



**Financial report
of the Alior Bank Spółka Akcyjna Group
for the first half of 2021**

Selected financial data concerning the financial statements

| PLN | 01.01.2021 - | 01.01.2020 - | 01.01.2020- | % |
|---|--------------|--------------|-------------|---------|
| | 30.06.2021 | 31.12.2020 | 30.06.2020 | (A-B)/B |
| | A | | B | C |
| Net interest income | 1 336 837 | 2 848 726 | 1 498 865 | -10.8% |
| Net fee and commission income | 361 088 | 635 846 | 289 755 | 24.6% |
| Trading result & other | 86 126 | 60 916 | -47 250 | -282.3% |
| Net expected credit losses, impairment allowances and write-downs | -510 341 | -1 866 293 | -1 279 889 | -60.1% |
| General administrative expenses | -797 271 | -1 664 842 | -876 571 | -9.0% |
| Gross profit/loss | 360 170 | -206 450 | -524 979 | -168.6% |
| Net profit/loss | 231 905 | -311 233 | -513 367 | -145.2% |
| Net cash flow | -893 529 | 1 080 774 | -250 612 | 256.5% |
| Loans and advances to customers | 57 028 409 | 56 215 422 | 55 703 480 | 2.4% |
| Amounts due to customers | 67 832 836 | 66 875 907 | 65 865 441 | 3.0% |
| Equity | 6 582 188 | 6 559 602 | 6 367 351 | 3.4% |
| Total assets | 79 035 095 | 78 642 032 | 77 671 909 | 1.8% |
| Selected ratios | | | | |
| Profit/loss per ordinary share (PLN) | 1.78 | -2.38 | -3.91 | -145.4% |
| Capital adequacy ratio | 14.95% | 15.85% | 15.72% | -4.9% |
| Tier 1 | 12.99% | 13.55% | 13.14% | -1.1% |

| EUR | 01.01.2021 - | 01.01.2020 - | 01.01.2020- | % |
|---|--------------|--------------|-------------|---------|
| | 30.06.2021 | 31.12.2020 | 30.06.2020 | (A-B)/B |
| | A | | B | C |
| Net interest income | 293 991 | 636 701 | 337 483 | -12.9% |
| Net fee and commission income | 79 409 | 142 114 | 65 241 | 21.7% |
| Trading result & other | 18 940 | 13 615 | -10 639 | -278.0% |
| Net expected credit losses, impairment allowances and write-downs | -112 232 | -417 123 | -288 179 | -61.1% |
| General administrative expenses | -175 332 | -372 098 | -197 368 | -11.2% |
| Gross profit/loss | 79 207 | -46 142 | -118 204 | -167.0% |
| Net profit/loss | 51 000 | -69 562 | -115 589 | -144.1% |
| Net cash flow | -196 501 | 241 557 | -56 428 | 248.2% |
| Loans and advances to customers | 12 614 672 | 12 181 551 | 12 472 790 | 1.1% |
| Amounts due to customers | 15 004 609 | 14 491 615 | 14 748 195 | 1.7% |
| Equity | 1 455 979 | 1 421 427 | 1 425 739 | 2.1% |
| Total assets | 17 482 546 | 17 041 265 | 17 391 829 | 0.5% |
| Selected ratios | | | | |
| Profit/loss per ordinary share (PLN) | 0.39 | -0.53 | -0.88 | -144.3% |
| Capital adequacy ratio | 14.95% | 15.85% | 15.72% | -4.9% |
| Tier 1 | 12.99% | 13.55% | 13.14% | -1.1% |

| Selected items of the financial statements were translated into EUR at the following exchange rates | 30.06.2021 | 31.12.2020 | 30.06.2020 |
|---|------------|------------|------------|
| NBP's average exchange rate as at the end of the period | 4.5208 | 4.6148 | 4.4660 |
| NBP's average exchange rates as at the last day of each month | 4.5472 | 4.4742 | 4.4413 |

Selected financial indicators

| | 30.06.2021 | 30.06.2020 | (A-B) [p.p] | (A-B)/B [%] |
|--------------|------------|------------|-------------|-------------|
| | A | B | | |
| ROE | 7,1% | -15,8% | 22,90 | -144,94% |
| ROA | 0,6% | -1,3% | 1,90 | -146,15% |
| C/I | 44,7% | 50,3% | -5,60 | -11,13% |
| CoR | 1,64% | 3,96% | -2,32 | -58,59% |
| L/D | 84,1% | 84,6% | -0,50 | -0,59% |
| NPL | 12,96% | 14,75% | -1,79 | -12,14% |
| NPL coverage | 54,87% | 52,50% | 2,37 | 4,51% |
| TCR | 14,95% | 15,72% | -0,77 | -4,90% |
| TIER 1 | 12,99% | 13,14% | -0,15 | -1,14% |



**Interim condensed consolidated
financial statements
of the Alior Bank Spółka Akcyjna Group
for 6-month period ended 30 June 2021**

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

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Interim condensed consolidated income statement

| | Note number | 01.04.2021 - 30.06.2021 | 01.01.2021 - 30.06.2021 | 01.04.2020 - 30.06.2020 | 01.01.2020 - 30.06.2020 |
|---|-------------|-------------------------|-------------------------|-------------------------|-------------------------|
| Interest income calculated using the effective interest method | | 669 132 | 1 351 668 | 821 385 | 1 756 968 |
| Income of a similar nature | | 48 787 | 110 917 | 38 304 | 60 790 |
| Interest expense | | -51 260 | -125 748 | -137 708 | -318 893 |
| Net interest income | 4 | 666 659 | 1 336 837 | 721 981 | 1 498 865 |
| Fee and commission income | | 345 200 | 661 598 | 294 250 | 563 597 |
| Fee and commission expense | | -161 822 | -300 510 | -139 666 | -273 842 |
| Net fee and commission income | 5 | 183 378 | 361 088 | 154 584 | 289 755 |
| Dividend income | | 171 | 277 | 107 | 221 |
| The result on financial assets measured at fair value through profit or loss and FX result | 6 | 34 438 | 53 169 | 15 004 | 16 343 |
| The result on derecognition of financial instruments not measured at fair value through profit or loss | 7 | 2 120 | 2 294 | -2 643 | 26 618 |
| measured at fair value through other comprehensive income | | 257 | 318 | -2 740 | 2 807 |
| measured at amortized cost | | 1 863 | 1 976 | 97 | 23 811 |
| Other operating income | | 30 166 | 77 253 | 26 601 | 68 216 |
| Other operating expenses | | -24 243 | -46 867 | -124 454 | -158 648 |
| Net other operating income and expenses | 8 | 5 923 | 30 386 | -97 853 | -90 432 |
| General administrative expenses | 9 | -379 330 | -797 271 | -394 980 | -876 571 |
| Net expected credit losses | 10 | -264 980 | -508 465 | -915 146 | -1 211 299 |
| The result on impairment of non-financial assets | 11 | -1 399 | -1 876 | -69 897 | -68 590 |
| Banking tax | 12 | -57 654 | -116 269 | -55 771 | -109 889 |
| Gross profit/loss | | 189 326 | 360 170 | -644 614 | -524 979 |
| Income tax | 13 | -65 515 | -128 265 | 62 168 | 14 664 |
| Net profit/loss continued operations | | 123 811 | 231 905 | -582 446 | -510 315 |
| Profit/loss from discontinued operations | | 0 | 0 | -3 052 | -3 052 |
| Net profit/loss attributable to equity holders of the parent | | 123 811 | 231 905 | -585 498 | -513 367 |
| Net profit/loss attributable to non-controlling interests | | 0 | 0 | 0 | 0 |
| Weighted average number of ordinary shares | 14 | 130 553 991 | 130 553 991 | 130 553 991 | 130 553 991 |
| Net profit/loss per share (PLN) | 14 | 0.95 | 1.78 | -4.46 | -3.91 |
| Diluted profit per ordinary share (PLN) | | 0.95 | 1.78 | -4.44 | -3.89 |

Interim condensed consolidated statement of comprehensive income

| | 01.04.2021 - 30.06.2021 | 01.01.2021 - 30.06.2021 | 01.04.2020 - 30.06.2020 | 01.01.2020 - 30.06.2020 |
|--|-------------------------|-------------------------|-------------------------|-------------------------|
| Net profit/loss continued operations | 123 811 | 231 905 | -582 446 | -510 315 |
| Profit/loss from discontinued operations | 0 | 0 | -3 052 | -3 052 |
| Net profit/loss total | 123 811 | 231 905 | -585 498 | -513 367 |
| Items that may be reclassified to the income statement after certain conditions are satisfied | -87 473 | -209 447 | 153 210 | 143 526 |
| Foreign currency translation differences | 456 | 1 904 | 469 | -763 |
| Results of the measurement of financial assets (net) | -29 420 | -21 875 | 105 231 | -2 319 |
| Profit/loss on valuation of financial assets measured at fair value through other comprehensive income | -36 335 | -27 018 | 129 908 | -2 869 |
| Deferred tax | 6 915 | 5 143 | -24 677 | 550 |
| Results on the measurement of hedging instruments (net) | -58 509 | -189 476 | 47 510 | 146 608 |
| Gains/losses on hedging instruments | -72 233 | -233 921 | 58 655 | 180 998 |
| Deferred tax | 13 724 | 44 445 | -11 145 | -34 390 |
| Total comprehensive income. net | 36 338 | 22 458 | -432 288 | -369 841 |
| - attributable to shareholders of the parent company | 36 338 | 22 458 | -432 288 | -369 841 |

The notes presented on pages 10-55 constitute an integral part of these interim condensed consolidated financial statements.

Interim condensed consolidated statement of financial position

| ASSETS | Note number | 30.06.2021 | 31.12.2020 |
|---|-------------|-------------------|-------------------|
| Cash and cash equivalents | 15 | 1 566 372 | 2 459 901 |
| Amounts due from banks | 16 | 607 334 | 508 371 |
| Investment financial assets | 17 | 16 507 815 | 15 744 672 |
| measured at fair value through other comprehensive income | | 8 738 837 | 6 983 904 |
| measured at fair value through profit or loss | | 399 555 | 594 926 |
| measured at amortized cost | | 7 369 423 | 8 165 842 |
| Derivative hedging instruments | | 175 054 | 334 977 |
| Loans and advances to customers | 18 | 57 028 409 | 56 215 422 |
| Assets pledged as collateral | 20 | 130 899 | 446 455 |
| Property, plant and equipment | | 709 340 | 702 381 |
| Intangible assets | | 417 952 | 425 109 |
| Investments in associates | | 0 | 5 333 |
| Non-current assets held for sale | | 28 | 3 |
| Income tax asset | 13 | 1 241 630 | 1 218 282 |
| deferred income tax asset | | 75 786 | 59 572 |
| current income tax asset | | 1 165 844 | 1 158 710 |
| Other assets | 19 | 650 262 | 581 126 |
| TOTAL ASSETS | | 79 035 095 | 78 642 032 |

| LIABILITIES AND EQUITY | Note number | 30.06.2021 | 31.12.2020 |
|--|-------------|-------------------|-------------------|
| Amounts due to banks | 21 | 717 901 | 912 407 |
| Amounts due to customers | 22 | 67 832 836 | 66 875 907 |
| Financial liabilities | 25 | 183 787 | 501 880 |
| Derivative hedging instruments | | 169 281 | 86 162 |
| Provisions | 23 | 283 620 | 336 560 |
| Other liabilities | 24 | 1 732 821 | 1 569 867 |
| Income tax liabilities | | 3 459 | 6 685 |
| current income tax liabilities | | 2 719 | 6 046 |
| deferred income tax liabilities | | 740 | 639 |
| Subordinated liabilities | 26 | 1 529 202 | 1 792 962 |
| Total liabilities | | 72 452 907 | 72 082 430 |
| Share capital | | 1 305 540 | 1 305 540 |
| Supplementary capital | | 5 403 661 | 5 399 627 |
| Revaluation reserve | | 5 979 | 217 330 |
| Other reserves | | 161 792 | 161 792 |
| Foreign currency translation differences | | 284 | -1 620 |
| Accumulated losses | | -526 973 | -211 834 |
| Profit/loss for the period | | 231 905 | -311 233 |
| Equity | | 6 582 188 | 6 559 602 |
| TOTAL LIABILITIES AND EQUITY | | 79 035 095 | 78 642 032 |

The notes presented on pages 10-55 constitute an integral part of these interim condensed consolidated financial statements.

Interim condensed consolidated statement of changes in consolidated equity

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

| 01.01.2020 - 31.12.2020 | Share capital | Supplementary capital | Other reserves | Revaluation reserve | Exchange differences on revaluation of foreign units | Retained earnings | Total equity |
|--|------------------|-----------------------|----------------|---------------------|--|-------------------|------------------|
| 1 January 2020 | 1 305 540 | 5 393 358 | 166 850 | 76 404 | 605 | -205 389 | 6 737 368 |
| Transfer of last year's profit | 0 | 6 269 | 0 | 0 | 0 | -6 269 | 0 |
| Comprehensive income | 0 | 0 | 0 | 140 926 | -2 225 | -311 233 | -172 532 |
| net loss | 0 | 0 | 0 | 0 | 0 | -311 233 | -311 233 |
| other comprehensive income: | 0 | 0 | 0 | 140 926 | -2 225 | 0 | 138 701 |
| incl. financial assets measured at fair value through other comprehensive income | 0 | 0 | 0 | 25 755 | 0 | 0 | 25 755 |
| incl. hedging instruments | 0 | 0 | 0 | 115 171 | 0 | 0 | 115 171 |
| incl. currency translation differences | 0 | 0 | 0 | 0 | -2 225 | 0 | -2 225 |
| Other changes in equity | 0 | 0 | -5 058 | 0 | 0 | -176 | -5 234 |
| 31 December 2020 | 1 305 540 | 5 399 627 | 161 792 | 217 330 | -1 620 | -523 067 | 6 559 602 |

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

The notes presented on pages 10-55 constitute an integral part of these interim condensed consolidated financial statements.

Interim condensed consolidated statement of cash flows

| | 01.01.2021- 30.06.2021 | 01.01.2020 -30.06.2020 |
|--|------------------------|------------------------|
| Operating activities | | |
| Profit/loss before tax for the year | 360 170 | -524 979 |
| Adjustments: | 117 659 | 193 672 |
| Unrealized foreign exchange gains/losses | 2 890 | 1 312 |
| Amortization/depreciation of property, plant and equipment and intangible assets | 112 844 | 119 822 |
| Change in property, plant and equipment and intangible assets impairment write-down | 1 876 | 68 544 |
| Dividends | -277 | -221 |
| Short-term lease contracts | 326 | 4 215 |
| The gross profit after adjustments but before increase/decrease in operating assets/liabilities | 477 829 | -331 307 |
| Change in loans and receivables | -911 950 | 63 383 |
| Change in financial assets measured at fair value through other comprehensive income | -1 754 933 | 1 338 063 |
| Change in financial assets measured at fair value through profit or loss | 195 371 | 26 197 |
| Change in financial assets measured at amortised cost | 796 419 | -2 322 414 |
| Change in assets pledged as collateral | 315 556 | -48 451 |
| Change in derivative hedging assets | 159 923 | -244 820 |
| Change in non-current assets held for sale | -25 | -139 707 |
| Change in other assets | -69 136 | 45 532 |
| Change in deposits | 1 437 348 | 1 096 908 |
| Change in own issue | -363 080 | -313 746 |
| Change in financial liabilities | -318 093 | 79 506 |
| Change in hedging liabilities derivative | 83 119 | 49 014 |
| Change in other liabilities and other comprehensive income | -391 807 | 667 106 |
| Change in provisions | -52 940 | 43 870 |
| Cash from operating activities before income tax | -396 399 | 9 134 |
| Income tax paid | -89 049 | -133 177 |
| Net cash flow from operating activities | -485 448 | -124 043 |
| Investing activities | | |
| Outflows: | -75 789 | -38 258 |
| Purchase of property, plant and equipment | -52 877 | -17 963 |
| Purchase of intangible assets | -22 911 | -20 295 |
| Inflows: | 5 756 | 1 070 |
| Disposal of property, plant and equipment | 423 | 1 070 |
| Disposal of shares in subsidiaries / associates, net of acquired cash | 5 333 | 0 |
| Net cash flow from investing activities | -70 033 | -37 188 |
| Financing activities | | |
| Outflows: | -338 049 | -89 380 |
| Principle payments – subordinated liabilities | -260 150 | 0 |
| Interest payments – subordinated liabilities | -30 485 | -43 918 |
| Principle payments - lease liabilities | -46 620 | -44 088 |
| Interest payments - lease liabilities | -794 | -1 374 |
| Inflows: | 0 | 0 |
| Inflows from share issue | 0 | 0 |
| Net cash flow from financing activities | -338 049 | -89 380 |
| Total net cash flow | -893 529 | -250 612 |
| incl. exchange gains/(losses) | -2 578 | 24 762 |
| Balance sheet change in cash and cash equivalents | -893 529 | -250 612 |
| Cash and cash equivalents, opening balance | 2 459 901 | 1 379 127 |
| Cash and cash equivalents, closing balance | 1 566 372 | 1 128 515 |
| Additional disclosures on operating cash flows | | |
| Interests received | 1 538 748 | 1 707 686 |
| Interests paid | -204 280 | -388 019 |

The notes presented on pages 10-55 constitute an integral part of these interim condensed consolidated financial statements.

Notes to the interim condensed consolidated financial statements

1 Information about the Bank and the Group

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

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

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

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

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

1.2 Shareholders of Alior Bank Spółka Akcyjna

There was no change in the ownership structure of significant shareholdings in Bank starting from the preparation date of the annual financial report i.e., from 25 February 2021.

As of 30 June 2021, the shareholders holding 5% or more of the overall number of votes at the General Meeting were as follows:

| Shareholder | Number of shares | Nominal value of shares [PLN] | Percentage in the share capital | Number of votes | Number of votes in the total number of votes |
|---------------------------|--------------------|-------------------------------|---------------------------------|--------------------|--|
| 30.06.2021 | | | | | |
| PZU Group* | 41 658 850 | 416 588 500 | 31.91% | 41 658 850 | 31.91% |
| Aviva OFE Aviva Santander | 9 467 180 | 94 671 800 | 7.25% | 9 467 180 | 7.25% |
| Nationale-Nederlanden OFE | 12 656 361 | 126 563 610 | 9.69% | 12 656 361 | 9.69% |
| Others | 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 consists of entities that have concluded a written agreement regarding the purchase or sale of the Bank's shares and the consistent exercise of voting rights at the Bank's general meetings, i.e.: Powszechny Zakład Ubezpieczeń SA, Powszechny Zakład Ubezpieczeń Na Życie SA, PZU Specjalistyczny Fundusz Inwestycyjny Otwarty UNIVERSUM, PZU Fundusz Inwestycyjny Zamknięty Assets of Niepublicznych BIS 1 and PZU Fundusz Inwestycyjny Zamknięty Assets Niepublicznych BIS 2. the agreement was announced by the Bank in Current Report No. 21/2017.

