

IV. Standalone and Consolidated Statement on Non-Financial Information of Alior Bank S.A

Group of Alior Bank S.A. and Alior Bank S.A. – Parent Entity

Who we are



Alior Bank is a national universal bank and one of the most modern and innovative financial institutions in Poland. This is a place for people who have ideas and business courage to set new standards in banking. Our offer comprises services and products for individual and business

customers, including small and medium-sized enterprises and institutional customers. We combine the principles of traditional banking with innovative solutions – as a result, we have been regularly strengthening our market position and for years we have been consistently setting new development directions of Poland's banking.

KEY FIGURES – the Bank's position among the biggest banks in Poland



The operations of the Group of Alior Bank S.A. extend to comprise several different, but inter-related segments. This is closely related to the operations of the companies making up the Group. Apart from banking activities, the operations of the Group cover, among others: leasing activities, insurance agency services, asset management, search for and identification of external partners to co-operate in offering non-banking products, IT and computer technologies services, as well as other activities related to IT, online financial intermediation services.

The Bank's core business covers maintenance of bank accounts, granting loans, issue of bank securities, and purchase and sale of foreign

currencies. We are also involved in brokerage activity, financial advisory, and intermediation services, arrangement of corporate bonds issues, and other financial services. In the near future, we plan a major growth of sales via electronic channels.

We offer our banking products and services via a network of our own branches, franchise outlets, and financial intermediaries, as well as the distribution channels based on an IT platform, covering: online banking, mobile banking and telephone service centres. The distribution network is supported with service outlets that offer our products under the following brands: T-Mobile Banking Services provided by Alior Bank S.A.

Alior Bank products and services					
Individual customers					
loans and deposits	brokerage products	investment funds	personal accounts	transactional services	loans and deposits
Corporate customers					
loans and deposits	trade finance	current & subsidiary accounts	transactional services	treasury products	loans and deposits

Apart from Alior Bank S.A., which is the parent company, the Group of Alior Bank S.A. is made up of subsidiary companies where the Bank holds majority interests.

Group of Alior Bank S.A. as of 31 December 2017



Detailed description of the subsidiaries' business is provided in Chapter X hereof



Alior Bank is a public company. Since December 2012 our shares have been listed on the Warsaw Stock Exchange – the public offering of PLN 2.1 billion was the largest private offering in the history of WSE. Since 2014 Alior Bank's shares have been listed in the WIG20 index. Our shareholders include domestic and international investors.

The registered office of Alior Bank is located in Warsaw. However, we operate all over Poland. As

at the end of December 2017, Alior Bank operated 248 its own branches, seven Private Banking branches, 12 Regional Business Centres, and 638 partners' outlets (franchise). As part of its retail banking, a foreign branch of Alior Bank was opened in 2016 in Romania.

We primarily provide services to all kinds of customers from Poland and we are available round the clock from any place in the world via our Internet service ensuring unrestricted access to the banking products offered by Alior Bank.

Business strategy and corporate social responsibility

Ethics, Simplicity, Agility, and Team Spirit – those are the four values that are most important for Alior Bank S.A. We identified the values in the

new business strategy approved in 2017 – “Digital Disruptor”, setting for the activities of the Bank for 2017-2020.

Our values:

ETHICS	we act fair in internal relations and vis-a-vis customers
SIMPLICITY	we focus on things that actually build value for Customers by promoting simple and effective solutions.
AGILITY	we react fast to changing circumstances and efficiently implement the required solutions.
TEAM SPIRIT	we assume responsibility for accomplishing the objectives of Alior Bank and we adjust our priorities to the strategy of the team and organisation. We follow the principle: “we play with only one goal”



Our objective is to maintain the position as an innovation leader in Poland and to become one of the most innovative banks in Europe.

Within the next 4 years, we will invest additional PLN 400 M in innovative technological projects apart from the already planned expenditures on current development works and IT system maintenance. The expenditures will drive the digital transformation of Alior Bank within which highly motivated employees will guide individual and corporate customers to a digital world, in a safe and friendly manner that will create value for the shareholders.

We will simplify our offer and provide carefully selected, innovative products and services, characterised by transparency, friendly nature in handling and possibilities to purchase, access, and handle via Internet and mobile banking. Those activities will help us regain a leading position in terms of customer satisfaction.

By 2020 we intend to grow the number of retail customers by 77 percent for whom Alior Bank will be the bank of first choice. The above objective will be supported with new behavioural segmentation

and focus on customer groups using digital channels and making cashless transactions primarily with cards and smartphones.

We expect that in 2020 we will electronically:

- acquire 30 percent of “daily banking” customers,
- open one half of savings accounts,
- grant 32 percent of loans.

In the business segment, we will focus on micro-, small, and medium-sized enterprises. We wish to be the bank of first choice for startups and to comprehensively support SMEs.



As early as in 2018 we plan to use the e-state systemic architecture (e.g. Standard Audit File-Tax) for fully automatic and immediate assessment of company’s creditworthiness. It is the Bank’s ambition to develop comprehensive automatic loan handling in electronic banking channels, while providing top quality consulting services at the Bank’s outlets.

Relying on the web platform zafirmowani.pl, we also wish to develop an offer of complementary non-banking services. We will propose products that, among others, will enable customers use

factoring, tools to search for EU funds. The zafirmowani.pl portal is to become a core web address offering comprehensive tools to set up, carry on, and develop business activities.

The New Model of Innovation Management at Alior Bank will allow us to use modern technologies to create a bridge between customers' needs and the Bank's strategy. That will make the customers' life easier and will ensure high profitability for the Bank.

We have also established the Fintech Department – a new unit responsible for searching for fintechs on a global scale and for initiating partnership with those that best suit the Bank's strategy. The objective is to establish co-operation with 20 companies by 2020 and make the Bank perceived as the partner of first choice for fintechs in Europe.

We also plan to intensify co-operation with entities in the PZU Group in order to implement cost and revenue synergies. The co-operation will cover, among others, innovation areas, digital channels, IT, real estate properties, marketing, development projects, procurement, and financial products.

A change of the strategy of Alior Bank requires changes to the working mode of the Bank's employees. It is our staff who will lead our customers from the "off-line" to the "on-line" world.

Apart from training and promotion of pro-customer attitudes, the working comfort of our team is very important to us. We regularly survey satisfaction among our staff, asking them about their needs in their place of work and we try our best to provide for such needs.

Our relations

Our stakeholders



We want to learn more about our customers. Therefore, we regularly carry out satisfaction surveys among them so that we learn more about our customers' needs and problems. Friendly and effective communication with customers is a key element of our information policy. The information we disclose, we formulate in a simple and understandable manner.

We also care that the communication is confidential. When we provide data that is subject

to banking secrecy, we always take optimum care that such information is transferred subject to the strictest security standards.

We also take care of regular, timely, and efficient communication with capital market players. As a public company we take measures to comply with the disclosure needs of our stakeholders, while ensuring that the information is available publicly and equally in line with the top market standards and the applicable laws.

The activities are carried out by the Investor Relations Department whose basic duty is to develop relations with shareholders based on reliable information and to ensure regular access to information on all major changes taking place at Alior Bank that have or may have impact on the prices of its shares.

The Investor Relations Department regularly arranges meetings of representatives of the Management Board and top managerial staff with capital market players, including investors and analysts. The meetings are devoted to discussions on the current financial and operational conditions of Alior Bank, presentation of its operational strategy and the planned directions of future development. Issues are discussed that are related to current macroeconomic situation, the overall condition of the financial sector and the competitive environment of our Bank.

In 2017 there were 297 such meetings, including 153 meetings with 91 foreign investors and 144 meetings with 43 local investors – the meetings were held in the offices of Alior Bank; additionally, domestic and foreign conferences and roadshows were organised. Our representatives regularly participate in conferences organised by domestic and foreign brokerage houses.

In H1 2017, within its efforts aimed at maintaining a high quality of cooperation and service of internal customers, Alior Bank S.A. implemented internal NPS surveys covering the IT and HR areas. The surveys will be carried out regularly to further improve the cooperation and service quality of internal customers. In 2018 we will significantly increase the number of departments covered with the internal NPS survey.

At Alior Bank we are at constant dialogue with employees. We use most popular and most effective communication tools, e.g. meetings, e-mails, posters, stickers, competitions and videos. Each employee receives a regular newsletter with data that is handy in everyday's work. We regularly hold meetings with the trade unions operating in

the Bank, we hold satisfaction surveys covering employee benefits. For key directors and managers we organise meetings with the Bank's Management Board.

A meeting with the managerial staff "Meetup" is an example of the dialogue. The conference was devoted to operational launch of the "Digital Disruptor" strategy.

