MANAGEMENT BOARD REPORT OF THE ALIOR BANK S.A. GROUP FOR 2012

ALIOR BANK

WYŻSZA KULTURA BANKOWOŚCI

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Letter from the President

Warsaw, 6 March 2013

Dear Sirs,

In summarizing the past year, I can conclude with full confidence that although the past 12 months have abounded in significant events for Alior Bank, they have also been full of challenges. In my opinion, we managed to deal with these challenges successfully, not only in terms of business achievements but also in terms of the financial results. I am confident that what we managed to build up in 2012 will continue to pay off in subsequent years, thus adding value to Alior Bank for its customers, employees and shareholders.

Alior Bank continued its operations combining innovative solutions and traditional banking. Last year we introduced a string of unique banking solutions not present on Polish market thus far. In June 2012, we launched Alior Sync, the first new generation virtual bank, which is the response to the needs of customers who are unable to imagine life without the internet and mobile devices, and who also wish to have access to banking services and products so far offered only in traditional branches. In Alior Sync we have created a virtual branch where the bank advisor is available to customers through chat, audio or video connection. The automatic online credit process allows customers to get a credit decision instantly, in some cases even within 90 seconds after an application is filed. Sync is the first bank which apart from free accounts provides non-financial services. The Customer Account in Sync is integrated with Facebook and the PayPal system where it is enough to know the recipients e-mail address to make a money transfer. Moreover owners of Alior Sync accounts who enter a Good Deals zone can make purchase on instalment with no additional charges.

This project's innovativeness has been noticed and appreciated in the international arena – Alior Bank was the first Polish bank to receive a prestigious award in the competition "Global Banking Innovation Awards" in the "disruptive innovation" category. We also received an award for this project in the international competition "Banking Technology Awards". The success of Alior Sync is also shown by its increasing number of customers – as at the end of 2012 more than 160,000 people used its services.

Apart from online and global banking, we also have the third largest "traditional" distribution network, with already 750 outlets at the end of 2012. We added a new format to it – Alior Bank Express mini-branches. We opened the first outlets in March 2012, and by the end of 2012 there were one hundred such outlets. The factors contributing to the project's success included its location (the majority of the mini-branches are located in shopping centres) and longer business hours (from morning till night, also at weekends). Alior Bank Express outlets are particularly attractive to people who do not use internet banking and prefer personal contact with a bank employee.

In 2012, we maintained our leadership position in terms of the number of new customers gained, nearly 500,000 new customers joined us, with the total number at the end of 2012 reaching 1.49 million. 93% were individual customers and 7% were business customers.

The effectiveness of our activities is reflected in Alior Bank's market position, we are growing quickly and from the outset have remained faithful to the rule of self-financing, and we maintain sufficient surplus of deposits received over loans granted. As at the end of 2012, the total balance of loans granted to customers by Alior Bank was PLN 14.5 billion, and the balance of deposits from customers received reached 17.5 billion.

A consistently executed strategy also translates into the financial results achieved. Before including the one-off items related to the IPO, the net profit amounted to as much as PLN 332.5 million, and was almost twice as high (+112.6%) compared with 2011. The consolidated net profit including the expenses related the IPO amounted to PLN 174.1 million. The Management Board of the Bank recommends retaining all the net profit to increase the equity of the Bank to support further development of our institution.

Certainly, the initial public offering on the Warsaw Stock Exchange (WSE) was a key event in the development of Alior Bank – we joined the circle of listed companies on 14 December 2012. The debut on the Warsaw Stock Exchange was preceded by a public offering, comprising both of new company shares and shares sold by our major shareholder, the Carlo Tassara Group. The total value of the public offering reached PLN 2.1 billion, making it the largest offering of a private company in the history of the WSE. Our new shareholders include renowned Polish and foreign financial institutions, including the European Bank of Reconstruction and Development, as well as 14 thousand individual investors, including customers of Alior Bank and 789 of our employees.

Alior Bank obtained PLN 700 million from the issue of new shares; to strengthen the Group's equity and enable the execution of a strategy which assumes doubling the share in the Polish banking sector in the medium term. We already have the most up-to-date central system, which is able to serve up to 7 million customers, without the need to incur additional significant outlays. Thus, we shall be earmarking the capital gained from stock exchange investors mainly for the financing of lending campaigns addressed both to households and SMEs.

Our customers can safely count on us that we shall systematically enhance the product and service offer by adding new innovative solutions. I will just mention that after the success of our internet foreign currency exchange bureau launched in the middle of the last year, we have remained on the alert for new opportunities. At the turn of 2012 and 2013, the eFX Trader was launched, which is a new foreign currency exchange internet platform for the most demanding Business Customers. Alior Bank is the first Bank in Central Europe to implement a currency exchange platform for corporate customers based on its own algo trading system. It allows customers to conclude currency transactions on terms similar to those of the interbank market.

I would like to take advantage of this opportunity to thank our customers for their cooperation and for recommending our services to their families and friends. I am also grateful for all the suggestions and comments which contribute to improving our offer and service model. Moreover I wish to thank all our suppliers for support, contribution into the constant development of our institution and everyday cooperation. I would also like to thank our old and new shareholders for the trust they put in us by investing in the shares of Alior Bank, the Supervisory Board for their support to the Management Board in pursuing the business goals, and all employees for their efforts in developing our organization and the successes achieved.

In 2013 the Bank is planning to continue growth of its operations, strengthening and deepening relations with customers, develop of the key projects such as: Alior Sync (virtual bank), Alior Express (mini-branches) and Consumer Finance.

I hope you will find the annual report interesting.
Yours faithfully,

Wojciech Sobieraj
President

Letter from the Chairperson of the Supervisory Board

Warsaw, 6 March 2013

Dear Sirs,

The Supervisory Board of Alior Bank has positively evaluated the execution of business goals by the Management Board in 2012. I can confirm with full confidence that the rate of growth and strong financial results, can certainly by characterised as impressive and above average in comparison to the entire banking sector in Poland. Great achievements of the Bank were: creation of one of the biggest branch networks in Poland, acquisition of 500 thousand customers as well as creation of Alior Sync, a virtual bank, awarded repeatedly all over the world.

Past year was exceptional for Alior Bank by Stock Exchange listing on December 14th. This was the biggest debut of the private company in the history of Warsaw Stock Exchange. As its result the capital of the Bank was increased by PLN 700 million. Its second important outcome was a partial exit of Carlo Tassara Group, the founder of the Bank, which is currently the owner of 34% shares of the Bank. It is a real pleasure to welcome all new shareholders, individual and institutional, national and foreign.

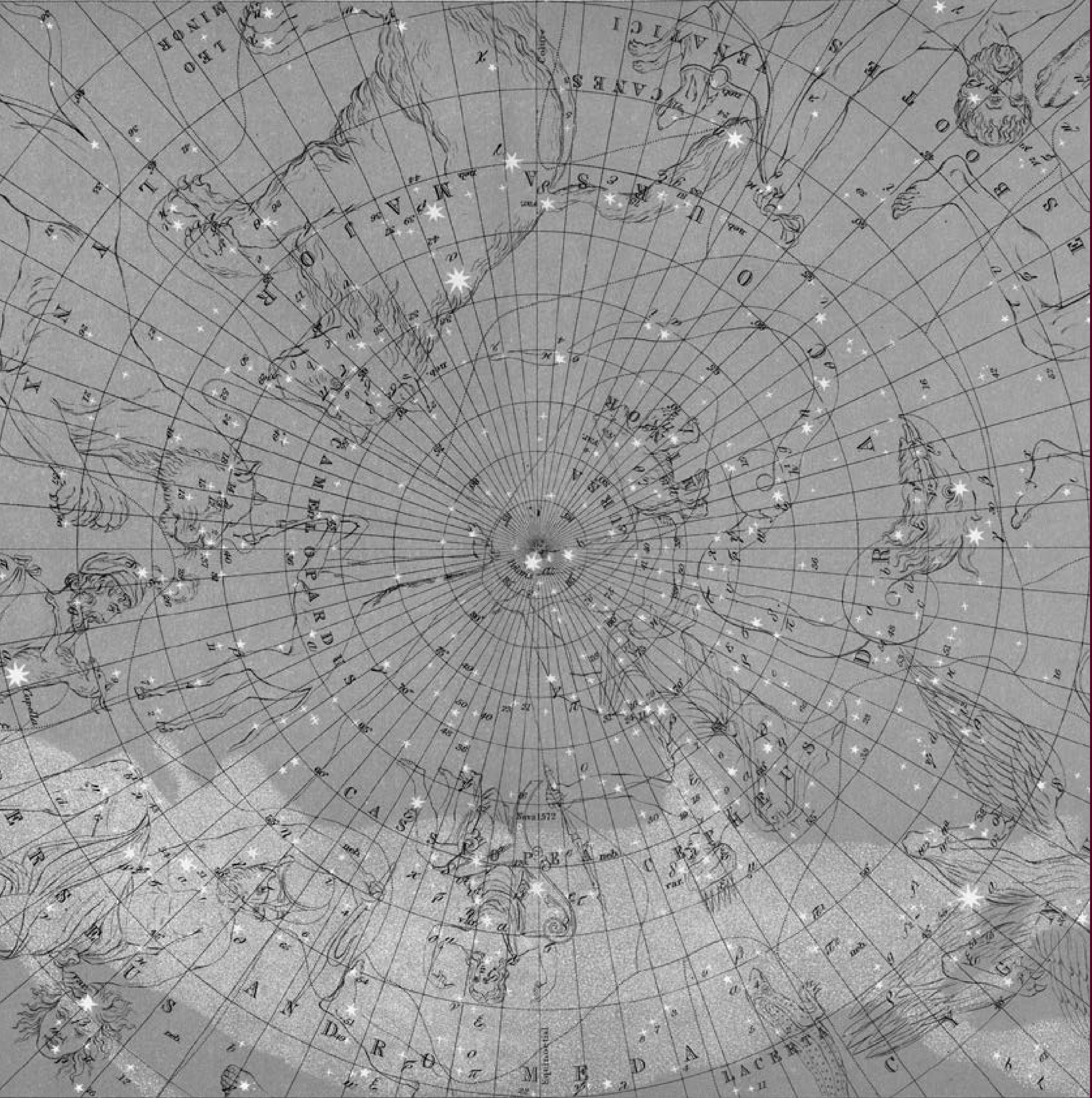
The Supervisory Board of Alior Bank has participated with a great satisfaction in Alior Bank Group successes, which have also been noticed abroad despite Alior Bank's activities focusing solely on the Polish market. At performance of its duties resulting from Articles of Association – The Supervisory Board under my supervision took an active part in monitoring and supervision over the key areas of activities of the Bank including market risk, concentration risk, strategic projects implementation and compliance with regulations of regulatory bodies. It should be also underlined that procedures of internal control and monitoring of Alior Bank are meeting the highest standards which are confirmed by our results and quality of credit portfolio. In 2012 the Bank continued its strategy based on two fundamental risk principles which were followed since the beginning: no proprietary trading and new lending funded only by customer deposits, based on the assumption that loans to deposits ratio is kept at the maximum level of 95%.

In year 2013 a time for changes in the Management Board of the Bank had come. I would like also to take advantage of this opportunity to thank on my and the Supervisory Board's behalf, Mr Cezary Smorszczewski for his contribution at building and development of Alior Bank and at to wish him a continued successes.

At the same time I would like to welcome to the Management Board of Alior Bank Mr Michał Hucał, who will be responsible for development area. We wish him a success in this interesting and prospective area of work.

To all employees and new co-owners I wish a continued success.

Helene Zaleski
Chairperson of the Supervisory Board



I. BRIEF DESCRIPTION OF ALIOR BANK S.A.

When we contemplate the whole globe as one great dewdrop, striped and dotted with continents and islands, flying through space with other stars all singing and shining together as one, the whole universe appears as an infinite storm of beauty.

John Muir

Selected financial and operating data, the most important ratios

	2012	2011	Change
FINANCIAL DATA (PLN million)			
Result on core activities	1 433 741	994 529	439 212
General and administrative expenses	-921 734	-639 554	-282 180
Cost of risk	-282 252	-189 138	-93 114
Profit before tax	229 755	165 837	63 918
Income tax	-55 692	-13 656	-42 036
Net profit before IPO expenses	332 454	156 381	176 073
Net profit	174 063	152 181	21 882
Total assets	21 352 348	15 483 622	5 868 726
Loans and advances to customers	14 535 432	10 134 786	4 400 646
Deposits from customers	17 463 353	13 531 460	3 931 893
Total equity	2 246 352	1 112 481	1 133 871
Tier 1 capital	2 077 282	919 723	1 157 559
Tier 2 capital	350 205	44 348	305 857
RATIOS (%)			
C/I (before the costs of IPO)	53,1%	63,9%	-10,7%
ROE*(before the costs of IPO)	19,8%	15,0%	4,8%
ROA**(before the costs of IPO)	2,0%	1,3%	0,7%
C/I	64,3%	64,3%	0,0%
ROE*	10,4%	14,6%	-4,2%
ROA**	0,9%	1,2%	-0,3%
Capital adequacy ratio***	17,00%	9,83%	7,2%
Tier 1***	14,54%	9,38%	5,2%
OPERATING DATA			
Number of customers	1 486 940	987 486	499 454
Number of employees	4 873	3 694	1 179

*ROE – return on equity – quotient of net profit and average balance of equity (calculated as the arithmetic mean of the total equity as at the end of the prior period and at the end of the current reporting period)

**ROA – quotient of net profit and average balance of assets (calculated as the arithmetic mean of assets as at the end of the prior period and at the end of the current reporting period)

*** including increased own capital by profit acquired in 2012.

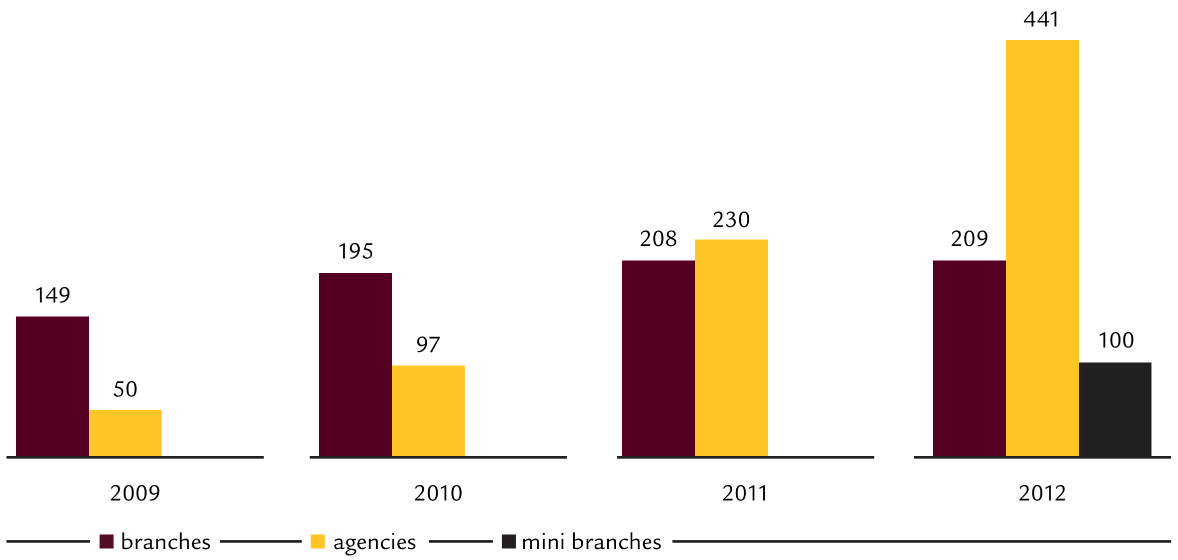
I. Brief description of Alior Bank S.A.

Alior Bank began operating in November 2008. It is a new type universal bank which combines the principles of traditional banking with innovative products. Thanks to its innovative offer and high standards of customer service, it has gained an important position among medium sized banks and has built a robust, recognizable and acknowledged brand. The Management of Alior Bank, led by Wojciech Sobieraj, has substantial experience in the banking services sector. The goal of the Bank is to offer customers simple user-friendly and value added banking services. The vision of the Bank is to be present between the best, the most valued and prized banks in Poland, which are setting standards in the European banking. The core values for the Bank are fairness, entrepreneurship, innovation and simplicity.

Since its start in 2008 Alior Bank has adopted those core values and since that time operates in accordance with them. The Management Board is of the opinion that those values were fundamental to the success of Alior Bank and aims to continue development and operations of the Bank based on them.

During its four years of operations, Alior Bank has created one of the largest distribution networks in Poland – with almost 750 outlets at the end of 2012, including 209 own branches, 441 partner facilities and 100 mini-branches under the Alior Bank Express brand. Alior Bank's products are also offered in a network consisting of more than 3,000 financial agency points.

Distribution network of Alior Bank S.A.



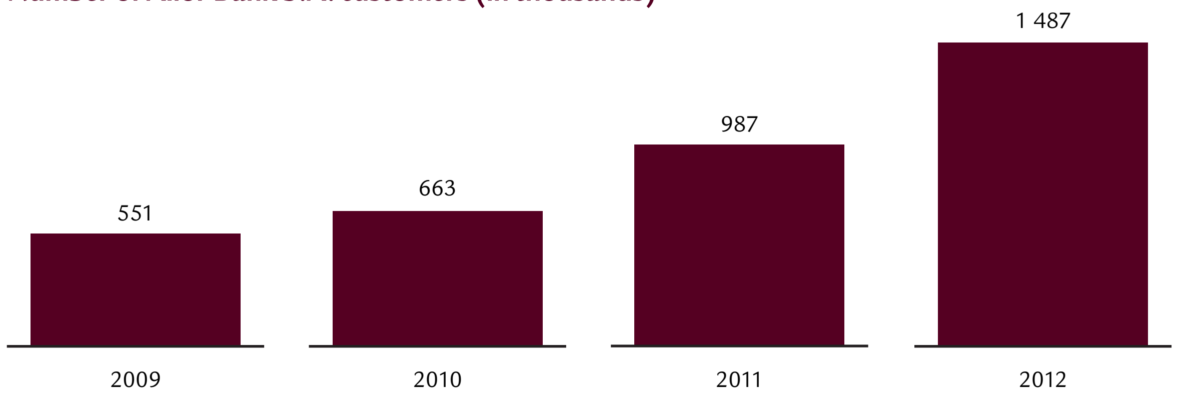
Moreover, Alior Bank uses distribution channels based on a modern IT platform comprising online banking, virtual banking, telephone service and mobile banking. In June 2012, a virtual branch, Alior Sync, was opened. It is the first new generation virtual bank in Poland. The project was noticed and appreciated on the international arena.

Awards for Alior Sync

Competition	date	category
Global Banking Innovation Awards, Washington	10.2012	„disruptive innovation”
Banking Technology Awards, London	12.2012	“Best Internet Banking Services Provider”

In 2012, Alior Bank was again the bank in Poland that gained the largest number of new customers. At the end of 2012, the number of Alior Bank customers reached 1,487 thousand, including approximately 1,383 thousand retail customers and 104 thousand business customers. Alior Bank rendered its services mainly to customers from Poland. The share of foreign customers in the total number of the Bank's customers amounted to ca. 0.4% as at the end of 2012.

Number of Alior Bank S.A. customers (in thousands)



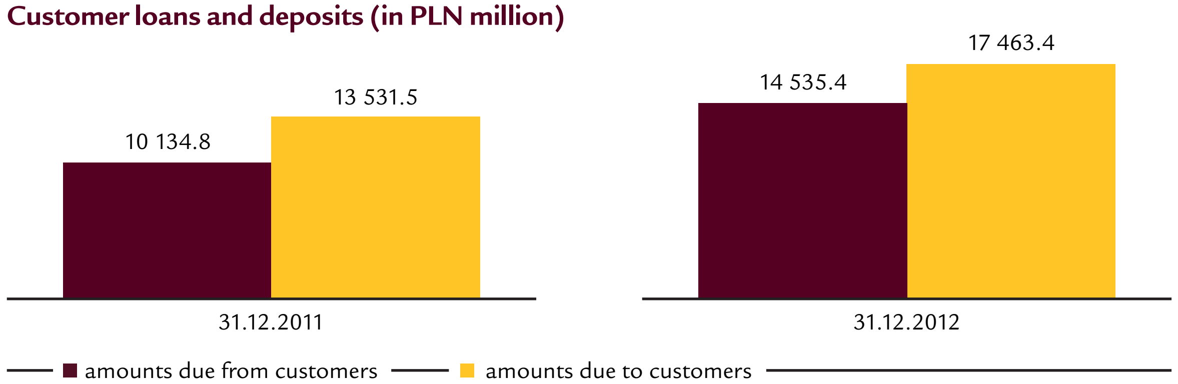
The position of the leader in customer acquisition can be attributed to one of the top position in the Net Promoter Score ranking[1]. Net promoter score is a difference in percentage between active brand ambassadors (customers satisfied and recommending services of the Bank) and its active critics.

At the end of 2012, the total balance of loans granted to customers was PLN 14.5 billion, and the balance of deposits received from customers reached 17.5 billion, i.e. 43.4% and 29.1% respectively more than at the end of 2011.

Alior Bank has one of the lowest loans to deposit ratio on the market, which at the end of December 2012 equalled to 120.1%. It results from the principles followed since the very beginning by the Bank:

- new lending funded only by customer deposits;
- no proprietary trading.

Customer loans and deposits (in PLN million)



The bank has a well-diversified credit risk portfolio. The loans granted to the top 10 biggest customers amounts to 6.4% of the total loan portfolio. Also the deposit base is well diversified. The top 10 biggest depositors make up 5.7% of the total liabilities from customers.

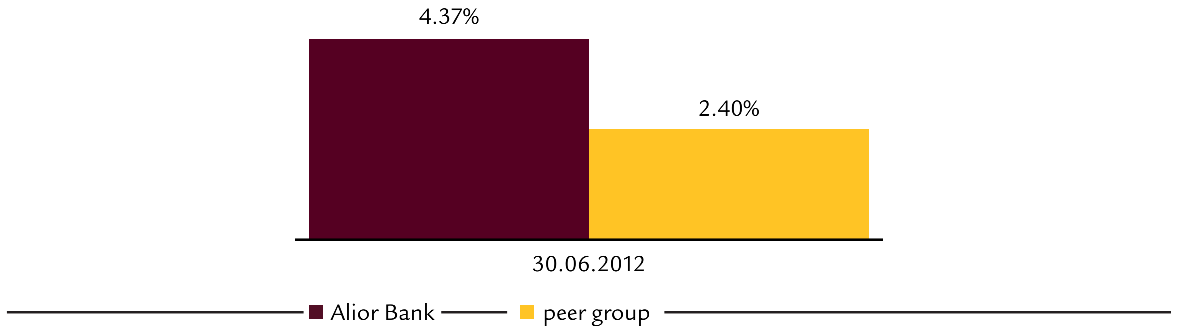
Alior Bank's market share of loans in December 2012 was 1.9% and of deposits 2.3%. The markets shares increased compared with the end of 2011 by 0.6 p.p. and 0.4 p.p. respectively. The

[1] Source: TNS Polska, data for the second quarter of 2012

accumulated deposit base gives a stable basis for the further development of lending activities and enables the bank to achieve a stable level of the interest margin.

Bank keeps a high profitability of client relations. Alior Bank maintains an interest margin that is considerably above the average of its peer group. According to the peer group data available as at 30 June, the average interest margin for banks in the peer group was 2.40%, whereas the interest margin realized in the same period by Alior Bank was 4.37%.

Interest margin as at 30.06.2012



Source: PFSA, Report on Economic and Financial Ratios

Before including the one-off items related to IPO and managements incentive scheme the net profit amounted to as much as PLN 332.5 million and was 112.6% higher compared with 2011.

Including the expenses related to IPO, the consolidated net profit amounted to PLN 174.1 million, which is an increase of 14.4% compared with the result generated in 2011. The dynamic growth relates to all components of the result – net interest income amounted to PLN 710.6 million in 2012, i.e. 43.6% more than a year before; net fee and commission income reached PLN 469.4 million, representing an increase of 37.9% year-to-year; the net trading result increased by 28.7% and thus reached PLN 182.6 million, and the result realized on other financial instruments recorded an increase of 36.7% and amounted to PLN 22.8 million as at the end of the year.

In January 2012, the Bank issued 4,500 B-series subordinated bonds with a nominal value of EUR 1,000 each. The issue price of each bond corresponded to its nominal value. The total value of the issue was EUR 4.5 million.

The objective of the subordinated bonds issuance was to increase the Bank's capital base. In February 2012, the Bank issued 280,000 C-series subordinated bonds with a nominal value of PLN 1,000 each. The issue price of each bond corresponded to its nominal value. The total value of the issue was PLN 280 million. The purpose of the issue of the subordinated bonds was to increase the Bank's capital base further.

The C-series bonds were introduced to trading in the Catalyst alternative trading system for financial instruments. The first listing of the bonds on Catalyst took place on 12 March 2012.

In December 2012, Alior Bank joined the circle of stock exchange companies and the debut on the Warsaw Stock Exchange was preceded by a successful public offering of the company's shares with a total value of nearly PLN 2.1 billion. This was thus the largest public offering of a private company in the more than 21-year history of the WSE.

As a result of carrying out the offering, the Bank was able to gain sufficient share capital, in the Bank's opinion, to continue its development, especially doubling Alior Bank's market share in the segments of loans and advances to retail customers and loans to Polish SMEs by the end of 2016.

Alior Bank has earmarked 50% of funds gained on the issue of new shares for the financing of loans granted directly to households, including in the form of cash advances and Consumer

Finance. Additionally, the bank has earmarked approx. 43 –45% of the funds gained on the issue of the new shares for increasing the volume of financing granted to Polish SMEs. The remaining 5–7% of the inflows from the issue of new shares is earmarked for supporting the investment plan aimed at strengthening the new distribution channels ("Alior Bank Express" mini-branches, Consumer Finance, internet platform) in the years 2013–2014.

The Management Board of the Bank confirms its positive evaluation of its ability to fulfil the investment goals including capital investments to be financed with funds acquired in the public offering.

The Management Board has a goal of achieving the aggregate cost to income ratio below 42% before end of 2016 by a significant growth of revenues:

The Management Board expects that:

- about two thirds of the value of future income will be generated from:
  - deepening the Bank's relationship with existing customers (cross-selling and up-selling);
  - gaining new customers for the existing distribution network of the Bank;
- one third of the income will come from new customers who will be attracted by continuation of the implemented projects such as: Alior Sync, Alior Express, Consumer Finance, which extend the distribution network and offer completely new products.

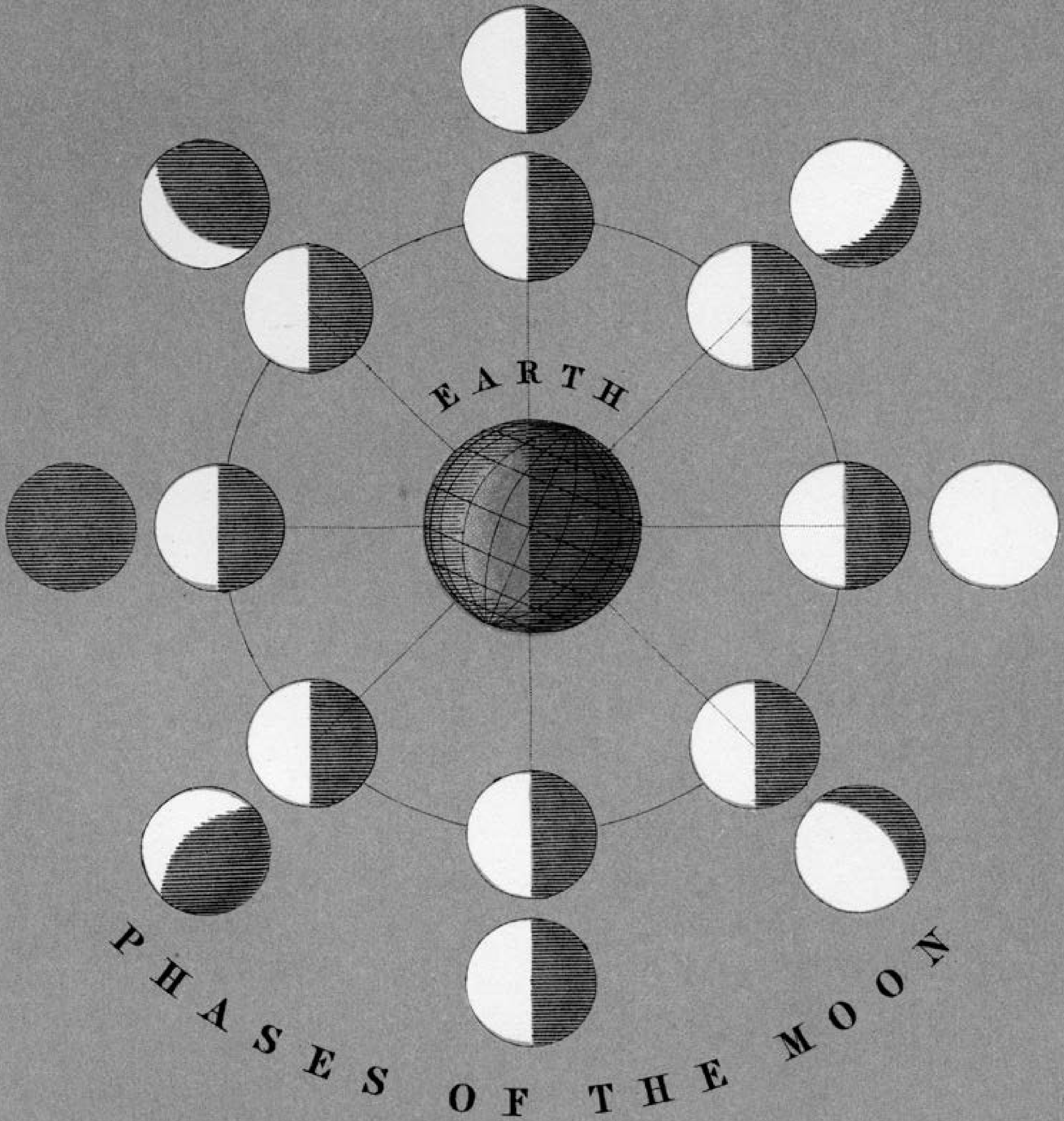
At the end of 2012, Alior Bank employed 4,873 persons. This represents an increase of 1,179 persons compared with the end of 2011. The key members of the management team have been related to Alior Bank since its formation. At the end of 2012, Alior Bank employed 442 managers and 4,431 other employees.

Employment level (no. of persons)

	2009	2010	2011	2012
branches	1 479	2 012	2 221	3 128
head office	863	1 249	1 473	1 745
Total	2 342	3 261	3 694	4 873

Apart from the above-mentioned awards related to Alior Sync, in 2012 Alior Bank was also granted the "Golden Banker" award in a poll for the best products and services organized by Bankier.pl portal. Alior Bank was again the winner in the "Best Business Bank" ranking prepared by the Forbes monthly ranking where the Bank's offer was awarded the highest grade – five stars. The jury of the international marketing competition EFFIE 2012 appreciated the communication strategy of Alior Bank, which within just few years has managed to develop a robust brand which stands out in one of the most competitive banking markets in Europe.

Alior Bank aims for maximum and effective use of technology also in the scope of operations by maximum process automation, which increases speed and security of the transactions. Risk management of the Bank is based on conservative principles and entrepreneurship with special focus on two fundamental principles: no proprietary trading and no dependency on funding from different sources than customer deposits. The use of best practice in scope of scoring and rating models, as well as the best solutions in monitoring, execution and collection, makes it possible to be entrepreneurial while still being conservative.



II. External environment of the Bank's operations

I ask you to look both ways. For the road to a knowledge of the stars leads through the atom; and important knowledge of the atom has been reached through the stars.

Sir Arthur Eddington

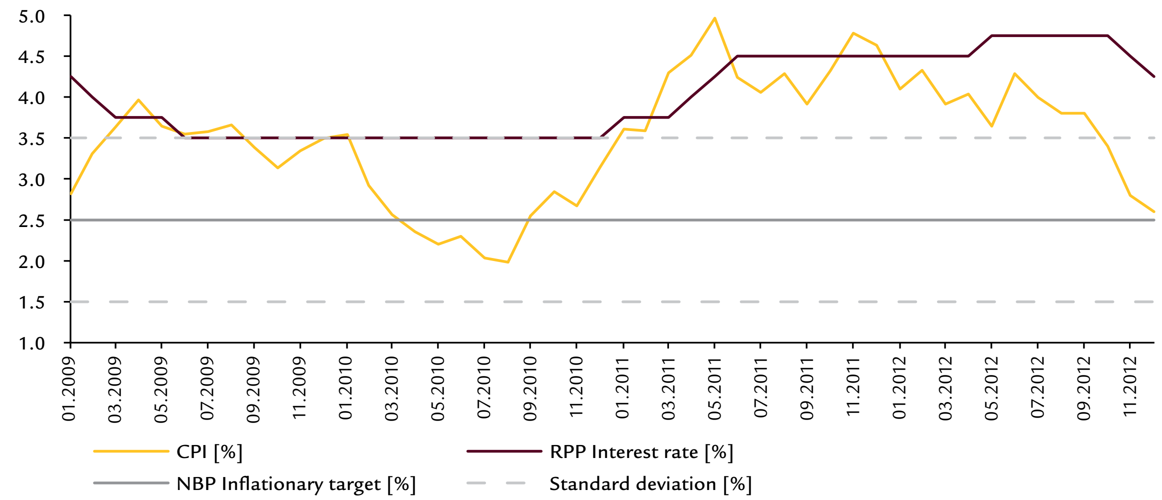
II. External environment of the Bank's operations

1. Macroeconomic situation (trends in the economy, inflation, unemployment)

The year 2012 was a period in which the global economy had to face a clear slow-down in economic growth. The continuation of the process of deleveraging the banking sector accompanied by strict fiscal consolidation affected the demand side in specific parts of the globe. In the first half of the year, the escalation of the debt crisis strengthened anxiety about disintegration of the monetary union, which paralyzed business activities on the Old Continent. In the United States, uncertainty about the future shape of the fiscal and monetary policy resulted in maintaining a moderate pace of economic revival, which was insufficient to reduce the unemployment level. The problems with growth on both sides of the Atlantic translated into the weak results of the Chinese economy, which put a halt to the series of seven quarters of slow-down only in the fourth quarter of 2012. Anxiety about a double dip recession induced the main central banks to extend support activities. The most important campaigns include the third round of debt monetization by the Federal Reserve (QE3) and announcing the programme of interventions on the European T-bond market by the European Central Bank (the so-called OMT). In this way the monetary authorities wanted to ensure that their support remains unlimited in the medium term, which helped rebuild confidence and brought stabilization on financial markets at the turn of the third and fourth quarter. At the end of the year, the improvement in perspectives for the global economy was also furthered by an understanding between the EU and the IMF as to the path for reducing the Greek debt and the USA avoiding the fiscal cliff.

According to the World Bank's latest (January 2013) forecasts, in 2012 the global GDP increased by 2.3% y/y compared with 2.7% y/y in 2011. The recession struck the Eurozone the most, which shrunk by 0.4% in the prior year, after an increase of 1.5% in 2011. In 2012, the Polish economy most probably grew by 2.1%, i.e. more than half compared to the previous year. The diminishing number of export orders, freezing of public investments and completing the infrastructure projects related to the organization of Euro 2012 brought about a slowdown in the dynamics of the industrial production to 1% y/y throughout 2012. On the other hand, the deteriorating situation on the labour market (an increase in the unemployment rate to 12.9% in November 2012 compared with 12.1% in a similar period of the prior year) resulted in a decrease in private consumption.

