



WYŻSZA KULTURA. BANK NOWOŚCI.

REPORT OF THE MANAGEMENT BOARD

ON THE ACTIVITIES OF THE CAPITAL GROUP OF ALIOR BANK S.A. IN H1 2021

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

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I. Summary of activities of Alior Bank in H1 2021



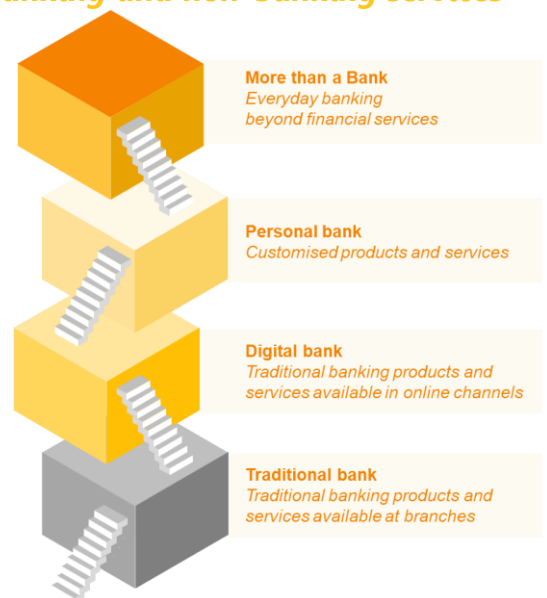
- H1 2021 saw the Bank continuing its stable upward trend – the net profit of the Alior Bank Group amounted to PLN 232 million, and the return on equity (ROE) was 7.1%.
- Stable and secure position of the Bank: capital and liquidity surplus significantly above the regulatory requirements. The levels of TIER1 and TCR capital adequacy ratios as at the end of the Q2 2021 significantly exceed the regulatory minimum, respectively by: 449 p.b. (PLN 2,167 million) and 445 p.b. (PLN 2,150 million).
- Credit risk parameters continue to improve – Cost of Risk (CoR) after H1 2021 is 1.64%.
- Operating costs remain under control and were reduced by 9.05% on a y/y basis.
- March 2021 saw the update of the “More than a Bank” strategy with regard to the amount of key indicators, while the key directions of development were extended to include development in the area of eco products.

New “More than a Bank” strategy

The business objective of the strategy is, among other things, to facilitate everyday activities for customers through the integration of banking and non-banking services provided by Alior Bank and our partners.

The approach behind the “More than a Bank” motto is to compete equipped with an offering which goes beyond standard financial products and services. Alior Bank’s business model will still incorporate a full range of products and services offered by a universal bank, delivered through physical and digital distribution channels, as well as adapted to individual needs of our customers. Meanwhile, non-financial extra services will become an increasing source of competitive advantage.

The new strategic direction is based on customer-centric approach and the awareness of customer needs and preferences. Consequently, the key strategic programme is the development of the Alior Mobile app in terms of improving customer experience.



We strive to be with the customers on a daily basis, supporting them by providing financial and non-financial services, which is the reason why the mobile channel is a priority for us. In line with the strategy, we provide modern, digital services available to the customer remotely, in a convenient place and at any time.

In the area of business customers, the "More than a Bank" strategy refers to the delivery of sectoral strategy and expansion of bankers' competencies to include business advice, as well as the development of the ecosystem of non-banking services related to running and growing a business – accounting and administrative systems or insurance packages.

Within all customer segments, we also find it crucial to carry out consistent development of digital channels, primarily in terms of improving customer experience, optimising processes and delivering products in end-to-end remote processes. We also endeavour to provide customers with further functionalities that will allow them to single-handedly manage their products and carry out instructions in online channels that, thus far, entailed the participation of a Bank's employee.

The strategy provides for tapping our strengths in technology and organisational competencies which enable us to quickly and effectively implementing new solutions. Examples of such activities include the implementation of cloud solutions and the development of the Bank's security systems. As part of the technological transformation, we also digitize work tools and automate processes, including in the field of software production and testing.

Alior Bank responds to climate challenges and implements the postulate of the Bank's social responsibility, developing the offer of ecological products with current and new customers in mind.

Our approach

- We facilitate everyday activities for our customers by integrating banking and non-banking services provided by Alior Bank and our partners,
- We provide user-friendly, attractive and reliable services,
- We build long-lasting partnership relations with each customer,
- We keep customers' interest in mind, and so we communicate with them openly,
- We make sure our customers' finances and data are secure,
- **We follow the path of responsible development and we support green transformation.**

The key directions of the Strategy actions are:

- Sustainable and stable increase in net revenues and income,
- Reduction of risk and financing costs,
- Building of and improvement of a sustainable relationship with customers,
- Consistent digitisation of products and processes,
- Keeping of the position of the most technologically advanced bank in Poland.

Strategic initiatives

Our pillars of the strategy are eight development programmes split into two categories: “Customer Experience” and “Bank Transformation”:

- “Customer Experience” refers to programmes focused on acquisition of digital customers, more intensive use of products of services, improvement of satisfaction, and becoming a first-choice bank both for consumers and business customers.
- “Bank Transformation” refers to programmes focused on strengthening our competences and technology potential, optimisation of costs of operations, implementation of policies and solutions to limit the cost of risk and cost of financing, as well as ensuring high level of involvement among the Bank’s staff.

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



Activities implementation

We are developing Alior Mobile and Alior Online by launching new functions and services.



Alior Bank focuses on developing new, non-financial services in its offer. Those customers who set up *Konto Jakże Osobiste*, having met few simple conditions beforehand, will be able to take advantage of free telemedicine consultations for 12 months. The telemedicine service, which can be used by new account holders at Alior Bank, includes unlimited e-consultations with a specialist in internal medicine. Moreover, as part of the service, they are given the opportunity to receive prescriptions, referrals and medical leaves, all without having to leave their home. The offer was prepared in cooperation with PZU Zdrowie.

In addition, we continue to offer non-financial services, such as highway payments, public transport tickets and parking tickets.

Alior Bank continues to develop remote channels. In H1 2021, the Bank launched new functions in Alior Online banking to include the possibility of purchasing from PZU SA insurance for a cash loan in the event of job loss and consequences of an accident, LINK4 insurance and PZU Wojażer travel insurance.

A new *Moje Sprawy [My Matters]* tab was also introduced in Alior Online, by which customers gain access to a list of banking matters that they can perform at home – without having to visit the branch. The introduction of the “My Matters” tab in Alior Online allows for accessing selected instructions related to the products held by the customer. It also renders it possible to ask questions about banking services as well as to lodge a complaint.

We implement innovative solutions to guarantee that customers have maximum convenience and independence regardless of place and time.

Innovation is embedded in Alior Bank’s DNA, which aims to guarantee the convenience of our customers. We continue to digitise our services and we endeavour to refine the offer and processes so as to be available to our customers regardless of place and time. Therefore, in H1 2021, Alior Bank extended the possibility of booking an appointment via the popular Booksy application to include all own branches. This means that individual customers and micro-entrepreneurs will be able to conveniently plan their appointment to our outlets spread across 104 cities in Poland.

In view of the convenience and safety of customers, Alior Bank also launched a voice helpline assistant, which is to improve contact with customers. This is yet another action taken by Alior Bank which will allow for addressing users’ needs even faster.

New features to the voicebot will be deployed on a step-by-step basis. Customers can already make use of a mechanism whereby the voice robot recognises the intention of the interlocutor and, on this basis, redirects them to an appropriate consultant. At the next stage, we will add a function whereby the robot will explain the

basic activities, including but not limited to, how to log in to the mobile app, what the characteristics of selected banking products and services are, and what conditions must be met to be able to make use of them.

We develop our offer so as to be our customers' everyday companion while addressing not only their financial needs.

FINANCIAL SERVICES

Personalised financial services with dedicated offers for gamers, young and loyal customers

ME AND MY FAMILY

Private healthcare under *Konto Jakże Osobiste*, unemployment insurance and new BLIK services

TRANSPORT

Payments for motorways, transport tickets, parking lots and the possibility of purchasing motor insurance

HOME AND LEISURE

Wojazer travel insurance in Alior Mobile and Alior Online



Alior Bank Brokerage House also launched a new tool for those interested in investments. Alior 4 Trader Demo is a modern and free application that presents a transaction system for investors in a trial version – demo. Customers are given an option to test trading in the currency market, CFDs on commodities and indices and the spot market, 24 hours a day, 5 days a week.

Making the investment platform available in a demo version is one of the stages of the deployment of the new trading system. It will not take long until investors will be able to make use of the solution in the “LIVE” version. The demo version aims to educate and safely introduce them to the world of investments and to test the new tool.

We support the development of business customers by offering them services that not only enable business development but also support in dealing with the challenges triggered by the COVID-19 pandemic.

Since 15 January 2021, business customers of Alior Bank have been able to apply for subsidies from the Financial Shield of the Polish Development Fund 2.0 via Alior Online and BusinessPro. The support in question was intended for micro-enterprises and SMEs companies representing industries that were affected the most by the second wave of the COVID-19 pandemic.

Going further, with a view of supporting entrepreneurs in the transport and coach industry, Alior Leasing joined the group of business partners of ARP Leasing, namely a company from Grupa Agencji Rozwoju Przemysłu S.A. The agreement provides for cooperation in the refinancing by ARP Leasing of lease contracts, combined with a 12-month grace period in repayment of instalments. Customers of Alior Leasing suffering from the negative financial effects of the COVID-19 pandemic may apply for the financial support offered by ARP Leasing under the Anti-Crisis Shield.

Alior Bank is consistently extending the range of services aimed at facilitating business operations, as well as offers entrepreneurs a wide range of solutions tailored to respective stages of the company's development. In H1 2021, the Bank launched a new account Plan Biznes for micro-, small- and medium-sized enterprises settling their books on a comprehensive basis which, whereby an innovative formula, allows customers to select the necessary services independently and create a convenient model of cooperation with Alior Bank. The Plan Biznes account encompasses a basic account with auxiliary accounts, the Basic Plan with a set of products and services to be always received for free by the customer as well as three additional transaction plans to choose from depending on the company's needs.

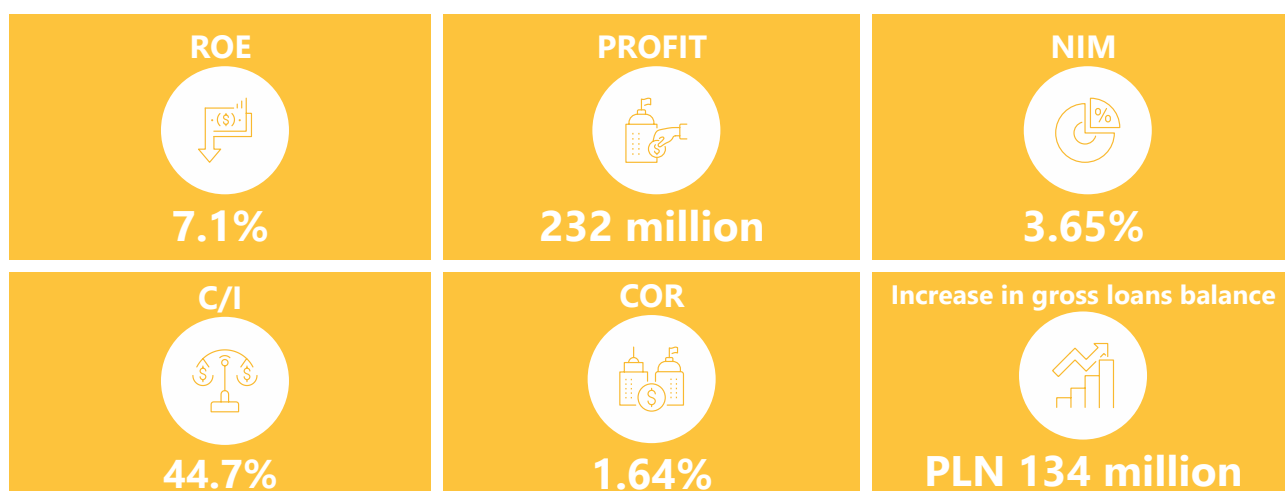
We also offered entrepreneurs an innovative approach to the way of how to charge fees for current accounts. The Bank offers to operate a current account, along with a set of basic services, for PLN 0. In line with the new campaign run by Alior Bank "Your business, your rules", entrepreneurs can independently customise the plans of profiled services and transactions to their accounts as well as manage them online. Each of them is available at one monthly fee. Examples of such solutions include the 4x4 account, addressed to companies with a single-entry bookkeeping system, and the *Plan Biznes* account for entrepreneurs that settle accounts on the basis of full accounting.

As part of updating the "More than a Bank" strategy, we want to further support the green transformation of business and to develop in a sustainable and responsible manner.

In view of the concern for the environment, we were one of the first banks to become involved in the "Clear Air" programme. Our cooperation with the National and Voivodeship Environmental Protection and Water Management Funds (NFOŚiGW and WFOŚiGW) will render it possible to obtain subsidies for the replacement of old ineffective heat sources and thermo-modernisation of single-family houses. The total budget, under which the banks participating in the programme will submit to the WFOŚiGW their applications for subsidies intended for partial repayment of loan capital for projects pursued in accordance with the "Clear Air" programme, is PLN 1.5 billion.

The bank path under preparation in the "Clear Air" programme also provides for the coverage of loans with BGK guarantees from the Ecological Surety and Guarantee Fund. By these guarantees, those banks that cover loans will be able to offer more favourable terms of a loan intended for financing investments in line with the programme.

Basic financial data for H1 2021



Thanks to undertaking a multitude of initiatives aimed to increase revenues and reduce costs, as well as to improve the external environment related to the gradual phasing out of the restrictions that had been put in place to combat the COVID-19 pandemic, as well as due to the fact that the Bank's customers kept reinstating their professional and business activities to regular operations, in H1 2021 the Alior Bank Group generated net profit of PLN 232 million. Compared to a net loss of PLN 513 million in H1 2020, the Group's net profit grew by PLN 745 million. Such a significant improvement in profitability was achieved despite the fact that the first 6 months of 2021 saw the Bank operating in the environment of historically low interest rates (from May 2020, the reference interest rate was set by the Monetary Policy Council at 0.1%).

The main reasons for the improvement of the Bank's result include the following factors on the cost side:

- lower result from write-offs for expected losses (risk costs),
- higher result from other operating activities,
- lower cost of contributions charged by the Bank Guarantee Fund.

The Bank maintains the Tier1 and TCR capital adequacy ratios at a high and stable level (12.99% and 14.95%, respectively), significantly above the regulatory requirements (449 bp and 445 bp, respectively). This means that the Alior Bank S.A. Capital Group has a surplus of Tier1 capital of over PLN 2.2 billion above regulatory requirements.

The Bank's liquidity position also remained at a secure level in H1 2021. It was closely monitored and maintained at an adequate level by flexible adaptation of the deposit base level to the development of lending actions and other liquidity needs. The LCR of the Alior Bank S.A. Capital Group as at the end of 2020 was at the level of 174%, and at 167% as at the end of June 2021, amid a regulatory minimum of 100%.



Distribution network and headcount

Distribution network

As at the end of H1 2021, Alior Bank held 643 outlets (175 traditional branches, 7 Private Banking branches, 13 Corporate Banking Centres, and 448 partner outlets). The Bank's products were also offered within the network of 10 Mortgage Centres, and a network of about 3000 intermediaries. In addition, as at June 2021, the Bank held 51 branches in Romania.

Alior Bank has also used distribution channels based on its state-of-the-art IT platform comprising: online banking, mobile banking and call centres as well as DRONN technology.

Headcount

As at 30 June 2021, employment in the Alior Bank Group was at the level of 7,541 FTEs.

Full-Time Equivalent (FTEs)



Assessment of activities pursued by the Alior Bank Capital Group

The event influencing the operations of the Alior Bank Group the most in H1 2021 was the gradual phasing out of the COVID-19 pandemic caused by the SARS-CoV-2 virus, which in 2020 exerted a dominant impact on the economic, social, and legal environment of the Bank.

As a result of taking a number of remedial measures aimed at mitigating the adverse effects of the pandemic, such as reducing operating costs, tightening the credit policy, developing the Bank's online offer, adapting the Bank's organisation to operating in new conditions (in particular, working remotely and amid sanitary regime), the Alior Bank Capital Group in H1 2021 generated a net profit of PLN 232 million and achieved a return on equity (ROE) of 7.1%. For comparison, in H1 2020, the net loss amounted to PLN 513 million, and the ROE ratio was -15.8%.

H1 2021 saw a decrease in the basic efficiency ratio – the Cost/Income ratio – to the level of 44.7%, from 50.3% in H1 2020. It was caused by the increase in total income by PLN 43 million (by 2%) to the level of PLN 1 784 million and reduction of the Group's operating costs by PLN 79 million (by 9%) to the level of 797 PLN million. This proves a significant improvement in the operational efficiency of the Bank.

In 2020, the Bank reviewed and optimised the loan portfolio, focusing primarily on mitigating credit risk, for instance, by reducing exposure to industries most affected by the pandemic. These activities exerted a positive impact on the financial result achieved by the Bank. In addition to the foregoing, the improvement in the general financial standing of the Bank's customers also contributed to reducing costs risk level.

By improving its financial performance, Alior Bank keeps its capital adequacy ratios at safe levels, well above the minimum regulatory levels that allow for further lending growth. The Bank tailored its product offer to the environment of low interest rates and the effects of the CJEU judgement on the refund of a part of the commission in the case of early repayment of the consumer loans by customers. In addition, the Bank conducts a continuous process of increasing efficiency, aimed at permanent reducing the cost base.

The Management Board of the Bank positively assesses the financial results achieved by the Alior Bank S.A. Capital Group in the first half of 2021, in particular taking into account the unfavourable change in the macroeconomic environment caused by the COVID-19 pandemic.

II. External environment of the Bank's operations



Poland's economic growth

Poland entered 2021 with a downward trend in coronavirus cases following the fall-winter second wave of the pandemic, yet the economy was still under the influence of restrictions imposed to limit transmission of the virus. The continuation of the recession was a reflection of the social and economic constraints in Q4 2020, but also in Q1 2021. After a higher decline in GDP in Q4 2020 by 2.7%¹ in comparison to that in Q3 2020, we could see an improvement already in Q1 2021, which was associated with the beginning of easing the restrictions in February and March. Unfortunately, in the spring, the epidemic struck back with new force, and the record-breaking numbers of cases for the following months, once again limited the possibilities of doing business in many areas for the next months. Ever since the beginning of the year, however, the vaccination process, which had already begun on a large scale, raised more and more hopes for containing the pandemic in the world. In June the scale of fully vaccinated Poles reached 35%². Moreover, due to the fact that the economy for over a year had operated with the pandemic in the background, it allowed entrepreneurs to highly adapt to the new business conditions, whereas additional liquidity in the form of funds from the Anti-Crisis Shields granted in 2020 allowed to achieve stabilisation in the labour market. As a result, the declining growth in Q1 2021 amounted to -0.9% y/y³ and it was lower than in Q1 2020, and at the same time, it was most likely the last recessionary reading this year. The reduction in the negative decline in GDP was caused, on the one hand, by slightly higher consumption and investments than a year before, and, on the other hand, by the deterioration of the foreign trade balance due to a stronger acceleration of import growth than of export growth. The decline in coronavirus cases from the end of April, unblocking of most branches of the economy commenced in May, as well as the greater optimism of entrepreneurs looking to the future also were also reflected by the improving sales and production results in the data for Q2, which already heralds positive GDP growth in Q2. We expect that GDP grew in this period by over 10% y/y, yet such a high effect largely ensues from the low base in 2020 when GDP decreased by 8.3% y/y⁴.

1 Source: GUS [STATISTICS POLAND]

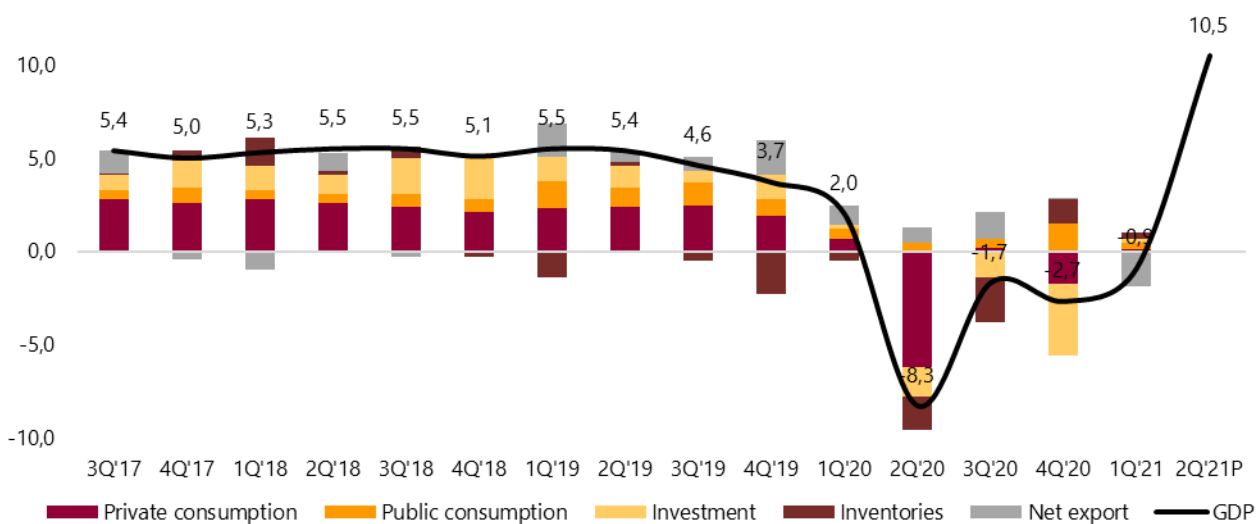
2 Source: www.ourworldindata.org

3 Source: GUS [STATISTICS POLAND]

4 Source: GUS [STATISTICS POLAND]

While the prospects for the domestic economy should improve in the upcoming quarters, (which is supported by the lower trajectory of the virus spreading in summer), the scale of the economic rebound remains uncertain. New mutations of the virus as well as the potential return to economic restrictions in the event of another wave of the epidemic pose a significant risk, both globally and in Poland. However, the economy should undergo significant growth throughout the year due to a rebound in consumption and recovery in international trade, especially in H2. As far as investments are concerned, the lower uncertainty of the economic environment from the beginning of the year showed, that the private sector expresses bolder eagerness to spendings on fixed assets, while the planned new envelope of funds from the EU budget for the years 2021-2027, along with an additional part of the economy recovery fund allocated for combating the effects of the coronavirus, will provide additional support for domestic investments, commencing from the end of 2021.

GDP rate of growth and the impact of respective categories



*/Source: GUS [Statistics Poland]

Situation in the labour market

The labour market in the second year since the outbreak of the coronavirus epidemic in Poland remains strong. The crisis affected employment, yet the remedies implemented by the government explicitly limited the scale of the unemployment growth, which at the end of 2020 reached 6.2%. The strong crisis was accompanied by an increase in the unemployment rate to only 6.5% in January and February, whereas this rate began to decline again in the following months, reaching 5.9% at the end of June. The improvement of the situation in the labour market was fostered by the periods of lifting epidemic-triggered restrictions, when entrepreneurs endeavoured to make up for downtime in production and sale of services, which entailed an increased demand for workforce. As the vaccination process progressed and the number of working hours grew during the periods of declining coronavirus cases, sickness absenteeism dropped, and the number of jobs was rebuilt, which increased the employment rate of growth. In Q2 2021, the average employment in the enterprise sector grew by 1.2% y/y, but after the declining employment period as at the beginning of the year, the employment decreased by 0.3%

y/y in the entire H1 2021. Higher labour demand also triggered wage growth in the period under review – in fact – slightly boosted by the effect of a lower base, especially in Q2 2020, but still indicative of the growing negotiating power of employees. On a y/y basis, the average remuneration in the enterprise sector in Q1 2021 increased by 5.7% y/y, and in Q2 by 10% y/y, which was an increase of 7.8% y/y in the six-month period compared to 4.5% y/y in the same period of 2020. In real terms, the increase in remuneration, amid persistently elevated inflation, did not look so impressive and in H1 it reached the level of 4.1% y/y on average.

In the coming months prospect, it is worthwhile to note that there is still a shortage of jobs to be made up for in the previous year, nonetheless, this process is progressing at a fairly decent pace and the negative effects of the expiration of the Anti-Crisis Shields have not been noticeable thus far. As a result, the unemployment rate should stay slightly below 6% by the end of 2021. If we add high inflation readings to the foregoing, the wage pressure should remain at an increased level, although the effect of the low base noted in Q2 2020 will be reduced in H2 2021 and, in our opinion, the wage dynamics in this period will be slightly lower than in H1 2021. However, another wave of COVID-19 still poses a risk.

GDP growth rate and unemployment rate



*/Source: GUS [Statistics Poland]

Inflation and interest rates

The fall in consumer inflation reaching the level close to the NBP inflation target at the end of 2020 and at the beginning of this year turned out to be rather unsustainable and notwithstanding the solid effects of the high base noted the first three months of last year, CPI inflation in Q2 2021 clearly accelerated. As far as pro-inflationary factors are concerned, one should first of all mention the increases in administered prices, including energy prices and waste disposal, which raised the CPI in the first months of the year. In the next months, however, rising core inflation became increasingly perceptible, especially in periods of easing economic restrictions, when the prices of services and goods, the sale of which was restricted during the lockdowns, were rising. The increase in inflation was also influenced by the demand and supply imbalances in international

markets, which limited the delivery of production components while exerting pressure on the increase in production costs, that were partially transferred onto end recipients. As a result, already in April CPI inflation exceeded 4% y/y as it reached its maximum in May at 4.7% y/y. In June, inflation slightly declined to 4.4% y/y, but was still much higher than 2.4% y/y recorded in December 2020. As far as factors limiting inflation in the first months of the year are concerned, they mainly included food prices (which, however, since April began to grow again) and fuels. The latter factor, however, disappeared completely Q2 2021 after the global rebound accelerated and also due to the low base on oil prices. In the whole H1, consumer inflation grew by 3.6% y/y.

After lowering the reference rate in 2020 from 1.5% to 0.1%⁵, the Monetary Policy Council in H1 2021 upheld a low level of interest rates despite the increase in inflation above the upper deviation from the inflation target stemming from the assumptions of the monetary policy. The main motive for the MPC's actions was the uncertain economic rebound and the risk of a return of the pandemic, which would have affected the future results of the economy. The NBP [*National Bank of Poland*] upheld the purchase of assets which in nominal terms totalled PLN 135.8bn⁶ until the end of June, and it continued to offer a promissory note loan for the refinancing of loans granted to enterprises by banks.

In the next months, the price increase will most likely remain at an increased level. The main pro-inflationary factors can still be found in the supply and demand imbalances increasing production costs, but also in the prices of raw materials in the face of growing global demand amid economic recovery. Core inflation, in turn, may be boosted by a recovery in the area of those services that have the greatest vulnerability to restrictions. In 2021, we expect the average annual CPI inflation to have increased to around 4% y/y compared to 3.4% in 2020. However, due to the uncertainty as to the magnitude of the domestic economy's rebound and factors increasing inflation, mainly those exogenous and temporary in nature, we expect the MPC to have stabilised the level of interest rates at least until the beginning of next year.

Global economy

Since the beginning of the year, the global economy has been recovering from the extraordinarily demanding 2020. The recovery, however, was varied and largely dependent on the pace and scale of vaccination rate in individual countries as well as the virus spread in subsequent waves. The vaccination rate remains significantly higher in developed countries than in developing countries. It is also worthwhile to emphasise the uneven recovery of industry and services, where the manufacturing sector was doing much better than last year, despite temporary economic restrictions. Among the developed economies, it was the USA, supported by the implementation of an additional fiscal package, that performed the best in H1 2021. Economic growth in Q1 accelerated to 0.4% y/y, and it is expected that it will reach an increase of approx. 12.8% y/y in Q2 ⁷, whereby the results achieved in this quarter will be burdened with the low base effect from Q2 2020. The Eurozone, which was slightly more affected by the spring wave of the epidemic and initially struggling with significant

⁵ Source: NBP

⁶ Source: NBP

⁷ Source: Bloomberg

vaccine shortages, achieved lower growth over the period under review. Q1 also saw a decline in GDP by 1.3% y/y, yet the next quarter should see a dynamic rebound, reaching over 13% y/y according to forecasts⁸ (this result is also burdened with the low base effect from last year). Strong private consumption remained the engine of growth on both sides of the ocean and it was stimulated by the anti-crisis policies of individual countries, that focused, in particular, on the protection of jobs in Europe. H1 also saw a return to intensified trade exchange amid lower investments than before the pandemic.

The global economic rebound, as it progressed, was conducive to the increase in inflation, in particular, through the higher demand for raw materials driving up their prices. Core inflation also kept growing and it was partly driven by rising PPI as a result of increasing commodity prices, as well as of disturbances in global supply chains and a sharp rise in freight prices. In the USA, the CPI increased from 1.3% y/y at the end of 2020 to 4.3% y/y in Q2 2021. In the Eurozone, the corresponding index increased from -0.3% y/y in Q4 2020 to 1.8% y/y in Q2 2021.⁹

The loose monetary policy pursued the world's major central banks continued to support the global economic rebound. In the Eurozone, the ECB kept the interest rates unchanged, including the main interest rate at 0% and the deposit rate below zero. The ECB is also pursuing an asset purchase programme, which was extended in March 2021 to keep a benign monetary environment, including to reduce pressure on increasing bond yields. The US Federal Reserve, on the other hand, kept interest rates in the range (0.00% -0.25%)¹⁰ and asset purchases of unlimited scale. Although both major central banks declare that the existing monetary policy will remain stable for a long time due to pandemic-driven uncertainty and the need to support economic growth, Fed members' expectations for the next years and, in particular, for the first increases in 2023, slightly changed in June.

As for the upcoming quarters, new mutations of the virus continue to pose a risk for the progressing global economic rebound. Currently, the Delta variant is spreading the fastest, and the risk of further waves of the pandemic is high, yet the chance to improve the situation this year rests with the mass-scale vaccination, which has thus far been effective in combating the virus. The recovery should be fostered by the consumer demand returning alongside the easing of restrictions. Additional support may also be driven by greater demand for investments, which in Europe is aided by, *inter alia*, a reconstruction fund. However, those countries where the scale of vaccination rate is limited, including many countries from the EM region, may cope slightly worse.

Exchange rate

In H1 2021, the desire to make up for losses after the bad 2020 were dominant in the financial markets. On the wave of the improvement in the global economic situation, the upward trends were maintained mainly in the equity markets, while the growing inflation, boosting the chances of changing the current loose monetary

⁸ Source: Bloomberg

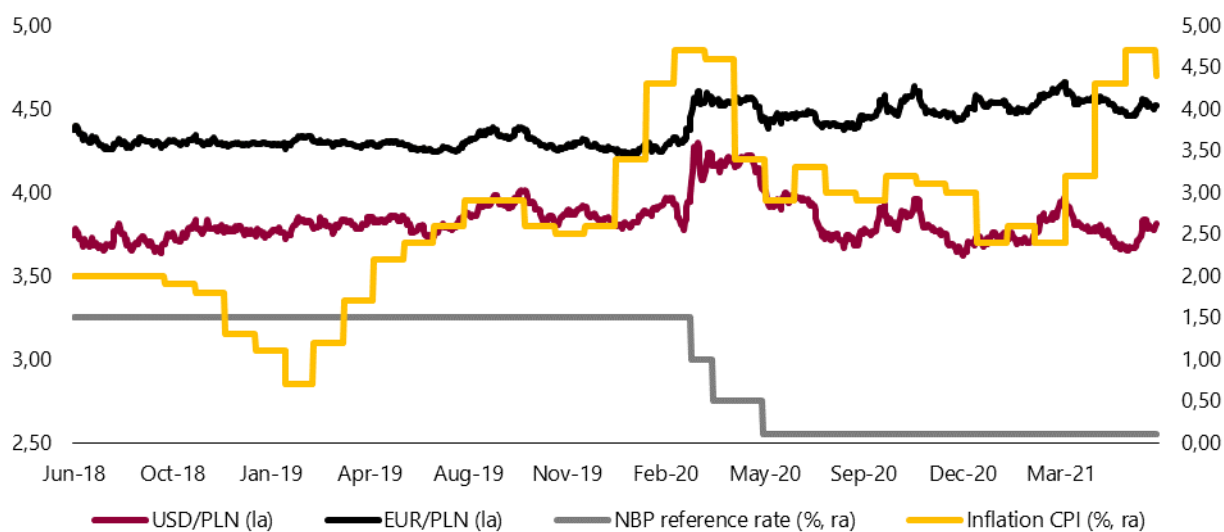
⁹ Source: Bloomberg

¹⁰ Source: Fed

policy in the world, and the persisting epidemic risk, contributed to the volatility of debt and currencies. The first months of the year saw an increase in demand for the dollar in the face of the more severe epidemic situation in Europe and the related re-lockdowns put into place in many countries. However, with the decline in coronavirus cases in Europe in Q2 2021, the euro kept making up for most of the losses. In May, nonetheless, there was a rise in expectations of a faster than expected start of the process of monetary policy normalisation by the Fed in the face of clearly improving economic conditions in the US, as well as of stronger than expected inflationary pressure, which strengthened the dollar again. As a result, the EUR-USD ratio ultimately depreciated from 1.22 as at the end of December 2020 to 1.19 as at the end of June 2021¹¹.

The domestic currency in the discussed period maintained a correlation with the epidemic situation which had taken place mainly in the winter and spring period, while getting worse in periods of intensified incidence and regaining resonance amid the weakening of the pandemic wave, which resulted in high volatility of PLN quotations throughout H1 2021. The Polish zloty at that time was supported by better-than-expected economic results as early as Q1 2021 and a marked improvement in the economic situation along with the re-opening of the economy that began at the beginning of May. At that time, the EUR-PLN ratio dropped to the lowest level in the period, reaching around 4.46, whereas the USD-PLN 3.65. Later on, however, the strengthening of the dollar exerted a negative impact on the Polish zloty. As a result, by the end of June, the Polish zloty, compared to the end of 2020, lost 2.13% to the dollar and gain by 0.87% to the euro, reaching the level of 3.81/USD and 4.52/EUR, respectively, at the end of the period.¹²

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



*/Source Bloomberg

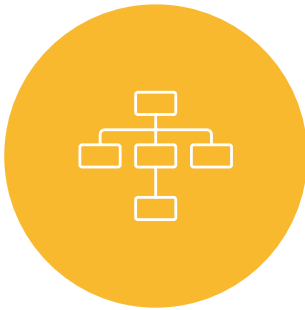
11 Source: Bloomberg

12 Source: Bloomberg



Key structural and financial figures for the Polish banking sector in H1 2021

H1 in the banking sector saw an improvement in results in comparison to a weak 2020, although the pre-pandemic level has not yet recovered. A good starting point for the sector was systemic stability, which was maintained thanks to high capital levels, as well as by fiscal, monetary and macro-prudential policy support measures. The improved situation of banks is favoured by a better economic situation, which ensures a partial recovery in demand for loans, although the demand in individual categories remained varied. The challenge in the sector still rests with the recovery of profitability, which declined due to changes in the monetary policy in 2020, but also due to the materialisation of risks related to the foreign currency loan portfolios at hand.



Key structural figures¹³

As at the end of May 2021, 29 commercial banks, 524 cooperative banks and 36 branches of credit institutions operated in Poland. The banking network comprised 5,383 branches, 2,783 offices, agencies and other customer service outlets and 3,176 representation offices (including partner outlets). Therefore, the banking network comprised a total of 11,342 outlets, i.e., 418 outlets less than at the end of the previous year.

Headcount in the banking sector as at the end of May 2021 fell to 146 thousand people and was 3 thousand (2%) lower as compared to the end of 2020 (149 thousand).

As at the end of May 2021, commercial banks had an approx. 90% share in sector assets, cooperative banks – 7.1%, and credit institutions – 3.1%.

