Financial report

of the Alior Bank Spółka Akcyjna Group

for the third quarter of 2023

(in PLN '000)

Selected financial data concerning the financial statements

PLN	01.01.2023 - 30.09.2023	01.01.2022 - 31.12.2022	01.01.2022 - 30.09.2022	% (A-B)/B
	A		B	C
Net interest income	3 483 178	3 559 871	2 420 787	43.9%
Net fee and commission income	596 985	796 069	612 863	-2.6%
Trading result & other	84 133	25 639	25 845	225.5%
Net expected credit losses, impairment allowances of non-financial assets and cost of legal risk of FX mortgage loans	-561 160	-1 085 324	-782 045	-28.2%
General administrative expenses	-1 480 312	-1 997 508	-1 540 810	-3.9%
Gross profit	1 926 712	1 036 024	539 564	257.1%
Net profit	1 443 412	683 111	322 823	347.1%
Net cash flow	1 235 764	-1 179 248	1 665 549	-25.8%
Loans and advances to customers	59 982 894	57 609 876	58 453 689	2.6%
Amounts due to customers	72 867 552	70 776 809	72 363 011	0.7%
Equity	8 584 272	6 169 865	5 445 731	57.6%
Total assets	86 320 546	82 877 172	84 070 674	2.7%
Selected ratios				
Profit per ordinary share (PLN)	11.06	5.23	2.47	347.1%
Capital adequacy ratio*	16.68%	16.23%	13.70%	21.8%
Tier 1*	15.86%	15.01%	12.43%	27.6%

EUR	01.01.2023 - 30.09.2023	01.01.2022 - 31.12.2022	01.01.2022 - 30.09.2022	% (A-B)/B
	A		B	C
Net interest income	760 968	759 310	516 379	47.4%
Net fee and commission income	130 423	169 799	130 730	-0.2%
Trading result & other	18 380	5 469	5 513	233.4%
Net expected credit losses, impairment allowances of non-financial assets and cost of legal risk of FX mortgage loans	-122 596	-231 496	-166 818	-26.5%
General administrative expenses	-323 403	-426 062	-328 671	-1.6%
Gross profit	420 928	220 981	115 095	265.7%
Net profit	315 341	145 705	68 862	357.9%
Net cash flow	269 977	-251 530	355 279	-24.0%
Loans and advances to customers	12 939 618	12 283 818	12 003 304	7.8%
Amounts due to customers	15 719 120	15 091 326	14 859 545	5.8%
Equity	1 851 815	1 315 564	1 118 266	65.6%
Total assets	18 621 224	17 671 416	17 263 681	7.9%
Selected ratios				
Profit per ordinary share (PLN)	2.42	1.12	0.53	356.6%
Capital adequacy ratio*	16.68%	16.23%	13.70%	21.8%
Tier 1*	15.86%	15.01%	12.43%	27.6%

**Restated – Note 33*

Selected items of the financial statements were translated into EUR at the following exchange rates	30.09.2023	31.12.2022	30.09.2022
NBP's average exchange rate as at the end of the period	4.6356	4.6899	4.8698
NBP's average exchange rates as at the last day of each month	4.5773	4.6883	4.6880

(in PLN '000)

Selected financial indicators

	30.09.2023	30.09.2022	(A-B) [pp]	(A-B)/B [%]
	A	B		
ROE	26.2%	7.6%	18.60	244.74%
ROA	2.3%	0.5%	1.80	360.00%
C/I	35.5%	50.4%	-14.90	-29.56%
CoR	1.16%	1.47%	-0.31	-21.09%
L/D	82.3%	80.8%	1.50	1.86%
NPL	9.39%	10.98%	-1.59	-14.48%
NPL coverage	54.14%	57.27%	-3.13	-5.47%
TCR	16.68%	13.70%	2.98	21.75%
TIER 1	15.86%	12.43%	3.43	27.59%

Interim condensed consolidated financial statements of the Alior Bank Spółka Akcyjna Group for 9-month period ended 30 September 2023

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

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(in PLN '000)

Interim condensed consolidated income statement

	Note	01.07.2023-30.09.2023	01.01.2023-30.09.2023	01.07.2022-30.09.2022	01.01.2022-30.09.2022*
Interest income calculated using the effective interest method		1 737 009	5 087 543	1 057 175	3 289 329
Income of a similar nature		150 473	444 365	126 039	289 139
Interest expense		-668 245	-2 048 730	-596 539	-1 157 681
Net interest income	4	**1 219 237**	**3 483 178**	**586 675**	**2 420 787**
Fee and commission income		438 006	1 325 025	430 599	1 234 434
Fee and commission expense		-265 733	-728 040	-229 013	-621 571
Net fee and commission income	5	**172 273**	**596 985**	**201 586**	**612 863**
Dividend income		43	136	157	448
The result on financial assets measured at fair value through profit or loss and FX result	6	51 127	70 704	-19 247	14 647
The result on derecognition of financial instruments not measured at fair value through profit or loss	7	**2 925**	**6 690**	**171**	**1 655**
measured at fair value through other comprehensive income		2 674	6 181	6	1 218
measured at amortized cost		251	509	165	437
Other operating income		31 643	91 902	24 663	86 655
Other operating expenses		-27 683	-85 299	-27 469	-77 560
Net other operating income and expenses	8	**3 960**	**6 603**	**-2 806**	**9 095**
General administrative expenses	9	-483 864	-1 480 312	-456 351	-1 540 810
Net expected credit losses	10	-154 564	-549 377	-262 792	-701 285
The result on impairment of non-financial assets	11	-409	-3 608	-975	-41 198
Cost of legal risk of FX mortgage loans	12	-5 389	-8 175	-15 124	-39 562
Banking tax	13	-64 997	-196 112	-66 995	-197 076
Gross profit		**740 342**	**1 926 712**	**-35 701**	**539 564**
Income tax	14	-168 781	-483 300	-26 860	-216 741
Net profit		**571 561**	**1 443 412**	**-62 561**	**322 823**
Net profit attributable to equity holders of the parent		571 561	1 443 412	-62 561	322 823
Weighted average number of ordinary shares		130 553 991	130 553 991	130 553 991	130 553 991
Basic/diluted net profit per share (PLN)	15	4.38	11.06	-0.48	2.47

**Restated – Note 2.3*

Interim condensed consolidated statement of comprehensive income

	01.07.2023-30.09.2023	01.01.2023-30.09.2023	01.07.2022-30.09.2022	01.01.2022-30.09.2022
Net profit	**571 561**	**1 443 412**	**-62 561**	**322 823**
Items that may be reclassified to the income statement after certain conditions are satisfied	**327 328**	**971 358**	**187 275**	**-796 294**
Foreign currency translation differences	-1 262	-177	-1 405	-1 597
Results of the measurement of financial assets (net)	**995**	**110 777**	**5 806**	**-166 517**
Profit/loss on valuation of financial assets measured at fair value through other comprehensive income	3 251	138 797	7 151	-207 604
Deferred tax	-2 256	-28 020	-1 345	41 087
Results on the measurement of hedging instruments (net)	**327 595**	**860 758**	**182 874**	**-628 180**
Gains/losses on hedging instruments	404 438	1 062 664	225 770	-775 531
Deferred tax	-76 843	-201 906	-42 896	147 351
Total comprehensive income. net	**898 889**	**2 414 770**	**124 714**	**-473 471**
- attributable to shareholders of the parent company	898 889	2 414 770	124 714	-473 471

The notes presented on pages 10-57 constitute an integral part of these interim condensed consolidated financial statements.

(in PLN '000)

Interim condensed consolidated statement of financial position

ASSETS	Note	30.09.2023	31.12.2022
Cash and cash equivalents	16	3 819 907	2 584 143
Amounts due from banks	17	1 083 636	2 373 663
Investment financial assets	18	18 295 353	17 015 100
measured at fair value through other comprehensive income		14 307 521	9 895 998
measured at fair value through profit or loss		414 553	437 260
measured at amortized cost		3 573 279	6 681 842
Derivative hedging instruments		331 902	178 139
Loans and advances to customers	19	59 982 894	57 609 876
Assets pledged as collateral	21	47 413	40 992
Property. plant and equipment		732 593	744 443
Intangible assets		391 866	391 058
Non-current assets held for sale		0	1 611
Income tax asset	14	1 056 125	1 417 183
current income tax asset		939	1 205
deferred income tax asset		1 055 186	1 415 978
Other assets	20	578 857	520 964
TOTAL ASSETS		**86 320 546**	**82 877 172**

LIABILITIES AND EQUITY	Note	30.09.2023	31.12.2022
Amounts due to banks	22	328 828	270 431
Amounts due to customers	23	72 867 552	70 776 809
Financial liabilities	26	238 478	255 994
Derivative hedging instruments		766 294	1 678 933
Provisions	24	264 413	267 947
Other liabilities	25	1 864 675	2 044 232
Income tax liabilities		231 570	249 086
current income tax liabilities		229 455	246 997
deferred income tax liabilities		2 115	2 089
Subordinated liabilities	27	1 174 464	1 163 875
Total liabilities		**77 736 274**	**76 707 307**
Share capital		1 305 540	1 305 540
Supplementary capital		6 027 552	5 407 101
Revaluation reserve		-367 898	-1 339 433
Other reserves		161 792	161 792
Foreign currency translation differences		106	283
Accumulated losses		13 768	-48 529
Profit for the period		1 443 412	683 111
Equity		**8 584 272**	**6 169 865**
TOTAL LIABILITIES AND EQUITY		**86 320 546**	**82 877 172**

The notes presented on pages 10-57 constitute an integral part of these interim condensed consolidated financial statements.

(in PLN '000)

Interim condensed consolidated statement of changes in consolidated equity

01.01.2023 - 30.09.2023	Share capital	Supplementary capital	Other reserves	Revaluation reserve	Exchange differences on revaluation of foreign units	Retained earnings	Total equity
At 1 January 2023	**1 305 540**	**5 407 101**	**161 792**	**-1 339 433**	**283**	**634 582**	**6 169 865**
Transfer of last year's profit	0	620 451	0	0	0	-620 451	0
Comprehensive income	**0**	**0**	**0**	**971 535**	**-177**	**1 443 412**	**2 414 770**
net profit	0	0	0	0	0	1 443 412	1 443 412
other comprehensive income – valuations	0	0	0	971 535	-177	0	971 358
incl. financial assets measured at fair value through other comprehensive income	0	0	0	110 777	0	0	110 777
incl. hedging instruments	0	0	0	860 758	0	0	860 758
incl. currency translation differences	0	0	0	0	-177	0	-177
Other changes in equity	0	0		0	0	-363	**-363**
At 30 September 2023	**1 305 540**	**6 027 552**	**161 792**	**-367 898**	**106**	**1 457 180**	**8 584 272**

01.01.2022 - 31.12.2022	Share capital	Supplementary capital	Other reserves	Revaluation reserve	Exchange differences on revaluation of foreign units	Retained earnings	Total equity
At 1 January 2022	**1 305 540**	**5 403 849**	**161 788**	**-906 659**	**-43**	**-45 273**	**5 919 202**
Transfer of last year's profit	0	3 252	0	0	0	-3 252	0
Comprehensive income	**0**	**0**	**0**	**-432 774**	**326**	**683 111**	**250 663**
net profit	0	0	0	0	0	683 111	683 111
other comprehensive income – valuations	**0**	**0**	**0**	**-432 774**	**326**	**0**	**-432 448**
incl. financial assets measured at fair value through other comprehensive income	0	0	0	-141 372	0	0	-141 372
incl. hedging instruments	0	0	0	-291 402	0	0	-291 402
incl. currency translation differences	0	0	0	0	326	0	326
Other changes in equity	0	0	4	0	0	-4	**0**
At 31 December 2022	**1 305 540**	**5 407 101**	**161 792**	**-1 339 433**	**283**	**634 582**	**6 169 865**

01.01.2022 - 30.09.2022	Share capital	Supplementary capital	Other reserves	Revaluation reserve	Exchange differences on revaluation of foreign units	Retained earnings	Total equity
At 1 January 2022	**1 305 540**	**5 403 849**	**161 788**	**-906 659**	**-43**	**-45 273**	**5 919 202**
Transfer of last year's profit	0	3 252	0	0	0	-3 252	0
Comprehensive income	**0**	**0**	**0**	**-794 697**	**-1 597**	**322 823**	**-473 471**
net profit	0	0	0	0	0	322 823	322 823
other comprehensive income – valuations	0	0	0	-794 697	-1 597	0	-796 294
incl. financial assets measured at fair value through other comprehensive income	0	0	0	-166 517	0	0	-166 517
incl. hedging instruments	0	0	0	-628 180	0	0	-628 180
incl. currency translation differences	0	0	0	0	-1 597	0	-1 597
Other changes in equity	0	0	4	0	0	-4	**0**
At 30 September 2022	**1 305 540**	**5 407 101**	**161 792**	**-1 701 356**	**-1 640**	**274 294**	**5 445 731**

The notes presented on pages 10-57 constitute an integral part of these interim condensed consolidated financial statements.

(in PLN '000)

Interim condensed consolidated statement of cash flows

	01.01.2023- 30.09.2023	01.01.2022- 30.09.2022*
Operating activities		
Profit before tax for the period	**1 926 712**	**539 564**
Adjustments:	**197 276**	**215 512**
Unrealized foreign exchange gains/losses	-177	-1 597
Amortization/depreciation of property, plant and equipment and intangible assets	193 863	176 218
Change in property, plant and equipment and intangible assets impairment write-down	3 608	41 198
Dividends	-136	-448
Short-term lease contracts	118	141
The gross profit after adjustments but before increase/decrease in operating assets/liabilities	**2 123 988**	**755 076**
Change in loans and receivables	-1 082 991	-1 141 483
Change in financial assets measured at fair value through other comprehensive income	-4 288 743	742 500
Change in financial assets measured at fair value through profit or loss	22 707	-243 579
Change in assets pledged as collateral	-47 413	0
Change in non-current assets held for sale	1 611	0
Change in other assets	-57 893	31 757
Change in deposits	1 230 244	-114 754
Change in own issue	872 066	-30 173
Change in financial liabilities	-17 516	198 401
Change in hedging derivative	-3 738	164 534
Change in other liabilities	-93 975	563 207
Change in provisions	-3 534	-31 478
Cash from operating activities before income tax	**-1 345 187**	**894 008**
Income tax paid	-332 170	-110 977
Net cash flow from operating activities	**-1 677 357**	**783 031**
Investing activities		
Outflows:	**-144 871**	**-890 558**
Purchase of property, plant and equipment	-61 766	-70 580
Purchase of intangible assets	-52 316	-32 426
Purchase of assets measured at amortized cost	-30 789	-787 552
Inflows:	**3 201 353**	**2 078 493**
Disposal of property, plant and equipment	17 478	17 893
Disposal of assets measured at amortized cost	3 183 875	2 060 600
Net cash flow from investing activities	**3 056 482**	**1 187 935**
Financing activities		
Outflows:	**-143 361**	**-305 417**
Principle payments - subordinated liabilities	0	-195 459
Interest payments – subordinated liabilities	-74 513	-39 710
Principle payments - lease liabilities	-61 494	-66 644
Interest payments - lease liabilities	-7 354	-3 603
Inflows:		
Net cash flow from financing activities	**-143 361**	**-305 417**
Total net cash flow	**1 235 764**	**1 665 549**
incl. exchange gains/(losses)	**-16 613**	**196 912**
Balance sheet change in cash and cash equivalents	**1 235 764**	**1 665 549**
Cash and cash equivalents, opening balance	2 584 143	3 763 391
Cash and cash equivalents, closing balance	3 819 907	5 428 940
Additional disclosures on operating cash flows		
Interests received	5 143 839	3 050 057
Interests paid	-1 987 534	-735 676

**Restated – Note 2.3*

The notes presented on pages 10-57 constitute an integral part of these interim condensed consolidated financial statements.

(in PLN '000)

Notes to the interim condensed consolidated financial statements

1 Information about the Bank and the Group

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

Alior Bank Spółka Akcyjna ("Bank", "parent company") is the parent company of the Alior Bank Spółka Akcyjna Group ("Group", "Capital Group"). The Bank 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).

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 of submission date of the previous periodic report, i.e. from 2 August 2023.

As at 30 September 2023 and as at the preparation date of this report, i.e. on 25 October 2023, according to the information available to Alior Bank SA, the shareholders holding 5% or more of the overall number of votes at the General Meeting were as follows:

Shareholder	Number of shares	Nominal value of shares [PLN]	Percentage in the share capital	Number of votes	Number of votes in the total number of votes
30.09.2023					
PZU SA Group*	41 658 850	416 588 500	31.91%	41 658 850	31.91%
Nationale-Nederlanden OFE**	12 358 517	123 585 170	9.47%	12 358 517	9.47%
Allianz OFE**	11 526 440	115 264 400	8.83%	11 526 440	8.83%
Generali OFE***	7 253 721	72 537 210	5.56%	7 253 721	5.56%
Other shareholders	57 756 463	577 564 630	44.23%	57 756 463	44.23%
Total	**130 553 991**	**1 305 539 910**	**100%**	**130 553 991**	**100%**

**The PZU Group consists of entities that have concluded a written agreement regarding the purchase or sale of the Bank's shares and the consistent exercise of voting rights at the Bank's general meetings, i.e.: Powszechny Zakład Ubezpieczeń SA, Powszechny Zakład Ubezpieczeń Na Życie SA, PZU Specjalistyczny Fundusz Inwestycyjny Otwarty UNIVERSUM, PZU Fundusz Inwestycyjny Zamknięty Assets of Niepublicznych BIS 1 and PZU Fundusz Inwestycyjny Zamknięty Assets Niepublicznych BIS 2. the agreement was announced by the Bank in Current Report No. 21/2017.*
*** Based on the published reports as at 30 June 2023 on the composition of OFE portfolios and reports for 2022 on the composition of DFE portfolios*
**** Based on notification received.*

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 2022, there were changes in the composition of the Bank's Management Board changed.

(in PLN '000)

On 3 April 2023, the Bank's Supervisory Board appointed with effect from 4 April 2023, Mr. Paweł Broniewski to the composition of the Management Board of the Bank for the current three-year joint V-term of the office of the Bank's Management Board, which started as of 30 June 2020, to the function of Vice-Presidents of the Bank's Management Board.

On 28 April 2023, the Polish Financial Supervision Authority expressed unanimously consent to entrust Mr. Tomasz Miklas the function of the Member of the Management Board of Alior Bank S.A. supervising the management of significant risk in Alior Bank's activity.

