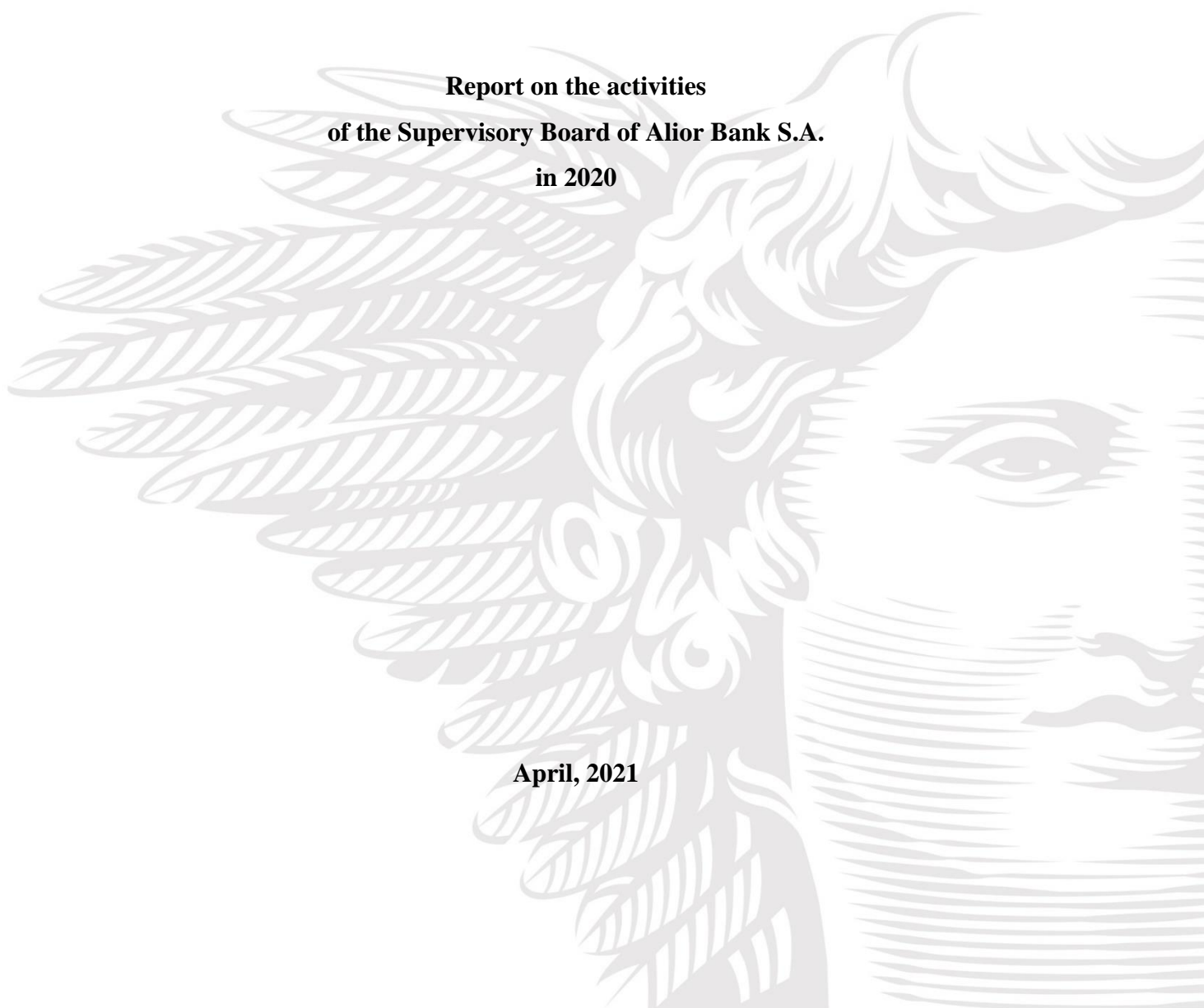




**Report on the activities  
of the Supervisory Board of Alior Bank S.A.  
in 2020**

**April, 2021**



During the reporting period, the Supervisory Board of Alior Bank Spółka Akcyjna with its registered office in Warsaw ("*Bank*" or "*Alior Bank S.A.*"), acting on the basis of the provisions of the Act of 15 September 2000. Code of Commercial Companies (Dz. U. [*Polish Journal of Laws*] of 2020, item 1526, as amended), Act of 29 August 1997 The Banking Law (Dz. U. [*Polish Journal of Laws*] of 2020, item 1896, as amended; "*Banking Law Act*") and other applicable provisions of law, the Articles of Association of the Bank, and the Rules of Procedure of the Supervisory Board, exercised continuous supervision over the Bank's activities in all areas of its activity.

In the performance of its duties, in 2020, the Supervisory Board actively participated in the monitoring and supervision of key areas of the Bank's activities, including risk management and compliance with the requirements imposed by supervisory authorities. As part of the performance of these duties, the Supervisory Board acquainted itself with regular reports on credit risk, operational risk, including issues covering the scope of information technology, market risk and liquidity risk, difficult-to-measure risks (model risk, business risk), as well as with the results of liquidity risk stress tests for the purposes of the liquidity adequacy assessment process (ILAAP) and regulations concerning the review of the internal capital adequacy assessment process (ICAAP). An important element in the activities performed by the Supervisory Board during the reporting period was supervision over the Bank's financial results, including, in particular, supervision over the implementation of the financial plan for 2020, taking into account one-off events affecting the Bank's financial result for the financial year ended on 31 December 2020, as well as the impact on the Bank's financial result of the situation related to the SARS-CoV-2 coronavirus pandemic. The Board received and analysed on an ongoing basis, periodic reports prepared by relevant organisational units of the Bank and the Management Board of the Bank, presenting the current financial results of the Bank, as well as the development of the solvency ratio and capital requirements of the Bank. When fulfilling the requirements of the supervisory authorities, the Supervisory Board approved an updated a Recovery Plan for the Capital Group Alior Bank S.A.

The activities of the Supervisory Board also referred to issues related to the composition of the Management Board of the Bank. On 17 January 2020 Mr Mateusz Poznański resigned from his post as a Member of the Management Board of the Bank, effective as of 29 February 2020. On 12 May 2020, Mr Krzysztof Bachta resigned from his post as President of the Management Board of Alior Bank S.A.; therefore, on 12 May 2020, the Supervisory Board appointed o Ms Iwona Duda, a Member of the Management Board of the Bank, entrusting her with the function of Vice-President of the Management Board in charge of the work of the Management Board until the date she is approved by the KNF Board. On 29 June 2020, Members of the Management Board: Mr Tomasz Biłous, Mr Marcin Jaszczuk, and Mr Marek Szcześniak, in connection with the expiry of the joint term of office of the Management Board of the Bank on 29 June 2020, resigned from the function of a Member of the Management Board of the Bank, effective as of 29 June 2020. On the same day, the Supervisory Board appointed the following persons as Members of the Management Board of the Bank: Ms Iwona Duda, Mr Maciej Brzozowski, Mr Seweryn Kowalczyk, Ms Agnieszka Nogajczyk-Simeonow, Ms Agata Strzelecka, and Mr Dariusz Szwed. On 18 December 2020 Ms Agnieszka Nogajczyk-Simeonow resigned from her post as a Member of the Management Board of the Bank effective as of the end of business on 18 December 2020, therefore, on 21 December 2020, the Supervisory Board of the Bank decided to delegate a member of the Supervisory Board - Mr Mikołaj Handschke as a temporary, i.e. from 21 December 2020 to 21 March 2021, Vice-President of the Management Board of the Bank.

During the reporting period, along with the holding of the Ordinary General Meeting of the Bank approving the financial statements for 2019, the third, four-year term of office of the Supervisory Board of the Bank was completed and the Ordinary General Meeting appointed the Supervisory Board for the fourth, four-year term.

