



**Report on the activities
of the Supervisory Board of Alior Bank
in 2019**



April 2020

In the reporting period, the Supervisory Board of Alior Bank Spółka Akcyjna with its registered office in Warsaw (hereinafter referred to as “Bank” or “Alior Bank”), when acting on the basis of the provisions of the Code of Commercial Companies and Partnerships, the Banking Law Act and other applicable provisions of law, Articles of Association of the Bank and the Rules of the Supervisory Board, exercised permanent supervision of the activities of the Bank in all areas of its activity.

When fulfilling their statutory obligations in 2019, the Supervisory Board actively participated in monitoring and exercising supervision of key areas of the Bank’s activities, including risk management and fulfilment of requirements imposed by supervisory authorities. Within the framework of said obligations, the Supervisory Board became acquainted with periodical reports on credit risk, operational risk, including issues covering information technology, market and liquidity risk, hard-to-measure risks (model risk, business risk), as well as with the results of the review of the internal capital adequacy assessment process (ICAAP). An important element within the scope of the activities performed by the Supervisory Board in the reporting period was the supervision over the financial results of the Bank including, in particular, the supervision over the implementation of the financial plan for 2019, by taking into account one-off events that exerted an impact on the Bank's financial result for the financial year ended 31 December 2019. The Supervisory Board received and analysed, on an ongoing basis, periodic reports presenting the current financial results of the Bank, as well as the solvency ratio and capital requirements of the Bank. When fulfilling the requirements of the supervisory authorities, the Supervisory Board approved an updated Recovery Plan for the Capital Group Alior Bank S.A.

On 26 November 2018, the Supervisory Board appointed Mr Dariusz Szwed to the Management Board of the Bank as of 1 January 2019 and Mr Tomasz Biłous as of 1 February 1 2019, while entrusted them both positions of Vice-Presidents of the Management Board.

On 27 February 2019, the Supervisory Board appointed Krzysztof Bachta as the President of the Management Board being guided by the decision of the Polish Financial Supervision Authority issued on 26 February 2019, on granting consent to appointing Krzysztof Bachta as the President of the Management Board of Alior Bank S.A. Simultaneously, on 26 February 2019, the Polish Financial Supervision Authority granted their consent to entrusting Marek Szcześniak with the position of the Member of the Management Board of Alior Bank S.A. supervising the management of the risk substantial in the Bank’s activity.

After the period covered by the report expired, on 17 January 2020, Mr Mateusz Poznański resigned as Member of the Management Board of the Bank with effect from 29 February 2020.

The subject-matter of interest of the Supervisory Board in 2019 was, among others, topics related to, either, the volume and quality of the customer portfolio, the level of credit sales, and margins. The Supervisory Board received information on the strategy and direction of corporate banking

development, as well as within the scope of organisational and methodological changes in the area of Business Customer risk management.

In 2019, the Supervisory Board examined the issue of paying deferred tranches to entitled persons for 2015-17 and granting variable remuneration for 2018 in accordance with the Remuneration Policy of Alior Bank S.A. When implementing changes in the Policy, the Supervisory Board ensured compliance with the provisions of the Resolution No. 6/2017 of the Annual General Meeting of Alior Bank Spółka Akcyjna of 5 December 2017 on the rules determining the remuneration of the Members of the Board of Alior Bank Spółka Akcyjna. The Supervisory Board exercised active supervision over compliance with the rules of the Remuneration Policy and adopted resolutions required in this regard. Furthermore, when fulfilling the obligations arising from the EBA Guidelines on the assessment of the suitability of members of the management body and persons performing the most important functions – EBA/GL/2017/12 of 21 March 2018, the Supervisory Board of 29 November 2019 adopted a Developmental Policy for Members of the Management Board and the Supervisory Board of Alior Bank S.A.

Assessment of the situation of the company covering the internal control systems, risk management, compliance, and internal audit functions

An internal control system whose objectives, in accordance with the law, are defined in the Bank's Articles of Association is present at the Bank. The internal control system encompasses all activities of the Bank, i.e., all its organisational units and entities, as well as subsidiaries.

The internal control system at the Bank is constructed in accordance with the model of separated three lines/levels of defence. The first line of defence refers to risk management in the Bank's operating activities and is based on business units whose functioning generates three different types of risk affecting the achievement of objectives by the Bank. The second line of defence comprises risk management at dedicated positions or in organisational units independent from risk management under the first line of defence and the compliance function. The third line of defence consists of the activities of the internal audit unit. At all three levels of defence, a control function was organised within which the Bank's employees apply as appropriate certain control mechanisms or independently monitor compliance therewith.

Specific tasks within the internal control system lie within the Audit Department (AD) whose basic task is to either investigate and evaluate – independently and objectively – the adequacy and effectiveness of the internal control system. The Bank has in place appropriate mechanisms ensuring the independence and objectivity of the internal audit unit. The Supervisory Board, in particular, the Audit Committee of the Supervisory Board, as well as Management Board receive periodical reports from the internal audit unit including information on the results of the audits and internal controls

carried out, progress in the execution of the orders given, as well as information on the activities of the internal audit. In December 2019, the Supervisory Board approved the Audit Plan for 2020 and Strategic Audit Plan for 2020-2024. The Supervisory Board also approved the update of the basic document governing the activities of the AD, i.e., Audit Cards and the Programme for Quality Assurance and Improvement.

A compliance unit also plays an important role in the internal control system, i.e., Regulation Compliance Department (CD, Compliance). It is a separate, independent organisational unit of the Bank, whose basic task is to ensure the observance of the law, internal regulations, and market standards by the Bank through the control function and Compliance Risk management. The CD carries out processes of risk identification, assessment, control, as well as monitoring and reporting in accordance with provisions of the Compliance Policy. The CD also acts as a controller of the control function matrix and coordinates the implementation of this element of the internal control system at the Bank. Detailed CD operating rules are stipulated in the Operating Rules for the Compliance Department and detailed procedures and instructions which govern activities performed as part of the control function and Compliance Risk management.

When executing an order included in the Compliance Policy applicable at the Bank, the Supervisory Board became familiar with and accepted the Compliance Department Action Plan for 2019 prepared on the basis of the results of the identification and assessment of the compliance risk conducted by the CD. Subsequently, through the Audit Committee of the Supervisory Board, the Supervisory Board received quarterly reports on the compliance risk management and execution of the control function. These reports included, in particular: results of the current compliance risk assessment, information on key changes to provisions of law, internal regulations and market standards, results of the tests on compliance risk along with the information on the status of the execution of orders given by the CD, results of the process of Key Compliance Risk Indicators (KRI) monitoring, as well as information on the functioning of the process of reporting violations and irregularities by employees of the Bank (whistleblowing system). The Supervisory Board also had an opportunity to hold direct discussions on issues in the area of compliance risk with the manager of the Compliance unit of the Bank who participated in the meetings of the Audit Committee of the Supervisory Board on a regular basis.