As at the preparation date of this report i.e., on 3 August 2021, according to the information available to Alior Bank SA, the shareholders holding 5% or more of the total number of votes at the General Meeting remained unchanged.

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

As at the day of preparing this financial statement in comparison to the annual reporting period ended on 31 December 2020, there were changes in the composition of the Bank's Management Board changed.

On 4 March 2021, the Supervisory Board of the Bank adopted a resolution on the appointment of Ms. Iwona Duda, the current Vice-President of the Management Board, to the position of the President of the Bank's Management Board of the 5th joint term of office, which began on 30 June 2020.

On 17 March 2021, the Supervisory Board of the Bank adopted a resolution on delegating Mr. Mikołaj Jerzy Handschke, Member of the Bank's Supervisory Board, for the period from 21 March 2021 to 20 June 2021 - subject to the possibility of early termination of the delegation - the activities of the Vice-President of the Management Board responsible for the area of finance.

On 17 May 2021, the Supervisory Board of the Bank adopted the following resolutions regarding changes in the composition of the Bank's Management Board of the three-year 5th joint term of office, which began on 30 June 2020:

- on 14 June 2021, to the position of the Vice President of the Management Board responsible for the area of finance has been appointed Mr Radomir Gibała,
- on 17 May 2021, to the position of the Vice President of the Management Board has been appointing Mr Jacek Polańczyk.

Simultaneously, pursuant to the resolution of the Bank's Supervisory Board, on 13 June 2021, the delegation of Mr. Mikołaj Jerzy Handschke, Member of the Bank's Supervisory Board, to performing activities of the Vice-President of the Bank's Management Board responsible for the area of finance expired.

As of 30 June 2021 and as at the date of this financial statements the composition of the Bank's Management Board was as follows:

| First and last name | Function |
|---------------------|--|
| Iwona Duda | President of the Management Board |
| Maciej Brzozowski | Vice President of the Management Board |
| Radomir Gibała | Vice President of the Management Board |
| Seweryn Kowalczyk | Vice President of the Management Board |
| Jacek Polańczyk | Vice President of the Management Board |
| Agata Strzelecka | Vice President of the Management Board |
| Dariusz Szwed | Vice President of the Management Board |

Members of the Bank's Management Board who held shares in the Bank as of 30 June 2021 and as at the date of preparation date of financial statements:

| Number of shares | 03.08.2021 | 30.06.2021 | 31.12.2020 |
|------------------|--------------|--------------|--------------|
| Agata Strzelecka | 1 500 | 1 500 | 1 500 |
| Dariusz Szwed | 4 600 | 4 600 | 4 600 |
| Total | 6 100 | 6 100 | 6 100 |

In comparison to the annual reporting period ended on 31 December 2020, there were changes in the composition of the Bank's Supervisory Board.

On 26 May 2021 r., Mr Robert Pusz, Member of the Supervisory Board, resigned from the position of a Member of the Supervisory Board of Alior Bank with effect on 26 May 2021.

Moreover, the Annual General Meeting convened on 28 May 2021, after resuming the meeting on 7 June 2021, appointed the following persons to the Supervisory Board of the Bank:

- Mr. Filip Majdowski
- Mr. Dominik Witek.

As of 30 June 2021 and the date of this report the composition of the Bank's Supervisory Board was as follows:

| First and last name | Function |
|----------------------|---|
| Aleksandra Agatowska | - Chairman of the Supervisory Board |
| Ernest Bejda | - Deputy Chairperson of the Supervisory Board |
| Mikołaj Handschke | - Member of the Supervisory Board |
| Artur Kucharski | - Member of the Supervisory Board |
| Filip Majdowski | - Member of the Supervisory Board |
| Wojciech Myślecki | - Member of the Supervisory Board |
| Marek Pietrzak | - Member of the Supervisory Board |
| Dominik Witek | - Member of the Supervisory Board |

In accordance with the Bank's best knowledge there was no change in the number of shares held by the Members of Supervisory Board starting from the date of preparation of the annual financial statements i.e., from 25 February 2021. As of 30 June 2021, and as at the date of these financial statements, Members of the Supervisory Board of Alior Bank SA did not hold any shares in the Bank.

1.4 Information about the Alior Bank Group

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

The composition of the Group as of 30 June 2021 and as at the date of preparation date of financial statements was as follows:

| Company's name - subsidiaries | 03.08.2021 | 30.06.2021 | 31.12.2020 |
|---|------------|------------|------------|
| Alior Services sp. z o.o. | 100% | 100% | 100% |
| Alior Leasing sp. z o.o. | 100% | 100% | 100% |
| - <i>Serwis Ubezpieczeniowy sp. z o.o.</i> | 100% | 100% | 100% |
| - <i>NewCommerce Services sp. z o.o.***</i> | - | 100% | 100% |
| Meritum Services ICB SA | 100% | 100% | 100% |
| Alior TFI SA | 100% | 100% | 100% |
| Absource sp. z o.o. | 100% | 100% | 100% |
| Corsham sp. z o.o. | 100% | 100% | 100% |
| - <i>PayPo sp. z o.o.**</i> | - | - | 20% |
| RBL_VC sp. z o.o. | 100% | 100% | 100% |
| RBL_VC sp z o.o. ASI spółka komandytowo-akcyjna | 100% | 100% | 100% |
| Harberton sp. z o.o. in liquidation* | 100% | 100% | 100% |

*On 1 February 2021, the Extraordinary General Meeting of shareholders adopted a resolution to dissolve Harberton sp. z o.o. based in Warsaw and commencement of liquidation. The opening of the liquidation was registered with the National Court Register on 25 February 2021. According to the adopted schedule, the liquidation of the company should be completed by the end of October 2021.

**On 7 January 2021, Corsham sp. z o.o. has sold its shares in PayPo sp. z o.o. to the other shareholders of PayPo sp. z o.o.

*** On 25 May 2021, the Extraordinary General Meeting of Serwis Ubezpieczeniowy sp.z o.o. and the Extraordinary Meeting of Shareholders of NewCommerce Services sp.z o.o. adopted resolutions on the merger of Serwis Ubezpieczeniowy sp.z o.o. (acquiring company) with NewCommerce Services sp.z o.o. (acquired company). On 1 July 2021, a merger of the above-mentioned companies was registered in the National Court Register pursuant to Art. 492 §1 point 1 of the Code of Commercial Companies, i.e. by transferring all assets of the acquired company NewCommerce Services sp.z o.o. on the acquiring company of Serwis Ubezpieczeniowy sp.z o.o. (merger by acquisition).

1.5 Approval of the interim condensed consolidated financial statements

These interim condensed consolidated financial statements of the Alior Bank Spółka Akcyjna Group were approved by the Bank's Management Board on 3 August 2021.

1.6 Seasonal or cyclical nature of operations

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

2 Accounting principles

2.1 Basis for preparation

Statement of compliance

These interim condensed consolidated financial statements of the Alior Bank Spółka Akcyjna Group for the 6-month period ended 30 June 2021 have been prepared in accordance with the International Accounting Standard 34 "Interim Financial Reporting" as adopted by the European Union.

The interim condensed consolidated financial statements do not include all information and disclosures required in the annual financial statements and should therefore be read together with the consolidated financial statements of the Alior Bank Group for 2020.

The interim condensed consolidated financial statements including the comparatives have been prepared in accordance with the same accounting policies as those applied in the preparation of the annual financial statements ended 31 December 2020, except for the changes in the standards that entered into force on 1 January 2021 and changes in accounting policies described in Note 2.2.

Scope and reporting currency

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

Going concern

These interim condensed consolidated financial statements of the Alior Bank SA Group have been prepared on the assumption that the entities within the Group will continue as going concerns in the foreseeable future, not less than 12 months from the balance sheet date i.e., after 30 June 2021.

As at the date of approval of this report by the Bank's Management Board, there are no circumstances indicating a threat to the continued operation of the Capital Group. Taking this assumption, the Management Board took into account in its assessment the impact of factors subject to uncertainty, in particular the COVID-19 pandemic, on the macroeconomic situation and its own operations. Financial plans prepared by the Management Board, taking into account the indicated factors, ruled out that the Bank would experience resource shortages and, consequently, would have to consider discontinuing or significantly limiting its operations.

In the Management Board's opinion, the measures taken against the outbreak of the COVID-19 pandemic and other risks are adequate and sufficient to continue the operations of the Alior Bank SA Group in the foreseeable future.

2.2 Accounting principles

2.2.1 Relevant estimates

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

Recognition of bancassurance income

The Group allocates the received remuneration for distribution of insurance products related to the sale of loans – in accordance with the economic content of the transaction – as remuneration constituting:

- an integral part of the remuneration received for the offered financial instruments;
- remuneration for agency services;
- remuneration for the provision of additional activities performed during the insurance contract (recognised by the Group over a period when the services are provided).

The economic title of the received remuneration determines the way it is disclosed in the Bank's books.

The model of "relative fair value" is applied to determine the split of the remuneration related to insurance offered in connection with cash and mortgage loans and insurance sold without any relationship to financial instruments.

The "relative fair value" model approved by the Group consists in estimating the fair value of each element of the overall service of loan sale with insurance in order to determine the proportion of fair value of both services. In accordance with such proportion of fair value, remuneration under the joint loan and insurance transaction is allocated to each component.

Impairment of loans, expected credit losses

At each reporting date, the Group assesses the credit quality of the receivables and assesses whether there are objective triggers for impairment of credit exposures and whether the credit exposure has impaired.

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

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

The estimated losses expected are based on:

- estimated exposure value at the time of default (EAD model);
- estimated distribution of risk of default within the lifetime of the exposure (life-time PD model);

- estimated level of loss in case of default of the client (LGD model).

Information on the adopted assumptions affecting the amount of expected losses is presented in Note 18 – Loans and advances to customers.

Non-current assets impairment

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

Investment financial assets

For the purposes of disclosures in accordance with IFRS 7, the Group estimates changes to measurements of debt instruments measured at fair value through other comprehensive income and derivative instruments with a linear risk profile not covered with hedge accounting assuming a parallel shift of profitability curves by 50pb. To this end, the Group constructs profitability curves on the basis of market data. The Group analyses the impact on transaction measurement of changes to profitability curves with the assumed scenarios.

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

The Group constantly monitors the value of the estimated amount of expected payments resulting from prepayments of consumer loans made before the judgment date of Court of Justice of the European Union ('TSUE') of 11 September 2019 in case C-383/18 (so-called Lexitor case). The basis for updating the value of the estimate is the inclusion in the calculation of the most recent data on the complaints coming to the Bank regarding the reimbursement of credit costs, as well as the amount of the refund. Therefore, in the first half of 2021, the Alior Bank SA Group didn't update the value of the estimated amount of expected payments resulting from prepayments of consumer loans.

Actuarial provision

Provisions for employee benefits are measured with actuarial techniques and assumptions. The calculation covers all retirement benefits potentially disburseable in the future. The provision has been established on the basis of a list of persons with all the required personal data, including seniority, age, and gender. The accrued provisions are equal to the discounted payments to be made in the future subject to staff rotation and apply to the period until the end of the reporting period.

Fair value measurement rules

The principles for the fair value measurement of derivatives and non-quoted debt securities measured at fair value are presented in Note 28 – Fair value hierarchy and have not changed from the principles presented in the financial statements prepared as of 31 December 2020.

Hedge accounting

For the purposes of disclosures in accordance with IFRS 7, the Group estimates changes to measurements of the derivative instruments with a linear risk profile assuming a parallel shift of profitability curves by 50 pb. To this end, the Group constructs profitability curves on the basis of market data. The Group analyses the impact on transaction profitability of a change of profitability curves for the portfolio of derivative instruments with a linear risk profile, covered with hedge accounting.

2.2.2 Significant accounting policies

Detailed accounting policies were presented in the annual consolidated financial statements of the Alior Bank Group for the year ended 31 December 2020 published on Alior Bank's website on 26 February 2021.

2.2.3 Changes in accounting standards

In these interim condensed consolidated financial statements, the same accounting standards have been applied as in the case of annual consolidated financial statements for the year 2020 and the standards and interpretations adopted by the European Union and applicable to the annual periods starting 1 January 2021 mentioned below:

| Change | Impact on the Group's report |
|---|---|
| Reform of interest rate benchmarks - Phase 2 - Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16 | The impact of the changes is described in notes 21 and 41 presented in the annual consolidated financial statements of the Group for 2020. |
| Amendments to IFRS 4 Insurance Contracts – deferral of IFRS19 | The amendment extends the period of exemption from the application of IFRS 9 to annual reporting periods beginning on 1 January 2023. The implementation of the amendment will not have an impact on the financial statements of the Group. |

Standards and interpretations that have been issued but are not yet effective because they have not been approved by the European Union or have been approved by the European Union but have not been previously applied by the Group, were presented in the annual consolidated financial statements of the Group for 2020. In the first half of 2021, the following changes to the accounting standards were published:

| Change | Impact on the Group's report |
|--|---|
| Amendments to IAS 8 Accounting policies, Changes in Accounting Estimates and Errors: Definition of Accounting | Clarify how accounting policies and accounting estimates relate to each other, by explaining that accounting estimates are used in applying accounting policies. The implementation of the amendment will not have a significant impact on the financial statements of the Group. |
| Amendments to IAS 1 Presentation of Financial Statements and IFRS Practice Statement 2: Disclosure of Accounting policies | Require entities to disclose their material accounting policies rather than their significant accounting policies. The implementation of the amendment will not have an impact on the financial statements of the Group. |
| Amendments to IFRS 16 Leases: Covid-19-Related Rent Concessions beyond 30 June 2021 (the financial year starting on or after 1 April 2021) | Change in the scope of leasing modification, the purpose of which is to extend by 1 year the period of withdrawal from the evaluation of leasing modification, in a situation where the change in leasing payments is a direct consequence of the Covid-19 pandemic. The application of the amendment will not have an impact on the financial statements of the Group. |
| Amendments to IAS 12 Income Taxes: Deferred Tax relating to assets and liabilities arising from a single transaction | The objective of the amendments is to reduce the diversity that exists in practice on whether the recognition exemption in paragraphs 15 and 24 of IAS 12 apply to transactions that, on initial recognition, give rise to equal taxable and deductible temporary differences. The application of the amendment will not have an impact on the financial statements of the Group. |

3 Operating segments

Segment description

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

Banking operations cover three core business segments:

- retail segment;
- business segment;
- treasury activities;

The core products for natural persons are as follows:

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

The core products for business customers are as follows:

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

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

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

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

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

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

| | Retail customers | Business customers | Treasury | Total operating segments | Unallocated items | Total |
|--------------------------------------|------------------|--------------------|----------------|--------------------------|-------------------|------------------|
| External interest income | 842 180 | 437 313 | 57 344 | 1 336 837 | 0 | 1 336 837 |
| external income | 865 030 | 446 168 | 40 470 | 1 351 668 | 0 | 1 351 668 |
| income of a similar nature | 0 | 0 | 110 917 | 110 917 | 0 | 110 917 |
| external expense | -22 850 | -8 855 | -94 043 | -125 748 | 0 | -125 748 |
| Internal interest income | 18 042 | -16 828 | -1 214 | 0 | 0 | 0 |
| internal income | 188 538 | 53 675 | 240 999 | 483 212 | 0 | 483 212 |
| internal expense | -170 496 | -70 503 | -242 213 | -483 212 | 0 | -483 212 |
| Net interest income | 860 222 | 420 485 | 56 130 | 1 336 837 | 0 | 1 336 837 |
| Fee and commission income | 222 224 | 458 719 | -19 345 | 661 598 | 0 | 661 598 |
| Fee and commission expense | -95 186 | -202 193 | -3 131 | -300 510 | 0 | -300 510 |
| Net fee and commission income | 127 038 | 256 526 | -22 476 | 361 088 | 0 | 361 088 |

| | Retail customers | Business customers | Treasury | Total operating segments | Unallocated items | Total |
|--|------------------|--------------------|---------------|--------------------------|-------------------|------------------|
| Dividend income | 0 | 0 | 277 | 277 | 0 | 277 |
| The result on financial assets measured at fair value through profit or loss and FX result | 1 849 | 7 216 | 44 104 | 53 169 | 0 | 53 169 |
| The result on derecognition of financial assets and liabilities not measured at fair value through profit or loss | 0 | 0 | 2 294 | 2 294 | 0 | 2 294 |
| measured at fair value through other comprehensive income | 0 | 0 | 318 | 318 | 0 | 318 |
| measured at amortized cost | 0 | 0 | 1 976 | 1 976 | 0 | 1 976 |
| Other operating income | 58 197 | 19 056 | 0 | 77 253 | 0 | 77 253 |
| Other operating expenses | -34 061 | -12 806 | 0 | -46 867 | 0 | -46 867 |
| Net other operating income | 24 136 | 6 250 | 0 | 30 386 | 0 | 30 386 |
| Total result before expected credit losses | 1 013 245 | 690 477 | 80 329 | 1 784 051 | 0 | 1 784 051 |
| Net expected credit losses | -177 240 | -331 225 | 0 | -508 465 | 0 | -508 465 |
| The result on impairment of non-financial assets | 0 | 0 | 0 | 0 | -1 876 | -1 876 |
| Total result after expected credit losses and impairment | 836 005 | 359 252 | 80 329 | 1 275 586 | -1 876 | 1 273 710 |
| General administrative expenses | -639 766 | -273 774 | 0 | -913 540 | 0 | -913 540 |
| Gross profit/loss | 196 239 | 85 478 | 80 329 | 362 046 | -1 876 | 360 170 |
| Income tax | 0 | 0 | 0 | 0 | -128 265 | -128 265 |
| Net profit/loss | 196 239 | 85 478 | 80 329 | 362 046 | -130 141 | 231 905 |
| Depreciation | 0 | 0 | 0 | 0 | 0 | -112 844 |
| Assets | 49 626 522 | 28 166 943 | 0 | 77 793 465 | 1 241 630 | 79 035 095 |
| Liabilities | 49 595 458 | 22 853 990 | 0 | 72 449 448 | 3 459 | 72 452 907 |

