Financial report
of the Alior Bank Spółka Akcyjna Group
for the first half of 2022

(in PLN '000)

Selected financial data concerning the financial statements

PLN	01.01.2022 - 30.06.2022	01.01.2021 - 31.12.2021	01.01.2021 - 30.06.2021	% (A-B)/B
	A		B	C
Net interest income	1 834 112	2 798 234	1 336 837	37.2%
Net fee and commission income	411 277	766 748	361 088	13.9%
Trading result & other	47 570	72 139	86 126	-44.8%
Net expected credit losses, impairment allowances of non-financial assets and cost of legal risk of FX mortgage loans*	-503 154	-1 038 531	-510 341	-1.4%
General administrative expenses	-1 084 459	-1 582 544	-797 271	36.0%
Gross profit	575 265	779 211	360 170	59.7%
Net profit	385 384	481 925	231 905	66.2%
Net cash flow	1 176 833	1 303 490	-893 529	-231.7%
Loans and advances to customers	58 271 811	58 228 178	57 028 000	2.2%
Amounts due to customers	70 741 117	72 005 715	67 832 836	4.3%
Equity	5 321 017	5 919 202	6 582 188	-19.2%
Total assets	84 223 458	83 048 372	79 034 686	6.6%
Selected ratios				
Profit per ordinary share (PLN)	2.95	3.69	1.78	66.2%
Capital adequacy ratio	13.99%	14.16%	14.95%	-6.4%
Tier 1	12.63%	12.55%	12.99%	-2.8%

EUR	01.01.2022 - 30.06.2022	01.01.2021 - 31.12.2021	01.01.2021 - 30.06.2021	% (A-B)/B
	A		B	C
Net interest income	395 053	611 302	293 991	34.4%
Net fee and commission income	88 586	167 504	79 409	11.6%
Trading result & other	10 246	15 759	18 940	-45.9%
Net expected credit losses, impairment allowances of non-financial assets and cost of legal risk of FX mortgage loans*	-108 375	-226 877	-112 232	-3.4%
General administrative expenses	-233 584	-345 722	-175 332	33.2%
Gross profit	123 907	170 226	79 207	56.4%
Net profit	83 009	105 281	51 000	62.8%
Net cash flow	253 480	284 760	-196 501	-229.0%
Loans and advances to customers	12 449 646	12 659 951	12 614 581	-1.3%
Amounts due to customers	15 113 686	15 655 458	15 004 609	0.7%
Equity	1 136 824	1 286 951	1 455 979	-21.9%
Total assets	17 994 158	18 056 349	17 482 456	2.9%
Selected ratios				
Profit per ordinary share (PLN)	0.64	0.81	0.39	64.1%
Capital adequacy ratio	13.99%	14.16%	14.95%	-6.4%
Tier 1	12.63%	12.55%	12.99%	-2.8%

**Restated – Note 2.3*

Selected items of the financial statements were translated into EUR at the following exchange rates	30.06.2022	31.12.2021	30.06.2021
NBP's avarage exchange rate as at the end of the period	4.6806	4.5994	4.5208
NBP's avarage exchange rates as at the last day of each month	4.6427	4.5775	4.5472

(in PLN '000)

Selected financial indicators

	30.06.2022	30.06.2021	(A-B) [p.p]	(A-B)/B [%]
	A	B		
ROE	13.8%	7.1%	6.70	94.37%
ROA	0.9%	0.6%	0.32	53.33%
C/I	47.3%	44.7%	2.60	5.82%
CoR	1.39%	1.64%	-0.25	-15.24%
L/D	82.4%	84.1%	-1.70	-2.02%
NPL	10.70%	12.96%	-2.26	-17.44%
NPL coverage	55.81%	54.87%	0.94	1.71%
TCR	13.99%	14.95%	-0.96	-6.42%
TIER 1	12.63%	12.99%	-0.36	-2.77%

Interim condensed consolidated financial statements of the Alior Bank Spółka Akcyjna Group for 6-month period ended 30 June 2022

This version of our report is a translation of 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 the report takes precedence over this translation

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(in PLN '000)

Interim condensed consolidated income statement

	Note	01.04.2022-30.06.2022	01.01.2022-30.06.2022	01.04.2021 - 30.06.2021	01.01.2021-30.06.2021
Interest income calculated using the effective interest method		1 339 506	2 362 609	669 132	1 351 668
Income of a similar nature		9 985	32 645	48 787	110 917
Interest expense		-377 730	-561 142	-51 260	-125 748
Net interest income	4	**971 761**	**1 834 112**	**666 659**	**1 336 837**
Fee and commission income		432 416	803 835	345 200	661 598
Fee and commission expense		-211 816	-392 558	-161 822	-300 510
Net fee and commission income	5	**220 600**	**411 277**	**183 378**	**361 088**
Dividend income		152	291	171	277
The result on financial assets measured at fair value through profit or loss and FX result	6	-3 901	33 894	34 438	53 169
The result on derecognition of financial instruments not measured at fair value through profit or loss	7	**1 194**	**1 484**	**2 120**	**2 294**
measured at fair value through other comprehensive income		994	1 212	257	318
measured at amortized cost		200	272	1 863	1 976
Other operating income		30 456	61 992	30 166	77 253
Other operating expenses		-20 470	-50 091	-24 243	-46 867
Net other operating income and expenses	8	**9 986**	**11 901**	**5 923**	**30 386**
General administrative expenses	9	-591 445	-1 084 459	-379 330	-797 271
Net expected credit losses	10	-229 937	-438 493	-264 980	-508 465
The result on impairment of non-financial assets	11	-9 322	-40 223	-1 399	-1 876
Cost of legal risk of FX mortgage loans	12	-1 241	-24 438	0	0
Banking tax	13	-65 966	-130 081	-57 654	-116 269
Gross profit		**301 881**	**575 265**	**189 326**	**360 170**
Income tax	14	-85 667	-189 881	-65 515	-128 265
Net profit		**216 214**	**385 384**	**123 811**	**231 905**
Net profit attributable to equity holders of the parent		216 214	385 384	123 811	231 905
Weighted average number of ordinary shares		130 553 991	130 553 991	130 553 991	130 553 991
Net profit per share (PLN)	15	1.66	2.95	0.95	1.78

Interim condensed consolidated statement of comprehensive income

	01.04.2022-30.06.2022	01.01.2022-30.06.2022	01.04.2021 - 30.06.2021	01.01.2021-30.06.2021
Net profit	**216 214**	**385 384**	**123 811**	**231 905**
Items that may be reclassified to the income statement after certain conditions are satisfied	**-474 872**	**-983 569**	**-87 473**	**-209 447**
Foreign currency translation differences	**-257**	**-192**	**456**	**1 904**
Results of the measurement of financial assets (net)	**-93 270**	**-172 323**	**-29 420**	**-21 875**
Profit/loss on valuation of financial assets measured at fair value through other comprehensive income	-115 145	-214 755	-36 335	-27 018
Deferred tax	21 875	42 432	6 915	5 143
Results on the measurement of hedging instruments (net)	**-381 345**	**-811 054**	**-58 509**	**-189 476**
Gains/losses on hedging instruments	-470 796	-1 001 301	-72 233	-233 921
Deferred tax	89 451	190 247	13 724	44 445
Total comprehensive income. net	**-258 658**	**-598 185**	**36 338**	**22 458**
- attributable to shareholders of the parent company	-258 658	-598 185	36 338	22 458

The notes presented on pages 10-54 constitute an integral part of these interim condensed consolidated financial statements.

(in PLN '000)

Interim condensed consolidated statement of financial position

ASSETS	Note	30.06.2022	31.12.2021
Cash and cash equivalents	16	4 940 224	3 763 391
Amounts due from banks	17	2 874 190	1 689 779
Investment financial assets	18	12 571 158	16 099 658
measured at fair value through other comprehensive income		7 488 436	9 265 445
measured at fair value through profit or loss		585 415	382 900
measured at amortized cost		4 497 307	6 451 313
Derivative hedging instruments		108 134	38 810
Loans and advances to customers	19	58 271 811	58 228 178
Assets pledged as collateral	21	2 140 457	130 921
Property. plant and equipment		723 627	755 209
Intangible assets		389 393	426 643
Income tax asset	14	1 523 556	1 302 329
deferred income tax asset		26	27
current income tax asset		1 523 530	1 302 302
Other assets	20	680 908	613 454
TOTAL ASSETS		**84 223 458**	**83 048 372**

LIABILITIES AND EQUITY	Note	30.06.2022	31.12.2021
Amounts due to banks	22	1 755 706	529 617
Amounts due to customers	23	70 741 117	72 005 715
Financial liabilities	26	448 043	188 088
Derivative hedging instruments		2 265 278	1 081 996
Provisions	24	265 906	290 213
Other liabilities	25	2 139 440	1 649 540
Income tax liabilities		127 565	36 560
current income tax liabilities		126 675	35 671
deferred income tax liabilities		890	889
Subordinated liabilities	27	1 159 386	1 347 441
Total liabilities		**78 902 441**	**77 129 170**
Share capital		1 305 540	1 305 540
Supplementary capital		5 406 878	5 403 849
Revaluation reserve		-1 890 036	-906 659
Other reserves		161 792	161 788
Foreign currency translation differences		-235	-43
Accumulated losses		-48 306	-527 198
Profit for the period		385 384	481 925
Equity		**5 321 017**	**5 919 202**
TOTAL LIABILITIES AND EQUITY		**84 223 458**	**83 048 372**

The notes presented on pages 10-54 constitute an integral part of these interim condensed consolidated financial statements.

(in PLN '000)

Interim condensed consolidated statement of changes in consolidated equity

01.01.2022 - 30.06.2022	Share capital	Supplementary capital	Other reserves	Revaluation reserve	Exchange differences on revaluation of foreign units	Retained earnings	Total equity
At 1 January 2022	**1 305 540**	**5 403 849**	**161 788**	**-906 659**	**-43**	**-45 273**	**5 919 202**
Transfer of last year's profit	0	3 029	0	0	0	-3 029	0
Comprehensive income	**0**	**0**	**0**	**-983 377**	**-192**	**385 384**	**-598 185**
net profit	0	0	0	0	0	385 384	385 384
other comprehensive income – valuations	0	0	0	-983 377	-192	0	-983 569
incl. financial assets measured at fair value through other comprehensive income	0	0	0	-172 323	0	0	-172 323
incl. hedging instruments	0	0	0	-811 054	0	0	-811 054
incl. currency translation differences	0	0	0	0	-192	0	-192
Other changes in equity	**0**	**0**	**4**	**0**	**0**	**-4**	**0**
At 30 June 2022	**1 305 540**	**5 406 878**	**161 792**	**-1 890 036**	**-235**	**337 078**	**5 321 017**

01.01.2021 - 31.12.2021	Share capital	Supplementary capital	Other reserves	Revaluation reserve	Exchange differences on revaluation of foreign units	Retained earnings	Total equity
At 1 January 2021	**1 305 540**	**5 399 627**	**161 792**	**217 330**	**-1 620**	**-523 067**	**6 559 602**
Transfer of last year's profit	0	4 222	0	0	0	-4 222	0
Comprehensive income	**0**	**0**	**0**	**-1 123 989**	**1 577**	**481 925**	**-640 487**
net profit	0	0	0	0	0	481 925	481 925
other comprehensive income – valuations	0	0	0	-1 123 989	1 577	0	-1 122 412
incl. financial assets measured at fair value through other comprehensive income	0	0	0	-63 611	0	0	-63 611
incl. hedging instruments	0	0	0	-1 060 378	0	0	-1 060 378
incl. currency translation differences	0	0	0	0	1 577	0	1 577
Other changes in equity	**0**	**0**	**-4**	**0**	**0**	**91**	**87**
At 31 December 2021	**1 305 540**	**5 403 849**	**161 788**	**-906 659**	**-43**	**-45 273**	**5 919 202**

01.01.2021 - 30.06.2021	Share capital	Supplementary capital	Other reserves	Revaluation reserve	Exchange differences on revaluation of foreign units	Retained earnings	Total equity
At 1 January 2021	**1 305 540**	**5 399 627**	**161 792**	**217 330**	**-1 620**	**-523 067**	**6 559 602**
Transfer of last year's profit	0	4 034	0	0	0	-4 034	0
Comprehensive income	**0**	**0**	**0**	**-211 351**	**1 904**	**231 905**	**22 458**
net profit	0	0	0	0	0	231 905	231 905
other comprehensive income – valuations	0	0	0	-211 351	1 904	0	-209 447
incl. financial assets measured at fair value through other comprehensive income	0	0	0	-21 875	0	0	-21 875
incl. hedging instruments	0	0	0	-189 476	0	0	-189 476
incl. currency translation differences	0	0	0	0	1 904	0	1 904
Other changes in equity	**0**	**0**	**0**	**0**	**0**	**128**	**128**
At 30 June 2021	**1 305 540**	**5 403 661**	**161 792**	**5 979**	**284**	**-295 068**	**6 582 188**

The notes presented on pages 10-54 constitute an integral part of these interim condensed consolidated financial statements.

(in PLN '000)

Interim condensed consolidated statement of cash flows

	01.01.2022 - 30.06.2022	01.01.2021- 30.06.2021*
Operating activities		
Profit before tax for the year	**575 265**	**360 170**
Adjustments:	**156 134**	**117 659**
Unrealized foreign exchange gains/losses	-192	2 890
Amortization/depreciation of property. plant and equipment and intangible assets	116 312	112 844
Change in property. plant and equipment and intangible assets impairment write-down	40 223	1 876
Dividends	-291	-277
Short-term lease contracts	82	326
The gross profit after adjustments but before increase/decrease in operating assets/liabilities	**731 399**	**477 829**
Change in loans and receivables	-1 228 044	-911 541
Change in financial assets measured at fair value through other comprehensive income	1 777 009	-1 754 933
Change in financial assets measured at fair value through profit or loss	-202 515	195 371
Change in financial assets measured at amortised cost	1 954 006	796 419
Change in assets pledged as collateral	-2 009 536	315 556
Change in derivative hedging assets	-69 324	159 923
Change in non-current assets held for sale	0	-25
Change in other assets	-67 454	-69 136
Change in deposits	-2 048 313	1 437 348
Change in own issue	-43 547	-363 080
Change in financial liabilities	259 955	-318 093
Change in hedging liabilities derivative	1 183 282	83 119
Change in other liabilities and other comprehensive income	1 343 571	-391 807
Change in provisions	-24 307	-53 349
Cash from operating activities before income tax	**1 556 182**	**-396 399**
Income tax paid	**-53 105**	**-89 049**
Net cash flow from operating activities	**1 503 077**	**-485 448**
Investing activities		
Outflows:	**-71 355**	**-75 789**
Purchase of property. plant and equipment	-52 288	-52 877
Purchase of intangible assets	-19 067	-22 911
Inflows:	**14 002**	**5 756**
Disposal of property. plant and equipment	14 002	423
Disposal of shares in subsidiaries / associates, net of acquired cash	0	5 333
Net cash flow from investing activities	**-57 352**	**-70 033**
Financing activities		
Outflows:	**-268 891**	**-338 049**
Prniciple payments – subordinated lliabilities	-195 459	-260 150
Interest payments – subordinated lliabilities	-26 849	-30 485
Prniciple payments - lease liabilities	-44 639	-46 620
Interest payments - lease liabilities	-1 945	-794
Inflows:	**0**	**0**
Inflows from share issue	0	0
Net cash flow from financing activities	**-268 891**	**-338 049**
Total net cash flow	**1 176 833**	**-893 529**
incl. exchange gains/(losses)	**59 146**	**-2 578**
Balance sheet change in cash and cash equivalents	**1 176 833**	**-893 529**
Cash and cash equivalents. opening balance	3 763 391	2 459 901
Cash and cash equivalents. closing balance	4 940 224	1 566 372
Additional disclosures on operating cash flows		
Interests received	2 130 620	1 538 748
Interests paid	-359 847	-204 280

**Restated – Note 2.3*

The notes presented on pages 10-54 constitute an integral part of these interim condensed consolidated financial statements.

(in PLN '000)

Notes to the interim condensed consolidated financial statements

1 Information about the Bank and the Group

1.1 General information, duration and the scope of business of Alior Bank SA

Alior Bank Spółka Akcyjna is the parent company of the Aliror Bank Capital Group with its registered office in Warsaw, Poland, ul. Łopuszańska 38D, was entered to the register of entrepreneurs maintained by the District Court for the Capital City of Warsaw, 14th Commercial Division of the National Court Register under KRS number: 0000305178. The Bank was assigned the tax identification number NIP: 107-001-07-31 and the statistical number REGON: 141387142.

Since 14 December 2012 the Bank has been listed on the Warsaw Stock Exchange (ISIN number: PLALIOR00045).

On 18 April the Polish Financial Supervision Authority ("PFSA") issued its licence to establish the bank under the name of Alior Bank SA and on 1 September 2008 it issued a licence to the Bank to commence operations. On 5 September 2008 PFSA granted a licence to the Bank to perform stock broking activities. The duration of business of the Bank is unrestricted.

Alior Bank is a universal deposit and credit bank providing services to natural and legal persons and other entities that are domestic and foreign persons. The Bank's core business covers maintenance of bank accounts, granting loans, issue of bank securities, and purchase and sale of foreign currencies. The Bank is also involved in stock broking activity, financial advisory, and intermediation services, and provides other financial services, Information on the companies in the Group is detailed in Note 1.4 of this chapter. In accordance with the provisions of its Articles of Association. Alior Bank has been operating in the territory of the Republic of Poland and the European Economic Area. The Bank provides its services primarily to customers from Poland. The number of foreign customers in the overall number of the Bank's customers is negligible. As part of its retail banking, in 2016 a foreign branch of Alior Bank was opened in Romania.

