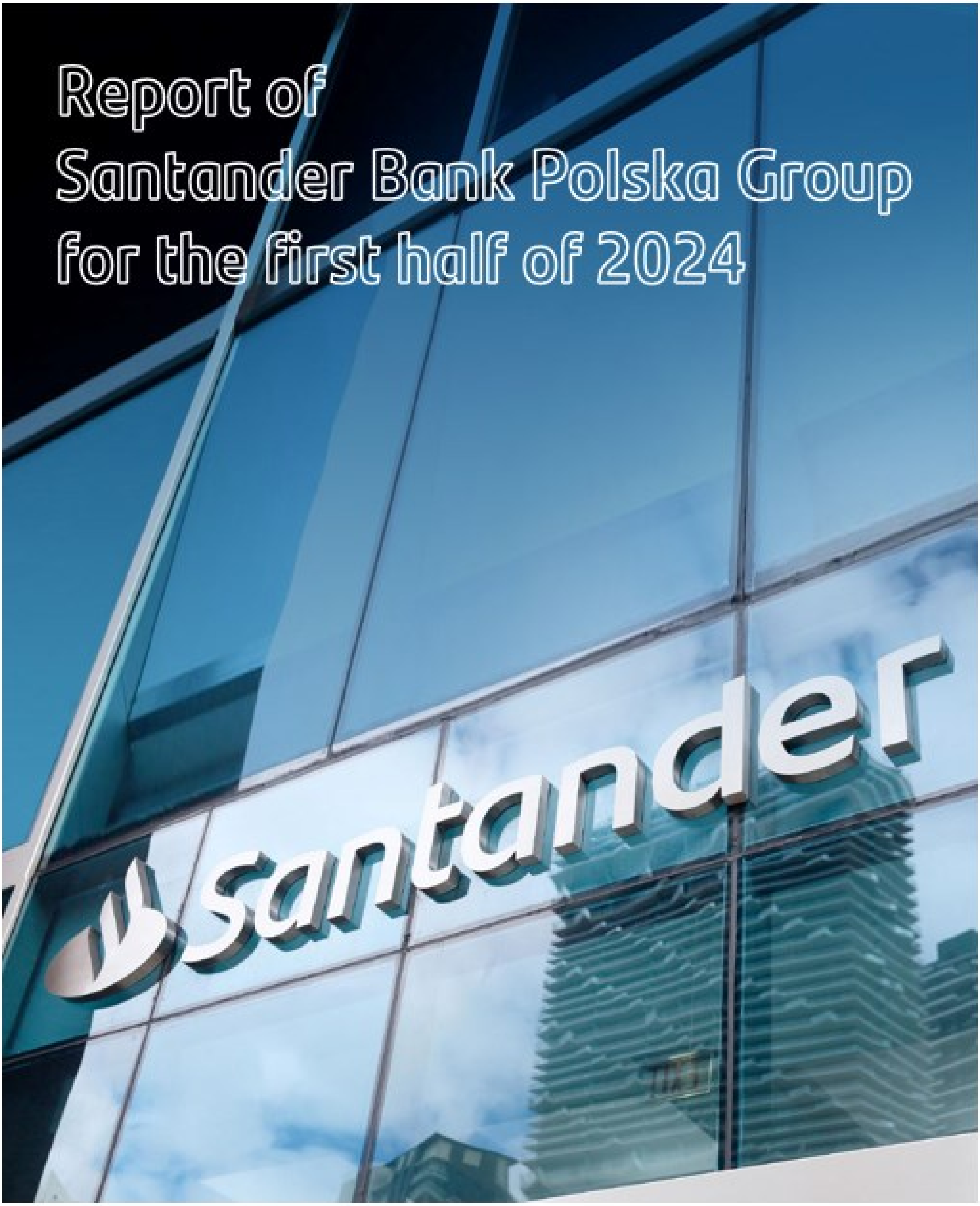
# Report of Santander Bank Polska Group for the first half of 2024



## FINANCIAL HIGHLIGHTS

| | | PLN k | | EUR k | |
|---|---|---|---|---|---|
| | | 1.01.2024-30.06.2024 | 1.01.2023-30.06.2023* restated | 1.01.2024-30.06.2024 | 1.01.2023-30.06.2023* restated |
| | **Condensed consolidated financial statements of Santander Bank Polska Group** | | | | |
| I | Net interest income | 6 672 205 | 6 292 470 | 1 547 752 | 1 364 073 |
| II | Net fee and commission income | 1 456 037 | 1 339 964 | 337 757 | 290 476 |
| III | Profit before tax | 3 206 140 | 3 212 208 | 743 729 | 696 338 |
| IV | Net profit attributable to owners of the parent entity | 2 359 646 | 2 322 216 | 547 367 | 503 407 |
| V | Total net cash flows | (8 860 338) | (323 704) | (2 055 334) | (70 172) |
| VI | Net profit /loss of the period attributable to non-controlling interests | (25 948) | 41 245 | (6 019) | 8 941 |
| VII | Profit per share in PLN/EUR | 23,09 | 22,72 | 5,36 | 4,93 |
| VIII | Diluted earnings per share in PLN/EUR | 23,09 | 22,72 | 5,36 | 4,93 |
| | **Condensed interim separate financial statements of Santander Bank Polska S.A.** | | | | |
| I | Net interest income | 5 740 222 | 5 495 770 | 1 331 560 | 1 191 366 |
| II | Net fee and commission income | 1 272 122 | 1 195 656 | 295 094 | 259 193 |
| III | Profit before tax | 3 336 850 | 3 185 914 | 774 050 | 690 638 |
| IV | Net profit for the period | 2 455 547 | 2 373 370 | 569 614 | 514 496 |
| V | Total net cash flows | (8 157 322) | (141 837) | (1 892 255) | (30 747) |
| VI | Profit per share in PLN/EUR | 24,03 | 23,23 | 5,57 | 5,04 |
| VII | Diluted earnings per share in PLN/EUR | 24,03 | 23,23 | 5,57 | 5,04 |

## FINANCIAL HIGHLIGHTS

| | | PLN k | | EUR k | |
|---|---|---|---|---|---|
| | | 30.06.2024 | 31.12.2023 | 30.06.2024 | 31.12.2023 |
| | **Condensed consolidated financial statements of Santander Bank Polska Group** | | | | |
| I | Total assets | 282 878 565 | 276 651 885 | 65 587 425 | 63 627 388 |
| II | Deposits from banks | 4 199 250 | 4 156 453 | 973 626 | 955 946 |
| III | Deposits from customers | 215 234 665 | 209 277 356 | 49 903 702 | 48 131 867 |
| IV | Total liabilities | 251 684 471 | 242 960 867 | 58 354 851 | 55 878 764 |
| V | Total equity | 31 194 094 | 33 691 018 | 7 232 575 | 7 748 624 |
| VI | Non-controlling interests | 1 853 198 | 1 928 373 | 429 677 | 443 508 |
| VII | Number of shares | 102 189 314 | 102 189 314 | | |
| VIII | Net book value per share in PLN/EUR | 305,26 | 329,69 | 70,78 | 75,83 |
| IX | Capital ratio | 17,84% | 18,65%** | | |
| X | Declared or Paid dividend per share in PLN/EUR | 44,63*** | 23,25 | 10,35** | 5,13 |
| | **Condensed interim separate financial statements of Santander Bank Polska S.A.** | | | | |
| I | Total assets | 256 751 033 | 252 401 201 | 59 529 569 | 58 049 954 |
| II | Deposits from banks | 2 849 452 | 2 668 293 | 660 666 | 613 683 |
| III | Deposits from customers | 200 191 909 | 195 365 937 | 46 415 931 | 44 932 368 |
| IV | Total liabilities | 229 589 780 | 222 915 704 | 53 232 038 | 51 268 561 |
| V | Total equity | 27 161 253 | 29 485 497 | 6 297 531 | 6 781 393 |
| VI | Number of shares | 102 189 314 | 102 189 314 | | |
| VII | Net book value per share in PLN/EUR | 265,79 | 288,54 | 61,63 | 66,36 |
| VIII | Capital ratio | 20,02% | 21,37%** | | |
| IX | Declared or Paid dividend per share in PLN/EUR | 44,63*** | 23,25 | 10,35** | 5,13 |

*details in Note 2.5

**Data include profits included in own funds, taking into account the applicable EBA guidelines

***Detailed information are described in Note 44.

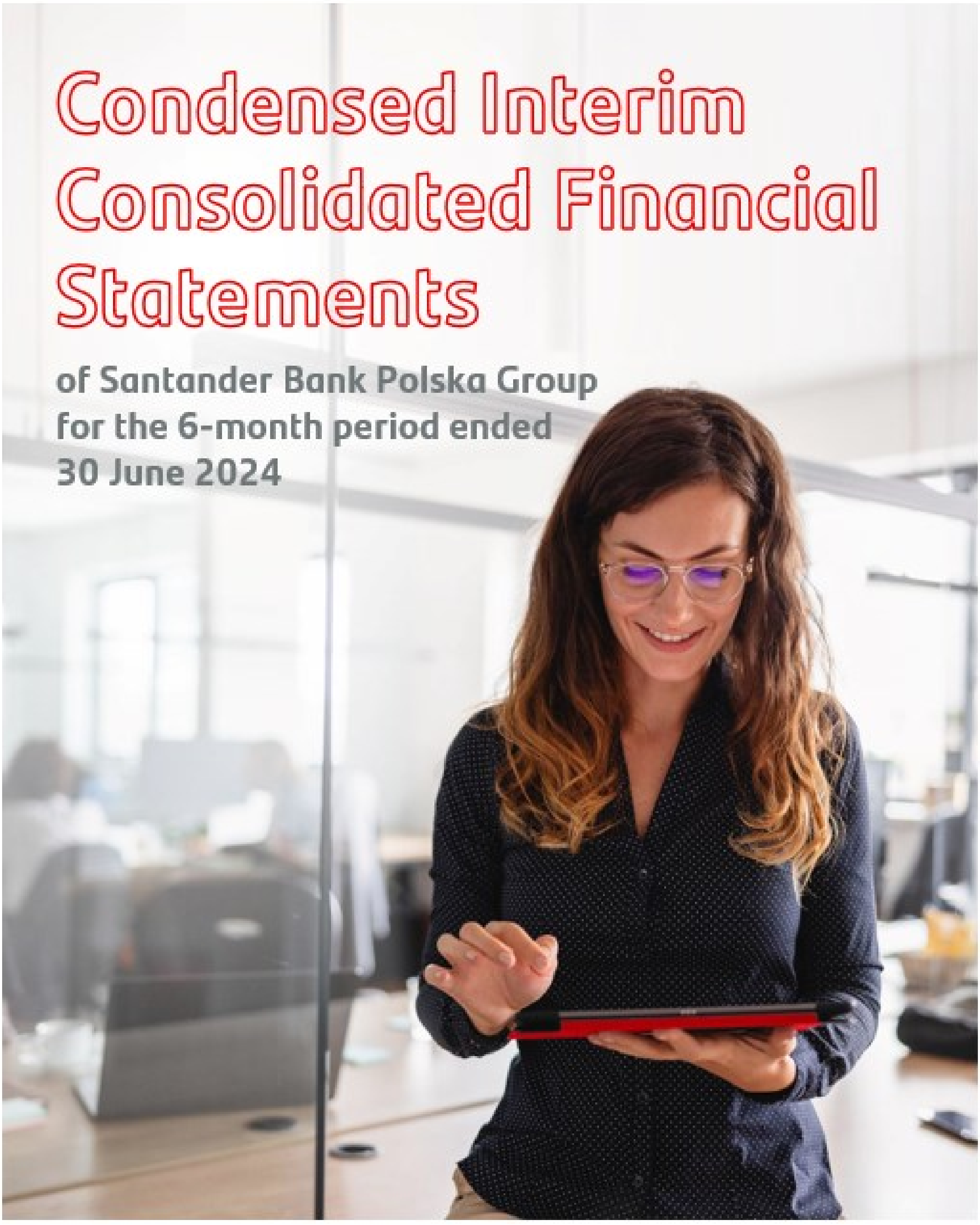
The following rates were applied to determine the key EUR amounts for selected financials:

- for balance sheet items – average NBP exchange rate as at 30.06.2024: EUR 1 = PLN 4,3130 and as at 31.12.2023: EUR 1 = PLN 4,3480
- for profit and loss items – as at 30.06.2024 - the rate is calculated as the average of NBP exchange rates prevailing as at the last day of each month in 2024: EUR 1 = PLN 4,3109; as at 30.06.2022 - the rate is calculated as the average of NBP exchange rates prevailing as at the last day of each month in 2023: EUR 1 = PLN 4,6130

As at 30.06.2024, FX denominated balance sheet positions were converted into PLN in line with the NBP FX table no. 125/A/NBP/2023 dd. 28.06.2024.

# Condensed Interim Consolidated Financial Statements

of Santander Bank Polska Group for the 6-month period ended 30 June 2024





Santander

In thousands of PLN

# I. Consolidated 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 interest** | | **4 567 852** | **9 213 888** | **4 546 302** | **8 884 751** |
| Interest income on financial assets measured at amortised cost | | 3 807 587 | 7 660 920 | 3 677 672 | 7 171 535 |
| Interest income on financial assets measured at fair value through other comprehensive income | | 473 622 | 1 002 836 | 618 168 | 1 212 969 |
| Income similar to interest on financial assets measured at fair value through profit or loss | | 27 571 | 41 059 | 22 201 | 54 747 |
| Income similar to interest on finance leases | | 259 072 | 509 073 | 228 261 | 445 500 |
| **Interest expense** | | **(1 282 985)** | **(2 541 683)** | **(1 346 123)** | **(2 592 281)** |
| **Net interest income** | Note 6 | **3 284 867** | **6 672 205** | **3 200 179** | **6 292 470** |
| Fee and commission income | | 893 129 | 1 764 468 | 854 935 | 1 635 551 |
| Fee and commission expense | | (165 647) | (308 431) | (177 366) | (295 587) |
| **Net fee and commission income** | Note 7 | **727 482** | **1 456 037** | **677 569** | **1 339 964** |
| Dividend income | | 12 064 | 12 092 | 9 777 | 9 942 |
| Net trading income and revaluation | Note 8 | 82 443 | 82 232 | 16 931 | 143 884 |
| Gains (losses) from other financial securities | Note 9 | 20 | 5 929 | (542) | 4 635 |
| Gain/loss on derecognition of financial instruments measured at amortised cost | Note 32 | (24 680) | (32 647) | (79 367) | (263 343) |
| Other operating income | Note 10 | 49 578 | 87 634 | 45 606 | 73 073 |
| Impairment allowances for expected credit losses | Note 11 | (379 380) | (611 249) | (357 601) | (590 232) |
| Cost of legal risk associated with foreign currency mortgage loans | Note 32 | (1 250 465) | (1 546 538) | (728 877) | (1 149 479) |
| Operating expenses incl.: | | (1 224 561) | (2 577 537) | (1 062 575) | (2 313 369) |
| -Staff, operating expenses and management costs | Note 12,13 | (1 028 027) | (2 196 032) | (888 786) | (1 978 437) |
| -Amortisation of property, plant and equipment and Intangible assets | | (122 802) | (234 719) | (102 406) | (199 407) |
| -Amortisation of right of use asset | | (28 358) | (69 330) | (39 131) | (76 369) |
| -Other operating expenses | Note 14 | (45 374) | (77 456) | (32 252) | (59 156) |
| Share in net profits (loss) of entities accounted for by the equity method | | 28 773 | 53 061 | 27 113 | 52 192 |
| Tax on financial institutions | | (196 648) | (395 079) | (192 013) | (387 529) |
| **Profit before tax** | | **1 109 493** | **3 206 140** | **1 556 200** | **3 212 208** |
| Corporate income tax | Note 15 | (373 369) | (872 442) | (409 548) | (848 747) |
| **Consolidated net profit for the period** | | **736 124** | **2 333 698** | **1 146 652** | **2 363 461** |
| of which: | | | | | |
| -attributable to owners of the parent entity | | 794 902 | 2 359 646 | 1 130 226 | 2 322 216 |
| -attributable to non-controlling interests | | (58 778) | (25 948) | 16 426 | 41 245 |
| **Net earnings per share** | | | | | |
| Basic earnings per share (PLN/share) | | 7,78 | 23,09 | 11,06 | 22,72 |
| Diluted earnings per share (PLN/share) | | 7,78 | 23,09 | 11,06 | 22,72 |