As at 30 September 2023 and as at the date of preparation of this financial statements the composition of the Bank's Management Board was as follows:

First and last name	Function
Grzegorz Olszewski	President of the Management Board
Paweł Broniewski	Vice President of the Management Board
Radomir Gibała	Vice President of the Management Board
Szymon Kamiński	Vice President of the Management Board
Rafał Litwińczuk	Vice President of the Management Board
Tomasz Miklas	Vice President of the Management Board
Jacek Polańczyk	Vice President of the Management Board
Paweł Tymczyszyn	Vice President of the Management Board

At the end of the reporting period, i.e. 30 September 2023 and as at the date of publication of the report, Mr. Tomasz Miklas - Member of the Management Board of the Bank holds 147 shares of the Bank, other members of the Management Board did not hold shares of Alior Bank.

In comparison to the annual reporting period ended on 31 December 2022, were changes in the composition of the Bank's Supervisory Board.

Extraordinary General Meeting convened on 3 August 2023, in accordance with the resolution no.3/2023 dismissed Mr. Artur Kucharski from the Bank's Supervisory Board, and in accordance with the resolution no. 4/2023 appointed Mr. Jacek Kij to the Bank's Supervisory Board.

As at 30 September 2023 and as at the date of preparation of this financial statements the composition of the Bank's Supervisory Board was as follows:

First and last name	Function
Filip Majdowski	Chairman of the Supervisory Board
Ernest Bejda	Deputy Chairperson of the Supervisory Board
Małgorzata Erlich – Smurzyńska	Member of the Supervisory Board
Jacek Kij	Member of the Supervisory Board
Paweł Wojciech Knop	Member of the Supervisory Board
Marek Pietrzak	Member of the Supervisory Board
Paweł Śliwa	Member of the Supervisory Board
Dominik Witek	Member of the Supervisory Board

In accordance with the Bank's best knowledge there was no change in the number of shares hold by the Members of Supervisory Board starting from the date of preparation of the annual financial statements, ie from 2 March 2023. As at 30 September 2023, and as at the date of preparation of financial statements, Members of the Supervisory Board of Alior Bank SA did not hold any shares in the Bank.

(in PLN '000)

1.4 Information about the Alior Bank Group

Alior Bank SA is the parent company of the Alior Bank Spółka Akcyjna Group. The composition of the Group as at 30 September 2023 and as at the date of preparation date of financial statements was as follows:

Company's name - subsidaries	25.10.2023	30.09.2023	31.12.2022
Alior Services sp. z o.o.	100%	100%	100%
Alior Leasing sp. z o.o.	100%	100%	100%
- AL Finance sp. z o.o.	*100%*	*100%*	*100%*
*- Alior Leasing Individual sp. z o.o.**	*90% - Alior Leasing sp. z o.o. 10% - AL Finance sp. z o.o.*	*90% - Alior Leasing sp. .z o.o. 10% - AL Finance sp. z o.o.*	-
Meritum Services ICB SA	100%	100%	100%
Alior TFI SA	100%	100%	100%
Absource sp. z o.o.	100%	100%	100%
Corsham sp. z o.o.	100%	100%	100%
RBL_VC sp. z o.o.	100%	100%	100%
RBL_VC sp z o.o. ASI spółka komandytowo-akcyjna	100%	100%	100%

**Alior Leasing Individual sp. z o. o. was established on 29 August 2023 and its registration in the National Court Register took place on 23 October 2023. The Company's share capital amounts to PLN 100 000 and is divided into 100 shares with a nominal value of PLN 1 000 each. Shares in the Company's share capital were acquired by; Alior Leasing sp. z o. o. and AL Finance sp. z o. o. (Alior Leasing sp. z o. o. 90 shares with a total nominal value of PLN 90 000 and AL Finance sp. z o. o. 10 shares with a total nominal value of PLN 10 000)*

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 25 October 2023.

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 2023 have been prepared in accordance with the International Accounting Standard 34 "Interim Financial Reporting" as adopted by the European Union and in accordance with the requirements set out in the Regulation of the Minister of Finance of 29 of March 2018 on current and periodic information provided by issuers of securities and the conditions for recognizing as equivalent information required by the law of a non-member state.

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 Spółka Akcyjna Group for 2022.

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 2023 to 30 September 2023 and interim condensed consolidated statement of financial position as at 30 September 2023 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 2022, except for the changes in the standards that entered into force on 1 January 2023 and changes in accounting policies described in Note 2.2.

Scope and reporting currency

The interim condensed consolidated financial statements of the Alior Bank Spółka Akcyjna 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 Spółka Akcyjna Group have been prepared on the assumption that the entities within the Group will continue as going concerns in the foreseeable future, not less than 12 moths from the balance sheet date i.e. after 30 September 2023.

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 armed conflict in Ukraine lasting from 24 February 2022, on the macroeconomic situation and its own operations.

Based on the analyses, the Group does not identify the negative impact of the circumstances on the assessment of the validity of the preparation of the financial statements, assuming no threat to the Group's going concern in the foreseeable future.

2.2 Accounting principles

2.2.1 Relevant estimates

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

Recognition of bancassurance income

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

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

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

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

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

Impairment of loans, expected credit losses

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

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

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

The estimated losses expected are based on:

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

Information on the adopted assumptions affecting the amount of expected losses are presented in Note 19 – Loans and advances to customers.

Non-current assets impairment

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

Investment financial assets

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

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

The Group constantly monitors the value of the estimated amount of expected payments resulting from prepayments of consumer loans made before the judgment date of Court of Justice of the European Union ('CJEU') 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 historically observed trend of the amount of loan cost reimbursements from the customers' instructions incoming to the Bank.

Provision for legal risk related to the FX indexed loan portfolio

The Group estimated the costs of legal risk related to the FX indexed loan portfolio and applied the provisions of IFRS 9.B.5.4.6 to its recognition - it treated this estimate as an adjustment to the gross carrying amount of the portfolio of mortgage loans indexed with foreign currencies or created provisions in accordance with the requirements of IAS 37(where the amount of the estimated legal risk costs exceeds the gross carrying amount of the credit exposure or the amount of the estimate relates to repaid foreign currency mortgage loans).

The costs of legal risk constituting an adjustment to the gross carrying amount were estimated taking into account a number of assumptions, including the Group's assumption of an increase in the market scale of claims, e.g. in connection with the position of the Advocate General of the CJEU published on 16 February 2023 and the judgment of the CJEU of 15 June 2023.
These costs were estimated on the basis of:

- the pace of the inflow of disputes regarding the legal risk of mortgage loans in foreign currencies and the estimated percentage of the portfolio of FX mortgage loans that will be the subject of litigation, observed so far and forecast by the Group in future periods,
- the financial impact of the cancellation or conversion,
- the percentage of litigations lost by banks, reported by the Polish Bank Association, including the percentage of cases ended with the cancellation of the contract and the percentage of cases ended with the conversion of contracts into PLN.

Credit vacation

On 14 July 2022, the act of 7 July 2022 on crowdfunding for business ventures and assistance to borrowers was signed by the President of the Republic of Poland. This law regulates the three main issues outlined below. Pursuant to Art. 73 of this Act, the Bank is obliged, at the borrower's request, to suspend the repayment of the mortgage loan granted in the Polish currency, with the exception of loans indexed or denominated in a currency other than the Polish currency. The suspension of loan repayment applies only to one agreement concluded to satisfy one's own housing needs.

During the period of suspension of the loan repayment, the borrower is not obliged to make payments under the loan agreement, except for insurance fees related to this agreement.

In connection with the above, as at the date of signing the Act, based on IFRS 9 5.4.3, Alior Bank recalculated the gross carrying amount of loan exposures based on the present value of expected cash flows modified based on the provisions of the Act (i.e. taking into account the possibility of suspending the repayment of loan instalments in time frame while extending the loan period), discounted at the original effective interest rate. The modification loss was recognized in the financial result as a reduction of interest income.

As at 31 December 2022, the Group recognized a loss on modification in the amount of PLN 502 million.

At each balance sheet date, the Group updates the estimate of future cash flows, taking into account the estimated size of the loan portfolio that may benefit from the holidays and the number of installments that can be used.

During the first half of 2023, the Group verified the previous estimates and recognized an additional cost related to the modification of loan agreements in the amount of PLN 11 million (for an additional approx. 6% of the portfolio, which will benefit from an average of approx. 2 months of credit holidays). Thus, the total loss on modification estimated on the basis of the participation ratio - the portfolio using credit vacation in the amount of 75%, amounts to PLN 513 million in total.

Actuarial provision

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

(in PLN '000)

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 and have not changed from the principles presented in the financial statements prepared as at 31 December 2022.

Hedge accounting

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

2.2.2 Significant accounting policies

Detailed accounting policies were presented in the annual consolidated financial statements of the Alior Bank Spółka Akcyjna Group for the year ended 31 December 2022 published on Alior Bank's website on 3 March 2023.

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 2022 and the standards and interpretations adopted by the European Union and applicable to the annual periods starting 1 January 2023 mentioned below:

Change	Impact on the Group's report
IFRS 17 Insurance contracts and amendments to IFRS 17- first application and IFRS 9 - comparative information	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. IFRS 17 and amendments to IFRS 17 will not have a significant impact on the Group's financial statements.
Amendments to IAS 8 Accounting policies, Changes in Accounting Estimates and Errors: Definition of Accounting	Clarify how accounting policies and accounting estimates relate to each other, by explaining that accounting estimates are used in applying accounting policies. The change will not have a significant impact on the Group's financial statements.
Amendments to IAS 1 Presentation of Financial Statements and IFRS Practice Statement 2: Disclosure of Accounting policies	Require entities to disclose their material accounting policies rather than their significant accounting policies. The change will not have a significant impact on the Group's financial statements.
Amendments to IAS 12 Income Taxes: Deferred Tax relating to assets and liabilities arising from a single transaction	The amendments clarifies the accounting rules for income tax and the possible exclusion from the recognition of deferred tax. The introduced amendment specifies that this exclusion does not apply to lease transactions and the recognition of a liability resulting from the liquidation of an asset, i.e. transactions for which an asset and a liability are recognized simultaneously. The change will not have a significant impact on the Group's financial statements.

Standards and interpretations that have been issued but are not yet effective because they have not been approved by the European Union or have been approved by the European Union but have not been previously applied by the Group, were presented in the annual consolidated financial statements of the Group for 2022. In 2023, below changes to the accounting standards were published.

(in PLN '000)

Change	Impact on the Group's report
Amendments to IAS 7 Statement of Cash Flows and IFRS 7 Financial Instruments: Disclosures: Supplier Finance Arrangements (Issued on 25 May 2023)	The Amendments aims at enhancing the transparency of supplier finance arrangements and their effects on a company's liabilities, cash flows and exposure to liquidity risk. The Amendments complement the disclosure requirements set out in the Agenda Decision Supply Chain Financing Arrangements - Reverse Factoring published in December 2020 by the IFRS Interpretations Committee and require a company to disclose: • the terms and conditions; • the amount of the liabilities that are part of the arrangements, breaking out the amounts for which the suppliers have already received payment from the finance providers, and stating where the liabilities sit on the balance sheet: • range of payment due dates; and • liquidity risk information. The Amendments will become effective for annual reporting periods beginning on or after 1 January 2024 and will not have a significant impact on the Group's financial statements.
Amendments to IAS 12 Income taxes: International Tax Reform – Pillar Two Model Rules	The proposals in ED introduced a temporary exception to the requirements in IAS 12 to recognise and disclose information about deferred tax assets and liabilities arising from the Organisation for Economic Co-operation and Development's (OECD) Pillar Two Model Rules. The change will not have a significant impact on the Group's financial statements.
Amendments to IAS 21 The Effects of Changes in Foreign Exchange Rates: Lack of Exchangeability	The amendments respond to stakeholder feedback and concerns about diversity in practice in accounting for a lack of exchangeability between currencies. The amendments will help companies and investors by addressing a matter not previously covered in the accounting requirements for the effects of changes in foreign exchange rates. These amendments will require companies to apply a consistent approach in assessing whether a currency can be exchanged into another currency and, when it cannot, in determining the exchange rate to use and the disclosures to provide. The change will not have a significant impact on the Group's financial statements.

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

Compared to the consolidated financial statements prepared as at 30 September 2022, the Group changed:

I. The way of presenting certain items of the cash flow statement:

Change 1

Changes in derivatives hedging both assets and liabilities are presented jointly.

Change 2

Changes in fair value measurements recognized in other comprehensive income were excluded from changes in individual assets and liabilities.

Change 3

Change in assets measured at amortized cost was transferred to investing activities.

Position	Published 30.09.2022	change 1	change 2	change 3	Total changes	Restated 30.09.2022
Change in financial assets measured at fair value through other comprehensive income	957 782	0	-215 282	0	-215 282	742 500
Change in financial assets measured at amortised cost	1 350 179	0	0	-1 350 179	-1 350 179	0
Change in derivative hedging assets	-69 026	69 026	0	0	69 026	0
Change in hedging liabilities derivative	1 009 091	-1 009 091	0	0	-1 009 091	0
Change in hedging derivatives	0	940 065	-775 531	0	164 534	164 534
Change in assets pledged as collateral	-109 247	0	0	109 247	109 247	0
Change in other liabilities	-395 490	0	990 813	-32 116	958 697	563 207
Total net cash flows from operating activities - decrease	**2 743 289**	**0**	**0**	**-1 273 048**	**-1 273 048**	**1 470 241**

(in PLN '000)

Position	Published 30.09.2022	change 1	change 2	change 3	Total changes	Restated 30.09.2022
Acquisition of assets measured at amortized cost	0	0	0	-787 552	-787 552	-787 552
Disposal of assets measured at amortized cost	0	0	0	2 060 600	2 060 600	2 060 600
Total net cash flows from investing activities - increase	**0**	**0**	**0**	**1 273 048**	**1 273 048**	**1 273 048**

II. The place of presenting interest on leases:

Group moved them from position Interest income calculated using the effective interest method to position Income of a similar nature

	Published 30.09.2022	Change	Restated 30.09.2022
Interest income calculated using the effective interest method	3 518 060	-228 731	3 289 329
Income of a similar nature	60 408	228 731	289 139

3 Operating segments

Segment description

Alior Bank Spółka Akcyjna 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,
- corporate segment,
- treasury activities.

The core products for retail client segment 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 corporate customers are as follows:

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

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

- net interest income including internal transfer rates of funds between the bank's units and the Bank's Treasury Department,
- fee and commission income,
- income from treasury transactions and FX transactions by customers,
- other operating income and expenses.

(in PLN '000)

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 income from the corporate segment also covers income from a car loan portfolio.

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

Results and volumes split by segment for the nine months ended 30 September 2023

	Retail customers	Corporate customers	Treasury	Total operating segments	Unallocated items	Total Group
External interest income	**1 984 936**	**1 311 094**	**187 148**	**3 483 178**	**0**	**3 483 178**
external income	2 775 143	1 268 870	1 043 530	5 087 543	0	5 087 543
income of a similar nature	0	320 246	124 119	444 365	0	444 365
external expense	-790 207	-278 022	-980 501	-2 048 730	0	-2 048 730
Internal interest income	**165 402**	**-379 523**	**214 121**	**0**	**0**	**0**
internal income	1 987 924	768 332	2 970 377	5 726 633	0	5 726 633
internal expense	-1 822 522	-1 147 855	-2 756 256	-5 726 633	0	-5 726 633
Net interest income	**2 150 338**	**931 571**	**401 269**	**3 483 178**	**0**	**3 483 178**
Fee and commission income	352 572	992 644	-20 191	1 325 025	0	1 325 025
Fee and commission expense	-148 470	-573 554	-6 016	-728 040	0	-728 040
Net fee and commission income	**204 102**	**419 090**	**-26 207**	**596 985**	**0**	**596 985**
Dividend income	**0**	**0**	**136**	**136**	**0**	**136**
The result on financial assets measured at fair value through profit or loss and FX result	**240**	**23 775**	**46 689**	**70 704**	**0**	**70 704**
The result on derecognition of financial assets and liabilities not measured at fair value through profit or loss	**0**	**0**	**6 690**	**6 690**	**0**	**6 690**
measured at fair value through other comprehensive income	0	0	6 181	6 181	0	6 181
measured at amortized cost	0	0	509	509	0	509
Other operating income	59 867	32 035	0	91 902	0	91 902
Other operating expenses	-63 697	-21 602	0	-85 299	0	-85 299
Net other operating income	**-3 830**	**10 433**	**0**	**6 603**	**0**	**6 603**
Total result before expected credit losses, the result on impairment of non-financial assets and cost of legal risk of FX mortgage loans	**2 350 850**	**1 384 869**	**428 577**	**4 164 296**	**0**	**4 164 296**
Net expected credit losses	-339 121	-210 256	0	-549 377	0	-549 377
The result on impairment of non-financial assets	-883	-2 725	0	-3 608	0	-3 608
Cost of legal risk of FX mortgage loans	-8 175	0	0	-8 175	0	-8 175
Total result after expected credit losses, the result on impairment of non-financial assets and cost of legal risk of FX mortgage loans	**2 002 671**	**1 171 888**	**428 577**	**3 603 136**	**0**	**3 603 136**
General administrative expenses	-1 196 371	-480 053	0	-1 676 424	0	-1 676 424
Gross profit	**806 300**	**691 835**	**428 577**	**1 926 712**	**0**	**1 926 712**
Income tax	0	0	0	0	-483 300	-483 300
Net profit	**806 300**	**691 835**	**428 577**	**1 926 712**	**-483 300**	**1 443 412**
Assets	54 977 317	30 287 104	0	85 264 421	1 056 125	86 320 546
Liabilities	53 962 748	23 541 956	0	77 504 704	231 570	77 736 274

(in PLN '000)

