions	162 154	307 131	131 481	257 126
Debt securities	340 112	622 039	64 582	115 698
Interest recorded on hedging IRS	(17 281)	(27 316)	(435)	(7 003)
Interest income on financial assets measured at fair value through other comprehensive income	**441 832**	**938 458**	**575 015**	**1 113 441**
Loans and advances to enterprises	70 283	126 713	32 309	91 913
Loans and advances to public sector	4 193	8 335	6 614	13 096
Debt securities	367 356	803 410	536 092	1 008 432
Income similar to interest - financial assets measured at fair value through profit or loss	**23 757**	**33 202**	**16 981**	**44 046**
Loans and advances to enterprises	-	-	342	1 420
Loans and advances to individuals	449	957	1 923	5 802
Debt securities	23 308	32 245	14 716	36 824
Total income	**3 834 559**	**7 770 743**	**3 848 423**	**7 529 889**

*details in note 2.5

Interest expenses	1.04.2024-30.06.2024	1.01.2024-30.06.2024	1.04.2023-30.06.2023	1.01.2023-30.06.2023
Interest expenses on financial liabilities measured at amortised cost	**(1 024 838)**	**(2 030 521)**	**(1 054 544)**	**(2 034 119)**
Liabilities to individuals	(412 071)	(810 548)	(479 692)	(861 690)
Liabilities to enterprises	(269 473)	(539 745)	(338 548)	(693 246)
Repo transactions	(66 428)	(131 017)	(44 378)	(127 519)
Liabilities to public sector	(89 975)	(175 370)	(75 229)	(150 900)
Liabilities to banks	(30 803)	(61 613)	(23 207)	(44 240)
Lease liability	(5 379)	(10 656)	(4 447)	(8 702)
Subordinated liabilities and issue of securities	(150 709)	(301 572)	(89 043)	(147 822)
Total costs	**(1 024 838)**	**(2 030 521)**	**(1 054 544)**	**(2 034 119)**
Net interest income	**2 809 721**	**5 740 222**	**2 793 879**	**5 495 770**

In thousands of PLN

7. Net fee and commission income

Fee and commission income	1.04.2024-30.06.2024	1.01.2024-30.06.2024	1.04.2023-30.06.2023	1.01.2023-30.06.2023
eBusiness & payments	72 926	143 928	70 812	139 382
Current accounts and money transfer	99 545	196 680	95 906	189 012
Foreign exchange commissions	220 294	426 412	189 949	371 475
Credit commissions incl. factoring commissions and other	84 201	172 769	99 037	193 227
Insurance commissions	40 962	78 963	34 103	64 898
Commissions from brokerage activities	37 735	80 073	31 920	68 172
Credit cards	21 903	43 547	24 475	46 746
Debit cards	114 921	219 207	128 883	223 319
Off-balance sheet guarantee commissions	33 918	69 506	36 357	64 238
Issue arrangement fees	2 443	12 091	2 058	10 172
Distribution fees	23 797	45 725	16 251	31 293
Total	**752 645**	**1 488 901**	**729 751**	**1 401 934**

Fee and commission expenses	1.04.2024-30.06.2024	1.01.2024-30.06.2024	1.04.2023-30.06.2023	1.01.2023-30.06.2023
eBusiness & payments	(23 702)	(40 781)	(19 875)	(37 592)
Commissions from brokerage activities	(3 828)	(8 295)	(3 014)	(6 743)
Credit cards	(2 415)	(4 192)	(3 872)	(3 553)
Debit cards	(37 489)	(65 396)	(49 241)	(56 717)
Credit commissions paid	(8 303)	(14 686)	(10 841)	(17 215)
Insurance commissions	(2 995)	(5 844)	(3 554)	(7 119)
Finance lease commissions	(138)	(292)	(172)	(288)
Off-balance sheet guarantee commissions	(5 363)	(11 771)	(10 115)	(19 496)
Other	(36 334)	(65 522)	(32 402)	(57 555)
Total	**(120 567)**	**(216 779)**	**(133 086)**	**(206 278)**
Net fee and commission income	**632 078**	**1 272 122**	**596 665**	**1 195 656**

8. Net trading income and revaluation

Net trading income and revaluation	1.04.2024-30.06.2024	1.01.2024-30.06.2024	1.04.2023-30.06.2023	1.01.2023-30.06.2023
Derivative instruments	(13 053)	138 444	(36 923)	92 185
Interbank FX transactions and other FX related income	58 706	(126 092)	28 457	12 100
Net gains on sale of equity securities measured at fair value through profit or loss	6 980	8 794	7 510	16 355
Net gains on sale of debt securities measured at fair value through profit or loss	23 842	55 103	7 719	8 017
Change in fair value of loans and advances mandatorily measured at fair value through profit or loss	1 031	1 380	7 947	12 147
Total	**77 506**	**77 629**	**14 710**	**140 804**

The above amounts included CVA and DVA adjustments in the amount of PLN 3,592k for H1 2024, PLN 621 k for 2Q 2024 and PLN (1,730k) for H1 2023, PLN (2,177k) for 2Q 2023 .

In thousands of PLN

9. Gains (losses) from other financial securities

Gains (losses) from other financial securities	1.04.2024-30.06.2024	1.01.2024-30.06.2024	1.04.2023-30.06.2023	1.01.2023-30.06.2023
Net gains on sale of debt securities measured at fair value through other comprehensive income	1 268	5 651	-	(4 660)
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	-	-	3 217	14 605
Impairment losses on securities	-	-	(2 016)	(2 016)
Total gains (losses) on financial instruments	**1 268**	**5 651**	**1 201**	**10 816**
Change in fair value of hedging instruments	(7 897)	29 708	(101 066)	(254 799)
Change in fair value of underlying hedged positions	7 530	(27 538)	97 541	244 904
Total gains (losses) on hedging and hedged instruments	**(367)**	**2 170**	**(3 525)**	**(9 895)**
Total	**901**	**7 821**	**(2 324)**	**921**

10. Other operating income

Other operating income	1.04.2024-30.06.2024	1.01.2024-30.06.2024	1.04.2023-30.06.2023	1.01.2023-30.06.2023
Income from services rendered	5 625	10 242	4 641	8 979
Release of provision for legal cases and other assets	17 219	18 489	1 296	1 825
Recovery of other receivables (expired, cancelled and uncollectable)	7	13	86	92
Gain on sales or liquidation of fixed assets, intangible assets and assets for disposal	-	-	1 367	1 367
Settlements of leasing agreements / Income from claims received from the insurer	1 548	1 654	18	34
Received compensations, penalties and fines	528	962	591	1 321
Other	2 082	5 607	9 609	14 550
Total	**27 009**	**36 967**	**17 608**	**28 168**

In thousands of PLN

11. Impairment allowances for expected losses

Impairment allowances for expected credit losses on loans and advances measured at amortised cost	1.04.2024-30.06.2024	1.01.2024-30.06.2024	1.04.2023-30.06.2023	1.01.2023-30.06.2023
Charge for loans and advances to banks	**22**	**20**	**(1 522)**	**(1 490)**
Stage 1	22	20	(1 522)	(1 490)
Stage 2	-	-	-	-
Stage 3	-	-	-	-
POCI	-	-	-	-
Charge for loans and advances to customers	**(262 623)**	**(424 288)**	**(263 203)**	**(440 145)**
Stage 1	756	(23 097)	(52 147)	(81 842)
Stage 2 *	(231 761)	(310 796)	(96 443)	(159 299)
Stage 3	(69 475)	(141 733)	(140 137)	(243 773)
POCI	37 857	51 338	25 524	44 769
Recoveries of loans previously written off	**8 095**	**5 216**	**(1 920)**	**(999)**
Stage 1	-	-	-	-
Stage 2	-	-	-	-
Stage 3	8 095	5 216	(1 920)	(999)
POCI	-	-	-	-
Off-balance sheet credit related facilities	**(12 569)**	**10 855**	**(1 330)**	**(3 617)**
Stage 1	2 902	2 465	(223)	(3 375)
Stage 2	(20 755)	(11 354)	(3 092)	(3 540)
Stage 3	5 284	19 744	1 985	3 298
POCI	-	-	-	-
Total	**(267 075)**	**(408 197)**	**(267 975)**	**(446 251)**

* In the second quarter of 2024 were introduced the new criteria for significant increase in credit risk (absolute threshold and a condition verifying at least a threefold increase in PD) for the retail and SME portfolios, with an estimated impact of PLN (124,495) k on the level of expected credit losses - details in note 2.6.

12. Employee costs

Employee costs	1.04.2024-30.06.2024	1.01.2024-30.06.2024	1.04.2023-30.06.2023	1.01.2023-30.06.2023
Salaries and bonuses	(394 030)	(778 011)	(371 944)	(743 300)
Salary related costs	(70 549)	(141 944)	(65 474)	(126 817)
Cost of contributions to Employee Capital Plans	(3 437)	(6 590)	(2 945)	(5 343)
Staff benefits costs	(11 935)	(23 231)	(7 236)	(14 690)
Professional trainings	(2 431)	(3 746)	(1 714)	(3 464)
Retirement fund, holiday provisions and other employee costs	(944)	(944)	-	-
Total	**(483 326)**	**(954 466)**	**(449 313)**	**(893 614)**

In thousands of PLN

13. General and administrative expenses

General and administrative expenses	1.04.2024-30.06.2024	1.01.2024-30.06.2024	1.04.2023-30.06.2023	1.01.2023-30.06.2023
Maintenance of premises	(31 188)	(61 076)	(27 806)	(58 019)
Short-term lease costs	(2 206)	(4 829)	(2 258)	(4 461)
Low-value assets lease costs	(289)	(590)	(295)	(592)
Costs of variable lease payments not included in the measurement of the lease liability	(4)	(251)	30	(400)
Non-tax deductible VAT	(8 304)	(17 986)	(8 986)	(17 642)
Marketing and representation	(34 117)	(63 574)	(29 044)	(54 879)
IT systems costs	(114 443)	(225 880)	(100 722)	(209 402)
Cost of BFG, KNF and KDPW	(67 467)	(251 643)	(1 757)	(175 636)
Cost for paument to protection system (IPS)	-	-	(238)	(238)
Postal and telecommunication costs	(10 996)	(23 701)	(14 424)	(27 353)
Consulting and advisory fees	(9 325)	(16 995)	(10 257)	(18 533)
Cars, transport expenses, carriage of cash	(10 538)	(22 079)	(15 798)	(31 277)
Other external services	(59 635)	(118 271)	(47 508)	(94 958)
Stationery, cards, cheques etc.	(2 798)	(6 521)	(4 469)	(9 349)
Sundry taxes and charges	(8 702)	(17 122)	(8 737)	(17 337)
Data transmission	(5 480)	(11 742)	(6 501)	(11 290)
KIR, SWIFT settlements	(9 378)	(19 018)	(7 142)	(15 477)
Security costs	(4 796)	(9 704)	(4 289)	(8 788)
Costs of repairs	(1 580)	(3 209)	(1 072)	(1 874)
Other	(7 076)	(13 809)	(5 194)	(10 236)
Total	**(388 322)**	**(888 000)**	**(296 467)**	**(767 741)**

