



**ALIOR  
BANK**

# **REPORT OF THE MANAGEMENT BOARD**

**ON THE ACTIVITIES OF ALIOR BANK S.A.  
CAPITAL GROUP IN 2021**

including the Report of the Management Board  
on the activities of Alior Bank S.A.



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# 01/02

## EDITORIAL

- Letter of the President of the Management Board
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# I. Letter of the President of the Management Board



## Dear Madams and Sirs,

in the banking sector, 2021 was marked by minimising the economic impact of COVID-19 and adjusting day-to-day operations to the new economic environment. As a public trust institution and a public company with full responsibility towards our customers, employees, partners and investors, we have taken all possible measures to ensure the Bank's operational stability and prepare it for the economic consequences of the crisis.

The environment in which we have been operating this year has accelerated certain trends and phenomena in the banking industry – such as an increase in confidence in the use of remote channels, the development of technologies that increase the comfort of banking and the increasingly complex, multidimensional expectations of customers towards banks.

One of Alior Bank's hallmarks were and are modern technologies and progressive digitalisation. We have therefore decided to take advantage of this shift in the market to strengthen our competitive advantage in online and mobile banking and the ecosystem of financial and value-added services. Consistent development in this area was one of the factors that enabled us to carry out the Bank's day-to-day operations naturally and without disruption and to achieve the business objectives we had set.

As a result of radically changed macroeconomic conditions, Alior Bank's management updated its strategy in the first quarter of 2021. The new targets were adopted after taking into account the economic situation caused by the pandemic and the many unknowns as to the further developments in the macroeconomic environment. However, the main pillars of the "More than a Bank" strategy remained in place. Business development continues to be based on key tenets: building long-term customer relationships, digitising the business, personalising products and services, and supporting the green transformation. The latter is the result of a response to growing public demand in this area and the desire to develop business in a responsible and sustainable manner.

The activities we carry out are focused around two areas. These are "Customer Experience" and "Bank Transformation". In 2021, we are implementing innovative tools that guarantee convenience for customers and enable them to manage their finances even more freely and independently, wherever and whenever they are. In view of the epidemiological situation, we have

focused on maximum security and customer comfort. Hence, for example, the possibility of remote booking of appointments in our branches via the popular Booksy application, thanks to which individual customers and micro-entrepreneurs can remotely, at any time, plan a visit to a selected Alior Bank branch in 100 cities across the country.

Personalisation, self-service and rich availability of products and services are the directions we are following. We want to deepen the long-term relationship with our customers by, among other things, building a positive experience and providing high quality service and solutions. This is why we have introduced the self-service model "My Cases" in internet banking, where users have the possibility to submit instructions that were previously available only through the helpline and branches. In the last two years, the Bank has also implemented a number of non-financial services which make everyday matters much easier. These include the possibility to purchase public transport tickets and pay for car parks with moBilet, the AutoPay automatic motorway toll option, BIK alerts and reports, the availability of LINK4 and PZU insurance in the app, or access to telemedicine services.

Strengthening the technological edge of Alior Bank remains one of our top priorities. We focus on developing tools to improve our daily work and increase its effectiveness. In 2021, the Bank launched a voice assistant for its hotline to facilitate contact with customers. InfoNina already receives around 9,000 calls a day, 10 per cent of which it handles completely on its own, and the average call time has been reduced by around 10 per cent. The correctness of redirections to the right consultant by the bot currently exceeds 90 per cent, and customer intent is recognised with over 80 per cent efficiency.

Seeing the huge potential in the use of artificial intelligence, we will systematically develop voicebot competences and skills, so that most things, including information retrieval, can be done remotely. InfoNina is a forerunner of further, though not the only automation that the Bank is planning. Our goal is that by the end of 2022, 60 per cent of calls on the helpline will be made with voicebots, and 30 per cent of customer interactions with chatbots.

By ensuring high service comfort, a tailored offer of intuitive and simple processes, the Bank counts on the growing simplification of services and a relational NPS at the level of 40 per cent. To achieve this, we maintain, among other things,

the attractiveness of personal accounts providing customers with maximum flexibility. We are developing our offering towards multiproductivity through application processes for loan products and RORs. All this while maintaining convenient remote processes.

We are aware of the demanding conditions in which Polish businesses operate today. That is why we want to support entrepreneurs by providing them with attractive products and convenient solutions, thus effectively deepening our relationship with them.

In 2021, Alior Bank introduced the new Plan Biznes account for micro, small and medium enterprises. Thanks to its innovative formula, it allows customers to independently select the necessary services and create a convenient model of cooperation with the Bank. In the middle of the year, we also provided entrepreneurs with an offer to finance RES projects. We support the green transformation of business, e.g. through the EKO-FIRMA loan for the purchase and installation of photovoltaic panels. Since the beginning of last year, the Bank has also been carrying out intensive acquisition activities in the business client segment – through an offer to reduce margins and fees of their loans in other banks and through promotional activities. We focus on reaching entrepreneurs operating in industries that are attractive from our point of view.

It is also worth mentioning the good year for the subsidiaries in the Alior Bank Group, which have been consistently performing well for several quarters. Alior Leasing's sales in 2021 amounted to PLN 3 billion. The balance of the leasing receivables portfolio amounted to PLN 6 billion. The number of the company's customers at year-end amounted to 74.3 thousand (+6 thousand y/y).

Alior TFI has grown by PLN 130 million over the last 12 months in terms of assets under management. At the end of the year they had increased by 11 per cent year-on-year. Alior Bank's Brokerage Office acquired in 2021 4.2 thousand new brokerage accounts and 0.5 thousand Alior Trader accounts. The office has been successively developing its investment advisory service in a fee-based model. By the end of 2021, the number of clients serviced in this way had risen to 500 and the accumulated assets had reached PLN 1 billion.

Thanks to appropriate preparation and actions taken, Alior Bank ended 2021 with a stable situation and a profit of almost half a billion PLN positively surprising the market and shareholders. The fourth quarter of 2021 is another quarter in which Alior Bank presents not only good financial results but also improves the quality of its loan portfolio. The Management Board constantly looks at the environment in which the Bank operates and, on an ongoing basis, identifies factors that may affect the institution's results in the coming months.

We are prepared to continue with strategic goals and objectives in 2022 to ensure that we remain on a growth trajectory in the

Bank's key business areas. This flexibility and agility that we have developed in recent quarters is to a great extent due to all the employees of Alior Bank. I would like to thank them for their daily work and professionalism, thanks to which we can speak of our organisation as a Bank of committed experts. With them on board, we can look to the future with confidence and plan the Company's further development.



*Kind Regards,*

A handwritten signature in black ink, appearing to read 'Grzegorz Olszewski'.

**Grzegorz Olszewski**

Vice-President of the Management Board  
of Alior Bank S.A. in charge of chairing  
the Management Board

## II. Letter of the Chairperson of the Supervisory Board



### Dear Madams and Sirs,

Another year of the COVID-19 pandemic is behind us, a time that has further highlighted the fact that the banking sector is digitalising at an incredible rate and is able to harness the potential of new technologies to achieve business growth while positively impacting economic growth. It has remained a priority for financial institutions to address the needs that arise in the marketplace and to support customers in dealing with the emerging challenges posed by a changing economic environment. The last quarters have shown that Alior Bank has taken a responsible approach to mitigating risks associated with the Pandemic, and the actions it has taken have allowed it to consistently strengthen the Bank's position, keeping the organisation on the path of achieving good financial results and supporting its customers at the same time.

In response to new macroeconomic conditions and with all Alior Bank's stakeholders in mind, at the beginning of the year the Management Board updated the strategy valid until 2022. In accordance with the assumptions, it is based on four key pillars: digitisation of operations, building a long-term relationship with the customer, personalisation of products and services, as well as support for the green transformation. The implementation of its demands and safeguarding the good interests of all parties has become a priority for the organisation and has already produced the first measurable results. Today, the Bank's Management Board, having carefully identified the factors that could affect the results in the coming months, can look ahead to the next quarters with confidence, planning activities that will further improve the customer experience and increase the level of banking. It is worth adding that at the end of the fourth quarter of 2021, Alior Bank served over 4.1 million individual customers and nearly 258 thousand business customers. With such a base, the Bank is able to set itself further ambitious goals.

In 2021, Alior Bank, which since the beginning of its operations has focused on the development of innovations, consistently introduced modern solutions that guarantee customers maximum convenience and independence in banking from anywhere and at any time. Over the course of these twelve months, the Bank provided a number of functionalities that allow customers to manage their accounts and finances without having to visit a branch. New payment methods, an instant card tokenisation service or a virtual assistant supporting customers in the execution of uncomplicated

orders. These are just some of the recently implemented improvements.

It is now a given that the digital world is very much permeating the various areas of the banking business. Advanced analytics and artificial intelligence are essential tools for developing a strategy that allows banks to stand out from the competition and gain the trust of consumers. However, the modernity of financial institutions is not only limited to making available further technological improvements, but also allows them to be used to support important social changes. As an example, it is worth mentioning the development of telemedicine promoted by the banking sector. Alior Bank, which in its strategy has taken into account the increase of new, non-financial services in its offer, in cooperation with PZU Zdrowie made it possible for customers to benefit from free medical e-consultations.

Cooperation between entities in the financial market, in particular between banks and insurers, is an area of rapid development and continuous innovation. Therefore, the synergies between institutions and the potential for strategic cooperation across the PZU Group will be exploited to an even greater extent in 2022. It opens up enormous opportunities for growth, especially in terms of integrating and focusing services around the client at every stage of their personal and professional life.

Strengthening relations between the banking sector and public sector entities remains equally important. This is why, apart from expanding its remote offer, last year Alior Bank focused on cooperation with key state institutions, such as the Polish Development Fund - participating in aid programmes by, for example, making available applications for subsidies from the Financial Shield or refinancing combined with a 12-month grace period in the repayment of lease instalments for customers from sectors most affected by the consequences of the pandemic.

In 2021, the banking sector became even more involved in environmental protection. Wishing to develop in a stable and responsible manner, Alior Bank was one of the first banks to join, among others, the "Clean Air" programme. The partnership with the National Fund for Environmental Protection and Water Management and the provincial funds is in line with the aforementioned Alior Bank strategy, which focuses on effective and customer- and environmentally-friendly

processes and tools. Undoubtedly, in the near future we will see an increase in the importance of non-financial factors in the management of financial institutions. These companies will become more aware of sustainability and ESG concepts, and many will take initiatives and adopt new policies that are environmentally friendly, socially responsible, publicly transparent and robust in terms of legal responsibility.

At this point, on behalf of the Supervisory Board of Alior Bank, I would like to thank all the Employees and all the Members of the Management Board for their full professionalism and commitment, thanks to which the Bank successfully implements the set strategic objectives and maintains stable operational activity. Despite it being a time full of challenges and a changing environment, the organisation has managed to respond to the challenges brought by the pandemic. I am convinced that the coming months will be full of further undertakings and activities to deepen relations with clients and business partners. The Bank's goal remains not only to consistently and steadily generate profit, but also to combine the functions of traditional banking and a highly personalised digital bank - the Alior Bank hallmark.

I would also like to wish the Employees and the Management Board perseverance and success in achieving new, ambitious goals, as well as persistence and consistency in developing the areas set out in the "More than a Bank" strategy – with particular emphasis on the objectives of sustainable development.



*Kind Regards*

A handwritten signature in blue ink that reads "Aleksandra Agatowska". The signature is written in a cursive, flowing style.

**Aleksandra Agatowska**

Chairwoman of the Supervisory Board  
of Alior Bank

# 03

## SUMMARY OF ALIOR BANK'S ACTIVITIES IN 2021

- Summary of Strategic Actions in 2021
- Strategy implementation
- Basic financial data for 2021
- Distribution network and headcount
- Assessment of activities pursued by the Alior Bank Capital Group

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## III. Summary of Alior Bank's activities in 2021



In 2021, Alior Bank significantly improved its financial results, the net profit of the Alior Bank Capital Group was **PLN 482 million** over the entire period, with a return on capital (ROE) of **7.7%**.



Alior Bank has a stable secure capital position. The Tier1 and TCR capital ratio levels at the end of 2021 significantly exceed the regulatory minima by: **405 b.p.** (PLN 2 000 million) and **366 b.p.** (PLN 1 810 million).



Credit risk parameters have consistently improved further – risk costs (CoR) in 2021 amounted to 1.60%. The share of non-performing loans also decreased – NPL dropped from 14.48% at the end of 2020 to 11.77% at the end of 2021.



The operating costs remain under control, in 2021 they amounted to **PLN 1 583 million** and were 5% lower in y/y.



March 2021 saw the update of the “**More Than a Bank**” strategy with regard to the amount of key indicators, while the key directions of development were extended to include development in the area of eco products.



During 2021, it increased the stability and security of the credit portfolio by increasing the exposure to housing loans, which increased from 21% at the end of 2020 to 24% at the end of 2021 (according to gross value).

### Summary of Strategic Actions in 2021

In March 2021, we updated the “**More than a Bank**” strategy. We have not changed the directions of development adopted in 2020, but we have revised some indicators describing the implementation of the strategy until the end of 2022. Its main assumptions remain unchanged:

- building lasting relations with customers based on frequent contact points,
- consistent digitalisation and personalisation of services,
- use of state-of-the-art technology to enhance the organisation's performance,
- balancing the loan portfolio and reducing the risk cost.

In practice, these assumptions mean that our aim is to combine the functions of traditional banking and a highly personalised digital bank in order to provide customers with a completely new quality.

The undertaken activities related to the product, technology or work organisation we have subordinated to improving customer experience. These are intended to facilitate customer's day-to-day lives thanks to banking products and non-financial services available from the mobile application level.



**The update of the strategy also presupposes a wide range of products and activities in the ecology area. Alior Bank thus responds to climate challenges and implements the demand for social responsibility, continuing to support the green transformation and progressive development of the offer of organic products for current and new customers.**

Strategic pillar	Strategic programmes	Most important effects
<b>Customer experience</b>	Alior Mobile	Non-banking services in Alior Mobile app
	Personalisation	Products meeting Customers' expectations
	Convenience	Convenient digital processes
	Business customer relationship	Modern service and sector-related support
<b>Transformation of the Bank</b>	Technology leader	Technological advantage
	Effectiveness	Process and cost optimisation
	Risk and capital management	Safety and predictability
	Bank of committed experts	Employee development and social responsibility

### Strategy pillars

They comprise areas divided into eight strategic programmes:

- **“Customer experience”** – acquisition of digital customers, increasing the level of use of products and services offered, enhancing customer satisfaction,
- **“Bank Transformation”** – programmes focused on strengthening our competences and technology potential, optimisation of costs of operations, implementation of policies and solutions to limit the cost of risk and cost of financing, as well as ensuring high level of involvement among the Bank's staff.

### Strategy implementation

It falls during the pandemic, i.e. a period of changed economic and social reality. The directions set out in the updated strategy allowed us to adapt to the new challenges and support our customers in their daily struggle with the consequences of the pandemic.

We are implementing innovative solutions to guarantee customers the maximum convenience and independence of banking from anywhere and at any time, and to increase their security in relation to the epidemiological situation. From 2021, through the popular application “Booksy”, customers may remotely book meetings at their own branches. As a result, individual customers and micro-entrepreneurs can plan a visit to one of the branches located in 100 cities throughout the country.

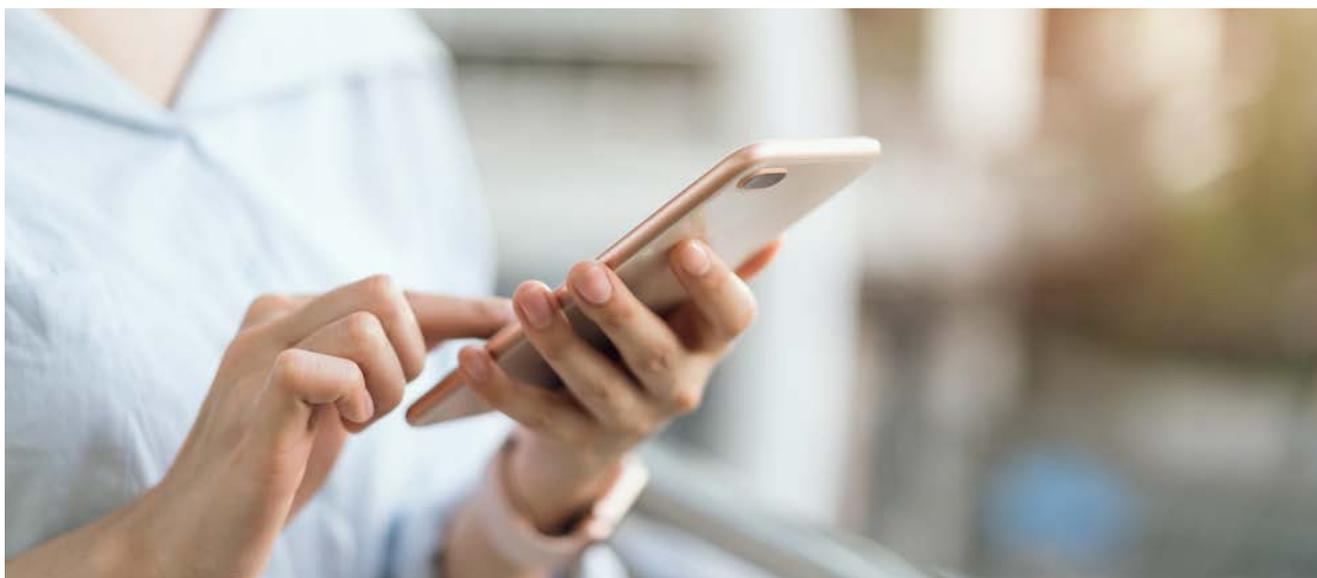
By focusing on convenience and safety, we made available the “My Affairs” (Moje sprawy) self-service module at Alior Online. Customers may independently issue instructions which so far was only available at branches or via the call centre (e.g. change personal data, obtain a bank opinion on the costs of credit products incurred, reimbursement of costs after early repayment of credits, handle complaints). By developing the module, we plan to gradually implement further automated activities.

**We develop an ecosystem of financial and non-financial services in banking applications, focusing on customer experience, its convenience and independence, improving product offer.**



Alior focuses on providing further financial and non-financial services in bank applications (mobile and online) in order to give customers more than just a banking application. This facilitates the handling of day-to-day affairs, advocating the most advantageous solutions, freedom of choice, and availability at any time from the mobile application level. In the years 2020-2021, in the mobile application we implemented a number of non-financial services, including:

- **moBilet** (possibility of purchasing a municipal transport ticket and paying parking fees),
- **AutoPay** (automatic motorway tolls),
- **TPL/AC** motor insurance with LINK4,
- **PZU Wojażer** travel insurance,
- **BIK alerts** and **BIK reports**.



We deepen relationships with business customers based on products and services, including further remote solutions in digital banking. **We develop a credit offer for companies, intensify acquisitions, focus on convenience and self-service.**

Customers with the latest models of Huawei smartphones can now use Alior Mobile. Thus, the application is already available for all key systems, including iOS and Android.

We develop the product offer in such a way as to accompany the customer every day and respond not only to its financial needs. We maintain the attractiveness of flexible personal accounts by adding a special offer for key customer segments (medical packages, rebates and additional services for players). **We focus on a multiproduct approach** – we streamline the processes of applying for credit products (loan and revolving loan package or credit card together with consolidation credit) and savings and settlement account. We have made the cash loan offer more attractive by developing a new price offer and providing a full online process with the possibility of digital signature. Our customers can tokenize the card before it is physically received. This allows payments to be made in Google Pay and Apple Pay portfolios.

By adding promotional offers with periodic fixed interest rates, we have increased the attractiveness of the mortgage loan. By introducing a new **Junior account** offer for children aged 13 and above, we open ourselves up to acquisition of young customers. This process is already available at the Bank's branches. In the near future, we will make the offer available for the youngest customers on the mobile app and online.

We have expanded services for customers with personal accounts. We added the possibility of submitting a new 300+ and 500+ application directly from the level of electronic

banking. We deepen the relationship with customers thanks to the recently implemented Mastercard loyalty programme **"Priceless Moments"** (Bezcenne chwile). We increase the efficiency of the CRM strategy by implementing a new marketplace with products that are even more precisely tailored to the customer. This has become possible thanks to increased monitoring of its activities.

Using the latest technologies, we will secure the transfer and storage of private documents thanks to a durable medium based on blockchain technology.

We are an ECO Bank. We systematically expand the pool of products contract for which do not need to be signed in paper form (they are sent by e-mail). We develop a portfolio of products based on virtual services (virtual card and BLIK Contactless).

We deepen relationships with business customers based on products and services, including further remote solutions in digital banking. We develop a credit offer for companies, intensify acquisitions, focus on convenience and self-service.

We are effectively deepening relations with business customers, based on new transaction products and services. In 2021, we introduced a new account **"Business Plan"** with an attractive package of free benefits tailored to the company's needs. For customers from the micro, SME and large enterprises segments, we have MasterCard's corporate debit card Plus (offering additional benefits: temporary promotions with partners, discounts



and rebates). The next step was to prepare and implement PZU medical insurance, which we made available at the beginning of 2022.

We successfully develop a credit offer for entrepreneurs investing in green energy sources. In the second half of 2021, we made available an offer for financing renewable energy projects for professional energy producers. We support the green transformation of customers thanks to products such as **EKOFIRMA Kredyt** (for the purchase and assembly of photovoltaic panels) or credit for the purchase of a car with an electric or hybrid motor.

Since the beginning of 2021, we have intensified acquisitions by offering customers of other banks a reduction in fees and margins for working capital credits, loans secured by mortgages and financing in the form of factoring. For micro- and small enterprises, we have prepared a promotional offer reducing the preparatory fee for overdraft to 0%. We focus on acquisition activities aimed at customers from attractive business sectors. They can count on a favourable pricing policy and a shorter credit decision time.

We care for the customer's convenience by expanding the portfolio of remote pay methods (all cards for business customers support **contactless payments**: Apple Pay, Google Pay, Garmin Pay, Fitbit Pay i SwatchPAY!). We have made it possible to tokenize the card before it is physically delivered (the possibility of attaching the card to the virtual portfolio of Google Pay and Apple Pay without having to have it physically). We extend remote customer service with the possibility of choosing the form of Author's signature to higher amounts (up to PLN 600 000) and to the process of changing the form of financing.

We simplify and increase the intuitiveness of banking activities performed by the customers themselves. Improvements include: **extending the validity of credit applications from 30 to 90 days**, simplifying the consent and declaration form, waiving the obligation to provide full financial forecasts for credit cards, new intuitive templates for mass transfers, payroll transfers and transfers to the Tax Office, a new friendly credit card repayment template, mechanisms for supplementing and

modifying marketing consents before logging into the system, and an automated accounting process via **BankConnect**.

Business customers received a wide range of after-sales instructions within the BusinessPro system (e.g. certificate of closed accounts and deposits, bank opinion on account and deposit balances, order of documentation for persons with special needs, instruction to change the password to conclude treasury transactions).

We provide comprehensive after-sales services of customers from the segments of medium-sized and large enterprises in the remote channel, transferring all after-sales activities performed at Corporate Banking Centres to the central unit.

We are working on implementing a new electronic banking platform for business customers, both online and mobile. In 2022, we will implement an extremely attractive and modern platform.

We transform the Bank into a stable and responsible way. The state-of-the-art technologies provide us with cost and process efficiency.

In order to achieve a higher level of flexibility and efficiency of the introduced business changes, we transform IT systems into the cloud model. The implementation of the cloud strategy adopted at the Bank is at an advanced stage and follows the adopted schedule. We have achieved – as indicated for the financial sector – a level of maturity in the main cloud technologies. This translates into: successive shortening of the time of implementation of a new application or its update, carrying out implementations transparently, without affecting the customer, maintaining a high level of validity of information for the customer in all digital channels.

Improving processes and efficiency, in 2021 we put particular emphasis on **hyper-automatisation**. This will result in an accelerated digital transformation. We are increasingly prepared for it thanks to the use of artificial Intelligence in communication with customers (Voicebots Chatbots InfoNina) and process robotisation (Webcon, BPM). This reduces costs and increases the efficiency of the processes in which we use these technologies.



We successfully develop advanced analytics for obtaining data or content using specialist techniques. Thanks to this, we obtain information that cannot be obtained from traditional **Business Intelligence** tools. Among other things, we have implemented a risk scoring model, a dynamic Micro recommendation engine and a new model for credit frauds. We build a dedicated environment for the production and simplification of models.

### Basic financial data for 2021

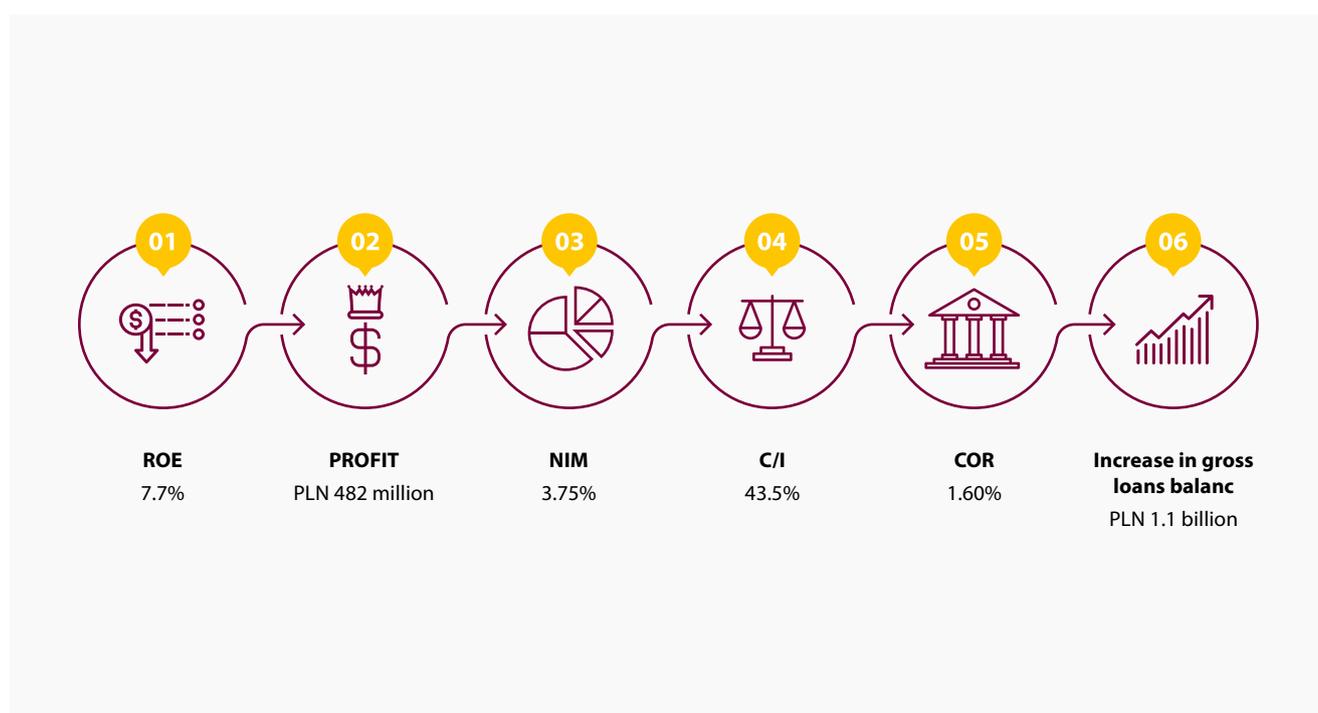
A significant improvement in the net profit of the Alior Bank Capital Group (PLN 482 million net profit in 2021, compared to PLN 311 million net loss a year earlier) was possible thanks to several key factors:

- gradual recovery from the COVID-19 pandemic crisis,
- significant improvement of the quality of the credit portfolio and the behaviour of the Bank's customers, which resulted in a significant decrease in write-downs for expected credit losses,
- implementation of a number of cost initiatives by the Bank which allowed to reduce the Bank's operating costs,
- contribution to the Bank Guarantee Fund lower y/y by approx. **PLN 54 million**,
- increase in interest income in Q4 of 2021 as a result of an increase in interest rates after three Monetary Policy Council decisions: of 6 October 2021, 3 November 2021, and 8 December 2021. The NBP reference rate increased in total by **1.65 percentage points** from **0.10%** to **1.75%**.

### The following one-off events adversely affected the net profit of the Alior Bank Capital Group in 2021:

- subsidising **PLN 61.6 million** of provisions for commission returns resulting from earlier repayments of consumer loans prior to the CJEU judgment of September 2019 (the so-called "Small CJEU"),
- creation of **PLN 21 million** provision for legal risk related to mortgage loans in foreign currencies,
- write-off of **PLN 32 million** of tax assets related to the operations of Alior Bank's branch in Romania.

Tier1 and TCR ratios of the Alior Bank Capital Group remained high at the end of 2021 (**12.55%** and **14.16%** respectively), leaving a safe buffer above the regulatory requirements (**405 b.p.** and **366 b.p.** respectively). Alior Bank Capital Group has a surplus of Tier 1 capital of **PLN 2.0 billion** above regulatory minima. The Bank's liquidity position also remained at a secure level in 2021. Liquidity was closely monitored and maintained to an extent appropriate to the needs by adjusting the deposit base level and mobilising funding depending on the development of credit and other liquidity needs. The LCR liquidity ratio of the Alior Bank Group at the end of 2021 was **160%**. In turn, NSFR's liquidity ratio the end of 2021 was **132%**. The regulatory minimum for both of the aforementioned liquidity ratios is **100%**.





## Distribution network and headcount

### Distribution network

At the end of 2021, we had **600 outlets** (173 traditional branches, 7 Private Banking branches, 13 Corporate Banking Centres, and 407 partner outlets).

We also distributed our products through 10 Mortgage Centres and a network of approx. 3 000 intermediaries. We also had 55 branches in Romania.

By the end of 2021, we modernised 69 branches to a “**new format**”. These branches are distinguished by innovative design and the use of new technologies. The role of the branches is, above all, to provide comfort and privacy to customers and working comfort to bankers. For example, we have provided customers with a private space to familiarise themselves with bank applications.

At the time of modernisation, we focused on the potential of local suppliers. We used recycled raw materials (e.g. worktops were manufactured from processed yoghurt cups, upholstery and ceilings – from recycled PET bottles). Part of the equipment is made up of wood of fast-growing plants.

We also use distribution channels based on a modern IT platform (including online banking, mobile banking, telephone service centres and DRONN technology).

### Headcount

At the 31 December 2021, Alior Bank Group employed **7441 FTEs**.

## Assessment of activities pursued by the Alior Bank Capital Group

### The Group's activities were most affected by:



gradual expiry of the COVID-19 pandemic,

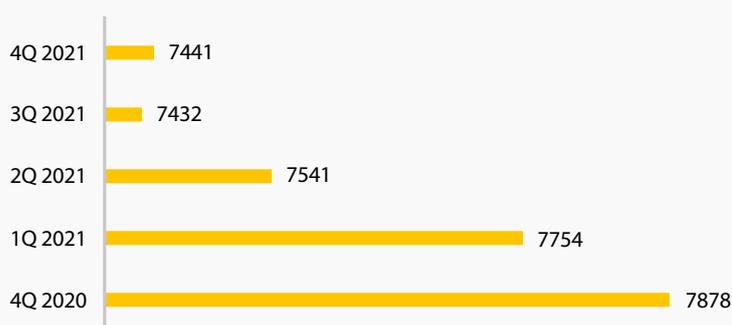


interest rate increase in Q4 2021

As a result of taking a number of remedial measures aimed at mitigating the adverse effects of the pandemic of COVID-19, such as reducing operating costs, tightening the credit policy, developing the Bank's online offer, adapting the Bank's organisation to operating in new conditions (in particular, working remotely and amid sanitary regime), the Alior Bank Capital Group in 2021 generated a net profit of **PLN 482 million** and achieved a return on equity (ROE) of **7.7%**. For comparison, in 2020, the net loss amounted to **PLN 311 million**, and the ROE ratio was **-4.7%**.

2021 saw an increase in the basic efficiency ratio – the Cost/Income ratio – to the level of **43.5%**, from **46.9%** in 2020. It was caused by the increase in total revenues by **PLN 92 million** (by **2.6%**) to the level of **PLN 3 637 million** and reduction of the Group's operating costs by **PLN 82 million** (by **5%**) to the level of **1 583 PLN million**. This proves a significant improvement in the operational efficiency of the Bank.

### Full-Time Equivalents (FTEs)



In 2020, we **reviewed and optimised the credit portfolio**, focusing primarily on reducing credit risk (among other things, reducing the involvement in the industries most affected by the pandemic and tightening the credit policy). This had a positive impact on the Bank's financial result in 2021. The reduction in the level of risk costs was also affected by the improvement of the overall financial situation of customers.

By improving financial performance, we maintain capital adequacy ratios at safe levels, well above the minimum regulatory levels. They allow a stable operation and a further increase in lending. We adapted the product offer to the current level of interest rates and the effects of the CJEU judgment (concerning the return of part of the commission in the event of early repayment by the consumer credit customer). In addition, we have carried out a continuous process of improving efficiency (its aim is to permanently reduce the cost base).

The Management Board of the Bank positively assesses the financial results achieved by the Capital Group of Alior Bank S.A. in 2021. They have been adversely affected by the change in the macroeconomic environment caused by the pandemic. On the other hand, however, a positive effect was brought about by responsible customer behaviour (repaying liabilities) and interest rate increases.

By improving financial performance, we maintain capital adequacy ratios at safe levels, well above the minimum regulatory levels.



# 04

## EXTERNAL FINANCING OF THE BANK'S FUNCTIONING

- Poland's economic growth
- Situation in the labour market
- Inflation and Interest Rates
- Global economy
- Exchange rate
- Banking sector

pp. 16-23

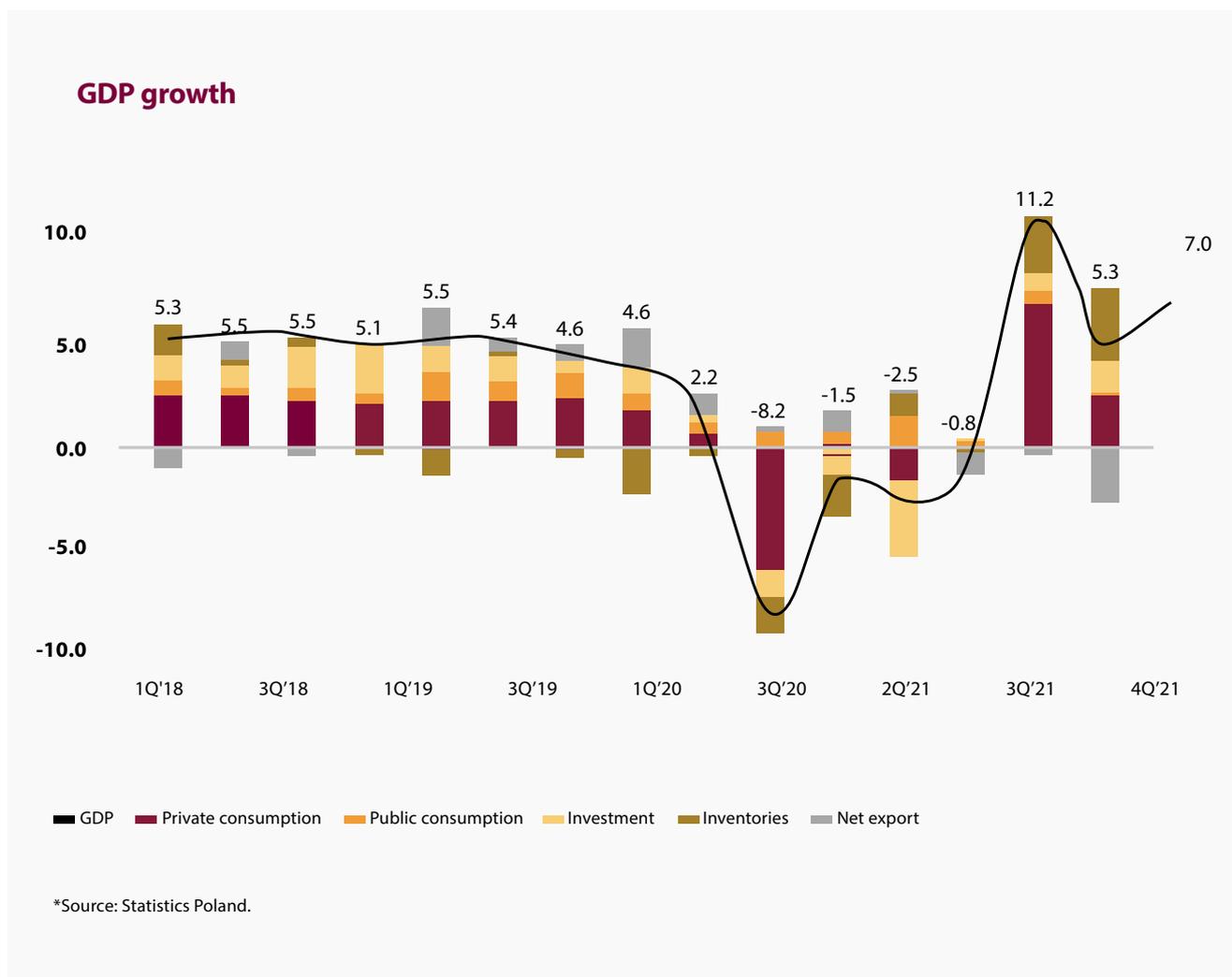
# IV. External Financing of the Bank's Functioning



## Poland's economic growth

2021 brought about an economic recovery, but the economic situation continued to be influenced by a pandemic. However, the last two waves did not result in such significant sanitary restrictions as in previous periods, which translated into better economic performance in the second half of 2021. The progressive vaccination rate (from **35%** at the end of June to **56%**<sup>1</sup> in December) had an impact on the change in the rules for combating the pandemic. More than a year of the economy having to function under the pandemic allowed entrepreneurs

to adapt significantly to the new business conditions. Additional liquidity in the form anti-risk shields introduced in 2020 has allowed the labour market to stabilise. As a result, the negative growth dynamic of the GDP in Q1 2021 (**-0.8% y/y**), was the only recessive reading throughout the year. In subsequent periods, the economic downturn has accelerated and GDP has already exceeded pre-pandemic levels in Q2 2021. In the following quarters, the recovery continued, despite the increasing shortages of production factors.



<sup>1</sup> Source: www.ourworldindata.org

According to the preliminary estimate of Statistics Poland, Poland's GDP in 2021 increased in real terms by 5.7% y/y (compared to the decrease a year earlier by 2.5% y/y). Growth was mainly driven by very strong domestic demand (8.2% increase y/y), strong private consumption (6.2% y/y versus -3% y/y in 2020), a clear reflection of investments (8% y/y versus -9% y/y in 2020) and stock rebuilding, further accelerated in the second half of 2021 by collecting means of production (fearing supply disruptions and changing the business model from "just in time" to "just in case"). Throughout 2021, GDP was negatively affected by net exports. Statistics Poland estimates that in Q4 2021 alone, Poland's GDP increased by approx. 7% y/y (compared to 5.3% y/y in the previous quarter).

In the coming quarters, the Polish economy should remain on an upward trend, which will be supported mainly by the continued favourable situation on the labour market. Economic performance will also be affected by heightened inflation and changes in monetary policy. The pace of recovery is slowing down and throughout 2022, GDP growth will be around 4.3% y/y.