Results and volumes split by segment for the nine months ended 30 September 2022

	Retail customers	Business customers	Treasury	Total operating segments	Unallocated items	Total Group
External interest income	**1 448 896**	**1 054 163**	**-82 272**	**2 420 787**	**0**	**2 420 787**
external income	1 795 179	961 196	532 954	3 289 329	0	3 289 329
income of a similar nature	0	228 731	60 408	289 139	0	289 139
external expense	-346 283	-135 764	-675 634	-1 157 681	0	-1 157 681
Internal interest income	**257 385**	**-170 830**	**-86 555**	**0**	**0**	**0**
internal income	1 600 185	629 970	2 143 600	4 373 755	0	4 373 755
internal expense	-1 342 800	-800 800	-2 230 155	-4 373 755	0	-4 373 755
Net interest income	**1 706 281**	**883 333**	**-168 827**	**2 420 787**	**0**	**2 420 787**
Fee and commission income	357 705	891 595	-14 866	1 234 434	0	1 234 434
Fee and commission expense	-143 860	-471 861	-5 850	-621 571	0	-621 571
Net fee and commission income	**213 845**	**419 734**	**-20 716**	**612 863**	**0**	**612 863**
Dividend income	**0**	**0**	**448**	**448**	**0**	**448**
The result on financial assets measured at fair value through profit or loss and FX result	**460**	**28 577**	**-14 390**	**14 647**	**0**	**14 647**
The result on derecognition of financial assets and liabilities not measured at fair value through profit or loss	**0**	**0**	**1 655**	**1 655**	**0**	**1 655**
measured at fair value through other comprehensive income	0	0	1 218	1 218	0	1 218
measured at amortized cost	0	0	437	437	0	437
Other operating income	65 821	20 834	0	86 655	0	86 655
Other operating expenses	-56 859	-20 701	0	-77 560	0	-77 560
Net other operating income	**8 962**	**133**	**0**	**9 095**	**0**	**9 095**
Total result before expected credit losses, the result on impairment of non-financial assets and cost of legal risk of FX mortgage loans	**1 929 548**	**1 331 777**	**-201 830**	**3 059 495**	**0**	**3 059 495**
Net expected credit losses	-415 087	-286 198	0	-701 285	0	-701 285
The result on impairment of non-financial assets	-30 901	0	0	-30 901	-10 297	-41 198
Cost of legal risk of FX mortgage loans	-39 562	0	0	-39 562	0	-39 562
Total result after expected credit losses, the result on impairment of non-financial assets and cost of legal risk of FX mortgage loans	**1 443 998**	**1 045 579**	**-201 830**	**2 287 747**	**-10 297**	**2 277 450**
General administrative expenses	-1 251 296	-486 590	0	-1 737 886	0	-1 737 886
Gross profit	**192 702**	**558 989**	**-201 830**	**549 861**	**-10 297**	**539 564**
Income tax	0	0	0	0	-216 741	-216 741
Net profit	**192 702**	**558 989**	**-201 830**	**549 861**	**-227 038**	**322 823**
Assets	53 328 409	29 238 921	0	82 567 330	1 503 344	84 070 674
Liabilities	56 174 431	22 304 085	0	78 478 516	146 427	78 624 943

Notes to the interim condensed consolidated income statement

4 Net interest income

	01.07.2023-30.09.2023	01.01.2023-30.09.2023	01.07.2022-30.09.2022	01.01.2022-30.09.2022
Interest income calculated using the effective interest method	**1 737 009**	**5 087 543**	**1 057 175**	**3 289 329**
term deposits	4 263	11 534	1 786	2 204
Loans, incl:	1 348 046	3 957 100	749 222	2 691 449

(in PLN '000)

	01.07.2023-30.09.2023	01.01.2023-30.09.2023	01.07.2022-30.09.2022	01.01.2022-30.09.2022
modification of a financial asset deemed not significant	*-2 206*	*-17 802*	*-505 872*	*-508 399*
financial assets measured at amortized cost	45 151	145 670	41 834	83 685
financial assets measured at fair value through other comprehensive income	221 869	629 688	158 557	293 656
receivables acquired	8 166	23 162	7 187	15 997
repo transactions in securities	24 213	55 993	11 965	21 237
current accounts	50 413	148 707	40 062	79 687
overnight deposits	3 664	8 802	1 268	2 918
other	31 224	106 887	45 294	98 496
Income of a similar nature	**150 473**	**444 365**	**126 039**	**289 139**
leasing	108 328	320 246	98 276	228 731
derivatives instruments	42 145	124 119	27 763	60 408
Interest expense	**-668 245**	**-2 048 730**	**-596 539**	**-1 157 681**
Interest expense from financial instruments measured at amortized cost including the effective interest rate method	**-324 477**	**-974 911**	**-256 350**	**-430 810**
term deposits	-240 021	-763 957	-204 929	-299 024
own issue	-48 073	-119 275	-25 857	-62 673
repo transactions in securities	-29 384	-72 831	-20 890	-57 978
cash deposits	-1 131	-2 965	-1 295	-3 994
leasing	-2 749	-7 354	-1 658	-3 603
other	-3 119	-8 529	-1 721	-3 538
Other interest expense	**-343 768**	**-1 073 819**	**-340 189**	**-726 871**
current deposits	-102 039	-307 450	-77 710	-186 489
derivatives	-241 729	-766 369	-262 479	-540 382
Net interest income	**1 219 237**	**3 483 178**	**586 675**	**2 420 787**

5 Net fee and commission income

	01.07.2023-30.09.2023	01.01.2023-30.09.2023	01.07.2022-30.09.2022	01.01.2022-30.09.2022
Fee and commission income	**438 006**	**1 325 025**	**430 599**	**1 234 434**
payment and credit cards service	208 069	575 598	177 666	478 618
transaction margin on currency exchange transactions	62 606	246 227	86 975	241 993
maintaining bank accounts	25 999	74 048	24 733	85 418
brokerage commissions	10 287	35 624	12 752	43 172
revenue from bancassurance activity	25 387	77 312	23 346	73 294
loans and advances	40 617	119 117	38 860	117 039
transfers	14 239	43 097	14 168	41 627
cash operations	8 973	25 974	9 115	26 085
guarantees, letters of credit, collection, commitments	2 851	8 239	2 912	9 666
receivables acquired	1 278	3 847	1 023	2 941
for custody services	2 034	6 123	1 777	6 012
repayment of seizure	2 002	5 796	1 823	5 111
from leasing activities	22 033	65 630	20 505	60 122
other commissions	11 631	38 393	14 944	43 336
Fee and commission expenses	**-265 733**	**-728 040**	**-229 013**	**-621 571**
costs of card and ATM transactions, including costs of cards issued	-214 108	-574 476	-176 961	-463 704
commissions paid to agents	-12 884	-38 097	-13 522	-45 217
insurance of bank products	-3 156	-9 458	-3 539	-10 407
costs of awards for customers	-5 935	-18 506	-4 671	-13 334
commissions for access to ATMs	-7 005	-20 379	-6 938	-19 526
commissions paid under contracts for performing specific operations	-6 560	-18 307	-6 573	-19 535

(in PLN '000)

	01.07.2023-30.09.2023	01.01.2023-30.09.2023	01.07.2022-30.09.2022	01.01.2022-30.09.2022
brokerage commissions	-1 183	-3 443	-1 265	-4 661
for custody services	-996	-3 121	-681	-2 130
transfers and remittances	-5 923	-18 404	-5 361	-17 162
other commissions	-7 983	-23 849	-9 502	-25 895
Net fee and commission income	**172 273**	**596 985**	**201 586**	**612 863**

01.01.2023 - 30.09.2023	Retail customers	Business customers	Treasury	Total
Fee and commission income	**352 572**	**992 644**	**-20 191**	**1 325 025**
payment and credit cards service	83 188	492 410	0	575 598
transaction margin on currency exchange transactions	119 046	151 345	-24 164	246 227
maintaining bank accounts	34 955	39 085	8	74 048
brokerage commissions	35 624	0	0	35 624
revenue from bancassurance activity	33 833	43 479	0	77 312
loans and advances	17 371	101 746	0	119 117
transfers	13 736	29 301	60	43 097
cash operations	12 223	13 751	0	25 974
guarantees, letters of credit, collection, commitments	0	8 239	0	8 239
receivables acquired	0	3 847	0	3 847
custody services	0	6 123	0	6 123
repayment of seizure	0	5 796	0	5 796
from leasing activities	0	65 630	0	65 630
other commissions	2 596	31 892	3 905	38 393

01.01.2022 - 30.09.2022	Retail customers	Business customers	Treasury	Total
Fee and commission income	**357 705**	**891 595**	**-14 866**	**1 234 434**
payment and credit cards service	77 913	400 705	0	478 618
transaction margin on currency exchange transactions	121 842	138 709	-18 558	241 993
maintaining bank accounts	32 967	52 430	21	85 418
brokerage commissions	43 172	0	0	43 172
revenue from bancassurance activity	30 778	42 516	0	73 294
loans and advances	18 547	98 492	0	117 039
transfers	12 828	28 767	32	41 627
cash operations	12 018	14 067	0	26 085
guarantees, letters of credit, collection, commitments	0	9 666	0	9 666
receivables acquired	0	2 941	0	2 941
custody services	0	6 012	0	6 012
repayment of seizure	0	5 111	0	5 111
from leasing activities	0	60 122	0	60 122
other commissions	7 640	32 057	3 639	43 336

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

	01.07.2023-30.09.2023	01.01.2023-30.09.2023	01.07.2022-30.09.2022	01.01.2022-30.09.2022
FX result and net income on currency derivatives, including;	**48 338**	**47 706**	**-17 278**	**971**

(in PLN '000)

	01.07.2023-30.09.2023	01.01.2023-30.09.2023	01.07.2022-30.09.2022	01.01.2022-30.09.2022
fx result	-21 373	26 716	-302 985	-702 694
currency derivatives	69 711	20 990	285 707	703 665
Interest rate transactions	-4 708	**2 431**	**6 121**	**27 269**
Ineffective part of hedge accounting	5 990	**10 243**	**-2 515**	**-2 477**
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	1 507	**10 324**	**-5 575**	**-11 116**
The result on financial assets measured at fair value through profit or loss and FX result	**51 127**	**70 704**	**-19 247**	**14 647**

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

	01.07.2023-30.09.2023	01.01.2023-30.09.2023	01.07.2022-30.09.2022	01.01.2022-30.09.2022
Financial assets measured at fair value through other comprehensive income	2 674	6 181	6	1 218
Financial assets measured at amortized cost	251	509	165	437
The result on derecognition of financial assets and liabilities not measured at fair value through profit or loss	**2 925**	**6 690**	**171**	**1 655**

8 Result on other operating income and expense

	01.07.2023-30.09.2023	01.01.2023-30.09.2023	01.07.2022-30.09.2022	01.01.2022-30.09.2022
Other operating income from:	**31 643**	**91 902**	**24 663**	**86 655**
income from contracts with business partners	2 620	6 394	2 877	18 654
reimbursement of costs of claim enforcement	8 998	28 864	6 906	22 814
received compensations, recoveries, penalties and fines	156	806	257	846
management of third-party assets	6 978	19 554	4 795	16 102
from license fees from Partners	747	2 288	839	2 842
due to VAT settlement	0	653	0	1 786
reversal of impairment losses on other assets	-17	2 041	2 379	3 498
other	12 161	31 302	6 610	20 113
Other operating expenses due to:	**-27 683**	**-85 299**	**-27 469**	**-77 560**
reimbursement of credit cost (TSUE provision)	-108	-234	549	-7 090
fees and costs of claim enforcement	-12 111	-38 729	-11 362	-36 138
paid compensations, fines, and penalties	-1 280	-3 337	-2 523	-3 754
management of third-party assets	-284	-883	-343	-979
recognition of complaints	-547	-2 100	-478	-1 620
impairment losses on other assets	-2 511	-9 197	-4 199	-10 589
due to VAT settlement	0	-58	0	-4
other	-10 842	-30 761	-9 113	-17 386
Net other operating income and expense	**3 960**	**6 603**	**-2 806**	**9 095**

9 General administrative expenses

	01.07.2023-30.09.2023	01.01.2023-30.09.2023	01.07.2022-30.09.2022	01.01.2022-30.09.2022
Payroll costs	**-263 579**	**-797 463**	**-225 383**	**-696 759**
remuneration due to employment contracts	-217 062	-655 387	-186 858	-575 889
remuneration surcharges	-41 973	-128 592	-34 784	-111 429
costs of bonus for senior executives settled in phantom shares	-1 081	-3 090	-523	-1 529
other	-3 463	-10 394	-3 218	-7 912

(in PLN '000)

	01.07.2023-30.09.2023	01.01.2023-30.09.2023	01.07.2022-30.09.2022	01.01.2022-30.09.2022
General and administrative costs	**-152 172**	**-467 505**	**-163 989**	**-646 844**
lease and building maintenance expenses	-23 862	-77 034	-14 050	-50 472
costs of Banking Guarantee Fund	0	-58 872	0	-96 955
costs of the protection scheme – assistance fund	0	0	-18 608	-214 094
costs of contributions to the Borrower Support Fund	0	0	-53 479	-53 479
IT costs	-38 042	-115 012	-36 176	-102 458
marketing costs	-20 258	-51 003	-9 876	-39 387
cost of advisory services	-3 200	-10 869	-5 203	-12 017
external services	-10 249	-24 981	-6 711	-19 834
training costs	-2 487	-9 131	-1 787	-4 597
costs of telecommunications services	-5 853	-17 154	-6 314	-19 386
costs of lease of property, plant and equipment and intangible assets	-43	-118	-59	-141
other	-48 178	-103 331	-11 726	-34 024
Amortization and depreciation	**-61 591**	**-193 863**	**-59 906**	**-176 218**
property, plant and equipment	-20 436	-63 283	-17 399	-52 406
intangible assets	-20 243	-61 739	-19 132	-54 388
right to use the asset	-20 912	-68 841	-23 375	-69 424
Taxes and fees	**-6 522**	**-21 481**	**-7 073**	**-20 989**
Total general administrative expenses	**-483 864**	**-1 480 312**	**-456 351**	**-1 540 810**

10 Net expected credit losses

	01.07.2023-30.09.2023	01.01.2023-30.09.2023	01.07.2022-30.09.2022	01.01.2022-30.09.2022
Expected credit losses Stage 3	**-110 817**	**-623 308**	**-252 223**	**-738 115**
retail customers	-71 382	-353 364	-149 688	-368 686
business customers	-39 435	-269 944	-102 535	-369 429
Expected credit losses Stage 1 and 2(ECL)	**607**	**29 065**	**-33 634**	**-47 970**
Stage 2	**6 959**	**57 432**	**-38 906**	**-63 521**
retail customers	-1 994	22 542	-42 800	-74 908
business customers	8 953	34 890	3 894	11 387
Stage 1	**-6 352**	**-28 367**	**5 272**	**15 551**
retail customers	-5 575	-16 303	5 509	13 695
business customers	-777	-12 064	-237	1 856
POCI	**-70 617**	**-128 912**	**-64**	**-3 192**
Recoveries from off-balance sheet	**31 114**	**120 775**	**17 728**	**74 369**
Investment securities	**-534**	**6 531**	**5 326**	**5 713**
Off-balance provisions	**-4 317**	**46 472**	**75**	**7 910**
Net expected credit losses	**-154 564**	**-549 377**	**-262 792**	**-701 285**

11 The result on impairment of non-financial assets

	01.07.2023-30.09.2023	01.01.2023-30.09.2023	01.07.2022-30.09.2022	01.01.2022-30.09.2022
Property, plant and equipment and intangible assets	-409	-3 608	-975	-41 198
Total	**-409**	**-3 608**	**-975**	**-41 198**

(in PLN '000)

12 Cost of legal risk of FX mortgage loans

	01.07.2023-30.09.2023	01.01.2023-30.09.2023	01.07.2022-30.09.2022	01.01.2022-30.09.2022
Loans and advances to customers - adjustment decreasing the gross carrying amount of loans	-4 146	-6 577	-13 855	-36 065
Provisions	-1 243	-1 598	-1 269	-3 497
Total	**-5 389**	**-8 175**	**-15 124**	**-39 562**

13 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.

14 Income tax

14.1 Tax charge disclosed in the profit and loss account

	01.01.2023 - 30.09.2023	01.01.2022 - 30.09.2022
Current tax	352 651	229 393
Deferred income tax	130 649	-12 652
Accounting tax recognized in the income statement	**483 300**	**216 741**

14.2 Effective tax rate calculation

	01.01.2023 - 30.09.2023	01.01.2022 - 30.09.2022
Gross profit	**1 926 712**	**539 564**
Income tax at 19%	**366 075**	**102 517**
Non-tax-deductible expenses (tax effect)	**111 104**	**109 590**
Impairment losses on loans not deductible for tax purposes	31 986	23 692
Prudential fee to BGF	11 186	18 421
Tax on Certain Financial Institutions	37 261	37 445
Cost of legal risk of FX mortgage loans	1 553	7 517
Borrowers Support Fund	0	10 161
Other	29 118	12 354
Non-taxable income (tax effect)	**1 064**	**-3 721**
Recognition of tax loss	**-42**	**0**
Other	**5 099**	**8 355**
Accounting tax recognized in the income statement	**483 300**	**216 741**
Effective tax rate	**25.08%**	**40.17%**

(in PLN '000)

15 Profit per share

	01.07.2023-30.09.2023	01.01.2023-30.09.2023	01.07.2022-30.09.2022	01.01.2022-30.09.2022
Net profit	**571 561**	**1 443 412**	**-62 561**	**322 823**
Weighted average number of ordinary shares	130 553 991	130 553 991	130 553 991	130 553 991
Basic/diluted net profit per share (PLN)	**4.38**	**11.06**	**-0.48**	**2.47**

Core profit per share is calculated as the quotient of profit attributable to the Bank's shareholders and the weighted average number of ordinary shares in the year.
Pursuant to IAS 33, diluted earnings per share are calculated based on the ratio of the profit attributable to the Bank's shareholders to the weighted average number of ordinary shares, adjusted as if all dilutive potential ordinary shares were converted into shares. As at 30 September 2023 and 30 September 2022, the Group did not have dilutive instruments.

