



**ALIOR
BANK**

REPORT OF THE MANAGEMENT BOARD

ON THE ACTIVITIES OF
THE CAPITAL GROUP
OF ALIOR BANK S.A. IN H1 2023

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

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I. Summary of activities of Alior Bank in H1 2023

In spite of the challenging macro-economic conditions caused by the war in Ukraine, the general increase in prices in the economy causing an upward trend in the Bank's operating costs and the rise in interest rates limiting customer demand for loans (especially mortgages):



1. in H1 2023, Alior Bank markedly improved its financial results. The net profit of the Alior Bank Capital Group was PLN 872 million, with a return on equity (ROE) of 25.4%,
2. Alior Bank has a secure capital position. The Tier1 and TCR capital ratio levels at the end of June 2023 significantly exceed the regulatory minimums by: 551 bps. (PLN 2.6 billion) and 446 bps. (PLN 2.1 billion),
3. credit risk parameters continue to improve – Cost of Risk (CoR) in H1 2023 amounted to 1.28%. The share of non-performing loans also decreased – NPL ratio dropped from 9.80% at the end of December 2022 to 9.45% at the end of June 2023,
4. operating expenses of the Bank in H1 2023 dropped by PLN 88 million compared to the same period of the previous year, namely to PLN 996 million. The decrease in expenses was mostly affected by a lack of contribution to the Commercial Bank Protection Scheme assistance fund in 2023 (the cost in H1 2022 was PLN 195 million). Disregarding this component, the Group's operating expenses in H1 2022 amounted to PLN 889 million, i.e. the Group's comparable operating expenses in H1 2023 increased by approx. 12% compared to the same period in the previous year. The increase in operating expenses resulted primarily from increases in staff expenses, higher rent and building maintenance costs, higher expenses related to IT services, and general increase in expenses due to inflation,
5. during H1 2023, we continued the process towards enhancing the stability and safety of the Bank's loan portfolio by increasing our exposure to housing loans, which, despite a marked slowdown in mortgage demand, grew from 25.8% at the end of 2022 to 25.9% at the end of H1 2023 (on a gross basis) in the structure of the loan portfolio.



Summary of strategic activities in the first half of 2023

We began 2023 by formulating and announcing a new strategy. Drawing on our 15 years of experience of building the Bank's position and scale, and capitalizing on market opportunities and past achievements, we are making the "Your Bank of everyday life, your Bank for the future" strategy a reality.

We have a long-term prospect of development, and therefore, we have adopted an open strategic perspective. In order to maintain a high degree of flexibility in a highly volatile market, we are focusing on a time horizon that includes a two-year operationalization, i.e. 2023-2024.

We based our "Your Bank of everyday life, your Bank for the future" strategy on three strategic pillars: Higher Culture of Mobility, Supporting Entrepreneurship and Modern Bank, developed in 8 strategic directions.

Pillars and directions of the strategy



Alior Bank is a modern and agile organization quickly adapting to the changing environment and setting standards in the financial services market. The announced strategy focuses on day-to-day banking and customer convenience and business development. Despite the difficult market environment, we are growing rapidly using the Bank's distinctive brand and high customer satisfaction, confirmed by surveys.

In the Higher Culture of Mobility Pillar

We focus on building a core digital relationship through:

- Alior Pay ecosystem and maintaining its position as a leader in financing purchases,
- a new and inclusive mobile app,
- personalized communication resulting from the knowledge of our customers and hyper-personalizing their experience.

In the Supporting Entrepreneurship Pillar

We have a solid foundation for growth in the business customer segment based on:

- development of technology to strengthen the acquisition of micro businesses in remote and traditional channels,
- improving the speed and quality of service in the higher business customer segments,
- implementing a high-tech system for all lending processes,
- shortening the decision path and simplifying documentation,
- providing multi-channel service using automated remote processes,
- a new ecosystem of electronic banking and product platforms in the process of digital transformation.

In the Modern Bank Pillar

We are developing technology, competence, and social responsibility within the framework of defined activities:

- we will focus IT development around agile-supported process efficiency and security,
- we will make even greater use of artificial intelligence to improve the customer experience,
- we will base our development on the competence and commitment of our employees. We will improve organizational effectiveness through a personalized approach to employees, an engaging work environment and a distinctive organizational culture building a friendly workplace,
- we continue to work in support of today's environmental and climate challenges, feeling responsible for the social processes around us.

Strategy Implementation

We remain a universal bank, focused on building a digital core relationship with the customer. We want to maintain our position as a leader in financing purchases by providing and developing a new payment method called Alior Pay.

One of the main goals of the new strategy for 2023-2024, "Your Bank of everyday life, your Bank for the future", is to create a modern, inclusive mobile application and build a strong digital relationship with customers. Alior Bank released a refreshed version of its mobile app in early June. With the new dashboard, customers have the ability to, among other things, set the main product, default account, personalize the appearance of the home screen or add their favourite shortcuts.

We want to be a bank that is a backstop for customers regardless of their financial situation. To give our customers a sense of security, we have implemented the "Fixed instalment loan" offer. The loan can be used for any purpose. Taking care of quality, and proper customer contact with the Bank in H1 2023, we released a new version of mortgage simulators. Currently, using the simulators available on the website, the customer has the opportunity not only to simulate a mortgage on his own, but also to leave information that he is interested in the Bank's offer. In addition, customers have the option to request a contact from a specific Bank branch. We adjusted the offer of the "Megahipoteka" loan to meet the needs of customers by changing the term of the periodically fixed interest rate. We have replaced the previous 7-year period for the periodically fixed interest rate with a 5-year period.

Reacting to changes in the Clean Air Programme, we have made modifications to the cash loan application process. The loan can be used for purposes in line with the programme, such as replacing old heat sources with solid fuel.

We are constantly developing offers in the online channel through personalized offers - new loan promotions for mobile customers. In mid-June, we provided customers with new functionality as part of the Alior Pay limit. Among other things, in Alior Mobile, customers can independently: pay off a deferred transaction and use the option of spreading the deferred transaction into instalments. Repayment of the deferred payment is automatically debited from the customer's personal account after 30 days of deferral. If the required funds are not in the account, the amount is automatically spread over 11 instalments.

The cashless payment market continues to grow, with young people benefiting the most from modern solutions. Facilitating their safe use of NFC systems, Alior Bank has decided to finance teenage customers with Xiaomi Smart Band 7 NFC wristbands that enable contactless payments. To take advantage of the special offer, the

guardian of a teenager between the ages of 13 and 17 must open a “Youth Account” and agree to the distribution of marketing content.

We are focused on developing a digital relationship with business customers, through the introduction of a new online and mobile banking platform, as well as sustainable growth of the credit portfolio and support for the energy transition.

We are constantly developing the functionalities of our lending system for business customers - at the beginning of the year we started piloting a new process with the loan analysis team. The development of the lending system's functionality brings, among other things, a reduction in the time it takes to process applications, and thus a faster start of financing for the customer. In addition, the system's functionalities make it easier and faster for internal units, resulting in more efficient handling of applications.

We focus on deepening relationships with business customers and actively acquire new customers by adapting our transactional product and service offerings to meet changing needs. As part of our lending offerings, we provided a promotion in which we offered 0% loan approval fee and a decision within 20 minutes of application. Another promotion involved refinancing current operations loans taken from other banks where we offered customers a lower margin (by up to 50%), 0% loan approval fee and financing of up to PLN 1 million. For customers who have Mastercard debit cards with Plus, we have prepared promotions in which it is possible to take advantage of a preferential rate for accident insurance and healthcare for PLN 0, receive reimbursement for purchases at gas stations, or enjoy exemption from monthly card fees.

Thanks to our cooperation with Bank Gospodarstwa Krajowego (Bank of the National Economy), we have implemented a green loan aimed at micro, small and medium-sized enterprises, that plan to increase energy efficiency through infrastructure upgrades, including investments in new or improved products or processes. Entrepreneurs who apply for this type of financing can receive a non-refundable environmental bonus from Bank Gospodarstwa Krajowego for partial repayment of the loan (up to 80 percent of eligible investment costs).

We are running a new digital banking project for businesses - Alior Business and Alior Business Mobile. The project aims to provide customers with new solutions to replace the existing BusinessPro online banking, which is currently used mainly by small and medium-sized businesses and corporations. The new online banking for business customers will be based on four pillars: self-service, a mobile application, a modern online banking service, and integrated ERP tools. The goal is to create a comprehensive, multi-channel and flexible ecosystem that will provide entrepreneurs with professional support to build and grow their businesses.

Thanks to our cooperation with Alior Bank Brokerage House, we have made available a new advanced online investing module in BusinessPro online banking. This module allows you to manage your invested capital efficiently and conveniently, while providing access to a wide range of financial instruments. We have developed the system with functionalities that will allow customers to easily manage their transactions - including their investments. This is in response to the needs of entrepreneurs who want to secure and multiply their financial resources.

We have established a team of specialists to provide remote after-sales service to companies. This is the next step in the development of a comprehensive after-sales service model. Via telephone, e-mail or Internet banking, customers can receive information about the servicing of the company's deposit products, place an order in BusinessPro Internet banking and follow the progress of its processing by the Bank. In addition, a team of remote service specialists accepts customer orders for corporate products opened at Alior Bank, prepares opinions, certificates, and account histories. Entrepreneurs can also remotely open an auxiliary account, order a debit card or report a change in their company's data. The list of instructions that business customers can complete without visiting a branch now includes 50 items.

We strive to achieve organizational effectiveness through agile technologies, competencies, and organizational culture. We provide stability through risk and capital management. We are socially responsible.

Process efficiency is achieved by developing customer service using automated remote processes. In the first quarter, we launched a new channel of contact with Alior Bank. The Bank's website offers assistance using InfoNina's chat. At the same time, we are improving communication with the customer by using the clearest possible language. Our InfoNina has received the first bot certification in Poland.

We are also providing more mobile customer service and reducing the number of paper documents by providing for more than one person to sign electronic bank documents.

We accelerate business transformation by introducing new IT technologies centred around agile-supported process efficiency and security. We build on the IT development pillars of efficiency (iterative value delivery, IT cost effectiveness) innovation (private and public cloud, AGILE@Scale agile organization), and security (business continuity assurance, proven technology partnerships). The new structure of the IT Division, better adapted to the agile work formula, also serves this purpose. In terms of work organization, the Bank is planning further measures to build a strong and decision-making area responsible for the effective operation of the agile model in the organization and to build competence centres.

The Bank focuses on the use of cloud computing technology in several areas. Firstly, it creates a place in the public cloud that will allow data processing and analysis as well as their monetization. Secondly, the Bank wants to create an environment that will enable quick sharing of various elements of business systems - for example, information pages, forms, product applications or transaction services. It also plans to change its solutions in the event of the Disaster Recovery, so that they take into account the capabilities and infrastructure offered by the public cloud.

In terms of the work environment, we are redesigning and automating the current onboarding processes for the new employee and creating a universal and efficient work environment based on the Public Cloud, supporting accessibility from anywhere, anytime and from any approved device.

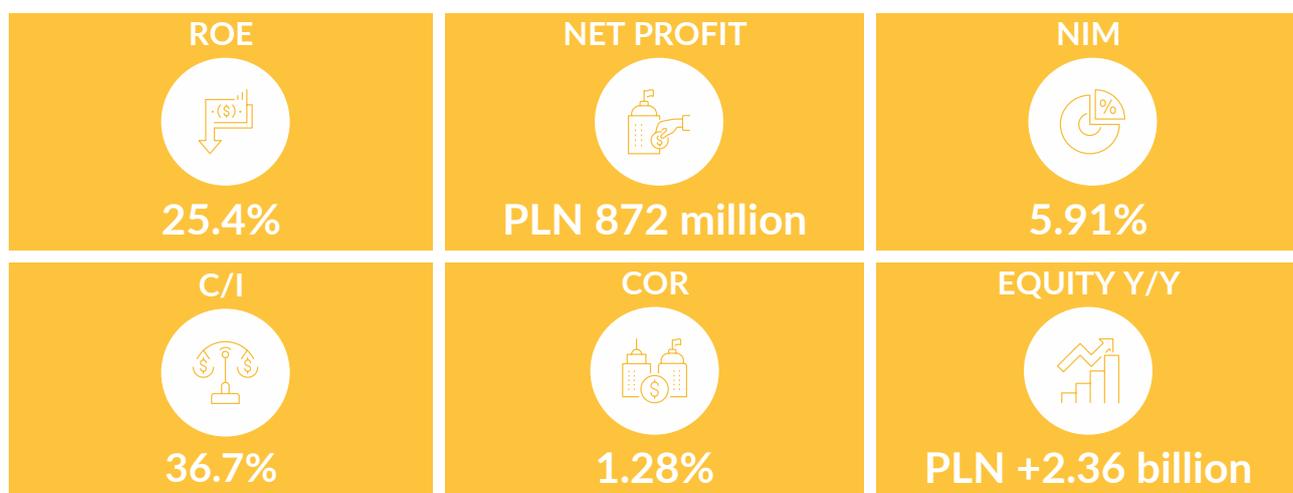
A modern work environment also means the continuous development of competencies and their adaptation to changing requirements. Q1 2023 saw the inauguration of Alior University, a space that responds to the training and development needs of empowerment. The initiative is part of the implementation of the strategy by raising organizational effectiveness and considering ESG, with particular emphasis on the social responsibility factor, and building cooperation with universities. The partners of the initiative include the Cracow University of Economics, the Faculty of Management of the University of Warsaw, and the State Academy of Applied Sciences in Przemyśl.

Recognizing the need to develop technological competence among employees, we are implementing a plan for reskilling i.e., rotating employees into IT and business positions.

Caring for a friendly work environment and keeping in mind the well-being of employees, Alior Bank has been taking measures against discrimination and other undesirable behaviour for years, but the resolution adopted in H1 2023 by the Bank's Management Board introducing the Diversity Policy further emphasizes the values derived from differences, which are an additional asset, enrich competence and serve efficiency. Diversity in the workplace is one of the key resources of an organization, and its effective management and the creation of inclusive conditions for development positively affect the results achieved and the building of a competitive advantage.

In the area of risk, we continue to develop risk models (Real Time and new data sources). We are expanding the use of Advanced Analytics (ZA) to more areas, popularizing its use by granting access to the ZA environment and a bank-wide training programme. We have delivered additional products: an algorithm for detecting KB customers in KI, and access to ZA's IT environment and training for selected Bank units. We have made the administrative and mobile application Mobile Workforce available to Field Collection employees. The innovative use of the application allows to increase the dynamics of debt collection activities, and the novelty of the application improves the handling of the orders being carried out, which positively affects the effectiveness of the debt collection process.

Basic financial data for H1 2023



An increase of net profit generated by the Alior Bank Capital Group y/y (PLN 872 million in net profit in H1 2023 compared to a net profit of PLN 385 million in H1 2022) was possible due to several key factors:

1. economic recovery from the crisis caused by the COVID-19 pandemic,
2. improvement of the quality of the credit portfolio and behavior of the customers of the Bank that resulted in a marked decrease in allowances for expected credit losses,
3. significant increase of the reference rate of the National Bank of Poland (6.75% at the end of June 2023 compared to 6.00% at the end of June 2022), which directly contributed to an increase of the WIBOR3M rate (basic interest rate used by the Bank to determine the price of granted loans) to the average rate of 6.92% in H1 2023, compared to 4.87% in the previous year, which in turn enabled the Bank's net interest margin (NIM) to increase from 4.86% in H1 2022 to 5.91% in H1 2023.

H1 2023 involved a small number of non-recurring events that materially affected the Bank's results. Said events included:

- creation of a PLN 11 million additional provision for the cost of "credit holidays",
- higher overall level of prices in the economy, which caused higher operating expenses of the Bank, especially employee compensation.

Tier1 and TCR ratios of the Alior Bank Capital Group remained high at the end of June 2023 (14.16% and 15.11% respectively), leaving a safe buffer above the regulatory requirements (by 551 b.p. and 446 b.p.,

respectively). Alior Bank Capital Group has a surplus of Tier 1 capital in the amount of approx. PLN 2.6 billion above regulatory minimum.

In H1 2023, the Bank's liquidity situation remained at a secure level. Liquidity was closely monitored and maintained as needed by adjusting the deposit base level and drawing funding depending on the development of lending activity and other liquidity needs. The LCR liquidity ratio of the Alior Bank Group amounted to 162% as at the end of June 2023. On the other hand, the NSFR liquidity ratio amounted to 135% as at the end of June 2023. The regulatory minimum for both of the aforementioned liquidity ratios is 100%.

Distribution network and headcount



Distribution network

At the end of June 2023, we had 527 outlets (165 traditional branches, 7 Private Banking branches, 13 Corporate Banking Centres, and 342 partner outlets).

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

The Bank also operates through the Branch in Romania, where customer service is provided via remote channels.

By end of June 2023, we modernised 80 branches to a “new format”. The role of the new outlets is, above all, to digitise customers and outlet processes, ensure convenience and privacy to our customers, as well as to improve the comfort of work for bankers. The branches in the new format are characterised by innovative design and utilise new technologies.

At the time of modernisation, we focused on the potential of local suppliers. We used recycled raw materials (e.g. table tops were manufactured from processed yoghurt cups, upholstery and ceilings - from recycled PET bottles). Part of the equipment is made up of wood of fast-growing plants.



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

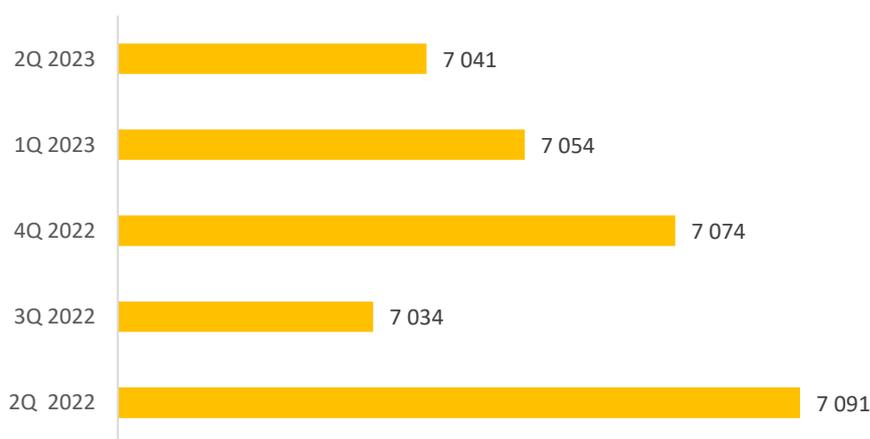
Headcount



As at June 30, 2023, employment in the Alior Bank S.A. Capital Group (understood as the number of full-time equivalents, including maternity leaves, parental leaves and other long-term absences), was 7 041 FTEs, compared to 7 091 FTEs as at June, 2022.

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

Full-Time Equivalents (FTEs)



Assessment of activities pursued by the Alior Bank Capital Group

Alior Bank Group's operations were most affected by the interest rate hikes that started in Q4 2021 and continued until Q3 2022.

Following a number of measures taken between 2020 and 2022 aimed at reducing the operating expenses, tightening the credit policy, and developing the Bank's range of products, as well as an effect of the increase in market interest rates, the Alior Bank Group generated a net profit of PLN 872 million in H1 2023 and achieved a return on equity (ROE) of 25.4%. For comparison, in H1 2022 net profit totalled PLN 385 million, whereas ROE was at the level of 13.8%.

The core efficiency ratio – the Cost/Income ratio – showed an improvement in H1 2023, reaching 36.7% compared to 47.3% in H1 2022. This was mainly due to the absence of the cost of the Bank's accession to the Commercial Bank Protection Scheme, amounting to PLN 195 million in H1 2022, and to the increase in income due to the improvement in the net interest margin (NIM), which grew from 4.86% in H1 2022 to 5.91% in H1 2023.

In 2020, the Bank reviewed and optimised the credit portfolio, focusing primarily on reducing credit risk (including by reducing exposure to the industries most affected by the pandemic and tightening the lending policy). This had a positive impact on the Bank's financial result in H1 2023. The improvement of the overall financial situation of customers also contributed to the reduction of the costs of risk.

By improving financial performance, the Bank maintains capital adequacy ratios at safe levels, well above the minimum regulatory levels. They permit stable operation and a further increase in lending activity. The range of products was adapted to the current level of interest rates and the effects of the CJEU judgement (concerning the partial return commission in the event of early repayment of a consumer loan by the customer). In addition, despite the growing inflationary pressure, the Bank continues to continuously improve efficiency.

The Management Board of the Bank is positive about the operations of the Alior Bank S.A. Group in H1 2023 and its financial performance.

Impact of war in Ukraine on the operations of Alior Bank

In view of the pending armed conflict in Ukraine, which has been on-going since 24 February 2022, the Bank constantly reviews its impact on the Bank's macroeconomic environment. The Alior Bank Capital Group intensively monitors the impact of the geopolitical situation related to the war in Ukraine on its operations and the quality of the credit portfolio and does not identify any significant threats in that regard.

II. External environment of the Bank's operations



War in Ukraine

In 2022, the armed conflict in Ukraine has become a key factor generating uncertainty, due to escalating geopolitical tensions and increased volatility in financial markets. Russia's aggression has caused trade disruptions related to both the war itself and the sanctions introduced in connection with it. Another important aspect was the threat to the stability of the energy system, especially in the context of the European Union and Poland, which depend on supplies of raw materials such as oil and gas, some of which are sent through Ukrainian territory.

In addition, the conflict in Ukraine has also affected security issues in the region. In the Polish economy, the risks associated with the war were felt most acutely through a significant acceleration of inflation, caused by rising costs of raw materials, food, and disruptions in supply chains. In financial markets, the increase in risk in the region has been an important factor in the weakening of the zloty, the decline in the value of stocks listed on the Stock Exchange and the sell-off of Treasury bonds. The National Bank of Poland has had to take decisive action in response to rising inflation. In October 2021, the National Bank of Poland began a cycle of interest rate increases totalling eleven, with the last hike in September 2022.

As far as the banking sector is concerned, the direct effects of the war in Ukraine in 2022 were most evident in balance sheets and an increase in market risk. However, the share of assets related to Russia, Ukraine, and Belarus in the balance sheets of domestic banks is relatively small and is mainly concentrated in the largest institutions. Increased volatility and rising risk premiums negatively affected valuations of assets held. The banking sector has also felt a second round of the effects of the conflict. The downturn of economic growth contributed to the deterioration of the condition of borrowers, and this, in combination with higher costs of financing, led to decrease in the demand for loans. Credit risk has increased, and banks have tightened their lending policies.

In the first half of 2023, very negative war scenarios did not materialize, and financial markets did not feel the increased impact of the war in Ukraine.

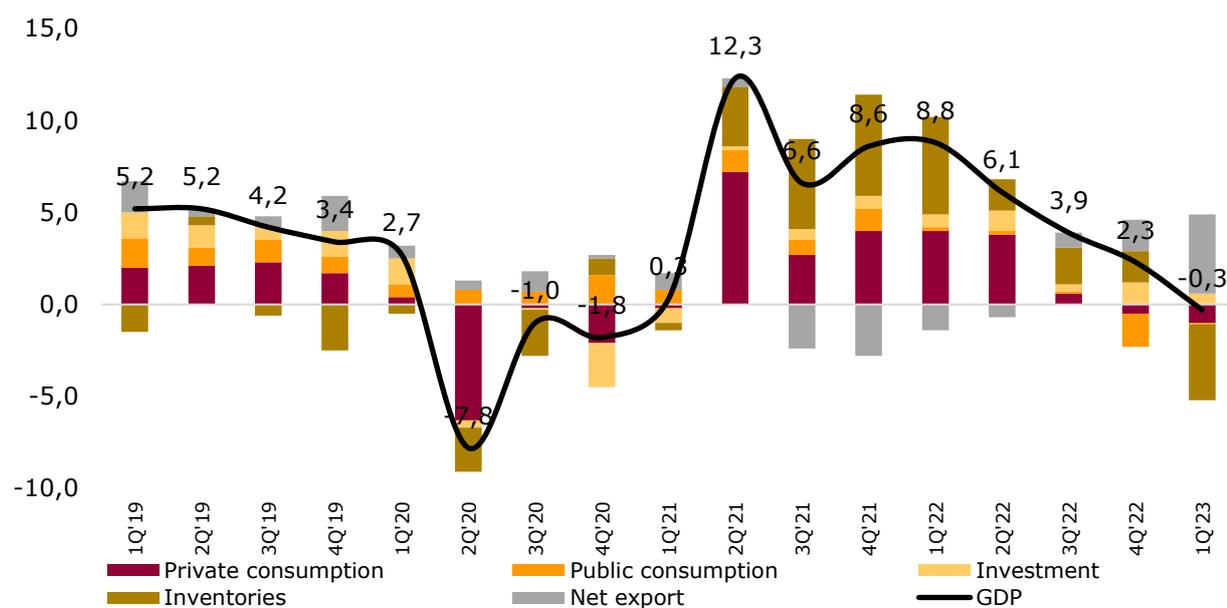
Poland's economic growth

By the end of 2022, the pace of economic growth in Poland weakened significantly, and in the first half of 2023, the Polish economy was in recession on a y/y basis. GDP decreased by 0.3% y/y in the first quarter of 2023, compared to growth of 2.3% y/y in the fourth quarter of 2022. In the first quarter of 2023, the potential on the inventory superstructure side, which had significantly sustained GDP growth throughout 2022, was exhausted. This component subtracted as much as 4.1 p.p. from GDP growth in the first quarter of 2023.

Private consumption also did not resist the decline during the period, which was deeper than in the fourth quarter of 2023, at 2.0% y/y. Consumption was not helped by persistently high inflation, interest rates and tighter bank lending policies. Public consumption also decreased in Q1 2023. GDP growth during this period was sustained by investment demand. Gross fixed capital formation increased by 5.5% y/y, compared to a 5.4% y/y increase in Q4 2022. Contrary to inventories, net exports interacted with GDP growth, adding as much as 4.3 p.p. in Q1 2023. The zloty remained weak, which, along with a reduction in domestic consumption translating into a decline in imports while exports increased, acted positively on GDP. However, the above structure of economic growth in Q1 2023 indicates that the foundations of the Polish economy at the beginning of 2023 were fragile and were likely to remain so even in Q2 2023.

From the second half of 2023, the situation should gradually improve. We expect an exit from recessionary trends and positive GDP growth. Household consumption growth will recover, supported by declining inflation and a still relatively good situation on the labour market. Investment should maintain a moderate rate of growth despite high interest rates and tighter lending policies. Improving but still weak domestic demand should translate into a positive contribution from net exports. The change in inventories will further depress GDP growth in the second half of 2023.

GDP Growth



*/Source: GUS [Statistics Poland]

Situation on the labour market

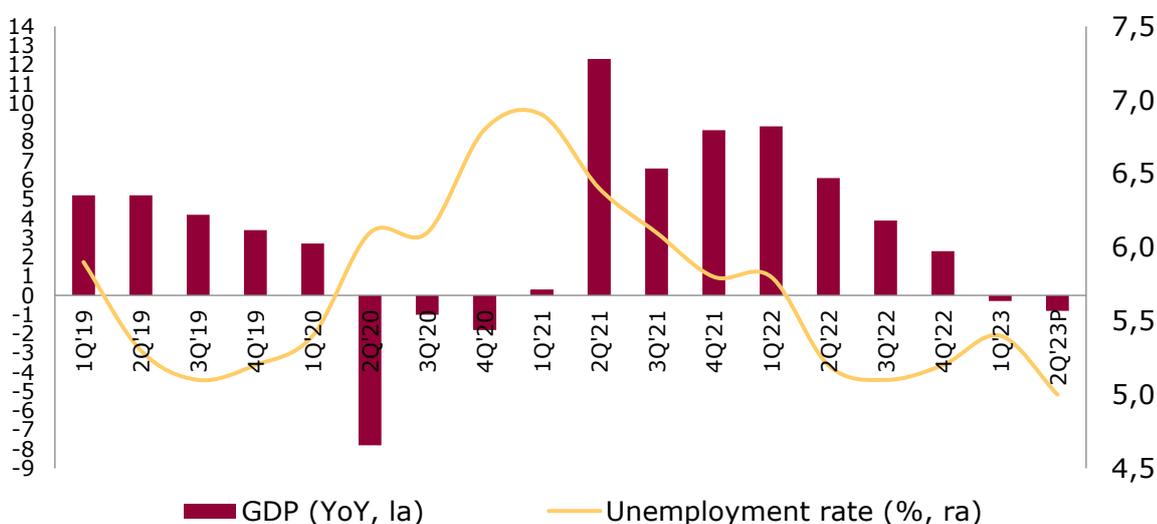
In the current environment of declining economic activity, the labour market has remained resilient to this turbulence in the first half of 2023. The registered unemployment rate fell to 5.0% in June 2023, compared to 5.2% at the end of 2022, and was 0.2 p.p. lower than in the same month a year earlier. Its level in the first half of 2023 remained close to historical lows. During this period, against the background of the European Union, Poland remained at the forefront of countries with the lowest unemployment.

