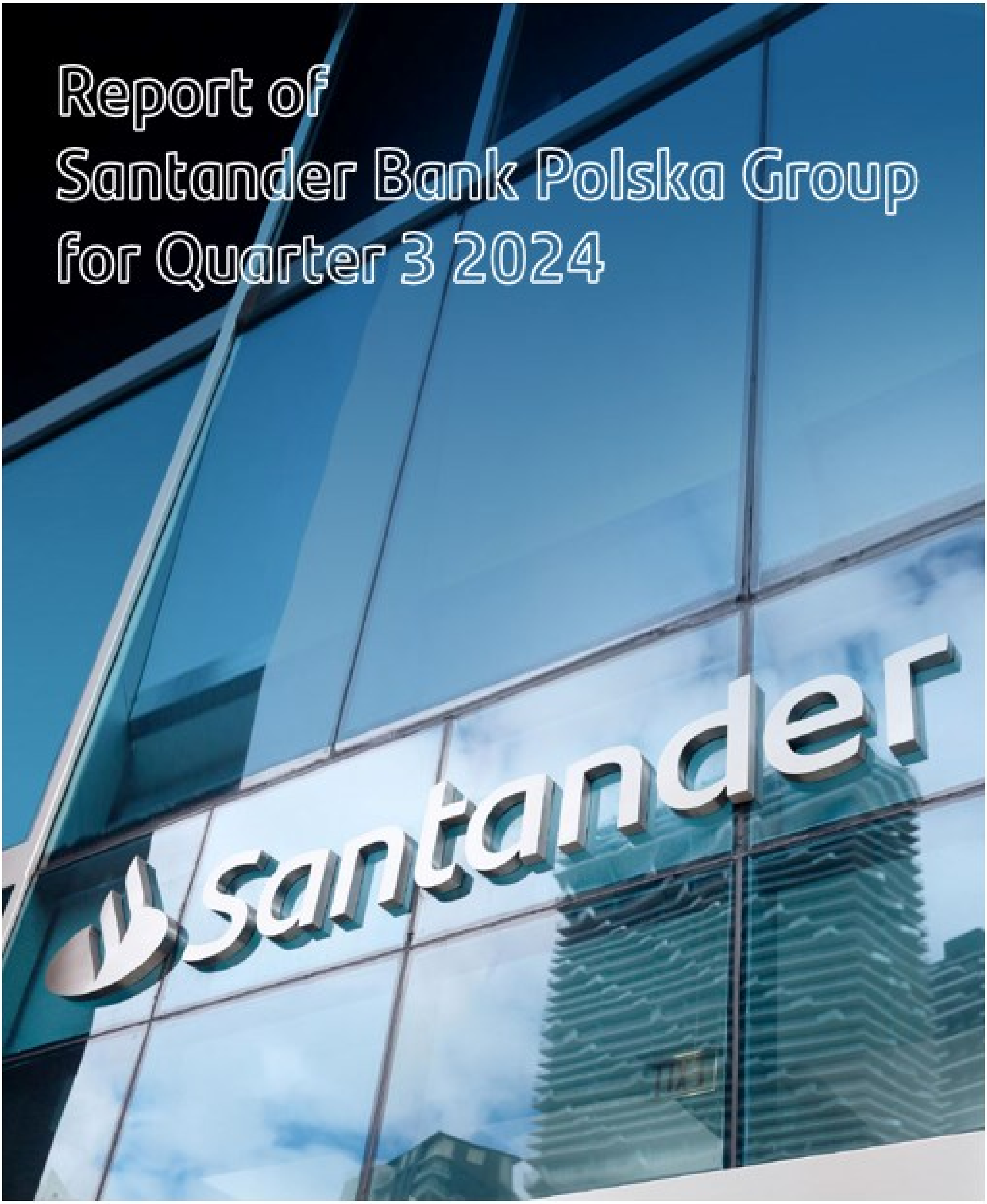
Report of Santander Bank Polska Group for Quarter 3 2024



FINANCIAL HIGHLIGHTS		PLN k		EUR k	
		1.01.2024-30.09.2024	1.01.2023-30.09.2023* restated	1.01.2024-30.09.2024	1.01.2023-30.09.2023* restated
	Consolidated financial statements of Santander Bank Polska Group				
I	Net interest income	10 248 535	9 688 023	2 382 161	2 116 537
II	Net fee and commission income	2 183 500	2 006 904	507 531	438 447
III	Profit before tax	5 791 464	5 336 633	1 346 163	1 165 891
IV	Net profit attributable to owners of the parent entity	4 299 336	3 850 986	999 334	841 323
V	Total net cash flows	(10 309 206)	6 864 725	(2 396 264)	1 499 732
VI	Profit of the period attributable to non-controlling interests	32 434	90 000	7 539	19 662
VII	Profit per share in PLN/EUR	42,07	37,68	9,78	8,23
VIII	Diluted earnings per share in PLN/EUR	42,07	37,68	9,78	8,23
	Separate financial statements of Santander Bank Polska S.A.				
I	Net interest income	8 807 919	8 462 281	2 047 306	1 848 749
II	Net fee and commission income	1 916 611	1 782 469	445 496	389 415
III	Profit before tax	5 634 219	5 073 176	1 309 613	1 108 334
IV	Profit for the period	4 268 269	3 780 924	992 113	826 016
V	Total net cash flows	(9 640 463)	6 619 275	(2 240 822)	1 446 109
VI	Profit per share in PLN/EUR	41,77	37,00	9,71	8,08
VIII	Diluted earnings per share in PLN/EUR	41,77	37,00	9,71	8,08

FINANCIAL HIGHLIGHTS		PLN k		EUR k	
		30.09.2024	31.12.2023	30.09.2024	31.12.2023
	Consolidated financial statements of Santander Bank Polska Group				
I	Total assets	290 926 142	276 651 885	67 987 694	63 627 388
II	Deposits from banks	4 280 116	4 156 453	1 000 237	955 946
III	Deposits from customers	217 769 851	209 277 356	50 891 508	48 131 867
IV	Total liabilities	256 998 788	242 960 867	60 059 075	55 878 764
V	Total equity	33 927 354	33 691 018	7 928 619	7 748 624
VI	Non-controlling interests in equity	1 925 939	1 928 373	450 080	443 508
VII	Number of shares	102 189 314	102 189 314		
VIII	Net book value per share in PLN/EUR	332,00	329,69	77,59	75,83
IX	Capital ratio	17,43%	18,65%**		
X	Declared or paid dividend per share in PLN/EUR	44,63***	23,25	10,37***	5,13
	Separate financial statements of Santander Bank Polska S.A.				
I	Total assets	264 286 112	252 401 201	61 762 079	58 049 954
II	Deposits from banks	3 072 836	2 668 293	718 103	613 683
III	Deposits from customers	202 225 428	195 365 937	47 258 869	44 932 368
IV	Total liabilities	234 618 530	222 915 704	54 828 943	51 268 561
V	Total equity	29 667 582	29 485 497	6 933 136	6 781 393
VI	Number of shares	102 189 314	102 189 314		
VII	Net book value per share in PLN/EUR	290,32	288,54	67,85	66,36
VIII	Capital ratio	19,55%	21,37%**		
IX	Declared or paid dividend per share in PLN/EUR	44,63***	23,25	10,37***	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 43.

The following rates were applied to determine the key EUR amounts for selected financial statements line items:

- for balance sheet items – average NBP exchange rate as at 30.09.2024: EUR 1 = PLN 4,2791 and sa at 31.12.2023: EUR 1 = PLN 4,3480
- for profit and loss items – as at 30.09.2024 - 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 4,3022; as at 30.09.2023 - the rate is calculated as the average of NBP exchange rates prevailing as at the last day of each month in 2023: EUR 1 = PLN 4,5773

As at 30.09.2024, FX denominated balance sheet positions were converted into PLN in line with the NBP FX table no. 190/A/NBP/2024 dd. 30.09.2024.

Overview of Performance

of Santander Bank Polska Group in Q3 2024

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I. Overview of Santander Bank Polska Group performance in Q3 2024

1. Key achievements

EFFICIENCY AND SECURITY	▸ Group's solid capital position confirmed by capital ratios as at 30 September 2024, including the total capital ratio of 17.43%, i.e. well above the statutory and regulatory minimum (19.89% as at 30 September 2023). ▸ Continuously high ROE YoY (20.5% vs 20.3% as at 30 September 2023 on a comparative basis). ▸ Sound liquidity position. Net customer loans to deposits ratio at 78.9%. Supervisory liquidity ratios well above the regulatory minimum. ▸ Close monitoring of risk and implementation of relevant prudential measures. ▸ Group's high cost efficiency with a cost to income ratio of 30.0% (29.6% for three quarters of 2023) despite growing regulatory, transformation and business costs and a lower contribution of net interest income to total income due to the impact of the statutory solution known as payment holidays and competitive pressure. ▸ Further automation and optimisation of operational processes. ▸ Improved availability, reliability, performance and cybersecurity of the Group's systems.
BUSINESS VOLUMES AND ASSET QUALITY	▸ 5.0% YoY increase in total assets to PLN 290.9bn supported by growth of business volumes in key product lines and customer segments. ▸ 3.7% YoY growth in deposits from customers to PLN 217.8bn supported by an increase in current and savings accounts (+5.3% YoY). ▸ 8.3% YoY increase in gross loans and advances to customers to PLN 178.0bn, including lease receivables (+12.1% YoY), loans and advances to individuals (+7.3% YoY) and loans to business customers and the public sector (+8.7% YoY). ▸ Continuously high quality of the credit portfolio, with the NPL ratio of 4.8% (4.9% as at 30 September 2023), Group's prudential approach to risk management and an increase in credit receivables. ▸ Stabilisation of the cost of credit risk at a narrow range of 0.69%-0.70% during the first nine months of 2024. ▸ Relatively stable annualised Ytd net interest margin on a comparative basis, i.e. excluding the impact of the so-called payment holidays (5.35% for nine months of 2024 vs 5.37% for nine months of 2023), supported by the growth of business volumes and regular adjustments to external and internal conditions. ▸ 8.8% YoY rise in net fee and commission income on account of higher net income from the investment fund, stock and bancassurance markets and from core banking activities. ▸ Growth in the number of transactions made via mobile banking (+27.0% YoY) and in the share of this channel in remote credit sales. ▸ High positive net sales of investment funds for the nine months of 2024. Rates of return above the benchmarks.
CUSTOMERS AND COMMUNITIES	▸ 7.5m customers of Santander Bank Polska S.A. and Santander Consumer Bank S.A., including 3.6m loyal customers. ▸ 5.2% YoY increase in the number of accounts held by customers of Santander Bank Polska S.A. to 6.9m, including 3.8m Santander Accounts. ▸ 4.4m digital customers of both banks, including 3.5m mobile banking customers. ▸ Further automation, robotisation, optimisation and simplification of operational processes. ▸ Continuation of IT projects aimed at improving experience of customers and employees. ▸ Implementation of measures to support sustainable development and promote cybersecurity culture. ▸ Further enhancement of the remote channel functions, including improvements in the new Santander mobile application and iBiznes24. ▸ Introduction of solutions to support customers affected by the flood, including the so-called non-statutory payment holidays (deferral of principal and/or interest payments).

AWARDS AND RECOGNITIONS

- Trustworthy Brand title for Santander Leasing S.A. in the ninth edition of the survey conducted by ARC Rynek i Opinia and commissioned by "My Company Polska" monthly. Santander Leasing S.A. received the highest number of votes in the category of leasing and rental companies.
- ISO14001:2015 certificate for Santander Bank Polska S.A. confirming compliance with the international standard for environmental management systems. In July 2024, a certification audit took place in the head office buildings, recognising the Bank's strengths such as the ESG strategy, intention to reduce energy consumption and have 100% energy from renewable sources, educational campaigns for employees and emission reduction objectives set in the environmental policy.
- "Best of the Best" award for the best annual report and the best corporate governance statement in "The Best Annual Report" competition organised by the Institute of Accounting and Taxes.
- Recognition for Santander Bank Polska S.A. as one of the most digitally advanced banks in the global Digital Banking Maturity 2024 survey. The Bank was among 10% of global banks in the DBM Global Digital Champion category and received the best results in Poland in terms of channels accessibility and bancassurance. The survey covered more than 300 banks from 44 countries worldwide and was based on the mystery shopping exercise and analysis of customers' needs and users' experience.

2. Financial and business highlights of Santander Bank Polska Group

Selected income statement items		Q1–Q3 2024	Q1–Q3 2023	YoY change
Total income	PLN m	12,700.6	11,822.7	7.4%
Total costs	PLN m	(3,812.2)	(3,501.6)	8.9%
Net expected credit loss allowances	PLN m	(908.1)	(894.1)	1.6%
Profit before tax	PLN m	5,791.5	5,336.6	8.5%
Net profit attributable to the shareholders of the parent entity	PLN m	4,299.3	3,851.0	11.6%
Selected balance sheet items		**30.09.2024**	**30.09.2023**	**YoY change**
Total assets	PLN m	290,926.1	277,154.4	5.0%
Total equity	PLN m	33,927.4	34,404.8	-1.4%
Net loans and advances to customers	PLN m	171,846.0	158,139.7	8.7%
Deposits from customers	PLN m	217,769.8	210,038.3	3.7%
Selected off-balance sheet items		**30.09.2024**	**30.09.2023**	**YoY change**
Net assets of investment funds [1]	PLN bn	23.2	16.8	6.4
Selected ratios [2]		**30.09.2024**	**30.09.2023**	**YoY change**
Costs/Income	%	30.0%	29.6%	0.4 p.p.
Total capital ratio	%	17.43%	19.89%	-2.46 p.p.
ROE	%	20.5%	20.3%	0.2 p.p.
NPL ratio	%	4.8%	4.9%	-0.1 p.p.
Cost of credit risk	%	0.69%	0.77%	-0.08 p.p.
Loans/Deposits	%	78.9%	75.3%	3.6 p.p.
Selected non-financial data		**30.09.2024**	**30.09.2023**	**YoY change**
Electronic banking users [3]	m	6.5	6.5	0.0
Active digital customers [4]	m	4.4	4.2	0.2
Active mobile banking customers	m	3.5	3.1	0.4
Debit cards	m	5.0	4.8	0.2
Credit cards	m	0.9	0.9	0.0
Customer base	m	7.5	7.5	0.0
Branch network	locations	351	375	-24
Santander Zones and off-site locations	locations	17	17	0
Partner outlets	locations	419	424	-5
Employment	FTEs	11,397	11,424	-27

1) Assets in investment funds managed by Santander Towarzystwo Funduszy Inwestycyjnych S.A.
2) For definitions of ratios presented in the table above, see Section 3 "Selected financial ratios of Santander Bank Polska Group" of Chapter V "Financial situation after Q3 2024".
3) Registered users with active access to internet and mobile banking services of Santander Bank Polska S.A. and Santander Consumer Bank S.A.
4) Active users of electronic banking services of Santander Bank Polska S.A. and Santander Consumer Bank S.A. who at least once used the services in the last month of the reporting period.

3. Key external factors

Key macroeconomic factors which impacted the financial and business performance of Santander Bank Polska Group in Q3 2024

Economic growth	▸ Improved economic activity, especially in the area of consumption. Persistently weak economic conditions in Europe negatively affecting Polish exports. Continued subdued growth in investments with the prospect of a rebound in subsequent quarters.
Labour market	▸ Unemployment rate at a record low level. Continued double-digit wage growth. Significant real growth in household income from work and family and pension benefits.
Inflation	▸ Inflation rebounding, mainly influenced by rising energy and food prices.
Monetary policy	▸ Interest rates kept unchanged, with a gradual shift in the MPC's stance towards possible interest rate cuts in 2025 depending on the incoming data.
Fiscal policy	▸ Draft budget for 2025 assuming a fiscal deficit of 5.7% of GDP in 2024 and 5.5% in 2025, implying no significant fiscal consolidation, continued upward trend of debt to GDP, and substantial treasury bond issues to finance borrowing needs.
Credit market	▸ Gradually increasing sales of new loans. The positive trend should continue in view of the expected further recovery in economic activity.
Financial markets	▸ High volatility of debt markets amid changing expectations as to global inflation and monetary policy, especially first increasing and then receding prospects of rate cuts in the US to a greater extent than in the euro area, also affecting the domestic market. Revived investor interest in Polish debt despite record high borrowing needs this year. ▸ Despite geopolitical tensions, waves of risk aversion in global markets did not affect the domestic currency. The zloty's exchange rate remains in a narrow range against the euro despite the strengthening of the yen, with a weaker dollar and higher rate disparity against the eurozone. The inflow of EU funds favours a strong zloty, although the Finance Ministry exchanges most currencies with the NBP.

4. Corporate events

Major corporate events in the reporting period until the release date of the report for Q3 2024

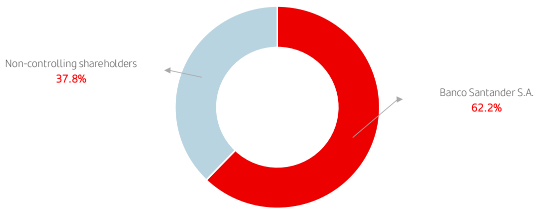
Sale of a portion of Banco Santander S.A.'s stake in Santander Bank Polska S.A.	▸ On 10 September 2024, an accelerated book-building process was completed to sell a portion of ordinary bearer shares in Santander Bank Polska S.A. held by the majority shareholder to qualified institutional investors. ▸ The placement was exempt from the obligation to publish a prospectus as defined by relevant laws. ▸ 5,320.0k shares representing 5.2% of the company's share capital were sold. The sale price per share was set at PLN 463. Following the settlement of the sale transaction, Banco Santander S.A. holds the majority stake of 63,560,774 shares in the company, representing 62.2% of its share capital. ▸ The transaction was settled on 13 September 2024 on standard terms.
Issue of non-preferred bonds under the bond issue programme	▸ On 17 September 2024, Santander Bank Polska S.A. decided to issue senior unsecured non-preferred bonds series 2/2024 as part of the bond issue programme for the total nominal value of PLN 1.8bn. The issue was settled on 30 September 2024. All bonds were taken up by bondholders on the following terms and conditions: ▹ The nominal value per bond is PLN 500k. ▹ The redemption date is 30 September 2027 subject to the Bank's right to exercise a call option. ▹ The issue price is equal to the nominal value. ▹ The bonds bear a floating interest rate equal to the sum of 6M WIBOR and the margin of 1.4% per annum. ▹ The bonds may be classified as eligible liabilities within the meaning of the Act of 10 June 2016 on the Bank Guarantee Fund, deposit guarantee scheme and resolution. ▹ All benefits arising from the bonds are cash benefits. ▹ The Bank's obligations under the bonds fall into the sixth category referred to in Article 440(2)(6) of the Bankruptcy Law Act of 28 February 2003. ▹ The bonds are dematerialised bearer bonds and are registered with the Central Securities Depository of Poland (Krajowy Depozyt Papierów Wartościowych S.A.). ▹ The Bank will apply for admission of the bonds to trading in the alternative trading system of the Warsaw Stock Exchange.

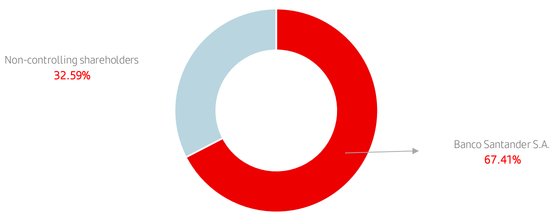
Ownership structure of the share capital

Entities with significant holdings of Santander Bank Polska S.A. shares as at 30 September 2024 and 31 December 2023

Shareholders with a stake of 5% and higher	Number of shares and voting rights 30.09.2024	Number of shares and voting rights 31.12.2023	% in the share capital and total votes at GM 30.09.2024	% in the share capital and total votes at GM 31.12.2023
Banco Santander S.A.	63,560,774	68,880,774	62.20%	67.41%
Nationale-Nederlanden OFE [1)]	5,123,581	5,123,581	5.01%	5.01%
Other shareholders	33,504,959	28,184,959	32.79%	27.58%
Total	**102,189,314**	**102,189,314**	**100.00%**	**100.00%**

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





As at 30 September 2024, Banco Santander S.A. held a controlling stake of 62.20% in the registered capital of Santander Bank Polska S.A. and in the total number of votes at the Bank's General Meeting. The remaining shares were held by the minority shareholders, of which, according to the information held by the Bank's Management Board, only Nationale-Nederlanden Otwarty Fundusz Emerytalny (OFE) exceeded the 5% threshold in terms of share capital and voting power.

The share of Banco Santander S.A. in the share capital of Santander Bank Polska S.A. decreased by 5.21 p.p. compared to the end of December 2023 and June 2024 as a result of the sale of 5,320,000 shares in the Bank (representing a shareholding of 5.21%) as part of block trades executed on 11 September 2024 on the Warsaw Stock Exchange following the accelerated book-building completed on 10 September 2024. The sale price per share was set at PLN 463. Following the settlement of the sale transaction on 13 September 2024, Banco Santander S.A. holds the majority stake of 63,560,774 shares in the company, representing 62.20% of its share capital.

Banco Santander S.A. has undertaken to comply with a 180-day post-closing lock-up period, subject to customary exemptions.

Banco Santander S.A. remains a long-term majority shareholder in the company. As Poland is one of its core markets, it will continue to support the current strategy of the company and its strategic objectives for 2024–2026.

According to the information held by the Management Board, the ownership structure did not change in the period from the end of Q3 2024 until the authorisation of the Report of Santander Bank Polska Group for Q3 2024 for issue.

Majority shareholder

Since 2011, Santander Bank Polska S.A. has been a member of Santander Group, with Banco Santander S.A. as a parent entity.

Banco Santander S.A., having its registered office in Santander and operating headquarters in Madrid, is one of the largest commercial banks in the world in terms of market capitalisation, with more than 167 years of history. The bank is listed on the stock exchanges in Spain, Mexico, Poland, the USA and the UK.

Santander Group specialises in retail banking, private banking, business and corporate banking, as well as asset management and insurance. The business of the Group is geographically diversified and focused on ten core markets: Spain, Poland, Portugal, the UK, Germany, Brazil, Argentina, Mexico, Chile and the USA.

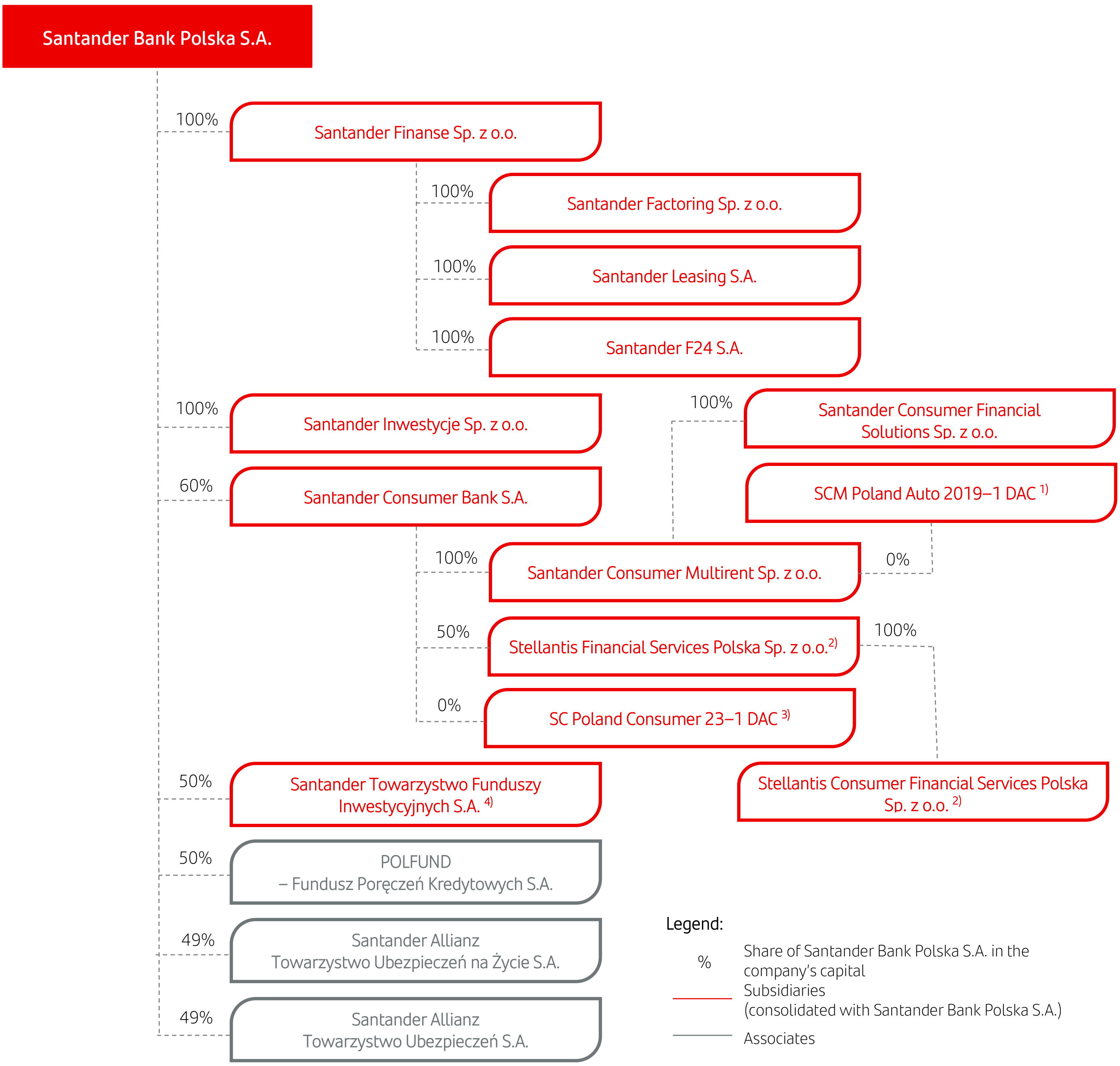
The Group's operating model is based on three pillars: customer focus, global and local scale, and business and geographical diversification.

The primary level of segmentation, which is based on the Group's management structure, comprises five operating segments: Retail & Commercial Banking, Digital Consumer Bank, Corporate & Investment Banking, Wealth Management & Insurance and Payments. At the secondary level, which is based on geographical presence, there are four operating segments: Europe, DCB Europe (consumer business, open platform), North America and South America.

Santander Group's global strategy is to be the best open financial services platform by acting responsibly and earning the lasting loyalty of people, customers, shareholders and communities. Its purpose is to help people and businesses prosper while being Simple, Personal and Fair.

5. Structure of Santander Bank Polska Group

> Subsidiaries and associates of Santander Bank Polska S.A. as at 30 September 2024



1) SCM Poland Auto 2019-1 Designated Activity Company (DAC) with its registered office in Dublin was incorporated on 18 November 2019. Its shareholder is a legal person that is not connected with the Group. It is an SPV established to securitise a part of the lease portfolio of Santander Consumer Multirent Sp. z o.o., which is its controlling entity in accordance with the conditions laid down in IFRS 10.7.

2) In relation to the formation of the automotive manufacturing corporation Stellantis N.V. in 2021 as a result of merger between the Italian–American conglomerate Fiat Chrysler Automobiles and the French Groupe PSA, on 3 April 2023 PSA Finance Polska Sp. z o.o. and PSA Consumer Finance Polska Sp. z o.o. were renamed Stellantis Financial Services Polska Sp. z o.o. and Stellantis Consumer Financial Services Polska Sp. z o.o., respectively. 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).

3) SC Poland Consumer 23-1 Designated Activity Company (DAC) is a special purpose vehicle incorporated in Dublin on 17 June 2022 for the purpose of securitising a part of the retail loan portfolio of Santander Consumer Bank S.A. (SCB S.A.) The SPV does not have any capital connections with SCB S.A., which is its controlling entity in accordance with the conditions laid down in IFRS 10.7.

4) Both owners of Santander Towarzystwo Funduszy Inwestycyjnych S.A. (Santander TFI S.A.), i.e. Santander Bank Polska S.A. and Banco Santander S.A., are members of global Santander Group and hold an equal stake of 50% in the company's share capital. In practice, Santander Bank Polska S.A. controls Santander TFI S.A. within the meaning of IFRSs because, as the main business partner and distributor of investment products, it has a real impact on the operations and financial performance of Santander TFI S.A.

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

In Q3 2024, the Warsaw Stock Exchange experienced significant volatility. Investment sentiment deteriorated amid slightly weaker economic data, resulting in a decrease in the major indices. One of the reasons was the unstable performance of the banking sector. Banks fared worse because of high dividend payouts and markets starting to price in potential interest rate cuts by the Monetary Policy Council. Analysts expect that the first decisions in this respect will be taken in mid 2025. During the last three months, the WIG-Banks index declined by 9.8%, while the WIG broad-based index lost only 6.0%. Shares of Santander Bank Polska S.A. were hit too, with the market capitalisation declining by 16.1% in that period.

The conflicts in the Middle East and in Ukraine are the main risk factors for the performance of the WSE and the Bank's shares. In a shorter term, the global investor sentiment will be affected mostly by the still uncertain results of the US presidential elections as both candidates stand a chance of winning. Locally, shareholders of Polish banks will look closely at economic data, particularly the inflation rate, which is the main trigger of potential decisions on interest rates taken by the Monetary Policy Council.

Share price of Santander Bank Polska S.A. in Q3 2024

Price at the end of the previous period (29.12.2023)	Price at the end of the reporting period (30.09.2024)	Minimum intraday price in Q3 2024	Maximum intraday price in Q3 2024
PLN 489.80	PLN 454.30	PLN 445.70	PLN 568.80

Key data on shares of Santander Bank Polska S.A.	Unit	30.09.2024	31.12.2023
Total number of shares at the end of the period	item	102,189,314	102,189,314
Nominal value per share	PLN	10.00	10.00
Closing share price at the end of the reporting period	PLN	454.30	489.80
Ytd change	%	-7.2%	+88.8%
Highest closing share price Ytd	PLN	581.00	496.20
Date of the highest closing share price	-	08.04.2024	27.12.2023
Lowest closing share price Ytd	PLN	454.30	256.0
Date of the lowest closing share price	-	30.09.2024	2.01.2023
Capitalisation at the end of the period	PLN m	46,424.61	50,052.33
Average trading volume per session	item	108,235	70,208

Share price of Santander Bank Polska S.A. vs. indices in 2024
Share price of Santander Bank Polska S.A., WIG, WIG20 and WIG Banki as at 31.12.2023=100

7. Rating of Santander Bank Polska S.A.

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

The tables below show the latest ratings assigned by the agencies to the Bank, which remained in effect on the date the Report of Santander Bank Polska Group for Q3 2024 was authorised for issue.

Ratings by Fitch Ratings

Rating category	Ratings changed/affirmed on 17.07.2024, 14.09.2022 and 6.09.2023[1)]	Ratings changed/affirmed on 5.08.2022
Long-term Issuer Default Rating (long-term IDR)	BBB+	BBB+
Outlook for the long-term IDR	stable	stable
Short-term Issuer Default Rating (short-term IDR)	F2	F2
Viability Rating (VR)	bbb	bbb+ placed on Rating Watch Negative
Support Rating	-	2
Shareholder Support Rating	bbb+	-
National long-term rating	AA(pol)	AA(pol)
Outlook for the long-term IDR	stable	stable
National short-term rating	F1+(pol)	F1+(pol)
Long-term senior preferred debt rating	BBB+	BBB+
Long-term senior non-preferred debt rating	BBB	-
Short-term senior preferred debt rating	F2	F2

1) Ratings of Santander Bank Polska S.A. applicable as at 30 September 2024

Ratings by Moody's Investors Service

Rating category	Ratings affirmed on 10.04.2024 and 20.12.2022[1)]	Ratings upgraded on 3.06.2019
Long-term/short-term counterparty risk rating	A1/P-1	A1/P-1
Long-term/short-term deposit rating	A2/P-1	A2/P-1
Outlook for long-term deposit rating	stable	stable
Baseline credit assessment (BCA)	baa2	baa2
Adjusted baseline credit assessment	baa1	baa1
Long-term/short-term counterparty risk assessment	A1 (cr)/P-1 (cr)	A1 (cr)/P-1 (cr)
Senior unsecured euro notes rating (EMTN Programme)	(P) A3	(P) A3

1) Ratings of Santander Bank Polska S.A. applicable as at 30 September 2024

II. Macroeconomic situation in Q3 2024

Economic growth

Despite the challenging external environment, the Polish economy gained momentum in the first half of 2024. In the second quarter of the year, Poland recorded the fastest GDP growth in the entire EU, 3.2% YoY and 1.5% QoQ after seasonal adjustment. With this result, it showed a great resilience to the protracted downturn in Germany and exceeded market expectations. Such a good performance was achieved thanks to the continued strong private consumption growth based on exceptionally fast growth in real household income and better-than-expected investments. Fixed investment growth accelerated from -1.8% YoY in Q1 to +2.7% YoY in Q2, which was the biggest positive surprise in the Q2 GDP data. In Q3, average volume growth in manufacturing remained low, declines in construction prevailed, and real retail sales growth slightly decelerated . However, the economic growth likely remained above 3% YoY, with private consumption and investments growing at around 3% each, and a first positive contribution from inventory change since late 2022. We maintain our forecast of 3.0% GDP growth for 2024 and 3.5% for 2025, with developments in the German economy still considered to be the main risk.