14. Other operating expenses

Other operating expenses	1.04.2024-30.06.2024	1.01.2024-30.06.2024	1.04.2023-30.06.2023	1.01.2023-30.06.2023
Charge of provisions for legal cases and other assets	(15 045)	(23 070)	(15 640)	(18 741)
Impairment loss on property, plant, equipment, intangible assets covered by financial lease agreements and other fixed assets	-	(1 935)	(2 144)	(3 219)
Loss on sales or liquidation of fixed assets, intangible assets and assets for disposal	(1 006)	(2 367)	-	-
Costs of purchased services	(424)	(779)	(602)	(1 253)
Other membership fees	(410)	(783)	(488)	(726)
Paid compensations, penalties and fines	(5)	(8)	(12)	(21)
Donations paid	(4 000)	(4 000)	(2 700)	(2 700)
Other	(5 285)	(9 299)	(2 136)	(6 975)
Total	**(26 175)**	**(42 241)**	**(23 722)**	**(33 635)**

In thousands of PLN

15. Corporate income tax

Corporate income tax	1.04.2024-30.06.2024	1.01.2024-30.06.2024	1.01.2023-30.06.2023	1.01.2023-30.06.2023
Current tax charge in the income statement	(327 297)	(575 115)	(455 941)	(737 826)
Deferred tax charge in the income statement	(102 952)	(321 693)	28 800	(92 879)
Adjustments from previous years for current and deferred tax	-	15 505	14 810	18 161
Total tax on gross profit	**(430 249)**	**(881 303)**	**(412 331)**	**(812 544)**

Corporate total tax charge information	1.04.2024-30.06.2024	1.01.2024-30.06.2024	1.01.2023-30.06.2023	1.01.2023-30.06.2023
Profit before tax	1 413 150	3 336 850	1 682 503	3 185 914
Tax rate	19%	19%		19%
Tax calculated at the tax rate	(268 499)	(634 002)	(319 676)	(605 324)
Non-tax-deductible expenses	(1 621)	(5 001)	(6 620)	(9 051)
Cost of legal risk associated with foreign currency mortgage loans	(139 516)	(158 976)	(104 133)	(149 326)
The fee to the Bank Guarantee Fund	(11 034)	(44 284)	1 247	(30 210)
Tax on financial institutions	(35 603)	(71 672)	(35 066)	(70 879)
Non-taxable income	31 736	32 079	45 606	45 606
Non-tax deductible bad debt provisions	(4 426)	(12 805)	(3 562)	(4 036)
Adjustment of prior years tax	-	15 505	14 810	18 162
Other	(1 286)	(2 147)	(4 937)	(7 486)
Total tax on gross profit	**(430 249)**	**(881 303)**	**(412 331)**	**(812 544)**

Deferred tax recognised in other comprehensive income	30.06.2024	31.12.2023
Relating to valuation of debt investments measured at fair value through other comprehensive income	182 468	241 997
Relating to valuation of equity investments measured at fair value through other comprehensive income	(68 987)	(46 882)
Relating to cash flow hedging activity	(5 328)	(130 716)
Relating to valuation of defined benefit plans	(102)	145
Total	**108 051**	**64 544**

16. Cash and balances with central banks

Cash and balances with central banks	30.06.2024	31.12.2023
Cash	1 612 431	2 603 728
Current accounts in central banks	7 081 406	5 606 355
Term deposits	313 135	65 027
Total	**9 006 972**	**8 275 110**

Santander Bank Polska 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 which was 3.5% as at 30.06.2024 and 31.12.2023 .

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

In thousands of PLN

17. Loans and advances to banks

Loans and advances to banks	30.06.2024	31.12.2023
Loans and advances	3 638 015	5 853 899
Current accounts	2 186 610	3 194 673
Gross receivables	**5 824 625**	**9 048 572**
Allowance for impairment	(152)	(172)
Total	**5 824 473**	**9 048 400**

18. Financial assets and liabilities held for trading

	30.06.2024		31.12.2023	
Financial assets and liabilities held for trading	Assets	Liabilities	Assets	Liabilities
Trading derivatives	**6 252 369**	**6 054 308**	**7 393 837**	**8 009 913**
Interest rate operations	4 257 119	3 845 052	4 044 042	4 325 534
FX operations	1 995 250	2 209 256	3 349 795	3 684 379
Debt and equity securities	**612 102**	**-**	**1 548 123**	**-**
Debt securities	**537 369**	**-**	**1 519 191**	**-**
Government securities:	508 732	-	1 508 969	-
- bonds	508 732	-	1 508 969	-
Other securities:	28 637	-	10 222	-
- bonds	28 637	-	10 222	-
Equity securities	**74 733**	**-**	**28 932**	**-**
Short sale	**-**	**1 031 484**	**-**	**824 121**
Total	**6 864 471**	**7 085 792**	**8 941 960**	**8 834 034**

Financial assets and liabilities held for trading - trading derivatives include the change in the value of counterparty risk in the amount of PLN 2,491 k as at 30.06.2024 and PLN (1,923) k as at 31.12.2023.

19. Hedging derivatives

	30.06.2024		31.12.2023	
Hedging derivatives	Assets	Liabilities	Assets	Liabilities
Derivatives hedging fair value	258 405	14 221	228 401	157 437
Derivatives hedging cash flows	842 982	586 918	1 330 973	672 128
Total	**1 101 387**	**601 139**	**1 559 374**	**829 565**

As at 30.06.2024, the line item: hedging derivatives – derivatives hedging cash flows reflects a change in the first-day valuation of forward-starting CIRS transactions of PLN (280) k and PLN (444) k as at 31.12.2023.

In thousands of PLN

20. Loans and advances to customers

	30.06.2024			
Loans and advances to customers	**Measured at amortised cost**	**Measured at fair value through other comprehensive income**	**Measured at fair value through profit or loss**	**Total**
Loans and advances to enterprises	72 596 941	3 756 466	-	76 353 407
Loans and advances to individuals, of which:	73 992 545	-	10 728	74 003 273
*Home mortgage loans**	*53 519 472*	-	-	*53 519 472*
Loans and advances to public sector	995 371	249 689	-	1 245 060
Other receivables	71 631	-	-	71 631
Gross receivables	**147 656 488**	**4 006 155**	**10 728**	**151 673 371**
Allowance for impairment	(4 002 235)	(110 954)	-	(4 113 189)
Total	**143 654 253**	**3 895 201**	**10 728**	**147 560 182**

* Includes changes in gross receivables recognized in note 32 Legal risk connected with CHF mortgage loans and impact of the payment holidays – details in note 2.6.

	31.12.2023			
Loans and advances to customers	**Measured at amortised cost**	**Measured at fair value through other comprehensive income**	**Measured at fair value through profit or loss**	**Total**
Loans and advances to enterprises	70 314 319	2 640 475	-	72 954 794
Loans and advances to individuals, of which:	70 571 976	-	11 111	70 583 087
*Home mortgage loans**	*51 006 587*	-	-	*51 006 587*
Loans and advances to public sector	972 763	249 734	-	1 222 497
Other receivables	67 091	-	-	67 091
Gross receivables	**141 926 149**	**2 890 209**	**11 111**	**144 827 469**
Allowance for impairment	(3 832 393)	(91 975)	-	(3 924 368)
Total	**138 093 756**	**2 798 234**	**11 111**	**140 903 101**

* Includes changes in gross receivables recognized in note 32 Legal risk connected with CHF mortgage loans and impact of the payment holidays – details in note 2.6.

Impact of the legal risk of mortgage loans in foreign currency	**Gross carrying amount of mortgage loans in foreign currency before adjustment due to legal risk costs**	**Impact of the legal risk of mortgage loans in foreign currency**	**Gross carrying amount of mortgage loans in foreign currency after adjustment due to legal risk costs***
30.06.2024			
Mortgage loans in foreign currency - adjustment to gross carrying amount	4 397 933	3 558 760	839 173
Provision in respect of legal risk connected with foreign currency mortgage loans		914 951	
Total		**4 473 711**	
31.12.2023			
Mortgage loans in foreign currency - adjustment to gross carrying amount	5 013 975	3 414 431	1 599 544
Provision in respect of legal risk connected with foreign currency mortgage loans		624 354	
Total		**4 038 785**	

* Includes changes in gross book value described in note 32 Legal risk connected with CHF mortgage loans

In thousands of PLN

Loans and advances to enterprises 30.06.2024	Gross carrying amount	Allowance for expected credit losses	Net
Stage 1	64 681 753	(161 221)	64 520 532
Stage 2	4 679 492	(425 221)	4 254 271
Stage 3	2 792 867	(1 599 405)	1 193 462
POCI	442 829	(63 280)	379 549
Total	**72 596 941**	**(2 249 127)**	**70 347 814**

Loans and advances to individuals 30.06.2024	Gross carrying amount	Allowance for expected credit losses	Net
Stage 1	63 180 307	(166 400)	63 013 907
Stage 2	8 482 227	(426 230)	8 055 997
Stage 3	2 061 434	(1 099 890)	961 544
POCI	268 577	(60 588)	207 989
Total	**73 992 545**	**(1 753 108)**	**72 239 437**

In the second quarter of 2024 were introduced the new criteria for significant increase in credit risk (absolute threshold and a condition verifying at least a threefold increase in PD) for the retail and SME portfolios - the estimated impact of the reclassification of exposures to stage 2 for this reason amounted PLN 7,009,149 k.