Employment in the business sector increased by 8,000 in January-June 2023, and the annual growth rate weakened month by month, reaching 0.24% y/y in June. Employment in the national economy grew by 1.0% y/y in the first quarter of 2023. Positive employment growth in the economy during the period was sustained by the services and trade sectors, with industry and construction employment levels lower than a year earlier. The economy's employment growth is expected to weaken further in the second quarter of 2023. Foreigners continued to support Poland's labour market. According to the Social Insurance Institution's data, the number of insured foreigners at the end of the first quarter of 2023 was 1 million 70 thousand, 7 thousand more than at the end of 2022.

Ever-increasing employment amid high inflation sustained the upward pressure on wages. In January-June 2023, the growth rate of average monthly wages in the business sector was higher than in the same period of the previous year, averaging 12.7% y/y. In the national economy in the first quarter of 2023, the rate of wage growth accelerated to 14.3% y/y. However, in view of high inflation in the first half of 2023, the purchasing power of wages decreased. In real terms, wages and the payroll budget shrank, which translated into a decline in personal consumption.

We expect that positive employment growth should continue into the third quarter of 2023, while the unemployment rate will remain fairly stable. Poland's demographics reflect a shrinking labour supply, which, along with elevated inflation, should help sustain relatively strong wage growth despite the downturn. In addition, taking into account weakening inflationary pressures, we expect the total wages to be positive in real terms from Q3 2023, which should stimulate household consumption growth.

GDP growth and unemployment rates



*/Source: GUS [Statistics Poland]

Inflation and interest rates

The decelerating economic growth in the first half of 2023 was accompanied by declining inflation. After the CPI inflation rate reached 18.4% y/y in February 2023, a record level in more than 20 years, it declined in subsequent months. According to the Statistics Poland's, price growth slowed to 11.5% y/y in June 2023, with

the decrease of inflation supported by the relieving of pressures on supply chains, declining upward pressure on producer prices, declines in energy and food commodity prices on global markets, and a decline in external and domestic demand in the face of an ongoing downturn in the global economy. Core inflation (after excluding food and energy prices) peaked in March 2023 (12.3% y/y) and has since declined to 11.1% y/y in June.

Since the last interest rate hike in September 2022, the Monetary Policy Council (MPC) has remained on pause in the monetary tightening cycle in an environment of continued rate hikes by major central banks, in the eurozone and the US. In June 2023, the National Bank of Poland reference rate was 6.75%. MPC members made decisions based on current data.

In the second half of 2023, we expect inflation to decrease further. We should observe its reduction to single-digit levels, although it will remain at an elevated level, deviating from the National Bank of Poland inflation target of 2.5% +/- 1 p.p. Fiscal policy remains a risk to inflation, with a decision made in June to amend the national budget for 2023, assuming increased spending. It was also decided to extend zero VAT on food until the end of 2023, as part of the Anti-Inflation Shield introduced at the beginning of February 2022. Inflation abroad will also remain elevated and persistent, prompting the ECB and Fed, among others, albeit at a slower pace, to continue raising interest rates. Under these conditions, it becomes quite likely, in our opinion, that the National Bank of Poland interest rates will remain unchanged at least until the end of 2023.

Global economy

The beginning of 2023 was still a time of fears of recession in Europe and the US, which slowly eased during the first half of 2023. Europe's energy crisis has been less severe than expected. A mild winter and higher-than-expected gas storage levels contributed to declines in gas price forecasts, which, as disruptions in supply chains receded, brought an improvement in the business mood and the outlook for global growth. Central bank policies remained restrictive, resulting in the collapse of several banks in the U.S. in March, followed by Credit Suisse in Europe. This situation has prompted major central banks to become more vigilant about the stability of the financial sector during a regime of fighting high inflation. An additional factor of uncertainty in early 2023 was the abolition of China's zero-COVID policy at the turn of 2022. It was not clear whether it would have a pro-inflationary or deflationary effect. Ultimately, the recovery in China resulting from the easing of epidemic restrictions was moderate and did not translate into increased global price pressures. Q1 2023 was strong, but Q2 2023 figures were slightly disappointing. A continuing factor of uncertainty in H1 2023 was the war in Ukraine, with the possibility of an escalation of the conflict.

According to Eurostat, in the eurozone, deseasonalized GDP growth in the first quarter of 2023 slowed to 1.0% y/y (-0.1 k/k, revised downward) from 1.8% y/y (-0.1% k/k) a quarter earlier. A third consecutive quarter of flat GDP can be expected in Q2 2023. According to the Bureau of Economic Analysis (BEA), the U.S. growth rate in Q1 2023 slowed to 2.0% q/q (annualized) compared to 2.6% a quarter earlier. We expect that GDP in Q2 2023 may grow slightly faster than expected, at a similar pace to Q1 2023. There were clear disinflationary signals in H1 2023 amid weakening demand and falling energy commodity prices, although core inflation (including the services sector) remains stubborn in both the eurozone and the US. In the eurozone, HICP inflation, after peaking at 10.6% in October 2022, has been declining, reaching 5.4% y/y in June. In the US, CPI inflation has been on a downward trend since its peak (9.1% y/y) in June 2022, until it reached 3.0% y/y in June

2023.¹ At the same time, the labour market in both economies has remained fairly resilient to the slowdown, delaying the transmission of monetary policy by major central banks. Under these conditions and the additionally heightened risk of banking sector instability, major central banks remained on a path of tightening monetary policy. In June 2023, the ECB raised interest rates for the eighth consecutive month, this time by 0.25 bps, the second consecutive increase of a smaller magnitude than the previous ones (50-75 bps). The deposit rate is 3.5% in June. The Fed still raised interest rates in May 2023, for the tenth consecutive time, followed by a pause in the monetary policy tightening cycle in June. Interest rates remained at 5.00%-5.25%, although rhetoric remains hawkish.

Economic activity in major economies will remain weak in the second half of 2023. According to the June inflation and GDP growth projection released by the ECB, the inflation path was revised upward by 0.1 p.p. to 5.4% in 2023 from the March projection. GDP growth, on the other hand, was “pulled down” by 0.1 p.p. to 0.9% in 2023. The ECB’s rhetoric remains hawkish. At the next meeting in July, we can expect the rate hike to continue. Compared to March, according to the Fed’s June projection, the median forecast for real GDP growth was raised to 1.0% for 2023. For inflation, the median was lowered slightly to 3.2%. The median for interest rates was raised by 0.5 p.p., to 5.6% for 2023. It can be concluded that rates may be raised 2 more times in the second half of 2023.

Exchange rate

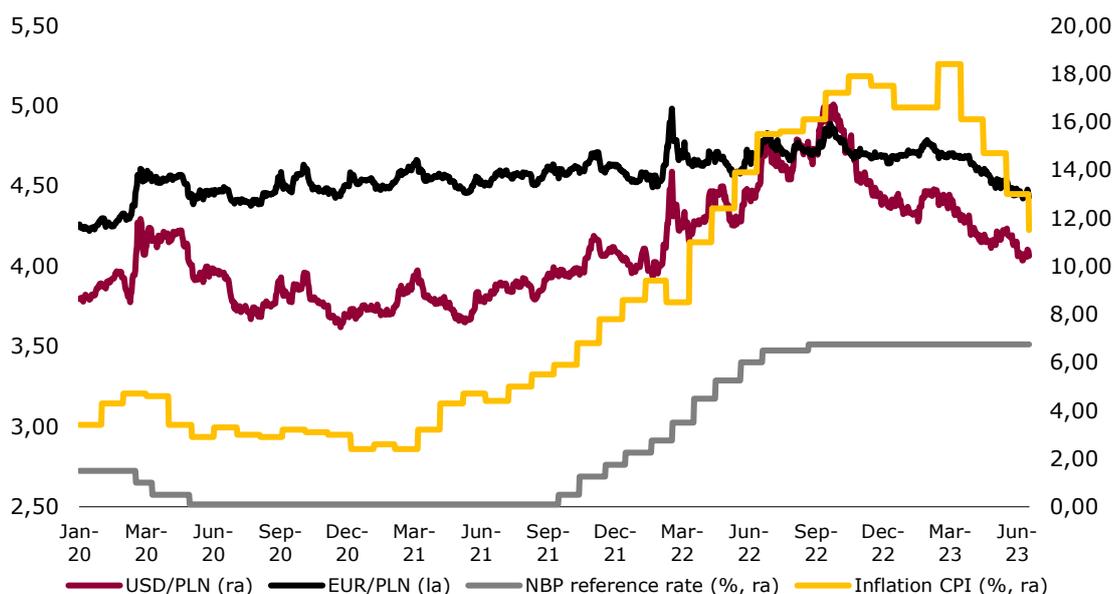
In the first half of 2023, financial markets, against the background of the past few years, were characterized by moderate volatility. The war in Ukraine is no longer a dominant influence. The EUR-USD exchange rate was in a range of 1.06-1.10, with the euro benefiting at the end of H1 2023. At the beginning of Q1 2023, markets remained optimistic in the face of declining inflation, falling energy prices, expectations of a slowdown in the Fed’s monetary tightening cycle and China’s lifting of previous pandemic-related restrictions. Global growth forecasts for 2023 were revised slightly upward. March brought concern over the collapse of Silicon Valley Bank (SVB), among others, and the subsequent problems of Credit Suisse and its acquisition by UBS. In this situation, central banks reacted quickly. The Federal Reserve and the Swiss National Bank have announced new lending facilities to boost liquidity, and other central banks have been put on high alert. Despite concerns about financial stability, the major central banks, the Fed and the ECB continued to tighten monetary policy, raising interest rates. In April, risks to the stability of the financial sector were significantly reduced. Concerns about First Republic Bank resurfaced as recently as late April, however they were short-lived as a result of JP Morgan’s acquisition of the bank. Also in April, OPEC+ unexpectedly communicated a reduction in oil production by about one million barrels per day, however, prices were little changed at the end of the month. There was also a mixed picture of economic growth in the PMI surveys amid falling inflation, although stubborn core inflation remained a “salt in the eye”. In May, uncertainty prevailed in financial markets over reaching an agreement on raising the US debt limit. The Fed pauses interest rate hikes in June. Although due to stubborn core inflation, the Fed and ECB are committed to further monetary tightening in H2 2023.

In such an environment, the zloty remained resilient to external turbulence and strengthened. Since mid-February, the EUR-PLN exchange rate has steadily declined, and the symptoms of the US banking crisis have not reversed this trend. Although the USD-PLN exchange rate was characterized by greater volatility, the zloty

¹ Source: Bloomberg

also strengthened in this currency pair at the end of June. Even the CJEU's unfavourable verdict for the banks did not turn the zloty back from its path of appreciation. Also, the prospect of mobilizing NRP funds is still unknown. The zloty was supported by an improving trade balance and the receding very negative economic and war scenarios. At the end of June 2023, the EUR/PLN and USD/PLN exchange rates decreased by 5.4% and 7.1%, respectively, compared to the end of 2022, reaching at the end of the first half of 2023, respectively: 4.43/EUR and 4.06/USD.²

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



* Source: Bloomberg



Banking sector

With interest rates remaining high throughout H1 2023, the sector's positive result was maintained by both commission and interest income, with the latter growing faster. However, slowing economic activity, still high inflation and interest rates reduced demand for loans, translating into reduced lending, particularly in the mortgage market. Despite the sustained growth in interest income, with its dynamics weakening, banks' profitability continued to be constrained by the cost of loan vacations and provisions for legal risk. The banking sector's total capital

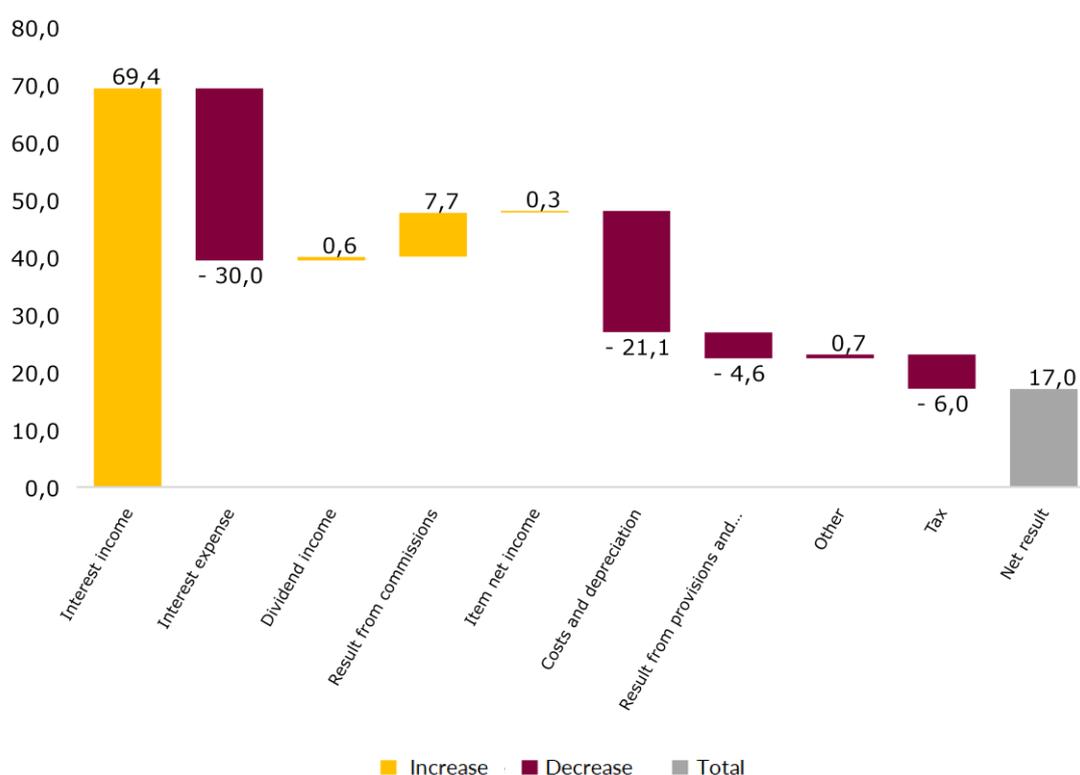
² Source: Bloomberg

ratio at the end of March 2023 stood at 20.2%, a level similar to the end of 2022, while the common equity tier 1 capital ratio stood at 18.4%.

Key income statement items³

In January-May 2023, the banking sector generated a net profit of PLN 17.0 billion, compared to PLN 12.9 billion in the same period last year, an increase of PLN 4.1 billion (i.e. 32.0% y/y). During this period, the total operating revenue of the sector increased by 19.3% y/y, largely due to growth in interest revenue by 77.1% y/y. Improvement in commission income also had a positive impact. The biggest negative impact on net income (loss) was exhibited by interest expenses and the income (loss) on provisions and allowances, including those established for increased legal risk of housing loans in foreign currencies, which were higher compared to the previous year.

Financial result of the banking sector in the period from January to May 2023 (PLN billion)



Operating costs after five months of 2023 amounted to PLN 19.1 billion, an increase of 8.0% y/y. This is still largely due to high inflation, which translates into wage pressure and increases in the cost of materials, services, energy, building maintenance, etc. The results were also significantly affected by the costs of loan

³ Source: Monthly data of the banking sector (knf.gov.pl), * commercial and cooperative banks

holidays and additional fees, inter alia, for the Borrower Support Fund and the Commercial Bank Protection System.

Margins continued to improve between January and May 2023. In an environment of higher interest rates, the interest margin rose throughout the period and at the end of May the ratio reached 3.37%, compared to 3.09% at the end of December 2022. Yield levels rose, returning to pre-pandemic levels. The return on equity⁴ at the end of May 2023 was 7.86%, compared with 6.16% at the end of 2022. ROA increased from 0.45% in December 2022 to 0.59% at the end of May 2023. The R/I ratio decreased over the period from 17.0% in December 2022 to 16.7%. Growth in operating income y/y with costs kept in check reduced the C/I ratio in the entire sector from 53.6% at the end of 2022 to 51.0% in May 2023.

Loans and deposits⁵

Deposits from the non-financial sector remained the main source of financing for banks in H1 2023. As of September 2022, lending is weakening in the face of a deteriorating economy amid high inflation, higher financing costs and tighter supervisory requirements. High interest rates, together with persistently high inflation, have translated into a deterioration in the situation of borrowers, hence, in view of the increase in credit risk, a tighter lending policy has been maintained at many banks. Deposits grew more slowly than in H1 2022, yet faster than in H2 2022. The banking sector's assets at the end of May 2023 stood at PLN 2,760 billion, up 7.5% y/y.

At the end of May 2023, the value of loans in the non-financial sector amounted to PLN 1,111 billion⁶, which means a decrease of 3.7% y/y. However, the scale of growth varied between loan categories. Loans to households, particularly in the face of a slump in mortgage sales, contracted by 7.2% y/y. The corporate segment fared better, where financing demand rose by 3.0% y/y.

In H1 2023, the rate of deposit growth increased. The continued recovery of household term deposits was helped by an increase in deposit rates in the face of persistently high interest rates. At the end of May 2023, non-financial sector deposits amounted to PLN 1,710 billion⁷, an increase of 11.3% y/y. In the structure of deposits, corporate deposits continued to maintain the highest growth rate, reaching 12.4% y/y at the end of May 2023. Household deposits grew significantly faster than a year ago (11.0% y/y).

Faster growth in the deposit base, with moderate lending base declines, kept the LCR above the required minimum of 100 during the period under review. At the end of May 2023, the LCR of commercial banks (excluding associating banks) stood at 190%, compared to 177% at the end of 2022.

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

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

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

7 Non-financial sector deposits (excluding blocked deposits)

III. Financial results of the Alior Bank Capital Group

Income statement

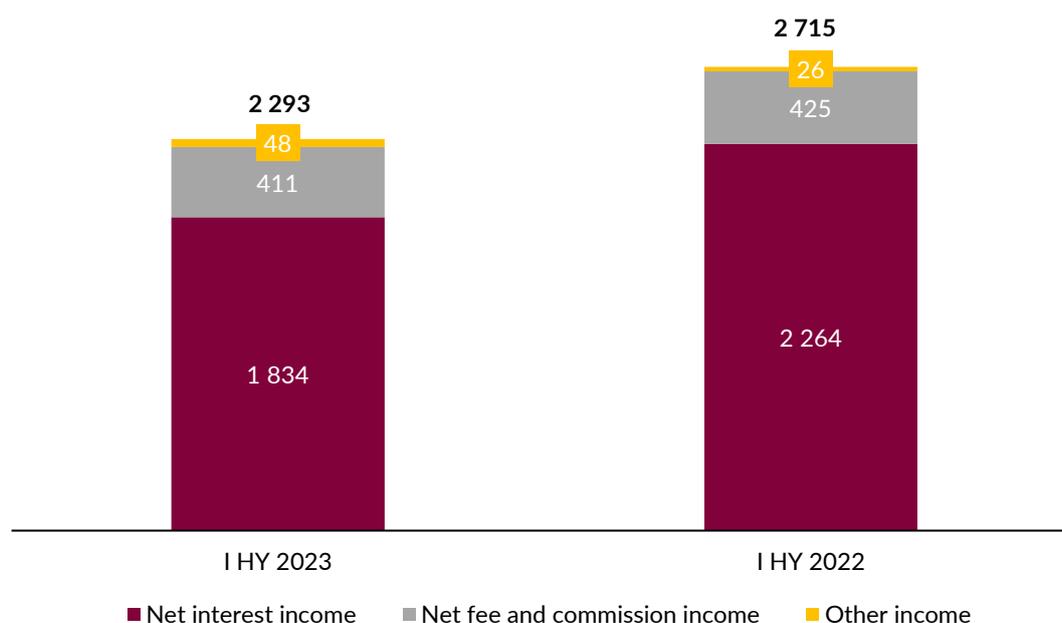
Detailed items of the income statement of Alior Bank Capital Group are presented in the table below:

	01.01.2023 - 30.06.2023	01.01.2022 - 30.06.2022	Change	Change
	(in PLN '000)	(in PLN '000)	(in PLN '000)	(%)
Interest income calculated using the effective interest method	3 350 534	2 232 154	1 118 380	50,1%
Income of a similar nature	293 892	163 100	130 792	80,2%
Interest expense	-1 380 485	-561 142	-819 343	146,0%
Net interest income	2 263 941	1 834 112	429 829	23,4%
Fee and commission income	887 019	803 835	83 184	10,3%
Fee and commission expense	-462 307	-392 558	-69 749	17,8%
Net fee and commission income	424 712	411 277	13 435	3,3%
Dividend income	93	291	-198	-68,0%
The result on financial assets measured at fair value through profit or loss and FX result	19 577	33 894	-14 317	-42,2%
The result on derecognition of financial instruments not measured at fair value through profit or loss	3 765	1 484	2 281	153,7%
measured at fair value through other comprehensive income	3 507	1 212	2 295	189,4%
measured at amortized cost	258	272	-14	-5,1%
Other operating income	60 259	61 992	-1 733	-2,8%
Other operating expenses	-57 616	-50 091	-7 525	15,0%
Net other operating income and expenses	2 643	11 901	-9 258	-77,8%
General administrative expenses	-996 448	-1 084 459	88 011	-8,1%
Net expected credit losses	-394 813	-438 493	43 680	-10,0%
The result on impairment of non-financial assets	-3 199	-40 223	37 024	-92,0%

Cost of legal risk of FX mortgage loans	-2 786	-24 438	21 652	-88,6%
Banking tax	-131 115	-130 081	-1 034	0,8%
Gross profit	1 186 370	575 265	611 105	106,2%
Income tax	-314 519	-189 881	-124 638	65,6%
Net profit	871 851	385 384	486 467	126,2%
Net profit attributable to equity holders of the parent	871 851	385 384	486 467	126,2%

The gross profit (before income tax) in H1 2023 totalled PLN 1 186.4 million, meaning an increase compared to H1 2022 by PLN 611.1 million, i.e. by 106.2%. Income tax in the 2023 period under review increased by 65.6% to 314.5 million. The net profit of the Alior Bank Capital Group (attributable to shareholders of the parent company) for H1 2023 amounted to PLN 871.9 million and was higher than the result achieved in the same period of 2022 by PLN 486.5 million, thus marking a significant increase of 126.2% YoY. Return on equity (ROE) was 25.4%, while return on assets (ROA) was 2.1%.

Total income (in PLN million) – consolidated data



Net interest income reached PLN 2 264 million and was the main component of the Alior Bank Capital Group's revenues at the level of approx. 83.4% of total revenues in H1 2023. Compared to H1 2022, it grew by 23.4%, and this was determined primarily by persistently high interest rates. As a result of the continuation by the Monetary Policy Council of the monetary policy tightening cycle, resulting in a decision to increase interest rates at eight consecutive decision-making sessions from January to September 2022, the NBP reference rate as at the end of June 2023 amounted to 6.75%, compared to 6.00% at the end of June 2022. This caused an increase in the average WIBOR3M rate, which is the based rate used by the Bank to determine the cost of loans granted. The aforesaid rate in H1 2023 reached an average level of 6.92%, which was markedly higher

when compared to the average level of 4.87% in the same period of 2022. This, in turn, enabled the Bank's net interest margin (NIM) to increase from 4.86% in H1 2022 to 5.91% in H1 2023.

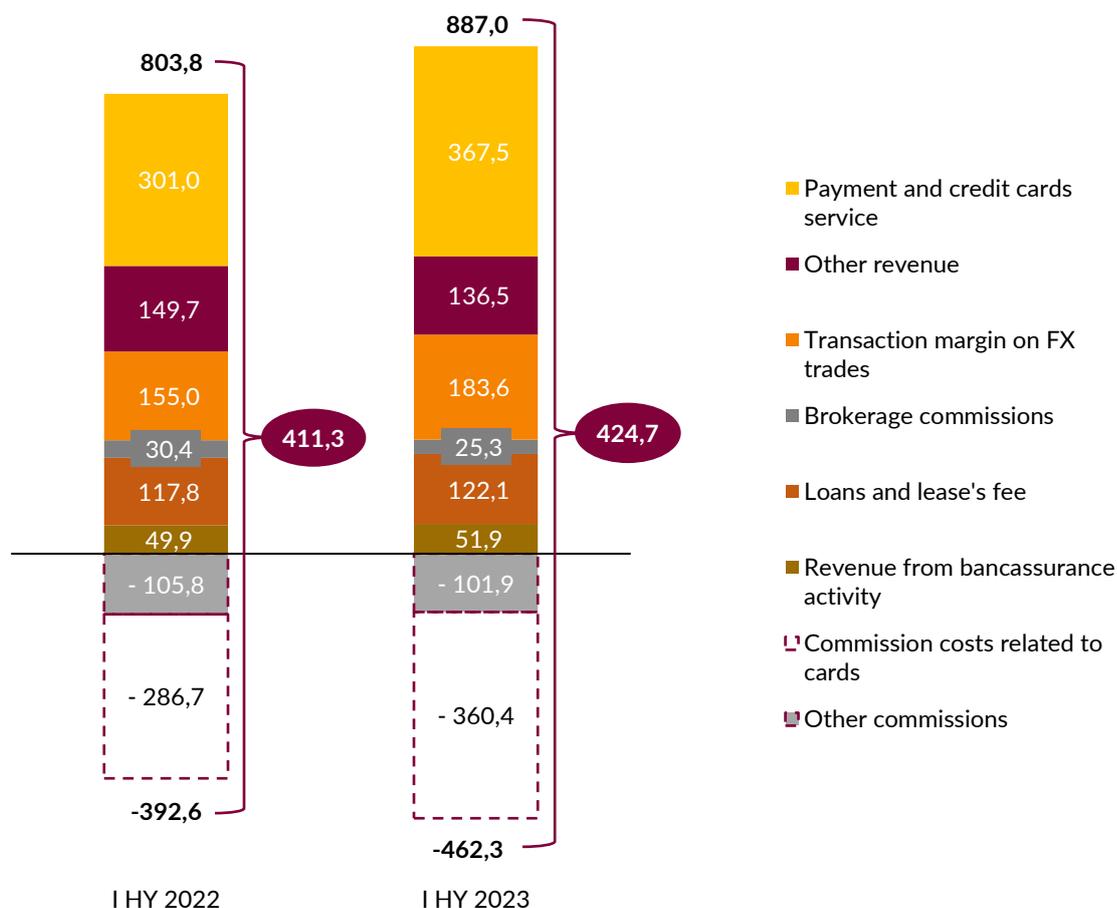
Interest rates used by the Bank, broken down by individual credit products and the average interest rate on deposits, has been presented in the table below:

	01.01.2023 – 30.06.2023	01.01.2023 – 30.06.2023
	(%)	(%)
LOANS		
Retail segment, including:		
<i>Consumer loans</i>	10.76	8.17
<i>Housing loans</i>	7.51	6.48
Business segment, including:		
<i>Investment loans</i>	9.66	6.37
<i>Operating loans</i>	9.89	6.86
DEPOSITS		
Retail segment, including:		
<i>Current deposits</i>	1.38	0.55
<i>Term deposits</i>	5.55	1.52
Business segment, including:		
<i>Current deposits</i>	1.10	0.40
<i>Term deposits</i>	5.85	2.18

The result on fees and commissions in H1 2023 increased by 3.3% compared to H1 2022, to PLN 424.7 million. This result was comprised of PLN 887 million in commission income (an increase compared to H1 2022 by 10.3%) and PLN 462.3 million in commission expenses (an increase compared to the same period of 2022 by 17.8%).

The principal component of fee and commission income comprises commissions related to payment and credit card processing, which amounted to PLN 367.5 million in H1 2023, being an increase of 22.1% compared with H1 2022. Yet another important component of net fee and commission income, that recorded a strong increase in the period under review in 2023, was commissions on foreign exchange (fx) transactions, which increased by 18.5% compared to H1 2022, reaching PLN 183.6 million. The positive trend related to the increase in commission income on loans and leasing activities, which increased in the reporting period to PLN 122.1 million, i.e. by 3.7% compared to H1 2022, was also continued. In view of commission expenses, there was a significant increase in card-related costs (costs of card and ATM transactions, including the costs of issued cards) from PLN 286.7 million in H1 2022 to PLN 360.4 million in the same period of 2023, i.e. by 25.7%. Other commission costs (comprising i.a. commissions paid to agents, insurance of banking products, commissions for providing ATMs and brokerage commissions) dropped by PLN 3.9 million to PLN 101.9 million.