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

| | Retail customers | Business customers | Treasury | Total operating segments | Unallocated items | Total Group |
|--|------------------|--------------------|----------------|--------------------------|-------------------|------------------|
| External interest income | 855 722 | 535 914 | 107 229 | 1 498 865 | 0 | 1 498 865 |
| external income | 1 033 049 | 569 137 | 154 782 | 1 756 968 | 0 | 1 756 968 |
| income of a similar nature | 0 | 0 | 60 790 | 60 790 | 0 | 60 790 |
| external expense | -177 327 | -33 223 | -108 343 | -318 893 | 0 | -318 893 |
| Internal interest income | 25 320 | -113 043 | 87 723 | 0 | 0 | 0 |
| internal income | 416 203 | 130 122 | 634 048 | 1 180 373 | 0 | 1 180 373 |
| internal expense | -390 883 | -243 165 | -546 325 | -1 180 373 | 0 | -1 180 373 |
| Net interest income | 881 042 | 422 871 | 194 952 | 1 498 865 | 0 | 1 498 865 |
| Fee and commission income | 213 801 | 373 873 | -24 077 | 563 597 | 0 | 563 597 |
| Fee and commission expense | -108 487 | -162 445 | -2 910 | -273 842 | 0 | -273 842 |
| Net fee and commission income | 105 314 | 211 428 | -26 987 | 289 755 | 0 | 289 755 |
| Dividend income | 0 | 0 | 221 | 221 | 0 | 221 |
| The result on financial assets measured at fair value through profit or loss and FX result | 599 | 14 598 | 1 146 | 16 343 | 0 | 16 343 |
| The result on derecognition of financial assets and liabilities not measured at fair value through profit or loss | 0 | 0 | 26 618 | 26 618 | 0 | 26 618 |

| | Retail customers | Business customers | Treasury | Total operating segments | Unallocated items | Total Group |
|---|------------------|--------------------|----------------|--------------------------|-------------------|------------------|
| measured at fair value through other comprehensive income | 0 | 0 | 2 807 | 2 807 | 0 | 2 807 |
| measured at amortized cost | 0 | 0 | 23 811 | 23 811 | 0 | 23 811 |
| Other operating income | 47 368 | 20 848 | 0 | 68 216 | 0 | 68 216 |
| Other operating expenses | -131 662 | -26 986 | 0 | -158 648 | 0 | -158 648 |
| Net other operating income | -84 294 | -6 138 | 0 | -90 432 | 0 | -90 432 |
| Total result before expected credit losses | 902 661 | 642 759 | 195 950 | 1 741 370 | 0 | 1 741 370 |
| Net expected credit losses | -412 759 | -798 540 | | -1 211 299 | 0 | -1 211 299 |
| The result on impairment of non-financial assets | -64 400 | 0 | 0 | -64 400 | -4 190 | -68 590 |
| Total result after expected credit losses and impairment | 425 502 | -155 781 | 195 950 | 465 671 | -4 190 | 461 481 |
| General administrative expenses | -646 056 | -340 404 | 0 | -986 460 | 0 | -986 460 |
| Gross profit | -220 554 | -496 185 | 195 950 | -520 789 | -4 190 | -524 979 |
| Income tax | 0 | 0 | 0 | 0 | 14 664 | 14 664 |
| Net profit/loss continued operations | -220 554 | -496 185 | 195 950 | -520 789 | 10 474 | -510 315 |
| Profit/loss from discontinued operations | 0 | 0 | 0 | 0 | -3 052 | -3 052 |
| Net profit/loss attributable to equity holders of the parent | -220 554 | -496 185 | 195 950 | -520 789 | 7 422 | -513 367 |
| Depreciation | 0 | 0 | 0 | 0 | 0 | -119 822 |
| Assets | 46 326 999 | 29 981 715 | 0 | 76 308 714 | 1 363 195 | 77 671 909 |
| Liabilities | 49 663 017 | 21 475 786 | 0 | 71 138 803 | 165 755 | 71 304 558 |

Notes to the interim condensed consolidated income statement

4 Net interest income

| | 01.04.2021 - 30.06.2021 | 01.01.2021 - 30.06.2021 | 01.04.2020 - 30.06.2020 | 01.01.2020 - 30.06.2020 |
|--|-------------------------|-------------------------|-------------------------|-------------------------|
| Interest income calculated using the effective interest method | 669 132 | 1 351 668 | 821 385 | 1 756 968 |
| term deposits | 4 | 20 | 235 | 313 |
| Loans, incl: | 594 701 | 1 202 811 | 704 698 | 1 511 852 |
| <i>reimbursement of credit cost (TSUE provision)</i> | <i>-70 088</i> | <i>-131 366</i> | <i>-30 032</i> | <i>-93 606</i> |
| <i>modification of a financial asset deemed not significant</i> | <i>-1 689</i> | <i>-3 832</i> | <i>-13 203</i> | <i>-15 526</i> |
| financial assets measured at amortized cost | 13 563 | 29 882 | 23 424 | 50 592 |
| financial assets measured at fair value through other comprehensive income | 6 371 | 10 277 | 37 395 | 80 796 |
| receivables acquired | 3 631 | 8 894 | 3 099 | 7 051 |
| repo transactions in securities | 44 | 76 | 385 | 1 262 |
| current accounts | 167 | 74 | 884 | 3 656 |
| overnight deposits | 14 | 87 | 31 | 238 |
| leasing | 38 963 | 76 568 | 40 088 | 79 155 |
| other | 11 674 | 22 979 | 11 146 | 22 053 |
| Income of a similar nature | 48 787 | 110 917 | 38 304 | 60 790 |
| derivatives instruments | 48 787 | 110 917 | 38 304 | 60 790 |
| Interest expense | -51 260 | -125 748 | -137 708 | -318 893 |
| Interest expense from financial instruments measured at amortized cost including the effective interest rate method | -24 912 | -56 736 | -82 135 | -189 036 |
| term deposits | -7 104 | -18 195 | -46 725 | -115 440 |

| | 01.04.2021 - 30.06.2021 | 01.01.2021 - 30.06.2021 | 01.04.2020 - 30.06.2020 | 01.01.2020 - 30.06.2020 |
|---------------------------------|----------------------------|----------------------------|----------------------------|----------------------------|
| own issue | -16 177 | -35 301 | -31 889 | -62 196 |
| repo transactions in securities | -29 | -49 | -724 | -5 409 |
| cash deposits | -655 | -1 229 | -521 | -1 260 |
| leasing | -394 | -794 | -730 | -1 531 |
| other | -553 | -1 168 | -1 546 | -3 200 |
| Other interest expense | -26 348 | -69 012 | -55 573 | -129 857 |
| current deposits | -4 163 | -10 624 | -40 349 | -104 185 |
| derivatives | -22 185 | -58 388 | -15 224 | -25 672 |
| Net interest income | 666 659 | 1 336 837 | 721 981 | 1 498 865 |

5 Net fee and commission income

| | 01.04.2021 - 30.06.2021 | 01.01.2021 - 30.06.2021 | 01.04.2020 - 30.06.2020 | 01.01.2020 - 30.06.2020 |
|---|----------------------------|----------------------------|----------------------------|----------------------------|
| Fee and commission income | 345 200 | 661 598 | 294 250 | 563 597 |
| payment and credit cards service | 122 490 | 222 919 | 94 715 | 179 875 |
| transaction margin on currency exchange transactions | 54 545 | 107 815 | 57 203 | 105 749 |
| maintaining bank accounts | 27 717 | 54 698 | 25 751 | 49 968 |
| brokerage commissions | 11 755 | 27 915 | 13 351 | 24 109 |
| revenue from bancassurance activity | 28 589 | 54 010 | 24 105 | 46 585 |
| loans and advances | 38 408 | 73 842 | 31 547 | 61 237 |
| transfers | 13 357 | 26 144 | 10 819 | 22 401 |
| cash operations | 8 992 | 17 531 | 7 912 | 15 493 |
| guarantees, letters of credit, collection, commitments | 3 200 | 6 279 | 2 660 | 5 333 |
| receivables acquired | 1 003 | 1 895 | 1 191 | 2 405 |
| for custody services | 2 231 | 4 617 | 2 350 | 4 725 |
| repayment of seizure | 1 532 | 2 985 | 884 | 2 288 |
| from leasing activities | 17 707 | 34 571 | 11 052 | 24 313 |
| other commissions | 13 674 | 26 377 | 10 710 | 19 116 |
| Fee and commission expenses | -161 822 | -300 510 | -139 666 | -273 842 |
| costs of card and ATM transactions, including costs of cards issued | -110 726 | -201 455 | -85 691 | -167 150 |
| commissions paid to agents | -15 280 | -29 474 | -19 716 | -35 866 |
| insurance of bank products | -3 146 | -6 416 | -3 643 | -7 432 |
| costs of awards for customers | -3 855 | -7 867 | -3 845 | -8 593 |
| commissions for access to ATMs | -7 657 | -11 424 | -4 740 | -10 734 |
| commissions paid under contracts for performing specific operations | -7 127 | -12 075 | -6 435 | -12 759 |
| brokerage commissions | -1 561 | -3 541 | -1 627 | -2 572 |
| for custody services | -2 109 | -2 154 | -41 | -66 |
| transfers and remittances | -4 503 | -9 806 | -2 785 | -8 201 |
| other commissions | -5 858 | -16 298 | -11 143 | -20 469 |
| Net fee and commission income | 183 378 | 361 088 | 154 584 | 289 755 |

| 01.01.2021 - 30.06.2021 | Retail customers | Business customers | Treasury | Total |
|--|------------------|--------------------|----------------|----------------|
| Fee and commission income | 222 224 | 458 719 | -19 345 | 661 598 |
| payment and credit cards service | 46 589 | 176 330 | 0 | 222 919 |
| transaction margin on currency exchange transactions | 67 916 | 61 282 | -21 383 | 107 815 |

| 01.01.2021 - 30.06.2021 | Retail customers | Business customers | Treasury | Total |
|--|------------------|--------------------|----------|--------|
| maintaining bank accounts | 22 046 | 32 643 | 9 | 54 698 |
| brokerage commissions | 27 915 | 0 | 0 | 27 915 |
| revenue from bancassurance activity | 26 354 | 27 656 | 0 | 54 010 |
| loans and advances | 9 965 | 63 877 | 0 | 73 842 |
| transfers | 6 969 | 19 167 | 8 | 26 144 |
| cash operations | 7 124 | 10 407 | 0 | 17 531 |
| guarantees, letters of credit, collection, commitments | 0 | 6 279 | 0 | 6 279 |
| receivables acquired | 0 | 1 895 | 0 | 1 895 |
| custody services | 0 | 4 617 | 0 | 4 617 |
| repayment of seizure | 0 | 2 985 | 0 | 2 985 |
| from leasing activities | 0 | 34 571 | 0 | 34 571 |
| other commissions | 7 346 | 17 010 | 2 021 | 26 377 |

| 01.01.2020 - 30.06.2020 | Retail customers | Business customers | Treasury | Total |
|--|------------------|--------------------|----------------|----------------|
| Fee and commission income | 213 801 | 373 873 | -24 077 | 563 597 |
| payment and credit cards service | 45 418 | 134 457 | 0 | 179 875 |
| transaction margin on currency exchange transactions | 68 493 | 63 135 | -25 879 | 105 749 |
| maintaining bank accounts | 22 085 | 27 883 | 0 | 49 968 |
| brokerage commissions | 24 109 | 0 | 0 | 24 109 |
| revenue from bancassurance activity | 25 533 | 21 052 | 0 | 46 585 |
| loans and advances | 7 818 | 53 419 | 0 | 61 237 |
| transfers | 6 019 | 16 382 | 0 | 22 401 |
| cash operations | 7 426 | 8 067 | 0 | 15 493 |
| guarantees, letters of credit, collection, commitments | 0 | 5 333 | 0 | 5 333 |
| receivables acquired | 0 | 2 405 | 0 | 2 405 |
| custody services | 0 | 4 725 | 0 | 4 725 |
| repayment of seizure | 0 | 2 288 | 0 | 2 288 |
| from leasing activities | 0 | 24 313 | 0 | 24 313 |
| other commissions | 6 900 | 10 414 | 1 802 | 19 116 |

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

| | 01.04.2021 - 30.06.2021 | 01.01.2021 - 30.06.2021 | 01.04.2020 - 30.06.2020 | 01.01.2020 - 30.06.2020 |
|--|-------------------------|-------------------------|-------------------------|-------------------------|
| FX result and net income on currency derivatives, including; | 23 053 | 42 459 | 4 097 | 23 063 |
| fx result | 65 712 | -114 860 | 44 335 | -107 037 |
| currency derivatives | -42 659 | 157 319 | -40 238 | 130 100 |
| Interest rate transacions | 1 644 | 5 417 | 7 054 | -3 835 |
| Ineffective part of hedge accounting | 2 115 | -783 | -3 620 | -2 623 |
| The result on other instruments (includes the result on trading in securities classified as assets measured at fair value through profit and loss with interest | 7 626 | 6 076 | 7 473 | -262 |
| The result on financial assets measured at fair value through profit or loss and FX result | 34 438 | 53 169 | 15 004 | 16 343 |

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

| | 01.04.2021 - 30.06.2021 | 01.01.2021 - 30.06.2021 | 01.04.2020 - 30.06.2020 | 01.01.2020 - 30.06.2020 |
|--|----------------------------|----------------------------|----------------------------|----------------------------|
| Financial assets measured at fair value through other comprehensive income | 257 | 318 | -2 740 | 2 807 |
| Financial assets measured at amortized cost | 1 863 | 1 976 | 97 | 23 811 |
| The result on derecognition of financial assets and liabilities not measured at fair value through profit or loss | 2 120 | 2 294 | -2 643 | 26 618 |

8 Result on other operating income and expense

| | 01.04.2021 - 30.06.2021 | 01.01.2021 - 30.06.2021 | 01.04.2020 - 30.06.2020 | 01.01.2020 - 30.06.2020 |
|---|----------------------------|----------------------------|----------------------------|----------------------------|
| Other operating income from: | 30 166 | 77 253 | 26 601 | 68 216 |
| income from contracts with business partners | 8 807 | 21 127 | 9 682 | 21 208 |
| reimbursement of costs of claim enforcement | 5 836 | 11 940 | 9 446 | 17 908 |
| received compensations, recoveries, penalties and fines | 281 | 458 | 355 | 854 |
| management of third-party assets | 6 121 | 11 238 | 3 025 | 7 933 |
| from license fees from Partners | 993 | 993 | 0 | 794 |
| reversal of impairment losses on other assets | 926 | 6 716 | 1 322 | 1 322 |
| other | 7 202 | 24 781 | 2 771 | 18 197 |
| Other operating expenses due to: | -24 243 | -46 867 | -124 454 | -158 648 |
| reimbursement of credit cost (TSUE provision) | 0 | 0 | -98 528 | -98 528 |
| fees and costs of claim enforcement | -16 476 | -32 273 | -12 594 | -34 602 |
| paid compensations, fines, and penalties | -21 | -552 | -339 | -1 127 |
| management of third-party assets | 1 | -480 | -349 | -704 |
| recognition of complaints | -457 | -1 016 | -1 784 | -2 715 |
| impairment losses on other assets | -2 295 | -4 266 | -3 267 | -7 034 |
| due to VAT settlement | 1 | -1 743 | 0 | -1 832 |
| other | -4 996 | -6 537 | -7 593 | -12 106 |
| Net other operating income and expense | 5 923 | 30 386 | -97 853 | -90 432 |

9 General administrative expenses

| | 01.04.2021 - 30.06.2021 | 01.01.2021 - 30.06.2021 | 01.04.2020 - 30.06.2020 | 01.01.2020 - 30.06.2020 |
|--|----------------------------|----------------------------|----------------------------|----------------------------|
| Payroll costs | -224 663 | -439 772 | -219 695 | -453 623 |
| remuneration due to employment contracts | -184 225 | -359 401 | -178 883 | -369 734 |
| remuneration surcharges | -38 119 | -75 192 | -37 906 | -78 290 |
| costs of bonus for senior executives settled in phantom shares | -295 | -1 075 | -853 | -1 207 |
| other | -2 024 | -4 104 | -2 053 | -4 392 |
| General and administrative costs | -90 895 | -231 670 | -109 959 | -290 666 |
| lease and building maintenance expenses | -13 781 | -30 568 | -15 713 | -30 265 |
| costs of Banking Guarantee Fund | -14 708 | -77 576 | -24 064 | -112 663 |
| IT costs | -31 234 | -61 074 | -25 458 | -50 007 |
| marketing costs | -9 645 | -13 957 | -16 028 | -27 769 |
| cost of advisory services | -3 661 | -5 678 | -5 628 | -11 672 |
| external services | -7 142 | -12 535 | -6 227 | -14 149 |
| training costs | -828 | -1 662 | -1 023 | -3 430 |

| | 01.04.2021 - 30.06.2021 | 01.01.2021 - 30.06.2021 | 01.04.2020 - 30.06.2020 | 01.01.2020 - 30.06.2020 |
|---|----------------------------|----------------------------|----------------------------|----------------------------|
| costs of telecommunications services | -6 197 | -12 899 | -6 235 | -12 061 |
| costs of lease of property, plant and equipment and intangible assets | 444 | -326 | -2 191 | -4 215 |
| other | -4 143 | -15 395 | -7 392 | -24 435 |
| Amortization and depreciation | -57 127 | -112 844 | -58 955 | -119 822 |
| property, plant and equipment | -18 208 | -36 984 | -19 252 | -39 218 |
| intangible assets | -15 543 | -30 314 | -16 388 | -33 557 |
| right to use the asset | -23 376 | -45 546 | -23 315 | -47 047 |
| Taxes and fees | -6 645 | -12 985 | -6 371 | -12 460 |
| Total general administrative expenses | -379 330 | -797 271 | -394 980 | -876 571 |

10 Net expected credit losses

| | 01.04.2021 - 30.06.2021 | 01.01.2021 - 30.06.2021 | 01.04.2020 - 30.06.2020 | 01.01.2020 - 30.06.2020 |
|--|----------------------------|----------------------------|----------------------------|----------------------------|
| Expected credit losses Stage 3 | -286 989 | -682 025 | -727 362 | -1 022 168 |
| retail customers | -90 107 | -303 519 | -237 514 | -392 256 |
| business customers | -196 882 | -378 506 | -489 848 | -629 912 |
| Expected credit losses Stage 1 and 2(ECL) | 161 | 130 152 | -74 912 | -58 804 |
| Stage 2 | 9 033 | 106 788 | -91 077 | -59 242 |
| retail customers | 1 208 | 65 987 | -10 527 | 3 482 |
| business customers | 7 825 | 40 801 | -80 550 | -62 724 |
| Stage 1 | -8 872 | 23 364 | 16 165 | 438 |
| retail customers | -3 025 | 27 704 | -23 908 | -34 766 |
| business customers | -5 847 | -4 340 | 40 073 | 35 204 |
| POCI | -3 537 | -332 | -5 477 | -11 764 |
| Recoveries from off-balance sheet | 25 742 | 45 448 | 13 272 | 24 962 |
| Investment securities | 398 | 17 | -8 762 | -10 344 |
| Off-balance provisions | -755 | -1 725 | -111 905 | -133 181 |
| Net expected credit losses | -264 980 | -508 465 | -915 146 | -1 211 299 |

11 The result on impairment of non-financial assets

| | 01.04.2021 - 30.06.2021 | 01.01.2021 - 30.06.2021 | 01.04.2020 - 30.06.2020 | 01.01.2020 - 30.06.2020 |
|--|----------------------------|----------------------------|----------------------------|----------------------------|
| Property, plant and equipment and intangible assets, incl: | -1 399 | -1 901 | -69 851 | -68 544 |
| <i>goodwill</i> | 0 | 0 | -64 400 | -64 400 |
| Non-current assets held for sale | 0 | 25 | -46 | -46 |
| Total | -1 399 | -1 876 | -69 897 | -68 590 |

12 Banking Tax

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

rate is 0.0366%) by the 25th day of the month following the month to which it applies and is recognised in the profit and loss account in the period to which it applies.