Selected organisations where Alior Bank was member in 2017

Polish Banks Association

Chamber of Brokerage Houses

ACI Polska

Polish Franchise Organization

EFMA

Employers of Poland

Banking Cybersecurity Center

Banking Register of IT Incidents

Acquirers Committee

Polish Association of Factors

Polish Banking Qualification Standards Committee

Depository Banks Council

Our awards



We are happy with external recognition of our activities and the awards granted by independent forums.

In 2017, we were awarded prizes 12 times in Poland. Seven awards referred to the way we do business, one related to the development of our image, and four appreciated our innovation efforts

Business

- the title of "Company of the Year" awarded during the 27th Economic Forum in Krynica;
- the title of "Business Champion 2016" awarded by Businessman.pl. The title is awarded to companies that have manifested championship in their business;
- first prize in the "Best bank 2017" ranking list organised by the *Gazeta Bankowa* magazine. Alior Bank won in the category of "Large Commercial Banks";
- award in the competition "Leaders of the World of Banking and Insurance". Alior Bank won in the category "Best Bank";
- two prizes in the "Newsweek friendly bank" ranking. The Bank was ranked second in "Traditional banking" and third in "Internet banking";
- three awards in the "50 largest banks 2017" ranking list developed by the *Miesięcznik Finansowy BANK* monthly. The Bank came second in the categories of "Retail banking" and "Accounts for natural persons" and third in the category "Corporate banking";
- the award of the "Leader in Sales Quality of de minimis guarantees" granted by Bank Gospodarstwa Krajowego.

Innovativeness

- awards in the "Golden Banker 2016" ranking list. Alior Bank won in the category of "Financial innovation" and came second in the category "Cash Loans";
- three awards in the "Banking stars 2016" ranking, prepared by the *Dziennik Gazeta Prawna* daily in co-operation with PwC. For its overall activity, Alior Bank was ranked second, won in the category "Growth rate" and awarded the second place in the "Innovation" category;
- award for the first place in the "Innovation Initiator" competition, organised by *Newsweek Polska* weekly. The Bank won in the category of large enterprises;

- award for the second place in the "Listed Company of the Year 2016" ranking, organised by the *Puls Biznesu* daily and Kantar TNS opinion poll agency. Alior Bank was among three winners in the "Product and service innovation" category.

Image creation

- award for the second place in the "Leopards 2017" competition for the most admired creation of the Bank brand image, organised by TNS Polska opinion poll agency

We won four prizes abroad, including three for innovations.

- the title of the "Bank of the Year in Poland" in the competition organised by The Banker, owned by Financial Times Ltd;
- the "Banking Technology Award" for the first position in the category: "Best use of IT technologies in lending". Our mobRATY project was also appreciated – our mobile application used in granting HP loans;
- first prize in the international competition "Retail Banker International" in the category "Best innovation in services" for the HAIZ application;
- award in the international competition "Celent Model Bank 2017", organised by Celent. Alior Bank won in the "New technologies for consumers" category.

Foundations of our activities

Employees of the Group of Alior Bank S.A. are required to comply with the law, regulators' guidelines, and the regulations and procedures in force at the Bank. In their daily operations, the Bank and its employees should follow the "Principles of Good Banking Principles" approved by the Polish Bank Association. Both Alior Bank and Money Makers comply with the Code of Best Practice for WSE Listed Companies (WSE, NewConnect).

Ethics – rules of conduct

[GRI 102-16 (partly)]

Ethics is one of the core values specified in the Strategy of Alior Bank for 2017-2020. Every day, we take a number of measures and initiatives that are focused on consolidating the employee's awareness and attitude towards compliance and ethics.

The organisation follows the Code of Ethics implemented in Alior Bank S.A. and companies: Alior Leasing Sp. z o.o., Serwis Ubezpieczeniowy Sp. z o.o. and the Policy of operation in the customers' best interests was implemented in Money Makers TFI S.A.¹

Employees of the rest of the companies are obliged to comply with the Code of Ethics of Alior Bank. It is a collection of the most important rules of conduct related to the Bank's business. It is addressed both to our employees and people who perform banking activities via the Bank. For the staff of Alior Bank, the Code is a guideline facilitating fair and lawful decisions.

The Code of Ethics contains four parts with the rules of conduct towards customers, vis-a-vis each other, counterparties and the market and the community at large. The Code contains guidelines concerning compliance with the principles of professionalism and personal culture, and also openness to diversity and tolerance. Additionally, in the document the employees will find information encouraging them to take care of the natural environment.

We take all efforts that the Code of Ethics becomes a pillar in our everyday work. In 2017 we organised a Compliance Week to promote the rules in the Code of Ethics. During a series of interactive meetings, employees could find out how to handle ethically the daily challenges of business operations - avoidance of conflicts of interest, principles of data protection, effective mitigation of

the risk of misselling while offering banking products and ensuring information security. During the Compliance Week, special stress was placed also on reminding employees about possibilities of reporting any breaches or questions concerning ethics. Ethical rules are also promoted in the Compliance Bulletin.

The effects of the measures can be noted in a commitment survey in which 96% of staff declared that they knew how to operate ethically.

[GRI 102-17] [GRI 412-1]

We attach great importance to the appropriate organisation of the whistleblowing system – we want employees to be able to provide information or share their doubts in an easy way and without any fear.

In 2017 we redefined the process of breach reporting and guarantees for whistleblowers. Alior Bank provides opportunities for its staff to use multiple communication channels to this end. Such report may be done orally, in writing, or by e-mail to specially dedicated e-mail boxes, including directly to Members of the Management Board or the Supervisory Board.

The existing whistleblowing reporting system also ensures anonymity. The Bank shall not apply any retaliation, discriminative measures or another type of unfair treatment against employees who have in good faith reported breaches.

In 2017 we had 38 reports concerning potential breaches of ethics (including among others, discrimination, mobbing, stalking, etc.).

All reported instances were subject to a detailed analysis and 17 of them were found as justified. In relation to confirmed breaches, recommendations were issued to remedy irregularities.

Fraud risk management

[GRI 419-1]

¹ The other companies that belong to the Group of Alior Bank S.A. hire staff employed at Alior Bank S.A. who are obliged to comply with the Code as prevailing in the Bank.

A core element to mitigate compliance risk is that the Bank ensures appropriate supervision over conflict of interest management. In the Alior Bank Group the area is regulated in the **Conflict of Interest Management Instruction**.

Instructions related to conflict of interest management apply in the four largest companies of the Group of Alior Bank S.A. (Alior Bank S.A., Alior Leasing Sp.z o.o., Serwis Ubezpieczeniowy Sp.z o.o. and Money Makers TFI S.A.²).

In the document, the employees of the Alior Bank Group can find answers to questions how to define conflicts of interest and how to identify their potential or actual effects and how they should act to avoid conflicts of interest. The instruction regulates such important elements like the rules of providing services to close persons, acceptance of gifts and invitations and employment of staff members outside the Group. The document clearly sets the rules of reporting between close persons with special stress on eliminating the risk of nepotism.

Alior Bank also complies with the following internal regulations: Compliance Policy and Crime Prevention Policy. The documents precisely state how Alior Bank ensures compliance with the law, the internal regulations, and the market standards with its control function and compliance risk management. The Bank pursues a policy of full compliance with the law and the principles of fairness and high business ethics in all areas of its operations.

The employees of Alior Bank S.A., Alior Leasing, and Money Makers have been trained in procedures preventing abuse and the rules of ethical conduct. The training at Alior Bank covered, among others, the compliance risk where conflicts of interest was one the most popular subjects similarly to bank secrecy and the gift policy. The training is mandatory for all new employees of Alior Bank.

[GRI 201-1] [GRI 205-3]

In 2017 the Bank's employees reported 381 instances of accepted benefits - gifts, invitations to conferences, or training, tickets, gifts in kind, etc. that were recorded in a special register. A vast majority of the reported benefits were within the acceptable limit of PLN 200. In the case of gifts exceeding the value, usually such objects are sold at a charity auction and the proceeds are transferred to an orphanage. Another solution was to offer tickets for an auction to support treatment of an employee of Alior Bank. In the case of invitations to conferences, they were approved if the subjects of such conferences were related to business responsibilities.

In 2017 out of 421 reported potential conflicts of interest, 31 percent were found as actual instances of the applicable principles of avoiding conflicts of interest and therefore, recommendations were issued to restore the required situation. Usually, the breaches referred to servicing close persons or potentially competitive activities.

In 2017 no confirmed corruption instances were identified in the Group.