CPI in Poland and monetary policy of the Monetary Policy Council



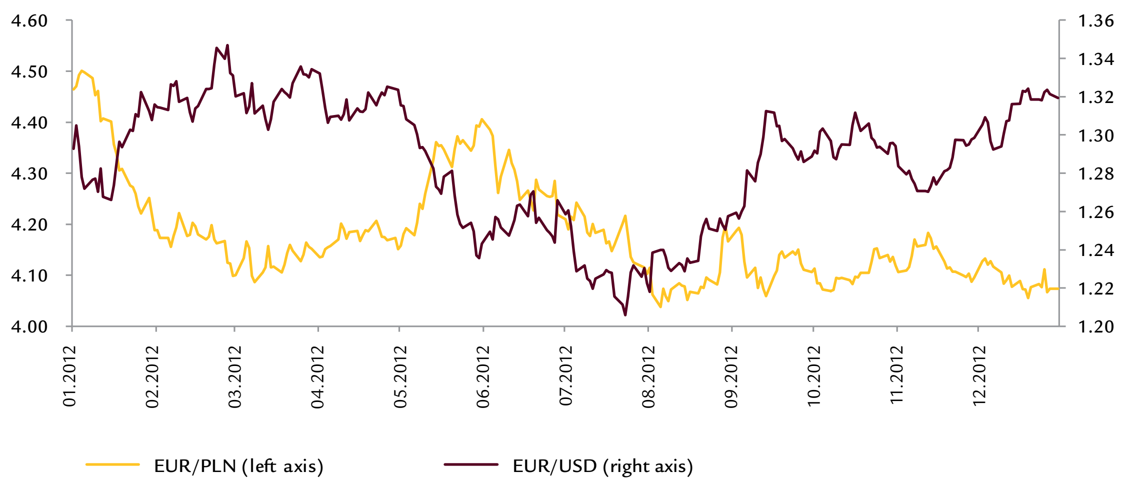
Source: the NBP

The expiry of statistical effects in conjunction with low salary pressure and the appreciation of the zloty in the second half of the year brought about a regular reduction in the growth dynamics of prices of consumer goods and services to 2.4% y/y in December 2012 compared with 4.6% in December 2011. The restrictive approach of the Monetary Policy Council in the first half of the year, resulting in an unexpected rise in the reference rate of 25 bp to 4.75%, was later changed to a policy of supporting economic growth and a series of interest rate reductions, which brought the reference rate to 4.25% at the end of the year.

2. Financial markets

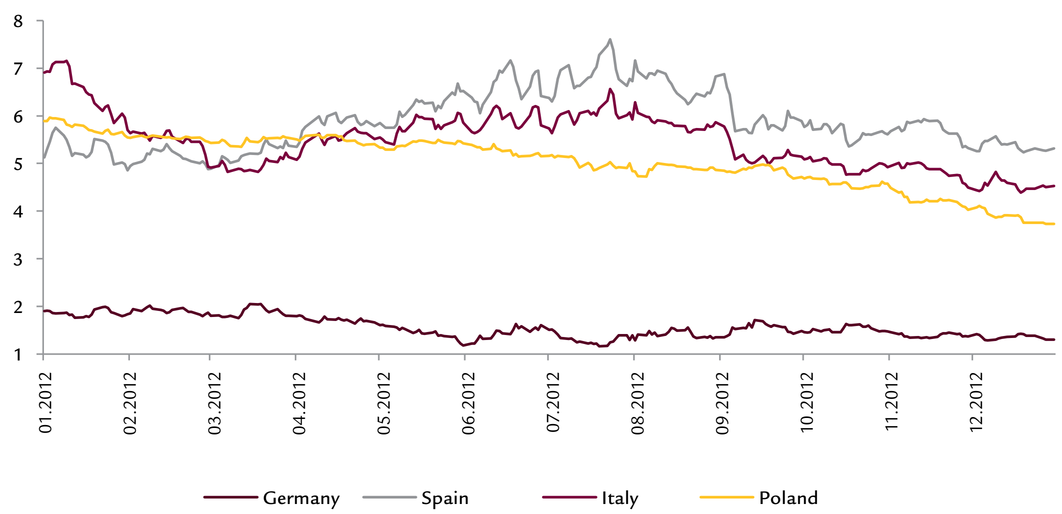
2012 was a stormy period on the international financial markets. The relatively positive sentiment in the first quarter was upset due to the growing anxieties about the bankruptcy of Greece and its removal from the Eurozone and the revelation of the liquidity problems of the Spanish banking sector, which threatened the solvency of the entire country. The increased risk aversion resulted in investors fleeing towards safe assets (US dollar, Swiss franc, German and US government bonds) and assets such as the euro, emerging market currencies and Spanish and Italian bonds were marked down. The most distinct evidence of a decline in moods includes the decrease in the EUR/USD exchange rate to 1.2042 (24 July) and an increase in the profitability of 10-year Spanish government bonds to 7.75% (25 July). The ground-breaking point was the declaration of the President of the ECB, Mario Draghi, of July 2012 that the Central Bank will "do everything that is necessary" to save the euro. Expectations of the introduction of new monetary tools by the ECB in conjunction with the growing probability of further loosening of the monetary policy by the Federal Reserve were confirmed in September and translated into the stabilization of moods on the financial markets, a reduction in bond profitability for peripheral Eurozone countries and the country's reconstruction and positive settlement of the budget-related dispute in the USA. At the end of the year, the euro strengthened against the dollar to 1.32 and the interest rate for 10-year Spanish bonds dropped to 5.23%.

Foreign exchange rates



Source: Reuters

Profitability of 10-year bonds (in %)



Source: Reuters

The events in the first half of 2012 translated into a high amplitude in the exchange rate fluctuations of the Polish zloty. Improved market sentiment at the start of the year brought a drop in the EUR/PLN exchange rate from 4.52 to 4.08, going up to 4.43 in May (due to the political crisis in Greece and problems of the banking sector in Spain); next, in August the exchange rate was at the year's minimum of 4.03 and until the end of the year remained relatively stable at 4.10. In the second half of the year a weakening correlation was to be observed with the sentiment on international financial markets, which was related to the inflow of foreign capital to the Polish debt market. The high economic growth of Poland (compared with the Eurozone), public debt below alarming levels (at the end of 2011, the public debt was at a level of 56.3% of the GDP with an average for the Eurozone of 87.2 of the GDP) and the perspective of the central bank easing the monetary policy brought a high interest in T-bonds, thus additionally generating a considerable demand for the zloty. As a result, the profitability of benchmark Polish 10-year T-bonds dropped from 5.89% to 3.73% during 2012. The increased confidence of investors in Poland was also visible in the valuation of CDS contracts – the quotations of 5-year contracts recorded an annual drop of 70% to 79 b.p. For comparison, at the end of 2012 CDS contracts for Germany were quoted at 39 b.p., for Spain at 289 b.p. and for Hungary at 269 b.p.

3. External factors affecting the Bank's operations in 2013

In 2013, the condition of the Polish economy and of the Polish banking sector will depend significantly on the force of the global revival after the period of economic slowdown. The moment at which the recession in the Eurozone comes to an end will be of key importance for increasing the dynamics of Poland's GDP, but in the face of the continuing financial crisis (for which the Euroland is the epicentre) the environment in which banks operate will be characterized by a high level of uncertainty, although in our opinion it will be lower than in the prior year.

According to market forecasts, Polish economy had reached the bottom of the economic cycle in the fourth quarter of 2012, and the next quarters will bring about gradual increase in the growth dynamics, however, clear signs of an improvement in economic activity will arise only in the second half of the year. It is expected that the GDP will increase by 1.8% y/y over 2013, compared with a 2% increase in 2012.

In the first half of the year, the main brake on growth acceleration will be low dynamics of consumption, which will be affected by households striving to rebuild their savings. In 2012, consumers used their savings to maintain the current level of consumption and repay short-term debt, as a result of which the saving rate in Poland dropped to the lowest among all European Union countries. Assuming that the unfavourable tendencies on the labour market prevail, households will be more prone to limiting consumption and increasing savings in fear of losing a stable source of income. At the turn of the second and third quarter, the consumer demand should revive and the loosening of lending terms by the Polish Financial Supervision Authority should encourage households to draw loans again.

The gradual acceleration of the revival will be supported by an expected improvement in the economic situation in the Eurozone, in particular in Germany, which is Poland's main trading partner. The acceleration of export dynamics (caused by a growing number of foreign orders) should take place earlier than for import, thus translating into the additional contribution by foreign trade to the economic growth. In the next quarters, this factor will have a decreasing effect on the dynamics of the GDP because the expected revival of consumer demand will translate into increased demand for imported goods.

The expected pace of economic growth in 2013 will be too low to result in a visible drop in unemployment. In the first half of the year, the weak dynamics of consumer demand for goods and services will discourage enterprises from undertaking investments which would involve creating new jobs, and the fiscal consolidation continued by the government will result in limiting the number of employees in the public sector. The conditions on the labour market should improve in the next quarters, however, it is assumed that at the end of 2013 the unemployment rate will amount to 13.3-13.5%.

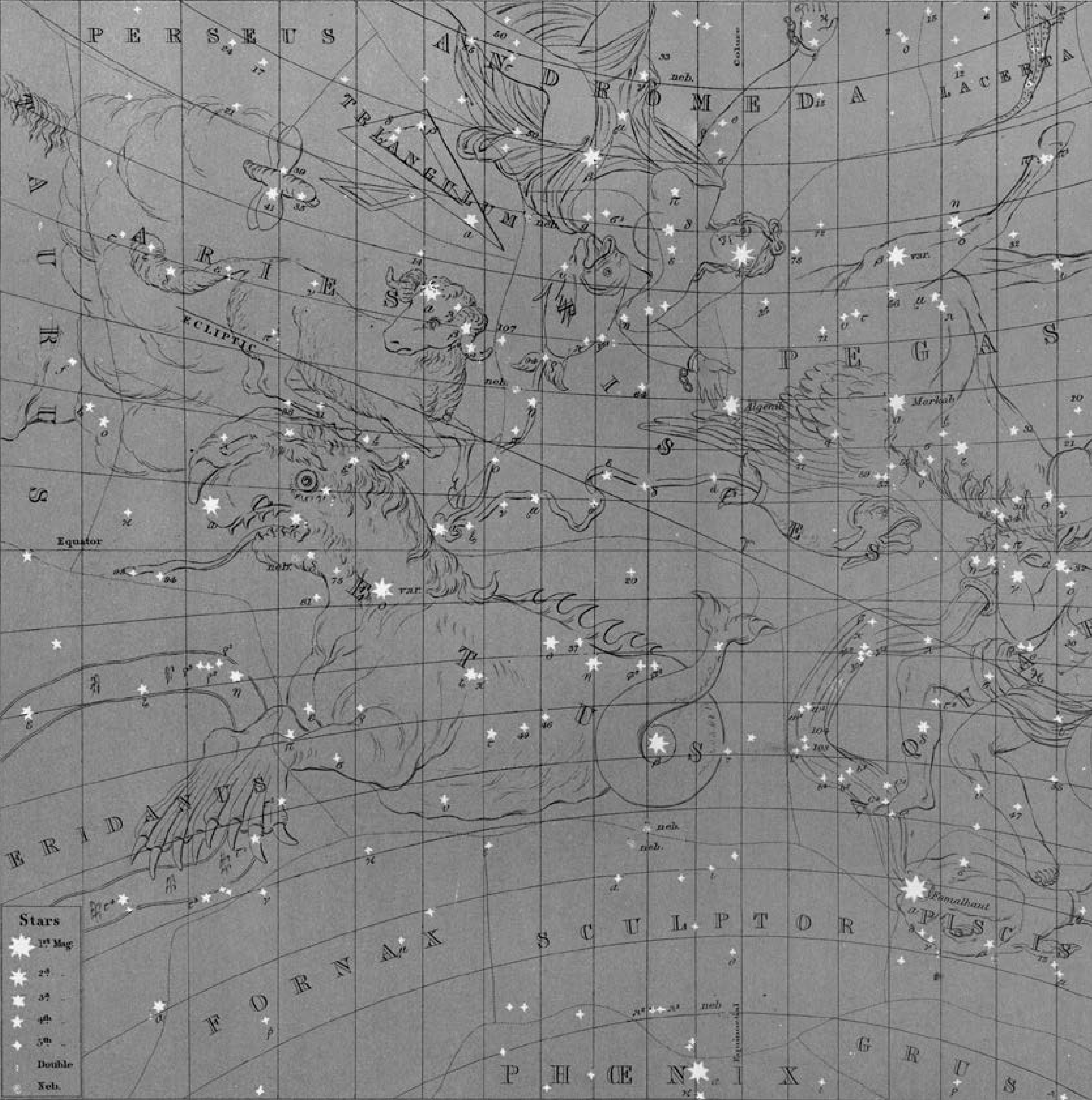
Starting from the second quarter a slow revival of investment activity should occur, which will be stimulated by the improved economic situation in the external environment (in particular, in the Eurozone) but the visible effects of reconstruction of the investment demand will be noticeable only from the third quarter. The government programme, Polish Investment, will be a supporting factor in the next quarters but due to the relatively late date of its planned implementation (the second half of the year), its contribution to economic growth will only be felt in 2014.

In the short term, the weak results of the Polish economy will have a negative effect on the zloty but depreciation will be suppressed by the continuing inflow of capital to the Polish debt market related to the expected continuation of the loosening of the monetary policy by the Monetary Policy Council. Later (from the second quarter of 2013), the influence of the above-mentioned factors should reverse. On the one hand, the revival will again start gaining pace and the inflow of capital to PLN will be additionally supported by an increase in the global appetite for risk-bearing assets. On the other hand, the current trends on the debt market will be suppressed (leading to the partial realization of profits and outflow of capital) after closing the cycle of interest rate reductions. As a result, the zloty should remain balanced throughout the year but possibly with considerable short-term adjustments to the exchange rate as a result of periodic destabilization of the situation on financial markets caused by an escalation of the debt crisis in the Eurozone.

The relative stability of the zloty exchange rate combined with low pressure on the increase of consumer prices will result in inflation remaining below the NBP's inflation target for the major part of the year. It is anticipated that in 2013, the average price increase will amount to 1.8%. In response to the indications of an economic slowdown, the Monetary Policy Council began a cycle of interest rate reductions before the end of 2012, bringing the reference rate to 3.75% at the end of February in four steps of 0.25% each. The signals sent by members of the Monetary Policy Council show that the easing of the monetary policy is in its final stage, therefore, it is anticipated that the Council will decide at the most to introduce one more reduction in interest rates of 0.25 p.p.

Expectations as to the development of the Polish economy in 2013 show that there is a chance of its positive effect on the operations of the Bank, although signs of improvement will not be visible before at least the second quarter.

- The dynamics of deposits will be positive, but will remain low in the first quarter due to an unfavourable situation on the labour market and the low dynamics of salaries, which will induce some households to use their savings for current consumption. The gradual improvement in the economic situation will enable an increase in the saving rate, thus leading to the acceleration of the growth pace of the deposit base. In the case of institutional customers, initial caution in commencing new investment projects (resulting in accumulating surplus funds) will be offset against the depletion resulting from the decline in the financial standing of other entities. The interdependency will be broken (by a slow growth of deposits) in the next quarters.
- It is expected that in the first half of the year the lending dynamics will significantly deteriorate as a result of tightening the banks' lending policies towards individuals and businesses in response to the decline in the economic situation. A lower demand by households for consumer loans will be accompanied by a weakening dynamics of mortgage loans, which will be significantly affected by the expiry of the "Rodzina na swoim" programme at the end of 2012. Uncertainty about the economic environment will prevent enterprises from undertaking new investment projects, therefore it is expected that the low dynamics of loans in this segments will be maintained. A revival of the credit market should gradually occur at the turn of the second and third quarters.
- A deterioration in the financial condition of some enterprises leading to their insolvency and lay-offs will result in an increase in risk-related costs in the retail and corporate segments, however, the scale of the phenomenon will be the strongest in the first quarter, and it will be gradually reduced in the next quarters.



III. Situation in the banking sector

Why, I ask myself, should the shining dots of the sky not be as accessible as the black dots on the map?

Vincent van Gogh

III. Situation in the banking sector

1. Results of the banking sector

The financial data for 2012 published by the Polish Financial Supervision Authority provides the grounds for positively assessing the condition of the Polish banking sector. In the period from January to December, the sector generated a net profit at the level of PLN 16.1 billion compared with PLN 15.5 billion in a similar period of the prior year.

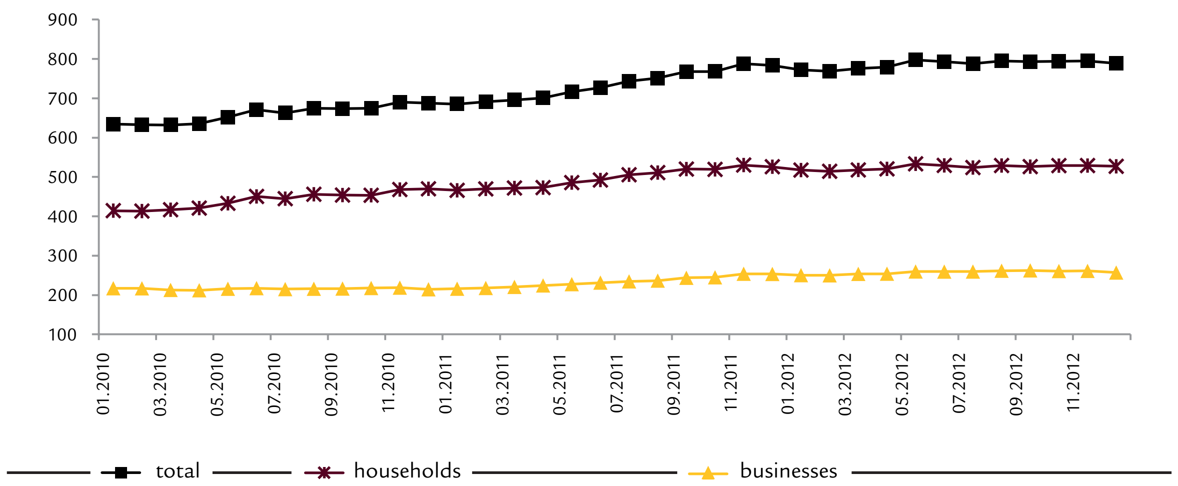
The majority of the banks increased their equity and the average capital adequacy ratios of the banks remain stable at a high and safe level. The stress tests performed show that the majority of Polish commercial banks are able to absorb potential losses arising from the strong decline in the economic environment.

However, the decline in the economic situation brought about negative results in the form of higher impairment losses recorded, with the largest share in the deteriorating quality of the portfolio of loans to companies being from the construction industry.

2. Loan market

The pace of the lending campaign remained positive, however, it went down from quarter to quarter as a result of the progressing economic slowdown. Business entities slightly reduced the demand for loans and banks decided to tighten the lending policy and increase margins in response to the growing credit risk.

Volume of loans to business customers and households (PLN billion)

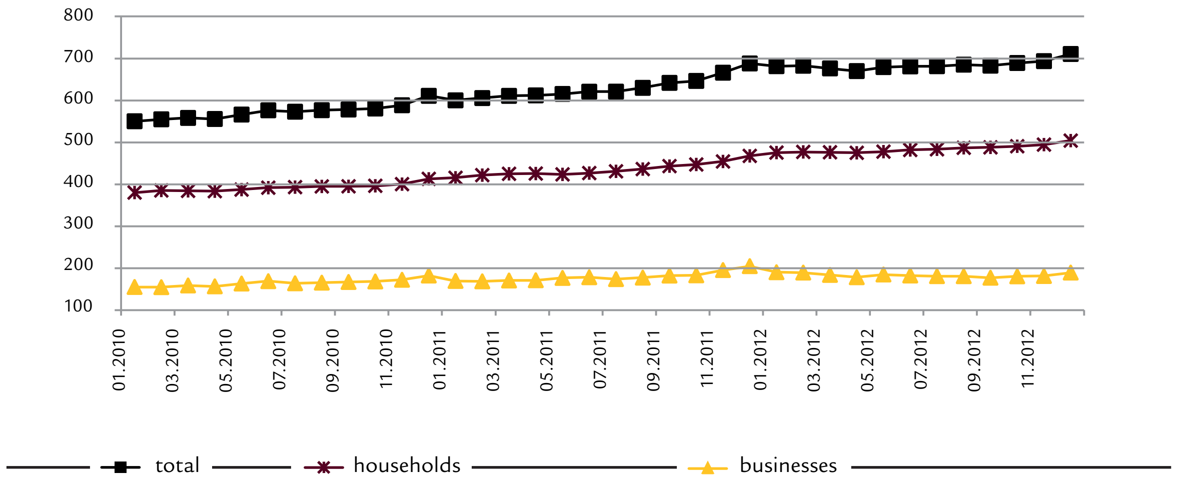


Source: the NBP

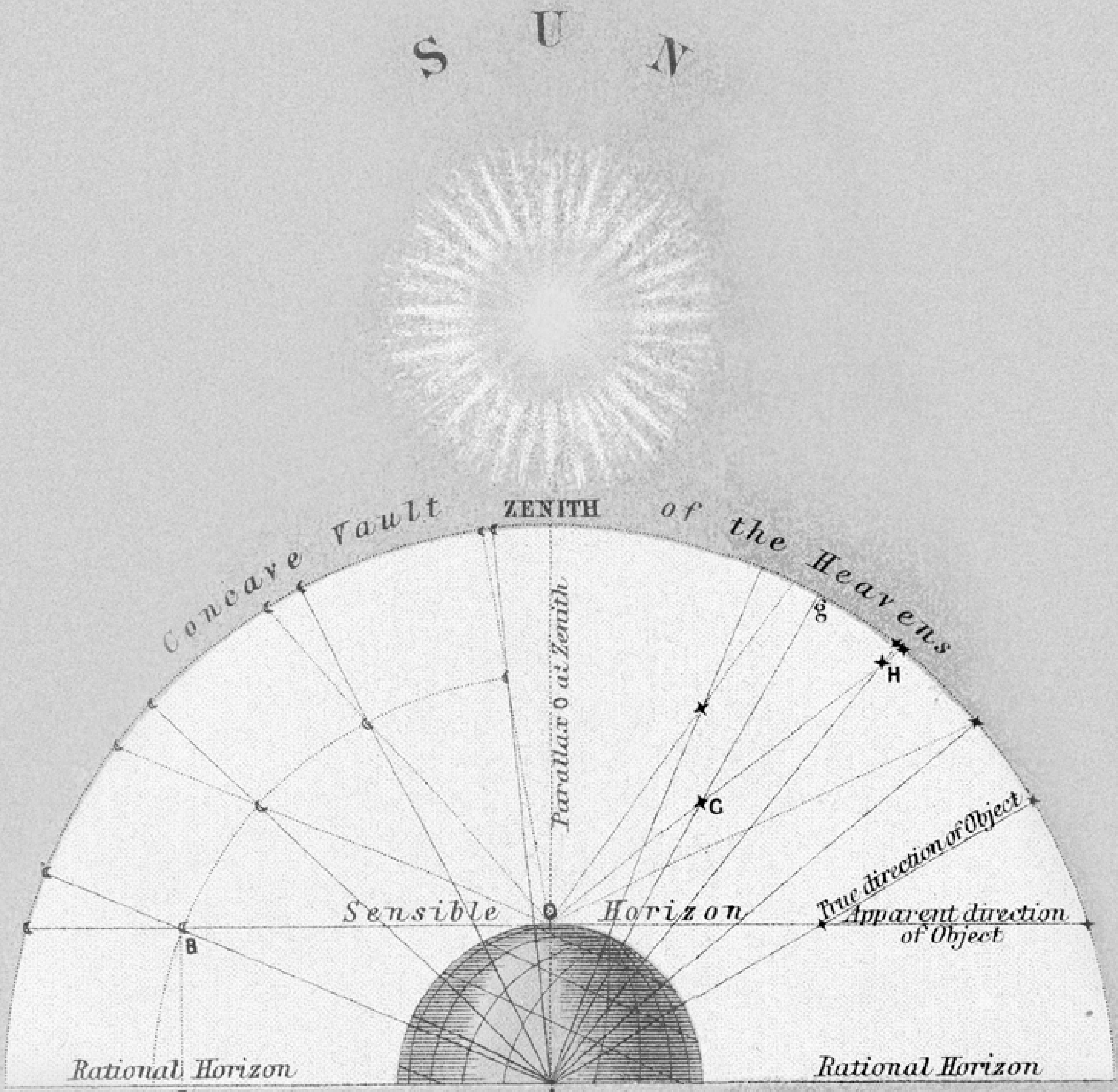
3. Deposit base

On the deposits side, strong competition was maintained among institutions, leading to a drop in the net interest margin. According to the National Bank of Poland, the stability of the banking sector remains high.

Volume of deposits to business customers and households (PLN billion)



Source: the NBP



PARALLAX
FIG. 3.

IV. Financial results of the Alior Bank S.A. Group

Three are the things still left in paradise: stars, flowers and children.

Dante Alighieri

IV. Financial results of the Alior Bank S.A. Group

1. Income statement

First initial offering and cost of share base benefits along with cost of the first offering connected with it, had a significant one-off impact on the result realised in 2012. For comparison with 2011 an account of profit and loss from two perspectives is presented below: one excluding share base benefits and costs of initial public offering and second with those costs included.

Account of profit and loss excluding cost of share based benefits and initial public offering

	01.01.2012–31.12.2012	01.01.2011–31.12.2011
Interest income	1 283 580	851 229
Interest expense	-573 015	-356 310
Net interest income	**710 565**	**494 919**
Dividend income	**20**	**0**
Fee and commission income	667 305	472 373
Fee and commission expense	-197 938	-131 943
Net fee and commission income/expense	**469 367**	**340 430**
Trading result	**182 606**	**141 922**
Net gain realized on other financial instruments	**22 839**	**16 710**
Other operating income	69 246	14 269
Other operating expenses	-19 637	-13 721
Net other operating income	**49 609**	**548**
General administrative expenses	**-762 610**	**-635 354**
Net impairment losses	**-282 252**	**-189 138**
Profit before tax	**390 144**	**170 037**
Income tax	-57 690	-13 656
Net profit	**332 454**	**156 381**

Account of profit and loss including cost of share based benefits and initial public offering

	01.01.2012–31.12.2012	01.01.2011–31.12.2011
Interest income	1 283 580	851 229
Interest expense	-573 015	-356 310
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Net gain realized on other financial instruments	**22 839**	**16 710**
Other operating income	69 246	14 269
Other operating expenses	-20 902	-13 721
Net other operating income	**48 344**	**548**
General administrative expenses	**-921 734**	**-639 554**
share-based payments – equity component	*-149 512*	*-4 200*
Net impairment losses	**-282 252**	**-189 138**
Profit before tax	**229 755**	**165 837**
Income tax	-55 692	-13 656
Net profit	**174 063**	**152 181**

Before including the one-off related to IPO, the net profit amounted to as much as PLN 332.5 million, and was almost twice as high (+112.6%) compared with 2011.

Upon including costs of debut the consolidated net profit of the Alior Bank Group in 2012 amounted to PLN 174.1 million, representing an increase in the result of 14.4% y/y. Thus, the net profit generated, in spite of including the share based management compensation as costs, is the Group's best result since its inception.

Generating such a good financial result by the Group was due to the following:

- a more than 40% increase in net interest income due to:
  - the continually growing lending campaign, the volume of loans and advances to customers increased by 43.4% during the year and reached PLN 14.5 billion as at the end of 2012;
  - an increase in the average interest rate on amounts due from customers;
- a good result generated on fees and commissions, mainly thanks to an offer of cash advances with insurance;
- cost leverage; the C/I ratio amounted to 64.3%, despite the fact of significant one-off items occurred due to Stock Exchange listing process. Before one-off items the C/I ratio amounted to 53.1%, which is an improvement of 10.7 p.p. compared with the prior year.

The share based Management incentive scheme recognition had negative impact on the result booked by the Group. It has to be stressed that no outflow of cash or shares directly from the Bank took place in that scheme. As per International Financial Reporting Standards no 2 (IFRSs 2) incentive schemes provided directly by the shareholders, in the financial reports are being considered as costs.

Participants of the share based incentive scheme in Alior Bank S.A. according to assumptions adopted by the Bank are: Bank, all members of the Management Board, and many Managers of the Bank as well as of one of the companies constituting the Carlo Tassara Capital Group – Alior Lux S.ạr.l. & Co. S.C.A. („Alior S.C.A"), which is the main shareholder of the Bank.

The initial share based incentive scheme was considering all Members of the Management Board and Managers of the Bank to be entitled to benefits depending on the profit acquired by the main Shareholder of Alior Bank S.A. from its investment in the Bank.

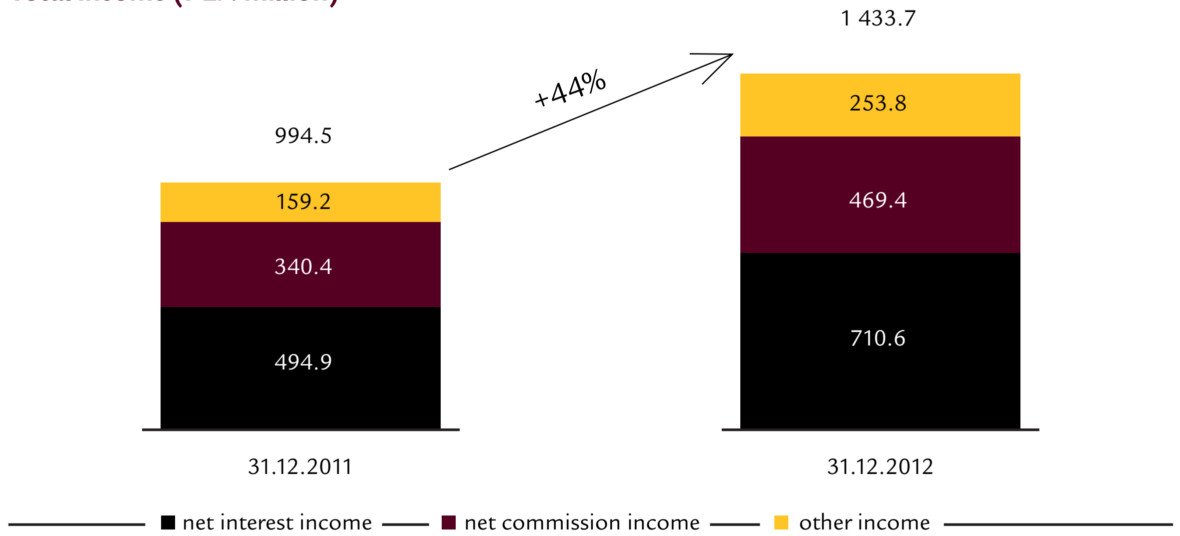
Alior S.C.A. undertook to provide the scheme participants with the 20% in cash of the profits of total sale or partial sale of the Bank, considering the Investment Value increased by 7% annually.

In connection with the Public Offering as of December 2012, conditional modifications to the current incentive scheme were modified so that the benefits were replaced by shares of the Bank transmitted by Alior S.C.A. to the entitled managers. The modification of the cash program into shares has a positive impact on the Management motivation to further growth of the company's value (lock-up restrictions not to sale the shares).

The implementation of the share based incentive scheme results in a decrease of the Carlo Tassara Group package of shares to 34% through the transfer of 2.4 million shares in 2012 and 1.3 million not later than 30 June 2014. The one-off expense included in the bank's income statement amounts to PLN 149,5 million.

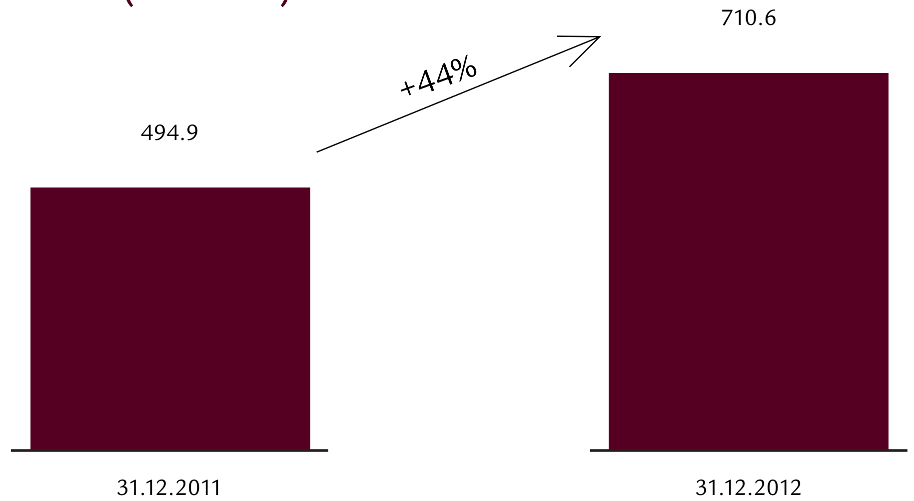
In 2012, The Alior Bank Group recorded a considerable increase of net operating income. As at the end of December 2012, the total income amounted to PLN 1,437.7 million, i.e. PLN 443.2 million more than as at the end of 2011. Nearly 50% of this income was represented by the Group's net interest income.

Total income (PLN million)



Net interest income is the main component of the Group's income. As at the end of 2012, net interest income was PLN 215.6 million, i.e. 43.6% higher than in the previous year.

Net interest income (PLN million)



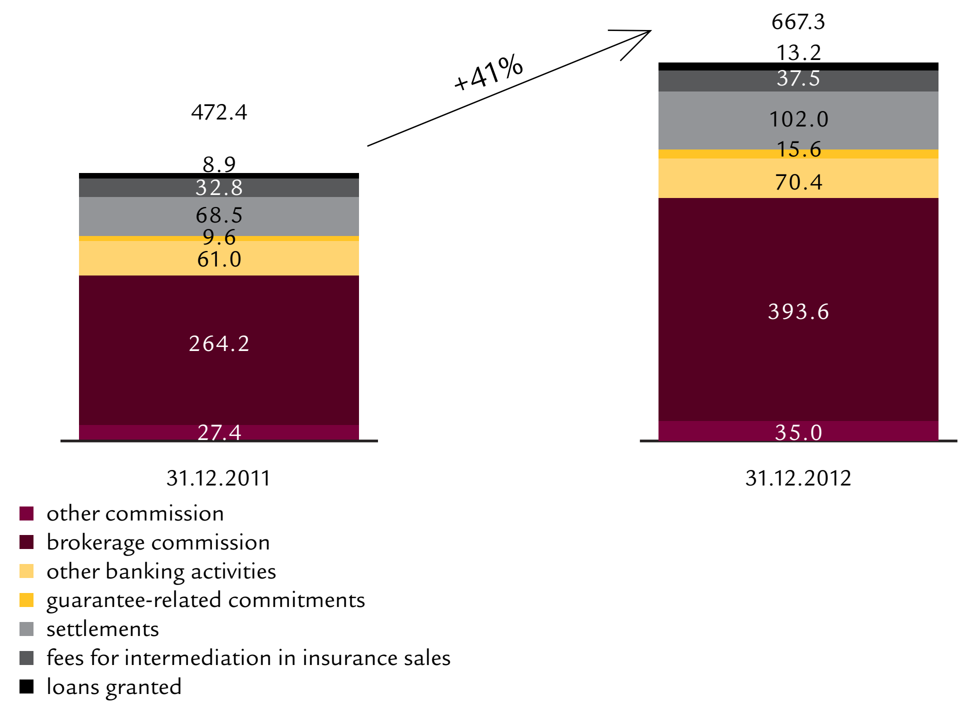
The high increase in net interest income was due to increasing the volume of loans to customers by 43.4% and the accompanying volume of deposits from customers of 29.1%. At the same time, the average interest rate on loans increased by 0.20 p.p. to 8.73%, and the average cost of deposits increased by 0.67 p.p. to 4.01%. The ratio of customer deposits to loans remained at a high level of 120.1% as at the end of 2012.

