

Corporate governance statement in 2019

In 2019, the Bank and its authorities complied with the principles of corporate governance defined in "Best Practice of GPW Listed Companies 2016" ("Best Practice"). By resolution of the Supervisory Board of the Bank of 29 December 2014, the Bank has also adopted the Corporate Governance Rules for Supervised Institutions, published on KNF's website: https://www.knf.gov.pl/dla_rynkuzasady_ladu_korporacyjnego ("Governance Rules"), which has been affirmed in Resolution 25/2015 of the Annual General Meeting of the Bank of 25 May 2015 with the proviso that if there is a conflict between the KNF's Rules and Good Practices, the later shall prevail.



Scope of corporate governance

Under the Warsaw Stock Exchange ("WSE") Rules, the Bank, as a public company, is required to comply with Best Practice providing a selection of recommendations and rules of conduct addressed, in particular, to the authorities of WSE-listed companies and their shareholders. The text of the document is available on WSE's website

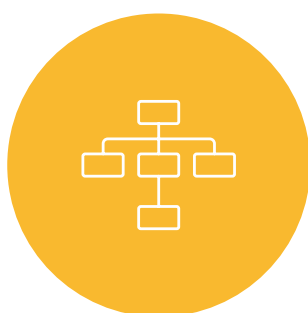
<https://www.gpw.pl/dobre-praktyki>.

The Management Board of the Bank, regarding the competences assigned to it by the Articles and mandatory legislation, intends to implement at the Bank all the principles provided for in Best Practice. As part of ongoing control, in the second half of 2019, a new revision was conducted of how the Bank has used the recommendations and principles included in Best Practice. On 10 September 2019, an information was published on the status of their application by the Bank. As per the published statement, as at the report publication date, the respective rules are applied subject to the following reservations:

- Principle I.Z.1.9. is applied. If a decision is made to pay dividend, the respective information will be published on the Bank's website;
- Principle I.Z.1.10. is not applicable – the Bank does not publish financial projections;
- Principle II.Z.7 applies to the Audit Committee. For the Nomination and Pay Committee, the Bank does not apply the Recommendation of the European Commission 2005/162/EC of 15 February 2005 on the role of non-executive or supervisory directors of listed companies and on the committees of the (supervisory) board due to the need to ensure

coherent standards for pay of the Members of the Management Board and key managers within the Group;

- Principle III.Z.6. is not applicable – a separate Audit Department has been established within the Bank;
- Principle IV.R.2. is not applicable for its subparagraph 2 – given the need to perform multiple technical and organisational measures and the involved costs and risks as well as small experience of the market in this regard, the Bank has not currently opted for providing the shareholders with real-time communication capability whereby shareholders would be able to speak at a General Meeting from a location other than the place of deliberations. The Bank intends to comply with this recommendation, but due to the fact that the Bank has not completed the process of its full implementation, this recommendation will be applied as soon as the Bank completes its implementation work for the related communication and IT systems;
- Principle IV.R.3. is not applicable – the securities issued by the Bank are traded on the Polish market;
- Principles IV.Z.16. – IV.Z.18 Will be applied – the Bank has not so far carried out dividend payments, conditional dividend payments, and has not conducted a split of the nominal value of its shares;
- Principle VI.R.3. is not applied. For the Nomination and Pay Committee, the Bank does not apply the Recommendation of the European Commission 2005/162/EC of 15 February 2005 on the role of non-executive or supervisory directors of listed companies and on the committees of the (supervisory) board due to the need to ensure coherent standards for pay of the Members of the Management Board and key managers within the Group.



Structure of share capital

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

All shares of Alior Bank S.A. are bearer ordinary shares to which equal rights and obligations attach. The Articles of Alior Bank S.A. do not restrict the shareholders' rights for exercising voting rights and

disposal of shares. The rights of Powszechny Zakład Ubezpieczeń S.A. as the parent company for the Bank result from the number of shares it holds and the related number of votes in the Bank's General Meeting.

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

Structure of share capital of the Bank, by series of shares issued (as at 31/12/2018 / 31/12/2019 / 28/02/2020)

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



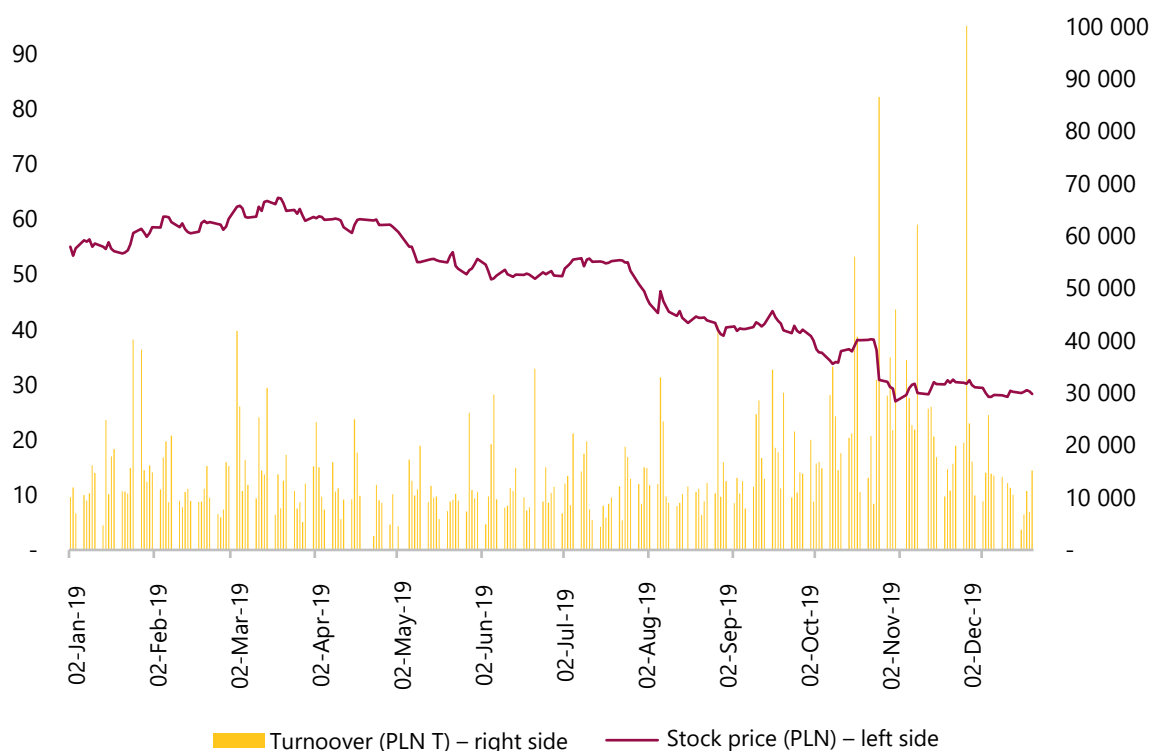
Alior Bank share prices in GPW S.A. in 2019

Alior Bank made its Initial Public Offering (IPO) on the Warsaw Stock Exchange on 14 December 2012. On 21 March 2014, only 15 months from its IPO, the Bank joined the group of 20 biggest and most liquid public companies listed in the Warsaw's stock exchange.