13 Income tax

13.1 Tax charge disclosed in the profit and loss account

| | 01.01.2021 - 30.06.2021 | 01.01.2020 - 30.06.2020 |
|--|-------------------------|-------------------------|
| Current tax | 86 098 | 45 346 |
| Deferred income tax | 42 167 | -60 010 |
| Accounting tax recognized in the income statement | 128 265 | -14 664 |

13.2 Effective tax rate calculation

| | 01.01.2021 - 30.06.2021 | 01.01.2020 - 30.06.2020 |
|--|-------------------------|-------------------------|
| Gross profit | 360 170 | -524 979 |
| Income tax at 19% | 68 432 | -99 746 |
| Non-tax-deductible expenses (tax effect) | 60 807 | 94 897 |
| Representations costs | 50 | 85 |
| Impairment losses on loans not deductible for tax purposes | 19 764 | 35 607 |
| Prudential fee to BGF | 14 739 | 21 406 |
| Tax on Certain Financial Institutions | 22 091 | 20 879 |
| Donations | 4 | 302 |
| Goodwill impairment | 0 | 12 236 |
| Other | 4 159 | 4 382 |
| Non-taxable income (tax effect) | -1 554 | -914 |
| Recognition of tax loss | 5 311 | -63 |
| Other | -4 731 | -8 838 |
| Accounting tax recognized in the income statement | 128 265 | -14 664 |
| Effective tax rate | 35,61% | n/a |

14 Profit per share

| | 01.04.2021 - 30.06.2021 | 01.01.2021 - 30.06.2021 | 01.04.2020 - 30.06.2020 | 01.01.2020 - 30.06.2020 |
|--|-------------------------|-------------------------|-------------------------|-------------------------|
| Net profit/loss from continuing operations | 123 811 | 231 905 | -582 446 | -510 315 |
| Weighted average number of ordinary shares | 130 553 991 | 130 553 991 | 130 553 991 | 130 553 991 |
| Share options (number) - adjusting instrument | 0 | 0 | 543 725 | 543 725 |
| Adjusted weighted average number of shares | 130 553 991 | 130 553 991 | 131 097 716 | 131 097 716 |
| Net profit per ordinary share (PLN) | 0.95 | 1.78 | -4.46 | -3.91 |
| Diluted profit per share (PLN) | 0.95 | 1.78 | -4.44 | -3.89 |
| Profit or loss from discontinued operations | 0 | 0 | -3 052 | -3 052 |
| Net profit per ordinary share (PLN) | 0.00 | 0.00 | -0.02 | -0.02 |
| Diluted profit per share (PLN) | 0.00 | 0.00 | -0.02 | -0.02 |

Core profit per share is calculated as the quotient of profit attributable to the Bank's shareholders and the weighted average number of ordinary shares in the year.

Pursuant to IAS 33, diluted earnings per share are calculated based on the ratio of the profit attributable to the Bank's shareholders to the weighted average number of ordinary shares, adjusted as if all dilutive

potential ordinary shares were converted into shares. As of 30 June 2021, the Group did not have dilutive instruments.

The number of warrants as of 30 June 2020:

| Series of warrants | The number of warrants as of 31.12.2019 | The number of warrants executed during 2020 | Warrants expired in 2020 | The number of warrants as of 30.06.2020 |
|--------------------|---|---|--------------------------|---|
| C | 543 725 | 0 | 0 | 543 725 |

Notes to the interim condensed consolidated statement of financial position

15 Cash and cash equivalents

15.1 Financial data

| | 30.06.2021 | 31.12.2020 |
|--|------------------|------------------|
| Current account with the central bank | 128 217 | 892 836 |
| Overnight | 0 | 54 980 |
| Cash | 578 110 | 627 327 |
| Current accounts in other banks | 836 308 | 784 071 |
| Term deposits in other banks | 23 737 | 100 687 |
| Cash and balances with central bank | 1 566 372 | 2 459 901 |

16 Amounts due from banks

16.1 Financial data

| Structure by type | 30.06.2021 | 31.12.2020 |
|---|----------------|----------------|
| Deposits as derivative transactions (ISDA) collateral | 528 385 | 421 255 |
| Other | 78 949 | 87 116 |
| Amounts due from banks | 607 334 | 508 371 |

17 Investment financial assets

17.1 Financial data

| | 30.06.2021 | 31.12.2020 |
|---|-------------------|-------------------|
| Financial assets | 16 507 815 | 15 744 672 |
| measured at fair value through other comprehensive income | 8 738 837 | 6 983 904 |
| measured at fair value through profit or loss | 399 555 | 594 926 |
| measured at amortized cost | 7 369 423 | 8 165 842 |

17.2 Investment financial assets by type

| measured at fair value through other comprehensive income | 30.06.2021 | 31.12.2020 |
|---|------------------|------------------|
| Debt instruments | 8 667 343 | 6 908 521 |

| measured at fair value through other comprehensive income | 30.06.2021 | 31.12.2020 |
|---|------------------|------------------|
| issued by the State Treasury | 8 514 764 | 5 545 235 |
| T-bonds | 8 514 764 | 5 545 235 |
| issued by monetary institutions | 102 372 | 1 307 294 |
| eurobonds | 21 084 | 21 786 |
| money bills | 0 | 1 199 973 |
| bonds | 81 288 | 85 535 |
| issued by companies | 50 207 | 55 992 |
| bonds | 50 207 | 55 992 |
| Equity instruments | 71 494 | 75 383 |
| Total | 8 738 837 | 6 983 904 |

| measured at fair value through profit or loss | 30.06.2021 | 31.12.2020 |
|---|----------------|----------------|
| Debt instruments | 76 445 | 138 729 |
| issued by the State Treasury | 61 265 | 123 480 |
| T-bonds | 61 265 | 123 480 |
| issued by other financial institutions | 5 | 4 |
| bonds | 5 | 4 |
| issued by companies | 15 175 | 15 245 |
| bonds | 15 175 | 15 245 |
| Equity instruments | 79 655 | 73 717 |
| Derivative financial instruments | 243 455 | 382 480 |
| Interest rate transactions | 95 610 | 171 719 |
| SWAP | 95 578 | 171 705 |
| Cap Floor Options | 32 | 14 |
| Foreign exchange transactions | 100 947 | 148 135 |
| FX Swap | 51 775 | 22 702 |
| FX forward | 30 525 | 82 590 |
| CIRS | 7 672 | 12 720 |
| FX options | 10 975 | 30 123 |
| Other options | 41 538 | 59 711 |
| Other instruments | 5 360 | 2 915 |
| Total | 399 555 | 594 926 |

| measured at amortized cost | 30.06.2021 | 31.12.2020 |
|--|------------------|------------------|
| Debt instruments | 7 369 423 | 8 165 842 |
| issued by the State Treasury | 6 847 214 | 7 637 306 |
| T-bonds | 6 847 214 | 7 637 306 |
| issued by other financial companies | 522 209 | 528 536 |
| bonds | 522 209 | 528 536 |
| Total | 7 369 423 | 8 165 842 |

18 Loans and advances to customers

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

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

Changes applied to credit policies

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

In the area of corporate loans, in the first half of 2021, the Bank consistently continued its strategy of optimizing its lending policy, focusing on precisely reducing the most harmful customer profiles. In particular, in the field of micro and small entrepreneurs:

- the available amounts for high-risk classes have been limited,
- loan periods for higher risk classes have been limited,
- new, stricter credit rejection criteria were introduced based on new data sources (external databases).

The new lending activity is characterized by better quality and a higher level of collateral, thanks to which it will be more resilient in times of deteriorating macroeconomic environment.

In the first half of 2021, the Bank continued its financing strategy focused on making the policy parameters dependent on the client's industry risk group, implemented in 2020 to respond to the increased financing risk resulting from the effects of the COVID-19 pandemic. Based on the review of the situation of individual sectors of the economy, the Bank updated the assignment of industry risk having a direct impact on the parameters of the lending policy. The 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 maintained.

The Bank maintained the policy changes towards business clients, which were dedicated to the pandemic environment, which include:

- implementation of payment moratoria (credit holidays),
- introducing to the product offering liquidity loans guaranteed by Liquidity Guarantee Fund BGK,
- extension of the scope of application of BGK de minimis guarantees for companies from the segment of small and medium-sized enterprises (SMEs),

In the area of credit risk management in the retail client segment, the Bank continued to optimize its lending policy in the first half of 2021, maintaining conservatism in assessing the impact of the systemic environment and signals of economic recovery on the situation and future behavior of current and potential borrowers, including through:

- introducing an insurance product to the offer to protect the Bank and customers against the negative effects of changes in their financial situation,
- tightening the policy of accepting collateral,
- optimization of the amount of available commitment to a single client depending on the assessment of that client,
- implementation of payment moratoria (credit holidays),
- stricter lending conditions for those employed or running a business in high-risk industries,
- restrictive approach to crediting clients whose source of repayment is income from civil law contracts.

18.1.2 Loan portfolio quality

Key credit portfolio quality indicators as of 30 June 2021

As of 30 June 2021, the Bank does not observe negative impact of the environment on the quality of the loan portfolio. The share of 30-day overdue loans in regular portfolio as of 30 June 2021 was 0.71% compared to 1.69 % observed as of 30 June 2020 (with an improvement of over 98 bps, ca. 30 bps will result from the implementation of new principles of default identification and reclassification of credit exposures).

In the Bank's opinion, this situation is largely due to the scale of support that clients received both in terms of payment moratoria and public-legal aid, which turned out to be effective tools for counteracting the effects of the pandemic. The environment of low interest rates also remains significant for the quality of the loan portfolio.

Industry structure of commercial customers

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

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

Retail client portfolio sensitivity to job loss risk

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

- source of income
- employment sector
- age
- utilization of payment moratoria.

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

Impairment measurement methodology

In the first half of 2021, the Bank did not make any changes to the methodology of quantification of impairment losses (apart from the implementation of the new rules for identifying defaults described below).

The applied methodology adequately reflected the expected effects of the economic environment affecting both the classification and valuation of the loan portfolio.

Macroeconomic scenarios

In order to take into account changes in the business environment, the Bank uses macroeconomic scenarios showing possible trajectories of the economic situation. The scenarios used by the Bank are developed

internally by the Macroeconomic Analysis Department and consistent with those taken into account in the financing planning process. The Bank adopts 3 scenarios for the future macroeconomic situation:

- base, with a probability of 60%
- pessimistic, with a probability of 25%
- optimistic, with a probability of 15%.

The dynamics of GDP change and the unemployment rate are used as the main macroeconomic indicators. The selection of ratios is justified by the analyzes carried out by the Bank regarding the impact of changes in the economic environment on the parameters of credit risk.

The scale of expert judgement

In determining the expected credit losses, the Bank aims to make the fullest possible use of statistical solutions that objectify the impact of current and future conditions on the values of credit risk parameters. Expert judgment is used as a tool supporting model management in situations of increased market volatility. In view of the extinction of the effects of the COVID-19 pandemic on the loan portfolio, the Bank systematically reduces the dose of expert judgment by returning to solutions based to a greater extent on dependencies estimated using statistical methods. Regardless of the scale of application of expert judgment, it is managed in a standardized manner in accordance with the Model Management Policy adopted by the Bank and subject to independent validation. Decisions based on expert judgment are approved at dedicated decision-making levels in the form of the Model Risk Committee and the Bank's Management Board.

Impairment indicators

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

Classification forbearance

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

As of 30 June 2021, approx. 1.5% of sector moratoria and approx. 14% of statutory moratoria, respectively, remained active.

Regarding moratoria offered under the sectoral consensus, the Bank applies the principles defined by the EBA in the document "Guidelines on statutory and non-statutory loan repayment moratoria applied in the face of the crisis caused by COVID-19" (EBA / GL / 2020/02) of 2 April 2020 (as amended). Pursuant to the guidelines, the Bank does not reclassify forbearance exposures for which sectoral or statutory payment moratoria have been applied, provided that the rules and requirements of these arrangements / regulations are met. For these exposures, however, all standard premises for the loss of value are used.

Regarding the statutory moratoria offered to clients who have lost their source of income, the Bank reclassifies to the portfolio with evidence of impairment of the part of the portfolio for which irregular service is observed after the holiday ends or the risk of default is estimated. The methodology for assessing this risk is based on the observation of irregular payments of the exposure population that ended the moratoria period, which is the benchmark for determining the risk profile of this portfolio.

Forward-looking factors

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

• **Probability of default**

As regards the PD parameter estimation, the Group conducts in-depth analyzes of the scale of sensitivity of the quality of loan portfolios to the adopted macroeconomic scenarios. In terms of the corporate segment, the Group:

- assesses changes in the economic and financial situation of enterprises due to the belonging of a given group of clients to a specific industry and the expected changes in macroeconomic parameters in individual scenarios,
- prepares simulated ratings of business clients, which are the basis for determining the scale of the PD parameter increase in a given macroeconomic scenario.

The process of determining the adjustment for the business client segment uses macroeconometric models to determine simulated changes in financial data and internal PD rating models.

With regard to the individual retail segment, the Group performs:

- segmentation of the portfolio according to the degree of sensitivity of clients' credit quality to changes in the economic environment,
- quantification of changes in the unemployment rate to PD increase, taking into account the sensitivity levels of the identified segments.

The current segmentation of the portfolio according to the degree of sensitivity to changes in the economic environment is an expert solution, and quantification of changes in the unemployment rate to PD increase is carried out using the macroeconometric model.

• **Collaterals/LGD**

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

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

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

• Utilization/EAD

The Group conducts close monitoring and in-depth analyses of trends in the utilization of credit limits by retail and business customers during the pandemic period. Until 30 June 2021, the Group did not observe negative trends in terms of increased use of limits by customers. Despite this, the Group maintained in the valuation process a dedicated FLI component in the field of EAD for which an expert assumption was made to increase utilization in the period of economic downturn.

18.1.4 New definition of default

As of 1 January 2021, the Group will introduce changes to the identification of impairment triggers (default) by meeting the requirements of the European Banking Authority (EBA) no. EBA / GL / 2016/07.

The Group, in accordance with Art. 178 sec. 1, second paragraph of Regulation (EU) No 575/2013:

- in the case of retail exposures, it will use the definition of default j at the level of individual credit instruments rather than for the total liabilities of the borrower (excluding arrears material for the entire relationship),
- for commercial exposures, it will use the default definition at obligor level.

The process of identifying defaults will be conducted in a centralized system and will cover all debtors of the Capital Group, whose assessment will be carried out according to uniform criteria.

The key change is the Group perceives the different rules for determining the overdue liability, where the continuity of material overdue (both in relative and absolute terms) is of fundamental importance.

For banking operations, as at the date of introducing the change, the Bank recognized an increase in the value of the portfolio with impairment triggers by approx. 1.4%.

The Group estimates that this change will not result in an additional long-term burden on the Group's financial result in the following reporting periods.

18.1.5 Expected credit losses as of 30 June 2021

As of 30 June 2021, despite the fact that, the Bank does not observe a negative impact of the environment on the quality of the loan portfolio, due to possible uncertainty regarding the final crystallization of the effects of the pandemic, the above-mentioned components supporting the level of impairment losses were maintained.

The level of loss allowances for exposures classified to Stage 1 and Stage 2 as of 30 June 2021 is approx. PLN 1.14 billion and represents a decrease by approx. 11% compared to the level maintained as of 30 June 2020.

