



WYŻSZA KULTURA. BANK NOWOŚCI.

REPORT OF THE MANAGEMENT BOARD

ON THE ACTIVITIES OF
THE CAPITAL GROUP
OF ALIOR BANK S.A. IN H1
2022

This version of our report is a translation from the original, which was prepared in Polish language. All possible care has been taken to ensure that the translation is an accurate representation of the original. However, in all matters of interpretation of information, views or opinions, the original language version of our report takes precedence over this translation.

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I. Summary of activities of Alior Bank in H1 2022

Despite the fundamentally changed macroeconomic conditions related to the war in Ukraine, the increase in the general level of prices in the economy, which caused an increase in the Bank's operating costs, and the Bank's participation in the Protection Scheme and resulting contribution:



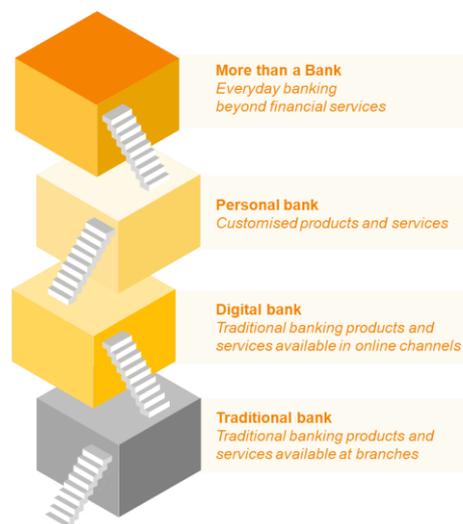
- in H1 2022, Alior Bank markedly improved its financial results. The net profit of the Alior Bank Capital Group was PLN 385 million, with a return on equity (ROE) of 13.8%,
- Alior Bank has a secure capital position. The Tier1 and TCR capital ratio levels at the end of H1 2022 significantly exceed the regulatory minimums by 266 bps (PLN 1.3 billion) and 202 bps (PLN 1.0 billion), respectively,
- credit risk parameters continue to improve – Cost of Risk (CoR) after H1 2022 amounted to 1.39%. The share of non-performing loans also decreased – NPL ratio dropped from 12.96% at the end of H1 2021 to 10.70% at the end of H1 2022,
- operating expenses in H1 2022 increased by PLN 287 million compared to the same period of the previous year, to PLN 1 084 million. The growth of operating expenses was primarily due to the Bank joining the Protection Scheme, which will result in the contribution of PLN 195.5 million to the assistance fund and a higher contribution to the compulsory restructuring fund maintained by the Bank Guarantee Fund by PLN 18 million. Excluding the above, the Group's operating expenses in H1 2022 grew by approx. 9% y/y to the level of PLN 871 million, primarily due to the growth of employee costs, higher costs related to marketing activities and IT projects, and general increase in costs due to inflation,
- in H1 2022, we continued work related to the development of a new strategy of the Bank, which is planned to be announced at the end of 2022/beginning of 2023,
- during H1 2022, we continued the process of improving the stability and security of the credit portfolio by increasing exposure to housing loans, which grew from 23% at the end of H1 2021 to 25% at the end of H1 2022 (according to gross value) in the structure of the loan portfolio.



Summary of Strategic Actions in 1H 2021

In the first half of 2022, we continued to implement the main assumptions of the “More than a Bank” strategy updated in March 2021, i.e.:

- building lasting relations with customers based on frequent contact points,
- consistent digitalisation and personalisation of services,
- use of state-of-the-art technology to enhance the organisation’s performance,
- balancing the loan portfolio and reducing the risk cost.



The objective of Alior Bank is to combine the functions of traditional banking and a highly personalised digital bank. Activities related to products, technologies or work organisation were undertaken with the aim to consistently improve customer experience and effectiveness of the Bank.

Activities in the ESG area undertaken in the first half of 2022 support the business goals set in the strategy by utilising the strengths of Alior Bank and taking appropriate care of all stakeholders. In this way, Alior Bank responds to climate challenges and implements the demand for social responsibility, building corporate governance and environmental protection by continuing to support the policy of green transformation and progressive development of the offer of green products. Additionally, in connection with the war in Ukraine, we focused our activities primarily in the area of social responsibility.

Strategy pillars

They comprise areas divided into eight strategic programmes:

Strategic pillar	Strategic programmes	Most important effects
Customer experience	Alior Mobile	Non-banking services in Alior Mobile app
	Personalisation	Products meeting Customers' expectations
	Convenience	Convenient digital processes
	Business customer relationship	Modern service and sector-related support
Transformation of the Bank	Technology leader	Technological advantage
	Effectiveness	Process and cost optimisation
	Risk and capital management	Safety and predictability
	Bank of committed experts	Employee development and social responsibility

Strategy implementation

Strategy implementation falls during a period of the pandemic, rising interest rates, growing inflation and the war in Ukraine, i.e. a period of altered economic, geopolitical and social reality. The directions set out in the updated strategy allowed us to adapt to the new challenges and provide support to our customers, including those from Ukraine.

We are implementing innovative solutions to guarantee customers the maximum convenience and independence of banking from anywhere and at any time. We try to offer a constantly growing number of functionalities facilitating the use of self-service channels both by individual and business customers.

We develop an ecosystem of financial and non-financial services in banking applications, focusing on customer experience, its convenience and independence, improving product offer.

Due to the consistent expansion of remote channels and further digitisation, financial institutions are able to offer customers the best products and services in a convenient form and to ensure their best experience. Remote banking can facilitate day-to-day operation, not only in the financial context, which is why at Alior Bank we are progressively promoting non-financial services. Ever since we began to implement the “More than a Bank” strategy until mid-2022, we implemented a number of non-financial services in the mobile application, including:

- moBilet (possibility of purchasing a municipal transport ticket and paying parking fees),
- AutoPay (automatic motorway tolls),
- TPL/AC motor insurance with LINK4,
- PZU Wojażer travel insurance,
- BIK alerts and BIK reports.
- Dark Mode and Personalisation of the Payments and Services tab in Alior Mobile.

Alior Bank introduced mobile application personalisation elements into the existing range of available non-financial services as a response to customer expectations – the Dark Mode option and personalisation of the Payments and Service screen. The owners of iPhone smartphones have been given the option to match the graphic theme and the new interface appearance. Now they can choose from a number of options: a classic theme – light and dark, or set an automatic mode in which the application colours adapt to the settings of their phones. The users of smartphones with Android software have access to this option since last year.

We have also introduced the ability to personalise the Payments and Services tab. Since May 2022, each user sees all available types of transfers after logging in to the mobile application, which allows them to quickly select the preferred operation. In addition, customers can set the order of shortcuts in any way they prefer, so that they correspond to operations they most frequently perform. After updating the mobile application, the customer can manage the shortcut layout in a simple way by adapting Alior Mobile to their current needs in a few seconds.

In H1 2022, we launched a series of activities to support customers from Ukraine (more information can be found in the “Principles of social responsibility” section). Keeping Ukrainian refugees in mind, we simplified our

processes, created dedicated products and translated our digital channels into the Ukrainian language. The newly established Alior Bank Foundation also coordinated activities related to the establishment of the Alior Bank Assistance Centre located in the centre of Warsaw, where refugees can receive comprehensive assistance.

We develop the range of offered products so that we may accompany the customer every day and respond to more than just their financial needs in the evolving economic environment.

Alior Bank continues the acquisition of young customers. The Junior account offer for children aged 13-17 introduced in 2021, which thus far was available at branches of the Bank, has been made available from the mobile application level and online. For parents, on the other hand, the Bank extended the package of available online services in the field of family benefits. In H1 2022, Alior Online was expanded by the option to apply for Family Guardianship Capital and nursery benefits, which are new applications available in addition to applications for the Family 500+ and Good Start 300+ Programmes already available in Alior Online. We have observed that our customers are more and more willing to handle many official matters via the Bank.

Alior Bank prepared a special offer for customers who plan to purchase an apartment or a house. Under the “*Własne M*” [Own Apartment] programme, customers are able to take a mortgage loan on promotional terms and conditions. We are also adapting our range of deposit products to offer customers attractive products in an environment of high interest rates.

We are an ECO Bank. We systematically expand the pool of products which do not require signing a contract in paper form (they are sent by e-mail). We are developing a portfolio of products based on virtual services (virtual card and BLIK Contactless) as well as new payment methods. In 2022, the offer of contactless payments was expanded by payments using Xiaomi devices. The Xiaomi Pay service is available after installing the Mi Fitness application on a telephone with an Android or iOS system and adding any Mastercard debit or credit card issued by Alior Bank. The range of mobile payments offered by Alior Bank already includes Apple Pay, Google Pay™, BLIK, Garmin Pay, Fitbit Pay and SwatchPay!. On one device, the customer may tokenise more than one payment card, which enables them to leave home without a wallet in their pocket.

We deepen relationships with business customers based on products and services, including further remote solutions in digital banking. We develop a credit offer for companies, intensify acquisitions, focus on convenience and self-service.

We are effectively strengthening relations with business customers, based on new transaction products and services. Alior Bank has extended its offer for business customers to include accident and healthcare insurance provided by PZU SA. Entrepreneurs who have or open a business account at the Bank can insure themselves, their family members, employees of their business and their relatives. Accident and healthcare insurance available in our offer is a response to the needs of entrepreneurs who very highly value the ability to sign an insurance agreement directly at the bank they use on a day-to-day basis.

We are successfully developing a range of credit products for entrepreneurs investing in green energy sources. Customers were also presented with a special price offer for a thermal modernisation loan and a loan with a thermal modernisation and renovation bonus offered by BGK – thus supporting enterprises aimed at the thermal modernisation of buildings. We have introduced a promotion that reduces the upfront fee on a

Businessloan for on-going activities, investment activities and environmental protection purposes. The advantages of the promotional offer also include high amounts of financing – up to PLN 1 million for micro enterprises and up to PLN 3 million for small companies, fast credit decision time – within 20 minutes from the submission of the application, and absence of need to present own contribution or material securities.

By establishing cooperation with the Polish Entrepreneurs Foundation, we provided the users of the zafirmowani.pl website access to free online training. Training concerns issues related to various aspects related to pursuing business activity. These include, for example, the preparation of a business plan, financial management, human resources management, the implementation of the sales process, and marketing activities. They also provide an overview of current changes to legal and tax regulations. In addition to training and expert advice, the zafirmowani.pl website also provides access to many other tools to make it easier for entrepreneurs to develop and promote their business on the market.

We established cooperation with WeSub. Due to this, the holders of a business Mastercard Plus debit card have access to a 10% discount for equipment rentals. Customers who use the promotion will also gain access to the Alior NieSklep RentUp platform. Thanks to the subscription agreement with WeSub, Customers may choose equipment for their business and use it after paying a deposit using the Plus card. Cooperation with WeSub is a response to the needs of customers who expect banks to offer more than just attractive deposits, transaction solutions and loans – they also desire support in other areas of day-to-day business operation.

We build and consolidate relationships by organising meetings in the business breakfast model. During these meetings, we present economic indicators and forecasts for the Polish economy as well as forecasts for the prices of selected raw materials. Direct conversations provide us with an invaluable source of knowledge regarding the needs of our customers.

We transform the Bank into a stable and responsible way. The state-of-the-art technologies provide us with cost and process efficiency.

The implementation of the cloud strategy adopted at the Bank is at an advanced stage and follows the adopted schedule. The transformation of IT systems to the cloud model has reached the level of implementation at which the Bank is experiencing expected results in the area of key performance indicators in the manufacturing and implementation process. In H1 2022, the indicator determining the average frequency of releases in IT systems key to business development reached a value consistent with the ambition of the Technology Leader strategic programme, i.e. 3 weeks.

We successfully implement solutions using modern tools in the area of artificial intelligence. In order to improve the method of communication and customer service at the Contact Center, we have implemented a voicebot called InfoNina together with a modern conversation platform, allowing for automatic analysis of current interactions with customers. InfoNina supports all traffic on the Bank's main helpline, which allows to automate calls and more effectively direct customers to agents. This is possible by implementing information processes and functionalities in the bot that allow to steer the conversation and redirect it to the competent advisor at the Contact Center. This solution has been appreciated on the market – the InfoNina implementation project won the Celent Model Bank Awards 2022 competition in the Customer Service category and was a finalist in the BAI Global Innovation Awards competition in the Internal Process Improvements category. In March 2022, the AI platform won the first edition of the *Mocarze Hiperautomatyzacji* [Hyperautomation Titans] competition in the “Smart Assistants” category.

Hyperautomation used in the Bank transformation process allows us to improve our processes and their effectiveness. Thanks to the BPM (Webcon BPS) system, we have optimised several processes, including the

largest one related to complaint handling, in 2022 alone. A pilot programme of a solution in several select units of the Bank has been running since June.

We are continuing the process of optimising architecture and developing the functionality of transaction systems. These actions have resulted in making a mortgage loan offer and cost simulator available in the mortgage process being streamlined, which provides customers the ability to make approximate calculations of loan costs (depending on criteria defined by the customer) and compare offers available in the Bank.

Actions taken in regard to work organisation were aimed at consistent improvement of customer experience, so that they would result in long-term, valuable relationships with customers that are based on employee knowledge. This is supported by development programmes for sales network employees that improve existing and new competencies of advisors, focused on building value for the customer.

Basic financial data for H1 2022



An increase of net profit generated by the Alior Bank Capital Group y/y (PLN 385 million in net profit in H1 2022 compared to a net profit of PLN 232 million in H1 2021) was possible due to several key factors:

- economic recovery from the crisis caused by the COVID-19 pandemic,
- improvement of the quality of the credit portfolio and behaviour of the customers of the Bank that resulted in marked decrease in allowances for expected credit losses,
- a significant increase of the reference rate of the National Bank of Poland (6.0% at the end of June 2022 compared to 0.1% at the end of June 2021), which directly contributed to an increase of the WIBOR3M rate (basic interest rate used by the Bank to determine the price of granted loans) to the average rate of 4.87% in the first half of 2022, compared to 0.21% in the previous year,
- failure to recognise in Q2 2022 PLN 30 million cost of the contribution to the deposit guarantee fund run by the Bank Guarantee Fund.

The following events adversely affected the net profit of the Alior Bank Capital Group in H1 2022:

- higher overall level of prices in the economy, which caused higher operating expenses of the Bank, especially in the area of employee and marketing costs,

- higher contribution to the compulsory restructuring fund maintained by the Bank Guarantee Fund (up by approx. PLN 18 million y/y),
- the Bank joining the Protection Scheme, resulting in a contribution to the assistance fund in the amount of PLN 195.5 million. The related non-recurring cost burdened the Bank's results in H1 2022 (impact on net income: PLN 158 million),
- establishment of a provision for the costs of legal risk related to mortgage loans in foreign currencies in the amount of PLN 24 million,
- write-off of PLN 31 million in non-financial assets related to the activity of the branch of Alior Bank in Romania (impact on net income: PLN 27 million).

Tier1 and TCR ratios of the Alior Bank Capital Group remained high at the end of June 2022 (12.63% and 13.99%, respectively), leaving a safe buffer above the regulatory requirements (266 bps and 202 bps, respectively). Alior Bank Capital Group has a surplus of Tier 1 capital in the amount of PLN 1.3 billion above regulatory minimum. In H1 2022, the Bank's liquidity situation remained at a secure level. Liquidity was closely monitored and maintained as needed by adjusting the deposit base level and mobilising funding depending on the development of lending activity and other liquidity needs. The LCR liquidity ratio of the Alior Bank Group amounted to 136% as at the end of June 2022. On the other hand, the NSFR liquidity ratio amounted to 125% as at the end of June 2022. The regulatory minimum for both of the aforementioned liquidity ratios is 100%.

Distribution network and headcount



Distribution network

At the end of June 2022, we had 582 outlets (170 traditional branches, 7 Private Banking branches, 13 Corporate Banking Centres, and 392 partner outlets).

We also distributed our products through 10 Mortgage Centres and a network of approx. 3,000 intermediaries

The branch office in Romania has 23 SIS ("Shop in Shop") outlets and 17 HUBs (customer service points). In addition, service was provided to customers of the

Branch Office in 167 POS ("Points of Sale") owned by Telekom Romania.

By mid-2022, we modernised 72 branches to a "new format". These branches are distinguished by innovative design and the use of new technologies. The role of the branches is, above all, to provide comfort and privacy to customers and working comfort to bankers. At the time of modernisation, we focused on the potential of local suppliers. We used recycled raw materials (e.g. worktops were manufactured from processed yoghurt cups, upholstery and ceilings - from recycled PET bottles). Part of the equipment is made up of wood of fast-growing plants.



We also use distribution channels based on a modern IT platform (including online banking, mobile banking, telephone service centres and DRONN technology).

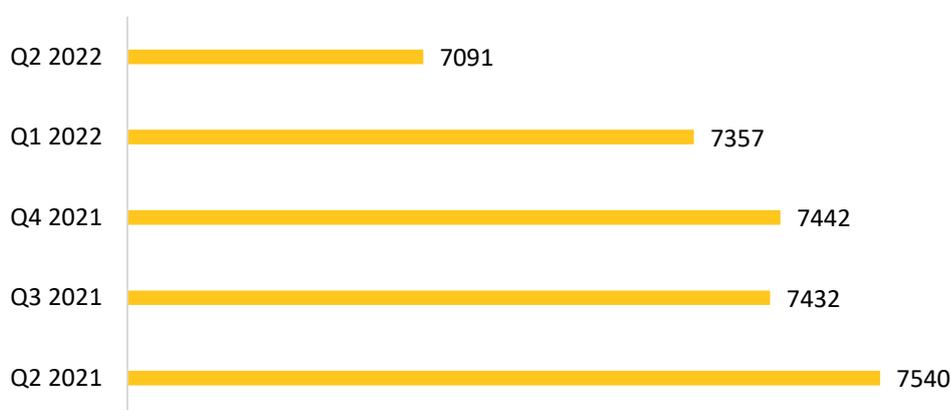
Headcount



As at 30 June 2022, the employment in the Alior Bank S.A. Capital Group (as the number of full-time equivalents, including maternity leaves, parental leaves and other long-term absences), was 7,091 FTEs, compared to 7,442 FTEs as at 31 December 2021.

The decrease in employment occurred primarily due to the adaptation of the business model of the Bank to the evolved business environment and due to the natural fluctuation of employees.

Full-Time Equivalents (FTEs)



Assessment of activities pursued by the Alior Bank Capital Group

The following had the biggest impact on the activities pursued by the Group:

- abatement of the COVID-19 pandemic,
- interest rate increase that started in Q4 2021 and were continued throughout the entire first half of 2022.

Due to a number of remedial measures taken in the years 2020 to 2021 in order to mitigate the adverse effects of the COVID-19 pandemic, such as the reduction of operating expenses, tightening of the lending policy, development of a range of online products of the Bank, adaptation of the Bank's organisational structure to facilitate operation in new conditions, and market interest rate increases, in H1 2022 the Alior Bank Capital Group achieved net profit in the amount of PLN 385 million and a return on equity of 13.8%. For comparison, in H1 2021 net profit totalled PLN 232 million, whereas ROE was at the level of 7.1%.

The primary performance index, i.e. the Cost/Income index, deteriorated in the first half of 2022 and reached 47.3% compared to 44.7% in the first half of 2021. This was primarily caused by the additional cost associated with joining the Protection Scheme, which amounted to PLN 195.5 million. Excluding this cost and assuming a linear distribution of the contribution to the BFG's forced restructuring fund and the payment of the contribution to the deposit guarantee scheme for Q2 2022, the adjusted Cost/Income ratio in H1 2022 would be 38.6%.

In 2020, we reviewed and optimised the credit portfolio, focusing primarily on reducing credit risk (including by reducing exposure to the industries most affected by the pandemic and tightening the lending policy). This had a positive impact on the Bank's financial result in H1 2022. The improvement of the overall financial situation of customers also contributed to the reduction of the costs of risk.

By improving financial performance, we maintain capital adequacy ratios at safe levels, well above the minimum regulatory levels. They permit stable operation and a further increase in lending activity. We adapted the range of products to the current level of interest rates and the effects of the CJEU judgement (concerning the return of a part of the commission in the event of early repayment of a consumer loan by the customer). In addition, despite the growing inflation pressure, we continue to continuously improve efficiency (in order to permanently reduce the cost base).

The Management Board of the Bank positively assesses the financial results achieved by the Alior Bank S.A. Capital Group in H1 2022. They have been adversely affected by the cost of joining the Protection Scheme, but positively affected by responsible customer behaviour (timely repayment of liabilities) and interest rate increases.

Impact of war in Ukraine on the operations of Alior Bank

In connection with the armed conflict in Ukraine that has been on-going since 24 February 2022, the Bank established an anti-crisis team within the Operational Risk Committee, which analyses the impact of the armed conflict on the Bank's macroeconomic environment on an on-going basis. The Alior Bank S.A. Capital Group intensively monitors and analyses the impact of geopolitical situation related to the war in Ukraine on the Bank's operations and the quality of the credit portfolio and does not identify any significant threats in that regard.

II. External environment of the Bank's operations



War in Ukraine

Russia's armed aggression against Ukraine became an important factor of uncertainty due to the escalation of geopolitical tensions and increased volatility on financial markets. In economic terms, the greatest consequences of the war are the disruptions of economic trade related to the war itself and the sanctions imposed in connection with that war. Another aspect is the stability of the energy system, an important element of which in the case of the EU and Poland is the supply of raw materials such as oil and gas from Russia, partially transported

through the territory of Ukraine. There is also the matter of security in the region. As a consequence, risks related to war in Ukraine for the domestic economy have materialised to the greatest extent by significantly accelerating inflation against rising commodity prices, food prices and supply chain disruptions. On financial markets, the increase of risk in the region was an important cause for the depreciation of Polish zloty, reduction of stock price on the Warsaw Stock Exchange and sale of Treasury bonds. The accelerating inflation required a stronger response from the National Bank of Poland, which raised interest rates nine times by the end of June, and at the beginning of the second half of the year 2022 continues the cycle of tightening the monetary policy.

For the banking sector, direct impact of war in Ukraine was the most apparent in the balance sheet exposure and higher market risk. However, the share of assets in Russia, Ukraine and Belarus in the balance sheets of domestic banks is insignificant and concentrated mainly in the largest banks. The increased volatility and higher risk bonus, on the other hand, had a negative impact on the valuation of assets in the balance sheets. Nevertheless, the sector has already started to feel the effects of the second round. The deterioration of economic parameters, including increased inflation and higher costs of financing, will directly translate into lower demand for loans and the expected reduction in economic activity will contribute to the deterioration of borrowers' condition. Therefore, it can be expected that credit risk will increase and credit policy in bank will become stricter.

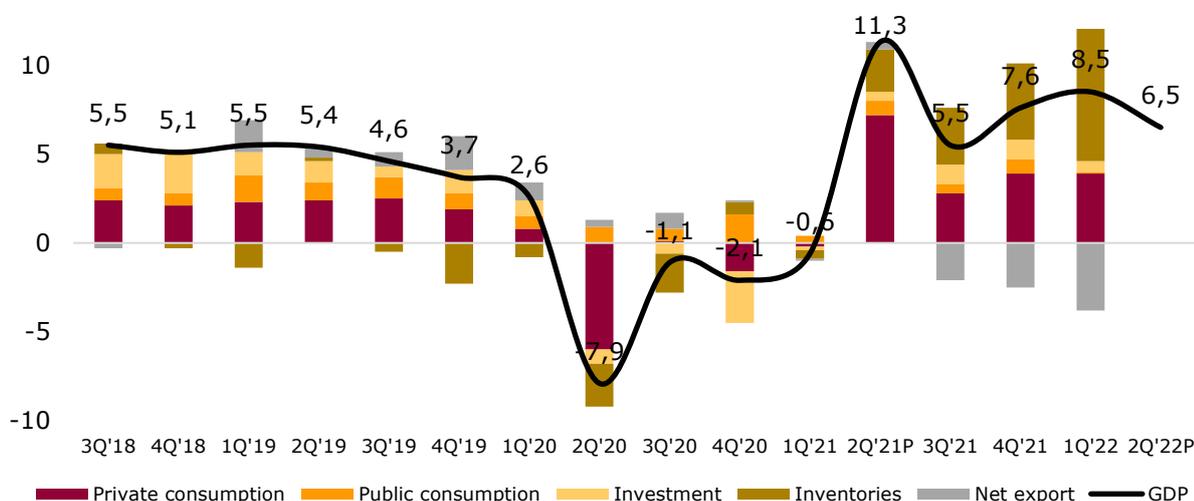
Poland's economic growth

Q1 2022 for the Polish economy started with excellent data on economic growth, which increased by 8.5% y/y due to post-pandemic demand, compared to 7.5% y/y in Q4 2021 and -0.6% in Q1 2021. This result, although impressive, was boosted by the effects of a low base from the previous year, and its structure has shown the strong impact of provisions built up by the company since 2021 and declining net export. However, private consumption remained strong with a declining impact of investments. The results for Q1 2022 did not yet reflect the fundamental changes in the perspectives of the national and global economy, including due to the outbreak of war in Ukraine, rather they reflected only the first symptoms of the upcoming crisis. Turbulence on the raw material markets, marked acceleration of inflation and declining consumer and business confidence

were, however, already visible in the second quarter, which according to our estimates should slow down GDP growth in Q2 to approximately 6.5% y/y.

Subsequent periods will remain under the influence of deteriorating economic parameters in the country and globally. High inflation and progressive tightening of monetary policy significantly reduce household incomes, which will affect consumer demand. Lower consumer demand together with higher financing costs will reduce investments by companies and the decrease in the availability of loans will hamper investments in residential construction. A strong labour market supported by the influx of refugees from Ukraine, savings built during the pandemic and should continue to have a positive impact on the economy, pandemic and loose fiscal policies should continue to have a positive impact on the economy, which in our opinion will enable the Polish economy to gently slow down throughout the year.

GDP growth



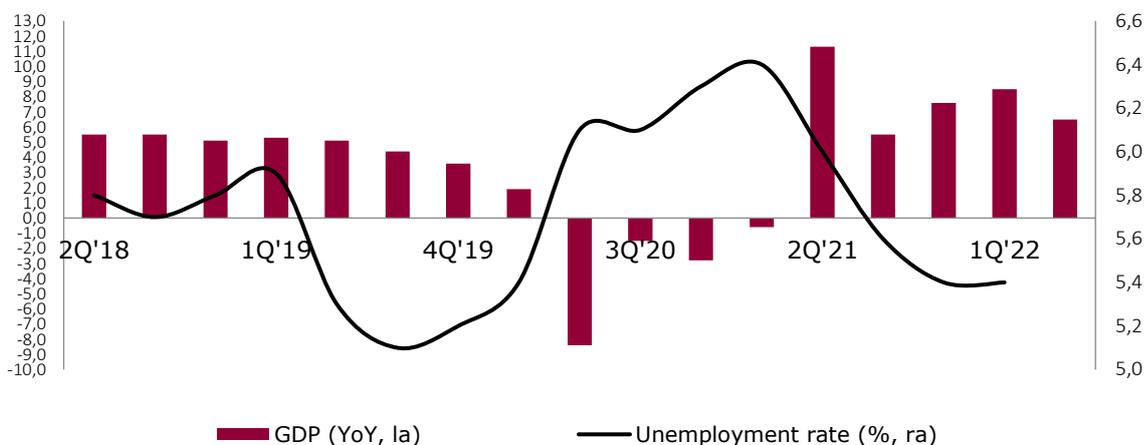
*/Source: Statistics Poland

Situation on the labour market

In H1 2022, the situation on the labour market remained favourable. The high momentum of the national economy favoured the demand for workers, which in June contributed to a fall in the unemployment rate to record 4.9%, compared to 5.4% as at the end of 2021. The labour market remained quite resilient to the market turbulence related to the outbreak of war in Ukraine, and positive effects included the growth of employment of Refugees, especially in Q2 of this year. Employment grew both in the industry and in services, which accelerated the recovery after the post-pandemic collapse. In Q1 2022, employment in the national economy increased by 1.8% y/y, compared to a decrease of 1.2% y/y in Q1 2021, and in Q2 we estimate the growth to drop down to 1.1% y/y due to the expected cooling down of the national economy. During the first half of 2022, the favourable situation of employees contributed to an increase in wages. In Q1 of this year, wages in the national economy grew by 9.7% y/y compared to 9.8% y/y in Q4 2021 and 6.6% y/y in Q1 2021. In the second quarter, the growth should, in our opinion, accelerate by more than 11%. At the same time, the growth rate of real wages slowed down due to the growing inflation, and in Q2 of this year was likely negative.

In subsequent periods, we expect the situation on the labour market to remain favourable, although the expected economic downturn will contribute to a slight decline in employment and, therefore, an increase in the unemployment rate. The influx of refugees seeking employment in Poland and the continuing recovery in the services sector should have a beneficial impact (in terms of the supply of workers). The unextinguished pandemic and possible escalation of cases in autumn continues to remain a risk. As regards wages, lower economic activity will contribute to slower wage growth rate and, with the persisting high inflation, to exacerbating the decline in real wages, thereby reducing inflationary pressures in the longer term.

GDP growth and unemployment rates



*/Source: Statistics Poland

Inflation and Interest Rates

Inflation pressure has increased over the first six months of 2022. The demand and supply imbalances persisting since last year, which contributed to the growth in the prices of raw materials, were reinforced by the outbreak of war in Ukraine. This accelerated the growth of prices, in particular of hydrocarbons, followed by the prices of fuels, gas, energy, heat, firewood and food. At the same time, labour market pressure has intensified in an environment of growing economic activity, which increased core inflation. As a result, the growth of consumer prices in June reached 15.5% y/y and was the highest it has been for more than 20 years. In Q1 2022, CPI accelerated to 9.7% y/y, compared to 2.7% y/y in the corresponding period of 2021, and in the Q2 2022 it reached, according to our estimates, 13.9% y/y on average. Inflation in the first half of the year decreased due to the impact of the Anti-Inflation Shield.

In view of accelerating inflation and in order to prevent the stability of high prices over the medium term, from October onwards the Monetary Policy Council raised interest rates from 0.1% to 6% as at the end of June 2022 and continued raising interest rates at the beginning of the second half of the year (6.5% in July). In the opinion of the Council, the current cycle is nearing an end, although the latest projections of the National Bank of Poland indicate high risks for the return of inflation to the target value set by the National Bank of Poland in the medium term.

In the second half of the year, the CPI will remain elevated, which may imply further interest rate raises. The primary pro-inflation factors include waning, but still historically high level of disruptions in global supply chains that raise production costs, higher prices of raw materials and wage pressure. The price increase will in part be limited by the Anti-Inflation Shield introduced by the government. With current assumptions, average CPI inflation is expected to grow by approximately 13.2% throughout 2022 (compared to 5.1% in 2021). The risk for the inflation path in subsequent quarters remains to be the growing energy crisis in Europe, return of the pandemic and, in subsequent years, the scale of growth in energy prices for domestic consumer as well as fiscal policy. Technical issues include the prospect of further inflation shields implemented by the government (such as the Anti-Inflation Shield). The above, together with further tightening of the monetary policy of main central banks in the world, including the Fed and the ECB, will in our view result in the continued tightening of monetary policy this year, which may mean an increase in the reference rate to approx. 7-7.5%.

Global economy

The beginning of 2022 for global economies was the time of post-pandemic recovery, which due to the war in Ukraine was unexpectedly slower. As a result, the economic situation in the world's largest economies was dependent on the scale of ties with areas subject to war and sanctions, primarily in international trade. Europe has been subject to greater pressure, as it is more heavily dependent on imports of Russian hydrocarbons than the US economy. However, inflationary pressures resulting from dynamic increases in commodity prices worldwide have not circumvented the US economy. In Q1 2022, the results reported by the largest economies remained supported by the post-pandemic recovery. GDP in the euro area increased by 5.4% y/y in this period¹, whereas in the USA by 3.5% y/y² (compared to 4.7% y/y and 5.5% y/y³ in Q4 2021, respectively). However, Q2 has already been partly affected by the marked acceleration of inflation, the prolongation of supply and demand imbalances and the deteriorating perspectives for subsequent periods. In the first half of the year, inflation in the USA recorded the highest levels in 40 years, reaching 9.1% y/y in June (compared to 5.4% y/y in June 2021). Inflation in the euro area is currently the highest it has been for two decades, with CPI reaching 8.6% y/y in June 2022, compared to 1.9% y/y in June of last year. In effect, central banks had to step in. Both the US Fed and the ECB have completed their post-pandemic support programmes in the form of asset redemption. As the next step, the US Federal Reserve started to tighten its monetary policy and the base interest rate increased from 0-0.25% to 1.50-1.75% in June, while the ECB maintained the base interest rate at 0% in the first half of the year but announced that it will be raised as of July of this year. The marked deterioration of economic parameters in Q2 of this year will contribute to the decline in the GDP growth rate, which is projected to slow down the economic growth in the euro area to 3.3% y/y and to 2.2% y/y in the USA⁴.