1.2 Shareholders of Alior Bank Spółka Akcyjna

There was no change in the ownership structure of significant shareholdings in Bank starting from the of submission date of the previous periodic report, i.e. from 27 April 2022.

As at 30 June 2022, the shareholders holding 5% or more of the overall numer of votes at the General Meeting were as follows:

Shareholder	Number of shares	Nominal value of shares [PLN]	Percentage in the share capital	Number of votes	Number of votes in the total number of votes
30.06.2022					
PZU Group*	41 658 850	416 588 500	31.91%	41 658 850	31.91%
Aviva OFE Aviva Santander**	8 677 162	86 771 620	6.65%	8 677 162	6.65%
Nationale-Nederlanden OFE**	12 394 509	123 945 090	9.49%	12 394 509	9.49%
Other shareholders	67 823 470	678 234 700	51.95%	67 823 470	51.95%
Total	**130 553 991**	**1 305 539 910**	**100.00%**	**130 553 991**	**100.00%**

**The PZU Group consists of entities that have concluded a written agreement regarding the purchase or sale of the Bank's shares and the consistent exercise of voting rights at the Bank's general meetings, i.e.: Powszechny Zakład Ubezpieczeń SA, Powszechny Zakład Ubezpieczeń Na Życie SA, PZU Specjalistyczny Fundusz Inwestycyjny Otwarty UNIVERSUM, PZU Fundusz Inwestycyjny Zamknięty Assets of Niepublicznych BIS 1 and PZU Fundusz Inwestycyjny Zamknięty Assets Niepublicznych BIS 2. the agreement was announced by the Bank in Current Report No. 21/2017.*
*** Based on the published report for 2021 on the composition of the OFE portfolio.*

(in PLN '000)

As at the preparation date of this report, i.e. on 2 August 2022, according to the information available to Alior Bank SA, the shareholders holding 5% or more of the total number of votes at the General Meeting remained unchanged.

1.3 The composition of the Bank's Management Board and the Bank's Supervisory Board together with information about number of shares of Alior Bank held by Bank Management Board and Supervisory Board members

As at the day of preparing this financial statement in comparison to the annual reporting period ended on 31 December 2021, there were changes in the composition of the Bank's Management Board changed.

On 24 March 2022, Mr. Maciej Brzozowski resigned from the position of Vice President of the Management Board of the Bank and from the mandate of a member of the Management Board of the Bank with effect on 24 March 2022, 6:00 p.m.

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

As at 30 June 2022 and as at the date of preparation of financial statements the composition of the Bank's Management Board was as follows:

First and last name	Function
Grzegorz Olszewski	President of the Management Board
Radomir Gibała	Vice President of the Management Board
Rafał Litwińczuk	Vice President of the Management Board
Marek Majsak	Vice President of the Management Board
Jacek Polańczyk	Vice President of the Management Board
Paweł Tymczyszyn	Vice President of the Management Board

As at 30 June 2022, the members of the Management Board did not hold any shares of Alior Bank.

In comparison to the annual reporting period ended on 31 December 2021, there were changes in the composition of the Bank's Supervisory Board.

On 12 April 2022, Mrs. Aleksandra Agatowska, resigned from the mandate in the Bank's Supervisory Board and the position of Chairwoman of the Bank's Supervisory Board of the IV-th term of office, with effect on 12 April 2022 at 13.30.

The Extraordinary General Meeting convened on 12 April 2022, in accordance with the resolution no. 3/2022 appointed Mr. Paweł Śliwa to the Supervisory Board of the Bank.

As at 30 June 2022 and as at the date of preparation of financial statements the composition of the Bank's Supervisory Board was as follows:

First and last name	Function
Filip Majdowski	Chairman of the Supervisory Board
Ernest Bejda	Deputy Chairperson of the Supervisory Board
Małgorzata Erlich – Smurzyńska	Member of the Supervisory Board
Paweł Wojciech Knop	Member of the Supervisory Board
Artur Kucharski	Member of the Supervisory Board
Marek Pietrzak	Member of the Supervisory Board
Paweł Śliwa	Member of the Supervisory Board
Dominik Witek	Member of the Supervisory Board

In accordance with the Bank's best knowledge there was no change in the number of shares hold by the Members of Supervisory Board starting from the date of preparation of the annual financial statements, ie from 1 March 2022. As of 30 June 2022 and as at the date of preparation of financial statements, Members of the Supervisory Board of Alior Bank SA did not hold any shares in the Bank.

(in PLN '000)

1.4 Information about the Alior Bank Group

Alior Bank SA is the parent company of the Alior Bank SA Group.

The composition of the Group as at 30 June 2022 and as at the date of preparation of financial statements was as follows:

Company's name - subsidaries	02.08.2022	30.06.2022	31.12.2021
Alior Services sp. z o.o.	100%	100%	100%
Alior Leasing sp. z o.o.	100%	100%	100%
- AL Finance sp. z o.o.	*100%*	*100%*	*100%*
Meritum Services ICB SA	100%	100%	100%
Alior TFI SA	100%	100%	100%
Absource sp. z o.o.	100%	100%	100%
Corsham sp. z o.o.	100%	100%	100%
RBL_VC sp. z o.o.	100%	100%	100%
RBL_VC sp z o.o. ASI spółka komandytowo-akcyjna	100%	100%	100%

1.5 Approval of the interim condensed consolidated financial statements

These interim condensed consolidated financial statements of the Alior Bank Spółka Akcyjna Group were approved by the Bank's Management Board on 2 August 2022.

1.6 Seasonal or cyclical nature of operations

The Group's operations are not affected by any material events of seasonal or cyclical nature within the meaining of §21 IAS 34.

2 Accounting principles

2.1 Basis for preparation

Statement of compliance

These interim condensed consolidated financial statements of the Alior Bank Spółka Akcyjna Group for the 6-month period ended 30 June 2022 have been prepared in accordance with the International Accounting Standard 34 "Interim Financial Reporting" as adopted by the European Union.

The interim condensed consolidated financial statements do not include all information and disclosures required in the annual financial statements and should therefore be read together with the consolidated financial statements of the Alior Bank Group for 2021.

The interim condensed consolidated income statement, interim condensed consolidated statement of comprehensive income, interim condensed consolidated statement of changes in equity and interim condensed consolidated statement of cash flows for the financial period from 1 January 2022 to 30 June 2022 and interim condensed consolidated statement of financial position as at 30 June 2022 including the comparatives have been prepared in accordance with the same accounting policies as those applied in the preparation of the annual financial statements ended 31 December 2021, except for the changes in the standards that entered into force on 1 January 2022 and changes in accounting policies described in Note 2.2.

Scope and reporting currency

The interim condensed consolidated financial statements of the Alior Bank SA Group comprise the data of the Bank and its subsidiaries. These interim condensed consolidated financial statements have been prepared in Polish zloty ("PLN"). All figures, unless otherwise indicated, are rounded to the nearest thousand.

Going concern

These interim condensed consolidated financial statements of the Alior Bank SA Group have been prepared on the assumption that the entities within the Group will continue as going concerns in the foreseeable future, not less than 12 moths from the balance sheet date i.e. after 30 June 2022.

As at the date of approval of this report by the Bank's Management Board, there are no circumstances indicating a threat to the continued operation of the Capital Group. Taking this assumption, the Management Board took into account in its assessment the impact of factors subject to uncertainty, in particular the the armed conflict in Ukraine lasting from 24 February 2022, on the macroeconomic situation and its own operations.

Based on the analyzes, the Group does not identify the negative impact of the circumstances on the assessment of the validity of the preparation of the financial statements, assuming no threat to the Group's going concern in the foreseeable future.

2.2 Accounting principles

2.2.1 Relevant estimates

The Group makes estimates and makes assumptions that affect the values of assets and liabilities presented in this and the next reporting period. Estimates and assumptions that are subject to continuous evaluation are based on historical experience and other factors, including expectations as to future events that seem justified in a given situation.

Impairment of loans, expected credit losses

At each reporting date, the Group assesses the credit quality of the receivables and assesses whether there are objective triggers for impairment of credit exposures and whether the credit exposure has impaired.The Group accepts that a financial asset or a group of financial assets are impaired and such impairment loss is incurred only when there are objective indications resulting from one or more events that have occurred after the initial recognition of such asset and the event (or events) causing trigger has a negative impact on the expected future cash flows of a given exposure, leading to the recognition of a loss. Therefore, for all impaired credit exposures, the Group determines an allowance representing the difference between the gross exposure value and the expected recoveries after taking into account the default status / probability in a given time horizon.

Exposures with no identified impairment indications are grouped in homogeneous groups in terms of the risk profile and a provision is recognised for such group of exposures to cover expected losses (ECL).

The estimated losses expected are based on:

- estimated exposure value at the time of default (EAD model),
- estimated distribution of risk of default within the lifetime of the exposure (life-time PD model),
- estimated level of loss in case of default of the client (LGD model).

Information on the adopted assumptions affecting the amount of expected losses are presented in Note 19 – Loans and advances to customers.

Non-current assets impairment

In accordance with IAS 36, the Group assesses non-current assets in terms of the existence of premises indicating their impairment. If there is such evidence, the Group estimates the asset's recoverable amount. When the carrying amount of a given asset exceeds its recoverable amount, its impairment is recognized, and a write-off is made to adjust its value to the level of its recoverable amount.

Provisions for the reimbursement of commissions in the event of early repayment

The Group constantly monitors the value of the estimated amount of expected payments resulting from prepayments of consumer loans made before the judgment date of Court of Justice of the European Union ('TSUE') of 11 September 2019 in case C-383/18 (so-called Lexitor case). The basis for updating the value of the estimate is the inclusion in the calculation of the historically observed trend of the amount of loan cost reimbursements resulting from the customer complaints submitted to the Bank and taking into account the scenario of a change in the Group's approach to communication with customers as a result of the evolution of market practice or the position of the regulator. Therefore, in the first half of 2022, the Alior Bank SA Group updated the value of the estimated amount of expected payments resulting from prepayments of consumer loans.

Provision for legal risk related to the FX indexed loan portfolio

The Group estimated the costs of legal risk related to the FX indexed loan portfolio and applied the provisions of IFRS 9.B.5.4.6 to its recognition - it treated this estimate as an adjustment to the gross carrying amount of the portfolio of mortgage loans indexed with foreign currencies or created provisions in accordance with the requirements of IAS 37(where the amount of the estimated legal risk costs exceeds the gross carrying amount of the credit exposure or the amount of the estimate relates to repaid foreign currency mortgage loans).

The costs of legal risk constituting the adjustment to the gross carrying amount were estimated taking into account a number of assumptions that significantly influenced the amount of the current estimate disclosed in the Group's financial statements.

These costs were estimated on the basis of:

- the pace of the inflow of disputes regarding the legal risk of mortgage loans in foreign currencies and the estimated percentage of the portfolio of FX mortgage loans that will be the subject of litigation, observed so far and forecast by the Group in future periods,
- the financial impact of the cancellation or conversion into PLN scenarios estimated by the Group in a hypothetical scenario, if, as at the current balance sheet date, an effective claim against the Group was filed by all clients for whom the financial result of the dispute won by the clients would be positive,
- the percentage of litigations lost by banks, reported by the Polish Bank Association, including the percentage of cases ended with the cancellation of the contract and the percentage of cases ended with the conversion of contracts into PLN.

Therefore, in the first half of 2022, the Alior Bank SA Group updated the value of the estimated costs of legal risk related to the FX indexed loan portfolio.

Fair value measurement rules

The principles for the fair value measurement of derivatives and non-quoted debt securities measured at fair value are presented in Note 29 – Fair value hierarchy and have not changed from the principles presented in the financial statements prepared as at 31 December 2021.

(in PLN '000)

2.2.2 Significant accounting policies

Detailed accounting policies were presented in the annual consolidated financial statements of the Alior Bank Group for the year ended 31 December 2021 published on Alior Bank's website on 2 March 2022.

2.2.3 Changes in accounting standards

In these interim condensed consolidated financial statements, the same accounting standards have been applied as in the case of annual consolidated financial statements for the year 2021 and the standards and interpretations adopted by the European Union and applicable to the annual periods starting 1 January 2022 mentioned below:

Change	Impact on the Group's report
Reference to the Framework - Amendments to IFRS 3	The amendments introduce an exception to the recognition principle under IFRS 3 to avoid the issue of potential "day two" gains and losses with respect to contingent liabilities and liabilities that would be the scope of IAS 37 Provisions, Contingent Liabilities and Contingent Assets or IFRIC 21 Fees, if separately. The exception requires entities to use the criteria in IAS 37 or IFRIC 21 (instead of the Framework requirements), as appropriate, to determine whether a present obligation exists at the acquisition date. At the same time, the amendments introduce a new paragraph to IFRS 3 explaining that contingent assets do not qualify for recognition as at the acquisition date. The change will not have a significant impact on the Group's financial statements.
Amendment to IAS 16 Tangible fixed assets	The amendment excludes the possibility of deducting from the manufacturing costs of property, plant and equipment amounts received from the sale of products manufactured at the pre-implementation test stage. This type of sales revenues and the corresponding costs should be included in the income statement. The implementation of the change will not have any impact on the financial statements of the Group.
IAS 37 Provisions, Contingent Liabilities and Contingent Assets	The amendment clarifies the concept of the costs of meeting obligations under contracts where the costs exceed the resulting economic benefits. The implementation of the change will not have any impact on the financial statements of the Group.
Amendments resulting from the review of IFRS 2018-2020: IFRS 9 Financial Instruments - Fees under the 10% test on derecognition of financial liabilities	The amendment specifies the fees that an entity takes into account when assessing whether the terms of a new or modified financial liability differ significantly from the terms of the original financial liability. These fees only cover fees paid or received between the borrower and the lender, including fees paid or received by the borrower or lender on behalf of the other party. The implementation of the change will not have any impact on the financial statements of the Group.

Standards and interpretations that have been issued but are not yet effective because they have not been approved by the European Union or have been approved by the European Union but have not been previously applied by the Group, were presented in the annual consolidated financial statements of the Group for 2021. In the first half of 2022, no changes to the accounting standards were published.

2.3 Changes to presentation and explanation of differences in relation to previously published financial statements

Compared to the interim condensed consolidated financial statements as of 30 June 2021, the Group introduced an additional line in the income statement, Legal risk costs of foreign currency mortgage loans. In earlier periods, the costs of provisions for disputes regarding mortgage loans in foreign currencies were presented in the Bank's general administrative expenses. The presentation in the statement of financial position also changed, which resulted in changes in the statement of cash flows. Legal risk costs are generally recognized as an adjustment to the gross carrying amount of the portfolio of foreign currency indexed mortgage loans and not under Provisions (only if the estimated amount of legal risk costs exceeds the gross carrying amount of the credit exposure or the amount of the estimate relates to paid foreign currency mortgage loans).

The restated data taking into account the above-mentioned change are presented below:

(in PLN '000)

Cash flows	Presented 01.01.2021- 30.06.2021	change	Restated 01.01.2021- 30.06.2021
Change in loans and receivables	-911 950	409	-911 541
Change in provisions	-52 940	-409	-53 349

3 Operating segments

Segment description

Alior Bank SA Group pursues its business activity within segments offering specific products and services addressed to specified customer groups. The split of business segments provides for consistency with the sale management model and for providing customers with a comprehensive product offer, covering both traditional banking products and more complex investment products.

Banking operations cover three core business segments:

- retail segment;
- corporate segment;
- treasury activities;

The core products for retail client segment are as follows:

- credit products: cash loans, credit cards, current account overdraft facilities, mortgage loans;
- deposit products: term deposits, savings deposits;
- brokerage products and investment funds;
- personal accounts;
- transactional services: cash deposits and withdrawals, transfers;
- currency exchange transactions.

The core products for corporate customers are as follows:

- credit products: overdraft limits in current accounts, working capital loans, investment loans, credit cards;
- deposit products: term deposits;
- current and subsidiary accounts;
- transactional services: cash deposits and withdrawals, transfers;
- treasury products: FX exchange transactions (also term FX transactions), derivative instruments;
- leasing.

The analysis covers the profitability of the retail and business segments. Profitability covers:

- margin income decreased by the funding costs;
- fee and commission income;
- income from treasury transactions and FX transactions by customers;
- other operating income and expenses.

Income of the retail segment cover also income from sales of brokerage products (e.g. income for the maintenance of brokerage accounts, brokerage services in securities trading and income from distribution of investment fund units).

The item Treasury activity covers management effects of the global position – liquidity and FX position, resulting from the activity of the Bank's units.