In terms of capital origin, the Treasury had 45.5% share in assets, foreign capital represented 43.3%, and Polish private capital – 11.2%.



29

commercial banks



36

branches
of credit institutions



524

cooperative banks

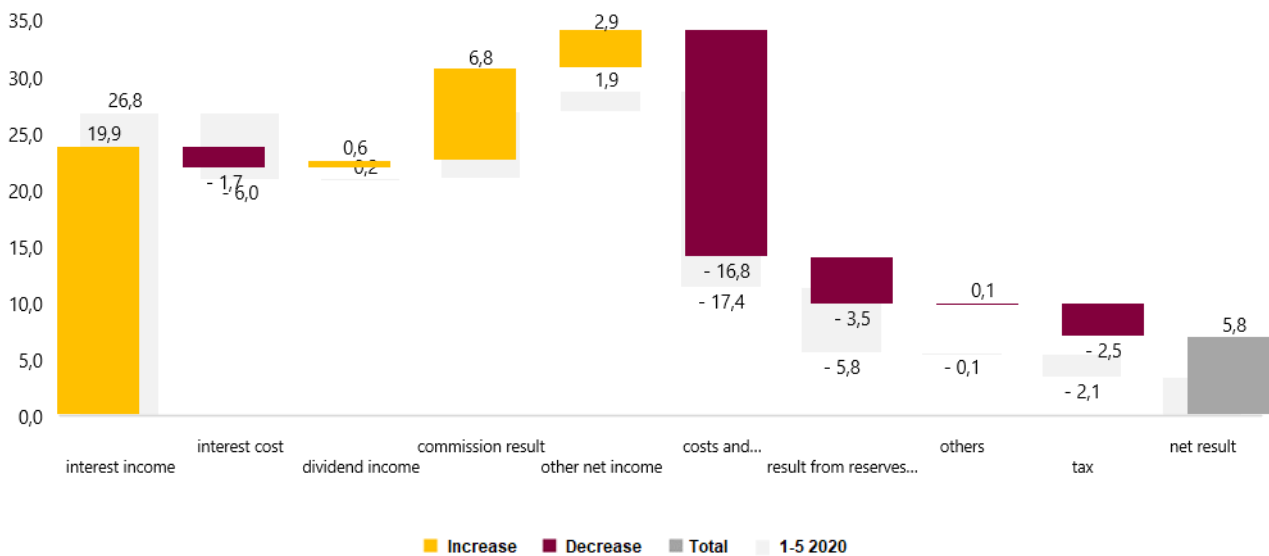
¹³Source: Monthly data for the banking sector (knf.gov.pl)



Key income statement items¹⁴

In the period from January to May 2021, the banking sector earned a net profit of PLN 5.8 billion compared to PLN 3.4 billion in the same period of the previous year, which meant a decline by PLN 2.4 billion (i.e., 70% y/y compared to the low base in 2020). In this period, the total operating income of the sector amounted to PLN 28.5 billion and thus was lower by 0.8% y/y. Interest-rate income amounted to PLN 19.9 billion and was lower by PLN 6.9 billion, namely by over 25% than that generated in the same period of the prior year. The greatest negative impact on the net result in January – May 2021, apart from lower interest-rate income, was that arising from provisions and write-offs, which amounted to PLN -3.5 billion, although it was PLN 2.3 billion lower y/y. The source of the provisions was mainly the credit risk related to the effects of the pandemic and the increased legal risk of FX mortgage loans. The positive impact was recorded mainly in the form of a decrease in interest costs (by PLN 4.3 billion y/y) and better profit on commissions (PLN +0.9 billion y/y).

Financial result of the banking sector in the period from January to May 2021 (PLN billion)



¹⁶Source: Monthly data for the banking sector (knf.gov.pl)

In the first five months of 2021, pressure on margins was kept. The interest-rate margin continued to decline throughout the period to reach 2% at the end of May from 2.22% as at the end of December 2020, the reasons for which can be found in the record-breaking low interest rates in Poland. The change in the asset structure also influenced the margin.

The key impact on the profitability level in 2020, but also this year, had the decision made in April this year by the largest bank in Poland. The decision concerned provided for the establishment of a special fund amounting to PLN 6.7 billion to cover the financial effects arising from settlements with consumers regarding FX mortgage loans, yet its effects burdened the Bank's financial result for 2020. As a result, the financial results of the sector for 2020, initially estimated to reach around PLN 6.3 billion, decreased to around PLN 1 billion¹⁵. Return on equity¹⁶ from 3.27% in November dropped to just 0.25% as at the end of December 2020. This year, ROE continued to decline in the first two months of the year, but began to increase in the subsequent months. After May 2021, ROE of the banking sector was 1.32%, compared to 0.25% in December last year. ROA, due to the revision of the result for December 2020, dropped to 0.02% as at the end of last year from the level of 0.33% in November, and this year it kept dropping only until February, and kept gradually increasing since March to reach the level of 0.13% in May.

The smaller scale of write-offs, which could be seen in the first five months of the year, gave rise to the drop of the R/I from 29% as at December 2020 to 25.4%. The slowdown in the rate of decline in operating revenues y/y, with costs kept in check, reduced the C/I ratio in the entire sector compared to December 2020 from 63.4% to 62.6% in May 2021.

Loans and deposits¹⁷

H1 2021 maintained last year's trends, where lending actions were affected by the adverse effects of the pandemic, and deposits continued to grow at a slower pace than a year ago. The main source of financing for banks in H1 were non-financial sector deposits. The value of banking sector assets amounted to PLN 2,435 billion as at the end of May 2021 and was 8.1% higher y/y. The growth in banking sector assets was driven mainly by the increase in the value of debt instruments.



PLN 2 435 billion

Asset value of the banking sector



PLN 1 078 billion

Loans



PLN 1 470 billion

Deposits

¹⁵ Report o Report on the financing system, June 2021

¹⁶ ROA and ROE ratios – the ratio of the sum of the financial result from 12 consecutive months to: average assets and average capital, respectively, in the same period

¹⁷ Source: Monthly data of the banking sector (knf.gov.pl)

Loans in the financial sector throughout the first five months showed negative growth, mainly in view of persistently lower demand expressed by borrowers due to macroeconomic factors and fiscal support for enterprises. In May 2020, they amounted to PLN 1,078 billion¹⁸, which means a decrease of 0.1% y/y. The scale of the slowdown varied in individual loan categories. The highest negative growth was recorded in operating and investment loans for enterprises that continued to benefit from the financial cushion established in 2020 from the Anti-Crisis Shield and struggled with a lower scale of activity. The category of loans, whose dynamics remained positive, were mortgage loans as they took advantage of the economic recovery and higher demand amid the low cost of loans and the easier policy pursued by banks. Whereas, in May, the annual dynamics of consumer loans also returned to positive levels.

Notwithstanding the record-breaking low interest rates saw in H1 2021, deposits continued to grow, although their dynamics slowed down. As at the end of May 2021, deposits of the non-financial sector amounted to PLN 1,470 billion¹⁹, which means an increase of 7.8% y/y. In the structure of deposits, corporate deposits still persisted the highest growth dynamics, but their pace was gradually slowing down. Household deposits also grew at a slower pace than a year ago. Due to the high deposit base and the slow lending activity, in H1 the average value of the LCR ratio remained above the required minimum of 100. As at the end of May 2021, the LCR ratio of commercial banks (excluding associating banks) was 206 compared to 192.7 as at the end of 2020.

Equity and capital ratios²⁰

As at the end of March 2021 (later figures are not available), the banking sector held PLN 230 billion in equity, which grew by 9.7% compared to March 2020. In Q1 2021, the value of exposure to credit risk was close to that as at the end of 2020, and the capital position remains stable. The growth in exposure to the remaining risk at the end of 2020 was due to a temporary increase in the open foreign currency position.

The combined capital adequacy ratio of the banking sector was 20.7% as at the end of March 2021 (grow by 238 bp on the end of March 2020), and the Tier 1 core capital ratio as at the end of the period was 18.6% (grow by 223 bp on the end of March 2020).

¹⁸ Receivables without impairment of the non-financial sector – portfolio B (gross carrying amount and write-offs)

¹⁹ Non-financial sector deposits (no blocked deposits)

²⁰ Source: Monthly data for the banking sector (knf.gov.pl)

III. Financial results of the Alior Bank S.A. Capital Group

Income statement

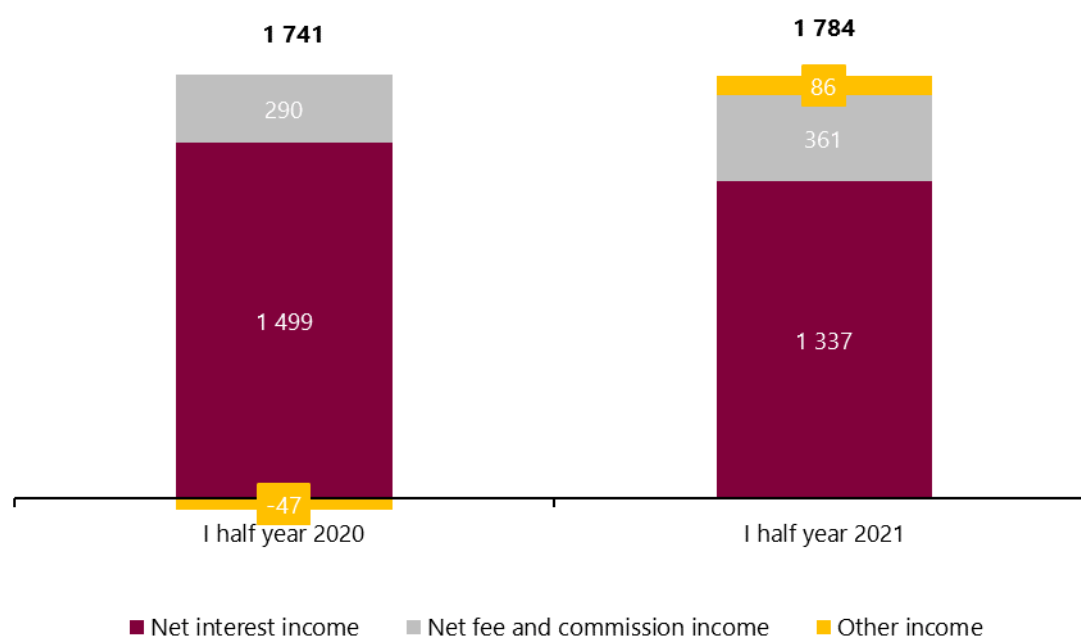
Details of the income statement of Alior Bank Capital Group are presented in the table below:

	01/01/2021 - 30/06/2021 [in PLN thous.]	01/01/2020 - 30/06/2020 [in PLN thous.]	Y/y change [in PLN thous.]	Y/y change [%]
Interest income calculated with the use of the effective interest rate method	1 351 668	1 756 968	-405 300	-23.1%
Income of a similar nature	110 917	60 790	50 127	82.5%
Cost of interest	-125 748	-318 893	193 145	-60.6%
Net interest income	1 336 837	1 498 865	-162 028	-10.8%
Fee and commission income	661 598	563 597	98 001	17.4%
Fee and commission expense	-300 510	-273 842	-26 668	9.7%
Net fee and commission income	361 088	289 755	71 333	24.6%
Dividend income	277	221	56	25.3%
Net gain/(loss) on financial instruments measured at fair value through profit or loss and net foreign exchange gain/(loss)	53 169	16 343	36 826	225.3%
Net gain/(loss) on derecognition of financial instruments not measured at fair value through profit or loss, including:	2 294	26 618	-24 324	-91.4%
measured at fair value through other comprehensive income	318	2 807	-2 489	-88.7%
measured at amortised cost	1 976	23 811	-21 835	-91.7%
Other operating revenues	77 253	68 216	9 037	13.2%
Other operating costs	-46 867	-158 648	111 781	-70.5%
Net other operating income and expenses	30 386	-90 432	120 818	-133.6%
Operating expenses of the Group	-797 271	-876 571	79 300	-9.0%
Net expected credit losses	-508 465	-1 211 299	702 834	-58.0%
Net impairment charges on non-financial assets	-1 876	-68 590	66 714	-
Banking tax	-116 269	-109 889	-6 380	5.8%

Gross profit / loss	360 170	-524 979	885 149	-168.6%
Income tax	-128 265	14 664	-142 929	-974.7%
Net profit/loss on continued operations	231 905	-510 315	742 220	-145.4%
Profit/loss on discontinued operations	0	-3 052	3 052	-
Net loss/profit attributable to shareholders of parent company	231 905	-513 367	745 272	-145.2%
Net profit/loss attributable to non-controlling interests	0	0	0	-

The net profit of the Alior Bank Capital Group (attributable to shareholders of parent company) for H1 2021 amounted to PLN 231.9 million and was higher than the result achieved in the same period of 2020 by PLN 745.3 million.

Total income (in PLN million) – consolidated data



Net interest income is the main component of the Alior Bank S.A. Capital Group income, responsible for 75% of total income. Net interest income decreased in H1 2021 compared to H1 2020 by 12.1%, i.e., by 162 million, due to the following factors:

- the reduction of interest rates in connection with three decisions of the Monetary Policy Council of 17 March 2020, 8 April 2020 and 28 May 2020 on the reduction of the NBP reference rate by a total of 1.4 p.p., i.e., to 0.10 percent,
- current returns on commissions on consumer loans repaid before the initial maturity date, the impact of which on net interest income in H1 2021 amounted to PLN 131.4 million.

The level of net interest income was positively influenced by the significant reduction of financing costs, which was feasible through the rapid adaptation of the Bank's offer to the environment and lower interest rates. In H1 2020, the financing cost was 0.86%, whereas in H1 2021 it was reduced to 0.19%.

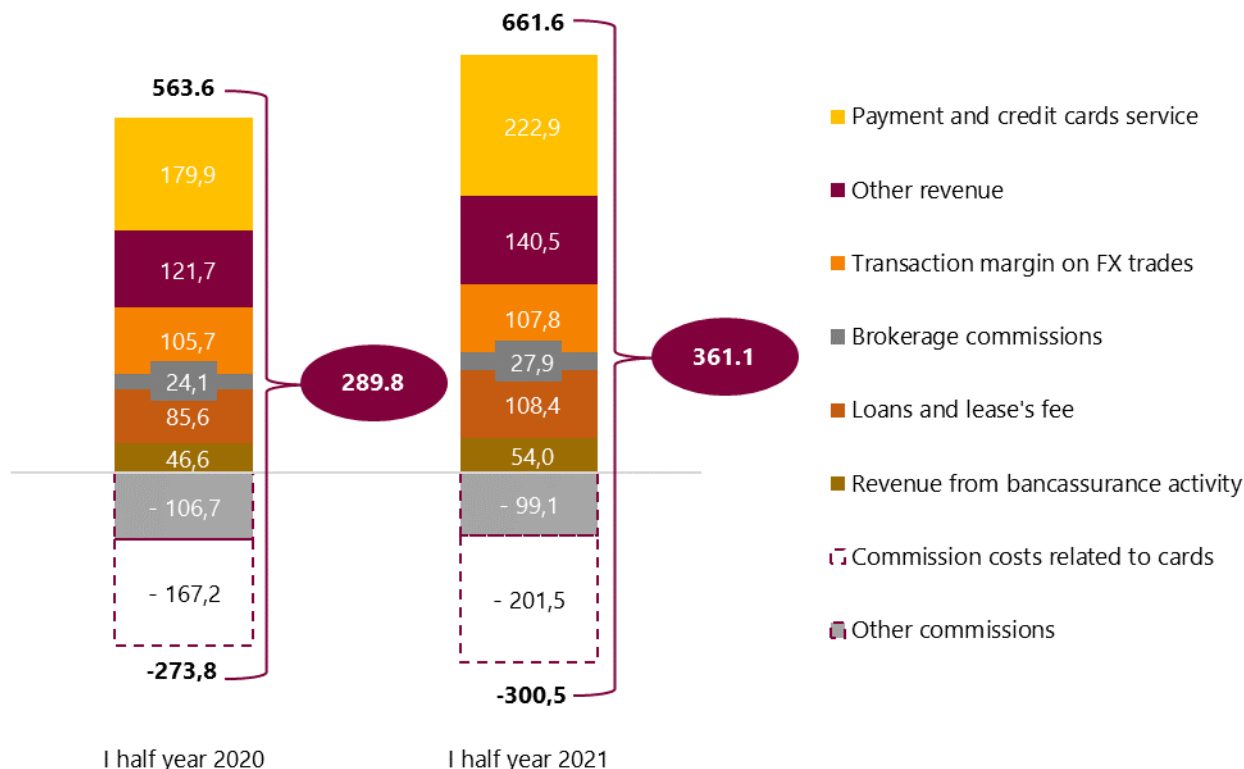
Net interest margin broken down by individual credit products and the average interest rate on deposits has been presented in the table below.

	01/01/2021 - 30/06/2021 (%)	01/01/2020 - 30/06/2020 (%)
LOANS		
Retail segment		
<i>Consumer loans</i>	5.42	6.85
<i>Residential real estate loans</i>	2.96	4.09
Business segment		
<i>Investment loans</i>	3.05	4.40
<i>Operating loans</i>	3.57	4.98
DEPOSITS		
Retail segment		
<i>Current deposits</i>	0.06	0.67
<i>Time deposits</i>	0.42	1.62
Business segment		
<i>Current deposits</i>	-	0.12
<i>Time deposits</i>	0.38	0.98

Net fee and commission income in H1 2021 increased by 24.6% by 361.1 million compared to H1 2020. This result was comprised of PLN 661.6 million in commission income (an increase compared to H1 2020 by 17.4%) and PLN 300.5 million in commission costs (an increase compared to the same period of 2020 by 9.8%).

The main component of fee and commission income are commissions related to servicing payment and credit cards. In H1 2021, they amounted to almost PLN 223 million, which was an increase by 23.9% compared to the same period in 2020. In turn, commissions on currency exchange transactions (fx) in H1 2021 amounted to PLN 107.8 million, which was an increase by almost 2% compared to H1 2020. Continuation of the positive trend related to the increase in commission income on loans and leasing activities, which increased in the reporting period to PLN 108.4 million, i.e., by 26.7% more than in the same period of 2020. Commissions related to the sale of insurance as well as those related to brokerage activities recorded a considerable increase in H1 2021 compared to the same period of 2020, which amounted to nearly 16%.

Fee and commission income (in PLN million) – consolidated data

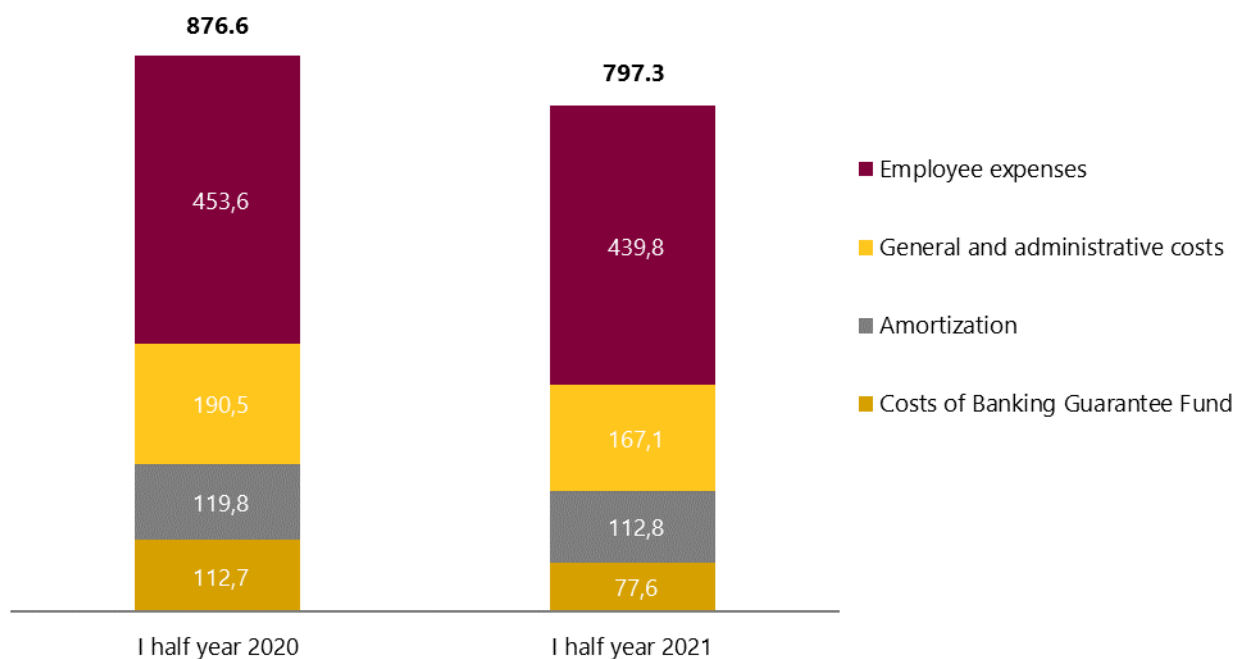


Net income on other operations of the Bank (the total of the following items in the profit and loss account: dividend revenue, income on instruments measured at fair value through profit or loss and net gain/(loss) and foreign exchange income, income on de-recognition of assets and liabilities not measured at fair value through the profit and loss account, income on other operating revenue and costs) in H1 2021 totalled PLN 86.1 million compared to PLN -47.3 million in H1 2020, i.e., an up by PLN 133.4 million. The main reason responsible for the improvement in the result on other activities of the Bank in the reported period of 2021 were other operating expenses, lower by nearly PLN 120.8 million.

In H1 2021, operating expenses amounted to PLN 797.3 million and were lower than operating expenses incurred in the same period of 2020 by PLN 79.3 million, i.e., by 9.0%. The overall decrease in operating costs was due to the reduction of each of the cost items. The largest decrease in costs in H1 2021, amounting to over 31% compared to H1 2020, was related to the decrease in the cost of the Bank Guarantee Fund, which dropped by PLN 35 million to PLN 78 million. General and administrative expenses, adjusted by the BFG cost (but including taxes and fees), in H1 2021 amounted to PLN 167 million and were lower by 12.3% than the costs incurred in the same period of 2020. H1 2021 also saw the decrease in workforce-related costs, for which the cost reduction amounted to 3%, which in nominal values allowed for savings of PLN 14 million in H1 2021 compared to H1 2020.

As a result of the increase in revenues and the decrease in costs, the Cost/Income ratio in H1 2021 was at the level of 44.7%, while in the same period of 2020 it was 50.3%.

Operating expenses (in PLN million) – consolidated data



Net expected credit losses

Net expected credit losses amounted to PLN 508.5 million in H1 2021, compared to PLN 1,211.3 million in H1 2020, which means an increase by 58%. The CoR (cost of risk) ratio in the reporting period of 2021 was 1.64%. For comparison, the CoR in the same period of 2020 was 3.96%.

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

	01/01/2021 - 30/06/2021	01/01/2021 - 30/06/2020	Y/y change
Expected credit losses Bucket 3	-682 025	-1 022 168	-33.3%
retail customer	-303 519	-392 256	-22.6%
business customer	-378 506	-629 912	-39.9%
Expected credit losses 1 and 2 (ECL)	130 152	-58 804	-
Bucket 2	106 788	-59 242	-
retail customer	65 987	3 482	1795.1%
business customer	40 801	-62 724	-165.0%
Bucket 1	23 364	438	-
retail customer	27 704	-34 766	-179.7%
business customer	-4 340	35 204	-112.3%
POCI	-332	-11 764	-97.2%

Recoveries	45 448	24 962	82.1%
Securities	17	-10 344	-
Provision for off-balance-sheet liabilities	-1 725	-133 181	-
Net expected credit losses	-508 465	-1 211 299	-58.0%

Net impairment charges on non-financial assets

Net impairment charges on non-financial assets amounted to PLN -1.9 million in H1 2021.

Balance sheet

As at 30 June 2021, the balance sheet total of the Alior Bank Group reached PLN 79.04 billion and was PLN 0.39 billion (by 0.5%) higher than as at the end of 2020. The main items generating an increase in the balance sheet total were investment financial assets (an increase by PLN 0.76 billion compared to 31 December 2020), amounts due from customers (mainly loans and credits granted by the Bank), which increased during H1 2021 PLN 0.81 billion.

The basic asset component is receivables from customers of the Alior Bank S.A. Capital Group (PLN 57.03 billion). Their share in the balance sheet total as at 30 June 2021 amounted to 72.2% which means that compared to the end of 2020 it decreased by 0.7 p.p. Another important asset item as at the end of June 2021 were Investment Financial Assets amounting to PLN 16.5 billion which represents 20.9% of total assets (as at the end of 2020 it totalled PLN 15.7 billion – 20.0% of assets).

The main source of financing of Alior Bank S.A. Capital Group operations are the funds deposited by customers at the Bank. Amounts due to customers as at 30 June 2021 amounted to PLN 67.8 billion, i.e., 85.8% of the consolidated balance sheet total of the Bank. Amounts due to customers increased by PLN 0.96 billion (1.4%) compared to the end of 2020. The second most important source of financing, i.e., equity, as at 30 June 2021 totalled PLN 6.58 billion and accounted for 8.3% of the Bank's balance sheet total.

As regards the amounts due to customers, the main item was amounts due to the retail segment, which as at the end of June 2021 accounted for 68.48% of the customer deposit portfolio. This share was 0.14 pp lower compared to the end of 2020.

The tables below present details of assets, liabilities and equity as at 30 June of 2021 along with comparable data.

ASSETS [in PLN thous.]	30/06/2021	31/12/2020	Change	Change
			[in PLN thous.]	(%)
Cash and cash equivalents	1 566 372	2 459 901	-893 529	-36.3%
Receivables from banks	607 334	508 371	98 963	19.5%
Investment financial assets	16 507 815	15 744 672	763 143	4.8%
measured at fair value through other comprehensive income	8 738 837	6 983 904	1 754 933	25.1%

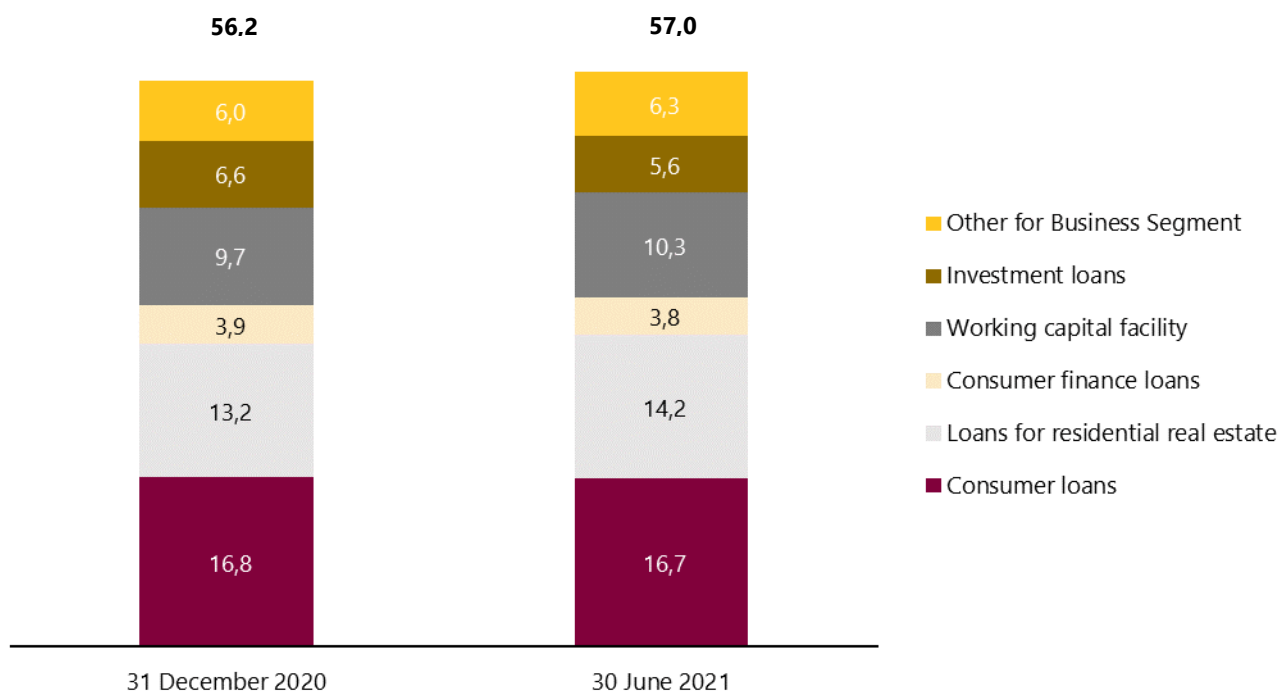
measured at fair value through profit or loss	399 555	594 926	-195 371	-32.8%
measured at amortised cost	7 369 423	8 165 842	-796 419	-9.8%
Hedging derivatives	175 054	334 977	-159 923	-47.7%
Receivables from customers	57 028 409	56 215 422	812 987	1.4%
Assets securing liabilities	130 899	446 455	-315 556	-70.7%
Property, plant and equipment	709 340	702 381	6 959	1.0%
Intangible assets	417 952	425 109	-7 157	-1.7%
Investments in subsidiaries and associates	0	5 333	-5 333	-100.0%
Assets for sale	28	3	25	833.3%
Income tax assets	1 241 630	1 218 282	23 348	1.9%
current income tax assets	75 786	59 572	16 214	27.2%
deferred income tax assets	1 165 844	1 158 710	7 134	0.6%
Other assets	650 262	581 126	69 136	11.9%
TOTAL ASSETS	79 035 095	78 642 032	393 063	0.5%

LIABILITIES AND EQUITY [in PLN thous.]	30/06/2021	31/12/2020	Change	Change
			[in PLN thous.]	(%)
Amounts due to banks	717 901	912 407	-194 506	-21.3%
Amounts due to customers	67 832 836	66 875 907	956 929	1.4%
Financial liabilities	183 787	501 880	-318 093	-63.4%
Hedging derivatives	169 281	86 162	83 119	96.5%
Provisions	283 620	336 560	-52 940	-15.7%
Other liabilities	1 732 821	1 569 867	162 954	10.4%
Income tax liabilities	3 459	6 685	-3 226	-48.3%
current income tax liabilities	2 719	6 046	-3 327	-55.0%
deferred tax liabilities	740	639	101	15.8%
Subordinate liabilities	1 529 202	1 792 962	-263 760	-14.7%
Total liabilities	72 452 907	72 082 430	370 477	0.5%
Share capital	1 305 540	1 305 540	0	0.0%
Supplementary capital	5 403 661	5 399 627	4 034	0.1%
Revaluation reserve	5 979	217 330	-211 351	-97.2%
Other reserves	161 792	161 792	0	0.0%
Exchange differences on translating foreign operations	284	-1 620	1 904	-
Retained earnings	-526 973	-211 834	-315 139	148.8%
Current year's profit/loss	231 905	-311 233	543 138	-174.5%
Equity	6 582 188	6 559 602	22 586	0.3%
TOTAL EQUITY AND LIABILITIES	79 035 095	78 642 032	393 063	0.5%

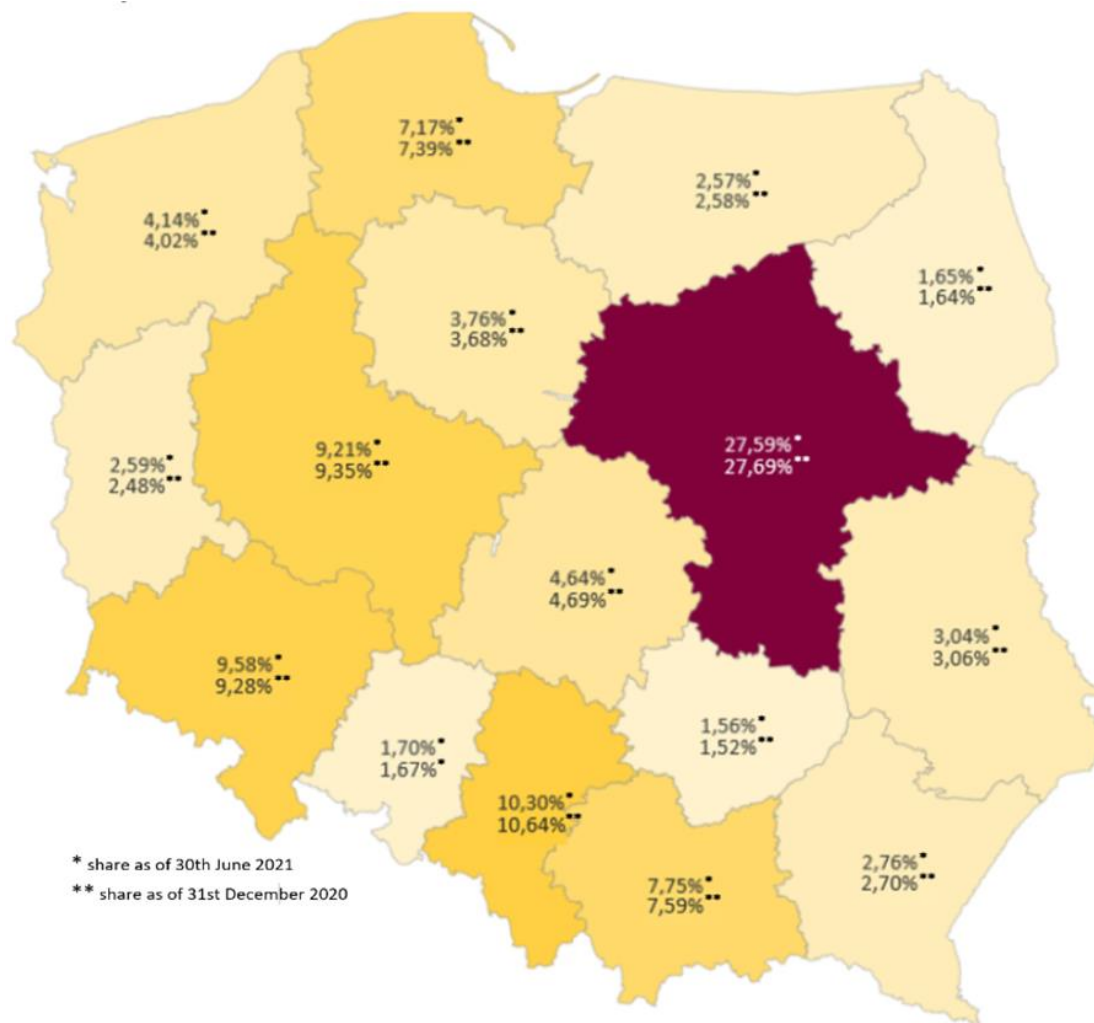
Loans granted in the retail segment (PC – personal customer) were consumer loans, mortgage loans (for residential real estate) and Consumer Finance. Their total net volume as at 30 June 2020 was PLN 34.7 billion (up by 2.4% compared to the end of 2020). H1 2021 saw a further increase in the balance of mortgage loans (+7.8% compared to the end of 2020). Consumer loans and Consumer Finance loans for individual customers recorded a slight decrease by 0.9% and 2.1%, respectively, compared to the end of 2020.

Operating loans for enterprises, which as at H1 2021 amounted to PLN 10.3 billion (increase by 6.4% since the beginning of the year), were the most important component of the corporate loan portfolio (BC – Business Customer), accounting for 46.3% of its value. The second most important item as regards corporate loans portfolio were investment loans, accounting for 25.3% of the portfolio in question. Their value as at the end of June 2021 decreased compared to the end of 2020 by 14.1%, to PLN 5.6 billion. In total, the value of net loans granted within the business segment amounted to PLN 22.3 billion as at the end of H1 2021.