Average interest rate

	2012	2011
LOANS	**8.73%**	**8.53%**
retail segment, including:	**9.69%**	**9.54%**
Consumer loans	12.86%	13.10%
Housing loans	5.43%	5.42%
business segment, including:	**7.70%**	**7.62%**
Investment loans	7.58%	7.41%
Operating loans	7.58%	7.44%
Car loans	11.34%	11.42%
DEPOSITS	**4.01%**	**3.34%**
retail segment	**4.13%**	**3.70%**
Current deposits	1.42%	0.65%
Term deposits	4.94%	4.50%
business segment	**2.96%**	**2.56%**
Current deposits	0.26%	0.25%
Term deposits	3.56%	3.77%

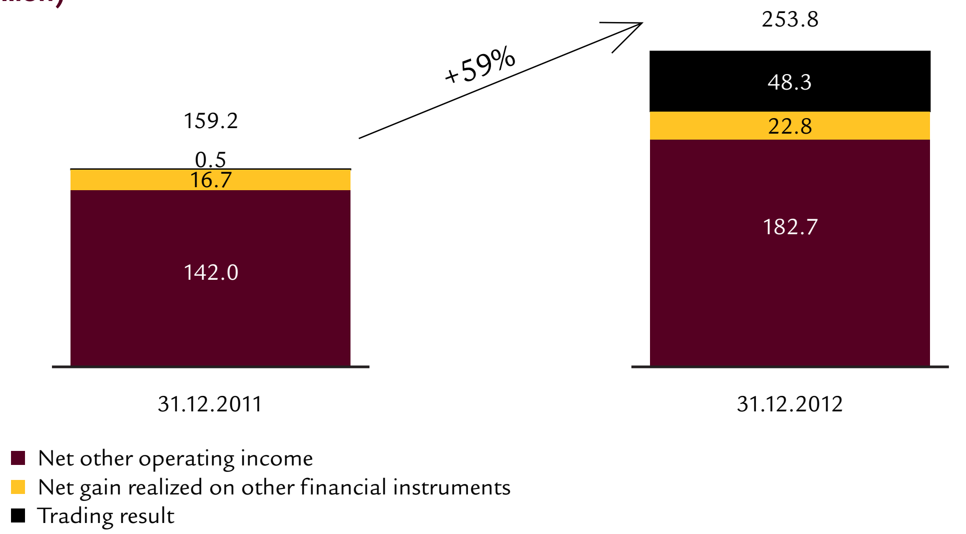
Net fee and commission income is increased by 37.9% to PLN 469.4 million. It comprised PLN 667.3 million of commission income (up by 41.3%) and PLN 197.9 million commission expense (up by 50.0%). The Group recorded a strong increase in all the core groups of fee and commission income. Fees for intermediation in insurance sale are the main component of fee and commission income. In 2012, they amounted to PLN 393.6 million and were 49.0% higher than in 2011.

Fee and commission income (PLN million)



Net trading income, the result realized on other financial instruments and net other operating income went up by 59.4% to PLN 253.8 million. The Group recorded a 28.7% increase in net trading income to PLN 182.6 million. The increase in net trading income results from the increase in the volume of transactions with the Bank's customers, both businesses and individuals.

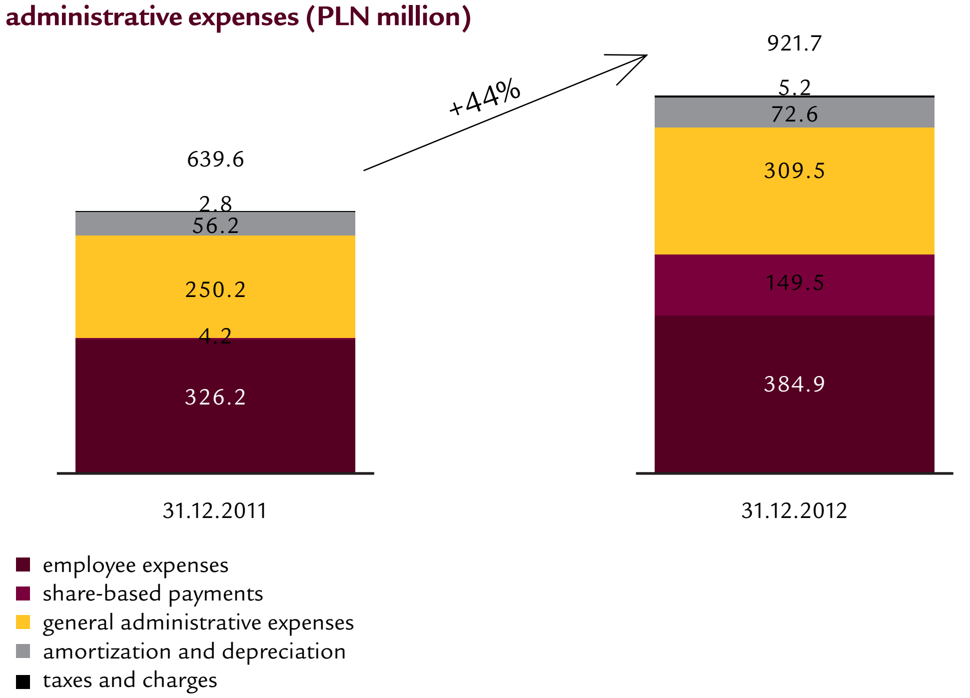
Net trading income realized on other financial instruments and other net operating income (PLN million)



In 2012, the Group incurred operating expenses amounting to PLN 921.7 million. These costs increased by 44.1% compared with 2011. A considerable part of operating expenses incurred (PLN 159.1 million, including PLN 149.5 million concerning share based benefits) was one-off and was related to the Bank's stock exchange debut and the valuation of the management options scheme. Before this one-off effect, the Group's expenses amounted to PLN 762.6 million and the increase in operating expenses was 20.0% y/y. The increase was related to continued extension of the distribution channels, including the ongoing project of constructing the network of mini-branches (Alior Bank Express), the project of Alior Sync internet bank and extending the operations of Consumer Finance.

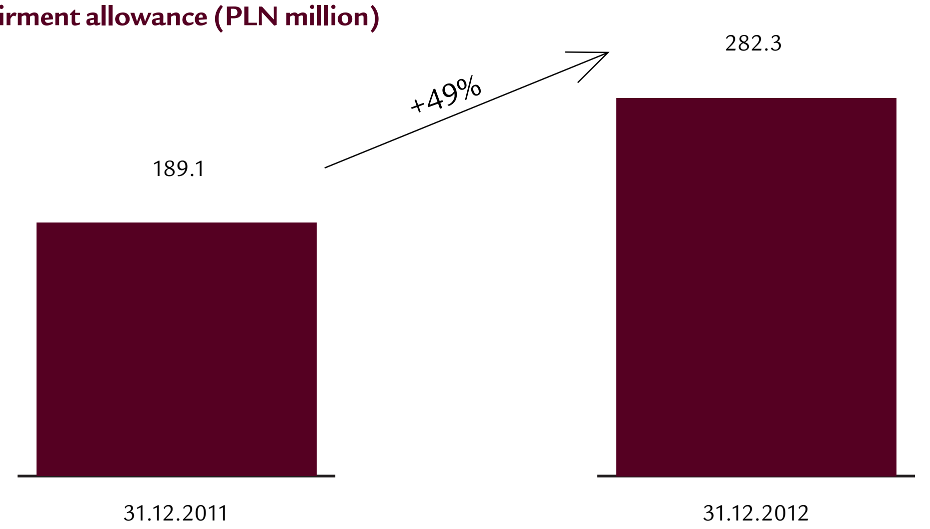
The C/I ratio amounted to 64.3%, i.e. it remained at the same level as in 2011. Before the effect of the one-off costs, the C/I ratio amounted to 53.1%. The considerable improvement in the C/I ratio is a result of the increased scale of the Bank's operations on the one hand and the consistent cost management policy maintained since the Bank's formation on the other hand.

General administrative expenses (PLN million)



The net impairment allowance increased by 49.2% to PLN 282.3 million. At the same time, the balance of amounts due from customers increased by 43.4%. Thanks to the effective processes regulating lending decisions, monitoring and debt collection, the ratio of the net impairment allowance to the balance of average amounts due from customers dropped from 2.4% to 2.3%.[2]

Net impairment allowance (PLN million)



Balance sheet

As at the end of 2012, the total assets of the Alior Bank Group amounted to PLN 21,352.3 million and were PLN 5,868.7 million higher than at the end of 2011.

in PLN'000

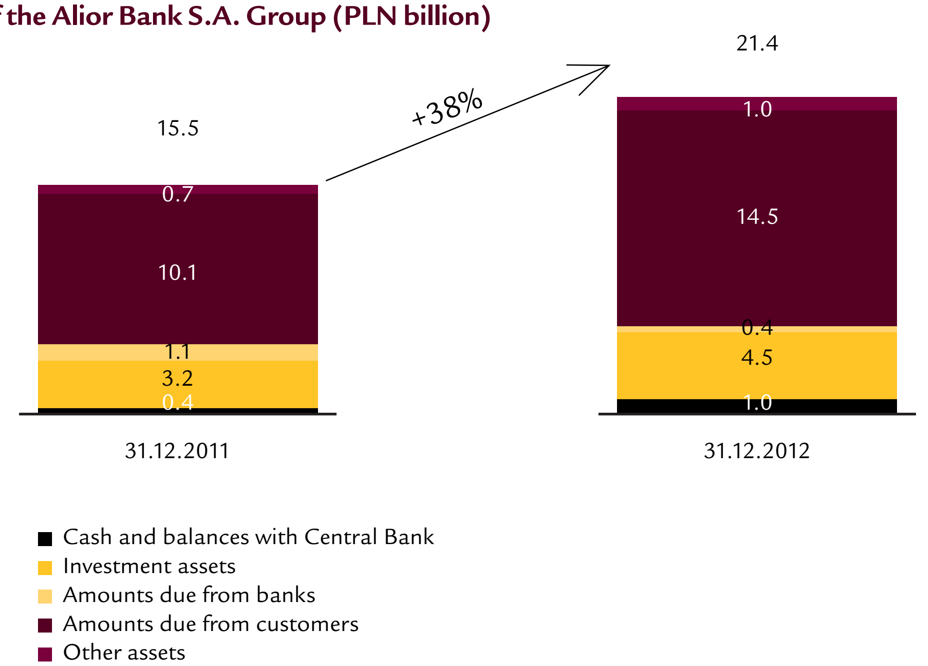
ASSETS	as at 31.12.2012	as at 31.12.2011	change % y/y
Cash and balances with Central Bank	1 029 968	447 083	130,4%
Financial assets held for trading	173 706	312 024	-44,3%
Available-for-sale financial assets	4 320 747	2 906 975	48,6%
Amounts due from banks	413 528	1 105 792	-62,6%
Amounts due from customers	14 535 432	10 134 786	43,4%
Property, plant and equipment	214 887	212 392	1,2%
Intangible assets	157 940	122 854	28,6%
Investments in subsidiaries	0	0	nd
Assets held for sale	62 298	0	nd
Income tax assets	78 755	71 957	9,4%
Deferred	78 755	71 957	9,4%
Other assets	365 087	169 759	115,1%
TOTAL ASSETS	21 352 348	15 483 622	37,9%

[2] Cost of risk ratio – quotient of impairment write-offs and average balance of client receivables (calculated as the arithmetic mean of the client receivables as at the end of the prior period and at the end of the current reporting period)

LIABILITIES AND EQUITY	as at 31.12.2012	as at 31.12.2011	change % y/y
Financial liabilities held for trading	129 107	243 730	-47,0%
Financial liabilities measured at amortized cost	18 092 194	13 602 663	33,0%
Provisions	12 549	32 651	-61,6%
Other liabilities	490 105	447 694	9,5%
Income tax liabilities	31 463	0	nd
Current	*31 463*	*0*	*nd*
Subordinated liabilities	350 578	44 403	689,5%
Total liabilities	**19 105 996**	**14 371 141**	**32,9%**
Equity	**2 246 352**	**1 112 481**	**101,9%**
Share capital	635 830	500 000	27,2%
Supplementary capital	1 276 611	502 569	154,0%
Revaluation reserve	10 776	-13 019	-182,8%
Other capital	163 377	12 600	1196,6%
Share-based payments – equity component	*163 377*	*12 600*	*1196,6%*
Undistributed result from previous years	-14 305	-41 850	-65,8%
Net profit/loss for the year	174 063	152 181	14,4%
TOTAL LIABILITIES AND EQUITY	**21 352 348**	**15 483 622**	**37,9%**

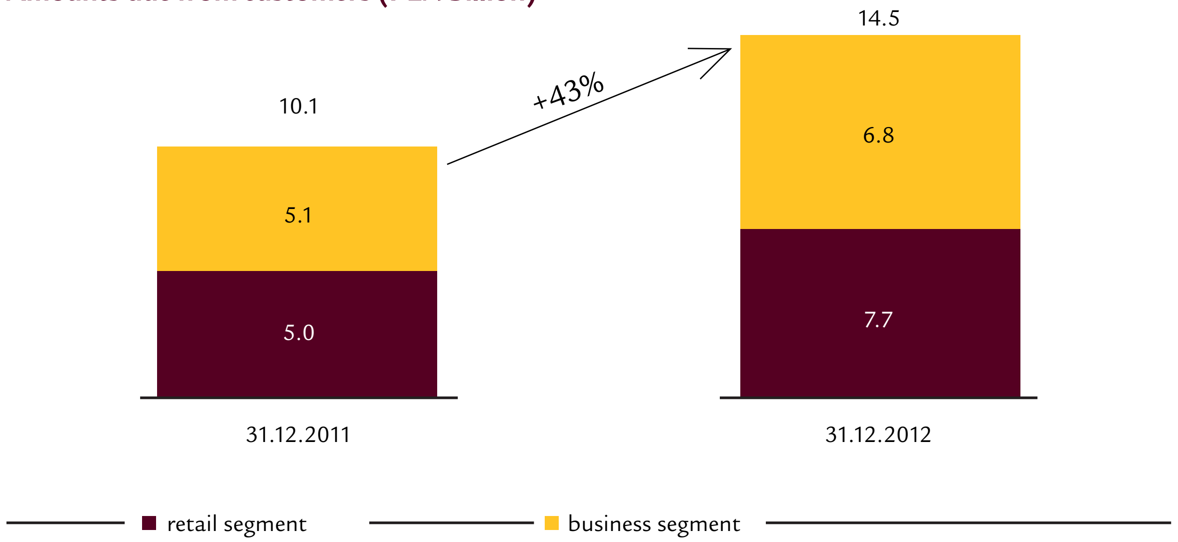
Amounts due from the Group's customers are the core component of assets. Their share in total assets as at the end of the year was 68.1% and increased by 2.6 p.p. compared with the end of 2011

Assets of the Alior Bank S.A. Group (PLN billion)



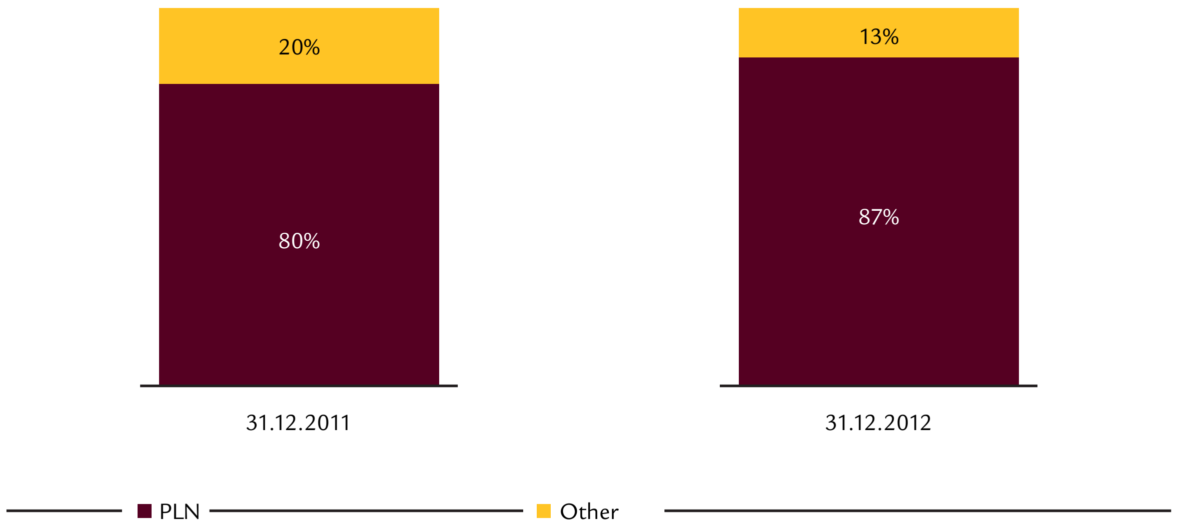
The more than 40% increase in amounts due from customers resulted mainly from an increase in loans and advances to customers in the retail segment, which went up by 54.0%. The volume of loans to the business segment went up by 32.9%. Thus, the structure of amounts due from customers changed slightly. As at the end of 2012, amounts due from the retail segment were predominant in the portfolio – their share in the Group's loan portfolio was more than 53.5%. A year before, the shares of the two segments in the loan portfolio was similar – approximately 50% each.

Amounts due from customers (PLN billion)



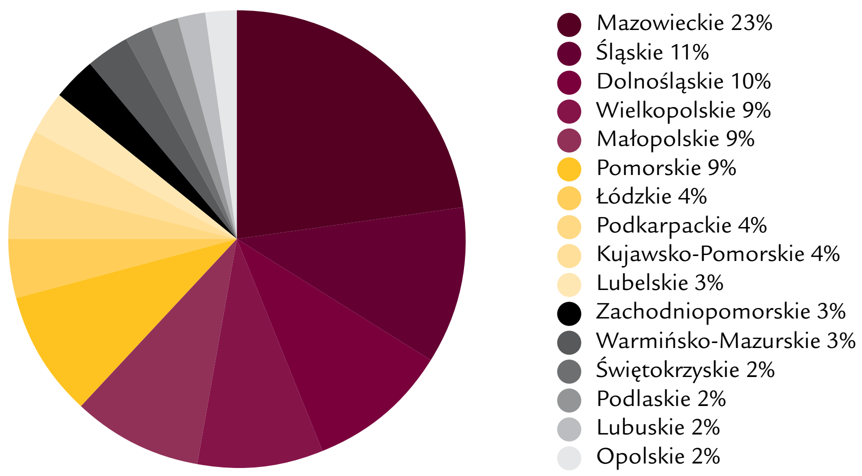
Consumer loans with a balance exceeding PLN 4.1 billion were the main component of the loan portfolio in the retail segment. They represented more than a half of all loans and advances to retail customers. The second item with the largest share in the loan portfolio of the retail segment were housing loans with a volume of close to PLN 2.4 billion as at the end of 2012.

Structure of amounts due from customers by currency



Compared with last year's currency structure of amounts due from customers, the share of PLN loans increased, and currently amounts to 87% of the loan portfolio, representing an increase of 7 p.p. As at the end of December 2012, the volume of foreign currency loans amounted to PLN 1.8 billion, which represents a decrease of more than 7% compared with the end of December 2011.

Structure of amounts due from customers by geographical area (as at 31.12.2012)



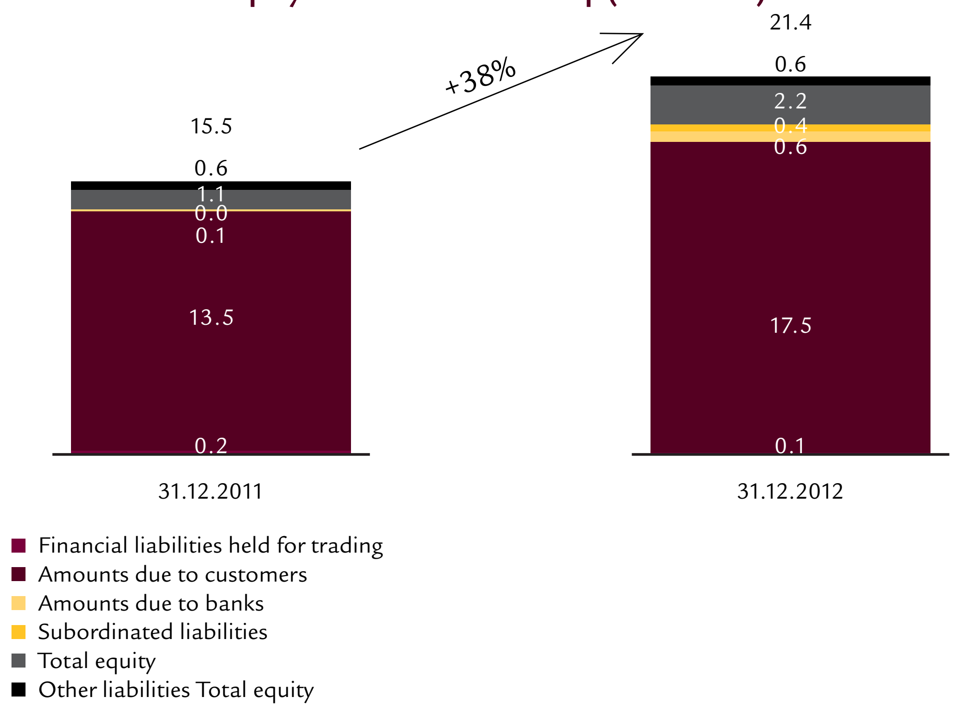
Nearly ¼ of the loans granted by the Bank are loans granted to the residents of the Mazowieckie voivodeship. More than 20% of the loans are amounts due from the customers of the ĐlĐskie voivodeship. The share of the Pomorskie, Małopolskie and Wielkopolskie voivodeships in the Bank's structure of loans is similar and amounts to approx. 9%.

Amounts due from the residents of the remaining smaller voivodeships represent approx. 30% of the Bank's entire loan portfolio.

Customer deposits placed at the Bank are the main source of financing the Group's operations.

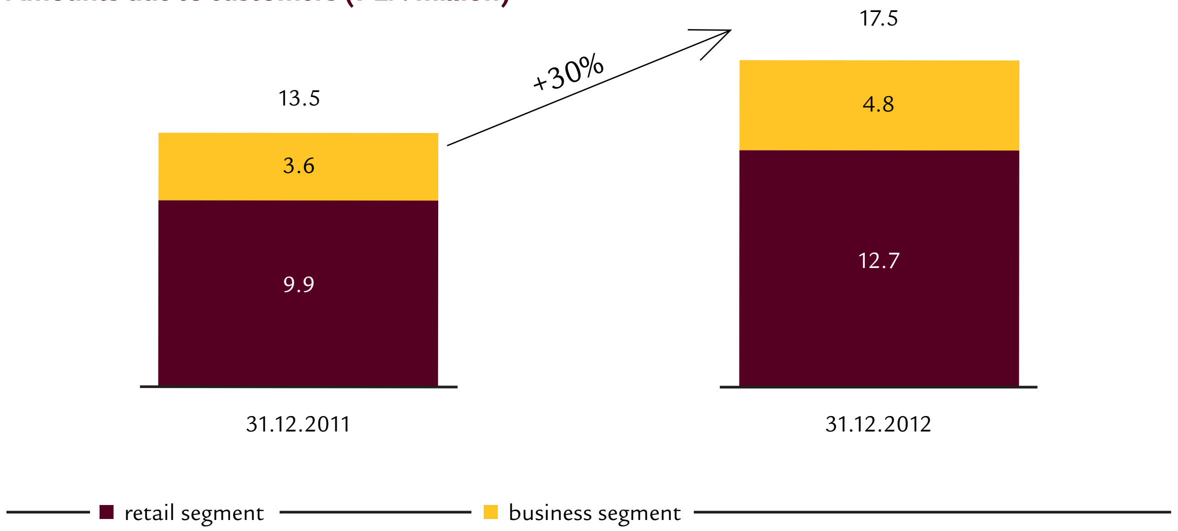
As at the end of 2012, their share in the total assets was 81.8%. The balance of equity as at the end of 2012 was nearly PLN 2.2 billion. This high increase is the effect of providing the Group with capital as a result of the company entering the stock exchange, and increasing equity for the net profit for the year.

Capitals and liabilities and equity of the Alior Bank Group (PLN billion)



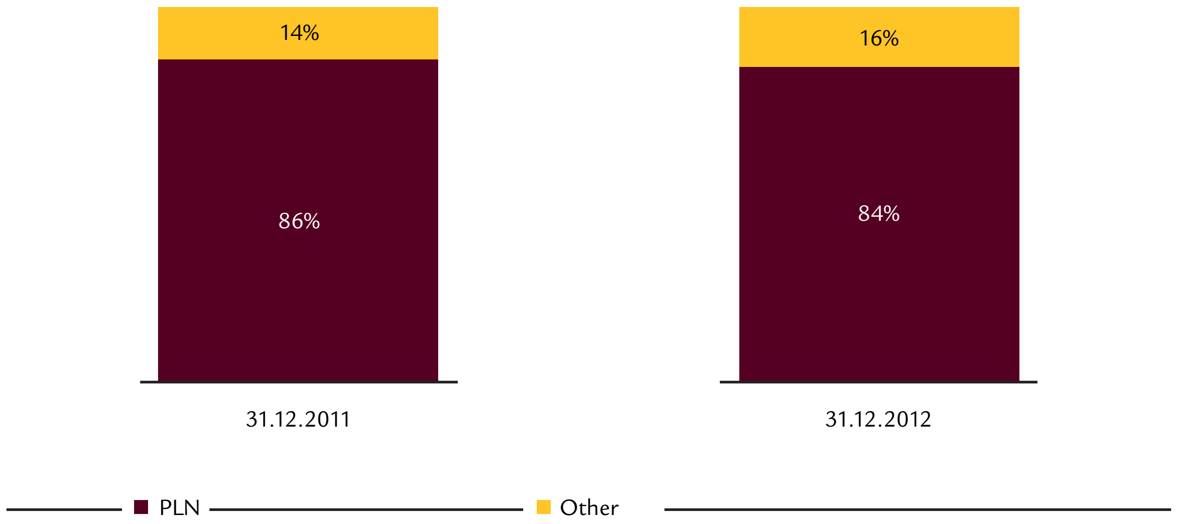
The main item in the structure of amounts due to customers are amounts due to the retail segment which represented almost ¾ of the customer deposit portfolio as at the end of 2012.

Amounts due to customers (PLN million)



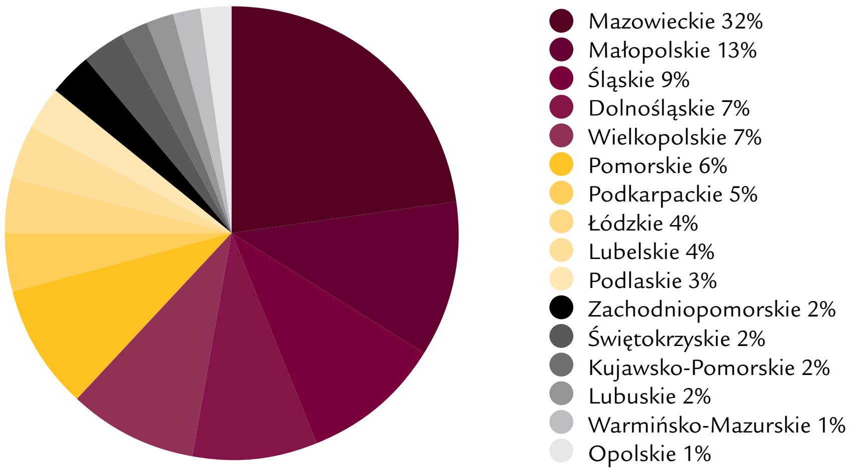
The sum of amounts due to the ten largest depositaries represents 5.7% of all customer deposits, which shows a strong diversification of the Bank's deposit base.

Structure of amounts due to customers by currency



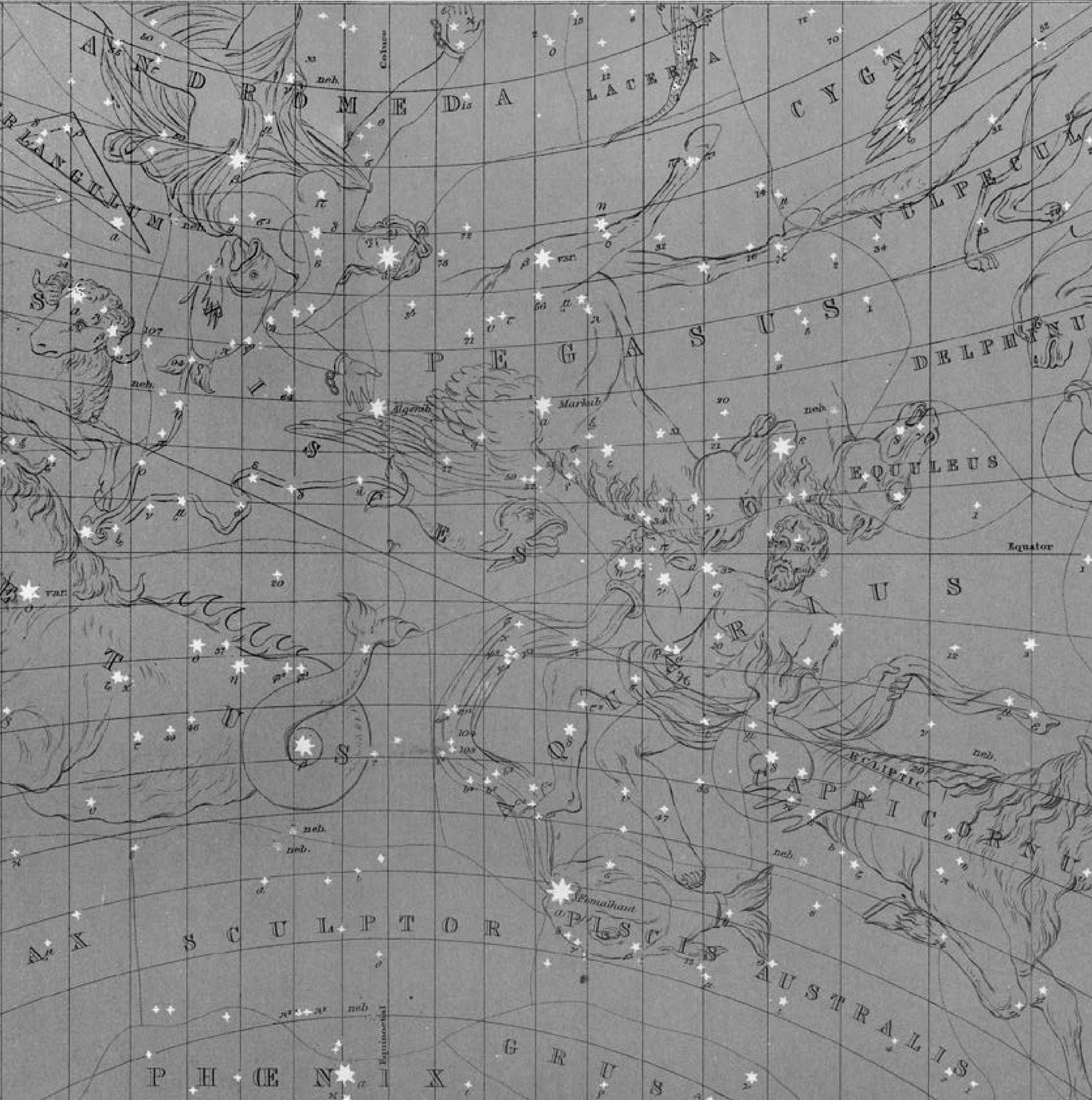
The currency structure of deposits as at the end of December 2012 was similar to the structure of the deposit base as at the end of December 2011. The share of PLN deposits dropped slightly to the benefit of the deposits in other currencies. In spite of that, deposits in PLN still represent more than 80% of the entire deposit base.

Structure of amounts due to customers by geographical area (as at 31.12.2012)



The funds deposited in the Bank mainly come from customers from the following voivodeships: Mazowieckie (30%), Małopolskie (13%) and ĐlĐskie (9%). Customers from the remaining voivodeships deposited funds at the Bank which represent 58% of the total deposit base of the Bank.

Alior Bank S.A. and the remaining companies in the Alior Bank S.A. Group did not publish any forecasts of their results for 2012.



V. BUSINESS OVERVIEW OF THE ALIOR BANK S.A.

Stars above you, stars below, And two moons will appear.

Adam Mickiewicz

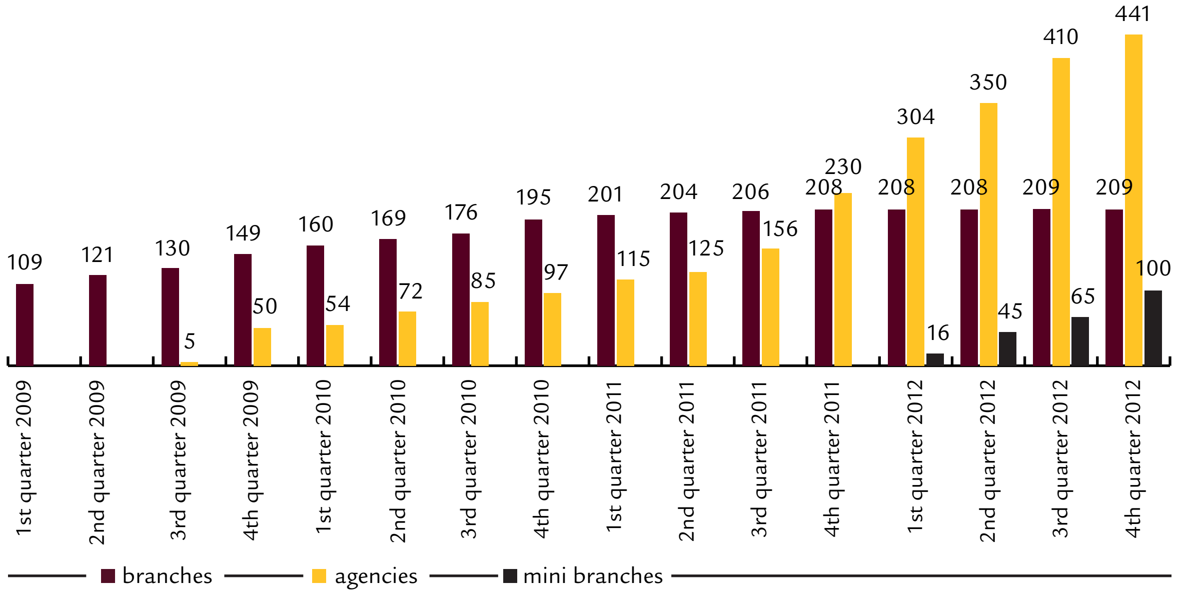
V. Business overview of the Alior Bank S.A.