Labour market

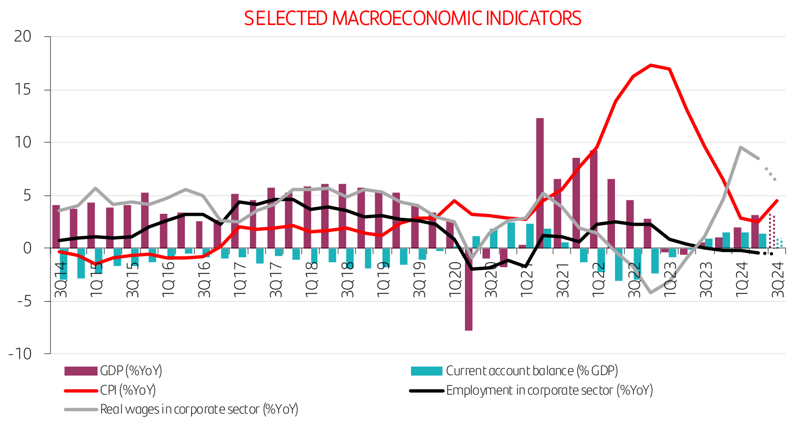
In the third quarter, the labour market was characterised by historically low unemployment rates and double-digit annual wage growth. While employment in the corporate sector fell at an annual rate of about 0.5%, negatively affected by job reductions in manufacturing, The total level of employment in the national economy remained almost historically high. The registered unemployment rate was record low at 5%, and according to Labour Force Survey at 2.9%, one of the lowest readings in the European Union. Wages in the corporate sector grew by an average of 11% YoY in Q3 and markedly more in the national economy as a whole, due to very high wage dynamics in the public sector (in Q2, wage growth in the national economy was 14.7% YoY vs 11.2% YoY in the corporate sector, and a similar difference might have occurred in Q3). During the economic recovery, and with constraints on the labour supply, high wage growth is likely to continue until the end of this year. However, there are signs that the elevated labour costs may limit the demand for labour from companies, which has already caused some concerns about employment among the employed.

Inflation

Changes in household energy prices in July pushed CPI inflation to 4.2% YoY, i.e. outside the +/-1 p.p. fluctuation range around the 2.5% YoY NBP target. In September, the inflation rate reached 4.9% YoY. The drought and the base effect (extension of the free medicine programme introduced in September 2023) also contributed to the pick-up in inflation. July was also important for the core inflation (CPI excluding food, fuel and energy prices), as the downward trend observed since April 2023 was interrupted. After bottoming out at 3.6% YoY in June, the core inflation began to rebound and in September it was already above 4% YoY. Over the next two quarters, CPI inflation is projected to remain in an upward trajectory, rising to just over 5% in December and reaching a local peak near 6% YoY in March 2025. Much will depend, however, on the government's decision on energy prices in 2025 and the behaviour of global energy commodity prices in the face of the Middle East conflict.

Monetary policy

The Monetary Policy Council has kept interest rates unchanged for a year. In Q3, a number of MPC members began to hint at the possibility of starting interest rate cuts after the NBP's March 2025 projection, provided that the projection shows a gradual decline in inflation toward the target and current inflation readings confirm the end of its build-up. Such an approximation of the potential start of monetary easing appeared, among others, in statements by NBP Governor Adam Glapiński, who had previously cast doubt on the possibility of starting rate cuts next year.



Source: GUS, NBP, Santander

Credit and deposit markets

The credit market is in a moderate recovery phase. In the third quarter, sales of retail (notably consumer) loans grew markedly. After the end of the momentum coming from the "2% Safe Mortgage" programme, the activity in the mortgage loan market was still much higher than in 2023, with average sales of PLN 6-7bn per month. Sales of new business loans also looked quite good, although they were slightly below the mid-2022 peak. The activity in the credit market is likely to continue at elevated levels amid further improvement in the economic activity.

In volume terms, the credit market has been growing at a rate of only a few percent in annual terms, although there has been an improvement in recent months. The relatively modest growth in volumes has been associated with historically high repayment rates, especially for mortgages. There has been some gradual normalisation of the repayment rate, which should support further volume growth with solid loan sales. The year is likely to close with credit growth of around 5% YoY. Deposit growth, on the other hand, remains solid at around 8% YoY. It is driven mainly by an increase in net foreign assets in the banking sector and is expected to remain relatively stable in the coming months.

Financial markets

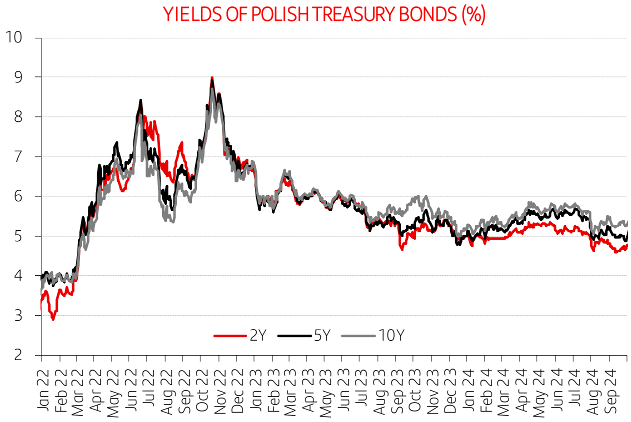
The third quarter of 2024 was marked by an increase in expectations of interest rate cuts in the core markets. This market behaviour was a reaction to weaker-than-expected data from the US labour market, which triggered significant and sharp bumps in market interest rates both in the US and in the euro area. The US central bank cut interest rates by 50 bps at the September meeting, beginning a monetary easing cycle. The Fed reduced the main rate to 4.75-5.00% after keeping it in a range of 5.25-5.50% for fourteen months. In September, the ECB cut interest rates for the second time, by 25 bps on the deposit rate to 3.50%, and by 60 bps on the refinancing rate to 3.65%. In October, the ECB decided to cut interest rate again by 25 bps. In the third quarter, the dollar lost ground on international markets, weakening against the euro to around 1.113 at the end of September from around 1.068 at the end of June amid a larger decline in yields of US bonds compared to German ones. Expectations for interest rate cuts were only reduced in early October following a positive surprise in labour market data from the US. This also supported the strengthening of the dollar.

From July to September, the zloty exchange rate remained stable in a narrow fluctuation range of 4.25-4.32 against the euro, and gained slightly against the dollar to 3.845 from around 4.02. The national currency remained stable and was not affected by increased volatility in international stock markets or the strengthening of the yen. Instead, the zloty was supported by the weakening of the dollar and an increase in the interest rate disparity against the euro area.

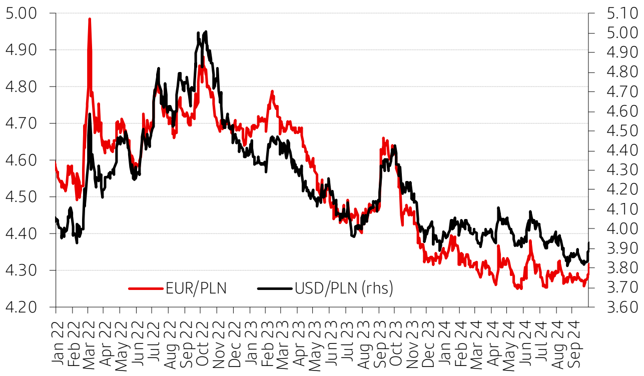
We presume that uncertainty related to the US elections may translate into increased volatility in international markets in the coming months, which may negatively affect the zloty. In turn, the widening disparity between NBP and ECB rates will support the domestic currency. We assume that the first rate cut by the MPC will take place in the middle of the next year, and by then the ECB may cut interest rates several times. The Ministry of Finance may exchange some of its high foreign currency deposits in the market instead of the NBP, although comments from the Ministry that further strengthening of the zloty is not favoured by the government suggest that the scale of such operations will be limited. We assume that the zloty will remain fairly strong in the coming quarters and that it may reach 4.20 against the euro over the next several months if the EUR/USD rate rises in line with our assumptions and the domestic economy accelerates.

In Q3, the domestic market rates were in a downward trend following changes in the core markets. As regards the swap curve, the long-term rates saw larger declines (about 65 bps for the 10-year tenor) than short-term rates (about 50 bps for the 2-year tenor). The decline in long-term bond yields in the last quarter was smaller than in swap rates, leading to an increase in credit spreads of about 25 bps. Credit spreads already widened in October in the face of a rebound in swap rates despite the rather dovish tone of MPC representatives. We assume a slow reduction in bond yields as the first rate cut gradually approaches. Asset swap credit spreads may widen in Q4 due to geopolitical risks and relatively high probability of a VAT revenue shortfall on the one hand and the prospect of high treasury debt issuance in 2025 on the other. The 3M WIBOR at the end of September remained at the level from June, i.e. at 5.85%. The 2-year bond yields fell over the period to about 4.70% from about 5.15%, and the yield of 10-year bonds declined to about 5.28% from about 5.77%.

YIELDS OF POLISH TREASURY BONDS (%)



EXCHANGE RATE OF THE ZLOTY VS THE EURO AND THE DOLLAR



Source: Bloomberg, Santander

III. Business development in Q3 2024

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

1.1. Retail Banking Division

Product line for personal customers	Activities of the Retail Banking Division in Q3 2024
Cash loans	▸ Processes were further digitalised in line with customers' expectations. ▸ Santander internet and Santander mobile services were upgraded. Customers can now use an optimised loan application process and receive personalised communication. ▸ To support digital sales, the Bank continued to offer a cash loan with 0% fee to customers who had already availed of cash loans with Santander Bank Polska S.A. and to new borrowers. ▸ The pricing policy was adjusted to prevailing market and macroeconomic conditions. ▸ Work was continued to align the processes with the European Accessibility Act (EAA). ▸ During the first nine months of 2024, cash loan sales of Santander Bank Polska S.A. were PLN 8.5bn, up 18.1% YoY. Sales generated via remote channels accounted for 74.9% vs 66.0% in the same period last year. As at 30 September 2024, the cash loan portfolio of Santander Bank Polska S.A. totalled PLN 17.8bn, up 9.1% YoY.
Mortgage loans	▸ After the three quarters of 2024, the value of new mortgage loans totalled PLN 9.3bn (including PLN 4.0bn worth of mortgage loans granted under the 2% Safe Mortgage programme), up 95.6% YoY. In Q3 alone, mortgage loan sales were PLN 2.2bn, down 6.3% YoY and 19.0% QoQ. The gross mortgage loan portfolio of Santander Bank Polska S.A. increased by 6.8% YoY to PLN 54.7bn as at 30 September 2024. PLN mortgage loans totalled PLN 53.2bn, up 11.4% YoY.
Personal accounts and bundled products, including:	▸ The number of PLN personal accounts grew by 4.1% YoY and reached 4.7m as at 30 September 2024. The number of Santander Accounts (the main acquisition product for a wide group of customers) was 3.8m. Together with FX accounts, the account base was nearly 6.1m (+5.3% YoY). ▸ In Q3 2024, the acquisition activities were focused on Santander Account, Santander Max Account, Select Account and Child's Account. ▸ To enhance customer experience in remote channels, in September 2024 the Bank enabled individuals applying for a personal account to authenticate their data via mObywatel application (if accounts are opened with a selfie or after documents are delivered to the Bank by courier). ▸ In Q3 2024, the Bank continued to offer personal accounts for Ukrainian refugees on special terms. It waived account maintenance fees, card fees and fees for transfers to and from Ukraine.
Payment cards	▸ In Q3 2024, the Bank continued promotional, sales and relationship-building activities to increase payment card turnover. The card plastic recycling process was also continued to support sustainable development. ▸ The product range was extended to include Visa Bonus credit card with a 1% bonus on the surplus of purchases beyond PLN 300 per month. The card comes with a 54-day interest-free period for cash transactions (e.g. cash withdrawals from ATMs or transfers from a card account). ▸ Work was in progress to extend the range and functionality of card products, in particular to design a credit card for the Premium segment. ▸ The New to Bank card for external customers was made available in Santander internet and Santander mobile. ▸ As at 30 September 2024, the personal debit card portfolio comprised 4.5m cards and increased by 3.9% YoY. Together with the business debit card portfolio (503.9k), it generated 12.9% higher non-cash turnover YoY during the nine months of 2024. ▸ The credit card portfolio of Santander Bank Polska S.A. included 631.2k instruments and increased by 0.5% YoY, generating 6.6% higher non-cash turnover YoY during the nine months of 2024. The credit card debt was up 0.8% YoY.

Product line for personal customers	Activities of the Retail Banking Division in Q3 2024 (cont.)
Deposit and investment products, including:	▸ In Q3 2024, the Bank's priority in terms of management of deposit and investment products in the continuously high interest rate environment was to retain the funds acquired through savings account promotions while optimising the cost of the portfolio and ensuring high satisfaction of savers. ▸ The most popular products in the reporting period were term deposits (including Holiday Deposit and Deposit for You) and investment products with various risk levels. ▸ The Bank's investment offer comprised mainly brokerage services and investment funds, including funds managed by the Bank's subsidiary Santander Towarzystwo Funduszy Inwestycyjnych S.A. (Santander TFI S.A.) as well as selected Polish and foreign funds.
➢ *Deposits*	▸ To meet customers' expectations, in Q3 2024 Santander Bank Polska S.A. offered a range of term deposit promotions for savers, supported by direct marketing communication. ▸ At the end of June, the following products were launched: ▹ an online Holiday Deposit available until the end of September, offering 4% on funds up to PLN 50k; ▹ a pilot of Deposit for You up to PLN 100k, paying interest from 4.20% to 5%. ▸ The pilot of Deposit for You was run as part of the Smart Pricing project (26–31 July 2024) among over 70k customers who availed of the special offers on savings accounts in H1 2024. Deposit interest rates depended on customers' participation in the promotions. ▸ At the end of August, the Bank launched the Deposit for You offering 4.5% on funds up to PLN 50k for Select customer with steady inflows to personal accounts. ▸ The savings product offer was modified twice in relation to interest rates on PLN term deposits. ▸ As at 30 September 2024, deposits from personal customers totalled PLN 114.3bn, up 7.1% YoY. Term deposit balances grew by 2.9% YoY to PLN 37.5bn and current account balances increased by 9.4% YoY to PLN 76.7bn (including a 9.7% YoY rise in savings account balances).
➢ *Investment funds*	▸ Net sales of investment funds totalled PLN 0.9bn in Q3 2024, and PLN 3.2bn in the year to date, giving Santander TFI S.A. a leading position in the investment fund market in Q3 2024. ▸ Between July and September 2024, particularly popular were short-term debt sub-funds (over 42% of sales) and bond sub-funds (24%), notably Santander Prestiż Corporate Bonds. Customers were also interested in Santander Prestiż Alfa, an absolute return sub-fund. ▸ As at 30 September 2024, the total net assets of investment funds managed by Santander TFI S.A. were PLN 23.2bn, up 38.7% YoY and 23.0% Ytd. ▸ In September 2024, the product range of Santander TFI S.A. was expanded to include Santander Prestiż Calm Investment launched on 7 March 2024. This debt sub-fund invests mainly in bonds issued, underwritten or guaranteed by the State Treasury or EU member states as well as in treasury bills, corporate bonds, bank bonds, certificates of deposit and covered bonds. It is targeted at customers looking for investments with a low risk, short investment horizon and resilience to economic changes. ▸ In Q3 2024, Santander TFI S.A. continued to work closely with Santander Bank Polska S.A. in terms of sales in PB and Select segments and development of distribution in the Mass and Premium segment. Santander TFI S.A. provided product training for the Bank's employees handling customers from the above segments, and representatives of the company participated in the meetings with high net worth customers of Santander Bank Polska S.A. ▸ As at the end of September 2024, the company managed Employee Capital Plan assets of PLN 0.5bn from nearly 100k Santander PPK SFIO unitholders.
➢ *Brokerage services*	▸ On 30 September 2024, a new brokerage system Promak Next was launched, along with changes to internet services, mobile application and back-office system. The most important ones included: ▹ modern front-ends for customers based on UX design solutions; ▹ combination of four back-office systems into a single system, facilitating customer relationship management. ▸ The Bank's offer was expanded to include: ▹ an individual pension security account (IKZE); ▹ a lower fee on orders placed on foreign markets via the internet or mobile application, including the minimum fee in relation to the most popular markets; ▹ a possibility to lower the tax on US dividends from 30% to 15% without the need to submit additional statements according to the double tax treaty; ▹ Trading View, i.e. a tool for investors with any knowledge level enabling them to create and track stock market charts and numerous technical analysis indicators; ▹ DISO and OCA orders relating to all categories of financial instruments. ▸ With the new system in place, the brokerage services for customers were further digitalised, which is expected to reduce the workload for the Bank's branches. Customers can also choose hybrid services, i.e. start the process by contacting the Bank on the phone and end it at the branch if they need to sign some documents or certify their signature. ▸ The share of retail customers in the WSE equity market was record high at 14.7% in H1 2024, the highest since 2010.
Bancassurance	▸ In Q3 2024, the following products were launched: ▹ Worry-free Travel insurance available in Santander internet and mobile application; ▹ My Business insurance providing coverage for business customers' assets. ▸ The insurance premium for Q3 2024 decreased by 9.5% QoQ and for Q1-Q3 2024 by 0.9% YoY as a combined effect of lower sales of linked insurance products and higher sales of non-linked ones.

Product line for SMEs	Activities of the Retail Banking Division in Q3 2024
Business accounts and bundled products	▸ In Q3 2024, the Bank continued the special offer called "Plenty of benefits with Online Business Account", whereby customers who opened a business account in remote channels and met specific criteria were rewarded with a bonus or e-voucher for one of retail chains or e-commerce platforms. The promotion was supported by a campaign aired on selected radio stations. ▸ As part of the promotion called "POS terminal up to 12 months without subscription", customers could use the POS terminal for free for 12 months after the end of the 12-month subsidy period under the Cashless Poland (Polska Bezgotówkowa) programme. ▸ A new "My Business" insurance was introduced, providing extensive coverage at times of distress.
Loans	▸ Customers were offered a Business New Energy loan to finance electric cars, charging stations, photovoltaic panels, energy storage facilities and heat pumps. ▸ A variable-rate loan with 0% arrangement fee was offered to SME customers in remote channels. ▸ A range of solutions were implemented for customers affected by the recent floods, including support in terms of loan repayment.

Product line	Activities of Santander Leasing S.A. in Q3 2024
Lease	▸ During the nine months of 2024, Santander Leasing S.A. financed assets of PLN 6.4bn (+10.5% YoY). The growth was driven mainly by sales in the vehicles segment (+15.7% YoY). ▸ The following changes were introduced to financing for SME customers: ▹ the simplified procedure was extended; ▹ new terms were offered to external customers (limited liability companies) applying for financing of passenger cars, trucks or trailers up to 3.5t; ▹ a self-service process was set up, enabling customers to extend their leasing agreements in eBOK24. ▸ The product range was extended to include: ▹ products for customers from the agri segment: an express loan for any purpose related to farming; an equity release for financing working capital needs, repaying debt or financing any other purpose related to agri business; a new Assistance Agro product; and a new version of the land purchase loan; ▹ an eLoan for start-ups, which is a new version of eLeasing; ▹ new vendor schemes launched in cooperation with manufacturers of tractors and farm machinery and equipment.

1.2. Business and Corporate Banking Division

Direction	Activities of the Business and Corporate Banking Division in Q3 2024
Business developments	▸ Continued growth in all segments and business lines, translating into higher income from trade finance (+9.0% YoY), leasing (+11.0% YoY) and lending (+6.5% YoY). ▸ Sound sales performance despite challenging market conditions, notably in terms of lending (+13.1% YoY), leasing (+5.8% YoY) and factoring (+15.6% YoY). ▸ 7.3% YoY increase in total assets, including 5.9% YoY growth in leased assets. 10.7% YoY rise in credit limits. ▸ Growing sales in digital channels, particularly in terms of currency exchange (+12.8% YoY). ▸ 3.1% YoY increase in the volume of transactions made by customers. ▸ High quality of the corporate lending portfolio, with a low and stable cost of risk.
Business/ digital transformation	Simplification and digitalisation ▸ Customers taking out loans secured by BGK guarantees were offered an option to sign documents with a qualified electronic signature. ▸ A Credit Desk was set up to provide customers of the Corporate and Investment Banking Division and the Business and Corporate Banking Division with information about post-sales services related to their loans. ▸ Digitalisation and development projects were continued to ensure best-in-class services. ▸ New solutions were implemented for users of a new version of the iBiznes24 electronic banking platform and iBiznes24 mobile application: ▹ in the New transfer module (instant approval and sending of transfers, transfer receipt notification); ▹ in the Cards module (quick search, transaction and blockade history available in card details, increased user-friendliness of existing functions: limit change, card blocking, PIN reset, magnetic strip activation). ▸ As part of development of the CLP (Corporate Lending Platform), changes were introduced resulting in a considerable increase in the number of credit customers handled by the Bank and substantial limitation of email correspondence on the Business side, reducing turnaround times. Products ▸ Changes were implemented in the Trade Finance line: ▹ revised approach to guarantees issued for an indefinite period of time; ▹ simplified rules for assignment of rights under a guarantee; ▹ refined counter-guarantee process and financing of export letters of credit. ▸ A new BGK loan repayment guarantee was introduced as part of the InvestEU programme, with a counter guarantee granted by the European Investment Fund in the form of public aid. ▸ One App Lite – a simplified, passive version of the mobile application was launched, enabling customers to use basic functions during maintenance breaks.

Area	Activities of Santander Factoring Sp. z o.o. in Q3 2024
Factoring	▸ Stabilisation of the credit portfolio of Santander Factoring Sp. z o.o. over the last 12 months (PLN 7.8bn as at 30 September 2024 and 30 September 2023). ▸ The receivables purchased by the company increased by 2.8% YoY over the first nine months of 2024 to PLN 34.6bn.

1.3. Corporate and Investment Banking Division

<table>
<tr><th>Unit</th><th>Activities of the Corporate and Investment Banking Division in Q3 2024</th></tr>
<tr><td>Credit Markets Department</td><td>

Project finance and syndicated lending:

Leading role in the financing of onshore wind farm projects.
Co-financing of the transaction in the logistics sector.
Co-financing of commercial property development projects.
Participation in a syndicated refinancing loan for a group from the food sector.

Active communication with key customers in terms of project finance (particularly in connection with renewable energy), securitisation structuring and financing, and debt, rating and ESG advisory services. Rating advisory services for the Bank's customer.
Sustained performance in the asset turnover and underwriting area. Stable activity in the local bank debt market. The main debt transactions concerned the renewable energy, manufacturing and logistics sectors.
Arrangement of new corporate bond issues for companies, local authorities, the Bank's subsidiaries and the Bank itself (for the purpose of MREL/TLAC).
</td></tr>
<tr><td>Capital Markets Department</td><td>

Acting as the global joint coordinator in the accelerated book building for shares of companies from the financial and banking services sectors.
Acting as the joint bookrunner in the accelerated book building for shares of a company from the logistics sector.
Advisory services for a telecommunications company regarding divestment and for a renewable energy company regarding the sale of a renewable energy asset portfolio.
</td></tr>
<tr><td>Global Transactional Banking Department</td><td>

Business trends in trade finance:

While the demand for working capital increased slightly at the start of Q3 2024, the limit utilisation was still negatively affected by high PLN reference rates. A growing number of customers were interested in mitigating counterparty risk on a standalone and portfolio basis.
Documentary letters of credit and collections were increasingly used to reduce counterparty risk and the risk of the counterparty's country. The cooperation with foreign banks was expanded.
Customers looking for stable long-term sources of financing actively used export finance products as part of existing transactions and new relationships.

Business trends in transactional banking:

In Q3 2024, changes were observed in terms of term deposits and account balances. Residues accumulated as a seasonal effect in the selected sectors. Some companies were looking to distribute extraordinary surpluses between several accounts. While the account balances of CIB customers increased in August and September as a result of active acquisition of new funds, they started to decline as the quarter came to an end.
The two main income generation initiatives were continued in the reporting period. High volumes of cash (counted and processed) contributed significantly to the results of the transactional banking segment. As the offer of escrow accounts for developers was further expanded, the Bank signed agreements with new customers.

Business trends in other areas:

Between June and August 2024, the average monthly overdraft utilisation was down 4% compared to March–May 2024. However, the upward trend has been observed and the utilisation is expected to reach higher levels in the last quarter of the year.

Given uncertainty regarding the final reference rate to be selected and pending decisions in this respect, the popularity of fixed-rate loans has been growing, resulting in a dynamic increase in that portfolio.
</td></tr>
<tr><td>Financial Markets Area</td><td>

The main services for business customers of Santander Brokerage Poland included accelerated book building in relation to shares of companies from the banking services, logistics and financial sectors.
As part of equity research, 199 recommendations were issued with regard to CEE listed companies.
Treasury Services Department:

August has been the best month in the year to date, both in terms of FX flows and project finance collateralisation.
The third quarter was closed with a solid profit on fixed-rate financing (notably in the automotive sector).
Sound performance was recorded in the investment line (+61% YoY), mainly due to the upward trend in bond offering and sale.
Services were further digitalised, with more than 100k FX transactions made electronically with customers in Q3 2024.
A fixed-rate loan agreement was signed with a customer of the Public Sector and Universities Office.
The number of Select customers using Kantor Santander currency exchange platform reached an all-time high of 98.2k at the end of Q3 2024.

The number of FX accounts opened in July and August 2024 grew by 795% YoY after the product range was expanded to include eight new FX accounts that could be opened by just one click in the mobile application.
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</table>

2. Business development of Santander Consumer Bank Group

Direction	Activities of Santander Consumer Bank Group in selected areas in Q3 2024
Key focus areas of Santander Consumer Bank Group's operations	▸ The key priorities of Santander Consumer Bank Group (SCB Group) in the reporting period were: ▹ To maintain the position in the installment loan market, ensuring stable share in traditional sales, continuation of relationships with large retailers, profitability of cooperation with trade partners and further growth of online sales. ▹ To optimise sales of cash loans in remote channels, speeding up the decision-making process and reducing risk in this product line. ▹ To increase the share of deposits in the overall funding structure. ▹ To maintain the position in the new and used car finance market, ensuring stable profitability of the business (given the strong pricing competition, high car prices and high interest rates) through development of products for individuals in the dealership and remote channels. ▹ To offer insurance products that will meet customers' expectations and analyse customers' insurance needs in line with updated Recommendation U effective since 1 July 2024.
Lending	▸ As at 30 September 2024, net loans and advances granted by SCB Group totalled PLN 18.6bn and increased by 8.2% YoY on account of record high sales of cash loans (with a growing share of the remote channel), higher supply of leased cars, and an increase in stock finance and factoring. Meanwhile, the value of instalment loans decreased, reflecting selective sales and increased focus on the product profitability and acquisition of new customers. The value of the mortgage loan portfolio gradually declined as no new sales were generated. ▸ In the automotive market, SCB focused on increasing the profitability of sales and optimising risk. Particularly noteworthy are agreements with Ford and Chinese car manufacturers, which have a growing sales potential. ▸ During the three quarters of 2024, SCB sold the written-off loan portfolio of PLN 408.1m, with a P&L impact of PLN 50.3m gross (PLN 40.9m net).
Deposits	▸ As at 30 September 2024, deposits from customers of SCB Group totalled PLN 15.6bn and increased by 21.5% YoY mainly on account of active sales of new retail term deposits and renewal of existing ones. ▸ With the rise in the balance of customer deposits, the level of deposits from banks was reduced.
Other	▸ In Q3 2024, SCB renewed the agreements with two key partners from the household appliances sector. ▸ Furthermore, SCB Group started cooperation with the importer of Chinese cars in terms of financing of car purchase and dealer stock.

IV. Organisational and infrastructure development

1. Human Resources management

Employment

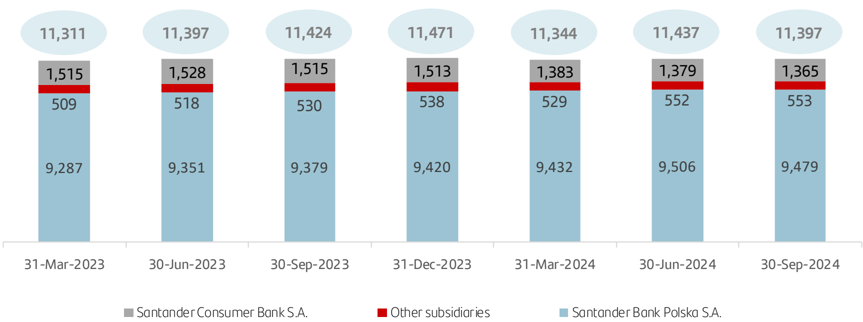
As at 30 September 2024, the number of FTEs in Santander Bank Polska Group was 11,397 (11,471 as at 31 December 2023), including 9,479 FTEs of Santander Bank Polska S.A. (9,420 as at 31 December 2023) and 1,365 FTEs of Santander Consumer Bank Group (1,513 as at 31 December 2023).

The employment in Santander Bank Polska Group decreased by 74 FTEs Ytd and by 27 FTEs YoY.

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

The HR processes take into account present operational needs, development requirements as well as the market and regulatory environment.

Employment at Santander Bank Polska Group (in FTE [1]) by quarter in 2023 and 2024



1) *The number of FTEs also includes non-active FTEs (employees on parental leaves, unpaid leaves above 30 days, etc.).*

Delivery of the strategic objectives

The strategic HR objectives of Santander Bank Polska Group include:

- focus on employee experience
- process digitalisation (continuation of the paperless strategy)
- development of new technologies for HR.

In Q3 2024, further measures were taken across the organisation to reinforce the Total Experience (TX) approach, which focuses equally on Employee Experience (EX) and Customer Experience (CX).
They included promotion of changes and use of in-house design methodology and tools in accordance with the TX strategy for 2024–2026. During the reporting period:

- The design of the co-creation platform was completed. The solution is planned to be fully implemented in Q4 2024, enabling staff members to more effectively engage in designing and testing products, services and solutions for employees and customers.
- Work was underway to develop solutions for monitoring the impact of key initiatives and processes on employee experience (using e.g. the Employee Effort Score). The EX Health Check solution was introduced for business owners and the prioritisation of strategic projects taking into account an employee's perspective was nearly completed.

In Q3 2024, the functionality of HR self-service platforms was further improved and HR management processes were simplified to enhance employee experience.

- The circulation of occupational risk documents became a fully self-service digital process.
- As part of optimisation and digitalisation of HR processes, a simplified employment agreement was introduced.
- Work was continued to launch the self-service HR portal on employees' mobile devices.

Changes to the Remuneration Policy

As a result of an annual review, in Q3 2024 the Bank's Supervisory Board adopted the updated Remuneration Policy of Santander Bank Polska Group. The key changes were made to ensure compliance with external and Group regulations.

They included the following:

- update of the general principles concerning variable remuneration, including performance management and "My Contribution" performance review model;
- additional provisions about severance pay;
- changes to the provisions on remuneration for sales staff, aligning the quantitative credit delivery indicators with the new guidelines of ESMA.

Other HR initiatives

Employee development	▸ A survey was conducted among the Bank's employees to gain their feedback and identify their needs in relation to professional development. Based on the results, work was started to extend the existing offer.
Great Place to Work Certification	▸ For the second year in a row, the Bank earned the Great Place to Work Certification, which recognises employers that create an outstanding employee experience.
Cooperation with Vital Voices	▸ Preparations were underway to launch the 7th edition of the "I am the Leader" mentoring programme organised by Vital Voices.
Report by TAK Pełnosprawni Foundation	▸ TAK Pełnosprawni Foundation, in partnership with Santander Bank Polska S.A., published a report promoting workplace accommodations for people with disabilities.
A Call for Dialogue	▸ In Q3 2024, "A Call for Dialogue" project was launched for HR Business Partners to develop their skills with regard to prevention and resolution of conflicts at work.
Health and wellbeing	▸ In Q3 2024, the "Wellbeing Heroes" competition was organised in cooperation with trade unions to recognise employees' behaviours and promote the Bank's corporate culture. ▸ In summer, a series of webinars, articles and videos were launched under the title: "Effective way to manage pain", with tips on how to prevent and relieve pain. ▸ To celebrate the Wellbeing Day, a range of initiatives were prepared, including materials on how to deal with stress.
Support for employees affected by the flood	▸ The Bank ensured the following support for employees affected by the flood in southern Poland: ▹ Non-repayable financial aid; ▹ Additional five paid days off; ▹ A free counselling helpline and a webinar with a psychologist ("How to deal with emergency situations – how to support yourself and others"), which was attended by around 600 people.

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

Basic statistics on distribution channels

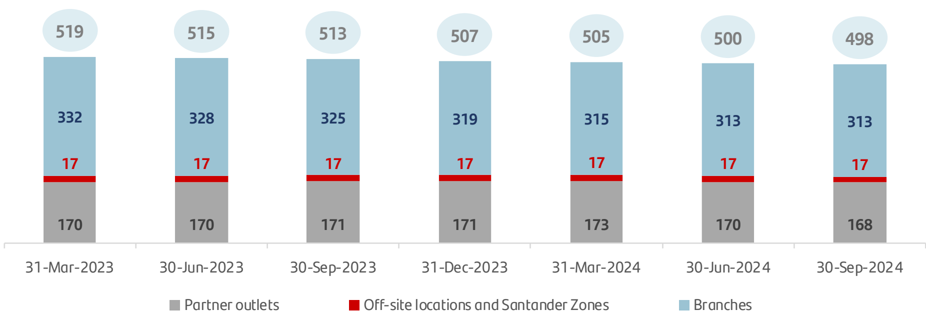
Santander Bank Polska S.A.	30.09.2024	31.12.2023	30.09.2023
Branches (locations)	313	319	325
Off-site locations	2	2	2
Santander Zones (acquisition stands)	15	15	15
Partner outlets	168	171	171
Business and Corporate Banking Centres	6	6	6
Single-function ATMs [1]	174	429	436
Dual-function machines [1]	1,212	975	962
Registered internet and mobile banking customers [2] (in thousand)	5,158	5,012	5,058
Digital (active) mobile and internet banking customers [3] (in thousand)	3,699	3,497	3,459
Digital (active) mobile banking customers [4] (in thousand)	3,025	2,608	2,704
iBiznes24 – registered companies [5] (in thousand)	26	26	26

1) Network of ATMs of Santander Bank Polska S.A. managed by the Bank and by specialised operators.
2) Number of customers who signed an electronic banking agreement under which they can use the available products and services remotely.
3) Number of active internet and mobile banking users (digital customers) who at least once logged into internet or mobile banking or checked their balance without logging in the last month of the reporting period.
4) Number of active mobile banking customers who at least once logged into the mobile application or its light version or checked their balance without logging in the last month of the reporting period.
5) Only the customers using iBiznes24 – an electronic platform for business customers (iBiznes24, iBiznes24 mobile and iBiznes24 Connect).