Looking ahead to the rest of the year, the scale of tightening the monetary policy in the USA and in Europe will be crucial for the global economic situation. The determination to fight inflation and bring it within the limits of inflation targets, declared by central banks, can be at the expense of major economies going into recession, which will have an impact on global demand. On the one hand, the global fight against inflation should weaken

1 Source: Bloomberg

2 Source: Bloomberg

3 Source: Bloomberg

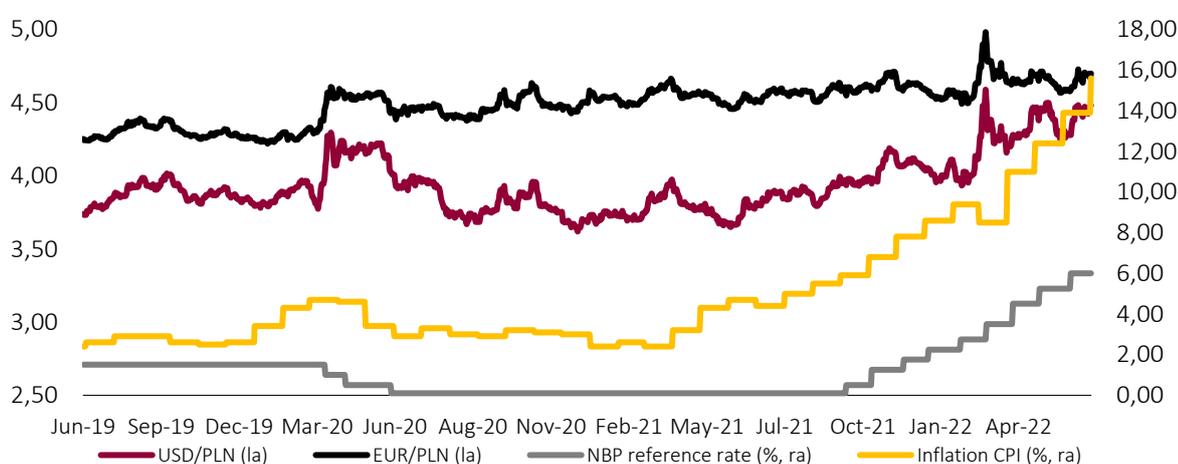
4 Source: Bloomberg

negative supply factors that also affect domestic inflation, but on the other hand, a clear reduction in external demand will be a barrier to development for domestic exporters, weakening the potential for GDP growth.

Exchange rate

In H1 2022, financial markets were dominated by high volatility. The beginning of the year was conducive to building expectations that recovery after the epidemic will persist, but the outbreak of war in Ukraine triggered new risks. The uncertainty surrounding the development of military operations and the subsequent impact of sanctions and countersanctions by Russia, especially in the context of maintaining the prices of raw materials worldwide, which in Q1 determined the behaviour of the stock, debt and foreign exchange markets, proved to be crucial. In Q2, there were also second round risk analyses and, above all, the assessment of the impact of persistent inflation and its negative effects on global economic growth. In this environment, the exchange rate of Polish zloty in the period concerned was under pressure, especially given the significant deterioration of the balance of trade. In Q1, the attempt to strengthen the national currency in line with the direction outlined in the monetary policy being tightened by the Monetary Policy Council was suddenly disrupted by the outbreak of war in Ukraine, which led to the greatest price drop in relation to the euro in history, as global capital shifted towards safe assets. In subsequent months, the calming of market sentiments contributed to a slight recovery, but over the entire first half of the year Polish zloty – despite the continued efforts to tighten the monetary policy in the country – was being weighed down by the improving position of the US dollar, change in monetary policy in the USA and the euro area, the poor prospects for the mobilisation of funds from the National Recovery Plan and the deteriorating balance of trade. As a result, the Polish zloty lost 11.1% to the US dollar and 2.4% to the Euro compared to the end of 2021, reaching the following exchange rates as at the end of the period: 4.48/USD and 4.70/EUR.⁵

EUR/PLN and USD/PLN rates against CPI and reference rate inflation



*/Source: Bloomberg

⁵ Source: Bloomberg



Banking sector

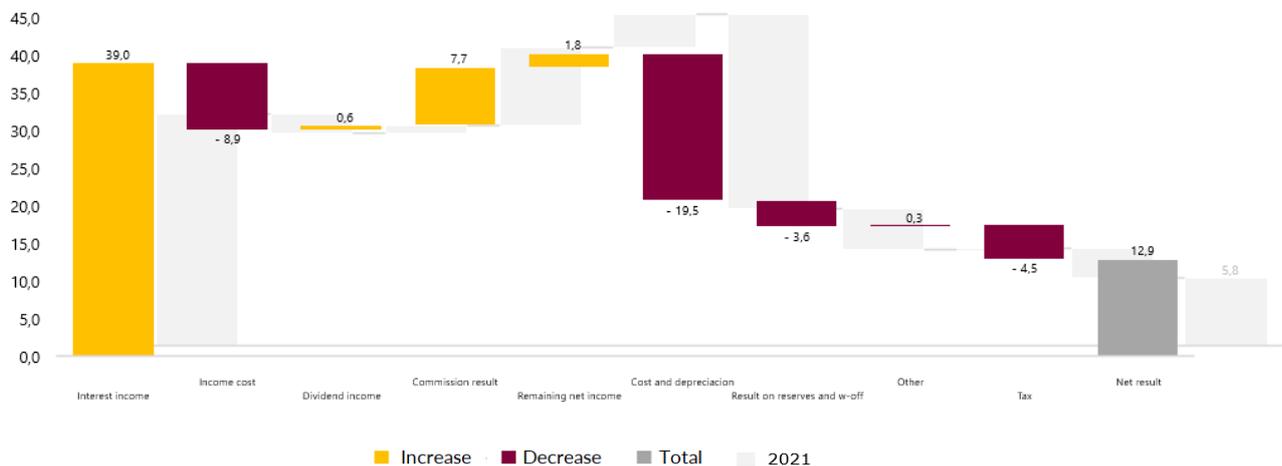
In the first half of 2022, the growing interest income improved the sector's results due to the continued cycle of interest rate raises by the Monetary Policy Council. On the other hand, the deterioration of economic prospects, including due to the armed invasion of Ukraine by Russia, growing inflation and accelerated path of tightening the monetary policy, started to have a negative impact on demand for loans, which translated into reduced acquisition, especially on the mortgage loan market. A new challenge for the sector was the announced support for borrowers

and materialisation of risks connected with credit portfolios in foreign currencies. In the first half of this year, the capital situation of the sector remained stable, although the increase of yield on State Treasury debt on financial markets had a negative impact on the valuations of bond portfolio and the level of bank capitals. The total capital ratio of the banking sector was at the level of 18.6% as at the end of March 2022, whereas the Tier 1 core capital ratio was 16.6%, i.e. lower than at the end of 2021.

Key income statement items⁶

In the period from January to May 2022, the banking sector earned a net profit of PLN 12.9 billion compared to PLN 5.8 billion in the same period of the previous year, which meant growth by PLN 7.1 billion (i.e. 121.8% y/y). During this period, the total operating revenue of the sector increased by 41.2% y/y, largely due to growth in interest revenue by 95.6% y/y. Improvement in commission income also had a positive impact. The biggest negative impact on net income (loss) was exhibited by interest expenses and the income (loss) on provisions and allowances established for increased legal risk of housing loans in foreign currencies, which were higher compared to the previous year.

Financial result of the banking sector in the period from January to May 2022 (PLN billion)



⁶Source: Monthly data for the banking sector (knf.gov.pl)

* commercial and cooperative banks

Margins improved in the period from January to May 2022. Due to higher interest rates, the interest margin continued to increase throughout the entire period and reached the level of 2.43% as at the end of May, compared to 2% as at the end of December. Profitability levels were lower than before the pandemic but grew markedly during the first half of the year. Return on equity⁷ as at the end of May 2022 amounted to 7.7%, compared to 4.1% as at the end of 2021. ROA increased from 0.36% in December 2021 to 0.62% as at the end of May 2022. The R/I ratio decreased from 19,6% in December 2021 to 16,9% as at the end of May 2022. The increase in operating revenue y/y, with the expenses maintained at a similar level, reduced the C/I ratio in the entire sector from 58.8% as at the end of 2021 to 53.6% in May 2022.

Loans and deposits⁸

Deposits from the non-financial sector remained the main source of financing for banks in H1 2022. In the first half of the year, lending improved although its scale continued to be influenced by negative effects of war in Ukraine, whereas deposits grew at a slower rate than in the previous year. As at the end of May 2022, the value of assets of the banking sector was PLN 2,651 billion and was higher by 8.9% y/y.

The growth rate of loans in the non-financial sector in the first five months of this year improved year-over-year, in part due to demand from households, but also from companies as the post-pandemic economic recovery continued. The potential for stronger growth was curtailed by the consequences of war beyond the eastern border, growing inflation and interest rate raises. In May 2022, the value of loans in the non-financial sector amounted to PLN 1,153 billion⁹, which means an increase of 7% y/y. However, the scale of growth varied between loan categories. Household loans sold poorly, especially due to the collapse of the sale of mortgage loans in the second quarter of this year. This was affected by a significant decrease in borrowers' creditworthiness and reduced demand due to declining disposable household incomes. The business loan segment performed significantly better, especially in the area of operating loans and investment loans, due to the persisting good economic situation in H1 2022.

In the first quarter of 2022, the growth rate of deposits significantly slowed down, but the effect was largely burdened by a high benchmark from last year and an increase in the demand for cash in view of uncertainty after the outbreak of the war in Ukraine. In the second quarter, the growth of the deposit base once again slightly accelerated. This was due to a significant increase in deposit interest rates resulting from the on-going cycle of interest rate increases. As at the end of May 2022, deposits of the non-financial sector amounted to PLN 1,536 billion¹⁰, which means an increase of 4.5% y/y. In the structure of deposits, corporate deposits continued to have the highest growth rate, but it was slightly slowing down. Household deposits grew at a markedly slower rate than in the previous year. Slower growth of the deposit base coupled with the reserve requirement threshold raised by the National Bank of Poland and improvement in lending meant that in the period concerned the value of the LCR ratio remained above the required minimum of 100, but was lower than as at the end of 2021. At the end of May 2022, the LCR ratio of commercial banks (excl. associating banks) was 162.5% compared to 175.5% as at the end of 2021.

⁷ ROA and ROE – the ratio of the sum of the financial result from 12 consecutive months to accordingly: average assets and average capital in the same period

⁸ Source: Monthly data for the banking sector (knf.gov.pl)

⁹ Non-financial sector receivables without impairment – portfolio B (gross carrying amount and write-offs)

¹⁰ Non-financial sector deposits (no blocked deposits)

III. Financial results of the Alior Bank Capital Group

Income statement

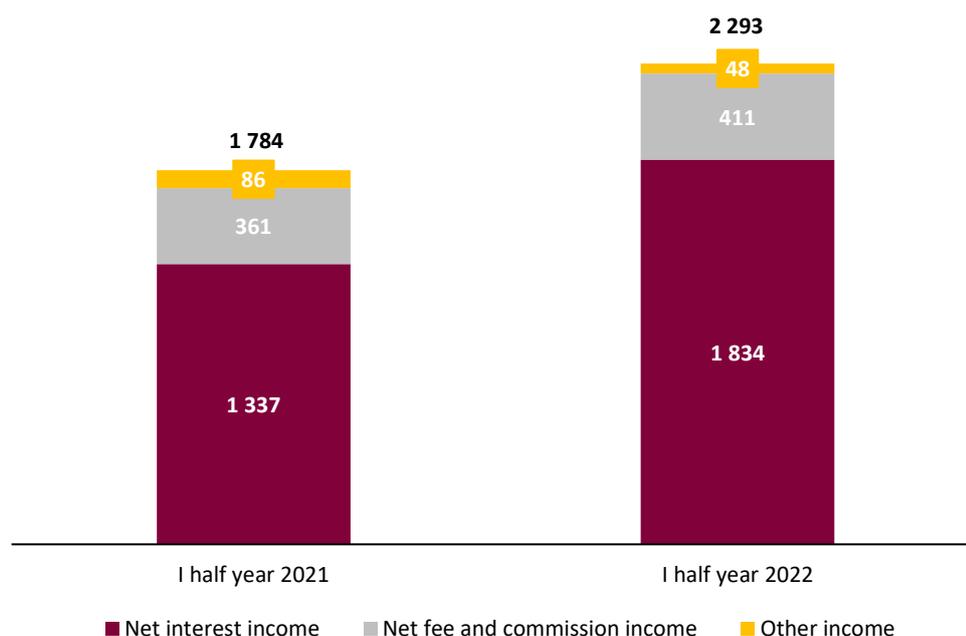
Detailed items of the income statement of Alior Bank Capital Group are presented in the table below:

	01.01.2022 - 30.06.2022 (in PLN '000)	01.01.2021 - 30.06.2021 (in PLN '000)	Change (in PLN '000)	Change (%)
Interest income calculated using the effective interest method	2 362 609	1 351 668	1 010 941	74.8%
Income of a similar nature	32 645	110 917	-78 272	-70.6%
Interest expenses	-561 142	-125 748	-435 394	346.2%
Net interest income	1 834 112	1 336 837	497 275	37.2%
Fee and commission income	803 835	661 598	142 237	21.5%
Fee and commission expense	-392 558	-300 510	-92 048	30.6%
Net fee and commission income	411 277	361 088	50 189	13.9%
Dividend income	291	277	14	5.1%
The result on financial assets measured at fair value through profit or loss and FX result	33 894	53 169	-19 275	-36.3%
The result on derecognition of financial instruments not measured at fair value through profit or loss	1 484	2 294	-810	-35.3%
measured at fair value through other comprehensive income	1 212	318	894	281.1%
measured at amortised cost	272	1 976	-1 704	-86.2%
Other operating income	61 992	77 253	-15 261	-19.8%
Other operating costs	-50 091	-46 867	-3 224	6.9%
Net other operating income and expenses	11 901	30 386	-18 485	-60.8%
General administrative expenses	-1 084 459	-797 271	-287 188	36.0%
Net expected credit losses	-438 493	-508 465	69 972	-13.8%
The result on impairment of non-financial assets	-40 223	-1 876	-38 347	2044.1%

Cost of legal risk of FX mortgage loans	-24 438	0	-24 438	-
Banking tax	-130 081	-116 269	-13 812	11.9%
Gross profit / loss	575 265	360 170	215 095	59.7%
Income tax	-189 881	-128 265	-61 616	48.0%
Net profit/loss	385 384	231 905	153 479	66.2%
Profit/loss on discontinued operations	0	0	0	-
Net profit attributable to equity holders of the parent company	385 384	231 905	153 479	66.2%
Net profit/loss attributable to non-controlling interests	0	0	0	-

The net profit of the Alior Bank Capital Group (attributable to equity holders of the parent company) for H1 2022 amounted to PLN 385.4 million and was higher than the result achieved in the same period of 2021 by PLN 153.5 million.

Total income (in PLN million) – consolidated data



Net interest income is the main component of the Alior Bank Capital Group income, responsible for 80% of total income in H1 2022. In the past six months, it grew compared to the same period of 2021 by 37.2%, to PLN 1 834 million. The dynamic growth rate was primarily the result of the continued cycle of tightening the monetary policy, which resulted in decisions of the Monetary Policy Council to raise interest rates on all six meetings held in H1 2022. In the indicated period, the reference rate of the National Bank of Poland was raised by 4.25 percentage points to 6.00%, which translated into a higher interest rate on the liabilities of customers of the Bank and interest income in H1 2022 at the level of PLN 2 363 million, which was PLN 1 011 million higher than interest income generated in the same period of 2021. As the interest rates increased, deposits

offered to customers improved and the cost of financing increased, amounting to PLN 561 million in the period concerned.

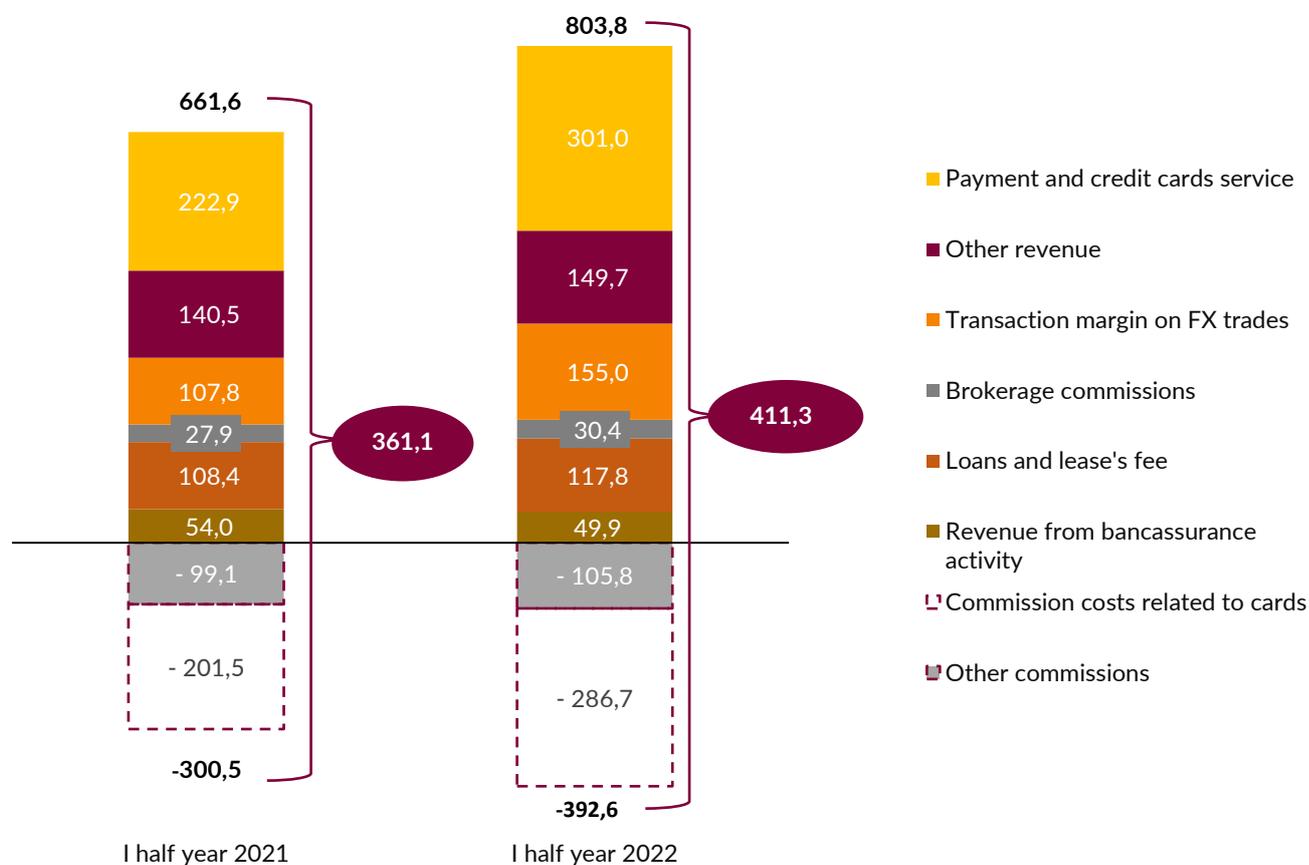
Interest rates used by the Bank, broken down by individual credit products and the average interest rate on deposits, has been presented in the table below:

	01-01-2022 - 30.06.2022 (%)	01.01.2021 - 30.06.2021 (%)
LOANS		
Retail segment		
<i>Consumer loans</i>	8.17	5.42
<i>Housing loans</i>	6.48	2.96
Business segment		
<i>Investment loans</i>	6.37	3.05
<i>Operating loans</i>	6.86	3.57
DEPOSITS		
Retail segment		
<i>Current deposits</i>	0.55	0.06
<i>Term deposits</i>	1.52	0.42
Business segment		
<i>Current deposits</i>	0.40	-
<i>Term deposits</i>	2.18	0.38

Net fee and commission income in H1 2022 grew by 13.9% compared to H1 2021, up to the level of PLN 411 million. This result was comprised of PLN 804 million in commission income (an increase compared to H1 2021 by 21.5%) and PLN 393 million in commission expenses (an increase compared to the same period of 2021 by 30.6%).

The main component of fee and commission income are commissions related to payment and credit cards, which amounted to PLN 301 million in H1 2022, up by 35.0% compared to the same period of 2021. Another significant component of net fee and commission income that recorded large growth in H1 2022 were commissions on foreign exchange (fx) transactions, which increased by 43.8% compared to H1 2021 to the level of PLN 155 million. The positive trend related to the increase in commission income on loans and leasing activities, which increased in the reporting period to PLN 117.8 million, i.e. by 8.7% compared to the same period of 2021, was also continued.

Net fee and commission income (in PLN million) – consolidated data



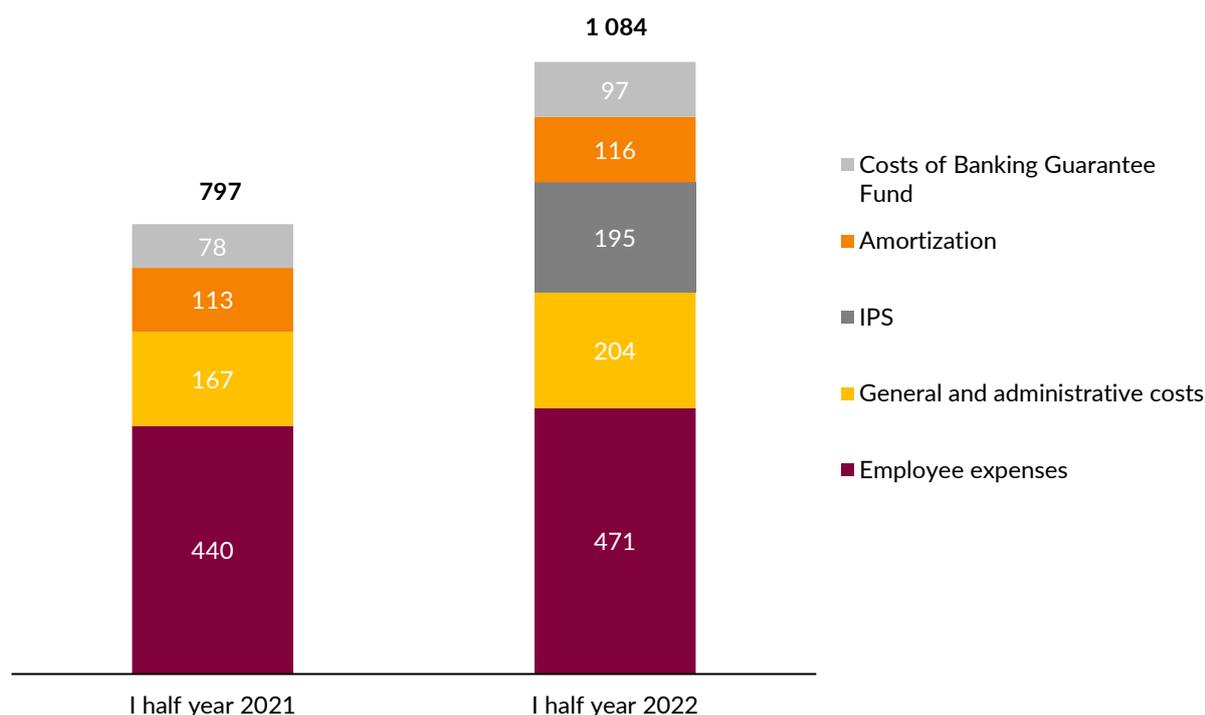
Net income on other operations of the Bank (the total of the following income statement items: dividend income, net income on instruments measured at fair value through profit or loss and net foreign exchange income, net income on de-recognition of assets and liabilities not measured at fair value through profit and loss, net gain (loss) on other operating income and expenses) amounted to PLN 47.6 million in H1 2022 compared to PLN 86.1 million in the same period of 2021. The primary reason for the deterioration of net income on other operations of the Bank in the analysed period of 2022 was lower than the net income on foreign exchange and foreign currency derivative transactions, which dropped from PLN 42.5 million in H1 2021 to PLN 18.2 million in H1 2022.

In H1 2022, operating expenses amounted to PLN 1 084 million and were higher than operating expenses borne in the same period of 2021 by PLN 287 million, i.e. by 36.0%. The contribution to the assistance fund in the amount of PLN 195 million as well as higher Bank Guarantee Fund expenses (up by PLN 19 million) had the biggest impact on the increase in expenses. Excluding the above items, expenses in H1 2022 grew by 9.2% to the level of PLN 871 million, primarily due to the growth of employee costs, higher costs related to marketing activities and IT projects, and general increase in costs due to inflation. Personnel costs in the period under analysis increased by 7.2%, from PLN 440 million to PLN 471 million. General and administrative expenses, adjusted by Bank Guarantee Fund expenses (but including taxes and levies), amounted to PLN 204 million in H1 2022 and were 22.3% higher than expenses borne in the same period of the previous year. The increase in general and administrative expenses was affected, among other factors, by higher marketing expenses (up by

PLN 15.6 million), higher rent and building maintenance expenses (up by nearly PLN 5.9 million) and higher IT expenses (up by PLN 5.2 million).

As a result of higher costs and expenses of the Bank, the Cost/Income ratio in H1 2022 was at the level of 47.3%, whereas in H1 2021 – 44.7%.

Operating expenses (in PLN million) – consolidated data



Net expected credit losses

Net expected credit losses amounted to PLN 438.5 million in H1 2022, compared to PLN 508.5 million in H1 2021, which means the improved by 13.8%. The CoR (cost of risk) ratio in the reporting period of 2022 was 1.39%. For comparison, the CoR ratio in the same period of 2021 was 1.64%.

Net expected credit losses (in PLN thous.) – consolidated data

	01.01.2022 - 30.06.2022	01.01.2021 - 30.06.2021	Change y/y (%)
Expected credit losses Stage 3	-485 892	-682 025	-28.8%
retail customer	-218 998	-303 519	-27.8%
business customer	-266 894	-378 506	-29.5%
Expected credit losses Stage 1 and 2 (ECL)	-14 336	130 152	-
Stage 2	-24 615	106 788	-

retail customer	-32 108	65 987	-
business customer	7 493	40 801	-81.6%
Stage 1	10 279	23 364	-56.0%
retail customer	8 186	27 704	-70.5%
business customer	2 093	-4 340	-
POCI	-3 128	-332	842.2%
Recoveries from off-balance sheet	56 641	45 448	24.6%
Investment securities	387	17	2 176.5%
Off-balance provisions	7 835	-1 725	-
Net expected credit losses	-438 493	-508 465	-13.8%

Net impairment charges on non-financial assets

The result from impairment of non-financial assets in H1 2022 amounted to PLN -40.2 million, including the Bank's impairment of non-current assets in the amount of approximately 31 million in connection with the reorganisation of the branch in Romania.

Balance Sheet

As at 30 June 2022, the balance sheet total of the Alior Bank Capital Group amounted to PLN 84.2 billion and was PLN 1.2 billion (1.4%) higher as compared to the end of 2021. The main items generating the increase in the balance sheet total were assets constituting a security for liabilities (which grew by PLN 2.0 billion as compared to 31 December 2021) and cash and cash equivalents, which increased by PLN 1.2 billion, i.e. by 31.3% as compared to the end of 2021.

The basic asset component is receivables from customers of the Alior Bank Capital Group (PLN 58.3 billion). Their share in the balance sheet total as at the end of H1 2022 was 69.2%, i.e. it decreased by 0.9 percentage point compared to the end of the year 2021. The second largest asset item as at 30 June 2022 were financial investment assets, which amount to PLN 12.6 billion and represent 14.9% of all assets (compared to PLN 16.1 billion and a 19.4% share in assets as at the end of 2021).

The primary source of financing of operations conducted by the Alior Bank Capital Group are funds deposited by customers in the Bank by customers. As at the end of H1 2022, amounts due to customers totalled PLN 70.7 billion, i.e., 84.0% of the Bank's consolidated balance sheet total. Amounts due to customers decreased by PLN 1.3 billion (1.8%) compared to the end of 2021. The second largest source of financing, i.e. equity, amounted to PLN 5.3 billion as at the end of H1 2022 and represented 6.3% of the balance sheet total of the Bank.

In the structure of amounts due to customers, the main item were amounts due to the retail segment, which as at the end of H1 2022 represented 70.1% of the customer deposit portfolio. Compared to the end of 2021, the said share increased by 2.02 percentage points.

The tables below present detailed items of assets, liabilities and equity as at 30 June 2022 along with comparable data.

ASSETS (in PLN thous.)	30.06.2022	31.12.2021	Change	Change
			(in PLN thous.)	(%)
Cash and cash equivalents	4 940 224	3 763 391	1 176 833	31.3%
Amounts due from banks	2 874 190	1 689 779	1 184 411	70.1%
Investment financial assets	12 571 158	16 099 658	-3 528 500	-21.9%
measured at fair value through other comprehensive income	7 488 436	9 265 445	-1 777 009	-19.2%
measured at fair value through profit or loss	585 415	382 900	202 515	52.9%
measured at amortised cost	4 497 307	6 451 313	-1 954 006	-30.3%
Derivative hedging instruments	108 134	38 810	69 324	178.6%
Loans and advances to customers	58 271 811	58 228 178	43 633	0.1%
Assets pledged as collateral	2 140 457	130 921	2 009 536	1534.9%
Property, plant and equipment	723 627	755 209	-31 582	-4.2%
Intangible assets	389 393	426 643	-37 250	-8.7%
Investments in subsidiaries and associates	0	0	0	-
Assets for sale	0	0	0	-
Income tax assets	1 523 556	1 302 329	221 227	17.0%
deferred tax income assets	26	27	-1	-3.7%
current income tax assets	1 523 530	1 302 302	221 228	17.0%
Other assets	680 908	613 454	67 454	11.0%
TOTAL ASSETS	84 223 458	83 048 372	1 175 086	1.4%

LIABILITIES AND EQUITY (in PLN thous.)	30.06.2022	31.12.2021	Change	Change
			(in PLN thous.)	(%)
Amounts due to banks	1 755 706	529 617	1 226 089	231.5%
Amounts due to customers	70 741 117	72 005 715	-1 264 598	-1.8%
Financial liabilities	448 043	188 088	259 955	138.2%
Derivative hedging instruments	2 265 278	1 081 996	1 183 282	109.4%
Provisions	265 906	290 213	-24 307	-8.4%
Other liabilities	2 139 440	1 649 540	489 900	29.7%
Income tax liabilities	127 565	36 560	91 005	248.9%
current income tax liabilities	126 675	35 671	91 004	255.1%
Deferred income tax liabilities	890	889	1	0.1%
Subordinated liabilities	1 159 386	1 347 441	-188 055	-14.0%
Total liabilities	78 902 441	77 129 170	1 773 271	2.3%
Share capital	1 305 540	1 305 540	0	0.0%
Supplementary capital	5 406 878	5 403 849	3 029	0.1%
Revaluation reserve	-1 890 036	-906 659	-983 377	108.5%
Other reserves	161 792	161 788	4	0.0%
Foreign currency translation differences	-235	-43	-192	-

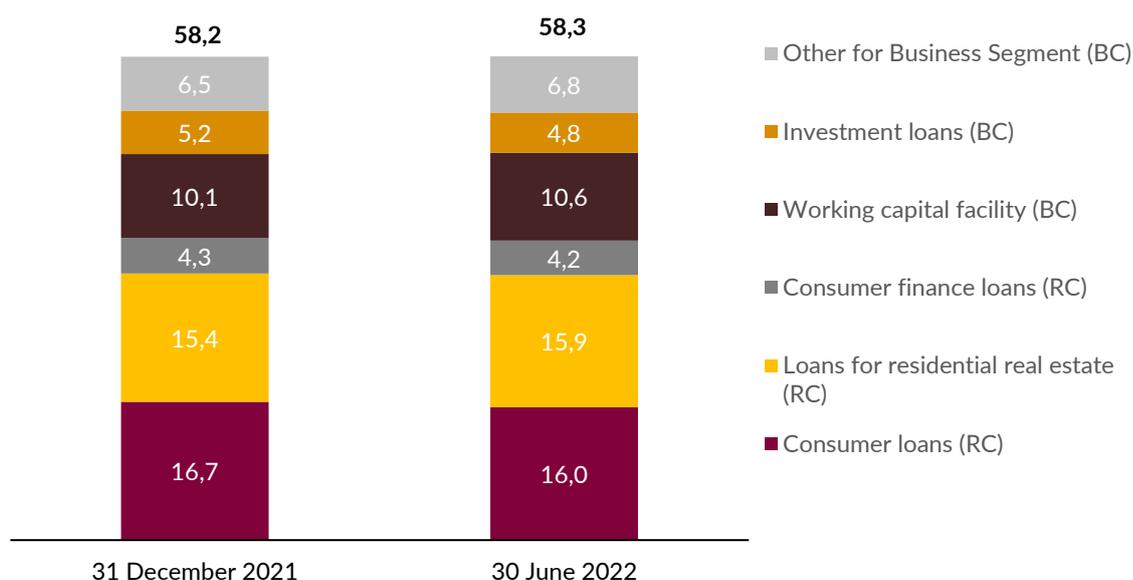
Accumulated losses	-48 306	-527 198	478 892	-90.8%
Profit for the period	385 384	481 925	-96 541	-20.0%
Equity	5 321 017	5 919 202	-598 185	-10.1%
TOTAL LIABILITIES AND EQUITY	84 223 458	83 048 372	1 175 086	1.4%

Loans granted in the retail segment (RC – Retail Customer) were consumer loans, mortgage loans (for housing purposes) and Consumer Finance. Their total net volume amounted to PLN 36.1 billion as at the end of H1 2022 (0.9 % decrease compared to the end of 2021). In Q1 2022, the balance of mortgage loans increased by +3.3% compared to the balance as at 31 December 2021), whereas consumer loans and Consumer Finance recorded decline by 4.1% and 3.1%, respectively, compared to the net volume for the year 2021. Growth in the volume of mortgage loans was possible due to the introduction by the Bank of an attractive range of credit products targeted at the residents of Warsaw and Kraków.