Loans and advances to enterprises 31.12.2023	Gross carrying amount	Allowance for expected credit losses	Net
Stage 1	63 320 246	(177 954)	63 142 292
Stage 2	3 853 273	(325 689)	3 527 584
Stage 3	2 701 478	(1 585 684)	1 115 794
POCI	439 322	(65 414)	373 908
Total	**70 314 319**	**(2 154 741)**	**68 159 578**

Loans and advances to individuals 31.12.2023	Gross carrying amount	Allowance for expected credit losses	Net
Stage 1	65 736 893	(272 383)	65 464 510
Stage 2	2 512 051	(236 394)	2 275 657
Stage 3	2 037 751	(1 105 001)	932 750
POCI	285 281	(63 874)	221 407
Total	**70 571 976**	**(1 677 652)**	**68 894 324**

Movements on allowances for expected credit losses on loans and advances to customers measured at amortised cost for reporting period	1.01.2024-30.06.2024	1.01.2023-30.06.2023
Balance at the beginning of the period	**(3 832 393)**	**(4 000 693)**
Charge/write back of current period	**(452 746)**	**(475 213)**
Stage 1	(22 724)	(73 195)
Stage 2	(293 598)	(159 373)
Stage 3	(141 733)	(243 774)
POCI	5 309	1 129
Write off/Sale of receivables	**205 354**	**287 985**
Stage 1	-	-
Stage 2	-	-
Stage 3	205 354	287 985
POCI	-	-
Transfer	**73 989**	**71 418**
Stage 1	145 053	59 554
Stage 2	3 356	80 300
Stage 3	(74 275)	(68 765)
POCI	(145)	329
FX differences	**3 561**	**17 099**
Stage 1	389	2 271
Stage 2	872	2 829
Stage 3	2 043	11 489
POCI	257	510
Balance at the end of the period	**(4 002 235)**	**(4 099 404)**

In thousands of PLN

21. Investment securities

Investment securities	30.06.2024	31.12.2023
Debt investment securities measured at fair value through other comprehensive income	**33 832 014**	**44 814 032**
Government securities:	19 716 743	25 218 632
- bonds	19 716 743	25 218 632
Central Bank securities:	3 395 367	6 096 392
- bills	3 395 367	6 096 392
Other securities:	10 719 904	13 499 008
-bonds	10 719 904	13 499 008
Debt investment securities measured at amortised cost	**28 130 487**	**17 866 218**
Government securities:	25 029 352	17 004 818
- bonds	25 029 352	17 004 818
Other securities:	3 101 135	861 400
- bonds	3 101 135	861 400
Equity investment securities measured at fair value through other comprehensive income	**388 678**	**272 336**
- unlisted	388 678	272 336
Total	**62 351 179**	**62 952 586**

22. Investments in subsidiaries and associates

Investments in subsidiaries and associates	30.06.2024	31.12.2023
Subsidiaries	2 340 801	2 340 801
Associates	36 606	36 606
Total	**2 377 407**	**2 377 407**

23. Fixed assets classified as held for sale

Fixed assets classified as held for sale	30.06.2024	31.12.2023
Land and buildings	4 308	4 308
Total	**4 308**	**4 308**

24. Deposits from banks

Deposits from banks	30.06.2024	31.12.2023
Term deposits	200 158	553 858
Current accounts	2 649 294	2 114 435
Total	**2 849 452**	**2 668 293**

25. Deposits from customers

Deposits from customers	30.06.2024	31.12.2023
Deposits from individuals	**114 771 109**	**107 212 340**
Term deposits	35 303 350	35 121 689
Current accounts	79 387 135	72 007 545
Other	80 624	83 106
Deposits from enterprises	**76 536 981**	**79 675 168**
Term deposits	17 972 273	16 868 037
Current accounts	55 532 181	59 740 299
Loans from financial institution	193 562	171 394
Other	2 838 965	2 895 438
Deposits from public sector	**8 883 819**	**8 478 429**
Term deposits	1 007 649	505 847
Current accounts	7 858 821	7 836 387
Other	17 349	136 195
Total	**200 191 909**	**195 365 937**

26. Subordinated liabilities

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

Movements in subordinated liabilities	1.01.2024-30.06.2024	1.01.2023-30.06.2023
As at the beginning of the period	**2 585 476**	**2 705 885**
Increase (due to):	**91 189**	**89 226**
- interest on subordinated loans	91 189	89 226
Decrease (due to):	**(103 745)**	**(172 636)**
- interest repayment	(91 819)	(87 792)
- FX differences	(11 926)	(84 844)
As at the end of the period	**2 572 920**	**2 622 475**
Short-term	35 332	37 022
Long-term (over 1 year)	2 537 588	2 585 453

27. Debt securities in issue

Debt securities in issue on 30.06.2024

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	1 900 000	PLN	02.04.2024	02.04.2027	1 934 481
Santander Bank Polska S.A.	Bonds	3 100 000	PLN	29.11.2023	30.11.2026	3 121 469
Santander Bank Polska S.A.	Bonds	200 000	EUR	22.12.2023	22.12.2025	883 835
Santander Bank Polska S.A.	Bonds	256 000	PLN	26.06.2024	14.02.2034	256 556
Total						**6 196 341**

Debt securities in issue on 31.12.2023

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	1 900 000	PLN	30.03.2023	31.03.2025	1 936 502
Santander Bank Polska S.A.	Bonds	3 100 000	PLN	29.11.2023	30.11.2026	3 121 357
Santander Bank Polska S.A.	Bonds	200 000	EUR	22.12.2023	22.12.2025	871 197
Total						**5 929 056**

Movements in debt securities in issue	1.01.2024-30.06.2024	1.01.2023-30.06.2023
As at the beginning of the period	**5 929 056**	**5 899 300**
Increase (due to):	**2 365 737**	**1 957 996**
- debt securities issued	2 156 000	1 900 000
- interest on debt securities in issue	209 737	57 996
Decrease (due to):	**(2 098 452)**	**(2 572 246)**
- debt securities repurchase	(1 900 000)*	(2 340 050)
- interest repayment	(189 613)	(47 596)
- FX differences	(7 000)	(184 600)
- other changes	(1 839)	-
As at the end of the period	**6 196 341**	**5 285 050**

*The Bank decided to exercise a call option with regard to series 1/2023 non-preferred bonds in accordance with their issue terms and conditions. The early redemption took place on the interest payment date, i.e. 31 March 2024, and covered all the bonds issued, i.e. 3,800 bonds with the total nominal value of PLN 1.900.000 k. The redemption amount (nominal amount and interest accrued until the early redemption date) was paid to the investors that held the bonds on the date of determining the rights to interest, i.e. 22 March 2024. The early redemption of bonds was made through the Central Securities Depository of Poland (KDPW) in accordance with its regulations.

28. Provisions for financial liabilities and guarantees granted

Provisions for financial liabilities and guarantees granted	30.06.2024	31.12.2023
Provisions for financial commitments to grant loans and credit lines	125 660	124 661
Provisions for financial guarantees	14 663	25 987
Other provisions	465	646
Total	**140 788**	**151 294**

Change in provisions for financial liabilities and guarantees granted	30.06.2024
As at the beginning of the period	**151 294**
Provision charge	95 457
Write back	(106 312)
Other changes	349
As at the end of the period	**140 788**
Short-term	71 681
Long-term	69 107

Change in provisions for financial liabilities and guarantees granted	30.06.2023
As at the beginning of the period	**74 012**
Provision charge	64 912
Write back	(61 295)
Other changes	(849)
As at the end of the period	**76 780**
Short-term	50 754
Long-term	26 026

In thousands of PLN

29. Other provisions

Other provisions	30.06.2024	31.12.2023
Provision for legal risk connected with foreign currency mortgage loans	914 951	624 354
Provisions for reimbursement of costs related to early repayment of consumer and mortgage loans	23 944	26 398
Provisions for legal claims and other	91 459	90 925
Total	**1 030 354**	**741 677**

Change in other provisions 1.01.2024 - 30.06.2024	Provisions 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	**624 354**	**26 398**	**90 925**	**-**	**741 677**
Provision charge/relase	336 385	-	79 172	-	415 557
Utilization	(31 755)	(2 454)	(78 638)	-	(112 847)
Other	(14 033)	-	-	-	(14 033)
As at the end of the period	**914 951**	**23 944**	**91 459**	**-**	**1 030 354**

*Details in Note 32

Change in other provisions 1.01.2023 - 30.06.2023	Provisions 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	**318 683**	**31 321**	**98 190**	**15 463**	**463 657**
Provision charge/relase	116 314	-	69 635	-	185 949
Utilization	(11 206)	(2 678)	(61 960)	(4 969)	(80 813)
Other	(8 674)	-	-	-	(8 674)
As at the end of the period	**415 117**	**28 643**	**105 865**	**10 494**	**560 119**

30. Other liabilities

Other liabilities	30.06.2024	31.12.2023
Settlements of stock exchange transactions	62 785	62 073
Interbank and interbranch settlements	986 160	1 231 217
Employee provisions	289 912	434 834
Sundry creditors	2 024 718	1 538 256
Liabilities from contracts with customers	120 640	129 837
Public and law settlements	158 468	168 591
Accrued liabilities	465 460	360 387
Total	**4 108 143**	**3 925 195**
of which financial liabilities *	3 829 035	3 626 767

*financial liabilities include all items of Other liabilities with the exception of Public and law settlements, Liabilities from contracts with customers and Other

In thousands of PLN

Change in employee provisions 1.01.2024 - 30.06.2024		*of which: Provisions for retirement allowances*
As at the beginning of the period	**434 834**	***55 945***
Provision charge	122 223	*2 429*
Utilization	(265 009)	-
Release of provisions	(2 136)	*(1 298)*
As at the end of the period	**289 912**	***57 076***
Short-term	232 836	-
Long-term	57 076	*57 076*

Change in employee provisions 1.01.2023 - 30.06.2023		*of which: Provisions for retirement allowances*
As at the beginning of the period	**374 374**	**38 529**
Provision charge	129 202	*1 127*
Utilization	(198 354)	-
Release of provisions	(229)	-
Other changes	(72 110)	
As at the end of the period	**232 883**	***39 656***
Short-term	193 227	-
Long-term	39 656	*39 656*

31. Fair value

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

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

ASSETS	30.06.2024		31.12.2023	
	Book Value	Fair value	Book Value	Fair value
Cash and balances with central banks	9 006 972	9 006 972	8 275 110	8 275 110
Loans and advances to banks	5 824 473	5 824 473	9 048 400	9 048 400
Loans and advances to customers measured at amortised cost, of which:	143 654 253	142 662 107	138 093 756	138 196 794
-individuals	19 222 651	19 441 685	18 469 953	18 558 247
-housing loans	53 016 786	51 885 880	50 488 244	49 712 063
-business	70 347 814	70 267 540	68 224 993	69 015 918
Buy-sell-back transactions	11 528 953	11 528 953	12 676 594	12 676 594
Debt investment securities measured at amortised cost	28 130 487	28 052 739	17 866 218	18 073 903
LIABILITIES				
Deposits from banks	2 849 452	2 849 452	2 668 293	2 668 293
Deposits from customers	200 191 909	200 165 220	195 365 937	195 375 513
Sell-buy-back transactions	4 133 721	4 133 721	273 547	273 547
Subordinated liabilities	2 572 920	2 535 859	2 585 476	2 548 323
Debt securities in issue	6 196 341	6 220 627	5 929 056	6 077 393

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 bank 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: 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 quotations. Instruments classified in 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 bank 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.