(in PLN '000)

Results and volumes split by segment for the 6 months ended 30 June 2022

	Retail customers	Business customers	Treasury	Total operating segments	Unallocated items	Total Group
External interest income	**1 270 294**	**638 047**	**-74 229**	**1 834 112**	**0**	**1 834 112**
external income	1 411 723	697 703	253 183	2 362 609	0	2 362 609
income of a similar nature	0	0	32 645	32 645	0	32 645
external expense	-141 429	-59 656	-360 057	-561 142	0	-561 142
Internal interest income	**135 569**	**-89 158**	**-46 411**	**0**	**0**	**0**
internal income	865 796	340 065	1 159 450	2 365 311	0	2 365 311
internal expense	-730 227	-429 223	-1 205 861	-2 365 311	0	-2 365 311
Net interest income	**1 405 863**	**548 889**	**-120 640**	**1 834 112**	**0**	**1 834 112**
Fee and commission income	239 811	575 348	-11 324	803 835	0	803 835
Fee and commission expense	-95 182	-293 510	-3 866	-392 558	0	-392 558
Net fee and commission income	**144 629**	**281 838**	**-15 190**	**411 277**	**0**	**411 277**
Dividend income	0	0	291	291	0	291
The result on financial assets measured at fair value through profit or loss and FX result	278	17 493	16 123	33 894	0	33 894
The result on derecognition of financial assets and liabilities not measured at fair value through profit or loss	**0**	**0**	**1 484**	**1 484**	**0**	**1 484**
measured at fair value through other comprehensive income	0	0	1 212	1 212	0	1 212
measured at amortized cost	0	0	272	272	0	272
Other operating income	47 952	14 040	0	61 992	0	61 992
Other operating expenses	-39 101	-10 990	0	-50 091	0	-50 091
Net other operating income	**8 851**	**3 050**	**0**	**11 901**	**0**	**11 901**
Total result before expected credit losses, the result on impairment of non-financial assets and cost of legal risk of FX mortgage loans	**1 559 621**	**851 270**	**-117 932**	**2 292 959**	**0**	**2 292 959**
Net expected credit losses	-230 591	-207 902	0	-438 493	0	-438 493
The result on impairment of non-financial assets	-30 901	0	0	-30 901	-9 322	-40 223
Cost of legal risk of FX mortgage loans	-24 438	0	0	-24 438	0	-24 438
Total result after expected credit losses, the result on impairment of non-financial assets and cost of legal risk of FX mortgage loans	**1 273 691**	**643 368**	**-117 932**	**1 799 127**	**-9 322**	**1 789 805**
General administrative expenses	-875 303	-339 237	0	-1 214 540	0	-1 214 540
Gross profit	**398 388**	**304 131**	**-117 932**	**584 587**	**-9 322**	**575 265**
Income tax	0	0	0	0	-189 881	-189 881
Net profit	**398 388**	**304 131**	**-117 932**	**584 587**	**-199 203**	**385 384**
Depreciation	0	0	0	0	0	-116 312
Assets	54 182 803	28 517 099	0	82 699 902	1 523 556	84 223 458
Liabilities	55 495 277	23 279 599	0	78 774 876	127 565	78 902 441

Results and volumes split by segment for the 6 months ended 30 June 2021

	Retail customers	Business customers	Treasury	Total operating segments	Unallocated items	Total
External interest income	**842 180**	**437 313**	**57 344**	**1 336 837**	**0**	**1 336 837**
external income	865 030	446 168	40 470	1 351 668	0	1 351 668

(in PLN '000)

	Retail customers	Business customers	Treasury	Total operating segments	Unallocated items	Total
income of a similar nature	0	0	110 917	110 917	0	110 917
external expense	-22 850	-8 855	-94 043	-125 748	0	-125 748
Internal interest income	**18 042**	**-16 828**	**-1 214**	**0**	**0**	**0**
internal income	188 538	53 675	240 999	483 212	0	483 212
internal expense	-170 496	-70 503	-242 213	-483 212	0	-483 212
Net interest income	**860 222**	**420 485**	**56 130**	**1 336 837**	**0**	**1 336 837**
Fee and commission income	222 224	458 719	-19 345	661 598	0	661 598
Fee and commission expense	-95 186	-202 193	-3 131	-300 510	0	-300 510
Net fee and commission income	**127 038**	**256 526**	**-22 476**	**361 088**	**0**	**361 088**
Dividend income	0	0	277	277	0	277
The result on financial assets measured at fair value through profit or loss and FX result	1 849	7 216	44 104	53 169	0	53 169
The result on derecognition of financial assets and liabilities not measured at fair value through profit or loss	**0**	**0**	**2 294**	**2 294**	**0**	**2 294**
measured at fair value through other comprehensive income	0	0	318	318	0	318
measured at amortized cost	0	0	1 976	1 976	0	1 976
Other operating income	58 197	19 056	0	77 253	0	77 253
Other operating expenses	-34 061	-12 806	0	-46 867	0	-46 867
Net other operating income	**24 136**	**6 250**	**0**	**30 386**	**0**	**30 386**
Total result before expected credit losses, the result on impairment of non-financial assets and cost of legal risk of FX mortgage loans	**1 013 245**	**690 477**	**80 329**	**1 784 051**	**0**	**1 784 051**
Net expected credit losses	-177 240	-331 225	0	-508 465	0	-508 465
The result on impairment of non-financial assets	0	0	0	0	-1 876	-1 876
Cost of legal risk of FX mortgage loans	0	0	0	0	0	0
Total result after expected credit losses, the result on impairment of non-financial assets and cost of legal risk of FX mortgage loans	**836 005**	**359 252**	**80 329**	**1 275 586**	**-1 876**	**1 273 710**
General administrative expenses	-639 766	-273 774	0	-913 540	0	-913 540
Gross profit/loss	**196 239**	**85 478**	**80 329**	**362 046**	**-1 876**	**360 170**
Income tax	0	0	0	0	-128 265	-128 265
Net profit/loss	**196 239**	**85 478**	**80 329**	**362 046**	**-130 141**	**231 905**
Depreciation	0	0	0	0	0	-112 844
Assets	49 626 113	28 166 943	0	77 793 056	1 241 630	79 034 686
Liabilities	49 595 049	22 853 990	0	72 449 039	3 459	72 452 498

Notes to the interim condensed consolidated income statement

4 Net interest income

	01.04.2022 - 30.06.2022	01.01.2022 - 30.06.2022	01.04.2021 - 30.06.2021	01.01.2021 - 30.06.2021
Interest income calculated using the effective interest method	**1 339 506**	**2 362 609**	**669 132**	**1 351 668**
term deposits	356	418	4	20
Loans, incl:	1 082 449	1 942 227	594 701	1 202 811
reimbursement of credit cost (TSUE provision)	-68 197	-120 811	*-70 088*	*-131 366*
modification of a financial asset deemed not significant	-1 702	-2 527	*-1 689*	*-3 832*

(in PLN '000)

	01.04.2022 - 30.06.2022	01.01.2022 - 30.06.2022	01.04.2021 - 30.06.2021	01.01.2021 - 30.06.2021
financial assets measured at amortized cost	24 894	41 851	13 563	29 882
financial assets measured at fair value through other comprehensive income	78 960	135 099	6 371	10 277
receivables acquired	5 217	8 810	3 631	8 894
repo transactions in securities	6 616	9 272	44	76
current accounts	30 422	39 625	167	74
overnight deposits	1 288	1 650	14	87
leasing	74 497	130 455	38 963	76 568
other	34 807	53 202	11 674	22 979
Income of a similar nature	**9 985**	**32 645**	**48 787**	**110 917**
derivatives instruments	9 985	32 645	48 787	110 917
Interest expense	**-377 730**	**-561 142**	**-51 260**	**-125 748**
Interest expense from financial instruments measured at amortized cost including the effective interest rate method	**-122 042**	**-174 460**	**-24 912**	**-56 736**
term deposits	-67 509	-94 095	-7 104	-18 195
own issue	-22 574	-36 816	-16 177	-35 301
repo transactions in securities	-28 475	-37 088	-29	-49
cash deposits	-1 483	-2 699	-655	-1 229
leasing	-998	-1 945	-394	-794
other	-1 003	-1 817	-553	-1 168
Other interest expense	**-255 688**	**-386 682**	**-26 348**	**-69 012**
current deposits	-67 037	-108 779	-4 163	-10 624
derivatives	-188 651	-277 903	-22 185	-58 388
Net interest income	**971 761**	**1 834 112**	**666 659**	**1 336 837**

5 Net fee and commission income

	01.04.2022 - 30.06.2022	01.01.2022 - 30.06.2022	01.04.2021 - 30.06.2021	01.01.2021 - 30.06.2021
Fee and commission income	**432 416**	**803 835**	**345 200**	**661 598**
payment and credit cards service	167 863	300 952	122 490	222 919
transaction margin on currency exchange transactions	88 089	155 018	54 545	107 815
maintaining bank accounts	31 414	60 685	27 717	54 698
brokerage commissions	14 370	30 420	11 755	27 915
revenue from bancassurance activity	24 656	49 948	28 589	54 010
loans and advances	40 415	78 179	38 408	73 842
transfers	14 086	27 459	13 357	26 144
cash operations	8 959	16 970	8 992	17 531
guarantees, letters of credit, collection, commitments	3 949	6 754	3 200	6 279
receivables acquired	1 007	1 918	1 003	1 895
for custody services	2 076	4 235	2 231	4 617
repayment of seizure	1 733	3 288	1 532	2 985
from leasing activities	19 442	39 617	17 707	34 571
other commissions	14 357	28 392	13 674	26 377
Fee and commission expenses	**-211 816**	**-392 558**	**-161 822**	**-300 510**
costs of card and ATM transactions, including costs of cards issued	-160 030	-286 743	-110 726	-201 455
commissions paid to agents	-15 992	-31 695	-15 280	-29 474
insurance of bank products	-3 339	-6 868	-3 146	-6 416
costs of awards for customers	-4 374	-8 663	-3 855	-7 867
commissions for access to ATMs	-6 901	-12 588	-7 657	-11 424
commissions paid under contracts for performing specific operations	-4 468	-12 962	-7 127	-12 075

(in PLN '000)

	01.04.2022 - 30.06.2022	01.01.2022 - 30.06.2022	01.04.2021 - 30.06.2021	01.01.2021 - 30.06.2021
brokerage commissions	-1 887	-3 396	-1 561	-3 541
for custody services	-714	-1 449	-2 109	-2 154
transfers and remittances	-5 802	-11 801	-4 503	-9 806
other commissions	-8 309	-16 393	-5 858	-16 298
Net fee and commission income	**220 600**	**411 277**	**183 378**	**361 088**

01.01.2022 - 30.06.2022	Retail customers	Business customers	Treasury	Total
Fee and commission income	**239 811**	**575 348**	**-11 324**	**803 835**
payment and credit cards service	50 578	250 374	0	300 952
transaction margin on currency exchange transactions	81 516	87 234	-13 732	155 018
maintaining bank accounts	21 940	38 731	14	60 685
brokerage commissions	30 420	0	0	30 420
revenue from bancassurance activity	21 609	28 339	0	49 948
loans and advances	12 053	66 126	0	78 179
transfers	8 527	18 919	13	27 459
cash operations	7 675	9 295	0	16 970
guarantees, letters of credit, collection, commitments	0	6 754	0	6 754
receivables acquired	0	1 918	0	1 918
custody services	0	4 235	0	4 235
repayment of seizure	0	3 288	0	3 288
from leasing activities	0	39 617	0	39 617
other commissions	5 493	20 518	2 381	28 392

01.01.2021 - 30.06.2021	Retail customers	Business customers	Treasury	Total
Fee and commission income	**222 224**	**458 719**	**-19 345**	**661 598**
payment and credit cards service	46 589	176 330	0	222 919
transaction margin on currency exchange transactions	67 916	61 282	-21 383	107 815
maintaining bank accounts	22 046	32 643	9	54 698
brokerage commissions	27 915	0	0	27 915
revenue from bancassurance activity	26 354	27 656	0	54 010
loans and advances	9 965	63 877	0	73 842
transfers	6 969	19 167	8	26 144
cash operations	7 124	10 407	0	17 531
guarantees, letters of credit, collection, commitments	0	6 279	0	6 279
receivables acquired	0	1 895	0	1 895
custody services	0	4 617	0	4 617
repayment of seizure	0	2 985	0	2 985
from leasing activities	0	34 571	0	34 571
other commissions	7 346	17 010	2 021	26 377

6 The result on financial assets measured at fair value through profit or loss and FX result

	01.04.2022 - 30.06.2022	01.01.2022 - 30.06.2022	01.04.2021 - 30.06.2021	01.01.2021 - 30.06.2021
FX result and net income on currency derivatives, including;	**-5 745**	**18 249**	**23 053**	**42 459**

(in PLN '000)

	01.04.2022 - 30.06.2022	01.01.2022 - 30.06.2022	01.04.2021 - 30.06.2021	01.01.2021 - 30.06.2021
fx result	-229 306	-399 709	65 712	-114 860
currency derivatives	223 561	417 958	-42 659	157 319
Interest rate transacions	**7 920**	**21 148**	**1 644**	**5 417**
Ineffective part of hedge accounting	**2 551**	**38**	**2 115**	**-783**
The result on other instruments (includes the result on trading in securities classified as assets measured at fair value through profit and loss with interest	**-8 627**	**-5 541**	**7 626**	**6 076**
The result on financial assets measured at fair value through profit or loss and FX result	**-3 901**	**33 894**	**34 438**	**53 169**

7 The result on derecognition of financial instruments not measured at fair value through profit or loss

	01.04.2022 - 30.06.2022	01.01.2022 - 30.06.2022	01.04.2021 - 30.06.2021	01.01.2021 - 30.06.2021
Financial assets measured at fair value through other comprehensive income	994	1 212	257	318
Financial assets measured at amortized cost	200	272	1 863	1 976
The result on derecognition of financial assets and liabilities not measured at fair value through profit or loss	**1 194**	**1 484**	**2 120**	**2 294**

8 Result on other operating income and expense

	01.04.2022 - 30.06.2022	01.01.2022 - 30.06.2022	01.04.2021 - 30.06.2021	01.01.2021 - 30.06.2021
Other operating income from:	**30 456**	**61 992**	**30 166**	**77 253**
income from contracts with business partners	5 758	15 777	8 807	21 127
reimbursement of costs of claim enforcement	10 131	15 908	5 836	11 940
received compensations, recoveries, penalties and fines	290	589	281	458
management of third-party assets	5 999	11 307	6 121	11 238
from license fees from Partners	1 009	2 003	993	993
due to VAT settlement	0	1 786	0	0
reversal of impairment losses on other assets	226	1 119	926	6 716
other	7 043	13 503	7 202	24 781
Other operating expenses due to:	**-20 470**	**-50 091**	**-24 243**	**-46 867**
reimbursement of credit cost (TSUE provision)	1 053	-7 639	0	0
fees and costs of claim enforcement	-11 312	-24 776	-16 476	-32 273
paid compensations, fines, and penalties	-603	-1 231	-21	-552
management of third-party assets	-314	-636	1	-480
recognition of complaints	-626	-1 142	-457	-1 016
impairment losses on other assets	-4 784	-6 390	-2 295	-4 266
due to VAT settlement	0	-4	1	-1 743
other	-3 884	-8 273	-4 996	-6 537
Net other operating income and expense	**9 986**	**11 901**	**5 923**	**30 386**

(in PLN '000)

9 General administrative expenses

	01.04.2022 - 30.06.2022	01.01.2022 - 30.06.2022	01.04.2021 - 30.06.2021	01.01.2021 - 30.06.2021
Payroll costs	**-234 898**	**-471 376**	**-224 663**	**-439 772**
remuneration due to employment contracts	-190 687	-389 031	-184 225	-359 401
remuneration surcharges	-41 214	-76 645	-38 119	-75 192
costs of bonus for senior executives settled in phantom shares	-339	-1 006	-295	-1 075
other	-2 658	-4 694	-2 024	-4 104
General and administrative costs	**-290 483**	**-482 855**	**-90 895**	**-231 670**
lease and building maintenance expenses	-18 486	-36 422	-13 781	-30 568
costs of Banking Guarantee Fund	0	-96 955	-14 708	-77 576
costs of the protection scheme – assistance fund*	-195 486	-195 486	0	0
IT costs	-34 199	-66 282	-31 234	-61 074
marketing costs	-18 524	-29 511	-9 645	-13 957
cost of advisory services	-3 446	-6 814	-3 661	-5 678
external services	-6 538	-13 123	-7 142	-12 535
training costs	-2 496	-2 810	-828	-1 662
costs of telecommunications services	-7 092	-13 072	-6 197	-12 899
costs of lease of property, plant and equipment and intangible assets	-23	-82	444	-326
other	-4 193	-22 298	-4 143	-15 395
Amortization and depreciation	**-58 893**	**-116 312**	**-57 127**	**-112 844**
property, plant and equipment	-17 259	-35 007	-18 208	-36 984
intangible assets	-18 666	-35 256	-15 543	-30 314
right to use the asset	-22 968	-46 049	-23 376	-45 546
Taxes and fees	**-7 171**	**-13 916**	**-6 645**	**-12 985**
Total general administrative expenses	**-591 445**	**-1 084 459**	**-379 330**	**-797 271**

**Details at Note 37*

10 Net expected credit losses

	01.04.2022 - 30.06.2022	01.01.2022 - 30.06.2022	01.04.2021 - 30.06.2021	01.01.2021 - 30.06.2021
Expected credit losses Stage 3	**-272 146**	**-485 892**	**-286 989**	**-682 025**
retail customers	-110 731	-218 998	-90 107	-303 519
business customers	-161 415	-266 894	-196 882	-378 506
Expected credit losses Stage 1 and 2(ECL)	**-5 128**	**-14 336**	**161**	**130 152**
Stage 2	**-10 872**	**-24 615**	**9 033**	**106 788**
retail customers	-24 064	-32 108	1 208	65 987
business customers	13 192	7 493	7 825	40 801
Stage 1	**5 744**	**10 279**	**-8 872**	**23 364**
retail customers	6 668	8 186	-3 025	27 704
business customers	-924	2 093	-5 847	-4 340
POCI	**-50**	**-3 128**	**-3 537**	**-332**
Recoveries from off-balance sheet	**39 300**	**56 641**	**25 742**	**45 448**
Investment securities	**88**	**387**	**398**	**17**
Off-balance provisions	**7 999**	**7 835**	**-755**	**-1 725**
Net expected credit losses	**-229 937**	**-438 493**	**-264 980**	**-508 465**

(in PLN '000)

11 The result on impairment of non-financial assets

	01.04.2022 - 30.06.2022	01.01.2022 - 30.06.2022	01.04.2021 - 30.06.2021	01.01.2021 - 30.06.2021
Property, plant and equipment and intangible assets	-9 322	-40 223	-1 399	-1 901
Non-current assets held for sale	0	0	0	25
Total	**-9 322**	**-40 223**	**-1 399**	**-1 876**

** The Bank recognized impairment for non-current assets in the amount of approximately PLN 31 million in connection with the reorganization of the branch in Romania.*

12 Cost of legal risk of FX mortgage loans

	01.04.2022 - 30.06.2022	01.01.2022 - 30.06.2022	01.04.2021 - 30.06.2021	01.01.2021 - 30.06.2021
Loans and advances to customers - adjustment decreasing the gross carrying amount of loans	-426	-22 209	0	0
Provisions	-814	-2 228	0	0
Total	**-1 241**	**-24 438**	**0**	**0**

13 Banking Tax

The Act on Tax from Certain Financial Institutions of 15 January 2016 became effective on 1 February 2016 – the Act applies to banks and insurance companies. The tax accrues on the surplus of assets in excess of PLN 4 billion as detailed in trial balances as at the end of each month. Banks are entitled to reduce the taxation base by their equity, as well as the amounts of Treasury securities and assets acquired from NBP. constituting collateral for the refinancing loan granted by NBP. The tax is payable monthly (the monthly rate is 0.0366%) by the 25th day of the month following the month to which it applies and is recognised in the profit and loss account in the period to which it applies.