### Situation in the labour market

Economic recovery in 2021 facilitated improvements on the labour market, despite the expiry of protection under the Anti-crisis Shields. Employment increased during periods of

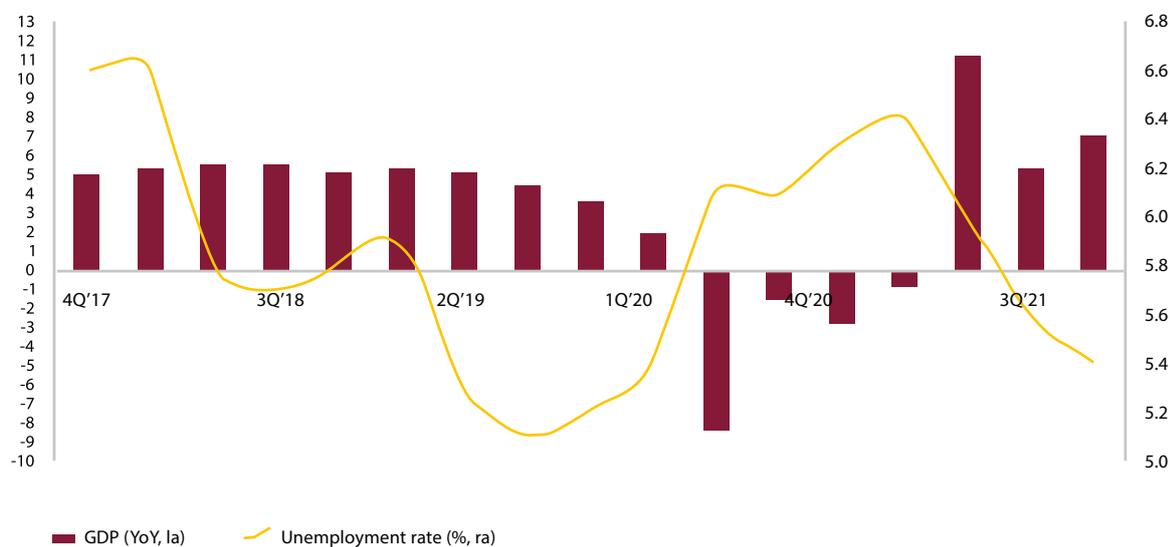
alleviation of epidemic restrictions (when entrepreneurs tried to catch up with downtime in the production and sale of services). As the number of people vaccinated increases and in periods of decrease in incidence, working time was increased. Workplace absences due to sickness decreased and the number of FTEs was increased which in turn increased employment dynamics. This can be seen in particular in the second half of the year.

However, the average employment in the business sector increased slightly throughout 2021 (by 0.3% y/y, compared to a decrease of 1.1% y/y a year before). The unemployment rate fell to 5.4% at the end of 2021 (from 6.3%, year before). The maintained labour demand and rising prices encouraged wage increases in 2021. This shows an increasing negotiating power for workers. In a y/y perspective, the average remuneration in the corporate sector in 2021 was 8.8% (compared to 4.7% in 2020). In real terms, the wage increase (with sustained, heightened inflation) over the whole period considered was around 3.5% y/y.

The unemployment rate should fall slightly again in 2022 (to around 5.2%). Add to that the estimated average inflation (higher than in 2021), wage pressures should remain elevated (although in the second half of the year they may weaken as a result of tightened monetary policy). Throughout 2022, wage growth can be expected to be higher than in 2021.



## GDP growth and Unemployment Rates



\* Source: Statistics Poland

## Inflation and Interest Rates

In 2021, the increase in the inflation rate significantly exceeded expectations. The temporary return of consumer inflation to the inflation target of the NBP at the beginning of the year was quite unsustainable and the monthly price increases accelerated. In the first half of the year, inflationary factors were mainly driven by increases in administered prices (including power and waste management prices). In the coming months, however, rising underlying inflation has become increasingly pronounced, in particular during periods of economic restrictions. Demand and supply imbalances on international markets have also become increasingly evident. They limited the supply of semi-finished products while generating production costs (which were partly passed on to end customers).

This effect was strengthened in the second half of the year. Rising food, fuel and energy prices (as a result of the energy crisis in Europe) have resulted in inflation rising to the highest levels in twenty years. In December 2021, the CPI reached a maximum of **8.6% y/y** (compared to **2.4%** in the same period of the year before). Consumer inflation increased on average by **5.1% y/y** throughout the year.

In view of accelerated inflation and in order to prevent price stability over the medium term, the Monetary Policy Council (RPP) (from October onwards) increased interest rates from **0.1% to 1.75%** at the end of 2021. The beginning of 2022 brought about a continuation of monetary tightening and in January 2022, the interest rate was raised to **2.25%**. In 2021, RPP's approach to asset buying changed and (although buying-up remained in the monetary policy instrument) auctions have been suppressed. On 31 December 2021, the total purchase volume of assets was approx. PLN 144 billion.

In the following months, the CPI is likely to remain elevated. This will imply further increases in interest rates. Main pro-inflation factors can be further explored in demand-side imbalances that increase production costs, higher commodity prices, and wage pressures. The price increase will partly be limited by the Anti-Inflation Shield introduced by the government. With current assumptions, average CPI inflation is expected to grow by approximately **7.5%** throughout 2022 (compared to **5.1%** in 2021). This, together with the assumption that the economic recovery will continue, should bring about a continuation of monetary consolidation this year. This may mean an increase in the reference rate to around **3.75-4%**.

<sup>1</sup> Source: [www.ourworldindata.org](http://www.ourworldindata.org).



## Global economy

In 2021, the global economy recovered losses after the 2020 crisis. However, recovery varied and was partly dependent on the rate and scale of vaccinations in each country, as well as the momentum of virus spread in the subsequent pandemic waves. Among the largest developed economies, the US was best managed in 2021 (implementing the additional fiscal package). As a result US growth reached **5.7% y/y**<sup>2</sup> (compared to a decrease of **3.4% y/y** in 2020). The Eurozone saw an increase of **5.1% y/y** throughout 2021<sup>3</sup> (compared to a decrease of **6.4% y/y** in 2020). Strong private consumption stimulated by national anti-crisis policies remained the drive force of growth on both sides of the Atlantic. In Europe, it focused on protecting jobs. 2021 has also brought about a return of increased trade with lower investments than before the pandemic.

Growth in inflation (as a result of higher demand for raw materials) has been encouraged by the progressive global economic impact. Base inflation has also increased as a result of rising wage pressures, but also partly driven by an increase in PPI inflation (as a result of rising raw material prices, global supply chain disruptions, and a strong rise in ocean freight prices). In the USA, the CPI increased from **1.4% y/y** at the end of 2020 to **7% y/y** in December 2021. In the Eurozone, the corresponding rate increased from **-0.3% y/y** at the end of 2020 to **5% y/y** December 2021.<sup>4</sup>

The loose monetary policy of the main central banks remained a support for global economic rebound. In the Eurozone, the ECB kept the interest rates unchanged, including the main interest rate at **0%** and the deposit rate below zero. The ECB has also carried out an asset purchase programme.

In turn, the US Federal Reserve maintained interest rates ranging from **0.00% to 0.25%**<sup>5</sup> and the acquisition of unlimited assets. However, in the second half of the year, with the progressive increase in prices, the Fed signalled a change in optics, started to reduce the scale of asset purchases, and announced a monetary tightening in 2022. Against this background, the ECB remains dovish. However, even here, the ever higher inflation readings will exert pressure to tighten up a very loose monetary policy.

An analysis of the effects of the spread of Omicron variant (the course of which has proved to be less severe for health than previous variants of the virus) indicates that the likelihood of future full lockdowns of national economies is low. Recovery should be fostered by consumer demand, returning as restrictions are lifted. Additional support may also be driven by greater demand for investments, which in Europe is aided by, inter alia, a reconstruction fund.

<sup>2</sup> Source: Bloomberg.

<sup>3</sup> Source: Bloomberg.

<sup>4</sup> Source: Bloomberg.

<sup>5</sup> Source: Fed.

## Exchange rate

In 2021, on the wave of global economic recovery, bullish trends were maintained mainly on stock markets. On the other hand, rising inflation, increasing the chances of changing the current loose global monetary policy and continuing epidemic risks, has encouraged volatility in debt and currency. Overall, however, 2021 has brought an increase in demand for the dollar in view of the prospect of a faster monetary policy tightening in the USA. Throughout the year, the EUR-USD rate fell from 1.22 at the end of December 2020 to 1.14 at the end of December 2021.<sup>6</sup>

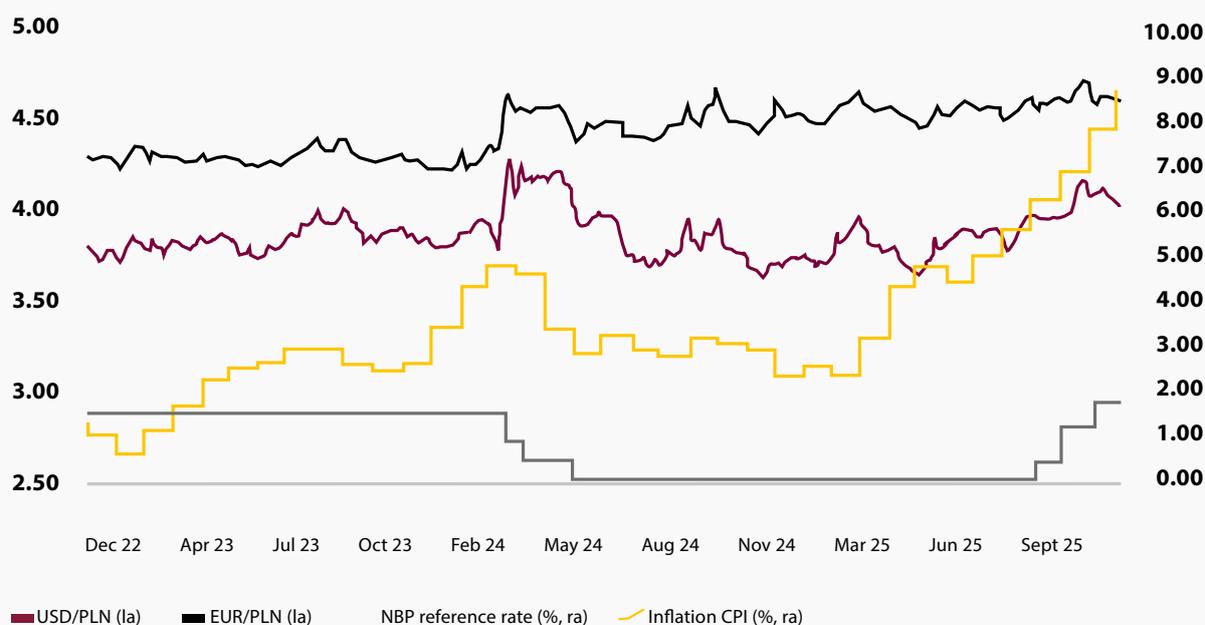
During this period, the national currency has maintained a strong correlation with the epidemic situation. This resulted in high volatility of PLN rates throughout 2021. An additional pressure on the PLN was comprised of: faster normalisation of monetary policy in the region than in Poland and the delayed mobilisation of the European Reconstruction Fund. The increasing

tension at the border with Belarus was also a factor. The PLN was supported by (better than expected) economic performance. As a result, throughout 2021, PLN lost compared to the end of 2020; 8.1% against USD and 0.6% against EUR, reaching the following levels at the end of the period: 4.04/USD and 4.59/EUR.<sup>7</sup>



2021 has brought an increase in demand for the dollar in view of the prospect of a faster monetary policy tightening in the USA. Throughout the year, the EUR-USD rate fell from **1.22** at the end of December 2020 to **1.14** at the end of December 2021

### EUR/PLN and USD/PLN rates against CPI and reference rate inflation



<sup>6</sup> Source: Bloomberg.

<sup>7</sup> Source: Bloomberg.

In 2021, the banking sector generated a net profit of PLN 8.8 billion (compared to PLN 0.3 billion losses in 2020).



## Banking sector

In 2021, the sector recovered losses after 2020, but the level before the pandemic has not yet been reached. The improvement in performance was influenced by increased demand for credit with continued economic recovery and low interest rates maintained for most part of the year, as well as lower credit risk write-offs. However, the demand for loans in different categories remained diversified and the mortgage lending sector had the highest sales dynamics results. The challenge in the sector is to rebuild profitability (which has fallen in line with monetary policy developments in 2020) and materialising risks associated with foreign currency credit portfolios. The capital situation of the sector remained stable in 2021. The total capital ratio of the banking sector was set at 20%

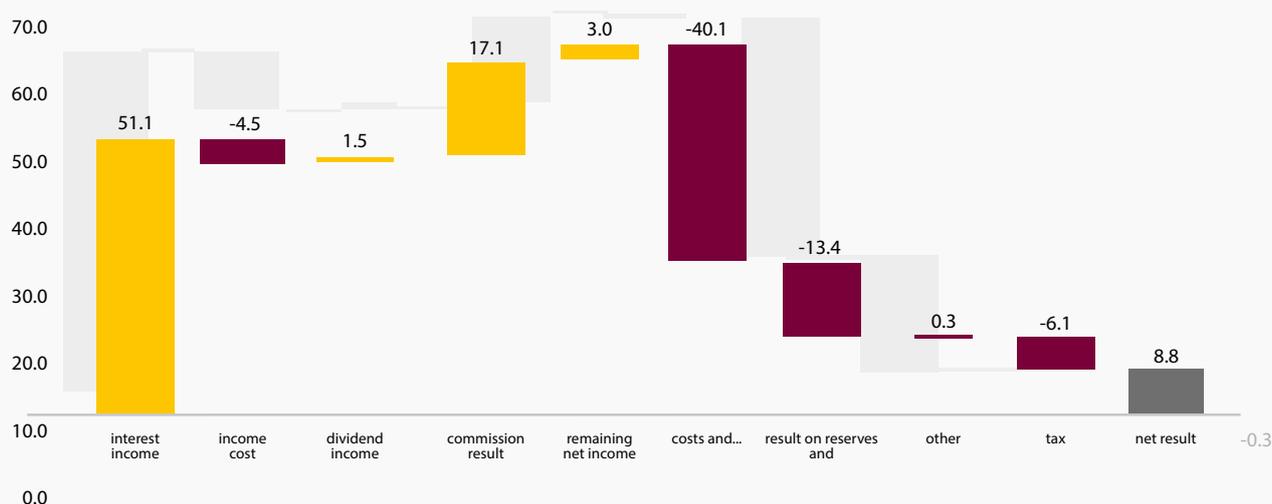
as at the end of September 2021 and the Core Tier 1 capital ratio at the end of that period was **17.9%**.

### Key income statement items<sup>8</sup>

In 2021, the banking sector generated a net profit of **PLN 8.8 billion** (compared to PLN 0.3 billion losses in the corresponding period of 2020). This meant an increase of **PLN 9.2 billion**. During this period, the total operating revenues of the sector increased by **10% y/y** and was **PLN 68.2 billion**, although interest revenues were lower by almost **10% y/y**.

The most negative impact on net result (albeit slightly lower than in the previous year) was the result of provisions and write-downs on credit risk related to the effects of the pandemic and the increased legal risk of foreign currency housing loans. On the other hand, the decrease in financing costs and a better result on commissions had a positive impact.

## Financial result of the banking sector in the period from January to December 2021 (PLN billion)



**Legenda:** ■ increase ■ decrease ■ total ■ 2020

\* Source: Monthly data for the banking sector (knf.gov.pl).

\* Commercial and cooperative banks.

<sup>8</sup> Source: www.ourworldindata.org.

In 2021, pressure on margins was kept. The interest margin decreased for most of the period, as at the end of December, the ratio reached 2% (compared to 2.22% at the end of December 2020). Profitability levels remained lower than before the pandemic, although they increased during the year.

A smaller scale of write-offs resulted in the R/I ratio falling from 30.4% at the end of December 2020 to 19.6% at the end of 2021. The slowdown of the drop in operating revenues y/y reduced the C/I ratio across the sector from 63.4% at the end of 2020 to 58.8% at the end of 2021.

### Loans and deposits<sup>9</sup>

Deposits from the non-financial sector remained the main source of financing for banks in 2021. 2021 saw an increase in lending, although its scale was influenced by the negative effects of the pandemic and deposits grew at a slower pace than the year before. As at the end of December 2021, the value of assets of the banking sector was PLN 2,573 billion (higher by 9.5% y/y).

Loan dynamics in the non-financial sector has improved over the 2021 and has already been positive since mid-year (y/y). It was fostered by higher demand, mainly on part of households. In December 2021, the value of loans in the non-financial sector amounted to PLN 1,129 billion<sup>10</sup> (which means an increase of 6.2% y/y). However, the scale of growth varied between loan categories. Lower sales in 2021 were noted for corporate loans. They continued to benefit from the financial cushion of the Anti-Crisis Shield. The credit segment

for households, mainly in the area of housing loans, has remained in much better shape.

Despite the record low level of interest rates (over three quarters of 2021), deposits continued to grow, although their dynamics have slowed down. At the end of November 2021, deposits from the non-financial sector amounted to PLN 1,549 billion<sup>11</sup> (which means an increase of 8% y/y). In the deposit structure, corporate deposits remained at the highest growth rate, but gradually declined. Household deposits also increased in 2021, but at a slower pace than the year before.

The high deposit base has led to the LCR remaining above the required minimum of 100 over the period in question only with an increasing credit share. At the end of December 2021, the LCR of commercial banks (without associating banks) was 175.5% (compared to 192.7% at the end of 2020).



As at the end of December 2021, the value of assets of the banking sector was PLN 2,573 billion (higher by 9.5% y/y).



<sup>9</sup> Source: Monthly data for the banking sector (knf.gov.pl).

<sup>10</sup> Non-financial sector receivables without impairment – portfolio B (gross carrying amount and write-offs).

<sup>11</sup> Non-financial sector deposits (no blocked deposits).

# 05

## FINANCIAL RESULTS OF THE ALIOR BANK S.A. CAPITAL GROUP

- Income statement
- Net expected credit losses
- Net impairment charges on non-financial assets
- Balance sheet
- Contingent liabilities
- Financial projections
- Factors that may have an impact on Alior Bank's activities in the perspective of subsequent quarters

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## V. Financial results of the Alior Bank S.A. Capital Group



### Income statement

Details of the income statement of Alior Bank Capital Group are presented in the table below:

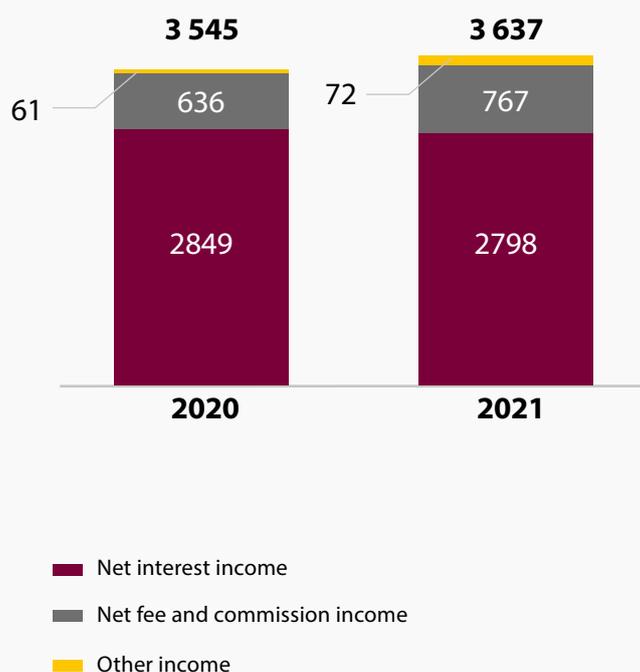
	01.01.2021- 31.12.2021	01.01.2020- 31.12.2020	Change (in PLN '000)	Change (%)
	(in PLN '000)	(in PLN '000)		
Interest income calculated with the use of the effective interest rate method	2 837 304	3 159 045	-321 741	-10.2%
Income of a similar nature	199 338	173 828	25 510	14.7%
Cost of interest	-238 408	-484 147	245 739	-50.8%
<b>Net interest income</b>	<b>2 798 234</b>	<b>2 848 726</b>	<b>-50 492</b>	<b>-1.8%</b>
Fee and commission income	1 441 514	1 215 749	225 765	18.6%
Fee and commission expense	-674 766	-579 903	-94 863	16.4%
<b>Net fee and commission income</b>	<b>766 748</b>	<b>635 846</b>	<b>130 902</b>	<b>20.6%</b>
Dividend income	532	700	-168	-24.0%
Net gain/(loss) on financial instruments measured at fair value through profit or loss and net foreign exchange gain/(loss)	87 149	79 070	8 079	10.2%
Net gain/(loss) on derecognition of financial instruments not measured at fair value through profit or loss, including:	5 293	84 553	-79 260	-93.7%
measured at fair value through other comprehensive income	3 246	60 607	-57 361	-94.6%
measured at amortised cost	2 047	23 946	-21 899	-91.5%
Other operating revenues	147 487	137 039	10 448	7.6%
Other operating costs	-168 322	-240 446	72 124	-30.0%
<b>Net other operating income and expenses</b>	<b>-20 835</b>	<b>-103 407</b>	<b>82 572</b>	<b>-79.9%</b>
Operating expenses of the Group	-1 582 544	-1 664 531	81 987	-4.9%
Net expected credit losses	-1 006 663	-1 733 471	726 808	-41.9%
Net impairment charges on non-financial assets	-10 482	-132 822	122 340	-92.1%
Legal risk costs of mortgage loans in foreign currencies	-21 386	-311	-21 075	6776.5%
Banking tax	-236 835	-220 803	-16 032	7.3%
<b>Gross profit / loss</b>	<b>779 211</b>	<b>-206 450</b>	<b>985 661</b>	<b>-</b>
Income tax	-297 286	-104 783	-192 503	183.7%



<sup>1</sup> Non-financial sector deposits (no blocked deposits).

	01.01.2021- 31.12.2021 (in PLN '000)	01.01.2020 - 31.12.2020 (in PLN '000)	Change (in PLN '000)	Change (%)
Net profit/loss on continued operations	481 925	-311 233	793 158	481 925
Profit/loss on discontinued operations	0	0	0	-
<b>Net loss/profit attributable to shareholders of parent company</b>	<b>481 925</b>	<b>-311 233</b>	<b>793 158</b>	-
Net profit/loss attributable to non-controlling interests	0	0	0	-

### Total income (in PLN million) – consolidated data



In 2021, the Alior Bank Capital Group generated a net profit attributable to the shareholders of the parent company in the amount of **PLN 481.9 million** and compared to the result achieved in 2020 it was **PLN 793 million** higher. This significant improvement in the net result was influenced by the events described in Chapter III. Summary of Alior Bank's activities in 2021 – Basic financial data.



Interest income is the main component of income of the Alior Bank Capital Group, which constitutes approx. **76.9%** of total revenues in 2021. Interest income in 2021 decreased by **1.8%** compared to 2020, i.e. by **50 PLN million** mainly due to the decrease of 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. The Bank estimates the impact of lowering interest rates on net interest income in 2020 at **PLN 328 million**. Interest rate increases in Q4 2021 (in connection with three decisions of the Monetary Policy Council of 6 October 2021, 3 November 2021 and 8 December 2021) with an increase in the reference rate of the National Bank of Poland by 1.65 percentage points in total, i.e. from **0.10%** to **1.75%**, they had too short an impact on the Capital Group of Alior Bank in order to allow for an increase in the interest income y/y.

In 2021, the Alior Bank Capital Group generated a net profit attributable to the shareholders of the parent company in the amount of **PLN 481.9 million** and compared to the result achieved in 2020 it was **PLN 793 million** higher.



The level of net interest income was positively influenced by the significant reduction of financing costs, which was feasible through the rapid adaptation of the Bank's offer to the environment and lower interest rates. In 2020, the cost of financing was **0.6%**, while in 2021 it fell to **0.19%**.

**The interest rate applied by the Bank broken down by individual credit products and the average interest rate on deposits has been presented in the table below.**

The result on fees and commissions in 2021 increased by **20.6%** compared to 2020, to **PLN 767 million**. The result consisted of **PLN 1 442 million** in commission revenues (increase by **18.6%** compared to 2020) and **PLN 675 million** in commission costs (increase by **16.4%** compared to 2020).

	01.01.2021-31.12.2021 (%)	01.01.2020-31.12.2020 (%)
Loans		
<b>Retail segment</b>		
Consumer loans	5.68	6.21
Residential real estate loans	3.19	3.60
<b>Business segment</b>		
Investment loans	3.26	3.86
Operating loans	3.72	4.39
Deposits		
<b>Retail segment</b>		
Current deposits	0.09	0.36
Time deposits	0.35	1.34
<b>Business segment</b>		
Current deposits	0.02	0.05
Time deposits	0.49	0.76

The main component of fee and commission income is commissions related to the handling of payment and credit cards, which in 2021 amounted to over **PLN 502 million**, which constituted an increase of **26.5%** compared to 2020. The commissions on foreign exchange transactions (fx) amounted to **PLN 264 million** in 2021, which constituted an increase of **15.3%** y/y. The increase in revenues from currency exchange transactions resulted from increased economic activity of Customers, which was a consequence of gradual return to operation in a manner prior to the COVID-19 pandemic. Commission revenues from credit and leasing activities increased in 2021 to **PLN 222 million**, i.e. by **20.8%** which was possible mainly thanks to adjustments made by the Bank in the table of fees and commissions for customers and high loan sales.

Result on other activities of the Bank (sum of the following items in the income statement: dividend income, result on instruments measured at fair value through the income statement and result on the exchange position, result on derecognition of assets and liabilities not valued at fair value through the profit and loss account, result on other operating income and expenses) amounted to **PLN 72 million** in 2021, compared to PLN 61 million in 2020, i.e. increased by **PLN 11 million**. The main reason for improving the result on other activities of the Bank in 2021 was lower provisions for historical returns of part of the commission in the case of consumer loans repaid before 11.09.2019 (the so-called

"Small CJEU"), which amounted to **PLN 61.6 million**, compared to **PLN 133.8 million** in 2020.

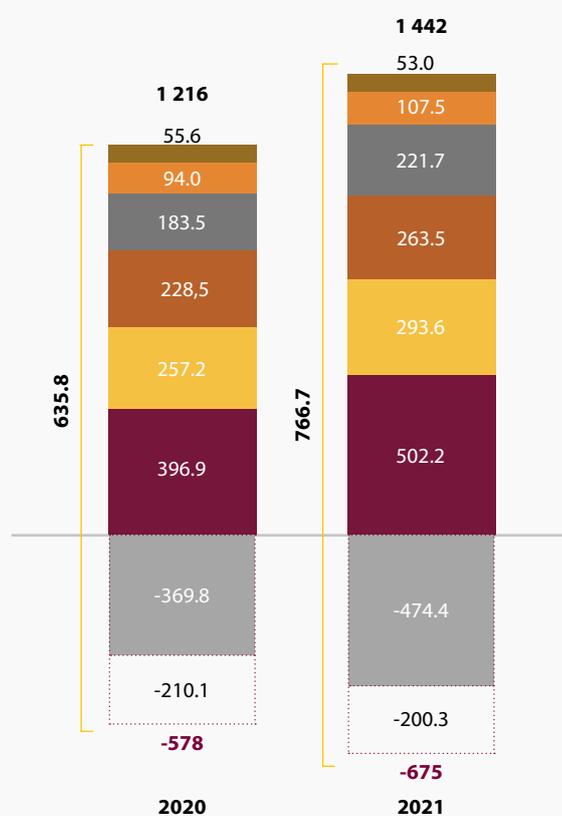
As at 31 December 2021, 27 proceedings were pending against the Bank concerning mortgage loans granted in previous years in a foreign currency with a total value of the subject of the dispute of **PLN 11.1 million**. As at 31 December 2020, 7 proceedings were pending against the Bank with a total value of **PLN 1.8 million**. As at the end of 2021, the Bank identified legal risks related to the fact that the planned cash flows from the mortgage loan portfolio indexed in foreign currencies may not be fully recoverable. In connection with the above, the Bank estimated the related legal risk costs, which charged the result of 2021 with the amount of **PLN 21.4 million**. In 2020, the impact of legal risk related to the mortgage loan portfolio indexed in foreign currencies amounted to **PLN 0.3 million**.

In 2021, the operating costs amounted to **PLN 1 583 million** and were **PLN 82 million** lower than the operating costs incurred in 2020, i.e. by **5%**. The overall decrease in operating costs was mainly caused by the lower costs of BFG by **PLN 54 million** and depreciation by **PLN 55 million** (in 2020, non-financial assets related to the closed T-Mobile Banking Services project were redeemed for the amount of **PLN 48 million**, which was booked as an additional write-down on intangible assets). Personnel costs in 2021 amounted to **PLN 852 million** and were **3.6%** higher than the personnel costs incurred by Alior Bank

in 2020. The general management costs, adjusted for BFG's cost (but taking into account taxes and fees), in 2021 amounted to **PLN 392 million** and were **0.8%** lower than the costs incurred in the same period of the previous year, this was possible thanks to a number of optimisation initiatives carried out by the Bank.

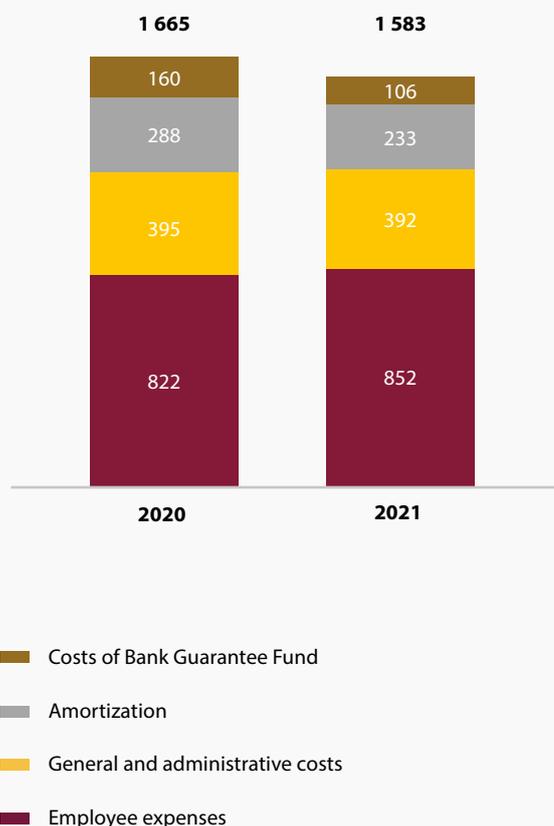
As a result of increase in Bank's revenues, the Cost/Income ratio stood at **43.5%** in 2021, while in 2020 it stood at **46.9%**.

### Result on fees and commissions (in PLN million) – consolidated data



- Brokerage commissions
- Revenue from bancassurance activity
- Loans and lease's fee
- Other commissions
- Commission costs related to cards
- Transaction margin on FX trades
- Bank accounts, transfers, cash operations and other revenue
- Payment and credit card service

### Operating costs (in PLN million) – consolidated data



### Net expected credit losses

The level of the expected loss allowance result in 2021 amounted to **PLN 1 007 million** compared to **PLN 1 733 million** in 2020, which means a decrease by almost **42%**.

The decrease in write-downs was mainly due to the lack of additional write-downs on account of COVID-19 in 2021 and the general improvement of customer behaviour (better repayment of liabilities incurred at the Bank).

CoR ratio (risk cost) in 2021 amounted to **1.6%**, compared to **2.80%** CoR in 2020.

The level of the expected loss allowance result in 2021 amounted to **PLN 1 007 million** compared to **PLN 1 733 million** in 2020, which means a decrease by almost **42%**.

## Net expected credit losses (in PLN '000) – consolidated data

	01.01.2021- 31.12.2021	01.01.2020- 31.12.2020	Change y/y (%)
Expected credit losses Bucket 3	-1 155 456	-1 596 819	-27.6%
retail customer	-453 812	-719 898	-37.0%
business customer	-701 644	-876 921	-20.0%
Expected credit losses 1 and 2 (ECL)	88 810	-61 849	-
Bucket 2	40 816	-37 798	-
retail customer	96 375	19 317	398.9%
business customer	-55 559	-57 115	-2.7%
Bucket 1	47 994	-24 051	-
retail customer	3 723	-58 537	-
business customer	44 271	34 486	28.4%
POCI	-57 496	-17 832	222.4%
Recoveries	91 582	55 661	64.5%
Securities	-9 510	-8 692	9.4%
Provision for off-balance-sheet liabilities	35 407	-103 940	-
Net expected credit losses, impairment allowances and provisions	-1 006 663	-1 733 471	-41.9%

## Net impairment charges on non-financial assets



The result on impairment of non-financial assets amounted to PLN -10.5 million in 2021.

## Balance sheet

As at 31 December 2021, the balance sheet total of the Alior Bank Capital Group reached the value of **PLN 83.05 billion** and was **PLN 4.4 billion (by 5.6%)** higher than at the end of 2020. The main item generating an increase in the balance sheet total was liabilities towards customers (increase by **PLN 5.1 billion** y/y).

The basic part of the assets of the Alior Bank Capital Group consists of receivables from customers (**PLN 58.2 billion**). As at the end of 2021, their share in the balance sheet total amounted to **70.1%**, thus decreasing by **1.4 p.p.** compared to the end of 2020. The second largest asset item as at the end of 2021 was Investment Financial Assets, the value of which amounted to **PLN 16.1 billion** and represented **19.4%** of the total assets (as at the end of 2020 it amounted to **PLN 15.7 billion** and accounted for **20.0%** of assets).

The main source of financing of Alior Bank S.A. Capital Group operations are the funds deposited by customers at the Bank. As at the end of 2021, liabilities towards customers amounted to **PLN 72 billion**, i.e. **86.7%** of the Bank's consolidated balance sheet total. Liabilities towards customers increased by **PLN 5.1 billion** (by **7.7%**) compared to the end of 2020. The second source of financing, i.e. equity, at the end of 2021 amounted to **PLN 5.92 billion** and accounted for **7.1 %** of the Bank's balance sheet total.

In the structure of liabilities towards customers themselves, the main item was liabilities towards the retail segment, which at the end of December 2021 accounted for **68.1%** of the deposit portfolio of customers. Compared to the end of 2020, this share decreased by **0.2 p.p.**



The tables below present details of assets, liabilities and equity as at the end of 2021 along with comparable data.

## Report of the Management Board | chapter 5

Assets (in PLN '000)	31.12.2021	31.12.2020	Change (in PLN '000)	Change (%)
Cash and cash equivalents	3 763 391	2 459 901	1 303 490	53.0%
Receivables from banks	1 689 779	508 371	1 181 408	232.4%
Investment financial assets	16 099 658	15 744 672	354 986	2.3%
Measured at fair value through other comprehensive income	9 265 445	6 983 904	2 281 541	32.7%
Measured at fair value through profit or loss	382 900	594 926	-212 026	-35.6%
Measured at amortised cost	6 451 313	8 165 842	-1 714 529	-21.0%
Hedging derivatives	38 810	334 977	-296 167	-88.4%
Receivables from customers	58 228 178	56 215 422	2 012 756	3.6%
Assets hedging liabilities	130 921	446 455	-315 534	-70.7%
Property, plant and equipment	755 209	702 381	52 828	7.5%
Intangible assets	426 643	425 109	1 534	0.4%
Investments in subsidiaries and associates	0	5 333	-5 333	-100.0%
Assets for sale	0	3	-3	-100.0%
Income tax assets	1 302 329	1 218 282	84 047	6.9%
Current income tax assets	27	59 572	-59 545	-100.0%
Deferred income tax assets	1 302 302	1 158 710	143 592	12.4%
Other assets	613 454	581 126	32 328	5.6%
<b>Total assets</b>	<b>83 048 372</b>	<b>78 642 032</b>	<b>4 406 340</b>	<b>5.6%</b>

Liabilities and equity (in PLN '000)	31.12.2021	31.12.2020	Change (in PLN '000)	Change (%)
Amounts due to banks	529 617	912 407	-382 790	-42.0%
Amounts due to customers	72 005 715	66 875 907	5 129 808	7.7%
Financial liabilities	188 088	501 880	-313 792	-62.5%
Hedging derivatives	1 081 996	86 162	995 834	1155.8%
Provisions	290 213	336 560	-46 347	-13.8%
Other liabilities	1 649 540	1 569 867	79 673	5.1%
Income tax liabilities	36 560	6 685	29 875	446.9%
current income tax liabilities	35 671	6 046	29 625	490.0%
provisions for deferred income tax	889	639	250	39.1%
Subordinated liabilities	1 347 441	1 792 962	-445 521	-24.8%
Total liabilities	77 129 170	72 082 430	5 046 740	7.0%
Share capital	1 305 540	1 305 540	0	0.0%
Supplementary capital	5 403 849	5 399 627	4 222	0.1%

Liabilities and equity (in PLN '000)	31.12.2021	31.12.2020	Change (in PLN '000)	Change (%)
Revaluation reserve	-906 659	217 330	-1 123 989	-
Other reserves	161 788	161 792	-4	0.0%
Exchange differences on translating foreign operations	-43	-1 620	1 577	-97.3%
Retained earnings	-527 198	-211 834	-315 364	148.9%
Current year's profit/loss	481 925	-311 233	793 158	-
<b>Equity</b>	<b>5 919 202</b>	<b>6 559 602</b>	<b>-640 400</b>	<b>-9.8%</b>
<b>Total equity and liabilities</b>	<b>83 048 372</b>	<b>78 642 032</b>	<b>4 406 340</b>	<b>5.6%</b>

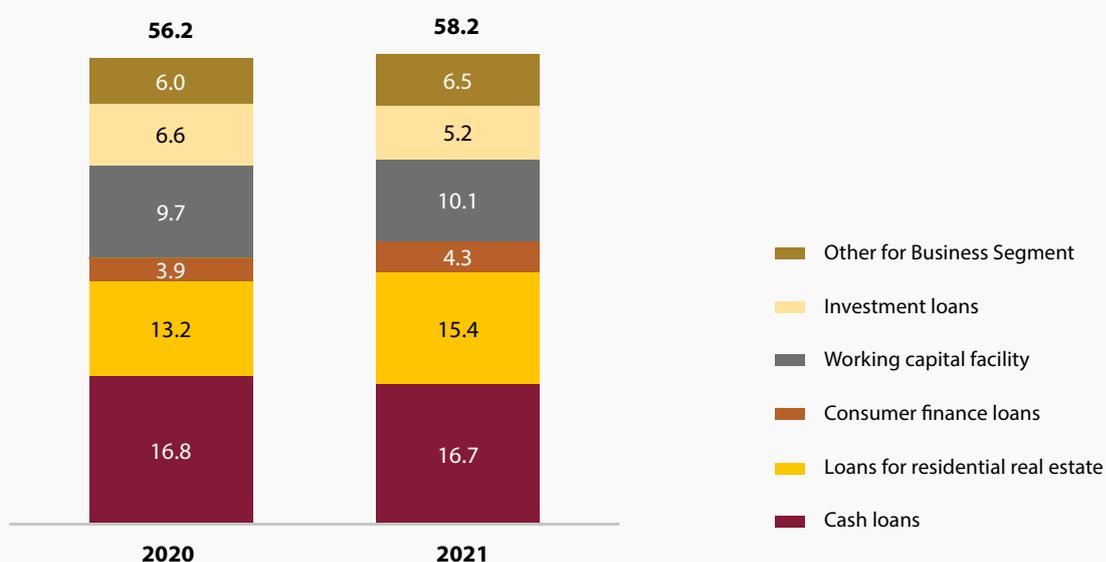
Loans granted as part of the retail segment (IC – Individual Customer) were consumer loans, mortgage loans (for residential properties) and Consumer Finance, their total net volume amounted to **PLN 36.4 billion** at the end of 2021 (**7.4%** increase compared to the end of 2020). In 2021, the balance of mortgage loans (**+16.8%** y/y) and Consumer Finance loans (**+11.2%** y/y) increased significantly, thanks to the Bank undertaking a number of sales initiatives aimed at mitigating the effects of the crisis caused by the COVID-19 pandemic and taking advantage of the market opportunity of a very high demand for residential property.

Operating loans for enterprises, the value of which at the end of 2021 amounted to **PLN 10.1 billion** (**4.1%** increase since the beginning of the year) were the most significant component of the business segment credit portfolio (BC – Business Customer), representing **46%** of its value.

