



**Financial report  
of the Alior Bank Spółka Akcyjna Group  
for the 9-month period ended  
30 September 2020**

## Selected financial data concerning the financial statements

PLN	01.01.2020 - 30.09.2020	01.01.2019 – 31.12.2019 Restated	01.01.2019– 30.09.2019 Restated	%
				(A-B)/B
	A		B	C
Net interest income	2 181 980	3 184 344	2 436 672	-10.45%
Net fee and commission income	458 857	658 058	495 131	-7.33%
Trading result & other	-6 797	-53 549	53 212	-112.77%
Net expected credit losses, impairment allowances and write-downs	-1 571 034	-1 443 104	-1 102 039	42.56%
General administrative expenses	-1 284 371	-1 630 104	-1 277 942	0.50%
Gross profit/loss	-386 583	489 671	435 828	-188.70%
Net profit/loss	-431 581	248 280	235 779	-283.04%
Net cash flow	257 792	-699 511	-503 331	-151.22%
Loans and advances to customers	55 995 884	55 844 522	56 659 912	-1.17%
Amounts due to customers	65 868 133	64 999 259	64 739 421	1.74%
Equity	6 465 676	6 737 368	6 725 224	-3.86%
Total assets	77 717 339	76 714 137	76 963 230	0.98%
<b>Selected ratios</b>				
Profit/loss per ordinary share (PLN)	-3.21	1.90	1.81	-2.78
Capital adequacy ratio	15.41%	16.20%	16.24%	-5.11%
Tier 1	12.98%	13.48%	13.37%	-2.92%

EUR	01.01.2020 - 30.09.2020	01.01.2019 – 31.12.2019 Restated	01.01.2019– 30.09.2019 Restated	%
				(A-B)/B
	A		B	C
Net interest income	491 216	740 235	565 537	-13.14%
Net fee and commission income	103 300	152 973	114 917	-10.11%
Trading result & other	-1 530	-12 448	12 350	-112.39%
Net expected credit losses, impairment allowances and write-downs	-353 677	-334 083	-255 777	38.28%
General administrative expenses	-289 143	-378 935	-296 603	-2.52%
Gross profit/loss	-87 029	113 829	101 153	-186.04%
Net profit/loss	-97 159	57 715	54 723	-277.55%
Net cash flow	58 035	-162 609	-116 820	-149.68%
Loans and advances to customers	12 369 860	13 113 660	12 954 983	-4.52%
Amounts due to customers	14 550 705	15 263 416	14 802 319	-1.70%
Equity	1 428 311	1 582 099	1 537 686	-7.11%
Total assets	17 168 273	18 014 356	17 597 227	-2.44%
<b>Selected ratios</b>				
Profit/loss per ordinary share (PLN)	-0.72	0.44	0.42	-2.71
Capital adequacy ratio	15.41%	16.20%	16.24%	-5.11%
Tier 1	12.98%	13.48%	13.37%	-2.92%

Selected items of the financial statements were translated into EUR at the following exchange rates	30.09.2020	31.12.2019	30.09.2019
NBP's average exchange rate as at the end of the period	4.5268	4.2585	4.3736
NBP's average exchange rates as at the last day of each month	4.4420	4.3018	4.3086

## Selected financial indicators

	30.09.2020	30.09.2019*	(A-B) [p.p.]	(A-B)/B [%]
	A	B		
ROE	-8.73%	4.78%	-13.51	-282.64%
ROA	-0.75%	0.42%	-1.17	-278.57%
C/I	48.76%	42.81%	5.95	13.90%
CoR	3.24%	2.43%	0.81	33.33%
L/D	85.01%	87.52%	-2.51	-2.87%
NPL	15.15%	13.60%	1.55	11.40%
NPL coverage	53.55%	51.08%	2.47	4.84%
TCR	15.41%	16.24%	-0.83	-5.11%
TIER 1	12.98%	13.37%	-0.39	-2.92%

\*restated data except TCR and TIER 1



**Interim condensed consolidated  
financial statements  
of the Alior Bank Spółka Akcyjna Group  
for the 9-month period ended  
30 September 2020**

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

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## Interim condensed consolidated income statement

	Note number	01.07.2020 – 30.09.2020	01.01.2020 – 30.09.2020	01.07.2019 – 30.09.2019 Restated*	01.01.2019 – 30.09.2019 Restated*
Interest income calculated using the effective interest method		726 585	2 483 553	985 175	2 983 371
Income of a similar nature		54 324	115 114	44 164	113 080
Interest expense		-97 794	-416 687	-226 328	-659 779
<b>Net interest income</b>	<b>4</b>	<b>683 115</b>	<b>2 181 980</b>	<b>803 011</b>	<b>2 436 672</b>
Fee and commission income		329 428	893 025	302 209	851 631
Fee and commission expense		-160 326	-434 168	-131 965	-356 500
<b>Net fee and commission income</b>	<b>5</b>	<b>169 102</b>	<b>458 857</b>	<b>170 244</b>	<b>495 131</b>
Dividend income		373	594	84	257
The result on financial assets measured at fair value through profit or loss and FX result	6	19 743	36 086	14 863	48 129
<b>The result on derecognition of financial instruments not measured at fair value through profit or loss</b>	<b>7</b>	<b>9 472</b>	<b>36 090</b>	<b>7 373</b>	<b>29 131</b>
measured at fair value through other comprehensive income		9 409	12 216	7 000	21 700
measured at amortized cost		63	23 874	373	7 431
Other operating income		31 438	99 654	36 407	100 627
Other operating expenses		-20 573	-179 221	-76 931	-124 932
<b>Net other operating income and expenses</b>	<b>8</b>	<b>10 865</b>	<b>-79 567</b>	<b>-40 524</b>	<b>-24 305</b>
General administrative expenses	9	-407 800	-1 284 371	-371 987	-1 277 942
Net expected credit losses	10	-289 343	-1 500 642	-324 781	-1 100 283
The result on impairment of non-financial assets	11	-1 802	-70 392	-7	-1 756
Banking tax	12	-55 329	-165 218	-59 005	-169 206
<b>Gross profit/loss</b>		<b>138 396</b>	<b>-386 583</b>	<b>199 271</b>	<b>435 828</b>
Income tax	13	-47 735	-33 071	-56 672	-200 049
<b>Net profit/loss continued operations</b>		<b>90 661</b>	<b>-419 654</b>	<b>142 599</b>	<b>235 779</b>
Profit/loss from discontinued operations		-8 875	-11 927	0	0
Net profit/loss attributable to equity holders of the parent		<b>81 786</b>	<b>-431 581</b>	<b>142 599</b>	<b>235 779</b>
Net profit/loss attributable to non-controlling interests		0	0	0	0
Weighted average number of ordinary shares		130 553 991	130 553 991	130 553 991	130 553 991
Net profit/loss per share (PLN)	14	0.69	-3.21	1.09	1.81
Diluted profit/loss per ordinary share (PLN)	14	0.69	-3.20	1.08	1.79

## Interim condensed consolidated statement of comprehensive income

	01.07.2020 – 30.09.2020	01.01.2020 – 30.09.2020	01.07.2019 – 30.09.2019 Restated*	01.01.2019 – 30.09.2019 Restated*
<b>Net profit/loss continued operations</b>	<b>90 661</b>	<b>-419 654</b>	<b>142 599</b>	<b>235 779</b>
<b>Profit/loss from discontinued operations</b>	<b>-8 875</b>	<b>-11 927</b>	<b>0</b>	<b>0</b>
<b>Net profit/loss total</b>	<b>81 786</b>	<b>-431 581</b>	<b>142 599</b>	<b>235 779</b>
<b>Items that may be reclassified to the income statement after certain conditions are satisfied</b>	<b>16 539</b>	<b>160 065</b>	<b>10 388</b>	<b>20 625</b>
<b>Foreign currency translation differences</b>	<b>-350</b>	<b>-1 113</b>	<b>-450</b>	<b>-139</b>
<b>Results of the measurement of financial assets (net)</b>	<b>21 591</b>	<b>19 272</b>	<b>2 825</b>	<b>-6 385</b>
Profit/loss on valuation of financial assets measured at fair value through other comprehensive income	26 657	23 788	3 488	-7 883
Deferred tax	-5 066	-4 516	-663	1 498
<b>Results on the measurement of hedging instruments (net)</b>	<b>-4 702</b>	<b>141 906</b>	<b>8 013</b>	<b>27 149</b>
Gains/losses on hedging instruments	-5 806	175 192	9 892	33 517
Deferred tax	1 104	-33 286	-1 879	-6 368
<b>Total comprehensive income, net</b>	<b>98 325</b>	<b>-271 516</b>	<b>152 987</b>	<b>256 404</b>
- attributable to shareholders of the parent company	98 325	-271 516	152 987	256 404
- attributable to non-controlling interests	0	0	0	0

\*Details – Note 2.3

The notes presented on pages 10-58 constitute an integral part of these interim condensed consolidated financial statements.

## Interim condensed consolidated statement of financial position

ASSETS	Note number	30.09.2020	31.12.2019 Restated*	01.01.2019 Restated*
Cash and cash equivalents	15	1 636 919	1 379 127	2 078 638
Amounts due from banks	16	330 542	212 885	172 839
Investment financial assets	17	15 062 147	15 798 674	13 727 570
measured at fair value through other comprehensive income		5 813 075	10 438 695	7 280 080
measured at fair value through profit or loss		729 604	543 925	515 138
measured at amortized cost		8 519 468	4 816 054	5 932 352
Derivative hedging instruments		367 017	134 832	112 400
Loans and advances to customers	18	55 995 884	55 844 522	54 224 846
Assets pledged as collateral	20	1 270 554	335 489	333 198
Property, plant and equipment		700 119	763 585	460 659
Intangible assets		461 424	580 352	572 320
Investments in associates		5 333	9 822	4 000
Non-current assets held for sale	21	140 157	103	146
including disposal group		140 154	0	0
Income tax asset	13	1 222 493	1 169 853	1 039 645
deferred income tax asset		46 916	20 468	0
current income tax asset		1 175 577	1 149 385	1 039 645
Other assets	19	524 750	484 893	676 481
<b>TOTAL ASSETS</b>		<b>77 717 339</b>	<b>76 714 137</b>	<b>73 402 742</b>

LIABILITIES AND EQUITY	Note number	30.09.2020	31.12.2019 Restated*	01.01.2019 Restated*
Amounts due to banks	22	1 063 235	822 543	593 327
Amounts due to customers	23	65 868 133	64 999 259	62 435 585
Financial liabilities	26	493 324	436 856	416 407
Derivative hedging instruments		88 817	40 676	9 381
Provisions	24	356 723	358 869	126 199
Other liabilities	25	1 408 317	1 429 676	1 167 111
Liabilities of disposal group		172 332	0	0
Income tax liabilities		1 899	94 905	267 861
current income tax liabilities		1 374	94 404	267 429
deferred income tax liabilities		525	501	432
Subordinated liabilities	27	1 798 883	1 793 985	1 918 093
<b>Total liabilities</b>		<b>71 251 663</b>	<b>69 976 769</b>	<b>66 933 964</b>
Share capital		1 305 540	1 305 540	1 305 540
Supplementary capital		5 399 627	5 393 358	5 386 828
Revaluation reserve		237 582	76 404	52 164
Other reserves		166 850	166 850	171 629
Foreign currency translation differences		-508	605	-202
Accumulated losses		-211 834	-453 669	-1 160 554
Profit for the period		-431 581	248 280	713 373
<b>Equity</b>		<b>6 465 676</b>	<b>6 737 368</b>	<b>6 468 778</b>
<b>TOTAL LIABILITIES AND EQUITY</b>		<b>77 717 339</b>	<b>76 714 137</b>	<b>73 402 742</b>

\*Details – Note 2.3

The notes presented on pages 10-58 constitute an integral part of these interim condensed consolidated financial statements.

## Interim condensed consolidated statement of changes in consolidated equity

01.01.2020 - 30.09.2020	Share capital	Supplementary capital	Other reserves	Revaluation reserve	Exchange differences on revaluation of foreign units	Retained earnings	Non-controlling interests	Total equity
<b>1 January 2020</b>	<b>1 305 540</b>	<b>5 393 358</b>	<b>166 850</b>	<b>76 404</b>	<b>605</b>	<b>-205 389</b>	<b>0</b>	<b>6 737 368</b>
Transfer of last year's profit	0	6 269	0	0	0	-6 269	0	0
<b>Comprehensive income</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>161 178</b>	<b>-1 113</b>	<b>-431 581</b>	<b>0</b>	<b>-271 516</b>
net loss	0	0	0	0	0	-431 581	0	-431 581
other comprehensive income – valuations	0	0	0	161 178	-1 113	0	0	160 065
incl. financial assets measured at fair value through other comprehensive income	0	0	0	19 272	0	0	0	19 272
incl. hedging instruments	0	0	0	141 906	0	0	0	141 906
incl. currency translation differences	0	0	0	0	-1 113	0	0	-1 113
<b>Other changes in equity</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>-176</b>	<b>0</b>	<b>-176</b>
<b>30 September 2020</b>	<b>1 305 540</b>	<b>5 399 627</b>	<b>166 850</b>	<b>237 582</b>	<b>-508</b>	<b>-643 415</b>	<b>0</b>	<b>6 465 676</b>

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

01.01.2019 - 30.09.2019 Restated*	Share capital	Supplementary capital	Other reserves	Revaluation reserve	Exchange differences on revaluation of foreign units	Retained earnings	Non-controlling interests	Total equity
<b>1 January 2019</b>	<b>1 305 540</b>	<b>5 386 828</b>	<b>171 629</b>	<b>52 164</b>	<b>-202</b>	<b>-447 181</b>	<b>0</b>	<b>6 468 778</b>
Transfer of last year's profit	0	6 530	0	0	0	-6 530	0	0
<b>Comprehensive income</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>20 764</b>	<b>-139</b>	<b>235 779</b>	<b>0</b>	<b>256 404</b>
net profit	0	0	0	0	0	235 779	0	235 779
other comprehensive income – valuation	0	0	0	20 764	-139	0	0	20 625
Inc. measured at fair value through other comprehensive income	0	0	0	-6 385	0	0	0	-6 385
incl. hedging instruments	0	0	0	27 149	0	0	0	27 149
incl. currency translation differences	0	0	0	0	-139	0	0	-139
<b>Other changes in equity</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>42</b>	<b>0</b>	<b>42</b>
<b>30 September 2019</b>	<b>1 305 540</b>	<b>5 393 358</b>	<b>171 629</b>	<b>72 928</b>	<b>-341</b>	<b>-217 890</b>	<b>0</b>	<b>6 725 224</b>

\*Details – Note 2.3

The notes presented on pages 10-58 constitute an integral part of these interim condensed consolidated financial statements.



## Interim condensed consolidated statement of cash flows

	01.01.2020 - 30.09.2020	01.01.2019 - 30.09.2019 Restated*
<b>Operating activities</b>		
<b>Profit/loss before tax for the year</b>	<b>-386 583</b>	<b>435 828</b>
<b>Adjustments:</b>	<b>294 380</b>	<b>176 940</b>
Unrealized foreign exchange gains/losses	962	1 533
Amortization/depreciation of property, plant and equipment and intangible assets	228 994	181 986
Change in property, plant and equipment and intangible assets impairment write-down	70 392	1 682
Dividends	594	257
Short-term lease contracts	-6 562	-8 518
<b>The gross profit after adjustments but before increase/decrease in operating assets/liabilities</b>	<b>-92 203</b>	<b>612 768</b>
Change in loans and receivables	-269 018	-4 578 666
Change in financial assets measured at fair value through other comprehensive income	4 625 620	329 969
Change in financial assets measured at fair value through profit or loss	-185 679	-166 652
Change in financial assets measured at amortised cost	-3 703 414	856 765
Change in assets pledged as collateral	-935 065	-23 787
Change in derivative hedging assets	-232 185	-22 782
Change in non-current assets held for sale	-140 054	43
Change in other assets	-39 857	-46 234
Change in deposits	823 438	2 669 056
Change in own issue	-947 107	169 913
Change in financial liabilities	56 468	103 742
Change in hedging liabilities derivative	48 141	36 975
Change in other liabilities and other comprehensive income	1 640 500	186 732
Change in provisions	-2 146	-6 483
<b>Cash from operating activities before income tax</b>	<b>647 439</b>	<b>121 359</b>
Income tax paid	-165 207	-374 928
<b>Net cash flow from operating activities</b>	<b>482 232</b>	<b>-253 569</b>
<b>Investing activities</b>		
<b>Outflows:</b>	<b>-104 793</b>	<b>-137 755</b>
Purchase of property, plant and equipment	-63 895	-86 093
Purchase of intangible assets	-40 898	-51 662
<b>Inflows:</b>	<b>1 827</b>	<b>9 906</b>
Disposal of property, plant and equipment	1 827	9 906
<b>Net cash flow from investing activities</b>	<b>-102 966</b>	<b>-127 849</b>
<b>Financing activities</b>		
<b>Outflows:</b>	<b>-121 474</b>	<b>-121 913</b>
Interest payments – subordinated liabilities	-56 838	-61 149
Principle payments - lease liabilities	-62 328	-43 447
Interest payments - lease liabilities	-2 307	-17 317
<b>Inflows:</b>		
Inflows from share issue		
<b>Net cash flow from financing activities</b>	<b>-121 474</b>	<b>-121 913</b>
<b>Total net cash flow</b>	<b>257 792</b>	<b>-503 331</b>
<b>incl. exchange gains/(losses)</b>	<b>20 193</b>	<b>27 054</b>
<b>Balance sheet change in cash and cash equivalents</b>	<b>257 792</b>	<b>-503 331</b>
Cash and cash equivalents, opening balance	1 379 127	2 078 638
Cash and cash equivalents, closing balance	1 636 919	1 575 307
<b>Additional disclosures on operating cash flows</b>		
Interests received	2 531 762	3 483 557
Interests paid	-522 835	-610 681

\*Details – Note 2.3

The notes presented on pages 10-58 constitute an integral part of these interim condensed consolidated financial statements.