Compliance with human rights in the supply chain

Each entity that wishes to join any bidding procedure organised by the Bank shall be obliged to file a special appendix to the bid – “Business Ethics Declaration” that part of the assessment of the bid in terms of formal legal aspects. By signing the document, the bidder declares that in its business it complies with the applicable laws and rules of ethical conduct. The most important elements of the declaration are as follows:

- no employment of under-age employees,
- no discrimination of employees on any account,
- compliance with the law with respect to minimum wages and working hours,

² The other companies hire staff employed at Alior Bank S.A. who are obliged to comply with the rules as prevailing in the Bank.

- provision of safe and secure working conditions for employees,
- compliance with the regulations concerning environmental protection and no adverse impact on the immediate neighbourhood,
- compliance with the regulations concerning protection of competition and consumers,
- compliance of the internal policies concerning business ethics.

In 2017 the practice was followed solely at Alior Bank S.A., while in 2018 it will also be pursued by the other Group companies.

Risk management related to business activity

[GRI 102-30] [GRI 102-15]

Risk management is one of the major internal processes in the Bank and in the Alior Bank's Group.

The risk management system operated at the Bank is based on three independent lines of defence. The system relies on the standards in force in the

banking sector and the guidelines in supervisory regulations and recommendations.

The objective of the risk management policy pursued at the Bank is to ensure an early detection and adequate management of material risks inherent in the Bank's operations.

In its operations, the Bank identifies the following risks as material: credit risk, interest rate risk in the banking book, market risk in the trading book, liquidity, operational, compliance risk, model risk, business risk, reputational, and capital risk. Among them, the Bank treats the following risks as major one: credit risk, operational risk, interest rate risk in the banking book, market risk in the trading book, and the liquidity risk. From the viewpoint of impact on social, employee-related, environmental, human rights, and counteracting corruption issues, the operational and compliance risk are of special importance. Additionally, the Bank identifies environmental risk in the process of corporate financing.

Selected risks are managed by the Bank subject to factors of sustainable development (ESG – Environmental, Social, Governance)

<p>Credit Risk</p>	<p>The credit risk is understood at our Bank as a possibility of default by the counterparty. Management of the credit risk and its maintenance at a safe level, defined in the risk appetite, is of fundamental importance for the Bank's stable operation and development. The credit risk is controlled with the use of the regulations in force at the Bank, in particular lending methodologies and risk measurement models, adjusted to customer segments, product and transaction types, establishing and monitoring of collateral to loans, as well as the processes of monitoring and collection of receivables. We endeavour to fully centralise and automate the processes, while relying on available external and internal information on customers.</p> <p>In the mitigation process of the risk level, when approving a credit product we assess:</p> <ul style="list-style-type: none"> the customer's creditworthiness and credit capacity, including, for example, a detailed analysis of the repayment sources; reliability of the accepted collateral.
<p>Operational Risk</p>	<p>The operational risk is a possibility of occurrence of a loss resulting from inadequate or unreliable internal processes, loss of key employees systems or external events. The operational risk further covers the legal risk and events with a low frequency, but high losses. The operational risk does not cover the reputational risk and the strategic risk.</p>

	<p>Alior Bank has a formalised operational risk management system within which we counteract to the occurrence of operational events and incidents and mitigate losses should the risk materialise. The principles and structure of operational risk management at Alior Bank rely on the Banking Act, resolutions and recommendations of the Polish Financial Supervision Authority, and also the internal regulations.</p> <p>We control the operational risk at many levels in the organisation , this is done, among others, by an independent unit of the Bank dedicated to operational risk management.</p>
<p>Market and liquidity risk</p>	<p>At Alior Bank we have identified the following types of the market and liquidity risk that is subject to management:</p> <ul style="list-style-type: none"> • Interest rate risk in the banking book; • Market risk in the trading book (the risk covering in particular interest rate risk in the banking book and the commodity price risk); • Liquidity Risk. <p>The interest rate risk is defined as a risk of adverse impact of market interest rates on the current performance or the current value of the Bank's equity.</p> <p>The FX risk is defined as a risk of a loss resulting from changing FX rates in the open FX positions.</p> <p>The FX risk is measured and mitigated by monitoring and limiting the FX positions opened by the Bank.</p> <p>The risk of commodity prices is a risk of a loss due to changing commodity prices. Commodities are understood as any material trading objects identified in terms of type and grade and the quantity of which may be expressed in physical units of measure. The commodity price risk is measured and mitigated by monitoring and limiting open commodity positions so that the risk becomes immaterial for the Bank.</p> <p>The liquidity risk means a risk of failure by the Bank to meet its payment obligations, subject to comfortable conditions and at adequate prices, resulting from the Bank's on- and off-balance sheet items. The policy of liquidity risk management at the Bank consists in maintaining its own liquidity positions so that payment obligations can be met at any time with the available cash on hand, proceeds from transactions with specific maturities or with sales of marketable assets, while minimising the costs of liquidity maintenance.</p>
<p>Compliance risk</p>	<p>The compliance risk is a risk of legal sanctions, financial losses, or reputation loss due to incompliance by the Bank or its employees with the law, requirements of supervisory bodies, internal regulations, or the accepted standards of conduct and ethical standards. Of particular importance for the compliance risk are issues related to: use of new regulations, processing and protection of personal data and bank secrecy, conflicts of interest, the protection of confidential information and counteracting market abuse and proper treatment of employees.</p> <p>The Bank operates a cohesive compliance risk management system, composed of:</p> <ul style="list-style-type: none"> • Identification and assessment of the compliance risk with an aim to mitigate the risk level and ensure safe functioning in a dynamically changing and demanding legal and market environment, without adverse consequences resulting from a breach of regulations and ethical standards. The process is carried out on an annual basis. • Control is performed on the basis of compliance test plans. • Monitoring of the compliance risk is aimed at eliminating instances of non-compliance and preventing their recurrence. Monitoring is performed using key risk indicators.

	<ul style="list-style-type: none"> • Reporting – periodic submission of information on the most important and crucial issues resulting from compliance risk management at the Bank. <p>The approved compliance risk management system ensures that Alior Bank operates in compliance with the law, regulators’ requirements, and the approved ethical standards.</p>
<p>Environmental risks</p>	<p>We measure the environmental risk of investments financed by us as a socially responsible financial institution. For customers with a total exposure (existing and requested) in excess of PLN 1 M we perform a detailed assessment of the environmental risk, including the social risk.</p> <p>The environmental risk is defined as a risk of the customer's deteriorated creditworthiness as a result of adverse financial and legal effects due to business activity pursued or taken up by the customer or the proposed collateral for the loan that has or may have material adverse impact on the natural environment or the community.</p> <p>For our employees, we have developed an Environmental Risk Assessment Sheet that provides for a precise determination of the environmental risk level related to the transaction financed by the Bank. Statements and documents submitted by customers are analysed and verified in detail. In certain instances, we also resort to opinions of independent experts on the environmental and social risk of a project.</p> <p>There are regulations in place at Alior Bank identifying the types of entities that the Bank does not finance. Those are entities involved in the following operations:</p> <ul style="list-style-type: none"> • production or sale of weapons and armaments, • gambling, • production of nuclear energy or nuclear fuel, • tobacco growing, manufacturing of tobacco products, • fishing in sea waters when the company uses fishing driftnets exceeding 2.5km in length. • alcohol distillation, rectification, and mixing, • manufacturing of industrial cooling and ventilation devices, if they use substances depleting the ozone layer, • coastal transport of goods, if it is related to transport of oil or other environmental hazardous substances with tankers that do not meet the risk requirements of the International Maritime Organisation, • business activities adversely affecting the neighbouring protected areas in line with domestic laws or international conventions, places of scientific interest, habitats of rare/endangered species and those with adverse impact on places of cultural or archaeological significance, • enterprises operating contrary to the applicable Polish laws or the laws of the country of business, or without the licences, permits, or approvals that are required to pursue such business, • speculative transactions and other projects that may generate the reputational risk for the Bank. <p>Additionally, Alior Bank does not finance activities of religious organisations, political parties, sports clubs, or projects relying on harmful and exploitation related to forced labour, children’s work, direct discrimination, or practices that prevent employees from exercising their right of association and collective bargaining.</p>

A detailed description of risk management at Alior Bank can be found in Chapter XIII hereof.

Customer Focus

Customer experience

At Alior Bank we wish to transfer our relations with customers to a level that is completely new in Polish and global banking. We call it the "Fifth Dimension of Relations" and we rely on the developed Customer Service Philosophy. The approach is founded on four values characterising the Bank and its employees – Agility, Simplicity, Ethics, and the Team Spirit. We believe that our new approach will convince customers that it is worth banking with Alior Bank.

We know that each customer is different and each has specific needs. So we have abandoned the official banking Book of Standards. Instead, we have implemented Power Cards which contain guidelines for customer relations and not a strict scenario of conduct. We are convinced that departing from strict standards will create opportunities for our employees to service customers in a natural way underlying internal convictions and experience. We wish to service each customer in a manner that we would like to experience ourselves.