Receivables from customers (in PLN billion)



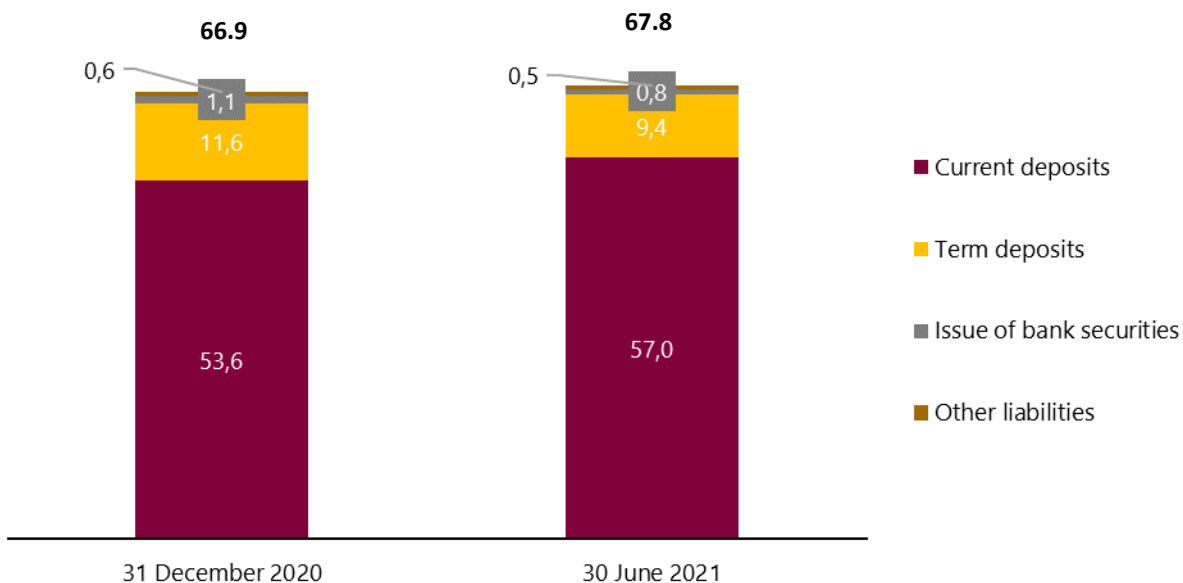
Territorial structure of amounts due to customers as at 30 June 2021 and 31 December 2020



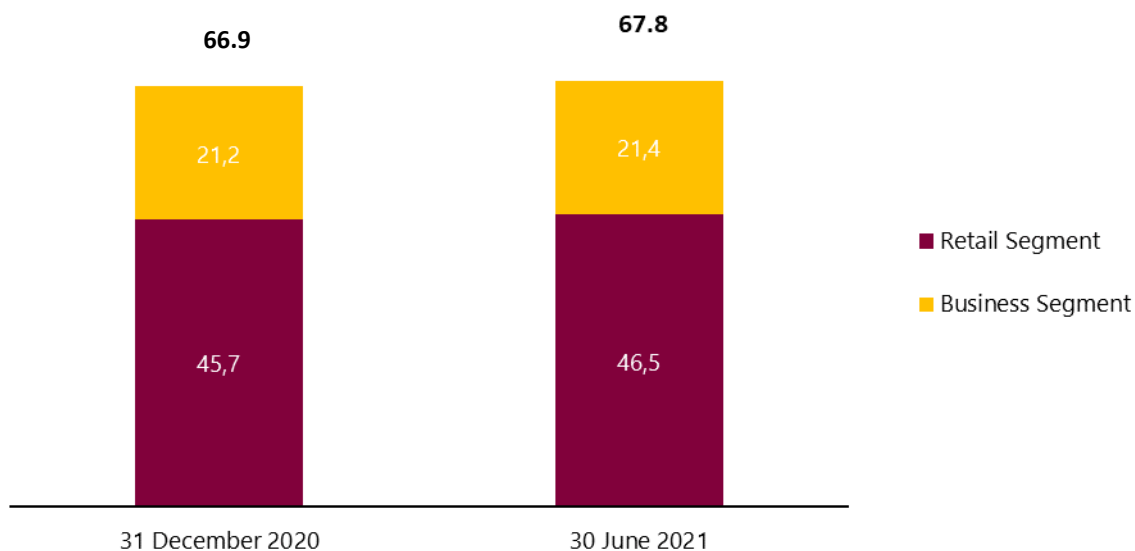
More than 27% loans granted by the Bank are loans to customers from Masovia. Over 29% loans are receivables from customers from Silesian, Lower Silesian and Wielkopolska regions. Receivables from residents of the remaining regions account for over 43% of the total loan portfolio.

Current deposits are the main component amounts due to customers. They accounted for 84% of all amounts due to customers as at the end of June 2021 (up by 10.9 p.p. compared to 30 June 2020). The second-largest item in amounts due to customers are term deposits amounting to 13.9% of all amounts due to customers as at 30 June 2021 (decreased by 8.8 p.p. compared to share as at 30 June 2020). The remaining amounts due to customers were funds obtained through the issue of the Bank's own securities, other liabilities and own bond issues.

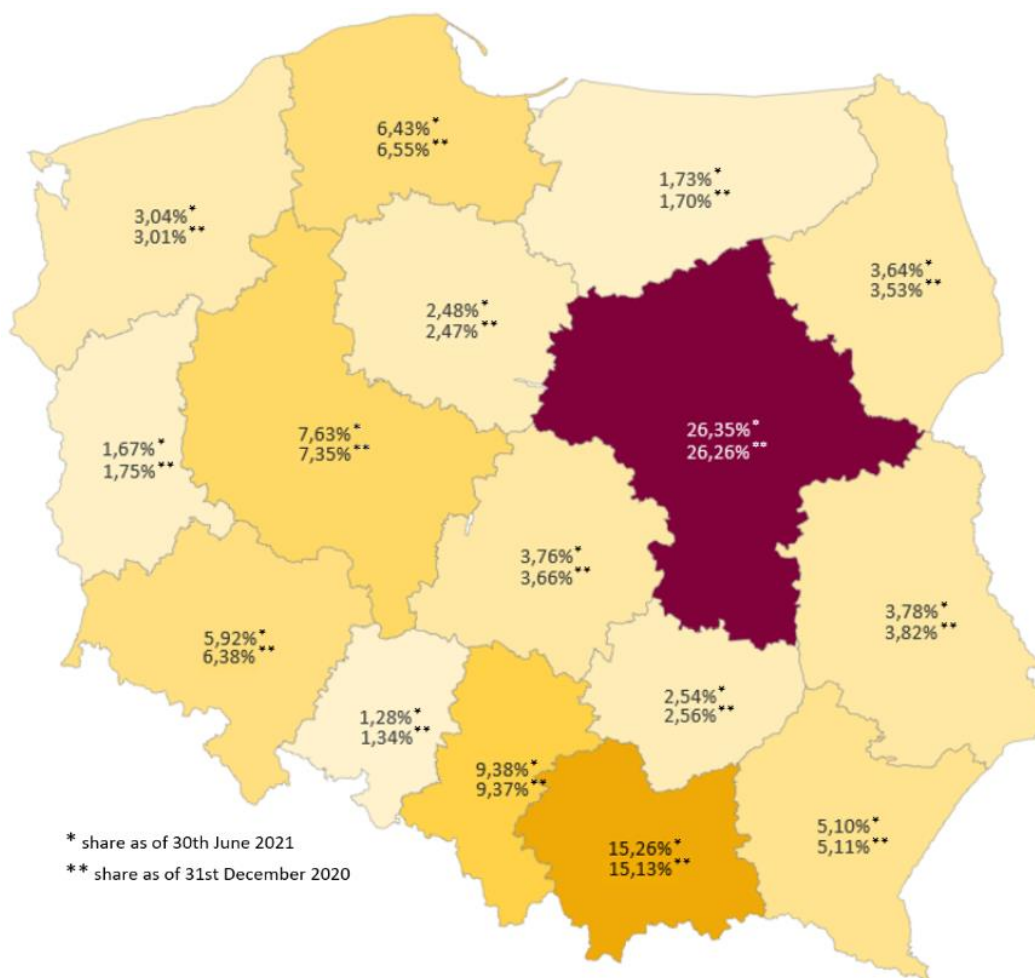
Amounts due to customers (in PLN billion)



Amounts due to customers (in PLN billion) – by segments



Territorial structure of deposits as at 30 June 2021 and 31 December 2020



Funds deposited at the Bank come mainly from customers from Masovia (26%), Małopolska (15%) and Silesia (9%) regions. Customers from the remaining regions deposited at the Bank funds accounting for 49% of the entire deposit base.



Contingent liabilities

In the item of contingent liabilities, the Bank has commitments to grant loans. These liabilities include approved loans, credit card limits, and overdraft limits and ROR. Under the guarantee item, guarantees and letters of credit are presented which secure the performance of the Bank's customers with their obligations towards third parties.

The guarantee values reflect the maximum possible loss that would be disclosed on the balance sheet date if all customers did not satisfy their obligations.

As at 30 June 2021, Alior Bank has granted 1,139 active guarantees for a total amount of PLN 743,878,000.

As at 31 December 2020, Alior Bank granted 1,259 active guarantees for a total amount of PLN 792,840,000.

The Bank makes sure that the time structure of the guarantees is appropriate. Active guarantees with less than two years to maturity (871 items) amounted to PLN 493,634,000.

The total value of off-balance-sheet contingent liabilities granted to customers as at 30 June 2021 amounted to PLN 9,442,148,000. This amount consisted of PLN 8,698,270,000 off-balance-sheet contingent liabilities related to financing and PLN 743,878,000 off-balance-sheet guarantee contingent liabilities.

The total value of off-balance-sheet contingent liabilities granted to customers as at 31 December 2020 amounted to PLN 9,321,791,000. This amount consisted of PLN 8,528,951,000 in off-balance-sheet contingent liabilities related to financing and PLN 792,840,000 in off-balance-sheet guarantee contingent liabilities.

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

Off-balance-sheet contingent liabilities granted to customers	Status as at 30/06/2021	Status as at 31/12/2020
Off-balance-sheet liabilities granted	9,442,148	9,321,791
Financing	8,698,270	8,528,951
Guarantee	743,878	792,840

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

Breakdown by entity	Status as at 30/06/2021	Status as at 31/12/2020
Entity 1	145,556	161,685.00
Entity 2	67,000	67,000.00
Entity 3	54,514	43,766.00
Entity 4	39,055	39,572.00
Entity 5	35,353	39,064.00
Entity 6	34,232	35,487.00
Entity 7	20,000	25,123.00
Entity 8	18,513	23,093.00
Entity 9	15,000	15,641.00
Entity 10	15,000	15,034.00
Other	299,655	327,375.00

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

Broken down by product	Status as at 30/06/2021	Status as at 31/12/2020
Lines of credit	8,424,024	8,386,507
Import letters of credit	34,702	1,083
Credit commitments	239,544	141,361
Guarantees	743,878	792,840
Total	9,442,148	9,321,791

Financial projections

Alior Bank did not publish any projections of financial results.



Factors affecting Alior Bank's operations in subsequent quarters

The Bank has identified the following factors that may affect its financial results within the next several months:

- the scale of demand for banking services and the customers' ability to repay their financial obligations on time largely depends on their financial condition. In addition to the national macroeconomic situation, the economic standing of many customer groups also depends on economic policies. Both the slower growth of the Polish economy and change of the legal framework in which businesses operate may adversely affect the financial situation of selected customers of our Bank,
- progressing consolidation and restructuring processes in the banking sector,
- growth of banking services offered by non-regulated entities,
- interest rate policies of the Monetary Policy Council,
- the fourth wave of the COVID-19 pandemic and the uncertainty related to the possibility of introducing further restrictions,
- regulatory changes.

Moreover, we can note the following opportunities and threats for the Bank:

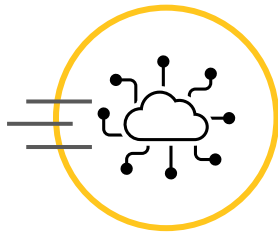
Opportunities	Threats
<ul style="list-style-type: none"> • High confidence placed in banks as compared to other actors of the financial services sector (especially FinTechs and technology companies). • Regulatory changes related to open banking (EU's PSD2) providing new opportunities for access to customers and development of offering by easier integration of third-party solutions. • Development of new technologies to enable increased profitability. • Growing penetration of online access, mobile devices and – as a result – digital banking in Poland. • Progressing consolidation and restructuring processes in the banking sector. • Increase of interest rates by the Monetary Policy Council. 	<ul style="list-style-type: none"> • Risk of downturn in the business cycle and deteriorated economic situation (on the national and/or global scale), translating, among other things, into lower quality of the loan portfolio. • Deteriorated situation in the banking sector incl. as a result of regulatory changes. • More fierce competition in the financial services market due to: i) consolidation of the banking sector, ii) development of new financial institutions (FinTechs), iii) perspective of the development of financial services by global technology companies, and iv) effects of EU's PSD2 regulations coming into force. • Risks involving cybersecurity of Polish banking sector actors.

IV. Impact of COVID-19 on the operations of Alior Bank

Impact of COVID-19 on the pursuit of the Bank's business strategy

The past 6 months meant the time of effectively responding to the needs of customers who were functioning during the COVID-19 pandemic.

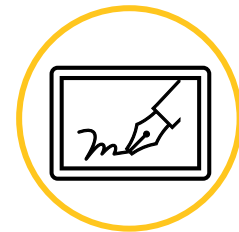
The COVID-19 epidemic intensified three main trends in Polish banking.



Complex expectations of customers towards banks



Increasing trust in remote channels



Access to technologies increasing comfort

The strategic goals set by Alior Bank under the influence of the COVID-19 epidemic have become even more important. Alior Bank pursues the strategic directions, placing a particular emphasis on the development of its digital offer and services, as well as on communication and educational activities addressed to customers. Our priority is to provide customers with the widest access to products and services offered by Alior Bank to the extent and in a way that is as convenient and safe as possible.

Having regard to the comfort and safety of our customers, we accelerate the deployments – remote customer service is a priority.

The Bank consistently develop the digitisation of our services. We extended the possibility of booking an appointment via the popular Booksy application to include all own branches. Collaboration with Booksy is a response to the pandemic and the need to provide customers with as great as possible comfort and safety. Both personal customers, as well as micro-entrepreneurs can arrange a visit to the Bank in order to settle matters such as, for example, opening or handling a personal or business account, taking a loan or credit, opening or closing a savings account, handling a mortgage, investments, and more.

We also improve our remote processes, refining the appearance and intuitiveness of the website, as well as of Alior Mobile and Alior Online apps. Our priority is set at deploying remote end-to-end processes available both

online and in the mobile app. In H1 2021, we provided our customers with access to, for instance, a fully remote process of purchasing *Wojazer* travel insurance.

We support the business of our customers and advise the best solutions.

These goals are also pursued through products and services offered to business customers. Furthermore, besides extending the remote offer, we place our focus on collaboration with key state institutions, such as the Polish Development Fund, to partake in aid programmes through, *inter alia*, providing applications for subsidies under the Financial Shield or refinancing combined with a 12-month grace period in repayment of lease instalments for customers from those sectors that the pandemic has affected the most. However, we pay special attention to the quality of the loan portfolio, we have not decided to loosen our credit policies, we focus on credit risk management in one of the most important places.

Impact of COVID-19 on financial results

In Q1 2021, the adverse impact on the Bank's net interest income continued, which was driven by the consequences of three decisions of the Monetary Policy Council of 17 March 2020, 8 April 2020 and 28 May 2020 on reducing the NBP reference rate by a total of 1.4 pp. Thanks to the adaptation of the deposit offer to the environment of low interest rates, the Bank's financing cost was reduced from CoF 1.12% in Q4 2019 (i.e., the last quarter before the pandemic) to 0.17% in Q2 2021. Nevertheless, the assets held by Bank, mostly indexed to Wibor indicators, were overestimated more strongly, which, despite the reduction in the cost of financing, resulted in a decrease in the net interest margin (NIM from 4.11% in Q4 2019 to 3.58% in Q2 2021)

The inflow of new customer applications for credit holidays was highly limited in H1 2021, and their financial impact in the form of insignificant modifications recognised in accordance with IFRS 9 in the interest result amounted to PLN -3.8 million in H1.

As at 30 June 2021, during the period of taking advantage of the so-called non-statutory credit holidays, there is a balance of PLN 129 million in loans, and in the period of taking advantage of the so-called statutory credit holidays, there is a balance of PLN 65 million in loans.

In H1 2021, the Bank did not create/release COVID-19-related write-offs, except for standard changes in the balance of write-offs stemming from the current standard update of risk model parameters.

Impact of COVID-19 on the operations of the Bank outlets

During the pandemic, from 12 March 2020 to 30 June 2021, we dealt with temporary unavailability of certain Branches and Partner Outlets. Alior Bank outlets provided customer services in shortened work hours. Alior Bank adapted customer support services to the guidelines of the Ministry of Health, including by the introduction of the so-called hours for seniors. In May 2020, we standardised the customer service hours in the entire network of our branches. Customers can now receive customer service between 9:00 a.m. and 5:00 p.m. Depending on the branch, cash desk service is conducted from 9:00 a.m. to 5:00 p.m. or from 9:30 a.m. to 4:30

p.m. Fifteen branches of our network operate as standard in the cashless formula. Partner outlets provide services during standard work hours.

Customer service is conducted in compliance with the applicable regime of sanitary restrictions. We introduced specially-purposed labelling in branches and partner outlets. Inside branches, it is mandatory to cover mouth and nose. Employees comply with the established rules on disinfecting service stations and equipment used by our customers. Each outlet has in place disinfectants available for use by customers. Special see-through screens are set up at all service stations, separating employees from customers. We were forced to temporarily withdraw mineral water and press dispensers, which were thus far available to customers waiting to receive service, and new branches no longer offer access to the Alior Cafe zone. Advertising materials are handed over directly by bankers. We are continuing to comply with all these restrictions to make sure that the possibility of contracting the COVID-19 virus is limited as much as possible.

Social distancing rules in place at all bank branches have an impact on the organisation of customer service. In our branches, we strictly avoid situations where customers would gather in greater numbers, which results in a reduced distance between them. At the same time, we endeavour to provide service to as many customers as there are customer service desks available. In the current situation, customer service based on a meeting calendar schedule is of particular importance. Customers, who arranged a meeting with an account manager, do not have to wait to receive service. Alior was one of the first banks to make it possible for its customers to book appointments via the Booksy application. From 16 June 2021, Ccustomers have been able to book appointments via the Booksy app to all Alior Bank branches.

Impact of COVID-19 on the quality of the credit portfolio

This year the Bank did not observe an adverse impact of the macroeconomic environment on the quality of the credit portfolio. The cost of risk in H1 2021 was approximately 20% below the Bank's expectations for this period.

In the Bank's opinion, this situation is largely caused by the scale of support received by customers both in terms of payment moratoria, as well as public and legal assistance, that proved to be effective tools for counteracting the consequences of the pandemic. As for the quality of the loan portfolio, the environment of low interest rates also remains a significant factor.

An important aspect mitigating the impact of the pandemic on the quality of the Bank's credit portfolio is its structure by industry. The Bank conducts regular analyses concerning the exposure of individual industries to the economic environment. These analyses generally encompassed the impact and effects of lockdown, observations of business activity pursued by customers, outlooks in the expected macroeconomic environment, impact of changes in consumer sentiments, effects of changes in global supply chains, as well as the scale of public and legal support and its fundamental impact on support for enterprises.

As a result of the aforementioned analyses, the Bank distinguished categories of industries in terms of exposure to COVID-19 effects, which directly translate into credit policy parameters:

- industries most affected by the crisis (including shopping centres, passenger transport, hotels, restaurants, organisation of sports and cultural events),
- crisis-threatened industries (including transport of goods, manufacture of clothing, textiles, wholesale and retail trade, excluding trade in essential commodities),
- slightly affected or crisis resistant industries.

The Bank adjusted its credit policies and processes to the current macroeconomic situation and resulting threats.

The changes were aimed at providing support to customers (including as regards business activity conducted by business customers) while, at the same time, focusing on minimising credit losses of the Bank.

The main changes in the credit policy towards business customers include:

- implementation of payment moratoria (credit holidays),
- introduction of liquidity loans with an FGP BGK guarantee into the range of offered products,
- expanding the use of the BGK *de minimis* guarantee to include companies from the SME segment,
- implementation of process simplifications in order to ensure the continuity of operation of processes in a situation of limited opportunities to contact the customer,
- active management of the industry policy – separation and diversification of financing approval criteria depending on the degree of exposure of individual industries to risks resulting from the COVID-19 pandemic,
- implementation of additional risk assessment and acceptance components for directly or indirectly exposed industries when granting new exposures,
- diversification of the approach to renewing existing exposures depending on the industry.

The main changes in the policy towards retail customers include:

- assessment of PD and LGD parameters of new exposures adjusted by the expected impact of a potential recession as part of the credibility assessment and appropriately updated cut-off points,
- implementation of payment moratoria (credit holidays),
- a conservative approach to increasing the exposure of persons applying for the non-statutory moratorium,
- more restrictive conditions for lending to those employed or running a business in high-risk industries,
- a prudent approach to lending to customers whose source of repayment is income from civil law contracts,
- more restrictive conditions concerning the period of income acquisition – extending the minimum period of employment or conducting business activity (mortgage loans) and limiting lending to persons employed under fixed-term contracts.

The Bank actively supported customers in terms of liquidity by offering both credit support tools and participating in government aid programmes.

The Bank offers the following support tools:

- payment moratoria concerning the deferral of principal or principal and interest instalment payments in 3- or 6-months' periods resulting in the corresponding extension of the remaining period. These activities were carried out both to the extent of sectoral consensus and statutory guidelines,
- offering financing secured with guarantees provided by Bank Gospodarstwa Krajowego, i.e., loans with *de minimis* guarantees on special terms and conditions for the COVID-19 period, cosine guarantees, or guarantees from the liquidity guarantee fund,
- participation in the programme of subsidised interest rates offered under the Shield 4.0 by Bank Gospodarstwa Krajowego,
- intermediation in the processing of applications and providing financing to micro-enterprises and SMEs under agreements concluded with the Polish Development Fund.

The payment moratoria granted by the Bank within the framework of the sectoral consensus, which amounted to approx. PLN 8 billion, approx. 1.5% of them remained active as at 30 June 2021. Approx. 80% of customers for whom the moratoria period ended, returned to regular service.

With regard to the payment moratoria granted by the Bank within the statutory framework, which amounted to approx. PLN 460 million, approx. 14% of them remained active as at 30 June 2021. Approx. 58% of customers for whom the moratoria period ended, returned to regular service.

Thanks to all the above-mentioned circumstances and actions, the quality of the loan portfolio remains immune to the effects of the pandemic, where the share of the 30-day overdue portfolio in baskets 1 and 2 amounted to 0.7% as at 30 June, while before the pandemic (March 2020) it was of 1.4% (whereby, it is worthwhile to note that the decrease of approx. 27 bps relates to the effects of the implementation of the new default definition in January 2021). Similarly, the share of the non-performing portfolio in the total portfolio decreased, which amounted to approx. 12.6% as at 30 June 2021, while as at 31 March 2020 to 14%. At the same time, the Bank increased the provisioning of the non-performing portfolio by approx. 3 pp.

V. Business activities pursued by Alior Bank



Activities pursued by Alior Bank S.A.

Alior Bank is a universal commercial bank providing its services to private individuals, corporations and other entities being domestic or foreign residents. The core operations of the Bank include the keeping of bank accounts, providing loans and advances, issuing bank securities and purchasing and selling foreign exchange. The Bank also pursues brokerage, financial advisory and intermediation services, underwriting of the issuance of corporate bonds, and providing other financial services.

Alior Bank has been providing its services in Poland and Romania through a foreign bank branch since 2017.

The Bank's activities are conducted through divisions offering specific products and services addressed to particular market segments. The Bank uses the following division in its activities:

Individual customer
(retail segment)

Business customer
(business segment)

Treasury activity

Detailed information on the Bank's business segments is presented in Interim condensed consolidated financial statements of the Alior Bank SA Capital Group for the 6-month period ended 30 June 2021 (Note 3).

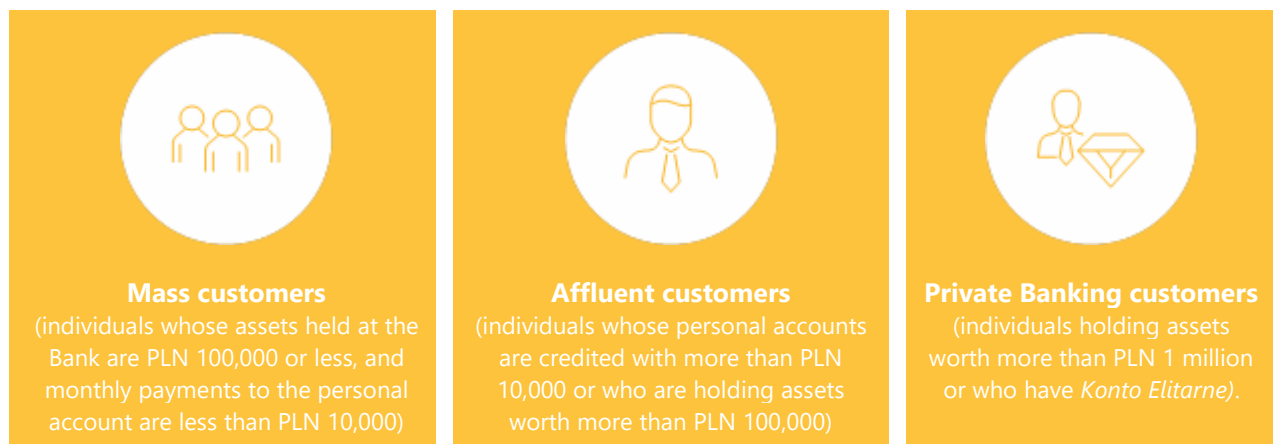


Retail segment

General information

As at 30 June 2021, Alior Bank served 4.2 million individual customers.

The Bank has distinguished the following operating segments among its retail customers:



The above-mentioned segmentation is reflected in the structure of the sales network: universal branches, Premium branches and Private Banking, respectively.

In addition to operating segmentation, the Bank also uses modern CRM segmentations for business purposes. The Bank has in place 2 CRM behavioural customer segmentations – banking-penetrated individual customers and customers who, with the support of the bank, finance instalment payments and otherwise have no other relationship with the Bank (Consumer Finance).

Segmentations make it possible to customise appropriate communication, contact channels, product packages and personalised Value Added Services that complement traditional functionalities of products and services offered by the Bank. Segmentation dedicated to Consumer Finance customers allows to enhance the quality and effectiveness of sales communication, in which the Bank also offers its instalment customers other professional banking products and thus achieves acquisition and revenue objectives.

Distribution channels

As at 30 June 2021, Alior Bank held 643 outlets (175 traditional branches, 7 Private Banking branches, 13 Corporate Banking Centres, and 448 partner outlets). The Bank's products were also offered within the network of 10 Mortgage Centres and a network of approximately 3,000 intermediaries.

 **175**
traditional branches

 **7** Private
Banking branches

 **13** Corporate
Banking Centres

 **448**
partner outlets

In H1 2021, the Bank modernised its Branches following the new format, presented for the first time in December 2019. These branches are distinguished by innovative design and the use of new technologies. The role of the branches is, above all, to provide comfort and privacy to customers and working comfort to bankers. Materials used are eco-friendly and come from local suppliers.



Alior Bank also used distribution channels based on its state-of-the-art IT platform comprising: online banking, mobile banking and call centres as well as DRONN technology. Through the Internet, the Bank enable its customers to make contracts for: personal accounts, currency accounts, savings accounts, term deposits, debit cards and brokerage accounts. These channels also accept applications for credit products: cash advances, credit cards, overdraft facilities and mortgage loans. Through the Internet, the Bank also offers hire-purchase loans handled online and enables its customers to use Currency Exchange Office services.

Traditional branches of Alior Bank are located throughout Poland, especially in cities and towns with more than 50,000 residents, offering full range of its products and services. Partner outlets are located in smaller towns and in selected locations in the main cities of Poland, offering a broad range of savings & credit services and products for retail and business customers.

The Bank collaborates with its partner outlets based on outsourcing agency contracts. Under such contracts, agents provide only services related to the distribution of the Bank's products on behalf of the Bank. These services are provided from the premises owned or rented by the agents approved by the Bank.

As mentioned above, the Bank's products are also offered through a network of financial intermediaries, such as Expander, Dom Kredytowy Notus, Fines, and others, which mainly offer mortgage loans and cash advances.

After the Cash Platform turned out to be successful, the Bank continued to expand its cooperation with other companies – the offer is already available to cumulatively several thousand employees working for various entities, more companies joined this group at the beginning of 2021, extending the Platform's reach to several dozen thousand employees. This innovative platform is owned by PZU and is based on the technology provided by the Bancovo.pl website. By means of the Cash Platform, employees employed on the basis of an employment contract may quickly and easily obtain a low-interest loan for any purpose, which is automatically repaid from their wages. The process of applying for a loan is fully remote – from completing the online application until signing the contract by text message. The employee receives money on the next business day after signing the contract at the latest. Instalments are automatically deducted from wages, so it is not necessary to remember about the date of their repayment. The Cash Platform is beneficial also to employers, for whom it is an option to offer additional financial benefits to their employees. In fact, it is employers who are the primary customers of the Platform.



Loan products

Cash loans

A cash loan is Alior Bank's main product for an individual customer. It is available in all distribution channels of the Bank: Own branches, franchise network, remote (telephone) sales as well as internet and mobile banking. It may be spent for any purpose or for the repayment of financial debt (consolidation loan).

H1 2021 saw a change in the approach of how to sale of a loan and other products for an individual customer. The sale in the multi-product offer renders it possible to establish a lasting relationship with the customer, thanks to the fact that the loan offer includes the knowledge about the existing products and transactions as well as the products owned.

The Bank's offer was enriched by *Pierwsza Pożyczka [First Loan]* for those customers who had not yet taken out a loan or a consolidation loan from Alior Bank. *Pierwsza Pożyczka* is a product that encourages customers to take their first steps in the world of finance. Low loan costs and, above all, the possibility of applying 100% online allow for the quick covering of unforeseen expenses as well as for the financing of long-postponed plans.

Furthermore, the Bank also continued positively-perceived promotional offers, affordable "Pożyczka z Mikrokosztami" [*Loan with Micro-costs*], as well as the "Bezpieczna Konsolidacja" [*Safe Consolidation*] loan offer enabling customers to consolidate liabilities from outside Alior Bank.

The Bank develop a portfolio of products related to the care for the natural environment. It had already had an *Eko Pożyczka [Eco Loan]* in its offer, namely a loan offer prepared for those customers whose plans include buying an electric car. The loan interest rate is 0%, and the commission fee 10% – all one has to do is to provide a scan of the invoice for the purchase of the car.

In H1, the Bank also worked on the implementation of a new cash loan, *Czyste Powietrze [Clear Air]*. This loan is associated with a subsidy under the "Clear Air" programme, managed by the National Fund for Environmental Protection and Water Management. It may be allocated to co-finance the replacement of old and ineffective heat sources, to buy solid fuel or modern heat sources that address supreme standards, central heating and hot water installations, ventilation, photovoltaic, as well as to carry out necessary thermo-modernisation works in the building.

In April 2021, the Bank made it possible to taking a loan using a digital signature. The new method of signing documents streamlines the process of selling the Bank's products.

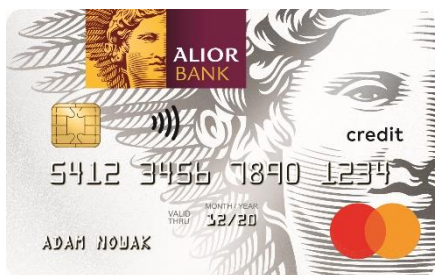
The Bank continued to pursue its strategy for cross-selling to its existing customers by offering preferential pricing and a simplified loan application process, both through outlet channels and through online and mobile banking.

For the purposes of activation and selling additional credit and savings products to the Consumer Finance customers, the Bank carried out a number of activities aimed at building brand awareness and activating customers in digital channels, as well as to persuade them to buy products and take advantage of special offers, not only the cash loan, but also other products addressed to personal customers.

In this way, the Bank continued its new approach to the distribution of loans to its own customers, rewarding active customers and encourages existing and new customers to be active in daily banking.

The Bank also continued to develop the functionalities resulting from the provisions of the EU's PSD2 directive, i.e., the option for customers of other banks to apply for credit products offered by Alior Bank without the need to present a certificate of earnings (access to information on the AIS payment account). The solution is already available in all stationary and remote channels. Within the framework of the EU's PSD2, Alior Bank collaborates with seven banks: Pekao S.A., PKO BP, ING Bank Śląski, Santander Bank Polska, mBank, Bank Millennium, BNP Paribas Bank Polska.

Activities of Alior Bank in relation to the development of the cash loan, like in the previous year, were once positively received by market experts who, in April 2021, gave the Bank an award for the best cash loan and credit card offer in the 12th edition of the prestigious "Golden Banker" competition. The award is given based on the price parameters of the product and the functionality of the products while taking into account various customer profiles.



Credit cards

As part of its range of credit card products for retail customers, in 2021 the Bank continued to promote the following credit cards: MasterCard OK! and "TU i TAM". Moneyback continued to be their main benefit: for the MasterCard OK! card it is the domestic moneyback available in selected commercial outlets, whereas for the "TU i TAM" cards it is accrued for transactions in a currency other

than PLN (including online transactions and those executed abroad). For the most affluent customers from the Private Banking segment, the range of offered products and services continues to include the prestigious World Elite Card coupled with a concierge services package, i.e., the assistance of a specialised call centre, insurance and Priority Pass – opportunity to use airport lounge services.

In addition to favourable currency translation terms, the Mastercard "TU i TAM" card also provides immediate access to discounts and special attractions offered under the "Priceless Specials" loyalty programme. For customers who have the MasterCard OK! credit card and with the credit cards portfolio in mind, we gave them an option to join the programme via a branch, hotline and the Bank's online banking system.

In H1 2021, Alior Bank was the first bank in Europe to make the Mastercard® Priceless® Specials programme available to the bank's customers. This means that the customer can manage their credit card and their

Mastercard® Priceless® Specials account from the banking app. At present, the Bank's customers can take advantage of the promotional additional 4,000 points awarded on account of subscribing to the Mastercard® Priceless® Specials programme.

In collaboration with MasterCard, we also managed to launch a new category of prizes in the programme – #ECO. It makes it even easier to care for the environment and a healthy lifestyle.

Yet another Eco offer includes special benefits for the Credit Card launched in H1 2021, including "Refund for eco-purchases with a Credit Card" and "Eco-Purchases with a Credit Card - PLN 0 instalments".

Furthermore, we launched the process of customising the credit card to the individual needs of customers in order to increase transactionality.

Overdraft facilities

It is a type of loan that is closely related to a personal account and gives the ability to borrow against a debit on the account. The granted limit amount increases the amount of funds available on the customer's account. Each and every transfer to the account repays the used limit and renews it. Debt can be incurred multiple times up to the authorised overdraft limit and each payment credited to the account reduces or clears the debt. The Bank offers overdraft facilities for an amount from PLN 500 up to PLN 150,000 without any additional security. In order to attract new customers holding *Konto Jakże Osobiste* account and activate the account portfolio, we suggest customers to launch of benefits of the Highly Personal Account account – 10 days interest-free for limits up to PLN 1,000.

Mortgage loans

Mortgage loans at Alior Bank are provided mainly for residential purposes related to the purchase of real property. These loans can also finance the finishing, refurbishment or adaptation of a property, purchase of a plot of land and the construction of a single-family house. In addition, it is possible to get a refund of expenditures incurred during the last 2 years for residential purposes. The funds from these loans can be used for any purpose unrelated to business activity or to consolidate other liabilities.

Mortgage loans are characterised by long-term exposure (up to 30 years) and maximum LTV at 90%.

They are available against the commission or, optionally, against life insurance.

In H1 2021, the Bank continued its prior policy in the mortgage loan segment.

The Bank is oriented towards offering mainly PLN-denominated loans for residential purposes, which are a dominant item of the mortgage loan portfolio. The continue to be complemented by loans indexed to the USD, EUR for residential purposes, available to those who earn their income in foreign currencies.