1. Distribution network

In 2012, Alior Bank continued to develop its distribution network thanks to which at the end of 2012 it had created one of the largest distribution networks in Poland.

As at 31 December 2012, the Bank's customers were able to avail themselves of the Bank's products and services in a network consisting of 750 outlets.

Distribution network



Branches

As at the end of 2012, the Bank served retail and business customers through 203 universal branches, 6 Private Banking outlets and one outlet specializing in serving large companies.

Alior Bank Express

In the past year, the Bank enriched its distribution network by opening 100 mini-branches under the name Alior Bank Express. Alior Express outlets are located mainly in shopping centres and galleries and in supermarkets. The majority of the outlets are open all week, also at weekends and have longer business hours. In these outlets, the customers can quickly and conveniently avail themselves of the bank's basic services. For example, customers can draw a loan, pay bills at no commission, and open a free personal account or a term deposit.

Partner facilities

In the last 12 months, the Bank nearly doubled the number of its partner facilities. As at 31 December 2012, the Bank cooperated with 441 partner facilities, which offered their customers a wide range of the Bank's products and services, in particular, term deposits and current and savings accounts for retail and business customers, savings accounts, debit cards, credit cards, cash advances, loans, consolidation loan, housing loans, loans to businesses and overdraft facilities.

Financial intermediaries

Alior Bank offers loan products: cash advances and housing loans also through financial intermediaries. In December 2012, Alior Bank's products were available in 3,341 financial intermediary outlets in Poland.

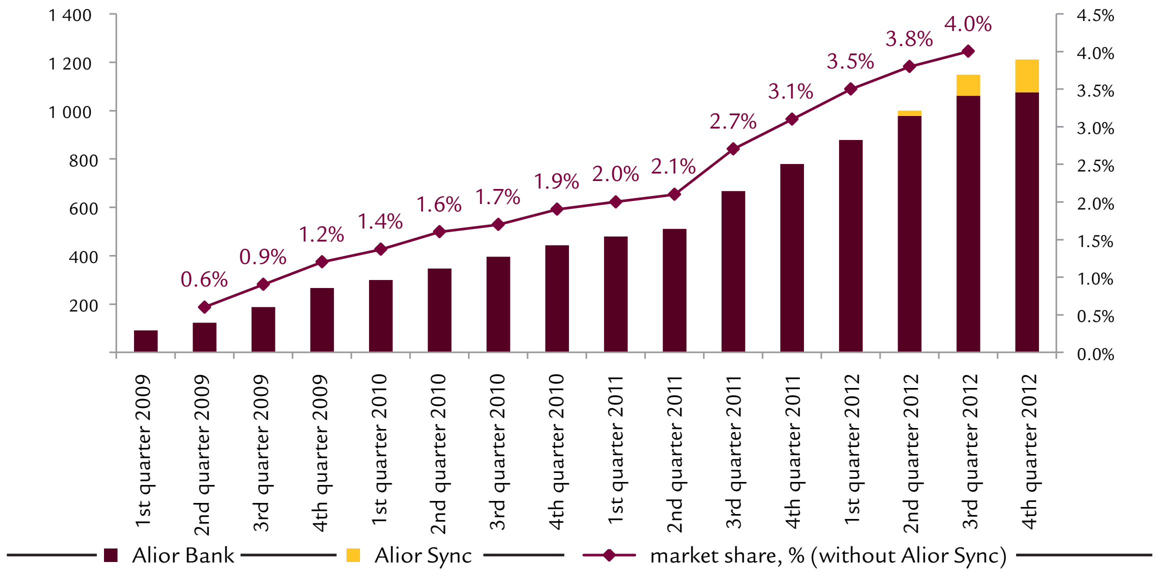
2. Retail banking

Current accounts of retail customers

2012 was another successful year for Alior Bank in terms of account acquisition. The number of current and savings accounts (accounts in PLN, excluding accounts maintained by Alior Sync) increased by almost 300 thousand, i.e. by 38% compared with the end of 2011, and amounted to 1,076 thousand. Such a high increase is the result, among other things, of the unwavering popularity of the "Alior Rachunki bez Opłat" ("No fee for paying your bills") service.

In the middle of the year, the Bank's internet branch Alior Sync was launched, which thanks to an extremely attractive offer and innovative technical solutions gained new customers and opened within 6.5 months 135.5 thousand current and savings accounts maintained in PLN in the course of six and a half months.

Number of current and savings accounts at each quarter-end (in thousands) and Alior Bank's market share



In 2012, the Bank introduced the following changes to its offer:

- providing the Alior Sync service with a personal account offering 5% CashBack for purchases through the internet;
- launching the activity of the physical currency exchange bureau, which is the first generally available currency exchange service of this type offered by the Bank; over the 9 months of its operation:
  - 215,606 transactions were executed for the Bank's customers and other persons, of which 57% transactions were EUR purchase transactions;
  - the total value of transactions executed in Alior Bank branches was the equivalent of PLN 412.6 million, which generated FX income of more than PLN 3 million;
- opening a currency exchange service, the first in Poland internet currency exchange service – so far services of this type have only been offered by private persons (currently there are approx.

20 such currency exchange services):
- by the end of 2012, 26.8 customers used the services of the currency exchange, of whom 35% had no previous relationship with Alior Bank;
- the currency exchange service is available to both individuals and businesses;
- by the end of 2012, the currency exchange clients exchanged PLN 709 million;
- the highest turnover in both segments is recorded on EUR, USD, CHF and GBP;
- 121 thousand transactions were concluded and 25 thousand orders were placed;

- introducing new debit cards:
  - "Mała czarna" ("Small black card") with an innovative rebate scheme – the users receive 5% CashBack in shops, the types of which they choose by voting. For example, in December, customers decided that in January they will receive CashBack for shopping in clothes shops;
  - Private Banking World Debit MasterCard with the Rewards loyalty programme and the Priority Pass programme. The card is dedicated to the Bank's most affluent customers;
- enabling customers to reduce the amounts of their monthly electricity, telephone and internet bills with the guarantee of obtaining at least 10-per cent savings – a service for the customers of "Alior Rachunki bez Opłat" ("No fee for paying your bills"). Alior Bank was the first to introduce this type of service and its attractiveness is shown by the fact that similar services soon appeared in competitive banks;
- introducing changes in pricing terms for the maintenance of some accounts which served to continue the acquisition of customers and rewarding the most loyal ones. This change is consistent with the Bank's strategy of encouraging customers to maintain a comprehensive relationship with the Bank;
- migration of flat Maestro debit cards to Debit MasterCard PayPass, thanks to which customers may avail themselves of comfortable paypass payments and make purchases on the internet using the card;

Cash advances and consolidation loans

The Bank's key product in the offer of non-secured loan products for individual customers is a cash advance, which can be earmarked for any purpose, including consolidation of financial liabilities (consolidation loan).

In 2012, the Bank granted 93.8 thousand loans for a total amount of PLN 2,652.0 million.

In 2012:
- the bank implemented a new pricing policy based on attractive interest rates which guarantee the competitiveness of the product compared with other offers, which enabled carrying out an effective marketing campaign called "Gwarancja najniĐszej raty" ("Lowest instalments guaranteed"). During the campaign, the average daily sales of the loan increased by 38% (in volume terms) and 67% (by number of units);
- the former customers already having a relationship with the Bank in 2012 were offered a number of new special offers, mainly based on simplified lending processes;
- the Bank created a new distribution channel – the so-called mini-branches under the Alior Bank Express brand. These outlets helped reach a larger group of customers and the share in the sales of the loan in new outlets is regularly growing. As at the end of the year, it reached 8.4% in terms of the number of units and 6.5% respectively in volume terms;
- apart from opening new Alior Express outlets, the partner facilities kept developing dynamically. The average daily volume of sales in this channel in December 2012 was 71% higher than in December 2011.

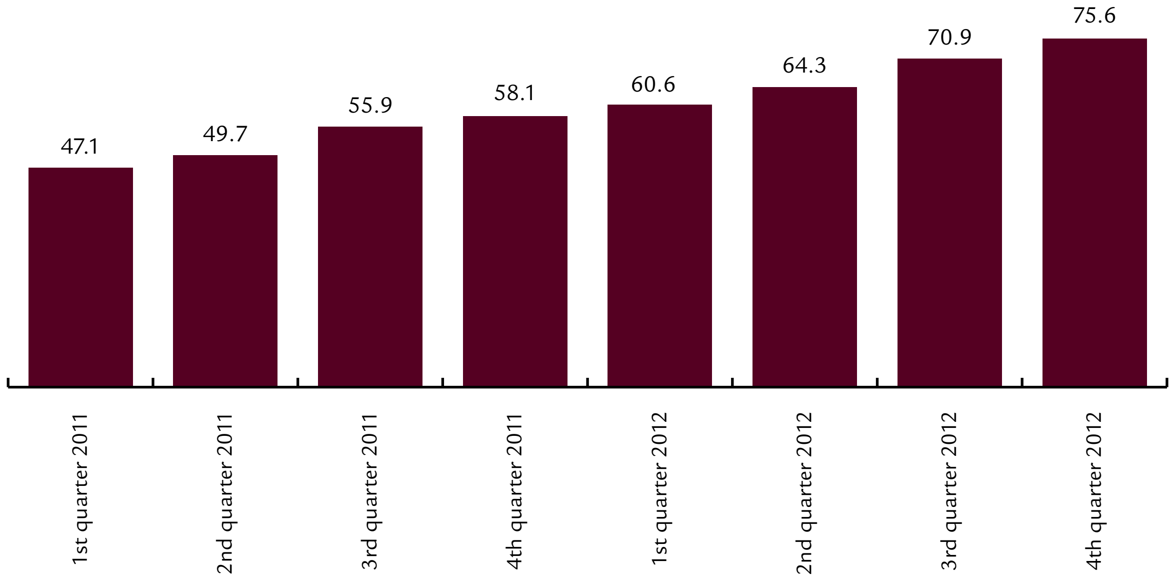
Credit cards and overdraft facilities

Alior Bank S.A. has 5 types of credit cards in its offer for individual customers.

All cards are secured with both a magnetic stripe and a chip, and additionally, three types of cards enable the execution of paypass transactions.

By the end of 2012, Alior Bank S.A. had opened 75.6 thousand credit card accounts, whereas at the end of 2011, there were 58.1 thousand, which is a 30% increase in the number of credit card accounts.

Number of credit card accounts for retail customers



As at the end of 2012, the Bank maintained 30 thousand accounts with a granted overdraft facility, which is a 66% increase compared with the end of 2011.

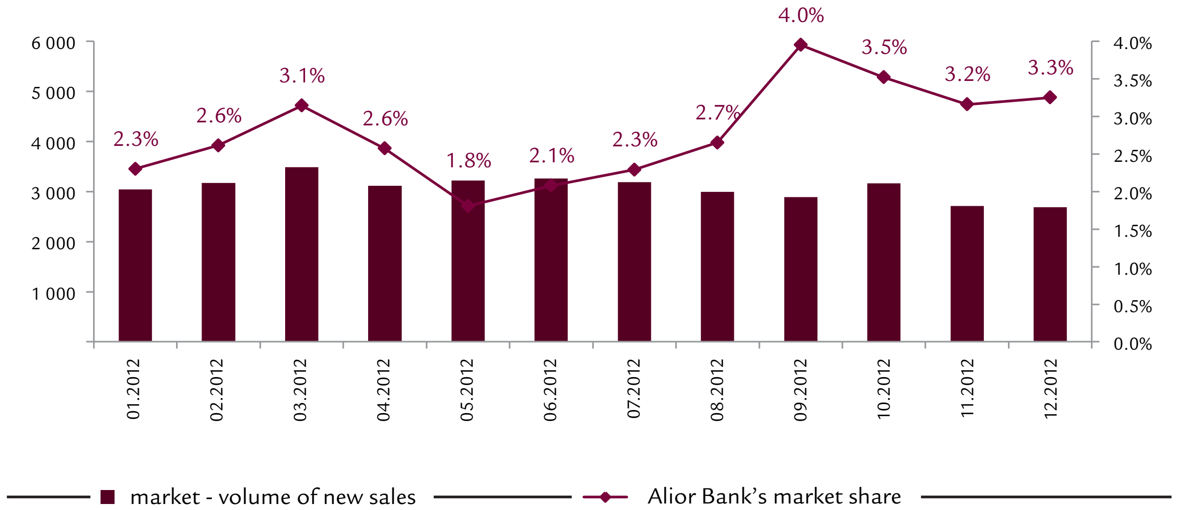
The most important changes introduced in 2012 in the scope of credit cards and overdraft facilities include:
- introducing a special price offer for overdraft facilities in May and June – changing the method of setting the interest rate for overdraft facilities and the interest rates for credit cards by linking the interest rate level with the NBP Lombard rate;
- continuing the development of the system for granting lending products introduced in 2011, which had a measurable effect on the visibly higher sales in 2012;
- migration of MasterCard Silver Lotnicza credit cards to World MasterCard, which is the most popular card among customers.

Mortgage banking

2012 was another year of Alior Bank's active participation in the real estate financing market.

In 2012, Alior Bank granted 4,622 mortgage loans for an amount of PLN 1,021 million, of which 95% of the sales were loans in Polish zloty. According to the data from the Polish Bank Association, in 2012, Alior Bank gained a 2.8% share in the sales of mortgage loans to individuals.

New sales on the market and Alior Bank's mortgage market share



The Bank carried out a number of actions aimed at increasing the availability and attractiveness of mortgage loans to Customers, including:

- the offer was extended by introducing a new commercial purpose of financing, which enables individuals to purchase commercial real estate by renting it out;
- at the turn of the 1st and 2nd half of the year, an change the pricing offer was introduced, which translated into a nearly 20% increase in sales in the second half of the year;
- an innovative insurance solution was introduced related to protecting the value of real estate.

Deposits and investment products

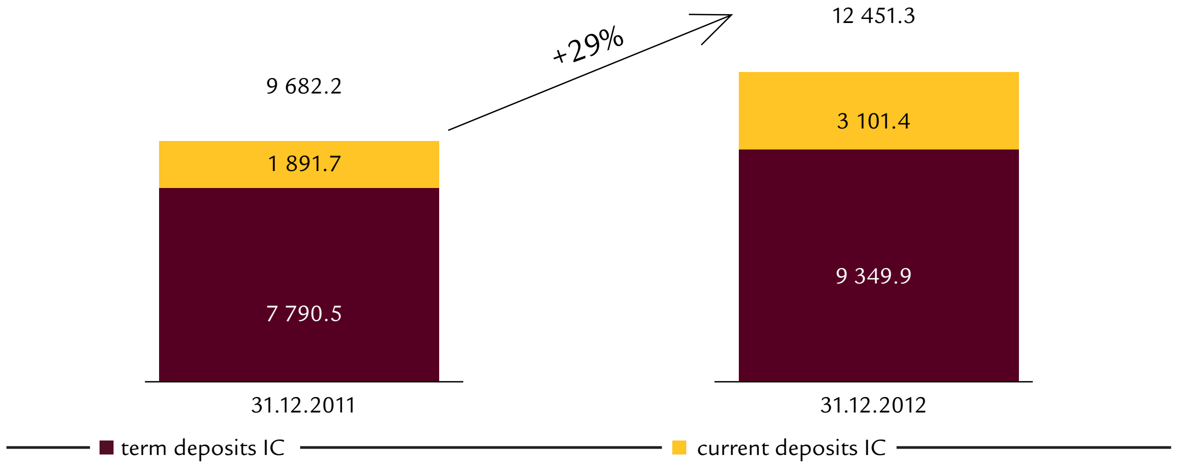
In 2012, the Bank continued to develop its deposit and investment offer in the scope of insurance equity funds available in subscription periods.

Thirteen subscriptions for a total amount of PLN 297 million were carried out. The volume achieved increased by 112% compared with 2011. These products give a 100% guarantee of the principal amount on maturity, and profits depend on maintaining the level of the indices on which they are based. The products were offered together with deposits bearing attractive interest in the promotions: Razem Zyskujesz (Earning Together) and WiĐkszy Zysk (Higher Profit).

At first issue of debt securities Program in 2012, Alior Bank issued 35 series of PLN 319 million total nominal value. Securities were offered in the public offer to corporate and individual clients. As part of an open model of cooperation with insurers, customers can still invest in long-term regular savings programmes.

As regards deposits for individual customers, 2012 was a year of considerable growth – the Bank recorded a 28.6% increase in the volume of deposits, including a 63.9% increase in current deposits and a 20.0% increase in term deposits.

Volume of deposits to individual customers (PLN million)



In 2012, the Bank introduced the following changes to its offer:

- new deposit products were introduced dedicated to regular saving, offered as part of Alior Sync:
  - a term deposit with regular additions to principal, under which a customer declares monthly payments and receives premium for making regular payments;
  - a term deposit with voluntary additions to principal under which the customer declares the amount he/she would like to accumulate by a specified date and receives premium for achieving the goal;
- a new service was proposed as part of the Alior Sync savings account called auto-replenishing, which enables the automatic management of the level of funds on a personal account and a linked account;
- moreover, the Bank carried out promotional offers of a term deposit:
  - in Alior Bank: a 6-month deposit with 6.2% interest rate and a possibility of breaking off the deposit without losing interest and a 5-month deposit with 6.5% interest rate,
  - in Alior Sync: a 4-month recommendation deposit with 7.5% interest rate per annum and a 6-month deposit with 6.5% interest rate.

3. Brokerage activities

In 2012, Alior Bank Brokerage House was focused on extending the offer of products and services for retail customers and improving the quality of the service. One of the key projects was to launch a professional information portal: broker.aliorbank.pl. for information and education purposes. It is addressed both to people who already invest their money and to people who are looking for information about the principles of effective investing. Users of the portal have access to the services of the Reuters Agency on the foreign exchange market, which comprises an economic calendar, market news, investment hints, and reports. The Information Service provides listings of the Warsaw Stock Exchange and online quotations of currencies and CFD.[3] Through the portal, it is also possible to read online comments on the market situation which are prepared on an on-going basis by experts from Alior Bank Brokerage House. Due to cooperation with the StockWatch service, tools are also available for fundamental analysis of the companies listed

[3] Contract For Difference – foreign exchange difference contracts.

on the WSE, thanks to which customers can become acquainted with the profile of a company's operations, its financial results, communications and news, as well as business indicators and the parameters of fundamental assessment from the perspective of financial mathematics. These tools allow instant comparison of listed companies based on an automated evaluation of internal value using thirteen methods.

In 2012, the Brokerage House introduced an innovative solution enabling brokerage accounts to be opened remotely without the need to visit a branch. To open an account, it is only necessary to have a bank account and the entire process is carried out online.

As part of developing the Alior Trader platform, a second version was launched which significantly increased the customers' analytical and investment possibilities. The application was enhanced by several new functionalities such as a risk calculator, while other tools previously available on the platform were considerably extended. For example, advanced tools used for analysing charts and visible full depth of the market (order sheet for individual currencies). With the new version, the efficiency of the application itself was considerably improved, as well as the speed of carrying out customer orders. Investors also receive additional support in the form of macroeconomic information, which is updated daily on the transaction platform. Another thing worth mentioning is the training conducted by Alior Trader specialists throughout Poland. They have already helped several hundred customers start investing on the foreign exchange market. All these factors translated into a considerable increase in the number of customers who invest daily on the Forex market via Alior Bank.

The purpose of another improvement – a questionnaire for generating the investment profile of a customer – is to even better adapt the Bank's services to customer needs. The tool – thanks to product descriptions in individual risk classes and investment fund rankings – helps look at the customer's asset structure as a whole and select an optimal investment solution.

In 2012, the development of the Brokerage House's systems was continued. A number of modifications were introduced that ensure stability and better availability of the services. Opening of brokerage accounts was made possible in the internet banking system for sole traders. From the moment of its launching it has been the main channel for gaining customer accounts from the same segment.

As part of the improvements, the distribution channel for the products was extended, thus enabling the purchase of closed investment funds in the internet banking system.

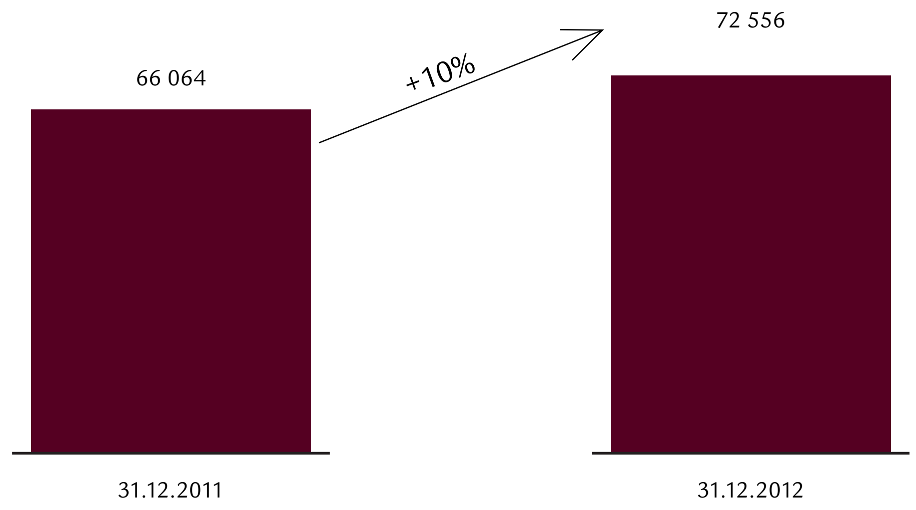
Also, another version of the Notowania OnLine application was made available with several new functionalities which are only available to Alior Bank's customers, including: the possibility of placing several orders at the same time, creating basket orders, adding new tools to the chart module, presentation of messages from the Polish Press Agency on companies' charts.

In 2012, the Brokerage House as part of its function of the market maker concluded 21 contracts with issuers and in aggregate provides market maker services to 35 companies listed on the WSE and stimulates 40 financial instruments. In 2012, as part of the activities on own account, the Eurotax management scheme was executed as well as the contract for the purchase of shares for further resale.

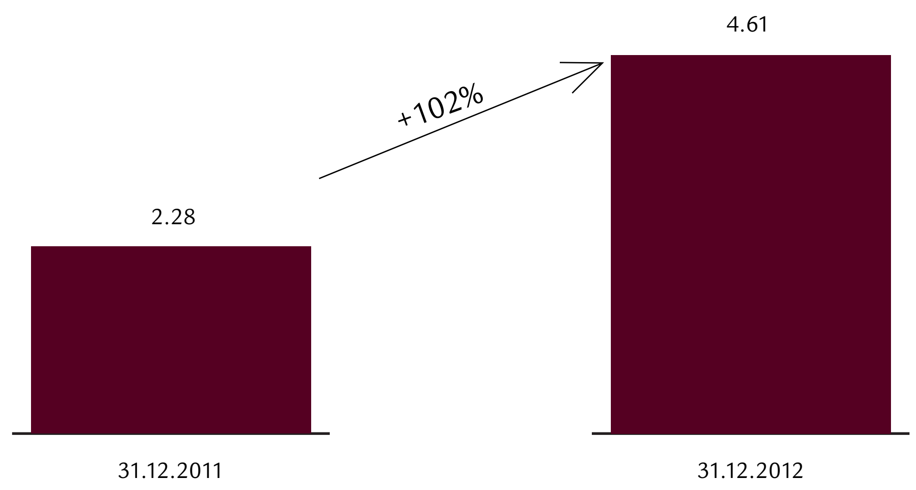
In August 2012, the brokerage house introduced into its offer an investment consulting service based on model strategies. The proposed investment strategies use concepts of active allocation and are constructed based on various classes of assets – shares, bonds, raw materials, noble metals and monetary instruments. In 2012, the Brokerage House extended its cooperation with Investment Funds Management companies (TFIs) to 11 companies and as at the end of 2012 offered a total of 380 open investment funds. It is the widest offer of investment funds on the Polish market. The offer of closed investment funds was also extended. The Brokerage House participated in 21 non-public and in 3 public issues of FIZ investment certificates.

At the end of 2012, the Brokerage House of Alior Bank maintained nearly 73 thousand brokerage accounts (a 10% increase compared with 2011). Customers' assets accumulated on brokerage accounts amounted to PLN 4.6 billion at the end of 2012 and increased almost two-fold since the end of 2011.

Number of brokerage accounts



Assets on brokerage accounts (PLN billion)



The average share Brokerage House of Alior Bank in the turnover on the cash market in the period from January to December 2012 amounted to 0.96% and 2.65% on the forward contracts market.

4. Capital investments

Capital investments of Alior Bank are presented in the table below. All securities were financed with own equity of the Bank.:

1. Shares:

- Equity securities for sale admitted to public trading on Warsaw Stock Exchange;
- Equity securities for sale not admitted to public trading.

2. Bonds – corporate bonds issued by the domestic companies listed on the Warsaw Stock Exchange, acquired as a result of being a market maker.

3. Derivatives – future contracts for shares listed on Warsaw Stock Exchange, purchased/sold as a result of being a market maker.

Capital Investments

	Status as at 31.12.2012		Status as at 31.12.2011	
	Number	PLN market value	Number	PLN market value
Shares	1 256 157	1 393 137	296 047	690 945
listed	1 249 517	1 338 577	295 047	681 945
Not admitted to public trading	6 640	54 560	1 000	9 000
Bonds	110	115 751	0	0
Derivatives[4]	15	55 065	0	0

As of 31 December 2012 Bank is a shareholder in the joint venture being a contractual relationship based on which the Group and other entities have undertaken a business activity based under joint control, where strategic and operational decisions require an unanimous agreement of all parties having a joint control. Shares of the Group in the entity controlled jointly due to being classified as held for sale are excluded from consolidation and are presented according to IFRS5 "Non-current Assets Held for Sale and Discontinued Operations".

The Management Board of the Bank positively evaluates ability to fulfil the investment goals including capital investments to be financed with funds acquired in the public offering.

5. Private Banking

The Private Banking programme is offered to the most affluent retail customers who are ready to entrust the Bank with assets exceeding PLN 400 thousand, or who wish to use financing of at least PLN 1 million. They are served in six specialist Private Banking branches in Warsaw, Katowice, PoznaĐ, Kraków, GdaĐsk and Wrocław. The two latter facilities were opened in 2011.

The Private Banking team comprises people with long-term experience, who come from various financial institutions. Its priorities are: building long-term relations with customers, confidentiality of operations, flexibility, supporting customers in investment decisions, and non-standard solutions in respect of financing. As at 31.12.2012, 50 people worked in six Private Banking branches. Based on a broad range of investment and credit products, they develop financial solutions tailored to the customer needs.

With regard to products of an investment nature, the Bank's offer comprises, among others: funds, bank securities, asset management, investment insurance, commercial bonds and comprehensive services in respect of capital market accompanied by investment advisory. They are distinguished by the unprecedented availability of products on the FOREX market as well as the possibility of using the services of a dedicated broker.

The loan offer for users of the Private Banking services is created individually for each customer. Flexibility in adapting the product structure to customer expectations, proposing final solutions and the time for making lending decisions are very competitive in relation to other market

[4] Stock index futures listed on Warsaw Stock Exchange, purchased/sold as a results of being a market maker

offers. These are, among others: credit cards, advances, mortgage loans, consolidation loans, broker's credit line, and treasury limit.

In 2012, the Bank implemented the Global Position project. The tool enables clear, transparent presentation (in numbers and in a graphic form) of the customer's holding in the Bank, as well as classes of risk and liquidity, and the currencies of the held assets. Further development of the application is planned in 2013.

The Bank's offer includes the Banking World Debit MasterCard, which is the only debit card on the market connected with Priority Pass. The card is subject to the same bonus programme which is fully handled by MasterCard and its partners.

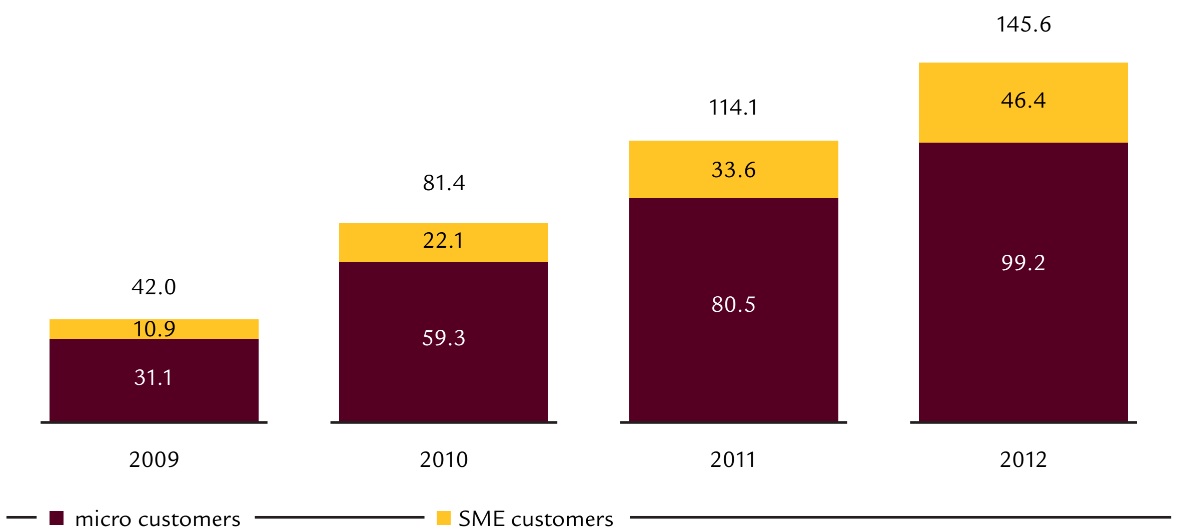
6. Corporate banking

Accounts, deposits and settlements for business customers

The offer of Alior Bank's settlement accounts is designed so as to meet the needs of both smaller customers who use simplified accounting (called micro businesses), and large customers who maintain full accounting records (enterprises). In addition to many variants of basic accounts and ancillary accounts available in 12 foreign currencies, Alior Bank offers wide opportunities for investing surplus cash.) In addition to many variants of basic accounts and ancillary accounts available in 20 foreign currencies, Alior Bank offers wide opportunities for investing surplus cash. The offer of typical term deposits available through many channels has been supplemented by investment accounts with attractive interest rates for sole traders and automatic overnight deposits for companies.

In December 2012, Alior Bank maintained 145.6 thousand company accounts (in Polish zloty and in foreign currencies), of which 92,2 thousand are accounts for micro businesses.

Number of company accounts (in thousands)



In 2012, the most important changes in the scope of the Bank's deposits and settlements offer for business customers comprised:

The Bank introduced new accounts to its offer for micro businesses:

- cash account – ensuring free of charge cash turnover to customers; customers also obtained the possibility of selecting a Cash Account in the PLUS variant, which ensures an additional package of advisory accounting and legal services;

- investment account – combining the features of a cash account with a regular form of saving. An additional advantage of the account is a free of charge assistance package and high interest on amounts accumulated on the account.

For customers in the SME segment and large businesses, the Bank:

- extended the offer of accounts to include Open Housing Trust Accounts and Closed Housing Trust Accounts, thus enabling companies from the development sector to execute investment projects in accordance with the requirements of the Act of 16 September 2011 on protecting buyers of apartments or single-family houses;
- performed actions aimed at extending the product offer and making it more attractive, for example by introducing the service of offsetting interest on accounts maintained at the Bank, thanks to which net interest income on customer accounts is optimized.

Moreover:

- Alior Bank was again announced the best Bank for business customers in the Forbes ranking;
- the Bank offered the Business Premiere Account for newly-formed companies, which ensures exceptionally attractive terms of bank services, including low charges for the execution of cash and cashless transactions. As part of the package customers have access to one selected additional service: Legal Assistance, training in Alior's Training Institute or Office 365 as part of the Virtual Office of Alior Bank;
- extended the basket of foreign currencies in which auxiliary accounts are maintained to include: Hungarian forint, Japanese yen, Turkish lira, Romanian lei, Lithuanian litas, Latvian lats, Bulgarian lev, South African rand, Mexican peso. Thus, at present, auxiliary accounts for business customers can be maintained in 20 currencies;
- created a new type of auxiliary account, the so-called Payroll Account dedicated to handling settlements of employee salaries in a safe and confidential manner.

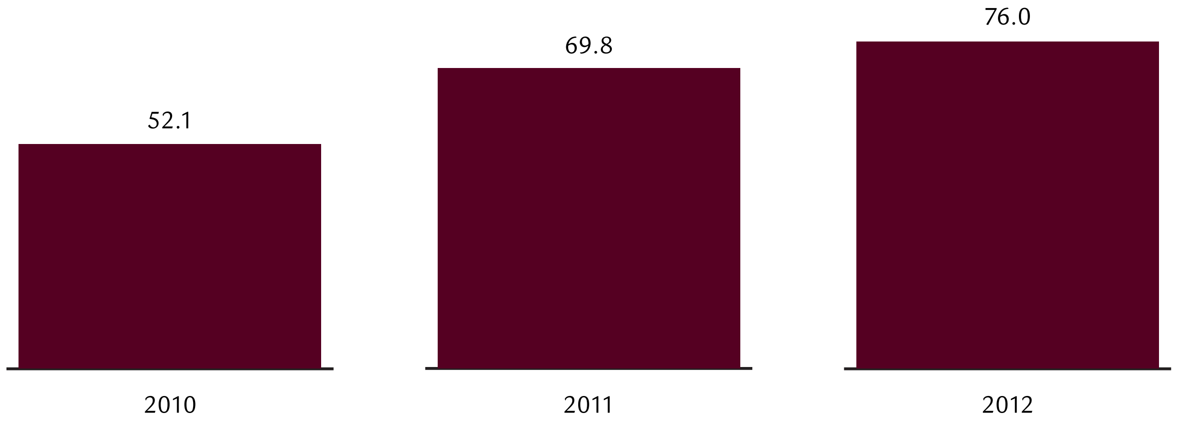
Cards

Alior Bank offers debit cards (MasterCard Business, Business Travel and World Business) and two types of credit cards – Silver and Gold to business customers.

MasterCard Business debit cards enable the execution of cash and cashless transactions, including internet transactions and can be issued to auxiliary accounts in 12 currencies.

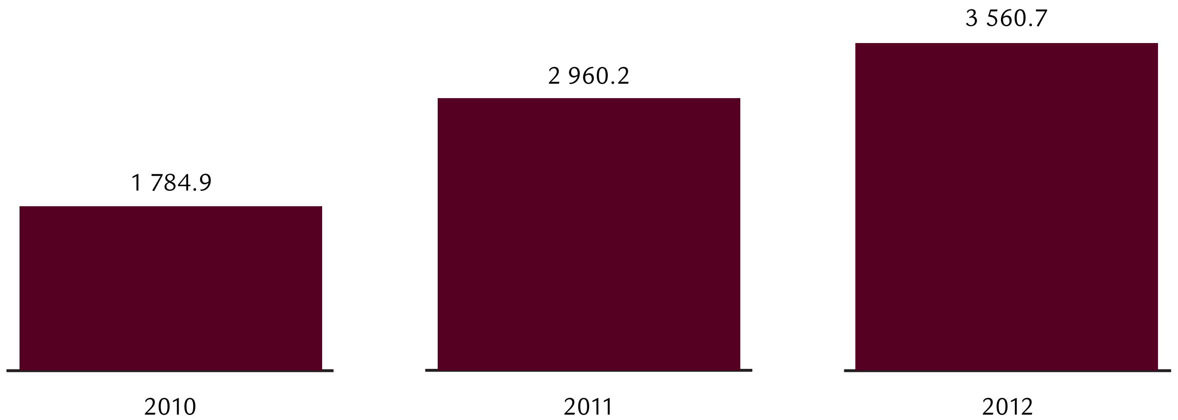
MasterCard Business Silver and Gold credit cards enable the conclusion of transactions against a limit granted by the Bank. The executed transactions can be financed by Alior Bank for a maximum of 57 days of the interest-free period. Additionally, the Bank reimburses 1% of cashless transactions (cash-back) executed in selected service and shopping outlets. It is a kind of a rebate and is due for purchases of fuel, air and train tickets and payments in hotels and restaurants. Credit cards are covered with a comprehensive package of Assistance insurance, civil liability insurance during foreign trips and Concierge.