## Notes to the interim condensed consolidated financial statements

### 1 Information about the Bank and the Group

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

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

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

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

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

#### 1.2 Shareholders of Alior Bank Spółka Akcyjna

There was no change in the ownership structure of significant shareholdings in Bank starting from the preparation date of the annual financial report. ie from 27 February 2020.

As at 30 September 2020, the shareholders holding 5% or more of the overall number of votes at the General Meeting were as follows:

Shareholder	Number of shares	Nominal value of shares [PLN]	Percentage in the share capital	Number of votes	Number of votes in the total number of votes
<b>30.09.2020</b>					
PZU Group	41 658 850	416 588 500	31.91%	41 658 850	31.91%
Aviva OFE Aviva Santander	9 467 180	94 671 800	7.25%	9 467 180	7.25%
Nationale-Nederlanden OFE	11 650 000	116 500 000	8.92%	11 650 000	8.92%
Others	67 777 961	677 779 610	51.92%	67 777 961	51.92%
<b>Total</b>	<b>130 553 991</b>	<b>1 305 539 910</b>	<b>100.00%</b>	<b>130 553 991</b>	<b>100.00%</b>

As at the preparation date of this report, i.e. on 3 November 2020, according to the information available to Alior Bank SA, the shareholders holding 5% or more of the total number of votes at the General Meeting remained unchanged.

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

As at the day of preparing this financial statement in comparison to the annual reporting period ended on 31 December 2019, the composition of the Bank's Management Board changed.

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

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

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

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

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

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

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

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

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

Number of shares	03.11.2020	30.09.2020	31.12.2019
Agata Strzelecka	1 500	1 500	-
Dariusz Szwed	4 600	4 600	-
<b>Total</b>	<b>6 100</b>	<b>6 100</b>	-

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

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

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

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

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

First and last name	Function
Aleksandra Agatowska	- Chairman of the Supervisory Board
Ernest Bejda	- Deputy Chairperson of the Supervisory Board
Mikołaj Handschke	- Member of the Supervisory Board
Artur Kucharski	- Member of the Supervisory Board
Wojciech Myślecki	- Member of the Supervisory Board
Marek Pietrzak	- Member of the Supervisory Board
Robert Pusz	- Member of the Supervisory Board

In accordance with the Bank's best knowledge there was no change in the number of shares hold by the Members of Supervisory Board starting from the date of preparation of the annual financial statements, ie from 27 February 2020. As of 30 September 2020, and as at the date of these financial statements, Members of the Supervisory Board of Alior Bank SA did not hold any shares in the Bank.

## 1.4 Information about the Alior Bank Group

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

The composition of the Group as at 30 September 2020 and as at the date of preparation date of financial statements was as follows:

Company's name - subsidiaries	03.11.2020	30.09.2020	31.12.2019
Alior Services sp. z o.o.	100%	100%	100%
Alior Leasing sp. z o.o.	100%	100%	100%
- <i>Serwis Ubezpieczeniowy sp. z o.o.</i>	100%	100%	100%
Meritum Services ICB SA	100%	100%	100%
NewCommerce Services sp. z o.o.	100%	100%	100%
Alior TFI SA	100%	100%	100%
Absource sp. z o.o.	100%	100%	100%
Corsham sp. z o.o.	100%	100%	100%
- <i>PayPo sp. z o.o.</i>	20%	20%	20%

Company's name - subsidiaries	03.11.2020	30.09.2020	31.12.2019
RBL_VC sp. z o.o.	100%	100%	100%
RBL_VC sp z o.o. ASI spółka komandytowo-akcyjna**	100%	100%	0%
Harberton sp. z o.o.*	100%	100%	0%
- RUCH SA***	100%	100%	0%

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

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

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

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

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

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

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

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

## 1.5 Approval of the interim condensed consolidated financial statements

These interim condensed consolidated financial statements of the Alior Bank Spółka Akcyjna Group were approved by the Bank's Management Board on 3 November 2020.

## 1.6 Seasonal or cyclical nature of operations

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

## 2 Accounting principles

### 2.1 Basis for preparation

#### Statement of compliance

These interim condensed consolidated financial statements of the Alior Bank Spółka Akcyjna Group for the 9-month period ended 30 September 2020 have been prepared in accordance with the International Accounting Standard 34 "Interim Financial Reporting" as adopted by the European Union.

The interim condensed consolidated financial statements do not include all information and disclosures required in the annual financial statements and should therefore be read together with the consolidated financial statements of the Alior Bank Group for 2019.

The interim condensed consolidated income statement, interim condensed consolidated statement of comprehensive income, interim condensed consolidated statement of changes in equity and interim condensed consolidated statement of cash flows for the financial period from 1 January 2020 to 30 September 2020 and interim condensed consolidated statement of financial position as at 30 September 2020 including the comparatives have been prepared in accordance with the same accounting policies as those applied in the preparation of the annual financial statements ended 31 December 2019, except for the changes in the standards that entered into force on 1 January 2020 and changes in accounting policies described in Note 2.2.

### **Scope and reporting currency**

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

### **Going concern**

These interim condensed consolidated financial statements of the Alior Bank SA Group have been prepared on the assumption that the entities within the Group will continue as going concerns in the foreseeable future, not less than 12 months from the balance sheet date i.e. after 30 September 2020.

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

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

## **2.2 Accounting principles**

### **2.2.1 Relevant estimates**

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

### **Impairment of loans, expected credit losses**

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

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

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

The estimated losses expected are based on:

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

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

### **Non-current assets impairment (including goodwill)**

Pursuant to IAS 36, the Group performs a test for impairment of non-financial assets, if there are any indications of possible impairment, and in the case of goodwill, the test is performed at least once a year.

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

The Group constantly monitors the value of the estimated amount of expected payments resulting from prepayments of consumer loans made before the judgment date of Court of Justice of the European Union ('TSUE') of 11 September 2019 in case C-383/18 (so-called Lexitor case). The basis for updating the value of the estimate is the inclusion in the calculation of the most recent data on the complaints coming to the Bank regarding the reimbursement of credit costs, as well as the amount of the refund. Therefore, in the third quarter of 2020, the Alior Bank SA Group did not update the value of the estimated amount of expected payments resulting from prepayments of consumer loans.

### **Fair value measurement rules**

The principles for the fair value measurement of derivatives and non-quoted debt securities measured at fair value are presented in Note 29 – Fair value hierarchy and have not changed from the principles presented in the financial statements prepared as at 31 December 2019.

### **2.2.2 Significant accounting policies**

Detailed accounting policies were presented in the annual consolidated financial statements of the Alior Bank Group for the year ended 31 December 2019 published on Alior Bank's website on 28 February 2020.

### **2.2.3 Changes in accounting standards**

In these interim condensed consolidated financial statements, the same accounting standards have been applied as in the case of annual consolidated financial statements for the year 2019 and the standards and interpretations adopted by the European Union and applicable to the annual periods starting 1 January 2020 mentioned below:

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

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

#### **Amendments to IAS 1 and IAS 8**

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

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

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

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

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

#### **Amendments to IFRS 3**

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

#### **IFRS 16 Leasing**

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

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

#### **Amendments to IAS 1**

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

#### **Improvements to IFRS 10 and IAS 28**

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



### **IFRS 17 Insurance contracts**

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

### **IAS 16 Tangible fixed assets**

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

### **IAS 37 Provisions, Contingent liabilities and contingent assets**

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

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

### **Change I**

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

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

Equity as at 31.12.2019 - 21 697 thousand PLN

Net profit for the III quarters of 2019 -3 299 thousand PLN.

### **Change II**

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

### **Change III**

In relation to the published interim condensed consolidated financial statements as of 30 September 2019, the Group changed the presentation of the deposit at Alior Trader by transferring receivables from

positions covered by Assets pledged as collateral to the position Loans and advances to customers. This change caused a change in the statement of cash flow.

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

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

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

Income statement	01.01.2019 - 30.09.2019 Presented	Change I	Change II	01.01.2019 - 30.09.2019 Restated
Interest income calculated using the effective interest method	2 981 255	2 116	0	2 983 371
Fee and commission income	857 820	-6 189	0	851 631
<b>Gross profit</b>	<b>439 901</b>	<b>-4 073</b>	<b>0</b>	<b>435 828</b>
Income tax	-167 162	774	-33 661	-200 049
<b>Net profit</b>	<b>272 739</b>	<b>-3 299</b>	<b>-33 661</b>	<b>235 779</b>

Comprehensive income	01.01.2019 - 30.09.2019 Presented	Change I	Change II	01.01.2019 - 30.09.2019 Restated
Net profit	272 739	-3 299	-33 661	235 779
<b>Total comprehensive income, net</b>	<b>293 364</b>	<b>-3 299</b>	<b>-33 661</b>	<b>256 404</b>

Changes in equity	30.09.2019 Presented	Change I	Change II	30.09.2019 Restated
Equity at the beginning of the period	6 485 923	-17 145	0	6 468 778
Retained earnings	-163 785	-20 444	-33 661	-217 890
Profit for the year	272 739	-3 299	-33 661	235 779
<b>Equity at the end of the period</b>	<b>6 779 329</b>	<b>-20 444</b>	<b>-33 661</b>	<b>6 725 224</b>

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

Cash flow	30.09.2019 Presented	Change I	Change III	30.09.2019 Restated
<b>Profit before tax for the year</b>	<b>439 901</b>	<b>-4 073</b>	<b>0</b>	<b>435 828</b>

Cash flow	30.09.2019 Presented	Change I	Change III	30.09.2019 Restated
Change in assets pledged as collateral	-24 366	0	579	-23 787
Change in loans and receivables	-4 582 160	4 073	-579	-4 578 666

Profit per share	30.09.2019 Presented	Change I	Change II	30.09.2019 Restated
<b>Net profit</b>	<b>272 739</b>	<b>-3 299</b>	<b>-33 661</b>	<b>235 779</b>
Net earnings per ordinary share (PLN)	2.09	-0.03	-0.26	1.81
Dilluted earnings per one share	2.07	-0.03	-0.26	1.79

### 3 Operating segments

#### Segment description

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

Banking operations cover three core business segments:

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

The core products for natural persons are as follows:

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

The core products for business customers are as follows:

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

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

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

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

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

### Results and volumes split by segment for the nine months ended 30 September 2020

	Retail customers	Business customers	Treasury	Total operating segments	Unallocated items	Total
<b>External interest income</b>	<b>1 268 211</b>	<b>726 673</b>	<b>187 096</b>	<b>2 181 980</b>	<b>0</b>	<b>2 181 980</b>
external income	1 498 562	774 339	210 652	2 483 553	0	2 483 553
income of a similar nature	0	0	115 114	115 114	0	115 114
external expense	-230 351	-47 666	-138 670	-416 687	0	-416 687
<b>Internal interest income</b>	<b>32 845</b>	<b>-125 529</b>	<b>92 684</b>	<b>0</b>	<b>0</b>	<b>0</b>
internal income	544 104	169 768	806 556	1 520 428	0	1 520 428
internal expense	-511 259	-295 297	-713 872	-1 520 428	0	-1 520 428
<b>Net interest income</b>	<b>1 301 056</b>	<b>601 144</b>	<b>279 780</b>	<b>2 181 980</b>	<b>0</b>	<b>2 181 980</b>
Fee and commission income	333 487	588 473	-28 935	893 025	0	893 025
Fee and commission expense	-159 666	-270 133	-4 369	-434 168	0	-434 168
<b>Net fee and commission income</b>	<b>173 821</b>	<b>318 340</b>	<b>-33 304</b>	<b>458 857</b>	<b>0</b>	<b>458 857</b>
Dividend income	0	0	594	594	0	594
The result on financial assets measured at fair value through profit or loss and FX result	914	18 466	16 706	36 086	0	36 086
<b>The result on derecognition of financial assets and liabilities not measured at fair value through profit or loss</b>	<b>0</b>	<b>0</b>	<b>36 090</b>	<b>36 090</b>	<b>0</b>	<b>36 090</b>
measured at fair value through other comprehensive income	0	0	12 216	12 216	0	12 216
measured at amortized cost	0	0	23 874	23 874	0	23 874
Other operating income	73 267	26 387	0	99 654	0	99 654
Other operating expenses	-144 478	-34 743	0	-179 221	0	-179 221
<b>Net other operating income</b>	<b>-71 211</b>	<b>-8 356</b>	<b>0</b>	<b>-79 567</b>	<b>0</b>	<b>-79 567</b>
<b>Total result before expected credit losses</b>	<b>1 404 580</b>	<b>929 594</b>	<b>299 866</b>	<b>2 634 040</b>	<b>0</b>	<b>2 634 040</b>
Net expected credit losses	-573 455	-927 187	0	-1 500 642	0	-1 500 642
The result on impairment of non-financial assets	-64 400	0	0	-64 400	-5 992	-70 392
<b>Total result after expected credit losses and impairment</b>	<b>766 725</b>	<b>2 407</b>	<b>299 866</b>	<b>1 068 998</b>	<b>-5 992</b>	<b>1 063 006</b>
General administrative expenses	-963 223	-486 366	0	-1 449 589	0	-1 449 589
<b>Gross profit/loss</b>	<b>-196 498</b>	<b>-483 959</b>	<b>299 866</b>	<b>-380 591</b>	<b>-5 992</b>	<b>-386 583</b>
Income tax	0	0	0	0	-33 071	-33 071
<b>Net profit/loss continued operations</b>	<b>-196 498</b>	<b>-483 959</b>	<b>299 866</b>	<b>-380 591</b>	<b>-39 063</b>	<b>-419 654</b>
Profit/loss from discontinued operations					-11 927	-11 927
<b>Net profit/loss attributable to equity holders of the parent</b>	<b>-196 498</b>	<b>-483 959</b>	<b>299 866</b>	<b>-380 591</b>	<b>-50 990</b>	<b>-431 581</b>
Depreciation						-228 994
Assets	47 173 807	29 195 350	0	76 369 157	1 348 182	77 717 339
Liabilities	48 834 206	22 277 942	0	71 112 148	139 515	71 251 663

## Results and volumes split by segment for the nine months ended 30 September 2019

	Retail customers	Business customers	Treasury	Total operating segments	Unallocated items	Total Group
<b>External interest income</b>	<b>1 488 272</b>	<b>896 384</b>	<b>52 016</b>	<b>2 436 672</b>	<b>0</b>	<b>2 436 672</b>
external income	1 833 398	989 010	160 963	2 983 371	0	2 983 371
income of a similar nature	0	0	113 080	113 080	0	113 080
external expense	-345 126	-92 626	-222 027	-659 779	0	-659 779
<b>Internal interest income</b>	<b>88 879</b>	<b>-205 411</b>	<b>116 532</b>	<b>0</b>	<b>0</b>	<b>0</b>
internal income	774 845	280 179	1 171 556	2 226 580	0	2 226 580
internal expense	-685 966	-485 590	-1 055 024	-2 226 580	0	-2 226 580
<b>Net interest income</b>	<b>1 577 151</b>	<b>690 973</b>	<b>168 548</b>	<b>2 436 672</b>	<b>0</b>	<b>2 436 672</b>
Fee and commission income	309 753	532 253	9 625	851 631	0	851 631
Fee and commission expense	-137 448	-213 814	-5 238	-356 500	0	-356 500
<b>Net fee and commission income</b>	<b>172 305</b>	<b>318 439</b>	<b>4 387</b>	<b>495 131</b>	<b>0</b>	<b>495 131</b>
Dividend income	0	0	257	257	0	257
The result on financial assets measured at fair value through profit or loss and FX result	4 355	36 691	7 083	48 129	0	48 129
<b>The result on derecognition of financial assets and liabilities not measured at fair value through profit or loss</b>	<b>0</b>	<b>0</b>	<b>29 131</b>	<b>29 131</b>	<b>0</b>	<b>29 131</b>
measured at fair value through other comprehensive income	0	0	21 700	21 700	0	21 700
measured at amortized cost	0	0	7 431	7 431	0	7 431
Other operating income	86 582	14 045	0	100 627	0	100 627
Other operating expenses	-99 235	-25 697	0	-124 932	0	-124 932
<b>Net other operating income</b>	<b>-12 653</b>	<b>-11 652</b>	<b>0</b>	<b>-24 305</b>	<b>0</b>	<b>-24 305</b>
<b>Total result before expected credit losses</b>	<b>1 741 158</b>	<b>1 034 451</b>	<b>209 406</b>	<b>2 985 015</b>	<b>0</b>	<b>2 985 015</b>
Net expected credit losses	-371 687	-728 596	0	-1 100 283		-1 100 283
The result on impairment of non-financial assets	0	0	0	0	-1 756	-1 756
<b>Total result after expected credit losses and impairment</b>	<b>1 369 471</b>	<b>305 855</b>	<b>209 406</b>	<b>1 884 732</b>	<b>-1 756</b>	<b>1 882 976</b>
General administrative expenses	-984 902	-462 246	0	-1 447 148	0	-1 447 148
<b>Gross profit</b>	<b>384 569</b>	<b>-156 391</b>	<b>209 406</b>	<b>437 584</b>	<b>-1 756</b>	<b>435 828</b>
Income tax	0	0	0	0	-200 049	-200 049
<b>Net profit</b>	<b>384 569</b>	<b>-156 391</b>	<b>209 406</b>	<b>437 584</b>	<b>-201 805</b>	<b>235 779</b>
Depreciation						-181 986
Assets	44 048 961	31 795 662	0	75 844 623	1 118 607	76 963 230
Liabilities	50 332 648	19 830 018	0	70 162 666	75 340	70 238 006

