Financial report
of the Alior Bank Spółka Akcyjna Group
for the first half of 2020

(in PLN '000)

Selected financial data concerning the financial statements

PLN	01.01.2020 - 30.06.2020	01.01.2019 – 31.12.2019 Restated	01.01.2019– 30.06.2019 Restated	% (A-B)/B
	A		B	C
Net interest income	1 498 865	3 184 344	1 633 661	-8.25%
Net fee and commission income	289 755	658 058	324 887	-10.81%
Trading result & other	-47 250	-53 549	71 416	-166.16%
Net expected credit losses, impairment allowances and write-downs	-1 279 889	-1 443 104	-777 251	64.67%
General administrative expenses	-876 571	-1 630 104	-905 955	-3.24%
Gross profit/loss	-524 979	489 671	236 557	-321.92%
Net profit/loss	-513 367	248 280	93 180	-650.94%
Net cash flow	-250 612	-699 511	353 235	-170.95%
Loans and advances to customers	55 703 480	55 844 522	56 640 932	-1.66%
Amounts due to customers	65 865 441	64 999 259	64 885 845	1.51%
Equity	6 367 351	6 737 368	6 572 237	-3.12%
Total assets	77 671 909	76 714 137	77 039 192	0.82%
Selected ratios				
Profit/loss per ordinary share (PLN)	-3.91	1.90	0.71	-6.48
Capital adequacy ratio	15.72%	16.20%	15.84%	-0.73%
Tier 1	13.14%	13.48%	12.92%	1.74%

EUR	01.01.2020 - 30.06.2020	01.01.2019 – 31.12.2019 Restated	01.01.2019– 30.06.2019 Restated	% (A-B)/B
	A		B	C
Net interest income	337 483	740 235	380 984	-11.42%
Net fee and commission income	65 241	152 973	75 767	-13.89%
Trading result & other	-10 639	-12 448	16 655	-163.88%
Net expected credit losses, impairment allowances and write-downs	-288 179	-334 083	-181 262	58.98%
General administrative expenses	-197 368	-378 935	-211 277	-6.58%
Gross profit/loss	-118 204	113 829	55 167	-314.27%
Net profit/loss	-115 589	57 715	21 730	-631.93%
Net cash flow	-56 428	-162 609	82 378	-168.50%
Loans and advances to customers	12 472 790	13 113 660	13 321 009	-6.37%
Amounts due to customers	14 748 195	15 263 416	15 260 076	-3.35%
Equity	1 425 739	1 582 099	1 545 681	-7.76%
Total assets	17 391 829	18 014 356	18 118 342	-4.01%
Selected ratios				
Profit/loss per ordinary share (PLN)	-0.88	0.44	0.17	-6.18
Capital adequacy ratio	15.72%	16.20%	15.84%	-0.73%
Tier 1	13.14%	13.48%	12.92%	1.74%

Selected items of the financial statements were translated into EUR at the following exchange rates	30.06.2020	31.12.2019	30.06.2019
NBP's avarage exchange rate as at the end of the period	4.4660	4.2585	4.2520
NBP's avarage exchange rates as at the last day of each month	4.4413	4.3018	4.2880

(in PLN '000)

Selected financial indicators

	30.06.2020	30.06.2019*	(A-B)[p.p]	(A-B)/B[%]
	A	B		
ROE	-15.76%	2.88%	-18.64	-647.22%
ROA	-1.34%	0.25%	-1.59	-636.00%
C/I	50.34%	44.63%	5.71	12.79%
CoR	3.96%	2.59%	1.37	52.90%
L/D	84.57%	87.29%	-2.72	-3.12%
NPL	13.66%	12.24%	1.42	11.56%
NPL coverage	56.46%	54.48%	1.98	3.64%
TCR	15.72%	15.84%	-0.12	-0.73%
TIER 1	13.14%	12.92%	0.22	1.74%

**restated data except TCR and TIER 1*

Interim condensed consolidated financial statements of the Alior Bank Spółka Akcyjna Group

for the first half of 2020

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 number	01.04.2020 – 30.06.2020	01.01.2020 – 30.06.2020	01.04.2019 – 30.06.2019 Restated*	01.01.2019 – 30.06.2019 Restated*
Interest income calculated using the effective interest method		821 385	1 756 968	1 010 905	1 998 196
Income of a similar nature		38 304	60 790	35 442	68 916
Interest expense		-137 708	-318 893	-217 172	-433 451
Net interest income	**4**	**721 981**	**1 498 865**	**829 175**	**1 633 661**
Fee and commission income		294 250	563 597	284 261	549 422
Fee and commission expense		-139 666	-273 842	-127 451	-224 535
Net fee and commission income	**5**	**154 584**	**289 755**	**156 810**	**324 887**
Dividend income		107	221	173	173
The result on financial assets measured at fair value through profit or loss and FX result	6	15 004	16 343	10 580	33 266
The result on derecognition of financial instruments not measured at fair value through profit or loss	**7**	**-2 643**	**26 618**	**4 463**	**21 758**
measured at fair value through other comprehensive income		-2 740	2 807	4 277	14 700
measured at amortized cost		97	23 811	186	7 058
Other operating income		26 601	68 216	30 783	64 220
Other operating expenses		-124 454	-158 648	-27 057	-48 001
Net other operating income and expenses	**8**	**-97 853**	**-90 432**	**3 726**	**16 219**
General administrative expenses	9	-394 980	-876 571	-393 558	-905 955
Net expected credit losses	10	-915 146	-1 211 299	-502 540	-775 502
The result on impairment of non-financial assets	11	-69 897	-68 590	-105	-1 749
Banking tax	12	-55 771	-109 889	-55 969	-110 201
Gross profit/loss		**-644 614**	**-524 979**	**52 755**	**236 557**
Income tax	13	62 168	14 664	-62 167	-143 377
Net profit/loss continued operations		**-582 446**	**-510 315**	**-9 412**	**93 180**
Profit/loss from discontinued operations		-3 052	-3 052	0	0
Net profit/loss attributable to equity holders of the parent		**-585 498**	**-513 367**	**-9 412**	**93 180**
Net profit/loss attributable to non-controlling interests		0	0	0	0
Weighted average number of ordinary shares		130 553 991	130 553 991	130 553 991	130 553 991
Net profit/loss per share (PLN)	14	-4.46	-3.91	-0.07	0.71
Diluted profit/loss per ordinary share (PLN)	14	-4.44	-3.89	-0.07	0.71

Interim condensed consolidated statement of comprehensive income

	01.04.2020 – 30.06.2020	01.01.2020 – 30.06.2020	01.04.2019 – 30.06.2019 Restated*	01.01.2019 – 30.06.2019 Restated*
Net profit/loss continued operations	**-582 446**	**-510 315**	**-9 412**	**93 180**
Profit/loss from discontinued operations	**-3 052**	**-3 052**	**0**	**0**
Net profit/loss total	**-585 498**	**-513 367**	**-9 412**	**93 180**
Items that may be reclassified to the income statement after certain conditions are satisfied	**153 210**	**143 526**	**58 736**	**10 237**
Foreign currency translation differences	**469**	**-763**	**71**	**311**
Results of the measurement of financial assets (net)	**105 231**	**-2 319**	**49 935**	**-9 210**
Profit/loss on valuation of financial assets measured at fair value through other comprehensive income	129 908	-2 869	61 648	-11 371
Deferred tax	-24 677	550	-11 713	2 161
Results on the measurement of hedging instruments (net)	**47 510**	**146 608**	**8 730**	**19 136**
Gains/losses on hedging instruments	58 655	180 998	10 778	23 625
Deferred tax	-11 145	-34 390	-2 048	-4 489
Total comprehensive income. net	**-432 288**	**-369 841**	**49 324**	**103 417**
- attributable to shareholders of the parent company	-432 288	-369 841	49 324	103 417
- attributable to non-controlling interests	0	0	0	0

**Details – Note 2.3*

The notes presented on pages 10-60 constitute an integral part of these interim condensed consolidated financial statements.

(in PLN '000)

Interim condensed consolidated statement of financial position

ASSETS	Note number	30.06.2020	31.12.2019 Restated*	01.01.2019 Restated*
Cash and cash equivalents	15	1 128 515	1 379 127	2 078 638
Amounts due from banks	16	290 545	212 885	172 839
Investment financial assets	17	16 756 828	15 798 674	13 727 570
measured at fair value through other comprehensive income		9 100 632	10 438 695	7 280 080
measured at fair value through profit or loss		517 728	543 925	515 138
measured at amortized cost		7 138 468	4 816 054	5 932 352
Derivative hedging instruments		379 652	134 832	112 400
Loans and advances to customers	18	55 703 480	55 844 522	54 224 846
Assets pledged as collateral	20	383 940	335 489	333 198
Property. plant and equipment		713 310	763 585	460 659
Intangible assets		507 747	580 352	572 320
Inwestments in associates		5 333	9 822	4 000
Non-current assets held for sale	21	139 810	103	146
including disposal group		139 807	0	0
Income tax asset	13	1 223 388	1 169 853	1 039 645
deferred income tax asset		28 829	20 468	0
current income tax asset		1 194 559	1 149 385	1 039 645
Other assets	19	439 361	484 893	676 481
TOTAL ASSETS		**77 671 909**	**76 714 137**	**73 402 742**

LIABILITIES AND EQUITY	Note number	30.06.2020	31.12.2019 Restated*	01.01.2019 Restated*
Amounts due to banks	22	967 438	822 543	593 327
Amounts due to customers	23	65 865 441	64 999 259	62 435 585
Financial liabilities	26	516 362	436 856	416 407
Derivative hedging instruments		89 690	40 676	9 381
Provisions	24	402 739	358 869	126 199
Other liabilities	25	1 503 086	1 429 676	1 167 111
Liabilities of disposal group		165 120	0	0
Income tax liabilities		1 352	94 905	267 861
current income tax liabilities		834	94 404	267 429
deferred income tax liabilities		518	501	432
Subordinated liabilities	27	1 793 330	1 793 985	1 918 093
Total liabilities		**71 304 558**	**69 976 769**	**66 933 964**
Share capital		1 305 540	1 305 540	1 305 540
Supplementary capital		5 399 627	5 393 358	5 386 828
Revaluation reserve		220 693	76 404	52 164
Other reserves		166 850	166 850	171 629
Foreign currency translation differences		-158	605	-202
Accumulated losses		-211 834	-453 669	-1 160 554
Profit for the period		-513 367	248 280	713 373
Equity		**6 367 351**	**6 737 368**	**6 468 778**
TOTAL LIABILITIES AND EQUITY		**77 671 909**	**76 714 137**	**73 402 742**

Details – Note 2.3

The notes presented on pages 10-60 constitute an integral part of these interim condensed consolidated financial statements.

(in PLN '000)

Interim condensed consolidated statement of changes in consolidated equity

01.01.2020 - 30.06.2020	Share capital	Supplementary capital	Other reserves	Revaluation reserve	Exchange differences on revaluation of foreign units	Retained earnings	Non-controlling interests	Total equity
1 January 2020	**1 305 540**	**5 393 358**	**166 850**	**76 404**	**605**	**-205 389**	**0**	**6 737 368**
Transfer of last year's profit	0	6 269	0	0	0	-6 269	0	0
Comprehensive income	**0**	**0**	**0**	**144 289**	**-763**	**-513 367**	**0**	**-369 841**
net loss	0	0	0	0	0	-513 367	0	-513 367
other comprehensive income – valuations	0	0	0	144 289	-763	0	0	143 526
incl. financial assets measured at fair value through other comprehensive income	0	0	0	-2 319	0	0	0	-2 319
incl. hedging instruments	0	0	0	146 608	0	0	0	146 608
incl. currency translation differences	0	0	0	0	-763	0	0	-763
Other changes in equity	**0**	**0**	**0**	**0**	**0**	**-176**	**0**	**-176**
30 June 2020	**1 305 540**	**5 399 627**	**166 850**	**220 693**	**-158**	**-725 201**	**0**	**6 367 351**

01.01.2019 - 31.12.2019 Restated*	Share capital	Supplementary capital	Other reserves	Revaluation reserve	Exchange differences on revaluation of foreign units	Retained earnings	Non-controlling interests	Total equity
1 January 2019	**1 305 540**	**5 386 828**	**171 629**	**52 164**	**-202**	**-447 181**	**0**	**6 468 778**
Transfer of last year's profit	0	6 530	0	0	0	-6 530	0	0
Comprehensive income	**0**	**0**	**0**	**24 240**	**807**	**248 280**	**0**	**273 327**
net profit	0	0	0	0	0	248 280	0	248 280
other comprehensive income – valuations	0	0	0	24 240	807	0	0	25 047
incl. financial assets measured at fair value through other comprehensive income	0	0	0	8 888	0	0	0	8 888
incl. hedging instruments	0	0	0	15 352	0	0	0	15 352
incl. currency translation differences	0	0	0	0	807	0	0	807
Other changes in equity	**0**	**0**	**-4 779**	**0**	**0**	**42**	**0**	**-4 737**
31 December 2019	**1 305 540**	**5 393 358**	**166 850**	**76 404**	**605**	**-205 389**	**0**	**6 737 368**

01.01.2019 - 30.06.2019 Restated*	Share capital	Supplementary capital	Other reserves	Revaluation reserve	Exchange differences on revaluation of foreign units	Retained earnings	Non-controlling interests	Total equity
1 January 2019	**1 305 540**	**5 386 828**	**171 629**	**52 164**	**-202**	**-447 181**	**0**	**6 468 778**
Transfer of last year's profit	0	6 530	0	0	0	-6 530	0	0
Comprehensive income	**0**	**0**	**0**	**9 926**	**311**	**93 180**	**0**	**103 417**
net profit	0	0	0	0	0	93 180	0	93 180
other comprehensive income-valuation	0	0	0	9 926	311	0	0	10 237
Inc. measured at fair value through other comprehensive income	0	0	0	-9 210	0	0	0	-9 210
incl. hedging instruments	0	0	0	19 136	0	0	0	19 136
incl. currency translation differences	0	0	0	0	311	0	0	311
Other changes in equity	**0**	**0**	**0**	**0**	**0**	**42**	**0**	**42**
30 June 2019	**1 305 540**	**5 393 358**	**171 629**	**62 090**	**109**	**-360 489**	**0**	**6 572 237**

**Details – Note 2.3*

The notes presented on pages 10-60 constitute an integral part of these interim condensed consolidated financial statements.

(in PLN '000)

Interim condensed consolidated statement of cash flows

	01.01.2020 - 30.06.2020	01.01.2019 - 30.06.2019 Restated*
Operating activities		
Profit/loss before tax for the year	**-524 979**	**236 557**
Adjustments:	**185 684**	**120 003**
Unrealized foreign exchange gains/losses	1 312	773
Amortization/depreciation of property. plant and equipment and intangible assets	119 822	120 723
Change in property. plant and equipment and intangible assets impairment write-down	68 544	1 674
Dividends	221	173
Short-term lease contracts	-4 215	-3 340
The gross profit after adjustments but before increase/decrease in operating assets/liabilities	**-339 295**	**356 560**
Change in loans and receivables	63 383	-2 596 189
Change in financial assets measured at fair value through other comprehensive income	1 338 063	-779 859
Change in financial assets measured at fair value through profit or loss	26 197	-44 412
Change in financial assets measured at amortised cost	-2 322 414	441 479
Change in assets pledged as collateral	-48 451	-12 664
Change in derivative hedging assets	-244 820	-20 187
Change in non-current assets held for sale	-139 707	44
Change in other assets	45 532	150 013
Change in deposits	1 096 908	2 957 716
Change in own issue	-313 746	-177 631
Change in financial liabilities	79 506	66 536
Change in hedging liabilities derivative	49 014	6 753
Change in other liabilities and other comprehensive income	675 094	414 780
Change in provisions	43 870	-9 079
Cash from operating activities before income tax	**9 134**	**753 860**
Income tax paid	-133 177	-312 398
Net cash flow from operating activities	**-124 043**	**441 462**
Investing activities		
Outflows:	**-38 258**	**-34 052**
Purchase of property. plant and equipment	-17 963	-16 221
Purchase of intangible assets	-20 295	-17 831
Inflows:	**1 070**	**7 045**
Disposal of property. plant and equipment	1 070	7 045
Net cash flow from investing activities	**-37 188**	**-27 007**
Financing activities		
Outflows:	**-89 380**	**-61 220**
Interest payments – subordinated lliabilities	-43 918	-48 789
Prniciple payments - lease liabilities	-44 088	-10 550
Interest payments - lease liabilities	-1 374	-1 881
Inflows:	**0**	**0**
Inflows from share issue	0	0
Net cash flow from financing activities	**-89 380**	**-61 220**
Total net cash flow	**-250 612**	**353 235**
incl. exchange gains/(losses)	**24 762**	**-8 332**
Balance sheet change in cash and cash equivalents	**-250 612**	**353 235**
Cash and cash equivalents. opening balance	1 379 127	2 078 638
Cash and cash equivalents. closing balance	1 128 515	2 431 873
Additional disclosures on operating cash flows		
Interests received	1 707 686	2 353 821
Interests paid	-388 019	-391 834

**Details – Note 2.3*

The notes presented on pages 10-60 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, 13th 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 preparation date of the annual financial report. ie from 27 February 2020.

As at 30 June 2020, 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
30.06.2020					
PZU Group	41 658 850	416 588 500	31.91%	41 658 850	31.91%
Aviva OFE Aviva Santander	9 467 180	94 671 800	7.25%	9 467 180	7.25%
Nationale-Nederlanden OFE	11 650 000	116 500 000	8.92%	11 650 000	8.92%
Others	67 777 961	677 779 610	51.92%	67 777 961	51.92%
Total	**130 553 991**	**1 305 539 910**	**100.00%**	**130 553 991**	**100.00%**

(in PLN '000)

As at the preparation date of this report, i.e. on 18 August 2020, 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 statements in comparison to the annual reporting period ended on 31 December 2019, the composition of the Bank's Management Board changed.

On 17 January 2020, Mr Mateusz Poznański informed about his resignation from the position of the Member of the Bank's Management Board effective on 29 February 2020.

On 12 May 2020, Mr. Krzysztof Bachta resigned from the position of the President of the Management Board of Alior Bank SA effective on 12 May 2020.

At the same time, as of 12 May 2020, the Supervisory Board appointed Mrs. Iwona Duda for the Management Board member position, entrusting her with the position of Vice-President of the Management Board and managing the work of the Management Board.

On 29 June 2020, members of the Management Board: Marek Szcześniak, Tomasz Biłous and Marcin Jaszczuk, in connection with the end of the joint term of office of the Bank's Management Board on 29 June 2020, have resigned from the mandate of member of the Management Board with effect from 29 June 2020, at 24:00.