Total turnover of the Bank's stock in 2019 was almost PLN 4.10 billion (vs. PLN 4.96 billion in 2018). More than 500,000 transactions involving Alior Bank's stock were conducted in 2019, as compared to 420,000 transactions in 2018.

At the end of 2019, the Bank's stock traded at PLN 28.68. At the end of 2019, P/E and P/BV ratios for Alior Bank were 8.2 and 0.55, respectively.

The following chart shows the development of the Bank's stock prices and trading volumes on the WSE in 2019:



Investor Relations

The Bank has been taking active measures to meet stakeholder information needs, caring for universal and equal access to information, in accordance with the highest market standards and commonly applicable legislation.

The Bank's Management Board holds meetings with the equity market community, including investors and analysts. Such meetings address current financial and operating standing of Alior Bank and present its operating strategy and projected paths of development. In addition, these meetings address topics related to the current macroeconomic situation, general condition of the financial sector, and the Bank's competitive environment.

In 2019, there were 278 such meetings, including 151 meetings and call conferences with 74 international investors, held at the Alior Bank's offices or at national and international conferences and roadshows. The Bank also regularly takes part in conferences and events held by national and foreign brokerage houses.

Ratings

Agency	Date awarded	Long-term rating	Short-term rating	Outlook
S&P Global Ratings	16/01/2019	BB	B	stable
FitchRatings	27/01/2020	BB	B	stable

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

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

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

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

- Long-Term Foreign Currency IDR: BB with stable outlook,
- Short-Term Foreign Currency IDR: B,
- National Long-Term Rating: BBB+(pol), with stable outlook,
- National Short-Term Rating: F1(pol),
- Viability Rating (VR): BB,
- Support Rating: 5,
- Support Rating Floor: 'No Floor'.

Definitions of Fitch Ratings Ltd. ratings are available on the Agency's website www.fitchratings.com, which also publishes ratings, criteria and methodologies.

Alior Bank's Shareholders

Due to the Bank's status as a public company within the meaning of the Public Offering Act and the fact that the Bank's shares are listed on a regulated market (primary market) operated by the WSE, the Bank provides below information on the shareholders who hold at least 5% of the share capital of the Bank and the overall number of votes at the General Meeting.

Ownership structure of the Bank's share capital

Shareholder	Number of shares held/ number of votes at GM		Proportion of the share capital and overall number of votes at GM	
	28/02/2020/ 31/12/2019	05/11/2019	28/02/2020/ 31/12/2019	05/11/2019
Grupa PZU SA¹	41,689,286	41,693,258	31,93%	31,94%
Aviva OFE, Aviva Santander²	9,467,000	9,467,000	7,25%	7,25%
Nationale-Nederlanden OFE²	9,300,000	9,300,000	7,12%	7,12%
Pozostali akcjonariusze	70,097,705	70,093,733	53,69%	53,69%
Razem	130,553,991	130,553,991	100,00%	100,00%

(1) PZU SA, the funds managed by TFI PZU SA and Pekao Investment Banking SA

(2) Based on the number of shares registered at the General Meeting convened on 28 June 2019

Changes to ownership structure of the Bank's share capital

Since the date of delivery of the prior periodic report until the publication of this report, the Management Board of the Bank received no notices under Article 69 of the Act of 29 July 2005 on public offering, conditions governing the introduction of financial instruments to organised trading, and on public companies (Journal of Laws 2005 no 184 item 1539, as amended).

On 19 September 2019, the Bank received a notice from BlackRock, Inc on a decrease of its share of votes in General Meeting of the Bank to below 5%, prepared as per ESMA/2015/1597 standards.

Members of the Management Board being the Bank's shareholders as at 31/12/2019 and as at the report publication date

Shareholder	Number of shares /Number of votes	Nominal value of shares (PLN)	Shares as proportion of the share capital	Votes as proportion of overall votes
Krzysztof Bachta*	5,000	50,000	0,00%	0,00%

* On 12 November 2019, Mr Krzysztof Bachta acquired 832 shares of the Bank.

As at the end of reporting period and the date of this report, an individual closely related to the Bank's Vice-President of the Management Board held 1000 shares of the Bank. The transaction of acquisition of 1000 shares of the shares of the Bank was conducted on 20 September 2019.

To the best knowledge of the Bank's Management Board, Members of the Supervisory Board have held no shares of the Bank as at the end of the reporting period and as at the date of this report. In the reporting period, there were no transactions on the Bank's shares whose party would be Members of the Supervisory Board of the Bank.



Significant agreements and obligations

As at 31 December 2019, Alior Bank S.A. did not hold:

- obligations to the central bank,
- significant agreements of advances, suretyships and guarantees which do not apply to operating activities, with the exception of a contract of mandate for periodic provision of insurance guarantees

constituting an unfunded credit protection, and a framework contract of mandate for periodic provision of counter guarantees, entered into on 8 November 2017 with Powszechny Zakład Ubezpieczeń S.A., and the agreement of 7 December 2018 on synthetic securitisation of a portfolio of business loans up to PLN 1.5 billion, entered into with European Investment Funds (EFI) and the European Investment Bank (EBI) as counter-guarantor, which is described in detail in *Chapter X*, in section *Capital management (ICAAP)*.

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

In 2019, the Bank did not enter into and did not terminate any loan and advance agreements outside of the normal scope of the Bank's business activity.