Traditional distribution channels

As at 30 September 2024, Santander Bank Polska S.A. had 313 branches, 2 off-site locations, 15 Santander Zones and 168 partner outlets. During the nine months of 2024, the number of bank outlets (branches, off-site locations and Santander Zones) decreased by 6, and the number of partner outlets by 3.

Number of branches and partner outlets of Santander Bank Polska S.A. by quarter in 2023 and 2024



As at the end of September 2024, the Private Banking model covered 64 Private Bankers based in 24 outlets across Poland (4 Private Banking Centres and 20 other locations).

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

Intermediaries network

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

- In Q3 2024, the number of agents cooperating with the Bank as part of the Mobile Agent Network was 229 on average per month. The Bank used their services to offer cash loans, mortgage loans, SME loans, loan insurance, personal and business accounts, and leasing facilities
- Cooperation with network agents in terms of mortgage loans was centrally managed under ten agreements. The mortgage loan offer did not change, neither did the terms of cooperation between the Bank and brokers.
- As part of a centralised management model, the Bank also collaborated with network and local agents in terms of cash loans, SME products and personal accounts.

ATMs

As at 30 September 2024, the network of self-service devices of Santander Bank Polska S.A. comprised 1,386 units, including 174 ATMs (cash dispense functionality only) and 1,212 dual function machines (cash dispense and deposit functionality) including 1,103 recyclers, i.e. devices enabling withdrawal of cash that has been previously deposited by other customers.

Since September 2023, the Bank has been migrating the machines to the ATM–as–a–service model of Euronet and IT Card. Through the partnership with specialised operators, the Bank can provide customers with access to innovative and convenient ATMs and CDMs as well as faster and more efficient maintenance and support in the case of any incidents. As at 30 September 2024, 1,311 machines were outsourced. The migration of all ATMs is planned to be completed by the end of 2024.

In Q3 2024, ATMs of Santander Bank Polska S.A. were equipped with a speech-to-text technology, enabling visually impaired customers to make all types of transactions without additional assistance. The number of ATMs with NFC readers was significantly increased and customers could use cards from their digital wallets.

Remote channels

In Q3 2024, Santander Bank Polska S.A. further improved the functionality and performance of digital contact channels in line with its long-term strategy which is to increase the share of such channels in customer acquisition and sales. The changes were intended to improve the user-friendliness of existing features and processes, and add new ones, while enhancing security of operations. Channel integration was continued, harmonising customer service across the Bank.

Electronic channel	Selected solutions and improvements introduced in Q3 2024
Internet and mobile banking	▸ In Q3 2024, the Bank continued to improve the Santander mobile application, adding the following features: ▹ Subscriptions – information about services subscribed for by the customer, including subscription costs for the current month, the last 30 days and the last 12 months; ▹ Santander on the go – useful services and tips for customers planning or taking a trip; ▹ new tips on credit cards in the Price advisor functionality; ▹ a possibility to open an FX account in 12 different currencies. ▸ The internet and mobile banking services were further developed to include: ▹ new currencies available on the Kantor Santander currency exchange platform: NOK, SEK, DKK, CZK, JPY, HUF, AUD and CAD; ▹ FX Account24 available in new currencies: NOK, SEK, DKK, CZK, JPY, HUF, AUD and CAD; ▹ extension of the multi-currency functionality to eight currencies: EUR, USD, GBP and new ones: CHF, NOK, SEK, DKK, CZK
Santander Open	▸ In Q3 2024, the payment initiation service (PIS) was extended to include Nest Bank. Customers of Santander Bank Polska S.A. can now integrate accounts online (AIS), confirm their earnings during the loan application process and initiate transfers via Santander internet and Santander mobile in relation to accounts held with any of the following nine banks: Alior Bank, Bank Millennium, BNP Paribas, Credit Agricole, ING Bank Śląski, mBank, Nest Bank, PKO BP and Pekao S.A.

Electronic channel	Selected solutions and improvements introduced in Q3 2024 (cont.)
Multichannel Communication Centre (MCC)	▸ Thanks to a new solution implemented, business customers can now increase the monthly debit card limit up to the maximum amount via MCC (previously, the limit could be increased above PLN 200k only at a branch). ▸ The functionality of Poczta 2.0 was further extended to allow business customers to send information about the number of employees or the closing date of the last financial year (previously, that information could be provided via helpline or Online Advisor). ▸ To increase safety, customers are sent text message notifications and asked to contact the helpline if the conversation held in the chat channel is stopped due to suspected fraud. ▸ Sandi, the virtual assistant, made more than 120k conversations in Q3 2024 and gave more than 1m answers in the year to date. The number of questions asked increased by more than 30% YoY. ▸ At the beginning of July, the "Santander on the go" button was added to the main menu of the virtual assistant. Customers can find there information about products and services that can come in handy during travelling. ▸ Customers calling the Bank's helpline (1 9999) can listen to informative and educational messages before they contact the advisor. It is to increase their awareness of certain aspects, keep them up-to-date and enhance their experience.

Apart from the above measures, the Bank also took measures in relation to the e-commerce area and santander.pl platform.

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

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

Santander Consumer Bank S.A.	30.09.2024	31.12.2023	30.09.2023
Branches	38	50	50
Partner outlets	246	250	253
Car loan sales partners	1,223	1,266	1,464
Instalment loan sales partners	5,874	5,887	6,112
Registered internet and mobile banking customers 1) (in thousand)	1,269	1,413	1,443
Digital (active) mobile and internet banking customers 2) (in thousand)	703	751	747
Digital (active) mobile banking customers 3) (in thousand)	469	403	366

1) Customers who signed an agreement with Santander Consumer Bank S.A. and at least once used the bank's electronic banking system in the reporting period.
2) Number of active internet and mobile banking users (digital customers) and e-commerce customers who at least once logged into the system or checked their balance without logging in the last month of the reporting period.
3) Number of active mobile banking customers who at least once logged into the mobile application or checked their balance without logging in the last month of the reporting period.

4. Continued digital transformation

The table below presents the selected key IT projects delivered by Santander Bank Polska Group in Q3 2024 in line with the main directions of digital transformation.

Initiative	Selected projects delivered in Q3 2024
Improvement of availability, reliability and performance of the Bank's systems	▸ Customers were provided with One App Lite – a simplified, passive version of the mobile application, which can be used to log into the account, check the balance, stop the card, etc. during maintenance breaks. ▸ Preparations are underway to migrate the main card transaction authorisation system to a new database technology to enhance reliability. ▸ eStatements were further digitalised: customers can now modify their settings and manage their accounts via remote channels. In the case of accounts for children over 13, eStatements can be sent to parents' inbox so they can keep track of the child's finances. ▸ The mobile application features were extended to include Santander on the go: a repository of products and services for customers travelling locally and abroad, which facilitates planning and provides access to banking services from one place.
Participation in global optimisation initiatives of Santander Group	▸ The Data Lake cloud data platform was deployed. ▸ The first stage of the PagoNxt Payments global platform project was completed and an outsourcing agreement was signed. Preparations are underway to start the second stage of the project involving the definition of technical requirements for payment functions. ▸ A project was launched to develop Amazon AWS Landing Zone, an operating model for cloud computing services. ▸ The list of currencies available with a multi-currency card (linked to an FX account) was extended to include CZK, SEK, DKK, NOK and CHF (in addition to EUR, USD and GBP). ▸ As part of the OneFCC global programme, cross-border transaction scanning was launched in the production environment to facilitate detection of fraudulent transactions. ▸ A new system was put in place for processing Western Union settlements (elimination of technological debt). ▸ The syndicated loans management platform was further upgraded to include automated execution of Sorbnet payments.
Enhancement of security of the Bank's systems	▸ A Bank-wide project is underway to enhance the prevention of unauthorised payment transactions. ▸ A key component was implemented as part of a new fraud prevention system to facilitate the communication between the source system and the anti-fraud module. ▸ The cybersecurity education campaign: "Don't believe in fairy tales for adults" ("Nie wierz w bajki dla dorosłych") was continued in social media. It will be further developed and made available in new communication channels (e.g. radio). Personal and SME customers receive regular cybersecurity education newsletters via internet and mobile banking. ▸ Additional controls and changes were implemented in the Bank's infrastructure to prevent unauthorised access to systems.

Initiative	Selected projects delivered in Q3 2024 (cont.)
Implementation of regulatory requirements	▸ As required by the law introduced to mitigate the consequences of identity theft, solutions were put in place in relation to PESEL number blocking. When processing savings product or loan agreements or executing cash withdrawal instructions exceeding three times the minimum wage, the Bank must check in the relevant register if the consumer's PESEL number has not been blocked. ▸ A self-service process was launched for SME, BCB and CIB customers to update their data for the purpose of financial reporting (FINREP). The reporting process was optimised and the control of data collection, transfer and reporting was enhanced. ▸ The ISO 20022 project was continued to align the format of domestic and cross-border payments. ▸ The WIBOR reform project was suspended due to the ongoing review of benchmarks by the Steering Committee of the National Working Group and pending decision on WIBOR replacement. ▸ The customer surveying function was integrated with the new brokerage system supporting the sale of investment funds in order to better understand customers' needs and preferences and provide them with more personalised services. ▸ Work is underway in relation to the implementation of requirements arising from DORA (Digital Operational Resilience Act). ▸ In accordance with Recommendation J, the report on the volatility of property market prices was updated.
Automation and optimisation of operational processes	▸ The migration of ATM maintenance to Euronet and IT CARD was in progress. ▸ A system was put in place for automated dispatch of digitalised mortgage loan-related documents directly to customers. The solution facilitates document circulation, increases security and minimises the risk of errors. ▸ The Click2Call function was implemented to enable direct connection with the contact centre from the application (the caller is instantly authenticated). ▸ The management of receiver instructions related to the accounts of customers in consumer bankruptcy was centralised. The new solution helps to simplify the process, improve the coordination of actions and standardise the procedures, while minimising the risk of errors. ▸ A new option was introduced as part of the Active Parent government programme, making it possible to submit requests via the mobile application and electronic channels. ▸ A bot was deployed to support term deposit opening for corporate customers. ▸ The registration of performance certificates (ESG) for the purpose of mortgage loan disbursement was automated. ▸ As part of the DRONN early collection service, customers were provided with an option to make repayment declarations via interactive text messages. ▸ New features were added to the Price advisor functionality in remote channels. ▸ Post-sales mortgage loan services were simplified. The authority to accept applications for modifying a loan agreement was delegated to a special unit.

V. Financial situation after Q3 2024

1. Consolidated income statement

Structure of Santander Bank Polska Group's profit before tax

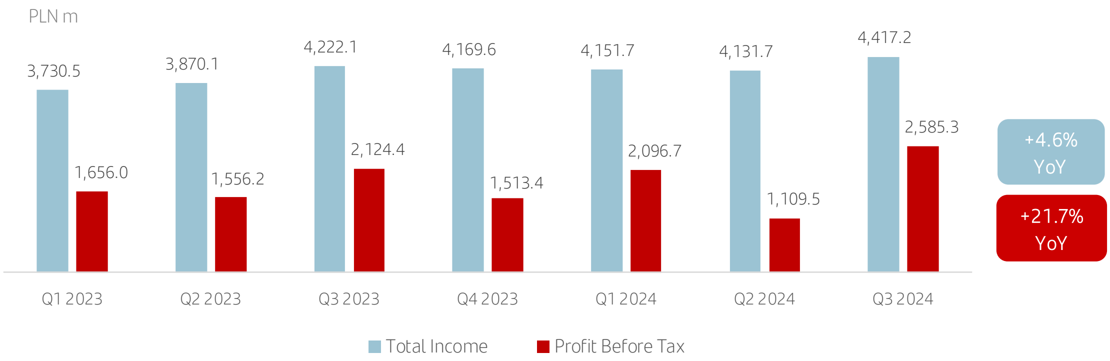
Condensed consolidated income statement of Santander Bank Polska Group in PLN m (for analytical purposes)	Q1–Q3 2024	Q1–Q3 2023	YoY change
Total income	**12,700.6**	**11,822.7**	**7.4%**
- Net interest income	10,248.5	9,688.0	5.8%
- Net fee and commission income	2,183.5	2,006.9	8.8%
- Other income [1)]	268.6	127.8	110.2%
Total costs	**(3,812.2)**	**(3,501.6)**	**8.9%**
- Staff, general and administrative expenses	(3,226.2)	(2,917.5)	10.6%
- Depreciation/amortisation [2)]	(458.5)	(419.7)	9.2%
- Other operating expenses	(127.5)	(164.4)	-22.4%
Net expected credit loss allowances	**(908.1)**	**(894.1)**	**1.6%**
Cost of legal risk connected with foreign currency mortgage loans [3)]	**(1,657.0)**	**(1,579.7)**	**4.9%**
Profit/loss attributable to the entities accounted for using the equity method	71.9	76.8	-6.4%
Tax on financial institutions	(603.7)	(587.5)	2.8%
Consolidated profit before tax	**5,791.5**	**5,336.6**	**8.5%**
Corporate income tax	(1,459.7)	(1,395.6)	4.6%
Net profit for the period	**4,331.8**	**3,941.0**	**9.9%**
- Net profit attributable to the shareholders of the parent entity	**4,299.3**	**3,851.0**	**11.6%**
- Net profit attributable to the non-controlling shareholders	32.5	90.0	-63.9%

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

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

3) This line item includes raised and released provisions for legal risk and legal claims related to foreign currency mortgage loans. Together with "Gain/loss on derecognition of financial instruments measured at amortised cost" (included in "Other income"), it presents the total impact of legal risk connected with the above-mentioned loans on the Group's performance in line with the accounting treatment based on IFRS 9. Starting from 1 January 2022, the Group measures and presents legal risk connected with the foreign currency mortgage loan portfolio reducing the gross carrying amount of loans in line with IFRS 9. If there is no exposure to cover the estimated provision (or the existing exposure is insufficient), the provision is recognised in accordance with IAS 37.

The Group's total income and profit before tax by quarter in 2023 and 2024



The profit before tax of Santander Bank Polska Group for the 9-month period ended 30 September 2024 was PLN 5,791.5m, up 8.5% YoY. The profit attributable to the shareholders of the parent entity increased by 11.6% YoY to PLN 4,299.3m.

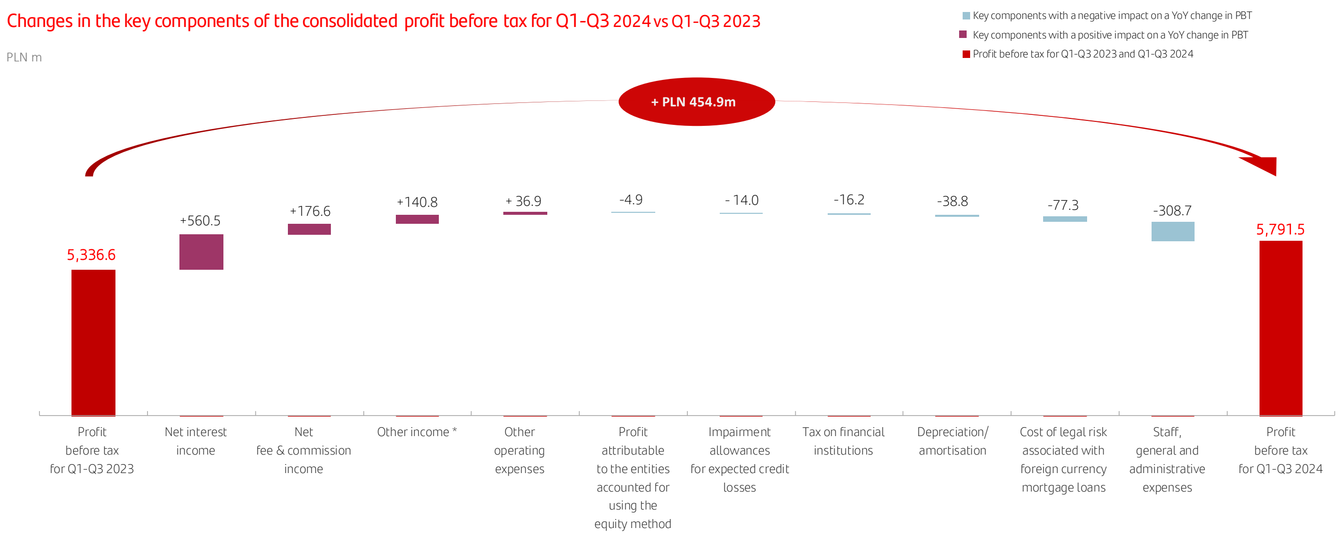
The table presented in the "Comparability of periods" section below contains the selected items of the income statement of Santander Bank Polska Group which affect the comparability of the analysed periods. After the relevant adjustments:

- → the underlying profit before tax increased by 6.0% YoY;
- → the underlying profit attributable to the shareholders of the parent entity went up by 7.9% YoY.

Comparability of periods

Selected items of the income statement affecting the comparability of periods	**Q1–Q3 2024**	**Q1–Q3 2023**
Cost of legal risk connected with foreign currency mortgage loans *(income statement item)*	▸ PLN 1,657.0m	▸ PLN 1,579.7m
Contributions to the BFG resolution fund made by Santander Bank Polska S.A. and Santander Consumer Bank S.A. *(general and administrative expenses)*	▸ PLN 249.9m	▸ PLN 174.6m
Negative impact of changes to the criteria of a significant increase in credit risk *(net expected credit loss allowances)*	▸ PLN 124.5m – a rise in expected credit loss allowances resulting from the extension of quantitative criteria for identifying a significant increase in credit risk and determining the classification of exposures to Stage 2	▸ Not applicable
Negative adjustment to interest income on mortgage loans due to the so-called statutory payment holidays *(interest income)*	▸ PLN 134.5m – a one-off adjustment (taken to Q2 2024) for payment holidays for PLN mortgage borrowers in 2024 subject to specific eligibility criteria	▸ PLN 44.4m – update of the adjustment to interest income (recognised in Q3 2022) in respect of payment holidays for PLN mortgage borrowers in 2022–2023 to account for changes in the assumptions regarding borrowers' participation in the programme
Cost of settlements connected with foreign currency mortgage loans *(gain/loss on derecognition of financial instruments measured at amortised cost)*	▸ PLN 48.0m	▸ PLN 302.2m

Determinants of the Group's profit for Q3 2024



* Other income comprises, among other things, gain/loss on derecognition of financial instruments measured at amortised cost.

During the first nine months of 2024, Santander Bank Polska Group generated solid growth in net interest income (+5.8% YoY) in an environment of lower but still high interest rates and increased demand for credit, notably consumer loans and corporate loans. Credit delivery to retail customers accelerated on account of private consumption driven by increased household income and improved consumer sentiment. Mortgage loan sales grew at the beginning of the year due to the approaching closure date of the 2% Safe Mortgage government programme. The volumes of lease receivables also continued to rise, as did investment loans for customers from the Business and Corporate Banking (BCB) and Corporate and Investment Banking (CIB) segments. The utilisation of overdrafts by BCB customers went up too. Cumulative net interest margin was lower, mainly due to one-off charge of PLN 134.5m recognised in net interest income (for Q2 2024) on account of estimated financial impact of the so-called payment holidays extended for 2024 for eligible PLN mortgage borrowers under the amended Act on crowdfunding. The growth in net interest income was also curbed by the repricing of the Group's assets and liabilities reflecting the conditions of the money market and expectations of its participants, as well as the competitive environment, and the Group's objectives in terms of liquidity and balance sheet structure management.

Net fee and commission income grew by 8.8% YoY, mainly due to the performance in the stock and investment fund markets, which produced higher net income from brokerage fees (+19.9% YoY) and distribution and asset management fees (+41.4% YoY). Net income from insurance fees increased significantly too (+22.4% YoY) owing to sales of mortgage loans and life insurance. Also noteworthy is the higher net fee and commission income from the selected core banking lines, including currency exchange (+14.8% YoY) and guarantees (+8.7% YoY).

The profit before tax was also positively affected by other non-interest and non-fee income, which grew by PLN 140.8m due to a decrease of 84.1% YoY in the cost of settlements with foreign currency mortgage borrowers (presented in the Group's full income statement under gain/loss on derecognition of financial instruments measured at amortised cost). Borrowers' propensity to accept settlement proposals is a combined effect of such factors as interest rate of PLN loans, CHF/PLN conversion rate, developments in case-law and the duration of court proceedings.

The Group's profitability was most adversely affected by staff, general and administrative expenses, which increased by 10.6% YoY on account of pay rises reflecting market rates, higher contribution to the BFG bank resolution fund, and growing operating expenses in respect of third party services, IT systems, maintenance of premises and marketing and entertainment.

The Group's profitability was further impacted by an increase of 4.9% YoY in cost of legal risk connected with foreign currency mortgage loans resulting from the review and update of the risk assessment parameters in H1 2024, including the likelihoods of different judgments considered by the Group. As a result of changes in the estimates in June 2024, a charge of PLN 1,109m was made to the Group's income statement, including PLN 730m in the case of Santander Bank Polska S.A.

Expected credit loss allowances were up 1.6% YoY, reflecting the Group's modification of the criteria for assessing a significant increase in credit risk, which is a determinant of exposure classification to Stage 2. Based on the new assumptions implemented in Q2 2024 in the portfolio of loans and advances to retail and SME customers, credit allowances were increased by PLN 124.5m.

Profit before tax of Santander Bank Polska Group by contributing entities

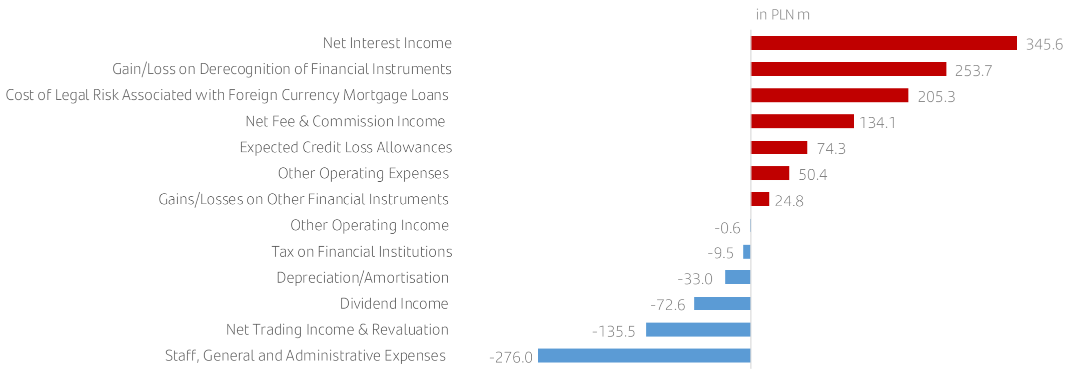
Components of Santander Bank Polska Group's profit before tax in PLN m (by contributing entities)	Q1–Q3 2024	Q1–Q3 2023	YoY change
Santander Bank Polska S.A.	**5,634.2**	**5,073.2**	**11.1%**
Subsidiaries:	**242.3**	**417.1**	**-41.9%**
Santander Consumer Bank S.A. and its subsidiaries [1)]	8.3	196.6	-95.8%
Santander Towarzystwo Funduszy Inwestycyjnych S.A.	104.6	67.4	55.2%
Santander Finanse Sp. z o.o. and its subsidiaries (Santander Leasing S.A., Santander Factoring Sp. z o.o., Santander F24 S.A.)	128.2	151.6	-15.4%
Santander Inwestycje Sp. z o.o.	1.2	1.5	-20.0%
Equity method valuation	**71.9**	**76.8**	**-6.4%**
Exclusion of dividends received by Santander Bank Polska S.A. and consolidation adjustments	**(156.9)**	**(230.5)**	**-31.9%**
Profit before tax	**5,791.5**	**5,336.6**	**8.5%**

1) In both periods under review, SCB Group comprised Santander Consumer Bank S.A. and the following entities: Santander Consumer Multirent Sp. z o.o., Stellantis Financial Services Polska Sp. z o.o., Stellantis Consumer Financial Services Polska Sp. z o.o., Santander Consumer Financial Solutions Sp. z o.o., SCM Poland Auto 2019-1 DAC and S.C. Poland Consumer 23-1 DAC. Until the end of Q3 2023, SCB Group also included Santander Consumer Finanse Sp. z o.o. w likwidacji, which was struck off the register of entrepreneurs in November 2023 following its liquidation. The amounts provided above represent profit before tax (after intercompany transactions and consolidation adjustments) of SCB Group for the periods indicated.

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

The profit before tax of Santander Bank Polska S.A. was PLN 5,634.2m, up 11.1% YoY. Changes to the components of the Bank's profit before tax are presented below.

Year-on-year changes in the main items of the income statement of Santander Bank Polska S.A. for Q1-Q3 2024 in absolute numbers



Changes in the main components of the standalone profit reflect the trends relating to the consolidated profit. Similarly to the Group, the Bank's profit before tax was positively affected by net interest income, gain on derecognition of financial instruments measured at amortised cost, cost of legal risk connected with foreign currency mortgage loans, net fee and commission income, net expected credit loss allowances and other operating expenses. The increase in the above-mentioned items was partly offset by a negative impact of changes in staff, general and administrative expenses, amortisation/depreciation, as well as net trading income and revaluation, and dividend income.

Subsidiaries

The subsidiaries consolidated by Santander Bank Polska S.A. reported a profit before tax of PLN 242.3m, down 41.9% YoY on account of deterioration of performance of Santander Consumer Bank Group as well as leasing and factoring companies controlled by Santander Finanse Sp. z o.o.

SCB Group

The contribution of Santander Consumer Bank Group to the consolidated profit before tax of Santander Bank Polska Group for the first nine months of 2024 was PLN 8.3m (excluding intercompany transactions and consolidation adjustments) and decreased by 95.8% YoY as a combined effect of the following:

- An increase of 20.5% YoY in net interest income to PLN 1,180.4m, supported by continuously high interest rates and an increase in the value of credit portfolio and change in its structure (a higher share of high-margin products and a lower share of instalment and mortgage loans).
- Higher net fee and commission income of PLN 96.4m (+13.1% YoY), including higher income from insurance fees and lower cost of credit agency.
- A decrease of 6.2% YoY in other non-interest and non-fee income to PLN 43.6m on account of lower net trading and revaluation and lower gain on other financial instruments and higher charges in respect of derecognition of financial instruments measured at amortised cost. The decrease in the above items was partly offset by an increase in other operating income.
- Negative balance of net expected credit loss allowances of PLN 264.6m, up PLN 67.4m YoY resulting from normalisation of credit risk along with changes in the credit portfolio structure (a lower share of mortgage loans and a higher share of consumer loans).
- A rise of 9.6% YoY in operating expenses to PLN 460.4m due to higher staff and general and administrative expenses, higher depreciation/ amortisation and higher other operating expenses.
- An increase of 102.7% YoY in cost of legal risk connected with foreign currency mortgage loans to PLN 557.9m, reflecting an update of its estimated amount.

Other subsidiaries

The profit before tax of Santander TFI S.A. for the nine months of 2024 increased by 55.2% YoY to PLN 104.6m, as a result of 39.5% YoY higher net fee and commission income. Asset management fees, the main contributor, grew YoY along with a rise in the average assets under management supported by sound net sales of investment funds and a positive change in the value of investment fund units. The asset growth was accompanied by a lower margin reflecting changes in the asset structure (increased share of low-margin assets, particularly short-term debt sub-funds). While rates of return generated by individual sub-funds exceeded benchmarks, income from success fees went down. The company also reported an increase in staff expenses (as a result of bonus payments and salary review) and in general and administrative expenses (on account of inflation and business and development initiatives).

The profit before tax posted by companies controlled by Santander Finanse Sp. z o.o. decreased by 15.4% YoY to PLN 128.2m.

- Total profit before tax of Santander Leasing S.A., Santander Finanse Sp. z o.o. and Santander F24 S.A. for the first three quarters of 2024 declined by 17.6% YoY to PLN 79.4m, reflecting higher net expected credit loss allowances (+61.9% YoY) and higher fees on synthetic securitisation (+54% YoY) resulting from a new project launched in Q4 2023. Strong sales generated during the nine months of 2024 (notably in the vehicles segment) triggered an increase in lease receivables (+8.1% YoY), net interest income (+5.6% YoY) and net insurance income (+22% YoY). The quality of the lease portfolio remained high, with the NPL ratio of 3.88% (+0.35 p.p. YoY).
- The profit before tax posted by Santander Factoring Sp. z o.o. decreased by 11.6% YoY to PLN 48.8m, reflecting lower net fee and commission income and higher operating expenses. On the other hand, the company reported higher net interest income and lower net expected credit loss allowances.

Structure of Santander Bank Polska Group's profit before tax

Total income

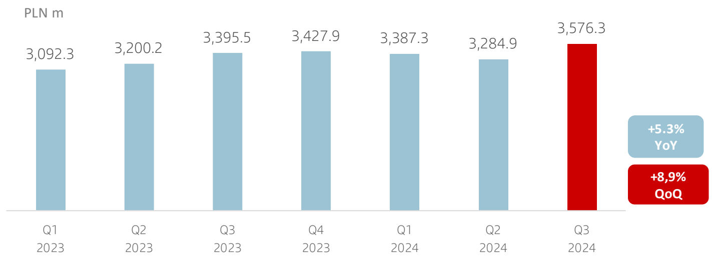
Total income of Santander Bank Polska Group for the three quarters of 2024 increased by 7.4% YoY to PLN 12,700.6m. Excluding the impact of a statutory solution known as payment holidays for PLN mortgage borrowers and settlements with CHF mortgage borrowers (a total of PLN 182.5m for the nine months of 2024 and PLN 346.6m for the nine months of 2023), the underlying total income was up 5.9% YoY.

Net interest income

Net interest income for the first nine months of 2024 totalled PLN 10,248.5m and increased by 5.8% YoY as a result of higher business volumes generated in the environment of slightly lower YoY but still high interest rates. In September 2023, interest rates were cut for the first time since 2020 by 0.75 p.p., marking the start of the monetary policy easing cycle. With the interest rate cut of 0.25 p.p. in October, the total reduction in 2023 was 1.0 p.p. and was not continued in the subsequent months. As a result, the NBP reference rate during the nine months of 2024 was 5.75%.

The net interest income for the three quarters of 2024 includes the negative adjustment of PLN 134.5m reflecting the estimated financial impact of the so-called payment holidays for eligible PLN mortgage borrowers in 2024 arising from the amended Act on crowdfunding for business and support for borrowers. The Bank's customers who meet the specific criteria can suspend their mortgage payments for two months in Q3 2024 and two months in Q4 2024. In turn, a charge of PLN 44.4m was made to the income statement for the comparative period, reflecting an update of the negative adjustment to interest income (recognised in full in Q2 2022) in respect of the previous edition of the so-called statutory payment holidays applicable in 2022–2023. The estimated value was increased as a result of changes in the assumed participation of eligible PLN mortgage borrowers.

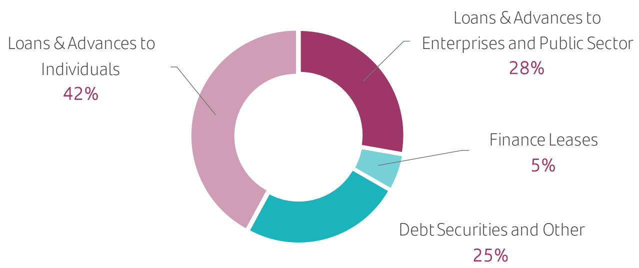
Net interest income by quarter in 2023 and 2024



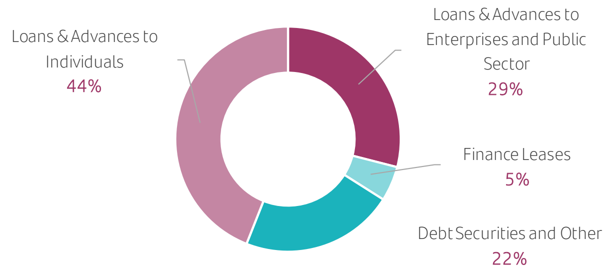
Interest income for the first nine months of 2024 totalled PLN 14,118.5m and was up 3.1% YoY, supported by debt securities portfolios, leasing receivables, loans and advances to banks, and receivables under reverse repo transactions. At the same time, a slight decrease was reported in interest income on loans and advances to business and personal customers.

Interest expense went down by 3.3% YoY to PLN 3,870.0m on account of lower interest expense connected to deposits from business and personal customers and from banks, combined with an increase in other portfolios, notably in the case of subordinated liabilities and debt securities in issue.