Number of credit and debit cards (in thousands)



Year by year, the number of transactions concluded using cards by business customers is growing. In 2012, business customers concluded over 600 thousand more transactions than in the previous year, thus the number of transactions executed using debit and credit cards exceeded 3.6 million.

Number of transactions with credit and debit cards (in thousands)



In 2012:

- The Business Travel MasterCard debit card enjoyed increasing interest among business customers. It combines the advantages of a debit card with access to accounts, including foreign currency accounts, with the advantages of a credit card as regards the cash-back option. Its advantages have been appreciated by companies in the tourist and transportation sectors. The largest such companies conduct transactions with a monthly volume significantly exceeding PLN 1 million using MasterCard Business Travel cards.
- The Bank extended its offer for the World Business MasterCard, which is covered by the Rewards partnership programme under which card holders collect points for all cashless transactions concluded. The points can be exchanged for attractive prizes. Additionally, the card has a free of charge Assistance Package.

Settlements

Business customers have access to many settlement products which facilitate the execution of both cash and cashless transactions. Cash transactions can be conducted at more than two hundred branches of Alior Bank, and in the case of closed deposits, at several dozen night time deposit boxes. In addition, the Bank offers direct servicing of both cash withdrawals and deposits. In terms of cashless settlements, the services include: execution of domestic bank transfers (in the ELIXIR and SORBNET systems, irrespective of the amount), foreign bank transfers and cheap cross-border transfers/SEPA transfers in EUR.

For customers receiving large incoming payments, the Bank prepared a mass transaction processing service which enables easy identification of payments made by customers for the goods or services purchased. Thanks to analytical reports generated by the Bank, the customer is able to integrate the solution with its own financial and accounting or billing system.

In 2012, the Bank:

- complied with the requirements imposed on European financial institutions by the PSD Directive implemented in accordance to the legal order in Poland, in the form of the Payment Instruments Act concerning settling transactions under the Single Payment Area;
- became a participant of the Express Elixir system, which via Krajowa Izba Rozliczeniowa S.A. enables the settlement of instant bank transfers in real time 24 hours a day seven days a week;
- carried out a number of improvements aimed at enhancing the product solutions offered to business customers and full automation of transaction handling. In 2012, 98% of foreign transactions were processed in a fully automated manner (STP);
- in order to ensure security and confidentiality of performing payroll, the Bank launched a payroll package functionality under which a customer accepts a group of transfers with one signature and the customer's account is charged with the aggregate amount of all the transfers.

Loans to business customers

In 2012, Alior Bank introduced new principles for serving customers from micro businesses, SME and large enterprises. The changes mainly take into account customers' diversified financial needs.

For customers in the micro segment, the Bank introduced new loan products on simplified terms. Small, medium and large enterprises have a more specialist product offer at their disposal, enabling better flexibility in finance management.

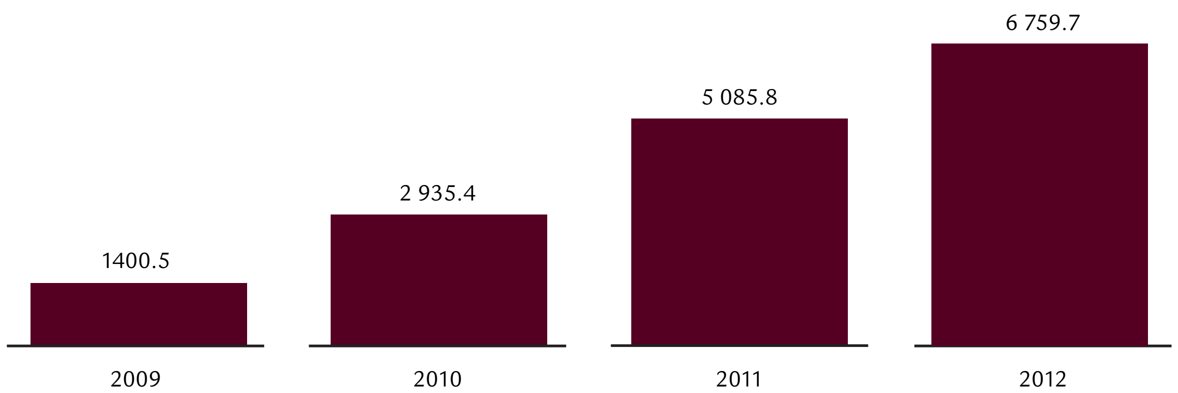
The offer comprises both simple products for providing financing of ongoing operations (overdraft facility, credit card, revolving loan) and products for satisfying the customers' investment needs (investment, technological loans, loans related to subsidies: bridge subsidy and for own contribution).

In 2012, Alior Bank actively advised companies on obtaining funds from the EU, organized conferences, training and actively promoted the available programmes.

In the recruitment for the Technological Loan, the Bank came second both in terms of the number of applications submitted and volume of financing.

The following diagram shows the volume of loans to business customers over the last 4 years:

Volume of loans to business customers (PLN million)



In 2012, changes in the Bank's loan offer to micro businesses included:

- implementing new loan products – Advance, Overdraft Facility, Credit Card, World Business World;
- introducing special offers for the provision of freelance services;
- enhancing the loan handling processes, among other things by implementing a new fast decision-making path and simplifying the requirements in the scope of the documentation required by the Bank.

For customers in the SME segment and large enterprises, the Bank introduced special offers enabling fast access to financing:

- for old customers – financing based on the result of periodic monitoring;
- simplified principles for the renewal of revolving products and refinancing of exposure in other banks;
- "Fast track" offer – a fast track for products for working capital financing of current needs of enterprises.

Moreover, Alior Bank implemented a new application for handling loan applications for business customers, which significantly reduced the time of their examination.

7. Treasury activities

The Bank conducted its treasury activities in the following areas:

- currency transactions, starting from instant currency exchange and ending with complex option structures adequate to the needs and knowledge of the customers concerning these instruments;
- interest rate hedging transactions ensuring stabilization of the costs of financing to customers;
- raw material price hedging transactions – in accordance with the assumptions of Alior Bank whose objective is to offer all customers products which had so far been reserved to selected largest corporate customers;
- conducting education activities aimed at increasing the customers' awareness.

In 2012, the Bank introduced a new channel for selling foreign currency transactions – the eFX platform. The platform enables the exchange on 72 currency pairs, while ensuring competitiveness of the exchange rates, and guarantees immediate execution of the placed orders 24 hours a day, 5 days a week.

8. Internet banking system

In mid June 2012, the internet virtual bank Alior Sync began its operations. Its services are highly popular. By the end of the year, 160 persons had decided to become customers. The attractiveness of the offer is also confirmed by our being ranked first in the ranking of internet accounts by comperia.pl.

The most recent project of Alior Bank is much more extensive than what is offered by internet banks currently in operation. It has been developed for people who want to draw full benefits from the development of the internet. The offer is designated for persons open to new technologies and innovative solutions, who look for the most effective methods of saving and spending money. The Bank offers a fully virtual service and modern unprecedented methods of communication with customers. Thanks to the innovative technological solutions, Alior Sync was granted prestigious awards: "disruptive innovation" at the Global Banking Innovation Awards (Washington) and "Best Internet Banking Service Provider' at the Banking Technology Awards (London).

Both the newest internet banking system AliorSync and the mature Alior Internet Banking (AIB) are modern and comprehensive tools for personal finance management, and in the case of AIB – also business finance. They provide a number of useful solutions, including: signing agreements for new accounts and cards through the internet using an SMS code, executing instant transfers and Facebook transfers, perfectly designed desktop which can be configured, an advanced tool for expense analysis (Finance Manager) and sending transaction confirmations to a designated e-mail address.

The instant transfer available to Alior Sync customers free of charge implemented in 2011 in the AIB internet banking system is enjoying high popularity. The product enables the execution of interbank transfers which can reach an account in another bank even within several minutes. The solution is one of the competitive advantages of Alior Sync. Other unique services offered in Alior Sync include an e-mail transfer, a Facebook transfer and a photograph transfer. These functionalities are not encountered in any other bank in 2012.

Another functionality implemented to meet customer expectations is the service "PłacĐ a AliorSync" ("I pay with Alior Sync"), which enables making fast and convenient payments on Allegro, in offices and other e-commerce platforms. The twin service "PłacĐ z Alior Bank" ("I pay with Alior Bank") is highly popular among customers.

A very effective solution in the process of gaining new customers turned out to be an innovative method of opening current and savings accounts using an internet application and a transfer from another bank. It was implemented in 2011 in Alior Bank's internet banking and is the basis for the functioning of Alior Sync. In this way, the process of opening an account was simplified, as well as fully transferred to the internet.

In 2011, Alior Bank was the first financial institution in Poland to develop a joint campaign with Groupon.pl and Gruper.pl portals. Cooperation is being continued and it comprises rewarding with a monetary bonus all internet users who purchase a special coupon on the above-mentioned portals and on this basis open an account in Alior Bank. In 2012, nearly 15,000 accounts were opened in this way.

The dynamic development of Alior Bank's services and sales-related activities of the Internet Banking System translate into an increase in the number of users availing themselves of internet banking and their satisfaction with the Bank's services.

At the end of December 2012, 0.52 million users used the Alior Sync portal and 1.6 million a month used the Alior Bank portal. In October 2012, their number was 1.3 million, which (according to the Megapanel PBI/Gemius Research performed by Polskie Badania Internetu Sp. z o.o. i Gemius SA) places Alior Bank in sixth position in the internet banking in Poland.

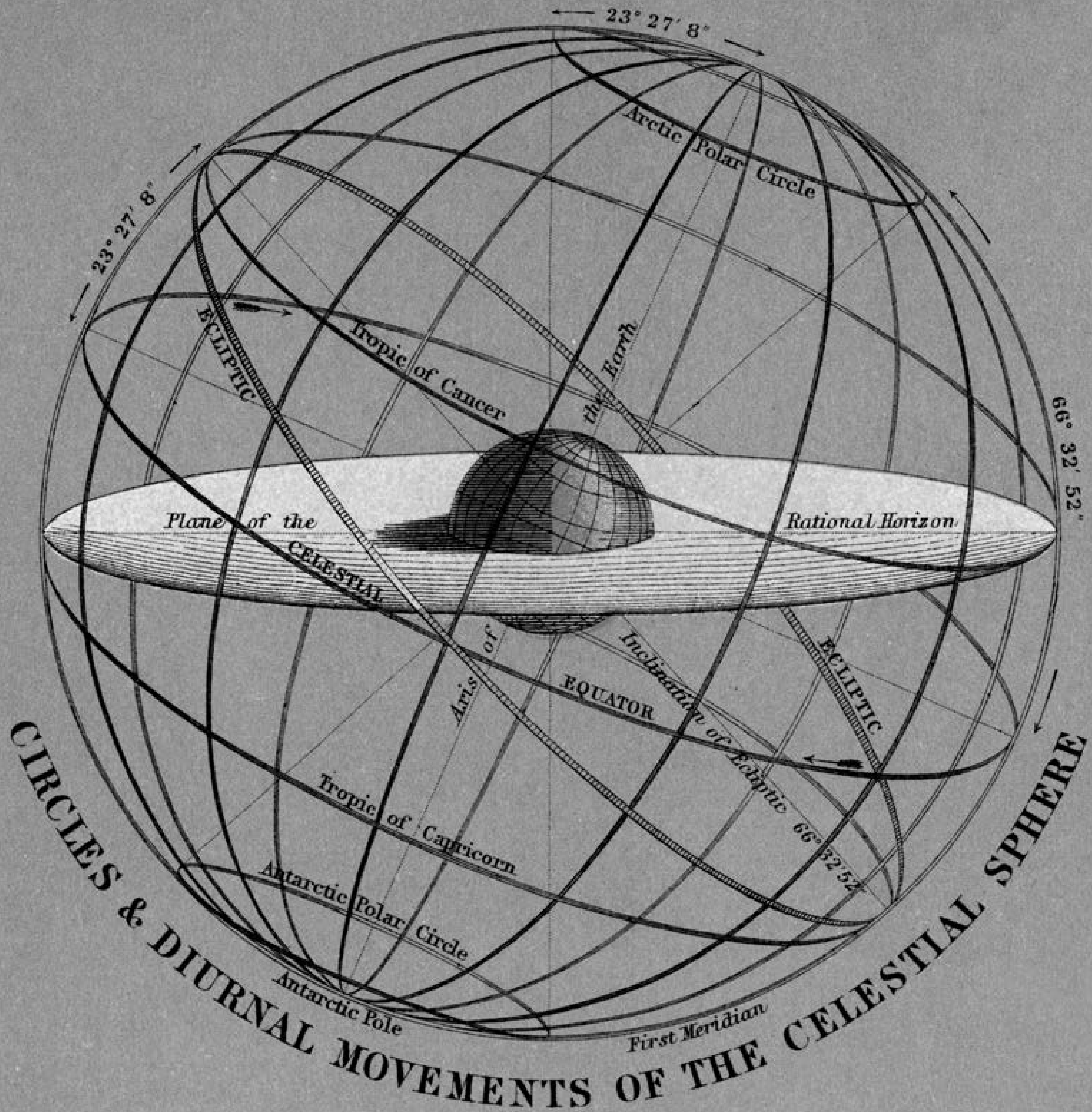
Customers of Alior Sync are making more and more internet transfers: in July 2012, more than 128 thousand such transactions were concluded and in December 2012, over three times more – 400 thousand in a month.

The customers of Alior Bank are also becoming more active in concluding transactions. At the start of 2012, the monthly number of internet transfers was 2.06 million, and in December 2012, there were already more than 2.66 million internet transfers.

9. Significant agreements

Significant agreement with one of the Bank's customers

In 2012 the Bank concluded agreements with one of the Bank's Customers for a total of PLN 167 million, which means that the agreements reached the value of a significant agreement, exceeding 10% of the Bank's equity. On 27 February 2012 the Bank signed an agreement with this entity, regarding an overdraft facility. The agreement was the largest in terms of value among all agreements with this entity and amounted to PLN 65 million. The agreement is valid until 26 February 2013. The Bank provided information about this agreement in current report no. 17 dated 21 December 2012.



VI. Operations of companies belonging to the Alior Bank S.A. Group

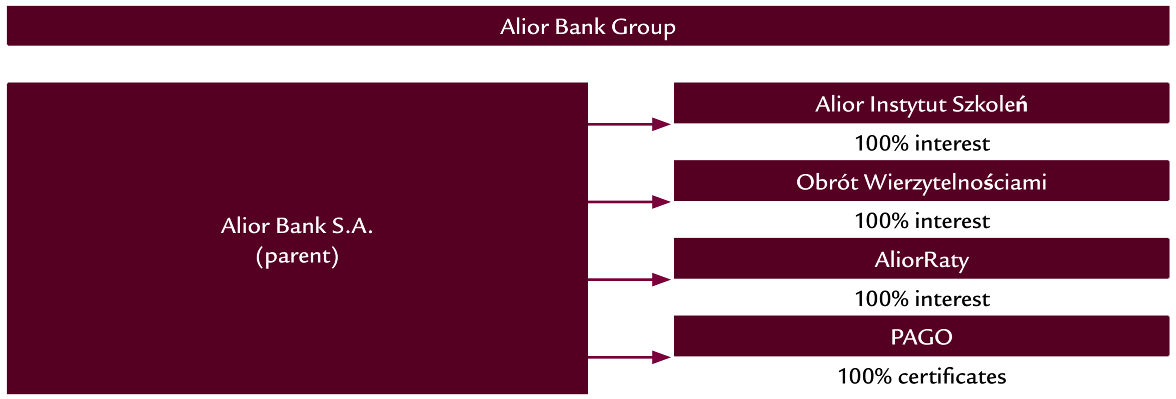
New millennium, or new century, or new year. For me it is another day and night. The sun, the moon, the stars remain the same.

Dalajlama

VI. Operations of companies belonging to the Alior Bank S.A. Group

The Alior Bank S.A. Group is made up of: Alior Bank, the parent, and three subsidiaries in which Alior Bank holds the majority interest. Alior Bank also consolidates the results of the fund PAGO Pierwszy Fundusz Inwestycyjny Zamknięty Niestandaryzowany Fundusz Sekurytyzacyjny, in which it holds 100% certificates. The consolidated financial statements cover the financial statements of the Bank and the financial statements of the four companies listed below:

- Alior Instytut Szkoleń Sp. z o.o.
  - Total loss in 2012: PLN -62 thousand,
  - Equity capital at the end of 2012: PLN 174 thousand,
- Obrót Wierzytelnościami Alior Polska Spółka z ograniczoną odpowiedzialnością S.K.A.,
  - Total loss in 2012: PLN -48 thousand
  - Equity capital at the end of 2012: PLN 4 457 thousand,
- Alior Raty Sp. z o.o.
  - Total net profit in 2012: PLN 1 780 thousand,
  - Equity capital at the end of 2012: PLN 2 780 thousand,
- PAGO Pierwszy Fundusz Inwestycyjny Zamknięty Niestandaryzowany Fundusz Sekurytyzacyjny
  - Total net profit in 2012: PLN 3 thousand,
  - Equity capital at the end of 2012: PLN 503 thousand.



Alior Instytut Szkoleń

Alior Instytut Szkoleń Sp. z o.o. is a subsidiary which was established on the grounds of experience gained in establishing and building Alior Bank. The offer of Alior Instytut Szkoleń comprises several areas:

- dedicated training – i.e. training programs tailored specifically to customer needs;
- open training – to meet our customers' expectations, the company prepared a special open training catalogue to which interested parties may sign in through our website. The scope of the proposed training topics comprises management and general development training;
- international conferences – Alior Instytut Szkoleń is the strategic partner in the organization of conferences with celebrities from the business world. Via the company's website interested parties may buy entrance tickets to a given conference.

Obrót Wierzytelnościami

Obrót Wierzytelnościami Alior Polska Spółka z ograniczoną odpowiedzialnością S.K.A. is a company whose main operations consist of trading in receivables purchased from the Bank. The company was established to optimize the process of selling the Bank's receivables.

Alior Raty

Alior Raty Sp. z o.o. was established on 3 February 2012. The company is the result of a strategy of quick reaction to changes on the contemporary market at the same time maintaining the safety of operations aimed at financing goods and services of the smallest market entities.

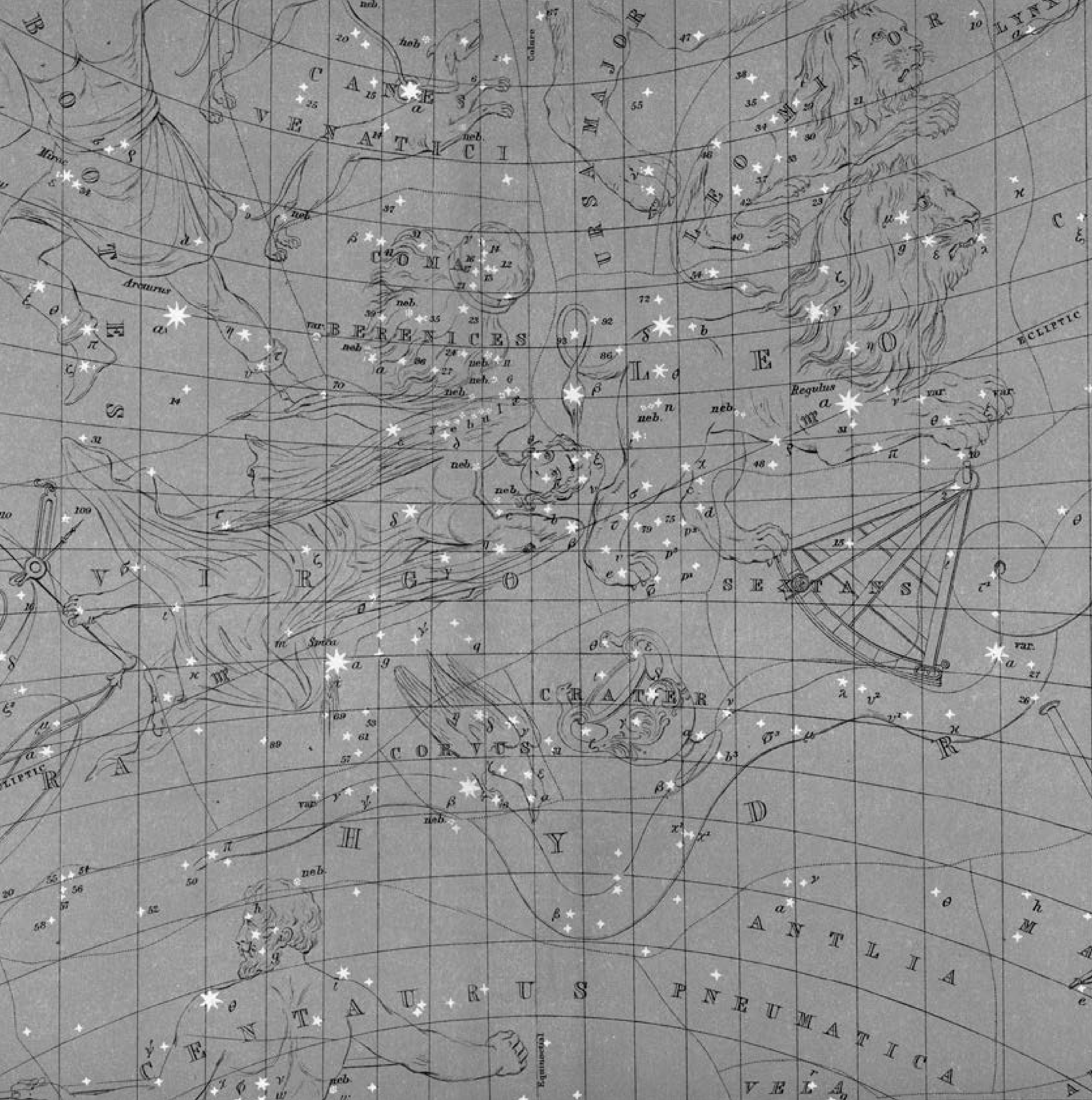
Alior Raty Sp. z o.o. was established to provide intermediation services in respect of extending borrowings in the Consumer Finance segment.

Scope of the Company's operations:

- acquiring Trade Partners offering purchases with an instalment borrowings option in the following segments:
  - internet sales;
  - direct and mobile sales;
  - POS sales;
- providing financial intermediation services to Credit Partners (lenders);
- maintaining and operating the IT system which supports the loan application process;
- conducting settlements with Trade Partners, credit Partners, the Insurer, Service Providers;
- acquiring customers who wish to purchase Alior Bank products (in a cross-selling process).

PAGO Pierwszy Fundusz Inwestycyjny Zamknięty Niestandaryzowany Fundusz Sekurytyzacyjny

The Fund's operations comprise purchasing non-banking receivables on the Polish market. The Bank took up 100% of the Fund's certificates. As at 31 December 2012, the value of the Fund's certificates held by Alior Bank S.A. was PLN 502,617.



VII. Report on the risk exposure of Alior Bank

Do stars shine just so that everyone can find his?"

Antoine de Saint-Exupéry

VII. Report on the risk exposure of Alior Bank

1. Market risk management

The Bank's market risk is defined as the likelihood of the Bank incurring potential losses in the event of unfavourable changes in market prices (share prices, currency exchange rates, profitability curves), market factors (volatility in financial instrument valuations, the correlation of price changes between particular instruments), and customer behaviour (early deposit withdrawals, early loan repayments).

The process of managing market risks is based on achieving several goals:

- significantly mitigating the volatility of results and changes in the economic value of the Bank's equity;
- developing a structure of assets and liabilities (banking book) which is optimal in terms of profitability and the potential impact on the economic value;
- providing customers with core treasury products in order to help them manage the risk underlying their operations (i.e. hedging);
- guaranteeing the solvency and full availability of liquid funds at any moment and even under the assumption of the occurrence of negative market scenarios;
- ensuring that the processes applied by the Bank comply with the regulatory requirements regarding market risk management and the level of equity required for that purpose.

The market risk management process is carried out within the framework of the Bank's relevant market risk management policies covering identification, measurement, monitoring and reporting of market risks. Moreover, it also pertains to control over treasury transactions by determining and verifying the principles on which they are concluded, organized and assessed.

There is a clear segregation of duties and responsibilities, and the principles are specified in internal regulations. The key role in this respect is played by the Financial Risk Management Department which prepares independent cyclic market risk reports using the market risk models and measures adopted by the Bank and submits them to appropriate units, including – periodically – to members of the Management Board, Supervisory Board and ALCO (Asset-Liability Committee). The duties of the Financial Risk Management Department include, among other things: defining the market risk management principles, analysing and reporting the Bank's market risk profile, indicating the amount of economic capital to cover the market risk, supporting and handling ALCO activities.

The Treasury Product Sales Department is responsible for carrying out treasury transactions with the Bank's customers, and the Interbank Transaction Team is exclusively responsible for concluding transactions on the interbank market. The Interbank Transaction Team has exclusive competencies to maintain open market risk positions being part of the trading book and to conclude treasury transactions on behalf and on account of the Bank. The transactions may be concluded to manage trading book risk positions within the limits set up, and pursuing the Bank's policy in respect of managing the banking book risk within the limits set up.

The Banking Operations Department is responsible for the independence of ad hoc controls of internal treasury operations, including transaction settlements. The Banking Operations Department operates as an entity fully independent of the Treasury Product Sales Department. Additionally, the leak-proof and accurate supervision conducted by the Banking Operations Department is the basis for mitigating the operating risk to which the Bank's treasury operations are exposed.

Supervision over the above-mentioned entities of the Bank was separated up to the level of Management Board Member, which is an additional factor guaranteeing their independent operations. The full organizational structure and segregation of competencies have been defined in detail by the Bank's Management Board in the Head Office Organizational Regulations. In addition to the above-mentioned organizational units, the Management Board, the Supervisory Board and the ALCO take an active role in managing market risks.

The Assets and Liabilities Committee (ALCO, the ALCO Committee) controls market risk, including liquidity risk, on a current basis. It takes all the respective decisions, unless these were previously qualified as being under the sole competence of the Management Board or the Supervisory Board.

ALCO's duties include, among other things:

- current control over market risk management, both related to the trading and the banking book, including issuing decisions relating to the risk management of both books;
- accepting the Bank's operational limits on the monetary and capital markets;
- current control over the Bank's liquidity management, both related to the trading and the banking book;
- commissioning actions to acquire sources of finance for the Bank's operations and supervising the financing plan;
- issuing decisions on managing the model portfolios.

The Bank's basic market risk management strategy assumptions as stipulated for a given budget year take the form of the Asset and Liability Management Policy developed by the Financial Risk Management Department and submitted by the Management Board to the Supervisory Board for acceptance. This Policy is submitted to the Supervisory Board as part of the annual budget acceptance process. It is binding until its subsequent update.

The Supervisory Board exercises continuous supervision over risk management, including, but not limited to:

- annual determination of the Bank's strategy in respect of market risk management by accepting the Asset and Liability Management Policy;
- acceptance of the Bank's market risk management strategy, including the key risk limits;
- control over compliance of the Bank's policy in respect of risk acceptance with the Bank's strategy and financial plan through the regular review of the Bank's market risk profile based on the reports received;
- recommendation of actions aimed at changing the Bank's risk profile.

Information on the nature and level of risk is submitted to the Supervisory Board by the Management Board, with the exception of the results of internal control of the market risk management system which is submitted by the Director of the Internal Audit Department.

The Bank's Management Board is responsible, among other things, for:

- supervising the market risk management process, monitoring and reporting market risks;
- determining appropriate organization and segregation of duties in the process of concluding treasury transactions;
- accepting policies and instructions regulating market risk management within the Bank and efficient operation of the identifications systems;
- setting detailed limits for mitigating the Bank's risk and ensuring appropriate mechanisms for monitoring them and notifying of cases of exceeding limits.

The Bank's market risk exposure is officially mitigated by a system of limits which are updated periodically, introduced by resolutions of the Supervisory Board or the Management Board; the limits cover all measures of market risk, their level is monitored and reported by the Bank's organizational entities independently of the given entity's business. There are three types of limits at the Bank which differ in terms of their role and the way they operate: basic limits, supplementary limits, and stress-test limits. Market risk management focuses on potential changes in the economic results; unquantifiable risks related to treasury operations are also mitigated through the quality requirements in force at the Bank, related to the risk management process (the internal control system, implementation of new products, analysis of legal risk, analysis of operating risk).

Foreign exchange risk

Foreign exchange risk is defined as the risk of potential loss caused by movements in foreign exchange rates. The Bank additionally identifies the impact of foreign exchange movements on the Bank's results in the long term, which could occur in the event of converting future foreign currency income and expenses at a potentially less favourable exchange rate. The risk related to future results may be managed under the model currency portfolio.

The basic purpose of foreign exchange risk management is to identify those areas of the Bank's operations which may be exposed to foreign exchange risk and thus, to undertake to mitigate the resulting potential losses to the maximum extent. The Bank's Management Board specifies the currency risk profile, which must be consistent with the applicable financial plan of the Bank.

Under the foreign exchange management process, the Bank is obliged to monitor and report the amounts of all its currency positions and VaR, assessed in accordance with the adopted model, within the set limits. The Bank closes each large currency position with a counter position on the market, thus eliminating the related foreign exchange risk. Open currency positions are maintained within the limits set by the Supervisory Board. Additionally, the Bank conducts periodical analyses of potential scenarios which are aimed at providing information on the Bank's exposure to risk in the event of foreign exchange fluctuation shocks.

Apart from managing current foreign exchange risks, the Bank may also conduct hedging transactions in respect of future highly probable foreign exchange cash flows (e.g. cost of rent, net interest income denominated in foreign currencies). The purpose of such transactions is to limit the fluctuations of results in the current calendar year to a maximum of 60%.

To conclude, the key foreign exchange risk tools in Alior Bank include:

- internal procedures for foreign exchange risk management;
- internal models and measurements of foreign exchange risk;
- foreign exchange risk limits and threshold values;
- limitations on foreign exchange trading transactions;
- stress tests.

The basic tool for the measurement of currency risk utilized by the Bank is the 'Value at Risk' model ("VaR Model"), which enables to determine the possible amount of loss stemming from the then current foreign currency positions as a result of fluctuations in foreign exchange rates, measured using assumed probability (confidence level) and time horizons (holding period). The Bank determines VaR using the variance-covariance method, using a confidence level of 99%. This amount is determined on a daily basis for particular areas responsible for accepting and managing risk, both on an individual and on an overall basis.

As at the end of 2012, the maximum loss specified in accordance with the VaR Model with a 250-day holding period would amount to PLN 454 552.37, assuming a confidence level of 99%.

Time horizon (in days)	250
VaR (in PLN)	454 552.37

VaR statistics for the currency portfolio of Alior Bank S.A. in 2012, assuming a 250-day holding period were as follows: (in PLN'000)

Minimum	Average	Maximum
28.84	397.92	1 034.43

Alior Bank's currency position and the utilization of currency limits as at 31 December 2012 are presented in the table below.

Utilization of limits (in millions in the given currency)		
Currencies	Limit	Utilization
PLN (gross)	10.0	2.2
PLN (net)	5.0	1.8
Group A		
EUR	0.7	0.2
USD	0.7	0.2
CHF	0.5	0.0
GBP	0.5	0.1
Group B		
PLN (net)	1.0	0.2
AUD	0.2	0.0
CAD	0.2	0.0
CZK	1.5	-0.2
DKK	1.0	0.1
NOK	1.0	-0.1
RUB	2.0	-0.1
SEK	1.0	0.3
Other	1.0	0.0
Goods for resale	1.0	0.3

The utilization of the stress-test limit for currency positions calculated as the maximum loss the Bank could incur in the event of the most unfavourable daily foreign exchange rate change of those which have been occurred within at least the last four years totalled, as at the end of December 2012, PLN 41,707.23. Statistics of the stress-test of the currency position in 2012 were as follows (in PLN'000):

Minimum	Average	Maximum
2.63	32.99	241.62

Interest rate risk

Interest rate risk is defined as the risk of a negative impact of the changes in the levels of market interest rates on the current financial result or the net present value of the Bank's equity. As part of its policy of mitigating the trading book risk, the Bank pays particular attention to specific aspects of interest rate risk that are associated with the banking book, such as:

- repricing risk (i.e. the mismatch of the interest rate tenors of assets and liabilities);
- basis risk, which is defined as the extent to which non-parallel changes in different reference indices that have similar repricing dates can affect the Bank's income;
- modelling accounts with an unspecified maturity date or with an interest rate set by the Bank (e.g. for sight deposits);
- the impact of non-interest bearing items on the risk (e.g. capital, fixed assets).

One of methods of estimating the Bank's exposure to interest rate risk is the determination of BPV. BPV represents the estimated change in the value of a given transaction or position as a result of a one basis point change at a given point of the yield curve. BPV values are measured daily for all currencies and at each point of the curve. The BPV estimates as at the end of 2012 are presented in the table below (in PLN'000):

Currency	Up to 6 months	6 months	–1 year –3 years	1 year 3–5 years	5 10 years	10 15 years	Total
PLN	4.7	-24.5	-21.9	-62.9	-11.5	0	-116.1
EUR	10.2	-14.2	5.3	-6.7	0.2	0	-5.2
USD	13.5	-4.5	-0.7	0	0	0	8.3
CHF	0.3	0.4	-2.1	-2.3	0	0	-3.7
GBP	1.1	0.8	0	0	0	0	1.9
OTHER	-0.4	0.1	-0.4	0	0	0	-0.7
Total	29.4	-41.9	-19.8	-71.9	-11.3	0	-115.5

BPV statistics in 2012 (in PLN'000):

Book	Minimum	Medium	Maximum
Banking book	-127.23	-11.85	86.17
Trading book	-15.03	-1.51	9.82
Total	**-128.38**	**-13.35**	**95.06**

At the same time, in order to estimate the total level of the interest rate risk, the Bank applies a VaR Model as discussed above. The economic capital to cover the said type of risk measured in this manner as at the end of the year is shown in the table below (99% VaR assuming a holding period of 250 days, in PLN'000).