In 2019, the Supervisory Board, and to a particular extent, the Audit Committee of the Supervisory Board, drew special attention to the project for reorganising the internal control system carried out by the CD. The aim thereof to improve the effectiveness and adequacy of this system and to organise it in a manner that complies with both legal and organisational requirements.

In the view of the Supervisory Board, the internal control system in 2019 was subject to significant improvements; nonetheless, it still requires optimisation and stabilisation, in particular, as regards the implementation of the control function.

As of 1 October 2019, the Supervisory Board appointed a new Director for the Regulation Compliance Department. In December 2019, the Supervisory Board also authorised the Compliance Unit's Action Plan for 2020, which had previously been approved by the Bank's Management Board. Risk management is one of the most crucial internal processes at the Bank and Alior Bank Group. The role of the risk management system is to ensure adequate and early recognition and management of material risks related to the Bank's activities.

The Bank's risk management system is based on three independent lines of defence. Its framework is set by standards applicable at the banking sector, as well as guidelines in regulations, including supervisory recommendations which are reflected in the applicable internal regulations.

Risk management strategy at the Bank was described in the Risk Management Policy at Alior Bank, approved by the Management Board of the Bank and accepted by the Supervisory Board. The main aim of the Risk Management Policy is to support achievement of business goals and execution of the Bank's strategy by active risk management and ensuring stable capital status. The aim of the Risk Management Policy is to stipulate rules related to the management of particular types of risk on the level which makes it possible to achieve financial objectives and ensure full security of basic business activities, as well as compliance with regulatory requirements at the same time.

The Bank exercises supervision of the operations of subsidiary companies of the Bank Capital Group. The Bank supervises the risk management systems in these entities and takes into consideration the risk level of activities of particular entities within the risk monitoring and reporting system on the level of the Bank's Group. Subsidiary companies establish and update internal regulations related to the management of significant types of risk while taking into consideration recommendations formed by the Bank and taking into consideration provisions of the Risk Management Policy of Alior Bank S.A. Group with reference to subsidiary companies.

The Management Board of the Bank is responsible for either establishing, implementing, and effective functioning of risk management processes, as well as for improving such processes on an ongoing basis. The Supervisory Board supervises the compliance of the policy on taking different types of risk with the strategy and financial plan of the Bank.

The Bank maintains its exposure to credit risk in connection with its lending activity, whose goal is to generate return on the engaged capital. The Bank manages the credit risk exposure by taking into account the goal of optimising the quality of the credit portfolio with the assumed rate of return on the invested capital and appropriate diversification of the assets acquired as part of the Bank's lending activities. In 2019, the Bank made special efforts aimed at improving the credit portfolio through

appropriately tailoring processes for granting and monitoring credit exposures, as well as the process of accepting adequate credit exposure collaterals which mitigate the credit risk. The changes are to reduce risk costs (improving the profile) and their volatility (reducing concentration) as well as to lower the sensitivity of the Bank's results towards a potential economic slowdown.

The Bank manages its exposure to liquidity risk, by taking into account the objective of ensuring, at any moment of the operation, full liquidity in the short, medium and long term, i.e., the ability to pay all liabilities in a timely manner, both in a normal and in a crisis situation, caused by both internal and external factors.

The Bank has in place a formalised operational risk management system within which it prevents operating events and incidents and minimise loss in case of risk materialization. The operational risk management process is implemented at all management levels of the Bank – from basic organisational units to the Management Board and the Supervisory Board. The amount of operating losses in 2019 was within the accepted operational risk goal and limit for the Bank.

To measure regulatory capital for operational risk, since 2018, the Bank has been using an advanced method of operational risk assessment AMA. On 14 February 2019, the Bank was authorised by the Polish Financial Supervision Authority to implement a significant expansion for the AMA approach by encompassing historical consequences of the acquired business of Bank BPH S.A.

The exposure to the market risk (including interest rate risk of the banking book) is formally limited at the Bank by a system of periodically updated limits, introduced by resolution of the Supervisory Board or Management Board, encompassing all risk measurements whose level is monitored and reported by Bank's organizational units which are independent of the business. Market risk management is focused on potential changes in the economic result. Non-quantifiable risks related to the conducting of treasury activities are also limited by quantitative requirements applicable at the Bank related to the risk management process (internal control system, implementation of new products, legal risk analysis, operational risk analysis).

The risk management system applicable at the Bank is adjusted to the activities carried out by the Bank and its organisational structure, complexity of the activities, size, and profile of risks. As part of the risk management system, the Bank uses formal procedures to identify, measure and monitor risks, as well as formal limits restricting risks. The system of managerial information in the Bank enables the effective monitoring of risk levels.

Furthermore, the following standing committees supporting the Management Board of the Bank in risk management functioned in the reporting period:

Capital, Assets and Liabilities Management Committee (CALCO),

Bank's Credit Committee,

Operational Risk Committee,

Lower Level Credit Committee,
Credit Committee for Individual Customer Debt Collection Department,
Model Risk Committee,
Credit Risk and Business Initiatives Committee.

How the Bank fulfils its information obligations

Alior Bank Alior Bank, as a public company, is held obliged to apply the corporate governance principles contained in the document named “Best Practice of WSE Listed Companies 2016” (“Best Practice”), as well as to comply Alior Bank with regulations regarding the provision of current and periodic information by issuers of securities. By resolution of the Supervisory Board of the Bank of 29 December 2014, the Bank has also adopted the Corporate Governance Rules for Supervised Institutions, which has been affirmed in Resolution no. 25/2015 of the Annual General Meeting of the Bank of 25 May 2015.

As part of ongoing control, in the second half of 2019, a new revision was conducted of how the Bank has used the recommendations and principles included in Best Practice. On 10 September 2019, an information was published on the status of their application by the Bank. Moreover, the Bank has been taking active measures to meet stakeholder information needs, caring for universal and equal access to information, in accordance with the highest market standards.

Activities related to the fulfilment of information obligations by the Bank and maintaining appropriate relations with investors and analysts are carried out by the Investor Relations Department. Main activities of the Department aim at ensuring permanent, equal and prompt access to information on all major events concerning the Bank which have or may have impact on the value of its shares. The Investor Relations Department organises regular meetings of the Management Board of the Bank with market actors. Such meetings address current financial and operating standing of Alior Bank, and present its operating strategy and projected paths of development. In addition to the topics mentioned above, these meetings address topics related to the current macroeconomic situation, general condition of the financial sector, and the Bank’s competitive environment.

