

Management Board Report on Santander Bank Polska Group Performance in H1 2024

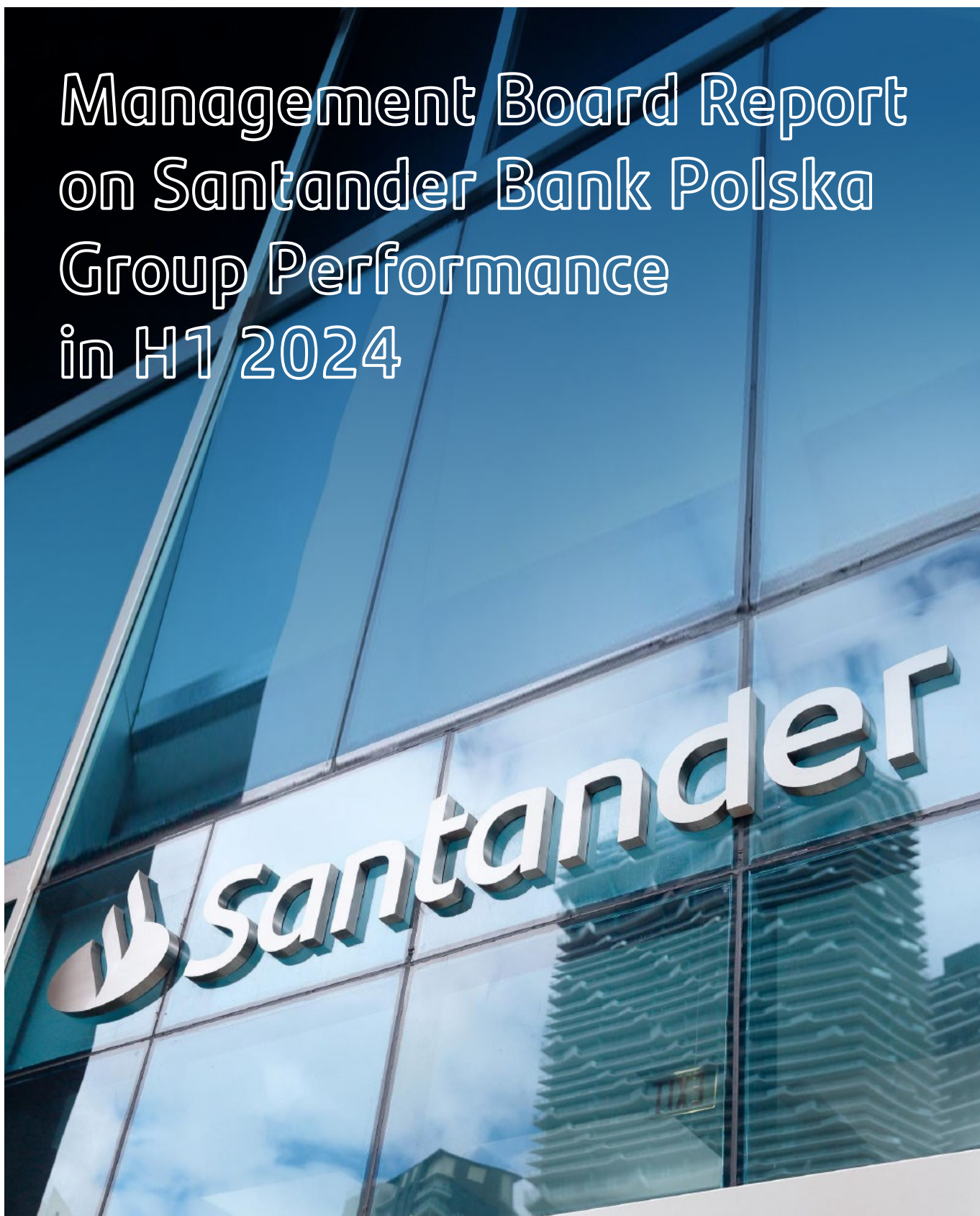


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I. Overview of activities of Santander Bank Polska Group in H1 2024

1. Key achievements

EFFICIENCY AND SECURITY

- ▶ Group's solid capital position confirmed by capital ratios as at 30 June 2024, including the total capital ratio of 17.84% (19.90% as at 30 June 2023).
- ▶ Higher ROE YoY (19.1% vs 15.1% as at 30 June 2023 on a comparative basis).
- ▶ Sound liquidity position. Net customer loans to deposits ratio at 78.2%. 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 31.1% (30.4% in H1 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 solution known as payment holidays.
- ▶ Further automation and optimisation of operational processes.
- ▶ Improved availability, reliability, performance and cybersecurity of the Group's systems.

BUSINESS VOLUMES AND ASSET QUALITY

- ▶ 7.7% YoY increase in total assets to PLN 282.9bn supported by significant growth of business volumes in key product lines and customer segments.
- ▶ 7.3% YoY growth in deposits from customers to PLN 215.2bn reflecting a dynamic increase in term deposits (+8.7% YoY) and a rise in current account balances (+6.6% YoY).
- ▶ 7.0% YoY increase in gross loans and advances to customers to PLN 174.3bn, including lease receivables (+14.8% YoY), loans and advances to individuals (+7.1% YoY) and loans to business customers and the public sector (+5.5% YoY).
- ▶ Improved quality of the credit portfolio, with the NPL ratio of 4.5% (4.9% as at 30 June 2023), Group's prudential risk approach and an increase in credit receivables.
- ▶ Stabilisation of the cost of credit risk at 0.70% in H1 2024.
- ▶ Relatively stable annualised Ytd net interest margin on a comparative basis, i.e. excluding the impact of the so-called payment holidays (5.34% for six months of 2024 vs 5.38% for six months of 2023), supported by the growth of business volumes and regular adjustments to external and internal conditions.
- ▶ 8.7% 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 (+27.3% YoY) and in the share of this channel in remote credit sales.

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 customer accounts with Santander Bank Polska S.A. to 6.8m, including 3.8m Santander Accounts.
- ▶ 4.4m digital customers of both banks, including 3.4m 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.

AWARDS AND RECOGNITIONS

- ▶ Golden Bank title for Santander Bank Polska S.A. for the best multichannel services in the ranking by Bankier.pl and Puls Biznesu. Second position in the cash loan and social media category and third in selected product categories.
- ▶ Award for the Private Banking of Santander Bank Polska S.A. granted by Euromoney for the fourth time in a row for the best international private banking services.
- ▶ The "Ethical Company" title granted to the Bank for the third time in a competition organised by Puls Biznesu.
- ▶ The "Bulls and Bears" award received from Parkiet for the notable performance in the capital market (including for having the biggest impact on the markets and making a positive difference) and recognition in the "WIG 20 Company of the Year" category for record high profits, solid assets, increased sales and successful customer acquisition.

AWARDS AND RECOGNITIONS (cont.)

- ▶ Top positions of Santander Bank Polska S.A. in the four categories of the Institution of the Year ranking: best bank for business, best customer service in remote channels, best customer service in branches, best personal banking. Lower rankings in terms of internet banking, private banking and account opening in branch. Individual recognitions for branches that scored at least 80% in two measurements (34 branches of Santander Bank Polska S.A.).
- ▶ The Bank came top in the 10th edition of the "Banking Stars" ranking published by Dziennik Gazeta Prawna and PwC. The main prize recognises the Bank's overall performance as indicated by the scoring achieved in four categories (customer relationships, finance, ESG, technology and innovation) and an independent assessment by the jury.
- ▶ First place in the "Banker of the Year" ranking by Forbes (for the second time) and the "Banking Manager of 2023" title from Gazeta Bankowa for the CEO of Santander Bank Polska S.A. Michał Gajewski.
- ▶ Top positions of dealers from the Financial Market Transactions Department in the Treasury Securities Dealers ranking published by the Ministry of Finance. Leadership position of Santander Bank Polska S.A. globally for the fourth time in a row.
- ▶ Equal Pay Certificate from Dziennik Gazeta Prawna and the founder of the accolade.
- ▶ Third place in the Commercial Bank category of the survey-based competition organised by Gazeta Bankowa in recognition of outstanding customer service, customer experience and sustainable development. Recognitions in the technological competition for: Santander mobile application in the "Banking" category and Santander Leasing S.A. in the "Insurance and other financial institutions" category.

2. Financial and business highlights of Santander Bank Polska Group

| Selected income statement items | | H1 2024 | H1 2023 | YoY change |
|------------------------------------------------------------------|-------|-----------|-----------|------------|
| Total income | PLN m | 8,283.3 | 7,600.6 | 9.0% |
| Total costs | PLN m | (2,577.5) | (2,313.4) | 11.4% |
| Net expected credit loss allowances | PLN m | (611.2) | (590.2) | 3.6% |
| Profit before tax | PLN m | 3,206.1 | 3,212.2 | -0.2% |
| Net profit attributable to the shareholders of the parent entity | PLN m | 2,359.6 | 2,322.2 | 1.6% |

| Selected balance sheet items | | 30.06.2024 | 30.06.2023 | YoY change |
|-------------------------------------|-------|------------|------------|------------|
| Total assets | PLN m | 282,878.6 | 262,684.3 | 7.7% |
| Total equity | PLN m | 31,194.1 | 32,315.2 | -3.5% |
| Net loans and advances to customers | PLN m | 168,374.8 | 156,867.3 | 7.3% |
| Deposits from customers | PLN m | 215,234.7 | 200,655.6 | 7.3% |

| Selected off-balance sheet items | | 30.06.2024 | 30.06.2023 | YoY change |
|----------------------------------------------|--------|------------|------------|------------|
| Net assets of investment funds ¹⁾ | PLN bn | 22.1 | 15.5 | 6.6 |

| Selected ratios ²⁾ | | 30.06.2024 | 30.06.2023 | YoY change |
|-------------------------------|---|------------|------------|------------|
| Costs/Income | % | 31.1% | 30.4% | 0.7 p.p. |
| Total capital ratio | % | 17.84% | 19.90% | -2.06 p.p. |
| ROE | % | 19.1% | 15.1% | 4.0 p.p. |
| NPL ratio | % | 4.5% | 4.9% | -0.4 p.p. |
| Cost of credit risk | % | 0.70% | 0.80% | -0.10 p.p. |
| Loans/Deposits | % | 78.2% | 78.2% | 0.0 p.p. |

| Selected non-financial data | | 30.06.2024 | 30.06.2023 | YoY change |
|----------------------------------------|-----------|------------|------------|------------|
| Electronic banking users ³⁾ | m | 6.4 | 6.4 | 0.0 |
| Active digital customers ⁴⁾ | m | 4.4 | 4.1 | 0.3 |
| Active mobile banking customers | m | 3.4 | 2.9 | 0.5 |
| Debit cards | m | 4.9 | 4.7 | 0.2 |
| Credit cards | m | 0.9 | 0.9 | 0.0 |
| Customer base | m | 7.5 | 7.5 | 0.0 |
| Branch network | locations | 351 | 378 | -27 |
| Santander Zones and off-site locations | locations | 17 | 17 | 0 |
| Partner outlets | locations | 421 | 425 | -4 |
| Employment | FTEs | 11,437 | 11,397 | 40 |

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 VII "Financial situation after H1 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 H1 2024

| | |
|-------------------|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| Economic growth | ▶ Improved economic activity, especially in the area of consumption. Persistently weak economic conditions in Europe negatively affecting Polish exports. Decline in investments. |
| Labour market | ▶ Unemployment rate at a record low level. Continued double-digit wage growth. Clear real growth in household income from work and family and pension benefits. |
| Inflation | ▶ Further faster-than-expected decline in inflation: stronger in goods and slower in service prices. |
| Monetary policy | ▶ A shift in the MPC's stance toward keeping interest rates unchanged for the long term, diminishing prospects of further monetary easing by MPC members despite the continued decline in inflation, forcing the market to revise its views on the scale and timing of further interest rate cuts. |
| Fiscal policy | ▶ The 2024 budget assumes a general government deficit at 5.1% of GDP in 2024, and a sharp increase in public debt. This year's result may be close to 5.5% of GDP, according to the Bank's forecast. The European Commission wants to start Excessive Deficit Procedure against Poland. |
| Credit market | ▶ The 2% Safe Mortgage activated households and led to record new mortgage sales which due to long contract processing also carried over into the first months of 2024. Consumer credit continued to gradually revive, and corporate credit stagnated. |
| Financial markets | <p>▶ High volatility of debt markets amid changing expectations as to global inflation and monetary policy, especially the receding prospects of rate cuts in the US to a greater extent than in the eurozone. Market concerns over rising US bond yields, a geopolitical factor periodically triggering waves of "risk aversion" in global markets. Revived investor interest in Polish debt despite record high borrowing needs this year.</p> <p>▶ Further strengthening of the zloty (including against other emerging currencies) amid a hawkish stance of the MPC, expected inflow of EU funds and good data from the economy. The zloty's tendency to depreciate rapidly in periods of intense strengthening of the dollar.</p> |

4. Corporate events

Major corporate events in the reporting period until the release date of the report for H1 2024

| | |
|------------------------------------------------|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| General Meetings | Extraordinary General Meeting <ul style="list-style-type: none"> ▶ On 11 January 2024, the Extraordinary General Meeting (EGM) of Santander Bank Polska S.A. was held. It amended the AGM resolution of 19 April 2023 authorising the Management Board to buy back the Bank's shares for the purpose of Incentive Plan VII by setting a new maximum price of own shares subject to buyback. The EGM also amended the Bank's Statutes and presented changes to the Terms of Reference of the Supervisory Board. |
| | Annual General Meeting <ul style="list-style-type: none"> ▶ On 18 April 2024, the Annual General Meeting (AGM) of Santander Bank Polska S.A. was held. It approved standard corporate documents, distributed the profit and approved the dividend in accordance with the recommendation of the Bank's Management Board of 21 March 2024. The AGM appointed the Supervisory Board for a new term of office and determined its remuneration. It created a capital reserve for the repurchase of own shares under Incentive Plan VII and reported on its execution. Lastly, the AGM amended the Bank's Statutes by refining certain provisions. |
| Registration of changes to the Statutes | <ul style="list-style-type: none"> ▶ Changes to the Statutes of Santander Bank Polska S.A. approved by the EGM of 11 January 2024 and the AGM of 18 April 2024 were recorded in the National Court Register on 25 January 2024 and 9 May 2024, respectively. |
| Changes to the composition of governing bodies | Resignation of the Vice President of the Management Board of Santander Bank Polska S.A. <ul style="list-style-type: none"> ▶ On 27 February 2024, Arkadiusz Przybył resigned as the Vice President of the Bank's Management Board (effective as of 1 April 2024) due to his plans to take up a new role in Santander Group. |
| | Composition of the Supervisory Board for a new term of office <ul style="list-style-type: none"> ▶ Kamilla Marchewka-Bartkowiak and Tomasz Sójka joined the Supervisory Board, while David Hexter and Marynika Worozylska-Sapieha resigned. Antonio Escámez Torres was reappointed as the Chairman. |

Major corporate events in the reporting period until the release date of the report for H1 2024 (cont.)

| | |
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| <p>Profit distribution and dividend payment</p> | <p>Individual recommendation of the KNF with regard to satisfaction of the criteria for payment of a dividend from the net profit earned in 2023</p> <ul style="list-style-type: none"> ▶ On 21 February 2024, the Management Board of Santander Bank Polska S.A. received an individual recommendation from the Polish Financial Supervision Authority (KNF) that the Bank should limit the risk present in its operations by: <ul style="list-style-type: none"> ▶ not distributing more than 75% of the profit earned in 2023 with the proviso that the maximum payout must not be higher than the annual profit reduced by profit for 2023 already allocated to own funds; ▶ consulting upfront with the supervisory authority any other measures which could reduce the Bank's 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 buyback or redemption of own shares. ▶ The above recommendations took into consideration the following factors: <ul style="list-style-type: none"> ▶ As at 31 December 2023, the Bank met the basic criteria of the dividend policy to pay a dividend up to 50% of its net profit earned in 2023. ▶ In view of the sound 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%. ▶ The Bank's receivables arising from foreign currency home loans to households did not account for more than 5% of its total receivables from the non-financial sector. <hr/> <p>Management Board's recommendation on 2023 profit distribution and dividend reserve</p> <ul style="list-style-type: none"> ▶ On 21 March 2024, the Management Board of Santander Bank Polska S.A. issued a recommendation on 2023 profit distribution and dividend reserve, which was approved by the Bank's Supervisory Board. ▶ The Management Board proposed that the profit of PLN 4,672,978,361.27 earned in 2023 be distributed as follows: <ul style="list-style-type: none"> ▶ PLN 3,504,071,577.06 to be allocated to dividend for shareholders; ▶ PLN 87,042,000.00 to be allocated to the capital reserve; ▶ PLN 1,081,864,784.21 to be left undistributed. ▶ Furthermore, the Management Board recommended that PLN 1,056,637,506.76 of the dividend reserve be allocated to dividend for shareholders. ▶ The dividend to be paid out from the 2023 profit and from the dividend reserve totalled PLN 4,560,709,083.82. 102,189,314 series A, B, C, D, E, F, G, H, I, J, K, L, M, N and O shares carried dividend rights. The dividend was PLN 44.63 per share. <hr/> <p>Approval and payment of dividend</p> <ul style="list-style-type: none"> ▶ On 18 April 2024, the AGM of Santander Bank Polska S.A. distributed the profit and approved the dividend in accordance with the recommendation of the Bank's Management Board. ▶ The dividend record date was 16 May 2024 and the dividend was paid on 23 May 2024. |
| <p>Buyback of own shares for the purpose of Incentive Plan VII</p> | <p>Definition of buyback rules</p> <ul style="list-style-type: none"> ▶ On 16 February 2024, the Bank's Management Board adopted a resolution on the buyback of own shares to pay out awards for 2023 and deferred awards for 2022 payable in 2024 to the participants of Incentive Plan VII (Buyback 2023). <ul style="list-style-type: none"> ▶ The maximum amount allocated to Buyback 2023 was PLN 72,357k. The maximum number of own shares to be repurchased was 271k (representing approx. 0.27% of the Bank's share capital and voting rights). Buyback 2023 was planned to take place in two periods: a) between 19 February 2024 and 29 March 2024 and b) between 2 May 2024 and 21 June 2024. ▶ The Bank's shares could be repurchased from capital reserve on the regulated market of the Warsaw Stock Exchange via the agency of Santander Brokerage Poland. The price of own shares subject to Buyback 2023 could not be lower than PLN 50 and higher than PLN 1,000. The Bank could repurchase not more than 25% of average daily share volume traded in the period of 20 session days preceding the repurchase day. ▶ The Management Board had the right to withdraw from Buyback 2023 at any time or close it early if the maximum number of shares were repurchased or the maximum allocated amount was used before the set date. <hr/> <p>Buyback process and performance of related obligations</p> <ul style="list-style-type: none"> ▶ To meet the obligations towards the participants of Incentive Plan VII (pay out the awards payable in 2024), from 19 February 2024 to 13 March 2024 the Bank bought back 134,690 own shares representing 0.132% of the share capital and the total voting power. As the amount allocated to the buyback in 2024 was used in full, on 13 March 2024 the Bank's Management Board closed the programme. ▶ By 14 March 2024, instructions were made to transfer all 134,690 repurchased shares to the brokerage accounts of the participants of Incentive Plan VII. ▶ The above measures were taken with the KNF consent for the buyback of 2,331k own shares in the period between 1 January 2023 and 31 December 2033 to meet obligations towards the Bank's employees arising from Incentive Plan VII. |

Major corporate events in the reporting period until the release date of the report for H1 2024 (cont.)

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| <p>Bond issue programme</p> | <p>Change in the value of the bond issue programme and early redemption of bonds</p> <ul style="list-style-type: none"> ▶ On 19 February 2024, the Bank's Management Board adopted a resolution to change the value of the bond issue programme calculated as the nominal value of issued and outstanding bonds from PLN 5bn to PLN 10bn. Other issue terms and conditions remained unchanged. ▶ The Bank also decided to exercise a call option with regard to series 1/2023 non-preferred bonds in accordance with their issue terms and conditions. The early redemption took place on the interest payment date, i.e. 31 March 2024, and covered all the bonds issued, i.e. 3,800 bonds with the total nominal value of PLN 1.9bn. ▶ The redemption amount (nominal amount and interest accrued until the early redemption date) was paid to the investors that held the bonds on the date of determining the rights to interest, i.e. 22 March 2024. ▶ The early redemption of bonds was made through the Central Securities Depository of Poland (KDPW) in accordance with its regulations. <hr/> <p>Issue of senior non-preferred bonds</p> <ul style="list-style-type: none"> ▶ On 7 March 2024, the Bank's Management Board decided to issue series 1/2024 senior non-preferred bonds as part of the bond issue programme and defined the issue terms and conditions. ▶ The issue of the bonds with the total nominal value of PLN 1.9bn was settled on 2 April 2024. The bonds were taken up on the following terms and conditions set out in current report no. 15/2024 of 7 March 2024: ▶ The nominal value per bond is PLN 500k. The bonds bear a floating interest rate equal to the sum of 6M WIBOR and the margin of 1.50% per annum. The redemption date was set to 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. ▶ The Bank will apply for admission of the bonds to trading in the alternative trading system of the Warsaw Stock Exchange. |
| <p>Minimum requirement for own funds and eligible liabilities (MREL)</p> | <p>Setting MREL for Santander Bank Polska Group</p> <ul style="list-style-type: none"> ▶ On 9 May 2024, the Management Board of Santander Bank Polska S.A. received a letter from the Bank Guarantee Fund (BFG) with information about the joint decision taken together with the resolution college of Santander Group set up by the Single Resolution Board (SRB) on the minimum requirement for own funds and eligible liabilities (MREL). ▶ MREL for Santander Bank Polska Group is 15.38% of the total risk exposure amount (TREA) and 5.91% of the total exposure measure (TEM). ▶ The Bank is obliged to meet the minimum MREL subordination requirement of 15.02% of TREA and 5.91% of TEM. |

II. Basic information about the Bank and Santander Bank Polska Group

1. History, ownership structure and profile

> History of Santander Bank Polska S.A. (key ownership changes)

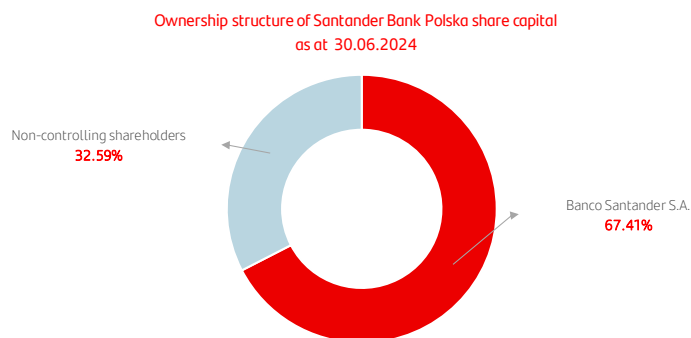
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| 2001 | Incorporation of Bank Zachodni WBK S.A. (BZ WBK S.A.) as a result of a merger of Bank Zachodni S.A. with Wielkopolski Bank Kredytowy S.A. (13 June 2001) |
| 2011 | <p>Sale of all shares of Bank Zachodni WBK S.A. held by AIB European Investments Ltd. (70.36% of share capital and voting power) to Banco Santander S.A. (1 April 2011)</p> <p>Acquisition of 95.67% of share capital and voting power of BZ WBK S.A. by Banco Santander S.A. in the tender offer for 100% of the Bank's shares</p> |
| 2013 | Merger of BZ WBK S.A. and Kredyt Bank S.A. by way of acquisition (transfer of all assets of the acquired bank to the acquirer in exchange for newly issued series J shares allotted to shareholders of Kredyt Bank S.A.) (4 January 2013) |
| 2014 | Acquisition of ordinary and preference shares of Santander Consumer Bank S.A. (SCB S.A.) with its registered office in Wrocław by BZ WBK S.A., representing 60% of the share capital of SCB S.A. and 67% of votes at the General Meeting of SCB S.A. (1 July 2014) |
| 2018 | <p>Registration of the change of the Bank's name from Bank Zachodni WBK S.A. to Santander Bank Polska S.A. and its registered office address from Wrocław to Warsaw in the National Court Register (7 September 2018)</p> <p>Acquisition of a demerged part of Deutsche Bank Polska S.A. and 100% shares of DB Securities S.A. along with registration of an increase in the share capital of Santander Bank Polska S.A. by demerger shares (9 November 2018)</p> |

Ownership structure of the share capital

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

| Shareholders with a stake of 5% and higher | Number of shares and voting rights | | % in the share capital and total voting power | |
|--------------------------------------------|------------------------------------|--------------------|-----------------------------------------------|----------------|
| | 30.06.2024 | 31.12.2023 | 30.06.2024 | 31.12.2023 |
| Banco Santander S.A. | 68,880,774 | 68,880,774 | 67.41% | 67.41% |
| Nationale-Nederlanden OFE ¹⁾ | 5,123,581 | 5,123,581 | 5.01% | 5.01% |
| Other shareholders | 28,184,959 | 28,184,959 | 27.58% | 27.58% |
| Total | 102,189,314 | 102,189,314 | 100.00% | 100.00% |

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



As at 30 June 2024, Banco Santander S.A. held a controlling stake of 67.41% in the registered capital of Santander Bank Polska S.A. and in the total number of votes at the Bank's General Meeting. The remaining shares were held by the minority shareholders, of which, according to the information held by the Bank's Management Board, only Nationale-Nederlanden Otworthy Fundusz Emerytalny (OFE) exceeded the 5% threshold in terms of share capital and voting power.

According to the information held by the Management Board, the ownership structure did not change in the period from the end of H1 2024 until the authorisation of the Report of Santander Bank Polska Group for H1 2024 for issue.

To meet the Bank's obligations under Incentive Plan VII (to pay the awards for 2023 and deferred awards for 2022 payable in 2024), from 19 February to 13 March 2024, the Management Board of Santander Bank Polska S.A., acting under the authorisation granted by the Annual General Meeting of 19 April 2023, bought back 134,690 own shares representing 0.132% of the share capital and voting power. As the amount allocated to the buyback in 2024 was used in full, on 13 March 2024 the buyback programme was closed. On 14 March 2024, instructions were made to transfer the above shares to brokerage accounts of the eligible participants. Having settled all the instructions, the Bank does not hold any own shares.

For more information about the share buyback under Incentive Plan VII, see "Corporate events" above.

Majority shareholder

Santander Bank Polska S.A. is 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 with more than 165 years of history. The bank specialises in retail banking services, but it is also very active in the private banking, business and corporate banking, asset management and insurance markets.

The business of Banco Santander S.A. is geographically diversified, but it focuses on 10 core markets – both developed and emerging, including Spain, Poland, Portugal, Germany, the UK, Brazil, Argentina, Mexico, Chile and the USA. With geographic location as the primary criterion, the Group has identified four main operating segments: Europe, North America, South America, and the Santander Open Platform.