Innovation

Our objective is to maintain the position as an innovation leader in Poland and to become one of the top five innovative banks in Europe.

Alior Bank has been developing its competitive advantage in the area of innovations on the basis of a new model of innovation management. The model provides for an increased dynamics of new idea generation, precise and fast identification of those with the largest potential, on the basis of transparent business criteria and better preparation of those identified for implementation.

The new model provides for systemic testing of new ideas in order to verify if the idea is attractive to customers and if they have potential to be monetised throughout the process of product and

solution development and delivery. The tools supporting the model are as follows:

- a) Precyzyjnie zdefiniowane kryteria przeprowadzania przez etapy pomysłu od idei do wdrożenia, co pozwala szybko odrzucać nietrafione pomysły na wczesnych etapach, przy niewielkim koszcie i zaangażowaniu, a poświęcać zasoby na te bardziej atrakcyjne.
- b) Każdy etap budowania innowacyjnych rozwiązań ma zbudowany standardowy zestaw narzędzi do poprawienia jakości, atrakcyjności konceptów biznesowych, co pozwala finalnie na wdrożenie rozwiązania szybciej, z większą dokładnością realizującego potrzeby klienta z dniem wdrożenia pierwszej jego wersji.
- c) The competences of the iLab team are defined to support the above in the area of defining customers' needs jointly with customers, "user experience" UX/UI, skilful development of multi-stage prototypes and testing thereof with the Bank's customers, designing of solutions on the basis of comprehensive and open "design thinking" methodologies.
- d) Competences of the Innovation Center team in searching and defining clients' needs in the portfolio of the Bank's services and products, and in subsequent phases of confronting ideas with clients' expectations in qualitative and behavioral research, UX.
- e) Competences of the team to search for new solutions and ideas for products in cooperation with FinTech partners, and support to new partnerships by active support of start-ups in the accelerator program.
- f) Methods and tools for engaging Bank employees to seek new ideas and solutions for challenges in customer service and building new products - a model of innovation through "crowdsourcing" together with a platform for multidisciplinary group work.

The new model of innovation management in its assumptions is also intended to support cultural transformation in the organization, through

elements such as the crowdsourcing model and wide range of innovative tools available to all employees through training and also extensive use of resources of the Innovation Center in initiatives created among the employees themselves.

The concept of cooperation and development of business partnerships is based on most recent technologies and solutions, adjusting the Bank's systems to dynamic creation of new products. It is a priority to develop an OpenAPI environment, without major financial outlays and involvement of large IT teams – we can develop and offer financial platforms in a new open business model which will substantially improve the dynamics and shorten the Bank's response time to the customers' expectations and the changing market and competitors.

The Innovation Management Model of Alior Bank is based on two ecosystems – internal and external. They will support the acquisition of ideas from employees, customers and the fintech sector all over the world, and transformation of such ideas into innovative solutions for customers. The Bank implements a new career path for innovators and crowdsourcing tools that are aimed at stimulating innovations among employees and opening a way to using their ideas in business.

Digital Disruptor Strategy of Alior Bank entails real technological revolution to take place in branches. Our bankers will be equipped in modern tools to provide comprehensive client service in a time and place most convenient for the client. It will consist among others of 1400 iPads with Open Account created based on the IBM solution MobileFirst class. The banker equipped with the tablet will be able to open and modify client profiles, open both bank current and term deposits and input debit card applications. Processes available in the application will be simple and coherent for both bankers and clients. Good example of that is the OCR technology utilized for state ID scanning which allows most of the required fields in a form to be filled in automatically.

Robotisation and automation are the key assumptions underlying the Digital Disruptor concept. Alior Bank has identified 118 processes for robotisation which will be gradually optimised over the next three years. That will reduce operating expenses, while increasing customers' satisfaction.

Since 2015 we have been successfully using the artificial intelligence mechanism – Dronn which is a system supporting remote contact with customers. For example, Dronn uses biometrics and speech analysis and is one of the most advanced generation of robots. It has been designed for free logical conversations with customers and it is able to respond to answers and ask suitable questions. Virtual Advisor is used in the soft collection process and marketing research.

2017 Dronn performed over 1.2 million calls as part of soft collection, performed almost 1.3 million questionnaire calls and established 77,000 contacts to collect FATCA statements. In the near future, the Bank plans to continue expanding the scale of its operations, for example, to support remote sales. Being among the best banking solutions in the world, Dronn has been awarded numerous prizes in prestigious international competitions, for instance: Distribution and Marketing Innovation Awards (organised by EFMA in co-operation with Accenture), Retail Banker International, BAI Global Banking Innovation Awards, Banking Technology Awards, or Celent Model Bank Awards.

We have also established the Fintech Department – a new unit responsible for searching for fintechs on a global scale and for initiating partnership with those who best fit into the Bank's strategy. The objective is to establish co-operation with 20 companies by 2020 and make the Bank perceived as the partner of first choice for fintechs in Europe. The above is founded on the PSD2/OpenAPI strategy that focuses on using the opportunities resulting from acceptance of the PSD2 standards. The Bank intends to go beyond complying with the requirements of PSD2 or becoming an external data aggregator (although both models will be tested and used in business). Using the

opportunities resulting from implementing the OpenAPI environment, Alior Bank plans to provide its customers with advanced financial services relying on a detailed analysis of data so that customers could see all their accounts in the banking application, including those they may have with other banks. The Bank intends to develop a marketplace to allow its customers selecting any set of the services offered by partners that will be supplemental to traditional banking services.

Apart from the benefits resulting from the diverse offer developed for the customer, we also expect that having access to different innovative solutions coming from secure or less secure sources, the customer will prefer innovative solutions provided by the Bank where their data is as safe as their money.



In December 2017, Alior Bank announced the establishment of a unique acceleration programme for technological start-ups. The Bank will use the programme to cover projects at their early development stages. Within the accelerator, the Bank will provide access for external entities to a platform to develop their own solutions, working in the OpenAPI environment and developed on IBM technologies. Alior Bank wants to be the first financial institution in Poland to develop a dedicated test environment, so-called Sandbox for its partners. It will be made available to external developers and fintechs to work on products developed within the accelerator and to obtain compliance with future requirements of the PSD2 regulations. The most important objective stressed by the PSD2 directive is to ensure safety of the customers' data. Alior Bank has decided that the IBM API Connect solution meets all the Bank's technological requirements, that the use of the platform will significantly accelerate the process of prototype development, designing and adapting the solutions before they are made available to customers.

Customers' opinions

Established in 2017, the Customer Experience department is the customers' ambassador with the core task of caring for maximum best customer experience in contacts with our Bank, both in terms of traditional banking and brick-and-mortar branches, and digital banking, too. In order to accomplish the objective, we have divided the staff of Customer Experience into two teams specialised in remote services and customer relations in brick-and-mortar branches.

We want customers of Alior Bank to take informed decisions and always understand our products and the offered technological solutions. We try to avoid complicated banking and legal gobbledegook. We see to it that information is provided in a simple language, understood for people who are not bankers, and the customers can always count on our know-how and competences.

Implementing the Digital Disruptor strategy, we keep working on optimising the processes in order to minimise the customers' efforts – we develop product and process paths to eliminate those elements that may prove difficult or redundant from the customers' viewpoint. We are open to all suggestions and comments coming from customers. The issues that are reported to the Bank in communication addressed to the Management Board, the PR department, or social media, are directed to the dedicated unit – Customer Problem Lab (CPL) – which is a “fast response team” to solve customers' problems and prevent their recurrence. ProblemLab is a response to non-standard enquiries from our customers. Issues reported over a non-standard path, like for instance directly in the company's offices or via social channels, are directed to ProblemLab where we try our best to resolve the problem within 48h. CPL is also responsible for recommending modifications to the Bank's processes and products required by our customers.

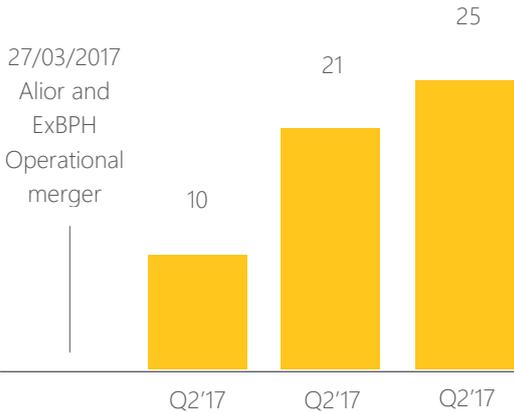
[G4-FS14]

At Alior Bank we closely listen to customers' opinions, among others, as a result of regular surveys of customers' satisfaction following the NPS method (Net Promoter Score). The survey covers both the overall satisfaction level of co-operation with the Bank and satisfaction levels with each product and distribution channel.