*details in note 2.5

In thousands of PLN

# II. Consolidated 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 |
|---|---|---|---|---|
| **Consolidated net profit for the period** | **736 124** | **2 333 698** | **1 146 652** | **2 363 461** |
| **Items that will be reclassified subsequently to profit or loss:** | **(64 245)** | **(287 565)** | **539 722** | **1 389 126** |
| Revaluation and sales of debt financial assets measured at fair value through other comprehensive income gross | 7 211 | 317 296 | 425 589 | 1 254 739 |
| Deferred tax | (1 370) | (60 286) | (80 861) | (238 400) |
| Revaluation of cash flow hedging instruments gross | (86 526) | (672 315) | 240 449 | 459 946 |
| Deferred tax | 16 440 | 127 740 | (45 455) | (87 159) |
| **Items that will not be reclassified subsequently to profit or loss:** | **95 728** | **95 716** | **19 324** | **19 321** |
| Revaluation of equity financial assets measured at fair value through other comprehensive income gross | 116 612 | 116 597 | 22 433 | 22 429 |
| Deferred and current tax | (22 065) | (22 062) | (4 263) | (4 262) |
| Provision for retirement benefits – actuarial gains/losses gross | 1 458 | 1 458 | 1 425 | 1 425 |
| Deferred tax | (277) | (277) | (271) | (271) |
| **Total other comprehensive income, net** | **31 483** | **(191 849)** | **559 046** | **1 408 447** |
| **TOTAL COMPREHENSIVE INCOME FOR THE PERIOD** | **767 607** | **2 141 849** | **1 705 698** | **3 771 908** |
| Total comprehensive income attributable to: | | | | |
| - owners of the parent entity | 826 765 | 2 170 451 | 1 682 086 | 3 699 923 |
| - non-controlling interests | (59 158) | (28 602) | 23 612 | 71 985 |

*details in note 2.5

In thousands of PLN

# III. Consolidated statement of financial position

| | as at: | 30.06.2024 | 31.12.2023 |
|---|---|---|---|
| **ASSETS** | | | |
| Cash and balances with central banks | Note 16 | 9 069 128 | 8 417 519 |
| Loans and advances to banks | Note 17 | 5 808 039 | 9 533 840 |
| Financial assets held for trading | Note 18 | 6 836 412 | 8 939 360 |
| Hedging derivatives | Note 19 | 1 123 964 | 1 575 056 |
| Loans and advances to customers incl.: | Note 20 | 168 374 837 | 159 520 007 |
| - measured at amortised cost | | 150 269 999 | 143 488 004 |
| - measured at fair value through other comprehensive income | | 3 895 201 | 2 798 234 |
| - measured at fair value through profit and loss | | 78 150 | 85 093 |
| - from finance leases | | 14 131 487 | 13 148 676 |
| Reverse sale and repurchase agreements | | 11 528 953 | 12 676 594 |
| Investment securities incl.: | Note 21 | 67 032 871 | 67 523 003 |
| - debt securities measured at fair value through other comprehensive income | | 36 500 017 | 47 598 570 |
| - debt securities measured at fair value through profit and loss | | 2 060 | 2 005 |
| - debt investment securities measured at amortised cost | | 30 131 812 | 19 639 468 |
| - equity securities measured at fair value through other comprehensive income | | 392 950 | 277 121 |
| - equity securities measured at fair value through profit and loss | | 6 032 | 5 839 |
| Assets pledged as collateral | | 4 133 946 | 271 933 |
| Investments in associates | Note 22 | 913 753 | 967 514 |
| Intangible assets | | 870 198 | 881 857 |
| Goodwill | | 1 712 056 | 1 712 056 |
| Property, plant and equipment | | 783 195 | 765 278 |
| Right of use assets | | 513 773 | 494 296 |
| Deferred tax assets | | 1 568 281 | 1 751 189 |
| Fixed assets classified as held for sale | Note 23 | 5 471 | 6 453 |
| Other assets | | 2 603 688 | 1 615 930 |
| **Total assets** | | **282 878 565** | **276 651 885** |
| **LIABILITIES AND EQUITY** | | | |
| Deposits from banks | Note 24 | 4 199 250 | 4 156 453 |
| Hedging derivatives | Note 19 | 616 480 | 880 538 |
| Financial liabilities held for trading | Note 18 | 7 070 435 | 8 818 493 |
| Deposits from customers | Note 25 | 215 234 665 | 209 277 356 |
| Sale and repurchase agreements | | 4 133 721 | 273 547 |
| Subordinated liabilities | Note 26 | 2 673 797 | 2 686 343 |
| Debt securities in issue | Note 27 | 10 525 853 | 9 247 159 |
| Lease liabilities | | 378 642 | 365 833 |
| Current income tax liabilities | | 217 499 | 1 174 609 |
| Deferred tax liability | | 473 | 435 |
| Provisions for financial liabilities and guarantees granted | Note 28 | 102 265 | 123 085 |
| Other provisions | Note 29 | 1 392 076 | 967 106 |
| Other liabilities | Note 30 | 5 139 315 | 4 989 910 |
| Total liabilities | | 251 684 471 | 242 960 867 |
| **Equity** | | | |
| Equity attributable to owners of the parent entity | | 29 340 896 | 31 762 645 |
| Share capital | | 1 021 893 | 1 021 893 |
| Other reserve capital | | 24 349 730 | 25 097 202 |
| Revaluation reserve | | (486 959) | (298 688) |
| Retained earnings | | 2 096 586 | 1 111 131 |
| Profit for the period | | 2 359 646 | 4 831 107 |
| Non-controlling interests | | 1 853 198 | 1 928 373 |
| Total equity | | 31 194 094 | 33 691 018 |
| **Total liabilities and equity** | | **282 878 565** | **276 651 885** |

Notes presented on pages 12-67 constitute an integral part of this Financial Statements

In thousands of PLN

# IV. Consolidated statement of changes in equity

| | Equity attributable to owners of parent entity | | | | | | | |
|---|---|---|---|---|---|---|---|---|
| **Consolidated 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** | **Non-controlling interests** | **Total equity** |
| **As at the beginning of the period** | **1 021 893** | **-** | **25 097 202** | **(298 688)** | **5 942 238** | **31 762 645** | **1 928 373** | **33 691 018** |
| Total comprehensive income | - | - | - | (189 195) | 2 359 646 | 2 170 451 | (28 602) | 2 141 849 |
| *Consolidated profit for the period* | - | - | - | - | *2 359 646* | *2 359 646* | *(25 948)* | *2 333 698* |
| *Other comprehensive income* | - | - | - | *(189 195)* | - | *(189 195)* | *(2 654)* | *(191 849)* |
| Inclusion of share based incentive scheme | - | - | 38 752 | - | - | 38 752 | - | 38 752 |
| Purchase of own shares | - | (72 334) | - | - | - | (72 334) | - | (72 334) |
| Settlement of the purchase of own shares under share based incentive scheme | - | 72 334 | (72 592) | - | - | (258) | - | (258) |
| Profit allocation to other reserve capital | - | - | 342 769 | - | (342 769) | - | - | - |
| Profit allocation to dividends | - | - | (1 056 637) | - | (3 504 072) | (4 560 709) | (46 573) | (4 607 282) |
| Transfer of revaluation of equity financial assets measured at fair value through other comprehensive income | - | - | - | (482) | 482 | - | - | - |
| Other changes | - | - | 236 | 1 406 | 707 | 2 349 | - | 2 349 |
| **As at the end of the period** | **1 021 893** | **-** | **24 349 730** | **(486 959)** | **4 456 232** | **29 340 896** | **1 853 198** | **31 194 094** |

As at the end of the period revaluation reserve in the amount of PLN (486,959) k comprises: change in revaluation of debt securities in the amount of PLN (802,842) k, revaluation of equity securities in the amount of PLN 296,341 k, revaluation of cash flow hedge instruments in the amount of PLN 17,762 k and accumulated actuarial gains of PLN 1,780 k.

In thousands of PLN

| | Equity attributable to owners of parent entity | | | | | | | |
|---|---|---|---|---|---|---|---|---|
| Consolidated 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 | Non-controlling interests | Total equity |
| **As at the beginning of the period as previously reported** | **1 021 893** | **-** | **23 858 400** | **(1 131 335)** | **4 569 125** | **28 318 083** | **1 797 255** | **30 115 338** |
| *Reclassification of specific bonds portfolio as at the beginning of the period** | - | - | - | *(1 649 990)* | - | *(1 649 990)* | - | *(1 649 990)* |
| **As at the beginning of the period as restated** | **1 021 893** | **-** | **23 858 400** | **(2 781 325)** | **4 569 125** | **26 668 093** | **1 797 255** | **28 465 348** |
| Total comprehensive income | - | - | - | 1 377 707 | 2 322 216 | 3 699 923 | 71 985 | 3 771 908 |
| *Consolidated profit for the period* | - | - | - | - | *2 322 216* | *2 322 216* | *41 245* | *2 363 461* |
| *Other comprehensive income* | - | - | - | *1 377 707* | - | *1 377 707* | *30 740* | *1 408 447* |
| Inclusion of share based incentive scheme | - | - | 153 403 | - | - | 153 403 | - | 153 403 |
| Purchase of own shares | - | (48 884) | - | - | - | (48 884) | - | (48 884) |
| Settlement of the purchase of own shares under share based incentive scheme | - | 48 884 | (48 249) | - | - | 635 | - | 635 |
| Profit allocation to other reserve capital | - | - | 3 440 191 | - | (3 440 191) | - | - | - |
| Profit allocation to dividends | - | - | - | - | - | - | (37 861) | (37 861) |
| Other changes | - | - | (651) | 11 364 | (13) | 10 700 | - | 10 700 |
| **As at the end of the period** | **1 021 893** | **-** | **27 403 094** | **(1 392 254)** | **3 451 137** | **30 483 870** | **1 831 379** | **32 315 249** |

*details in note 2.5

As at the end of the period revaluation reserve in the amount of PLN (1,392,254) k comprises: revaluation of debt securities in the amount of PLN (1,622,374) k, revaluation of equity securities in the amount of PLN 161,470 k, revaluation of cash flow hedge instruments in the amount of PLN 54,766 k and accumulated actuarial gains of PLN 13,884 k.

In thousands of PLN

# V. Consolidated 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** | **3 206 140** | **3 212 208** |
| **Adjustments for:** | | |
| Share in net profits of entities accounted for by the equity method | (53 061) | (52 192) |
| Depreciation/amortisation | 304 049 | 275 776 |
| Net gains on investing activities | 1 577 | (1 406) |
| Interest accrued excluded from operating activities | (941 563) | (873 918) |
| Dividends | (118 959) | (87 227) |
| Impairment losses (reversal) | 2 742 | 3 823 |
| **Changes in:** | | |
| Provisions | 404 150 | 141 109 |
| Financial assets / liabilities held for trading | 409 910 | (1 116 436) |
| Assets pledged as collateral | (1 698 979) | (22 882) |
| Hedging derivatives | 238 288 | (824 672) |
| Loans and advances to banks | (2 395 648) | 2 220 095 |
| Loans and advances to customers | (15 658 099) | (11 265 563) |
| Deposits from banks | 52 015 | 49 716 |
| Deposits from customers | 7 796 976 | 6 626 213 |
| Buy-sell/ Sell-buy-back transactions | 3 795 718 | (2 929 366) |
| Other assets and liabilities | (1 545 441) | (206 862) |
| Interest received on operating activities | 7 327 496 | 7 462 297 |
| Interest paid on operating activities | (1 766 202) | (2 555 125) |
| Paid income tax | (1 601 821) | (364 958) |
| **Net cash flows from operating activities** | **(2 240 712)** | **(309 370)** |
| **Cash flows from investing activities** | | |
| **Inflows** | **9 286 860** | **8 556 103** |
| Sale/maturity of investment securities | 8 022 303 | 7 355 065 |
| Sale of intangible assets and property, plant and equipment | 16 633 | 17 474 |
| Dividends received | 114 002 | 82 497 |
| Interest received | 1 133 922 | 1 101 067 |
| **Outflows** | **(11 817 839)** | **(7 600 812)** |
| Purchase of investment securities | (11 589 807) | (7 410 090) |
| Purchase of intangible assets and property, plant and equipment | (228 032) | (190 722) |
| **Net cash flows from investing activities** | **(2 530 979)** | **955 291** |
| **Cash flows from financing activities** | | |
| **Inflows** | **5 242 793** | **4 277 104** |
| Debt securities issued | 3 866 600 | 2 310 000 |
| Drawing of loans | 1 376 193 | 1 967 104 |
| **Outflows** | **(9 331 440)** | **(5 246 729)** |
| Debt securities buy out | (2 600 000) | (2 976 050) |
| Repayment of loans and advances | (1 493 713) | (1 719 928) |
| Repayment of lease liabilities | (79 848) | (84 024) |
| Dividends to shareholders | (4 607 282) | (37 861) |
| Purchase of own shares | (72 334) | (48 884) |
| Interest paid | (478 263) | (379 982) |
| **Net cash flows from financing activities** | **(4 088 647)** | **(969 625)** |
| **Total net cash flows** | **(8 860 338)** | **(323 704)** |
| - including change resulting from FX differences | (43 870) | (737 994) |
| **Cash and cash equivalents at the beginning of the accounting period** | **34 575 193** | **34 493 039** |
| **Cash and cash equivalents at the end of the accounting period** | **25 714 855** | **34 169 335** |

*details in note 2.5

# VI. Additional notes to condensed interim consolidated financial statements

## 1. General information about issuer

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

Condensed interim consolidated financial statement of Santander Bank Polska Group for the 6-month period ended 30 June 2024 includes Bank's financial information as well as information of its subsidiaries (forming together the "Group").

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

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

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

In thousands of PLN

## Santander Bank Polska Group consists of the following entities:

### Subsidiaries:

| | Subsidiaries | Registered office | [%] of votes on AGM at 30.06.2024 | [%] of votes on AGM at 31.12.2023 |
|---|---|---|---|---|
| 1. | Santander Finanse sp. z o.o. | Poznań | 100% | 100% |
| 2. | Santander Factoring sp. z o.o. | Warszawa | 100% of AGM votes are held by Santander Finanse sp. z o.o. | 100% of AGM votes are held by Santander Finanse sp. z o.o. |
| 3. | Santander Leasing S.A. | Poznań | 100% of AGM votes are held by Santander Finanse sp. z o.o. | 100% of AGM votes are held by Santander Finanse sp. z o.o. |
| 4. | Santander Inwestycje sp. z o.o. | Warszawa | 100% | 100% |
| 5. | Santander F24 S.A. | Poznań | 100% of AGM votes are held by Santander Finanse sp. z o.o. | 100% of AGM votes are held by Santander Finanse sp. z o.o. |
| 6. | Santander Towarzystwo Funduszy Inwestycyjnych S.A. [1)] | Poznań | 50% | 50% |
| 7. | Santander Consumer Bank S.A. | Wrocław | 60% | 60% |
| 8. | Stellantis Financial Services Polska Sp. z o.o. [2)] | Warszawa | 50% of AGM votes are held by Santander Consumer Bank S.A. and 50% of AGM votes are held by Stellantis Financial Services S.A . | 50% of AGM votes are held by Santander Consumer Bank S.A. and 50% of AGM votes are held by Stellantis Financial Services S.A . |
| 9. | Stellantis Consumer Financial Services Polska Sp. z o.o. [2)] | Warszawa | 100% of AGM votes are held by Financial Services Polska Sp. z o.o . | 100% of AGM votes are held by Financial Services Polska Sp. z o.o . |
| 10. | Santander Consumer Multirent sp. z o.o. | Wrocław | 100% of AGM votes are held by Santander Consumer Bank S.A. | 100% of AGM votes are held by Santander Consumer Bank S.A. |
| 11. | SCM POLAND AUTO 2019-1 DAC | Dublin | subsidiary of Santander Consumer Multirent S.A. | subsidiary of Santander Consumer Multirent S.A. |
| 12. | Santander Consumer Financial Solutions Sp. z o.o. | Wrocław | subsidiary of Santander Consumer Multirent S.A. | subsidiary of Santander Consumer Multirent S.A. |
| 13. | S.C. Poland Consumer 23-1 DAC. [3)] | Dublin | subsidiary of Santander Consumer Bank S.A. | subsidiary of Santander Consumer Bank S.A. |

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

2. According to the Management Board of Santander Bank Polska Group, the investment in Stellantis Financial Services Polska Sp. z o.o. is an investment in a subsidiary for the purpose of consolidated financial statements due to the fact that it is controlled by Santander Consumer Bank S.A (directly) and Santander Bank Polska S.A. (indirectly).