The Bank consistently strives to increase its share of mortgage loan sales in the largest, dominant markets, i.e., Warsaw, Cracow, Wrocław, Poznań, Szczecin, Gdańsk or Łódź, through the sale of loans in the "Własne M w Wielkim Mieście" [*Own Apt. in the Big City*] promotional product range.

The Bank also follows the current pro-ecological trends, by launching a special offer "Własne EKO M" [Own ECO Apt.].

Notwithstanding the ongoing COVID-19 pandemic and the related variable economic situation, the Bank managed in H1 2021 to achieve a nearly 45% increase in sales compared to H1 2020 and achieved a mortgage market share (in 5 months of 2021) at the level of 4.2%.

Term deposits

The Bank offers term deposits in PLN and in foreign currencies (with fixed interest rate depending on the term of the deposit currency). Customers can choose the period for which they want to allocate their savings. The deposit may be opened in a distribution channel of their choice, including via Alior Online online banking and the Alior Mobile mobile app.

Savings accounts

The Bank offers to individual customers PLN-denominated savings accounts which encourage them to save while keeping flexible access to their funds. At present, the basic product is a savings account with a higher interest rate dedicated those customers who set up *Konto Jakże Osobiste* and choose this feature as one of the benefits.

Additionally, the Bank's offer includes a savings account called "Bonus dla Młodych" [Bonus for Youth] intended exclusively for minors who are 13 years of age and under 18 years of age. The offer of savings accounts is supplemented by the "Rodzina 500+" [500+ Family] option, which is dedicated to those customers who have successfully applied for a child benefit (500+ Family Application) via Alior Online internet banking, or a transfer of this benefit has been credited on their personal account held at Alior Bank. Savings account holders under both of the above-mentioned offers can count on a preferential interest rate on funds, subject to the amount of the account balance and the duration of the promotion.

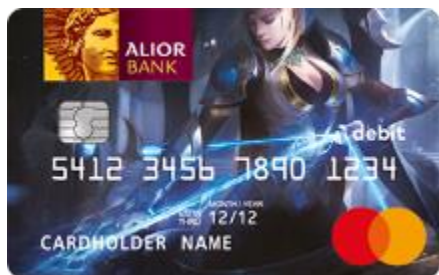


Personal accounts

In H1 2021, the Bank developed new services available as part of the current account offer. In May 2021, the full functionality of the Mastercard® Priceless® Specials loyalty programme was made available in the Alior Mobile mobile app. The programme participant can check the number of points scored, as well as select goals from a wide catalogue of prizes related to individual hobbies, interests and to supporting ecological initiatives, such as planting trees or protecting wild animals. The programme is available free of charge to all holders of

MasterCard debit cards. Having collected the required number of points, customers can receive in the Bank's mobile app the prizes of their choice for card payments.

In May 2021, in Alior Online internet banking we also made it possible to change for free the existing account type to the flagship *Konto Jakże Osobiste*, under which customers can tailor services to their needs, choosing from 11 benefits, incl., free withdrawals from ATMs in Poland or abroad, 1% refund for mobile payments or a package of free instant transfers.



Alior Bank was the first bank in Poland to launch a special offer for the gamers segment and became the naming rights sponsor of the Ultraleague and a partner in Polsat Games in all League of Legends tournaments. As part of the promotion, we prepared a special debit card with the image of the heroine of League of Legends – Ashe. Almost 20K customers have already ordered this card. Sponsoring activities during the Alior Bank Ultraliga (January-June) entailed 80% of the sales of *Konto Jakże Osobiste*.

The range of personal account products is complemented by the *Konto Elitarne* account dedicated to the Private Banking segment, the "Konto Internetowe" [*Online Account*] account, the "Podstawowy Rachunek Płatniczy" [*Primary Payment Account*] account and Currency Accounts kept in four primary currencies: USD, EUR, CHF, GBP. Currency accounts holders can also use the multi-currency service which enables them to link their currency accounts kept in USD, EUR, GBP to their debit card issued for *Konto Jakże Osobiste* or *Konto Elitarne*.

Dealing services

Alior Bank offers a broad range of dealing services, including: incoming and outgoing cash payments, cash payments to accounts kept at the Bank and at other banks, instant transfers and cashless transactions using cards. The Alior Mobile app offers innovative mobile payment methods through BLIK, Android Pay and Apple Pay, and contactless smartwatch payments using Fitbit Pay, Garmin Pay and SwatchPAY.

Currency exchange transactions

Currency exchange transactions are available at the Bank's outlets, through online banking (PLN, EUR, USD, GBP, CHF), as part of currency conversion related to international transfers and card transactions abroad, as well as through special, dedicated transaction platforms – Autodealing. In addition, customers have access to the Kantor Walutowy [*Currency Exchange Office*] platform available 24/7 at <https://kantor.aliorbank.pl>. As part of the platform, customers can exchange as many as 23 currencies, and foreign currency accounts are free of charge. In addition, we provided personal customers with a free multi-currency card that supports stationary and online payments in nearly 160 currencies without additional conversion costs. Individuals holding foreign currency accounts and those who have entered into a treasury master agreement may exchange currency with

a dedicated Currency Dealer at the Treasury Department. The Bank made available to its customers foreign-currency transactions for the following currencies: PLN, EUR, USD, CHF, GBP, CAD, NOK, RUB, DKK, CZK, SEK, AUD, RON, HUF, TRY, BGN, ZAR, MXN and JPY.

Holders of the *Konto Jakże Osobiste* account are provided by the Bank with the additional option to use the multicurrency service which enables them to link their currency accounts kept in the USD, EUR, GBP to their debit card accompanying their *Konto Jakże Osobiste* account, and, as part of benefits of the *Konto Jakże Osobiste* account, a service of card payments without extra costs of currency conversion.

Bancassurance products

In 2021, borrower's life insurance (called PPI) offered on advances and mortgage loans played a dominant role in the bancassurance area. Going further, from 4 January 2021, the Bank, in collaboration with PZU SA, launched a new income source insurance to its offer, which is available to cash loan borrowers. The implementation of the new product had a positive translation into an increase in revenues from insurance sales.

In H1 2021, in collaboration with Powszechny Zakładowe Ubezpieczeń na Życie SA, the Bank continued to distribute individual life insurance with insurance capital funds *Multi Kapital*. As part of the *Multi Kapital* insurance, customers conclude an individual life insurance contract and have access to over a hundred unit-linked insurance funds featured with different investment strategies, investment geographic regions, profit potential and investment risk levels.



In 2021, the Bank also offered group insurance as an extra benefit accompanying banking products. These also included assistance and travel insurance as part of the *Konto Jakże Osobiste* account, travel insurance added to credit and debit cards World Elite, as well as group and assistance insurance for hire-purchase loans.

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

Structured products

In H1 2021, Alior Bank subscribed to 7 series of Banking Securities (BPW) with a total nominal value of PLN 112,235,000 and USD 1,525,500, including:

- 3 series of Banking Securities under the 1st Issue Programme with the nominal values as follows: PLN 28,630,100 and USD 1,525,500,
- 4 series of Banking Securities under the 2nd Issue Programme based on the base prospectus with a total nominal value of PLN 83,604,000.

In February 2021, Alior Bank for the first time offered Banking Securities based on the base prospectus approved by the Polish Financial Supervision Authority on 31 December 2020.

Banking Securities issued through a public offering were aimed at personal customers, including Private Banking customers, with an appropriate investment profile and to corporate customers. The issues of banking securities were characterised by 100% principal protection on the maturity date and – for one series – also with guaranteed semi-annual coupons. The value of the potential interest to be disbursed depends mainly upon the movements of the baskets of shares constituting the underlying instrument for each Banking Securities series. In H1 2021, 10 issues of Banking Securities took place, of which the best one closed with an 12% result. At the same time, the Bank continued to offer structured products with a limited guarantee on the principal amount and/or conditional early redemption for selected Private Banking customers. In H1 2021, the offer included 6 such products, of which 4 were autocall certificates and 2 reverse convertible certificates, i.e., certificates that are reversibly convertible into shares. The total nominal value of structured certificates was PLN 42,814,000.

In H1 2021, 8 structured autocall certificates were closed, all with coupon payments, of which the highest return on investment was 26%.



Retail segment areas

Consumer Finance

Under its retail segment, the Bank has offered Consumer Finance products.

In H1 2021, sales in the Consumer Finance area, despite the fact that stores and shopping centres were closed, did not decline. Projects aimed at optimising sales processes in sales channels were continued, taking into account the preferences of business partners and the interest of customers in a safe form of concluding credit contracts. Despite the persistent situation caused by the pandemic, measures were taken to support the maintenance of stable cooperation with the current partners and the acquisition of new contractors from the EKO industry.

In addition, this period saw intensive works on the preparation by Alior Bank of the “Clear Air” instalment loan offer in collaboration with the National Environmental Protection and Water Management Fund (NFOŚiGW) programme. These offers are to be available to customers at the beginning of July this year. As part of these works, a collaboration agreement between Alior Bank and the NFOŚiGW and 16 WFOŚiGWs [*Voivodeship Environmental Protection and Water Management Fund*] was already signed, as well as a portfolio agreement of the guarantee facility of the Surety and Guarantee Fund between Alior Bank and BGK.



Private Banking

The Private Banking programme is aimed at the wealthiest individuals who entrust the Bank with assets in excess of PLN 1 million. Customers are served by seven specialised Private Banking branches in: Katowice, Poznań, Cracow, Gdansk and Wrocław, and two branches in Warsaw.

At the end of June 2021, the Private Banking line held more than 6,000 customers. Customers are offered a wide range of investment, saving and credit products customised to their needs.

The flagship product dedicated to this segment is *Konto Elitarne* account kept free of charge for customers holding more than PLN 1 million worth of assets. Customers enjoy a number of benefits, such as individual assistance from a Private Banking banker, confidentiality of account balances, or prestigious debit card MasterCard World Elite, offered at no additional cost, with a rich package of extra services. As far as the investment offer is concerned, the investment advisory service offered in the form of individual strategies is enjoying a rapidly growing interest of customers, and the volume of entrusted assets exceeded PLN 600 million.

Brokerage activity

The Bank has operated brokerage activities through Alior Bank Brokerage House – a separate organisational unit. Brokerage services are offered through the Bank's branches and using remote distribution channels: Brokerage House's Contact Centre, Alior Bank's online banking system, Alior Giełda, a mobile app, and Alior Trader 2, a dealing platform.

As at the end of H1 2021, the Brokerage House kept 85.9 thousand Brokerage Accounts (up by 2% compared to 2020), 51.5 thousand Deposit Accounts, and 6.4 thousand Alior Trader accounts. The value of shares and rights to shares registered on customers' Brokerage Accounts as at 30 June 2021 amounted to 5.75 billion. The share of stock-exchange orders executed through the Alior Giełda mobile app increased to 41% (from 40% as at the end of 2020). The share of Alior Bank's Brokerage House in the trading on the Warsaw Stock Exchange (Stocks and PDA) amounted to 1.51% in H1 2021. The Brokerage House was also two times a participant in a consortium offering shares under IPO.

The individual Investment Consultancy service, which we have been providing against payment at Alior Bank since 2020, still enjoys high popularity. Customers appreciate the quality of services provided by our Brokers and Consultants, whereby, a year since the start of the service, we have provided individual consultancy covering almost PLN 0.8 billion of customers' assets.

Services offered by Alior Bank's Brokerage House also include units of Polish and foreign investment funds. As at 30 June 2021, Alior Bank collaborated with 13 Polish and foreign investment fund companies and in H1 2021 intermediated in the purchase of units of open-end investment funds for the total amount of PLN 1 billion. For non-public closed-end investment funds, the Brokerage House only conducted post-sales service. Total assets accumulated in open-end investment funds through Alior Bank amounted to PLN 3.14 billion as at the end of June 2021, whereas in non-public closed-end investment fund – PLN 0.14 billion.

In April 2021, the Brokerage Account of Alior Bank's Brokerage House once again took the podium (first place) in the ranking of the best brokerage accounts prepared by the editorial staff of the "Puls Biznesu" magazine. It also won the second place in the ranking for the most profitable account for customers, which was prepared by the editorial staff of Bankier.pl.

In H1 2021, a new application for presenting stock exchange quotations was launched – Notowania 5 Pro. In April, the Brokerage House launched the new Alior 4 Trader platform in a demo version, allowing its user to see the new version of the service, which will soon be available for real transactions. In June, we became the Main Partner of the WallStreet conference – Poland's largest and most important meeting of investors, organised by the Association of Individual Investors. We also launched two partnership programmes for our customers: Unimot Klub+²¹ and Squaber Premium²².

Już jest! Nowa aplikacja Alior 4 Trader DEMO!

Przetestuj swoje strategie inwestycyjne na nowoczesnej platformie! Intuicyjny układ aplikacji pozwoli Ci na łatwiejsze i szybsze zarządzanie swoimi inwestycjami.

— nota prawna

DZIĘKUJEMY ZA ZAŁOŻENIE RACHUNKU DEPOZYTOWEGO

Witamy w gronie klientów Biura Maklerskiego Alior Banku. W niniejszej wiadomości przedstawiamy odpowiedzi na najczęściej zadawane pytania, które ułatwią łatwe korzystanie z rachunku. Proponujemy również zapoznanie się z naszym serwisem inwestycyjnym oraz navigatorem rynkowym.

UNIMOT KLUB+

²¹ Unimot is a loyalty program for shareholders who own Unimot shares, customers who have these securities on our accounts can take advantage of the benefits offered by the company (including the purchase of photovoltaic panels).

²² Squaber is an affiliate program in which customers who purchase premium access at Squaber can take advantage of a special offer on a Brokerage account at our BM (lower commission on orders). However, our customers have a discount on purchasing a subscription with access to Squaber premium.



Investment funds

The Bank enables its customers to take advantage of the purchase of participation units in open-end investment funds offered in cooperation with 13 Investment Fund Companies. These include both domestic and foreign companies. Retail customers have wide access to nearly 500 funds via electronic banking, as well as at Private Banking Branches. Customers of Premium Branches have access to funds offered by the Group's entities, namely Alior TFI and PZU TFI. On the other hand, open-end funds of Alior TFI, specifically, *Specjalistyczny Fundusz Inwestycyjny Otwarty Alior [Specialised Open-End Investment Fund Alior]*, are rendered available on the network of Universal Branches providing brokerage services. The ALIOR SFIO fund has 7 separate sub-funds – ALIOR *Oszczędnościowy [Savings]*, ALIOR *Obligacji [Bonds]*, ALIOR *Spokojny dla Ciebie [Easy for You]*, ALIOR *Stabilny na Przyszłość [Stable for Future]*, ALIOR *Zrównoważony [Balanced]*, ALIOR *Akcji [Shares]* and ALIOR *Globalny Nowych Technologii [Global New Technologies]*. Each of the sub-funds pursues a different investment policy and allows for exposure to different classes of assets – depending on the knowledge, expectations and needs of a given investor, it may invest, through a given sub-fund, in shares, bonds and participation units in other investment funds. Thus, it offers products purposed for a wide range of recipients, in accordance with their investment profile. In the last two years, we have observed a great interest paid to the investment offer and a significant inflow of new resources spent on funds – specifically, on the ALIOR *Oszczędnościowy [Savings]* subfund. This sub-fund reached over PLN 1.17 billion in assets, which seems to confirm that the products offered by us are appreciated by investors. Equity-related funds have also enjoyed high popularity recently. Participation units are also available under individual retirement accounts and individual retirement security accounts, which allows investors to save for retirement while benefiting from tax preferences. Moreover, they are offered as a combined product that combines the benefits of a deposit and investing in participation units.



Collaboration in the acquisition of retail customers

Alior Bank's branch in Romania

In 2021, Alior Bank's foreign branch in Romania continued its commercial operations initiated on 18 October 2017. The Romanian Branch sold and serviced banking products for retail customers under the Telekom Banking brand in cooperation with Telekom Romania (Deutsche Telekom group) through a direct distribution network: 51 "SIS" [Shop in Shop] branches, 135 direct sellers (DSA) and 24 brokers, including the largest financial intermediary in the Romanian market – KIWI, as well as through remote channels: Telemarketing, Call Centre, online and mobile banking, as well as 245 Telekom POS (data as at 30 June 2021).



In H1 2021, the Branch's operations were carried out while ensuring the epidemic safety of employees and customers of Telekom Romania. All guidelines of national sanitary services and recommendations stemming from the procedures in force in the PZU Group and Alior Bank were implemented. The possibility of remote work is available to employees. The key projects that were carried out in H1 2021 were regulatory projects. The first one was to implement a system solution that would enable the collection of the customers declaration and consent necessary to send an "inquiry" to the ANAF office. Ever since the project was implemented, the process is carried out for each and every customer that is applying for a loan product at the bank, whereas in the event of its absence, the entire sales process must be suspended. The pursuit of subsequent projects stemmed from EU regulations (EP and RUE Regulations 2019/518 of 19/03/2019 and the so-called "PSD2" directive). In connection with the regulations concerned, the Alior Bank branch in Romania introduced free notifications about the margin for cross-border payments (e-mail, PUSH in the mobile application, SMS), whereas those customers who do not have a mobile banking or exchange office app have the option of making a payment card transaction online by using the so-called ePIN code that the customer may assign in the Web and Mobile channel. The next project implemented afterwards allowed for the pursuit of Alior Bank's strategy based on digitisation and limiting document printing in the process of opening a new customer.

As at 30 June 2021, the Branch in Romania employed 225 full-time equivalents.

Bancovo

H1 2021 saw intensive development of Bancovo, which translated into a growth in the range of the platform's operations. At the end of H1 2021, we reached the level of 400,000 users.



Importantly, this growth was achieved amid the continuous optimisation of marketing expenses, which was possible whereby the awareness of the Bancovo brand built beforehand, customer-based activities and further development of our own affiliate programme. In combination with the algorithms used in the Bancovo decision-making engine, this resulted in a 48% increase in sales conversion in the online loan segment from January to June this year.

Since the beginning of 2021, we have been observing an improvement in the availability of bank loan offers, whose share in Bancovo's sales in this period was approximately 70%. In Q2 2021, saw an increase in the availability of loan offers. The total increase in sales in H1 2021 compared to the same period of the prior year was almost 50%.

H1 2021 was also the time of launching brand-new products in the Bancovo offer, including:

- leasing – in collaboration with Alior Leasing, acting as an intermediary in the financing of cars, machines and devices,
- corporate loans – introduction, for instance, of the offer of Nest Bank and Alior Bank,
- motor and property insurance in Collaboration with the Serwis Ubezpieczeniowy.

In 2021, the fintech continues to develop the business line that builds the company's revenues using unique technological, process and UX know-how, under which it builds, creates and develops digital sales platforms in the area of financial services. In 2020, it was a platform built for PZU CASH. Another such fully digitised insurtech solution will be launched by the end of 2021.

The development of sales of the existing and new business lines saw measurable results, both with regard to the assumed sales plans and revenues. Importantly, the fintech in 2021 is already a self-efficient entity when it comes to financing.

On July 1, 2021, Alior Leasing merged its subsidiaries, i.e., NewCommerce Services sp. z o.o. (owner of the Bancovo brand), and Serwis Ubezpieczeniowy sp. z o.o. After the merger, the fintech strengthened its position in the market of the digital financial intermediation services by offering its customers an end-to-end offer of loans, leasing, microfactoring, as well as motor and property insurance.

Business segment

General information



Alior Bank has in place a comprehensive and modern product range for business customers of all segments: micro-, small- and medium-sized enterprises as well as corporations. As at the end of June 2021, the Bank served more than 245 thousand business customers and the combined loan exposure reached PLN 19.3 billion. Sales of company payment cards amounted to over 14 thousand pieces. The Bank serviced over 223 thousand micro-enterprises and 20 thousand small- and medium-sized enterprises as well as 2 thousand corporations. Despite restrictions triggered by the COVID-19 pandemic, Alior Bank actively acquired new customers, improving the use of online sales channels while

maintaining service at bank branches, corporate banking centres and partner outlets. In H1 2021, a company account in Alior Bank was opened by

- 9,398 micro-enterprises, of which 37% through remote channels,
- 793 entrepreneurs from the segment of small- medium- and large-sized enterprises.

As at end of June 2021, the business customer segment generated revenue totalling PLN 572 million.

New solutions for companies

In H1 2021, Alior Bank implemented new solutions that make it easier for entrepreneurs to run their business. They include:

- **Rachunek Plan Biznes [Plan Business Account]** – which, whereby an innovative formula, allows customers for the singlehanded selection of the necessary services and creation of a convenient model of cooperation with Alior Bank resembling a modern subscription model.

The account is addressed to micro-, small- and medium-sized enterprises that settle accounts on the basis of full accounting. The new offer unconditionally provides entrepreneurs with a number of benefits for PLN 0 as part of the Basic Plan, which is launched automatically upon opening of a current account. Business customers always make use of 2 debit cards and commission-free cash withdrawals for free at ATMs located in

Alior Bank branches. Nor does the Bank charge fees for own transfers, transfers to the Social Insurance Institution and the Tax Office executed via online banking, nor for the BusinessPro eFX Trader module with favourable exchange rates. What is also free of charge is access for two users of the BusinessPro online banking system. If a company have met one of the two simple requirements of activity – 4 card transactions (except for the virtual card) or a transfer to the Social Insurance Institution or the Tax Office per month (not applicable to transfers via standing orders and instant transfers) – it will also not incur the costs of keeping the basic account and two auxiliary accounts.

In addition, the core version is supplemented by three types of additional plans (Plus Cards Plan, Plus Transfers Plan, Plus BusinessPro Plan) in the form of limited free products and services. The price of each plan is PLN 30 per month. What is an additional advantage of the plans is the ability to manage them singlehandedly via BusinessPro online banking. The customer can launch any number of plans online, as well as deactivate them at any time. The account was implemented on 20 April 2021. As at the end of June, it was already used by 350 business customers.

- **“Rachunek CIT estoński” [Estonian CIT account]** – addressed for micro-, small- and medium-sized companies (limited-liability companies, joint-stock companies), whose revenues do not exceed PLN 100 million. The account was launched in response to the regulatory requirements related to the amendment to the CIT Act.



Accounts, settlements and deposits

For micro-companies, the Bank offers two accounts that are regularly awarded for their quality and price:

- **iKonto Biznes** – this account allows for the use of basic payment services free of charge,
- **4x4 Account** – a solution that enables customers to adapt their account parameters to the company's current requirements and to the type of transactions to be executed.



Holders of both of the above-mentioned accounts were able to receive a bonus for being active in making transactions – up to PLN 125 per month, and even PLN 1,500 per year.

The range of accounts for SMEs and corporations is adapted to the expectations of particular company segments and uses modern customer acquisition and product processing channels. For entrepreneurs running their business on the basis of full accounting, Alior Bank offers the *Biznes Optimum* and *Biznes Komfort* accounts or the new *Biznes Plan* account, under which the customer can adopt solutions to the company's business profile. The range of account products is supplemented by a wide range of payment cards, including debit and virtual credit cards that make it easier for customers to manage significant volumes of online payments and a multi-currency card with access to 23 currencies without currency translation costs.

All cards handle contactless payments via Apple Pay, Google Pay, Garmin Pay, Fitbit Pay and SwatchPAY!

From 20 May 2021, business customers joining the Mastercard® Priceless® Specials programme have been given an opportunity to enjoy a promotion – 13,500 starting points to be exchanged for prizes of the equivalent of PLN 200 as part of the catalogue for companies. The promotion ends at the end of October 2021. Holders of MasterCard corporate payment cards issued by Alior Bank also have the option of joining the Premium Zone, where a catalogue of exclusive rewards is available. To enter the Premium Zone for a period of 12 months, an entrepreneur should make transactions with the card for at least PLN 5,000 for 3 consecutive months, in each of those months.

Added services

The www.zafirmowani.pl website aimed at micro-companies is a free platform available as an open website. It is a practical guide for enterprises. They can find within its framework expert articles and video materials that answer questions that emerge when running, opening and financing their own enterprise. The website also offers business support tools. They include a free accounting application that enables simplified accounting (Revenue and Expense Ledger, flat rate), that is outfitted with a generator of mandatory SAF-Ts and VAT declarations, and automatic calculation of the amount of tax due. In addition, entrepreneurs who have a company account at Alior Bank can connect to the www.zafirmowani.pl portal directly from the level of online banking. Thanks to the automatic mechanism of linking the account history with accounting documents, the customer can also check the payment status for invoices in the accounting module. Registered users also get access to special offers of the website's partners. In March 2021, the group of partners was joined by the

hosting company *nazwa.pl*. Thanks to this collaboration, all users of *zafirmowani.pl* may enjoy a discount code that entitles them to activate company e-mail in their own domain for 6 months on a free of charge basis.

Loans

Alior Bank's activity in the micro-enterprise segment is based on a comprehensive, fully standardised offer for financing a variety of company's needs.

In the **Business Financial Package**, under a quick and single decision, the company receives as many as five financing forms to choose from. The amount can be divided into: non-revolving credit, overdraft facility, credit card, factoring, and leasing. Thanks to the solution as such, the customer can allocate funds for an as wide as possible range of needs related to business activity.



In H1 2021, Alior Bank increased the amount of the **selfie loan** from PLN 200 thousand to PLN 600 thousand, as well as made the online financing offer available, without having to visit the branch, not only to micro-enterprises but also to small-sized enterprises. Such an innovative solution is possible thanks to applying the proprietary customer verification method. To complete all the formalities related to the loan, micro- and small-sized companies use the Autenti and FOTO ID platforms. The FOTO ID procedure is delivered to customers who have a mobile phone with Internet access.



To make the acquisition of new customers in the business segment of the micro- and small-sized companies more effective, Alior Bank introduced **a price promotion involving a 50%-reduction in the initial commission on selected loans**. The promotional offer ends as of 30 November 2021 and includes an overdraft facility, working capital facility Biznes, as well as a loan for purchases, and a non-revolving facility for financing current operations – *Łatwy Kredyt [Easy Loan]* to be repaid in instalments.

Alior Bank also launched a new pre-approved algorithm process. As part of the introduced simplifications, the Bank, for example, opts out from financial documentation in the event that the customer has provided it beforehand.

The Bank also changed the procedure of how the Telephone Sales Team process loan applications. At present, loan analysis is carried out based on statements provided by the customer. This solution is addressed to sole proprietorships that settle accounts with the Tax Office based on the Revenue and Expense Ledger and it greatly streamlines as well as accelerates the granting of loans to this group of customers.

To address customer expectations, the Bank also extended the loan periods from 36 months to:

- **48 months** for customers applying for a new loan,

- **60 months** for customers applying for refinancing,
- **72 months** for Alior Bank customers applying for financing to reinstate the business scale after the pandemic.

Facilitations in the loan process in connection with the COVID-19 pandemic:

In H1 2021, the simplification of the loan process for small-, medium- and large-sized companies introduced in connection with the COVID-19 pandemic was still in force, and it included:

- extension of the validity of loan applications from 30 to 90 days,
- option for corporate customers – commercial partnerships to file a simplified consent form and statements instead of a standard application,
- waiver with the obligation to provide full financial forecasts for credit cards.

Alior Bank maintained a number of improvements in the processing the cases of customer at risk of the economic consequences of the pandemic. It includes, among others, resignation from the need to conduct a field inspection of an enterprise or the possibility of accepting, in emergency situations, bank statements confirming payments to the tax office and ZUS instead of certificates.

Products and services offered by the Bank have been adapted to the aid plan of Bank Gospodarstwa Krajowego (BGK). By doing so, customers can obtain working capital financing easier and faster, as described in more detail in the EU Funds and Aid Programmes section.

In H1 2021, Alior Bank also offered an option to defer the repayment of loan instalments, the so-called “credit holidays”. The customer had an option to apply to postpone the repayment of a full instalment by 3 months or the principal by 6 months. During this period – in the segment of small-, medium- and large-sized companies – 64 applications regarding deferment of repayment of liabilities towards Alior Bank were positively considered.

Preferred industries

Alior Bank’s strategy assumes an increase in the Bank’s lending activity in a way that ensures high revenue potential, while minimising risk costs. As part of implementing the strategy, the Bank identifies specific sectors of the economy, creating a list of the so-called preferred industries. Companies operating in selected industries can count on a favourable pricing policy and faster credit decision-making time. The list of preferred industries is updated based on the analysis of long-term economic trends, as well as on short-term macroeconomic forecasts. From January 2021, the list of preferred industries includes 33 industries defined at the level of PKD [*Polish Classification of Activity*] classes. As at the end of June 2021, the spot volume of loans granted to preferred industries increased to PLN 900 million and accounted for 4.7% of the entire portfolio of corporate loans. The total sales of the new overdraft facility in the segment of small-, medium- and large-sized companies in H1 2021 amounted to over PLN 97 million, where 30% is the limit triggered by automatic decisions, without the participation of a credit analyst.

Process centralisation and remote service

Alior Bank provided fast and convenient remote services for all products for companies thanks to:

- the use of qualified signatures, Autenti and FOTO ID,
- the launch of the Product Module in the BusinessPro online banking,
- centralisation of as many as 45 after-sales processes.

The exchange of framework agreements, loan agreements, annexes, after-sales instructions with a qualified signature between the Bank and an entrepreneur from the SMEs and large-sized companies segment is carried out via e-mail or BusinessPro electronic banking. For this purpose, micro-companies use an e-signature provided by Autenti or an Autenti e-signature in combination with the FOTO ID tool.

Remote support applies to corporate accounts, loans, cards, transaction products, and trade financing for new and existing customers. The range of remotely supported documents also comprises a promissory note. Before the loan is disbursed, those entrepreneurs who want to take advantage of this option shall electronically submit to the Bank a scan of the signed promissory note, in line with the company's representation in force. The time for delivering the original copy of the promissory note documentation to a bank branch is a maximum of 180 days following the moment when the financing is disbursed

The processing of orders placed by customers via the BusinessPro system is handled by the specially appointed for this purpose Operation Team for Business Customer, which facilitates the daily work of consultants to a significant extent as well.

In Q1 and Q2 2021, the Operation Team for Business Customer completed over 10,200 orders and after-sales processes submitted by customers of corporate banking centres, and over 49% of these orders were transferred to the Bank via remote channels.

Transaction banking and the BusinessPro online banking system

The package of transactional banking products and services includes the management of cash flows, monitoring of the collection of receivables and their ongoing identification through BusinessPro online banking system, and automation of accounting processes through BankConnect. Customers are also satisfied to make use of the Product Centre – a self-service module in BusinessPro online banking, which enables the ordering of selected banking products and services at any time and at any place around the globe. This module enables fast and safe communication with the Bank. Applications in the Product Centre are authorised via an SMS code.

In H1 2021, the Bank introduced a number of user-friendly improvements in the BusinessPro online banking system, including:

- **AutoDealing and a new functionality of automated currency exchange (API FX Trade)** made available via the BankConnect service, which allow for the integration of the company's external systems with the Alior Banks currency exchange system. Thanks to this solution, users of the currency exchange platform were granted immediate access to a wide range of currencies and attractive currency exchange conditions, from the level of their own systems, without having to log in to the BusinessPro electronic banking,

- **possibility to assign an e-PIN in card details** – the e-Pin service was deployed implemented in view of changes in online card payments stemming from the EU PSD2 directive,
- **possibility to manage Plus Plans** to the *Plan Biznes* Account in the Product Centre – a self-service business customer module,
- **processing of applications for a subsidy under the Financial Shield 2.0 offered by the Polish Development Fund and of redemption applications under the Shield 1.0,**
- a mechanism for automating the collection and setting of fees in the BusinessPro system.

Trade finance products

Alior Bank offers a full range of products supporting trade financing needs. This offer is modified on an ongoing basis according to the market requirements and changes to legal regulations and adapted to the needs of entrepreneurs.

To address customer expectations, Alior Bank increased the maximum amount of the recourse factoring limit available in the automatic process, under which the decision to grant financing is made within 1 day – from PLN 0.5 million to PLN 1 million. It goes without saying that such a high amount of the offered limit, attractive price and a quick decision-making process regarding the granting of financing are our great advantages in the market.

In Q1 2021, Alior Bank launched an automated process of verifying debtors in external databases, which significantly accelerates the addition of contractors to the factoring agreement.

The Bank optimised the handling of letters of credit and collection. Thanks to the changes made, such actions as: notification of a foreign letter of credit, verification of the correctness of orders in the field of imported letters of credit, exported collections, contact with the customer regarding the documents produced as part of the letters of credit and all correspondence related to the handling of a given transaction, are from now on handled by the Document Transaction Settlement Team. Such a setup of the process makes bankers relieved and speeds up the execution of transactions.

In view of the fact that the pandemic is still underway, the Bank extended the possibility of using the Liquidity Guarantee (FGP) as security both for factoring and settlement products, i.e., bank guarantees and letters of credit.

Leasing for companies

Under the Alior Leasing offer, business customers of Alior Bank can make use of the most popular forms of funding of fixed assets, mainly motor vehicles, necessary for operations and growth of the company. With products such as: operating lease, financial lease and lease loan, businesses gain easy and quick access to transport vehicles, machinery and equipment, including, among others, photovoltaic technology.

The offer enables the financing of vehicles up to 3.5 tons, trucks, machines and devices. It stands out by simplified procedures, formalities at a necessary minimum, flexibility, quick decision on granting financing, a

fixed administrative fee (no extensive tariff of fees and commissions), and the ability to negotiate individual repayment terms. Financing is possible from the first day of running a business. This offer also provides insurance and free support in the event of a loss under the Alior Leasing Loss Adjustment Centre.

Investment funds for companies

Alior Bank provides business customers with an offer to invest in participation units of 13 Polish and foreign investment fund companies. The offer of Alior TFI includes Specialist Open-End Investment Fund with 7 separate sub-funds – ALIOR Oszczędnościowy [*Savings*], ALIOR Obligacji [*Bonds*], ALIOR Spokojny dla Ciebie [*Easy for You*], ALIOR Stabilny na Przyszłość [*Stable for Future*], ALIOR Zrównoważony [*Balanced*], ALIOR Akcji [*Shares*] and ALIOR Globalny Nowych Technologii [*Global New Technologies*]. Investing the company's financial surpluses in respective sub-funds allows the entrepreneur for achieving exposure to the stock market, bonds, as well as to other participation units. These funds are managed by a professional entity. Business customers may purchase participation units at their own discretion or may use the investment consultancy services offered by a brokerage house.

For those customers who are willing to invest substantial funds, the Bank comes down with individual investment programmes and favourable terms of cooperation.

Financial Shield of the Polish Development Fund for micro-companies and small and medium-sized enterprises

Alior Bank was actively involved in the PFR 2.0 Financial Shield Programme for Companies and Employees, and from as of 15 January 2021, it has been providing business customers, those from supported industries, with the possibility of submitting applications for subsidies in Alior Online and the BusinessPro system.

Information on the launch of applications was provided to customers via SMS, e-mails and screens in online banking. Entrepreneurs also received a set of materials containing the most important tips on how to submit an application and how to complete it correctly. As at the end of June 2021, PFR positively considered 2,450 applications submitted by Alior Bank's customers under the Financial Shield 2.0 Programme. The total amount of subsidies granted to our customers totalled PLN 399,679,025 (Alior Bank's market share is 5.2%).

On 29 April 2021, for those customers who have benefited from assistance under the PFR 1.0 Financial Shield, the Bank made available applications for the redemption of subsidies. By the end of June 2021, over 12.5 thousand customers sent their application for redemption. We received over 8.1 thousand decisions with an average redemption of 75% for a total amount of over PLN 993 million.

EU funds and aid programmes for micro-companies, small- and medium-sized enterprises and corporations

Alior Bank has for years been active in public programmes, both those financed from EU funds and national funds. This allows us to maintain and develop attractive loan offer, especially for customers representing small and medium-sized enterprises (SMEs) and corporations. The Bank has provided, among others, loans with BGK guarantees as part of the National Guarantee Fund (this continues the *de minimis* programme) and under the

following programmes: COSME, Creative Europe, Agricultural Guarantee Fund, Guarantee Fund under the Smart Growth Operational Programme (Biznesmax guarantee), Liquidity Guarantee Fund. In the case of loans with a guarantee, customers gain access to financing on more favourable terms and alternative methods of securing it.