## Notes to the interim condensed consolidated income statement

### 4 Net interest income

	01.07.2020 - 30.09.2020	01.01.2020 - 30.09.2020	01.07.2019 - 30.09.2019 Restated	01.01.2019 - 30.09.2019 Restated
<b>Interest income calculated using the effective interest method</b>	<b>726 585</b>	<b>2 483 553</b>	<b>985 175</b>	<b>2 983 371</b>
term deposits	45	358	90	384
Loans, incl:	634 812	2 146 664	861 592	2 619 306

	01.07.2020 - 30.09.2020	01.01.2020 - 30.09.2020	01.07.2019 - 30.09.2019 Restated	01.01.2019 - 30.09.2019 Restated
<i>reimbursement of credit cost (TSUE provision)</i>	-40 249	-133 855	-45 199	-45 199
<i>modification of a financial asset deemed not significant *</i>	-4 345	-19 871	328	531
financial assets measured at amortized cost	18 706	69 298	28 995	91 500
financial assets measured at fair value through other comprehensive income	16 561	97 357	36 326	105 450
receivables acquired	5 221	12 272	4 288	21 217
repo transactions in securities	27	1 289	3 230	4 772
current accounts	-7	3 649	2 936	8 608
overnight deposits	9	247	266	749
leasing	39 730	118 885	37 167	102 413
other	11 481	33 534	10 285	28 972
<b>Income of a similar nature</b>	<b>54 324</b>	<b>115 114</b>	<b>44 164</b>	<b>113 080</b>
derivatives instruments	54 324	115 114	44 164	113 080
<b>Interest expense</b>	<b>-97 794</b>	<b>-416 687</b>	<b>-226 328</b>	<b>-659 779</b>
<b>Interest expense from financial instruments measured at amortized cost including the effective interest rate method</b>	<b>-61 558</b>	<b>-250 594</b>	<b>-132 828</b>	<b>-389 172</b>
term deposits	-29 069	-144 509	-91 360	-267 219
own issue	-29 793	-91 989	-33 012	-97 208
repo transactions in securities	-78	-5 487	-2 904	-9 522
cash deposits	-383	-1 643	-280	-1 669
leasing	-684	-2 215	-1 124	-3 296
other	-1 551	-4 751	-4 148	-10 258
<b>Other interest expense</b>	<b>-36 236</b>	<b>-166 093</b>	<b>-93 500</b>	<b>-270 607</b>
current deposits	-14 695	-118 880	-62 693	-193 252
derivatives	-21 541	-47 213	-30 807	-77 355
<b>Net interest income</b>	<b>683 115</b>	<b>2 181 980</b>	<b>803 011</b>	<b>2 436 672</b>

\*Details at Note 18

## 5 Net fee and commission income

	01.07.2020 - 30.09.2020	01.01.2020 - 30.09.2020	01.07.2019 - 30.09.2019 Restated	01.01.2019 - 30.09.2019 Restated
<b>Fee and commission income</b>	<b>329 428</b>	<b>893 025</b>	<b>302 209</b>	<b>851 631</b>
payment and credit cards service	110 226	290 101	86 470	230 754
transaction margin on currency exchange transactions	69 259	175 008	81 832	226 129
maintaining bank accounts	26 211	76 179	24 598	77 343
brokerage commissions	13 883	37 992	4 695	17 951
revenue from bancassurance activity	31 298	77 883	23 587	66 301
loans and advances	28 808	90 045	28 331	81 198
transfers	12 287	34 688	13 170	39 712
cash operations	9 187	24 680	9 983	29 248
guarantees, letters of credit, collection, commitments	2 459	7 792	2 834	9 186
receivables acquired	1 032	3 437	1 760	7 336
for custody services	2 006	6 731	2 101	6 739
repayment of seizure	1 163	3 451	1 610	4 705
from leasing activities	12 866	37 179	12 015	31 543
other commissions	8 743	27 859	9 223	23 486
<b>Fee and commission expenses</b>	<b>-160 326</b>	<b>-434 168</b>	<b>-131 965</b>	<b>-356 500</b>

	01.07.2020 - 30.09.2020	01.01.2020 - 30.09.2020	01.07.2019 - 30.09.2019 Restated	01.01.2019 - 30.09.2019 Restated
costs of card and ATM transactions, including costs of cards issued	-105 309	-272 459	-83 316	-211 288
commissions paid to agents	-15 497	-51 363	-16 758	-44 748
insurance of bank products	-2 895	-10 327	-3 726	-10 656
costs of awards for customers	-4 030	-12 623	-4 053	-12 149
commissions for access to ATMs	-7 578	-18 312	-6 649	-18 011
commissions paid under contracts for performing specific operations	-6 554	-19 313	-5 900	-18 838
brokerage commissions	-1 693	-4 265	-741	-2 313
for custody services	-70	-136	-506	-1 461
transfers and remittances	-4 600	-12 801	162	-9 186
other commissions	-12 100	-32 569	-10 478	-27 850
<b>Net fee and commission income</b>	<b>169 102</b>	<b>458 857</b>	<b>170 244</b>	<b>495 131</b>

01.01.2020 - 30.09.2020	Retail customers	Business customers	Treasury	Total
<b>Fee and commission income</b>	<b>333 487</b>	<b>588 473</b>	<b>-28 935</b>	<b>893 025</b>
payment and credit cards service	68 909	221 192	0	290 101
transaction margin on currency exchange transactions	106 461	100 233	-31 686	175 008
maintaining bank accounts	33 136	43 043	0	76 179
brokerage commissions	37 992	0	0	37 992
revenue from bancassurance activity	44 727	33 156	0	77 883
loans and advances	11 840	78 205	0	90 045
Transfers	9 313	25 375	0	34 688
cash operations	11 623	13 057	0	24 680
guarantees, letters of credit, collection, commitments	0	7 792	0	7 792
receivables acquired	0	3 437	0	3 437
custody services	0	6 731	0	6 731
repayment of seizure	0	3 451	0	3 451
from leasing activities	0	37 179	0	37 179
other commissions	9 486	15 622	2 751	27 859

01.01.2019–30.09.2019 Restated	Retail customers	Business customers	Treasury	Total
<b>Fee and commission income</b>	<b>309 753</b>	<b>532 253</b>	<b>9 625</b>	<b>851 631</b>
payment and credit cards service	74 011	156 743	0	230 754
transaction margin on currency exchange transactions	108 491	110 888	6 750	226 129
maintaining bank accounts	34 985	42 358	0	77 343
brokerage commissions	17 951	0	0	17 951
revenue from bancassurance activity	33 296	33 005	0	66 301
loans and advances	10 621	70 577	0	81 198
Transfers	9 755	29 957	0	39 712
cash operations	14 771	14 477	0	29 248
guarantees, letters of credit, collection, commitments	0	9 186	0	9 186
receivables acquired	2	7 334	0	7 336
custody services	0	6 739	0	6 739
repayment of seizure	0	4 705	0	4 705

01.01.2019–30.09.2019 Restated	Retail customers	Business customers	Treasury	Total
from leasing activities	0	31 543	0	31 543
other commissions	5 870	14 741	2 875	23 486

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

	01.07.2020 - 30.09.2020	01.01.2020 - 30.09.2020	01.07.2019 - 30.09.2019	01.01.2019 - 30.09.2019
<b>FX result and net income on currency derivatives, including;</b>	<b>20 275</b>	<b>43 338</b>	<b>15 964</b>	<b>48 263</b>
fx result	70 669	-36 368	-166 687	-169 523
currency derivatives	-50 394	79 706	182 651	217 786
<b>Interest rate transactions</b>	<b>-7 329</b>	<b>-11 164</b>	<b>-1 363</b>	<b>-14 107</b>
<b>Ineffective part of hedge accounting</b>	<b>5 191</b>	<b>2 568</b>	<b>-2 606</b>	<b>-2 179</b>
<b>The result on other instruments (includes the result on trading in securities classified as assets measured at fair value through profit and loss with interest)</b>	<b>1 606</b>	<b>1 344</b>	<b>2 868</b>	<b>16 152</b>
<b>The result on financial assets measured at fair value through profit or loss and FX result</b>	<b>19 743</b>	<b>36 086</b>	<b>14 863</b>	<b>48 129</b>

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

	01.07.2020 - 30.09.2020	01.01.2020 - 30.09.2020	01.07.2019 - 30.09.2019	01.01.2019 - 30.09.2019
Financial assets measured at fair value through other comprehensive income	9 409	12 216	6 998	21 700
Financial assets measured at amortized cost	63	23 874	375	7 431
<b>The result on derecognition of financial assets and liabilities not measured at fair value through profit or loss</b>	<b>9 472</b>	<b>36 090</b>	<b>7 373</b>	<b>29 131</b>

## 8 Result on other operating income and expense

	01.07.2020 - 30.09.2020	01.01.2020 - 30.09.2020	01.07.2019 - 30.09.2019	01.01.2019 - 30.09.2019
<b>Other operating income from:</b>	<b>31 438</b>	<b>99 654</b>	<b>36 407</b>	<b>100 627</b>
income from contracts with business partners	12 039	33 247	9 614	30 207
reimbursement of costs of claim enforcement	5 286	23 194	6 831	22 187
received compensations, recoveries, penalties and fines	6 269	8 445	779	10 927
management of third-party assets	3 956	11 889	4 479	14 617
from license fees from Partners	353	1 147	1 212	3 577
other	3 535	21 732	13 492	19 112
<b>Other operating expenses due to:</b>	<b>-20 573</b>	<b>-179 221</b>	<b>-76 931</b>	<b>-124 932</b>
reimbursement of credit cost (TSUE provision)	0	-98 528	-57 175	-57 175
fees and costs of claim enforcement	-13 511	-48 113	-19 799	-45 895
paid compensations, fines and penalties	-2 518	-10 668	-3 279	-11 113
management of third-party assets	-1 036	-1 740	-453	-1 622
recognition of complaints	-665	-3 380	-476	-2 399
due to VAT settlement	0	-1 832	0	0
other	-2 843	-14 960	4 251	-6 728



	01.07.2020 - 30.09.2020	01.01.2020 - 30.09.2020	01.07.2019 - 30.09.2019	01.01.2019 - 30.09.2019
<b>Net other operating income and expense</b>	<b>10 865</b>	<b>-79 567</b>	<b>-40 524</b>	<b>-24 305</b>

## 9 General administrative expenses

	01.07.2020 - 30.09.2020	01.01.2020 - 30.09.2020	01.07.2019 - 30.09.2019	01.01.2019 - 30.09.2019
<b>Payroll costs</b>	<b>-184 435</b>	<b>-638 058*</b>	<b>-193 281</b>	<b>-632 331</b>
remuneration due to employment contracts	-150 542	-520 276	-169 913	-528 235
remuneration surcharges	-33 315	-111 605	-31 894	-104 803
revaluation of management option plan – part settled in cash	0	0	1 055	260
costs of bonus for senior executives settled in phantom shares	1 948	741	9 587	8 121
other	-2 526	-6 918	-2 116	-7 674
<b>General and administrative costs</b>	<b>-107 977</b>	<b>-398 643</b>	<b>-110 285</b>	<b>-446 299</b>
lease and building maintenance expenses	-15 158	-45 423	-12 448	-44 941
costs of Banking Guarantee Fund	-23 724	-136 387	-11 533	-144 859
IT costs	-30 301	-80 308	-30 743	-79 773
marketing costs	-8 111	-35 880	-18 404	-57 884
cost of advisory services	-2 661	-14 333	-5 343	-21 340
external services	-6 628	-20 777	-7 151	-23 432
training costs	-1 100	-4 530	-3 062	-9 116
costs of telecommunications services	-7 253	-19 314	-7 799	-20 115
costs of lease of property, plant and equipment and intangible assets	-2 347	-6 562	-1 953	-5 340
other	-10 694	-35 129	-11 849	-39 499
<b>Amortization and depreciation</b>	<b>-109 172</b>	<b>-228 994**</b>	<b>-61 263</b>	<b>-181 986</b>
property, plant and equipment	-22 904	-62 122	-21 694	-66 489
intangible assets	-63 578	-97 135	-15 241	-45 759
right to use the asset	-22 690	-69 737	-24 328	-69 738
<b>Taxes and fees</b>	<b>-6 216</b>	<b>-18 676</b>	<b>-7 158</b>	<b>-17 326</b>
<b>Total general administrative expenses</b>	<b>-407 800</b>	<b>-1 284 371</b>	<b>-371 987</b>	<b>-1 277 942</b>

\* The Bank released part of the provision for deferred remuneration components. The adjustment of PLN 32.5 million was recognized as a decrease in employee costs.

\*\* The Bank made additional depreciation write-offs of intangible assets in connection with the termination of cooperation with T-Mobile Polska in the amount of PLN 46.7 million, details in Note 37

## 10 Net expected credit losses

	01.07.2020 - 30.09.2020	01.01.2020 - 30.09.2020	01.07.2019 - 30.09.2019	01.01.2019 - 30.09.2019
<b>Expected credit losses Stage 3</b>	<b>-243 493</b>	<b>-1 265 661</b>	<b>-356 098</b>	<b>-1 173 704</b>
retail customers	-129 115	-521 371	-170 592	-444 463
business customers	-114 378	-744 290	-185 506	-729 241
<b>Investment securities</b>	<b>312</b>	<b>-10 032</b>	<b>346</b>	<b>4 263</b>
<b>Expected credit losses Stage 1 and 2(ECL)</b>	<b>-54 159</b>	<b>-112 963</b>	<b>29 450</b>	<b>59 437</b>
<b>Stage 2</b>	<b>-18 590</b>	<b>-77 832</b>	<b>23 011</b>	<b>48 384</b>
retail customers	-12 834	-9 352	18 343	42 702
business customers	-5 756	-68 480	4 668	5 682
<b>Stage 1</b>	<b>-35 569</b>	<b>-35 131</b>	<b>6 439</b>	<b>11 053</b>
retail customers	-25 763	-60 529	2 920	16 865
business customers	-9 806	25 398	3 519	-5 812
<b>POCI</b>	<b>-7 455</b>	<b>-19 219</b>	<b>-19 712</b>	<b>-47 432</b>
<b>Recoveries from off-balance sheet</b>	<b>10 170</b>	<b>35 132</b>	<b>22 458</b>	<b>47 882</b>

	01.07.2020 - 30.09.2020	01.01.2020 - 30.09.2020	01.07.2019 - 30.09.2019	01.01.2019 - 30.09.2019
<b>Off-balance provisions</b>	<b>5 282</b>	<b>-127 899</b>	<b>-1 225</b>	<b>9 271</b>
<b>Net expected credit losses</b>	<b>-289 343</b>	<b>-1 500 642</b>	<b>-324 781</b>	<b>-1 100 283</b>

## 11 The result on impairment of non-financial assets

	01.07.2020 - 30.09.2020	01.01.2020 - 30.09.2020	01.07.2019 - 30.09.2019	01.01.2019 - 30.09.2019
Property, plant and equipment and intangible assets	-1 803	-70 347*	-7	-1 681
Non-current assets held for sale	1	-45	0	-75
<b>Total</b>	<b>-1 802</b>	<b>-70 392</b>	<b>-7</b>	<b>-1 756</b>

\*including impairment on goodwill of Meritum Bank SA in the amount of PLN 64.4 million

## 12 Banking Tax

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

## 13 Income tax

### 13.1 Tax charge disclosed in the profit and loss account

	01.01.2020 - 30.09.2020	01.01.2019 - 30.09.2019 Restated
<b>Current tax</b>	<b>77 932</b>	<b>245 056</b>
current year	77 932	245 056
<b>Deferred income tax</b>	<b>-44 861</b>	<b>-45 007</b>
origination and reversal of temporary differences	-44 861	-45 007
<b>Accounting tax recognized in the income statement</b>	<b>33 071</b>	<b>200 049</b>

### 13.2 Effective tax rate calculation

	01.01.2020 - 30.09.2020	01.01.2019 - 30.09.2019 Restated
<b>Gross profit</b>	<b>-386 583</b>	<b>435 828</b>
Income tax at 19%	-73 451	82 807
<b>Non-tax-deductible expenses</b>	<b>113 918</b>	<b>118 486</b>
Entertainment costs	93	367
Impairment losses on loans not deductible for tax purposes	38 053	54 251
Prudency fee for BGF	25 913	27 523
Tax on Certain Financial Institutions	31 391	32 149
Donations	326	55
Impairment of goodwill	12 236	0
Other	5 906	4 141
<b>Non-taxable income</b>	<b>-1 857</b>	<b>-3 047</b>
Release of loan impairment allowances in the part not covered with the deferred tax	5	-2
Other, including income from recovered debts that are time-barred, canceled and uncollectible	-1 862	-3 045