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

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

### Associates:

| | Associates | Registered office | [%] of votes on AGM at 30.06.2024 | [%] of votes on AGM at 31.12.2023 |
|---|---|---|---|---|
| 1. | POLFUND - Fundusz Poręczeń Kredytowych S.A. | Szczecin | 50% | 50% |
| 2. | Santander - Allianz Towarzystwo Ubezpieczeń S.A. | Warszawa | 49% | 49% |
| 3. | Santander - Allianz Towarzystwo Ubezpieczeń na Życie S.A. | Warszawa | 49% | 49% |

In thousands of PLN

# 2. Basis of preparation of condensed interim consolidated financial statements

## 2.1. Statement of compliance

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

The accounting principles were applied consistently by individual entities of the Santander Bank Polska S.A. Group. Santander Bank Polska S.A. Group applied the same accounting principles and calculation methods as in the preparation of the consolidated financial statements for the year ended as at 31 December 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 consolidated condensed interim financial statements do not contain information and disclosures required in annual financial statement and should be read together with consolidated financial statements as at 31 December 2023.

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

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

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

| Item | Balance sheet valuation rules |
|---|---|
| Held-for-trading financial instruments | Fair value through profit or loss |
| Loans and advances to customers which meet the contractual cash flows test | Amortized cost |
| Loans and advances to customers which do not meet the contractual cash flows test | Fair value through profit or loss |
| Financial instruments measured at fair value through other comprehensive income | Fair value through other comprehensive income |
| Share-based payment transactions | According to IFRS 2 "Share-based payment" requirements |
| Equity investment financial assets | Fair value through other comprehensive income – an option |
| Equity financial assets-trading | Fair value through profit or loss |
| Debt securities measured at fair value through profit or loss | Fair value through profit or loss |
| Non-current assets | The purchase price or production cost reduced by total depreciation charges and total impairment losses |
| Right of use assets (IFRS 16) | Initial measurement reduced by total depreciation charges and total impairment losses |
| Non-current assets held for sale and groups of non-current assets designated as held for sale | Are recognised at the lower of their carrying amount and their fair value less costs of disposal. |

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. Group and are not yet effective and have not been early adopted

| IFRS | Nature of changes | Effective from | Influence on Santander Bank Polska S.A. Group |
|---|---|---|---|
| Amendments to IAS 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 consolidated 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 consolidated 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. IFRS 18 replaces IAS 1. | 1 January 2027 | The amendment may have impact on some of the disclosures and income statement in consolidated 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 consolidated financial statements.* |

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

## 2.4 Standards and interpretations or changes to existing standards or interpretations which were applied for the first time in the accounting year 2024

| IFRS | Nature of changes | Effective from | Influence on Santander Bank Polska S.A. Group |
|---|---|---|---|
| Amendments to IAS 1 | The amendments affect requirements for the presentation of liabilities. Specifically, they clarify one of the criteria for classifying a liability as non-current. | 1 January 2024 | The amendment doesn`t have a significant impact on consolidated 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 have a significant impact on consolidated 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 consolidated 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 consolidated income statement

| | for the period: 1.01.2023 - 30.06.2023 | | |
|---|---|---|---|
| | before | adjustment | after |
| **Interest income and similar to interest** | **8 884 751** | **-** | **8 884 751** |
| Interest income on financial assets measured at amortised cost | 7 273 344 | (101 809) | 7 171 535 |
| Interest income on financial assets measured at fair value through other comprehensive income | 1 111 160 | 101 809 | 1 212 969 |
| Income similar to interest on financial assets measured at fair value through profit or loss | 54 747 | - | 54 747 |
| Income similar to interest on finance leases | 445 500 | - | 445 500 |

In thousands of PLN

### Items in the consolidated statement of comprehensive income

| | for the period: 1.01.2023 - 30.06.2023 | | |
|---|---|---|---|
| | before | adjustment | after |
| **Consolidated net profit for the period** | **2 363 461** | | **2 363 461** |
| **Items that will be reclassified subsequently to profit or loss:** | **832 030** | **557 096** | **1 389 126** |
| Revaluation and sales of debt financial assets measured at fair value through other comprehensive income gross | 566 966 | 687 773 | 1 254 739 |
| Deferred tax | (107 723) | (130 677) | (238 400) |
| Revaluation of cash flow hedging instruments gross | 459 946 | - | 459 946 |
| Deferred tax | (87 159) | - | (87 159) |
| **Items that will not be reclassified subsequently to profit or loss** | **19 321** | **-** | **19 321** |
| **Total other comprehensive income, net** | **851 351** | **557 096** | **1 408 447** |
| **TOTAL COMPREHENSIVE INCOME FOR THE PERIOD** | **3 214 812** | **557 096** | **3 771 908** |
| Total comprehensive income attributable to: | | | |
| - owners of the parent entity | 3 142 827 | 557 096 | 3 699 923 |
| - non-controlling interests | 71 985 | - | 71 985 |

### Items in the consolidated statement of changes in equity

| | for the period: 1.01.2023-30.06.2023 | | | | |
|---|---|---|---|---|---|
| | Revaluation reserve | Total equity | | Revaluation reserve | Total equity |
| | before | before | adjustment | after | after |
| **As at the beginning of the period** | **(1 131 335)** | **30 115 338** | **(1 649 990)** | **(2 781 325)** | **28 465 348** |
| Total comprehensive income | 851 351 | 3 214 812 | 557 096 | 1 408 447 | 3 771 908 |
| *Other comprehensive income* | *851 351* | *851 351* | *557 096* | *1 408 447* | *1 408 447* |
| **As at the end of the period** | **(299 360)** | **33 408 143** | **(1 092 894)*** | **(1 392 254)** | **32 315 249** |

*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. Group

Key estimates include:

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

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

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

- Recovery from the operating cash flows / refinancing / capital support;
- Recovery through the voluntary 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. Group, for economic or legal reasons relating to the debtor's financial difficulty, granting to the debtor a concession that the Santander Bank Polska S.A. Group would not otherwise consider, which 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 Group has reasonable doubts as to the probability of payment by the customer.
- it becoming probable that the debtor will enter bankruptcy, recovery proceedings, arrangement or other financial reorganisation;
- the disappearance of an active market for that financial asset because of financial difficulties;
- exposures subject to the statutory moratorium, the so-called Shield 4.0 (Act of 19 June 2020 on interest subsidies for bank loans granted to entrepreneurs affected by COVID-19) - application of a moratorium on the basis of a declaration of loss of source of income.

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

- In the case of individual customers, the probation period is 180 days.
- In the case of SME customers, the probation period is 180 days, and assessment of the customer's financial standing and repayment capacity is required in some cases. However, the exposure cannot be reclassified to Stage 1 or 2 in the case of fraud, client`s death, discontinuation of business, bankruptcy, or pending restructuring/ liquidation proceedings.
- In the case of business and corporate customers, the probation period is 92 days, and positive assessment of the financial standing is required (the Group assesses all remaining payments as likely to be repaid as scheduled in the agreement). The exposure cannot

be reclassified to Stage 1 or 2 in the case of fraud, discontinuation of business, or pending restructuring/ insolvency/ liquidation proceedings.

Additionally, if the customer is in Stage 3 and subject to the forbearance process ( incl. so-called Shield 4.0 moratoria), they may be reclassified to Stage 2 not earlier than after 365 days (from the start of forbearance or from the downgrade to the NPL portfolio, whichever is later) of regular payments, repayment by the client of the amount previously overdue / written off (if any) and after finding that there are no concerns as to the further repayment of the entire debt in accordance with the agreed terms of restructuring.

### A significant 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 Group has developed detailed criteria for the definition of a significant increase in credit risk based on the following main assumptions:

- Qualitative assumptions:
  - Implementing dedicated monitoring strategies for the customer following the identification of early warning signals that indicate a significant increase in credit risk
  - Restructuring actions connected with making concessions to the customers as a result of their difficult financial standing
  - Delay in payment as defined by the applicable standard, i.e. 30 days past due combined with the materiality threshold
- Quantitative assumptions:
  - A risk buffer method based on the comparison of curves illustrating the probability of default over the currently remaining lifetime of the exposure based on the risk level assessment at exposure recognition and at reporting date. Risk buffer is set in relative terms for every single exposure based on its risk assessment resulting from internal models and other parameters of exposure impacting assessment of the Group whether the increase might have significantly increased since initial recognition of the exposure (such parameters considered types of the products, term structure as well as profitability). Risk buffer methodology was prepared internally and is based on the information gathered in the course of the decision process as well as in the process of transactions structuring.
  - 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. Group does not identify low credit risk exposures under IFRS 9 standard rules, which allows to recognize 12-month expected loss even in case of significant increase of credit risk since initial recognition.

### ECL measurement

Another key feature required by IFRS 9 is the approach to the estimation of risk parameters. For the purpose of estimating allowances for expected losses, Santander Bank Polska S.A. Group uses its own estimates of risk parameters that are based on internal models. Expected credit losses are the sum of individual products for each exposure of the estimated values of PD, LGD and EAD parameters in particular periods (depending on the stage either in the horizon of 12 months or in lifetime) discounted using the effective interest rate. The estimated parameters are adjusted for macroeconomic scenarios in accordance with the assumptions of IFRS 9. To this end, the Group determines the factors which affect individual asset classes to estimate an appropriate evolution of risk parameters.

The Group uses scenarios developed internally by the analytical team, which are updated on a monthly basis at least every six months.The models and parameters generated for the needs of IFRS 9 are subject to model management process and periodic calibration and validation. These tools are also used in the financial planning process.

### 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. Group uses three scenario types: the baseline scenario and two alternative scenarios, which reflect the probable alternative options of the baseline scenario: upside and downside scenario. 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 Group'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.

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. The growth rate of deposits will also slow down.

### 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. 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.

In thousands of PLN

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 |

### 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. Group 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% | 21,7 | 6,3 | 5,8 | 33,8 | 35,8 |
| 5% | 103,2 | 22,8 | 32,0 | 158,0 | 174,4 |
| 10% | 198,1 | 35,7 | 61,1 | 294,9 | 326,3 |

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 | 46,2 | 4,7 | 28,3 | 79,2 | 66,9 |
| optimistic | -47,4 | -4,0 | -28,1 | -79,5 | -70,4 |

### Estimates of provisions for legal claims

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

Details on the value of the provisions and the assumptions made for their calculation are provided in 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, Group estimates impact of legal risk on future cash flows.

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

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

which are described in more details in note 32

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

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

As explained in the accounting policies, Santander Bank Polska Group accounts for the impact of legal risk as an adjustment to the gross book value of the mortgage loans portfolio. If there is no credit exposure or its value is insufficient, the impact of legal risk is presented as a provision according to IAS 37.

The result 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 Group recognized PLN 1,250,466 k as cost of legal risk related to mortgage loans in foreign currencies and PLN 26,025 k as a cost of signed settlements.

The Group 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 32 and 33, 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 Group estimated the impact of the holidays on the Group's financial result at the time of entry into force of the Act and recognized it as a 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 Group 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. Group consistently applied the adopted accounting principles both for the reporting period for all reporting periods presented in these financial statements.

The accounting principles have been applied uniformly by all the entities forming Santander Bank Polska S.A. Group.

# 3. Operating segments reporting

Presentation of information about business segments in Santander Bank Polska Group bases on management information model which is used for preparing of reports for the Management Board, which are used to assess performance of results and allocate resources. Operational activity of Santander Bank Polska Group has been divided into five segments: Retail Banking, Business & Corporate Banking, Corporate & Investment Banking, ALM (Assets and Liabilities Management) and Centre, and Santander Consumer. They were identified based on customers and product types.

Profit before tax is a key measure which Management Board of the Bank uses to assess performance of business segments activity.

Income and costs assigned to a given segment are generated on sale and service of products or services in the segment, according to description presented below. Such income and costs are recognized in the profit and loss account for Santander Bank Polska Group and may be assigned to a given segment either directly or based on reasonable assumptions.

Interest and similar income split by business segments is assessed by Management Board of the Bank on the net basis including costs of internal transfer funds and without split by interests income and costs.

Settlements among business segments relate to rewarding for delivered services and include:

- sale and/or service of customers assigned to a given segment, via sale/service channels operated by another segment;
- sharing of income and costs on transactions in cases where a transaction is processed for a customer assigned to a different segment;
- sharing of income and cost of delivery of common projects.

Income and cost allocations are regulated by agreements between segments, which are based on single rates for specific services or breakdown of total income and/or cost.

Assets and liabilities of a given segment are used for the operational activity and may be assigned to the segment directly or on a reasonable basis.

Santander Bank Polska Group focuses its operating activity on the domestic market.

In 2024 customer resegmentation between business segments was introduced. Once a year, Santander Bank Polska Group carries out the resegmentation / migration of customers between operating segments which results from the fact that customer meets the criteria of assignment for different operating segment than before. This change is intended to provide services at the highest level of quality and tailored to individual needs or the scale of customer operations.

Comparable data are adjusted accordingly.

In the part regarding Santander Bank Polska, the cost of legal risk connected with the portfolio of FX mortgage were presented in Retail Banking segment. Simultaneously, in the part regarding Santander Consumer Bank, the cost of legal risk connected with the portfolio of FX mortgage loans were presented in the Santander Consumer segment. More details regarding the above provisions are described in the note 32.

Impact of new criteria for a significant increase in risk (absolute threshold and a condition verifying at least a threefold increase in PD) described in note 2.6, introduced in the second quarter of 2024 was presented in Retail Banking segment.

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

## Retail Banking

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

## Business & Corporate Banking

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

## Corporate & Investment Banking

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

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

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

## ALM and Centre

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

## Santander Consumer

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

In thousands of PLN

## Consolidated income statement by business segments

| 1.04.2024- 30.06.2024 | Segment Retail Banking * | Segment Business and Corporate Banking | Segment Corporate& Investment Banking | Segment ALM and Centre | Segment Santander Consumer | Total |
|---|---|---|---|---|---|---|
| **Net interest income** | **1 890 343** | **567 734** | **194 914** | **241 018** | **390 858** | **3 284 867** |
| incl. internal transactions | (738) | (2 456) | 12 413 | 16 507 | (25 726) | - |
| Fee and commission income | 544 313 | 168 280 | 123 940 | - | 56 596 | 893 129 |
| Fee and commission expense | (120 950) | (13 859) | (11 485) | - | (19 353) | (165 647) |
| **Net fee and commission income** | **423 363** | **154 421** | **112 455** | **-** | **37 243** | **727 482** |
| incl. internal transactions | 98 403 | 52 885 | (150 518) | - | (770) | - |
| **Other income** | **(10 201)** | **26 071** | **75 274** | **4 978** | **11 239** | **107 361** |
| incl. internal transactions | 8 504 | 12 564 | (20 265) | (201) | (602) | - |
| **Dividend income** | **10 377** | **-** | **1 674** | **-** | **13** | **12 064** |
| **Operating costs** | **(647 667)** | **(165 149)** | **(127 151)** | **(17 052)** | **(116 382)** | **(1 073 401)** |
| incl. internal transactions | - | - | - | (65) | 65 | - |
| **Depreciation/amortisation** | **(103 183)** | **(19 330)** | **(9 989)** | **1 344** | **(20 002)** | **(151 160)** |
| **Impairment losses on loans and advances** | **(201 618)** | **(67 244)** | **(26 458)** | **3 001** | **(87 061)** | **(379 380)** |
| **Cost of legal risk associated with foreign currency mortgage loans** | **(799 333)** | **-** | **-** | **-** | **(451 132)** | **(1 250 465)** |
| **Share in net profits (loss) of entities accounted for by the equity method** | **27 497** | **-** | **-** | **1 276** | **-** | **28 773** |
| **Tax on financial institutions** | **(108 319)** | **(42 654)** | **(36 412)** | **(34)** | **(9 229)** | **(196 648)** |
| **Profit before tax** | **481 259** | **453 849** | **184 307** | **234 531** | **(244 453)** | **1 109 493** |
| Corporate income tax | | | | | | (373 369) |
| **Consolidated net profit for the period** | | | | | | **736 124** |
| of which: | | | | | | |
| attributable to owners of the parent entity | | | | | | 794 902 |
| attributable to non-controlling interests | | | | | | (58 778) |