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



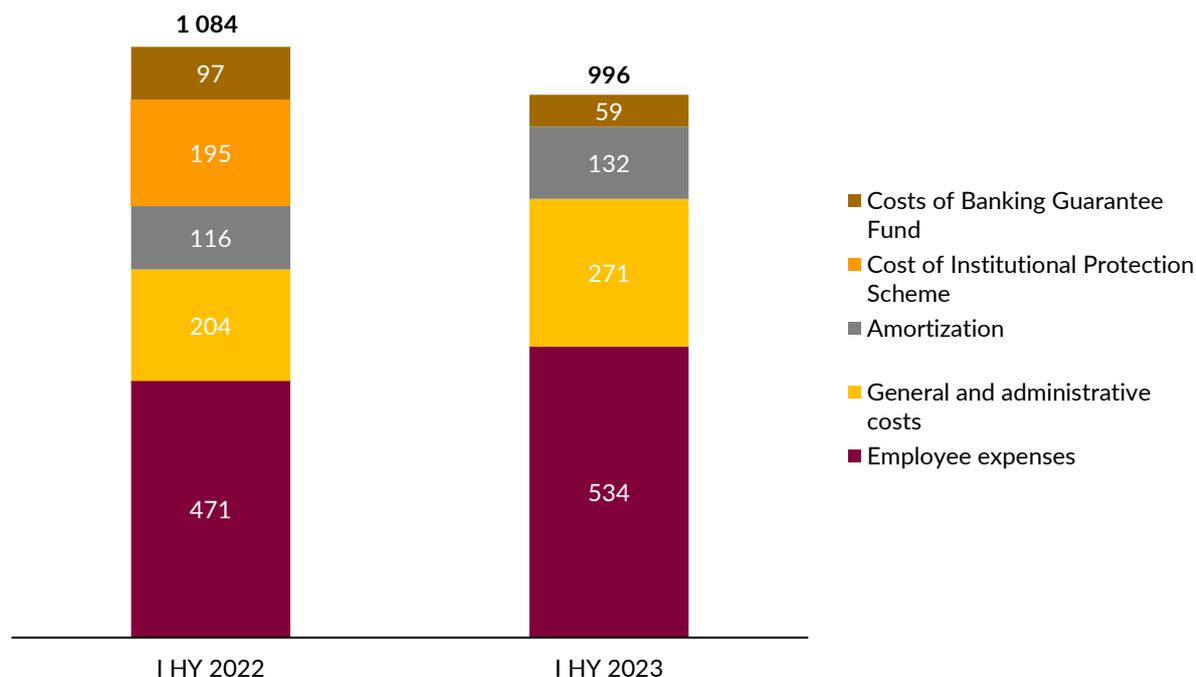
Net income on the Bank's other operations (the total of the following income statement items: dividend income, net income on instruments measured at fair value through profit or loss and net foreign exchange income, net income on de-recognition of assets and liabilities not measured at fair value through profit or loss, and net income on other operating income and expenses) amounted to PLN 26.1 million in the analysed period of 2023 compared to PLN 47.6 million in H1 2022. The deterioration of the net income on other Bank operations in the period under review in 2023 was primarily attributable to the lower earned income on instruments measured at fair value through profit or loss and the net income on foreign exchange items, which decreased from PLN 33.9 million in H1 2022 to PLN 19.6 million in the same period of 2023.

In H1 2023, operating expenses amounted to PLN 996 million and were lower than operating expenses incurred in H1 2022 by PLN 88 million, i.e. by 8.1%. The decrease in costs was influenced most strongly by the lack of a contribution to the Commercial Bank Protection Scheme in H1 2023, whereas in the same period last year, the cost of accession generated a contribution of PLN 195 million.

Personnel costs in the analysed period increased by 13.3% from PLN 471 million to PLN 534 million, which was the result of a general increase in prices in the economy, which contributed to an increase in wage pressure. General and administrative expenses, adjusted by Bank Guarantee Fund expenses, payment to the Commercial Bank Protection Scheme and the Borrower Support Fund (but including taxes and levies), amounted to PLN 271 million in H1 2023 and were 32.8 % higher than expenses borne in the same period of the previous year. The rise in general and administrative expenses was driven by, among other things, higher rent and building

maintenance expenses by PLN 16.8 million, higher IT expenses by PLN 10.7 million, as well as by higher training expenses by PLN 3.8 million. The category of other expenses grew by PLN 32.9 million in the period under review, reaching PLN 55.2 million. The decline in expenses in H1 2023, coupled with the improving income, resulted in a cost/income ratio of 36.7%, marking an improvement in this ratio by 10.6 p.p. compared to H1 2022, where the ratio was 47.3%.

Operating expenses (in PLN million) – consolidated data



Net expected credit losses

Net expected credit losses amounted to PLN -394.8 million in H1 2023, compared to PLN -438.5 million in H1 2022, which is a 10.0% improvement. The CoR (cost of risk) ratio in the reporting period was 1.28%. For comparison, the CoR ratio in H1 2022 was 1.39%.

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

	01.01.2022 - 31.12.2022	01.01.2021 - 31.12.2021	Change y/y (%)
Expected credit losses Stage 3	-512 491	-485 892	5,5%
retail customers	-281 982	-218 998	28,8%
business customers	-230 509	-266 894	-13,6%
Expected credit losses 1 and 2 (ECL)	28 458	-14 336	-
Stage 2	50 473	-24 615	-
retail customers	24 536	-32 108	-

business customers	25 937	7 493	246,1%
Stage 1	-22 015	10 279	-
retail customers	-10 728	8 186	-
business customers	-11 287	2 093	-
POCI	-58 295	-3 128	1763,7%
Recoveries from off-balance sheet	89 661	56 641	58,3%
Investment securities	7 065	387	1725,6%
Off-balance provisions	50 789	7 835	548,2%
Net expected credit losses	-394 813	-438 493	-10,0%

Net impairment charges on non-financial assets

Net impairment charges on non-financial assets amounted to PLN -3.2 million in the first half of 2023.

Balance Sheet

As at 30 June 2023, the balance sheet total of the Alior Bank Capital Group reached the value of PLN 83.5 billion and was PLN 0.7 billion (by 0.8%) higher than at the end of December 2022. The largest asset component is receivables from customers of the Alior Bank Capital Group (PLN 58.4 billion). Their share in the balance sheet total as at the end of H1 2023 was 69.9%, i.e. it increased by 0.4 percentage points compared to the end of December 2022. The second largest asset item as at 30 June 2023 were financial investment assets, which amount to PLN 17.2 billion and represent 20.6% of all assets (compared to PLN 17.0 billion and a 20.5% share in assets as at the end of December 2022).

The primary source of financing of operations conducted by the Alior Bank Capital Group are funds deposited by customers in the Bank by customers. As at the end of June 2023, amounts due to customers totalled PLN 70.7 billion, i.e., 84.7% of the Bank's consolidated balance sheet total. Amounts due to customers decreased by PLN 0.1 billion (0.1%) compared to the end of December 2022. The second largest source of financing, i.e. equity, amounted to PLN 7.7 billion as at the end of June 2023 and accounted for 9.2% of the balance sheet total of the Bank.

In the structure of amounts due to customers, the main item was amounts due to the retail segment, which as at the end of June 2023 accounted for 69.8% of the customer deposit portfolio. Compared to the status as at 31 December 2022, this share decreased by 2.4 p.p.

The tables below present detailed items of assets, liabilities and equity as at 30 June 2023 along with comparable data.

ASSETS	30.06.2023	31.12.2022	Change	Change
			(in PLN '000)	(%)
Cash and cash equivalents	3 167 601	2 584 143	583 458	22,6%
Amounts due from banks	1 452 772	2 373 663	-920 891	-38,8%
Investment financial assets:	17 203 728	17 015 100	188 628	1,1%

measured at fair value through other comprehensive income	12 534 412	9 895 998	2 638 414	26,7%
measured at fair value through profit or loss	443 725	437 260	6 465	1,5%
measured at amortized cost	4 225 591	6 681 842	-2 456 251	-36,8%
Derivative hedging instruments	260 544	178 139	82 405	46,3%
Loans and advances to customers	58 390 232	57 609 876	780 356	1,4%
Assets pledged as collateral	46 530	40 992	5 538	13,5%
Property, plant and equipment	712 885	744 443	-31 558	-4,2%
Intangible assets	388 363	391 058	-2 695	-0,7%
Non-current assets held for sale	0	1 611	-1 611	-
Income tax asset	1 188 923	1 417 183	-228 260	-16,1%
current income tax asset	1 955	1 205	750	62,2%
deferred income tax asset	1 186 968	1 415 978	-229 010	-16,2%
Other assets	715 910	520 964	194 946	37,4%
TOTAL ASSETS	83 527 488	82 877 172	650 316	0,8%

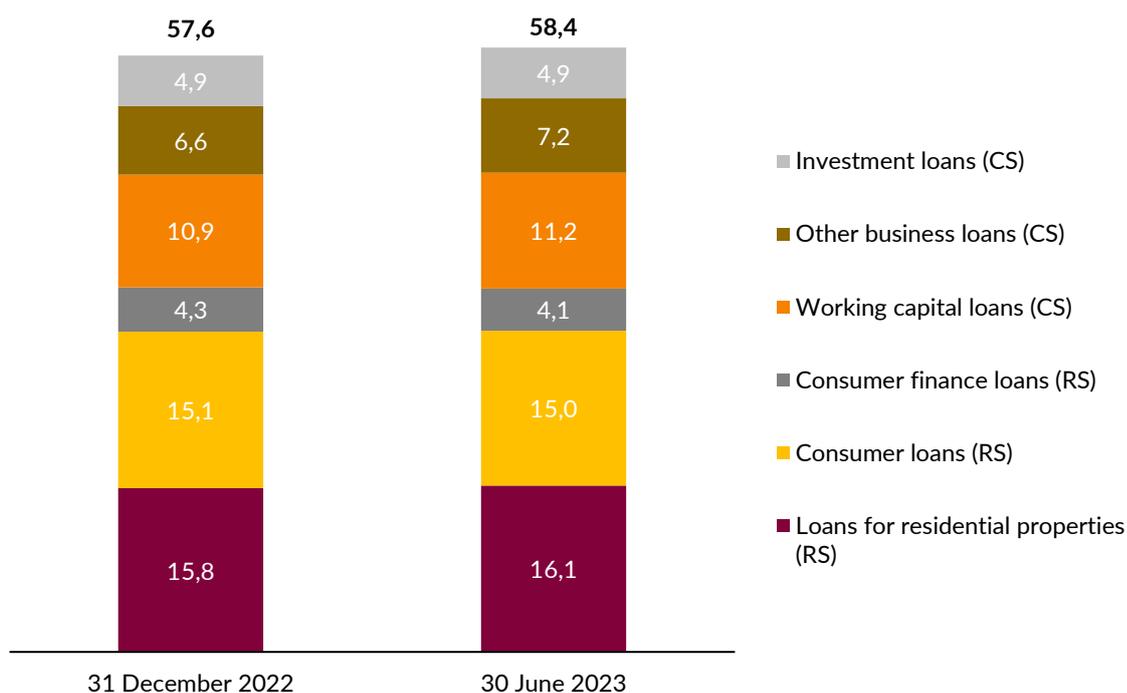
LIABILITIES AND EQUITY	30.06.2023	31.12.2022	Change	Change
			(in PLN '000)	(%)
Amounts due to banks	229 922	270 431	-40 509	-15,0%
Amounts due to customers	70 706 437	70 776 809	-70 372	-0,1%
Financial liabilities	251 975	255 994	-4 019	-1,6%
Derivative hedging instruments	1 083 976	1 678 933	-594 957	-35,4%
Provisions	228 891	267 947	-39 056	-14,6%
Other liabilities	2 017 029	2 044 232	-27 203	-1,3%
Income tax liabilities	161 158	249 086	-87 928	-35,3%
current income tax liabilities	159 054	246 997	-87 943	-35,6%
deferred income tax liabilities	2 104	2 089	15	0,7%
Subordinated liabilities	1 162 717	1 163 875	-1 158	-0,1%
Total liabilities	75 842 105	76 707 307	-865 202	-1,1%
Share capital	1 305 540	1 305 540	0	0,0%
Supplementary capital	6 026 336	5 407 101	619 235	11,5%
Revaluation reserve	-696 488	-1 339 433	642 945	-48,0%
Other reserves	161 792	161 792	0	0,0%
Foreign currency translation differences	1 368	283	1 085	383,4%
Accumulated losses	14 984	-48 529	63 513	-130,9%
Profit for the period	871 851	683 111	188 740	27,6%
Equity	7 685 383	6 169 865	1 515 518	24,6%
TOTAL LIABILITIES AND EQUITY	83 527 488	82 877 172	650 316	0,8%

Loans granted in the retail segment (RC – Retail Customer) were consumer loans, mortgage loans (for housing purposes), and Consumer Finance. Their total net volume amounted to PLN 35.1 billion as at 30 June 2023 (a 0.4% decrease compared to the end of 2022). In H1 2023, the balance of mortgage loans increased (by 1.5% compared to 31 December 2022). There was a drop of 5.6% in the balance of Consumer Finance loans; on the other hand, consumer loans suffered a drop of 1.0% compared to the net volume at the end of 2022 and reached a net volume of 15.0 billion.

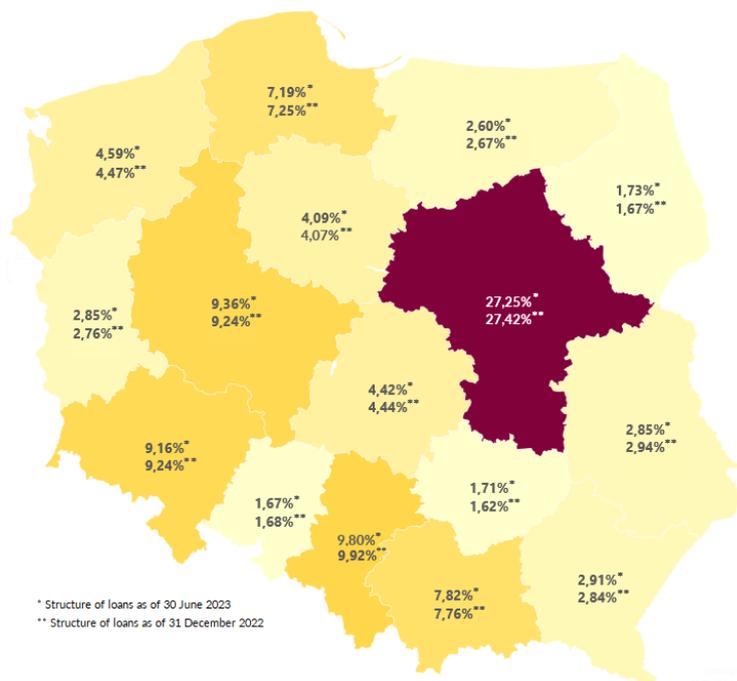
Operating loans for enterprises, the value of which at the end of June 2023 amounted to PLN 11.2 billion (3.2% increase since the end of the prior year) were the most significant component of the business segment credit portfolio (BC – Business Customer), representing 48.1% of its value. Investment loans for business customers accounted for 21.0% in the structure of the portfolio of business customers as at 30 June 2023, which means that their share dropped by 0.8 percentage points. Other loans offered to business customers increased by PLN 0.6 billion in terms of volume, and their share in the structure of the business customer portfolio was 30.8%. The value of net loans granted as part of the business segment amounted to PLN 23.3 billion as at 30 June 2023 and was 4.2% higher than at the end of 2022.

The total net value of the Bank's loan portfolio amounted to PLN 58.4 billion at the end of June 2023, compared to PLN 57.6 billion at the end of 2022.

Receivables from customers (in PLN billion)



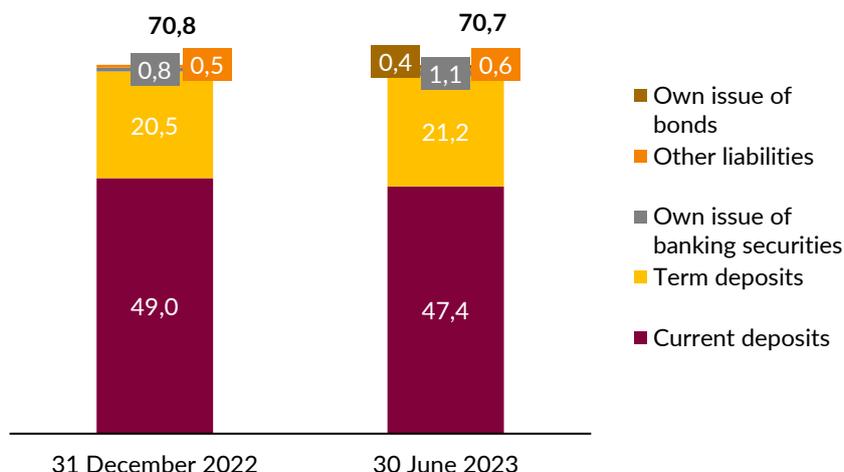
Territorial structure of receivables from customers as at 30 June 2023 and 31 December 2022



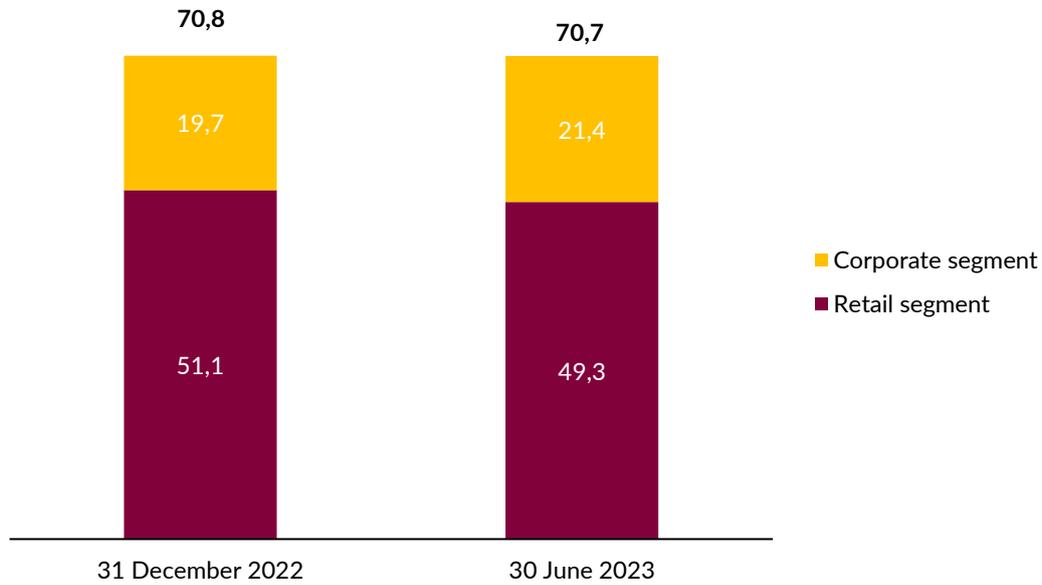
Current deposits are the main component of amounts due to customers. They accounted for 67.1% of all amounts due to customers as at the end of 2023 (down by 2.2 p.p. compared to the share as at the end of the year 2022). Term deposits were the second largest item of amounts due to customers, which accounted for 30.0% of all amounts due to customers as at the end of June 2023 (up in the share by 1.1 p.p. compared to the end of 2022). The remaining 3.0% of the amounts due to customers item consisted of funds raised through the issue of bank securities, the issue of own bonds, and other liabilities.

As at June 30, 2023, the recoverable amount of the collateral established on accounts and assets of borrowers under Alior Bank amounted to PLN 23 380 million (including retail customers: 8 949 and business customers: 14 431).

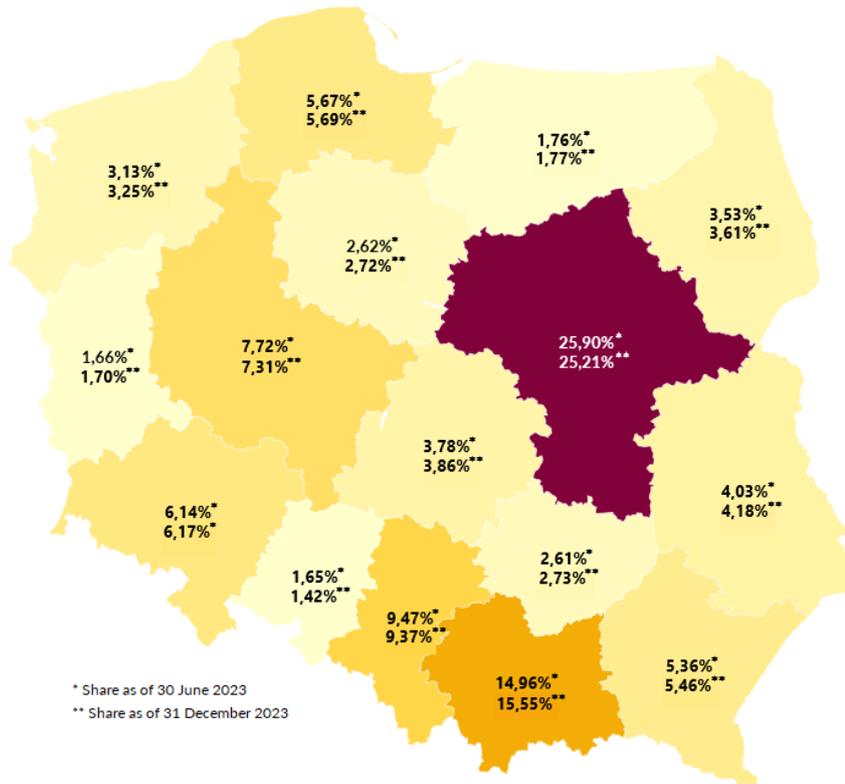
Structure of amounts due to customers (in PLN billion)



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



Territorial structure of deposits as at 30 June 2023 and 31 December 2022



* Share as of 30 June 2023
 ** Share as of 31 December 2022



Contingent liabilities

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

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

Guarantees are presented in the guarantee position, which constitute a collateral for the fulfilment of the Bank's customers' obligations towards third parties. The guarantee values reflect the maximum possible loss that would be disclosed on the

balance sheet date if all customers did not satisfy their obligations.

As at 30 June 2023, Alior Bank granted 952 active guarantees for a total amount of PLN 756,879,000. As at 31 December 2022, this number amounted to 968 for a total amount of PLN 646,520,000.

The Bank makes sure that the time structure of the guarantees is appropriate. Active guarantees with less than two years to maturity (748 items) amounted to PLN 466,455,000.

The total value of off-balance-sheet contingent liabilities granted to customers as at 30 June 2023 amounted to PLN 11,249,780,000. This amount consisted of PLN 10,537,901,000 off-balance-sheet contingent liabilities related to financing and PLN 756,879,000 off-balance-sheet guarantee contingent liabilities.

The total value of off-balance-sheet contingent liabilities granted to customers as at 31 December 2022 amounted to PLN 10,204,376,000. This amount consisted of PLN 9,557,856,000 off-balance-sheet contingent liabilities related to financing and PLN 646,520,000 off-balance-sheet guarantee contingent liabilities.

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

Off-balance-sheet contingent liabilities granted to customers	30.06.2023	31.12.2022
Off-balance-sheet liabilities granted	11 294 780	10 204 376
Financing	10 537 901	9 557 856
Guarantee	756 879	646 520

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

Breakdown by entity	30.06.2023	31.12.2022
Entity 1	50 000	64 482
Entity 2	50 000	50 000
Entity 3	48 339	39 829

Entity 4	37 276	36 653
Entity 5	36 900	35 994
Entity 6	36 283	34 935
Entity 7	35 547	28 683
Entity 8	32 000	23 254
Entity 9	30 000	18 269
Entity 10	20 000	15 496
Other	380 534	298 925

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

Broken down by product	30.06.2023	31.12.2022
Lines of credit	10 435 274	9 528 243
Import letters of credit	154	3 623
Credit commitments	102 473	25 990
Guarantees	756 879	646 520
Total	11 294 780	10 204 376

Financial projections

Alior Bank did not publish any projections of financial results.



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

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

- the scale of demand reported for banking services by customers,
- the ability of customers to repay their financial obligations on time,
- the general macroeconomic situation of the country as determined by key indicators, such as: inflation, unemployment rate, GDP growth rate,
- the Monetary Policy Council policy on interest rates,

- geopolitical events, in particular the on-going armed conflict in Ukraine,
- growth of banking services offered by non-regulated entities,
- progressing consolidation and restructuring processes in the banking sector,
- potential decisions of the Court of Justice of the European Union, the Supreme Court or other state institutions, in particular in the case of foreign currency loans,
- regulatory changes, in particular regarding the extension of the “credit holidays” to 2024 and a possible additional contribution to the Borrower Support Fund in 2023,
- reform of the reference ratio, i.e. replacing WIBOR with WIRON.

IV. Business activities of Alior Bank



Activities pursued by Alior Bank

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

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

We have segmented the market as follows:



Detailed information on the Bank's business segments is presented in the Interim condensed consolidated financial statements of the Alior Bank SA Capital Group for the 6-month period ended 30 June 2023 (Note No. 3).



Retail segment

In June 2023, we served 4.1 million retail customers.

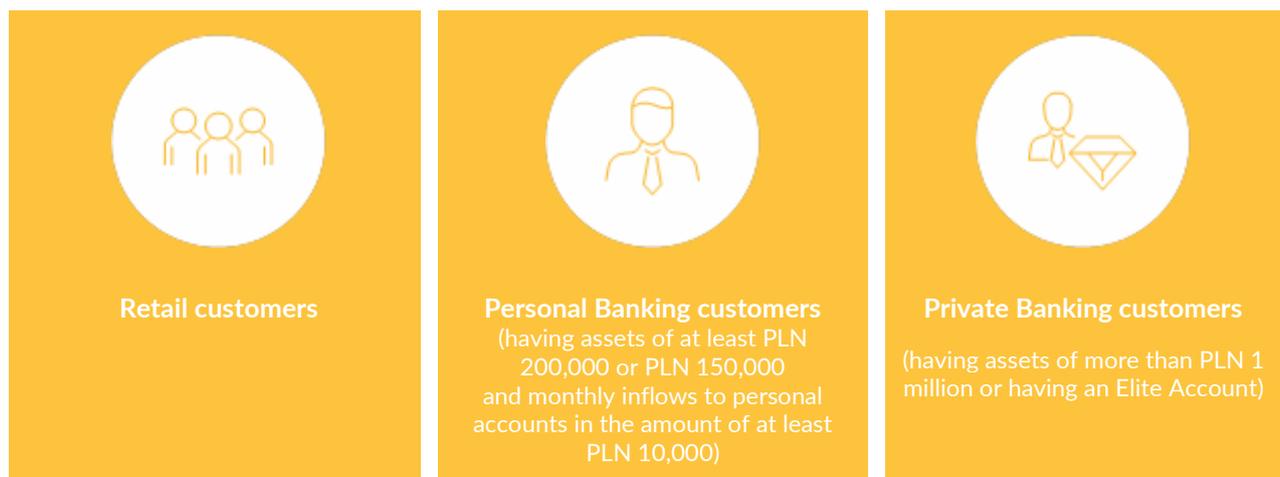
The Bank has a modern behavioural segmentation in place, describing the portfolio of two groups of retail customers:

- actively using our banking services,
- financing their instalment purchase thanks to us (but Alior Bank is not a first-choice bank for them).

In addition to segmentation, the Bank identifies the so-called groups of “life style” customers based on the analysis of their transactionality and shopping baskets. They talk about the values, expectations, attitudes and service and product needs of specific customer groups.

Segmentations make it possible to customise appropriate communication, contact channels, product packages and personalised Value Added Services. They complement traditional functionalities of products and services offered by the Bank. Segmentation allows us to enhance the quality and effectiveness of sales communication aimed at Consumer Finance customers and offer instalment customers other professional banking products.

In addition to behavioural segmentation, we distinguish the following operating segments among our retail customers:



Cash Loans

A cash loan is the main product for retail customers, with its comprehensive availability in the following distribution channels: own branches, partner outlets, telephone sales, online and mobile sales, and online and offline brokers. Cash loans may be spent for any purpose or for the repayment of financial liabilities (consolidation loan).

In H1 2023, the Bank gradually adjusted the loan price offer, by ensuring not only its profitability but also competitiveness in relation to other market offers. As last year, fixed-rate products continued to be the most popular, giving consumers the comfort of predictability of costs associated with their loan agreements.

Responding to market demand, the Bank mainly offered fixed-rate products; however, customers still had the option of choosing variable-rate offerings.

Until May 2023, we offered the innovative " *Kredyt Odroczony* [Deferred Loan] offer, which was made available last year, whereby the customer repaid the first instalment three months after the conclusion of the agreement. In addition, this offer was also presented in the multi-channel marketing campaign at the beginning of the year. It was a proposal resulting from customers' demand for products that allow them to "wait out" the period of high interest rates and thus high interest costs of the loan.

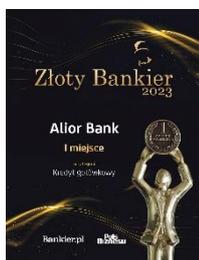
In May 2023, we launched a TV marketing campaign for the "Fixed Instalment Loan" offer. This offer is in high demand, so we get many new customers.

In parallel the Bank laid its focus on offers available online. We continue to sell the "Resignation" offer for those who did not complete the loan application process. For customers using mobile banking can take advantage of the dedicated Mobile Loan offer.

To address the needs of customers using online and mobile banking, customers who initiated the application via these channels can take advantage of an attractive – in terms of price – "Birthday Loan".

Also noteworthy is the fact that the Bank's flagship offer "Fixed Instalment Loan" is available in Alior Online and Alior Mobile banking in a full, efficient remote process. In H1 2023, the Bank generated more than 40% higher online loan sales compared to the previous six months.

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



Our actions (similarly as in 2022) were assessed positively by market experts who in June 2023 gave us the first award for the best range of cash loans in the 14th edition of the prestigious "Golden Banker" competition. The award was granted after an analysis of both price parameters and product functionalities, taking into account various customer profiles.

Alior Pay

Alior Pay

Last December, we were the first financial institution in Poland to propose a deferred payment service for already done transactions. The service operates within the credit limit and allows refinancing of already done payments. The new product – Alior Pay Overdraft Facility is part of the Alior Pay ecosystem, in which we will provide customers not only with payment services, but also with multiple benefits.