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

An important tool supporting communication with the participants of the capital market are tabs, which are updated on an ongoing basis, related to investor relations, available at the website of Alior Bank at <https://www.aliorbank.pl/dodatkowe-informacje/relacje-inwestorskie/relacje->

inwestorskie.html, where information necessary to carry out an analysis and evaluation of the functioning of Alior Bank can be found.

Taking the foregoing into consideration, the Supervisory Board of the Bank positively assesses the manner how the Bank fulfilled its information obligations in 2019.

Information concerning educational, cultural, and charitable activities

As an institution laying emphasis on corporate social responsibility, Alior Bank has been involved in a wide range of initiatives, both on a local and on a nation-wide scale for years. Such activities aim at both supporting the execution of particular projects, but also popularising knowledge in the area of social responsibility and sustainable development among employees, customers, business partners, and shareholders of the Bank.

Sponsoring

“Large Companies for Small Patients”

As part of the “Large Companies for Small Patients” initiative, Alior Bank financed the renovation of the spectacle room at the “Children's Health Centre” hospital in Warsaw. Donation of PLN 250 thousand allowed for a thorough renovation of the auditorium in the hospital. In addition, our volunteering employees got involved in helping repaint the staircase leading to the spectacle room.

Working with the Zaczytani.org Foundation

In 2019, Alior Bank has become strategic partner of the Zaczytani.org Foundation. Its mission is reading promotion and social education. Additionally, the fairytale therapy sessions conducted at hospitals by Foundation volunteers contribute to supporting good health and higher quality of life. The activities conducted together with the Foundation follow the #HigherCulture (#WyższaKultura) motto which is imprinted in the Bank’s strategy of social and sponsoring activities. Supporting the Zaczytani.org Foundation, Alior Bank contributes to the development of education, culture, and reading in Poland, and plays its part in providing good health. We contribute to goals number three and four of the UN Sustainable Development Goals. Twenty-nineteen was a year full of joint projects, events and initiatives with the Zaczytani.org Foundation. The most important among them are described below.

1. Great Book Collection – during the nationwide collection, the foundation collected over 603,000 books. Over 100 Alior Bank branches joined the initiative, thanks to which it expanded from 7 to 77 cities across Poland. Alior Bank itself donated 36,000 books to the foundation.

2. Reading-Engrossed Academy – 82 Bank employees took part in fairytale therapy training courses and received Fairytale Educator certificates. These people regularly visit hospitals where they conduct fairytale therapy activities for children.
3. Reading-Engrossed Benches (*Zaczytane Ławki*) are urban furniture in the shape of open books which raise interest in reading, inspire and educate. In 2019, 12 new Reading-Engrossed Reading were created, including 3 sponsored by Alior Bank – these Alior Bank’s 3 benches attracted an audience of 13.5 million.
4. Reading-Engrossed Libraries – to date, the foundation has created over 1,000 such libraries. They are placed, among others, in hospitals, orphanages, and common rooms. With Alior Bank’s support, 288 new libraries were created in 2019 alone. 10 of them were created under the direct patronage of the Bank. A total of 25,200 direct beneficiaries benefited from Alior Bank’s libraries.
5. Readership events – the Foundation regularly holds readership events throughout Poland. In 2019, 32 such events took place, of which 14 with the participation of Alior Bank. These events with our participation attracted about 200,000 participants.

Other sponsorship activities:

In 2019, Alior Bank became a nationwide partner of the 12th Cavalcade of the Magi in Poland for the fourth time in a row.

The Bank also took sponsorship of the fifth edition of the “Polish Language Capital City Festival” in Szczepieszyn which was held in August. This event got the rank of one of the most important literary festivals in Poland.

In October 2019, Cracow hosted the 5th European Cybersecurity Forum – CYBERSEC 2019, and Alior Bank was its strategic partner. This event figures into several Alior Bank’s strategic areas – innovation and security. It is the third sponsorship of that event by Alior Bank in a row. The Bank also sponsored sporting competitions as part of Private Banking activity. The activities started in 2018 were continued, by extending partnership to golf tournaments held by PGA Polska (Golf Coaches’ Association). These tournaments are attended by wealthy people qualified to do Private Banking segment – top managers, business people, and celebrities.

In 2019, as a continuation of cooperation with the Polish Football Association, Alior Bank supported Poland’s Football National Team as its official partner.

It’s another time that Alior Bank sponsored the Rock Legend Festival in Dolina Charlotty. Six concerts were organised during the Festival including: John Fogerty, Foreigner, or Thirty Seconds to Mars.

Charity and workforce volunteering activities

In 2019, as part of the workforce volunteering programme “Engaged in helping”, almost 80 various events and social activities were delivered, in which about 2,000 Bank’s employees took part. Below one may find the most important of them, some of which are continuations of initiatives from previous years.

1. Educational action for children and young people carried out as part of the “Banking is OK” project which involved more than 100 people.
2. Workshops aimed at preparing for the role of fairytale educators organised with the Zacytani.org Foundation - a social partner of Bank.
3. The “Give a Gift” Christmas initiative – over 1,300 employees from all over Poland were involved in it while preparing gifts for over 360 beneficiaries from educational institutions and hospitals.
4. As part of the programme to develop the competences of the staff of the service network, a project called “Development-Zappy – Engaged in Helping” was delivered, to which 110 employees from all our sales regions were invited. These people took part in an educational workshop devoted to Sustainable Development Goals, and then independently prepared and delivered local community projects. Thus, almost 200 employees got involved in the activities.
5. Poland’s first Social Ideathon “where there's a will there's a way” (Chcieć to MOC) – an event held by nine companies allied within the Human Explorers initiative. The purpose of the event was to work out new solutions to improve the employment situation of people with disabilities. The Integracja Foundation was the social partner of the event.

In 2019, and increased interest in social activities as a team-building tool among the Bank’s workforce was notable. On the initiative of particular units, refurbishment projects were delivered for the places of community activity of seniors and childcare centres, rehabilitation of green areas of healthcare facilities, as well as actions to promote healthy and active lifestyle.

Assessment of the financial statements of Alior Bank Spółka Akcyjna for the financial year ended on 31 December 2019 along with the assessment of the financial statements of the Capital Group of Alior Bank Spółka Akcyjna for the financial year ended on 31 December 2019

Pursuant to art. 382 § 3 of the Code of Commercial Companies and Partnerships, as well as § 70 par. 1 item 14 of the Regulation on current and periodic information, the Supervisory Board of the Bank assessed the financial statements (both unconsolidated and consolidated) submitted by the Management Board of the Bank for the financial year ended on 31 December 2019.