At the same time, as of 29 June 2020, the Supervisory Board appointed the following persons to the Management Board of the Bank for the new term:

- Iwona Duda (Vice President of the Management Board directing the operations of the Management Board)
- Agnieszka Nogajczyk-Simeonow (Vice President of the Management Board)
- Seweryn Kowalczyk (Vice President of the Management Board)
- Agata Strzelecka (Vice President of the Management Board)
- Maciej Brzozowski (Vice President of the Management Board)
- Dariusz Szwed (Vice President of the Management Board)

As at 30 June 2020 and as at the date of this financial statements the composition of the Bank's Management Board was as follows:

First and last name	Function
Iwona Duda	Vice President of the Management Board directing the operations of the Management Board
Maciej Brzozowski	Vice President of the Management Board
Seweryn Kowalczyk	Vice President of the Management Board
Agnieszka Nogajczyk-Simeonow	Vice President of the Management Board
Agata Strzelecka	Vice President of the Management Board
Dariusz Szwed	Vice President of the Management Board

Members of the Bank's Management Board who held shares in the Bank as at 30 June 2020 and as at the date of preparation date of financial statements:

(in PLN '000)

Number of shares	18.08.2020	30.06.2020	31.12.2019
Agata Strzelecka	1 500	1 500	-
Dariusz Szwed	4 600	4 600	-
Total	**6 100**	**6 100**	**-**

In comparison to the annual reporting period ended on 31 December 2019, there were changes in the composition of the Bank's Supervisory Board.

On 18 May 2020, Mr. Marcin Eckert, informed about his resignation from the position of the Member of the Bank's Supervisory Board, effective from the moment of providing the notification.

On 20 May 2020, Members of the Bank's Supervisory Board of the joint term of office ending in 2020, i.e. Chairman of the Supervisory Board Mr. Tomasz Kulik and Members of the Supervisory Board: Mr. Dariusz Gątarek, Mr. Mikołaj Handschke, Mr. Artur Kucharski, Mr. Wojciech Myślecki and Mr. Maciej Rapkiewicz resigned from their position in the Supervisory Board with effect as of May 20th, 2020.

On 21 May 2020, the Annual General Meeting of Shareholders of the Bank appointed the Bank's Supervisory Board for the fourth, four-year term.

As of 30 June 2020 and the date of this report the composition of the Bank's Supervisory Board was as follows:

First and last name	Function
Aleksandra Agatowska	- Chairman of the Supervisory Board
Ernest Bejda	- Deputy Chairperson of the Supervisory Board
Mikołaj Handschke	- Member of the Supervisory Board
Artur Kucharski	- Member of the Supervisory Board
Wojciech Myślecki	- Member of the Supervisory Board
Marek Pietrzak	- Member of the Supervisory Board
Robert Pusz	- 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 27 February 2020. As of 30 June 2020 and as at the date of these financial statements, Members of the Supervisory Board of Alior Bank SA did not hold any shares in the Bank.

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 2020 and as at the date of preparation date of financial statements was as follows:

Company's name - subsidaries	18.08.2020	30.06.2020	31.12.2019
Alior Services sp. z o.o.	100%	100%	100%
Alior Leasing sp. z o.o.	100%	100%	100%
- Serwis Ubezpieczeniowy sp. z o.o.	*100%*	*100%*	*100%*
Meritum Services ICB SA	100%	100%	100%
NewCommerce Services sp. z o.o.	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%
- PayPo sp. z o.o.	*20%*	*20%*	*20%*

(in PLN '000)

Company's name - subsidaries	18.08.2020	30.06.2020	31.12.2019
RBL_VC sp. z o.o.	100%	100%	100%
RBL_VC sp z o.o. ASI spółka komandytowo-akcyjna**	100%	100%	0%
Harberton sp. z o.o.*	100%	100%	0%
*- RUCH SA****	*100%*	*100%*	*0%*

**On 19 February 2020, Alior Bank SA acquired 100 shares in Harberton sp. z o.o. with a nominal value of PLN 50.00 each, all constituting 100% of the Company's share capital. The purchase price of the company was PLN 12 000.00.*

***RBL_VC Sp. z o. o. ASI S.K.A. was established on 27 November 2019. The Company's share capital is PLN 50 000.00 and is divided into 50 000 shares, which were fully taken up by Alior Bank SA. The company was entered into the National Court Register on 17 April 2020. The company is an externally managed alternative investment company, as defined in the Act on investment funds and management of alternative investment funds. The company's general partner is RBL_VC Sp. z o. o. entrusted with management.*

****On 3 June 2020, between the company Harberton sp. z o.o., in which the Bank holds 100% of shares and Lurena Investments BV, based in the Netherlands, the promised share sale agreement, on the basic of which the Bank acquired 108 824 007 shares of RUCH Spółka Akcyjna, with its registered office in Warsaw, were acquired, which together constitute 100% of the share capital, for PLN 1.00. The Alior Bank Group acquired RUCH SA as a result of restructuring process of this entity. The restructuring process of RUCH SA began with the opening of Accelerated Arrangement Proceedings 1 and 2 (on 7 September 2018 and 7 February 2019, respectively), the assumption of which was to restructure part of RUCH SA's liabilities.*

The strategic aim of Alior Bank's involvement in the above-mentioned capital investment is:

- *smooth introduction of the strategic investor to RUCH SA (ie PKN Orlen), enabling its further development and*
- *successful completion of the company's restructuring processes.*

The consistently pursued strategic goal by Alior Bank was reflected in the signed Shareholders' Agreement regarding RUCH SA, concluded between Polski Koncern Naftowy Orlen SA, Powszechny Zakład Ubezpieczeń SA, Powszechny Zakład Ubezpieczeń na Życie SA, and Alior Bank SA. The document stated that, in accordance with the agreement of the Parties, PKN Orlen SA is to be the majority shareholder and exercise sole control over RUCH SA and the PZU Capital Group is to be a minority shareholder and should not exercise joint control over RUCH SA. Therefore, the parties decided to invest in the shares of RUCH SA.

In addition, on the date of the above-mentioned agreement, i.e. on 1 June 2020, the Parties concluded an investment agreement regarding the rules for the implementation of the transaction regarding RUCH SA in which the Bank and undertook to redeem existing shares of RUCH SA, in order to then increase the share capital of RUCH SA, in which the increased capital of PKN Orlen SA, PZU SA and Alior Bank SA will take up the shares and make cash contributions to cover them in the manner specified in the agreement:

- *The Bank will contribute 6% of the total amount of the contribution to the new shares of the Company and will hold 6% of shares and voting rights at the General Meeting of the Company;*
- *PZU SA will contribute 14.5% of the total amount of the contribution to the new shares of the Company and will hold 14.5% of shares and voting rights at the General Meeting of the Company;*
- *PZU Życie SA will contribute 14.5% of the total amount of the contribution to the new shares of the Company and will hold 14.5% of shares and voting rights at the General Meeting of the Company;*
- *PKN Orlen SA will contribute 65% of the total amount of the contribution to the new shares of the Company and will hold 65% of shares and voting rights at the General Meeting of the Company.*

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 18 August 2020.

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 first half of 2020 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 2019.
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 2020 to 30 June 2020 and interim condensed consolidated statement of financial position as at 30 June 2020 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 2019, except for the changes in the standards that entered into force on 1 January 2020 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 2020.
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 COVID-19 pandemic, on the macroeconomic situation and its own operations. Financial plans prepared by the Management Board, taking into account the indicated factors, ruled out that the Bank would experience resource shortages and, consequently, would have to would have to consider discontinuing or significantly limiting its operations. In the Management Board's opinion, the measures taken against the outbreak of the COVID-19 pandemic and other risks are adequate and sufficient to continue the operations of the Alioe Bank SA Group 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. Additionally, as at 30 June 2020, the Group took into account the impact of the COVID-19 epidemic in its estimates.

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, such as: forecasts of macroeconomic indicators, industry identification of corporate clients exposed to the negative effects of the pandemic, sensitivity of the retail client portfolio to the risk of losing a job, the impact of the use of payment moratoria on the probability of default in the life-horizon time, sensitivity of the recoverability of exposures to the effects of a pandemic, the risk of changes in the market value of the collateral held, as well as the change in the utilization of credit limits, are presented in note 18 – Loans and advances to customers.

Non-current assets impairment (including goodwill)

Pursuant to IAS 36, the Group performs a test for impairment of non-financial assets if there are any indications of possible impairment, and in the case of goodwill, the test is performed at least once a year. As part of testing for impairment, the Bank estimates the recoverable amount - a given asset or cash-generating unit (CGU) to which a given asset is assigned, e.g. goodwill. Where the carrying amount of an asset or CGU exceeds its recoverable amount, a loss is recognised and its value is written down to the recoverable amount. Recoverable amount is the higher of two: the fair value of the asset or cash-generating unit, less disposal costs, or the value in use determined for each asset.

The main assumptions for the impairment test are set out in note 11- The result on impairment of non-financial assets

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

As of 30 June 2020, the Group updated 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 update of the estimate is due to the inclusion in the calculation of the most up-to-date data on complaints coming to the Bank regarding the reimbursement of credit costs, as well as the amount of the refund.

Details of the estimated provision for early repayments of consumer loans are presented in Note 24 – Provisions.

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 2019.

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 2019 published on Alior Bank's website on 28 February 2020.

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 2019 and the standards and interpretations adopted by the European Union and applicable to the annual periods starting 1 January 2020 mentioned below:

Changes in the reference to the Conceptual Framework in IFRS published in March 2018

It is a document that comprehensively presents issues related to financial reporting, the principles of setting standards and guidelines for entities developing consistent accounting policies, and facilitates the understanding and interpretation of standards.

Amendments to IAS 1 and IAS 8

They harmonize and clarify the definition of the concept of "significant" and provide guidelines to increase consistency in the application of this concept in International Financial Reporting Standards.

The application of the above amendments did not affect the financial statements in the period of its initial application.

Amendments to IFRS 9, IAS 39 and IFRS 7 - reform of the IBOR

The introduced changes provide for temporary and narrow deviations from the hedge accounting requirements contained in IAS 39 and IFRS 9, thanks to which enterprises will be able to continue to meet the applicable requirements, assuming that the existing interest rate reference indicators do not change as a result of the reform of interbank deposit interest rates. The Bank exercised the right to apply the changes to the standards earlier and therefore did not verify the effectiveness of the hedging relationships, due to the lack of significant differences in the characteristics of the applicable rates and the rates planned to be implemented according to the application submitted for supervision by the ratio administrator.

The Bank is currently working on taking into account the changes resulting from the IBOR reform in its product offer.

Amendments to IFRS 3

Amendments narrow down and explain the definition of an enterprise. They also make it possible to carry out a simplified assessment of whether a set of assets and activities is an asset group and not an enterprise. The application of those amendments did not affect on financial statements in the period of its initial application.

Standards and interpretations that have not been approved by the European Union yet

Amendments to IAS 1

The amendments affect requirements in IAS 1 for the presentation of liabilities. Specifically, they clarify one of the criteria for classifying a liability as non-current. Amendments will apply for periods beginning on or after 1 January 2023 and will not have a significant impact on financial statements.

Improvements to IFRS 10 and IAS 28

Amendments to IFRS 10 and IAS 28 cover sales or contributions of assets between an investor and its associate/joint venture. The application of those improvements will not have a significant impact on financial statements.

IFRS 17 Insurance contracts

It replaces IFRS 4 "Insurance Agreements" which enabled the continuation of recognition of insurance contracts in accordance with the accounting principles in force in national standards, and as a result meant the use of many different solutions. IFRS 17 introduces a requirement for consistent recognition of all insurance contracts. Contractual obligations will be recognized in current values instead of historical cost. The new standard will apply to periods beginning on 1 January 2023 however, it will not apply to the Bank.

IFRS 16 Leasing

The amendment within the scope of lease modification intended to provide possibility to waive the assessment of lease modifications when the rent concessions occurring as a direct consequence of the COVID-19 (e.g.: rent holidays or temporary rent suspensions/reductions). Applying of these amendments by lessee entail additional disclosures. The implementation of this amendment will not not have a significant impact on the Group's financial statements.

IAS 16 Tangible fixed assets

A change consisting in the exclusion of the possibility of deducting from the production costs of tangible fixed assets amounts received from the sale of products manufactured at the stage of preimplementation tests. This type of sales revenues and the corresponding costs should be included in the income statement.
The implementation of the change will not have an impact on the financial statements of the Group.

IAS 37 Provisions, Contingent liabilities and contingent assets

Change consisting in clarifying the concept of the costs of meeting obligations under contracts, where the costs exceed the economic benefits resulting from them. The implementation of the change will not have an impact on the financial statements of the Group.

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

Change I

As a result of the review of the operation of the "relative fair value" model, it was found that one of the model parameters was incorrectly calibrated since 2012. This error resulted in the incorrect allocation of remuneration from the distribution of insurance products offered in conjunction with mortgage loans, and as a result, incorrect and in an incorrect amount presentation of the results: interest, commission and fees, gross and net results and the Group's balance sheet totals.

(in PLN '000)

The impact of the adjustment described above on the comparative data is:

Equity as at 31.12.2019 - 21 697 thousand PLN

Net profit for the half year of 2019 – 2 051 thousand PLN.

Change II

The Group changed the rules of recognizing the charges due to income tax in the first half of 2019. Income tax expense was recognized based on management's estimate of the weighted average annual income tax rate expected for the full financial year. However, due to the coronovirus pandemic, the expected economic slowdown and even a possible economic crisis in 2020, the Group believes that reliable estimates of the effective tax rate are excluded. Due to the above, the tax burden in this report was determined based on the statutory tax rate and actual tax base as well as the value of temporary differences.

Change III

In relation to the published interim condensed consolidated financial statements as of 30 June 2019, the Group changed the presentation of the deposit at Alior Trader by transferring receivables from positions covered by Assets pledged as colleteral to the position Loans and advances to customers. This change caused a change in the statement of cash flow.

The restated data taking into account the changes described above are presented below:

Statement of financial position	31.12.2018 Presented	Change I	01.01.2019 Restated
Loans and advances to customers	54 246 012	-21 166	54 224 846
Income tax asset	1 035 624	4 021	1 039 645
Total assets	**73 419 887**	**-17 145**	**73 402 742**
Accumulated losses	-1 143 409	-17 145	-1 160 554
Total equity	**6 485 923**	**-17 145**	**6 468 778**

Statement of financial position	31.12.2019 Presented	Change I	31.12.2019 Restated
Loans and advances to customers	55 871 308	-26 786	55 844 522
Income tax asset	1 164 764	5 089	1 169 853
Total assets	**76 735 834**	**-21 697**	**76 714 137**
Accumulated losses	-436 524	-17 145	-453 669
Profit for the year	252 832	-4 552	248 280
Total equity	**6 759 065**	**-21 697**	**6 737 368**

Income statement	01.01.2019 - 30.06.2019 Presented	Change I	Change II	01.01.2019 - 30.06.2019 Restated
Interest income calculated using the effective interest method	1 996 830	1 366	0	1 998 196
Income of a similar nature	68 916	0	0	68 916
Fee and commission income	553 320	-3 898	0	549 422
Gross profit	**239 089**	**-2 532**	**0**	**236 557**
Income tax	-81 290	481	-62 568	-143 377
Net profit	**157 799**	**-2 051**	**-62 568**	**93 180**

(in PLN '000)

Comprehensive income	01.01.2019 - 30.06.2019 Presented	Change I	Change II	01.01.2019 - 30.06.2019 Restated
Net profit	157 799	-2 051	-62 568	93 180
Total comprehensive income, net	**168 036**	**-2 051**	**-62 568**	**103 417**

Changes in equity	30.06.2019 Presented	Change I	Change II	30.06.2019 Restated
Equity at the beginning of the period	6 485 923	-17 145	0	6 468 778
Retained earnings	-278 725	-19 196	-62 568	-360 489
Profit for the year	157 799	-2 051	-62 568	93 180
Equity at the end of the period	**6 654 001**	**-19 196**	**-62 568**	**6 572 237**

Changes in equity	31.12.2019 Presented	Change I	31.12.2019 Restated
Equity at the beginning of the period	6 485 923	-17 145	6 468 778
Retained earnings	-183 692	-21 697	-205 389
Profit for the year	252 832	-4 552	248 280
Equity at the end of the period	**6 759 065**	**-21 697**	**6 737 368**

Cash flow	30.06.2019 Presented	Change I	Change II	30.06.2019 Restated
Profit before tax for the year	**239 089**	**-2 532**	**0**	**236 557**
Change in assets pledged as collateral	-12 892	0	228	-12 664
Change in loans and receivables	-2 598 493	2 532	-228	-2 596 189

Profit per share	30.06.2019 Presented	Change I	Change II	30.06.2019 Restated
Net profit	**157 799**	**-2 051**	**-62 568**	**93 180**
Net earnings per ordinary share (PLN)	1.21	-0.02	-0.48	0.71
Dilluted earnings per one share	1.20	-0.01	-0.48	0.71

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;
- business segment;
- treasury activities;

The core products for natural persons 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;

(in PLN '000)

- currency exchange transactions.

The core products for business 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;

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.