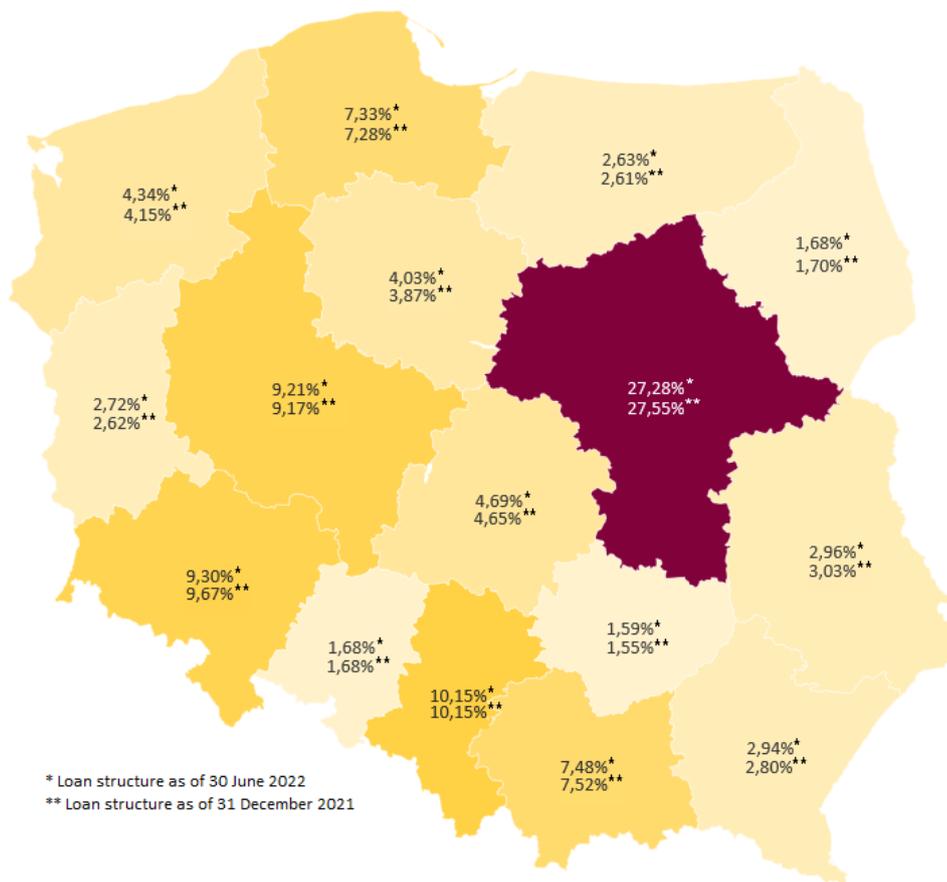
Operating loans for enterprises, which as at H1 2022 amounted to PLN 10.6 billion (increase by 4.5% since the beginning of the year), were the most important component of the corporate loan portfolio (BC – Business Customer), representing 47.6% of its value. Investment loans for business customers represented 21.8% in the structure of the portfolio of business customers as at H1 2022, which means that their share dropped by 2.1 percentage points. Other loans offered to business customers increased in terms of volume by PLN 0.3 billion, which contributed to the increase of their share to 30.6%, i.e. by 0.8 percentage points. The total value of net loans granted in the business segment amounted to PLN 22.2 billion as at the end of H1 2022 and was 1.6% higher than as at the end of 2021. Growth in the value of the credit portfolio in that segment was caused primarily by higher demand for revolving facilities among enterprises. The Bank makes the offer more attractive to business customers and facilitates service processes in order to become an increasingly better business partner for entrepreneurs.

The total net value of the Bank's credit portfolio amounted to PLN 58.3 billion as at the end of H1 2022 and grew by PLN 43.6 million compared to the end of 2021.

Receivables from customers (in PLN billion)



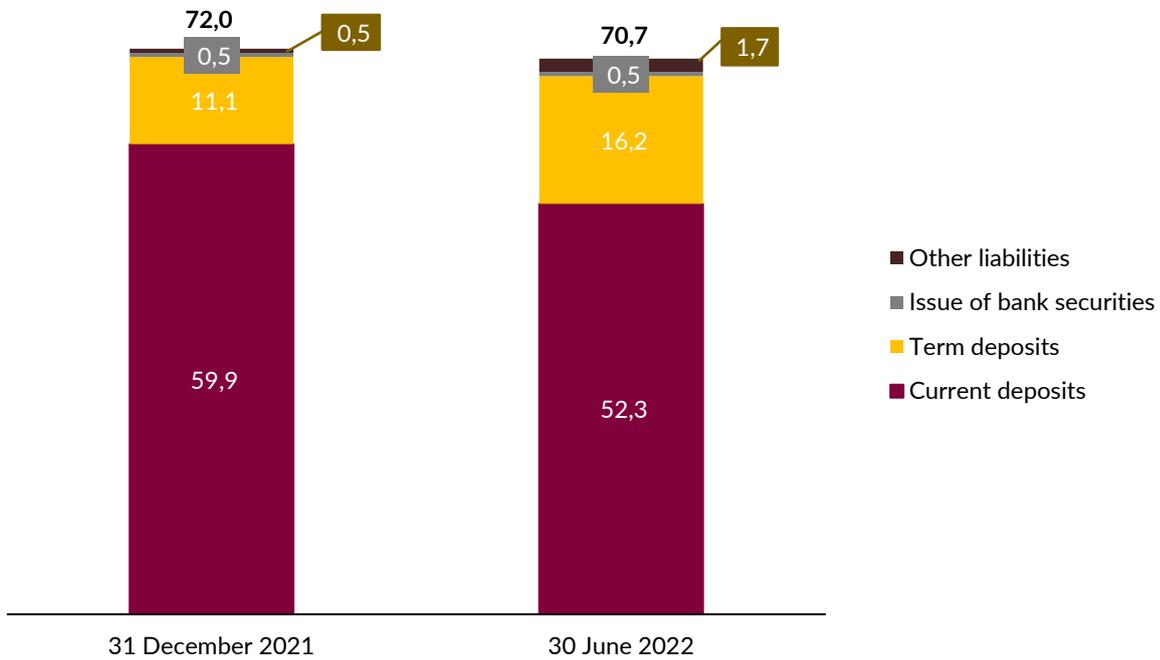
Territorial structure of receivables from customers as at 30 June 2022 and 31 December 2021



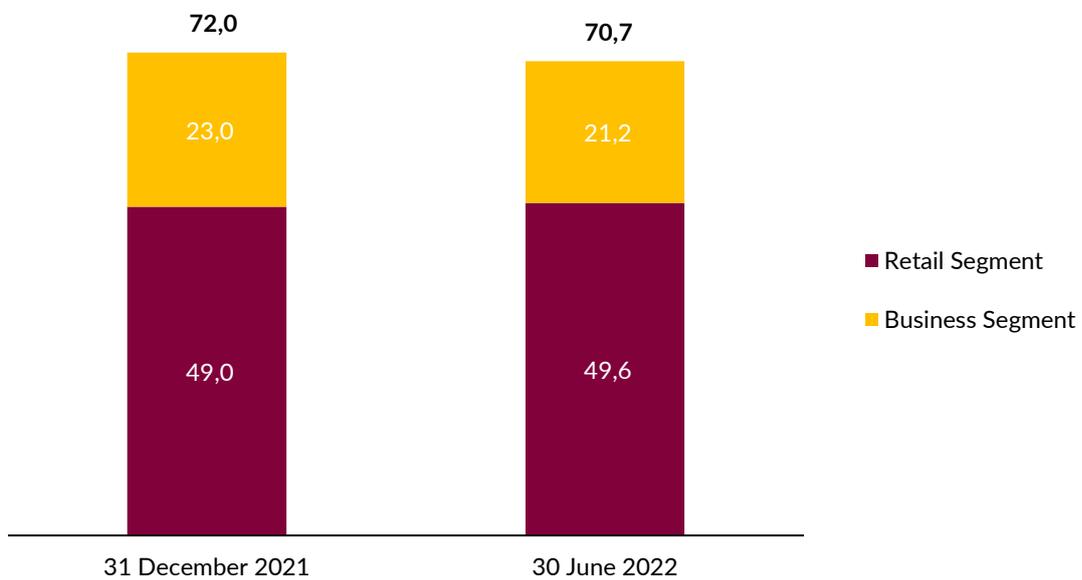
Current deposits are the main component of amounts due to customers. They accounted for 73.9% of all amounts due to customers as at the end of H1 2022 (down by 9.3 p.p. compared to the end of the year 2021). Term deposits were the second largest item of amounts due to customers and accounted for 22.9% of all amounts due to customers as at the end of June 2022 (up by 7.6 p.p. compared to the end of 2021). The remaining 3.2% of amounts due to customers constituted funds acquired as part of the issue of own banking securities and other liabilities.

As at 30 June 2022, the amount of collaterals established on borrowers' accounts and assets in Alior Bank totalled PLN 40 886 million (of which retail customers: 17 876 and business customers: 23 010).

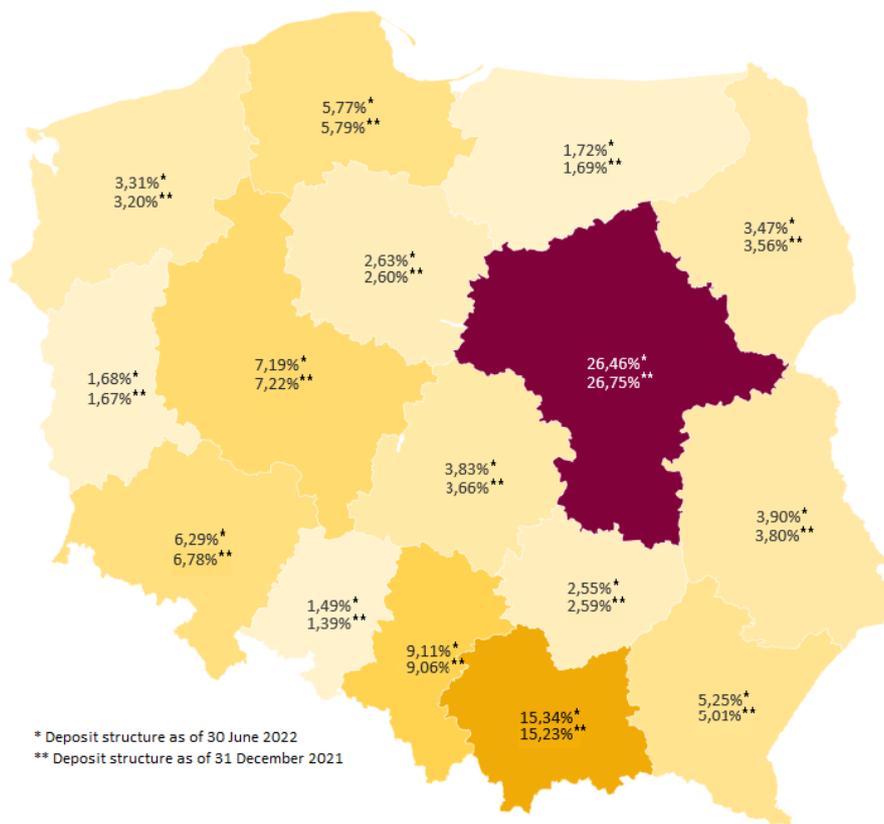
Amounts due to customers (in PLN billion)



Structure of amounts due to customers (in PLN billion) – by segments



Territorial structure of deposits as at 30 June 2022 and 31 December 2021



Contingent liabilities

In this area, the Bank presents financing and guarantee liabilities.

In the item of liabilities of a financial nature, the Bank has commitments to grant loans, which include: approved loans, credit card limits, overdraft limits, and letters of credit.

Guarantees are presented in the guarantee position, which constitute a collateral for the fulfilment of the Bank's customers' obligations towards third parties. The guarantee values reflect the maximum possible loss that would be disclosed on the balance sheet date if all customers did not satisfy their obligations.

As at 30 June 2022, Alior Bank granted 956 active guarantees for a total amount of PLN 735,647,000. As at 31 December 2021, this number amounted to 998 for a total amount of PLN 650,729,000.

The Bank makes sure that the time structure of the guarantees is appropriate. Active guarantees with less than two years to maturity (776 items) amounted to PLN 454,955,000.

The total value of off-balance-sheet contingent liabilities granted to customers as at 30 June 2022 amounted to PLN 10,528,183,000. This amount consisted of PLN 9,792,536,000 off-balance-sheet contingent liabilities related to financing and PLN 735,647,000 off-balance-sheet guarantee contingent liabilities.

The total value of off-balance-sheet contingent liabilities granted to customers as at 31 December 2021 amounted to PLN 9,945,348,000. This amount consisted of PLN 9,294,619,000 off-balance-sheet contingent liabilities related to financing and PLN 650,729,000 off-balance-sheet guarantee contingent liabilities.

Off-balance-sheet liabilities granted (in PLN '000)

Off-balance-sheet contingent liabilities granted to customers	30.06.2022	31.12.2021
Off-balance-sheet liabilities granted	10 528 183	9 945 348
Financing	9 792 536	9 294 619
Guarantee	735 647	650 729

Off-balance-sheet contingent liabilities granted to customers – guarantees – by entity (in PLN '000)

Breakdown by entity	30.06.2022	31.12.2021
Entity 1	89 303	88 322
Entity 2	79 293	67 000
Entity 3	60 000	62 038
Entity 4	56 511	39 063
Entity 5	35 993	36 526
Entity 6	34 928	35 232
Entity 7	31 513	27 608
Entity 8	26 895	15 000
Entity 9	25 299	15 000
Entity 10	15 995	14 063
Other	279 917	250 877

Off-balance-sheet contingent liabilities granted to customers – by product (in PLN '000)

Broken down by product	30.06.2022	31.12.2021
Lines of credit	9 725 038	9 169 796
Import letters of credit	31 991	7 122
Credit commitments	35 507	117 701
Guarantees	735 647	650 729
Total	10 528 183	9 945 348

Financial projections

Alior Bank did not publish any projections of financial results.



Factors that may have an impact on Alior Bank's activities in the perspective of subsequent quarters

The Bank identifies the following factors which may have an impact on the financial results in the perspective of the next 12 months:

- the scale of demand reported for banking services by customers,
- the ability of customers to repay their financial obligations on time,
- the general macroeconomic situation of the country as determined by key indicators, such as: inflation, unemployment rate, GDP growth rate,
- the Monetary Policy Council policy on interest rates,
- geopolitical events, in particular the on-going armed conflict in Ukraine,
- growth of banking services offered by non-regulated entities,
- progressing consolidation and restructuring processes in the banking sector,
- regulatory changes,
- in connection with the adopted Act of 7 July 2022 on Crowdfunding for Economic Enterprises and Aid for Borrowers (Dziennik Ustaw 2022, item 1488), mortgage borrowers gained the ability to suspend repayments of up to 8 instalments of mortgage loans over the years 2022 and 2022, i.e. use the so-called "Loan Repayment Holidays". In connection with the loss of interest revenue, the Banks established provisions for that purpose in the amount from 50% to 85% of the full impact of loan repayment holidays, depending on the assumed degree of participation. Both the actual degree of participation of eligible customers and interest rates from the day of a given loan instalment will have a significant impact on the results of both individual banks and the entire banking sector.
- the aforementioned Act also provides for raising the contribution to the Borrower Support Fund (BSF). The full impact of the above Act on the BSF will materialise in the second half of 2022.

IV. Business activities of Alior Bank

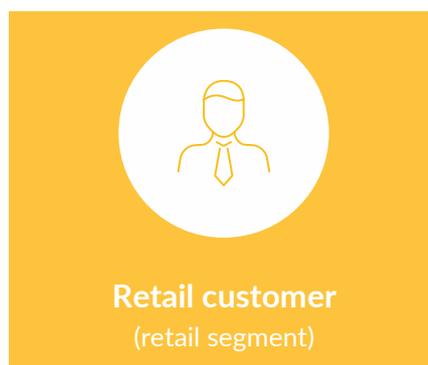


Activities pursued by Alior Bank

We are a universal credit and deposit bank providing services to natural persons and legal entities (including foreign persons and entities). Our core activities include the keeping of bank accounts, providing loans and advances, issuing bank securities and buying and selling foreign exchange. We also pursue brokerage, financial advisory and intermediation services, organise the issuance of corporate bonds, and provide other financial services.

We operate in Poland and since 2017 we have also been operating in Romania (through our branch office).

We have segmented the market as follows:



Detailed information on the Bank's business segments is presented in Interim condensed consolidated financial statements of the Alior Bank SA Capital Group for the 6-month period ended 30 June 2022 (Note No. 3).



Retail segment

General information

At the end of H1 2022, the Bank provided services to 4.1 million retail customers.

The Bank develops its range of products and communication with customers on the basis of segmentation based, *inter alia*, on the level of wealth, modernity (banking method), customer life cycle, loyalty and willingness to purchase banking products. Based on the transaction analysis and purchase baskets, the

segmentation is supplemented by customer interest criteria and the so-called “lifestyle”. They indicate values, expectations, attitudes as well as service and product needs of the customers.

Segmentation is supported by personalised content and visualisation in the field of communication, better matching of contact channels, product packages and Value-Added Services supplementing traditional functionalities of products and services offered by the Bank. In the case of Consumer Finance customers, segmentation increases the effectiveness of maintenance and sales dialogue with the customer, of which the Bank knows less than in the case of customers for whom Alior is a bank of first choice.

Cash loans

Our main product for retail customers, which is being perfected on a continuous basis, is available in all distribution channels. Cash loans may be spent for any purpose or for the repayment of financial liabilities (consolidation loan).

In 2022, in connection with the changing interest rates, we have adjusted and changed the loan price offer several times. Due to the increased interest in the offer with a fixed interest rate showed by customers, we have increased the number of available offers that guarantee a fixed instalment for customers. As of March 2022, customer can choose the “Fixed Consolidation” offer, which has proven to be very popular.

We are continuing to offer the “*Pożyczka z Mikrokosztami*” [Loan with Micro-costs], which offers an attractive price and has been positively received by customers. In addition, this offer was also presented as “*Pożyczka z Gwarancją*” [Loan with a Guarantee] in the multi-channel marketing campaign.

As of March 2022, we are regularly providing access to a new, special offer called “Weekend promotions”, dedicated for customers using online and mobile banking. The said offer responds to the needs of customers looking for a loan with a 0% commission. With customers using electronic channels in mind, we also provided access to the “Resignation” offer for those who did not complete the loan application process.

We are continuing the “Clean Air” cash loan offer (implemented in 2021), linked to the subsidy under the “Clear Air” programme managed by the National Fund for Environmental Protection and Water Management. (It may be allocated for the replacement of old and ineffective heat sources, central heating and hot water installations, ventilation, photovoltaics, and thermal insulation works in the building).

As part of cooperation with the Credit Information Bureau, in February and March 2022 we the second edition of the “CIB Alerts in Alior Bank” promotions available in physical channels. This has enabled customers to have access to detailed information about their loans and liabilities and on any fraud attempts using their data.

Our actions (similarly as in 2021) were assessed positively by market experts who in June 2022 gave us the second award for the best range of cash loans in the 13th edition of the prestigious “Golden Banker” competition. The award was granted after an analysis of both price parameters and product functionalities, taking into account various customer profiles.

POŻYCZKA Z GWARANCJĄ

**RATA STAŁA
JAK SKAŁA**

NAWET PRZEZ 5 lat

- 7 zł – średni miesięczny koszt za każdy pożyczony 1000 zł
- Okres pożyczki od 3 do 5 lat.

www.aliorbank.pl **RRSO 16,11%**

Rzeczywista Roczna Stopa Oprocentowania (RRSO) Pożyczki z Mikrokosztami VII wynosi 16,11%; całkowita kwota pożyczki (bez kredytowanych kosztów): 18 300 zł; całkowita kwota do zapłaty: 25 435,60 zł; oprocentowanie stałe: 8,69%; całkowity koszt pożyczki: 7135,60 zł, w tym prowizja: 2616,90 zł (14,3%), odsetki: 4518,70 zł; 55 miesięcznych rat, w tym 54 równe raty w wysokości 462,47 zł, ostatnia rata: 462,22 zł. Kalkulacja została dokonana na 21.03.2022 r. na reprezentatywnym przykładzie.

Maksymalna kwota pożyczki wraz z kredytowanymi kosztami wynosi 70 000 zł. Dodatkowe warunki kredytowania zależą od zdolności kredytowej klienta, kwoty pożyczki, daty wypłaty pożyczki oraz daty płatności pierwszej raty. Szczegóły oferty oraz Taryfa opłat i prowizji dla Klientów indywidualnych w placówkach Alior Banku SA i na www.aliorbank.pl.



Credit cards

In 2022, we are continuing to promote the following credit cards: MasterCard OK! and *TU i TAM* [HERE and THERE]. Their main benefit continues to be moneyback:

- for Mastercard OK! – domestic (available in selected shopping and service points),
- for *TU i TAM* – accrued for transactions in a currency other than PLN (for online transactions or transactions executed abroad).

In addition, the Mastercard *TU i TAM* card provides access to favourable currency exchange terms, i.e. settlement in more than 150 currencies without currency exchange costs incurred by the Bank.

Private Banking customers are offered the World Elite card. It is coupled with a concierge services package (the assistance of a specialised helpline), travel insurance and a Priority Pass – ability to use airport lounge services. Credit cards offer an interest-free period of up to 59 days in the case of card payments, transfers from the card account and timely repayment of the entire debt. In addition, one of the options is the ability to spread debt or a transfer from the card account into instalments with a guarantee that the instalments will have a fixed amount. We also promote contactless payments by credit card, phone or smartwatch using Apple Pay, Google Pay™, Garmin Pay, Fitbit Pay™ or SwatchPAY!.

Credit cards also provide access to discounts and promotional offers available under the “Mastercard® Priceless® Specials” loyalty programme. Furthermore, customers were able to take advantage of promotional offers and gain 8000 points. We are the first bank in Europe that offers access to the “Mastercard® Priceless® Specials” programme integrated with the banking application. This means that the customer can manage their credit card and their loyalty programme account from the banking app.

In cooperation with Mastercard, we are continuing to communicate the category of #EKO rewards under the Mastercard® Priceless® Specials programme. This category makes it even easier to protect the environment and healthy lifestyle.

Another “green” offer are credit card benefits, including “Refund for eco-purchases made with a Credit Card”.

Apart from standard processes in credit card sales channels, we also offer a credit card with an immediate transfer broken down into instalments as one of the available options. As regards E2E card sale processes in digital channels, we are continuing to improve the campaign consisting in the sale of cards in Alior Online and Mobile (additional promotion “extra PLN 150 with a credit card a single click away” for a personalised offer) and the sale of instalment plans for the credit card portfolio. We are activating customers and building product awareness.

The Mastercard OK! credit card was distinguished and awarded 2nd place in the “Golden Banker” competition organised by Puls Biznesu magazine and the *bankier.pl* website, in the credit card product category.

Overdraft facilities



They are a type of loan that is closely connected with a personal account. Overdraft facility offers the ability to borrow against a debit on the account. Debt can be incurred multiple times up to the authorised overdraft limit and each payment credited to the account reduces or clears the debt.

We offer overdraft facilities for an amount from PLN 500 up to PLN 150,000 (without any additional security).

When promoting *Konto Jakże Osobiste* [Highly Personal Account], we offer customers to activate benefits assigned to that account (10 days without interest for limits up to PLN 1,000). Additionally, individuals opening such an account are offered a limit of up to PLN 1,000 without a commission for its activation.

In 2022, we are continuing to develop the sale of overdraft facility in electronic and mobile banking, where customers receive personalised offers at an attractive price of PLN 0 for activating the facility.

Mortgage loans

In H1 2022, the Bank continued its existing policy in the segment of financing real estate for retail customers.

Mortgage housing loans in PLN constitute a dominant position in the range of products offered by the Bank, with that range being supplemented by loans indexed in EUR, available to customers generating income in foreign currencies. At the beginning of the year, the Bank removed USD indexed loans from the range of offered products.

The activities undertaken in the first two quarters of this year focused on increasing access to mortgage loans in PLN and improving systemic solutions.

The Bank made the offer more attractive for customers of major Polish cities, i.e. Warsaw and Kraków, by consistently continuing its policy aimed at increasing its share in the largest markets. As part of the "*Własne M w Stolicy i Okolicy*" [Own Apartment in the Capitol and Surrounding Areas] and "*Własne M w Krakowie i Okolicy*" [Own Apartment in Kraków and Surrounding Areas], customers planning to purchase an apartment or a house will be able to take a mortgage loan on promotional terms.

In addition, the Bank has introduced very attractive terms and conditions for refinancing mortgage loans from other banks. It also extended the loan repayment period to 35 years.

Despite the difficult situation on the real estate financing market in H1 2022, caused by the outbreak of war in Ukraine which resulted in a number of negative consequences for housing construction and by subsequent decisions of the Monetary Policy Council to raise interest rates of the National Bank of Poland, during the first 6 months of the year, the Bank gradually increased its share in the new sales market, reaching 5.1% in June 2022.

Term deposits

The increase in interest rates allowed to increase profitability and the portfolio of term deposits for retail customers. The Bank offered customers more attractive deposit interest rates, primarily as part of deposits for new funds, which resulted in an increase in the volume of funds acquired. Apart from the range of deposits for

new funds, which proved to be the most popular among customers, the Bank also offers standard and promotional deposits in PLN as well as foreign currency deposits, with a fixed interest rate depending on the deposit period. Customers can open a deposit through a selected distribution channel, including via Alior Online online banking and the Alior Mobile mobile app. The Bank makes particular effort to promote the opening of term deposits in the mobile app. The range of products offered by the Bank also included Nestor Deposit option dedicated for the so-called silver generation segment.

Savings accounts

As in the case of term deposits, higher interest rates made it possible to make the range of savings deposits for retail customers more attractive. The Bank continues its cyclical editions of the Konto Mega Oszczędnościowe [Mega Savings Account] promotion popular among customers, which enables customers depositing new deposit funds to take advantage of a promotional interest rate.

The range of products offered by the Bank also includes a savings account with a higher interest rate dedicated for customers who open *Konto Jakże Osobiste* [Highly Personal Account] and choose this feature as one of the benefits.

The range of savings accounts is additionally supplemented by:

- the “Bonus dla Młodych” [Bonus for Youth] option intended exclusively for minors who are at least 13 years old, but under 18 years old,
- the “Rodzina 500+” [500+ Family] option, which is dedicated to customers who have successfully applied for a child benefit (500+ Family Application) via Alior Online internet banking, or a transfer of this benefit has been credited on their personal account in Alior Bank.

Savings account holders under both of the above-mentioned offers can count on a preferential interest rate on funds, subject to the amount of the account balance and the duration of the promotion.



Current and savings accounts

In H1 2022, the Bank developed new services available as part of the offered range of current and savings accounts. In February 2022, a new process for opening Konto Jakże Osobiste [Highly Personal Account] for young people was introduced. Parents of children aged 13-18 can open an account for their children in the mobile application and online banking. There are two ways to confirm identity: the videoselfie process and identity confirmation by a courier.

In March and April 2022, in connection with the outbreak of war in Ukraine and Ukrainians who made their way to Poland, the Bank introduced a number of improvements for Ukrainian nationals. The Ukrainian nationals who opened an account were exempted from a fee for the account and a card for that account for a period of 12 months. For a period of one year, the Bank will also reimburse these customers for domestic transfers and transfers to Ukraine.

The Bank’s helpline, online banking and mobile app are available in the Ukrainian language. In order to make it easier for refugees to open an account, product documentation, including agreements and regulations, is also available in Ukrainian, Russian and English.

The range of current and savings accounts includes the flagship *Konto Jakże Osobiste* account with a package of 11 benefits, the *Konto Elitarne* [Elite Account] account dedicated for the Private Banking segment, the "*Konto Internetowe*" [Online Account] account, the "*Podstawowy Rachunek Płatniczy*" [Primary Payment Account] account and "*Konta Walutowe*" [Currency Accounts] kept in four primary currencies: USD, EUR, CHF, GBP. Currency accounts holders can also use the multi-currency service which enables them to link their currency accounts kept in USD, EUR, GBP to their debit card issued for the Highly Personal Account or the Elite Account.



Transaction services

We offer a wide range of transaction services. In the Alior Online mobile app, we offer innovative mobile payment methods (BLIK, Android Pay and Apple Pay), and smartwatch payments (Fitbit Pay, Garmin Pay, Swatch PAY!). As one of the first banks in Poland, we implemented BLIK contactless payments that may be used worldwide at terminals that support Mastercard contactless payments.

Foreign exchange transactions

Available at our outlets, through online banking (PLN, EUR, USD, GBP, CHF), as part of currency conversion related to international transfers and card transactions abroad, as well as via Autodealing – a dedicated transaction platform.

In addition, customers have access to the *Kantor Walutowy* (Currency Exchange) online platform on a 24/7 basis. Currency accounts are free and the platform offers the exchange of as many as 22 currencies.

We offered retail customers a free multi-currency card that supports physical and online payments in nearly 160 currencies (without additional conversion costs). Foreign currency account holders and those who have entered into a treasury master agreement may exchange currency with a dedicated Currency Dealer at the Treasury Department.

Customers with a debit card as part of the Highly Personal Account were offered a multi-currency service which enables them to link their currency accounts (kept in USD, EUR, GBP) to their debit card and the ability to make card payments (without any additional conversion costs).

Bancassurance products

In H1 2022, insurance linked to loans and mortgage loans played a dominant role in the bancassurance area. These included payment protection insurance (PPI) offered with a loan or mortgage loan as well as loss of income insurance, which was available to cash loan borrowers.

As regards insurance investment products, in January 2022, in cooperation with Powszechny Zakład Ubezpieczeń na Życie SA, we implemented a new product offered by the Bank – Personal Life Insurance with Unit-linked Insurance Funds "Multi Kapitał II" [Multi-Capital II], under which customers can enter into a personal life



insurance contract and have access to over a hundred unit-linked insurance funds offering various investment strategies, geographical region of investment, profit potential and investment risk levels.

As regards stand-alone insurance, we are developing the sale of products in digital channels. They include motor insurance and travel insurance, which customers can purchase in online and mobile banking, and home insurance available by means of a dedicated form.

In H1 2022, the Bank also offered group insurance as an extra benefit accompanying banking products. These also included assistance and travel insurance as part of the *Konto Jakże Osobiste* account, travel insurance added to World Elite credit and debit cards, as well as group and assistance insurance for hire-purchase loans.

The Bank continues to pursue its strategy based on offering primarily insurance under what is called an individual model, whereby it stands as insurance intermediary and receives compensation for that. The group model, under which the Bank stands as the policyholder, is used for free products for the customer as supplementation of the parameters to improve the parameters of the respective banking product.

Structured products

In H1 2022, under the 1st Issue Programme, we held subscriptions for 3 series of Banking Securities with a total nominal value of PLN 104.7 million and we organised 4 subscriptions for structured products of external issuers with a total nominal value of PLN 136.1 million. Structured products were offered to retail customers meeting the criteria of the target group, including Private Banking customers, and to corporate customers as part of a public offering. The issues of were characterised by 100% protection of the principal amount on the maturity date.

For Private Banking customers, we organised 8 subscriptions for structured products with a limited guarantee on the principal amount and/or conditional early redemption. We also offered 6 subscriptions for Auto Call investment certificates and 2 subscriptions for Reverse Convertible certificates convertible into shares. The total nominal value of all subscriptions for structured certificates amounted to PLN 131.1 million.

In H1 2022, we completed 9 issues of Banking Securities (of which the best ones achieved a result of 12%), 5 Auto Call certificates (where the highest rate of return on investment was 24%) and 2 Reverse Convertible certificates (with the best coupon payment at 5%).



Consumer Finance

In H1 2022, sales in the area of Consumer Finance recorded growth despite the regulatory changes concerning RES that come into effect as of Q2 2022. RES forms part of the market that represents a major source of lending activity. At the same time, measures were taken to strengthen cooperation with existing partners and to acquire new trading parties.

Projects intended to optimise the online channel, which in connection with the pandemic continues to be used more and more frequently by customers to make purchases using instalment plans. In order to meet market expectations, we have implemented, among other solutions, a fast path to verify identity and sign an agreement with a text message code for customers who meet the criteria of Alior Bank. The said path was very positively received by customers and our partners. We are also continuing to work on optimising sales applications in order to meet the expectations of an evolving market and the needs of our partners. We have also utilised the effect of synergy with PZU by implementing a solution as of 21 April 2022 that allows us to collect consent from customers, enabling us to offer investment and insurance services of the PZU group to our customers who expressed the required consents.



Private Banking

The Private Banking programme is aimed at the most affluent retail customers who are willing to entrust the Bank with assets in excess of PLN 1 million. We provide services to Private Banking customers in 7 specialised branch offices located in Katowice, Poznań, Kraków, Gdańsk, Wrocław and Warsaw.

At the end of June 2022, the number of Private Banking customers amounted to nearly 6 thousand. Customers are offered an open architecture of investment products and a wide range of credit solutions customised to fit their particular situation and needs.

The flagship product intended for this segment is the Elite Account, which is maintained free of charge for customers holding assets with a value in excess of PLN 1 million. The account provides access to a number of benefits, such as individual assistance from a Private Banking banker, confidentiality of account balances, or a prestigious MasterCard World Elite debit card offered without any additional fees, with a rich package of additional services (e.g. travel insurance with coverage extended to include COVID-19). The Elite Account holders can also participate in special cultural and sports events available exclusively to that customer group.



Brokerage activity

The Bank conducts brokerage activities through the Alior Bank Brokerage House – a separate organisational unit. Brokerage services are offered through the branch offices of the Bank and via remote distribution channels: Brokerage House helpline, Alior Online online banking system, *Alior Gietda* [Alior Stock Exchange] mobile app and the Alior 4 Trader transaction platform.

At the end of June 2022, the Brokerage House kept more than 88 thous. brokerage accounts and 7 thous. Alior Trader accounts. The value of shares and rights to shares registered on customers' brokerage accounts as at 30 June 2022 amounted to PLN 4.3 billion. The share of Alior Bank Brokerage House in the trading on the Warsaw Stock Exchange (Stocks and PDA) amounted to 1.18% in the first half of 2022.