The financial statements of Alior Bank Spółka Akcyjna includes:

- statement on financial standing as at 31 December 2019, which shows on the assets and liabilities side a sum in the amount of PLN **73,334,513** thousand,
- profit and loss account for the period from 1 January 2019 to 31 December 2019, which shows a net profit in the amount of PLN **288,607** thousand,
- statement of comprehensive income for the period from 1 January 2019 to 31 December 2019, which shows income in the amount of PLN **313,654** thousand,
- statement concerning changes in equity for the financial year from 1 January 2019 to 31 December 2019, which shows an increase in equity in the amount of PLN **308,875** thousand,
- additional notes and explanations.

The financial statements of the Capital Group of Alior Bank Spółka Akcyjna includes:

- statement on financial standing as at 31 December 2019, which shows on the assets and liabilities side a sum in the amount of PLN **76,735,834** thousand,
- profit and loss account for the period from 1 January 2019 to 31 December 2019, which shows a net profit in the amount of PLN **252,832** thousand, including a net profit for the shareholders of the dominant unit in the amount of PLN **252,832** thousand,
- statement of comprehensive income for the period from 1 January 2019 to 31 December 2019, which shows income in the amount of PLN **277,879** thousand,
- statement concerning changes in equity for the financial year from 1 January 2019 to 31 December 2019, which shows an increase in equity in the amount of PLN **273,142** thousand,
- additional notes and explanations.

The financial statements of Alior Bank Spółka Akcyjna and the Capital Group of Alior Bank Spółka Akcyjna for the period from 1 January to 31 December 2019 were prepared in accordance with the continuously applied International Financial Reporting Standards (IFRS) adopted by the European Union as at 31 December 2019.

In reports of an independent statutory auditor on the audit, the statutory auditor – KMPG Audyt Sp. z o.o. sp.k. with its registered office in Warsaw, ul. Inflancka 4A, assessed that unconsolidated and consolidated statements:

- give a true and fair view of the economic and financial standing of the Bank and its Capital Group as at 31 December 2019 as well as unconsolidated and consolidated financial results and unconsolidated and consolidated cash flows for the financial year ending on 31 December 2019, in accordance with the International Accounting Standards, International Financial Reporting Standards and related interpretations published as European Commission regulations and the adopted accounting principles (policies),

- were prepared on the grounds of dutifully kept, in all material aspects, books,
- comply, with respect to their form and content, in all material aspects with the applicable provisions of law and of the Articles of Association of the Bank.

Having thoroughly reviewed the financial statements of Alior Bank Spółka Akcyjna and the financial statements of the Capital Group of Alior Bank Spółka Akcyjna for the year ended on 31 December 2019, as well as having become familiar with the reports on the audit, the Supervisory Board positively assesses said financial statements with regard to their compliance with the books and documents and confirms that they contain information which properly reflect the economic and financial standing of the Bank and its Capital Group.

Simultaneously, the Supervisory Board states that the financial statements mentioned above were prepared within the deadline specified by law and in accordance with the International Financial Reporting Standards which were approved by the European Union. Correctness of the financial statements subject to assessment as to their compliance with the books, documents and actual state of affairs does not raise any reservations and is confirmed in positive opinions of the statutory auditor. The Supervisory Board recommends adopting a resolution on the approval of the financial statements of Alior Bank Spółka Akcyjna (both unconsolidated and consolidated) for the financial year ended on 31 December 2019 to the Ordinary General Meeting of the Bank.

Assessment of the report of the Management Board on the activities of the Capital Group of Alior Bank Spółka Akcyjna in 2019 comprising the report of the Management Board on the activities of Alior Bank Spółka Akcyjna

Pursuant to art. 382 § 3 of the Code of Commercial Companies and Partnerships, as well as § 70 par. 1 item 14 of the Regulation on current and periodic information, the Supervisory Board assessed the statement on the activities of the Capital Group of Alior Bank S.A in 2019 comprising the report of the Management Board on the activities of Alior Bank S.A. presented by the Management Board.

The Supervisory Board states that the report of the Management Board complies with applicable provisions of law and is consistent with the information provided for in the financial statements. The report of the Management Board in a synthetic form presents all material aspects of the activities of the Bank in a given reporting period. The information in the report of the Management Board is consistent with the books, documents, and actual state of affairs.

The Supervisory Board recommends adopting a resolution on the approval of the report of the Management Board on the activities of the Capital Group of Alior Bank S.A. in 2019 comprising the

report of the Management Board on the activities of Alior Bank S.A. to the Ordinary General Meeting of the Bank.

Assessment of the motion of the Management Board of the Bank concerning the distribution of profit for 2019

Pursuant to art. 382 § 3 of the Code of Commercial Companies and Partnerships, the Management Board filed with the Supervisory Board a motion concerning the distribution of profit of the Bank for 2019, included in the Resolution of the Management Board no. 66/2020.

The Management Board suggested that the profit of the Bank from its operation in the financial year of 2019, in the total net amount of 288,606,845.42 (say: two hundred eighty-eight million six hundred six thousand eight hundred forty-five zlotys 42/100) to be distributed in the following manner:

- control plan to cover the undivided result from previous years (loss), the amount of **PLN 282,337,247.76** (say: two hundred eighty-two million three hundred thirty-seven thousand two hundred forty-seven zlotys 76/100),
- non-distributable profit from the operations of the Building Society in the amount of **PLN 6,266,597.65** (say: six million one-hundred and six thousand three hundred forty-four zlotys 66/100), pursuant to art. 5 par. 4 of the Act of 26 October 1995 on certain forms of support for housing construction (as amended) for supplementary capital.

Brief assessment of the situation of the Bank in 2019

In 2019, the Capital Group of Alior Bank S.A. generated PLN 3,794 million of revenue and PLN 253 million of net profit. Excluding the impact of the CJEU judgment regarding partial reimbursement of fees and commissions for early repayments of consumer credits, revenues amounted to PLN 4,173 million, and the net result to PLN 559 million. The ROE this year was 3.82%. After having excluded the impact of the CJEU judgment, ROE was at 8.44%. The Bank also improved the cost of financing – in the Q4 the CoF amounted to 1.12% (in December 2019 alone – 1.08%).

Capital ratios at the end of 2019 strongly grew. TIER1 reached the highest result in history and amounted to 13.48%, while TCR reached the level of 16.20%, which is a solid buffer over regulatory requirements at 198 bps (PLN 980 million) and 270 bps, respectively (PLN 1,300 million).

The Bank's net interest margin (NIM) in 2019 was 4.51% (-12 bps y/y). Without taking into account the impact of CJEU judgments, it would have amounted to 4.71%. The Bank has been consistently improving the margin on strategic products – it recorded an increase in net interest income y/y 3.1% (from PLN 3,085 million in 2018 to PLN 3,181 million in 2019), and by 7.5% without taking into account the impact of the CJEU judgment.