14 Income tax

14.1 Tax charge disclosed in the profit and loss account

	01.01.2022 - 30.06.2022	01.01.2021 - 30.06.2021
Current tax	178 454	86 098
Deferred income tax	11 427	42 167
Accounting tax recognized in the income statement	**189 881**	**128 265**

14.2 Effective tax rate calculation

	01.01.2022 - 30.06.2022	01.01.2021 - 30.06.2021
Gross profit	**575 265**	**360 170**
Income tax at 19%	109 300	68 432
Non-tax-deductible expenses (tax effect)	**76 309**	**60 807**
Representations costs	78	50
Impairment losses on loans not deductible for tax purposes	19 212	19 764
Prudential fee to BGF	18 421	14 739
Tax on Certain Financial Institutions	24 715	22 091
Donations	5	4

(in PLN '000)

	01.01.2022 - 30.06.2022	01.01.2021 - 30.06.2021
Cost of legal risk of FX mortgage loans	4 643	0
Other	9 235	4 159
Non-taxable income (tax effect)	**-2 635**	**-1 554**
Recognition of tax loss	**-260**	**5 311**
Other	**7 167**	**-4 731**
Accounting tax recognized in the income statement	**189 881**	**128 265**
Effective tax rate	**33.01%**	**35.61%**

15 Profit per share

	01.04.2022 - 30.06.2022	01.01.2022 - 30.06.2022	01.04.2021 - 30.06.2021	01.01.2021 - 30.06.2021
Net profit	**216 214**	**385 384**	**123 811**	**231 905**
Weighted average number of ordinary shares	130 553 991	130 553 991	130 553 991	130 553 991
Net profit per ordinary share (PLN)	**1.66**	**2.95**	**0.95**	**1.78**

Core profit per share is calculated as the quotient of profit attributable to the Bank's shareholders and the weighted average number of ordinary shares in the year.
Pursuant to IAS 33, diluted earnings per share are calculated based on the ratio of the profit attributable to the Bank's shareholders to the weighted average number of ordinary shares, adjusted as if all dilutive potential ordinary shares were converted into shares. As at 30 June 2022 and as at 30 June 2021, the Group did not have dilutive instruments.

Notes to the interim condensed consolidated statement of financial position

16 Cash and ash equivalents

16.1 Financial data

	30.06.2022	31.12.2021
Current account with the central bank	2 642 485	1 482 741
Overnight	18 933	0
Cash	884 867	619 445
Current accounts in other banks	1 324 358	1 646 275
Term deposits in other banks	69 581	14 930
Cash and balances with central bank	**4 940 224**	**3 763 391**

17 Amounts due from banks

17.1 Financial data

Structure by type	30.06.2022	31.12.2021
Reverse Repo	15 225	49 206
Deposits as derivative transactions (ISDA) collateral	2 760 670	1 567 971
Other	98 295	72 602
Amounts due from banks	**2 874 190**	**1 689 779**

(in PLN '000)

18 Investment financial assets

18.1 Financial data

	30.06.2022	31.12.2021
Financial assets	**12 571 158**	**16 099 658**
measured at fair value through other comprehensive income	7 488 436	9 265 445
measured at fair value through profit or loss	585 415	382 900
measured at amortized cost	4 497 307	6 451 313

18.2 Investment financial assets by type

measured at fair value through other comprehensive income	30.06.2022	31.12.2021
Debt instruments	**7 376 795**	**9 159 716**
issued by the State Treasury	**6 804 331**	**6 695 287**
T-bonds	6 804 331	6 695 287
issued by monetary institutions	**549 307**	**2 429 450**
eurobonds	19 381	21 193
money bills	0	1 849 371
bonds	529 926	558 886
issued by companies	**23 157**	**34 979**
bonds	23 157	34 979
Equity instruments	**111 641**	**105 729**
Total	**7 488 436**	**9 265 445**

measured at fair value through profit or loss	30.06.2022	31.12.2021
Debt instruments	**54 685**	**64 801**
issued by the State Treasury	**46 742**	**53 381**
T-bonds	46 742	53 381
issued by other financial institutions	**4**	**4**
bonds	4	4
issued by companies	**7 939**	**11 416**
bonds	7 939	11 416
Equity instruments	**84 915**	**84 494**
Derivative financial instruments	**445 815**	**233 605**
Interest rate transactions	**214 158**	**82 564**
SWAP	211 792	80 570
Cap Floor Options	2 366	1 994
Foreign exchange transactions	**209 753**	**127 823**
FX Swap	30 979	24 453
FX forward	91 986	62 491
CIRS	79 048	31 175
FX options	7 740	9 704
Other options	**91**	**10 845**
Other instruments	**21 813**	**12 373**
Total	**585 415**	**382 900**

(in PLN '000)

measured at amortized cost	30.06.2022	31.12.2021
Debt instruments	**4 497 307**	**6 451 313**
issued by the State Treasury	**3 991 830**	**5 936 348**
T-bonds	3 991 830	5 936 348
issued by other financial companies	**505 477**	**514 965**
bonds	505 477	514 965
Total	**4 497 307**	**6 451 313**

19 Loans and advances to customers

19.1 Accounting principles

In the first half of 2022, the Group did not change the rules and methodology for classifying credit exposures and estimating provisions for expected losses. The applied rules are the same as those described in the annual financial statements.
From 31 December 2021, the Group applies the requirements of Recommendation R of the Polish Financial Supervision Authority with regard to the classification and measurement of impairment. The key change in the scope of changes introduced in December 2021 (adjustment to the requirements of Recommendation R) is the Group perceives changes in the methodology for determining the significance of the deterioration of the chalk risk resulting in classification to Stage 2. So far, the Group has used a methodology characterized by an approach based on the cyclical recalculation of relative thresholds based on o the default rate of the portfolio expected in the given horizons, where the horizons depended on the forecasted future economic situation. The new methodology is based on the definition of fixed thresholds at the time of commitment (the level of which is diversified according to the original credit quality). After the introduction of the new rules, the Group did not observe any increased volatility in the identification of portfolios with a significant deterioration of credit risk

19.2 Future macroeconomic factors in the assessment of credit quality and impairment allowances estimation

The Group ensures that future macroeconomic factors are included in all significant components of the estimated credit losses. Taking into account future macroeconomic factors ensures that the current valuation of ECL reflects the expected scale of deterioration in the credit quality of the portfolio due to the tough macroeconomic environment.

The Group considers the key areas of macroeconomic risk to be:

Direct impact and effects of the war in Ukraine on the loan portfolio associated with persons who are citizens of countries involved in the war / economic entities operating in the region

The Group intensively monitors and analyzes the impact of the geopolitical situation related to the war in Ukraine on the quality of the loan portfolio.

In terms of the of the retail client segment, the share in the portfolio of clients with the citizenship of Ukrainian, Russian, Belarusian fluctuates around 1.6%. These are clients living and earning income in Poland. All portfolio quality indicators remain at stable levels. The Group continues intensive portfolio monitoring, but does not identify any significant threats in this respect.

In terms of the corporate customer segment, the Group identifies a portfolio exposed to the effects of escalation of military operations in Ukraine based on addresses (headquarters, correspondence, residences), information from individual monitoring, and a significant share of inflows / transfers from / to countries involved in the armed conflict. In this population, the Group identifies approximately 40 clients with an exposure of approximately PLN 100 million. The monitoring results indicate that the deterioration of the quality and the increase in the risk of debt servicing is negligible.

A complex macroeconomic environment (caused among others by the above factors) and its impact on the loan portfolio

Due to significant - unprecedented - changes in the macroeconomic environment (changes in interest rates, inflation, exchange rates, energy prices), the FLI component in the portfolio valuation is important, reflecting the Group's expectations regarding the scenario development of macroeconomic factors.

In particular, with regard to the methodology used for the PD parameter the Group continues:

- for the retail client segment, the use of the methodology for assessing the impact of changes in financial burdens as a result of an increase interest rates at risk of default,
- for the corporate client segment, the use of industry models enabling the simulation of the client's rating, supplemented with up-to-date information on changes in the macroeconomic environment, taking into account the increase in financing costs and energy prices.

The experience of the first months of operation in an environment of rising interest rates shows that:

- the scale of support that clients receive in terms of payment moratoria and the borrower support fund,
- the transmission of the rising interest rates to the deterioration of clients' debt servicing capacity was much lower than originally assumed.

Analyzing these phenomena, the Group designed a series of analyzes including:

- assessment of the sensitivity of the PD parameter value to changes in macroeconomic scenarios,
- verification of changes in the loss ratio/early risk measures to changes in the economic environment,
- backtesting of the assumed values of PD parameters taking into account the FLI component at different forecast horizons.

The work resulted in a decision on the value of PD parameters adequate for the macroeconomic scenarios adopted by the Group.

In the area of the LGD parameter for individual clients, a solution is applied which makes the level of heal dependent on the dynamics of changes in the Gross Domestic Product. The current form of the FLI solution for business clients takes into account changes in the legal, regulatory and business environment to the expected value of total recovery from the client's assets.

As regards the collateral included in the valuation of credit exposure impairment, the Group takes into account the risk of negative future macroeconomic factors affecting the collateral value and applies an additional haircut over the current market valuations and estimated recovery rates reflecting the economic recoverability of collateral.

As at 30 June 2022, the effects of the high interest rate environment and the war in Ukraine had no significant impact on the deterioration of the quality of loan portfolios. The Group believes that it adequately takes into account in the FLI component the expected development trajectory of the above-mentioned phenomena and the target impact on the portfolio quality. At the same time, the Group assesses the risk of uncertainty and volatility in terms of both phenomena as significant and has a conservative approach to adjustments of risk parameters.

19.3 Quality and and structure of the loan portfolio

Key credit portfolio quality indicators as at 30 June 2022

As at 30 June 2022, despite the negative macroeconomic environment and geopolitical situation, the Group did not observe a significant negative impact on the quality of the loan portfolio. The share of 30-day overdue loans in the regular portfolio as at 30 June 2022 did not change and remained at 0.8% compared to 31 December 2021.

In the Group's opinion, this situation is largely due to:

- slight in the first period of the environment of increasing interest rates, negative transmission to debt servicing capacity,
- negligible impact on the quality of the loan portfolio of the initial phase of the armed conflict in Ukraine,
- the scale of support that clients received both in terms of payment moratoria and public-legal aid, which turned out to be effective tools for counteracting the effects of the pandemic.

The Group adjusts its credit policies and processes to the current macroeconomic situation and the threats resulting from it (both in terms of adapting the policy and credit processes to the pandemic environment, high interest rates environment and geopolitical and economic consequences of the armed conflict in Ukraine).

Thanks to all the above circumstances and actions, the quality of the loan portfolio has so far remained resistant to the effects of the current macroeconomic and geopolitical environment.

The level of write-offs for exposures classified to Stage 1 and Stage 2 as at 30 June 2022 amounts to approx. PLN 1.19 billion and represents an increase of approx. 1.6 % compared to the level maintained as at 31 December 2021. The key credit parameters of the regular portfolio are presented below:

Date	DPD 30+	PD	LGD	Stage 2 share in he regular portfolio	Coverage of regular portfolio write-offs
30.06.2022	0.8%	3.53%	31.7%	11.7%	1.89%
31.12.2021	0.8%	3.67%	31.1%	11.7%	1.90%

As at 30 June 2022 and 31 December 2021, the structure of the portfolio with evidence of impairment, together with the structure of the recoverable amount of collateral, was as follows (in PLN M):

Date	individual portfolio			collective portfolio		
	exposure value	% of collateral coverage*	% coverage with write-offs	exposure value	% of collateral coverage*	% coverage with write-offs
30.06.2022	2 821	49%	50%	3 477	19%	63%
31.12.2021	3 207	50%	46%	3 836	18%	64%

**expressed at the economic recoverable amount*

The processes of selling and writing off the impaired loan portfolio carried out by the Bank had a significant contribution to the significant decrease in the value of impaired exposures.

Sensitivity of results to macroeconomic assumptions

The Group adopts 3 scenarios for the future macroeconomic situation:

- base, with a probability of 50% (where the GDP growth rate at the end of subsequent years in the period 2022-2024 is 4.5% y / y, 1.1% y / y and 2.5% respectively, and the NBP base rate is respectively 7.5%, 7.00% and 5%),
- negative, with a probability of 25% implementation (where the GDP growth rate at the end of subsequent years in the period 2022-2024 amounts to 2.5% y / y, -0.7% y / y and 1.8%, respectively, and the NBP base rate 9.0%, 9.0% and 7.5% respectively),
- optimistic, with a probability of 25% implementation (where the GDP growth rate at the end of subsequent years in the period 2022-2024 amounts to 5.7% y / y, 3.5% y / y and 4.3%, respectively, and the NBP base rate is respectively 6.50%, 4.00% and 4.00%).

developed internally by the Macroeconomic Analysis Department.

Below is presented the sensitivity of the estimated losses expected for the portfolio of regular exposures, in the case of assuming the implementation of stress scenarios (in PLN M):

Changing the probability of scenarios	Total amount
Change in expected losses in the case of the negative scenario with 100% probability	43
Change in expected losses in the case of the positive scenario with 100% probability	-46

The impact of increased/decreased PD parameter on the ECL in particular stage is presented in the table below (PLN M):

	30.06.2022	31.12.2021
	Change	Change
	-/+10%	-/+10%
Estimated change in the impairment allowance of loans and advances due to a change in the probability of default by +/- 10% or LGD by +/- 10% - Stage 1	+/- 45	+/-46
Estimated change in the impairment allowance of loans and advances due to a change in the probability of default by +/- 10% or LGD by +/- 10% - Stage 2	+ / - 74	+ /-72

Sensitivity of results to assumptions / estimates

Estimation of expected credit losses reflecting the future behavior of credit portfolios (both in terms of customer behavior and the potential of recoverability processes) is subject to uncertainty resulting from the limitations of future modeling.

The sensitivity of the expected credit losses estimates for individual components / parameters based on a hypothetical 10% change/deviation in assumptions is presented below.