Notes to the interim condensed consolidated statement of financial position

16 Cash and cash equivalents

16.1 Financial data

	30.09.2023	31.12.2022
Current account with the central bank	1 275 723	865 742
Overnight	130 039	128 468
Cash	484 808	849 575
Current accounts in other banks	1 373 437	706 796
Term deposits in other banks	555 900	33 562
Cash and balances with central bank	**3 819 907**	**2 584 143**

17 Amounts due from banks

17.1 Financial data

Structure by type	30.09.2023	31.12.2022
Reverse Repo	22 409	184 097
Deposits as derivative transactions (ISDA) collateral	972 907	2 057 094
Other	88 320	132 472
Amounts due from banks	**1 083 636**	**2 373 663**

18 Investment financial assets

18.1 Financial data

	30.09.2023	31.12.2022
Financial assets	**18 295 353**	**17 015 100**
measured at fair value through other comprehensive income	14 307 521	9 895 998
measured at fair value through profit or loss	414 553	437 260
measured at amortized cost	3 573 279	6 681 842

(in PLN '000)

18.2 Investment financial assets by type

measured at fair value through other comprehensive income	30.09.2023	31.12.2022
Debt instruments	**14 198 342**	**9 802 840**
issued by the State Treasury	**11 916 418**	**7 864 154**
T-bonds	9 418 609	7 806 138
T-bills	2 497 809	58 016
issued by monetary institutions	**2 281 924**	**1 889 093**
eurobonds	18 707	18 728
money bills	1 698 302	1 349 494
bonds	564 915	520 871
issued by companies	**0**	**49 593**
bonds	0	49 593
Equity instruments	**109 179**	**93 158**
Total	**14 307 521**	**9 895 998**

measured at fair value through profit or loss	30.09.2023	31.12.2022
Debt instruments	**51 732**	**12 597**
issued by the State Treasury	**51 728**	**4 590**
T-bonds	51 728	4 590
issued by other financial institutions	**4**	**4**
bonds	4	4
issued by companies	**0**	**8 003**
bonds	0	8 003
Equity instruments	**42 087**	**58 846**
Derivative financial instruments	**320 734**	**365 817**
Interest rate transactions	**197 799**	**242 925**
SWAP	189 537	240 228
Cap Floor Options	3 487	2 697
FRA	4 775	0
Foreign exchange transactions	**117 294**	**117 460**
FX Swap	47 718	3 837
FX forward	21 865	50 762
CIRS	27 296	56 550
FX options	20 415	6 311
Other options	**1 356**	**529**
Other instruments	**4 285**	**4 903**
Total	**414 553**	**437 260**

measured at amortized cost	30.09.2023	31.12.2022
Debt instruments	**3 573 279**	**6 681 842**
issued by the State Treasury	**3 036 969**	**6 158 857**
T-bonds	2 806 025	5 180 926
T-bills	230 944	977 931
issued by other financial companies	**536 310**	**522 985**
bonds	536 310	522 985
Total	**3 573 279**	**6 681 842**

19 Loans and advances to customers

19.1 Accounting principles

During 2023, the Group did not change the rules and methodology for classifying loan exposures and estimating provisions for expected credit losses. The applied rules are the same as those described in the annual financial statements.

Rules for classifying exposures covered by key statutory customer support instruments

The key statutory customer support tools available, inter alia, due to the macroeconomic situation, include:

- Borrowers Support Fund,
- moratoriums available to customers who have lost their source of income,
- payment moratoria for PLN mortgage portfolios.

Exposures covered by the Borrowers Support Fund and exposures covered by moratoriums for customers who have lost their source of income are classified by the Bank to forbearance and, consequently, to Stage 2 (unless they meet the impairment / default criteria, which would result in classification to Stage 3).

Mortgage exposures covered by payment moratoriums are subject to general classification rules, where the use of moratoriums does not meet the conditions of the facility offered due to the worsened financial situation, as it is not a criterion for using the instrument. During periods of suspension of maturity, the Group suspends the calculation of arrears/overdue, returning to the continuation of the calculation at the end of the suspension period.

19.2 Future macroeconomic factors in the assessment of credit quality and impairment allowances estimation

The Group ensures that future macroeconomic factors are included in all significant components of the estimated credit losses. Taking into account future macroeconomic factors ensures that the current valuation of ECL reflects the expected scale of deterioration in the credit quality of the portfolio due to the tough macroeconomic environment.

The Group considers the key areas of macroeconomic risk to be:

Direct impact and effects of the war in Ukraine on the loan portfolio associated with persons who are citizens of countries involved in the war / economic entities operating in the region

The Group intensively monitors and analyzes the impact of the geopolitical situation related to the war in Ukraine on the quality of the loan portfolio.

In terms of the of the retail client segment, the share in the portfolio of clients with the citizenship of Ukrainian, Russian, Belarusian fluctuates around 2.1%. These are clients living and earning income in Poland. The Group continues intensive portfolio monitoring, but does not identify any significant threats in this respect.

In terms of the corporate customer segment, the Group identifies a portfolio exposed to the effects of escalation of military operations in Ukraine based on addresses (headquarters, correspondence, residences), information from individual monitoring, and a significant share of inflows / transfers from / to countries involved in the armed conflict. In this population, the Group identifies clients with an exposure of approximately PLN 78 million. The monitoring results indicate that the deterioration of the quality and the increase in the risk of debt servicing is insignificant.

Effects of the pandemic

Although during the pandemic, the Bank did not experience a significant deterioration in the quality of the loan portfolio, it is recognized that the effects of the pandemic - in conjunction with other global and macroeconomic challenges - may still have a negative impact on selected areas of business activity (due to, inter alia, disrupted supply chains).

A complex macroeconomic environment (caused among others by the above factors) and its impact on the loan portfolio

Due to significant - unprecedented - changes in the macroeconomic environment (changes in interest rates, inflation, exchange rates, energy prices), the FLI component in the portfolio valuation is important, reflecting the Group's expectations regarding the scenario development of macroeconomic factors.

In particular, with regard to the methodology used for the PD parameter the Group continues:

- for the retail client segment, the use of the methodology for assessing the impact of changes in financial burdens as a result of an increase interest rates at risk of default,
- for the corporate client segment, the use of industry models enabling the simulation of the client's rating, supplemented with up-to-date information on changes in the macroeconomic environment, taking into account the increase in financing costs and energy prices.

The experience of the first months of operation in an environment of rising interest rates shows that:

- the dynamics and pace of changes (increases) in interest rates were higher than the Group's original projections, at the same time,
- the transmission of the rising interest rates to the deterioration of clients' debt servicing capacity was much lower than originally assumed.

Analyzing these phenomena, the Group designed a series of analyzes including:

- assessment of the sensitivity of the PD parameter value to changes in macroeconomic scenarios,
- verification of changes in the loss ratio/early risk measures to changes in the economic environment,
- backtesting of the assumed values of PD parameters taking into account the FLI component at different forecast horizons.

The work resulted in a decision on the value of PD parameters adequate for the macroeconomic scenarios adopted by the Group.

In the area of the LGD parameter, a solution is used that makes the level of healing dependent on the dynamics of changes in macroeconomic factors such as Gross Domestic Product and inflation (the scope and sensitivity to a given factor were adjusted depending on the model segment).

As regards the collateral included in the valuation of credit exposure impairment, the Group takes into account the risk of negative future macroeconomic factors affecting the collateral value and applies an additional haircut over the current market valuations and estimated recovery rates reflecting the economic recoverability of collateral.

As at 30 September 2023, the effects of the high interest rate environment and the war in Ukraine had no significant impact on the deterioration of the quality of loan portfolios. In the FLI component, the Group takes into account the expected development trajectory of the above phenomena and the target impact on the quality of the portfolio. At the same time, the Group considers the risk of uncertainty and volatility in both phenomena to be significant.

(in PLN '000)

19.3 Quality and structure of the loan portfolio

Key credit portfolio quality indicators as at 30 September 2023

As at 30 September 2023, despite the negative macroeconomic environment and geopolitical situation, the Group did not observe a negative impact on the quality of the loan portfolio. The share of 30-day overdue loans in the regular portfolio as at 30 September 2023 was 0.49% compared to 0.63 % as at 31 December 2022.

In the Group's opinion, this situation is largely due to:

- insignificant, in the first period of the environment of rising interest rates, a negative transmission on the ability to service debt,
- insignificant impact on the quality of the loan portfolio of the initial phase of the armed conflict in Ukraine,
- the scale of support clients receive in terms of payment moratoriums and the borrowers' support fund.

The Group adapts its lending policies and processes to the current macroeconomic situation and the resulting threats (both in terms of adapting the lending policy and processes to the pandemic environment, high interest rate environment and the geopolitical and economic effects of the war in Ukraine). The changes are aimed at supporting customers (including in the scope of business activities conducted by corporate customers) while at the same time focusing on minimizing the Group's credit losses.
Thanks to all the above circumstances and actions, the quality of the loan portfolio has so far remained resilient to the effects of the current macroeconomic and geopolitical environment.

As at 30 September 2023, the level of write-downs for exposures classified to Stage 1 and Stage 2 is approx. PLN 1.2 billion and remains stable compared to the level maintained as at 31 December 2022. The key credit parameters of the regular portfolio are presented below (non-default):

Date	DPD 30+*	PD	LGD	Stage 2 share in the regular portfolio	Coverage of regular portfolio write-offs
31.12.2022	0.6%	3.87%	31.3%	13.5%	2.2%
30.09.2023	0.49%	3.72%	30.1%	13.3%	2.0%

according to the EBA definition

As at 30 September 2023 and 31 December 2022, the structure of the portfolio with evidence of impairment, together with the structure of the recoverable amount of collateral, was as follows (in MPLN):

Date	individual portfolio			collective portfolio		
	exposure value	% of collateral coverage*	% coverage with write-offs	exposure value	% of collateral coverage*	% coverage with write-offs
31.12.2022	2 270	49%	50%	3 622	25%	59%
30.09.2023	1 916	45%	54%	3 839	27%	57%

expressed at the economic recoverable amount

Sensitivity of results to variability of assumptions

The Group assumes 3 scenarios of the future macroeconomic situation:

- base, with the probability of 50% implementation (where the GDP growth rate at the end of subsequent years in the period 2024-2026 is 3.2% y/y, 3.8% y/y and 3.4%, respectively, and the NBP base rate respectively 4.00%, 3.50% and 3.50%),

(in PLN '000)

- negative, with the probability of 25% implementation (where the GDP growth rate at the end of subsequent years in the period 2024-2026 is 0.9% y/y, 2.0% y/y and 3.0%, respectively, and the NBP base rate respectively 7.50%, 5.25% and 4.50%),
- optimistic, with the probability of 25% implementation (where the GDP growth rate at the end of subsequent years in the period 2024-2026 is 4.3% y/y, 4.7% y/y and 4.9% respectively, and the NBP base rate is respectively 3.0%, 3.0% and 3.0%).

developed internally by the Macroeconomic Analysis Department.

Based on annually calibrated models of expected loss parameters, the Bank conducts sensitivity analyses. Below we present the sensitivity scale of estimated loss estimates for the portfolio of regular exposures, based on the current model of expected loss parameters (in MPLN):

Changing the probability of scenarios	Difference in the share of Stage 2 in the regular portfolio	Impact on expected credit losses due to*:		
		PD	Regular Portfolio LGD	Default Portfolio LGD
Change in expected credit losses in the case of the negative scenario with 100% probability	0.13 pp	+29.3	+16.3	+10.1
Change in expected credit losses in the case of the positive scenario with 100% probability	-0.02 pp	-29.9	-46.3	-12.3

**according to the estimate as at 30 June 2023*

19.4 Financial data (gross value, expected credit losses)

Loans granted to customers	30.09.2023			31.12.2022		
	Gross value	Expected credit losses	Net value	Gross value	Expected credit losses	Net value
Retail segment	**38 045 579**	**-1 918 929**	**36 126 650**	**37 229 755**	**-1 999 906**	**35 229 849**
Consumer loans	16 678 058	-1 685 360	14 992 698	16 916 888	-1 801 353	15 115 535
Loans for residential properties	16 998 538	-191 059	16 807 479	15 984 608	-161 575	15 823 033
Consumer finance loans	4 368 983	-42 510	4 326 473	4 328 259	-36 978	4 291 281
Corporate segment	**26 375 229**	**-2 518 985**	**23 856 244**	**24 842 278**	**-2 462 251**	**22 380 027**
Working capital loans	12 394 073	-1 236 808	11 157 265	12 034 812	-1 160 900	10 873 912
Investment loans	5 632 260	-732 306	4 899 954	5 650 837	-765 205	4 885 632
Other business loans	8 348 896	-549 871	7 799 025	7 156 629	-536 146	6 620 483
Total	**64 420 808**	**-4 437 914**	**59 982 894**	**62 072 033**	**-4 462 157**	**57 609 876**

Loans granted to customers	30.09.2023			31.12.2022		
	Gross value	Expected credit losses	Net value	Gross value	Expected credit losses	Net value
Retail segment	**38 045 579**	**-1 918 929**	**36 126 650**	**37 229 755**	**-1 999 906**	**35 229 849**
Stage 1	33 412 747	-365 784	33 046 963	32 691 404	-349 690	32 341 714
Stage 2	2 729 318	-415 189	2 314 129	2 591 086	-437 966	2 153 120
Stage 3	1 870 553	-1 137 130	733 423	1 933 672	-1 211 105	722 567
POCI	32 961	-826	32 135	13 593	-1 145	12 448
Corporate segment	**26 375 229**	**-2 518 985**	**23 856 244**	**24 842 278**	**-2 462 251**	**22 380 027**
Stage 1	17 152 887	-87 707	17 065 180	15 693 750	-80 262	15 613 488
Stage 2	5 044 863	-301 837	4 743 026	4 974 683	-335 956	4 638 727
Stage 3	3 884 036	-2 097 640	1 786 396	3 957 657	-2 006 144	1 951 513
POCI	293 443	-31 801	261 642	216 188	-39 889	176 299
Total	**64 420 808**	**-4 437 914**	**59 982 894**	**62 072 033**	**-4 462 157**	**57 609 876**

(in PLN '000)

Loans and advances to customers by method of allowance calculation	30.09.2023			31.12.2022		
	Gross value	Expected credit losses	Net value	Gross value	Expected credit losses	Net value
Stage 3	**5 754 589**	**-3 234 770**	**2 519 819**	**5 891 329**	**-3 217 249**	**2 674 080**
individual method	1 915 975	-1 035 870	880 105	2 269 720	-1 145 221	1 124 499
group method	3 838 614	-2 198 900	1 639 714	3 621 609	-2 072 028	1 549 581
Stage 2	**7 774 181**	**-717 026**	**7 057 155**	**7 565 769**	**-773 922**	**6 791 847**
Stage 1	**50 565 634**	**-453 491**	**50 112 143**	**48 385 154**	**-429 952**	**47 955 202**
POCI	**326 404**	**-32 627**	**293 777**	**229 781**	**-41 034**	**188 747**
Total	**64 420 808**	**-4 437 914**	**59 982 894**	**62 072 033**	**-4 462 157**	**57 609 876**

Loans and advances to customers – exposure of the Bank to the credit risk	30.09.2023			31.12.2022		
	Gross value	Expected credit losses	Net value	Gross value	Expected credit losses	Net value
Stage 3	**5 754 589**	**-3 234 770**	**2 519 819**	**5 891 329**	**-3 217 249**	**2 674 080**
not overdue	1 263 122	-433 361	829 761	1 587 680	-582 624	1 005 056
overdue	4 491 467	-2 801 409	1 690 058	4 303 649	-2 634 625	1 669 024
Stage 1 and Stage 2	**58 339 815**	**-1 170 517**	**57 169 298**	**55 950 923**	**-1 203 874**	**54 747 049**
not overdue	55 500 873	-832 766	54 668 107	52 964 293	-834 924	52 129 369
overdue	2 838 942	-337 751	2 501 191	2 986 630	-368 950	2 617 680
POCI	**326 404**	**-32 627**	**293 777**	**229 781**	**-41 034**	**188 747**
Total	**64 420 808**	**-4 437 914**	**59 982 894**	**62 072 033**	**-4 462 157**	**57 609 876**

From 1 January to 30 September 2023 the Group sold loans with a total gross value amounting to PLN 288 546 thousand, while the impairment allowance recorded for this portfolio amounted to PLN 207 212 thousand. The impact of debt sales on the cost of risk in 2023 amounted to PLN (+) 10 031 thousand (gain).

From 1 January to 30 September 2023 the Group wrote off the financial assets amounted to PLN 598 487 thousand. The financial assets that are written off concerned both the loan portfolio of retail and corporate customers. The financial assets that are written off in 2023 in the amount of PLN 585 244 thousand may still be subject enforcement activity.

Loans and advances to customers	Stage 1	Stage 2	Stage 3	POCI	Total
Gross carrying amount					
Gross carrying amount as at 01.01.2023	**48 385 154**	**7 565 769**	**5 891 329**	**229 781**	**62 072 033**
New / purchased / granted financial assets	13 944 294	0	0	124 822	14 069 116
Changes due to the sale or expiry of the instrument	-5 565 394	-979 914	-540 624	-1 243	-7 087 175
Transfer to Stage 1	900 623	-867 848	-32 775	0	0
Transfer to Stage 2	-3 419 838	3 612 057	-192 219	0	0
Transfer to Stage 3	-724 718	-838 105	1 562 823	0	0
Valuation changes	-2 971 735	-628 686	-278 878	-25 701	-3 905 000
Assets written off the balance sheet	0	0	-596 577	-1 910	-598 487
Other changes, including exchange differences	17 248	-89 092	-58 490	655	-129 679
Gross carrying amount as at 30.09.2023	**50 565 634**	**7 774 181**	**5 754 589**	**326 404**	**64 420 808**
Expected credit losses					
Expected credit losses as at 01.01.2023	**429 952**	**773 922**	**3 217 249**	**41 034**	**4 462 157**
New / purchased / granted financial assets	232 746	0	0	117 592	350 338
Changes due to the sale or expiry of the instrument	-57 631	-54 465	-254 399	-1 355	-367 850
Transfer to Stage 1	100 004	-91 365	-8 639	0	0
Transfer to Stage 2	-104 816	154 271	-49 455	0	0
Transfer to Stage 3	-64 132	-183 372	247 504	0	0
Change in the estimate of expected credit losses	-77 804	117 499	688 297	12 675	740 667

(in PLN '000)

Loans and advances to customers	Stage 1	Stage 2	Stage 3	POCI	Total
Total allowances for expected credit losses in the income statement	**28 367**	**-57 432**	**623 308**	**128 912**	**723 155**
Assets written off the balance sheet	0	0	-596 577	-1 910	-598 487
Valuation of Fair Value at the initial moment	0	0	0	-127 364	-127 364
Other changes, including exchange differences	-4 828	536	-9 210	-8 045	-21 547
Expected credit losses as at 30.09.2023	**453 491**	**717 026**	**3 234 770**	**32 627**	**4 437 914**
Net carrying amount as at 30.09.2023	**50 112 143**	**7 057 155**	**2 519 819**	**293 777**	**59 982 894**