The cost/income ratio (C/I) in 2019 was 43%, i.e., 0.1 pp less compared to 2018. Excluding the impact of the CJEU judgment, it would have amounted to 39.1%. The Bank's activity expenses amounted to PLN 1,630 million and are 4.4% lower than in 2018. In connection with the increased risk costs in the business customer agro segment, the risk costs amounted to PLN 1,437 million. The risk cost index increased by 0.54 pp to 2.39%.

Alior Bank acquired 117 thousand new individual customers in 2019. The total base of these customers is currently at the level of 4.15 million people. One may notice an improvement in the structures of newly established Personal Accounts (PA): the number of accounts with transactions and with systematic inflows increased by 61% and 65%, respectively. The importance of digital channels is also undergoing growth. The number of Alior Bank mobile application users increased to 456,000, which represents an increase of 64% year-over-year. Sales of ACs and savings accounts on-line increased by 56% in 2019.

In the fourth quarter of 2019, Alior Bank recorded a 13% increase in the number of new business customers compared to the same period last year. The new acquisition is aimed at greater cross-selling of customers and focuses on developing main relationship with them. In the fourth quarter of 2019, the Bank recorded a nearly two-fold increase in sales in the segments of small-sized, medium-sized, and large-sized enterprises on a quarterly basis (from PLN 575 million at the end of Q3 to PLN 1,078 million at the end of Q4), which is the result of, among others, organisational changes within the network of Corporate Centres.

Micro-sized enterprises represent a dynamically growing segment of the Bank. At the end of 2019, the number of customers from this sector amounted to 192.2 thousand. (vs. 159,000 at the end of 2018). Within this period, the number of new micro customers increased by 53% year-over-year and they opened over 30,000 new current accounts (representing a 45% increase y/y). In the fourth quarter, as many as 61.9 thousand micro-entrepreneurs paid ZUS (Social Insurance Institution) contributions and taxes via an account at Alior Bank (an increase of 18% y/y). Greater efficiency in the smallest companies segment is feasible thanks to significant online customer acquisition. Micro-customers are increasingly setting up company accounts through remote channels – their share exceeded 40.3% in the fourth quarter (compared to 35.2% at the end of 2018).

Report on the fulfilment of supervisory obligations with regard to the activities of the Bank in 2019

Composition of the Supervisory Board

As at 1 January 2019, the Supervisory Board was composed of:

- Tomasz Kulik Chairman of the Supervisory Board
- Małgorzata Iwanicz-Drozdowska Deputy Chairwoman of the Supervisory Board

- Marcin Eckert Member of the Supervisory Board
- Dariusz Gątarek Member of the Supervisory Board
- Mikołaj Handschke Member of the Supervisory Board
- Artur Kucharski Member of the Supervisory Board
- Wojciech Myślecki Member of the Supervisory Board
- Maciej Rapkiewicz Member of the Supervisory Board

Changes in the composition of the Supervisory Board of the Bank took place in the reporting period. On 31 January 2019, Ms Małgorzata Iwanicz-Drozdowska, Deputy Chairwoman of the Supervisory Board resigned as Member of the Supervisory Board of the Bank.

On 27 February 2019, Marcin Eckert was appointed a new Deputy Chairman of the Supervisory Board.

As at 31 December 2019, the Supervisory Board of the Bank was composed of:

- Tomasz Kulik Chairman of the Supervisory Board
- Marcin Eckert Deputy Chairman of the Supervisory Board
- Dariusz Gątarek Member of the Supervisory Board
- Mikołaj Handschke Member of the Supervisory Board
- Artur Kucharski Member of the Supervisory Board
- Wojciech Myślecki Member of the Supervisory Board
- Maciej Rapkiewicz Member of the Supervisory Board

Organisation of the Supervisory Board Work

Works of the Supervisory Board within the period covered by the report were managed by Tomasz Kulik performing the function of the Chairman of the Supervisory Board.

The Supervisory Board operates pursuant to the Articles of Association, as well as the Regulations adopted by the Supervisory Board. Meetings of the Supervisory Board are convened as necessary, but no less frequently than three times a financial year. Resolutions of the Supervisory Board are adopted by an absolute majority of votes unless the provisions of law or the Articles of Association stipulate otherwise, in open voting. In personal matters or at the request of at least one member, the Chairman of the Supervisory Board orders secret voting. If there is a tie on votes, the vote of the Chairman of the Supervisory Board is the casting vote. For the resolutions to be valid, all members of the Supervisory Board must be invited to the meeting and at least half of the members of them must be present at the meeting. The Supervisory Board appoints the Audit Committee, Risk

Committee of the Supervisory Board, as well as other committees required by law which are composed of its members. It may also appoint permanent or temporary committees to perform specified tasks. Tasks and competencies of particular committees are stipulated by the Supervisory Board.

In 2019, the following committees were appointed by the Supervisory Board: Nomination and Remuneration Committee, Audit Committee, and Risk Committee of the Supervisory Board.

Pursuant to the Articles of Association of the Bank, at least two members of the Supervisory Board fulfilled the criteria of independence from the Bank and the Bank's affiliated entities. The criteria of independence of the members of the Supervisory Board are stipulated in the Regulations of the Supervisory Board of the Bank, in accordance with the criteria stipulated in the Best Practice.

Activities of the Supervisory Board

In the financial year of 2019, the Supervisory Board held 16 meetings and adopted in total 141 resolutions related to i.a.:

- approval of the amendment to the “Credit Risk Management Policy at Alior Bank S.A. along with the risk appetite for 2018”,
- adoption of “Regulations for crediting members of the Bank's bodies, persons holding B-class executive positions and their related entities, as well as shareholders., persons employed at parent entities, and the Bank's employees”
- approval of the internal division of competencies within the Management Board of the Bank,
- issue of a positive opinion on the acquisition by Bank Spółdzielcza Kasa Oszczędnościowo – Kredytowa “Jaworzno”,
- statement of the Supervisory Board on the selection of an audit firm at Alior Bank S.A.,
- statement of the Supervisory Board regarding the establishment and operation of the Audit Committee of the Supervisory Board of Alior Bank S.A.,
- approval of objectives and their weight for the Members of the Management Board of Alior Bank S.A. for 2019,
- further postponement of the deadline for completing the assessment process for granting variable remuneration,
- issue of a positive opinion on the Bank's disposal and acquisition of financial assets classified as fixed assets in connection with the Bank's operating activities,
- approval of the Compliance Unit's Annual Action Plan for 2019,
- election of the Deputy Chairperson of the Supervisory Board,
- appointment of Mr Krzysztof Bachta as the President of the Management Board,