In H1 2022, the Brokerage House continued to promote mobile investment channels among its customers. As regards brokerage accounts, on average 40% of stock exchange orders were placed via the Alior Giełda mobile application. In the case of Alior Trader accounts, more than 24% of the transactions were executed via the Alior 4 Trader Mobile app.

The Individual Investment Advice service, which we have been providing against payment as of 2020, continues to be highly popular, especially among customers from the Private Banking segment. Customers appreciate the highest quality of the service provided, which is why as at the end of H1 2022 more than PLN 1 billion in assets was covered by individual investment advice.

Services offered by the Alior Bank Brokerage House also include units of Polish and foreign investment funds. As at 30 June 2022, Alior Bank collaborated with thirteen Polish and foreign investment fund companies. In H1 2022, we intermediated in the purchase and conversion of units of open-end investment funds for the total amount of PLN 0.8 billion. For non-public closed-end investment funds, the Brokerage House only provided aftersale services. Total assets accumulated in open-end investment funds through Alior Bank amounted to PLN 1.98 billion as at the end of June 2022, whereas in non-public closed-end investment funds – PLN 0.12 billion.

For yet another year in a row, the Alior Bank Brokerage House placed great focus on technological development of offered investment solutions. At the beginning of the year, customers gained access to the new version of the Alior Giełda application (expanded by the calendar of market events, among other solutions), whereas from June 2022 brokerage account holders are able to use the long-awaited foreign markets service. The said services give access to 10 foreign stock exchanges (8 European: in London, Frankfurt, Paris, Amsterdam, Brussels, Milan, Madrid, Lisbon, and 2 American: New York Stock Exchange i Nasdaq) and free stock quotes from the CBOE stock exchange. The range of offered services included automatic transfers from foreign currency accounts and the Currency Exchange of Alior Bank. The service is fully integrated with Alior Online electronic banking as well as Alior Giełda, Pulpit Inwestora and Notowania Online 3 (NOL 3) applications.

On 25 February 2022, the Polish Financial Supervision Authority issued a decision ordering the transfer of financial instruments, funds and documents related to the maintenance of accounts referred to in Article 69.4 (1) of the Act on Trading in Financial Instruments from Copernicus Securities SA to the Brokerage House of Alior Bank SA (to the extent of funds and financial instruments held or registered on securities accounts, including in regard to the Issue Sponsor register only financial instruments admitted to organised trading).

In H1 2022, the Brokerage House also carried out a number of communication, marketing and educational activities. In April, we began publishing new episodes from the educational cycle titled "How to analyse companies listed on the stock exchange", prepared in cooperation with the FXMAG website, on the YouTube channel of Alior Bank. As of Q2 2022, Alior Bank also invites its customers, primarily from the Private Banking segment, to attend monthly webinars titled "Through the Expert's Eyes", where speakers are Brokerage House employees, among others. In May, we were also a strategic partner of the "How to invest on the stock exchange" conference organised by Stockbroker.pl. In April, we made a new tab available on the Brokerage House website, focused on the Investment Survey topic, so that customers can better understand the nature of their investment profile and related consequences.

Investment funds

We distribute the units of 13 Investment Fund Companies, both domestic and foreign. We provide full access to a wide range of more than 500 funds to retail customers via Alior Online and in Private Banking Branches.

Our rich offer includes, but is not limited to, funds oriented towards investments in specific asset groups (e.g. debt securities, shares) as well as regions of the world (e.g. emerging markets, Asia, USA) or oriented towards activities related to specific industries (e.g. energy, medicine, biotechnology). **We place great emphasis on socially responsible funds that invest in accordance with the ESG (Environmental, Social, Governance) principles. These funds comply with Articles 8 or 9 of the SFDR (Sustainable Finance Disclosure Regulation). We offer more than 50 funds that meet the “green” criteria laid down in the SFDR.**

The other branches of the Bank enable the customers to purchase the units of funds offered by entities from the Group, namely Alior TFI and PZU TFI. The ALIOR SFIO fund has 8 separate sub-funds – ALIOR Oszczędnościowy [Savings], ALIOR Ostrożny [Prudent], ALIOR Obligacji [Bonds], ALIOR Spokojny dla Ciebie [Easy for You], ALIOR Stabilny na Przyszłość [Stable for Future], ALIOR Zrównoważony [Balanced], ALIOR Akcji [Shares] and ALIOR Globalny Nowych Technologii [Global New Technologies]. As regards PZU TFI, Customers of the Bank can purchase units of 15 sub-funds of FIO Parasolowy [Umbrella OIF]: PZU Obligacji Krótkoterminowych [Short-term Bonds], PZU SEJF+, PZU Papierów Dłużnych POLONEZ , PZU Dłużny Aktywny, PZU Globalny Obligacji Korporacyjnych, PZU Dłużny Rynków Wschodzących, PZU Stabilnego Wzrostu MAZUREK, PZU Zrównoważony, PZU Akcji KRAKOWIAK, PZU Akcji Małych i Średnich Spółek, PZU Aktywny Globalny, PZU Medyczny, PZU Akcji Polskich, PZU Akcji Rynków Rozwiniętych, PZU Akcji Rynków Wschodzących.

Each of the sub-funds pursues a different investment policy and allows for exposure to different classes of assets – depending on the knowledge, expectations and needs of a given investor, it may invest, through a given sub-fund, in shares, bonds and participation units in other investment funds. Thus, we offer products intended for a wide range of recipients, in accordance with their investment profile.

The Alior Bank Brokerage House also intermediates in the conclusion of agreements between customers and Alior TFI, insofar as they concern opening Individual Retirement Pension Accounts (IKE) and Individual Retirement Pension Security Accounts (IKZE) by Alior TFI.

Branch of Alior Bank in Romania

In H1 2022, Alior Bank continued to conduct business activity in Romania, preparing for rebranding resulting from the fact that the agreement concluded with the strategic partner – Telecom Romania Mobile Communications S.A. – will expire on 17 October 2022.

The branch will continue its activities under the brand Alior Bank. As part of the work on optimising the business model for the Branch in Romania, the Bank intends to place greater emphasis on the development of remote channels and remote customer service.

On 30 June 2022, the Romanian Branch employed 180 individuals on a full-time basis.

In parallel with work on rebranding, the Branch implements a regulatory project related to the upgrade of the national ReGIS (SORBNET) settlement system. Work is underway to implement infrastructure and systemic changes related to the need to adapt the settlement process to ISO20022 standards, which are also required by SWIFT.

Bancovo

The first half of 2022 represents another period of growth recorded by Bancovo. In the middle of 2022, the platform already had 500 thousand unique users (which represents growth by nearly 50 thousand users compared to the end of 2021). The first half of 2022 was marked by two events from the macroeconomic environment that had an impact on the business activity of all entities, i.e. the war in Ukraine and interest rate increases.



The sale of loans varied by customer segment. In the first half of 2022, growth was observed primarily in the loan company segment, as banks exhibited a much more restrictive approach to the assessment of creditworthiness due to a significant increase of interest rates. This resulted in the share of both segments levelling out: currently both banks and loan companies each have approx. 50% share Bancovo sales (whereas in 2021 the share of banks amounted to nearly 70%).

Bancovo intensifies synergies resulting from its merger with Serwis Ubezpieczeniowy, which took place in July 2021. In H1 2022, these activities were focused primarily on the development of insurance sales through Bancovo consultants – revenue from this segment grew by 123% (6 months of 2022 compared to the last 6 months of 2021).

The platform continues to use modern technology (cloud, robots, machine learning), advanced engineering of sales processes, and unique knowledge of online customer behaviour (based on UX tested in practice). In the first half of 2022, the internal software house of Bancovo completed the development of another digitised platform for the sale of financial products for internal purposes of the Capital Group, with further technological solutions to be implemented in the second half of 2022.

Business segment



As regards customer service provided to business customers, we bet on long-term relations, an effective credit process and advanced technological solutions. We focus on the most profitable business that have a positive impact on the risk profile and enable us to build the Bank's profitability in a safe and stable way. Based on short-term macroeconomic forecasts and analyses of long-term economic trends, we identify sectors of the economy with high revenue potential and create a list of preferred sectors.

SME and corporate segments in numbers

As at the end of June 2022, we provided services to 18 thousand small and medium-sized enterprises with a total credit balance of PLN 5.9 billion and nearly 2 thousand corporations with a total credit balance of PLN 6.6 billion.

In H1 2022 :

- assets in the portfolio of SMEs and corporations grew by 1.6%,
- assets in regular service grew by 5%, whereas the NPL ratio decreased by 3.5 percentage points.

Micro-enterprise segment in numbers

As at the end of June 2022, the provided services to more than 206 thousand micro-enterprises with a total credit balance of PLN 5.8 billion.

In H1 2022:

- the value of impaired assets decreased by 17%,
- the value of new overdraft facilities amounted to PLN 686 million.

BANK FOR LARGE BUSINESS

Structured financing

Alior Bank offers a wide range of transactions financing investment projects in the form of Project Finance, commercial real estate projects, leveraged transactions and investment financing. They are concluded with business customers, both in the form of bilateral agreements and syndicated loans. Transactions are structured taking into account the individual needs of the customer, business conditions, creditworthiness and specific nature of the relevant transaction. In H1 2022, we have individually structured and financed new real estate development projects, warehouse projects and projects for production and service companies, implemented in various regions of the country.

We build long-term relations with corporations based on the competencies of advisors from a wide network of corporate banking centres. In H1 2022, we financed many projects of our customers. The largest transactions were executed with the following companies: Cordia Polska, NDI Development Villana Sp z o.o. which forms part of the Okam Capital Group, Excon SA, Jania Construction, Lokum Developer SA, Budlex, Toscom, Tree Development Group, Modena Group, Carefleet, EFL Finance.



Preferred sectors

The strategy of Alior Bank assumes a safe growth of its lending activity in a way that ensures high revenue potential, while at the same time minimises risk costs. The Bank identifies special sectors of the economy, creating a list of the so-called preferred sectors.

In the first half of 2022, the sale of overdraft facility to preferred sectors, in the segment of small, medium-sized and large enterprises, accounted for nearly 22% of all loans sold to companies in these segments (+8 pp. vs. H1 2021). The dynamic growth rate of sales contributed to the improvement of portfolio quality. In H1 2022, the average rating of newly acquired customers from preferred sectors was better than in 2021.

In implementing the current strategy of building sector-focused competencies, we are systematically developing industry knowledge and sharing it with entrepreneurs. We have launched a series of meetings with current and potential customers from the SME and large companies segment, during which Alior Bank's experts present important topics related to the current and future macroeconomic and industry situation as well as financial market forecasts. Meetings are highly popular among entrepreneurs and allow to exchange opinions and strengthen relations.

Trade financing

The first half of 2022 was a record period in term of new factoring sales. The volume of new sales increased threefold compared to H1 2021. The number of active factoring agreements increased by almost 40% y/y.

We are optimising the handling of letters of credit and collection on a continuous basis. Additionally, we cooperate with KUKE S.A. and BGK to confirm and discount letters of credit.

Leasing



Special pre-approved offer for select business customers makes it possible to receive a leasing limit on simplified terms. Entrepreneurs may finance both vehicles and other fixed assets without having to submit any financial documents.

As part of the range of products offered by Alior Leasing, business customers of Alior Bank can use the most popular forms of financing fixed assets, primarily motor vehicles, delivery vehicles and trucks. With products such as: operating lease, financial lease and lease loan, businesses gain

easy and quick access to financing for various types of plant and machinery, including photovoltaic technology.

Technology – process automation and remote service

BusinessPro online banking system enables intuitive and secure operation of company accounts, transactional banking products, trade financing and treasury products. The system also enables direct communication with financial and accounting systems of the company through the BankConnect service.

BusinessPro system users have access to:

- the Legal Module, which presents the legal relationship between the customer and the bank and is used to submit electronic statements of intent,
- the Product Centre module which allows to handle all matters related to the Bank's products – independently, at any time and from any place in the world, without having to visit a bank. The Product Centre also offers the functionality to submit applications for debit cards, auxiliary accounts, investment accounts and payroll accounts, applications for entry into a master agreement for treasury transactions, applications to change the data of persons authorised to enter into treasury transactions, applications to cover the collection fee, applications to activate the foreign exchange platform (including Autodealing, eFX Trader services) or order a bank reference.

In H1 2022, we introduced a number of new improvements to the Product Centre Module, including:

- the ability to apply for a Mastercard Plus company debit card,
- automatic collection of monthly fees for accident and healthcare insurance,
- automatic notification of customers by means of an SMS code about inability to continue insurance coverage, e.g. due to insufficient funds on the account to cover the monthly premium,
- ability to place aftersale instructions concerning loan products.

By centralising 45 aftersale processes and using the qualified signature, Autenti signature and Foto ID [Photo ID], we are able to quickly and remotely provide product service to businesses. Orders are submitted by account managers or customers directly to the Business Customer Service Operations Team.

In H1 2022, the team executed more than 8,000 instructions submitted by small, medium-sized and large companies – more than 40% of them were escalated remotely via e-mail or the BusinessPro online banking system.

We are systematically developing an automatic credit process and increasing the share of credit decisions issued in that process. In H1 2022, we expanded the target group and the range of products available in the pre-approved process. During that period, automation was applied to:

- 93% of decisions in the micro-enterprise segment,
- 9% of decisions in the SME and corporations segment.

RANGE OF PRODUCTS FOR MICRO-ENTERPRISES AND SMALL COMPANIES

New solutions

In the first half of 2022, we implemented many new solutions that make it easier for business owners to run their business. They include:

- **Accident and healthcare insurance from PZU SA** – this offer is intended for new and existing customers from all business segments. Business owners can insure themselves, their family members, employees of their business and their relatives. Depending on the option chosen, in the case of illness or the need to treat the consequences of an accident, PZU will organise medical services and cover their costs. Healthcare is provided in the territory of Poland and includes medical consultations without referrals, diagnostic examinations, outpatient examinations and procedures and rehabilitation procedures, in accordance with the selected option. Insurance guarantees access to specialists within 5 business days at the latest. The insurance contract may be concluded directly in branches of Alior Bank or online via BusinessPro online banking.
- **New bonuses for Mastercard Plus company debit card users:**
 - 10% discount for subscription (rental) of electronic equipment, e.g. iPhone 13, notebooks or tablets from WeSub, our partner,
 - exemption from monthly charges for card use until the end of 2022.
- **Deposits with a higher interest rate** – by depositing new funds, company account holders at Alior Bank could count on a fixed interest rate of 2.5% per annum for a 2-month deposit and 4% per annum for a 4-month deposit. Customers could open an online deposit in online banking or at a branch, corporate banking centre or in a partner outlet of the Bank.
- **Special 4x4 account offer for Ukrainian businesses** and sole proprietorships operated by Ukrainian nationals – this offer includes an exemption from the fee for the most popular services, such as a primary account, online transfers to ZUS (Social Insurance Institution) and the Tax Office as well as a bonus up to PLN 1,500 per annum for active banking. In addition, until the end of 2022, we also waive monthly fees for maintaining an auxiliary account in PLN and in foreign currencies, using a company debit card and using additional service packages: domestic, cash, foreign and savings service packages as part of the 4x4 account.
- **Xiaomi Pay contactless payments** – this service extended the list of mobile payments available to business customers and allows contactless payments to be made using a Mi Smart Band 6 NFC band, Xiaomi Watch S1 watch or Xiaomi Watch S1 Active watch.
- **Revolving loan without any securities** up to the amount of PLN 70 thous. for micro-enterprises is available only in the telephone sales channel.



Accounts, settlements and deposits

For micro-companies, we offer two accounts that regularly receive awards for their quality and price:

- **iKonto Biznes (iAccount Business)** – allows to use basic payment services for free.
- **Rachunek 4x4 (4x4 Account)** – allows to customise account parameters to suit the company's current needs and the type of transactions being executed.



Both accounts, in the standard option, offer customers a bonus for active banking – even up to PLN 1,500 per annum. Business owners who opened the iAccount Business account in the first half of 2022 could receive an additional starting bonus in the amount of PLN 350.

In April 2022, the iAccount Business account ranked first in the ranking organised by Bankier.pl and in a competition organised by eBroker.pl.

We offer three types of accounts to business owners conducting business activity on the basis of full accounting (Business Optimal, Business Comfort and Business Plan accounts).



The range of offered accounts is supplemented by payment cards, including the **MasterCard PLUS company debit card** that distinguishes us from our competition on the market by offering a wide range of benefits for business owners, credit and virtual cards (that make it easier to manage significant volumes of online payments), and a multi-currency card with access to 23 currencies (without currency translation costs).

All cards support contactless payments (via Apple Pay, Google Pay, Garmin Pay, Fitbit Pay, SwatchPAY! and Xiaomi Pay).

The sale of company debit cards in the first half of 2022 grew by 9% compared to the same period of 2021.

Zafirmowani.pl website

In February 2022, Alior Bank established cooperation with the Polish Entrepreneurship Foundation, which enabled users of the [zafirmowani.pl](https://www.zafirmowani.pl) website to gain access to free online trainings conducted by experienced experts and trainers. Training concerns various aspects related to various aspects related to operating a business. These include, for example, the preparation of a business plan, financial management, human resources management, the implementation of the sales process, and marketing activities. They also provide an overview of current changes to legal and tax regulations.

The www.zafirmowani.pl website is a free website aimed at micro-enterprises, which in addition to practical advice and guidance offers business owners an online accounting application that allows them to keep simplified accounting records. Businesses with a company account at Alior Bank can connect to the www.zafirmowani.pl website directly from online banking. The automatic mechanism for pairing the account history with accounting documents enables the customer to check the status of invoice payments.

Loans

We offer companies a wide range of solutions to finance their current and investment needs. The range of available products also includes:

- **Bizneskredyt Zakupowy (BusinessLoan for Purchases) for green purposes** - we offer financing for as many as 13 different green purposes, a high loan amount (even up to PLN 3 million), a quick credit decision (in 20 minutes) and no material security (the loan is secured by a BGK guarantee),
- financing of renewable energy source (RES) auction projects - this offer is addressed to business owners who won the RES auction and plan to build wind or solar farms with a power of more than 500 kW.

The loan can be used by special-purpose vehicles conducting business activity in the field of generating energy from renewable sources.

To make the acquisition of new customers in the segment of micro-enterprises and small companies more effective, in H1 2022 we have introduced two price promotions involving a reduction of the up-front fee:

- **for a Businessloan for current activities, investment activities and green purposes to 0%** - in this way, we allowed business owners to finance various needs of their businesses on favourable price terms. Other advantages of the promotional offer also include high amount of financing – up to PLN 1 million for micro-enterprises and up to PLN 3 million for small companies, fast credit decision time – within 20 minutes from the submission of the application, and absence of need to present own contribution and material securities,
- **for overdraft facility to 50%** - a loan granted for a period of 24 months with an ability to renew it for another 2 years.

In addition:

- as part of the pre-approved algorithm process intended for companies with a long and good history of cooperation with Alior Bank, we waived the need for the customer to present financial forecasts and documents,
- we have launched financing for customers who changed the form of accounting to flat-rate tax on registered income without deductible costs.

Credit application process simplifications for small, medium-sized and large companies, introduced in connection with the pandemic, continued to apply in H1 2022.

FINANCING WITH SUPPORT FROM BGK

EU funds and aid programmes



For years, we have been active in public programmes financed from both EU and national funds.

This allows us to develop an attractive credit offer for customers representing small and medium-sized enterprises and corporations. We provide, *inter alia*, loans with BGK guarantees as part of the National Guarantee Fund (it is a continuation of the *de minimis* programme) and under the following programmes: Agricultural Guarantee Fund, Guarantee Fund under the Smart Growth Operational Programme (Biznesmax guarantee), Liquidity Guarantee Fund. In the case of loans with a guarantee, customers gain access to financing on more favourable terms.

Alior Bank is one of the leaders as regards the sale of *de minimis* guarantees.

At the end of June 2022, guarantees offered in cooperation with BGK secured 97% of new sales of loans to micro-enterprises and more than 58% of new sales of loans to small companies.

The improvements introduced in 2020 and 2021 in connection with counteracting the effects of COVID-19 will apply until the end of 2022.

Guarantee programmes offered by our Bank also include special guarantees aimed at innovative enterprises from the agricultural and food processing sector.

The **Biznesmax Guarantee** is aimed at enterprises carrying out investment projects with innovative potential or planning pro-environmental investments, e.g. the installation of photovoltaic panels, thermal insulation.

In order to counteract the effects of COVID-19, we offer the option to cover revolving working capital facilities related to the company's ongoing operations with the Biznesmax guarantee.



Agricultural guarantee (Agricultural Guarantee Fund)



Our offer includes an agricultural guarantee for entities investing in the agri-business sector. Farmers may count on a guarantee of up to PLN 5 million, whereas processors – up to PLN 10 million.

In order to counteract the effects of COVID-19, we offer a guarantee under the Agricultural Guarantee Fund for revolving working capital facilities related to the company's on-going operations. We also introduced 2% subsidies to the interest rate on working capital facilities secured with the guarantee from the Agricultural Guarantee Fund. Thanks to this, the customer may be reimbursed for part of the interest paid on the facility, for a maximum of 12 months from the date of its disbursement.

Liquidity Guarantee Fund

It is a guarantee for medium- and large-sized enterprises. Its primary purpose is to maintain lending activity in connection with the liquidity needs of enterprises which are or may be affected by the economic effects of the pandemic. The volume of loans secured with a Liquidity Guarantee Fund guarantee, granted until 30 June 2022, amounted to PLN 2.6 billion.

We also offer a line of guarantees for factoring under the Liquidity Guarantee Fund of BGK. Through this guarantee, micro-, small, medium-sized and large enterprises can more easily obtain financing in the form of recourse factoring and reverse factoring. The guarantee is granted for a period of 27 months and secures up to 80% of the factoring limit amount. The maximum guarantee value is PLN 200 million, whereas the highest possible amount of financing amounts to PLN 250 million.

In the second half of 2022, we will introduce a new product of Bank Gospodarstwa Krajowego under the Crisis Guarantee Fund, which will be the successor of the LGF Guarantee Scheme, which is being retired.

Loans involving EU grants

Business customer can count on support in obtaining EU funding (loan commitments, bridging loans or a technology loan).

Under the "European Package", we are offering comprehensive support for investments with EU subsidies distributed by the Polish Agency for Enterprise Development (PARP), the National Centre for Research and

Development, the Ministry of Development, and the Marshal's Offices (loan commitments, loans with EU grants, bridging loans – pre-financing grants, loans for non-eligible costs, and a loan to finance VAT).



Funding of thermal insulation projects

We continue to finance and provide services to entities from the housing sector. Currently, we offer Thermal Insulation Loans and loans with a thermal insulation and renovation bonus intended to finance the thermal insulation of multi-family residential buildings to Housing Cooperatives, Housing Communities, Social Housing Associations and (in selected regions) Local Government Units.

PFR Financial Shield

We are involved in the Financial Shield 2.0 of the Polish Development Fund for Businesses and Employees. As of 18 November 2022, we have been providing business customers the ability to submit applications for the redemption of subsidies in Alior Online and BusinessPro online banking systems.



Information on the launch of applications was provided to customers via SMS, e-mails and screens in online banking. Entrepreneurs also received a set of materials containing the most important tips on how to submit an application.



Treasury activity

We conduct treasury activities in the following areas:

- spot foreign exchange (FX) and transactions to hedge against currency exchange risks,
- transactions on interest rate instruments to ensure stable funding costs to its customers by hedging against interest rate risk,
- transactions to limit the consequences of commodity price volatility, we are systematically developing our offer – in H1 2022 we expanded the list of raw materials to include nickel,
- liquidity management – by selling products enabling the customers to deposit their surplus cash and through repo and BSB transactions,
- hedging Alior Bank against liquidity risk to meet the established limits and regulatory metrics,
- managing Alior Bank's currency and interest rate risk exposures through transactions on the interbank market,
- management of commodity price volatility risk through transactions on commodity markets,

- management of the currency option portfolio risk under the established limits by entering into hedging and option transactions on the interbank market,
- trading on the OTC market in foreign exchange and interest rate market instruments, including on the bond portfolio, by buying and selling Treasury bonds and bonds guaranteed by the Treasury,
- applying hedge accounting, i.e. hedging against interest rate risks resulting from banking activities and interest rate swap transactions (IRS, OIS) in PLN and foreign currencies.

In H1 2022, there was a significant volatility in the prices of currencies and raw materials on global markets. Business customers of Alior Bank used available products more actively than in previous periods in order to limit volatility, especially of EUR/PLN and USD/PLN exchange rates.

The surplus of the Bank's liquid cash (under liquidity management) is mainly invested in Treasury bonds and Treasury bills denominated in PLN and in foreign currencies, and in debt securities issued by the NBP [National Bank of Poland] with a relatively short maturity, as well as debt securities guaranteed by the Treasury.

The Management Board managed market risks in such a way, so as to ensure Alior Bank's equity at the current, secure level and to protect the Bank against potential systemic risk connected with limited market liquidity. The Bank was an active player on the interbank market. It provided liquidity for currency transactions for other professional market players which allowed it to maintain its existing position on the interbank FX market. Alior participated in the provision of data for the quotation of POLONIA reference rates.

Electronic trading platforms

For customers who value online access to foreign exchange transactions, we offer 3 foreign exchange trading platforms: Kantor Walutowy, Autodealing and eFX Trader, which allow to independently exchange currencies via the Internet.

The **Currency Exchange** is available 24/7, 7 days a week, and offers free maintenance of accounts in 22 currencies (PLN, EUR, USD, GBP, CHF, SEK, NOK, DKK, CZK, CAD, AUD, HUF, JPY, BGN, MXN, RON, ZAR, THB, ILS, HKD, HRK, TRY), exchange of currencies at attractive exchange rates and free domestic and foreign currency transfers.

The Currency Exchange has a number of additional functionalities (e.g. making transfers to a phone number or e-mail address, option to divide payment amount between users, option to send a request for transfer, option to purchase travel insurance from the range of products offered by PZU). Currency Exchange accounts may be credited by way of a transfer, cash deposit at a branch and credit or debit card (in PLN, EUR, USD and GBP). A free multi-currency card that recognises the payment currency and collects funds from an appropriate account, may be issued for accounts in the Currency Exchange.

In order to keep up with the changing market environment, by using User Experience analyses we regularly introduce new improvements to make the Currency Exchange even more functional for our customers.

In H1 2022, we introduced 3 additional types of notifications (account debit notifications, failed operation authorisation notifications, and operation authorisation expiry notifications) and we added the ability to independently update identity card details. Customers whose identity card expired or will expire in the upcoming days will be notified about that situation by the system after logging in to the Currency Exchange.



In order to improve the security of information provided to the customer, we secured access to bank statements sent by e-mail with a password, and we introduced a module in the Currency Exchange to set and change that password.

As a gesture towards our Ukrainian customers, we made the transaction website (WWW) and mobile application of the Currency Exchange available in Ukrainian. We also made a special currency exchange offer available to Ukrainian nationals.

In order to encourage Customers of the Currency Exchange to become even more active, we regularly organise competitions and special campaigns. In H1 2022, we organised the “Active users win in the Currency Exchange” competition, which included more than 3 thousand participants and the prize pool exceeded PLN 30 thous. The competition significantly influenced the growth of parameters such as the number of multi-currency card transactions or the volume of currency exchange in the Mobile channel.

Ever since the Currency Exchange started its existence, the number of its users continues to grow regularly. At the end of June, there were nearly 485 thousand registered customers, i.e. over 30 thousand more than half a year prior. It is also worth noting that according to expectations a growing number of customers is using mobile foreign exchange channels. At the end of the first half of the year, the number of active users of the Currency Exchange mobile app amounted to more than 168 thousand, i.e. as many as 30 thousand more than on 31 December 2021.

Autodealing is available to business customers and retail customers, but it is particularly popular among business customers from the Micro segment. The platform is characterised by full integration with BusinessPro and Alior Online electronic banking systems and access to round-the-clock foreign currency exchange. Autodealing allows to make transactions in foreign currencies (PLN, EUR, USD, GBP and CHF), whereas BusinessPro additionally offers transactions in SEK, NOK and CZK. It also allows to open deposits in PLN and foreign currencies. Deposits opened in Autodealing are characterised by negotiable interest rates and an individually selected maturity period. Deposits may be opened for any period (from 1 to 366 days).

Autodealing functionalities are also available as part of the API (Bank Connect) service, which allows to integrate the platform with internal systems of the Customer. eFX Trader is a platform for the most demanding business customers. It offers foreign exchange in several dozen currency pairs with a flexible clearing period: today (TD), tomorrow (TM) and up to two business days (Spot). For customers with a treasury limit - it also offers the execution of Forward transactions. eFX Trader allows to place foreign currency orders thanks to which customers do not have to track exchange rates themselves. Users also receive access to market analyses.



Equity investments of the Alior Bank Capital Group activity

They are presented in the table below. All securities were purchased using the Bank's own funds. The shares/stocks comprise:

- trading securities bearing equity rights, admitted to public trading on WSE and NYSE,
- trading securities bearing equity rights, not admitted to public trading.
- Bonds: corporate bonds issued by domestic and foreign issuers.

- Investment certificates: certificates of a “private equity” closed-end investment fund, and units of an open-ended investment fund.

	As at 30.06.2022		As at 31.12. 2021	
	Volume	Market/ nominal value (in PLN thousand)	Volume	Market/ nominal value (in PLN thousand)
Stocks	7 343 027	188 004	7 342 897	181 897
Quoted	253 365	70 655	253 225	70 461
Non-quoted	7 089 662	117 349	7 089 672	111 436
Bonds	1 479 526	580 407	1 480 001	626 478
Investment certificates	21 407	8 552	20 499	8 326

Online and mobile banking

The work carried out in H1 2022 was focused on optimising the existing and introducing new solutions in Alior Online and Alior Mobile digital banking. These activities contributed to the implementation of objectives set out in the Bank’s strategy and higher revenue from online and mobile channels.

The Alior Mobile application and Alior Online online banking underwent a number of changes related to their appearance and the handling of deposit and credit products; additional new functionalities were also implemented. A large part of the changes is aimed at increasing sales in the mobile channel.

In connection with the political situation regarding Russia’s attack on Ukraine, many steps have been taken to facilitate access to and use of products for Ukrainian nationals. A new, Ukrainian language version was added to Alior Online and Alior Mobile. Digital banking is currently available in Polish, English, Ukrainian and Russian.

Support was also introduced for the UKRAINA Primary Payment Account for those who arrived in Poland without standard documents required by the bank to open an account. A dedicated user profile with customised options and product handling was introduced in online and mobile banking.

Alior Online also introduced the functionality of submitting a 500+ Application for children from Ukraine.

Sales

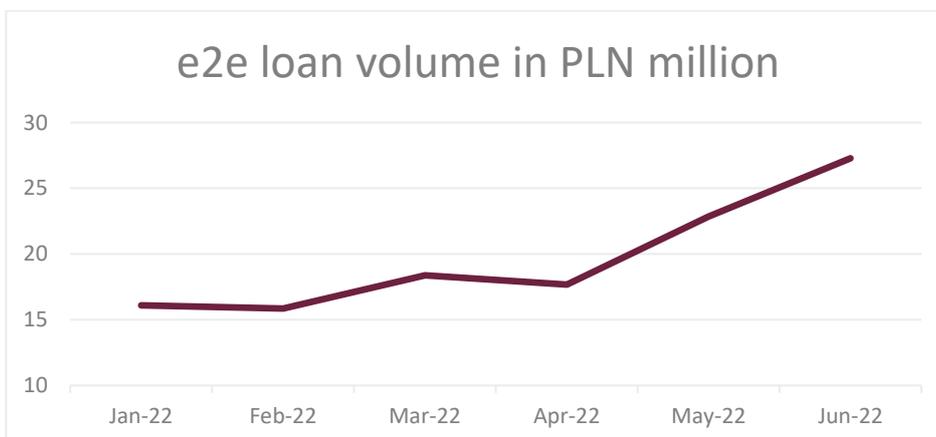
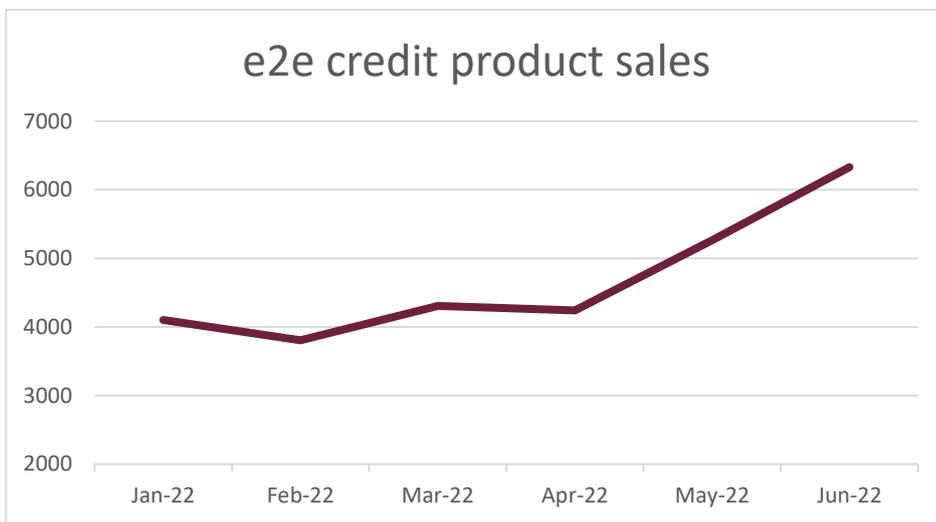
In pre-approved processes in Alior Mobile, a solution was added for all customers without a valid identity card. When calculating the offer, the customer is presented with a message about the absence of a valid identity card or the absence of information about the identity card with an option to go to the tab where current data can be entered. After the information is updated, the credit product application process is continued. Making this function available allowed to increase the number of potential recipients of the offer (until now, persons without a valid identity document did not receive these offers).