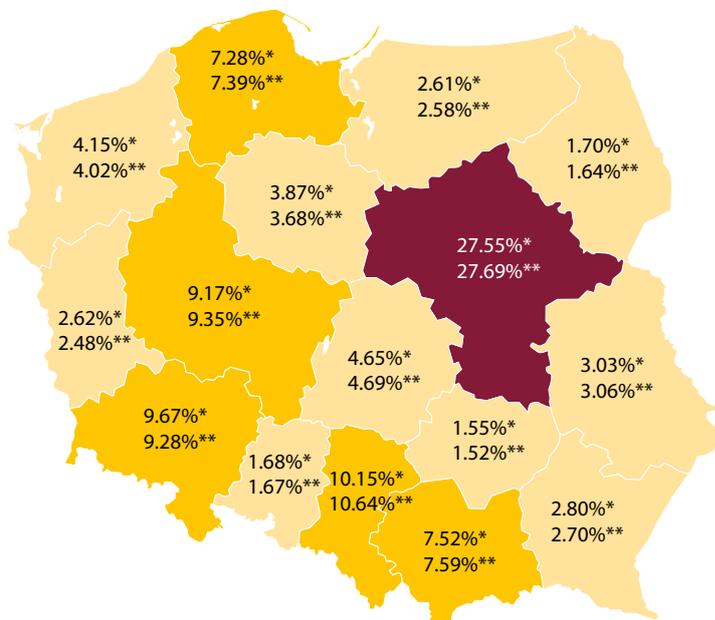
The second largest position of the business segment loan portfolio was investment loans, representing **23.9%** of the portfolio. Their value at the end of 2021 decreased by **20.6%** compared to the end of 2020, to **PLN 5.2 billion**. The total value of net loans granted as part of the business segment amounted to **PLN 21.8 billion** at the end of 2021 and was **2.2%** lower than at the end of 2020. The drop in the value of the loan portfolio in this segment was mainly caused by the suspension of some of the investment processes by entrepreneurs, financing of many investment projects from sources other than bank loans, and lists of non-performing loans made by the Bank.

In total, the Bank's net credit portfolio amounted to **PLN 58.2 billion** at the end of 2021 and increased by **3.6%** compared to the end of 2020.

### Receivables from customers (in PLN billion)



### Territorial structure of receivables from customers as at 31 December 2021 and 31 December 2020



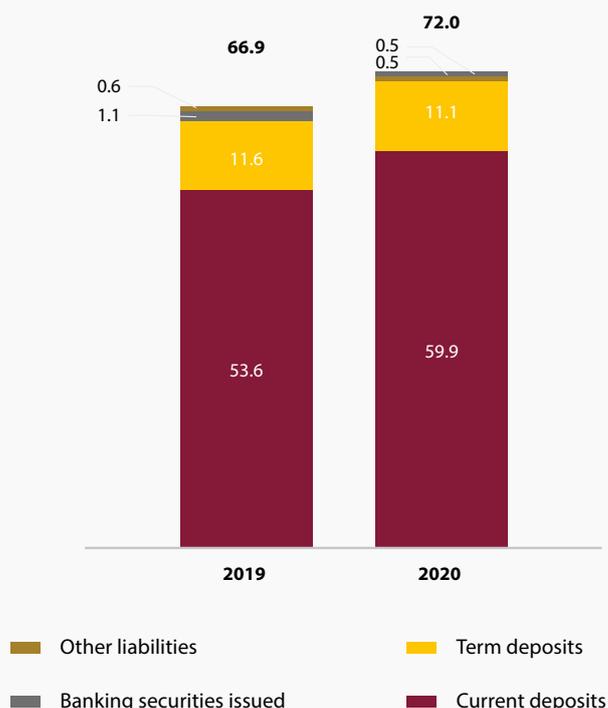
\* Share as of 31st December 2021.  
 \*\* Share as of 31st December 2020.



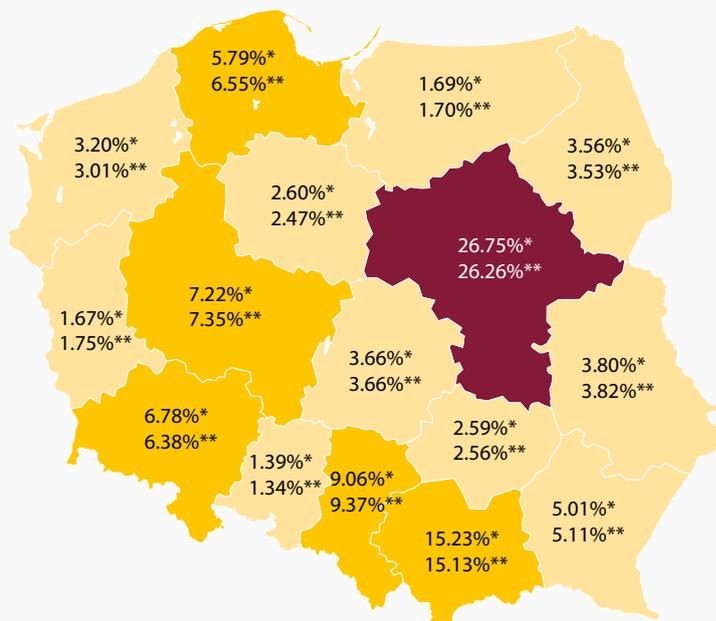
Current deposits are the main component amounts due to customers. They accounted for **83.2%** of total liabilities towards customers at the end of 2021 (increase by **3 p.p.** compared to the end of 2020). The second largest item of liabilities to customers is term deposits, accounting for **15.4%** of total liabilities to customers at the end of 2021 (decrease by **1.9 p.p.** compared to the end of 2020). The remaining **1.5%** of liabilities to Customers constituted funds acquired as part of the issue of own bank securities and other liabilities.

As at 31 December 2021, the value of collaterals established on accounts and assets of borrowers under Alior Bank amounted to **PLN 40,230 million** (including individual customers: **17,436** and business customers: **22,794**).

### Structure of liabilities to customers (in PLN billion)



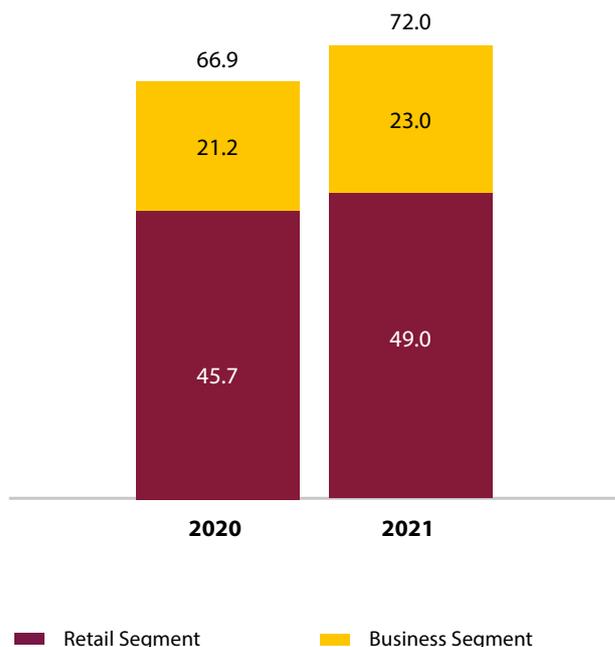
### Territorial structure of deposits as at 31st December 2021 and 31st December 2020



\* Share as of 31st December 2021.

\*\* Share as of 31st December 2020.

### Structure of liabilities to customers (in PLN billion) – segment treatment



### Contingent liabilities

In this area, the Bank presents financing and guarantee liabilities.

In the item of liabilities of a financial nature, the Bank has commitments to grant loans, which include: approved loans, credit card limits, overdraft limits, and letters of credit.

Guarantees are presented in the guarantee position, which constitute a collateral for the fulfilment of the Bank's customers' obligations towards third parties. The guarantee values reflect the maximum possible loss that would be disclosed on the balance sheet date if all customers did not satisfy their obligations.

As at 31 December 2021, Alior Bank granted **998** active guarantees for a total amount of **PLN 650 729 000**. As at 31 December 2020, this number amounted to **1,259** for a total amount of **PLN 792 840 000**.

The Bank makes sure that the time structure of the guarantees is appropriate. Active guarantees with less than two years to maturity (**807** items) amounted to **PLN 439 389 000**.



The total value of off-balance-sheet contingent liabilities granted to customers as at 31 December 2021 amounted to **PLN 9 945 348 000**. This amount consisted of **PLN 9 294 619 000** off-balance-sheet contingent liabilities related to financing and **PLN 650 729 000** off-balance-sheet guarantee contingent liabilities.

The total value of off-balance-sheet contingent liabilities granted to customers as at 31 December 2020 amounted to **PLN 9 321 791 000**. This amount consisted of **PLN 8 528 951 000** off-balance-sheet contingent liabilities related to financing and **PLN 792 840 000** off-balance-sheet guarantee contingent liabilities.

#### Off-balance-sheet liabilities granted (in PLN '000)

Off-balance-sheet contingent liabilities granted to customers	31.12.2021	31.12.2020
<b>Off-balance-sheet liabilities granted</b>	<b>9 945 348</b>	<b>9 321 791</b>
Financing	9 294 619	8 528 951
Guarantee	650 729	792 840

#### Off-balance-sheet contingent liabilities granted to customers – guarantees – by entity (in PLN '000)

Breakdown by entity	31.12.2021	31.12.2020
Entity 1	88 322	161 685
Entity 2	67 000	67 000
Entity 3	62 038	43 766
Entity 4	39 063	39 572
Entity 5	36 526	39 064
Entity 6	35 232	35 487
Entity 7	27 608	25 123
Entity 8	15 000	23 093
Entity 9	15 000	15 641
Entity 10	14 063	15 034
Other	250 877	327 375

#### Off-balance-sheet contingent liabilities granted to customers – by product (in PLN '000)

Broken down by product	31.12.2021	31.12.2020
Lines of credit	9 169 796	8 386 507
Import letters of credit	7 122	1 083
Credit commitments	117 701	141 361
Guarantees	650 729	792 840
Total	9 169 796	9 321 791



## Financial projections

Alior Bank did not publish any projections of financial results.



### Factors that may have an impact on Alior Bank's activities in the perspective of subsequent quarters

The Bank identifies the following factors which may have an impact on the financial results in the coming months:

- the scale of demand for services and the customers' ability to repay their financial obligations on time largely depends on their financial condition. In addition to the national macroeconomic situation, the economic standing of many customer groups also depends on economic policies. Both slowing down the growth rate of the Polish economy and changing the legal and tax regulations of the operation of enterprises may have a negative impact on the financial situation of some customers,
- progressing consolidation and restructuring processes in the banking sector,
- growth of banking services offered by non-regulated entities,
- Monetary Policy Council policy on interest rates,
- regulatory changes.



### We also note the following opportunities and threats for the Bank:

Opportunities	Threats
<p>Higher customer confidence in banks than in other financial services market participants (especially FinTech and technology companies).</p> <p>Regulatory changes related to open banking (PSD2) providing new opportunities for access to customers and development of offering by easier integration of third-party solutions.</p> <p>Development of new technologies to enable increased profitability.</p> <p>Growing degree of online access, mobile devices and (as a result) digital banking in Poland.</p> <p>Progressing consolidation and restructuring processes in the banking sector.</p>	<p>Risk of economic downturn and situation in the economy (domestic and/or global), which translates, inter alia, into a reduction in the quality of the credit portfolio.</p> <p>Deterioration of the situation in the banking sector, inter alia, as a result of regulatory changes.</p> <p>Strengthening competition in the financial services market related to:</p> <ul style="list-style-type: none"> <li>• consolidation of the banking sector,</li> <li>• development of activities of new financial institutions (FinTech),</li> <li>• the development perspective of financial services by global technology companies,</li> <li>• as a result of the entry into force of the PSD2 regulation.</li> </ul> <p>Cybersecurity risks.</p>

# 06

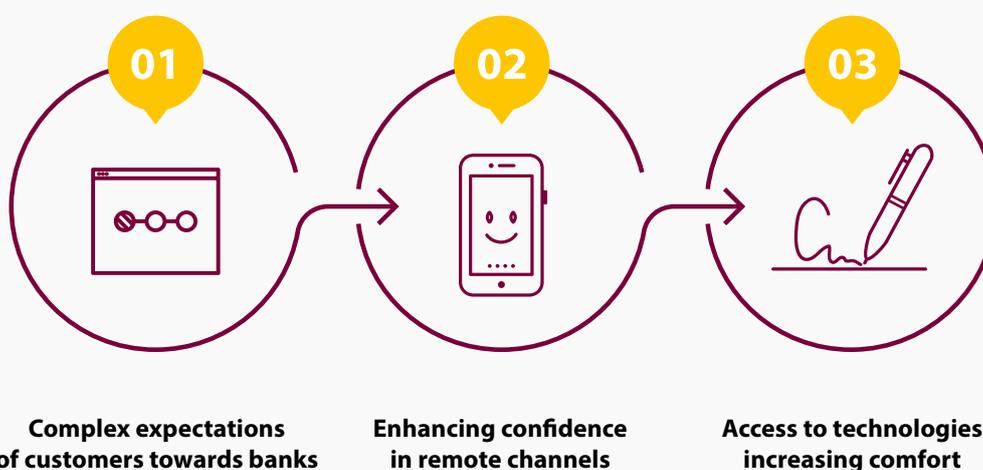
IMPACT OF COVID-19  
ON ALIOR BANK ACTIVITIES

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## VI. Impact of COVID-19 on Alior Bank activities

The COVID-19 epidemic intensified three main trends in Polish banking:



**Last year is the time to respond effectively to the needs of customers who operated during the pandemic.**

The strategic objectives that we are setting ourselves in response include the development of digital offers and services and communication and education activities aimed at customers. Detailed solutions have already been discussed in the Chapter "III".

Apart from extending the remote offer, we focus on cooperation with key state institutions, such as the Polish Development Fund, in order to participate in aid programmes (among other things, by making available applications for subsidies from the Financial Shield or refinancing combined with a 12-month grace period for repayment of lease instalments for customers from the sectors most affected by the pandemic).

We have ensured operational continuity of the Bank's operation (e.g. by enabling remote work to the employees of the headquarters). We maintained the full functionality

of most branches and partner outlets (introducing only temporary unavailability of some of them). Customer service was adapted to the current sanitary and epidemic regulations.

In 2021, we did not observe a negative impact of the macro-economic environment on the quality of the credit portfolio. The proportion of 30 days past due loans in the regular portfolio at 31 December 2021 was **0.76%** (compared to **1.17%** as at 31 December 2020). With an improvement of more than **40 bps**, approx. **30 bps** was the result of the implementation of the new default identification rules and the reclassification of credit exposures.

In our view, this situation is largely due to the scale of support that customers have received both in terms of moratoriums of payments and in terms of public-law assistance. This support has proved to be an effective tool for countering the consequences of the pandemic. Until Q4 2021, the environment of low interest rates remained significant for the quality of the credit portfolio.

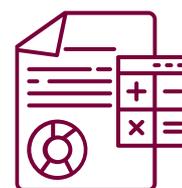
# 07

## BUSINESS ACTIVITIES OF ALIOR BANK

- Activities pursued by Alior Bank
- Retail segment
- Business segment
- Treasury activity
- Online and mobile Banking
- Strategic partnerships

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## VII. Business activities of Alior Bank



### Activities pursued by Alior Bank

We are a universal credit and deposit bank providing services to natural persons and legal entities (including foreign persons and entities). Our core activities include the keeping of bank accounts, providing loans and advances, issuing bank securities and buying and selling foreign exchange. We also pursue

brokerage, financial advisory and intermediation services, organise the issuance of corporate bonds, and provide other financial services.

We operate in Poland and since 2017 we have also been operating in **Romania** (through our branch office).

**We have segmented the market as follows:**



Detailed information on the Bank's business segments is presented in the Consolidated Financial Statements of the Alior Bank S.A. Capital Group for the year 2021 (Note No. 5).

### Retail segment

In December 2021, we served **4.1 million** retail customers.

**In 2021, we implemented a modern behavioural segmentation describing the portfolio of two groups of retail customers:**

- actively using our banking services,
- financing their instalment purchase thanks to us (but Alior is not a first-choice bank for them).

Based on the transaction analysis and purchase baskets, the segmentation was supplemented with customer interest criteria and the so-called "lifestyle". They indicate values, expectations, attitudes as well as service and product needs of the customers.

Segmentations make it possible to customise appropriate communication, contact channels, product packages and personalised Value Added Services. They complement traditional functionalities of products and services offered by the Bank. Segmentation allows us to enhance the quality

and effectiveness of sales communication aimed at Consumer Finance customers and offer instalment customers other professional banking products.

**In addition to behavioural segmentation, we distinguish the following operating segments among our retail customers:**



#### Mass customers

(individuals whose assets held at the Bank are PLN 100,000 or less, and monthly payments to the personal account are less than PLN 10,000).



#### Affluent customers

(individuals whose personal accounts are credited with more than PLN 10,000 or who are holding assets worth more than PLN 100,000).



#### Private Banking customers

(individuals holding assets worth more than PLN 1 million or who have an Elite Account).

## Loan products

### Cash loans

Our main product for retail customers, being perfected on an on-going basis. They are available in all of our distribution channels. They may be spent for any purpose or for the repayment of financial debt (consolidation loan).

As of 2021, we are taking an innovative approach to the sale of loans and other products for retail customers. The "Multi-product" offer builds lasting relations with the customer, promoting the cross-selling of existing and new customers through preferential price terms and a simplified credit process (in physical channels and online and mobile banking). The reduction of loan price depends on the customer's transaction history and the number of additional products owned (credit account, current and savings account, overdraft account).

The "Multiproduct" approach to the customer brings about very good sales results as regards additional products. It also contributes to increasing cross-selling for Consumer Finance customers. (The increase in credit card sales in 2021 was **+46% y/y** and the increase in overdraft account sales was **99% y/y**).

In order to better address the needs of Consumer Finance customers, the Bank implemented a number of correlated measures aimed at building brand awareness, activating customers in digital channels and increasing the sale of credit and savings products and special offers.

Our offer featured a new addition, i.e. the "First Loan" for customers who have yet to take out a loan or consolidation loan with Alior Bank. Attractive loan costs (and, above all, the option to apply 100% online) allow to quickly cover unforeseen expenses as well as to finance long-postponed plans.

In H2 2021, we implemented the "Stable Loan". It's an offer for customers interested in a fixed rate throughout the entire loan period.

We continued positively-perceived promotional offers: the "Pożyczka z Mikrokosztami" [Loan with Micro-costs], which offers an attractive price and a transparent cost presentation, and the "Bezpieczna Konsolidacja" [Safe Consolidation] loan with insurance (enabling Customers to consolidate liabilities from outside Alior Bank).

**We still promote products related to the protection of the natural environment including "Eco Loan" (for customers planning to purchase an electric car). Loan interest rate is 0%, and the commission fee: 10%. The formalities are very simple, all you need to do is present the scan of an invoice for the purchase of the car.**

**In 2021, we implemented the "Clean Air" cash loan. It is associated with a subsidy under the "Clear Air" programme managed by the National Fund for Environmental Protection and Water Management. (It may be allocated for the replacement of old and ineffective heat sources, central heating and hot water installations, ventilation, photovoltaics, and thermal insulation works in the building).**

In April 2021, we introduced an option to take out a loan using a digital signature. This facilitates the process of selling our products.

As part of cooperation with the Credit Information Bureau, in H2 2021 we made "CIB Services" available in Alior Mobile and Alior Online. This has enabled customers to have access to detailed information about their loans and liabilities and on any fraud attempts using their data.

We continued to develop the functionalities resulting from the provisions of the EU's PSD2 directive, i.e. the option for customers of other banks to apply for our credit products without the need to present a certificate of earnings (access to information on the AIS payment account). The solution is already available for use by customers in all physical and remote channels.

In response to the needs arising from the pandemic, we have consistently developed online services. We ended the year 2021 with a result that was 100% higher than in 2020 (both in terms of volume and the number of loans sold online). Achieving such high growth rate was possible thanks to an appropriately adjusted range of loan products, active marketing activities and a number of initiatives optimising the sales process via Alior Online and Alior Mobile.

In Q1 2021, we introduced the option to insure a loan against loss of income.

The "Immediate Loan" product available in the Alior Mobile channel also contributed to the sales growth. We implemented the process in December 2020, and extensive marketing activities carried out in 2021 allowed us to reach a wider audience of end customers.

Our actions (similarly as in 2020) were assessed positively by market experts who in April 2021 gave us an award for the best range of cash loans and credit cards in the 12<sup>th</sup> edition of the prestigious "Golden Banker" competition. It was awarded after an analysis of both price parameters and product functionalities, taking into account various customer profiles.



### Credit cards

In 2021, we continued to promote the following credit cards: MasterCard OK! and “TU i TAM” [HERE and THERE]. Their main benefit was moneyback:

- for Mastercard OK! – domestic (available in selected shopping and service points),
- for TU i TAM – accrued for transactions in a currency other than PLN (for online transactions or transactions executed abroad).

In addition to favourable currency exchange terms (ability to settle in more than 150 currencies, without any foreign exchange fees charged by the Bank), the Mastercard TU i TAM card provides access to discounts and promotional offers available under the “Mastercard® Priceless® Specials” loyalty programme. Customers were able to take advantage of promotional offers and gain 4000 points (for simply joining the Programme).

We are the first bank in Europe that offers access to the “Mastercard® Priceless® Specials” programme. It is integrated with the banking app. This means that the customer can manage their credit card and their loyalty programme account from the banking app.

We have introduced the process of matching the credit card to individual customer needs and we have implemented customised offers for customers in electronic and mobile banking processes.

**In cooperation with Mastercard, we have also introduced a new category of prizes in the #ECO programme. It made it even easier to care for the environment and a healthy lifestyle.**

Another “green” offer (introduced in 2021) are benefits to the credit card, including **“Refund for eco-purchases made with a Credit Card”** and **“Eco-Purchases with a Credit Card – PLN 0 instalments”**.

We also offer the sale of a credit card with an immediate transfer of funds and its breakdown into instalments (in a single process). As regards **E2E card** sale processes in digital channels, we are continuing to enhance the card sales campaign in Alior Online and Mobile and the sale of instalment plans for credit cards. We activate customers and build product awareness.

For Private Banking customers, we offer the World Elite card. It is coupled with a concierge services package (the assistance of a specialised call centre, insurance and Priority Pass – opportunity to use airport lounge services). In 2021, we introduced changes to travel insurance for the World Elite Mastercard card (insurance coverage was expanded to include COVID-19). We also increase the maximum overdraft limit.

When promoting environmentally friendly behaviour, we communicated the temporary campaign **“Reward for you, Reward for the Earth”**. The Mastercard Priceless Specials campaign consisted in redeeming collected points for prizes. Each collected prize resulted in the planting of two trees.



### Overdraft facilities

They are a type of loan that is closely connected with a personal account. Overdraft facility offers the ability to borrow against a debit on the account. Debt can be incurred multiple times up to the authorised overdraft limit and each payment credited to the account reduces or clears the debt.

We offer overdraft facilities for an amount from PLN 500 up to PLN 150 000 (without any additional security).

When promoting Konto Jakże Osobiste (Highly Personal Account), we offer customers to activate benefits assigned to that account (10 days without interest for limits up to PLN 1 000). Additionally, individuals opening such an account are offered a limit of up to PLN 1 000 without a commission for its activation.

In 2021, we bet on the growth of overdraft facility sales in electronic and mobile banking. Customers received customised offers at an attractive price of PLN 0 for activating the facility.

### Mortgage loans

The year 2021 in this segment was yet another period in which we observed record sales levels. Compared to 2020, growth in that segment was over 17% y/y. Housing loans in PLN were in the highest demand.

We maintained the existing mortgage product structure. It is characterised by a loan period of up to 30 years and maximum LTV of 90%. We also offered loans as part of cross-selling (with life insurance) and without additional products.



In the offer we included fixed-rate loans for a period of 7 years (with an option to establish a fixed interest rate for subsequent 7-year periods). The offer of a loan with a periodically fixed rate is also available to customers who already have a mortgage loan with Alior Bank.

We continue to be open to customers earning income in EUR and USD who want to satisfy their housing needs by obtaining a mortgage loan.

### Term deposits

To retail customers we offer term deposits with a fixed interest rate in PLN and USD. Customers may choose the optimal savings period and distribution channel (including in Alior Online and Alior Mobile).

### Savings accounts

Our primary acquisition product is “Konto Mega Oszczędnościowe” [Mega Savings Account]. Its holders have the option of save flexibly using free, unlimited online transfers to their personal account held at Alior Bank.

In addition, we offer higher interest on the savings account to customers who opt for the “Konto Jakże Osobiste” [Highly Personal Account] account and choose this feature as one of the benefits.

Furthermore, we offer a savings account intended exclusively for customers who exercise the “Family 500+” benefit via our services. They can enjoy a preferential, fixed interest rate for 12 months.

### Current and savings accounts

In 2021, we developed new services available as part of the range of current and savings accounts. In Q2 (in Alior Online), we offered the option to replace an older account with the flagship Highly Personal Account for free. It enables customers to tailor services to their needs by choosing from 11 benefits (incl. free withdrawals from ATMs in Poland or abroad, 1% refund for mobile payments or a package of free instant transfers).

The range of current and savings account products is complemented by the Elite Account (for Private Banking customers), Online Account, Primary Payment Account, and Currency Account (kept in four primary currencies: USD, EUR, CHF, GBP). Currency accounts holders can also use the multi-currency service which enables them to link their currency accounts kept in USD, EUR, GBP to their debit card issued for the Highly Personal Account or the Elite Account.



### Transaction services

We offer a wide range of transaction services. In the Alior Online mobile app, we offer innovative mobile payment methods (BLIK, Android Pay and Apple Pay), and smartwatch payments (Fitbit Pay, Garmin Pay, Swatch PAY!). In Q4 2021, as one of the first banks in Poland, we implemented BLIK contactless payments that may be used at terminals handling Mastercard contactless payments worldwide.

### Foreign exchange transactions

Available at the Bank's outlets, through online banking (PLN, EUR, USD, GBP, CHF), as part of currency conversion related to international transfers and card transactions abroad, as well as via Autodealing – a dedicated transaction platform.

In addition, customers have access to the Kantor Walutowy (Currency Exchange) online platform on a 24/7 basis. Currency accounts are free and the platform offers an exchange of as many as **23 currencies**.

We offered retail customers **a free multi-currency card** that supports physical and online payments in nearly **160** currencies (without additional conversion costs). Foreign currency account holders and those who have entered into a treasury master agreement may exchange currency with a dedicated Currency Dealer at the Treasury Department.

Customers with a debit card as part of the Highly Personal Account were offered a multi-currency service which enables them to link their currency accounts (kept in USD, EUR, GBP) to their debit card and the ability to make card payments (without any additional conversion costs).

### Bancassurance products

In 2021, insurance linked to loans and mortgage loans played a dominant role in the bancassurance area. Thanks to the dynamic growth of sales and new insurance against loss of income (introduced as of the beginning of 2021), we have recorded a significant growth in premiums from the sale of linked insurance. This had a positive impact on the growth of revenue from bancassurance activities.

As regards stand-alone insurance, we focused primarily on growing the sale of these products in digital channels. We introduced the option to purchase motor insurance and travel insurance through online and mobile banking.

We continued to sell investment life insurance with a Unit-Linked Insurance Fund to retail customers. We recorded growth in the premium by **30% y/y**.

### Structured products

We organised a subscription of 13 series of Banking Securities with a total nominal value of PLN 341 million and USD 1.5 million, including:

- **6 series** of Banking Securities under the 1<sup>st</sup> Issue Programme with the nominal values as follows: PLN 137.7 million and USD 1.5 million,
- **7 series** of Banking Securities under the 2<sup>nd</sup> Issue Programme based on the base prospectus with a total nominal value of PLN 203.6 million.

February 2021 marked the first time we offered Banking Securities based on the base prospectus approved by the Polish Financial Supervision Authority. Banking Securities issued through a public offering were aimed at retail customers (including Private Banking customers) with an appropriate investment profile and at corporate customers.

The issues of Banking Securities were characterised by **100%** protection of principal amount on the maturity date. 45 issues of Banking Securities closed in 2021, of which the best ones closed with a result of 12%. At the same time, we continued to offer structured products with a limited guarantee on the principal amount and/or conditional early redemption for selected Private Banking customers.

Our product range included 13 such products, of which 10 were autocall certificates and 3 reverse convertible certificates (i.e. certificates that are reversibly convertible into shares). The total nominal value of structured certificates was **PLN 173.94 million**.

17 structured certificates matured in 2021, including 16 autocall and 1 reversibly convertible certificates. All of them resulted in a profit for customers. The highest rate of return on investment was **35.2%**.



## Retail segment areas

### Consumer Finance

We offer products of this type within the segment. In 2021, we effectively developed activity in the instalment loan segment. We continued strategic projects affecting dynamic business growth. **We extended the instalment loan offer to include a loan with a subsidy under the “Clean Air” programme.** We undertook measures supporting stable cooperation with existing partners and optimisation of sales processes. **In accordance with the Sustainable Growth Strategy, we continued the acquisition of new counterparties from the ECO industry.**



### Private Banking

It is aimed at the most affluent individual customers who entrusted us with assets exceeding PLN 1 million. As at the end of December 2021, we had nearly

6 thous. such customers. Customers are offered a wide range of investment, saving and credit products customised to their needs.

We provide services to them in 7 specialised departments (in Katowice, Poznań, Kraków, Gdańsk, Wrocław and Warsaw).

The flagship product dedicated to this segment is Konto Elitarne account kept free of charge for customers holding more than PLN 1 million worth of assets or assets in investment products with a minimum value of PLN 500 000. It provides access to a wide range of benefits (including individual assistance from a Private Banking banker, confidentiality of account balances and a MasterCard World Elite debit card. The Elite Account holders can participate in special cultural and sports events available exclusively to that customer group.



### Brokerage activity

We conduct brokerage activity through the Alior Bank Brokerage House. We offer brokerage services through branches and via remote distribution channels (Brokerage House Helpline, Alior Online system, Alior Gielda [Alior Stock Exchange] mobile app, and the Alior 4 Trader transaction platform).

At the end of 2021, the Brokerage House kept more than **86 thous.** brokerage accounts and 6.5 thous. Alior Trader accounts. The value of shares and rights to shares registered on customers' brokerage accounts as at 31 December 2021 amounted to **5.6 billion** (down by **4.6% y/y**). The share of Alior

Bank's Brokerage House in the trading on the Warsaw Stock Exchange (Stocks and PDA) amounted to **1.45%**. Twice, the Brokerage House was also a participant in a consortium offering shares under an IPO.

In 2021, The Brokerage House received several awards related to its range of brokerage products. It was ranked first in the ranking of the best brokerage account (organised by Puls Biznesu magazine) and second in the ranking of the cheapest brokerage accounts (organised by Bankier.pl website). The Individual Investment Advice service is highly popular, especially among customers from the Private Banking segment. Customers appreciate the highest quality of services provided by our Brokers and Advisors. Therefore, at the end of 2021, our individual advice services covered assets with a value of more than **PLN 1 billion**.

The Brokerage House offers units of investment funds (Polish and foreign). As at 31 December 2021, Alior Bank collaborated with thirteen Polish and foreign investment fund companies. We intermediated in the purchase and conversion of units of open-end investment funds for the total amount of **PLN 2.4 billion**. For non-public closed-end investment funds, the Brokerage House only conducted post-sales service. Total assets accumulated in open-end investment funds through Alior Bank amounted to **PLN 2.88 billion** as at the end of December 2021, whereas in non-public closed-end investment funds – **PLN 0.15 billion**.

For yet another year in a row, the Brokerage House placed great focus on technological development. Customers investing on the Warsaw Stock Exchange received an app for stock exchange price tracking and technical analysis (Notowania 5 Pro). Whereas customers investing on the Forex and CFD market received Alior 4 Trader – a new multi-platform. At the same time, in an attempt to meet the expectations of customers and significantly facilitate communication, we implemented an electronic document delivery path to the Brokerage House and a fully remote (via online banking) way to activate an annex on the supply of services consisting in the execution of orders related to trading in derivatives.

In 2021, we also expanded our range of partnership programmes to include Unimot Klub+ and Squaber Premium.



### Investment funds

We distribute the units of 13 Investment Fund Companies, both domestic and foreign. We provide full access to a wide range of more than **500 funds** to retail customers via Alior Online and in Private Banking Branches.

Our rich offer includes, but is not limited to, funds oriented towards investments in specific asset groups (e.g. debt securities, shares) as well as regions of the world (e.g. emerging markets, Asia, USA) or oriented towards activities related to specific industries (e.g. energy, medicine, biotechnology).

**We place great emphasis on socially responsible funds that invest in accordance with the ESG (Environmental, Social, Governance) principles. These funds comply with Articles 8 or 9 of the SFDR (Sustainable Finance Disclosure Regulation). We offer more than 50 funds that meet the “green” criteria laid down in the SFDR. In addition, in August 2021 we started offering the Generali Green Stock (Generali Akcji Ekologicznych) fund, and in November – the Templeton Global Climate Change Fund.**

Premium Branches offer the purchase of units of funds offered by entities from the Group, namely Alior TFI and PZU TFI.

On the other hand, the network of Universal Branches providing brokerage services offer Alior TFI open-end funds. The ALIOR SFIO fund has 7 separate sub-funds – ALIOR Oszczędnościowy [Savings], ALIOR Obligacji [Bonds], ALIOR Spokojny dla Ciebie [Easy for You], ALIOR Stabilny na Przyszłość [Stable for Future], ALIOR Zrównoważony [Balanced], ALIOR Akcji [Shares] and ALIOR Globalny Nowych Technologii [Global New Technologies].

Each of the sub-funds pursues a different investment policy and allows for exposure to different classes of assets – depending on the knowledge, expectations and needs of a given investor, it may invest, through a given sub-fund, in shares, bonds and participation units in other investment funds. Thus, we offer products intended for a wide range of recipients, in accordance with their investment profile.



#### Alior Bank's branch in Romania

The Romanian Branch

sold and serviced banking products for retail customers under the Telekom Banking brand (in cooperation with Telekom Romania) through a direct distribution network: **34 “SIS” [Shop in Shop] branches, 111 direct sellers (DSA), 21 brokers, 167 Telekom POS**, and through remote channels (data as at 31 December 2021).

Key projects implemented in 2021 were regulatory projects. The most important of them was the implementation of a real-time monitoring process for AML transactions. Romanian law is very restrictive in the AML area and any subsequent regulatory requirements impose an obligation of mandatory compliance on banks. Currently, the Branch

operates in accordance with Romanian law and verifies all customer transfers in real-time.

The implementation of subsequent projects stemmed from EU regulations (Regulation 2019/518 of 19 March 2019 and the so-called “PSD2” directive). In connection with these regulations, the Romanian Branch of Alior Bank introduced free notifications about the margin for cross-border payments, whereas those customers who do not have a mobile banking or foreign exchange app were given the option of making a payment card transaction online by using the so-called ePIN code.

As at 31 December 2021, the Romanian Branch employed 212 persons on a full-time basis.



#### Bancovo

The year 2021 was the fourth year of operation of the first online loan and credit sales platform in Poland. It was also another year of the COVID-19 pandemic, which for the online marketplace was the year of continued growth as regards the scale of activity.

At the end of the year, Bancovo has **450 thous.** unique users. The sale of credits and loans grew by **26%** compared to the year 2020 (after prior growth by 20% in 2020). At the same time, we have been observing an improvement in the availability of bank loan offers, whose share in Bancovo's sales in this period was approximately **70%**. Last year was also the time when we introduced new product to our product range (including leasing, corporate loans and insurance). The sale of insurance (due to synergy from collaboration with the Insurance Service) produces particularly tangible results. In December 2021, the share of insurance revenue already accounted for **25%** of Bancovo's total revenue.

A platform combining modern technology (cloud, robots, machine learning), advanced engineering of sales processes, unique knowledge of online customer behaviour (based on UX tested in practice) offers services to other financial sector entities. In 2021, Bancovo's internal software house focused on building another fully digitised insurtech solution, which we will implement in Q1 2022.



## Business segment

We offer a comprehensive and modern product range for business customers from all segments: micro-, small- and medium-sized enterprises as well as corporations. As at the end of 2021, we provided services to more than **239 thousand** business customers and the combined loan exposure reached **PLN 18.6 billion**.

The sale of company payment cards amounted to over 32 thousand units. We provided services to more than 218 thous. micro-enterprises and **19 thous.** small- and medium-sized enterprises as well as **2 thous.** corporations. Despite the pandemic, we actively acquired new customers (improving the use of online sales channels while maintaining service at bank branches, Corporate Banking Centres and partner outlets). In 2021, a corporate account at Alior Bank was opened by:

- **17 880** micro-enterprises (of which 35% through remote channels),
- **1 502** entrepreneurs from the segment of small-, medium- and large-sized enterprises.

As at the end of the year, the business customer segment generated revenue totalling **PLN 1 178 million**.

In 2021, we ranked 2nd in the “Company-friendly Bank” ranking of the Forbes magazine. This means that we have ranked top 3 in the “**Best Bank for Companies**” ranking for the seventh time.



### New solutions for companies

**We have put in place a number of new solutions to make it easier for entrepreneurs to run their business. They include:**

- **Business Plan Account.** By using an innovative formula, this account allows customers to choose necessary services on their own and create a convenient model of cooperation with Alior Bank, reminiscent of a modern subscription model.

This account is aimed at micro-, small- and medium-sized enterprises that settle accounts on the basis of full accounting. Business customers have access to 2 free debit cards

and commission-free cash withdrawals at ATMs located in branch offices of Alior Bank. We also do not charge fees for internal account transfers, transfers to the Social Insurance Institution and the Tax Office (executed via online banking) and for the BusinessPro eFX Trader module (with favourable exchange rates). Access for two users to the BusinessPro online banking system is free as well.

Provided that simple activity requirements are met: 4 transactions by card or monthly transfers to the Social Insurance Institution or the Tax Office, the company does not bear the costs of maintaining the base account and two auxiliary accounts.

The base version is supplemented by three types of additional plans (Plus Cards Plan, Plus Transfers Plan, Plus BusinessPro Plan) in the form of limited free products and services. The price of each plan is PLN 30 per month. An additional advantage of the plans is the ability to manage them singlehandedly via BusinessPro online banking. This allows the customer to activate an additional number of plans and deactivate them at any time.

The account was introduced on 20 April 2021. As at the end of the year, it was being used by 1.390 business customers.



- **Offer for financing auction renewable energy source (RES) projects.** It is our proposal addressed to entrepreneurs who won a RES auction and plan to build wind or photovoltaic farms with a capacity of more than 500 kW. We offer financing in the form of an investment loan.

The loan can be used by special-purpose vehicles belonging to the segment of small-, medium- and large companies, conducting business activities in the field of generating energy from renewable sources. We finance projects implemented in the SPV formula by investors experienced in the implementation of renewable energy projects. The loan amount can be up to 85 percent of investment costs.

- **Bizneskredyt Zakupowy** (BusinessLoan for Purchases) for green purposes. The offer is distinguished by a wide range of financing options. We offer financing for as many as 13 different green purposes, a high loan amount (even up



to PLN 3 million), a quick decision (in 20 minutes) and no material security (the loan is secured by a BGK guarantee).

The funds from the loan may be allocated by an enterprise for such purposes as the purchase and installation of photovoltaic panels, the purchase of environmentally friendly cars with an electric or hybrid engine, the purchase of materials used for thermal insulation of buildings, including construction work, or the purchase and installation of a new heat source.



- **MasterCard z Plusem** (MasterCard with a Plus) company debit card

We have expanded our offer for business customers to include a new MasterCard with a Plus debit card. The card is issued for accounts kept in various currencies (PLN, EUR, USD, GBP).

In addition to such amenities as the possibility of making cashless payments, also via the Internet (no fees for domestic payments) and cash withdrawals at domestic and foreign ATMs (no fees for withdrawals from ATMs at Alior Bank branches), the holders of the Mastercard with a Plus debit card received unique benefits: a voucher of PLN 50 for fuel at Circle K stations and 20 thous. points (to be redeemed for prizes worth PLN 300 in the Mastercard® Priceless® Specials programme). We do not charge monthly fees for using the card.

The card appeared in our offer on 23 September 2021. At the end of the year, it was used by 2,198 companies. The promotion lasts until the end of 2022.

- **Instant company card tokenisation service.** Through this solution, cashless payments are available immediately after applying for a card. Customers can make cashless payments even several minutes after applying for a card, regardless

whether they file the application online or at a branch. Full card details are available immediately in BusinessPro online banking.

- **Loan with a bonus from Bank Gospodarstwa Krajowego (BGK).** BGK's non-repayable bonus for the partial repayment of funding for energy modernisation or renovation of buildings is just one of the advantages of our new offer. Housing cooperatives and communities as well as local government units from all over Poland can also count on a high amount of financing (up to PLN 5 million), a long funding period (up to 20 years) and reimbursement for audit and technical documentation costs.