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

| 1.04.2024-30.06.2024 | Segment Retail Banking * | Segment Business and Corporate Banking | Segment Corporate& Investment Banking | Segment ALM and Centre | Segment Santander Consumer | Total |
|---|---|---|---|---|---|---|
| **Fee and commission income** | **544 313** | **168 280** | **123 940** | **-** | **56 596** | **893 129** |
| Electronic and payment services | 48 280 | 17 582 | 6 989 | - | - | 72 851 |
| Current accounts and money transfer | 67 875 | 26 289 | 5 433 | - | 350 | 99 947 |
| Asset management fees | 71 312 | 153 | - | - | - | 71 465 |
| Foreign exchange commissions | 100 040 | 51 904 | 68 350 | - | - | 220 294 |
| Credit commissions incl. factoring commissions and other | 31 537 | 40 985 | 19 718 | - | 19 562 | 111 802 |
| Insurance commissions | 58 453 | 4 022 | 268 | - | 21 170 | 83 913 |
| Commissions from brokerage activities | 27 416 | 36 | 9 820 | - | - | 37 272 |
| Credit cards | 21 902 | - | - | - | 10 089 | 31 991 |
| Card fees (debit cards) | 109 394 | 4 951 | 576 | - | - | 114 921 |
| Off-balance sheet guarantee commissions | 463 | 21 613 | 10 500 | - | - | 32 576 |
| Finance lease commissions | 2 693 | 613 | 41 | - | 5 425 | 8 772 |
| Issue arrangement fees | - | 132 | 2 245 | - | - | 2 377 |
| Distribution fees | 4 948 | - | - | - | - | 4 948 |

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

In thousands of PLN

| 1.01.2024- 30.06.2024 | Segment Retail Banking * | Segment Business and Corporate Banking | Segment Corporate& Investment Banking | Segment ALM and Centre | Segment Santander Consumer | Total |
|---|---|---|---|---|---|---|
| **Net interest income** | **3 865 731** | **1 143 112** | **391 346** | **510 112** | **761 904** | **6 672 205** |
| incl. internal transactions | (1 273) | (4 290) | 19 377 | 37 911 | (51 725) | - |
| Fee and commission income | 1 065 153 | 329 529 | 259 260 | - | 110 526 | 1 764 468 |
| Fee and commission expense | (218 343) | (28 443) | (21 471) | - | (40 174) | (308 431) |
| **Net fee and commission income** | **846 810** | **301 086** | **237 789** | **-** | **70 352** | **1 456 037** |
| incl. internal transactions | 193 102 | 100 590 | (292 169) | - | (1 523) | - |
| **Other income** | **(24 928)** | **44 867** | **151 319** | **(53 648)** | **25 538** | **143 148** |
| incl. internal transactions | 14 028 | 29 324 | (42 035) | (131) | (1 186) | - |
| **Dividend income** | **10 377** | **-** | **1 692** | **-** | **23** | **12 092** |
| **Operating costs** | **(1 348 387)** | **(355 386)** | **(264 339)** | **(26 984)** | **(278 392)** | **(2 273 488)** |
| incl. internal transactions | - | - | - | 750 | (750) | - |
| **Depreciation/amortisation** | **(208 455)** | **(37 783)** | **(19 858)** | **1 354** | **(39 307)** | **(304 049)** |
| **Impairment losses on loans and advances** | **(316 023)** | **(92 644)** | **(42 012)** | **2 383** | **(162 953)** | **(611 249)** |
| **Cost of legal risk associated with foreign currency mortgage loans** | **(1 013 322)** | **-** | **-** | **-** | **(533 216)** | **(1 546 538)** |
| **Share in net profits (loss) of entities accounted for by the equity method** | **52 293** | **-** | **-** | **768** | **-** | **53 061** |
| **Tax on financial institutions** | **(219 119)** | **(87 357)** | **(70 747)** | **-** | **(17 856)** | **(395 079)** |
| **Profit before tax** | **1 644 977** | **915 895** | **385 190** | **433 985** | **(173 907)** | **3 206 140** |
| Corporate income tax | | | | | | (872 442) |
| **Consolidated net profit for the period** | | | | | | **2 333 698** |
| of which: | | | | | | |
| attributable to owners of the parent entity | | | | | | 2 359 646 |
| attributable to non-controlling interests | | | | | | (25 948) |

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

| 1.01.2024-30.06.2024 | Segment Retail Banking * | Segment Business and Corporate Banking | Segment Corporate& Investment Banking | Segment ALM and Centre | Segment Santander Consumer | Total |
|---|---|---|---|---|---|---|
| **Fee and commission income** | **1 065 153** | **329 529** | **259 260** | **-** | **110 526** | **1 764 468** |
| Electronic and payment services | 94 611 | 34 788 | 14 372 | - | - | 143 771 |
| Current accounts and money transfer | 134 290 | 52 596 | 9 927 | - | 710 | 197 523 |
| Asset management fees | 140 705 | 291 | - | - | - | 140 996 |
| Foreign exchange commissions | 194 703 | 100 104 | 131 605 | - | - | 426 412 |
| Credit commissions incl. factoring commissions and other | 64 070 | 79 249 | 44 961 | - | 37 771 | 226 051 |
| Insurance commissions | 112 919 | 7 334 | 627 | - | 40 478 | 161 358 |
| Commissions from brokerage activities | 56 066 | 61 | 23 463 | - | - | 79 590 |
| Credit cards | 43 546 | - | - | - | 20 806 | 64 352 |
| Card fees (debit cards) | 208 591 | 9 514 | 1 102 | - | - | 219 207 |
| Off-balance sheet guarantee commissions | 1 175 | 44 230 | 21 504 | - | - | 66 909 |
| Finance lease commissions | 5 041 | 1 094 | 92 | - | 10 761 | 16 988 |
| Issue arrangement fees | - | 268 | 11 607 | - | - | 11 875 |
| Distribution fees | 9 436 | - | - | - | - | 9 436 |

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

In thousands of PLN

## Consolidated income statement by business segments

| 1.04.2023 - 30.06.2023 | Segment Retail Banking * | Segment Business and Corporate Banking | Segment Corporate& Investment Banking | Segment ALM and Centre | Segment Santander Consumer | Total |
|---|---|---|---|---|---|---|
| **Net interest income** | **1 800 720** | **577 711** | **219 182** | **279 770** | **322 796** | **3 200 179** |
| incl. internal transactions | (62) | (1 329) | 3 752 | 25 861 | (28 222) | - |
| Fee and commission income | 508 766 | 155 899 | 136 893 | - | 53 377 | **854 935** |
| Fee and commission expense | (134 115) | (9 549) | (10 356) | - | (23 346) | **(177 366)** |
| **Net fee and commission income** | **374 651** | **146 350** | **126 537** | **-** | **30 031** | **677 569** |
| incl. internal transactions | 81 948 | 46 885 | (128 734) | - | (99) | - |
| **Other income** | **(62 432)** | **25 088** | **36 688** | **(33 470)** | **16 754** | **(17 372)** |
| incl. internal transactions | 3 336 | 18 498 | (21 101) | (734) | 1 | - |
| **Dividend income** | **9 522** | **-** | **246** | **-** | **9** | **9 777** |
| **Operating costs** | **(566 720)** | **(124 641)** | **(112 920)** | **(15 424)** | **(101 333)** | **(921 038)** |
| incl. internal transactions | - | - | - | 437 | (437) | - |
| **Depreciation/amortisation** | **(99 287)** | **(16 798)** | **(8 879)** | **-** | **(16 573)** | **(141 537)** |
| **Impairment losses on loans and advances** | **(187 275)** | **(73 831)** | **(15 895)** | **(812)** | **(79 788)** | **(357 601)** |
| **Cost of legal risk associated with foreign currency mortgage loans** | **(559 373)** | **-** | **-** | **-** | **(169 504)** | **(728 877)** |
| **Share in net profits (loss) of entities accounted for by the equity method** | **26 023** | **-** | **-** | **1 090** | **-** | **27 113** |
| **Tax on financial institutions** | **(103 863)** | **(44 149)** | **(36 546)** | **-** | **(7 455)** | **(192 013)** |
| **Profit before tax** | **631 966** | **489 730** | **208 413** | **231 154** | **(5 063)** | **1 556 200** |
| Corporate income tax | | | | | | **(409 548)** |
| **Consolidated net profit for the period** | | | | | | **1 146 652** |
| of which: | | | | | | |
| attributable to owners of the parent entity | | | | | | **1 130 226** |
| attributable to non-controlling interests | | | | | | **16 426** |

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

| 1.04.2023-30.06.2023 | Segment Retail Banking * | Segment Business and Corporate Banking | Segment Corporate& Investment Banking | Segment ALM and Centre | Segment Santander Consumer | Total |
|---|---|---|---|---|---|---|
| **Fee and commission income** | **508 766** | **155 899** | **136 893** | **-** | **53 377** | 854 935 |
| Electronic and payment services | 45 866 | 18 086 | 6 749 | - | - | **70 701** |
| Current accounts and money transfer | 65 436 | 25 892 | 4 640 | - | 381 | **96 349** |
| Asset management fees | 55 671 | 100 | - | - | - | **55 771** |
| Foreign exchange commissions | 80 839 | 47 867 | 61 243 | - | - | **189 949** |
| Credit commissions incl. factoring commissions and other | 34 332 | 35 038 | 37 537 | - | 16 213 | **123 120** |
| Insurance commissions | 48 951 | 3 112 | 353 | - | 19 132 | **71 548** |
| Commissions from brokerage activities | 23 802 | 13 | 8 099 | - | - | **31 914** |
| Credit cards | 24 475 | - | - | - | 12 335 | **36 810** |
| Card fees (debit cards) | 122 909 | 5 366 | 608 | - | - | **128 883** |
| Off-balance sheet guarantee commissions | 681 | 19 832 | 15 611 | - | 95 | **36 219** |
| Finance lease commissions | 2 480 | 530 | 58 | - | 5 221 | **8 289** |
| Issue arrangement fees | - | 63 | 1 995 | - | - | **2 058** |
| Distribution fees | 3 324 | - | - | - | - | **3 324** |

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

In thousands of PLN

| 1.01.2023 - 30.06.2023 | Segment Retail Banking * | Segment Business and Corporate Banking | Segment Corporate& Investment Banking | Segment ALM and Centre | Segment Santander Consumer | Total |
|---|---|---|---|---|---|---|
| **Net interest income** | **3 624 368** | **1 143 058** | **424 926** | **467 411** | **632 707** | **6 292 470** |
| incl. internal transactions | (751) | (2 242) | 5 334 | 53 541 | (55 882) | - |
| Fee and commission income | 960 523 | 308 348 | 266 596 | - | 100 084 | 1 635 551 |
| Fee and commission expense | (211 304) | (19 201) | (18 193) | - | (46 889) | (295 587) |
| **Net fee and commission income** | **749 219** | **289 147** | **248 403** | **-** | **53 195** | **1 339 964** |
| incl. internal transactions | 158 259 | 93 086 | (251 132) | - | (213) | - |
| **Other income** | **(233 266)** | **49 149** | **106 420** | **7 552** | **28 394** | **(41 751)** |
| incl. internal transactions | 6 255 | 35 376 | (40 418) | (1 216) | 3 | - |
| **Dividend income** | **9 675** | **-** | **248** | **-** | **19** | **9 942** |
| **Operating costs** | **(1 238 931)** | **(288 122)** | **(240 048)** | **(24 943)** | **(245 549)** | **(2 037 593)** |
| incl. internal transactions | - | - | - | 1 055 | (1 055) | - |
| **Depreciation/amortisation** | **(193 899)** | **(31 868)** | **(17 408)** | **-** | **(32 601)** | **(275 776)** |
| **Impairment losses on loans and advances** | **(349 293)** | **(90 428)** | **(26 399)** | **(858)** | **(123 254)** | **(590 232)** |
| **Cost of legal risk associated with foreign currency mortgage loans** | **(907 622)** | **-** | **-** | **-** | **(241 857)** | **(1 149 479)** |
| **Share in net profits (loss) of entities accounted for by the equity method** | **51 199** | **-** | **-** | **993** | **-** | **52 192** |
| **Tax on financial institutions** | **(215 534)** | **(94 041)** | **(63 474)** | **-** | **(14 480)** | **(387 529)** |
| **Profit before tax** | **1 295 916** | **976 895** | **432 668** | **450 155** | **56 574** | **3 212 208** |
| Corporate income tax | | | | | | (848 747) |
| **Consolidated net profit for the period** | | | | | | **2 363 461** |
| of which: | | | | | | |
| attributable to owners of the parent entity | | | | | | 2 322 216 |
| attributable to non-controlling interests | | | | | | 41 245 |

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

| 1.01.2023-30.06.2023 | Segment Retail Banking * | Segment Business and Corporate Banking | Segment Corporate& Investment Banking | Segment ALM and Centre | Segment Santander Consumer | Total |
|---|---|---|---|---|---|---|
| **Fee and commission income** | **960 523** | **308 348** | **266 596** | **-** | **100 084** | **1 635 551** |
| Electronic and payment services | 90 161 | 36 154 | 12 829 | - | - | 139 144 |
| Current accounts and money transfer | 129 572 | 50 989 | 8 578 | - | 773 | 189 912 |
| Asset management fees | 101 061 | 188 | - | - | - | 101 249 |
| Foreign exchange commissions | 156 274 | 94 337 | 120 864 | - | - | 371 475 |
| Credit commissions incl. factoring commissions and other | 67 717 | 69 714 | 71 732 | - | 32 486 | 241 649 |
| Insurance commissions | 92 534 | 5 826 | 753 | - | 32 813 | 131 926 |
| Commissions from brokerage activities | 49 664 | 17 | 18 475 | - | - | 68 156 |
| Credit cards | 46 746 | - | - | - | 24 702 | 71 448 |
| Card fees (debit cards) | 212 511 | 9 752 | 1 056 | - | - | 223 319 |
| Off-balance sheet guarantee commissions | 1 981 | 39 760 | 22 586 | - | 151 | 64 478 |
| Finance lease commissions | 5 141 | 1 094 | 142 | - | 9 159 | 15 536 |
| Issue arrangement fees | - | 517 | 9 581 | - | - | 10 098 |
| Distribution fees | 7 161 | - | - | - | - | 7 161 |

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

In thousands of PLN

# Consolidated statement of financial position by business segments

| 30.06.2024 | Segment Retail Banking * | Segment Business and Corporate Banking | Segment Corporate& Investment Banking | Segment ALM and Centre | Segment Santander Consumer | Total |
|---|---|---|---|---|---|---|
| Loans and advances to customers | 89 401 528 | 40 381 841 | 20 276 275 | - | 18 315 193 | 168 374 837 |
| Investments in associates | 864 764 | - | - | 48 989 | - | 913 753 |
| Other assets | 9 020 295 | 2 080 824 | 10 967 121 | 85 133 269 | 6 388 466 | 113 589 975 |
| **Total assets** | **99 286 587** | **42 462 665** | **31 243 396** | **85 182 258** | **24 703 659** | **282 878 565** |
| Deposits from customers | 141 712 906 | 43 083 405 | 13 486 523 | 1 923 236 | 15 028 595 | 215 234 665 |
| Other liabilities | 2 530 898 | 675 640 | 6 927 700 | 20 893 670 | 5 421 898 | 36 449 806 |
| Equity | 7 304 255 | 4 591 742 | 2 978 334 | 12 066 597 | 4 253 166 | 31 194 094 |
| **Total equity and liabilities** | **151 548 059** | **48 350 787** | **23 392 557** | **34 883 503** | **24 703 659** | **282 878 565** |

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

| 31.12.2023 | Segment Retail Banking * | Segment Business and Corporate Banking | Segment Corporate & Investment Banking | Segment ALM and Centre | Segment Santander Consumer | Total |
|---|---|---|---|---|---|---|
| Loans and advances to customers | 84 893 427 | 38 330 970 | 19 132 818 | - | 17 162 792 | 159 520 007 |
| Investments in associates | 919 294 | - | - | 48 220 | - | 967 514 |
| Other assets | 8 641 898 | 1 831 172 | 11 036 611 | 88 140 779 | 6 513 904 | 116 164 364 |
| **Total assets** | **94 454 619** | **40 162 142** | **30 169 429** | **88 188 999** | **23 676 696** | **276 651 885** |
| Deposits from customers | 134 149 686 | 43 948 874 | 14 368 922 | 3 121 993 | 13 687 881 | 209 277 356 |
| Other liabilities | 1 817 793 | 877 596 | 7 300 332 | 18 105 609 | 5 582 181 | 33 683 511 |
| Equity | 7 142 735 | 4 630 300 | 3 022 436 | 14 488 913 | 4 406 634 | 33 691 018 |
| **Total equity and liabilities** | **143 110 214** | **49 456 770** | **24 691 690** | **35 716 515** | **23 676 696** | **276 651 885** |

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

# 4. Risk management

In the first half of 2024, Santander Bank Polska Group managed its risks in accordance with the principles laid down in the consolidated financial statements for 2023.

The Group's main risk management priority is to undertake initiatives to enable secure operations of the organisation (in accordance with the banking supervision requirements), while supporting business growth and profit generation for the shareholders. The Group continues to develop innovative risk management solutions, including advanced risk assessment models and tools that help automate banking processes and reduce human errors. Another rapidly developing area is the management, analysis and use of data in tools and reports to support prompt, informed and secure decision-making leading to sustainable growth of business volumes. The Group regularly reviews processes and procedures for measurement, management and monitoring of the Bank's credit portfolio risk, adjusting them to the amended laws and regulatory requirements, especially to the KNF recommendations and the EBA guidelines.