Alior Bank has been a leader in sales of *de minimis* Guarantees. Since its sales have begun in 2013, the Bank awarded nearly 60 thousand guarantees totalling over PLN 13.7 billion.

Almost 95% of new sales of loans for customers from the micro segment and 40% of sales for customers from the segment of small-sized companies are secured with guarantees offered in collaboration with Bank Gospodarstwa Krajowego.

In view of counteracting the COVID-19 effects, in March 2020, the Bank introduced numerous changes to the *de minimis* guarantee offer. The maximum value of the security increased from 60% to 80% of the loan amount. In addition, in January 2021, the Bank extended the collateral for the working capital loan to 75 months and abolished the commission fee for the entire portfolio of exposures covered by the *de minimis* guarantee. Changes to the above formula are valid until the end of 2021.

Guarantee programmes offered by the Bank also include special guarantees addressed to innovative enterprises, creative sector enterprises, agricultural and food-processing sector enterprises.

Biznesmax guarantee

The most attractive loan repayment security for SMEs is Biznesmax guarantee, available under the portfolio guarantee line of the Guarantee Fund under the Smart Growth Operational Programme. This product is a unique combination of a guarantee with a grant.



This guarantee is addressed to enterprises carrying out investment projects with innovative potential, as well as for those who intend to carry out pro-environmental projects, e.g., the installation of photovoltaic panels, thermal insulation of the company building.

In order to counteract the COVID-19 effects, the Bank makes it possible to cover revolving working capital facilities related to the company's ongoing operations with the Biznesmax guarantee. It is an additional support for entrepreneurs which allows to return part of or even the whole interest paid by the customer on the loan for a maximum of 3 years from its disbursement date.

Agricultural guarantee (Agricultural Guarantee Fund, FGR)

The Alior Bank's offer includes an agricultural guarantee addressed to entities executing investments in the agribusiness sector. Farmers may count on a guarantee of up to PLN 5 million, whereas processors – up to PLN 10 million. The Bank was one of the first institutions in the market to award a loan secured with a guarantee of this kind. Its value was almost PLN 5 million.

In order to counteract the effects of COVID-19, the bank grants an FGR guarantee that makes it possible to cover revolving working capitals related to the company's day-to-day operations with this form of collateral.

Additionally, the Bank introduced 2% subsidies to the interest rate on working capital facilities secured with the guarantee from the Agricultural Guarantee Fund. Thanks to this, the customer may be reimbursed for part of the interest paid on the facility, for a maximum of 12 months from the date of its disbursement.

Liquidity Guarantee Fund – guarantee for medium- and large-sized enterprises

The guarantee from the Liquidity Guarantee Fund (FGP) is addressed to customers from the sector of medium- and large-sized enterprises (within the meaning of the EU directive). The main purpose of the guarantee is to maintain lending activity in connection with liquidity needs for enterprises which are or may be affected by the economic effects of the COVID-19 pandemic. The purpose of financing is day-to-day operations. The loan can be granted for a maximum of 24 months and its amount may not exceed PLN 250 million.

The Liquidity Guarantee Fund secures up to 80% of the loan amount. By the end June of 2021, Alior Bank granted loans with the Liquidity Guarantee Fund in the amount of PLN 1.3 million, while securing PLN 1 billion by this Guarantee.

The Bank's offer also included a guarantee line for factoring under the Liquidity Guarantee Fund of BGK. Through this guarantee, micro-, small-, medium- and large-sized enterprises can more easily obtain financing taking the form of recourse factoring and reverse factoring. The guarantee is addressed to both new and prior customers who apply for financing in the form of factoring, intended to secure the company's financial liquidity, whose loss is caused by the COVID-19 pandemic. It is granted for 24 months and secure up to 80% of the factoring limit amount, whereas the maximum amount is PLN 200 million and the highest amount of financing is PLN 250 million.

Loans involving EU grants

Customer of Alior Bank can count on support in obtaining EU funding in the form of loan commitments, bridging loans or a technology loan.

Under its "European Package", the Bank has been offering comprehensive support for investments with EU subsidies distributed by the Polish Agency for Enterprise Development (PARP), the National Centre for Research and Development, the Ministry of Development, the Marshal's Offices, i.e., loan commitments, loans with EU grants, bridging loans – pre-financing grants, loans for non-eligible costs, and a loan to finance VAT. With supplementing costs, the Bank proposes the customers to use the Biznesmax guarantee.

A grant programme which enjoys popularity is a loan for technological innovation.

In 2021, the Bank issued loan commitments for the total amount of over PLN 170 million.



Funding of Thermal Insulation Projects

Alior Bank continues its activities as regards the financing and servicing of entities from the housing sector. Currently, Housing Cooperatives, Housing Communities, Social Housing Associations and selected regions of Local Government Units are offered Thermal Insulation Loans by the Bank, intended to finance the thermal insulation of multi-family residential buildings. The loan, co-funded from EU funds (under regional operational programmes for 2014-2020) and Alior Bank's own funds, has been now offered to investors from Lower Silesian, Łódzkie, Podlaskie and Małopolskie regions.

As at 30 June 2021, the Bank signed 170 agreements for Thermal Insulation Loans for the total amount of PLN 90 million.

Employee Capital Plans

Thanks to the strategic partnership within the PZU Group, entrepreneurs can sign agreements on the management of Employee Capital Plans with TFI *[Investment Fund Company]* PZU at Alior Bank branches.

Establishing ECPs is compulsory for employers who employ at least one person who is subject to compulsory pension and disability insurance. TFI PZU is one of the leaders in the market of Employee Capital Plans in Poland. Our customers can count on expert support during the launch and ongoing ECP service. Additionally, TFI PZU provides e-learning training courses, as well as an easy and simple method of controlling payments using a modern and user-friendly website. As at the end of June 2021, entrepreneurs signed over 2,300 ECP management agreements through Alior Bank.



Treasury activity

Alior Bank has operated its Treasury activities in the following areas, among others:

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

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

Surpluses of the Bank's liquid cash under liquidity management are mainly invested in Treasury bonds and Treasury bills denominated in the Polish zloty and in foreign currencies, and in commercial papers issued by the NBP [National Bank of Poland] with a relatively short maturity, as well as debt securities guaranteed by the Treasury.

The rule of avoiding transactions on financial instruments involving one's own equity will continue to be a strategic way to protect ourselves against potential systemic risks, i.e., limited market liquidity. The Management Board intends to manage market risks so as to ensure Alior Bank's equity at the current, secure level. Alior Bank was an active player on the interbank market. It provided liquidity for currency transactions for other professional market players which allowed it to maintain its existing position on the interbank FX market. Alior Bank participated in the provision of data for the quotation of POLONIA reference rates.

Dealing platforms

As part of its Treasury activities, Alior Bank has been selling its products through dealing platforms, and the revenue from that is posted either as business activity revenue or retail activity revenue, respectively.

Alior Bank has been the first bank in Central Europe to implement its own algo trading system called Quasar, on the price from which three currency platforms are based – Autodealing, eFX Trader and Kantor Walutowy [*Currency Exchange Office*].

In February 2021, the Bank made the FX service available to users of the Developer Portal in the test environment via the application programming interface (API). The solution allows all interested parties for easy integration with external systems. Thanks to it, platform users get instant access to a wide range of currencies and the best exchange rates. In addition, the API was designed in such a way as to give its users full flexibility to conclude transactions, as well as access to their statuses and history. A wide range of API FX Trade functionalities allows for build one's own currency exchange solutions. In March, this solution was made available to corporate customer in the production environment. Autodealing is a service available both to businesses and consumers directly in online banking. The platform allows them to enter into spot and forward currency exchange transactions on favourable terms, and establish deposits for any period up to one year. The currencies available under the Autodealing service include: PLN, EUR, USD, GBP, CHF, with additional currencies available to BusinessPro banking users: SEK, NOK, CZK.

eFX Trader is a platform available from the online banking level, addressed to the most demanding business customers. It enables the conclusion of spot and forward transactions, as well as orders with a price limit 24 hours a day, 5 days a week for nearly 70 currency pairs. Three types of instruction with a price limit are also

available on the platform that enable automated transactions at a rate chosen by the customer. The platform stands out with its high liquidity and possibility for the customers to track the current situation in the currency market.

Kantor Walutowy [*Currency Exchange Office*] is the first online currency exchange office offered by a bank on the Polish market. The platform is intended for both personal customers and businesses. The system is available 24/7 upon logging in to the www.kantor.aliorbank.pl website and via a mobile app available for iOS and Android devices. Alior Bank's Currency Exchange allows the customers to securely exchange as many as 23 currencies at attractive rates, as well as to execute free domestic and international transfers of the currencies purchased on the platform. The system has many useful functionalities, such as: phone or e-mail transfers for all currencies, option to send transfer requests, or easier sharing of payments between friends, e.g., for a joint dinner, and the option to buy tourist insurance and to quickly top up one's account using any credit or debit card – without waiting for a long transfer.

In addition, personal customers can order a free of charge multicurrency card, which enables payments in almost 160 currencies, including direct payments in 23 currencies available at the Currency Exchange. Cardholders can use the free Flight Delay Pass programme, which gives them free access to airport lounges whenever a flight is delayed. To benefit from the programme, all one needs to do is register their flight on a dedicated programme website. To make the card ordering process even simpler and faster, we enabled the conclusion of a card agreement directly on the application for the Currency Exchange.

In H1, the PSD2 regulatory requirements for card payments were also implemented, i.e.:

- provision of free notifications for cross-border payments,
- implementation of ePIN enabling online card payments to be confirmed.

H1 2021 was also spent continuously developing the mobile application of the Currency Exchange. The Bank implemented, for instance:

- a new look of the card management tab – card management became intuitive and comfortable for the user, the possibility to set and change an ePIN that allows for confirming card payments online,
- a new login screen and the possibility to observe the rates of 3 currency pairs without having to log in to the app.

The stability, accessibility and user-friendly interface mean that customers log in to the mobile application more frequently. In H1, the number of logins to the application was 230% higher than the website version of the Currency Exchange. The increase in logins also translated into a higher number of operations performed via the mobile channel. More than 40% of all operations are performed via the Currency Exchange app. The Currency Exchange was recognised to be the best one in the market in four rankings. In the June ranking of foreign currency accounts held by www.kontomaniak.pl, Internet users chose the Currency Exchange as the best one, gaining more than twice as many votes than the foreign currency account, which was placed second. Alior Bank's Currency Exchange was also recognised as the best by www.tanie-konto.pl. In this case, the ranking of the best foreign currency accounts was compiled by the



website's journalists. Whereas in May, the Currency Exchange won first place in the ranking of online exchange offices and the ranking of foreign currency accounts prepared by najlepszekonto.pl.

In all rankings, the Currency Exchange was recognised for its wide range of available currencies, low spreads, being free of charge and for its additional features.

In H1 2021, the Bank continued to implement a number of regulatory requirements for financial markets and guidelines of the European and national regulator and to adapt to the requirements for remote customer service. In particular, it concerned:

- adjusting the provisions of the Bank's Articles of Association to the requirements of the provisions specifying the principles of servicing customer transactions related to financial instruments as part of the Bank's operations pursuant to Article 70.2 of the Act on Trading in Financial Instruments – on 2 April 2021, the Bank obtained the consent of the Polish Financial Supervision Authority to amend the Bank's Articles of Association, as a result of which, on 28 May this year, the General Meeting of Shareholders adopted a Resolution on the appropriate amendment to the Bank's Articles of Association,
- modifying processes of treasury transactions processing and terms of cooperation with customers, that adjust the Bank to the performance of brokerage activities under Article 69.2.2 and Article 69.2.3 of the Act on Trading, shown in the amended provisions of the Bank's Articles of Association (execution of purchase and sale orders for financial instruments on the account of the principal and purchase and sale of financial instruments on own account, respectively),
- implementing recommendations with regard to product management (resulting in the modification of the algorithm used in customer service for determining target markets and assessing product suitability, required by the MIFID regulation),
- supplementing contracts with counterparties to ensure compliance with the EMIR requirements regarding Variation Margin, BMR with regard to the reform of key indicators, BRRD with regard to bankruptcy clauses, including the suspension of the right to unilaterally terminate contracts and ensuring that the BFG competences are exercised in the event of forced restructuring,
- modifying processes that facilitate remote customer access to the Bank using Alior Online solutions and providing customers with copies of recordings of their conversations and correspondence with the Bank regarding treasury transactions.



Equity investments

Equity investments made by the Alior Bank Capital Group have been presented in the table below. All securities were purchased using the Bank's own funds:

- **Shares:**
 - trading securities bearing equity rights, admitted to public trading on WSE and NYSE,
 - trading securities bearing equity rights, not admitted to public trading.

- **Bonds:** corporate bonds issued by domestic and international issuers.
- **Investment certificates:** certificates of a “private equity” closed-end investment fund, and units of an open-ended investment fund.

	Status as at 30/06/2021		Status as at 31/12/2020	
	Volume	Market / nominal value [in PLN thous.]	Volume	Market / nominal value [in PLN thous.]
Stocks	7,342,897	142,827	7,342,909	141,321
Quoted	253,225	71,333	253,225	65,938
Non-quoted	7,089,672	71,494	7,089,684	75,383
Bonds	979,830	167,759	980,305	178,562
Investment certificates	20,573	8,323	19,337	7,779

Internet and mobile Banking

The work carried out in H1 2021 in the field of digital banking was focused on optimising the existing and introducing new solutions in Alior Online and Alior Mobile. These activities contributed to the implementation of objectives set out in the Bank’s strategy and higher revenue from online and mobile channels.

In H1 2021, the Alior Mobile application and Alior Online online banking underwent a number of changes related to their appearance and the handling of deposit and credit products; additional new features were also implemented.

In Alior Online and Alior Mobile, we introduced a special *Offline Mode*, which occurs when *Profile* and *Middleware* systems are unavailable. This mode allows customers to log in to the internet and mobile banking notwithstanding such unavailability. What is possible in such a scenario is reading data such as: information about accounts, the amount of the balance, transaction history, whereas in the case of Alior Mobile – also the presentation of the purchased and active public transport ticket as part of the MOBILET service.

As for loan applications, we provided the option of taking out additional security in the form of loan insurance. Such insurance is available voluntarily or it will be obligatory (depending on the loan decision or its amount). In the process itself, it is possible to view the loan components already at the calculator stage.

As a continuation of the Offer for players project, each and every adult account owner or co-owner may, via Alior Online or Alior Mobile, change the variant of an account for individual customers to the one that is leading in the Bank at time. This simple process, that the customer goes through to make the aforementioned change, ends with the immediate change of the account variant.

Changes were also made in the subscribed section of notifications on cross-border transactions. Two new types of notifications were made available to individual customers: concerning authorisation of a cross-border non-cash transaction and cash transaction for an amount exceeding the indicated value.

To address customer needs, we introduced screen personalisation options in the Alior Mobile app after logging in. In the app, customers can set any product they have as the *Main Product*, which is visible immediately upon logging in. The *Main Product* can be changed at any time.

The way in how the history of accounts is presented was also changed. By adding colours corresponding to the transaction types and marking in the form of padlocks, customers know what exact operation has been performed and whether it, for instance, has not been blocked.

The service for purchasing tickets and paying for parking was significantly optimised. At present, if a city is adapted to support parking zones by location, we present the relevant screen stating that the presented parking zone has been selected based on the location. User can switch to manual search at any time. If the customer does not agree that the app shall use the location of their device, they will be presented with a screen that shows a full list of available zones.

The *Tickets and Parking Lots* service was adapted to the new rules governing the purchase and validation of ZTM Warszawa tickets. Customers can from now on validate purchased tickets at a later time and extend the validity of a ticket that is already active.

A new section, *My cards*, was added to the Alior Mobile app, and it groups all cards owned by customers. From there, users can manage both their debit and credit cards.

Additionally, in the last six months, we introduced a new method of adding and managing points under the *Mastercard® Priceless® Specials* programme. Customers can add their card to the programme, both from the new section in the *Products* tab, from the account details in the *Cards* tab as well as from a new tile in the *Offers* tab. The innovative solution we put into place is the ability to manage points and prizes in the built-in web browser from the application level, without having to open a new tab in a separate application.

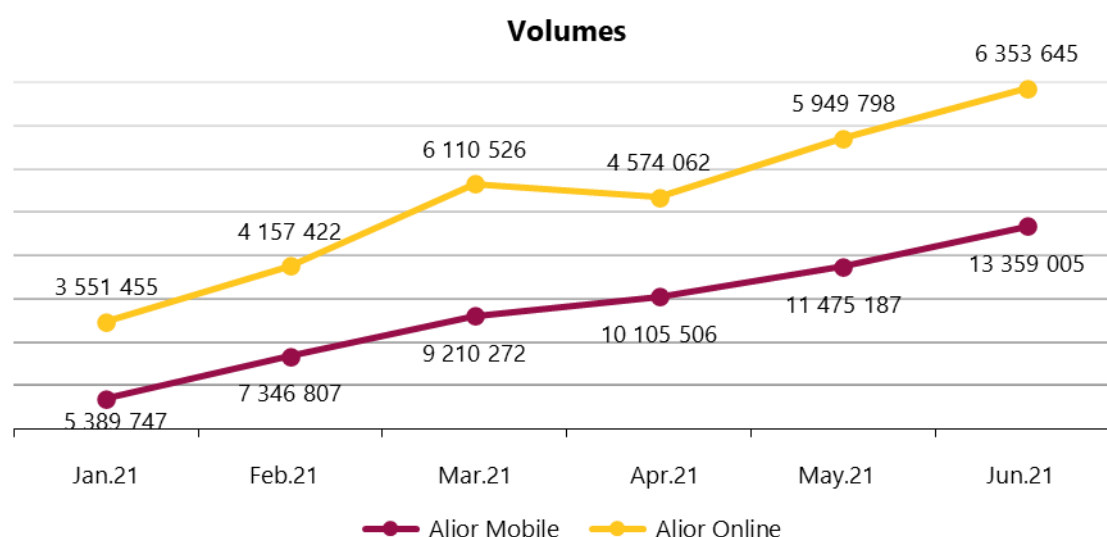
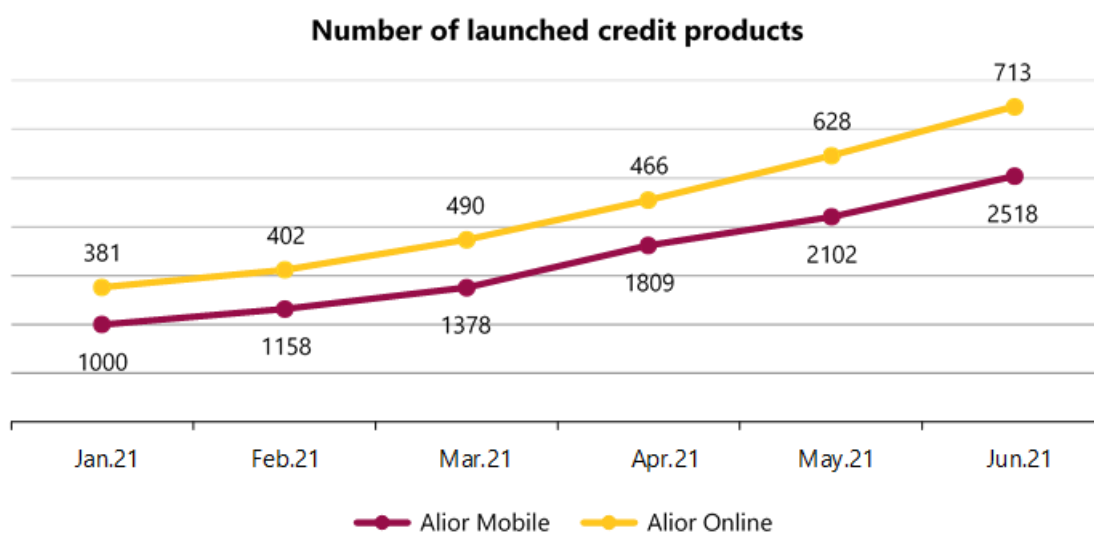
In Alior Online, we rendered it possible to assign an e-PIN code. This function serves to boost security when paying with a card on the Internet. If customers do not use the Alior Mobile app and they intend to make an online payment card transaction, they will be asked to confirm the transaction with an SMS code and – additionally – with a new e-PIN code. Customers who have the Alior Mobile app will confirm the online card transaction with the PUSH notification.

In Alior Online, we added additional fields in the Credit Card details tab. From now on, the section *Information about the credit card account* has new fields: *Granted overdraft facility* (in accordance with the agreement) and *Annual card turnover* (annual card turnover from the moment of its issuance).

As expected by users, we changed the *News* section to *My Matters* and additionally divided it into four transparent tabs: *Inbox*, *Instructions, opinions and approvals*, *Questions and suggestions* and *Complaints*.

Furthermore, graphic and functional changes were also put into place in the *Offers* section. We added a new tab *For You*, in which we present personalised offers to customers. Whereas the advertising space was increased on the *Desktop*. Now even three advertising tiles are displayed between the accounts visible upon logging in.

All activities, including changes to our systems and applications, contributed to the improvement of the sales results of products in digital channels.



Strategic partnerships

As given rise by radically changed macroeconomic conditions, the management board of Alior Bank revised targets take into account the situation associated with the consequences triggered by the COVID-19 pandemic. Business development was based on four core pillars: building a long-term relationship with the customer, digitisation of activities, personalising products and services, and supporting **green transformation**.

Building strategic partnerships in this aspect is one of the key paths to going beyond the framework of banking by implementing projects together with our partners to make day-to-day operations of customers in various areas of their life easier while increasing the number and scope of interactions with the Bank.

Partnerships with such institutions as the National Fund for Environmental Protection and Water Management, Bank Gospodarstwa Krajowego and the European Investment Bank are still the essential sources of eco-development at the Bank and increasing the share of the green loan portfolio.

Selected partnerships (within the PZU Group) accomplished in H1 2021:

The H1 2021 saw a further intensification of collaboration with the PZU Group – we are implementing further measures leading towards further synergies at the PZU Group level, whose effects include:

- greater customer interest in life insurance for cash loans,
- from 04/01/2021, in collaboration with PZU SA, provision of customers, who take out a cash loan, with the possibility of concluding an insurance contract in the event of unemployment,
- great interest in mortgage loans, which translates into the cross-selling to include life insurance securing housing loans,
- increasing sales of investment funds, among others, through greater customers' interest in investments in the search for alternatives to deposits in connection with reducing interest rates,
- work on the implementation of the sale of travel insurance in the Alior Bank mobile app.



As part of the PZU Group, we established a partnership with **Link4**, with which we implemented motor TPL and comprehensive insurance in online banking at the beginning of April 2021. The products implemented in cooperation with Link4 extend the package of value-added services for our customers, thus they are an important element of the category being built around the "Auto" area in Alior Bank's banking.

Internal synergies with the PZU Group are not limited to the above initiatives or products. It is a considerably further-ranging issue and concerns at least several areas, within which we jointly carry out a number of initiatives concerning, inter alia, revenue and cost synergies, innovation, or corporate governance.

In 2021, we continued to cooperate in the Assurbanking area by implementing 2 strategic projects and undertaking a number of other, smaller initiatives.

Key initiatives in the Assurbanking area:

- **Cash Platform** – an innovative online loan platform, ranked as a non-wage employee benefit, under which employees may, at a minimum level of formalities, quickly and conveniently obtain a cash advance for any purpose. Through cooperating with employers and their involvement in the granting and subsequent repayment of the loan directly from one's wage, we created an offer that is very attractive when compared to others available in the market. In H1 2021, new workplaces joined the Platform, including: Polska Grupa Górnicza



S.A., TVP S.A. and PKP S.A., and negotiations regarding cooperation are being finalised in other major and recognisable companies. The number of employees having access to an attractive loan offer increased fourfold in this period.

At the same time, we have been rapidly increasing the reach of the portal by offering attractive loans to customers whose distinguishing feature is not a common employer, but belonging to a specific, yet heterogeneous group. The model is aimed at transferring information, from the Cash Platform to the bank, about a given person's interest in a loan, who belongs to a specific group and, subsequently, at finalising the sales process via a remote channel (online or by phone). Our current customer groups have recently been joined by members of *PZU Pomoc w Życiu* and people using the Nais benefit platform.

As at the end of H1, almost 400 thousand potential customers could benefit from the platform's offer. The superior goal for the Cash Platform is still to extend the scale of the Platform's recipients and enable as many customers as possible to use the attractive offer of Alior Bank's loan. We focus on the Platform's continuous development while customising both the processes and offer to the changing business and technological conditions. As part of increasing the potential, we have been preparing the process of applying for a consolidation loan or we have been improving the existing processes, including by transferring remote processes to the Platform and downloading data necessary to process applications through integration with external entities.

Portal korzyści pracownika - szybko i całkowicie zdalnie

Portal Cash może zapewnić pracownikom firmy dostęp do atrakcyjnych produktów – prosto i bezpiecznie.



Atrakcyjna oferta

Korzystne warunki dzięki temu, że program prowadzi Twój pracodawca.



Całkowicie zdalnie

Cały proces skorzystania z oferty odbywa się online – szybko i bez zbędnych formalności.

- **Employee Capital Plans (PPK)** – in 2019, PZU signed agreements for the operation of Employee Capital Plans in large work establishments which collectively employ several hundred thousand employees. Since then, the number of companies and the number of employees covered has been steadily growing. For employees working in companies for whom PZU operates ECP, Alior Bank prepared an offer including various banking products. Through the ECP channel, the Bank has the opportunity to reach a broad spectrum of personal customers who might become the Bank's customers or expand their current range of products. Collaboration under the ECPs is also an opportunity to directly reach employing establishments with an offer of products and services for business customers – offered by the Bank itself and by Alior Bank S.A. Capital Group companies (including Alior Leasing).



Selected partnerships (outside of the PZU Group) accomplished in 2021

With the focus on the development of banking services and facilities for customers during the protracted pandemic, 2021 was particularly fruitful in terms of technological partnerships.

The development of services around the Alior Mobile application is still one of the priorities for building external partnerships, also during the COVID-19 pandemic. As part of one of the areas – *“Me and my family”* – we continued to carry out analytical work with the **Polish Security Printing Works**, with which we plan to finalise the signing of the contract. The established cooperation will enable the Bank to provide access to another method of verifying customers' identity without the need to visit a branch, based on using the **eDO App**. Customers will be able to confirm their personal data using an e-ID card, use an advanced signature and by doing so, they will be able to freely apply for banking products.

Given the new reality created by the pandemic, significant collaborations with external companies included those under which solutions and services were related to extending the possibilities of serving customers and employees remotely. Therefore, addressing the expectations and needs of our customers, we extended our partnerships with **Booksy** and **Autenti**.

In view of the great interest in the Booksy service and the high conversion of meetings into the sold product, after the pilotage phase in June 2021, the collaboration was extended to include all own branches of Alior Bank.

Not only high interest towards expansion of new functionalities was expressed because of their simplicity, the opportunity to go through the processes without visiting the branch or the attractiveness of their use, but also because it became helpful – or even necessary – in the face of the third wave of the COVID-19 pandemic.

The years 2020-2021 were breakthrough ones for Alior Bank in terms of the increase in importance and volumes generated by remote sales, to which the collaboration with **Autenti** contributed. Owing to the solutions provided by this partner, the bank's customers can set up a personal account or take out a cash loan without having to leave home. The tools provided by Autenti are now widely used and appreciated also in relationships with Alior Bank employees.

In view of the significant increase in the importance of remote and mobile solutions, we signed a collaboration agreement with **Huawei** at the beginning of June 2021, whereby the Alior Mobile app will be available on all phones of this brand, including those based on HMS (Huawei Mobile Services). At present, Alior Bank's mobile banking is available in the Huawei AppGallery store exclusively for devices using GMS (Google Mobile Services). The establishment of collaboration aimed to include mobile banking to AppGallery is an important step due to the large share of Huawei phones in the Polish market.

From 2020, we have been observing a considerable increase in online activity both in the market and among our customers. Such a trend bears risk and a greater threat from dishonest Internet users who want to extort or steal personal data. To provide our customers with greater security of their data online, we established a partnership with **Biuro Informacji Kredytowej [Credit Information Bureau]** in order to activate the BIK Alert service. If an unauthorised person tries to take out a loan using customer data or when data is verified in the BIG InfoMonitor Register of Debtors, this functionality sends to the customer a text message and an e-mail with appropriate notification. The deployment, option to purchase and activation of this service in Alior Mobile is planned for H2 2021

Partnerships and products related to the bank's commitment to green transformation

We have been endeavouring for each month to optimise our activities that impact the environment. Not only have we been mitigating the negative impact of the organisation as an institution but also we have been launching products whereby our customers can modernise their flats, houses, companies, or change the way they move to a more ecological one. Customers are becoming increasingly eco-aware, they take pro-ecological initiatives or choose pro-ecological products – as they are encouraged by various subsidies or being guided by the desire to make their own contribution to environmental and climate protection. We strive to address the needs of such people, including through a diverse eco offer at Alior Bank.

Alior Bank's eco products for Individual Customers:

- *Eco Instalments* – financing the purchase of equipment and installations aimed at reducing energy consumption, producing renewable energy and reducing environmental pollution in the household. Within the scope of *Eco Instalments*, Alior Bank undertakes extensive collaboration with almost 1,000 Commercial Partners from the eco sector.
- *Eco Loan* – a special loan offer prepared for those customers whose plans include buying a new electric car. The loan interest rate is 0%, and the commission fee 10% – all one has to do is to provide a scan of the invoice for the purchase of the car within 3 months following the date of taking out the loan.
- *Eko-Apt mortgage loan* – financing the purchase of a house or apartment on the secondary or primary market and financing the construction of an energy-efficient house, where the annual demand for usable energy for heating and ventilation does not exceed 50 kWh/m²/year.
- *Eco* – credit card benefits, including:
 - “Refund for eco-purchases with a Credit Card” – the amount of the refund is up to PLN 600, 3% of the value of non-cash transactions made with MasterCard OK! or TU i TAM credit cards in online stores indicated in the Eco Stores Catalogue,
 - “Eco-purchases with a Credit Card – PLN 0 instalments” – 1-instalment plan for PLN 0 up to PLN 2,000 for a period of up to 12M for new customers who have applied for OK! or TU i TAM credit cards (this applies to transactions spread into instalments previously made in online stores indicated in the Eco Store Catalogue).
- The #ECO category in the Priceless Specials loyalty programme – an additional category of prizes in the programme, the first implementation of this kind in Europe; Alior Bank's customers, when making transactions with MasterCard cards, they collect points that can afterwards be exchanged for attractive prizes in the #ECO category, while contributing to environmental protection.

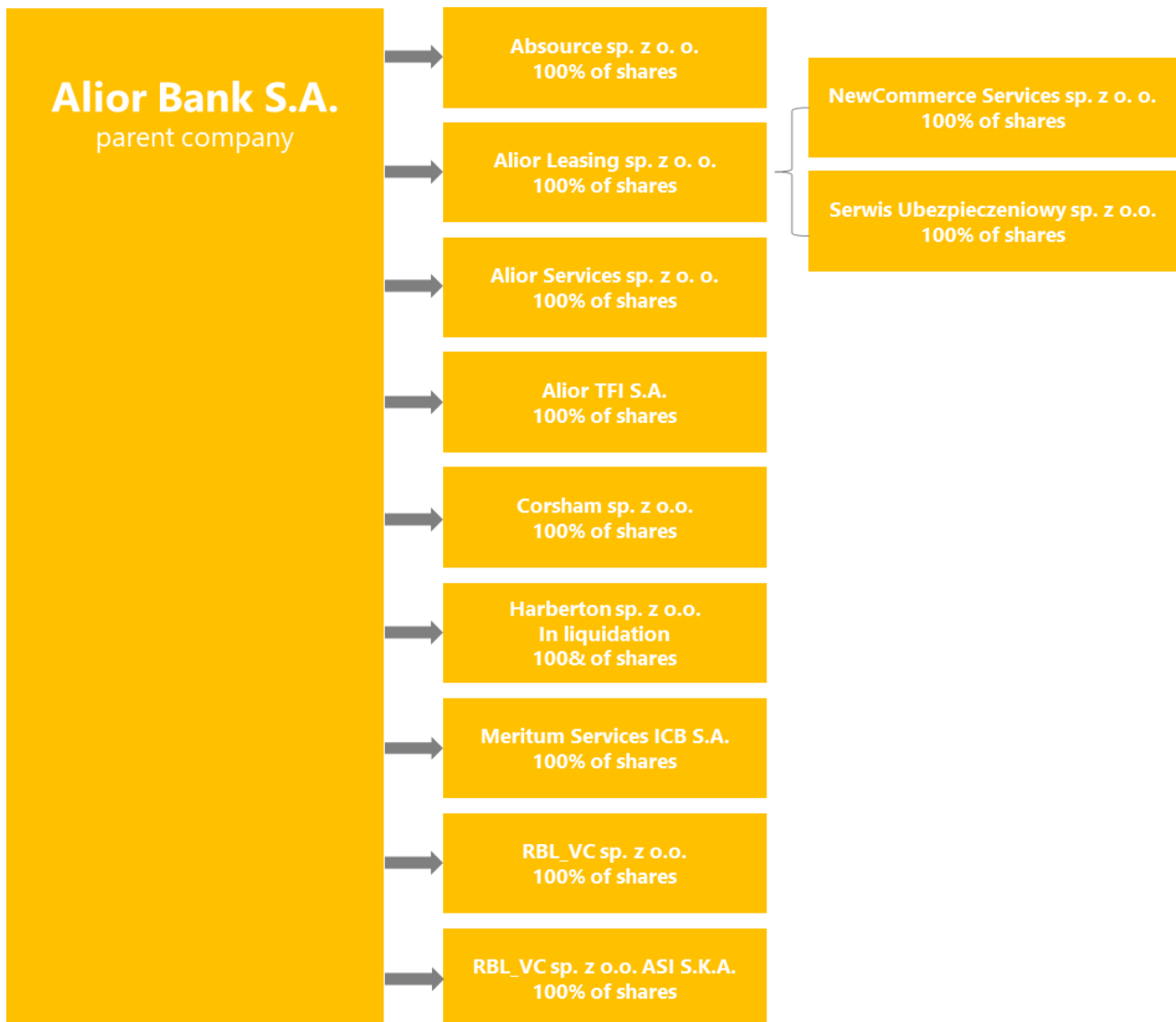
Alior Bank's eco products for Business Customers:

- Thermal-Insulation Loan – addressed to financing thermal modernisation in the housing sector (Housing Associations, Housing Cooperatives, Social Housing Associations and in selected regions of Local Government Units) available in 4 regions. In the coming months, we plan to extend the offer to include two more regions.

The development of partnerships and products extending the eco offer of Alior Bank allows both to accomplish the goals and assumptions of the updated “More than a Bank” strategy 2020-2022 – especially in the field of “**green transformation**” – and to respond to the needs and voices of pro-ecological customers. We want to develop responsibly while respecting the assumptions of sustainable development, and this is also what our current and future activities aim at.

VI. Activity of companies from the Alior Bank Capital Group

Alior Bank S.A. Capital Group as at 30 June 2021





LEASING

Alior Leasing Sp. z o.o.

Alior Leasing Sp. z o.o. has been operating since October 2015.

The company's mission is to support the growth of businesses by providing best solutions to respond to the expectations of forward-looking companies which search for a comprehensive lease offering customised to their individual requirements. With products such as: operating lease, financial lease and lease loan, businesses gain easy and quick access to transport vehicles, machinery and equipment. Alior Leasing holds an extensive sales network and collaborates with a broad network of business partners, dealers and vendors, as well as with Alior Bank's sales network. The company works mainly with sole traders and SMEs. In view of the adoption in H1 2021 of the Strategy for 2021-2023, the Company wants to gradually increase the share of larger entities in sales – share in sales is planned to grow from 14% to 39%. Plans also include the growth in the share of the construction, industrial processing and healthcare sectors in the financing provided.