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

An internal control system, objectives of which, in accordance with the law, are defined in the Bank's Articles of Association, is present at the Bank. The internal control system covers all activities of the Bank, i.e. all its units, organisational units, and 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 rest with the Audit Department, the primary task of which is to examine and evaluate, independently and objectively, the adequacy and effectiveness of the internal control system on the first and second lines, respectively, taking into account the adequacy and effectiveness of the control mechanisms selected for the audit and independent monitoring of their compliance within the first and second lines. There are adequate mechanisms in place at the Bank to ensure the independence and objectivity of the Audit Department. The Supervisory Board, in particular the Audit Committee of the Supervisory Board, as well as the Management Board of the Bank receive periodic reports of the Audit Department, taking into account information on the results of external audits and inspections, progress in the implementation of recommendations issued and information on the internal audit activity. In September 2020, following the recommendation of the Audit Committee, the Supervisory Board accepted amendments to the Audit Plan due to the need to adapt to the dynamic change in the situation at the Bank caused by the COVID-19 pandemic. In December 2020, the Supervisory Board approved the Audit Plan for 2021 and Strategic Audit Plan for 2020-2024.

An important function in the internal control system is also performed by the compliance unit, i.e. the Regulation Compliance Department ("*Compliance Unit*"). It is a separate, independent organisational unit of the Bank, the primary task of which is to shape solutions aimed at ensuring the Bank's compliance with legal regulations, internal regulations and market standards through the control function and compliance risk management. The Compliance Department implements processes for the identification, assessment, control, and monitoring and reporting of compliance risk in accordance with the provisions of the Compliance Policy. The Compliance Department coordinates the implementation of the control function at the Bank, including the function of the administrator of

the control function matrix. Detailed Compliance Department 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.

In performing the instruction contained in the Compliance Policy in force at the Bank, the Supervisory Board approved the Compliance Policy in December 2019. Compliance Unit's 2020 action plan, prepared in particular on the basis of the results of the Compliance Department's compliance identification and assessment risk process and results of the analysis of significant processes. Subsequently, through the Audit Committee of the Supervisory Board, in 2020 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 in legal regulations, internal regulations, and market standards, results of compliance risk testing together with information on the status of implementation of recommendations issued by the Compliance Department, results of the process of monitoring key Compliance Risk Indicators (KRI), as well as information on the functioning of the process of reporting breaches and non-conformities by Bank employees (*whistleblowing* system). The Supervisory Board was also able to conduct direct discussions on issues related to compliance risk with the employee in charge of the Compliance unit, who regularly participated in meetings of the Audit Committee of the Supervisory Board.

In 2020, the Supervisory Board, and in particular the Audit Committee of the Supervisory Board, paid particular attention to the issue of monitoring the status of irregularities identified by the first and second line of defence and the area of counteracting money laundering and financing terrorism. The Audit Committee reviewed disputes and sales of receivables and was informed about the results of ad hoc tasks commissioned by the Management Board of the Bank, Audit Committee, or Supervisory Board. Of particular interest to the Audit Committee, were issues related to credit risk (provisioning, large exposures) and compliance risk (risk assessment and preventive actions).

In the opinion of the Supervisory Board, the internal control system in 2020 was improved, as evidenced, inter alia, by the confirmation of the implementation of the recommendations of the KNF Board after the inspection of 2018 and the lack of comments in this regard in the assessment of the supervisory audit and assessment (BION) received. Further work is also necessary to improve the effectiveness of the internal control system, in particular with regard to the implementation of control functions on the first and second lines, as evidenced by the recommendations of the Audit Department and KNF Board issued in 2020. In December 2020, the Supervisory Board also authorised the Compliance Unit's Action Plan for 2021, which had previously been approved by the Bank's Management Board.

Risk management is one of the most important internal processes at the Bank and the Alior Bank S.A. Capital Group. The role of the risk management system is to ensure an early diagnosis and adequate management of significant risks related to the Bank's operations.

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.

The risk management strategy at the Bank is described in the Risk Management Strategy of Alior Bank S.A. Capital Group, adopted by the Management Board of the Bank and approved by the Supervisory Board. The main objective of the Risk Management Strategy is to support the

achievement of business goals and the Bank's strategy through active risk management and ensuring a stable capital position. The purpose of the Risk Management Strategy is to define the principles related to the management of particular types of risk at a level enabling the achievement of financial objectives, while ensuring full safety of core business activity and compliance with regulatory requirements.

The Bank supervises the functioning of subsidiaries from the Alior Bank S.A. Capital Group. The Bank supervises risk management systems in these entities and takes into account the level of risk of activity of individual entities as part of the risk monitoring and reporting system at the level of the Alior Bank S.A. Capital Group. Subsidiaries establish and update internal regulations concerning the management of significant types of risk, taking into account the recommendations formulated by the Bank and the provisions of the Risk Management Strategy.

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, the goal of which 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 2020, the Bank paid particular attention to the issue of mitigating the impact of the COVID-19 pandemic on the quality of the credit portfolio through appropriate adjustment of credit exposure granting and monitoring processes, active participation in offering sectoral assistance tools and supporting customers in overcoming liquidity problems. At the same time, the Bank carried out intensive work on adapting risk measurement tools and models to the pandemic environment. The above was possible thanks to the previously introduced changes in risk management policies and processes aimed at reducing risk costs (improvement of profile) and reducing their volatility (reduction of concentration), as well as reducing the sensitivity of the Bank's results to a potential economic downturn.

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 crisis situation, caused by both internal and external factors.

The Bank has a formalised operational risk management system in place to prevent operational events from occurring and minimise losses if the risk materialises. 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 *net* operating losses in 2020 was within the assumed objective and operational risk limit for the Bank.

The Bank has been using the Advanced Operational Risk Measurement Approach (AMA) since 2018 to measure regulatory capital for operational risk. On 30 January 2020, the Bank received the consent from the KNF Board to remove the lower limitation in the application of the AMA method. This limitation applied from 14 February 2019 and according to it, the Bank maintained its own funds requirements at a level not lower than 60% of the requirements calculated under the Standardised Approach.

In addition, on 16 December 2020, the Capital Group of the Bank received permission from the KNF Board to jointly use various methods for the purposes of determining the own funds requirements for operational risk at the consolidated level of the Capital Group of Alior Bank S.A., i.e. the Advanced Measurement Approach – within the scope of the activities conducted by the Bank and the Standardised Approach ("TSA") – in relation to the activities of the Bank Branch in Romania and the activities of the company subject to consolidation – Alior Leasing Sp. z o.o., for which the base indicator method (BIA) was used until 16 December 2020. The introduction of the TSA is yet another step in the development of operational risk management and translates into a reduction of the capital requirement at the level of the Bank's Capital Group.

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, the level of which is monitored and reported by the Bank's organisational units which are independent of 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 the Collection from Individual Customers,
- Model Risk Committee,
- Credit Risk and Business Initiative Committee.

### **How the Bank fulfils its information obligations**

Alior Bank S.A., as a public company, is obliged to apply the corporate governance principles contained in the document "Dobre Praktyki Spółek Notowanych na GPW 2016 r." [*Good Practices for Companies Quoted on the Warsaw Exchange*] ("*Good Practices*") and compliance with the rules on the provision of current and periodic information by issuers of securities. Pursuant to Resolution 89/2014 of the Supervisory Board of the Bank of 29 December 2014, Corporate Governance

Principles for Supervised Institutions were also adopted for application, as confirmed in Resolution No. 25/2015 of the Ordinary General Meeting of the Bank of 25 May 2015.

The Bank applies recommendations and principles contained in Good Practices to the extent consistent with information published on 10 September 2019. In addition, the Bank conducts activities aimed at meeting the information needs of stakeholders, ensuring universal and equal access to information, in accordance with the highest market standards.

Activities related to the performance of information obligations by the Bank and maintaining proper relations with investors, analysts and rating agencies are carried out by the Investor Relations Department. The main activities of the Investor Relations Department are aimed at ensuring permanent, equal, and immediate access to information about any significant events concerning the Bank which have or may have a potential impact on the value of the Bank's financial instruments. The Investor Relations Department organises regular meetings of the Management Board of the Bank with market actors. The aim of the meetings is to discuss the current financial and operational situation of the Bank, present the strategy of operation and planned directions of further development. In addition, these meetings address topics related to the current macroeconomic situation, general condition of the financial sector, and the Bank's competitive environment.