The main risk management priorities in H1 2024 were: the analysis of consequences of the armed conflicts and macroeconomic factors (such as inflation and interest rates) and the management of ESG risk.

Due to the ongoing armed conflicts (the war between Russia and Ukraine and the war in the Middle East), the importance of geopolitical risk in risk management processes is still high. The Group identifies this risk both in its operations and in relation to its loan book and financial assets. It is based on the definition and assessment of material risks that may arise due to the geopolitical and macroeconomic situation and threaten the delivery of business plans of Santander Bank Polska S.A. To maintain business continuity, the Group closely monitors external developments and their impact on its operations. The monitoring covers, among other things, the key threats related to the above armed conflicts to ensure that the Group appropriately adjusts its control mechanisms to potential scenarios and is prepared to minimise the impact of emerging risks. Both first and second line of defence units are involved in this process and key information is provided to senior management.

The Group monitors legislative changes on an ongoing basis, including standards issued by other institutions (regulatory and industry standards). Each employee is obliged to discharge their duties in line with legal and regulatory requirements. The Group also monitors the evolution of national and international sanctions, mainly in relation to Russia's unlawful aggression against Ukraine. The Group has the sanctions compliance programme in place to ensure that it complies with all applicable sanctions, including the identification and mitigation of sanctions risks to which it is exposed as part of its business activity.

As in the previous years, in H1 2024 the Group monitored the credit portfolio in terms of the influence of the macroeconomic situation in individual customer segments and economic sectors in order to ensure prompt and adequate response and align the credit policy parameters accordingly. Particular focus was placed on the assessment of impact of such factors as inflation, interest rates, exchange rates, export growth rates as well as gas and energy prices on the quality of the credit portfolios based on stress testing and sensitivity analysis. The Group also continued to monitor the factors directly related to the geopolitical situation, i.e. sanctions and restriction of operations of business customer on the territory of armed conflicts. In addition, the Group kept track of legislative changes that may significantly affect the situation in individual sectors to take adequate proactive measures in relation to the credit portfolio.

As part of regular reviews of ECL parameter models, the Group takes into account the latest macroeconomic projections, using its predictive models based on historical observations of relationships between those variables and risk parameters. ECL parameters were updated in Q2 2024 to account for the impact of the geopolitical environment on the current economic situation and macroeconomic projections.

Furthermore, as part of standard ongoing monitoring, the Bank assessed the impact of the geopolitical factors on borrowers through individual reviews, analysis of macroeconomic indicators, monitoring of behavioural models (including transactional patterns), analysis of trends in individual economic sectors and comprehensive management information.

The quality of the Bank's credit portfolios remains satisfactory.

The Group is also developing its methodology in relation to the management of ESG (Environmental, Social and Governance) risks. In Q2 2024, the Group extended its risk management system to include concentration limits for exposures with high physical risk (related to both the borrower's business and assets). The limits are based on physical risk data at the municipality level, taking into account relevant climate scenarios. They were introduced in addition to the already applicable limits for sectors which are the largest contributors to climate change and carry the highest transition risk. Based on the analysis of emissions in credit portfolios calculated in line with the PCAF (Partnership for Carbon Accounting Financials) methodology, the Group defined business activities and extended cooperation with customers in this respect. The above measures are intended to minimise transition risks for both the Group and its customers. The Group is working on a standardised and systemic solution with regard to the ESG risk analysis of medium-sized companies in order to fully use all available data to assess inherent risk and optimise residual risk assessment as part of cooperation with the customer.

In H1 2024, the Group also continued to reduce the sensitivity of net interest income to interest rate movements. The above strategy was implemented in response to the introduction of a new regulatory limit in the current period, i.e. NII SOT at max 5% of Tier 1 capital.

The importance of cybersecurity, another risk factor, has been steadily growing because of the increasing digitalisation of the banking sector. The geopolitical situation did not improve in H1 2024, therefore the risk of targeted attacks made by well-structured, disciplined and sophisticated hacker groups was monitored on an ongoing basis. The risk connected with the consequences of attacks was regularly analysed and relevant measures were taken where justified. Disinformation campaigns aimed to destabilise the financial sector were also subject to close monitoring. The Group was taking measures to build awareness among employees and customers, e.g. by issuing security warnings about emerging threats. Particular focus was still placed on the problem of unauthorised transactions and on the security of processes, including the authentication and authorisation of transactions in remote channels. Other priority issue was the risk of DDoS attacks, supply chain attacks, application attacks, malware and attacks against customers and employees with the use of social engineering. Cyber attacks are becoming more sophisticated and specialised. Particularly popular are attacks based on new technologies offered by cybercriminals under a service model. The Group is analysing the growing importance of artificial intelligence technologies in terms of their use by attackers and in terms of their potential as control mechanisms that can facilitate risk and cybersecurity management. A special focus is placed on the proposed European law on artificial intelligence (EU AI Act) and its impact on the organisation.

### Interest Rate Benchmark reform

The purpose of the reform of Polish benchmarks started in 2022 is to change the methodology for determining the interest rate benchmark that is planned to replace WIBOR. In September 2022, the Steering Committee of the National Working Group ("NWG") selected WIRON as a benchmark to replace WIBOR. This indicates that the benchmark reform in Poland will be delivered in line with Article 23c of the Benchmark Regulation. According to the procedure specified in the above Article regarding the replacement of a benchmark by national law, all contracts and financial instruments should be amended accordingly.

The work as part of the WIBOR Programme is delivered mainly by a wide group of experts representing all business lines of the Bank, supported by renowned advisory companies. The progress is reported at weekly Operating Committee meetings and monthly Steering Committee meetings (attended by the Bank's Management Board members and senior executives).

In October 2023, the NWG Steering Committee decided to postpone the conversion of the historical portfolio of agreements and instruments from WIBOR to WIRON. In March 2024, the NWG decided to begin the review and analysis of other risk-free rates alternative to WIBOR. Following that decision, the Group suspended the work related to the implementation of products referencing WIRON.

Currently, the Group is taking part in public consultations on the review and assessment of interest rate benchmarks alternative to WIBOR. The results of the consultations will be used to verify the NWG decision of September 2022 as regards the selection of WIBOR replacement. Based on that decision, the Group will relaunch the Programme to implement internal solutions. Changes to the Programme, if any, will depend on the decision of the NWG.

## 5. Capital management

Details on capital management have been presented in document „Information on Capital Adequacy of Santander Bank Polska Group as at 30th June 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** | **3 807 587** | **7 660 920** | **3 677 672** | **7 171 535** |
| Loans and advances to enterprises | 1 201 087 | 2 377 037 | 1 280 620 | 2 428 233 |
| Loans and advances to individuals, of which: | 1 850 751 | 3 845 219 | 1 952 962 | 3 911 762 |
| *Home mortgage loans* | *820 175* | *1 806 892* | *975 215* | *1 967 143* |
| Loans and advances to banks | 221 514 | 433 534 | 204 241 | 389 690 |
| Loans and advances to public sector | 23 808 | 48 437 | 20 569 | 42 500 |
| Reverse repo transactions | 162 154 | 307 131 | 131 481 | 257 126 |
| Debt securities | 367 183 | 675 991 | 79 066 | 130 182 |
| Interest recorded on hedging IRS | (18 910) | (26 429) | 8 733 | 12 042 |
| **Interest income on financial assets measured at fair value through other comprehensive income** | **473 622** | **1 002 836** | **618 168** | **1 212 969** |
| Loans and advances to enterprises | 70 283 | 126 713 | 32 308 | 91 913 |
| Loans and advances to public sector | 4 193 | 8 335 | 6 614 | 13 096 |
| Debt securities | 399 146 | 867 788 | 579 246 | 1 107 960 |
| **Income similar to interest - financial assets measured at fair value through profit or loss** | **27 571** | **41 059** | **22 201** | **54 747** |
| Loans and advances to enterprises | - | - | 342 | 1 420 |
| Loans and advances to individuals | 4 264 | 8 815 | 7 143 | 16 503 |
| Debt securities | 23 307 | 32 244 | 14 716 | 36 824 |
| **Income similar to interest on finance leases** | **259 072** | **509 073** | **228 261** | **445 500** |
| **Total income** | **4 567 852** | **9 213 888** | **4 546 302** | **8 884 751** |

*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** | **(1 282 985)** | **(2 541 683)** | **(1 346 123)** | **(2 592 281)** |
| Liabilities to individuals | (507 754) | (1 001 682) | (574 097) | (1 035 634) |
| Liabilities to enterprises | (333 821) | (672 573) | (421 029) | (860 652) |
| Repo transactions | (66 499) | (131 088) | (44 378) | (127 479) |
| Liabilities to public sector | (102 116) | (195 880) | (91 745) | (178 835) |
| Liabilities to banks | (53 068) | (105 074) | (56 609) | (101 748) |
| Lease liability | (5 520) | (11 007) | (4 543) | (8 954) |
| Subordinated liabilities and issue of securities | (214 207) | (424 379) | (153 722) | (278 979) |
| **Total costs** | **(1 282 985)** | **(2 541 683)** | **(1 346 123)** | **(2 592 281)** |
| **Net interest income** | **3 284 867** | **6 672 205** | **3 200 179** | **6 292 470** |

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 | 72 851 | 143 771 | 70 701 | 139 144 |
| Current accounts and money transfer | 99 947 | 197 523 | 96 349 | 189 912 |
| Asset management fees | 71 465 | 140 996 | 55 771 | 101 249 |
| Foreign exchange commissions | 220 294 | 426 412 | 189 949 | 371 475 |
| Credit commissions incl. factoring commissions and other | 111 802 | 226 051 | 123 120 | 241 649 |
| Insurance commissions | 83 913 | 161 358 | 71 548 | 131 926 |
| Commissions from brokerage activities | 37 272 | 79 590 | 31 914 | 68 156 |
| Credit cards | 31 991 | 64 352 | 36 810 | 71 448 |
| Card fees (debit cards) | 114 921 | 219 207 | 128 883 | 223 319 |
| Off-balance sheet guarantee commissions | 32 576 | 66 909 | 36 219 | 64 478 |
| Finance lease commissions | 8 772 | 16 988 | 8 289 | 15 536 |
| Issue arrangement fees | 2 377 | 11 875 | 2 058 | 10 098 |
| Distribution fees | 4 948 | 9 436 | 3 324 | 7 161 |
| **Total** | **893 129** | **1 764 468** | **854 935** | **1 635 551** |

| 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 | (23 744) | (40 865) | (19 917) | (37 676) |
| Distribution fees | (2 699) | (5 294) | (2 243) | (4 265) |
| Commissions from brokerage activities | (3 828) | (8 295) | (3 014) | (6 743) |
| Credit cards | (5 233) | (10 084) | (6 120) | (9 124) |
| Card fees (debit cards) | (37 489) | (65 396) | (49 241) | (56 717) |
| Credit commissions paid | (16 120) | (31 353) | (21 839) | (39 077) |
| Insurance commissions | (3 034) | (5 933) | (3 595) | (7 209) |
| Finance lease commissions | (11 935) | (23 890) | (11 625) | (23 147) |
| Asset management fees and other costs | (783) | (1 946) | (1 497) | (2 778) |
| Off-balance sheet guarantee commissions | (16 424) | (35 279) | (20 186) | (40 456) |
| Other | (44 358) | (80 096) | (38 089) | (68 395) |
| **Total** | **(165 647)** | **(308 431)** | **(177 366)** | **(295 587)** |
| **Net fee and commission income** | **727 482** | **1 456 037** | **677 569** | **1 339 964** |

# 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 | (13 275) | 136 669 | (37 029) | 91 578 |
| Interbank FX transactions and other FX related income | 62 532 | (120 683) | 31 386 | 17 609 |
| Net gains on sale of equity securities measured at fair value through profit or loss | 7 066 | 9 388 | 8 068 | 17 605 |
| Net gains on sale of debt securities measured at fair value through profit or loss | 23 756 | 54 509 | 7 161 | 6 767 |
| Change in fair value of loans and advances mandatorily measured at fair value through profit or loss | 2 364 | 2 349 | 7 345 | 10 325 |
| **Total** | **82 443** | **82 232** | **16 931** | **143 884** |

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 | 1 338 | 5 032 | 550 | (3 703) |
| Net gains on sale of debt securities measured at fair value through profit or loss | 1 | 1 | - | - |
| 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 | (425) | 252 | 3 686 | 15 781 |
| Impairment losses on securities | - | - | (2 016) | (2 016) |
| **Total profit (losses) on financial instruments** | **914** | **5 285** | **2 220** | **12 949** |
| Change in fair value of hedging instruments | (8 424) | 28 182 | (100 303) | (253 218) |
| Change in fair value of underlying hedged positions | 7 530 | (27 538) | 97 541 | 244 904 |
| **Total profit (losses) on hedging and hedged instruments** | **(894)** | **644** | **(2 762)** | **(8 314)** |
| **Total** | **20** | **5 929** | **(542)** | **4 635** |

# 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 | 4 440 | 11 030 | 4 474 | 8 218 |
| Release of provision for legal cases and other assets | 19 967 | 25 978 | 6 318 | 10 234 |
| Gain on sales or liquidation of fixed assets, intangible assets and assets for disposal | - | - | 2 222 | 2 222 |
| Recovery of other receivables (expired, cancelled and uncollectable) | 9 | 18 | 98 | 117 |
| Received compensations, penalties and fines | 632 | 1 099 | 590 | 1 338 |
| Settlements of leasing agreements /Income from claims received from the insurer | 4 449 | 8 073 | 2 703 | 5 711 |
| Other | 20 081 | 41 436 | 29 201 | 45 233 |
| **Total** | **49 578** | **87 634** | **45 606** | **73 073** |

In thousands of PLN

# 11. Impairment allowances for expected credit 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** | **20** | **184** | **(1 528)** | **(1 496)** |
| Stage 1 | 20 | 184 | (1 528) | (1 496) |
| Stage 2 | - | - | - | - |
| Stage 3 | - | - | - | - |
| POCI | - | - | - | - |
| **Charge for loans and advances to customers** | **(363 025)** | **(648 866)** | **(354 807)** | **(620 592)** |
| Stage 1 | 14 071 | (7 859) | (57 107) | (90 963) |
| Stage 2 * | (287 213) | (422 590) | (143 112) | (291 237) |
| Stage 3 | (129 656) | (270 234) | (180 743) | (282 304) |
| POCI | 39 773 | 51 817 | 26 155 | 43 912 |
| **Recoveries of loans previously written off** | **6 621** | **36 285** | **(74)** | **34 557** |
| Stage 1 | - | - | - | - |
| Stage 2 | - | - | - | - |
| Stage 3 | 6 621 | 36 285 | (74) | 34 557 |
| POCI | - | - | - | - |
| **Off-balance sheet credit related facilities** | **(22 996)** | **1 148** | **(1 192)** | **(2 701)** |
| Stage 1 | (2 986) | (4 299) | (108) | (3 311) |
| Stage 2 | (25 412) | (14 616) | (3 131) | (3 069) |
| Stage 3 | 5 402 | 20 063 | 2 047 | 3 679 |
| POCI | - | - | - | - |
| **Total** | **(379 380)** | **(611 249)** | **(357 601)** | **(590 232)** |

* 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 | (470 120) | (932 417) | (444 200) | (889 078) |
| Salary related costs | (84 602) | (171 381) | (78 598) | (153 503) |
| Cost of contributions to Employee Capital Plans | (4 044) | (8 123) | (3 549) | (6 613) |
| Staff benefits costs | (15 323) | (29 027) | (10 218) | (20 418) |
| Professional trainings | (3 601) | (6 121) | (2 766) | (5 076) |
| Retirement fund, holiday provisions and other employee costs | (955) | (966) | (9) | (17) |
| Restructuring provision | | | (400) | (400) |
| **Total** | **(578 645)** | **(1 148 035)** | **(539 740)** | **(1 075 105)** |