The product makes it possible to defer and spread out into instalments debit transactions that have already been made within the Alior Bank personal account. It gives the option to defer non-cash transactions, e.g. card payments, by BLIK, made not only in online stores but also in brick-and-mortar stores. Furthermore, it is possible to defer standing orders or transfers, e.g. for electricity or telephone bills, as well as cash withdrawals from ATMs. The conditions for using the service include but are not limited to having a checking and savings account at Alior Bank and the Alior Mobile application. The Bank may grant the Alior Pay Overdraft Facility up to PLN 3,000. Within this overdraft facility, customers can defer the transaction for 30 days for free and spend the

very same money another time. Repayment of the transaction is of great convenience because it takes place automatically from the current account in full amount (after the deferral period) or in 11 instalments.

Alior Pay is gradually improved and made available to an ever wider group of customers.

Alior Pay's innovative service has been nominated 6 times to receive awards in competitions: Banking Forum, World Digital Bank Awards, FinTech & InsurTech Awards, Map of Polish Fintech Cashless.pl, PayTech Awards.



Banking and Insurance Forum

The most Innovative Bank
For Alior Pay in Mobile App

Alior Pay has been recognized by the competition chapters and has already received 3 awards this year:

- *Best Fintech 2023 project*
- *Best Mobile Banking App - award for unique innovative services including: Alior Pay*
- *Most Innovative Bank 2023 - implementation of the unique Alior Pay service*



**WORLD
DIGITAL BANK
AWARDS 2023**

Best Mobile Banking App



Credit Cards

A credit card with an overdraft facility for any purpose is a product for retail customers available in on-site, telephone and Internet distribution channels.

We offer credit cards with an overdraft facility in the payment account from PLN 500 to PLN 80,000, and for the World Elite Card from PLN 30,000 to PLN 200,000.

In 2023, we continued to promote the following credit cards: MasterCard OK! and MasterCard *TU i TAM* [HERE and THERE]. Their main benefit is the refund for payments:

- MasterCard OK! in selected retail and service outlets (universal credit card offer),
- MasterCard *TU i TAM* – accrued for transactions in a currency other than PLN.

In addition, the MasterCard *TU i TAM* credit card provides access to favourable currency exchange terms, i.e. settlement in more than 150 currencies.

Private Banking customers, on the other hand, are offered the World Elite card and the associated e.g. package of concierge services package (the assistance of a specialised helpline), travel insurance and a Priority Pass – ability to use airport lounge services.

The possibility of making contactless credit card payments with Apple Pay, Google Pay™, Garmin Pay, Fitbit Pay™, SwatchPAY! or Xiaomi Pay is also a great convenience for cardholders. In addition, we have enabled customers to activate their credit card for mobile payments by tokenizing the card “on the go”, that is, immediately after ordering the card and even before receiving its plastic.

The Bank offers credit cards in close cooperation with its key partner, the Mastercard payment system, which offers customers the very attractive Priceless Specials loyalty programme. Management of the Mastercard Priceless Specials programme for customer convenience is available from the Bank's mobile application, and enrolment in the programme itself is available at Alior Mobile, Alior Online and Bank outlets.

Customers were also able to take advantage of additional promotions under the Mastercard Priceless Specials Programme, which are combinable:

- “Starting prize in the MasterCard Programme for Alior Bank cards” and get an additional 20,000 points for the credit card in the programme, the promotion ran from 28.09.2022 to 23.01.2023, the second edition from 15.02.2023 to 13.04.2023.
- “Points to start with”, the promotion ran from 15.02.2023 to 02.05.2023,
- Implementation of additional PUSH communication in Alior Mobile so-called real time as part of CRM campaign for new instalment plans.

In cooperation with MasterCard, this year we also maintained communicate the #EKO rewards under the Mastercard® Priceless® Specials Programme. Another “green” offer is the promotional credit card benefit “Refund for eco-purchases made with a Credit Card – 2nd edition”.

In 2023, we also continued the development of credit card sales in electronic and mobile banking (Alior Online and Mobile). Customers in these channels receive personalized limit offers and can take advantage of the "extra PLN 150 with a credit card per click" promotion. Within these platforms, it is also possible to run an installment plan using your credit card. In other channels, we also enable the activation of additional cash (installment plan), both for a newly issued credit card and for a card that the customer already has."



Overdraft Facilities

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

We offer overdraft facilities for an amount from PLN 500 up to PLN 150,000.

When promoting *Konto Jakże Osobiste* [Highly Personal Account], we offer customers to activate benefits assigned to that account (10 days without interest for limits up to PLN 1,000). Additionally, individuals opening such an account was offered a limit of up to PLN 1,000 without a commission for its activation - the promotion ended at the end of February 2023. At the same time, we continued to develop the sale of overdraft facility in electronic and mobile banking, where customers receive personalised offers at an attractive price of PLN 0 for activating the facility.

From March to the end of May, two new promotions for individual customers “Spring”, i.e. reduced interest rates of 15% have been implemented. Meanwhile, in electronic and mobile banking, there is a “2-in-1” promotion, i.e. a reduced interest rate of 15% and no limit fee. In June, the promotions were extended for another two months under the names “Summer” and “2-in-1 second edition”.

Mortgage loans

In H1 2023, lending picked up noticeably after a difficult 2022, which saw historic declines in the mortgage market.

The market's recovery has been influenced, among other things, by a reduction in the buffer used to examine the creditworthiness of potential borrowers from 5% to 2.5% for loans based on a periodically fixed interest rate. An additional element is certainly the stabilization of the National Bank of Poland interest rates, which

have been at unchanged levels since September 2022, which in turn has had the effect of stabilizing the WIBOR reference rate and not causing further increases in lending rates.

The Bank took advantage of the market recovery and achieved an increase in mortgage sales in the individual customer segment. This result was the consequence of an optimized pricing policy and the further enhancement of the PLN offering in markets with the greatest sales potential, as well as the expansion of offers for customers financing a housing project in Poland's largest cities, extending the special price offer to new locations: Poznań, Wrocław, Łódź and Tricity.

The Bank offered mortgage loans in both variable rate and periodically fixed rate variants. As far as the structure of sales is concerned, the share of the periodically fixed rate reached a level of 33%.

In parallel, the Bank continued to make changes in system and process areas to streamline the mortgage process.

The above measures have increased the Bank's market share in mortgage sales. In the five months of 2023, it stood at 5.34%.

In Q2 2023, the Bank worked intensively on its variable-rate loan offerings based on the new WIRON benchmark index, as well as the implementation of the government's First Housing and 2 Percent Safe Loan programmes.

Savings Accounts

One of the basic acquisition products in the area of savings in the first half of 2023 was Konto Mega Oszczędnościowe [Mega Savings Account]. The Bank continued to acquire deposit volumes by introducing subsequent editions of this offer. The customers, upon depositing new funds and meeting the conditions set out in the regulations, obtained a promotional interest rate. Holders of these accounts are able to make flexible saving, with the option of free and unlimited transfers via online and mobile banking to their personal account at Alior Bank.

Furthermore, customers with Konto Jakże Osobiste [Highly Personal Account] could activate a benefit in the form of a higher interest rate on a savings account.

The offer of savings accounts was supplemented by the *Rodzina 500+* [500+ Family] variant, intended for customers who have applied for this childcare benefit via online banking or a transfer of this *Rodzina 500+* benefit has been credited on their personal account in Alior Bank. The increased interest rate under this offer is valid for 12 months from the date of activation of the promotion.



Term Deposits

In the first half of 2023, to retail customers we offered term deposits with fixed interest rates in PLN, USD and EUR. Customers may choose the optimal savings period and open a deposit in a selected distribution channel (including Alior Online and Alior Mobile). There was a lot of interest from customers, especially in deposits for new funds in PLN. Continuing our efforts to digitize customers, we offered a mobile deposit available exclusively on Alior Mobile for new users of the app.

Current and savings accounts

The flagship personal account in the Bank's offerings is the Highly Personal Account. The Highly Personal Account offer was distinguished by market experts and was placed this year (June 2023) on the podium (second place) in the ranking of the "Golden Banker" plebiscite organized by Puls Biznesu and the bankier.pl portal, in the "Personal Account" category.

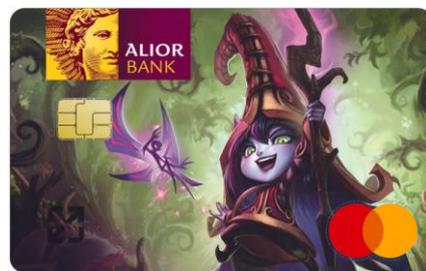


There are 11 benefits (including free ATM withdrawals domestically or internationally, reimbursement for mobile payments, and a package of free instant transfers) available as part of the Highly Personal Account offer, from which customers can create their own unique account by tailoring services to their needs.

The Highly Personal Account is available in several variants targeting different segments, including a standard one aimed at the mass customer; The Highly Personal Account - for Premium customers who

invest assets in excess of PLN 100,000 in the Bank; Highly Personal Account for Youth - addressed to teenagers aged 13-18; Highly Personal Account for Gamers - with Mastercard debit card with the image of Ashe from the game League of Legends designed for customers who are fans of computer games.

In June 2023, the range of debit cards issued to the Highly Personal Account for Gamers was expanded with a new image - a debit card with an image of Lulu from the game League of Legends.



In H1 2023, sales of the Highly Personal Account were supported by two media marketing campaigns (television, movie theatres, social media) promoting the account's functionalities available in the Alior Mobile application and the holiday offer.



The range of current and savings account products is complemented by the Elite Account (for Private Banking customers), Online Account, Primary Payment Account, and Currency Account (kept in four primary currencies: USD, EUR, CHF, GBP). Currency accounts holders can also use the multi-currency service which enables them to link their currency accounts kept in USD, EUR, GBP to their debit card issued for *Konto Jakże Osobiste* [Highly Personal Account] or *Konto Elitarne* [Elite Account].

Transaction Services

The Bank offers a wide range of transaction services. In the Alior Online mobile app, we offer innovative mobile payment methods (BLIK, Contactless BLIK, Android Pay and Apple Pay), and smartwatch payments (Fitbit Pay, Garmin Pay, Swatch PAY!).

Foreign Exchange Transactions

Our outlets offer currency conversion services for currencies such as PLN, EUR, USD, GBP and CHF. You can use them via online banking, when making foreign transfers or card transactions abroad. We also offer the possibility of using the dedicated Autodealing transaction platform.

In addition, customers have access to the *Kantor Walutowy* [Currency Exchange] online platform on a 24/7 basis. Currency accounts are free, and the platform offers an exchange of as many as 23 currencies. Customers can use a multi-currency card that supports physical and online payments in nearly 160 currencies (without additional conversion costs). Foreign currency account holders and those who have entered into a treasury master agreement may exchange currency with a dedicated Currency Dealer at the Treasury Department.

Customers with a debit card issued to *Konto Jakże Osobiste* [Highly Personal Account] may additionally use multi-currency service which enables them to link their currency accounts (kept in USD, EUR, GBP) to their debit card and the ability to make card payments (without any additional conversion costs).

Bancassurance products

In H1 2023, the dominant role in the bancassurance area was played by insurance from the PZU Group's offer related to loans and mortgage loans. Protective insurance linked to loans and mortgages accounts for the largest share of gross premiums.

In January 2023, the Bank, together with PZU Życie SA, implemented a new mortgage-linked insurance designed for customers taking advantage of attractive offers for customers financing a housing project in Poland's largest cities. As a result, the Bank expanded its available insurance offerings, which was also reflected in higher premiums written.

As of March 2023, premium volume on investment-savings insurance has been increasing month by month. Here, the "Safe Tomorrow" product from PZU Życie SA (launched in August 2022) continues to account for a larger share of the premium written. The increase in premiums written from investment and savings insurance in January-May 2023 positively influenced the growth in premiums written for PZU Życie SA. in the bancassurance area.

As regards stand-alone insurance, we were still developing the sale of products in digital channels from the PZU Group offer. These primarily include motor insurance and travel insurance, which customers can use through online and mobile banking. Sales of these insurance products were supported by marketing campaigns based on promotions and discounts, which translated into increases in premium volumes. The sale of policies purchased online is a strategic direction for the development of bancassurance offerings.

At the Bank, the dominant model for insurance sales is the individual model, in which the Bank acts as an insurance distributor and receives remuneration for this. The group model, under which the Bank stands as the policyholder, is used for free products for the customer as supplementation of the parameters to improve the parameters of the respective banking product.





Retail segment areas

Consumer Finance

In H1 2023, we realized sales of instalment loans in line with targets.

An important role in the sales area of instalment loans in the network of small and medium-sized Business Partners was played by the sale of high-value loans for the purchase of eco-industry assortments.

In February 2023, we implemented changes related to the Clean Air Programme. We made changes to the application process for instalment loans under this programme aimed at making the value of individual eligible costs more realistic by raising the maximum grant amounts for individual financed elements, as well as the maximum grant amounts for individual types of projects. The changes affected customers' ability to obtain grants of up to PLN 99,000.

We also undertook a number of optimization activities in both the online and stationary channels to increase competitive advantage in a changing market. Thanks to these measures, the share of loan sales in the online channel has increased by about 10% compared to 2022.



Private Banking

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

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

Private Banking customers are offered an open architecture of investment products and a wide range of lending solutions tailored to their situation and needs.



Brokerage activity

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

The Brokerage House consistently placed great emphasis on technological development in the solutions it offers. In the first half of 2023, business customers received a new investment module in BusinessPro e-banking, and the Alior 4 Trader app was made available in the HUAWEI AppGallery store.

In parallel with technology, the Brokerage House's product offering is being developed. Users of the Alior Trader account can already use three new financial instruments: two CFDs based on the price of the largest cryptocurrencies - Bitcoin (BTC) and Ethereum (ETH), as well as a CFD based on the price of natural gas (NATGAS). The range of available ETF instruments as part of the Foreign Markets service has also expanded by dozens of positions.

The Investment Advice service is also in constant demand, especially among Private Banking clients.

Services offered by the Brokerage House also include units of Polish and foreign investment funds. As at 30 June 2023, Alior Bank cooperated with thirteen Polish and foreign investment fund companies, while providing customers with the service of receiving and transmitting orders to buy or sell participation titles. For non-public closed-end investment funds, the Brokerage House only provided after-sale services.

In H1 2023, the Brokerage House also carried out a number of communication, marketing and educational activities. Among other things, we were the Main Partner of the largest meeting of individual investors in Poland, namely the WallStreet conference, which took place on 26-28 May in Karpacz. In May, in turn, we began cooperation with the Squaber portal, which resulted, among other things, in educational content made available to users on the YouTube channel. We also implemented the "Responsible Investing" campaign, one element of which was a webinar organized in cooperation with the FX MAG portal titled "ESG - does it payoff to be good?".



The last six months have also been full of numerous awards given to Alior Bank Brokerage House's offerings, including: Second place in the rankings for the Best Brokerage Account 2023 prepared by Puls Biznesu



magazine and the Money.pl portal, and first place in the ranking of the Bankier.pl portal assessing the simplicity and speed of opening a brokerage account in the online channel.

Investment Funds

The Brokerage House conducts the distribution the units of 13 Investment Fund Companies, both domestic and foreign. We provide our customers with full access to a wide range of over 550 sub-funds through Private Banking branches as well as using remote distribution channels: the Brokerage House helpline and internet banking system.

The Bank's other branches allow customers to purchase units of sub-funds offered by group entities, namely: Alior TFI and PZU TFI. ALIOR Specialist Open-End Investment Fund has 9 separate sub-funds; as regards PZU TFI, the Bank's customers can purchase units of 15 sub-funds of the Parasolowy Open-End Investment Fund.

The offer includes, but is not limited to, funds oriented towards investments in specific asset groups e.g. debt securities, shares as well as regions of the world e.g. emerging markets, Asia, USA or oriented towards activities related to specific industries e.g. energy, medicine, biotechnology. There are also funds promoting the environmental or social aspect, and investing in accordance with the ESG (Environmental, Social, Governance) principles, within the meaning of Article 8 or Article 9 of Regulation (EU) 2019/2088 of the European Parliament and of the Council of 27 November 2019 on disclosure of information related to sustainable development in the financial services sector (Sustainable Finance Disclosure Regulation "SFDR"). We offer more than 160 sub-funds that meet the "green" criteria laid down in the SFDR.

As of January 2023, Alior TFI's fund offering has been expanded to include a new sub-fund, Alior Responsible, which promotes precisely the environmental and social aspects within the meaning of the SFDR Regulation, by taking these aspects into account in the criteria for selecting deposits and introducing a minimum exposure to financial instruments that have a positive TFI rating in this regard.

In H1 2023, the Brokerage House terminated the distribution agreement, concluded with Rockbridge TFI S.A., for the distribution of Rockbridge Neo Open Investment Fund and Rockbridge Neo Specialized Open Investment Fund (formerly Nationale-Nederlanden funds, formerly Metlife). The last day for the Bank to accept orders and instructions for these funds will be 24 July 2023.

The Brokerage House also acts as an intermediary in concluding agreements by customers with Alior TFI, in terms of maintaining Individual Pension Accounts (IKE) and Individual Retirement Security Accounts (IKZE). A dedicated website is available to increase customer knowledge and awareness of pension products.

Branch of Alior Bank in Romania

This year, the Romanian Branch is continuing its operational activities while analysing strategic options for the coming years. During the transition period, the Branch is focused on maintaining full business continuity, compliance, maintaining security, meeting all regulatory requirements, optimizing the financial plan and nurturing the Bank's customer relationships.

In order to streamline day-to-day operations, the Branch implemented a multi-currency card in April 2023. The multi-currency card allows the Branch's customers to make transactions in multiple currencies in nearly 160 countries around the world. If the customer has a proper foreign currency account, card transactions are settled without currency conversion. No other Romanian bank offers a multi-currency card based on the DCM mechanism. One competitor of the Branch in this area is Revolut.

In parallel, the Branch continues to work on a regulatory project related to the upgrade of the national clearing system ReGIS (SORBNET). The changes being implemented will bring the settlement process in line with the ISO 20022 standards required by SWIFT.

Following the restructuring of the workforce that took place last year, the Branch now has 72 employees.



Business segment

Enterprise development is one of the three main pillars of the strategy “Your Bank of everyday life, your Bank for the future”.

In serving business customers, we focus on new advanced technologies, an efficient and fast lending process and long-term relationships.

We focus on the most profitable activities that have a positive impact on the risk profile and enable us to build the Alior Bank’s profitability in a safe and stable manner.

Higher segment: small, medium-sized enterprises and corporations

As of the end of June 2023, we served 14,400 small and medium-sized enterprises with a basic account in with a total credit balance of PLN 5.6 billion , and nearly 1,500 corporate companies with a basic account with a total credit balance of PLN 7.9 billion.

In H1 2023:

- assets on the portfolio of small- and medium-sized companies and corporate companies increased by 3%,
- assets in regular service grew by 4.7%,
- limits on new sales increased by 32% y/y while reducing the NPL ratio by 4.5 pp y/y.

Lower segment: micro businesses

As at the end of June 2023, the provided services to more than 160 thousand micro-enterprises with a total credit exposure of PLN 5.3 billion. In H1 2023, the value of new credit limits amounted to PLN 742 million.

Technology, process automation, remote service

Online Banking System

Since September 2022, in cooperation with Comarch S.A., we have been working intensively on the implementation of new digital banking for businesses - Alior Business and Alior Business Mobile. Its implementation is scheduled for 2023 - 2025. The Alior Business system will replace BusinessPro online banking, which is currently used mainly by small and medium-sized enterprises and corporations.

The new online banking for business customers will be based on four pillars: a self-service module, a native mobile application, a modern online banking service and integrated ERP tools. The goal is to create a comprehensive, multi-channel and flexible ecosystem that will provide entrepreneurs with professional support to build and grow their businesses.



BankConnect

In the area of transaction banking, we are experiencing rapid growth in sales of the BankConnect service. At the end of June 2023, the number of BankConnect increased by 41% year-on-year. BankConnect enables online integration of a company's financial and accounting systems with BusinessPro's online banking system in real time. The service is addressed to companies that process a large number of transactions and expect full automation of the process and up-to-date financial information.

Centralization of after-sales processes

In H1 2023, we successfully completed the Centralization 2.0. project and established a team of specialists to provide remote after-sales services to companies. As a result, business customers of all corporate banking centres gained the ability to quickly and conveniently execute instructions by phone, e-mail and online banking.

Through these channels, customers can receive information about the company's deposit product service, make instructions in BusinessPro online banking, and track the progress of their application. In addition, a team of remote service specialists accepts customer orders for corporate products opened at Alior Bank, prepares opinions, certificates and account histories. Entrepreneurs can also remotely open an auxiliary account, order a debit card, report a change in their company's data. The list of orders that can be executed, without visiting a branch, currently includes 50 items. At the end of June 2023, the number of cases handled remotely increased by 53% y/y.

Automation of lending processes

At the end of June 2023, automation of lending processes included:

- 96% of loans granted in the micro-enterprise segment,
- 7% of loans granted in the SME segment.

Automation of application for company accounts

Sole proprietorship entrepreneurs can open an online iKonto Business or 4x4 Account with debit card in as little as 2 minutes after confirming identity.

Company data is transferred automatically from CEIDG [Central Registration and Information on Business]/REGON [National Business Register] on the basis of NIP [Tax ID Number]. The customer's identity is confirmed via a courier (without signing paper agreements) or by PayByLink transfer, and the agreement is signed electronically and confirmed by a text message. The solution can be used by sole proprietorships.

Product offer

New Solutions

In H1 2023, we expanded our offerings for business customers with new products and services:

- FENG technology loan with a non-refundable technology bonus from Bank Gospodarstwa Kredytowego - up to 70% of eligible investment costs. The loan was provided under Measure 2.32

Technology Loan (CP1), Priority 2 “Environment for Innovation”, European Funds for a Modern Economy. The call for applications for funding at the BGK ran from 23 March to 31 May 2023.

- loan for Housing Communities and Cooperatives with a thermomodernization bonus of up to 31% and a renovation bonus of up to 25% (the thermomodernization bonus can be increased by a thermomodernization grant of 10% of the net cost of the investment) - financing can be used for thermomodernization of multi-family residential buildings throughout Poland.
- green loan with a non-refundable bonus from Bank Gospodarstwa Krajowego for partial repayment of financing - up to 80% of eligible investment costs.

The green loan is provided under Measure 3.01 Green loan (CP2) Priority 3 “Greening of Enterprises” European Funds for a Modern Economy.

The call for applications for funding at the BGK runs from 13 June 2023 to 17 August 2023.



- the possibility of financing companies doing accounting in the form of a registered lump sum (in the current year and for the closed year) in a fast automatic process.
- the possibility of granting loans with a de minimis guarantee in euros.
- immediate posting to accounts of funds from closed deposits made at the cash desks of the bank's branches - the limit for immediate posting - is set on the basis of the customer's average monthly stream of cash deposits over the past 3 months, and its value is between 60% and 80% of the volume of deposits.

We have also implemented a state-of-the-art lending system with expert analyst evaluation. The process is intuitive, has easy navigation and is as automated as possible. Thanks to automatic extraction of information from databases CEiDG, REGON, National Court Register, Credit Information Bureau, among others, generating a list of documents and clauses required to be fulfilled by the customer, we reduce the time of loan processing.

Promotions

New customers in the micro-enterprises and small business segments were also able to take advantage of attractive price promotions:

- 0% commission as part of the promotion “0% preparatory commission for granting an overdraft and Business Credit”;
- margin lower by up to 50% and no preparatory commission if a micro-enterprise refinances a loan from another bank - as part of the promotion “We divide the costs in half”;
- prize of PLN 500 to for a start for entrepreneurs who open an online iKonto Biznes account with the code PROMO500 and make a transfer to ZUS or Inland Revenue as part of the promotion “PLN 500 for a start”;
- up to PLN 1,500 bonus per year for active banking as part of the promotion “PLN 1,500 for companies for holders of iKonto Biznes account or Account 4x4 - edition 3”;
- 10% discount on gas station purchases under the promotion “Business on the plus side, prices on the minus side - 2nd edition”;



- PLN 0 for a Mastercard debit card with Plus as part of the promotion “Card on the plus side - edition No. 3”;
- PLN 0 for accident and health insurance for 1 insured person as part of the promotion “With card on plus side, health as bonus - 2nd edition”.

Company financing

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

In H1 2023, credit limit sales to preferred industries, in the small, medium and large enterprise segment, accounted for nearly 16% of total business loan sales, up from 22% y/y. Our priority is to maintain the high share of preferred industries in new credit limits, further develop industry competence and deepen customer relationships.

Structured financing

We offer a wide range of financing transactions for Project Finance, commercial real estate projects and investment financing, including for renewable energy investments. They are concluded both in the form of bilateral agreements and syndicated loans. Transactions are structured taking into account the individual needs of the customer, business conditions, and company’s creditworthiness. We provide structured financing both in PLN and in foreign currencies.

Structured transactions concluded in H1 2023 focused on the energy sector, commercial real estate, development projects, and corporate and investment financing for the broader service and financial industries.

ESG and Green Transformation

Green transformation and ESG are among the priorities of our new strategy “Bank for Everyday Life, Bank for the Future”. We support customers’ sustainable development projects, enabling emission reductions and increasing electricity generation from renewable sources. This is especially important for corporations that are crucial to the functioning of our economy.

Financing pro-ecological investments

Those companies that implement pro-ecological investments can take advantage of the financing offer:

- projects related to the thermal modernization of buildings and the installation of electricity and heat sources for own needs,
- commercial photovoltaic and wind power plants that have received auction support - this proposal is aimed at SPVs and covers RES installations with a capacity of more than 0.5 MW,
- projects that increase energy efficiency through infrastructure upgrades and investments in new or improved products or processes (as part of the green loan with a BGK bonus).

Leasing

In H1 2023, we launched a number of initiatives in line with the new strategy, the main pillars of which are:

1. universal offer of financing and leasing of fixed assets, meeting the needs of each customer segment, including consumers, and covering all asset categories,
2. multi-channel distribution, including the use of synergies in the AB Group and cooperation with Alior Bank and asset providers and distribution in digital communication channels with customers,
3. digitization and automation of processes to guarantee cost efficiency for the organization and the highest level of customer service.

Alior Leasing is also capitalizing on the potential of its existing customer portfolio and is pursuing pre-approved activities and expanding its machinery and equipment financing offering. The aim is to develop cooperation with Alior Bank and significantly increase the number of the Bank's business customers using the company's leasing offer.

In H1 2023, Alior Leasing's sales volume was:

- PLN 1,115,374 thousand (leasing),
- PLN 163,393 thousand (lease loan).

At the end of June 2023, the portfolio had 66.6 thousand customers and 96.6 thousand agreements.

June 2023 was the best month in terms of realization of new sales volume since June 2021 - PLN 292 million (according to object's value); PLN 257 million (according to value of financing).

Alior Leasing closed H1 2023 with PLN 1,447 million (according to object's value); and PLN 1,279 million (according to value of financing) of new sales volume.

There has been a consistent increase in the share of Alior Bank's customers in Alior Leasing sales and the share of financing for machinery and equipment + 15 p.p. y/y (from 12% to 26%) in June this year + 4 p.p. y/y (from 13% to 17%) in the first half of this year, and the initiatives introduced have had a positive impact on reducing credit risk and meeting key targets.

Trade financing

In H1 2023, we recorded a sequential increase in factoring turnover (by more than 40% y/y). At the same time, the number of active factoring agreements increased by more than 25% compared to the same period in 2022.

We are systematically expanding our cooperation with the insurer in terms of insurance of purchased receivables, increasing the security of full factoring and making Alior Bank's offer in this area more attractive.

We are streamlining and upgrading the factoring system, adding functionalities to foster more efficient service.

We are optimizing the handling of guarantees, letters of credit and collection. We also cooperate with KUKE S.A. and Bank Gospodarstwa Kredytowego in confirming and discounting letters of credit.

European Funds and National Aid Programmes

We actively participate in public programmes financed from both EU and national funds. This enables us to develop our offer and provide loans to companies on favourable terms. We provide, inter alia, loans with BGK guarantees as part of:

- National Guarantee Fund (it is a continuation of the *de minimis* programme),
- Guarantee Fund under the Smart Growth Operational Programme,
- Crisis Guarantee Fund.

At the end of June 2023, guarantees offered in cooperation with BGK secured 98% of new sales of loans to micro-enterprises and more than 76% of new sales of loans to small companies.

We build relationships with entrepreneurs

Business mornings with Alior Bank



In June 2023, we launched a series of business meetings for current and potential customers, where we jointly discuss the macroeconomic situation and analyse its impact on local businesses. We talk about the Polish energy market and the prospects for regulatory changes in this area. We also present leasing as one form of financing for transformation and modern business. Face-to-face meetings with entrepreneurs are an excellent way to build relationships, have inspiring conversations and share experiences with entrepreneurs.

Awards and honourable mentions

Second place in the 16th edition of the Ranking of Banks of the Polish Association of Development Companies.



The Polish Association of Development Companies is an employers' organization working to improve the legal environment for investors in the development industry. For the 16th time, the competition's chapter gathered to recognize good market practices and the banks' partnership approach to cooperation with investors. Among other things, we were recognized for our speed of decision-making, high organizational culture and effective building of partnerships with developers. Of all the banks considered in the ranking, we received the most points for decision-making time,

availability of advisors, lack of communication congestion and compliance of initial declarations with the agreement.