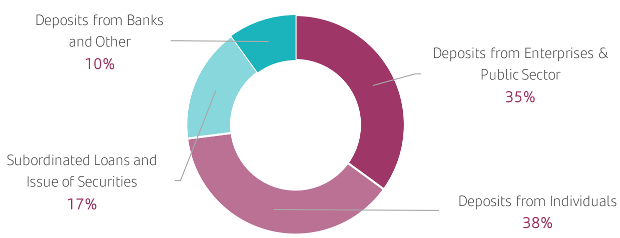
Structure of interest revenue for Q1-Q3 2024



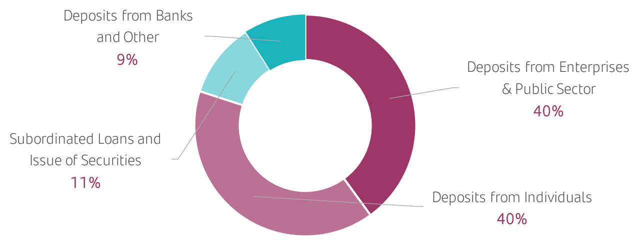
Structure of interest revenue for Q1-Q3 2023



Structure of interest expense for Q1-Q3 2024



Structure of interest expense for Q1-Q3 2023



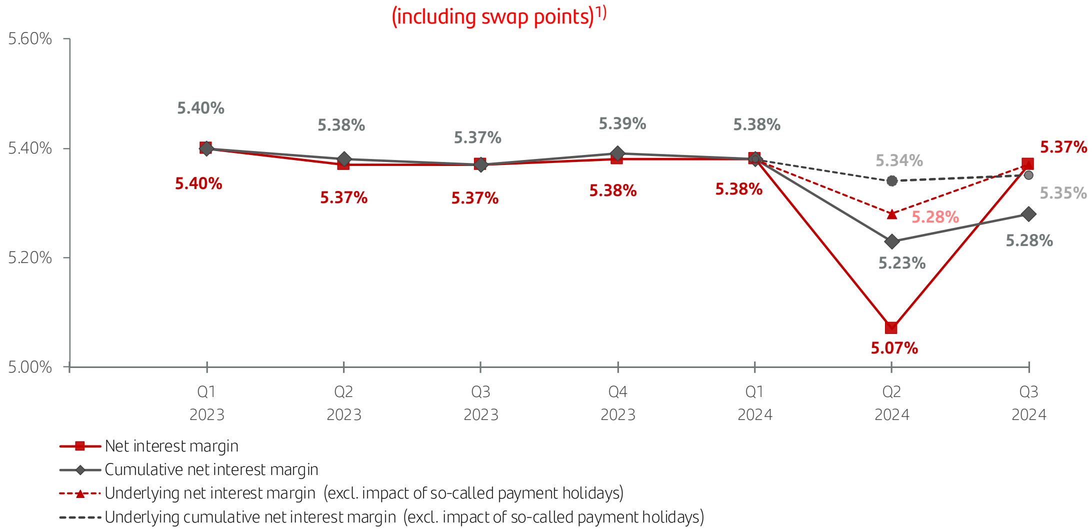
In Q3 2024, the net interest margin (annualised on a quarterly basis) was 5.37% vs 5.07% in Q2 2024. The above increase is largely attributed to a one-off negative adjustment of PLN 134.5m to net interest income recognised in Q2 2024 to account for extension of the so-called payment holidays for 2024. Excluding the impact of the payment holidays, the underlying net interest margin for Q2 2024 was 5.28% and up 0.09 p.p. QoQ on account of solid growth of key credit portfolios, including high margin cash loans, mortgage loans and business loans. A positive change in the margin was also supported by the Bank's strategy to sell deposits to selected customers and offer different interest rates depending on the customer's activity in accordance with the Smart Pricing approach.

During the three quarters of 2024, the cumulative net interest margin (annualised on a year-to-date basis) decreased from 5.37% to 5.28%. Excluding the impact of the so-called payment holidays, it was marginally lower at 5.35% (-0.02 p.p.). A slight YoY decrease in the underlying net interest margin generated in the period of growth of the Group's key business volumes reflects modifications made by the Group, mainly to account for to-date reduction in NBP interest rates and their expected evolution.

During the nine months of 2024, the pricing of deposit and credit products was regularly modified in line with market trends and internal objectives in terms of competitive position, balance sheet structure, liquidity and profitability. At the same time, interest expense was optimised through targeted deposit promotions and higher share of solutions based on an adjustable fixed rate. Portfolios of securities produced notably higher interest income as well as expense.

Lease receivables increased by 12.1% YoY, loans and advances to personal customers were up 7.3% YoY, and loans and advances to enterprises and the public sector grew by 8.7% YoY. Term deposits from individuals continued to grow (+6.9% YoY), while term deposits from enterprises and the public sector went down (-11.0% YoY).

Net interest margin by quarter in the years 2023 and 2024 (including swap points)[1)]



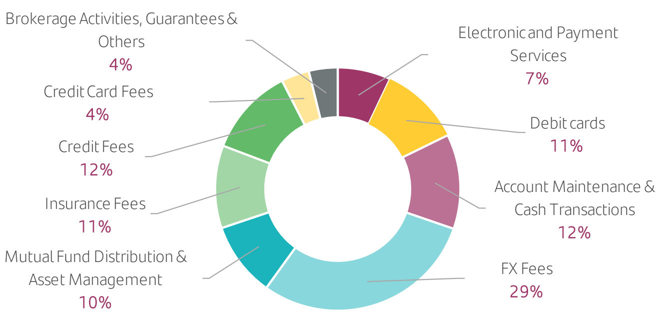
1) The calculation of the net interest margin of Santander Bank Polska S.A. takes account of swap points allocation from derivative instruments used for the purpose of liquidity management but excludes interest income from the portfolio of debt securities held for trading and other exposures connected with trading.

Net fee and commission income

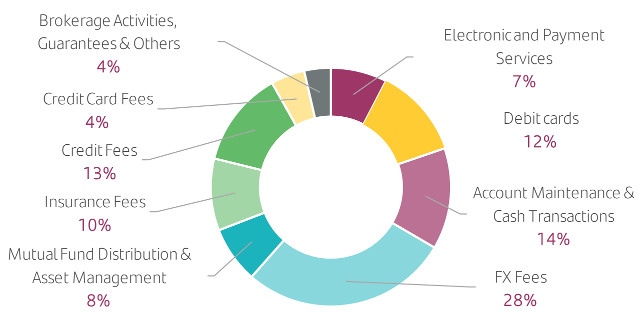
Net fee and commission income (PLN m)	Q1–Q3 2024	Q1–Q3 2023	YoY change
FX fees	645.4	562.2	14.8%
Account maintenance and cash transactions [1)]	275.4	275.4	0.0%
Credit fees [2)]	255.8	260.7	-1.9%
Insurance fees	239.3	195.5	22.4%
Debit cards	233.8	244.1	-4.2%
Asset management and distribution	217.1	153.5	41.4%
Electronic and payment services [3)]	153.3	152.0	0.9%
Brokerage activities	107.4	89.6	19.9%
Credit cards	81.0	91.6	-11.6%
Guaranties and sureties	41.2	37.9	8.7%
Other fees [4)]	(66.2)	(55.6)	19.1%
Total	**2,183.5**	**2,006.9**	**8.8%**

1) Fee and commission income from account maintenance and cash transactions has been reduced by the corresponding expenses which in Note 5 to the Condensed Interim Consolidated Financial Statements of Santander Bank Polska Group for the 9-month period ended 30 September 2024 are included in the line item "Other" (PLN 21.4m for Q1-Q3 2024 and PLN 13.4m for Q1-Q3 2023).
2) Net fee and commission income from lending, factoring and leasing activities which is not amortised to net interest income. This line item includes inter alia the cost of credit agency.
3) Fees for payments (foreign and mass payments, Western Union transfers), trade finance, services for third party institutions as well as other electronic and telecommunications services.
4) Issue arrangement fees and other fees.

Net fee & commission income structure in Q1-Q3 2024

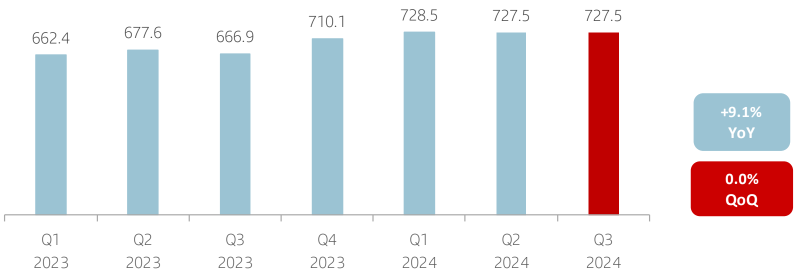


Net fee & commission income structure in Q1-Q3 2023



Net fee & commission income by quarter in 2024 and 2023

PLN m

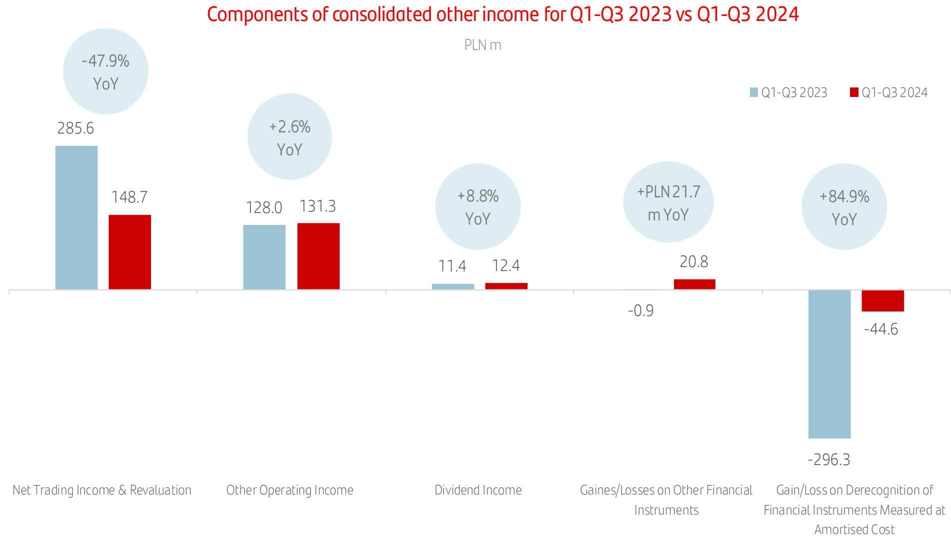


Net interest income for the nine-month period ended 30 September 2024 was PLN 2,183.5m and increased by 8.8% YoY on account of the Group's diversified operations, including activities in the investment fund, stock, bancassurance and foreign exchange markets, with higher rates of return reported this year.

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

- Net fee and commission income from distribution and asset management grew by 41.4% YoY on account of higher income from fees collected by Santander TFI S.A. for fund asset management, resulting from a higher average value of net assets under management supported by strong net sales and a positive change in the value of fund units. On the other hand, income from asset management was negatively affected by a decrease in margin reflecting changes to the structure of funds' net assets (a growing share of low margin short-term debt sub-funds). Income from success fees, the second contributor to the net fee and commission income of Santander TFI S.A., declined YoY but was still relatively high. While the performance was weaker compared to last year, it still exceeded the benchmarks for individual funds.
- The insurance products line shows a rise of 22.4% YoY, reflecting accelerated sales of mortgage loan insurance at the start of the year, driven by a high demand for property finance in connection with the closure of 2% Safe Mortgage state programme. The second contributor to higher net income from insurance fees was the Life and Health insurance, a key non-linked product offered by Santander Bank Polska S.A.
- Net FX fee income increased by 14.8% YoY as a result of a rise in average quotations and a decline in FX turnover, both trends observed particularly in the traditional currency exchange channel, with a lower turnover reported by retail and business segments. In the electronic channel, on the other hand, a slight increase in turnover was observed in all segments, with a moderate growth in quotations.
- An increase of 19.9% YoY in net income from brokerage activities was generated amid relatively stable conditions on the WSE market in H1 2024, followed by volatility and decline in Q3 2024. Apart from executing customers' orders, Santander Brokerage Poland generated income on ABB transactions and tender offers for shares.
- Net fee and commission income from guarantees and sureties was up 8.7% YoY as a result of growth in guarantee business coupled with higher securitisation costs.
- A 4.2% YoY decrease in net income from debit cards is mainly an effect of settlement of support provided to Santander Bank Polska S.A. by payment organisations as well as recognition of lower income from cash transactions. While a 12.9% YoY increase in non-cash turnover generated by debit instruments positively affected the Bank's income, it involved higher amounts payable to payment organisations.
- Net fee and commission income from issuance and management of a combined portfolio of credit cards of Santander Bank Polska S.A. and Santander Consumer Bank S.A. decreased by 11.6% YoY due to lower fee and commission income from cash transactions and card transfers resulting from declining turnover, higher costs arising from an increased volume of non-cash transactions, acquisition campaigns including waivers of fees, and lower support from payment organisations in compliance with contractual provisions on mutual settlements.
- Other changes in net fee and commission income reflected standard business operations.

Non-interest and non-fee income



Non-interest and non-fee income of Santander Bank Polska Group presented above totalled PLN 268.6m and was up PLN 140.8m YoY on account of changes in the following components

- Net trading income and revaluation declined by 47.9% YoY to PLN 148.7m due to a YoY decrease in gain on transactions in derivative and FX markets (PLN 46.9m for the three quarters of 2024 vs PLN 225.3m for the three quarters of 2023). The decrease was most pronounced in transactions used by the Bank to manage FX liquidity. Furthermore, the portfolio of credit cards measured at fair value through profit or loss generated a lower positive change from remeasurement (PLN 1.2m for the three quarters of 2024 vs PLN 11.7m for the three quarters of 2023). On the other hand, total gain on trading in equity and debt financial assets measured at fair value through profit or loss increased by PLN 52.0m YoY, mainly on account of the gain on treasury bonds.
- Gain on other financial instruments totalled PLN 20.8m and rose by PLN 21.7m YoY, largely supported by higher gain on hedging and hedged instruments (+PLN 23.4m YoY) and sale of debt investment financial assets measured at fair value through other comprehensive income (+PLN 10.5m YoY), mainly treasury bills. The above increase was partly offset by a decline resulting from the sale of the entire stake in Visa Inc. held by Santander Bank Polska S.A. In the comparative period, the valuation and sale of the above-mentioned shares brought in a total gain of PLN 14.9m.
- Other operating income for increased by 2.6% YoY to PLN 131.3m. Releases of higher amounts of provisions for legal claims and other assets as well as higher income on settlement of lease agreements and indemnity payments from the insurer more than offset lower income from services and other indemnity payments as well as no gain on the sale or liquidation of property, plant or equipment or assets held for sale in the reporting period.
- Loss on derecognition of financial instruments measured at amortised cost totalled PLN 44.6m vs PLN 296.3m in the corresponding period last year. This line item includes mainly costs of voluntary settlements with CHF mortgage borrowers, which totalled PLN 48.0m for the three quarters of 2024 vs PLN 302.2m for the three quarters of 2023. Overall, the Bank made 11,978 such settlements by 30 September 2024 (2,635 in the year to date), both pre-court and following the legal disputes. Settlement proposals made by Santander Bank Polska S.A. take into account the elements of conversion proposed by the KNF Chairman in 2020, as well as solutions developed internally by the Bank. Borrowers' propensity to accept settlement proposals depends on many factors such as the interest rate of PLN loans, the CHF/PLN conversion rate, the development of the case-law and the duration of court proceedings.

Expected credit loss allowances

	Stage 1		Stage 2		Stage 3		POCI		Total	Total
Net expected credit loss allowances on loans and advances measured at amortised cost (PLN m)	**Q1-Q3 2024**	**Q1-Q3 2023**	**Q1-Q3 2024**	**Q1-Q3 2023**	**Q1-Q3 2024**	**Q1-Q3 2023**	**Q1-Q3 2024**	**Q1-Q3 2023**	**Q1-Q3 2024**	**Q1-Q3 2023**
Allowance on loans and advances to banks	0.2	-	-	-	-	-	-	-	0.2	-
Allowance on loans and advances to customers	(27.9)	(132.3)	(466.5)	(424.3)	(527.4)	(418.6)	72.4	58.6	(949.4)	(916.6)
Recoveries of loans previously written off	-	-	-	-	30.4	36.7	-	-	30.4	36.7
Allowance on off-balance sheet credit liabilities	7.3	(6.0)	2.5	(13.4)	0.9	5.2	-	-	10.7	(14.2)
Total	**(20.4)**	**(138.3)**	**(464.0)**	**(437.7)**	**(496.1)**	**(376.7)**	**72.4**	**58.6**	**(908.1)**	**(894.1)**

As at the end of September 2024, the charge made by Santander Bank Polska Group to the income statement on account of net expected credit loss allowances was PLN 908.1m, up 1.6% YoY. The increase in allowances is attributed to the modification of the criteria for identifying a significant increase in credit risk which determines the classification of exposures to Stage 2. The quantitative criteria were extended to include an absolute threshold and a backstop indicator (min. threefold increase in the lifetime PD). They were implemented in Q2 2024 in relation to retail and SME portfolios, resulting in the classification of PLN 7.0bn worth of loans and advances to stage 2 and a rise of PLN 124.5m in expected credit loss allowances. In Q3 2024, there were no significant one-off changes in the methodology, models or parameters used to calculate the allowances. In September, the Bank reclassified a significant corporate exposure to the NPL portfolio. As a result, the NPL ratio increased QoQ but remains at a safe level not exceeding 5%.

Net allowances of subsidiaries and associates from Santander Consumer Bank Group totalled PLN 264.6m and increased by 34.2% YoY due to, among other things, the normalisation of credit risk resulting from changes in the portfolio structure, with a growing share of consumer loans and a decreasing share of mortgage loans.

Sale of credit receivables of Santander Bank Polska S.A. and Santander Consumer Bank S.A. totalled PLN 997.5m and generated a profit before tax of PLN 150.0m (last year, receivables of PLN 1 034.2m were sold at a profit before tax of PLN 131.9m).

The cost of credit risk of Santander Bank Polska Group after the nine months of 2024 was 0.69% (vs 0.77% in the corresponding period last year) and has not changed since Q4 2023.

The Group steadily monitors its credit portfolio and the impact of the current macroeconomic and geopolitical situation on risk levels, adjusting credit ratings and classification of exposures to individual stages accordingly. The quality of credit portfolios is considered good and the key risk indicators are stable.

Total costs

Total costs (PLN m)	Q1-Q3 2024	Q1-Q3 2023	% change
Staff, general and administrative expenses, of which:	**(3,226.2)**	**(2,917.5)**	**10.6%**
- Staff expenses	(1,790.7)	(1,646.1)	8.8%
- General and administrative expenses	(1,435.5)	(1,271.4)	12.9%
Depreciation/amortisation	**(458.5)**	**(419.7)**	**9.2%**
- Depreciation/amortisation of property, plant and equipment and intangible assets	(354.1)	(304.0)	16.5%
- Depreciation of the right-of-use asset	(104.4)	(115.7)	-9.8%
Other operating expenses	**(127.5)**	**(164.4)**	**-22.4%**
Total costs	**(3,812.2)**	**(3,501.6)**	**8.9%**

Total operating expenses of Santander Bank Polska Group for the first nine months of 2024 increased by 8.9% YoY to PLN 3,812.2m on account of salary review, higher contributions to the Bank Guarantee Fund, higher costs of third party services and IT systems as well as increased depreciation/amortisation of property, plant and equipment and intangible assets, resulting from delivery of further investment projects and capitalisation of the related costs.

As total costs grew by 8.9% YoY and total income by 7.4% YoY, the Group's cost to income ratio was 30.0% after the three quarters of 2024 vs 29.6% after the three quarters of 2023. The corresponding cost to income ratio for the Bank was 28.7% vs 27.7% for the nine months of 2023.

Staff expenses

Staff expenses totalled PLN 1,790.7m for the three quarters of 2024 and increased by 8.8% YoY. The average employment was relatively stable in both periods. The main components of staff expenses, i.e. salaries, bonuses and statutory deductions from salaries, went up by 8.0% YoY to PLN 1,722.7m on account of the salary reviews in line with market rates conducted in Q4 2023. The costs related to the Group's long-term share-based incentive plan (Incentive Plan VII) were PLN 70.1m (PLN 97.1m last year).

General and administrative expenses

During the first nine months of 2024, general and administrative expenses of Santander Bank Polska Group increased by 12.9% YoY to PLN 1,435.5m.

Amounts payable to market regulators (BFG, KNF and KDPW) totalled PLN 284.2m and were up 40.1% YoY due to a rise of 43.1% YoY in contribution to the bank resolution fund which totalled PLN 249.9m as determined by the BFG Council in its resolution of 16 April 2024 (PLN 233.1m payable by Santander Bank Polska S.A. and PLN 16.8m payable by Santander Consumer Bank S.A.). No contribution to the guarantee fund in the current reporting period is an effect of the decision taken in February 2024 by the BFG Council to waive contributions to this fund in 2024. This contribution was suspended in 2023 too.

Excluding the mandatory contributions to the BFG, the Group's general and administrative expenses increased by 8.1% YoY, mainly on account of higher cost of IT systems, marketing, third party services and maintenance of premises.

The cost of IT systems, the largest item of the Group's operating expenses, went up by 3.7% YoY in connection with multiple IT projects (business, regulatory and optimisation ones) delivered at local and Santander Group level as well as processes related to support and maintenance, development and security of the existing IT infrastructure. The costs of equipment grew considerably (+109.0% YoY) due to the continued remodelling of branches and purchase of furniture for the head office buildings. A significant rise was also reported in the costs of maintenance of premises (+9.4% YoY) as a result of higher service charges and cleaning costs as well as in KIR and SWIFT settlements (+26.5% YoY) following the extension of cooperation with Bloomberg and BIK Group in line with business growth and statutory obligations. The rise in the costs of marketing and entertainment (+4.4% YoY) reflects extensive advertising campaigns, sponsorship of events (e.g. "Santander Letnie Brzmienia") and higher costs of market surveys and entertainment. Consulting and advisory fees went up by 12.8% YoY in connection with digital and process transformation of the subsidiaries.

The costs of other third party services were up 31.3% YoY due to, among other things, the launch of external services as part of banking operations which were previously performed by the Bank's units and generated costs in other line items. In the case of ATM maintenance services outsourced to external operators, the increase in the costs of third party services was accompanied by a reduction in the costs of cars, transport and cash-in-transit services.

In the period under review, the Group reported a marked decrease under the transport cost category mentioned above (-27.2% YoY) as well as under consumables, prints, cheques and cards (-22.4% YoY) and postal and telecommunication expenses (-10.1% YoY).

Tax and other charges

Tax on financial institutions for the three quarters of 2024 totalled PLN 603.7m and was up 2.8% YoY, reflecting a YoY increase in assets (including loans and advances) and a rise in the portfolio of treasury securities lowering the tax base.

Corporate income tax was PLN 1,459.7m and effectively lower compared to the previous year (the effective tax rate was down from 26.2% for the nine months of 2023 to 25.2% for the nine months of 2024) as a combined effect of a 8.5% increase in profit before tax on the one hand, and a rise in contributions to the BFG, tax on financial institutions and costs of legal risk connected with foreign currency mortgage loans on the other

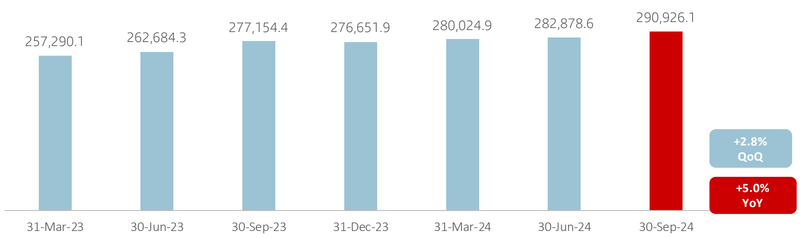
2. Consolidated statement of financial position

Consolidated assets

As at 30 September 2024, total assets of Santander Bank Polska Group were PLN 290,926.1m, an increase of 5.0% YoY, 5.2% Ytd and 3.0% QoQ. The value and structure of the Group's financial position is determined by the parent entity, which held 90.8% of the consolidated total assets vs 91.2% as at the end of December 2023.

Total consolidated assets at the end of consecutive quarters in 2023 and 2024

PLN m



Structure of consolidated assets

Assets in PLN m (for analytical purposes)	30.09.2024	Structure 30.09.2024	31.12.2023	Structure 31.12.2023	30.09.2023	Structure 30.09.2023	Change	Change
	1	2	3	4	5	6	1/3	1/5
Net loans and advances to customers	171,846.0	59.1%	159,520.0	57.7%	158,139.7	57.0%	7.7%	8.7%
Investment financial assets	65,482.3	22.5%	67,523.0	24.4%	68,080.6	24.6%	-3.0%	-3.8%
Buy-sell-back transactions and assets pledged as collateral	14,046.6	4.8%	12,948.5	4.7%	12,534.9	4.5%	8.5%	12.1%
Cash and balances with central banks	12,954.5	4.5%	8,417.5	3.0%	10,214.8	3.7%	53.9%	26.8%
Financial assets held for trading and hedging derivatives	10,249.4	3.5%	10,514.4	3.8%	9,682.5	3.5%	-2.5%	5.9%
Loans and advances to banks	7,322.1	2.5%	9,533.9	3.4%	10,149.5	3.7%	-23.2%	-27.9%
Property, plant and equipment, intangible assets, goodwill and right-of-use assets	3,879.1	1.3%	3,853.5	1.4%	3,706.1	1.3%	0.7%	4.7%
Other assets [1)]	5,146.1	1.8%	4,341.1	1.6%	4,646.3	1.7%	18.5%	10.8%
Total	**290,926.1**	**100.0%**	**276,651.9**	**100.0%**	**277,154.4**	**100.0%**	**5.2%**	**5.0%**

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

In the above condensed statement of financial position as at 30 September 2024, net loans and advances to customers were the key item of the consolidated assets (59.1%). They totalled PLN 171,846.0m and increased by 7.7% Ytd along with a rise in loans to personal customers, lease receivables and loans to enterprises and the public sector.

Investment financial assets, the second largest contributor, decreased slightly Ytd (-3.0%) due to a decline in investments in NBP bills. Treasury bonds accounted for 78% of the debt securities portfolio. The structure of that portfolio changed during the nine months of 2024 in terms of a measurement approach, with a greater share of instruments measured at amortised cost (a rise of 63.8% Ytd in their carrying amount) and a lower share of instruments measured at fair value through other comprehensive income (a decrease of 30.9% Ytd in their carrying amount).

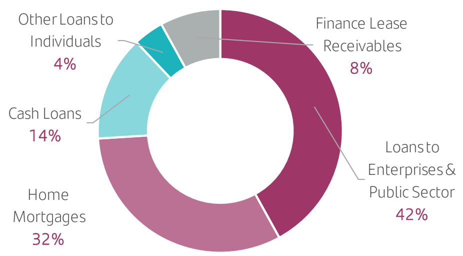
As part of ongoing liquidity management, the level of cash and balances with central banks went up too (+53.9% Ytd), reflecting a significantly higher balance of the current account at the central bank. At the same time, the Group’s activity in the interbank repo market translated into an increase of 8.5% Ytd in the balance of buy-sell-back transactions and assets pledged as collateral.

Loans and advances to banks were down 23.2% Ytd on account of lower interbank placements of term and current funds.

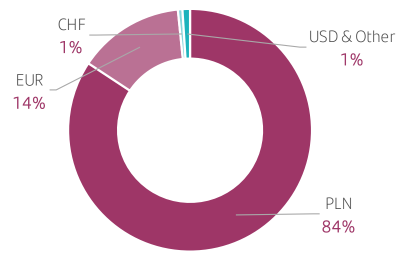
Credit portfolio

Gross loans and advances to customers in PLN m	30.09.202	31.12.2023	30.09.2023	Change	Change
	1	2	3	1/2	1/3
Loans and advances to individuals	88,418.8	83,052.5	82,386.0	6.5%	7.3%
Loans and advances to enterprises and the public sector	74,723.5	68,666.2	68,747.7	8.8%	8.7%
Finance lease receivables	14,753.2	13,418.7	13,159.1	9.9%	12.1%
Other	79.4	74.5	82.6	6.6%	-3.9%
Total	**177,974.9**	**165,211.9**	**164,375.4**	**7.7%**	**8.3%**

Product structure of consolidated loans and advances to customers as at 30.09.2024



FX structure of consolidated loans and advances to customers as at 30.09.2024

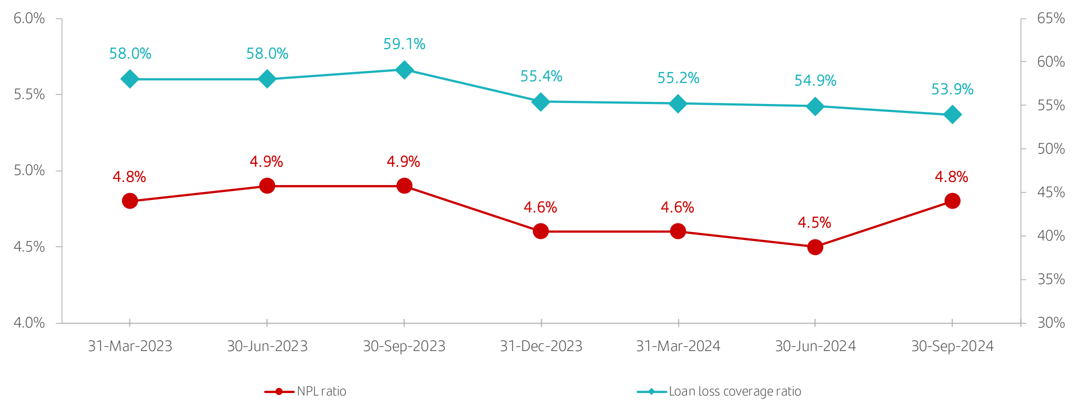


As at 30 September 2024, consolidated gross loans and advances to customers were PLN 177,974.9m and increased by 7.7% vs 31 December 2023. The portfolio includes loans and advances to customers measured at amortised cost of PLN 158,775.0m (+6.7% Ytd), loans and advances to customers measured at fair value through other comprehensive income of PLN 4,373.3m (+51.3% Ytd), loans and advances to customers measured at fair value through profit or loss of PLN 73.5m (-13.7% Ytd), and finance lease receivables of PLN 14,753.2m described below.

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

- Loans and advances to individuals increased by 6.5% Ytd to PLN 88,418.8m as at the end of September 2024. Home loans, which were the main contributor to this figure, totalled PLN 56,058.7m and went up by 5.7% Ytd as a result of recovery in the mortgage loan market with the record high sales reported in Q1 2024 on account of loans disbursed under the 2% Safe Mortgage programme, among other things. Cash loans were the second largest item and totalled PLN 25,267.6m (+10.8% Ytd) supported by growth in sales driven by macroeconomic factors (continuously low unemployment rate, increase in real income, etc.).
- Loans and advances to enterprises and the public sector (including factoring receivables) went up by 8.8% Ytd to PLN 74,723.5m on account of higher exposures in respect of term loans, including loans for investment purposes in the Business and Corporate Banking segment and the Corporate and Investment Banking segment as well as the utilisation of overdrafts by companies from the Business and Corporate Banking segment.
- Finance lease receivables of the subsidiaries of Santander Bank Polska S.A. rose by 9.9% Ytd to PLN 14,753.2m, supported by solid sales of leased assets, particularly in the vehicles segment

Credit quality ratios by quarter in 2023 and 2024



As at 30 September 2024, the NPL ratio was 4.8% and the provision coverage ratio for impaired loans was 53.9% (vs 4.6% and 55.4% as at the end of December 2023, and 4.9% and 59.1% as at the end of September 2023, respectively).

Structure of consolidated equity and liabilities

Equity and liabilities in PLN m (for analytical purposes)	30.09.2024	Structure 30.09.2024	31.12.2023	Structure 31.12.2023	30.09.2023	Structure 30.09.2023	Change	Change
	1	2	3	4	5	6	1/3	1/5
Deposits from customers	217,769.8	74.8%	209,277.4	75.6%	210,038.3	75.8%	4.1%	3.7%
Subordinated liabilities and debt securities in issue	15,054.7	5.2%	11,933.5	4.3%	11,638.0	4.2%	26.2%	29.4%
Financial liabilities held for trading and hedging derivatives	9,223.3	3.2%	9,699.0	3.5%	10,005.6	3.6%	-4.9%	-7.8%
Deposits from banks and sell-buy-back transactions	8,141.2	2.8%	4,430.0	1.6%	3,881.1	1.4%	83.8%	109.8%
Other liabilities[1)]	6,809.7	2.3%	7,621.0	2.8%	7,186.6	2.6%	-10.6%	-5.2%
Total equity	33,927.4	11.7%	33,691.0	12.2%	34,404.8	12.4%	0.7%	-1.4%
Total	**290,926.1**	**100.0%**	**276,651.9**	**100.0%**	**277,154.4**	**100.0%**	**5.2%**	**5.0%**

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

As at 30 September 2024, deposits from customers totalled PLN 217,769.8m and were the largest constituent item of the total equity and liabilities (74.8%) disclosed in the consolidated statement of financial position and the main source of funding for the Group's assets. They increased by 4.1% Ytd as a combined effect of a steady inflow of funds to term deposit accounts in all key customer segments and to current accounts of personal and public sector customers.

A considerable increase (+83.8% Ytd) was reported in deposits from banks and sell-buy-back transactions, reflecting the Group's activity in the repo market. At the same time, the balance of financial liabilities held for trading and hedging derivatives declined slightly by 4.9% Ytd, on account of both components of this line item.

Subordinated liabilities and liabilities in respect of debt securities in issue increased by 26.2% vs 31 December 2023, with the latter item rising by 33.8% to PLN 12,374.2m, as a combined effect of the issue of debt instruments of PLN 6,646.0m and redemption of PLN 3,640.8m worth of securities on their maturity dates.