- assessment of the collective suitability of the Alior Bank S.A. Supervisory Board,
- appointment of the chairperson of the Audit Committee of the Supervisory Board of Alior Bank S.A.,
- changes to the composition of the Risk Committee of the Supervisory Board of Alior Bank S.A.,
- assessments of: the financial statements of Alior Bank S.A. for the year ended 31 December 2018, the financial statements of the Alior Bank S.A. Capital Group for the year ended 31 December 2018, the Management Board's report on the operations of the Alior Bank S.A. Group encompassing the Management Board's report on the operations of Alior Bank S.A. for the year ended on 31 December 2018,
- approval of the Audit Department's annual report for 2018,
- assessment of the report on the Internal Control System at Alior Bank S.A. for 2018,
- issue of a positive opinion regarding transactions carried out in the past regarding the disposal and acquisition by the Bank of certain financial assets classified as fixed assets in connection with the Bank's operating activities,
- approval and the Strategy and risk appetite for 2019,
- the Supervisory Board's approval of activities related to the current operational activity of the Bank in connection with the disposition and acquisition by the Bank of certain fixed assets classified as financial assets,
- approval of the Policy for the Management of Banking Outsourcing, Insourcing, and Sensitive Services at Alior Bank S.A.,
- approval of Strategy and risk appetite for 2019,
- assessment of the effectiveness of the compliance risk management system in 2018,
- approval of changes to the “Compliance Policy” and “Regulations of the Department of Regulation Compliance”,
- issue of a positive opinion regarding transactions carried out from 19 April 2018 to 25 November 2018 (inclusive) regarding the disposal and acquisition by the Bank of certain financial assets classified as fixed assets in connection with the Bank's operating activities,
- opinion on the creation and acquisition by Alior Bank of shares in a limited liability company,
- opinion on the Bank joining a limited joint-stock partnership and the acquisition by Alior Bank of shares in a limited joint-stock partnership,
- principles for granting consent for the Bank to conclude debt relief agreements or other agreements having a similar effect with a value exceeding PLN 50,000,
- approval for an update of the Credit Concentration Risk Management Policy,
- approval of the Audit Plan for 2019 in the Romania branch office,

- approval of the results of credit risk stress tests,
- approval of an update of the Recovery Plan of the Capital Group of Alior Bank S.A.,
- amendment to the objectives and their weight for the Members of the Management Board of Alior Bank S.A. for 2019,
- principles of expressing a positive opinion by the Supervisory Board regarding disposal and acquisition by the Bank of financial assets classified as fixed assets consisting in granting credits and loans,
- issue of a positive opinion on the activities carried out in the period from 19 April 2018 to 25 November 2018 (inclusive) regarding the disposal and acquisition by the Bank of financial assets classified as fixed assets in the field of granting credits and loans,
- approval of the document “Annual Audit Plan for 2019 in the Brokerage House – Operational Plan”,
- recommendation to the Annual General Meeting of the Bank to adopt Resolutions regarding consideration and approval of: the Financial Statement of Alior Bank S.A. for the period from 1 January to 31 December 2018, the financial statements of the Alior Bank S.A. Capital Group for the period from 1 January to 31 December 2018, as well as the Management Board's report on the operations of the Alior Bank S.A. Group in 2018 encompassing the Management Board's report on the operations of Alior Bank S.A.,
- motion of the Management Board concerning distribution of profit of the Bank from the operations in the financial year of 2018,
- adoption of the report on the activities of the Supervisory Board for the financial year of 2018,
- opinion on the Report of the Management Board on representation expenses, as well as legal services, marketing services, public relations and social communication services, and management consultancy services spending,
- approval of the updated Remuneration Policy at Alior Bank S.A.,
- approval of the technical update to the financial plan of Alior Bank S.A. as well as the financial plan of Alior Bank S.A. Group for the financial year ending on 31 December 2019,
- approval of the technical update to the Bank's Strategy for 2017-2020,
- update to the Regulations of the Risk Committee of the Supervisory Board of Alior Bank S.A.,
- opinion on the materials submitted by the Management Board of the Bank for deliberation to the Ordinary General Meeting of the Bank,
- approval of the amendments to the regulations concerning capital management, internal capital adequacy assessment, as well as capital allocation to credit risk and operational risk,

- acceptance of the recommendations of the Audit Committee of the Supervisory Board of Alior Bank S.A. regarding the selection of the entity authorised to audit the financial statements of Alior Bank S.A. and the Alior Bank S.A. Capital Group,
- approval of the update of the Risk Management Policy of the Alior Bank S.A. Capital Group in relation to subsidiaries,
- approval of the Strategy amendment and interest rate risk appetite in the banking book for 2019,
- recommendation to the Annual General Meeting of the Bank to grant discharge to Members of the Bank's Management Board in respect of their duties in the 2018 financial year,
- approval of the Assets and Liability Management Policy for 2019-2021,
- adoption to amendments to the regulations of the Alior Bank S.A. Nomination and Remuneration Committee,
- approval of the updated Rules for Conducting Liquidity Risk Tests at Alior Bank S.A.,
- postponement of the deadline for completing the assessment process for granting variable remuneration,
- approval of the update to the financial plan of Alior Bank S.A. as well as the financial plan of Alior Bank S.A. Group for the financial year ending on 31 December 2019,
- determination of the consolidated text of the Bank's Articles of Association,
- amendment to the objectives and their weight for the Members of the Management Board of Alior Bank S.A. for 2019,
- approval of opening a Multiannual Programme of Issuance of Bonds of Alior Bank S.A.,
- adoption to amendments to the regulations of the Alior Bank S.A. Audit Committee,
- payment to authorised persons of deferred tranches for 2015-17 and the granting of variable remuneration for 2018 in accordance with Alior Bank S.A. Remuneration Policy,
- grant of variable remuneration for 2018,
- approval of the adoption of the results of the full range of liquidity risk stress tests for the needs of the ILAAP in 2019,
- approval of the updated Recovery Plan for the Alior Bank S.A. Capital Group and approval of the Recovery Plan for Alior Bank S.A.,
- approval of the annual report of the Management Board of the Bank on the execution of the Model Risk Management Policy for 2018 along with the information for the Supervisory Board,
- approval of the opening the Second Programme of Issuance of Banking Securities of Alior Bank S.A.,
- approval of the update of the Annual Audit Plan for 2019 and the Three-Year Audit Programme for 2017-2019 (Strategic Plan),