Treasury activity

We conduct treasury activities in the following areas:

- spot foreign exchange (FX) and transactions to hedge against currency exchange risks,
 - transactions on interest rate instruments to ensure stable funding costs to its customers by hedging against interest rate risk,
 - transactions limiting changes in raw material prices, systematically expanding our offer
- forward transactions for greenhouse gas emission allowances,
 - liquidity management – by selling products enabling the customers to deposit their surplus cash and through repo and BSB transactions,
 - hedging Alior Bank against liquidity risk to meet the established limits and regulatory metrics,
 - managing Alior Bank's currency and interest rate risk exposures through transactions on the interbank market,
 - management of commodity price volatility risk through transactions on commodity markets,
 - management of the currency option portfolio risk under the established limits by entering into hedging and option transactions on the interbank market,
 - trading on the OTC market in foreign exchange and interest rate market instruments, including on the bond portfolio, by buying and selling Treasury bonds and bonds guaranteed by the Treasury.

In 2023, there was a decrease in exchange rate volatility and narrowing of spreads. The commodities market has seen prices fall from levels caused by the outbreak of Russia's war with Ukraine. This has lowered short-term exchange rate risk and commodity prices.

As part of liquidity management, we invest the surplus of the Bank's liquid funds primarily in treasury bonds - both Polish and foreign - and treasury bills denominated in PLN and foreign currencies. These investments also include short-term debt securities issued by the NBP, as well as debt securities with State Treasury guarantees. The market risk position was managed in such a way, so as to ensure Alior Bank's equity at the current, secure level and to protect the Bank against potential systemic risk connected with limited market liquidity. The Bank was an active player on the interbank market. It provided liquidity for currency transactions for other professional market players which allowed it to maintain its existing position on the interbank FX market. Alior participated in the provision of data for the quotation of POLONIA reference rates and is actively preparing to use the WIRON rate in its operations by participating in the works of the National Working Group dedicated to this matter. In 2023, another instrument was introduced to the Bank's treasury offering - forward transactions on greenhouse gas emission allowances. We have thus joined the small number of banks that offer their customers this type of solution. The first deal was concluded in March.

Currency platforms

As part of its treasury operations, the Bank is also involved in the creation, development and operation of three online foreign exchange platforms: Kantor Walutowy, Autodealing and eFX Trader, which allow customers to exchange currencies on their own, without having to contact a dealer or visit a branch. Today, online currency platforms are one of the primary channels for meeting customers' foreign exchange needs.

Kantor Walutowy [Currency Exchange] makes it possible to open and maintain accounts in 21 currencies (PLN, EUR, USD, GBP, CHF, SEK, NOK, DKK, CZK, CAD, AUD, HUF, JPY, BGN, MXN, RON, ZAR, THB, ILS, HKD, TRY) free of charge, 24-hour currency exchange at attractive rates, domestic and foreign transfers and a number of additional functionalities. A free multi-currency card that recognizes the payment currency and collects funds from an appropriate account, may be issued for accounts in the Currency Exchange.

As in previous years, in order to encourage customers to be as active as possible, we regularly organize contests in which we reward customers for activities such as currency exchange, multi-currency card transactions or recommending the Currency Exchange to friends. In the first half of 2023, we organized the “Winter rash of prizes at Currency Exchange” Contest and from May to August the “We exchange - we win with the Currency Exchange” Contest is underway, with a total prize pool of PLN 150,000.

We are constantly improving the offer of the Currency Exchange. This is helped by regular User Experience analyses, based on which we change the Currency Exchange to make using it even easier for our customers. At the end of H1 2023, Alior Bank’s Currency Exchange was used by more than 530,000 customers, an improvement of about 25,000 over the end of last year. The Currency Exchange is available through a dedicated website or mobile apps for Android and iOS devices. The development of mobile channels is one of the Bank’s priorities, so we are extremely pleased that the number of logins in the MOBILE Currency Exchange has already exceeded the number of logins in the WWW channel more than two and a half times in the first half of 2023.

The Currency Exchange has been recognized for years, both by Customers and Experts, as evidenced by numerous awards and distinctions. In 2023, the Currency Exchange was awarded the Golden Customer Laurel in the “Bank Currency Exchange” category for the third consecutive year. This award is particularly important to us, as the winners of each category are chosen by respondents.



Autodealing is a platform dedicated to MICRO business customers, but it is also available for larger companies as well as Individual Customers. Autodealing is fully integrated with BusinessPro and Alior Online electronic banking systems. It offers access to 24/7 exchange of currencies such as PLN, EUR, USD, GBP and CHF, and for customers using BusinessPro banking, also SEK, NOK and CZK. Autodealing makes it possible to set up deposits in PLN and foreign currencies. Customers can negotiate interest rates on deposits and choose their maturity date according to their expectations, from one day to one year.

eFX Trader is a platform aimed at the most demanding Business Customers. The platform allows for currency exchange transactions within dozens of currency pairs, with flexible settlement of transactions. Customers with a treasury limit can also enter into future-dated transactions through eFX Trader. Through eFX Trader, customers are able to place conditional orders on their own, so they do not have to keep track of exchange rates. Customers using the Platform are provided by the Bank with daily analysis and reports on the foreign exchange market.



Equity investments

They are presented in the table below. All securities were purchased using the Bank's own funds.

- The shares/stocks comprise:
 - trading securities bearing equity rights, admitted to public trading on WSE and NYSE,
 - trading securities bearing equity rights, not admitted to public trading.
- Bonds: corporate bonds issued by domestic and foreign issuers.
- Investment certificates: certificates of a “private equity” closed-end investment fund, and units of an open-ended investment fund.

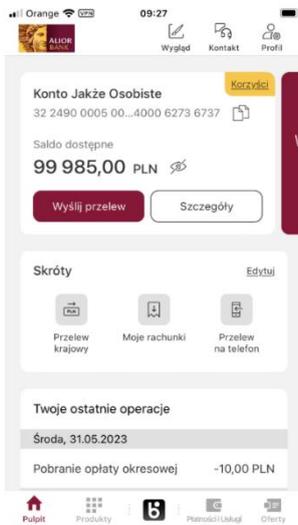
	As at 31.12.2022		As at 31.12.2021	
	Volume	Market/ nominal value (in PLN thousand)	Volume	Market/ nominal value (in PLN thousand)
Stocks	7 343 596	134 886	7 343 801	142 426
Quoted	252 922	18 545	253 127	36 162
Non-quoted	7 090 674	116 341	7 090 674	106 264
Bonds	1 479 526	572 101	1 479 526	597 199
Investment certificates	31 613	9 604	31 407	9 577

Online and mobile banking

The work carried out in H1 2023 in the field of digital banking was focused on optimizing the existing and introducing new solutions in Alior Online and Alior Mobile. These activities contributed to the implementation of objectives set out in the Bank's strategy and higher revenue from online and mobile channels.

In H1 2023, the Alior Mobile application and Alior Online banking have undergone a number of changes related to their appearance and the handling of deposit and credit products; additional new functions have also been implemented.

Personalization



To address expectations of users of the Alior Mobile application, we added further possibilities of its personalization.

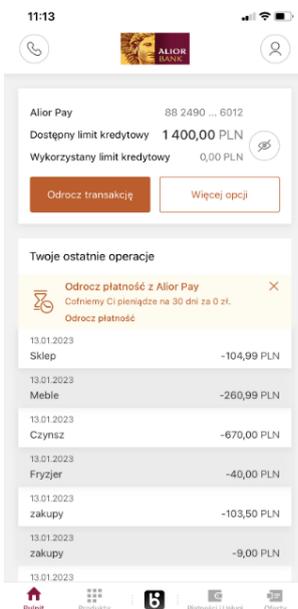
Alior Mobile now features a new refreshed look for the start screen. You can see on it not only the main product, but also two additional product cards such as savings accounts. In addition, a “Shortcuts” widget has been added where customers can add their most frequently used functions, such as for phone top-ups or the “My Bills” service. The changes make it even clearer and easier for customers to use the mobile application.

This is the biggest change to the Bank’s mobile application in several years and a major step in the development of Alior Mobile in line with the strategy of creating a new and inclusive mobile banking experience.

As a follow-up of the *Offer for players* the ability to change the background of the login screen has been made available. Currently, in the Alior Mobile app, customers can choose from 6 wallpapers including a new gamer wallpaper - League of Legends. A new card image has also been introduced. This time a gaming card featuring Yord's sorceress Lulu has been made available. The customer can order it from both Alior Online banking and the Alior Mobile app.



Alior Pay at Alior Mobile only - an innovative ecosystem of banking services



Alior Pay is a credit limit available exclusively on Alior Mobile.

As part of Alior Mobile for Alior Pay a range of additional information on limit and deferred transactions as well as subsequent operations on deferred and spread transactions has been made available to the customer. After the enhancements, customers can go into the details of a particular transaction and see additional information about their deferred transactions such as: transaction amount, transaction name, transaction deferral date, transaction repayment date, outstanding amount, APRC and costs, or account for automatic repayment. And for instalment transactions, the interest rate and costs, the date of inclusion of repayment in instalments, the date of the next instalment, the amount of the instalment, the amount remaining to be repaid, the date of repayment of the last instalment, the number of instalments repaid. In addition, from the level of transaction details, the customer can change the name of the transaction. If necessary, from the app’s level the customer can spread a given transaction into instalments. Until now, each transaction has been repaid automatically after 30 days. The customer was also given the option of early partial or full repayment of the deferred transaction. In the case of arrears, a new, relevant message is also presented about the need to repay the arrears.

Payments

In Alior Online's banking in the OpenAPI channel, the SplitPayment mechanism has been made available.

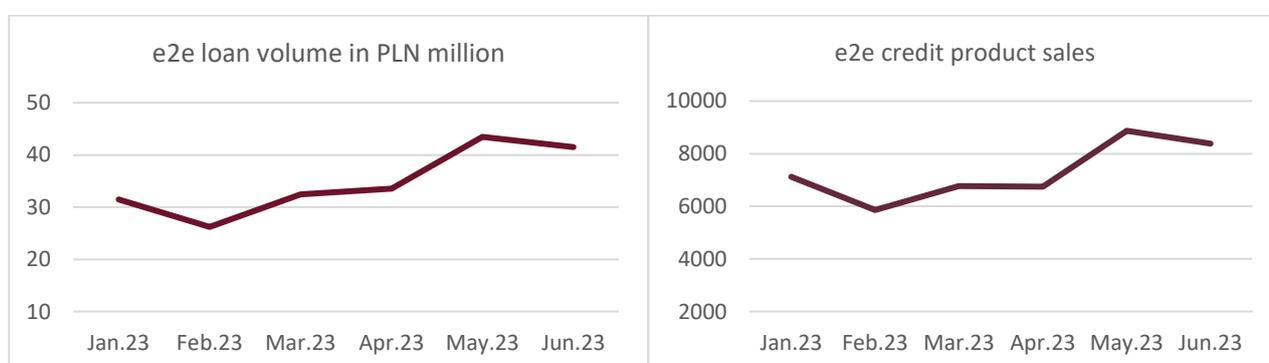
Thanks to the functionality, the recipient of the transfer will receive payment for a VAT invoice divided into two parts: the net amount of the invoice is paid to the settlement account, and the VAT amount is credited to the VAT Account.

Security

Due to the requirements for a durable medium, a solution has been implemented in Alior Mobile and Alior Online that generates an e-mail containing a file with the Terms and Conditions for AIS and PIS services. An e-mail is sent each time a customer accepts the mandatory consent to send Terms and Conditions in the process of adding an account from another bank or in the process of initiating a transfer from a foreign bank. If the customer does not have an e-mail address on file, he must add his address when initiating the AIS and PIS processes.

Sales in remote channels

Alior Bank is systematically expanding the offer in the field of online sales of products. The prepared solutions are designed to convey the necessary content to the customer in the simplest and understandable way. In response to customer needs, Alior Mobile application has undergone graphical changes in the elements of the offer processes to make them clearer and more customer-friendly. The changes pertained to offer details, the For You tab and standard products. The best assessment of the prepared solutions is their growing popularity and noticeable increases in the first half of 2023. All activities, including changes in our systems and applications, have contributed to improved product sales results in digital channels.



Strategic Partnerships

Through strategic partnerships we offer our customers, or Bank employees, additional non-financial services. The established cooperation revolves around the technological and digital areas, as well as in those that result in various types of benefits (e.g. discounts, vouchers, special offers). The former focus on digital security, modification or development of processes aimed at digitising customers. The latter, on the other hand, exercise a loyalty function – they convince the customer that it is worth banking with Alior Bank. Collaborations with external entities, depending on the project, are designed to bring wide-ranging benefits to many different

groups of internal and external stakeholders - from image to financial. Through partnerships, we can create and offer unique benefits that help us stand out in the market.

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

- life insurance for cash loans,
- income protection insurance,
- life insurance securing housing loans,
- PZU Wojażer travel insurance,
- Accident and Healthcare Insurance for Business Customers,
- life insurance of an investment and savings nature,
- the purchase of investment funds.



Thanks to Alior Bank’s CRM campaigns, there has been a noticeable increase in customers’ interest in the possibility of purchasing insurance, also in the Bank’s mobile application, such as PZU Wojażer.

Within the PZU Group, we are developing a partnership with Link4. We made it possible to purchase TPL and comprehensive/TPL motor insurance and housing insurance in online and mobile banking.

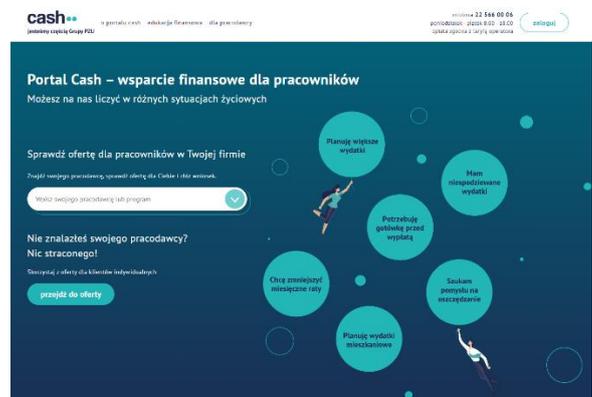
Key initiative in the Assurbanking area:



The Cash platform is an innovative online loan service and a non-wage employee benefit that enables employees to quickly and conveniently obtain a cash advance for any purpose (with the formalities reduced to the bare minimum). By cooperating with employers and preparing a unique system of loan repayment directly from wages, we created at the end of 2019, a very attractive offer, which is updated on an ongoing basis so as to meet the criterion of the most attractive offer on the bank loan market.

The offer is already available to more than 100,000 employees, including PZU Group, PGG SA, PKP SA, PKP PLK SA, the Ministry of State Assets and the Komputronik Group. In H1 2023, new agreements were signed with more employers who will join the portal in the following months. Other large and recognisable companies are already in the induction process or at the stage of final arrangements.

At the same time, we are dynamically developing a base of customers who can take advantage of an attractive offer as part of the traditional process of transferring customers from the Cash website to the Bank’s telephone service. In the first half of 2023, the offer was made available to PZU Group customers via the pzu.pl or moje.pzu.pl websites.



This option can already be used by about 1 million people. The offer prepared by Alior Bank in cooperation with PZU Cash also includes an option to use a consolidation loan that is very popular among work establishments employees and platform users.

The development of processes around the digitisation of banking services continues to be one of the priorities for building external partnerships and added value for the customer.

Selected partnerships outside of the PZU Group in 1H2023 were focused on:

- **Mastercard** - As a result of regular cooperation, a number of joint marketing campaigns were carried out during H1 2023 to increase the number of cardholders and the number and value of card operations. We conduct joint sales contests, sweepstakes for customers making MasterCard transactions, or communications with merchants.
- **Ministry of Digital Affairs / Chancellery of the Prime Minister** - In connection with the adopted law on the mObywatel [*mCitizen*] application, we have established cooperation with the Ministry of Digital Affairs in March 2023. The law introduces a new type of document (i.e. the mCitizen document) and equates the other documents contained in the application with “traditional” documents, which means that it will be possible, for example, to show a digital ID when dealing with official, banking or business matters. The application will become a mobile document wallet. mCitizen will organize official matters in one place, remind of important facts, such as the end of the validity of an ID card, fill out official forms. In addition, it will create entirely new possibilities: it will handle fast payment or power of attorney. Banks are listed in the law among the institutions obliged to honour the mCitizen document in their stationary processes.
- **Xiaomi Polska** - Since last June, Alior Bank customers have been able to use contactless watch payments with the Xiaomi Pay service. This functionality is available for MasterCard debit, credit cards issued by Alior Bank to retail customers, business customers and customers of the Currency Exchange. June 2023 saw the launch of the “Bank smart” promotion to promote mobile payments with smartwatches and Xiaomi bands. New customers who decided to open Konto Jakże Osobiste [Highly Personal Account] together with the card and met the other conditions of the promotion received an electronic code entitling them to receive the Xiaomi Mi Band 7 NFC wristband with the contactless payment function free of charge.
- **WeSub / RentUp** - we continue to actively develop cooperation with RentUp in the field of consumer rentals. The new form of purchasing products is becoming increasingly recognized among individual customers. In H1 2023, the rental option was available primarily in the Komputronik S.A. store chain. We are also developing the service with partners from other industries. The next step will be to implement the rental option in online sales.
- We also run a joint campaign with a partner from the food industry, which consisted in giving shopping discounts to Alior Bank employees and a selected group of customers. Not only is this type of campaign aimed at appreciating the loyalty of people who work and bank with us, but also at providing support in times marked by high inflation covering necessary purchases, i.e. food products.

New projects are currently being developed to increase transactionality, make services mobile or expand the benefit product offerings for both customers and other internal and external stakeholders of the Bank.

Bank's Cooperation with the FinTech and Startups Ecosystem

Since its inception, Alior Bank has been an organisation strongly focused on an innovation. On multiple occasions it has set new standards on the market.

The Bank conducts active scouting of young companies offering innovative and potentially interesting solutions for its customers.

In Q1 2023, the 5th edition of our RBL_START accelerator programme ended with a DEMO DAY, during which we presented the solutions of the participants of this programme and awarded two solutions that the bank believes have the greatest business potential with a cash prize. During DEMO DAY, the Bank also communicated a change in its approach to working with FinTech companies. The bank is currently conducting a continuous call for applications for its programme, moving away from editability. Applications can be sent via form at www.accelerator.aliorbank.pl

The Bank is currently looking for innovative solutions and FinTech partners from the area of:

- digitization,
- e-Commerce,
- ESG,
- Inclusivity,
- VAS for mobile application.

In the new model of cooperation, Alior Bank's activity and visibility in the fintech ecosystem plays an even greater role, so activities in this area were intensified by the Bank in the first half of 2023. The Bank has taken a number of measures to increase its visibility and encourage companies to apply and learn about the opportunities offered by cooperation with Alior Bank. Among the most notable are:

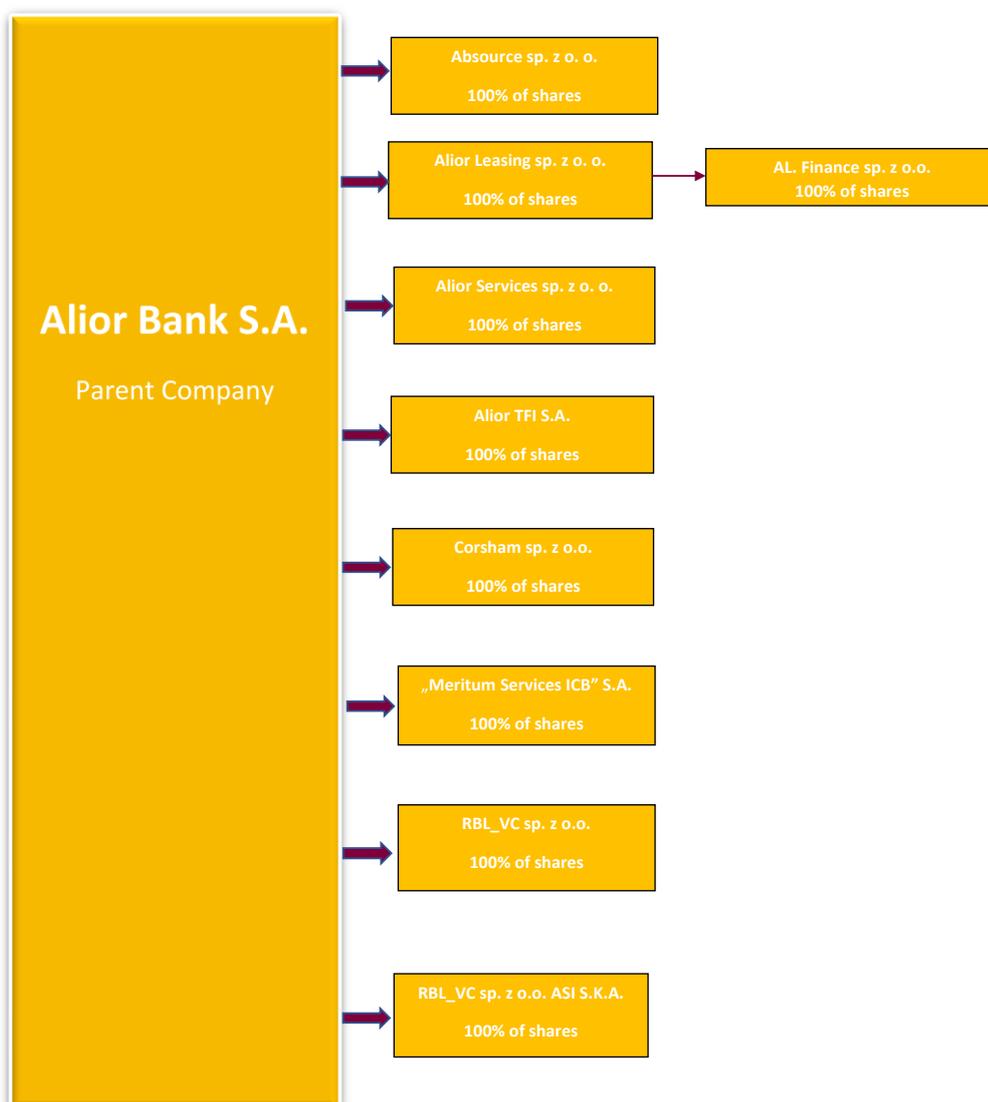
- establishing partnerships with Fintech Poland, under which the Bank actively participates in several working groups and establishes relationships with other players in the fintech ecosystem,
- cooperation with the university community (among others Cracow University of Economics and Wrocław University of Economics),
- participation in major national innovation and technology conferences (such as Infoshare, Impact),
- participation in foreign startup and Fintech conferences (among others Money20/20),
- participation in Polish and foreign fintech conferences as speakers (among others Amsterdam Banking Forum, Fintech & Insurtech Digital Congress, SME Banking Club, Fireside Chat at the WSE, Future Finance Poland, Cashless Fintech Evening, Open Banking and SCA Leadership Forum),
- the Bank also became the main partner of the report "Polish Map of Fintech 2023".

The effects of the activities of the Department of Innovation and Partnerships Fintech have been recognized by the international organization Global Finance in the competition The Innovators 2023 and awarded in the category “World’s best Financial Innovation Lab 2023” as one of the top 25 iLabs (Innovation Labs) in the world.



V. Operations of companies from the Alior Bank Capital Group

Structure of the Alior Bank Capital Group as at June 30, 2023



In the reporting period, there were no changes in the structure of the Capital Group of the Bank.



Alior Leasing Sp. z o.o.

It has been operating since October 2015. It offers operating and financial leasing as well as leasing loans. Entrepreneurs have easy and quick access to means of transport as well machines and equipment. Alior Leasing holds an extensive sales network and collaborates with a broad network of business partners, dealers and vendors, as well as with Alior Bank's sales network.

The company cooperates mainly with natural persons conducting business activities and companies in the SME sector. The Company plans to gradually develop new sales to business customers from higher segments and in the industrial processing and healthcare sectors.

On the basis of Alior Leasing decision-making engine, Alior Leasing launched the function of automatic leasing decision, which enabled optimization of the transaction risk assessment process and introduction of new functionalities in the Customer Portal.

In February 2023, the company adopted a new Strategy for 2023 - 2025, consistent with Alior Bank's Strategy, whose main pillars are:

- universal offer of financing and leasing of fixed assets, meeting the needs of any customer, including consumers, and covering all types of assets,
- multi-channel distribution, including the use of synergies within the Group, cooperation with Alior Bank and cooperation with asset providers, and distribution in digital channels with customers,
- digitization and automation of processes, ensuring cost efficiency of the organization and the highest level of customer experience when working with Alior Leasing.

In implementing the Strategy, it plans to achieve a significant position in the leasing market through:

- a modern product offering, ultimately including per pay use and as a service solutions,
- omnichannel distribution, including a strong presence in digital customer communication channels,
- the highest level of Customer Experience, based on automatic, fast and convenient experience from the customer's perspective.

Looking ahead to 2025, the company plans to achieve a balanced structure of new sales, in particular to increase the share of large customers from 13% to 20% and non-vehicle fixed asset financing from 16% to 30%.

AL Finance Sp. z o.o.

AL Finance

It was established in 2021 from the merger of NewCommerce Services sp. z o.o. ("Bancovo" brand) and Serwis Ubezpieczeniowy sp. z o.o. and is a subsidiary of Alior Leasing Sp. z o.o.

AL Finance continues to sell insurance previously offered by the Insurance Service for leasing customers. The offer concerns mainly motor and property insurance. It cooperates with leading Insurance Companies (mainly PZU). In addition, as part of the fully digitised insurance sales platform it has created, it offers insurance to new customer segments (except those with lease or lease loan agreements).

It also offers products within the Bancovo credit platform (credits, loans, leasing and microfactoring) in more than 30 financial institutions. However, it is not the main product significantly affecting the Company's result.

The macroeconomic situation affects the decisions of customers who are now investing more conservatively. Nevertheless, in the field of insurance, the Company retains customers by offering them policy renewals for subsequent years. To this end, the insurance offer is constantly being expanded both in terms of cooperating Insurance Companies and products.

Alior TFI S.A.



The company was established in 2010, originally as a brokerage house, and focused on asset management services. After the transformation in 2015, it operates as a TFI.

The Bank's cooperation with Alior TFI primarily concerns the creation and management of investment funds and their representation towards third parties.

In H1 2023, the SFIO's customer base increased by more than 13% (to over 12,000 customers) and its assets by more than 50% (to PLN 1.16 billion). Asset inflows were primarily to debt funds with relatively low investment risk.

Alior Services Sp. z o.o.

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

Absource Sp. z o.o.

It was established in 2016 to provide IT and computer technology services as well as IT consultancy services

Its main activity consists in making the following systems available to the Bank (in the sublicense model): CAFE, CAFEM and SWK. These systems are a comprehensive and centralised platform that enables customer service. In the first half of 2023, Absource Sp. z o.o. earned 99% of its revenue from this.

Meritum Services ICB S.A.

Provides information and computer technology services and other information technology activities.

In the first half of 2023, the Company generated revenues from two main channels:

- making software available to Alior Bank under the Software as a Service (SaaS) model (approx. 99% of revenue),
- hiring IT specialists to develop Alior Bank's systems (approx. 1% of revenue).

Corsham Sp. z o.o.

Alior Bank has been the owner of the Company since February 2019 and has made two investments through it: in PayPo Sp. z o. o. and Autenti Sp. z o.o. In January 2021, Corsham divested all its PayPo shares.

In December 2019, the Company acceded to the Autenti Sp. z o.o., which is a comprehensive platform for authorizing documents and concluding contracts online. So far, the company has acquired the following key customers: BNP Paribas, Vienna Life, Credit Agricole, PGE Lumi, and Medicover. The Company intends to strengthen its competitive advantage by developing its platform and carrying out expansion to European markets, in particular in the DACH region. The current share of Alior Bank Group companies in the share capital of Autenti Sp. z o.o. is 9.2%.

RBL_VC Sp. z o.o.

Established in 2019, in 2020 it was entered into the register of managers of alternative investment companies kept by the Polish Financial Supervision Authority.

It is a general partner of RBL_VC Spółka z ograniczoną odpowiedzialnością ASI S.K.A., entrusted with its management.

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

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

Together with RBL_VC Sp. z o.o., being the General Partner of the Company, they create a target investment vehicle to conduct venture capital investments (VC).

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

Adoption of the Strategy of Alior Bank S.A. Capital Group for 2023-2024

On 6 February 2023 the Management Board of the Bank adopted and the Supervisory Board of the Bank approved the Strategy of Alior Bank S.A. Capital Group for 2023-2024 entitled “Your Bank of everyday life, your Bank for the future”

The Bank assumes a long-term prospect of development, and therefore, it has adopted an open strategic perspective. In order to maintain high flexibility amid the conditions of high market volatility, the Bank has presented a two-year operationalisation.

Strategic goals of Alior Bank:

- Universal Bank focused on building a digital core relationship with the customer,
- maintaining the leading position in financing purchases by providing a new form of payment, namely Alior Pay,
- growth of a balanced loan portfolio with a diversified business customer base, including but not limited to in the area of SMEs, as well as support for the energy transformation,
- further development of the digital relationship with business customers through introducing a new product platform, enabling multi-channel customer service using automated remote processes,
- being the leader in the use of technology with an improved IT production model supported by the competence and commitment of employees,
- effective data monetisation in all areas of operations.