Santander Bank Polska S.A. carried out the following issues:

- On 2 April 2024, the Bank issued series 1/2024 senior non-preferred bonds of PLN 1,900m as part of the issue programme. The bonds bear an interest rate of 6M WIBOR + 1.50% and mature on 2 April 2027 (subject to the Bank's right to exercise a call option). The bonds were classified as eligible liabilities as defined in the Act of 10 June 2016 on the Bank Guarantee Fund, deposit guarantee scheme and resolution.
- As part of a synthetic securitisation transaction in a corporate loan portfolio, on 26 June 2024 the Bank issued funded credit linked notes (CLNs) with a nominal value of PLN 256.0m and maturity date of 14 February 2034. The Bank has the option of earlier repayment of its obligations under the CLNs. On 26 June 2024, the CLNs were introduced to trading in the alternative trading system on the Vienna MTF organised by Wiener Börse AG (Vienna Stock Exchange).
- On 30 September 2024, the Bank issued series 2/2024 senior non-preferred bonds of PLN 1,800m as part of the issue programme. The bonds bear an interest rate of 6M WIBOR + 1.40% and mature on 30 September 2027. The bonds were issued as eligible liabilities within the meaning of the Act of 10 June 2016 on the Bank Guarantee Fund, deposit guarantee scheme and resolution

During the first nine months of 2024, Santander Factoring Sp. z o.o. issued several series of bonds with a variable interest rate based on 1M WIBOR, including:

- On 16 February 2024: PLN 600m worth of series R bonds with a maturity date of 16 August 2024.
- On 1 March 2024: PLN 200m worth of series S bonds with a maturity date of 3 June 2024.
- On 26 June 2024: PLN 325m worth of series T bonds with a maturity date of 23 December 2024 and PLN 100m worth of series V bonds with a maturity date of 1 October 2024.
- On 28 June 2024: PLN 200m worth of series U bonds with a maturity date of 27 September 2024.
- On 19 August 2024: series W, X and Y bonds of: PLN 390m, PLN 100m and PLN 110m, respectively, and maturity dates of: 19 February 2025, 8 August 2025 and 19 May 2025.

All the above issues made by Santander Factoring Sp. z o.o. were guaranteed by the Bank. The proceeds are used for the issuer's general corporate purposes.

On 23 July 2024, Santander Leasing S.A. issued PLN 365m worth of series P bonds with an interest rate of 3M WIBOR plus margin and a maturity date of 23 July 2025 (subject to the bondholders' right to exercise a put option).

Furthermore, on 24 June 2024 Santander Consumer Multirent Sp. z o.o. issued the next tranche of one-year unsecured bonds with a nominal value of PLN 300m as part of the issue programme. They bear a variable interest rate based on WIBOR.

Deposit base

Deposits by entities

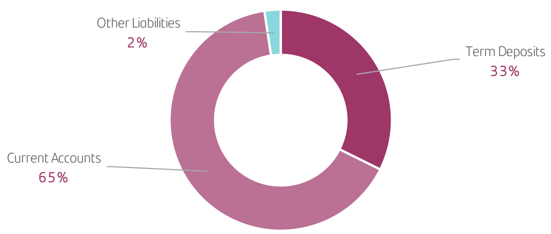
	30.09.2024	31.12.2023	30.09.2023	Change	Change
Deposits from customers in PLN m	**1**	**2**	**3**	**1/2**	**1/3**
Deposits from individuals	124,378.4	115,261.2	114,442.8	7.9%	8.7%
Deposits from enterprises and the public sector	93,391.4	94,016.2	95,595.5	-0.7%	-2.3%
Total	**217,769.8**	**209,277.4**	**210,038.3**	**4.1%**	**3.7%**

As at 30 September 2024, consolidated deposits from customers were PLN 217,769.8m and increased by 4.1% Ytd due to higher term deposits from individuals, enterprises and public sector entities as well as a steady inflow of funds to personal accounts.

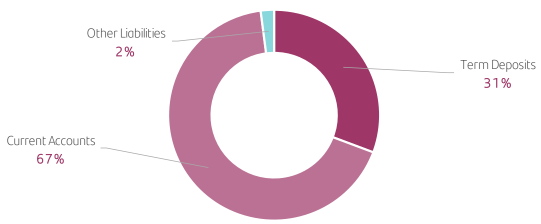
- Deposits from personal customers totalled PLN 124,378.4m, up 7.9% Ytd. As customers preferred term deposits with interest rates better adjusted to the high interest rate environment, their balance increased by 10.4% Ytd to PLN 46,203.9m. The balances of savings and current accounts rose too, reaching PLN 77,893.9m in total (+6.5% Ytd). Personal customers also invested their liquidity surpluses in investment funds managed by Santander TFI S.A., which reported strong performance and a positive balance of contributions and redemptions during the first nine months of 2024.
- Deposits from enterprises and the public sector were broadly stable at PLN 93,391.4m, reflecting a rise of 8.0% Ytd in term deposits to PLN 24,273.9m and a decline of 4.8% Ytd in current account balances to PLN 64,280.1m

Deposits by tenors

Structure of consolidated customer deposits as at 30.09.2024



Structure of consolidated customer deposits as at 31.12.2023

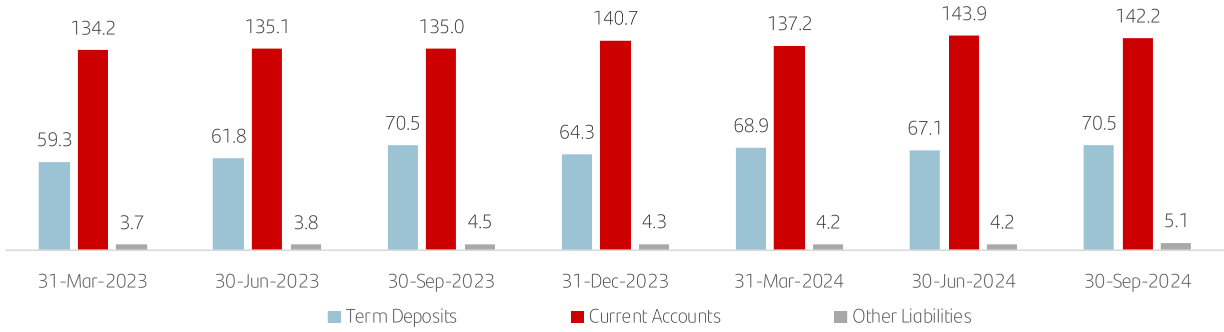


The Group's total term deposits from customers were PLN 70,477.7m, up 9.6% Ytd. Current account balances rose by 1.1% Ytd to PLN 142,174.1m, and other liabilities were PLN 5,118.0m, up 19.9% Ytd.

Loans and advances from financial institutions (PLN 672.5m vs PLN 950.4m as at 31 December 2023) were one of the components of other liabilities and were disclosed under deposits from enterprises, which included loans granted by international financial organisations (the European Investment Bank/ EIB, the European Bank for Reconstruction and Development/ EBRD and the Council of Europe Development Bank/ CEB) to finance the lending activity of the Bank and its subsidiaries. The Ytd decrease in the above line item is the result of scheduled repayments.

Term deposits and current accounts * at quarter-ends of 2023 and 2024

PLN bn



* *Include savings accounts*

3. Selected financial ratios of Santander Bank Polska Group

Selected financial ratios of Santander Bank Polska Group	30.09.2024	30.09.2023
Cost/Income	30.0%	29.6%
Net interest income/Total income	80.7%	81.9%
Net interest margin 1)	5.28%	5.37%
Net fee and commission income/Total income	17.2%	17.0%
Net loans and advances to customers/Deposits from customers	78.9%	75.3%
NPL ratio 2)	4.8%	4.9%
NPL provision coverage ratio 3)	53.9%	59.1%
Cost of credit risk 4)	0.69%	0.77%
ROE 5)	20.5%	20.3%
ROTE 6)	22.7%	20.8%
ROA 7)	1.9%	1.8%
Total capital ratio 8)	17.43%	19.89%
Tier 1 capital ratio 9)	16.43%	18.44%
Book value per share (PLN)	332.00	336.68
Earnings per ordinary share (PLN) 10)	42.07	37.68

1) Net interest income annualised on a year-to-date basis (excluding interest income from the portfolio of debt securities held for trading and other exposures related to trading) to average net earning assets as at the end of consecutive quarters after the end of the year preceding the particular accounting year (excluding financial assets held for trading, hedging derivatives, other exposures related to trading and other loans and advances to customers).
2) Lease receivables and gross loans and advances to customers measured at amortised cost and classified to Stage 3 and POCI exposures to the total gross portfolio of such lease receivables and loans and advances as at the end of the reporting period.
3) Impairment allowances for lease receivables and loans and advances to customers measured at amortised cost and classified to Stage 3 and POCI exposures to the gross value of such lease receivables and loans and advances as at the end of the reporting period.
4) Net expected credit loss allowances (for four consecutive quarters) to average gross loans and advances to customers measured at amortised cost and lease receivables (as at the end of the current reporting period and the end of the previous year).
5) Net profit attributable to the parent's shareholders (for four consecutive quarters) to average equity (as at the end of the current reporting period and the end of the previous year), excluding non-controlling interests, current period profit and dividend reserve.
6) Net profit attributable to the parent's shareholders (for four consecutive quarters) to average tangible equity (as at the end of the current reporting period and the end of the previous year) defined as common equity attributable to the parent's shareholders less revaluation reserve, current year profit, dividend reserve, intangible assets and goodwill.
7) Net profit attributable to the parent's shareholders (for four consecutive quarters) to average total assets (as at the end of the current reporting period and the end of the previous year).
8) The capital ratio was calculated on the basis of own funds and total capital requirements established for the individual risk types by means of the standardised approach, in line with the CRD IV/CRR package. The comparative period includes profits allocated to own funds pursuant to EBA guidelines.
9) Tier 1 capital ratio calculated as a quotient of Tier 1 capital and risk-weighted assets for credit, market and operational risk. The comparative period includes profits allocated to own funds pursuant to EBA guidelines.
10) Net profit for the period attributable to the parent's shareholders to the average weighted number of ordinary shares.

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

The following external factors may significantly affect the financial results and operations of Santander Bank Polska Group in the next quarter:

- Scale and pace of further interest rate cuts by major central banks and fluctuations in the market pricing of interest rate movements in the main economies.
- Continued weakness in the euro area and the resulting relatively low foreign demand for Polish goods and services.
- The war between Russia and Ukraine; the impact of sanctions and international trade restrictions. Migration flows. Potential disruptions to the supply of energy resources. Increased defence spending in Poland. Impact on financial, consumption and investment decisions of Polish companies and households.
- November elections in the US: statements by major presidential candidates potentially signalling a change in the country's approach to the conflict in Ukraine and its intention to change its relationship with Europe.
- Possible escalation of the conflict in the Middle East, with potential impact on prices of crude oil and natural gas and on global risk aversion and the risk of geopolitical tensions in other regions of the world (Taiwan).
- Further path of inflation in Poland impacting the market pricing of NBP rate changes. Continued acceleration in CPI growth.
- The MPC's decisions on interest rates. Changes in the market pricing of the timing of the first interest rate cut.
- Foreign currency loans: banks' decisions on settlements with customers and further litigation.
- Potential introduction of a new programme supporting mortgage borrowers.
- "Payment holidays" – a programme of suspension of PLN mortgage payments.
- Changes in the valuation of credit risk in financial markets, also influenced by changes in the assessment of geopolitical risk.
- Changes in bond yields depending among other things on monetary and fiscal policy expectations.
- Increasing use of EU cohesion funds and funds under the National Recovery Plan.
- Changes in the credit demand in the context of liquidity, still high rates, impact of the armed conflict and the significant increase in housing prices in recent quarters.
- Changes in the financial situation of households influenced by labour market trends and benefits.
- Changes in customers' savings allocation decisions influenced by expected returns on various asset classes and changes in attitudes toward saving and spending.
- Further developments in global stock markets and their impact on demand for mutual funds and stocks.

VI. Risk and capital management

1. Risk management priorities in Q3 2024

Geopolitical and macroeconomic situation

Due to the current armed conflicts (war in Ukraine and 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 credit portfolio 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.

In Q3 2024, the Bank monitored the credit portfolio in terms of influence of the macroeconomic and geopolitical situation on individual customer segments and economic sectors in order to ensure prompt and adequate response and duly align the credit policy parameters. Stress tests and sensitivity analyses focused in particular on assessing the impact of such factors as interest rates, exchange rates, exports, labour costs and energy prices on the quality of the credit portfolios. The Bank also continued to monitor the factors directly related to the geopolitical situation, i.e. sanctions and restriction of operations of business customers on the territory of armed conflicts. In addition, the Bank 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 Bank 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.

To support customers affected by the recent floods, the operating areas responsible for collateral monitoring, early recovery, cash management, complaints management and services for personal customers (mortgage loans, insurance, accounts, cash loans) took a number of measures, as a result of which:

- Applications for indemnity payments are analysed on a case-by-case basis, taking into account customers' needs and circumstances.
- The amount of cash replenishments in the selected branches was increased.
- To ensure that customers' complaints are resolved on time, cases were transferred to units located in the areas which were not at risk of flood.
- A special process was put in place to manage mortgage loan payments from the Borrowers Support Fund.
- Standard notifications (text messages, emails and phone calls) were suspended for two weeks in the areas declared as natural disaster zones, and phone and text message campaigns to customers from the flooded areas were put on hold.

Customers at risk of financial distress due to the flooding were subject to special monitoring.

To support the affected customers, the Bank implemented a range of solutions related to debt repayment. In particular, changes were introduced in relation to post-sales services in line with the non-legislative moratorium of the Polish Bank Association, whereby flood victims can request the deferral of loan payments.

Market risk

In Q3 2024, the Group continued to reduce the sensitivity of net interest income to interest rate movements in response to the introduction of a new regulatory limit in the current reporting period, i.e. NII SOT at max 5% of Tier 1 capital.

ESG risks

In Q3 2024, the Group's Environmental, Social and Climate Change Risk Management Policy was updated. The Group increased the scope of portfolio analyses of physical risks relating to all sectors and mortgage collateral. The analyses based on energy performance certificates were extended too. The reporting process included new aspects of ESG risk.

As in the previous months, the Group conducted ongoing monitoring of social and climate risks at the level of the portfolio as well as major customers from the sectors most exposed to climate risks.

Based on the analysis of emissions in credit portfolios calculated in line with the PCAF (Partnership for Carbon Accounting Financials) methodology, the Group defines business activities and extends cooperation with customers in this respect. The above measures are intended to minimise transition risk for both the Group and its customers.

Work is underway to implement a standardised and systemic solution for analysis of ESG risk 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.

The analysis of credit risk and borrowers' exposure to environmental risks related to climate change also includes the portfolio analysis of the physical and transition risk materiality matrix.

Cybersecurity

The importance of cybersecurity has been steadily growing because of the increasing digitalisation of the banking sector. The geopolitical situation did not improve in Q3 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.

2. Material risk factors expected in the future

Macroeconomic situation

GDP growth projections for 2024 are cautiously optimistic (3% on average). The economic growth is driven mainly by an increasing purchasing and saving power of consumers. Investments should continue the upward trend too. Meanwhile, lower exports, strong zloty, rising labour costs and limited possibility to transfer higher costs to consumers will weigh down on the performance of companies, except for the services sector.

This may put pressure on the quality of credit portfolios of companies from the manufacturing and freight transport sectors, in particular the highly leveraged ones (insignificant share of the Bank's loan book). Exports are yet another sensitivity area due to their large share in GDP, with a particular focus placed on the growth rate and the impact of the zloty appreciation.

The inflation rate has been rising as projected, mainly on account of higher energy prices. Despite the continuously high interest rates, the repayment capacity of personal customers is largely unaffected due to a significant increase in salaries.

The quality of the Bank's credit portfolios is still good.

Market risk

In July 2024, the Polish Financial Supervision Authority (KNF) published Recommendation WFD, which introduced a long-term financing indicator requiring banks to finance 40% of the mortgage loan portfolio with long-term liabilities starting from 31 December 2026. Banks will also need to report the indicator on a monthly basis, starting from the data as at 31 July 2024.

ESG risks

Another significant challenge is to ensure that physical risks are correctly reflected in collateral valuation. The Group has been thoroughly analysing the data to identify the correlation between the price and ESG risk factors and planning further methodological and analytical work in this respect.

Cyber threats

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

There is still a considerable risk of ransomware attacks, DDoS attacks or use of social engineering. As expected, supply chain attacks, mobile malware attacks, cyber spying and attacks involving artificial intelligence are a growing threat to cybersecurity. Other challenges include supplier risk management, cloud computing and shadow IT.

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

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

VII. Other information

Bank's shares held by Supervisory and Management Board members

As at the release dates of the financial reports for the periods ended 30 September 2024 and 30 June 2024, no member of the Supervisory Board held any shares of Santander Bank Polska S.A.

The table below shows shares of Santander Bank Polska S.A. held by Management Board members as at the release dates of the above-mentioned reports and shares conditionally awarded to them and settled in the specific period as part of Incentive Plan VII.

The latter shares are deferred and will be transferred to individual brokerage accounts of Management Board members in 2024–2030.

	29.10.2024			24.07.2024		
Management Board members as at the end of the current reporting period and the release date of the report	**Total shares held as at the report release date**	**Shares transferred to brokerage accounts as part of Incentive Plan VII [2)]**	**Outstanding shares conditionally awarded as part of Incentive Plan VII (to be settled after the transfer of shares attributable to the participants) [1)]**	**Total shares held as at the report release date**	**Shares transferred to brokerage accounts as part of Incentive Plan VII [2)]**	**Outstanding shares conditionally awarded as part of Incentive Plan VII (to be settled after the transfer of shares attributable to the participants) [1)]**
Michał Gajewski	8,603	3,808	10,502	8,603	3,808	10,502
Andrzej Burliga	2,408	1,524	2,178	2,408	1,524	2,178
Lech Gałkowski	120	1,774	2,824	120	1,774	2,824
Artur Głembocki	272	-	-	272	-	-
Patryk Nowakowski	-	1,491	2,276	-	1,491	2,276
Juan de Porras Aguirre	-	2,177	3,133	-	2,177	3,133
Magdalena Proga-Stępień	606	-	-	606	-	-
Maciej Reluga	3,792	1,491	2,168	3,792	1,491	2,168
Wojciech Skalski	3,669	-	-	3,669	-	-
Dorota Strojkowska	4,223	1,491	2,260	4,223	1,491	2,260

1) Shares conditionally awarded to members of the Management Board of Santander Bank Polska S.A. as part of Incentive Plan VII for 2022 and 2023 (excluding shares settled for that period) which are deferred and will be transferred to their individual brokerage accounts in 2025–2030.

2) Shares transferred to brokerage accounts of Management Board members as part of Incentive Plan VII for 2022–2023.

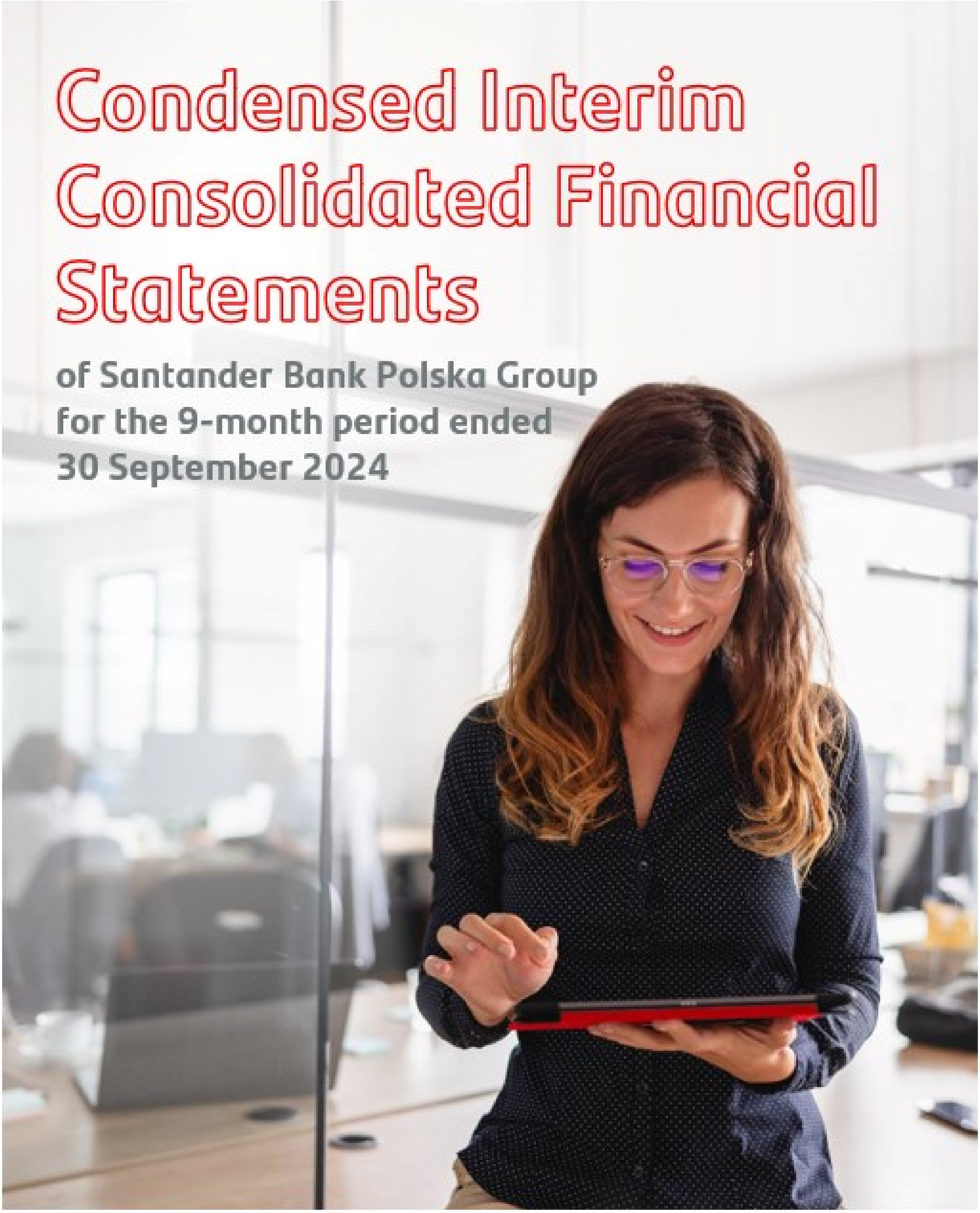
VIII. Glossary of abbreviations

Below are expansions of key abbreviations used in the Overview of Performance of Santander Bank Polska Group in 3Q 2024.

Abbreviation	Definition
AML	Anti-Money Laundering
BCB	Business and Corporate Banking
BCA	Baseline Credit Assessment
BFG	Bankowy Fundusz Gwarancyjny (Bank Guarantee Fund)
BGK	Bank Gospodarstwa Krajowego (state development bank)
CIB	Corporate and Investment Banking
CLP	Corporate Lending Platform
DORA	Digital Operational Resilience Act
EBA	European Banking Authority
ECB	European Central Bank
ESG	Environmental, Social, Governance
SCB Group	Santander Consumer Bank Group
IDR	Issuer Default Rating (long-term and short-term)
MREL	Minimum Requirement for Own Funds and Eligible Liabilities
IAS	International Accounting Standards
IFRS	International Financial Reporting Standards
NBP	National Bank of Poland
OFE	Otwarty Fundusz Emerytalny (open pension fund)
PD	Probability of Default
PCAF	Partnership for Carbon Accounting Financials
PTE	Powszechne Towarzystwo Emerytalne (pension society)
ROA	Return On Assets
ROE	Return On Equity
ROTE	Return On Tangible Equity
MPC	Monetary Policy Council
TREA	Total Risk Exposure Amount
WIBOR	Warsaw Interbank Offered Rate: a reference interest rate of loans in the Polish interbank market

Condensed Interim Consolidated Financial Statements

of Santander Bank Polska Group for the 9-month period ended 30 September 2024



In thousands of PLN

I. Consolidated income statement

	for the period:	1.07.2024-30.09.2024	1.01.2024-30.09.2024	1.07.2023-30.09.2023* restated	1.01.2023-30.09.2023* restated
Interest income and similar to interest		**4 904 599**	**14 118 487**	**4 804 931**	**13 689 682**
Interest income on financial assets measured at amortised cost		4 146 073	11 806 993	3 886 231	11 057 766
Interest income on financial assets measured at fair value through other comprehensive income		471 374	1 474 210	663 611	1 876 580
Income similar to interest on financial assets measured at fair value through profit or loss		19 363	60 422	13 195	67 942
Income similar to interest on finance leases		267 789	776 862	241 894	687 394
Interest expense		**(1 328 269)**	**(3 869 952)**	**(1 409 378)**	**(4 001 659)**
Net interest income	Note 4	**3 576 330**	**10 248 535**	**3 395 553**	**9 688 023**
Fee and commission income		897 206	2 661 674	817 603	2 453 154
Fee and commission expense		(169 743)	(478 174)	(150 663)	(446 250)
Net fee and commission income	Note 5	**727 463**	**2 183 500**	**666 940**	**2 006 904**
Dividend income		317	12 409	1 476	11 418
Net trading income and revaluation	Note 6	66 445	148 677	141 659	285 543
Gains (losses) from other financial securities	Note 7	14 901	20 830	(5 518)	(883)
Gain/loss on derecognition of financial instruments measured at amortised cost	Note 28	(11 938)	(44 585)	(32 953)	(296 296)
Other operating income	Note 8	43 644	131 278	54 928	128 001
Impairment allowances for expected credit losses	Note 9	(296 900)	(908 149)	(303 902)	(894 134)
Cost of legal risk associated with foreign currency mortgage loans	Note 28	(110 432)	(1 656 970)	(430 171)	(1 579 650)
Operating expenses incl.:		(1 234 755)	(3 812 292)	(1 188 242)	(3 501 611)
-Staff, operating expenses and management costs	Note 10,11	(1 030 199)	(3 226 231)	(939 070)	(2 917 507)
-Amortisation of property, plant and equipment and Intangible assets		(119 374)	(354 093)	(104 609)	(304 016)
-Amortisation of right of use asset		(35 097)	(104 427)	(39 314)	(115 683)
-Other operating expenses	Note 12	(50 085)	(127 541)	(105 249)	(164 405)
Share in net profits (loss) of entities accounted for by the equity method		18 844	71 905	24 587	76 779
Tax on financial institutions		(208 595)	(603 674)	(199 932)	(587 461)
Profit before tax		**2 585 324**	**5 791 464**	**2 124 425**	**5 336 633**
Corporate income tax	Note 13	(587 252)	(1 459 694)	(546 900)	(1 395 647)
Consolidated net profit for the period		**1 998 072**	**4 331 770**	**1 577 525**	**3 940 986**
of which:					
-attributable to owners of the parent entity		1 939 690	4 299 336	1 528 770	3 850 986
-attributable to non-controlling interests		58 382	32 434	48 755	90 000
Net earnings per share					
Basic earnings per share (PLN/share)		18,98	42,07	14,96	37,68
Diluted earnings per share (PLN/share)		18,98	42,07	14,96	37,68

* details in note 2.5

In thousands of PLN

II. Consolidated statement of comprehensive income

for the period:	1.07.2024-30.09.2024	1.01.2024-30.09.2024	1.07.2023-30.09.2023* restated	1.01.2023-30.09.2023* restated
Consolidated net profit for the period	**1 998 072**	**4 331 770**	**1 577 525**	**3 940 986**
Items that will be reclassified subsequently to profit or loss:	**698 028**	**410 463**	**475 173**	**1 864 299**
Revaluation and sales of debt financial assets measured at fair value through other comprehensive income gross	256 935	574 231	355 616	1 610 355
Deferred tax	(48 818)	(109 104)	(67 567)	(305 967)
Revaluation of cash flow hedging instruments gross	604 828	(67 487)	230 044	689 990
Deferred tax	(114 917)	12 823	(42 920)	(130 079)
Items that will not be reclassified subsequently to profit or loss:	**2 143**	**97 859**	**(1 203)**	**18 118**
Revaluation of equity financial assets measured at fair value through other comprehensive income gross	1 969	118 566	2 484	24 913
Deferred and current tax	174	(21 888)	(472)	(4 734)
Provision for retirement benefits – actuarial gains/losses gross	-	1 458	(3 969)	(2 544)
Deferred tax	-	(277)	754	483
Total other comprehensive income, net	**700 171**	**508 322**	**473 970**	**1 882 417**
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD	**2 698 243**	**4 840 092**	**2 051 495**	**5 823 403**
Total comprehensive income attributable to:				
- owners of the parent entity	2 625 502	4 795 953	1 982 759	5 682 682
- non-controlling interests	72 741	44 139	68 736	140 721

*details in note 2.5

In thousands of PLN

III. Consolidated statement of financial position

	as at:	30.09.2024	31.12.2023
ASSETS			
Cash and balances with central banks	Note 14	12 954 519	8 417 519
Loans and advances to banks	Note 15	7 322 045	9 533 840
Financial assets held for trading	Note 16	8 064 504	8 939 360
Hedging derivatives		2 184 932	1 575 056
Loans and advances to customers incl.:	Note 17	171 846 048	159 520 007
- measured at amortised cost		153 076 466	143 488 004
- measured at fair value through other comprehensive income		4 273 307	2 798 234
- measured at fair value through profit and loss		73 469	85 093
- from finance leases		14 422 806	13 148 676
Reverse sale and repurchase agreements		10 701 611	12 676 594
Investment securities incl.:	Note 18	65 482 316	67 523 003
- debt securities measured at fair value through other comprehensive income		32 914 165	47 598 570
- debt securities measured at fair value through profit and loss		1 012	2 005
- debt investment securities measured at amortised cost		32 169 637	19 639 468
- equity securities measured at fair value through other comprehensive income		390 519	277 121
- equity securities measured at fair value through profit and loss		6 983	5 839
Assets pledged as collateral		3 344 970	271 933
Investments in associates	Note 19	937 223	967 514
Intangible assets		894 333	881 857
Goodwill		1 712 056	1 712 056
Property, plant and equipment		767 233	765 278
Right of use assets		505 516	494 296
Deferred tax assets		1 312 956	1 751 189
Fixed assets classified as held for sale		4 892	6 453
Other assets		2 890 988	1 615 930
Total assets		**290 926 142**	**276 651 885**
LIABILITIES AND EQUITY			
Deposits from banks	Note 20	4 280 116	4 156 453
Hedging derivatives		567 289	880 538
Financial liabilities held for trading	Note 16	8 656 019	8 818 493
Deposits from customers	Note 21	217 769 851	209 277 356
Sale and repurchase agreements		3 861 102	273 547
Subordinated liabilities	Note 22	2 680 488	2 686 343
Debt securities in issue	Note 23	12 374 231	9 247 159
Lease liabilities		365 382	365 833
Current income tax liabilities		445 237	1 174 609
Deferred tax liability		520	435
Provisions for financial liabilities and guarantees granted	Note 24	110 953	123 085
Other provisions	Note 25	1 456 930	967 106
Other liabilities	Note 26	4 430 670	4 989 910
Total liabilities		256 998 788	242 960 867
Equity			
Equity attributable to owners of the parent entity		32 001 415	31 762 645
Share capital		1 021 893	1 021 893
Other reserve capital		24 381 000	25 097 202
Revaluation reserve		199 714	(298 688)
Retained earnings		2 099 472	1 111 131
Profit for the period		4 299 336	4 831 107
Non-controlling interests		1 925 939	1 928 373
Total equity		33 927 354	33 691 018
Total liabilities and equity		**290 926 142**	**276 651 885**

Notes presented on pages 17- 76 constitute an integral part of this Financial Statements

In thousands of PLN

IV. Consolidated statement of changes in equity

Consolidated statement of changes in equity 1.01.2024 - 30.09.2024	Equity attributable to owners of parent entity: Share capital	Own shares	Other reserve capital	Revaluation reserve	Retained earnings and profit for the period	Total	Non-controlling interests	Total equity
As at the beginning of the period	**1 021 893**	**-**	**25 097 202**	**(298 688)**	**5 942 238**	**31 762 645**	**1 928 373**	**33 691 018**
Total comprehensive income	-	-	-	496 617	4 299 336	4 795 953	44 139	4 840 092
Consolidated profit for the period	-	-	-	-	*4 299 336*	*4 299 336*	*32 434*	*4 331 770*
Other comprehensive income	-	-	-	*496 617*	-	*496 617*	*11 705*	*508 322*
Inclusion of share based incentive scheme	-	-	70 022	-	-	70 022	-	70 022
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	-	-	-	(3 368)	3 368	-	-	-
Other changes	-	-	236	5 153	707	6 096	-	6 096
As at the end of the period	**1 021 893**	**-**	**24 381 000**	**199 714**	**6 398 808**	**32 001 415**	**1 925 939**	**33 927 354**

As at the end of the period revaluation reserve in the amount of PLN 199,714 k comprises: change in revaluation of debt securities in the amount of PLN (601,227) k, revaluation of equity securities in the amount of PLN 295,599 k, revaluation of cash flow hedge instruments in the amount of PLN 503,562 k and accumulated actuarial gains of PLN 1,780 k.