The quarterly relationship NPS survey shows us the customers' overall satisfaction level and their willingness to recommend our Bank to others. As a result, due to the fact that the information on the satisfaction levels is accompanied by customers' comments, we are able to perform more comprehensive analyses being a starting point to implement improvements for further growth of our customers' satisfaction with co-operation with us.

In accordance with the survey held in Q4 2017, the relationship NPS of Alior Bank was 25 which was significantly higher than in the surveys we held immediately after the merger with the demerged part of Bank BPH.

The chart below presents the level of relationship NPS resulting from the surveys held by Alior Bank with retail customers on a quarterly basis in 2017, from the merger date with the demerged part of Bank BPH.



Our objective is to reach the level of 45 in the NPS relations review by 2020.

We have been performing regular surveys of NPS of specific products and distribution channels for customer groups that were using the products or

channels immediately before the survey – as a result we gain accurate knowledge on how customers view the aspects of the Bank's operations that are of interest to us. The results of the surveys are presented on an ongoing basis to persons responsible for specific products or channels along with details on the underlying factors and actions that may be taken to improve their operation.

The surveys of the distribution channels also cover monthly satisfaction surveys of service quality on our own and franchise branches. The surveys cover customers who as a minimum have ROR accounts or deposits or who perform transactions or contract loans who in the two weeks preceding the survey visited our own and franchise branches. Detailed NPS results are analysed and presented to branch directors or owners of franchise outlets. As a result, we are able to monitor the quality of service on an ongoing basis and are able to respond fast should worrying occurrences take place.

We keep inspiring our employees to act to the benefit of customers – we have activated an internal portal called Inspirujemy [We inspire] where we publish incentivising videos that are very popular.

At Alior Bank we understand that despite all the efforts we take, situations may happen that customers will not be fully satisfied with the provided services. Complaints and claims are also treated by us as important opinions of customers to help us improve the quality of daily services. We facilitate the placement of complaints by customers and we accept them in practically any available form – directly in a branch, by phone over the infoline, in the Internet Banking System, by traditional or electronic mail.

Each filed complaint or claim is assigned a unique number and when so requested by customers, we provide a written acknowledgement of receipt.

We respond to all complaints without undue delay, however, not later than within 30 days. We

respond to all subjects touched upon by customers in a reliable and objective and exhaustive manner. We observe the rule that no complaint or claim may be reviewed by a person to whose conduct it relates. When the customers' claims are not accepted, we justify our position in detail and inform about methods to appeal against our standpoint.

Responsible sales



At Alior Bank we've always paid attention to our products and services being sold to people who actually need them and who may benefit from them. We strictly adhere to the Counteracting Misselling Policy. We have identified the principles of appropriate product structure and distribution. We limited the number of products and selected products from our offer can be distributed only by duly authorised channels (e.g. Private Banking). On a regular basis we keep monitoring sales processes for the hazard of misselling – we have also identified rules of conduct applicable to the detected instances of misselling. All employees have undergone training on the principles of transparent sales and sales bonuses granted to employees are subject to the quality of sales processes that we control on a regular basis. Post Sale Calls are a core mechanism applied in relation to products with the highest risk of misselling which is complemented by assessment of the quality of documentation, complaints and so called early resignations by customers.

Safety of customers' data and transactions

The safety of finances entrusted to us and our customers' data is of most importance to us. For that reason, restrictive safety procedures that are in force in the Group of Alior Bank S.A. ensure confidentiality, integrity, and availability of the processed information. Our Security Policy and all related procedures are updated on a regular basis in response to the changing market conditions in the sphere of cyber security, and also to include

new requirements and guidelines provided by regulators.

In the Group, we see to it that our employees improve their competences in the sphere of information security. All employees have to undergo related training to increase their competences and awareness of the existing hazards. We actively review the effectiveness of such training by simulating socio technical attacks at our staff members.

Employees education

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Secure electronic banking

As the "digital Disruptor" we are aware that along with technological progress and digitisation of financial services, every day new hazards appear in the market that we have to anticipate and face. That is why we have offered new Internet banking to our customers that has been designed on the basis of the most modern technologies and trends in the area of cyber security thus ensuring a top security level of transactions executed electronically.

- Our customers have access to an encrypted and secure communication channel with the bank, relying on traditional secure login methods (such as traditional passwords, masked passwords), and also on modern biometric methods (login with a fingerprint or face scan) on mobile devices.
- While logging in, the customer may see their personalised security image which may prevent the disclosure of their data on a phishing site (one that pretends to the Bank's site).

- Transactions executed by customers may be accepted with a one-off code sent in a text message, and also a mobile application on a smartphone or tablet (currently available in T-Mobile Banking Services).
- Having regard to the highest security level for card transactions, the Bank is implementing a 3D Secure service for its customers (an additional authorisation for web card transactions).

In the area of cyber security, we pursue preventive and detection activities. In 2017 we held several hundred advanced security controls and tests of the IT systems and the sensitivity of internal processes. We have a dedicated unit responsible for ongoing monitoring of electronic banking systems and active responses to attempted attacks. We actively analyse new hazards that occur in the market and we also anticipate future trends in the area and on that basis we modify and adjust our security systems.

We are aware that the security of transactions also depends on our customers' conduct in the web and therefore, the Bank and Money Makers remind of the fundamental security rules and inform about hazards on their web sites as they appear. We also

address educational actions to our customers via social media or dedicated e-mail communications. For 2018 we plan an internet course for our customers.

In 2017 we were a partner of the Third Cyber Security Forum – CYBERSEC. The conference was devoted to solutions supporting effective activities in cyber space and the development of Poland's economy. During the event, Alior Bank presented its own innovative cryptographic protective device for software installed on users' computers to be soon made available to our business customers. Experts from the Bank took part in the panel on "Innovation & cybersecurity – potential of the CEE region" and in the debate on "Blank cheque for cybersecurity in the financial sector?", presenting model cybersecurity solutions in the banking sector.

Headcount – who our employees are?

Number of employees

[GRI 102-8]

We employ 8,419 FTEs³ in the Group of Alior Bank S.A. A majority of the people work at Alior Bank

S.A., that is 8,110 FTEs. In terms of headcount, Alior Bank S.A. is ranked 4th among the top 10 banks in Poland.

Alior Bank employees by type of employment

Alior Bank S.A.		
	mężczyźni	kobiety
indefinite period contract	2314	4238
fixed-term contract	516	882
trial period contract	42	59
replacement contract	21	38

³ As at the end of 2017

Employees in terms of FTEs

Alior Bank S.A.		
	mężczyźni	kobiety
full-time	2857	4992
part-time and more	26	213
less than part-time	10	12



The implementation of the Digital Disruptor strategy at Alior Bank requires changes on the part of our employees and also changes to the HR policy. We are aware that if we wish to transfer our customers in an effective and safe way from the analogue to the digital world, we also have to undergo a cultural transformation inside the Bank. Only on that basis will we be able to accomplish our strategic objectives by 2020.

The four priorities in HR development for 2017-2020 as set forth in the business strategy of Alior Bank are as follows:

- Development of Transformation Leaders;
- Taking Care of Employees' Experience;
- Development of Digital Alior Staff;
- Support for the development of an ethical and effective organisational culture.

Development of Transformation Leaders

Changes in Alior Bank require new generation leaders. While implementing the strategy, much stress is paid to the role of managers who, as leaders of the organisation, should not only be effective, but are also expected to inspire employees, get them involved and be ambassadors of the values pursued by Alior Bank – ethical attitudes, simplicity, agility, and the team spirit.

We have developed our own leader model to meet the challenges of Alior Bank. A transformation leader must be a person who:

- Sets engaging objectives related to the strategy of Alior Bank and clarifies how they contribute to achieving the objectives. By

communicating the objectives, they show their sense referring to Alior's values and customers' perspective.

- Assures independence in the way the tasks are implemented. Demonstrates trust and respect and appreciates the individual contribution of each employee to the accomplishment of the objectives by Alior Bank.
- Supports development, encouraging employees to become responsible for their growth. Inspires and supports employees in their development efforts and takes their professional aspirations into account.
- Follows the four values of the Alior Bank Group – they act fairly in internal relations and contacts with customers, assumes responsibility for the accomplishment of objectives by Alior Bank and adjust their team priorities to the organisation's strategy. Follows the principle: "we play with only one goal". In their operations, they focus on things that actually build value for the Customers by promoting simple and effective solutions. Reacts fast to changing circumstances and efficiently implements the required solutions.