The impact of increased/decreased cash flows (including flows from execution of collateral) on impairment of the loan portfolio classified into Stage 3 and measured by the Group with the individual method is presented in the table below (PLN M):

	30.06.2022	31.12.2021
	Change	Change
	-/+10%	-/+10%
The estimated change to the impairment of loans as a result of a changed present value of the estimated cash flows under loans measured by the Group with the individual method	+159/-146	+179 /-155

The impact of increased/decreased cash flows (including flows from execution of collateral) on impairment of the loan portfolio classified into Stage 3 and measured by the Group with the portfolio method is presented in the table below (PLN M):

	30.06.2022	31.12.2021
	Change	Change
	-/+10%	-/+10%
The estimated change to the impairment of loans as a result of a changed present value of the estimated cash flows under loans measured by the Group with the group method	+142 / -131	+147 /-141

19.4 Financial data (gross value, expected credit losses)

Loans granted to customers	30.06.2022			31.12.2021		
	Gross value	Expected credit losses	Net value	Gross value	Expected credit losses	Net value
Retail segment	**38 245 409**	**-2 163 756**	**36 081 653**	**38 592 653**	**-2 200 622**	**36 392 031**
Consumer loans	17 976 702	-1 986 188	15 990 514	18 715 866	-2 041 628	16 674 238
Loans for residential properties	16 073 671	-133 883	15 939 788	15 548 816	-114 561	15 434 255

(in PLN '000)

Loans granted to customers	30.06.2022			31.12.2021		
	Gross value	Expected credit losses	Net value	Gross value	Expected credit losses	Net value
Consumer finance loans	4 195 036	-43 685	4 151 351	4 327 971	-44 433	4 283 538
Corporate segment	**24 988 109**	**-2 797 951**	**22 190 158**	**24 985 917**	**-3 149 770**	**21 836 147**
Working capital loans	12 025 112	-1 457 677	10 567 435	11 993 754	-1 877 301	10 116 453
Investment loans	5 636 517	-795 456	4 841 061	5 960 252	-742 422	5 217 830
Other business loans	7 326 480	-544 818	6 781 662	7 031 911	-530 047	6 501 864
Total	**63 233 518**	**-4 961 707**	**58 271 811**	**63 578 570**	**-5 350 392**	**58 228 178**

Loans granted to customers	30.06.2022			31.12.2021		
	Gross value	Expected credit losses	Net value	Gross value	Expected credit losses	Net value
Retail segment	**38 245 409**	**-2 163 756**	**36 081 653**	**38 592 653**	**-2 200 622**	**36 392 031**
Stage 1	33 778 873	-352 541	33 426 332	34 331 648	-360 401	33 971 247
Stage 2	2 300 015	-386 185	1 913 830	1 981 672	-353 745	1 627 927
Stage 3	2 138 603	-1 409 737	728 866	2 246 043	-1 468 530	777 513
POCI	27 918	-15 293	12 625	33 290	-17 946	15 344
Corporate segment	**24 988 109**	**-2 797 951**	**22 190 158**	**24 985 917**	**-3 149 770**	**21 836 147**
Stage 1	14 876 246	-84 360	14 791 886	14 277 156	-83 969	14 193 187
Stage 2	5 476 817	-370 806	5 106 011	5 469 150	-377 994	5 091 156
Stage 3	4 397 256	-2 287 622	2 109 634	5 002 900	-2 631 172	2 371 728
POCI	237 790	-55 163	182 627	236 711	-56 635	180 076
Total	**63 233 518**	**-4 961 707**	**58 271 811**	**63 578 570**	**-5 350 392**	**58 228 178**

Loans and advances to customers by method of allowance calculation	30.06.2022			31.12.2021		
	Gross value	Expected credit losses	Net value	Gross value	Expected credit losses	Net value
Stage 3	**6 535 859**	**-3 697 359**	**2 838 500**	**7 248 943**	**-4 099 702**	**3 149 241**
individual method	2 685 015	-1 367 549	1 317 466	3 082 356	-1 514 395	1 567 961
group method	3 850 844	-2 329 810	1 521 034	4 166 587	-2 585 307	1 581 280
Stage 2	**7 776 832**	**-756 991**	**7 019 841**	**7 450 822**	**-731 739**	**6 719 083**
Stage 1	**48 655 119**	**-436 901**	**48 218 218**	**48 608 804**	**-444 370**	**48 164 434**
POCI	**265 708**	**-70 456**	**195 252**	**270 001**	**-74 581**	**195 420**
Total	**63 233 518**	**-4 961 707**	**58 271 811**	**63 578 570**	**-5 350 392**	**58 228 178**

Loans and advances to customers – exposure of the Bank to the credit risk	30.06.2022			31.12.2021		
	Gross value	Expected credit losses	Net value	Gross value	Expected credit losses	Net value
Stage 3	**6 535 859**	**-3 697 359**	**2 838 500**	**7 248 943**	**-4 099 702**	**3 149 241**
not overdue	1 432 221	-535 548	896 673	1 619 899	-565 359	1 054 540
overdue	5 103 638	-3 161 811	1 941 827	5 629 044	-3 534 343	2 094 701
Stage 1 and Stage 2	**56 431 951**	**-1 193 892**	**55 238 059**	**56 059 626**	**-1 176 109**	**54 883 517**
not overdue	53 038 715	-826 230	52 212 485	53 188 876	-857 988	52 330 888
overdue	3 393 236	-367 662	3 025 574	2 870 750	-318 121	2 552 629
POCI	**265 708**	**-70 456**	**195 252**	**270 001**	**-74 581**	**195 420**
Total	**63 233 518**	**-4 961 707**	**58 271 811**	**63 578 570**	**-5 350 392**	**58 228 178**

From 1 January to 30 June 2022 the Group sold loans with a total gross value amounting to PLN 295 869 thousand, while the impairment allowance recorded for this portfolio amounted to PLN 231 342 thousand. The impact of debt sales on the cost of risk in the first half of 2022 amounted to PLN (+)7 263 thousand (gain).

(in PLN '000)

From 1 January to 30 June 2022 the Group wrote off the financial assets amounted to PLN 823 635 thousand. The financial assets that are written off concerned both the loan portfolio of retail and corporate customers. The financial assets that are written off in 2022 in the amount of PLN 808 156 thousand may still be subject enforcement activity.

Loans and advances to customers	Stage 1	Stage 2	Stage 3	POCI	Total
Gross carrying amount					
Gross carrying amount as at 01.01.2022	**48 608 804**	**7 450 822**	**7 248 943**	**270 001**	**63 578 570**
New / purchased / granted financial assets	9 777 489	0	0	0	9 777 489
Changes in the level of credit risk. derecognition (other than write-offs): repayments. changes in the valuation. sale or expiry of an instrument	-7 810 891	-858 236	-631 908	2 129	-9 298 906
Financial assets written down	0	0	-817 213	-6 422	-823 635
Transfer to Stage 1	823 343	-784 653	-38 690	0	0
Transfer to Stage 2	-2 453 506	2 550 650	-97 144	0	0
Transfer to Stage 3	-290 120	-581 751	871 871	0	0
Gross carrying amount as at 30.06.2022	**48 655 119**	**7 776 832**	**6 535 859**	**265 708**	**63 233 518**
Expected credit losses					
Expected credit losses as at 01.01.2022	**444 370**	**731 739**	**4 099 702**	**74 581**	**5 350 392**
New / purchased / granted financial assets	126 794	0	0	0	126 794
Changes in the level of credit risk. derecognition (other than write-offs): repayments. changes in the valuation. sale or expiry of an instrument	-233 026	144 229	394 656	2 297	308 156
Financial assets written down	0	0	-817 213	-6 422	-823 635
Transfer to Stage 1	161 161	-110 529	-50 632	0	0
Transfer to Stage 2	-51 491	130 407	-78 916	0	0
Transfer to Stage 3	-10 907	-138 855	149 762	0	0
Expected credit lossesas at 30.06.2022	**436 901**	**756 991**	**3 697 359**	**70 456**	**4 961 707**
Net carrying amount as at 30.06.2022	**48 218 218**	**7 019 841**	**2 838 500**	**195 252**	**58 271 811**

Loans and advances to customers	Stage 1	Stage 2	Stage 3	POCI	Total
Gross carrying amount					
Gross carrying amount as at 01.01.2021	**45 786 908**	**7 611 453**	**8 784 510**	**279 072**	**62 461 943**
New / purchased / granted financial assets	9 714 324	0	0	0	9 714 324
Changes in the level of credit risk. derecognition (other than write-offs): repayments. changes in the valuation. sale or expiry of an instrument	-6 848 723	-888 142	-1 121 482	-24 572	-8 882 919
Financial assets written down	0	0	-672 713	-24 930	-697 643
Transfer to Stage 1	1 145 871	-1 002 062	-143 809	0	0
Transfer to Stage 2	-1 948 113	2 118 793	-170 680	0	0
Transfer to Stage 3	-425 404	-822 951	1 248 355	0	0
Gross carrying amount as at 30.06.2021	**47 424 863**	**7 017 091**	**7 924 181**	**229 570**	**62 595 705**
Expected credit losses					
Expected credit losses as at 01.01.2021	**492 800**	**772 626**	**4 904 681**	**76 414**	**6 246 521**
New / purchased / granted financial assets	239 852	0	0	0	239 852
Changes in the level of credit risk. derecognition (other than write-offs): repayments. changes in the valuation. sale or expiry of an instrument	-419 546	92 645	109 746	-3 870	-221 025
Financial assets written down	0	0	-672 713	-24 930	-697 643
Transfer to Stage 1	237 326	-142 325	-95 001	0	0
Transfer to Stage 2	-54 724	151 261	-96 537	0	0

(in PLN '000)

Loans and advances to customers	Stage 1	Stage 2	Stage 3	POCI	Total
Transfer to Stage 3	-27 053	-209 347	236 400	0	0
Expected credit lossesas at 30.06.2021	**468 655**	**664 860**	**4 386 576**	**47 614**	**5 567 705**
Net carrying amount as at 30.06.2021	**46 956 208**	**6 352 231**	**3 537 605**	**181 956**	**57 028 000**

20 Other assets

20.1 Financial data

	30.06.2022	31.12.2021
Sundry debtors	**634 467**	**590 850**
Other settlements	418 777	338 086
Receivables related to sales of services (including insurance)	18 591	14 990
Guarantee deposits	15 846	15 760
Settlements due to cash in ATMs	181 253	222 014
Costs recognised over time	**76 927**	**39 206**
Maintenance and support of systems, servicing of plant and equipment	41 573	20 904
Other deferred costs	35 354	18 302
VAT settlements	**27 341**	**36 170**
Other assets (gross)	**738 735**	**666 226**
Write-down	-57 827	-52 772
Other assets (net)	**680 908**	**613 454**
including financial assets (gross)	634 467	590 850

Change in write-downs

	30.06.2022	30.06.2021
Open balance	**52 772**	**64 867**
Provisions recorded	6 390	4 266
Provisions released	-1 119	-6 716
Assets written off from the balance sheet	-545	-8 391
Other changes	329	-1 294
Closing balance	**57 827**	**52 732**

21 Assets pledged as colleteral

21.1 Financial data

	30.06.2022	31.12.2021
Treasury bonds blocked for REPO transactions	2 012 510	0
Financial assets measured at amortised cost in the EIB	127 947	130 921
Total	**2 140 457**	**130 921**

Apart from assets that secure liabilities that are disclosed separately in the statement of financial position, the Bank additionally held the following collateral for the liabilities that did not meet the criterion of separate presentation in accordance with IFRS 9:

(in PLN '000)

	30.06.2022	31.12.2021
Treasury bonds blocked with BGF	410 901	434 973
Deposits as derivative transactions (ISDA) collatera	2 760 670	1 567 971
Deposit as collateral of transactions performed in Alior Trader	717	65
Total	**3 172 288**	**2 003 009**

22 Amounts due to banks

22.1 Financial data

Structure by type	30.06.2022	31.12.2021
Current deposits	6 763	8 441
Overnight	361 952	0
Term deposits	348 163	307 379
Own bond issues	0	67 557
Received loan	66 026	80 071
Other liabilities	108 287	66 169
Repo	864 515	0
Total amounts due to banks	**1 755 706**	**529 617**

23 Amounts due to customers

23.1 Financial data

Structure by type and customer segment	30.06.2022	31.12.2021
Retail segment	**49 590 907**	**49 020 278**
Current deposits	38 268 398	42 610 912
Term deposits	10 498 711	5 654 614
Own issue of banking securities	538 235	514 433
Other liabilities	285 563	240 319
Corporate segment	**21 150 210**	**22 985 437**
Current deposits	14 005 816	17 264 882
Term deposits	5 724 079	5 415 967
Own issue of banking securities	2 046	1 838
Other liabilities	1 418 269	302 750
Total amounts due to customers	**70 741 117**	**72 005 715**

From 1 January to 30 June 2022 the Group issued own securities amounted to PLN 144 013 thousand and securities purchased before maturity amounted to PLN 71 161 thousand.

In 2021 the Group issued own securities amounted to PLN 345 892 thousand and securities purchased before maturity amounted to PLN 263 306 thousand.

24 Provisions

24.1 Financial data

	Provisions for disputes	Provisions for retirement benefits	Provisions for off-balance sheet liabilities granted	Restructuring provision	Provision for reimbursement of credit costs (TSUE)	Total provisions
As at 1 January 2022	**41 530**	**6 459**	**136 743**	**2 050**	**103 431**	**290 213**
Established provisions	12 347	4 533	42 023	0	7 639	66 542

(in PLN '000)

	Provisions for disputes	Provisions for retirement benefits	Provisions for off-balance sheet liabilities granted	Restructuring provision	Provision for reimbursement of credit costs (TSUE)	Total provisions
Reversal of provisions	-9 085	-288	-49 858	0	0	-59 231
Utilized provisions	-6 411	-6 078	0	-270	-19 158	-31 917
Other changes	87	0	212	0	0	299
As at 30 June 2022	**38 468**	**4 626**	**129 120**	**1 780**	**91 912**	**265 906**

	Provisions for disputes	Provisions for retirement benefits	Provisions for off-balance sheet liabilities granted	Restructuring provision	Provision for reimbursement of credit costs (TSUE)	Total provisions
As at 1 January 2021	**47 534**	**5 954**	**172 060**	**2 872**	**108 140**	**336 560**
Established provisions	55	5 632	87 192	0	0	92 879
Reversal of provisions	-600	-146	-85 467	-312	0	-86 525
Utilized provisions	-11 931	-5 714	0	-266	-41 283	-59 194
Other changes	0	0	-100	0	0	-100
As at 30 June 2021	**35 058**	**5 726**	**173 685**	**2 294**	**66 857**	**283 620**

The restructuring program was announced by the Bank and its implementation started in December 2016 in connection with the merger of Bank BPH demerged business.

Split of the restructuring provision as at 30.06.2022 is presented below:

	31.12.2021	utilisation	reversal	30.06.2022
Reorganisation of the branch network	2 050	-270	0	1 780
Total	**2 050**	**-270**	**0**	**1 780**

25 Other liabilities

25.1 Financial data

	30.06.2022	31.12.2021
Interbank settlements	584 572	429 510
Taxes, customs duty, social and health insurance payables and other public settlements	47 878	30 533
Settlements of payment cards	5 108	10 941
Other settlements, including	241 404	189 624
settlements with insurers	*20 945*	*28 105*
Liability for reimbursement of credit costs	81 873	81 814
Settlements of issues of bank certificates of deposits	258	39 692
Liabilities due to contributions to the Bank Guarantee Fund	238 630	162 979
Liabilities due to contribution in protection scheme*	195 486	0
Accrued expenses	239 469	186 421
Income received in advance	61 910	47 460
Provision for bancassurance resignations	42 865	42 362
Provision for bonuses	59 945	81 027
Provision for unutilised annual leaves	33 053	19 666
Provision for bonuse settled in phantom shares	3 425	2 419
Provision for retention programs	37	85
Other employee provisions	1 209	1 167
Liabilities due to lease agreements	267 905	286 881
Other liabilities	34 413	36 959

(in PLN '000)

	30.06.2022	31.12.2021
Other liabilities	**2 139 440**	**1 649 540**
including financial liabilities	912 957	711 889

**Details at Note 37*

26 Financial liabilities

26.1 Financial data

	30.06.2022	31.12.2021
Short sale of T-bonds	**203 116**	**46 423**
Interest rate transactions	**198 136**	**103 939**
SWAP	195 635	101 948
Cap Floor Options	2 365	1 991
FRA	136	0
Foreign exchange transactions	**32 160**	**20 153**
FX Swap	17 817	4 489
FX forward	3 758	1 013
CIRS	3 983	5 545
FX options	6 602	9 106
Other options	**91**	**10 845**
Other instruments	**14 540**	**6 728**
Total measured at fair value through profit or loss/ held for trading	**448 043**	**188 088**

27 Subordinated liabilities

27.1 Financial data

					Status of liabilities	
Liabilities classified as the Bank's own funds	Nominal value in the currency	Currency	Term	Interest	30.06.2022	31.12.2021
Series F bonds	321 700	PLN	26.09.2014-26.09.2024	WIBOR6M +3,14	328 478	324 634
Series EUR001 bonds	0	EUR	04.02.2016-04.02.2022	LIBOR6M + 6,00	0	47 128
Series P1A bonds	0	PLN	27.04.2016-16.05.2022	WIBOR6M +3,25	0	150 960
Series P1B bonds	70 000	PLN	29.04.2016-16.05.2024	WIBOR6M +3,00	70 847	70 427
Series K and K1 bonds	600 000	PLN	20.10.2017-20.10.2025	WIBOR6M +2,70	609 978	604 224
Series P2A bonds	150 000	PLN	14.12.2017-29.12.2025	WIBOR6M +2,70	150 083	150 068
Subordinated liabilities					**1 159 386**	**1 347 441**

(in PLN '000)

28 Off-balance sheet items

28.1 Financial data

	30.06.2022	31.12.2021
Granted off-balance liabilities	**10 528 183**	**9 945 348**
Concerning financing	**9 792 536**	**9 294 619**
Guarantees	**735 647**	**650 729**
Performance guarantees	405 145	427 093
Financial guarantees	330 502	223 636

29 Fair value hierarchy

29.1 Accounting principles and estimates and assumptions

The fair value is a price receivable in the sale of an asset or payable for transfer of a liability in an arm's length transaction in the principal (or most advantageous) market as at the measurement date subject to prevailing market conditions (exit price), irrespective of the fact if such price is directly observable or estimated with another measurement technique.

Depending on the classification category of financial assets and liabilities to a specific hierarchy level, various methods to measure fair value are applied.

Level 1: On the basis of prices quoted in the principal (or most advantageous) market

Financial assets and liabilities with fair value measured directly on the basis of quoted prices (not adjusted) from active markets for identical assets or liabilities. This category includes financial and equity instruments measured at fair value through profit and loss for which there is an active market and for which the fair value is determined on the basis of market value being the purchase price:

- debt Treasury securities valued at fixing on the Bondspot platform or Bloomberg information services and Reuters.
- debt and equity securities traded in a regulated market, including in the portfolio of the Brokerage House.
- derivative instruments that are traded in a regulated market.

Level 2: On the basis of measurement techniques based on assumptions using information coming from the principal (or most advantageous) market;

Financial assets and liabilities whose fair value is measured with measurement models where all material input data is observable in the market directly (as prices) or indirectly (relying on prices). In that category the Bank classifies financial instruments for which no active market exists:

	Measurement method (techniques)	Material observable input data
DERIVATIVE FINANCIAL INSTRUMENTS – CIRS, IRS, FRA, FX FORWARD, FX SWAP TRANSACTIONS	The model of discounted future cash flows based on profitability curves.	Profitability curves are built on the basis of market rates. market data of the money market. FRA. IRS. OIS basis swap transaction market. FX instruments are measured using NBP's fixing rates and market rates of swap points.
FX OPTIONS, INTEREST RATE OPTIONS	FX options and interest rate options are measured with the use of specific valuation models characteristic for a specific option.	For option instruments additionally market quotations are used for market variability quotations of currency pairs and interest rates.
NBP MONEY BILLS	Profitability curve method	Profitability curves are developed on the basis of money market data.