	01.01.2020 - 30.09.2020	01.01.2019 - 30.09.2019 Restated
<b>Recognition of tax loss</b>	<b>1 101</b>	<b>513</b>
<b>Other</b>	<b>-6 640</b>	<b>1 290</b>
<b>Accounting tax recognized in the income statement</b>	<b>33 071</b>	<b>200 049</b>

## 14 Profit per share

	01.07.2020 - 30.09.2020	01.01.2020 - 30.09.2020	01.07.2019 - 30.09.2019 restated	01.01.2019 - 30.09.2019 Restated
<b>Net profit/loss from continuing operations</b>	<b>90 661</b>	<b>-419 654</b>	<b>142 599</b>	<b>235 779</b>
Weighted average number of ordinary shares	130 553 991	130 553 991	130 553 991	130 553 991
Share options (number) - adjusting instrument	543 725	543 725	1 160 412	1 160 412
Adjusted weighted average number of shares	131 097 716	131 097 716	131 714 403	131 714 403
<b>Net profit per ordinary share (PLN)</b>	<b>0.69</b>	<b>-3.21</b>	<b>1.09</b>	<b>1.81</b>
<b>Diluted profit per share (PLN)</b>	<b>0.69</b>	<b>-3.20</b>	<b>1.08</b>	<b>1.79</b>
<b>Profit or loss from discontinued operations</b>	<b>-8 875</b>	<b>-11 927</b>	<b>0</b>	<b>0</b>
<b>Net profit per ordinary share (PLN)</b>	<b>-0.07</b>	<b>-0.09</b>	<b>0</b>	<b>0</b>
<b>Diluted profit per share (PLN)</b>	<b>-0.07</b>	<b>-0.09</b>	<b>0</b>	<b>0</b>

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

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

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

The number of warrants as at 30 September 2020:

Series of warrants	The number of warrants as at 31.12. 2019	The number of warrants executed during 2020	Warrants expired in 2020	The number of warrants as at 30.09.2020
C	543 725	0	0	543 725

The number of warrants as at 30 September 2019:

Series of warrants	The number of warrants as at 31.12. 2018	The number of warrants executed during 2019	Warrants expired in 2019	The number of warrants as at 30.09.2019
B	528 612	0	0	528 612
C	631 800	0	0	631 800
	<b>1 160 412</b>	<b>0</b>	<b>0</b>	<b>1 160 412</b>

## Notes to the interim condensed consolidated statement of financial position

### 15 Cash and ash equivalents

#### 15.1 Financial data

	30.09.2020	31.12.2019
Current account with the central bank	184 077	553 598
Cash	721 771	444 371
Current accounts in other banks	730 473	320 712
Term deposits in other banks	598	60 446
<b>Cash and balances with central bank</b>	<b>1 636 919</b>	<b>1 379 127</b>

## 16 Amounts due from banks

### 16.1 Financial data

Structure by type	30.09.2020	31.12.2019
Reverse Repo	0	15 959
Deposits as derivative transactions (ISDA) collateral	262 883	135 157
Other	67 659	61 769
<b>Amounts due from banks</b>	<b>330 542</b>	<b>212 885</b>

## 17 Investment financial assets

### 17.1 Financial data

	30.09.2020	31.12.2019
<b>Financial assets</b>	<b>15 062 147</b>	<b>15 798 674</b>
measured at fair value through other comprehensive income	5 813 075	10 438 695
measured at fair value through profit or loss	729 604	543 925
measured at amortized cost	8 519 468	4 816 054

### 17.2 Investment financial assets by type

measured at fair value through other comprehensive income	30.09.2020	31.12.2019
<b>Debt instruments</b>	<b>5 756 751</b>	<b>10 387 477</b>
<b>issued by the State Treasury</b>	<b>5 594 389</b>	<b>8 548 971</b>
T-bonds	5 594 389	8 548 971
<b>issued by monetary institutions</b>	<b>104 569</b>	<b>1 769 963</b>
Eurobonds	21 101	20 182
Money bills	0	1 749 781
Bonds	83 468	0
<b>issued by companies</b>	<b>57 793</b>	<b>68 543</b>
Bonds	57 793	68 543
<b>Equity instruments</b>	<b>56 324</b>	<b>51 218</b>
<b>Total</b>	<b>5 813 075</b>	<b>10 438 695</b>

measured at fair value through profit or loss	30.09.2020	31.12.2019
<b>Debt instruments</b>	<b>220 705</b>	<b>111 786</b>
<b>issued by the State Treasury</b>	<b>205 556</b>	<b>94 074</b>
T-bonds	205 556	94 074
<b>issued by other financial institutions</b>	<b>4</b>	<b>0</b>
Bonds	4	0
<b>issued by companies</b>	<b>15 145</b>	<b>17 712</b>
Bonds	15 145	17 712
<b>Equity instruments</b>	<b>62 838</b>	<b>58 802</b>
<b>Derivative financial instruments</b>	<b>446 061</b>	<b>373 337</b>
<b>Interest rate transactions</b>	<b>194 397</b>	<b>213 601</b>
SWAP	194 278	213 550
Cap Floor Options	119	51
<b>Foreign exchange transactions</b>	<b>150 125</b>	<b>84 460</b>

measured at fair value through profit or loss	30.09.2020	31.12.2019
FX Swap	66 295	33 281
FX forward	44 063	16 522
CIRS	10 178	13 244
FX options	29 589	21 413
<b>Other options</b>	<b>67 426</b>	<b>68 289</b>
<b>Other instruments</b>	<b>34 113</b>	<b>6 987</b>
<b>Total</b>	<b>729 604</b>	<b>543 925</b>

measured at amortized cost	30.09.2020	31.12.2019
<b>Debt instruments</b>	<b>8 519 468</b>	<b>4 816 054</b>
<b>issued by the State Treasury</b>	<b>7 992 511</b>	<b>4 816 009</b>
T-bonds	7 992 511	4 816 009
<b>issued by other financial companies</b>	<b>526 957</b>	<b>45</b>
Bonds	526 957	45
<b>Total</b>	<b>8 519 468</b>	<b>4 816 054</b>

## 18 Loans and advances to customers

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

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

- **Changes applied to credit policies**

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

The main changes to business client policy include:

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

The main changes to retail customers policy include:

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

- **Assistance tools offered by the Bank**

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

The Bank's assistance tools include:

- payment moratoria

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

1) option A: postponement of capital and interest payments for 3 months (3 consecutive loan instalments). This means that during the postponement period, the Bank does not require repayment of either the principal or the interest. Nevertheless, over the period the Bank accrues the interest on the current capital at the rate specified in the loan contract. The Bank sets up a new repayment schedule and a new amount of the principal and interest instalment due after the postponement period elapses. The loan maturity is extended by 3 months (3 instalments);

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

The credit moratoria started in the Bank at the end of March 2020, the Bank was offering them on individual terms first, and then they were adjusted to standardized conditions set by Polish Bank Association.

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

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

The Bank analysed modification conditions and considered them irrelevant within the meaning of IFRS 9 5.4.3. Consequently, the results on modification (loss) were recognised in the profit and loss account at the amount of PLN 15.6 million.

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

### 18.1.2 Loan portfolio quality

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

As at 30 September 2020, the seven months of the COVID-19 pandemic, the Bank does not observe significantly negative impact of the environment on the quality of the loan portfolio. The share of 30-day overdue loans in regular portfolio as at 30 September 2020 was 1.25% compared to 1.35% observed as at 30 December 2019.

According to the Bank, this situation is largely due to the scale of support that customers receive both in terms of payment moratoria and public-law assistance, therefore, it is temporary, depending on the duration of the aid measures. In the coming months, in the Bank's opinion, the macroeconomic situation may worsen, which may affect the debt servicing capacity of the clients / some of the Bank's clients.

- **Industry structure of commercial customers**

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

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

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

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

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

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

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

- Impairment measurement methodology

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

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

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

- Macroeconomic scenarios

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

- base, with a probability of 80%
- pessimistic, with a probability of 10%
- optimistic, with a probability of 10%

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

- The scale of expert judgement

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

- Impairment indicators

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

- Classification forbearance

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

As regards the moratoria offered under the sector consensus ("Banks' position on harmonising the rules for offering aid tools to customers in the banking sector", i.e. non-legislative moratoria within the meaning of the above-mentioned EBA guidelines) and legislative moratoria (Act of 2 March 2020 on specific arrangements for the prevention, prevention and eradication of COVID-19, other infectious diseases and related crises (OJ of 2020, item 374, as amended) The Bank applies the principles defined by the authority in the "Guidelines on legislative and non-legislative moratoria on loan repayments applied in the light of the COVID-19 crisis" (EBA/GL/2020/02) of 2 April 2020 (as amended). In



accordance with the Guidelines, the Bank shall not automatically reclassify forbearance in respect of exposures for which sectoral or statutory payment moratoria has been used, provided that the rules and requirements of those arrangements/regulations are complying with.

The structure of active moratoria granted to the Group's loan portfolio according to IFRS9 stages, together with the level of loss allowances as at 30 September 2020, is as follows (in PLN MM);

	Sectoral and statutory		
	Corporate	Retail	Total
<b>portfolio value</b>			
including Stage 1 and Stage 2	1 028	1 485	2 513
including Stage 3	82	74	156
<b>Total</b>	<b>1 110</b>	<b>1 559</b>	<b>2 669</b>
<b>value of impairment allowances</b>			
including Stage 1 and Stage 2	25	104	129
including Stage 3	20	32	52
<b>Total</b>	<b>45</b>	<b>136</b>	<b>181</b>
<b>coverage with impairment allowances</b>			
including Stage 1 and Stage 2	2%	7%	
including Stage 3	24%	43%	
<b>Total</b>	<b>4%</b>	<b>9%</b>	

- Forward-looking factors

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

### Probability of default

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

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

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

Within the scope of the Individual Retail segment, the sensitivity of individual groups of clients to the risk of losing their job was assessed taking into account the employment sector, the credit holiday granted, the type of employment and the age of the borrower. On the basis of an expert methodology

identifying the vulnerability of groups of clients identified using the above dimensions and a statistical analysis showing the impact of changes in the unemployment rate in the national economy on the increase in portfolio risk, the scale of changes in the PD parameter for the retail portfolio was estimated.

### **Collaterals/LGD**

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

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

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

The above analyses led to the conclusion that:

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

### **Utilization/EAD**

The Group conducts close monitoring and in-depth analyses of trends in the utilization of credit limits by retail and business customers during the pandemic period. Until 30 September 2020, the Group did not observe negative trends in terms of increased use of limits by customers. This counterintuitive trend for the downturn, according to the Group, is explained by: a lock-down period significantly affecting the reduction in the activity of both retail and economic clients, the use of payment moratoria by the financial sector and a wide stream of public-legal assistance positively affecting the liquidity situation of clients. In view of the risk of a negative trend after the period of cessation of aid tools, the Bank introduced in the valuation process a dedicated FLI component in terms of EAD for which an expert assumption of an increase in utilization during the deepest downturn phase was assumed.

### 18.1.4 Increase in expected credit losses as at 30 September 2020

As of 30 September 2020, due to the COVID-19 pandemic and as a result of the expected deterioration in the quality of the loan portfolio, the Bank maintains a significantly increased level of expected loss provisions compared to the levels recognized in the period before COVID-19.

The level of loss allowances for exposures classified to Stage 1 and Stage 2 as at 30 September 2020 is approx. PLN 1.36 billion and is an increase of approx. 12% compared to the level maintained as at 31 December 2019.

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

Date	PD	DPD 30+	Share in stage 2 in the regular portfolio	Cover with allowances in stage 1 and stage 2
31.12.2019	4.64%	1.35%	10.90%	1.92%
30.09.2020	5.49%	1.25%	13.40%	2.25%

- Sensitivity of results to variability of assumptions

The Group considers that the underlying scenario is the base scenario. On the date of implementation of the parameters for estimating expected losses dedicated due to COVID-19 (i.e. 30 June 2020), the Group carried out analyses to establish the likeness of the negative events identified in the pessimistic scenario. If the probability of a negative scenario increased by 5%, the expected loss increase would be approximately PLN 22 MM according to the following genesis:

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

## 18.2 Financial data (gross value, expected credit losses)

Loans granted to customers	30.09.2020			31.12.2019 Restated		
	Gross value	Expected credit losses	Net value	Gross value	Expected credit losses	Net value
<b>Retail segment</b>	<b>36 235 994</b>	<b>-2 947 597</b>	<b>33 288 397</b>	<b>34 492 218</b>	<b>-2 649 663</b>	<b>31 842 555</b>
Consumer loans	20 104 067	-2 732 698	17 371 369	20 296 824	-2 477 209	17 819 615
Loans for residential properties	12 749 990	-168 654	12 581 336	11 375 322	-130 782	11 244 540
Consumer finance loans	3 381 937	-46 245	3 335 692	2 820 072	-41 672	2 778 400
<b>Corporate segment</b>	<b>26 109 605</b>	<b>-3 402 118</b>	<b>22 707 487</b>	<b>26 801 309</b>	<b>-2 799 342</b>	<b>24 001 967</b>
Working capital loans	12 318 108	-2 256 795	10 061 313	12 885 641	-1 861 749	11 023 892
Investment loans	7 276 923	-582 449	6 694 474	7 638 934	-449 052	7 189 882
Other business loans	6 514 574	-562 874	5 951 700	6 276 734	-488 541	5 788 193
<b>Total</b>	<b>62 345 599</b>	<b>-6 349 715</b>	<b>55 995 884</b>	<b>61 293 527</b>	<b>-5 449 005</b>	<b>55 844 522</b>

Loans granted to customers	30.09.2020			31.12.2019 Restated		
	Gross value	Expected credit losses	Net value	Gross value	Expected credit losses	Net value
<b>Retail segment</b>	<b>36 235 994</b>	<b>-2 947 597</b>	<b>33 288 397</b>	<b>34 492 218</b>	<b>-2 649 663</b>	<b>31 842 555</b>
Stage 1	30 260 616	-366 047	29 894 569	29 057 301	-305 168	28 752 133
Stage 2	2 802 648	-478 668	2 323 980	2 576 933	-468 820	2 108 113
Stage 3	3 086 814	-2 060 693	1 026 121	2 742 152	-1 816 378	925 774
POCI	85 916	-42 189	43 727	115 832	-59 297	56 535
<b>Corporate segment</b>	<b>26 109 605</b>	<b>-3 402 118</b>	<b>22 707 487</b>	<b>26 801 309</b>	<b>-2 799 342</b>	<b>24 001 967</b>
Stage 1	15 147 661	-136 569	15 011 092	17 302 684	-165 966	17 136 718
Stage 2	4 680 497	-333 719	4 346 778	3 448 949	-264 519	3 184 430
Stage 3	6 068 890	-2 888 448	3 180 442	5 830 089	-2 337 536	3 492 553
POCI	212 557	-43 382	169 175	219 587	-31 321	188 266
<b>Total</b>	<b>62 345 599</b>	<b>-6 349 715</b>	<b>55 995 884</b>	<b>61 293 527</b>	<b>-5 449 005</b>	<b>55 844 522</b>

Loans and advances to customers by method of allowance calculation	30.09.2020			31.12.2019 Restated		
	Gross value	Expected credit losses	Net value	Gross value	Expected credit losses	Net value
<b>Stage 3</b>	<b>9 155 704</b>	<b>-4 949 141</b>	<b>4 206 563</b>	<b>8 572 241</b>	<b>-4 153 914</b>	<b>4 418 327</b>
<b>individualised method</b>	<b>3 465 352</b>	<b>-1 543 211</b>	<b>1 922 141</b>	<b>3 543 689</b>	<b>-1 223 708</b>	<b>2 319 981</b>
with identified impairment	3 300 736	-1 505 072	1 795 664	2 921 713	-1 216 197	1 705 516
without identified impairment	164 616	-38 139	126 477	621 976	-7 511	614 465
<b>group method</b>	<b>5 690 352</b>	<b>-3 405 930</b>	<b>2 284 422</b>	<b>5 028 552</b>	<b>-2 930 206</b>	<b>2 098 346</b>
with identified impairment	5 298 809	-3 395 026	1 903 783	4 868 892	-2 922 563	1 946 329
without identified impairment	391 543	-10 904	380 639	159 660	-7 643	152 017
<b>Stage 2</b>	<b>7 483 145</b>	<b>-812 387</b>	<b>6 670 758</b>	<b>6 025 882</b>	<b>-733 339</b>	<b>5 292 543</b>
<b>Stage 1</b>	<b>45 408 277</b>	<b>-502 616</b>	<b>44 905 661</b>	<b>46 359 985</b>	<b>-471 134</b>	<b>45 888 851</b>
<b>POCI</b>	<b>298 473</b>	<b>-85 571</b>	<b>212 902</b>	<b>335 419</b>	<b>-90 618</b>	<b>244 801</b>
<b>Total</b>	<b>62 345 599</b>	<b>-6 349 715</b>	<b>55 995 884</b>	<b>61 293 527</b>	<b>-5 449 005</b>	<b>55 844 522</b>

Loans and advances to customers – exposure of the Group to the credit risk	30.09.2020			31.12.2019 Restated		
	Gross value	Expected credit losses	Net value	Gross value	Expected credit losses	Net value
<b>Stage 3</b>	<b>9 155 704</b>	<b>-4 949 141</b>	<b>4 206 563</b>	<b>8 572 241</b>	<b>-4 153 914</b>	<b>4 418 327</b>
not overdue	1 349 660	-452 654	897 006	1 933 200	-438 855	1 494 345
overdue	7 806 044	-4 496 487	3 309 557	6 639 041	-3 715 059	2 923 982
<b>Stage 1 and Stage 2</b>	<b>52 891 422</b>	<b>-1 315 003</b>	<b>51 576 419</b>	<b>52 385 867</b>	<b>-1 204 473</b>	<b>51 181 394</b>
not overdue	49 440 517	-903 652	48 536 865	48 383 682	-796 843	47 586 839
overdue	3 450 905	-411 351	3 039 554	4 002 185	-407 630	3 594 555
<b>POCI</b>	<b>298 473</b>	<b>-85 571</b>	<b>212 902</b>	<b>335 419</b>	<b>-90 618</b>	<b>244 801</b>
<b>Total</b>	<b>62 345 599</b>	<b>-6 349 715</b>	<b>55 995 884</b>	<b>61 293 527</b>	<b>-5 449 005</b>	<b>55 844 522</b>

From 1 January to 30 September of 2020 the Group sold loans with a total gross value amounting to PLN 138 593 thousand, while the impairment allowance recorded for this portfolio amounted to PLN 112 465 thousand. The impact of debt sales on the cost of risk in the first half of 2020 amounted to PLN 1 238 thousand (gain).