### Accounts, settlements and deposits

**For micro-companies, we offer two accounts that regularly receive awards for their quality and price:**

- **iKonto Biznes (iAccount Business).** Enables free use of basic payment services;
- **Rachunek 4x4 (4x4 Account).** Enables customers to adapt their account parameters to the company's current requirements and to the type of transactions being executed.

Holders of both of the above-mentioned accounts – that actively make transactions – were able to receive a bonus (even up to PLN 125 per month, and even PLN 1,500 per year).

The range of accounts for SMEs and corporations is adapted to the expectations of particular company segments and uses modern channels for customer acquisition and product servicing. We offer three types of accounts to entrepreneurs conducting business activity on the basis of full accounting (Business Optimal, Business Comfort and Business Plan accounts). The customer adjusts them to the company's business profile. The range of account products is supplemented by debit and virtual credit cards (that make it easier for customers to manage significant volumes of online payments) and a multi-currency card with access to 23 currencies (without currency translation costs).

All cards handle contactless payments (via Apple Pay, Google Pay, Garmin Pay, Fitbit Pay and SwatchPAY!).

In May 2021, we were running a promotion for business customers joining the Mastercard® Priceless® Specials programme (13,500 starting points to be redeemed for prizes worth an equivalent of PLN 200). The promotion lasted until the end of October.

### Added services

The [www.zafirmowani.pl](http://www.zafirmowani.pl) website aimed at micro-companies is a free platform available as an open website. It is a practical guide for enterprises. It contains expert articles and video materials facilitating the establishment, operation and financing of a business. The website also offers a free accounting



application that allows to keep simplified accounting records (revenue and expense ledger, flat-rate income tax), enabling automatic calculation of the amount of tax due.

Businesses with a company account at Alior Bank can connect to the [www.zafirmowani.pl](http://www.zafirmowani.pl) website directly from online banking. The automatic mechanism for pairing the account history with accounting documents enables the customer to check the status of invoice payments.

### Loans

We have a comprehensive, fully standardised offer of financing the needs of micro-companies.

In the **Business Financial Package**, in a single and quickly made decision the enterprise receives as many as 5 forms of financing from which to choose. The granted amount can be divided into: non-revolving credit, overdraft facility, credit card, factoring, and leasing. This solution enables the customer to allocate money for any of the various needs related to their business activity.

In H1 2021, we increased the amount of the selfie loan (from PLN 200 thous. to PLN 600 thous.) made a range of online financing products available (without having to visit the branch) not only to micro-enterprises, but also to small enterprises. This innovative solution is possible by using a proprietary customer verification method.

To make the acquisition of new customers in the segment of micro- and small companies more effective, we have introduced two **price promotions involving a reduction in the initial commission**.

**They were in effect until the end of the year:**

- **by 50%** – on overdraft facility, Revolving BusinessLoan, a loan for purchases, and a non-revolving loan for financing of on-going business operations (Easy Capital).
- **down to 0%** – on overdraft facility.

We have also launched a new pre-approved algorithm process. As part of the introduced simplifications, we abandoned financial records (provided that the customer supplied it to the bank). We also changed the procedure for how the Telephone Sales

Team processes loan applications. At present, credit analysis is carried out based on statements provided by the customer. This solution is addressed to sole proprietorships that settle accounts with the Tax Office based on the Revenue and Expense Ledger. It greatly streamlines as well as accelerates the granting of loans.

**We also extended the loan periods from 36 months to:**

- **48 months** (for customers applying for a new loan),
- **60 months** (for customers applying for refinancing),
- **72 months** (for customers applying for financing to rebuild the scale of business after the pandemic).

### Facilitations in the credit application process in connection with the COVID-19 pandemic

In 2021, credit application process simplifications for small, medium-sized and large companies, introduced in connection with the pandemic, continued to apply:

- extended validity of credit applications from 30 to 90 days,
- option for corporate customers – commercial partnerships to file a simplified consent form and statements instead of a standard application,
- waived the obligation to provide full financial forecasts for credit cards.

Products and services offered have been adapted to the aid plan of Bank Gospodarstwa Krajowego (BGK). This enables customers to obtain working capital financing easier and faster. We also offered an option to defer the repayment of loan instalments, i.e. the so-called “loan holidays”. The customer had an option to apply to postpone the repayment of a full instalment by 3 months or the principal by 6 months.

### Preferred sectors

Our strategy pursued provides for an increase in the Bank's lending activity in a way that ensures high revenue potential, while minimising risk costs. For this purpose, we created the list of preferred sectors. Companies operating in selected sectors can count on a favourable pricing policy and higher amounts of funding. The list of preferred sectors is periodically updated (based on the analysis of long-term economic trends as well as short-term macroeconomic forecasts). At the end of the year, the volume of loans granted to preferred sectors grew to **PLN 3.9 billion** and accounted for **21%** of the entire portfolio of corporate loans.

Total sales of new overdraft facility in the segment of micro-, small, medium-sized and large companies as at the end of 2021 amounted to **PLN 1.6 billion**. As in the case of volume, the significant growth in new sales resulted, inter alia, from expanding the list of preferred sectors. A large part of new sales to preferred sectors was carried out by way of automated decisions. This significantly sped up the credit process.

### Process centralisation and remote service

We provided fast and convenient remote services for all corporate products by:

- using qualified signatures, Autenti and Foto ID,
- launching the Product Module and after-sales instructions in BusinessPro online banking,
- centralising as many as **45** after-sales processes.

The exchange of master agreements, loan agreements, annexes, after-sales instructions with a qualified signature between the bank and an entrepreneur from the segment of SMEs and large companies is carried out via e-mail or BusinessPro electronic banking. For this purpose, micro-companies use an e-signature provided by Autenti or an Autenti e-signature in combination with the Foto ID tool.

The processing of orders placed by customers via the BusinessPro system is handled by the Operations Team for Business Customers appointed specifically for this purpose, which facilitates the day-to-day work of consultants to a significant extent as well.

In 2021, this team successfully executed over 17 800 instructions and after-sales processes reported by customers of Corporate Banking Centres. More than **42%** of these instructions were transferred to the Bank via remote channels.



### Transaction banking and the BusinessPro online banking system

The package of products and services includes the management of cash flows, monitoring of the collection of receivables and their ongoing identification through BusinessPro online banking system, and automation of accounting processes through BankConnect. Customers also use the Product Centre – a self-service module in BusinessPro online banking that allows to order selected banking products and services.

**In 2021, we introduced a number of amenities, including:**

- **AutoDealing and a new functionality of automated currency exchange (API FX Trade).** They were made available via the BankConnect service and enable the integration of the company's external systems with

the currency exchange system of Alior Bank. Users of the currency exchange platform were granted immediate access to a wide range of currencies and attractive currency exchange conditions, from the level of their own systems, without having to log in to the BusinessPro electronic banking,

- **ability to specify an e-PIN in card details.** The service was implemented in connection with the EU's PSD2 directive,
- **ability to manage Plus Plans** to the Business Plan Account in the Product Centre – a self-service business customer module,
- **processing of applications for a subsidy under the Financial Shield 2.0 offered by the Polish Development Fund and redemption applications under the Shield 1.0,**
- a mechanism for automating the collection and setting of fees in the BusinessPro system,
- instant tokenisation service for company debit cards.

We also established cooperation with Sonata Enova 365 and Symfonia, some of the largest vendors of software for business. Now, entrepreneurs who use the services of Alior Bank and use the software of these companies can automate the handling of banking operations.

### Trade finance products

We offer a full range of products supporting the needs of trade financing.

We increased the maximum amount of the recourse factoring limit available in the automated process, under which the decision to grant financing is made within 1 day – from **PLN 0.5 million to PLN 1 million**. Such high amount of the offered limit, attractive price and a quick decision-making process regarding the granting of financing are our great advantages on the market.

In Q1 2021, we launched an automated process of verifying debtors in external databases, which significantly accelerates the addition of contractors to the factoring agreement. We optimised the handling of letters of credit and collection. Currently, notification of a foreign letter of credit, verification of the correctness of orders related to import letters of credit, export collections, contact with the customer regarding the documents produced as part of the letters of credit and all correspondence related to the handling of a given transaction are handled by the Document Transaction Settlement Team.

### Leasing for companies

Alior Leasing enables our business customers to use the most popular forms of financing for fixed assets, mainly motor vehicles. With products such as: operating lease, financial lease and lease loan, businesses gain easy and quick access to transport vehicles, machinery and equipment, including, among others, photovoltaic technology.

We offer the financing of vehicles, machinery and devices. It is characterised by simplified procedures, formalities reduced to the necessary minimum, flexibility, quick decisions on granting financing, a fixed administrative fee (no extensive tariff of fees and commissions), and the ability to negotiate individual repayment terms.

Financing is possible from the first day of running a business. This offer also provides insurance and free support in the event of a loss under the Alior Leasing Loss Adjustment Centre.



#### Investment funds for companies

For business customers we prepared an offer to invest in participation units of 13 Polish and foreign investment fund companies. Alior TFI offers the Specialist Open-End Investment Fund with 7 separate sub-funds – ALIOR Oszczędnościowy [Savings], ALIOR Obligacji [Bonds], ALIOR Spokojny dla Ciebie [Easy for You], ALIOR Stabilny na Przyszłość [Stable for Future], ALIOR Zrównoważony [Balanced], ALIOR Akcji [Shares] and ALIOR Globalny Nowych Technologii [Global New Technologies]. Investing the company's financial surpluses in respective sub-funds allows the entrepreneur to achieve exposure to the stock market, bonds, as well as to other participation units. These funds are managed by a professional entity.



#### Financial Shield of the Polish Development Fund for micro-companies and small and medium-sized enterprises

We are involved in the Financial Shield 2.0 of the Polish Development Fund for Businesses and Employees. As of 15 January 2021, we have been providing business customers the ability to submit applications for subsidies in Alior Online and the BusinessPro system.

Information on the launch of applications was provided to customers via SMS, e-mails and screens in online banking. Entrepreneurs also received a set of materials containing

the most important tips on how to submit an application. By the end of the year, the Polish Development Fund accepted **2.450** applications of our customers. The amount of granted subsidies totalled **PLN 399 679 025** (the market share of Alior Bank is **5.2%**).

In April 2021, we provided customers who have benefited from assistance under the Financial Shield 1.0 of the Polish Development Fund with access to applications for the redemption of subsidies. By the end of the year, more than 16.4 thousand customers submitted an application for redemption. We received over **16.3 thousand** decisions with an average redemption of **73%** (for a total amount of more than **PLN 1.68 billion**).



#### EU funds and aid programmes for micro-companies, small and medium-sized enterprises and corporations

For years, we have been active in public programmes financed from both EU and national funds.

This allows us to maintain and develop an attractive credit offer, especially for customers representing small and medium-sized enterprises and corporations. We provide, among others, loans with BGK guarantees as part of the National Guarantee Fund (it is a continuation of the de minimis programme) and under the following programmes: COSME, Creative Europe, Agricultural Guarantee Fund, Guarantee Fund under the Smart Growth Operational Programme (Biznesmax guarantee), Liquidity Guarantee Fund. In the case of loans with a guarantee, customers gain access to financing on more favourable terms and alternative methods of securing it.

Alior Bank is one of the leaders in sales of de *minimis* Guarantees.

Almost **96%** of new sales of loans for customers from the micro segment and **52%** of sales for customers from the segment of small-sized companies are secured with guarantees offered in collaboration with Bank Gospodarstwa Krajowego.

In connection with counteracting the effects of COVID-19, in March 2020 the Bank introduced numerous changes to the de minimis guarantee offer. The maximum value of the security increased from 60% to 80% of the loan amount. In addition, in January 2021 we extended the period of collateral for the working capital loan to 75 months and abolished the commission fee for the entire portfolio of exposures covered by the de minimis guarantee. These changes were in effect until the end of the year.

Guarantee programmes in our offer also include special guarantees aimed at innovative enterprises, creative sector enterprises, agricultural and food-processing sector enterprises.

**The Biznesmax Guarantee** is aimed at enterprises carrying out investment projects with innovative potential or planning pro-environmental investment, e.g. the installation of photovoltaic panels, thermal insulation.

In order to counteract the effects of COVID-19, we offer the option to cover revolving working capital facilities related to the company's ongoing operations with the Biznesmax guarantee.

#### **Agricultural guarantee (Agricultural Guarantee Fund)**

Our offer includes an agricultural guarantee for entities investing in the agri-business sector. Farmers may count on a guarantee of up to **PLN 5 million**, whereas processors – up to **PLN 10 million**.

In order to counteract the effects of COVID-19, we offer a guarantee under the Agricultural Guarantee Fund for revolving working capital facilities related to the company's on-going operations. We also introduced **2%** subsidies to the interest rate on working capital facilities secured with the guarantee from the Agricultural Guarantee Fund. This solution enables the customer to be reimbursed for part of the interest paid on the facility, for a maximum of 12 months from the date of its disbursement.

#### **Liquidity Guarantee Fund**

It is a guarantee for medium- and large-sized enterprises. Its main purpose is to maintain lending activity in connection with liquidity needs for enterprises which are or may be affected by the economic effects of the COVID-19 pandemic. By the end of 2021, we granted loans from the Liquidity Guarantee Fund in the amount of **PLN 1.6 billion**, while securing nearly **PLN 1.3 billion** of these funds with a guarantee from the same fund.

Our offer also included a guarantee line for factoring under the Liquidity Guarantee Fund of BGK. Through this guarantee, micro-, small, medium-sized and large enterprises can more easily obtain financing taking the form of recourse factoring and reverse factoring. The guarantee is granted for 24 months and secures up to **80%** of the factoring limit amount. The maximum guarantee value is **PLN 200 million**, whereas the highest amount of financing – **PLN 250 million**.

#### **Loans involving EU grants**

Customer can count on support in obtaining EU funding (loan commitments, bridging loans or a technology loan).

Under the "European Package", we are offering comprehensive support for investments with EU subsidies distributed by the Polish Agency for Enterprise Development (PARP), the National Centre for Research and Development, the Ministry of Development, and the Marshal's Offices (loan commitments, loans

with EU grants, bridging loans – pre-financing grants, loans for non-eligible costs, and a loan to finance VAT).

Last year, we issued loan commitments for the amount of over PLN 251 million.



#### **Funding of thermal insulation projects**

We continue to finance and provide services to entities from the housing sector. Currently, we offer Thermal Insulation Loans (intended to finance the thermal insulation of multi-family residential buildings) to Housing Cooperatives, Housing Communities, Social Housing Associations and (in selected regions) Local Government Units.

#### **Employee Capital Plans**

Thanks to the strategic partnership within the PZU Group, entrepreneurs can sign (at Alior Bank branches) agreements on the management of Employee Capital Plans with TFI PZU – one of the leaders on the Employee Capital Plan market in Poland.

Our Customers could count on expert support during the launch and on-going handling of ECPs. TFI PZU also provided e-learning training courses as well as an easy and simple method of controlling payments using a modern and user-friendly website. In 2021, entrepreneurs signed more than 2,300 ECP management agreements through Alior Bank. Such agreements could be signed until the end of the year.

#### **Treasury activity**

##### **We conduct treasury activities in the following areas:**

- spot foreign exchange (FX) and transactions to hedge against currency exchange risks,
- transactions on interest rate instruments to ensure stable funding costs to its customers by hedging against interest rate risk,
- transactions to limit the consequences of commodity price volatility,
- liquidity management – by selling products enabling the customers to deposit their surplus cash and through repo and BSB transactions,
- hedging Alior Bank against liquidity risk to meet the established limits and regulatory metrics,

- managing Alior Bank's currency and interest rate risk exposures through transactions on the interbank market,
- management of commodity price volatility risk through transactions on commodity markets,
- management of the currency option portfolio risk under the established limits by entering into hedging and option transactions on the interbank market,
- trading on the bond portfolio by buying and selling Treasury bonds and bonds guaranteed by the Treasury,
- applying hedge accounting, i.e. hedging against interest rate risks resulting from banking activities and interest rate swap transactions (IRS, OIS) in PLN and foreign currencies.

The surplus of the Bank's liquid cash (under liquidity management) is mainly invested in Treasury bonds and Treasury bills denominated in PLN and in foreign currencies, and in debt securities issued by the NBP [National Bank of Poland] with a relatively short maturity, as well as debt securities guaranteed by the Treasury.

The rule of avoiding transactions on financial instruments involving one's own equity will continue to be a strategic way to protect ourselves against potential systemic risks, i.e., limited market liquidity. The Management Board intends to manage market risks so as to ensure Alior Bank's equity at the current, secure level. The Bank was an active player on the interbank market. It provided liquidity for currency transactions for other professional market players which allowed it to maintain its existing position on the interbank FX market. Alior participated in the provision of data for the quotation of POLONIA reference rates.

### Dealing platforms

One of the pillars of our treasury activities are online exchange platforms, which enable fast and convenient currency exchange tailored to the individual needs of customers.

Our offer includes three online foreign exchange platforms: Currency Exchange, Autodealing and eFX Trader.

- **The Currency Exchange** is available on a continuous basis, offers free maintenance of accounts in 23 currencies (PLN, EUR, USD, GBP, CHF, SEK, RUB, NOK, DKK, CZK, CAD, AUD, HUF, JPY, BGN, MXN, RON, ZAR, THB, ILS, HKD, HRK, TRY), exchange of currencies at attractive exchange rates and free domestic and foreign currency transfers. A free multi-currency card, described in the "Credit cards" section, may be issued for accounts in the Currency Exchange, free of charge.

The Currency Exchange has a number of additional functionalities (e.g. making transfers to a phone number or e-mail address, option to divide payment amount between users, option to send a request for transfer, option to purchase travel insurance from the range of products

offered by PZU). Currency Exchange accounts may be credited by way of a transfer, cash deposit at a branch and credit or debit card (in PLN, EUR, USD and GBP).

In order to meet customers' expectations, we regularly improve the range of products offered by the Currency Exchange. In 2021, we introduced a number of changes and amenities, described in previous sections of the document. As part of the User Experience optimisation, the application has undergone a redesign that made its use even more intuitive.

The Currency Exchange won the Golden Consumer Laurel award (in the "Banking Currency Exchange" category) and numerous other online rankings (e.g. it ranked first among online currency exchanges in the ranking organised by [najlepszekonto.pl](http://najlepszekonto.pl), and its currency account was deemed the best by the editorial staff of [tanie-konto.pl](http://tanie-konto.pl) and [kontomaniak.pl](http://kontomaniak.pl) websites).

The number of its users is growing on a regular basis. At the end of December, it registered over 447 thous. customers (almost 50 thous. more than in 2021).

- **Autodealing** is available to business customers and retail customers, but it is particularly popular among business customers from the Micro segment. The platform is characterised by full integration with BusinessPro and Alior Online electronic banking systems and access to round-the-clock foreign currency exchange. Autodealing allows to make transactions in foreign currencies (PLN, EUR, USD, GBP and CHF), whereas BusinessPro additionally offers transactions in SEK, NOK and CZK. It also allows to open deposits in PLN and foreign currencies. Deposits opened in Autodealing are characterised by negotiable interest rates and an individually selected maturity period. Deposits may be opened for any period (from 1 to 366 days).

Last year, we introduced an open banking solution (API Premium). This integrated foreign exchange service is available via the BankConnect platform. It enables the integration of customer systems with Autodealing. This allows platform users to gain immediate access to foreign currency exchange from the level of their own systems (without the need to sign in to BusinessPro electronic banking).

- **eFX Trader** is a platform for the most demanding business customers. It offers foreign exchange in several dozen currency pairs with a flexible clearing period: today (TD), tomorrow (TM) and up to two business days (Spot). For customers with a treasury limit - it also offers the execution of Forward transactions. eFX Trader allows to place foreign currency orders thanks to which customers do not have to track exchange rates themselves. Users also receive access to market analyses.

### Equity investments of the Alior Bank Capital Group

They are presented in the table below. All securities were purchased using the Bank's own funds. The shares/stocks comprise:



trading securities bearing equity rights, admitted to public trading on WSE and NYSE,



trading securities bearing equity rights, not admitted to public trading.

Bonds:



corporate bonds issued by domestic and foreign issuers.



Investment certificates: certificates of a "private equity" closed-end investment fund, and units of an open-ended investment fund.



	31.12.2021		31.12.2020	
	Volume	Market/nominal value (in PLN thousand)	Volume	Market/nominal value (in PLN thousand)
Stocks	7 342 897	181 897	7 342 909	141 321
Quoted	253 225	70 461	253 225	65 938
Non-quoted	7 089 672	70 599	7 089 684	75 383
Bonds	1 480 001	111 436	980 305	178 562
Investment certificates	20 499	8 326	19 337	7 779

### Online and mobile Banking

The work in this area was focused on optimising the existing and introducing new solutions in Alior Online and Alior Mobile. These activities contributed to the implementation of objectives set out in the Bank's strategy and higher revenue from online and mobile channels.

In 2021, Alior Mobile and Alior Online underwent a number of changes related to their appearance and the handling of deposit and credit products; additional new functionalities were also implemented.

#### Sales processes

In loan applications, we also introduced an option to use an additional security in the form of insurance (either voluntary or mandatory – depending on the credit decision or amount). In the process itself, it is possible to view the loan components already at the calculator stage.

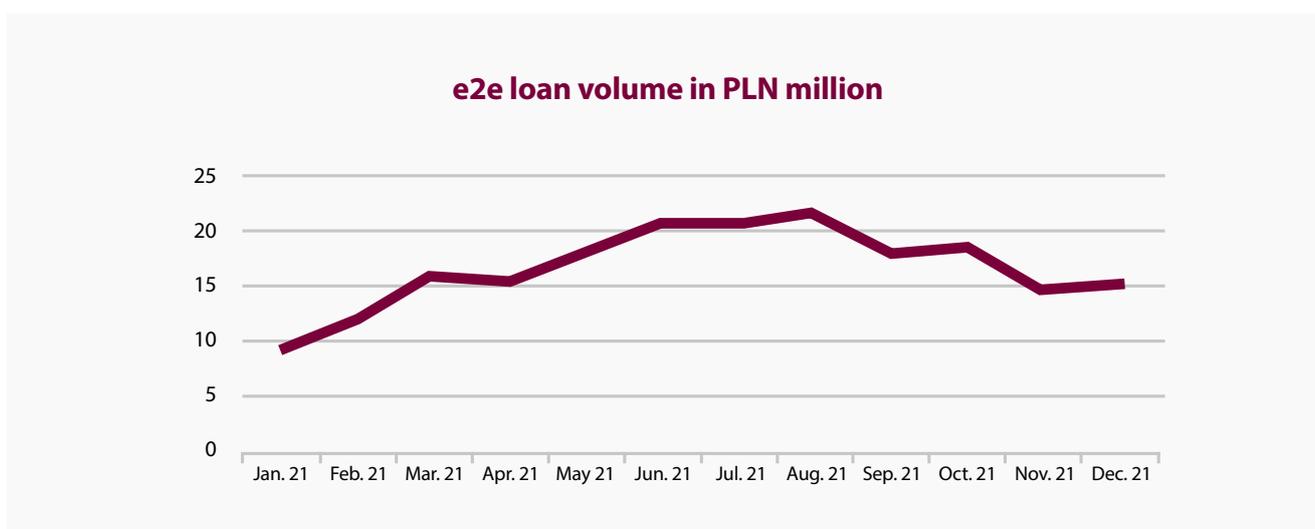
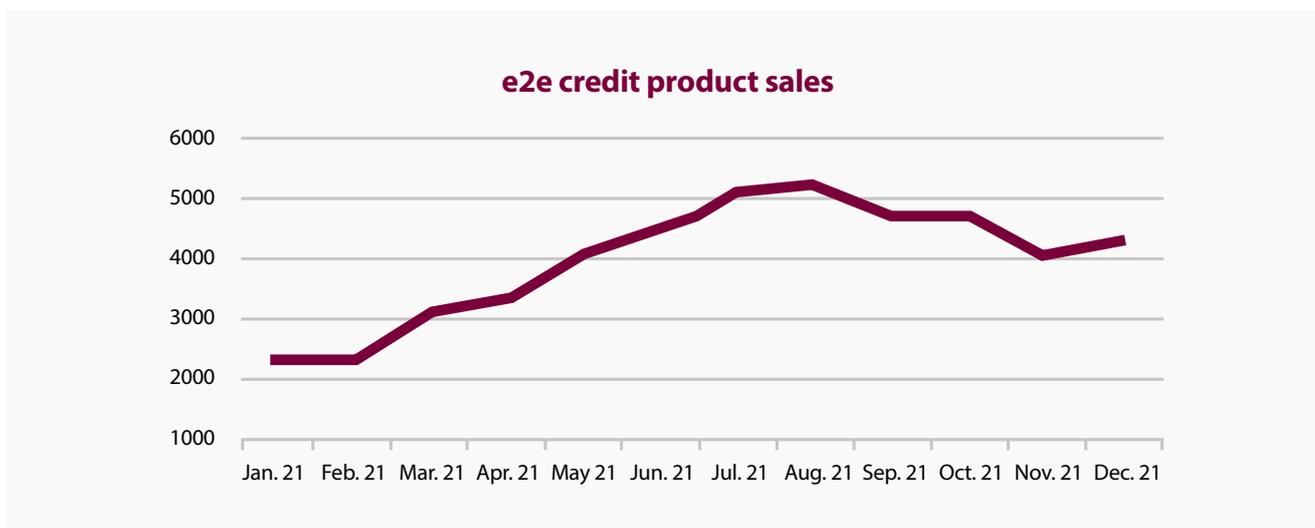
In online banking, we added new "product tiles" and changed their appearance. This makes banking easier for customers.

We made changes to applications for Brokerage House products. We simplified the process of applying for a Brokerage Account, Deposit Account, Investment Advice, Investment Funds or the Alior Trader account. The customer may choose the way in which they will receive documents on their own (by e-mail or regular mail).

We made similar changes to deposit product application processes on both platforms.

These actions contributed to improved product sales results in digital channels. The primary factor that contributed to dynamic growth was the growing share of the full loan process in Alior Mobile.

The charts presented below feature the number of credit products launched in online end2end processes and the volume of loans sold in end2end processes in 2021.



#### Additional services

On both platforms, we implemented a new functionality (PZU Wojażer travel insurance). It allows to purchase a policy (beginning with offer presentation, through premium calculation and ending with the conclusion of an agreement and payment of the premium directly in online or mobile banking).

We also offered **LINK 4** motor insurance. The customer can adjust it to their needs through TPL and comprehensive/TPL insurance options. They can also choose from additional packages (Assistance, Accident, Window, Key insurance or "Green Cyclist" TPL insurance).

In H1 2021, we implemented a new way to add cards and manage points under the Mastercard® Priceless® Specials loyalty

programme. It uses an online interface with Mastercard. An innovative solution we put into place is the ability for the customer to automatically sign in to the programme and manage points and prizes in the built-in web browser from the application level, without having to open a new tab in a separate application.

The service for purchasing tickets and paying for parking was significantly optimised. To facilitate the payment process, we use geolocation indicating the paid area in which the customer is located. The previous version of the service, based on a manual search, may also be used.

The Tickets and Parking Lots service was adapted to the new rules governing the purchase and validation of ZTM Warsaw tickets.

### Handling, appearance and self-service processes

As a continuation of the *Products for Gamers* project, each and every adult account owner or co-owner may, via Alior Online or Alior Mobile, change an account for retail customers to the account that is the leading product at the Bank at the time. A simple process ends with an instant change of the account type.

In Alior Mobile, we introduced an option to customise the screen after sign-in. Therefore, customers may set any owned product as the *Main Product* visible on the screen after signing-in.

A solution added in the application for devices with an Android system is the dark mode (dark graphic theme). The customer has three themes to choose from: light (current), dark and compatible with device settings.

We present account history in a different way. After adding colours (corresponding to individual transaction types) and markings in the form of a padlock, customers know what exact operation has been performed and whether it was blocked, for example. Transfers executed between own accounts are presented as an *Internal Transfer*.

According to user expectations, we changed the News section to My affairs, and additionally divided it into four transparent tabs: "Inbox", "Instructions, opinions and approvals", "Questions and suggestions" and "Complaints".

The section of subscribed notifications on cross-border transactions changed as well. Two new types of notifications were made available to retail customers (concerning authorisation of a cross-border cashless transaction and a cash transaction for an amount exceeding the indicated value).



**In Alior Online, we added a permanent section on Alior Mobile and mobile transactions. The tab contains content promoting the use of the application and is divided into sections:**

- About the app,
- Basic functions of the app,
- BLIK payments,
- Apple Pay/Google Pay payments,
- Tickets and parking lots in the app,
- PUSH authorisation,
- QR code authorisation,
- Security in apps.

### Changes in payments

BLIK contactless payments are a functionality introduced recently in Alior Mobile. Users of phones with an Android

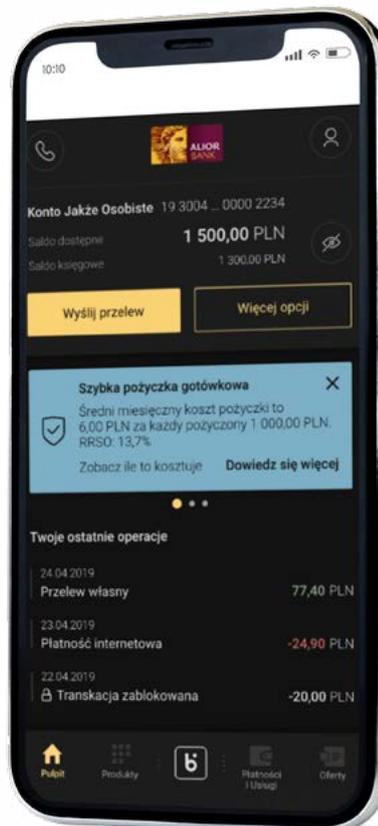
system and an embedded NFC module can now make contactless payments directly from their account. This solution was met with great popularity.

We also changed the domestic transfer template on both platforms. We added information explaining what a Regular Transfer is and who a Trusted Recipient is.

In Alior Online, we made it possible to assign an e-PIN code. This function serves to enhance security when paying with a card on the Internet. Customers who do not use the Alior Mobile app and who make an online transaction using a payment card are asked to confirm the transaction with an SMS code and – additionally – with a new e-PIN code. Customers who have the Alior Mobile app confirm the online card transaction using a PUSH notification.

### Technological changes

We introduced a special *Offline Mode* in Alior Online and Alior Mobile. This mode allows sign in to online and mobile banking during maintenance and breakdowns. Information available in such case include: information on accounts, balance, transaction history, and in the case of Alior Mobile – presentation of a purchased and active public transport tickets as part of the *MOBILET* service.



## Strategic partnerships

They are aimed primarily at expanding our range of products and services and developing services beyond the scope of banking. During the pandemic, we implemented projects based primarily on guaranteeing that customers can conveniently access Alior Bank services and providing them maximum security.

The year 2021 was marked the beginning of our green transformation. Partnerships with such institutions as the National Fund for Environmental Protection and Water Management, Bank Gospodarstwa Krajowego and the European Investment Bank became the essential sources of eco-development and increasing the share of the green loan portfolio.

### Selected partnerships within the PZU Group in 2021 were focused on:

- life insurance for cash loans,
- income protection insurance,
- life insurance securing housing loans,
- PZU Wojażer travel insurance,
- free, annual access to the telemedical service of PZU Zdrowie (as part of the “Highly Personal Account with Telemedicine” promotion),
- the purchase of investment funds.

Within the PZU Group, we are developing a partnership with Link4. We made it possible to purchase TPL and comprehensive/TPL motor insurance (it is an essential element of the category being built around the “Auto” area in our banking) and housing insurance in online and mobile banking.



### Key initiative in the Assurbanking area:

The **Cash Platform** is an innovative online loan service, an additional employee benefit. It enables employees to quickly and conveniently obtain a cash advance for any purpose (with the formalities reduced to the bare minimum). Through cooperating with employers and repayment of the loan directly from one's wage, we created an offer that is very attractive when compared to others available on the market.

The portal is used by: the PZU Group, Link4, PGNiG OD Sp. z o.o., PGG SA, PKP SA, TVP SA, PKP PLK SA, PGE Synergia Sp. z o.o. and Nexteer Automotive Sp. z o.o. Other large and recognisable companies are already in the implementation process or at the stage of final arrangements. Their employees will soon be able

to benefit from the range of products and services offered by the Cash Platform.

The group of customers submitted by the Cash Platform for final processing in the bank's remote process was also expanded. This offer is already available to club members of PZU Pomoc w Życiu, people using the NAIS benefit platform and members of the Medical Chamber.

We introduced a consolidation loan into our offer that proved highly popular among business partners and platform users.

The primary objective of the platform is to build a large group of its recipients and to enable them to use our attractive loan offer. We focus on the Platform's development, while customising both processes and the offer to the changing business and technological conditions.

### Employee benefit platform – quickly and completely remote



Access to attractive products for company's employees provided by the Cash Platform – simply and safely.



#### Attractive offer

Favorable conditions – the program is run by your employer.



#### Completely remote

Online proces to use the services offered – quickly and without unnecessary formalities.

### Selected partnerships outside of the PZU Group in 2021 were focused on:

The development of services around the Alior Mobile application continues to be one of the priorities for building external partnerships.

- **The State Securities Printing House.** We continued analytical work and in August 2021 we signed an agreement that allowed us to make another customer identity verification method (based on the eDO App) available. Without having to visit a branch, customers can confirm their identity with an e-ID, use an advanced signature, and consequently apply for banking products.

- **Booksy.** Collaboration focuses on expanding remote services provided to customers and employees. In connection with great interest in the service, after its pilot release (in June 2021) we expanded collaboration to include all of our own branches.
- **Autenti.** Solutions provided by this partner enabled our customers to open a personal account or take out a cash loan without having to leave home. Tools provided by Autenti are also widely used in relations with the employees of Alior Bank.
- **Huawei.** The agreement signed in June 2021 enables access to Alior Mobile on all phone of that brand, including those based on GMS (Google Mobile Services) and HMS (Huawei Mobile Services).
- **Credit Information Bureau.** The partnership resulted in a special offer "Safe Lending at Alior Bank". It was active from September until the end of November 2021. Anyone who concluded a loan or consolidation loan agreement received an electronic code enabling them to use the CIB Alerts service for free for 12 months.
- **KOMEX** ("5-10-15" is the owner of the brand and chain of stores). As part of our collaboration, we are conducting a sampling campaign aimed at "5-10-15" customers. From December 2021, customers of this chain placing online orders received a leaflet with information about the promotion regarding "Konto dla Młodych" [Account for the Young]. This translated into a growth in the sale of new accounts. As part of this partnership, we are planning further business initiatives.
- **Other partnerships.** We were also making arrangements with other business partners regarding employee programmes based on Alior Bank products (e.g. Savings Account as a carrier for storing employee bonuses). The programme is scheduled to be implemented in 2022.



# 08

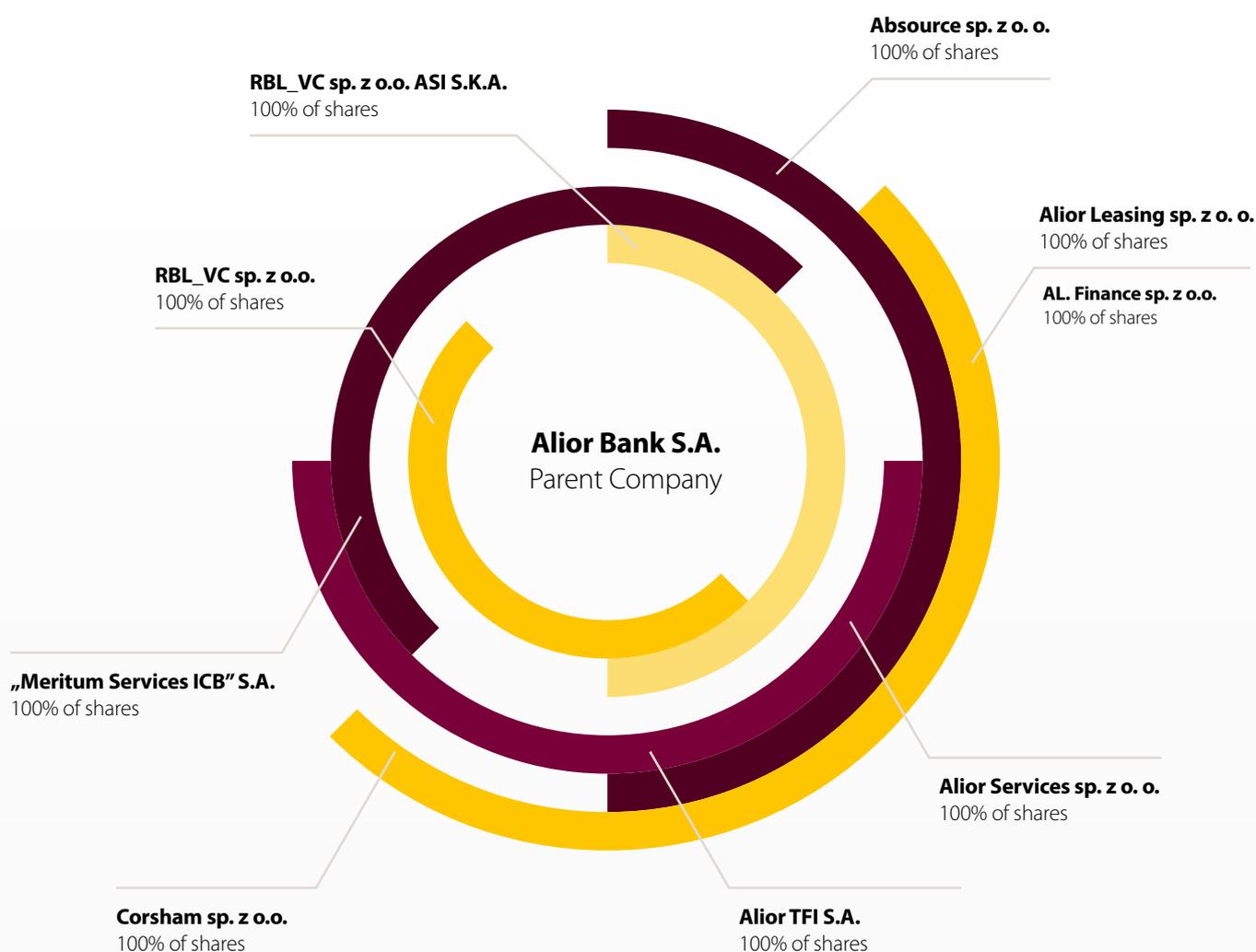
OPERATIONS OF COMPANIES FROM  
THE ALIOR BANK CAPITAL GROUP

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# VIII. Operations of companies from the Alior Bank Capital Group



Structure of the Alior Bank Capital Group as at 31 December 2021

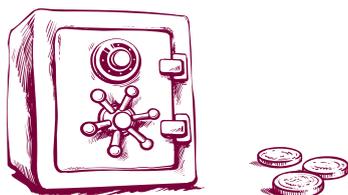


The previous year was a period of ownership transformation within our Capital Group. On 1 July 2021 Alior Leasing merged its two subsidiaries, i.e. NewCommerce Services and Insurance Service into AL Finance (details below).



### Alior Leasing sp. z o.o.

It has been operating since October 2015. It offers operating and financial leasing as well as leasing loans. Entrepreneurs have easy and quick access to means of transport as well machines and equipment. Alior Leasing holds an extensive sales network and collaborates with a broad network of business partners, dealers and vendors, as well as with Alior Bank's sales network.



The company cooperates mainly with natural persons conducting business activities and companies in the SME sector. In connection with the adoption of the Strategy for 2021-2023 in H1 2021, the Company plans to gradually increase the share of larger entities in sales (increase from **14%** to **39%** share in sales). It also plans an increased openness to the construction, industrial processing and health sector.

On the basis of Alior Leasing decision-making engine, Alior Leasing launched the function of automatic credit decision, which enabled optimisation of the transaction risk assessment process and introduction of new functionalities in the Customer Portal.

In 2021, the Company achieved a lease sales volume of **PLN 2 725 459 000** and **PLN 246 411 000** from the sale of the lease loan. The Company's portfolio includes **104 900** agreements concluded with **74 300** customers.