	Measurement method (techniques)	Material observable input data
COMMODITY FORWARD/SWAP	Commodity instruments are measured on the basis of future cash flows calculated on the basis of profitability curves characteristic for specific commodities.	Profitability curves are built on the basis of quoted commodity futures contracts.

Level 3: For which minimum one factor affecting the price is not observable in the market.

Financial assets and liabilities with the fair value measured with the measurement models where input data is not based on observable market data (non-observable input data).

Such instruments include options embedded in certificates of deposit issued by the Bank and options in the interbank market to hedge positions of the embedded options. The fair value is determined on the basis of market prices of those options or an internal model subject to both observable parameters (e.g. price of the base instrument, secondary quotations of options) and non-observable (e.g. variability, correlations between base instruments in options based on a basket). Model parameters are determined on the basis of a statistical analysis. At the end of the reporting period, the position in the above-mentioned instruments was closed on back-to-back basis, which means that the change in valuation of options embedded in structured instruments is offset by changes in the valuation of options concluded on the interbank market. The group also contains the Bank's position in commercial debt securities where apart from the parameters coming from market quotations are affected by non-observable volume of credit spread. The spread is based on the primary market price or at transaction execution. It is updated when reliable market quotations occur or when prices are obtained from transactions of comparable volume. The spread is also changed on the basis of information of a changed credit standing of the security issuer. At the end of the first half of 2022, the sensitivity of changed measurement of those assets in the case of an increase of the credit spread by 1 basis point was PLN 13.80 thousand.

	Measurement method (techniques)	Material observable input data
CORPORATE BONDS	Profitability curve model and risk margin	Profitability curves are developed on the basis of bond market data.
EXOTIC OPTIONS	The prices of exotic options embedded in structured products are determined on the basis of market prices or measured with the internal model subject to both observable parameters (e.g. price of the base instrument. secondary quotations of options) and non-observable (e.g. variability. correlations between base instruments).	The prices of exotic options embedded in structured products are acquired from the market.
SHARES VISA INC A SERIES PRIVILEGED	The current market value of listed Visa Inc. common stock including the haircut taking into account changes in the share price of Visa Inc	Market value of the listed ordinary shares of Visa Inc.
SHARES VISA INC C SERIES PRIVILEGED	The current market value of listed ordinary shares of Visa Inc. subject to the conversion ratio and discount. considering changing prices of the shares of Visa Inc.	Market value of the listed ordinary shares of Visa Inc.
SHARES PSP sp. z o.o.	Fair value estimation is based on the current value of the company's forecast results	Risk free rate
SHARES RUCH SA	Fair value estimation is based on the current value of the company's forecast results	Risk free rate

Transfers of instruments between measurement levels as at the end of the reporting period. Transfers are made subject to conditions set forth in the international financial reporting standards. for instance, quotation availability of instruments from an active market, availability of quotations of pricing factors, or impact of non-observable data on the fair value.

29.2 Financial data

Below there are carrying values of financial assets and liabilities split into measurement categories (levels).

(in PLN '000)

Compared to the previous reporting period. there was no change to the classification and measurement principles of the hierarchy levels of the fair value.

30.06.2022	Level 1	Level 2	Level 3	Total
Investment financial assets				
Measured at fair value through profit and loss	**47 223**	**445 243**	**92 949**	**585 415**
SWAP	0	211 792	0	211 792
Cap Floor Ooptions	0	2 366	0	2 366
FX Swap	0	30 979	0	30 979
FX forward	0	91 986	0	91 986
CIRS	0	79 048	0	79 048
FX options	0	7 740	0	7 740
Other options	0	0	91	91
Other instruments	481	21 332	0	21 813
Financial derivatives	**481**	**445 243**	**91**	**445 815**
Treasury bonds	46 742	0	0	46 742
Other bonds	0	0	7 943	7 943
Equity instruments	0	0	84 915	84 915
Investments securities	**46 742**	**0**	**92 858**	**139 600**
Measured at fair value through other comprehensive income	**7 353 638**	**0**	**134 798**	**7 488 436**
Treasury bonds	6 804 331	0	0	6 804 331
Other bonds	549 307	0	23 157	572 464
Equity instruments	0	0	111 641	111 641
Derivative hedging instruments	**0**	**108 134**	**0**	**108 134**
Interest rate transactions – SWAP	0	108 134	0	108 134

31.12.2021	Level 1	Level 2	Level 3	Total
Investment financial assets				
Measured at fair value through profit and loss	**54 409**	**221 732**	**106 759**	**382 900**
SWAP	0	80 570	0	80 570
Cap Floor Ooptions	0	1 994	0	1 994
FX Swap	0	24 453	0	24 453
FX forward	0	62 491	0	62 491
CIRS	0	31 175	0	31 175
FX options	0	9 704	0	9 704
Other options	0	0	10 845	10 845
Other instruments	1 028	11 345	0	12 373
Financial derivatives	**1 028**	**221 732**	**10 845**	**233 605**
Treasury bonds	53 381	0	0	53 381
Other bonds	0	0	11 420	11 420
Equity instruments	0	0	84 494	84 494
Investments securities	**53 381**	**0**	**95 914**	**149 295**
Measured at fair value through other comprehensive income	**7 275 366**	**1 849 371**	**140 708**	**9 265 445**
Money bills	0	1 849 371	0	1 849 371
Treasury bonds	6 695 287	0	0	6 695 287
Other bonds	580 079	0	34 979	615 058
Equity instruments	0	0	105 729	105 729
Derivative hedging instruments	**0**	**38 810**	**0**	**38 810**
Interest rate transactions – SWAP	0	38 810	0	38 810

(in PLN '000)

30.06.2022	Level 1	Level 2	Level 3	Total
Financial liabilities				
Financial liabilities measured at fair value through profit or loss	**203 414**	**244 538**	**91**	**448 043**
Bonds	203 116	0	0	203 116
SWAP	0	195 635	0	195 635
Cap Floor Ooptions	0	2 365	0	2 365
FRA	0	136	0	136
FX Swap	0	17 817	0	17 817
FX forward	0	3 758	0	3 758
CIRS	0	3 983	0	3 983
FX options	0	6 602	0	6 602
Other options	0	0	91	91
Other instruments	298	14 242	0	14 540
Derivative hedging instruments	**0**	**2 265 278**	**0**	**2 265 278**
Interest rate swaps - IRS	0	2 265 278	0	2 265 278

31.12.2021	Level 1	Level 2	Level 3	Total
Financial liabilities				
Financial liabilities measured at fair value through profit or loss	**46 430**	**130 813**	**10 845**	**188 088**
Bonds	46 423	0	0	46 423
SWAP	0	101 948	0	101 948
Cap Floor Ooptions	0	1 991	0	1 991
FX Swap	0	4 489	0	4 489
FX forward	0	1 013	0	1 013
CIRS	0	5 545	0	5 545
FX options	0	9 106	0	9 106
Other options	0	0	10 845	10 845
Other instruments	7	6 721	0	6 728
Derivative hedging instruments	**0**	**1 081 996**	**0**	**1 081 996**
Interest rate swaps - IRS	0	1 081 996	0	1 081 996

Reconciliation of changes at level 3 of fair value hierarchry

	Assets		Liabilities	
	30.06.2022	30.06.2021	30.06.2022	30.06.2021
Opening balance	**247 467**	**280 052**	**10 845**	**59 711**
Acquisitions	321	2 222	86	1 762
Net changes recognized in other comprehensive income	587	-3 900	0	0
Net changes recognized in other comprehensive income	-1 055	6 765	-1 459	2 118
Currency differences	-1 398	570	0	0
Settlement / redemption	-18 175	-27 635	-9 381	-22 053
Total	**227 747**	**258 074**	**91**	**41 538**

At the end of the first half of 2022 the impact of the credit spread on the valuation of debt instruments measured at fair value through other comprehensive income (FVOCI) was approx. amounted to PLN 2.54 MM and for debt instruments measured at fair value through profit and loss account approx. amounted to PLN 0.69 MM.

Fair value measurement for disclosure purposes

Below is presented the carrying value and fair value of assets and liabilities that are not disclosed in the statement of financial position at fair value.

(in PLN '000)

30.06.2022	Carrying value	Fair value			
		Level 1	Level 2	Level 3	Total
Assets					
Cash and cash equivalents	**4 940 224**	**3 546 285**	**1 393 939**	**0**	**4 940 224**
Amount due from banks	**2 874 190**	**0**	**2 874 190**	**0**	**2 874 190**
Loans and advances to customers	**58 271 811**	**0**	**0**	**64 803 355**	**64 803 355**
Retail segment	**36 081 653**	**0**	**0**	**38 983 175**	**38 983 175**
Consumer loans	15 990 514	0	0	19 403 914	19 403 914
Loans for residential real estate*	15 939 788	0	0	15 097 565	15 097 565
Consumer finance loans	4 151 351	0	0	4 481 696	4 481 696
Corporate segment	**22 190 158**	**0**	**0**	**25 820 180**	**25 820 180**
Working capital facility	10 567 435	0	0	13 096 792	13 096 792
Investment loans	4 841 061	0	0	5 941 724	5 941 724
Other	6 781 662	0	0	6 781 664	6 781 664
Asstes pledged as collateral	**2 140 457**	**2 112 656**	0	0	**2 112 656**
Investment securities measured at amortized cost	**4 497 307**	**4 374 507**	0	0	**4 374 507**
Other financial assets	**634 467**	0	0	**634 467**	**634 467**
Liabilities					
Amounts due to banks	**1 755 706**	**0**	**1 755 706**	**0**	**1 755 706**
Current deposits	6 763	0	6 763	0	6 763
Overnight	361 952	0	361 952	0	361 952
Term deposits	348 163	0	348 163	0	348 163
Credit received	66 026	0	66 026	0	66 026
Other liabilities	108 287	0	108 287	0	108 287
Repo	864 515	0	864 515	0	864 515
Amounts due to customers	**70 741 117**	**0**	**0**	**70 783 640**	**70 783 640**
Current deposits	52 274 214	0	0	52 274 214	52 274 214
Term deposits	16 222 790	0	0	16 222 790	16 222 790
Bonds issued	540 281	0	0	582 804	582 804
Other liabilities	1 703 832	0	0	1 703 832	1 703 832
Other financial liabilities	**912 957**	**0**	**0**	**912 957**	**912 957**
Subordinated liabilities	**1 159 386**	**0**	**0**	**1 159 386**	**1 159 386**

** In the fair value of residential real estate loans, the Group included the effect of taking credit vacation by 60% of eligible customers.*

31.12.2021	Carrying value	Fair value			
		Level 1	Level 2	Level 3	Total
Assets					
Cash and cash equivalents	**3 763 391**	**2 102 186**	**1 661 205**	**0**	**3 763 391**
Amount due from banks	**1 689 779**	**0**	**1 689 779**	**0**	**1 689 779**
Loans and advances to customers	**58 228 178**	**0**	**0**	**59 005 293**	**59 005 293**
Retail segment	**36 392 031**	**0**	**0**	**36 917 074**	**36 917 074**
Consumer loans	16 674 238	0	0	17 998 027	17 998 027
Loans for residential real estate	15 434 255	0	0	14 457 438	14 457 438
Consumer finance loans	4 283 538	0	0	4 461 609	4 461 609
Corporate segment	**21 836 147**	**0**	**0**	**22 088 219**	**22 088 219**
Working capital facility	10 116 453	0	0	10 574 835	10 574 835
Investment loans	5 217 830	0	0	5 328 685	5 328 685
Other	6 501 864	0	0	6 184 699	6 184 699
Asstes pledged as collateral	**130 921**	**126 691**	**0**	**0**	**126 691**
Investment securities measured at amortized cost	**6 451 313**	**6 347 777**	**0**	**0**	**6 347 777**
Other financial assets	**590 850**	**0**	**0**	**590 850**	**590 850**
Liabilities					

31.12.2021	Carrying value	Fair value			
		Level 1	Level 2	Level 3	Total
Amounts due to banks	**529 617**	**0**	**529 617**	**0**	**529 617**
Current deposits	8 441	0	8 441	0	8 441
Term deposits	307 379	0	307 379	0	307 379
Bonds issued	67 557	0	67 557	0	67 557
Credit received	80 071	0	80 071	0	80 071
Other liabilities	66 169	0	66 169	0	66 169
Amounts due to customers	**72 005 715**	**0**	**0**	**72 028 800**	**72 028 800**
Current deposits	59 875 794	0	0	59 875 794	59 875 794
Term deposits	11 070 581	0	0	11 070 581	11 070 581
Bonds issued	516 271	0	0	539 356	539 356
Other liabilities	543 069	0	0	543 069	543 069
Other financial liabilities	**711 889**	**0**	**0**	**711 889**	**711 889**
Subordinated liabilities	**1 347 441**	**0**	**0**	**1 347 441**	**1 347 441**

For many instruments. market values are not available; therefore, the fair value is estimated with a number of measurement techniques. Measurement of the fair value of financial instruments has been made with a model based on estimates of the present value of future cash flows by discounting cash flows at appropriate discount rates.

All model calculations contain certain simplifications and are sensitive to the underlying assumptions. Below there is a summary of core methods and assumptions used to estimate the fair value of financial instruments that are not measured at fair value.

Loans and advances to customers:

In the method applied by the Group to calculate the fair value of receivables from customers (without overdraft facilities), the Group compares the margins generated on newly granted loans (in the month preceding the reporting date) with the margin on the total loan portfolio. If the margins on newly granted loans are higher than the margins on the portfolio, the fair value of the loan is lower than its carrying value.

Loans and advances to customers were fully classified to level 3 of the fair value hierarchy due to the application of a measurement model with material non-observable input data or current margins generated on newly granted loans.

Financial liabilities measured at amortised cost

The Group assumes that the fair value of customer and bank deposits and other financial liabilities maturing within 1 year is approximately equal to their carrying value. Deposits are accepted on a daily basis and thus their terms and conditions are similar to the prevailing market terms and conditions of identical transactions. The maturities of those items are short and therefore there is no major difference between the carrying value and fair value.

For disclosure purposes, the Group determines the fair value of financial liabilities with residual maturities (or repricing of the variable rate) in excess of 1 year. That group of liabilities includes the own issues and subordinated loans. Determining the fair value of that group of liabilities, the Group determines the present value on anticipated payments on the basis of present percentage curves and the original spread of the issue.

Other financial assets and liabilities

For other financial instruments, the Bank assumes that the carrying value is close to fair value. This applies to the following items: cash and cash equivalents, assets available for sale, other financial assets, and other financial liabilities.

(in PLN '000)

30 Transactions with related entities

The ultimate parent company of the Group is Powszechny Zakład Ubezpieczeń SA.

The related parties of the Group are PZU SA and its related entities and entities related to members of the Management and Supervisory Boards. Through PZU, Alior Bank is indirectly controlled by the State Treasury.

The following tables present the type and value of transactions with related parties. Transactions between the Bank and its subsidiaries which are related parties of the Bank have been eliminated in consolidation and are not disclosed in this note.

Nature of transactions with related entities

All transactions with related entities are performed in line with relevant regulations concerning banking products and at market rates.

Parent company	30.06.2022	31.12.2021
Other assets	1 930	4 255
Total assets	**1 930**	**4 255**
Amounts due to customers	23	23
Other liabilities	292	445
Total liabilities	**315**	**468**

Subsidiaries of the parent company	30.06.2022	31.12.2021
Cash and cash equivalents	7 606	31 710
Investment financial assets measured at fair value through profit or loss	0	39
Loans and advances to customers	70 913	70 323
Other assets	412	866
Total assets	**78 931**	**102 938**
Amounts due to customers	277 530	298 046
Other liabilities	2 306	1 246
Total liabilities	**279 836**	**299 292**

Subsidiary of the parent entity	30.06.2022	31.12.2021
Off-balance liabilities granted to customers	**6 953**	**8 375**
Relating to financing	6 953	8 375

Joint control by persons related to the Group	30.06.2022	31.12.2021
Other assets	3	0
Total assets	**3**	**0**
Amounts due to customers	13	0
Total liabilities	**13**	**0**

Parent company	01.01.2022 - 30.06.2022	01.01.2021 - 30.06.2021
Interest income calculated using the effective interest method	8 337	1 907

(in PLN '000)

Parent company	01.01.2022 - 30.06.2022	01.01.2021 - 30.06.2021
Fee and commission income	26 326	33 261
Fee and commission expense	-3 676	-2 842
Net other operating income and expenses	65	111
General administrative expenses	-2 447	-2 273
Total	**28 605**	**30 164**

Subsidiaries of the parent company	01.01.2022 - 30.06.2022	01.01.2021 - 30.06.2021
Interest income calculated using the effective interest method	34 481	26 935
Interest expences	-3 792	-5 013
Fee and commission income	10 350	15 568
Fee and commission expense	-2	-2
The result on financial assets measured at fair value through profit or loss and FX result	3	5
Net other operating income and expenses	521	344
General administrative expenses	-3 611	-3 000
Net expected credit losses	-3	65
Total	**37 947**	**34 902**

Joint control by persons related to the Group	01.01.2022 - 30.06.2022	01.01.2021 - 30.06.2021
Interest income calculated using the effective interest method	0	40
Interest expences	0	-1
Fee and commission income	0	451
The result on financial assets measured at fair value through profit or loss and FX result	0	337
Net expected credit losses	0	-55
Total	**0**	**772**

Transactions with the State Treasury and related entities

The Polish Financial Supervision Authority in its communication of 6 December 2016, item 5 univocally accepted Poland's State Treasury as the parent entity vis-a-vis Alior Bank SA within the meaning of Art. 4.1.8.b and Art. 4.1.14 of the Banking Act, stating that it was able to exert material impact on Alior Bank SA via Powszechny Zakład Ubezpieczeń SA.