Loans and advances to customers	Stage 1	Stage 2	Stage 3	POCI	Total
Gross carrying amount					
Gross carrying amount as at 01.01.2022	**48 608 804**	**7 450 822**	**7 248 943**	**270 001**	**63 578 570**
New / purchased / granted financial assets	11 794 281	0	0	22 319	11 816 600
Changes due to the sale or expiry of the instrument	-5 308 764	-624 804	-395 805	-49 149	-6 378 522
Transfer to Stage 1	784 620	-756 108	-28 512	0	0
Transfer to Stage 2	-3 250 892	3 344 320	-93 428	0	0
Transfer to Stage 3	-686 250	-697 481	1 383 731	0	0
Valuation changes	-3 298 122	-607 216	-314 874	-2 059	-4 222 271
Assets written off the balance sheet	0	0	-933 036	-8 891	-941 927
Other changes, including exchange differences	25 155	-128 760	-73 705	796	-176 514
Gross carrying amount as at 30.09.2022	**48 668 832**	**7 980 773**	**6 793 314**	**233 017**	**63 675 936**
Expected credit losses					
Expected credit losses as at 01.01.2022	**444 370**	**731 739**	**4 099 702**	**74 581**	**5 350 392**
New / purchased / granted financial assets	219 104	0	0	14 281	233 385
Changes due to the sale or expiry of the instrument	-72 612	-47 333	-203 535	-17 200	-340 680
Transfer to Stage 1	93 103	-84 311	-8 792	0	0
Transfer to Stage 2	-61 625	103 658	-42 033	0	0
Transfer to Stage 3	-82 157	-161 896	244 053	0	0
Change in the estimate of expected credit losses	-111 364	253 403	748 422	6 111	896 572
Total allowances for expected credit losses in the income statement	**-15 551**	**63 521**	**738 115**	**3 192**	**789 277**
Assets written off the balance sheet	0	0	-933 036	-8 891	-941 927
Valuation of Fair Value at the initial moment	0	0	0	-16 520	-16 520
Other changes, including exchange differences	1 672	2 048	27 326	9 979	41 025
Expected credit losses as at 30.09.2022	**430 491**	**797 308**	**3 932 107**	**62 341**	**5 222 247**
Net carrying amount as at 30.09.2022	**48 238 341**	**7 183 465**	**2 861 207**	**170 676**	**58 453 689**

20 Other assets

20.1 Financial data

	30.09.2023	31.12.2022
Sundry debtors	**537 833**	**511 756**
Other settlements	406 046	365 427
Receivables related to sales of services (including insurance)	23 943	15 624
Guarantee deposits	16 723	17 216
Settlements due to cash in ATMs	91 121	113 489
Costs recognised over time	**69 328**	**47 764**
Maintenance and support of systems, servicing of plant and equipment	49 447	27 979
Other deferred costs	19 881	19 785

(in PLN '000)

	30.09.2023	31.12.2022
VAT settlements	**37 202**	**20 422**
Other assets (gross)	**644 363**	**579 942**
Write-down	-65 506	-58 978
Other assets (net)	**578 857**	**520 964**
including financial assets (gross)	537 833	511 756

Change in write-downs

	30.09.2023	30.06.2022
Open balance	**58 978**	**52 772**
Provisions recorded	9 197	10 589
Provisions released	-2 041	-3 498
Assets written off from the balance sheet	-568	-1 371
Other changes	-60	770
Closing balance	**65 506**	**59 262**

21 Assets pledged as collateral

21.1 Financial data

	30.09.2023	31.12.2022
Financial assets collateraling the EIB loan	47 413	40 992
Total	**47 413**	**40 992**

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:

	30.09.2023	31.12.2022
Treasury bonds blocked with BGF	416 122	446 881
Deposits as derivative transactions (ISDA) collateral	972 907	2 057 094
Deposit as collateral of transactions performed in Alior Trader	16	14
Total	**1 389 045**	**2 503 989**

22 Amounts due to banks

22.1 Financial data

Structure by type	30.09.2023	31.12.2022
Current deposits	6 983	28 022
Term deposits	43 839	0
Received loan	159 477	115 467
Other liabilities	118 529	126 942
Total amounts due to banks	**328 828**	**270 431**

(in PLN '000)

23 Amounts due to customers

23.1 Financial data

Structure by type and customer segment	30.09.2023	31.12.2022
Retail segment	**50 635 337**	**51 071 189**
Current deposits	36 003 930	35 084 419
Term deposits	13 160 347	14 971 308
Own issue of banking securities	1 208 372	747 601
Other liabilities	262 688	267 861
Corporate segment	**22 232 215**	**19 705 620**
Current deposits	13 558 028	13 947 793
Term deposits	7 973 075	5 484 416
Own issue of banking securities	4 973	4 361
Own issue of bonds	410 683	0
Other liabilities	285 456	269 050
Total amounts due to customers	**72 867 552**	**70 776 809**

From 1 January to 30 September 2023 the Group issued own securities amounted to PLN 906 646 thousand and securities purchased before maturity amounted to PLN 13 124 thousand.

In 2022 the Group issued own securities amounted to PLN 418 353 thousand and securities purchased before maturity amounted to PLN 76 573 thousand.

24 Provisions

24.1 Financial data

	Provisions for legal claims*	Provisions for retirement benefits	Provisions for off-balance sheet liabilities granted	Restructuring provision	Provision for reimbursement of credit costs (TSUE)	Total provisions
As at 1 January 2023	**52 371**	**5 479**	**116 823**	**1 718**	**91 556**	**267 947**
Established provisions	72 171	6 477	76 783	0	234	155 665
Reversal of provisions	-5 790	-689	-123 255	0	0	-129 734
Utilized provisions	-6 805	-4 805	0	-577	-17 325	-29 512
Other changes	-11	0	60	-2	0	47
As at 30 September 2023	**111 936**	**6 462**	**70 411**	**1 139**	**74 465**	**264 413**

**the share of the provision for legal risk related to the FX indexed loan portfolio amounted 6.27%*

	Provisions for legal claims*	Provisions for retirement benefits	Provisions for off-balance sheet liabilities granted	Restructuring provision	Provision for reimbursement of credit costs (TSUE)	Total provisions
As at 1 January 2022	**41 530**	**6 459**	**136 743**	**2 050**	**103 431**	**290 213**
Established provisions	17 648	4 533	56 839	0	7 090	86 110
Reversal of provisions	-10 645	-402	-64 749	0	0	-75 796
Utilized provisions	-9 422	-6 078	0	-378	-26 555	-42 433
Other changes	84	0	557	0	0	641
As at 30 September 2022	**39 195**	**4 512**	**129 390**	**1 672**	**83 966**	**258 735**

**the share of the provision for legal risk related to the FX indexed loan portfolio amounted 12.24%*

(in PLN '000)

Split of the restructuring provision as at 30.09.2023 is presented below:

	31.12.2022	utilisation	other changes	30.09.2023
Employee briefings	154	0	-2	152
Reorganisation of the branch network	1 564	-577	0	987
Total	**1 718**	**-577**	**-2**	**1 139**

25 Other liabilities

25.1 Financial data

	30.09.2023	31.12.2022
Other financial liabilities	796 067	994 741
Interbank settlements	497 405	737 556
Settlements of payment cards	8 181	7 234
Other settlements, including	242 914	189 312
settlements with insurers	*26 728*	*14 120*
Liability for reimbursement of credit costs	47 567	60 639
Other non-financial liabilities	1 068 608	1 049 491
Taxes, customs duty, social and health insurance payables and other public settlements	59 965	47 677
Settlements of issues of bank certificates of deposits	69 110	51 787
Liabilities due to contributions to the Bank Guarantee Fund	192 066	192 066
Accrued expenses	184 181	211 885
Income received in advance	55 339	55 763
Provision for bancassurance resignations	65 195	62 790
Provision for bonuses	84 795	91 731
Provision for unutilised annual leaves	23 943	23 021
Provision for bonuse settled in phantom shares	7 914	4 824
Provision for retention programs	37	37
Other employee provisions	7 682	1 203
Liabilities due to lease agreements	275 832	255 196
Other liabilities	42 549	51 511
Total other liabilities	**1 864 675**	**2 044 232**

26 Financial liabilities

26.1 Financial data

	30.09.2023	31.12.2022
Short sale of T-bonds	**22 357**	**0**
Interest rate transactions	**160 372**	**190 306**
SWAP	151 718	187 609
Cap Floor Options	3 487	2 697
FRA	5 167	0
Foreign exchange transactions	**50 322**	**62 128**
FX Swap	17 446	44 282
FX forward	13 302	5 383
CIRS	2 000	6 705
FX options	17 574	5 758

(in PLN '000)

	30.09.2023	31.12.2022
Other options	**1 356**	**529**
Other instruments	**4 071**	**3 031**
Total measured at fair value through profit or loss/ held for trading	**238 478**	**255 994**

27 Subordinated liabilities

27.1 Financial data

					Status of liabilities	
Liabilities classified as the Bank's own funds	Nominal value in the currency	Currency	Term	Interest	30.09.2023	31.12.2022
Series F bonds	321 700	PLN	26.09.2014-26.09.2024	WIBOR6M +3.14	322 086	330 643
Series P1B bonds	70 000	PLN	29.04.2016-16.05.2024	WIBOR6M +3.00	72 633	70 953
Series K and K1 bonds	600 000	PLN	20.10.2017-20.10.2025	WIBOR6M +2.70	626 016	612 156
Series P2A bonds	150 000	PLN	14.12.2017-29.12.2025	WIBOR6M +2.70	153 729	150 123
Subordinated liabilities					**1 174 464**	**1 163 875**

28 Off-balance sheet items

28.1 Financial data

Off-balance sheet contingent liabilities granted to customers	30.09.2023	31.12.2022
Granted off-balance liabilities	**11 716 694**	**10 204 376**
Concerning financing	**10 823 685**	**9 557 856**
Guarantees	**893 009**	**646 520**
Performance guarantees	311 670	341 408
Financial guarantees	581 339	305 112

29 Fair value

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. In that category the Group classifies 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 securities listed on active, liquid financial markets,
- 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 Group 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.
MONEY BILLS/TREASURY 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 Group 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.

	Measurement method (techniques)	Material observable input data	Factor unobservable
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.	Volatility of prices of underlying instruments, correlations of prices of underlying instruments
SHARES VISA INC C SERIES	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.	Discount due to the illiquid nature of the securities, common stock conversion factor
SHARES PSP sp. z o.o.	Fair value estimation is based on the current value of the company's forecast results	Risk free rate	Risk premium, financial performance forecast
SHARES RUCH SA	Estimating the fair value based on the present value of the company's forecast results	Risk-free rate	Risk premium, financial performance forecast

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.

(in PLN '000)

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.

30.09.2023	Level 1	Level 2	Level 3	Total
Financial assets	**11 251 452**	**3 649 898**	**152 626**	**15 053 976**
Measured at fair value through profit and loss	**51 728**	**319 378**	**43 447**	**414 553**
SWAP	0	189 537	0	189 537
Cap Floor Options	0	3 487	0	3 487
FRA	0	4 775	0	4 775
FX Swap	0	47 718	0	47 718
FX forward	0	21 865	0	21 865
CIRS	0	27 296	0	27 296
FX options	0	20 415	0	20 415
Other options	0	0	1 356	1 356
Other instruments	0	4 285	0	4 285
Financial derivatives	**0**	**319 378**	**1 356**	**320 734**
T- bonds	51 728	0	0	51 728
Other bonds	0	0	4	4
Equity instruments	0	0	42 087	42 087
Investments securities	**51 728**	**0**	**42 091**	**93 819**
Measured at fair value through other comprehensive income	**11 199 724**	**2 998 618**	**109 179**	**14 307 521**
Money bills	0	1 698 302	0	1 698 302
T- bonds	9 418 609	0	0	9 418 609
T-bills	1 197 493	1 300 316	0	2 497 809
Other bonds	583 622	0		583 622
Equity instruments	0	0	109 179	109 179
Derivative hedging instruments	**0**	**331 902**	**0**	**331 902**
Interest rate transactions – SWAP	0	331 902	0	331 902

31.12.2022	Level 1	Level 2	Level 3	Total
Financial assets	**8 408 381**	**1 892 883**	**210 133**	**10 511 397**
Measured at fair value through profit and loss	**4 628**	**365 250**	**67 382**	**437 260**
SWAP	0	240 228	0	240 228
Cap Floor Options	0	2 697	0	2 697
FX Swap	0	3 837	0	3 837
FX forward	0	50 762	0	50 762
CIRS	0	56 550	0	56 550
FX options	0	6 311	0	6 311
Other options	0	0	529	529
Other instruments	38	4 865	0	4 903
Financial derivatives	**38**	**365 250**	**529**	**365 817**
T- bonds	4 590	0	0	4 590
Other bonds	0	0	8 007	8 007
Equity instruments	0	0	58 846	58 846
Investments securities	**4 590**	**0**	**66 853**	**71 443**
Measured at fair value through other comprehensive income	**8 403 753**	**1 349 494**	**142 751**	**9 895 998**

(in PLN '000)

31.12.2022	Level 1	Level 2	Level 3	Total
Money bills	0	1 349 494	0	1 349 494
T- bonds	7 806 138	0	0	7 806 138
T-bills	58 016	0	0	58 016
Other bonds	539 599	0	49 593	589 192
Equity instruments	0	0	93 158	93 158
Derivative hedging instruments	**0**	**178 139**	**0**	**178 139**
Interest rate transactions – SWAP	0	178 139	0	178 139

30.09.2023	Level 1	Level 2	Level 3	Total
Financial liabilities				
Financial liabilities measured at fair value through profit or loss	**22 357**	**214 765**	**1 356**	**238 478**
Bonds	22 357	0	0	22 357
SWAP	0	151 718	0	151 718
Cap Floor Options	0	3 487	0	3 487
FRA	0	5 167	0	5 167
FX Swap	0	17 446	0	17 446
FX forward	0	13 302	0	13 302
CIRS	0	2 000	0	2 000
FX options	0	17 574	0	17 574
Other options	0	0	1 356	1 356
Other instruments	0	4 071	0	4 071
Derivative hedging instruments	**0**	**766 294**	**0**	**766 294**
Interest rate swaps - IRS	0	766 294	0	766 294

31.12.2022	Level 1	Level 2	Level 3	Total
Financial liabilities				
Financial liabilities measured at fair value through profit or loss	**9**	**255 456**	**529**	**255 994**
Bonds	0	0	0	0
SWAP	0	187 609	0	187 609
Cap Floor Options	0	2 697	0	2 697
FX Swap	0	44 282	0	44 282
FX forward	0	5 383	0	5 383
CIRS	0	6 705	0	6 705
FX options	0	5 758	0	5 758
Other options	0	0	529	529
Other instruments	9	3 022	0	3 031
Derivative hedging instruments	**0**	**1 678 933**	**0**	**1 678 933**
Interest rate swaps - IRS	0	1 678 933	0	1 678 933

Reconciliation of changes at level 3 of fair value hierarchy

Changes in financial assets and liabilities	Assets		Liabilities	
	30.09.2023	30.09.2022	30.09.2023	30.09.2022
Opening balance	**210 133**	**247 467**	**529**	**10 845**
Acquisitions	29	2 638	29	24
Net changes recognized in other comprehensive income	16 033	25 283	0	0
Net changes recognized in other comprehensive income	4 758	-14 698	798	-1 464

(in PLN '000)

Changes in financial assets and liabilities	Assets		Liabilities	
	30.09.2023	30.09.2022	30.09.2023	30.09.2022
Currency differences	453	15 269	0	0
Settlement / redemption	-78 780	-21 258	0	-9 381
Total	**152 626**	**254 701**	**1 356**	**24**

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.

30.09.2023	Carrying value	Fair value			
		Level 1	Level 2	Level 3	Total
Assets					
Cash and cash equivalents	**3 819 907**	**1 890 570**	**1 929 337**	**0**	**3 819 907**
Amount due from banks	**1 083 636**	**0**	**1 083 636**	**0**	**1 083 636**
Loans and advances to customers	**59 982 894**	**0**	**0**	**59 382 612**	**59 382 612**
Retail segment	**36 126 650**	**0**	**0**	**35 067 660**	**35 067 660**
Consumer loans	14 992 698	0	0	13 531 632	13 531 632
Loans for residential real estate	16 807 479	0	0	17 197 584	17 197 584
Consumer finance loans	4 326 473	0	0	4 338 444	4 338 444
Corporate segment	**23 856 244**	**0**	**0**	**24 314 952**	**24 314 952**
Working capital facility	11 157 265	0	0	11 180 957	11 180 957
Investment loans	4 899 954	0	0	5 130 031	5 130 031
Other	7 799 025	0	0	8 003 964	8 003 964
Assets pledged as collateral	**47 413**	**47 413**	0	0	**47 413**
Investment securities measured at amortized cost	**3 573 279**	**3 552 869**	**0**	**60**	**3 552 929**
Other financial assets	**537 833**	0	0	**537 833**	**537 833**
Liabilities					
Amounts due to banks	**328 828**	**0**	**328 828**	**0**	**328 828**
Current deposits	6 983	0	6 983	0	6 983
Term deposits	43 839	0	43 839	0	43 839
Credit received	159 477	0	159 477	0	159 477
Other liabilities	118 529	0	118 529	0	118 529
Amounts due to customers	**72 867 552**	**0**	**0**	**72 993 405**	**72 993 405**
Current deposits	49 561 958	0	0	49 561 958	49 561 958
Term deposits	21 133 422	0	0	21 133 422	21 133 422
Own issue of banking securities	1 213 345	0	0	1 339 198	1 339 198
Own issue of bonds	410 683	0	0	410 683	410 683
Other liabilities	548 144	0	0	548 144	548 144
Other financial liabilities	**796 067**	**0**	**0**	**796 067**	**796 067**
Subordinated liabilities	**1 174 464**	**0**	**0**	**1 174 464**	**1 174 464**

31.12.2022	Carrying value	Fair value			
		Level 1	Level 2	Level 3	Total
Assets					
Cash and cash equivalents	**2 584 143**	**1 843 785**	**740 358**	**0**	**2 584 143**
Amount due from banks	**2 373 663**	**0**	**2 373 663**	**0**	**2 373 663**
Loans and advances to customers	**57 609 876**	**0**	**0**	**56 259 686**	**56 259 686**
Retail segment	**35 229 849**	**0**	**0**	**33 296 691**	**33 296 691**
Consumer loans	15 115 535	0	0	14 397 150	14 397 150

(in PLN '000)

31.12.2022	Carrying value	Fair value			
		Level 1	Level 2	Level 3	Total
Loans for residential real estate	15 823 033	0	0	14 630 196	14 630 196
Consumer finance loans	4 291 281	0	0	4 269 345	4 269 345
Corporate segment	**22 380 027**	**0**	**0**	**22 962 995**	**22 962 995**
Working capital facility	10 873 912	0	0	11 581 084	11 581 084
Investment loans	4 885 632	0	0	5 061 388	5 061 388
Other	6 620 483	0	0	6 320 523	6 320 523
Assets pledged as collateral	**40 992**	**40 820**	**0**	**0**	**40 820**
Investment securities measured at amortized cost	**6 681 842**	**6 608 409**	**0**	**55**	**6 608 464**
Other financial assets	**511 756**	**0**	**0**	**511 756**	**511 756**
Liabilities					
Amounts due to banks	**270 431**	**0**	**270 431**	**0**	**270 431**
Current deposits	28 022	0	28 022	0	28 022
Credit received	115 467	0	115 467	0	115 467
Other liabilities	126 942	0	126 942	0	126 942
Amounts due to customers	**70 776 809**	**0**	**0**	**70 845 734**	**70 845 734**
Current deposits	49 032 212	0	0	49 032 212	49 032 212
Term deposits	20 455 724	0	0	20 455 724	20 455 724
Own issue of banking securities	751 962	0	0	820 887	820 887
Other liabilities	536 911	0	0	536 911	536 911
Other financial liabilities	**994 741**	**0**	**0**	**994 741**	**994 741**
Subordinated liabilities	**1 163 875**	**0**	**0**	**1 163 875**	**1 163 875**

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

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

Loans and advances to customers:

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

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

Financial liabilities measured at amortised cost

The Group 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 own issues and subordinated loans. Determining the fair value of that group of liabilities, the Group determines the present value on anticipated payments on the basis of present percentage curves and the original spread of the issue.