Results and volumes split by segment for the six months ended 30 June 2020

	Retail customers	Business customers	Treasury	Total operating segments	Unallocated items	Total
External interest income	**855 722**	**535 914**	**107 229**	**1 498 865**	**0**	**1 498 865**
external income	1 033 049	569 137	154 782	1 756 968	0	1 756 968
income of a similar nature	0	0	60 790	60 790	0	60 790
external expense	-177 327	-33 223	-108 343	-318 893	0	-318 893
Internal interest income	**25 320**	**-113 043**	**87 723**	**0**	**0**	**0**
internal income	416 203	130 122	634 048	1 180 373	0	1 180 373
internal expense	-390 883	-243 165	-546 325	-1 180 373	0	-1 180 373
Net interest income	**881 042**	**422 871**	**194 952**	**1 498 865**	**0**	**1 498 865**
Fee and commission income	213 801	373 873	-24 077	563 597	0	563 597
Fee and commission expense	-108 487	-162 445	-2 910	-273 842	0	-273 842
Net fee and commission income	**105 314**	**211 428**	**-26 987**	**289 755**	**0**	**289 755**
Dividend income	0	0	221	221	0	221
The result on financial assets measured at fair value through profit or loss and FX result	599	14 598	1 146	16 343	0	16 343
The result on derecognition of financial assets and liabilities not measured at fair value through profit or loss	**0**	**0**	**26 618**	**26 618**	**0**	**26 618**
measured at fair value through other comprehensive income	0	0	2 807	**2 807**	0	2 807
measured at amortized cost	0	0	23 811	**23 811**	0	23 811
Other operating income	47 368	20 848	0	**68 216**	0	68 216
Other operating expenses	-131 662	-26 986	0	**-158 648**	0	-158 648
Net other operating income	**-84 294**	**-6 138**	**0**	**-90 432**	**0**	**-90 432**
Total result before expected credit losses	**902 661**	**642 759**	**195 950**	**1 741 370**	**0**	**1 741 370**
Net expected credit losses	-412 759	-798 540		-1 211 299	0	-1 211 299

(in PLN '000)

	Retail customers	Business customers	Treasury	Total operating segments	Unallocated items	Total
The result on impairment of non-financial assets	-64 400	0	0	-64 400	-4 190	-68 590
Total result after expected credit losses and impairment	**425 502**	**-155 781**	**195 950**	**465 671**	**-4 190**	**461 481**
General administrative expenses	-646 056	-340 404	0	-986 460	0	-986 460
Gross profit/loss	**-220 554**	**-496 185**	**195 950**	**-520 789**	**-4 190**	**-524 979**
Income tax	0	0	0	**0**	14 664	14 664
Net profit/loss continued operations	**-220 554**	**-496 185**	**195 950**	**-520 789**	**10 474**	**-510 315**
Profit/loss from discontinued operations					-3 052	-3 052
Net profit/loss attributable to equity holders of the parent	**-220 554**	**-496 185**	**195 950**	**-520 789**	**7 422**	**-513 367**
Depreciation						-119 822
Assets	46 326 999	29 981 715		76 308 714	1 363 195	77 671 909
Liabilities	49 663 017	21 475 786		71 138 803	165 755	71 304 558

Results and volumes split by segment for the six months ended 30 June 2019

	Retail customers	Business customers	Treasury	Total operating segments	Unallocated items	Total Group
External interest income	**992 206**	**575 058**	**66 397**	**1 633 661**	**0**	**1 633 661**
external income	1 237 595	634 916	125 685	1 998 196	0	1 998 196
income of a similar nature	0	0	68 916	68 916	0	68 916
external expense	-245 389	-59 858	-128 204	-433 451	0	-433 451
Internal interest income	**59 568**	**-138 302**	**78 734**	**0**	**0**	**0**
internal income	511 873	181 319	771 926	1 465 118	0	1 465 118
internal expense	-452 305	-319 621	-693 192	-1 465 118	0	-1 465 118
Net interest income	**1 051 774**	**436 756**	**145 131**	**1 633 661**	**0**	**1 633 661**
Fee and commission income	201 941	341 579	5 902	549 422	0	549 422
Fee and commission expense	-88 353	-132 686	-3 496	-224 535	0	-224 535
Net fee and commission income	**113 588**	**208 893**	**2 406**	**324 887**	**0**	**324 887**
Dividend income	0	0	173	173	0	173
The result on financial assets measured at fair value through profit or loss and FX result*	2 851	22 377	8 038	33 266	0	33 266
The result on derecognition of financial assets and liabilities not measured at fair value through profit or loss	**0**	**0**	**21 758**	**21 758**	**0**	**21 758**
measured at fair value through other comprehensive income	0	0	14 700	14 700	0	14 700
measured at amortized cost	0	0	7 058	7 058	0	7 058
Other operating income	56 018	8 202	0	64 220	0	64 220
Other operating expenses	-36 440	-11 561	0	-48 001	0	-48 001
Net other operating income	**19 578**	**-3 359**	**0**	**16 219**	**0**	**16 219**
Total result before expected credit losses	**1 187 791**	**664 667**	**177 506**	**2 029 964**	**0**	**2 029 964**
Net expected credit losses	-226 394	-549 108	0	-775 502	0	-775 502
The result on impairment of non-financial assets	0	0	0	0	-1 749	-1 749
Total result after expected credit losses and impairment	**961 397**	**115 559**	**177 506**	**1 254 462**	**-1 749**	**1 252 713**
General administrative expenses	-690 771	-325 385	0	-1 016 156	0	-1 016 156

(in PLN '000)

	Retail customers	Business customers	Treasury	Total operating segments	Unallocated items	Total Group
Gross profit	**270 626**	**-209 826**	**177 506**	**238 306**	**-1 749**	**236 557**
Income tax	0	0	0	**0**	-143 377	-143 377
Net profit	**270 626**	**-209 826**	**177 506**	**238 306**	**-145 126**	**93 180**
Depreciation						-120 723
Assets	43 482 677	32 452 365	0	75 935 042	1 104 150	77 039 192
Liabilities	49 167 740	21 228 914	0	70 396 654	70 301	70 466 955

Notes to the interim condensed consolidated income statement

4 Net interest income

	01.04.2020 - 30.06.2020	01.01.2020 - 30.06.2020	01.04.2019 - 30.06.2019 Restated	01.01.2019 - 30.06.2019 Restated
Interest income calculated using the effective interest method	**821 385**	**1 756 968**	**1 010 905**	**1 998 196**
term deposits	235	313	189	294
Loans, incl:	704 698	1 511 852	892 781	1 757 714
reimbursement of credit cost (TSUE provision)	*-30 032*	*-93 606*	*0*	*0*
modification of a financial asset deemed not significant	*-13 203*	*-15 526*	*70*	*203*
financial assets measured at amortized cost	23 424	50 592	30 280	62 505
financial assets measured at fair value through other comprehensive income	37 395	80 796	35 459	69 124
receivables acquired	3 099	7 051	4 023	16 929
repo transactions in securities	385	1 262	1 028	1 542
current accounts	884	3 656	2 919	5 672
overnight deposits	31	238	242	483
leasing	40 088	79 155	34 305	65 246
other	11 146	22 053	9 679	18 687
Income of a similar nature	**38 304**	**60 790**	**35 442**	**68 916**
derivatives instruments	38 304	60 790	35 442	68 916
Interest expense	**-137 708**	**-318 893**	**-217 172**	**-433 451**
Interest expense from financial instruments measured at amortized cost including the effective interest rate method	**-82 135**	**-189 036**	**-129 634**	**-256 344**
term deposits	-46 725	-115 440	-89 530	-175 859
own issue	-31 889	-62 196	-32 079	-64 196
repo transactions in securities	-724	-5 409	-3 059	-6 618
cash deposits	-521	-1 260	-622	-1 389
leasing	-730	-1 531	-1 240	-2 172
other	-1 546	-3 200	-3 104	-6 110
Other interest expense	**-55 573**	**-129 857**	**-87 538**	**-177 107**
current deposits	-40 349	-104 185	-64 506	-130 559
derivatives	-15 224	-25 672	-23 032	-46 548
Net interest income	**721 981**	**1 498 865**	**829 175**	**1 633 661**

**Details at Note 18*

(in PLN '000)

5 Net fee and commission income

	01.04.2020 - 30.06.2020	01.01.2020 - 30.06.2020	01.04.2019 - 30.06.2019 Restated	01.01.2019 - 30.06.2019 Restated
Fee and commission income	**294 250**	**563 597**	**284 261**	**549 422**
payment and credit cards service	94 715	179 875	79 151	144 284
transaction margin on currency exchange transactions	57 203	105 749	75 862	144 297
maintaining bank accounts	25 751	49 968	25 930	52 745
brokerage commissions	13 351	24 109	6 115	13 256
revenue from bancassurance activity	24 105	46 585	20 798	42 714
loans and advances	31 547	61 237	26 803	52 867
transfers	10 819	22 401	13 283	26 542
cash operations	7 912	15 493	9 853	19 265
guarantees, letters of credit, collection, commitments	2 660	5 333	3 165	6 352
receivables acquired	1 191	2 405	2 964	5 576
for custody services	2 350	4 725	2 108	4 638
repayment of seizure	884	2 288	1 626	3 095
from leasing activities	11 052	24 313	9 033	19 528
other commissions	10 710	19 116	7 570	14 263
Fee and commission expenses	**-139 666**	**-273 842**	**-127 451**	**-224 535**
costs of card and ATM transactions, including costs of cards issued	-85 691	-167 150	-77 721	-127 972
commissions paid to agents	-19 716	-35 866	-15 271	-27 990
insurance of bank products	-3 643	-7 432	-3 223	-6 930
costs of awards for customers	-3 845	-8 593	-4 160	-8 096
commissions for access to ATMs	-4 740	-10 734	-5 841	-11 362
commissions paid under contracts for performing specific operations	-6 435	-12 759	-5 782	-12 938
brokerage commissions	-1 627	-2 572	-902	-1 572
for custody services	-41	-66	-586	-955
transfers and remittances	-2 785	-8 201	-4 932	-9 348
other commissions	-11 143	-20 469	-9 033	-17 372
Net fee and commission income	**154 584**	**289 755**	**156 810**	**324 887**

01.01.2020 - 30.06.2020	Retail customers	Business customers	Treasury	Total
Fee and commission income	**213 801**	**373 873**	**-24 077**	**563 597**
payment and credit cards service	45 418	134 457	0	179 875
transaction margin on currency exchange transactions	68 493	63 135	-25 879	105 749
maintaining bank accounts	22 085	27 883	0	49 968
brokerage commissions	24 109	0	0	24 109
revenue from bancassurance activity	25 533	21 052	0	46 585
loans and advances	7 818	53 419	0	61 237
Transfers	6 019	16 382	0	22 401
cash operations	7 426	8 067	0	15 493
guarantees, letters of credit, collection, commitments	0	5 333	0	5 333
receivables acquired	0	2 405	0	2 405
custody services	0	4 725	0	4 725
repayment of seizure	0	2 288	0	2 288

(in PLN '000)

01.01.2020 - 30.06.2020	Retail customers	Business customers	Treasury	Total
from leasing activities	0	24 313	0	24 313
other commissions	6 900	10 414	1 802	19 116

01.01.2019–30.06.2019 Restated	Retail customers	Business customers	Treasury	Total
Fee and commission income	**201 941**	**341 579**	**5 902**	**549 422**
payment and credit cards service	49 187	95 097	0	144 284
transaction margin on currency exchange transactions	68 034	70 956	5 307	144 297
maintaining bank accounts	23 915	28 830	0	52 745
brokerage commissions	13 256	0	0	13 256
revenue from bancassurance activity	21 306	21 408	0	42 714
loans and advances	7 079	45 788	0	52 867
Transfers	6 407	20 135	0	26 542
cash operations	9 781	9 484	0	19 265
guarantees, letters of credit, collection, commitments	0	6 352	0	6 352
receivables acquired	2	5 574	0	5 576
custody services	0	4 638	0	4 638
repayment of seizure	0	3 095	0	3 095
from leasing activities	0	19 528	0	19 528
other commissions	2 974	10 694	595	14 263

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

	01.04.2020 - 30.06.2020	01.01.2020 - 30.06.2020	01.04.2019 - 30.06.2019	01.01.2019 - 30.06.2019
FX result and net income on currency derivatives, including;	**4 097**	**23 063**	**15 121**	**32 299**
fX result	44 335	-107 037	72 058	-2 836
currency derivatives	-40 238	130 100	-56 937	35 135
Interest rate transacions	**7 054**	**-3 835**	**-8 963**	**-12 744**
Ineffective part of hedge accounting	**-3 620**	**-2 623**	**185**	**427**
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	**7 473**	**-262**	**4 237**	**13 284**
The result on financial assets measured at fair value through profit or loss and FX result	**15 004**	**16 343**	**10 580**	**33 266**

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

	01.04.2020 - 30.06.2020	01.01.2020 - 30.06.2020	01.04.2019 - 30.06.2019	01.01.2019 - 30.06.2019
Financial assets measured at fair value through other comprehensive income	-2 740	2 807	4 279	14 702
Financial assets measured at amortized cost	97	23 811	184	7 056
The result on derecognition of financial assets and liabilities not measured at fair value through profit or loss	**-2 643**	**26 618**	**4 463**	**21 758**

(in PLN '000)

8 Result on other operating income and expense

	01.04.2020 - 30.06.2020	01.01.2020 - 30.06.2020	01.04.2019 - 30.06.2019	01.01.2019 - 30.06.2019
Other operating income from:	**26 601**	**68 216**	**30 783**	**64 220**
income from contracts with business partners	9 682	21 208	10 753	20 593
reimbursement of costs of claim enforcement	9 446	17 908	7 523	15 356
received compensations. recoveries. penalties and fines	1 677	2 176	2 947	10 148
management of third party assets	3 025	7 933	5 462	10 138
from license fees from Partners	0	794	1 182	2 365
other	2 771	18 197	2 916	5 620
Other operating expenses due to:	**-124 454**	**-158 648**	**-27 057**	**-48 001**
reimbursement of credit cost (TSUE provision)	-98 528	-98 528	n/a	n/a
fees and costs of claim enforcement	-12 594	-34 602	-13 361	-26 096
paid compensations. fines and penalties	-3 606	-8 150	-3 339	-7 834
management of third party assets	-349	-704	-474	-1 169
recognition of complaints	-1 784	-2 715	-1 059	-1 923
due to VAT settlement	0	-1 832	0	0
other	-7 593	-12 117	-8 824	-10 979
Net other operating income and expense	**-97 853**	**-90 432**	**3 726**	**16 219**

9 General administrative expenses

	01.04.2020 - 30.06.2020	01.01.2020 - 30.06.2020	01.04.2019 - 30.06.2019	01.01.2019 - 30.06.2019
Payroll costs	**-219 695**	**-453 623**	**-214 896**	**-439 050**
remuneration due to employment contracts	-178 883	-369 734	-176 276	-358 322
remuneration surcharges	-37 906	-78 290	-34 313	-72 909
revaluation of managment option plan – part settled in cash	0	0	177	-795
costs of bonus for senior executives settled in phantom shares	-853	-1 207	-601	-1 466
other	-2 053	-4 392	-3 883	-5 558
General and administrative costs	**-109 959**	**-290 666**	**-110 669**	**-336 014**
lease and building maintenance expenses	-15 713	-30 265	-15 832	-32 493
costs of Banking Guarantee Fund	-24 064	-112 663	-11 594	-133 326
IT costs	-25 458	-50 007	-26 420	-49 030
marketing costs	-16 028	-27 769	-18 878	-39 480
cost of advisory services	-5 628	-11 672	-6 203	-15 997
external services	-6 227	-14 149	-9 525	-16 281
training costs	-1 023	-3 430	-1 831	-6 054
costs of telecommunications services	-6 235	-12 061	-6 415	-12 316
costs of lease of property. plant and equipment and intangible assets	-2 191	-4 215	-1 493	-3 387
other	-7 392	-24 435	-12 478	-27 650
Amortization and depreciation	**-58 955**	**-119 822**	**-61 584**	**-120 723**
property. plant and equipment	-19 252	-39 218	-22 028	-44 795
intangible assets	-16 388	-33 557	-15 784	-30 518
right to use the asset	-23 315	-47 047	-23 772	-45 410
Taxes and fees	**-6 371**	**-12 460**	**-6 409**	**-10 168**
Total general administrative expenses	**-394 980**	**-876 571**	**-393 558**	**-905 955**

(in PLN '000)

10 Net expected credit losses

	01.04.2020 - 30.06.2020	01.01.2020 - 30.06.2020	01.04.2019 - 30.06.2019	01.01.2019 - 30.06.2019
Expected credit losses Stage 3	**-727 362**	**-1 022 168**	**-508 721**	**-817 606**
retail customers	-237 514	-392 256	-143 949	-273 871
business customers	-489 848	-629 912	-364 772	-543 735
Investment securities	**-8 762**	**-10 344**	**379**	**3 917**
Expected credit losses Stage 1 and 2(ECL)	**-74 912**	**-58 804**	**62**	**29 987**
Stage 2	**-91 077**	**-59 242**	**27 451**	**25 373**
retail customers	-10 527	3 482	21 392	24 359
business customers	-80 550	-62 724	6 059	1 014
Stage 1	**16 165**	**438**	**-27 389**	**4 614**
retail customers	-23 908	-34 766	-11 388	13 945
business customers	40 073	35 204	-16 001	-9 331
POCI	**-5 477**	**-11 764**	**-10 122**	**-27 720**
Recoveries from off-balance sheet	**13 272**	**24 962**	**10 270**	**25 424**
Off-balance provisions	**-111 905**	**-133 181**	**5 592**	**10 496**
Net expected credit losses	**-915 146**	**-1 211 299**	**-502 540**	**-775 502**

11 The result on impairment of non-financial assets

	01.04.2020 - 30.06.2020	01.01.2020 - 30.06.2020	01.04.2019 - 30.06.2019	01.01.2019 - 30.06.2019
Property. plant and equipment and intangible assets	-69 851	-68 544	-105	-1 674
Non-current assets held for sale	-46	-46	0	-75
Total	**-69 897**	**-68 590**	**-105**	**-1 749**

Due to the identification of the premises for the possible impairment, a test for impairment of Meritum Bank's goodwill was performed. The test showed the loss of goodwill arising from the acquisition of Meritum Bank in the amount of PLN 64.4 MM. The impairment loss was recognized in the profit and loss account in this financial statements.

The premise for the impairment test of Meritum Bank was the deterioration of the current results and business prospects in connection with the outbreak of the COVID-19 pandemic. The preliminary analysis showed that the impact of the expected drop in revenues resulting from the reduction by NBP of the reference rate and the decline in sales volumes, as well as possible write-offs for credit risk and the scale of commission return in connection with the CJEU judgment of 11 September 2019, may exceed the value of the surplus from the test carried out as at 31 December 2019 - described in the financial statements of the Alior Bank SA Group prepared as at 31 December 2019 in Note 22.3.

The recoverable amount is estimated based on the value in use of the CGU. Value in use is the present, estimated value of future cash flows for a period of 6 years, taking into account the residual value of the CGU. The residual value of the CGU was calculated using the theoretical dividend model (Gordon's model), by extrapolating the cash flow projections beyond the forecast period. The cash flow forecasts are based on the assumptions contained in the financial plan for Alior Bank for 2020 and the Bank's financial projection until 2026 inclusive. Financial flows are discounted using the cost of equity ratio determined using the capital asset pricing model.

To determine the value in use, a discount rate of 10.12% (31 December 2019: 9.7%) and a growth rate after the forecast period of 3.5% (31 December 2019: 3.3%) were adopted.

(in PLN '000)

12 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.