Book	VaR
Banking book	21 459
Trading book[5]	3 657
Total[6]	**20 479**

VaR statistics for the currency portfolio of Alior Bank S.A. in 2012, assuming a 250-day holding period, were as follows: (in PLN'000)

Book	Minimum	Medium	Maximum
Banking book	4 999	18 746	34 674
Trading book	2 243	4 145	7 389
Total	**5 945**	**19 186**	**31 211**

For the purpose of managing interest rate risk, the Bank specifies trading operations which cover securities and derivative contracts concluded for trading purposes, and banking operations, which cover loans and deposits. The Bank also performs analyses of possible scenarios which cover, among other things, the impact of specific changes in interest rates on the future interest results and the economic value of capital. As part of these scenarios the Bank implements internal limits, the utilization of which is measured at monthly intervals. Utilization of the limit for changes in the economic value of capital assuming a parallel movement of the interest rate curves of +/–200 b.p. and non-parallel movements in scenarios of +/–100/400 b.p. (assuming 1M/10Y tenors, and between them, the shifted linear interpolation) as at the end of December 2012 is shown below (in PLN'000):

[5] *VaR of the trading book includes the VaR presented above in respect of foreign exchange risk.*
[6] *As above.*

Scenario (1M/10Y)	Change in the economic value of capital
+400 / +100	-25 283
+100 / +400	-16 079
+200 / +200	-16 750
–200 / –200	21 173
–100 / –400	22 582
–400 / –100	33 105

Liquidity risk

The Bank defines liquidity risk as the risk of the potential inability to fulfil its obligations, on conditions favourable for the Bank and at an acceptable cost, from the entire Bank's balance sheet and off-balance sheet positions. Therefore, the Bank's liquidity risk management policy consists of maintaining its own liquidity in such way that it is possible, at any time, to discharge all payment obligations with cash in hand, through the expected contractual inflows from transactions with specified maturity dates or by selling transferable assets and at the same time minimizing liquidity costs.

Specifically, as part of its management of liquidity risk, the Bank pursues the following goals:

- ensuring, at all times, that there is capacity to settle all obligations on a timely basis;
- maintaining basic liquidity provisions, in case the liquidity position suddenly deteriorates;
- minimizing the risk of exceeding the defined liquidity limits;
- monitoring liquidity, paying special attention to potential emergencies, so that the Bank is able to activate a relevant emergency plan when necessary;
- ensuring that the processes applied at the Bank comply with the regulatory requirements regarding liquidity risk management.

The goals set out above are pursued independently by appropriate organizational units, the competencies and responsibilities of which are clearly defined in the internal regulations. The Bank applies the following measures in the process of liquidity management:

- develops liquidity procedures and policies, including the financing plan for consecutive years of the Bank's operations;
- manages the Bank's emergency plans with regard to liquidity;
- monitors liquidity limits;
- conducts periodical analyses of the categories and factors which impact the current and future liquidity levels in the form of reports.

Among the liquidity management measurements, the Bank takes into account the following ratios and the related limits for the following types of liquidity:

- financial liquidity – the ability to finance assets and discharge liabilities on a timely basis in the course of the Bank's everyday activities or in other conditions which may be anticipated, without the need to incur losses. In its liquidity management activities, the Bank specifically focuses on a vista and current (up to 7 days) liquidity analysis;
- short-term liquidity defined as the ability to discharge all monetary liabilities which mature within 30 consecutive days;
- medium-term liquidity understood as the ability to meet all liabilities which mature within 6 months;
- long-term liquidity defined as the ability to meet all monetary liabilities which mature in a period longer than 12 months;

As part of its management of liquidity risk, the Bank also carries out analyses of the maturity profile in the longer term, which to a large extent depends on the assumptions adopted in respect of the development of future cash flows related to asset and liability items. These assumptions specifically take into account:

- stability of liabilities without specified maturities (e.g. current accounts, deposits withdrawals and renewals, level of their concentration);

- option to shorten maturities of specific asset items (such as mortgage loans with an early repayment option);
- option to sell assets (liquid portfolio)

and are accepted at the level of the ALCO or the Bank's Management Board.

The maturity analysis of realigned assets and liabilities is presented in the table below (amounts in PLNM):

	1D	1M	3M	6M	1Y	2Y	5Y	10Y+	TOTAL
ASSETS	482	3 997	1 198	1 298	1 628	1 916	3 280	7 553	21 352
Cash and Nostro accounts	18	76	63	58	78	98	161	575	1 127
Amounts due from banks	0	113	85	0	0	77	0	0	275
Amounts due from customers	274	342	790	1 094	1 542	1 597	3 042	6 279	14 960
Securities	190	3 466	260	146	8	144	77	15	4 306
Other assets	0	0	0	0	0	0	0	684	684
EQUITY AND LIABILITIES	**-141**	**-1 722**	**-1 689**	**-1 567**	**-1 489**	**-2 337**	**-2 525**	**-9 882**	**-21 352**
Amounts due to banks	0	-548	0	0	0	-20	-102	0	-670
Amounts due to customers	-141	-1 172	-1 635	-1 410	-1 368	-1 715	-2 405	-6 805	-16 651
Own issues	0	-2	-54	-157	-121	-602	-18	0	-954
Other liabilities	0	0	0	0	0	0	0	-3 077	-3 077
Balance-sheet gap	**341**	**2 275**	**-491**	**-269**	**139**	**-421**	**755**	**-2 329**	**0**
Accumulated balance-sheet gap	**341**	**2 616**	**2 125**	**1 856**	**1 995**	**1 574**	**2 329**	**0**	
Derivative instruments – inflows	0	1 345	351	416	757	260	481	4	3 614
Derivative i nstruments – outflows	0	-1 337	-350	-417	-757	-262	-486	-4	-3 613
Derivative instruments – net	0	8	1	-1	0	-2	-5	0	1
Guarantee and financial lines	0	-595	-595	0	297	893	0	0	0
Off-balance sheet gap	**0**	**-587**	**-594**	**-1**	**297**	**891**	**-5**	**0**	**1**
Total gap	**341**	**1 688**	**-1 085**	**-270**	**436**	**470**	**750**	**-2 329**	**1**
Total accumulated gap	**341**	**2 029**	**944**	**674**	**1 110**	**1 580**	**2 330**	**1**	

To identify the realigned liquidity gap, the Bank uses model weights of the core deposits/loan repayments, determined based on the implemented statistical model and historical observations of balances of particular products.

The Bank maintains the liquidity buffer at a high level, investing in debt securities issued by the government and by the highest ranking corporations, which are highly liquid, within the predefined financial limit plan. This level is controlled by the ratio of liquid assets to the deposit base which as at 31 December 2012 exceeded 23%.

Additionally, the Bank conducts liquidity stress-tests and prepares a plan for acquiring funds in emergency situations, specifies and verifies its liquid asset sale policies, taking into consideration the costs of maintaining liquidity.

In accordance with Resolution No. 386/2008 of the Polish Financial Supervision Authority dated 17 December 2008, the Bank specifies:

- the short-term liquidity gap (i.e. the minimum surplus of current liquidity) defined as the difference between the total of the base and supplementary liquidity reserve as at the reporting date, and the value of unstable external funds. As at the end of December 2012, the excess amounted to PLN 1 872 million;
- the ratio of coverage of non-liquid assets with own funds, calculated as the ratio of the Bank's own funds less total capital requirements relating to market risk, delivery settlement risk and counterparty risk to non-liquid assets;
- the ratio of coverage of non-liquid assets and assets with limited liquidity with own funds and stable external funds, calculated as the ratio of the Bank's own funds less total capital requirements relating to market risk, delivery settlement risk and counterparty risk, and stable external funds to the total of non-liquid assets and assets with limited liquidity;
- the short-term liquidity ratio defined as the total of the base and supplementary liquidity reserve as at the reporting date divided by the value of unstable external funds.

The values of the ratios as at the end of December 2012 were as follows: 3.53; 1.20; 1.63.

2. Operational risk management

Operational risk management objectives and policies

When managing its operational risks, Alior Bank uses definitions put forward by the Basel Committee on Banking Supervision, whereby operational risks refer to possible losses resulting from failing to deploy internal processes, staff, systems or to external threats. Operational risk includes certain legal risks but does not include any reputation or strategic risk. The Bank applies the standardized approach to calculate the capital adequacy in respect of operational risk.

The Bank's policy is to minimize exposure to operational risk, which is managed by counteracting operational events and incidents and by limiting losses in the event that the risk materializes. The principles and the structure of operating risk management in Alior Bank S.A. are based on the provisions of the Banking Law, the provisions of resolutions No. 76/2010 and 258/2011, Recommendation M of the Polish Financial Supervision Authority, which accounts for the guidelines of the Basel Committee for Banking Supervision in respect of operational risk management, and Alior Bank's Operational Risk Management policy (last updated by Resolution 445/2012 of the Bank's Management Board). The document specifies the operational risk management and control structure covering all the Bank's entities/organizational units and the objectives of the operational risk management model. The Management Board is responsible for the correct functioning of the operational risk management processes and periodically assesses whether the operational risk management policy assumptions have been met by Alior Bank S.A.

The Operational Risk Committee, which is a consultative body supporting the Management Board in effective risk management, is part of the Bank's organizational structure. If necessary, experts participate in the Committee meetings. The Committee monitors the level of exposure to operational risk on a current basis and assesses the current operational risk position at Bank level. The Committee issues necessary recommendations and decisions to reduce the probability of operational risk events occurring and limit the effects of operational events and incidents. In 2012, the Operational Risk Committee held 15 meetings and issued 58 recommendations limiting the Bank's exposure to operational risk.

The process of controlling and monitoring operational risk in Alior Bank S.A. comprises:

- on-going control of operational risks;
- recording events/incidents and operating losses;
- methodology for monitoring operational risk based on key risk ratios.

The process of mitigating operational risk is one of the most important elements of operational risk management, as the decisions regarding the mitigation of this risk have a direct impact on its profile. On the basis of the recommendations of the Operational Risk Committee regarding the Bank's operating areas especially exposed to operational threats, the Bank's Management Board takes decisions on the Bank's further actions aimed at mitigating or accepting the operational risk, or on discontinuing operations which are exposed to operational risk. The Management Board may decide to insure the identified operational risk.

On-going control of operational risk

The Operational Risk and Business Continuity Team is responsible for on-going control and monitoring of operational risk. The team is also responsible for developing and implementing appropriate operational risk methodologies and instruments.

The on-going control of operational risks relates to entities at all levels of the organization and to all the Bank's employees. The Bank's employees control the risk level on a current basis in the area of the processes for which they are responsible and actively minimize the risk exposure to avoid/minimize operating losses.

Recording events/incidents and operating losses

The Bank records the events, incidents and operating losses, which enable it to effectively analyse and monitor operational risks in accordance with the internal instruction specifying the recording principles. The process of recording is supported by an IT system which supports operational risk management and enables recording, analysing, measuring and monitoring data.

In 2012 a total of 684 operating losses were recorded in totalling PLN 2,459,876.83. Compared with the prior year, i.e. 2011, operating losses decreased by PLN 1,493,717.47.

Methodology for monitoring operational risk based on key risk ratios

To monitor the status and profile of the Bank's operational risk on an on-going basis, the Bank uses the Key Risk Indicators – KRI methodology. With its use the Bank monitors changes in operating risk factors and the trends for changes in risk exposure, and ensures the early discovery of increased operational risk exposure in all areas of its operations. Monitoring is conducted on a monthly basis and KRI are analysed and discussed at Operational Risk Committee meetings and forwarded to the Bank's Management Board.

3. Credit risk management

Credit risk management objectives and policies

The overall goal of credit risk management in Alior Bank S.A. is to maintain a stable, high quality credit portfolio, which will enable achieving high returns on equity and minimizing losses. The Bank strives to maintain its asset quality at a level adequate to the amount of risk premium earned.

The Bank consistently implements best credit risk management practices which ensure a high level of predictiveness of loan loss ratios for different credit products, industries, types of collateral, customer groups and distribution channels at all stages of the credit-extending process.

The regulations in force at the Bank, and specifically the credit policy and detailed lending methodologies developed for particular customer segments, sales channels, types of products and transactions, determine the risk appetite, the boundary conditions in respect of verification criteria, and approval principles.

In establishing the risk appetite, the Bank – among other things – takes the following into account:

- macroeconomic conditions;
- current and planned customer structure;
- current and planned portfolio volume, broken down by particular sales channels;
- product structure of the portfolio;
- current market trends.

The Bank defined and consistently pursues common risk management policies. These policies include:

1. Adaptation of the structures responsible for developing credit policies, assessing and accepting credit risk, monitoring and measuring portfolio credit risk to the scale of the Bank's operations.
2. Independence of the sales and credit risk acceptance functions.
3. Adaptation of the system of credit competencies to the risk level correlated to the amount of exposure.

The appropriate structure of credit competencies ensures the acceptance of risk by the relevant level of decision-takers, adequate to the amount of risk to which the Bank is exposed. Decisions are taken individually or jointly, up to the level of competency limit in respect of the Bank's total exposure to a customer and to its related customers (entities). The quality of the credit decisions taken are subject to various verification criteria.

The quality of the credit portfolio resulting from the decisions taken at respective decision-making levels are checked constantly. Additionally, the correctness of using competencies in taking credit decisions is checked as part of functional controls.

The correctness of using credit competencies is controlled by authorized persons. The control results may translate into changes in competence levels. If irregularities are discovered in individual decisions, the respective competencies may be withdrawn.

4. The limits system, both in respect of limits following from external regulations and from internal principles determined by the Bank.

To ensure the appropriate quality, diversification of assets and liabilities and to maintain an adequate capital level, the Bank identifies concentrations in different areas of its operations. Excessive concentration of particular assets or liabilities vis-ą-vis the credit or liquidity risk is believed to have a negative impact on the Bank's position.

Concentration risk management (which relates to loans) refers among other things to the risk following from: obligations in respect of one entity or group of related entities, liabilities to entities representing the same sector, exposure to entities from the same region and particular countries or groups of countries, exposures secured with the same type of collateral, exposures to the same currency or indexed to the same currency, exposures to the same type of interest rates (fixed or fluctuating) and interest rate index, exposures to entities described in art. 71 of the Banking Law.

5. The use of IT systems which support the credit risk assessment both in the Bank's retail and business segment.

The IT systems which operate in the Bank enable the effective completion of credit processes using the data derived from integrated internal and external databases, using embedded tools which support the assessment of credit risk.

6. Periodical monitoring of credit exposures in the course of which the Bank updates its information on the financial and economic condition of the borrowers based on their current financial statements.

The updated information is used to calculate the current rating, which is one of the elements taken into consideration in the decision concluding the monitoring process. The frequency of updates depends on the amount of credit exposure, the risk class and the customer segment.

7. Systematic measurement of the credit risk at portfolio and individual level both for management purposes and for external reporting purposes.

To measure the loss ratio on the portfolio on a current basis, the Bank uses internal ratings and identified objective impairment premises in accordance with the International Financial Reporting Standards. The Bank assesses all balance sheet credit exposures (balance sheet groups of credit exposures) in terms of objective premises for impairment, in accordance with the data current as at the revaluation date. Impairment is identified daily and automatically in the Bank's central system.

Premises for impairment of the carrying value of a credit exposure (balance sheet groups of credit exposures) are recorded in the system at the customer and account level. Recorded premises for impairment at the level of a given account result in flagging all the accounts of the given customer as impaired. Similarly, in the event of recording premises for impairment at customer level, the impairment is propagated to all the customer's accounts in the portfolio. The propagation each time relates to all the accounts in respect of which the customer is owner/co-owner or borrower/co-borrower. For balance sheet credit exposures that have become impaired, the Bank records an impairment charge in order to decrease their book value down to the present value of the expected future cash flows. Individual assessment is necessary for all exposures exceeding the predetermined thresholds depending on the customer segment. Group valuation is based on the time in default of a given exposure and accounts for the specific nature of the given group in terms of the expected recoveries. Collateral is taken into consideration at the account level. Exposures in respect of which no premises for impairment have been identified are grouped into homogenous groups in terms of the risk profile, and a provision is set up for group exposure used to cover the losses incurred but not reported. Losses incurred but not reported (IBNR) are measured in accordance with the concept of predicted losses and standard models of cost of risk with an accuracy to the PD parameter which is scaled to the period of loss identification.

8. Conducting stress tests (ST) which are conducted at least once a year and cover the Bank's whole credit portfolio.

Stress tests are conducted to assess the sensitivity of the credit portfolio to changes of foreign currency rates, market interest rates and value of collateral (in accordance with the recommendations of PFSA) and other scenarios of deterioration in the market conditions. The requests and recommendations formed on the basis of ST are used to shape and update the Bank's credit policy. The methodology and results of stress tests are used in the process of setting internal concentration limits and are one of the pillars of the early warning system.

9. The developed early warning system (EWS) aimed at identifying irregularities and enabling the undertaking of preventive actions both at the portfolio and individual exposure levels.

The purpose of the EWS system used by the Bank is to:

- immediately identify potential events which may lead to a deterioration in the quality of the credit portfolio;
- limit the negative impact of external shocks on the quality of the credit portfolio;
- limit the Bank's losses on the credit portfolio;
- create a platform for direct cooperation between the business department and the department for risk management in crisis situations.

The basis for the EWS system is internal and external data, including data relating to:

- best market practices;
- unfavourable changes in the debtor's current position;
- current economic conditions;
- historical, current and forecast quality indices for the credit portfolio.

If specified thresholds are exceeded appropriate action is taken aimed at eliminating the identified irregularities.

10. Documenting credit risk management policies and systematic reporting of the quality of the credit portfolio.

Undertaking corrective and remedial actions in the event of determining an increase in the credit risk level. The Bank has full documentation specifying the principles for credit risk management, among other things in the form of credit policies adopted by the Bank's Management Board and the Risk Management Department and ICAAP of credit policies, detailed crediting policies specifying credit risk assessment principles with the scope of necessary credit documentation and the credit tools used to support its measurement and all instructions specifying credit risk identification and measurement principles. These principles are regularly reviewed and updated. In the event of increased credit risk, as a result of regular credit portfolio quality reviews in respect of particular products or product groups, the Bank adjusts the adopted risk management principles introducing changes which enable it to minimize the identified risks.

The Bank uses a centralized data source to prepare credit risk reports – all information on processes, credit exposures and credit risk levels is derived from the Data Warehouse (DW). This enables consistency of the information presented in particular reports and analyses. Cyclic reports are generated at the Bank's Data Warehouse level, and published automatically on the Bank's report portal.

11. Verification of the operation of the system using functional controls and the deliverables of the Internal Audit Department.

The risk management principles implemented by the Bank are subject to periodic control, the main aim of which is to determine whether the manner of conducting credit activities complies with the internal procedures and the external legal regulations and whether the effects of the activities comply with the purposes specified in the Bank's credit policies. The controls are conducted by dedicated entities and their results are subject to regular reviews.

A detailed description of the above rules is presented in the Notes to the financial statements relating to risk management.

Actions completed in 2012

In 2012, as part of the development works, many new solutions and improvements were implemented in the Bank, such as:

1. implementing the new SMART system to process business customers' credit requests ensuring greater control over credit and operational risk, simultaneously ensuring the higher effectiveness of processes and flexibility of assessment;
2. implementing new, streamlined credit processes to service micro customers under the standardized assessment approach;
3. conducting additional extraordinary monitoring of construction industry firms with an assessment of the impact of the crisis on the loss ratio of Alior Bank's portfolio;
4. measuring and improving the time and effectiveness of credit processes in respect of individual and business customers;
5. implementing the pilot version of the system supporting individual impairment measurement (implementation for all system users planned for Q3 2013);
6. implementing new reclassification groups for the group credit card impairment model and impairment of automotive loans for business customers;
7. increasing the efficiency and automation of the verification of the process of registering premises for impairment and the impairment status by implementing dedicated reports in the Data Warehouse;
8. implementing detailed validation and verification methods for particular impairment measurement models, such as:

- analysis of realization of expected cash flows assumed in particular valuation scenarios (individual valuation model);

- validation of the adequacy of parameters used as components in the group model (group valuation model);
- analysis of the adequacy of calculating write-downs for losses incurred but not reported (IBNR valuation model);
- qualitative validation consisting of the periodic assessment of the functional methodology assumptions and the algorithms and formulas used therein, and the correctness of write-down calculations in dedicated environments;

9. developing the Collateral Module enabling the identification, registration and monitoring of collateral in the Bank, conducting detailed monitoring of the correctness of recording collateral in the Bank's systems in respect of the material exposures portfolio;

10. improving the efficiency of the system used to record related groups and constant improvement and control over the quality of data with reference to identifying customer relationships;

11. expanding the scope of internal concentration limits based on a multi-dimensional analysis of the portfolio quality, broken down into particular characteristics, macroeconomic data and data from the Polish banking sector; a variety of quantitative tools are used in the analysis, adequate for the scope of the test, among others: multi-equation linear econometric models, stochastic variability models, GARCH class models;

12. significant development of scoring and rating models in response to the Bank's business needs, to objectivize and enhance the credit decision making process using the account history, and specifically the correct assessment of the probability of the Bank customer's default; as a result, the predictive power of the models used for the customer's credit assessment improved and a more balanced dispersion was achieved, concentrated on the middle classes and striving towards the Gaussian distribution model; in respect of scoring models, actions were conducted aimed at the gradual standardization of the scoring results of individual customers applying for credit with Alior Bank S.A.; in respect of business customers, models were implemented which, apart from an absolute analysis of particular ratios, additionally account for the firm's condition vis-ą-vis the business environment;

13. implementing the anti-swindle scoring model in the individual customer segment, used for early detection of applications with high probability of swindling;

14. implementing the risk model management policy at Bank level;

15. significantly developing quantitative tools used in the cyclic analyses of portfolio sensitivity to macroeconomic conditions, enabling integration of the stress tests used by the Bank, concentration limits and tools used to assess the creditworthiness/credit standing of the Bank's customers;

16. developing a methodology for assessing financial entities to enable a fuller assessment of risk related to granting treasury limits to particular banks;

17. implementing new credit methodologies to assess local government entities and non -banking financial entities;

18. developing new models within ICAAP, including implementation of the CR+ model for the calculation of economic capital to offset credit risk;

19. appointing a Scoring and Rating Model Validation Committee whose purpose is to conduct independent reviews of all scoring and rating models which function within the Bank, and to issue recommendations and to accept newly-implemented models;

20. appointing a standing Committee for Risk Management and ICAAP, whose purpose is integrating various types of risks and, among other things, developing the Bank's acceptable risk exposure (risk appetite), supervising the ICAAP process, including the risk review process and methods for assessing internal capital to offset material risks, determining and supervising the implementation of risk models and data quality, coordinating integrated business stress tests and ICAAP, supervising the assessment of risks related to implementing new products.

21. increasing the effectiveness of the monitoring and debt collection processes by:

- introducing new tools for communicating with the customer – using electronic channels (texting, e-mail, internet banking communications) at all stages of the claims adjusting process;
- tailoring processes to the portfolio undergoing debt collection – special debt collection activities dedicated to accounts which potentially expose the Bank to the risk of losses in a given month;
- proactive approach to the restructuring offer on the basis of cooperation with the customer to-date – restructuring process initiated by the Bank in respect of selected groups of customers;
- modifying and optimizing the reconciliation agreements after the respective agreement has been cancelled;
- improving the efficiency of the autodialer used in communications with customers;
- adapting the processes and systems to the changes following from the Act on payment services and the Act on consumer credit;
- constructing a tool for court procedures under the electronic writ of payment;
- directly relating the criteria for legal methods of debt collecting to costs (enforcement-warrant proceedings, writ of payment proceedings, E-court);
- including debt sales permanently in the debt collection process – recoveries of portfolios classified as loss.

4. Capital management (ICAAP)

Alior Bank manages capital in a manner enabling safe and at the same time effective functioning.

To ensure security of operations, the Bank defines appropriate levels of offset of potential unexpected losses in respect of material risks identified under the ICAAP process and Basel risks under the regulatory capital calculation procedures by available capital (and Tier 1 capital) to ensure security of the Bank's operations.

Under the ICAAP process the Bank identifies and assesses materiality of all types of risks to which it is exposed in connection with its operations.

Material risks as at 31.12.2012:

- credit risk – insolvency;
- credit risk – industry concentration;
- credit risk – counterparty concentration;
- credit risk – currency concentration;
- operational risk;
- liquidity risk;
- interest rate risk in respect of the banking book;
- market risk;
- model risk;

The Bank assesses internal capital to offset particular risks identified as material using internal risk assessment models. Internal capital is estimated for:

- credit risk based on the CreditRisk+ methodology as 99.95 quantile of the distribution of losses on the credit portfolio;
- market risk and interest rate risk in respect of the banking book, based on the VaR methodology;
- liquidity risk based on the liquidity gap model on the assumption of stress conditions;
- operational risk based on the model accounting for the rate of return on assets in the banking sector.

The total designated internal capital and the calculated regulatory capital for Basel risks are secured by the value of available capital (and Tier 1) in consideration of appropriate safety buffers.

Capital ratios* of the Alior Bank Group as at 31.12.2012

Capital adequacy	Tier 1 capital adequacy
17,00%	14,54%

*Ratios including increased equity capital with total profit in 2012

Taking into consideration the need to secure sustainable growth, the Bank will expand the available capital base using various channels, i.e. reinvesting profits, issuing subordinated debt, and – recently – also listing on the stock exchange.

The Bank's available capital base is expanded while ensuring operating effectiveness, that is realizing the stipulated return on the capital entrusted by shareholders.

5. Contingent liabilities

The Group grants contingent liabilities to its customers in respect of renewable limits in checking (ROR) accounts. These liabilities are granted for an unspecified period, but at the same time, the adequacy of inflows of funds to the accounts is monitored.

Contingent liabilities in respect of credit cards are granted to individual customers for a period of three years.

The Group grants contingent liabilities to business customers in respect of:

- overdraft limits for a period of 12 months;
- guarantees, mainly for a period of up to 6 years;
- credit cards for a period of up to 3 years;
- loans launched in tranches for a period of up to 2 years.

The amounts of guarantees shown in the table below reflect the maximum loss which may be incurred and which would be disclosed as at the balance sheet date if the customers defaulted on all or part of their liabilities.

In 2012 Alior Bank issued to the Customers 1 723 guarantees for the total amount of PLN 1 209 789 thousands. To compare with 2011, balance of issued and active guarantees in the last year resulted in PLN 725 157 thousands. Alior Bank increased number of guarantees issued by PLN 484 632 thousands, which is close to 67%. In 2012 Bank did not issue guarantees or bill sureties.

Bank ensures a proper time structure of the guarantees issued to be kept. Near to 68% of the guarantees active in 2012 are with less than two years maturity and it is a slightly better results in comparison to the result in 2011, 65%. Moreover guarantees with maturity at end of 2013 are an outstanding 50% of the portfolio.

Off-balance sheet liabilities
in PLN'000

Off-balance sheet contingent liabilities granted to customers	As at 31.12.2012	As at 31.12.2011
Off-balance sheet liabilities granted	5 608 201	3 636 162
Relating to financing	4 398 412	2 911 005
Guarantees	1 209 789	725 157

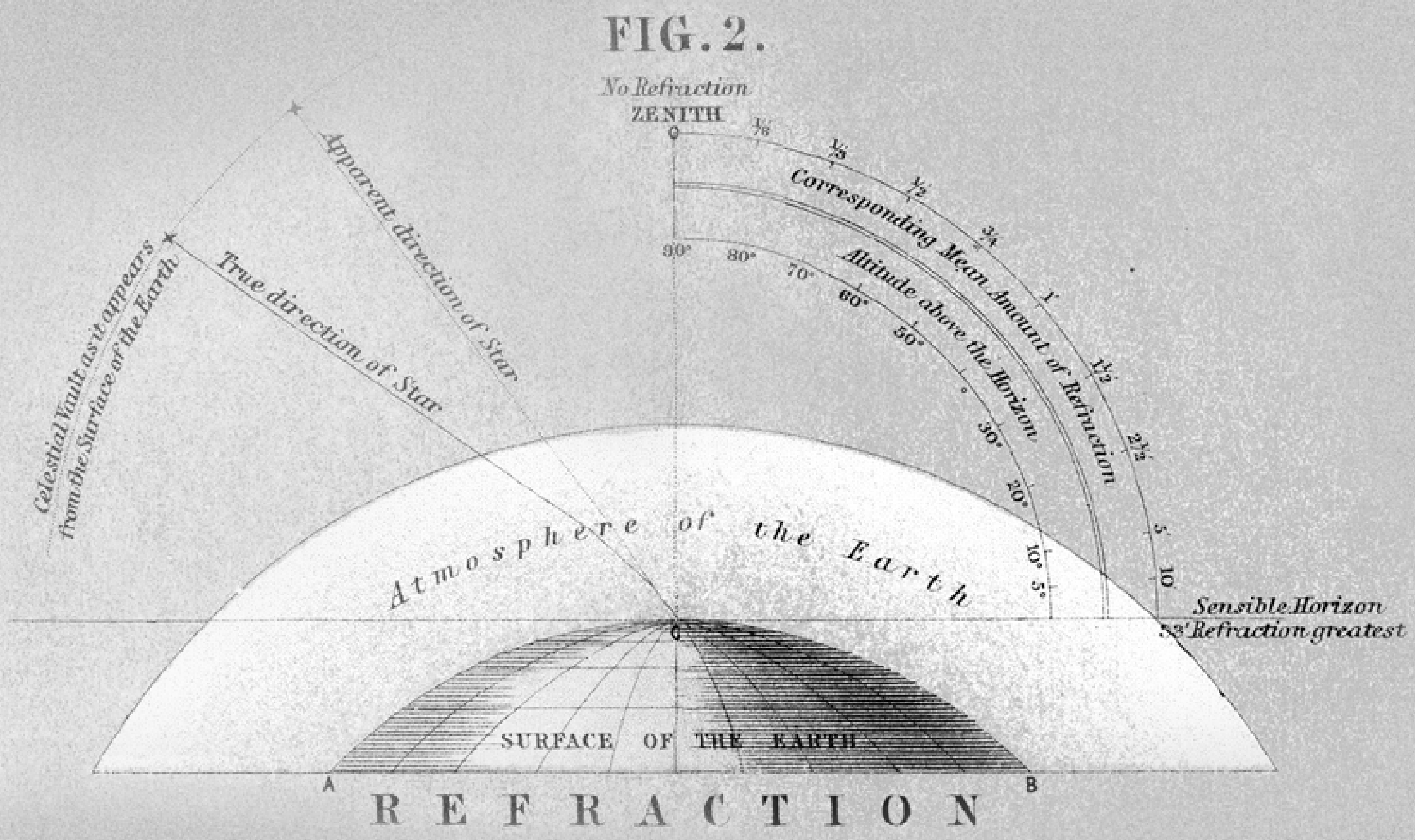
Off-balance sheet contingent liabilities granted to customers

subjective items	As at 31.12.2012
Entity 1	152 947
Entity 2	126 238
Entity 3	122 646
Entity 4	118 498
Entity 5	108 380
Entity 6	88 335
Entity 7	87 950
Entity 8	79 565
Entity 9	73 875
Entity 10	72000
other	4577767
total	5 608 201

Off-balance sheet contingent liabilities granted to customers

objective items	As at 31.12.2012
credit lines	4 044 596
import credit	61 063
loan commitment	292 753
guarantees	1 209 789
total	5 608 201

In 2012 the Bank was no guarantor or warrantor (there were no off-balance sheet liabilities relating to bonds).



VIII. Internal control system

Ideals are like stars: you will not succeed in touching them with your hands, but like the seafaring man on the ocean desert of waters, you choose them as your guides, and following them, you reach your destiny

Carl Schurz

VIII. Internal control system

Alior Bank S.A. has an internal control system which comprises all control processes that support management. The system is designed to support decision-making processes and thus to contribute to ensuring the achievement of the Bank's strategic objectives, operational effectiveness and efficiency, reliability of financial reporting, maintaining risks at acceptable levels, the safeguarding of assets, compliance with the law, internal regulations and good banking practices set out in the recommendations of the banking supervision, control over all units and areas of operation, efficient communication in cases of operational risks, quick identification and elimination of irregularities, mismanagement and fraud. The internal control system includes solutions relating to:

- internal procedures (policies, instructions, professional methodologies);
- controls (such as: the four eyes principle, the system of limits, independent counting, segregation of duties);
- organizational structure (e.g. segregation of roles and responsibilities, decision-making policies).

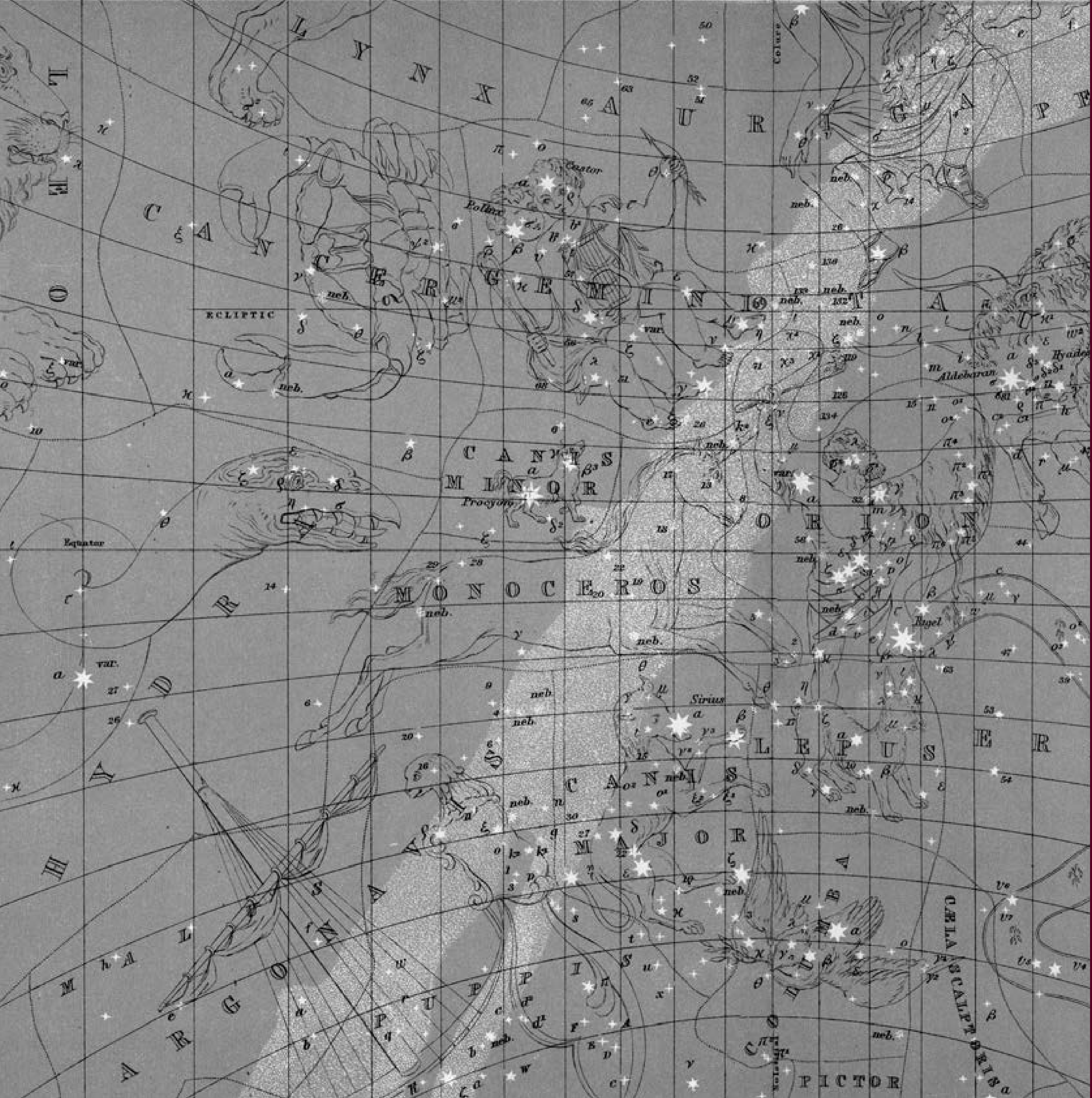
The internal control system at Alior Bank S.A. comprises institutional controls and functional controls. Institutional controls are carried out by employees of the Internal Audit Department and by consultants, both internal and external, after obtaining the relevant authorization from the Director of a given Department or the President of the Bank's Management Board. The Internal Audit Department is responsible for providing objective, independent evaluations of the areas audited, supporting the Bank's management processes by identifying and assessing significant risks and contributing to improving the risk management and control systems, the compliance of audit findings with the applicable law and the Bank's internal regulations, proper safeguarding of the audit documentation against unauthorized access.