In connection with the pursuit of the Strategy in H1 2021, the automatic credit decision-making function based on the decision-making engine was launched, whereby it was possible to optimise the transaction risk assessment process and launch new functionalities in the Customer Portal.

In H1 2021, the Company generated a leasing sales volume totalling PLN 1,400,082,000 and PLN 126,657,000 from the sale of leasing loans. The Company's portfolio includes 102.8 thousand agreements concluded with 73.8 thousand customers.

In H1 2021, Alior Leasing sp. z o.o. took up 100% of shares in the share capital of NewCommerce Services Sp. z o.o. with its registered office in Warsaw (NCS). The taking up of the entire NCS shares made it possible to carry out the restructuring process of the Alior Leasing Group's ownership structure in H1 2021, and it involved the takeover of NCS by Serwis Ubezpieczeniowy sp. z o.o. with its registered office in Katowice. The process concerned ended on 1 July 2021 with the deletion of NCS from the National Court Register.

Serwis Ubezpieczeniowy Sp. z o.o.

Serwis Ubezpieczeniowy Sp. z o.o. has been operating since February 2017.

Serwis Ubezpieczeniowy Sp. z o.o. operates in the insurance market. The company's object of activity are agency activities related to insurance. The company was founded within the Alior Leasing Sp. z o.o. Group. Therefore,

both companies closely cooperate in the sale of insurance for leased objects and leasing loans sold by Alior Leasing Sp. z o.o. The offer of Serwis Ubezpieczeniowy is addressed mainly to customers from the micro-, small- and medium-sized enterprise sector. The offer mostly revolves around motor and property insurance and, at the same time, ensures a sufficiently high quality of service. The company also collaborates with market-leading Insurance Companies, with particular emphasis on PZU.

In H1 2021, Serwis Ubezpieczeniowa sp. z o.o. took over the company *NewCommerce Services sp. z o.o.* with its registered office in Warsaw.

Alior Services Sp. z o.o.

Alior Services Sp. z o.o. acts as an insurance agent. The activity of an insurance agent is carried out for 8 (eight) insurance companies and involves administering insurance contracts in the name and on behalf of insurers.



Alior TFI S.A.

Alior TFI S.A. was established in 2010, initially as a brokerage house focused on asset management services, and since July 2015, following its transformation, it has been active as an Investment Fund Company.

The collaboration between Alior Bank and its subsidiary Alior TFI S.A. involves the primary object of the Company, which is the establishment and management of investment funds, and representing the same in dealing with third parties.

H1 2021 saw Alior TFI S.A. recording a further increase in the assets of the ALIOR SFIO fund and the entire customer base. As at 30 June 2021, it was over 35.6K customers and assets of approx. PLN 1.53 billion. This is a significant increase compared to 30 June 2020, where the fund had 21.7K customers and assets of PLN 634 million.

The aforementioned results were largely influenced by making the product offer more attractive, whereby merging 10 sub-funds and changing the investment policy. As a result of the changes, a clear distinction was made between individual ALIOR SFIO sub-funds, and the operating costs of the entire fund were reduced, which enjoyed a positive assessment of customers.

Additionally, Alior TFI S.A. recorded a significant inflow of assets to new sub-funds based on the passive solutions of the inPZU SFIO fund – as at 30 June 2021, the assets of the ALIOR Spokojny dla Ciebie sub-fund over PLN 270 million (as at 30 June 2020, it was over PLN 45 million).

At the same time, H1 2021 saw the three sub-funds of the fund achieving results that clearly stood out from the overall market, being in the first or second quartile of all funds with a similar investment policy in the Polish market.

Absource Sp. z o.o.

Absource Spółka z ograniczoną odpowiedzialnością was established on 31 March 2016. Its activities are focused on providing IT, computer and IT advisory services. The core business of the Company involves making the following systems available to the Bank in a sub-license model: CAFE, CAFEM and SWK (99% of revenues in H1 2021). These systems are a comprehensive and centralised platform that enables customer service.

NewCommerce Services Sp. z o.o.



H1 2021 saw the taking up of 100% of shares in NewCommerce Services sp. z o.o. with its registered office in Warsaw (NCS) by Alior Leasing sp. z o.o., and it initiated the process of capital reorganisation of the Alior

Leasing sp. z o.o. Group. NCS, as the owner of the "Bancovo" brand since March 2018, created a new category of services in Poland: online financial intermediation. The platform allows customers to compare actual loan offers and enables them to quickly and easily get cash through the Internet (end-2-end) due to innovative solutions based on the use of opportunities offered by, among others, the EU's PSD2, RPA, big data, machine learning, and supported by advanced UX. At the end of H1 2021, the company offered products of more than 35 financial institutions addressed to a broad range of audience, both to personal customer (loans/advances), as well as to small-company owners (advances/microfactoring). Bancovo, as a technology partner, built an online platform for the PZU CASH project. The innovation and uniqueness of the Bancovo model have been recognised by awarding numerous prizes and recognitions, of which the most important are Product Innovation of the Year, awarded by Retail Banker International and The Heart Corporate Innovation Awards in the New Digital Business category.

Meritum Services ICB S.A.

Meritum Services ICB S.A. is a company active in the provision of services for information and computer technologies, and other activities related to IT. In H1 2021, the Company generated revenues from two main channels:

- making available to Alior Bank software under the Software as a Service (SaaS) model – about 72% of the company's revenue,
- hiring of IT specialists to develop Alior Bank's systems – approx. 28% of the company's revenue.

Corsham Sp. z o.o.

Corsham Sp. z o.o. with its registered office in Warsaw is a company established in September 2018 and entered to the National Court Register on 22 October 2018. On 4 February 2019, Alior Bank acquired 100% of shares of Corsham Sp. z o.o.

In 2019, the Bank increased the share capital of the company by issuing new shares and paying them with in-kind contribution, being the shares of PayPo Sp. z o.o., which is a start-up company which offers deferred payments for online shopping and a shopper protection programme. When shopping online, one can order a product and pay for it even up 30 days later, without any transactional costs and interest. The company has used its proprietary scoring system based on information collected in the web, without the need to provide such information by the customer. With PayPo, the customer can receive and check out the goods before payment. If the goods do not reach the user for any reason, they do not have to pay for them. On 31 December 2020, NZW Corsham Sp. z o.o. consented to the sale of all shares owned by the Company in PayPo Sp. z o.o. The shares sale agreement was concluded on 7 January 2021.

On 20 December 2019, Corsham Sp. z o.o. joined Autenti Sp. z o.o., which is a comprehensive platform to authorise documents and enter into contracts online, using all sIDAS e-signatures available: standard, advanced and qualified ones. The platform established by Autenti Sp. z o.o. can be applied in many industries, which supports the company's aspiration to become a leader for electronic signature in Poland. So far, the company has attracted the following key customers: BNP Paribas, Vienna Life, Credit Agricole, PGE Lumi and Medcover. The company intends to strengthen its competitive advantage by developing its platform and carrying out expansion to European markets.

RBL_VC Sp. z o.o.

RBL_VC Sp. z o.o. was established on 23 October 2019 and entered to the National Court Register on 7 November 2019. In February 2020, the company was entered to the Register of Managers of Alternative Investment Companies kept by the Polish Financial Supervision Authority. The company is a general partner of RBL_VC Sp. z o.o. ASI S.K.A. – a limited joint-stock partnership entrusted with management.

RBL_VC Sp. z o.o. ASI S.K.A.

RBL_VC Sp. z o.o. ASI S.K.A. was established on 27 November 2019 and entered to the National Court Register on 17 April 2020. It is an externally managed alternative investment company, as defined in the Act on investment funds and management of alternative investment funds.

Both companies are a target investment vehicle through which Alior Bank intends to conduct venture capital (VC) investments. As part of VC investments, RBL_VC Sp. z o.o. ASI S.K.A. will take up minority shares, in particular, at entities operating new solutions in the financial market and financial support services (fin-techs), as well as will ultimately assume the current role of Corsham Sp. z o.o. in conducting venture capital investments.

Harberton Sp. z o.o. in liquidation

On 19 February 2020, Alior Bank acquired 100 shares in Harberton sp. z o.o. to make a capital investment in RUCH Spółka Akcyjna (hereinafter: RUCH S.A.) in accordance with the Investment Contract concluded between the Bank and PKN ORLEN S.A., PZU SA and PZU Życie SA (Investment Contract).

On 21 January 2021, Harberton Sp. z o.o., due to selling to RUCH S.A. 100,000 shares in RUCH S.A. in order to redeem, ceased to be its shareholder, and the provisions of the Investment Contract were implemented.

At present, the shareholding structure of RUCH S.A. is as follows: Polski Koncern Naftowy Orlen S.A. (hereinafter: PKN Orlen) 65% of shares, PZU Group of 29% shares, Alior Bank S.A. Capital Group 6% of shares.

Given the above, on 1 February 2021, a resolution of the Extraordinary General Meeting of Harberton sp. z o.o. was adopted to initiate the liquidation procedure of the Company.

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

Adoption and approval of the Alior Bank strategy update for 2020-2022 with regard to 2021-2022

On 29 March 2021, the Management Board of the Bank passed a resolution on the adoption of the update of the Bank's "More than a Bank" strategy for 2020-2022 with regard to 2021-2022. The Strategy update was approved by the Bank's Supervisory Board on 29 March 2021.

Polish Financial Supervision Authority's permission to implement significant changes to the AMA approach.

On 10 February 2021, Alior Bank was granted Polish Financial Supervision Authority's permission to implement significant changes to the AMA approach. Specifically, the change concerns the inclusion of non-insurance recoveries in the model. This is yet another step related to the strengthening of the operational risk management system at the Bank and the reflection of the actual level of this risk in the measurement. The aforementioned permission also allows, as a consequence, the reduction of the equity requirement for operational risk.

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

On 21 January 2021, Standard and Poor's Global Ratings rating agency announced that all the Bank's ratings were awarded at the current level.

The Bank's rating is as follows:

- Long-Term Issuer Credit Rating at "BB" with a negative outlook,
- Short-Term Issuer Credit Rating at "B".

Confirmation of the ratings and change of the rating outlook of Alior Bank S.A. by Standard & Poor's Global Ratings

On 24 June 2021, Standard and Poor's Global Ratings informed the Bank about the confirmation of the Bank's long-term and short-term ratings at the current level and that the Bank's rating outlook was changed from "Negative" to "Stable".

The Bank's rating as at the date of this report is as follows:

- Long-Term Issuer Credit Rating at "BB" with stable outlook,

- Short-Term Issuer Credit Rating at "B".

In this way, the Agency verified its assessments from January 2021.

Amount of the agreed-upon contribution to the compulsory bank restructuring fund

On 19 April 2021, the Bank received a letter from the Bank Guarantee Fund informing about the obligation to make a contribution for 2021 to the compulsory bank restructuring fund, taking into account the amount of contribution adjustment for 2020, in the amount of PLN 48,401,808.17. The entire contribution to the bank restructuring fund due for 2021, including the amount of the contribution adjustment for 2020, was included in the results for Q1 2021.

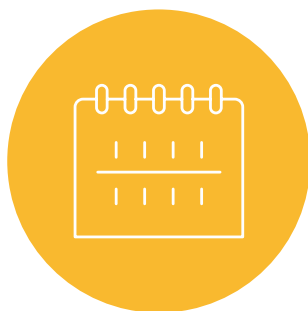
Supervisory letters informing about the stance of the Polish Financial Supervision Authority regarding the dividend policy

On 30 June 2021, the Bank received a letter from the Polish Financial Supervision Authority of 29 June 2021 on the dividend policy of commercial banks in H2 2021. The criteria contained in the letter were a repetition of the guidelines published in the stance of the Polish Financial Supervision Authority on the dividend policy of commercial banks in H2 2021 of 24 June 2021.

Moreover, in a letter of 16 July 2021, the Polish Financial Supervision Authority recommends limiting the risk inherent in the Bank's operations whereby not taking other actions without prior consultation with the supervisory authority, in particular, those going beyond the scope of current business and operating activities, that could result in a reduction in the capital base, including possible dividend payments from retained earnings from previous years (i.e., from 2019 and earlier) and redemption of own shares.

Acquisition by the Bank of 6% of shares in RUCH S.A.

On 21 January 2021, the Extraordinary General Meeting of RUCH S.A. ("Company", "Ruch") adopted a resolution resulting in a reduction and simultaneous increase in the share capital of RUCH S.A., as a result of which, as part of the new issue of 100,000 shares, the Bank acquired 6,000 shares in the increased share capital of RUCH S.A. Thus, after acquiring shares in the increased share capital of Ruch and registration, on 12 February 2021, by the competent registry court of the above-mentioned reduction with a simultaneous increase in the share capital of the Company, the Bank holds directly approximately 6% of the shares of Ruch, while the Bank's subsidiary Herberton ceased to be a shareholder of Ruch.



Major events post balance-sheet date

There were no major events after the end of the reporting period, except for those described in this Management Board Report.

VIII. Issues of bonds and Banking Securities of Alior Bank



Own bonds

In H1 2021, 12 months after approval (4 May 2020), the Bank's base prospectus ("Prospectus") expired. As part of the Prospectus, the Management Board of the Bank did not decide to issue any bonds.

The Bank still has in place an active Multi-Year Bond Issue Programme up to a total maximum nominal value of PLN 5,000,000,000, that is effective pursuant to a resolution of the Supervisory Board of 5 August 2019.

Issues and redemptions of bonds conducted by Alior Bank in H1 2021

In H1 2021, the Bank did not conduct any issues of its own bonds. Nor was early redemption of bonds carried out. On 31 March 2021, the Bank made a timely redemption of G series subordinated bonds with a nominal value of PLN 192,950,000. In addition, on 29 April 2021, the Bank also made a timely redemption of B series subordinated bonds (bonds of the former Meritum Bank ICB S.A.) with a nominal value of PLN 67,200,000.

Banking Securities

Approval of the base prospectus of 2nd Programme of Banking Securities Issuance up to PLN 5,000,000,000

On 31 December 2020, the Polish Financial Supervision Authority approved the base prospectus of the Bank ("Prospectus").

The Prospectus was drawn up in connection with:

- an opening of the 2nd Issuance Programme in the territory of the Republic of Poland for unsecured bearer Banking Securities with a nominal value of at least PLN 100 each and up to the total maximum nominal value of PLN 5,000,000,000, and
- an intention to apply for admission and marketing of selected series of Banking Securities in a regulated market (primary or parallel market) for debt securities maintained by the Warsaw Stock Exchange.

- The offering programme was established by the decision of the Management Board of the Bank on 21 August 2019.
- Based on the Prospectus, the Bank may conduct public offerings of interest-bearing or non-interest-bearing Bank Securities.

Issues and redemptions of Banking Securities conducted by Alior Bank in H1 2021

In H1 2021, the Bank carried out 6 issues for a total nominal value of PLN 104,032,100, including:

- 3 issues of Banking Securities under the 2nd Issue Programme based on the Prospectus, for a total nominal value of PLN 53,631,600:

Issue date	Series No.	Redemption date
02/03/2021	PDINIT230908	08/09/2023
14/05/2021	PDSZCZ231108	08/11/2023
07/06/2021	PDSONL231208	08/12/2023

- 3 issues of Banking Securities under the 1st Issue Programme, for a total nominal value of PLN 50,400,500:

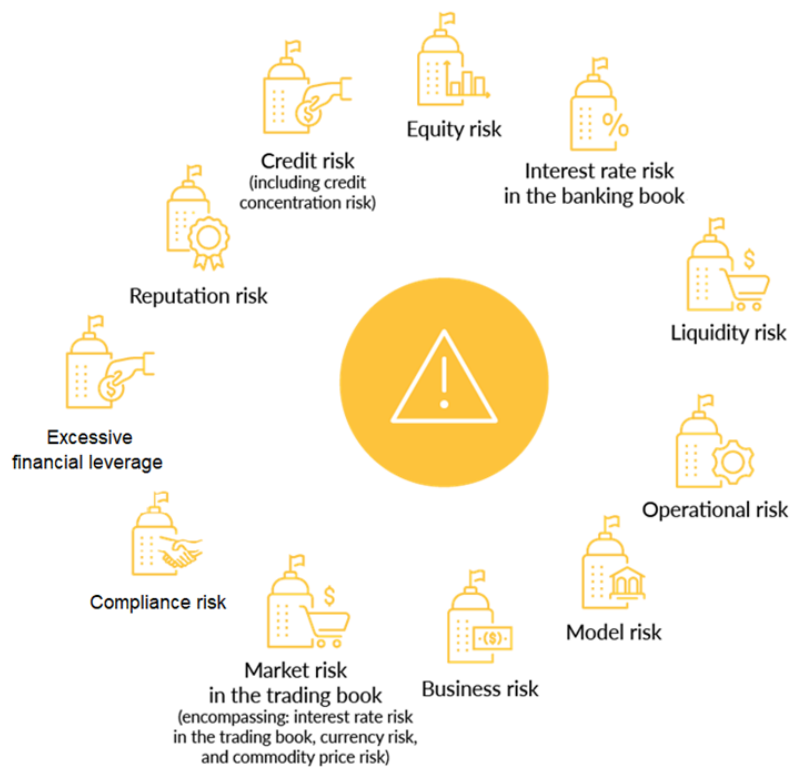
Issue date	Series No.	Redemption date
05/01/2021	PVALUE230707	07/07/2023
02/02/2021	PINVIT230811	11/08/2023
06/04/2021	PHOMOF231012	12/10/2023

The 2nd Issue Programme saw no redemption of Banking Securities, whereas the 1st Issue Programme saw the Bank's timely redemption of a total value of PLN 320,301,070.

IX. Alior Bank's risk report

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

The Bank recognises the following major types of risk to its business:



The risk management system in force at Alior Bank S.A. is based on three independent lines of defence: The first line is implemented at the Bank's operational units and by process owners, who, among other things, design and ensure the compliance with the controls embedded in processes. The second line of defence operates in organisational units responsible for the management of particular risks, including its measurement, monitoring, control and reporting. It fulfils a managerial function whereby risk management is delivered at dedicated stations or organisational units independently from the first line. The third line of defence provides the senior management and the Supervisory Board with assurance that the activities of the first and second

lines are in line with their expectations. The third line of defence consists of the activities carried out by the internal audit unit.

The Bank supervises the functioning of subsidiaries of the Capital Group of Alior Bank. The Bank supervises the risk management systems in these entities and takes into consideration the level of risk connected with activities of particular entities within the risk monitoring and reporting system at the level of the Alior Bank S.A. Capital Group.

The Bank considers the following risks to be major:

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



Credit risk

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

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

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

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



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



As part of measures to minimise the risk level of a single exposure, the Bank assesses each time when originating a new loan product:

- credibility and credit rating of the customer, taking into account, among other things, detailed analysis of the source from which the exposure is to be repaid,
- credibility of the accepted security, including verification of the formal legal status and economic value, taking into account, among other things, LTV adequacy,
- takes effective monitoring and collection measures adequately defined on the level of a single customer based on the segmentation models applied.

To keep credit risk on the level defined in its risk appetite, the Bank has applied the following measures:

- establishes and controls concentration limits,
- monitors the structure and quality of a new credit exposure in relation to defined objectives and EWS signals,
- analyses changes in internal factors and market factors as well as the sensitivity of the credit portfolio, in particular, in relation to negative events identified as a potential risk,
- regularly monitors the loan portfolio, by controlling all major parameters of credit risk (including PD, LGD, LTV, DTI, COR, NPE, NPL, Coverage, loss ratio of particular generations),
- regularly conducts stress tests.

As regards to the credit risk management in the individual customer segment, in H1 2021, the Bank continued to optimise its credit policy, while maintaining conservatism in assessing the impact of the systemic environment, and signals of economic recovery on the situation and future way of conduct of current and potential borrowers, e.g., by:

- introducing bankassurance products to the offer that protect the Bank and customers against the adverse effects of changes in their financial standing,
- strengthening the policy of accepting collateral,
- optimising the amount of available commitment towards a single customer depending on how that customer has been assessed,
- upholding those policy changes introduced in 2020, whose positive effect on the quality of the generated portfolio is independent of the market response to the introduction or abolition of socio-economic rules regarding the fight against the coronavirus pandemic.

Changes to the credit policy of a cash loan gave rise to a reinstatement of the market share in sales of this product as from before the pandemic, while reducing the credit risk taken.

As regards housing loans, which are characterised by the lowest loss ratio, after the implementation of changes adjusting to the changing economic situation, the Bank maintained an increase in lending, which amounted to 45% in H1 2021 compared to H1 2020.

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

In the area of instalment loans, H1 2021 saw the Bank's continuation of the strategy of optimising its credit policy, in particular, with regard to the ECO offer, among others, by adjusting the parameters and approval strategy to the dynamically changing market environment. These measures resulted in a permanent growth of the hire-purchase loan portfolio, which amounted to 22% compared to balance as at June 2021 to June 2020, while maintaining the low loss ratio of this portfolio.

In the area of loans for enterprises, in H1 2021, the Bank consistently pursued its strategy to optimise loan policies by focusing on precise delineation of customer profiles with the highest loss rates. In particular, with regard to micro- and small-sized entrepreneurs:

- by limiting the available amounts for the high-risk classes,
- by limiting the loan periods for high-risk classes,
- by introducing new, stricter criteria for loan applications rejection based on new data sources (external data bases).

The new lending action is characterised by better quality and a higher level of securities, due to which it will be more resistant in times we macroeconomic environment is deteriorating.

H1 2021 saw the Bank's continuation of its financing strategy focused on making policy parameters dependent on the customer's industry risk group, implemented in 2020 to address the increased financing risk ensued from the effects of the COVID-19 pandemic. Based on the review of the situation of respective sectors of the economy, the Bank made an update of the assignment of industry risk, that directly affects the parameters of the credit policy.

Process simplifications introduced in 2020 aimed at limiting contacts with the customer and ensuring the continuity of processes with a limited number of employees were also upheld.

Risk assessment in the loan origination process

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

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

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

Separation of responsibilities

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

Concentration risk management

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

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

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

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

Impairment and provisions

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

If there is no objective evidence of impairment of the carrying amount of credit exposures, they are aggregated to a group of assets with a similar credit risk profile and assessed in terms of material deterioration of credit quality since initial recognition. The assessment of deteriorated credit quality is based on a set of qualitative and quantitative evidence. Qualitative evidence includes: the exposure is materially past due in excess of 30 days, assignment of customer to the Watch List category, exposure remaining in the forborne category, existence of other risks (including risk of sector, region, etc.). Quantitative evidence is material deterioration of the current aggregate probabilities of default in the period leading to expected maturity against aggregate probabilities of default for that period at the time of exposure generation (i.e., release or major modification). The Bank uses two models to estimate write-offs for exposures for which there is no impairment evidence:

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

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

In 2021, the Bank did not identify the need and nor did it implement changes in the principles of loan portfolio valuation aimed at adjusting to the environment of the COVID-19 pandemic. Details of the solution kept by the Bank are described in the chapter of the financial statements titled "Quality and valuation of the credit portfolio in the environment of COVID-19".

Impairment evidence

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



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

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

In January 2021, the Bank amended the rules for identifying impairment triggers resulting from the EBA/GL/2016/07 guidelines. The key change concerns the assessment of the irregularity of customer debt service.

Exposures for which impairment evidence has been identified are classified as those valued individually and those valued as a group. Individual valuation applies to exposures at risk of impairment (calculated at the customer level), exceeding the significance levels of exposure, established based on customer segment (see table below).

Significance levels qualifying customer exposures for individual valuation (as at 30/06/2021)

Customer segment	Level value (in PLN)
Personal customer	No level
Business customer	3,000,000

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

Group valuation is grounded on a wide range of characteristics tailored to individual populations, including, in principle, behavioural features regarding recoveries and debt collection processes, as well as the default period of a respective exposure. Security is incorporated on the exposure level.

Security

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

The Bank establishes the security method taking into account:

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

Management of the assets taken over instead of the debt

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

Scoring/rating

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

The Bank regularly tests its scoring and rating models for accuracy. The purpose is to find out if the models correctly differentiate the risks, and risk parameter estimations adequately reflect the respective risk aspects.

In addition, during functional checks the accuracy of application of the models in the lending process is verified.

The scoring models currently used were built by the Bank's in-house resources. To strengthen the process of managing the risk of the models used at the Bank, we have in place a team which plays the role of an independent validation unit.

Monitoring of credit risk for consumers and businesses

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

Business customers are also monitored on a quarterly basis by individual reviews. The review results in updating customer classification as well as preparing and implementing recommendations on further development of relations with the customer in order to mitigate identified risks and improve the quality of the credit portfolio.

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

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

periodical reviews, in particular, of the financial and business circumstances of customers, transaction risk and the value of accepted securities

Forbearance practices

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

- extension of the lending period resulting in lower amounts of monthly principal and interest to be repaid. If the lending period is extended, any restrictions resulting from the product characteristics are taken into account, for instance, the age of the borrower,
- grace periods (applied to a part of or the entire instalment depending on the risk assessment on the single exposure level). During the period of complete grace period for the repayment of principle and interest, the borrower is not required to make any payments under the agreement. The period of loan repayment may be extended to adapt the amount of the instalment to the Borrower's payment capacity in accordance with the restrictions resulting from the product's metrics. Complete grace period is applied for a maximum of six months,

- consolidation of several liabilities at Alior Bank, including the conversion of the overdraft balance/unauthorised debit on the current account/credit card into a loan to be repaid in instalments; the consolidation results in transforming several liabilities under various contracts into single liability,
- the product launched as a result of the consolidation is repaid in monthly instalments based on the established schedule. The parameters of the product launched as a result of applying the respective tool are consistent with the products metrics: cash advance/consolidation loan,
- statutory credit holidays for a period of up to 3 months - grace period for the entire installment with no interest being charged in this period.

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

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

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

Monitoring of risks involved in forbearance practices

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

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

Assessment of impairment for exposures subject to forbearance practices

All exposures subject to forbearance practices are measured in terms of loss value at lifetime.

Forbearance practices affecting the reduction of asset value (including, for example, depreciation) constitute evidence of impairment and are classified to Bucket 3.

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

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

Risk control in loan origination processes

As part of the second line of defence in Risk, a dedicated unit, namely Risk Control Department, conducts operational activities, performing control functions based on automated control mechanisms in key credit processes. These control functions cover key areas and indicators. The scope of control ranges from the analysis phase and making credit decisions, through the process of granting financing to monitoring and after-sales service.

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

The Risk Control Department analyses the effectiveness and results of control processes on an ongoing basis while implementing appropriate modifications. In addition to regular, cyclical control processes, the Bank also carries out one-time/spot checks of the processes carried out in Risk, that each time ends with recommendations for corrective/optimisation actions for the controlled units.



Operational risk

Operational risk, which is connected with the possibility of a loss arising due to non-compliance or fallibility of internal processes, human resources, systems or external threats.

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

The Bank has in place a formalised operational risk management system within which it prevents operational events, and minimises loss should such risk materialise. The operational risk management system at Alior Bank is based on three pillars:

- corporate governance – including internal regulations, internal control system and defined roles and responsibilities of individual organisational units,
- the operational risk management process – including all its phases and the use of adequate tools,
- operational measures – actions taken by the Bank that are aimed at identifying operational risk, implementing operational risk control and management procedures, decisions taken to mitigate risk, including in 2020 actions related to the mitigation of the threat caused by COVID-19.

For several years, the Bank has been developing statistical methods for calculating internal and regulatory capital for operational risk.

On 10 February 2021, Alior Bank received approval from the Polish Financial Supervision Authority regarding the implementation of material changes to the AMA method, involving, for instance, the inclusion of non-insurance recoveries in the calculation dataset. The PFSA's decision is a result of many months of design work aimed at improving the operational risk management processes at the Bank. The result of the project constituting a continuation of works carried out at the Bank since 2016, apart from a significant reduction of the capital requirement for operational risk, is a number of procedural benefits and a tool that may be used to estimate operational risk precisely and take that risk into consideration, including in product prices and process costs.

In addition, on 16 December 2020, the Alior Bank was granted a permit by the Polish Financial Supervision Authority for the combined use of various methods for the purpose of establishing own funds requirements for operational risk at the consolidated level of the Alior Bank Group, i.e.:

- advanced measurement methods (AMA) – with regard to the operations of Alior Bank,
- and the standardized method (TSA) – with regard to the operations of the Romanian Branch and the operations of Alior Leasing Sp. z o.o. – the company subject to consolidation.

The introduction of the TSA in Alior Leasing Sp. z o.o. is yet another step in the development of operational risk management and translates into a reduction of the capital requirement at the level of the Alior Bank S.A. Capital Group.

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

The level of operational risk costs registered in the H1 2021 fell within the adopted target and limit for operational risk for the Alior Bank S.A. Capital Group.



Market and liquidity risks

Rules for managing market and liquidity risks

The principal rules for the management of market and liquidity risks are defined in the Asset/Liability Management Policy.

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



Supervision of the above-mentioned activities related to entering into transactions, and independent risk measurement and reporting is distributed up to the Member of the Management Board level, which ensures full independence of their activity.

In addition to particular organisational units, an active part in the market and liquidity risk management is played by the Supervisory Board and the Management Board of the Bank, as well as the Capital, Assets and Liabilities Management Committee (CALCO).

Exposure to market and liquidity risks is limited by a system of limits which are periodically updated by resolution of the Supervisory Board or the CALCO Committee, covering all risk metric, whose level is monitored and reported by the Bank's organisational units independent from the business.

The Bank has in place three types of limits, depending on their scope and method of action: core limits (established on the Supervisory Board level), supplementary limits (established by the Management Board of the Bank or the CALCO, if the Management Board has delegated the CALCO to establish the limit), and additional limits.



Market risk

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

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



Liquidity risk

Definition of liquidity risk

Liquidity risk is the risk of inability to fulfil payment liability arising from the Bank's balance sheet and off-balance sheet items. The category of liquidity risk includes the funding liquidity risk which is the risk of losing the existing funding sources and the risk of being unable to replenish the required funding, or loss of access to new funding sources.

Purpose of liquidity risk management

The purpose of liquidity risk management is to ensure necessary amount of funding to meet current and future (including potential) liabilities, taking into account the specific features of the activity and the needs that may emerge as a result of changing market or macroeconomic conditions.

Liquidity risk management process

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

Organisation of the liquidity risk management process

The Bank has appointed a Capital, Assets and Liabilities Management Committee (CALCO) to manage assets and liabilities. The liquidity risk strategy, including the acceptable risk level, the anticipated balance sheet structure, and the funding plan are approved by the Bank's Management Board and then accepted by the Bank's Supervisory Board. The Treasury Department is responsible for entering into interbank treasury deals, and the transactions are settled and accounted for by the Operations Division, whereas the monitoring and measurement of liquidity risk is conducted at the Financial Risk Management Department. The separation of responsibilities for the management of liquidity risk is transparent and ensures the separation of responsibilities up to the Member of the Management Board level, which ensures their full operational independence.

Management of liquidity risk at the Bank's foreign branch

In H1 2021, Alior Bank held one foreign branch, in Romania, which conducted deposit and credit activity. The objective of the Branch is to conduct credit activity with the funding received from Alior Bank and using funding acquired on the local market. The Branch's liquidity level is monitored on an ongoing basis by dedicated organisational units of the Branch and of the Bank's Head Office.

Liquidity risk management in the subsidiaries

With regard to liquidity risk management in the Group, in H1 2021, Alior Leasing was considered an essential company in the Alior Bank Group. The company monitors, controls and reports the liquidity risk on the basis of internal liquidity risk management rules, including the determination of the appetite for liquidity risk, liquidity contingency plans and preparation of periodic reports. The reports prepared by Alior Leasing concerning the liquidity risk in the company constitute, in particular, a starting point for making decisions on liquidity management of the company and are used to consolidate the liquidity risk at the level of the Alior Bank S.A. Capital Group.

Measurement and assessment of liquidity risk

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



Liquidity risk monitoring and reporting

Alior Bank regularly monitors and reports liquidity risk metrics levels and the degree to which the supervisory and internal limits, as well as thresholds have been utilised.

As part of liquidity risk management, the Bank numerously analyses the maturity profiles in a longer term, depending to a large extent on the adopted assumptions for future cash flows related to asset, liability and off-balance-sheet items. These assumptions are subject to approval by the CALCO Committee and the Bank's Management Board.

List of maturity dates for contractual flows of assets and liabilities on a consolidated basis as at 30 June 2021 (in PLN million):

30/06/2021	1D	1M	3M	6M	1Y	2Y	5Y	5Y+	TOTAL
Assets	2 176	1 348	2 351	3 663	6 089	15 257	20 272	41 231	92 387
Equity and liabilities	-61 680	-2 450	-2 895	-1 540	-1 326	-765	-1 731	-6 881	-79 268
Balance sheet gap	-59 504	-1 102	-544	2 123	4 763	14 492	18 541	34 350	13 119
Accumulated balance sheet gap	-59 504	-60 606	-61 150	-59 027	-54 264	-39 772	-21 231	13 119	
Derivatives – net	17	30	2	7	15	1	-3	0	69
Guarantee and financial lines	-9 442	0	0	0	0	0	0	0	-9 442
Off-balance sheet gap	-9 425	30	2	7	15	1	-3	0	-9 373
Gap, total	-68 929	-1 072	-542	2 130	4 778	14 493	18 538	34 350	3 746
Accumulated gap, total	-68 929	-70 001	-70 543	-68 413	-63 635	-49 142	-30 604	3 746	

Comparable data as at 31 December 2020 (in PLN million):

31/12/2020	1D	1M	3M	6M	1Y	2Y	5Y	5Y+	TOTAL
Assets	2 937	2 333	2 042	3 806	7 107	13 713	20 359	39 600	91 897
Equity and liabilities	-58 771	-2 981	-3 270	-2 009	-2 140	-1 125	-1 670	-6 853	-78 819
Balance sheet gap	-55 834	-648	-1 228	1 797	4 967	12 588	18 689	32 747	13 078
Accumulated balance sheet gap	-55 834	-56 482	-57 710	-55 913	-50 946	-38 358	-19 669	13 078	
Derivatives – net	0	10	16	2	2	24	-14	0	40
Guarantee and financial lines	-9 322	0	0	0	0	0	0	0	-9 322
Off-balance sheet gap	-9 322	10	16	2	2	24	-14	0	-9 282
Gap, total	-65 156	-638	-1 212	1 799	4 969	12 612	18 675	32 747	3 796
Accumulated gap, total	-65 156	-65 794	-67 006	-65 207	-60 238	-47 626	-28 951	3 796	

The Bank maintains a high liquidity buffer by investing in government and commercial debt securities of the highest ranking that can be quickly liquidated, by keeping funds on the current account at NBP and in other banks (nostro accounts), by keeping cash at the Bank's cash desks, and by investing the funds in interbank deposits, within the established limits. The adequacy of the liquidity buffer is controlled by comparing it with the established minimum liquidity buffer necessary to survive a stress scenario for up to and including 7 days and for 30 days.

As at 30 June 2021, the total liquidity buffer was PLN 16,740 million as compared to a minimum level of PLN 12,148 million under the shock scenario. To calculate the liquidity buffer, the Bank uses appropriate reductions of particular components of that buffer to take into account market liquidity risk (product).

The main source of funding of the Bank's activities, including the liquid assets portfolio, are funds acquired from the deposit base which as at 30 June 2021 was equal to approx. 88% of total liabilities.

In addition, the Bank conducts liquidity stress tests taking into account an internal, external, and mixed crisis, including it prepares a plan of acquisition of funds in emergency situations, as well as it defines and verifies the rules for the sale of liquid assets, taking into account the cost of maintaining liquidity. The results of stress tests are used, in particular, to assess the extent to which the Bank is prepared to settle liabilities in a stress situation, to assess the adequacy of excess liquidity, as well as to verify the adjustment of the Bank's liquidity profile to the adopted liquidity risk tolerance. The comparison of the demand for liquid funds for each scenario with the values that can be obtained on the basis of the tests of contingency plans allows to check whether the Bank is able to settle liabilities in longer horizons (beyond the horizon of survival) using contingency actions. Moreover, the results of stress tests serve to establish internal limits, adjust and improve internal regulations, everyday practice in managing liquidity risk through using the results of stress tests to assess the Bank's day-to-day liquidity situation, as well as to shape a liquidity contingency plan.