> Santander Group in numbers (as at 31 March 2024)



2nd largest financial institution in the eurozone and 22nd largest one globally
in terms of market capitalisation

(source: Financial Report of Santander Group for Q1 2024)

Profile of the organisation

Legal form

Santander Bank Polska S.A. with its registered office in Warsaw started operations in 1989 as one of the first universal commercial banks in post-war Poland. Since 1993, it has been listed on the Warsaw Stock Exchange. After several ownership changes and more than 30-year presence on the Polish banking market, it was the second largest bank in terms of market capitalisation and third in terms of total assets as at 31 March 2024.

The Bank is a parent entity of Santander Bank Polska Group and forms a domestic bank holding group as defined in the Polish Banking Law Act together with its related entities, including Santander Consumer Bank S.A. (a domestic subsidiary bank). It is also registered as a foreign bank holding group with Spain-based Banco Santander S.A. as the ultimate parent entity. No financial support agreements referred to in Article 141t of the Polish Banking Law Act have been concluded as part of the above-mentioned holding groups.

Santander Bank Polska S.A. operates in Poland and has standard business and operational relationships with foreign banks and financial institutions. It also provides services to foreign customers and cooperates with Santander Group companies on a large scale. The Bank does not conduct active cross-border operations in other countries

Business profile of Santander Bank Polska Group

Santander Bank Polska S.A. is a universal bank which provides a full range of services for personal customers, SMEs, large companies, corporates and public sector institutions. The Bank's offer is modern, comprehensive and satisfies diverse customer needs with regard to bank accounts and credit, savings, investment, settlement, insurance and card products. The financial services of Santander Bank Polska S.A. also include cash management, payments, trade finance and transactions in the capital, money, FX and derivative markets, as well as underwriting and brokerage services.

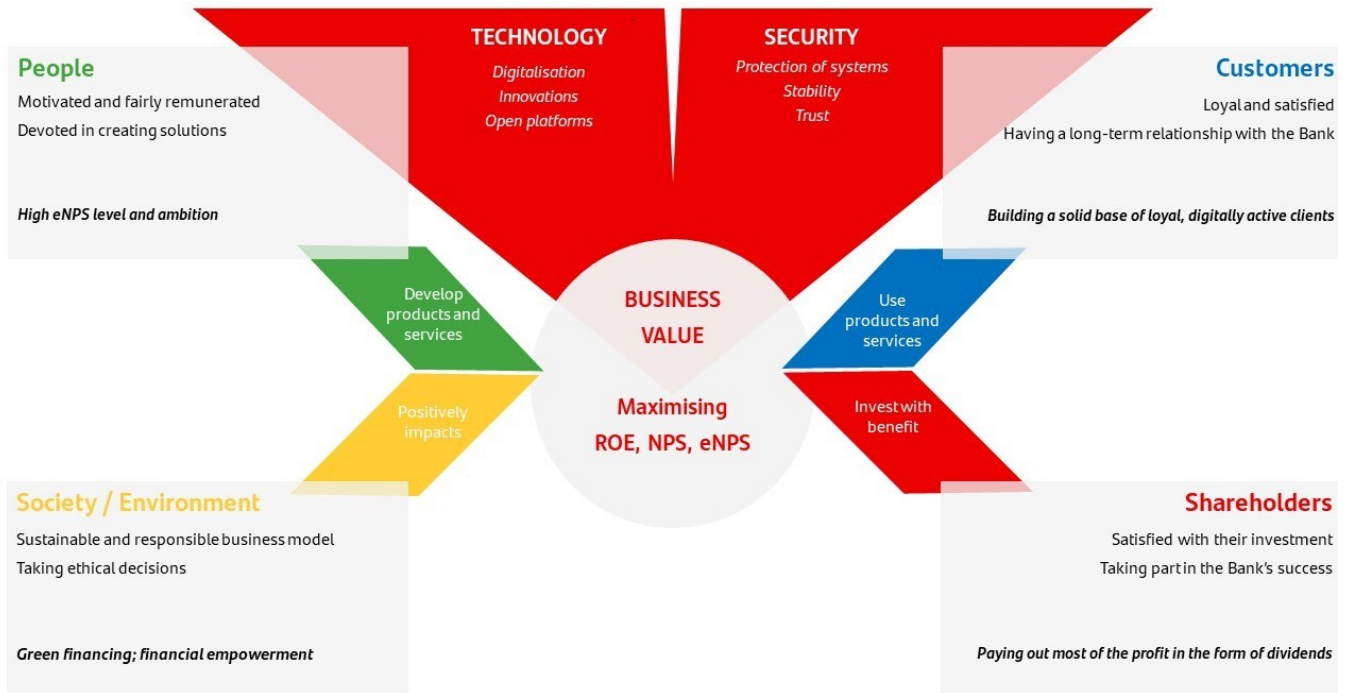
The Bank continuously develops its product range to ensure that solutions offered to customers are transparent, simple, digital, flexible and available in self-service channels. It offers unique solutions which are developed within Santander Group based on its global presence, infrastructure and market potential. Customers are provided with comprehensive services in traditional sales channels and in technologically advanced remote channels. The Bank's outlets are located Poland-wide.

The Bank's own product range is complemented by specialist products offered by its group of related companies, including: Santander Towarzystwo Funduszy Inwestycyjnych S.A., Santander Leasing S.A., Santander Factoring Sp. z o.o., Santander Allianz Towarzystwo Ubezpieczeń S.A. and Santander Allianz Towarzystwo Ubezpieczeń na Życie S.A. In cooperation with all these companies, the Bank provides its customers with access to investment funds, asset portfolios, insurance, leasing and factoring products.

Santander Consumer Bank S.A. and its subsidiaries form a separate business segment with its own customer base, product range and distribution channels. It offers credit facilities to households, mainly in the consumer finance and car finance sectors. It also provides financing to businesses, mainly car dealers and importers. Santander Consumer Bank Group offers consumer loans, car finance through car loans, lease and factoring, credit facilities for car dealers, retail and business deposits and insurance products.

As at 30 June 2024, Santander Bank Polska Group provided services to 7.5m customers, including 1.5m customers of Santander Consumer Bank S.A.

Value creation at Santander Bank Polska Group



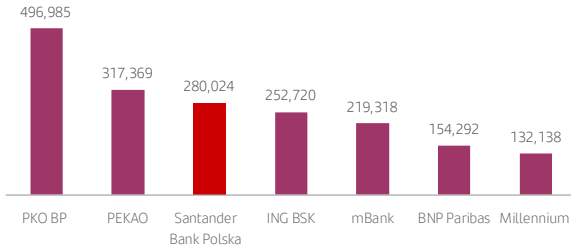
Position of Santander Bank Polska S.A. and its Group in the Polish banking sector

Position in the banking sector

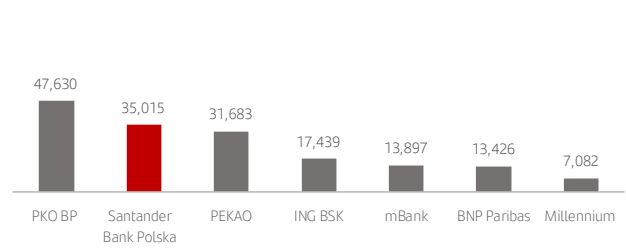
Santander Bank Polska S.A. is ranked among the top three banks in the Polish banking sector (together with PKO BP S.A. and Pekao S.A.) and is the largest private bank in Poland.

According to the interim reports for the quarter ended 31 March 2024, which at the date of authorisation of this Management Board report for issue were the most up-to-date source of comparable data on the performance of banks listed on the Warsaw Stock Exchange (WSE), Santander Bank Polska S.A. – including its subsidiaries and associates – was Poland’s second largest banking group in terms of total equity and market capitalisation, third largest one in terms of total assets, and fourth largest one in terms of customer deposits and net loans.

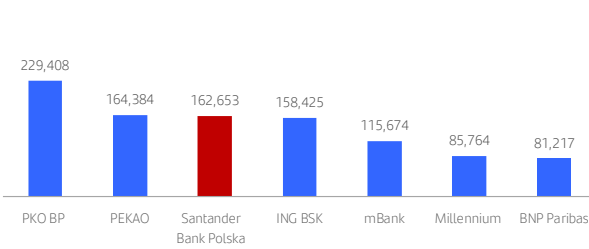
Total assets (PLN m) of Santander Bank Polska Group as at 31.03.2024 against the peer group



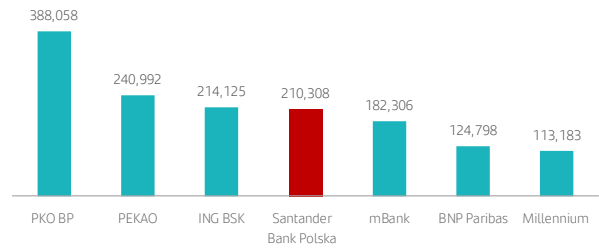
Total equity of Santander Bank Polska Group (PLN m) as at 31.03.2024 against the peer group



Customer loans and advances of Santander Bank Polska Group (PLN m) as at 31.03.2024 against the peer group



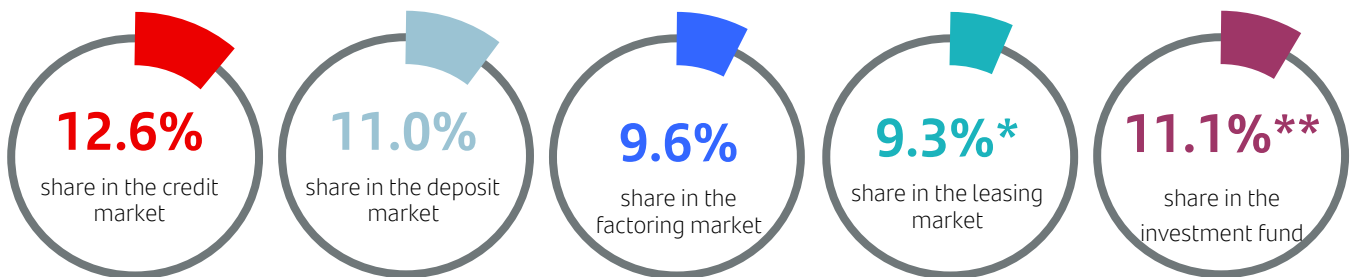
Customer deposits of Santander Bank Polska Group (PLN m) as at 31.03.2024 against the peer group



Share in key market segments

According to the available NBP statistics on the banking market, as at the end of June 2024 the market share of Santander Bank Polska Group was 12.6% for loans (12.4% as at 31 December 2023) and 11.0% for deposits (11.0% as at 31 December 2023).

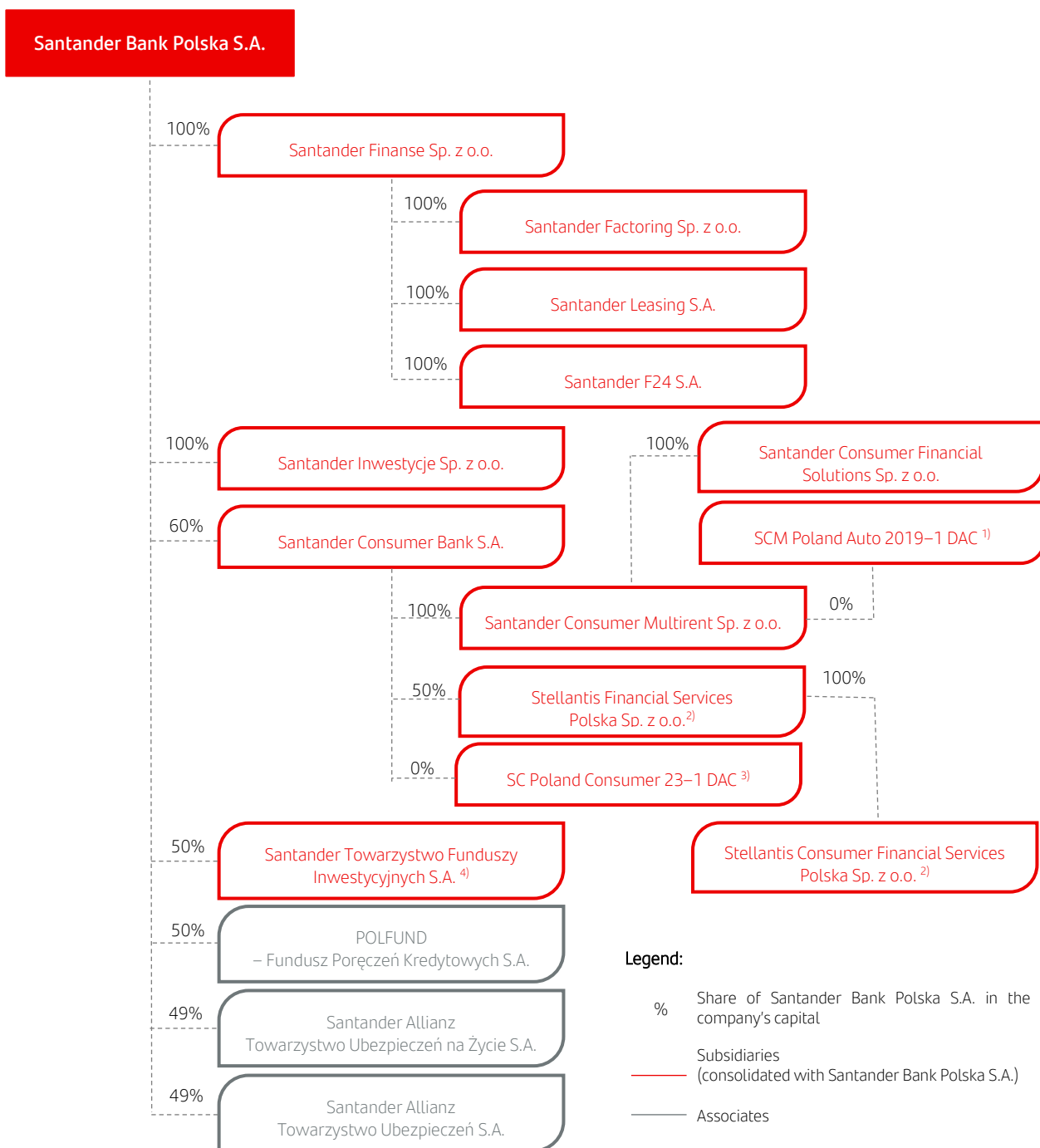
The Group operates in the factoring and leasing markets via its subsidiaries, holding a market share of 9.6% and 9.3%, respectively, as at 31 March 2024 (according to the Polish Factors Association and the Polish Leasing Association). In the same period, the Group's share in the retail investment fund market was 11.1% (according to Analityz Online):



* Total share of Santander Leasing S.A. and Santander Consumer Multirent Sp. z o.o.
 ** Share in the retail investment fund market.

2. Structure of Santander Bank Polska Group

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



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

2) Santander Consumer Finanse Sp. z o.o. w likwidacji was dissolved and put into liquidation as of 31 December 2020 under a resolution of the company's Extraordinary General Meeting of 23 December 2020.

3) 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).

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

5) 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 the International Financial Reporting Standards (IFRS) 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.

Subsidiaries

As at 30 June 2024, Santander Bank Polska Group comprised Santander Bank Polska S.A. and the following subsidiaries:

1. Santander Consumer Bank S.A. (SCB S.A.)
2. Santander Consumer Multirent Sp. z o.o. (SCM Sp. z o.o. – subsidiary of SCB S.A.)
3. Santander Consumer Financial Solutions Sp. z o.o. (subsidiary of SCM Sp. z o.o.)
4. SCM Poland Auto 2019-1 DAC (subsidiary of SCM Sp. z o.o.)
5. SC Poland Consumer 23-1 DAC (subsidiary of SCB S.A.)
6. Stellantis Financial Services Polska Sp. z o.o. (subsidiary of SCB S.A.)
7. Stellantis Consumer Financial Services Sp. z o.o. (subsidiary of Stellantis Financial Services Polska Sp. z o.o.)
8. Santander Towarzystwo Funduszy Inwestycyjnych S.A.
9. Santander Finanse Sp. z o.o.
10. Santander Factoring Sp. z o.o. (subsidiary of Santander Finanse Sp. z o.o.)
11. Santander Leasing S.A. (subsidiary of Santander Finanse Sp. z o.o.)
12. Santander F24 S.A. (subsidiary of Santander Finanse Sp. z o.o.)
13. Santander Inwestycje Sp. z o.o.

Compared with 31 December 2023, the list of subsidiaries of Santander Bank Polska S.A. did not change.

As at 30 June 2024, all companies within Santander Bank Polska Group were consolidated with the Bank in accordance with IFRS 10.

Associates

In the consolidated financial statements of Santander Bank Polska Group for the 6-month period ended 30 June 2024, the following companies are accounted for using the equity method in accordance with IAS 28:

14. Santander Allianz Towarzystwo Ubezpieczeń S.A.
15. Santander Allianz Towarzystwo Ubezpieczeń na Życie S.A.
16. POLFUND – Fundusz Poręczeń Kredytowych S.A.

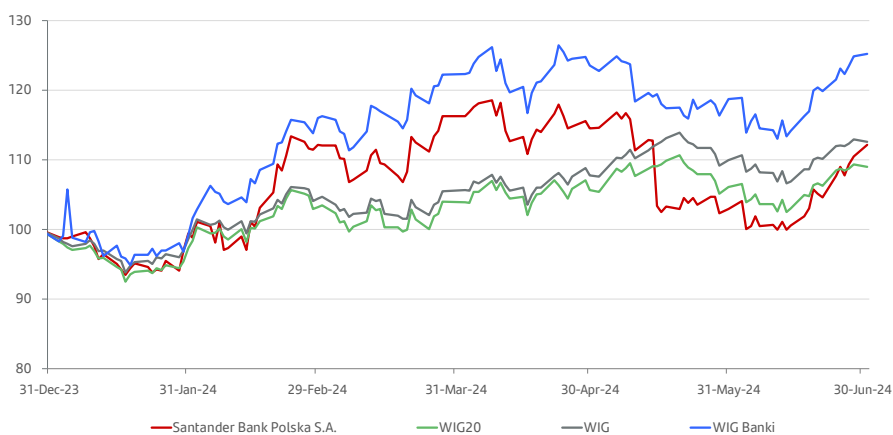
Compared with 31 December 2023, the list of associates did not change.

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

In H1 2024, bank stocks were among the best performing equities on the WSE. WIG-Banks gained 25% in that period, even though the rally clearly lost its momentum in Q2. The market capitalisation of Santander Bank Polska S.A. increased by 10.5% in H1 2024 as a base effect of unprecedented growth last year and price adjustment following the dividend payout in May 2024. However, taking into account the record high dividend of PLN 44.63, the half-yearly rate of return was 19.6%. The highest intraday price (PLN 590) was recorded in April, i.e. before the dividend payment, and the lowest in late January (PLN 454). The performance of shares of Santander Bank Polska S.A. and the entire sector was supported by declining inflation, low unemployment and a steady increase in salaries, which positively affected consumption. Another contributing factor was the stable monetary policy and a hawkish stance of the Monetary Policy Council due to the expected rise in inflation in the second half of the year. Interest rate cuts, which will be detrimental to banks, are not expected anytime soon, although their actual level at the end of the year will depend on the rate of inflation growth in the summer months following the rise in energy and gas prices planned as of July.

| Key data on shares of Santander Bank Polska S.A. | Unit | 30.06.2024 | 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 | 541.20 | 489.80 |
| Ytd change | % | +10.5% | +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 | 457.60 | 256.0 |
| Date of the lowest closing share price | - | 17.01.2024 | 2.01.2023 |
| Capitalisation at the end of the period | PLN m | 55,304.86 | 50,052.33 |
| Average trading volume per session | item | 71,321 | 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



4. 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 H1 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 June 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 June 2024

III. Macroeconomic situation in H1 2024

Economic growth

After a weak 2023, the Polish economy grew significantly faster in early 2024. In Q1 2024, the GDP increased by 2.0% YoY, and in Q2 2024 probably by about 3% YoY (data to be published in August). The main factor behind the acceleration of the economy was the private consumption, which was supported by a good situation of the labour market with record low unemployment, high wage growth, and high consumer optimism. In Q1 2024, private consumption grew by 4.6% YoY, and in the second quarter its growth rate probably remained at a similar level. Investments, on the other hand, were weak and decreased by 1.8% YoY in Q1 2024. This was mainly due to the fact that the EU financial framework 2014-2020 settlement ended, and funds from the new framework or from the Recovery Plan were not used heavily yet. This is also visible in the data on construction output. Polish exports also fared poorly, which resulted from the still weak economic situation in Europe, especially in Germany, which is the main recipient of Polish goods sold abroad. This was reflected in the results of the industry, which is strongly dependent on demand from abroad.

Labour market

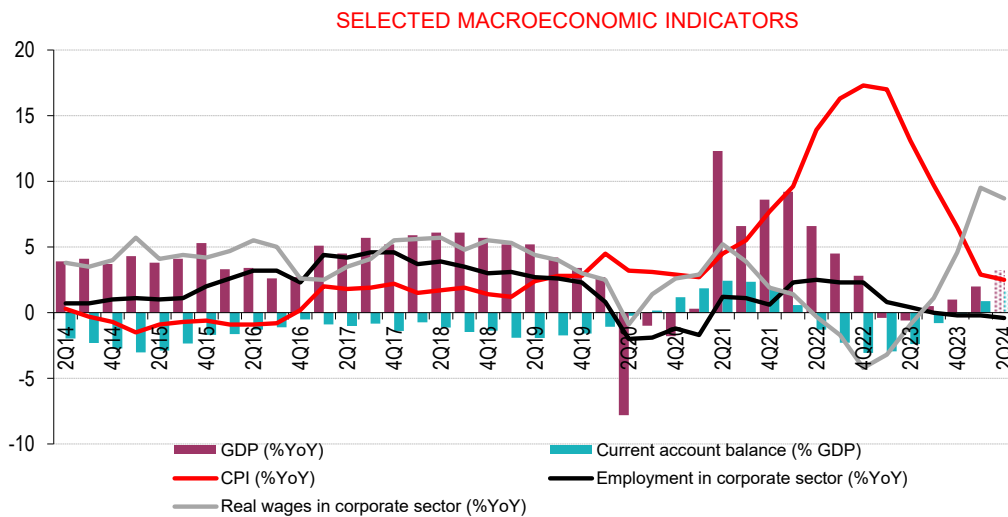
The Polish economy entered a new business cycle with the labour market already tight. In the first half of 2024 the unemployment rate was still staying close to record lows (below 3% for the LFS measure), with employment almost flat and near all-time high levels. Job cuts seen in some sectors struggling with reduced activity, such as manufacturing, were absorbed by the service and public sectors. In the corporate sector, wage growth remained at double-digit levels and was at around 12.0% YoY on average. In real terms, wages rose by approx. 9.0% YoY, the strongest since the 1990s. Given the labour supply constraints, the ongoing economic recovery can result in continued wage pressure and restricted employment growth.

Inflation

In the first half of 2024, CPI inflation fell close to the inflation target and averaged out at 2.7% YoY with a trough at 2.0% YoY in March. The downward movement was caused by the statistical base effect, but also by a decline in global food and other commodity prices and negative PPI inflation. The CPI index was slightly boosted by the reinstatement of 5% VAT on food in April. Core inflation, i.e. CPI excluding food, fuel and energy prices, remained elevated, averaging out at 4.6% YoY. CPI inflation is expected to increase in the coming months due to a rise in energy prices.

Monetary policy

No interest rate changes were introduced in the first half of 2024: the main rate was left at 5.75%. Despite frequent downside surprises with the monthly CPI data, the Monetary Policy Council became more reluctant to apply any changes to policy rates throughout the year, justifying such stance initially with high regulatory and fiscal uncertainty and then with an expected rise in CPI above the target. The NBP Governor suggested that rate cuts were very unlikely in 2024 and might not be introduced before 2026.



Source: GUS, NBP, Santander

Credit and deposit market

Credit market activity was high in the first quarter. This was driven, among other things, by the finalisation of contracts under the “2% Safe Mortgage” government programme, which, combined with solid demand for mortgages from those not participating in the programme, resulted in record monthly sales in this market segment. In the second quarter, the depletion of funds from the programme caused a significant drop in sales, which were still considerably higher than the year before. In May, the portfolio of housing loans was 0.9% higher than a year ago, including 7.9% in the PLN-denominated part. The consumer loan portfolio increased by 4.7% YoY in May. Corporate demand for credit remained constrained and in May the value of the entire portfolio was 0.3% higher compared to the last year.

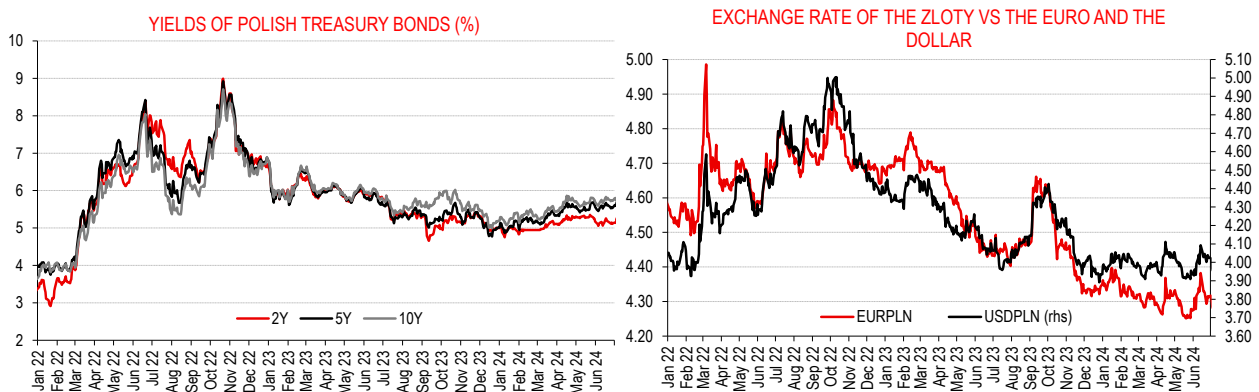
In H1 2024, deposit growth remained in the 7-9% YoY range. Household deposits grew faster (up approx. 11% YoY) than corporate deposits (up approx. 4-5% YoY). The growth rate of term deposits fell below 10% YoY for the first time in two years, while the growth rate of current deposits rose above 10% YoY.

Financial markets

In 2024, the market gradually reduced the scale of expected rate cuts from major central banks to about 2-3 for the ECB and the Fed by the end of 2024 versus about 5-7 priced in December 2023. Such market behaviour was the aftermath of still high inflation (expected to decline slowly) and solid data from the US labour market as well as slightly better data from the eurozone and the ECB’s restrained tone on rate cuts. In June, the ECB cut rates for the first time in five years, with the reference rate falling to 4.25% from 4.50%, and the Fed Governor suggested the possibility of rate cuts before inflation reaches the 2% target. After the EUR/USD rate fell to 1.066 in March from above 1.10 at the end of 2023, the euro gained again against the dollar in Q2 2024, reaching around 1.09 amid a faster decline in US bond yields than German bonds.