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

As at 31 December 2019, Alior Bank has held 1564 active guarantees for a total amount of PLN 841,999 thousand. The Banks makes sure that the time structure of the guarantees is appropriate. Active guarantees with less than two years to maturity (1158 items) amounted to PLN 484,935 thousand.

In the reporting period, there were no major transactions within Alior Bank Group with the affiliates otherwise than on arm's length.

On 11 April 2019, an agreement was signed for the terms of transaction between the Bank, Polski Koncern Naftowy Orlen Spółka Akcyjna ("PKN Orlen") and Powszechny Zakład Ubezpieczeń Spółka Akcyjna ("PZU"), regarding RUCH S.A. in restructuring, which is described in *Chapter VIII. Major events in the activity of Alior Bank Group*.

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

Alior Bank has not issued any securities to provide special control rights towards the Bank. Financial results of Alior Bank Group are consolidated within PZU Group. The Bank's Supervisory Board includes representatives of PZU SA.



Authorities of Alior Bank S.A.

General Meeting of the Bank

Rules of operation of the General Meeting

The activities of the General Meeting, its principal rights, the rights of shareholders, and how these rights are exercised are defined in: Rules of Procedure adopted by the resolution of the Annual General Meeting on 19 June 2013, as amended by resolution 29/2017 of the Annual General Meeting of the Bank of 29 June 2017, Articles of the Bank, and the applicable legislation, including the Code of Commercial Partnerships and Companies, and the Banking Law.

General Meeting of the bank is convened by a notice on the Bank's website and in a way defined for the communication of current information as per mandatory legislation. The notice should be given at least 26 days in advance of the date of the General Meeting. Since the date of convening the General Meeting, the Bank posts on its website <https://www.aliorbank.pl/en/investor-relations/general-meetings.html> information required by provisions of the Code of Commercial Partnerships and Companies.

Only the Bank's shareholders registered as such 16 days prior to the General Meeting (registration date) are eligible to participate in the General Meeting of the Bank.

Shareholder(s) representing at least one-twentieth of the share capital may request that certain business be put on the agenda of the next General Meeting and submit draft resolutions on the business put on the agenda.

General Meetings of the Bank in 2019

In 2019, one General Meeting of the Bank was held. In addition to housekeeping resolutions, the Annual General Meeting of the Bank held on 28 June 2019 adopted resolutions on matters related to the closing of the financial year 2018, concerning:

- approval of the Bank's Supervisory Board report,
- approval of the financial statements of the Bank and of the Bank's Group,
- approval of the Bank's Group Management Board Report, including the Bank Management Board Report,
- examination of Management Board report on representation expenses as well as on legal services, marketing services, public relations and social communication services and management consultancy services spending for 2018,
- distribution of profit,
- discharge of all Members of the Management Board and Supervisory Board of the Bank.

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

- amendments to the Articles of Alior Bank Spółka Akcyjna,
- amendment of Resolution 5/2017 of the Extraordinary General Meeting of Alior Bank Spółka Akcyjna of 5 December 2017 laying down the rules of pay of Members of the Supervisory Board of Alior Bank Spółka Akcyjna,
- amendment of Resolution 6/2017 of the Extraordinary General Meeting of Alior Bank Spółka Akcyjna of 5 December 2017 laying down the rules of pay of Members of the Management Board of Alior Bank Spółka Akcyjna.

Amendments to the Articles

Under Article 415 of the "Code of Commercial Partnerships and Companies" Act of 15 September 2000 (Journal of Laws of 2019, item 2217) an amendment to the Articles of Alior Bank S.A. requires the Bank's General Meeting to adopt a special resolution by qualified majority of three-fourths of the votes, obtain the approval of the Polish Financial Supervision Authority and registration of the adopted amendment in the Register of Entrepreneurs of the National Court Register.

On 14 January 2019, amendments to the Articles of Alior Bank S.A. were registered in the Register of Entrepreneurs of the National Court Register, concerning:

- organisation of the Supervisory Board (§ 20(2) and (3) of the Articles);
- duty of the Supervisory Board to approve the Pay Policy and to supervise its delivery and operation (§ 23(2)(28) of the Articles);
- risk management system and internal control system (§ 31(5), § 31a and § 32 of the Articles);
- own funds of Alior Bank S.A. (§ 34, § 35, § 38, § 40(1)(3) of the Articles),

adopted by resolution 3/2018 of the Extraordinary General Meeting of the Bank of 26 November 2018.

On 1 August 2019, amendments to the Articles of Alior Bank S.A. were entered to the Register of Entrepreneurs of the National Court Register, consisting in adding Bank's new objects, being

activities of the provision of services of initiation of payment transactions from the user's payment account kept by another provider, and the service of access to information on payment accounts of the user kept by another provider or providers (§ 7(2)(17)-(18) of the Articles of Alior Bank S.A., adopted by resolution 35/2019 of the Annual General Meeting of 28 June 2019.

On 18 October 2019, amendments to the Articles of Alior Bank S.A. were registered in the Register of Entrepreneurs of the National Court Register, concerning:

- requirements mentioned in Article 19(1)-(3) and (5) of the Act on the rules of management of State-owned assets with regard to Members of the Supervisory Board (§ 18(5)-(7) of the Articles),
- duty of the Supervisory Board to examine a report on best practice mentioned in Article 7(3) of the Act on the rules of management of State-owned assets (§ 23(2)(3b) of the Articles),
- duty of the Management Board to prepare and submit to the Supervisory Board a report on best practice mentioned in Article 7(3) of the Act on the rules of management of State-owned assets (§ 26(1b) of the Articles).

adopted by resolutions 33/2019 and 34/2019 of the Annual General Meeting of the Bank of 28 June 2019.

Alior Bank S.A. obtained the approval from the Polish Financial Supervision Authority for all of the above-mentioned amendments.