- approval of the introduction of the amended Audit Card – Regulations of the Audit Department at Alior Bank S.A.,
- approval of the update to the “Rules of classification and registration of irregularities revealed during the Internal Control System at Alior Bank S.A.”,
- approval of the update to the “Internal Control System Policy at Alior Bank S.A.”,
- deferred tranches of variable remuneration for 2015-2016 and non-granting of variable remuneration rights for 2017,
- reduction of deferred tranches of variable remuneration for 2015,
- reduction of deferred tranches of variable remuneration for 2015-2016 and non-granting of variable remuneration rights for 2017,
- adoption of a Developmental Policy for Members of the Management Board and Supervisory Board of Alior Bank S.A.,
- amendments to the Policy of Selection and Assessment of the Members of the Management Board and the Supervisory Board of Alior Bank S.A.,
- acceptance of the dismissal of the Director of the Regulatory Compliance Department of Alior Bank S.A.,
- acceptance of the appointment of the Director of the Regulatory Compliance Department of Alior Bank S.A.,
- decision not to pay deferred variable remuneration for 2015-17 and not to grant variable remuneration for 2018,
- decision not to grant variable remuneration for 2018,
- approval of Strategy and risk appetite for 2020,
- approval of the Annual Audit Plan for 2020 (Operational Plan) and the Five-Year Audit Plan for 2020-2024 (Strategic Plan),
- approval of the Compliance Unit's Annual Action Plan for 2020,
- acceptance of the conclusion by Alior Bank S.A. donation agreements for the benefit of the National Children's Fund,
- acceptance of the financial plan of Alior Bank S.A., as well as the financial plan of Alior Bank S.A. Group for the financial year ending on 31 December 2020.

Activities of the Committees of the Supervisory Board within the period covered by the report

Audit Committee

The Audit Committee of the Supervisory Board operated in accordance with the requirements of the Act of 11 May 2017 on statutory auditors, audit firms, and public supervision. The Committee was

appointed by virtue of the Resolution of the Supervisory Board of Alior Bank S.A. no. 61/2013 of 30 July 2013.

The Committee comprised at least three members, at least one member had knowledge and skills in the area of accounting or examining of financial statements. Most of the members, including the chairperson, was independent. Members of the Committee had knowledge and skills in the sector in which the Bank operates. This condition is deemed to be met if at least one Audit Committee Member has knowledge and skills in that area or specific members have knowledge and skills to the specific extent within that area. Detailed tasks and rules of appointing and functioning of the Audit Committee are stipulated in the Audit Committee Regulations and the Supervisory Board Regulations. When selecting members of the Audit Committee, the Supervisory Board takes into consideration both competencies and experience of the candidates with regard to the matters entrusted to this Committee. The Members of the Audit Committee were also assessed on the basis of the statements made by them.

As at 1 January 2019, Committee was composed of:

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

In connection with the resignation of Ms Małgorzata Iwanicz – Drozdowska dated 31 January 2019, a new chairperson of the Audit Committee of the Supervisory Board, Mr Artur Kucharski, was appointed as a member of the Supervisory Board.

As at 31 December 2019, the Committee was composed of:

- Artur Kucharski Chairman of the Audit Committee
- Wojciech Myślecki Member of the Audit Committee
- Marcin Eckert Member of the Audit Committee

Mr Artur Kucharski and Mr Wojciech Myślecki were appointed as persons who meet the criteria of independence within the meaning of art. 129 par. 3 of the Act of 11 May 2017 on statutory auditors, audit companies, and public oversight. Artur Kucharski was indicated as a person who has knowledge and skills in the area of accounting or examining of financial statements. Mr Artur Kucharski gained his knowledge and skills when he worked as a financial auditor at PricewaterhouseCoopers (PWC). He completed the Association of Chartered Certified Accountants (ACCA) training by passing all

required exams. Wojciech Myslecki and Marcin Eckert were indicated as persons who have knowledge and skills in the sector in which the Bank operates.

Within the reporting period, 14 stationary meetings were held, including 1 joint meeting of the Audit Committee of the Supervisory Board and the Risk Committee of the Supervisory Board and 1 joint meeting of the Audit Committee of the Supervisory Board and the Nomination and Remuneration Committee of the Supervisory Board, during which the following issues were discussed: financial reporting and financial processes at the Bank, internal control and risk management system including, in particular, credit and compliance risk, as well as operational risk. Issues related to either internal audit, internal security, and anti-fraud, anti-money laundering, as well as to financial audit activities were discussed. The Audit Committee received information on material issues concerning accounting and financial reporting, controlled and monitored the independence of the statutory auditor, and entity authorised to examine financial statements. Depending on the issues discussed, former Members of the Management Board, Directors of Bank's Departments, as well as representative of the auditing company were invited to the meetings of the Audit Committee. The Audit Department Director, as well as the Compliance Department Director participate in the meetings of the Audit Committee on a constant basis. Decisions of the Audit Committee were taken in the form of Resolutions. As regards monitoring of the financial reporting process, the Audit Committee periodically received information on material issues related to accounting and reporting, including issued concerning material and atypical transactions at the Bank, how they are registered, as well as information on the amendments to the Accounting Policy of the Bank. As regards monitoring of the performance of financial review activities, independence of the statutory auditor and entity authorized to examine financial statements, the Audit Committee periodically met with the Bank's auditor and assessed the independence of the auditor and auditing company, including supervision of the services provided by the statutory auditor and auditing company. In the financial year of 2019, the auditing company examining the financial statements, provided permitted services not being examination for the benefit of Alior Bank. The independence of the audit firm was assessed and the consent for the provision of such services was granted each time.

As regards monitoring of the effectiveness of the control system and risk management systems as well as internal audit, the Audit Committee received reports from the Audit Department, taking into consideration i.a. information on the results of the audits carried out, progress in the implementation of recommendations, reports on the execution of the audit plan, including the annual report on the activities of the Audit Department, adequacy and effectiveness of the internal control system and risk management system. The Audit Committee received reports from the compliance unit on a regular basis. The Committee also recommended the development of analyses and reports by individual Bank

Departments, on the basis of which guidelines for increasing the effectiveness and efficiency of the Internal Control System and the Risk Management System were phrased.

Nomination and Remuneration Committee

The Remuneration Committee was established by virtue of a resolution of the Supervisory Board on 7 December 2011.

The tasks of the Committee include:

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

The composition of the Committee as at 1 January 2019 and at the end of the period covered by the report was composed of:

- | | |
|---------------------|---------------------------|
| • Tomasz Kulik | Chairman of the Committee |
| • Marcin Eckert | Member of the Committee |
| • Maciej Rapkiewicz | Member of the Committee |
| • Mikołaj Handschke | Member of the Committee |

In 2019, the Nomination and Remuneration Committee held 16 meetings, including 1 joint meeting of the Supervisory Board Nomination and Remuneration Committee and the Supervisory Board Audit

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

Risk Committee

The Risk Committee was established on 22 December 2015 by virtue of Supervisory Board Resolution no. 81/2015 to support the Supervisory Board in the supervision of the risk management process at the Bank.

The Committee operates based on the Regulations of the Risk Committee of the Alior Bank Supervisory Board approved by the Supervisory Board.