Since the beginning of the year, the zloty has been in a slight appreciation trend. The EUR/PLN rate approached the level of around 4.25 three times, with subsequent corrections reaching around 4.38. The last correction was related to the strengthening of the dollar on international markets and the political situation in France. However, in mid-July the zloty was stronger again, with a higher EUR/USD rate. We presume that political uncertainty related to the upcoming US elections may translate into increased volatility in the international markets in the coming months, which may negatively affect the zloty. However, at the same time the zloty will be supported by an expected increase in the interest rate disparity against the eurozone. We assume that the first rate cut by the MPC will take place in the middle of the next year, and by then ECB rates may be cut a few times. The Ministry of Finance may exchange at least some of its record high foreign currency deposits on the market instead of with the NBP, although comments from that Ministry indicate that the government does not support further zloty appreciation. We assume that the zloty will remain quite strong in the coming quarters and may approach 4.20 against the euro over the next several months when the dollar begins to lose ground to the euro and the domestic economy accelerates.

In the first months of the year, domestic market rates remained in an upward trend. In mid-April, the 2-year swap rate returned to the level before the unexpectedly large reduction in NBP rates last year. The second quarter was marked by stabilisation of market rates at relatively high levels, and a gradual decline in rates occurred in July. We assume that the downward trend in swap rates and bond yields will not last long due to the fact that the MPC prefers a fairly hawkish approach in monetary policy, inflation will rise in the coming months and remain elevated until the end of the next year, and the timing of rate cuts is quite distant. We expect a slow decline in yields as the first rate cut approaches. Asset swap credit spreads may stabilise in the face of external political risks and the likely shortfall in the VAT revenues on the one hand, and the chance of a smaller supply of fixed-coupon bonds amid higher retail bond sales and the supply of new inflation-indexed bonds on the other. The 3M WIBOR rate fell to 5.85% at the end of June from 5.88% at the end of 2023. The yield of 2-year bonds rose to 5.15% from 5.06% during this period, and the yield of 10-year bonds increased to 5.77% from 5.25%.



Source: Bloomberg, Santander

Stock market

The bullish momentum on the Warsaw Stock Exchange (WSE) observed since 2023 continued through the first six months of 2024. The WSE indices set new records in that period. WIG, a broad-based index, increased by 12.9% Ytd, hitting an all-time high of 89,414 points in May. WIG20 gained 9.3%, with the highest stock prices since January 2018 recorded in May. mWIG40 and sWIG80, mid and small cap indices, increased too, closing the first half of the year at new highs of 12.7% and 10.4%, respectively.

Visibly lower inflationary pressure and favourable external environment (despite the ongoing armed conflicts) supported the upturn on the WSE. The national politics was another positive contributor. The change of the ruling party at the turn of the year renewed the global trust in Polish state companies and increased expectations of depoliticisation of economic processes. Most important, however, were developments in the USA, notably a rally in big tech stocks fuelled by AI development as well as hopes for a change in the Federal Reserve's policy and start of interest rate cuts.

Legal environment of the banking sector

The table below shows the selected legislation which came into effect in 2024 and has impact on the financial sector in Poland.

| Act or regulation | Effective date | Selected regulations affecting the financial sector |
|--------------------------------------------------------------------------------------------------------------------------------------------------------------|-----------------------------------------------------------------|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| Act of 26 May 2023 on state aid for saving for housing purposes | 1 July 2023; part of provisions: 1 January and 1 March 2024 | <ul style="list-style-type: none"> ▶ The act sets out the rules for regular state-aided saving for housing purposes, i.e. purchase or development of the first apartment or house. ▶ It introduces 2% Safe Mortgage with state-subsidised repayments and a housing account with a bonus from the state budget. ▶ It limits the assignment of reservation and development agreements. |
| Act of 7 July 2023 amending certain acts to limit certain effects of identity theft | 1 June 2024 | <ul style="list-style-type: none"> ▶ The act introduces a possibility to lock the PESEL number. ▶ Starting from 1 June 2024, the entities specified in the act (banks, payment service providers, payday lenders, etc.) must verify whether the customer's PESEL number has not been locked before they enter into certain types of agreements or pay out cash in the amount exceeding three times the minimum salary. |
| Act of 12 April 2024 amending the Act on support for mortgage borrowers in financial distress and Act on crowdfunding for business and support for borrowers | 15 May 2024 | <ul style="list-style-type: none"> ▶ The act introduces a solution known as payment holidays for borrowers who have a PLN mortgage loan of up to PLN 1.2m and have at least three dependants or meet an income criterion (the instalment to income ratio of min. 30%). ▶ Borrowers can suspend two loan instalments in Q3 and two loan instalments in Q4 2024. |
| Act of 14 June 2024 on protection of whistleblowers | Majority of provisions: three months after the publication date | <ul style="list-style-type: none"> ▶ The act (amended by the Senate) has been passed by the Sejm and signed by the President. It is about to be published in the Journal of Laws. ▶ The act transposes Directive (EU) 2019/1937 of the European Parliament and of the Council of 23 October 2019 on the protection of persons who report breaches of Union law. ▶ It defines the conditions for protecting persons who report or publicly disclose information on breaches, protection measures, rules on establishing an internal procedure for reporting breaches and taking follow-up actions, rules on reporting breaches to public authorities, and rules on publicly disclosing information on breaches. ▶ According to the act, a whistleblower is an individual (e.g. an employee, a person working on a basis other than the employment relationship) who reports or publicly discloses information on breaches acquired in a work-related context. ▶ Any retaliation measures against whistleblowers are forbidden. ▶ The act imposes an obligation to establish an internal procedure for receiving and following up on reports of breaches (including consultations with trade unions or representatives of persons working for a given entity) and keep a register of internal reports. |




| Regulatory recommendations and guidelines | Effective date | Selected guidelines affecting the financial sector |
|---------------------------------------------------------------------------------------------|----------------|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| New Recommendation S on best practice in the management of mortgage-backed credit exposures | 1 July 2024 | New Recommendation S introduces the following: <ul style="list-style-type: none"> ▶ state-guaranteed home loan; ▶ home loan with state-subsidised interest payments; ▶ interest rate increase buffer to be used in repayment capacity calculations; ▶ new expectations regarding prepayment models; ▶ new expectations regarding information for customers about risks connected with mortgage loans. |
| New Recommendation U | 1 July 2024 | <ul style="list-style-type: none"> ▶ The purpose of the recommendation is to ensure appropriate value for customers in terms of insurance products, specifically payment protection insurance. ▶ New requirements have been introduced in relation to the marketing of insurance products (including group insurance plans) as part of bancassurance activities. ▶ Processes related to the offering of insurance products must be monitored as part of the internal control system and the risk management system. |

IV. Development strategy

1. Purpose, aim, values and strategic objectives

At the end of 2023, the Bank's Management Board adopted the strategy of Santander Bank Polska Group for 2024–2026, which is a continuation of the previous course of action and is based on the same values and assumptions as applied before.

The purpose, aim and values of Santander Bank Polska Group are as follows:

| | | |
|--------------------------------------------------------------------------------------------------------------------------------------------------|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|--------------------------------------------------------------------------------------------------------------------------------|
|  Purpose To help customers and employees prosper |  Aim To be the best open financial services platform by acting responsibly and earning the lasting loyalty of employees, customers, shareholders and communities |  Values Simple Personal Fair |
|--------------------------------------------------------------------------------------------------------------------------------------------------|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|--------------------------------------------------------------------------------------------------------------------------------|

Changes compared to the previous strategy

The previous strategy of Santander Bank Polska Group for 2021–2023 focused on six strategic directions: Customer Obsession, Employee Focus, Simplification, Smart Omnichannel, Innovate to Open Platform, Safety and Trust. High priority was given to enhancing customer experience in contacts with the Bank, increasing the attractiveness of the Bank as a place to work, digitalising sales, post-sales and internal processes and delivering objectives of the ESG agenda.

The new three-year strategy for 2024–2026 is based on three strategic directions reflecting the priorities set for that period:

1. Total Experience
2. Total Digitalisation
3. Total Responsibility

Experiences of the Bank’s key stakeholders, i.e. customers and employees, are treated as equally important and have become an even greater focal point of the new strategy. The Group puts relationships at the heart of its business, making sure that they are long-lasting and based on trust. It intends to evoke positive emotions and foster the image of a Bank that is close to people. The focus on customer and employee experience should make the Group stand out in the market. This is what the first strategic direction – **Total Experience** – is about.

Positive emotions and experience to a large extent depend on the interactions in the digital world. For this reason, with increased determination, the Group follows the path of digital innovation, offering customers new possibilities in remote channels and ensuring employees simple and effective processes. This is what the second strategic direction – **Total Digitalisation** – is about.

Challenges that both the Group and the society face require a huge responsibility, which is a principle that guides our actions. The Group consciously makes ethical decisions, keeping in mind its impact on the communities and the environment. With a sustainable business model, the Group creates value for customers, employees, shareholders and local communities, working towards a better future for us, our children and our planet. This is what the third strategic direction – **Total Responsibility** – is about.

Strategy for 2024–2026

> Strategy of Santander Bank Polska Group for 2024–2026



The strategy of Santander Bank Polska Group has been developed to meet the priorities of the Bank as a modern organisation. One of its pillars is Total Experience, which is focused on maximising customer and employee experience. Total Digitalisation means further development of digital service channels for customers and an effective digitalised work environment for employees. Total Responsibility reflects the Bank’s responsible business agenda and covers not only environmental but also social and management aspects

2. Key achievements in H1 2024 and activities planned for H2 2024

Helping customers and employees prosper is the purpose and foundation of the Group's three-year strategy for 2024–2026. The Group took intensive efforts to communicate the new strategy to employees and investors.

TOTAL EXPERIENCE

ACTIVITIES COMPLETED IN H1 2024

- ▶ The new strategic direction, its objectives and indicators were communicated to employees. A range of information and education activities were carried out, including theoretical and practical training such as interactive e-learning courses that met the needs of different employee groups.
- ▶ Tools were developed to facilitate the implementation of the Total Experience approach in day-to-day work.
- ▶ Intensive efforts were undertaken to promote the culture of innovation and grow business. Work was launched to develop a systemic approach to the design of products and services based on customer and employee journeys.

ACTIVITIES PLANNED FOR H2 2024

- ▶ Improve the tools based on employee feedback.
- ▶ Ensure full access to the TX tools for all employees.
- ▶ Implement banking projects for customers and employees in accordance with the new approach.
- ▶ Monitor strategic indicators and plan the next steps.

TOTAL DIGITALISATION

ACTIVITIES COMPLETED IN H1 2024

- ▶ The base of retail customers using the mobile application was further extended.
- ▶ The functionality and stability of the mobile application was improved and the user experience was enhanced based on the retail customer voice.
- ▶ The use of self-service solutions connected with credit products was increased.
- ▶ The functionality of products for business and corporate customers was expanded.
- ▶ Paper consumption in communication with employees was considerably reduced – nearly 100% of employee files and requests now have digital form.

ACTIVITIES PLANNED FOR H2 2024

- ▶ Continue to improve experience of retail customers using the mobile application and remote channels.
- ▶ Extend the product range for retail customers, in particular in terms of credit cards and products for SME segment.
- ▶ Improve the functionality and access to products for business and corporate customers in remote channels.
- ▶ Automate credit processes in business and corporate banking segments.

TOTAL RESPONSIBILITY

ENVIRONMENTAL (E)

ACTIVITIES COMPLETED IN H1 2024

- ▶ Record high growth was reported in sustainable finance (according to the Bank's Sustainable Finance Classification System), notably mortgage-backed facilities and funds from Corporate & Investment Banking Export Credit Agency (CIB ECA). New products and services were developed to support customers in improving assets with the greatest potential for increasing operational efficiency and reducing the carbon footprint as part of scope 1 and 2.
- ▶ The financed emissions were recalculated and the quality of data used for that purpose was improved. Based on that, decarbonisation levers were defined for the selected material portfolios.
- ▶ Training programmes were launched for advisors, focusing on commercial aspects of energy transition of the enterprise sector, including products and tools offered by the Bank to meet customers' needs in this respect.
- ▶ ESG risk concentration limits were introduced for sectors which are the largest contributors to climate change and for high physical risk exposures.

ACTIVITIES PLANNED FOR H2 2024

- ▶ Continue the educational activities for sales staff focusing on commercial aspects of the energy transition. Launch new sustainable products, particularly for retail and SME customers.
- ▶ Cooperate with global development banks in the allocation of the released capital to finance economic transition and social projects as part of new agreements with relevant institutions.
- ▶ Further optimise the Group's carbon footprint in all three scopes and use the outcome of that process to define emission reduction plans in accordance with the Net Zero strategy.

SOCIAL (S)

ACTIVITIES COMPLETED IN H1 2024

- ▶ The Bank organised the third edition of the "Finansowe Roz(g)rywki" workshops for primary school students in 12 cities around Poland and an educational campaign as part of "Finansiaki".
- ▶ The number of users of Santander Open Academy increased by nearly 86k.
- ▶ A grant programme for schools ("To DziałaMY") was implemented in partnership with Unicef Poland.
- ▶ DE&I educational campaigns were delivered for managers and employees.
- ▶ Initiatives were undertaken to support employee wellbeing culture.
- ▶ Another edition of the "ESG knowledge bank": training was launched for employees to consolidate and expand their knowledge and skills related to sustainable development and ESG.
- ▶ Six cybereducation CRM campaigns were delivered in the internet and mobile banking.
- ▶ Cybereducation initiatives for employees were undertaken to increase the Bank's resilience to different cyber risk scenarios. They also covered existing and new cyberthreats for customers, affecting the Bank's security and NPS.

ACTIVITIES PLANNED FOR H2 2024

- ▶ Further develop financial education and cybersecurity projects for a wider target group, modify processes and procedures to meet the needs of vulnerable customers and prevent financial exclusion.
- ▶ Develop the "Finansiaki" financial education project.
- ▶ Organise the "We will double your impact 2024" fundraiser.
- ▶ Finalise the project: "Together for eco change – charging stations".
- ▶ Deliver a scholarship programme for young talents.
- ▶ Run the Santander Open Academy campaign: "Making foreign languages less foreign" – Santander Universidades.
- ▶ Continue the culture-related initiatives for employees in respect of diversity, equality and inclusion, promotion of corporate values and behaviours, supporting employee development, healthy lifestyle and wellbeing.
- ▶ Continue the ESG development initiatives for employees to build skills necessary to manage ESG opportunities and risks.
- ▶ Carry out communication and educational activities in cooperation with external partners.

GOVERNANCE (G)

ACTIVITIES COMPLETED IN H1 2024

- ▶ The 1LoD and 2LoD units were strengthened and the risk culture was further developed.
- ▶ The monitoring of implementation of regulatory recommendations was enhanced.
- ▶ The Bank received the following awards and accolades: Top Employer Poland and Top Employer Europe 2024, "Ethical Company" from Puls Biznesu, "Institution of the Year" from Moje Bankowanie, Great Place to Work, ESG White Leaf from Polityka.
- ▶ Sustainability disclosures were made as part of communication with stakeholders, including: Management Board's Report, Pillar 3 disclosures, ESG Report. The taxonomy disclosures made on a voluntary basis included information on transactions supporting the development of renewable energy sources.

ACTIVITIES PLANNED FOR H2 2024

- ▶ Continue to adapt the data collection systems and processes to facilitate sustainability reporting in accordance with regulatory requirements.
- ▶ Further adjust banking processes and procedures in line with the changing regulatory environment and increase the effectiveness of the control system and risk culture.

Ambitions and indicators of Santander Bank Polska Group as part of the strategy for 2024–2026

| KPI | Ambition | Achieving ambitions after the first half of 2024 |
|--------------------------|-----------------------------------------------------------|------------------------------------------------------------|
| Return on Equity | TOP3 for the Polish banking sector | 19.1% |
| NPS | TOP3 for the Polish banking sector | TOP3 for the Polish banking sector |
| Top Employer Certificate | Maintaining certification | Certification maintained |
| Total Capital Ratio | Dividend triggering level | 17.84%* |
| Cost of Risk | 70-90 b.p. | 0.70% |
| Cost to income ratio | <35% | 31.1% |
| Dividend payout | Dividend payment in the amount permitted by the regulator | PLN 4.56 billion (payout level permitted by the regulator) |

*Data include profits classified as own funds in accordance with the applicable EBA guidelines.
Source: NPS, Top Employer Certificate and the level of dividend payments are bank data. Other figures are based on consolidated figures excluding Santander Consumer Bank.

V. Business development in H1 2024

1. Group's business management structure

Operational structure

Santander Bank Polska S.A., together with its non-banking subsidiaries, conducts its operations through the following central units: Retail Banking Division, Business and Corporate Banking Division, and Corporate and Investment Banking Division.

Santander Consumer Bank Group (SCB Group), which specialises in consumer finance, forms a separate business segment with its own customer base, product range and distribution channels.

Segment reporting

The business management structure presented above corresponds to business segments identified as part of segment reporting (Note 3 to the Condensed Interim Consolidated Financial Statements of Santander Bank Polska Group for the 6-month period ended 30 June 2024). They are complemented by the ALM and Central Operations segment, which covers funding, management of strategic investments and transactions which generate expenses/income that cannot be allocated to individual segments.



The table below presents the business segments of Santander Bank Polska Group in three dimensions: customer profile, key product lines, and service model.

| Segment | Area | Operating model |
|---------------------------------------|---------------------|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| RETAIL BANKING | → Customer profile | <ul style="list-style-type: none"> ▶ Personal customers (divided into Standard, Premium, Select and Private Banking customer segments based on their diverse needs and expectations). ▶ Micro, small and medium-sized companies (with annual turnover up to PLN 10m). Portfolio breakdown by branch, remote (Multichannel Communication Area) and digital customers. |
| | → Key product lines | <ul style="list-style-type: none"> ▶ Current and business accounts, savings products, consumer and mortgage loans, credit and debit cards, insurance and investment products, clearing services, brokerage services, foreign payments, services for high-net-worth customers, open banking services. ▶ Business loans, business deposits, cash management, leasing facilities, factoring, payment orders, letters of credit, collections and guarantees, payment terminals, additional online services, Kantor Santander currency exchange platform. ▶ Asset management services as part of investment funds. ▶ Access to the global offer of Santander Group, third-party investment funds, and structured deposits for Private Banking customers. |
| | → Service model | <ul style="list-style-type: none"> ▶ Relationship-building, sales and after-sales contacts with retail customers through the network of branches, partner outlets and remote channels (Multichannel Communication Centre, Santander internet and Santander mobile). ▶ Premium customers are serviced by dedicated advisors as part of their individual portfolios, based on a personalised approach and regular contacts aimed at strengthening relationships and customer loyalty. ▶ Private Banking and Select customers benefit from a personalised service model under which they can use the support of a specialised advisor and the Select Line operating as part of the Multichannel Communication Centre, which offers support via telephone. Private Banking customers are serviced by over 64 Private Banking Directors operating from 24 locations around Poland, including four Private Banking Centres. ▶ SMEs are handled by SME advisors in branches and partner outlets. Business customers can also use the services of the Multichannel Communication Area/ Remote Distribution Area as well as internet and mobile channels (Santander mobile and dedicated services: Mini Firma, Moja Firma plus and iBiznes24). ▶ Customers of Santander Brokerage Poland may invest via the Inwestor online system, Inwestor mobile application, the Multichannel Communication Centre and at the Bank's branches providing brokerage services. |
| BUSINESS AND CORPORATE BANKING | → Customer profile | <ul style="list-style-type: none"> ▶ Businesses and corporations with turnover of PLN 10m–PLN 1.2bn, local authorities and the public sector. |
| | → Key product lines | <ul style="list-style-type: none"> ▶ Payment transactions, loans, deposits, cash management, leasing facilities, factoring, letters of credit and guarantees. ▶ Services to customers of other banks and financial institutions provided under agreements with those institutions. |
| | → Service model | <ul style="list-style-type: none"> ▶ Business customers are managed by the Business Clients Department and the Corporate Clients Department. These units encompass six regional centres (three Business Banking Centres and three Corporate Banking Centres) divided into 29 offices located across Poland. ▶ Premium customers and entities from the public and commercial properties sector are handled by four dedicated offices. ▶ Customers have dedicated advisors who are responsible for the overall relationship. They are supported by units specialised in transaction structuring, lending and product development. ▶ Customers are provided with access to the Bank's products and services via remote channels, including internet and mobile iBiznes24 platform (featuring such modules as currency exchange and trade finance) as well as contact centres which handle a wide range of operating processes (Business Service Centre, SME Service Centre, and Trade Finance Service Centre). |

| Segment | Area | Operating model |
|-----------------------------------------|---------------------|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| CORPORATE AND INVESTMENT BANKING | → Customer profile | <ul style="list-style-type: none"> ▶ Largest corporate customers allocated to that segment based on their turnover (nearly 250 of the largest companies and groups). ▶ Corporations serviced within the international Santander Corporate and Investment Banking structures. ▶ Treasury, syndicated lending, and advisory services for customers of other Divisions. |
| | → Key product lines | <ul style="list-style-type: none"> ▶ Transactional banking (including cash management), deposits, working capital finance, mid- and long-term finance, leasing facilities, factoring, letters of credit, guarantees, and trade finance. ▶ Project finance, syndicated loans, arranging and financing of securities issues, financial advisory services (including those related to mergers and acquisitions), and brokerage services for financial institutions. ▶ FX and interest rate risk hedging products (offered to all customers of the Bank). |
| | → Service model | <ul style="list-style-type: none"> ▶ Customers of the Corporate and Investment Banking Segment have dedicated product specialists and managers who are responsible for the overall relationship. ▶ They are provided with access to the Bank's products and services via remote channels, including internet and mobile iBiznes24 platform, as well as dedicated call centres (Business Service Centre and Trade Finance Service Centre). |
| SANTANDER CONSUMER | → Customer profile | <ul style="list-style-type: none"> ▶ Personal and business customers. |
| | → Key product lines | <ul style="list-style-type: none"> ▶ Instalment loans, cash loans (including consolidation loans), credit cards, online renewable limits, special-purpose loans, car finance (refinance solutions, leasing facilities and leasing loans), business loans, factoring and bank guarantees. ▶ Term deposits and insurance products (mainly related to credit facilities). |
| | → Service model | <ul style="list-style-type: none"> ▶ The bank sells its products through: <ul style="list-style-type: none"> ▷ a network of own branches and franchise outlets, which offer cash loans, credit cards and retail deposits ▷ a structure for mobile sales of car loans and leasing facilities ▷ a structure for mobile sales of corporate deposits ▷ a structure for mobile sales of instalment loans ▶ remote channels, i.e. a call centre and internet and mobile banking used to sell cash loans, credit cards and instalment loans ▶ a network of partners offering the Bank's car loans and leasing facilities (car dealers, second-hand car dealers and intermediaries) as well as instalment loans and credit cards (retail chains and stores) ▶ a remote channel for car loans. |