#### **Alior Services sp. z o.o.**

It operates as an insurance agent for eight insurance companies and consists in administering insurance contracts on behalf of and for the benefit of insurers.

#### **AL Finance AL Finance sp. z o.o.**

It was established in 2021 from the merger of NewCommerce Services sp. z o.o. ("Bancovo" brand) and Serwis Ubezpieczeniowy sp. z o.o. The new fintech is the leader of digital financial intermediation services, which offers a comprehensive and wide portfolio of products in digitised sales processes. The portfolio of financial products is addressed to both individual and business customers.

It offers products within the Bancovo credit platform (credits, loans, leasing and microfactoring) in more than 30 financial institutions.

It also sells insurance previously offered by the Insurance Service for leasing customers. The offer concerns mainly motor and property insurance. The Company cooperates with leading Insurance Companies (mainly PZU). Insurance is also offered to new customer segments within a fully digitised insurance sales platform, created by the combined entity.

Fintech works on digitisation of sales processes for lease agreements, including remote verification of identity and signing of online contracts. This will extend the distribution of products in remote sales channels.



#### **Alior TFI S.A.**

It was established in 2010, initially as a brokerage house focused on asset management services. After the transformation in 2015, it operates as a TFI.

The cooperation of the Bank with a subsidiary concerns primarily the creation and management of investment funds and their representation towards third parties.

In 2021, ALIOR SFIO had an increase in its customer base (up to **38.4 thousand** customers) and assets (**PLN 1.27 billion**). There was a significant inflow of assets to sub-funds based on passive solutions of the IC SFIO fund (assets of ALIOR Spokojny dla Ciebie sub-fund as at the end of 2021 reached nearly **PLN 330 million**).

#### **Absource sp. z o.o.**

It was established in 2016 to provide IT and computer technology services as well as IT consultancy services. Its main activity consists in making the following systems available to the Bank (in the sublicense model): CAFE, CAFEM and SWK (**99%** of revenues in 2021). These systems are a comprehensive and centralised platform that enables customer service.

#### **Meritum Services ICB S.A.**

Provides information and computer technology services and other information technology activities. In H1 2021, the Company generated revenues from two main channels:

- making software available to Alior Bank under the Software as a Service (SaaS) model (approx. **72%** of revenue),
- hiring IT specialists to develop Alior Bank's systems (approx. **28%** of revenue).

#### **Corsham sp. z o.o.**

It was established in 2018, in 2019. Alior Bank acquired **100%** of its shares. He offered services via PayPo sp. z o.o. (startup offering deferred payments for online purchases and buyers' protection programme). When making purchases online, one can order a product and pay for it even up 30 days later, without any transactional costs or interest. The Customer may receive and check their purchase before payment. If the goods do not reach the user for any reason, they do not have to pay for them.

In January 2021, Corsham sold its shares in PayPo.

In December 2019, the Company acceded to the Autenti, which is a comprehensive platform for authorising documents and concluding contracts online. So far, the company has acquired the following key customers: BNP Paribas, Vienna Life, Credit Agricole, PGE Lumi, and Medicover. The company intends to strengthen its competitive advantage by developing its platform and carrying out expansion to European markets.

**RBL VC Sp. z o.o.**

Established in 2019, in 2020 was entered into the register of managers of alternative investment companies kept by the KNF Board. It is a general partner of RBL\_VC Spółka z ograniczoną odpowiedzialnością ASI S.K.A. entrusted with management.

**RBL VC Spółka z ograniczoną odpowiedzialnością ASI S.K.A.**

Created in 2019, it is an externally managed alternative investment company, as defined in the Act on Investment

Funds and Alternative Investment Fund Management (Ustawa o funduszach inwestycyjnych i zarządzaniu alternatywnymi funduszami inwestycyjnymi).

Both companies are a target investment vehicle through which Alior Bank intends to conduct venture capital (VC) investments. As part of VC investment, the Company will include minority shares in particular in entities operating in the area of new solutions in the financial and financial support markets (fin-tech). Ultimately, it will take over for Corsham Sp. z o.o. in making venture capital investments.



# 09

## MAJOR EVENTS IN THE ACTIVITY OF THE ALIOR BANK S.A. CAPITAL GROUP

- Major events post balance-sheet date

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## IX. Major events in the activity of the Alior Bank S.A. Capital Group



### Adoption and approval of updating Alior Bank's strategy

On 29 March 2021, the Management Board of the Bank passed a resolution on the adoption of the update of the Bank's "More than a Bank" strategy for 2020-2022 with regard to 2021-2022. On the same day, the update of the Strategy was approved by the Supervisory Board of the Bank.

### Amount of the agreed-upon contribution to the compulsory bank restructuring fund

19 April 2021, the Bank received a letter from the Bank Guarantee Fund informing about the obligation to pay the contribution for 2021 to the compulsory bank restructuring fund (taking into account the amount of adjustment of the contribution for 2020) in the amount of **PLN 48 401 808.17**. This contribution is included in the results of the first quarter of 2021.

### Supervisory letters informing about the stance of the Polish Financial Supervision Authority regarding the dividend policy

30 June 2021, the Bank received a letter from the KNF Board on the dividend policy of commercial banks in the second half of 2021. The criteria contained therein were a repetition of the guidelines published in the KNF Board's position (of 24 June 2021) on the dividend policy of commercial banks in the second half of 2021.

In the letter dated 16 July 2021, the KNF Board recommends limiting the risk occurring in the Bank's operations by not taking (without prior consultation with the supervisory authority), other activities (in particular those outside the scope of current business and operating activities) which may result in a lowering of the capital base, including possible dividend payments from undistributed earnings from previous years (i.e. from 2019 and previous years) and redemptions of own shares.

### Interest rate increases

The decisions of the Monetary Policy Council of 6 October, 3 November and 8 December on the increase of the reference rate of the National Bank of Poland by **1.65** percentage points (up to **1.75%**) positively influenced the result on interest of the Bank's Capital Group in Q4 2021. The estimated impact of the above-mentioned rate increases was **PLN 57 million**.

### Determination by the BFG of the minimum own funds requirement and liabilities subject to redemption or conversion ("MREL")

The MREL<sub>trea</sub> requirement (calculated as a percentage of the total risk amount) for the Bank at consolidated level was set at **15.36%** TREA. However, the MREL<sub>tem</sub> requirement (calculated as a percentage of the total exposure measure) for the Bank at consolidated level was set at **5.91%** TEM.

Both requirements must be met by 31 December 2023. In addition, the path to achieve the target MREL level has been determined, defining mid-term objectives which the Bank should meet by the end of each calendar year during the period of reaching the target level. These targets in relation to TREA are **11.68%** by 31 December 2021 and **13.52%** by 31 December 2022 respectively. The minimum interim targets for subordination to the TREA are **11.68%** by 31 December 2021 and **13.52%** by 31 December 2022 respectively.

The interim targets for TEM are **3%** by 31 December 2021 and **4.46%** by 31 December 2022. The minimum interim targets for subordination to TEM are **3%** by 31 December 2021 and **4.45%** by 31 December 2022 respectively.

### Major events post balance-sheet date

#### Recommendation of the Polish Financial Supervision Authority regarding the additional capital requirement

On February 11th, 2022 the Bank received from the Polish Financial Supervision Authority a recommendation to the Bank for maintaining own funds on an individual and consolidated basis to cover the capital add-on at **1.47 p.p.** as to absorb potential losses resulting from occurrence of stress conditions over the value of the total capital ratio referred to in Article 92.1c of Regulation No. 575/2013, increased by the additional own funds requirement referred to in Article 138.2.2 of the Banking Law Act and the combined buffer requirement referred to in Article 55.4 of the Act on macroprudential supervision. The capital add-on should be made up of the Tier 1 capital only.



### **Commencement of the book building process of the bonds of Alior Bank S.A.**

On February 23rd, 2022, the Bank's Management Board adopted a resolution granting commencement of the book building process in connection with the preparation of the issue of bonds by the Bank, which after obtaining the approval of the Polish Financial Supervision Authority, will be classified as Tier II instruments („Bonds”).

#### **The main parameters concerning book building process:**

- the total nominal value of the Bonds issuing will not exceed PLN 400, 000, 000;
- the Bonds interest rate will be variable, based on the WIBOR6M increased by the margins established in the book building process;
- the Bonds will be unsecured;
- the Bonds maturity: 10 years;
- the Bank will direct the offer of the Bonds to qualified investors, within the meaning of art. 2 lit. e) Regulation EU) 2017/1129 of the European Parliament and of the Council of 14 June 2017 on the prospectus to be published when securities are offered to the public or admitted to trading on a regulated market, and repealing Directive 2003/71/EC, in a non-prospectus procedure;

- the Bank will apply for the listing of the Bonds to trading at the Catalyst market;
- after obtaining the approval of the Polish Financial Supervision Authority, the Bonds will be classified as Tier II instruments of the Bank;
- considered issue date: April 2022 under the assumption that both issue date and final issue parameters are subject to market conditions. After analyzing the market conditions, the Bank may also decide to change the total nominal value or withdraw from the issue of the Bonds.

#### **Armed conflict in Ukraine**

In connection with the armed conflict in Ukraine since 24 February 2022, the Bank launched an anti-crisis team within the Operational Risk Committee, which analyzes the impact of the armed conflict on the macroeconomic environment of the Bank on an ongoing basis. The existing conflict may have an impact on credit, market, operational and digital risk in the future, however, as at the reporting date, ie. 31 December 2021, the Bank does not identify any significant impact on the financial data presented in this report. The Bank does not operate in Ukraine. The Bank's credit exposure to companies significantly involved in Ukraine, Russia and Belarus accounts for less than 0.2% of the Bank's loan portfolio.



# 10

## ISSUANCE OF OWN BONDS AND BANK SECURITIES OF ALIOR BANK

- Issues of own bonds
- Banking Securities

pp. 65-66

## X. Issuance of own bonds and Bank Securities of Alior Bank



### Issues of own bonds

In H1 2021, 12 months after approval (4 May 2020), the Bank's Base Prospectus ("Prospectus") expired. As part of the Prospectus, the Management Board of the Bank did not decide to issue any bonds.

The Bank still has an active Multiannual Bond Issue Programme of the Bank up to the total maximum nominal value of **PLN 5,000,000,000**, in force pursuant to the resolution of the Supervisory Board of 5 August 2019.

### Issues and redemptions of bonds conducted by Alior Bank in 2021

During that period, the Bank did not issue any new own bonds. Also, no early redemption of bonds was carried out.

31 March 2021 The Bank redeemed the G series subordinated bonds with a nominal value of **PLN 192,950,000** on time.

On 29 April 2021, the Bank has redeemed B series subordinated bonds (bonds of the former Meritum Bank ICB S.A.) with a nominal value of **PLN 67.200,000** on time. On 6 December 2021 the Bank redeemed subordinated series I subordinated bonds in the amount of **PLN 33,350,000** on time.

### Banking Securities

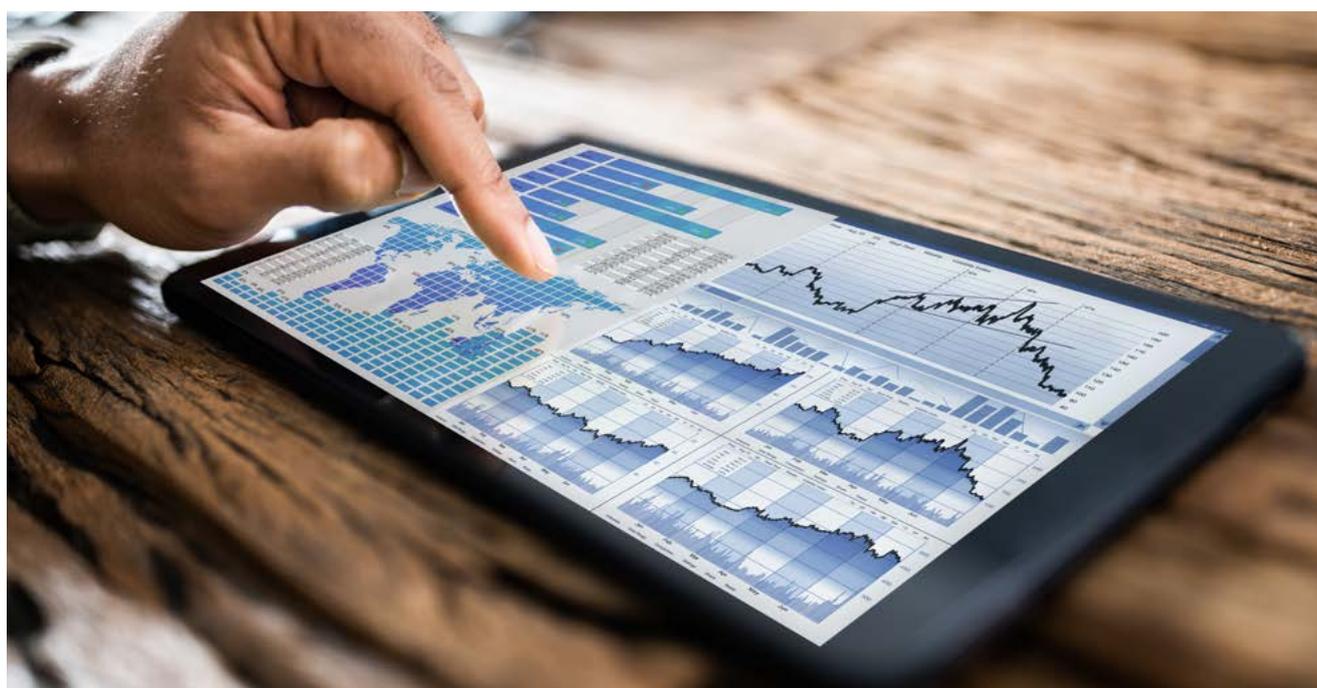
#### Approval of the Base Prospectus of the 2nd Programme of Banking Securities Issuance (BSI) up to PLN 5 000 000 000

On 31 December 2020, the Polish Financial Supervision Authority approved the Base Prospectus of the Bank ("Prospectus"). The Prospectus was drawn up in connection with:

- opening the 2nd Issue Programme in the territory of the Republic of Poland of unsecured bearer BSIs with a nominal value of at least **PLN 100** each and up to the total maximum nominal value of **PLN 5 000 000 000**; and
- an intention to apply for admission and marketing of selected series of BSIs on a debt securities regulated market (primary or parallel market) maintained by the Warsaw Stock Exchange.

The tender programme was established by a decision of the Management Board of the Bank on 21 August 2019.

Based on the Prospectus, the Bank may conduct public offerings of interest-bearing or non-interest-bearing Bank Securities.



# 11

## REPORT CONCERNING THE RISK OF ALIOR BANK

- Credit risk
- Operational risk
- Market and liquidity risks
- Market risk
- Liquidity risk
- Interest rate risk
- Currency risk
- Model risk
- Capital management (ICAAP)

pp. 67-83

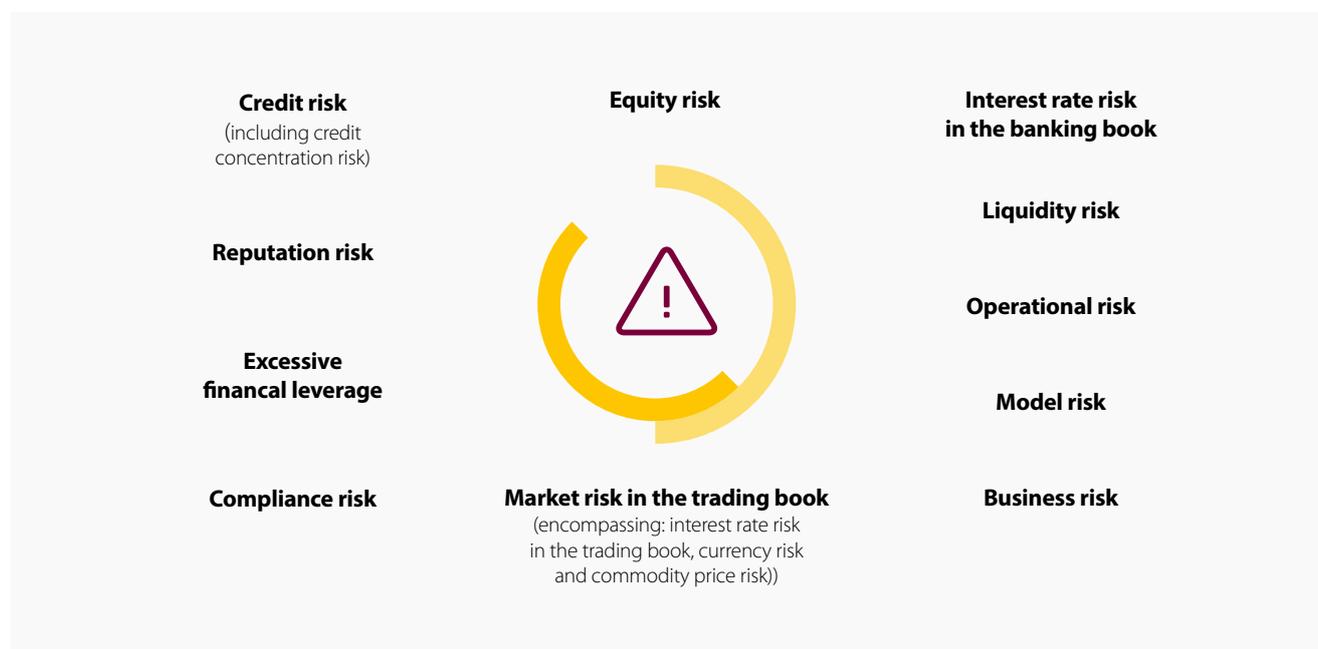


## XI. Report concerning the risk of Alior Bank

Risk management is one of the most important internal processes. The overarching goal of the risk management policy is to ensure early recognition and adequate management of all material risks related to the Bank's activities. The risk management system supports the delivery of the strategy

and is aimed at ensuring an adequate level of profitability and security of business activity by effectively controlling the risk level and keeping it within the boundaries of the adopted risk appetite.

**The Bank identifies the following risks as significant:**



The risk management system in force at Alior Bank S.A. is based on three independent lines of defence:

**First:** implemented in the Bank's operating units and by process owners who, among other things, design and ensure compliance with control mechanisms in the processes.

**Second:** operates in organisational units responsible for managing particular risks (including measurement, monitoring, control, and reporting of risks). It fulfils a managerial function whereby risk management is delivered at dedicated stations or organisational units independently from the first line.

**Third:** provide the senior management and the Supervisory Board with assurances that the activities of the first and second lines are in line with their expectations. The third line of defence is the activities of the Internal Audit Unit.

The Bank supervises the functioning of subsidiaries of the Capital Group of Alior 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 Group level.

**The Bank considers the following risks to be major:**

- credit risk,
- operational risk,
- liquidity risk,
- interest rate risk in the banking book,
- market risk in the trading book (encompassing: interest rate risk in the trading book, currency risk, and commodity price risk).

## Credit risk

The management of credit risk and maintaining it at a secure level defined by the risk appetite is fundamental for stable operation and growth of the Bank. Credit risk control is delivered by our comprehensive credit risk management system which is integrated into the Bank's operational processes.

The description of how the risk control system operates is reflected in the regulations applicable at the Bank,

in particular, in credit methodologies and in the risk valuation models adapted to the customer segment, type of product and transaction, the rules for establishing and monitoring legal securities for loans, and by debt monitoring and collection processes.



**In managing its risks, the Bank takes measures (both on the individual and on portfolio basis), aimed at:**

### minimising the level of credit risk of a single loan at the adopted profitability level



As part of measures to minimise the risk level of a single exposure, the Bank assesses each time when originating a new loan product:

- credibility and credit rating of the customer, taking into account, among other things, detailed analysis of the source from which the exposure is to be repaid,
- credibility of the accepted security, including verification of the formal legal status and economic value, taking into account, among other things, LTV adequacy,
- takes effective monitoring and collection measures adequately defined on the level of a single customer based on the segmentation models applied.



As regards credit risk management in the individual customer segment, the Bank continued to optimise the credit policy, maintaining conservatism of assessment of the impact of the system environment and signals of economic recovery on the situation and future behaviour of current and potential borrowers, including through:

- introducing bankassurance products to the offer that protect the Bank and Customers against the adverse effects of changes in their financial standing,
- strengthening the policy of acceptance of collateral, including in the framework of non-mortgage products,

### reducing the overall credit risk resulting from the Bank holding a specific credit loan portfolio



To keep credit risk on the level defined in its risk appetite, the Bank has applied the following measures:

- establishes and controls concentration limits,
- monitors the structure and quality of a new credit exposure in relation to defined objectives and EWS signals,
- analyses changes in internal factors and market factors as well as the sensitivity of the credit portfolio, in particular, in relation to negative events identified as a potential risk,
- regularly monitors the loan portfolio, by controlling all major parameters of credit risk (including PD, LGD, LTV, DTI, COR, NPE, NPL, Coverage, loss rate of particular generations),
- regularly conducts stress tests.

- optimising the amount of available commitment towards a single customer depending on how that customer has been assessed,
- maintaining those from among policy changes introduced in 2020, the positive impact of which on the quality of the portfolio generated is independent of the market's response to the introduction or abolition of socio-economic rules to combat the corrosive pandemic.

Changes in the cash loan credit policy have resulted in a return to market shares in sales of this product prior to the pandemic (while reducing the credit risk taken and increasing the

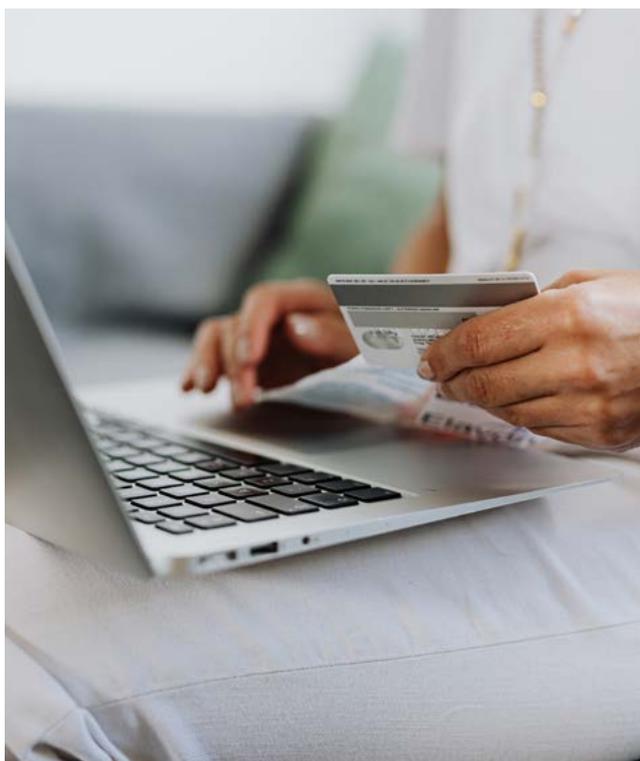
resilience of the portfolio under construction to changes in the macroeconomic environment).

With regard to residential loans (characterised by the lowest loss ratio), following the implementation of adjustment changes to the changing economic situation, the Bank maintained an increase in the credit share, which amounted to 17% in 2021 compared to 2020.

In addition, the Bank continued to implement changes to the lending process which result in its increased automation and efficiency.

In the area of instalment credits, the Bank continued its strategy of optimising the credit policy, in particular with regard to EKO's offer and sales in the online process, inter alia by adjusting the parameters and approval strategy to the dynamically changing market environment. The result of all activities is a steady increase in the instalment loan portfolio, which amounted to 11% (comparing the end of 2021 to the end of 2020), while maintaining the low loss ratio of the portfolio.

In the area of loans to corporations, in H2 of 2021 the Bank continued its financing strategy, making policy parameters dependent on the client's industry risk group, which was implemented in 2020 in response to increased financing risk resulting from COVID-19 pandemic effects. Many of the process simplifications introduced in 2020 aimed at limiting customer contacts and ensuring continuity of processes with a limited number of employees were also maintained. The new lending action is characterised by better quality



and a higher level of securities, due to which it will be more resistant in times when macroeconomic environment is deteriorating.

### **Risk assessment in the loan origination process**

The Bank takes decisions to award credit products in accordance with:

- applicable legislation and KNF Board recommendations,
- credit risk management policies,
- loan origination methodologies appropriate for the respective customer and type of product,
- operational procedures defining the appropriate activities to be carried out under the loan origination process, the Bank's units responsible for them, and the tools to be used,
- loan responsibility rules whereby responsibility levels are adapted to the level of risk involved in the customer and transaction.

Customer credit rating prior to issuing a decision to award a credit product is conducted using our loan support system, scoring or rating tools, external information (including databases of CBD DZ, CBD BR, BIK, economic information bureaus) and the Bank's in-house databases.

### **Separation of responsibilities**

The Bank implements a policy consisting in the separation of functions related to Customer acquisition and sale of credit products from functions related to the assessment of credit risk, making loan decisions, and monitoring loan exposures.

### **Concentration risk management**

Concentration risk is analysed at the Bank with regard to credit activity and is defined as a threat resulting from the Bank's excessive exposures in:

- exposures to single customers or groups of related customers,
- exposures subject to common or correlated risk factors, having a potential to generate losses to the extent that may pose threats to the Bank's financial condition.

The bank identifies and assesses concentration risk by analysing the portfolio structure against various factors (exposure features) important for credit risks, and on this basis defines exposure groups, the excessive concentration of which is undesirable and in extreme conditions may generate losses that exceed the Bank's credit risk appetite. The awareness of the scale of potential threats related to exposure concentration allows us to create a secure structure of the credit portfolio. In order to prevent unfavourable events resulting from excessive concentration, the Bank restricts this risk by complying with concentration limits under laws and regulations and by applying in-house limits and standards.

### Impairment and provisions

The Bank assesses all on-balance-sheet and off-balance-sheet credit exposures to identify objective evidence of impairment, according to information most current as at the value adjustment date.

If there is no objective evidence of impairment of the carrying amount of credit exposures, they are aggregated to a group of assets with a similar credit risk profile and assessed in terms of material deterioration of credit quality since initial recognition. The assessment of deteriorated credit quality is based on a set of qualitative and quantitative evidence. Qualitative prerequisites include: achievement by the exposure of material overdue exceeding 30 days, classification of the client into the Watch List category, exposures remaining in the forborne category, occurrence of other risks (e.g. industry, regional risks). Quantitative evidence is the material deterioration of the current aggregate probabilities of default in the period leading to expected maturity against aggregate probabilities of default for that period at the time of exposure generation (i.e., release or major modification). For exposures for which there is

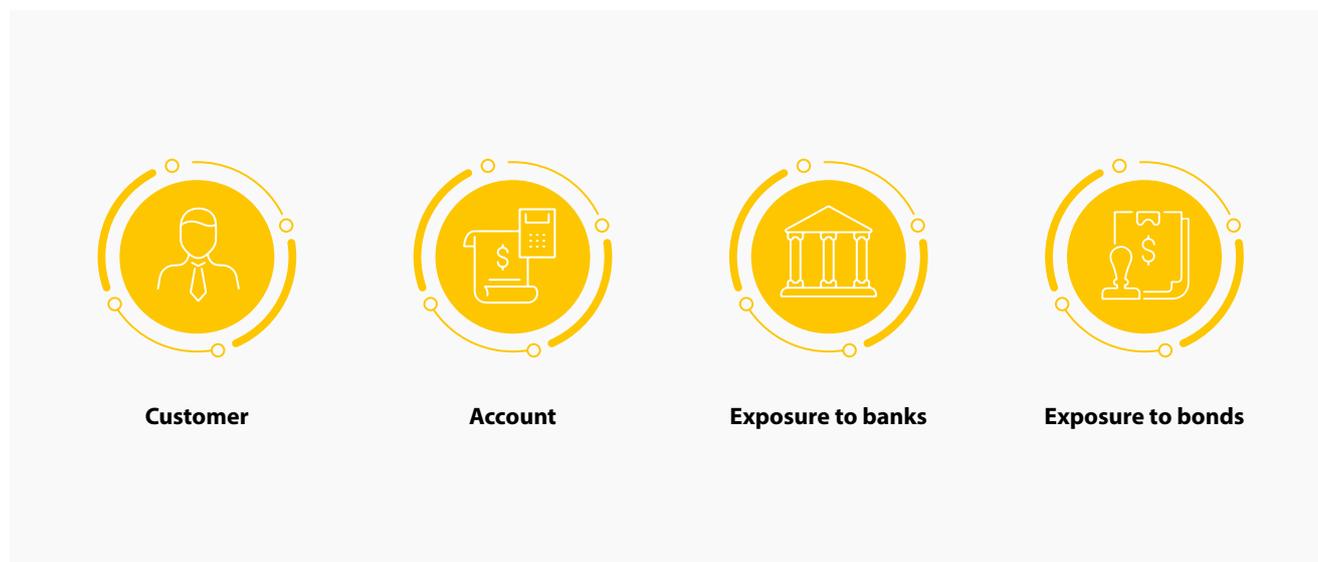
no evidence of impairment, the Bank uses impairment estimation models for the following horizons:

- the model of expected losses estimated within 12 months for exposures classified as Bucket/Stage 1 (or LCR [Low Credit Risk]) and
- the model of expected losses estimated at the time maturity horizon for exposures classified as Bucket/Stage 2 (including POCI [Purchased or Originated with Credit Impairment]).

When valuating expected losses, the Bank takes into account future macroeconomic factors using multi-scenario models. In 2021, the Bank did not identify the need and nor did it implement changes in the principles of loan portfolio valuation aimed at adjusting to the environment of the COVID-19 pandemic.

### Impairment evidence

The Bank assesses impairment evidence by classifying and differentiating events related to:



Impairment is identified automatically in a central system that covers the customer's way of conduct towards all entities of the Bank's Capital Group.

The assessment covers a wide range of features assessing the payment regime, the customer's behavioural and procedural features and their financial standing.

In January 2021, the Bank has implemented changes to the rules for identification of impairment reasons under Guideline EBA/GL/2016/07. The key change concerns the assessment of the irregularity of customer debt service.

Exposures for which evidence of impairment has been established are divided into individually measured exposures and valued collectively. Individual valuation is valid for exposures of business customers at risk of impairment exceeding the following materiality thresholds (calculated at the level of total client exposure).

### Materiality thresholds qualifying client exposures for individual valuation (as at 31 December 2021):

Customer segment	Threshold value in PLN
Business customer	3,000,000

Individual valuation is based on the analysis of potential scenarios (business customers). Each scenario is assigned a probability of implementation and expected recoveries. The assumptions adopted for individual valuations are described in detail by those conducting the analysis. The values of recoveries expected under individual valuations are compared to the realised recoveries on a quarterly basis.

Group valuation is based on a wide range of characteristics tailored to the different populations, including essentially behavioural features of recoveries and recovery processes, as well as the duration of the exposure in default. Security is incorporated on the exposure level.

In 2021, in the scope of credit portfolio classification and valuation processes, the Bank implemented the requirements of Recommendation R of the KNF Board concerning the principles of classification of credit exposures, estimation and recognition of expected credit losses and credit risk management issued in April 2021.

### Security

Legal security is a secondary source of repayment of a secured debt (if unfavourable circumstances occur within the lifetime of a credit product). Credit security also increases the probability of Borrowers meeting their obligations. If the Borrower fails to pay the debt by the dates defined in the loan agreement and restructuring measures fail to bring the expected result, the security is to enable the Bank to get reimbursed for the loan along with any interest and costs.

#### The bank establishes the security method taking into account:

- expected workload of the Bank and the cost of establishing the security,
- type and amount of the secured debt and the lending period,
- viable possibility of meeting the Bank's claims in the shortest time possible from the adopted security,
- any pre-existing charges on the security, for security in kind,
- financial and business circumstances of the person providing guarantees to the customer, and their personal

and ownership relationships with other entities (in the event of personal securities),

- estimated cost of potential materialisation of the security.

### Management of the assets taken over due to debt

In justified cases, the Bank takes over any assets providing a security in order to satisfy the debt. Such operations are conducted based on an approved plan of management of the asset to be taken over.

### Scoring/rating

Credit scoring is a tool to support lending decisions for consumers, and credit rating is an instrument supporting the decision-making process in the micro-, small-, medium-, and large-sized enterprises.

The Bank regularly tests its scoring and rating models for accuracy. The purpose is to find out if the models correctly differentiate the risks, and risk parameter estimations adequately reflect the respective risk aspects. In addition, during functional checks the accuracy of application of the models in the lending process is verified.

The scoring models currently used were built by the Bank's in-house resources. In order to strengthen the risk management process of models used at the Bank, there is a team acting as an independent validation unit.

### Monitoring of credit risk for consumers and businesses

All credit exposures of consumers and business customers are subject to monitoring and current classification to adequate processing paths. To streamline the monitoring and control of the operational risk, adequate solutions in the Bank's lending systems were implemented. The system tools were consolidated to conduct the monitoring procedures effectively, and covers all accounts. At the same time, the Bank intensively develops the use of early warning signals in the on-going monitoring of credit exposures. They are based both on internal/transaction data and on external information.



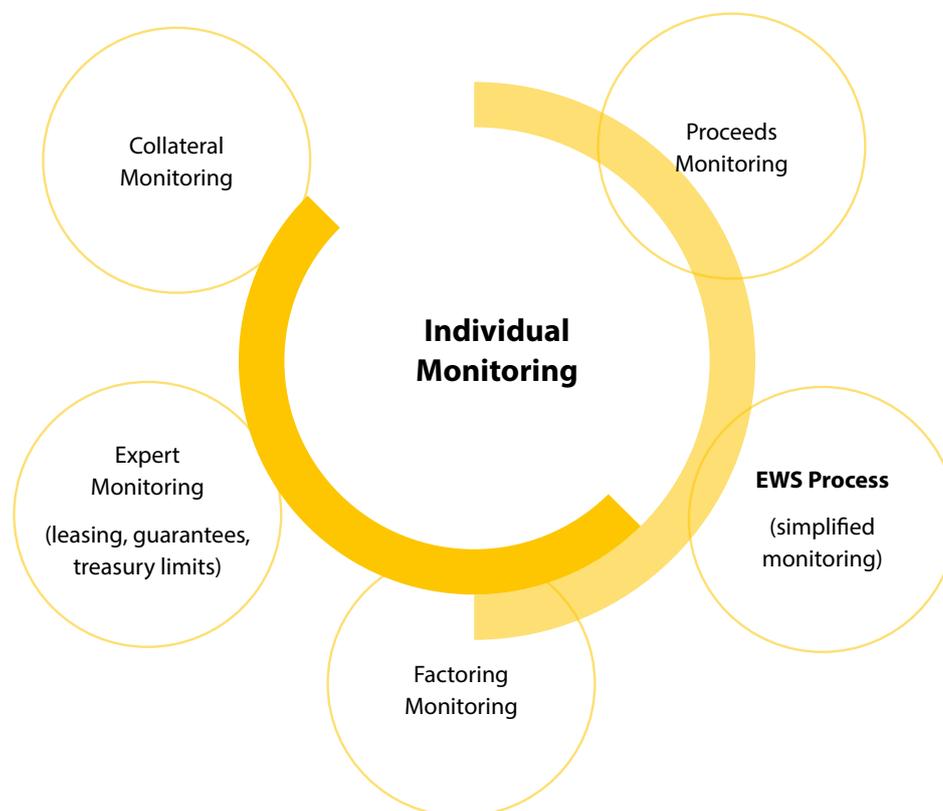
### Continuous control of the quality of the credit portfolio is ensured by:

on-going monitoring of the timely handling of loans and early warning signals (EWS)

periodic reviews, in particular the economic and financial situation of customers, transaction risk and values of accepted collaterals

Business customers are also monitored on a quarterly basis by individual reviews. The scope of the analysis includes both an assessment of the economic and financial situation

of the undertaking and all aspects relating to the structure of the products, collateral or contractual clauses.



The review results in updating customer classification as well as preparing and implementing recommendations on further development of relations with the customer in order to limit identified risks and improve the quality of the credit portfolio.

**Forbearance practices**

The Bank uses the following tools in the process of restructuring of individual customers:

- extension of the lending period resulting in lower amounts of monthly principal and interest to be repaid. If the lending period is extended, any restrictions resulting from the product characteristics are taken into account, for instance, the age of the borrower,
- grace periods for repayment (applied to a part of or the entire instalment depending on the risk assessment on the single exposure level). During the period of complete grace period for the repayment of principle and interest, the borrower is not required to make any payments under the agreement concluded. The period of loan repayment may be extended to adapt the amount of the instalment to the borrower’s payment capacity (in accordance with the restrictions resulting from the product’s metrics). Complete grace period is applied for a maximum of six months,

- consolidation of several liabilities at Alior Bank, including the conversion of the limit in the current account/unauthorised debit in the current account/credit card into a loan repaid in instalments; the consolidation results in transforming several liabilities under various contracts into single liability. The product launched as a result of consolidation shall be repaid in monthly instalments, on the basis of an agreed schedule. The parameters of the product launched as a result of applying the respective tool are consistent with the products metrics: cash advance/consolidation loan,
- statutory repayment holidays of up to 3 months (in this period, the entire instalment is subject to a grace period and no interest is charged).

Tools can be combined if such a solution increases the likelihood that the restructuring will be effective. In particularly justified circumstances, there is a possibility of applying other tools.

In the business customer segment, the Bank applies the following main solutions:

- extension of the lending period resulting in lower amounts of monthly principal and interest to be repaid,
- change of the repayment schedule in order to adjust payments to the current financial standing of the customer,

- granting consent to sell (in consultation with the customer) a part of securities and adequately reduce the customer's liabilities,
- changing the nature of the product to a non-renewable product, while establishing a repayment schedule (with partial reduction of non-renewable product),
- lowering the interest rate,
- change in the priority of repayments (crediting repayments to principal first),
- changing the loan currency in connection with the change of currency exposure.

### Monitoring of risks involved in forbearance practices

As part of reporting activities concerning the portfolio of restructured loans, the following is subject to detailed analysis:

- application process (volume of applications, volume of decisions issued, types of decision, time to decision, time to decision implementation),
- quality of the portfolio of restructured lending (by particular form of arrears, forms of restructuring, types of product subject to change), with particular attention to delayed loss ratios.

### Assessment of impairment for exposures subject to forbearance practices

All such exposures are subject to impairment over the life-time horizon.

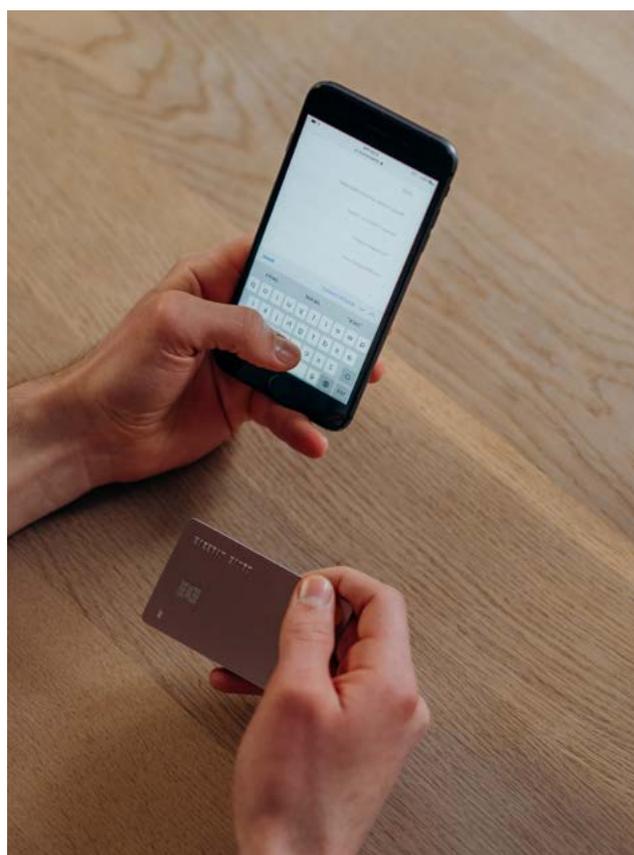
Forbearance practices:

- affecting the asset value reduction; or
- where the repayment plan used is not based on reliable assumptions (macroeconomic and/or customer standardisation), or
- where the amended agreement contains significant deferrals as regards the commencement of repayment; or
- where the amended agreement provides for a large lump sum (balloon) payment at the end of the revised repayment schedule

are evidence of impairment and are classified under "Basket 3".