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

As at 30.06.2024 and in the comparable periods the Bank 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 bank 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 NBP bills and derivative instruments. Derivative instruments are measured using discounted cash flow models based on the discount curve derived from the inter-bank market.

Level III (measurement methods using material non-market parameters): This level includes equity securities that are not quoted in the active market, measured using the expert valuation model; investment certificates measured at the balance sheet date at the price announced by the mutual fund and debt securities. This level includes also part of credit cards portfolio and loans and advances subject to underwriting, i.e. portion of credit exposures that are planned to be sold before maturity for reasons other than increase in credit risk.

The objective of using a valuation technique is to determine the fair value, i.e., prices, which were obtained by the sale of an asset in 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 bank classifies financial instruments, which are valued using internal valuation models:

LEVEL 3	VALUATION METHOD	UNOBSERVABLE INPUT
LOANS AND ADVANCES TO CUSTOMERS: credit cards and underwriting loans and advances;	Discounted cash flow method	Effective margin on loans
CORPORATE DEBT SECURITIES	Discounted cash flow method	Credit spread
SHARES IN BIURO INFORMACJI KREDYTOWEJ SA	Estimation of the fair value based on the present value of the forecast results of the company	The valuation assumed a payment of 100% of the net result forecasted by the company and the discount estimated at market level.
SHARES IN KRAJOWA IZBA ROZLICZENIOWA SA	Estimation of the fair value based on the present value of the forecast results of the company	The valuation assumed a payment of 80% of the net result forecasted by the company and the discount estimated at market level.
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	The valuation based on the company's forecasted net financial results and revenues and the median P/E and EV/S multipliers based on the comparative 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	The valuation was based on net assets of the company and the Bank's share in the capital (ca0.048%).
SHARES IN SYSTEM OCHRONY BANKÓW KOMERCYJNYCH S.A. 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	The valuations were based on the companies' net assets and the Bank's share in capital at the level of: -for SOBK ca. 12.9% -for WSEZ ca. 0.2%.

Expert valuations of capital instruments are prepared whenever required, but at least once a year. Valuations are prepared by an employee of the Department of Capital Management and Capital Investments (DZKiIK), and then verified by an employee of the Financial Risk Department (DRF) and finally accepted by a specially appointed team of Directors: Department of Capital Management and Capital Investments (DZKiIK), Financial Risk Department (DRF) and the Financial Accounting Area (ORF) (or employees designated by them). The valuation methodology for estimating the value of financial instruments from the DZKiIK portfolio using the expert method is included in the document "Investment strategy of Santander Bank Polska S.A. in capital market instruments. This document is subject to periodic reviews, updated at least once a year and approved by the Management Board and the Supervisory Board of the Bank.

Instruments are transferred between levels of the fair value hierarchy based on observability criteria verified at the ends of reporting periods. In the case of risk factors commonly considered observable on the market, the Bank considers information on directly concluded transactions on a given market to be the primary criterion of observability, and information on the number and quality of available price quotations is an auxiliary criterion.

In the period from January 1 to June 30, 2024, the following transfers of financial instruments between levels of the fair value measurement hierarchy were made:

• derivatives were transferred from Level 3 to Level 2, which on the date of conclusion, due to the original maturity date and liquidity, are classified at level 3, and for which, as their period to maturity shortens, the liquidity of observable quotations increases and are transferred to level 2;

The impact of estimated parameters on measurement of financial instruments for which the Bank applies fair value valuation according to Level 3 as at 30 June 2024 and in comparative period is as follows:

In thousands of PLN

	Fair value as at 30.06.2024	Valuation technique	Unobservable factor	Unobservable factor range	Impact on fair value +/-100 bps Positive scenario	Negative scenario
Corporate debt securities	9 553 032	Discounted cash flow	Credit spread	(-0,35%-0,88%)	204 797	(195 936)
Loans and advances measured at fair value through other comprehensive income	3 895 201	Discounted cash flow	Effective margin	(1.02%-3.69%)	135 905	(126 498)

	Fair value as at 31.12.2023	Valuation technique	Unobservable factor	Unobservable factor range	Impact on fair value +/-100 bps Positive scenario	Negative scenario
Corporate debt securities	11 555 157	Discounted cash flow	Credit spread	(0.48% -0.9%]	253 915	(242 537)
Loans and advances measured at fair value through other comprehensive income	2 798 234	Discounted cash flow	Effective margin	(0.78%-4.58%)	94 606	(88 355)

As at 30.06.2024 and in the comparable periods the Bank classified its financial instruments to the following fair value levels:

30.06.2024	Level I	Level II	Level III	Total
Financial assets				
Financial assets held for trading	607 002	6 251 828	5 641	6 864 471
Hedging derivatives	-	1 101 387	-	1 101 387
Loans and advances to customers measured at fair value through other comprehensive income	-	-	3 895 201	3 895 201
Loans and advances to customers measured at fair value through profit or loss	-	-	10 728	10 728
Debt securities measured at fair value through OCI	20 883 615	3 395 367	9 553 032	33 832 014
Equity securities measured at fair value through OCI	-	-	388 678	388 678
Assets pledged as collateral	4 215 077	-	-	4 215 077
Total	**25 705 694**	**10 748 582**	**13 853 280**	**50 307 556**
Financial liabilities				
Financial liabilities held for trading	1 031 484	6 053 233	1 075	7 085 792
Hedging derivatives	-	601 139	-	601 139
Total	**1 031 484**	**6 654 372**	**1 075**	**7 686 931**

In thousands of PLN

31.12.2023	Level I	Level II	Level III	Total
Financial assets				
Financial assets held for trading	1 544 308	7 388 154	9 498	8 941 960
Hedging derivatives	-	1 559 374	-	1 559 374
Loans and advances to customers measured at fair value through other comprehensive income	-	-	2 798 234	2 798 234
Loans and advances to customers measured at fair value through profit or loss	-	-	11 111	11 111
Debt securities measured at fair value through OCI	27 162 483	6 096 392	11 555 157	44 814 032
Equity securities measured at fair value through OCI	-	-	272 336	272 336
Assets pledged as collateral	271 933	-	-	271 933
Total	**28 978 724**	**15 043 920**	**14 646 336**	**58 668 980**
Financial liabilities				
Financial liabilities held for trading	824 121	8 003 969	5 944	8 834 034
Hedging derivatives	-	829 565	-	829 565
Total	**824 121**	**8 833 534**	**5 944**	**9 663 599**

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

Level III

30.06.2024	Financial assets held 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 other comprehensive income	Equity securities measured at fair value through other comprehensive income	Financial assets held for trading
As at the beginning of the period	**9 498**	**11 111**	**2 798 234**	**11 555 157**	**272 336**	**5 944**
Profit or losses						
-recognised in income statement						
---net trading income and revaluation	160	*2 627*	*117 126*	-	-	252
---gains/losses from other financial securites	-	-	-	-	-	-
-recognised in equity (OCI)	-	-	-	*(40 010)*	*116 342*	-
Purchase/ granting	3 309	1 487	1 447 782	-	-	443
Sale	(1 859)		(6 816)	-	-	-
Matured	-	(4 497)	(457 175)	(1 962 115)	-	-
Transfer	(5 467)	-	-	-	-	(5 564)
Other	-	-	(3 950)		-	-
As at the end of the period	**5 641**	**10 728**	**3 895 201**	**9 553 032**	**388 678**	**1 075**

In thousands of PLN

Level III

31.12.2023	Financial assets held 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 other comprehensive income	Debt Investment securities measured at fair value through profit and loss	Equity investment securities measured at fair value through profit and loss	Equity securities measured at fair value through other comprehensive income	Financial liabilities held for trading
As at the beginning of the period	**12 008**	**152 131**	**2 628 660**	**2 410**	**62 907**	**58 035**	**200 170**	**8 355**
Profit or losses								
-recognised in income statement								
---net trading income and revaluation	*(4 606)*	*26 361*	*161 238*	-	-	-	-	*(1 167)*
---gains/losses from other financial securites	-	-	-	-	*4 852*	*6 185*	-	
-recognised in equity (OCI)-valuation change of equity instruments	-	-	-	-	-	-	*72 166*	-
Purchase/ granting	1 383	12 190	1 760 240	-	-	-	-	393
Sale	-	(8 102)	(282 645)	-	(67 888)	(64 122)	-	-
Matured	-	(171 469)	(1 407 100)	-	-	-	-	-
Transfer	713	-	-	11 554 763	-	-	-	(1 637)
Other	-	-	(62 159)	(2 016)	129	(98)	-	-
As at the end of the period	**9 498**	**11 111**	**2 798 234**	**11 555 157**	**-**	**-**	**272 336**	**5 944**

32. Legal risk connected with CHF mortgage loans

As at 30 June 2024, the Bank had a portfolio of 18.5k CHF-denominated and CHF-indexed loans of PLN 4,111,151k gross before adjustment to the gross carrying amount at PLN 3,389,145k reducing contractual cash flows in respect of legal risk. The Bank also had PLN loans which used to be denominated in or indexed to CHF. Their total gross amount was PLN 286,782k before adjustment to the gross carrying amount at PLN 169,615k reducing contractual cash flows in respect of legal risk.

As at 31 December 2023, the Bank had a portfolio of 20.2k CHF-denominated and CHF-indexed loans of PLN 4,759,628k gross before adjustment to the gross carrying amount at PLN 3,289,747k reducing contractual cash flows in respect of legal risk. The Bank also had PLN loans which used to be denominated in or indexed to CHF. Their total gross amount was PLN 254,347k before adjustment to the gross carrying amount at PLN 124,684k reducing contractual cash flows in respect of legal risk.

To date, the ruling practice regarding loans indexed to or denominated in foreign currencies has not been completely unanimous.