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

2.1. Retail Banking Division

| Product line for personal customers | Activities of the Retail Banking Division in H1 2024 |
|----------------------------------------------------|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| Cash loans | <ul style="list-style-type: none"> ▶ In January 2024, customers were provided with a possibility to choose the type of interest rate (variable or adjustable fixed) on cash loans and consolidation loans via Santander internet and the Santander mobile application. ▶ Maximum amounts of an online cash loan were made available to a wider group of customers. ▶ Digital and post-sales channels were steadily developed to suit customers' needs. ▶ Online cash loan with 0% fee was still on offer. ▶ The pricing policy was adjusted to prevailing macroeconomic conditions. ▶ Solutions were implemented in relation to regulatory changes, including the locked PESEL database, 800+ child benefit programme, and Recommendation S and U. ▶ Work was launched to align the processes with the European Accessibility Act (EAA). ▶ In H1 2024, cash loan sales of Santander Bank Polska S.A. were PLN 5.5bn, up 14.0% YoY. Sales generated via remote channels accounted for 73.5% vs 64.7% in H1 2023. As at 30 June 2024, the cash loan portfolio of Santander Bank Polska S.A. totalled PLN 17.4bn, up 9.1% YoY. |
| Mortgage loans | <ul style="list-style-type: none"> ▶ The Bank launched a pilot of the Good Energy home loan for customers looking to improve the energy performance of their houses. ▶ The Bank ran a promotional campaign of mortgage loan with a prelimit. ▶ In H1 2024, the following campaigns were continued: a) for PLN mortgage borrowers, offering them to switch from variable to adjustable fixed rate; and b) for CHF mortgage borrowers, enabling them to convert the loan to PLN on preferential terms. ▶ Process changes were implemented as required by legal regulations: <ul style="list-style-type: none"> ▶ Customers were provided with a possibility to apply for a solution known as payment holidays (suspension of mortgage loan payments on the terms and conditions specified in the Act on crowdfunding for business and support for borrowers). ▶ The loan sanction process and templates of agreements and other documents were changed in accordance with Recommendation S, Recommendation U and guidelines issued by the KNF. ▶ The verification of locked PESEL numbers was launched in line with the Act amending certain acts to limit certain consequences of identity theft. ▶ Changes were introduced to the application for aid under the Borrowers Support Fund following the amendment of the Act on supporting borrowers. ▶ The pricing of mortgage loans was modified. 5-year fixed interest rates on loans with LTV up to 50% were reduced, as were margins on variable-rate loans. ▶ In H1 2024, the value of new mortgage loans totalled PLN 7.1bn (including PLN 4.0bn worth of mortgage loans granted under the 2% Safe Mortgage programme), up 35.9% vs H2 2023 and 195.2% vs H1 2023. The gross mortgage loan portfolio of Santander Bank Polska S.A. increased by 7.0% YoY to PLN 53.9bn as at 30 June 2024. PLN mortgage loans totalled PLN 52.2bn, up 11.8% YoY. ▶ The Bank is ranked second in the mortgage loan market with a share of 16.7% in terms of new mortgage loans and equity releases (data published by the Polish Bank Association as at the end of April 2024) and fourth with a share of 11.2% in terms of the value of the portfolio (data published by the Polish Bank Association as at the end of March 2024). |
| Personal accounts and bundled products, including: | <ul style="list-style-type: none"> ▶ The number of PLN personal accounts grew by 4.1% YoY to 4.7m as at 30 June 2024. The number of Santander Accounts (the main acquisition product for a wide group of customers) was 3.8m. Including FX accounts, the personal accounts base totalled 6.0m (+5.3%). ▶ The acquisition activities were focused on Santander Account, Max Santander Account and Select Account. Santander Account was ranked third in the personal account category of the "2024 Golden Banker" ranking. ▶ In H1 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. ▶ In May 2024, customers were provided with a possibility to change the type of their personal account via Santander internet or mobile application. ▶ Since June 2024, personal customers can open FX Account24 in eight new non-standard currencies: CZK, SEK, NOK, DKK, JPY, CAD, AUD, HUF. ▶ Along with changes to personal FX accounts, a new buy-by-click process was implemented in the mobile application and internet banking, enabling customers to open FX Account24 in any of the twelve currencies. ▶ In June 2024, the Bank implemented a new Private Banking FX account available in twelve currencies. |

| Product line for personal customers | Activities of the Retail Banking Division in H1 2024 (cont.) |
|----------------------------------------------------|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| Payment cards | <ul style="list-style-type: none"> ▶ In H1 2024, the Bank continued its promotional, sales and relationship-building activities to increase payment card turnover. The card plastic recycling process was continued to support sustainable development. ▶ Work was in progress on the extension of the range and functionality of card products, including the launch of a new credit card. ▶ As at 30 June 2024, the personal debit card portfolio comprised 4.4m cards and increased by 3.5% YoY, generating 16.9% higher non-cash turnover YoY. ▶ The credit card portfolio of Santander Bank Polska S.A. included 631.5k instruments and was stable YoY, generating 9.0% higher non-cash turnover YoY. The credit card debt was up 1.1% YoY. |
| Deposit and investment products, including: | <ul style="list-style-type: none"> ▶ In H1 2024, the Bank's priority in terms of management of deposit and investment products amid continuously high interest rates was to grow the portfolio while reducing its average cost and ensuring high satisfaction of savers. ▶ Deposit inflows went up, notably as part of the special offer: "New funds in the Multi Savings Account – 9th edition", which increased the Bank's share in the retail deposit market. ▶ The most popular products in the reporting period were term deposits (including Winter Deposit and Spring Deposit) and negotiated deposits as well as savings accounts (particularly Multi Savings Account with a promotion for new funds and Select Savings Account with a special offer for active customers) and investment products with various risk levels. ▶ The Bank's investment offer consisted mainly of brokerage services and investment funds, including funds managed by the Bank's subsidiary Santander Towarzystwo Funduszy Inwestycyjnych S.A. (Santander TFI S.A.) and selected Polish and foreign funds. ▶ The Bank's share in the retail deposit market increased in the reporting period, as did the share of investment funds managed by Santander TFI S.A. in the investment fund market. |
| ➤ Deposits | <ul style="list-style-type: none"> ▶ In accordance with customers' expectations, in H1 2024 Santander Bank Polska S.A. offered a range of promotions for savers (term deposits, savings accounts) supported by marketing communication (BTL and ATL). ▶ The savings product offer was modified eight times, including in relation to interest rates on term deposits and PLN savings accounts. ▶ In January 2024, the Bank introduced a new promotion of 3-month Investor Deposit for customers investing their money in investment funds, with an interest rate of 6.25% on up to PLN 350k. ▶ In March 2024, the Bank launched the following special offers: <ul style="list-style-type: none"> ▷ "New funds in the Multi Savings Account – 9th edition", with an interest rate of 6% on up to PLN 100k; ▷ a promotion of the Select Savings Account: "We reward active customers 8", offering a 4.5% interest rate on funds up to PLN 100k to loyal Select customers who make a stated number of transactions; ▷ a Spring Deposit available online, paying 4.5%/ 4% on funds up to PLN 50k. ▶ On 24 June 2024, the Bank introduced an online Holiday Deposit offering 4% on funds up to PLN 50k. ▶ At the end of June, the Bank launched a pilot of the Deposit for You, with the maximum deposit amount of PLN 100k. The pilot group included over 70k customers availing of the special offers on savings accounts as part of the Smart Pricing project. ▶ The total cost of deposits remained stable and low in H1 2024 owing to an effective strategy of limited promotions and optimisation of the standard deposit proposition. The share of current accounts in the deposit structure increased at the expense of term deposits. ▶ As at 30 June 2024, deposits from personal customers totalled PLN 114.8bn, up 9.8% YoY. Term deposit balances grew by 12.4% YoY to PLN 35.3bn and current account balances increased by 8.7% YoY to PLN 79.4bn (including a 1.9% YoY rise in savings account balances). |
| ➤ Investment funds | <ul style="list-style-type: none"> ▶ Half-yearly net sales of investment funds managed by Santander TFI S.A. were positive at PLN 2.3bn. The most popular products were debt solutions, i.e. short-term debt sub-funds (promoted since 2022 and regularly publishing projected rates of return) and corporate bond sub-funds. Customers were also interested in absolute return sub-funds such as Santander Prestiz Alfa and Santander Prestiz Fixed Income Active. The newly launched Santander Prestiz Calm Investment sub-fund performed very well too. ▶ Santander TFI S.A. was ranked third in the investment fund market in terms of net sales and its share in the retail market increased by 5 b.p. to 10.95% as at the end of May 2024. ▶ As at 30 June 2024, the total net assets of investment funds managed by Santander TFI S.A. were PLN 22.1bn, up 42.5% YoY and 16.7% Ytd. ▶ The product range of Santander TFI S.A. was expanded to include Santander Prestiz 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 partnership with one of the private equity market leaders, Santander TFI S.A. and Santander Bank Polska S.A. launched the first master-feeder fund: Santander Private Equity FIZ. The subscription for the new fund was successfully completed in June 2024. ▶ In H1 2024, Santander TFI S.A. continued to work closely with Santander Bank Polska S.A. in terms of sales in Private Banking and Select segments and development of distribution in the Mass and Premium segment. To that end, Santander TFI S.A. provided product training for the Bank's employees handling customers from the above segments. Furthermore, the representatives of Santander TFI S.A. participated in the meetings with high net worth customers of Santander Bank Polska S.A. ▶ In H1 2024, Santander TFI S.A. took further measures to build its market position in terms of Employee Capital Plans (ECP) based on organic growth and a campaign addressed to employers supporting the first automatic enrollment. As at the end of June 2024, the company managed ECP assets of PLN 451.9m from 95.7k Santander PPK SFIO unitholders. |

| Product line for personal customers | Activities of the Retail Banking Division in H1 2024 (cont.) |
|-------------------------------------|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| ➤ <i>Brokerage services</i> | <ul style="list-style-type: none"> ▶ In H1 2024, Santander Brokerage Poland focused on the strategic replacement of the front-end and back-end brokerage software. Regulations were modified and tests and pre-migration dress rehearsals were underway in relation to the new system – Promak Next. ▶ Structured products have become increasingly important over the recent years due to their growing contribution to Santander Brokerage Poland's income and high rates of return. In H1 2024, the Bank made 18 subscriptions of structured products. The offer of Santander Brokerage Poland focused exclusively on products with full capital protection. ▶ In Q2 2024, the Bank issued first series A investment certificates of Santander Private Equity Fundusz Inwestycyjny Zamknięty. |
| ➤ <i>Bancassurance</i> | <ul style="list-style-type: none"> ▶ Two new benefits were offered as part of the key non-linked Life and Health (Życie i zdrowie) insurance: Medicines for you and Recovery, with a range of additional services available to customers. ▶ Customers were also provided with an option to buy a motor insurance via helpline or at a branch (previously available via mobile and internet banking). ▶ The Worry-Free Loan (Spokojny Kredyt) and Business Guarantor (Biznes Gwarant) insurance was modified too. ▶ In H1 2024, the insurance premium increased by 5.2% YoY, mainly on account of sale of non-linked insurance products. Insurance products linked to credit facilities, notably mortgage loans, were the largest contributor to income. |
| ➤ <i>Private Banking</i> | <ul style="list-style-type: none"> ▶ In H1 2024, the Private Banking offer was expanded to include Santander Prestiż Calm Investment, a new sub-fund of Santander Prestiż SFIO offered by Santander TFI S.A. ▶ Customers were also provided with access to the full range of solutions available under a new sub-fund: Fidelity International – Fidelity Funds US Dollar Bond Fund A (Acc) (EUR) (hedged). |

Small and Medium Enterprises (SMEs)

| Product line for SMEs | Activities of the Retail Banking Division in H1 2024 |
|-----------------------------------------------|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| <i>Business accounts and bundled products</i> | <ul style="list-style-type: none"> ▶ In H1 2024, the Bank offered a range of promotions for SME customers including: <ul style="list-style-type: none"> ▶ "Plenty of benefits with Online Business Account" – a special offer launched in April 2024, providing a bonus for customers who open a business account in remote channels and make card or BLIK payments, exchange currency on the currency exchange platform, open the Lokata Biznes Impet deposit or sign a POS terminal agreement. ▶ Another edition of the "Account with an instalment" promotional offer (linked to Online Business Account and combined with the "Plenty of benefits with Online Business Account" promotion) for customers of Santander Leasing S.A. who do not have a business account. ▶ The regular offer was extended to include the Online Business Account (along with the waiver of selected fees). ▶ The Bank completed the "EmPOWERed in business" ("MOCni w biznesie") project, i.e. a series of ten workshops for business owners and a grant programme delivered in partnership with the Polish Entrepreneurs Foundation and Polfund. From January to June, nearly nine thousand people took part in webinars and 700 business plans were submitted by grant applicants. ▶ As part of the Entrepreneurs Week, the Bank offered a range of promotions and discounts on services. Customers were informed about them via text messages, push messages, banners in internet banking, website and social media. The initiative also included campaigns rewarding long-term customers and educational podcasts. |
| <i>Deposits</i> | <ul style="list-style-type: none"> ▶ The liquidity and pricing policy related to deposits for SMEs reflected the Bank's balance sheet position and trends in the interest rate market. ▶ As the market interest rates were stable, the interest rates and tenors of standard deposits were not changed. Standard 1-month deposit was the most popular product. ▶ The negotiated deposit offer for customers with higher cash surpluses was modified on an ongoing basis. ▶ Current deposit accounts contributed most to deposit balances during the first six months of 2024. ▶ Customers looking for higher returns were offered investment products, including structured deposits. ▶ Projects were underway to improve access to deposit and investment products in internet and mobile banking. |
| <i>Loans</i> | <ul style="list-style-type: none"> ▶ In H1 2024, the Bank offered a range of promotions and solutions to increase customers' satisfaction with financing. They included: <ul style="list-style-type: none"> ▶ "0% in remote channels" – a waiver of an arrangement fee on a business loan. ▶ "Business loan with a medical package" – a voucher for free private healthcare at LUX MED over 12 months for customers availing of a business loan. ▶ Fixed pricing conditions for customers transferring business loans from other banks. ▶ Liquidity loans for customers from the agricultural sector. ▶ An all-purpose fixed instalment loan. ▶ In June 2024, the Bank started a series of meetings with customers: "Santander New Energy", during which energy transition experts talked about trends and regulations affecting customers' business. The Bank's experts shared their professional knowledge and practical solutions that can be used by customers on a daily basis. |

| Product line | Activities of Santander Leasing S.A. |
|--------------|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| Leasing | <ul style="list-style-type: none"> ▶ To simplify communication with customers, loan agreements as well as general conditions and related documents were modified in accordance with plain language rules and made available to customers in January 2024. The documents also have a new layout, which makes them easier to read and navigate. ▶ On 7 January 2024, terms and conditions of financing for consumers and farmers were changed in line with the regulations on lombard loans as well as the amended Consumer Loan Act and Civil Code. ▶ Changes were introduced to improve and digitalise credit processes. ▶ The Bank started cooperation with the manufacturers of agricultural tractors, trailers and machines, offering preferential financing terms (even a zero interest rate) to customers from the agricultural sector (vendor finance). ▶ As part of changes introduced to financing for corporate and SME customers, the simplified/ automated procedure was extended. ▶ Since April, photovoltaic panels up to 150kw have been eligible for the SolarLease simplified procedure provided that the exposure does not exceed PLN 500k per single transaction. ▶ Since May 2024, SME customers can again conclude lease or loan agreements secured by de minimis guarantee issued by Bank Gospodarstwa Krajowego. ▶ New self-service solutions are available on the eBOK24 customer service platform such as partial repayment and extension of the lease agreement. ▶ A process was implemented to verify if PESEL numbers of customers applying for consumer loans have not been locked. ▶ In April 2024, a new customer contact channel was launched: an online chat. ▶ During the first six months of 2024, Santander Leasing S.A. financed assets of PLN 4.3bn (+12.8% YoY). The growth was driven mainly by sales in the vehicles segment (+24.3% YoY). |

2.2. Business and Corporate Banking Division

| Direction | Activities of the Business and Corporate Banking Division in H1 2024 |
|-----------------------|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| Business developments | <ul style="list-style-type: none"> ▶ Strong business growth across all segments and business lines, translating into higher income from trade finance (+9.6% YoY), leasing (+10.2% YoY) and lending (+6.5% YoY). ▶ Sound sales performance despite challenging market conditions, notably in terms of leasing (+11.9% YoY), factoring (+26.1% YoY) and trade finance (+6.2% YoY). ▶ Increase in credit and lease volumes by 4.6% YoY and 10.7% YoY, respectively. 8.8% YoY rise in total credit limits. ▶ 5.1% YoY increase in deposit volumes. ▶ Growing sales in digital channels, particularly in terms of currency exchange (+12.5% YoY). ▶ 7.0% YoY increase in the volume of transactions made by customers. ▶ High credit quality of the corporate lending portfolio, with a low and stable cost of risk. |

| Direction | Activities of the Business and Corporate Banking Division in H1 2024 (cont.) |
|----------------------------------|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| Business/ digital transformation | <p>Simplification and digitalisation</p> <ul style="list-style-type: none"> ▶ Continuation of digitalisation and development projects aimed at ensuring best-in-class services. ▶ Implementation of solutions for users of a new version of the iBiznes24 electronic banking platform and iBiznes24 mobile application: <ul style="list-style-type: none"> ▷ Adding a new identity document (mDowód). ▷ Introducing functional changes in the mobile application to make it more user friendly. ▷ Implementing changes in the e-FX module. ▷ Improving order batch management. ▷ Extending the iBiznes24 service to include the Cash module enabling the user to set up new cash orders, review the list of orders, track the status of deposits and withdrawals, and download reports and confirmations. ▷ Setting up the Trade Desk offering system support for corporate customers using the Trade Finance module in iBiznes24. ▷ Other changes in the Trade Finance module, including updated document templates and a new report generator. ▶ Implementation of GTS/One Trade Portal for corporate customers. Launch of outgoing instant transfers in EUR for corporate customers participating in Target Instant Payment Settlement (TIPS)/ Euro Express Elixir. ▶ Further development of the CLP (Corporate Lending Platform) – implementation of changes reducing turnaround times and significantly increasing the number of credit customers handled at a time: <ul style="list-style-type: none"> ▷ Increasing the exposure limit of automatically processed customers. ▷ Adding new currency pairs to calculate the FX limit. ▷ Introducing a new version of the EU working capital loan. ▷ Expanding the range of products processed as part of a simplified procedure: letters of commitment for sustainable, EU and technological loans. ▷ Adding new purposes of working capital loans and extending the list of non-standard solutions processed in the tool. ▷ Modifying the leasing limit sanction process. ▷ Implementing a number of other functions that make the CLP more user friendly. ▶ Continuation of #4US and #4Leaders, i.e. innovative transformation programmes aimed at improving work environment, developing skills and sharing leadership experiences. <p>Products</p> <ul style="list-style-type: none"> ▶ Implementation of a pilot carbon footprint tracker for corporate customers so that they can calculate their CO₂ emissions. ▶ Conclusion of an agreement with Bank Gospodarstwa Krajowego (BGK) to sanction loans secured by Biznesmax and Ekomax guarantees. Introduction of both new guarantee programmes to the Bank's offer. ▶ Implementation of a new product for public benefit organisations: incoming BLIK transfer to the phone. Organisations can receive transfers from donors to the indicated phone number. The funds are immediately credited to the account maintained by the Bank. |
| Commercial activities | <ul style="list-style-type: none"> ▶ The Bank was a supporting partner of the 8th Entrepreneurship and Financial Education Convention (organised by the Warsaw Institute of Banking and the WSE Foundation) and the Inter-Chamber Golf Tournament. The Bank also co-organised an ESG event in Poznań, during which the ESG Report of Allegro was presented. ▶ Sector flash reports on freight transport by road and automotive market analysis were prepared for the Bank's customers. ▶ A series of conferences were held to encourage customers to use EU funds for growing their business. |
| Awards and recognitions | <ul style="list-style-type: none"> ▶ The Bank was named Leader of Biznesmax Guarantees by BGK in recognition of satisfactory cooperation with the state bank, highly automated guarantee issuance process as well as high quality of the guarantee portfolio and documents. |

| Area | Activities of Santander Factoring Sp. z o.o. in H1 2024 |
|-----------|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| Factoring | <ul style="list-style-type: none"> ▶ The value of the credit portfolio of Santander Factoring Sp. z o.o. declined by 1.7% YoY to PLN 8.4bn as at 30 June 2024. ▶ The receivables purchased by the company fell by 2.9% YoY over the first six months of 2024 PLN 23.2bn. |

2.3. Corporate and Investment Banking Division

| Unit | Activities of the Corporate and Investment Banking Division in H1 2024 |
|-----------------------------------------|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| Credit Markets Department | <ul style="list-style-type: none"> ▶ Project finance and syndicated lending: <ul style="list-style-type: none"> ▷ Leading role in the financing of renewable energy projects. ▷ Co-financing of acquisition of a company from the manufacturing sector. ▷ Co-financing of a telecommunications infrastructure development project. ▷ Participation in the securitisation transaction. ▷ Co-financing of syndicated loans in the pharmaceutical sector. ▷ Leading role in the financing of student housing developments in Poland. ▶ 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. ▶ Sustained performance in the asset turnover and underwriting area amid high demand for credit assets from banks (both in the primary and secondary markets). Transactions in assets from industrial manufacturing and telecommunications sectors and increased use of solutions facilitating higher-volume asset turnover such as securitisation or risk participation framework agreements with third-party financial institutions. ▶ Bond issues: <ul style="list-style-type: none"> ▷ Participation in the issue of eurobonds of EUR 2.0bn and dollar bonds of USD 8.0bn for customers from the public sector. ▷ Participation in the issue of PLN 380m worth of corporate bonds for a customer from the property sector. ▷ Issue of PLN 1.9bn worth of MREL/TLAC-eligible bonds by the Bank (March). ▷ Participation in bond issues for customers from the financial sector with a total amount of PLN 2.9bn. |
| Capital Markets Department | <ul style="list-style-type: none"> ▶ Acting as the global joint coordinator in the accelerated book building for shares of a company from the financial sector. ▶ Transactional advisory and intermediary services for an acquirer in the tender offer for shares of a company from the electrical goods distribution sector. ▶ Intermediary and financial advisory services in the tender offer for shares of a company from the IT sector. ▶ Advisory services in relation to the sale of a large-scale solar farm. |
| Global Transactional Banking Department | <ul style="list-style-type: none"> ▶ Business trends in trade finance: <ul style="list-style-type: none"> ▷ The demand for working capital finance was slightly higher compared to the previous year, with a positive change in the trend in the second part of H1. The limit utilisation declined, as a clear effect of 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 mitigate 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: <ul style="list-style-type: none"> ▷ There were structural changes in net interest income in H1 2024, affecting the underlying management policy. They included a decline in the share of some sectors in the balance of deposits, resulting in an outflow of funds from the Bank. With intensive measures taken to acquire deposits from smaller companies from other sectors, the Bank managed to significantly diversify the deposit portfolio. Maintenance of high deposit balances on a larger scale in a long run depends on an increased activity of both Depo-Desk dealers and customers. ▷ In May, the Cash Management Team posted considerably higher results. The Team successfully runs two income-related initiatives: cash generation and financing of housing development in Poland. Both initiatives generate the expected results and have potential for growth, which depends on external factors (e.g. "Flat for start 2024" programme). |

| Unit | Activities of the Corporate and Investment Banking Division in H1 2024 (cont.) |
|------------------------|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| Financial Markets Area | <ul style="list-style-type: none"> ▶ Main activities related to services for business customers of Santander Brokerage Poland: <ul style="list-style-type: none"> ▷ Accelerated book building for shares of a company from the car parts distribution sector and a company from the financial sector. ▷ Successful completion of a tender offer for shares of a company from the electrical goods distribution sector, with 95% of shares taken up by the customer (acquirer). ▶ Equity research area: <ul style="list-style-type: none"> ▷ Publication of 154 recommendations with regard to CEE listed companies (in H1 2024). ▷ Organisation of a conference for institutional investors attended by several dozen companies listed on the WSE. ▶ Treasury Services Department: <ul style="list-style-type: none"> ▷ Organisation of two conferences for corporate customers during the visit of the Economist of Banco Santander S.A. ▷ Launch of a new 360T FX platform for one of the Division's largest customers. ▷ Record high number of FX transactions made on the Kantor Santander currency exchange platform in May 2024 (1.2m). ▷ Conclusion of a deal contingent hedge in relation to the financing of a renewable energy project (to be settled in Q4 2024). ▷ Increase in treasury limits for emission allowance transactions and conclusion of first such transactions. ▷ Implementation of a new service model in customer segments. ▷ Record high volume of corporate bonds in the corporate customer segment. |

3. Business development of Santander Consumer Bank Group

| Direction | Activities of Santander Consumer Bank Group in H1 2024 |
|---------------------------------------------------------------|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| Key focus areas of Santander Consumer Bank Group's operations | <p>In the reporting period, Santander Consumer Bank Group (SCB Group) focused on:</p> <ul style="list-style-type: none"> ▶ Maintaining the position in the installment loan market with a stable share in traditional sales, continued relationships with large retailers and profitability of cooperation with trade partners and growing online sales. Optimising sales of instalment loans and maximising cross-selling opportunities, which includes renewing existing agreements and signing new agreements with partners based on efficiency criteria. ▶ Increasing the share in the cash loan market, with a double digit growth in the share of the remote channel in sales. ▶ Improving efficiency and volume of sales, incentivising partners and branch employees. ▶ Simplifying and speeding up the agreement execution process across all channels and intensifying direct marketing activities. ▶ Developing financial solutions for car buyers and actively increasing the base of partners for the purpose of product distribution. Extending the cooperation with SMEs. ▶ Strengthening the position in relation to long-term leases by offering Full Service Leasing. ▶ Increasing the presence on the used car market by offering products that meet customers' expectations and ensuring a simple, fast and online financing arrangement process. |
| Lending | <ul style="list-style-type: none"> ▶ As at 30 June 2024, net loans and advances granted by SCB Group totalled PLN 18.3bn and increased by 8.1% YoY on account of higher supply of cars financed with lease, stock finance and factoring as well as car loans for individuals. While cash loan sales accelerated significantly (particularly in the remote channel), the value of instalment loans decreased, reflecting selective sales, 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. ▶ Due to a highly competitive environment, SCB offered further special deals on consolidation loans and took intensive measures towards inactive customers with a sound credit risk profile. ▶ The maximum cash loan amount available to standard customers was increased. ▶ In H1 2024, credit card sales in the remote channels went up, supported by promotions for new customers (vouchers for retail chains or e-commerce platforms), portfolio-wide campaigns incentivising existing customers (competitions) and cashback offered to less active customers who make a stated volume of transactions. The above initiatives were intended to increase the number and value of transactions executed by new and existing customers and encourage them to log into internet banking or mobile application. Furthermore, SCB continued the regular communication activities targeted at credit card users. ▶ In H1 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). |

| Direction | Activities of Santander Consumer Bank Group in H1 2024 (cont.) |
|--------------------------|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| Deposits | <ul style="list-style-type: none"> ▶ As at 30 June 2024, deposits from customers of SCB Group totalled PLN 15.0bn and increased by 23.7% YoY mainly on account of active sales of new term deposits and renewal of existing ones. Particularly popular were term deposits with the maximum tenor of six months as well as savings accounts. While term deposits for personal customers increased most in terms of value, the highest growth rate was reported for savings accounts. ▶ SCB actively managed the pricing offer in the environment of stable interest rates and decreasing inflation in order to grow the profitability of the deposit portfolio. ▶ With the rise in the balance of customer deposits, the level of deposits from banks was reduced. |
| Synthetic securitisation | <ul style="list-style-type: none"> ▶ In June 2024, SCB entered into a synthetic securitisation transaction in relation to its cash and instalment loan portfolio. The purpose of the transaction was to obtain a capital relief on the retail loan portfolio. The transaction is an STS synthetic securitisation with a significant risk transfer and comprises three tranches. On 29 June 2024, SCB signed an agreement with a private investor under which it received a financial guarantee to secure 100% of the mezzanine tranche. The transaction does not involve financing and covers the selected portfolio of cash and instalment loans which remain on the SCB's balance sheet. It is a part of the strategy aimed at optimising Tier 1 capital. ▶ In H1 2024, SCB continued the synthetic securitisations started in 2019 and 2022 in relation to the portfolio of cash and instalment loans. The purpose of the transactions was to obtain a capital relief on the retail loan portfolio, ensuring an additional capacity to finance projects supporting the growth of SMEs. |
| Other | <ul style="list-style-type: none"> ▶ In the reporting period, credit card CPI was modified to meet the requirements arising from the new Recommendation U. ▶ In H1 2024, SCB renewed or extended cooperation with three key partners from the household appliances sector, maintaining its strong position in the consumer finance market. |

VI. Organisational and infrastructure development

1. Human Resources management

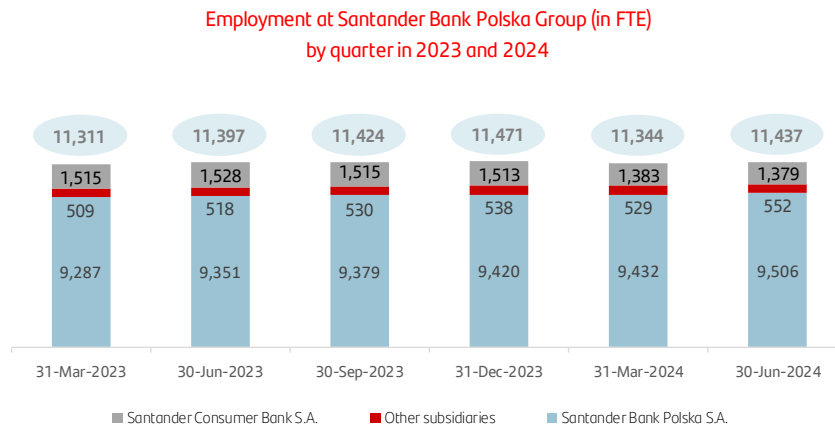
Employment

As at 30 June 2024, the number of FTEs in Santander Bank Polska Group was 11,437 (11,471 as at 31 December 2023), including 9,506 FTEs of Santander Bank Polska S.A. (9,420 as at 31 December 2023) and 1,379 FTEs of Santander Consumer Bank Group (1,513 as at 31 December 2023).

The employment in Santander Bank Polska Group decreased by 34 FTEs Ytd and increased by 40 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.