The most important goals of establishing and operating of the Supervisory Board Risk Committee are as follows:

- supporting the Supervisory Board in the supervision of the risk management process at the Bank;
- providing opinions on the Bank's overall current and future readiness to accept risk;
- providing opinions on the risk management strategy at the bank and analysing information regarding the implementation of that strategy submitted by the Management Board;
- supporting the Supervisory Board in the supervision of the implementation of the Bank's risk management strategy by senior management;
- verifying compliance of the price of liabilities and assets offered to customers with the bank's business model and its risk strategy. In the event of non-compliance, submitting to the Bank's management board proposals aimed at ensuring that the prices of liabilities and assets are adequate to these risks;
- providing opinions on regulations defining the Bank's strategy and approach to risk-taking, in particular:
 - a. Risk management strategy and appetite, which comprises credit, model, financial, operational, and capital risk,
 - b. Risk management policy at Alior Bank S.A.,
 - c. Risk Management Policy of the Alior Bank S.A. Capital Group in relation to subsidiaries,
 - d. Analysis of cyclical reports on the implementation of the above strategies and policies.

The purpose of the Committee's operation is governed by the Regulation of the Minister of Development and Finance of 6 March 2017 on risk management system and internal control system, remuneration policy, and detailed method of estimating internal capital in banks and by the Banking Law.

As at 1 January 2019, the Nomination and Remuneration Committee was composed of:

- Dariusz Gątarek Chairman of the Committee
- Małgorzata Iwanicz-Drozdowska Member of the Committee
- Maciej Rapkiewicz Member of the Committee

During the reporting period, the composition of the Risk Committee of the Supervisory Board of Alior Bank S.A. changed. As per art. 9cb par. 1 item 2 of the Banking Law of 29 August 2015 (i.e., JoL RP of 2018, item 2187, 2243, 2354), § 9 par. 3 of the Regulations of the Supervisory Board, in conjunction with § 20 par. 2 of the Bank's Articles of Association and in conjunction with the resignation of Ms Małgorzata Iwanicz-Drozdowska on membership in the Supervisory Board of Alior Bank S.A. on 31/01/2019, the Supervisory Board – on 27/02/2019 – appointed Mr Marcin Eckert and Mr Artur Kucharski to the Risk Committee of the Supervisory Board.

At the end of the period covered by the report, the composition of the Risk Committee was as follows:

- Dariusz Gątarek Chairman of the Committee
- Artur Kucharski Member of the Committee
- Maciej Rapkiewicz Member of the Committee
- Marcin Eckert Member of the Committee

Composition of the Committee ensures an adequate level of supervision over the entrusted area of the Bank's operations. Each and every Committee Member hold appropriate knowledge and competence to supervise the implementation of the risk management strategy at Alior Bank S.A. and the Bank's willingness and preparedness to take risks, thereby guaranteeing the proper performance of its duties.

In 2019, the Supervisory Board Risk Committee held 11 stationary meetings, including 1 joint meeting of the Supervisory Board Risk Committee and the Supervisory Board Audit Committee.

As part of current supervision of the risk management area and capital adequacy, the Committee was receiving monthly reports and thorough quarterly analyses presenting the situation of the Bank and of its major subsidiaries. The Committee was also consulted for key regulatory projects in this regard.

At its meetings, the Supervisory Board Risk Committee discussed key topics related to the risk management process, in particular, concerning: target risk appetite in banking activity, capital position, quality of the credit portfolio, and the largest exposures. The committee was receiving, overseeing, and commenting on current results from the areas of credit risk, market risk, liquidity risk, operational risk, model risk, as well as the status of implementation of key

improvements and optimisation projects. The Committee also examined the mortgage-backed portfolio (Recommendation S) and retail exposures (Recommendation T).

When fulfilling its obligations, in 2019 the Committee recommended a number of materials to the Supervisory Board regarding, among others: risk appetite objectives, update to the Recovery Plan, assumptions of the NPE Strategy, results of the ICAAP process, results of reviews of the Bank's largest credit exposures, derivative transaction portfolio, tax-related transaction portfolio, and a series of cyclical reports on risk management and capital adequacy.

At meetings in 2019, the quality of the AGRO portfolio was analysed several times. The conclusions drawn from, either, the review of financial analysis processes, monitoring, sales, collateral management, and legal documentation for difficult transactions were included in large-scale optimisation projects (tightening of the credit policy in the KB segment, review of credit exposures, sealing of credit risk processes), which were regularly subject to discussion and evaluation at subsequent meetings of the Committee.

While exercising supervision over proper risk management and capital adequacy at the Bank, the Committee also discussed the results of the CJEU-related scenarios, as well as analysed and reviewed the results of stress tests carried out by the Bank. The Committee provided its recommendations to the Supervisory Board in the form of resolutions. Moreover, 52 resolutions were adopted by circulation and stationary-based.

Per the periodic reports received, the Committee regularly monitored the effectiveness of the Bank's risk management system.

The Committee demonstrated high activity while going far beyond cyclical reports and materials.

The Committee undertook steps to explain the reasons for the increased level of risk, as well as was actively engaged in improving the effectiveness of risk processes. Whenever threats were identified, the Committee members pointed to those areas that required additional review and taking appropriate action.

Self-assessment of the suitability of the Supervisory Board

In accordance with the Policy of selection and assessment of the Members of the Management Board and the Supervisory Board at Alior Bank S.A. adopted on the basis of the Guidelines of the European Banking Authority on the assessment of qualifications of members of a management body and persons performing the most important functions, while taking into consideration art. 22 and in conjunction with article 22aa of the Banking Act, the Supervisory Board hereby carries out a positive self-assessment of the suitability of the Supervisory Board as a body on the basis of the criteria stipulated in the provisions of the Banking Act and the Guidelines of the European Banking Authority and requests the Ordinary General Meeting of the Bank to approve said self-assessment.

Summary

Having regard to the information presented in this report, the Supervisory Board positively assesses how the Supervisory Board functions and operates, as well as positively assesses the fulfilment of obligations by all Members of the Supervisory Board.

The Supervisory Board requests the Ordinary General Meeting of the Bank to approve this report on the activities of the Supervisory Board in 2019 and grant a vote of acceptance to all Members of the Supervisory Board for the fulfilment of their obligations within the reporting period.

Warsaw, dated 23/04/2020

Chairman of the Supervisory Board

.....
Tomasz Kulik

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Marcin Eckert
Deputy Chairman

.....
Dariusz Gątarek
Member of the Supervisory
Board

.....
Mikołaj Handschke
Member of the Supervisory Board

.....
Artur Kucharski
Member of the Supervisory
Board

.....
Wojciech Myślecki
Member of the Supervisory
Board

.....
Maciej Rapkiewicz
Member of the Supervisory Board