In view of the above, twice a year we also organise meetings for managerial staff. The last one was held in October 2017. That was an opportunity to listen to inspiring speakers and learn about new technologies. Primarily, leaders had an opportunity to listen to live presentations of their colleagues who implement the Digital Disruptor strategy in various areas of the Bank.

Working conditions

We keep improving the working environment and conditions at the Bank. For instance, we have

implemented “smartphonisation” by providing managers with modern phones to support remote work.

It is also important that at Alior Bank we have been trying to implement new agile working methods. E.g. project teams are set up to combine multiple competences at one place - business, analytical, programming and testing competences - as may be required to carry out a specific project. The core advantage of the approach is to shorten the communication path which supports agile activity and fast response to the changing requirements and technologies.

Every year we survey the commitment of our employees in all our units. On the basis of the results, we initiate activities focusing on increased commitment and improvement in key areas. **In 2017 we achieved the commitment indicator of 44 percent. We plan to have it increased up to 60 percent in 2020.** As many as 82% of employees participated in the survey.

We want the best specialists to work at Alior Bank. Our employees are offered attractive salaries, regulated in the Remuneration Policy that fulfils the following objectives:

- promotes correct and effective risk management and discourages from accepting excessive risks,
- supports implementation of tasks of the sustainable development and prudent risk management policy,
- mitigates conflicts of interest,
- supports the maintenance of a transparent relationship between individual performance and individual remuneration by focusing on targets relating to responsibility and actual impact,
- guarantees that employees act in the customers’ best interests, including the provision of clear and transparent information concerning our services and products.

All Group companies with more than 10 staff members have their own Remuneration Policies.

They were implemented in four largest companies of the Group of Alior Bank S.A.: Alior Bank S.A., Alior Leasing Sp. z o.o., Serwis Ubezpieczeniowy Sp. z o.o. and at Money Makers TFI S.A.

Benefits

All employees have access to attractive benefits (group life insurance or medical care) and to a broad offer of the Company's Social Benefit Fund.

For employees we organise sports games, family picnics and day camps for children. We regularly offer various competitions for our employees with attractive prizes.

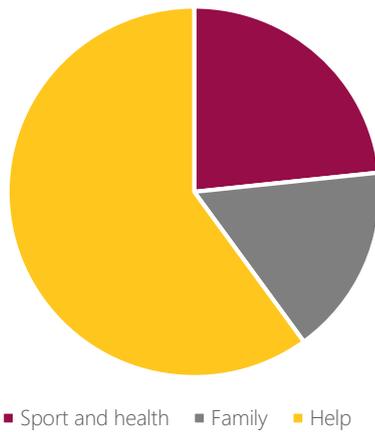
In 2017 the budget of the Company's Social Benefit Fund increased from 18 to 37.5 percent of the base as specified in the applicable regulations. Employees have access to 14 types of benefits which were used 30,000 times. This means that each employee with their children were provided on average with three benefits.

The most popular were multi tickets that were provided to 5,400 persons and multisport cards were used by 4,700 employees. Almost 5,400 children were provided with Christmas packs and summer holidays were subsidised for almost 2,700 employees. Layettes for new-born children were a novelty last year and they were provided to 562 children of our employees.

It is worth mentioning that in June 2017, picnics were held in Kraków, Warsaw, and TriCity to which employees of Alior Bank with their families were invited. They were a great opportunity of teams to meet one another and integrate at barbecue and sports games; the meetings also hosted the employees of the dispersed sales networks of Alior Bank in those regions.

Supporting sports initiatives, we subsidised sports sections grouping our employees.

Benefits

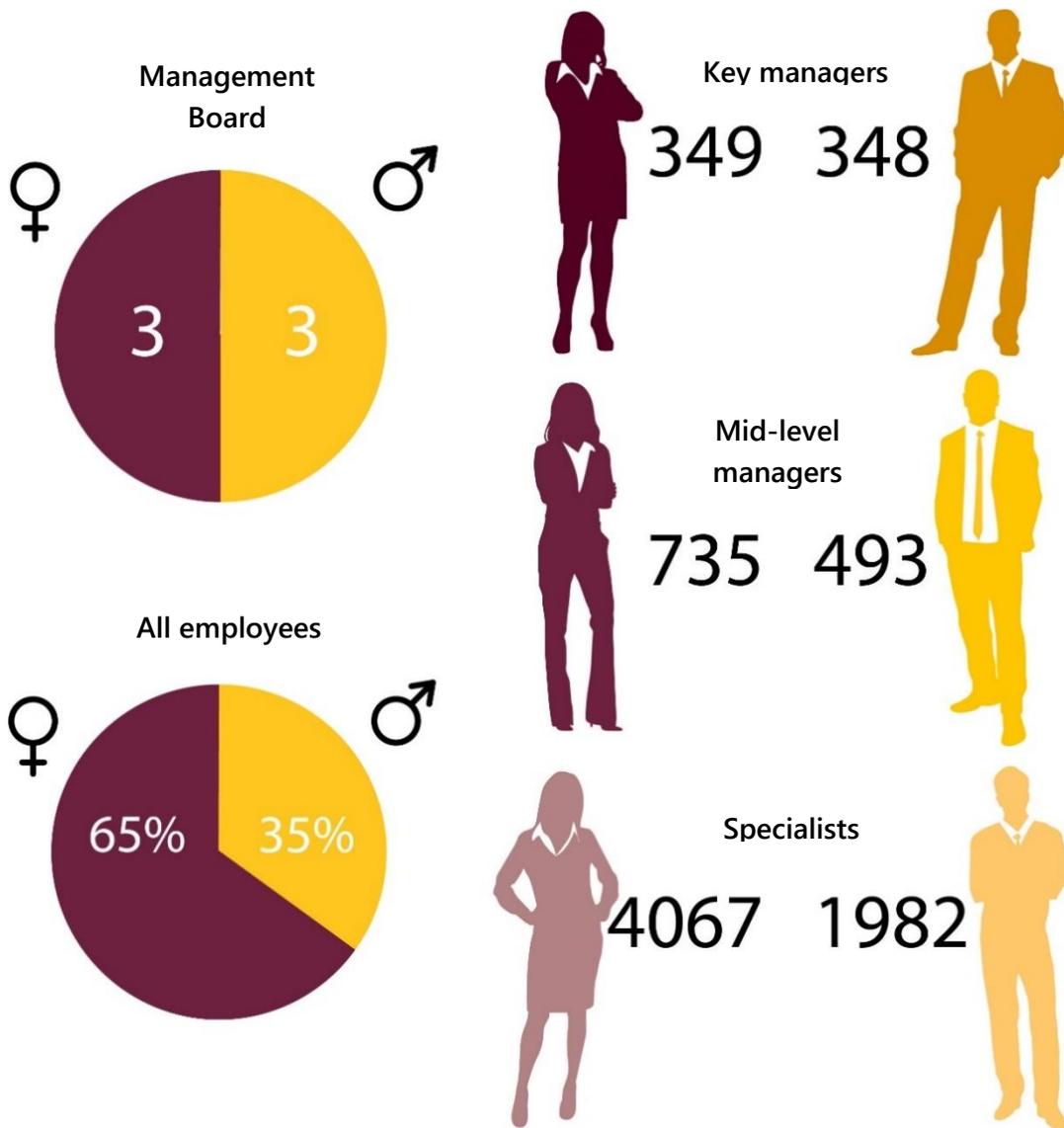


The amount of PLN 334,860 was paid from the Support Fund: this includes 11 allowances to employees and monthly orphan's pensions for 10 children of deceased employees.