(in PLN '000)

Other financial assets and liabilities

For other financial instruments, the Group 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

Powszechny Zakład Ubezpieczeń SA is the parent entity for the Bank. Related entities include: PZU SA and entities related to it and entities related to members of the Bank's Management Board and Supervisory Board. Via PZU SA, the 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	30.09.2023	31.12.2022
Other assets	937	4 797
Total assets	**937**	**4 797**
Amounts due to customers	1 842	26
Other liabilities	229	365
Total liabilities	**2 071**	**391**

Subsidiaries of the parent company	30.09.2023	31.12.2022
Cash and cash equivalents	826	540
Investment financial assets measured at fair value through profit or loss	0	71
Loans and advances to customers	58 622	77 363
Other assets	557	51
Total assets	**60 005**	**78 025**
Amounts due to customers	164 018	249 368
Provisions	7	0
Other liabilities	5 977	3 699
Total liabilities	**170 002**	**253 067**

Joint control by persons related to the Group	30.09.2023	31.12.2022
Loans and advances to customers	0	1
Total assets	**0**	**1**
Amounts due to customers	1 118	3 575
Provisions	112	0
Other liabilities	606	0
Amounts due to customers	**1 836**	**3 575**

(in PLN '000)

Subsidiaries of the parent company	30.09.2023	31.12.2022
Off-balance liabilities granted to customers	**25 811**	**7 598**
Relating to financing	25 811	7 598

Joint control by persons related to the Group	30.09.2023	31.12.2022
Off-balance liabilities granted to customers	**200 001**	**0**
Relating to financing	200 001	0

Parent company	01.01.2023 - 30.09.2023	01.01.2022 - 30.09.2022
Interest income calculated using the effective interest method	15 224	13 341
Interest expense	-26	0
Fee and commission income	32 146	39 316
Fee and commission expense	-5 156	-5 525
Net other operating income and expenses	28	69
General administrative expenses	-3 538	-3 712
Total	**38 678**	**43 489**

Subsidiaries of the parent company	01.01.2023 - 30.09.2023	01.01.2022 - 30.09.2022
Interest income calculated using the effective interest method	53 500	55 455
Interest expense	-3 576	-5 562
Fee and commission income	17 985	19 111
Fee and commission expense	-5	-3
The result on financial assets measured at fair value through profit or loss and FX result	-11	3
Net other operating income and expenses	10	810
General administrative expenses	-8 826	-6 185
Net expected credit losses	10	-17
Total	**59 087**	**63 612**

Joint control by persons related to the Group	01.01.2023 - 30.09.2023	01.01.2022 - 30.09.2022
Interest expenses	-60	0
Fee and commission income	563	0
Net expected credit losses	-112	0
Total	**391**	**0**

Transactions with the State Treasury and related entities

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	30.09.2023	31.12.2022
Investment financial assets	**13 443 647**	**14 152 771**
measured at fair value through other comprehensive income	10 049 644	8 395 330
measured at fair value through profit or loss	51 728	12 593
measured at amortized cost	3 342 275	5 744 848
Amounts due from banks	0	197

(in PLN '000)

State Treasury and related entities	30.09.2023	31.12.2022
Loans and advances to customers	513 208	188 506
Total assets	**13 956 855**	**14 341 474**
Financial Liabilities	22 357	0
Amounts due to banks	8 733	12 971
Amounts due to customers	858 979	618 995
Total liabilities	**890 069**	**631 966**

State Treasury and related entities	01.01.2023 - 30.09.2023	01.01.2022 - 30.09.2022
Interest income calculated using the effective interest method	657 133	346 009
Interest expense	-36 958	-19 126
The costs of paid tax	-548 763	-426 469
Total	**71 412**	**-99 586**

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 which covers all employees with its provisions. The Remuneration Policy is reviewed by the Appointment and Remuneration Committee of the Supervisory Board and adopted by the Management Board and approved by the Supervisory Board. As regards persons holding managerial positions, who have a significant impact on the risk profile, the principles of the Policy have been established based on the provisions of the Regulation of the Minister of Finance, Funds and Regional Policy of 8 June 2021 on the risk management system and internal control system as well as the remuneration policy in banks.

Persons having an impact on the Risk Profile (MRT) are members of the Management Board, managing directors and persons identified on the basis of the criteria defined in the Commission Delegated Regulation (EU) 2021/923 of 25 March 2021 supplementing Directive 2013/36 / EU of the European Parliament and of the Council with regard to regulatory technical standards specifying the criteria for determining management responsibilities, control functions, significant business units and the significant impact on the risk profile of a significant business unit, and specifying criteria for identifying employees or categories of staff whose professional activities affect the risk profile of these institutions in a comparable manner as important as in the case of employees or categories of employees referred to in art. 92 sec. 3 of this directive.

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.

30.09.2023	Supervising, managing persons	Supervisory Board	Bank's Management Board
Loans and advances to customers	408	0	408
Total assets	**408**	**0**	**408**
Amounts due to customers	273	0	273
Total liabilities	**273**	**0**	**273**

30.09.2022	Supervising, managing persons	Supervisory Board	Bank's Management Board
Loans and advances to customers	435	0	435

(in PLN '000)

30.09.2022	Supervising, managing persons	Supervisory Board	Bank's Management Board
Total assets	**435**	**0**	**435**
Amounts due to customers	2 395	11	2 384
Total liabilities	**2 395**	**11**	**2 384**

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 2023 recognized in the profit and loss account of the Group in this period amounted to PLN 17 667.9 thousand (in the period from 1 January to 30 September 2022 - PLN 12 342.6 thousand).

31.3 Incentive program for senior executives

The following incentive programs operate in the Alior Bank Spółka Akcyjna 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.

32 Legal claims

In the Bank's opinion, no single court, arbitration court or public administration body proceedings in progress during three quarters of 2023, 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

Case claimed by a 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.

Cases related to the distribution of certificates of participation in investment funds

The Bank, as part of its activities as part of a separate organizational unit - Biuro Maklerskie Alior Bank SA, in the years 2012 - 2016 conducted activities in the field of distribution of certificates of participation in investment funds: Inwestycje Rolne Fundusz Inwestycyjny Zamknięty Aktywów Niepublicznych, Inwestycje Selektywne Fundusz Inwestycyjny Zamknięty Aktywów Niepublicznych, Lasy Polskie Fundusz Inwestycyjny Zamknięty Aktywów Niepublicznych and Vivante Fundusz Inwestycyjny Zamknięty Aktywów Niepublicznych (hereinafter collectively referred to as "Funds"). The bank distributed over 250 thousand investment certificates of the Funds.

On 21 November 2017, the Polish Financial Supervision Authority ("PFSA") issued a decision to withdraw the permit to operate by FinCrea TFI SA, which is the managing body of the Funds. The Polish Financial Supervision Authority justified the issuance of a decision found in the course of administrative proceedings for gross violations of the provisions of the Act on investment funds and management of alternative investment funds. The decision was immediately enforceable. No society has decided to take over the management of the Funds, which, pursuant to Art. 68 sec. 2 in connection with joke. 246 paragraph. 1 point 2 of the Act on Investment Funds and Management of Alternative Investment Funds was the reason for the dissolution of the Funds. The dissolution of an investment fund takes place after liquidation.
The Funds are currently being liquidated by the custodian, Raiffeisen Bank International AG, based in Vienna. The liquidation of an investment fund consists in selling its assets, collecting the fund's receivables, satisfying the fund's creditors and redeeming participation units or investment certificates by paying the funds obtained to fund participants, in proportion to the number of participation units or investment certificates they have (Article 249 (1) of the Act. on investment funds and management of alternative

investment funds). From the day of commencement of liquidation, the investment fund may not sell units or issue investment certificates, as well as buy back participation units or redeem investment certificates and pay out the fund's income or revenues (Article 246 (3) of the aforementioned Act).

Claims for payment
As at 30.09.2023, the Bank is defendant in 155 cases brought by the buyers of the Fund's investment certificates for payment (compensation for damage). The total value of the dispute in these cases is PLN 52.3 million.
In the Bank's opinion, each claims for payment requires an individual approach. The final value of the investment certificates of the Funds will be determined after the completion of the liquidation. However, the Bank conducted a thorough analysis, selected cases and singled out those with specific risk factors, which the Bank took into account in its approach to the provision created on this account. In the calculation of the provision, the Bank also took into account the possible increase in the scale of lawsuits and the higher probability of obtaining unfavorable judgments. The total amount of the provision as at 30 September 2023 amounted PLN 78 million.

Liability claims
The Bank is the defendant in 1 collective action brought by a natural person - a representative of a group of 320 natural and legal persons, for determination of the Bank's liability for damage and in 4 individual cases for establishing the Bank's liability for damage.
The class action was filed on 5 March 2018 against the Bank to determine the Bank's liability for damage caused by the Bank's improper performance of disclosure obligations towards customers and the improper performance of contracts for the provision of services for accepting and transmitting orders to purchase or sell Fund investment certificates. The court decided to hear the case in group proceedings.

On 8 March 2023, the District Court in Warsaw issued a decision to determine the composition of the group. As at the date of this report, this decision is invalid. The value of the subject of the extended claim amounts to approx. PLN 103.9 million.

The lawsuits were filed to establish liability (not for payment, i.e. compensation for damage), therefore the Bank does not anticipate any outflow of cash from these proceedings, other than litigation costs, the amount of which the Bank estimates at PLN 600 thousand.

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 penalty has been paid). 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 S.A. 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 issued a judgment in which it revoked the decision of the Polish Financial Supervision Authority (PFSA) 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 (PFSA) filed a cassation complaint with the Supreme Administrative Court. As at the date of publication of this report, the Supreme Administrative Court has not considered the complaint.

Proceedings before the President of the Office of Competition and Consumer Protection (UOKiK)

Proceedings on provisions of recognizing a standard contract as illegal, the so-called modification clauses

On 27 September 2019, the President of the Office of Competition and Consumer Protection (UOKiK) initiated ex officio proceedings against Alior Bank SA to recognize a standard contract as illegal (reference number RPZ.611.4.2019.PG) the subject of which is 11 clauses (the so-called modification clauses) included in contract templates used by the Bank, on the basis of which the Bank made unilateral changes to contracts concluded with consumers. The President of UOKiK questioned the wording of the provisions in question, among others as imprecise and not allowing consumers to verify the occurrence of premises for the change being made. The Bank corresponds with the President of the Office of Competition and Consumer Protection in this case. The Bank presented to the Office of Competition and Consumer Protection a plan to remove the ongoing effects of the breach from contracts with customers. If it is approved by the President of UOKiK, it will be possible to conduct further discussions on adjusting the questioned modification clauses to the expectations of the President of UOKiK. As at 30 September 2023, the Bank has not identified any rationale for making provisions on this account.

Proceedings on unauthorized payment transactions

UOKiK conducts explanatory proceedings (reference number: RWR.405.4.2021.ET) in order to initially determine whether the Bank's actions taken after consumers reported unauthorized payment transactions referred to in the Act of 19 January 2011 on payment services (Journal U. 2020, item 794, as amended, hereinafter: "uup"), may justify the initiation of proceedings on practices infringing collective consumer interests or proceedings on declaring the provisions of standard contracts illegal. These proceedings are conducted "in the case", the Bank is not a party to them. In it, the Bank provided the documents and information requested by UOKiK. Currently, UOKiK is most likely analyzing the material obtained from the Bank, which describes the practice applied by the Bank covered by the scope of the proceedings. At the moment, the Bank has not received correspondence from UOKiK in which the authority would express reservations to the Bank in connection with the applied practice. Nevertheless, messages appeared on the UOKiK website informing about the initiation of proceedings regarding practices infringing collective consumer interests against 9 other banks whose practice was verified in explanatory proceedings analogous to those conducted against the Bank. Since the Bank applies a similar practice to the questioned one in the case of these 9 banks, it should be expected that the Bank will also receive a decision to initiate proceedings regarding practices infringing collective consumer interests. At the moment, however, it is not possible to estimate how the proceedings, which are currently not instituted, would have developed. In particular, what would UOKiK expect from the manner in which the Bank would remove the effects of the breach, and whether a fine would be imposed on the Bank. In order to make such estimates, it would be necessary to become acquainted with the justification for the decision to initiate the proceedings, which the Bank has not received (so far) and to initiate further correspondence with UOKiK in the case. In addition, the allegations of UOKiK raise doubts in the entire banking sector as to their compliance with European law. The provisions of the Payment Services Act, which UOKiK refers to in the context of these allegations, do not fully reflect the directive implemented therein. This resulted in numerous requests to UOKiK by the Polish Bank Association, as well as the introduction by the Ministry of Finance of a proposal to adapt these provisions to the indicated directive in the draft amendment to the Payment Services Act.

In the Bank's opinion, the complaints submitted so far in the event of a negative position of UOKiK will be recovered by the Bank in court. For the remaining part, as at 30.09.2023, the Bank had a provision in the amount of PLN 2.5 million.

The value of disputed claims amounted to PLN 607 361 thousand as at 30.09.2023 and PLN 533 587 thousand as at the end of 2022.

(in PLN '000)

The value of provisions for disputed claims amounted to PLN 111 936 thousand as at 30.09.2023 and PLN 52 371 thousand as at the end of 2022.

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

On 26 June 2019, to Alior Leasing sp. z o.o. a class action was filed for severance pay, filed by four former members of the company's Management Board who were dismissed by the Supervisory Board on 20 December 2018. The amount of the claimed claim is PLN 645 thousand. On 14 March 2022, the Court of Appeal in Wrocław changed the appealed judgment of the District Court in Wrocław of 11 August 2021 and ordered Alior Leasing to pay the plaintiffs the amount of the claimed claim together with interest for delay from 3 January 2019 to the day of payment. On 12 July 2022, the company filed a cassation appeal to the Court of Appeal in Wrocław, challenging the judgment issued by that court.

In December 2021, the Bank and the leasing company received another (new) summons from the former members of the Management Board of Alior Leasing to an ad hoc arbitration court under the management program; the summons was based on the same factual and legal circumstances as the previous ones. In the opinion of the Company and the Bank, the probability that the dismissed members of the Management Board will successfully obtain benefits under the management program in court is less than 50%. The position of the Company was based on legal opinions obtained by the Management Board of the Company. The above circumstances justify the lack of recognition of such provisions 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 Total capital adequacy ratio and Tier 1 ratio

As at 30 September 2023, total capital adequacy ratio and Tier 1 ratio were calculated in accordance with the Regulation (EU) No 575/2013 of the European Parliament and of the Council of 26 June 2013 on prudential requirements for credit institutions and investment firms and amending Regulation (EU) No 648/2012 (CRR Regulation) and other regulations implementing "national options", among other, the Banking Act of 29 August 1997 (as amended) and Regulation of the Minister of Development and Finance of 25 May 2017 on a higher risk weight for exposures secured by mortgages on real estate (as amended).

In order to calculate the capital adequacy ratio, in third quarter of 2023 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

	30.09.2023	31.12.2022*	31.12.2022
Total equity for the capital adequacy ratio	**8 132 583**	**7 555 807**	**6 796 637**
Tier I core capital (CET1)	7 733 033	6 988 086	6 228 916
Paid-up capital	1 305 540	1 305 540	1 305 540
Supplementary capital	6 020 705	5 401 470	5 401 470
Other reserves	174 447	174 447	174 447
Current year's reviewed by auditor	872 368	683 512	0
Accumulated losses	5 006	-59 270	-59 270
Revaluation reserve – unrealised losses	-191 878	-291 830	-291 830
Intangible assets measured at carrying value	-323 129	-305 826	-305 826

(in PLN '000)

	30.09.2023	31.12.2022*	31.12.2022
Revaluation reserve – unrealised profit	159 246	148 570	148 570
Additional value adjustments - AVA	-16 166	-12 502	-12 502
Other adjustments items (adjustments for IFRS 9 and Art.468 CRR , non-performing exposures coverage gap, deferred tax assets)	-273 106	-56 025	-131 683
Tier II capital	399 550	567 721	567 721
Subordinated liabilities	399 550	567 721	567 721
Capital requirements	**3 900 041**	**3 723 849**	**3 832 108**
Total capital requirements for the credit, counterparty risk, adjustment to credit measurement, dilution and deliver of instruments to be settled at a later date	3 500 491	3 362 968	3 471 227
Total capital requirements for prices of equity securities, prices of debt securities, prices of commodities and FX risk.	4 187	2 781	2 781
Capital requirement relating to the general interest rate risk	16 210	9 980	9 980
Total capital requirements for the operational risk	379 153	348 120	348 120
Tier 1 ratio	**15.86%**	**15.01%**	**13.00%**
Total capital adequacy ratio	**16.68%**	**16.23%**	**14.19%**
Leverage ratio	**8.61%**	**8.19%**	**7.21%**

**On 16 March 2023, the Polish Financial Supervision Authority approved the inclusion of the consolidated profit for 2022 in the Alior Bank Spółka Akcyjna Group's own funds. Including the net profit generated in 2022 as at 31 December, 2022 resulted in an increase in own funds to PLN 7.5 billion and a change in the ratios, as presented in the table above.*

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

The Alior Bank Spółka Akcyjna Group decided to apply the transitional provisions provided for in Regulation 2020/873 with regard to certain adjustments in response to the COVID-19 pandemic, which means that for the purposes of assessing the Group's capital adequacy, the full impact related to the created COVID-19 provisions will not be taken into account.