In 2020, 146 meetings with investors took place, including 50 meetings and teleconferences with 40 foreign investors and 96 meetings with 42 domestic investors, which took place both at the Bank's registered office, and were organised as part of domestic and foreign conferences and *roadshows*. In addition, around 150 meetings, teleconferences, and telephone conversations with analysts devoted to quarterly results and the Bank's current situation took place in 2020. Alior Bank S.A. has also regularly participated in conferences and events organised by domestic and foreign brokerage houses.

An important tool containing information necessary to analyse and assess the functioning of the Bank and supporting communication with capital market participants is the updated tab devoted to investor relations on an ongoing basis. The tab is available on the Bank's website at <https://www.aliorbank.pl/additionale-informe/relacje-Investorskie/relacje-Investorskie.html>.

Taking the foregoing into consideration, the Supervisory Board of the Bank assesses the manner in which the Bank fulfilled its information obligations in 2020 positively.

### **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. This activity is aimed at helping implement individual projects as well as disseminating knowledge of social responsibility and sustainable development among employees, customers, business partners and shareholders of the Bank.

## *Sponsoring*

### **Working with the Zaczytani.org Foundation**

Since 2019, the Bank has been a strategic partner of the Zaczytani.org Foundation. The mission of the Foundation is promoting readership and social education. Additionally, fairy-tale therapy sessions are conducted at hospitals by Foundation volunteers contributing to the support of good health and higher quality of life. The activities carried out by the Bank in cooperation with the Foundation implement the motto #WyższaKultura, which is included in the strategy of social and sponsorship activities of the Bank. Alior Bank S.A., engaging in activities organised by the Zaczytani.org Foundation, simultaneously supports the development of education, culture and readership in Poland, as well as contributes to ensuring the quality of health. The Bank pursues objectives no. 3 and 4 indicated in the contents of the United Nations Sustainable Development Goals. In 2020, the Bank, together with the Zaczytani.org Foundation, implemented a number of joint projects, events and initiatives, the most important of which are:

#### **1. Grand Book Collection**

The Bank took part in the sixth edition of the nationwide social campaign of the Zaczytani.org Foundation, which reached a record number of people in 2020. A variety of institutions, companies, schools, and other facilities from 259 localities got involved in collecting books! The public and internal collection of books was conducted by a total of 961 venues thanks to which the Zaczytani.org Foundation collected 294 thousand books. Alior Bank S.A. achieved the best result in terms of the number of books collected by one institution as a strategic partner of the Zaczytani.org Foundation, which in its 158 branches and partner institutions collected 57 thousand books.

#### **2. Year-round volunteer programme**

Due to the suspension of the volunteer programme for sorting books in April - June 2020 due to the epidemic, the Bank committed itself during this period to two online educational programmes, i.e.: *Zaczytane Wieczorynki [Well-Read Bedtime Stories]* with the participation of the Foundation's ambassadors and an online fairy-tale therapy programme for which all volunteers of the Academy launched were invited to co-create, including the Bank's employees. Both programmes were run on Instagram.

Figures:

- as part of the campaign, 26 Well-Read Bedtime Stories were conducted for Children and 14 for Adults with the participation of the Foundation's ambassadors,
- 26 ambassadors took part in the event (including Mateusz Damięcki, Grażyna Wolszczak, Mikołaj Roznerski),
- the total number of observers on Instagram of all Ambassadors who did readings was 2.7 million,
- 31 online fairy-tale therapy sessions were conducted with the participation of volunteers of the Zaczytana Akademia.



### 3. **Zaczytana Akademia – A series of educational webinars**

At the turn of November and December 2020, Alior Bank S.A. organised a series of four free-of-charge educational webinars entitled “Wokół bajkoterapii, czyli o emocjach i procesach edukacyjnych” [*Around Fairy-Tale Therapy - Emotions and Educational Processes*]. The meetings were addressed to persons working and staying with children, i.e. teachers, educators, librarians, didacticians, caretakers, parents. Webinars were conducted live by Ms. Agnieszka Wąsik – Operational Director of the Zaczytani.org Foundation, coach specialising in emotion and building relations, co-founder of the Zaczytana Akademia, a fairy-tale educator. The webinars were conducted as part of educational cooperation with the Bank, and during each meeting, the Bank disseminated information on educational fairs created together with the partner and encouraged users to download them from the website.

Educational webinars cycle for reach achieved:

- number of people interested in the event on Facebook: 1,169 (493 clicks on “I will take part”, 676 clicks on “I’m interested”),
- Facebook event audience: 21,910.

Figures on webinar audience on Facebook (total over the series):

- 1.3 thousand views and 25.6 thousand recipients,
- 1,676 actions taken (reactions, comments, shares)

At the end of the series, Alior Bank S.A. issued 113 certificates of participation (for persons who expressed such a desire), signed with the Bank's logotype.

### 4. **Zaczytane Ławki**

The Bank has engaged in the implementation of a project to install three Rotating Open-Book Benches (Zaczytane Ławki), and New Technology Benches (Ławki Nowych Technologii). Due to the restrictions related to the SARS-CoV-2 coronavirus epidemic, these projects have been pushed back and their implementation is planned for the period from 18 January 2021 to 30 March 2021 in shopping centres in 12 Polish cities. The Open-Book Benches will be present in any given location for two weeks. The total reach is estimated at 1,200,000 visitors.

#### **Zaczytane Ławki exhibition in Poznań**

Due to the withdrawal of the partner from the participation in the Festival of the Capital of the Polish Language (Festiwal Stolica Języka Polskiego) in Szczepleszyn, Alior Bank S.A. proposed a substitute action in the form of a thematic organisation of the exhibition of Zaczytane Ławki in Poznań, which will be characterised by a much higher level of reaching the recipients (due to its prestigious location). The exhibition has been postponed due to restrictions related to the SARS-CoV-2 coronavirus epidemic, and its timing depends on the development and stabilisation of the pandemic situation. 8 Open-Book Benches designed by well-known Polish artists will be installed, and the logo of Alior Bank S.A. will be displayed on the information plaque next to each one.

### 5. **Zaczytane Biblioteki**

Together with the Zaczytani.org Foundation, the Bank opened 10 new Zaczytane Biblioteki [*Libraries Absorbed in Books*]. Branded racks filled with books from the Wielka Zbiórka Książek

[*The Great Book Collection*] were sent to the beneficiary facilities. The Bank also provided information boards with the logotype of Alior Bank S.A. Each handover was communicated through the local media and on the social media of the Zaczytani.org Foundation. On 14 February 2020, Alior Bank S.A. and the Foundation organised a media opening of the Zaczytana Biblioteka in the Municipal Hospital Group in Chorzów (Zespół Szpitali Miejskich w Chorzowie) with the participation of the actor Artur Barciś, Ambassador of the Zaczytani.org Foundation. The event was attended, among others, by the hospital director, Deputy Mayor of Chorzów, local media, as well as the little patients and their parents. The event was mentioned 12 times in the local media, including on portals such as: Dziennik Zachodni, Gazeta Wyborcza Katowice, Radio Piekary, Śląska.tv.

## **6. Educational programme – fairy tales about new technologies**

The Bank engaged in an educational programme organised for the first time in the history of the Zaczytani.org Foundation, as part of which educational fairy tales for children were created. The Bank cooperated with Katastrofa [*Catastrophe*] author's collection, composed of Mr Boguś Janiszewski (text) and Mr Max Skorwider (illustrations), who are the authors of popular-science books for children with a humoristic streak. Their most popular works include “Ekonomia” [*Economics*], “Mózg” [*Brain*] or “Polityka” [*Politics*]. Together with the authors, the Bank has created three educational fairy tales with a single theme corresponding to the educational objectives of the Bank's partner, i.e. new technologies. Educational fairy tales are not only funny stories, but also additional educational material for parents, teachers, caretakers, and educators. Each publication has a substantive part that introduces its reader to the world of fairy tale therapy and provides guidelines on how to work with the book. Adult readers can find there tips on how to talk to a child about the content they have read, in order to learn about their emotions, help to name them and discover which characters the child identifies with. The material has been prepared in cooperation with the psychology and paediatric therapist, as well as a non-violent communication expert (NVC).