The prevailing practice is the annulment of a loan agreement due to unfair clauses concerning loan indexation and application of an exchange rate from the bank's FX table. Some courts issue judgments as a result of which the loan is converted to PLN: the unfair indexation mechanism is removed and the loan is treated as a PLN loan with an interest rate based on a rate relevant for CHF. Other courts adjudicate partly in favour of banks: only the application of an exchange rate based on the bank's FX table is deemed to be unfair and is replaced by an objective indexation rate, i.e. an average NBP exchange rate or market exchange rate. Still others decide on the removal of loan indexation, as a consequence of which the loan is treated as a PLN loan with an interest rate based on WIBOR. Judgments are also passed which declare loan agreements void due to unlawful terms. Those judgments are incidental and as such, in the Bank's view, have no significant impact on the assessment of legal risk of court cases regarding mortgage loans denominated in or indexed to CHF.

Lastly, there are still rulings which are entirely favourable to banks, where conversion clauses are not deemed to be unfair and the case against the bank is dismissed.

The foregoing differences in the case-law resulted from discrepancies in the ruling practice of the Supreme Court and the nature of rulings passed by the Court of Justice of the European Union (CJEU), which essentially provide guidance rather than detailed rules on how specific disputes should be adjudicated and claims settled.

Judgments passed by the Supreme Court in cases examined as part of the cassation procedure varied as to the effects of potential unfairness of indexation clauses: from the annulment of a loan agreement (prevailing practice) to its continuation in existence after the removal of unfair terms.

For example, in three judgments passed on 19 September 2023 (file no. II CSKP 1627/22, II CSKP 1110/22, II CSKP 1495/22) the Supreme Court reiterated that an agreement can continue in force if unfair clauses are eliminated, that is if they are replaced by reference to an objective market rate or average NBP rate (the same was stated in the judgment of 28 September 2022 in case no. II CSKP 412/22, and in the dissenting opinion on case no. II CSKP 701/22). Recently, several judgments have been passed in favour of banks, whereby the court refused to examine borrowers' cassation complaints based on similar grounds as above, that is the continuation of the agreement after elimination of unfair clauses (e.g. case no. I CSK 5082/22 and I CSK 7034/22).

In 2021, the Supreme Court was expected to present its stance on CHF loans in response to the questions asked by the First President of the Supreme Court in 2021 (file no. III CZP 11/21). However, as the Supreme Court's composition has been contested, the stance will not be presented until the CJEU responds to the question concerning the procedure for the appointment of judges. On 9 January 2024, the CJEU refused to respond to that question. The case was remanded to the Supreme Court. On 25 April 2024, the Civil Chamber passed a resolution (file no. III CZP 25/22). Nine judges refused to take part in the hearing on the constitutional grounds. Six judges issued dissenting opinions, mainly in relation to the continuation of an agreement in force after excluding unfair provisions. In accordance with the stance presented by the Supreme Court in the above resolution:

- if a contractual provision of an indexed or denominated loan agreement concerning the determination of a foreign currency exchange rate is found to be an unfair clause and is not binding, based on the current case law it is not possible for this provision to be replaced by any other method of determining exchange rates under the law or prevailing practices;
- if it is not possible to determine a binding exchange rate in an indexed or denominated loan agreement, other provisions of that agreement are not binding either.

In relation to the invalidation of a loan agreement, the Supreme Court further held that:

- if a bank disbursed a loan in full or in part under a loan agreement which is not binding due to unfair clauses and a borrower made loan repayments under that agreement, the parties can make separate claims for reimbursement of undue consideration (two separate claims theory);
- if a loan agreement is not binding due to unfair clauses, then in principle, the limitation period for the bank's claims for reimbursement of amounts disbursed under that agreement starts running as of the next day after the borrower questioned the binding nature of the agreement;
- if a loan agreement is not binding due to unfair clauses, there is no legal basis for either party to claim interest or other benefits in respect of the use of that party's funds during the period from performance of undue consideration until the day the party fell in arrears with reimbursement of that consideration.

The grounds of the above resolution are being awaited. Following the adoption of the above resolution by the Supreme Court, the prevailing ruling practice is still to declare the loan agreement invalid due to unfair indexation and currency exchange clauses. However, there are also judgments which do not follow the argumentation presented by the Supreme Court and declare that the loan agreement should continue in force.

In the earlier resolution passed in 2021 (file no. III CZP 6/21), the Supreme Court expressed its opinion on several important matters concerning settlements between the parties in the case of annulment of a loan agreement. It stated that the parties must each reimburse to the other any payments made under the agreement in accordance with the two separate claims theory. This way, the balance theory (ex officio mutual set-off of claims) was rejected. 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. As there were conflicting opinions about whether the right of retention can be exercised with respect to claims arising from a loan agreement, questions were submitted to the Supreme Court about the legal nature of a loan agreement. Courts also referred to the CJEU for a preliminary ruling.

In the above resolution, the Supreme Court also pointed out that the limitation of the bank's claims for return of unjust enrichment may not commence until the agreement is considered permanently ineffective, i.e. until the consumer takes an informed decision as to invalidity of the agreement, after they have been duly informed about the unfairness of contractual provisions and the related effects. This was in line with the opinion issued by the CJEU in respect of the limitation period for the consumer's claims for reimbursement of instalments 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.

In its ruling practice, the CJEU generally gives priority to the protection of consumer's interests violated by unfair contractual terms. At the same time, it reiterates that the main objective of Directive 93/13/EEC on unfair terms in consumer contracts is to restore the balance between the parties, i.e. to restore the legal and factual situation which the consumer would have been in had they signed the agreement without the unfair term, while not undermining the deterrent effect sought by the Directive (deterring sellers or suppliers from including unfair terms in agreements). Therefore, the court should first endeavour to keep the agreement in existence without the unfair term, where possible (i.e. if the main subject of the agreement is not changed). At the same time, the CJEU holds that it is permissible for the unfair term to be replaced by a supplementary provision of national law (even one that entered into force after the conclusion of the agreement) or a rule which the parties have opted for. Recently, the CJEU has put forward a relatively new idea: that the parties should restore the balance through negotiations within the framework set by the court, this way protecting the consumer from adverse effects of the annulment of an agreement (particularly the need to immediately reimburse the amounts due to the bank). The CJEU takes the view that an agreement should be invalidated only as a last resort and only after the court presents the borrower with consequences of this solution and the borrower agrees to it. However, in order to ensure that the agreement 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 without changing the substance of the contractual obligation. Nevertheless, the prevailing practice of Polish courts is to invalidate the agreement as a result of elimination of unfair clauses.

The CJEU pointed out on several occasions (e.g. C-6/22, C-349/18 to C-351/18) that settlements between the parties following the annulment of an agreement are governed by national law (provided that the objectives of Directive 93/13/EEC are met). Consequently, the national courts have the exclusive jurisdiction over claims for restitution. That said, losses arising from the annulled agreement should not be equally distributed, i.e. the consumer should not incur a half or more than a half of the related costs.

The District Court for Warsaw–Śródmieście requested a preliminary ruling from the CJEU on claims of the parties for settlement of amounts arising from the non-contractual use of the capital in the case of annulment of an agreement pursuant to Directive 93/13/EEC. One case concerned the borrower's claims against the bank for the return of profits made using the money paid by the borrower (C-520/21) and the other case concerned the bank's claims for consideration in respect of the provision of funds under a loan agreement (C-756/22).

The judgment in case C-520/21 was passed on 15 June 2023. In the grounds of the judgment the CJEU stated that "in the context of the annulment in its entirety of a mortgage loan agreement on the ground that it cannot continue in existence after the removal of the unfair terms, Article 6(1) and Article 7(1) of Council Directive 93/13/EEC of 5 April 1993 on unfair terms in consumer contracts must be interpreted as:

– not precluding a judicial interpretation of national law according to which the consumer has the right to seek compensation from the credit institution going beyond reimbursement of the monthly instalments paid and the expenses paid in respect of the performance of that agreement together with the payment of default interest at the statutory rate from the date on which notice is served, provided that the objectives of Directive 93/13/EEC and the principle of proportionality are observed; and

– precluding a judicial interpretation of national law according to which the credit institution is entitled to seek compensation from the consumer going beyond reimbursement of the capital paid in respect of the performance of that agreement together with the payment of default interest at the statutory rate from the date on which notice is served."

In its judgment, the CJEU confirmed that the effects of the annulment of an agreement are governed by the national law subject to the provisions of Directive 93/13 EEC. Consequently, claims for restitution will be assessed by the national court after examining the facts of the case. The grounds of judgment indicate that the bank's claims going beyond the reimbursement of the loan principal are contrary to the objectives of Directive 93/13/EEC, if they would cause the bank to make a similar profit to the one intended to be earned in the performance of the agreement. The deterrent effect would thus be eliminated.

However, several courts issued decisions (which are not yet final) stating that banks' claims for reimbursement of the capital adjusted for changes in the time value of money are admissible and warranted.

At the same time, the CJEU held that the EU law does not preclude the consumer from seeking compensation from the bank beyond reimbursement of the instalments paid. But in its grounds of judgment it asserted that such claims should be assessed in the light of all the facts of the case to ensure that potential benefits derived by the consumer after annulment of the agreement do not go beyond what is necessary to restore the legal and factual situation they would have been in if they had not concluded a defective agreement and that the benefits are not a disproportionate penalty on a seller or supplier (proportionality principle). Furthermore, as any such claims will be assessed in accordance with national laws on unjust enrichment, the decision to uphold them would be questionable as there is no actual enrichment on the part of the bank as a result of the use of funds paid by the borrower (the borrower only reimburses the money provided by the bank under an agreement declared invalid).

On 11 December 2023, the CJEU issued an order in case C-756/22 concerning the bank's restitution claims, stating that the issue in question had already been resolved in the judgment of 15 June 2023 and a separate judgment in this regard was not necessary.

In its order of 12 January 2024 in case C-488/23, the CJEU maintained its stance presented in the judgment of 15 June 2023 in case C-520/21 and issued interpretation, indicating that the bank cannot seek compensation from the consumer in the form of court-ordered adjustment to the capital paid to the consumer, but only the capital and statutory late payment interest from the date of the demand for payment.

On 7 December 2023, the CJEU passed a judgment in another case brought by the Polish court (C-140/22), in which it stated that the assessment of unfairness of contractual clauses is made by operation of law and the national court should examine disputable provisions ex officio. The CJEU also stressed that the consumer should be able to exercise their rights irrespective of whether they have made a statement before the court that they are aware of the consequences of the invalidity of the agreement and gives their consent to its annulment.