In thousands of PLN

Consolidated statement of changes in equity 1.01.2023 - 30.09.2023	Equity attributable to owners of parent entity							
	Share capital	Own shares	Other reserve capital	Revaluation reserve	Retained earnings and profit for the period	Total	Non-controlling interests	Total equity
As at the beginning of the period 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	-	-	-	1 831 696	3 850 986	5 682 682	140 721	5 823 403
Consolidated profit for the period	-	-	-	-	*3 850 986*	*3 850 986*	*90 000*	*3 940 986*
Other comprehensive income	-	-	-	*1 831 696*	-	*1 831 696*	*50 721*	*1 882 417*
Inclusion of share based incentive scheme	-	-	169 200	-	-	169 200	-	169 200
Purchase of own shares	-	(48 884)	-	-	-	(48 884)	-	(48 884)
Settlement of the purchase of own shares under share based incentive scheme	-	48 884	(48 249)	-	-	635	-	635
Profit allocation to other reserve capital	-	-	3 440 191	-	(3 440 191)	-	-	-
Profit allocation to dividends	-	-	-	-	-	-	(37 861)	(37 861)
Other changes	-	-	(651)	16 429	(13)	15 765	17 150	32 915
As at the end of the period	**1 021 893**	**-**	**27 418 891**	**(933 200)**	**4 979 907**	**32 487 491**	**1 917 265**	**34 404 756**

*details in note 2.5

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

In thousands of PLN

V. Consolidated statement of cash flows

for the period:	1.01.2024-30.09.2024	1.01.2023-30.09.2023* restated
Cash flows from operating activities		
Profit before tax	**5 791 464**	**5 336 633**
Adjustments for:		
Share in net profits of entities accounted for by the equity method	(71 905)	(76 779)
Depreciation/amortisation	458 520	419 699
Net gains on investing activities	(3 314)	(7 750)
Interest accrued excluded from operating activities	(1 470 854)	(1 329 506)
Dividends	(119 167)	(87 670)
Impairment losses (reversal)	2 785	3 976
Changes in:		
Provisions	477 692	200 365
Financial assets / liabilities held for trading	729 332	(124 162)
Assets pledged as collateral	(2 879 227)	(114 731)
Hedging derivatives	(210 639)	(645 813)
Loans and advances to banks	(3 875 434)	748 369
Loans and advances to customers	(22 865 572)	(16 163 104)
Deposits from banks	423 481	358 677
Deposits from customers	11 395 308	17 380 814
Buy-sell/ Sell-buy-back transactions	2 091 285	(2 696 653)
Other assets and liabilities	(1 976 382)	1 182 439
Interest received on operating activities	10 907 746	11 141 396
Interest paid on operating activities	(2 868 811)	(3 983 450)
Paid income tax	(1 870 404)	(507 367)
Net cash flows from operating activities	**(5 934 096)**	**11 035 383**
Cash flows from investing activities		
Inflows	**13 550 219**	**11 291 913**
Sale/maturity of investment securities	11 355 060	9 517 542
Sale of intangible assets and property, plant and equipment	24 411	25 081
Dividends received	119 167	87 670
Interest received	2 051 581	1 661 620
Outflows	**(15 036 822)**	**(13 435 942)**
Purchase of investment securities	(14 661 152)	(13 079 640)
Purchase of intangible assets and property, plant and equipment	(375 670)	(356 302)
Net cash flows from investing activities	**(1 486 603)**	**(2 144 029)**
Cash flows from financing activities		
Inflows	**8 665 719**	**5 334 109**
Debt securities issued	6 646 000	2 810 000
Drawing of loans	2 019 719	2 524 109
Outflows	**(11 554 226)**	**(7 360 738)**
Debt securities buy out	(3 640 810)	(3 236 050)
Repayment of loans and advances	(2 503 669)	(3 306 005)
Repayment of lease liabilities	(119 342)	(127 364)
Dividends to shareholders	(4 607 282)	(37 861)
Purchase of own shares	(72 334)	(48 884)
Interest paid	(610 789)	(604 574)
Net cash flows from financing activities	**(2 888 507)**	**(2 026 629)**
Total net cash flows	**(10 309 206)**	**6 864 725**
- including change resulting from FX differences	(17 101)	(146 807)
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	**24 265 987**	**41 357 764**

* details in note 2.5

In thousands of PLN

VI. Condensed income statement

for the period:	1.07.2024-30.09.2024	1.01.2024-30.09.2024	1.07.2023-30.09.2023* restated	1.01.2023-30.09.2023* restated
Interest income and similar to income	**4 122 068**	**11 892 811**	**4 075 247**	**11 605 136**
Interest income on financial assets measured at amortised cost	3 666 067	10 465 150	3 441 580	9 813 982
Interest income on financial assets measured at fair value through other comprehensive income	439 725	1 378 183	625 279	1 738 720
Income similar to interest on financial assets measured at fair value through profit or loss	16 276	49 478	8 388	52 434
Interest expense	**(1 054 371)**	**(3 084 892)**	**(1 108 736)**	**(3 142 855)**
Net interest income	**3 067 697**	**8 807 919**	**2 966 511**	**8 462 281**
Fee and commission income	757 356	2 246 257	696 916	2 098 850
Fee and commission expense	(112 867)	(329 646)	(110 103)	(316 381)
Net fee and commission income	**644 489**	**1 916 611**	**586 813**	**1 782 469**
Dividend income	109	168 946	1 171	241 549
Net trading income and revaluation	67 524	145 153	139 897	280 701
Gains (losses) from other financial securities	12 036	19 857	(5 862)	(4 941)
Gain/loss on derecognition of financial instruments measured at amortised cost	(11 902)	(40 245)	(32 412)	(293 977)
Other operating income	18 696	55 663	28 115	56 283
Impairment losses on loans and advances	(180 024)	(588 221)	(216 290)	(662 541)
Cost of legal risk associated with foreign currency mortgage loans	(85 734)	(1 099 056)	(396 722)	(1 304 345)
Operating expenses incl.:	(1 038 365)	(3 178 027)	(992 104)	(2 919 399)
-Staff, operating expenses and management costs	(880 732)	(2 723 198)	(785 838)	(2 447 193)
-Amortisation of property, plant and equipment and Intangible assets	(97 754)	(287 472)	(88 333)	(258 258)
-Amortisation of right of use asset	(33 013)	(98 250)	(32 112)	(94 492)
-Other operating expenses	(26 866)	(69 107)	(85 821)	(119 456)
Tax on financial institutions	(197 157)	(574 381)	(191 855)	(564 904)
Profit before tax	**2 297 369**	**5 634 219**	**1 887 262**	**5 073 176**
Corporate income tax	(484 647)	(1 365 950)	(479 708)	(1 292 252)
Net profit for the period	**1 812 722**	**4 268 269**	**1 407 554**	**3 780 924**
Net earnings per share				
Basic earnings per share (PLN/share)	17,74	41,77	13,77	37,00
Diluted earnings per share (PLN/share)	17,74	41,77	13,77	37,00

* details in note 2.5

In thousands of PLN

VII. Condensed statement of comprehensive income

for the period:	1.07.2024-30.09.2024	1.01.2024-30.09.2024	1.07.2023-30.09.2023* restated	1.01.2023-30.09.2023* restated
Net profit for the period	**1 812 722**	**4 268 269**	**1 407 554**	**3 780 924**
Items that will be reclassified subsequently to profit or loss:	**662 127**	**381 361**	**425 216**	**1 738 631**
Revaluation and sales of debt financial assets measured at fair value through other comprehensive income gross	225 301	538 614	302 656	1 478 137
Deferred tax	(42 808)	(102 337)	(57 505)	(280 846)
Revaluation of cash flow hedging instruments gross	592 140	(67 798)	222 302	668 321
Deferred tax	(112 506)	12 882	(42 237)	(126 981)
Items that will not be reclassified subsequently to profit or loss:	**210**	**95 498**	**(1 734)**	**16 433**
Revaluation of equity financial assets measured at fair value through other comprehensive income gross	259	116 601	1 828	24 257
Deferred and current tax	(49)	(22 154)	(347)	(4 609)
Provision for retirement benefits – actuarial gains/losses gross	-	1 298	(3 969)	(3 969)
Deferred tax	-	(247)	754	754
Total other comprehensive income, net	**662 337**	**476 859**	**423 482**	**1 755 064**
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD	**2 475 059**	**4 745 128**	**1 831 036**	**5 535 988**

* details in note 2.5

In thousands of PLN

VIII. Condensed statement of financial position

as at:	30.09.2024	31.12.2023
ASSETS		
Cash and balances with central banks	12 736 557	8 275 110
Loans and advances to banks	7 393 992	9 048 400
Financial assets held for trading	8 064 727	8 941 960
Hedging derivatives	2 109 707	1 559 374
Loans and advances to customers incl.:	150 480 564	140 903 101
- measured at amortised cost	146 198 058	138 093 756
- measured at fair value through other comprehensive income	4 273 307	2 798 234
- measured at fair value through profit and loss	9 199	11 111
Reverse sale and repurchase agreements	10 701 611	12 676 594
Investment securities incl.:	60 923 032	62 952 586
- debt securities measured at fair value through other comprehensive income	30 267 482	44 814 032
- debt investment securities measured at amortised cost	30 266 613	17 866 218
- equity securities measured at fair value through other comprehensive income	388 937	272 336
Assets pledged as collateral	3 344 970	271 933
Investments in subsidiaries and associates	2 377 407	2 377 407
Intangible assets	747 486	730 461
Goodwill	1 688 516	1 688 516
Property, plant and equipment	404 006	472 100
Right of use asset	468 240	449 610
Deferred tax assets	504 022	986 915
Fixed assets classified as held for sale	4 308	4 308
Other assets	2 336 967	1 062 826
Total assets	**264 286 112**	**252 401 201**
LIABILITIES AND EQUITY		
Deposits from banks	3 072 836	2 668 293
Hedging derivatives	562 639	829 565
Financial liabilities held for trading	8 655 936	8 834 034
Deposits from customers	202 225 428	195 365 937
Sale and repurchase agreements	3 861 102	273 547
Subordinated liabilities	2 577 691	2 585 476
Debt securities in issue	8 092 240	5 929 056
Lease liabilities	494 015	484 012
Current income tax liabilities	371 006	1 127 618
Provisions for financial liabilities and guarantees granted	187 884	151 294
Other provisions	1 074 030	741 677
Other liabilities	3 443 723	3 925 195
Total liabilities	234 618 530	222 915 704
Equity		
Share capital	1 021 893	1 021 893
Other reserve capital	22 397 619	23 369 548
Revaluation reserve	201 693	(275 166)
Retained earnings	1 778 108	696 244
Profit for the period	4 268 269	4 672 978
Total equity	29 667 582	29 485 497
Total liabilities and equity	**264 286 112**	**252 401 201**

In thousands of PLN

IX. Condensed statement of changes in equity

Statement of changes in equity 1.01.2024 - 30.09.2024	Share capital	Own shares	Other reserve capital	Revaluation reserve	Retained earnings and profit for the period	Total
As at the beginning of the period	**1 021 893**	**-**	**23 369 548**	**(275 166)**	**5 369 222**	**29 485 497**
Total comprehensive income	-	-	-	476 859	4 268 269	4 745 128
Profit for the period	-	-	-	-	*4 268 269*	*4 268 269*
Other comprehensive income	-	-	-	*476 859*	-	*476 859*
Inclusion of share based incentive scheme	-	-	70 022	-	-	70 022
Purchase of own shares	-	(72 334)	-	-	-	(72 334)
Settlement of the purchase of own shares under share based incentive scheme	-	72 334	(72 592)	-	-	(258)
Profit allocation to other reserve capital	-	-	87 042	-	(87 042)	-
Profit allocation to dividends	-	-	(1 056 637)	-	(3 504 072)	(4 560 709)
Other changes	-	-	236	-	-	236
As at the end of the period	**1 021 893**	**-**	**22 397 619**	**201 693**	**6 046 377**	**29 667 582**

As at the end of the period revaluation reserve in the amount of PLN 201,693 k comprises: change in revaluation of debt securities in the amount of PLN (595,392) k, revaluation of equity securities in the amount of PLN 294,308 k, revaluation of cash flow hedge instruments in the amount of PLN 502,349 k and accumulated actuarial gains of PLN 428 k.

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

* details in note 2.5

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

In thousands of PLN

X. Condensed statement of cash flows

for the period	1.01.2024-30.09.2024	1.01.2023-30.09.2023* restated
Cash flows from operating activities		
Profit before tax	**5 634 219**	**5 073 176**
Adjustments for:		
Depreciation/amortisation	385 722	352 750
Net gains on investing activities	4 133	(1 457)
Interest accrued excluded from operating activities	(1 566 275)	(1 494 333)
Dividends	(167 145)	(240 268)
Impairment losses (reversal)	1 935	3 966
Changes in:		
Provisions	368 943	172 548
Financial assets / liabilities held for trading	716 085	(133 931)
Assets pledged as collateral	(2 879 955)	(91 849)
Hedging derivatives	(155 864)	(589 266)
Loans and advances to banks	(3 820 178)	759 518
Loans and advances to customers	(18 127 777)	(13 241 552)
Deposits from banks	497 428	382 798
Deposits from customers	9 058 807	14 187 714
Buy-sell/ Sell-buy-back transactions	2 091 213	(2 530 677)
Other assets and liabilities	(1 994 279)	994 848
Interest received on operating activities	8 952 037	9 284 412
Interests paid on operating activities	(2 374 327)	(3 390 005)
Paid income tax	(1 751 525)	(405 362)
Net cash flows from operating activities	**(5 126 803)**	**9 093 030**
Cash flows from investing activities		
Inflows	**13 078 764**	**9 781 201**
Sale/maturity of investment securities	11 089 368	8 039 655
Sale of intangible assets and property, plant and equipment	1 083	11 920
Dividends received	167 145	160 268
Interest received	1 821 168	1 569 358
Outflows	**(14 499 790)**	**(11 362 570)**
Purchase of investment securities	(14 255 104)	(11 130 698)
Purchase of intangible assets and property, plant and equipment	(244 686)	(231 872)
Net cash flows from investing activities	**(1 421 026)**	**(1 581 369)**
Cash flows from financing activities		
Inflows	**4 076 617**	**1 900 000**
Debt securities issued	3 955 999	1 900 000
Drawing of loans	120 618	-
Outflows	**(7 169 251)**	**(2 792 386)**
Debt securities buy out	(1 913 871)	(2 340 050)
Repayment of loans and advances	(178 003)	(24 901)
Repayment of lease liabilities	(109 905)	(115 675)
Dividends to shareholders	(4 560 709)	-
Purchase of own shares	(72 334)	(48 884)
Interest paid	(334 429)	(262 876)
Net cash flows from financing activities	**(3 092 634)**	**(892 386)**
Total net cash flows	**(9 640 463)**	**6 619 275**
- including change resulting from FX differences	(16 896)	(146 465)
Cash and cash equivalents at the beginning of the accounting period	**33 698 888**	**34 490 824**
Cash and cash equivalents at the end of the accounting period	**24 058 425**	**41 110 099**

* details in note 2.5

XI. Additional notes to consolidated financial statements

1. General information about issuer

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

Consolidated financial statement of Santander Bank Polska Group includes the 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 to individual and business customers and operates in domestic and interbank foreign markets. It also offers the following services:

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

In thousands of PLN

Santander Bank Polska Group consists of the following entities:

Subsidiaries:

	Subsidiaries	Registered office	[%] of votes on AGM at 30.09.2024	[%] 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 30.09.2024	[%] 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 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.

In thousands of PLN

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.

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 September 2023 is presented below.

In thousands of PLN

Items in the consolidated income statement

for the period:	1.01.2023 r. -30.09.2023 r.		
	before	adjustment	after
Interest income and similar to interest	**13 689 682**	**-**	**13 689 682**
Interest income on financial assets measured at amortised cost	11 211 016	(153 250)	11 057 766
Interest income on financial assets measured at fair value through other comprehensive income	1 723 330	153 250	1 876 580
Income similar to interest on financial assets measured at fair value through profit or loss	67 942	-	67 942
Income similar to interest on finance leases	687 394	-	687 394

Items in the separate income statement

for the period:	1.01.2023 r. -30.09.2023 r.		
	before	adjustment	after
Interest income and similar to interest	**11 605 136**	**-**	**11 605 136**
Interest income on financial assets measured at amortised cost	9 967 232	(153 250)	9 813 982
Interest income on financial assets measured at fair value through other comprehensive income	1 585 470	153 250	1 738 720
Income similar to interest on financial assets measured at fair value through profit or loss	52 434	-	52 434

Items in the consolidated statement of comprehensive income

	for the period: 1.01.2023-30.09.2023		
	before	adjustment	after
Consolidated net profit for the period	**3 940 986**		**3 940 986**
Items that will be reclassified subsequently to profit or loss:	**1 109 298**	**755 001**	**1 864 299**
Revaluation and sales of debt financial assets measured at fair value through other comprehensive income gross	678 255	932 100	1 610 355
Deferred tax	(128 868)	(177 099)	(305 967)
Revaluation of cash flow hedging instruments gross	689 990	-	689 990
Deferred tax	(130 079)	-	(130 079)
Items that will not be reclassified subsequently to profit or loss	**18 118**	**-**	**18 118**
Total other comprehensive income, net	**1 127 416**	**755 001**	**1 882 417**
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD	**5 068 402**	**755 001**	**5 823 403**
Total comprehensive income attributable to:			
- owners of the parent entity	4 927 681	755 001	5 682 682
- non-controlling interests	140 721	-	140 721

Items in the separate statement of comprehensive income

	for the period: 1.01.2023-30.09.2023		
	before	adjustment	after
Net profit for the period	**3 780 924**		**3 780 924**
Items that will be reclassified subsequently to profit or loss:	**983 630**	**755 001**	**1 738 631**
Revaluation and sales of debt financial assets measured at fair value through other comprehensive income gross	546 037	932 100	1 478 137
Deferred tax	(103 747)	(177 099)	(280 846)
Revaluation of cash flow hedging instruments gross	668 321	-	668 321
Deferred tax	(126 981)	-	(126 981)
Items that will not be reclassified subsequently to profit or loss	**16 433**	**-**	**16 433**
Total other comprehensive income, net	**1 000 063**	**755 001**	**1 755 064**
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD	**4 780 987**	**755 001**	**5 535 988**

In thousands of PLN

Items in the consolidated statement of changes in equity

	for the period: 1.01.2023-30.09.2023				
	Revaluation reserve before	Total equity before	adjustment	Revaluation reserve after	Total equity after
As at the beginning of the period	**(1 131 335)**	**30 115 338**	**(1 649 990)**	**(2 781 325)**	**28 465 348**
Total comprehensive income	1 127 416	5 068 402	755 001	1 882 417	5 823 403
Other comprehensive income	*1 127 416*	*1 127 416*	*755 001*	*1 882 417*	*1 882 417*
As at the end of the period	**(38 211)**	**35 299 745**	**(894 989)***	**(933 200)**	**34 404 756**

*Item includes revaluation and sales of debt financial assets measured at fair value through other comprehensive income gross in the amount of PLN (1,104,924)k and deferred tax in the mount of PLN 209,936k.

Items in the separate statement of changes in equity

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

*Item includes revaluation and sales of debt financial assets measured at fair value through other comprehensive income gross in the amount of PLN (1,104,924)k and deferred tax in the mount of PLN 209,936k.

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 first half-year 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.

Management ECL adjustments

In the first three quarters 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 15,340 k on the corporate portfolio to cover the underestimation of the LGD parameter (PLN 39,710 k on 30.06.2024 and PLN 27,520 k on 31.12.2023). This is the only management ECL adjustment in force as at the end of September 2024.

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 25, 28 and 29.

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 28.

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 third quarter of 2024, the Group recognized PLN (110 432) k as cost of legal risk related to mortgage loans in foreign currencies and PLN (12 897) 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 28 and 29, 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 September 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 28.

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

1.07.2024-30.09.2024	Segment Retail Banking*	Segment Business and Corporate Banking	Segment Corporate& Investment Banking	Segment ALM and Centre	Segment Santander Consumer	Total
Net interest income	**2 148 564**	**574 117**	**190 923**	**243 564**	**419 162**	**3 576 330**
incl. internal transactions	(684)	(3 186)	3 714	19 471	(19 315)	-
Fee and commission income	543 997	166 164	130 783	-	56 262	897 206
Fee and commission expense	(109 480)	(12 287)	(17 968)	-	(30 008)	(169 743)
Net fee and commission income	**434 517**	**153 877**	**112 815**	**-**	**26 254**	**727 463**
incl. internal transactions	99 572	51 620	(150 404)	-	(788)	-
Net other income	**(4 728)**	**12 674**	**82 726**	**4 205**	**18 175**	**113 052**
incl. internal transactions	8 851	11 049	(19 022)	(216)	(662)	-
Dividend income	**103**	**-**	**109**	**-**	**105**	**317**
Operating costs	**(629 809)**	**(180 303)**	**(128 567)**	**(15 606)**	**(125 999)**	**(1 080 284)**
incl. internal transactions	-	-	-	(2 173)	2 173	-
Depreciation/amortisation	**(105 776)**	**(20 422)**	**(10 455)**	**(1 354)**	**(16 464)**	**(154 471)**
Impairment losses on loans and advances	**(151 764)**	**(5 605)**	**(39 368)**	**2 047**	**(102 210)**	**(296 900)**
Cost of legal risk associated with foreign currency mortgage loans	**(85 734)**	**-**	**-**	**-**	**(24 698)**	**(110 432)**
Share in net profits (loss) of entities accounted for by the equity method	**18 879**	**-**	**-**	**(35)**	**-**	**18 844**
Tax on financial institutions	**(112 502)**	**(45 919)**	**(38 737)**	**-**	**(11 437)**	**(208 595)**
Profit before tax	**1 511 750**	**488 419**	**169 446**	**232 821**	**182 888**	**2 585 324**
Corporate income tax						(587 252)
Consolidated profit for the period						**1 998 072**
of which:						
attributable to owners of the parent entity						1 939 690
attributable to non-controlling interests						58 382

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

In thousands of PLN

1.07.2024-30.09.2024	Segment Retail Banking *	Segment Business and Corporate Banking	Segment Corporate& Investment Banking	Segment ALM and Centre	Segment Santander Consumer	Total
Fee and commission income	543 997	166 164	130 783	-	56 262	897 206
Electronic and payment services	48 378	18 408	7 759	-	-	74 545
Current accounts and money transfer	68 142	26 524	4 297	-	305	99 268
Asset management fees	72 534	111	-	-	-	72 645
Foreign exchange commissions	100 878	50 640	67 424	-	-	218 942
Credit commissions incl. factoring commissions and other	33 523	35 383	22 852	-	19 481	111 239
Insurance commissions	61 369	3 896	288	-	21 347	86 900
Commissions from brokerage activities	23 543	28	15 699	-	-	39 270
Credit cards	23 004	-	-	-	9 480	32 484
Card fees (debit cards)	104 223	6 310	520	-	-	111 053
Off-balance sheet guarantee commissions	839	24 005	10 964	-	-	35 808
Finance lease commissions	2 895	600	44	-	5 649	9 188
Issue arrangement fees	-	259	936	-	-	1 195
Distribution fees	4 669	-	-	-	-	4 669

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

1.01.2024-30.09.2024	Segment Retail Banking*	Segment Business and Corporate Banking	Segment Corporate& Investment Banking	Segment ALM and Centre	Segment Santander Consumer	Total
Net interest income	**6 014 295**	**1 717 229**	**582 269**	**753 676**	**1 181 066**	**10 248 535**
incl. internal transactions	(1 957)	(7 476)	23 091	57 382	(71 040)	-
Fee and commission income	1 609 150	495 693	390 043	-	166 788	2 661 674
Fee and commission expense	(327 823)	(40 730)	(39 439)	-	(70 182)	(478 174)
Net fee and commission income	**1 281 327**	**454 963**	**350 604**	**-**	**96 606**	**2 183 500**
incl. internal transactions	292 674	152 210	(442 573)	-	(2 311)	-
Net other income	**(29 656)**	**57 541**	**234 045**	**(49 444)**	**43 714**	**256 200**
incl. internal transactions	22 879	40 373	(61 057)	(347)	(1 848)	-
Dividend income	**10 480**	**-**	**1 801**	**-**	**128**	**12 409**
Operating costs	**(1 978 196)**	**(535 689)**	**(392 906)**	**(42 590)**	**(404 391)**	**(3 353 772)**
incl. internal transactions	-	-	-	(1 423)	1 423	-
Depreciation/amortisation	**(314 231)**	**(58 205)**	**(30 313)**	**-**	**(55 771)**	**(458 520)**
Impairment losses on loans and advances	**(467 787)**	**(98 249)**	**(81 380)**	**4 431**	**(265 164)**	**(908 149)**
Cost of legal risk associated with foreign currency mortgage loans	**(1 099 056)**	**-**	**-**	**-**	**(557 914)**	**(1 656 970)**
Share in net profits (loss) of entities accounted for by the equity method	**71 172**	**-**	**-**	**733**	**-**	**71 905**
Tax on financial institutions	**(331 621)**	**(133 276)**	**(109 484)**	**-**	**(29 293)**	**(603 674)**
Profit before tax	**3 156 727**	**1 404 314**	**554 636**	**666 806**	**8 981**	**5 791 464**
Corporate income tax						(1 459 694)
Consolidated profit for the period						4 331 770
of which:						
attributable to owners of the parent entity						4 299 336
attributable to non-controlling interests						32 434

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

In thousands of PLN

1.01.2024-30.09.2024	Segment Retail Banking*	Segment Business and Corporate Banking	Segment Corporate& Investment Banking	Segment ALM and Centre	Segment Santander Consumer	Total
Fee and commission income	**1 609 151**	**495 693**	**390 043**	**-**	**166 787**	**2 661 674**
Electronic and payment services	142 988	53 196	22 132	-	-	218 316
Current accounts and money transfer	202 433	79 119	14 224	-	1 015	296 791
Asset management fees	213 238	403	-	-	-	213 641
Foreign exchange commissions	295 581	150 744	199 029	-	-	645 354
Credit commissions incl. factoring commissions and other	97 593	114 633	67 812	-	57 252	337 290
Insurance commissions	174 288	11 229	916	-	61 825	248 258
Commissions from brokerage activities	79 610	89	39 161	-	-	118 860
Credit cards	66 550	-	-	-	30 286	96 836
Card fees (debit cards)	312 814	15 824	1 622	-	-	330 260
Off-balance sheet guarantee commissions	2 014	68 235	32 468	-	-	102 717
Finance lease commissions	7 937	1 693	137	-	16 409	26 176
Issue arrangement fees	-	528	12 542	-	-	13 070
Distribution fees	14 105	-	-	-	-	14 105

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

Consolidated statement of financial position by business segments

30.09.2024	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	90 841 457	41 882 425	20 477 662	-	18 644 504	171 846 048
Investments in associates	888 270	-	-	48 953	-	937 223
Other assets	11 970 800	3 022 527	14 710 209	82 055 298	6 384 037	118 142 871
Total assets	**103 700 527**	**44 904 952**	**35 187 871**	**82 104 251**	**25 028 541**	**290 926 142**
Deposits from customers	142 694 986	42 879 098	14 274 685	2 300 611	15 620 471	217 769 851
Other liabilities	1 591 382	641 673	10 321 172	21 656 221	5 018 489	39 228 937
Equity	8 064 385	4 841 386	3 024 640	13 607 362	4 389 581	33 927 354
Total equity and liabilities	**152 350 753**	**48 362 157**	**27 620 497**	**37 564 194**	**25 028 541**	**290 926 142**

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

In thousands of PLN

Consolidated income statement by business segments

1.07.2023-30.09.2023	Segment Retail Banking *	Segment Business and Corporate Banking	Segment Corporate& Investment Banking	Segment ALM and Centre	Segment Santander Consumer	Total
Net interest income	**1 942 491**	**598 153**	**230 918**	**277 585**	**346 406**	**3 395 553**
incl. internal transactions	(368)	(2 417)	2 765	29 287	(29 267)	-
Fee and commission income	489 850	158 829	114 849	-	54 075	**817 603**
Fee and commission expense	(112 392)	(8 734)	(8 290)	-	(21 247)	**(150 663)**
Net fee and commission income	**377 458**	**150 095**	**106 559**	**-**	**32 828**	**666 940**
incl. internal transactions	85 520	46 454	(129 861)	-	(2 113)	-
Net other income	(20 115)	**16 412**	**60 591**	**90 654**	**10 574**	**158 116**
incl. internal transactions	3 661	13 730	(16 587)	(806)	2	-
Dividend income	**434**	**-**	**1 033**	**-**	**9**	**1 476**
Operating costs	**(665 837)**	**(135 660)**	**(104 712)**	**(21 072)**	**(117 038)**	**(1 044 319)**
incl. internal transactions	-	-	-	278	(278)	-
Depreciation/amortisation	**(101 132)**	**(16 629)**	**(9 100)**	**-**	**(17 062)**	**(143 923)**
Impairment losses on loans and advances	**(179 634)**	**(20 674)**	**(29 149)**	**(966)**	**(73 479)**	**(303 902)**
Cost of legal risk associated with foreign currency mortgage loans	**(396 723)**	**-**	**-**	**-**	**(33 448)**	**(430 171)**
Share in net profits (loss) of entities accounted for by the equity method	**23 861**	**-**	**-**	**726**	**-**	**24 587**
Tax on financial institutions	**(105 598)**	**(43 776)**	**(42 482)**	**-**	**(8 076)**	**(199 932)**
Profit before tax	**875 205**	**547 921**	**213 658**	**346 927**	**140 714**	**2 124 425**
Corporate income tax						**(546 900)**
Consolidated profit for the period						**1 577 525**
of which:						
attributable to owners of the parent entity						**1 528 770**
attributable to non-controlling interests						**48 755**

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

In thousands of PLN

1.07.2023-30.09.2023	Segment Retail Banking *	Segment Business and Corporate Banking	Segment Corporate& Investment Banking	Segment ALM and Centre	Segment Santander Consumer	Total
Fee and commission income	489 850	158 829	114 849	-	54 075	817 603
Electronic and payment services	47 402	18 223	6 525	-	-	72 150
Current accounts and money transfer	68 294	26 326	3 865	-	364	98 849
Asset management fees	52 785	101	-	-	-	52 886
Foreign exchange commissions	83 684	46 834	60 210	-	-	190 728
Credit commissions incl. factoring commissions and other	35 208	38 712	23 930	-	16 237	114 087
Insurance commissions	50 296	3 332	296	-	20 416	74 340
Commissions from brokerage activities	22 236	16	9 025	-	-	31 277
Credit cards	22 641	-	-	-	11 772	34 413
Card fees (debit cards)	100 582	4 669	492	-	-	105 743
Off-balance sheet guarantee commissions	1 288	19 858	9 979	-	(151)	30 974
Finance lease commissions	2 534	560	48	-	5 437	8 579
Issue arrangement fees	-	198	479	-	-	677
Distribution fees	2 900	-	-	-	-	2 900

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

1.01.2023-30.09.2023	Segment Retail Banking *	Segment Business and Corporate Banking	Segment Corporate& Investment Banking	Segment ALM and Centre	Segment Santander Consumer	Total
Net interest income	**5 566 859**	**1 741 211**	**655 844**	**744 996**	**979 113**	9 688 023
incl. internal transactions	(1 119)	(4 659)	8 099	82 828	(85 149)	-
Fee and commission income	1 450 373	467 177	381 445	-	154 159	2 453 154
Fee and commission expense	(323 696)	(27 935)	(26 483)	-	(68 136)	(446 250)
Net fee and commission income	**1 126 677**	**439 242**	**354 962**	-	**86 023**	2 006 904
incl. internal transactions	243 779	139 540	(380 993)	-	(2 326)	-
Net other income	**(253 381)**	**65 561**	**167 011**	**98 206**	**38 968**	116 365
incl. internal transactions	9 916	49 106	(57 005)	(2 022)	5	-
Dividend income	**10 109**	-	**1 281**	-	**28**	11 418
Operating costs	**(1 904 768)**	**(423 782)**	**(344 760)**	**(46 015)**	**(362 587)**	(3 081 912)
incl. internal transactions	-	-	-	1 333	(1 333)	-
Depreciation/amortisation	**(295 031)**	**(48 497)**	**(26 508)**	-	**(49 663)**	(419 699)
Impairment losses on loans and advances	**(528 927)**	**(111 102)**	**(55 548)**	**(1 824)**	**(196 733)**	(894 134)
Cost of legal risk associated with foreign currency mortgage loans	**(1 304 345)**	-	-	-	**(275 305)**	(1 579 650)
Share in net profits (loss) of entities accounted for by the equity method	**75 060**	-	-	**1 719**	-	76 779
Tax on financial institutions	**(321 132)**	**(137 817)**	**(105 956)**	-	**(22 556)**	(587 461)
Profit before tax	**2 171 121**	**1 524 816**	**646 326**	**797 082**	**197 288**	5 336 633
Corporate income tax						(1 395 647)
Consolidated profit for the period						3 940 986
of which:						
attributable to owners of the parent entity						3 850 986
attributable to non-controlling interests						90 000

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

In thousands of PLN

1.01.2023-30.09.2023	Segment Retail Banking *	Segment Business and Corporate Banking	Segment Corporate& Investment Banking	Segment ALM and Centre	Segment Santander Consumer	Total
Fee and commission income	**1 450 373**	**467 177**	**381 445**	**-**	**154 159**	**2 453 154**
Electronic and payment services	137 563	54 377	19 354	-	-	211 294
Current accounts and money transfer	197 867	77 314	12 443	-	1 137	288 761
Asset management fees	153 847	288	-	-	-	154 135
Foreign exchange commissions	239 957	141 171	181 075	-	-	562 203
Credit commissions incl. factoring commissions and other	102 925	108 426	95 662	-	48 723	355 736
Insurance commissions	142 831	9 158	1 048	-	53 229	206 266
Commissions from brokerage activities	71 901	33	27 499	-	-	99 433
Credit cards	69 386	-	-	-	36 475	105 861
Card fees (debit cards)	313 093	14 421	1 548	-	-	329 062
Off-balance sheet guarantee commissions	3 267	59 619	32 566	-	-	95 452
Finance lease commissions	7 675	1 654	191	-	14 595	24 115
Issue arrangement fees	-	716	10 059	-	-	10 775
Distribution fees	10 061	-	-	-	-	10 061

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

Consolidated statement of financial position by business segments

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)