### Other sponsorship activities:

#### **Procession of Three Kings**

Alior Bank S.A. was for the third time a Partner of the “Orszak Trzech Króli” Foundation and an event organised thereby on 6 January 2020. The Bank's customers from the largest Polish cities were able to collect songbooks and procession crowns provided by the event organiser at branches.

#### **Alior Bank S.A. is a partner of the event “1920. In Gratitude to Heroes”**

Alior Bank S.A. financially supported the event called “1920. Wdzięczni Bohaterom” [*1920. In Gratitude to Heroes*], organised by PL.2012+ at the PGE Narodowy in Warsaw [*tr. note: national sports stadium sponsored by PGE - a Polish power supplier*] on 15 August 2020. The multimedia show was broadcast by Telewizja Polska S.A. Additionally, on 20 - 23 August 2020, four open shows took place.

## **National Children’s Fund**

Alior Bank S.A. has transferred donations to the National Children’s Fund. The Fund used the money, inter alia, to organise XXVI Chamber Music Workshops at the Krzysztof Penderecki's European Music Centre in Lusławice (Europejskie Centrum Muzyki Krzysztofa Pendereckiego w Lusławicach) and a concert by the participants of the “Young Virtuosos” Assistance Programme for the Exceptionally Gifted hosted at the Royal Castle.

## **Polish Football Association**

In 2020, as part of continued of cooperation with the Polish Football Association (Polski Związek Piłki Nożnej), the Bank supported Polish Football Team as its official partner. Additionally, together with the Polish Football Association, we organised a competition for amateur teams named “Cool Team” (Fajna drużyna), aimed at popularising sport and football, as well as engaging the football community, including representatives of football clubs at various tiers.

## **E-sports sponsorship**

Alior Bank S.A., as the first bank in Poland, prepared a special offer for customers from the player segment and became the titular sponsor of “Ultraliga” and a partner in Polsat Games at all tournaments in League of Legends. As part of the promotion, the Bank prepared a special debit card with the image of the heroine of League of Legends – Ashe. Almost 12 thousand customers have already ordered this card. Sponsorship activities of Alior Bank S.A. undertaken during “Ultraliga” event (June-July 2020) resulted in the Bank obtaining a 40% increase in the sales of “Konto Jakże Osobiste” [*Very Personal Account*].

## **Biały Kruk**

Alior Bank S.A. became a sponsor of the publication of the book entitled “Narodziny mocarstwa. Polska Kazimierza Wielkiego” [*Birth of a Superpower. Poland at the Time of King Casimir the Great*] with text by Prof. Krzysztof Ożog and pictures by Adam Bujak, published by the Biały Kruk [*White Raven*] publishing house.

## **Charity and employee volunteer programme**

Initiatives under the “Zaangażowani w pomaganie” [*Involved in Helping*] Staff Volunteering Programme in 2020:

### **1. Donation to shelters**

The PZU Foundation, Pekao S.A., and Alior Bank donated almost PLN 500 thousand to help animals from 60 shelters all over Poland. The money provided financed the most urgent needs of the shelters – including veterinary treatments, as well as the purchase of medicines, vaccines, food, and cleaning products. Alior Bank’s share in that amount was PLN 142,900 which went to 15 shelters selected throughout the country.

### **2. Collection of funds for the purchase of barrier tents**

Together with other entities of the PZU S.A. Capital Group, the Bank collected money among employees for the purchase of so-called barrier tents for COVID-19 patients. As a result of the meeting, the Bank transferred more than PLN 26 thousand to Municipal Hospital No. 4 in Gliwice (Szpital Miejski nr 4 w Gliwicach).

### 3. Grand Book Collection

Alior Bank S.A., as a strategic partner of the Zeczytani.org Foundation, has joined the “Grand Book Collection” campaign implemented annually by the Foundation. In 2020, not only employees of the Bank participated in the campaign, but also business partners running their agencies under the Alior brand. Open collection points were organised in nearly 160 locales, where everyone interested could bring and leave their books. As a result of the effort, the Bank provided 57 thousand books to the Foundation, whereas 294 thousand books were collected in the course of the entire campaign.

### 4. “Podaruj prezent” Holiday Initiative

As in previous years, on the initiative of the employees, a Christmas campaign “Podaruj prezent” [*Give a Gift*] was organised, which aimed to provide help and support to those most in need. In 2020, over a thousand people participated in the campaign, who responded to the letters of social partners of Alior Bank S.A. and prepared over 260 gifts with a total value of nearly PLN 100,000 and a weight of over 2.4 tonnes.

In 2020, the Bank also supported the laboratory of the Children's Health Centre (Centrum Zdrowia Dziecka) and financed the purchase of tests to detect the SARS-CoV-2 coronavirus for 200 children staying in that facility. The Bank also supported the telemedicine project and provided the hospital with the necessary highly specialised computer equipment for remote consultation with little patients from cardiology, diabetology, and psychiatry wards.

Alior Bank S.A. also provided laptops for remote learning for the wards of the National Children's Fund (Krajowy Fundusz na Rzecz Dzieci), which provides assistance in developing the interests of children particularly disadvantaged as part of the implementation of statutory objectives. The equipment provided by the Bank was used, among other things, by musically talented students who, without appropriate technological infrastructure, could not learn during the pandemic.

### **Evaluation of the financial statements of Alior Bank S.A. for the financial year ended on 31 December 2020 along with the assessment of the financial statements of the Capital Group of Alior Bank S.A. for the financial year ended on 31 December 2020**

Pursuant to Article 382 § 3 of the Code of Commercial Companies (kodeks spółek handlowych) and § 70.1 (14) of the Regulation on current and periodic information (Rozporządzenie w sprawie informacji bieżących i okresowych), the Supervisory Board of the Bank assessed the financial statements (individual and consolidated) submitted by the Management Board of the Bank for the financial year ended on 31 December 2020.

The financial statements of Alior Bank Spółka Akcyjna include:

- statement on financial standing as at 31 December 2020, which shows on the assets and liabilities side a sum in the amount of PLN 78,263,547 thousand,
- profit and loss account for the period from 1 January 2020 to 31 December 2020, which shows a *net* loss of PLN -316,388 thousand,

- statement of comprehensive income for the period from 1 January 2020 to 31 December 2020, which shows a loss of PLN -177,687 thousand,
- statement of changes in equity for the fiscal year from 1 January 2020 to 31 December 2020, which shows a decrease in equity by PLN -204,442 thousand,
- cash flow statements for the period from 1 January 2020 to 31 December 2020, showing an increase in cash by PLN 1,056,473 thousand,
- additional information and explanations.

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

- statement on financial standing as at 31 December 2020, which shows on the assets and liabilities side a sum of PLN 78,642,032 thousand,
- profit and loss account for the period from 1 January 2020 to 31 December 2020, which shows a *net* loss of PLN -311,233 thousand, including a *net* loss attributable to the shareholders of the parent company of PLN -311,233 thousand,
- statement of comprehensive income for the period from 1 January 2020 to 31 December 2020, which shows a loss of PLN -172,532 thousand,
- statement of changes in equity for the fiscal year from 1 January 2020 to 31 December 2020, which shows a decrease in equity by PLN -199,463 thousand,
- cash flow statements for the period from 1 January 2020 to 31 December 2020, showing an increase in cash by PLN 1,080,774 thousand,
- additional information 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 2020 were prepared in accordance with the continuously applied International Financial Reporting Standards (IFRS) adopted by the European Union as at 31 December 2020.

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 2020, as well as unconsolidated and consolidated financial results, and unconsolidated and consolidated cash flows for the fiscal year ending on 31 December 2020, 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, accounting books,
- comply, with respect to their form and content, in all material aspects, with the applicable provisions of law and 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

2020, 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 2020 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 S.A. in 2020 covering the Report of the Management Board on the operations of Alior Bank S.A.**

Pursuant to Article 382 § 3 of the Code of Commercial Companies (kodeks spółek handlowych), § 70.1 (14) of the Regulation of the Minister of Finance of 29 March 2018 on current and periodic information provided by issuers of securities and conditions for considering information required by the law of a non-member state as equivalent (Dz. U. [*Polish Journal of Laws*] of 2018, item 757, as amended), the Supervisory Board assessed the report presented by the Management Board on the activities of the Capital Group of Alior Bank S.A. in 2020, including the Management Board Report on the activities of Alior Bank S.A.