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 | (37 229) | (71 064) | (30 999) | (64 095) |
| Short-term lease costs | (2 206) | (4 829) | (2 258) | (4 461) |
| Low-value assets lease costs | (305) | (626) | (305) | (611) |
| Costs of variable lease payments not included in the measurement of the lease liability | (4) | (251) | 30 | (400) |
| Non-tax deductible VAT | (9 390) | (20 206) | (10 260) | (20 166) |
| Marketing and representation | (45 761) | (87 401) | (40 210) | (77 269) |
| IT systems costs | (134 460) | (269 795) | (123 496) | (253 667) |
| Cost of BFG, KNF and KDPW | (54 005) | (271 668) | 4 162 | (194 281) |
| Cost for payment to protection system (IPS) | - | - | (238) | (238) |
| Postal and telecommunication costs | (12 375) | (26 438) | (16 172) | (30 752) |
| Consulting and advisory fees | (27 967) | (43 725) | (15 933) | (31 974) |
| Cars, transport expenses, carriage of cash | (12 139) | (24 884) | (17 195) | (33 874) |
| Other external services | (66 361) | (131 082) | (52 266) | (104 745) |
| Stationery, cards, cheques etc. | (3 549) | (7 978) | (5 059) | (10 516) |
| Sundry taxes and charges | (11 392) | (22 643) | (11 004) | (21 892) |
| Data transmission | (6 016) | (12 856) | (7 098) | (12 361) |
| KIR, SWIFT settlements | (10 691) | (21 593) | (8 578) | (18 191) |
| Security costs | (4 940) | (10 035) | (4 490) | (9 149) |
| Costs of repairs | (2 088) | (4 034) | (1 143) | (2 020) |
| Other | (8 504) | (16 889) | (6 534) | (12 670) |
| **Total** | **(449 382)** | **(1 047 997)** | **(349 046)** | **(903 332)** |

# 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 | (23 011) | (36 221) | (21 600) | (30 710) |
| Impairment loss on property, plant, equipment, intangible assets covered by financial lease agreements and other fixed assets | (1 285) | (3 349) | (2 143) | (3 228) |
| Loss on sales or liquidation of fixed assets, intangible assets and assets for disposal | (3 172) | (7 164) | - | - |
| Costs of purchased services | (729) | (1 117) | (490) | (1 253) |
| Other membership fees | (467) | (897) | (541) | (832) |
| Paid compensations, penalties and fines | (233) | (408) | (101) | (261) |
| Donations paid | (4 035) | (4 232) | (3 797) | (3 811) |
| Other | (12 442) | (24 068) | (3 580) | (19 061) |
| **Total** | **(45 374)** | **(77 456)** | **(32 252)** | **(59 156)** |

# 15. Corporate income tax

| Corporate income tax | 1.04.2024-30.06.2024 | 1.01.2024-30.06.2024 | 1.04.2023-30.06.2023 | 1.01.2023-30.06.2023 |
|---|---|---|---|---|
| Current tax charge in the income statement | (384 326) | (666 976) | (500 801) | (827 300) |
| Deferred tax | 10 957 | (227 731) | 75 719 | (40 692) |
| Adjustments from previous years for current and deferred tax | - | 22 265 | 15 534 | 19 245 |
| **Total tax on gross profit** | **(373 369)** | **(872 442)** | **(409 548)** | **(848 747)** |

In thousands of PLN

| Corporate total tax charge information | 1.04.2024-30.06.2024 | 1.01.2024-30.06.2024 | 1.04.2023-30.06.2023 | 1.01.2023-30.06.2023 |
|---|---|---|---|---|
| Profit before tax | 1 109 493 | 3 206 140 | 1 556 200 | 3 212 208 |
| Tax rate | 19% | 19% | 19% | 19% |
| Tax calculated at the tax rate | (210 804) | (609 167) | (295 678) | (610 320) |
| Non-tax-deductible expenses | (5 081) | (12 984) | (8 542) | (13 878) |
| Cost of legal risk associated with foreign currency mortgage loans | (211 242) | (240 234) | (125 196) | (178 223) |
| The fee to the Bank Guarantee Fund | (8 402) | (47 476) | 2 430 | (33 170) |
| Tax on financial institutions | (37 323) | (74 990) | (36 470) | (73 614) |
| Non-taxable income | 15 963 | 20 889 | 2 476 | 9 219 |
| Non-tax deductible bad debt provisions | (12 247) | (26 710) | (6 524) | (8 098) |
| Tax effect of consolidation adjustments | 20 626 | 20 626 | 14 731 | 14 731 |
| Adjustment of prior years tax | - | 22 265 | 15 536 | 19 247 |
| Expected weighted average annual tax rate adjustment* | 76 400 | 76 400 | 31 688 | 31 688 |
| Other | (1 259) | (1 061) | (3 999) | (6 329) |
| **Total tax on gross profit** | **(373 369)** | **(872 442)** | **(409 548)** | **(848 747)** |

*) in accordance with IAS 34.30(c), refers to Santander Consumer Bank S.A.

| 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 | 190 528 | 250 814 |
| Relating to valuation of equity investments measured at fair value through other comprehensive income | (69 371) | (47 309) |
| Relating to cash flow hedging activity | (3 214) | (130 954) |
| Relating to valuation of defined benefit plans | (633) | (356) |
| **Total** | **117 310** | **72 195** |

# 16. Cash and balances with central banks

| Cash and balances with central banks | 30.06.2024 | 31.12.2023 |
|---|---|---|
| Cash | 1 617 912 | 2 609 876 |
| Current accounts in central banks | 7 123 494 | 5 612 059 |
| Term deposits | 327 722 | 195 584 |
| **Total** | **9 069 128** | **8 417 519** |

Santander Bank Polska SA and Santander Consumer Bank SA hold an obligatory reserve in a current account in the National Bank of Poland. The figure is calculated at a fixed percentage of minimal statutory reserve of the monthly average balance of the customers' deposits, which was 3.5% as at 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.

# 17. Loans and advances to banks

| Loans and advances to banks | 30.06.2024 | 31.12.2023 |
|---|---|---|
| Loans and advances | 3 571 975 | 6 298 372 |
| Current accounts | 2 236 283 | 3 235 871 |
| **Gross receivables** | **5 808 258** | **9 534 243** |
| Allowance for impairment | (219) | (403) |
| **Total** | **5 808 039** | **9 533 840** |

In thousands of PLN

# 18. Financial assets and liabilities held for trading

| | 30.06.2024 | | 31.12.2023 | |
|---|---|---|---|---|
| | Assets | Liabilities | Assets | Liabilities |
| **Trading derivatives** | **6 238 728** | **6 038 951** | **7 391 237** | **7 994 372** |
| Interest rate operations | 4 243 478 | 3 829 464 | 4 041 517 | 4 310 003 |
| FX operations | 1 995 250 | 2 209 487 | 3 349 720 | 3 684 369 |
| **Debt and equity securities** | **597 684** | **-** | **1 548 123** | **-** |
| **Debt securities** | **522 951** | **-** | **1 519 191** | **-** |
| Government securities: | 508 732 | - | 1 508 969 | - |
| - bonds | 508 732 | - | 1 508 969 | - |
| Other securities: | 14 219 | - | 10 222 | - |
| - bonds | 14 219 | - | 10 222 | - |
| **Equity securities** | **74 733** | **-** | **28 932** | **-** |
| **Short sale** | **-** | **1 031 484** | **-** | **824 121** |
| **Total** | **6 836 412** | **7 070 435** | **8 939 360** | **8 818 493** |

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 | 865 559 | 602 259 | 1 346 655 | 723 101 |
| **Total** | **1 123 964** | **616 480** | **1 575 056** | **880 538** |

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.

# 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 and loss | from finance leases | Total |
| Loans and advances to enterprises | 68 244 788 | 3 756 466 | - | - | 72 001 254 |
| Loans and advances to individuals, of which: | 86 504 306 | - | 78 150 | - | 86 582 456 |
| *Home mortgage loans ** | *55 042 284* | - | - | - | *55 042 284* |
| Finance lease receivables | - | - | - | 14 435 417 | 14 435 417 |
| Loans and advances to public sector | 995 854 | 249 689 | - | - | 1 245 543 |
| Other receivables | 79 894 | - | - | - | 79 894 |
| **Gross receivables** | **155 824 842** | **4 006 155** | **78 150** | **14 435 417** | **174 344 564** |
| Allowance for impairment | (5 554 843) | (110 954) | - | (303 930) | (5 969 727) |
| **Total** | **150 269 999** | **3 895 201** | **78 150** | **14 131 487** | **168 374 837** |

* 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.

In thousands of PLN

| Loans and advances to customers | 31.12.2023 measured at amortised cost | measured at fair value through other comprehensive income | measured at fair value through profit and loss | from finance leases | Total |
|---|---|---|---|---|---|
| Loans and advances to enterprises | 64 802 496 | 2 640 475 | 5 | - | 67 442 976 |
| Loans and advances to individuals, of which: | 82 967 378 | - | 85 088 | - | 83 052 466 |
| *Home mortgage loans ** | *53 014 143* | - | - | - | *53 014 143* |
| Finance lease receivables | - | - | - | 13 418 738 | 13 418 738 |
| Loans and advances to public sector | 973 434 | 249 734 | - | - | 1 223 168 |
| Other receivables | 74 521 | - | - | - | 74 521 |
| **Gross receivables** | **148 817 829** | **2 890 209** | **85 093** | **13 418 738** | **165 211 869** |
| Allowance for impairment | (5 329 825) | (91 975) | - | (270 062) | (5 691 862) |
| **Total** | **143 488 004** | **2 798 234** | **85 093** | **13 148 676** | **159 520 007** |

* 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 | 5 739 359 | 4 565 450 | 1 193 909 |
| Provision in respect of legal risk connected with foreign currency mortgage loans | | 1 224 502 | |
| **Total** | | **5 789 952** | |
| **31.12.2023** | | | |
| Mortgage loans in foreign currency - adjustment to gross carrying amount | 6 618 026 | 4 226 970 | 2 391 056 |
| Provision in respect of legal risk connected with foreign currency mortgage loans | | 803 385 | |
| **Total** | | **5 030 355** | |

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

| Loans and advances to enterprises 30.06.2024 | Gross carrying amount | Allowance for expected credit losses | Net |
|---|---|---|---|
| Stage 1 | 58 907 954 | (207 340) | 58 700 614 |
| Stage 2 | 5 773 070 | (448 336) | 5 324 734 |
| Stage 3 | 3 120 520 | (1 793 375) | 1 327 145 |
| POCI | 443 244 | (85 581) | 357 663 |
| **Total** | **68 244 788** | **(2 534 632)** | **65 710 156** |

In thousands of PLN

| Loans and advances to individuals 30.06.2024 | Gross carrying amount | Allowance for expected credit losses | Net |
|---|---|---|---|
| Stage 1 | 73 704 379 | (325 665) | 73 378 714 |
| Stage 2 | 9 217 627 | (560 647) | 8 656 980 |
| Stage 3 | 3 246 100 | (2 061 289) | 1 184 811 |
| POCI | 336 200 | (72 610) | 263 590 |
| **Total** | **86 504 306** | **(3 020 211)** | **83 484 095** |

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.

| Finance lease receivables 30.06.2024 | Gross carrying amount | Allowance for expected credit losses | Net |
|---|---|---|---|
| Stage 1 | 13 024 360 | (35 226) | 12 989 134 |
| Stage 2 | 898 512 | (59 664) | 838 848 |
| Stage 3 | 509 662 | (208 737) | 300 925 |
| POCI | 2 883 | (303) | 2 580 |
| **Total** | **14 435 417** | **(303 930)** | **14 131 487** |

| Loans and advances to enterprises 31.12.2023 | Gross carrying amount | Allowance for expected credit losses | Net |
|---|---|---|---|
| Stage 1 | 57 079 240 | (225 428) | 56 853 812 |
| Stage 2 | 4 718 775 | (343 238) | 4 375 537 |
| Stage 3 | 2 564 927 | (1 693 314) | 871 613 |
| POCI | 439 554 | (65 741) | 373 813 |
| **Total** | **64 802 496** | **(2 327 721)** | **62 474 775** |

| Loans and advances to individuals 31.12.2023 | Gross carrying amount | Allowance for expected credit losses | Net |
|---|---|---|---|
| Stage 1 | 75 587 144 | (414 908) | 75 172 236 |
| Stage 2 | 3 380 157 | (385 056) | 2 995 101 |
| Stage 3 | 3 633 120 | (2 102 687) | 1 530 433 |
| POCI | 366 957 | (99 451) | 267 506 |
| **Total** | **82 967 378** | **(3 002 102)** | **79 965 276** |

| Finance lease receivables 31.12.2023 | Gross carrying amount | Allowance for expected credit losses | Net |
|---|---|---|---|
| Stage 1 | 12 339 025 | (39 414) | 12 299 611 |
| Stage 2 | 604 648 | (49 352) | 555 296 |
| Stage 3 | 471 925 | (181 296) | 290 629 |
| POCI | 3 140 | - | 3 140 |
| **Total** | **13 418 738** | **(270 062)** | **13 148 676** |

In thousands of PLN

| Movements on impairment 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** | **(5 329 825)** | **(5 630 633)** |
| **Charge/write back of current period** | **(653 141)** | **(632 629)** |
| Stage 1 | (15 873) | (76 710) |
| Stage 2 | (401 654) | (281 941) |
| Stage 3 | (239 087) | (270 539) |
| POCI | 3 473 | (3 439) |
| **Write off/Sale of receivables** | **348 968** | **417 033** |
| Stage 1 | - | - |
| Stage 2 | - | - |
| Stage 3 | 347 993 | 415 139 |
| POCI | 975 | 1 894 |
| **Transfer** | **74 685** | **44 666** |
| Stage 1 | 118 691 | 69 386 |
| Stage 2 | 108 768 | 218 031 |
| Stage 3 | (154 781) | (216 110) |
| POCI | 2 007 | (26 641) |
| **FX differences** | **4 470** | **21 480** |
| Stage 1 | 449 | 3 083 |
| Stage 2 | 925 | 5 175 |
| Stage 3 | 2 854 | 12 726 |
| POCI | 242 | 496 |
| **Balance at the end of the period** | **(5 554 843)** | **(5 780 083)** |

# 21. Investment securities

| Investment securities | 30.06.2024 | 31.12.2023 |
|---|---|---|
| **Debt investment securities measured at fair value through other comprehensive income** | **36 500 017** | **47 598 570** |
| Government securities: | 21 956 528 | 27 436 096 |
| - bonds | 21 956 528 | 27 436 096 |
| Central Bank securities: | 3 395 367 | 6 246 368 |
| - bills | 3 395 367 | 6 246 368 |
| Other securities: | 11 148 122 | 13 916 106 |
| -bonds | 11 148 122 | 13 916 106 |
| **Debt investment securities measured at fair value through profit and loss** | **2 060** | **2 005** |
| **Debt investment securities measured at amortised cost** | **30 131 812** | **19 639 468** |
| Government securities: | 26 854 825 | 18 675 450 |
| - bonds | 26 854 825 | 18 675 450 |
| Central Bank securities: | 69 966 | - |
| - bills | 69 966 | - |
| Other securities: | 3 207 021 | 964 018 |
| - bonds | 3 207 021 | 964 018 |
| **Equity investment securities measured at fair value through other comprehensive income** | **392 950** | **277 121** |
| - unlisted | 392 950 | 277 121 |
| **Equity investment securities measured at fair value through profit and loss** | **6 032** | **5 839** |
| - unlisted | 6 032 | 5 839 |
| **Total** | **67 032 871** | **67 523 003** |

In thousands of PLN

# 22. Investments in associates

| Balance sheet value of associates | 30.06.2024 | 31.12.2023 |
|---|---|---|
| Polfund - Fundusz Poręczeń Kredytowych S.A. | 48 989 | 48 220 |
| Santander - Allianz Towarzystwo Ubezpieczeń S.A. and Santander - Allianz Towarzystwo Ubezpieczeń na Życie S.A. | 864 764 | 919 294 |
| **Total** | **913 753** | **967 514** |

| Movements on investments in associates | 1.01.2024-30.06.2024 | 1.01.2023-30.06.2023 |
|---|---|---|
| **As at the beginning of the period** | **967 514** | **921 495** |
| Share of profits/(losses) | 53 061 | 52 192 |
| Dividends | (108 559) | (77 533) |
| Other | 1 737 | 14 030 |
| **As at the end of the period** | **913 753** | **910 184** |

# 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 |
| Other fixed assets | 1 163 | 2 145 |
| **Total** | **5 471** | **6 453** |

# 24. Deposits from banks

| Deposits from banks | 30.06.2024 | 31.12.2023 |
|---|---|---|
| Term deposits | 350 222 | 553 858 |
| Loans received from banks | 1 443 370 | 1 377 271 |
| Current accounts | 2 405 658 | 2 225 324 |
| **Total** | **4 199 250** | **4 156 453** |