MREL

The minimum requirements set by the Bank Guarantee Fund regarding own funds and liabilities subject to write-down or conversion ("MREL") applicable to the Group as at 30.09.2023 and untill 30.12.2023 are as follows:

- in relation to TREA 11.68% (of the total risk exposure)
- in relation to TEM 4.46% (total exposure measure).

and from 31 December 2023:

- in relation to TREA 15.36% (of the total risk exposure)
- in relation to TEM 5.91% (total exposure measure).

As at 30 September 2023, the Group met the MREL requirements set by the Bank Guarantee Fund.

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

During three quarters of 2023, significant acquisitions of tangible fixed assets were related to purchase of IT equipment, equipment for the new head office of the Bank in Gdańsk and the continuation of the Bank's activities related to the modernization of the KI branch network - New Branches Format, which had been ongoing since 2019.

During three quarters of 2023, purchase transactions of intangible assets in the Group were related to IT projects planned and implemented at the Bank.

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

(in PLN '000)

During three quarters of 2023, there were no significant transactions in the Group regarding the sale of tangible fixed assets and intangible assets.

35 Distribution of profit for 2022

On 10 May 2023, the Bank's Annual General Meeting decides that the Bank's net profit for 2022, totalling PLN 621 852 413.37 shall be allocated as follows:

- coverage of accumulated losses in the amount of 2 616 575.19,
- allocating the remaining part of the profit in the amount of PLN 619 235 838.18 to supplementary capital, including the non-distributable profit earned on the activities of the Housing Association in the amount of PLN 10 501 106.89.

36 Risk management

Risk management is one of the major processes in Alior Bank Spółka Akcyjna Group. 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 Spółka Akcyjna Group for the year ended 31 December 2022 published on 3 March 2023 and available on the Alior Bank's 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 Spółka Akcyjna Group assets and liabilities as at 30 September 2023 and as at 31 December 2022 (MPLN):

30.09.2023	1D	1M	3M	6M	1Y	2Y	5Y	5Y+	Total
ASSETS	**3 321**	**5 966**	**4 907**	**5 923**	**8 177**	**12 891**	**31 954**	**51 881**	**125 020**
Cash & Nostro	3 134	0	0	0	0	0	0	0	3 134
Amounts due from banks	21	708	0	0	0	0	0	1 040	1 769
Loans and advances to customers	166	2 654	2 860	3 918	7 101	11 156	21 915	45 928	95 698
Securities	0	2 560	1 977	1 983	1 042	1 628	9 701	2 115	21 006
Other assets	0	44	70	22	34	107	338	2 798	3 413
LIABILITIES AND EQUITY	**-53 902**	**-6 233**	**-5 081**	**-5 008**	**-4 945**	**-799**	**-2 009**	**-8 886**	**-86 863**

(in PLN '000)

30.09.2023	1D	1M	3M	6M	1Y	2Y	5Y	5Y+	Total
Amounts due to banks	-126	-71	-10	-15	-30	108	-54	0	-198
Amounts due to customers	-51 964	-6 051	-4 951	-4 612	-3 715	-287	-11	-2	-71 593
Own issues	0	-39	-72	-339	-1 081	-346	-1 267	0	-3 144
Equity	0	0	0	0	0	0	0	-8 584	-8 584
Other liabilities	-1 812	-72	-48	-42	-119	-274	-677	-300	-3 344
Balance sheet gap	**-50 581**	**-267**	**-174**	**915**	**3 232**	**12 092**	**29 945**	**42 995**	**38 157**
Cumulated balance sheet gap	**-50 581**	**-50 848**	**-51 022**	**-50 107**	**-46 875**	**-34 783**	**-4 838**	**38 157**	
Derivative instruments – inflows	0	4 965	2 217	265	185	130	3	0	7 765
Derivative instruments – outflows	0	-4 934	-2 200	-262	-180	-127	-3	0	-7 706
Derivative instruments – net	**0**	**31**	**17**	**3**	**5**	**3**	**0**	**0**	**59**
Guarantee and financing lines	-11 717	0	0	0	0	0	0	0	-11 717
Off-balance sheet gap	**-11 717**	**31**	**17**	**3**	**5**	**3**	**0**	**0**	**-11 658**
Total gap	**-62 298**	**-236**	**-157**	**918**	**3 237**	**12 095**	**29 945**	**42 995**	**26 499**
Total cumulated gap	**-62 298**	**-62 534**	**-62 691**	**-61 773**	**-58 536**	**-46 441**	**-16 496**	**26 499**	

31.12.2022	1D	1M	3M	6M	1Y	2Y	5Y	5Y+	Total
ASSETS	**2 661**	**5 016**	**3 856**	**4 439**	**8 375**	**15 636**	**28 652**	**55 182**	**123 817**
Cash & Nostro	2 422	0	0	0	0	0	0	0	2 422
Amounts due from banks	69	346	0	0	0	0	0	2 120	2 535
Loans and advances to customers	170	1 466	3 239	3 785	6 847	11 402	21 742	47 034	95 685
Securities	0	3 187	558	618	1 482	4 146	6 647	2 910	19 548
Other assets	0	17	59	36	46	88	263	3 118	3 627
LIABILITIES AND EQUITY	**-53 341**	**-4 701**	**-5 796**	**-4 259**	**-4 362**	**-2 417**	**-2 227**	**-6 461**	**-83 564**
Amounts due to banks	-155	-3	-10	-13	-15	-28	-54	0	-278
Amounts due to customers	-51 129	-4 645	-5 730	-4 148	-3 892	-805	-36	-3	-70 388
Own issues	0	0	-17	-41	-160	-1 146	-861	0	-2 225
Equity	0	0	0	0	0	0	0	-6 170	-6 170
Other liabilities	-2 057	-53	-39	-57	-295	-438	-1 276	-288	-4 503
Balance sheet gap	**-50 680**	**315**	**-1 940**	**180**	**4 013**	**13 219**	**26 425**	**48 721**	**40 253**
Cumulated balance sheet gap	**-50 680**	**-50 365**	**-52 305**	**-52 125**	**-48 112**	**-34 893**	**-8 468**	**40 253**	
Derivative instruments – inflows	0	4 716	1 491	307	1 406	140	124	0	8 184
Derivative instruments – outflows	0	-4 738	-1 470	-295	-1 388	-133	-121	0	-8 145
Derivative instruments – net	**0**	**-22**	**21**	**12**	**18**	**7**	**3**	**0**	**39**
Guarantee and financing lines	-10 204	0	0	0	0	0	0	0	-10 204
Off-balance sheet gap	-10 204	**-22**	**21**	**12**	**18**	**7**	**3**	**0**	-10 165
Total gap	**-60 884**	**293**	**-1 919**	**192**	**4 031**	**13 226**	**26 428**	**48 721**	**30 088**
Total cumulated gap	**-60 884**	**-60 591**	**-62 510**	**-62 318**	**-58 287**	**-45 061**	**-18 633**	**30 088**	

37 Events significant to the business operations of the Group

Adoption of the Strategy of Alior Bank Spółka Akcyjna Group for 2023-2024

On 6 February 2023, the Bank's Management Board provided assistance and the Bank's Supervisory Board approved the Strategy of the Alior Bank Spółka Akcyjna Group for 2023-2024 **"Your Bank of everyday life, your Bank for the future".**

Introduction of series M bonds to trading on the main market

On 28 June 2023 the Management Board of the Warsaw Stock Exchange adopted resolution No. 688/2023 pursuant to which it decided to introduce to trading on the main market (Catalyst) as of 30 June 2023, up to 1 000 series M bearer bonds issued by the Alior Bank SA, with a nominal value of PLN 400 000 each, redemption date of 26 June 2026 and registered by the National Depository for Securities S.A. under the ISIN code: PLALIOR00250 and to list these bonds in the continuous trading system under the abbreviated name "ALR0626".

Introduction of a mortgage loan to the Bank's offer under the First Apartment - Safe 2% loan program

In the third quarter of 2023, the Bank started granting mortgage loans under the First Apartment - Safe 2% loan program. The program met with great interest from customers, which resulted in a significant increase in mortgage loans granted by Alior Bank. The Bank expects that for at least the next quarter, sales of mortgage loans will remain at an increased level, which will have a positive impact on the Bank's results.

Assessment of the impact of the IBOR reform on the Bank's situation

As at 1 January 2018, a new standard for the provision of benchmarks applies in the European Union, the legal basis of which is Regulation (EU) 2016/1011 of the European Parliament and of the Council on indices used as benchmarks in financial instruments and financial contracts or for measuring the performance of investment funds (hereinafter: BMR regulation, IBOR reform). The main goal of the EU bodies during the work on the IBOR reform was the need to increase consumer protection. In accordance with the IBOR reform, all benchmarks that are the basis for determining interest on loans or the interest rate for various financial instruments must be calculated and applied according to strictly defined rules, so as to avoid suspicion of any fraud. The benchmark according to the IBOR reform, in particular:

- is to be based primarily on transaction data,
- is to faithfully reflect the underlying market, the measurement of which is the purpose of the indicator,
- is to be verifiable by the administrator,
- is to be resistant to manipulation,
- it is to be transparent for the recipients of benchmarks.

The Bank has undertaken and implemented a number of activities to implement IBOR, i.e .:

- the contingency plan was amended, which in particular includes a scheme of actions in the event of a significant change or discontinuation of the development of a given benchmark and a list of benchmarks used with their alternatives,
- priorities for annexing contracts to replace expired indicators were adopted,
- templates of annexes were prepared and introduced for contracts to which the IBOR relates,
- the process of annexing the contracts was carried out,
- an information and reminding campaign aimed at clients was conducted,
- employee training in the field of IBOR was conducted,
- the first OIS transactions based on new reference indicators (ESTR, SOFR) were concluded.

The Bank monitors the activities of regulators and benchmark administrators, both at the national, European and global level, in terms of benchmarks. The Bank is involved in the work of the National Working Group for WIBOR reform.

(in PLN '000)

In connection with the IBOR reform, the Bank is exposed to the following types of risk:

Legal events

In particular, this applies to the possibility of questioning the applicable provisions in the client's contract with the Bank and the lack of agreement on the application of fallback provisions regarding benchmarks. Fallback clauses define the action plan that the Bank intends to launch in the event of discontinuation of publication or a significant change in the benchmark.

The reason for questioning the contractual provisions may be, in particular, the difference between the values of the benchmarks. The Bank manages the risks resulting from the IBOR reform by actively annexing the agreements with the Bank's customers. The difference in the levels of reference ratios is mitigated by the bank by applying appropriate adjustment adjustments, eliminating the economic impact of changing the ratio on the contract with the customer.

Interest rate risk

It relates to the mismatch of benchmarks between assets, liabilities and derivatives. The Bank manages these risks using the same solutions in individual products, leading to the greatest possible methodological convergence between them.

Additionally, the interest rate risk may materialize, especially with regard to the LIBOR EUR rate, in the form of unsuccessful annexes to contracts with customers. As a result, the rate in the customer contract from the last day of LIBOR EUR validity, from the last revaluation date or at zero is maintained. The Bank reduces this risk by actively encouraging customers to add amendments to their contracts and as part of the ongoing management of exposure to interest rate risk in the banking book.

As at 30 September 2023, the IBOR reform in relation to the currencies to which the Bank has exposures was largely completed; in the sense that, apart from the continuation of the annexation processes, no additional activities are envisaged. It should also be taken into account that for objective reasons (each client would have to agree to the annex), it will never be possible to annex every contract covered by this process. The table below presents the status of transition to new benchmarks according to the IBOR reform.

Currency	Benchmark before reform	Benchmark status at 01.01.2023	Benchmark used by the Bank after reform	30.06.2023	31.12.2022
PLN	WIBOR	Compatible with BMR	WIRON	Portfolio annexation in progress (in terms of fallback clauses)	Portfolio annexation in progress (in terms of fallback clauses)
EUR	LIBOR EUR	Liquidated	EURIBOR	Portfolio annexation in progress - index change from EUR LIBOR to EURIBOR (currently isolated cases)	Portfolio annexation in progress - index change from EUR LIBOR to EURIBOR (currently isolated cases)
EUR	EURIBOR	Compatible with BMR	EURIBOR	Portfolio was not annexed	Portfolio was not annexed
USD	LIBOR USD	In liquidation scheduled for the end of September 2024* from 07.2023 developed as a synthetic indicator	SOFR	The process of annexing the LIBOR USD portfolio started in June 2023. The annexation concerns the change of the index from LIBOR USD to SOFR.	Portfolio annexing not started**
CHF	LIBOR CHF	Liquidated	SARON	Portfolio annexing completed. The change of the index took place in accordance with the Commission Implementing Regulation (EU) 2021/1847 of 14 October 2021.	Portfolio annexing completed

(in PLN '000)

Currency	Benchmark before reform	Benchmark status at 01.01.2023	Benchmark used by the Bank after reform	30.06.2023	31.12.2022
GBP	LIBOR GBP	In the process of liquidation scheduled for the end of March 2024; developed as a synthetic indicator	SONIA	Portfolio annexation in progress - index change from LIBOR GBP to SONIA (currently isolated cases)	Portfolio annexation in progress - index change from LIBOR GBP to SONIA (currently isolated cases)

**On 23 November 2022, the FCA (Financial Conduct Authority - british supervisory authority) launched public consultations on, among others, future of USD LIBOR. A proposal to publish USD LIBOR for 1M, 3M and 6M tenors after 30 June 2023 in a synthetic form, until 30 September 2024, is being considered.*
***Due to the regulation of LIBOR CHF liquidation by the European Commission Implementing Regulation of 14 October 2021 (according to which LIBOR CHF is replaced by properly constructed indicators based on the SARON indicator), customers are practically not interested in concluding an annex aimed at simply supplementing in the contract of emergency clauses (to secure the contract for a similar event in the future). Nevertheless, the Bank never formally withdrew from its offer to conclude such an annex.*

All new contracts concluded after 31 December 2021 contain appropriate fallback clauses, mitigating the risk related to the discontinuation of publication of benchmarks.

Benchmarks compliant with the BMR are benchmarks that have been approved by the relevant entity defined under the BMR (ESMA register - European Securities and Markets Authority - https://www.esma.europa.eu/policy-rules/benchmarks).

As at 31 December 2021, the publication of LIBOR EUR, LIBOR CHF and LIBOR GBP (for most tenors) was suspended.

GBP LIBOR synthetic indices will be published by the end of March 2024, allowing for a smooth transition to SONIA-based indices.

As regards USD LIBOR, the British supervisory authority stopped publishing indicators as of 30 June 2023.

As regards the substitute for CHF LIBOR, the Bank relies on the Implementing Regulation of the European Commission of 14 October 2021, according to which the replacement for CHF LIBOR are appropriately constructed indicators based on the SARON index.

For EUR LIBOR, the Bank continues to annex loan contracts.

For GBP LIBOR, the Bank also conducts an annexation campaign. In the case of contracts that have not been annexed, the Bank will use the GBP LIBOR index developed in synthetic indicator (https://www.theice.com/ibs/libor).

WIBOR (https://gpwbenchmark.pl/dokumentacja) and EURIBOR (https://www.emmi-benchmarks.eu/benchmarks/euribor/) are compliant with the BMR Regulation, the Bank will annex contracts based on the WIBOR index due to the need to include fallback clauses in the contracts.

The Steering Committee of the National Working Group (SC NWG), established in connection with the planned reform of benchmarks choose the WIRON index as an alternative reference rate indicator, whose input data is information representing ON (overnight) transactions. The administrator of WIRON within the meaning of the BMR Regulation is GPW Benchmark, entered in the register of the European Securities and Markets Authority (ESMA).

The next step of SC NWG was the adoption of the so-called a road map specifying the schedule of activities aimed at replacing the WIBOR reference indicator with the WIRON indicator. From December 2022 WIRON can be used on the Polish market in new financial instruments. In turn, the discontinuation of the development and publication of the WIBOR reference index is to take place from the beginning of 2025.

The Bank's exposure by individual IBOR reference ratios

(in PLN '000)

Reference indicator	Assets (gross carrying amount)	Liabilities (gross carrying amount)	Off-balance sheet liabilities - granted (nominal value)	Derivatives (nominal value)
WIBOR	47 542 067	10 793 763	4 828	19 082 647
LIBOR EUR	8 936	0	0	0
LIBOR USD	92 961	0	1	192 308
LIBOR CHF	5 498	0	0	0
EURIBOR	5 673 710	5 279	2 078	553 757
LIBOR GBP	300 222	0	0	0
Total	**53 623 394**	**10 799 042**	**6 908**	**19 828 712**

Bank's exposure of transactions concluded under hedge accounting broken down by reference ratios

Reference indicator	Derivatives (nominal value)
WIBOR	18 973 000
EURIBOR	547 001
Total	**19 520 001**

38 Significant events after the end of the reporting period

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

39 Financial forecast

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

40 Factors that may affect the results by the end of 2023

The ongoing armed conflict in Ukraine in the context of geopolitical tensions and volatility in financial markets remains one of the most important uncertainty factors in the coming periods. Economically, the main effects of the war relate to trade disruptions related to both the conflict itself and the sanctions imposed. Another element is the stability of the energy system, especially in relation to the European Union and Poland, which on the one hand depend on the supply of raw materials such as oil and gas. On the other hand, the share of imports of these raw materials from Russia systematically decreased over the course of 2023. It is also worth emphasizing security issues in the region. As a consequence, the risks related to the war in Ukraine for the global and domestic economy materialized to the greatest extent through a significant acceleration of inflation due to more expensive raw materials, food and disruptions in supply chains, and may still be significant at the turn of 2023/2024, especially in the context of a significant reduction in supplies. energy raw materials from Russia to the European Union and the continued increase in oil prices.

Despite the containment of inflation, it remains at an elevated level, and bringing it closer to the target will be a long-term process. This determines monetary policy in many countries, including the United States and the euro zone, and leads to relatively high interest rates for a longer period of time. This means that the risks of prolonged low global economic activity have significantly increased. In Poland, among others The faster-than-expected pace of inflation decline gave the green light to the Monetary Policy Council (MPC) to start the cycle of monetary policy easing. In September, interest rates in Poland were reduced by 0.75 percentage points, including the reference rate to 6.00%. In October 2023, inflation was already single-digit (according to the Central Statistical Office's flash estimate, 8.2% y/y), and the Monetary Policy Council reduced interest rates by 0.25 percentage points. Despite the easing of monetary policy and the gradual improvement of the economic situation at the turn of 2023/2024, the domestic economy will still face increased inflation and high debt costs. On the other hand, economic growth will be supported by improved sentiment among households and enterprises. Moreover, a significant reduction in gas supplies from Russia still raises certain risks of unbalancing the demand for this raw material both in Poland and in our main trading partner - Germany, in the event of a more severe winter. Although the efforts made in 2022 and 2023 to diversify the supply of energy raw materials reduce this risk.