The Supervisory Board finds that the Report of the Management Board on the activities of Alior Bank S.A. is consistent with the applicable law and information contained 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 that the Ordinary General Meeting of the Bank adopts a resolution on approving the Report of the Management Board on the activities of the Alior Bank S.A. Capital Group in 2020, including the Report of the Management Board on the activities of Alior Bank S.A.

## **Assessment of the request of the Management Board of the Bank for the distribution of the Bank's profit for 2020**

Pursuant to Article 382 § 3 of the Code of Commercial Companies, the Management Board submitted a proposal concerning the coverage of the Bank's loss for 2020 contained in the Resolution of the Management Board No. 133/2021 of 21 April 2021 to the Supervisory Board.

The Management Board proposed to cover the Bank's loss on its activities in the financial year 2020, in the total *net* amount of PLN 316,388,134.06 (three hundred sixteen million three hundred eighty-eight thousand one hundred thirty-four zlotys 06/100), including the non-distributable profit on the activities of the Housing Society in the *net* amount of PLN 4,033,688.41 (four million thirty-three thousand six hundred eighty-eight zlotys 41/100) in the following manner:

- covering the loss for the year 2020 in the *net* amount of PLN 320,421,822.47 (three hundred twenty million four hundred twenty-one thousand eight hundred twenty-two zlotys 47/100) from the profits of future periods,
- allocating a non-distributable profit to the activities of the Housing Society in the *net* amount of PLN 4,033,688.41 (four million thirty-three thousand six hundred eighty-eight zlotys 41/100), pursuant to Article 5.4 of the Act of 26 October 1995 on Certain Forms of Support for Housing Construction (Dz. U [*Polish Journal of Laws*] of 2019, item 2195, as amended), to supplementary capital.

## **Brief assessment of the situation of the Bank in 2020**

In 2020, the Alior Bank S.A. Capital Group generated PLN 3545 million of revenues and PLN 311 million of *net* losses. According to the Bank's estimates, the impact of the COVID-19 epidemic on the Bank's *gross* result as at 31 December 2020 amounted to PLN -765.6 million, including:

- PLN -328 million – impact of the decrease in interest rates in connection with three decisions of the Monetary Policy Council of 17 March 2020, 8 April 2020, and 28 May 2020 on the reduction of the reference rate of the National Bank of Poland in total by 1.4 percentage points, i.e. to 0.10 percent, and in connection with the decision of the National Bank of Poland to reduce the compulsory reserve rate from 3.5% to 0.5%,
- PLN -19 million – inflow from the so-called non-material modification within the meaning of International Financial Reporting Standards 9 (IFRS 9) in connection with using so-called extra-statutory and statutory credit holidays,
- PLN -418 million – impact on the result on write-offs in connection with the creation of model and individual write-downs for the credit portfolio in the scope of the portfolio affected by the effects of the COVID-19 pandemic.

Excluding the impact of the coronavirus epidemic, revenues amounted to PLN 3893 million and *net* result to PLN 309 million. The ROE this year was -4.7%. After excluding the effects of COVID-19 epidemic, ROE was 4.6%. The Bank also improved the cost of financing – throughout 2020, CoF amounted to 0.6% (in Q4 2020 - 0.26%).

Levels of capital ratios TIER1 (13.55%) and TCR (15.85%) at the end of Q4 2020 left significant buffers above the regulatory minima at the level of respectively: 505 bps. (PLN 2438 million) and 535 bps. (PLN 2585 million). The liquidity position was also maintained at a safe level, as confirmed by the high LCR rate of 174% at the end of 2020.

The Bank's net interest margin (NIM) in 2020 was 3.91% (-61 bps y/y). The *net* interest margin not accounting for the impact of interest rate decreases and credit holidays would be 4.39%.

The cost-to-income ratio (C/I) in 2020 was 47%. Excluding the impact of the COVID-19 epidemic, this rate would amount to 42.8%, i.e. 0.3 bps. less than in 2019. The operating costs amounted to PLN 1665 million and were higher by PLN 35 million compared to 2019, i.e. by 2.1%. The main impact on their growth was to make additional depreciation write-offs on intangible assets in connection with the termination of cooperation with T-Mobile Polska in the amount of PLN 47 million.

In connection with the COVID-19 pandemic, a higher level of risk costs was observed, which reached the level of PLN 1733 million throughout the year, while the CoR ratio reached the level of 2.80%. After excluding the impact of the pandemic, the risk costs would amount to PLN 1315 million, while the CoR ratio would be 2.13%, i.e. 0.27 p.p. better than in 2019.

Thanks to building a long-term relationship with customers, their number in the individual segment increased by 31 thousand y/y and amounted to 4.18 million at the end of the fourth quarter of 2020. The decrease recorded after the third quarter is, among other things, the result of the Bank's merger with T-Mobile Banking Services, and without this one-off event, as a result of the Bank's business activity, the number of customers increased by 53 thousand in Q4 2020.

The consistent increases are also visible in the digital channels of Alior Bank S.A. The number of mobile application users in the fourth quarter of 2020 amounted to 616 thousand (+35 percent y/y). The growing interest in mobile banking translated into transactions executed via Alior Mobile, which increased by 44%.

Q4 2020 saw a slight decrease in the number of business customers compared to the corresponding period in 2019. This is due to the revision of the credit portfolio and the transformation of the business customer base towards more active and lasting relationships. The number of customers in the micro sector increased by 9% y/y. Already three quarters of new customers from this segment select a debit card to the account (increase by 13 p.p. y/y), and nearly 72 thousand micro customers pay ZUS contributions and taxes via an account with Alior Bank S.A.



## **Report on the fulfilment of supervisory obligations with regard to the activities of the Bank in 2020**

### **Composition of the Supervisory Board**

In the reporting period, along with holding the Ordinary General Meeting of the Bank approving the financial statements for 2019, the third, four-year term of office of the Supervisory Board of the Bank was completed and the Supervisory Board was elected for a fourth, four-year term of office.

As at 1 January 2020, the Supervisory Board was composed of:

- Tomasz Kulik Chair of the Supervisory Board
- Marcin Eckert Deputy Chair 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

During the reporting period, the composition of the Supervisory Board changed.

On 18 May 2020, Mr Marcin Eckert resigned as Member of the Supervisory Board of the Bank effectively as at the moment of submitting a statement on this subject.

On 20 May 2020, Members of the Supervisory Board of the Bank serving a joint term ending in 2020, i.e. Chair of the Supervisory Board, Mr Tomasz Kulik, and Members of the Supervisory Board: Mr Dariusz Gątarek, Mr Mikołaj Handschke, Mr Artur Kucharski, Mr Wojciech Myślecki, and Mr Maciej Rapkiewicz resigned as the Supervisory Board Members effective as at 20 May 2020,

On 21 May 2020, the Annual General Meeting of the Bank appointed the Supervisory Board of the Bank for the fourth, four-year term of office. The following persons were appointed to the Supervisory Board of the Bank: Ms Aleksandra Agatowska, Mr Ernest Bejda, Mr Artur Kucharski, Mr Mikołaj Handschke, Mr Wojciech Myślecki, Mr Marek Pietrzak, and Mr Robert Pusz.

On 25 May 2020, the Supervisory Board of the Bank, acting on the basis of the Rules of Procedure of the Supervisory Board of Alior Bank S.A., selected Mr. Aleksandra Agatowska as Chair of the Supervisory Board and Mr Ernest Bejda as Deputy Chair of the Supervisory Board.

On 21 December 2020, the Supervisory Board of the Bank delegated Mr Mikołaj Handschke to temporarily, i.e. for the period from 21 December 2020 to 20 March 2021, act as Vice-President of the Management Board of the Bank.