Under resolution 386/2008 of the Polish Financial Supervision Authority of 17 December 2008, the Bank establishes and reports on a daily basis:

- rate of coverage of illiquid assets with own funds,
- rate of coverage of illiquid or restricted-liquidity assets with own funds and stable third-party funds.

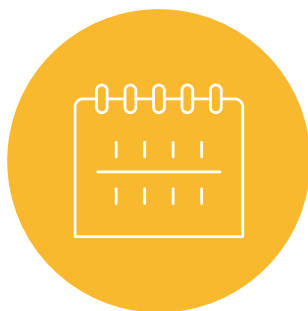
The values of aforementioned ratios as at 30 June 2021 were as follows: 3.37 and 1.18.

As required by the above-mentioned Resolution, the Bank conducts a deepened analysis of long-term liquidity, stability and structure of funding sources, taking into account the level of core deposits and concentration of term and current deposits. In addition, the Bank monitors the volatility of on-balance-sheet and off-balance-sheet items, in particular, the projected inflows due to credit lines and guarantees provided to customers.

In addition, under Regulation No. 575/2013 of the European Parliament and of the Council (EU) of 26 June 2013 on prudential requirements for credit institutions and investment firms (Capital Requirements Regulation - CRR) and Commission Delegated Regulation (EU) 2015/61, the Bank monitors and maintains the Liquidity Coverage Ratio (LCR) at an adequate level. As at 30 June 2021, LCR for the Alior Bank S.A. Capital Group was 167% as compared to the required 100%.

In addition, the Bank monitors and maintains an adequate level of the net stable funding coverage ratio (NSFR), determined in accordance with Regulation (EU) 2019/876 of the European Parliament and of the Council of 20 May 2019. As at 30 June 2021, NSFR for the Alior Bank S.A. Capital Group was 130% as compared to the required 100%.

In H1 2021, the Alior Bank S.A. Capital Group's liquidity was kept at a safe level, which was reflected in the levels of liquidity ratios considerably above the limits (e.g., LCR at historically high levels). In this view the Alior Bank Group did not identify the need to take extraordinary measures aimed to improve liquidity, in particular, in the light of measures taken by the supervisor and the central bank, such as reducing the reserve requirement.



Interest rate risk

Interest rate risk is defined as a risk of adverse effect of market interest rates on the current result or net current value of the Bank's equity. Due to its policy of limiting risks in the trading book, the Bank has attached special importance to specific aspects of interest rate risk related to the banking book, such as:

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

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

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

Interest rate risk is measured and mitigated by monitoring the volatility of net interest income (NII) and changes in economic value of equity (EVE) of the Bank. In addition to NII and EVE metrics, in measuring the interest rate risk, the Bank uses BPV, VaR, revaluation gap, as well as shock scenarios and stress tests.

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

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

As at the end of H1 2021 and as at the end of 2020, the following has been presented for the Alior Bank S.A. Capital Group:

Scenario	Change in the economic value of equity 30/06/2021	Change in the economic value of equity 31/12/2020
Worst scenario	-357,408	-171,836
The most unfavourable scenario as % of Tier 1	5.7%	2.6%

Change of net interest income within 1 year with change of interest rates by 100 bp (negative scenario) as at the end of H1 2021 and as at the end of 2020 has been presented below:

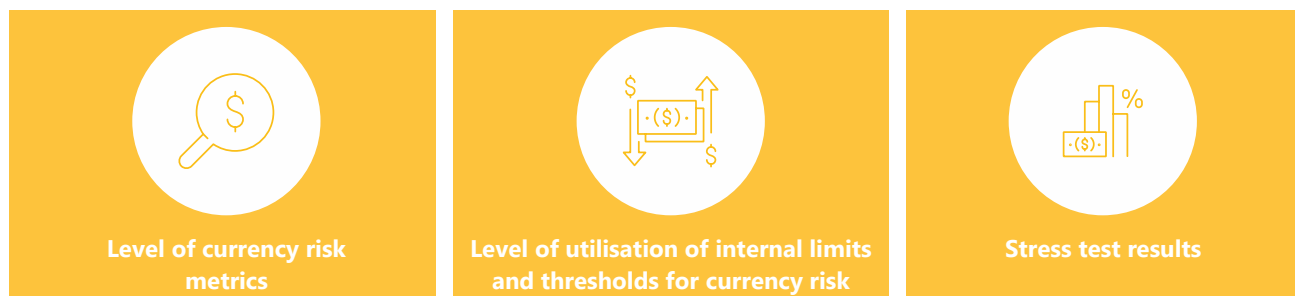
	30/06/2021	31/12/2020
NII – total, materialised interest income sensitivity to changes in interest rates	-13.09%	-13.09%



Currency risk

Currency risk is defined as the risk of a loss occurring due to changes in foreign exchange rates. The Bank additionally distinguishes the effect of exchange rates on the Bank's results over a long term, due to currency conversion of future currency income and costs at potentially unfavourable rates. The primary purpose of currency risk management is to identify the areas of activity of the Bank that can be exposed to that risk and take measures to limit as far as possible any losses occurring out of it. The Bank's Management Board defines the currency risk profile which must be characterised by compliance with the applicable financial plan of the Bank.

Alior Bank regularly monitors and reports:



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

Alior Bank’s main currency risk management tools include:

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

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

To measure credit risk, the Bank uses VaR metric and stress tests.

VaR determines the potential amount of losses on the maintained currency positions due to changes of exchange rates, while keeping the adopted confidence level and position duration. To determine the VaR level, the Bank uses the variance-covariance method at confidence level of 99%. The amount is calculated for each day for particular areas responsible for risk taking and management, individually and in aggregate.

As at the end of H1 2021, the maximum loss on the currency portfolio held by the Bank (managed in the trading book), determined on the basis of VaR within a time horizon of 10 days, with the assumed confidence level of 99% (in PLN thousand) has been presented below:

	30/06/2021	31/12/2020
VaR	-3.1	138.4

In measuring the exposure of the Capital Group of Alior Bank to the risk of changes in exchange rates, the Bank carries out stress tests. Below are presented the results of stress tests of changes of exchange rates relative to PLN by +/- 20% (PLN thousand).

	30/06/2021	31/12/2020
Rates +20%	3,058	11,657
Rates -20%	17,310	7,306



Model risk

The purpose of model risk management is to make it possible to achieve business goals with an acceptable level of uncertainty resulting from the application of models in the Bank's activities. The Bank strives for the widest possible use of models in its processes to achieve automation of the decision-making process and minimise the role of the human factor. The Bank shapes the model risk management process in a way which ensures that the goal in question is achieved.

The model risk management process assesses compliance of the model risk level with the adopted risk tolerance, and measures are taken in order to limit this level. The stages of the process are: identification, measurement, monitoring, control and reporting of the model risk. The model risk management process is carried out at the level of individual models as well as at the level of the model portfolio.



Capital management (ICAAP)

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

To ensure secure operations, the Bank defines, within the framework of its risk appetite, appropriate own funds coverage levels (as well as Tier 1 capital) of a potential unexpected loss due to major risks determined under the ICAAP process, as well as the risks identified under the process of calculating the regulatory capital.

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

Risk relevant as at 30/06/2021				
Credit risk (including: insolvency, residual, sectoral concentration, customer concentration, currency concentration, security concentration)		Operational risk	Liquidity risk	Interest rate risk in the banking book
Market risk	Settlement / delivery risk	Model risk	Reputation risk	Business risk
	Capital risk	Compliance risk	Leverage risk	

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

- credit risk based on the VaR portfolio method,

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

The total internal capital so determined and the calculated regulatory capital is secured with the amount of own funds (as well as Tier 1) taking into account appropriate security buffers.

Capital ratios of the Capital Group of the Bank

	30/06/2021	30/06/2020
Solvency ratio	14.95%	15.72%
Tier 1 capital ratio	12.99%	13.14%
Ratio of internal capital coverage by available capital	2.20	2.24

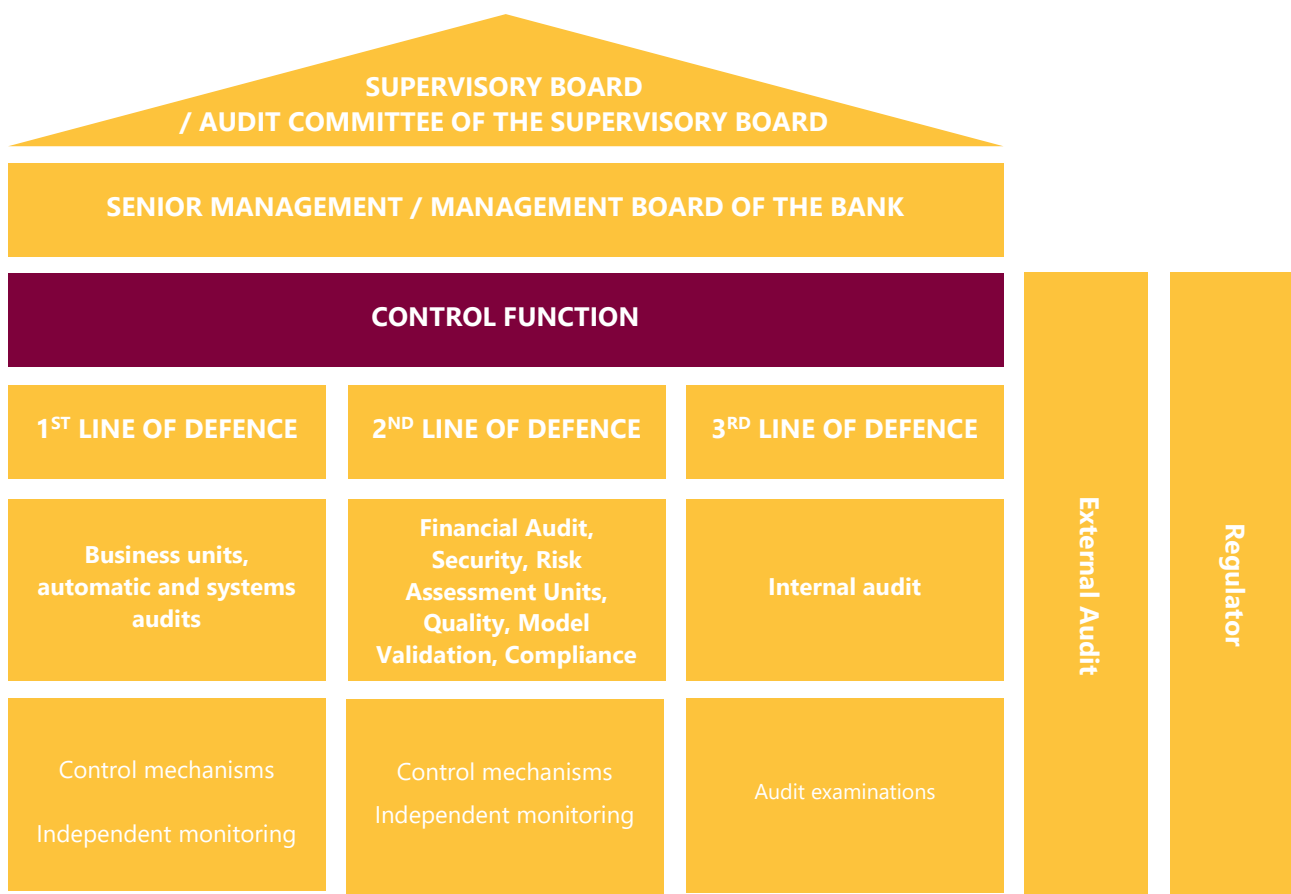
28 June 2021 saw coming into effect of another tranche of regulatory amendments under the so-called CRR 2 introduced by Regulation (EU) 2019/876 of the European Parliament and of the Council of 20 May 2019 amending Regulation (EU) No. 575/2013 as regards the leverage ratio, the net stable funding ratio, requirements for own funds and eligible liabilities, counterparty credit risk, market risk, exposures to central counterparties, exposures to collective investment undertakings, large exposures, reporting and disclosure requirements, as well as Regulation (EU) No. 648/2012. In particular, the amendments introduced on 28 June 2021 relate to the calculation of the capital requirement for counterparty risk.

In Q2 2021, an amendment to Regulation 575/2013 came into force, constituting Regulation (EU) 2019/630 of the European Parliament and of the Council amending Regulation (EU) No. 575/2013 with regard to the minimum loss coverage for non-performing exposures.

X. Internal control system

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

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



At all three levels of defence, the employees of the Bank, due to performing their job duties, apply as appropriate certain controls or independently monitor compliance with certain controls. The particular lines of defence are separated from each other, they are characterised by separate roles and responsibilities which are defined in the Bank's organisational rules, as well as in dedicated policies and procedures. Despite that the lines of defence are disjoint, they share information and coordinate their activities for risks, controls and

organisational governance. All three lines of defence have the same task, i.e., support the Bank in achieving the goals of the internal control system.

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

H1 2021 saw the carrying out of a number of activities at the Bank to increase the effectiveness of the internal control system, giving rise to further optimisation and strengthening of the control function exercise, while placing particular emphasis on the Control Function Matrix.



Control system in the process of preparing the financial statements

The internal control system for financial reporting at the Bank is implemented by:

- group-wide application of standardised accounting policies for valuation, recognition and disclosures, in accordance with International Financial Reporting

Standards,

- application of internal controls, including: separation of responsibilities within the reporting department, at least two-level authorisation of data, verification of the correctness of data received,
- definition of responsibilities and formalising the financial statement preparation process,
- definition of the roles and control of compliance with the circulation of financial and accounting documents, and verification in the substantive, formal and accounting terms,
- keeping a record of business events in an integrated financial and accounting system, whose configuration corresponds to the accounting policies applicable at the Bank and which contains instructions and controls to ensure the coherence and integrity of data,
- independent assessment of financial statements conducted by an independent external auditor.

The process of financial reporting is subject to ongoing verification. The integrated financial and accounting system plays an important role in the control process for accounting and financial reporting. Not only does it enable the control of correctness of reported operations, but also allows to identify the individuals who enter and accept particular transactions. Access to financial information is restricted by the privilege system. System

access privileges are provided depending on the assigned role and scope of responsibility of the individual, and are subject to strict control.

The Accounting Principles in place at the Bank contain provisions aimed to present the condition of assets and net income of the Bank in the financial statements in a way that is consistent with the actual course of economic operations and the standards of balance sheet accounts regulations. To this end, the Bank keeps accounting books in which it classifies economic events in a systematic way and in divisions that satisfy internal and external information needs of the Bank. The Accounting Principles applied at the Bank are periodically updated to ensure their compliance with the current regulations, in particular, with the International Financial Reporting Standards, as well as to ensure a better-than-present presentation of the financial standing, result or cash flows of the Bank. The last update was in March 2021.

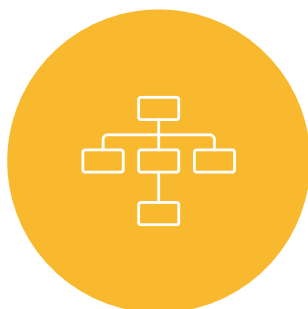
Limitation of the risk of preparation of financial statements is delivered by the Accounting Department, including through supervision over the quarterly process of monitoring of reconciliation of balances on the accounts in the Bank's general ledger, by assigning these accounts to the appropriate substantive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

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

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



XI. Information for Investors



Structure of share capital

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

All shares of Alior Bank are bearer ordinary shares to which equal rights and obligations attach. The Articles of Alior Bank do not restrict the shareholders' rights for exercising voting rights and disposal of shares. The rights of PZU SA as the parent company for the Bank result from the number of shares it holds and the

related number of votes in the Bank's General Meeting.

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

Structure of share capital of the Bank, by series of shares issued (data as at 30/06/2021)

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



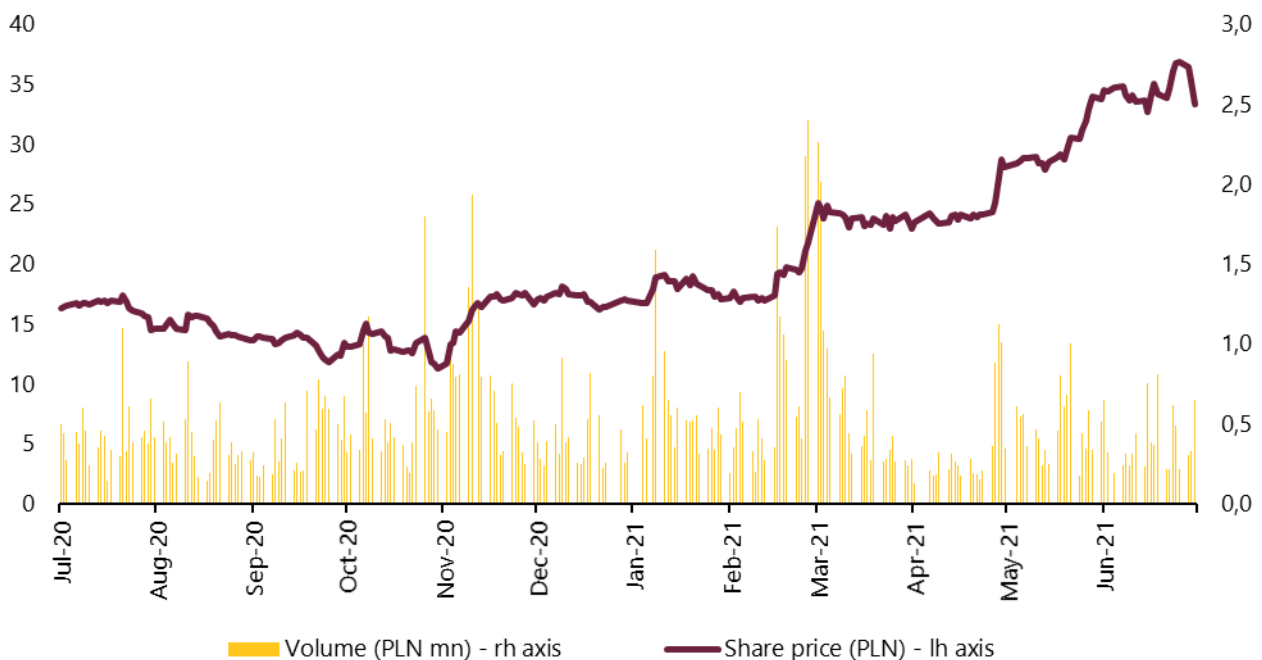
Alior Bank share prices in GPW S.A. in H1 2021

Alior Bank made its debut on the Warsaw Stock Exchange on 14 December 2012. At present, the Bank's shares are included in the following WSE indices: WIG, WIG-BANKI, mWIG40, mWIG40TR, WIG.MS-FIN, WIG30, WIG30TR, WIG-Poland, WIG-ESG, CEEplus.

H1 2021 saw the conclusion of almost 256 thousand transactions on Alior Bank's shares, which was a 35% decrease compared to 392 thousand transactions concluded in H1 2020. The trading volume (the number of shares that have changed hands) amounted to slightly over 66 million shares in H1 2021, compared to 110 million shares in H1 2020 (down by 40% y/y). Going further, the total trade in the Bank's shares in H1 2021 was almost PLN 1.6 billion vs PLN 1.9 billion H1 in 2020 (down by 15% y/y). The decrease in trade resulted mainly from the decrease in the number of transactions on the Bank's shares. The average price of one Bank's share at the close of the trading session in H1 2021 was PLN 25.01, compared to PLN 19.29 in H1 2020 (up by 30% y/y). In H1 2021, the turnover on Alior Bank's shares represented 0.96% of the turnover on shares of companies listed on the Warsaw Stock Exchange.

As at 30/06/2021, the Bank's share price was at PLN 33.33, whereas P/B ratio at 0.66. The following chart shows the development of the Bank's stock prices and trading volumes in the period July 2020 – June 2021.

Alior Bank shares' price performance in July'20 - June'21





Investor Relations

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

Meetings of the members of the Bank's Management Board and representatives of the Bank's management with the equity market community, including investors and analysts, are held on a regular basis. Such meetings address current financial and operating standing of Alior Bank, and present its operating strategy and projected paths of development. In addition, these meetings address topics related to the current macroeconomic situation, general condition of the financial sector, and the Bank's competitive environment.

H1 2021 saw about 30 meetings with foreign and domestic investors in the form of teleconferences, and about 50 talks with analysts from brokerage houses. These talks addressed trends in the banking sector in individual quarters and the current financial standing of the Bank.

Current ratings of the Bank

Agency	Date awarded	Long-term rating	Short-term rating	Outlook
FitchRatings	17 December 2020	BB	B	negative
S&P Global Ratings	24 June 2021	BB	B	stable

On 17 December 2020, the rating agency Fitch awarded a rating for the Bank, upholding the prior level of the issuer's long-term rating at 'BB' with a negative outlook and the issuer's short-term rating at 'B'.

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

- Long-Term IDR: BB with negative outlook
- Short-Term IDR: B
- National Long-Term Rating: BB+(pol) with negative outlook
- National Short-Term Rating: F2(pol)
- Viability Rating (VR): bb
- Support Rating: 5
- Support Rating Floor: 'No Floor'

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

S&P Global Ratings Assessment

On 24 June 2021, S&P agency awarded a rating for the Bank, upholding the issuer's long-term rating at "BB", improving the outlook from negative to stable, and upholding the issuer's short-term rating at "B".

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

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

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

Alior Bank Shareholders

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

The period following the date of submitting the previous periodic report saw no change in the ownership structure of significant blocks of the Bank's shares.

Ownership structure of the Bank's share capital as at 30/06/2021 and as at the date of submitting the periodic report

Shareholder	Number of shares	Nominal value of shares (PLN)	Shares as proportion of the share capital	Number of votes	Votes as proportion of overall votes
PZU Group	41,658,850	416,588,500	31.91%	41,658,850	31.91%
Nationale-Nederlanden OFE	12,656,361	126,563,610	9.69%	12,656,361	9.69%
Aviva OFE Aviva Santander	9,467,180	94,671,800	7.25%	9,467,180	7.25%
Other shareholders	66,771,600	667,716,000	51.15%	66,771,600	51.15%
Total	130,553,991	1,305,539,910	100%	130,553,991	100%

The PZU Group is made of entities that have concluded a written agreement regarding the purchase or sale of the Bank's shares and the consistent exercise of voting rights at the Bank's general meetings, i.e.: Powszechny Zakład Ubezpieczeń SA, Powszechny Zakład Ubezpieczeń Na Życie SA, PZU Specjalistyczny Fundusz Inwestycyjny Otwarty UNIVERSUM, PZU Fundusz Inwestycyjny Zamknięty Aktywów Niepublicznych BIS 1 and

PZU Fundusz Inwestycyjny Zamknięty Aktywów Niepublicznych BIS 2. Conclusion of the above-mentioned agreement was announced by the Bank in Current Report No. 21/2017.

Alior Bank shares held by the Bank's governing body

The number of shares held by the Management Board members as at 30 June 2021 and as at the date of submitting the periodic report is presented in the table below.

Banks' Management Board	Number of shares
Agata Strzelecka	1,500
Dariusz Szwed	4,600

To the best knowledge of the Bank's Management Board, Members of the Supervisory Board held no shares of the Bank as at the end of the reporting period and as at the date of this report. In the reporting period, there were no transactions on the Bank's shares whose party would be Members of the Management Board nor Members of the Supervisory Board of the Bank.

Significant agreements and obligations



As at 30 June 2021, Alior Bank did not have:

- obligations to the central bank,
- significant agreements on loans, suretyships and guarantees which do not apply to operating activities, with the exception of the annexed contract of mandate for periodic provision of insurance guarantees constituting an unfunded credit protection, and the annexed framework contract of mandate for periodic provision of counter guarantees, entered into with Powszechny Zakład

Ubezpieczeń SA, and the agreement of 7 December 2018 on synthetic securitisation of a portfolio of business loans up to PLN 1.5 billion, entered into with the European Investment Funds (EFI) and the European Investment Bank (EBI) as counter-guarantor.

In the reporting period, Alior Bank had obligations resulting from the securities issued, including, in particular, subordinated bonds and Banking Securities, and other financial instruments.

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

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

As at 30 June 2021, Alior Bank granted 1,139 active guarantees for a total amount of PLN 743,878,000. The Bank makes sure that the time structure of the guarantees is appropriate. Active guarantees with less than two years to maturity (871 items) amounted to PLN 493,634,000.

The total value of off-balance-sheet contingent liabilities granted to customers as at 30 June 2021 amounted to PLN 9,442,148,000. This amount consisted of PLN 8,698,270,000 off-balance-sheet contingent liabilities related to financing and PLN 743,878,000 off-balance-sheet guarantee contingent liabilities.

In the reporting period, there were no major transactions within Alior Bank Group with the affiliates otherwise than on arm's length.

In 2020, the Bank and its subsidiary, Harberton sp. z o.o., with its registered office in Warsaw ("Harberton sp. z o.o.") concluded agreements and performed legal actions. The actions concerned gave rise to the situation in which the Bank, at the end of 2020, directly held approximately 5.99% shares of RUCH S.A. with its registered office in Warsaw ("RUCH S.A."), and Harberton sp. z o.o. reduced its contribution in RUCH S.A. to approximately 0.1% of RUCH S.A. shares

On 21 January 2021, Harberton sp. z o.o. entered into an agreement, as a result of which RUCH S.A. purchased from it all currently owned thereby shares of RUCH S.A. (i.e., 100,000 shares) and these shares were redeemed. On the same day, i.e., on 21 January 2021, the share capital of RUCH S.A. was increased, under which the Bank, in performance of the share purchase agreement concluded on that day with RUCH S.A., purchased 6,000 shares of RUCH S.A. The increase of the share capital of RUCH S.A. was registered by the registry court on 12 February 2021, and that day saw the Bank's completion of investment in RUCH S.A., as a result of which the Bank holds 6,557,377 shares of RUCH S.A. representing approximately 6% of all RUCH S.A. shares. The remainder of shares of RUCH S.A. are held by PZU SA, PZU na Życie SA and PKN Orlen S.A. – the latter entity is the parent entity of RUCH S.A.

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

Alior Bank did not issue any securities to provide special control rights towards the Bank. The financial results of the Alior Bank Capital Group are consolidated within the PZU SA Capital Group. The Bank's Supervisory Board is composed of representatives of companies that are part of the PZU SA Capital Group.



Governing bodies of Alior Bank S.A.

General Meeting of the Bank

General Meetings of the Bank in H1 2021

H1 2021 saw the Annual General Meeting of the Bank held on 28 May 2021 and after a break on 7 June 2021. In addition to procedural resolutions, resolutions were adopted on matters relating to the closure of the fiscal year 2020, regarding:

- approval of the report on the operations of the Supervisory Board of the Bank,

- approval of the financial statements of the Bank and of the Bank's Capital Group,
- approval of the Report on the operations of the Capital Group of the Bank, including the Report of the Management Board on the operations of the Bank and the Report of the Capital Group of the Bank on non-financial information,
- examination of the Report of the Management Board of Alior Bank on representation expenses as well as expenditures on legal services, marketing services, public relations and social communication services and management consultancy services for the year 2020,
- how to cover the loss for the financial year 2020,
- discharge of all Members of the Management Board and Supervisory Board of the Bank.

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

- expressing an opinion on the "Report on the remuneration of the members of the Management Board and the Supervisory Board of Alior Bank S.A. for the years 2019-2020" as submitted by the Supervisory Board of the Bank,
- assessing whether the remuneration policy in place fosters growth and promotes the security of operation of the supervised institution,
- amendments to the Articles of Association of Alior Bank S.A.,
- changes in the composition of the Supervisory Board of the Bank.

Amendments to the Articles of Association of the Bank in 2021

Under Article 415 of the "Code of Commercial Partnerships and Companies" Act of 15 September 2000 (*Dziennik Ustaw [Poland's Journal of Laws]* of 2019, item 2217) an amendment to the Articles of Alior Bank requires the Bank's General Meeting to adopt a special resolution by qualified majority of three-fourths of the votes, obtain the approval of the Polish Financial Supervision Authority and registration of the adopted amendment in the Register of Entrepreneurs of the National Court Register.

On 1 July 2021, an amendment to the Articles of Association of Alior Bank was registered in the Register of Entrepreneurs of the National Court Register, stemming from Resolution No. 32/2021 of the Annual General Meeting the Bank of 28 May 2021, regarding:

- adding in the subject of the Bank's activities those activities performed pursuant to Article 70.2 of the Act on Trading in Financial Instruments, not constituting brokerage activities, consisting in the execution of orders to purchase or sell financial instruments on the account of the principal and purchase or sale of financial instruments on its own account (§ 7.2.20 of the Articles of Association).

Alior Bank was authorised by the Polish Financial Supervision Authority in the form of a decision of 2 April 2021 to amend the Articles of Association.

At the same time, on 28 May 2021, the Annual General Meeting of the Bank adopted Resolution No. 33/2021 on amendments to the Articles of Association of Alior Bank, regarding:

- making amendments aimed at clarifying the provisions of the Articles of Association and at adjusting these to the applicable legal regulation pertaining to accounting, relating to the competences of the General Meeting of Shareholders and of the Supervisory Board of the Bank in relation, inter alia, to the following: review, approval and assessment of annual reports on the activities and of the financial statements of the Bank and of the Bank's capital group (§ 17.1.1 and § 23.2.1, § 23.2.3 and § 23.2.5 of the Articles of Association),
- positioning the compliance unit in the organisational structure of the Bank in such a manner as to guarantee its independence by indicating the subordination of the compliance unit directly to the President of the Bank's Management Board (§ 32.6 of the Articles of Association),
- changing the name of the Asset-Liability Committee of the Bank (ALCO) to the Capital-Asset-Liability Committee of the Bank (CALCO) (§ 33.2 of the Articles of Association).

The amendments to the Articles of Association stemming from Resolution No. 33/2021 of the Annual General Meeting of the Bank are conditional and subject to authorisation from the Polish Financial Supervision Authority (the Bank submitted the application for authorisation on 17 June 2021) and then to registration in the Register of Entrepreneurs of the National Court Register.

Supervisory Board of the Bank

Composition of the Supervisory Board of the Board as at 30/06/2021		Composition of the Supervisory Board of the Board as at 31/12/2020	
Aleksandra Agatowska	Chairperson of the Supervisory Board	Aleksandra Agatowska	Chairperson of the Supervisory Board
Ernest Bejda	Deputy Chairperson of the Supervisory Board	Ernest Bejda	Deputy Chairperson of the Supervisory Board
Mikołaj Handschke	Supervisory Board Member	Mikołaj Handschke*	Supervisory Board Member
Artur Kucharski	Supervisory Board Member	Artur Kucharski	Supervisory Board Member
Wojciech Myślecki	Supervisory Board Member	Wojciech Myślecki	Supervisory Board Member
Marek Pietrzak	Supervisory Board Member	Robert Pusz	Supervisory Board Member
Filip Majdowski	Supervisory Board Member	Marek Pietrzak	Supervisory Board Member
Dominik Witek	Supervisory Board Member		

*seconded to temporarily act as the Vice-President of the Management Board of the Bank from 21/12/2020 to 13/06/2021

During the reporting period, the composition of the Supervisory Board changed as follows:

- On 17 March 2021, by adopting Resolution No. 26/2021, the Supervisory Board of the Bank seconded a member of the Supervisory Board, Mr Mikołaj Handschke, to temporarily act as the Vice-President of the Bank's Management Board, in the period from 21 March 2021 to 20 June 2021, subject to the possibility of early termination of the secondment,
- On 17 May 2021, the Supervisory Board of the Bank decided that as of the end of 13 June 2021, the secondment of a member of the Supervisory Board, Mr Mikołaj Handschke, to temporarily act as the Vice-President of the Bank's Management Board, stemming from Resolution No. 26/2021 of the Bank's Supervisory Board, will end,
- On 26 January 2021, Mr Robert Pusz resigned as Member of the Supervisory Board of the Bank effectively as of 26 May 2021,
- On 7 June 2021, the Annual General Meeting of the Bank adopted Resolutions No. 35/2021 and 36/2021 and appointed to the Supervisory Board of the Bank: Mr Filip Majdowski and Mr Dominik Witek.

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

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

Committees of the Supervisory Board

Audit Committee of the Supervisory Board

Composition of the Committee as at 30/06/2021		Composition of the Committee as at 31/12/2020	
Artur Kucharski	Chairperson of the Committee	Artur Kucharski	Chairperson of the Committee
Ernest Bejda	Member of the Committee	Ernest Bejda	Member of the Committee
Wojciech Myślecki	Member of the Committee	Wojciech Myślecki	Member of the Committee
Marek Pietrzak	Member of the Committee	Marek Pietrzak	Member of the Committee

The reporting period saw no changes in the composition of the Audit Committee of the Supervisory Board of Alior Bank S.A. On 4 June 2020, Members of the Supervisory Board of the Bank were appointed to the Supervisory Board of the Bank (as part of the 4th joint term of office). Back then, the Supervisory Board

appointed the following persons to the Audit Committee of the Supervisory Board: Mr Artur Kucharski, Mr Ernest Bejda, Mr Wojciech Myślecki and Mr Marek Pietrzak.

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

- Mr Artur Kucharski,
- Mr Wojciech Myślecki,
- Mr Marek Pietrzak.

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

The persons with knowledge and skills related to the sector in which the Bank operates is Mr Wojciech Myślecki. Mr Wojciech Myślecki's expertise of the sector in which the company operates is demonstrated by his long-term professional experience on the financial market, in particular, in Bank Zachodni WBK S.A. and at the Supervisory Board of Generali PTE. Mr Wojciech Myślecki is the author of several dozen academic and research papers on telecommunications, digital processing of signals as well as the synthesis, analysis and recognition of speech signals, and an author or co-author of several dozen reports, publications and papers on economic transformation and educational systems, the energy market, and the operation of the Polish and European power system. He combines his research and teaching work with holding executive and supervisory functions in commercial companies.

Activities of the Audit Committee

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

In the reporting period, 11 meetings of the Audit Committee were held, which discussed topics such as: financial reporting process, internal control system, risk management systems, internal audit, performing the activities of financial audit. The Audit Committee was kept informed on material topics concerning accounting and financial reporting, controlled and monitored the independence of the statutory auditor and the entity authorised to audit financial statements. As regards monitoring of the effectiveness of the internal control system and risk management systems as well as internal audit, the Audit Committee was receiving reports from the Audit Department, including information on the results of the conducted audits, progress in the implementation of recommendations, reports on the execution of the control plan, including the report on the activities of the Audit Department as well as adequacy and effectiveness of the internal control system and risk management system. Based on reports of the Regulatory Compliance Department, he monitored the compliance risk management system and the control function.

Nomination and Remuneration Committee

Composition of the Committee as at 30/06/2021		Composition of the Committee as at 31/12/2020	
Aleksandra Agatowska	Chairperson of the Committee	Aleksandra Agatowska	Chairperson of the Committee
Ernest Bejda	Member of the Committee	Ernest Bejda	Member of the Committee
Mikołaj Handschke *	Member of the Committee	Mikołaj Handschke *	Member of the Committee
Marek Pietrzak	Member of the Committee	Marek Pietrzak	Member of the Committee
Dominik Witek **	Member of the Committee		

*seconded to temporarily act as the Vice-President of the Management Board of the Bank from 21/12/2021 to 13/06/2021

**appointed to the Nomination and Remuneration Committee of the Supervisory Board as of 23/06/2021

The reporting period saw the change in the composition of the Nomination and Remuneration Committee of the Supervisory Board of Alior Bank S.A. – on 23 June 2021, Mr Dominik Witek was appointed to the composition of the Nomination and Remuneration Committee of the Supervisory Board of Alior Bank S.A.