From 1 January to 30 September of 2020 Bank wrote off the financial assets amounted to PLN 455 846 thousand. The financial assets that are written off concerned both the loan portfolio of retail and business customers. The financial assets that are written off are still the subject enforcement activity.

Loans and advances to customers	Stage 1	Stage 2	Stage 3	POCI	Total
<b>Gross carrying amount</b>					
<b>Gross carrying amount as at 01.01.2020</b>	<b>46 359 985</b>	<b>6 025 882</b>	<b>8 572 241</b>	<b>335 419</b>	<b>61 293 527</b>
New / purchased / granted financial assets	11 212 122	0	0	0	11 212 122
Changes in the level of credit risk, derecognition (other than write-offs): repayments, changes in the valuation, sale or expiry of an instrument	-8 556 665	-360 233	-779 348	-7 958	-9 704 204
Financial assets written down	0	0	-426 858	-28 988	-455 846
Transfer to Stage 1	1 046 726	-1 020 252	-26 474	0	0
Transfer to Stage 2	-3 678 475	3 950 798	-272 323	0	0
Transfer to Stage 3	-975 416	-1 113 050	2 088 466	0	0
<b>Gross carrying amount as at 30.09.2020</b>	<b>45 408 277</b>	<b>7 483 145</b>	<b>9 155 704</b>	<b>298 473</b>	<b>62 345 599</b>
<b>Expected credit losses</b>					
<b>Expected credit losses as at 01.01.2020</b>	<b>471 134</b>	<b>733 339</b>	<b>4 153 914</b>	<b>90 618</b>	<b>5 449 005</b>
New / purchased / granted financial assets	528 144	0	0	0	528 144
Changes in the level of credit risk, derecognition (other than write-offs): repayments, changes in the valuation, sale or expiry of an instrument	-574 626	300 790	1 078 307	23 941	828 412
Financial assets written down	0	0	-426 858	-28 988	-455 846
Transfer to Stage 1	157 290	-142 937	-14 353	0	0
Transfer to Stage 2	-48 700	121 027	-72 327	0	0
Transfer to Stage 3	-30 626	-199 832	230 458	0	0
<b>Expected credit losses as at 30.09.2020</b>	<b>502 616</b>	<b>812 387</b>	<b>4 949 141</b>	<b>85 571</b>	<b>6 349 715</b>
<b>Net carrying amount as at 30.09.2020</b>	<b>44 905 661</b>	<b>6 670 758</b>	<b>4 206 563</b>	<b>212 902</b>	<b>55 995 884</b>

Loans and advances to customers Restated	Stage 1	Stage 2	Stage 3	POCI	Total
<b>Gross carrying amount</b>					
<b>Gross carrying amount as at 01.01.2019</b>	<b>45 221 960</b>	<b>6 356 390</b>	<b>6 919 170</b>	<b>398 812</b>	<b>58 896 332</b>
New / purchased / granted financial assets	13 731 136	0	0	0	13 731 136
Changes in the level of credit risk, derecognition (other than write-offs): repayments, changes in the valuation, sale or expiry of an instrument	-8 083 929	-1 183 927	-1 042 797	-23 717	-10 334 370
Financial assets written down	0	-2 090	-131 499	-29	-133 618
Transfer to Stage 1	1 410 551	-1 402 654	-7 897	0	0
Transfer to Stage 2	-3 443 409	3 555 644	-112 235	0	0
Transfer to Stage 3	-1 566 474	-921 364	2 487 838	0	0
<b>Gross carrying amount as at 30.09.2019</b>	<b>47 269 835</b>	<b>6 401 999</b>	<b>8 112 580</b>	<b>375 066</b>	<b>62 159 480</b>
<b>Expected credit losses</b>					
<b>Expected credit losses as at 01.01.2019</b>	<b>467 542</b>	<b>771 136</b>	<b>3 371 569</b>	<b>61 239</b>	<b>4 671 486</b>
New / purchased / granted financial assets	167 163	0	0	0	167 163
Changes in the level of credit risk, derecognition (other than write-offs): repayments, changes in the valuation, sale or expiry of an instrument	-250 981	189 918	789 552	41 476	769 965
Financial assets written down	0	-2 090	-131 499	-29	-133 618
Transfer to Stage 1	172 846	-161 916	-10 930	0	0
Transfer to Stage 2	-55 786	80 199	-24 413	0	0
Transfer to Stage 3	-33 800	-151 697	185 497	0	0
<b>Expected credit losses as at 30.09.2019</b>	<b>466 984</b>	<b>725 550</b>	<b>4 179 776</b>	<b>102 686</b>	<b>5 474 996</b>
<b>Net carrying amount as at 30.09.2019</b>	<b>46 802 851</b>	<b>5 676 449</b>	<b>3 932 804</b>	<b>272 380</b>	<b>56 684 484</b>

## 19 Other assets

### 19.1 Financial data

	30.09.2020	31.12.2019
<b>Sundry debtors</b>	<b>484 166</b>	<b>466 583</b>
Other settlements	363 800	305 371
Receivables related to sales of services (including insurance)	27 582	26 490
Guarantee deposits	15 411	15 756
Settlements due to cash in ATMs	77 373	118 966
<b>Costs recognised over time</b>	<b>44 494</b>	<b>35 098</b>
Maintenance and support of systems, servicing of plant and equipment	25 569	15 715
Other deferred costs	18 925	19 383
<b>Other receivables</b>	<b>2 530</b>	<b>185</b>
<b>VAT settlements</b>	<b>63 158</b>	<b>51 570</b>
<b>Other assets (gross)</b>	<b>594 348</b>	<b>553 436</b>
Write-down	-69 598	-68 543
<b>Other assets (net)</b>	<b>524 750</b>	<b>484 893</b>
including financial assets (gross)	484 166	466 583

## 20 Assets pledged as collateral

### 20.1 Financial data

	30.09.2020	31.12.2019
Treasury bonds blocked for REPO transactions	934 340	499
Financial assets measured at amortised cost in the EIB	336 214	334 990
<b>Total</b>	<b>1 270 554</b>	<b>335 489</b>

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

	30.09.2020	31.12.2019
Treasury bonds blocked with BGF	423 256	386 927
Deposits as derivative transactions (ISDA) collatera	262 883	135 157
Deposit as collateral of transactions performed in Alior Trader	170	608
<b>Total</b>	<b>686 309</b>	<b>522 692</b>

## 21 Non-current assets held for sale

	30.09.2020	31.12.2019
Non-current assets held for sale	140 157	103
<i>including disposal group</i>	<i>140 154</i>	<i>0</i>
<b>Total</b>	<b>140 157</b>	<b>103</b>

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

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

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

## 22 Amounts due to banks

### 22.1 Financial data

Structure by type	30.09.2020	31.12.2019
Current deposits	6 879	4 333
Overnights	100 000	0
Term deposits	6 443	0
Own bond issues	368 166	384 998
Received loan	141 568	162 295
Other liabilities	440 179	270 418
Repo	0	499
<b>Total amounts due to banks</b>	<b>1 063 235</b>	<b>822 543</b>

## 23 Amounts due to customers

### 23.1 Financial data

Structure by type and customer segment	30.09.2020	31.12.2019
<b>Retail segment</b>	<b>45 600 476</b>	<b>46 603 066</b>
Current deposits	35 556 633	30 700 187
Term deposits	8 205 114	13 333 981
Own issue of banking securities	1 628 737	2 318 064
Own bond issues	0	81 492
Other liabilities	209 992	169 342
<b>Corporate segment</b>	<b>20 267 657</b>	<b>18 396 193</b>
Current deposits	14 919 497	11 153 883
Term deposits	4 076 001	6 854 745
Issue of the Bank's securities	6 986	17 773
Own bond issues	0	148 669
Other liabilities	1 265 173	221 123
<b>Total amounts due to customers</b>	<b>65 868 133</b>	<b>64 999 259</b>

From 1 January to 30 September of 2020 the Bank issued own securities amounted to PLN 188 963 thousand and securities purchased before maturity amounted to PLN 51 398 thousand.

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

## 24 Provisions

### 24.1 Financial data

	Provisions for disputes	Provisions for retirement benefits	Provisions for off-balance sheet liabilities granted	Restructuring provision	Provision for reimbursement of credit costs (TSUE)	Total provisions
<b>As at 1 January 2020</b>	<b>49 822</b>	<b>9 498</b>	<b>67 549</b>	<b>4 446</b>	<b>227 554</b>	<b>358 869</b>
Established provisions	10 603	7 171	222 404	0	98 528	338 706
Reversal of provisions	-1 055	-9 271	-94 505	-374	0	-105 205
Utilized provisions	-11 761	-274	0	-1 086	-222 999	-236 120
Other changes	-1	0	474	0	0	473
<b>As at 30 September 2020</b>	<b>47 608</b>	<b>7 124</b>	<b>195 922</b>	<b>2 986</b>	<b>103 083</b>	<b>356 723</b>

	Provisions for disputes	Provisions for retirement benefits	Provisions for off-balance sheet liabilities granted	Restructuring provision	Total provisions
<b>As at 1 January 2019</b>	<b>35 064</b>	<b>7 242</b>	<b>74 365</b>	<b>9 528</b>	<b>126 199</b>
Change due to acquisition of SKOK Jaworzno	231	113	0	6 563	6 907
Established provisions	10 384	8 007	91 831	0	110 222
Reversal of provisions	-4 682	-7 137	-101 102	-945	-113 866
Utilized provisions	-2 121	-300	0	-10 069	-12 490
Other changes	2 596	0	148	0	2 744
<b>As at 30 September 2019</b>	<b>41 472</b>	<b>7 925</b>	<b>65 242</b>	<b>5 077</b>	<b>119 716</b>

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

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

Split of the restructuring provision as at 30.09.2020 is presented below:

	31.12.2019	utilisation	reversal	30.09.2020
Severance pay for employees	739	-53	-374	312
Reorganisation of the branch network	3 707	-1 033	0	2 674
	<b>4 446</b>	<b>-1 086</b>	<b>-374</b>	<b>2 986</b>



## 25 Other liabilities

### 25.1 Financial data

	30.09.2020	31.12.2019
Interbank settlements	387 036	344 832
Taxes, customs duty, social and health insurance payables and other public settlements	36 102	40 431
Settlements of payment cards	23 238	46 565
Other settlements, including settlements with insurers	203 929	141 311
Liability for reimbursement of credit costs	39 506	72 446
Settlements of issues of bank certificates of deposits	48 070	94 871
Liabilities due to contributions to the Bank Guarantee Fund	227	19 256
Accrued expenses	109 422	68 506
Income received in advance	116 820	151 280
Provision for bancassurance resignations	61 404	60 950
Provision for bonuses	23 233	24 168
Provision for unutilised annual leaves	25 253	32 138
Provision for bonuses settled in phantom shares	29 823	19 164
Provision for retention programs	72	813
Revaluation of management option plan – part settled in cash	255	1 448
Other employee provisions	180	180
Liabilities due to lease agreements	483	2 249
Other liabilities	294 647	339 770
<b>Other liabilities</b>	<b>48 123</b>	<b>41 744</b>
including financial liabilities	<b>1 408 317</b>	<b>1 429 676</b>
	662 273	627 579

## 26 Financial liabilities

### 26.1 Financial data

	30.09.2020	31.12.2019
<b>Short sale of T-bonds</b>	<b>128 809</b>	<b>108 498</b>
<b>Interest rate transactions</b>	<b>191 333</b>	<b>191 989</b>
SWAP	191 217	191 939
Opcje Cap Floor	116	50
<b>Foreign exchange transactions</b>	<b>87 051</b>	<b>63 389</b>
FX swap	28 363	24 297
FX forward	4 894	8 790
CIRS	22 940	10 289
Opcje FX	30 854	20 013
<b>Other options</b>	<b>67 426</b>	<b>68 289</b>
<b>Other instruments</b>	<b>18 705</b>	<b>4 691</b>
<b>Financial liabilities</b>	<b>493 324</b>	<b>436 856</b>

## 27 Subordinated liabilities

### 27.1 Financial data

Liabilities classified as the Bank's own funds	Nominal value in the currency (PLN '000)	Currency	Term	Interest	Status of liabilities	
					30.09.2020	31.12.2019
Liabilities included in own funds						
Series F bonds	321 700	PLN	26.09.2014-26.09.2024	WIBOR6M +3,14	321 851	325 914
Series G bonds	192 950	PLN	31.03.2015-31.03.2021	WIBOR6M +3,50	192 969	195 551
Series I and I1 bonds	183 350	PLN	04.12.2015-06.12.2021	WIBOR6M +3,35	185 765	184 073
Series B bonds (Meritum Bank)	67 200	PLN	29.04.2013-29.04.2021	WIBOR6M +5,80	69 006	67 975
Series EUR001 bonds	10 000	EUR	04.02.2016-04.02.2022	LIBOR6M + 6,00	45 699	43 635
Series P1A bonds	150 000	PLN	27.04.2016-16.05.2022	WIBOR6M +3,25	152 237	150 955
Series P1B bonds	70 000	PLN	29.04.2016-16.05.2024	WIBOR6M +3,00	70 978	70 424
Series K and K1 bonds	600 000	PLN	20.10.2017-20.10.2025	WIBOR6M +2,70	609 221	605 400
Series P2A bonds	150 000	PLN	14.12.2017-29.12.2025	WIBOR6M +2,70	151 157	150 058
<b>Subordinated liabilities</b>					<b>1 798 883</b>	<b>1 793 985</b>

## 28 Off-balance sheet items

### 28.1 Financial data

	30.09.2020	31.12.2019
<b>Granted off-balance liabilities</b>	<b>10 087 108</b>	<b>8 626 829</b>
<b>Concerning financing</b>	<b>9 257 932</b>	<b>7 784 830</b>
<b>Guarantees</b>	<b>829 176</b>	<b>841 999</b>
Performance guarantees	217 983	211 369
Financial guarantees	611 193	630 630

## 29 Fair value hierarchy

### 29.1 Accounting principles and estimates and assumptions

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

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

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

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

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

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

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

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

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

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

Such instruments include options embedded in certificates of deposit issued by the Bank and options in the interbank market to hedge positions of the embedded options. The fair value is determined on the basis of market prices of those options or an internal model subject to both observable parameters (e.g. price of the base instrument, secondary quotations of options) and non-observable (e.g. variability, correlations between base instruments in options based on a basket). Model parameters are determined on the basis of a statistical analysis. At the end of the reporting period, the position in the above-mentioned instruments was closed on back-to-back basis, which means that the change in valuation of options embedded in structured instruments is offset by changes in the valuation of options concluded on the interbank market.

The group also contains the Bank's position in commercial debt securities where apart from the parameters coming from market quotations are affected by non-observable volume of credit spread. The spread is based on the primary market price or at transaction execution. It is updated when reliable market quotations occur or when prices are obtained from transactions of comparable volume. The spread is also changed on the basis of information of a changed credit standing of the security issuer. At the end of the third quarter of 2020, the sensitivity of changed measurement of those assets in the case of an increase of the credit spread by 1 basis point was PLN 31.3 thousand.