As at 31 December 2020, the composition of the Supervisory Board of the Bank was as follows:

- Aleksandra Agatowska Chair of the Supervisory Board
- Ernest Bejda Deputy Chair of the Supervisory Board
- Mikołaj Handschke Member of the Supervisory Board delegated to act as Vice-President of the Management Board
- Artur Kucharski Member of the Supervisory Board
- Wojciech Myślecki Member of the Supervisory Board
- Marek Pietrzak Member of the Supervisory Board
- Robert Pusz Member of the Supervisory Board

### **Organisation of the Supervisory Board Work**

The work of the Supervisory Board in the period from 1 January 2020 to 20 May 2020 was managed by Mr Tomasz Kulik as Chair of the Supervisory Board of the Bank. In view of the appointment on 21 May 2020 for the fourth four-year term of office of the Supervisory Board of the Bank by the Ordinary General Meeting of the Bank, the work of the Supervisory Board in the period from 25 May 2020 to 31 December 2020 was headed by Aleksandra Agatowska as the Chair of the Supervisory Board of the Bank, selected for this function by the Resolution of the Supervisory Board of 25 May 2020.

The Supervisory Board operates pursuant to the Articles of Association, as well as the Rules of Procedure adopted by the Supervisory Board. Meetings of the Supervisory Board are convened as necessary, but no less frequently than three times in 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 an open ballot. In personal matters or at the request of at least one member, the Chair of the Supervisory Board shall order a secret ballot. If there is a tie on votes, the vote of the Chair of the Supervisory Board shall be 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 them must be present at the meeting. The Supervisory Board shall appoint from among its members the Audit Committee of the Supervisory Board, the Risk Committee of the Supervisory Board and other committees required by law, and may also establish permanent or ad hoc committees for the performance of specific activities. Tasks and competencies of particular committees shall be set by the Supervisory Board.

In 2020, the following committees were functioning at the Bank: Nomination and Remuneration Committee, Audit Committee, and Risk Committee of the Supervisory Board and the newly appointed Bank Strategy and Development Committee.

In accordance with the Articles of Association of the Bank, at least two members of the Supervisory Board met and meets the criteria of independence from the Bank and entities having a significant connection with the Bank. The criteria of independence of members of the Supervisory Board are set

out in the Rules of Procedure of the Supervisory Board of the Bank, in accordance with the criteria set out in Good Practices.

In view of the COVID-19 pandemic, the Supervisory Board of the Bank, by adopting Resolution No. 40/2020 of 7 April 2020, amended the Rules of Procedure of the Supervisory Board of Alior Bank S.A. by allowing Members of the Supervisory Board to participate, in whole or in part, in the meeting of the Supervisory Board by means of direct distance communication.

### **Activities of the Supervisory Board**

In the financial year 2020, the Supervisory Board held 17 meetings and adopted a total of 176 resolutions related to i.a.:

- election of the Chair of the Supervisory Board of the Bank,
- election of the Deputy Chair of the Supervisory Board,
- assessment of the collective suitability of the Alior Bank S.A. Supervisory Board,
- statement of the Supervisory Board regarding the establishment and operation of the Audit Committee of the Supervisory Board of Alior Bank S.A.,
- statement of the Supervisory Board concerning the appointment and operation of the Bank's Strategy and Development Committee of the Supervisory Board of Alior Bank S.A.,
- supplement the composition of the Nomination and Remuneration Committee of the Supervisory Board of Alior Bank S.A.,
- amendments to the "Regulations of the Audit Committee of the Supervisory Board of Alior Bank S.A.",
- approval of the Compliance Unit's Annual Action Plan for 2020,
- approval of the Compliance Unit's Annual Action Plan for 2021,
- consent to the appointment of the acting Regulatory Compliance Department Director,
- approval of the Annual Audit Plan for 2021 (Operational Plan) and the Five-Year Audit Plan for 2020-2024 (Strategic Plan),
- assess the effectiveness of the compliance risk management system at Alior Bank S.A. in the period from 1 January 2019 to 31 December 2019.,
- assess the adequacy and effectiveness of the Bank's internal control system in 2019, including the assessment of the adequacy and effectiveness of the control function, compliance unit and internal audit unit,
- approval of the Annual Audit Plan for 2020 (Operational Plan) at the Alior Bank S.A. branch in Romania,
- approving the updated Annual Audit Plan for 2020 (Operational Plan) and the updated Five-Year Audit Plan (Strategic Plan),
- approval of the Annual Audit Plan for 2020 at the Brokerage House (Operational Plan),
- approval of the amended "Regulations for the functioning of the Compliance Department",

- approval of an update of the Recovery Plan of the Capital Group of Alior Bank S.A.,
- assessment of: financial statements of Alior Bank S.A. for the year ended on 31 December 2019, financial statements of the Capital Group of Alior Bank S.A. for the year ended on 31 December 2019 and the report of the Management Board on the activities of the Alior Bank S.A. Capital Group, including the report of the Management Board on the activities of Alior Bank S.A. for the year ended on 31 December 2019,
- recommend that the Ordinary General Meeting of the Bank adopts resolutions on the consideration and approval of: the Bank's financial statements for the financial year ended on 31 December 2019, the consolidated financial statements of the Alior Bank S.A. Capital Group for the financial year ended on 31 December 2019, (iii) the report of the Management Board on the activities of the Alior Bank S.A. Capital Group in 2019, including the report of the Management Board on the activities of Alior Bank S.A., and (iv) the report of the Alior Bank S.A. Capital Group on non-financial information for 2019.
- assessment of the motion of the Management Board of the Bank concerning activities in the fiscal year 2019,
- adoption of the report on the activities of the Supervisory Board of the Bank in the financial year 2019,
- providing an opinion on the Management Board's Report on representation expenses, as well as expenses on legal services, marketing services, public relations, and social communication services, and management consulting services for the year ended on 31 December 2019.,
- statement of the Supervisory Board on the selection of an audit firm at Alior Bank S.A.,
- 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 financial year 2019,
- providing an opinion on the documents submitted by the Management Board of the Bank for deliberation to the Ordinary General Meeting of the Bank,
- determination of the consolidated text of the Bank's Articles of Association after amendments passed by the General Meeting of the Bank,
- approval of Strategy and risk appetite for 2021,
- approving the update of the "Operational Risk Management Strategy for 2017-2020" and the "Operational Risk Management Policy",
- approval for an update of the "Credit Concentration Risk Management Policy",
- approval of the results of the annual review of the "Credit Concentration Risk Management Policy",
- approval of the amendment to the regulation "Credit Risk Management Policy at Alior Bank S.A.",
- approval of the "ILAAP Liquidity Stress Tests" in 2020.,
- approval of the annual report of the Management Board of the Bank on the execution of the Model Risk Management Policy for 2019 along with the information for the Supervisory Board,
- approval of the "Strategy of Alior Bank S.A. for 2020-2022".

- approval of amended regulations: “Capital Management and Capital Planning Policy at Alior Bank S.A.” and “Internal Capital Adequacy Assessment Process (ICAAP) at Alior Bank S.A.”,
- approval of the “Assets and Liability Management Policy for 2020-2022”,
- approval of the updated “Rules for Conducting Liquidity Risk Stress Tests at Alior Bank S.A.”,
- introduce changes to the “Regulations of the Supervisory Board of Alior Bank Spółka Akcyjna”,
- defining the conditions under which variable remuneration for 2020 will not be granted to Members of the Management Board of the Bank,
- expressing a positive opinion on the update of Alior Bank S.A.'s financial plan and the financial plan of Alior Bank S.A. Group for the financial year ending on 31 December 2020,
- expressing a positive opinion on the “Long-term financial forecast of Alior Bank S.A. Group for the years 2020-2026”,
- approval of the amended “Outsourcing, Insourcing and Sensitive Services Management Policy at Alior Bank S.A.”,
- approval of the amended “Remuneration Policy of Alior Bank S.A.”,
- approval of the “Remuneration Policy of Members of the Management Board and Supervisory Board of Alior Bank S.A.”,
- acquiring the right to tranches of Deferred Variable Remuneration for 2016-18,
- settling management objectives and not granting variable remuneration to members of the Management Board for 2019.,
- approval and subsequent updating of objectives and their weights for Members of the Management Board of the Bank for 2020.,
- amendments to the “Policy of Selection and Assessment of the Members of the Management Board and the Supervisory Board of Alior Bank S.A.”,
- appointment of the Management Board of the Bank for a new, three-year, 5th joint term,
- assessment of the collective suitability of the Bank’s Management Board,
- approval of the internal division of competencies within the Management Board of the Bank,
- the principles of consent to the conclusion of debt waiver agreements or other agreements with similar effect by the Bank exceeding PLN 50,000 in 2020,
- consent to the conclusion of debt waiver agreements or other agreements with similar effect by the Bank with a value exceeding PLN 50,000 or 0.1% of the sum of assets in the period from 1 January 2021 to 31 December 2021,
- 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,
- approval of the conclusion of the “Memorandum of Cooperation and Exchange of Information” by the Bank signed on 19 June 2019 with Powszechny Zakład Ubezpieczeń S.A.,





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 and changes related to accounting and reporting, including issued concerning material and atypical transactions at the Bank, how they are registered.