13 Income tax

13.1 Tax charge disclosed in the profit and loss account

	01.01.2020 - 30.06.2020	01.01.2019 - 30.06.2019 Restated
Current tax	**45 346**	**178 595**
current year	45 346	178 595
Deferred income tax	**-60 010**	**-35 218**
origination and reversal of temporary differences	-60 010	-35 218
Accounting tax recognized in the income statement	**-14 664**	**143 377**

13.2 Effective tax rate calculation

	01.01.2020 - 30.06.2020	01.01.2019 - 30.06.2019 Restated
Gross profit	**-524 979**	**236 557**
Income tax at 19%	-99 746	44 946
Non-tax deductible expenses	**95 942**	**98 568**
Entertainment costs	85	236
Impairment losses on loans not deductible for tax purposes	36 652	47 869
Prudency fee for BGF	21 406	25 332
Tax on Certain Financial Institutions	20 879	20 938
Donations	302	50
Impairment of goodwill	12 236	0
Other	4 382	4 143
Non-taxable income	**-1 959**	**-2 468**
Release of loan impairment allowances in the part not covered with the deferred tax	5	-1
Other, including income from recovered debts that are time-barred, canceled and uncollectible	-1 964	-2 467
Recognition of tax loss	**841**	**181**
Other	**-9 742**	**2 150**
Accounting tax recognized in the income statement	**-14 664**	**143 377**

14 Profit per share

	01.04.2020 - 30.06.2020	01.01.2020 - 30.06.2020	01.04.2019 - 30.06.2019 restated	01.01.2019 - 30.06.2019 Rested
Net profit/loss from continuing operations	**-582 446**	**-510 315**	**-9 412**	**93 180**
Weighted average number of ordinary shares	130 553 991	130 553 991	130 553 991	130 553 991
Share options (number) - adjusting instrument	543 725	543 725	1 160 412	1 160 412
Adjusted weighted average number of shares	131 097 716	131 097 716	131 714 403	131 714 403

(in PLN '000)

	01.04.2020 - 30.06.2020	01.01.2020 - 30.06.2020	01.04.2019 - 30.06.2019 restated	01.01.2019 - 30.06.2019 Rested
Net profit per ordinary share (PLN)	**-4.46**	**-3.91**	**-0.07**	**0.71**
Diluted profit per share (PLN)	**-4.44**	**-3.89**	**-0.07**	**0.71**
Profit or loss from discontinued operations	**-3 052**	**-3 052**	**0**	**0**
Net profit per ordinary share (PLN)	**-0.02**	**-0.02**	**0**	**0**
Diluted profit per share (PLN)	**-0.02**	**-0.02**	**0**	**0**

In compliance with IAS 33, the Bank calculates diluted profit per share, including shares issued conditionally within incentive programmes described in Note 31.

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.

Diluted profit per share is calculated as a ratio of profit attributable to the Bank's shareholders and the weighted average number of ordinary shares adjusted by potential ordinary convertible shares. The Bank has one category that may result in dilution of potential ordinary shares: share options.

The number of warrants as at 30 June 2020:

Series of warrants	The number of warrants as at 31.12. 2019	The number of warrants executed during 2020	Warrants expired in 2020	The number of warrants as at 30.06.2020
C	543 725	0	0	543 725

The number of warrants as at 30 June 2019:

Series of warrants	The number of warrants as at 31.12. 2018	The number of warrants executed during 2019	Warrants expired in 2019	The number of warrants as at 30.06.2019
B	528 612	0	0	528 612
C	631 800	0	0	631 800
	1 160 412	**0**	**0**	**1 160 412**

Notes to the interim condensed consolidated statement of financial position

15 Cash and ash equivalents

15.1 Financial data

	30.06.2020	31.12.2019
Current account with the central bank	58 045	553 598
Cash	634 931	444 371
Current accounts in other banks	355 195	320 712
Term deposits in other banks	80 344	60 446
Cash and balances with central bank	**1 128 515**	**1 379 127**

16 Amounts due from banks

16.1 Financial data

Structure by type	30.06.2020	31.12.2019
Reverse Repo	0	15 959
Deposits as derivative transactions (ISDA) collateral	218 682	135 157
Other	71 863	61 769
Amounts due from banks	**290 545**	**212 885**

(in PLN '000)

17 Investment financial assets

17.1 Financial data

	30.06.2020	31.12.2019
Financial assets	**16 756 828**	**15 798 674**
measured at fair value through other comprehensive income	9 100 632	10 438 695
measured at fair value through profit or loss	517 728	543 925
measured at amortized cost	7 138 468	4 816 054

17.2 Investment financial assets by type

measured at fair value through other comprehensive income	30.06.2020	31.12.2019
Debt instruments	**9 043 897**	**10 387 477**
issued by the State Treasury	**7 622 980**	**8 548 971**
T-bonds	7 622 980	8 548 971
issued by monetary institutions	**1 148 479**	**1 769 963**
Eurobonds	20 417	20 182
Money bills	799 994	1 749 781
Bonds	328 068	0
issued by other financial institutions	**212 662**	**0**
Bonds	212 662	0
issued by companies	**59 776**	**68 543**
Bonds	59 776	68 543
Equity instruments	**56 735**	**51 218**
Total	**9 100 632**	**10 438 695**

measured at fair value through profit or loss	30.06.2020	31.12.2019
Debt instruments	**83 021**	**111 786**
issued by the State Treasury	**67 825**	**94 074**
T-bonds	67 825	94 074
issued by other financial institutions	**4**	**0**
Bonds	4	0
issued by companies	**15 192**	**17 712**
Bonds	15 192	17 712
Equity instruments	**62 304**	**58 802**
Derivative financial instruments	**372 403**	**373 337**
Interest rate transactions	**198 193**	**213 601**
SWAP	197 914	213 550
Cap Floor Options	279	51
Foreign exchange transactions	**89 875**	**84 460**
FX Swap	7 155	33 281
FX forward	40 257	16 522
CIRS	13 491	13 244
FX options	28 972	21 413
Other options	**61 800**	**68 289**
Other instruments	**22 535**	**6 987**
Total	**517 728**	**543 925**

(in PLN '000)

measured at amortized cost	30.06.2020	31.12.2019
Debt instruments	**7 138 468**	**4 816 054**
issued by the State Treasury	**6 613 445**	**4 816 009**
T-bonds	6 613 445	4 816 009
issued by other financial companies	**525 023**	**45**
Bonds	525 023	45
Total	**7 138 468**	**4 816 054**

18 Loans and advances to customers

18.1 Quality and valuation of the loan portfolio in relation to COVID-19

18.1.1 Actions taken by the Bank in relation to credit portfolio management due to the COVID-19 pandemic

- **Changes applied to credit policies**

The Bank adapts its credit policies and processes to the current macroeconomic situation and the risks arising from it. The changes are aimed at supporting clients (including business clients) while focusing on minimising the Bank's credit losses.
The main changes to business client policy include:

- implementation of payment moratoria (credit holidays),
- adding to the product offering liquidity loans guaranteed by FGP BGK,
- extending the scope of BGK de minimis guarantees for SME companies,
- active management of segment policy – separation and differentiation of funding acceptance criteria depending on the degree of specific industry exposure to the risks arising from the COVID-19 pandemic,

The main changes to retail customers policy include:

- PD and LGD parameters' assessment adjusted by expected recession impact for new commitments in the framework of credibility assessment and updated cut-off points accordingly,
- implementation of payment moratoria (credit holidays),
- stricter credit conditions for employees or economic operators in high-risk industries,
- a restrictive approach to financing customers whose only source of cash remains income from civil law contracts.

- **Assistance tools offered by the Bank**

The Bank actively supports clients' liquidity offering both lending assistance tools as well as by participation in government support programmes.
The Bank's assistance tools include:

- payment moratoria

The Bank has enabled clients to take advantage of the deferral in the repayment of installments of loans of individual and business customers in two options:

1) option A: postponement of capital and interest payments for 3 months (3 consecutive loan instalments). This means that during the postponement period, the Bank does not require repayment of

either the principal or the interest. Nevertheless over the period the Bank accrues the interest on the current capital at the rate specified in the loan contract. The Bank sets up a new repayment schedule and a new amount of the principal and interest instalment due after the postponement period elapses. The loan maturity is extended by 3 months (3 instalments);

2) option B: postponement of capital payments for 6 months (6 consecutive instalments of the loan obligation). This means that during the postponement period, the Bank requires the repayment of the interest based on current principal and contract interest rate, but does not require repayment of principal. After the postponement period elapses, the Bank sets a new repayment schedule. The original maturity for which the loan obligation was granted is extended by 6 months (6 instalments).

The credit moratoria started in the Bank at the end of March 2020, the Bank was offering them on individual terms first, and then they were adjusted to standardized conditions set by Polish Bank Association. As at 30 June 2020, the Bank accepted 90 194 applications, which corresponded to a loan volume of PLN 9.46 billion.

In addition, the Bank also enabled individual customers to suspend the payment of loan instalments in accordance with the Act of 2 March 2020 on special solutions related to the prevention and combating of COVID-19, other infectious diseases and crisis situations caused by them (Journal of Laws of 2020, item 374, as amended) - this solution is dedicated to clients who have lost their jobs or other principal source of income. Over suspension the Bank does not require the repayment of any credit component except of insurance fees. The Bank also does not accrue interest. Loan maturity is extended by the time of suspension.

Making it possible for clients to defer or suspend the repayment of capital or equity interest instalments changes the distribution and value of future contractual flows in relation to the original financial instrument. This means a modification in the context of IFRS 9.

The Bank analysed modification conditions and considered them irrelevant within the meaning of IFRS 9 5.4.3. Consequently the results on modification (loss) were recognised in the profit and loss account at the amount of PLN 14.5 million.

- offering financing secured by guarantees of Bank Gospodarstwa Krajowego (BGK),
- participation in the interest rate subsidy scheme offered under Shield 4.0 by BGK
- intermediating and servicing applications for financing made available to micro and SME companies on the basis of agreements concluded with Polski Fundusz Rozwoju (PFR).

18.1.2 Loan portfolio quality

- **Key credit portfolio quality indicators as at 30 June 2020**

As at 30 June 2020, the fourth month of the COVID-19 pandemic, the Bank does not observe significantly negative impact of the environment on the quality of the loan portfolio. Compared to the previous quarter, the ratio of loans past due by 30 days in regular portfolio increased by 35bp (i.e. from 1.55% to 1.90%). The level of irregular loans (credit-impaired) increased by 66bp (i.e. from 14% to 14.6%).

According to the Bank, this situation is largely due to the scale of support that customers receive both in terms of payment moratoria and public-law assistance, therefore, it is temporary, depending on the duration of the aid measures. In the coming months, in Bank's opinion, the deterioration of the macroeconomic situation is expected and that will have a negative impact on the customers' ability to service their debt.

(in PLN '000)

- **Industry structure of commercial customers**

An important limiting aspect the pandemic's impact on the quality of the Bank's commercial portfolio is its industry structure. The Bank conducts regular analyses on the exposure of specific industries to the current situation. These analyses essentially include the impact and reuslts of lock-down, observations of customer business activity, prospects in the expected macroeconomic environment, the impact of changes in consumer sentiment, the impact of changes in global supply chains as well as the scale of public-legal-fiscal support and its fundamental impact on business support.

As a result of the above analyses, the Bank distinguishes the categories of industries in terms of exposure to the effects of COVID-19, which have a direct impact on the parameters of credit policy:

- sectors most affected by the crisis (including, among others, galleries, passenger transport, hotels, restaurants, organisation of sporting and cultural events);
- industries at risk of crisis (including among others, goods transport, sale and repair of vehicles, manufacture of clothing, textiles, wholesale and retail trade excluding the trade in necessities, advertising activities);
- industries affected to a slight extent or crisis-resilient.

As of 30 June 2020, in terms of the regular commercial loan portfolio, the industry structure was as follows:

Branch structure	% share of the commercial loan portfolio
Affected by the crisis	9%
Crisis at risk	24%
Affected to a slight extent	63%
Crisis-proof	5%

- **Retail client portfolio sensitivity to job loss risk**

In its portfolio of retail clients, the Bank pays key attention to the risk of losing job by clients in light of the exposure to the effects of the pandemic. The key aspects to be taken into account are:

- source of income
- employment sector
- age
- credit holidays (conservatively transferred entirely to the category "Very Sensitive")

As at 30 June 2020, according to the Bank, the portfolio of cash loans was characterised by the following job-loss risk profile:

Job-loss risk exposure profile	% share of the retail portfolio
Very sensitive	17%
including credit holidays	*16.4%*
Sensitive	2%
Not sensitive	61%
Insensitive	20%

(in PLN '000)

18.1.3 Methodology for calculating the impact of the COVID-19 pandemic on expected credit losses

- Impairment measurement methodology

The Bank does not make any changes to the methodology for quantifying impairment.

The methodology used adequately reflects the deterioration expected in connection with the COVID-19 pandemic, both in terms of asset classification and recognition of expected losses for stage1 (over the next 12 months) and stages 2 and 3 (life-time horizon).

The adjustments, due to the unique nature of the situation, origins and expected course of the crisis, require key parameters of credit risk in terms of the expected impact of forward-looking factors, including the probability of default of portfolio in the life-time horizon that affects the shape of the portfolio with a significant deterioration in credit quality since initial recognition, the risk of increased use of credit limits and the potential for recoverability, including the value of client repayment collateral and the sale of debt.

- Macroeconomic scenarios

In order to estimate the impairment of credit exposures under COVID-19 pandemic environment, the Bank adopts 3 scenarios for the future macroeconomic situation.

They include:

Scenario	Characteristics	Probability				
				2020P	2021P	2022P
Base	V-shaped recession	80%	**Growth**			
			GDP (real change)	-3.6	4.0	3.7
			Labour market			
			Unemployment - end of period in %	7.5	6.9	6.0
				2020P	2021P	2022P
Pessimistic	W-shaped recession	10%	**Growth**			
			GDP (real change)	-6.7	0.4	3.2
			Labour market			
			Unemployment - end of period in %	9.2	8.1	7.0
				2020P	2021P	2022P
Optimistic	low-amplitude V-shaped recession	10%	**Growth**			
			GDP (real change)	-2.0	4.6	4.4
			Labour market			
			Unemployment - end of period in %	6.8	6.3	5.5

GDP and unemployment rates were selected as the main macroeconomic indicators. The choice of indicators was dictated by ensuring an adequate predictive capacity for the impact of the macroeconomic situation on risk parameters.

- The scale of expert judgement

According to the Bank, the COVID-19 pandemic represents an unprecedented event and therefore there are significant restrictions on the appropriate benchmark for quantifying the expected deterioration of the macroeconomic situation and its impact on customer behaviour. Consequently, in the process of assessing the impairment, the Bank applies an increased, in comparison to previous periods, scale of expert judgement. Expert judgement used in the model is objectively applied by the use in the process, in accordance with the policy of management of models, of independent validation and dedicated decision levels in the form of the Models Risk Committee and the Management Board of the Bank.

(in PLN '000)

- Impairment indicators

Due to the COVID-19 pandemic, the Bank has not made any changes to the impairment recognition rules. A full catalogue of indicators is maintained and used, together with the materiality thresholds applied to date.

- Classification forbearance

As regards the classification of forbearance, the Bank applies dedicated rules for the payment moratoria (credit holidays) offered to retail and business customers related to liquidity problems for customers.

As regards the moratoria offered under the sector consensus ("Banks' position on harmonising the rules for offering aid tools to customers in the banking sector", i.e. non-legislative moratoria within the meaning of the above-mentioned EBA guidelines) and legislative moratoria (Act of 2 March 2020 on specific arrangements for the prevention, prevention and eradication of COVID-19, other infectious diseases and related crises (OJ of 2020, item 374, as amended) The Bank applies the principles defined by the authority in the "Guidelines on legislative and non-legislative moratoria on loan repayments applied in the light of the COVID-19 crisis" (EBA/GL/2020/02) of 2 April 2020 (as amended). In accordance with the Guidelines, the Bank shall not reclassify forbearance in respect of exposures for which sectoral or statutory payment moratoria has been used, provided that the rules and requirements of those arrangements/regulations are complying with.

The structure of the facilities granted for the loan portfolio by IFRS 9 stages as at 30 June 2020, together with the level of loss allowances, is as follows (in PLN MM):

	SECTORAL MORATORIA*			STATUTORY MORATORIA			FORBEARANCE / OTHER**		Total
	Corporate	Mortgage	Retail	Corporate	Mortgage	Retail	Corporate	Retail	
portfolio value									
including stage 3	269	34	49	-	0.3	0.5	276	4	
including stage 2	1 227	234	436	-	0.9	2.9	31	87	
including stage 1	1 263	1 586	2 257	-	3.2	7.0	0.5	0	
Total	**2 759**	**1 854**	**2 742**	**-**	**4,4**	**10.4**	**307**	**91**	**7 768**
value of impairment allowances									
including stage 3	44	4	26	-	0.0	0.3	81	1	
including stage 2	91	10	75	-	0.0	0.6	5	13	
including stge 1	20	4	61	-	0.0	0.3	0	0	
Total	**155**	**18**	**162**	**-**	**0,1**	**1.2**	**86**	**14**	**435**
coverage with impairment allowances									
including stage 3	16%	12%	54%	-	11%	53%	29%	25%	
including stage 2	7%	4%	17%	-	4%	19%	16%	15%	
including stage 1	2%	0%	3%	-	0%	4%	16%	-	
Total	**6%**	**1%**	**6%**		**2%**	**10%**	**28%**	**15%**	**6%**

** this category includes all payment moratoria granted to clients of the Romanian branch*
***including payment moratoria, unless they meet all the conditions of sectoral consensus and facilities of a different nature*

Additionally, as part of the leasing activities conducted in the Group, the balance of the portfolio subject to payment moratoria as at 30 June, 2020 was PLN 1 176 MM, and the balance of exposures related to other convenience connected witth COVID-19 was PLN 150 MM.

- Forward-looking factors

The Group carries out comprehensive analyses of the impact of the COVID-19 pandemic on key risk parameters in the scenarios envisaged. The analyses cover both quantitative and qualitative aspects and address legal, macroeconomic and social issues.

Probability of default

As regards the estimation of the PD parameter, the Group carried out an in-depth analysis of the sensitivity of the quality of credit portfolios to the macroeconomic scenarios under consideration. In the scope of the Corporate segment, the Group:

- estimated the annual change in customer revenues across industries at an assumed GDP growth rate in 2020 and 2021,
- based on the received scale of revenue changes, simulated ratings of Business Clients were prepared, which is the basis for determining the scale of the growth of the PD parameter in the given macroeconomic scenario.

The adjustment process for the Corporate segment used a macro-economic model to determine annual changes in customer revenues across industries and internal PD rating models.

Within the scope of the Individual Retail segment, the sensitivity of individual groups of clients to the risk of losing their job was assessed taking into account the employment sector, the credit holiday granted, the type of employment and the age of the borrower. On the basis of an expert methodology identifying the vulnerability of groups of clients identified using the above dimensions and a statistical analysis showing the impact of changes in the unemployment rate in the national economy on the increase in portfolio risk, the scale of changes in the PD parameter for the retail portfolio was estimated.