The strategic action directions are reflected in three pillars:

- I. Higher Culture of Mobility:
 1. innovative Alior Pay ecosystem and leader in financing purchases,
 2. main digital relationship and multi-channel offer for individual customers,
 3. inclusive and modern mobile application.
- II. Supporting entrepreneurship:
 1. convenient electronic banking and remote service,
 2. credit process distinguished by speed and understanding of the business customer.
- III. Modern Bank:
 1. organisational effectiveness through agile technologies, competences, and organisational culture,
 2. stability through risk and capital management,
 3. responsible Alior Bank (ESG area).

Key success metrics for the Strategy “Your Bank of everyday life, your Bank for the future”:

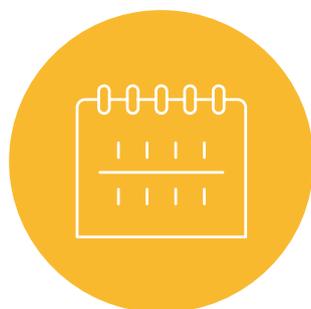
- Tier 1 over 13.5%
- TCR over 15%
- ROE over 13%
- CoR less than 1.6%
- NPL less than 10%

- C/I less than 45%
- NPS over 45
- Employee engagement over 65%
- Achieving the ability to pay dividends

Upgrade of Alior Bank S.A. rating assigned by Standard & Poor's Global Ratings rating agency

On June 27, 2023, the rating agency Standard and Poor's Global Ratings ("S&P", "Agency") upgraded the Bank's long-term rating to BB+ from BB and maintaining the short-term rating at B.

The rating upgrade reflects the Agency's view that the Bank has improved its capitalization level and capacity for internal capital generation by further reducing risk, including reducing exposure to certain high-risk asset classes. According to the Agency, the Bank can maintain a strong capital buffer that will support its growth, even if dividend payments begin.



Major events post balance-sheet date

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

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



Issues of own bonds

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

On 30 May 2022, the Management Board of the Bank adopted a resolution establishing the offering programme (hereinafter referred to as (“Offering Programme”) for bonds up to the amount of PLN 2,000,000.00 under the Multiannual

Bond Issue Programme of Alior Bank S.A.

When establishing the Offering Programme, Alior Bank decided that:

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

On 4 July 2022, the Base Prospectus was submitted to the Polish Financial Supervision Authority together with an application for its approval. On 24 August 2022, the Polish Financial Supervision Authority approved the above-mentioned Prospectus.

Issues and redemptions of bonds conducted by Alior Bank in H1 2023

On 26 June 2023, the Bank issued 1,000 series M bearer bonds with a par value of PLN 400,000 each and an aggregate par value of PLN 400,000,000 (the "Bonds").

The issue was carried out through a public offering in accordance with Article 33(1) of the Bond Law, within the framework of the Offering Programme and on the basis of a resolution of the Bank's Management Board dated 31 May 2023 on deciding on the issuance of series M bonds and determining the final terms of issue for the bonds.

The Bonds issued, pursuant to Article 97a (1) (2) of the Bank Guarantee Fund, Deposit Guarantee System and Forced Restructuring Act of 10 June 2016, will constitute eligible liabilities of the Bank (MREL Bonds).

The bonds bear interest at a floating rate that is the sum of the WIBOR 6M Index and a margin of 3.10% per annum. The Final Redemption Date for the Bonds is 26 June 2026, with the Bank having the right of early redemption of the Bonds after two years from the date of issuance.

The bonds were registered with the National Depository for Securities (NDS) and designated with the ISIN code PLALIOR00250. On 16 June 2023, the Management Board of the WSE adopted a resolution to admit the Bonds to trading on the primary market under Catalyst, and on 28 June 2023, adopted a resolution to list the Bonds on the primary market under Catalyst as of 30 June 2023, and to list them in the continuous trading system under the abbreviated name ALR1225.

None of the Bank's own bonds were due for redemption in the first half of 2023. The Bank also did not make any early redemptions of bonds.

Banking Securities

On 24 August 2022 the basic prospectus was approved by the Polish Financial Supervision Authority in connection with the open Second Issuance Programme in the territory of the Republic of Poland of unsecured Bank Bearer Securities with a nominal value of at least PLN 100 each and up to a total maximum nominal value of PLN 5 billion. The prospectus is effective with supplements dated 5 February 2023 and 17 March 2023, which together constitute the basic prospectus within the meaning of the Prospectus Regulation (Basic Prospectus). Based on the prospectus, Alior Bank may conduct public offerings of interest-bearing or non-interest-bearing Bank Securities, including MREL-type offerings.

Issues of Bank Securities and Structured Products

In H1 2023, subscriptions were made for 11 series of Bank Securities (BPW) under the Second Bank Securities Issuance Programme based on the basic prospectus, with a total volume of PLN 280 million, EUR 4 million and USD 20 million.

Seven subscriptions of Auto Call certificates and structured bonds with limited capital guarantee and/or conditional early redemption were organized for Private Banking customers. The total par value of all subscriptions for structured certificates and bonds amounted to PLN 166 million.

In H1 2023, 9 Auto Call certificates, 1 Reverse Convertible certificate and 4 structured products of third-party issuers of Structured Debt Securities ended.

VIII. Report concerning the risk of Alior Bank

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

The Bank identifies the following risks as significant:



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

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

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

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

The Bank supervises the risk management related to the activities of subsidiaries and foreign branches, which have commenced deposit and credit activities and takes into account the risk level of activities of specific subsidiaries and foreign branches as part of the risk monitoring and reporting system at the level of the Group.

The following types of risk are of particular importance in the Bank's operations:

- credit risk,
- operational risk,
- liquidity risk,
- market risk, including interest rate risk in the banking book and market risk in the trading book,
- model risk,
- capital risk.



Credit risk

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

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

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

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



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

- credibility and credit rating of the customer, taking into account, among other things, detailed analysis of the source from which the exposure is to be repaid,
- as regards products for enterprises, determines the level of environmental and social risk, based on the assumptions adopted at the Bank,
- credibility of the accepted security, including verification of the formal legal status and economic value, taking into account, among other things, adequacy,
- takes effective monitoring and collection measures adequately defined on the level of a single customer based on the segmentation models applied.

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



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

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

In terms of credit risk management in the individual customer segment, the Bank continued its policy of building a portfolio that is resilient to economic downturns. In the previous reporting periods, i.e. from 2020 to 2022 in particular, the Bank thoroughly optimized the criteria and conditions for granting housing and consumer loans, which, with the stabilization of the macroeconomic environment in the first half of 2023, enabled further development of the individual customer portfolio, including through products of a relational nature and with a low credit risk profile, such as the housing loan and a new product on the Bank's map - the Alior Pay Credit Limit. The scale of improvement in the Bank's credit risk profile over recent quarters contributed to the upgrade of the Bank's long-term rating to BB+ by Standard & Poor's Global Ratings on 27 June 2023.

In the area of cash loan, the Bank continues to maintain a stable market share in new sales and the market quality of these sales.

With regard to housing loans (characterized by a low loss ratio), following the implementation of adjustments to the new regulatory guidelines and evolving economic situation, the Bank recorded a similar decline in lending activity as the trend that can be observed on the market – the Bank's lending activity declined in the first half of 2023 by 25% compared to the same period of 2022.

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

In the area of instalment loans, the Bank continued its strategy of optimizing the lending policy, in particular with regard to the ECO offer and sales in the online process, including by adjusting the parameters, document requirements, granting process and approval strategy to the dynamically changing market environment. All these actions resulted in a stable maintenance of the instalment loan portfolio and a maintenance of a low loss ratio of this portfolio.

A new product, Alior Pay Credit Limit, has been implemented in the retail customer area, which is dedicated to the Bank's own customers. The product's design is intended to encourage customers to build an ongoing relationship with the bank and to transfer their salary to Alior Bank (the preferred customer profile due to low loss ratio).

In the area of corporate lending, in H1 2023, the Bank mainly pursued the Bank's Strategy for digitization and transformation of the KB lending process aimed at automating, optimizing and increasing the efficiency of the lending process supporting the granting of credit commitments. As part of the new products, a Green loan has been implemented for energy-saving investments, including thermal upgrading of buildings, as well as changing the sources of energy used to more environmentally friendly ones.

Risk assessment in the loan origination process

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

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

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

With regard to a business customer, the Bank, as a rule, does not finance projects that may have a negative impact on the climate and the natural environment or are prohibited by Polish legislation or international conventions related to the protection of biodiversity resources or cultural heritage. In its lending activities, it adheres to the principles of social responsibility, based on which it shapes its relations with the environment, taking into account the needs of all stakeholders – customers, business partners and employees.

Environmental risk is understood as the risk of deterioration of the customer's creditworthiness due to the fact that the customer's business activity or the proposed loan collateral has or may have a significant negative impact on the environment or community.

The Bank excludes:

- financing projects involving harmful or exploitative forms of child labour, direct discrimination or practices which prevent the workforce from their legal rights of affiliation and collective bargaining.

- production or trade in products prohibited by Polish law or the law of the country of operation or international conventions,
- in the field of products for enterprises, each transaction bearing credit risk is subject to environmental assessment.

Identification of ESG risk factors is carried out in the credit process during the analysis of the borrower's qualitative aspects.

Based on the assumptions adopted at the Bank, the level of environmental and social risk is determined. The high level of environmental risk determines additional requirements and specific actions in the credit process.

Verification of ESG risk factors takes place in the process of individual monitoring.

Collateral for credit exposures is also analysed in terms of environmental risk and qualification to the appropriate level.

Separation of responsibilities

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

Concentration risk management

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

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

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

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

Impairment and provisions

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

If there is no objective evidence of impairment of the carrying amount of credit exposures, they are aggregated to a group of assets with a similar credit risk profile and assessed in terms of material deterioration of credit quality since initial recognition. The assessment of deteriorated credit quality is based on a set of qualitative and quantitative evidence. Qualitative prerequisites include: achievement by the exposure of material overdue

exceeding 30 days, classification of the customer into the Watch List category, exposures remaining in the forborne category, occurrence of other risks (e.g. industry, regional risks). Quantitative evidence is the material deterioration of the current aggregate probabilities of default in the period leading to expected maturity against aggregate probabilities of default for that period at the time of exposure generation (i.e., release or major modification). For exposures for which there is no evidence of impairment, the Bank uses impairment estimation models for the following horizons:

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

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

In 2023, the Bank did not identify the need nor did it implement changes in the principles of credit portfolio valuation, while the Bank actively adjusted the FLI (forward-looking-information) component in order to optimally include the current and future macroeconomic environment in the valuation.

Impairment evidence

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



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

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

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

Materiality thresholds qualifying customer exposures for individual valuation (as at 30 June 2023):

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

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

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

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

Security

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

The Bank establishes the security method taking into account:

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

Management of the assets taken over due to debt

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

Scoring/rating

The Bank strives to systematically develop credit risk management methods and tools. A priority area of work is the management of credit risk models used in the risk acceptance process. The Bank is developing both credit scoring methods to support credit decisions for individual customers and credit rating as an instrument to support decision-making in the micro, small, medium and large enterprise segments. Segments important to the Bank from the perspective of credit development have models built using statistical methods. They are based on the sources of information available in the lending processes.

Model development is carried out by conducting processes to build new models tailored to the changing risk profile of the Bank's customers. In order to ensure the adequacy of the models, a process of monitoring them is carried out by the entity that owns the solutions. Its purpose is to determine whether the models used appropriately differentiate risk among individual borrowers, and the estimates of risk parameters reflect current and expected changes in the risk level of loan portfolios. In addition, the quality of the data used in determining risk parameters is verified during dedicated studies.

The credit risk models currently in use were built internally at the Bank. In order to strengthen the risk management process of models used at the Bank, there is a team acting as an independent validation unit.

Monitoring of credit risk for consumers and businesses

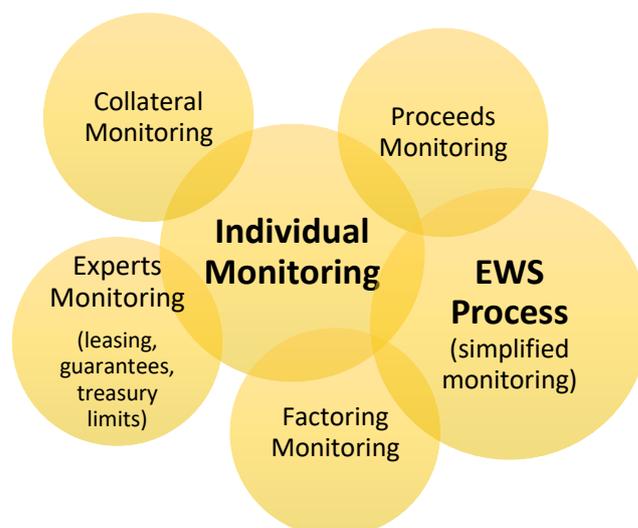
All credit exposures of consumers and business customers are subject to monitoring and current classification to adequate processing paths. To streamline the monitoring and control of the operational risk, adequate solutions in the Bank's lending systems were implemented. The system tools were consolidated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

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

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

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

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



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

Forbearance practices

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

- extension of the lending period resulting in lower amounts of monthly principal and interest to be repaid. If the lending period is extended, any restrictions resulting from the product characteristics are taken into account, for instance, the age of the borrower.
- grace periods for repayment (applied to a part of or the entire instalment depending on the risk assessment on the single exposure level). During the period of complete grace period for the repayment of principle and interest, the borrower is not required to make any payments under the agreement concluded. The period of loan repayment may be extended to adapt the amount of the instalment to the borrower's payment capacity (in accordance with the restrictions resulting from the product's metrics),
- replacement of the limit in the LOR account/unauthorised overdraft in the ROR/KK account into a loan repayable in instalments; parameters of the product launched as a result of applying the respective tool are consistent with the products metrics: cash advance,
- agreement by rescheduling matured exposures (after maturity or termination). It consists in transferring debt from one exposure to a non-renewable account with possible schedule variants: settling the entire debt,
- statutory repayment holidays of up to 3 months (in this period, the entire instalment is subject to a grace period and no interest is charged).

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

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

- extension of the lending period resulting in lower amounts of monthly principal and interest to be repaid.

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

Monitoring of Risks Involved in Forbearance Practices

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

- application process (number of applications, number of decisions issued, types of decision, time to decision, time to decision implementation, tools),
- quality of the portfolio of restructured lending (by particular form of arrears, forms of restructuring, restructuring tools, according to DPD as at the date of submitting the application), with particular attention to delayed loss ratios.

Assessment of impairment for exposures subject to forbearance practices

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

Forbearance practices:

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

are evidence of impairment and are classified under "Stage 3".

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

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

Risk control in loan origination processes

As part of the 2nd line of defence in Risk, the operational activity is conducted by a dedicated unit (Risk Control Department), performing control functions based on automated control mechanisms in key areas and credit

processes. The scope of control covers the stages of the credit process from granting financing, through monitoring to debt collection activities.

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



Operational risk

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

The purpose of managing operational risk connected with the Bank and the Alior Bank S.A. Capital Group is to maintain operational risk at a safe and adequate level in relation to the activities, objectives, strategies and development of the Bank, approved by the Management Board and the Supervisory Board of the Bank, as well as to develop quantitative methods and expand the extent to which they are used in managing the organisation using the Advanced Management Approach (AMA). The Bank has in place a formalised operational risk management system within which it prevents operating events and incidents and minimises loss in case of risk materialization. The operational risk management system and the internal control system at the Bank and the Capital Group are based on three lines of defence.

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

In order to calculate own funds requirements for operational risk, the Capital Group applies:

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

Pursuant to the decision of the Management Board of the Bank, there are works in progress aimed at changing the IT system used for data collection and supporting the operational risk management system. The implementation of the new IT system for operational risk management will take place in the third quarter of 2023.

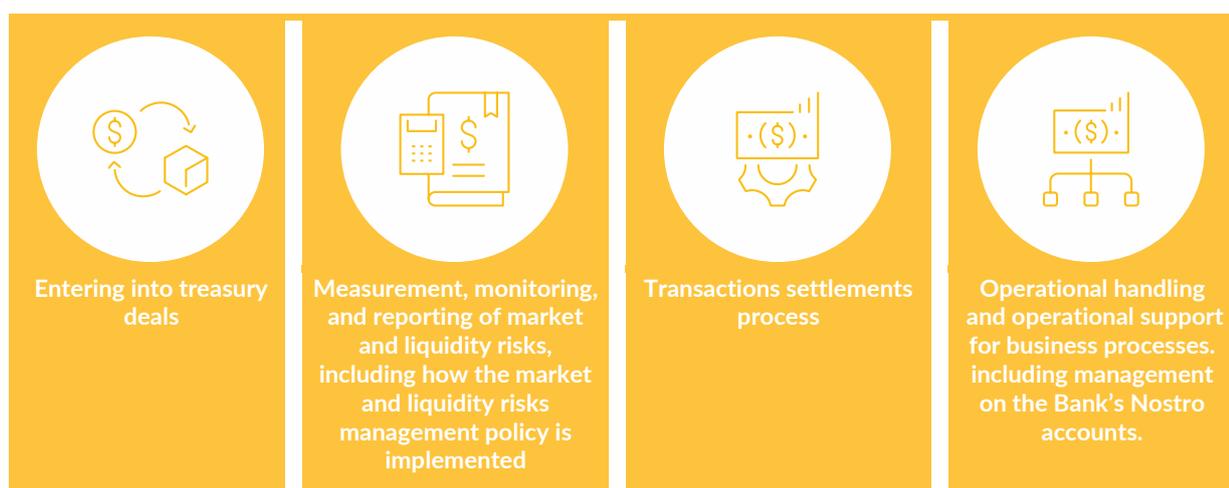
The operational risk management structure in place at the Bank includes: the Supervisory Board, the Risk Committee of the Supervisory Board, the Management Board of the Bank, the Operational Risk Committee, the Operational Risk Management Department and Operational Risk Coordinators.

The level of operational risk costs registered in the first half of 2023 was within the target and limit for operational risk adopted for the Alior Bank Capital Group.

Market and liquidity risks

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

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



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

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

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

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

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



Liquidity risk

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

Purpose of liquidity risk management

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

Liquidity risk management process

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

Organisation of the liquidity risk management process

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

Management of liquidity risk at the Bank's foreign branch

At the end of the first half of 2023, the Bank had a single foreign branch in Romania. It carried out deposit and credit operations. The objective of the Branch is to conduct credit activity with the funding received from Alior Bank and using funding acquired on the local market. The Branch's liquidity level is monitored on an ongoing basis by dedicated organisational units of the Branch and of the Bank's Head Office.

Liquidity risk management in subsidiaries

At the end of the first half of 2023, Alior Leasing was considered an important company in the Group's liquidity risk management.

Liquidity risk in the company is monitored, controlled and reported on the basis of internal liquidity risk management principles (liquidity risk appetite, liquidity contingency plans, regular reports are prepared). The reports prepared by Alior Leasing concerning the liquidity risk in the company constitute, a starting point for making decisions on liquidity management of the company and are used to consolidate the liquidity risk at the level of the Capital Group.

Measurement and assessment of liquidity risk

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



Liquidity risk monitoring and reporting

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

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

Summary of maturity/maturity dates of contractual flows of assets and liabilities on a consolidated basis as at 30 June 2023 (in millions of PLN):

30.06.2023	1D	1M	3M	6M	1Y	2Y	5Y	5Y+	TOTAL
Assets	3 065	3 379	5 214	4 884	10 266	12 701	30 974	53 261	123 744
Equity and liabilities	-51 694	-6 953	-7 128	-3 284	-3 454	-1 457	-2 155	-7 946	-84 071
Balance sheet gap	-48 629	-3 574	-1 914	1 600	6 812	11 244	28 819	45 315	39 673
Accumulated balance sheet gap	-48 629	-52 203	-54 117	-52 517	-45 705	-34 461	-5 642	39 673	
Derivatives – net	0	34	10	1	1	-4	1	0	43
Guarantee and financial lines	-11 295	0	0	0	0	0	0	0	-11 295
Off-balance sheet gap	-11 295	34	10	1	1	-4	1	0	-11 252
Total gap	-59 924	-3 540	-1 904	1 601	6 813	11 240	28 820	45 315	28 421
Total accumulated gap	-59 924	-63 464	-65 368	-63 767	-56 954	-45 714	-16 894	28 421	

Comparable data as at 31 December 2022 (in PLN million):

31.12.2022	1D	1M	3M	6M	1Y	2Y	5Y	5Y+	TOTAL
Assets	2 661	5 016	3 856	4 439	8 375	15 636	28 652	55 182	123 817
Equity and liabilities	-53 341	-4 701	-5 796	-4 259	-4 362	-2 417	-2 227	-6 461	-83 564
Balance sheet gap	-50 680	315	-1 940	180	4 013	13 219	26 425	48 721	40 253
Accumulated balance sheet gap	-50 680	-50 365	-52 305	-52 125	-48 112	-34 893	-8 468	40 253	
Derivatives – net	0	-22	21	12	18	7	3	0	39
Guarantee and financial lines	-10 204	0	0	0	0	0	0	0	-10 204
Off-balance sheet gap	-10 204	-22	21	12	18	7	3	0	-10 165
Total gap	-60 884	293	-1 919	192	4 031	13 226	26 428	48 721	30 088
Total accumulated gap	-60 884	-60 591	-62 510	-62 318	-58 287	-45 061	-18 633	30 088	

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

As at the end of June 2023, the total liquidity buffer was PLN 17 374 million as compared to a minimum level of PLN 8 583 million under the shock scenario. To calculate the liquidity buffer, the Bank uses appropriate reductions of particular components of that buffer to take into account market liquidity risk (product).

The main source of financing of the Bank's operations, including the portfolio of liquid assets, is the funds acquired as part of the deposit base (the level of which as at 30 June 2023 was approx. 83% of liabilities).

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

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

In the first half of 2023, the liquidity of the Capital Group was at a safe level, which was reflected by levels of liquidity ratios significantly above the limits. As at 30 June 2023, the LCR was 162%, whereas NSFR was 135% compared to the required level of 100% for both measurements.

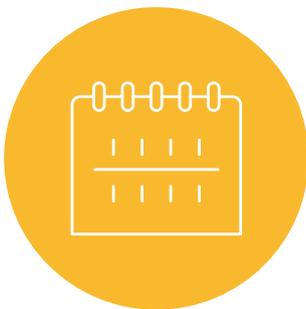


Market risk

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

- interest rate risk in the banking book,
- market risk in the trading book.

Interest rate risk in the banking book



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

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

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

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

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

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

As at the end of June, and December, 2022 for the Capital Group has been presented below (in PLN thousand):

Scenario	Change in the economic value of equity 30.06.2023	Change in the economic value of equity 31.12.2022
The most unfavourable scenario	-437 446	-342 739
The most unfavourable scenario as % of Tier 1	6.45%	5.30%

The change in net interest income over a horizon of up to 1 year with a change in interest rates by 100 bps (negative scenario) at the end of June, 2023 and December, 2022 for the Capital Group has been presented below:

	30.06.2023	31.12.2022
NII – total, materialised net interest income sensitivity to changes in interest rates	-174 824 (4.91%)	-175 355 (5.02%)

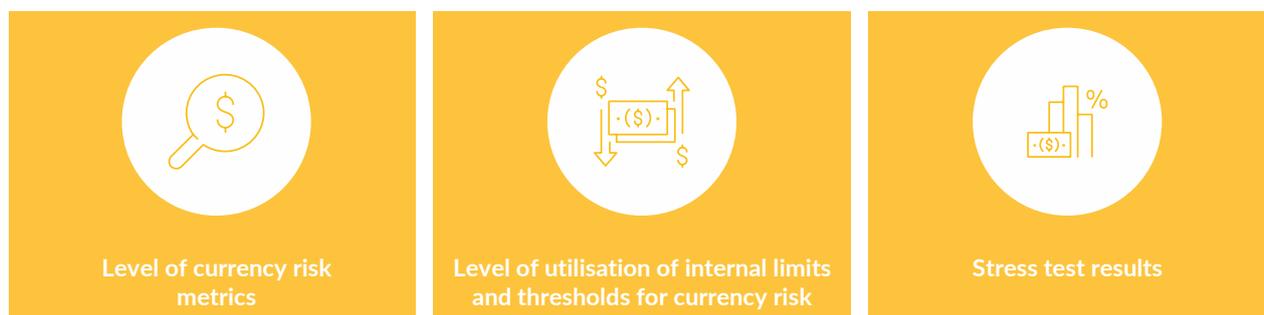


Market risk in the trading book

Currency risk is a particularly significant risk in the trading book. Defined as the risk of loss due to exchange rate changes. Additionally, the Bank distinguishes the impact of the exchange rate on its results in the long term, as a result of the conversion of future foreign exchange revenues and costs at potentially unfavourable exchange rates. The primary purpose of currency risk management is to identify the areas of activity of the Bank that can be exposed to that risk and

take measures to limit as far as possible any losses occurring out of it. The Bank's Management Board defines the currency risk profile which must be characterised by compliance with the applicable financial plan of the Bank.

Alior Bank regularly monitors and reports on:



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

The Bank's main currency risk management tools include:

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

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

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

The ES measure determines the average loss on foreign exchange positions held related to changes in exchange rates, maintaining the assumed confidence level and the retention period. The metric is established on a daily basis for each area responsible for risk taking and management, individually and collectively.

As at the end of June, 2023 and December, 2022, the maximum loss on the currency portfolio held by the Bank (managed in the trading book), determined on the basis of ES within a time horizon of 10 days (in PLN thousand) has been presented below:

	30.06.2023	31.12.2022
ES	12.7	82.4

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

	30.06.2023	31.12.2022
rates +20%	23 194	7 085
rates -20%	2 026	17 933



Model risk

The purpose of model risk management is to make it possible to achieve business goals with at least an acceptable level of uncertainty resulting from the application of models in the Bank's activities. The Bank strives for the widest possible use of models in its processes with the simultaneous development of modelling methods and applied technologies. The actions taken result in high automation of the decision-making process, adequate valuation of assets, objectification of estimates of key risk measures, and minimisation of the role of the human factor. The model

risk management process assesses compliance of the model risk level with the adopted risk appetite, and measures are taken in order to limit this level. The stages of the process are: identification, measurement, monitoring, control and reporting of the model risk. The model risk management process is carried out at the level of individual models as well as at the level of the model portfolio. The actions and techniques used are adjusted to the importance of the model in the bank's operations. Each model is subject to strict monitoring and data quality tests, whereas models recognised as significant are additionally regularly validated by an independent unit. These actions ensure control and continuous measurement of model risk.



Capital risk

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

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

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

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

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

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

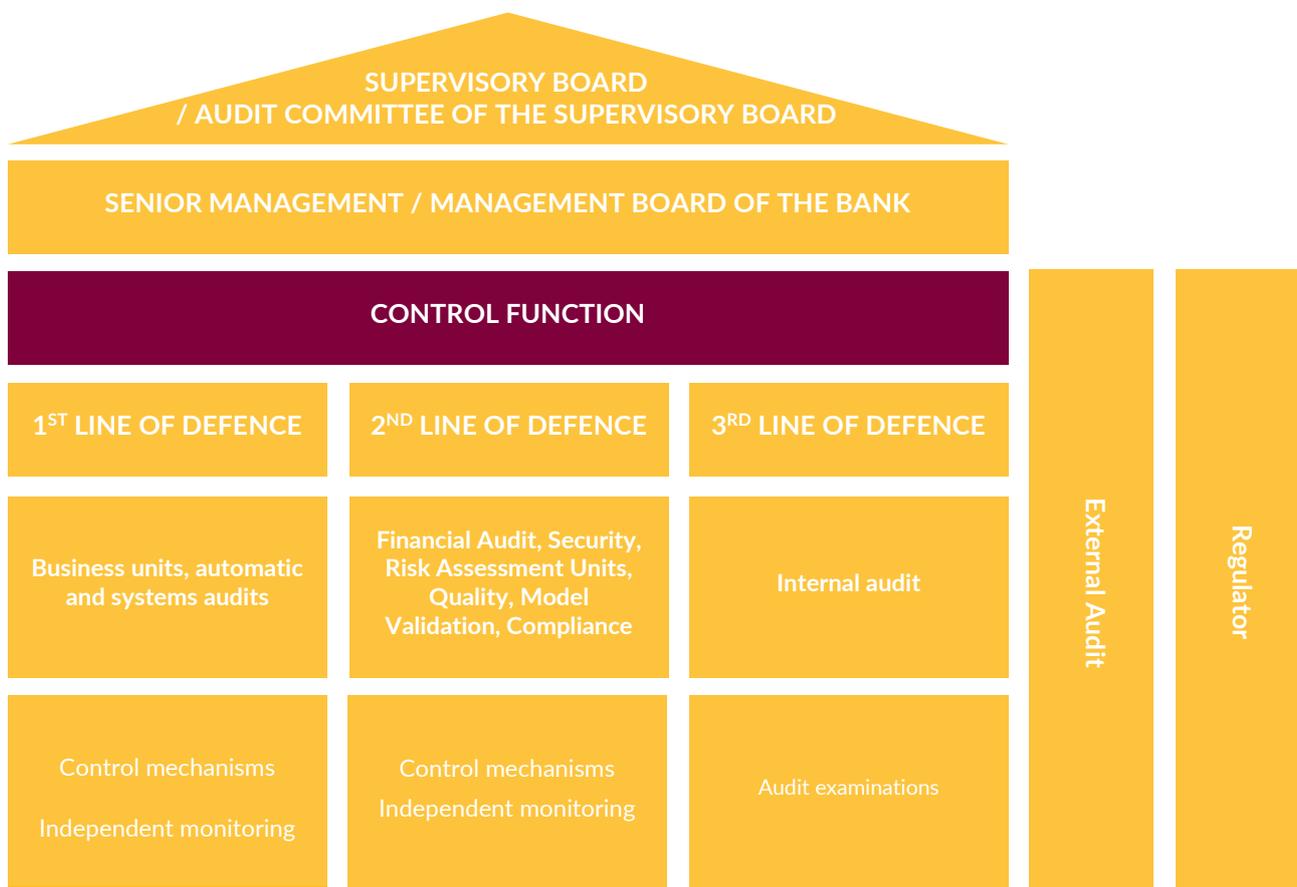
Capital ratios of the Capital Group:

	30.06.2023	30.06.2022
Total capital ratio	15.11%	13.99%
Tier 1	14.16%	12.63%
Ratio of internal capital coverage by available capital	1.80	1.63

IX. Internal control system

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

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



At all three levels of defence, the employees of the Bank, apply as appropriate certain controls or independently monitor compliance with certain controls. The particular lines of defence are separated from each other, they are characterised by separate roles and responsibilities which are defined in the Bank's organisational rules, as well as in dedicated policies and procedures. The lines of defence are independent, but they share information

and coordinate their activities for risks, controls and corporate governance. All three lines of defense are designed to meet the objectives of the internal control system by the Bank

The Bank's authorities attach special importance to ensuring the quality and correctness of operation of the internal control system.