We introduce a process that allows to open an account for minors aged 13 to 17 remotely. The process is available to individuals who are not customers of Alior Bank or who are customers and are related to an adult customer. These processes take place with the participation of a guardian of the non-adult customer and allow them to open a version of the Highly Personal Account dedicated for them.

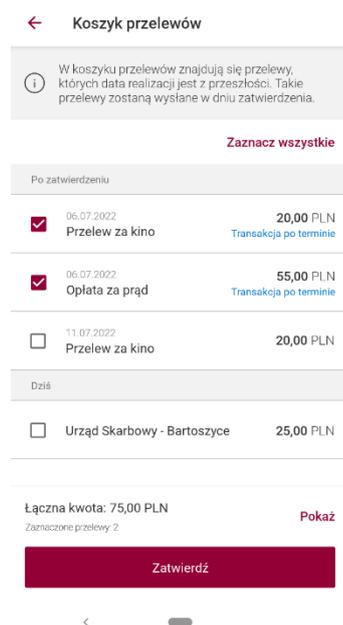
In H1 2022, the first phase of changes to the Alior Mobile marketplace was also implemented. Graphic and functional changes were implemented in order to facilitate the use of available offers – a completely new Offers tab was introduced and advertisements in the Desktop and Products tabs were modified. A significant change in this area was also the revised way in which CRMs feed these advertisements.

All actions contributed to improved product sales results in digital channels.



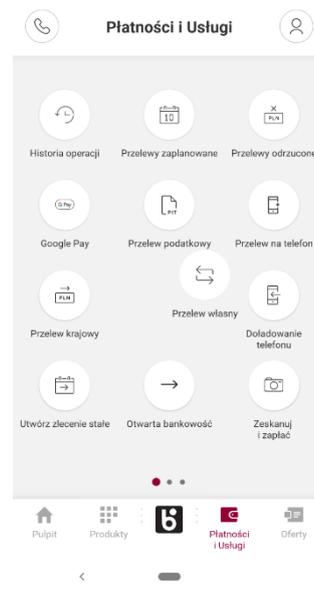
Payments

To address customer needs, we introduced the option to personalise the Alior Mobile application by making changes to the Payments and Services screen. We have abandoned the existing icon grouping in favour of presenting all icons and adding the option of set their position on the screen on one's own. The customer may set icons in any order on available screens. The personalised layout is remembered, which means that if the customer reactivates the app on the device the icon layout will remain saved according to their preferences.



Another functionality that has been implemented is the Payment Basket, which allows to approve several transfers at once. When ordering a transfer, the customer may choose the Confirm later option to add an operation intended for the list of transfers to the basket. The list features all transfers and the customer selects transfers they want to be executed. This allows the customer to view the summary of operation amounts and easily confirm several payments biometrically or by entering the PIN code only once.

In connection with changes to the support of tickets in the Tricity, the way they are supported in the mobile application was adjusted so that customers could continue to buy public transport tickets.



Aftersale services

The ability to pay with a card immediately after it was ordered was introduced. Customers can pay using an inactive debit or credit card before it is physically delivered to them. An inactive card can be added to a virtual wallet, e.g. Google Pay or Apple Pay in Alior Mobile, and used immediately. The PIN code and limits may be changed and the card may be blocked, cancelled or closed on the inactive card's details screen. The "plastic" card is activated in a standard way only after it is received.

A new 'My cards' section was added to online banking to group all cards held by the customers. From there, users can manage both their debit and credit cards.

Additional services

Both Alior Online and Alior Mobile offer the functionality to edit own identity card details. In light of that, we introduced information that the identity document has expired/will soon expire, which is displayed after logging in and offers the option to directly go to the form that allows to update details of the Identity Card of the Republic of Poland.



A modified functionality to authorise AIS consents without the need to confirm an instruction with an SMS code or mobile token has been added. After successfully logging in, an SMS code informing the customer about the consequences of granting an AIS consent is sent to the customer's number provided for notification purposes.

Changes were also made to the method used to secure documents containing data subject to banking secrecy that are sent to customers as an e-mail attachment. In addition to the preview, customers gained the ability to set an individual password for opening attachments sent by e-mail. The said password must be compliant with the strong password requirements and meet recommended security standards.

In electronic banking, a message about inability to continue the process and encouraging the customer to visit a branch of Alior Bank was added to the Account for the Youth (Alior Online and Alior Mobile) and Digital Onboarding (Alior Mobile) processes. The message will appear in the case of customers who indicate that they are linked to high risk third countries by nationality, address details or tax residence in online applications to open a new RC file. The process will be automatically terminated. The addition of the message was connected with the modification of the AML Act that imposes additional obligations related to service provided to Customers linked to high risk third countries on banks.

Strategic partnerships

Through Strategic Partnerships, we establish cooperation for the purpose of expanding the range of products offered by Alior Bank and develop services exceeding beyond the scope of standard banking. During the pandemic, we implemented projects based primarily on guaranteeing that customers can conveniently access our services and providing them maximum security. Currently, we are also focused on developing functionalities that encourage current and future customers to actively use the Bank's products and the Alior Mobile application.

Selected partnerships within the PZU Group in H1 2022 were focused on:

- life insurance for cash loans,
- income protection insurance,
- life insurance securing housing loans,
- PZU Wojażer travel insurance,
- free, annual access to the telemedical service of PZU Zdrowie (as part of the “Highly Personal Account with Telemedicine” promotion),
- Accident and Healthcare Insurance for Business Customers,
- the purchase of investment funds.



Within the PZU Group, we are developing a partnership with Link4. We made it possible to purchase TPL and comprehensive/TPL motor insurance (it is an essential element of the category being built around the “Auto” area in our banking) and housing insurance in online and mobile banking.

Key initiative in the Assurbanking area:

The Cash platform is an innovative online loan service and a non-wage employee benefit that enables employees to quickly and conveniently obtain a cash advance for any purpose (with the formalities reduced to the bare minimum). By cooperating with employers and preparing a unique system of loan repayment directly from wages, we created an offer that is very attractive when compared to others available on the market.



Work establishments already available on the website: PZU Group, Link4, PGNiG OD Sp. z o.o., PGG SA, PKP SA, TVP SA, PKP PLK SA, PGE Synergia Sp. z o.o. and Nexteer Automotive Sp. z o.o. were joined in H1 2022 by: Komputronik Group and Superior Industries Production Poland Sp. z o.o.

Other large and recognisable companies are already in the induction process or at the stage of final arrangements. Their employees will soon be able to benefit from the range of products and services offered by the Cash Platform.

In cooperation with the Cash platform, we are also developing the remote lending processes, which in the last half of the year were also available to the customers of PZU SA.

As the project’s potential grew and the customer base increased, we created a new, more customer-friendly application. The offer prepared by the Bank in cooperation with PZU Cash also includes an option to use a consolidation loan that is very popular among work establishments and platform users.



The development of services around the digitisation of banking services continues to be one of the priorities for building external partnerships.

Selected partnerships outside of the PZU Group in H1 2022 were focused on:

- **KIR** – Krajowa Izba Rozliczeniowa S.A. (National Clearing House) – in the first half of 2022 we signed two agreements with KIR necessary to implement the **mojeID** (myID) service, both with commercial and public service providers. MyID is a secure online identity confirmation tool. Thanks to myID, it is not necessary to visit an insurer, energy provider, medical facility, office or telecommunication company to finalise an agreement or sign documents.
- **Orange flex** - we introduced a special offer of our Partner – Orange flex – for Employees of Alior Bank, under which employees can select any tariff plan **with a 50% discount for the first 6 months**.
- **Xiaomi Pay** - thanks to cooperation with Xiaomi, in June we implemented contactless payments using a smartwatch or band with Xiaomi Pay. The Xiaomi Pay service is available for MasterCard debit and credit cards issued by Alior Bank to retail customers, business customers and customers of the Currency Exchange.
- **Biuro Informacji Kredytowej (Credit Information Bureau)** – the partnership resulted in a special offer called “Safe Lending at Alior Bank”. It was active from September until the end of November 2021. Anyone who concluded a loan or consolidation loan agreement received an electronic code enabling them to use the CIB Alerts service for free for 12 months.
- **KOMEX (“5-10-15” brand and retail chain owner)** – as part of expanding our cooperation, we introduced an affiliation programme aimed at “5-10-15” customers. From March 2022 onwards, customers placing online orders also have access to a promotion related to the Account for the Youth and Cash Loan in the marketplace in the Finance Services section. The promotion is also aimed at newsletter recipients.
- **WeSub / RentUp** – in March 2022, Alior Bank established cooperation with WeSub. Due to this, the holders of the Mastercard Plus company debit card have access to a 10% discount for new electronic equipment rentals on the RentUp platform. Thanks to the subscription agreement with WeSub, they

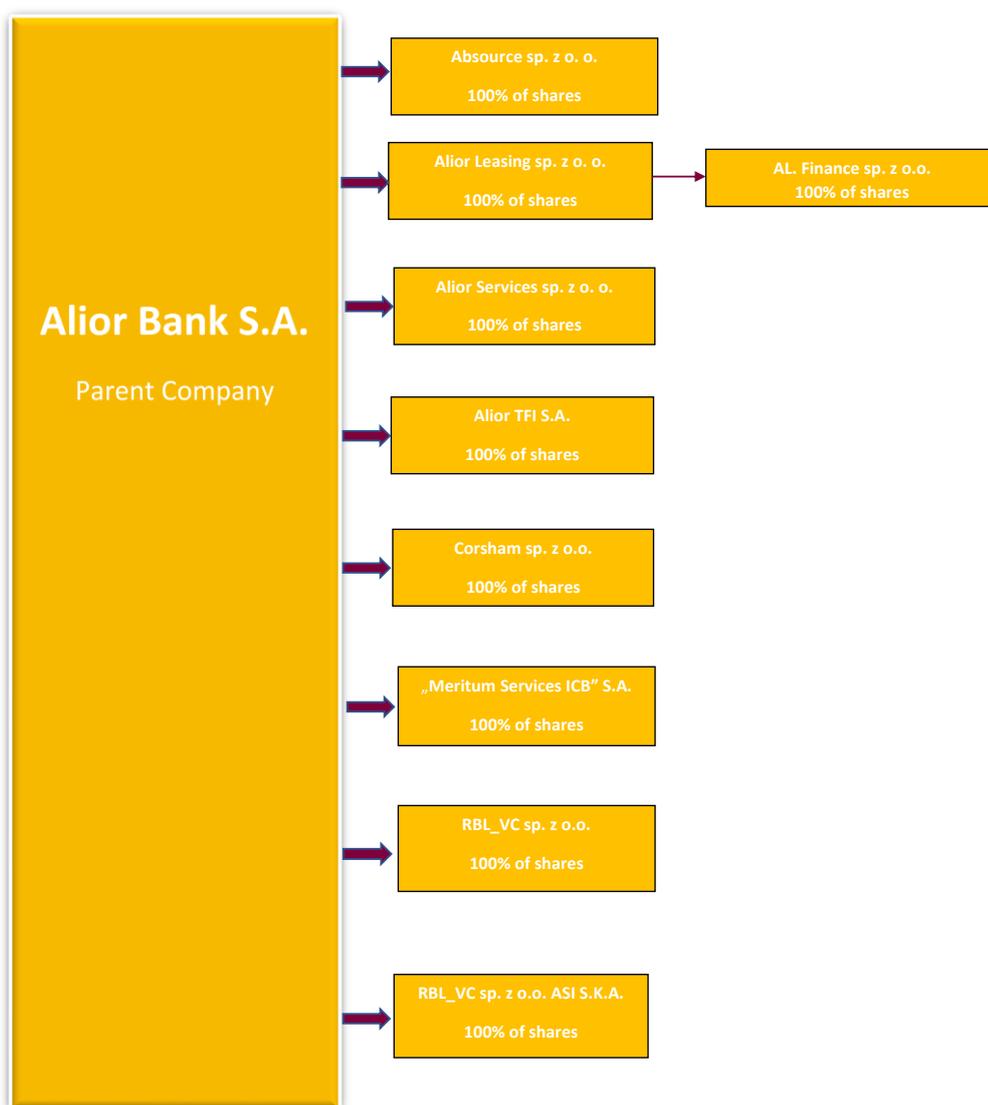
will be able to select equipment for their business and use it after paying a deposit using the Plus card. The promotion is active until 30 September 2022. As part of the partnership, we are currently working on expanding our joint offer and planning to present the results of that work in the next half of the year.

We also established cooperation with another business partner regarding employee programmes based on Alior Bank products (e.g. Savings Account as a medium for storing employee bonuses). The programme was implemented in February 2022.

Currently, we are also making further arrangements with business partners regarding new projects to increase transaction volume, mobility and expand the benefits offered together with products. These projects are planned to be implemented in H2 2022.

V. Operations of companies from the Alior Bank Capital Group

Structure of the Alior Bank Capital Group as at 30 June 2022



In H1 2022, there were no change to the structure of the Alior Bank Capital Group.



Alior Leasing Sp. z o.o.

The company has been in operation since October 2015. As one of the leading Polish leasing companies, it provides entrepreneurs with solutions supporting their growth by offering operating and financial leases as well as lease loans. Entrepreneurs have easy and quick access to means of transport as well machines and equipment. **Alior Leasing protects the environment and invests in projects related to green energy, which is why the company expanded its activity to offer financing for photovoltaic installations.**

Alior Leasing holds an extensive sales network and collaborates with a broad network of business partners, dealers and vendors, as well as with Alior Bank's sales network.

The company cooperates mainly with natural persons conducting business activities and companies in the SME sector. In accordance with "the Strategy for the years 2021-2023" adopted in H1 2021, the Company plans to gradually increase the share of larger entities in sales (increase from 14% to 39% share in sales). The company also plans an expand its activities to the construction, industrial processing and healthcare sectors.

Alior Leasing launched the automatic credit decision functionality, which allowed to optimise the transaction risk assessment process and introduce new functionalities in the Customer Portal.

In H1 2021, the Company generated a leasing sales volume totalling PLN 972,187 thousand and a lease loan sales volume totalling PLN 97,260 thousand. As at the end of June 2022, the Company's portfolio includes 103,6 thousand agreements concluded with 73 thousand customers.

AL Finance Sp. z o.o.



It was established in 2021 from the merger of NewCommerce Services sp. z o.o. ("Bancovo" brand) and Serwis Ubezpieczeniowy sp. z o.o. The new fintech is the leader of digital financial intermediation services, which offers a comprehensive and wide portfolio of products in digitised sales processes. The portfolio of financial products is addressed to both individual and business customers.

It offers products within the Bancovo credit platform (credits, loans, leasing and microfactoring) in more than 30 financial institutions.

It also sells insurance previously offered by the Insurance Service for leasing customers. The offer concerns mainly motor and property insurance. The Company cooperates with leading Insurance Companies (mainly PZU). Insurance is also offered to new customer segments within a fully digitised insurance sales platform, created by the combined entity.

Fintech works on digitisation of sales processes for lease agreements, including remote verification of identity and signing of online contracts. This will extend the distribution of products in remote sales channels.

Alior TFI S.A.



It was established in 2010, initially as a brokerage house focused on asset management services. After the transformation in 2015, it operates as a TFI.

The cooperation of the Bank with a subsidiary concerns primarily the creation and management of investment funds and their representation towards third parties.

In February 2022 the Company launched a new sub-fund separated from the ALIOR SFIO fund, i.e. Alior Ostrożny [Alior Prudent], which generated PLN 238 million until the end of June 2022. Currently, the Company has more than PLN 850 million in assets under management in all products, and its customer base is comprised of 12.5 thousand customers.

Alior Services Sp. z o.o.

It operates as an insurance agent for eight insurance companies and consists in administering insurance contracts on behalf of and for the benefit of insurers.

Absource Sp. z o.o.

It was established in 2016 to provide IT and computer technology services as well as IT consultancy services. Its main activity consists in making the following systems available to the Bank (in the sublicense model): CAFE, CAFEM and SWK (99% of revenues in 2021). These systems are a comprehensive and centralised platform that enables customer service.

Meritum Services ICB S.A.

Provides information and computer technology services and other information technology activities. In H1 2022, the Company generated revenues from two main channels:

- making software available to Alior Bank under the Software as a Service (SaaS) model (approx. 70% of revenue),
- hiring IT specialists to develop Alior Bank's systems (approx. 30% of revenue).

Corsham Sp. z o.o.

Alior Bank has been the owner of the Company as of February 2019. Through that Company, the Bank completed two investments: in PayPo Sp. z o.o. and Autenti Sp. z o.o. PayPo Sp. z o.o. is a start-up offering deferred payments for online purchases and a buyer protection programme. When making purchases online, one can order a product and pay for it even up 30 days later, without any transactional costs or interest. The Customer may receive and check their purchase before payment. If the goods do not reach the user for any reason, they do not have to pay for them.

In January 2021, Corsham sold its shares in PayPo.

In December 2019, the Company acquired 10.95% of shares of Autenti, which is a comprehensive platform for authorising documents and concluding contracts online. So far, the company has acquired the following key customers: BNP Paribas, Vienna Life, Credit Agricole, PGE Lumi, and Medcover. The company intends to strengthen its competitive advantage by developing its platform and carrying out expansion to European markets.

RBL_VC Sp. z o.o.

Established in 2019, in 2020 it was entered into the register of managers of alternative investment companies kept by the Polish Financial Supervision Authority. It is a general partner of RBL_VC Spółka z ograniczoną odpowiedzialnością ASI S.K.A., entrusted with its management. The company actively conducts investment processes in accordance with the adopted strategy and investment policy, presenting recommendations for potential investments to the Investment Committee of RBL_VC and the Management Board of Alior Bank, i.e. the sole shareholder of the Company and the sole shareholder of the RBL_VC Spółka z ograniczoną odpowiedzialnością zarządzanego przez siebie ASI S.K.A. under its management.

RBL_VC Spółka z ograniczoną odpowiedzialnością ASI S.K.A.

Created in 2019, it is an externally managed alternative investment company, as defined in the Act on Investment Funds and Alternative Investment Fund Management (Ustawa o funduszach inwestycyjnych i zarządzaniu alternatywnymi funduszami inwestycyjnymi).

Both companies are a target investment vehicle through which Alior Bank intends to conduct venture capital (VC) investments. As part of VC investment, the Company will include minority shares in particular in entities operating in the area of new solutions in the financial and financial support markets (fin-tech). Ultimately, it will take over for Corsham Sp. z o.o. in making venture capital investments.

VI. Major events in the activity of the Alior Bank S.A. Capital Group

Recommendation of the Polish Financial Supervision Authority regarding the additional capital requirement

On February 11th, 2022 the Bank received from the Polish Financial Supervision Authority a recommendation to the Bank for maintaining own funds on an individual and consolidated basis to cover the capital add-on at 1.47 p.p. as to absorb potential losses resulting from occurrence of stress conditions over the value of the total capital ratio referred to in Article 92.1c of Regulation No. 575/2013, increased by the additional own funds requirement referred to in Article 138.2.2 of the Banking Law Act and the combined buffer requirement referred to in Article 55.4 of the Act on macroprudential supervision. The capital add-on should be made up of the Tier 1 capital only.

Joining the Protection Scheme

The possibility of creating a Protection Scheme was introduced to the Polish legal system under the Act of 7 April 2022 amending the Act on covered bonds and mortgage banks and certain other acts (Journal of Laws of 2022, item 872 of 22 April 2022).

The Protection Scheme may be created voluntarily by Banks operating as joint-stock companies, on the basis of a protection scheme agreement, which will regulate the scope of liability of a protection scheme participant for obligations resulting from participation in the scheme. The purpose of the Protection Scheme is:

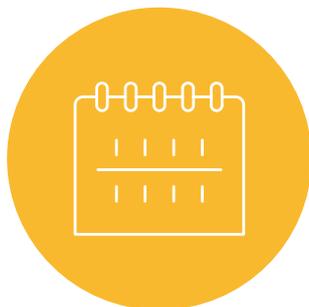
- ensuring the liquidity and solvency of Participant Banks on the terms and to the extent specified in the Protection Scheme Agreement;
- supporting:
 - forced restructuring of a bank which is a joint stock company carried out by the BGF;
 - takeover of a bank being a joint stock company pursuant to Art. 146b sec. 1 of the Banking Law.

On 14 June 2022 Banks (participants of the protection scheme): Powszechna Kasa Oszczędności Bank Polski SA, Bank Polska Kasa Opieki S.A., Bank Millennium S.A., BNP Paribas Bank Polska S.A., ING Bank Śląski S.A., mBank S.A., Santander Bank Polska S.A. and Alior Bank S.A., concluded a Protection Scheme Agreement and created a protection scheme. The established company called System Ochrony Banków Komercyjnych SA is a company that manages the protection scheme.

The share capital of the Company amounts to PLN 1 000 000 and is divided into 1 million series A ordinary bearer shares, from numbers 1 to 1 000 000, with a nominal value of PLN 1 each. Alior Bank S.A. acquired 8.1% of the issued shares.

The accession by Alior Bank as a shareholder to the unit managing the protection scheme and incurring obligations related to joining this protection scheme was preceded by obtaining appropriate corporate approvals (resolutions of the Management Board and Supervisory Board of 30 May 2022). Therefore, on 1 August 2022, Alior Bank made a contribution to the assistance fund established in the unit managing the

protection scheme, in the amount of 0.4% of the amount of the guaranteed funds of the participant of the protection scheme covered by the obligatory deposit guarantee system referred to in Art. 2 point 34 of the Act of 10 June 2016 on the Bank Guarantee Fund, the deposit guarantee system and resolution, calculated at the end of the last calendar quarter before the date of signing the protection system agreement (i.e. at the end of the 1st quarter of 2022), i.e. amounted of thousand 195 486 PLN.



Major events post balance-sheet date

On 14 July 2022, the act of 7 July 2022 on crowdfunding for business ventures and assistance to borrowers was signed by the President of the Republic of Poland. This law regulates the three main issues outlined below.

Credit vacation

Pursuant to Art. 73 of this Act, the Bank is obliged, at the borrower's request, to suspend the repayment of the mortgage loan granted in the Polish currency, with the exception of loans indexed or denominated in a currency other than the Polish currency. The suspension of loan repayment applies only to one agreement concluded to satisfy one's own housing needs. The loan repayment suspension is valid in the following periods:

- from 1 August 2022 to 30 September 2022 - two months,
- from 1 October 2022 to 31 December 2022 - for two months,
- from 1 January 2023 to 31 December 2023 - on a monthly basis in each quarter.

During the period of suspension of the loan repayment, the borrower is not obliged to make payments under the loan agreement, except for insurance fees related to this agreement.

In connection with the above, Alior Bank, as at the date of signing the Act, estimated the changes in cash flows in accordance with IFRS 9 5.4.3 and recognized the loss on this modification in the financial result as a reduction in interest income calculated using the effective interest rate method. Adjustments to the carrying amount of financial assets due to modifications will be settled in the net interest income for the duration of credit vacation.

An important assumption that requires the Bank's judgment on the amount of this loss is the number of customers applying for credit holidays. According to the Bank's estimates, assuming that 60% of customers take advantage of credit holidays, the recognized loss amounted to PLN 466 million and was recognized in the Bank's books in the third quarter of 2022. The loss on modification will be subject to quarterly revaluation due to the number of customers taking advantage of credit holidays.

Due to the loss described above, the Bank's capital ratios may decrease as compared to those presented in Chapter VIII by 20 bp. Of course, the final impact of the loss on the capital ratios depends on the number of customers taking advantage of credit holidays.

Suspension of customer installments during credit vacation will disrupt cash flows from mortgage loans being hedged items under hedge accounting - reduced amount of hedged cash flows for hedged items due to credit holidays compared to the cash flows of derivative hedging instruments.

Assuming that 60% of customers will take advantage of credit holidays and the unchanged interest rates adopted as of 29 July 2022, the impact of credit holidays on hedge accounting may lead to the recognition of PLN 55 million in the income statement before the end of the hedging relationship (cost).

Borrowers Support Fund

The act also introduces the obligation to make additional contributions to the Borrowers Support Fund. According to it, the funds of the fund will increase by PLN 1.4 billion by the end of 2022 and will amount to a total of over PLN 2 billion, with the amount of additional payments for individual banks will be determined by the Fund Council, by way of a resolution, based on information from the Chairman of the Financial Supervision Authority. The subsidies from fund can be used by both borrowers who took loans in Polish and foreign currencies. The support is returnable, but part of the support may be canceled under certain conditions.

As at the date of publication of this Report, it is not possible to estimate the amount of the additional contribution to the Borrowers Support Fund attributable to the Group, as it depends on a number of factors, including from the data of other banks to which the Alior Bank Group has no access.

Change in the WIBOR reference rate

The adopted act also provides for work on the process of determining the substitute for the WIBOR rate in the form of new risk-free rates based on O/N (overnight) transactions. In connection with the above, a national working group set up in connection with this process has started work. The aim of the group's work is to prepare a schedule of activities aimed at efficient and safe implementation of individual elements of the process leading to the replacement of the WIBOR interest rate benchmark with a new benchmark. At the moment, the Bank has not estimated the potential impact on the Bank's result on this account.

VII. Issuance of own bonds and Bank Securities of Alior Bank



Issues of own bonds

The Bank established the Multiannual Bond Issue Programme of the Bank up to the total maximum nominal value of PLN 5,000,000,000, in force pursuant to the resolution of the Supervisory Board of 5 August 2019.

On 30 May 2022, the Management Board of the Bank adopted a resolution establishing the offering programme (hereinafter referred to as (“Offering Programme”) for bonds up to the amount of PLN 2,000,000.00 under the Multiannual Bond Issue Programme of Alior Bank S.A. When establishing the Offering Programme, Alior Bank decided that:

- the Offering Programme will be covered by a base prospectus (hereinafter referred to as “Prospectus”) drawn up by the Bank in compliance with Regulation (EU) 2017/1129 of the European Parliament and of the Council of 14 June 2017 on the prospectus to be published when securities are offered to the public or admitted to trading on a regulated market, and repealing Directive 2003/71/EC (as amended), in connection with public offerings of Bonds and applications to admit individual series of Bonds to trading on a regulated market (primary or parallel market) for debt securities, operated by the Warsaw Stock Exchange (hereinafter referred to as “Regulated Market”) and to introduce Bonds to trading on the Regulated Market,
- Bonds may be issued in series, in Polish zlotys,
- the nominal value of one Bond must be at least PLN 100 (say: one hundred Polish zlotys).
- the maturity of Bonds will be no longer than 10 years from the issue date of the relevant series of Bonds,
- Bonds may be issued as:
 - ordinary, unsubordinated bonds,
 - bonds the liabilities under which will represent eligible liabilities of the Bank within the meaning of Article 97a.1 (2) of the Act of 10 June 2016 on the Bank Guarantee Fund, Deposit Guarantee Scheme and Compulsory Restructuring (as amended), or
 - subordinated bonds to be equity instruments in Tier II of the Bank under Article 62(a) of Regulation (EU) 575/2013 of the European Parliament and of the Council of 26 June 2013 on prudential requirements for credit institutions and investment firms, amending Regulation (EU) No 648/2012 (as amended).
- Bond offerings under the Offering Programme will be carried out on the basis of a Prospectus approved by the Polish Financial Supervision Authority,

- the Management Board of the Bank will approve the final terms for the issue of each series of Bonds issued under the Offering Programme by means of a separate resolution of the Management Board of the Bank regarding the issue of the relevant series of Bonds. Bonds issued under the Offering Programme will each time be allocated by means of a separate resolution of the Management Board of the Bank or by persons authorised by a resolution of the Management Board of the Bank.

On 4 July 2022, the Base Prospectus was submitted to the Polish Financial Supervision Authority together with an application for its approval.

Issues and redemptions of bonds conducted by Alior Bank in H1 2022

The Bank did not issue own bonds during that period. No early redemption of bonds was carried out either.

On 23 February 2022, the Management Board of the Bank adopted a resolution approving the start of the bookbuilding process in connection with the preparation by the Bank of the issue of bonds which, after obtaining the consent of the Polish Financial Supervision Authority, were to constitute Tier 2 capital instruments of the Bank (“Bonds”).

On 16 March 2022, following the analysis of current market conditions, the Management Board of the Bank adopted a resolution waiving the bond bookbuilding process. This decision was linked to the emergency situation caused by the armed conflict in Ukraine, which had a negative impact on the financial markets and which could have a significant negative impact on the bookbuilding process.

In H1 2022, Alior Bank carried out the timely redemption of subordinated bonds:

- series EUR001 on 4 February 2022 with a nominal value of EUR 10,000,000,
- series P1A on 16 May 2022 with a nominal value of PLN 150,000,000.

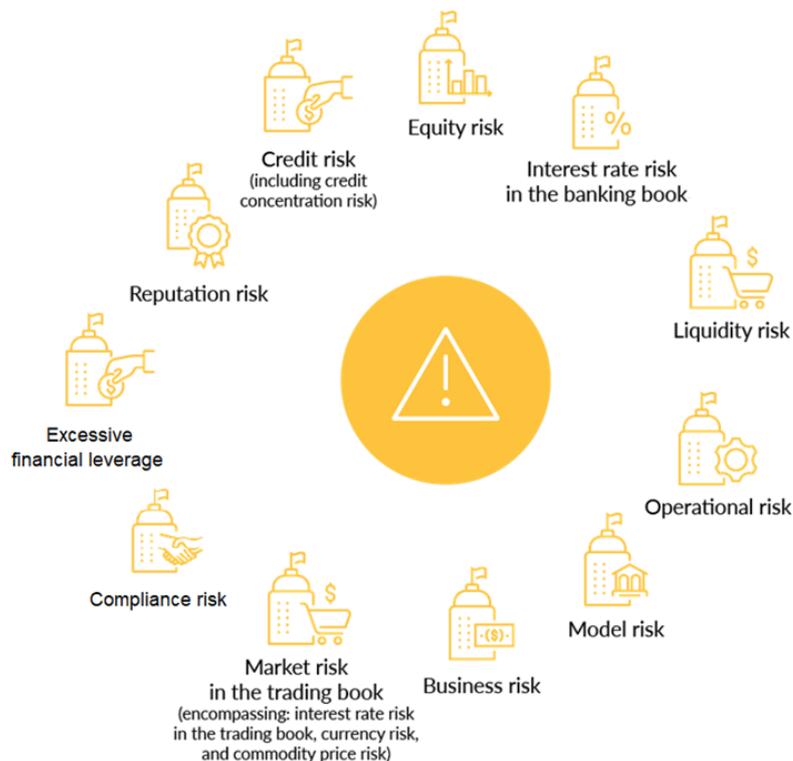
Banking Securities

In H1 2022, work was carried out to prepare a base prospectus in connection with the opened 2nd Issue Programme for unsecured bearer Banking Securities in the territory of the Republic of Poland, with a nominal value of at least PLN 100 each and up to the total maximum nominal value of PLN 5,000,000,000, and its approval by the Polish Financial Supervision Authority. Based on the prospectus, Alior Bank will be able to conduct public offerings of interest-bearing or non-interest-bearing Banking Securities and MREL securities.

VIII. Report concerning the risk of Alior Bank

Risk management is one of the most important internal processes. The overarching goal of the risk management policy is to ensure early recognition and adequate management of all material risks related to the Bank’s activities. The risk management system supports the delivery of the strategy and is aimed at ensuring an adequate level of profitability and security of business activity by effectively controlling the risk level and keeping it within the boundaries of the adopted risk appetite.

The Bank identifies the following risks as significant:



The risk management system in force at Alior Bank S.A is based on three independent lines of defence:

First: implemented in the Bank’s operating units and by process owners who, among other things, design and ensure compliance with control mechanisms in the processes.

Second: operates in organisational units responsible for managing particular risks (including measurement, monitoring, control, and reporting of risks). It fulfils a managerial function whereby risk management is delivered at dedicated stations or organisational units independently from the first line.

Third: provide the senior management and the Supervisory Board with assurances that the activities of the first and second lines are in line with their expectations. The third line of defence is the activities of the Internal Audit Unit.

The Bank supervises the functioning of subsidiaries of the Capital Group of Alior Bank. Supervises risk management systems in these entities and takes into account the level of risk of activity of individual entities as part of the risk monitoring and reporting system at the Group level.

The Bank considers the following risks to be major:

- credit risk,
- operational risk,
- liquidity risk,
- interest rate risk in the banking book,
- market risk in the trading book (encompassing: interest rate risk in the trading book, currency risk, and commodity price risk).



Credit risk

The management of credit risk and maintaining it at a secure level defined by the risk appetite is fundamental for stable operation and growth of the Bank. Credit risk control is delivered by our comprehensive credit risk management system which is integrated into the Bank's operational processes.

The description of how the risk control system operates is reflected in the regulations applicable at the Bank, in particular, in credit methodologies and in the risk valuation models adapted to the customer segment, type of product and transaction, the rules for establishing and monitoring legal securities for loans, and by debt monitoring and collection processes.

In managing its risks, the Bank takes measures (both on the individual and on portfolio basis), aimed at:

minimising the level of credit risk of a single loan at the adopted profitability level,



reducing the overall credit risk resulting from the Bank holding a specific credit loan portfolio.



- As part of measures to minimise the risk level of a single exposure, the Bank assesses each time when originating a new loan product:
 - credibility and credit rating of the customer, taking into account, among other things, detailed analysis of the source from which the exposure is to be repaid,
 - credibility of the accepted security, including verification of the formal legal status and economic value, taking into account, among other things, LTV adequacy,
 - takes effective monitoring and collection measures adequately defined on the level of a single customer based on the segmentation models applied.
- To keep credit risk on the level defined in its risk appetite, the Bank has applied the following measures:
 - establishes and controls concentration limits,
 - monitors the structure and quality of a new credit exposure in relation to defined objectives and EWS signals,
 - analyses changes in internal factors and market factors as well as the sensitivity of the credit portfolio, in particular, in relation to negative events identified as a potential risk,
 - regularly monitors the loan portfolio, by controlling all major parameters of credit risk (including PD, LGD, LTV, DTI, COR, NPE, NPL, Coverage, loss rate of particular generations),
 - regularly conducts stress tests.