Collaterals/LGD

In the respect of collateral included in the valuation of impairments of credit exposures, the Group carried out a legal risk analysis (including legislative changes, court procedures) and other risks (including factors such as demand, economic environment, changes in investment and consumption trends) of the COVID-19 pandemic both in the short and long term horizon affecting both expected amounts and recovery times. Subsequently, on the basis of the available benchmarks and expert judgement, the Group estimated the expected decrease in the market value of collateral in the individual impairment scenarios used in the valuation. As a result, the Group confirmed that the forward-looking component used so far for the fall in collateral values for portfolio valuations fully safeguards the estimated risks arising from the COVID-19 pandemic for the entire loan portfolio.

For the remaining components that shape the level of loss, i.e. the recovery rate, the price conditions for the sale of debt, the recoverability component of the unsecured part, the Group carried out analyses including:

- an assessment of the sensitivity of the recovery rate in the cash loan portfolio to changes in the pace of GDP growth and the unemployment rate,
- a comparative analysis based on sectoral data on the extent to which companies/individual customers deteriorated as a result of the COVID-19 epidemic.

(in PLN '000)

The above analyses led to the conclusion that:

- for a portfolio with a high cyclicality, which is a cash loan, a material adjustment of the recovery rate depending on the macroeconomic scenarios is needed and recognition of reduced liquidity and market depth in expected recoveries through disposal as well,
- for other portfolios with a lower cyclicality and an extended recovery process, we can expect a temporary decrease in recoveries resulting from the deterioration of debtors' situation, the materiality of this impact being dependent on the macroeconomic path adopted. In a situation of rapid return of macroeconomic values to the pre-epidemic state of COVID-19, this impact will only materialise through a different allocation of recoveries over time.

Utilization/EAD

The Group conducts close monitoring and in-depth analyses of trends in the utilization of credit limits by retail and business customers during the pandemic period. In the second quarter of 2020, the Group did not observe negative trends in terms of increased use of limits by customers. This counterintuitive trend for the downturn, according to the Group, is explained by: a lock-down period significantly affecting the reduction in the activity of both retail and economic clients, the use of payment moratoria by the financial sector and a wide stream of public-legal assistance positively affecting the liquidity situation of clients. In view of the risk of a negative trend after the period of cessation of aid tools, the Bank introduced in the valuation process a dedicated FLI component in terms of EAD for which an expert assumption of an increase in utilization during the deepest downturn phase was assumed.

18.1.4 Increase in expected credit losses as at 30 June 2020

As of 30 June 2020, due to the COVID-19 pandemic and as a result of the expected deterioration in the quality of the loan portfolio, the Group recognised:

- an increase in portfolio loss allowances of regular portfolios (stage 1 and stage 2) at ca 195 PLN MM, which represents an increase in allowances for the portfolio without any indication of impairment of ca 17%.
- increase in portfolio loss allowances of irregular portfolio (stage 3, group) at a level of ca 75 PLN MM due to the estimated deterioration of the recovery potential
- increase in individual loss allowances of irregular portfolio (stage 3, individual) at a level of ca 148 PLN MM due to the deterioration of estimated recoveries mainly due to a reduction in the likelihood of restructuring scenarios.

Recognition of the above write-offs in full was a burden on the result of Q2 2020.

The following table presents the use of dedicated forward-looking components in terms of the expected deterioration of the Bank's regular loan portfolio under COVID-19:

Date	PD	LGD	Share in stage 2 in the regular portfolio	Cover with allowances in staget 1 and stage 2
31.12.2019	4.61%	28.6%	12.4%	2.20%
30.06.2020	5.53%	30.7%	14.7%	2.47%

(in PLN '000)

- Sensitivity of results to variability of assumptions

The Group considers that the underlying scenario is the base scenario. The Group carried out analyses to establish the likeness of the negative events identified in the pessimistic scenario. If the probability of a negative scenario increased by 5%, the expected loss increase would be approximately PLN 22 MM according to the following genesis:

Change in probability of negative scenario	PD (PLN MM)	LGD default (PLN MM)	LGD non-default (PLN MM)	Total (PLN MM)
5%	10.3	5	6.8	22

18.2 Financial data (gross value, expected credit losses)

Loans granted to customers	30.06.2020			31.12.2019 Restated		
	Gross value	Expected credit losses	Net value	Gross value	Expected credit losses	Net value
Retail segment	**35 212 759**	**-2 760 936**	**32 451 823**	**34 492 218**	**-2 649 663**	**31 842 555**
Consumer loans	20 039 693	-2 551 742	17 487 951	20 296 824	-2 477 209	17 819 615
Loans for residential properties	12 077 063	-167 077	11 909 986	11 375 322	-130 782	11 244 540
Consumer finance loans	3 096 003	-42 117	3 053 886	2 820 072	-41 672	2 778 400
Corporate segment	**26 497 707**	**-3 246 050**	**23 251 657**	**26 801 309**	**-2 799 342**	**24 001 967**
Working capital loans	12 237 991	-2 099 502	10 138 489	12 885 641	-1 861 749	11 023 892
Investment loans	7 351 629	-580 225	6 771 404	7 638 934	-449 052	7 189 882
Other business loans	6 908 087	-566 323	6 341 764	6 276 734	-488 541	5 788 193
Total	**61 710 466**	**-6 006 986**	**55 703 480**	**61 293 527**	**-5 449 005**	**55 844 522**

Loans granted to customers	30.06.2020			31.12.2019 Restated		
	Gross value	Expected credit losses	Net value	Gross value	Expected credit losses	Net value
Retail segment	**35 212 759**	**-2 760 936**	**32 451 823**	**34 492 218**	**-2 649 663**	**31 842 555**
Stage 1	29 351 385	-340 170	29 011 215	29 057 301	-305 168	28 752 133
Stage 2	2 883 743	-465 699	2 418 044	2 576 933	-468 820	2 108 113
Stage 3	2 891 594	-1 917 346	974 248	2 742 152	-1 816 378	925 774
POCI	86 037	-37 721	48 316	115 832	-59 297	56 535
Corporate segment	**26 497 707**	**-3 246 050**	**23 251 657**	**26 801 309**	**-2 799 342**	**24 001 967**
Stage 1	15 458 345	-126 604	15 331 741	17 302 684	-165 966	17 136 718
Stage 2	4 908 616	-327 649	4 580 967	3 448 949	-264 519	3 184 430
Stage 3	5 916 928	-2 753 018	3 163 910	5 830 089	-2 337 536	3 492 553
POCI	213 818	-38 779	175 039	219 587	-31 321	188 266
Total	**61 710 466**	**-6 006 986**	**55 703 480**	**61 293 527**	**-5 449 005**	**55 844 522**

Loans and advances to customers by method of allowance calculation	30.06.2020			31.12.2019 Restated		
	Gross value	Expected credit losses	Net value	Gross value	Expected credit losses	Net value
Stage 3	**8 808 522**	**-4 670 364**	**4 138 158**	**8 572 241**	**-4 153 914**	**4 418 327**
individualised method	**3 641 896**	**-1 488 344**	**2 153 552**	**3 543 689**	**-1 223 708**	**2 319 981**
with identified impairment	3 201 311	-1 454 983	1 746 328	2 921 713	-1 216 197	1 705 516
without identified impairment	440 585	-33 361	407 224	621 976	-7 511	614 465

(in PLN '000)

Loans and advances to customers by method of allowance calculation	30.06.2020			31.12.2019 Restated		
	Gross value	Expected credit losses	Net value	Gross value	Expected credit losses	Net value
group method	**5 166 626**	**-3 182 020**	**1 984 606**	**5 028 552**	**-2 930 206**	**2 098 346**
with identified impairment	4 975 542	-3 173 959	1 801 583	4 868 892	-2 922 563	1 946 329
without identified impairment	191 084	-8 061	183 023	159 660	-7 643	152 017
Stage 2	**7 792 359**	**-793 348**	**6 999 011**	**6 025 882**	**-733 339**	**5 292 543**
Stage 1	**44 809 730**	**-466 774**	**44 342 956**	**46 359 985**	**-471 134**	**45 888 851**
POCI	**299 855**	**-76 500**	**223 355**	**335 419**	**-90 618**	**244 801**
Total	**61 710 466**	**-6 006 986**	**55 703 480**	**61 293 527**	**-5 449 005**	**55 844 522**

Loans and advances to customers – exposure of the Group to the credit risk	30.06.2020			31.12.2019 Restated		
	Gross value	Expected credit losses	Net value	Gross value	Expected credit losses	Net value
Stage 3	**8 808 522**	**-4 670 364**	**4 138 158**	**8 572 241**	**-4 153 914**	**4 418 327**
not overdue	1 176 304	-500 718	675 586	1 933 200	-438 855	1 494 345
overdue	7 632 218	-4 169 646	3 462 572	6 639 041	-3 715 059	2 923 982
Stage 1 and Stage 2	**52 602 089**	**-1 260 122**	**51 341 967**	**52 385 867**	**-1 204 473**	**51 181 394**
not overdue	48 700 390	-785 627	47 914 763	48 383 682	-796 843	47 586 839
overdue	3 901 699	-474 495	3 427 204	4 002 185	-407 630	3 594 555
POCI	**299 855**	**-76 500**	**223 355**	**335 419**	**-90 618**	**244 801**
Total	**61 710 466**	**-6 006 986**	**55 703 480**	**61 293 527**	**-5 449 005**	**55 844 522**

In the first half of 2020 the Group sold loans with a total gross value amounting to PLN 138 593 thousand, while the impairment allowance recorded for this portfolio amounted to PLN 112 465 thousand. The impact of debt sales on the cost of risk in the first half of 2020 amounted to PLN 1 238 thousand (gain).

In the first half of 2020 Bank wrote off the financial assets amounted to PLN 388 707 thousand. The financial assets that are written off concerned both the loan portfolio of individual and business customers. The financial assets that are written off are still the subject enforcement activity.

Loans and advances to customers	Stage 1	Stage 2	Stage 3	POCI	Total
Gross carrying amount					
Gross carrying amount as at 01.01.2020	**46 359 985**	**6 025 882**	**8 572 241**	**335 419**	**61 293 527**
New / purchased / granted financial assets	7 291 819	0	0	0	7 291 819
Changes in the level of credit risk. derecognition (other than write-offs): repayments. changes in the valuation. sale or expiry of an instrument	-5 343 379	-327 474	-808 744	-6 576	-6 486 173
Financial assets written down	0	0	-359 719	-28 988	-388 707
Transfer to Stage 1	1 038 563	-1 014 297	-24 266	0	0
Transfer to Stage 2	-3 868 326	4 127 113	-258 786	0	0
Transfer to Stage 3	-668 932	-1 018 865	1 687 796	0	0
Gross carrying amount as at 30.06.2020	**44 809 730**	**7 792 359**	**8 808 522**	**299 855**	**61 710 466**
Expected credit losses					
Expected credit losses as at 01.01.2020	**471 134**	**733 339**	**4 153 914**	**90 618**	**5 449 005**
New / purchased / granted financial assets	134 208	0	0	0	134 208
Changes in the level of credit risk. derecognition (other than write-offs): repayments. changes in the valuation. sale or expiry of an instrument	-213 161	248 634	762 137	14 870	812 480
Financial assets written down	0	0	-359 719	-28 988	-388 707
Transfer to Stage 1	147 015	-136 583	-10 432	0	0
Transfer to Stage 2	-51 834	117 859	-66 025	0	0

(in PLN '000)

Loans and advances to customers	Stage 1	Stage 2	Stage 3	POCI	Total
Transfer to Stage 3	-20 588	-169 901	190 489	0	0
Expected credit lossesas at 30.06.2020	**466 774**	**793 348**	**4 670 364**	**76 500**	**6 006 986**
Net carrying amount as at 30.06.2020	**44 342 956**	**6 999 011**	**4 138 158**	**223 355**	**55 703 480**

Loans and advances to customers Restated	Stage 1	Stage 2	Stage 3	POCI	Total
Gross carrying amount					
Gross carrying amount as at 01.01.2019	**45 221 960**	**6 356 390**	**6 919 170**	**398 812**	**58 896 332**
New / purchased / granted financial assets	10 050 068	0	0	0	10 050 068
Changes in the level of credit risk. derecognition (other than write-offs): repayments. changes in the valuation. sale or expiry of an instrument	-5 319 185	-842 355	-695 927	-18 528	-6 875 995
Financial assets written down	0	0	-90 887	0	-90 887
Transfer to Stage 1	1 245 700	-1 220 560	-27 445	0	-2 305
Transfer to Stage 2	-2 611 739	2 690 103	-78 364	0	0
Transfer to Stage 3	-1 097 243	-739 931	1 837 174	0	0
Gross carrying amount as at 30.06.2019	**47 489 561**	**6 243 647**	**7 863 721**	**380 284**	**61 977 213**
Expected credit losses					
Expected credit losses as at 01.01.2019	**467 542**	**771 136**	**3 371 569**	**61 239**	**4 671 486**
New / purchased / granted financial assets	202 523	0	0	0	202 523
Changes in the level of credit risk. derecognition (other than write-offs): repayments. changes in the valuation. sale or expiry of an instrument	-286 946	183 372	629 112	27 621	553 159
Financial assets written down	0	0	-90 887	0	-90 887
Transfer to Stage 1	166 646	-158 227	-8 419	0	0
Transfer to Stage 2	-56 477	80 366	-23 889	0	0
Transfer to Stage 3	-21 295	-126 149	147 444	0	0
Expected credit losses as at 30.06.2019	**471 993**	**750 498**	**4 024 930**	**88 860**	**5 336 281**
Net carrying amount as at 30.06.2019	**47 017 568**	**5 493 149**	**3 838 791**	**291 424**	**56 640 932**

19 Other assets

19.1 Financial data

	30.06.2020	31.12.2019
Sundry debtors	**411 329**	**466 583**
Other settlements	288 574	305 371
Receivables related to sales of services (including insurance)	31 403	26 490
Guarantee deposits	15 378	15 756
Settlements due to cash in ATMs	75 974	118 966
Costs recognised over time	**55 428**	**35 098**
Maintenance and support of systems, servicing of plant and equipment	23 634	15 715
Other deferred costs	31 794	19 383
Other receivables	**2 431**	**185**
VAT settlements	**43 098**	**51 570**
Other assets (gross)	**512 286**	**553 436**
Write-down	-72 925	-68 543
Other assets (net)	**439 361**	**484 893**
including financial assets (gross)	411 329	466 583

(in PLN '000)

20 Assets pledged as colleteral

20.1 Financial data

	30.06.2020	31.12.2019
Treasury bonds blocked for REPO transactions	42 874	499
Financial assets measured at amortised cost in the EIB	341 066	334 990
Total	**383 940**	**335 489**

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:

	30.06.2020	31.12.2019
Treasury bonds blocked with BGF	394 001	386 927
Deposits as derivative transactions (ISDA) collatera	218 682	135 157
Deposit as collateral of transactions performed in Alior Trader	177	608
Total	**612 860**	**522 692**

21 Non-current assets held for sale

	30.06.2020	31.12.2019
Non-current assets held for sale	139 810	103
including disposal group	*139 807*	*0*
Total	**139 810**	**0**

Due to the terms of the transaction, as described in note 1.4, the investment in RUCH SA meets the criteria for classification as a group for sale in accordance with IFRS 5. Alior Bank SA is not strategically interested in controlling RUCH SA and from the very beginning of its involvement, it takes active steps to find a strategic investor for RUCH SA.

Classification of the acquisition of RUCH SA as a group for sale intended for sale, requires meeting the criterion of the one-year closing date. Transfer of control over RUCH SA to PKN Orlen SA is to take place after the fulfillment of a number of conditions defined in the agreements concluded between the investors. The Group does not identify any circumstances that could extend the period of loss of control beyond 12 months.

Liabilities related to disposal group's assets are presented in separate line of consolidated statement of financial position.

22 Amounts due to banks

22.1 Financial data

Structure by type	30.06.2020	31.12.2019
Current deposits	6 770	4 333
Overnights	30 000	0
Term deposits	5 862	0
Own bond issues	387 066	384 998
Received loan	148 320	162 295

(in PLN '000)

Structure by type	30.06.2020	31.12.2019
Other liabilities	387 375	270 418
Repo	2 045	499
Total amounts due to banks	**967 438**	**822 543**

23 Amounts due to customers

23.1 Financial data

Structure by type and customer segment	30.06.2020	31.12.2019
Retail segment	**46 451 100**	**46 603 066**
Current deposits	33 918 564	30 700 187
Term deposits	10 241 458	13 333 981
Own issue of banking securities	2 009 829	2 318 064
Own bond issues	81 476	81 492
Other liabilities	199 773	169 342
Corporate segment	**19 414 341**	**18 396 193**
Current deposits	14 248 987	11 153 883
Term deposits	4 692 396	6 854 745
Issue of the Bank's securities	10 239	17 773
Own bond issues	148 640	148 669
Other liabilities	314 079	221 123
Total amounts due to customers	**65 865 441**	**64 999 259**

In the first half of 2020 the Bank issued own securities amounted to PLN 129 854 thousand and securities purchased before maturity amounted to PLN 30 022 thousand.

In 2019 the Bank issued own securities amounted to PLN 1 046 553 thousand and securities purchased before maturity amounted to PLN 158 417 thousand.

24 Provisions

Provision for reimbursement of commissions and fees related to the loan prepayment - judgment of the Court of Justice of the European Union ('TSUE') of 11 September 2019

In second quarter of 2020, the Bank estimated the effects of legal risk resulting from prepayments of consumer loans made before the date of the TSUE judgment and in accordance with IAS 37 and created an additional provision for this purpose in the amount of PLN 98 000 thousand, which charged other operating costs. The revaluation of the estimate results from the inclusion in the calculation of the most recent data concerning the complaints filed with the Bank regarding the reimbursement of loan costs, as well as the amount of the reimbursement.

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 2020	**49 822**	**9 498**	**67 549**	**4 446**	**227 554**	**358 869**
Established provisions	4 378	7 170	189 711	0	98 528	299 787
Reversal of provisions	-1	-9 271	-56 530	-374	0	-66 176
Utilized provisions	-11 025	-175	0	-967	-178 000	-190 167
Other changes	0	0	426	0	0	426
As at 30 June 2020	**43 174**	**7 222**	**201 156**	**3 105**	**148 082**	**402 739**

(in PLN '000)

	Provisions for disputes	Provisions for retirement benefits	Provisions for off-balance sheet liabilities granted	Restructuring provision	Total provisions
As at 1 January 2019	**35 064**	**7 242**	**74 365**	**9 528**	**126 199**
Change due to acquisition of SKOK Jaworzno	231	113	0	6 563	6 907
Established provisions	7 267	8 008	66 780	0	82 055
Reversal of provisions	-4 611	-7 137	-77 276	-666	-89 690
Utilized provisions	-1 236	-164	0	-9 503	-10 903
Other changes	2 626	0	-74	0	2 552
As at 30 June 2019	**39 341**	**8 062**	**63 795**	**5 922**	**117 120**

The restructuring provision is dedicated for payments of statutory severance bonuses in connection with employment terminations under group redundancies for the so-called additional compensation arising from the arrangement concluded with the trade unions and the provision for costs related to the restructuring of the branch network and abandoning franchise facilities in too close proximity (it includes the costs of compensation and expenses related to the physical abandonment of the facility and returning it to its original state).