Below there are material transactions with the State Treasury and its related entities with the exception of IAS 24.25.

State Treasury and related entities	30.06.2022	31.12.2021
Investment financial assets	**14 069 184**	**13 957 321**
measured at fair value through other comprehensive income	7 965 006	7 310 345
measured at fair value through profit or loss	54 681	64 797
measured at amortized cost	6 049 497	6 582 179
Amounts due from banks	5 605	49 496
Loans and advances to customers	188 005	165 554
Total assets	**14 262 794**	**14 172 371**
Financial Liabilities	203 116	46 423
Amounts due to banks	217 254	70 703
Amounts due to customers	776 496	781 589
Total liabilities	**1 196 866**	**898 715**

(in PLN '000)

State Treasury and related entities	01.01.2022 - 30.06.2022	01.01.2021 - 30.06.2021
Interest income calculated using the effective interest method	167 112	40 454
Interest expense	-11 767	-92
The costs of paid tax	-308 535	-202 367
Total	**-153 190**	**-162 005**

All transactions with the State Treasury and its related entities were concluded at arm's length.

31 Benefits for the for senior executives

31.1 Principles applicable to the remuneration of persons in managerial positions at the Bank

The Bank has a Remuneration Policy which covers all employees with its provisions. The Remuneration Policy is reviewed by the Appointment and Remuneration Committee of the Supervisory Board and adopted by the Management Board and approved by the Supervisory Board. As regards persons holding managerial positions, who have a significant impact on the risk profile, the principles of the Policy have been established based on the provisions of the Regulation of the Minister of Finance, Funds and Regional Policy of 8 June 2021 on the risk management system and internal control system as well as the remuneration policy in banks.

Persons having an impact on the Risk Profile (MRT) are members of the Management Board, managing directors and persons identified on the basis of the criteria defined in the Commission Delegated Regulation (EU) 2021/923 of 25 March 2021 supplementing Directive 2013/36 / EU of the European Parliament and of the Council with regard to regulatory technical standards specifying the criteria for determining management responsibilities, control functions, significant business units and the significant impact on the risk profile of a significant business unit, and specifying criteria for identifying employees or categories of staff whose professional activities affect the risk profile of these institutions in a comparable manner as important as in the case of employees or categories of employees referred to in art. 92 sec. 3 of this directive.

31.2 Financial data

All transactions with supervising and managing persons are performed in line with the relevant regulations concerning banking products and at market rates.

30.06.2022	Supervising, managing persons	Supervisory Board	Bank's Management Board
Loans and advances to customers	419	0	419
Total assets	**419**	**0**	**419**
Amounts due to customers	1 226	11	1 215
Total liabilities	**1 226**	**11**	**1 215**

30.06.2021	Supervising. managing persons	Supervisory Board	Bank's Management Board
Amounts due to customers	1 102	14	1 088
Total liabilities	**1 102**	**14**	**1 088**

30.06.2022	Supervising. managing persons	Supervisory Board	Bank's Management Board
Off-balance liabilities granted to customers	**0**	**0**	**0**
concerning financing	0	0	0

(in PLN '000)

30.06.2021	Supervising. managing persons	Supervisory Board	Bank's Management Board
Off-balance liabilities granted to customers	**10**	**0**	**10**
concerning financing	10	0	10

The total cost of remuneration of Members of the Bank's Supervisory Board and Members of the Bank's Management Board from 1 January to 30 June 2022 recognized in the profit and loss account of the Group in this period amounted to PLN 8 316.5 thousand (in the period from 1 January to 30 June 2021 - PLN 5 954 thousand).

31.3 Incentive program for senior executives

The following incentive programs operate in the Alior Bank SA Group:

- bonus scheme for the Management Board, valid from 2016;
- annual variable remuneration granted partly in financial instruments (phantom shares) for persons having an impact on the risk profile; the settlement of phantom shares takes place in cash.

32 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 SA 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 SA, 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 30.06.2022 and PLN 359 873 thousand as at 31.12.2021. 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 SA 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.

(in PLN '000)

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.

33 Total capital adequacy ratio and Tier 1 ratio

As at 30 June 2022, total capital adequacy ratio and Tier 1 ratio were calculated in accordance with the 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 and amending Regulation (EU) No 648/2012 (CRR Regulation) and other regulations implementing "national options", among other, the Banking Act of 29 August 1997 (as amended) and Regulation of the Minister of Development and Finance of 25 May 2017 on a higher risk weight for exposures secured by mortgages on real estate (as amended).

In order to calculate the capital adequacy ratio, in first half of 2022 prudential consolidation was applied – the consolidation covered Alior Bank SA and Alior Leasing sp. z o.o. In the opinion of the Bank's Management Board, the other subsidiary entities, not subject to prudential consolidation are marginal for the Bank's core activity from the viewpoint of monitoring of credit institutions.

Equity for the purposes of the capital adequacy

	30.06.2022	31.12.2021
Total equity for the capital adequacy ratio	**6 926 486**	**6 997 724**
Tier I core capital (CET1)	6 253 982	6 199 997
Paid-up capital	1 305 540	1 305 540
Supplementary capital	5 401 470	5 399 229
Other reserves	174 448	174 448
Current year's reviewed by auditor	0	229 523
Accumulated losses	-59 270	-530 645
Revaluation reserve – unrealised losses	-306 880	-99 774
Intangible assets measured at carrying value	-296 267	-307 806
Revaluation reserve – unrealised profit	132 293	97 703
Additional value adjustments - AVA	-11 550	-11 024
Other adjustments items (adjustments for IFRS 9, non-performing exposures coverage gap, deferred tax assets)	-85 802	-57 197
Tier II capital	672 504	797 727
Subordinated liabilities	672 504	797 727
Capital requirements	**3 961 093**	**3 952 896**
Total capital requirements for the credit, counterparty risk, adjustment to credit measurement, dilution and deliver of instruments to be settled at a later date	3 624 044	3 622 321
Total capital requirements for prices of equity securities, prices of debt securities, prices of commodities and FX risk.	3 691	9 275
Capital requirement relating to the general interest rate risk	16 378	11 631
Total capital requirements for the operational risk	316 980	309 669

(in PLN '000)

	30.06.2022	31.12.2021
Tier 1 ratio	**12.63%**	**12.55%**
Total capital adequacy ratio	**13.99%**	**14.16%**

Alior Bank Group, decided to apply the transitional provisions provided for by Regulation No. 2017/2395 to mitigate the impact of introducing IFRS 9 and Regulation No. 2020/873 with regard to certain adjustments in response to the COVID-19 pandemic, which means that for the purposes of assessing the Group's capital adequacy the full impact of IFRS 9 implementation will be ignored, including those related to the created COVID-19 write-offs.

In particular, on 1 January 2022, the next, penultimate, tranche of Art. 473a of CRR as part of the timely settlement of IFRS9 accounting regulations, affecting the reduction of the total capital ratio.

In February 2022, the Polish Financial Supervision Authority recommended the Bank to maintain its own funds at the individual and consolidated level to cover the additional capital charge at the level of 1.47 percentage points. in order to absorb potential losses resulting from the occurrence of stresses. The minimum regulatory value of Tier 1 and TCR ratios for Alior Bank, taking this buffer into account, is 9.97% and 11.97%, therefore the surplus of capital ratios above the regulatory minimum levels is 2.66 percentage points, respectively. (approx. PLN 1.3 billion) and 2.02 percentage points (approx. PLN 1.0 billion).

From 31 March 2022 to the extent unrealized gains and loss measured at fair value through other comprehensive income, the Bank applies the regulations temporary defined in Art. 468 of CRR.

MREL

In December 2021, the Bank received a letter from the BFG concerning the establishment of the minimum requirement for own funds and liabilities subject to redemption or conversion ("MREL").

In line with the above letter, the MRELtrea requirement (calculated as a percentage of the total amount at risk) for the Bank at the consolidated level was set at 15.36% of TREA.

The MREL requirement (calculated as a percentage of the total exposure measure) for the Bank at the consolidated level was set at 5.91% TEM. According to the above letter, the requirements must be met by 31 December 2023.

In addition, a path to achieve the target MREL level has been set, specifying the mid-term goals that the Bank should meet by the end of each calendar year in the period of reaching the target level. These targets in relation to TREA are respectively 11.68% by 31 December 2021 and 13.52% by 31 December 2022. The minimum mid-term targets for the compliance requirement in relation to TREA are 11.68% by 31 December 2021 and respectively 13.52% until 31 December 2022.

The mid-term targets for the TEM are 3% by 31 December 2021 and 4.46% by 31 December 2022. The minimum mid-term targets for the compliance requirement against the TEM are 3% by 31 December 2021 and respectively 4.45% by 31 December 2022

As at 30 June 2022, the Bank met the MREL requirements indicated as the mid-term objectives for this period.

The Group's capital and liquidity ratios remain at levels exceeding the minimum regulatory requirements and allow the Group to operate safely.

34 Purchases and disposals of property, plant and equipment and intangible assets

In the first half of 2022, significant acquisitions of property, plant and equipment were related to the continuation of the Bank's activities related to the modernization of the KI branch network - Nowy Format Branches, which had been ongoing since 2019. A new business, functional and architectural concept is being implemented. The purpose of the change is to increase sales efficiency, create a customer and employee-friendly place and implement the "Green Me" strategy.

In the first half of 2022, there were no significant transactions in the Group regarding the acquisition of intangible assets. There is no significant liability for the purchase of property, plant and equipment and intangible assets.

In the first half of 2022, there were no significant transactions in the Group regarding the sale of tangible fixed assets and intangible assets.

35 Distribution of profit for 2021

On 31 May 2022, the Bank's Annual General Meeting decides that the Bank's net profit for 2021, totalling PLN 439 292 863.06 shall be allocated as follows:

- coverage of accumulated losses in the amount of 437 052 248.79,
- allocation to supplementary capital of non-distributable profit on the activity of the Housing Fund in the amount of PLN 2 240 614.27.

36 Risk management

Risk management is one of the major processes in Alior Bank SA. Risk management supports Bank's strategy and proper level of business profitability and safety of activities while assuring control of the risk level and its maintenance within the accepted risk appetite and limit system in the changing macroeconomic and legal environment. The supreme objective of the risk management policy is to ensure early detection and adequate management of all kinds of risk inherent to the pursued activity.

The Group isolated the following types of risks resulting from the operations conducted:

- market risk including interest rate risk and the FX risk
- liquidity risk
- credit risk
- operational risk

The rules for managing the above-mentioned risks have not changed during the first half of 2022. The detailed risks management policies have been presented in the annual consolidated financial statements of the Alior Bank SA Group for the year ended 31 December 2021 published on 2 March 2022 and available on the Alior Bank SA website.

In connection with the application of the advanced operational risk measurement method (AMA), in accordance with the requirements of CRR Article 454, the Bank, seeking to limit the risk of materializing the effects of rare but potentially severe operational events, has bought a number of insurance policies. Mentioned policies included insurance in the scope of property (including electronic equipment), civil liability, fiscal liability and professional liability.

The terms of individual policies were adapted to the scale and scope of the risk incurred. Those policies are not used as a mechanism limiting the amount of own funds requirements for operational risk or as a mitigating factor for the amount of internal capital for operational risk.

Liquidity risk

Specification of maturity/payment dates of contractual flows of the Alior Bank Group assets and liabilities as at 30 June 2022 and as at 31 December 2021 (PLN M):

(in PLN '000)

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**
Cash & Nostro	4 863	0	0	0	0	0	0	0	4 863
Amounts due from banks	81	45	0	0	0	0	0	2 826	2 952
Loans and advances to customers	292	1 471	2 734	3 570	6 871	11 102	21 213	45 123	92 376
Securities	0	1 338	256	927	2 106	3 323	5 892	3 009	16 851
Other assets	0	0	0	0	0	0	0	3 858	3 858
LIABILITIES AND EQUITY	**-60 472**	**-5 052**	**-5 825**	**-2 233**	**-2 890**	**-1 101**	**-1 506**	**-5 650**	**-84 729**
Amounts due to banks	-1 026	-867	-7	-7	-10	0	16	-58	-1 959
Amounts due to customers	-54 921	-4 125	-5 790	-2 167	-2 785	-507	-101	-3	-70 399
Own issues	0	-58	-13	-36	-49	-502	-1 349	0	-2 007
Equity	0	0	0	0	0	0	0	-5 321	-5 321
Other liabilities	-4 525	-2	-15	-23	-46	-92	-72	-268	-5 043
Balance sheet gap	**-55 236**	**-2 198**	**-2 835**	**2 264**	**6 087**	**13 324**	**25 599**	**49 166**	**36 171**
Cumulated balance sheet gap	**-55 236**	**-57 434**	**-60 269**	**-58 005**	**-51 918**	**-38 594**	**-12 995**	**36 171**	
Derivative instruments – inflows	775	3 271	2 879	265	504	274	122	0	8 090
Derivative instruments – outflows	-777	-3 249	-2 866	-260	-464	-252	-117	0	-7 985
Derivative instruments – net	**-2**	**22**	**13**	**5**	**40**	**22**	**5**	**0**	**105**
Guarantee and financing 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 cumulated gap	**-65 766**	**-67 942**	**-70 764**	**-68 495**	**-62 368**	**-49 022**	**-23 418**	**25 748**	

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**
Cash & Nostro	3 749	0	0	0	0	0	0	0	3 749
Amounts due from banks	32	63	0	0	0	0	0	1 608	1 703
Loans and advances to customers	136	1 074	2 681	3 382	5 942	9 698	18 093	34 775	75 781
Securities	0	1 936	43	604	3 678	2 003	6 066	2 457	16 787
Other assets	0	0	0	0	0	0	0	3 367	3 367
LIABILITIES AND EQUITY	**-64 681**	**-2 683**	**-4 392**	**-1 631**	**-1 420**	**-486**	**-1 719**	**-6 241**	**-83 253**
Amounts due to banks	-75	-46	-315	-7	-14	-10	-13	-28	-508
Amounts due to customers	-61 968	-2 607	-3 919	-1 409	-1 264	-214	-148	-2	-71 531
Own issues	0	-27	-142	-191	-94	-166	-1 475	-1	-2 096
Equity	0	0	0	0	0	0	0	-5 919	-5 919
Other liabilities	-2 638	-3	-16	-24	-48	-96	-83	-291	-3 199
Balance sheet gap	**-60 764**	**390**	**-1 668**	**2 355**	**8 200**	**11 215**	**22 440**	**35 966**	**18 134**
Cumulated balance sheet gap	**-60 764**	**-60 374**	**-62 042**	**-59 687**	**-51 487**	**-40 272**	**-17 832**	**18 134**	
Derivative instruments – inflows	0	4 926	689	213	210	220	212	0	6 470
Derivative instruments – outflows	0	-4 887	-667	-206	-204	-213	-208	0	-6 385
Derivative instruments – net	**0**	**39**	**22**	**7**	**6**	**7**	**4**	**0**	**85**
Guarantee and financing 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 cumulated gap	**-70 709**	**-70 280**	**-71 926**	**-69 564**	**-61 358**	**-50 136**	**-27 692**	**8 274**	

37 Events significant to the business operations of the Group

Withdrawal of the book building process of the bonds of Alior Bank SA

On 16 March 2022, the Bank's Management Board, after analyzing the current market conditions, adopted a resolution to withdraw from the book-building process of own bonds, which, after obtaining the approval of the Polish Financial Supervision Authority, would have been classified as Tier II instruments.

The decision is motivated by the extraordinary situation caused by the armed conflict in Ukraine, which had a negative impact on the financial markets, which could have a significant negative effect on the book building process. The Bank's intention is to return to the plan to conduct the Bonds offering when the situation on the financial market will be more favourable.

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 SA, Bank Millennium SA, BNP Paribas Bank Polska SA, ING Bank Śląski SA, mBank SA, Santander Bank Polska SA and Alior Bank SA, 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 SA 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.

38 Significant events after the end of the reporting period

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 Note 33 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.

39 Financial forecast

The Alior Bank SA Group did not publish any forecasts of its results.

40 Factors that may affect the results of 2022

One of the most important factors of uncertainty in the coming periods remains the armed aggression of Russia against Ukraine in the context of geopolitical tensions and volatility in the financial markets. In the economic dimension, the greatest consequences of the war concern trade disturbances related to the war itself and the sanctions introduced in connection with it. Another aspect is related to the stability of the energy system, an important element of which in the case of the EU and Poland are the supplies of raw materials such as oil and gas from Russia. There is also the issue of security in the region. As a consequence, the risks associated with the war in Ukraine for the global and domestic economy have materialized to the greatest extent through a significant acceleration of inflation in the face of more expensive raw materials, food and disruptions in supply chains, and may still prevail in the second half of the year, especially in view of the risk of a complete shutdown of gas supplies from Russia to the EU.