In its judgment of 14 December 2023 in case C-28/22, the TSUE ruled on the limitation period for claims of banks and consumers but did not specifically indicate the start date of that period. It merely concluded that it cannot begin to run as from the date of the final and non-appealable judgment and that the start date for bank's claims cannot be earlier than that for consumer's claims. The CJEU also noted that banks may use their right of retention but it should not automatically mean the suspension of the accrual of late payment interest due to consumers.

In its order of 8 May 2024 in case C-424/22, the CJEU upheld its stance on the retention right, expressing a negative opinion on the very exercise of that right by a bank in relation to a consumer. In its resolution of 19 June 2024 (ref. no. III CZP 31/23) the Supreme Court also questioned the possibility to exercise a retention right by the bank or the borrower, indicating that whenever claims can be set off, the parties have no right of retention.

The CJEU's rulings do not address all issues concerning the settlement of an invalidated agreement, but at the same time they refer to the issues subject to national law which have already been adjudicated by the Supreme Court. Accordingly, the final assessment of legal risk related to claims of the parties for consideration arising from the non-contractual use of the capital in the case of annulment of the agreement will still largely depend on the ruling practice of national courts with regard to the enforcement of CJEU and Supreme Court's judgments.

As the ruling practice has not been completely unanimous, at the date of these financial statements the Bank estimated the legal risk associated with the portfolio of loans indexed to and denominated in a foreign currency using a model which considers different observed court judgments (in the form of adjustment to the gross carrying amount for active exposures or provisions for inactive exposures), including those which were the subject of the resolution of the entire Civil Chamber of the Supreme Court. The model can also be affected by subsequent CJEU rulings on questions referred by the Polish courts, the stance of the Supreme Court and the ruling practice of national courts. The Bank is monitoring court decisions taken with regard to foreign currency loans in terms of changes in the ruling practice. The model might also be affected by a potential intervention of legislators aimed to restore the balance between the parties following the removal of the unfair clause to protect legal relationships from mass annulment of mortgage loan agreements or by introduction of sector-wide solutions for mass and amicable resolution of disputes with borrowers (the possibility of introducing such solutions is being consulted by the Minister of Justice with representatives of the banking sector, borrowers' organisations, the Polish Financial Supervision Authority (KNF) and the Office of Competition and Consumer Protection (UOKiK)).

In view of the above, the Bank identified the risk that in the case of lawsuits which have already been filed or are predicted to be filed based on applicable models the scheduled cash flows from the portfolio of mortgage loans denominated in and indexed to CHF 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 Bank's financial statements.

As at 30 June 2024, there were 13,852 pending lawsuits against the Bank over loans indexed to or denominated in CHF, with the disputed amount totalling PLN 5,465,305k. This included one class action filed under the Class Action Act and relating to 294 CHF-indexed loans with the disputed amount of PLN 50,983k.

In thousands of PLN

As at 31 December 2023, there were 12,528 pending lawsuits against the Bank over loans indexed to or denominated in CHF, with the disputed amount totalling PLN 4,769,471k. This included one class action filed under the Class Action Act and relating to 302 CHF-indexed loans with the disputed amount of PLN 50,983k.

As at 30 June 2024, the total cumulative impact of legal risk connected with foreign currency mortgage loans in the Bank was estimated at PLN 4,473,711k, including:

- IFRS 9 adjustment to the gross carrying amount at PLN 3,558,760k;
- IAS 37 provision at PLN 914,951k.

As at 31 December 2023, the total cumulative impact of legal risk connected with foreign currency mortgage loans in the Bank was estimated at PLN 4,038,785k, including:

- IFRS 9 adjustment to the gross carrying amount at PLN 3,414,431k;
- IAS 37 provision at PLN 624,354k.

The tables below present the total cost of legal risk connected with mortgage loans recognised in the Bank's income statement and statement of financial position, including the cost of settlements discussed in detail in the section below.

Cost of legal risk connected with foreign currency mortgage loans	1.04.2024-30.06.2024	1.01.2024-30.06.2024	1.04.2023-30.06.2023	1.01.2023-30.06.2023
Impact of legal risk connected with foreign currency mortgage loans recognised as adjustment to gross carrying amount	(428 503)	(492 360)	(392 970)	(638 823)
Impact of legal risk connected with foreign currency mortgage loans recognised as provision	(278 242)	(336 385)	(93 917)	(116 314)
Other costs*	(92 588)	(184 577)	(72 488)	(152 486)
Total cost of legal risk connected with foreign currency mortgage loans	**(799 333)**	**(1 013 322)**	**(559 375)**	**(907 623)**
Gain/loss on derecognition of financial instruments measured at amortised cost	(20 573)	(28 343)	(77 589)	(261 565)
including: settlements made	(21 918)	(30 789)	(80 009)	(265 763)
Total cost of legal risk connected with foreign currency mortgage loans and settlements made	**(821 251)**	**(1 044 111)**	**(639 384)**	**(1 173 386)**

* Other costs include but are not limited to the costs of court proceedings and costs of enforcement of court judgments.

	30.06.2024	31.12.2023
Adjustment to gross carrying amount in respect of legal risk connected with foreign currency mortgage loans	3 558 760	3 414 431
Provision for legal risk connected with foreign currency mortgage loans	914 951	624 354
Total cumulative impact of legal risk connected with foreign currency mortgage loans	**4 473 711**	**4 038 785**

As at 30 June 2024, the total adjustment to the gross carrying amount and provisions for legal risk and legal provisions (for legal claims and a collective portion) accounted for 101% of the gross value of the active CHF loan portfolio (before adjustment to the gross carrying amount in line with IFRS 9).

The change in the value of the provisions between January and June 2024 resulted from the review of legal risk connected with foreign currency mortgage loans and the ensuing update of the following parameters: assessment of likelihoods of different judgments taking into account also the Supreme Court resolution of 25 April 2024 (III CZP 25/22), expected level of settlements and number of claims, and settlement costs in the case of invalidation of the loan agreement. Furthermore, the number of court judgments increased in 2023 and H1 2024. Lastly, the level of provisions was affected by a decrease in CHF/PLN exchange rate.

The Bank 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 Bank 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 Bank assumes that lawsuits have been or will be filed against the Bank in relation to approx. 34.3% 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, as is the practice of Polish courts with regard to the enforcement of CJEU rulings.

The Bank expects that most of the lawsuits will be filed by the end of 2025, and then the number of new claims will drop as the legal environment will become more structured.

In the Bank'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.

For the purpose of calculating the costs of legal risk, the Bank also estimated how likely it is that a specific number of lawsuits will be filed and what the possible end scenarios are in this respect. The likelihood ratios differ between indexed and denominated loans. The likelihood of unfavourable ruling for the Bank is higher for the former and lower for the latter. The Bank also considered the protracted proceedings in some courts. As at 30 June 2024, 2,433 final and non-appealable judgments were issued in cases against the Bank (including those passed after the CJEU ruling of 3 October 2019), of which 2,342 were unfavourable to the Bank, and 91 were entirely or partially favourable to the Bank (compared to 1,773 judgments as at 31 December 2023, including 1,702 unfavourable ones and 71 entirely or partially favourable). When assessing the likelihoods, the Bank used the support of law firms and conducted thorough analysis of the ruling practice in cases concerning indexed and denominated loans.

As to date the ruling practice has not been completely unanimous, the Bank considered the following scenarios of possible court rulings that might lead to financial losses (including one new scenario added in Q2 2024):

- Annulment of the whole loan agreement due to unfair clauses, with only the nominal of the capital to be reimbursed by the borrower (prevailing scenario);
- 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;
- Conversion of the loan to PLN with an interest rate based on WIBOR;
- Rulings leading to the settlement by the borrower of the capital obtained, taking into account its real rather than notional value.

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 Bank. Each of these scenarios has an estimated expected loss level based on the available historical data.

The Bank also considers an additional scenario in which it may incur financial loss on account of additional claims made by the borrower beyond the reimbursement of the nominal amount of the instalments paid.

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 30 June 2024, the Bank made 8,535 settlements (both pre-court and following the legal dispute), of which 497 were reached in Q2 2024.

In mid-2022, the Bank prepared a settlement scenario which reflects the level of losses for future settlements. The scenario is based on acceptance levels and losses on loans as part of settlement proposals 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.

Sensitivity analysis

Due to the high uncertainty around both individual assumptions and their total impact, the Bank carried out the following sensitivity analysis of the estimated impact of legal risk by assessing the influence of variability of individual parameters on the level of that risk.

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

In thousands of PLN

Taking into account the variability of the parameters outlined below, as at 30 June 2024 the impact of legal risk estimated on a collective basis is affected as follows:

Scenario (PLN m)	Change in the collective provision as at 30.06.2024	Change in the collective provision as at 31.12.2023
Doubling the number of customers filing a lawsuit (active and non-active customers)	651	786
50% reduction in the number of customers filing a lawsuit (active and non-active customers)	(325)	393
Relative increase of 5% in the likelihood of losing the case	33	39
Relative decrease of 5% in the likelihood of losing the case	(33)	(39)

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

Taking into account the variability of the parameters outlined below, the provision for individual legal claims as at 30 June 2024 and in the comparative period is affected as follows:

Scenario (PLN m)	Change in the individual provision as at 30.06.2024	Change in the individual provision as at 31.12.2023
Relative increase of 5% in the likelihood of losing the case	189	154
Relative decrease of 5% in the likelihood of losing the case	(189)	(154)

33. Contingent liabilities

Significant court proceedings

As at 30.06.2024 the value of all litigation amounts to PLN 7,901,275 k. This amount includes PLN 1,980,015 k claimed by the Bank, PLN 5,921,260 k in claims against the Bank.

The amount of all court proceedings which had been completed in the period from 1.01.2024 to 30.06.2024 amounted to PLN 315,667 k .

As at **30.06.2024** the provisions for instigated lawsuits recognised in accordance with IAS 37 totalled PLN 825,523 k and the adjustment to gross carrying amount under IFRS 9 related to to instigated lawsuits totalled PLN 2,981,950 k. In 3 392 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 1,571,275 k.

As at 31.12.2023 the value of all litigation amounts to PLN 6,852,833 k. This amount includes PLN 1,658,069 k claimed by the Bank, PLN 5,194 ,764 k in claims against the Bank.

As at **31.12.2023** the amount of all court proceedings which had been completed amounted to PLN 502,425 k.

As at **31.12.2023** the provisions for instigated lawsuits recognised in accordance with IAS 37 totalled PLN 533,705 k and the adjustment to gross carrying amount under IFRS 9 related to to instigated lawsuits totalled PLN 2,687,793k. In 2 873 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 1,258,559 k.