As regards credit risk management in the retail customer segment, the Bank continued to optimise credit policy and largely focused on quickly responding to signals from the systemic environment and improving the resilience of the portfolio under construction to the economic downturn, including by:

- tightening the principles for assessing creditworthiness in the conditions of increasing market interest rates,
- tightening the principles for assessing creditability,
- reviewing the policy for accepting legal collateral for consumer exposures.

The optimisations to the principles for assessing creditworthiness in regard to a cash loan, introduced in H1 2022, coupled with a significant reduction in the share of variable interest rate in the sale of that product made it possible to further improve the resilience of the portfolio to changes in economic situation and maintain a market share and market quality of new sales.

With regard to housing loans (characterised by the lowest loss ratio), following the implementation of adjustments to the new regulatory guidelines and evolving economic situation, the Bank recorded a similar decline in lending activity as the trend that can be observed on the market – the Bank’s lending activity declined by 15% comparing the period of January – May 2022 to the corresponding period of 2021.

In addition, the Bank continued to implement changes to the lending process which result in its increased automation and efficiency.

In the area of instalment loans, the Bank continued its strategy of optimising the credit policy, in particular with regard to the ECO offer and sales in the online process, including by adjusting the parameters, document requirements and approval strategy to the dynamically changing market environment. All these actions resulted

in a steady growth of the instalment loan portfolio, which amounted to 9% (comparing numbers as at the end of May 2022 to the numbers as at the end of May 2021), while maintaining the low loss ratio of the portfolio.

As regards loans to enterprises, in H1 2022 the Bank introduced a number of initiatives to increase the efficiency of the lending process and make the range of loan products more attractive in order to increase the acquisition of working capital financing.

Risk assessment in the loan origination process

The Bank takes decisions to award credit products in accordance with:

- applicable legislation and KNF Board recommendations,
- credit risk management policies,
- loan origination methodologies appropriate for the respective customer and type of product,
- operational procedures defining the appropriate activities to be carried out under the loan origination process, the Bank's units responsible for them, and the tools to be used,
- loan responsibility rules whereby responsibility levels are adapted to the level of risk involved in the customer and transaction.

Customer credit rating prior to issuing a decision to award a credit product is conducted using our loan support system, scoring or rating tools, external information (including databases of CBD DZ, CBD BR, BIK, economic information bureaus) and the Bank's in-house databases.

Separation of responsibilities

The Bank implements a policy consisting in the separation of functions related to Customer acquisition and sale of credit products from functions related to the assessment of credit risk, making loan decisions, and monitoring loan exposures.

Concentration risk management

Concentration risk is analysed at the Bank with regard to credit activity and is defined as a threat resulting from the Bank's excessive exposures in:

- exposures to single customers or groups of related customers,
- exposures subject to common or correlated risk factors, having a potential to generate losses to the extent that may pose threats to the Bank's financial condition.

The Bank identifies and assesses concentration risk by analysing the portfolio structure against various factors (exposure features) important for credit risks, and on this basis defines exposure groups, the excessive concentration of which is undesirable and in extreme conditions may generate losses that exceed the Bank's credit risk appetite. The awareness of the scale of potential threats related to exposure concentration allows us to create a secure structure of the credit portfolio.

In order to prevent unfavourable events resulting from excessive concentration, the Bank restricts this risk by complying with concentration limits under laws and regulations and by applying in-house limits and standards.

Impairment and provisions

The Bank assesses all on-balance-sheet and off-balance-sheet credit exposures to identify objective evidence of impairment, according to information most current as at the value adjustment date.

If there is no objective evidence of impairment of the carrying amount of credit exposures, they are aggregated to a group of assets with a similar credit risk profile and assessed in terms of material deterioration of credit quality since initial recognition. The assessment of deteriorated credit quality is based on a set of qualitative and quantitative evidence. Qualitative prerequisites include: achievement by the exposure of material overdue exceeding 30 days, classification of the customer into the Watch List category, exposures remaining in the forbore category, occurrence of other risks (e.g. industry, regional risks). Quantitative evidence is the material deterioration of the current aggregate probabilities of default in the period leading to expected maturity against aggregate probabilities of default for that period at the time of exposure generation (i.e., release or major modification). For exposures for which there is no evidence of impairment, the Bank uses impairment estimation models for the following horizons:

- the model of expected losses estimated within 12 months for exposures classified as Bucket/Stage 1 (or LCR [*Low Credit Risk*]) and
- the model of expected losses estimated at the time maturity horizon for exposures classified as Bucket/Stage 2 (including POCI [*Purchased or Originated with Credit Impairment*]).

When valuating expected losses, the Bank takes into account future macroeconomic factors using multi-scenario models.

In 2022, the Bank did not identify the need and nor did it implement changes in the principles of loan portfolio valuation aimed at adjusting to the current macroeconomic environment.

Impairment evidence

The Bank assesses impairment evidence by classifying and differentiating events related to:



Impairment is identified automatically in a central system that covers the customer's way of conduct towards all entities of the Bank's Capital Group.

The assessment covers a wide range of features assessing the payment regime, the customer's behavioural and procedural features and their financial standing.

Exposures for which evidence of impairment has been established are divided into individually measured exposures and valued collectively. Individual valuation is valid for exposures of business customers at risk of impairment exceeding the following materiality thresholds (calculated at the level of total customer exposure):

Materiality thresholds qualifying customer exposures for individual valuation (as at 30 July 2022):

Customer segment	Threshold value in PLN
Business customer	3,000,000

Individual valuation is based on the analysis of potential scenarios (business customers). Each scenario is assigned a probability of implementation and expected recoveries. The assumptions adopted for individual valuations are described in detail by those conducting the analysis. The values of recoveries expected under individual valuations are compared to the realised recoveries on a quarterly basis.

Group valuation is based on a wide range of characteristics tailored to the different populations, including essentially behavioural features of recoveries and recovery processes, as well as the duration of the exposure in default. Security is incorporated on the exposure level.

At the end of 2021, in the scope of credit portfolio classification and valuation processes, the Bank implemented the requirements of Recommendation R of the KNF Board concerning the principles of classification of credit exposures, estimation and recognition of expected credit losses and credit risk management.

Security

Legal security is a secondary source of repayment of a secured debt (if unfavourable circumstances occur within the lifetime of a credit product). Credit security also increases the probability of Borrowers meeting their obligations. If the Borrower fails to pay the debt by the dates defined in the loan agreement and restructuring measures fail to bring the expected result, the security is to enable the Bank to get reimbursed for the loan along with any interest and costs.

The Bank establishes the security method taking into account:

- expected workload of the Bank and the cost of establishing the security,
- type and amount of the secured debt and the lending period,
- viable possibility of meeting the Bank's claims in the shortest time possible from the adopted security,
- any pre-existing charges on the security, for security in kind,
- financial and business circumstances of the person providing guarantees to the customer, and their personal and ownership relationships with other entities (in the event of personal securities),
- estimated cost of potential materialisation of the security.

Management of the assets taken over due to debt

In justified cases, the Bank takes over any assets providing a security in order to satisfy the debt. Such operations are conducted based on an approved plan of management of the asset to be taken over.

Scoring/rating

Credit scoring is a tool to support lending decisions for consumers, and credit rating is an instrument supporting the decision-making process in the micro-, small-, medium-, and large-sized enterprises.

The Bank regularly tests its scoring and rating models for accuracy. The purpose is to find out if the models correctly differentiate the risks, and risk parameter estimations adequately reflect the respective risk aspects. In addition, during functional checks the accuracy of application of the models in the lending process is verified.

The scoring models currently used were built by the Bank's in-house resources. In order to strengthen the risk management process of models used at the Bank, there is a team acting as an independent validation unit.

Monitoring of credit risk for consumers and businesses

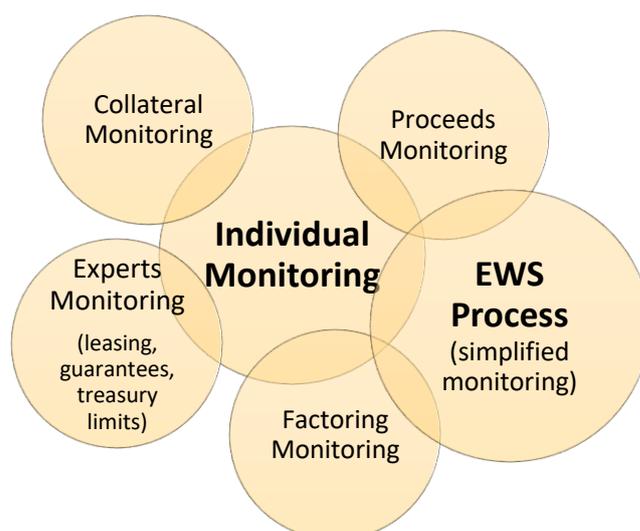
All credit exposures of consumers and business customers are subject to monitoring and current classification to adequate processing paths. To streamline the monitoring and control of the operational risk, adequate solutions in the Bank's lending systems were implemented. The system tools were consolidated to conduct the monitoring procedures effectively, and covers all accounts. At the same time, the Bank intensively develops the use of early warning signals in the on-going monitoring of credit exposures. They are based both on internal/transaction data and on external information.

Continuous control of the quality of the credit portfolio is ensured by:

on-going monitoring of the timely handling of loans and early warning signals (EWS),

periodic reviews, in particular the economic and financial situation of customers, transaction risk and values of accepted collaterals,

Business customers are also monitored on a quarterly basis by individual reviews. The scope of the analysis includes both an assessment of the economic and financial situation of the undertaking and all aspects relating to the structure of the products, collateral or contractual clauses.



The review results in updating customer classification as well as preparing and implementing recommendations on further development of relations with the customer in order to limit identified risks and improve the quality of the credit portfolio.

Forbearance practices

The Bank uses the following tools in the process of restructuring of individual customers:

- extension of the lending period resulting in lower amounts of monthly principal and interest to be repaid. If the lending period is extended, any restrictions resulting from the product characteristics are taken into account, for instance, the age of the borrower.
- grace periods for repayment (applied to a part of or the entire instalment depending on the risk assessment on the single exposure level). During the period of complete grace period for the repayment of principle and interest, the borrower is not required to make any payments under the agreement concluded. The period of loan repayment may be extended to adapt the amount of the instalment to the borrower's payment capacity (in accordance with the restrictions resulting from the product's metrics). Complete grace period is applied for a maximum of six months,
- consolidation of several liabilities at Alior Bank, including the conversion of the limit in the current account/unauthorised debit in the current account/credit card into a loan repaid in instalments; the consolidation results in transforming several liabilities under various contracts into single liability. The product launched as a result of consolidation shall be repaid in monthly instalments, on the basis of an agreed schedule. The parameters of the product launched as a result of applying the respective tool are consistent with the products metrics: cash advance/consolidation loan,
- statutory repayment holidays of up to 3 months (in this period, the entire instalment is subject to a grace period and no interest is charged).

Tools can be combined if such a solution increases the likelihood that the restructuring will be effective. In particularly justified circumstances, there is a possibility of applying other tools.

In the business customer segment, the Bank applies the following main solutions:

- extension of the lending period resulting in lower amounts of monthly principal and interest to be repaid.
- change of the repayment schedule in order to adjust payments to the current financial standing of the customer,
- granting consent to sell (in consultation with the customer) a part of securities and adequately reduce the customer's liabilities,
- changing the nature of the product to a non-renewable product, while establishing a repayment schedule (with partial reduction of non-renewable product),
- lowering the interest rate,
- change in the priority of repayments (crediting repayments to principal first),
- changing the loan currency in connection with the change of currency exposure.

Monitoring of risks involved in forbearance practices

As part of reporting activities concerning the portfolio of restructured loans, the following is subject to detailed analysis:

- application process (volume of applications, volume of decisions issued, types of decision, time to decision, time to decision implementation),
- quality of the portfolio of restructured lending (by particular form of arrears, forms of restructuring, types of product subject to change), with particular attention to delayed loss ratios.

Assessment of impairment for exposures subject to forbearance practices

All such exposures are subject to impairment over the life-time horizon.

Forbearance practices:

- affecting the asset value reduction; or
- where the repayment plan used is not based on reliable assumptions (macroeconomic and/or customer standardisation), or
- where the amended agreement contains significant deferrals as regards the commencement of repayment; or
- where the amended agreement provides for a large lump sum (balloon) payment at the end of the revised repayment schedule are evidence of impairment and are classified under "Stage 3".

An exposure for which an impairment has been identified (as a result of it being classified as forbearance) (default) maintains such status for at least 12 months.

Following that period, the exposure may leave the default status if there are no major delays or any other impairment evidence. Such exposure remains under the forbearance status for another 24 months. After that period, the identification of impairment evidence is conducted against the stricter criteria.

Risk control in loan origination processes

As part of the 2nd line of defence in Risk, the operational activity is conducted by a dedicated unit (Risk Control Department), performing control functions based on automated control mechanisms in key areas and credit processes. The scope of control covers the stages of the credit process from granting financing, through monitoring to debt collection activities.

The results of the inspections carried out, along with the relevant recommendations, are regularly reported to the Heads of Units, and owing to the adequate placement of individual control mechanisms in processes, the identified errors are corrected on an on-going basis, thus minimising the lack of compliance of the operational processes performed with internal and external regulations.



Operational risk

Operational risk means the possibility of a loss resulting from an incongruity or failure of internal processes, people, systems, or from external events, it shall be identified as a material risk. Operational risk includes legal risk, but does not include reputation and strategic risks

The purpose of managing operational risk connected with the Bank and the Alior Bank S.A. Capital Group is to maintain operational risk at a safe and adequate level in relation to the activities, objectives, strategies and development of the Bank, approved by the Management Board and the Supervisory Board of the Bank, as well as to develop quantitative methods and expand the extent to which they are used in managing the organisation using the Advanced Management Approach (AMA).

The Bank has in place a formalised operational risk management system within which it prevents operating events and incidents and minimises loss in case of risk materialization. The operational risk management system and the internal control system at the Bank and the Capital Group are based on three lines of defence.

Since 2016, the Bank has been developing statistical methods for calculating internal capital for operational risk. On 23 March 2022, the Polish Financial Supervision Authority approved a change in the AMA model consisting in shifting the threshold for differentiating the body and tail regions of the data and approved the implementation of remedial measures arising from the position of the Polish Financial Supervision Authority of 11 February 2021 by the Bank. This is yet another step to strengthen the operational risk management system in the Capital Group and reflect the actual level of that risk in the measurement.

The Capital Group applies:

- the AMA method (with regard to the activity of Alior Bank, without taking into account the activity of the branch in Romania),
- standard method (for the branch in Romania and Alior Leasing Sp. z o.o.)

in order to calculate own funds requirements for operational risk.

In H1 2021, the Management Board of the Bank made a decision to start a project aimed at changing the IT system used for data collection and supporting the operational risk management system.

The operational risk management structure in place at the Bank includes: the Supervisory Board, the Risk Committee of the Supervisory Board, the Management Board of the Bank, the Operational Risk Committee, the Operational Risk Management Department and Operational Risk Coordinators.

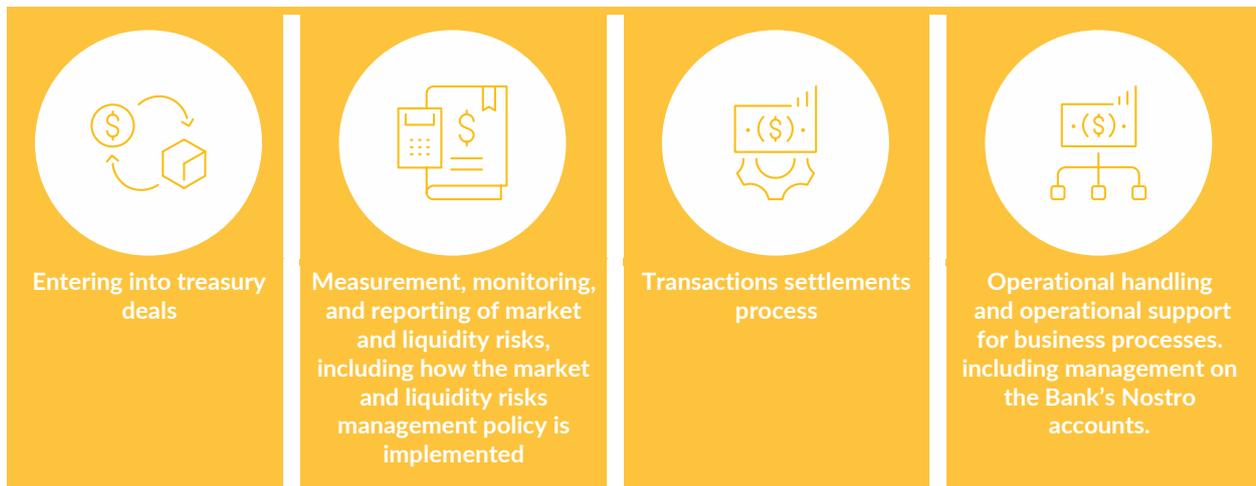
In Q2 2022, due to the need to establish a provision for legal risk related to mortgage loans in foreign currencies, the target and limit for operational risk costs was increased by decision of the Management Board of the Bank and the Supervisory Board.

The level of operational risk costs registered in the H1 2022 was within the target and limit for operational risk adopted for the Alior Bank Capital Group.

Market and liquidity risks

The main principles of managing these risks are defined in the Assets and Liabilities Management Policy.

The Bank has a clear division of competencies in place in regard to the management of market and liquidity risks, which includes:



Supervision of these activities connected with transactions and independent measurement activities and risk reporting has been distributed at the Bank to the level of the Member of the Management Board (this guarantees full independence of their operation).

Apart from individual organisational units, an active role in the market risk and liquidity risk management process is played by the Supervisory Board, the Management Board of the Bank and the Capital, Assets and Liabilities Management Committee (CALCO).

Exposure to market and liquidity risk is limited by the system of limits (periodically updated, introduced by a resolution of the Supervisory Board or CALCO), covering all risk measures the level of which is monitored and reported by organisational units of the Bank independent of business.

Three types of limits exist in the Bank, differing in scope and mode of operation:

- basic limits (determined at the level of the Supervisory Board),
- supplementary limits - determined by the Management Board of the Bank or CALCO (when the process of setting limits has been delegated to CALCO),
- additional limits.



Market risk

The Bank has identified the following market risks to be managed:

- interest rate risk in the banking book,
- market risk in the trading book (encompassing: interest rate risk in the trading book, currency risk, and commodity price risk).



Liquidity risk

Means the risk of inability to meet payment obligations arising from balance sheet and off-balance sheet items held by the Bank. This risk distinguishes the risk of financing (there is a risk of losing the sources of funding held) and the risk of inability to renew the funds due or to lose access to new sources of funding.

Purpose of liquidity risk management

It is intended to provide the necessary financial resources to meet the current and future (including potential) liabilities, taking into account the specific features of the activity and the needs that may emerge as a result of changing market or macroeconomic conditions.

Liquidity risk management process

The Bank has in place an internal liquidity adequacy assessment process (ILAAP) consisting in effective management of liquidity risk (to ensure that the Bank holds stable funding and adequate liquidity buffers to meet obligations on time), including in stress conditions, and to ensure the compliance with regulatory requirements for liquidity. Through ILAAP elements, the Bank defines the liquidity risk tolerance (i.e. the liquidity risk level) it intends to bear. It is consistent with the risk appetite and the overall strategy of the Bank.

Organisation of the liquidity risk management process

The Bank has appointed a CALCO (committee to manage assets and liabilities). The liquidity risk strategy (acceptable level of risk, assumed balance sheet structure, financing plan) is approved by the Management Board of the Bank and then accepted by the Supervisory Board. Concluding treasury interbank transactions rest with the Treasury Department. Settlement and posting of transactions takes place in the Operations Division. Liquidity risk is monitored and measured at the Financial Risk Management Department. The allocation of liquidity risk management competences is transparent and ensures that they are separated to the level of the Member of the Management Board (which guarantees full independence of their operation).

Management of liquidity risk at the Bank's foreign branch

In 2021, the Bank had a single foreign branch in Romania. It carried out deposit and credit operations. The objective of the Branch is to conduct credit activity with the funding received from Alior Bank and using funding acquired on the local market. The Branch's liquidity level is monitored on an ongoing basis by dedicated organisational units of the Branch and of the Bank's Head Office.

Liquidity risk management in subsidiaries

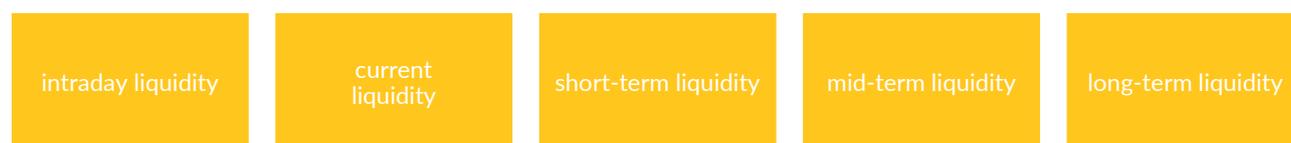
In 1H 2022, Alior Leasing was considered an important company in the Group's liquidity risk management.

Liquidity risk in the company is monitored, controlled and reported on the basis of internal liquidity risk management principles (liquidity risk appetite, liquidity contingency plans, regular reports are prepared). The

reports prepared by Alior Leasing concerning the liquidity risk in the company constitute, a starting point for making decisions on liquidity management of the company and are used to consolidate the liquidity risk at the level of the Capital Group.

Measurement and assessment of liquidity risk

Liquidity risk is measured at the Bank taking into account all significant positions – both on and off balance sheet (including, in particular, derivatives). The liquidity management metrics at the Bank include ratios and the related limits of the following liquidity types:



Liquidity risk monitoring and reporting

The Bank regularly monitors, reports the level of liquidity risk measures and the degree of use of supervisory and internal limits and thresholds.

As part of liquidity risk management, the Bank conducts a number of analyses (including analysis of maturity/maturity profile in the long term, depending to a large extent on the assumptions made in terms of the development of future cash flows related to asset, liability and off-balance-sheet items). These assumptions are subject to approval by the CALCO Committee and the Bank's Management Board.

Summary of maturity/maturity dates of contractual flows of assets and liabilities on a consolidated basis as at 30 June 2022 (in millions of PLN):

30.06.2022	1D	1M	3M	6M	1Y	2Y	5Y	5Y+	TOTAL
Assets	5 236	2 854	2 990	4 497	8 977	14 425	27 105	54 816	120 900
Equity and liabilities	-60 472	-5 052	-5 825	-2 233	-2 890	-1 101	-1 506	-5 650	-84 729
Balance sheet gap	-55 236	-2 198	-2 835	2 264	6 087	13 324	25 599	49 166	36 171
Accumulated balance sheet gap	-55 236	-57 434	-60 269	-58 005	-51 918	-38 594	-12 995	36 171	
Derivatives – net	-2	22	13	5	40	22	5	0	105
Guarantee and financial lines	-10 528	0	0	0	0	0	0	0	-10 528
Off-balance sheet gap	-10 530	22	13	5	40	22	5	0	-10 423
Total gap	-65 766	-2 176	-2 822	2 269	6 127	13 346	25 604	49 166	25 748
Total accumulated gap	-65 766	-67 942	-70 764	-68 495	-62 368	-49 022	-23 418	25 748	

Comparable data as at 31 December 2021 (in PLN million):

31.12.2021	1D	1M	3M	6M	1Y	2Y	5Y	5Y+	TOTAL
Assets	3 917	3 073	2 724	3 986	9 620	11 701	24 159	42 207	101 387
Equity and liabilities	-64 681	-2 683	-4 392	-1 631	-1 420	-486	-1 719	-6 241	-83 253
Balance sheet gap	-60 764	390	-1 668	2 355	8 200	11 215	22 440	35 966	18 134
Accumulated balance sheet gap	-60 764	-60 374	-62 042	-59 687	-51 487	-40 272	-17 832	18 134	
Derivatives – net	0	39	22	7	6	7	4	0	85
Guarantee and financial lines	-9 945	0	0	0	0	0	0	0	-9 945
Off-balance sheet gap	-9 945	39	22	7	6	7	4	0	-9 860
Total gap	-70 709	429	-1 646	2 362	8 206	11 222	22 444	35 966	8 274
Total accumulated gap	-70 709	-70 280	-71 926	-69 564	-61 358	-50 136	-27 692	8 274	

The Bank maintains a liquidity buffer at a high level by investing in government debt securities and enterprises with the highest ratings (characterised by quick liquidation), maintaining funds on the current account with NBP and other banks (nostro accounts). It also maintains cash at the Bank's cash desks and invests funds as part of interbank deposits (within the limits set). The adequacy of the liquidity buffer is controlled by comparing it with the established minimum liquidity buffer (necessary to survive a stress scenario for up to and including 7 days and for 30 days).

As at 30 June 2022, the total liquidity buffer was PLN 13 185 million as compared to a minimum level of PLN 12 392 million under the shock scenario. To calculate the liquidity buffer, the Bank uses appropriate reductions of particular components of that buffer to take into account market liquidity risk (product).

The main source of financing of the Bank's operations, including the portfolio of liquid assets, is the funds acquired as part of the deposit base (the level of which as at 30 June 2022 was approx. 79% of liabilities).

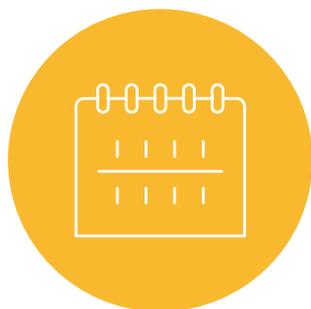
In addition, the Bank conducts liquidity stress tests taking into account an internal, external, and mixed crisis (including it prepares a plan of acquisition of funds in emergency situations, as well as it defines and verifies the rules for the sale of liquid assets, taking into account the cost of maintaining liquidity). The results of stress tests are used, in particular, to assess the extent to which the Bank is prepared to settle liabilities in a stress situation, to assess the adequacy of excess liquidity, as well as to verify the adjustment of the Bank's liquidity profile to the adopted liquidity risk tolerance.

The comparison of the demand for liquid funds for each scenario (with the values that can be obtained on the basis of the tests of contingency plans) allows to check whether the Bank is able to settle liabilities in longer horizons (beyond the horizon of survival) using emergency actions. Moreover, the results of stress tests serve to establish internal limits, adjust and improve internal regulations, everyday practice in managing liquidity risk through using the results of stress tests to assess the Bank's day-to-day liquidity situation, as well as to shape a liquidity emergency plan.

Throughout H1 2022, the liquidity of the Capital Group was at a safe level, which was reflected by levels of liquidity ratios significantly above the limits. As at 30 June 2022, the LCR was 136%, whereas NSFR was 125%

compared to the required level of 100% for both measurements. Compared to the end of 2021, the Bank identified a decline in liquidity measurements, which was the effect of decisions to raise interest rates, including the reserve requirement, by the Monetary Policy Council and improved liquidity management costs.

Interest rate risk



It is defined as the risk of negative impact of the level of market interest rates on the current result or net present value of the Bank's capital. Due to its policy of limiting risks in the trading book, the Bank has attached special importance to specific aspects of interest rate risk related to the banking book, such as:

- risk of repricing period gap,
- basis risk,
- yield curve risk,
- customer option risk.

In addition, for interest rate risk, the Bank pays special attention to the modelling of prepayments of fixed-rate loans and products with undefined maturity and the amount of interest determined by the Bank (e.g., for current deposits), and the effect of non-interest items risk (e.g., equity, fixed assets).

The purpose of interest rate risk management is to limit potential losses due to changes in market interest rates (to an acceptable level) by adequate composition of balance sheet and off-balance sheet items.

Interest rate risk is measured and mitigated by monitoring the volatility of net interest income (NII) and changes in economic value of equity (EVE) of the Bank. Apart from NII and EVE the Bank measures interest rate risk using BPV, VaR, Expected Shortfall measures, overestimation gap, and stress tests.

The Bank conducts scenario analysis which covers, among other things, the effect of specific interest rate changes on the future net interest income and economic value of equity. Under these scenarios, it maintains internal limits whose use is measured daily. Evolution of the measure of the change in the economic value of equity in the worst-case scenario with:

- the scenarios set out by the EBA in its guidelines on interest rate risk management, in the banking book,
- parallel shift of interest rate curves by +/- 100 and +/- 200 bp,
- internal scenarios of the Bank.

Change in the economic value of equity as at the end of H1 2022 and as at the end of 2021 for the Capital Group has been presented below (in PLN thousand):

Scenario	Change in the economic value of equity 30.06.2022	Change in the economic value of equity 31.12.2021
The most unfavourable scenario	-220.682	-241.920
The most unfavourable scenario as % of Tier 1	3.5%	3.9%

The change in net interest income over a horizon of up to 1 year with a change in interest rates by 100 bps (negative scenario) at the end of H1 2022 and at the end of 2021 for the Capital Group has been presented below:

	30.06.2022	31.12.2021
NII – total, materialised net interest income sensitivity to changes in interest rates	6.3%	7.7%



Currency risk

Defined as the risk of loss due to exchange rate changes. Additionally, the Bank distinguishes the impact of the exchange rate on its results in the long term, as a result of the conversion of future foreign exchange revenues and costs at potentially unfavourable exchange rates. The primary purpose of currency risk management is to identify the areas of activity of the Bank that can be exposed to that risk and take measures to limit as far as possible any losses occurring out of it.

The Bank's Management Board defines the currency risk profile which must be characterised by compliance with the applicable financial plan of the Bank.

Alior Bank regularly monitors and reports on:



Currency risk limits are determined in such a way as to keep the risk at a limited level.

The Bank's main currency risk management tools include:

- internal procedures for currency risk management,
- internal models and metrics of currency risk,
- limits and warning thresholds for currency risk,
- restrictions on admissible currency transactions,
- stress tests.

Currency risk is measured and assessed by limiting currency positions taken by the Bank.

For measurement, the Bank uses Expected Shortfall, and stress tests.

The VaR measure determines the potential loss on foreign exchange positions held related to changes in exchange rates, maintaining the assumed confidence level and the retention period. To determine the VaR level, the Bank uses the variance-covariance method at confidence level of 99%.

The conditional VaR determines the expected level of losses exceeding the value-at-risk. The Expected Shortfall value is interpreted as a stress test VaR as it assumes a significantly higher level of losses with an appropriate weighting of the probability of their occurrence.

As at the end of H1 2022, the maximum loss on the currency portfolio held by the Bank (managed in the trading book), determined on the basis of Expected Shortfall within a time horizon of 10 days, with the assumed confidence level of 99% (in PLN thousand) has been presented below:

	30.06.2022	31.12.2021
Expected Shortfall*	144	203

* starting from 2022, VaR is replaced by Expected Shortfall

In measuring the exposure of the Capital Group to the risk of changes in exchange rates, the Bank carries out stress tests. Presented below are the results of stress tests examining the impact of changes in exchange rates relative to PLN by +/- 20% (in PLN thousand) as at the end of H1 2022 and as at the end of 2021:

	30.06.2022	31.12.2021
rates +20%	8 202	-8,658
rates -20%	24 254	26,051



Model risk

The purpose of managing this risk is to enable the achievement of the set business goals with an acceptable level of uncertainty resulting from the use of models in the Bank's operations. The Bank strives for the widest possible use of models in its processes to achieve automation of the decision-making process and minimise the role of the human factor. The Bank shapes the model risk management process in a way which ensures that the goal in question is achieved. The model risk management process assesses compliance of the model risk level with the adopted risk tolerance, and measures are taken in order to limit this level.

The stages of the process are: identification, measurement, monitoring, control and reporting of the model risk. The model risk management process is carried out at the level of individual models as well as at the level of the model portfolio.



Capital management (ICAAP)

Alior Bank manages its capital in such a way as to ensure safe and effective operations.

In order to ensure safe operation, the Bank determines (as part of the risk appetite) appropriate levels of coverage by own funds (as well as Tier1 capital) of potential unexpected loss due to material risks determined as part of the ICAAP process, as well as risks identified as part of the regulatory capital calculation process.

Under the ICAAP process, the Bank identifies and evaluates the materiality of all risks it is exposed to in doing its business.

Risks significant as at 30 June 2022			
Credit risk (including: insolvency, residual, sectoral concentration, customer concentration, currency concentration, security concentration)	Operational risk	Liquidity risk	Interest rate risk in the banking book
Market risk	Settlement/ delivery risk	Model risk	Reputation risk
Business risk	Capital risk	Compliance risk	Leverage risk

For particular risks identified as material risks, the Bank estimates internal capital requirement using its in-house risk estimation models. Internal capital is estimated for the following risks:

- credit risk based on the VaR portfolio method
- operational risk based on AMA approach,
- liquidity risk based on liquidity gap models taking into account a stress scenario,
- market risk based on VaR method,
- interest rate risk in the banking book based on EVE method,
- reputation risk based on VaR method,
- business risk based on the outcome of stress tests,
- model risk based on the outcome of stress tests.

The total internal capital so determined (and the calculated regulatory capital) is secured with the amount of own funds (as well as Tier1) taking into account appropriate security buffers.