The Bank's Management Board is responsible for designing, introducing and ensuring the operation of an adequate and effective internal control system, in particular, it approves the criteria for separation of material processes, the list of material processes, and their connection to the goals of the internal control system, and defines and oversees any corrective action taken to remove the most significant inadequacies.

The Supervisory Board's Audit Committee deals with, among other things, current monitoring and annual review of the quality and effectiveness of the internal control system.

The Supervisory Board in particular approves the rules of operation of the internal control system and evaluates the adequacy and effectiveness of that system.

In H1 2023, the Bank carried out activities to further develop and optimize the IT tool that automates some of the activities of the Bank's Control Functions, in particular, updating information on the Control Functions Matrix.



Control system in the process of preparing the financial statements

It is implemented through:

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

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

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

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

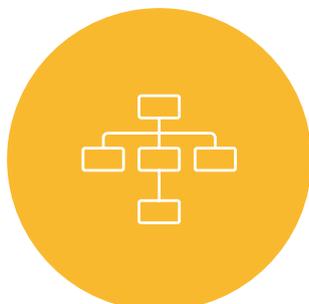
In addition, risk connected with the preparation of financial statements is limited by subjecting the financial statements to a semi-annual review and an annual audit by an independent auditor. The procedure for the selection of the independent auditor as applied by the Bank ensures its independence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

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

On 3 November 2022, the Supervisory Board of Alior Bank S.A. selected PricewaterhouseCoopers Polska spółka z ograniczoną odpowiedzialnością Audyt sp.k. as the auditor of the annual and semi-annual financial statements of the Bank and the Bank Group for the three fiscal years: 2024-2026, with an option to extend the agreement for two two-year consecutive periods: fiscal years 2027-2028 and fiscal years 2029-2030.



X. Information for investors



Structure of share capital

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

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

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

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

Structure of the Bank's share capital according to a series of issued shares (as at 30 June 2023):

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



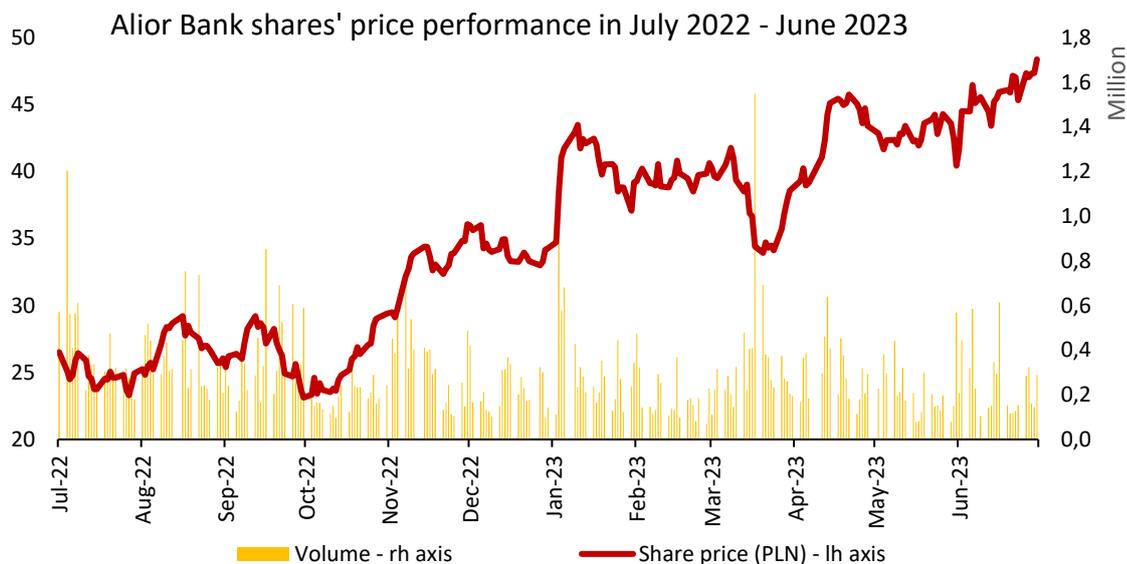
Alior Bank Share Prices on the Warsaw Stock Exchange in the first half of 2023

Alior Bank debuted on the Warsaw Stock Exchange on 14 December 2012. In March 2023, during the revision of the index composition, Alior Bank shares were included in the WIG20 index. Currently, the Bank's shares form part of the following indices: WIG, WIG-BANKI, WIG20, mWIG40TR, WIG.MS-FIN, WIG30, WIG30TR, WIG-Poland, WIG-ESG, CEEplus.

In the first half of 2023, almost 256 thousand transactions on the Bank's shares were concluded, which constituted a 17% decrease compared to almost 309 thousand transactions concluded in the first half of 2022. The volume of trade (the number of shares that changed hands) in the first half of 2023 amounted to 34 million shares, which means a decrease by 30% compared to 49 million shares in the first half of 2022. In turn, the total value of trading in the Bank's shares in the first half of 2023 amounted to PLN 1.4 billion compared to PLN 2.1 billion in the first half of 2022 (decrease in turnover by 33% y/y).

The decrease in trade resulted primarily from the decrease in the average number of transactions that were carried out on the exchange each day. The average price of one share of the Bank at the close of the trading session in the first half of 2023 was PLN 41.47, which was a 4% decrease compared to the first half of 2022 (PLN 43.08). In the first half of 2023, the turnover on Alior Bank's shares represented 1.04% of the turnover on shares of companies listed on the GPW.

On 30 June 2023, the Bank's share rate amounted to PLN 48.36 which means a 78% increase compared to the end of the first half of 2022, and C/WK ratios were 0.8x. The development of the share price and the volume of trading in the Bank's shares in the period July 2022 – June 2023 is presented in the chart below.





Investor relations

The Bank is actively working to meet the information needs of capital market participants. As a public and supervised company, it cares about universal and equal access to information. Communication with shareholders, investors, and other capital market participants is based on corporate governance principles and is carried out in accordance with the Bank's Information Policy and in compliance with the highest market standards and applicable laws.

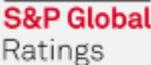
Members of the Management Board and representatives of the Bank's executives participate in regular meetings with capital market participants, including investors and analysts, organized by the investor relations team and by Polish and foreign brokerage houses. During the meetings the current financial and operational situation of the Bank is discussed, the operating strategy is presented and plans for the direction of further development are made. In addition, these meetings address topics related to the current macroeconomic situation, general condition of the financial sector, and the Bank's competitive environment.

In H1 2023, meetings took place with about 60 foreign and domestic investors, which were held both via teleconference and onsite. Furthermore, there were approx. 50 talks with analysts from brokerage houses. These talks addressed trends in the banking sector in individual quarters and the current financial standing of the Bank.

In addition, on the day of publication of interim reports, result conferences are held for journalists, investors, and stock market analysts, during which members of the Bank's Management Board present financial results and discuss the most significant events that took place during the period. A transcript of the conference is made available on the Bank's website.

In H1 2023, meetings were also held between Bank representatives and analysts from rating agencies Fitch Ratings Ltd and S&P Global Ratings.

Current Bank Ratings

Agency	Award date	Long-term rating	Short-term rating	Outlook
	29 November 2022 r.	BB	B	stable
	27 June 2023 r.	BB+	B	stable

Assessment of Fitch Ratings Ltd

In the first half of 2023, the rating agency Fitch Ratings Ltd. did not update the Bank's outlook and rating. The last report on the Bank's rating was published on November 29, 2022, in which the Fitch Ratings Ltd. rating agency informed the Bank about confirming the long-term IDR rating at BB with a stable outlook and confirming the VR rating at bb, as well as about upgrading the national short-term rating from F2(pol) to F1(pol).

long-term IDR rating at BB with a stable outlook and confirming the VR rating at bb, and about upgrading the national short-term rating from F2 (pol) to F1(pol).

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

- Long-Term IDR: BB with stable, outlook
- Short-Term IDR: B,
- National Long-Term Rating: BBB+(pol) with stable outlook
- National Short-Term Rating: F1(pol)
- Viability Rating (VR): bb,
- Government support rating: ns.

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

Standard & Poor's Global Ratings Assessment

On 27 June 2023, S&P Global Ratings announced that it had upgraded the Bank's long-term rating to BB+, from BB, and maintained its short-term rating at B. This is the highest rating in Alior Bank's history. In its rationale for the decision, the agency indicated that the rating upgrade was influenced primarily by improvements in capitalization levels and the Bank's ability to build capital internally by, among other things, reducing credit risk.

According to S&P Global Ratings, the Bank is able to maintain a high capital buffer to support its growth, even if it starts paying dividends. The Bank's insignificant exposure to mortgages denominated in Swiss francs (CHF) was viewed positively. A gradual increase in the share of mortgages and a reduction in the share of unsecured consumer loans, contributed to increasing the Bank's risk-weighted capital buffer. The justification also pointed to the declining share of higher-risk loans and appreciated the continuation of ongoing efforts to reduce the portfolio of non-performing loans.

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

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

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

Alior Bank Shareholders

Due to the Bank's status as a public company within the meaning of the Public Offering Act (Ustawa o ofercie publicznej) and the fact that the Bank's shares are listed on a regulated market (primary market) operated by the GPW, the Bank according to the best of knowledge, provides the following information on the shareholders who hold at least 5% of the share capital of the Bank and the overall number of votes at the General Meeting as at the date of 30 June 2023, the date of submission of the periodic report.

From the date of submission of the previous periodic report to the date of the publication of this report, the Bank's Management Board received notifications pursuant to Art. 69 of the Act of 29 July 2005 on Public Offering and Conditions for Introducing Financial Instruments to Organized Trading and on Public Companies from:

1. Powszechne Towarzystwo Emerytalne Allianz Polska S.A. ("PTE Allianz Polska"), managing Allianz Polska Otwarty Fundusz Emerytalny ("Allianz OFE"), informing that as a result of the liquidation of the Drugi Allianz Polska Otwarty Fundusz Emerytalny ("Drugi Allianz OFE") and the transfer of its assets to Allianz OFE on May 12, 2023, the share in the total number of votes of Alior Bank S.A. on Allianz OFE accounts was above 5%.

Before the liquidation of Drugi Allianz OFE, the total balance in the accounts of Allianz OFE and Drugi Allianz OFE amounted to 11,526,440 shares, representing 8.83% of the Company's share capital, which gave the right to exercise 11,526,440 votes from shares representing 8.83% of the total number of votes at the Company's General Meeting.

After the liquidation of Drugi Allianz OFE, 11,526,440 shares were registered at the accounts of Allianz OFE, representing 8.83% of the Company's share capital, which gives the right to exercise 11,526,440 votes from shares representing 8.83% of the total number of votes at the Company's General Meeting.

2. Generali Powszechne Towarzystwo Emerytalne S.A. informing that on July 21, 2023, the liquidation of NNLife Otwarty Fundusz Emerytalny ("NNLife OFE") was completed. On the date of completion of the liquidation of NNLife OFE, its assets were transferred to Generali Otwarty Fundusz Emerytalny ("Generali OFE"), as a result of which the share of Generali OFE in the share capital and in the total number of votes of the Company increased above 5%.

Before the liquidation of NNLife OFE in total, Generali OFE and NNLife OFE held 7,253,721 shares, representing 5.56% of the Bank's share capital, which gave the right to exercise 7,253,721 votes at the General Meeting of the Bank, which constituted 5.56% of the total number of votes;

Of which Generali OFE held 2,751,159 shares, representing 2.11% of the share capital of the Bank and 2,751,159 votes at the General Meeting of the Bank, which constituted 2.11% of the total number of votes.

After the liquidation of NNLife OFE, Generali OFE holds a total of 7,253,721 shares, representing 5.56% of the Bank's share capital and 7,253,721 votes at the General Meeting of the Bank, representing 5.56% of the total number of votes.

Ownership structure of the Bank's share capital as at 30 June 2023 and the date of submission of the periodic report:

Shareholder	Number of shares	Nominal value of shares (PLN)	Percentage of share capital	Number of votes	Votes as proportion of overall votes
Grupa PZU*	41 658 850	416 588 500	31.91%	41 658 850	31.91%
Nationale-Nederlanden OFE**	12 358 517	123 585 170	9.47%	12 358 517	9.47%
Allianz OFE**	11 526 440	115 264 400	8.83%	11 526 440	8.83%
Generali OFE**	7 297 721	72 977 210	5.59%	7 297 721	5.59%
Other shareholders	57 712 463	577 124 630	44.20%	57 712 463	44.20%
Total	130 553 991	1 305 539 910	100%	130 553 991	100%

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

** Based on the published reports as at 30 June 2023 on the composition of OFE portfolios and reports for 2022 on the composition of DFE portfolios.

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

Shareholder	Number of shares	Nominal value of shares (PLN)	Percentage of share capital	Number of votes	Votes as proportion of overall votes
Grupa PZU*	41 658 850	416 588 500	31.91%	41 658 850	31.91%
Nationale-Nederlanden OFE**	12 358 517	123 585 170	9.47%	12 358 517	9.47%
Allianz OFE**	11 526 440	115 264 400	8.83%	11 526 440	8.83%
Generali OFE***	7 253 721	72 537 210	5.56%	7 253 721	5.56%
Other shareholders	57 756 463	577 564 630	44.23%	57 756 463	44.23%
Total	130 553 991	1 305 539 910	100%	130 553 991	100%

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

** Based on the published reports as at 30 June 2023 on the composition of OFE portfolios and reports for 2022 on the composition of DFE portfolios.

*** Based on the received notification.

Alior Bank shares held by the Bank's governing body

Mr. Tomasz Miklas – Member of the Bank's Management Board holds 147 shares of the Bank. At the end of the reporting period (June 30, 2023) and as at the date of publication of the report, the Members of the Supervisory Board and other members of the Management Board of Alior Bank did not hold shares of the Bank. Since the date of publication of the last periodic report, there have been no transactions in the Bank's shares to which Members of the Management Board or the Supervisory Board of the Bank would be a party.

Significant agreements and obligations



As at June 30, 2023, Alior Bank did not hold:

- obligations towards the central bank,
- significant agreements on loans, sureties and guarantees not related to operational activities, apart from the annex to the agreement on periodical provision of insurance guarantees constituting unfunded credit protection concluded with the Powszechny Zakład Ubezpieczeń SA.
- financial support agreements referred to in Art. 141t section 1 of the Banking Law.

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

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

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

As at 30 June 2023, Alior Bank granted 952 active guarantees for a total amount of PLN 756,879,000. The Bank makes sure that the time structure of the guarantees is appropriate. Active guarantees with less than two years to maturity (748 items) amounted to PLN 466,455,000.

The total value of off-balance-sheet contingent liabilities granted to customers as at 30 June 2023 amounted to PLN 11,249,780,000. This amount consisted of PLN 10,537,901,000 off-balance-sheet contingent liabilities related to financing and PLN 756,879,000 off-balance-sheet guarantee contingent liabilities.

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

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

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

No single court, arbitration court or public administration body proceedings in progress during the first half of 2023, and none of the proceedings jointly, could pose a threat to the Group's financial liquidity. The proceedings which according to the opinion of the Management Board are significant are presented in the Interim condensed consolidated financial statements of the Alior Bank SA Capital Group for the 6-month period ended 30 June 2023 (Note No. 32).

Governing bodies of Alior Bank

General Meeting of the Bank

General Meetings of the Bank in the first half of 2023

The Annual General Meeting of the Bank held on 10 May 2023, in addition to resolutions concerning organisational affairs, it also adopted resolutions on matters related to the closing of the financial year 2022 concerning:

- approval of the report on the operations of the Supervisory Board of the Bank,
- approval of the financial statements of the Bank and of the Capital Group of the Bank,
- approval of the Report on the operations of the Capital Group of the Bank, including the Report of the Management Board on the operations of the Bank and the Report of the Capital Group of the Bank on non-financial information,
- method for distribution of profit for the financial year 2022,
- granting a discharge to all Members of the Management Board and Supervisory Board of the Bank.

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

- the position of the Annual General Meeting of the Bank regarding the assessment of the functioning of the remuneration policy in effect at the Bank,
- the assessment of the collective suitability of the Supervisory Board of Alior Bank Spółka Akcyjna,
- opinion on the "Report on the remuneration of Members of the Supervisory Board and the Management Board of Alior Bank S.A. for 2022" presented by the Supervisory Board of the Bank,

- adoption of the updated “Remuneration Policy for Members of the Management Board and Supervisory Board of Alior Bank S.A.”,
- adoption of the updated “Policy of Selection and Suitability Assessment of Supervisory Board Members of Alior Bank S.A.”,
- amendments to the Articles of Association of Alior Bank S.A.,
- assessment of the adequacy of internal regulations concerning the functioning of the Supervisory Board of Alior Bank S.A. and its effectiveness.

Description of the rules for amending the Bank’s Articles of Association and amendments to the Articles of Association made in 2023

According to Article 415 § 1 of the Act of 15 September 2000 – Code of Commercial Partnerships and Companies (uniform text. Dz. U. [Poland’s Journal of Laws] of 2022, items 1467, 1488, 2280, 2436, of 2023 item 739), an amendment to the Bank’s Articles of Association requires the adoption by the General Meeting of the Bank of an appropriate resolution by qualified majority of three quarters of votes. The amendment of the Articles of Association also requires the authorization of the Polish Financial Supervision Authority and the registration of the adopted amendment in the register of entrepreneurs of the National Court Register.

Amendments to the Articles of Association of the Bank in 2023

On 10 May 2023, the Bank’s Annual General Meeting adopted:

1. Resolution No. 31/2023 on amendments to the Bank’s Articles of Association consisting of:

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

“4. Redemption of shares requires the consent of the Polish Financial Supervision Authority”.

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

Alior Bank obtained the consent of the Polish Financial Supervision Authority to make the above amendment to the Articles of Association by way of a decision of 21 July 2022.

- giving § 21 (1) of the Articles of Association the following new wording:

“1. Meetings of the Supervisory Board shall be convened as necessary, but no less frequently than once a quarter in every financial year.”

The purpose of the amendment is to bring the Bank’s Articles of Association in line with current provisions of the Commercial Companies Code.

Alior Bank obtained the consent of the Polish Financial Supervision Authority to make the above amendment to the Articles of Association by way of a decision of 8 March 2023.

Amendments to the Articles of Association resulting from Resolution No. 31/2023 of the Bank’s Annual General Meeting were registered with the National Court Register on 23 June 2023.

2. Resolution No. 32/2023 on amendments to the Bank’s Articles of Association consisting of:

- giving § 19 of the Articles of Association the following new wording:

“1. The Supervisory Board shall select the Chair and the Deputy Chair from among its Members. The selection shall be made based on the absolute majority of votes present at the meeting of the Members of the Supervisory Board by way of a secret ballot.

2. The work of the Supervisory Board is managed by the Chairman, who is responsible for proper organization of its work, in particular convening meetings of the Supervisory Board.

3. In the absence of the Chairman of the Supervisory Board, their powers related to the organization of the work of the Supervisory Board, resulting from the Articles of Association and the Rules and Regulations of the Supervisory Board, regarding convening and chairing of the meetings of the Supervisory Board and voting on resolutions, shall be vested in the Deputy Chairman of the Supervisory Board or in his absence to a member of the Supervisory Board designated for this purpose in advance by the Chairman.”

- giving § 22 (1) of the Articles of Association the following new wording:

“1. Resolutions of the Supervisory Board may be adopted by circulation (in writing) or using means of direct remote communication. A resolution shall be deemed valid provided that all members of the Supervisory Board have been notified of the content of the draft resolution and at least half of the members of the Supervisory Board participated in adopting the resolution.”

The purpose of the amendments is to bring the Bank’s Articles of Association in line with current provisions of the Commercial Companies Code.

Alior Bank obtained the consent of the Polish Financial Supervision Authority to make the above amendments to the Articles of Association by way of a decision of 7 June 2023.

The amendments to the Articles of Association arising from Resolution No. 32/2023 of the Bank’s Annual General Meeting shall enter into force with effect from the moment of entry in the National Court Register. As at the date of the financial statement, the amendments have not been registered with the National Court Register.

Supervisory Board of the Bank

Composition of the Supervisory Board of the Board as at 30.06.2023		Composition of the Supervisory Board of the Board as at 31.12.2022	
Filip Majdowski	Chair of the Supervisory Board	Filip Majdowski	Chair of the Supervisory Board
Ernest Bejda	Deputy Chair of the Supervisory Board	Ernest Bejda	Deputy Chair of the Supervisory Board
Małgorzata Erlich- Smurzyńska	Supervisory Board Member	Małgorzata Erlich- Smurzyńska	Supervisory Board Member
Paweł Knop	Supervisory Board Member	Paweł Knop	Supervisory Board Member
Artur Kucharski	Supervisory Board Member	Artur Kucharski	Supervisory Board Member
Marek Pietrzak	Supervisory Board Member	Marek Pietrzak	Supervisory Board Member

Dominik Witek	Supervisory Board Member	Dominik Witek	Supervisory Board Member
Paweł Śliwa	Supervisory Board Member	Paweł Śliwa	Supervisory Board Member

In the reporting period, i.e. from January 1, 2023 to June 30, 2023, there were no changes in the composition of the Supervisory Board of the Bank.

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

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

Committees of the Supervisory Board

Audit Committee of the Supervisory Board

Composition of the Committee as at 30.06.2023		Composition of the Committee as at 31.12.2022	
Artur Kucharski	Committee Chair	Artur Kucharski	Committee Chair
Ernest Bejda	Committee Member	Ernest Bejda	Committee Member
Marek Pietrzak	Committee Member	Marek Pietrzak	Committee Member
Filip Majdowski	Committee Member	Filip Majdowski	Committee Member
Paweł Knop	Committee Member	Paweł Knop	Committee Member

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

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

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

The individuals with knowledge and skills in the area of accounting or auditing the financial statements are:

- Mr. Artur Kucharski, competences confirmed: knowledge acquired during audit work, obtaining the Association of Chartered Certified Accountants (ACCA) diploma, as well as professional experience related to performing supervisory functions.
- Mr. Paweł Knop, competencies confirmed by: knowledge acquired during auditing work and possession of statutory auditor's qualifications, securities broker's qualifications, including investment advisory qualifications, as well as professional experience related to performing supervisory functions.

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

Activities of the Audit Committee

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

In the reporting period, the Audit Committee held 10 meetings and discussed issues related to: financial reporting process, internal control system, risk management systems, internal audit, performing the activities of financial audit. The Audit Committee was kept informed on material topics concerning accounting and financial reporting, controlled and monitored the independence of the statutory auditor and the entity authorised to audit financial statements. As regards monitoring the effectiveness of the internal control system and risk management systems, and internal audit, the Committee received reports from the Audit Department, including information on the results of audits carried out, progress of recommendations implementation, reports on the implementation of the audit plan, assessment report on the adequacy and effectiveness of the internal

control system and the risk management system. Based on reports of the Regulatory Compliance Department, it monitored the compliance risk management system and the control function.

Nomination and Remuneration Committee of the Supervisory Board:

Composition of the Committee as at 30.06.2023		Composition of the Committee as at 31.12.2022	
Małgorzata Erlich-Smurzyńska	Committee Chair	Małgorzata Erlich - Smurzyńska	Committee Chair
Marek Pietrzak	Committee Member	Marek Pietrzak	Committee Member
Dominik Witek	Committee Member	Dominik Witek	Committee Member

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

Activities of the Nomination and Remuneration Committee

In H1 2023, there were 4 meetings of the Nomination and Remuneration Committee, where, based on, among other things, Recommendation Z of the Polish Financial Supervision Authority and Best Practices for Companies Listed on the WSE 2021 (DPSN 2021), the Committee revised the following policies:

- policy of selection and assessment of the Bank's Supervisory Board members,
- development policy for the members of the Management Board and the Supervisory Board,
- remuneration policy,
- remuneration policy for the members of the Bank's Management Board and the Supervisory Board.

The suitability assessment processes carried out by the Committee in H1 2023 were carried out in compliance with the Methodology for assessing the suitability of members of bodies of the supervised entities and in terms of implementing the requirements referred to in Article 22aa of the Banking Law, as well as Article 9cd(5) of the Banking Law in conjunction with § 1 of the Regulation on the Terms of Reference of the Nominating Committee. The Committee conducted an annual re-assessment of the individual suitability of Supervisory Board members and a collective assessment of the suitability of the Bank's supervisory body. Following the aforementioned assessment, the Committee conducted a collective assessment of the suitability of the Bank's Supervisory Board. Due to an event resulting in the need for a re-assessment (approval of the Polish Financial Supervision Authority to assign Mr Tomasz Miklas to the position of Vice President of the Management Board of Alior Bank S.A. responsible for managing the Bank's material risk - decision of the PFSA dated 28 April 2023) The Committee conducted a re-assessment of the suitability of Vice President Tomasz Miklas. In turn, in connection with the appointment of Mr Paweł Broniewski to the Management Board, the Committee made an initial assessment of the candidate's individual suitability. Following the above individual assessments - the Committee conducted collective assessments of the suitability of the managing body.

The Committee also dealt with Alior Bank's Management Report on Management Objectives for 2022, the reconciliation of management objectives for 2022, the allocation of variable remuneration to members of the Management Board for 2022, and an opinion on MBO targets for MRT for 2023.

The agenda of Committee meetings also included: The Report on remuneration of the members of the Management Board and the Supervisory Board of Alior Bank for the year 2022, Report on the assessment of the remuneration policy at Alior Bank.

Risk Committee of the Supervisory Board:

Composition of the Committee as at 30.06.2023		Composition of the Committee as at 31.12.2022	
Ernest Bejda	Committee Chair	Ernest Bejda	Committee Member
Artur Kucharski	Committee Member	Artur Kucharski	Committee Member
Dominik Witek	Committee Member	Dominik Witek	Committee Member
Małgorzata Erlich - Smurzyńska	Committee Member	Małgorzata Erlich - Smurzyńska	Committee Member
Paweł Knop	Committee Member	Paweł Knop	Committee Member

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

Activities of the Risk Committee of the Supervisory Board

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

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

During its meetings, the Risk Committee of the Supervisory Board discussed key issues related to the risk management process, which included in particular: a review of annual results in the area of risk, including the determination of risk appetite and implementation of risk policy for the year 2022, analysis of the capital position of the Bank, analysis of the quality of the credit portfolio and major credit exposures. The Committee also analysed key risks identified by the Bank.

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

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

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

Composition of the Committee as at 30.06.2023		Composition of the Committee as at 31.12.2022	
Filip Majdowski	Committee Chair	Filip Majdowski	Committee Chair
Artur Kucharski	Committee Member	Artur Kucharski	Committee Member
Dominik Witek	Committee Member	Dominik Witek	Committee Member
Paweł Śliwa	Committee Member	Paweł Śliwa	Committee Member

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

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

In H1 2023, the Bank Strategy and Development Committee of the Supervisory Board held two meetings. The meetings were devoted to discussing the priorities and strategic directions of the new strategy and recommending to the Supervisory Board the approval of the strategy "Your Bank of everyday life, your Bank for the future". During the meetings, the key goals to be achieved by the Bank in the perspective of the new strategy (KPI) were discussed, as well as the approach to the strategy publication in the first quarter of 2023 (matching the dates of operationalization of the strategy within the capital group). The Committee actively participated in the discussion on the planned development directions of the Bank for the coming years.