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 H1 2024, the Your Voice engagement survey was held. The overall response rate at the Bank was 87%. eNPS (Employee Net Promoter Score) was record high and exceeded the True Benchmark, ranking the Bank as TOP 1 among Santander Group companies in Europe. Reports from the survey include a thorough analysis of quantitative results and employee comments at the level of the Bank, organisational units and individual topics. Based on the conclusions from the analysis, Gain & Hot Spots (multidisciplinary expert teams) have taken measures to enhance positive employee experience. They have been maximising the Bank's strengths and improving the areas indicated by employees.

The Bank also completed the design of EX Health Check, a solution to monitor the impact of key initiatives and processes on employee experience (using e.g. the Employee Effort Score). At the next stage, the strategic projects will be prioritised, taking into account an employee's perspective. The implementation of a co-creation platform, a tool to increase employee engagement in designing and testing banking solutions and products, is about to be completed.

In H1 2024, work was also launched to implement and reinforce the Total Experience (TX) approach across the organisation in accordance with the strategic direction. E-learning courses and cascade workshops were delivered for individual units as part of the first stage of the implementation process.

Variable remuneration

As the business and quality targets were met at the level triggering a bonus pool for 2023, in Q1 2024 the Bank's Management Board decided to pay variable remuneration in its full amount. Objectives were also achieved to pay the awards under the long-term Incentive Plan VII,

which is addressed to the employees who significantly contribute to growth in the value of the organisation. Its purpose is to motivate the participants to achieve business and qualitative goals in line with the Group's long-term strategy. This mechanism is intended to strengthen the employees' relationship with the Group, while encouraging them to act in its long-term interests. The Plan obligatorily covers all persons with an identified employee status in Santander Bank Polska Group. Key function holders designated by the Management Board and approved by the Supervisory Board participate in the Plan on a voluntary basis. The participants are entitled to variable remuneration in the form of the Bank's shares provided that they meet the terms and conditions stipulated in the participation agreement and the resolution. To that end, Santander Bank Polska S.A. can buy back up to 2,331,000 own shares from 1 January 2023 until 31 December 2033. The Plan covers the period of five years (2022–2026). However, as the payment of variable remuneration is deferred, the share buyback and allocation will be completed by 2033.

The Annual General Meeting of Santander Bank Polska S.A. held on 19 April 2023 authorised Management Board members to repurchase fully covered own shares for the Plan participants in respect of the awards for 2023 and part of the award for 2022 (which was subject to annual retention). As the amount allocated to the buyback in 2024 was used in full, on 13 March 2024 the programme was closed. The Bank bought back 134,690 own 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 for 2024). The average buyback price per share in 2024 was PLN 539.15. All shares were transferred to brokerage accounts of the eligible participants. Having settled the instructions, the Bank does not hold any own shares.

In H1 2024, the total amount recognised in the Group's equity in line with IFRS 2 was PLN 38.8m, and PLN 38.8m was taken to staff expenses for the six months of 2024. The latter item 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.

Training and development

Santander Bank Polska S.A. provides a variety of training and development programmes for employees, particularly leaders and specialists. The training offer focused on leadership skills, corporate behaviours and digital competencies of the future.

In H1 2024, the "Power of emotions" development programme was designed and implemented for senior managers, focusing on emotional aspects of leadership.

Educational initiatives were delivered for employees and managers to support the implementation of one of the Bank's strategic pillars: Total Experience. The programme includes e-learning courses, workshops with managers and cascade communications (including educational materials) to all employees.

DE&I (Diversity, Equity and Inclusion) values were promoted as part of educational campaigns for employees and managers. Podcasts and articles were published to celebrate the Mother's Day, the Children's Day and the Father's Day and to promote parental equality and the work life balance directive. Special materials were prepared in cooperation with employee networks to celebrate the Diversity Month and the Pride Month.

Other HR initiatives

Further digitalisation

Thanks to system and process solutions implemented in Q1 2024, all PIT and IMIR forms for 2023 were sent to employees and tax offices electronically.

As part of the paperless HR strategy, another stage of document digitalisation was completed in March: each employee can now confirm a statement, send a request or confirm that they have read a document with just one click (qualified signature), and the Bank as an employer can report and manage that process in an automated way. On top of that, new employees were provided with an option to confirm an employment contract online.

BeHealthy

The "Call for dialogue" project was delivered for HR Business Partners to help build positive relationships at work. It focused on an early response to conflicts and prevention of unwanted behaviours at work. Educational activities were carried out to increase the awareness of workplace misconduct (e.g. a series of articles: "Bullying: everything you need to know", "ABC of mental crisis", a meeting with an external expert about discrimination due to gender).

In April 2024, the global BeHealthy Week took place under the banner: "A healthy life, your best choice". This year's edition featured many online and onsite events, including webinars: "How AI can help us in everyday life", "Depression: what I can do for myself and others", "Going shopping with a dietician", "Long and healthy life".

During the Family Day, the children and grandchildren of the Bank's employees were invited to engage in a variety of activities. The themes were related to the Bank's strategy.

Santander Helps

In May 2024, another edition of the Santander Helps charity campaign took place. The Bank raised funds for Marek Kamiński's Foundation that supports the mental wellbeing of children and young people. More than 2 thousand employees took part in this sports event, covering 76.6 thousand kilometers on foot and 148.9 thousand kilometers on wheels

2. Optimisation of the organisational structure

In H1 2024, the organisational structure of Santander Bank Polska S.A. was changed to increase the operational efficiency of the organisation through its better alignment with the business environment and optimisation of management processes.

| | |
|---------------------------------------------------|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| <p>Retail Banking Division and Branch Network</p> | <ul style="list-style-type: none"> ▶ The structure and processes of the Retail Banking Division and the Branch Network are being modified in line with the segment model implemented since May 2023. Process review and streamlining translate into more effective use of resources and functional synergies. ▶ The key structural changes in the Division were as follows: <ul style="list-style-type: none"> ▷ The structure of the Multichannel Communication Area was aligned with the modified strategy focused on building customer experience and increasing sales efficiency. ▷ A new unit was set up in the SME segment to facilitate acquisition and provision of digital services. ▷ The Santander Digital Area was established to develop digital business. |
| <p>Risk Management Division</p> | <ul style="list-style-type: none"> ▶ The structure of the Risk Management Division was simplified by creating the Enterprise-Wide Risk Management Centre, which is responsible for delivering cross-segment tasks related to the consolidation of financial and non-financial risks. Three units were established to manage portfolio credit risks. |
| <p>Compliance and FCC Division</p> | <ul style="list-style-type: none"> ▶ The compliance management structure was simplified by separating advisory and monitoring functions in accordance with the expectations of regulatory authorities (KNF and EBA). |
| <p>Units outside the divisional structure</p> | <ul style="list-style-type: none"> ▶ The Models and Data Area was set up to integrate the Business Intelligence competencies. The unit reports to the Vice President of the Management Board in charge of the Risk Management Division. It is responsible for managing technological changes (NextGenCRM, cloud computing, Generative AI) and delivering solutions for business and AML units. |

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

Basic statistics on distribution channels

| Santander Bank Polska S.A. | 30.06.2024 | 31.12.2023 | 30.06.2023 |
|------------------------------------------------------------------------------------|------------|------------|------------|
| Branches (locations) | 313 | 319 | 328 |
| Off-site locations | 2 | 2 | 2 |
| Santander Zones (acquisition stands) | 15 | 15 | 15 |
| Partner outlets | 170 | 171 | 170 |
| Business and Corporate Banking Centres | 6 | 6 | 6 |
| Single-function ATMs ¹⁾ | 268 | 429 | 447 |
| Dual-function machines ¹⁾ | 1,121 | 975 | 957 |
| Registered internet and mobile banking customers ²⁾ (in thousand) | 5,089 | 5,012 | 4,980 |
| Digital (active) mobile and internet banking customers ³⁾ (in thousand) | 3,634 | 3,497 | 3,384 |
| Digital (active) mobile banking customers ⁴⁾ (in thousand) | 2,948 | 2,608 | 2,595 |
| iBiznes24 – registered companies ⁵⁾ (in thousand) | 26 | 26 | 25 |

1) Network of ATMs of Santander Bank Polska S.A. managed by the Bank and by specialised operators.

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

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

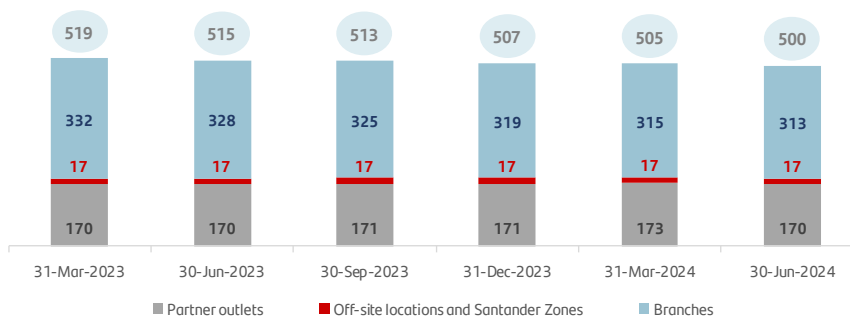
4) The number of active mobile banking customers who at least once logged into the mobile application or its light version or checked their balance without logging in the last month of the reporting period.

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

Traditional distribution channels

As at 30 June 2024, Santander Bank Polska S.A. had 313 branches, 2 off-site locations, 15 Santander Zones and 170 partner outlets. During H1 2024, the number of bank outlets (branches, off-site locations and Santander Zones) decreased by 6, and the number of partner outlets decreased by 1.

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



At the end of June 2024, the Private Banking model included 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 H1 2024, the external network (Mobile Agent Network) employed 229 people 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

In September 2023, the Bank started to migrate 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 June 2024, 996 machines were outsourced, i.e. 122 ATMs and 874 dual function machines (including 785 recyclers, i.e. devices enabling withdrawal of cash that has been previously deposited by other customers). The migration is planned to be completed towards the end of 2024.

As at 30 June 2024, the network of self-service devices of Santander Bank Polska S.A. managed by the Bank comprised 393 units, i.e. 146 ATMs (dispensing cash only) and 247 dual function machines (including 77 recyclers).

The Bank took further intensive measures to upgrade the machines, both as part of internal processes and cooperation with the outsourcer.

Remote channels

In H1 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. Furthermore, channel integration was continued, harmonising customer service across the Bank.

| Electronic channel | Selected solutions and improvements introduced in H1 2024 |
|-----------------------------|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| santander.pl | <ul style="list-style-type: none"> ▶ In H1 2024, new solutions were developed to support sales via santander.pl. The model for content personalisation based on the user's activity was further extended. ▶ The Cookie Policy for santander.pl was updated and a new mechanism was put in place to manage cookie consents. The solution, which meets regulatory and legal requirements, is used in all customer contact channels. ▶ The Bank continued to implement the Web Content Accessibility Guidelines (WCAG), ensuring digital accessibility of its website at 84%. Further improvements and changes are steadily introduced to reach 100%. |
| Internet and mobile banking | <ul style="list-style-type: none"> ▶ In H1 2024, the Bank focused on stabilising the new version of the application and on improving its user-friendliness and accessibility: <ul style="list-style-type: none"> ▷ The Financial Coach feature was added to analyse account and credit card inflows and outflows by category. ▷ The view of transfer limits in the application was enabled. ▷ QR code scanning/ ticket renewal options as well as Games and multimedia features were added to the Transport, Tickets, Services section. ▷ The layout of Mailbox and Notifications was revamped. ▷ A new cookie policy was implemented for the digital channel. |
| Santander Open | <ul style="list-style-type: none"> ▶ The Bank continued to provide account integration service (AIS) 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. as well as the payment initiation service (PIS) for the accounts held with the above banks (except for Nest Bank). AIS and PIS are available both in Santander internet and Santander mobile. |

| Electronic channel | Selected solutions and improvements introduced in H1 2024 (cont.) |
|-----------------------------------------|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| Multichannel Communication Centre (MCC) | <ul style="list-style-type: none"> ▶ The MCC launched sales of motor insurance by phone. ▶ Customers were provided with an option to terminate Santander online or Mini Firma services by phone or via Online Advisor. ▶ The scope of helpline and Online Advisor services for business customers was extended to include a possibility to place an instruction for early loan repayment or repost payment made to the loan account. ▶ An application for incident management was implemented to improve the flow of information and ensure consistent communication with customers in case of failure. ▶ Sandi, the chatbot, was trained to handle a wider range of topics related to SME and Select customers. A bot was deployed at www.centrum24.pl to help customers with problems with logging in or other queries. The main menu of the chatbot includes the "Guide for new customers" button with the key information about the Bank's services. ▶ A new remote process was put in place to enable personal and business customers to change their mobile banking limits in the video channel. ▶ Personal customers were also provided with a possibility to buy motor insurance via helpline. ▶ Processes were modified to enable the verification of locked PESEL numbers. ▶ The Bank came first in the main category of the Golden Banker 2024 ranking: "Golden Bank – the best multichannel customer service quality", and first in the first wave of the NPS Benchmark MASS survey in the following categories: "waiting time to be connected to an advisor" and "overall assessment of CC". |

E-commerce channel

The Bank continued e-commerce activities, steadily increasing the share of the online channel in product sales. As part of online acquisition, the Bank sells personal accounts, business accounts and cash loans.

4. 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. | 30.06.2024 | 31.12.2023 | 30.06.2023 |
|------------------------------------------------------------------------------------|------------|------------|------------|
| Branches | 38 | 50 | 50 |
| Partner outlets | 251 | 250 | 255 |
| Car loan sales partners | 1,270 | 1,266 | 1,485 |
| Instalment loan sales partners | 5,830 | 5,887 | 6,082 |
| Registered internet and mobile banking customers ¹⁾ (in thousand) | 1,322 | 1,413 | 1,454 |
| Digital (active) mobile and internet banking customers ²⁾ (in thousand) | 729 | 751 | 748 |
| Digital (active) mobile banking customers ³⁾ (in thousand) | 452 | 403 | 354 |

1) Customers who signed an agreement with Santander Consumer Bank S.A. and at least once used the bank's electronic banking system in the reporting period.

2) The number of active internet and mobile banking users (digital customers) who at least once logged into internet or mobile banking or checked their balance without logging in the last month of the reporting period. Starting from 2023, this category also includes e-commerce customers of SCB S.A.

3) The 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.

5. Continued digital transformation

The table below presents the selected IT projects delivered by Santander Bank Polska Group in H1 2024 in line with the main directions of digital transformation.

| Initiative | Selected projects delivered in H1 2024 |
|---------------------------------------------------------------------------------------|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| Improvement of availability, reliability and performance of the Bank's systems | <ul style="list-style-type: none"> ▶ Work is underway to migrate the main system for card transaction authorisation to a new database technology to enhance reliability of the system. ▶ The Bank implemented the first components to transfer the BLIK processes to the new OpenShift technology, improving the reliability and efficiency of payments made using this method. ▶ The robotics platform was upgraded as part of the work intended to prepare the infrastructure for implementation of new components to promote and simplify robotisation. ▶ Owing to the optimisation and stabilisation measures, the number of incidents affecting customers was reduced by as much as 39% YoY. H1 2024 was the most stable period in terms of the availability of IT systems in the Bank's history. ▶ The stability of electronic channels was increased by optimising the database of electronic banking systems. ▶ Microsoft Azure, a new cloud platform, was implemented to facilitate the management and development of digital services at the Bank. ▶ A new system was put in place for processing Wester Union settlements. |
| Participation in global optimisation initiatives of Santander Group | <ul style="list-style-type: none"> ▶ The payment system for processing domestic and cross-border transactions made by mass customers was optimised by speeding up and automating the complaint handling process. ▶ A range of improvements proposed by customers were implemented in Santander mobile application (e.g. the Financial Coach feature was added to analyse account and credit card inflows and outflows by category.) ▶ Work was continued to replace the existing system supporting transactional, sales and post-sales processes in branches, operation centres and call centres with a more effective solution. ▶ Measures were underway to conclude an outsourcing agreement on processing payments as part of the global PagoNxt Payments platform. ▶ A process was started to develop Amazon AWS Landing Zone, an operating model for using cloud computing services. ▶ The migration of syndicated loans to the dedicated LoanIQ platform was completed. ▶ As part of OneAML, work connected with the monitoring of transactions made by retail customers was finalised. |
| Enhancement of security of the Bank's systems | <ul style="list-style-type: none"> ▶ PoC (Proof of Concept) was completed in relation to the implementation of a new fraud prevention system. Anti-fraud rules were concurrently analysed and improved to ensure customers are protected against cyberthreats to the largest possible extent. ▶ Measures were taken in partnership with other banks' cybersecurity and fraud prevention teams to enhance security of customers and systems and more quickly respond to emerging cyberthreats based on experience sharing. ▶ The security of direct network connections between the Bank and its suppliers was enhanced. ▶ The education campaign: "Don't believe in fairy tales for adults" ("Nie wierz w bajki dla dorosłych") was continued in social media, reaching more than one million users. Messages were sent to personal and SME customers in internet and mobile banking on how to stay safe online. In addition, onsite meetings with corporate customers were organised. In partnership with the police, the Santander Foundation held cybersecurity workshops for seniors. ▶ The functionality of the Restructuring Portal was extended to include the verification of locked PESEL numbers using the system that aggregates communication with external databases (e.g. PESEL, RDO (register of ID cards)). It is to ensure that each change made by the customer in the portal triggers the verification of their PESEL number to check if it has not been not locked. |

| Initiative | Selected projects delivered in H1 2024 (cont.) |
|--------------------------------------------------------------------|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| <p>Implementation of regulatory requirements</p> | <ul style="list-style-type: none"> ▶ The banking systems, internal regulations and product offer were modified in line with the amended Recommendation U of the KNF. ▶ Work was underway to implement the new guidelines on the so-called payment holidays arising from the amended act (the existing solutions were modified, terms and conditions of customer income verification were changed, etc.). ▶ The trade repository was created in accordance with EMIR (European Markets Infrastructure Regulation) as part of implementation of EMIR REFIT reporting for all treasury transactions. ▶ Regulatory changes were introduced in credit processes to enable the verification of locked PESEL numbers. ▶ The bot dedicated to de minimis guarantee agreements was modified in line with the new agreement with the BGK. ▶ Tests of the consumer bankruptcy centralisation process were completed and the pilot of a new service model was launched. ▶ A project was in progress to adjust the payment format to market standards in line with ISO20022 for domestic and cross-border payments. ▶ Measures were completed to launch the reporting of payments via the Central Electronic System of Payments (CESOP) in accordance with the guidelines set out in the VAT Act and the Act on the National Revenue Administration. |
| <p>Automation and optimisation of operational processes</p> | <ul style="list-style-type: none"> ▶ The following processes were robotised: checking the accuracy of mortgage loan agreements, closing dormant accounts and opening negotiated deposits. ▶ Sale of credit cards to new customers was launched as part of the New To Bank process. ▶ The insurance product offer in Santander mobile, Santander internet and Multichannel Communication Centre was modified as follows: sale of motor insurance was launched in the MCC and branches (full omnichannel), the life insurance offer was extended to include rehabilitation and medication assistance, sums insured were increased. ▶ Analytical work was underway in relation to the implementation of a new marketing platform: NEXTGEN CRM (Customer Relationship Management). ▶ The migration of ATM maintenance to Euronet and IT CARD was in progress. ▶ Trade Desk was set up to offer system support for corporate customers using the Trade Finance module in iBiznes24. ▶ Corporate customers were also provided with SignHub, a new tool for remote document signing, making it possible to complete the banking formalities in a quick and safe way by using qualified electronic signature. ▶ Work on mortgage loan refinancing was started (switch from variable to adjustable fixed rate). As part of the process, customers will be issued automatic credit decisions and will not have to provide documents confirming their repayment capacity or property valuation. The key benefits are the limited impact of interest rate movements on the existing mortgage loan portfolio and predictable mortgage payments (during the fixed-rate period). |

VII. Financial situation after H1 2024

1. Consolidated income statement

Structure of Santander Bank Polska Group's profit before tax

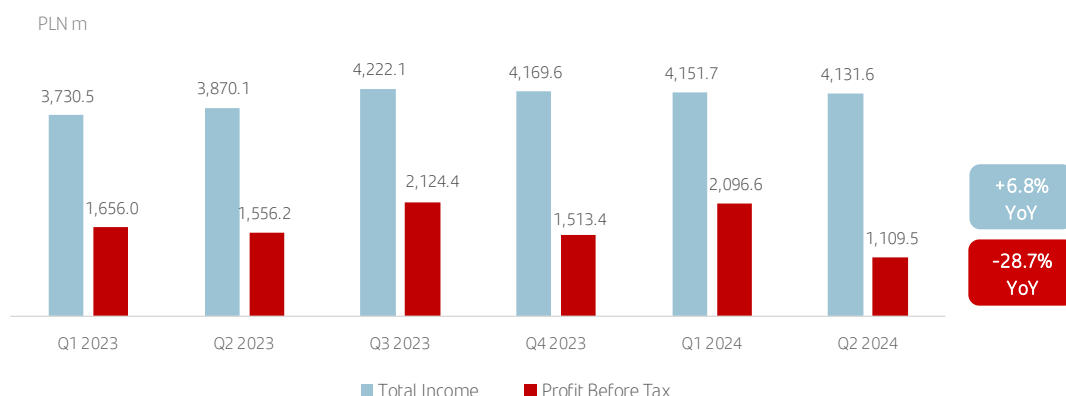
| Condensed consolidated income statement of Santander Bank Polska Group in PLN m (for analytical purposes) | H1 2024 | H1 2023 Restated data | YoY change |
|--------------------------------------------------------------------------------------------------------------|------------------|--------------------------|--------------|
| Total income | 8,283.3 | 7,600.6 | 9.0% |
| - Net interest income | 6,672.2 | 6,292.5 | 6.0% |
| - Net fee and commission income | 1,456.0 | 1,340.0 | 8.7% |
| - Other income ¹⁾ | 155.1 | (31.9) | - |
| Total costs | (2,577.5) | (2,313.4) | 11.4% |
| - Staff, general and administrative expenses | (2,196.0) | (1,978.4) | 11.0% |
| - Depreciation/amortisation ²⁾ | (304.0) | (275.8) | 10.2% |
| - Other operating expenses | (77.5) | (59.2) | 30.9% |
| Net expected credit loss allowances | (611.2) | (590.2) | 3.6% |
| Cost of legal risk connected with foreign currency mortgage loans ³⁾ | (1,546.5) | (1,149.5) | 34.5% |
| Profit/loss attributable to the entities accounted for using the equity method | 53.1 | 52.2 | 1.7% |
| Tax on financial institutions | (395.1) | (387.5) | 2.0% |
| Consolidated profit before tax | 3,206.1 | 3,212.2 | -0.2% |
| Corporate income tax | (872.4) | (848.7) | 2.8% |
| Net profit for the period | 2,333.7 | 2,363.5 | -1.3% |
| - Net profit attributable to the shareholders of the parent entity | 2,359.6 | 2,322.2 | 1.6% |
| - Net profit/loss attributable to the non-controlling shareholders | (25.9) | 41.3 | - |

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 6-month period ended 30 June 2024 was PLN 3,206.1m and was relatively stable YoY. The profit attributable to the Bank's shareholders increased by 1.6% YoY to PLN 2,359.6m.

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 6.7% YoY
- the underlying profit attributable to the shareholders of the parent entity went up by 10.0% YoY.

Comparability of periods

Selected items of the income statement affecting the comparability of periods

| | H1 2024 | H1 2023 |
|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| Cost of legal risk connected with foreign currency mortgage loans <i>(income statement item)</i> | ▶ PLN 1,546.5m | ▶ PLN 1,149.5m |
| Contributions to the Bank Guarantee Fund (resolution fund) made by Santander Bank Polska S.A. and Santander Consumer Bank S.A. <i>(general and administrative expenses)</i> | ▶ PLN 249.9m | ▶ PLN 174.6m |
| Negative impact of changes to the criteria of a significant increase in credit risk <i>(net expected credit loss allowances)</i> | ▶ 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 statutory solution known as payment holidays <i>(interest income)</i> | ▶ PLN 134.5m – a one-off adjustment 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 <i>(gain/loss on derecognition of financial instruments measured at amortised cost)</i> | ▶ PLN 35.1m | ▶ PLN 267.5m |

Determinants of the Group's profit for H1 2024

Changes in the key components of the consolidated profit before tax for H1 2024 vs H1 2023



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

During the first six months of 2024, Santander Bank Polska Group generated solid growth in net interest income in an environment of continuously high interest rates and increased credit demand. Credit delivery to retail customers accelerated on account of private consumption driven by increased household income and improved consumer sentiment. Mortgage loan sales grew considerably at the beginning of the year, supported by the 2% Safe Mortgage government programme. The volumes of lease receivables and investment loans (notably in the Business and Corporate Banking Segment and Corporate and Investment Banking Segment) also continued to rise. Net interest margin was lower, mainly due to one-off charge of PLN 134.5m recognised in net interest income (in 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 net interest income growth decelerated due to the repricing of the Group's assets and liabilities reflecting the conditions of the money market and expectations of its participants, competitive environment, and the Group's objectives in terms of liquidity and balance sheet structure management.

Net fee and commission income grew by 8.7% YoY, mainly due to the sustained upturn in the stock and investment fund markets, which translated into higher net income from brokerage fees (+16.1% YoY) and distribution and asset management fees (+41.2% YoY). Net income from insurance fees increased substantially too (+24.6% YoY) owing to record high sales of mortgage loans. Also noteworthy is the higher net fee and commission income from the selected core banking lines, including currency exchange (+14.8% YoY), guarantees (+31.7% YoY), and account maintenance and cash transactions (+3.6% YoY).

The profit before tax was also positively affected by other non-interest and non-fee income, which grew by PLN 187.0m due to a decrease of 86.9% YoY in cost of settlements with foreign currency mortgage borrowers (presented in the 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 positive impact of the above mentioned income statement items on the Group's profitability was offset by an increase of 34.5% 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 3.6% 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.

The profitability in H1 2024 was also adversely affected by staff, general and administrative expenses, which increased by 11.0% YoY on account of pay rises reflecting market rates, higher contribution to the BFG's bank resolution fund, and growing operating expenses in respect of third party services, IT systems, marketing and entertainment.