In thousands of PLN

4. Net interest income

Interest income and similar to interest	1.07.2024-30.09.2024	1.01.2024-30.09.2024	1.07.2023-30.09.2023* restated	1.01.2023-30.09.2023* restated
Interest income on financial assets measured at amortised cost	**4 146 073**	**11 806 993**	**3 886 231**	**11 057 766**
Loans and advances to enterprises	1 246 562	3 623 599	1 268 398	3 696 631
Loans and advances to individuals, of which:	2 081 805	5 927 024	2 090 537	6 002 299
Home mortgage loans	*1 005 235*	*2 812 127*	*1 064 418*	*3 031 561*
Loans and advances to banks	234 452	667 986	223 670	613 360
Loans and advances to public sector	29 382	77 819	20 028	62 528
Reverse repo transactions	184 375	491 506	183 515	440 641
Debt securities	386 693	1 062 684	113 256	243 438
Interest recorded on hedging IRS	(17 196)	(43 625)	(13 173)	(1 131)
Interest income on financial assets measured at fair value through other comprehensive income	**471 374**	**1 474 210**	**663 611**	**1 876 580**
Loans and advances to enterprises	79 195	205 908	81 718	173 631
Loans and advances to public sector	4 207	12 542	-	19 497
Debt securities	387 972	1 255 760	575 492	1 683 452
Income similar to interest - financial assets measured at fair value through profit or loss	**19 363**	**60 422**	**13 195**	**67 942**
Loans and advances to enterprises	-	-	-	1 420
Loans and advances to individuals	3 529	12 344	5 650	22 153
Debt securities	15 834	48 078	7 545	44 369
Income similar to interest on finance leases	**267 789**	**776 862**	**241 894**	**687 394**
Total income	**4 904 599**	**14 118 487**	**4 804 931**	**13 689 682**

*details in note 2.5

Interest expenses	1.07.2024-30.09.2024	1.01.2024-30.09.2024	1.07.2023-30.09.2023	1.01.2023-30.09.2023
Interest expenses on financial liabilities measured at amortised cost	**(1 328 269)**	**(3 869 952)**	**(1 409 378)**	**(4 001 659)**
Liabilities to individuals	(480 495)	(1 482 177)	(579 019)	(1 614 653)
Liabilities to enterprises	(369 999)	(1 042 572)	(457 369)	(1 318 021)
Repo transactions	(76 750)	(207 838)	(49 490)	(176 969)
Liabilities to public sector	(108 346)	(304 226)	(102 863)	(281 698)
Liabilities to banks	(49 371)	(154 445)	(55 548)	(157 296)
Lease liability	(5 643)	(16 650)	(4 530)	(13 484)
Subordinated liabilities and issue of securities	(237 665)	(662 044)	(160 559)	(439 538)
Total costs	**(1 328 269)**	**(3 869 952)**	**(1 409 378)**	**(4 001 659)**
Net interest income	**3 576 330**	**10 248 535**	**3 395 553**	**9 688 023**

In thousands of PLN

5. Net fee and commission income

Fee and commission income	1.07.2024-30.09.2024	1.01.2024-30.09.2024	1.07.2023-30.09.2023	1.01.2023-30.09.2023
eBusiness & payments	74 545	218 316	72 150	211 294
Current accounts and money transfer	99 268	296 791	98 849	288 761
Asset management fees	72 645	213 641	52 886	154 135
Foreign exchange commissions	218 942	645 354	190 728	562 203
Credit commissions incl. factoring commissions and other	111 239	337 290	114 087	355 736
Insurance commissions	86 900	248 258	74 340	206 266
Commissions from brokerage activities	39 270	118 860	31 277	99 433
Credit cards	32 484	96 836	34 413	105 861
Card fees (debit cards)	111 053	330 260	105 743	329 062
Off-balance sheet guarantee commissions	35 808	102 717	30 974	95 452
Finance lease commissions	9 188	26 176	8 579	24 115
Issue arrangement fees	1 195	13 070	677	10 775
Distribution fees	4 669	14 105	2 900	10 061
Total	**897 206**	**2 661 674**	**817 603**	**2 453 154**

Fee and commission expenses	1.07.2024-30.09.2024	1.01.2024-30.09.2024	1.07.2023-30.09.2023	1.01.2023-30.09.2023
eBusiness & payments	(24 139)	(65 004)	(21 668)	(59 344)
Distribution fees	(2 712)	(8 006)	(2 427)	(6 692)
Commissions from brokerage activities	(3 112)	(11 407)	(3 060)	(9 803)
Credit cards	(5 487)	(15 864)	(4 979)	(14 212)
Card fees (debit cards)	(31 090)	(96 486)	(28 255)	(84 972)
Credit commissions paid	(19 422)	(71 129)	(26 735)	(83 819)
Insurance commissions	(3 048)	(8 981)	(3 538)	(10 747)
Finance lease commissions	(12 671)	(36 561)	(12 143)	(35 290)
Asset management fees and other costs	(648)	(2 594)	(1 204)	(3 982)
Off-balance sheet guarantee commissions	(26 209)	(61 488)	(17 118)	(57 574)
Other	(41 205)	(100 654)	(29 536)	(79 815)
Total	**(169 743)**	**(478 174)**	**(150 663)**	**(446 250)**
Net fee and commission income	**727 463**	**2 183 500**	**666 940**	**2 006 904**

6. Net trading income and revaluation

Net trading income and revaluation	1.07.2024-30.09.2024	1.01.2024-30.09.2024	1.07.2023-30.09.2023	1.01.2023-30.09.2023
Derivative instruments	(6 150)	130 519	(76 410)	15 168
Interbank FX transactions and other FX related income	37 072	(83 611)	192 487	210 096
Net gains on sale of equity securities measured at fair value through profit or loss	5 330	14 718	(1 422)	16 183
Net gains on sale of debt securities measured at fair value through profit or loss	31 358	85 867	25 652	32 419
Change in fair value of loans and advances mandatorily measured at fair value through profit or loss	(1 165)	1 184	1 352	11 677
Total	**66 445**	**148 677**	**141 659**	**285 543**

The above amounts included CVA and DVA adjustments in the amount of PLN (2,324)k for 1-3Q 2024, PLN (5,916)k for 3Q 2024 and PLN (3,135)k for 1-3Q 2023, PLN (1,405) k for 3Q 2023.

In thousands of PLN

7. Gains (losses) from other financial securities

Gains (losses) from financial securities	1.07.2024-30.09.2024	1.01.2024-30.09.2024	1.07.2023-30.09.2023	1.01.2023-30.09.2023
Net gains on sale of debt securities measured at fair value through other comprehensive income	6 421	11 453	4 630	927
Net gains on sale of debt securities measured at fair value through profit or loss	-	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	440	692	(3 731)	12 050
Impairment losses on securities	-	-	-	(2 016)
Total profit (losses) on financial instruments	**6 861**	**12 146**	**899**	**13 848**
Change in fair value of hedging instruments	(71 053)	(42 871)	(134 347)	(387 565)
Change in fair value of underlying hedged positions	79 093	51 555	127 930	372 834
Total profit (losses) on hedging and hedged instruments	**8 040**	**8 684**	**(6 417)**	**(14 731)**
Total	**14 901**	**20 830**	**(5 518)**	**(883)**

8. Other operating income

Other operating income	1.07.2024-30.09.2024	1.01.2024-30.09.2024	1.07.2023-30.09.2023	1.01.2023-30.09.2023
Income from services rendered	4 213	15 243	17 851	26 069
Release of provision for legal cases and other assets	14 336	40 314	7 819	18 053
Gain on sales or liquidation of fixed assets, intangible assets and assets for disposal	-	-	1 714	3 936
Recovery of other receivables (expired, cancelled and uncollectable)	30	48	63	180
Received compensations, penalties and fines	470	1 569	4 735	6 073
Settlements of leasing agreements /Income from claims received from the insurer	3 567	11 640	3 085	8 796
Other	21 028	62 464	19 661	64 894
Total	**43 644**	**131 278**	**54 928**	**128 001**

In thousands of PLN

9. Impairment allowances for expected credit losses

Impairment allowances for expected credit losses on loans and advances measured at amortised cost	1.07.2024-30.09.2024	1.01.2024-30.09.2024	1.07.2023-30.09.2023	1.01.2023-30.09.2023
Charge for loans and advances to banks	**26**	**210**	**1 468**	**(28)**
Stage 1	26	210	1 468	(28)
Stage 2	-	-	-	-
Stage 3	-	-	-	-
POCI	-	-	-	-
Charge for loans and advances to customers	**(300 543)**	**(949 409)**	**(296 013)**	**(916 605)**
Stage 1	(20 067)	(27 926)	(41 326)	(132 289)
Stage 2	(43 936)	(466 526)	(133 064)	(424 301)
Stage 3	(257 139)	(527 373)	(136 329)	(418 633)
POCI	20 599	72 416	14 706	58 618
Recoveries of loans previously written off	**(5 901)**	**30 384**	**2 138**	**36 695**
Stage 1	-	-	-	-
Stage 2	-	-	-	-
Stage 3	(5 901)	30 384	2 138	36 695
POCI	-	-	-	-
Off-balance sheet credit related facilities	**9 518**	**10 666**	**(11 495)**	**(14 196)**
Stage 1	11 587	7 288	(2 680)	(5 991)
Stage 2	17 106	2 490	(10 354)	(13 423)
Stage 3	(19 175)	888	1 539	5 218
POCI	-	-	-	-
Total	**(296 900)**	**(908 149)**	**(303 902)**	**(894 134)**

10. Employee costs

Employee costs	1.07.2024-30.09.2024	1.01.2024-30.09.2024	1.07.2023-30.09.2023	1.01.2023-30.09.2023
Salaries and bonuses	(531 330)	(1 463 747)	(471 087)	(1 360 165)
Salary related costs	(87 529)	(258 910)	(81 229)	(235 132)
Cost of contributions to Employee Capital Plans	(4 082)	(12 205)	(3 615)	(10 228)
Staff benefits costs	(16 981)	(46 008)	(12 511)	(32 929)
Professional trainings	(2 712)	(8 833)	(3 058)	(8 134)
Retirement fund, holiday provisions and other employee costs	(17)	(983)	543	526
Total	**(642 651)**	**(1 790 686)**	**(570 957)**	**(1 646 062)**

In thousands of PLN

11. General and administrative expenses

General and administrative expenses	1.07.2024-30.09.2024	1.01.2024-30.09.2024	1.07.2023-30.09.2023	1.01.2023-30.09.2023
Maintenance of premises	(35 480)	(106 544)	(33 336)	(97 431)
Short-term lease costs	(2 155)	(6 984)	(2 222)	(6 683)
Low-value assets lease costs	(309)	(935)	(316)	(927)
Costs of variable lease payments not included in the measurement of the lease liability	(142)	(393)	39	(361)
Non-tax deductible VAT - lease	(9 707)	(29 913)	(9 178)	(29 344)
Marketing and representation	(42 271)	(129 672)	(46 934)	(124 203)
IT systems costs	(130 239)	(400 034)	(132 067)	(385 734)
Cost of BFG, KNF and KDPW	(12 523)	(284 191)	(8 605)	(202 886)
Cost for payment to protection system (IPS)	-	-	(18)	(256)
Postal and telecommunication costs	(13 503)	(39 941)	(13 672)	(44 424)
Consulting and advisory fees	(13 739)	(57 464)	(18 947)	(50 921)
Cars, transport expenses, carriage of cash	(10 791)	(35 675)	(15 134)	(49 008)
Other external services	(68 320)	(199 402)	(47 144)	(151 889)
Stationery, cards, cheques etc.	(3 995)	(11 973)	(4 923)	(15 439)
Sundry taxes and charges	(12 428)	(35 071)	(11 103)	(32 995)
Data transmission	(5 384)	(18 240)	(5 479)	(17 840)
KIR, SWIFT settlements	(11 608)	(33 201)	(8 063)	(26 254)
Security costs	(5 057)	(15 092)	(4 475)	(13 624)
Costs of repairs	(3 547)	(7 581)	(1 607)	(3 627)
Other	(6 350)	(23 239)	(4 929)	(17 599)
Total	**(387 548)**	**(1 435 545)**	**(368 113)**	**(1 271 445)**

12. Other operating expenses

Other operating expenses	1.07.2024-30.09.2024	1.01.2024-30.09.2024	1.07.2023-30.09.2023	1.01.2023-30.09.2023
Charge of provisions for legal cases and other assets	(28 268)	(64 489)	(31 583)	(62 293)
Impairment loss on property, plant, equipment, intangible assets covered by financial lease agreements and other fixed assets	(45)	(3 394)	(455)	(3 683)
Loss on sales or liquidation of fixed assets, intangible assets and assets for disposal	(2 026)	(9 190)	-	-
Costs of purchased services	(502)	(1 619)	(13 680)	(14 933)
Other membership fees	(456)	(1 353)	(325)	(1 157)
Paid compensations, penalties and fines	(361)	(769)	(42)	(303)
Donations paid	(135)	(4 367)	(628)	(4 439)
Other	(18 292)	(42 360)	(58 536)	(77 597)
Total	**(50 085)**	**(127 541)**	**(105 249)**	**(164 405)**

13. Corporate income tax

Corporate income tax	1.07.2024-30.09.2024	1.01.2024-30.09.2024	1.07.2023-30.09.2023	1.01.2023-30.09.2023
Current tax charge in the income statement	(496 319)	(1 163 295)	(516 191)	(1 343 491)
Deferred tax	(90 933)	(318 664)	(30 709)	(71 403)
Adjustments from previous years for current and deferred tax	-	22 265	-	19 247
Total tax on gross profit	**(587 252)**	**(1 459 694)**	**(546 900)**	**(1 395 647)**

In thousands of PLN

Corporate total tax charge information	1.07.2024-30.09.2024	1.01.2024-30.09.2024	1.07.2023-30.09.2023	1.01.2023-30.09.2023
Profit before tax	2 585 324	5 791 464	2 124 425	5 336 633
Tax rate	19%	19%	19%	19%
Tax calculated at the tax rate	(491 212)	(1 100 378)	(403 641)	(1 013 960)
Non-tax-deductible expenses	(10 772)	(23 681)	(13 159)	(27 020)
Cost of legal risk associated with foreign currency mortgage loans	5 521	(234 712)	(69 857)	(248 079)
The fee to the Bank Guarantee Fund	-	(47 476)	-	(33 170)
Tax on financial institutions	(39 633)	(114 698)	(37 987)	(111 618)
Non-taxable income	1 500	22 389	1 256	10 475
Adjustment of prior years tax	-	22 265	-	19 247
Tax effect of consolidation adjustments	-	20 626	-	14 731
Non-tax deductible bad debt provisions	(10 756)	(37 467)	(10 371)	(18 469)
Expected weighted average annual tax rate adjustment*	(38 200)	38 200	(16 744)	14 944
Other	(3 700)	(4 762)	3 603	(2 728)
Total tax on gross profit	**(587 252)**	**(1 459 694)**	**(546 900)**	**(1 395 647)**

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

Deferred tax recognised in other comprehensive income	30.09.2024	31.12.2023
Relating to valuation of debt investments measured at fair value through other comprehensive income	141 710	250 814
Relating to valuation of equity investments measured at fair value through other comprehensive income	(69 197)	(47 309)
Relating to cash flow hedging activity	(118 131)	(130 954)
Relating to valuation of defined benefit plans	(633)	(356)
Total	**(46 251)**	**72 195**

14. Cash and balances with central banks

Cash and balances with central banks	30.09.2024	31.12.2023
Cash	1 335 913	2 609 876
Current accounts in central banks	11 618 606	5 612 059
Term deposits	-	195 584
Total	**12 954 519**	**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 30.09.2024 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.

15. Loans and advances to banks

Loans and advances to banks	30.09.2024	31.12.2023
Loans and advances	5 092 858	6 298 372
Current accounts	2 229 380	3 235 871
Gross receivables	**7 322 238**	**9 534 243**
Allowance for impairment	(193)	(403)
Total	**7 322 045**	**9 533 840**

In thousands of PLN

16. Financial assets and liabilities held for trading

	30.09.2024		31.12.2023	
Financial assets and liabilities held for trading	**Assets**	**Liabilities**	**Assets**	**Liabilities**
Trading derivatives	**7 448 812**	**7 070 141**	**7 391 237**	**7 994 372**
Interest rate operations	5 031 198	4 460 897	4 041 517	4 310 003
FX operations	2 417 614	2 609 244	3 349 720	3 684 369
Debt and equity securities	**615 692**	**-**	**1 548 123**	**-**
Debt securities	**506 027**	**-**	**1 519 191**	**-**
Government securities:	493 201	-	1 508 969	-
- bonds	493 201	-	1 508 969	-
Other securities:	12 826	-	10 222	-
- bonds	12 826	-	10 222	-
Equity securities	**109 665**	**-**	**28 932**	**-**
Short sale	**-**	**1 585 878**	**-**	**824 121**
Total	**8 064 504**	**8 656 019**	**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 (3,425) k as at 30.09.2024 and PLN (1,923) k as at 31.12.2023.

17. Loans and advances to customers

	30.09.2024				
Loans and advances to customers	**measured at amortised cost**	**measured at fair value through other comprehensive income**	**measured at fair value through profit or loss**	**from finance leases**	**Total**
Loans and advances to enterprises	69 218 307	4 119 377	2	-	73 337 686
Loans and advances to individuals, of which:	88 345 278	-	73 467	-	88 418 745
*Home mortgage loans**	*56 058 666*	-	-	-	*56 058 666*
Finance lease receivables	-	-	-	14 753 215	14 753 215
Loans and advances to public sector	1 131 956	253 897	-	-	1 385 853
Other receivables	79 420	-	-	-	79 420
Gross receivables	**158 774 961**	**4 373 274**	**73 469**	**14 753 215**	**177 974 919**
Allowance for impairment	(5 698 495)	(99 967)	-	(330 409)	(6 128 871)
Total	**153 076 466**	**4 273 307**	**73 469**	**14 422 806**	**171 846 048**

* Includes changes in gross book value described in note 28 Legal risk connected with CHF mortgage loans and impact of the payment deferrals

In thousands of PLN

	31.12.2023				
Loans and advances to customers	**measured at amortised cost**	**measured at fair value through other comprehensive income**	**measured at fair value through profit or loss**	**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 book value described in note 28 Legal risk connected with CHF mortgage loans and impact of the payment deferrals

Impact of the legal risk of mortgage loans in foreign currency	**Gross carrying amount of mortgage loans in foreign currency before adjustment due to legal risk costs**	**Impact of the legal risk of mortgage loans in foreign currency**	**Gross carrying amount of mortgage loans in foreign currency after adjustment due to legal risk costs***
30.09.2024			
Mortgage loans in CHF i PLN, which used to be denominated in or indexed to CHF - adjustment to gross carrying amount	5 508 085	4 354 817	1 153 268
Provision in respect of legal risk connected with mortgage loans in CHF i PLN, which used to be denominated in or indexed to CHF		1 294 983	
Total		**5 649 800**	
31.12.2023			
Mortgage loans in CHF i PLN, which used to be denominated in or indexed to CHF - adjustment to gross carrying amount	6 618 026	4 226 970	2 391 056
Provision in respect of legal risk connected with mortgage loans in CHF i PLN, which used to be denominated in or indexed to CHF		803 385	
Total		**5 030 355**	

* Includes changes in gross book value described in note 28 Legal risk connected with CHF mortgage loans

In thousands of PLN

Movements on impairment losses on loans and advances to customers measured at amortised cost for reporting period	1.01.2024-30.09.2024	1.01.2023-30.09.2023
Balance at the beginning of the period	**(5 329 825)**	**(5 630 633)**
Charge/write back of current period	**(933 928)**	**(913 188)**
Stage 1	(72 748)	(109 878)
Stage 2	(417 364)	(391 798)
Stage 3	(446 292)	(404 092)
POCI	2 476	(7 420)
Write off/Sale of receivables	**472 931**	**576 963**
Stage 1	-	-
Stage 2	-	-
Stage 3	472 296	575 215
POCI	635	1 748
Transfer	**84 456**	**53 528**
Stage 1	168 094	92 530
Stage 2	227 950	323 360
Stage 3	(313 476)	(337 473)
POCI	1 888	(24 889)
FX differences	**7 871**	**6 288**
Stage 1	910	1 238
Stage 2	1 756	4 102
Stage 3	4 911	998
POCI	294	(50)
Balance at the end of the period	**(5 698 495)**	**(5 907 042)**

18. Investment securities

Investment securities	30.09.2024	31.12.2023
Debt investment securities measured at fair value through other comprehensive income	**32 914 165**	**47 598 570**
Government securities:	21 792 263	27 436 096
- bonds	21 792 263	27 436 096
Central Bank securities:	-	6 246 368
- bills	-	6 246 368
Other securities:	11 121 902	13 916 106
-bonds	11 121 902	13 916 106
Debt investment securities measured at fair value through profit and loss	**1 012**	**2 005**
Debt investment securities measured at amortised cost	**32 169 637**	**19 639 468**
Government securities:	29 020 455	18 675 450
- bonds	29 020 455	18 675 450
Other securities:	3 149 182	964 018
- bonds	3 149 182	964 018
Equity investment securities measured at fair value through other comprehensive income	**390 519**	**277 121**
- unlisted	390 519	277 121
Equity investment securities measured at fair value through profit and loss	**6 983**	**5 839**
- unlisted	6 983	5 839
Total	**65 482 316**	**67 523 003**

In thousands of PLN

19. Investments in associates

Balance sheet value of associates	30.09.2024	31.12.2023
Polfund - Fundusz Poręczeń Kredytowych S.A.	48 953	48 220
Santander - Allianz Towarzystwo Ubezpieczeń S.A. and Santander - Allianz Towarzystwo Ubezpieczeń na Życie S.A.	888 270	919 294
Total	**937 223**	**967 514**

Movements on investments in associates	1.01.2024-30.09.2024	1.01.2023-30.09.2023
As at the beginning of the period	**967 514**	**921 495**
Share of profits/(losses)	71 905	76 779
Dividends	(108 559)	(77 533)
Other	6 363	20 284
As at the end of the period	**937 223**	**941 025**

20. Deposits from banks

Deposits from banks	30.09.2024	31.12.2023
Term deposits	141 786	553 858
Loans received from banks	1 430 086	1 377 271
Current accounts	2 708 244	2 225 324
Total	**4 280 116**	**4 156 453**

21. Deposits from customers

Deposits from customers	30.09.2024	31.12.2023
Deposits from individuals	**124 378 445**	**115 261 179**
Term deposits	46 203 867	41 847 879
Current accounts	77 893 944	73 159 663
Other	280 634	253 637
Deposits from enterprises	**83 457 977**	**85 194 159**
Term deposits	22 661 485	21 619 410
Current accounts	56 022 094	59 695 630
Loans received from financial institution	672 474	950 381
Other	4 101 924	2 928 738
Deposits from public sector	**9 933 429**	**8 822 018**
Term deposits	1 612 394	849 436
Current accounts	8 258 041	7 836 387
Other	62 994	136 195
Total	**217 769 851**	**209 277 356**

22. Subordinated liabilities

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

Movements in subordinated liabilities	1.01.2024-30.09.2024	1.01.2023-30.09.2023
As at the beginning of the period	**2 686 343**	**2 807 013**
Additions from:	**142 337**	**145 710**
- interest on subordinated loans	142 337	145 710
Disposals from:	**(148 192)**	**(138 592)**
- interest repayment	(124 540)	(120 099)
- FX differences	(23 652)	(18 493)
As at the end of the period	**2 680 488**	**2 814 131**
Short-term	482 118	62 327
Long-term (over 1 year)	2 198 370	2 751 804

23. Debt securities in issue

Debt securities in issue on 30.09.2024

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	1 969 728
Santander Bank Polska S.A.	Bonds	3 100 000	PLN	29.11.2023	30.11.2026	3 181 322
Santander Bank Polska S.A.	Bonds	200 000	EUR	22.12.2023	22.12.2025	889 019
Santander Bank Polska S.A.	Bonds	242 129	PLN	26.06.2024	14.02.2034	251 812
Santander Bank Polska S.A.	Bonds	1 800 000	PLN	30.09.2024	30.09.2027	1 800 358
Santander Leasing S.A.	Bonds	365 000	PLN	23.07.2024	23.07.2025	368 160
Santander Leasing S.A.	Bonds	73 000	PLN	19.12.2023	19.12.2024	73 072
Santander Factoring Sp. z o.o.	Bonds	325 000	PLN	26.06.2024	23.12.2024	324 925
Santander Factoring Sp. z o.o.	Bonds	100 000	PLN	26.06.2024	01.10.2024	100 555
Santander Factoring Sp. z o.o.	Bonds	390 000	PLN	19.08.2024	19.02.2025	390 107
Santander Factoring Sp. z o.o.	Bonds	100 000	PLN	19.08.2024	08.08.2025	99 999
Santander Factoring Sp. z o.o.	Bonds	110 000	PLN	19.08.2024	19.05.2025	109 931
Santander Consumer Bank S.A.	Bonds	300 000	PLN	28.10.2022	06.12.2024	301 393
Santander Consumer Multirent sp. z o.o.	Bonds	50 000	PLN	26.05.2023	31.03.2025	49 950
Santander Consumer Multirent sp. z o.o.	Bonds	265 000	PLN	26.10.2022	28.10.2024	268 191
Santander Consumer Multirent sp. z o.o.	Bonds	300 000	PLN	24.06.2024	24.06.2025	299 956
S.C. Poland Consumer 23-1 DAC	Bonds	1 000 000	PLN	01.12.2022	16.11.2032	1 002 712
SCM POLAND AUTO 2019-1 DAC	Bonds	891 000	PLN	20.07.2020	31.07.2028	893 041
Total						**12 374 231**

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**

Movements in debt securities in issue	1.01.2024-30.09.2024	1.01.2023-30.09.2023
As at the beginning of the period	**9 247 159**	**9 330 648**
Increase (due to:)	**7 161 975**	**3 102 518**
- debt securities issued	6 646 000	2 810 000
- interest on debt securities in issue	515 975	292 518
Decrease (due to):	**(4 034 903)**	**(3 609 313)**
- debt securities repurchase	(3 640 810)	(3 236 050)
- interest repayment	(376 302)	(326 454)
- FX differences	(13 780)	(45 625)
- other changes	(4 011)	(1 184)
As at the end of the period	**12 374 231**	**8 823 853**

24. Provisions for financial liabilities and guarantees granted

Provisions for financial liabilities and guarantees granted	30.09.2024	31.12.2023
Provisions for financial commitments to grant loans and credit lines	97 062	95 027
Provisions for financial guarantees	13 495	27 412
Other provisions	396	646
Total	**110 953**	**123 085**

In thousands of PLN

Change in provisions for financial liabilities and guarantees granted	1.01.2024-30.09.2024
As at the beginning of the period	**123 085**
Provision charge	225 869
Write back	(236 535)
Other changes	(1 466)
As at the end of the period	**110 953**
Short-term	59 621
Long-term	51 332

Change in provisions for financial liabilities and guarantees granted	1.01.2023-30.09.2023
As at the beginning of the period	**61 869**
Provision charge	113 078
Write back	(98 881)
Other changes	(137)
As at the end of the period	**75 929**
Short-term	37 067
Long-term	38 862

25. Other provisions

Other provisions	30.09.2024	31.12.2023
Provision for legal risk connected with foreign currency mortgage loans	1 294 983	803 385
Provisions for reimbursement of costs related to early repayment of consumer and mortgage loans	30 859	37 453
Provisions for legal claims and other	131 088	126 268
Total	**1 456 930**	**967 106**

Change in other provisions 1.01.2024 - 30.09.2024	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	578 654	-	138 074	-	716 728
Utilization	(67 137)	(6 594)	(133 254)	-	(206 985)
Other	(19 919)	-	-	-	(19 919)
As at the end of the period	**1 294 983**	**30 859**	**131 088**	**-**	**1 456 930**

*Detailed information are described in note 28

In thousands of PLN

Change in other provisions 1.01.2023 - 30.09.2023	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	245 219	22	105 188	-	350 429
Utilization	(31 966)	(8 515)	(117 734)	(4 574)	(162 789)
Other	(1 335)	-	-	-	(1 335)
As at the end of the period	**632 870**	**43 740**	**126 117**	**10 889**	**813 616**

26. Other liabilities

Other liabilities	30.09.2024	31.12.2023
Settlements of stock exchange transactions	41 192	62 073
Interbank and interbranch settlements	800 706	1 251 650
Employee provisions	454 487	514 628
Sundry creditors	1 880 762	2 084 753
Liabilities from contracts with customers	212 893	203 646
Public and law settlements	175 050	175 252
Accrued liabilities	698 746	511 771
Finance lease related settlements	156 540	157 841
Other	10 294	28 296
Total	**4 430 670**	**4 989 910**
of which financial liabilities *	4 032 433	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.

Change in employee provisions 1.01.2024 - 30.09.2024		*of which: Provisions for retirement allowances*
As at the beginning of the period	**514 628**	***63 554***
Provision charge	285 987	*3 912*
Utilization	(340 860)	*(20)*
Release of provisions	(5 268)	*(1 458)*
As at the end of the period	**454 487**	***65 988***
Short-term	388 499	-
Long-term	65 988	*65 988*

In thousands of PLN

Change in employee provisions 1.01.2023 - 30.09.2023		*of which: Provisions for retirement allowances*
As at the beginning of the period	**446 011**	***44 700***
Provision charge	288 634	*6 461*
Utilization	(273 229)	*(13)*
Release of provisions	(2 557)	*(1 983)*
Other changes	(72 110)	-
As at the end of the period	**386 749**	***49 165***
Short-term	337 584	-
Long-term	49 165	*49 165*

27. Fair value

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

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

	30.09.2024		31.12.2023	
ASSETS	**Book Value**	**Fair value**	**Book Value**	**Fair value**
Cash and balances with central banks	12 954 519	12 954 519	8 417 519	8 417 519
Loans and advances to banks	7 322 045	7 322 045	9 533 840	9 533 840
Loans and advances to customers measured at amortised cost	153 076 466	152 188 534	143 488 004	143 576 065
Buy-sell-back transactions	10 701 611	10 701 611	12 676 594	12 676 594
Debt investment securities measured at amortised cost	32 169 637	32 654 506	19 639 468	19 904 443
LIABILITIES				
Deposits from banks	4 280 116	4 280 116	4 156 453	4 156 453
Deposits from customers	217 769 851	217 737 283	209 277 356	209 270 589
Sell-buy-back transactions	3 861 102	3 861 102	273 547	273 547
Subordinated liabilities	2 680 488	2 633 004	2 686 343	2 663 921

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

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

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

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

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

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

Debt securities in issue and subordinated liabilities: The 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 30.09.2024 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 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: -for SOBK ca. 12.9% -for KIR ca. 14.2%. -for WSEZ ca. 0.2%.
SHARES IN KRAJOWA IZBA ROZLICZENIOWA SA		
SHARES IN WAŁBRZYSKA SPECJALNA STREFA EKONOMICZNA „INVEST-PARK" SP Z O.O.		

In thousands of PLN

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 September 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;

As at 30.09.2024 and in the comparable periods the Group classified its financial instruments to the following fair value levels:

30.09.2024	Level I	Level II	Level III	Total
Financial assets				
Financial assets held for trading	610 525	7 448 290	5 689	8 064 504
Hedging derivatives	-	2 184 932	-	2 184 932
Loans and advances to customers measured at fair value through other comprehensive income	-	-	4 273 307	4 273 307
Loans and advances to customers measured at fair value through profit and loss	-	-	73 469	73 469
Debt securities measured at fair value through other comprehensive income	23 151 917	-	9 762 248	32 914 165
Debt securities measured at fair value through profit and loss	-	-	1 012	1 012
Equity securities measured at fair value through other comprehensive income	-	-	6 983	6 983
Equity securities measured at fair value through other comprehensive income	-	-	390 519	390 519
Assets pledged as collateral	3 344 970	-	-	3 344 970
Total	**27 107 412**	**9 633 222**	**14 513 227**	**51 253 861**
Financial liabilities				
Financial liabilities held for trading	1 585 878	7 069 912	229	8 656 019
Hedging derivatives	-	567 289	-	567 289
Total	**1 585 878**	**7 637 201**	**229**	**9 223 308**

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**

In thousands of PLN

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

Level III

30.09.2024	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	449	2 570	207 042	968	-	-		220
---gains/losses from other financial securites	-	-	-	(147)	-	-	(355)	-
-recognised in equity (OCI)	-	-	-	-	240 479	113 398	-	-
Purchase/granting	5 312	8 483	1 941 857	-	-	-	-	443
Sale	(3 880)	(665)	(6 816)	-	-	-	-	-
Matured	-	(22 013)	(651 180)	-	(2 033 388)	-	-	-
Transfer	(5 691)	-	-	-	-	-	-	(6 378)
Other	-	-	(15 829)	(1 961)	-	-	1 499	-
As at the end of the period	**5 689**	**73 469**	**4 273 307**	**1 012**	**9 762 248**	**390 519**	**6 984**	**229**

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**

28. Legal risk connected with CHF mortgage loans

As at 30 September 2024, the Group had a portfolio of 26.2k CHF-denominated and CHF-indexed loans of PLN 5,131,180k gross before adjustment to the gross carrying amount at PLN 4,151,325k 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 376,905k before adjustment to the gross carrying amount at PLN 203,492k 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.

In September 2024, the justification for the above resolution was published, as well as to some of the dissenting opinions submitted. 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.

As at 30 September 2024, there were 21,558 pending lawsuits against the Group over loans indexed to or denominated in foreign currency, with the disputed amount totalling PLN 7,683,750k. This included two class actions filed under the Class Action Act:

- a class action against Santander Bank Polska S.A. in respect of 290 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 September 2024, the total cumulative impact of legal risk associated with foreign currency mortgage loans in the Group was estimated at PLN 5,649,800k, including:

- IFRS 9 adjustment to the gross carrying amount at PLN 4,354,817k (including PLN 3,424,718k in the case of Santander Bank Polska S.A. and PLN 930,099k in the case of Santander Consumer Bank S.A.)
- IAS 37 provision at PLN 1,294,983k (including PLN 965,934k in the case of Santander Bank Polska S.A. and PLN 329,049k 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.)