The Committee audited the timeliness of individual stages of the financial reporting process and the effectiveness of the implemented key controlling procedures related to financial reporting. Moreover, the Committee reviewed the management accounting system, as well as analysed human resources in the financial and accounting departments. As regards monitoring of the performance of financial review activities, independence of the statutory auditor and entity authorised to examine financial statements, the Audit Committee periodically met with the Bank's auditor and the Member of the Management Board of the Bank supervising finances, as well as 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 2020, the audit firm auditing the financial statements provided to Alior Bank S.A. certain admissible services other than audit. The independence of the audit firm was assessed and the consent for the provision of such services was granted each time. The Committee was kept informed about the effectiveness of the financial audit process, and monitored the status of implementation of the recommendations issued by the statutory auditor in a letter to the Bank's Management Board, as well as supervised the areas indicated by the statutory auditor as particularly exposed to risk during the audit.

As regards monitoring the effectiveness of the control system, risk management systems and internal audit, the Committee received reports prepared by the Audit Department, taking into account, inter alia, information on the results of audits carried out and ad hoc tasks commissioned by the Management Board of the Bank, the Audit Committee and the Supervisory Board of the Bank, progress of recommendations implementation, reports on the implementation of the audit plan, including the annual report on the activities of the Audit Department, report on the assessment of the adequacy and effectiveness of the internal control system and the risk management system. The Committee gave its opinion on the proposed audit plan for the following year, taking into account the risk analysis and the resources available to implement the plan. In addition, the Committee supported the Audit Department in situations where irregularities in the activities of the audit entities were identified. The Committee received reports prepared by the Compliance Department on a regular basis. The Audit 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 at the Bank, were phrased.

### **Nomination and Remuneration Committee**

The Remuneration Committee was established pursuant to Resolution of the Supervisory Board No. 87/2011 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, mainly with the Regulation of the Minister of Development and Finance of 6 March 2017 on the risk management system and internal control system, remuneration policy and detailed method of estimating internal capital in banks (Dz. U. [*Polish Journal of Laws*] of 2017, item 637, as amended), in accordance with the principles of stable and prudent risk, capital and liquidity management, and with particular regard to the long-term interests of the Bank and the interests of its shareholders,
- providing opinions on the classification of jobs, which is governed by the pay policy with regard to individuals having material impact on the risk profile of the Bank (Material Risk Takers – MRTs), providing opinions on annual objectives; providing opinions and monitoring variable pay of the MRTs,
- preparing opinions, assessments, or recommendations on candidates to the Management Board of the Bank, on the conclusion, amendment, and termination of contracts with members of the Management Board, regarding the structure, size, composition, and effectiveness of the Management Board's operation as a body, as well as knowledge, skills and experience of individual 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 2020 was as follows:

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

During the reporting period, the composition of the Nomination and Remuneration Committee of the Supervisory Board of Alior Bank S.A. changed due to the resignation of Marcin Eckert from the Supervisory Board of the Bank and Mr Tomasz Kulik, Mr Mikołaj Handschke and Mr Maciej Rapkiewicz, member of the Supervisory Board of the Bank in connection with the expiry of the term of office, the Supervisory Board appointed, as of 4 June 2020, the following members to the Nomination and Remuneration Committee of the Supervisory Board: Ms Aleksandra Agatowska, Mr Ernest Bejda, and Mr Mikołaj Handschke. Ms Aleksandra Agatowska was elected Chair of the Committee. In connection with the posting of a Member of the Nomination and Remuneration Committee of the Supervisory Board, Mr. Mikołaj Handschke, to temporarily perform the duties of Vice-President of the Management Board of the Bank, the Supervisory Board of the Bank, on 28 December 2020, supplemented the composition of the Nomination and Remuneration Committee of the Supervisory Board by appointing Mr. Marek Pietrzak as a Member of the Committee.

As at 31 December 2020, the Committee was composed of:

- Aleksandra Agatowska Chair of the Committee
- Ernest Bejda Member of the Committee
- Mikołaj Handschke Member of the Committee delegated to act as Vice-President of the Management Board
- Marek Pietrzak Member of the Committee

In 2020, the Nomination and Remuneration Committee of the Supervisory Board held 9 meetings at which, among other things: it first assessed the suitability of individual candidates for the Management Board of the Bank, secondary assessment of the suitability of individual members of the Management Board of the Bank ending the term of office and assessment of the collective suitability of the Management Board, issued an opinion on the Remuneration Policy of Members of the Management Board and the Supervisory Board of Alior Bank S.A. prepared in connection with the amendment of the Act on Public Offering and Conditions of Introduction of Financial Instruments to Organised Trading System and Public Companies (Dz. U [*Polish Journal of Laws*] of 2020, item 2080), issued an opinion on changes in Alior Bank S.A. Remuneration Policy and classification of positions subject to Alior Bank S.A. Remuneration Policy with regard to persons having a significant impact on the Bank's risk profile, their objectives and decisions related to variable remuneration of these persons.

### **Risk Committee**

The Risk Committee was appointed on 22 December 2015 by Resolution of the Supervisory Board No. 81/2015 to support the Supervisory Board in the supervision of the risk management process at the Bank. The Committee operates on the basis of the Rules of Operation of the Risk Committee of the Supervisory Board of Alior Bank S.A.

The tasks of the Risk Committee of the Supervisory Board include, in particular:

- providing opinions on the Bank's overall current and future readiness to accept risk, which has been quantified in the risk appetite,
- providing opinions on the risk management strategy at the Bank and analysing information regarding the implementation of that strategy submitted by the Management Board, comprising periodic reports on capital adequacy, credit, operational, market and liquidity risk, as well as model risk and compliance risk,
- supporting the Supervisory Board in supervising the implementation of the risk management strategy at the Bank.

- verification of compliance of the price of liabilities and assets offered to customers with the Bank's business model and its risk strategy and, in the case of non-compliance, submitting proposals to the Management Board of the Bank aimed at ensuring the adequacy of the prices of liabilities and assets for these risks,
- issuing opinions on regulations defining the Bank's strategy and policy governing the approach to risk-taking, the approval of which falls within the competence of the Supervisory Board,
- analysing cyclical reports on the implementation of the above strategies and policies,
- supporting the Supervisory Board in supervising the risk management process at the Bank.

The objectives of the Risk Committee stem from the Regulation of the Minister of Development and Finance of 6 March 2017 on the risk management system and internal control system, remuneration policy and detailed method of estimating internal capital in banks (Dz. U. [*Polish Journal of Laws*] of 2017, item 637, as amended) and from the Banking Law Act (Ustawa - prawo bankowe).