Rising inflation fueled by the post-pandemic economic recovery in the world, additionally strengthened by the war in Ukraine, initiated the monetary tightening cycle in many countries, including the USA and the euro area, which means that the risks of global recession have increased significantly. Accelerating inflation in Poland required a decisive reaction from the NBP, which by the end of June raised interest rates nine times, and at the beginning of the second half of the year continued the monetary tightening cycle. As a result, the domestic economy in the second half of the year will face high inflation and rising costs of debt amid weakening consumer and business sentiment in Poland and abroad, which is a significant risk factor for the domestic economic outlook. Moreover, the possible complete suspension of gas supplies from Russia creates a risk of imbalance in the demand for this raw material both in Poland and in our main trading partner - Germany. In such a scenario, temporary downtimes in the industrial sector are possible, which may significantly reduce the potential of the national economy and the entire euro area.

For the banking sector in subsequent periods, increased volatility and an increase in risk premium due to the ongoing armed conflict in Ukraine may continue to adversely affect the valuation of assets held in balance sheets. Moreover, deteriorating economic outlook, intensification of inflation and acceleration of the monetary tightening path may still dampen demand for loans, which would limit acquisitions, in particular in the mortgage market. The slowing economic situation will also contribute to the deterioration of the condition of borrowers, which may contribute to an increase in credit risk and a tightening of lending policy at banks. A new challenge in the sector was also the announcement of participation in support for borrowers, including credit vacation solutions and co-financing of the Borrowers' Support Fund, but the legal risks related to the portfolio of foreign currency housing loans also remain significant.

Interim condensed separate financial statements of Alior Bank Spółka Akcyjna for the 6-month period ended 30 June 2022

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(in PLN '000)

Interim condensed separate income statement

	01.04.2022-30.06.2022	0.01.2022-30.06.2022	01.04.2021-30.06.2021	0.01.2021-30.06.2021
Interest income calculated using the effective interest method	1 329 859	2 342 157	662 245	1 338 966
Income of a similar nature	9 985	32 645	48 787	110 917
Interest expense	-377 262	-559 851	-50 139	-123 249
Net interest income	**962 582**	**1 814 951**	**660 893**	**1 326 634**
Fee and commission income	397 313	733 159	311 180	594 543
Fee and commission expense	-210 307	-389 685	-160 585	-298 260
Net fee and commission income	**187 006**	**343 474**	**150 595**	**296 283**
Dividend income	6 569	6 708	4 992	5 098
The result on financial assets measured at fair value through profit or loss and FX result	-3 921	33 675	34 925	53 730
The result on derecognition of financial instruments not measured at fair value through profit or loss	**1 194**	**1 484**	**2 120**	**2 294**
measured at fair value through other comprehensive income	994	1 212	257	318
measured at amortized cost	200	272	1 863	1 976
Other operating income	21 378	45 352	22 522	56 464
Other operating expenses	-19 869	-48 147	-23 068	-44 350
Net other operating income and expenses	**1 509**	**-2 795**	**-546**	**12 114**
General administrative expenses	-566 382	-1 036 044	-356 661	-753 595
Net expected credit losses	-224 568	-408 347	-268 377	-502 673
The result on impairment of non-financial assets	-4 980	-35 881	-1 399	-1 876
Cost of legal risk of FX mortgage loans	-1 241	-24 438	0	0
Banking tax	-65 966	-130 081	-57 654	-116 269
Gross profit	**291 802**	**562 706**	**168 888**	**321 740**
Income tax	-85 066	-186 061	-63 574	-124 181
Net profit	**206 736**	**376 645**	**105 314**	**197 559**
Weighted average number of ordinary shares	130 553 991	130 553 991	130 553 991	130 553 991
Net profit per share (PLN)	1.58	2.88	0.81	1.51

Interim condensed separate statement of comprehensive income

	01.04.2022-30.06.2022	0.01.2022-30.06.2022	01.04.2021-30.06.2021	0.01.2021-30.06.2021
Net profit	**206 736**	**376 645**	**105 314**	**197 559**
Items that may be reclassified to the income statement after certain conditions are satisfied	**-474 872**	**-983 569**	**-87 473**	**-209 831**
Foreign currency translation differences	**-257**	**-192**	**456**	**1 904**
Results of the measurement of financial assets (net)	**-93 270**	**-172 323**	**-29 420**	**-22 259**
Profit/loss on valuation of financial assets measured at fair value through other comprehensive income	-115 145	-214 755	-36 335	-27 492
Deferred tax	21 875	42 432	6 915	5 233
Results on the measurement of hedging instruments (net)	**-381 345**	**-811 054**	**-58 509**	**-189 476**
Gains/losses on hedging instruments	-470 796	-1 001 301	-72 233	-233 921
Deferred tax	89 451	190 247	13 724	44 445
Total comprehensive income, net	**-268 136**	**-606 924**	**17 841**	**-12 272**

The notes presented on pages 61-63 constitute an integral part of these interim condensed separate financial statements.

(in PLN '000)

Interim condensed separate statement of financial position

ASSETS	30.06.2022	31.12.2021
Cash and cash equivalents	4 929 762	3 723 577
Amounts due from banks	2 874 190	1 689 779
Investment financial assets	12 565 350	16 093 951
measured at fair value through other comprehensive income	7 488 436	9 265 445
measured at fair value through profit or loss	579 607	377 193
measured at amortized cost	4 497 307	6 451 313
Derivative hedging instruments	108 134	38 810
Loans and advances to customers	58 355 563	58 234 447
Assets pledged as collateral	2 140 457	130 921
Property, plant and equipment	711 350	743 576
Intangible assets	350 101	383 597
Inwestments in associates	216 238	216 238
Income tax asset	1 335 134	1 115 760
deferred income tax asset	1 335 134	1 115 760
Other assets	618 083	560 031
TOTAL ASSETS	**84 204 362**	**82 930 687**

LIABILITIES AND EQUITY	31.03.2022	31.12.2021
Amounts due to banks	1 731 012	423 268
Amounts due to customers	70 782 212	72 012 350
Financial liabilities	448 043	188 088
Derivative hedging instruments	2 265 278	1 081 996
Provisions	267 510	291 096
Other liabilities	2 060 895	1 581 720
Income tax liabilities	124 812	32 590
current income tax liabilities	124 812	32 590
Subordinated liabilities	1 159 386	1 347 441
Total liabilities	**78 839 148**	**76 958 549**
Share capital	1 305 540	1 305 540
Supplementary capital	5 401 470	5 399 229
Revaluation reserve	-1 890 036	-906 659
Other reserves	174 447	174 447
Foreign currency translation differences	-235	-43
Accumulated losses	-2 617	-439 669
Profit for the period	376 645	439 293
Equity	**5 365 214**	**5 972 138**
TOTAL LIABILITIES AND EQUITY	**84 204 362**	**82 930 687**

The notes presented on pages 61-63 constitute an integral part of these interim condensed separate financial statements.

(in PLN '000)

Interim condensed separate statement of changes in equity

01.01.2022 - 30.06.2022	Share capital	Supplementary capital	Other reserves	Revaluation reserve	Exchange differences on revaluation of foreign units	Retained earnings	Total equity
At 1 January 2022	**1 305 540**	**5 399 229**	**174 447**	**-906 659**	**-43**	**-376**	**5 972 138**
Transfer of last year's profit	0	2 241	0	0	0	-2 241	0
Comprehensive income	**0**	**0**	**0**	**-983 377**	**-192**	**376 645**	**-606 924**
net profit	0	0	0	0	0	376 645	376 645
other comprehensive income:	0	0	0	-983 377	-192	0	-983 569
incl. financial assets measured at fair value through other comprehensive income	0	0	0	-172 323	0	0	-172 323
incl. hedging instruments	0	0	0	-811 054	0	0	-811 054
incl. currency translation differences	0	0	0	0	-192	0	-192
At 30 June 2022	**1 305 540**	**5 401 470**	**174 447**	**-1 890 036**	**-235**	**374 028**	**5 365 214**

01.01.2021 - 31.12.2021	Share capital	Supplementary capital	Other reserves	Revaluation reserve	Exchange differences on revaluation of foreign units	Retained earnings	Total equity
At 1 January 2021	**1 305 540**	**5 395 195**	**174 447**	**217 330**	**-1 620**	**-435 635**	**6 655 257**
Transfer of last year's profit	0	4 034	0	0	0	-4 034	0
Comprehensive income	**0**	**0**	**0**	**-1 123 989**	**1 577**	**439 293**	**-683 119**
net profit	0	0	0	0	0	439 293	439 293
other comprehensive income – valuations	0	0	0	-1 123 989	1 577	0	-1 122 412
incl. financial assets measured at fair value through other comprehensive income	0	0	0	-63 611	0	0	-63 611
incl. hedging instruments	0	0	0	-1 060 378	0	0	-1 060 378
incl. currency translation differences	0	0	0	0	1 577	0	1 577
At 31 December 2021	**1 305 540**	**5 399 229**	**174 447**	**-906 659**	**-43**	**-376**	**5 972 138**

01.01.2021 - 30.06.2021	Share capital	Supplementary capital	Other reserves	Revaluation reserve	Exchange differences on revaluation of foreign units	Retained earnings	Total equity
At 1 January 2021	**1 305 540**	**5 395 195**	**174 447**	**217 330**	**-1 620**	**-435 635**	**6 655 257**
Transfer of last year's profit	0	4 034	0	0	0	-4 034	0
Comprehensive income	**0**	**0**	**0**	**-211 735**	**1 904**	**197 559**	**-12 272**
net profit	0	0	0	0	0	197 559	197 559
other comprehensive income:	0	0	0	-211 735	1 904	0	-209 831
incl. financial assets measured at fair value through other comprehensive income	0	0	0	-22 259	0	0	-22 259
incl. hedging instruments	0	0	0	-189 476	0	0	-189 476
incl. currency translation differences	0	0	0	0	1 904	0	1 904
At 30 June 2021	**1 305 540**	**5 399 229**	**174 447**	**5 595**	**284**	**-242 110**	**6 642 985**

The notes presented on pages 61-63 constitute an integral part of these interim condensed separate financial statements.

(in PLN '000)

Interim condensed separate statement of cash flows

	01.01.2022- 30.06.2022	01.01.2021- 30.06.2021*
Operating activities		
Profit before tax for the year	**562 706**	**321 740**
Adjustments:	**139 657**	**107 985**
Unrealized foreign exchange gains/losses	-192	2 890
Amortization/depreciation of property, plant and equipment and intangible assets	110 656	108 063
Change in property, plant and equipment and intangible assets impairment write-down	35 881	1 876
Dividends	-6 708	-5 098
Short-term lease contracts	20	254
The gross profit after adjustments but before increase/decrease in operating assets/liabilities	**702 363**	**429 725**
Change in loans and receivables	-1 305 527	-1 092 316
Change in financial assets measured at fair value through other comprehensive income	1 777 009	-1 754 459
Change in financial assets measured at fair value through profit or loss	-202 414	197 266
Change in financial assets measured at amortised cost	1 954 006	796 419
Change in assets pledged as collateral	-2 009 536	315 556
Change in derivative hedging assets	-69 324	159 923
Change in non-current assets held for sale	0	-25
Change in other assets	-58 052	-28 686
Change in deposits	-2 017 736	1 470 425
Change in own issue	24 010	-238 988
Change in financial liabilities	259 955	-318 093
Change in hedging liabilities derivative	1 183 282	83 119
Change in other liabilities and other comprehensive income	1 396 380	-352 825
Change in provisions	-23 586	-53 395
Cash from operating activities before income tax	**1 610 830**	**-386 354**
Income tax paid	**-80 555**	**-89 049**
Net cash flow from operating activities	**1 530 274**	**-475 403**
Investing activities		
Outflows:	**-68 950**	**-74 175**
Purchase of property, plant and equipment	-51 874	-52 523
Purchase of intangible assets	-17 076	-21 652
Inflows:	**13 752**	**423**
Disposal of property, plant and equipment	13 752	423
Net cash flow from investing activities	**-55 198**	**-73 752**
Financing activities		
Outflows:	**-268 891**	**-338 049**
Prniciple payments - subordinated lliabilities	-195 459	-260 150
Interest payments – subordinated lliabilities	-26 849	-30 485
Prniciple payments - lease liabilities	-44 818	-46 811
Interest payments - lease liabilities	-1 766	-603
Inflows:	**0**	**0**
Inflows from share issue	0	0
Net cash flow from financing activities	**-268 891**	**-338 049**
Total net cash flow	**1 206 185**	**-887 203**
incl. exchange gains/(losses)	**59 146**	**-2 578**
Balance sheet change in cash and cash equivalents	**1 206 185**	**-887 203**
Cash and cash equivalents, opening balance	3 723 577	2 409 077
Cash and cash equivalents, closing balance	4 929 762	1 521 874
Additional disclosures on operating cash flows		
Interests received	2 110 168	1 526 046
Interests paid	-358 556	-201 781

**Restated-Note 3*

The notes presented on pages 61-63 constitute an integral part of these interim condensed separate financial statements.

1 Basis for preparation

Statement of compliance

These interim condensed separate financial statements of Alior Bank Spółka Akcyjna for the 6-month period ended 30 June 2022 have been prepared in accordance with the International Accounting Standard 34 "Interim Financial Reporting" as adopted by the European Union.

The interim condensed separate income statement, interim condensed separate statement of comprehensive income, interim condensed separate statement of changes in equity and interim condensed separate statement of cash flows for the financial period from 1 January 2022 to 30 June 2022, and interim condensed separate statement of financial position as at 30 June 2022 including the comparatives, have been prepared in accordance with the same accounting policies as those applied in the preparation of the last annual financial statements, except for the changes in the standards that entered into force on 1 January 2022.

Scope and reporting currency

The interim condensed separate financial statements of Alior Bank SA comprise the data concerning the Bank. The condensed interim separate financial statements have been prepared in Polish zlotys. Unless otherwise stated, amounts are presented in thousands of zlotys.

Going concern

The interim condensed separate financial statements of Alior Bank Spółka Akcyjna have been prepared on the assumption that the Bank will continue in operation as a going concern for a period of at least 12 months after the balance sheet date i.e. after 30 June 2022.

2 Accounting principles

The accounting principles are presented in detail in the annual financial statements of Alior Bank SA ended 31 December 2021, published on 2 March 2022 and available on the Alior Bank SA website. Changes in accounting principles effective from 1 January 2022 were presented in the interim condensed consolidated financial statements in Note 2.2.

3 Changes to presentation and explanation of differences in relation to previously published financial statements

Compared to the interim condensed separate financial statements as of 30 June 2021, the Bank introduced an additional line in the income statement, Legal risk costs of foreign currency mortgage loans. In earlier periods, the costs of provisions for disputes regarding mortgage loans in foreign currencies were presented in the Bank's general administrative expenses. The presentation in the statement of financial position also changed, which resulted in changes in the statement of cash flows. Legal risk costs are generally recognized as an adjustment to the gross carrying amount of the portfolio of foreign currency indexed mortgage loans and not under Provisions (only if the estimated amount of legal risk costs exceeds the gross carrying amount of the credit exposure or the amount of the estimate relates to paid foreign currency mortgage loans).

The restated data taking into account the above-mentioned change are presented below:

Cash flows	Presented 01.01.2021- 30.06.2021	change	Restated 01.01.2021- 30.06.2021
Change in loans and receivables	-1 092 725	409	-1 092 316
Change in provisions	-52 986	-409	-53 395

(in PLN '000)

4 Off - balance-sheet items

Off-balance sheet items are described in Note 28 to the interim condensed consolidated financial statements of the Alior Bank Spółka Akcyjna Group.

5 Transactions with related entities

Related-party transactions are described in Note 30 to the interim condensed consolidated financial statements of the Alior Bank Spółka Akcyjna Group, with the exception of transactions with subsidiaries presented below.

Bank's subsidiaries as at 30 June 2022 and the date of this report was as follows:

Company's name - subsidiaries	02.08.2022	30.06.2022	31.12.2021
Alior Services sp. z o.o.	100%	100%	100%
Alior Leasing sp. z o.o.	100%	100%	100%
- AL Finance sp. z o.o.	*100%*	*100%*	*100%*
Meritum Services ICB SA	100%	100%	100%
Alior TFI SA	100%	100%	100%
Absource sp. z o.o.	100%	100%	100%
Corsham sp. z o.o.	100%	100%	100%
RBL_VC sp. z o.o.	100%	100%	100%
RBL_VC sp z o.o. ASI spółka komandytowo-akcyjna	100%	100%	100%

Subsidiaries	30.06.2022	31.12.2021
Loans and advances to customers	3 676 550	3 060 686
Other assets	2 295	808
Total assets	**3 678 845**	**3 061 494**
Amounts due to customers	140 286	109 666
Provisions	2 035	1 096
Other liabilities	1 460	1 886
Total liabilities	**143 781**	**112 648**

Subsidiaries	30.06.2022	31.12.2021
Off-balance liabilities granted to customers	**391 696**	**420 288**
relating to financing	271 293	299 885
guarantees	120 403	120 403

Subsidiaries	01.01.2022 -30.06.2022	01.01.2021 -30.06.2021
Interest income calculated using the effective interest method	89 420	19 079
Interest expences	-202	-8
Fee and commission income	2 060	1 797
Fee and commission expense	-221	-148
Dividend income	6 417	4 821
The result on financial assets measured at fair value through profit or loss and FX result	8	3
Other operating income	1 410	1 634

(in PLN '000)

Subsidiaries	01.01.2022 -30.06.2022	01.01.2021 -30.06.2021
Other operating expenses	-1	0
General administrative expense	-3 030	-2 878
Net expected credit losses	-3 832	-5 203
Total	**92 029**	**19 097**

6 Significant events after the end of the reporting period

Significant events after the end of the reporting period are described in Note 38 to the interim condensed consolidated financial statements of the Alior Bank Spółka Akcyjna Group.