The parameters of the key credit parameters of the regular portfolio are presented below:

| Date | DPD 30+ | PD | LGD | Stage 2 share in the regular portfolio |
|------------|---------|-------|-------|--|
| 30.06.2020 | 1.69% | 4.93% | 31.0% | 13.8% |
| 30.06.2021 | 0.71% | 4.29% | 30.2% | 11.9% |

- Sensitivity of results to variability of assumptions

The Group considers the base scenario to be the dominant scenario. Below is presented the sensitivity of the expected loss estimates for individual risk parameters depending on the change in the probabilities assigned to individual macroeconomic scenarios (as estimated as of 30 June 2021):

| Changing the probability of scenarios | Total amount | PD | LGD (def) |
|--|--------------|-------|-----------|
| Increasing the probability of a pessimistic scenario by 5% | +17.0 | +15.5 | +1.5 |
| Increasing the probability of an optimistic scenario by 5% | -17.0 | -15.5 | -1.5 |

18.2 Financial data (gross value, expected credit losses)

| Loans granted to customers | 30.06.2021 | | | 31.12.2020 | | |
|----------------------------------|-------------------|------------------------|-------------------|-------------------|------------------------|-------------------|
| | Gross value | Expected credit losses | Net value | Gross value | Expected credit losses | Net value |
| Retail segment | 37 004 546 | -2 310 676 | 34 693 870 | 36 750 867 | -2 857 250 | 33 893 617 |
| Consumer loans | 18 830 492 | -2 147 999 | 16 682 493 | 19 459 830 | -2 631 996 | 16 827 834 |
| Loans for residential properties | 14 359 701 | -119 216 | 14 240 485 | 13 391 070 | -176 938 | 13 214 132 |
| Consumer finance loans | 3 814 353 | -43 461 | 3 770 892 | 3 899 967 | -48 316 | 3 851 651 |
| Corporate segment | 25 591 568 | -3 257 029 | 22 334 539 | 25 711 076 | -3 389 271 | 22 321 805 |
| Working capital loans | 12 334 491 | -1 989 227 | 10 345 264 | 11 929 897 | -2 211 179 | 9 718 718 |
| Investment loans | 6 308 294 | -659 146 | 5 649 148 | 7 178 009 | -603 303 | 6 574 706 |
| Other business loans | 6 948 783 | -608 656 | 6 340 127 | 6 603 170 | -574 789 | 6 028 381 |
| Total | 62 596 114 | -5 567 705 | 57 028 409 | 62 461 943 | -6 246 521 | 56 215 422 |

| Loans granted to customers | 30.06.2021 | | | 31.12.2020 | | |
|----------------------------|-------------------|------------------------|-------------------|-------------------|------------------------|-------------------|
| | Gross value | Expected credit losses | Net value | Gross value | Expected credit losses | Net value |
| Retail segment | 37 004 546 | -2 310 676 | 34 693 870 | 36 750 867 | -2 857 250 | 33 893 617 |
| Stage 1 | 32 168 447 | -336 188 | 31 832 259 | 31 012 809 | -364 336 | 30 648 473 |
| Stage 2 | 2 380 828 | -383 799 | 1 997 029 | 2 676 064 | -450 325 | 2 225 739 |
| Stage 3 | 2 408 925 | -1 570 122 | 838 803 | 2 996 225 | -2 013 430 | 982 795 |
| POCI | 46 346 | -20 567 | 25 779 | 65 769 | -29 159 | 36 610 |
| Corporate segment | 25 591 568 | -3 257 029 | 22 334 539 | 25 711 076 | -3 389 271 | 22 321 805 |
| Stage 1 | 15 256 825 | -132 467 | 15 124 358 | 14 774 099 | -128 464 | 14 645 635 |
| Stage 2 | 4 636 263 | -281 061 | 4 355 202 | 4 935 389 | -322 301 | 4 613 088 |
| Stage 3 | 5 515 256 | -2 816 454 | 2 698 802 | 5 788 285 | -2 891 251 | 2 897 034 |
| POCI | 183 224 | -27 047 | 156 177 | 213 303 | -47 255 | 166 048 |
| Total | 62 596 114 | -5 567 705 | 57 028 409 | 62 461 943 | -6 246 521 | 56 215 422 |

| Loans and advances to customers by method of allowance calculation | 30.06.2021 | | | 31.12.2020 | | |
|--|-------------------|------------------------|-------------------|-------------------|------------------------|-------------------|
| | Gross value | Expected credit losses | Net value | Gross value | Expected credit losses | Net value |
| Stage 3 | 7 924 181 | -4 386 576 | 3 537 605 | 8 784 510 | -4 904 681 | 3 879 829 |
| individualised method | 3 350 683 | -1 537 783 | 1 812 900 | 3 451 651 | -1 494 149 | 1 957 502 |
| group method | 4 573 498 | -2 848 793 | 1 724 705 | 5 332 859 | -3 410 532 | 1 922 327 |
| Stage 2 | 7 017 091 | -664 860 | 6 352 231 | 7 611 453 | -772 626 | 6 838 827 |
| Stage 1 | 47 425 272 | -468 655 | 46 956 617 | 45 786 908 | -492 800 | 45 294 108 |
| POCI | 229 570 | -47 614 | 181 956 | 279 072 | -76 414 | 202 658 |
| Total | 62 596 114 | -5 567 705 | 57 028 409 | 62 461 943 | -6 246 521 | 56 215 422 |

| Loans and advances to customers – exposure of the Group to the credit risk | 30.06.2021 | | | 31.12.2020 | | |
|--|-------------------|------------------------|-------------------|-------------------|------------------------|-------------------|
| | Gross value | Expected credit losses | Net value | Gross value | Expected credit losses | Net value |
| Stage 3 | 7 924 181 | -4 386 576 | 3 537 605 | 8 784 510 | -4 904 681 | 3 879 829 |
| not overdue | 1 500 450 | -550 604 | 949 846 | 1 447 092 | -383 715 | 1 063 377 |
| overdue | 6 423 731 | -3 835 972 | 2 587 759 | 7 337 418 | -4 520 966 | 2 816 452 |
| Stage 1 and Stage 2 | 54 442 363 | -1 133 515 | 53 308 848 | 53 398 361 | -1 265 426 | 52 132 935 |
| not overdue | 51 006 642 | -775 884 | 50 230 758 | 50 031 062 | -846 322 | 49 184 740 |
| overdue | 3 435 721 | -357 631 | 3 078 090 | 3 367 299 | -419 104 | 2 948 195 |
| POCI | 229 570 | -47 614 | 181 956 | 279 072 | -76 414 | 202 658 |
| Total | 62 596 114 | -5 567 705 | 57 028 409 | 62 461 943 | -6 246 521 | 56 215 422 |

From 1 January to 30 June 2021 the Group sold loans with a total gross value amounting to PLN 759 188 thousand, while the impairment allowance recorded for this portfolio amounted to PLN 582 308 thousand. The impact of debt sales on the cost of risk in the first quarter of 2021 amounted to PLN (-) 13 765 thousand (loss).

From 1 January to 30 June 2021 the Group wrote off the financial assets amounted to PLN 697 643 thousand. The financial assets that are written off concerned both the loan portfolio of individual and business customers. The financial assets that are written off in the first half of 2021 in the amount of PLN 696 941 thousand may still be subject enforcement activity.

| Loans and advances to customers | Stage 1 | Stage 2 | Stage 3 | POCI | Total |
|---|-------------------|------------------|------------------|----------------|-------------------|
| Gross carrying amount | | | | | |
| Gross carrying amount as at 01.01.2021 | 45 786 908 | 7 611 453 | 8 784 510 | 279 072 | 62 461 943 |
| New / purchased / granted financial assets | 9 714 733 | 0 | 0 | 0 | 9 714 733 |
| Changes in the level of credit risk, derecognition (other than write-offs): repayments, changes in the valuation, sale or expiry of an instrument | -6 848 723 | -888 142 | -1 121 482 | -24 572 | -8 882 919 |
| Financial assets written down | 0 | 0 | -672 713 | -24 930 | -697 643 |
| Transfer to Stage 1 | 1 145 871 | -1 002 062 | -143 809 | 0 | 0 |
| Transfer to Stage 2 | -1 948 113 | 2 118 793 | -170 680 | 0 | 0 |
| Transfer to Stage 3 | -425 404 | -822 951 | 1 248 355 | 0 | 0 |
| Gross carrying amount as at 30.06.2021 | 47 425 272 | 7 017 091 | 7 924 181 | 229 570 | 62 596 114 |
| Expected credit losses | | | | | |
| Expected credit losses as at 01.01.2021 | 492 800 | 772 626 | 4 904 681 | 76 414 | 6 246 521 |
| New / purchased / granted financial assets | 239 852 | 0 | 0 | 0 | 239 852 |
| Changes in the level of credit risk, derecognition (other than write-offs): repayments, changes in the valuation, sale or expiry of an instrument | -419 546 | 92 645 | 109 746 | -3 870 | -221 025 |
| Financial assets written down | 0 | 0 | -672 713 | -24 930 | -697 643 |
| Transfer to Stage 1 | 237 326 | -142 325 | -95 001 | 0 | 0 |
| Transfer to Stage 2 | -54 724 | 151 261 | -96 537 | 0 | 0 |
| Transfer to Stage 3 | -27 053 | -209 347 | 236 400 | 0 | 0 |
| Expected credit losses as at 30.06.2021 | 468 655 | 664 860 | 4 386 576 | 47 614 | 5 567 705 |
| Net carrying amount as at 30.06.2021 | 46 956 617 | 6 352 231 | 3 537 605 | 181 956 | 57 028 409 |

| Loans and advances to customers | Stage 1 | Stage 2 | Stage 3 | POCI | Total |
|---|-------------------|------------------|------------------|----------------|-------------------|
| Gross carrying amount | | | | | |
| Gross carrying amount as at 01.01.2020 | 46 359 984 | 6 025 882 | 8 572 241 | 335 419 | 61 293 526 |

| Loans and advances to customers | Stage 1 | Stage 2 | Stage 3 | POCI | Total |
|---|-------------------|------------------|------------------|----------------|-------------------|
| New / purchased / granted financial assets | 7 291 819 | 0 | 0 | 0 | 7 291 819 |
| Changes in the level of credit risk, derecognition (other than write-offs): repayments, changes in the valuation, sale or expiry of an instrument | -5 343 379 | -327 473 | -808 744 | -6 576 | -6 486 172 |
| Financial assets written down | 0 | 0 | -359 719 | -28 988 | -388 707 |
| Transfer to Stage 1 | 1 038 563 | -1 014 297 | -24 266 | 0 | 0 |
| Transfer to Stage 2 | -3 868 326 | 4 127 112 | -258 786 | 0 | 0 |
| Transfer to Stage 3 | -668 931 | -1 018 865 | 1 687 796 | 0 | 0 |
| Gross carrying amount as at 30.06.2020 | 44 809 730 | 7 792 359 | 8 808 522 | 299 855 | 61 710 466 |
| Expected credit losses | | | | | |
| Expected credit losses as at 01.01.2020 | 471 134 | 733 339 | 4 153 914 | 90 618 | 5 449 005 |
| New / purchased / granted financial assets | 134 208 | 0 | 0 | 0 | 134 208 |
| Changes in the level of credit risk, derecognition (other than write-offs): repayments, changes in the valuation, sale or expiry of an instrument | -213 161 | 248 634 | 762 137 | 14 870 | 812 480 |
| Financial assets written down | 0 | 0 | -359 719 | -28 988 | -388 707 |
| Transfer to Stage 1 | 147 015 | -136 583 | -10 432 | 0 | 0 |
| Transfer to Stage 2 | -51 834 | 117 859 | -66 025 | 0 | 0 |
| Transfer to Stage 3 | -20 588 | -169 901 | 190 489 | 0 | 0 |
| Expected credit losses as at 30.06.2020 | 466 774 | 793 348 | 4 670 364 | 76 500 | 6 006 986 |
| Net carrying amount as at 30.06.2020 | 44 342 956 | 6 999 011 | 4 138 158 | 223 355 | 55 703 480 |

19 Other assets

19.1 Financial data

| | 30.06.2021 | 31.12.2020 |
|--|----------------|----------------|
| Sundry debtors | 559 346 | 539 396 |
| Other settlements | 359 888 | 390 041 |
| Receivables related to sales of services (including insurance) | 20 077 | 12 538 |
| Guarantee deposits | 15 703 | 15 272 |
| Settlements due to cash in ATMs | 163 678 | 121 545 |
| Costs recognised over time | 60 468 | 43 854 |
| Maintenance and support of systems, servicing of plant and equipment | 30 759 | 27 125 |
| Other deferred costs | 29 709 | 16 729 |
| VAT settlements | 83 180 | 62 743 |
| Other assets (gross) | 702 994 | 645 993 |
| Write-down | -52 732 | -64 867 |
| Other assets (net) | 650 262 | 581 126 |
| including financial assets (gross) | 559 346 | 539 396 |

Change in write-downs

| | 30.06.2021 | 30.06.2020 |
|---|---------------|---------------|
| Open balance | 64 867 | 68 543 |
| Provisions recorded | 4 266 | 7 034 |
| Provisions released | -6 716 | -1 322 |
| Assets written off from the balance sheet | -8 391 | -1 598 |
| Closing balance | -1 294 | 268 |
| Closing balance | 52 732 | 72 925 |

20 Assets pledged as collateral

20.1 Financial data

| | 30.06.2021 | 31.12.2020 |
|--|----------------|----------------|
| Treasury bonds blocked for REPO transactions | 0 | 108 915 |
| Financial assets measured at amortised cost in the EIB | 130 899 | 337 540 |
| Total | 130 899 | 446 455 |

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

| | 30.06.2021 | 31.12.2020 |
|---|----------------|----------------|
| Treasury bonds blocked with BGF | 402 034 | 429 321 |
| Deposits as derivative transactions (ISDA) collatera | 528 385 | 421 255 |
| Deposit as collateral of transactions performed in Alior Trader | 365 | 238 |
| Total | 930 784 | 850 814 |

21 Amounts due to banks

21.1 Financial data

| Structure by type | 30.06.2021 | 31.12.2020 |
|-----------------------------------|----------------|----------------|
| Current deposits | 7 474 | 7 864 |
| Overnights | 263 853 | 184 592 |
| Term deposits | 68 467 | 9 751 |
| Own bond issues | 168 056 | 292 148 |
| Received loan | 107 291 | 121 196 |
| Other liabilities | 102 760 | 295 857 |
| Repo | 0 | 999 |
| Total amounts due to banks | 717 901 | 912 407 |

22 Amounts due to customers

22.1 Financial data

| Structure by type and customer segment | 30.06.2021 | 31.12.2020 |
|--|-------------------|-------------------|
| Retail segment | 46 450 790 | 45 702 199 |
| Current deposits | 39 441 799 | 37 173 915 |
| Term deposits | 5 929 408 | 7 222 055 |
| Own issue of banking securities | 846 067 | 1 085 210 |
| Other liabilities | 233 516 | 221 019 |
| Corporate segment | 21 382 046 | 21 173 708 |
| Current deposits | 17 567 049 | 16 424 096 |
| Term deposits | 3 517 718 | 4 336 147 |
| Issue of the Bank's securities | 2 605 | 2 450 |
| Other liabilities | 294 674 | 411 015 |

| Structure by type and customer segment | 30.06.2021 | 31.12.2020 |
|--|-------------------|-------------------|
| Total amounts due to customers | 67 832 836 | 66 875 907 |

From 1 January to 30 June 2021 the Group issued own securities amounted to PLN 104 032 thousand and securities purchased before maturity amounted to PLN 152 807 thousand.

In 2020 the Group issued own securities amounted to PLN 188 963 thousand and securities purchased before maturity amounted to PLN 67 426 thousand.

23 Provisions

23.1 Financial data

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

| | Provisions for disputes | Provisions for retirement benefits | Provisions for off-balance sheet liabilities granted | Restructuring provision | Provision for reimbursement of credit costs (TSUE) | Total provisions |
|-----------------------------|-------------------------|------------------------------------|--|-------------------------|--|------------------|
| As of 1 January 2020 | 49 822 | 9 498 | 67 549 | 4 446 | 227 554 | 358 869 |
| Established provisions | 4 378 | 7 170 | 189 711 | 0 | 98 528 | 299 787 |
| Reversal of provisions | -1 | -9 271 | -56 530 | -374 | 0 | -66 176 |
| Utilized provisions | -11 025 | -175 | 0 | -967 | -178 000 | -190 167 |
| Other changes | 0 | 0 | 426 | 0 | 0 | 426 |
| As of 30 June 2020 | 43 174 | 7 222 | 201 156 | 3 105 | 148 082 | 402 739 |

The restructuring provision is dedicated for payments of statutory severance bonuses in connection with employment terminations under group redundancies for the so-called additional compensation arising from the arrangement concluded with the trade unions and the provision for costs related to the restructuring of the branch network and abandoning franchise facilities in too close proximity (it includes the costs of compensation and expenses related to the physical abandonment of the facility and returning it to its original state). The restructuring program was announced by the Bank and its implementation started in December 2016. Moreover, in connection with the acquisition of SKOK Jaworzno, the Bank recognized additional provisions for severance pay for employees and the expected costs of restructuring branches of the former SKOK.

Split of the restructuring provision as of 30.06.2021 is presented below:

| | 31.12.2020 | utilisation | reversal | 30.06.2021 |
|--------------------------------------|--------------|-------------|-------------|--------------|
| Severance pays for employees | 312 | 0 | -312 | 0 |
| Reorganisation of the branch network | 2 560 | -266 | 0 | 2 294 |
| Total | 2 872 | -266 | -312 | 2 294 |

24 Other liabilities

24.1 Financial data

| | 30.06.2021 | 31.12.2020 |
|--|------------------|------------------|
| Interbank settlements | 504 183 | 431 543 |
| Taxes, customs duty, social and health insurance payables and other public settlements | 45 159 | 33 379 |
| Settlements of payment cards | 13 166 | 20 021 |
| Other settlements, including | 214 688 | 197 127 |
| <i>settlements with insurers</i> | 45 040 | 21 365 |
| Liability for reimbursement of credit costs | 81 706 | 78 433 |
| Settlements of issues of bank certificates of deposits | 42 832 | 22 047 |
| Liabilities due to contributions to the Bank Guarantee Fund | 188 253 | 133 569 |
| Accrued expenses | 127 421 | 154 524 |
| Income received in advance | 57 352 | 57 643 |
| Provision for bancassurance resignations | 36 175 | 24 363 |
| Provision for bonuses | 52 760 | 27 406 |
| Provision for unutilised annual leaves | 32 783 | 20 630 |
| Provision for bonuse settled in phantom shares | 1 166 | 91 |
| Provision for retention programs | 85 | 265 |
| Other employee provisions | 1 404 | 1 447 |
| Liabilities due to lease agreements | 290 560 | 286 055 |
| Other liabilities | 43 128 | 81 324 |
| Other liabilities | 1 732 821 | 1 569 867 |
| including financial liabilities | 813 743 | 727 124 |

25 Financial liabilities

25.1 Financial data

| | 30.06.2021 | 31.12.2020 |
|--------------------------------------|----------------|----------------|
| Short sale of T-bonds | 0 | 108 639 |
| Interest rate transactions | 101 597 | 184 386 |
| SWAP | 101 565 | 184 372 |
| Opcje Cap Floor | 32 | 14 |
| Foreign exchange transactions | 35 885 | 141 929 |
| FX swap | 7 607 | 57 412 |
| FX forward | 2 215 | 12 283 |
| CIRS | 15 868 | 44 406 |
| Opcje FX | 10 195 | 27 828 |
| Other options | 41 538 | 59 711 |
| Other instruments | 4 767 | 7 215 |
| Financial liabilities | 183 787 | 501 880 |

26 Subordinated liabilities

26.1 Financial data

| | Nominal value in the currency (PLN '000) | Currency | Term | Interest | Status of liabilities | |
|---------------------------------|--|----------|-----------------------|----------------|-----------------------|------------------|
| | | | | | 30.06.2021 | 31.12.2020 |
| Series F bonds | 321 700 | PLN | 26.09.2014-26.09.2024 | WIBOR6M +3,14 | 324 599 | 324 608 |
| Series G bonds | 0 | PLN | 31.03.2015-31.03.2021 | WIBOR6M +3,50 | 0 | 194 798 |
| Series I and I1 bonds | 183 350 | PLN | 04.12.2015-06.12.2021 | WIBOR6M +3,35 | 183 838 | 183 857 |
| Series B bonds (Meritum Bank) | 0 | PLN | 29.04.2013-29.04.2021 | WIBOR6M +5,80 | 0 | 67 884 |
| Series EUR001 bonds | 10 000 | EUR | 04.02.2016-04.02.2022 | LIBOR6M + 6,00 | 46 300 | 47 286 |
| Series P1A bonds | 150 000 | PLN | 27.04.2016-16.05.2022 | WIBOR6M +3,25 | 150 661 | 150 663 |
| Series P1B bonds | 70 000 | PLN | 29.04.2016-16.05.2024 | WIBOR6M +3,00 | 70 286 | 70 288 |
| Series K and K1 bonds | 600 000 | PLN | 20.10.2017-20.10.2025 | WIBOR6M +2,70 | 603 492 | 603 540 |
| Series P2A bonds | 150 000 | PLN | 14.12.2017-29.12.2025 | WIBOR6M +2,70 | 150 026 | 150 038 |
| Subordinated liabilities | | | | | 1 529 202 | 1 792 962 |

27 Off-balance sheet items

27.1 Financial data

| | 30.06.2021 | 31.12.2020 |
|--|------------------|------------------|
| Granted off-balance liabilities | 9 442 148 | 9 321 791 |
| Concerning financing | 8 698 270 | 8 528 951 |
| Guarantees | 743 878 | 792 840 |
| Performance guarantees | 473 260 | 490 443 |
| Financial guarantees | 270 618 | 302 397 |

28 Fair value hierarchy

28.1 Accounting principles and estimates and assumptions

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

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

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

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

- debt Treasury securities valued at fixing on the Bondspot platform or Bloomberg information services and Reuters.