Management Board of the Bank

Composition of the Management Board of the Bank as at 30 June 2023*



Grzegorz Olszewski

President of the Management Board

Areas of responsibility: internal audit, compliance risk management, HR, communication and CSR, handling of the Bank's bodies and strategy. He is also responsible for the day-to-day functioning of procedures for reporting breaches of law, procedures and principles of business ethics in effect at the Bank and accepts notifications in this regard in accordance with the provisions of internal regulations of the Bank.



Paweł Broniewski

Vice-President of the Management Board

Areas of responsibility: operational area, including business continuity management, cyber security and security.



Radomir Gibała

Vice-President of the Management Board

Areas of responsibility: finance, accounting and financial reporting, controlling, supervision over subsidiaries and activity in other countries.

 Szymon Kamiński	Vice-President of the Management Board	Areas of responsibility: business customer products and sales (business customer and micro-enterprises)
 Rafał Litwińczuk	Vice-President of the Management Board	Areas of responsibility: retail customer products and sales, brokerage activity and treasury activity.
 Tomasz Miklas	Vice-President of the Management Board	Areas of responsibility: supervising the management of material risk in the Bank's operations and ESG risk management ⁸
 Jacek Polańczyk	Vice-President of the Management Board	Areas of responsibility: marketing, logistics and procurement
 Paweł Tymczyszyn	Vice-President of the Management Board	Areas of responsibility: legal area, IT and personal data security and protection

*current internal division of competences in the Management Board of Alior Bank S.A. was established by Resolution No. 181/2023 of the Bank's Management Board of May 23, 2023, approved by Resolution No. 82/2023 of the Bank's Supervisory Board of May 31, 2023.

Composition of the Management Board of the Bank as at 31 December 2022

Grzegorz Olszewski President of the Management Board	Areas of responsibility: internal audit, compliance risk management, HR, communication and CSR, handling of the Bank's bodies and strategy. He is also responsible for the day-to-day functioning of procedures for reporting breaches of law, procedures and principles of business ethics in effect at the Bank and accepts notifications in this regard in accordance with the provisions of internal regulations of the Bank.
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⁸ On April 28, 2023, the Polish Financial Supervision Authority approved the appointment of Mr. Tomasz Miklas as Member of the Management Board of Alior Bank S.A. supervising the management of significant risk in the Bank's operations.

Radomir Gibała Vice-President of the Management Board	Areas of responsibility: finance, accounting and financial reporting, controlling, supervision over subsidiaries and activity in other countries.
Szymon Kamiński Vice-President of the Management Board	Areas of responsibility: business customer products and sales, and treasury activity
Rafał Litwińczuk Vice-President of the Management Board	Areas of responsibility: retail customer products and sales (retail customer and micro-enterprises), and brokerage activity
Tomasz Miklas Vice-President of the Management Board	Areas of responsibility: coordination of the work of organizational units in the area of material risk in the Bank's operations *
Jacek Polańczyk Vice-President of the Management Board	Areas of responsibility: marketing, logistics and procurement
Paweł Tymczyszyn Vice-President of the Management Board	Areas of responsibility: operational area, legal area, IT and cybersecurity, personal data security and protection

* On October 13, 2022, the Supervisory Board of the Bank appointed Mr. Tomasz Miklas to the Management Board of the Bank and entrusted him with the function of the Vice-President of the Management Board of the Bank supervising the management of significant risk in the Bank's operations, subject to obtaining the relevant consent of the Polish Financial Supervision Authority and on the date of issuing this consent. Until the Polish Financial Supervision Authority expresses its consent to entrust Tomasz Miklas with the function of the Vice-President of the Management Board of the Bank supervising the management of material risk in the Bank's operations, supervision over material risk management is exercised by the Management Board of the Bank collectively.

In the reporting period from 1 January 2023 to 30 June 2023, the following changes were made to the composition of the Management Board of the Bank:

- on April 3, 2023, the Supervisory Board of the Bank appointed Mr. Paweł Broniewski to the Management Board of the Bank, for the position of Vice-President of the Management Board of the Bank, with effect from April 4, 2023.

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

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

XI. Principles of social liability

The Bank's Strategy, adopted in early 2023, also includes ESG topics. It lists the areas of social responsibility, environmental and climate challenges, and the application of the highest management standards. Among the planned activities are: concern for the health of employees and customers and assistance for Ukrainian citizens, support for the climate transformation of our customers and reduction of the Bank's negative impact on the environment as well as raising the ESG rating score and expanding ESG competence in key areas of the Bank.

ESG assumptions in Alior Bank's strategy



Customer relations

The Strategy adopted by the Bank outright indicated the Bank's continued focus on building relations with customers, investing in their experience and satisfaction. We have adopted the NPS strategic score as a KPI. The activities we focused on in H1 2023 pertained to continuous improvement of this experience and continued development of partnership banking.

In the aspect of the strategic NPS indicator, our goal was to standardize the knowledge among the Bank's employees about the NPS survey methodology, factors affecting the indicator - that's why all the Bank's employees had the opportunity to get acquainted with information in this regard thanks to the e-learning course we prepared.

Customer Experience

As far as the Customer Experience area is concerned, Alior Bank focused its activities to bring about improvements to make day-to-day banking more convenient, simpler and more intuitive. We focus our activities on issues of key importance to our customers in an effort to respond to their current needs and market trends.

A constant, invariable element of our work are market benchmarks. This time we checked the position of Alior Bank against the competition in terms of the products offered and the services and functionalities of products and channels of execution most frequently chosen by customers (e.g. transaction processing, card/document reservation, additional services, self service). We also analysed chat messages – replies, functionalities, customer service standards and overall user-friendliness of that contact channel. We took a closer look at not only banks, but also top institutions considered to be leaders in providing customer service via that channel.

We focused our efforts on providing our customers with appropriate education via the helpline and stationary sales network.

The subject of our activities was to increase our customers' awareness of banking security in the broadest sense by preparing relevant factual materials for employees who have daily contact with customers.

We have also ensured that our customers, when traveling abroad, consciously and according to their individual needs, choose products and services supporting banking abroad.

We have also taken care of our youngest customers so that they receive the highest quality service from us in all channels of contact.

We have focused our efforts in the above areas on standardizing service quality standards and providing employees with factual materials to support customer service.

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

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

We prepare maps of the processes most often chosen by customers, e.g. unblocking online banking, recovering a login - so we are able to evaluate the process through the eyes of the customer and make improvements, if any.

We also carry out mystery shopper surveys for stationary branches - cooperating with external research companies in this area.

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

We make efforts to ensure that information available in the "Contact" tab on the Bank's website is up-to-date, so that customers have access to accurate information regarding business hours of the helpline and the scope of services offered.

CEX KB's activities focus on the factors that shape customer satisfaction in their daily relations with our Bank.

We regularly analyse business customer experience reports. We then prepare recommendations for the business based on this information. Our efforts have resulted in simplified procedures and the elimination of problematic points. As a result, our customers can benefit from even faster and more efficient service, are more likely to use our services, and are more likely to apply for new products.

We are systematically making it easier for our customers to work with our Bank. Customers gain faster access to information and better after-sales support. We continuously monitor the quality of self-service processes in remote channels and the effectiveness of such contacts. As soon as we see the need, we make a proposal for a new scope of disposition.

On the basis of information from operational processes, we prepare factual materials that improve the work of consultants. We emphasize that the basis of good business relations is the right attitude of the account manager - both in the service process and during after-sales support.

We continue to build on our existing efforts, which we initiated as part of our Fair Play strategy. We make sure that customers have easy access to the most important information (including the fees and commissions we have charged and the result of the instructions we have executed). These activities positively affect our image, thanks to them we gain even more trust from our customers.

In the coming months, we plan to build on the results of the analysis we have obtained so far, and we will continue the actions we have taken, as well as address further support initiatives.

Customer Zone

We are constantly developing the "Customer Zone" tab on our website where customers can check out what has changed at the Bank in the last year, what new products and functionalities we prepared to be an even better partner for our customers. We constantly collect opinions of our customers regarding products, processes, services - so we can tailor them to their needs as much as possible.

The "Customer Zone" has already become a permanent element of our process of collecting opinions about processes, products and services. We are pleased that more and more customers are using this form of communication with us and that they are leaving positive feedback. We are happy that more and more customers are using this form of communication with us and that they are leaving positive feedback.

It is there where we show what the market says about us - presenting the results of rankings and how we are changing for our customers. We also present our leading projects - such as Simplifying Communications.

Recommendation process

We continue our activities as part of the Recommendation Group. Its main task is to minimize the number of complaints received by the Bank. It brings together key substantive and technical units, business owners of products and processes, systems, electronic banking, risk, sales and quality.

We constantly analyse the most voluminous categories of inquiries and complaints and determine possible solutions for them. The aim was to reduce complaints by addressing the cause of their occurrence, both in products and processes.

As far as the business customer area is concerned, we worked on limiting the volumes of both inquiries (in the Call Centre and Help Desk area) and complaints (Complaints Handling Team and appeals to the Customer Ombudsman). As a result of our analysis of the reasons for the high number of requests, significant support

from sales and business units responsible for service quality, processes and products, we jointly developed recommendations for changes, modifications and improvements.

Simplifying communication

In H1 2023, we continued to work on simple, friendly and effective communication with our customers. We simplified the content that reaches our audience every day (including templates for responding to complaints, KMO regulations). So that they are in line with the “Handbook of Simple Writing” - updated and expanded by us earlier this year.

Simple communication is already a daily process at Alior Bank. In the course of our work, we not only improve the content, but also ensure proper communication standards in other teams. We enrol employees in in-house coach training, e-training, and training with linguists, such as training on the principles of building friendly communication. In addition, we monitor the level of simplification of content in responses to complaints, cibs, e-mails, among others.

In addition, we have begun to expand the network of plain language ambassadors in our organization. About 30 employees from various teams have been trained by the Polish Language Foundation and certified with the Language Quality Mark. The ambassadors have acquired the necessary competencies to take care of simple communication in their teams and to support us in our future activities.

We have also begun work on simplifying content for the business customer. Linguists from the Polish Language Foundation at the University of Warsaw audited materials in various areas of KB for us. Then, at our joint meeting, we discussed the results of this analysis and determined the next course of action.

At the same time, we fit in with current trends and promote our achievements externally, including on social media. We also obtained two certificates from the Workshop of Simple Polish. The first for InfoNina bot messages (the first such certificate on the market for a bot) and the second for five simplified legal documents (including a savings and checking account agreement and an integrated agreement). This placed us among the largest banks (among others, ING Bank Śląski, Credit Agricole Bank, Santander Bank Polska), which also received this award.

In addition, we participate in meetings of working groups for plain language at the Polish Bank Association. The result of our work is “Good practices for simple banking communication. Part II” which we co-authored. The initiative to create good communication practices by working groups has received positive feedback from the PFSA. In a letter dated February 2021, the PFSA indicated that “all cooperation initiatives at the level of bank associations that are aimed at improving banks’ communication with customers have a positive dimension”. It added that “the involvement of professional resources and forms of cooperation is a good prognosis for the participants in this project to develop optimal solutions”.

Modernization of branches

At these modernized branches, customers are provided the highest comfort and discretion when receiving customer service thanks to dedicated service desks.

In the case of meetings that require particular privacy, employees and customers have access to meeting rooms in a specially designated zone. Furthermore, each and every modernized branch has a digital demo zone that is available to all customers, where they can use online banking or mobile app of the Bank. Employees in branch offices provide support and present the functionalities of these tools.

NPS surveys

Customer surveys according to the NPS (Net Promoter Score) method are a measure that shows us cyclical information about the overall level of customer satisfaction with cooperation with the Bank and the propensity to recommend Alior Bank to others. They are conducted continuously and also allow us to evaluate the products we have on offer and our distribution channels.

In 2023, we conducted telephone surveys (CATI - Computer Assisted Telephone Interview) and online surveys (CAWI Computer Assisted Web Interview) in the form of more than 36,000 surveys.

Customer Ombudsman

The Bank has an Alior Bank Customer Ombudsman. The Customer Ombudsman is the last appellate instance at the Bank in the complaint process. Such an appeal can be filed if previous responses to complaints and any appeals do not meet the customer's expectations. The Ombudsman's activities contribute to a greater sense of security for customers through efficient and objective verification of the problems they report. In H1 2023, we registered 327 appeals to the Customer Ombudsman vs. 334 in H1 2022. This is a decrease in registered cases of 2.5% y/y. The average monthly number of appeals received in H1 2023 was 54 cases. 88% of the appeals concerned the context of individual customers, only 12% of business customers. The average percentage of recognized appeals combined for all resolved cases (the sum of recognized, partially recognized and business recognized) was 26%. This is an increase of 5% y/y.

Employee relations

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

The Strategy "Bank for Everyday Life, Bank for the Future" is a focus on everyday life, where every employee has the conditions to develop his or her competence. Everyone - no matter who they are. We build personalization by, among other things, strengthening employee potential and programmes to develop individual talents, generation management, activities that promote healthy lifestyles, and concern for the mental and physical well-being of not only the employee, but also his or her family.

In June 2023, Alior Bank's Management Board adopted a resolution introducing a **Diversity Policy**. The decision formalizes the Bank's long-standing anti-discrimination efforts. The Bank's authorities believe that values derived from differences add to the organization's strength and influence its effectiveness, and that a diversity policy emphasizing equal treatment is a fundamental value of society. For Alior Bank, diversity is one of the key resources of the organization, and its effective management and the creation of inclusive conditions for development can positively affect the results achieved and the competitiveness of the company in the market. As an employer, Alior Bank makes sure that everyone feels part of the Alior Bank team, feels accepted and is treated with dignity and respect. To this end, the Bank is taking a number of measures to provide employees with a safe and comfortable environment to work in and an environment for individual development. The regulation introduced is the culmination of diversity efforts over the past years.

In 2022, Alior Bank was included in the Financial Times and Statista's list of "Diversity Leaders" - employers who particularly excel in respecting differences among their employees. The Bank was among the 850 institutions that received the highest score and ranked highest in the "Banking and Financial Services" category among the companies from Poland included in the list.



One of the diversity measures already in place at the Bank is "ONa" - an initiative that enables women to build a distinctive organization with the support of strategy implementation, including, in particular, the leading slogans #YouAreIMPORTANT.

In June 2023, Alior Bank's Management Board updated the **Policy for a work environment free of undesirable behaviour**, which has been in place since 2018. This policy is an expression of the employer's obligation to prevent and counteract undesirable behaviour in business relations. It supports efforts to build positive working relations based on compliance with the law and principles of social coexistence. Any actions and/or behaviour bearing the hallmarks of bullying, discrimination, harassment and any other undesirable behaviour in violation of the law are unacceptable at Alior Bank.

Alior Bank, with particular emphasis on the role of managers and HR, supports actions aimed at building positive business relationships based on compliance with the law and principles of social coexistence. The above applies to relations between the employer and employees, relations between employees, and relations between employees and the employer's counterparties and customers.

The organizational units responsible for the substantive areas of HR and Compliance provide educational activities to prevent the occurrence of undesirable behaviour in the workplace and conduct permanent, ongoing monitoring of employee relations in the Bank's various units.

Educational activities as part of the Policy for a work environment free of undesirable behaviour are also carried out by trade union organizations operating at Alior Bank, to the extent and in the manner adopted by them, in consultation and coordination with the Bank.

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

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

As of July 2023, more than 10 meetings have already been held with Trade Union Organizations and 13 meetings have been held as part of the social commission.

The Bank respects the freedom of association. As of 30 June, 2023, we have about 36% unionization at Alior Bank.

Development and training

Development and training programmes

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

In H1 2023, the Bank's employees took advantage of the offer of development activities a total of 19,667 times, of which 5,903 employees participated in electronic training (e-learning), and 320 employees benefited from external development activities.

Onboarding

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



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

Alior Bank's Retail Customer sales network has been additionally supported by the SalesOn educational platform since April 2023. After completing the initial implementation training, the employee has the opportunity for four months to gain additional knowledge to support his or her competence in the product offering area.

Development activities

As part of the development programmes intended for all employees of the Bank until March 2023, there was a “Development Zone”, a programme based on the principles of b-learning (webinars, podcasts, e-learning, knowledge pills, animations, videos, special guests – external specialists from various fields). The “Development Zone” focused on key competencies of the future, including:

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



In April 2023, Alior University was established in place of the “Development Zone”. The main purpose of its establishment is to strengthen learning processes and continuous improvement of one’s own skills and competencies. Alior University is a substantive, encouraging learning space (the Bank’s dedicated sharepoint website) where employees can expand both business and technical knowledge. Similarly to the “Development Zone”, it is based on blended-learning principles).

Time and again, Alior University materials are prepared in cooperation with external specialists in various fields.

At Alior University you can find, among other things:

- information about the purpose and mission of Alior University,
- guidance on active learning with the promotion of the 60/30/10 model as a development model applicable to the Bank,
- information on current development programmes, including Mindgram, English language learning implemented jointly with Berlitz, technology training, Reskilling, Relationship Academy,
- training to develop and strengthen the competencies of the future,
- development activities for leaders, including: materials for new leaders, information about the 360° diagnostic survey or inspiration in the form of webinar recordings with experts,
- a zone of specialized competencies, where internal experts describe development initiatives carried out inside the Bank (such as Alior Risk Academy, Robotization Academy, Bet on Agile),
- a calendar of development events that collects in one place the available events for which those willing to attend can sign up.

Development activities are not limited to the Alior University operations, additional activities are also conducted for selected groups of employees.

One of the elements of the work on “tailor-made” employee development was the continuation of activities as part of the framework of the “Development Pool” project, in which it is the supervisor who decides on the way and form of improving and/or acquiring competencies by enrolling the employee in development/specialization activities, including participation in conferences, external training, purchase of professional literature, among others.

E-learning training

In H1 2023, a total of 77 training courses and 94 tests implemented in the form of e-learning were made available for employees, of which:

- 14% of them were completely new training courses developed from scratch,
- 52% were completely new tests developed from scratch.

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

Development e-training provided content both to support leaders (e.g. an updated Labour Law training package for managers) and to develop employee competencies for specialized training (e.g. NPS, training completed for the Brokerage House).

As a complement to e-learning courses, a TV studio was established at Alior Bank, where video materials are produced, used both within Alior University - interviews and development materials with external experts (among others Rafał Żak, Michał Kanarkiewicz, Maciej Wiśniewski) and supporting the organization in visual communication (e.g. interviews with employees on Mother's Day, Father's Day, Strategy announcement).

Development activities for leaders in Alior Bank

Programmes at the Bank are addressed to a group of more than 700 team managers. As part of building managerial competencies, with a special focus on remote working conditions, leaders at Alior Bank were given access to dedicated e-learning courses: "Dispersed team management" and "Labour law for managers".

All new managers participate in the "ABCs of a Manager" training course, during which they have the opportunity to learn the expectations of their new role and develop leadership competencies based on the established "Alior Bank Leadership Model."

The following are made available to leaders with experience:

- 360° diagnostic survey along with a coaching session for the Leader, run by the Bank's HRBP or internal coach,
- Action Learning workshops, during which leaders work with real problems,
- regular monthly webinar with an external expert on leadership,
- recordings and inspirational materials posted on Alior University.

Social responsibility of Alior Bank and its employees



FUNDACJA

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

The Alior Bank Foundation pursues its statutory objectives through original projects and through cooperation with other organizations, focusing on supporting the activities in the areas of:

- education,
- healthcare,
- physical culture and sport,
- social aid, including aid for children, families and people in a difficult life situation, and equal opportunities for personal development and learning, aid for victims of disasters, natural disasters, armed conflicts and wars, both domestically and abroad,
- science and technology,
- charity,
- culture,
- national heritage protection,
- public safety,
- environmental protection,
- employee volunteering activities,
- vocational and social rehabilitation of persons with disabilities,

- animal protection,
- supporting the development of entrepreneurship among young people,
- supporting technological innovation, including start-ups.

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

Alior Bank Aid Centre

In establishing the Foundation, we were presented with a major challenge, accompanied by a desire to support refugees from Ukraine who came to Poland. We have established for them in Warsaw the largest centre in Poland - the Alior Bank Assistance Centre.

The Bank's Management Board has decided to provide office space at 25a Towarowa Street, in downtown Warsaw. We established cooperation with Caritas Polska (a non-governmental organization) and the Capital City of Warsaw and UNICEF. We provided access to an additional space in the Alior Bank Assistance Centre to companies that implement refugee support projects by providing their services. These include: Migam.org – a Ukrainian sign language translator and the National Chamber of Legal Counsel, which provides legal assistance to those in need via a helpline. In a single location, refugees can gain access to comprehensive assistance, find employment and leave their children under temporary care.

At the Alior Bank Assistance Centre, Ukrainian nationals can also use banking services with cashless customer service for individuals who want to open an account in Alior Bank. The total floor area made available for assistance purposes covers 4,200 m².

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

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

Knowledge survey

In 2023, the Foundation conducted a survey of children's financial knowledge and behaviour, which served as the basis for a discussion during a debate with financial experts on the topic, titled "School, parents or influencers? Where our children should get their financial knowledge from".

The Alior Bank Foundation conducted one of the largest surveys of children and young people in recent years in cooperation with the monthly magazine My Company Polska. The survey was conducted on behalf of the Alior Bank Foundation by the IBRIS Institute for Market and Social Research in March/April 2023. A survey titled "Economic knowledge of Polish students in theory and practice. Challenges for the Education System and Financial Institutions" was attended by nearly 6,000 students and more than 250 school principals. The report and survey results are available on the Alior Bank Foundation website.

Education

The Foundation's educational activities have contributed to the creation of the economic board game Talent Games, which is designed for elementary school students. The games will be distributed free of charge to schools and other educational, childcare and nursing institutions, as well as to community centres.

In March 2023, the Alior Bank Foundation participated in the BAKCYL Foundation's project "Bankers for the financial education of children and young people BAKCYL", in which Alior Bank employees conducted lessons among elementary (grades 6-8) and secondary school students of knowledge in economics, cyber security and building the right attitudes in entrepreneurship.

In June 2023, the Alior Bank Foundation was a partner and funder of the main prizes in the Academic Managerial Championships, in which nearly 600 students from 65 Polish universities participated.

Corporate volunteering

Considering the positive effects and effectiveness of the measures taken so far by the Bank's employees and aimed in particular at:

- preventing social exclusion,
- supporting people in particularly difficult financial or living situations,
- protecting the natural environment,
- helping animals in need,

as well as other socially useful activities. In 2022, Alior Bank introduced Regulations to enable further involvement of the Bank's employees. Among the activities are those of a volunteer nature, for the benefit of public benefit organizations or other entities working in the area of social involvement, cooperating with Alior Bank or the Foundation, including those reported by employees.

An employee engaging in employee volunteer work is entitled to an exemption from the obligation to perform work while retaining the right to remuneration for 16 hours per calendar year. The list of organizations supported by Bank employees includes nearly 50 items and is constantly updated.

Employees can also engage in volunteer activities offered by the Bank - specific actions about which they receive information in internal communications.

Since January 2023, more than 100 employees have taken advantage of the opportunity to use their time to volunteer. They worked for organizations that support children, adults, animals and the environment.

Goodness at hand

In autumn 2022 and spring 2023, in cooperation with the Alior Bank Foundation, we organized two editions of the “Let’s go together” charity sports challenge. Employees got involved by spending their leisure time actively, and their kilometres and steps were counted by the app. Thanks to their joint effort, they achieved their goal - the Alior Bank Foundation made donations to the Rak’n’Roll Foundation, the Gaius Foundation and the Dr Clown Foundation.

On the occasion of June’s World Blood Donor Day, a blood donation campaign was organized in which Alior Bank employees could participate. Blood buses drove up to the headquarters in Warsaw and Kraków, in which 44 employees donated 20 litres of blood. The organization was supported by the Alior Bank Foundation. We are also planning a similar action at the headquarters in Gdansk.

Alior Bank recognized by the market and the customers

Alior Bank is consistently pursuing its business strategy, which calls for growth based on maximum personalization of services, progressive digitalization of its offerings and ESG activities centred around caring for the well-being of employees and the business environment.

Our projects aimed at achieving these goals are appreciated by the market and customers. This is evidenced by the numerous awards and titles in industry rankings and competitions with which Alior Bank is regularly recognized. For us, this is a source of pride and satisfaction with the work our team does every day, and at the same time a motivation for further involvement and the initiation of new projects.

In the first half of 2023, we received 27 awards, honours and nominations. Both our innovative products and implementations, such as InfoNina’s voicebot, as well as Alior Bank’s stationary outlets and their quality of service were appreciated.

During the **Institution of the Year** competition, the jury awarded Alior Bank the prize in as many as five categories: **“Best service in remote channels”, “Best service in outlet”, “Best online banking”, “Best bank for companies”, “Best remote account opening process”.** Moreover, as many as 23 branches of the bank were awarded the title: **“Best Bank Branch in Poland”.**

Alior Bank has been named the winner of the **Cashless Fintech 2023** competition in the **“Fintech Project”** category. The chapter recognized the innovative implementation of Alior Pay, the Bank’s new service in the deferred payment segment.



The Alior Mobile app has been nominated for an award in the **“Mobile Banking”** category at the **Mobile Trends Awards** contest. It is the mobile industry’s most prestigious award.

InfoNina, a voice assistant, has been awarded in **The Innovators 2023** international competition in the **“Top Innovations in Finance 2023 - AI”** category.

In addition, our Bank was also among the winners of the **TechnoBusiness 2023** competition. It won awards in the **“Best Commercial Bank”** and **“TechnoBusiness Leader”** categories. The title of the **Banking Manager of the Year 2022** was awarded to Grzegorz Olszewski, President of the Management Board of Alior Bank.



PCCA is one of the most important competitions in the Polish Contact Center and Customer Service industry. Awards are given in 29 categories. The jury appreciated the work of an expert from the Telephone Sales Team in Katowice for building positive customer experiences.

For applying best practices in the area of human capital management, the bank was awarded the “**HR of the Highest Quality**” certificate by the **Polish Human Resources Management Association**.

Moreover, Alior Bank was the winner of the **Leaders of the Banking and Insurance World** competition in the “**Most Innovative Bank**” category. In addition, the company was nominated for the “**Solidarity with Ukraine Special Award**”. The competition was part of the Banking & Insurance Forum industry meeting.

SPOTKANIE LIDERÓW

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In the context of supporting Ukraine, the Towarowa Aid Centre was also distinguished in the Responsible Business Forum’s Report “**Responsible Business in Poland 2022. Best Practice**”.

Individual and business customers appreciate the products offered by Alior Bank, which is confirmed by the presence of our Bank among the winners of the **Golden Banker 2023** ranking organized by the Bankier.pl portal and the editors of Puls Biznesu. The Bank took first place in the “**Cash Loan**” category and second place in the “**Personal Account**” and “**Mortgage Loan**” categories.

We also took second place in the **16th edition of the Ranking of Banks** conducted by the **Polish Association of Developers**. The chapter recognized both good market practices and the banks’ partnership approach to working with investors.

Alior Bank’s brokerage account, on the other hand, took second place in the **Money.pl** ranking.

Alior Bank’s Currency Exchange has also received many awards - for the third time in a row it was the winner of the **Golden Customer Laurel** award in the “**Bank Currency Exchange Offices**” category.



Alior Bank’s currency exchange platform was also recognized, winning three awards in the **Currency Exchange Ranking**: first place in the “**Best Currency Account**” category, second place in the “**Best Online Exchange**” category and third place in the “**Best Online Exchange for Enterprises**” category. Alior Bank’s currency exchange platform also won two awards in the rankings of the **NajlepszeKonto.pl** website: first place in the “**Best Currency Account**” category and second place in the “**Best Online Exchange**” category.

Alior Bank also took first place in the **GG Awards** gaming community poll in the “**Sponsor of the Year**” category.

XII. Representations of the Management Board

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

- to the best of its knowledge, the Interim condensed consolidated financial statements of the Alior Bank S.A. Capital Group for 6-months period ended 30 June 2023 and the Interim separate financial statements of the Alior Bank S.A. Capital Group for 6-months period ended 30 June 2023 and the comparative data were prepared in compliance with the applicable accounting policies and provide a true, fair and clear view of the assets and financial standing of the Bank and the Alior Bank S.A. Capital Group and their financial result,
- the Report of the Management Board on the activities of the Capital Group of Alior Bank S.A. in H1 2023 presents a true image of growth, achievements and circumstances (along with a description of primary threats and risks) related to the Alior Bank Capital Group in H1 2023.
- internal policies, procedures, and regulations adopted at the Bank are developed, adopted and implemented in accordance with adopted internal legislation rules and monitor their compliance.

Signatures of all Members of the Management Board

Date		Signature
01.08.2023	Grzegorz Olszewski - President of the Management Board	Signed with a qualified electronic signature
01.08.2023	Paweł Broniewski - Vice-President of the Management Board	Signed with a qualified electronic signature
01.08.2023	Radomir Gibała - Vice-President of the Management Board	Signed with a qualified electronic signature
01.08.2023	Szymon Kamiński - Vice-President of the Management Board	Signed with a qualified electronic signature
01.08.2023	Rafał Litwińczuk - Vice-President of the Management Board	Signed with a qualified electronic signature
01.08.2023	Tomasz Miklas - Vice-President of the Management Board	Signed with a qualified electronic signature
01.08.2023	Jacek Polańczyk - Vice-President of the Management Board	Signed with a qualified electronic signature
01.08.2023	Paweł Tymczyszyn - Vice-President of the Management Board	Signed with a qualified electronic signature