In thousands of PLN

# 25. Deposits from customers

| Deposits from customers | 30.06.2024 | 31.12.2023 |
|---|---|---|
| **Deposits from individuals** | **123 986 221** | **115 261 179** |
| Term deposits | 43 147 627 | 41 847 879 |
| Current accounts | 80 574 085 | 73 159 663 |
| Other | 264 509 | 253 637 |
| **Deposits from enterprises** | **81 628 691** | **85 194 159** |
| Term deposits | 22 237 983 | 21 619 410 |
| Current accounts | 55 469 898 | 59 695 630 |
| Loans received from financial institution | 773 206 | 950 381 |
| Other | 3 147 604 | 2 928 738 |
| **Deposits from public sector** | **9 619 753** | **8 822 018** |
| Term deposits | 1 743 583 | 849 436 |
| Current accounts | 7 858 821 | 7 836 387 |
| Other | 17 349 | 136 195 |
| **Total** | **215 234 665** | **209 277 356** |

# 26. Subordinated liabilities

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

| Movements in subordinated liabilities | 1.01.2024-30.06.2024 | 1.01.2023-30.06.2023 |
|---|---|---|
| **As at the beginning of the period** | **2 686 343** | **2 807 013** |
| **Additions from:** | **94 956** | **93 788** |
| - interest on subordinated loans | 94 956 | 93 788 |
| **Disposals from:** | **(107 502)** | **(177 276)** |
| - interest repayment | (95 576) | (92 432) |
| - FX differences | (11 926) | (84 844) |
| **As at the end of the period** | **2 673 797** | **2 723 525** |
| Short-term | 36 209 | 38 072 |
| Long-term (over 1 year) | 2 637 588 | 2 685 453 |

# 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 |
| Santander Leasing S.A. | Bonds | 200 000 | PLN | 14.07.2023 | 15.07.2024 | 202 573 |
| Santander Leasing S.A. | Bonds | 100 000 | PLN | 19.12.2023 | 19.12.2024 | 100 030 |
| Santander Factoring Sp. z o.o. | Bonds | 600 000 | PLN | 16.02.2024 | 16.08.2024 | 601 073 |
| Santander Factoring Sp. z o.o. | Bonds | 325 000 | PLN | 26.06.2024 | 23.12.2024 | 324 627 |
| Santander Factoring Sp. z o.o. | Bonds | 100 000 | PLN | 26.06.2024 | 01.10.2024 | 99 969 |
| Santander Factoring Sp. z o.o. | Bonds | 200 000 | PLN | 28.06.2024 | 27.09.2024 | 199 885 |
| Santander Consumer Bank S.A. | Bonds | 300 000 | PLN | 28.10.2022 | 06.12.2024 | 301 333 |
| Santander Consumer Multirent sp. z o.o. | Bonds | 50 000 | PLN | 26.05.2023 | 31.03.2025 | 50 751 |
| Santander Consumer Multirent sp. z o.o. | Bonds | 265 000 | PLN | 26.10.2022 | 28.10.2024 | 268 092 |
| Santander Consumer Multirent sp. z o.o. | Bonds | 285 600 | PLN | 24.06.2024 | 24.06.2025 | 285 603 |
| S.C. Poland Consumer 23-1 DAC | Bonds | 1 000 000 | PLN | 01.12.2022 | 16.11.2032 | 1 002 532 |
| SCM POLAND AUTO 2019-1 DAC | Bonds | 891 000 | PLN | 20.07.2020 | 31.07.2028 | 893 044 |
| **Total** | | | | | | **10 525 853** |

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 |
| Santander Leasing S.A. | Bonds | 200 000 | PLN | 23.06.2023 | 24.06.2024 | 199 954 |
| Santander Leasing S.A. | Bonds | 200 000 | PLN | 14.07.2023 | 15.07.2024 | 202 198 |
| Santander Leasing S.A. | Bonds | 100 000 | PLN | 19.12.2023 | 19.12.2024 | 99 976 |
| Santander Factoring Sp. z o.o. | Bonds | 300 000 | PLN | 16.08.2023 | 16.02.2024 | 300 574 |
| Santander Consumer Bank S.A. | Bonds | 300 000 | PLN | 28.10.2022 | 06.12.2024 | 301 279 |
| Santander Consumer Multirent sp. z o.o. | Bonds | 50 000 | PLN | 26.05.2023 | 31.03.2025 | 50 688 |
| Santander Consumer Multirent sp. z o.o. | Bonds | 265 000 | PLN | 26.10.2022 | 28.10.2024 | 267 739 |
| S.C. Poland Consumer 23-1 DAC | Bonds | 1 000 000 | PLN | 01.12.2022 | 16.11.2032 | 1 002 511 |
| SCM POLAND AUTO 2019-1 DAC | Bonds | 891 000 | PLN | 20.07.2020 | 31.07.2028 | 893 184 |
| **Total** | | | | | | **9 247 159** |

In thousands of PLN

| 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** | **9 247 159** | **9 330 648** |
| **Increase (due to:)** | **4 194 490** | **2 495 131** |
| - debt securities issued | 3 866 600 | 2 310 000 |
| - interest on debt securities in issue | 327 890 | 185 131 |
| **Decrease (due to):** | **(2 915 796)** | **(3 342 549)** |
| - debt securities repurchase | (2 600 000)* | (2 976 050) |
| - interest repayment | (306 170) | (181 033) |
| - FX differences | (7 000) | (184 600) |
| - other changes | (2 626) | (866) |
| **As at the end of the period** | **10 525 853** | **8 483 230** |

*The amount includes the value of early redemption of bonds by the Bank. 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 | 85 923 | 95 027 |
| Provisions for financial guarantees | 15 878 | 27 412 |
| Other provisions | 464 | 646 |
| **Total** | **102 265** | **123 085** |

| Change in provisions for financial liabilities and guarantees granted | 1.01.2024-30.06.2024 |
|---|---|
| **As at the beginning of the period** | **123 085** |
| Provision charge | 100 911 |
| Write back | (122 080) |
| Other changes | 349 |
| **As at the end of the period** | **102 265** |
| Short-term | 33 157 |
| Long-term | 69 108 |

| Change in provisions for financial liabilities and guarantees granted | 1.01.2023-30.06.2023 |
|---|---|
| **As at the beginning of the period** | **61 869** |
| Provision charge | 70 364 |
| Write back | (67 662) |
| Other changes | (851) |
| **As at the end of the period** | **63 720** |
| Short-term | 37 694 |
| 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 | 1 224 502 | 803 385 |
| Provisions for reimbursement of costs related to early repayment of consumer and mortgage loans | 32 920 | 37 453 |
| Provisions for legal claims and other | 134 654 | 126 268 |
| **Total** | **1 392 076** | **967 106** |

| Change in other provisions 1.01.2024 - 30.06.2024 | Provision for legal risk connected with foreign currency mortgage loans* | Provisions for reimbursement of costs related to early repayment of consumer loans | Provisions for legal claims and other | Provisions for restructuring | Total |
|---|---|---|---|---|---|
| **As at the beginning of the period** | **803 385** | **37 453** | **126 268** | **-** | **967 106** |
| Provision charge/relase | 486 238 | - | 87 961 | - | 574 199 |
| Utilization | (44 121) | (4 533) | (79 575) | - | (128 229) |
| Other | (21 000) | - | - | - | (21 000) |
| **As at the end of the period** | **1 224 502** | **32 920** | **134 654** | **-** | **1 392 076** |

*details in Note 32

| Change in other provisions 1.01.2023 - 30.06.2023 | Provision for legal risk connected with foreign currency mortgage loans | Provisions for reimbursement of costs related to early repayment of consumer loans | Provisions for legal claims and other | Provisions for restructuring | Total |
|---|---|---|---|---|---|
| **As at the beginning of the period** | **420 952** | **52 233** | **138 663** | **15 463** | **627 311** |
| Provision charge/relase | 179 584 | 22 | 69 788 | - | 249 394 |
| Utilization | (22 188) | (5 851) | (64 215) | (4 969) | (97 223) |
| Other | (12 913) | - | - | - | (12 913) |
| **As at the end of the period** | **565 435** | **46 404** | **144 236** | **10 494** | **766 569** |

# 30. Other liabilities

| Other liabilities | 30.06.2024 | 31.12.2023 |
|---|---|---|
| Settlements of stock exchange transactions | 62 785 | 62 073 |
| Interbank and interbranch settlements | 999 210 | 1 251 650 |
| Employee provisions | 352 912 | 514 628 |
| Sundry creditors | 2 508 823 | 2 084 753 |
| Liabilities from contracts with customers | 204 997 | 203 646 |
| Public and law settlements | 184 850 | 175 252 |
| Accrued liabilities | 645 755 | 511 771 |
| Finance lease related settlements | 167 737 | 157 841 |
| Other | 12 246 | 28 296 |
| **Total** | **5 139 315** | **4 989 910** |
| of which financial liabilities * | 4 737 222 | 4 582 716 |

*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** | **514 628** | ***63 554*** |
| Provision charge | 157 266 | *2 809* |
| Utilization | (315 977) | *(20)* |
| Release of provisions | (3 005) | *(1 458)* |
| **As at the end of the period** | **352 912** | ***64 885*** |
| Short-term | 288 027 | - |
| Long-term | 64 885 | *64 885* |

| Change in employee provisions 1.01.2023 - 30.06.2023 | | *of which: Provisions for retirement allowances* |
|---|---|---|
| **As at the beginning of the period** | **446 011** | ***44 700*** |
| Provision charge | 160 297 | *1 502* |
| Utilization | (240 323) | - |
| Release of provisions | (1 999) | *(1 425)* |
| Other changes | (72 110) | - |
| **As at the end of the period** | **291 876** | ***44 777*** |
| Short-term | 247 099 | - |
| Long-term | 44 777 | *44 777* |

# 31. Fair value

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

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

| | 30.06.2024 | | 31.12.2023 | |
|---|---|---|---|---|
| **ASSETS** | **Book Value** | **Fair value** | **Book Value** | **Fair value** |
| Cash and balances with central banks | 9 069 128 | 9 069 128 | 8 417 519 | 8 417 519 |
| Loans and advances to banks | 5 808 039 | 5 808 039 | 9 533 840 | 9 533 840 |
| Loans and advances to customers measured at amortised cost, of which: | 150 269 999 | 149 414 093 | 143 488 004 | 143 576 065 |
| -individuals | 29 034 068 | 29 389 342 | 27 651 779 | 27 725 096 |
| -housing loans | 54 450 027 | 53 319 121 | 52 412 948 | 51 636 767 |
| -business | 65 710 156 | 65 629 882 | 62 540 516 | 63 331 441 |
| Buy-sell-back transactions | 11 528 953 | 11 528 953 | 12 676 594 | 12 676 594 |
| Debt investment securities measured at amortised cost | 30 131 812 | 30 077 609 | 19 639 468 | 19 904 443 |
| **LIABILITIES** | | | | |
| Deposits from banks | 4 199 250 | 4 199 250 | 4 156 453 | 4 156 453 |
| Deposits from customers | 215 234 665 | 215 181 695 | 209 277 356 | 209 270 589 |
| Sell-buy-back transactions | 4 133 721 | 4 133 721 | 273 547 | 273 547 |
| Subordinated liabilities | 2 673 797 | 2 643 601 | 2 686 343 | 2 663 921 |
| Debt securities in issue | 10 525 853 | 10 551 779 | 9 247 159 | 9 008 548 |

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

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

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

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

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

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

***Debt securities in issue and subordinated liabilities***: The Group has made an assumption that fair value of those securities is based on discounted cash flows methods incorporating adequate interest rates. Debt securities in issue and subordinated liabilities were classified in their entirety as Level 3 of the fair value hierarchy due to application of a measurement model with significant unobservable inputs.

For Debt securities in issue and other items of liabilities, not carried at fair value in the financial statements, including: lease liabilities and other liabilities - the fair value does not differ significantly from the presented carrying amounts.

## 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 Group made the following classification of its financial instruments measured at fair value in the statement of financial position:

***Level I (active market quotations):*** debt, equity and derivative financial instruments which at the balance sheet date were measured using the prices quoted in the active market. The Group allocates to this level fixed-rate State Treasury bonds, treasury bills, shares of listed companies and WIG 20 futures.

***Level II (the measurement methods based on market-derived parameters):*** This level includes 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 an orderly transaction between market participants carried out under current market conditions between market participants at the measurement date.

### Level 3: Other valuation techniques.

Financial assets and liabilities whose fair value is determined using valuation models for which input data is not based on observable market data (unobservable input data). In this category, the Group classifies financial instruments, which are valued using internal valuation models:

| LEVEL 3 | VALUATION METHOD | UNOBSERVABLE INPUT |
|---|---|---|
| LOANS AND ADVANCES TO CUSTOMERS: 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. | 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:<br>-for SOBK ca. 12.9%<br>-for WSEZ ca. 0.2%. |
| SHARES IN WAŁBRZYSKA SPECJALNA STREFA EKONOMICZNA „INVEST-PARK" SP Z O.O. | | |

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 | Impact on fair value +/-100 bps 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 | Impact on fair value +/-100 bps 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 Group 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 | 592 584 | 6 238 187 | 5 641 | 6 836 412 |
| Hedging derivatives | - | 1 123 964 | - | 1 123 964 |
| 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 and loss | - | - | 78 150 | 78 150 |
| Debt securities measured at fair value through other comprehensive income | 23 551 618 | 3 395 367 | 9 553 032 | 36 500 017 |
| Debt securities measured at fair value through profit and loss | - | - | 2 060 | 2 060 |
| Equity securities measured at fair value through other comprehensive income | - | - | 6 032 | 6 032 |
| Equity securities measured at fair value through other comprehensive income | - | - | 392 950 | 392 950 |
| Assets pledged as collateral | 4 133 946 | - | - | 4 133 946 |
| **Total** | **28 278 148** | **10 757 518** | **13 933 066** | **52 968 732** |
| **Financial liabilities** | | | | |
| Financial liabilities held for trading | 1 031 484 | 6 037 876 | 1 075 | 7 070 435 |
| Hedging derivatives | - | 616 480 | - | 616 480 |
| **Total** | **1 031 484** | **6 654 356** | **1 075** | **7 686 915** |

In thousands of PLN

| 31.12.2023 | Level I | Level II | Level III | Total |
|---|---|---|---|---|
| **Financial assets** | | | | |
| Financial assets held for trading | 1 544 308 | 7 385 554 | 9 498 | 8 939 360 |
| Hedging derivatives | - | 1 575 056 | - | 1 575 056 |
| 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 and loss | - | - | 85 093 | 85 093 |
| Debt securities measured at fair value through other comprehensive income | 29 947 021 | 6 096 392 | 11 555 157 | 47 598 570 |
| Debt securities measured at fair value through profit and loss | - | - | 2 005 | 2 005 |
| Equity securities measured at fair value through other comprehensive income | - | - | 5 839 | 5 839 |
| Equity securities measured at fair value through other comprehensive income | - | - | 277 121 | 277 121 |
| Assets pledged as collateral | 271 933 | - | - | 271 933 |
| **Total** | **31 763 262** | **15 057 002** | **14 732 947** | **61 553 211** |
| Financial liabilities | | | | |
| Financial liabilities held for trading | 824 121 | 7 988 428 | 5 944 | 8 818 493 |
| Hedging derivatives | - | 880 538 | - | 880 538 |
| **Total** | **824 121** | **8 868 966** | **5 944** | **9 699 031** |

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 for trading | Loans and advances to customers measured at fair value through profit and loss | Loans and advances to customers measured at fair value through other comprehensive income | Debt securities measured at fair value through profit and loss | Debt securities measured at fair value through other comprehensive income | Equity securities measured at fair value through other comprehensive income | Equity securities measured at fair value through profit and loss | Financial liabilities held for trading |
|---|---|---|---|---|---|---|---|---|
| **As at the beginning of the period** | **9 498** | **85 093** | **2 798 234** | **2 005** | **11 555 157** | **277 121** | **5 840** | **5 944** |
| Profit or losses | | | | | | | | |
| *-recognised in income statement* | | | | | | | | |
| *---net trading income and revaluation* | 160 | *2 586* | *117 126* | - | - | - | - | *252* |
| *---gains/losses from other financial securites* | - | - | - | (3) | - | - | (43) | - |
| *recognised in income statement* | - | - | - | - | - | - | - | - |
| *-recognised in equity (OCI)* | - | - | - | - | *(40 010)* | *115 829* | - | - |
| Purchase/granting | 3 309 | *7 126* | *1 447 782* | - | - | - | - | 443 |
| Sale | (1 859) | | *(6 816)* | - | - | - | - | - |
| Matured | - | *(16 655)* | *(457 175)* | - | (1 962 115) | - | - | - |
| Transfer | (5 467) | - | - | - | - | - | - | (5 564) |
| Other | - | - | *(3 950)* | 58 | - | - | 236 | - |
| **As at the end of the period** | **5 641** | **78 150** | **3 895 201** | **2 060** | **9 553 032** | **392 950** | **6 032** | **1 075** |

In thousands of PLN

**Level III**

| 31.12.2023 | Financial assets for trading | Loans and advances to customers measured at fair value through profit and loss | Loans and advances to customers measured at fair value through other comprehensive income | Debt securities measured at fair value through profit and loss | Debt securities measured at fair value through other comprehensive income | Equity securities measured at fair value through other comprehensive income | Equity securities measured at fair value through profit and loss | Financial liabilities held for trading |
|---|---|---|---|---|---|---|---|---|
| **As at the beginning of the period** | **12 008** | **239 694** | **2 628 660** | **64 707** | **2 410** | **204 299** | **63 248** | **8 355** |
| Profit or losses | | | | | | | | |
| *-recognised in income statement* | | | | | | | | |
| *---net trading income and revaluation* | (4 606) | *24 416* | *161 238* | - | - | - | - | (1 167) |
| *---gains/losses from other financial securites* | - | - | - | *4 449* | - | - | *4 957* | - |
| *-recognised in equity (OCI)* | - | - | - | - | - | *72 822* | - | - |
| Purchase/granting | 1 383 | *19 367* | *1 760 240* | - | - | - | - | 393 |
| Sale | - | *(8 102)* | *(282 645)* | *(67 888)* | - | - | (64 122) | - |
| Matured | - | *(189 000)* | *(1 407 100)* | - | - | - | - | - |
| Transfer | 713 | - | - | - | 11 554 763 | - | - | (1 636) |
| Other | - | (1 282) | *(62 159)* | 737 | (2 016) | - | 1 757 | - |
| **As at the end of the period** | **9 498** | **85 093** | **2 798 234** | **2 005** | **11 555 157** | **277 121** | **5 840** | **5 944** |

# 32. Legal risk connected with CHF mortgage loans

As at 30 June 2024, the Group had a portfolio of 27.6k CHF-denominated and CHF-indexed loans of PLN 5,375,474k gross before adjustment to the gross carrying amount at PLN 4,367,124k reducing contractual cash flows in respect of legal risk. The Group also had PLN loans which used to be denominated in or indexed to CHF. Their total gross amount was PLN 363,885k before adjustment to the gross carrying amount at PLN 198,325k reducing contractual cash flows in respect of legal risk.