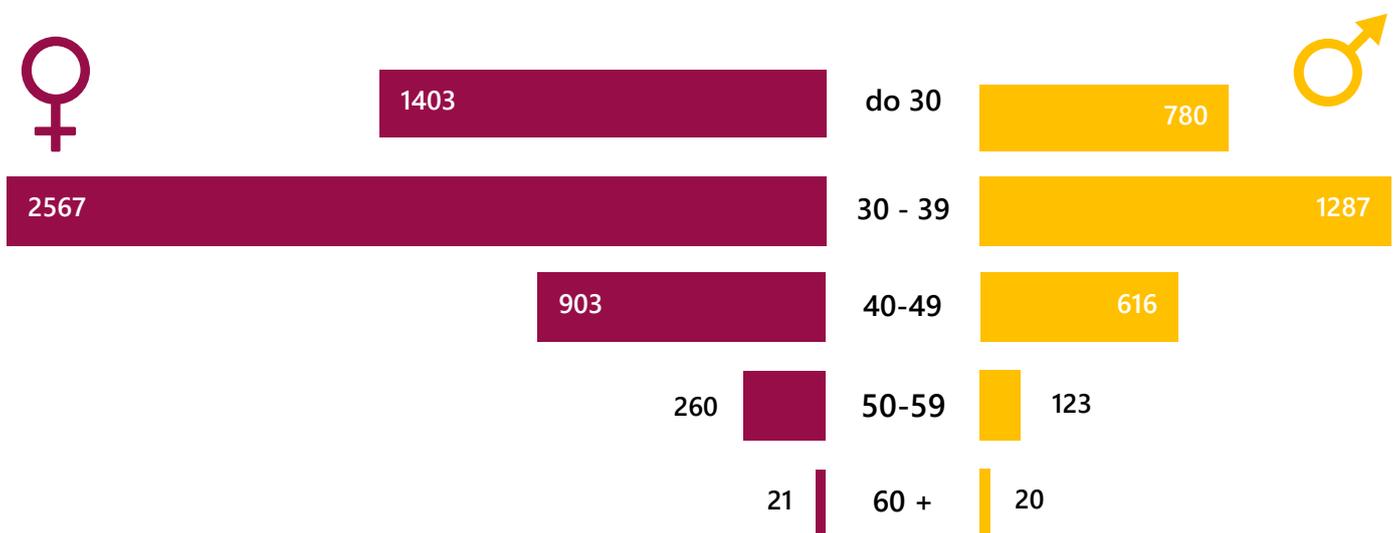
Managing diversity

Within the Group of Alior Bank S.A., prevailing is a principle of equal treatment, irrespective of gender, age, financial status, family situation, level of physical fitness, nationality, sexual orientation, political and religious beliefs and views. The principle is specified in our Working Regulations. All employees are provided with working conditions that support complete use and development of their unique features, skills, and interests. We believe that the values resulting from our employees' diversity constitute our additional advantage. In 2018 the Bank intends to approve a diversity policy as a formal document, supporting the principles followed for many years.

Staff by position level and gender



Employee structure by age



BEST PRACTICES

“PROMOTE GIRLS” PROGRAM FOR WOMEN AT ALIOR BANK

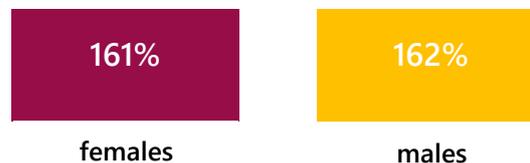
In 2017 for the ladies employed at our Bank, we ran the program titled: “Promote Girls”. The workshop was attended by 24 ambassadors of the program – lady managers – and 400 ladies at lower levels in 9 various locations. For lady managers, the project provided for more understanding of the leader model, development of assertiveness, and communication. Ladies working at lower positions could participate in a number of regional workshops devoted to assertiveness, development of their own brand, and communication skills.

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- supports implementation of tasks of the sustainable development and prudent risk management policy,
- mitigates conflicts of interest,
- supports the maintenance of a transparent relationship between individual performance and individual remuneration by focusing on targets relating to responsibility and actual impact,
- guarantees that employees act in the customers’ best interests, including the provision of clear and transparent information concerning our services and products.

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The Group of Alior Bank S.A. – lowest level salary versus the minimum pay (PLN 2100 gross) split by core locations and gender



Employee competence development

Sees to the actual development of competences of the staff. Our development policy gives the employees of Alior Bank an opportunity to become experts in an area of their choice by developing their own competences or related to team management. The management system and the implemented new development model supports effective direction of specialists and dynamic development of their carriers. Employees are offered a broad range of training programmes held by internal and external trainers. The offer covers product, sales training, and training related to service quality, interpersonal, and managerial skills. Within their development paths, we offer training in the sales network the completion of which is a criterion for promotion.

[404-1] In 2017 at the Bank, an average employee was trained for 17 hours across the Group. We were implementing, among others, development programmes for the lower managerial staff within the training cafeteria (feedback, development interviews, target setting, Manager's ABC). New employees are always covered with a specially designed programme to ensure effective induction to their work. Employees may also apply for subsidies to their university studies and foreign language courses.

In our Bank, we attach great importance to developing a culture of knowledge sharing by our employees and know-how development within the organisation. We have created a special project: Share Your Knowledge which groups all

employees who are willing to conduct specialist training and workshops within the organisation. Each employee who will join the programme will

be supported by the Training Team in the form of dedicated workshops developing their presentation and training skills.

Responsibility to the society and the environment

Support to entrepreneurship development of Polish companies



At Alior Bank we appreciate every business person and we realise the role of small and medium-sized enterprises in Poland's economy. In Poland there are about 1.8 million of SMEs that generate over 50 percent of GDP.

We are aware of the major problems of SMEs and we realise that the shortage of funding is a core issue for such businesses. This in particular applies to newly established companies and enterprises

pursuing innovative projects constituting for instance implementation of results of R&D works.

We have looked carefully at the government programme of "Strategy for Responsible Development by 2020" which provides for support for SMEs in their access to capital as one of the efforts to be taken in the near future. We are proud to stress that Alior Bank has been actively involved in government programmes supporting the development of SMEs.

BEST PRACTICES

ZAFIRMOWANI.PL

In 2016 we activated a web platform www.Zafirmowani.pl addressed to micro- and small enterprises. The service is free of charge for our customers and companies that have no relations with Alior Bank. The service is a practical guide ensuring professional support in pursuing and developing business operations – it provides the required information and responses to frequently asked questions related to business operations. The platform offers a number of practical solutions to develop the business – one of them is the on-line accounting application popular among users.

With articles and video materials we provide business people with knowledge in the sphere of law, taxes, HR, marketing, and security. The subjects of the guides, developed in co-operation with specialists, lawyers and economists, cover issues closely related to business activities in Poland. Additionally, experts that can be contacted over the portal answering questions and providing support to establish and develop business operations. All of the above is complemented with a base of useful documents – templates of employment contracts, sales contracts, and other agreements frequently used by businesses.

We believe that with the portal we have created a place where business people can obtain comprehensive knowledge and establish business relations within the created community and promote their businesses. In order to find new counterparties and partners, the Zafirmowani.pl portal offers an opportunity to create virtual outlets.

Through Zafirmowani.pl we have also invited business people to dedicated stationary conferences organised in the Google Campus in Warsaw. At the two meetings held in 2017 we provided information to participants on innovative methods of obtaining funding and on the secrets of Internet-based marketing.

The zafirmowani.pl portal will continue to be developed and extended with new functionalities, also proposed by our customers.



We are ranked second in sales of de minimis guarantees of BGK – we provided

almost 36,000 of such guarantees for the total value of close to PLN 6.9 billion. The volume of

guarantees has been translated into lending activity totalling PLN 12 billion. Our credit offer combined with BGK guarantees has been utilised by over 17,500 SMEs. The Bank's customers may also be provided with COSME guarantees – an alternative for those who will not obtain a de minimis guarantee.

We have developed a European Packet for business people – a programme offering support in obtaining EU financing and effective and safe accounting for such financing. We propose for instance stand-by arrangements and bridge financing; customers may obtain loans to finance their own contributions to subsidised investments.

With EU funds under the Operational Programme Smart Development for 2014-2020, we can offer loans to SMEs for technological innovations and portfolio guarantees. Loans for technological innovations is an instrument supporting companies in implementing their own technologies (or purchase) and thus commencing production of new or much enhanced goods, processes, or services. Portfolio guarantees are addressed to customers who implement innovative investment projects. We were the first bank in Poland to grant loans to customers secured with such guarantee.

Alior Bank is the only bank to have signed an agreement with BGK to finance access to fast Internet. As a result, we offer a broadband loan to our telecommunications customers – investment financing of fibre-optic networks. So far we have received 30 applications for almost PLN 80 M.

We initiate and get involved in initiatives developing Polish entrepreneurship and innovations, providing education in broadly understood economy.

- Alior Bank was a partner to the ranking list: 100% Polish Product organised by the Do Rzeczy weekly. Awards are granted to those enterprises that develop products using Polish materials, Polish labour, and Polish subcontractors and suppliers.

- We have also been a partner to the award: "Innovative product 2017", which is part of the competition: "I like it, since it is Polish", organised by the Polish Radio. The ranking was created to promote Polish solutions and to support economic patriotism.
- Alior Bank was a partner to most important conferences in Central and Eastern Europe devoted to innovations: Impact'17 which was held in Kraków at the turn of May and June and was devoted to digital transformation of the economy (Economy 4.0) and Impact'17 fintech. The event was held in December in Katowice and was devoted to innovations in banking and finance.
- We were also a partner of the 27th Economic Forum in Krynica-Zdrój. This is an annual international meeting of representatives of economic and political circles of Central and Eastern Europe, organised by the Institute for Eastern Studies Foundation.

Social commitment

[GRI 203-1]

The Group has no formal procedures or policies regulating the impact on the social environment – nevertheless, operating in line with corporate social responsibility is very important for us and we stress support for initiatives of local communities. We have been committed to social responsibility virtually since our establishment.