For the banking sector, on the one hand, the prolongation of the period of increased inflation and interest rates in Poland may still have a negative impact on the valuation of assets held on the balance sheet. On the other hand, interest rate cuts will mitigate this impact. However, the decline in interest rates will translate into a reduction in interest income. In the conditions of increased inflation and interest rates, low economic activity, as well as still restrictive credit policy, the demand for credit will remain subdued y/y. However, with the gradual improvement of the economic situation and reductions in interest rates, the demand for loans will recover. Additional support in this respect is provided by the Safe Credit 2% program, which was launched on July 3, 2023, which translates into an increase in demand for housing loans and may also support the demand for consumer loans as part of the purchase of durable goods. The gradual improvement of the economic situation, together with the still relatively good situation on the labor market and the reconstruction of the purchasing power of households (positive dynamics of real wages) will contribute to the improvement of the condition of borrowers and a decrease in credit risk. Legal risks related to the portfolio of loans indexed in foreign currencies remain a challenge in the sector.

The CJEU judgment regarding remuneration for the use of capital in invalidated loans indexed in foreign currencies is unfavorable for the banking sector. In mid-June 2023, the opinion of the CJEU Advocate General from February 2023 was upheld. On the one hand, as a result, the banking sector will be burdened with establishing further provisions for legal risk, which will contribute to the weakening of banks' capital positions. On the other hand, the banking sector was prepared for such a judgment and should remain stable and resistant to its effects, although in the opinion of the Polish Financial Supervision Authority the judgment will have a negative impact on banks' ability to finance the economy. Moreover, the CJEU judgment issued on September 21, 2023 once again sides with the consumer, which will most likely speed up ongoing court cases with banks.

After the symptoms of the banking sector crisis in the second quarter of 2023 in the United States and, to a lesser extent, in Europe, given the possibility of further tightening of monetary policy in the United States and the euro zone, there is still a risk to the stability of the financial sector, although the situation is monitored on an ongoing basis by central banks. According to the assurances of European central bankers and supervisory authorities, the financial system in Europe is more stable than in the United States.

Interim condensed separate financial statements of Alior Bank Spółka Akcyjna for the 9-month period ended 30 September 2023

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(in PLN '000)

Interim condensed separate income statement

	01.07.2023-30.09.2023	01.01.2023-30.09.2023	01.07.2022-30.09.2022	01.01.2022-30.09.2022
Interest income calculated using the effective interest method	1 818 375	5 323 118	1 132 642	3 474 799
Income of a similar nature	42 145	124 119	27 763	60 408
Interest expense	-666 067	-2 043 159	-596 375	-1 156 226
Net interest income	**1 194 453**	**3 404 078**	**564 030**	**2 378 981**
Fee and commission income	403 966	1 218 043	394 758	1 127 917
Fee and commission expense	-264 679	-721 988	-226 759	-616 444
Net fee and commission income	**139 287**	**496 055**	**167 999**	**511 473**
Dividend income	8 668	11 199	5 001	11 709
The result on financial assets measured at fair value through profit or loss and FX result	49 509	68 260	-20 407	13 268
The result on derecognition of financial instruments not measured at fair value through profit or loss	2 925	6 690	171	1 655
measured at fair value through other comprehensive income	2 674	6 181	6	1 218
measured at amortized cost	251	509	165	437
Other operating income	18 395	57 268	17 272	62 624
Other operating expenses	-25 090	-79 868	-24 933	-73 080
Net other operating income and expenses	**-6 695**	**-22 600**	**-7 661**	**-10 456**
General administrative expenses	-455 720	-1 394 327	-431 418	-1 467 462
Net expected credit losses	-143 968	-499 976	-250 566	-658 913
The result on impairment of non-financial assets	-199	-1 180	-930	-36 811
Cost of legal risk of FX mortgage loans	-5 389	-8 175	-15 124	-39 562
Banking tax	-64 997	-196 112	-66 995	-197 076
Gross profit	**717 874**	**1 863 912**	**-55 900**	**506 806**
Income tax	-157 205	-454 603	-22 863	-208 924
Net profit	**560 669**	**1 409 309**	**-78 763**	**297 882**
Weighted average number of ordinary shares	130 553 991	130 553 991	130 553 991	130 553 991
Basic/diluted net profit per ordinary share (in PLN)	4.29	10.79	-0.60	2.28

Interim condensed separate statement of comprehensive income

	01.07.2023-30.09.2023	01.01.2023-30.09.2023	01.07.2022-30.09.2022	01.01.2022-30.09.2022
Net profit	**560 669**	**1 409 309**	**-78 763**	**297 882**
Items that may be reclassified to the income statement after certain conditions are satisfied	**327 328**	**971 385**	**187 275**	**-796 294**
Foreign currency translation differences	-1 262	-177	-1 405	-1 597
Results of the measurement of financial assets (net)	**995**	**110 804**	**5 806**	**-166 517**
Profit/loss on valuation of financial assets measured at fair value through other comprehensive income	3 251	138 797	7 151	-207 604
Deferred tax	-2 256	-27 993	-1 345	41 087
Results on the measurement of hedging instruments (net)	**327 595**	**860 758**	**182 874**	**-628 180**
Gains/losses on hedging instruments	404 438	1 062 664	225 770	-775 531
Deferred tax	-76 843	-201 906	-42 896	147 351
Total comprehensive income, net	**887 997**	**2 380 694**	**108 512**	**-498 412**

The notes presented on pages 64-66 constitute an integral part of these interim condensed separate financial statements.

(in PLN '000)

Interim condensed separate statement of financial position

ASSETS	30.09.2023	31.12.2022
Cash and cash equivalents	3 799 026	2 565 406
Amounts due from banks	1 083 636	2 373 663
Investment financial assets	18 278 563	16 998 356
measured at fair value through other comprehensive income	14 304 999	9 893 476
measured at fair value through profit or loss	400 285	423 038
measured at amortized cost	3 573 279	6 681 842
Derivative hedging instruments	331 902	178 139
Loans and advances to customers	59 861 164	57 509 965
Assets pledged as collateral	47 413	40 992
Property, plant and equipment	714 959	732 404
Intangible assets	370 194	362 198
Inwestments in subsidiaries and associates	221 238	221 238
Non-current assets held for sale	0	1 611
Income tax assets	843 042	1 222 958
deferred income tax assets	843 042	1 222 958
Other assets	513 051	478 334
TOTAL ASSETS	**86 064 188**	**82 685 264**

LIABILITIES AND EQUITY	30.09.2023	31.12.2022
Amounts due to banks	197 822	182 934
Amounts due to customers	72 881 374	70 763 793
Financial liabilities	238 478	255 994
Derivative hedging instruments	766 294	1 678 933
Provisions	264 676	267 774
Other liabilities	1 797 606	1 980 207
Income tax liabilities	201 381	230 355
current income tax liabilities	201 381	230 355
Subordinated liabilities	1 174 464	1 163 875
Total liabilities	**77 522 095**	**76 523 865**
Share capital	1 305 540	1 305 540
Supplementary capital	6 020 705	5 401 470
Revaluation reserve	-368 014	-1 339 576
Other reserves	174 447	174 447
Foreign currency translation differences	106	283
Accumulated losses	0	-2 617
Profit for the period	1 409 309	621 852
Equity	**8 542 093**	**6 161 399**
TOTAL LIABILITIES AND EQUITY	**86 064 188**	**82 685 264**

The notes presented on pages 64-66 constitute an integral part of these interim condensed separate financial statements.

(in PLN '000)

Interim condensed separate statement of changes in equity

01.01.2023 - 30.09.2023	Share capital	Supplementary capital	Other reserves	Revaluation reserve	Exchange differences on revaluation of foreign units	Retained earnings	Total equity
At 1 January 2023	**1 305 540**	**5 401 470**	**174 447**	**-1 339 576**	**283**	**619 235**	**6 161 399**
Transfer of last year's profit	0	619 235	0	0	0	-619 235	0
Comprehensive income	**0**	**0**	**0**	**971 562**	**-177**	**1 409 309**	**2 380 694**
net profit	0	0	0	0	0	1 409 309	1 409 309
other comprehensive income:	0	0	0	971 562	-177	0	971 385
incl. financial assets measured at fair value through other comprehensive income	0	0	0	110 804	0	0	110 804
incl. hedging instruments	0	0	0	860 758	0	0	860 758
incl. currency translation differences	0	0	0	0	-177	0	-177
At 30 September 2023	**1 305 540**	**6 020 705**	**174 447**	**-368 014**	**106**	**1 409 309**	**8 542 093**

01.01.2022 - 31.12.2022	Share capital	Supplementary capital	Other reserves	Revaluation reserve	Exchange differences on revaluation of foreign units	Retained earnings	Total equity
At 1 January 2022	**1 305 540**	**5 399 229**	**174 447**	**-906 659**	**-43**	**-376**	**5 972 138**
Transfer of last year's profit	0	2 241	0	0	0	-2 241	0
Comprehensive income	**0**	**0**	**0**	**-432 917**	**326**	**621 852**	**189 261**
net profit	0	0	0	0	0	621 852	621 852
other comprehensive income – valuations	**0**	**0**	**0**	**-432 917**	**326**	**0**	**-432 591**
incl. financial assets measured at fair value through other comprehensive income	0	0	0	-141 515	0	0	-141 515
incl. hedging instruments	0	0	0	-291 402	0	0	-291 402
incl. currency translation differences	0	0	0	0	326	0	326
At 31 December 2022	**1 305 540**	**5 401 470**	**174 447**	**-1 339 576**	**283**	**619 235**	**6 161 399**

01.01.2022 - 30.09.2022	Share capital	Supplementary capital	Other reserves	Revaluation reserve	Exchange differences on revaluation of foreign units	Retained earnings	Total equity
At 1 January 2022	**1 305 540**	**5 399 229**	**174 447**	**-906 659**	**-43**	**-376**	**5 972 138**
Transfer of last year's profit	0	2 241	0	0	0	-2 241	0
Comprehensive income	**0**	**0**	**0**	**-794 697**	**-1 597**	**297 882**	**-498 412**
net profit	0	0	0	0	0	297 882	297 882
other comprehensive income:	0	0	0	-794 697	-1 597	0	-796 294
incl. financial assets measured at fair value through other comprehensive income	0	0	0	-166 517	0	0	-166 517
incl. hedging instruments	0	0	0	-628 180	0	0	-628 180
incl. currency translation differences	0	0	0	0	-1 597	0	-1 597
At 30 September 2022	**1 305 540**	**5 401 470**	**174 447**	**-1 701 356**	**-1 640**	**295 265**	**5 473 726**

The notes presented on pages 64-66 constitute an integral part of these interim condensed separate financial statements.

(in PLN '000)

Interim condensed separate statement of cash flows

	01.01.2023- 30.09.2023	01.01.2022- 30.09.2022*
Operating activities		
Profit before tax for the period	**1 863 912**	**506 806**
Adjustments:	**172 496**	**190 890**
Unrealized foreign exchange gains/losses	-177	-1 597
Amortization/depreciation of property, plant and equipment and intangible assets	182 642	167 336
Change in property, plant and equipment and intangible assets impairment write-down	1 180	36 811
Dividends received	-11 199	-11 709
Short-term lease contracts	50	49
The gross profit after adjustments but before increase/decrease in operating assets/liabilities	**2 036 408**	**697 696**
Change in loans and receivables	-1 061 172	-1 178 816
Change in financial assets measured at fair value through other comprehensive income	-4 288 743	742 500
Change in financial assets measured at fair value through profit or loss	22 753	-241 098
Change in assets pledged as collateral	-47 413	0
Change in non-current assets held for sale	1 611	0
Change in other assets	-34 717	22 152
Change in deposits	1 239 262	-88 405
Change in own issue	872 066	37 384
Change in financial liabilities	-17 516	198 401
Change in hedging derivative	-3 738	164 534
Change in other liabilities	-70 552	610 174
Change in provisions	-3 098	-31 084
Cash from operating activities before income tax	**-1 354 849**	**933 438**
Income tax paid	-332 170	-110 977
Net cash flow from operating activities	**-1 687 019**	**822 461**
Investing activities		
Outflows:	**-136 546**	**-892 432**
Purchase of property, plant and equipment	-55 788	-70 021
Purchase of intangible assets	-49 969	-29 859
Acquisition of shares in subsidiaries, net of acquired cash	0	-5 000
Purchase of assets measured at amortized cost	-30 789	-787 552
Inflows:	**3 200 546**	**2 078 243**
Disposal of property, plant and equipment	16 671	17 643
Disposal of assets measured at amortized cost	3 183 875	2 060 600
Net cash flow from investing activities	**3 064 000**	**1 185 811,0**
Financing activities		
Outflows:	**-143 361**	**-305 417**
Prniciple payments - subordinated lliabilities	0	-195 459
Interest payments – subordinated lliabilities	-74 513	-39 710
Prniciple payments - lease liabilities	-61 809	-66 920
Interest payments - lease liabilities	-7 039	-3 327
Inflows:	**0**	**0**
Net cash flow from financing activities	**-143 361**	**-305 417**
Total net cash flow	**1 233 620**	**1 702 855**
incl. exchange gains/(losses)	**-16 591**	**196 912**
Balance sheet change in cash and cash equivalents	**1 233 620**	**1 702 855**
Cash and cash equivalents, opening balance	2 565 406	3 723 577
Cash and cash equivalents, closing balance	3 799 026	5 426 432
Additional disclosures on operating cash flows		
Interests received	5 059 168	3 006 797
Interests paid	-1 981 963	-734 221

**Details in note 3*

The notes presented on pages 64-66 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-moth period ended 30 September 2023 have been prepared in accordance with the International Accounting Standard 34 "Interim Financial Reporting" as adopted by the European Union and in accordance with the requirements set out in the Regulation of the Minister of Finance of 29 of March 2018 on current and periodic information provided by issuers of securities and the conditions for recognizing as equivalent information required by the law of a non-member state.

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 2023 to 30 September 2023, and interim condensed separate statement of financial position as at 30 September 2023 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 2023.

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 2023.

2 Accounting principles

The accounting principles are presented in detail in the annual financial statements of Alior Bank SA ended 31 December 2022, published on 3 March 2023 and available on the Alior Bank SA website. Changes in accounting principles effective from 1 January 2023 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

Compared to the consolidated financial statements prepared as at 30 September 2022, the Bank changed the way of presenting certain items of the cash flow statement:

Change 1

Changes in derivatives hedging both assets and liabilities are presented jointly.

Change 2

Changes in fair value measurements recognized in other comprehensive income were excluded from changes in individual assets and liabilities.

Change 3

The change in assets measured at amortized cost was transferred to investing activities.

(in PLN '000)

Position	Published 30.09.2022	chnage 1	change 2	change 3	Total changes	Restated 30.09.2022
Change in financial assets measured at fair value through other comprehensive income	957 782	0	-215 282	0	-215 282	742 500
Change in financial assets measured at amortised cost	1 350 179	0	0	-1 350 179	-1 350 179	0
Change in derivative hedging assets	-69 026	69 026	0	0	69 026	0
Change in hedging liabilities derivative	1 009 091	-1 009 091	0	0	-1 009 091	0
Change in hedging derivatives	0	940 065	-775 531	0	164 534	164 534
Change in assets pledged as collateral	-109 247	0	0	109 247	109 247	0
Change in other liabilities	-348 523	0	990 813	-32 116	958 697	610 174
Total net cash flows from operating activities - decrease	**2 790 256**	**0**	**0**	**-1 273 048**	**-1 273 048**	**1 517 208**
Acquisition of assets measured at amortized cost	0	0	0	-787 552	-787 552	-787 552
Disposal of assets measured at amortized cost	0	0	0	2 060 600	2 060 600	2 060 600
Total net cash flows from investing activities - increase	**0**	**0**	**0**	**1 273 048**	**1 273 048**	**1 273 048**

4 Off - balance-sheet items

Off-balance sheet items are described in Note 28 to the interim condensed consolidated financial statements of the Alior Bank Spółka Akcyjna Group.

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 2023 and the date of this report was as follows:

Company's name - subsidaries	25.10.2023	30.09.2023	31.12.2022
Alior Services sp. z o.o.	100%	100%	100%
Alior Leasing sp. z o.o.	100%	100%	100%
- AL Finance sp. z o.o.	*100%*	*100%*	*100%*
*- Alior Leasing Individual sp. z o.o. **	*90% - Alior Leasing sp.z o.o.* *10% - AL Finance sp. z o.o.*	*90% - Alior Leasing sp.z o.o.* *10% - AL Finance sp. z o.o.*	-
Meritum Services ICB SA	100%	100%	100%
Alior TFI SA	100%	100%	100%
Absource sp. z o.o.	100%	100%	100%
Corsham sp. z o.o.	100%	100%	100%
RBL_VC sp. z o.o.	100%	100%	100%
RBL_VC sp z o.o. ASI spółka komandytowo-akcyjna	100%	100%	100%

**Alior Leasing Individual sp. z o. o. was established on 29 August 2023, and its registration in the National Court Register took place on 23 October 2023. The Company's share capital amounts to PLN 100 000 and is divided into 100 shares with a nominal value of PLN 1 000 each. Shares in the Company's share capital were acquired by; Alior Leasing sp. z o. o. and AL Finance sp. z o. o. (Alior Leasing sp. z o. o. 90 shares with a total nominal value of PLN 90 000 and AL Finance sp. z o. o. 10 shares with a total nominal value of PLN 10 000)*

Subsidiaries	30.09.2023	31.12.2022
Loans and advances to customers	4 850 012	4 020 455
Other assets	1 314	411
Total assets	**4 851 326**	**4 020 866**

(in PLN '000)

Subsidiaries	30.09.2023	31.12.2022
Amounts due to customers	96 969	87 945
Provisions	1 497	968
Other liabilities	2 403	1 267
Total liabilities	**100 869**	**90 180**

Subsidiaries	30.09.2023	31.12.2022
Off-balance liabilities granted to customers	**390 034**	**576 833**
relating to financing	269 631	456 430
guarantees	120 403	120 403

Subsidiaries	01.01.2023 -30.09.2023	01.01.2022 -30.09.2022
Interest income calculated using the effective interest method	251 731	163 179
Interest expences	-1 554	-1 006
Fee and commission income	5 074	3 458
Fee and commission expense	-292	-332
Dividend income	11 064	11 261
The result on financial assets measured at fair value through profit or loss and FX result	-25	17
Other operating income	2 656	2 432
Other operating expenses	-1	-1
General administrative expense	-7 773	-6 262
Net expected credit losses	3 643	-3 118
Total	**264 523**	**169 628**

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.