Supervisory Board of the Bank

Composition of the Supervisory Board as at 31/12/2019		Composition of the Supervisory Board as at 31/12/2018	
Tomasz Kulik	Chairman of the Supervisory Board	Tomasz Kulik	Chairman of the Supervisory Board
Marcin Eckert	Deputy Chairman of the Supervisory Board	Małgorzata Iwanicz-Drozdowska	Deputy Chairman of the Supervisory Board
Dariusz Gątarek	Member of the Supervisory Board	Marcin Eckert	Member of the Supervisory Board
Mikołaj Handschke	Member of the Supervisory Board	Dariusz Gątarek	Member of the Supervisory Board
Artur Kucharski	Member of the Supervisory Board	Mikołaj Handschke	Member of the Supervisory Board

Wojciech Myślecki	Member of the Supervisory Board	Artur Kucharski	Member of the Supervisory Board
Maciej Rapkiewicz	Member of the Supervisory Board	Wojciech Myślecki	Member of the Supervisory Board
		Maciej Rapkiewicz	Member of the Supervisory Board

The following changes in the composition of the Supervisory Board of the Bank took place in the reporting period:

- On 31 January 2019, Ms Małgorzata Iwanicz-Drozdowska resigned as Member of the Supervisory Board of the Bank,
- 27 lutego 2019 r. Pan Marcin Eckert został wybrany na Zastępcę Przewodniczącego Rady Nadzorczej Alior Bank S.A.

Members of the Supervisory Board are not engaged in any competitive activity towards the Bank and do not participate in competitive partnerships as their members

Information on how Members of the Supervisory Board of the Bank comply with the requirements provided for in Article 22aa of the Banking Law is available on the Bank's website:

<https://www.aliorbank.pl/en/about-alior-bank/supervisory-board.html>



Rules of operation of Supervisory Board

The Supervisory Board of the Bank operates in particular under the "Banking Law" Act of 29 August 1997, "Code of Commercial Partnerships and Companies" Act of 15 September 2000, as well as the Articles, and Rules of Procedure of the Supervisory Board of the Bank, whose content is available on the company's website. The Supervisory Board exercises continuous oversight of the Bank's activities in all its aspects.

In accordance with the Articles, responsibilities of the Supervisory Board, in addition to other rights and responsibilities provided for by mandatory legislation, include, among others:

- providing an opinion on the report of the Management Board on representation expenses as well as legal services, marketing services, public relations and social communication services and management consultancy services spending;
- assessing periodic information on internal control;
- examining the report on best practice mentioned in Article 7(3) of the Act on the rules of management of State-owned assets;

- applying to the Polish Financial Supervision Authority for acceptance of the appointment of two members of the Management Board of the Bank, including the President of the Management Board;
- adopting the Rules of Procedure of the Supervisory Board and approving the Rules of Procedure of the Management Board established by the Management Board of the Bank,
- determining the pay of Members of the Management Board employed under the Labour-Code contract or other contract;
- representing the Bank on any matters between members of the Management Board and the Bank;
- suspending the activity, for major reasons, of particular or all members of the Management Board of the Bank;
- providing opinions on requests of the Management Board for the establishment and for the Bank's accession as member or shareholder to companies and to dispose of shares where such investments are long-term and strategic;
- providing opinions on multi-annual Bank development programmes and Bank's annual financial plans;
- resolving, at the request of the Management Board, on rules and regulations for the establishment and use of the funds provided for in the Bank's Articles;
- approving requests of the Management Board of the Bank for acquisition, charge or disposal of real property or interest in real property, or perpetual usufruct, if its value is more than PLN 5,000,000. In other cases, the decision is taken by the Management Board of the Bank without the need to obtain the authorisation from the Supervisory Board, subject to the matters decided by the General Meeting under § 17a of the Bank's Articles;
- approving the requests of the Bank's Management Board for incurring a commitment or disposal of assets whose value with regard to a single entity exceeds 5% of the Bank's own funds;
- exercising oversight of the introduction and monitoring of the management system in the Bank, including, in particular, overseeing the compliance risk management, and carrying out, at least once a year, the assessment of adequacy and effectiveness of that system;
- approving the rules of conducting internal control and procedures related to the estimation of internal capital, capital management, and capital planning;
- approving the Bank's business strategy, and the rules of prudent and stable management of the Bank;
- accepting the overall level of risk taken by the Bank;
- approving the Organisational Rules of the Bank and the overall organisational structure of the Bank established by the Management Board of the Bank, adapted to the size and profile of risks taken;
- approving the assumptions of the Bank's policy for compliance risk;
- approving the Bank's information policy;
- selecting the independent auditor;

- approving the pay policy developed by the Management Board and overseeing its introduction and operation.

The following requires the approval of the Supervisory Board:

- entering into a contract for legal services, marketing services, public relations and social communication services and management consultancy services, if the amount of overall compensation for the services provided exceeds PLN 500,000 pre-VAT, per annum,
- amending a contract for legal services, marketing services, public relations and social communication services and management consultancy services if it increases the compensation above the amount mentioned in Paragraph 1,
- entering into a contract for legal services, marketing services, public relations and social communication services and management consultancy services for which the maximum compensation amount is not provided,
- entering into contract for:
 - donation or other contract with a similar effect, with the value exceeding PLN 20,000 or 0.1% of total assets within the meaning of the Accounting Act of 29 September 1994 determined based on the last approved financial statements,
 - waiver of debt or other contract with a similar effect, with the value exceeding PLN 50,000 or 0.1% of total assets within the meaning of the Accounting Act of 29 September 1994 determined based on the last approved financial statements.

In addition, under Resolution 4/2018 of the Extraordinary General Meeting of Alior Bank Spółka Akcyjna of 26 November 2018, disposal of and acquisition by the Bank of financial assets included in fixed assets, and taking up, acquiring and disposing of shares in connection with the Bank's operations mentioned in § 1 and § 2 of that Resolution, requires an approval of the Supervisory Board of the Bank.

The Supervisory Board appoints from among its Members the Audit Committee, Risk Committee and other committees required by law, it may also appoint standing or ad hoc committees to perform specific activities

Committees of the Supervisory Board

Audit Committee

Composition of the Committee as at 31/12/2019

Composition of the Committee as at 31/12/2018

Artur Kucharski	Chairman of the Committee	Małgorzata Iwanicz-Drozdowska	Chairwoman of the Committee
Marcin Eckert	Member of the Committee	Artur Kucharski	Member of the Committee
Wojciech Myślecki	Member of the Committee	Marcin Eckert	Member of the Committee
		Wojciech Myślecki	Member of the Committee

On 31 January 2019, Professor Małgorzata Iwanicz-Drozdowska submitted a notice of her resignation as Member of the Supervisory Board with immediate effect.