Higher culture is a specific area of our CSR at the Bank – this is an association for our customers since the beginning of our operations. In the area of social responsibility this means our commitment to support initiatives promoting culture and to counteract social exclusion by supporting access to cultural and sports values. We do our best to be close to events that are important for Poles.

BEST PRACTICES

HELP IN NATURAL DISASTER

In 2017 many people, including customers of Alior Bank, suffered in storms in August in the Kujawsko-Pomorskie and Pomorskie Voivodeships. The Bank developed dedicated solutions to provide help to the affected customers. The support was dedicated to the customers who have mortgage loans and cash loans with us. We also provided funds to rebuild rural cultural clubs in two villages that suffered during the storms. Also, employees of Alior Bank became involved in providing assistance to the affected people organising a collection of money and other necessary things.

BEST PRACTICES

SPONSORING OF SPORT

Under our co-operation with the Polish Football Association (PZPN), as an official sponsor we have been supporting Poland's National Football Team. Currently, as many as over 80,000 fans hold the Football Fan Card issued by the Bank which is used as an ID card, replaces traditional paper tickets and also serves as a pre-paid payment card. Many tickets have been offered to people who have restricted access to football games and for whom financial reasons are a major barrier to such access. In co-operation with PZPN, the Association has offered a number of football gadgets that we have been contributing to charity actions.

BEST PRACTICES – ILLUMINATION ON THE MAIN STREET IN WARSAW

In 2017 for the third time we were the sponsor of Christmas illumination of Nowy Świat Street in Warsaw. The illumination of the most representative street in Warsaw, operated between 9 December and 2 February, is part of a Christmas installation of over 20km which for years has been admired by the inhabitants of Warsaw and tourists.

We believe that support to artistic or literary initiatives will help develop social capital in Poland.

- Alior Bank took a patronage of the third edition of the festival: "Capital of the Polish Language" in Szczepleszyn. The event popularising Polish literature has become one of the most important literary festivals in Poland.
- We were also a patron of the musical show "Z dawna Polski Tyś Królową" [Thou art the Queen of Poland for Centuries] as part of the celebrations of 300 years of Crowning of the Painting of the Virgin Mary of Jasna Góra. The message of the concert was to search for solutions in a true and open dialogue that would not be addressed against anyone, but that would permanently and in a clear way reform the institutions serving human good and justice.
- We also took a patronage of the 13th Three Kings Procession – an event developing the community awareness of self-organising local communities. The initiative of the "Procession of the Three Kings" Foundation held on 6 January gathered about one million people in over 600 places in Poland and abroad. Due to the commitment and support by partners, Alior Bank included, the Procession became a national cultural institution – we financed, among others, the printing of song books and elements of external identification that are given away for free all over Poland.
- Alior Bank has provided support to the Intermedia Art Development Foundation in Kraków to establish iLab and a Media Art Centre at TVP Kraków.
- We were a sponsor of a CD with Christmas carols performed by Arka Noego – an initiative of the *Niedziela* Catholic weekly and the NIEDZIELA Foundation. Media Institute.
- We founded prizes for the finalists of the 15th edition of the National Artistic Competition "Art by the Handicapped" organised by the Art by the Handicapped Foundation.
- Additionally, we sponsored the special zone EKO-TECHNOARTMOBIL created in Kraków within two initiatives: "Kraków – a City of Startups", carried out by the Education Development Activation Association, in co-operation with the city authorities and university artists and representatives of local

start-ups, and a cyclical start up congress – START #KRRK UP-OR KRAKÓW.AND NEW TECHNOLOGIES. The multimedia installation was developed by students of the Academy of Fine Arts and representatives of start-ups.

We are particularly proud of philanthropic attitudes of our employees. Wherever possible, we support our volunteering employees and help them to become organised. The voluntary activities of Alior staff are focused on helping people in need – we primarily collect objects for people facing social exclusion and those in need.

- In April 2017, during the Easter Charity Action, we collected foodstuffs with long expiry dates. All together, we collected a number of cardboard boxes of foodstuffs that we offered to eateries and people who take care of the homeless and those in need in Kraków, TriCity, and Warsaw.
- During the Meal Action we were collecting foodstuffs and ready dishes that were leftovers from Easter tables. We provided the collected foodstuffs to eateries that take care of the homeless and those in need.
- Within the August action last August: Time to go to school! we were collecting school items for children and teenagers who are supported by educational institutions and local community centres. All in all, we collected four large boxes of articles that we handed over to the local community centre TPD "RADOŚĆ" and "AUGUSTIAŃSKA" in Kraków.
- In December, during the action "Parcel for ..." we published 137 letters with requests from children and teenagers supported by educational institutions in Porszewice, Kraków, Kielce, Stalowa Wola, and elderly people from Rzeszów and Warsaw. All letters found their donors.
- Over 40 boxes of clothing, cosmetics, shoes, and sleeping bags were collected during the action "Collection for ...". The goods were collected for the homeless.

- We also supported organisations and associations. In 2017 our financial in kind support was provided for instance to the Social Support Home in Stalowa Wola, the Association Supporting Homeless and Hapless People in Kraków and a local branch of the Polish Association of the Deaf.
- We were involved in the Girls4Tech programme organised by Mastercard to encourage studies of science. Within their voluntary activities, our employees held an educational workshop in Warsaw devoted to payment technologies. The workshop was attended by about 120 girls from Tomaszów Lubelski.

Management of the environmental impact

We, as Alior Bank S.A., are a friendly bank to our customers and employees, but also to the natural environment. Due to the nature of its business, Alior Bank does not have direct material adverse impact on the natural environment. Nevertheless, our activities like lending to specific enterprises may have an indirect impact (more information on our approach in the area is provided in Chapter 2.3).

Although we have no formal policy in that area, since the establishment we have been looking carefully at minimising our footprint on the environment. For instance, the use of innovative solutions to reduce printed documentation.

Taking care of the natural environment, we have been promoting the policy of waste segregation. In the near future, we plan to upgrade our electrical installation and replace lighting with energy saving LED solutions. We also use the services of specialist companies to recycle printing cartridges used at the Bank and large dimensional elements.

Consumption of materials and raw materials in the Alior Bank Group			
		2016	2017
Paper	Tons	306	221
Gasoline	Tons	97	165
Diesel fuel	Tons	573	760
Fuel oil	Tons	35	35
Natural gas	m3	159 930	145 391
Electricity	GJ	28 156	25 597
Thermal energy	MWh	149 281	135 710

Environmental data for 2017 has been disclosed solely by the Bank due to limited availability of the data at other Group companies and its immateriality.

On the Report

The above statement on non-financial information of the parent entity of Alior Bank S.A. and its subsidiary entities has been developed in line with the regulatory requirement imposed on public interest companies by the amended Accounting Act. The Group of Alior Bank S.A. is subject to a regulatory obligation at the standalone (Alior Bank) and consolidated level.

The statement presents managerial standpoints, policies, and due diligence procedures in force in the Group and its subsidiary companies in 2017. The major performance indicators were presented for a period from 1 January to 31 December 2017.

The statement has been prepared with reference to the International Non-Financial Reporting Standard – GRI Sustainability Reporting Standards by using selected indicators.

Requirements of the Accounting Act with respect to disclosures of non-financial data

Brief description of the unit's business model key strategy indicators	yes	Chapter <i>Who are we</i> <i>Business strategy and corporate and social responsibility</i> <i>Our relations</i>
Description of management of risks identified as material	yes	Chapter <i>Risk management related to business activity</i>
Description of policies, due diligence procedures and performance indicators related to business of the entity with reference to prevention to corruption	yes	Chapter <i>Foundations of our activities</i>
Description of policies, due diligence procedures and performance indicators related to areas important for the Bank in its customer relations, service quality, dialogue, responsible sales, and safety of data and transactions	yes	Chapter <i>Customer Focus</i>
Description of policies, due diligence procedures and performance indicators related to the business of the entity with reference to employee matters	yes	Chapter <i>Headcount – who our employees are</i>
Description of policies, due diligence procedures and performance indicators related to business of the entity with reference to observing human rights <i>We define human rights as: right to protect private life, freedom from degrading treatment, right to non-discrimination</i>	yes	Chapter <i>Ethics – rules of conduct</i> Chapter <i>Headcount – who our employees are</i>
Description of policies, due diligence procedures and performance indicators related to the business of the entity with reference to the natural environment	yes	Chapter <i>Risk management related to business activity</i> Chapter <i>Management of environmental impact</i>
Description of policies, due diligence procedures and performance indicators related to the business of the entity with reference to social issues	yes	Chapter <i>Responsibility towards society and environment</i>