- debt and equity securities traded in a regulated market, including in the portfolio of the Brokerage House.
- derivative instruments that are traded in a regulated market.

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

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

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

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

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

Such instruments include options embedded in certificates of deposit issued by the Bank and options in the interbank market to hedge positions of the embedded options. The fair value is determined on the basis of market prices of those options or an internal model subject to both observable parameters (e.g., price of the base instrument, secondary quotations of options) and non-observable (e.g., variability, correlations between base instruments in options based on a basket). Model parameters are determined on the basis of a statistical analysis. At the end of the reporting period, the position in the above-mentioned instruments was closed on back-to-back basis, which means that the change in valuation of options embedded in structured instruments is offset by changes in the valuation of options concluded on the interbank market. The group also contains the Bank's position in commercial debt securities where apart from the parameters coming from market quotations are affected by non-observable volume of credit spread. The spread is based on the primary market price or at transaction execution. It is updated when reliable market quotations occur or when prices are obtained from transactions of comparable volume. The spread is also changed on the basis of information of a changed credit standing of the security issuer. At the end of the first half of 2021, the sensitivity of changed measurement of those assets in the case of an increase of the credit spread by 1 basis point was PLN 25.7 thousand.

| | Measurement method (techniques) | Material observable input data |
|-----------------|---|--|
| CORPORATE BONDS | Profitability curve model and risk margin | Profitability curves are developed on the basis of bond market data. |

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

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

28.2 Financial data

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

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

| 30.06.2021 | Level 1 | Level 2 | Level 3 | Total |
|--|------------------|----------------|----------------|------------------|
| Investment financial assets | | | | |
| Measured at fair value through profit and loss | 61 265 | 201 917 | 136 373 | 399 555 |
| SWAP | 0 | 95 578 | 0 | 95 578 |
| Cap Floor Ooptions | 0 | 32 | 0 | 32 |
| FX Swap | 0 | 51 775 | 0 | 51 775 |
| FX forward | 0 | 30 525 | 0 | 30 525 |
| CIRS | 0 | 7 672 | 0 | 7 672 |
| FX options | 0 | 10 975 | 0 | 10 975 |
| Other options | 0 | 0 | 41 538 | 41 538 |
| Other instruments | 0 | 5 360 | 0 | 5 360 |
| Financial derivatives | 0 | 201 917 | 41 538 | 243 455 |
| Treasury bonds | 61 265 | 0 | 0 | 61 265 |
| Other bonds | 0 | 0 | 15 180 | 15 180 |
| Equity instruments | 0 | 0 | 79 655 | 79 655 |
| Investment's securities | 61 265 | 0 | 94 835 | 156 100 |
| Measured at fair value through other comprehensive income | 8 617 136 | 0 | 121 701 | 8 738 837 |
| Money bills | 0 | 0 | 0 | 0 |
| Treasury bonds | 8 514 764 | 0 | 0 | 8 514 764 |
| Other bonds | 102 372 | 0 | 50 207 | 152 579 |
| Equity instruments | 0 | 0 | 71 494 | 71 494 |
| Derivative hedging instruments | 0 | 175 054 | 0 | 175 054 |
| Interest rate transactions – SWAP | 0 | 175 054 | 0 | 175 054 |

| 31.12.2020 | Level 1 | Level 2 | Level 3 | Total |
|--|------------------|------------------|----------------|------------------|
| Investment financial assets | | | | |
| Measured at fair value through profit and loss | 123 710 | 322 539 | 148 677 | 594 926 |
| SWAP | 0 | 171 705 | 0 | 171 705 |
| Cap Floor Ooptions | 0 | 14 | 0 | 14 |
| FX Swap | 0 | 22 702 | 0 | 22 702 |
| FX forward | 0 | 82 590 | 0 | 82 590 |
| CIRS | 0 | 12 720 | 0 | 12 720 |
| FX options | 0 | 30 123 | 0 | 30 123 |
| Other options | 0 | 0 | 59 711 | 59 711 |
| Other instruments | 230 | 2 685 | 0 | 2 915 |
| Financial derivatives | 230 | 322 539 | 59 711 | 382 480 |
| Treasury bonds | 123 480 | 0 | 0 | 123 480 |
| Other bonds | 0 | 0 | 15 249 | 15 249 |
| Equity instruments | 0 | 0 | 73 717 | 73 717 |
| Investment's securities | 123 480 | 0 | 88 966 | 212 446 |
| Measured at fair value through other comprehensive income | 5 652 556 | 1 199 973 | 131 375 | 6 983 904 |
| Money bills | 0 | 1 199 973 | 0 | 1 199 973 |
| Treasury bonds | 5 545 235 | 0 | 0 | 5 545 235 |
| Other bonds | 107 321 | 0 | 55 992 | 163 313 |
| Equity instruments | 0 | 0 | 75 383 | 75 383 |
| Derivative hedging instruments | 0 | 334 977 | 0 | 334 977 |
| Interest rate transactions – SWAP | 0 | 334 977 | 0 | 334 977 |

| 30.06.2021 | Level 1 | Level 2 | Level 3 | Total |
|--|----------|----------------|---------------|----------------|
| Financial liabilities | | | | |
| Financial liabilities measured at fair value through profit or loss | 5 | 142 244 | 41 538 | 183 787 |
| Bonds | 0 | 0 | 0 | 0 |
| SWAP | 0 | 101 565 | 0 | 101 565 |
| Cap Floor Ooptions | 0 | 32 | 0 | 32 |
| FX Swap | 0 | 7 607 | 0 | 7 607 |
| FX forward | 0 | 2 215 | 0 | 2 215 |
| CIRS | 0 | 15 868 | 0 | 15 868 |
| FX options | 0 | 10 195 | 0 | 10 195 |
| Other options | 0 | 0 | 41 538 | 41 538 |
| Other instruments | 5 | 4 762 | 0 | 4 767 |
| Derivative hedging instruments | 0 | 169 281 | 0 | 169 281 |
| Interest rate swaps - IRS | 0 | 169 281 | 0 | 169 281 |

| 31.12.2020 | Level 1 | Level 2 | Level 3 | Total |
|--|----------------|----------------|---------------|----------------|
| Financial liabilities | | | | |
| Financial liabilities measured at fair value through profit or loss | 108 651 | 333 518 | 59 711 | 501 880 |
| Bonds | 108 639 | 0 | 0 | 108 639 |
| SWAP | 0 | 184 372 | 0 | 184 372 |
| Cap Floor Ooptions | 0 | 14 | 0 | 14 |

| 31.12.2020 | Level 1 | Level 2 | Level 3 | Total |
|---------------------------------------|----------|---------------|----------|---------------|
| FX Swap | 0 | 57 412 | 0 | 57 412 |
| FX forward | 0 | 12 283 | 0 | 12 283 |
| CIRS | 0 | 44 406 | 0 | 44 406 |
| FX options | 0 | 27 828 | 0 | 27 828 |
| Other options | 0 | 0 | 59 711 | 59 711 |
| Other instruments | 12 | 7 203 | 0 | 7 215 |
| Derivative hedging instruments | 0 | 86 162 | 0 | 86 162 |
| Interest rate swaps - IRS | 0 | 86 162 | 0 | 86 162 |

Reconciliation of changes at level 3 of fair value hierarchy

| | Assets | | Liabilities | |
|--|----------------|----------------|---------------|---------------|
| | 30.06.2021 | 30.06.2020 | 30.06.2021 | 30.06.2020 |
| Opening balance | 280 052 | 264 337 | 59 711 | 68 289 |
| Acquisitions | 2 222 | 8 176 | 1 762 | 2 812 |
| Net changes recognized in other comprehensive income | -3 900 | -4 430 | 0 | 0 |
| Net changes recognized in other comprehensive income | 6 765 | 1 860 | 2 118 | 4 004 |
| Currency differences | 570 | 2 578 | 0 | 0 |
| Settlement / redemption | -27 635 | -16 714 | -22 053 | -13 305 |
| Total | 258 074 | 255 807 | 41 538 | 61 800 |

At the end of the first half of 2021 the impact of the credit spread on the valuation of debt instruments measured at fair value through other comprehensive income (FVOCI) was approx. amounted to PLN 4.56 MM and for debt instruments measured at fair value through profit and loss account approx. amounted to PLN 1.14 MM.

Fair value measurement for disclosure purposes

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

| 30.06.2021 | Carrying value | Fair value | | | |
|---|-------------------|------------------|----------------|-------------------|-------------------|
| | | Level 1 | Level 2 | Level 3 | Total |
| Assets | | | | | |
| Cash and cash equivalents | 1 566 372 | 706 327 | 860 045 | 0 | 1 566 372 |
| Amount due from banks | 607 334 | 0 | 607 334 | 0 | 607 334 |
| Loans and advances to customers | 57 028 409 | 0 | 0 | 55 246 324 | 55 246 324 |
| Retail segment | 34 693 870 | 0 | 0 | 33 395 616 | 33 395 616 |
| Consumer loans | 16 682 493 | 0 | 0 | 16 372 922 | 16 372 922 |
| Loans for residential real estate | 14 240 485 | 0 | 0 | 13 266 725 | 13 266 725 |
| Consumer finance loans | 3 770 892 | 0 | 0 | 3 755 969 | 3 755 969 |
| Corporate segment | 22 334 539 | 0 | 0 | 21 850 708 | 21 850 708 |
| Working capital facility | 10 345 264 | 0 | 0 | 10 237 250 | 10 237 250 |
| Investment loans | 5 649 148 | 0 | 0 | 5 598 828 | 5 598 828 |
| Other | 6 340 127 | 0 | 0 | 6 014 630 | 6 014 630 |
| Asstes pledged as collateral | 130 899 | 130 737 | 0 | 0 | 130 737 |
| Investment securities measured at amortized cost | 7 369 423 | 7 399 724 | 0 | 0 | 7 399 724 |
| Other financial assets | 559 346 | 0 | 0 | 559 346 | 559 346 |
| Liabilities | | | | | |

| 30.06.2021 | Carrying value | Fair value | | | |
|------------------------------------|-------------------|------------|----------------|-------------------|-------------------|
| | | Level 1 | Level 2 | Level 3 | Total |
| Amounts due to banks | 717 901 | 0 | 717 901 | 0 | 717 901 |
| Current deposits | 7 474 | 0 | 7 474 | 0 | 7 474 |
| Overnights | 263 853 | 0 | 263 853 | 0 | 263 853 |
| Term deposits | 68 467 | 0 | 68 467 | 0 | 68 467 |
| Bonds issued | 168 056 | 0 | 168 056 | 0 | 168 056 |
| Credit received | 107 291 | 0 | 107 291 | 0 | 107 291 |
| Other liabilities | 102 760 | 0 | 102 760 | 0 | 102 760 |
| Amounts due to customers | 67 832 836 | 0 | 0 | 67 866 948 | 67 866 948 |
| Current deposits | 57 008 848 | 0 | 0 | 57 008 848 | 57 008 848 |
| Term deposits | 9 447 126 | 0 | 0 | 9 447 126 | 9 447 126 |
| Banking securities issued | 848 672 | 0 | 0 | 882 784 | 882 784 |
| Other liabilities | 528 190 | 0 | 0 | 528 190 | 528 190 |
| Other financial liabilities | 813 743 | 0 | 0 | 813 743 | 813 743 |
| Subordinated liabilities | 1 529 202 | 0 | 0 | 1 529 202 | 1 529 202 |

| 31.12.2020 | Carrying value | Fair value | | | |
|---|-------------------|------------------|----------------|-------------------|-------------------|
| | | Level 1 | Level 2 | Level 3 | Total |
| Assets | | | | | |
| Cash and cash equivalents | 2 459 901 | 1 575 143 | 884 758 | 0 | 2 459 901 |
| Amount due from banks | 508 371 | 0 | 508 371 | 0 | 508 371 |
| Loans and advances to customers | 56 215 422 | 0 | 0 | 53 951 333 | 53 951 333 |
| Retail segment | 33 893 617 | 0 | 0 | 32 261 809 | 32 261 809 |
| Consumer loans | 16 827 834 | 0 | 0 | 16 021 777 | 16 021 777 |
| Loans for residential real estate | 13 214 132 | 0 | 0 | 12 400 139 | 12 400 139 |
| Consumer finance loans | 3 851 651 | 0 | 0 | 3 839 893 | 3 839 893 |
| Corporate segment | 22 321 805 | 0 | 0 | 21 689 524 | 21 689 524 |
| Working capital facility | 9 718 718 | 0 | 0 | 9 500 493 | 9 500 493 |
| Investment loans | 6 574 706 | 0 | 0 | 6 463 405 | 6 463 405 |
| Other | 6 028 381 | 0 | 0 | 5 725 626 | 5 725 626 |
| Asstes pledged as collateral | 446 455 | 450 625 | 0 | 0 | 450 625 |
| Investment securities measured at amortized cost | 8 165 842 | 8 219 082 | 0 | 0 | 8 219 082 |
| Other financial assets | 539 396 | 0 | 0 | 539 396 | 539 396 |
| Liabilities | | | | | |
| Amounts due to banks | 912 407 | 0 | 912 407 | 0 | 912 407 |
| Current deposits | 7 864 | 0 | 7 864 | 0 | 7 864 |
| Overnights | 184 592 | 0 | 184 592 | 0 | 184 592 |
| Term deposits | 9 751 | 0 | 9 751 | 0 | 9 751 |
| Bonds issued | 292 148 | 0 | 292 148 | 0 | 292 148 |
| Credit received | 121 196 | 0 | 121 196 | 0 | 121 196 |
| Other liabilities | 295 857 | 0 | 295 857 | 0 | 295 857 |
| Repo | 999 | 0 | 999 | 0 | 999 |
| Amounts due to customers | 66 875 907 | 0 | 0 | 66 918 629 | 66 918 629 |
| Current deposits | 53 598 011 | 0 | 0 | 53 598 011 | 53 598 011 |
| Term deposits | 11 558 202 | 0 | 0 | 11 558 202 | 11 558 202 |
| Banking securities issued | 1 087 660 | 0 | 0 | 1 130 382 | 1 130 382 |
| Other liabilities | 632 034 | 0 | 0 | 632 034 | 632 034 |
| Other financial liabilities | 727 124 | 0 | 0 | 727 124 | 727 124 |
| Subordinated liabilities | 1 792 962 | 0 | 0 | 1 792 962 | 1 792 962 |

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

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

Loans and advances to customers:

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

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

Financial liabilities measured at amortised cost:

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

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

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

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

29 Transactions with related entities

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

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

Nature of transactions with related entities

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

| Parent company | 30.06.2021 | 31.12.2020 |
|--------------------------|--------------|--------------|
| Other assets | 1 410 | 3 955 |
| Total assets | 1 410 | 3 955 |
| Amounts due to customers | 35 | 39 |
| Other liabilities | 338 | 288 |
| Total liabilities | 373 | 327 |

| Subsidiaries of the parent company | 30.06.2021 | 31.12.2020 |
|------------------------------------|----------------|----------------|
| Cash and cash equivalents | 38 162 | 45 788 |
| Amounts due to customers | 76 807 | 61 894 |
| Other assets | 687 | 430 |
| Total assets | 115 656 | 108 112 |
| Amounts due to customers | 376 278 | 368 980 |
| Provisions | 6 | 40 |
| Other liabilities | 1 432 | 3 384 |
| Total liabilities | 377 716 | 372 404 |

| Joint control by persons related to the Group | 30.06.2021 | 31.12.2020 |
|---|---------------|---------------|
| Loans and advances to customers | 4 991 | 3 |
| Total assets | 4 991 | 3 |
| Amounts due to customers | 24 297 | 33 316 |
| Provisions | 46 | 0 |
| Other liabilities | 466 | 636 |
| Total liabilities | 24 809 | 33 952 |

| Subsidiaries of the parent company | 30.06.2021 | 31.12.2020 |
|---|---------------|---------------|
| Off-balance liabilities granted to customers | 10 225 | 25 496 |
| Relating to financing | 10 225 | 25 496 |

| Joint control by persons related to the Group | 30.06.2021 | 31.12.2020 |
|---|---------------|---------------|
| Off-balance liabilities granted to customers | 40 034 | 41 839 |
| Relating to financing | 40 000 | 2 267 |
| Guarantees | 34 | 39 572 |

| Parent company | 01.01.2021 - 30.06.2021 | 01.01.2020 - 30.06.2020 |
|--|-------------------------|-------------------------|
| Interest income calculated using the effective interest method | 1 907 | 304 |
| Fee and commission income | 33 261 | 16 896 |
| Fee and commission expense | -2 842 | -1 466 |
| Net other operating income and expenses | 111 | 0 |
| General administrative expenses | - 2 273 | -1 551 |
| Net expected credit losses | 0 | -101 |
| Total | 30 164 | 14 082 |

| Subsidiaries of the parent company | 01.01.2021 - 30.06.2021 | 01.01.2020 - 30.06.2020 |
|--|-------------------------|-------------------------|
| Interest income calculated using the effective interest method | 26 935 | 10 508 |
| Interest expenses | - 5 013 | -5 119 |
| Fee and commission income | 15 568 | 4 865 |
| Fee and commission expense | -2 | -2 |
| The result on financial assets measured at fair value through profit or loss and FX result | 5 | -63 |
| Net other operating income and expenses | 344 | 0 |
| General administrative expenses | -3 000 | 39 |
| Net expected credit losses | 65 | -68 |
| Total | 34 902 | 10 160 |

| Joint control by persons related to the Group | 01.01.2021 - 30.06.2021 | 01.01.2020 - 30.06.2020 |
|--|-------------------------|-------------------------|
| Interest income calculated using the effective interest method | 40 | 0 |
| Interest expense | -1 | -13 |
| Fee and commission income | 451 | 8 |
| The result on financial assets measured at fair value through profit or loss and FX result | 337 | 0 |
| Net expected credit losses | -55 | 0 |
| Total | 772 | -5 |

Transactions with the State Treasury and related entities

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

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

| State Treasury and related entities | 30.06.2021 | 31.12.2020 |
|---|------------|------------|
| Investment financial assets | 16 244 049 | 14 459 524 |
| measured at fair value through other comprehensive income | 8 667 343 | 5 796 987 |
| measured at fair value through profit or loss | 76 440 | 138 725 |
| measured at amortized cost | 7 500 266 | 8 523 812 |
| Amounts due from banks | 0 | 44 |
| Loans and advances to customers | 123 743 | 97 989 |

| State Treasury and related entities | 30.06.2021 | 31.12.2020 |
|-------------------------------------|-------------------|-------------------|
| Total assets | 16 367 792 | 14 557 557 |
| Financial liabilities | 0 | 108 639 |
| Amounts due to banks | 86 251 | 38 004 |
| Amounts due to customers | 651 196 | 552 749 |
| Total liabilities | 737 447 | 699 392 |

| State Treasury and related entities | 01.01.2021 - 30.06.2021 | 01.01.2020 - 30.06.2020 |
|--|-------------------------|-------------------------|
| Interest income calculated using the effective interest method | 40 454 | 131 600 |
| Interest expense | -92 | -6 797 |
| The costs of paid tax | -202 367 | -155 235 |
| Total | -162 005 | -30 432 |

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

30 Benefits for the for senior executives

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

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

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

30.2 Financial data

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

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

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

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

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

The total cost of remuneration of Members of the Bank's Supervisory Board and Members of the Bank's Management Board from 1 January to 30 June 2021 recognized in the profit and loss account of the Group in this period amounted to PLN 5 954 thousand (in the period from 1 January to 30 June 2020 - PLN 8 618 thousand).