An exposure for which an impairment has been identified (as a result of it being classified as forbearance) (default) maintains such status for at least 12 months.

Following that period, the exposure may leave the default status if there are no major delays or any other impairment evidence. Such exposure remains under the forbearance status for another 24 months. After that period, the identification of impairment evidence is conducted against the stricter criteria.



### Risk control in loan origination processes

As part of the 2nd line of defence in Risk, the operational activity is conducted by a dedicated unit (Risk Control Department), performing control functions based on automated control mechanisms in key areas and credit processes. The scope of control covers the stages of the credit process from granting financing, through monitoring to debt collection activities.

The results of the inspections carried out, along with the relevant recommendations, are regularly reported to the Heads of Units, and owing to the adequate placement of individual control mechanisms in processes, the identified errors are corrected on an on-going basis, thus minimising the lack of compliance of the operational processes performed with internal and external regulations.

### Operational risk

Operational risk means the possibility of a loss resulting from an incongruity or failure of internal processes, people, systems, or from external events, it shall be identified as a material risk.

The purpose of managing operational risk connected with the Bank and the Alior Bank S.A. Capital Group is to maintain operational risk at a safe and adequate level in relation to the activities, objectives, strategies and development

of the Bank, approved by the Management Board and the Supervisory Board of the Bank, as well as to develop quantitative methods and expand the extent to which they are used in managing the organisation using the AMA approach.

The Bank has in place a formalised operational risk management system within which it prevents operating events and incidents and minimises loss in case of risk materialization.

The operational risk management system and the internal control system at the Bank and the Capital Group are based on three lines of defence.

For several years, the Bank has been developing statistical methods for calculating internal capital for operational risk. On 10 February 2021, Alior Bank was granted KNF Board's permission to implement significant changes to the AMA approach. Specifically, the change concerns the inclusion of non-insurance recoveries in the model. This is another step in strengthening the operational risk management system in the Capital Group and reflecting the actual level of this risk in the measurement.

**Thus, the Bank applies:**

- the AMA method (with regard to the activity of Alior Bank without taking into account the activity of the branch in Romania),
- standard method (for a branch in Romania and Alior Leasing Sp. z o.o.)

The operational risk management structure in place at the Bank includes: the Supervisory Board, the Risk Committee of the Supervisory Board, the Management Board of the Bank, the Operational Risk Committee, the Operational Risk Management Department and Operational Risk Coordinators.

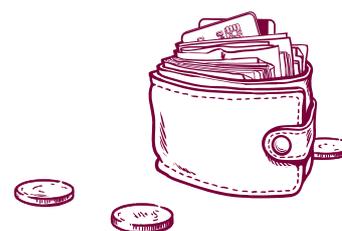
**The value of operating risk costs registered in 2021 for the Bank and the Capital Group was within the adopted objective and operational risk limit for the Bank and the Capital Group.**



## Market and liquidity risks

The main principles of managing these risks are defined in the Assets and Liabilities Management Policy.

The Bank has a clear division of competencies in place in regard to the management of market and liquidity risks, which includes:



Supervision of these activities connected with transactions and independent measurement activities and risk reporting has been distributed at the Bank to the level of the Member of the Management Board (this guarantees full independence of their operation).

Apart from individual organisational units, an active role in the market risk and liquidity risk management process is played by the Supervisory Board, the Management Board of the Bank and the Capital, Assets and Liabilities Management Committee (CALCO).

Exposure to market and liquidity risk is limited by the system of limits (periodically updated, introduced by a resolution of the Supervisory Board or CALCO), covering all risk measures the level of which is monitored and reported by organisational units of the Bank independent of business.

Three types of limits exist in the Bank, differing in scope and mode of operation:

- basic limits (determined at the level of the Supervisory Board),
- supplementary limits - determined by the Management Board of the Bank or CALCO (when the process of setting limits has been delegated to CALCO),
- additional limits.

## Market risk

The Bank has identified the following market risks to be managed:

- interest rate risk in the banking book,
- market risk in the trading book (encompassing: interest rate risk in the trading book, currency risk, and commodity price risk).

## Liquidity risk

Means the risk of inability to meet payment obligations arising from balance sheet and off-balance sheet items held by the Bank. This risk distinguishes the risk of financing (there is a risk of losing the sources of funding held) and the risk of inability to renew the funds due or to lose access to new sources of funding.

### Purpose of liquidity risk management

It is intended to provide the necessary financial resources to meet the current and future (including potential) liabilities, taking into account the specific features of the activity and the needs that may emerge as a result of changing market or macroeconomic conditions.

### Liquidity risk management process

The Bank has in place an internal liquidity adequacy assessment process (ILAAP) consisting in effective management of liquidity risk (to ensure that the Bank holds stable funding and adequate liquidity buffers to meet obligations on time), including in stress conditions, and to ensure the compliance with regulatory requirements for liquidity. Through ILAAP elements, the Bank defines the liquidity risk tolerance (i.e. the liquidity risk level) it intends to bear. It is consistent with the risk appetite and the overall strategy of the Bank.

### Organisation of the liquidity risk management process

The Bank has appointed a CALCO (committee to manage assets and liabilities). The liquidity risk strategy (acceptable level of risk, assumed balance sheet structure, financing plan) is approved by the Management Board of the Bank and then accepted by the Supervisory Board. Concluding treasury interbank transactions rest with the Treasury Department. Settlement and posting of transactions takes place in the Operations Division. Liquidity risk is monitored and measured at the Financial Risk Management Department. The allocation of liquidity risk management competences is transparent and ensures that they are separated to the level of the Member of the Management Board (which guarantees full independence of their operation).



### Management of liquidity risk at the Bank's foreign branch

In 2021, the Bank had a single foreign branch in Romania. It carried out deposit and credit operations. The objective of the Branch is to conduct credit activity with the funding received from Alior Bank and using funding Alior Bank Group Management Board Report 2021 87 including the Report of the Management Board on the operations of Alior Bank acquired on the local market. The Branch's liquidity level is monitored on an ongoing basis by dedicated organisational units of the Branch and of the Bank's Head Office.

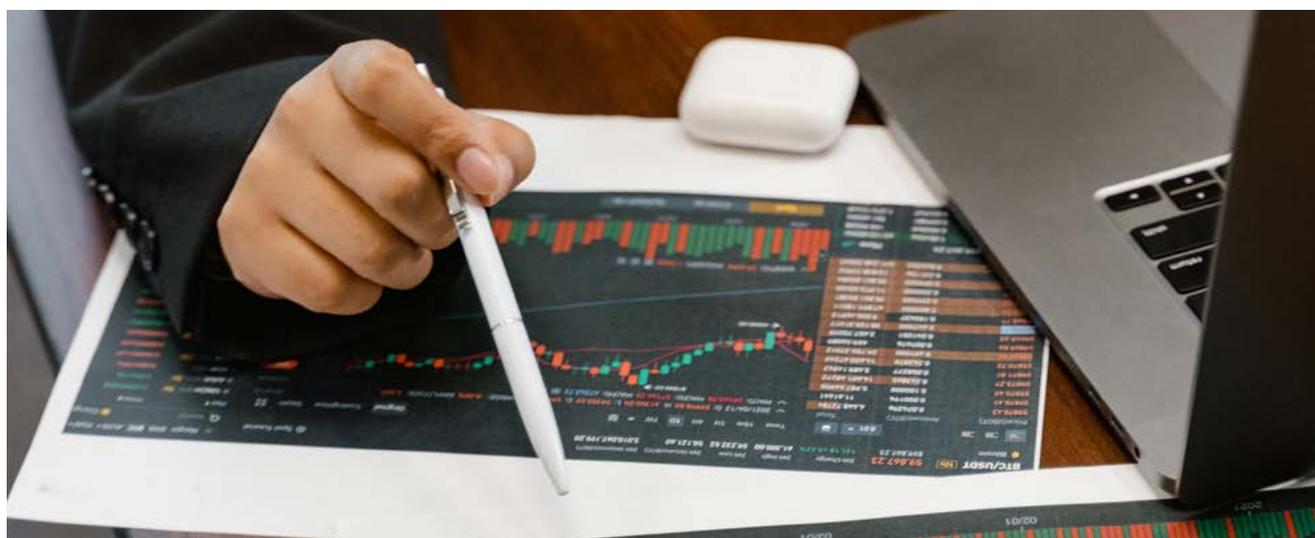
### Liquidity risk management in subsidiaries

In 2021, Alior Leasing was considered an important company in the Group's liquidity risk management.

Liquidity risk in the company is monitored, controlled and reported on the basis of internal liquidity risk management principles (liquidity risk appetite, liquidity contingency plans, regular reports are prepared). The reports prepared by Alior Leasing concerning the liquidity risk in the company constitute a starting point for making decisions on liquidity management of the company and are used to consolidate the liquidity risk at the level of the Capital Group.

### Measurement and assessment of liquidity risk

Liquidity risk is measured at the Bank taking into account all significant positions – both on and off balance sheet (including, in particular, derivatives). The liquidity management metrics at the Bank include ratios and the related limits of the following liquidity types:



### Liquidity risk monitoring and reporting

The Bank regularly monitors, reports the level of liquidity risk measures and the degree of use of supervisory and internal limits and thresholds.



As part of liquidity risk management, the Bank conducts a number of analyses (including analysis of maturity/maturity profile in the long term, depending to a large extent on the assumptions made in terms of the development of future cash flows related to asset, liability and off-balance-sheet items). These assumptions are subject to approval by the CALCO Committee and the Bank's Management Board.

### Summary of maturity/maturity dates of contractual flows of assets and liabilities on a consolidated basis as at 31st December 2021 (in millions of PLN):

31/12/2021	1D	1M	3M	6M	1Y	2Y	5Y	5Y+	TOTAL
Assets	3 917	3 073	2 724	3 986	9 620	11 701	24 159	42 199	101 379
Equity and liabilities	-64 681	-2 683	-4 392	-1 631	-1 420	-486	-1 719	-6 233	-83 245
Balance sheet gap	-60 764	390	-1 668	2 355	8 200	11 215	22 440	35 966	18 134
Accumulated balance sheet gap	-60 764	-60 374	-62 042	-59 687	-51 487	-40 272	-17 832	18 134	
Derivatives – net	0	39	22	7	6	7	4	0	85
Guarantee and financial lines	-9 945	0	0	0	0	0	0	0	-9 945
Off-balance sheet gap	-9 945	39	22	7	6	7	4	0	-9 860
Total gap	-70 709	429	-1 646	2 362	8 206	11 222	22 444	35 966	8 274
Total accumulated gap	-70 709	-70 280	-71 926	-69 564	-61 358	-50 136	-27 692	8 274	

### Comparable data as at 31 December 2020 (in PLN million):

31/12/2020 restated data	1D	1M	3M	6M	1Y	2Y	5Y	5Y+	TOTAL
Assets	2 937	2 333	2 042	3 806	7 107	13 713	20 359	39 600	91 897
Equity and liabilities	-58 771	-2 981	-3 270	-2 009	-2 140	-1 125	-1 670	-6 853	-78 819
Balance sheet gap	-55 834	-648	-1 228	1 797	4 967	12 588	18 689	32 747	13 078
Accumulated balance sheet gap	-55 834	-56 482	-57 710	-55 913	-50 946	-38 358	-19 669	13 078	-
Derivatives – net	0	10	16	2	2	24	-14	0	40
Guarantee and financial lines	-9 322	0	0	0	0	0	0	0	-9 322
Off-balance sheet gap	-9 322	10	16	2	2	24	-14	0	-9 282
Total gap	-65 156	-638	-1 212	1 799	4 969	12 612	18 675	32 747	3 796
Total accumulated gap	-65 156	-65 794	-67 006	-65 207	-60 238	-47 626	-28 951	3 796	-

The Bank maintains a liquidity buffer at a high level by investing in government debt securities and enterprises with the highest ratings (characterised by quick liquidation), maintaining funds on the current account with NBP and other banks (nostro accounts). It also maintains cash at the Bank's cash desks and invests funds as part of interbank deposits (within the limits set). The adequacy of the liquidity buffer is controlled by comparing it with the established minimum liquidity buffer (necessary to survive a stress scenario for up to and including 7 days and for 30 days).

As at 31 December 2021, the total liquidity buffer was PLN 17 443 million as compared to a minimum level of PLN 14 718 million under the shock scenario. To calculate the liquidity buffer, the Bank uses appropriate reductions of particular components of that buffer to take into account market liquidity risk (product). The main source of financing of the Bank's operations, including the portfolio of liquid assets, is the funds acquired as part of the deposit base (the level of which as at 31 December 2021 was approx. 83% of liabilities).

In addition, the Bank conducts liquidity stress tests taking into account an internal, external, and mixed crisis (including it prepares a plan of acquisition of funds in emergency situations, as well as it defines and verifies the rules for the sale of liquid assets, taking into account the cost of maintaining liquidity). The results of stress tests are used, in particular, to assess the extent to which the Bank is prepared to settle liabilities in a stress situation, to assess the adequacy of excess liquidity, as well as to verify the adjustment of the Bank's liquidity profile to the adopted liquidity risk tolerance.

The comparison of the demand for liquid funds for each scenario (with the values that can be obtained on the basis of the tests of contingency plans) allows to check whether the Bank is able to settle liabilities in longer horizons (beyond the horizon of survival) using emergency actions. Moreover, the results of stress tests serve to establish internal limits, adjust and improve internal regulations, everyday practice in managing liquidity risk through using the results of stress tests to assess the Bank's day-to-day liquidity situation, as well as to shape a liquidity emergency plan.

Throughout 2021, the liquidity of the Capital Group was at a safe level, which was reflected by levels of liquidity ratios significantly above the limits. As at 31 December 2021, LCR for the Group was 160% and NSFR 132% as compared to the required 100% for both.



## Interest rate risk

It is defined as the risk of negative impact of the level of market interest rates on the current result or net present value of the Bank's capital. Due to its policy of limiting risks in the trading book, the Bank has attached special importance to specific aspects of interest rate risk related to the banking book, such as:

- risk of repricing period gap,
- basis risk,
- yield curve risk,
- customer option risk.

In addition, for interest rate risk, the Bank pays special attention to the modelling of prepayments of fixed-rate loans and products with undefined maturity and the amount of interest determined by the Bank (e.g., for current deposits), and the effect of non-interest items risk (e.g., equity, fixed assets).

The purpose of interest rate risk management is to limit potential losses due to changes in market interest rates (to an acceptable level) by adequate composition of balance sheet and off-balance sheet items.

Interest rate risk is measured and mitigated by monitoring the volatility of net interest income (NII) and changes in economic value of equity (EVE) of the Bank. Apart from NII and EVE the Bank measures interest rate risk using BPV, VaR, Expected Shortfall measures, overestimation gap, and stress tests.

The Bank conducts scenario analysis which covers, among other things, the effect of specific interest rate changes on the future net interest income and economic value of equity. Under these scenarios, it maintains internal limits whose use is measured daily. Evolution of the measure of the change in the economic value of equity in the worst-case scenario with:

- the scenarios set out by the EBA in its guidelines on interest rate risk management, in the banking book,
- parallel shift of interest rate curves by +/- 100 and +/- 200 bp,
- internal scenarios of the Bank.



At the end of 2021 and 2020, for the Capital Group, the following are presented (in thousands of PLN):

Scenario	Change in the economic value of equity 31.12.2021	Change in the economic value of equity 31.12.2020
Worst scenario	-241.920	-171.836
The most unfavourable scenario as % of Tier 1	3.9%	2.6%

The change in the interest result over a horizon of up to 1 year with a change in interest rates by 100 bps (negative scenario) at the end of 2021 and 2020 for the Capital Group is presented below:

	31.12.2021	31.12.2020
NII – total, materialised interest income sensitivity to changes in interest rates	7.7%	13.09%

## Currency risk

Defined as the risk of loss due to exchange rate changes. Additionally, the Bank distinguishes the impact of the exchange rate on its results in the long term, as a result of the conversion of future foreign exchange revenues and costs at potentially unfavourable exchange rates. The primary purpose of currency risk management is to identify the areas of activity of the Bank

that can be exposed to that risk and take measures to limit as far as possible any losses occurring out of it. The Bank's Management Board defines the currency risk profile which must be characterised by compliance with the applicable financial plan of the Bank.

**Alior Bank regularly monitors and reports on:**



Level of currency risk metrics



Level of utilisation of internal limits and thresholds for currency risk



Stress test results



Currency risk limits are determined in such a way as to keep the risk at a limited level.

**The Bank's main currency risk management tools include:**

- internal procedures for currency risk management,
- internal models and metrics of currency risk,
- limits and warning thresholds for currency risk,
- restrictions on admissible currency transactions,
- stress tests.

Currency risk is measured and assessed by limiting currency positions taken by the Bank.

For measurement, the Bank uses VaR, Expected Shortfall, and stress tests.

The VaR measure determines the potential loss on foreign exchange positions held related to changes in exchange rates, maintaining the assumed confidence level and the retention period. To determine the VaR level, the Bank uses the variance-covariance method at confidence level of 99%. The metric is established on a daily basis for each area responsible for risk taking and management, individually and collectively.



As at the end 2021, the maximum loss on the currency portfolio held by the Bank (managed in the trading book), determined on the basis of VaR within a time horizon of 10 days, with the assumed confidence level of 99% (in PLN thousand) has been presented below:

	31.12.2021	31.12.2020
VaR	203	138

In measuring the exposure of the Capital Group to the risk of changes in exchange rates, the Bank carries out stress tests. Presented below are the results of stress tests of changes of exchange rates relative to PLN by +/- 20% (PLN thousand).

	31.12.2021	31.12.2020
rates + 20%	-8 658	11 657
rates -20%	26 051	7 306

## Model risk

The purpose of managing this risk is to enable the achievement of the set business goals with an acceptable level of uncertainty resulting from the use of models in the Bank's operations. The Bank strives for the widest possible use of models in its processes to achieve automation of the decision-making process and minimise the role of the human factor. The Bank shapes the model risk management process in a way which ensures that the goal in question is achieved. The model risk management process assesses compliance of the model risk level with the adopted risk tolerance, and measures are taken in order to limit this level.

The stages of the process are: identification, measurement, monitoring, control and reporting of the model risk. The model risk management process is carried out at the level of individual models as well as at the level of the model portfolio.



## Capital management (ICAAP)

Alior Bank manages its capital in such a way as to ensure safe and effective operations.

In order to ensure safe operation, the Bank determines (as part of the risk appetite) appropriate levels of coverage

by own funds (as well as Tier1 capital) of potential unexpected loss due to material risks determined as part of the ICAAP process, as well as risks identified as part of the regulatory capital calculation process.

Under the ICAAP process, the Bank identifies and evaluates the materiality of all risks it is exposed to in doing its business.

Risks significant as at 31st December 2021



For particular risks identified as material risks, the Bank estimates internal capital requirement using its in-house risk estimation models. Internal capital is estimated for the following risks:

- credit risk based on the VaR portfolio method
- operational risk based on AMA approach,
- liquidity risk based on liquidity gap models taking into account a stress scenario,
- market risk based on VaR method,

- interest rate risk in the banking book based on EVE method,
- reputation risk based on VaR method,
- business risk based on the outcome of stress tests,
- model risk based on the outcome of stress tests.

The total internal capital so determined (and the calculated regulatory capital) is secured with the amount of own funds (as well as Tier1) taking into account appropriate security buffers.

Capital ratios of the Capital Group:

	31.12.2021	31.12.2020
Solvency ratio	14.16%	15.85%
Tier 1 capital ratio	12.55%	13.55%
Ratio of internal capital coverage by available capital	1.99	2.43

A further tranche of regulatory changes under the so-called CRR 2 (introduced by Regulation (EU) 2019/876 of the European Parliament and of the Council of 20 May 2019) amending Regulation (EU) No 575/2013 as regards the leverage ratio, the net stable funding ratio, requirements for own funds and eligible liabilities, counterparty credit risk, market risk, exposures to central counterparties, exposures to collective investment undertakings, large exposures, reporting and disclosure requirements, and Regulation (EU) No 648/2012.

In particular, the amendments made on 28 June 2021 concern the calculation of the capital requirement for counterparty risk.

In Q2 of 2021, the amendment to Regulation 575/2013, constituting Regulation (EU) 2019/630 of the European Parliament and of the Council of 17 April 2019 amending Regulation (EU) No 575/2013 as regards minimum loss coverage for non-performing exposures.



# 12

## INTERNAL CONTROL SYSTEM

- Control system in the process of preparing the financial statement

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## XII. Internal control system



The internal control system in place at Alior Bank is the entirety of solutions and measures to ensure that the internal control system objectives defined by law are met, and at the same time to support Bank management, contribute to effective performance of tasks, and ensure the security and stable operations of the Bank. The Bank's internal control system comprises: control function, compliance unit, and independent internal audit unit.

At all three levels of defence, the employees of the Bank, apply as appropriate certain controls or independently monitor compliance with certain controls. The particular lines of defence are separated from each other, they are characterised by separate roles and responsibilities which are defined in the Bank's organisational rules, as well as in dedicated policies and procedures. Despite that the lines of defence are disjoint, they share information and coordinate their activities for risks, controls and organisational governance. All three lines of defence have the same task, i.e., support the Bank in achieving the goals of the internal control system.

### The internal control system operated at the Bank is built around the model of three lines of defence:



The Bank's authorities attach special importance to ensuring the quality and correctness of operation of the internal control system. The Bank's Management Board is responsible for designing, introducing and ensuring the operation of an adequate and effective internal control system, in particular, it approves the criteria for separation of material processes, the list of material processes, and their connection to the goals of the internal control system, and defines and oversees any corrective action taken to remove the most significant inadequacies. The Supervisory Board's Audit Committee deals with, among other things, current monitoring and annual review of the quality and effectiveness of the internal control system. In particular, the Supervisory Board approves the rules of operation of the internal control system and evaluates the adequacy and effectiveness of that system.

2021 saw the carrying out of a number of activities at the Bank to increase the effectiveness of the internal control system, giving rise to further optimisation and strengthening of the control function exercise, while placing particular emphasis on the Control Function Matrix.

## Control system in the process of preparing the financial statement

### It is implemented through:

- group-wide application of standardised accounting policies for valuation, recognition and disclosures, in accordance with International Financial Reporting Standards,
- use of internal control mechanisms (allocation of responsibilities within the reporting department, at least two-stage authorisation of data, verification of correctness of data received),
- definition of responsibilities and formalising the financial statement preparation process,
- definition of the roles and control of compliance with the circulation of financial and accounting documents, and verification in the substantive, formal and accounting terms,
- keeping a record of business events in an integrated financial and accounting system, the configuration of which corresponds to the accounting policies applicable at the Bank and which contains instructions and controls to ensure the coherence and integrity of data,
- independent assessment of financial statements conducted by an independent external auditor.

The process of financial reporting is subject to ongoing verification. The integrated financial and accounting system plays an important role in the control process for accounting and financial reporting. It not only allows for checking the correctness of the recorded operations, but also allows for the identification of persons entering into and accepting

individual transactions. Access to financial information is restricted by the privilege system. System access privileges are provided depending on the assigned role and scope of responsibility of the individual. They are subject to strict control.

The Bank's Accounting Principles contain provisions aimed at ensuring compliance of accounting and prepared financial statements with the applicable regulations, including in particular: overriding principles and quality features of financial statements, correctness of valuation and classification of events, mechanisms for securing data sets. To ensure the compliance of our Accounting Principles with updated regulations, including, in particular, with International Financial Reporting Standards, they are regularly updated. The last update took place in December 2021.

The risk of preparation of the financial statements is mitigated by the Accounting Department (e.g. through supervision over the quarterly process of monitoring the reconciliation of balances on accounts in the Bank's general ledger, by assigning these accounts to relevant substantive units). In addition, the process of entering into contracts and launching new products by individual organisational units of the Bank has been tightened up by introducing mandatory review by the Accounting Policy Team.

In addition, risk connected with the preparation of financial statements is limited by subjecting the financial statements to a semi-annual review and an annual audit by an independent auditor. The procedure for the selection of the independent auditor as applied by the Bank ensures its independence in delivery of the tasks entrusted to them (the selection is made by the Supervisory Board) and high standard of service. The outcomes of reviews and audits are presented by the auditor to the Supervisory Board's Audit Committee.

The contract with the audit firm KPMG Audyt Spółka z ograniczoną odpowiedzialnością sp.k. for conducting the auditing and reviews of standalone and consolidated financial statements was extended for another three years, and covers audits and reviews for 2021-2023.



# 13

## STATEMENT OF APPLICATION OF CORPORATE GOVERNANCE

- Scope of corporate governance
- Management Board statement on compliance with the principles of corporate governance
- Structure of share capital
- Alior Bank share prices in GPW in 2021
- Investor Relations
- Current Bank Ratings
- Alior Bank Shareholders
- Alior Bank shares held by the Bank's governing body
- Significant agreements and obligations
- Governing bodies of Alior Bank S.A.
- General Meeting of the Bank
- Supervisory Board of the Bank
- Committees of the Supervisory Board
- Management Board of the Bank
- Remuneration policy
- Diversity policy

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## XIII. Statement of application of corporate governance



### Scope of corporate governance

Pursuant to the Rules of the Warsaw Stock Exchange, the Bank, as a public company, is obliged to comply with Good Practices for Companies Listed on the Warsaw Stock Exchange 2021 ("Good Practices"), which constitute a set of rules of conduct which apply in particular to the bodies of companies listed on the Warsaw Stock Exchange (GPW) and their shareholders. The Document is available on GPW's website at [www.gpw.pl/dobre-praktyki](http://www.gpw.pl/dobre-praktyki). By 30 June 2021, the Bank applied the principles provided for in Good Practices for Companies Listed on the Warsaw Stock Exchange 2016. In the Report of the Management Board on the activities of Alior Bank S.A. Capital Group in 2020 the Bank informed about the scope of the compliance. In the first half of 2021, there was no change in this respect.

Pursuant to the resolution of the Supervisory Board of the Bank of 29 December 2014, Corporate Governance Principles for Supervised Institutions published on the website of the KNF Board were also adopted for application: [www.knf.gov.pl/dla\\_Rynu/Zasady\\_ladu\\_korporacyjnego](http://www.knf.gov.pl/dla_Rynu/Zasady_ladu_korporacyjnego) ("Corporate Governance Principles"), as confirmed in the Resolution no. 25/2015 of the Ordinary General Meeting of the Bank of 25 May 2015, with the proviso that in the event of a conflict between Corporate Governance Principles and Good Practices, the latter shall prevail.

### Management Board statement on compliance with the principles of corporate governance

The Management Board of the Bank, in scope of the competences assigned to it by the Articles and universally binding legislation, intends to implement at the Bank all the principles provided for in Best Practices and in the Principles of Governance.

In 2021, the Bank's application of the principles contained in Good Practices was analysed and information on the state of their application was published on 29 July 2021. According to the published statement, Alior Bank applied the principles contained in Good Practices with the following reservations:

- Principle 2.1 is not applied. The Bank makes efforts to ensure diversity of the Supervisory Board and the Management Board, in particular in terms of education and professional experience, gender and age of members of the Management Board and the Supervisory Board. As regards gender differentiation as at the date of publication of the statement (29 JUL 2021), approx. 29% of the Management Board of the Bank are women, and in the Supervisory Board that proportion is approx. 12%. Works on amending the Policy of Selection and Assessment of the Members of the Management Board and Supervisory Board in this respect by entering the assumed target level are ongoing;
- Principle 2.2 is not applied. Management Board members are selected and evaluated by the Nomination and Remuneration Committee of the Supervisory Board in cooperation with the HR Division. Supervisory Board members are evaluated by the shareholder who has recommended the appointment. Having amended the Policy of Selection and Assessment of the Members of the Management Board and the Supervisory Board, the Bank will recommend its application, inter alia, with regard to gender diversity.
- Principle 2.7 is not applied. Although the principle is not directly applied, the objective of this good practice is achieved through additional mechanisms used in the regulations in force at the Bank. Members of the Management Board of the Bank are obliged to inform the Supervisory Board of the Bank about their plans to take a post in another commercial company. After taking up a post, a secondary suitability assessment is performed each time in accordance with the "Methodology for Assessing the Suitability of Members of the Supervised Entities' Bodies" - if the Supervisory Board identifies risks related to the post taken over or conflict of interest covered thereby, the Supervisory Board may recommend corrective actions. Works on amending the Policy of Selection and Assessment of the Members of the Management Board and Supervisory Board in this respect are ongoing.
- Principle 4.1 is not applied. Given the need to perform multiple technical and organizational measures and the involved costs and risks, as well as little experience of the market in this regard, the Bank has not currently opted for providing the shareholders with real-time communication capability whereby shareholders would be able to speak at a General Meeting from a location other than the place of deliberations.
- Principle 4.8 is applied. The Bank shall immediately publish draft resolutions upon their receipt, together with a set of materials concerning them on the Bank's website.
- Principle 4.9 is applied. The Bank shall immediately publish candidacies upon their receipt, together with a set of materials concerning them on the Bank's website.

- Principle 6.3 is applied. As at the day of publication of the report at the Bank, there are no incentive programmes in accordance with the principles described above.
- Principle 6.4 is applied. The rule is applied to the extent compliant with the Act on Remuneration of the Management of Certain Entities of 9 June 2016.
- **§ 49.4** – not applicable. The Audit Department and the Compliance Department are separated from the Bank.
- **§ 52.2** – not applicable. The Audit Department and the Compliance Department are separated from the Bank.
- **§ 53-§ 57** – not applicable. The Bank does not conduct activities consisting in managing assets at customer risk.

The Supervisory Board assessed the application of the Corporate Governance Principles by the Bank, as expressed in Resolution 176/2021 of 30 December 2021. As a result of the analysis, it was found that in 2021 the Bank applied the Corporate Governance Principles, with the exception of:

- **§ 8.4** – Principle is not applied. The convening and holding of the General Meetings of Alior Bank S.A. complies with the regulations applicable to public companies and Good Corporate Governance Practices and Principles to the extent consistent with the expectations of the Bank's shareholders. Given the need to perform multiple technical and organisational measures and the involved costs and risks, as well as small experience of the market in this regard, the Bank has not currently opted to provide the shareholders with real-time communication capability whereby shareholders would be able to speak at a General Meeting of Shareholders from a location other than the place of deliberations.

## Structure of share capital

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

All shares of the Bank are bearer ordinary shares to which equal rights and obligations attach. The Articles of Alior Bank do not restrict the shareholders' rights for exercising voting rights and disposal of shares. One share gives the right to one vote at the Bank's General. PZU SA's rights as the parent entity of the Bank result from the number of shares held and their percentage share in the share capital and the resulting number of votes held at the General Meeting of the Bank.

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

### Structure of the Bank's share capital according to a series of issued shares (as at 31st December 2021):

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

## Alior Bank share prices in GPW in 2021

Alior Bank debuted on the Warsaw Stock Exchange on 14 December 2012. Currently, the Bank's shares form part of the following indices: WIG, WIG-BANKI, mWIG40, mWIG40TR, WIG.MS-FIN, WIG30, WIG30TR, WIG-Poland, WIG-ESG, CEEplus.

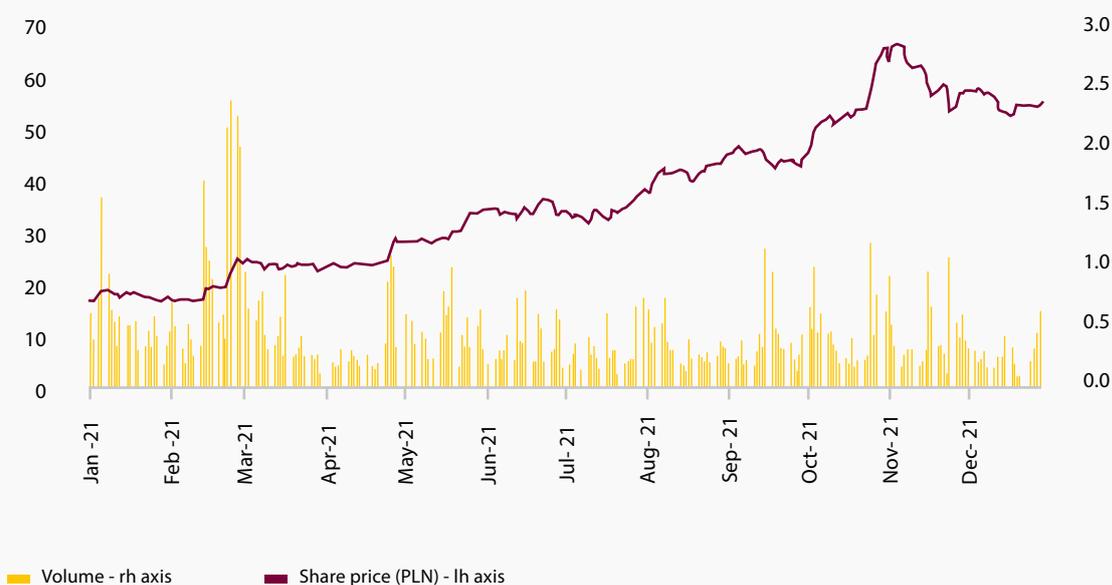
In 2021, over 525 thousand transactions on the Bank's shares were concluded, which constituted a **7%** decrease (compared to **563 thousand** transactions concluded in 2020). The trading volume (number of shares that have changed hands) amounted to slightly over **114 million** shares in H1 2021, compared

to **173 million** shares in H1 2020 (down by **34% y/y**). On the other hand, the total value of turnover on the Bank's shares in 2021 amounted to PLN 3.95 billion, compared to **PLN 2.8** billion in 2020 (**40%** increase in turnover y/y). The increase in turnover resulted mainly from the increase in the Bank's share price. The average price of one share of the Bank at the close of the trading session in H1 2021 was PLN 36.76, compared to **PLN 17.18** in H1 2020 (up by **114% y/y**). In 2021, the turnover on Alior Bank's shares represented **1.26%** of the turnover on shares of companies listed on the GPW.

On 30 December 2021, the Bank's share rate amounted to **PLN 54.70 (222% increase compared to the end of 2020)**, and C/WK ratios were 1.2. The development of the share

price and the volume of trading in the Bank's shares in the period January – December 2021 is presented in the chart below.

### Alior Bank shares' price performance in 2021



### Investor Relations

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

Meetings of the members of the Bank's Management Board and representatives of the Bank's management with the equity market community, including investors and analysts, are held on a regular basis. 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 2021, 72 meetings with foreign and domestic investors took place in the form of teleconferences. In addition, approximately 100 talks were held with brokerage bureau analysts concerning trends in the banking sector in particular quarters and the Bank's current financial situation.

### Current Bank Ratings

Agency	Award date	Long-term rating	Short-term rating	Outlook
<b>Fitch Ratings</b>	8th December 2021	BB	B	stable
<b>S&amp;P Global Ratings</b>	8th December 2021	BB	B	stable

### Assessment of Fitch Ratings Ltd

On 8 December 2021, Fitch Ratings Ltd. informed the Bank about the confirmation of long-term and short-term ratings of the Bank at its current level and about the change of the Bank's rating outlook from "Negative" to "Stable".

#### Full rating of the Bank awarded by Fitch Ratings is as follows:

- Long-Term IDR: BB with stable, outlook,
- Short-Term IDR: B,
- National Long-Term Rating: BBB+(pol) with stable outlook,
- National Short-Term Rating: F2 (pol),
- Viability Rating (VR): bb,
- Government support rating: ns.

Definitions of Fitch ratings are available on the agency's website at [www.fitchratings.com](http://www.fitchratings.com), which also publishes rating scales, criteria and credit rating methodologies.

### Standard & Poor's Global Ratings Assessment

On 24 June 2021, S&P rated the Bank. It maintained the issuer's long-term rating at "BB", increased the outlook from "Negative" to "Stable" and maintained the issuer's short-term rating at "B". On 8 December 2021, S&P provided the Bank with confirmation of long-term and short-term ratings of the Bank at its current level.

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

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

Definitions of S&P ratings are available on the agency's website at [www.standardandpoors.com](http://www.standardandpoors.com), which also publishes rating scales, criteria, and credit rating methodologies.

### Alior Bank Shareholders

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

From the date of submission of the previous interim report until the date of publication of this report, the Management Board of the Bank has not received any notices pursuant to Article 69 of the Act of 29 July 2005 on Public Offering and Conditions Governing the Introduction of Financial Instruments into Organised Trading, and Public Companies (Ustawa z dnia 29 lipca 2005 r. o ofercie publicznej i warunkach

wprowadzania instrumentów finansowych do zorganizowanego systemu obrotu oraz o spółkach publicznych).

#### According to the published 2021 report on the composition of the PTE portfolio:

- Nationale-Nederlanden Otwarty Fundusz Emerytalny reduced the number of shares and votes held at the General Meeting of the Bank from **12 656 361** in 2020, which represented **9.69%** of shares and votes held at the General Meeting, to **12 394 509** at the end of 2021, which currently constitutes **9.49%** of shares and votes at the General Meeting of the Bank,
- Aviva Otwarty Fundusz Emerytalny Aviva Santander reduced the number of shares and votes held at the General Meeting of the Bank from **9 467 180** in 2020, which constituted **7.25%** of shares and votes held at the General Meeting, to **8,677,162** at the end of 2021, which currently constitutes **6.65%** of shares and votes at the General Meeting of the Bank.



**Ownership structure of the Bank's share capital as at 31 December 2021 and as at the date of submission of the periodic report:**

Shareholder	Number of shares	Nominal value of shares (PLN)	Percentage of share capital	Number of votes	Votes as proportion of overall votes
<b>PZU Group*</b>	41 658 850	416 588 500	31.91%	41 658 850	31.91%
<b>Nationale-Nederlanden OFE**</b>	12 394 509	123 945 090	9.49%	12 394 509	9.49%
<b>Aviva OFE Aviva Santander**</b>	8 677 162	86 771 620	6.65%	8 677 162	6.65%
<b>Other shareholders</b>	67 823 470	678 234 700	51.95%	67 823 470	51.95%
<b>Total</b>	<b>130 553 991</b>	<b>1 305 539 910</b>	<b>100%</b>	<b>130 553 991</b>	<b>100%</b>

\* PZU Group is comprised of entities which have entered into a written agreement concerning the acquisition or disposal of Bank shares and the consistent exercise of voting rights at the General Meetings of the Bank, i.e.: Powszechny Zakład Ubezpieczeń SA, Powszechny Zakład Ubezpieczeń Na Życie SA, PZU Specjalistyczny Fundusz Inwestycyjny Otwarty UNIVERSUM, PZU Fundusz Inwestycyjny Zamknięty Aktywów Niepublicznych BIS 1 oraz PZU Fundusz Inwestycyjny Zamknięty Aktywów Niepublicznych BIS 2. Conclusion of the above-mentioned agreement was announced by the Bank in Current Report No. 21/2017.

\*\* Based on the published report for 2021 on the composition of the PTE portfolio.

## Alior Bank shares held by the Bank's governing body

At the end of the reporting period (31 December 2021) and as at the date of publication of the report, the Members of the Management Board and the Supervisory Board of Alior Bank did not hold shares of the Bank. Since the date of publication of the last periodic report, there have been no transactions in the Bank's shares to which Members of the Management Board or the Supervisory Board of the Bank would be a party.

## Significant agreements and obligations

### As at 31 December 2021, Alior Bank did not hold:

- obligations towards the central bank,
- significant agreements on loans, sureties and guarantees not related to operational activities, apart from the annex to the agreement on periodical provision of insurance guarantees constituting unfunded credit protection concluded with the Powszechny Zakład Ubezpieczeń SA.

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

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

The entities comprising the Bank's Group did not grant loans or guarantees together to a single entity or to a subsidiary of that entity, the value of which would exceed 10% of the Bank's equity outside of normal business activity. As at 31 December 2021, the number of active guarantees granted by Alior Bank S.A. amounted to 998, for a total amount of **PLN 650 779 000**.

The Bank makes sure that the time structure of the guarantees is appropriate. Active guarantees with less than two years to maturity (807 items) amounted to **PLN 439 389 000**.