Profit before tax of Santander Bank Polska Group by contributing entities

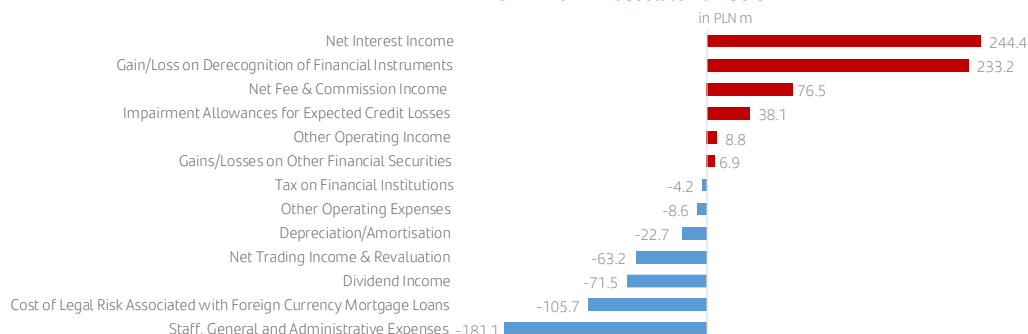
| Components of Santander Bank Polska Group's profit before tax in PLN m (by contributing entities) | H1 2024 | H1 2023 | YoY change |
|--------------------------------------------------------------------------------------------------------------------------------|----------------|----------------|---------------|
| Santander Bank Polska S.A. | 3,336.9 | 3,185.9 | 4.7% |
| Subsidiaries: | (26.9) | 204.6 | - |
| Santander Consumer Bank S.A. and its subsidiaries ¹⁾ | (174.8) | 56.2 | - |
| Santander Towarzystwo Funduszy Inwestycyjnych S.A. | 68.3 | 44.9 | 52.1% |
| Santander Finanse Sp. z o.o. and its subsidiaries (Santander Leasing S.A., Santander Factoring Sp. z o.o., Santander F24 S.A.) | 78.8 | 102.6 | -23.2% |
| Santander Inwestycje Sp. z o.o. | 0.8 | 0.9 | -11.1% |
| Equity method valuation | 53.1 | 52.2 | 1.7% |
| Exclusion of dividends received by Santander Bank Polska S.A. and consolidation adjustments | (157.0) | (230.5) | -31.9% |
| Profit before tax | 3,206.1 | 3,212.2 | -0.2% |

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. In H1 2023, SCB Group also included Santander Consumer Finance 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 3,336.9m, up 4.7% 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 H1 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, net fee and commission income and net expected credit loss allowances. The increase in the above-mentioned items was partly offset by a negative impact of changes in staff, general and administrative expenses, amortisation/depreciation, cost of legal risk connected with foreign currency mortgage loans, dividend income and net trading income and revaluation.

Subsidiaries

The subsidiaries consolidated by Santander Bank Polska S.A. reported a loss of PLN 26.9m on account of losses reported by companies from Santander Consumer Bank Group. This result was worse by PLN 231.5m compared to H1 2023.

SCB Group

The contribution of Santander Consumer Bank Group to the consolidated profit before tax of Santander Bank Polska Group for the first six months of 2024 (excluding intercompany transactions and consolidation adjustments) was negative at PLN 174.8m and down PLN 231m YoY as a combined effect of the following:

- An increase of 20.1% YoY in net interest income to PLN 760.7m, 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 70.8m (+34.3% YoY), including higher income from insurance fees and lower cost of credit agency.
- A decrease of 21.1% YoY in other non-interest and non-fee income to PLN 26.9m on account of a loss on other financial instruments and higher charges in respect of derecognition of financial instruments measured at amortised cost.
- Negative balance of net expected credit loss allowances of PLN 163.1m, up PLN 39.5m 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 12.4% YoY in operating expenses to PLN 319.0m due to higher staff and general and administrative expenses, higher depreciation/amortisation and higher other operating expenses.
- An increase of 120.5% YoY in cost of legal risk connected with foreign currency mortgage loans to PLN 533.2m, reflecting an update of its estimated amount.

Other subsidiaries

The profit before tax of Santander TFI S.A. for the six months of 2024 increased by 52.1% YoY to PLN 68.3m, as a result of 38.4% YoY higher net fee and commission income. The main contributor was asset management fees, which grew YoY along with an increase 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 (notably in the case of sub-funds with an equity component), income from success fees went down. At the same time, the company 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 23.2% YoY to PLN 78.8m.

- Total profit before tax of Santander Leasing S.A., Santander Finanse Sp. z o.o. and Santander F24 S.A. for H1 2024 declined by 30.0% YoY to PLN 47.5m, reflecting higher net expected credit loss allowances (+109.6% YoY) and higher fees on synthetic securitisation (+50% YoY) resulting from a new project launched in Q4 2023. Strong sales generated in the reporting period (notably in the vehicles segment) triggered an increase in lease receivables (+11.3% YoY), net interest income (+3.9% YoY) and net insurance income (+23% YoY). The quality of the lease portfolio remained high, with the NPL ratio of 3.79% (+0.22 p.p. YoY).
- The profit before tax posted by Santander Factoring Sp. z o.o. decreased by 9.6% YoY to PLN 31.3m, 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

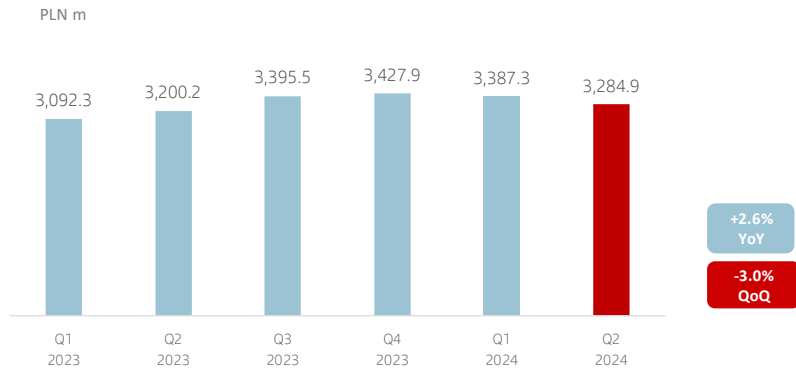
Total income of Santander Bank Polska Group for H1 2024 increased by 9.0% YoY to PLN 8,283.3m. Excluding the impact of statutory solution known as payment holidays for PLN mortgage borrowers and settlements with CHF mortgage borrowers (a total of PLN 169.6m in H1 2024 and PLN 311.9m in H1 2023), the underlying total income was up 6.8% YoY.

Net interest income

Net interest income for the first six months of 2024 totalled PLN 6,672.2m and increased by 6.0% YoY as a result of higher business volumes generated in the continuously high interest rate environment. 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 in H1 2024 was 5.75%.

The net interest income for H1 2024 includes the negative adjustment of PLN 134.5m reflecting the estimated financial impact of payment holidays for 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 eligibility 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 Q3 2022) in respect of the previous edition of 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.

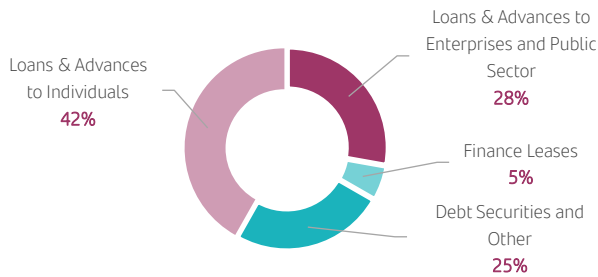
Net interest income by quarter in 2023 and 2024



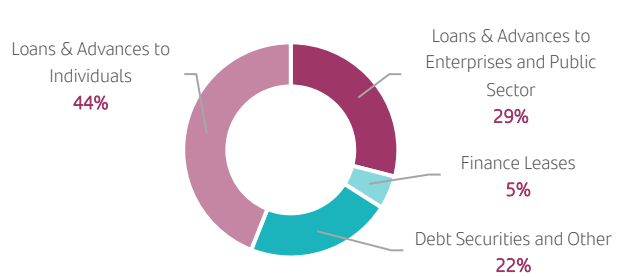
Interest income for the first six months of 2024 totalled PLN 9,213.9m and was up 3.7% YoY, supported by debt securities, lease receivables, loans and advances to banks, and receivables under buy-sell-back transactions.

Interest expense went down by 2.0% YoY to PLN 2,541.7m on account of lower interest expense connected to deposits from business and personal customers. However, it was combined with an increase in other portfolios, notably in the case of subordinated liabilities and debt securities in issue.

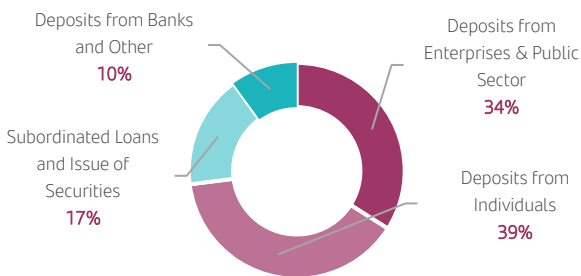
Structure of interest revenue for H1 2024



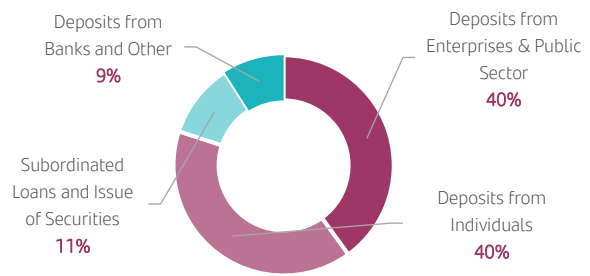
Structure of interest revenue for H1 2023



Structure of interest expense for H1 2024



Structure of interest expense for H1 2023

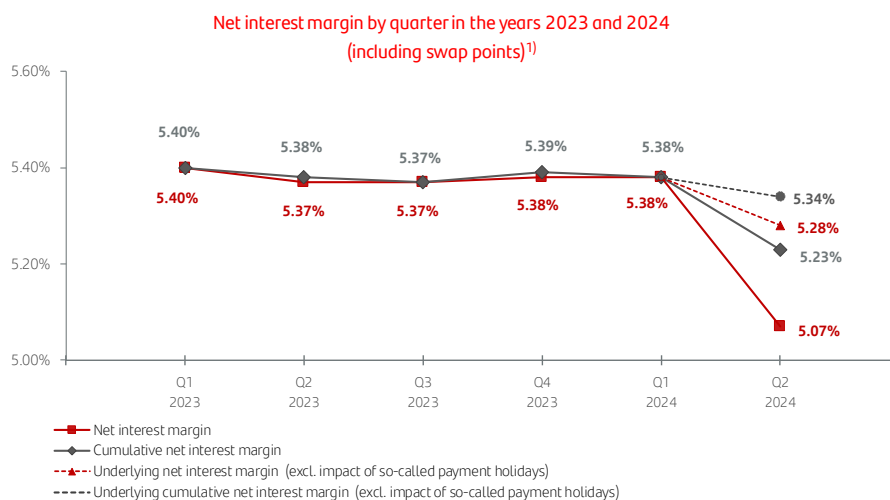


In Q2 2024, the net interest margin (annualised on a quarterly basis) was 5.07% vs 5.38% in Q1 2024. The above change is mainly the result of a one-off negative adjustment of PLN 134.5m to net interest income recognised in Q2 2024 to account for the so-called payment holidays in 2024. Excluding the impact of payment holidays, the underlying net interest margin for Q2 2024 was 5.28%, reflecting a lower QoQ decrease resulting from business and management processes and macroeconomic factors described below in relation to the cumulative margin.

The cumulative interest rate margin (annualised on a year-to-date basis) decreased from 5.38% in H1 2023 to 5.23% in H1 2024. Excluding the impact of payment holidays, it went down to 5.34%. A slight YoY decrease in the underlying net interest margin generated in the period of steady growth of the Group's key business volumes reflects modifications made by the Group to account for to-date reduction in NBP interest rates and their expected evolution.

In H1 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. Furthermore, interest expense was optimised through targeted deposit promotions and higher share of solutions based on an adjustable fixed rate. The net interest margin was supported by higher yield of securities, affecting both interest income and expense.

Lease receivables increased by 14.8% YoY, loans and advances to personal customers were up 7.1% YoY (including a 11.0% YoY rise in high margin cash loans), and loans and advances to enterprises and the public sector grew by 5.5% YoY. Term deposits from individuals continued to grow (+15.0% YoY), while term deposits from enterprises and the public sector went down (-1.1% YoY).

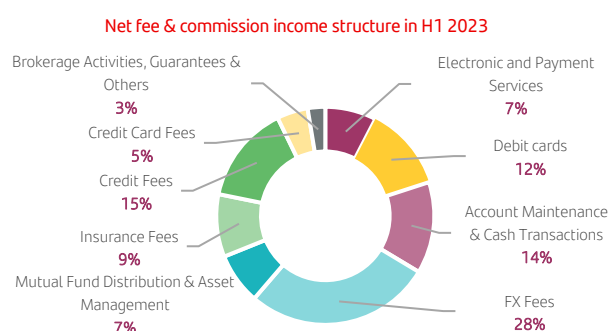
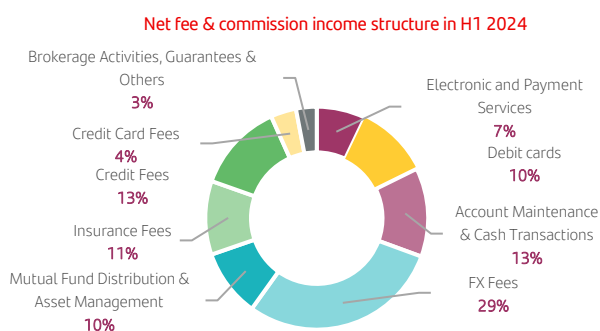


1) The calculation of the net interest margin of Santander Bank Polska S.A. takes account of swap points allocation from derivative instruments used for the purpose of liquidity management but excludes interest income from the portfolio of debt securities held for trading and other exposures connected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

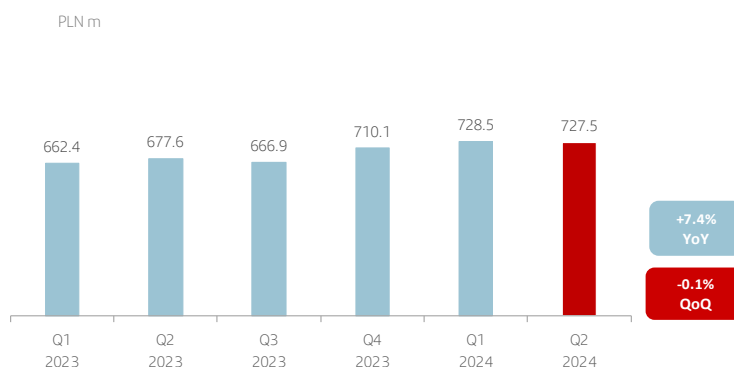
Net fee and commission income

| Net fee and commission income (PLN m) | H1 2024 | H1 2023 | YoY change |
|---------------------------------------------------------|----------------|----------------|-------------|
| FX fees | 426.4 | 371.5 | 14.8% |
| Account maintenance and cash transactions ¹⁾ | 188.2 | 181.7 | 3.6% |
| Credit fees ²⁾ | 187.8 | 195.0 | -3.7% |
| Insurance fees | 155.4 | 124.7 | 24.6% |
| Debit cards | 153.8 | 166.6 | -7.7% |
| Asset management and distribution | 143.2 | 101.4 | 41.2% |
| Electronic and payment services ³⁾ | 102.9 | 101.5 | 1.4% |
| Brokerage activities | 71.3 | 61.4 | 16.1% |
| Credit cards | 54.3 | 62.3 | -12.8% |
| Guaranties and sureties | 31.6 | 24.0 | 31.7% |
| Other fees ⁴⁾ | (58.9) | (50.1) | 17.6% |
| Total | 1,456.0 | 1,340.0 | 8.7% |

- 1) Fee and commission income from account maintenance and cash transactions has been reduced by the corresponding expenses which in Note 7 to the Condensed Interim Consolidated Financial Statements of Santander Bank Polska Group for the 6-month period ended 30 June 2024 are included in the line item "Other" (PLN 9.3m for H1 2024 and PLN 8.2m for H1 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), services for third party institutions as well as other electronic and telecommunications services.
- 4) Issue arrangement fees and other fees.



Net fee & commission income by quarter in 2024 and 2023

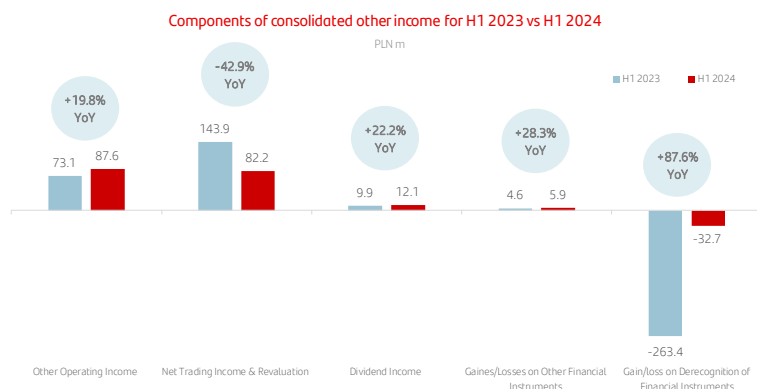


Net interest income for the six-month period ended 30 June 2024 was PLN 1,456.0m and increased by 8.7% YoY on account of the Group's diversified operations, including activities in the investment fund, currency exchange and stock and bancassurance markets, with higher rates of return in H1 2024 supported by favourable market conditions and systemic solutions (the 2% Safe Mortgage state programme increasing the sales of mortgage loans and related insurance) as well as the quality of the product offer.

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 41.2% YoY on account of higher income from management fees collected by funds managed by Santander TFI S.A. 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 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 the last year, it still exceeded the benchmarks for individual funds.
- The insurance products line shows a rise of 24.6% YoY, reflecting accelerated sales of mortgage loan insurance at the start of the year, driven by a high demand for property finance under the 2% Safe Mortgage state programme which is about to be closed. The second contributor to higher net income from insurance fees was the Life and Health ("Życie i zdrowie") insurance, a key non-linked product offered by Santander Bank Polska S.A., with a range of insurance cover extended in Q1 2024.
- Net FX fee income increased by 14.8% YoY as a result of FX rate movements. Lower FX turnover observed in the eFX channel and traditional channel in H1 2024 was accompanied by a moderate increase in average quotations.
- An increase of 16.1% YoY in net income from brokerage activities was generated amid favourable conditions on the WSE main market, as reflected by higher trading in equities and futures. Apart from executing customers' orders, Santander Brokerage Poland participated in ABB transactions and tender offers for shares.
- Net fee and commission income from guarantees and sureties was up 31.7% YoY as a result of growth in guarantee business coupled with lower costs related to securitisation transactions.
- A 7.7% 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 16.9% 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 12.8% 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 accordance 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 155.1m and was up PLN 187.0m YoY on account of changes in the following components:

- Net trading income and revaluation declined by 42.9% YoY to PLN 82.2m due to a YoY decrease in gain on transactions in derivative and FX markets (PLN 16.0m in H1 2024 vs PLN 109.2m in H1 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 2.3m in H1 2024 vs PLN 10.3m in H1 2023). At the same time, total gain on trading in equity and debt financial assets measured at fair value through profit or loss increased by PLN 39.5m YoY, mainly on account of the gain on treasury bonds.
- Gain on other financial instruments totalled PLN 5.9m and rose by 28.3% YoY, largely supported by higher gain on hedging and hedged instruments (+PLN 9.0m YoY) and sale of debt investment financial assets measured at fair value through other comprehensive income (+PLN 8.7m YoY), mainly treasury bills. The above increase was partly offset by a decline resulting from the sale of the entire stake in Visa Inc. In the comparative period, the valuation and sale of the above-mentioned shares brought in a total gain of PLN 18.5m.
- Other operating income was PLN 87.6m and increased by 19.8% YoY due to higher income from services, releases of higher amounts of provisions for legal claims and other assets as well as better results posted by the leasing company in relation to the settlement of agreements and reimbursement of compensation.
- Loss on derecognition of financial instruments measured at amortised cost totalled PLN 32.7m vs PLN 263.4m in the corresponding period last year. This line item includes mainly costs of voluntary settlements with CHF mortgage borrowers, which totalled PLN 35.1m for H1 2024 vs PLN 267.5m for H1 2023. Overall, the Bank made 11,140 such settlements by 30 June 2024 (1,797 in 2024 alone), 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. Borrower's 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

| Net expected credit loss allowances on loans and advances measured at amortised cost (PLN m) | Stage 1 | | Stage 2 | | Stage 3 | | POCI | | Total | Total |
|----------------------------------------------------------------------------------------------|---------------|---------------|----------------|----------------|----------------|----------------|-------------|-------------|----------------|----------------|
| | H1 2024 | H1 2023 | H1 2024 | H1 2023 | H1 2024 | H1 2023 | H1 2024 | H1 2023 | H1 2024 | H1 2023 |
| Allowance on loans and advances to banks | 0,2 | (1.5) | - | - | - | - | - | - | 0,2 | (1.5) |
| Allowance on loans and advances to customers | (7.9) | (91.0) | (422.6) | (291.2) | (270.2) | (282.3) | 51.8 | 43.9 | (648.9) | (620.6) |
| Recoveries of loans previously written off | - | - | - | - | 36.3 | 34.6 | - | - | 36.3 | 34.6 |
| Allowance on off-balance sheet credit liabilities | (4.3) | (3.3) | (14.6) | (3.1) | 20.1 | 3.7 | - | - | 1.2 | (2.7) |
| Total | (12.0) | (95.8) | (437.2) | (294.3) | (213.8) | (244.0) | 51.8 | 43.9 | (611.2) | (590.2) |

As at the end of June 2024, the charge made by Santander Bank Polska Group to the income statement on account of net expected credit loss allowances was PLN 611.2m, up 3.6% 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 a transfer to stage 2 of PLN 7.0bn worth of customer loans in the balance sheet and a rise of PLN 124.5m in the allowances.

Net allowances of subsidiaries and associates from Santander Consumer Bank Group totalled PLN 163.1m and increased by 32.0% 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 765.2m and generated a profit before tax of PLN 125.4m (last year, receivables of PLN 897.4m were sold at a profit before tax of PLN 109.8m).

The cost of credit risk of Santander Bank Polska Group after the six months of 2024 was 0.70% (vs 0.80% in the corresponding period last year) and was stable throughout the last three consecutive months.

The Group regularly monitors its credit portfolio and impact of the macroeconomic and geopolitical situation on risk levels, adjusting credit ratings and classification of exposures to individual stages accordingly.

Total costs

| Total costs (PLN m) | H1 2024 | H1 2023 | YoY Change |
|------------------------------------------------------------------------------------|------------------|------------------|--------------|
| Staff, general and administrative expenses, of which: | (2,196.0) | (1,978.4) | 11.0% |
| - Staff expenses | (1,148.0) | (1,075.1) | 6.8% |
| - General and administrative expenses | (1,048.0) | (903.3) | 16.0% |
| Depreciation/amortisation | (304.0) | (275.8) | 10.2% |
| - Depreciation/amortisation of property, plant and equipment and intangible assets | (234.7) | (199.4) | 17.7% |
| - Depreciation of the right-of-use asset | (69.3) | (76.4) | -9.3% |
| Other operating expenses | (77.5) | (59.2) | 30.9% |
| Total costs | (2,577.5) | (2,313.4) | 11.4% |

Total operating expenses of Santander Bank Polska Group for the first six months of 2024 increased by 11.4% YoY to PLN 2,577.5m on account of salary review, higher contributions to the Bank Guarantee Fund, higher costs third party services, marketing 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 11.4% YoY and total income by 9.0% YoY, the Group's cost to income ratio was 31.1% in H1 2024 vs 30.4% in H1 2023. The corresponding cost to income ratio for the Bank was 29.4% vs 28.2% in H1 2023.

Staff expenses

Staff expenses totalled PLN 1,148.0m for H1 2024 and increased by 6.8% 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 5.9% YoY to PLN 1,103.8m as a result of the salary review in line with market rates conducted in Q4 2023. The costs related to the long-term share-based incentive plan (Incentive Plan VII) launched by the Group were PLN 38.8m vs PLN 81.3m last year.

General and administrative expenses

During the first six months of 2024, general and administrative expenses of Santander Bank Polska Group increased by 16.0% YoY to PLN 1,048.0m.

Amounts payable to market regulators (BFG, KNF and KDPW) totalled PLN 271.7m and were up 39.8% YoY due to an increase 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. It included 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 9.5% YoY, mainly on account of higher cost of IT systems, marketing and third party services.

The cost of IT systems, the second largest item of the Group's operating expenses (after statutory costs), went up by 6.4% 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 of the existing infrastructure. The costs of equipment grew considerably (+99.7% YoY) due to the continued remodelling of branches and purchase of furniture for the head office buildings. The costs of third party services increased by 25.1% YoY due to higher operating expenses connected with central OneAML and One FCC processes (alert management) and the launch of new external services as part of banking operations (outsourcing of ATM services to an external operator). The rise in the costs of marketing and entertainment (+13.1% YoY) reflects extensive advertising campaigns, sponsorship of events ("Santander Letnie Brzmienia", Impact'24) and higher costs of market surveys and entertainment. Consulting and advisory fees went up by 36.8% YoY in connection with digital and business process transformation of subsidiaries.

At the same time, the Group reported a decrease in costs related to cars, transport and cash-in-transit services (-26.5% YoY), consumables, prints, cheques and cards (-24.1% YoY) and postal and telecommunication costs (-14.0% YoY).

Tax and other charges

Tax on financial institutions for H1 2024 totalled PLN 395.1m and was up 2.0% YoY, reflecting a YoY increase in assets (including loans and advances) and a rise in the portfolio of treasury securities lowering the tax base.

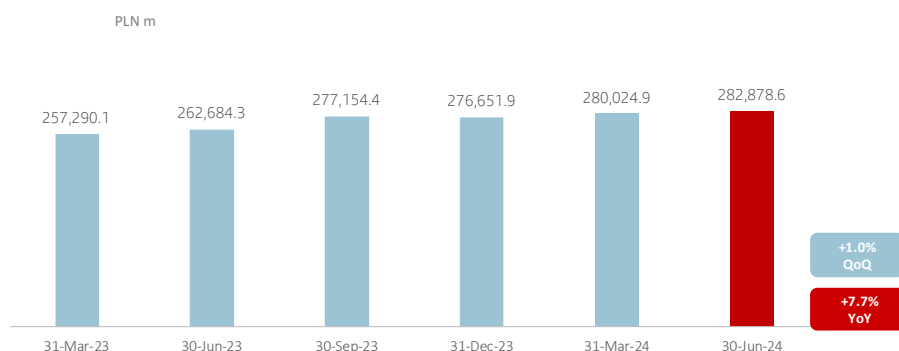
Corporate income tax was PLN 872.4m and effectively higher compared to the previous year (the effective tax rate was up from 26.4% for the six months of 2023 to 27.2% for the six months of 2024), with a concurrent increase in costs of legal risk connected with foreign currency mortgage loans, contributions to the BFG and tax on financial institutions.