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

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

## 29.2 Financial data

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

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

30.09.2020	Level 1	Level 2	Level 3	Total
<b>Investment financial assets</b>				
<b>Measured at fair value through profit and loss</b>	<b>222 020</b>	<b>362 175</b>	<b>145 409</b>	<b>729 604</b>
SWAP	0	194 278	0	194 278
Cap Floor Ooptions	0	119	0	119
FX Swap	0	66 295	0	66 295
FX forward	0	44 063	0	44 063
CIRS	0	10 178	0	10 178
FX options	0	29 589	0	29 589
Other options	0	0	67 426	67 426
Other instruments	16 460	17 653	0	34 113
<b>Financial derivatives</b>	<b>16 460</b>	<b>362 175</b>	<b>67 426</b>	<b>446 061</b>
Equity instruments	0	0	62 838	62 838
Treasury bonds	205 556	0	0	205 556
Other bonds	4	0	15 145	15 149
<b>Investments securities</b>	<b>205 560</b>	<b>0</b>	<b>77 983</b>	<b>283 543</b>
<b>Measured at fair value through other comprehensive income</b>	<b>5 698 958</b>	<b>0</b>	<b>114 117</b>	<b>5 813 075</b>
Equity instruments	0	0	56 324	56 324
Treasury bonds	5 594 389	0	0	5 594 389
Other bonds	104 569	0	57 793	162 362
<b>Derivative hedging instruments</b>	<b>0</b>	<b>367 017</b>	<b>0</b>	<b>367 017</b>
Interest rate transactions – SWAP	0	367 017	0	367 017

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

30.09.2020	Level 1	Level 2	Level 3	Total
<b>Financial liabilities</b>				
<b>Financial liabilities measured at fair value through profit or loss</b>	<b>146 160</b>	<b>279 738</b>	<b>67 426</b>	<b>493 324</b>
Bonds	128 809	0	0	128 809
SWAP	0	191 217	0	191 217
Cap Floor Ooptions	0	116	0	116
FX Swap	0	28 363	0	28 363
FX forward	0	4 894	0	4 894
CIRS	0	22 940	0	22 940
FX options	0	30 854	0	30 854
Other options	0	0	67 426	67 426
Other instruments	17 351	1 354	0	18 705
<b>Derivative hedging instruments</b>	<b>0</b>	<b>88 817</b>	<b>0</b>	<b>88 817</b>
Interest rate swaps - IRS	0	88 817	0	88 817

31.12.2019	Level 1	Level 2	Level 3	Total
<b>Financial liabilities</b>				
<b>Financial liabilities measured at fair value through profit or loss</b>	<b>112 278</b>	<b>256 289</b>	<b>68 289</b>	<b>436 856</b>
Bonds	108 498	0	0	108 498
SWAP	0	191 939	0	191 939
Cap Floor Ooptions	0	50	0	50
FX Swap	0	24 297	0	24 297
FX forward	0	8 790	0	8 790
CIRS	0	10 289	0	10 289
FX options	0	20 013	0	20 013

31.12.2019	Level 1	Level 2	Level 3	Total
Other options	0	0	68 289	68 289
Other instruments	3 780	911	0	4 691
<b>Derivative hedging instruments</b>	<b>0</b>	<b>40 676</b>	<b>0</b>	<b>40 676</b>
Interest rate swaps - IRS	0	40 676	0	40 676

### Reconciliation of changes at level 3 of fair value hierarchy

	Assets		Liabilities	
	30.09.2020	30.09.2019	30.09.2020	30.09.2019
<b>Opening balance</b>	<b>264 337</b>	<b>175 676</b>	<b>68 289</b>	<b>36 028</b>
Acquisitions	38 619	17 958	5 301	12 840
Net changes recognized in other comprehensive income	-5 142	10 894	0	0
Net changes recognized in other comprehensive income	-9 815	40 959	14 332	32 596
Currency differences	1 175	0	0	0
Settlement / redemption	-29 648	-30 329	-20 496	-23 124
<b>Total</b>	<b>259 526</b>	<b>215 158</b>	<b>67 426</b>	<b>58 340</b>

At the end of the third quarter of 2020 the impact of the credit spread on the valuation of debt instruments measured at fair value through other comprehensive income (FVOCI) was approx. amounted to PLN 6.11 MM and for debt instruments measured at fair value through profit and loss account approx. amounted to PLN 1.31 MM.

### Fair value measurement for disclosure purposes

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

30.09.2020	Carrying value	Fair value			
		Level 1	Level 2	Level 3	Total
<b>Assets</b>					
<b>Cash and cash equivalents</b>	<b>1 636 919</b>	<b>905 848</b>	<b>731 071</b>	<b>0</b>	<b>1 636 919</b>
<b>Amount due from banks</b>	<b>330 542</b>	<b>0</b>	<b>330 542</b>	<b>0</b>	<b>330 542</b>
<b>Loans and advances to customers</b>	<b>55 995 884</b>	<b>0</b>	<b>0</b>	<b>53 205 695</b>	<b>53 205 695</b>
<b>Retail segment</b>	<b>33 288 397</b>	<b>0</b>	<b>0</b>	<b>31 326 556</b>	<b>31 326 556</b>
Consumer loans	17 371 369	0	0	16 221 232	16 221 232
Loans for residential real estate	12 581 336	0	0	11 811 848	11 811 848
Consumer finance loans	3 335 692	0	0	3 293 476	3 293 476
<b>Corporate segment</b>	<b>22 707 487</b>	<b>0</b>	<b>0</b>	<b>21 879 139</b>	<b>21 879 139</b>
Working capital facility	10 061 313	0	0	9 820 899	9 820 899
Investment loans	6 694 474	0	0	6 408 760	6 408 760
Other	5 951 700	0	0	5 649 480	5 649 480
<b>Assets pledged as collateral</b>	<b>1 270 554</b>	<b>1 275 614</b>	<b>0</b>	<b>0</b>	<b>1 275 614</b>
<b>Investment securities measured at amortized cost</b>	<b>8 519 468</b>	<b>8 579 727</b>	<b>0</b>	<b>0</b>	<b>8 579 727</b>
<b>Other financial assets</b>	<b>484 166</b>	<b>0</b>	<b>0</b>	<b>484 166</b>	<b>484 166</b>
<b>Liabilities</b>					
<b>Amounts due to banks</b>	<b>1 063 235</b>	<b>0</b>	<b>1 063 235</b>	<b>0</b>	<b>1 063 235</b>
Current deposits	6 879	0	6 879	0	6 879
Overnights	100 000	0	100 000	0	100 000
Term deposits	6 443	0	6 443	0	6 443
Bonds issued	368 166	0	368 166	0	368 166
Credit received	141 568	0	141 568	0	141 568
Other liabilities	440 179	0	440 179	0	440 179
<b>Amounts due to customers</b>	<b>65 868 133</b>	<b>0</b>	<b>0</b>	<b>65 934 129</b>	<b>65 934 129</b>

30.09.2020	Carrying value	Fair value			
		Level 1	Level 2	Level 3	Total
Current deposits	50 476 130	0	0	50 476 130	50 476 130
Term deposits	12 281 115	0	0	12 281 115	12 281 115
Banking securities issued	1 635 723	0	0	1 701 719	1 701 719
Other liabilities	1 475 165	0	0	1 475 165	1 475 165
<b>Other financial liabilities</b>	<b>662 273</b>	<b>0</b>	<b>0</b>	<b>662 273</b>	<b>662 273</b>
<b>Subordinated liabilities</b>	<b>1 798 883</b>	<b>0</b>	<b>0</b>	<b>1 798 883</b>	<b>1 798 883</b>

31.12.2019 Restated	Carrying value	Fair value			
		Level 1	Level 2	Level 3	Total
<b>Assets</b>					
<b>Cash and cash equivalents</b>	<b>1 379 127</b>	<b>997 969</b>	<b>381 158</b>	<b>0</b>	<b>1 379 127</b>
<b>Amount due from banks</b>	<b>212 885</b>	<b>0</b>	<b>212 885</b>	<b>0</b>	<b>212 885</b>
<b>Loans and advances to customers</b>	<b>55 844 522</b>	<b>0</b>	<b>0</b>	<b>54 099 760</b>	<b>54 099 760</b>
<b>Retail segment</b>	<b>31 842 555</b>	<b>0</b>	<b>0</b>	<b>30 531 124</b>	<b>30 531 124</b>
Consumer loans	17 819 615	0	0	17 211 065	17 211 065
Loans for residential real estate	11 244 540	0	0	10 568 201	10 568 201
Consumer finance loans	2 778 400	0	0	2 751 859	2 751 859
<b>Corporate segment</b>	<b>24 001 967</b>	<b>0</b>	<b>0</b>	<b>23 568 636</b>	<b>23 568 636</b>
Working capital facility	11 023 892	0	0	12 324 570	12 324 570
Investment loans	7 189 882	0	0	7 053 018	7 053 018
Other	5 788 193	0	0	4 191 048	4 191 048
<b>Assets pledged as collateral</b>	<b>335 489</b>	<b>338 980</b>	<b>0</b>	<b>0</b>	<b>338 980</b>
<b>Investment securities measured at amortized cost</b>	<b>4 816 054</b>	<b>4 863 579</b>	<b>0</b>	<b>0</b>	<b>4 863 579</b>
<b>Other financial assets</b>	<b>466 583</b>	<b>0</b>	<b>0</b>	<b>466 583</b>	<b>466 583</b>
<b>Liabilities</b>					
<b>Amounts due to banks</b>	<b>822 543</b>	<b>0</b>	<b>822 543</b>	<b>0</b>	<b>822 543</b>
Current deposits	4 333	0	4 333	0	4 333
Bonds issued	384 998	0	384 998	0	384 998
Credit received	162 295	0	162 295	0	162 295
Other liabilities	270 418	0	270 418	0	270 418
Repo	499		499	0	499
<b>Amounts due to customers</b>	<b>64 999 259</b>	<b>0</b>	<b>0</b>	<b>65 100 237</b>	<b>65 100 237</b>
Current deposits	41 854 070	0	0	41 854 070	41 854 070
Term deposits	20 188 726	0	0	20 188 726	20 188 726
Banking securities issued	2 335 837	0	0	2 436 815	2 436 815
Bonds issued	230 161	0	0	230 161	230 161
Other liabilities	390 465	0	0	390 465	390 465
<b>Other financial liabilities</b>	<b>627 579</b>	<b>0</b>	<b>0</b>	<b>627 579</b>	<b>627 579</b>
<b>Subordinated liabilities</b>	<b>1 793 985</b>	<b>0</b>	<b>0</b>	<b>1 793 985</b>	<b>1 793 985</b>

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

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

### **Loans and advances to customers:**

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

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

### **Financial liabilities measured at amortised cost:**

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

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

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

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

## **30 Transactions with related entities**

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

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

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

### **Nature of transactions with related entities**

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



Parent company	30.09.2020	31.12.2019
Assets		
Other assets	539	3 078
<b>Total assets</b>	<b>539</b>	<b>3 078</b>
Liabilities		
Amounts due to customers	52	52
Provisions	206	79
Other liabilities	397	0
<b>Total liabilities</b>	<b>655</b>	<b>131</b>

Subsidiaries of the parent company	30.09.2020	31.12.2019
Assets		
Cash and cash equivalents	45 691	23 072
Other assets	1 259	84
<b>Total assets</b>	<b>46 950</b>	<b>23 156</b>
Liabilities		
Financial liabilities	0	707
Amounts due to customers	371 332	362 084
Provisions	138	53
Other liabilities	1 274	161
<b>Total liabilities</b>	<b>372 744</b>	<b>363 005</b>

Joint control by persons related to the Group	30.09.2020	31.12.2019
Assets		
Loans and advances to customers	3 984	3
<b>Total assets</b>	<b>3 984</b>	<b>3</b>
Liabilities		
Amounts due to customers	15 440	9 981
<b>Total liabilities</b>	<b>15 440</b>	<b>9 981</b>

Parent company	01.01.2020-30.09.2020	01.01.2019-30.09.2019
Interest income calculated using the effective interest method	501	167
Fee and commission income	25 898	22 823
Fee and commission expense	-2 518	-1 075
Net other operating income and expenses	86	-769
General administrative expenses	-2 517	-27
Net expected credit losses	-127	-241
<b>Total</b>	<b>21 323</b>	<b>20 878</b>

Subsidiaries of the parent company	01.01.2020-30.09.2020	01.01.2019-30.09.2019
Interest income calculated using the effective interest method	18 021	12 805
Interest expenses	-7 664	-7 014
Fee and commission income	13 916	4 699
Fee and commission expense	-3	-7
The result on financial assets measured at fair value through profit or loss and FX result	-63	-788

Net other operating income and expenses	1 071	8
General administrative expenses	-3 266	0
Net expected credit losses	-85	-126
<b>Total</b>	<b>21 927</b>	<b>9 577</b>

Joint control by persons related to the Group	01.01.2020-30.09.2020	01.01.2019-30.09.2019
Interest income calculated using the effective interest method	18	0
Interest expense	-13	-47
Fee and commission income	13	8
Net expected credit losses	-10	1
<b>Total</b>	<b>8</b>	<b>-38</b>

### Transactions with the State Treasury and related entities

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

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

State Treasury and related entities	30.09.2020	31.12.2019
Investment financial assets	15 767 427	13 900 920
measured at fair value through other comprehensive income	6 691 090	8 638 195
measured at fair value through profit or loss	220 700	111 726
measured at amortized cost	8 855 637	5 150 999
Amounts due from banks	175	427
Loans and advances to customers	77 159	100 871
<b>Total assets</b>	<b>15 844 761</b>	<b>14 002 218</b>
Financial liabilities	128 809	108 496
Amounts due to banks	46 315	89 220
Amounts due to customers	543 297	737 275
<b>Total liabilities</b>	<b>718 421</b>	<b>934 991</b>

State Treasury and related entities	01.01.2020-30.09.2020	01.01.2019-30.09.2019
Interest income calculated using the effective interest method	167 456	193 026
Interest expense	-6 744	-19 499
The costs of paid tax	-243 150	-414 262
<b>Total</b>	<b>-82 438</b>	<b>-240 735</b>

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

## 31 Benefits for the for senior executives

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

The Bank has a Remuneration Policy covering all employees. The Remuneration Policy is reviewed by the Nomination and Remuneration Committee and adopted by the Management Board and approved by

the Supervisory Board. With respect to people in managerial positions who affect the risk profile, the Policy has been determined on the basis of the regulation of the Minister of Development and Finance of 6 March 2017 on the risk management and internal control system, the remuneration policy, and a detailed manner of internal capital estimation at banks.

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

### 31.2 Financial data

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

30.09.2020	Supervising, managing persons	Supervisory Board	Bank's Management Board
Amounts due to customers	1 248	11	1 237
<b>Total liabilities</b>	<b>1 248</b>	<b>11</b>	<b>1 237</b>

30.09.2019	Supervising, managing persons	Supervisory Board	Bank's Management Board
Loans and advances to customers	4	0	4
<b>Total assets</b>	<b>4</b>	<b>0</b>	<b>4</b>
Amounts due to customers	2 873	19	2 854
<b>Total liabilities</b>	<b>2 873</b>	<b>19</b>	<b>2 854</b>

30.09.2020	Supervising, managing persons	Supervisory Board	Bank's Management Board
<b>Off-balance liabilities granted to customers</b>	<b>10</b>	<b>0</b>	<b>10</b>
concerning financing	10	0	10

30.09.2019	Supervising, managing persons	Supervisory Board	Bank's Management Board
<b>Off-balance liabilities granted to customers</b>	<b>36</b>	<b>0</b>	<b>36</b>
concerning financing	36	0	36

The total cost of remuneration of Members of the Bank's Supervisory Board and Members of the Bank's Management Board from 1 January to 30 September 2020 recognized in the profit and loss account of the Group in this period amounted to PLN 7 559 thousand (in the period from 1 January to 30 September 2019 - PLN 18 471 thousand).

### 31.3 Incentive program for senior executives

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

- bonus scheme for the Management Board, valid from 2016;

- annual variable remuneration granted partly in financial instruments (phantom shares) for persons having an impact on the risk profile; the settlement of phantom shares takes place in cash;
- management option scheme. valid for 2013-2015, in accordance with the Compensation Policy of Variable Remuneration of Persons Holding Management Positions at Alior Bank;
- share subscription program as part of the management option scheme at Alior Leasing sp. o.o.

## 32 Legal claims

In the Bank's opinion, no single court, arbitration court or public administration body proceedings in progress during the three quarters of 2020, and none of the proceedings jointly, could pose a threat to the Bank's financial liquidity. The proceedings which according to the opinion of the Management Board are significant are presented below:

- case claimed by a client - limited company for a payment of PLN 109 967 thousand in respect of compensation for damage incurred in connection with the conclusion and settlement of treasury transactions. The claim dated 27 April 2017 was brought against Alior Bank SA and Bank BPH SA. In the Bank's opinion, the claim has no valid factual and legal basis and probability of an outflow of funds is negligible;
- case claimed by a client - limited company for a payment of PLN 17 843 thousand for clearing currency option contracts. The claim dated 10 February 2015 was brought originally against BPH SA. In the Bank's opinion, the claim has no valid factual and legal basis and probability of an outflow of funds is negligible. The claim was dismissed unlawfully in its entirety;
- case claimed by a client - a private individual - a representative of a group of 84 private individuals and corporate clients to determine the Bank's liability for damage. On 5 March 2018 class actions was filed against Alior Bank in determining the Bank's liability for damage caused by improper performance of information obligations by the Bank towards clients and improper performance of contracts for the provision of services for the receipt and transfer of purchase or sale orders investment's certificates of investment funds previously managed by Fincrea TFI SA, and currently Raiffeisen Bank International AG (Joint Stock Company) Branch in Poland. In the claimant's view Bank did not provide clients with information about the real risk of investing in investment products, thus exposing the clients to damage resulting from the impairment of investment certificates and the loss of guaranteed profits. In the Bank's opinion, a class action lawsuit has no valid factual or legal basis and therefore should not be resolved in favor of customers. However, by a decision of 27 September 2019, the court decided to hear the case in collective proceedings. The court's decision is final. Alior Bank assumes that the probability of an outflow of funds under this lawsuit is estimated at less than 50%, thus as at 30 September 2020, the Bank did not create any provisions in respect of this claim. At the present stage, it is not possible to estimate the financial consequences for the Bank in the event of a different settlement by the court than assumed by the Bank.