The restructuring program was announced by the Bank and its implementation started in December 2016. Moreover, in connection with the acquisition of SKOK Jaworzno. the Bank recognized additional provisions for severance pay for employees and the expected costs of restructuring branches of the former SKOK.

Split of the restructuring provision as at 30.06.2020 is presented below:

	31.12.2019	utilisation	reversal	30.06.2020
Severance pay for employees	739	-53	-374	312
Reorganisation of the branch network	3 707	-914	0	2 793
	4 446	**-967**	**-374**	**3 105**

25 Other liabilities

25.1 Financial data

	30.06.2020	31.12.2019
Interbank settlements	365 058	344 832
Taxes, customs duty, social and health insurance payables and other public settlements	41 891	40 431
Settlements of payment cards	32 264	46 565
Other settlements, including	169 592	141 311
settlements with insurers	30 310	12 446
Liability for reimbursement of credit costs	48 070	94 871
Settlements of issues of bank certificates of deposits	59 447	19 256
Liabilities due to contributions to the Bank Guarantee Fund	147 685	68 506
Accrued expenses	115 200	151 280
Income received in advance	61 798	60 950
Provision for bancassurance resignations	20 886	24 168
Provision for bonuses	47 951	32 138
Provision for unutilised annual leaves	30 157	19 164
Provision for bonuse settled in phantom shares	2 020	813

	30.06.2020	31.12.2019
Provision for retention programs	366	1 448
Revaluation of managment option plan – part settled in cash	180	180
Other employee provisions	1 351	2 249
Liabilities due to lease agreements	313 426	339 770
Other liabilities	45 744	41 744
Other liabilities	**1 503 086**	**1 429 676**
including financial liabilities	614 984	627 579

26 Financial liabilities

26.1 Financial data

	30.06.2020	31.12.2019
Short sale of T-bonds	**178 938**	**108 498**
Interest rate transactions	**191 237**	**191 989**
SWAP	190 962	191 939
Opcje Cap Floor	275	50
Foreign exchange transactions	**71 984**	**63 389**
FX swap	21 896	24 297
FX forward	9 684	8 790
CIRS	13 222	10 289
Opcje FX	27 182	20 013
Other options	**61 800**	**68 289**
Other instruments	**12 403**	**4 691**
Financial liabilities	**516 362**	**436 856**

27 Subordinated liabilities

27.1 Financial data

					Status of liabilities	
Liabilities classified as the Bank's own funds	Nominal value in the currency (PLN '000)	Currency	Term	Interest	30.06.2020	31.12.2019
Liabilities included in own funds						
Series F bonds	321 700	PLN	26.09.2014-26.09.2024	WIBOR6M +3.14	325 419	325 914
Series G bonds	192 950	PLN	31.03.2015-31.03.2021	WIBOR6M +3.50	195 236	195 551
Series I bonds	150 000	PLN	04.12.2015-06.12.2021	WIBOR6M +3.35	150 449	150 591
Series II bonds	33 350	PLN	04.12.2015-06.12.2021	WIBOR6M +3.35	33 450	33 482
Series B bonds (Meritum Bank)	67 200	PLN	29.04.2013-29.04.2021	WIBOR6M +5.80	67 881	67 975
Series EUR001 bonds	10 000	EUR	04.02.2016-04.02.2022	LIBOR6M + 6.00	45 746	43 635
Series P1A bonds	150 000	PLN	27.04.2016-16.05.2022	WIBOR6M +3.25	150 747	150 955
Series P1B bonds	70 000	PLN	29.04.2016-16.05.2024	WIBOR6M +3.00	70 326	70 424
Series K bonds	400 000	PLN	20.10.2017-20.10.2025	WIBOR6M +2.70	402 699	403 600
Series K1 bonds	200 000	PLN	20.10.2017-20.10.2025	WIBOR6M +2.70	201 350	201 800
Series P2A bonds	150 000	PLN	14.12.2017-29.12.2025	WIBOR6M +2.70	150 027	150 058
Subordinated liabilities					**1 793 330**	**1 793 985**

(in PLN '000)

28 Off-balance sheet items

28.1 Financial data

	30.06.2020	31.12.2019
Granted off-balance liabilities	**9 655 008**	**8 626 829**
Concerning financing	**8 842 815**	**7 784 830**
Guarantees	**812 193**	**841 999**
Performance guarantees	219 471	211 369
Financial guarantees	592 722	630 630

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.
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 2020, the sensitivity of changed measurement of those assets in the case of an increase of the credit spread by 1 basis point was PLN 33.1 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 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

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.

30.06.2020	Level 1	Level 2	Level 3	Total
Investment financial assets				
Measured at fair value through profit and loss	**79 768**	**298 664**	**139 296**	**517 728**
SWAP	0	197 914	0	197 914
Cap Floor Ooptions	0	279	0	279
FX Swap	0	7 155	0	7 155
FX forward	0	40 257	0	40 257
CIRS	0	13 491	0	13 491
FX options	0	28 972	0	28 972
Other options	0	0	61 800	61 800
Other instruments	11 939	10 596	0	22 535
Financial deriatives	**11 939**	**298 664**	**61 800**	**372 403**
Equity instruments		0	62 304	62 304
Treasury bonds	67 825	0	0	67 825
Other bonds	4	0	15 192	15 196
Investments securities	**67 829**	**0**	**77 496**	**145 325**
Measured at fair value through other comprehensive income	**8 184 127**	**799 994**	**116 511**	**9 100 632**
Money bills	0	799 994	0	799 994
Equity instruments	0	0	56 735	56 735
Treasury bonds	7 622 980	0	0	7 622 980
Other bonds	561 147	0	59 776	620 923
Derivative hedging instruments	**0**	**379 652**	**0**	**379 652**
Interest rate transactions – SWAP	0	379 652	0	379 652

31.12.2019	Level 1	Level 2	Level 3	Total
Investment financial assets				
Measured at fair value through profit and loss	**97 715**	**301 634**	**144 576**	**543 925**
SWAP	0	213 550	0	213 550
Cap Floor Ooptions	0	51	0	51
FX Swap	0	33 281	0	33 281
FX forward	0	16 522	0	16 522
CIRS	0	13 244	0	13 244
FX options	0	21 413	0	21 413
Other options	0	0	68 289	68 289
Other instruments	3 414	3 573	0	6 987
Financial deriatives	**3 414**	**301 634**	**68 289**	**373 337**
Equity instruments	167	0	58 635	58 802
Treasury bonds	94 074	0	0	94 074
Other bonds	60	0	17 652	17 712
Investments securities	**94 301**	**0**	**76 287**	**170 588**
Measured at fair value through other comprehensive income	**8 569 153**	**1 749 781**	**119 761**	**10 438 695**
Money bills	0	1 749 781	0	1 749 781
Equity instruments	0	0	51 218	51 218
Treasury bonds	8 548 971	0	0	8 548 971
Other bonds	20 182	0	68 543	88 725
Derivative hedging instruments	**0**	**134 832**	**0**	**134 832**
Interest rate transactions – SWAP	0	134 832	0	134 832

(in PLN '000)

30.06.2020	Level 1	Level 2	Level 3	Total
Financial liabilities				
Financial liabilities measured at fair value through profit or loss	**189 209**	**265 353**	**61 800**	**516 362**
Bonds	178 938	0	0	178 938
SWAP	0	190 962	0	190 962
Cap Floor Ooptions	0	275	0	275
FX Swap	0	21 896	0	21 896
FX forward	0	9 684	0	9 684
CIRS	0	13 222	0	13 222
FX options	0	27 182	0	27 182
Other options	0	0	61 800	61 800
Other instruments	10 271	2 132	0	12 403
Derivative hedging instruments	**0**	**89 690**	**0**	**89 690**
Interest rate swaps - IRS	0	89 690	0	89 690

31.12.2019	Level 1	Level 2	Level 3	Total
Financial liabilities				
Financial liabilities measured at fair value through profit or loss	**112 278**	**256 289**	**68 289**	**436 856**
Bonds	108 498	0	0	108 498
SWAP	0	191 939	0	191 939
Cap Floor Ooptions	0	50	0	50
FX Swap	0	24 297	0	24 297
FX forward	0	8 790	0	8 790
CIRS	0	10 289	0	10 289
FX options	0	20 013	0	20 013
Other options	0	0	68 289	68 289
Other instruments	3 780	911	0	4 691
Derivative hedging instruments	**0**	**40 676**	**0**	**40 676**
Interest rate swaps - IRS	0	40 676	0	40 676

Reconciliation of changes at level 3 of fair value hierarchry

	Assets		Liabilities	
	30.06.2020	30.06.2019	30.06.2020	30.06.2019
Opening balance	**264 337**	**175 676**	**68 289**	**36 028**
Acquisitions	8 176	8 400	2 812	8 366
Net changes recognized in other comprehensive income	-4 430	10 983	0	0
Net changes recognized in other comprehensive income	1 860	34 171	4 004	32 971
Currency differences	2 578	0	0	0
Settlement / redemption	-16 714	-21 807	-13 305	-21 210
Total	**255 807**	**207 423**	**61 800**	**56 155**

At the end of the first half of 2020 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 6.50 MM and for debt instruments measured at fair value through profit and loss account approx. amounted to PLN 1.36 MM.

Fair value measurement for disclosure purposes.

(in PLN '000)

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.

30.06.2020	Carrying value	Fair value			
		Level 1	Level 2	Level 3	Total
Assets					
Cash and cash equivalents	**1 128 515**	**692 976**	**435 539**	**0**	**1 128 515**
Amount due from banks	**290 545**	**0**	**290 545**	**0**	**290 545**
Loans and advances to customers	**55 703 480**	**0**	**0**	**53 061 411**	**53 061 411**
Retail segment	**32 451 823**	**0**	**0**	**30 524 441**	**30 524 441**
Consumer loans	17 487 951	0	0	16 321 139	16 321 139
Loans for residential real estate	11 909 986	0	0	11 189 195	11 189 195
Consumer finance loans	3 053 886	0	0	3 014 107	3 014 107
Corporate segment	**23 251 657**	**0**	**0**	**22 536 970**	**22 536 970**
Working capital facility	10 138 489	0	0	11 369 306	11 369 306
Investment loans	6 771 404	0	0	6 510 891	6 510 891
Other	6 341 764	0	0	4 656 773	4 656 773
Asstes pledged as collateral	**383 940**	**389 934**	**0**	**0**	**389 934**
Investment securities measured at amortized cost	**7 138 468**	**7 194 591**	**0**	**0**	**7 194 591**
Other financial assets	**411 329**	**0**	**0**	**411 329**	**411 329**
Liabilities					
Amounts due to banks	**967 438**	**0**	**967 438**	**0**	**967 438**
Current deposits	6 770	0	6 770	0	6 770
Overnights	30 000	0	30 000	0	30 000
Term deposits	5 862	0	5 862	0	5 862
Bonds issued	387 066	0	387 066	0	387 066
Credit received	148 320	0	148 320	0	148 320
Other liabilities	387 375	0	387 375	0	387 375
Repo	2 045	0	2 045	0	2 045
Amounts due to customers	**65 865 441**	**0**	**0**	**65 936 660**	**65 936 660**
Current deposits	48 167 551	0	0	48 167 551	48 167 551
Term deposits	14 933 854	0	0	14 933 854	14 933 854
Banking securities issued	2 020 068	0	0	2 091 287	2 091 287
Bonds issued	230 116	0	0	230 116	230 116
Other liabilities	513 852	0	0	513 852	513 852
Other financial liabilities	**614 984**	**0**	**0**	**614 984**	**614 984**
Subordinated liabilities	**1 793 330**	**0**	**0**	**1 793 330**	**1 793 330**

31.12.2019 Restated	Carrying value	Fair value			
		Level 1	Level 2	Level 3	Total
Assets					
Cash and cash equivalents	**1 379 127**	**997 969**	**381 158**	**0**	**1 379 127**
Amount due from banks	**212 885**	**0**	**212 885**	**0**	**212 885**
Loans and advances to customers	**55 844 522**	**0**	**0**	**54 099 760**	**54 099 760**
Retail segment	**31 842 555**	**0**	**0**	**30 531 124**	**30 531 124**
Consumer loans	17 819 615	0	0	17 211 065	17 211 065
Loans for residential real estate	11 244 540	0	0	10 568 201	10 568 201
Consumer finance loans	2 778 400	0	0	2 751 859	2 751 859
Corporate segment	**24 001 967**	**0**	**0**	**23 568 636**	**23 568 636**
Working capital facility	11 023 892	0	0	12 324 570	12 324 570
Investment loans	7 189 882	0	0	7 053 018	7 053 018
Other	5 788 193	0	0	4 191 048	4 191 048

(in PLN '000)

31.12.2019 Restated	Carrying value	Fair value			
		Level 1	Level 2	Level 3	Total
Asstes pledged as collateral	**335 489**	**338 980**	**0**	**0**	**338 980**
Investment securities measured at amortized cost	**4 816 054**	**4 863 579**	**0**	**0**	**4 863 579**
Other financial assets	**466 583**	**0**	**0**	**466 583**	**466 583**
Liabilities					
Amounts due to banks	**822 543**	**0**	**822 543**	**0**	**822 543**
Current deposits	4 333	0	4 333	0	4 333
Bonds issued	384 998	0	384 998	0	384 998
Credit received	162 295	0	162 295	0	162 295
Other liabilities	270 418	0	270 418	0	270 418
Repo	499		499	0	499
Amounts due to customers	**64 999 259**	**0**	**0**	**65 100 237**	**65 100 237**
Current deposits	41 854 070	0	0	41 854 070	41 854 070
Term deposits	20 188 726	0	0	20 188 726	20 188 726
Banking securities issued	2 335 837	0	0	2 436 815	2 436 815
Bonds issued	230 161	0	0	230 161	230 161
Other liabilities	390 465	0	0	390 465	390 465
Other financial liabilities	**627 579**	**0**	**0**	**627 579**	**627 579**
Subordinated liabilities	**1 793 985**	**0**	**0**	**1 793 985**	**1 793 985**

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.

Receivables from customers:

In the method applied by the Bank to calculate the fair value of receivables from customers (without overdraft facilities), the Bank 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.

Amounts due from 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 Bank 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 Bank 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 Bank's own issues and subordinated loans. Determining the fair value of that group of liabilities, the Bank determines the present value on anticipated payments on the basis of present percentage curves and the original spread of the issue.

(in PLN '000)

The Bank's own issues and subordinated loans have been fully classified as level 3 of fair value hierarchy due to the application of a measurement model with material non-observable input data, including the original spread of the issue above the market curve. With reference to issues and subordinated loans with residual maturities (or interest rate repricing) under 1 year, the carrying value adequately reflects the fair value of the instrument.

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.

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	30.06.2020	31.12.2019
Assets		
Other assets	1 401	3 078
Total assets	**1 401**	**3 078**
Liabilities		
Amounts due to customers	52	52
Provisions	180	79
Other liabilities	421	0
Total liabilities	**653**	**131**

Subsidiaries of the parent company	30.06.2020	31.12.2019
Assets		
Cash and cash equivalents	21 869	23 072
Other assets	311	84
Total assets	**22 180**	**23 156**
Liabilities		
Financial liabilities	0	707
Amounts due to customers	367 461	362 084
Provisions	120	53
Other liabilities	332	161
Total liabilities	**367 913**	**363 005**

(in PLN '000)

Joint control by persons related to the Group	30.06.2020	31.12.2019
Assets		
Loans and advances to customers	3	3
Total assets	**3**	**3**
Liabilities		
Amounts due to customers	12 624	9 981
Total liabilities	**12 624**	**9 981**

Parent company	01.01.2020-30.06.2020	01.01.2019-30.06.2019
Interest income calculated using the effective interest method	304	85
Fee and commission income	16 896	13 920
Fee and commission expense	-1 466	-624
Net other operating income and expenses	0	-484
General administrative expenses	-1 551	-16
Net expected credit losses	-101	-65
Total	**14 082**	**12 816**

Subsidiaries of the parent company	01.01.2020-30.06.2020	01.01.2019-30.06.2019
Interest income calculated using the effective interest method	10 508	7 502
Interest expences	-5 119	-4 486
Fee and commission income	4 865	2 966
Fee and commission expense	-2	-2
The result on financial assets measured at fair value through profit or loss and FX result	-63	-154
Net other operating income and expenses	0	2
General administrative expenses	39	0
Net expected credit losses	-68	-43
Total	**10 160**	**5 785**

Joint control by persons related to the Group	01.01.2020-30.06.2020	01.01.2019-30.06.2019
Interest expense	-13	-21
Fee and commission income	8	4
Net expected credit losses	0	1
Total	**-5**	**-16**

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.

(in PLN '000)

State Treasury and related entities	30.06.2020	31.12.2019
Investment financial assets	15 849 283	13 900 920
measured at fair value through other comprehensive income	8 270 287	8 638 195
measured at fair value through profit or loss	83 017	111 726
measured at amortized cost	7 495 979	5 150 999
Amounts due from banks	14	427
Loans and advances to customers	87 328	100 871
Total assets	**15 936 625**	**14 002 218**
Financial liabilities	178 938	108 496
Amounts due to banks	49 686	89 220
Amounts due to customers	532 888	737 275
Total liabilities	**761 512**	**934 991**

State Treasury and related entities	01.01.2020-30.06.2020	01.01.2019-30.06.2019
Interest income calculated using the effective interest method	131 600	130 692
Interest expense	-6 797	-17 968
The costs of paid tax	-155 235	-288 796
Total	**-30 432**	**-176 072**

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 covering all employees. The Remuneration Policy is reviewed by the Nomination and Remuneration Committee and adopted by the Management Board and approved by the Supervisory Board. With respect to people in managerial positions who affect the risk profile, the Policy has been determined on the basis of the regulation of the Minister of Development and Finance of 6 March 2017 on the risk management and internal control system, the remuneration policy, and a detailed manner of internal capital estimation at banks.

Persons who influence the Risk Profile (MRT) are members of the Management Board, managing directors and persons identified on the basis of criteria defined in Commission Delegated Regulation (EU) No 604/2014 of 4 March 2014 supplementing Directive 2013/36 of the European Parliament and of the Council The EU with regard to regulatory technical standards in relation to qualitative and appropriate quantitative criteria for determining the categories of employees whose professional activities have a material impact on the institution's risk profile.

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.