In connection with this resignation, the Supervisory Board appointed on 27 February 2019 Mr Artur Kucharski the Chairman of the Audit Committee.

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

- Mr Artur Kucharski and
- Mr Wojciech Myślecki.

The person having the knowledge and skills in the area of accounting or auditing of financial statements is Mr Artur Kucharski. Mr Artur Kucharski gained his knowledge and skills when he worked as a financial auditor at PricewaterhouseCoopers (PWC). Mr Artur Kucharski graduated from a training course held by the Association of Chartered Certified Accountants (ACCA).

The persons who have the knowledge and skills in the sector in which the Bank operates are:

- Pan Wojciech Myślecki and
- Pan Marcin Eckert.

Mr Wojciech Myślecki's expertise of the sector in which the company operates is demonstrated by his long-term professional experience in the financial market, in particular in Bank Zachodni WBK SA and at the Supervisory Board of Generali PTE. Mr Wojciech Myślecki is author of several dozens of academic and research papers on communications, digital processing of signals, as well as the synthesis, analysis and recognition of speech signals, and author or co-author of several dozens of reports, publications and papers on economic transformation and educational systems, the market for power, and the operation of the Polish and European electric power system. He combines his research and teaching work with holding executive and supervisory functions in commercial companies.

Mr Marcin Eckert's expertise of the sector in which the company operates is demonstrated by his long term professional experience in the financial market related to the functions he holds at PZU Group and in legal and consulting firms (Bird & Bird Szepietowski i wspólnicy, TGC Corporate Lawyers Warszawa, Mazars & Guerard Audyt Sp. z o.o., Ernst & Young Sp. z o.o.). As a legal adviser,

he specialises in commercial law, taxation law, labour law, and the principles of pay and incentive programmes.

Activities of the Audit Committee

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

In the reporting period, 14 meetings of the Audit Committee were held, which discussed topics such as: financial reporting process, internal control system, risk management systems, internal audit, performing the activities of financial audit. The Audit Committee was kept informed on material topics concerning accounting and financial reporting, controlled and monitored the independence of the statutory auditor and the entity authorised to audit financial statements. As regards monitoring of the effectiveness of the internal control system and risk management systems as well as internal audit, the Audit Committee was receiving reports from the Audit Department, including information on the results of the conducted audits, progress in the implementation of recommendations, reports on the execution of the control plan, including the report on the activities of the Audit Department as well as adequacy and effectiveness of the internal control system and risk management system. Based on reports of the Regulatory Compliance Department, he monitored the compliance risk management system and the control function.

Nomination and Pay Committee

The Nomination and Pay Committee was established by resolution of the Supervisory Board of the Bank on 7 December 2011.

Committee's responsibilities:

- providing opinions on the Pay Policy in order to ensure compliance of the terms and conditions of pay with regulations, in particular with the Regulation of the Minister of Development and Finance of 6 March 2017 on risk management system and internal control system, pay policy and detailed method of estimating internal capital at banks, in accordance with the principles of stable and prudent management of risk, capital and liquidity, as well as with special consideration of long-term interests of the Bank and interests of its shareholders,
- providing opinions on the classification of jobs, which is governed by the pay policy with regard to individuals having material impact on the risk profile of the Bank (MRT), providing opinions on annual objectives; providing opinions and monitoring variable pay of the MRT,
- preparing opinions, assessments or recommendations on candidates to the Management Board of the Bank, on entering into, amending or termination of contracts with members of the Management Board, on matters of structure, size, and effectiveness of the Management Board as a body, and the expertise, skills and experience of particular members of the Management Board,

- preparing opinions, assessments or recommendations on other personnel matters for which the Supervisory Board or the Committee are competent as per the applicable in-house regulations and mandatory legislation.

Composition of the Committee as at 31/12/2019		Composition of the Committee as at 31/12/2018	
Tomasz Kulik	Chairman of the Committee	Tomasz Kulik	Chairman of the Committee
Mikołaj Handschke	Member of the Committee	Mikołaj Handschke	Member of the Committee
Maciej Rapkiewicz	Member of the Committee	Maciej Rapkiewicz	Member of the Committee
Marcin Eckert	Member of the Committee	Marcin Eckert	Member of the Committee

There has been no change in the composition of the Nomination and Pay Committee in the reporting period.

Activity of the Nomination and Pay Committee

In 2019, the Nomination and Pay Committee held 16 meetings which, among other things, evaluated the Management Board as a body, provided opinions on the Pay Policy, classification of positions subject to the Pay Policy for individuals having major effect on the Bank's risk profile, and conducted current updates for MRT identification during the year, provided opinions on the objectives of those individuals for 2019 and the topics related to the variable component of the pay of those individuals.

Risk Committee

Composition of the Committee as at 31/12/2019		Composition of the Committee as at 31/12/2018	
Dariusz Gątarek	Chairman of the Committee	Dariusz Gątarek	Chairman of the Committee
Artur Kucharski	Member of the Committee	Małgorzata Iwanicz-Drozdowska	Member of the Committee
Maciej Rapkiewicz	Member of the Committee	Maciej Rapkiewicz	Member of the Committee
Marcin Eckert	Member of the Committee		

In the reporting period there was a change to the personal composition of the Risk Committee of the Supervisory Board of Alior Bank S.A. In connection with resignation of Ms Małgorzata Iwanicz-Drozdowska from membership of the Supervisory Board of the Bank, the Supervisory Board

appointed Mr Marcin Eckert, as of 31 January 2019, and Mr Artur Kucharski, as of 27 February 2019 to the Risk Committee.



Activities of the Risk Committee

The Supervisory Board's Risk Committee was established on 22 December 2015 by Supervisory Board Resolution 81/2015 to support the Supervisory Board in the supervision of the risk management process at the Bank.

Over the reporting period, the Risk Committee held 11 meetings. As part of current supervision of the risk management area and capital adequacy, the Committee was receiving reports and analyses presenting the situation of the Bank and of its major subsidiaries. The Committee was also consulted for key regulatory projects in this regard.

At its meetings, the Supervisory Board's Risk Committee discussed key topics related to the risk management process, in particular concerning: target risk appetite in banking activity, capital position, quality of the credit portfolio and the largest exposures. The committee was receiving, overseeing and commenting on current results from the areas of credit risk, market risk, liquidity risk, operational risk, model risk, as well as the status of implementation of key improvements and optimisation projects. The Committee also examined the mortgage-backed portfolio (Recommendation S) and retail exposures (Recommendation T).