The total value of off-balance-sheet contingent liabilities granted to customers as at 31 December 2021 amounted to **PLN 9,945,348,000**. This amount consisted of **PLN 9 294 619 000** of contingent off-balance-sheet liabilities related to financing and **PLN 650 729 000** of contingent guarantee off-balance-sheet liabilities.

During the reporting period, no significant transactions were made as part of the Alior Bank Capital Group with affiliates otherwise than on arm's length principles.

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

Alior Bank did not issue any securities to provide special control rights towards the Bank. There are also no limitations regarding the exercise of voting rights from the Bank's shares and restrictions concerning the transfer of ownership rights to the Bank's securities.



## Governing bodies of Alior Bank S.A. General Meeting of the Bank

### Rules governing the General Meeting

The activities of the General Meeting, its principal rights, the rights of shareholders, and how these rights are to be exercised have been defined in: Rules of Procedure of the General Meeting (adopted by way of Resolution No. 3/2013 of the Annual General Meeting of 19 June 2013, as amended by way of Resolution No. 29/2017 of the Annual General Meeting of the Bank of 29 June 2017 and Resolution No. 3/2020 of the Annual General Meeting of the Bank of 21 May 2020 – consolidated text of the Rules of Procedure including all amendments has been published on the Bank's website), Articles of Association of the Bank, and the applicable legislation including Act of 15 September 2000 Code of Commercial Partnerships and Companies (Dz. U. [Polish Journal of Laws] of 2020, item 1526 as amended) and the Act of 29 August 1997 Banking Law (Dz. U. of 2020, item 1896 as amended),

The General Meeting of the Bank shall be convened by means of a notice made on the Bank's website and in a manner specified for the provision of current information in accordance with generally applicable law. The notice should be given at least 26 days in advance of the date of the General Meeting. Since the date of convening the General Meeting, the Bank posts information required by the provisions of the Code of Commercial Partnerships and Companies on its website at [www.aliorbank.pl/dodatkowe-informacje/relacje-inwestorskie/walne-zgromadzenie.html](http://www.aliorbank.pl/dodatkowe-informacje/relacje-inwestorskie/walne-zgromadzenie.html).

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

Shareholder(-s) representing at least one-twentieth of the share capital may request that certain business be put on the

agenda of the next General Meeting and submit draft resolutions on matters put on the agenda.

### The resolutions of the General Meeting require incl.:

- the review and approval of:
  - Management Board's Report on the activities of the Bank, as well as the financial statements for the previous financial year,
  - report on the activities and the financial statements of the Bank's capital group for the previous financial year,
  - report of the Bank's capital group concerning non-financial information for the previous financial year – if a separate report concerning non-financial information is drawn up,
- expressing an opinion on the Supervisory Board's annual remuneration report,
- adoption of a resolution on profit distribution or loss coverage,
- acknowledgement of the fulfilment of duties by members of the bodies of the Bank,
- amendment to the Articles of Association of the Bank,
- provision regarding claims for damages caused in the course of establishment of the Bank or its management and supervision,
- disposal or lease of the enterprise or its organized part and establishment of a limited property right thereon,
- acquisition or disposal of real estate or share in real estate or the right of perpetual usufruct or share in perpetual usufruct, the value of which is equal to or higher than **PLN 20 000 000** (twenty million zlotys) and the performed activity is not related to satisfying the claim of the Bank against the debtor or securing the Bank's claims,

- increase or decrease of the Bank's share capital,
- issuance of convertible bonds and senior bonds, as well as subscription warrants,
- redemption of shares and determination of specific conditions of said redemption,
- merger, division or liquidation of the Bank, selection of liquidators and the manner of executing the liquidation,
- appointment and dismissal of members of the Supervisory Board,
- determination of the remuneration policy for the members of the Supervisory Board,
- establishing the rules for determination of the remuneration policy for the members of Management Board.

### General Meetings of the Bank in 2021

The Ordinary General Meeting of the Bank, which was held on 28 May 2021 and after the break on 7 June 2021, apart from resolutions of a sequential nature, adopted resolutions on matters related to the closure of the financial year 2020 concerning:

- approval of the report on the operations of the Supervisory Board of the Bank,
- approval of the financial statements of the Bank and of the Bank's Capital Group,
- approval of the Management Board's report on the activities of the Bank's Capital Group, including the Management Board's report on the activities of the Bank and the Report of the Bank's Capital Group on non-financial information,
- consideration of the Report of the Management Board of Alior Bank on representation expenses, as well as expenditure on legal, marketing and public relations, and social communication and management advisory services for 2020,
- how to cover the loss for the financial year 2020,
- grant discharge of all Members of the Management Board and Supervisory Board of the Bank.

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

- expressing an opinion on the "Report on Remuneration of the Members of the Management Board and the Supervisory Board of Alior Bank S.A. for 2019-2020" as submitted by the Supervisory Board of the Bank,
- assessing whether the remuneration policy in place fosters growth and promotes the security of operation of the supervised institution,
- amendments to the Articles of Association of Alior Bank S.A.,
- changes in the composition of the Supervisory Board of the Bank.

Extraordinary General Meeting of the Bank, held on 1 December 2021 apart from the resolutions of a sequential nature, appointed Ms Małgorzata Erlich-Smurzyńska and Mr Paweł Wojciech Knop to the Supervisory Board.

### Amendments to the Articles of the Bank in 2021

According to Article 415 §1 of the Act of 15 September 2000 Code of Commercial Companies (Dz. U. [Polish Journal of Laws] of 2000, item 1526, as amended) requires the adoption by the General Meeting of the Bank of an appropriate resolution by qualified majority of three quarters of votes. The amendment of the Articles of Association also requires the authorisation of the KNF Board and the registration of the adopted amendment to the register of entrepreneurs of the National Court Register.

### On 1 July 2021, an amendment to the Articles of Association of Alior Bank was registered in the register of entrepreneurs of the National Court Register concerning:

- adding, to the Bank's business activity performed pursuant to Article 70 (2) of the Act on Trading in Financial Instruments (Ustawa o obrocie instrumentami finansowymi), which is not a brokerage activity, consisting in: executing orders to purchase or dispose of financial instruments, to the ordering entity's account and acquiring or disposing of financial instruments for its own account (§ 7 (2) (20) of the Articles), adopted by way of Resolution No. 32/2021 of the Ordinary General Meeting of the Bank of 28 May 2021.

### On 25 October 2021, amendments to the Articles of Association of Alior Bank were registered in the Register of Entrepreneurs of the National Court Register concerning:

- clarification of the provisions of the Articles of Association in terms of applicable legal regulations in the field of accounting, relating to the competences of the General Meeting and the Supervisory Board in the scope of: examination and approval and assessment of annual reports on activities and financial statements of the Bank and the Capital Group of the Bank (§ 17 (1) (1) and § 23 (2) (1), (3) and (5) of the Articles of Association),
- location of the compliance unit in the Bank's organisational structure in a manner ensuring its independence as implementation of the KNF Board's recommendation resulting from recommendation H by indicating the reporting of the compliance unit directly to the President of the Management Board of the Bank (§ 32 (6) of the Articles of Association),
- change of the name of the Bank's Asset and Liability Committee (ALCO) to the Capital, Assets and Liabilities Management Committee (CALCO) resulting from the update of the Rules of Procedure of the Committee (§ 33 (2) of the Articles) - adopted by way of Resolution no. 33/2021 of the Ordinary General Meeting of the Bank of 28 May 2021.

**The Bank has obtained the consent of the KNF Board to make all the above amendments to the Articles of Association.**

## Supervisory Board of the Bank

2021 was the period of the fourth, joint, four-year term of office of the Supervisory Board of the Bank commenced in 2020.

Moreover, in the period from 1 January 2021 to 31 December 2021, changes took place in the composition of the Supervisory Board of the Bank:

- On 26 May 2021, Mr Robert Pusz resigned from the function of Member of the Supervisory Board of the Bank effective as of the date of submission.
- 7 June 2021 the Ordinary General Meeting of Shareholders of the Bank appointed Mr Filip Majdowski and Mr Dominik Witek to the Supervisory Board.

- On 9 August 2021, Mr Wojciech Myślecki resigned from the function of a Member of the Supervisory Board of the Bank effective as of the date of submission.
- On 29 November 2021, Mr Mikołaj Handschke resigned from the function of a Member of the Supervisory Board of the Bank effective as of 30 November 2021.
- 1 December 2021 the Extraordinary General Meeting of Shareholders of the Bank appointed Ms Małgorzata Erlich-Smurzyńska and Mr Paweł Knop as members of the Supervisory Board.

Composition of the Supervisory Board of the Board as at 31.12.2021		Composition of the Supervisory Board of the Board as at 31.12.2020	
<b>Aleksandra Agatowska</b>	Chair of the Supervisory Board	<b>Aleksandra Agatowska</b>	Chair of the Supervisory Board
<b>Ernest Bejda</b>	Deputy Chair of the Supervisory Board	<b>Ernest Bejda</b>	Deputy Chair of the Supervisory Board
<b>Małgorzata Erlich-Smurzyńska</b>	Supervisory Board Member	<b>Mikołaj Handschke</b>	Member of the Supervisory Board seconded to temporarily act as the Vice-President of the Management Board
<b>Paweł Knop</b>	Supervisory Board Member	<b>Artur Kucharski</b>	Supervisory Board Member
<b>Artur Kucharski</b>	Supervisory Board Member	<b>Marek Pietrzak</b>	Supervisory Board Member
<b>Filip Majdowski</b>	Supervisory Board Member	<b>Artur Kucharski</b>	Supervisory Board Member
<b>Marek Pietrzak</b>	Supervisory Board Member	<b>Robert Pusz</b>	Supervisory Board Member
<b>Dominik Witek</b>	Supervisory Board Member		

The table below presents detailed information on the Members of the Bank's Supervisory Board acted as at 31 December 2021.

<b>Aleksandra Agatowska</b>	<b>Ernest Bejda</b>
<p>Chair of the Supervisory Board, President of the Management Board of PZU Życie, graduate of Jagiellonian University, specialisation in sociology of economy and market research, and Columbia University in the scope of company strategy. Before that she worked in the private financial sector. She worked for companies belonging to the ING group, ING Towarzystwo Ubezpieczeń na Życie S.A., ING Powszechne Towarzystwo Emerytalne S.A., and for ING Spółka Dystrybucyjna. Selected for the Talent Pool programme, which brings together 2 percent of the most talented employees, and the winner of the Marketing Division Employee of the Year Award. She also collaborated with the team of the Centre for Evaluation and Analysis of Public Policies, operating within the Jagiellonian University. At HDI (now Warta S.A.), which is part of the Talanx Group, she ran the product marketing team while creating and carrying out sales support campaigns. Next, at Sony Europe, she ran the Marketing Intelligence team, coordinating operations in twenty European countries. Awarded the best employee of the year in Europe. At Philips S.A. she managed the Marketing and Business Intelligence team in seventeen countries in the region. As an external advisor, she provided consultation, among other things, on the launch of distribution channel projects at Aviva S.A. In all companies she has worked for, she implemented proprietary projects in the areas of marketing, sales, process management, and product management.</p>	<p>Deputy Chair of the Supervisory Board, a Member of the Management Board of PZU S.A., responsible for the areas of: project management, security, purchases, insurance operations, and business development of the PZU Group. Director of the Group in PZU Życie Prawnik, graduate of the Faculty of Law and Administration of Maria Curie-Skłodowska University in Lublin. In 1997-1999, he did his prosecutor apprenticeship in Warsaw and passed the prosecutor's examination, and in 2000-2004 – an attorney apprenticeship. After passing the bar exam, he ran his own practice as an attorney at law. In 2000-2002, he worked at the General Customs Inspectorate in Warsaw. In 2006-2009, he was the deputy head of the Central Anticorruption Bureau, and in 2016-2020 – the head of the same.</p>

<p><b>Małgorzata Erlich-Smurzyńska</b></p> <p>Independent Member of the Supervisory Board, graduate of the Law and Administration Department of the University of Łódź. She holds the professional title of legal counsel. She completed studies in the area of management and business (MBA) at the Warsaw Management University, obtaining the Executive Master of Business Administration title. She currently acts as Director of the Financial Control, Risk and Compliance Management Office at PKN Orlen S.A., where she manages the work of the financial control, regulatory risk management, compliance management, management systems, corporate risk management, and representative office of PKN Orlen S.A. in Brussels. She has several years of experience acting as an independent member of the Supervisory Board in the banking sector, including 2 companies in the Bank Pekao S.A. Capital Group, including a member of the Nomination and Remuneration Committee. Currently, she is a member of the Supervisory Board in a company from the Orlen Capital Group – Orlen Oil sp. z o.o.. She has many years of experience in managerial positions – she was, inter alia, the Director of the Świętokrzyskie Branch of the Regional Agency for Restructuring and Modernisation of Agriculture (Agencja Restrukturyzacji i Modernizacji Rolnictwa), as well as functions of a member of the Management Board and Director in the sector of non-governmental organisations. Ms Małgorzata Erlich-Smurzyńska is on the list of auditors of the Polish Institute of Internal Control, and holds the Approved Compliance Officer title obtained at the Compliance Institute in Warsaw.</p>	<p><b>Paweł Knop</b></p> <p>Independent Member of the Supervisory Board, graduate of master's studies at the Department of Finance and Accounting of the Cracow University of Economics. He holds the powers of a statutory auditor, which he obtained in the course of auditing the largest entities in Upper Silesia from the automotive, mining, steel, and service industries. Mr Paweł Knop holds the powers of a securities broker and investment advisor. He started his professional career in 2006-2007 in the financial industry – Commercial Union (Aviva), advisory – KPMG, and then banking – Bank Spółdzielczy in Raciborz and Alior Bank S.A. Subsequently, since 2010, he continued his career with Deloitte Polska, where he became a statutory auditor in 2017. In 2013, he joined ING Bank Śląski S.A., where as a finance expert he was responsible for consolidating the capital group of the bank and accounting of the bank and its subsidiaries. Since 2018, he has been associated with Dr Józef Rostek District Hospital in Raciborz, where he is responsible for the supervision and coordination of the budget, results, debt restructuring. He successfully implemented liquidity management and the assumptions of the recovery programme. In the years 2018-2019, he was a member of the supervisory board of Energo-tel S.A., and from 2019 he was the chair of the supervisory board of Przedsiębiorstwo Robót Drogowych sp. z o.o.</p>
<p><b>Artur Kucharski</b></p> <p>Independent member of the Supervisory Board, educated as an engineer with seven years of auditing experience, seven years of consulting experience, and over ten years of supervisory experience. He obtained the ACCA diploma in 1999 and MBA in 2011. He has over 10 years of experience in acting as an independent Member of the Supervisory Board, including nine public companies listed on the Warsaw Stock Exchange. As part of his duties, he chaired Audit Committees in four listed companies, including a bank, and participated in the work of Audit Committees in other companies as a member of the Audit Committee. In addition, he is experienced in serving as a member of the following committees: Risk (bank), Nomination and Remuneration, and Strategy and Development.</p>	<p><b>Filip Majdowski</b></p> <p>Graduate of master and doctoral studies at the Faculty of Law and Administration of the University of Warsaw and member of the board of the Polish branch of the International Fiscal Association. Author of several dozen publications on tax law in Polish and foreign scientific periodicals. Currently, he acts as deputy director at the Supervisory Department I at the Ministry of State Assets. Earlier, for more than 3.5 years, he was Deputy Director at the Department of Tax System at the Ministry of Finance, where, among other things, he represented Poland in various forums of the European Union and the OECD. Before joining the public service, he gained professional experience in tax consultancy companies from the "Big Four" and in the business in the financial sectors.</p>
<p><b>Marek Pietrzak</b></p> <p>Independent Member of the Supervisory Board – legal counsel. Graduate of the Faculty of Law and Administration of the Łazarski University in Warsaw. In 2013, he completed the counsel application in the District Chamber of Legal Counsels in Warsaw and obtained the right to practise the profession. He also completed management and business studies (MBA) at the Warsaw Management University, obtaining the title of Executive Master of Business Administration. He got his post-graduate degree in the field of Accounting and Finance at the SGH Warsaw School of Economics. He has professional experience in public administration, as well as practice in ownership supervision and management of commercial companies, including those with State Treasury shareholding. In his professional practice, he is focused on legal services for business entities. His major specialisation is civil and commercial law, in particular, corporate law and labour law. Mr Marek Pietrzak acts as the Vice -President of the Management Board of KGHM Polska Miedź S.A. and also the Chair of the Supervisory Board at Polskie Radio Regionalna Rozgłośnia w Warszawie, „Radio dla Ciebie” S.A.</p>	<p><b>Dominik Witek</b></p> <p>Member of the Management Board of PZU Zdrowie S.A., graduate of the Faculty of Law and Administration of the University of Rzeszów. He holds the professional title of lawyer and legal counsel. He also completed studies in the area of management and business (MBA) at the Higher School of Business – National Louis University in Nowy Sącz, obtaining the title of Master of Business Administration. Since 2017, he ran his own Lawyer's Office and then Legal Counsel's Office. In the years 2019-2020, he was employed as a legal counsel at ORLEN Południe S.A., where, among other things, he participated in comprehensive legal services of the Company and Companies from ORLEN Południe Capital Group. In addition, he was the Chair of the Supervisory Board in the Sanockie Przedsiębiorstwo Gospodarki Mieszaniowej sp. z o.o., as well as the President of the Management Board, Managing Director of the Sanockie Przedsiębiorstwo Gospodarki Komunalnej sp. z o.o.</p>

Appointed Members of the Supervisory Board shall not engage in activities that are competitive with the Bank and shall not participate in companies that are in competition as partners of civil companies nor be members of bodies

of capital companies or other, competitive legal persons, and shall meet all the requirements laid down in Article 22aa of the Act of 29 August 1997. Banking Law (Dz. U. [Polish Journal of Laws] of 2020, item 1896, as amended).

### Rules governing the Supervisory Board

The Supervisory Board of the Bank acts in particular on the basis of the Act of 29 August 1997 Banking Law (Dz. U. [Polish Journal of Laws] of 2020, item 1896, as amended), the Act of 15 September 2000 Code of Commercial Companies (Dz. U. of 2020, item 1526, as amended) and the Articles of Association and Regulations of the Supervisory Board of the Bank, the content of which is available on the Bank's website. The Supervisory Board exercises continuous oversight of the Bank's activities in all its aspects.

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

- consideration of the Management Board's report on representation expenses, as well as expenditure on legal services, marketing services, public relations services and social communication, or management advisory services,
- assessment of periodic information on internal control,
- examining the report on best practice mentioned in Article 7(3) of the Act on the Principles of Property Management,
- applying to the KNF Board for acceptance of the appointment of two members of the Management Board of the Bank, including the President of the Management Board,
- adopting the Rules of Procedure of the Supervisory Board and approving the Rules of Procedure of the Management Board established by the Management Board of the Bank,
- determination of the rules for remuneration of Members of the Management Board and their remuneration, conclusion, termination, and amendment of agreements with Members of the Management Board, taking into account the principles defined by the General Meeting, in accordance with § 17 (2) (10a) of the Articles, and representation of the Bank in matters between members of the Management Board and the Bank,
- suspending the activity, for major reasons, of particular or all members of the Management Board of the Bank,
- providing opinions on requests of the Management Board for the establishment and for the Bank's accession as member or shareholder to companies and to dispose of shares where such investments are long-term and strategic,
- providing opinions to multi-annual Bank development programmes and Bank's annual financial plans,
- adopting, at the request of the Management Board, the rules governing the creation and use of the funds provided for in the Bank's Articles,
- approving requests of the Management Board of the Bank for acquisition, charge or disposal of real property or interest in real property, or perpetual usufruct, if its value is more than PLN 5,000,000. In other cases, the decision is taken

by the Management Board of the Bank without the need to obtain the authorisation from the Supervisory Board, subject to the matters decided by the General Meeting under § 23a of the Bank's Articles of Association,

- approval of the requests of the Bank's Management Board for making a commitment or dispose of assets, the total value of which with regard to a single entity exceeds 5% of the Bank's own funds,
- exercising supervision over the introduction and monitoring of the management system at the Bank, including in particular, supervising compliance risk management and assessing, at least once a year, the adequacy and effectiveness of that system,
- approval of the rules of conducting internal control and procedures related to the estimation of internal capital, capital management, and capital planning,
- approving the Bank's business strategy, and the rules of prudent and stable management of the Bank,
- approving the Organisational Rules of the Bank and the overall organisational structure of the Bank established by the Management Board of the Bank, adapted to the size and profile of risks taken,
- accepting the overall level of risk taken by the Bank,
- approving the assumptions of the Bank's policy for compliance risk,
- approving the Bank's information policy,
- selection of an auditor,
- approval of the remuneration policy formulated by the Management Board and overseeing its introduction and operation,
- drawing up an annual remuneration report.

#### The following requires the approval of the Supervisory Board:

- conclusion and amendment of a contract for legal services, marketing services, public relations and social communication services, and management consultancy services, if the amount of remuneration for the services provided exceeds PLN 500,000 net, on an annual basis or the maximum amount of remuneration is not provided for,
- conclusion of an agreement for:
  - donations or other agreement with similar effect with a value exceeding **PLN 20 000** or **0.1%** of the sum of assets within the meaning of the Accounting Act of 29 September 1994, determined based on the last approved financial statement,
  - exemption from debt or other agreement having a similar effect with a value exceeding **PLN 50 000** or **0.1%** of the sum of assets within the meaning of the Accounting Act of 29 September 1994

(Ustawa o rachunkowości), determined based on the last approved financial statement.

- subject to § 17 (2) (4) of the Articles of Association, regulation of fixed assets within the meaning of the Accounting Act of 29 September 1994, classified as non-material and legal values, tangible fixed assets or long-term investments, including making contributions to a company or cooperative, if the market value of these assets exceeds **5%** of the sum of assets within the meaning of the Accounting Act of 29 September 1994, determined on the basis of the last approved financial statements, as well as the transfer of these components for use to another entity, for a period longer than 180 days in a calendar year, on the basis of a legal transaction, if the market value of the object of the legal transaction exceeds 5% of the sum of assets, with the proviso that in the case of:

→ rent, lease and other agreements under which asset components are made available to other entities for use against a fee – the market value of the subject of the legal transaction shall be deemed to be equal to the value of payments for:

- **a year** – if handing over of the asset took place under agreements concluded for an indefinite period of time,
- **an entire term of the agreement** – in the case of agreements concluded for a finite period;

→ lend and other agreements under which asset components are made available to other entities for use, free of charge – the market value of the subject of the legal transaction shall be deemed to be equal to the value of payments that would be due if a rent or lease agreement had been concluded, for:

- **a year** – if handing over of the asset took place under agreements concluded for an indefinite period of time,
- **an entire term of the agreement** – in the case of agreements concluded for a finite period;

- subject to § 17 (2) (4) of the Articles of Association, purchase of fixed assets within the meaning of the Accounting Act of 29 September 1994, of a value exceeding:

→ **PLN 100 000 000** or

→ **5%** of the sum of assets within the meaning of the Accounting Act of 29 September 1994, determined based on the last approved financial statement,

- takeover, acquisition, or disposal of shares of another company with a value exceeding:

→ **PLN 100 000 000** or

→ **10%** of the sum of assets in the meaning of the Accounting Act of 29 September 1994, determined based on the last approved financial statement,

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

## Committees of the Supervisory Board

### Audit Committee of the Supervisory Board

In connection with the personnel changes in the composition of the Supervisory Board of the Bank of the 4th joint term, on 3 August 2021, the Supervisory Board of the Bank appointed a new composition of the Audit Committee of the Supervisory Board - Mr Artur Kucharski, Mr Ernest Bejda, Mr Wojciech Myślecki, Mr Marek Pietrzak, and Mr Filip Majdowski.

On 9 August 2021, Mr Wojciech Myślecki tendered his resignation from the Supervisory Board of the Bank effective immediately. In connection with the change of staff in the composition of the Supervisory Board of the Bank's 4th joint term, taking into account the suitability assessment on 29 September 2021 the Supervisory Board appointed Mr Artur Kucharski, Mr Ernest Bejda, Mr Marek Pietrzak, Mr Filip Majdowski, and Mr Mikołaj Handschke as the Audit Committee of the Supervisory Board.

In connection with staff changes in the composition of the Supervisory Board of the Bank's 4th joint term, taking into account the suitability assessments made on 10 December 2021 the Supervisory Board appointed Mr Artur Kucharski, Mr Ernest Bejda, Mr Marek Pietrzak, Mr Filip Majdowski, and Mr Paweł Knop to the Audit Committee of the Supervisory Board.

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

- Mr Artur Kucharski,
- Mr Paweł Knop,
- Mr Marek Pietrzak.

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

Mr Artur Kucharski, Mr Ernest Bejda, Mr Paweł Knop, and Mr Filip Majdowski have been designated as persons with knowledge and skills in the sector in which the Company operates.

**Audit Committee of the Supervisory Board**

Composition of the Committee as at 31.12.2021		Composition of the Committee as at 31.12.2020	
<b>Artur Kucharski</b>	Committee Chair	<b>Artur Kucharski</b>	Committee Chair
<b>Ernest Bejda</b>	Committee Member	<b>Ernest Bejda</b>	Committee Member
<b>Marek Pietrzak</b>	Committee Member	<b>Wojciech Myślecki</b>	Committee Member
<b>Filip Majdowski</b>	Committee Member	<b>Marek Pietrzak</b>	Committee Member
<b>Paweł Knop</b>	Committee Member		

**Activities of the Audit Committee**

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

In the reporting period, 21 meetings of the Audit Committee were held, where topics were discussed such as: financial reporting process, internal control system, risk management systems, internal audit, performing the activities of financial audit. The Audit Committee was kept informed on material topics concerning accounting and financial reporting, controlled and monitored the independence of the statutory auditor and the entity authorised to audit financial statements. As regards monitoring the effectiveness of the internal control system and risk management systems, and internal audit, the Committee received reports from the Audit Department, including information on the results of audits carried out, progress of recommendations implementation, reports on the implementation of the audit plan, assessment report

on the adequacy and effectiveness of the internal control system and the risk management system. Based on reports of the Regulatory Compliance Department, it monitored the compliance risk management system and the control function.

**Nomination and Remuneration Committee of the Supervisory Board:**

Composition of the Committee as at 31.12.2021		Composition of the Committee as at 31.12.2020	
<b>Aleksandra Agatowska</b>	Committee Chair	<b>Aleksandra Agatowska</b>	Committee Chair
<b>Ernest Bejda</b>	Committee Member	<b>Ernest Bejda</b>	Committee Member
<b>Małgorzata Erlich-Smurzyńska</b>	Committee Member	<b>Mikołaj Handschke</b>	Committee Member seconded to temporarily act as the Vice-President of the Management Board
<b>Marek Pietrzak</b>	Committee Member	<b>Marek Pietrzak</b>	Committee Member
<b>Dominik Witek</b>	Committee Member		

During the reporting period, the composition of the Nomination and Remuneration Committee of the Supervisory Board of Alior Bank changed. Due to the staff changes in the composition of the Supervisory Board of the Bank's 4th joint term, on 23 June 2021 Mr Dominik Witek was appointed to the Committee.

Subsequently, due to the resignation of Mr Mikołaj Handschke from the Supervisory Board of the Bank, the Supervisory Board, as at 10 December 2021, appointed Ms Małgorzata Erlich-Smurzyńska to the Nomination and Remuneration Committee of the Supervisory Board.

### Activities of the Nomination and Remuneration Committee of the Supervisory Board

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.

In 2021 the Nomination and Remuneration Committee held 12 meetings, including: carried out the initial assessment of the suitability of individual candidates for the Management Board of the Bank, the second assessment of the suitability of individual members of the Management Board of the Bank, and the assessment of the collective suitability of the Management Board of the Bank. In connection with changes in the composition of the Supervisory Board, the Nomination and Remuneration Committee of the Supervisory Board assessed the original candidates for the Audit Committee, made a recommendation to the Supervisory Board with regard to the composition of the Supervisory Board's committees, and assessed the suitability of the collective Supervisory Board and the Audit Committee. The Committee has issued opinions on changes in the Remuneration Policy, the Policy for the selection and assessment of members of the Management Board and the Supervisory Board, and the classification of positions which are subject to the 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 of the Supervisory Board:

Composition of the Committee as at 31.12.2021		Composition of the Committee as at 31.12.2020	
<b>Ernest Bejda</b>	Committee Chair	<b>Robert Pusz</b>	Committee Chair
<b>Małgorzata Erlich-Smurzyńska</b>	Committee Member	<b>Artur Kucharski</b>	Committee Member
<b>Paweł Knop</b>	Committee Member	<b>Mikołaj Handschke</b>	Committee Member
<b>Artur Kucharski</b>	Committee Member	<b>Ernest Bejda</b>	Committee Member
<b>Dominik Witek</b>	Committee Member		

### During the reporting period, the composition of the Risk Committee of the Supervisory Board changed:

- on 26 May 2021 Mr Robert Pusz resigned from the Supervisory Board of the Bank,
- on 23 June 2021, Mr Dominik Witek was appointed to the Committee and Mr Ernest Bejda was appointed Chair of the Committee,
- on 30 November 2021 Mr Mikołaj Handschke resigned from the Supervisory Board of the Bank,
- on 10 December 2021 Ms Małgorzata Erlich-Smurzyńska and Mr Paweł Knop were appointed to 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.

### Activities of the Risk Committee of the Supervisory Board

The Risk Committee was established on 22 December 2015 by Resolution of the Supervisory Board No. 81/2015 in order to support the Supervisory Board in the scope of ongoing monitoring of the risk management system 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 objectives and tasks of the Risk Committee stem from the Regulation of the Minister of Finance, Funds and Regional Policy of 8th June 2021 on the risk management system and internal control system and remuneration policy in banks (Dz. U. [Polish Journal of Laws] of 2021, item 1045) and from the Banking Law Act.

**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,
- issuing opinions on the risk management strategy at the Bank and analysing information submitted by the Management Board concerning the implementation of this strategy, including periodic reports on capital adequacy, credit, operational, market and liquidity risk, as well as model risk, non-compliance and reputation,
- supporting the Supervisory Board in supervising the implementation of the risk management strategy at the Bank,
- verifying compliance of the price of liabilities and assets offered to customers with the Bank's business model and its risk strategy, and, in the event of non-compliance, submitting proposals to the Bank's Management Board aimed at ensuring that the prices of liabilities and assets are adequate to 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 the scope of ongoing monitoring of the risk management system at the Bank.

During the reporting period, 15 meetings of the Committee took place, including 4 combined meetings of the Risk Committee of the Supervisory Board and the Audit Committee of the Supervisory Board.

During the meetings of the Risk Committee of the Supervisory Board, key issues related to the risk were discussed, in particular concerning: implementation of the risk appetite, capital position of the Bank, quality of the credit portfolio, the largest credit exposures and capital groups, issues related to identification and analysis of key risks from the point of view of the Bank's operations, impact of the COVID-19 pandemic on the Bank's risk, as well as status of implementation of recommendations issued.

As part of the ongoing monitoring of the risk management system at the Bank, the Committee received periodic reports in the area of credit risk, capital ratios, market risk, liquidity, operational risk, model risk, as well as compliance and

reputation risk, which presented the situation of the Bank and significant subsidiaries.

The Committee also dealt with issues related to credit concentration risk, treasury transaction portfolio risk, as well as the results of the review of the adequacy of asset and liability prices. 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 periodical assessment of the mortgage portfolio covered by Recommendation S and the retail exposure portfolio covered by Recommendation T.

The Committee issued opinions and recommended that the Supervisory Board approve key regulations defining the Bank's risk management strategy and policy.

Members of the Management Board and Directors of the Bank's Departments were invited to the meetings of the Committee, depending on the matters discussed, while the Director of the Audit Department and the Director of the Regulatory Compliance Department are permanent participants of the Committee's meetings.

The Committee forwarded its decisions 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 took steps to clarify the reasons for the increased level of risk. Whenever threats were identified, the Committee members pointed to those areas that required additional review and taking appropriate action.

The members of the Committee actively formulated recommendations and advice aimed at increasing the effectiveness of the Bank's risk management system.



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

Composition of the Committee as at 31.12.2021		Composition of the Committee as at 31.12.2021	
<b>Aleksandra Agatowska</b>	Committee Chair	<b>Aleksandra Agatowska</b>	Committee Chair
<b>Artur Kucharski</b>	Committee Member	<b>Ernest Bejda</b>	Committee Member
<b>Filip Majdowski</b>	Committee Member	<b>Mikołaj Handschke</b>	Committee Member seconded to temporarily act as the Vice-President of the Management Board
<b>Dominik Witek</b>	Committee Member	<b>Artur Kucharski</b>	Committee Member
		<b>Wojciech Myślecki</b>	Committee Member

**During the reporting period, the composition of the Bank's Strategy and Development Committee changed due to changes in staff in the composition of the Supervisory Board of the Bank's 4th joint term.**

- On 23rd June 2021, Mr Filip Majdowski and Mr Dominik Witek were appointed as a Member of the Committee.
- On 9th November 2021 Mr Wojciech Myślecki resigned from the Supervisory Board of the Bank,
- On 30th November 2021 Mr Mikołaj Handschke resigned from the Supervisory Board of the Bank,

**Activities of the 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 with regard to issuing opinions and presenting recommendations concerning the Bank's development strategy and recommendations for planned investments with an impact on the Bank's assets to the Supervisory Board.

In accordance with the Committee's Rules of Procedure, adopted by the Supervisory Board, the Committee shall be of an advisory and advisory nature. The tasks of the Bank's Strategy and Development Committee involve providing opinions and presenting the Supervisory Board with recommendations on decisions taken on:

- 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,
- providing opinions on requests of the Management Board of the Bank on the establishment and accession of the Bank as member or shareholder (stockholder) of companies and dispose of shares (stocks) where such investments are long-term and strategic.

Three meetings of the Committee on Strategy and Development of the Bank of the Supervisory Board took place in 2021. Two meetings in Q1 2021 were devoted to updating the "More Than a Bank" strategy for updating the financial forecast and reviewing the directions for development. The Committee positively recommended that the Supervisory Board adopt an update of the "More Than a Bank" strategy and maintain directions adopted in the original strategy - focusing on digitalisation and personalisation, which is to deepen customer relations with the Bank and bind them in day-to-day use of banking services available from the level of applications, also outside financial services. The use of new technologies and the improvement of the credit portfolio were highlighted in order to reduce risk costs. At the same time, a new element has been identified in the strategy, which fits well into the slogan "More Than a Bank" - participation in the green transformation. The third meeting of the Committee in Q2 2021 was devoted to discussing progress in implementing the updated strategy and digitalisation and digitisation in individual and business customer areas.





### Grzegorz Olszewski

Vice-President in charge  
of Management Board works

He is an academic lecturer. At the Łazarski University in Warsaw, he conducts classes in the area of investment products. In 2019-2020, he worked at Bank Pekao S.A., where he was a Member of the Management Board and then Vice President of the Management Board, responsible, among other things, for IT, brokerage services, bancassurance and digital transformation, successfully developing the electronic banking system, e.g. by implementing advanced mobile banking solutions, including PeoPay & PeoPay Kids.

In 2017, he started work at PZU Group, where he was, among other things, the director of the Investment Product Sales Office of PZU Życie S.A. and advisor to the Chair of the Management Board of PZU S.A. He was also the manager of a project which when implemented allowed to launch the first platform in Poland for the sale of passive investment funds in PZU. In 2016, as the Sales and Marketing Director of AgioFunds TFI S.A., he actively developed the fund's investment products.

In 2010, he joined Alior Bank, where he supported the implementation of new, competitive solutions in the field of investment funds, treasury products, and FOREX. In 2012, he took up the position of Director of Sales of Investment Products at the Brokerage Office of Alior Bank, where he carried out, among other things: IPO Alior Bank, promotion of Alior Trader platform and introduction of investment advisory services.

In 2007-2010, he worked at Bank Millennium in the field of retail banking. Grzegorz Olszewski graduated from the: Faculty of Management of the University of Warsaw, where he completed the Executive MBA programme; the Łazarski University in the field of Economics; Polish Open University (currently the Vistula Academy Warsaw) in the field of Financial Management; Bachelor of Arts (B.A.), Finance, Oxford Brookes University.

Grzegorz Olszewski directs the work of the Management Board of the Bank until the KNF Board agrees to appoint him as President of the Management Board of the Bank. He is responsible for managing organisational units of the Bank's Head Office responsible for internal audit, compliance risk management, HR, communication and PR, handling of the Bank's bodies and strategy. He is also responsible for the day-to-day functioning of procedures for reporting breaches of the provisions of law, procedures and business ethics applicable at the Bank, and accepts reports in this regard in accordance with the provisions of the Bank's internal regulations.

## Management Board of the Bank



Composition of the Management Board of the Bank  
as at 31st December 2021\*



### Maciej Brzozowski

Vice-President  
of the Management Board

Responsible for market, liquidity and operational risk management, supervises, inter alia, the Bank's credit policy for individual and business customers and the area of debt collection and restructuring. He has been dealing with banking risks since 1996. He started his professional career at PKO Bank Polski S.A., then he was associated with Kredyt Bank. In 2017-2020, at the National Bank of Poland, as Deputy Director of the Financial Stability Department, he dealt with issues related to the risk and stability of the financial system. His responsibilities also involved cooperation with the European Systemic Risk Board in the area of systemic risk reduction.

The NBP also dealt with issues related to macro-prudential instruments, including capital buffers, and was responsible for analysing new solutions to the CRD IV/CRR package concerning the functioning of banks, the imposition of capital buffers and prudential requirements for credit institutions. Between 2008 and 2012, he held managerial positions in the Risk Assessment Department and the Inspection Department of the in the Polish Financial Supervision Authority, where he was responsible, among other things, for the validation of advanced credit risk models for the calculation of banks' capital requirements, as well as for the area related to banking regulations. Since 1999, he has been dealing with risk issues in Kredyt Bank, where he worked in the Credit Risk Department and Risk Management Department. He participated in operations related to the development of models determining the risk of default for corporate entities and the calculation of capital requirements. A graduate of the Faculty of Management at the University of Warsaw. He has the title of Master of Business Administration of the Centre for Management Development at this university. He delivered lectures on the fundamental issues of financial risk at the School of Social Entrepreneurship and Management in Łódź.

Maciej Brzozowski manages organisational units of the Bank's Head Office responsible for risk management relevant to the Bank's operations.


**Radomir Gibała**

Vice-President  
of the Management Board

Responsible for the financial area of the bank and for the strategy and supervision of subsidiaries. He is an economist and experienced manager with nearly 20 years of national and international practice in implementing projects for the financial sector and professional services, including business development and development and implementation of business strategies. He has very good knowledge of the economic environment and international financial markets.

In recent years, he has been associated with an advisory company Baker McKenzie, where since 2012, as a member of the management committee and a director of business development, he has been responsible, inter alia, for strategic advice, development and implementation of business strategies, improvement of financial efficiency, introduction of organisational changes and development of cooperation with financial institutions. As part of the implemented projects aimed at improving financial efficiency, he was responsible, among other things, for designing and implementing incentive systems, management information systems, managing relations with customers and initiatives increasing the efficiency of cost management and financial flow statement. Between 2005 and 2012, he worked in the advisory company Ernst & Young, where as a manager in the area of financial markets he was responsible for advising entities in individual segments of the financial services sector in Poland. At that time, he carried out, among other things, projects to develop an exit strategy for a financial institution owned by the private equity fund, to develop strategic options for further functioning for a large international banking group and to prepare contingency plans for the leading capital group in Poland.

Previously associated with Bank BPH, where he managed projects in the area of corporate banking, was responsible, among other things, for co-creating the concept of a new corporate customer service model. Graduate of the Finance and Accounting at the Cracow University of Economics and doctoral studies in the field of economic sciences at the Management and Finance College at the Warsaw School of Economics. He also completed the Advanced Management Program (AMP) at the IESE Business School.

Radomir Gibała manages organisational units of the Bank's Head Office responsible for: finance, accounting and financial reporting, auditing and supervision of subsidiaries, and activities in other countries.