30.06.2020	Supervising. managing persons	Supervisory Board	Bank's Management Board
Amounts due to customers	1 154	11	1 143
Total liabilities	**1 154**	**11**	**1 143**

(in PLN '000)

30.06.2019	Supervising. managing persons	Supervisory Board	Bank's Management Board
Loans and advances to customers	11	0	11
Total assets	**11**	**0**	**11**
Amounts due to customers	2 058	51	2 007
Total liabilities	**2 058**	**51**	**2 007**

30.06.2020	Supervising. managing persons	Supervisory Board	Bank's Management Board
Off-balance liabilities granted to customers	**10**	**0**	**10**
concerning financing	10	0	10

30.06.2019	Supervising. managing persons	Supervisory Board	Bank's Management Board
Off-balance liabilities granted to customers	**34**	**0**	**34**
concerning financing	34	0	34

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 2020 recognized in the profit and loss account of the Group in this period amounted to PLN 8 618 thousand (in the period from 1 January to 30 June 2019 - PLN 13 468 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;
- management option scheme. valid for 2013-2015, in accordance with the Compensation Policy of Variable Remuneration of Persons Holding Management Positions at Alior Bank;
- share subscription program as part of the management option schame at Alior Leasing sp. o.o.

32 Legal claims

In the Bank’s opinion, no single court, arbitration court or public administration body proceedings in progress during in the first half of 2020, 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 brouhgt 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;
- case claimed by a client - limited company for a payment of PLN 17 843 thousand for clearing currency option contracts. The claim dated 10 February 2015 was brouhgt orginally against 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 claim was dismissed unlawfully in its entirety;

- case claimed by a client - a private individual - a representative of a group of 84 private individuals and corporate clients to determine the Bank's liability for damage. On 5 March 2018 class actions was filed against Alior Bank in determining the Bank's liability for damage caused by improper performance of information obligations by the Bank towards clients and improper performance of contracts for the provision of services for the receipt and transfer of purchase or sale orders investment's certificates of investment funds previously managed by Fincrea TFI SA, and currently Raiffeisen Bank International AG (Joint Stock Company) Branch in Poland. In the claiment's view Bank did not provide clients with information about the real risk of investing in investment products, thus exposing the clients to damage resulting from the impairment of investment certificates and the loss of guaranteed profits. In the Bank's opinion, a class action lawsuit has no valid factual or legal basis and therefore should not be resolved in favor of customers. However, by a decision of 27 September 2019, the court decided to hear the case in collective proceedings. The court's decision is final. Alior Bank assumes that the probability of an outflow of funds under this lawsuit is estimated at less than 50%, thus as at 30 June 2020, the Bank did not create any provisions in respect of this claim. At the present stage, it is not possible to estimate the financial consequences for the Bank in the event of a different settlement by the court than assumed by the Bank.

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 SA 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 (WSA) issued a judgment in which it revoked the decision of the Polish Financial Supervision Authority (KNF) 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 million and discontinued the proceedings conducted by the Polish Financial Supervision Authority in this case.

The value of disputed claims amounted to PLN 347 223 thousand as at 30.06.2020 and PLN 332 526 thousand as at 31.12.2019. The value of provisions for disputed claims amounted to PLN 43 174 thousand as at the end of first half of 2020 and PLN 49 822 thousand as at the end of 2019.

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

On 26 June 2019, Alior Leasing sp. z o.o. received a lawsuit in which the dismissed by Supervisory Board on 20 December 2018 members of the Management Board claim for payment of compensation in the amount of PLN 0.6 MM.
The Management Board of Alior Leasing sp. o.o. is of the opinion that the above claim is unfounded and that there is a low risk being recognized it by the court.
Since the beginning of the year 2019, Alior Leasing sp. o.o. received from the four former members of the company's Management Board several a written proposal for an amicable termination of

(in PLN '000)

cooperation and contracts of management, which was based on payment of compensation of the some value of the management option scheme. The management option scheme included former members of the company's Management Board and some employess.
In addition, by letter of 28 January 2020, dismissed members of the Management Board of Alior Leasing sp. z o.o. extended the claim for severance payments to the payment of benefits under the management option scheme referred to above (in the extension of the claim it was indicated that the amount of the extended claim does not exhaust all claims of the management option scheme).
Bearing in mind the legal opinions issued in this case, the Group is of the opinion that the chances effective recovery of their rights under the management option scheme by the dissmised Management Board members are low. The company's position is based on legal opinions obtained by the Company's Management Board. The above circumstances justify not creating provisions in this respect in the Group's financial statements.

Alior Leasing sp. z o.o identifies the possibility of claims by external entities in connection with the activities of some former employees and associates of the company. As at the date of this financial statements, claims in this respect were not reported. In the Group's opinion, there are no circumstances justifying the creation of a provision on this account.
The Group will not reveal further information regarding the above-indicated possible claims, in order not to weaken his future position in a potential dispute or administrative proceeding.

33 Capital adequacy ratio

As at 30 June 2020, the 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 and the Regulation of the Minister of Development and Finance on higher weight risk for mortgage-backed exposures.

In order to calculate the capital adequacy ratio, in first half of 2020 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

	30.06.2020	31.12.2019
Total equity for the capital adequacy ratio	**7 572 228**	**7 998 975**
Tier I core capital (CET1)	6 331 773	6 656 743
Paid-up capital	1 305 540	1 305 540
Supplementary capital	5 395 195	5 388 926
Other reserves	179 505	179 505
Current year's reviewed by auditor	-523 871	169 889
Accumulated losses	-192 483	-435 075
Revaluation reserve – unrealised losses	-25 637	-6 105
Intangible assets measured at carrying value	-472 170	-544 348
Revaluation reserve – unrealised profit	58 989	42 538
Additional value adjustments - AVA	-10 738	-11 727
Other adjustments items (adjustments for IFRS 9, securitization, deferred tax assets)	617 443	567 600
Tier II capital	**1 240 455**	**1 342 232**

(in PLN '000)

	30.06.2020	31.12.2019
Subordinated liabilities	1 240 455	1 342 232
Capital requirements	**3 854 675**	**3 950 360**
Total capital requirements for the credit. counterparty risk. adjustment to credit measurement, dilution and deliver of instruments to be settled at a later date	3 506 177	3 618 145
Total capital requirements for prices of equity securities. prices of debt securities, prices of commodities and FX risk.	6 914	5 253
Capital requirement relating to the general interest rate risk	22 677	20 602
Total capital requirements for the operational risk	318 907	306 360
Tier 1 ratio	**13.14%**	**13.48%**
Total capital adequacy ratio	**15.72%**	**16.20%**

The Bank, decided to apply the transitional provisions provided in Regulation No. 2017/2395 and regulation 2020/873, which means that the full impact of implementing IFRS 9 including related to COVID-19 will not be taken into account for the purpose of assessing the Bank's capital adequacy.

The table below presents the impact of the application of IFRS 9 and regulations regarding COVID-19 as at 30 June 2020 on capital adequacy including and without taking into account the transition period:

	Data including the transition period	Data without considering the transition period
Total capital (TIER 1, TIER 2)	7 572 228	6 322 008
The total capital requirement	3 854 675	3 746 415
Total capital ratio	15.72%	13.50%
Financial leverage ratio	7.78%	6.30%

In order to limit the impact of the coronavirus pandemic on the economy, market regulators have adopted a number of modifications to regulations. They mainly include:

- Amendments to the Regulation No. 575/2013 of 26 June 2013 on prudential requirements for credit and financial institutions (with subsequent amendments) - CRR;
- Amendments to the Prudential Regulation 101/2016 (AVA);
- EBA guidelines for dealing with deferral programs;
- Additional measures taken by Polish financial market regulators to reduce the capital burden on banks and the regulatory burden - abolishing the systemic risk buffer and loosening regulatory requirements regarding the ratio, on 18 March 2020, the Minister of Finance signed an ordinance on the abolition of the systemic risk buffer. Minimum regulatory Tier 1 and TCR consolidated ratios for Alior Bank, after buffer abolition, are 8.5% and 10.5%, respectively, therefore the surplus of capital ratios over the regulatory minimum levels is 4.64 percentage points, respectively (approximately PLN 2.2 billion) and 5.22 percentage points (approximately PLN 2.5 billion).

On 28 April 2020, the European Commission proposed changes to the CRR, aimed at releasing additional capital to finance the crisis-affected economy. After consultations with the government and the financial sector as well as work in the European Parliament, the amendment was published on 26 June. It includes, among others:

- transitional period as regards risk weights for government and central bank exposures denominated in the currency of any EU Member State;
- transition for the recognition of unrealized gains and losses on securities valued through other comprehensive income issued by central governments and central banks;
- accelerating the implementation of the SME supporting factor;
- accelerate the implementation of the correction factor 0.75 to the risk weight for infrastructure exposures;

- modification of the transition period related to the implementation of IFRS 9. The changes include the possibility of applying a transition period and separating the dynamic part related to provisions established after 31 December 2019;
- changes to the treatment of software intangible assets (will take effect after publication of the relevant Delegated Regulation).

The above changes have a positive effect on the values of the Bank's capital ratios as at 30 June 2020.

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

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

During the first half of 2020 there were no material purchases or disposals of property, plant and equipment or of intangible assets. There are no significant liability for the purchase of property, plant and equipment.

35 Appropriation of the profit for 2019 and information on no dividend payment

On 21 May 2020, pursuant to Art. 395 § 2 item 2 of the Code of Commercial Companies and § 17 par. 1 item 2 of the Bank's Articles of Association, the Bank's Annual General Meeting decides that the Bank's net profit for 2019, totalling PLN 288 606 845.42 (in words: two hundred eighty eight million six hundred and six thousand eight hundred fourty five and 42/100) shall be allocated as follows:

- coverage of accumulated loss in the amount of PLN 282 337 247.76 (in words: two hundred eighty two million three hundred thirty seven thousand two hundred fourty seven and 76/100);

- allocation of non-distributable profit on the activity of the Housing Fund of PLN 6 269 597.66 (in words: six million two hundred sixty nine thousand five hundred ninety seven and 66/100), pursuant to Art. 5 par. 4 of the Act of 26 October 1995 on certain forms of support to housing construction (Journal of Laws No. 133, item 654 as amended), for supplementary capital.

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

(in PLN '000)

The detailed risk management policies have been presented in the annual consolidated financial statements of the Alior Bank SA Group for the year ended 31 December 2019 published on 28 February 2020 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 2020 and as at 31 December 2019 (PLN MM):

30.06.2020	1D	1M	3M	6M	1Y	2Y	5Y	5Y+	Total
ASSETS	**2 069**	**1 914**	**1 845**	**3 155**	**6 530**	**11 173**	**22 825**	**42 216**	**91 727**
Cash & Nostro	1 095	0	0	0	0	0	0	0	1 095
Amounts due from banks	70	80	0	0	0	219	0	0	369
Loans and advances to customers	900	991	1 824	2 777	5 056	8 063	15 228	34 323	69 162
Securities	0	841	16	371	1 462	2 871	7 569	4 389	17 519
Other assets	4	2	5	7	12	20	28	3 504	3 582
LIABILITIES AND EQUITY	**-53 378**	**-3 343**	**-4 396**	**-3 540**	**-3 218**	**-1 891**	**-1 009**	**-7 174**	**-77 949**
Amounts due to banks	-435	-183	-24	-41	-396	-116	-168	263	-1 100
Amounts due to customers	-51 224	-3 030	-3 774	-2 891	-2 100	-519	-310	-4	-63 852
Own issues	0	-124	-569	-564	-634	-1 152	-437	-754	-4 234
Equity	0	-6	-12	-18	-36	0	0	-6 295	-6 367
Other liabilities	-1 719	0	-17	-26	-52	-104	-94	-384	-2 396
Balance sheet gap	**-51 309**	**-1 429**	**-2 551**	**-385**	**3 312**	**9 282**	**21 816**	**35 042**	**13 778**
Cumulated balance sheet gap	**-51 309**	**-52 738**	**-55 289**	**-55 674**	**-52 362**	**-43 080**	**-21 264**	**13 778**	
Derivative instruments – inflows	4 121	5 356	2 488	710	712	499	335	43	14 264
Derivative instruments – outflows	-4 118	-5 360	-2 483	-708	-704	-490	-332	-44	-14 239
Derivative instruments – net	**3**	**-4**	**5**	**2**	**8**	**9**	**3**	**-1**	**25**
Guarantee and financing lines	-9 659	0	0	0	0	0	0	0	-9 659
Off-balance sheet gap	**-9 656**	**-4**	**5**	**2**	**8**	**9**	**3**	**-1**	**-9 634**
Total gap	**-60 965**	**-1 433**	**-2 546**	**-383**	**3 320**	**9 291**	**21 819**	**35 041**	**4 144**
Total cumulated gap	**-60 965**	**-62 398**	**-64 944**	**-65 327**	**-62 007**	**-52 716**	**-30 897**	**4 144**	

31.12.2019 Restated	1D	1M	3M	6M	1Y	2Y	5Y	5Y+	Total
ASSETS	**1 730**	**3 270**	**2 505**	**3 846**	**6 343**	**11 947**	**22 759**	**42 676**	**95 076**
Cash & Nostro	1 357	0	0	0	0	0	0	0	1 357
Amounts due from banks	0	73	0	0	0	135	0	0	208
Loans and advances to customers	373	1 424	2 502	3 336	5 871	9 298	16 898	33 381	73 083
Securities	0	1 773	3	510	472	2 514	5 861	5 816	16 949

(in PLN '000)

31.12.2019 Restated	1D	1M	3M	6M	1Y	2Y	5Y	5Y+	Total
Other assets	0	0	0	0	0	0	0	3 479	3 479
LIABILITIES AND EQUITY	**-46 201**	**-5 111**	**-4 742**	**-3 939**	**-5 436**	**-2 720**	**-1 457**	**-7 695**	**-77 301**
Amounts due to banks	-278	-117	-31	-41	-65	-116	-172	-79	-899
Amounts due to customers	-44 122	-4 921	-4 556	-3 569	-4 011	-1 106	-342	-26	-62 653
Own issues	0	-67	-126	-285	-1 272	-1 394	-826	-793	-4 763
Equity	0	-6	-12	-18	-36	0	0	-6 665	-6 737
Other liabilities	-1 801	0	-17	-26	-52	-104	-117	-132	-2 249
Balance sheet gap	**-44 471**	**-1 841**	**-2 237**	**-93**	**907**	**9 227**	**21 302**	**34 981**	**17 775**
Cumulated balance sheet gap	**-44 471**	**-46 312**	**-48 549**	**-48 642**	**-47 735**	**-38 508**	**-17 206**	**17 775**	
Derivative instruments – inflows	0	7 978	2 077	748	344	761	285	43	12 236
Derivative instruments – outflows	0	-7 956	-2 084	-744	-344	-774	-289	-42	-12 233
Derivative instruments – net	0	22	-7	4	0	-13	-4	1	3
Guarantee and financing lines	-8 627	0	0	0	0	0	0	0	-8 627
Off-balance sheet gap	**-8 627**	**22**	**-7**	**4**	**0**	**-13**	**-4**	**1**	**-8 624**
Total gap	**-53 098**	**-1 819**	**-2 244**	**-89**	**907**	**9 214**	**21 298**	**34 982**	**9 151**
Total cumulated gap	**-53 098**	**-54 917**	**-57 161**	**-57 250**	**-56 343**	**-47 129**	**-25 831**	**9 151**	

37 Events significant to the business operations of the Group

Information on the Alior Bank rating given by Fitch Ratings Ltd.

On 14 April 2020, rating agency Fitch Ratings Ltd. informed the Bank that it has affirmed the long-term and short-term ratings of the Bank at the current level and revised the outlook for the Bank from "Stable" to "Negative". In accordance with the justification provided by Fitch, the decision to change the Bank's rating outlook is due to the economic situation related to the coronavirus and its potential effects on the sector, economy and clients of Alior Bank.

Information on the Alior Bank rating given by Standard & Poor's Global Ratings

On 27 April 2020, rating agency Standard and Poor's Global Ratings informed the Bank that it has affirmed the long-term and short-term ratings of the Bank at the current level and revised the outlook for the Bank from "Stable" to "Negative". In accordance with the justification provided by S&P, the decision to change the Bank's rating outlook is due to the economic situation related to the coronavirus and its potential effects on the sector, economy and clients of Alior Bank.

Approval of the base prospectus of the bond offer program up to PLN 1 500 000 000

On 4 May 2020, the Polish Financial Supervision Authority approved the Bank's base prospectus that has been drawn up in connection with:

1. offer programme on the territory of the Republic of Poland of unsecured bearer bonds with a nominal value of at least PLN 100 each and up to a total maximum nominal value of PLN 1 500 000 000 established by the Bank under the Bank's Long-Term Bonds Issuance Programme up to a total maximum nominal value of PLN 5 000 000 000; and
2. intention to apply for admission and introduction of the individual series of Bonds to trading on regulated market (main or parallel) for debt securities operated by the Warsaw Stock Exchange or regulated market for debt securities operated by the BondSpot SA.

38 Significant events after the end of the reporting period

Did not ocure.

39 Financial forecast

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

Interim condensed separate financial statements of Alior Bank Spółka Akcyjna for the first half of 2020

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(in PLN '000)

Interim condensed separate income statement

	01.04.2020 - 30.06.2020	01.01.2020- 30.06.2020	01.04.2019 - 30.06.2019 Restated*	01.01.2019- 30.06.2019 Restated*
Interest income calculated using the effective interest method	821 271	1 757 426	1 015 718	2 007 377
Income of a similar nature	38 304	60 790	35 442	68 916
Interest expense	-131 997	-311 811	-216 149	-431 665
Net interest income	**727 578**	**1 506 405**	**835 011**	**1 644 628**
Fee and commission income	271 805	513 456	262 868	503 402
Fee and commission expense	-138 882	-270 941	-123 996	-217 711
Net fee and commission income	**132 923**	**242 515**	**138 872**	**285 691**
Dividend income	7 569	7 683	7 191	7 191
The result on financial assets measured at fair value through profit or loss and FX result	14 986	15 141	10 731	33 317
The result on derecognition of financial instruments not measured at fair value through profit or loss	**-2 643**	**26 618**	**4 465**	**21 760**
measured at fair value through other comprehensive income	-2 740	2 807	4 279	14 702
measured at amortized cost	97	23 811	186	7 058
Other operating income	23 476	59 421	24 956	53 376
Other operating expenses	-145 074	-178 760	-26 788	-47 210
Net other operating income and expenses	**-121 598**	**-119 339**	**-1 832**	**6 166**
General administrative expenses	-375 743	-830 962	-365 186	-853 040
Net expected credit losses	-902 601	-1 192 992	-502 212	-765 965
The result on impairment of non-financial assets	-65 383	-64 076	-105	-1 749
Banking tax	-55 771	-109 889	-55 969	-110 201
Gross profit/loss	**-640 683**	**-518 896**	**70 966**	**267 798**
Income tax	55 710	5 835	-64 579	-148 495
Net profit/loss	**-584 973**	**-513 061**	**6 387**	**119 303**
Weighted average number of ordinary shares	130 553 991	130 553 991	130 553 991	130 553 991
Net profit/loss per share (PLN)	-4.48	-3.93	0.05	0.91
Diluted profit/loss per ordinary share (PLN)	-4.46	-3.91	0.05	0.91

Interim condensed separate statement of comprehensive income

	01.04.2020 - 30.06.2020	01.01.2020- 30.06.2020	01.04.2019 - 30.06.2019 Restated*	01.01.2019- 30.06.2019 Restated*
Net profit/loss	**-584 973**	**-513 061**	**6 387**	**119 303**
Items that may be reclassified to the income statement after certain conditions are satisfied	**153 210**	**143 526**	**58 736**	**10 237**
Foreign currency translation differences	**469**	**-763**	**71**	**311**
Results of the measurement of financial assets (net)	**105 231**	**-2 319**	**49 935**	**-9 210**
Profit/loss on valuation of financial assets measured at fair value through other comprehensive income	129 908	-2 869	61 648	-11 371
Deferred tax	-24 677	550	-11 713	2 161
Results on the measurement of hedging instruments (net)	**47 510**	**146 608**	**8 730**	**19 136**
Gains/losses on hedging instruments	58 655	180 998	10 778	23 625
Deferred tax	-11 145	-34 390	-2 048	-4 489
Total comprehensive income, net	**-431 763**	**-369 535**	**65 123**	**129 540**

**details in note 3*

The notes presented on pages 67-71 constitute an integral part of these interim condensed separate financial statements.