30.3 Incentive program for senior executives

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

- bonus scheme for the Management Board, valid from 2016;
- annual variable remuneration granted partly in financial instruments (phantom shares) for persons having an impact on the risk profile; the settlement of phantom shares takes place in cash;
- share subscription program as part of the management option scheme at Alior Leasing sp. o.o.

31 Legal claims

In the Bank's opinion, no single court, arbitration court or public administration body proceedings in progress during the first half of 2021, and none of the proceedings jointly, could pose a threat to the Bank's financial liquidity. The proceedings which according to the opinion of the Management Board are significant are presented below:

- case claimed by a client - limited company for a payment of PLN 109 967 thousand in respect of compensation for damage incurred in connection with the conclusion and settlement of treasury transactions. The claim dated 27 April 2017 was brought against Alior Bank SA and Bank BPH SA. In the Bank's opinion, the claim has no valid factual and legal basis and probability of an outflow of funds is negligible;
- case claimed by a client - a private individual - a representative of a group of 84 private individuals and corporate clients to determine the Bank's liability for damage. On 5 March 2018 class actions was filed against Alior Bank in determining the Bank's liability for damage caused by improper performance of information obligations by the Bank towards clients and improper performance of contracts for the provision of services for the receipt and transfer of purchase or sale orders investment's certificates of investment funds previously managed by Fincrea TFI SA, and currently Raiffeisen Bank International AG (Joint Stock Company) Branch in Poland. The court decided to hear the case in collective proceedings. Alior Bank assumes that the probability of an outflow of funds under this lawsuit is estimated at less than 50%, thus as at 30 June 2021, the Bank did not create any provisions in respect of this claim. At the

present stage, it is not possible to estimate the financial consequences for the Bank in the event of a different settlement by the court than assumed by the Bank.

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

The value of disputed claims amounted to PLN 364 800 thousand as at 30.06.2021 and PLN 354 899 thousand as at 31.12.2020. The value of provisions for disputed claims amounted to PLN 35 058 thousand as at the end of first half of 2021 and PLN 47 534 thousand as at the end of 2020.

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

On 26 June 2019, Alior Leasing sp. z o.o. received a lawsuit in which the dismissed by Supervisory Board on 20 December 2018 members of the Management Board claim for payment of compensation in the amount of PLN 0.6 MM.

The Management Board of Alior Leasing sp. o.o. is of the opinion that the above claim is unfounded and that there is a low risk being recognized it by the court.

In December 2020, the Bank and the leasing company received a summons from the former members of the Management Board of Alior Leasing sp. z o.o. to an ad hoc arbitration court at the Polish Chamber of Commerce in Warsaw for a management option scheme. On 30 June 2021, the arbitration court issued a decision on the discontinuation of ad hoc arbitration proceedings regarding this claim. The decision on redemption is final.

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

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

32 Total capital adequacy ratio and Tier 1 ratio

As of 30 June 2021, total capital adequacy ratio and Tier 1 ratio were calculated in accordance with the Regulation (EU) No 575/2013 of the European Parliament and of the Council of 26 June 2013 on prudential requirements for credit institutions and investment firms and amending Regulation (EU) No 648/2012 (CRR Regulation) and other regulations implementing "national options", among other, the Banking Act of 29 August 1997 (as amended) and Regulation of the Minister of Development and Finance of 25 May 2017 on a higher risk weight for exposures secured by mortgages on real estate (as amended).

In order to calculate the capital adequacy ratio, in first half of 2021 prudential consolidation was applied – the consolidation covered Alior Bank SA and Alior Leasing sp. z o.o. In the opinion of the Bank's Management Board, the other subsidiary entities, not subject to prudential consolidation are marginal for the Bank's core activity from the viewpoint of monitoring of credit institutions.

The consolidated prudent profit for the current period may be included in consolidated Tier 1 capital in the calculation of the consolidated Tier 1 capital ratio and the consolidated total capital ratio after prior approval of the Financial Supervision Authority (KNF).

The income statement prepared using the prudential consolidation method, which is presented below, has been prepared in accordance with the accounting principles adopted by the Group, apart from including in the consolidation only Alior Bank SA and Alior Leasing sp. z o.o. in accordance with the statement above.

| | 01.01.2021-30.06.2021 |
|---|-----------------------|
| Interest income calculated using the effective interest method | 1 351 668 |
| Income of a similar nature | 110 917 |
| Interest expense | -125 756 |
| Net interest income | 1 336 829 |
| Fee and commission income | 655 822 |
| Fee and commission expense | -300 503 |
| Net fee and commission income | 355 319 |
| Dividend income | 5 098 |
| The result on financial assets measured at fair value through profit or loss and FX result | 53 171 |
| The result on derecognition of financial instruments not measured at fair value through profit or loss | 2 294 |
| measured at fair value through other comprehensive income | 318 |
| measured at amortized cost | 1 976 |
| Other operating income | 65 685 |
| Other operating expenses | -46 489 |
| Net other operating income and expenses | 19 196 |
| General administrative expenses | -789 102 |
| Net expected credit losses | -508 465 |
| The result on impairment of non-financial assets | -1 876 |
| Banking tax | -116 269 |
| Gross profit | 356 195 |
| Income tax | -126 672 |
| Net profit | 229 523 |

Equity for the purposes of the capital adequacy

| | 30.06.2021 | 31.12.2020 |
|--|------------------|------------------|
| Total equity for the capital adequacy ratio | 7 218 260 | 7 658 399 |

| | 30.06.2021 | 31.12.2020 |
|---|------------------|------------------|
| Tier I core capital (CET1) | 6 269 867 | 6 545 217 |
| Paid-up capital | 1 305 540 | 1 305 540 |
| Supplementary capital | 5 399 229 | 5 395 195 |
| Other reserves | 174 448 | 174 448 |
| Current year's reviewed by auditor | 0 | -318 975 |
| Accumulated losses | -515 261 | -192 483 |
| Revaluation reserve – unrealised losses | -33 007 | -12 553 |
| Intangible assets measured at carrying value | -292 098 | -304 819 |
| Revaluation reserve – unrealised profit | 72 615 | 72 517 |
| Additional value adjustments - AVA | -9 734 | -8 679 |
| Other adjustments items (adjustments for IFRS 9, securitization, deferred tax assets) | 168 135 | 435 026 |
| Tier II capital | 948 393 | 1 113 182 |
| Subordinated liabilities | 948 393 | 1 113 182 |
| Capital requirements | 3 861 602 | 3 865 246 |
| Total capital requirements for the credit, counterparty risk, adjustment to credit measurement, dilution and deliver of instruments to be settled at a later date | 3 547 076 | 3 535 303 |
| Total capital requirements for prices of equity securities, prices of debt securities, prices of commodities and FX risk. | 2 821 | 8 552 |
| Capital requirement relating to the general interest rate risk | 14 918 | 24 728 |
| Total capital requirements for the operational risk | 296 787 | 296 663 |
| Tier 1 ratio | 12.99% | 13.55% |
| Total capital adequacy ratio | 14.95% | 15.85% |

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

The table below presents the impact of the application of IFRS 9 and regulations regarding COVID-19 as of 30 June 2021 on capital adequacy including and without taking into account the transition period:

| | Data including the transition period | Data without considering the transition period |
|--------------------------------|--------------------------------------|--|
| Total capital (TIER 1, TIER 2) | 7 218 260 | 6 478 490 |
| The total capital requirement | 3 861 602 | 3 821 601 |
| Total capital ratio | 14.95% | 13.56% |
| Financial leverage ratio | 7.62% | 6.76% |

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

- Amendments to the Regulation No. 575/2013 of 26 June 2013 on prudential requirements for credit and financial institutions (with subsequent amendments) - CRR;
- Amendments to the Prudential Regulation 101/2016 (AVA);
- EBA guidelines for dealing with deferral programs;
- Additional measures taken by Polish financial market regulators to reduce the capital burden on banks and the regulatory burden - abolishing the systemic risk buffer and loosening regulatory requirements regarding the ratio. Minimum regulatory Tier 1 and TCR consolidated ratios for Alior Bank, after buffer abolition, are 8.5% and 10.5%, respectively, therefore the surplus of capital ratios over the regulatory

minimum levels is 4.49 percentage points, respectively (approximately PLN 2.2 billion) and 4.45 percentage points (approximately PLN 2.1 billion).

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

- transitional period as regards risk weights for government and central bank exposures denominated in the currency of any EU Member State;
- transition for the recognition of unrealized gains and losses on securities valued through other comprehensive income issued by central governments and central banks;
- accelerating the implementation of the SME supporting factor;
- accelerate the implementation of the correction factor 0.75 to the risk weight for infrastructure exposures;
- modification of the transition period related to the implementation of IFRS 9. The changes include the possibility of applying a transition period and separating the dynamic part related to provisions established after 31 December 2019;
- changes to the treatment of software intangible assets.

The above changes have a positive effect on the values of the Group's capital ratios as at 30 June 2021.

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

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

In the first half of 2021, significant transactions regarding the acquisition of property, plant and equipment took place in the Group. Acquisitions of tangible fixed assets are mainly related to the activities implemented in the Bank since 2019 regarding the modernization of the KI branch network - New Format Branches. A new business, functional and architectural concept is being implemented. The purpose of the change is to increase sales efficiency, create a customer and employee-friendly place and implement the "Green Me" strategy.

In the first half of 2021, there were no significant transactions regarding the acquisition of intangible assets in the Group.

There is no significant liability for the purchase of property, plant and equipment and intangible assets.

In the first half of 2021, there were no significant transactions in the Group regarding the sale of tangible fixed assets and intangible assets.

34 Coverage of loss for 2020

On 28 May 2021, the Ordinary General Meeting of Shareholders of the Bank decided to cover the net loss of Bank in the amount of PLN 316 388 134.06 (say: three hundred sixteen million three hundred eighty-eight thousand one hundred thirty-four zlotys 06/100) in the following manner:

- the loss of the Bank to be covered for the financial year 2020 in the amount of PLN 320 421 822.47 (say: three hundred twenty million four hundred twenty-one thousand eight hundred twenty-two zlotys 47/100) shall be covered from profits from future periods,
- the non-distributable profit of the Bank's Housing Fund in the amount of PLN 4 033 688.41 (say: four million thirty-three thousand six hundred eighty-eight zlotys 41/100) shall be allocated to reserve capital.

35 Risk management

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

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

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

The detailed risk management policies have been presented in the annual consolidated financial statements of the Alior Bank SA Group for the year ended 31 December 2020 published on 26 February 2021 and available on the Alior Bank SA website.

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

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

Liquidity risk

Specification of maturity/payment dates of contractual flows of the Alior Bank Group assets and liabilities as of 30 June 2021 and as of 31 December 2020 (PLN MM):

| 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 |
| Cash & Nostro | 1 616 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 1 616 |
| Amounts due from banks | 23 | 0 | 0 | 0 | 0 | 0 | 0 | 528 | 551 |
| Loans and advances to customers | 537 | 1 028 | 2 341 | 2 862 | 5 397 | 8 517 | 15 457 | 33 964 | 70 103 |
| Securities | 0 | 320 | 10 | 801 | 692 | 6 740 | 4 815 | 3 287 | 16 665 |
| Other assets | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 3 452 | 3 452 |
| LIABILITIES AND EQUITY | -61 680 | -2 450 | -2 895 | -1 540 | -1 326 | -765 | -1 731 | -6 881 | -79 268 |
| Amounts due to banks | -374 | -19 | -56 | -6 | -13 | -33 | -41 | -11 | -553 |
| Amounts due to customers | -59 499 | -2 196 | -2 681 | -1 069 | -891 | -494 | -207 | -2 | -67 039 |
| Own issues | 0 | -232 | -143 | -442 | -377 | -147 | -1 380 | -2 | -2 723 |

| 30.06.2021 | 1D | 1M | 3M | 6M | 1Y | 2Y | 5Y | 5Y+ | Total |
|-------------------------------------|----------------|----------------|----------------|----------------|----------------|----------------|----------------|---------------|---------------|
| Equity | 0 | 0 | 0 | 0 | 0 | 0 | 0 | -6 582 | -6 582 |
| Other liabilities | -1 807 | -3 | -15 | -23 | -45 | -91 | -103 | -284 | -2 371 |
| Balance sheet gap | -59 504 | -1 102 | -544 | 2 123 | 4 763 | 14 492 | 18 541 | 34 350 | 13 119 |
| Cumulated balance sheet gap | -59 504 | -60 606 | -61 150 | -59 027 | -54 264 | -39 772 | -21 231 | 13 119 | |
| Derivative instruments – inflows | 3 052 | 4 934 | 1 039 | 855 | 470 | 218 | 227 | 0 | 10 795 |
| Derivative instruments – outflows | -3 035 | -4 904 | -1 037 | -848 | -455 | -217 | -230 | 0 | -10 726 |
| Derivative instruments – net | 17 | 30 | 2 | 7 | 15 | 1 | -3 | 0 | 69 |
| Guarantee and financing 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 |
| Total gap | -68 929 | -1 072 | -542 | 2 130 | 4 778 | 14 493 | 18 538 | 34 350 | 3 746 |
| Total cumulated gap | -68 929 | -70 001 | -70 543 | -68 413 | -63 635 | -49 142 | -30 604 | 3 746 | |

| 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 |
| Cash & Nostro | 2 387 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 2 387 |
| Amounts due from banks | 55 | 100 | 0 | 0 | 0 | 0 | 0 | 421 | 576 |
| Loans and advances to customers | 491 | 981 | 1 999 | 3 125 | 5 455 | 8 103 | 15 306 | 33 714 | 69 174 |
| Securities | 0 | 1 249 | 38 | 675 | 1 640 | 5 590 | 5 026 | 1 864 | 16 082 |
| Other assets | 4 | 3 | 5 | 6 | 12 | 20 | 27 | 3 601 | 3 678 |
| LIABILITIES AND EQUITY | -58 771 | -2 981 | -3 270 | -2 009 | -2 140 | -1 125 | -1 670 | -6 853 | -78 819 |
| Amounts due to banks | -303 | -308 | -15 | -5 | -15 | -23 | -64 | 0 | -733 |
| Amounts due to customers | -56 623 | -2 621 | -2 970 | -1 618 | -1 235 | -504 | -271 | -2 | -65 844 |
| Own issues | 0 | -50 | -268 | -360 | -839 | -496 | -1 264 | -5 | -3 282 |
| Equity | 0 | 0 | 0 | 0 | 0 | 0 | 0 | -6 560 | -6 560 |
| Other liabilities | -1 845 | -2 | -17 | -26 | -51 | -102 | -71 | -286 | -2 400 |
| Balance sheet gap | -55 834 | -648 | -1 228 | 1 797 | 4 967 | 12 588 | 18 689 | 32 747 | 13 078 |
| Cumulated balance sheet gap | -55 834 | -56 482 | -57 710 | -55 913 | -50 946 | -38 358 | -19 669 | 13 078 | |
| Derivative instruments – inflows | 0 | 7 368 | 1 913 | 436 | 414 | 493 | 277 | 0 | 10 901 |
| Derivative instruments – outflows | 0 | -7 358 | -1 897 | -434 | -412 | -469 | -291 | 0 | -10 861 |
| Derivative instruments – net | 0 | 10 | 16 | 2 | 2 | 24 | -14 | 0 | 40 |
| Guarantee and financing 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 |
| Total gap | -65 156 | -638 | -1 212 | 1 799 | 4 969 | 12 612 | 18 675 | 32 747 | 3 796 |
| Total cumulated gap | -65 156 | -65 794 | -67 006 | -65 207 | -60 238 | -47 626 | -28 951 | 3 796 | |

36 Events significant to the business operations of the Group

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

On 21 January 2021, the Agency announced that all the Bank's ratings had been confirmed at the current level.

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

- Long-Term Issuer Credit Rating at 'BB' level with negative outlook,
- Short-Term Issuer Credit Rating at 'B' level.

On 24 June 2021, rating agency Standard & Poor's Global Ratings ("S&P", "Agency") informed the Bank that it has affirmed the long-term and short-term ratings of the Bank at the current level and revised the outlook for the Bank from "Negative" to "Stable".