Polish Financial Supervision Authority (PFSA) by decision of 6 August 2019 issued on the basis of art. 167 section 2 point 1 in connection with art. 167 section 1 point 1 of the Act on trading in financial instruments, imposed a fine on the Bank in the amount of PLN 10 000 000. The proceedings concerned the correct operation of Alior Bank and the Bank's Brokerage House in the scope of distribution of investment certificates of funds previously managed by Fincrea TFI SA and now Raiffeisen Bank International AG (Joint Stock Company) Branch in Poland. The bank requested the PFSA to reconsider the case. The Polish Financial Supervision Authority, after re-examining the case with a decision of 3

December 2019, upheld the original decision. On 3 January 2020 the Bank appealed against this decision to the Provincial Administrative Court in Warsaw. On 17 June 2020, the Provincial Administrative Court in Warsaw (WSA) issued a judgment in which it revoked the decision of the Polish Financial Supervision Authority (KNF) of 3 December 2019, upholding the earlier decision of the Polish Financial Supervision Authority of 6 August 2019 on the imposition of two fines on the Bank in the total amount of PLN 10 million and discontinued the proceedings conducted by the Polish Financial Supervision Authority in this case. The Polish Financial Supervision Authority (KNF) filed a cassation complaint with the Supreme Administrative Court.

The value of disputed claims amounted to PLN 353 603 thousand as at 30.09.2020 and PLN 332 526 thousand as at 31.12.2019. The value of provisions for disputed claims amounted to PLN 47 608 thousand as at the end of third quarter of 2020 and PLN 49 822 thousand as at the end of 2019.

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

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

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

Since the beginning of the year 2019, Alior Leasing sp. o.o. received from the four former members of the company's Management Board several a written proposal for an amicable termination of cooperation and contracts of management, which was based on payment of compensation of the some value of the management option scheme. The management option scheme included former members of the company's Management Board and some employess.

In addition, by letter of 28 January 2020, dismissed members of the Management Board of Alior Leasing sp. z o.o. extended the claim for severance payments to the payment of benefits under the management option scheme referred to above (in the extension of the claim it was indicated that the amount of the extended claim does not exhaust all claims of the management option scheme).

Bearing in mind the legal opinions issued in this case, the Group is of the opinion that the chances effective recovery of their rights under the management option scheme by the dismissed Management Board members are low. The company's position is based on legal opinions obtained by the Company's Management Board. On 1 September 2020, the court of first instance rejected the extended claim of the recalled members of the Management Board of the Company. The above circumstances justify not creating provisions in this respect in the Group's financial statements.

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

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

### **33 Capital adequacy ratio**

As at 30 September 2020, the capital adequacy ratio and Tier 1 ratio were calculated in accordance with the Regulation (EU) No 575/2013 of the European Parliament and of the Council of 26 June 2013 on prudential requirements for credit institutions and investment firms and amending Regulation (EU) No 648/2012 (CRR Regulation) and other regulations implementing "national options", among other, the

Banking Act of 29 August 1997 and the Regulation of the Minister of Development and Finance on higher weight risk for mortgage-backed exposures.

In order to calculate the capital adequacy ratio, in third quarter of 2020 prudential consolidation was applied – the consolidation covered Alior Bank SA and Alior Leasing sp. z o.o. In the opinion of the Bank's Management Board, the other subsidiary entities, not subject to prudential consolidation are marginal for the Bank's core activity from the viewpoint of monitoring of credit institutions.

### Equity for the purposes of the capital adequacy

	30.09.2020	31.12.2019
<b>Total equity for the capital adequacy ratio</b>	<b>7 550 271</b>	<b>7 998 975</b>
Tier I core capital (CET1)	6 361 540	6 656 743
Paid-up capital	1 305 540	1 305 540
Supplementary capital	5 395 195	5 388 926
Other reserves	179 505	179 505
Current year's reviewed by auditor	-433 008	169 889
Accumulated losses	-192 483	-435 075
Revaluation reserve – unrealised losses	-9 058	-6 105
Intangible assets measured at carrying value	-427 448	-544 348
Revaluation reserve – unrealised profit	63 650	42 538
Additional value adjustments - AVA	-8 534	-11 727
Other adjustments items (adjustments for IFRS 9, securitization, deferred tax assets)	488 181	567 600
Tier II capital	<b>1 188 731</b>	<b>1 342 232</b>
Subordinated liabilities	1 188 731	1 342 232
<b>Capital requirements</b>	<b>3 920 404</b>	<b>3 950 360</b>
Total capital requirements for the credit. counterparty risk. adjustment to credit measurement, dilution and deliver of instruments to be settled at a later date	3 594 502	3 618 145
Total capital requirements for prices of equity securities. prices of debt securities, prices of commodities and FX risk.	5 466	5 253
Capital requirement relating to the general interest rate risk	21 830	20 602
Total capital requirements for the operational risk	298 606	306 360
<b>Tier 1 ratio</b>	<b>12.98%</b>	<b>13.48%</b>
<b>Total capital adequacy ratio</b>	<b>15.41%</b>	<b>16.20%</b>

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

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

	Data including the transition period	Data without considering the transition period
Total capital (TIER 1, TIER 2)	7 550 271	6 457 573
The total capital requirement	3 920 404	3 836 763
Total capital ratio	15.41%	13.46%
Financial leverage ratio	7.84%	6.59%

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

- Amendments to the Regulation No. 575/2013 of 26 June 2013 on prudential requirements for credit and financial institutions (with subsequent amendments) - CRR;
- Amendments to the Prudential Regulation 101/2016 (AVA);
- EBA guidelines for dealing with deferral programs;
- Additional measures taken by Polish financial market regulators to reduce the capital burden on banks and the regulatory burden - abolishing the systemic risk buffer and loosening regulatory requirements regarding the ratio, on 18 March 2020, the Minister of Finance signed an ordinance on the abolition of the systemic risk buffer. Minimum regulatory Tier 1 and TCR consolidated ratios for Alior Bank, after buffer abolition, are 8.5% and 10.5%, respectively, therefore the surplus of capital ratios over the regulatory minimum levels is 4.48 percentage points, respectively (approximately PLN 2.2 billion) and 5.04 percentage points (approximately PLN 2.4 billion).

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

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

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

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

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

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

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

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

- coverage of accumulated loss in the amount of PLN 282 337 247.76 (in words: two hundred eighty-two million three hundred thirty-seven thousand two hundred forty seven and 76/100);
- allocation of non-distributable profit on the activity of the Housing Fund of PLN 6 269 597.66 (in words: six million two hundred sixty nine thousand five hundred ninety seven and 66/100), pursuant to Art. 5 par. 4 of the Act of 26 October 1995 on certain forms of support to housing construction (Journal of Laws No. 133, item 654 as amended), for supplementary capital.

### 36 Risk management

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

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

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

The detailed risk management policies have been presented in the annual consolidated financial statements of the Alior Bank SA Group for the year ended 31 December 2019 published on 28 February 2020 and available on the Alior Bank SA website.

In connection with the application of the advanced operational risk measurement method (AMA), in accordance with the requirements of CRR Article 454, the Bank, seeking to limit the risk of materializing the effects of rare but potentially severe operational events, has bought a number of insurance policies. Mentioned policies included insurance in the scope of property (including electronic equipment), civil liability, fiscal liability and professional liability. The terms of individual policies were adapted to the scale and scope of the risk incurred. Those policies are not used as a mechanism limiting the amount of own funds requirements for operational risk or as a mitigating factor for the amount of internal capital for operational risk.

#### Liquidity risk

Specification of maturity/payment dates of contractual flows of the Alior Bank Group assets and liabilities as at 30 September 2020 and as at 31 December 2019 (PLN MM):

30.09.2020	1D	1M	3M	6M	1Y	2Y	5Y	5Y+	Total
<b>ASSETS</b>	<b>2 331</b>	<b>1 413</b>	<b>1 786</b>	<b>3 158</b>	<b>6 973</b>	<b>11 673</b>	<b>22 206</b>	<b>41 711</b>	<b>91 251</b>
Cash & Nostro	1 700	0	0	0	0	0	0	0	1 700
Amounts due from banks	0	0	0	0	0	263	0	0	263
Loans and advances to customers	623	1 003	1 759	3 030	5 424	8 099	14 960	34 059	68 957
Securities	0	408	23	122	1 539	3 294	7 225	3 882	16 493
Other assets	8	2	4	6	10	17	21	3 770	3 838
<b>LIABILITIES AND EQUITY</b>	<b>-55 960</b>	<b>-3 886</b>	<b>-3 483</b>	<b>-2 113</b>	<b>-2 826</b>	<b>-1 591</b>	<b>-938</b>	<b>-7 215</b>	<b>-78 012</b>
Amounts due to banks	-587	-148	-34	-43	-453	-123	-144	313	-1 219
Amounts due to customers	-53 665	-3 472	-3 122	-1 925	-1 402	-498	-279	-4	-64 367



30.09.2020	1D	1M	3M	6M	1Y	2Y	5Y	5Y+	Total
Own issues	-9	-261	-300	-104	-890	-867	-437	-760	-3 628
Equity	0	-5	-10	-15	-30	0	0	-6 406	-6 466
Other liabilities	-1 699	0	-17	-26	-51	-103	-78	-358	-2 332
<b>Balance sheet gap</b>	<b>-53 629</b>	<b>-2 473</b>	<b>-1 697</b>	<b>1 045</b>	<b>4 147</b>	<b>10 082</b>	<b>21 268</b>	<b>34 496</b>	<b>13 239</b>
<b>Cumulated balance sheet gap</b>	<b>-53 629</b>	<b>-56 102</b>	<b>-57 799</b>	<b>-56 754</b>	<b>-52 607</b>	<b>-42 525</b>	<b>-21 257</b>	<b>13 239</b>	
Derivative instruments – inflows	2 493	6 027	707	626	605	269	313	43	11 083
Derivative instruments – outflows	-2 518	-5 945	-708	-611	-605	-265	-317	-44	-11 013
<b>Derivative instruments – net</b>	<b>-25</b>	<b>82</b>	<b>-1</b>	<b>15</b>	<b>0</b>	<b>4</b>	<b>-4</b>	<b>-1</b>	<b>70</b>
Guarantee and financing lines	-10 088	0	0	0	0	0	0	0	-10 088
<b>Off-balance sheet gap</b>	<b>-10 113</b>	<b>82</b>	<b>-1</b>	<b>15</b>	<b>0</b>	<b>4</b>	<b>-4</b>	<b>-1</b>	<b>-10 018</b>
<b>Total gap</b>	<b>-63 742</b>	<b>-2 391</b>	<b>-1 698</b>	<b>1 060</b>	<b>4 147</b>	<b>10 086</b>	<b>21 264</b>	<b>34 495</b>	<b>3 221</b>
<b>Total cumulated gap</b>	<b>-63 742</b>	<b>-66 133</b>	<b>-67 831</b>	<b>-66 771</b>	<b>-62 624</b>	<b>-52 538</b>	<b>-31 274</b>	<b>3 221</b>	

31.12.2019 Restated	1D	1M	3M	6M	1Y	2Y	5Y	5Y+	Total
<b>ASSETS</b>	<b>1 730</b>	<b>3 270</b>	<b>2 505</b>	<b>3 846</b>	<b>6 343</b>	<b>11 947</b>	<b>22 759</b>	<b>42 676</b>	<b>95 076</b>
Cash & Nostro	1 357	0	0	0	0	0	0	0	1 357
Amounts due from banks	0	73	0	0	0	135	0	0	208
Loans and advances to customers	373	1 424	2 502	3 336	5 871	9 298	16 898	33 381	73 083
Securities	0	1 773	3	510	472	2 514	5 861	5 816	16 949
Other assets	0	0	0	0	0	0	0	3 479	3 479
<b>LIABILITIES AND EQUITY</b>	<b>-46 201</b>	<b>-5 111</b>	<b>-4 742</b>	<b>-3 939</b>	<b>-5 436</b>	<b>-2 720</b>	<b>-1 457</b>	<b>-7 695</b>	<b>-77 301</b>
Amounts due to banks	-278	-117	-31	-41	-65	-116	-172	-79	-899
Amounts due to customers	-44 122	-4 921	-4 556	-3 569	-4 011	-1 106	-342	-26	-62 653
Own issues	0	-67	-126	-285	-1 272	-1 394	-826	-793	-4 763
Equity	0	-6	-12	-18	-36	0	0	-6 665	-6 737
Other liabilities	-1 801	0	-17	-26	-52	-104	-117	-132	-2 249
<b>Balance sheet gap</b>	<b>-44 471</b>	<b>-1 841</b>	<b>-2 237</b>	<b>-93</b>	<b>907</b>	<b>9 227</b>	<b>21 302</b>	<b>34 981</b>	<b>17 775</b>
<b>Cumulated balance sheet gap</b>	<b>-44 471</b>	<b>-46 312</b>	<b>-48 549</b>	<b>-48 642</b>	<b>-47 735</b>	<b>-38 508</b>	<b>-17 206</b>	<b>17 775</b>	
Derivative instruments – inflows	0	7 978	2 077	748	344	761	285	43	12 236
Derivative instruments – outflows	0	-7 956	-2 084	-744	-344	-774	-289	-42	-12 233
<b>Derivative instruments – net</b>	<b>0</b>	<b>22</b>	<b>-7</b>	<b>4</b>	<b>0</b>	<b>-13</b>	<b>-4</b>	<b>1</b>	<b>3</b>
Guarantee and financing lines	-8 627	0	0	0	0	0	0	0	-8 627
<b>Off-balance sheet gap</b>	<b>-8 627</b>	<b>22</b>	<b>-7</b>	<b>4</b>	<b>0</b>	<b>-13</b>	<b>-4</b>	<b>1</b>	<b>-8 624</b>
<b>Total gap</b>	<b>-53 098</b>	<b>-1 819</b>	<b>-2 244</b>	<b>-89</b>	<b>907</b>	<b>9 214</b>	<b>21 298</b>	<b>34 982</b>	<b>9 151</b>
<b>Total cumulated gap</b>	<b>-53 098</b>	<b>-54 917</b>	<b>-57 161</b>	<b>-57 250</b>	<b>-56 343</b>	<b>-47 129</b>	<b>-25 831</b>	<b>9 151</b>	

## 37 Events significant to the business operations of the Group

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

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

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

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

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

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

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

### **Termination of cooperation between T-Mobile Polska and Alior Bank SA under T-Mobile Usługi Bankowe**

T-Mobile Polska and Alior Bank have decided to terminate their cooperation under the T-Mobile Usługi Bankowe brand. The end of the cooperation does not mean the end of banking services for T-Mobile Usługi Bankowe customers. Customers will be able to use the full portfolio of Alior Bank's services and products.

## **38 Significant events after the end of the reporting period**

### **Contract amendment of order for periodical granting of insurance guarantees which constitute unrealistic credit protection within the meaning of the CRR Regulation concluded with PZU SA**

On 2 November 2020, the Bank annexed the contract of mandate concluded with PZU SA on 8 November 2017 for periodic granting of unfunded credit protection guarantees. The exposure limit for guarantees provided under the agreement amounts to PLN 4 billion. The validity period is 3 years. The limit is renewable, which means that the expiry of the guarantees granted within the limit renews it by the "released" amount less the amount of possible disbursements from the guarantee. The Bank does not currently assume the need to use this capital optimization instrument in order to maintain capital ratios at levels higher than the regulatory minimums plus appropriate buffers in the strategy horizon.