As at 1 January 2020, the Committee was composed of the following persons:

- |                     |                         |
|---------------------|-------------------------|
| • Dariusz Gątarek   | Chair of the Committee  |
| • Artur Kucharski   | Member of the Committee |
| • Maciej Rapkiewicz | Member of the Committee |
| • Marcin Eckert     | Member of the Committee |

During the reporting period, the composition of the Risk Committee of the Supervisory Board of Alior Bank S.A. changed due to the resignation of Mr Marcin Eckert from the Supervisory Board of the Bank and Mr Dariusz Gątarek, Mr Maciej Rapkiewicz and Mr Artur Kucharski from the Supervisory Board of the Bank in connection with the expiry of the term of office, the Supervisory Board appointed Mr Robert Pusz, Mr Ernest Bejda, Mr Mikołaj Handschke, and Mr Artur Kucharski to the Risk Committee of the Supervisory Board as of 4 June 2020. On 21 December 2020, the Supervisory Board of the Bank delegated Mr Mikołaj Handschke to perform the duties of the Vice-President of the Management Board of the Bank.

As at 31 December 2020, the composition of the Committee was as follows:

- |                     |  |
|---------------------|--|
| • Robert Pusz       | Chair of the Committee   |
| • Ernest Bejda      | Member of the Committee  |
| • Mikołaj Handschke | Member of the Committee delegated to act as Vice-President of the Management Board |
| • Artur Kucharski   | Member of the Committee  |

The composition of the Committee shall ensure an adequate level of supervision over the entrusted area of the Bank's activity. Each Committee Member has 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 2020, the Risk Committee of the Supervisory Board held 14 meetings. As part of ongoing supervision over the area of risk management and capital adequacy, the Committee received periodic reports and analyses presenting the situation of the Bank and significant subsidiaries. The Committee has kept under review, the operational and financial situation of the Bank in the context of the impact of the COVID-19 pandemic and the judgements of the Court of Justice of the European Union. During the meetings, the Risk Committee of the Supervisory Board discussed key issues related to the risk management process, in particular: risk appetite for the banking activity, capital position of the Bank, quality of the credit portfolio and the largest credit exposures. The Committee was constantly receiving results in the areas of credit risk, market risk, liquidity, operational risk, model risk, as well as the status of implementation of key projects from the point of view of risk management. The Committee's work concerned issues related to credit concentration risk, treasury transaction portfolio risk, reputation and non-compliance risk, as well as results of asset and liability price review. The results of the stress tests carried out by the Bank and the results of the review of the internal capital adequacy assessment process (ICAAP) were also discussed. The Committee also familiarised itself with the assessment of the mortgage portfolio covered by Recommendation S and retail exposures covered by Recommendation T.

The Committee provided its recommendations to the Supervisory Board in the form of resolutions. 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 took steps to clarify the reasons for the increased level of risk and actively followed recommendations on 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.

### **Strategy and Development Committee of the Bank's Supervisory Board**

The Bank's Strategy and Development Committee was established on 30 September 2020 by Resolution of the Supervisory Board No. 143/2020, in order to support the Supervisory Board of the Bank in the scope of issuing opinions and presenting recommendations to the Supervisory Board concerning the Bank's development strategy and recommendations for planned investments having an impact on the Bank's assets. The Committee operates on the basis of the Rules of Operation of the Committee on Strategy and Development of the Bank's Supervisory Board of Alior Bank S.A. approved by the Supervisory Board.

The activities undertaken by the Committee on Strategy and Development of the Bank of the Supervisory Board are advisory in relation to decisions taken by the Supervisory Board. The purpose of the Committee's activities is to increase the effectiveness of supervisory activities performed by

the Supervisory Board in the scope of issuing opinions on all strategic documents submitted to the Supervisory Board by the Management Board of the Bank (in particular the Bank's development strategy) and recommendations for planned investments, having a significant impact on the Bank's assets.

The Committee's tasks include issuing opinions and submitting recommendations to the Supervisory Board on decisions taken in the following matters:

- approving the Bank's long-term development plans developed by the Management Board,
- pursuing the Bank's long-term development programmes, including reports on projects implemented at the Bank,
- issuing opinions on applications of the Management Board of the Bank concerning the creation and accession of the Bank as shareholder (stockholder) to companies and divestment of shares (stocks) where those investments are of a long-term and strategic nature.

The composition of the Committee for Strategy and Development of the Bank of the Supervisory Board was determined by Resolution of the Supervisory Board No. 144/2020 on 30 September 2020. The composition of the Committee has not changed until the end of the reporting period. On 21 December 2020 The Supervisory Board of the Bank delegated Mr Mikołaj Handschke to temporarily perform the duties of Vice-President of the Management Board of the Bank responsible for the area of finance.

As at 31 December 2020, the composition of the Committee was as follows:

- |                        |  |
|------------------------|--|
| • Aleksandra Agatowska | Chair of the Committee   |
| • Ernest Bejda         | Member of the Committee  |
| • Mikołaj Handschke    | Member of the Committee delegated to act as Vice-President of the Management Board |
| • Artur Kucharski      | Member of the Committee  |
| • Wojciech Myślecki    | Member of the Committee  |

The composition of the Committee shall ensure an adequate level of supervision over the entrusted area of the Bank's activity. Each Member of the Committee shall have appropriate knowledge and competence to perform the tasks entrusted by the Supervisory Board in the field of opinion and advice for recommendations concerning strategies and investments undertaken by the Bank.

In 2020, one stationary meeting of the Committee on the Strategy and Development of the Bank of the Supervisory Board took place (due to the establishment of the Committee in the fourth quarter of 2020), at which the status of work on updating the Bank's strategy for the years 2021-2022 was discussed. The Committee recommended the provision of additional materials relating to the desired customer profile of Alior Bank S.A. and wider materials related to addressing the challenges arising

from the economic and social situation after the COVID-19 pandemic in the strategy. The Committee's recommendations have been taken into account in further work on the part of the Bank.

### **Self-assessment of the suitability of the Supervisory Board**

At the meeting of 27 April 2021, the Supervisory Board of Alior Bank S.A. self-assessed its activities as the Bank's body in 2020.

In the opinion of the Supervisory Board, in 2020 this body fulfilled the obligations provided for by law, recommendations of supervisory authorities and other regulations (including the Bank's internal regulations) with due diligence, ensuring an adequate and effective level of supervision over all areas of the Bank's activities, taking into account the scale and specificities of the entity's activities.

In addition, the Supervisory Board considers that in 2020, its work was conducted in an efficient and uninterrupted manner, and that conduct thereof, in particular at regular meetings of the Board and its committees, allowed all members to obtain the necessary information, to take a position and to exchange views constructively. At the same time, the Supervisory Board positively assessed the cooperation with the Management Board of the Bank, as well as the interaction with its employees, in particular representatives of control functions. Materials, documents and information were received by the Supervisory Board without delay and were transparent and reliable and of a high level of content and exhaustiveness.

In the opinion of the Supervisory Board, the composition of this body throughout the reporting period was appropriate in the context of requirements arising from the provisions of law and expectations of the supervisory authority. The diversity of directions of education and professional experience of individual members of the Supervisory Board, as well as the participation of its independent members in the work of the body, enabled comprehensive supervision of various aspects of the Bank's activities.

The year 2020 was characterised by a high level of activity of the Supervisory Board *in corpore*, its committees, as well as individual members of that body. No significant absence levels were observed. Both the number of meetings and the agenda of the meetings of the Board and its committees have been assessed as sufficient to exercise effective control. Discussions within the Council and its committees were thorough and constructive.

In view of the above, the Supervisory Board positively assesses the activities of this body in 2020.

## Summary

Having regard to the information presented in this report, the Supervisory Board positively assesses the manner in which the Supervisory Board functioned and operated in 2020, and positively assesses the performance of duties during the reporting period by all Members of the Supervisory Board.

The Supervisory Board requests the Ordinary General Meeting of the Bank to adopt this report on the activities of the Supervisory Board of the Bank in 2020 and to grant all Members of the Supervisory Board discharge in respect of their performance of their duties during the reporting period.

Warsaw, 27.04.2021

.....  
Aleksandra Agatowska  
Chair of the Supervisory Board

.....  
Ernest Bejda  
Deputy Chair

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

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

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

.....  
Marek Pietrzak  
Member of the Supervisory  
Board

.....  
Robert Pusz  
Member of the Supervisory Board