Administrative penalty proceedings by the Polish Financial Supervision Authority

On 22 November 2023, the Polish Financial Supervision Authority (KNF) started administrative proceedings against Santander Bank Polska S.A. that might result in a penalty being imposed on the Bank under Article 176i(1)(4) of the Act on trading in financial instruments. At this stage of the proceedings, the amount of the potential penalty cannot be estimated reliably.

In thousands of PLN

Off-balance sheet liabilities

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

	30.06.2024			
Contingent liabilities	**Stage 1**	**Stage 2**	**Stage 3**	**Total**
Liabilities granted	**52 970 736**	**1 431 713**	**34 722**	**54 437 171**
- financial	**34 177 248**	**1 010 478**	**35 702**	**35 223 428**
- credit lines	30 444 023	760 017	28 465	31 232 505
- credit cards debits	3 000 790	244 409	7 175	3 252 374
- import letters of credit	722 731	6 052	62	728 845
- term deposits with future commencement term	9 704	-	-	9 704
- guarantees	**18 825 186**	**484 035**	**45 310**	**19 354 531**
Provision for off-balance sheet liabilities	**(31 698)**	**(62 800)**	**(46 290)**	**(140 788)**
Liabilities received				**49 623 253**
- financial				**342 760**
- guarantees				**49 280 493**
Total	**52 970 736**	**1 431 713**	**34 722**	**104 060 424**

	31.12.2023			
Contingent liabilities	**Stage 1**	**Stage 2**	**Stage 3**	**Total**
Liabilities granted	**52 062 036**	**1 011 288**	**69 742**	**53 143 066**
- financial	**33 865 999**	**572 146**	**40 897**	**34 479 042**
- credit lines	30 157 643	513 717	31 958	30 703 318
- credit cards debits	3 041 541	47 184	8 375	3 097 100
- import letters of credit	657 765	11 245	564	669 574
- term deposits with future commencement term	9 050	-	-	9 050
- guarantees	**18 231 664**	**488 753**	**94 901**	**18 815 318**
Provision for off-balance sheet liabilities	**(35 627)**	**(49 611)**	**(66 056)**	**(151 294)**
Liabilities received				**50 307 819**
- financial				**165 218**
- guarantees				**50 142 601**
Total	**52 062 036**	**1 011 288**	**69 742**	**103 450 885**

34. Shareholders with min. 5% voting power

Shareholder	**Number of shares held**		**% in the share capital**		**Number of votes at AGM**		**Voting power at AGM**	
	24.07.2024	**30.04.2024**	**24.07.2024**	**30.04.2024**	**24.07.2024**	**30.04.2024**	**24.07.2024**	**30.04.2024**
Banco Santander S.A.	68 880 774	68 880 774	67,41%	67,41%	68 880 774	68 880 774	67,41%	67,41%
Nationale-Nederlanden OFE *	5 123 581	5 123 581	5,01%	5,01%	5 123 581	5 123 581	5,01%	5,01%
Others	28 184 959	28 184 959	27,58%	27,58%	28 184 959	28 184 959	27,58%	27,58%
Total	**102 189 314**	**102 189 314**	**100%**	**100%**	**102 189 314**	**102 189 314**	**100%**	**100%**

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

According to the information held by the Bank's Management Board, the shareholders with a min. 5% of the total numer of votes at the Santander Bank Polska General Meeting as at the publication date of the condensed interim report for 1H 2024 /24.07.2024/ are Banco Santander SA and Funds managed by Nationale-Nederlanden Powszechne Towarzystwo Emerytalne SA.

In thousands of PLN

35. Related parties

The tables below present intercompany transactions. Transactions between Santander Bank Polska SA and its related entities are banking operations carried out on an arm's length basis as part of their ordinary business and mainly represent loans, bank accounts, deposits, guarantees and leases. In the case of internal Group transactions, a documentation is prepared in accordance with requirements of tax regulations for transfer pricing.

Transactions with subsidiaries	30.06.2024	31.12.2023
Assets	**20 078 192**	**19 779 422**
Loans and advances to banks	108 404	118 280
Financial assets held for trading	28 044	2 197
Loans and advances to customers	19 902 700	19 641 940
Other assets	39 044	17 005
Liabilities	**897 067**	**522 695**
Deposits from banks	346 989	12 167
Financial liabilities held for trading	8 183	14 012
Deposits from customers	351 820	308 812
Lease liabilities	190 043	187 677
Other liabilities	32	27
Contingent Liabilities	**6 329 883**	**6 402 535**
Granted:	5 429 883	4 902 535
financial	*1 584 295*	*1 297 808*
guarantees	*3 845 588*	*3 604 727*
Received:	900 000	1 500 000
guarantees	*900 000*	*1 500 000*

Transactions with subsidiaries	1.01.2024-30.06.2024	1.01.2023-30.06.2023
Income	**555 651**	**506 181**
Interest income	503 302	476 607
Fee and commission income	40 960	26 003
Other operating income	3 261	3 571
Net trading income and revaluation	8 128	-
Expenses	**11 738**	**9 336**
Interest expenses	11 313	8 856
Fee and commission expenses	363	133
Net trading income and revaluation	-	174
Operating expenses incl.:	62	173
Bank's staff, operating expenses and management costs	*58*	*161*
Other	*4*	*12*

Transactions with associates	30.06.2024	31.12.2023
Liabilities	**66 944**	**108 911**
Deposits from customers	66 944	108 911

Transactions with associates	1.01.2024-30.06.2024	1.01.2023-30.06.2023
Income	**41 633**	**34 784**
Fee and commission income	41 633	34 784
Expenses	**1 174**	**1 030**
Interest expense	1 174	1 030

In thousands of PLN

Transactions with Santander Group	with the parent company		with other entities	
	30.06.2024	31.12.2023	30.06.2024	31.12.2023
Assets	**8 450 722**	**12 840 432**	**2 334**	**3 854**
Loans and advances to banks, incl:	3 795 015	5 895 136	2 333	2 090
current accounts	*554 895*	*930 559*	*2 333*	*2 090*
loans and advances	*3 240 120*	*4 964 577*	-	-
Financial assets held for trading	4 653 749	4 547 294	-	-
Reverse sale and repurchase agreements	-	2 395 729	-	-
Other assets	1 958	2 273	1	1 764
Liabilities	**6 006 645**	**5 609 305**	**292 745**	**193 002**
Deposits from banks incl.:	1 541 360	518 331	10 640	17 244
current accounts and advances	*1 541 360*	*518 331*	*10 640*	*17 244*
Financial liabilities held for trading	3 543 332	4 206 059	-	-
Deposits from customers	-	-	189 542	106 950
Lease liabilities	-	-	25	25
Debt securities in issue	883 834	871 197	-	-
Other liabilities	38 119	13 718	92 538	68 783
Contingent liabilities	**6 826 987**	**7 385 843**	**22 016**	**33 604**
Sanctioned:	1 302 417	1 271 084	4 953	22 835
financial	-	-	-	*20 000*
guarantees	*1 302 417*	*1 271 084*	*4 953*	*2 835*
Received:	5 524 570	6 114 759	17 063	10 769
guarantees	*5 524 570*	*6 114 759*	*17 063*	*10 769*

Transactions with Santander Group	with the parent company		with other entities	
	1.01.2024-30.06.2024	1.01.2023-30.06.2023	1.01.2024-30.06.2024	1.01.2023-30.06.2023
Income	**886 534**	**917 221**	**1 315**	**1 277**
Interest income	150 011	116 984	4	5
Fee and commission income	9 288	10 516	42	51
Other operating income	17	-	685	723
Net trading income and revaluation	727 218	789 721	584	498
Expenses	**115 384**	**95 202**	**88 786**	**79 506**
Interest expense	70 535	55 708	642	548
Fee and commission expense	11 355	3 669	243	69
Operating expenses incl.:	33 494	35 825	87 901	78 889
staff,operating expenses and management costs	*33 457*	*35 771*	*87 837*	*78 833*
other operating expenses	37	54	64	56

Transactions with key management personnel

Remuneration of Santander Bank Polska Management Board Members, Supervisory Board Members and key management personnel.

Loans and advances granted to key management personnel

As at 30.06.2024, 31.12.2023 and 30.06.2023 members of the Management Board were bound by the non-compete agreements which remain in force after they step down from their function. If a Member of the Management Board is removed from their function or not appointed for another term, he/she is entitled to a once-off severance pay. The severance pay does not apply if the person accepts another function in the Bank.

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

In thousands of PLN

Transactions with members of Management Board and Key Management Personnel	Management Board Members		Key Management Personnel	
	1.01.2024-30.06.2024	1.01.2023-30.06.2023	1.01.2024-30.06.2024	1.01.2023-30.06.2023
Short-term employee benefits	12 019	12 633	22 986	20 578
Post-employment benefits	-	-	-	200
Long-term employee benefits	10 462	11 616	8 416	10 367
Paid termination benefits	-	-	23	663
Share-based payments	4 498	-	9 410	2 860
Total	**26 979**	**24 249**	**40 835**	**34 668**

	Management Board Members		Key Management Personnel	
	30.06.2024	31.12.2023	30.06.2024	31.12.2023
Loans and advances made by the Bank to the Members of the Management Board/Key Management and to their relatives	3 310	3 667	15 192	15 222
Deposits from The Management Board/Key management and their relatives	11 163	7 701	23 786	14 253

The category of key management personnel includes the persons covered by the principles outlined in the "Santander Bank Polska Group Remuneration Policy".

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

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

Persons holding key executive positions are paid variable remuneration once a year following the end of the reference period and release of the Bank's results. Variable remuneration is awarded in accordance with bonus regulations and five-year Incentive Plan VII and is paid in cash and in the Bank's shares. The remuneration paid in shares may not be lower than 50% of the total amount of variable remuneration. Payment of min. 40% of the variable remuneration specified above is conditional and deferred for the period of four or five years. During that period, it is paid in arrears in equal annual instalments depending on the employee's individual performance in the analysed period.

The total cost of long-term Incentive Plan VII for the Management Board and key executives is PLN 38,307 k for H1 2024. Details are described in note 42.

In H1 2024, the total remuneration paid to the Supervisory Board Members of Santander Bank Polska totalled PLN 1,388.2 k (PLN 1,020.1 k in H1 2023).

In H1 2024, members of the Supervisory Board of Santander Bank Polska S.A. received remuneration from the Bank's related entities in the amount of PLN 80 k (PLN 78.8 k in H1 2023).

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

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 31.

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

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

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

No such events took place in the reporting period.