The functional controls cover all management levels and every employee, all organizational units and all areas of the Bank's operations. They consist in the day-to-day analysis of the course and results of work of specific employees and teams. The main tasks of the functional controls include:

- checking whether the processes at the Bank are conducted as designed; analyzing whether the procedures are performed by employees with relevant competencies and professional qualifications and whether there is a conflict of interests;
- monitoring the accuracy and correctness of records and financial reporting;
- checking compliance with internal regulations, including limits, physical access security measures, scopes of authorizations.

The functional controls are performed in the form of self-control, vertical and horizontal functional control and the automatic performance of processes executed by the IT systems.

In accordance with the provisions of Article 86 clause 3 of the Act of 7 May 2009 on registered auditors and their self-government, registered audit companies and public supervision, the tasks of an audit committee are executed at Alior Bank S.A. by the Bank's Supervisory Board which consists of five members. Based on the said Act, the Supervisory Board is obliged, among others, to monitor the effectiveness of internal controls, internal audit and risk management.



IX. Corporate social responsibility

Keep your eyes on the stars, and your feet on the ground

Theodore Roosevelt

IX. Corporate social responsibility

1. Relations with clients

From the beginning of its existence Alior Bank plays a key role on the market in view of its high service quality standards. This statement is supported by multiple awards and distinctions. The Bank remembers this both when developing its product offer and when creating a network of outlets and employing staff. The Bank's success is based on its organizational strategy aimed at addressing customer requirements through advisory services based on benefits and tailoring products to expectations.

The Bank's endeavours to maintain a high commitment level is reflected in regular monitoring of its employees's work and assessing customer satisfaction by conducting telephone and internet surveys. By conducting regular training sessions and tests, the Bank maintains a high level of factual readiness to work.

The Bank also analyzes customer claims which enables immediate reaction and – if necessary – remedial action. As of the beginning of 2011, the Bank enabled its customers to ask questions and file claims electronically through internet banking. It is a convenient additional and easily available round-the-clock communication channel between the customers and the Bank, apart from the standard channels.

2. Relationship with employees

Innovations in Alior Bank have always played a key role, as is reflected in its implementation of innovative products and services, such as Alior Sync.

The Bank implemented a series of programs enabling all employees to report and realize their own innovative ideas, which include:

- the initiative "Innovative Mondays" in the form of working meetings where the employees, apart from the ideas proposed by themselves, may acquaint themselves with the newest trends in the banking sector and innovations implemented by domestic competitors and international leaders;
- the iAlior portal – an innovative platform where more than 1,000 threads were published relating to product and system innovations, and to improvements in existing processes and services. The platform is also used to share knowledge and experience submitted by customers. The Bank recruited people from among iAlior platform users to test new products and solutions.

The Bank's cultural and charitable activities

Alior Bank is a socially responsible corporation. From the start of its operations it has supported local communities and has undertaken many charity and sponsoring initiatives.

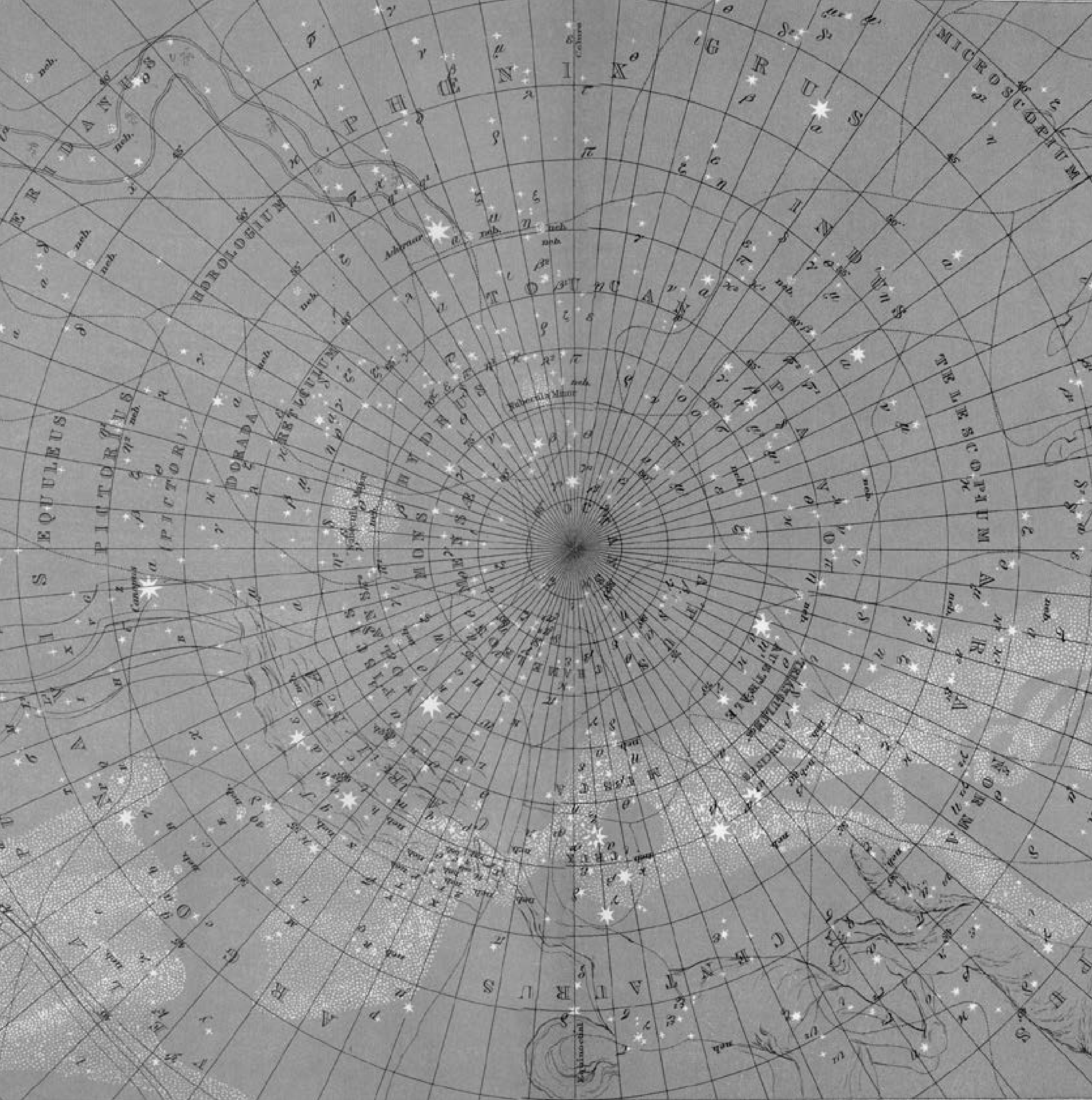
The Bank engages in actions which promote culture. It became the patron of "Leonor Fini and Konstanty A. JeleĐski. Double portrait", which presented eminent personages in twentieth century European culture. The exhibition was organized when Poland took up presidency of the European Union. The Minister of Culture and National Heritage, the President of the capital city of Warsaw, as well as the French Institute, and the Institute of Italian Culture were honorary sponsors of the exhibition.

Alior Bank also undertakes actions to promote local entrepreneurship. In cooperation with "Newsweek" and the Polish Agency for Enterprise Development, it initiated the ranking "Family Firms of the Year", in order to distinguish and promote the most dynamically developing family firms.

At the turn of 2011 and 2012, Alior Bank once again organized a series of meetings with people of culture. A two-month concert tour by Ray Wilson, the former vocalist of the group Genesis, was organized especially for the Bank's customers. The artist performed in 10 cities.

In the 1st half of 2012, Alior Bank became partner of a cycle of concerts organized in the Royal Łazienki Park, where the opera group "Lakme" presented works by the most celebrated composers of classical music. Every weekend, from July 2012, on the stage of the Amphitheatre on the Lake, compositions by celebrated artists such as Wolfgang Amadeus Mozart, Giuseppe Verdi and Giacomo Puccini were played.

At the end of 2012, for the second time, Alior Bank became involved in the action of the Polsat Foundation "Mikołajkowy Blok Reklamowy" (Christmas Advertising Block). A spot concerning the loan with a guaranteed lowest instalment was broadcast in an advertising block from which the proceeds were sent to the charges of the Polsat Foundation.



X. Corporate governance

Reach high, for stars lie hidden in your soul. Dream deep, for every dream precedes the goal.

Pamela Vault Starr

X. Corporate governance

The Management Board hereby represents that in 2012 the Bank and its authorities complied with the adopted rules of corporate governance set out in the "Best practices of companies quoted on the WSE".

1. Scope of corporate governance

In accordance with the Regulations of the Warsaw Stock Exchange (Giełda Papierów Wartościowych w Warszawie S.A.) ("WSE"), Alior Bank, as a company quoted on the WSE, is obliged to comply with the principles of corporate governance specified in WSE Best Practices. WSE Best Practices consist of a set of recommendations and proceeding policies which refer specifically to the bodies of quoted companies and their shareholders.

The text of the above set of rules is published on the website of Giełda Papierów WartoĐciowych w Warszawie S.A. at http://corp-gov.gpw.pl.

Within the competencies granted to the Management Board of the Bank by the Articles of Association, and based on generally binding legal regulations, ultimately the Management Board intends to oblige Alior Bank to comply with all the regulations specified in the Best Practices.

Currently the Bank's Management Board does not stipulate the possibility of the shareholders' participation in the General Meeting by way of electronic communication (principle no. 10, Section IV of Best Practices). Current non-compliance with this rule as set out in WSE Best Practices is the absence of a regulation stipulating this in the Bank's Articles of Association (as required by the Commercial Companies' Code), and the absence of appropriate market practice and experience related to applying this rule, which in consequence could lead to factual and legal doubts and complications.

Moreover, in accordance with item 2 of Section II of Best Practices, the Bank should also ensure an English version of its website, at least within the scope indicated in Best Practices. The Bank intends to comply with the above recommendation; however, due to the fact that the process of its full implementation has not as yet been completed, it will be complied with as soon as the work conducted by the Bank aimed at better availability of the information published on the Bank's website for foreign investors has been completed.

Investor Rlations Bureau is in the way of preparation of procedures to adopt the applicable processes for the complete implementation of Good Pratices of the Stock Exchange Listed Companies. The Management Board of the Bank makes efforts to meet expectations of both individual and institutional investors in scope of open communication policy with them.

2. Controls applied in the process of preparing financial statements

The financial statements are prepared in the Financial Department in accordance with the Bank's accounting policy adopted by the Management Board and the organization of the Bank's accounting. The policies specify the principles for recording business events in the Bank to reflect in a true, fair and clear manner the assets and financial position of the Bank and its financial results.

As a result of recording those events, the Bank's books of account are created, which form the basis for preparing financial statements.

In the process of preparing financial statements, the following risks were identified:

- risk of incorrect entry data;
- risk of incorrect presentation of data in the financial statements;
- risk of using incorrect estimates;
- risk of lack of integration of the IT systems and operating and reporting applications.

To limit the above-mentioned risks, the structure of the process of preparing the financial statements was defined, constituting two layers: the application layer and the factual layer.

The application part of the process consists of the flow of data from the Bank's operating systems through predefined interfaces to the statutory reporting system database.

The application layer is subject to controls compliant with the IT security system policy adopted by the Bank.

The controls cover specifically:

- user management;
- management of the development environment;
- integrity of the data transfer systems, including the correctness of operation of the interfaces in terms of completeness of data transfer from operating systems to the reporting environment.

For the purpose of correct management of the process of preparing financial statements, a description of the process was prepared in accordance with the policies adopted by the Bank, which includes all actions contained in the process and their operators. Moreover, the description indicates key control points. The key controls embedded in the process of preparing financial statements include, but are not limited to:

- controlling the quality of financial statements entry data, supported by data control applications; a series of principles for ensuring the correctness of data are defined in the applications, as well as the error correction path and strict monitoring of the quality of data;
- controlling the mapping of data from source systems to the financial statements, which ensures correct presentation of data;
- performing analytical reviews based on specialist knowledge, aimed mainly at confronting business knowledge with the financial data and discovering potential signs of incorrect presentation of data or incorrect entry data.

A description of the estimates adopted by the Bank, in accordance with IAS/IFRS, is described in the accounting policies. To eliminate the risk of incorrect estimates, among other things, the following solutions were adopted:

- to estimate loan impairment, the Bank uses models and processes approved by the Bank's Management Board; all models and processes are subject to embedded controls and periodical monitoring and validation, which enables verifying the models' functional assumptions, adequacy of parameters and correctness of implementation;
- to measure financial instruments which are quoted on active markets or which are measured based on such quotations – the required functionality was implemented in the basic systems, and additionally, controls were implemented to be operated by market risk management units;
- to measure financial instruments which are not quoted on active markets, valuation models were implemented which had been independently checked beforehand and calibrated based on available quotations for these types of transactions;
- to estimate provisions for pension and disability pension one-off benefits – the preparation of estimates was commissioned to an independent actuary;
- to estimate the provision for employee and management bonuses – calculations are applied in accordance with the bonus regulations adopted by the Bank and the Bank's forecast results.

Accounting policies are described in detail in the Annual Consolidated Financial Statements, in the section "Accounting policies".

The implemented organizational structure of the Bank enables segregating duties between the Front-office, Back-office, Risk and Finance. Additionally, the implementation of appropriate internal controls compels the Bank to implement transaction and financial data control in the back office and support units. This area is assessed independently and objectively by the Internal Audit Department both in terms of adequacy of the internal control system and in terms of corporate governance.

3. Changes to the basic principles of management

In 2012 the following amendments were made to the Bank's Articles of Association, based on the resolutions passed by the General Shareholders' Meeting, relating to:

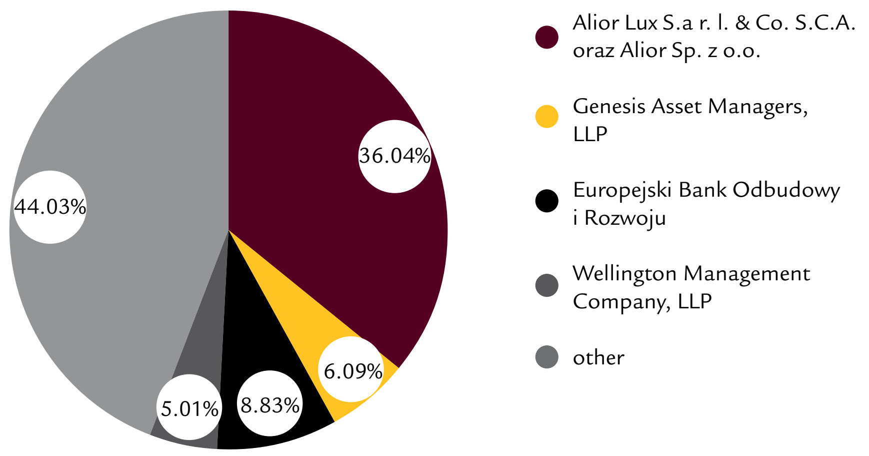
- a new classification of the Bank's organizational units in connection with the liquidation of business centres (10.01.2012);
- increasing the Bank's share capital by PLN 12,500,000.00 as a result of the issue of B-series shares (17.05.2012);
- exchanging registered shares to bearer shares upon their dematerialization within the meaning of the Act on trading in financial instruments (23.07.2012);
- increasing the share capital by an amount no lower than PLN 50,000,000.00 and no higher than PLN 250,000,000.00 under the public issue of C-series shares (23.07.2012 – ultimately the capital increase amounted to PLN 123,329,650.00 and was determined by the Management Board in the form of a notarial declaration based on a power of attorney granted by the General Shareholders' Meeting);
- conducting the Bank's Initial Public Offering and increasing the share capital as part of the contingent capital amounting to no more than PLN 33,312,500.00 with the right to subscribe to D, E and F-series shares by holders of subscription warrants under the Incentive Plan (19.10.2012). All the changes were registered in court.

4. Shareholders of the Alior Bank

Shareholders of Alior Bank who hold more than 5% of the share capital as at 31.12.2012 were as follows:

- Alior Lux S.a.r.l. & Co S.C.A.;
- the European Bank for Reconstruction and Development;
- Genesis Asset Managers, LLP;
- Wellington Management Company, LLP.

Shareholding structure of the Alior Bank S.A.as at the end of 2012



Shareholders with shares above 5% of the total shares of the Bank as at 31.12.2012

Shareholder	Number of shares/ number of votes	Nominal value of the shares	Share in the capital	Total number of voting rights
Alior Lux S.ar.l. & Co. S.C.A. (including AliorPolska sp. z o.o.)	22 918 382	229 183 820	36,04%	36,04%
Europejski Bank Odbudowy i Rozwoju	5 614 035	56 140 350	8,83%	8,83%
Genesis AssetManagers, LLP	3 874 561	38 745 610	6,09%	6,09%
Wellington Management Company, LLP	3 186 065	31 860 650	5,01%	5,01%
Other shares	27 989 922	279 899 220	44,03%	44,03%
Total	63 582 965	635 829 650	100%	100%

Shareholders being Members of the Management Board as at 31.12.2012

Shareholder	Number of shares/ number of votes	Nominal value of the shares	Share in the capital	Total number of voting rights
Niels Lundorff	80 021	800 210	0,13%	0,13%
Cezary Smorszczewski	78 731	787 310	0,12%	0,12%
Wojciech Sobieraj	70 865	708 650	0,11%	0,11%
Artur Maliszewski	3 042	30 420	0,00%	0,00%
Krzysztof Czuba	168	1 680	0,00%	0,00%
Katarzyna Sułkowska	2 851	28 510	0,00%	0,00%
Witold Skrok	168	1 680	0,00%	0,00%

Shareholders being Members of the Supervisory Board as at 31.12.2012

Shareholder	Number of shares/ number of votes	Nominal value of the shares	Share in the capital	Total number of voting rights
Helene Zaleski	190 159	1 901 590	0,30%	0,30%
Małgorzata Iwanicz-Drozdowska	1 465	14 650	0,00%	0,00%
Józef Wancer	53	530	0,00%	0,00%

Management option plan

Oryginal management option plan

As at 14 December 2012 the agreement dated 25 August 2008 concluded by and between Alior Lux S.a r.l. & Co. S.C.A. and Luxco 82 S.a r.l. (a company operating under the Luxembourg law, controlled by the management and representing the interests of participants of the management incentive plan, "Luxco 82"), with the participation of Alis S.A., later amended by the Annex dated 10 December 2012, was settled. In accordance with the agreements signed on the date of the first quotation of the Bank's shares on the WSE, the members of the plan, owners of Luxco 82 (105 persons in total) received the Bank's shares ("Incentive Shares") from Alior Lux S.a r.l. & Co. S.C.A. free of any additional payments. On 14 December 2012, LuxCo 82 received 2,414,118 of the Bank's shares. The remaining 1,299,909 shares are to be received by Luxco 82 on the date of sale of the Bank's other shares (constituting at least 30% of the Bank's total number of shares) by Carlo Tassara Group companies or on 30 June 2014, whichever occurs earlier.

The Incentive Shares are subject to contractual lock-up. The Incentive Shares vested in the participants of the plan, who are members of the Management Board, are subject to: contractual lock-up in respect of up to 30% of the Incentive Shares over a period of 9 months, and in respect of up to 70% of the Incentive Shares – contractual lock-up over a period of 24 months. Incentive Shares vested in other plan participants who are not members of the Management Board, were subject to contractual lock-up, in respect of up to 30% of the Incentive Shares, until the end of January 2013, and to contractual lock-up over a period of 12 months in respect of up to 70% of the Incentive Shares. The lock-up period began on 14 December 2012 (irrespective of whether the Incentive Shares are part of a tranche already transferred to Luxco 82, or a tranche subject to transfer in the earlier of the periods stated below: on the date of sale of the Bank's other shares constituting at least 30% of the Bank's total number of shares by Carlo Tassara Group companies or on 30 June 2014).

New management option plan

As at December 13, 2012 based on mandate included in the Resolution of the Supervisory Board of Alior Bank S.A. as at December 10, 2012, an initial allocation of subscription warranties of A, B, and C series with rights to acquire shares of the Bank was made, according to the Resolution no 28/2012 of the Extraordinary General Meeting of the Shareholder of Alior Bank S.A. as at October 19, 2012, regarding conditional capital increase of the Bank and issue of the subscription warranties, with the following order:

- Wojciech Sobieraj – 666.257 of warranties
- Niels Lundorff – 366.437 of warranties
- Krzysztof Czuba – 266.500 of warranties
- Artur Maliszewski – 266.500 of warranties
- Katarzyna Sułkowska – 266.500 of warranties
- Witold Skrok – 266.500 of warranties

The assumption of the new Option Program it is to be addressed as well to a group of non -Management Board Members –key Senior Managers of the Bank.

The assumptions of the new Option program provide three tranches of subscription warrants (A, B and C series) will be issued free of charge and corresponding three tranches of the Banknts (D, E and F series) will be i with a total nominal value not exceeding PLN 33,312,500, including:

- up to 1,110,417 series A subscription warrants which will entitle their holders to subscribe for no more than 1,110,417 series D shares of the Bank in the five-year period starting on the first anniversary of the date of the first listing of the Bankthe Bank in the five-
- up to 1,110,416 series B subscription warrants which will entitle their holders to subscribe for no more than 1,110,416 series E shares of the Bank in the five-year period starting on the second anniversary of the date of the first listing of the Bank Bank in the five-yea
- up to 1,110,417 series C subscription warrants which will entitle their holders to subscribe for no more than 1,110,417 series F shares of the Bank in the five-year period starting on the third anniversary of the date of the first listing of the Bankofe Bank in the five-

The Eligible Persons will be able to exercise the right to subscribe for the Bank's shares upon the fulfilment of specific terms, including in particular that exercise of the rights from subscription warrants will be possible, provided that the change of the Bank's share price on the WSE in the reference period, calculated as the difference between the Final Price of the Offered Shares and the average closing quote for the 30 trading session days preceding,respectively, the first anniversary (with respect to the series A subscription warrants), the second anniversary (with respect to the series B subscription warrants) or the third anniversary (with respect to the series C subscription warrants) of the first listing of the Bank's shares on the WSE) will exceed the change in the WIG -Banki index in the same period (calculated as the difference between the WIG-Banki index on the date of the first listing of the Bank's shares on the WSE and the average closing value of the WIG-Banki index for the 30 trading session days preceding, respectively, the first, the second or the third anniversary of the first listing of the Bank's shares on the WSE). The issue price of the shares will be equal to the average price of the Bank's shares in the Public Offering calculated through the division of the net proceeds from the Public Offering by the total number of the Offered Shares allocated in the Public Offering, increased, respectively, by 10% with respect to the series D shares, by 15% with respect to the series E shares and by 17.5% with respect to the series F shares.

The settlement of the new Option Plan will be made by analogy to the exsisting Option Plan, which means it will have impact on the financial result of the Bank as an element of employee costs and will be shown as the same item as increase of the own equity value to the remaining capital – share base benefits – content of the capital. Alior Bank expects half of the total costs resulting from settlement of the new Option Plan to be made in 2013, and the remaining part in 2014 and 2015. As at the date of the Financial Report it is not possible to determine a final amount of the total costs to be incurred by the Bank due to the settlement of the New Option Plan

Details of the program will be determined in the Option Program Regulations which is to be adopted by the Supervisory Board.

Information on agreements as a result of which the proportion of shares held by the current shareholders could change.

In accordance with the information included in the Prospectus of Alior Bank, Carlo Tassara concluded an agreement to maintain the status quo ("the Standstill Agreement") with its financial creditors, based on which Carlo Tassara is obliged to repay its debt to those banks by 31 December 2013, specifically with the funds received from the sale of equity shares. In accordance with the Standstill Agreement, Carlo Tassara committed to selling the block of shares held before the end of 2013. Currently, Carlo Tassara holds 35.26% shares in Alior Bank via Alior Lux S.a.r.l. & Co. S.C.A. and 0.79% shares via Alior Polska Sp. z o.o.

None of the shareholders has any securities which would give special control rights to their holders. There are no voting right restrictions such as restriction on exercising voting rights by holders of a specific portion or number of shares, time restrictions relating to exercising voting rights or provisions according to which, in cooperation with the Company, equity rights related to securities are separated from the ownership of the securities.

5. Bodies of the Alior Bank S.A.

Management Board

The Management Board is the managing body of the Bank.

Composition of the Management Board

In accordance with the Articles of Association the Management Board consists of at least three members. Members of the Management Board are appointed for a joint three-year term of office. The Supervisory Board appoints and dismisses Members of the Management Board in a secret ballot. At the request of the President, the Supervisory Board appoints Deputies of the Management Board. The appointment of two Members of the Management Board, including the President of the Board, requires the consent of PFSA. The Supervisory Board applies to the Polish Financial Supervision Authority to grant its consent to appointing those two Members of the Management Board. Moreover, the Supervisory Board informs PFSA of the composition of the Management Board and changes in its composition, immediately after its appointment or a change in its composition. The Supervisory Board also informs the Polish Financial Supervision Authority of Members of the Management Board who are responsible specifically for credit risk management and internal audit. Currently, with the consent of PFSA, the President of the Management Board is Wojciech Sobieraj and the Vice-President is Katarzyna Sułkowska. The Supervisory Board is authorized to suspend particular or all Members of the Management Board for important reasons and to delegate Members of the Supervisory Board – for a period of no longer than three months – to temporarily perform the functions of Members of the Management Board who had been removed from the Board, have resigned or for other reasons are unable to perform their functions. A Member of the Management Board may also be removed or suspended from performing his duties by a resolution of the General Shareholders' Meeting.

Competencies of the Management Board

The Management Board manages the Bank's issues and represents the Bank. The Management Board is authorized in all issues which are not reserved for the competencies of other Bank's bodies by legal regulations or provisions of the Articles of Association. All issues outside the normal operations of the Bank require Management Board resolutions. The Management Board decides specifically on the following in the form of resolutions:

- it specifies the Bank's long-term operating plans and strategic goals;
- it determines the Bank's short–and long-term financial plans and monitors their progress;
- it monitors the Bank's management system, including the management reporting system used to control the Bank's operations on a current basis;
- it accepts the Bank's operating principles, policies and regulations, and specifically in respect of prudent and stable management of the Bank, risk management, lending operations, investment activities, the Bank's management system, asset and liability management, accounting, the Bank's funds, human resources management and internal control principles;
- it determines the size of the bonus pool for the Bank's employees and its general break-down.
- it grants proxy powers;
- it takes decisions relating to the issue of bonds by the Bank, with the exception of exchangeable bonds or bonds with pre-emptive rights; it accepts the subscription, acquisition and sale of shares in companies by the Bank;
- it takes decisions about incurring liabilities, managing assets, encumbering or leasing assets (and renting them), whose total value in respect of one entity exceeds 1/100 of the Bank's share capital, in recognition of art. 8 clause 2 of the Management Board Regulations;
- it approves the investment plan and accepts each capital expenditure of the Bank (purchase or sale of fixed assets or property rights) with a value exceeding 1/100 of the Bank's share capital, in recognition of art. 8 clause 2 of the Management Board Regulations;
- it accepts issues relating to the organizational structure of the Bank's head office, including the creation and liquidation of the Bank's organizational entities and organizational units of the Bank's head office;
- it takes decisions on establishing and liquidating the Bank's branches;
- it takes decisions as to paying out interim dividend to the shareholders, after obtaining the approval of the Supervisory Board;
- it accepts all documents presented to the Supervisory Board or to the General Shareholders' Meeting;
- it considers all other issues which are brought for examination by the Supervisory Board, the General Shareholders' Meeting, Members of the Management Board, the Bank's organizational entities, or committees or teams appointed in accordance with the Bank's internal regulations;
- it takes decisions on all other issues within the scope of the Bank's operations, if this is required by other regulations or if such decisions could have a significant impact on the financial position or image of the Bank. The Commercial companies code prohibits the General Shareholders' Meeting and the Supervisory Board from giving binding orders to the Management Board regarding the management of the Bank's operations. Additionally, Members of the Management Board and Supervisory Board are liable to the Bank for losses following from any action or omission which is against the law or provisions of the Bank's Articles of Association.

In accordance with the regulations of the Commercial companies code and the Bank's Articles of Association, decisions relating to issuing or redeeming shares are within the competencies of the Bank's General Shareholders' Meeting.

The Bank's Management Board, on the basis of the Resolution of the General Shareholders' Meeting no. 28/2012 dated 19 October 2012 on the conditional increase of the Bank's share capital and issue of subscription warrants (regulating the principles for issuing D, E and F-series shares with the right to take them up by holders of subscription warrants, that is participants of the Incentive Plan who are Members of the Bank's Management Board, the Bank's officers, Members of Management Boards of the Bank's subsidiaries and partners from Alior Doradztwo Prawne) will have the competencies to:

- offer and issue subscription warrants to participants of the Incentive Plan other than Members of the Bank's Management Board (with reference to Members of the Management Board, the competencies lie with the Supervisory Board);
- take all the necessary actions related to launching and admitting to trading on a regulated market operated by the WSE, the new shares immediately after they have been issued;
- conclude an agreement with KDPW on registering the newly-issued shares and, immediately after their issuance, to take all other actions related to their dematerialization.

A detailed description of the actions conducted by the Management Board for the purpose of the issue under the Incentive Plan will be included in the Regulations of the Incentive Plan approved by the Supervisory Board.

Competencies of the President

Competencies of the President include specifically:

- managing the work of the Management Board;
- convening Management Board meetings and chairing them;
- presenting the position of the Management Board to the Bank's bodies and to third parties;
- issuing internal regulations relating to the Bank's operations and authorizing other Members of the Management Board or the Bank's employees to issue such regulations;
- exercising other rights and obligations in accordance with the Regulations of the Management Board.

Composition of the Management Board

As at 1 January 2012, the following people were on the Bank's Management Board:

Wojciech Sobieraj – President
Krzysztof Czuba – Vice President of the Management Board

Niels Lundorff – Vice President of the Management Board
Artur Maliszewski – Vice President of the Management Board
Witold Skrok – Vice President of the Management Board
Cezary Smorszczewski – Vice President of the Management Board (10.02.2013 has resigned as Vice President and Member of the Management Board)
Katarzyna Sułkowska – Vice President of the Management Board

In the financial year 2012, there were no changes to the composition of the Management Board.

As at 10.02.2013 the Supervisory Board has appointed Michał Hucał to the Management Board as an –Vice President of the Management Board.

Principles of Management Board operations

The Management Board acts on the basis of the Bank's Articles of Association and the regulations passed by the Management Board and approved by the Supervisory Board. The Management Board takes decisions in the form of resolutions. Management Board resolutions are passed by an absolute majority of votes of those Members of the Management Board present at Management Board meetings, with the exception of resolutions on appointing a proxy, which requires a unanimous vote of all Members of the Management Board. As a rule, resolutions are passed by open vote. However, the person chairing the Management Board meeting may order a secret ballot; the secret ballot may also be ordered at the request of at least one Member of the Management Board. In the event of an even number of votes, the President of the Management Board has the decisive vote. In accordance with the Regulations of the Management Board, in order for the resolutions passed by the said to be valid, at least one-half of the Members of the Management Board have to be present at the meeting and all Members have to have been properly informed of the meeting. Declarations may be made on behalf of the Bank by the following persons:

- two Members of the Management Board jointly;
- one Member of the Management Board jointly with a proxy or a plenipotentiary;
- two proxies jointly;
- plenipotentiaries acting independently or jointly within the limits of the power of attorney granted to them.

Description of Management Board activities in the financial year 2012

In the financial year 2012 the Management Board held 47 meetings and passed 568 resolutions regarding, among other things, approval of the financial plan for the financial year 2012, approval of the Bank's strategy for the years 2012–2016, adopting and changing regulations, instructions, policies, methodologies and other internal regulations which standardize the principles of the Bank's operations and principles of providing services by the Bank, introducing products and services to the Bank's offer, including sales of foreign exchange gold, developing tables of fees and commissions, determining and cancelling transaction limits and concentration limits, accepting requests for financing, issuing subordinated bonds, issuing Bank securities, creating the subsidiary Alior Sync Sp. z o.o. (currently Alior Raty Sp. z o.o.), creating and changing data relating to the Bank's branches, appointing persons responsible for discharging the duties resulting from the Act on combating money laundering and terrorism financing, conducting tenders and preparing requests addressed to the Supervisory Board and to the Bank's General Shareholders' Meeting.

General Shareholders' Meeting

In accordance with the Commercial companies code and the Articles of Association of Alior Bank S.A., amendments to the Bank's Articles of Association require that a resolution be passed by the General Shareholders' Meeting and entry into the register. The resolution of the General Shareholders' Meeting on amending the Articles of Association is passed with three-quarters of all votes.

No regulations of the General Shareholders' Meeting have been passed at Alior Bank S.A. The manner of operation of the General Shareholders' Meeting and its basic rights, as well as the shareholders' rights and the manner in which they are exercised follow directly from the legal regulations, including the Commercial Companies Code and the Banking Law, and the Bank's Articles of Association.

General Shareholders' Meeting in 2012

In 2012, six General Shareholders' Meetings took place, at which a total of 31 resolutions were passed.

The first meeting was an Extraordinary General Shareholders' Meeting (10 January 2012) and passed the following resolutions: on amending the Bank's Articles of Association with regard to the new classification of the Bank's organizational entities in connection with the liquidation of business centres, and on adopting the new consolidated wording of the Articles.

The second meeting was an Ordinary General Shareholders' Meeting (28 March 2012) and passed resolutions relating to closing the financial year 2011 and referring to: approving the financial statements, the Directors' Report, the Supervisory Board Report, the profit distribution, approving the discharge of duties of all Members of the Management Board and Supervisory Board, and appointing the Supervisory Board for the second term of office.

The third meeting was an Extraordinary General Shareholders' Meeting (17 May 2012) and passed resolutions on the following: increasing the Bank's share capital by issuing B-series shares by way of a private subscription, without granting pre-emptive rights to the current shareholders and on amending the Bank's Articles of Association and adopting the consolidated text of the latter.

The fourth meeting was an Extraordinary General Shareholders' Meeting (23 July 2012) and passed resolutions on the following: amending the Bank's Articles of Association, increasing its share capital by way of issuing C-series shares without granting pre-emptive rights to the current shareholders, and applying for the admittance of and introduction of A and B-series shares to trading on the regulated market maintained by Giełda Papierów WartoĐciowych w Warszawie S.A. and for dematerializing A and B-series shares.

The fifth meeting was an Extraordinary General Shareholders' Meeting and consisted of three parts; it started on 19 September 2012 and after announcing two intervals in the meeting it ended on 19 October 2012. The Meeting passed resolutions on: a contingent increase in the Bank's share capital and on issuing subscription warrants, without granting pre-emptive rights to the current shareholders with respect to the shares issued as part of the contingent capital and the subscription warrants, and amending the Bank's Articles of Association in connection with the Initial Public Offering of the Bank.