As at 31 December 2023, the Group had a portfolio of 30.7k CHF-denominated and CHF-indexed loans of PLN 6,282,396k gross before adjustment to the gross carrying amount at PLN 4,085,686k reducing contractual cash flows in respect of legal risk. The Group also had PLN loans which used to be denominated in or indexed to CHF. Their total gross amount was PLN 335,630k before adjustment to the gross carrying amount at PLN 141,284k 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 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 Group'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 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 the 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 Group estimated the legal risk associated with the portfolio of loans indexed to and denominated in a foreign currency using a model which considers different 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 Group is monitoring court decisions taken with regard to foreign currency loans in terms of the ruling practice and its possible changes. 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 Group 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 foreign currencies might not be fully recoverable and/or that a liability might arise, resulting in a future cash outflow. The Group recognises the impact of legal risk associated with foreign currency mortgage loans in line with the requirements arising from:

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

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

In thousands of PLN

As at 30 June 2024, there were 20,442 pending lawsuits against the Group over loans indexed to or denominated in CHF, with the disputed amount totalling PLN 7,218,039k. This included two class actions filed under the Class Action Act:

- a class action against Santander Bank Polska S.A. in respect of 294 CHF-indexed loans, with the disputed amount of PLN 50,983k;
- a class action against Santander Consumer Bank S.A. in respect of 31 CHF-indexed loans, with the disputed amount of PLN 38k.

As at 31 December 2023, there were 17,859 pending lawsuits against the Group over loans indexed to or denominated in CHF, with the disputed amount totalling PLN 6,150,398k. This included two class actions filed under the Class Action Act:

- a class action against Santander Bank Polska S.A. in respect of 302 CHF-indexed loans, with the disputed amount of PLN 50,983k;
- a class action against Santander Consumer Bank S.A. in respect of 31 CHF-indexed loans, with the disputed amount of PLN 38k.

As at 30 June 2024, the total cumulative impact of legal risk associated with foreign currency mortgage loans in the Group was estimated at PLN 5,789,952k, including:

- IFRS 9 adjustment to the gross carrying amount at PLN 4,565,450k (including PLN 3,558,760k in the case of Santander Bank Polska S.A. and PLN 1,006,690k in the case of Santander Consumer Bank S.A.)
- IAS 37 provision at PLN 1,224,502k (including PLN 914,951k in the case of Santander Bank Polska S.A. and PLN 309,551k in the case of Santander Consumer Bank S.A.).

As at 31 December 2023, the total cumulative impact of legal risk associated with foreign currency mortgage loans in the Group was estimated at PLN 5,030,355k, including:

- IFRS 9 adjustment to the gross carrying amount at PLN 4,226,970k (including PLN 3,414,431k in the case of Santander Bank Polska S.A. and PLN 812,539k in the case of Santander Consumer Bank S.A.)
- IAS 37 provision at PLN 803,385k (including PLN 624,354k in the case of Santander Bank Polska S.A. and PLN 179,031k in the case of Santander Consumer Bank S.A.).

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

| **Cost of legal risk related to 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 related to foreign currency mortgage loans recognised as adjustment to gross carrying amount | (705 784) | (794 453) | (485 322) | (755 557) |
| Impact of legal risk related to foreign currency mortgage loans recognised as provision | (404 803) | (486 590) | (129 648) | (179 585) |
| Other costs | (139 878) | (265 495) | (113 907) | (214 337) |
| **Total cost of legal risk related to foreign currency mortgage loans** | **(1 250 465)** | **(1 546 538)** | **(728 877)** | **(1 149 479)** |
| Gain/loss on derecognition of financial instruments measured at amortised cost | (24 680) | (32 647) | (79 367) | (263 343) |
| including: settlements made | (26 025) | (35 093) | (81 787) | (267 541) |
| **Total cost of legal risk related to foreign currency mortgage loans and settlements made** | **(1 276 490)** | **(1 581 631)** | **(810 664)** | **(1 417 020)** |

* 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 related to foreign currency mortgage loans | 4 565 450 | 4 226 970 |
| Provision for legal risk related to foreign currency mortgage loans | 1 224 502 | 803 385 |
| **Total cumulative impact of legal risk related to foreign currency mortgage loans** | **5 789 952** | **5 030 355** |

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 100% 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 Group used a statistical model to estimate the likelihood of claims being made by borrowers in relation to both active and repaid loans based on the existing lawsuits against the Group and the estimated growth in their number. The model assesses the so-called lifetime risk and is based on a range of behavioural characteristics related to the loan and the customer. The Group assumes that lawsuits have been or will be filed against the Group in relation to approx. 33.4% 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 Group 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 Group's opinion, the expected number of cases estimated based on the statistical model is also characterised by uncertainty owing to such factors as: the duration of court proceedings (also estimated based on a relatively short time horizon of available statistics, which does not meet the conditions for application of quantitative methods) and the growing costs related to the instigation and continuation of court proceedings.

For the purpose of calculating the costs of legal risk, the Group also estimated how likely it is that a specific number of lawsuits will be filed and what the possible end scenarios are in this respect. The likelihoods differ between indexed and denominated loans. The likelihood of unfavourable ruling for the Group is higher for the former and lower for the latter. The Group also considered the protracted proceedings in some courts. As at 30 June 2024, 3,570 final and non-appealable judgments were issued in cases against the Group (including those passed after the CJEU ruling of 3 October 2019), of which 3,421 were unfavourable to the Group, and 149 were entirely or partially favourable to the Group (compared to 2,591 judgments as at 31 December 2023, including 2,487 unfavourable ones and 104 entirely or partially favourable). When assessing the likelihoods, the Group used the support of law firms and conducted thorough analysis of the ruling practice in cases concerning indexed and denominated loans.

As to date the ruling practice has not been completely unanimous, the Group 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 Group. Each of these scenarios has an estimated expected loss level based on the available historical data.

The Group 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 Group 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 Group made 11,140 settlements (both pre-court and following the legal dispute), of which 1,272 were reached in Q2 2024.

In thousands of PLN

In mid-2022, the Group developed 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 high uncertainty around both individual assumptions and their total impact, the Group 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.

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) | 929 | 991 |
| 50% reduction in the number of customers filing a lawsuit (active and non-active customers) | (464) | (496) |
| Relative increase of 5% in the likelihood of losing the case | 46 | 50 |
| Relative decrease of 5% in the likelihood of losing the case | (46) | (50) |

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 | 237 | 191 |
| Relative decrease of 5% in the likelihood of losing the case | (237) | (191) |

In thousands of PLN

# 33. Contingent liabilities

## Significant court proceedings

**As at 30.06.2024** the value of all litigation amounts to PLN 9,932,674 k. This amount includes PLN 2,151,854 k claimed by the Group, PLN 7,696,642 k in claims against the Group and PLN 84,178k of the Group's receivables due to bankruptcy or arrangement cases.

As at 30.06.2024 the amount of all court proceedings which had been completed amounted to PLN 459,043k.

As at 30.06.2024 the provisions for instigated lawsuits recognised in accordance with IAS 37 totalled PLN 1,104,559 k and the adjustment to gross carrying amount under IFRS 9 related to instigated lawsuits totalled PLN 3,695,287k. 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 8,527,814k. This amount includes PLN 1,842,060k claimed by the Group, PLN 6,601,675 k in claims against the Group and PLN 84,079k of the Group's receivables due to bankruptcy or arrangement cases.

As at 31.12.2023 the amount of all court proceedings which had been completed amounted to PLN 635,408k.

As at 31.12.2023 the provisions for instigated lawsuits recognised in accordance with IAS 37 totalled PLN 712,831k and the adjustment to gross carrying amount under IFRS 9 related to instigated lawsuits totalled PLN 3,289,808k. 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 1,258,559k.

## 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** | **56 140 910** | **1 544 119** | **96 977** | **57 782 006** |
| **- financial** | **40 907 213** | **1 387 585** | **80 531** | **42 375 329** |
| - credit lines | 36 793 144 | 1 126 733 | 72 622 | 37 992 499 |
| - credit cards debits | 3 381 634 | 254 800 | 7 847 | 3 644 281 |
| - import letters of credit | 722 731 | 6 052 | 62 | 728 845 |
| - term deposits with future commencement term | 9 704 | - | - | 9 704 |
| **- guarantees** | **15 268 645** | **207 987** | **32 310** | **15 508 942** |
| **Provision for financial liabilities and guarantees granted** | **(34 948)** | **(51 453)** | **(15 864)** | **(102 265)** |
| **Liabilities received** | | | | **59 461 477** |
| **- financial** | | | | **700 156** |
| **- guarantees** | | | | **58 761 321** |
| **Total** | **56 140 910** | **1 544 119** | **96 977** | **117 243 483** |

In thousands of PLN

| | 31.12.2023 | | | |
|---|---|---|---|---|
| **Contingent liabilities** | **Stage 1** | **Stage 2** | **Stage 3** | **Total** |
| **Liabilities granted** | **55 762 892** | **896 708** | **103 329** | **56 762 929** |
| **- financial** | **40 889 961** | **741 093** | **44 368** | **41 675 422** |
| - credit lines | 36 820 437 | 671 309 | 34 327 | 37 526 073 |
| - credit cards debits | 3 402 820 | 58 539 | 9 477 | 3 470 836 |
| - import letters of credit | 657 654 | 11 245 | 564 | 669 463 |
| - term deposits with future commencement term | 9 050 | - | - | 9 050 |
| **- guarantees** | **14 911 657** | **204 034** | **94 901** | **15 210 592** |
| **Provision for financial liabilities and guarantees granted** | **(38 726)** | **(48 419)** | **(35 940)** | **(123 085)** |
| **Liabilities received** | | | | **59 707 409** |
| **- financial** | | | | **504 608** |
| **- guarantees** | | | | **59 202 801** |
| **Total** | **55 762 892** | **896 708** | **103 329** | **116 470 338** |

# 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 consolidated report for 1H 2024 /24.07.2024/ are Banco Santander SA and Funds managed by Nationale-Nederlanden Powszechne Towarzystwo Emerytalne SA.

# 35. Related parties

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

| Transactions with associates | 30.06.2024 | 31.12.2023 |
|---|---|---|
| **Assets** | **330** | **264** |
| Loans and advances to customers | 276 | 204 |
| Other assets | 54 | 60 |
| **Liabilities** | **67 014** | **108 965** |
| Deposits from customers | 66 944 | 108 911 |
| Other liabilities | 70 | 54 |

| Transactions with associates | 1.01.2024-30.06.2024 | 1.01.2023-30.06.2023 |
|---|---|---|
| **Income** | **41 860** | **35 048** |
| Interest income | 9 | 9 |
| Fee and commission income | 41 823 | 35 029 |
| Other operating income | 28 | 10 |
| **Expenses** | **1 174** | **1 030** |
| Interest expense | 1 174 | 1 030 |

In thousands of PLN

| | with the parent company | | with other entities | |
|---|---|---|---|---|
| **Transactions with Santander Group** | **30.06.2024** | **31.12.2023** | **30.06.2024** | **31.12.2023** |
| **Assets** | **8 451 017** | **12 840 432** | **41 163** | **4 004** |
| Loans and advances to banks, incl: | 3 795 015 | 5 895 136 | 41 162 | 2 090 |
| *Current accounts* | *554 895* | *930 559* | *2 333* | *2 090* |
| *Loans and advances* | *3 240 120* | *4 964 577* | *38 829* | - |
| Financial assets held for trading | 4 653 749 | 4 547 294 | - | - |
| Reverse sale and repurchase agreements | - | 2 395 729 | - | - |
| Other assets | 2 253 | 2 273 | 1 | 1 914 |
| **Liabilities** | **6 468 281** | **5 990 841** | **293 827** | **193 650** |
| Deposits from banks incl.: | 2 002 425 | 899 867 | 10 640 | 17 244 |
| *Current accounts and advances* | *1 544 917* | *519 364* | *10 640* | *17 244* |
| *Loans from other banks* | *457 508* | *380 503* | - | - |
| 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 | 38 690 | 13 718 | 93 620 | 69 431 |
| **Contingent liabilities** | **8 852 250** | **9 029 662** | **22 016** | **33 604** |
| Granted: | 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: | 7 549 833 | 7 758 578 | 17 063 | 10 769 |
| *guarantees* | *7 549 833* | *7 758 578* | *17 063* | *10 769* |

| | with the parent company | | with other entities | |
|---|---|---|---|---|
| **Transactions with Santander Group** | **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** | **2 120** | **1 277** |
| Interest income | 150 011 | 116 984 | 809 | 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** | **126 606** | **102 705** | **90 003** | **80 515** |
| Interest expense | 76 064 | 61 403 | 642 | 548 |
| Fee and commission expense | 16 613 | 5 477 | 259 | 91 |
| Net trading income and revaluation | - | - | - | - |
| Operating expenses incl.: | 33 929 | 35 825 | 89 102 | 79 876 |
| *Staff,Operating expenses and management costs* | *33 892* | *35 771* | *89 038* | *79 820* |
| *Other operating expenses* | 37 | 54 | 64 | 56 |

## Transactions with Members of Management and Supervisory Boards

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

**Loans and advances granted to the key management personnel**

As at 30.06.2024, 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 | 42 906 | 36 509 |
| Post-employment benefits | - | - | - | 200 |
| Long-term employee benefits | 10 462 | 11 616 | 14 618 | 18 478 |
| Paid termination benefits | - | - | 191 | 1 881 |
| Share-based payments | 4 498 | - | 11 363 | 3 092 |
| **Total** | **26 979** | **24 249** | **69 078** | **60 160** |

| | 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 | 15 209 | 15 245 |
| Deposits from The Management Board/Key management and their relatives | 11 163 | 7 701 | 24 378 | 15 317 |

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

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

Persons holding 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 38,752 k for H1 2024. Details are described in note 43.

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 and its subsidiaries had not issued any guarantees to one business unit or a subsidiary totalling a minimum of 10% of the issuer's equity.

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

Details in Notes 8 and 12.

# 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. Acquisitions and disposals of investments in subsidiaries and associates

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

# 43. 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 Group's equity was PLN 38,752k. The amount of PLN 38,752k 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.

# 44. 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 totaled 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 Dividend record date was 16 May 2024.

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

The Dividend was paid out on 23 May 2024.

## 45. Events which occurred subsequently to the end of the reporting period

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

## Signatures of the persons representing the entity

| Date | Name | Function | Signature |
|---|---|---|---|
| 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 |