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

As at 30.06.2024 and 31.12.2023 Santander Bank Polska SA and its subsidiaries had not issued any guarantees to one business unit or a subsidiary totalling a minimum of 10% of the issuer's equity.

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

Details in Note 10 and 14.

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

As at 30.06.2024 and 31.12.2023 or Santander Bank Polska S.A. or its subsidiaries have not made significant sales and purchases of property, plant and equipment. There were no significant liabilities arising from purchase of fixed assets either.

42. Share based incentive scheme

In 2022, Santander Bank Polska S.A. ("Bank", "SAN PL") established Incentive Plan VII ("Plan"), which is addressed to the employees of the Bank and its subsidiaries who significantly contribute to growth in the value of the organisation. The purpose of the Plan is to motivate the participants to achieve business and qualitative goals in line with the Group's long-term strategy and to provide an instrument that strengthens the employees' relationship with the organisation and encourages them to act in its long-term interest.

The Plan obligatorily covers all employees of Santander Bank Polska Group designated as material risk takers (identified employees). The list of other key participants is defined 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 who satisfy the conditions stipulated in the Participation Agreement and the Resolution confirming the delivery of objectives will be entitled to an award which is variable remuneration in the form of the Bank's shares classified as an equity-settled share-based payment transaction under IFRS 2 *Share-based Payment*. To that end, the Bank will buy back up to 2,331,000 shares from 1 January 2023 until 31 December 2033, i.e.:

a) not more than 207,000 shares of SAN PL with the maximum value of PLN 55.3m in 2023;

b) not more than 271,000 shares of SAN PL with the maximum value of PLN 72.4m in 2024;

c) not more than 326,000 shares of SAN PL with the maximum value of PLN 87.0m in 2025;

d) not more than 390,000 shares of SAN PL with the maximum value of PLN 104.1m in 2026;

e) not more than 826,000 shares of SAN PL with the maximum value of PLN 220.5m in 2027;

f) not more than 145,000 shares of SAN PL with the maximum value of PLN 38.7m in 2028;

g) not more than 47,000 shares of SAN PL with the maximum value of PLN 12.5m in 2029;

h) not more than 42,000 shares of SAN PL with the maximum value of PLN 11.2m in 2030;

i) not more than 35,000 shares of SAN PL with the maximum value of PLN 9.3m in 2031;

j) not more than 27,000 shares of SAN PL with the maximum value of PLN 7.2m in 2032;

k) not more than 15,000 shares of SAN PL with the maximum value of PLN 4.0m in 2033.

The Bank's Management Board buys back the shares to execute Incentive Plan VII based on the authorisation granted by the General Meeting in a separate resolution. If it is not possible to buy back the shares (due to e.g. illiquidity of the shares on the Warsaw Stock Exchange, share prices going beyond the thresholds defined by the General Meeting, lack of the General Meeting's authorisation for the Management Board to buy back shares in a given year of Incentive Plan VII or lack of the General Meeting's decision to create a capital reserve for share buyback in a given year) in the number corresponding to the value of the awards granted, SAN PL will reduce pro-rata the number of shares granted to the participant. The difference between the value of the awards granted and the value of the shares transferred by the Bank to the participants as part of the award will be paid out as a cash equivalent.

Below are the vesting conditions that must be met jointly in a given year:

1. Delivery of at least 50% of the profit after tax (PAT) target of SAN PL 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; the performance against the target is calculated as the weighted average of performance against at least three 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 S.A.);
    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.

In addition, at the request of the Bank's Management Board, the Supervisory Board can decide to grant a 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 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.

The maximum number of own shares to be transferred to participants as the retention awards is 451,000.

For the purpose of the Plan, in 2024 Santander Bank Polska S.A. bought back 134,690 shares (of 271,000 shares eligible for buyback) with the value of PLN 72,333,668 (from PLN 72,357,000 worth of capital reserve allocated to the delivery of the Plan in 2024).

The average buyback price per share in 2024 was PLN 539.15.

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.

All the repurchased shares were transferred to individual brokerage accounts of the participants. As the amount allocated to the buyback in 2024 was used in full, on 13 March 2024 the Bank's Management Board completed the repurchase of the Bank's own shares in 2024 for the Plan participants in respect of the award for 2023 and part of the award for 2022 which was subject to a one-year retention period. At the same time, instructions were made to transfer the above-mentioned shares to the brokerage accounts of eligible participants. After settling all the instructions, the Bank has no treasury shares.

On 18 April 2024, the Annual General Meeting of Santander Bank Polska S.A. authorised the Bank's Management Board to buy back the Bank's fully covered own shares in 2025.

The total amount that the Bank can spend on the buyback of own shares in 2025, including the cost of the buyback, is PLN 87,042k.

The Annual General Meeting set up the capital reserve for the repurchase of own shares.

The Annual General Meeting transferred the amount of PLN 87,042k from the Bank's capital reserve (which can be distributed among the company's shareholders pursuant to Article 348(1) of the Commercial Companies Code) to the capital reserve for the buyback of own shares.

In H1 2024, the total amount recognised in line with IFRS 2 in the Bank's equity was PLN 38,752k. The amount of PLN 38,307k was taken to staff expenses for H1 2024. The latter comprises expenses incurred in 2024 and part of the costs attributable to subsequent years of the Incentive Plan as the award will be vested in stages. In H1 2024, PLN 72,334k worth of shares were transferred to employees.

43. Dividend per share

Individual recommendation of the Polish Financial Supervision Authority (KNF) with regard to meeting the criteria for paying dividend from the net profit earned in 2023.

The Management Board of Santander Bank Polska S.A. informed that on 21 February 2024 it received an individual recommendation from the KNF with regard to the commercial banks dividend policy, the supervisory review and evaluation of the Bank and the Bank's reporting data.

The KNF stated that based on data as at 31 December 2023 the Bank met all the key dividend policy criteria to be able to pay dividend up to 50% of its net profit earned in the period from 1 January 2023 to 31 December 2023.

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, including debt instruments, the potential dividend payout ratio was increased to 75% in view of the Bank's sound credit quality.
At the same time, the Bank's receivables arising from FX home loans to households do not account for more than five percent of its portfolio of receivables from the non-financial sector.
Therefore, the KNF recommended that the Bank should limit the risk present in its operations by:

- not distributing more than 75% of the profit earned in the period from 1 January 2023 to 31 December 2023 with a proviso that the maximum payout should not be higher than the annual profit reduced by profit earned in 2023 already allocated to own funds;
- consulting upfront with the supervisory authority 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 buy-backs or redemptions of the Bank's own shares.

Information on potential payment of additional dividend in 2024 from retained profits.

The Management Board of Santander Bank Polska S.A. informed that on 19 March 2024, it was advised by the Polish Financial Supervision Authority (KNF) that the KNF did not have any objections to the potential payout of the additional amount of PLN 1,056,637,506.76 as a dividend to shareholders in 2024; this amount represents 50% of the profit earned between 1 January 2019 and 31 December 2019.

This amount was transferred to the dividend reserve (raised under resolution no. 6 of the Annual General Meeting of 22 March 2021 on profit distribution and creation of capital reserve) pursuant to resolution no. 6 of the Annual General Meeting of 27 April 2022 on profit distribution, dividend record date, dividend payment date and and decision on the capital reserve created under resolution no. 6 of the Annual General Meeting of 22 March 2021.
Thus, in line with the KNF's individual recommendation, the total amount that the Bank can distribute to shareholders in 2024 is PLN 4,560,709,083.82.

Management Board's recommendation re distribution of profit for 2023 and decision on Dividend Reserve created pursuant to resolution no. 6 of the Annual General Meeting of 22 March 2021.

In connection with current reports no. 7/2024 of 21 February 2024 and no. 18/2024 of 19 March 2024, on 21 March 2024 the Management Board of the Bank issued a recommendation on the distribution of profit for 2023 and the Dividend Reserve created pursuant to resolution no. 6 of the Annual General Meeting of 22 March 2021 (resolution no. 6). The recommendation was positively reviewed by the Bank's Supervisory Board.
In line with the decision taken, the Bank's Management Board recommended that profit of PLN 4,672,978,361.27 earned in 2023 be distributed as follows:

- PLN 3,504,071,577.06 - to be allocated to the dividend for shareholders;
- PLN 87,042,000.00 - to be allocated to the capital reserve;
- PLN 1,081,864,784.21 is to be kept undistributed.

Moreover, the Management Board recommended that PLN 1,056,637,506.76 out of the Dividend Reserve created pursuant to resolution no. 6 be allocated to the dividend for shareholders.

The Management Board recommended that 102,189,314 (say: one hundred two million, one hundred eighty-nine thousand and three hundred fourteen) series A, B, C, D, E, F, G, H, I, J, K, L, M, N and O shares give entitlement to the dividend to be paid out from the profit earned in 2023 and from the Dividend Reserve (Dividend). The dividend totalled PLN 4,560,709,083.82 (of which PLN 3,504,071,577.06 represents 74.99% of the net profit earned in 2023 and PLN 1,056,637,506.76 represents the amount allocated from the Dividend Reserve).

The Dividend per share was PLN 44.63.

The Annual General Meeting of the Bank, held on 18 April 2024, adopted a resolution on dividend payment.

The Dividend record date was 16 May 2024.

The Dividend was paid 23 May 2024.

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

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

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Signatures of the persons representing the entity

Date	Name	Function	Signature
23.07.2024	Michał Gajewski	President	The original Polish document is signed with a qualified electronic signature
23.07.2024	Andrzej Burliga	Vice-President	The original Polish document is signed with a qualified electronic signature
23.07.2024	Juan de Porras Aguirre	Vice-President	The original Polish document is signed with a qualified electronic signature
23.07.2024	Lech Gałkowski	Member	The original Polish document is signed with a qualified electronic signature
23.07.2024	Artur Głembocki	Member	The original Polish document is signed with a qualified electronic signature
23.07.2024	Patryk Nowakowski	Member	The original Polish document is signed with a qualified electronic signature
23.07.2024	Magdalena Proga-Stępień	Member	The original Polish document is signed with a qualified electronic signature
23.07.2024	Maciej Reluga	Member	The original Polish document is signed with a qualified electronic signature
23.07.2024	Wojciech Skalski	Member	The original Polish document is signed with a qualified electronic signature
23.07.2024	Dorota Strojkowska	Member	The original Polish document is signed with a qualified electronic signature

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

Date	Name	Function	Signature
23.07.2024	Anna Żmuda	Financial Accounting Area Director	The original Polish document is signed with a qualified electronic signature