## **39 Financial forecast**

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



**Interim condensed separate  
financial statements  
of Alior Bank Spółka Akcyjna  
for the 9-month period ended  
30 September 2020**

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## Interim condensed separate income statement

	01.07.2020 - 30.09.2020	01.01.2020- 30.09.2020	01.07.2019 - 30.09.2019 Restated*	01.01.2019- 30.09.2019 Restated*
Interest income calculated using the effective interest method	720 861	2 478 287	991 524	2 998 901
Income of a similar nature	54 324	115 114	44 164	113 080
Interest expense	-90 749	-402 560	-223 560	-655 225
<b>Net interest income</b>	<b>684 436</b>	<b>2 190 841</b>	<b>812 128</b>	<b>2 456 756</b>
Fee and commission income	302 499	815 955	275 298	778 700
Fee and commission expense	-158 873	-429 814	-129 214	-346 925
<b>Net fee and commission income</b>	<b>143 626</b>	<b>386 141</b>	<b>146 084</b>	<b>431 775</b>
Dividend income	373	8 056	84	7 275
The result on financial assets measured at fair value through profit or loss and FX result	19 829	34 970	15 299	48 616
<b>The result on derecognition of financial instruments not measured at fair value through profit or loss</b>	<b>9 472</b>	<b>36 090</b>	<b>7 371</b>	<b>29 131</b>
measured at fair value through other comprehensive income	9 409	12 216	6 998	21 700
measured at amortized cost	63	23 874	373	7 431
Other operating income	27 568	86 989	30 301	83 677
Other operating expenses	-19 806	-198 566	-76 355	-123 565
<b>Net other operating income and expenses</b>	<b>7 762</b>	<b>-111 577</b>	<b>-46 054</b>	<b>-39 888</b>
General administrative expenses	-387 167	-1 218 129	-345 349	-1 198 389
Net expected credit losses	-263 269	-1 456 261	-314 622	-1 080 587
The result on impairment of non-financial assets	-1 802	-65 878	-7	-1 756
Banking tax	-55 329	-165 218	-59 005	-169 206
<b>Gross profit/loss</b>	<b>157 931</b>	<b>-360 965</b>	<b>215 929</b>	<b>483 727</b>
Income tax	-47 622	-41 787	-82 639	-208 422
<b>Net profit/loss</b>	<b>110 309</b>	<b>-402 752</b>	<b>133 290</b>	<b>275 305</b>
Weighted average number of ordinary shares	<b>130 553 991</b>	<b>130 553 991</b>	<b>130 553 991</b>	<b>130 553 991</b>
Net profit/loss per share (PLN)	0.84	-3.08	1.02	2.11
Diluted profit/loss per ordinary share (PLN)	0.84	-3.07	1.01	2.09

## Interim condensed separate statement of comprehensive income

	01.07.2020 - 30.09.2020	01.01.2020- 30.09.2020	01.07.2019 - 30.09.2019 Restated*	01.01.2019- 30.09.2019 Restated*
<b>Net profit/loss</b>	<b>110 309</b>	<b>-402 752</b>	<b>133 290</b>	<b>275 305</b>
<b>Items that may be reclassified to the income statement after certain conditions are satisfied</b>	<b>16 539</b>	<b>160 065</b>	<b>10 388</b>	<b>20 625</b>
<b>Foreign currency translation differences</b>	<b>-350</b>	<b>-1 113</b>	<b>-450</b>	<b>-139</b>
<b>Results of the measurement of financial assets (net)</b>	<b>21 591</b>	<b>19 272</b>	<b>2 825</b>	<b>-6 385</b>
Profit/loss on valuation of financial assets measured at fair value through other comprehensive income	26 657	23 788	3 488	-7 883
Deferred tax	-5 066	-4 516	-663	1 498
<b>Results on the measurement of hedging instruments (net)</b>	<b>-4 702</b>	<b>141 906</b>	<b>8 013</b>	<b>27 149</b>
Gains/losses on hedging instruments	-5 806	175 192	9 892	33 517
Deferred tax	1 104	-33 286	-1 879	-6 368
<b>Total comprehensive income, net</b>	<b>126 848</b>	<b>-242 687</b>	<b>143 678</b>	<b>295 930</b>

\*details in note 3

The notes presented on pages 65-69 constitute an integral part of these interim condensed separate financial statements.

## Interim condensed separate statement of financial position

ASSETS	30.09.2020	31.12.2019 Restated*	01.01.2019 Restated*
Cash and cash equivalents	1 586 847	1 352 604	2 077 630
Amounts due from banks	330 542	212 885	172 839
Investment financial assets	15 057 658	15 798 474	13 727 570
measured at fair value through other comprehensive income	5 808 586	10 438 695	7 280 080
measured at fair value through profit or loss	729 604	543 725	515 138
measured at amortized cost	8 519 468	4 816 054	5 932 352
Derivative hedging instruments	367 017	134 832	112 400
Loans and advances to customers	55 805 447	55 553 726	54 218 094
Assets pledged as collateral	1 270 554	335 489	333 198
Property, plant and equipment	689 024	748 671	450 404
Intangible assets	418 344	531 796	528 501
Investments in associates	215 500	216 586	158 681
Non-current assets held for sale	3	103	146
Income tax asset	1 008 377	1 011 874	928 404
current income tax asset	3 936	0	0
deferred income tax asset	1 004 441	1 011 874	928 404
Other assets	446 777	415 776	517 883
<b>TOTAL ASSETS</b>	<b>77 196 090</b>	<b>76 312 816</b>	<b>73 225 750</b>

LIABILITIES AND EQUITY	30.09.2020	31.12.2019 Restated*	01.01.2019 Restated*
Amounts due to banks	621 543	365 993	473 842
Amounts due to customers	65 889 408	65 012 760	62 427 865
Financial liabilities	493 324	436 856	416 407
Derivative hedging instruments	88 817	40 676	9 381
Provisions	357 574	358 900	126 172
Other liabilities	1 351 226	1 375 865	1 111 457
Income tax liabilities	0	89 779	208 854
current income tax liabilities	0	89 779	208 854
Subordinated liabilities	1 798 883	1 793 985	1 918 093
<b>Total liabilities</b>	<b>70 600 775</b>	<b>69 474 814</b>	<b>66 692 071</b>
Share capital	1 305 540	1 305 540	1 305 540
Supplementary capital	5 395 195	5 388 926	5 382 819
Revaluation reserve	237 582	76 404	52 164
Other reserves	179 505	179 505	184 284
Foreign currency translation differences	-508	605	-202
Accumulated losses	-119 247	-397 033	-1 122 000
Profit/loss for the period	-402 752	284 055	731 074
<b>Equity</b>	<b>6 595 315</b>	<b>6 838 002</b>	<b>6 533 679</b>
<b>TOTAL LIABILITIES AND EQUITY</b>	<b>77 196 090</b>	<b>76 312 816</b>	<b>73 225 750</b>

\*details in note 3

The notes presented on pages 65-69 constitute an integral part of these interim condensed separate financial statements.

## Interim condensed separate statement of changes in equity

01.01.2020 - 30.09.2020	Share capital	Supplementary capital	Other reserves	Revaluation reserve	Exchange differences on revaluation of foreign units	Retained earnings	Total equity
<b>1 January 2020</b>	<b>1 305 540</b>	<b>5 388 926</b>	<b>179 505</b>	<b>76 404</b>	<b>605</b>	<b>-112 978</b>	<b>6 838 002</b>
Transfer of last year's profit	0	6 269	0	0	0	-6 269	0
<b>Comprehensive income</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>161 178</b>	<b>-1 113</b>	<b>-402 752</b>	<b>-242 687</b>
net loss	0	0	0	0	0	-402 752	-402 752
other comprehensive income – valuations	0	0	0	161 178	-1 113	0	160 065
incl. financial assets measured at fair value through other comprehensive income	0	0	0	19 272	0	0	19 272
incl. hedging instruments	0	0	0	141 906	0	0	141 906
incl. currency translation differences	0	0	0	0	-1 113	0	-1 113
<b>30 September 2020</b>	<b>1 305 540</b>	<b>5 395 195</b>	<b>179 505</b>	<b>237 582</b>	<b>-508</b>	<b>-521 999</b>	<b>6 595 315</b>

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

01.01.2019 - 30.09.2019 Restated*	Share capital	Supplementary capital	Other reserves	Revaluation reserve	Exchange differences on revaluation of foreign units	Retained earnings	Total equity
<b>1 January 2019</b>	<b>1 305 540</b>	<b>5 382 819</b>	<b>184 284</b>	<b>52 164</b>	<b>-202</b>	<b>-390 926</b>	<b>6 533 679</b>
<b>Transfer of last year's profit</b>	0	6 107	0	0	0	-6 107	0
<b>Comprehensive income</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>20 764</b>	<b>-139</b>	<b>275 305</b>	<b>295 930</b>
net profit	0	0	0	0	0	275 305	275 305
other comprehensive income – valuation	0	0	0	20 764	-139	0	20 625
inc. measured at fair value through other comprehensive income	0	0	0	-6 385	0	0	-6 385
incl. hedging instruments	0	0	0	27 149	0	0	27 149
incl. currency translation differences	0	0	0	0	-139	0	-139
<b>30 September 2019</b>	<b>1 305 540</b>	<b>5 388 926</b>	<b>184 284</b>	<b>72 928</b>	<b>-341</b>	<b>-121 728</b>	<b>6 829 609</b>

\*details in note 3

The notes presented on pages 65-69 constitute an integral part of these interim condensed separate financial statements.

## Interim condensed separate statement of cash flows

	01.01.2020- 30.09.2020	01.01.2019- 30.09.2019 Restated*
<b>Operating activities</b>		
<b>Profit/loss before tax for the year</b>	<b>-360 965</b>	<b>483 727</b>
<b>Adjustments:</b>	<b>289 827</b>	<b>175 972</b>
Unrealized foreign exchange gains/losses	962	1 533
Amortization/depreciation of property, plant and equipment and intangible assets	221 438	174 000
Change in property, plant and equipment and intangible assets impairment write-down	65 878	1 682
Dividends	8 056	7 275
Short-term lease contracts	-6 507	-8 518
<b>The gross profit after adjustments but before increase/decrease in operating assets/liabilities</b>	<b>-71 138</b>	<b>659 699</b>
Change in loans and receivables	-369 378	-4 284 718
Change in financial assets measured at fair value through other comprehensive income	4 630 109	329 969
Change in financial assets measured at fair value through profit or loss	-185 879	-166 652
Change in financial assets measured at amortised cost	-3 703 414	856 765
Change in assets pledged as collateral	-935 065	-23 787
Change in derivative hedging assets	-232 185	-22 782
Change in non-current assets held for sale	100	43
Change in other assets	-31 001	-125 279
Change in deposits	862 286	2 670 645
Change in own issue	-953 038	-190 596
Change in financial liabilities	56 468	103 742
Change in hedging liabilities derivative	48 141	36 975
Change in other liabilities and other comprehensive income	1 526 341	286 473
Change in provisions	-1 326	-6 323
<b>Cash from operating activities before income tax</b>	<b>641 021</b>	<b>124 174</b>
Income tax paid	-165 207	-374 928
<b>Net cash flow from operating activities</b>	<b>475 814</b>	<b>-250 754</b>
<b>Investing activities</b>		
<b>Outflows:</b>	<b>-123 297</b>	<b>-162 164</b>
Purchase of property, plant and equipment	-63 701	-78 717
Purchase of intangible assets	-39 682	-39 247
Investments in subsidiaries	-19 914	-44 200
<b>Inflows:</b>	<b>1 751</b>	<b>9 906</b>
Disposal of property, plant and equipment	1 751	9 906
<b>Net cash flow from investing activities</b>	<b>-121 546</b>	<b>-152 258</b>
<b>Financing activities</b>		
<b>Outflows:</b>	<b>-120 025</b>	<b>-121 913</b>
Interest payments – subordinated liabilities	-56 838	-61 149
Principle payments - lease liabilities	-61 332	-43 447
Interest payments - lease liabilities	-1 855	-17 317
<b>Inflows:</b>	<b>0</b>	<b>0</b>
Inflows from share issue	0	0
<b>Net cash flow from financing activities</b>	<b>-120 025</b>	<b>-121 913</b>
<b>Total net cash flow</b>	<b>234 243</b>	<b>-524 925</b>
<b>incl. exchange gains/(losses)</b>	<b>20 193</b>	<b>27 054</b>
<b>Balance sheet change in cash and cash equivalents</b>	<b>234 243</b>	<b>-524 925</b>
Cash and cash equivalents, opening balance	1 352 604	2 077 630
Cash and cash equivalents, closing balance	1 586 847	1 552 705
<b>Additional disclosures on operating cash flows</b>		
Interests received	2 246 249	3 499 087
Interests paid	-504 528	-606 127

\*details in note 3

The notes presented on pages 65-69 constitute an integral part of these interim condensed separate financial statements.



## **1 Basis for preparation**

### **Statement of compliance**

These interim condensed separate financial statements of Alior Bank Spółka Akcyjna for the 9-month period ended 30 September 2020 have been prepared in accordance with the International Accounting Standard 34 "Interim Financial Reporting" as adopted by the European Union.

The interim condensed separate income statement, interim condensed separate statement of comprehensive income, interim condensed separate statement of changes in equity and interim condensed separate statement of cash flows for the financial period from 1 January 2020 to 30 September 2020, and interim condensed separate statement of financial position as at 30 September 2020 including the comparatives, have been prepared in accordance with the same accounting policies as those applied in the preparation of the last annual financial statements, except for the changes in the standards that entered into force on 1 January 2020.

### **Scope and reporting currency**

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

### **Going concern**

The interim condensed separate financial statements of Alior Bank Spółka Akcyjna have been prepared on the assumption that the Bank will continue in operation as a going concern for a period of at least 12 months after the balance sheet date i.e. after 30 September 2020.

## **2 Accounting principles**

The accounting principles are presented in detail in the annual financial statements of Alior Bank SA for the period from 1 January to 31 December 2019, published on 28 February 2020 and available on the Alior Bank SA website. Changes in accounting principles effective from 1 January 2020 were presented in the interim condensed consolidated financial statements in Note 2.2.

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

### **Change I**

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

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

Equity as at 31.12.2019: -21 697 thousand PLN

Net profit for three quarters of 2019: -3 299 thousand PLN.

### Change II

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

### Change III

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

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

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

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

Income statement	01.01.2019 - 30.09.2019 Presented	Change I	Change II	01.01.2019 - 30.09.2019 Restated
Interest income calculated using the effective interest method	2 996 785	2 116	0	2 998 901
Fee and commission income	784 889	-6 189	0	778 700
<b>Gross profit</b>	<b>487 800</b>	<b>-4 073</b>	<b>0</b>	<b>483 727</b>
Income tax	-185 364	774	-23 832	-208 422
<b>Net profit</b>	<b>302 436</b>	<b>-3 299</b>	<b>-23 832</b>	<b>275 305</b>

Comprehensive income	01.01.2019 - 30.09.2019 Presented	Change I	Change II	01.01.2019 - 30.09.2019 Restated
Net profit	302 436	-3 299	-23 832	275 305
<b>Total comprehensive income, net</b>	<b>323 061</b>	<b>-3 299</b>	<b>-23 832</b>	<b>295 930</b>

Changes in equity	30.09.2019 Presented	Change I	Change II	30.09.2019 Restated
Equity at the beginning of the period	6 550 824	-17 145	0	6 533 679
Retained earnings	-77 452	-20 444	-23 832	-121 728
Profit for the year	302 436	-3 299	-23 832	275 305
<b>Equity at the end of the period</b>	<b>6 873 885</b>	<b>-20 444</b>	<b>-23 832</b>	<b>6 829 609</b>

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

Net earnings per ordinary share	30.09.2019 Presented	Change I	Change II	30.09.2019 Restated
<b>Net profit</b>	<b>302 436</b>	<b>-3 299</b>	<b>-23 832</b>	<b>275 305</b>
Net earnings per ordinary share (PLN)	2.32	-0.03	-0.18	2.11
Diluted earnings per one share	2.30	-0.03	-0.18	2.09

Cash flow	30.09.2019 Presented	Change I	Change II	30.09.2019 Restated
<b>Profit before tax for the year</b>	<b>487 800</b>	<b>-4 073</b>	<b>0</b>	<b>483 727</b>
Change in assets pledged as collateral	-24 366	0	579	-23 787
Change in loans and receivables	-4 288 212	4 073	-579	-4 284 718

## 4 Off - balance-sheet items

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

## 5 Transactions with related entities

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

Bank's subsidiaries as at 30 September 2020 and the date of this report was as follows:

Company's name - subsidiaries	03.11.2020	30.09.2020	31.12.2019
Alior Services sp. z o.o.	100%	100%	100%
Alior Leasing sp. z o.o.	100%	100%	100%
- <i>Serwis Ubezpieczeniowy sp. z o.o.</i>	100%	100%	100%
Meritum Services ICB SA	100%	100%	100%
NewCommerce Services sp. z o.o.	100%	100%	100%
Alior TFI SA	100%	100%	100%
Absource sp. z o.o.	100%	100%	100%
Corsham sp. z o.o.	100%	100%	100%

Company's name - subsidiaries	03.11.2020	30.09.2020	31.12.2019
- PayPo sp. z o.o.	20%	20%	20%
RBL_VC sp. z o.o.	100%	100%	100%
RBL_VC sp z o.o. ASI spółka komandytowo-akcyjna**	100%	100%	0%
Harberton sp. z o.o.*	100%	100%	0%
- RUCH SA	100%	100%	0%

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

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

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

Subsidiaries	30.09.2020	31.12.2019
Assets		
Loans and advances to customers	1 617 336	1 340 939
Other assets	468	643
<b>Total assets</b>	<b>1 617 804</b>	<b>1 341 582</b>
Liabilities		
Amounts due to customers	104 409	66 537
Provisions	1 107	116
Other liabilities	2 524	2 099
<b>Total liabilities</b>	<b>108 040</b>	<b>68 752</b>

Subsidiaries	30.09.2020	31.12.2019
<b>Off-balance liabilities granted to customers</b>	<b>370 394</b>	<b>252 975</b>
relating to financing	249 991	132 572
guarantees	120 403	120 403

Subsidiaries	01.01.2020 - 30.09.2020	01.01.2019 - 30.06.2019
Interest income calculated using the effective interest method	32 010	42 652
Interest expenses	-121	-207
Fee and commission income	2 259	2 365
Fee and commission expense	-547	-328
Dividend income	7 463	7 018
Other operating income	1 383	1 012
Other operating expenses	-21 000	-1
General administrative expenses	-5 221	-4 677
Net expected credit losses	-5 635	242
<b>Total</b>	<b>10 591</b>	<b>48 076</b>

## **6 Significant events after the end of the reporting period**

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