Issuer Credit Rating as at the date of publication this report is as follows:

- Long-Term Issuer Credit Rating at 'BB' level with stable outlook,
- Short-Term Issuer Credit Rating at 'B' level.

Adoption and approval of the Alior Bank Strategy update for the years 2020-2022 in the period 2021-2022

On 29 March 2021 the Management of the Board of the Bank adopted a resolution on adopting an update of the Bank's strategy, "More than a Bank" for the years 2020-2022 in the period 2021-2022. The Strategy update was approved by the Bank's Supervisory Board on 29 March 2021.

37 Significant events after the end of the reporting period

There were no significant events after the end of the reporting period, except for those described in these financial statements.

38 Financial forecast

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



**Interim condensed separate
financial statements
of Alior Bank Spółka Akcyjna
for the 6-month period ended
30 June 2021**

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Interim condensed separate income statement

| | 01.04.2021 - 30.06.2021 | 01.01.2021 - 30.06.2021 | 01.04.2020 - 30.06.2020 | 01.01.2020 - 30.06.2020 |
|---|----------------------------|----------------------------|----------------------------|----------------------------|
| Interest income calculated using the effective interest method | 662 245 | 1 338 966 | 821 271 | 1 757 426 |
| Income of a similar nature | 48 787 | 110 917 | 38 304 | 60 790 |
| Interest expense | -50 139 | -123 249 | -131 997 | -311 811 |
| Net interest income | 660 893 | 1 326 634 | 727 578 | 1 506 405 |
| Fee and commission income | 311 180 | 594 543 | 271 805 | 513 456 |
| Fee and commission expense | -160 585 | -298 260 | -138 882 | -270 941 |
| Net fee and commission income | 150 595 | 296 283 | 132 923 | 242 515 |
| Dividend income | 4 992 | 5 098 | 7 569 | 7 683 |
| The result on financial assets measured at fair value through profit or loss and FX result | 34 925 | 53 730 | 14 986 | 15 141 |
| The result on derecognition of financial instruments not measured at fair value through profit or loss | 2 120 | 2 294 | -2 643 | 26 618 |
| measured at fair value through other comprehensive income | 257 | 318 | -2 740 | 2 807 |
| measured at amortized cost | 1 863 | 1 976 | 97 | 23 811 |
| Other operating income | 22 522 | 56 464 | 23 476 | 59 421 |
| Other operating expenses | -23 068 | -44 350 | -145 074 | -178 760 |
| Net other operating income and expenses | -546 | 12 114 | -121 598 | -119 339 |
| General administrative expenses | -356 661 | -753 595 | -375 743 | -830 962 |
| Net expected credit losses | -268 377 | -502 673 | -902 601 | -1 192 992 |
| The result on impairment of non-financial assets | -1 399 | -1 876 | -65 383 | -64 076 |
| Banking tax | -57 654 | -116 269 | -55 771 | -109 889 |
| Gross profit/loss | 168 888 | 321 740 | -640 683 | -518 896 |
| Income tax | -63 574 | -124 181 | 55 710 | 5 835 |
| Net profit/loss | 105 314 | 197 559 | -584 973 | -513 061 |
| Weighted average number of ordinary shares | 130 553 991 | 130 553 991 | 130 553 991 | 130 553 991 |
| Net profit/loss per share (PLN) | 0.81 | 1.51 | -4.48 | -3.93 |
| Diluted profit/loss per ordinary share (PLN) | 0.81 | 1.51 | -4.46 | -3.91 |

Interim condensed separate statement of comprehensive income

| | 01.04.2021 - 30.06.2021 | 01.01.2021 - 30.06.2021 | 01.04.2020 - 30.06.2020 | 01.01.2020 - 30.06.2020 |
|--|----------------------------|----------------------------|----------------------------|----------------------------|
| Net profit/loss | 105 314 | 197 559 | -584 973 | -513 061 |
| Items that may be reclassified to the income statement after certain conditions are satisfied | -87 473 | -209 831 | 153 210 | 143 526 |
| Foreign currency translation differences | 456 | 1 904 | 469 | -763 |
| Results of the measurement of financial assets (net) | -29 420 | -22 259 | 105 231 | -2 319 |
| Profit/loss on valuation of financial assets measured at fair value through other comprehensive income | -36 335 | -27 492 | 129 908 | -2 869 |
| Deferred tax | 6 915 | 5 233 | -24 677 | 550 |
| Results on the measurement of hedging instruments (net) | -58 509 | -189 476 | 47 510 | 146 608 |
| Gains/losses on hedging instruments | -72 233 | -233 921 | 58 655 | 180 998 |
| Deferred tax | 13 724 | 44 445 | -11 145 | -34 390 |
| Total comprehensive income, net | 17 841 | -12 272 | -431 763 | -369 535 |

The notes presented on pages 62-63 constitute an integral part of these interim condensed separate financial statements.

Interim condensed separate statement of financial position

| ASSETS | 30.06.2021 | 31.12.2020 |
|---|-------------------|-------------------|
| Cash and cash equivalents | 1 521 874 | 2 409 077 |
| Amounts due from banks | 607 334 | 508 371 |
| Investment financial assets | 16 502 852 | 15 742 078 |
| measured at fair value through other comprehensive income | 8 733 874 | 6 979 415 |
| measured at fair value through profit or loss | 399 555 | 596 821 |
| measured at amortized cost | 7 369 423 | 8 165 842 |
| Derivative hedging instruments | 175 054 | 334 977 |
| Loans and advances to customers | 57 034 561 | 56 040 799 |
| Assets pledged as collateral | 130 899 | 446 455 |
| Property, plant and equipment | 702 829 | 692 076 |
| Intangible assets | 374 953 | 381 450 |
| Investments in associates | 216 500 | 214 605 |
| Non-current assets held for sale | 28 | 3 |
| Income tax asset | 1 001 268 | 992 800 |
| current income tax asset | 21 688 | 0 |
| deferred income tax asset | 979 580 | 992 800 |
| Other assets | 529 542 | 500 856 |
| TOTAL ASSETS | 78 797 694 | 78 263 547 |

| LIABILITIES AND EQUITY | 30.06.2021 | 31.12.2020 |
|--|-------------------|-------------------|
| Amounts due to banks | 497 147 | 553 657 |
| Amounts due to customers | 67 829 738 | 66 824 581 |
| Financial liabilities | 183 787 | 501 880 |
| Derivative hedging instruments | 169 281 | 86 162 |
| Provisions | 283 885 | 336 871 |
| Other liabilities | 1 661 669 | 1 507 746 |
| Income tax liabilities | 0 | 4 431 |
| current income tax liabilities | 0 | 4 431 |
| Subordinated liabilities | 1 529 202 | 1 792 962 |
| Total liabilities | 72 154 709 | 71 608 290 |
| Share capital | 1 305 540 | 1 305 540 |
| Supplementary capital | 5 399 229 | 5 395 195 |
| Revaluation reserve | 5 595 | 217 330 |
| Other reserves | 174 447 | 174 447 |
| Foreign currency translation differences | 284 | -1 620 |
| Accumulated losses | -439 669 | -119 247 |
| Profit/loss for the period | 197 559 | -316 388 |
| Equity | 6 642 985 | 6 655 257 |
| TOTAL LIABILITIES AND EQUITY | 78 797 694 | 78 263 547 |

The notes presented on pages 62-63 constitute an integral part of these interim condensed separate financial statements.

Interim condensed separate statement of changes in equity

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

| 01.01.2020 - 31.12.2020 | Share capital | Supplementary capital | Other reserves | Revaluation reserve | Exchange differences on revaluation of foreign units | Retained earnings | Total equity |
|--|------------------|-----------------------|----------------|---------------------|--|-------------------|------------------|
| 1 January 2020 | 1 305 540 | 5 388 926 | 179 505 | 76 404 | 605 | -112 978 | 6 838 002 |
| Transfer of last year's profit | 0 | 6 269 | 0 | 0 | 0 | -6 269 | 0 |
| Comprehensive income | 0 | 0 | 0 | 140 926 | -2 225 | -316 388 | -177 687 |
| net loss | 0 | 0 | 0 | 0 | 0 | -316 388 | -316 388 |
| other comprehensive income: | 0 | 0 | 0 | 140 926 | -2 225 | 0 | 138 701 |
| incl. financial assets measured at fair value through other comprehensive income | 0 | 0 | 0 | 25 755 | 0 | 0 | 25 755 |
| incl. hedging instruments | 0 | 0 | 0 | 115 171 | 0 | 0 | 115 171 |
| incl. currency translation differences | 0 | 0 | 0 | 0 | -2 225 | 0 | -2 225 |
| Other changes in equity | 0 | 0 | -5 058 | 0 | 0 | 0 | -5 058 |
| 31 December 2020 | 1 305 540 | 5 395 195 | 174 447 | 217 330 | -1 620 | -435 635 | 6 655 257 |

| 01.01.2020 - 30.06.2020 | Share capital | Supplementary capital | Other reserves | Revaluation reserve | Exchange differences on revaluation of foreign units | Retained earnings | Total equity |
|--|------------------|-----------------------|----------------|---------------------|--|-------------------|------------------|
| 1 January 2020 | 1 305 540 | 5 388 926 | 179 505 | 76 404 | 605 | -112 978 | 6 838 002 |
| Transfer of last year's profit | 0 | 6 269 | 0 | 0 | 0 | -6 269 | 0 |
| Comprehensive income | 0 | 0 | 0 | 144 289 | -763 | -513 061 | -369 535 |
| net profit | 0 | 0 | 0 | 0 | 0 | -513 061 | -513 061 |
| other comprehensive income: | 0 | 0 | 0 | 144 289 | -763 | 0 | 143 526 |
| inc. measured at fair value through other comprehensive income | 0 | 0 | 0 | -2 319 | 0 | 0 | -2 319 |
| incl. hedging instruments | 0 | 0 | 0 | 146 608 | 0 | 0 | 146 608 |
| incl. currency translation differences | 0 | 0 | 0 | 0 | -763 | 0 | -763 |
| 30 June 2020 | 1 305 540 | 5 395 195 | 179 505 | 220 693 | -158 | -632 308 | 6 468 467 |

The notes presented on pages 62-63 constitute an integral part of these interim condensed separate financial statements.

Interim condensed separate statement of cash flows

| | 01.01.2021- 30.06.2021 | 01.01.2020 - 30.06.2020 |
|--|------------------------|-------------------------|
| Operating activities | | |
| Profit/loss before tax for the year | 321 740 | -518 896 |
| Adjustments: | 107 985 | 176 553 |
| Unrealized foreign exchange gains/losses | 2 890 | 1 312 |
| Amortization/depreciation of property, plant and equipment and intangible assets | 108 063 | 114 722 |
| Change in property, plant and equipment and intangible assets impairment write-down | 1 876 | 64 030 |
| Dividends | -5 098 | -7 683 |
| Short-term lease contracts | 254 | 4 172 |
| The gross profit after adjustments but before increase/decrease in operating assets/liabilities | 429 725 | -342 343 |
| Change in loans and receivables | -1 092 725 | -10 667 |
| Change in financial assets measured at fair value through other comprehensive income | -1 754 459 | 1 342 552 |
| Change in financial assets measured at fair value through profit or loss | 197 266 | 26 197 |
| Change in financial assets measured at amortised cost | 796 419 | -2 322 414 |
| Change in assets pledged as collateral | 315 556 | -48 451 |
| Change in derivative hedging assets | 159 923 | -244 820 |
| Change in non-current assets held for sale | -25 | 100 |
| Change in other assets | -28 686 | 44 940 |
| Change in deposits | 1 470 425 | 1 161 684 |
| Change in own issue | -238 988 | -315 818 |
| Change in financial liabilities | -318 093 | 79 506 |
| Change in hedging liabilities derivative | 83 119 | 49 014 |
| Change in other liabilities and other comprehensive income | -352 825 | 549 025 |
| Change in provisions | -52 986 | 45 104 |
| Cash from operating activities before income tax | -386 354 | 13 609 |
| Income tax paid | -89 049 | -133 177 |
| Net cash flow from operating activities | -475 403 | -119 568 |
| Investing activities | | |
| Outflows: | -74 175 | -43 650 |
| Purchase of property, plant and equipment | -52 523 | -17 747 |
| Purchase of intangible assets | -21 652 | -19 566 |
| Investments in subsidiaries | 0 | -6 337 |
| Inflows: | 423 | 1 009 |
| Disposal of property, plant and equipment | 423 | 1 009 |
| Net cash flow from investing activities | -73 752 | -42 641 |
| Financing activities | | |
| Outflows: | -338 049 | -87 932 |
| Principle payments - subordinated liabilities | -260 150 | 0 |
| Interest payments – subordinated liabilities | -30 485 | -43 918 |
| Principle payments - lease liabilities | -46 811 | -42 732 |
| Interest payments - lease liabilities | -603 | -1 282 |
| Inflows: | 0 | 0 |
| Inflows from share issue | 0 | 0 |
| Net cash flow from financing activities | -338 049 | -87 932 |
| Total net cash flow | -887 203 | -250 140 |
| incl. exchange gains/(losses) | -2 578 | 24 762 |
| Balance sheet change in cash and cash equivalents | -887 203 | -250 140 |
| Cash and cash equivalents, opening balance | 2 409 077 | 1 352 604 |
| Cash and cash equivalents, closing balance | 1 521 874 | 1 102 464 |
| Additional disclosures on operating cash flows | | |
| Interests received | 1 526 046 | 1 707 686 |
| Interests paid | -201 781 | -388 019 |

The notes presented on pages 62-63 constitute an integral part of these interim condensed separate financial statements.

1 Basis for preparation

Statement of compliance

These interim condensed separate financial statements of Alior Bank Spółka Akcyjna for the 6-month period ended 30 June 2021 have been prepared in accordance with the International Accounting Standard 34 "Interim Financial Reporting" as adopted by the European Union.

The interim condensed separate financial statements including the comparatives, have been prepared in accordance with the same accounting policies as those applied in the preparation of the last annual financial statements, except for the changes in the standards that entered into force on 1 January 2021.

Scope and reporting currency

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

Going concern

The interim condensed separate financial statements of Alior Bank Spółka Akcyjna have been prepared on the assumption that the Bank will continue in operation as a going concern for a period of at least 12 months after the balance sheet date i.e. after 30 June 2021.

2 Accounting principles

The accounting principles are presented in detail in the annual financial statements of Alior Bank SA for the period from 1 January to 31 December 2020, published on 26 February 2021 and available on the Alior Bank SA website. Changes in accounting principles effective from 1 January 2021 were presented in the interim condensed consolidated financial statements in Note 2.2.

3 Off - balance-sheet items

Off-balance sheet items are described in Note 27 to the interim condensed consolidated financial statements.

4 Transactions with related entities

Related-party transactions are described in Note 29 to the interim condensed consolidated financial statements of the Alior Bank Spółka Akcyjna Group, with the exception of transactions with subsidiaries presented below.

Bank's subsidiaries as at 30 June 2021 and the date of this report was as follows:

| Company's name - subsidiaries | 03.08.2021 | 30.06.2021 | 31.12.2020 |
|--|------------|------------|------------|
| Alior Services sp. z o.o. | 100% | 100% | 100% |
| Alior Leasing sp. z o.o. | 100% | 100% | 100% |
| - <i>Serwis Ubezpieczeniowy sp. z o.o.</i> | 100% | 100% | 100% |
| - <i>NewCommerce Services sp. z o.o.**</i> | - | 100% | 100% |
| Meritum Services ICB SA | 100% | 100% | 100% |
| Alior TFI SA | 100% | 100% | 100% |

| Company's name - subsidiaries | 03.08.2021 | 30.06.2021 | 31.12.2020 |
|---|------------|------------|------------|
| Absource sp. z o.o. | 100% | 100% | 100% |
| Corsham sp. z o.o. | 100% | 100% | 100% |
| RBL_VC sp. z o.o. | 100% | 100% | 100% |
| RBL_VC sp z o.o. ASI spółka komandytowo-akcyjna | 100% | 100% | 100% |
| Harberton sp. z o.o. in liquidation* | 100% | 100% | 100% |

*On 1 February 2021, the Extraordinary General Meeting of shareholders adopted a resolution to dissolve Harberton sp.z o.o. based in Warsaw and commencement of liquidation. The opening of the liquidation was registered with the National Court Register on 25 February 2021. According to the adopted schedule, the liquidation of the company should be completed by the end of October 2021.

** On 25 May, 2021, the Extraordinary General Meeting of Serwis Ubezpieczeniowy sp.z o.o. and the Extraordinary Meeting of Shareholders of NewCommerce Services sp.z o.o. adopted resolutions on the merger of Serwis Ubezpieczeniowy sp.z o.o. (acquiring company) with NewCommerce Services sp.z o.o. (acquired company). On 1 July 2021, a merger of the above-mentioned companies was registered in the National Court Register pursuant to Art. 492 §1 point 1 of the Code of Commercial Companies, i.e. by transferring all assets of the acquired company NewCommerce Services sp.z o.o. on the acquiring company of Serwis Ubezpieczeniowy sp.z o.o. (merger by acquisition).

| Subsidiaries | 30.06.2021 | 31.12.2020 |
|---------------------------------|------------------|------------------|
| Loans and advances to customers | 2 263 495 | 1 632 626 |
| Other assets | 105 | 963 |
| Total assets | 2 263 600 | 1 633 589 |
| Amounts due to customers | 89 355 | 55 006 |
| Provisions | 479 | 525 |
| Other liabilities | 1 443 | 1 742 |
| Total liabilities | 91 277 | 57 273 |

| Subsidiaries | 30.06.2021 | 31.12.2020 |
|---|----------------|----------------|
| Off-balance liabilities granted to customers | 184 388 | 298 101 |
| relating to financing | 63 985 | 177 698 |
| guarantees | 120 403 | 120 403 |

| Subsidiaries | 01.01.2021 -30.06.2021 | 01.01.2020 -30.06.2020 |
|--|------------------------|------------------------|
| Interest income calculated using the effective interest method | 19 079 | 22 768 |
| Interest expenses | -8 | -97 |
| Fee and commission income | 1 797 | 1 531 |
| Fee and commission expense | -148 | -289 |
| Dividend income | 4 821 | 7 462 |
| The result on financial assets measured at fair value through profit or loss and FX result | 3 | 0 |
| Other operating income | 1 634 | 960 |
| Other operating costs | 0 | -21 000 |
| General administrative expenses | -2 878 | -3 325 |
| Net expected credit losses | -5 203 | -5 396 |
| Total | 19 097 | 2 614 |

5 Significant events after the end of the reporting period

Significant events after the end of the reporting period are described in Note 37 to the interim condensed consolidated financial statements of the Alior Bank Spółka Akcyjna Group.