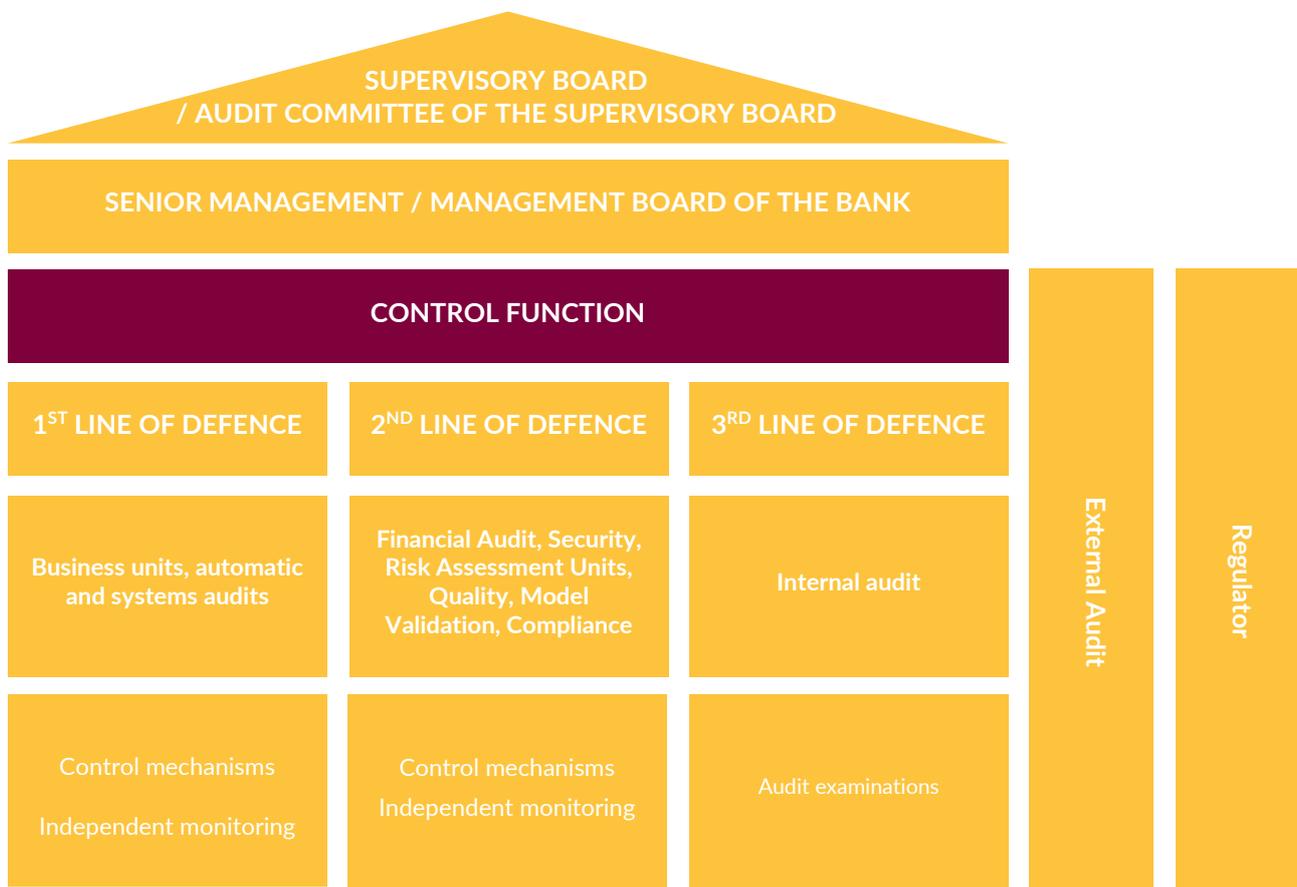
Capital ratios of the Capital Group:

	30.06.2022	30.06.2021
Total capital ratio	13.99%	14.95%
Tier 1	12.63%	12.99%
Ratio of internal capital coverage by available capital	1.63	2.20

IX. Internal control system

The internal control system in place at Alior Bank is the entirety of solutions and measures to ensure that the internal control system objectives defined by law are met, and at the same time to support Bank management, contribute to effective performance of tasks, and ensure the security and stable operations of the Bank. The Bank's internal control system comprises: control function, compliance unit, and independent internal audit unit.

The internal control system operated at the Bank is built around the model of three lines of defence:



At all three levels of defence, the employees of the Bank, apply as appropriate certain controls or independently monitor compliance with certain controls. The particular lines of defence are separated from each other, they are characterised by separate roles and responsibilities which are defined in the Bank's organisational rules, as well as in dedicated policies and procedures. Despite that the lines of defence are disjoint, they share information and coordinate their activities for risks, controls and organisational governance. All three lines of defence have the same task, i.e., support the Bank in achieving the goals of the internal control system.

The Bank's authorities attach special importance to ensuring the quality and correctness of operation of the internal control system. The Bank's Management Board is responsible for designing, introducing and ensuring the operation of an adequate and effective internal control system, in particular, it approves the criteria for separation of material processes, the list of material processes, and their connection to the goals of the internal control system, and defines and oversees any corrective action taken to remove the most significant inadequacies. The Supervisory Board's Audit Committee deals with, among other things, current monitoring and annual review of the quality and effectiveness of the internal control system. In particular, the Supervisory Board approves the rules of operation of the internal control system and evaluates the adequacy and effectiveness of that system.

In the first half of 2022, the Bank conducted work to organise and automate the internal control system coordination process for purpose of increasing the efficiency of that system.



Control system in the process of preparing the financial statement

It is implemented through:

- Group-wide application of standardised accounting policies for valuation, recognition and disclosures, in accordance with International Financial Reporting Standards,
- use of internal control mechanisms (allocation of responsibilities within the reporting department, at least two-stage authorisation of data, verification of correctness of data received),
- definition of responsibilities and formalising the financial statement preparation process,
- definition of the roles and control of compliance with the circulation of financial and accounting documents, and verification in the substantive, formal and accounting terms,
- keeping a record of business events in an integrated financial and accounting system, the configuration of which corresponds to the accounting policies applicable at the Bank and which contains instructions and controls to ensure the coherence and integrity of data,
- independent assessment of financial statements conducted by an independent external auditor.

The process of financial reporting is subject to ongoing verification. The integrated financial and accounting system plays an important role in the control process for accounting and financial reporting. It not only allows for checking the correctness of the recorded operations, but also allows for the identification of persons entering into and accepting individual transactions. Access to financial information is restricted by the privilege system. System access privileges are provided depending on the assigned role and scope of responsibility of the individual. They are subject to strict control.

The Bank's Accounting Principles contain provisions aimed at ensuring compliance of accounting and prepared financial statements with the applicable regulations, including in particular: overriding principles and quality features of financial statements, correctness of valuation and classification of events, mechanisms for securing data sets. To ensure the compliance of our Accounting Principles with updated regulations, including, in particular, with International Financial Reporting Standards, they are regularly updated. The last update took place in December 2021.

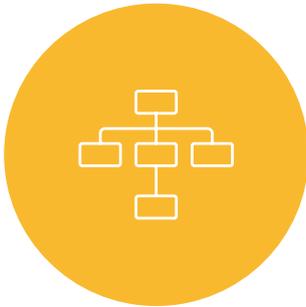
The risk of preparation of the financial statements is mitigated by the Accounting Department (e.g. through supervision over the quarterly process of monitoring the reconciliation of balances on accounts in the Bank's general ledger, by assigning these accounts to relevant substantive units). In addition, the process of entering into contracts and launching new products by individual organisational units of the Bank has been tightened up by introducing mandatory review by the Accounting Policy Team.

In addition, risk connected with the preparation of financial statements is limited by subjecting the financial statements to a semi-annual review and an annual audit by an independent auditor. The procedure for the selection of the independent auditor as applied by the Bank ensures its independence in delivery of the tasks entrusted to them (the selection is made by the Supervisory Board) and high standard of service. The outcomes of reviews and audits are presented by the auditor to the Supervisory Board's Audit Committee.

The contract with the audit firm KPMG Audyt Spółka z ograniczoną odpowiedzialnością sp.k. for conducting the auditing and reviews of standalone and consolidated financial statements was extended for another three years, and covers audits and reviews for 2021-2023.



X. Information for Investors



Structure of share capital

The Bank's share capital is PLN 1,305,539,910 and is divided into 130,553,991 ordinary shares with nominal value of PLN 10.00 each.

All shares of the Bank are bearer ordinary shares to which equal rights and obligations attach. The Articles of Alior Bank do not restrict the shareholders' rights for exercising voting rights and disposal of shares. One share gives the right to one vote at the Bank's General. PZU SA's rights as the parent entity of the Bank

result from the number of shares held and their percentage share in the share capital and the resulting number of votes held at the General Meeting of the Bank.

There was no change in the structure of the Bank's share capital in the reporting period.

Structure of the Bank's share capital according to a series of issued shares (as at 30 June 2022):

Share series	Number of shares	Value of the series as per nominal price (PLN)
A	50,000,000	500,000,000
B	1,250,000	12,500,000
C	12,332,965	123,329,650
D	863,827	8,638,270
E	524,404	5,244,040
F	318,701	3,187,010
G	6,358,296	63,582,960
H	2,355,498	23,554,980
I	56,550,249	565,502,490
J	51	510
Total	130,553,991	1,305,539,910

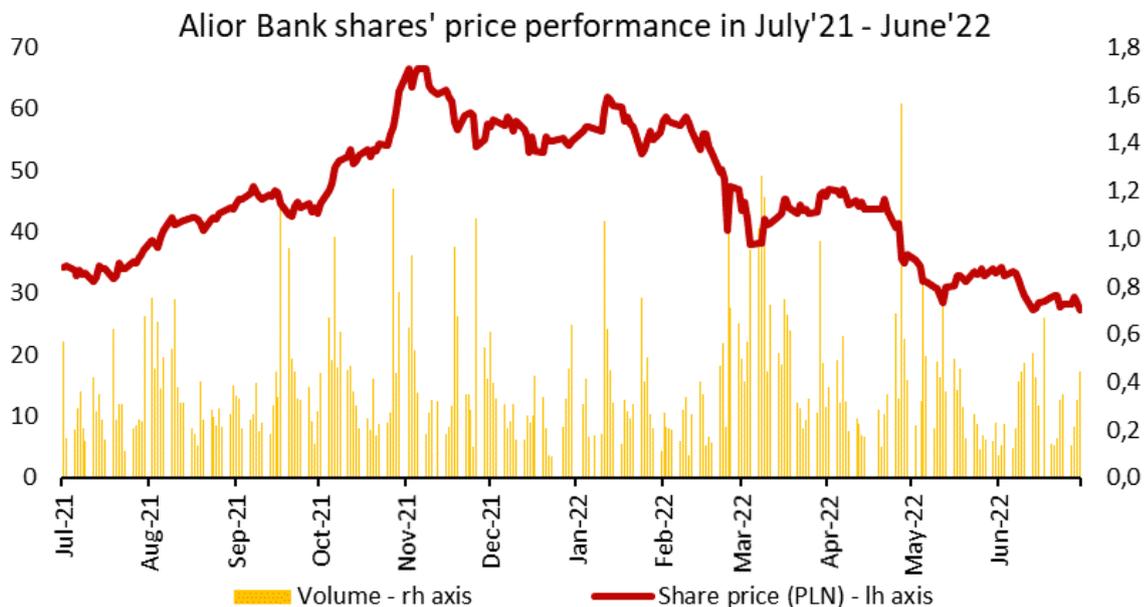


Alior Bank share prices in GPW in 1H 2022

Alior Bank debuted on the Warsaw Stock Exchange on 14 December 2012. Currently, the Bank's shares form part of the following indices: WIG, WIG-BANKI, mWIG40, mWIG40TR, WIG.MS-FIN, WIG30, WIG30TR, WIG-Poland, WIG-ESG, CEEplus.

In H1 2022, more than 308 thousand transactions on the Bank's shares were concluded, which represents growth by 21% compared to 256 thous. transactions concluded in the same period of the previous year. The volume of trade (the number of shares that changed owners) was 49 million shares in H1 2022, compared to 66 million shares in H1 2021, which means a decline by 26% y/y. On the other hand, the total value of trade in the Bank's shares in H1 2022 grew to PLN 2.08 billion compared to PLN 1.6 billion in H1 2021 (revenue growth by 29% y/y). The growth in trade resulting primarily from a higher price of the Bank's shares. The average price of one share of the Bank at the close of the trading session in H1 2022 was PLN 43.08, compared to PLN 25.01 in H1 2021 (up by 72% y/y).

In the reporting period, trade in the shares of Alior Bank represented 1.28% of trade in the shares of companies listed on the WSE in Warsaw. On June 2022, the price of the Bank's shares was PLN 27.20 (down by 18% compared to the end of June 2021), whereas the C/WK ratio was 0.64. The following chart shows the development of the Bank's share prices and trading volumes in the period of July 2021 to June 2022.





Investor Relations

The Bank has been taking active measures to meet stakeholder information needs, caring for universal and equal access to information, in accordance with the highest market standards and commonly binding law.

Meetings of the members of the Bank's Management Board and representatives of the Bank's management with the equity market community, including investors and analysts, are held on a regular basis. The aim of the meetings is to discuss the current financial and operational situation of the Bank, present the strategy of operation and planned directions of further development. In addition, these meetings address topics related to the current macroeconomic situation, general condition of the financial sector, and the Bank's competitive environment.

In 1H 2022, 20 meetings with foreign and domestic investors took place in the form of teleconferences. In addition, approximately 50 talks were held with brokerage bureau analysts concerning trends in the banking sector in particular quarters and the Bank's current financial situation.

Current Bank Ratings

Agency	Award date	Long-term rating	Short-term rating	Outlook
FitchRatings	8 December 2021	BB	B	stable
S&P Global Ratings	8 December 2021	BB	B	stable

Assessment of Fitch Ratings Ltd

On 8 December 2021, Fitch Ratings Ltd. informed the Bank about the confirmation of long-term and short-term ratings of the Bank at its current level and about the change of the Bank's rating outlook from "Negative" to "Stable".

Full rating of the Bank awarded by Fitch Ratings is as follows:

- Long-Term IDR: BB with stable, outlook
- Short-Term IDR: B,
- National Long-Term Rating: BBB+(pol) with stable outlook
- National Short-Term Rating: F2(pol)
- Viability Rating (VR): bb,
- Government support rating: ns.

Definitions of Fitch ratings are available on the agency's website at www.fitchratings.com, which also publishes rating scales, criteria and credit rating methodologies.

Standard & Poor's Global Ratings Assessment

On 24 June 2021, S&P rated the Bank. It maintained the issuer's long-term rating at "BB", increased the outlook from "Negative" to "Stable" and maintained the issuer's short-term rating at "B".

On 8 December 2021, S&P provided the Bank with confirmation of long-term and short-term ratings of the Bank at its current level.

Full rating assessment of the Bank awarded by Standard & Poor's Global Ratings is as follows:

- Long-Term Issuer Credit Rating at "BB" with stable outlook
- Short-Term Issuer Credit Rating at "B".

Definitions of S&P ratings are available on the agency's website at www.standardandpoors.com, which also publishes rating scales, criteria, and credit rating methodologies

Alior Bank Shareholders

Due to the Bank's status as a public company within the meaning of the Public Offering Act (Ustawa o ofercie publicznej) and the fact that the Bank's shares are listed on a regulated market (primary market) operated by the GPW, the Bank provides the following information on the shareholders who hold at least 5% of the share capital of the Bank and the overall number of votes at the General Meeting as at the date of submission of the periodic report.

From the date of submission of the previous interim report until the date of publication of this report, the Management Board of the Bank has not received any notices pursuant to Article 69 of the Act of 29 July 2005 on Public Offering and Conditions Governing the Introduction of Financial Instruments into Organised Trading, and Public Companies (Ustawa z dnia 29 lipca 2005 r. o ofercie publicznej i warunkach wprowadzania instrumentów finansowych do zorganizowanego systemu obrotu oraz o spółkach publicznych).

Ownership structure of the Bank's share capital as at 30 June 2022 and as at the date of submission of the periodic report:

Shareholder	Number of shares	Nominal value of shares (PLN)	Percentage of share capital	Number of votes	Votes as proportion of overall votes
PZU Group*	41,658,850	416,588,500	31.91%	41,658,850	31.91%
Nationale-Nederlanden OFE**	12,394,509	123,945,090	9.49%	12,394,509	9.49%
Aviva OFE Aviva Santander**	8,677,162	86,771,620	6.65%	8,677,162	6.65%
Other shareholders	67,823,470	678,234,700	51.95%	67,823,470	51.95%
Total	130,553,991	1,305,539,910	100%	130,553,991	100%

*PZU Group is comprised of entities which have entered into a written agreement concerning the acquisition or disposal of Bank shares and the consistent exercise of voting rights at the General Meetings of the Bank, i.e.: Powszechny Zakład Ubezpieczeń SA, Powszechny Zakład Ubezpieczeń Na Życie SA, PZU Specjalistyczny Fundusz Inwestycyjny Otwarty UNIVERSUM, PZU Fundusz Inwestycyjny Zamknięty Aktywów Niepublicznych BIS 1 oraz PZU Fundusz Inwestycyjny Zamknięty Aktywów Niepublicznych BIS 2. Conclusion of the above-mentioned agreement was announced by the Bank in Current Report No. 21/2017.

** Based on the published report for 2021 on the composition of the PTE portfolio.

Alior Bank shares held by the Bank's governing body

At the end of the reporting period (30 June 2022) and as at the date of publication of the report, the Members of the Management Board and the Supervisory Board of Alior Bank did not hold shares of the Bank. Since the date of publication of the last periodic report, there have been no transactions in the Bank's shares to which Members of the Management Board or the Supervisory Board of the Bank would be a party.

Significant agreements and obligations



As at 30 June 2022, Alior Bank did not hold:

- obligations towards the central bank,
- significant agreements on loans, sureties and guarantees not related to operational activities, apart from the annex to the agreement on periodical provision of insurance guarantees constituting unfunded credit protection concluded with the Powszechny Zakład Ubezpieczeń SA.
- In the reporting period, the Bank had obligations resulting from the securities issued, including, in particular, subordinated bonds and Banking Securities, and other financial instruments.

The Bank did not enter into and did not terminate any loan and advance agreements outside of the normal scope of the Bank's business activity.

The entities comprising the Bank's Group did not grant loans or guarantees together to a single entity or to a subsidiary of that entity, the value of which would exceed 10% of the Bank's equity outside of normal business activity.

As at 30 June 2022, the number of active guarantees granted by Alior Bank S.A. amounted to 956, for a total amount of PLN 735,647,000. The Bank makes sure that the time structure of the guarantees is appropriate. Active guarantees with less than two years to maturity (776 items) amounted to PLN 454,955,000.

The total value of off-balance-sheet contingent liabilities granted to customers as at 30 June 2022 amounted to PLN 10,528,183,000. This amount consisted of PLN 9,792,536,000 of contingent off-balance-sheet liabilities related to financing and PLN 735,647,000 of contingent guarantee off-balance-sheet liabilities.

During the reporting period, no significant transactions were made as part of the Alior Bank Capital Group with affiliates otherwise than on arm's length principles.

The Bank holds no information about any contracts whereby changes to the proportion of shares held by the existing shareholders and bond holders would be made.

Alior Bank did not issue any securities to provide special control rights towards the Bank. There are also no limitations regarding the exercise of voting rights from the Bank's shares and restrictions concerning the transfer of ownership rights to the Bank's securities.

Governing bodies of Alior Bank S.A.

General Meeting of the Bank

General Meetings of the Bank in H1 2022

1. The Extraordinary General Meeting of the Bank, convened at the request of a shareholder of the Bank, was held on 12 April 2022. In addition to resolutions concerning organisational affairs, resolutions were also adopted regarding changes to the composition of the Supervisory Board of the Bank.
2. The Ordinary General Meeting of the Bank held on 31 May 2022. In addition to resolutions concerning organisational affairs, it also adopted resolutions on matters related to the closing of the financial year 2021 concerning:
 - approval of the report on the operations of the Supervisory Board of the Bank,
 - approval of the financial statements of the Bank and of the Capital Group of the Bank,
 - approval of the Report on the operations of the Capital Group of the Bank, including the Report of the Management Board on the operations of the Bank and the Report of the Capital Group of the Bank on non-financial information,
 - method for distribution of profit for the financial year 2021,
 - granting a discharge to all Members of the Management Board and Supervisory Board of the Bank.

In addition, the General Meeting of the Bank adopted resolutions on:

- the position of the Ordinary General Meeting of the Bank regarding the assessment of the functioning of the remuneration policy in effect at the Bank,
- the approval of the "Policy for the selection and assessment of members of the Supervisory Board of Alior Bank Spółka Akcyjna".
- the assessment of the collective suitability of the Supervisory Board of Alior Bank Spółka Akcyjna,
- expressing an opinion on the "Report on the remuneration of the members of the Management Board and the Supervisory Board of Alior Bank S.A. for the year 2021" as submitted by the Supervisory Board of the Bank,
- amendments to the Articles of Association of Alior Bank,
- the adoption of Best Practice for WSE Listed Companies 2021.

Amendments to the Articles of Association of the Bank in H1 2022

Pursuant to Article 415 §1 of the Act of 15 September 2000 Code of Commercial Companies (*Dziennik Ustaw* 2020, item 1526, as amended) requires the adoption by the General Meeting of the Bank of an appropriate resolution by qualified majority of three quarters of votes. The amendment of the Articles of Association also requires the authorisation of the Polish Financial Supervision Authority and the registration of the adopted amendment in the register of entrepreneurs of the National Court Register.

On 31 May 2022, the Ordinary General Meeting adopted Resolution No. 34/2022 on the amendment of the Articles of Association of the Bank consisting in the addition of a new subparagraph 21 in § 7.2, concerning the extension of the Bank's business to include:

- issuing electronic identification means within the meaning of the provisions on trust services

The amendment to the Articles of Association arising from Resolution No. 34/2022 of the Ordinary General Meeting will enter into force subject to the authorisation of the Polish Financial Supervision Authority, with effect from the moment of entry in the National Court Register.

The application for authorisation to amend the Articles of Association was submitted by the Bank to the PFSA on 24 March 2022 and the procedure for its examination is on-going.

On 28 June 2022, the Bank submitted to the Polish Financial Supervision Authority an application for authorisation to amend the Articles of Association of the Bank as regards the requirement to obtain the Authority's consent to the redemption of the Bank's shares.

The amendment consists in adding a new paragraph 4 in § 10 of the Articles of Association, reading as follows:

- redemption of shares requires the consent of the Polish Financial Supervision Authority

The requested amendment to the Articles of Association of the Bank results from the position of the Polish Financial Supervision Authority expressed in the letter of 27 May 2022 sent to management boards of commercial banks and concerning the adaptation of articles of association of banks to the provisions laid down in Regulation (EU) No. 575/2013 of the European Parliament and of the Council of 26 June 2013 on prudential requirements for credit institutions and investment firms, in reference to the position of the European Banking Supervision Authority expressed in the report from 8 December 2021.

In PFSA's opinion, it is necessary to introduce a provision indicating that the redemption of shares requires the consent of the Polish Financial Supervision Authority

On July 21, 2022, the Polish Financial Supervision Authority allowed for the requested amendment to the Articles of Association. The draft resolution will be referred for deliberation to the next General Meeting

Supervisory Board of the Bank

Composition of the Supervisory Board of the Board as at 30.06.2022		Composition of the Supervisory Board of the Board as at 31.12.2021	
Filip Majdowski	Chair of the Supervisory Board	Aleksandra Agatowska	Chair of the Supervisory Board
Ernest Bejda	Deputy Chair of the Supervisory Board	Ernest Bejda	Deputy Chair of the Supervisory Board
Małgorzata Erlich - Smurzyńska	Supervisory Board Member	Małgorzata Erlich - Smurzyńska	Supervisory Board Member
Paweł Knop	Supervisory Board Member	Paweł Knop	Supervisory Board Member
Artur Kucharski	Supervisory Board Member	Artur Kucharski	Supervisory Board Member
Marek Pietrzak	Supervisory Board Member	Filip Majdowski	Supervisory Board Member

Dominik Witek	Supervisory Board Member	Marek Pietrzak	Supervisory Board Member
Paweł Śliwa	Supervisory Board Member	Dominik Witek	Supervisory Board Member

In the reporting period, i.e. from 1 January 2022 to 30 June 2022, the following changes were made to the composition of the Supervisory Board of the Bank:

- On 12 April 2022, Ms Aleksandra Agatowska resigned from her position in the Supervisory Board and resigned the position of the Chairperson of the Supervisory Board of the Bank, effective as of 12 April 2022 13:30,
- On 12 April 2022, the Ordinary General Meeting of the Bank adopted Resolution No. 3/2022 and appointed Mr Paweł Śliwa to the Supervisory Board of the Bank:

Members of the Supervisory Board are not engaged in any competitive activity towards the Bank and do not participate in competitive partnerships as their members, or as members of the authorities of companies, or other, competitive legal persons.

Information on how Members of the Supervisory Board of the Bank comply with the requirements provided for in Article 22aa of the Banking Law is available on the Bank's website: <https://www.aliorbank.pl/dodatkowe-informacje/o-banku/rada-nadzorcza.html>.

Committees of the Supervisory Board

Audit Committee of the Supervisory Board

Composition of the Committee as at 30.06.2022		Composition of the Committee as at 31.12.2021	
Artur Kucharski	Committee Chair	Artur Kucharski	Committee Chair
Ernest Bejda	Committee Member	Ernest Bejda	Committee Member
Marek Pietrzak	Committee Member	Marek Pietrzak	Committee Member
Filip Majdowski	Committee Member	Filip Majdowski	Committee Member
Paweł Knop	Committee Member	Paweł Knop	Committee Member

The reporting period saw no changes in the composition of the Audit Committee of the Supervisory Board of Alior Bank S.A.

The individuals meeting the independence criteria in accordance with the submitted statements are:

- Mr Artur Kucharski,
- Mr Paweł Knop,
- Mr Marek Pietrzak.

The individuals with knowledge and skills in the area of accounting or auditing the financial statements are: Mr Artur Kucharski, and Mr Paweł Knop. Mr Artur Kucharski gained his knowledge and skills when he worked as a financial auditor at PricewaterhouseCoopers (PWC). Mr Artur Kucharski graduated from a training course held by the Association of Chartered Certified Accountants (ACCA).

Mr Paweł Knop holds the powers of a statutory auditor, which he obtained in the course of auditing the largest entities in Upper Silesia from the automotive, mining, steel, and service industries. He started his professional career in 2006-2007 in the financial industry - Commercial Union (Aviva), advisory - KPMG, and then banking - Bank Spółdzielczy in Raciborz and Alior Bank S.A. Subsequently, since 2010, he continued his career with Deloitte Polska, where he became a statutory auditor in 2017.

Mr Artur Kucharski, Mr Ernest Bejda, Mr Paweł Knop, and Mr Filip Majdowski have been designated as persons with knowledge and skills in the sector in which the Company operates.

Activities of the Audit Committee

Under the Rules of the Audit Committee adopted by resolution of the Supervisory Board of the Bank, the Committee provides advice and opinions to the Supervisory Board.

In the reporting period, the Audit Committee held 13 meetings and discussed issues related to: financial reporting process, internal control system, risk management systems, internal audit, performing the activities of financial audit. The Audit Committee was kept informed on material topics concerning accounting and financial reporting, controlled and monitored the independence of the statutory auditor and the entity authorised to audit financial statements. As regards monitoring the effectiveness of the internal control system and risk management systems, and internal audit, the Committee received reports from the Audit Department, including information on the results of audits carried out, progress of recommendations implementation, reports on the implementation of the audit plan, assessment report on the adequacy and effectiveness of the internal control system and the risk management system. Based on reports of the Regulatory Compliance Department, it monitored the compliance risk management system and the control function.

Nomination and Remuneration Committee of the Supervisory Board:

The Remuneration Committee was established pursuant to Resolution of the Supervisory Board No. 87/2011 on 7 December 2011.

Composition of the Committee as at 30.06.2022		Composition of the Committee as at 31.12.2021	
Ernest Bejda	Committee Chair	Aleksandra Agatowska	Committee Chair
Małgorzata Erlich - Smurzyńska	Committee Member	Ernest Bejda	Committee Member
Marek Pietrzak	Committee Member	Małgorzata Erlich - Smurzyńska	Committee Member
Dominik Witek	Committee Member	Marek Pietrzak	Committee Member
		Dominik Witek	Committee Member

The composition of the Nomination and Remuneration Committee of the Supervisory Board of Alior Bank changed during the reporting period. On 12 April 2022, Ms Aleksandra Agatowska resigned from her position

in the Supervisory Board and resigned her position as the Chairperson of the Supervisory Board of Alior Bank Spółka Akcyjna in the 4th term of office. In light of this resignation, the composition of the Nomination and Remuneration Committee decreased.

Activities of the Nomination and Remuneration Committee of the Supervisory Board

In H1 2022, the Nomination and Remuneration Committee held 5 meetings during which The Committee made changes to the policy for the selection and assessment of members of the Management Board and the Supervisory Board based on Recommendation Z of the Polish Financial Supervision Authority and Best Practice for GPW Listed Companies 2021 (DPSN 2021). The Committee issued an opinion on the objectives of the Management Board of Alior Bank for the year 2022, carried out a secondary assessment of the individual suitability of a Member of the Management Board after they have been delegated to act as the President in one of the subsidiaries of the Alior Bank Capital Group and conducted a collective suitability assessment of the managing body. The Committee also handled the Report of the Management Board of Alior Bank on the implementation of management objectives for the year 2021, the awarding of variable remuneration to members of the Management Board for the year 2021 and assessed MBO objectives for MRTs for the year 2022. The agenda of Committee meetings also included: the Report on remuneration of the members of the Management Board and the Supervisory Board of Alior Bank for the year 2021, Report on the assessment of the remuneration policy in Alior Bank. The Committee also issued an opinion on the update of rules regarding the remuneration of members of the Management Board of the Bank and the update of agreements for management services.

In connection with changes to the composition of the Supervisory Board, the Nomination and Remuneration Committee of the Supervisory Board carried out a secondary suitability assessment of the Supervisory Board and appointed the President of the Committee.

Risk Committee of the Supervisory Board:

Composition of the Committee as at 30.06.2022		Composition of the Committee as at 31.12.2021	
Ernest Bejda	Committee Chair	Ernest Bejda	Committee Member
Artur Kucharski	Committee Member	Artur Kucharski	Committee Member
Dominik Witek	Committee Member	Dominik Witek	Committee Member
Małgorzata Erlich - Smurzyńska	Committee Member	Małgorzata Erlich - Smurzyńska	Committee Member
Paweł Knop	Committee Member	Paweł Knop	Committee Member

The reporting period saw no changes in the composition of the Risk Committee of the Supervisory Board of Alior Bank S.A.

Activities of the Risk Committee of the Supervisory Board

In the reporting period, the Risk Committee of the Supervisory Board held 6 meetings and 2 additional meetings together with the Audit Committee of the Supervisory Board.

As part of the on-going supervision of the risk management area and capital adequacy, the Committee was receiving reports and analyses presenting the situation of the Bank and of its major subsidiaries. The Committee recommended key draft regulations in the risk area to the Supervisory Board of the Bank.

During its meetings, the Risk Committee of the Supervisory Board discussed key issues related to the risk management process, which included in particular: a review of annual results in the area of risk, including the determination of risk appetite and implementation of risk policy for the year 2021, review and update of risk appetite, analysis of the capital position of the Bank, analysis of the quality of the credit portfolio and major credit exposures. The Committee also analysed key risks identified by the Bank.

The Committee received results from the area of market, liquidity, operational, models and credit risk on an on-going basis, including the results of the analysis of the adequacy of the level of impairment allowances and provisions for on- and off-balance-sheet exposures that were impaired. Furthermore, the Committee was also focused on issues related to credit concentration risk, treasury portfolio risk, reputation risk, compliance risk, and risk related to the portfolio of counterparty credit limits. The results of stress tests conducted by the Bank as well as scenario analyses of the impact of draft legislation on the financial results of the Bank and capital adequacy ratios were also discussed.

The Committee also familiarised itself with the risk assessment of the mortgage-backed portfolio covered by Recommendation S, retail exposures covered by Recommendation T and the settlement of actions taken by the Bank to reduce the NPL ratio. On the basis of received periodical reports, the Committee regularly monitored the effectiveness of the risk management system of the Bank.

Strategy and Development Committee of the Bank's Supervisory Board

Composition of the Committee as at 30.06.2022		Composition of the Committee as at 31.12.2021	
Filip Majdowski	Committee Chair	Aleksandra Agatowska	Committee Chair
Artur Kucharski	Committee Member	Artur Kucharski	Committee Member
Dominik Witek	Committee Member	Filip Majdowski	Committee Member
Paweł Śliwa	Committee Member	Dominik Witek	Committee Member

During the reporting period, the composition of the Bank Strategy and Development Committee changed in connection with changes to the composition of the Supervisory Board of the Bank for the 4th joint term of office:

- On 12 April 2022, Ms Aleksandra Agatowska resigned as a member of the Supervisory Board of the Bank, and Mr Paweł Śliwa was appointed to the Supervisory Board,
- On 26 April 2022, the Supervisory Board determined the new composition of the Committee (composition as per the table).

Activities of the Strategy and Development Committee of the Bank's Supervisory Board

In H1 2022, the Bank Strategy and Development Committee of the Supervisory Board held two meetings. The meetings were devoted to the approach to the preparation of a new strategy for Alior Bank and ESG. The Committee has positively recommended further work on the proposed directions and time horizon of the strategy since 2023. During meetings, the Committee also discussed materials containing a summary of work carried out within the framework of strategic programmes for the year 2021 and Q1 2022, including the achieved KPI levels. The agenda also included a regular review of projects implemented at the Bank – the status of projects enabling stable development and transformation of the bank, i.e. the Hyperautomation project (artificial intelligence, robotisation, process workflow) and the hybrid cloud model implementation project.