Management Board of the Bank

Composition of the Management Board of the Bank as at 31/12/2019		Composition of the Management Board of the Bank as at 31/12/2018	
<p>Krzysztof Bachta President of the Management Board</p> 	<p>Areas of responsibility: HR, marketing, communication and PR, internal audit, Compliance, providing support to the Company's authorities, investor relations, strategy. Current operation of the procedures for reporting non-compliance with the law, the procedures applicable at the Bank, and rules of business ethics.</p>	<p>Krzysztof Bachta Vice-President of the Management Board</p>	<p>Areas of responsibility: HR, marketing and PR, internal audit, Compliance, providing support to the Company's authorities, investor relations, strategy. Current operation of the procedures for reporting non-compliance with the law, the procedures applicable at the Bank, and rules of business ethics.</p>
<p>Tomasz Biłous Wiceprezes Zarządu</p> 	<p>Areas of responsibility: Subject areas: finance, including management accounting, reporting and accounting policy, taxes, internal accounting and data centre.</p>	<p>Filip Gorczyca Wiceprezes Zarządu</p>	<p>Areas of responsibility: Controlling Division, organisational units of the Bank's Headquarters responsible for: data, accounting, taxation and reporting.</p>

Marcin Jaszczuk
Wiceprezes
Zarządu



Areas of responsibility: innovation, FinTech, strategic partnerships, oversight of subsidiaries and activities in other countries, mergers and acquisitions.

Marcin Jaszczuk
Wiceprezes
Zarządu

Areas of responsibility: Corporate Development division, i.e., innovation, strategy and FinTechs, T-Mobile Usługi Bankowe Branch, oversight of subsidiaries and activities in other countries

Seweryn Kowalczyk
Wiceprezes
Zarządu



Areas of responsibility: security, legal services, and protection of personal data.

Seweryn Kowalczyk
Wiceprezes
Zarządu

Areas of responsibility: security and legal services

Mateusz Poznański
Wiceprezes
Zarządu



Areas of responsibility: retail customer products and sales (Consumers and Microenterprises).

Mateusz Poznański
Wiceprezes
Zarządu

Areas of responsibility: Consumer Sales Division, KI products, brokerage, external networks, consumer finance, and consumer relations.

Agata Strzelecka
Wiceprezes
Zarządu



Areas of responsibility: IT, operational support and cybersecurity.

Agata Strzelecka
Wiceprezes
Zarządu

Areas of responsibility: IT Division, cybersecurity, digital banking, logistics, purchasing, settlements and operational support.

Marek Szcześniak
Wiceprezes
Zarządu



Areas of responsibility: risk area, including: credit risk, capital management, operational risk, market risk, and model risk.

Marek Szcześniak
Wiceprezes
Zarządu

By the time the KNF approved the nomination of the Member of the Management Board overseeing the management of major risks for the Bank's activities (26/02/2019), the entire Management Board of the Bank had been provisionally responsible for the risk area.

Dariusz Szwed
Wiceprezes
Zarządu



Areas of responsibility: business customer products and sales, Treasury activity, Private Banking and brokerage).

Maciej Surdyk
Wiceprezes
Zarządu

Areas of responsibility: business customer products and sales, Treasury activity, AGRO business, EU funds and public programmes, and business customer relations.

The following changes to the composition of the Management Board of the Bank took place in the reporting period:

- On 26 February 2019, the Polish Financial Supervision Authority has unanimously approved the appointment of Mr Krzysztof Bachta as President of the Management Board of Alior Bank S.A., and on 27 February 2019, the Supervisory Board of the Bank resolved to appoint Mr Krzysztof Bachta, the existing Vice-President of the Management Board, as President of the Management Board of Alior Bank S.A.,
- In 26 February 2019, the Polish Financial Supervision Authority also approved the nomination of Mr Marek Szcześniak as Member of the Management Board of Alior Bank S.A. supervising the management of major risks in the Bank's activity,
- On 1 July 2019, Mr Maciej Surdyk – Vice-President of the Management Board resigned as Member of the Management Board of Alior Bank S.A. with effect from 1 July 2019.

In addition, on 17 January 2020, Mr Mateusz Poznański resigned as Member of the Management Board with effect from 29 February 2020, which resulted in a new division of responsibilities between Members of the Management Board. The existing area of Retail Customers, including Consumers and Microenterprises reports to Vice-President, Mr Marcin Jaszczuk. Vice-President Tomasz Biłous is now responsible for oversight of subsidiaries and activities in other countries, and President Krzysztof Bachta is now responsible for the Customer Relations Department and M&A Department.

All Members of the Management Board of the Bank, including those who assumed the function of Vice-Presidents of the Management Board in 2019 are not engaged in any competitive activity towards the Bank and do not participate in competitive partnerships as their members, or as members of the authorities of companies, or other, competitive legal persons.

Information on how Members of the Management Board of the Bank comply with the requirements provided for in Article 22aa of the Banking Law is available on the Bank's website: <https://www.aliorbank.pl/en/about-alior-bank/management-board.html>.

Appointment and dismissal of senior management

Under Article 22a(1) of the "Banking Law" Act of 29 August 1997 (Journal of Laws 2019, item 2357), the Management Board of Alior Bank S.A. is composed of at least three Members appointed and dismissed by the Supervisory Board of Alior Bank S.A. Alior Bank S.A.'s Articles provide, in § 24(1) and (2) thereof, that Members of the Management Board are appointed for a common term of three years. Under Article 22b(1) of the "Banking Law" Act, the President of the Management Board and the Member of the Management Board overseeing the management of major risks in the Bank's activity shall be appointed with the consent of the Polish Financial Supervision Authority. The consent is applied for by the Supervisory Board.

Members of the Management Board of Alior Bank S.A. shall be appointed pursuant to qualification procedure, the purpose of which is to verify and assess the competencies of the candidates, and to select the best candidate in accordance with the requirements of the "Banking Law" Act mentioned in Article 22aa of the "Banking Law" Act.