Activities of the Nomination and Remuneration Committee

According to the Rules of Procedure of the Nomination and Remuneration Committee adopted by resolution of the Supervisory Board of the Bank, the Committee is tasked with the following duties:

- providing opinions on the Remuneration Policy in order to ensure compliance of the terms and conditions of pay with regulations, in particular, with the Regulation of the Minister of Development and Finance of 6 March 2017 on risk management system and internal control system, pay policy and detailed method of estimating internal capital at banks, in accordance with the principles of stable and prudent management of risk, capital and liquidity, as well as with special consideration of long-term interests of the Bank and interests of its shareholders,
- providing opinions on the classification of jobs, which is governed by the pay policy with regard to individuals having material impact on the risk profile of the Bank (Material Risk Takers – MRTs), providing opinions on annual objectives; providing opinions and monitoring variable pay of the MRTs,
- preparing opinions, assessments or recommendations regarding candidates to the Management Board of the Bank, regarding entry into, amendment or termination of contracts with Members of the Management Board, regarding matters related to the structure, size, composition and effectiveness of the Management Board as a body, and regarding expertise, skills and experience of individual Members of the Management Board,
- preparing opinions, assessments or recommendations on other personnel matters for which the Supervisory Board or the Committee are competent as per the applicable in-house regulations and mandatory legislation.

The reporting period saw 6 meetings of the Nomination and Remuneration Committee, during which, inter alia: there was a secondary assessment of individual suitability of Vice-Presidents of the Management Board and a primary assessment of individual suitability of candidates for Vice-Presidents of the Management Board as well as a collective assessment of suitability Bank's Management Board; there was an assessment of the approach to the goals of the Management Board for 2021, of the identification of persons influencing the risk profile (MRT) in 2021, as well as of the approach to the goals for MRT for 2021 and the payment of deferred tranches of the MRT variable remuneration for previous years.

In addition, the Committee analysed the issue of variable remuneration for 2020 MRT and the Management Board in the context of the conservative approach expected by the Office of the Polish Financial Supervision Authority, expressed in *the Stance of the Polish Financial Supervision Authority on variable remuneration components in banks and insurance companies of 17 April 2020*.

The Committee developed and then presented to the Supervisory Board an assessment of the achievement of the objectives of the members of the Management Board. The Committee also made a secondary assessment of the suitability of the members of the Supervisory Board and a collective assessment of the suitability of the Supervisory Board, as well as forged the composition of the Supervisory Board committees – which is a recommendation for the Supervisory Board.

Risk Committee of the Supervisory Board

Composition of the Committee as at 30/06/2021		Composition of the Committee as at 31/12/2020	
Ernest Bejda	Chairperson of the Committee	Robert Pusz	Chairperson of the Committee
Mikołaj Handschke	Member of the Committee	Mikołaj Handschke	Member of the Committee
Artur Kucharski	Member of the Committee	Artur Kucharski	Member of the Committee
Dominik Witek	Member of the Committee	Ernest Bejda	Member of the Committee

The reporting period saw a change in the composition of the Risk Committee of the Supervisory Board of Alior Bank S.A. In view of the resignation of Mr Robert Pusz from the membership in the Bank's Supervisory Board as of 26 May 2021, the Supervisory Board appointed Mr Dominik Witek to the Risk Committee of the Supervisory Board as of 23 June 2021.

Activities of the Risk Committee of the Supervisory Board

The Supervisory Board's Risk Committee was established on 22 December 2015 by Supervisory Board Resolution No. 81/2015 to support the Supervisory Board in the supervision of the risk management process at the Bank.

The tasks of the Risk Committee of the Supervisory Board include, in particular:

- providing opinions on the Bank's overall current and future readiness to accept risk, which has been quantified in the risk appetite,
- providing opinions on the risk management strategy at the Bank and analysing information regarding the implementation of that strategy submitted by the Management Board, comprising periodic reports on capital adequacy, credit, operational, market and liquidity risk, as well as model risk and compliance risk,
- supporting the Supervisory Board in the supervision of the implementation of the Bank's risk management strategy,
- verifying compliance of the price of liabilities and assets offered to customers with the bank's business model and its risk strategy, and, in the event of non-compliance, submitting to the Bank's management board proposals aimed at ensuring that the prices of liabilities and assets are adequate to these risks,
- providing opinions on regulations determining the Bank's strategy and policy, specifying the approach to risk-taking, and the approval of which lies within the responsibility of the Supervisory Board,
- analysing cyclical reports on the implementation of the above strategies and policies,
- supporting the Supervisory Board in the supervision of the risk management process at the Bank.

The reporting period saw 5 meetings of the Risk Committee of the Supervisory Board and additionally, 3 meetings joined by the Audit Committee of the Supervisory Board.

As part of current supervision of the risk management area and capital adequacy, the Committee was receiving reports and analyses presenting the situation of the Bank and of its major subsidiaries. The Committee recommended to the Bank's Supervisory Board key regulatory projects in the risk area.

At its meetings, the Supervisory Board's Risk Committee discussed key topics related to the risk management process, in particular, concerning: determination and review of risk appetite, analysis of the Bank's capital position, analysis of the quality of the credit portfolio and the largest credit exposures. The Committee was constantly receiving results in the areas of credit risk, market risk, liquidity, operational risk, model risk, as well as the status of implementation of key projects from the point of view of risk management. The Committee's operations were also focused on issues related to credit concentration risk, treasury portfolio risk, reputation risk and compliance risk, as well as the IT risk. The results of the stress tests carried out by the Bank and the results of the review of the internal capital adequacy assessment process (ICAAP) were also discussed. Going further, the Committee also got acquainted with the risk assessment of the mortgage-backed portfolio covered by Recommendation S and retail exposures covered by Recommendation T. Per the periodic reports received, the Committee regularly monitored the effectiveness of the Bank's risk management system.

The subject of work at the combined meetings of the Risk Committee of the Supervisory Board and the Audit Committee of the Supervisory Board involved the analysis of the key risks identified by the Bank, in particular, the risk of a further decline in interest rates, as well as the annual report on the implementation of the tasks of the Compliance Unit.

Strategy and Development Committee of the Bank's Supervisory Board

Composition of the Committee as at 30/06/2021		Composition of the Committee as at 31/12/2020	
Aleksandra Agatowska	Chairperson of the Committee	Aleksandra Agatowska	Chairperson of the Committee
Mikołaj Handschke	Member of the Committee	Ernest Bejda	Member of the Committee
Artur Kucharski	Member of the Committee	Mikołaj Handschke *	Member of the Committee
Filip Majdowski	Member of the Committee	Artur Kucharski	Member of the Committee
Wojciech Myślecki	Member of the Committee	Wojciech Myślecki	Member of the Committee
Dominik Witek	Member of the Committee		

*seconded to temporarily act as the Vice-President of the Management Board of the Bank from 21/12/2021 to 13/06/2021

The Bank's Strategy and Development Committee was appointed in order to support the Supervisory Board of the Bank in providing opinions and presenting recommendations to the Supervisory Board, regarding the Bank's development strategy and recommendations for projected investments exerting an impact on the Bank's assets. On 23 June 2021, the Supervisory Board of the Bank adopted Resolution No. 93/2021 which, due to changes in the composition of the Supervisory Board of the 4th joint term of office, introduced changes to the composition of the Committee. The resolution entered into effect into upon its adoption.

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

Per the Regulations of the Bank's Strategy and Development Committee, adopted by the Supervisory Board, the Committee shall be opinion-making and advisory in nature. The tasks of the Bank's Strategy and Development Committee involve providing opinions and presenting the Supervisory Board with recommendations on decisions taken on:

- approving the Bank's long-term development plans developed by the Management Board,
- pursuing the Bank's long-term development programmes, including reports on projects implemented at the Bank,
- providing opinions on requests of the Management Board of the Bank on the establishment and accession of the Bank as member or shareholder (stockholder) of companies and dispose of shares where such investments are long-term and strategic.

H1 2021 saw 3 on-site meetings of the Strategy and Development Committee. Two meetings, held on 17 and 29 March this year, were entirely devoted to issuing opinions on the update of the "More than a Bank" Strategy and they ended with the adoption by the Committee, on 29 March 2021, of Resolution No. 1/2021 on

recommending the Bank's Supervisory Board approval of the updated Bank's Strategy for the years 2021-2022 as well as the updated financial projection and capital plan to the Bank's strategy.

The next meeting of the Committee was held on 10 June 2021, and its subject was a review of the progress in the pursuit of the strategy, including with regard to the activities carried out under all strategic programmes of the Bank, as well as to the achieved results and strategic goals in respective business areas. Committee Members also received detailed information on the results and development plans in the area of digitisation of individual and business customers of the Bank.

Management Board of the Bank

Composition of the Management Board of the Bank as at 30/06/2021*		Composition of the Management Board of the Bank as at 31/12/2020	
 <p>Iwona Duda President of the Management Board</p>	<p>Subordinated areas: HR, communication and PR, internal audit, compliance risk and reputation risk management, services for governing bodies of the Company, strategy and on-going compliance with procedures for reporting breaches of law as well as procedures and principles of business ethics in force at the Bank.</p>	<p>Iwona Duda Deputy Chairman of the Management Board in charge of managing Bank's affairs</p>	<p>Subordinated areas: HR, marketing and PR, internal audit, compliance risk and reputation risk management, services for governing bodies of the Company, strategy and on-going compliance with procedures for reporting breaches of law as well as procedures and principles of business ethics in force at the Bank.</p>
 <p>Maciej Brzozowski Vice-President of the Management Board</p>	<p>Subordinated areas: risk significant in the Bank's operations.</p>	<p>Maciej Brzozowski Vice-President of the Management Board</p>	<p>Until the Polish Financial Supervision Authority approves the appointment of Mr Maciej Brzozowski as a Member of the Management Board of the Bank in charge of supervising the management of risk relevant to the Bank's operations, supervision over the management of relevant risk was exercised by the Management Board of the Bank <i>in gremio</i>.</p>
 <p>Radomir Gibała Vice-President of the Management Board</p>	<p>Subordinate areas: finance, accounting and financial reporting, controlling, supervision over subordinates and activity in other countries.</p>	<p>Mikołaj Handschke Member of the Supervisory Board seconded to temporarily act as the Vice-President of the Management Board</p>	<p>Subordinate areas: finance, including management accounting, reporting and accounting policy, taxes, own economy and data warehouse.</p>



Seweryn Kowalczyk
Vice-President of the Management Board

Subordinate areas: legal area, security and protection of personal data.

Seweryn Kowalczyk
Vice-President of the Management Board

Subordinate areas: security, legal services, and protection of personal data.



Jacek Polańczyk
Vice-President of the Management Board

Subordinated areas: marketing, logistics and purchases



Agata Strzelecka
Vice-President of the Management Board

Subordinate areas: operational, IT and cyber security.

Agata Strzelecka
Vice-President of the Management Board

Subordinated areas: IT, operational support and cybersecurity.



Dariusz Szwed
Vice-President of the Management Board

Subordinate areas: products and sales as regards personal and corporate customers, treasury activity, Private Banking and brokerage activity.

Dariusz Szwed
Vice-President of the Management Board

Subordinate areas: business customer products and sales, Treasury activity, Private Banking and brokerage.

*On 21 May 2021, the Management Board adopted Resolution No. 173/2021 on the internal division of powers in the Management Board of the Bank, approved on 25 May 2021 by the Supervisory Board of the Bank, thus introducing a new division of powers among Members of the Management Board of the ongoing, 5th term of office.

The following changes to the composition of the Management Board of the Bank took place in the reporting period:

- on 3 March 2021, the Polish Financial Supervision Authority unanimously approved to the nomination of Ms Iwona Duda as the President of the Management Board of the Bank,

- on 17 March 2021, the Supervisory Board of the Bank seconded a member of the Supervisory Board, Mr Mikołaj Handschke, to temporarily act as the Vice-President of the Bank's Management Board, in the period from 21 March 2021 to 20 June 2021,
- on 30 April 2021, the Polish Financial Supervision Authority unanimously approved the nomination of Mr Maciej Brzozowski as a member of the Management Board overseeing the management of risks relevant to the Bank's operations,
- on 17 February 2021, the Supervisory Board of the Bank appointed Mr Jacek Polańczyk to the Management Board of the Bank and entrusted him with the function of the Vice-President of the Management Board of the Bank,
- on 17 February 2021, the Supervisory Board of the Bank appointed Mr Radomir Gibała to the Management Board of the Bank and entrusted him with the function of the Vice-President of the Management Board of the Bank, effective as of 14 June 2021,
- in connection with the change in the composition of the Management Board of the Bank, as of 21 May 2021 a new internal division of powers between the Members of the Management Board was introduced,
- on 13 June 2021, the temporary secondment of a member of the Bank's Supervisory Board, Mr Mikołaj Handschke, to be the acting Vice-President of the Bank's Management Board, stemming from Resolution No. 26/2021 of the Bank's Supervisory Board of 17 March 2021, was completed.

All Members of the Management Board of the Bank, including those appointed as Vice-Presidents of the Management Board of the Bank in H1 2021 are not engaged in any competitive activity towards the Bank and do not participate in competitive partnerships as partners or members of governing bodies of limited companies or other competitive legal persons.

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

XII. Disputes



None of the single proceedings pending in H1 2021 before courts, arbitration authorities, or public authorities, as well as all of them combined do not pose liquidity risks to the Bank. The proceedings which are material in the view of the Management Board of the Bank are presented below:

- case brought by a customer (limited company) for the payment of 109,967,000 zloty for damages incurred in connection with entering into and settlement of Treasury deals. The lawsuit of 27 April 2017, brought against Alior Bank S.A. and Bank BPH S.A. In the view of the Bank, the action is devoid of reasonable factual or legal basis, and the probability of an outflow of funds is negligible.
- case brought by a customer – natural person – representative of a group of 84 physical and legal persons for the determination of the Bank’s liability for damages. The class action was brought on 5 March 2018 against Alior Bank for the determination of the Bank’s liability for damages caused by deficient compliance with the information duty by the Bank towards customers, and deficient performance of contracts for services of receiving and transmission of orders of purchase or sale of investment certificates of investment funds previously managed by Fincrea TFI S.A., and currently by Raiffeisen Bank International AG (Joint-stock company) Branch in Poland. The Court decided to examine the case as a class action. Alior Bank determines that the probability of funds outflow due to this lawsuit is estimated as less than 50%, therefore the Bank did not create any provision for the lawsuit as at 30 June 2021. Currently, estimation of potential financial consequences for the Bank of the Court resolving otherwise than anticipated by the Bank is impossible.

By decision of 6 August 2019 issued pursuant to Article 167.2.1 in conjunction with Article 167.1.1 of the Trading in Financial Instruments Act, the Polish Financial Supervision Authority (PFSA) imposed a fine on the Bank at PLN 10,000,000. (the fine has been repaid). The proceeding was related to the compliance of operation of Alior Bank and the Brokerage House of the Bank for the distribution of investment certificates of funds previously managed by Fincrea TFI S.A., now Raiffeisen Bank International AG (Joint-stock company) Branch in Poland. The Bank moved to the PFSA for reconsideration of the case. Upon re-examining the case, the PFSA upheld its initial decision of 3 December 2019 by way of a decision. On 3 January 2020, the Bank appealed against that decision to the Regional Administrative Court in Warsaw. On 17 June 2020, the Voivodeship Administrative Court in Warsaw (WSA) issued a judgement in which it repealed the decision of the PFSA of 3 December 2019 upholding an earlier decision of the Polish Financial Supervision Authority of 6 August 2019 on the imposition of two financial penalties on the Bank in the total amount of PLN 10 million and discontinued the proceedings conducted by the Polish Financial Supervision Authority in this regard. The PFSA filed a cessation appeal with the Supreme Administrative Court in Warsaw (NSA). As at the date this report, the Supreme Administrative Court has not considered the above-mentioned complaint.

By virtue of decision of 15 January 2019, pursuant to Article 167.2.1 in conjunction with Article 167.1.1 of the Act of 29 July 2005 on trading in financial instruments (consolidated text: Dz. U. [*Poland’s Journal of Laws*] of

2020, item 89, as amended; Act on Trading), in the wording in force before the entry into force of the Act of 5 August 2015 on macro-prudential supervision over the financial system and crisis management in the financial system (Dz. U of 2015, item 1513), the PFSA imposed a fine on the Bank totalling PLN 6 million arising from a failure to conclude an outsourcing agreement with a business partner in the field of handling transactions on the OTC Forex market (Article 81a.1 of the Act on Trading in the wording in force before the entry into force of the Act of 1 March 2018 amending the Act on trading in financial instruments and other certain acts (Dz. U. of 2018, item 685)) and from collecting cash benefits from the counterparty in breach of the provisions governing the collection of cash benefits as part of brokerage activities (§ 8.2 of the Regulation of 24 September 2012 on the procedure and conditions of investment firms, banks referred to in Article 70.2 of the Act on trading in financial instruments, and custodian banks (Dz. U. of 2015, No. 878, as amended)). The breaches concerned were identified as a result of an inspection carried out by the Polish Financial Supervision Authority in 2013. The Bank moved to the PFSA for reconsideration of the case. Having reconsidered the case, the PFSA, in its decision of 30 April 2021, repealed the original decision and imposed on the Bank a fine of PLN 5.4 million arising from the same breaches as in the original decision. The Bank lodged a complaint against this decision with the Provincial Administrative Court in Warsaw. The decision of the Polish Financial Supervision Authority does not affect the operations of the Bank, which put into place the changes expected by the supervisory body immediately after the 2013 post-inspection recommendations were issued.

In cases in which the Bank was the defendant, the value in controversy as at 30/06/2021 was PLN 364,800,000, and as at 31/12/2020 it was PLN 354,899,000. The amount of provisions for pending disputes as at the end of H1 2021 amounted to PLN 35,058,000, whereas as at the end of 2020 – PLN 47,534,000.

Cases related to the activity of Alior Bank's subsidiaries

On 26 June 2019, Alior Leasing Sp. z o.o. received a class suit for the payment of severance pay brought by four former members of the Management Board of the company who were dismissed by the Supervisory Board on 20 December 2018. The amount claimed is PLN 645 thousand.

The Management Board of Alior Leasing Sp. z o.o. is of opinion that the claim brought under the class suit is groundless and the risk of these claims being accepted by the Court is low.

In December 2020, the Bank and the leasing company was served summons from the former members of the Management Board of Alior Leasing to an *ad hoc* arbitration court at the Polish Chamber of Commerce in Warsaw arising from a managerial programme. On 30 June 2021, the arbitration court issued a decision on the discontinuation of *ad hoc* arbitration proceedings regarding this claim. Decision on the discontinuance is final.

Alior Leasing Sp. z o.o. has identified a risk of potential claims against the Company from third parties, which can result from the activities of certain employees and associates of the Company. As at the date of the Financial Statements, no claims on this account were brought. The Group is of opinion that there are no circumstances that would justify the establishment of reserves due to that.

The Group refrains from disclosing further information on the above-mentioned potential claims from third parties to prevent any prejudice to its status and courtroom position in the event of potential proceeding.

XIII. Principles of social liability

Customer relations

In H1 2021, our focus was primarily set on activities aimed at continuous improvement of **the convenience of banking**.

Customer Experience

As far as the customer Experience area is concerned, we focused our activities to bring about improvements whereby everyday banking is more convenient and intuitive. We have operated and we still do operate during the pandemic, which requires us to empathise with the customer's situation that in many cases happens to be not easy. That is why we would take steps to optimise our processes in terms of customer convenience and the speed of solving affairs. We undertook measures aimed to improve the process of opening savings and checking accounts in the VideoSelfie channel, which became a standard one during the COVID-19 pandemic. We give an insightful look at the process of concluding cash loan agreements in the online and mobile channels, which have definitely been gaining in popularity these days.

Furthermore, we conducted a series of market research to check how we can stand out from the competition, namely what else can we offer our customers so that banking with us during this difficult time address their expectations and needs, and sometimes even ahead of them. We checked the functionalities of online and mobile banking as well as of the helpline for individual and business customers. We verified how the competition modifies the trusted telephone, we verified the content of IVR messages and those on the website regarding service during a pandemic – also for disabled customers. We dealt with comparing offers for our younger customers (13-17) so as to become a partner in their daily banking as well.

We focused our efforts on providing our customers with appropriate education via the helpline. Therefore, the beginning of 2021 means the time to have put into place standards in sales talks, in which the customer does not want to go to the application stage while only wanting to get general information about the offer. The document covers the entire conversation path, from the very moment of saying hello to the customer, through the general simulation on the calculator, to arranging contact with an employee and saying goodbye. Not always are our customers determined to choose a product – there are those who are just looking for one while checking them out and comparing. Thanks to the standards of conversations, when customers call the Bank's helpline they can count on the supreme quality of service.

We continue to endeavour to provide our customers with a number of tools whereby they can solve their problems without having to contact a Bank employee. For instance, the FAQ published on our Bank's website is such a solution – thanks to the analysis of conversations conducted by our customers with employees of the helpline, we systematically expand the package of questions and answers so that the material addresses the

current needs of our customers. An example of such measures may be a package of questions and answers related to the Bank Guarantee Fund or the Trusted Profile.

At the same time, we took care of the appropriate modification of the "contact" tab on the Bank's website, so that customers always have up-to-date and reliable information about the helpline's working hours and the scope of service offered.

Customer zone

We continue to develop the tab on our website entitled "Customer Zone", where customers can check out what has changed at the Bank in the last year – what kind of improvements we have put into place to make banking with us even more convenient. We constantly collect our customers' opinions on products, processes and services, whereby we can continue to develop them in such a way that they fulfil the needs of our customers to their fullest.

Recommendation process

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

Customer Problem Lab

Customers contact the Bank through various channels, not only by traditional telephone and correspondence. Opinions, suggestions and inquiries are also provided via social media or by correspondence to the Bank's Management Board or the Press Team. Our daily activities revolve around resolving every case of our customers, irrespective of how complicated they are, as well as we react quickly to provide the highest-quality service. Therefore, we pass to the recommendation group also those unusual cases that require a quick response so as to eliminate the risk of happening similar situations in the future. We try to address our customers and their expectations, therefore we settle controversies in favour of customers (business recognition) so that the situation does not adversely affect the relation between the customer and the bank, yet on the contrary, to show that we are a trustworthy partner in banking.

Simplifying communication

H1 2021 saw us continuing the project of simplifying customer-facing communication.

Thus far, we have simplified over 460 pieces of content, including: letters, e-mails, SMS, PUSH and IVR messages. At present, we work on, e.g. legal documents, we are also involved in working on the messages of

the voice helpline assistant – infoNina. We make sure that the bot’s statements are consistent with simple Polish. We provided opinions on nearly 40 processes (over 2,000 messages). Some of them are already available to our customers. This way, they can, for instance, learn how to change their banking password. Thanks to this, they receive answers to their questions much faster and without having to contact the helpline employees. Additionally, we organised online training sessions for the teams responsible for this project.

The establishment of the Team for Simplifying Communication and Sales Quality Management was of importance. The team’s tasks include simplifying subsequent content for the customer. These experts are also involved in working on the project strategy, promoting it and educating Alior Bank employees with regard to simple language. E-learning training courses on the principles of simplification have already been completed by more than 1.9K people. We promote our project within the organisation through educational news. We also talk about it outside, on social media. The posts prepared by us can be found on Facebook, LinkedIn and Twitter.

Together with other banks, we joined the “Declaration of banks on the standard of simple language” – an initiative of the Polish Bank Association. Additionally, during the meetings of the working group for simple banking communication, which operates at the Polish Bank Association, we developed “Best Practices for Simple Banking Communication”. This document includes, among others, a directory of basic principles of simple language.

Modernisation of branches

We continue to modernise our branches: at the end of June 2021, 32 branches were transformed into the new format, and the transformation of another 12 was completed in July this year. At these modernised points, customers are provided with supreme comfort and discretion during service thanks to separated stations. In the event of a meeting that requires special privacy, employees and customers can make use of separated and glazed zones. Furthermore, each and every modernised branch has in place a digital zone that is available to all customers, where they can use internet banking or the Bank’s mobile app. Employees in branches provide support and explain the functionalities of these tools.

In addition, H1 2021 saw us expanding the option of arranging appointments via the Booksy app. It is possible in all own branches. The process of making an appointment is very convenient, fast and intuitive. Thanks to this initiative, customers no longer have to queue for service.

NPS research

The above activities have been undertaken based on series of research and analyses as well as by looking at the process through the prism of the customer’s expectations, for instance, thanks to cyclical satisfaction surveys according to the NPS (Net Promoter Score) method. In H1 2021, we asked about the opinion of over 30k customers who assessed our products and service channels.

Awards and honours

Our activities contribute to the fact that we are appreciated not only by customers but also by the market, including industry rankings/competitions. Recently, we have been recognised by *Mojebankowanie.pl*, where Alior Bank was awarded in as many as six categories:

- “Best service in the outlet”,
- “Best service in remote channels”,
- “Best bank for business”,
- “Best process of opening account remotely”,
- “Best online banking”,
- “Best mobile application”.

In H1 2021, Alior Bank was once again appreciated for the quality of services as well as for products and services included in the offer, thus receiving a number of awards and distinctions. The most important of them include:

- Gazeta Bankowa Award:
 - Bank Manager of 2020 for president Iwona Duda in the commercial banks category,
 - Best Bank of 2021 in the category of small- and medium-sized commercial banks,
 - Lider 2020 – third place for the Foto ID service in the *TechnoBiznes* competition.



- Ranking held by “Bankier.pl” and “Puls Biznesu” – *Złoty Bankier*:

- “Cash loan” – 1st place,
- “Credit card” – 2nd place,
- “Personal account” – 3rd place,
- “Safe bank – best practices” – distinction.



- JP Morgan award for achieving the STP (Straight Through Processing) ratio of 99.30% in 2020 in the execution of US dollar payments by customers using the SWIFT system.

J.P.Morgan

- Awards in the competition held by the “Telemarketer of 2021” – two awards in the Help Desk category and the Grand Prix awarded to a group of Alior Bank consultants.



- Distinctions for the currency exchange:

- 1st place in the ranking of online currency exchange and in the ranking of foreign currency accounts on *najlepszekonto.pl*,
- 1st place in the *Tanie-konto.pl* ranking,
- 1st place in the *Kontamania.pl* ranking.



KANTOR
WALUTOWY

- Distinctions for the brokerage house:
 - 1st place for the Brokerage House for the account in the ranking held by “Puls Biznesu”,
 - 2nd place in the ranking of the most affordable brokerage account prepared by the editorial office of Bankier.pl.



Employee relations

Alior Bank is a Poland-wide universal bank and one of the most modern and innovative financial institutions in Poland. It is a place for people who have ideas and business courage to set new banking standards.

As at 30 June 2021, employment at Alior Bank was at the level of 6,838 FTEs.

The HR strategy **results directly from the bank’s business strategy**. Its goal is to create such conditions – in terms of employees, organisation, HR processes – that will enable pursuing the Bank’s strategic priorities for 2020-2022+. The HR strategy assumes that the financial resources invested in staff costs would result in the maximum exploitation of the potential of the entire organisation. Given that the “More Than a Bank” strategy assumes establishing long-term, valuable relationships with customers, based on the knowledge of employees, their comprehensive expert solutions, their commitment and consultancy, the HR strategy for 2022+ is to guarantee that Alior Bank will be the Bank of Committed Experts.

2021 began when the COVID-19 pandemic was underway, therefore the Bank has in place an anti-crisis team that constantly watches over the operational efficiency of the organisation. According to the adopted plan, not until has the number of coronavirus cases reached a sufficiently low level, the principles of remote work remain in force – where possible. In Q2 2021, an interdisciplinary team began their works that were aimed to develop guidelines for the organisation of work following the cancellation of the pandemic. The target work model is supposed to ensure efficiency in achieving business goals, to respond to future challenges and to support the employer’s competitiveness. Regardless of the target model, its implementation will be underway amid a number of educational activities for managers and employees. We follow legislative works on an ongoing basis and await the final form of the labour law governing the principles of remote work. The bank joined a vaccination programme in companies and launched an employee vaccinations process, under which employees and their families could benefit from vaccination.

As of the beginning of 2021, Alior Bank completed a project to deploy the Autenti platform that allows signing documents with the use of an electronic signature, including a qualified signature. The project was broken down into stages, and the basic functionality of the Autenti platform that is related to affixing electronic signatures had already been deployed last year. At present, we make common use of the electronic signature in HR processes when signing employment contracts, annexes and employment certificates. Nearly **90% of employment contracts and annexes thereto are signed electronically**. Having deployed these changes, paper consumption has been reduced, whereas in the case of on the process side – the time of document circulation has been shortened and their security has increased. The Autenti platform is currently used in the automation of HR processes such as document archiving and their distribution to employees.

Alior Bank has for a number of years taken into account in its HR policy some elements of the diversity policy mindful that the value derived from differences are an additional asset of our organisation while enriching their competencies serving effectiveness. The Bank has in place a Policy of Working Environment Free from Undesirable Behaviours, which delivers, among other things, the Employer's duty to prevent and counteract undesirable behaviour in job relations, in particular: discrimination, mobbing, humiliation, sexual harassment. In line with its provisions, the rules in force at the Bank pertain to: equal treatment of employees irrespective of their sex, age, disability, race, religion, nationality, political opinions, trade union membership, ethnic origin, beliefs, sexual orientation, employment for a definite or indefinite period of time, full-time or part-time employment, etc. Comparing the remuneration arising from the same positions held at the Bank, **the average remuneration of women accounts for 97.8% of that received by men** holding the same position. When determining remuneration, Alior does not identify the practice of gender inequality. The Bank's recruitment standards are compliant with the EU's Directive on equal treatment in employment, which means that the Bank observes the provisions regarding equal treatment in employment and occupation.

Development and training

Alior Bank employees have the opportunity to improve their competencies. The training offer primarily includes training sessions revolving around implementation, product and sales, and they are related to the quality of service and soft skills. In view of the ongoing pandemic, **the vast majority of implementation and development activities had to be held remotely**. This solution allowed us to maintain the continuity of training and provide our employees with adequate safety while meeting sanitary and epidemiological requirements.

At Alior Bank, new employees undergo **the implementation process** as part of specially prepared training programmes – developed for sales and customer service employees. In addition to the training for new employees, we also carried out development activities to raise the qualifications of employees. They mainly involved training sessions in the field of products and customer service as well as sessions aimed at developing soft skills, including communication.

We delivered almost 1.5K individual **development training sessions** in the *Training on the Job* formula, addressed above all to sales employees.

The internal team for e-learning, together with industry departments, developed 49 new e-training courses, thus supporting the current needs of the business, as well as updated the existing ones.

H1 2021 saw Alior Bank preparing the **"Relations Academy"** for all employees of the Bank – an e-cafeteria course made of 9 thematic modules related, for instance, to self-awareness, communication, NVC, relationships with others and team cooperation. The Academy started in July 2021, and its training courses ensure skills development. The knowledge that managers and other employees gained through their participation, can be used both in professional and private life. The training sessions fall within the Bank's Strategy for 2020-2022 and the preventive activities of the Alior Ethics Committee and they form part of the "Policy on counteracting unwanted behaviours in force at the Bank".

H1 2021 saw us launching an internal development programme called “**Alior’s Risk Academy**” which is dedicated to a selected group of the Bank’s employees. The programme aims to develop risk awareness within the organisation by improving the knowledge and better understanding its ins and outs. The Academy lasts 6 months and is made of a series of 9 thematic online sessions. The issues raised within its framework include those related to capital management, as well as credit, market and operational risk. Models and supervisory responsibilities are also discussed. The classes are delivered by key managers of Alior Bank, whose background often combines business and academic experience.

Employee benefits

Employee benefits offered by Alior Bank in H1 were focused on those areas that our employees indicated as the most important, taking into account this specific situation triggered by the COVID 19 pandemic.

As part of the benefits financed with the funds of the Employee Benefit Fund and the principles of division of this Fund specified in the Rules and Regulations, the Bank’s employees make use of various benefits. From the beginning of the year, our employees have been actively using 14 sports sections that develop them sport-wise and allow them to strengthen contacts within various Bank units, while maintaining the sanitary regime appropriate to the pandemic. Employees have also been taking care of their physical condition, using co-financing to a sports card.

We also continue to take care of the youngest children of our employees by distributing layettes for new-born children.

Furthermore, we plan to give out cinema ticket codes, whereby our employees will be able to take advantage of the wide range of cinemas throughout Poland. Moreover, we negotiate with the trade unions operating at the Bank the possibility of allocating part of the Fund’s resources for access to the e-book and audiobook platform.

Those employees who are on their holiday for at least 14 calendar days, having submitted the application receive a holiday subsidy for themselves and their children. Those who regularly use their due leave while meeting the annual limits set out in the Labour Code – receive an additional 1 day of leave for the following year. On the occasion of the child’s first birthday, our employees receive a paid day off.

People facing difficult health, material or life situations receive support in the form of allowances, and those employees who want to improve their housing conditions can apply for loans for the modernisation and renovation of their places.

In December 2020, employees received a Christmas benefit in the form of cash as part of support during the period of increased Christmas expenses. In H1 2021, we plan to launch further benefits for employees related to Christmas, including Christmas packages for children.

As part of the offer of benefits for employees, Alior Bank enables its employees to manage non-salary benefits through a wide range of group life insurance and medical care.

Social responsibility of Alior Bank employees

We want to develop the environmental and social awareness of employees, which is why we initiated activities related to ecology and the impact on the natural environment. Thus far, we have completed the following projects:

1. Eco Challenge – a project aimed at integrating employees around pro-ecological attitudes. Over 40 outlets participated in the challenge. Activities are undertaken in 5 categories:

- green education,
- biodiversity and new plantings,
- cleaning of natural sites,
- healthy nutrition, healthy lifestyle, care for life balance,
- ecology every day – in the working environment.

On the internal communication platform, the “Eco Challenge” group enjoys great popularity and is a place for discussion and inspiration, where employees share their experiences.

2. Eco education of children and youth – under this project, we organised the *Fabulous Alior Bank* competition, which consisted in writing an eco-related fairy tale by employees. The fairy tales will be published in a special collection and we will distribute them to branches, schools, health care facilities and other friendly institutions. Out of 38 submitted fairy tales, 7 were distinguished.

3. Collaboration with the National Blood Centre – under this activity, we established the Alior Bank’s Blood Donors Circle, which involves almost 200 people, and as of 10 May 2021, our employees can donate blood under the slogan “Alior Bank saves life” in 23 Blood Donation and Blood Treatment Centres in Poland. On 30 June 2021, the Bank signed a cooperation agreement with the NBC.

Due to the specific situation related to COVID-19, our voluntary activities are limited. 2021 saw us supporting animal shelters under the employee volunteering programme “Involved in helping”. We donated about 200 kg of feed to the shelters.

XIV. Representations of the Management Board

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

- to the best of its knowledge, the semi-annual condensed consolidated financial statements of the Alior Bank S.A. Capital Group and semi-annual condensed financial statements of Alior Bank S.A. for H1 2021 and the comparative data were prepared in compliance with the applicable accounting policies and provide a true, fair and clear view of the assets and financial standing of the Bank and the Alior Bank S.A. Capital Group and their financial result,
- the Report on the operations of the Management Board of the Alior Bank S.A. Capital Group for H1 2021 presents a true image of growth, achievements and circumstances (along with a description of primary threats and risks) related to the Alior Bank Capital Group in H1 2021.

Signatures of all Members of the Management Board

Date		Signature
03/08/2021	Iwona Duda - President of the Management Board	
03/08/2021	Maciej Brzozowski - Vice-President of the Management Board	
03/08/2021	Radomir Gibała – Vice-President of the Management Board	
03/08/2021	Seweryn Kowalczyk - Vice-President of the Management Board	
03/08/2021	Jacek Polańczyk - Vice-President of the Management Board	
03/08/2021	Agata Strzelecka - Vice-President of the Management Board	
03/08/2021	Dariusz Szwed - Vice-President of the Management Board	