In thousands of PLN

- 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	1.07.2024-30.09.2024	1.01.2024-30.09.2024	1.07.2023-30.09.2023	1.01.2023-30.09.2023
Impact of legal risk related to foreign currency mortgage loans recognised as adjustment to gross carrying amount	83 680	(710 773)	(263 962)	(1 019 519)
Impact of legal risk related to foreign currency mortgage loans recognised as provision	(92 481)	(579 071)	(67 571)	(247 156)
Other costs	(101 631)	(367 126)	(98 638)	(312 975)
Total cost of legal risk related to foreign currency mortgage loans	**(110 432)**	**(1 656 970)**	**(430 171)**	**(1 579 650)**
Gain/loss on derecognition of financial instruments measured at amortised cost	(11 938)	(44 585)	(32 953)	(296 296)
including: settlements made	(12 897)	(47 990)	(34 674)	(302 215)
Total cost of legal risk related to foreign currency mortgage loans and settlements made	**(123 329)**	**(1 704 960)**	**(464 845)**	**(1 881 865)**

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

	30.09.2024	31.12.2023
Adjustment to gross carrying amount in respect of legal risk related to foreign currency mortgage loans	4 354 817	4 226 970
Provision for legal risk related to foreign currency mortgage loans	1 294 983	803 385
Total cumulative impact of legal risk related to foreign currency mortgage loans	**5 649 800**	**5 030 355**

As at 30 September 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 103% 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 September 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 the first three quarters of 2024.

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% 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 September 2024, 4,050 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 3,878 were unfavourable to the Group, and 172 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:

- 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 September 2024, the Group made 11,978 settlements (both pre-court and following the legal dispute), of which 838 were reached in Q3 2024.

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.

In thousands of PLN

29. Contingent liabilities

Information about pending court and administrative proceedings

As at 30.09.2024 the value of all litigation amounts to PLN 10,543,464 k. This amount includes PLN 2,279,243 k claimed by the Group, PLN 8,155,998 k in claims against the Group and PLN 100,223 k of the Group's receivables due to bankruptcy or arrangement cases.

As at 30.09.2024 the amount of all court proceedings which had been completed amounted to PLN 571,291k.

As at 30.09.2024 the provisions for instigated lawsuits recognised in accordance with IAS 37 totalled PLN 1,225,660 k and the adjustment to gross carrying amount under IFRS 9 related to instigated lawsuits totalled PLN 3,815,876 k. In 3,652 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 1,656,463 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.

Administrative penalty proceedings by the Polish Financial Supervision Authority

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

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.

	30.09.2024			
Contingent liabilities	**Stage 1**	**Stage 2**	**Stage 3**	**Total**
Liabilities granted	**58 335 159**	**1 253 295**	**371 269**	**59 959 723**
- financial	**43 173 030**	**1 103 014**	**399 777**	**44 675 821**
- credit lines	39 108 747	802 713	391 765	40 303 225
- credit cards debits	3 442 077	282 140	7 953	3 732 170
- import letters of credit	613 369	18 161	59	631 589
- term deposits with future commencement term	8 837	-	-	8 837
- guarantees	**15 197 948**	**170 000**	**26 907**	**15 394 855**
Provision for off-balance sheet liabilities	**(35 819)**	**(19 719)**	**(55 415)**	**(110 953)**
Liabilities received				**59 091 786**
- financial				**1 090 794**
- guarantees				**58 000 992**
Total	**58 335 159**	**1 253 295**	**371 269**	**119 051 509**

In thousands of PLN

Contingent liabilities	31.12.2023 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**

30. Shareholders with min. 5% voting power

Shareholder	Number of shares held		% in the share capital		Number of votes at AGM		Voting power at AGM	
	29.10.2024	24.07.2024	29.10.2024	24.07.2024	29.10.2024	24.07.2024	29.10.2024	24.07.2024
Banco Santander S.A.	63 560 774	68 880 774	62,20%	67,41%	63 560 774	68 880 774	62,20%	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	33 504 959	28 184 959	32,79%	27,58%	33 504 959	28 184 959	32,79%	27,58%
Total	**102 189 314**	**102 189 314**	**100%**	**100%**	**102 189 314**	**102 189 314**	**100%**	**100%**

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

According to the information held by the Bank's Management Board, the shareholders with a min. 5% of the total numer of votes at the Santander Bank Polska General Meeting as at the publication date of the condensed interim consolidated report for 3Q 2024 /29.10.2024/ are Banco Santander SA and Funds managed by Nationale-Nederlanden Powszechne Towarzystwo Emerytalne SA.

31. Capital Adequacy

The capital requirements of Santander Bank Polska Capital Group are set in accordance with part III of Regulation (EU) No 575/2013 of the European Parliament and of the Council of 26.06.2013 on prudential requirements for credit institutions and investment firms and amending Regulation (EU) No 648/2012 ("CRR"), as amended, inter alia, by CRR II, which was the official legal basis as at 30.09.2024.

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

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

In thousands of PLN

		a	b	c	d	e
		30.09.2024	30.06.2024	31.03.2024*	31.12.2023*	30.09.2023**
Available own funds (amounts)						
1	Common Equity Tier 1 (CET1) capital	24 861 776	24 653 318	24 441 853	24 273 646	26 190 384
2	Tier 1 capital	24 861 776	24 653 318	24 441 853	24 273 646	26 190 384
3	Total capital	26 374 254	26 299 192	26 238 213	26 205 765	28 259 028
Risk-weighted exposure amounts						
4	Total risk exposure amount	151 357 992	147 447 770	146 631 200	140 519 215	142 046 748
Capital ratios (as a percentage of risk-weighted exposure amount)						
5	Common Equity Tier 1 ratio (%)	16,43%	16,72%	16,67%	17,27%	18,44%
6	Tier 1 ratio (%)	16,43%	16,72%	16,67%	17,27%	18,44%
7	Total capital ratio (%)	17,43%	17,84%	17,89%	18,65%	19,89%
Additional own funds requirements to address risks other than the risk of excessive leverage (as a percentage of risk-weighted exposure amount)						
EU 7a	Additional own funds requirements to address risks other than the risk of excessive leverage (%)	0,01%	0,01%	0,01%	0,01%	0,01%
EU 7b	of which: to be made up of CET1 capital (%)	0,00%	0,00%	0,00%	0,00%	0,00%
EU 7c	of which: to be made up of Tier 1 capital (%)	0,00%	0,00%	0,00%	0,00%	0,01%
EU 7d	Total SREP own funds requirements (%)	8,01%	8,01%	8,01%	8,01%	8,02%
Combined buffer and overall capital requirement (as a percentage of risk-weighted exposure amount)						
8	Capital conservation buffer (%)	2,50%	2,50%	2,50%	2,50%	2,50%
9	Institution specific countercyclical capital buffer (%)	0,01%	0,01%	0,01%	0,02%	0,01%
EU 10a	Other Systemically Important Institution buffer (%)	1,00%	1,00%	1,00%	1,00%	1,00%
11	Combined buffer requirement (%)	3,51%	3,51%	3,51%	3,52%	3,51%
EU 11a	Overall capital requirements (%)	11,52%	11,52%	11,52%	11,53%	11,53%
12	CET1 available after meeting the total SREP own funds requirements (%)	9,42%	9,83%	9,88%	10,64%	11,87%
Leverage ratio						
13	Total exposure measure	308 110 946	300 226 806	294 087 026	287 208 319	291 752 572
14	Leverage ratio (%)	8,07%	8,21%	8,31%	8,45%	9,29%
Additional own funds requirements to address the risk of excessive leverage (as a percentage of total exposure measure)						
EU 14c	Total SREP leverage ratio requirements (%)	3,00%	3,00%	3,00%	3,00%	3,00%
Leverage ratio buffer and overall leverage ratio requirement (as a percentage of total exposure measure)						
EU 14e	Overall leverage ratio requirement (%)	3,00%	3,00%	3,00%	3,00%	3,00%
Liquidity Coverage Ratio						
15	Total high-quality liquid assets (HQLA) (Weighted value - average)	78 738 271	78 759 401	76 787 292	73 386 633	70 340 845
EU 16a	Cash outflows - Total weighted value	52 589 006	53 158 751	52 806 299	52 951 038	52 161 107
EU 16b	Cash inflows - Total weighted value	14 393 214	15 020 467	15 276 320	15 049 171	14 439 802
16	Total net cash outflows (adjusted value)	38 195 791	38 138 285	37 529 979	37 901 867	37 721 305
17	Liquidity coverage ratio (%)	206%	207%	205%	194%	186%
Net Stable Funding Ratio						
18	Total available stable funding	212 099 324	208 195 299	204 665 027	201 280 056	197 947 055
19	Total required stable funding	139 844 267	136 163 566	132 421 978	128 865 657	130 511 261
20	NSFR ratio (%)	152%	153%	155%	156%	152%

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

** Restated data - includes reclassification of financial instruments (For details, see section no. 2.5 of the Condensed Interim Consolidated Financial Statements of Santander Bank Polska Group for the 9-month period ended 30 September 2024)

As at 30 September 2024 the own funds include the profit for 2023 according to Resolution No. 6 of the Annual General Meeting of 18 April 2024.

The Annual General Meeting of Santander Bank Polska S.A. Shareholders agreed on the distribution of the net profit of PLN 4 672 978k for the accounting year from 1 January 2023 to 31 December 2023 as follows:

- PLN 3 504 072k was allocated to the dividend for shareholders;
- PLN 87 042k was allocated to capital reserves;
- PLN 1 081 865k kept undistributed.

Additionally, It was decided to allocate to dividend for shareholders the amount of PLN 1 056 637k out of the Dividend Reserve created by force of resolution no. 6 of the Annual General Meeting of 22 March 2021 on profit distribution and creation of capital reserve ("Resolution No. 6/2021"). Total amount allocated for Dividend was PLN 4 560 709k.

As at 30 September 2024 the current year profit (from 1 January 2024 to 30 September 2024) is not included in own funds.

In thousands of PLN

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

		Minimum requirement for own funds and eligible liabilities (MREL)	G-SII Requirement for own funds and eligible liabilities (TLAC)				
		a	b	c	d	e	f
		30.09.2024	30.09.2024	30.06.2024	31.03.2024**	31.12.2023**	30.09.2023***
Own funds and eligible liabilities, ratios and components							
1	Own funds and eligible liabilities	34 813 235	34 813 235	33 174 728	32 972 904	32 832 591	35 263 093
EU-1a	Of which own funds and subordinated liabilities	30 857 415					
2	Total risk exposure amount of the resolution group (TREA)	151 357 992	151 357 992	147 447 770	146 631 200	140 519 215	141 521 909
3	Own funds and eligible liabilities as a percentage of TREA (row1/row2)	23,00%	23,00%	22,50%	22,49%	23,37%	24,92%
EU-3a	Of which own funds and subordinated liabilities	20,39%					
4	Total exposure measure of the resolution group	308 110 946	308 110 946	300 226 806	294 087 026	287 208 319	291 542 637
5	Own funds and eligible liabilities as percentage of the total exposure measure	11,30%	11,30%	11,05%	11,21%	11,43%	12,10%
EU-5a	Of which own funds or subordinated liabilities	10,02%					
6a	Does the subordination exemption in Article 72b(4) of the CRR apply? (5% exemption)		No	No	No	No	No
6b	Pro-memo item - Aggregate amount of permitted non-subordinated eligible liabilities in-struments If the subordination discretion as per Article 72b(3) CRR is applied (max 3.5% exemption)		3 955 820	3 962 600	3 960 180	3 969 600	3 476 700
6c	Pro-memo item: If a capped subordination exemption applies under Article 72b (3) CRR, the amount of funding issued that ranks pari passu with excluded liabilities and that is recognised under row 1, divided by funding issued that ranks pari passu with excluded Liabilities and that would be recognised under row 1 if no cap was applied (%)		100,00%	100,00%	100,00%	100,00%	100,00%
Minimum requirement for own funds and eligible liabilities (MREL)*							
	TLAC as a percentage of TREA		18,00%	18,00%	18,00%	18,00%	18,00%
	TLAC as percentage of TEM		6,75%	6,75%	6,75%	6,75%	6,75%
EU-7	MREL requirement expressed as percentage of the total risk exposure amount	15,38%					
EU-8	Of which to be met with own funds or subordinated liabilities	15,02%					
EU-9	MREL requirement expressed as percentage of the total exposure measure	5,91%					
EU-10	Of which to be met with own funds or subordinated liabilities	5,91%					

* Excluding the combined buffer requirement

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

*** Restated data - includes reclassification of financial instruments (For details, see section no. 2.5 of the Condensed Interim Consolidated Financial Statements of Santander Bank Polska Group for the 9-month period ended 30 September 2024)

In thousands of PLN

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

		Total risk exposure amounts (TREA)		Total own funds requirements
		a	b	c
		30.09.2024	30.06.2024	30.09.2024
1	**Credit risk (excluding CCR)**	**119 711 426**	**116 949 858**	**9 576 914**
2	Of which the standardised approach	119 711 426	116 949 858	9 576 914
3	Of which the Foundation IRB (F-IRB) approach	-	-	-
4	Of which slotting approach	-	-	-
EU 4a	Of which equities under the simple riskweighted approach	-	-	-
5	Of which the Advanced IRB (A-IRB) approach	-	-	-
6	**Counterparty credit risk - CCR**	**5 005 136**	**4 528 369**	**400 411**
7	Of which the standardised approach	3 222 239	2 915 231	257 779
8	Of which internal model method (IMM)	-	-	-
EU 8a	Of which exposures to a CCP	72 904	73 861	5 832
EU 8b	Of which credit valuation adjustment - CVA	945 101	826 372	75 608
9	Of which other CCR	764 892	712 905	61 191
15	**Settlement risk**	**-**	**-**	**-**
16	**Securitisation exposures in the non-trading book (after the cap)**	**1 123 929**	**1 229 076**	**89 914**
17	Of which SEC-IRBA approach	-	-	-
18	Of which SEC-ERBA (including IAA)		-	-
19	Of which SEC-SA approach	1 123 929	1 229 076	89 914
EU 19a	Of which 1250%	-	-	-
20	**Position, foreign exchange and commodities risks (Market risk)**	**3 199 344**	**2 422 310**	**255 947**
21	Of which the standardised approach	3 199 344	2 422 310	255 947
22	Of which IMA	-	-	-
EU 22a	**Large exposures**	**-**	**-**	**-**
23	**Operational risk**	**22 318 158**	**22 318 158**	**1 785 453**
EU 23a	Of which basic indicator approach	-	-	-
EU 23b	Of which standardised approach	22 318 158	22 318 158	1 785 453
EU 23c	Of which advanced measurement approach	-	-	-
24	Amounts below the thresholds for deduction (subject to 250% risk weight)	6 413 027	6 992 657	513 042
29	**Total**	**151 357 992**	**147 447 770**	**12 108 639**

* Line EU 19a presents the own funds requirement for securitisation exposures in the banking book using a deduction from own funds in accordance with Part Three, Title II, Chapter 5 of the CRR. The amount of the requirement deducts from the Bank's Funds hence does not generate RWA with a risk weight of 1250%.

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

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

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

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

In thousands of PLN

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

	Available capital (amounts)	30.09.2024	30.06.2024	31.03.2024*	31.12.2023*	30.09.2023**
1	Common Equity Tier 1 (CET1) capital	24 861 776	24 653 318	24 441 853	24 273 646	26 190 384
2	Common Equity Tier 1 (CET1) capital as if IFRS 9 or analogous ECLs transitional arrangements had not been applied	24 791 895	24 583 437	24 371 972	24 133 883	26 070 074
3	Tier 1 capital	24 861 776	24 653 318	24 441 853	24 273 646	26 190 384
4	Tier 1 capital as if IFRS 9 or analogous ECLs transitional arrangements had not been applied	24 791 895	24 583 437	24 371 972	24 133 883	26 070 074
5	Total capital	26 374 254	26 299 192	26 238 213	26 205 765	28 259 028
6	Total capital as if IFRS 9 or analogous ECLs transitional arrangements had not been applied	26 304 373	26 229 310	26 168 332	26 066 002	28 138 718
	Risk-weighted assets (amounts)					
7	Total risk-weighted assets	151 357 992	147 447 770	146 631 200	140 519 215	142 046 748
8	Total risk-weighted assets as if IFRS 9 or analogous ECLs transitional arrangements had not been applied	151 329 091	147 418 868	146 602 297	140 461 412	141 996 990
	Capital ratios					
9	Common Equity Tier 1 (as a percentage of risk exposure amount)	16,43%	16,72%	16,67%	17,27%	18,44%
10	Common Equity Tier 1 (as a percentage of risk exposure amount) as if IFRS 9 or analogous ECLs transitional arrangements had not been applied	16,38%	16,68%	16,62%	17,18%	18,36%
11	Tier 1 (as a percentage of risk exposure amount)	16,43%	16,72%	16,67%	17,27%	18,44%
12	Tier 1 (as a percentage of risk exposure amount) as if IFRS 9 or analogous ECLs transitional arrangements had not been applied	16,38%	16,68%	16,62%	17,18%	18,36%
13	Total capital (as a percentage of risk exposure amount)	17,43%	17,84%	17,89%	18,65%	19,89%
14	Total capital (as a percentage of risk exposure amount) as if IFRS 9 or analogous ECLs transitional arrangements had not been applied	17,38%	17,79%	17,85%	18,56%	19,82%
	Leverage ratio					
15	Leverage ratio total exposure measure	308 110 946	300 226 806	294 087 026	287 208 319	291 752 572
16	Leverage ratio	8,07%	8,21%	8,31%	8,45%	9,29%
17	Leverage ratio as if IFRS 9 or analogous ECLs transitional arrangements had not been applied	8,05%	8,19%	8,29%	8,41%	9,25%

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

** Restated data - includes reclassification of financial instruments (For details, see section no. 2.5 of the Condensed Interim Consolidated Financial Statements of Santander Bank Polska Group for the 9-month period ended 30 September 2024)

In thousands of PLN

33. Liquidity of risk measures

Santander Bank Polska S.A. presents information on liquidity measures in accordance with Article 451a para. 2, 3.

The table below presents the liquidity coverage ratio information.

		a	b	c	d
		Total unweighted value (average)			
EU 1a	Quarter ending on	30.09.2024	30.06.2024	31.03.2024*	31.12.2023*
EU 1b	Number of data points used in the calculation of averages	12	12	12	12
	CASH - OUTFLOWS				
2	Retail deposits and deposits from small business customers, of which:	149 605 212	145 990 786	142 175 810	138 802 781
3	*Stable deposits*	*91 498 317*	*89 149 289*	*86 502 426*	*84 035 610*
4	*Less stable deposits*	*56 380 319*	*53 813 166*	*51 611 707*	*49 838 048*
5	Unsecured wholesale funding	59 778 298	60 592 360	60 515 960	61 042 682
6	*Operational deposits (all counterparties) and deposits in networks of cooperative banks*	*8 330 126*	*5 885 926*	*3 419 223*	*852 293*
7	*Non-operational deposits (all counterparties)*	*50 979 370*	*54 311 333*	*56 720 946*	*59 641 859*
8	*Unsecured debt*	*468 802*	*395 101*	*375 791*	*548 530*
9	Secured wholesale funding				
10	Additional requirements	36 204 920	35 930 113	35 216 531	33 943 330
11	*Outflows related to derivative exposures and other collateral requirements*	*7 363 957*	*7 406 581*	*7 321 778*	*6 989 502*
12	*Outflows related to loss of funding on debt products*	-	-	-	-
13	*Credit and liquidity facilities*	*28 840 963*	*28 523 533*	*27 894 753*	*26 953 828*
14	Other contractual funding obligations	2 625 518	2 754 847	2 290 988	2 016 234
15	Other contingent funding obligations	25 438 839	24 864 889	24 064 619	21 635 320
16	TOTAL CASH OUTFLOWS				
	CASH - INFLOWS				
17	Secured lending (e.g. reverse repos)	6 791 497	7 834 018	8 387 980	8 260 919
18	Inflows from fully performing exposures	9 728 339	10 528 004	11 015 108	11 105 993
19	Other cash inflows	5 869 190	5 661 847	5 440 524	5 080 143
EU-19a	(Difference between total weighted inflows and total weighted outflows arising from transactions in third countries where there are transfer restrictions or which are denominated in non-convertible currencies)				
EU-19b	(Excess inflows from a related specialised credit institution)				
20	TOTAL CASH INFLOWS	22 389 025	24 023 869	24 843 612	24 447 056
EU-20a	***Fully exempt inflows***	-	-	-	-
EU-20b	***Inflows subject to 90% cap***	-	-	-	-
EU-20c	***Inflows subject to 75% cap***	*22 389 025*	*24 023 869*	*24 843 612*	*24 447 056*

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

In thousands of PLN

		e	f	g	h
		Total weighted value (average)			
EU 1a	Quarter ending on	30.09.2024	30.06.2024	31.03.2024*	31.12.2023*
EU 1b	**Number of data points used in the calculation of averages**	**12**	**12**	**12**	**12**
	HIGH-QUALITY LIQUID ASSETS				
1	**Total high-quality liquid assets (HQLA)**	**78 738 271**	**78 759 401**	**76 787 292**	**73 386 633**
	CASH - OUTFLOWS				
2	**Retail deposits and deposits from small business customers, of which:**	**12 786 107**	**12 258 552**	**11 773 152**	**11 368 819**
3	*Stable deposits*	*4 574 916*	*4 457 464*	*4 325 121*	*4 201 781*
4	*Less stable deposits*	*8 211 191*	*7 801 088*	*7 448 031*	*7 167 039*
5	**Unsecured wholesale funding**	**26 013 600**	**26 963 421**	**27 712 403**	**29 069 899**
6	*Operational deposits (all counterparties) and deposits in networks of cooperative banks*	*1 967 037*	*1 391 745*	*808 350*	*201 587*
7	*Non-operational deposits (all counterparties)*	*23 577 760*	*25 176 575*	*26 528 261*	*28 319 783*
8	*Unsecured debt*	*468 802*	*395 101*	*375 791*	*548 530*
9	**Secured wholesale funding**	**-**	**-**	**-**	**-**
10	**Additional requirements**	**10 262 879**	**10 328 354**	**10 214 391**	**9 759 259**
11	*Outflows related to derivative exposures and other collateral requirements*	*7 363 957*	*7 406 581*	*7 321 778*	*6 989 502*
12	*Outflows related to loss of funding on debt products*	-	-	-	-
13	*Credit and liquidity facilities*	*2 898 922*	*2 921 773*	*2 892 614*	*2 769 757*
14	**Other contractual funding obligations**	**2 288 156**	**2 424 296**	**1 985 947**	**1 773 865**
15	**Other contingent funding obligations**	**1 238 264**	**1 184 128**	**1 120 406**	**979 197**
16	TOTAL CASH OUTFLOWS	52 589 006	53 158 751	52 806 299	52 951 038
	CASH - INFLOWS				
17	**Secured lending (e.g. reverse repos)**	**-**	**-**	**-**	**-**
18	**Inflows from fully performing exposures**	**8 524 024**	**9 358 620**	**9 835 796**	**9 969 028**
19	**Other cash inflows**	**5 869 190**	**5 661 847**	**5 440 524**	**5 080 143**
EU-19a	**(Difference between total weighted inflows and total weighted outflows arising from transactions in third countries where there are transfer restrictions or which are denominated in non-convertible currencies)**	**-**	**-**	**-**	**-**
EU-19b	**(Excess inflows from a related specialised credit institution)**	**-**	**-**	**-**	**-**
20	TOTAL CASH INFLOWS	14 393 214	15 020 467	15 276 320	15 049 171
EU-20a	***Fully exempt inflows***	-	-	-	-
EU-20b	***Inflows subject to 90% cap***	-	-	-	-
EU-20c	***Inflows subject to 75% cap***	*14 393 214*	*15 020 467*	*15 276 320*	*15 049 171*
	TOTAL ADJUSTED VALUE				
EU-21	LIQUIDITY BUFFER	78 738 271	78 759 401	76 787 292	73 386 633
22	TOTAL NET CASH OUTFLOWS	38 195 791	38 138 285	37 529 979	37 901 867
23	LIQUIDITY COVERAGE RATIO	206%	207%	205%	194%

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

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

- on the outflow side, retail deposits, and then non-operating non-retail deposits, additional outflows due to the impact of a negative market scenario on the valuation of derivatives and outflows due to irrevocable off-balance sheet liabilities, including those related to trade financing;
- on the inflows side, these are mainly the expected inflows from receivables from financial institutions (interbank and central bank deposits);
- on the side of liquid assets, the main part are liquid Treasury bonds or bonds fully guaranteed by the Treasury (including securities issued by the Polish Development Fund and Bank Gospodarstwa Krajowego as part of anti-crisis shields during the COVID-19 pandemic), government bonds of Germany, the Great Britain, the United States and bonds issued by the European Investment Bank, NBP bills (NBP), and then cash and the surplus on NBP accounts over the amount of the required reserve.

The main factors remain substantially the same over time.

Disclosed LCR in September 2024 remains on high and safe level, much above both the regulatory and internal Group's limits. The indicator that remains at a high level is primarily the result of high level of deposit base (especially in 'stable retail deposits' category) and realized issues, allocated mainly in high quality liquid assets and specification of operational deposits within non-retail customer deposits.

In line with the Liquidity Risk Policy, the Group prudently manages an appropriately diversified deposit base. Financing is mostly based on the current accounts and term deposits of individual clients and enterprises, mainly non-financial. The Group also focuses on diversifying sources of long-term financing, being present on wholesale markets by issuing debt and taking long-term loans on the financial market. A significant, but much smaller than the aforementioned, part of financing are own issues in the form of both subordinated and ordinary debt. It should be noted that in the third quarter of 2024 r. Bank has issued PLN 1.8 billion, Santander Factoring Sp. z o.o. issued PLN 600 million and Santander Leasing S.A. issued PLN 365 million of new bonds. In the current strategy, the Group attempts to minimize the share of secured financing.

General description of the institution's liquidity buffer structure:

High quality liquid assets (HQLAs) consists of: extremely liquid securities (mainly Treasury Bonds or bonds fully guaranteed by Polish Central Government, government bonds of Germany, the United States, the Great Britain and bonds issued by the European Investment Bank), cash, surplus in current accounts of National Bank of Poland (NBP) over the amount of mandatory reserve. As of September 30th 2024 the above mentioned categories accounted for 93.1%, 1.7% and 5.2%, respectively, of the liquid buffer. All components of liquid buffer are recognized as level 1 of liquid assets.

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

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

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

The Group uses secured instruments to fund its activity to a limited degree only. However, in accordance with the existing contractual provisions, if the Group’s rating is reduced by one notch (to BBB), the maximum potential additional security on account of those instruments would be as at September 30th 2024 PLN 8.6 million. At the same time, it should be noted that this potential obligation is not unconditional and its final value would depend on negotiations between the bank and its counterparty in relation to the above transactions.

In thousands of PLN

34. Related parties

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

Transactions with associates	30.09.2024	31.12.2023
Assets	**315**	**264**
Loans and advances to customers	261	204
Other assets	54	60
Liabilities	**70 331**	**108 965**
Deposits from customers	70 245	108 911
Other liabilities	86	54

Transactions with associates	1.01.2024-30.09.2024	1.01.2023-30.09.2023
Income	**59 194**	**57 629**
Interest income	14	5
Fee and commission income	59 141	57 601
Other operating income	39	23
Expenses	**1 831**	**1 516**
Interest expense	1 831	1 516

	with the parent company		with other entities	
Transactions with Santander Group	**30.09.2024**	**31.12.2023**	**30.09.2024**	**31.12.2023**
Assets	**10 955 942**	**12 840 432**	**40 412**	**4 004**
Loans and advances to banks, incl:	5 414 813	5 895 136	40 373	2 090
Current accounts	*597 395*	*930 559*	*1 857*	*2 090*
Loans and advances	*4 817 418*	*4 964 577*	*38 516*	-
Financial assets held for trading	5 536 406	4 547 294	-	-
Reverse sale and repurchase agreements	-	2 395 729	-	-
Other assets	4 723	2 273	39	1 914
Liabilities	**7 321 847**	**5 990 841**	**568 173**	**193 650**
Deposits from banks incl.:	1 807 396	899 867	271 173	17 244
Current accounts and advances	*1 486 420*	*519 364*	*8 892*	*17 244*
Loans from other banks	*320 976*	*380 503*	*262 281*	-
Financial liabilities held for trading	4 569 333	4 206 059	5	-
Deposits from customers	-	-	190 924	106 950
Lease liabilities	-	-	25	25
Debt securities in issue	889 019	871 197	-	-
Other liabilities	56 099	13 718	106 046	69 431
Contingent liabilities	**8 086 628**	**9 029 662**	**28 459**	**33 604**
Granted:	1 233 710	1 271 084	8 661	22 835
financial	-	-	-	20 000
guarantees	1 233 710	1 271 084	8 661	2 835
Received:	6 852 918	7 758 578	19 798	10 769
guarantees	*6 852 918*	*7 758 578*	*19 798*	*10 769*

In thousands of PLN

Transactions with Santander Group	with the parent company 1.01.2024-30.09.2024	with the parent company 1.01.2023-30.09.2023	with other entities 1.01.2024-30.09.2024	with other entities 1.01.2023-30.09.2023
Income	**813 449**	**1 055 494**	**2 798**	**7 872**
Interest income	209 232	224 825	1 165	7
Fee and commission income	15 105	15 605	60	208
Other operating income	17	-	1 097	7 540
Net trading income and revaluation	589 095	815 064	476	117
Expenses	**193 809**	**163 739**	**138 759**	**120 901**
Interest expense	118 717	79 534	3 814	853
Fee and commission expense	23 542	31 518	323	172
Operating expenses incl.:	51 550	52 687	134 622	119 876
Staff0, Operating expenses and management costs	*51 513*	*52 633*	*134 533*	*119 785*
Other operating expenses	37	54	89	91

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

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

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

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

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

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

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

As at 30.09.2024 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.

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

Details in Notes 8 and 12.

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

As at 30.09.2024 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.

41. Acquisitions and disposals of investments in subsidiaries and associates

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

42. Share based incentive scheme

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 2024, the total amount recognised in line with IFRS 2 in the Group's equity was PLN 70,022k. The amount of PLN 70,132 k was taken to staff expenses for 3Q 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 2024, PLN 72,334k worth of shares were transferred to employees.

43. Dividend per share

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

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

The KNF stated that based on data as at 31 December 2023 the Bank met all the key dividend policy criteria to be able to pay dividend up to 50% of its net profit earned in the period from 1 January 2023 to 31 December 2023.
Additionally, after factoring in the quality of the Bank's loan portfolio measured as the share of NPLs in the total portfolio of receivables from the non-financial sector, including debt instruments, the potential dividend payout ratio was increased to 75% in view of the Bank's sound credit quality.
At the same time, the Bank's receivables arising from FX home loans to households do not account for more than five percent of its portfolio of receivables from the non-financial sector.
Therefore, the KNF recommended that the Bank should limit the risk present in its operations by:

- not distributing more than 75% of the profit earned in the period from 1 January 2023 to 31 December 2023 with a proviso that the maximum payout should not be higher than the annual profit reduced by profit earned in 2023 already allocated to own funds;
- consulting upfront with the supervisory authority any other measures which could reduce its own funds (in particular if they go beyond the scope of the ordinary business and operational activity), including the distribution of the profit retained in previous years or the buy-backs or redemptions of the Bank's own shares.

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

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

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

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

In connection with current reports no. 7/2024 of 21 February 2024 and no. 18/2024 of 19 March 2024, on 21 March 2024 the Management Board of the Bank issued a recommendation on the distribution of profit for 2023 and the Dividend Reserve created pursuant to resolution no. 6 of the Annual General Meeting of 22 March 2021 (resolution no. 6). The recommendation was positively reviewed by the Bank's Supervisory Board.

In line with the decision taken, the Bank's Management Board recommended that profit of PLN 4,672,978,361.27 earned in 2023 be distributed as follows:

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

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

The Management Board recommended that 102,189,314 (say: one hundred two million, one hundred eighty-nine thousand and three hundred fourteen) series A, B, C, D, E, F, G, H, I, J, K, L, M, N and O shares give entitlement to the dividend to be paid out from the profit earned in 2023 and from the Dividend Reserve (Dividend). The dividend 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.

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

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

Signatures of the persons representing the entity

Date	Name	Function	Signature
28.10.2024	Michał Gajewski	President	The original Polish document is signed with a qualified electronic signature
28.10.2024	Andrzej Burliga	Vice-President	The original Polish document is signed with a qualified electronic signature
28.10.2024	Juan de Porras Aguirre	Vice-President	The original Polish document is signed with a qualified electronic signature
28.10.2024	Lech Gałkowski	Member	The original Polish document is signed with a qualified electronic signature
28.10.2024	Artur Głembocki	Member	The original Polish document is signed with a qualified electronic signature
28.10.2024	Patryk Nowakowski	Member	The original Polish document is signed with a qualified electronic signature
28.10.2024	Magdalena Proga-Stępień	Member	The original Polish document is signed with a qualified electronic signature
28.10.2024	Maciej Reluga	Member	The original Polish document is signed with a qualified electronic signature
28.10.2024	Wojciech Skalski	Member	The original Polish document is signed with a qualified electronic signature
28.10.2024	Dorota Strojkowska	Member	The original Polish document is signed with a qualified electronic signature

Signature of a person who is responsible for maintaining the accounting records

Date	Name	Function	Signature
28.10.2024	Anna Żmuda	Financial Accounting Area Director	The original Polish document is signed with a qualified electronic signature