Under §25a of Alior Bank's Articles, Members of the Management Board of Alior Bank S.A. shall also meet the requirements mentioned in Article 22 of the Act of 16 December 2016 on the rules of management of State-owned assets (Journal of Laws 2019, item 1302).



Responsibilities of the Management Board

Under § 27(1) of Alior Bank S.A.'s Articles, the Management Board represents the Bank vis-à-vis third parties and deals with all matters not reserved by legislation or the Articles to other authorities of the Bank. In particular, the Management Board prepares Alior Bank S.A.'s development strategy and annual budgets.

The Management Board of Alior Bank S.A. acts pursuant to the Rules of Procedure of the Management Board of Alior Bank S.A. which defines the Management Board's organisation of work and detailed responsibilities of the President of the Management Board. Under § 8(1) of the Rules of Procedure of Alior Bank S.A., the Management Board, by resolution:

- determines long-term activity plans and strategic goals of the Bank,
- determines short-term and long-term budgets of the Bank and monitors their execution;
- monitors the Bank's management system, including the management reporting system used for current control of the Bank's activity,
- accepts the rules, policies and regulations for the Bank's activity, and, in particular, for prudent and stable management of the Bank, risk management, credit activity, investing activity, Bank's management system, assets and liabilities management, accounting, Bank's funds, personnel management and rules for conducting internal control,
- determines the amount of the bonus pool for the Bank's employees, and its overall distribution;
- appoints commercial representatives of the Company,
- takes decisions as to the issuing by the Bank of bonds, except for convertible bonds or bonds with pre-emptive rights;
- accepts the take-up, acquisition and disposal by the Bank of shares of companies,
- takes decisions on assuming obligations, disposal of assets, charges and leases of assets whose combined value towards a single entity exceeds one-hundredth of the share capital of the Bank, subject to Article 8(2) of the Rules of Procedure of the Management Board,
- approves the investment plan and accepts each own investment of the Bank (acquisition or disposal of fixed assets or proprietary rights) in the amount exceeding one-hundredth

of the share capital of the Bank, subject to Article 8(2) of the Rules of Procedure of the Management Board,

- accepts matters related to the organisation structure of the Bank's Headquarters, including the establishment and liquidation of organisational units of the Bank and of organisational units of the Bank's Headquarters,
- takes decisions on the establishment and liquidation of Bank's branches,
- takes decisions as to payment to shareholders of dividend advances, upon acceptance of the Supervisory Board,
- accepts all documents presented to the Supervisory Board or to the General Meeting,
- examines other matters submitted for examination by the Supervisory Board, General Meeting, Members of the Management Board, organisational units of the Bank, or any committees or teams established under the Bank's internal regulations,
- takes decisions on all other matters within the scope of activity of the Bank, if required by specific legislation or if such decisions can have major effect on the financial situation or reputation of the Bank,
- exercises corporate governance over the group companies.

Under § 3(3) of the Rules of Procedure of the Management Board of Alior Bank S.A., in all other matters each Member of the Management Board takes independent decisions concerning the Division reporting to him or her.

Under § 17(2)(5) and (7) of the Rules of Procedure of Alior Bank S.A., any increase or decrease of share capital, as well as redemption of shares and definition of detailed terms and conditions of such redemption require a resolution of the General Meeting.

By resolution 28/2012 of 19 October 2012 on conditional increase in share capital of the Bank and the issuance of subscription warrants, the General Meeting of Alior Bank S.A. vested to the Management Board of Alior Bank S.A. the right to:

- offer and issue subscription warrants to the participants of the Incentive Programme other than members of the Management Board of the Bank (for Members of the Management Board, these rights are vested in the Supervisory Board),
- register in the National Depository of Securities any newly issued shares and do anything related to their dematerialisation,
- take all necessary measures related to the admission and introduction to trading in the regulated market operated by Warsaw Stock Exchange of shares of new issues immediately after the issue.

The activities carried out by the Management Board for the purpose of issuance of shares under the Incentive Programme are described in detail in the Rules of the Incentive Programme approved by the Supervisory Board, subject to the provisions of the Articles of Alior Bank S.A. Based on a resolution, the Management Board may authorise standing committees or appropriate employees of the Bank to take decisions related to the assumptions of obligations or disposal of assets, as part of daily activities of the Bank, whose total amount towards a single entity does not exceed 5% of the Bank's own funds.



Remuneration policy

The Remuneration Policy applicable at Alior Bank is the core document for the policy and rules of pay of the Bank's staff. It includes the rules for the pay of individuals who, due to their special role in the Bank's risk management system, have been covered by a separate regulatory regime in this regard, i.e.:

- Material Risk Takers (MRT), including the Management Board,
- Individuals exercising Control Functions,
- staff of the Regulatory Compliance Department and Audit Department,
- staff involved in the offering or distribution of banking, investment and insurance products and services.

Objectives of the Policy:

- promote correct and effective management of risks, and discourage from taking excessive risks (exceeding the risk levels acceptable to the Bank) in order to maintain a solid equity base and having regard to the long-term interests of the Bank - its shareholders and customers,
- promote the Bank's strategy for sustainable development and prudent risk management policy,
- mitigate conflict of interest,
- maintain transparent relationship between individual results and individual pay by focusing on goals linked to responsibilities and actual influence,
- ensure that the Bank's staff act in the best interests of their customers, including provide them with clear and transparent information on services and products offered by the Bank.

Particularly important for the achievement of the above-mentioned goals is how the Policy addresses MRTs.

The main Policy statements regarding MRT:

- pay composed of fixed and variable parts,
- avoidance of awarding to MRT pension benefits which are not defined in advance,
- committing MRTs to avoid using individual hedging strategies or insurance regarding remuneration and liability in order to alleviate the consequences of incorporation of risks in the pay system applicable to them,
- except for staff exercising control functions, the total amount of the variable pay is based on the assessment of the results of MRT and of their respective organisational unit as well as results of the Bank within the area of responsibility of that person, taking into account the results of the Bank as a whole,
- maximum ratio of variable pay of MRT to fixed pay: 100%,
- at least 50% of the variable pay of MRT shall be an incentive to detailed commitment to long-term interests of the Bank, and comprises financial instruments linked to the Bank's shares. The remaining part of variable pay is paid out in cash as Cash Variable Pay,
- at least 40% of MRT variable pay, and if MRT variable pay is for a particularly high amount, at least 60% of the variable pay – shall be a deferred pay,
- The variable pay of the Management Board is adapted to the provisions of the Act of 9 June 2016 on the rules of remuneration of executives of certain companies.