(in PLN '000)

Interim condensed separate statement of financial position

ASSETS	30.06.2020	31.12.2019 Restated*	01.01.2019 Restated*
Cash and cash equivalents	1 102 464	1 352 604	2 077 630
Amounts due from banks	290 545	212 885	172 839
Investment financial assets	16 752 139	15 798 474	13 727 570
measured at fair value through other comprehensive income	9 096 143	10 438 695	7 280 080
measured at fair value through profit or loss	517 528	543 725	515 138
measured at amortized cost	7 138 468	4 816 054	5 932 352
Derivative hedging instruments	379 652	134 832	112 400
Loans and advances to customers	55 486 733	55 553 726	54 218 094
Assets pledged as collateral	383 940	335 489	333 198
Property, plant and equipment	701 528	748 671	450 404
Intangible assets	463 285	531 796	528 501
Inwestments in associates	201 923	216 586	158 681
Non-current assets held for sale	3	103	146
Income tax asset	1 027 809	1 011 874	928 404
current income tax asset	2 099	0	0
deferred income tax asset	1 025 710	1 011 874	928 404
Other assets	370 836	415 776	517 883
TOTAL ASSETS	**77 160 857**	**76 312 816**	**73 225 750**

LIABILITIES AND EQUITY	30.06.2020	31.12.2019 Restated*	01.01.2019 Restated*
Amounts due to banks	522 754	365 993	473 842
Amounts due to customers	65 924 712	65 012 760	62 427 865
Financial liabilities	516 362	436 856	416 407
Derivative hedging instruments	89 690	40 676	9 381
Provisions	404 004	358 900	126 172
Other liabilities	1 441 538	1 375 865	1 111 457
Income tax liabilities	0	89 779	208 854
current income tax liabilities	0	89 779	208 854
Subordinated liabilities	1 793 330	1 793 985	1 918 093
Total liabilities	**70 692 390**	**69 474 814**	**66 692 071**
Share capital	1 305 540	1 305 540	1 305 540
Supplementary capital	5 395 195	5 388 926	5 382 819
Revaluation reserve	220 693	76 404	52 164
Other reserves	179 505	179 505	184 284
Foreign currency translation differences	-158	605	-202
Accumulated losses	-119 247	-397 033	-1 122 000
Profit/loss for the period	-513 061	284 055	731 074
Equity	**6 468 467**	**6 838 002**	**6 533 679**
TOTAL LIABILITIES AND EQUITY	**77 160 857**	**76 312 816**	**73 225 750**

**details in note 3*

The notes presented on pages 67-71 constitute an integral part of these interim condensed separate financial statements.

(in PLN '000)

Interim condensed separate statement of changes in equity

01.01.2020 - 31.06.2020	Share capital	Supplementary capital	Other reserves	Revaluation reserve	Exchange differences on revaluation of foreign units	Retained earnings	Total equity
1 January 2020	**1 305 540**	**5 388 926**	**179 505**	**76 404**	**605**	**-112 978**	**6 838 002**
Transfer of last year's profit	0	6 269	0	0	0	-6 269	0
Comprehensive income	**0**	**0**	**0**	**144 289**	**-763**	**-513 061**	**-369 535**
net loss	0	0	0	0	0	-513 061	-513 061
other comprehensive income – valuations	0	0	0	144 289	-763	0	143 526
incl. financial assets measured at fair value through other comprehensive income	0	0	0	-2 319	0	0	-2 319
incl. hedging instruments	0	0	0	146 608	0	0	146 608
incl. currency translation differences	0	0	0	0	-763	0	-763
30 June 2020	**1 305 540**	**5 395 195**	**179 505**	**220 693**	**-158**	**-632 308**	**6 468 467**

01.01.2019 - 31.12.2019 Restated*	Share capital	Supplementary capital	Other reserves	Revaluation reserve	Exchange differences on revaluation of foreign units	Retained earnings	Total equity
1 January 2019	**1 305 540**	**5 382 819**	**184 284**	**52 164**	**-202**	**-390 926**	**6 533 679**
Transfer of last year's profit	0	6 107	0	0	0	-6 107	0
Comprehensive income	**0**	**0**	**0**	**24 240**	**807**	**284 055**	**309 102**
net profit	0	0	0	0	0	284 055	284 055
other comprehensive income – valuations	0	0	0	24 240	807	0	25 047
incl. financial assets measured at fair value through other comprehensive income	0	0	0	8 888	0	0	8 888
incl. hedging instruments	0	0	0	15 352	0	0	15 352
incl. currency translation differences	0	0	0	0	807	0	807
Other changes in equity	**0**	**0**	**-4 779**	**0**	**0**	**0**	**-4 779**
31 December 2019	**1 305 540**	**5 388 926**	**179 505**	**76 404**	**605**	**-112 978**	**6 838 002**

01.01.2019 - 30.06.2019 Restated*	Share capital	Supplementary capital	Other reserves	Revaluation reserve	Exchange differences on revaluation of foreign units	Retained earnings	Total equity
1 January 2019	**1 305 540**	**5 382 819**	**184 284**	**52 164**	**-202**	**-390 926**	**6 533 679**
Transfer of last year's profit	0	6 107	0	0	0	-6 107	0
Comprehensive income	**0**	**0**	**0**	**9 926**	**311**	**119 303**	**129 540**
net profit	0	0	0	0	0	119 303	119 303
other comprehensive income- valuation	0	0	0	9 926	311	0	10 237
inc. measured at fair value through other comprehensive income	0	0	0	-9 210	0	0	-9 210
incl. hedging instruments	0	0	0	19 136	0	0	19 136
incl. currency translation differences	0	0	0	0	311	0	311
30 June 2019	**1 305 540**	**5 388 926**	**184 284**	**62 090**	**109**	**-277 730**	**6 663 219**

**details in note 3*

The notes presented on pages 67-71 constitute an integral part of these interim condensed separate financial statements.

(in PLN '000)

Interim condensed separate statement of cash flows

	01.01.2020-30.06.2020	01.01.2019-30.06.2019 Restated*
Operating activities		
Profit/loss before tax for the year	**-518 896**	**267 798**
Adjustments:	**183 575**	**122 031**
Unrealized foreign exchange gains/losses	1 312	773
Amortization/depreciation of property, plant and equipment and intangible assets	114 722	115 734
Change in property, plant and equipment and intangible assets impairment write-down	64 030	1 673
Dividends	7 683	7 191
Short-term lease contracts	-4 172	-3 340
The gross profit after adjustments but before increase/decrease in operating assets/liabilities	**-335 321**	**389 829**
Change in loans and receivables	-10 667	-2 650 470
Change in financial assets measured at fair value through other comprehensive income	1 342 552	-779 859
Change in financial assets measured at fair value through profit or loss	26 197	-44 412
Change in financial assets measured at amortised cost	-2 322 414	441 479
Change in assets pledged as collateral	-48 451	-12 664
Change in derivative hedging assets	-244 820	-20 187
Change in non-current assets held for sale	100	44
Change in other assets	44 940	105 501
Change in deposits	1 161 684	2 947 437
Change in own issue	-315 818	-177 631
Change in financial liabilities	79 506	66 536
Change in hedging liabilities derivative	49 014	6 753
Change in other liabilities and other comprehensive income	542 003	512 864
Change in provisions	45 104	-8 725
Cash from operating activities before income tax	**13 609**	**776 495**
Income tax paid	**-133 177**	**-312 398**
Net cash flow from operating activities	**-119 568**	**464 097**
Investing activities		
Outflows:	**-43 650**	**-56 290**
Purchase of property, plant and equipment	-17 747	-15 715
Purchase of intangible assets	-19 566	-12 368
Investments in subsidiaries	-6 337	-28 207
Inflows:	**1 009**	**6 648**
Disposal of property, plant and equipment	1 009	6 648
Net cash flow from investing activities	**-42 641**	**-49 642**
Financing activities		
Outflows:	**-87 932**	**-61 220**
Prniciple payments - subordinated lliabilities	0	0
Interest payments – subordinated lliabilities	-43 918	-48 789
Prniciple payments - lease liabilities	-42 732	-10 550
Interest payments - lease liabilities	-1 282	-1 881
Inflows:	**0**	**0**
Inflows from share issue	0	0
Net cash flow from financing activities	**-87 932**	**-61 220**
Total net cash flow	**-250 140**	**353 235**
incl. exchange gains/(losses)	**24 762**	**-8 332**
Balance sheet change in cash and cash equivalents	**-250 140**	**353 235**
Cash and cash equivalents, opening balance	1 352 604	2 077 630
Cash and cash equivalents, closing balance	1 102 464	2 430 865
Additional disclosures on operating cash flows		
Interests received	1 707 686	2 363 002
Interests paid	-388 019	-390 048

**details in note 3*

The notes presented on pages 67-71 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 first half of 2020 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 2020 to 30 June 2020, and interim condensed separate statement of financial position as at 30 June 2020 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 2020.

Scope and reporting currency

The interim condensed separate financial statements of Alior Bank SA comprise the data concerning the Bank and cover the period of six months ended on 30 June 2020 and contain comparative data for the period of six months ended 30 June 2019 (with respect to the separate income statement, separate statement of comprehensive income, separate statement of changes in equity and separate statement of cash flows) and comparative data as at 31 December 2019 (with respect to the separate statement of financial position). 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 2020.

2 Accounting principles

The accounting principles are presented in detail in the annual financial statements of Alior Bank SA for the period from 1 January to 31 December 2019, published on 28 February 2020 and available on the Alior Bank SA website. Changes in accounting principles effective from 1 January 2020 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

Change I

As a result of the review of the operation of the "relative fair value" model, it was found that one of the model parameters was incorrectly calibrated since 2012. This error resulted in the incorrect allocation of remuneration from the distribution of insurance products offered in conjunction with mortgage loans, and as a result, incorrect and in an incorrect amount presentation of the results: interest, commission and fees, gross and net results and the Bank's balance sheet totals.

(in PLN '000)

The impact of the adjustment described above on the comparative data is:

Equity as at 31.12.2019 - 21 697 thousand PLN

Net profit for the half year of 2019 – 2 051 thousand PLN.

Change II

The Bank changed the rules of recognizing the charges due to income tax in the first half of 2019. Income tax expense was recognized based on management's estimate of the weighted average annual income tax rate expected for the full financial year. However, due to the coronovirus pandemic, the expected economic slowdown and even a possible economic crisis in 2020, the Bank believes that reliable estimates of the effective tax rate are excluded. Due to the above, the tax burden in this report was determined based on the statutory tax rate and actual tax base as well as the value of temporary differences.

Change III

In relation to the published interim condensed consolidated financial statements as of 30 June 2019, the Bank changed the presentation of the deposit at Alior Trader by transferring receivables from positions covered by Assets pledged as colleteral to the position Loans and advances to customers. This change caused a change in the statement of cash flow.

The restated data taking into account the changes described above are presented below:

Statement of financial position	31.12.2018 Presented	Change I	01.01.2019 Restated
Loans and advances to customers	54 239 260	-21 166	54 218 094
Income tax asset	924 383	4 021	928 404
Total assets	**73 242 895**	**-17 145**	**73 225 750**
Accumulated losses	-1 104 855	-17 145	-1 122 000
Total equity	**6 550 824**	**-17 145**	**6 533 679**

Statement of financial position	31.12.2019 Presented	Change I	31.12.2019 Restated
Loans and advances to customers	55 580 512	-26 786	55 553 726
Income tax asset	1 006 785	5 089	1 011 874
Total assets	**76 334 513**	**-21 697**	**76 312 816**
Accumulated losses	-379 888	-17 145	-397 033
Profit for the year	288 607	-4 552	284 055
Total equity	**6 859 699**	**-21 697**	**6 838 002**

Income statement	01.01.2019 - 30.06.2019 Presented	Change I	Change II	01.01.2019 - 30.06.2019 Restated
Interest income calculated using the effective interest method	2 006 011	1 366	0	2 007 377
Income of a similar nature	68 916	0	0	68 916
Fee and commission income	507 300	-3 898	0	503 402
Gross profit	**270 330**	**-2 532**	**0**	**267 798**
Income tax	-91 912	481	-57 064	-148 495
Net profit	**178 418**	**-2 051**	**-57 064**	**119 303**

(in PLN '000)

Comprehensive income	01.01.2019 - 30.06.2019 Presented	Change I	Change II	01.01.2019 - 30.06.2019 Restated
Net profit	178 418	-2 051	-57 064	119 303
Total comprehensive income, net	**188 655**	**-2 051**	**-57 064**	**129 540**

Changes in equity	30.06.2019 Presented	Change I	Change II	30.06.2019 Restated
Equity at the beginning of the period	6 550 824	-17 145	0	6 533 679
Retained earnings	-201 470	-19 196	-57 064	-277 730
Profit for the year	178 418	-2 051	-57 064	119 303
Equity at the end of the period	**6 739 479**	**-19 196**	**-57 064**	**6 663 219**

Changes in equity	31.12.2019 Presented	Change I	31.12.2019 Restated
Equity at the beginning of the period	6 550 824	-17 145	6 533 679
Retained earnings	-91 281	-21 697	-112 978
Profit for the year	288 607	-4 552	284 055
Equity at the end of the period	**6 859 699**	**-21 697**	**6 838 002**

Net earnings per ordinary share	30.06.2019 Presented	Change I	Change II	30.06.2019 Restated
Net profit	**178 418**	**-2 051**	**-57 064**	**119 303**
Net earnings per ordinary share (PLN)	1.37	-0.02	-0.44	0.91
Dilluted earnings per one share	1.35	-0.01	-0.43	0.91

Cash flow	30.06.2019 Presented	Change I	Change II	30.06.2019 Restated
Profit before tax for the year	**270 330**	**-2 532**	**0**	**267 798**
Change in assets pledged as collateral	-12 892	0	228	-12 664
Change in loans and receivables	-2 652 774	2 532	-228	-2 650 470

4 Off - balance-sheet items

Off-balance sheet items are described in Note 28 to the interim condensed consolidated financial statements.

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 2020 and the date of this report was as follows:

Company's name - subsidaries	18.08.2020	30.06.2020	31.12.2019
Alior Services sp. z o.o.	100%	100%	100%
Alior Leasing sp. z o.o.	100%	100%	100%
- Serwis Ubezpieczeniowy sp. z o.o.	*100%*	*100%*	*100%*
Meritum Services ICB SA	100%	100%	100%
NewCommerce Services sp. z o.o.	100%	100%	100%
Alior TFI SA	100%	100%	100%

(in PLN '000)

Company's name - subsidaries	18.08.2020	30.06.2020	31.12.2019
Absource sp. z o.o.	100%	100%	100%
Corsham sp. z o.o.	100%	100%	100%
- PayPo sp. z o.o.	*20%*	*20%*	*20%*
RBL_VC sp. z o.o.	100%	100%	100%
RBL_VC sp z o.o. ASI spółka komandytowo-akcyjna**	100%	100%	0%
Harberton sp. z o.o.*	100%	100%	0%
- RUCH SA	*100%*	*100%*	*0%*

** On 19 February 2020, Alior Bank SA acquired 100 shares in Harberton sp.z o.o. with a nominal value of PLN 50.00 each, all constituting 100% of the Company's share capital. The purchase price of the company was PLN 12 000.00.*

*** RBL_VC Sp. z o. o. ASI S.K.A. was established on 27 November 2019. The Company's share capital is PLN 50 000.00 and is divided into 50 000 shares, which were fully taken up by Alior Bank SA. The company was entered into the National Court Register on 17 April 2020. The company is an externally managed alternative investment company, as defined in the Act on investment funds and management of alternative investment funds. The company's general partner is RBL_VC Sp. z o. o. entrusted with management.*

**** On 3 June 2020, between the company Harberton sp. z o.o.,in which the Bank holds 100% of shares and Lurena Investments BV, based in the Netherlands, the promised share sale agreement, on the basic of which the Bank acquired 108 824 007 shares of RUCH Spółka Akcyjna, with its registered office in Warsaw, were acquired, which together constitute 100% of the share capital, for PLN 1.00. Details are decsribed at Note 1.4 to the interim condensed consolidated financial statements of the Alior Bank Spółka Akcyjna Group.*

Subsidiaries	30.06.2020	31.12.2019
Assets		
Loans and advances to customers	1 496 896	1 340 939
Other assets	2 344	643
Total assets	**1 499 240**	**1 341 582**
Liabilities		
Amounts due to customers	131 542	66 537
Provisions	1 521	116
Other liabilities	2 943	2 099
Total liabilities	**136 006**	**68 752**

Subsidiaries	30.06.2020	31.12.2019
Off-balance liabilities granted to customers	**427 531**	**252 975**
relating to financing	307 128	132 572
guarantees	120 403	120 403

Subsidiaries	01.01.2020 - 30.06.2020	01.01.2019 -30.06.2019
Interest income calculated using the effective interest method	22 768	28 155
Interest expences	-97	-126
Fee and commission income	1 531	1 609
Fee and commission expense	-289	-328
Dividend income	7 462	7 018
Other operating income	960	667
Other operating expenses	-21 000	-1
General administrative expenses	-3 325	-3 320
Net expected credit losses	-5 396	-2 957
Total	**2 614**	**30 717**

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.