2. Consolidated statement of financial position

Consolidated assets

As at 30 June 2024, total assets of Santander Bank Polska Group were PLN 282,878.6m, an increase of 7.7% YoY and of 2.3% Ytd. 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



Structure of consolidated assets

| Assets in PLN m (for analytical purposes) | Structure | | Structure | | Structure | | Change | Change |
|------------------------------------------------------------------------------------|------------------|---------------|------------------|---------------|------------------|---------------|-------------|-------------|
| | 30.06.2024 | 30.06.2024 | 31.12.2023 | 31.12.2023 | 30.06.2023 | 30.06.2023 | | |
| | 1 | 2 | 3 | 4 | 5 | 6 | 1/3 | 1/5 |
| Net loans and advances to customers | 168,374.8 | 59.5% | 159,520.0 | 57.7% | 156,867.3 | 59.7% | 5.6% | 7.3% |
| Investment financial assets | 67,032.9 | 23.7% | 67,523.0 | 24.4% | 58,858.7 | 22.4% | -0.7% | 13.9% |
| Buy-sell-back transactions and assets pledged as collateral | 15,662.9 | 5.5% | 12,948.5 | 4.7% | 9,373.3 | 3.6% | 21.0% | 67.1% |
| Cash and balances with central banks | 9,069.1 | 3.2% | 8,417.5 | 3.0% | 10,376.7 | 4.0% | 7.7% | -12.6% |
| Financial assets held for trading and hedging derivatives | 7,960.4 | 2.8% | 10,514.4 | 3.8% | 9,327.6 | 3.5% | -24.3% | -14.7% |
| Loans and advances to banks | 5,808.1 | 2.1% | 9,533.9 | 3.4% | 9,729.7 | 3.7% | -39.1% | -40.3% |
| Property, plant and equipment, intangible assets, goodwill and right-of-use assets | 3,879.2 | 1.4% | 3,853.5 | 1.4% | 3,623.5 | 1.4% | 0.7% | 7.1% |
| Other assets ¹⁾ | 5,091.2 | 1.8% | 4,341.1 | 1.6% | 4,527.5 | 1.7% | 17.3% | 12.5% |
| Total | 282,878.6 | 100.0% | 276,651.9 | 100.0% | 262,684.3 | 100.0% | 2.3% | 7.7% |

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 June 2024, net loans and advances to customers were the key item of the consolidated assets (59.5%). They totalled PLN 168,374.8m and increased by 5.6% Ytd along with a rise in loans to personal customers, lease receivables and loans to enterprises and the public sector.

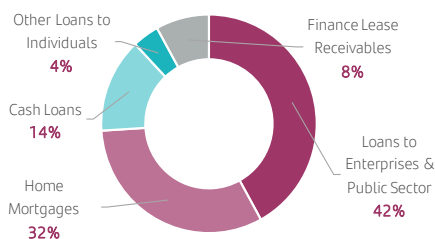
Investment financial assets, the second largest contributor, were relatively stable compared to the end of 2023. Treasury bonds accounted for 72.8% of the debt securities portfolio. The structure of that portfolio changed in H1 2024 in terms of a measurement approach, with a greater share of instruments measured at amortised cost (+53.4% Ytd) and a lower share of instruments measured at fair value through other comprehensive income (-23.3% Ytd).

The Group's activity in the interbank repo market translated into an increase of 21.0% Ytd in the balance of buy-sell-back transactions and assets pledged as collateral. As part of ongoing liquidity management, the level of cash and balances with central banks were up too (+7.7% Ytd). At the same time, the value of financial assets held for trading and hedging derivatives decreased (-24.3% Ytd) on account of the trading portfolio of treasury bonds and FX derivatives.

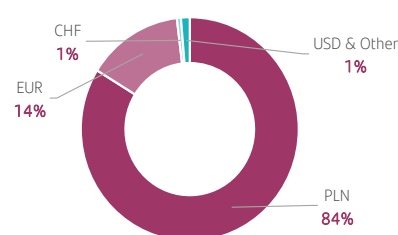
Credit portfolio

| Gross loans and advances to customers in PLN m | 30.06.2024 | 31.12.2023 | 30.06.2023 | Change | Change |
|---------------------------------------------------------|------------------|------------------|------------------|-------------|-------------|
| | 1 | 2 | 3 | 1/2 | 1/3 |
| Loans and advances to individuals | 86,582.5 | 83,052.5 | 80,874.7 | 4.3% | 7.1% |
| Loans and advances to enterprises and the public sector | 73,246.8 | 68,666.2 | 69,416.7 | 6.7% | 5.5% |
| Finance lease receivables | 14,435.4 | 13,418.7 | 12,575.8 | 7.6% | 14.8% |
| Other | 79.9 | 74.5 | 72.0 | 7.2% | 11.0% |
| Total | 174,344.6 | 165,211.9 | 162,939.2 | 5.5% | 7.0% |

Product structure of consolidated loans and advances to customers as at 30.06.2024



FX structure of consolidated loans and advances to customers as at 30.06.2024

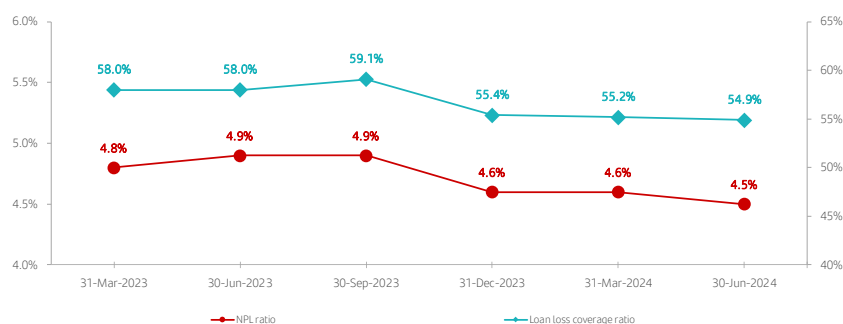


As at 30 June 2024, consolidated gross loans and advances to customers were PLN 174,344.6m and increased by 5.5% vs 31 December 2023. The portfolio includes loans and advances to customers measured at amortised cost of PLN 155,824.8m (+4.7% Ytd), loans and advances to customers measured at fair value through other comprehensive income of PLN 4,006.2m (+38.6% Ytd), loans and advances to customers measured at fair value through profit or loss of PLN 78.2m (-8.2% Ytd), and finance lease receivables of PLN 14,435.4m 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 4.3% Ytd to PLN 86,582.5m as at the end of June 2024. Home loans, which were the main contributor to this figure, totalled PLN 55,042.3m and went up by 3.8% 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 24,379.9m (+6.9% Ytd) supported by growth in sales driven by macroeconomic factors (stable unemployment rate, increase in real income, etc.).
- Loans and advances to enterprises and the public sector (including factoring receivables) went up by 6.7% Ytd to PLN 73,246.8m 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.
- Finance lease receivables of the subsidiaries of Santander Bank Polska S.A. rose by 7.6% Ytd to PLN 14,435.4m, supported by strong half-yearly sales of leased assets, particularly in the vehicles segment.

Credit quality ratios by quarter in 2023 and 2024



As at 30 June 2024, the NPL ratio was 4.5% and the provision coverage ratio for impaired loans was 54.9% (vs 4.6% and 55.4% at the end of December 2023 and 4.9% and 58.0% at the end of June 2023).

Structure of consolidated equity and liabilities

| Equity and liabilities in PLN m (for analytical purposes) | Structure | | Structure | | Structure | | Change 1/3 | Change 1/5 |
|-----------------------------------------------------------------|------------------|---------------|------------------|---------------|------------------|---------------|---------------|---------------|
| | 30.06.2024 | 30.06.2024 | 31.12.2023 | 31.12.2023 | 30.06.2023 | 30.06.2023 | | |
| | 1 | 2 | 3 | 4 | 5 | 6 | | |
| Deposits from customers | 215,234.7 | 76.1% | 209,277.4 | 75.6% | 200,655.6 | 76.4% | 2.8% | 7.3% |
| Subordinated liabilities and debt securities in issue | 13,199.6 | 4.7% | 11,933.5 | 4.3% | 11,206.8 | 4.3% | 10.6% | 17.8% |
| Deposits from banks and sell-buy-back transactions | 8,333.0 | 2.9% | 4,430.0 | 1.6% | 4,419.6 | 1.7% | 88.1% | 88.5% |
| Financial liabilities held for trading and hedging derivatives | 7,686.9 | 2.7% | 9,699.0 | 3.5% | 8,861.9 | 3.4% | -20.7% | -13.3% |
| Other liabilities ¹⁾ | 7,230.3 | 2.6% | 7,621.0 | 2.8% | 5,225.2 | 1.9% | -5.1% | 38.4% |
| Total equity | 31,194.1 | 11.0% | 33,691.0 | 12.2% | 32,315.2 | 12.3% | -7.4% | -3.5% |
| Total | 282,878.6 | 100.0% | 276,651.9 | 100.0% | 262,684.3 | 100.0% | 2.3% | 7.7% |

As at 30 June 2024, deposits from customers totalled PLN 215,234.7m and were the largest constituent item of the total equity and liabilities (76.1%) disclosed in the consolidated statement of financial position and the main source of funding for the Group's assets. They increased by 2.8% Ytd as a combined effect of a steady inflow of funds to term deposit accounts in all key customer segments and a decrease in current account balances of business customers.

A considerable increase (+88.1% Ytd) was reported in deposits from banks and sell-buy-back transactions, reflecting the Group's increased activity in the repo market. At the same time the balance of financial liabilities held for trading and hedging derivatives declined by 20.7% Ytd, mainly on account of FX derivative transactions.

Subordinated liabilities and liabilities in respect of debt securities in issue increased by 10.6% vs 31 December 2023, with the latter item rising by 13.8% to PLN 10,525.9m, as a combined effect of the issue of debt instruments of PLN 3,866.6m and redemption of PLN 2,600.0m worth of securities on their maturity dates.

Santander Bank Polska S.A. made 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 on a corporate loan portfolio of 26 June 2024, the Bank issued funded credit linked notes (CLNs) with a nominal value of PLN 256m 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).

In H1 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.

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.

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 285.6m as part of an issue programme. They bear a variable interest rate based on WIBOR.

Deposit base

Deposits by entities

| | 30.06.2024 | 31.12.2023 | 30.06.2023 | Change | Change |
|-------------------------------------------------|------------------|------------------|------------------|-------------|-------------|
| Deposits from customers in PLN m | 1 | 2 | 3 | 1/2 | 1/3 |
| Deposits from individuals | 123,986.2 | 115,261.2 | 111,517.6 | 7.6% | 11.2% |
| Deposits from enterprises and the public sector | 91,248.5 | 94,016.2 | 89,138.0 | -2.9% | 2.4% |
| Total | 215,234.7 | 209,277.4 | 200,655.6 | 2.8% | 7.3% |

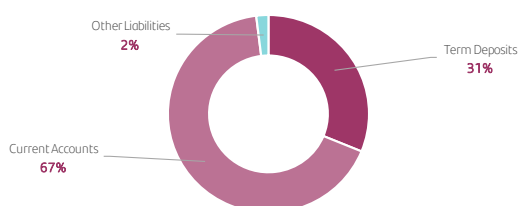
As at 30 June 2024, consolidated deposits from customers were PLN 215,234.7m and increased by 2.8% Ytd due to higher term deposits from individuals, enterprises and public sector entities as well as a steady inflow of funds to personal accounts.

- Deposits from personal customers totalled PLN 123,986.2m and increased by 7.6% Ytd. Customers preferred term deposits with interest rates better adjusted to the high interest rate environment. As a result, their balance increased by 3.1% Ytd to PLN 43,147.6m. The balances of savings and current accounts rose too, reaching PLN 80,574.1m in total (+10.1% 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 six months of 2024.

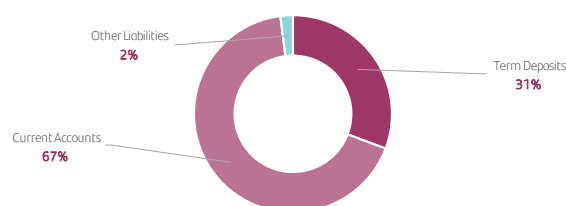
Deposits from enterprises and the public sector decreased by 2.9% Ytd to PLN 91,248.5m as a combined effect of a rise of 6.7% Ytd in term deposits to PLN 23,981.6m and a decline of 6.2% Ytd in current account balances to PLN 63,328.7m.

Deposits by tenors

Structure of consolidated customer deposits as at 30.06.2024



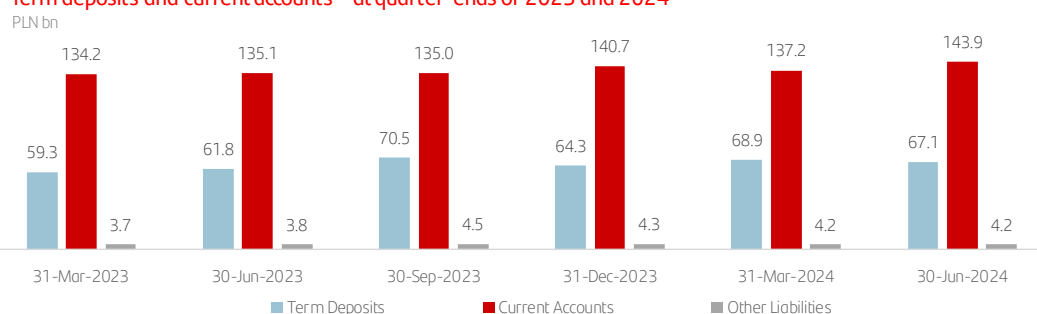
Structure of consolidated customer deposits as at 31.12.2023



The Group's total term deposits from customers were PLN 67,129.2m, up 4.4% Ytd. Current account balances rose by 2.3% Ytd to PLN 143,902.8m, and other liabilities were PLN 4,202.7m, down 1.6% Ytd.

Loans and advances from financial institutions (PLN 773.2m 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



* Include savings accounts

3. Selected financial ratios of Santander Bank Polska Group

| Selected financial ratios of Santander Bank Polska Group | 30.06.2024 | 30.06.2023 Restated data |
|-------------------------------------------------------------|------------|-----------------------------|
| Cost/Income | 31.1% | 30.4% |
| Net interest income/Total income | 80.5% | 82.8% |
| Net interest margin ¹⁾ | 5.23% | 5.38% |
| Net fee and commission income/Total income | 17.6% | 17.6% |
| Net loans and advances to customers/Deposits from customers | 78.2% | 78.2% |
| NPL ratio ²⁾ | 4.5% | 4.9% |
| NPL provision coverage ratio ³⁾ | 54.9% | 58.0% |
| Cost of credit risk ⁴⁾ | 0.70% | 0.80% |
| ROE ⁵⁾ | 19.1% | 15.1% |
| ROTE ⁶⁾ | 20.9% | 15.4% |
| ROA ⁷⁾ | 1.7% | 1.3% |
| Total capital ratio ⁸⁾ | 17.84% | 19.90% |
| Tier 1 capital ratio ⁹⁾ | 16.72% | 18.34% |
| Book value per share (PLN) | 305.26 | 316.23 |
| Earnings per ordinary share (PLN) ¹⁰⁾ | 23.09 | 22.72 |

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

4. Additional financial information

Transactions with related parties

Transactions between Santander Bank Polska S.A. and its related parties are banking operations carried out on an arm's length basis as part of their ordinary business and mainly involve loans, bank accounts, deposits, guarantees and leases.

As at 30 June 2024, the Bank's total exposure in respect of loans granted to banking and non-banking subsidiaries (including Santander Factoring Sp. z o.o., Santander Leasing S.A., Santander Consumer Multirent Sp. z o.o. and Santander Consumer Bank S.A.) was PLN 20,011.1m compared with PLN 19,760.2m as at 31 December 2023.

The deposits held with the Bank by its subsidiaries (including Santander Finanse Sp. z o.o., Santander Inwestycje Sp. z o.o., Santander TFI S.A., Santander Factoring Sp. z o.o., Santander Leasing S.A., Santander F24 S.A., Santander Consumer Multirent Sp. z o.o., Santander Consumer Bank S.A., Santander Consumer Financial Solutions Sp. z o.o.) totalled PLN 698.8m vs PLN 321.0m as at 31 December 2023.

Contingent liabilities were PLN 5,429.9m as at 30 June 2024 (PLN 4,902.5m as at 31 December 2023). Guarantees to subsidiaries totalled PLN 3,845.6m (PLN 3,604.7m as at 31 December 2023).

The above transactions were eliminated from the consolidated financial statements.

Intercompany transactions with the parent entity

The Bank's receivables from the parent entity (Banco Santander S.A.) were PLN 3,795.0m (PLN 5,895.1m as at 31 December 2023), while liabilities were PLN 1,541.4m (PLN 518.3m as at 31 December 2023).

Detailed information on related party transactions is available in Note 35 to the Condensed Interim Consolidated Financial Statements of Santander Bank Polska Group for the 6-month period ended 30 June 2024 and in Note 35 to the Condensed Interim Financial Statements of Santander Bank Polska S.A. for the 6-month period ended 30 June 2024.

Off-balance sheet items

Guarantees and derivatives

The tables below present contingent liabilities of Santander Bank Polska Group.

| Contingent liabilities (granted) (PLN m) | 30.06.2024 | 31.12.2023 |
|----------------------------------------------------|-----------------|-----------------|
| Financial: | 42,375.4 | 41,675.4 |
| - credit lines | 37,992.5 | 37,526.1 |
| - credit cards | 3,644.3 | 3,470.8 |
| - import letters of credit | 728.9 | 669.5 |
| - term deposits with future start date | 9.7 | 9 |
| Guarantees | 15,508.9 | 15,210.6 |
| Provision for off-balance sheet liabilities | (102.3) | (123.1) |
| Total | 57,782.0 | 56,762.9 |

| Contingent liabilities (received) (PLN m) | 30.06.2024 | 31.12.2023 |
|-------------------------------------------|-----------------|-----------------|
| Financial | 700.2 | 504.6 |
| Guarantees | 58,761.3 | 59,202.8 |
| Total | 59,461.5 | 59,707.4 |

Pending court proceedings

The table below presents the amounts disputed in pending court proceedings with regard to claims made by or against the Bank or its subsidiaries as at 30 June 2024 and 31 December 2023.

| Court proceedings with Santander Bank Polska Group as a party (PLN m) | 30.06.2024 | 31.12.2023 |
|------------------------------------------------------------------------------|-------------------|-------------------|
| Value of claims in lawsuits filed by the Group | 2,151.9 | 1,842.1 |
| Value of claims in lawsuits filed against the Group ¹⁾ | 7,696.6 | 6,601.7 |
| Receivables of the Group in arrangement or bankruptcy cases | 84.2 | 84.1 |
| Value of claims in all pending court proceedings | 9,932.7 | 8,527.8 |
| Value of claims in completed proceedings | 459.0 | 635.4 |

As at the end of June 2024, there were 3,392 cases against Santander Bank Polska Group (2,873 as at 31 December 2023), where the claim value was high (equal to or above PLN 500k). The total amount of provisions recognised in accordance with IAS 37 and the adjustment to gross carrying amount under IFRS 9 related to such legal claims was PLN 1,571.3m (PLN 1,258.6m as at 31 December 2023).

20,442 lawsuits were filed against the Group over loans indexed to or denominated in CHF, with the disputed amount totalling PLN 7,218.0m (vs 17,859 lawsuits with the disputed amount of PLN 6,150.4m as at 31 December 2023). This included two class actions filed under the Class Action Act.

For more information on legal claims in respect of foreign currency mortgage loans, see Note 32 "Legal risk connected with foreign currency mortgage loans" to the Condensed Interim Consolidated Financial Statements of Santander Bank Polska Group for the 6-month period ended 30 June 2024

5. Factors which may affect the financial performance in H2

The following external factors may significantly affect the financial results and operations of Santander Bank Polska Group in H2:

- Timing of the start of the cycle of 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 eurozone and thus relatively low foreign demand for Polish goods and services.
- Geopolitical factors related to, among other things: a) the war between Russia and Ukraine (impact of sanctions and international trade restrictions, migration flows, potential disruptions to the supply of energy resources, increased defence spending in Poland); b) the conflict in the Middle East (potential impact on prices of crude oil and natural gas and on global risk aversion); c) the risk of geopolitical tensions in other regions of the world (Taiwan); d) the autumn presidential elections in the US.
- Further path of inflation in Poland impacting the market pricing of NBP rate changes. Rise in CPI in the second half of the year given higher prices of electricity and natural gas.
- Further MPC decisions on interest rates.
- Foreign currency loans: banks' decisions on settlements with customers and further litigation.
- Introduction of a new programme supporting mortgage borrowers.
- 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 on monetary and fiscal policy expectations.
- Unlocking EU cohesion funds for Poland and the National Recovery Plan.
- Changes in the demand for credit in the context of liquidity, still high interest rates, the impact of the war and quick rise in apartment 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 fund units and shares.

VIII. Risk and capital management

1. Key risk management principles and structure in the Bank and in Santander Bank Polska Group

Key risk management principles

Both the Bank and other members of Santander Bank Polska Group are exposed to various risks within their day-to-day activities which adversely affect the delivery of strategic priorities of the organisation. The main types of risks include: credit risk (including concentration risk), market risk (in the banking book and in the trading book), liquidity risk, operational risk, compliance risk and reputational risk.

Risk management allows Santander Bank Polska S.A. and its Group to conduct effective and safe operations that enable profit generation and business development within approved risk parameters. The Bank follows a range of external standards and requirements in this respect which are binding on financial institutions. It also relies on best practice and standards developed by Santander Group.

The Bank and Santander Bank Polska Group have defined their risk profile which corresponds to the general risk appetite established by the Group. It is expressed as quantitative limits and captured in the Risk Appetite Statement adopted by the Management Board and approved by the Supervisory Board. The limits are set using stress tests and scenario analyses. They ensure stability of the Bank's and the Group's position even if special situations occur. Global limits are used to set watch limits and define risk management policies.

The integrated risk management structure includes relevant committees which have been set up to decide on identification of individual risks and internal risk management standards and policies, and to monitor the risk level.

The Bank has also established a relevant organisational structure to mitigate risk at three independent and complementary levels (lines of defence), i.e.:

- organisational units which generate risk and are required to comply with the rules ensuring high quality and correctness of their performance;
- units responsible for identification, measurement, monitoring and mitigation of risks in a way that ensures independence of risk control functions from risk-taking units;
- the internal audit function, whose tasks involve assessment of the management system of the Bank and its subsidiaries, including the effectiveness of managing the risk related to the Bank's business and the business of its subsidiaries.

Risk management structure

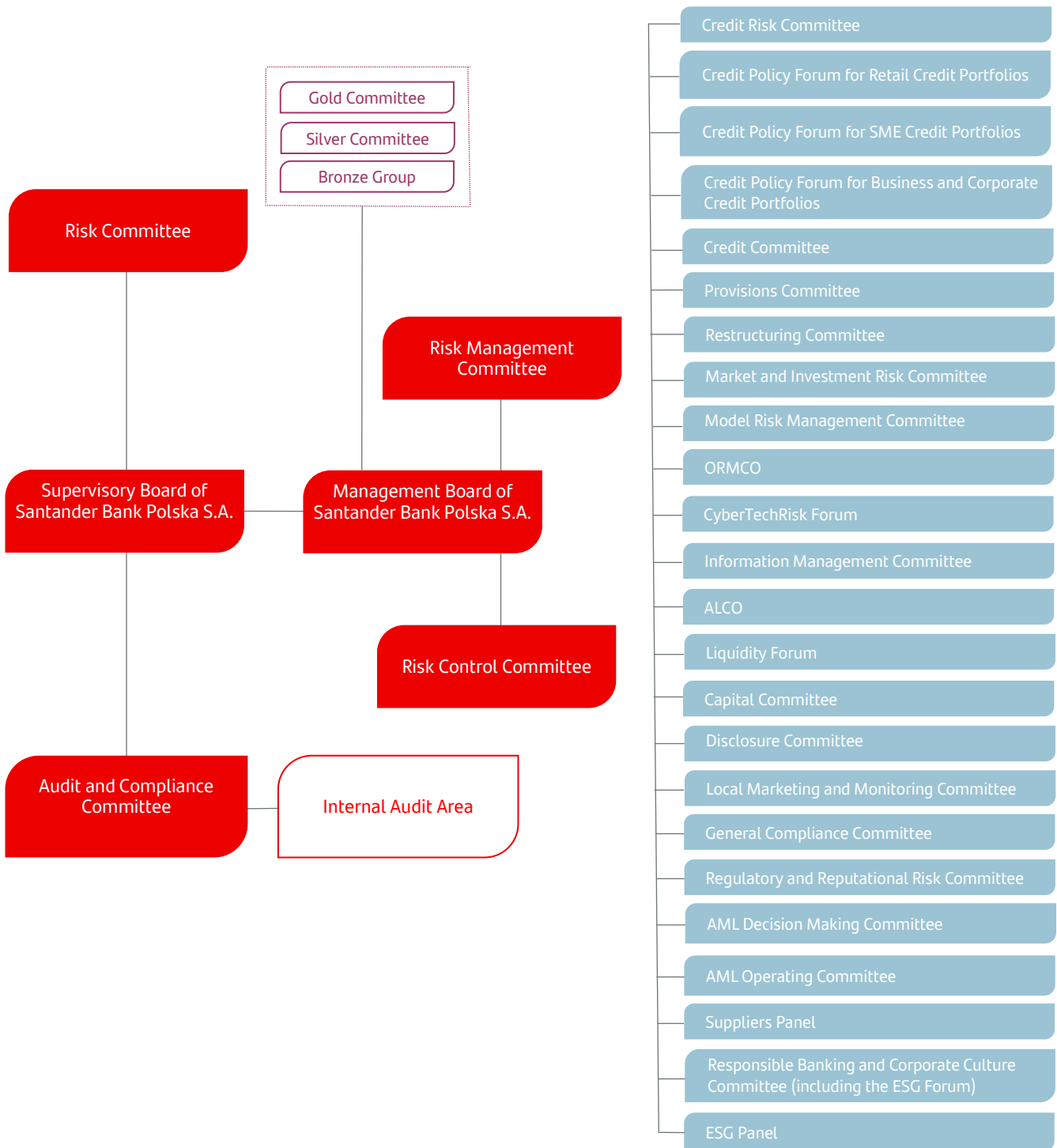
The Bank's Supervisory Board, supported by the Audit and Compliance Committee of the Supervisory Board and the Risk Committee, is responsible for ongoing supervision of the risk management system in Santander Bank Polska S.A. The Supervisory Board approves the strategy, key risk management policies and risk appetite, and monitors the use of internal limits from the perspective of current business strategy and the macroeconomic environment. It reviews the key risk areas, the identification of threats and the process of defining and monitoring remedial actions. The Supervisory Board also assesses the effectiveness of risk management measures taken by the Management Board.