The sixth meeting was an Extraordinary General Shareholders' Meeting (31 October 2012) and passed a resolution on amending resolution no. 24/2012 relating to the issuance of C-series shares.

Supervisory Board

Composition of the Supervisory Board

As at 1 January 2012, the composition of the Bank's Supervisory Board was as follows:

Helene Zaleski – Chairperson of the Supervisory Board
Józef Wancer – Deputy Chairperson of the Supervisory Board
Małgorzata Iwanicz-Drozdowska – Member of the Supervisory Board
Marek Michalski – Member of the Supervisory Board
Krzysztof Obłój – Member of the Supervisory Board

On 28 March 2012, the Ordinary General Shareholders' Meeting appointed the Supervisory Board for a second term of office, in the following composition:

Małgorzata Iwanicz-Drozdowska

Marek Michalski
Krzysztof Obłój
Józef Wancer
Helene Zaleski

At the meeting held on 11 July 2012, the Supervisory Board appointed the Chairperson and her Deputy by appointing: Helene Zaleski as Chairperson of the Supervisory Board and Józef Wancer as her Deputy.

As at 31 December 2012, the composition of the Bank's Supervisory Board was as follows:

Helene Zaleski – Chairperson of the Supervisory Board
Józef Wancer – Deputy Chairperson of the Supervisory Board
Małgorzata Iwanicz-Drozdowska – Member of the Supervisory Board
Marek Michalski – Member of the Supervisory Board
Krzysztof Obłój – Member of the Supervisory Board

Competencies of the Supervisory Board

The Supervisory Board constantly supervises the Bank in all aspects of its operations. Its duties include assessing the Management Board' Report on the Bank's operations and the Bank's financial statements for the prior financial year, both in terms of their compliance with the books of account, and other documents, and the actual status, as well as assessing the requests of the Management Board in respect of the distribution of profit or offset of loss, and submitting an annual report on the results of this assessment to the General Shareholders' Meeting. The Supervisory Board represents the Bank in concluding agreements with Members of the Management Board and in disputes with Members of the Management Board, unless these competencies are granted to a plenipotentiary appointed by a resolution of the General Shareholders' Meeting.

In accordance with the Articles of Association, the competencies of the Supervisory Board, apart from the rights and obligations stipulated in generally binding legal regulations, comprise:

- assessing periodical information relating to internal controls;
- examining and approving the Directors' Reports and the financial statements of the Bank's Group;
- appointing and removing Management Board Members;
- applying to the Polish Financial Supervision Authority to grant consent to appointing two Members of the Management Board, including the President of the Board;
- concluding and changing agreements with Members of the Management Board;
- passing the regulations of the Supervisory Board;
- approving the Management Board Regulations determined by the Management Board;
- determining the remuneration of the Members of the Management Board employed on the basis of an employment contract or another agreement;
- representing the Bank in issues between Members of the Management Board and the Bank;
- suspending, for valid reasons, individual or all Members of the Bank's Management Board;
- delegating Members of the Supervisory Board – for a period no longer than three months – to perform the functions of Members of the Management Board who had been removed from the Board, have resigned or are unable to perform their functions for other reasons;
- giving opinions on requests of the Management Board relating to the Bank's establishing or acquiring shares in companies, and selling shares if such investments are of a long-term and strategic nature.
- giving opinions on the Bank's multi-year development plans and its annual financial plans;
- passing – at the request of the Management Board – regulations for the creation and use of funds stipulated in the Articles of Association;
- approving the requests of the Management Board to purchase, encumber or sell real estate or shares in real estate, or perpetual usufruct of land, if their value exceeds PLN 5,000,000;
- approving the requests of the Management Board on incurring liabilities or managing assets whose total value in respect of one entity exceeds 5% of the Bank's own funds;
- supervising the implementation and monitoring of the Bank's management system, including specifically supervision over managing compliance risk and assessing the adequacy and effectiveness of the system at least once a year;
- approving the principles for maintaining internal controls and procedures for estimating internal capital, equity management and equity planning;
- approving the Bank's operating strategy and principles of prudent and stable management of the Bank;
- approving the Bank's Organizational Regulations and the overall organizational structure of the Bank adapted to the size and profile of the risks incurred;
- accepting the overall level of the Bank's risks;
- approving the assumptions of the Bank's policy in respect of compliance risk;
- approving the Bank's information policy;
- appointing the independent registered auditor.

Principles of operation of the Supervisory Board

The Supervisory Board acts on the basis of the Bank's Articles of Association and the regulations passed by the Supervisory Board.

Supervisory Board meetings are convened when necessary, at least three times in each financial year. Resolutions of the Supervisory Board are passed by an absolute majority of votes if the legal regulations or the Articles of Association do not stipulate otherwise, by an open vote. A secret ballot is ordered in respect of personal matters or at the request of at least one Member, by order of the Chairperson of the Supervisory Board. In the event of an even number of votes, the decision rests with the vote of the Chairperson of the Supervisory Board. For the resolutions to be valid, at least one-half of the Members of the Supervisory Board have to be present and all members have to be notified. The Supervisory Board may establish permanent and ad hoc committees.

Description of Supervisory Board activities in the financial year 2012

In 2012 the Supervisory Board held 5 meetings and passed 122 resolutions relating, among other things, to: assessing the financial statements and the Bank Directors' Report for 2011, requests relating to the distribution of profit and approving the activities of Members of the Management Board in 2011, approving the Supervisory Board's Report on activities in 2011, approving the Bank's financial plan, changing the Bank's asset and liability management policies, approving certain regulations and procedures in the Bank, granting consent to financing entities in cases following from the Articles of Association and credit competence principles in force at the Bank, approving the decisions of the Management Board on issuing subordinated bonds denominated in EUR, appointing the Chairperson and Deputy Chairperson of the Supervisory Board, amending the Articles of Association, granting consent to incur liabilities and manage assets whose value exceeds 5% of the Bank's own funds in respect of one entity, approving Management Board requests addressed to the Bank's General Shareholders' Meeting, accepting issuance limits of the Bank's securities, accepting the Regulations of the Committee on remuneration and variable compensation components for persons holding managerial positions at the Bank, approving the Management Board decision to establish Alior Sync Sp. z o.o. (currently Alior Raty Sp. z o.o.).

Supervisory Board committees

In accordance with the Articles of Association and the Regulations of the Supervisory Board, the Supervisory Board may – by way of a resolution – establish permanent and ad hoc committees. In such event, the Supervisory Board determines the regulations of such committees, their composition and purpose.

The Remuneration Committee was established on the basis of a resolution of the Supervisory Board on 7 December 2011, to apply the principles for determining policies relating to variable compensation components for persons holding managerial positions at the Bank, adopted by a resolution of PFSA no. 258/2011 dated 4 October 2011 which came into force on 31 December 2011. The Remuneration Committee:

- gives its opinion on the policy regarding variable compensation components in accordance with the principles of stable and prudent risk, equity and liquidity management, and specifically taking into consideration the Bank's and its shareholders' long-term interests;
- gives its opinion on the acceptability of paying variable compensation components in the part relating to deferred payment terms of such components;
- gives its opinion and monitors variable compensation payable to persons holding managerial positions in the Bank, related to risk management and the Bank's compliance with the binding legal regulations and internal regulations;
- gives its opinion on the classification of positions which is subject to the variable compensation components policy.

The Remuneration Committee is composed of:
Helene Zaleski,
Marek Michalski,
Józef Wancer.

In the financial year 2012 the remuneration Committee held one meeting (on 3 April 2012), at which it approved the Committee's Regulations and acquainted itself with the recommendation of the list of persons in managerial positions covered by the Variable Compensation Components Policy in Alior Bank S.A.

In accordance with art. 86 clause 3 of the Act of 7 May 2009 on registered auditors and their self-government, registered audit companies and public supervision, the tasks of an audit committee are executed at Alior Bank S.A. by the Bank's Supervisory Board which consists of five Members.

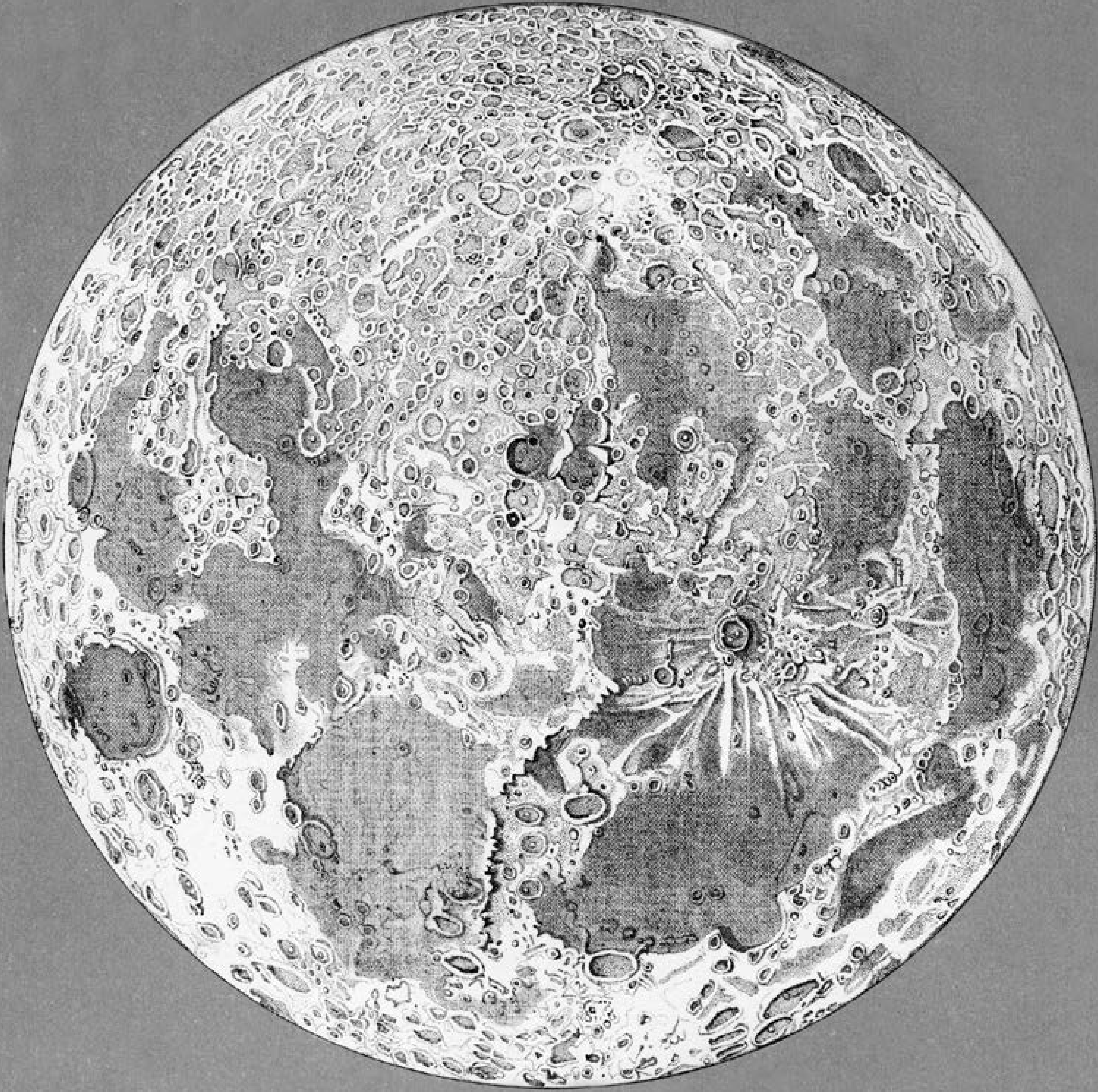
In the financial year 2012, the tasks of the audit committee relating to monitoring the financial reporting process, efficiency of internal control systems, internal audit and risk management were executed by the Supervisory Board on a current basis, by analyzing and discussing reports and presentations presented by the Management Board at the Supervisory Board meetings and semi-annually in the event of managing operating risk or compliance risk. In respect of monitoring financial audits and monitoring the independence of the registered auditor, the Supervisory Board met periodically and discussed the matters with the registered auditor who audited the Bank's financial statements.

6. Registered audit company

For the purpose of the audit of the annual financial statements for 2012 the Alior Bank Group uses the services of Ernst & Young Audit sp. z o.o.; the audit contract for the period from 1.01.2012 to 31.12.2012 was signed on 11.12.2012. The contract was concluded for the period until the end of the audit of the financial statements for 2012.

The registered auditor's fee (PLN) in 2011/ 2012 for:

	2011	2012
audit of the consolidated annual financial statements	272 628	400 000
other services	160 545	1 558 238



XI. Investor information

Is it not careless to become too local when there are four hundred billion stars in our galaxy alone

A. R. Ammons

XI. Investor information

1. Public share offering

In 2012 the Initial Public Offering of Alior Bank S.A. shares took place.

The prospectus was approved by the Polish Financial Supervision Authority on 16 November 2012 and published on 21 November 2012.

On the basis of the Offer Underwriting Agreement concluded on 21 November 2012, the following were the underwriters: Barclays Bank PLC, J.P. Morgan Securities plc and Morgan Stanley & Co. The Joint Managers of the Offer were as follows: Erste Group Bank AG and Renaissance Securities (Cyprus) Limited. Ipopema Securities S.A. was the Offering Agent and the Stabilization Manager. Ultimately, from 14 December 2012 to the end of the stabilization period, i.e. 13 January 2013, no actions aimed at stabilizing the shares were undertaken, therefore, the Stabilization Manager did not acquire any of the Bank's shares for the purpose of stabilizing their price.

The value of Alior Bank's Public Offering amounted to PLN 2,094,116,934.40, which makes it the largest public offering by a private company since the start of the Warsaw Stock Exchange's operations.

The final share price was set on 4 December 2012 as follows:

- the final price of shares offered in the individual and institutional investor tranche amounted to PLN 57.00;
- the final price of shares offered in the preferential individual investor tranche amounted to PLN 54.20.
- the final price of shares offered in the tranche of authorized persons amounted to PLN 45.60.

Subscriptions from individual investors were accepted from 22 November 2012 to 3 December 2012, and subscriptions from institutional investors were accepted from 5 December 2012 to 7 December 2012. Shares subscribed under the Individual Investors' and Preferential Individual Investors' Tranches were allotted on 7 December 2012. Shares subscribed under the Authorized Persons' and Institutional Investors' Tranches were allotted on 10 December 2012. The final number of offered shares was 36,812,965 and included:

- 12,332,965 new shares;
- 24,480,000 shares sold by the Bank's shareholders belonging to the Carlo Tassara Group. The rate of reduction in subscriptions in the Individual Investors' Tranche amounted to 5% and in the Authorized Persons Tranche to 5%. No subscription reductions were carried out in the Institutional Investors' Tranche or in the Preferential Individual Investors' Tranche;

Subscriptions were submitted for 36,920,721 offered shares, including:

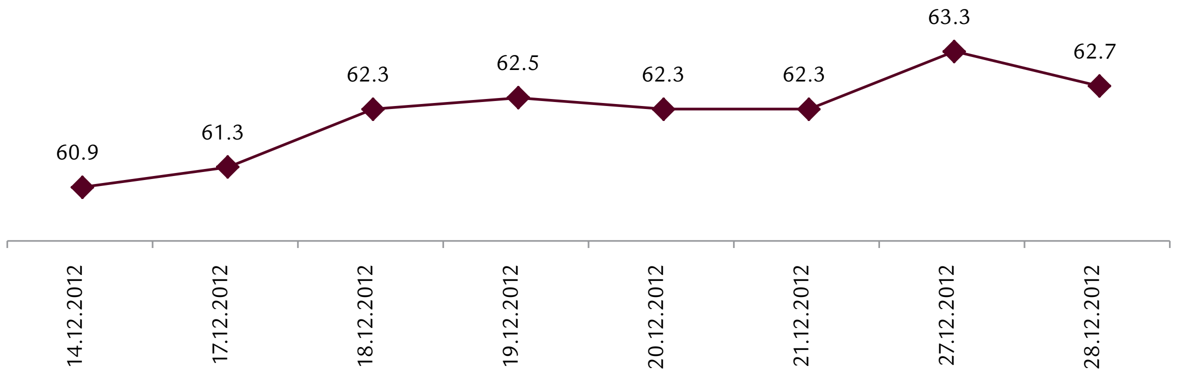
- investors from the Individual Investors' Tranche subscribed for 1,929,269 shares sold;
- investors from the Preferential Individual Investors' Tranche subscribed for 443,957 shares sold;
- investors from the Authorized Persons' Tranche subscribed for 275,059 new shares;
- investors from the Institutional Investors' Tranche subscribed for 12,071,650 new shares and 22,200,786 shares sold.

As Part of the Offer, 36,812,965 of the Bank's shares were allotted, as follows:

- the Individual Investors' Tranche was allotted 1,835,257 sold shares;
- the Preferential Individual Investors' Tranche was allotted 443,957 sold shares;
- the Authorized Persons Tranche was allotted 261,315 new shares;
- the Institutional Investors' Tranche was allotted 12,071,650 new shares and 22,200,786 sold shares.

On 14 December 2012, upon the first listing of Alior Bank S.A. shares on the WSE, (ALR) the opening price of the shares was PLN 59.5 and the closing price was PLN 60.9. From the first quotation day, the price of the shares showed a growth trend.

Quotations of Alior Bank S.A. shares



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

Remuneration of the Management Board Members of the Alior Bank S.A. in 2012 (in PLN'000)

	Period	Remuneration	Medicare	Salary overheads	Total
Czuba Krzysztof	01.01.2012-31.12.2012	960	2	47	**1 009**
Lundorff Niels	01.01.2012-31.12.2012	2 127	1	84	**2 212**
Maliszewski Artur	01.01.2012-31.12.2012	960	2	47	**1 009**
Skrok Witold	01.01.2012-31.12.2012	930	0	46	**975**
Smorszczewski Cezary	01.01.2012-31.12.2012	2 165	0	85	**2 249**
Sobieraj Wojciech	01.01.2012-31.12.2012	2 160	2	85	**2 247**
Sułkowska Katarzyna	01.01.2012-31.12.2012	925	2	22	**949**
Total		**10 227**	**9**	**414**	**10 650**

Remuneration of the Supervisory Board Members of the Alior Bank S.A. in 2012 (in PLN'000)

	Okres	Remuneration	Medicare	Salary overheads	Total
Iwanicz-Drozdowska Małgorzata	01.01.2012-31.12.2012	120	0	0	120
Michalski Marek	01.01.2012-31.12.2012	120	0	0	120
Obłój Krzysztof	01.01.2012-31.12.2012	120	0	0	120
Wancer Józef	01.01.2012-31.12.2012	120	0	0	120
Zaleski Helene	01.01.2012-31.12.2012	120	0	0	120
Razem		600	0	0	600

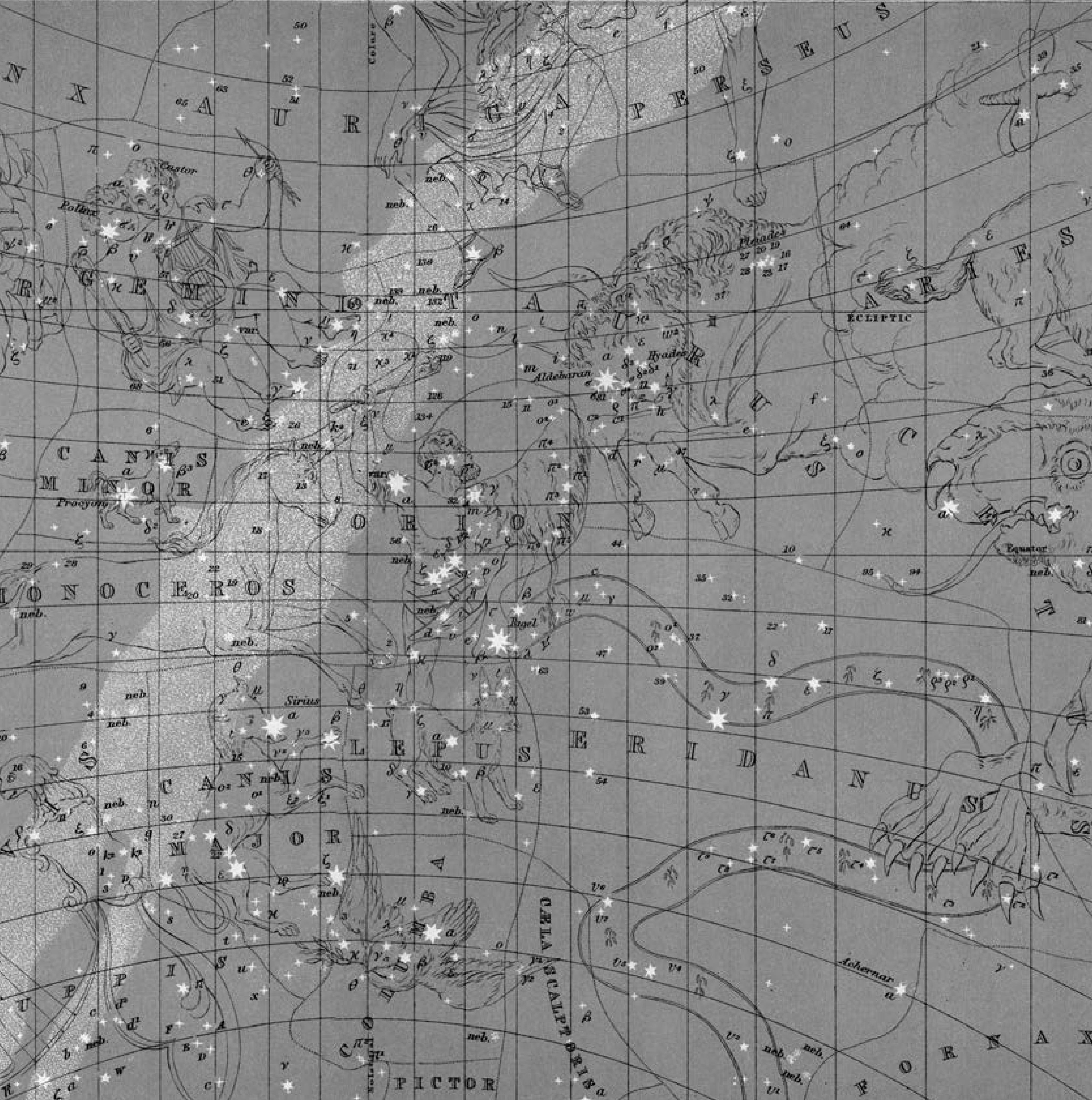
Contracts with Members of the Management Board are concluded for an unspecified period. The contracts may be terminated by each of the parties giving three months' notice, with effect as at the end of the respective calendar month.

In the event of termination of the contract with the Member of the Managment Board by the Bank before end of its durance the Member of the Management Board is authorised to the full compensation for the duration of the of the presidency (for most of Members of the Management Board it is limited to the maximum of the remunaration equivalent for 12 months months).

The contracts include non-competition clauses on the basis of which Members of the Management Board, at the expiry of the employment relationship with the Bank, cannot undertake any competitive activities within 12 or 18 months (depending on the type of contract) after termination of the contract. Therefore, Members of the Management Board are entitled to receive compensation which totals the equivalent of their remuneration for 6, 12 or 18 months (depending on the type of contract).

Contracts concluded with Members of the Management Board

Member of the Management Board	Position	Compensation-termination of contract before end of term of office	Compensation-resulting from not being elected for another term of office	Compensation-resulting from the non-competition clause (in months)	Violation of the non-competition clause by the employee (in months)
Czuba Krzysztof	Vice President of the Management Board	no less than 12 remunerations	12	18	24
Lundorff Niels	Vice President of the Management Board	no less than 12 remunerations	12	18	24
Maliszewski Artur	Vice President of the Management Board	no less than 6 remunerations, no more than 12	6	12	12
Skrok Witold	Vice President of the Management Board	no less than 6 remunerations, no more than 12	6	12	12
Smorszczewski Cezary	Vice President of the Management Board	no less than 12 remunerations	12	18	24
Sobieraj Wojciech	President of the Management Board	no less than 12 remunerations	12	18	24
Sułkowska Katarzyna	Vice President of the Management Board	no less than 6 remunerations, no more than 12	6	12	12



XII. Assessment of operations of the Alior Bank Group and plans for 2013

He who is fixed to a star does not change his mind

Leonardo da Vinci

XII. Assessment of operations of the Alior Bank Group and plans for 2013

1. Assessment of operations of the Alior Bank Group

2012 was a period when the global economy had to deal with a distinctive slowing of the growth rate which was accompanied by turbulences on international financial markets. For the majority of the year, financial markets operated under the pressure of concerns about Greece's bankruptcy and its withdrawal from the Eurozone, and the disclosure of liquidity problems in the Spanish banking sector, which could threaten the solvency of the whole country.

Despite the unfavourable market environment, Alior Bank noted another year of dynamic growth and earned the highest profit in its history:

- the Group's net profit amounted to PLN 332.5 million before including costs incurred due to the IPO
- total assets increased by 37.9% to PLN 21.4 billion;
- the distribution network of Alior Bank increased from 438 to 750 own and partners' outlets, and thus became one of the larger distribution networks of banking products in Poland;
- the Group's cost-effectiveness increased. The C/I ratio remained at the level of 64.3%, i.e. it has not changed compared with 2011, nevertheless PLN 159.1 million incurred in 2012 comprise one-off costs related to listing on the stock exchange and taking into consideration the one-off effect of the management incentive plan in operating expenses; before taking those one-off costs into consideration the C/I ratio amounted to 53.1%, i.e. 10.7 p.p. below the 2011 level;
- The Group effectively manages credit risk; the net impairment allowances and provisions increased by 49.2% to PLN 282.3 million; at the same time, amounts due from customers increased by 43.4%; and in consequence, the impairment allowances and provisions measured with reference to the average balance of loans dropped from 2.4% to 2.3%.

By way of the issue of shares on the stock exchange and thanks to the profit earned by the Bank, the Bank's equity increased by 101.9% to PLN 2.2 billion, and the solvency ratio increased to 17.0%. This offers a stable basis for the further safe development of the Bank's operations.

The Group consistently pursues the policy of financing the lending action fully using customer deposits without involving financing with deposits from the interbank market. As at the end of 2012, the balance of customer deposits amounted to PLN 17.5 billion, and the customer deposit to loan ratio amounted to 120.1%, which enabled good quality, stable and cost-effective financing of the Group's lending action.

The excess of liquidity defined according to PFSA standards amounted to PLN 1 872 million as at the end of 2012. The increase in equity following from issuing shares (PLN 700 million) and the issues of subordinated bonds (PLN X million) had an additional impact on the improvement in liquidity.

The risk management system accounts for all the risks material to the Alior Bank S.A. Group. The process of identifying, measuring and managing risk is adequate to the nature and size of the given risk. Moreover, in accordance with the strategy determined by the Supervisory Board, the Group does not hold speculative positions, thus minimizing all material market risks (currency, interest rate, commodity price, volatility, etc.).

2. Plans for 2013

The Bank intends to continue activities aimed at doubling the Bank's share in the individual customer loans and advances segment and loans to Polish SMEs by the end of 2016. The Bank will develop its direct lending services to households, among other things, in the form of cash loans and Consumer Finance. Work is also carried out to enhance and intensify sales in the enterprise segment. The Bank will continue developing its distribution channels, including expanding its network of mini-branches "Alior Bank Express", extending cooperation with trade partners as part of Consumer Finance services and further developing the internet platform.

The medium-term strategic plan of Alior Bank comprises doubling its share in the Polish banking sector (which amounts to 2.3% in respect of deposits and 1.9% in respect of loans as at the end of December 2012), mainly by obtaining an additional market share in all retail segments and in the SME segment. The Management Board aims to achieve the total C/I ratio at a level below 42%.

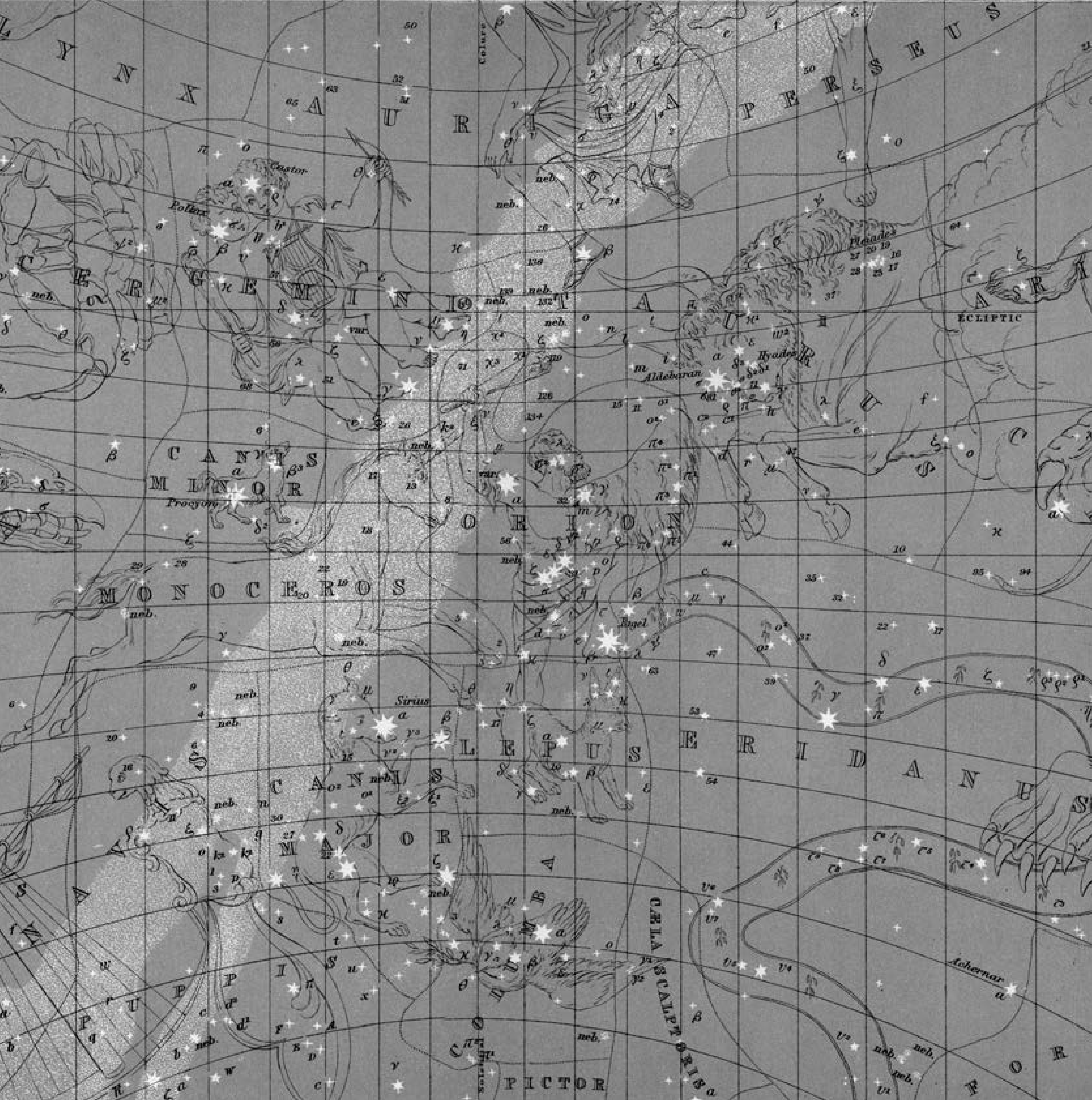
The Management Board expects that in the perspective to 2016:

- about two-thirds of the value of future sales will be derived from:
  - deepening the Bank's relationships with existing customers (cross-selling and up-selling);
  - winning new customers for the Bank's existing distribution network;
- one-third of total sales will be derived from new customers who will be acquired thanks to continuation of the implemented strategic initiatives such as: Alior Sync, Alior Express, Consumer Finance, as well as offer of completely new products. Development of the Alior Bank Group comprises the activities of the Bank's subsidiaries.

The strategy of Alior Raty covers the following development trends:

- beginning cooperation with the largest sales networks from the audio-video, household appliances, furniture and computer sectors;
- beginning cooperation with medium-sized sales networks from the audio-video, household appliances, furniture and computer sectors and with the largest local shops;
- beginning cooperation with Intermediaries and Multi-Intermediaries;
- further development of direct sales;
- further development of "small POSs";
- implementing systemic changes which will enable the optimization of our processes.

By the end of 2013, Alior Instytut SzkoleĐ plans to increase employment in the sales department, which should translate into an increase in sales revenue.



XIII. Management representations

Good friends are like stars.... You don't always see them, but you know they are always there

Epikur

XIII. Management representations

1. Appointing the registered auditor

The registered audit company auditing the annual financial statements of the Alior Bank Group was appointed in accordance with the legal regulations. This company and the registered auditors performing the audit met the requirements for issuing an unbiased and independent audit opinion on the annual statutory financial statements, in accordance with the respective legal regulations in force in Poland.

2. Policies adopted in the preparation of financial statements

The Bank's Management Board hereby represents that to its best knowledge, the annual consolidated financial statements for 2012 and the comparative figures have been prepared in accordance with the binding accounting policies and that they give a true, fair and clear view of the asset and financial position of the Alior Bank Group and its results. The Directors' Report included in this document reflects the true achievements, development and position of the Alior Bank Group, including a description of its basic risks, in 2012.

3. Material contracts

The Bank's Management Board represents that as at 31 December 2012
Alior Bank S.A. did not have:

- material loan contracts, warranties and guarantees not relating to operating activities;
- liabilities to the Central Bank.

In scope of reporting Alior Bank had contractual obligations resulting from issued debt securities or financial instruments due to securities or subordinated bonds issued.

In 2012 Alior Bank did not grant or terminate any lending agreements apart from standard business activity of the Bank.

During the last financial year no material transactions based on other than market conditions were concluded between affiliated entitites and the Alior Bank Group. The Bank did not grant any loans or guarantees to the affiliated enitites.

As part of preparing the Initial Public Offering, Alior Bank committed itself, vis-ą-vis the Polish Financial Supervision Authority, to immediately undertaking actions aimed at acquiring a rating from a renowned international rating agency at the beginning of 2013. Bank expects to gets the rating until end of the 3rd quarter 2013. Court proceedings in progress.

In 2012, in respect of retail customers, the Bank issued 12,402 executory titles of a total value of PLN 291 796 thousand.

In cases relating to business customers, the number of executory titles issued by the Bank in 2012 amounted to 760 and related to debt with a total value of PLN 152,487 thousand.

The value of proceedings relating to liabilities or receivables of Alior Bank in progress in 2012 did not exceed 10% of Alior Bank's equity.

In the Bank's opinion, no single court, arbitration court or public administration body proceeding in progress in 2012, and none of the proceedings jointly, could threaten the Bank's financial liquidity.

Signatures of all Members of the Management Board

6.03.2013 r.	Wojciech Sobieraj President	.... Signature
6.03.2013 r.	Krzysztof Czuba Vice President of the Board	.... Signature
6.03.2013 r.	Michał Hucał Vice President of the Board	.... Signature
6.03.2013 r.	Niels Lundorff Vice President of the Board	.... Signature
6.03.2013 r.	Artur Maliszewski Vice President of the Board	.... Signature
6.03.2013 r.	Witold Skrok Vice President of the Board	.... Signature
6.03.2013 r.	Katarzyna Sułkowska Vice President of the Board	.... Signature