Management Board of the Bank

Composition of the Management Board of the Bank as at 30 June 2022

	<p>Vice-President in charge of Management Board works President of the Management Board as of 14 July 2022*</p>	<p>Areas of responsibility: internal audit, compliance risk management, HR, communication and CSR, handling of the Bank's bodies and strategy. He is also responsible for the day-to-day functioning of procedures for reporting breaches of law, procedures and principles of business ethics in effect at the Bank and accepts reports in this regard in accordance with the provisions of internal regulations of the Bank.</p>
	<p>Vice-President of the Management Board</p>	<p>Areas of responsibility: finance, accounting and financial reporting, controlling, supervision over subsidiaries and activity in other countries.</p>
	<p>Vice-President of the Management Board</p>	<p>Areas of responsibility: retail customer products and sales (retail customer and micro-enterprises), and brokerage activity</p>
	<p>Vice-President of the Management Board</p>	<p>Areas of responsibility: business customer products and sales, and treasury activity</p>
	<p>Vice-President of the Management Board</p>	<p>Areas of responsibility: marketing, logistics and procurement</p>

	Vice-President of the Management Board	Areas of responsibility: operational area, legal area, IT and cybersecurity, personal data security and protection
Paweł Tymczyszyn		

*On 14 July 2022, the Polish Financial Supervision Authority approved the appointment of Mr Grzegorz Olszewski as the President of the Management Board of the Bank.

**On 29 March 2022, due to the resignation of Mr Maciej Brzozowski, the Management Board of the Bank adopted Resolution No. 100/2022 on the internal division of powers in the Management Board of the Bank, approved on 31 March 2022 by the Supervisory Board of the Bank, thus introducing a new division of powers among Members of the Management Board. The Supervisory Board confirmed that until a candidate for a Member of the Management Board of the Bank in charge of supervising the management of risk relevant to the Bank's operations is selected and until the Polish Financial Supervision Authority approves the appointment, supervision over the management of relevant risk is exercised by the Management Board of the Bank *in gremio*.

Composition of the Management Board of the Bank as at 31 December 2021

Grzegorz Olszewski Vice-President in charge of Management Board works	Areas of responsibility: internal audit, compliance risk management, HR, communication and PR, handling of the Bank's bodies and strategy. He is also responsible for the day-to-day functioning of procedures for reporting breaches of law, procedures and principles of business ethics in effect at the Bank and accepts reports in this regard in accordance with the provisions of internal regulations of the Bank.
Maciej Brzozowski Vice-President of the Management Board	Areas of responsibility: management of risk relevant to the operations of the Bank
Radomir Gibała Vice-President of the Management Board	Areas of responsibility: finance, accounting and financial reporting, controlling, supervision over subsidiaries and activity in other countries
Rafał Litwińczuk Vice-President of the Management Board	Areas of responsibility: retail customer products and sales (retail customer and micro-enterprises), and brokerage activity
Marek Majsak Vice-President of the Management Board	Areas of responsibility: business customer products and sales, and treasury activity
Jacek Polańczyk Vice-President of the Management Board	Areas of responsibility: marketing, logistics and procurement
Paweł Tymczyszyn Vice-President of the Management Board	Areas of responsibility: operational area, legal area, IT and cybersecurity, personal data security and protection

In the reporting period, the following changes were made to the composition of the Management Board of the Bank:

- On 24 March 2022, Mr Maciej Brzozowski resigned his position in the Supervisory Board and resigned as the Vice-President of the Management Board effective as of 24 March 2022, 18:00.
- In connection with the changes in the composition of the Management Board of the Bank, as of 31 March 2022 a new internal division of powers among the Members of the Management Board was introduced.

Members of the Management Board of the Bank are not engaged in any competitive activity towards the Bank and do not participate in competitive partnerships as partners or members of governing bodies of limited companies or other competitive legal persons.

Information on how Members of the Management Board of the Bank comply with the requirements provided for in Article 22aa of the Banking Law is available on the Bank's website: <https://www.aliorbank.pl/dodatkowe-informacje/o-banku/zarząd.html>.

XIV. Legal Claims



In the Bank's opinion, no single court, arbitration court or public administration body proceedings in progress during the first half of 2022, and none of the proceedings jointly, could pose a threat to the Bank's financial liquidity. The proceedings which according to the opinion of the Management Board are significant are presented below:

- case claimed by a client - limited company for a payment of PLN 109 967 thousand in respect of compensation for damage incurred in connection with the conclusion and settlement of treasury transactions. The claim dated 27 April 2017 was brought against Alior Bank S.A. and Bank BPH SA. In the Bank's opinion, the claim has no valid factual and legal basis and probability of an outflow of funds is negligible.
- the Bank, as part of its activities as part of a separate organizational unit - Biuro Maklerskie Alior Bank S.A., in the years 2012 - 2016 conducted activities in the field of distribution of certificates of participation in investment funds: Inwestycje Rolne Fundusz Inwestycyjny Zamknięty Aktywów Niepublicznych, Inwestycje Selektywne Fundusz Inwestycyjny Zamknięty Aktywów Niepublicznych, Lasy Polskie Fundusz Inwestycyjny Zamknięty Aktywów Niepublicznych and Vivante Fundusz Inwestycyjny Zamknięty Aktywów Niepublicznych (hereinafter collectively referred to as "Funds"). The bank distributed over 250 thousand investment certificates of the Funds.

On 21 November 2017, the Polish Financial Supervision Authority ("PFSA") issued a decision to withdraw the permit to operate by FinCrea TFI SA, which is the managing body of the Funds. The Polish Financial Supervision Authority justified the issuance of a decision found in the course of administrative proceedings for gross violations of the provisions of the Act on investment funds and management of alternative investment funds. The decision was immediately enforceable. No society has decided to take over the management of the Funds, which, pursuant to Art. 68 sec. 2 in connection with joke. 246 paragraph. 1 point 2 of the Act on Investment Funds and Management of Alternative Investment Funds was the reason for the dissolution of the Funds. The dissolution of an investment fund takes place after liquidation.

The Funds are currently being liquidated by the custodian, Raiffeisen Bank International AG, based in Vienna. The liquidation of an investment fund consists in selling its assets, collecting the fund's receivables, satisfying the fund's creditors and redeeming participation units or investment certificates by paying the funds obtained to fund participants, in proportion to the number of participation units or investment certificates they have (Article 249 (1) of the Act. on investment funds and management of alternative investment funds). From the day of commencement of liquidation, the investment fund may not sell units or issue investment certificates, as well as buy back participation units or redeem investment certificates and pay out the fund's income or revenues (Article 246 (3) of the aforementioned Act).

Claims for payment

The Bank is defendant in 95 cases brought by the buyers of the Fund's investment certificates for payment (compensation for damage). The total value of the dispute in these cases is PLN 66 717 thousand.

The final value of the investment certificates of the Funds will be determined after the completion of the liquidation. Due to the above, in the opinion of the Bank, until the liquidation of the funds is completed, all (existing and future) claims for payment are groundless. The Bank assumes that the probability of the outflow of funds due to the above-mentioned lawsuits is estimated at less than 50%, therefore, as at 30 June 2022, the Bank did not create provisions with respect to these lawsuits.

Liability claims

The Bank is the defendant in 1 collective action brought by a natural person - a representative of a group of 84 natural and legal persons, for determination of the Bank's liability for damage and in 3 individual cases for establishing the Bank's liability for damage.

The class action was filed on 5 March 2018 against the Bank to determine the Bank's liability for damage caused by the Bank's improper performance of disclosure obligations towards customers and the improper performance of contracts for the provision of services for accepting and transmitting orders to purchase or sell Fund investment certificates. The court decided to hear the case in class proceedings. By letter of 15 July 2021, the claim was extended to a group of another 283 people. At the same time, 14 people declared their withdrawal from the group. The court did not issue a decision on the composition of the group.

The lawsuits were filed to establish liability (not for payment, i.e. compensation for damage), therefore the Bank does not anticipate any outflow of cash from these proceedings, other than litigation costs, the amount of which the Bank estimates at PLN 600 thousand.

Polish Financial Supervision Authority (PFSA) by decision of 6 August 2019 issued on the basis of art. 167 section 2 point 1 in connection with art. 167 section 1 point 1 of the Act on trading in financial instruments, imposed a fine on the Bank in the amount of PLN 10 000 000. The proceedings concerned the correct operation of Alior Bank and the Bank's Brokerage House in the scope of distribution of investment certificates of funds previously managed by Fincrea TFI S.A. and now Raiffeisen Bank International AG (Joint Stock Company) Branch in Poland. The bank requested the PFSA to reconsider the case. The Polish Financial Supervision Authority, after re-examining the case with a decision of 3 December 2019, upheld the original decision. On 3 January 2020, the Bank appealed against this decision to the Provincial Administrative Court in Warsaw. On 17 June 2020, the Provincial Administrative Court in Warsaw issued a judgment in which it revoked the decision of the Polish Financial Supervision Authority (PFSA) of 3 December 2019, upholding the earlier decision of the Polish Financial Supervision Authority of 6 August 2019 on the imposition of two fines on the Bank in the total amount of PLN 10 M and discontinued the proceedings conducted by the Polish Financial Supervision Authority in this case. The Polish Financial Supervision Authority (PFSA) filed a cassation complaint with the Supreme Administrative Court. As at the date of publication of this report, the Supreme Administrative Court has not considered the complaint.

The value of disputed claims amounted to PLN 349 398 thousand as at 30 of June 2022 and PLN 359 873 thousand as at 31 of December 2021. The value of provisions for disputed claims amounted to PLN 38 468 thousand as at the end of first half of 2022 and PLN 41 530 thousand as at the end of 2021.

Proceedings before the President of the Office of Competition and Consumer Protection (UOKiK)

Proceedings on provisions of recognizing a standard contract as illegal, the so-called modification clauses

On 27 September 2019, the President of the Office of Competition and Consumer Protection (UOKiK) initiated ex officio proceedings against Alior Bank S.A. to recognize a standard contract as illegal (reference number RPZ.611.4.2019.PG) the subject of which is 11 clauses (the so-called modification clauses) included in contract templates used by the Bank, on the basis of which the Bank made unilateral changes to contracts concluded with consumers. The President of UOKiK questioned the wording of the provisions in question, among others as imprecise and not allowing consumers to verify the occurrence of premises for the change being made. The Bank corresponds with the President of the Office of Competition and Consumer Protection in this case. The Bank intends to present to the Office of Competition and Consumer Protection a plan to remove the ongoing effects of the breach from contracts with customers. If it is approved by the President of UOKiK, it will be possible to conduct further discussions on adjusting the questioned modification clauses to the expectations of the President of UOKiK. As at 30 June 2022, the Group has not identified any rationale for making provisions on this account.

Proceedings on provisions of recognizing a standard contract as illegal - OTC regulations

On 21 November 2019, the President of the Office of Competition and Consumer Protection (UOKiK) initiated ex officio proceedings against Alior Bank SA to recognize a standard contract as illegal (reference number DOIK-611-1/19/ARO) the subject of which is 3 clauses included in the application used by Alior Bank through the Alior Bank's Brokerage House in the contractual template entitled "Regulations for the execution of orders in trading in financial instruments on OTC markets and the maintenance of accounts and registers related to this trading by Alior Bank SA Brokerage House" regarding the reasons for suspending the presentation of financial instrument offers, procedures in the event of incorrect quotation, quotation sources that may be referred to consumer. The President of UOKiK questioned the wording of the provisions in question, among others as imprecise. The Bank corresponded with the President of the Office of Competition and Consumer Protection in this case. In a letter of 13 May 2022, he submitted a commitment proposal pursuant to Art. 23c paragraph. 1 in conjunction art. 23b paragraph. 1 of the act on competition and consumer protection. In view of the conclusion of the evidence proceedings in the case, the decision by the President of the Office of Competition and Consumer Protection is awaiting. As at 30 June 2022, the Group has not identified any rationale for making provisions on this account.

Affairs related to the operation of Alior Bank SA's subsidiaries

On 26 June 2019, to Alior Leasing sp.z o.o. a class action was filed for severance pay, filed by four former members of the company's Management Board who were dismissed by the Supervisory Board on 20 December 2018. The amount of the claimed claim is PLN 645 thousand. On 14 March 2022, the Court of Appeal in Wrocław changed the appealed judgment of the District Court in Wrocław of 11 August 2021 and ordered Alior Leasing to pay the plaintiffs the amount of the claimed claim together with interest for delay from 3 January 2019 to the day of payment. On 12 July 2022, the company filed a cassation appeal to the Court of Appeal in Wrocław, challenging the judgment issued by that court.

In December 2021, the Bank and the leasing company received another (new) summons from the former members of the Management Board of Alior Leasing to an ad hoc arbitration court under the management program; the summons was based on the same factual and legal circumstances as the previous ones. In the opinion of the Company and the Bank, the probability that the dismissed members of the Management Board will successfully obtain benefits under the management program in court is less than 50%. The position of the

Company was based on legal opinions obtained by the Management Board of the Company. The above circumstances justify the lack of recognition of such provisions in the Group's financial statements.

Alior Leasing sp. z o.o. identifies the possibility of claims by external entities in connection with the activities of some former employees and associates of the company. As at the date of this financial statements, claims in this respect were not reported. In the Group's opinion, there are no circumstances justifying the creation of a provision on this account.

The Group will not reveal further information regarding the above-indicated possible claims, in order not to weaken his future position in a potential dispute or administrative proceeding.

XII. Principles of social responsibility

Social responsibility is an important part of activities pursued by Alior Bank. We make every effort to ensure that the activities planned in the business strategy take into account our social and environmental responsibility. Therefore, at the beginning of 2022, we adopted a comprehensive roadmap of ESG activities that defines our tasks in this area. In 2022, Alior Bank focuses on two key areas of social responsibility. The first area is dialogue and cooperation, whereas the second one is mental and physical well-being of our stakeholders.



Environmental Protection



Social responsibility



Corporate governance

<p>Pro-ecological transformation</p> <ul style="list-style-type: none"> • Low-emission • Paperless and plasticless • Digitisation and robotisation 	<p>Dialogue and cooperation</p> <ul style="list-style-type: none"> • Dialogue with stakeholders • ESG Partnership Network • Cooperation with startups 	<p>High management standards</p> <ul style="list-style-type: none"> • ESG Committee and involvement of the Bank's Management Board • Development of ESG competences throughout the Bank
<p>Financing of business transformation</p> <ul style="list-style-type: none"> • Green products for all customer segments 	<p>Mental and physical health</p> <ul style="list-style-type: none"> • Making use of the potential of the PZU Capital Group • Mental health programme • Promotion of prevention and physical activity 	<p>Transparency and compliance</p> <ul style="list-style-type: none"> • Simple and understandable communication • Transparent disclosures, including report and ESG rating • Regulatory compliance

In H1 2022, we launched a series of activities to support customers from Ukraine. For Ukrainian refugees without access to an identity document required by the Bank to open a standard account, Alior Bank offers a dedicated product, i.e. a primary payment account. It can be opened at branches and partner outlets of the Bank all over the country.

As part of a special offer for Ukrainian nationals, Alior Bank does not charge a fee for account and payment card maintenance for a period of 12 months. In order to more ensure easier communication, the website of Alior Bank and transaction platforms (Alior Online, Alior Mobile, Currency Exchange) were translated into Ukrainian. At the same time, Alior Bank adapts to the legislation governing relations with Russia and Russian companies on a continuous basis.

The newly established Alior Bank Foundation also coordinated activities related to the establishment of the Alior Bank Assistance Centre located in the centre of Warsaw, where refugees can receive comprehensive assistance.

An important step that we carried out in H1 2022 was also to define a comprehensive map of stakeholders and to plan actions involving regular dialogue that would enable us to identify and understand their needs.

We are also strengthening corporate governance by introducing internal regulations that are essential for the area of social responsibility. In the first half of the year, the primary area of action was to ensure the highest standards of diversity and to build a working environment that encourages engagement in charity work by employees. We believe that engagement of our employees is crucial to achieving our social objectives.

By becoming involved in physical and mental well-being, Alior Bank responds to challenges generated by the COVID-19 pandemic on a new scale. Both employees of the Bank and our customers are able to take advantage of attractive, well-developed medical packages and insurance policies on preferential terms. Online standard offers, these include mental health care and a wide range of preventive check-ups.

In the coming months, we plan to continue already undertaken activities, combining dialogue with stakeholders, pro-health campaigns and promotion of participation in charity work.

Customer relations

In H1 2022, we are focused on actions focused primarily on constant improvement of customer experience and partnership banking.

Customer Experience

As far as the Customer Experience area is concerned, we focused our activities to bring about improvements to make day-to-day banking more convenient, simpler and more intuitive. We are also focusing our efforts on key issues for our customers in an attempt to respond to current events in the country and abroad. This year, our actions are focused on the situation in Ukraine and helping people who were granted shelter in our country in the face of war. In order to meet their needs, we have created a special helpline dedicated exclusively for Ukrainian speakers – there they can receive substantive support regarding processes, products and services offered by our Bank. We also prepared responses to written question from our Ukrainian-speaking customers and we created a legible tab on our website in their native tongue.

We have also made sure that call center employees are suitably prepared and knowledgeable to talk about opening an account for refugees, among other topics.

Furthermore, we conducted market research to check how we can stand out from the competition, namely what else can we offer our customers so that banking with us during this difficult time would meet their expectations and needs, and sometimes even exceed beyond them.

A constant, immutable element of our work are market benchmarks. This time we tested the functionalities offered by online banking, mobile banking and the helpline to retail and business customers in competitive banks. We verified the contents of IVR messages and notifications on the website concerning customer service for Ukrainian refugees. We also compared offers for our youngest customers (aged 13 to 17), so as to become a partner in their day-to-day banking as well. We also analysed chat messages – replies, functionalities, customer service standards and overall user-friendliness of that contact channel. We took a closer look at not only banks, but also top institutions considered to be leaders in providing customer service via that channel.

We focused our efforts on providing our customers with appropriate education via the helpline. We regularly conduct internal mystery shopper studies. We test the quality of our helpline regarding customer service provided with respect to owned products and services as well as the sale of new products (new to bank and new to product). In addition, we care about the quality of written communication with the customer.

We also test our automatic consultant – InfoNina – in terms of ease of access to specific information, understanding messages and overall user-friendliness of that solution.

We continuously endeavour to provide our customers with a number of tools that they can use to solve their problems without having to contact a Bank employee. An example of such solution are the FAQs published on the Bank’s website – by analysing conversations between our customers and helpline employees we are systematically expanding the set of questions and replies, so that they respond to current and evolving needs of customers. Recently, these needs were related to the account for children and youths or issues related to BLIK.

We make efforts to ensure that information available in the “contact” tab on the Bank’s website is up to date, so that customers have access to accurate information regarding business hours of the helpline and the scope of services offered. In recent times, we updated the tab with a new number dedicated for Ukrainian refugees.

In 2022, we continued to implement activities contributing to the improvement of experience of our business customers. As part of the CEXKB Strategy, we offered several new initiatives based on three primary pillars – Convenience, Credibility and Humanity. They directly translate into higher customer satisfaction in day-to-day banking.

We strive to expand knowledge regarding aftersale service. We participate in the preparation of training materials; we co-develop knowledge tests regarding basic use of online channels.

We are constantly working on expanding the number of supported queries submitted via various channels and on reducing response time to customer queries. Furthermore, we continue to work on improving available functionalities in mobile channels, e.g. payments with BLIK for business customers.

We are expanding the Fair Play Strategy developed in 2021. We communicate the most important information concerning basic system and product functionalities to our customers and provide them advance information on accrued fees and commissions.

As part of initiatives supporting appropriate business relationships, we place emphasis on the crucial role of the account manager in the aftersale service and support process.

Customer Zone

We are constantly developing the “Customer Zone” tab on our website, where customers can check out what has changed at the Bank in the last year, what new products and functionalities we prepared to be an even better partner for our customers. We constantly collect opinions of our customers regarding products, processes, services – this allows us to develop them in a way that fits their needs to the greatest possible extent.

Recommendation process

We continue our activities under the recommendation process, involving the analysis of problems that are significant from the customer’s point of view and of risks related to running a business, including reputation, financial and operational risk. Our goal is to analyse the processes not only from the perspective of the Bank, but also the customer, to implement recommendations improving processes, to educate the customer – which enables us to exert a viable impact on reducing the number of complaints and increasing customer satisfaction with their cooperation with the Bank.

Customer Problem Lab

Customers contact the Bank through various channels, not only by telephone and correspondence. Opinions, suggestions and inquiries are also provided via social media. Each day, we work on solving each and every problem of our customers, regardless of its complexity. We respond quickly to ensure that the quality of our service remains at the highest level. Unusual cases that require a quick response are referred to the recommendation group, so as to eliminate the risk of similar situations occurring in the future. All matters are analysed not only on a case-by-case basis – to provide support to a specific customer, but also on a system-wide basis – so as to improve the experience of all customers.

Simplifying communication

In H1 2022, we continued to change communications we send to our customers.

We always rely on legible, transparent and simple messages. We create our content and its appearance in accordance with the standards of simple language that we have drawn up in the “Simple Writing Handbook”

Thus far, we have simplified more than 3,550 pieces of content and the number keeps growing with each passing day. This includes, among others: operational letters and e-mails, responses to complaints, instructions, operational and debt collection text messages, voice and written messages. In the first half of this year, we implemented: simplified debt collection requests, operational e-mails in the process of opening the Highly Personal Account and the Highly Personal Account for Young People, and e-mails in the process of making purchases under instalment plans. We are also currently working to implement simplified legal documents, including the Highly Personal Account agreement.

We have also been continuously developing the area of artificial intelligence by working on voice message for our helpline assistant.

We promote simple language in social media on Facebook, LinkedIn and within our Bank by conducting training for new employees, regular communication, monitoring messages and recommending changes in the process of issuing opinions on communication.

Modernisation of branches

We continue to modernise our branches: 72 outlets were transformed into the new format by the end of June 2022. At these modernised branches, customers are provided the highest comfort and discretion when receiving customer service thanks to separated service desks. In the case of meetings that require particular privacy, employees and customers have access to meeting rooms in a specially designated zone. Furthermore, each and every modernised branch has a digital demo zone that is available to all customers, where they can use online banking or mobile app of the Bank. Employees in branch offices provide support and present the functionalities of these tools.

NPS surveys

Guided by the desire to ensure that our products match the expectations of retail and business customers to the greatest possible extent, we perform in-depth analysis of their loyalty and satisfaction with offered products and services. The opinions of customers acquired in regular NPS (Net Promoter Score) surveys conducted during CATIs (Computer Assisted Telephone Interview) and CAWIs (Computer Assisted Web Interview) are subject to in-depth verification. In H1 2022, we asked for the opinion of more than 36 thous. customers who rated our products and customer service channels.

Employee relations

Alior Bank is a Poland-wide universal bank and one of the most modern and innovative financial institutions in Poland. It is a place for people with ideas and business courage to set new banking standards. Social responsibility is a permanent operating principle of Alior Bank. The Bank builds relations with its environment, having regard to the needs of all stakeholders: customers, investors, employees, business partners and local communities.

For a number of years, Alior Bank has included basic elements of the diversity policy in its HR policy, acting on the assumption that value derived from differences represent an additional asset for the organisation. The Bank has and observes a “Policy of a Work Environment Free from Undesirable Behaviours”. In line with its provisions, the rules in force at the Bank pertain to: equal treatment of employees irrespective of their sex, age, disability, race, religion, nationality, political opinions, trade union membership, ethnic origin, beliefs, sexual orientation, employment for a definite or indefinite period of time, full-time or part-time employment, etc. Recruitment standards are compliant with the EU Directive on equal treatment in employment.

Alior Bank operates in a way that respects the freedom of association and does not infringe on the freedom of employees to participate in trade unions. There are five trade unions at Alior Bank, including one company-based and four inter-company trade unions. The implemented strategy of relations with the social partner complies with applicable law. The Bank applies procedures and time limits specified in the provisions of the Labour Code and specific acts, including the act on trade unions.

The social dialogue at the Bank is conducted in good faith and with due respect for the principles of social coexistence, and its participants are equal before the law. The parties are guided by the principles of mutual trust, and in the negotiation processes they try to reach a compromise, whereas in the event of a large divergence of stances, they strive for a consensus at least on core issues. The dialogue is a process involving constant interaction between the trade unions and the Bank as the Employer in order to reach agreement on important issues, both economically and socially, on a macro and micro scale.

In 2022, there were 6 meetings with trade unions regarding miscellaneous matters and there were 13 meetings of the social committee.

The Bank respects the freedom of association. According to data as at 30 June 2022, Alior Bank is unionised by almost 34%.

Development and training

Development and training programmes

Development activities support the implementation of the strategy adopted by the Bank and set business goals. They apply to all employees, with the specific nature of their position and place within the organisation taken into consideration. The Bank places great emphasis on the development of employees with the aim to acquire expected skills, constantly improve them and foster personal growth. Webinar tools have improved access to offered opportunities to use internal and external training and development resources.

In H1 2022, a total of 11,411 employees took advantage of the range of development opportunities, including training in electronic format (e-learning) – 4,093 employees, external development opportunities – 266 employees. Average number of training hours per employee amounted to: 13 hours and 48 minutes.

Onboarding

Newly-hired employees of Alior Bank participate in onboarding programmes – “Welcome to Alior Bank” and “Mentor”. They are profiled both in terms of business lines and contact channel used for communication with the customer. They are implemented in the form of blended learning, which allows to efficiently use available electronic tools and consolidate the acquired knowledge in the training room.



The onboarding process is supported by a dedicated Kompas [Compass] platform that features pre-programmed tasks for the employee and for their supervisor, which improves the effectiveness of onboarding activities.

The sales network of the Retail Customer segment at Alior Bank is additionally supported by Gamified Learning Platform. After completing the induction training – its participant has the option to consolidate the acquired knowledge for the next 3 months.

Development activities

Development programmes intended for all employees of the Bank include a “Development Zone”, i.e. a programme based on b-learning principles (webinars, podcasts, e-learning, knowledge pills, animations, videos, special guests – external specialists from various fields). The “Development Zone” focuses on key competencies of the future, including:

- active learning and creativity,
- analytical and design thinking,
- interpersonal skills,
- mental resilience,
- use of technologies.



For individuals participating in the “Development Zone” and others interested in development topics, the Bank provides access to development materials as part of a dedicated group on the KOMPAS platform.

In H1 2022, “Development Zones” also include additional activities determined by the situation in Ukraine: webinars and materials on: “How to talk to children and young people about armed aggression”, “Dealing with Difficult Emotions”, “Fake News”.

Development programmes included activities for dedicated employee groups:

- Alior Prestigious Risk Academy (ARA), the purpose of which is to building risk awareness within the organisation by improving knowledge and providing a better understanding of its ins and outs. ARA speakers are managers responsible for various risk areas,
- TRIBES Cionet, a programme combining the largest companies and leaders from various industries. The purpose of the programme is to solve current and strategic challenges as well as to quickly make the best decisions, perform benchmarking, exchange knowledge and experience.
- RES: conferences and specialist trainings on RES, training organised by the Structured Loans Department – conducted by Deloitte Advisory Sp. z o.o.,

In the reporting period, the “Mindgram” platform supporting the ability to cope with stress and take care of one’s own mental and physical well-being was made available as a pilot version. The platform guaranteed, among other functionalities, access to webinars, video recordings, mindfulness zone, care provided by specialists in the area of psychology: psychodietician, psychologist, child psychologist, business mentor.

One of the elements of work on employee development that was “tailor-made” was the continuation of activities under the “Development Pool” project, where the supervisor of an employee can refer them for specialised development activities (e.g. purchase of specialised literature, participation in conferences) or development activities aimed at obtaining and/or raising competencies.

E-learning training

In H1 2022, employees were provided access to a total of 80 training courses offered in the form of e-learning: 38% of them were completely new training courses developed from scratch.

In terms of subject matter, e-learning supported employees and the Bank in the implementation of statutory requirements (e.g. IDD professional development training, training related to tax schemes) as well as onboarding and further development of the employee.

In addition to supporting the introduction of new solutions and improving business skills (e.g. new complaint platform, Transfer of processes to WebCon, Change of the customer support system, Changes in the product portfolio, Dispersed team management), some development e-training courses are devoted to improving personal skills (e.g. “Coping with stress”, “Social intelligence”, “Development Zones” training cycle).

As a supplementation of e-learning training, employees also took advantage of meetings held as a LiveWebinar (32 meeting topics), the subject of which covered numerous business and development areas.

Development activities for leaders in Alior Bank

Programmes at the Bank are addressed to a group of more than 700 team managers. Together with our external partner, we implemented the “Leader Power” programme focused on building mental and physical resilience through informed management of physical, emotional and mental energy of leaders. Programme participants have been granted access to the diagnostic tool: “Power Audit”, which examines the following areas: sleep, rest, physical activity, sense of meaning. Then, based on obtained reports, they received individual development recommendations for the aforementioned areas of activity.

As part of building management skills, with particular emphasis on remote working conditions, Alior Bank leaders were granted access to dedicated e-learning training: “Dispersed team management” and “Labour law for managers”.

Together with the employee opinion and commitment survey process, managers received support in working with commitment survey results in the form of webinar sessions and educational materials (including how to conduct a meeting, how to analyse survey results).

All new managers participate in the “Manager ABC” training during which they have the opportunity to become acquainted with the expectations related to the new function and to develop leadership skills based on the established “Alior Bank Leader Model”.

Social responsibility of Alior Bank and its employees



The Alior Bank Foundation was established in response to the need to make social activities more professional and separate them from business activity. They are aimed at encouraging employees of the Bank to engage in social activities in accordance with the best practices already in effect in the organisation.

The primary mission of the Foundation is to promote and spread economic and digital knowledge as well as combat digital exclusion in Poland, which has become significantly more widespread after two years of the pandemic. We also want to respond to key social needs which arose due to the exceptional geopolitical situation in Europe.

By creating and establishing the Foundation, we were faced with a big challenge, accompanied by a desire to provide support to Ukrainian nationals who arrived in Poland. In Warsaw, we established the biggest support centre in Poland, i.e. the Alior Bank Assistance Centre.

The Management Board of the Bank decided to provide access to the office space, located at ul. Towarowa 25a in the Warsaw city centre. We established cooperation with Caritas Polska (a non-governmental organisation), the Capital City of Warsaw and UNICEF. We provided access to an additional space in the Alior Bank Assistance Centre to companies that implement refugee support projects by providing their services. These include: Migarm.org – a Ukrainian sign language translator and the National Chamber of Legal Counsel, which provides legal assistance to those in need via a helpline. In this one location, refugees can gain access to comprehensive assistance, find employment and leave their children under temporary care. At the Alior Bank Assistance Centre, Ukrainians can also use banking services with cashless customer service for individuals who want to open an account in Alior. The total floor area made available for assistance purposes covers 4,200 m².

Alior Bank provided local governments in Poland with access to approx. 10 commercial premises located in Podlaskie, Lubelskie, Małopolskie, Dolnośląskie, Warmińsko-Mazurskie, Zachodniopomorskie and Śląskie voivodeships, with a total floor area of 11.8 thous. m², to be used on a temporary basis. The properties were transformed into public facilities for children and youths. One of them, located in Zamość, was used to establish preparatory schools currently attended by more than 200 Ukrainian pupils.

Alior Bank employees also actively engage in assistance initiatives as volunteer workers. As part of the “Backpacks for Pupils” campaign, the Bank financed the purchase of backpacks and pencil cases for Ukrainian students and its employees equipped them with necessary school supplies. It is worth mentioning the extraordinary attitude of bankers from the Przemyśl branch, who very quickly became involved in assisting Ukrainian nationals crossing the Polish border through Medyka and Korczowa border crossings. Alior Bank, in cooperation with the president of Przemyśl, donated two state-of-the-art cardiac monitors to the hospital in Ukraine. Alior Leasing, on the other hand, donated two buses and a tractor unit with a semi-trailer to Caritas Polska, to be used in efforts to provide assistance to Ukraine.

Having regard to positive effects and effectiveness of actions taken thus far by employees of the Bank to prevent social exclusion, support people in a difficult material or life situation, protect the natural environment and other actions beneficial to the community, in H1 2022 Alior Bank introduced Regulations to enable employees of the Bank to become involved in the performance of volunteer work for public benefit organisations or other entities providing charity, cooperating with Alior Bank or the Foundation. An employee engaging in volunteer work is entitled to an exemption from the obligation to perform work while retaining the right to remuneration for 16 hours per calendar year.

XIII. Representations of the Management Board

The Management Board of Alior Bank S.A. hereby represents that:

- to the best of its knowledge, the semi-annual condensed consolidated financial statements of the Alior Bank S.A. Capital Group and semi-annual condensed financial statements of Alior Bank S.A. for H1 2022 and the comparative data were prepared in compliance with the applicable accounting policies and provide a true, fair and clear view of the assets and financial standing of the Bank and the Alior Bank S.A. Capital Group and their financial result,
- the Report on the operations of the Management Board of the Alior Bank S.A. Capital Group for H1 2022 presents a true image of growth, achievements and circumstances (along with a description of primary threats and risks) related to the Alior Bank Capital Group in H1 2022.
- internal policies, procedures, and regulations adopted at the Bank are developed, adopted and implemented in accordance with adopted internal legislation rules and monitor their compliance.

Signatures of all Members of the Management Board

Date		Signature
02.08.2022	Grzegorz Olszewski President of the Management Board	
02.08.2022	Radomir Gibała Vice-President of the Management Board	
02.08.2022	Rafał Litwińczuk Vice-President of the Management Board	
02.08.2022	Marek Majsak Vice-President of the Management Board	
02.08.2022	Jacek Polańczyk Vice-President of the Management Board	
02.08.2022	Paweł Tymczyszyn Vice-President of the Management Board	