The Bank's Management Board is responsible for implementing an effective risk management system that is compliant with the regulatory requirements and internal regulations. Specifically, the Bank's role in this regard is to set up an organisational structure tailored to the size and profile of the risks taken, to segregate responsibilities in order that risk measurement and control functions remain independent of operational functions, to introduce and update the risk management strategy and ensure an adequate information policy.

The Management Board fulfils its risk management role through the following two committees:

- The Risk Management Committee, which approves the key decisions taken by the main lower-level risk committees (mainly credit decisions), annual limits for securities trading and ALM transactions and an annual plan of risk assessment models.
- The Risk Control Committee, which monitors the risk level across different areas of the Bank's operations and supervises the activities of lower-level risk management committees set up by the Management Board.

> Governance structure for risk supervision and management



The Risk Control Committee supervises the following committees responsible for risk management in the Group:

- Credit Risk Committee
- Credit Policy Forum for Retail Credit Portfolios
- Credit Policy Forum for SME Credit Portfolios
- Credit Policy Forum for Business and Corporate Credit Portfolios
- Credit Committee
- Provisions Committee

- Restructuring Committee
- Market and Investment Risk Committee
- Model Risk Management Committee
- Operational Risk Management Committee/ ORMCO
- CyberTech Risk Forum
- Information Management Committee
- Assets and Liabilities Committee/ ALCO
- Liquidity Forum
- Capital Committee
- Disclosure Committee
- Local Marketing and Monitoring Committee
- General Compliance Committee
- Regulatory and Reputational Risk Committee
- AML Decision Making Committee
- AML Operating Committee
- Suppliers Panel
- Responsible Banking and Corporate Culture Committee (including the ESG Forum)
- ESG Panel

The Bank has dedicated authorities which are convened in crisis situations:

- Gold Committee
- Silver Committee
- Bronze Group

These committees, acting within their respective remits defined by the Management Board, are directly responsible for developing risk management methods and monitoring risk levels in specific areas. Through these committees, the Bank also supervises the risk attached to the operations of its subsidiaries.

The subsidiaries implement risk management policies and procedures that reflect the approach adopted by Santander Bank Polska S.A., which ensures the consistency of risk management processes across the Group.

The Bank oversees the risk management structure of Santander Consumer Bank S.A. (SCB S.A.) under the applicable law and in line with the same oversight rules as applied to other Santander Bank Polska Group companies. The representative of Santander Bank Polska S.A. on the Supervisory Board of SCB S.A. is the Vice President of the Bank's Management Board in charge of the Risk Management Division. Together with other members of SCB S.A. Supervisory Board, he is responsible for supervising SCB S.A. and making sure that the company operates in line with the adopted plans and operational security procedures. The Bank monitors the profile and level of SCB S.A. risk via risk management committees of Santander Bank Polska S.A., which receive relevant reports on SCB S.A.'s operations.

2. Risk management priorities in H1 2024

Geopolitical and macroeconomic situation

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

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

As in the previous years, in H1 2024 the Group monitored the credit portfolio in terms of the influence of the macroeconomic situation in individual customer segments and economic sectors in order to ensure prompt and adequate response and align the credit policy parameters accordingly. Stress tests and sensitivity analyses focused in particular on assessing the impact of such factors as inflation, interest rates, exchange rates and gas and energy prices on the

quality of the credit portfolios. The Group 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 Group kept track of legislative changes that may significantly affect the situation in individual sectors to take adequate proactive measures in relation to the credit portfolio.

As part of regular reviews of ECL parameter models, the Bank takes into account the latest macroeconomic projections, using internal 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.

Market risk

In H1 2024, the Group continued to reduce the sensitivity of net interest income to interest rate movements in response to the planned 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 Q2 2024, the Group extended its risk management system to include concentration limits for exposures with high physical risk (related to both the borrower's business and assets). The limits are based on physical risk data at the municipality level, taking into account relevant climate scenarios. They were introduced in addition to the already applicable limits for sectors which are the largest contributors to climate change and carry the highest transition risk.

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

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.

As a new element of the analysis of credit risk and borrowers' exposure to environmental risks related to climate change, the portfolio analysis of the physical and transition risk materiality matrix was further extended, taking into account data about physical risks at the municipality level and data from energy performance certificates.

Cybersecurity

The importance of cybersecurity has been steadily growing because of the increasing digitalisation of the banking sector. As the geopolitical situation did not improve in H1 2024, 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.

3. Material risk factors expected in the future

Macroeconomic situation

The economic growth in H1 2024 gradually accelerated along with high expansion in services, investments and private consumption. Industry output remained stagnant. The activity in the construction sector contracted significantly (clear YoY declines in monthly revenues from January to May 2024), while the situation of the manufacturing sector was changeable (higher YoY output in January, February and March, followed by a decrease in April and May 2024). Similar trends were observed in individual segments, with the weakest performance reported by electrical equipment manufacturing (over 20% decrease in revenues for the first five months of 2024). The retail sector fared much better, posting considerably higher revenues in each of the above months, supported by increased consumption. The best performing segments were vehicles, pharmaceuticals and cosmetics and other sales, while textiles, clothing and footwear lagged behind (significantly lower results over the last five months), as did furniture and household appliances (downward trend observed for

the last 16 months). According to the data published by Statistics Poland (GUS), in Q1 2024 the profit before tax posted by entities employing at least 50 people fell considerably YoY: by 24% in manufacturing, 36% in construction, 56% in wholesale and 43% in transport. Exports in the first quarter of 2024 were also much weaker: EUR sales of Polish goods decreased by 4.9% YoY.

While the economic activity is expected to pick up in H2 2024 in terms of output, there is a growing risk of slowdown in services. Investments should continue the upward trend. GDP growth projections for 2024 are cautiously optimistic, indicating an increase of 3% on average, mainly on account of growing consumption. PLN appreciation limiting the profitability of exports may weigh down on the performance of some companies. On the other hand, it is expected to help combat inflation, which clearly declined in the first months of the year but is going to pick up in H2 due to rising energy costs, among other factors. It will negatively affect the purchasing power (particularly of those who do not benefit from higher deposit interest rates or returns on equity). As a result, the quality of credit portfolios may come under pressure if:

- the level of arrears in the retail credit portfolio remains high due to continuously high interest rates;
- manufacturers, in particular highly leveraged companies (which account for an insignificant share of the Bank's loan book), face liquidity problems. 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 quality of the Bank's credit portfolios remains satisfactory.

Market risk

In May 2023, the representatives of the Polish Financial Supervision Authority (KNF) announced that a new long-term financing indicator would be introduced, requiring banks to finance a specific part of the mortgage loan portfolio with long-term liabilities. Upon consultations with the banking sector representatives, the KNF presented new calculation formulas and the proposed minimum level along with a schedule for reaching the target minimum value. Once introduced, the indicator may cause an increase in the cost of funding incurred by Polish mortgage lenders.

ESG risks

As there are no detailed guidelines or market standards for integration of ESG factors in the customer risk assessment and risk limits, the implementation of any solutions in this respect is very time consuming and involves uncertainty. The Group finds it particularly important to consider the impact of long-term ESG risks in the analysis of annual probability of default in a way that does not negatively affect the backtesting of ratings.

Incorporation of ESG risks in collateral valuation is yet another challenge. The Group is collecting data to thoroughly analyse the correlation between the price and ESG risk factors.

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 will still be present: 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).

4. Capital management

Introduction

Santander Bank Polska Group maintains a level of capital adequate to the type and scale of operations and the level of risk.

As at 30 June 2024, the Group had a capital surplus of PLN 8.76bn above the minimum total capital ratio (TCR).

The level of own funds required to ensure safe operations of the Bank and Santander Bank Polska Group and capital requirements estimated for unexpected losses is determined in accordance with the provisions of the CRD IV/CRR package, regulations of the European Parliament and of the Council (EU) (2019/876 of 20 May 2019, 2019/630 of 17 April 2019, 2020/873 of 24 June 2020), and the Polish Macroprudential Supervision Act, taking into account KNF recommendations.

The Management Board is accountable for capital management, calculation and maintenance processes, including the assessment of capital adequacy in different economic conditions and the evaluation of stress test results and their impact on internal and regulatory capital and capital ratios. Responsibility for the general oversight of internal capital estimation rests with the Supervisory Board.

The Management Board has delegated ongoing capital management to the Capital Committee, which regularly assesses the capital adequacy of the Bank and Santander Bank Polska Group (including in stressed conditions), monitors the actual and required capital levels and takes actions affecting own funds (e.g. by recommending the amount of the dividend to be paid). The Capital Committee is the first body that defines the capital policy, principles of capital management and principles of capital adequacy assessment.

All decisions regarding any increase or decrease in capital are taken by relevant authorities within the Bank in accordance with the applicable law and the Bank's Statutes.

Capital requirements

Below are the minimum levels of capital ratios as at 30 June 2024 which meet the provisions of the CRR and the Macroprudential Supervision Act as well as the regulatory recommendations regarding additional own funds requirements under Pillar 2 at the level of Santander Bank Polska S.A. and Santander Bank Polska Group.

| Minimum capital ratio levels as at 30 June 2024 | Tier 1 | Total capital ratio |
|-------------------------------------------------|--------|---------------------|
| Santander Bank Polska S.A. | 9.88% | 11.88% |
| Santander Bank Polska Group | 9.89% | 11.893% |

1) Minimum capital ratios including an institution-specific countercyclical capital buffer

To mitigate the risk of credit crunch arising from the Covid-19 pandemic, on 18 March 2020 the Minister of Finance issued a regulation based on the recommendation of the Financial Stability Committee removing banks' obligation to keep the systemic risk buffer of 3%.

In H1 2024, the Bank and Santander Bank Polska Group met all regulatory requirements regarding capital management.

Regulatory capital

Santander Bank Polska Group uses the standardised approach to calculate the capital requirement for credit risk, market risk and operational risk. According to this approach, the total capital requirement for credit risk is calculated as the sum of risk-weighted exposures multiplied by 8%. To determine risk-weighted exposures, risk weights are assigned to all exposures in accordance with the CRR provisions.

Pursuant to resolution of the Bank's Annual General Meeting (AGM) of 18 April 2024, PLN 87.0m was allocated to the capital reserve, PLN 3,504.1m to the dividend, and PLN 1,081.9m was left undistributed. In addition, the AGM allocated PLN 1,056.6m from the dividend reserve created under AGM resolution no. 6 of 22 March 2021 to the dividend for shareholders. The total amount allocated to the dividend was PLN 4,560.7m. The dividend was paid on 23 May 2024.

On 24 June 2024, Santander Bank Polska S.A. entered into a synthetic securitisation transaction on a corporate receivables portfolio with a total nominal value of PLN 3,730.5m. The securitised portfolio was divided into three tranches corresponding to the sequence of allocation of credit losses. The junior tranche and senior tranche were acquired by the Bank. The mezzanine tranche was acquired in full by external investors. The transaction structure does not use the Synthetic Excess Spread. As part of the transaction, Santander Bank Polska S.A. obtained credit risk protection in a synthetic form in relation to the exposures from the portfolio, in the form of funded credit linked notes ("CLNs") issued directly by Santander Bank Polska S.A. The CLNs cover losses on the securitisation portfolio in the amount of the mezzanine tranche.

The securitisation transaction carried out by the Bank is designed to reduce credit risk and release part of the capital. As a result of the above transaction, the value of risk weighted assets (RWAs) was reduced by PLN 1,783m.

In addition, in H1 2024 the total impact of the reduced value of foreign currency mortgage loans secured with residential properties on the total capital ratio was + 21b.p.

> Capital ratios of Santander Bank Polska Group as at 30 June 2024, 31 December 2023 and 30 June 2023

| Capital ratios of Santander Bank Polska Group | 30.06.2024 | 31.12.2023 ¹⁾ | 30.06.2023 ²⁾ |
|------------------------------------------------------|-------------------|---------------------------------|---------------------------------|
| I Total capital requirement | 11,795.8 | 11,241.5 | 11,318.4 |
| II Capital and funds after deductions | 26,299.2 | 26,205.8 | 28,153.5 |
| Total capital ratio [II/(I*12.5)] | 17.84% | 18.65% | 19.90% |
| Tier 1 capital ratio | 16.72% | 17.27% | 18.34% |

1) Including profits allocated to own funds pursuant to EBA guidelines.

2) Restated data for reclassification of financial instruments (for detailed information, see note 2.5 of the Condensed Interim Consolidated Financial Statements of Santander Bank Polska Group for the 6-month period ended 30 June 2024).

> Capital ratios of Santander Bank Polska S.A. and Santander Consumer Bank S.A. as at 30 June 2024, 31 December 2023 and 30 June 2023

| Capital ratios of Santander Bank Polska S.A. | 30.06.2024 | 31.12.2023 ¹⁾ | 30.06.2023 ²⁾ |
|-----------------------------------------------------|-------------------|---------------------------------|---------------------------------|
| Total capital ratio | 20.02% | 21.37% | 23.23% |
| Tier 1 capital ratio | 18.73% | 19.76% | 21.37% |

1) Including profits allocated to own funds pursuant to EBA guidelines.

2) Restated data for the reclassification of financial instruments (for detailed information, see note 2.5 of the Condensed Interim Consolidated Financial Statements of Santander Bank Polska Group for the 6-month period ended 30 June 2024).

| Capital ratios of Santander Consumer Bank S.A. | 30.06.2024 | 31.12.2023 ¹⁾ | 30.06.2023 |
|-------------------------------------------------------|-------------------|---------------------------------|-------------------|
| Total capital ratio | 43.59% | 34.34% | 33.97% |
| Tier 1 capital ratio | 41.81% | 32.94% | 32.28% |

1) Including profits allocated to own funds pursuant to EBA guidelines.

Pursuant to the Bank's information strategy, details about the level of own funds and capital requirements are presented in a separate report on capital adequacy of Santander Bank Polska Group as at 30 June 2024 ("Information on capital adequacy of Santander Bank Polska Group as at 30 June 2024").

IX. Governing bodies

General Meetings of Santander Bank Polska S.A.

Apart from the Annual General Meeting (AGM) held on 18 April 2024, in H1 2024 the Extraordinary General Meeting (EGM) took place on 11 January 2024. It amended the Management Board's authorisation to buy back own shares for the purpose of Incentive Plan VII.

A brief description of the main resolutions of the General Meetings is provided in Part 4 "Corporate events" of Chapter I "Overview of Activities of Santander Bank Polska Group in H1 2024".

The full versions of the resolutions are available on the website of Santander Bank Polska S.A. at <https://www.santander.pl/en/investor-relations/about-company/annual-general-meeting>.

Composition of the Supervisory Board

> Composition of the Supervisory Board of Santander Bank Polska S.A. as at 1 July 2024, 30 June 2024 and 31 December 2023.



| Role in the Supervisory Board | Members of the Supervisory Board as at 1 July 2024 | Members of the Supervisory Board as at 30 June 2024 | Members of the Supervisory Board as at 31 December 2023 |
|-------------------------------------------|----------------------------------------------------|-----------------------------------------------------|---------------------------------------------------------|
| Chairman of the Supervisory Board: | 1. Antonio Escámez Torres | 1. Antonio Escámez Torres | 1. Antonio Escámez Torres |
| Deputy Chairman of the Supervisory Board: | 2. José Luis de Mora | 2. José Luis de Mora | 2. José Luis de Mora |
| Members of the Supervisory Board: | 3. Dominika Bettman | 3. Dominika Bettman | 3. Dominika Bettman |
| | 4. José García Cantera | 4. José García Cantera | 4. José García Cantera |
| | 5. Adam Celiński | 5. Adam Celiński | 5. Adam Celiński* |
| | 6. Danuta Dąbrowska | 6. Danuta Dąbrowska | 6. Danuta Dąbrowska |
| | 7. Isabel Guerreiro | - | 7. Isabel Guerreiro |
| | - | - | 8. David Hexter |
| | 8. Jerzy Surma | - | 9. Jerzy Surma |
| | - | - | 10. Marynika Woroszyńska-Sapieha |
| | 9. Kamilla Marchewka-Bartkowiak | 7. Kamilla Marchewka-Bartkowiak | - |
| | 10. Tomasz Sójka | 8. Tomasz Sójka | - |

On 18 April 2024, the Annual General Meeting appointed the Supervisory Board of Santander Bank Polska S.A. for a new three-year term of office in the composition presented in the table above. Apart from Isabel Guerreiro and Jerzy Surma, who took up their roles on 1 July 2024, other Supervisory Board members were nominated with immediate effect. Compared to 31 December 2023, the composition of the Supervisory Board changed as follows: David Hexter and Marynika Woroszyńska-Sapieha resigned, and Kamilla Marchewka-Bartkowiak and Tomasz Sójka were appointed new members.

> Composition of committees of the Supervisory Board of Santander Bank Polska S.A. as at 1 July 2024

| Role in the Supervisory Board | Members of the Supervisory Board as at 1 July 2024 | Audit and Compliance Committee | Risk Committee | Nominations Committee | Remuneration Committee |
|-------------------------------------------|----------------------------------------------------|--------------------------------|----------------|-----------------------|------------------------|
| Chairman of the Supervisory Board: | 1. Antonio Escámez Torres | | | | |
| Deputy Chairman of the Supervisory Board: | 2. José Luis de Mora | | | | |
| Members of the Supervisory Board: | 3. Dominika Bettman | | | | |
| | 4. José García Cantera | | | | |
| | 5. Adam Celiński | | | | |
| | 6. Danuta Dąbrowska | | | | |
| | 7. Isabel Guerreiro ¹⁾ | | | | |
| | 8. Jerzy Surma ¹⁾ | | | | |
| | 9. Kamilla Marchewka-Bartkowiak | | | | |
| | 10. Tomasz Sójka | | | | |

1) Isabel Guerreiro and Jerzy Surma took up their roles as members of the Supervisory Board of Santander Bank Polska S.A. effective from 1 July 2024. The appointments of other members were effective from 18 April 2024.

| | |
|-------------------------------------------------------------------------------------|---------------------|
|  | Chairman/Chairwoman |
|  | Board Member |

Between 18 April 2024 and 30 June 2024, Isabel Guerreiro and Jerzy Surma were nominated members of the Supervisory Board but did not take up their roles until 1 July 2024. Accordingly, they did not sit on the above committees as at 30 June 2024.

Adam Celiński was nominated to the Supervisory Board as of 18 April 2024 but took up his role as the Chairman of the Audit and Compliance Committee on 1 July 2024. Between 18 April 2024 and 30 June 2024, the Audit and Compliance Committee was chaired by Danuta Dąbrowska.

As at 1 July 2024, five out of ten Supervisory Board members met the independence criteria. The following members hold independent status: Dominika Bettman, Adam Celiński, Danuta Dąbrowska, Kamilla Marchewka-Bartkowiak and Tomasz Sójka. Each of the foregoing persons made a relevant written statement as part of the suitability assessment process.

Details about the academic background and professional experience of the Bank's Supervisory Board members are published on the Bank's website at <https://www.santander.pl/en/investor-relations/about-company/authorities>.

Composition of the Management Board

The table below presents the composition of the Management Board of Santander Bank Polska S.A. as at 30 June 2024 and 31 December 2023, and the roles and responsibilities of its members.

| Role in the Management Board | No. | Composition as at 30 June 2024 | Reporting area as at 30 June 2024 | No. | Composition as at 31 December 2023 | Reporting area as at 31 December 2023 |
|------------------------------------------|-----|--------------------------------|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-----|------------------------------------|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| President of the Management Board: | 1. | Michał Gajewski | 1) Internal Audit Area 2) Legal Area 3) Other units outside of the divisional structure: Corporate Communication and Marketing Area, Customer Excellence Centre, Corporate Governance Department, Classified Data Protection Unit | 1. | Michał Gajewski | 1) Internal Audit Area 2) Legal Area 3) Other units outside of the divisional structure: Corporate Communication and Marketing Area, Customer Excellence Centre, Corporate Governance Department, Classified Data Protection Unit |
| | 2. | Andrzej Burliga | 1) Risk Management Division 2) Business Intelligence Area (unit outside the divisional structure) | 2. | Andrzej Burliga | 1) Risk Management Division 2) Business Intelligence Area (unit outside the divisional structure) |
| Vice Presidents of the Management Board: | 3. | Juan de Porras Aguirre | Corporate and Investment Banking Division, Wealth Management and Insurance Division | 3. | Juan de Porras Aguirre | Corporate and Investment Banking Division |
| | - | - | - | 4. | Arkadiusz Przybył | Wealth Management and Insurance Division |
| Members of the Management Board: | 4. | Lech Gałkowski | Business and Corporate Banking Division | 5. | Lech Gałkowski | Business and Corporate Banking Division |
| | 5. | Patryk Nowakowski | Digital Transformation Division | 6. | Patryk Nowakowski | Digital Transformation Division |
| | 6. | Maciej Reluga | Financial Management Division | 7. | Maciej Reluga | Financial Management Division |
| | 7. | Wojciech Skalski | Financial Accounting and Control Division | 8. | María Elena Lanciego Pérez | Financial Accounting and Control Division |
| | 8. | Dorota Strojewska | Business Partnership Division | 9. | Dorota Strojewska | Business Partnership Division |
| | 9. | Artur Głębcki | Compliance and FCC Division | 10. | Artur Głębcki | Compliance and FCC Division |
| | 10. | Magdalena Proga-Stępień | Retail Banking Division | 11. | Magdalena Proga-Stępień | 1) Retail Banking Division 2) Branch Network |

On 1 January 2024, the composition of the Management Board changed after María Elena Lanciego Pérez, Management Board member in charge of the Financial Accounting and Control Division, resigned on 26 October 2023 (effective as of 1 January 2024) to take up a new role in the global structures of Santander Group. On 13 December 2023, the Supervisory Board appointed Wojciech Skalski, the Head of the Financial Accounting Area, in her place.

Arkadiusz Przybył, Vice President of the Management Board in charge of the Wealth Management and Insurance Division since 4 April 2023 (and previously: in charge of the Retail Banking Division), resigned from his function on 27 February 2024 (effective as of 1 April) to take up a new role in Santander Group.

The information about the academic background and professional experience of the Bank's Management Board members is published on the Bank's website at <https://www.santander.pl/en/investor-relations/about-company/authorities>.

Bank's shares held by Supervisory and Management Board members

As at the release dates of the financial reports for the periods ended 30 June 2024 and 31 March 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.

| Management Board members as at the end of the current reporting period and the release date of the annual report | 24.07.2024 | | | 30.04.2024 | | |
|------------------------------------------------------------------------------------------------------------------|-------------------------------------------------|--------------------------------------------------------------------------------------|--------------------------------------------------------------------------------------------------------------------------------------------------------------------|-------------------------------------------------|--------------------------------------------------------------------------------------|--------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| | 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) ²⁾ | 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) ²⁾ |
| 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 Gtembocki | 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 | - | - | 786 | - | - |
| Maciej Reluga | 3,792 | 1,491 | 2,168 | 3,792 | 1,491 | 2,168 |
| Wojciech Skalski | 3,669 | - | - | 3,669 | - | - |
| Dorota Strojowska | 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.

For more information about Incentive Plan VII launched by Santander Bank Polska Group, see part "Variable remuneration" in Section 1 "Human resources management" of Chapter IV "Organisational and infrastructure development".

X. Statement of the Management Board

True and fair presentation of the financial statements

To the best of the Management Board's knowledge, the financial figures for the current and comparative reporting periods presented in the Condensed Interim Financial Statements of Santander Bank Polska S.A. for the 6-month period ended 30 June 2024 and the Condensed Interim Consolidated Financial Statements of Santander Bank Polska Group for the 6-month period ended 30 June 2024 were prepared in keeping with the applicable accounting policies and give a true and fair view of the state of affairs and earnings of Santander Bank Polska S.A. and Santander Bank Polska Group.

The half-yearly Management Board report contained in this document gives a true view of the development, achievements and position of Santander Bank Polska S.A. and Santander Bank Polska Group (including the underlying risks) in the first half of 2024.

Signatures of the persons representing the entity

| Date | Name and surname | Position/Function | Signature |
|------------|------------------------|----------------------------------------|------------------------------------------------------------------------------------|
| 23.07.2024 | Michał Gajewski | President of the Management Board | The original Polish document has been signed with a qualified electronic signature |
| 23.07.2024 | Andrzej Burliga | Vice President of the Management Board | The original Polish document has been signed with a qualified electronic signature |
| 23.07.2024 | Juan de Porras Aguirre | Vice President of the Management Board | The original Polish document has been signed with a qualified electronic signature |
| 23.07.2024 | Lech Gałkowski | Member of the Management Board | The original Polish document has been signed with a qualified electronic signature |
| 23.07.2024 | Artur Głębcki | Member of the Management Board | The original Polish document has been signed with a qualified electronic signature |
| 23.07.2024 | Patryk Nowakowski | Member of the Management Board | The original Polish document has been signed with a qualified electronic signature |
| 23.07.2024 | Magdalena Proga-Święć | Member of the Management Board | The original Polish document has been signed with a qualified electronic signature |
| 23.07.2024 | Maciej Reluga | Member of the Management Board | The original Polish document has been signed with a qualified electronic signature |
| 23.07.2024 | Wojciech Skalski | Member of the Management Board | The original Polish document has been signed with a qualified electronic signature |
| 23.07.2024 | Dorota Strojowska | Member of the Management Board | The original Polish document has been signed with a qualified electronic signature |

XI. Glossary of abbreviations

Below is a list of key abbreviations used in the Management Board Report

| Abbreviation | Definition |
|--------------|--------------------------------------------------------------------------------------------------|
| AML | Anti-Money Laundering |
| BCA | Baseline Credit Assessment |
| BCB | Business and Corporate Banking Division |
| BFG | Bankowy Fundusz Gwarancyjny (Bank Guarantee Fund) |
| BGK | Bank Gospodarstwa Krajowego (state development bank) |
| CA | Compliance Area |
| CCMA | Corporate Communication and Marketing Area |
| CIB | Corporate and Investment Banking Division |
| EBA | European Banking Authority |
| ESG | Environmental, Social and Governance |
| IAS | International Accounting Standards |
| IDR | Long-term/short-term Issuer Default Rating |
| IFRS | International Financial Reporting Standards |
| IRS | Interest Rate Swap |
| MPC | Monetary Policy Council |
| MREL | Minimum Requirement for Own Funds and Eligible Liabilities |
| NBP | National Bank of Poland |
| NPS | Net Promoter Score |
| OFE | Otwarty Fundusz Emerytalny (open pension fund) |
| PD | Probability of Default |
| PTE | Powszechne Towarzystwo Emerytalne (pension society) |
| ROA | Return On Assets |
| ROE | Return On Equity |
| ROTE | Return On Tangible Equity |
| SCB Group | Santander Consumer Bank Group |
| TREA | Total Risk Exposure Amount |
| WIBOR | Warsaw Interbank Offered Rate: a reference interest rate of loans in the Polish interbank market |
| ZBP | Związek Banków Polskich (Polish Bank Association) |