Executive Options Programme

The Executive Options Programme for 2013-15 covering the then-members of the Management Board and key managers was adopted by resolution 28/2012 of the Extraordinary General Meeting of Alior Bank S.A. of 19 October 2012 on conditional increase in share capital of the Bank and the issuance of subscription warrants, and the rules & regulations for the incentive programme adopted by resolution of the Supervisory Board of Alior Bank S.A. of 27 March 2013.

Assumptions of the Programme: issuance of three tranches of subscription warrants (series A, B and C) and the corresponding tranches of new shares of the Bank (series D, E and F) with a combined nominal value not exceeding PLN 33,312,500. In December 2018, "A" Series warrants which authorised their holders to take up "D" Series shares expired and "B" Series warrants expired in December 2019.

The number of unrealised warrants as at 31 December 2019 is presented in table below:

Warrant Series	Number of exercisable issued warrants	Total
A	0	0
B	0	0
C	543 725	543 725

In connection with the issuance of shares accompanied by rights issue, on 27 July 2016, the Supervisory Board adopted a technical adjustment of the Executive Option Programme aimed at ensuring economic neutrality of the programme for the eligible individuals, consisting in the calculation of the decrease of theoretical value of the Executive Option Programme and issuance to the individuals covered by this programme of an appropriate number of phantom shares with parameters similar to warrants.

Remuneration of Members of the Management Board and Supervisory Board of Alior Bank S.A. in 2019

Remuneration of Members of the Management Board of Alior Bank S.A. disbursed or accrued in 2019

(in PLN thousand)	Period	Benefits in the form of cash			Payments based on shares settled in cash			Other benefits	Overheads on remuneration	Total
		Remuneration paid and due	Other paid	Remuneration potentially due	Remuneration paid and due	Other paid	Remuneration potentially due			
Krzysztof Bachta	01.01.2019 - 31.12.2019	837	-	30	45	-	30	17	49	1 008
Tomasz Biłous	01.02.2019 - 31.12.2019	702	-	-	-	-	-	21	21	745
Filip Gorczyca	01.01.2019 - 31.01.2019	288	-	81	224	-	81	0	12	686
Marcin Jaszczuk	01.01.2019 - 31.12.2019	766	-	-	-	-	-	20	48	835
Seweryn Kowalczyk	01.01.2019 - 31.12.2019	786	-	13	20	-	13	17	50	899
Mateusz Poznański	01.01.2019 - 31.12.2019	766	-	-	-	-	-	19	50	834
Agata Strzelecka	01.01.2019 - 31.12.2019	847	-	54	80	-	54	19	57	1 111
Maciej Surdyk	01.01.2019 - 31.12.2019 ¹	385	383	-	-	-	-	10	40	818
Marek Szcześniak	01.01.2019 - 31.12.2019	786	-	13	20	-	13	18	49	898
Dariusz Szwed	01.01.2019 - 31.12.2019	766	-	-	-	-	-	17	46	830
Management Board	01.01.2019 - 31.12.2019	6 929	383	190	388	0	190	159	423	8 663
Management Board's Members who ceased to		2 238	8 354	80	220	77	80	4	162	11 215

perform their functions in
previous years

Total	9 167	8 737	270	608	77	270	163	585	19 878
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Remuneration of Members of the Supervisory Board of Alior Bank S.A. in 2018 (PLN thou)

	Period	Remuneration	Mandatory additions to salary ¹	Total
Eckert Marcin	01/01/2019 – 31/12/2019	43	8	51
Gątarek Dariusz	01/01/2019 – 31/12/2019	182	28	210
Handschenke Mikołaj	01/01/2019 – 31/12/2019	172	32	204
Iwanicz-Drozdowska Małgorzata	01/01/2019 – 31/01/2019	15	3	18
Kucharski Artur	01/01/2019 – 31/12/2019	180	28	208
Kulik Tomasz	01/01/2019 – 31/12/2019	0	0	0
Myślecki Wojciech	01/01/2019 – 31/12/2019	169	31	199
Rapkiewicz Maciej	01/01/2019 – 31/12/2019	0	0	0
Total		762	129	891

The pay does not include reimbursement for expenses and PPK (Employee Capital Plans)

¹ Mandatory additions to salary paid

Agreements with Members of the Management Board

Under resolution of the Extraordinary General Meeting of the Bank of 5 December 2017 laying down the rules of pay for members of the Management Board of Alior Bank and under the rules adopted by the Supervisory Board, agreements with Members of the Management Board are as follows:

- agreements for the provision of services corresponding to the Act of 9 June 2016 on the rules of remuneration of executives of certain companies,
- agreements entered into for the term of being at the Management Board,
- agreements with termination notice of:

- one month, if the member of the Management Board holds the function for less than 12 months with effect at the end of the calendar month,
- three months, if the member of the Management Board holds the function for at least 12 months.
- with severance pay at three times the fixed pay if the agreement is cancelled or if terminated by the Bank otherwise than for breach of core responsibilities by the member of the Management Board, provided that the member of the Management Board has held the function for at least 12 months prior to cancellation of agreement,
- agreements with the prohibition of competitive activities, under which the member of the Management Board agrees that within six months from the date of cessation of his function or termination of agreement, he or she will refrain from competitive activities, for which he/she will be eligible for compensation in the total amount calculated as six times his/her monthly fixed pay, provided that he/she has held the function for at least three months.

Diversity Policy with regard to the authorities and key managers of Alior Bank S.A.

The applicable Diversity Policy is part of the Policy of Selection and Assessment of Members of the Management Board and Supervisory Board. Its purpose is to ensure the diversity of educational background, professional experience, age and sex of members of the Management Board and Supervisory Board, in particular by ensuring the inclusion of women in the process of selection of members of the Management Board and equal treatment of candidates regardless of sex.

In line with the provisions of the Policy of Work Environment Free from Undesirable Behaviour, rules in force at the Bank pertain to: equal treatment of employees irrespective of their sex, age, disability, race, religion, nationality, political opinions, trade union membership, ethnic origin, beliefs, sexual orientation, employment for a definite or indefinite period of time, full-time or part-time employment, etc.