**Rafał Litwińczuk**

Vice-President  
of the Management Board

He has gained experience in the field of asset and liability management, foreign exchange, operational risk, interest rate, and sales of products at a number of financial institutions. From July 2018 to November 2021, he was a member of the Management Board of Pekao Bank Hipoteczny, where he supervised the financial area. At that time, he carried out a project for the transfer of mortgage claims within the capital group. In 2016-2018, he worked in the area of arbitration and interest rate at a bank and relations with financial customers, and the project of implementing MIFID II regulation at Credit Agricole Polska S.A. Between 2012 and 2016 he worked at the Pekao Bank Hipoteczny, where, as a Director of the Asset Management Department, Liabilities and Issuance of Pledge Lists, he worked at obtaining long-term financing, was responsible for contacts with investors and their handling, as well as for all treasury operations, hedge accounting, foreign exchange risk, asset and liability management, relations with rating agencies and banking supervision. He was also responsible for servicing the covered bonds programme, changes in the prospectus, contacts with the National Depository of Securities, and compliance with information requirements. In 1997-2012, he worked at Westdeutsche Landesbank Polska, where, as a director of the Treasury Department, he supervised the sale of financial instruments, arbitration, interest rate management, foreign exchange risk, liquidity of the EMEA region, and was responsible for customer relations and services. He also supervised the deposit certificate issue programme and sales to the bank's customers.

From 1995 to 1997, he managed the liquidity and interest rate at ING Bank Śląski. From 1993 to 1995, he worked at the Bank BGŻ, where he concluded interbank transactions, was responsible for the bank's liquidity, interest rate management, and deposit transactions with the bank's customers. A lawyer by training. He graduated from the European University of Law and Administration, did his postgraduate studies at the Faculty of Law of the University of Warsaw, graduated from Executive MBA, and completed doctoral studies in economics at the Institute of Economic Sciences of the Polish Academy of Sciences.

Rafał Litwińczuk manages organisational units of the Bank responsible for products and sales in the scope of retail customers (individuals and micro-enterprises) and brokerage activities.



**Marek Majsak**

Vice-President  
of the Management Board

Mr Marek Majsak is a graduate of the Wyższa Szkoła Biznesu – National Louis University in Nowy Sącz, Department of Entrepreneurship and Management (for Finance Management) and Master of Business Administration - Executive MBA studies at the Management Department of the University of Warsaw. He also holds the Bachelor Art degree from the National Louis University of Chicago.

Since April 2019, Mr Marek Majsak has been Managing Director of the Corporate Customer Department at Bank Pekao S.A. In addition, he was in the Supervisory Board of Pekao Leasing Sp. z o.o. and in the Supervisory Board of Pekao Investment Banking S.A. Prior to the concept of work at Bank Pekao S.A., he was associated with Bank Handlowy w Warszawie S.A. In 2014-2019, he worked as the Director of the Corporate Centre in the Enterprise Banking Division, in 2010-2013 he was Director of Relations in the Large Enterprises Department, and previously worked as a bank advisor in the South Region of the Enterprise Banking Division.

Marek Majsak manages organisational units of the Bank responsible for products and sales within the scope of business customer and treasury activities.



**Jacek Polańczyk**

Vice-President  
of the Management Board

Until his appointment to the Management Board of the Bank, Jacek Polańczyk held the position of the Marketing Department Director at Alior Bank S.A. Previously, he was associated with the fuel and energy sector, he worked in Polska Grupa Energetyczna S.A. and Polskie Górnictwo Naftowe i Gazownictwo SA, where he held, among other things, the position of Marketing Department Director. He has experience in many branches of the law, including commercial company law and tax law, which he acquired at renowned law firms and civil service, working, among others, at the Ministry of State Treasury.

He has a long-standing professional practice in managerial positions. Jacek Polańczyk is a graduate of the Faculty of Law and Administration at the University of Warsaw and the Studies of Management and Marketing of the Warsaw School of Economics, as well as the Studies of Foreign Policy of the Polish Institute of International Affairs. He holds the title of Master of Business Administration from the Senior Management School.

Jacek Polańczyk manages organisational units of the Bank's Head Office responsible for marketing, logistics and purchases.





**Paweł Tymczyszyn**

Vice-President  
of the Management Board

He was the proxy and Director of the Corporate Services Division at Bank Pekao S.A. managing the Legal Department (together with handling companies of the Pekao Group), the Procurement Department, Property Department, Bank Service Department. Previously, he held the position of Managing Director of the Legal Department of Bank Pekao S.A. (together with the service of Corporate Bodies of the Bank and companies of the Pekao Capital Group) and the Managing Director of the Key Restructuring and Debt Collection Department of Bank Pekao S.A.

Paweł Tymczyszyn is a manager experienced in supervision, management, and consultancy. He worked for many entities: large public companies in the banking, retail, insurance, operations, heavy industry, the media market, and advertising, ministries, state agencies, offices, and NGOs.

He is a lawyer with years of practical experience specialising in corporate and regulatory company law, banking and economic law, and mitigating the legal risks of key

credit and financial transactions, mergers and acquisitions, restructuring and debt collection, civil disputes, and the protection of goods or press law.

He co-authored part of the comments on the Banking Law 2022 edition, edited by P. Zapadka and A. Mikos-Sitek (published by Wolters Kluwer) and publications of 2020 and 2021 concerning company law and banking law in the Monitor Prawniczy, Monitor Prawa Handlowego, Przegląd Prawa Handlowego. He is a member of the team for increasing the effectiveness of supervisory boards of the Commission for Ownership Supervision Reform at the Ministry of State Assets of the Republic of Poland and a panellist at various economic conferences.

He received his postgraduate Executive Master of Business Administration degree at the Management Faculty of the University of Warsaw. He is a legal counsel in Warsaw and holds a title of magister of law from the Faculty of Law and Administration of the Jagiellonian University in Krakow.

Paweł Tymczyszyn manages organisational units of the Bank's Head Office responsible for the operational, legal, IT areas and cybersecurity, security, and protection of personal data.

\* 18th November 2021 the Management Board adopted Resolution No 361/2021 of the Management Board of Alior Bank with its registered office in Warsaw on defining the internal division of competences in the Management Board of the Bank approved on 23rd November 2021 by the Supervisory Board of the Bank, and therefore a new division of competences in the Management Board of the Bank took place.

## Composition of the Management Board of the Bank as at 31 December 2020

<b>Iwona Duda</b> Vice-President of the Management Board in charge of managing its affairs	Subordinated areas: HR, marketing and PR, internal audit, compliance risk and reputation risk management, services for governing bodies of the Company, strategy and on-going compliance with procedures for reporting breaches of law as well as procedures and principles of business ethics in force at the Bank.
<b>Maciej Brzozowski</b> Vice-President of the Management Board	Member of the Management Board supervising risk management relevant to the Bank's operations. Until the KNF Board consented to the appointment of Mr Maciej Brzozowski as a Member of the Management Board of the Bank supervising the risk management relevant to the Bank's operations, the supervision over the risk management was exercised by the Management Board of the Bank in gremio.
<b>Mikołaj Handschke</b> Member of the Supervisory Board seconded to temporarily act as the Vice-President of the Management Board	Subordinate areas: finance, accounting and financial reporting, controlling, supervision over subordinates and activity in other countries.
<b>Seweryn Kowalczyk</b> Vice-President of the Management Board	Subordinate areas: legal, security and protection of personal data.
<b>Agata Strzelecka</b> Vice-President of the Management Board	Subordinate areas: operational, IT and cyber security.
<b>Dariusz Szwed</b> Vice-President of the Management Board	Subordinate areas: products and sales as regards individual and corporate customers, treasury activity, brokerage activity.

\* On 4 May 2021 the Bank a decision of the KNF Board of 30 April 2021 to unanimously consent to entrust Mr Maciej Brzozowski with the function of a Member of the Management Board of Alior Bank S.A. supervising risk management relevant to the Bank's operations.

2021 was the year of the fifth joint three-year term of office of the Management Board of the Bank which began in 2020.

**In addition, the composition of the Management Board of the Bank changed between 1 January 2021 and 31 December 2021:**

- On 4 March 2021, in connection with the decision of the KNF Board of 3 March 2021 on consent to the appointment of Ms Iwona Duda as President of the Management Board of the Bank, the Supervisory Board of the Bank adopted a resolution on the appointment of Ms Iwona Duda, former Vice-President of the Management Board, to the position of President of the Management Board.
- 17 March 2021 the Supervisory Board of the Bank adopted a resolution on the posting of Mr Mikołaj Handschke, Member of the Supervisory Board of the Bank, to perform, for the period from 21 March 2021 to 20 June 2021, the activities of Vice-President of the Management Board of the Bank responsible for the area of finance, subject to the possibility of early termination of the secondment.
- On 17 May 2021 the Supervisory Board of the Bank appointed Mr Radomir Gibała (with effect from 14 June 2021) and Mr Jacek Polańczyk (with effect from 17 May 2021) as Vice-Presidents of the Management Board of the Bank. At the same time, in accordance with the resolution of the Supervisory Board of the Bank, as of 13 June 2021, the secondment of Mr. Mikołaj Handschke, a Member of the Supervisory Board of the Bank, to perform the duties of Vice-President of the Management Board of the Bank responsible for the area of finance was completed.
- On 14 October 2021 the Bank received the resignation of Ms Iwona Duda from the function of President of the Management Board of the Bank and from membership in the Management Board of the Bank with effect from 22 October 2021 at 24:00 (end of the day). Ms Iwona Duda also resigned from her mandate as a Member of the Management Board of the Bank with effect from the aforementioned moment.
- 22 October 2021 the Supervisory Board of the Bank adopted a resolution on entrusting the management of the work of the Management Board of the Bank with the Vice-President of the Management Board of Bank Mr Maciej Brzozowski in the period from 23 October 2021 until the appointment of a person designated by the Supervisory Board of the Bank as President of the Management Board.
- On 10 November 2021 the Bank received the resignation of Ms Agata Strzelecka, Mr Seweryn Kowalczyk, and Mr Dariusz Szwed from their functions of Vice-Presidents of the Management Board of the Bank and from the mandates of members of the Management Board of the Bank with effect from 10 November 2021, at 24:00 (end of the day).
- On 10 November 2021 the Supervisory Board of the Bank appointed Mr Grzegorz Olszewski as Vice-President of the Management Board of the Bank with effect from 11 November 2021. In addition, the Supervisory Board of the Bank appointed Mr Grzegorz Olszewski as President of the Management Board of the Bank, provided that the KNF Board has given its relevant consent and as of the date of issuing thereof. At the same time, the Supervisory Board of the Bank entrusted, with effect from 11 November 2021, Mr Grzegorz Olszewski with directing the work of the

Management Board of the Bank until the KNF Board consented to appoint him as President of the Management Board of the Bank.

- On 10 November 2021 the Supervisory Board of the Bank also appointed the following persons as to the Management Board of the Bank and Vice-Presidents of the Bank: Mr Rafał Litwińczuk (with effect from 15 November 2021), Mr Marek Majsak (with effect from 16 November 2021), and Mr Paweł Tymczyszyn (with effect from 11 November 2021).

All Members of the Management Board of the Bank, including members who took up the function of Vice-Presidents of the Management Board of the Bank in 2021, as well as the Member of the Supervisory Board of the Bank seconded in the period from 21 December 2020 to 13 June 2021 to perform the duties of Vice-President of the Management Board of the Bank, they did not perform, during the term of their duties, competitive activity towards the Bank and did not participate in competing companies as partners of civil partnerships, or members of bodies of capital companies or other, competitive legal persons. Appointment Members of the Management Board of the Bank shall meet all the requirements set out in Article 22aa of the Banking Law Act of 29 August 1997 (Dz. U. [Polish Journal of Laws] of 2020, item 1896, as amended).

#### **Appointment and dismissal of senior management**

In accordance with Article 22a (1) of the Banking Law Act of 29 August 1997 (Dz. U. [Polish Journal of Laws] of 2020, item 1869, as amended), the Management Board of Alior Bank consists of at least three Members appointed and dismissed by the Supervisory Board of Alior Bank. § 24 (1) and (2) of the Articles of Association of Alior Bank provides for the appointment of Members of the Management Board for a joint term of 3 years. Under Article 22b (1) of the Banking Law Act, the President of the Management Board and the Member of the Management Board overseeing the management of major risks in the Bank's activity shall be appointed with the consent of the KNF Board. The Supervisory Board shall put forward the motion regarding the consent.

Members of Alior Bank's Management Board are appointed after a selection procedure has been conducted, the purpose of which is to verify and assess the qualifications of candidates and to select the best candidate in accordance with the requirements of the Banking Law Act referred to in Article 22aa of the Banking Law Act. The selection process is conducted in accordance with the Selection and Evaluation Policy of Members of Alior Bank's Management Board and Supervisory Board prepared to meet the requirements set out in the Methodology for assessing the suitability of members of bodies of entities supervised by the KNF Board.

Pursuant to § 25a of the Articles of Association of Alior Bank, Members of the Management Board of Alior Bank were also obliged to meet the requirements referred to in Article 22 of the Act of 16 December 2016 on the Principles of State

Property Management (Dz. U. [Polish Journal of Laws] of 2020, item 735, as amended).

#### **Competencies of the Management Board**

Pursuant to § 27 (1) of the Articles of Association of Alior Bank, the Management Board represents the Bank in relation to third parties and conducts matters not regulated by law or by the provisions of the Articles of Association to the competences of other bodies of the Bank. In particular, the Management Board draws up Alior Bank's development strategy and annual financial plans for Alior Bank S.A.

The Management Board of Alior Bank S.A. operates on the basis of the Regulations of the Management Board of Alior Bank, which determines the organisation of the work of the Management Board and detailed competences of the President of the Management Board.

#### **Pursuant to § 8 (1) of the Rules of Procedure of the Management Board of Alior Bank, the Management Board in the form of a resolution:**

- determines long-term activity plans and strategic goals of the Bank,
- determines short-term and long-term financial plans of the Bank and monitor their execution;
- monitors the Bank's management system, including the risk management and internal control system, taking into account the management reporting system used to control the Bank's operations on an ongoing basis,
- accepts the principles, policies, and regulations regarding the Bank's activities, in particular with regard to prudent and stable management of the Bank, risk, credit and investment activities, asset and liability management, accounting, Bank funds, personnel, and internal control principles,
- determines the amount of the bonus pool for the Bank's employees, and its overall distribution;
- appoints commercial representatives of the Company,
- makes decisions regarding the issue of bonds by the Bank, except for convertible bonds or bonds with pre-emptive rights,
- accepts the take-up, acquisition and disposal by the Bank of shares of companies,
- makes decisions regarding the commitments, disposal of assets, charges on and lease (including rental and leasing) of assets, the combined value of which towards a single entity exceeds one-hundredth of the share capital of the Bank, subject to § 8 (2) of the Rules of Procedure of the Management Board,
- approves the investment plan and accepts each own investment of the Bank (acquisition or disposal of fixed assets or proprietary rights) the value of which exceeds one-hundredth of the share capital of the Bank,

subject to § 8 (2) of the Rules of Procedure of the Management Board,

- approve the organisational structure of the Bank's Head Office, including the establishment and liquidation of the Bank's organisational units,
- decides on the establishment and liquidation of Bank branches,
- takes decisions as to payment to shareholders of dividend advances, upon acceptance of the Supervisory Board,
- accepts all documents presented to the Supervisory Board or to the General Meeting, in the scope of its competence,
- examines other matters submitted thereto by the Supervisory Board, General Meeting, Members of the Management Board, organisational units of the Bank, or any committees or teams established under the Bank's internal regulations,
- makes decisions in all other matters related to the Bank's activities, provided that separate regulations so require or that such decisions may have a significant impact on the financial situation or the image of the Bank,
- exercises corporate governance over the group companies.

Pursuant to § 5 (4) of the Rules of Procedure of the Management Board of Alior Bank, the Management Board of the Bank may, by way of resolutions, appoint permanent or ad hoc committees in order to perform specific functions or coordinate the work of the Bank's organisational units or units. In other matters, pursuant to § 3 (5) of the Rules of Procedure of the Management Board of Alior Bank, each Member of the Management Board shall make their own decisions concerning the subordinated area assigned to it.

The increase or reduction of the share capital, as well as the redemption of shares and the determination of the detailed terms and conditions of such redemption require, pursuant to § 17.2 (5) and (7) of the Articles of Association of Alior Bank, a resolution of the General Meeting.

## Remuneration policy

### Komitet Audytu Rady Nadzorczej

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

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

### Objectives of the Policy:

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

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

#### Main assumptions of the Policy as regards MRTs:

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



**Remuneration of Members of the Management Board and the Supervisory Board of Alior Bank in 2021:**

(in thousands of PLN)	Period	Cash benefits			Share-based payments cleared in cash			(w tys. zł)		Total
		Remuneration paid and payable	Other paid	Remuneration potentially payable	Remuneration paid and payable	Other paid	Remuneration potentially payable	Other benefits	Remuneration charges paid, including ECP	
Maciej Brzozowski	01.01.2021–31.12.2021	831	-	-	-	-	-	20	66	917
Iwona Duda	01.01.2021–22.10.2021	709	-	-	-	-	-	10	60	779
Iwona Duda	15.06.2021–31.12.2021	419	-	-	-	-	-	10	43	473
Mikołaj Handschke <sup>1</sup>	01.01.2021–13.06.2021	343	-	-	-	-	-	5	-	347
Seweryn Kowalczyk	01.01.2021–10.11.2021	728	319	-	3	-	-	17	54	1 122
Rafał Litwińczuk	15.11.2021–31.12.2021	98	-	-	-	-	-	2	3	103
Marek Majsak	16.11.2021–31.12.2021	96	-	-	-	-	-	3	3	102
Grzegorz Olszewski	11.11.2021–31.12.2021	110	-	-	-	-	-	-	4	114
Jacek Polańczyk	17.05.2021–31.12.2021	482	-	-	-	-	-	12	23	517
Agata Strzelecka	01.01.2021–10.11.2021	742	319	-	14	-	-	17	65	1 157
Dariusz Szwed	01.01.2021–10.11.2021	724	232	-	-	-	-	17	61	1 034
Paweł Tymczyszyn	11.11.2021–31.12.2021	106	-	-	-	-	-	-	3	110
Zarząd Banku	01.01.2021–31.12.2021	5 388	871	-	18	-	-	113	385	6 775
Członkowie Zarządu, którzy przestali pełnić swoje funkcje w poprzednich latach			160	575	-	64	-	-	-	47
<b>Total</b>			5 548	1 445	82	-	-	113	433	7 621

<sup>1</sup> Remuneration for the period of being seconded to act as the Vice-President of the Bank's Management Board.

**Remuneration of Members of Alior Bank's Supervisory Board in 2021 (in thousands of PLN)**

	Period	Remuneration	Remuneration charges paid <sup>1</sup>	Total
Aleksandra Agatowska	01.01.2021-31.12.2021	-	-	-
Ernest Bejda	01.01.2021-31.12.2021	-	-	-
Małgorzata Erlich-Smurzyńska	01.12.2021-31.12.2021	16	3	18
Mikołaj Handschke <sup>2</sup>	14.06.2021-30.11.2021	115	18	133
Paweł Knop	01.12.2021-31.12.2021	16	3	18
Artur Kucharski	01.01.2021-31.12.2021	203	22	225
Filip Majdowski	28.05.2021-31.12.2021	107	8	115
Wojciech Myślecki	01.01.2021-09.08.2021	113	18	131
Marek Pietrzak	01.01.2021-31.12.2021	187	25	212
Robert Pusz	01.01.2021-26.05.2021	85	17	102
Dominik Witek	28.05.2021-31.12.2021	-	-	-
<b>Total</b>		841	113	954

The remuneration does not include reimbursement for expenses.

<sup>1</sup> Remuneration overhead paid, including ECP.

<sup>2</sup> Without taking into account the remuneration for the period of being seconded to act as the Vice-President of the Bank's Management Board.

### Agreements with Members of the Management Board

Agreements with Management Board Members, in accordance with the resolution of the Extraordinary General Meeting of Shareholders of the Bank of 5 December 2017 on the principles of remunerating Management Board Members, and with the regulations adopted by the Supervisory Board, are:

- agreements for the provision of services corresponding to the Act of 9 June 2016 on the rules of remuneration of executives of certain companies (Ustawa z 9 czerwca 2016 r. o zasadach kształtowania wynagrodzenia osób kierujących niektórymi spółkami),
- agreements entered into for the term of service in the Management Board,
- agreements with termination notice of:
  - one month, if the Member of the Management Board holds the function for less than 12 months with effect at the end of the calendar month,
  - three months, if the Member of the Management Board holds the function for at least 12 months.
- with severance pay at three times the fixed pay if the agreement is cancelled or if terminated by the Bank otherwise than for breach of core responsibilities by the Member of the Management Board, provided that the Member of the Management Board has held the function for at least 12 months prior to cancellation of agreement,
- with a non-competition clause on the basis of which a Member of the Management Board undertakes that after the termination of the agreement, provided that the Member of the Management Board performs

their functions for at least 3 months, within 6 months from the date of cessation of their duties or termination of the agreement, they shall not engage in any competitive activity, and therefore they shall be entitled to compensation in the total amount calculated as 6 times the monthly fixed salary.

### Diversity policy

The Bank has a management and staff diversity policy in place, and includes basic elements of diversity policy in staff policy.

“Policy of selection and assessment of members of the Management Board and Supervisory Board of Alior Bank S.A.” emphasises the importance of diversity of education, professional experience, age and gender of members of the Management Board and Supervisory Board. In assessing the diversity of members of the Management Board and the Supervisory Board in terms of their education and professional experience, account shall be taken in particular of criteria such as: place of education or professional experience, education profile, field of study, specialisation in a specific field, type of entities where the candidate was or remained employed or trained. When selecting the members of the Management Board and the Supervisory Board, the Bank shall be guided primarily by the need to ensure appropriate competences in the Bank’s bodies, and the increase of the degree of diversification shall not be detrimental to the functioning and suitability of the bodies as a whole or at the expense of the suitability of individual members.

Alior Bank informs about the participation of women and men respectively in the Management Board and in the Supervisory Board of the Bank in the last five years. In 2017-2021, the participation of women and men in the aforementioned statutory bodies of the Bank is as follows:

Management Board of Alior Bank					
	31/12/2017	31/12/2018	31/12/2019	31/12/2020	31/12/2021
Female	3	1	1	2	0
Male	3	6	6	4	7

Alior Bank's Supervisory Board					
	31/12/2017	31/12/2018	31/12/2019	31/12/2020	31/12/2021
Female	1	1	0	1	2
Male	7	7	7	6	6

In line with the provisions of the Policy of Working Environment Free from Undesirable Behaviour, rules in force at the Bank pertain to: counteracting mobbing and harassment, equal treatment of employees irrespective of their sex, age,

disability, race, religion, nationality, political opinions, trade union membership, ethnic origin, beliefs, sexual orientation, employment for a definite or indefinite period, full-time or part-time employment, etc.

# 14

DISPUTES

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## XIV. Disputes



None of the single proceedings pending in 2021 before courts, arbitration authorities competent for the arbitration proceeding, or public authorities, as well as all of them combined do not pose liquidity risks to the Bank. The proceedings which are material in the view of the Management Board of the Bank are presented below:

- case brought by a customer (limited company) for the payment of **PLN 109 967 000** for damages incurred in connection with entering into and settlement of Treasury deals. The action of 27 April 2017 brought against Alior Bank S.A. and Bank BPH S.A. According to the Bank, there are no justified factual and legal grounds for the action, and the likelihood of outflow of funds is negligible,
- The Bank, as part of its activities as part of a separate organizational unit - Biuro Maklerskie Alior Bank SA, in the years 2012 - 2016 conducted activities in the field of distribution of certificates of participation in investment funds: Inwestycje Rolne Fundusz Inwestycyjny Zamknięty Aktywów Niepublicznych, Inwestycje Selektywne Fundusz Inwestycyjny Zamknięty Aktywów Niepublicznych, Lasy Polskie Fundusz Inwestycyjny Zamknięty Aktywów Niepublicznych and Vivante Fundusz Inwestycyjny Zamknięty Aktywów Niepublicznych (hereinafter collectively referred to as „Funds”). The bank distributed over 250 thousand investment certificates of the Funds.

On 21 November 2017, the Polish Financial Supervision Authority („PFSA”) issued a decision to withdraw the permit to operate by FinCrea TFI SA, which is the managing body of the Funds. The Polish Financial Supervision Authority justified the issuance of a decision found in the course of administrative proceedings for gross violations of the provisions of the Act on investment funds and management of alternative investment funds. The decision was immediately enforceable. No society has decided to take over the management of the Funds, which, pursuant to Art. 68 sec. 2 in connection with joke. 246 paragraph. 1 point 2 of the Act on Investment Funds and Management of Alternative Investment Funds was the reason for the dissolution of the Funds. The dissolution of an investment fund takes place after liquidation.

The Funds are currently being liquidated by the custodian, Raiffeisen Bank International AG, based in Vienna. The liquidation of an investment fund consists in selling its assets, collecting the fund's receivables, satisfying the fund's creditors and redeeming participation units or investment certificates by paying the funds obtained to fund participants, in proportion to the number of participation units or investment certificates they have (Article 249 (1) of the Act. on investment funds and management of alternative investment funds). From the day of commencement of liquidation, the investment fund may not sell units or issue investment certificates, as well as buy

back participation units or redeem investment certificates and pay out the fund's income or revenues (Article 246 (3) of the aforementioned Act).

### Claims for payment

The Bank is defendant in 59 cases brought by the buyers of the Fund's investment certificates for payment (compensation for damage). The total value of the dispute in these cases is **PLN 23 432 thousand**.

The final value of the investment certificates of the Funds will be determined after the completion of the liquidation. Due to the above, in the opinion of the Bank, until the liquidation of the funds is completed, all (existing and future) claims for payment are groundless. The Bank assumes that the probability of the outflow of funds due to the above-mentioned lawsuits is estimated at less than **50%**, therefore, as at 31 December 2021, the Bank did not create provisions with respect to these lawsuits.

### Liability claims

The Bank is the defendant in 1 collective action brought by a natural person - a representative of a group of 84 natural and legal persons, for determination of the Bank's liability for damage and in 3 individual cases for establishing the Bank's liability for damage.

The class action was filed on 5 March 2018 against the Bank to determine the Bank's liability for damage caused by the Bank's improper performance of disclosure obligations towards customers and the improper performance of contracts for the provision of services for accepting and transmitting orders to purchase or sell Fund investment certificates. The court decided to hear the case in class proceedings. By letter of 15 July 2021, the claim was extended to a group of another **283** people. At the same time, 14 people declared their withdrawal from the group. The court did not issue a decision on the composition of the group.

The lawsuits were filed to establish liability (not for payment, i.e. compensation for damage), therefore the Bank does not anticipate any outflow of cash from these proceedings, other than litigation costs, the amount of which the Bank estimates at **PLN 600 thousand**.

- By decision of 6 August 2019 issued pursuant to Article 167 (2) (1) in conjunction with Article 167 (1) (1) of the Trading in Financial Instruments Act, the KNF Board imposed a fine on the Bank at PLN 10,000,000. (the fine has been repaid). The proceeding was related to the operational irregularities of Alior Bank and the Brokerage House of the Bank for the distribution of investment certificates of funds previously managed by Fincrea TFI S.A., now Raiffeisen Bank

International AG (joint-stock company) Branch in Poland. The Bank motioned to the KNF Board for reconsideration of the case. Upon reconsideration, the KNF Board, by decision of 3 December 2019, sustained its original decision. On 3 January 2020, the Bank appealed against that decision to the Voivodeship Administrative Court in Warsaw. On 17 June 2020 the Voivodeship Administrative Court (WSA) in Warsaw issued a judgment in which it annulled the decision of the KNF Board of 3 December 2019 maintaining the previous decision of the KNF Board of 6 August 2019 on imposing two financial penalties on the Bank in the total amount of **PLN 10 million** and discontinued the proceedings conducted by the KNF Board in this case. The KNF Board filed a cessation appeal with the Supreme Administrative Court in Warsaw (NSA). As at the date this report, the Supreme Administrative Court has not examined the above-mentioned complaint.

- By virtue of decision of 15 January 2019, pursuant to Article 167.2.1 in conjunction with Article 167.1.1 of the Act of 29 July 2005 on trading in financial instruments (consolidated text: Dz. U. [Poland's Journal of Laws] of 2020, item 89, as amended; Act on Trading), in the wording in force before the entry into force of the Act of 5 August 2015 on macro-prudential supervision over the financial system and crisis management in the financial system (Dz. U of 2015, item 1513), the PFSA imposed a fine on the Bank totalling **PLN 6 million** arising from a failure to conclude an outsourcing agreement with a business partner in the field of handling transactions on the OTC Forex market (Article 81a. 1 of the Act on Trading in the wording in force before the entry into force of the Act of 1 March 2018 amending the Act on trading in financial instruments and other certain acts (Dz. U. of 2018, item 685)) and from collecting cash benefits from the counterparty in breach of the provisions governing the collection of cash benefits as part of brokerage activities (§ 8.2 of the Regulation of 24 September 2012 on the procedure and conditions of investment firms, banks referred to in Article 70.2 of the Act on trading in financial instruments, and custodian banks (Dz. U. of 2015, No. 878, as amended)). The breaches concerned were identified as a result of an inspection carried out by the Polish Financial Supervision Authority in 2013. The Bank moved to the PFSA for reconsideration of the case. Having reconsidered the case, the PFSA, in its decision of 30 April 2021, repealed the original decision and imposed on the Bank a fine of **PLN 5.4 million** arising from the same breaches as in the original decision. The decision was appealed against to the Voivodeship Administrative Court in Warsaw, which dismissed the complaint. In January 2022, the Bank filed a cassation complaint. The decision of the Polish Financial Supervision Authority does not affect the operations of the Bank, which put into place the changes expected by the supervisory body immediately after the 2013 post-inspection recommendations were issued.

The value of disputed claims amounted to **PLN 359 873 thousand** as at the end of 2021 and **PLN 354 899 thousand** as at the end of 2020. The value of provisions for disputed

claims amounted to **PLN 41 530 thousand** as at the end of 2021 and **PLN 47 534 thousand** as at the end of 2020.

#### Cases related to the activity of subsidiaries of Alior Bank S.A.

On 26 June 2019, Alior Leasing sp. z o.o. received a lawsuit in which the dismissed by Supervisory Board on 20 December 2018 members of the Management Board claim for payment of compensation in the amount of PLN 0.6 M. On 11 August 2021, the District Court in Wrocław dismissed the claim for severance pay. The judgment is not final. The Management Board of Alior Leasing sp. o.o. is of the opinion that the risk being recognized it by the court is a low.

In December 2021, the Bank and the leasing company received another (new) summons from the former members of the Management Board of Alior Leasing sp. z o.o. to an ad hoc arbitration court at the Polish Chamber of Commerce in Warsaw for a management option scheme, the summons was based on the same factual and legal circumstances as the previous ones.

Bearing in mind the legal opinions issued in this case, the Group is of the opinion that the chances effective recovery of their rights under the management option scheme by the dismissed Management Board members are low. The company's position is based on legal opinions obtained by the Company's Management Board. The above circumstances justify not creating provisions in this respect in the Group's financial statements.

Alior Leasing sp. z o.o identifies the possibility of claims by external entities in connection with the activities of some former employees and associates of the company. As at the date of this financial statements, claims in this respect were not reported. In the Group's opinion, there are no circumstances justifying the creation of a provision on this account.

The Group will not reveal further information regarding the above-indicated possible claims, in order not to weaken his future position in a potential dispute or administrative proceeding.



# 15

## AUDITOR INFORMATION

- Entity authorised to audit financial statements
- Compensation for the auditor

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## XV. Auditor information



### Entity authorised to audit financial statements

By resolution of February 22nd, 2021, the Supervisory Board of the Bank accepted the recommendation of the Audit Committee of the Supervisory Board of Alior Bank S.A. and thus selected KPMG Audyt Spółka z ograniczoną odpowiedzialnością sp.k. with its registered office in Warsaw, at 4a Inflancka St. (KPMG) as auditor of annual and semi-annual financial statements of Alior Bank S.A. and Alior Bank S.A. Group for 2021 to 2023.

### Policy for the selection of the entity authorised to audit and review financial statements in Alior Bank and the Policy of the provision by audit firm, its affiliates and a member of the audit firm network of admissible services not being an audit in Alior Bank S.A.

The main objective of the Policy for the selection of the entity authorised to audit and review financial statements in Alior Bank S.A. is to ensure the adequacy and legal compliance, including to avoid any conflict of interest when selecting the audit firm. The Bank is guided by the principles consistent with business ethics, aiming at transparent relations with the counterparty. The Policy defines the rules of proceeding when selecting the audit firm. The selection is conducted taking into account the principles of impartiality and independence of the auditor company and the analysis of the work conducted by it at the Bank. Differences of opinions for the application of accounting policies or auditing standards are not sufficient to terminate the financial statements auditing agreement. Rules for the rotation of the audit firms and of the key auditor, including any waiting periods are defined.

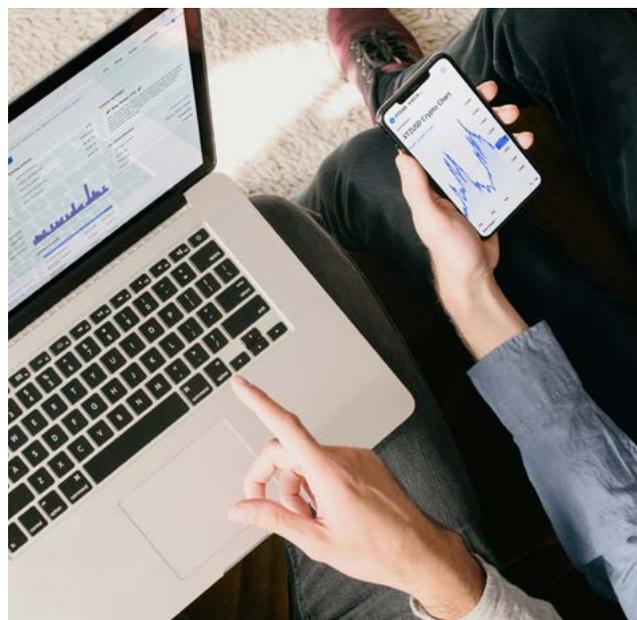
The main objective of the Policy of the provision by audit firm, its affiliates and a member of the audit firm network of admissible services not being an audit in Alior Bank is to control and monitor the independence of the audit firm and of the independent auditor, including to avoid any conflict of interest. The Policy allows for the provision of admissible services mentioned in Article 136(2) of the Act of 11 May 2017 on statutory auditors, audit firms and public supervision. The provision of admissible services is possible only to the extent unrelated to the Bank's taxation policy, following the analysis of independence, and giving the consent to provide them.

The recommendation on the selection of the audit firm to conduct the audit of financial statements was prepared

as a result of a structured selection procedure that meets the mandatory criteria.

In financial year 2021, 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 entity authorised to audit financial statements, conducting the audit of annual financial statements of Alior Bank Group and annual financial statements of Alior Bank S.A. was selected in accordance with legal provisions. That entity as well as statutory auditors conducting the audit of those statements have met the requirements for being able to express their impartial and independent opinion on the audited interim financial statements of the Bank Group and financial statements of the Bank, in accordance with the applicable legislation and professional standards.



### Management Board's Notice prepared under § 70(1)(7) of the Ordinance of the Minister of Finance of 29 March 2018 on current and periodic notices ... (Journal of Laws 2018, item 757)

The Management Board of the Bank hereby notifies, based on the statement of the Supervisory Board of the Bank of February 18th 2022, that an audit firm to audit annual financial statements has been selected in accordance with

legislation, including with regard to the selection and the procedure of selection of the audit firm and that:

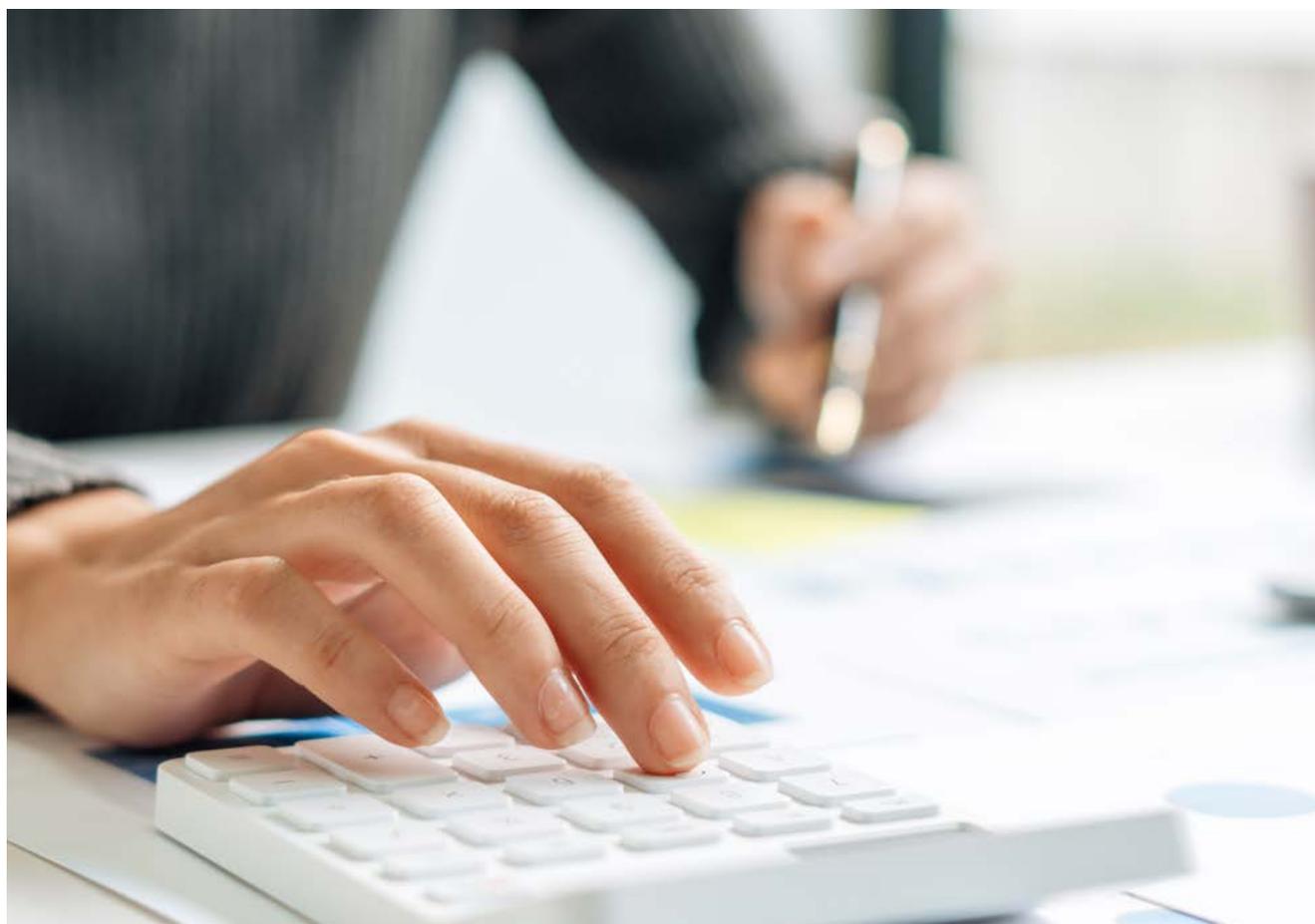
- the audit firm and the members of the team conducting the audit have met the requirements for being able to prepare their impartial and independent report on annual audit of financial statements in accordance with the mandatory legislation, professional standards and principles of professional ethics,
- the mandatory legislation related to the rotation of the audit firm and of the key independent auditor as well as the mandatory waiting times are complied with,

The Bank has in place a policy for the selection of the audit firm and a policy for the provision to the company by an audit firm, and affiliate thereof, or a member of its network of additional services other than auditing, including services conditionally exempted from the prohibition of provision by the audit firm.

### Compensation for the auditor

The net compensation of the Bank's auditor, KPMG Audyt Spółka z ograniczoną odpowiedzialnością sp.k. for 2020 and 2021 is presented in the table below:

	2021	2020
Auditing of the standalone and consolidated financial statements of Alior Bank	866 000	784 000
Review of the Financial Statements	470 000	546 000
Verification of consolidation packages	124 000	60 000
Other attestation services	55 000	175 000
Auditing and other attestation services performed for subsidiaries of Alior Bank	340 000	361 000
<b>Total</b>	<b>1 855 000</b>	<b>1 926 000</b>



# 16

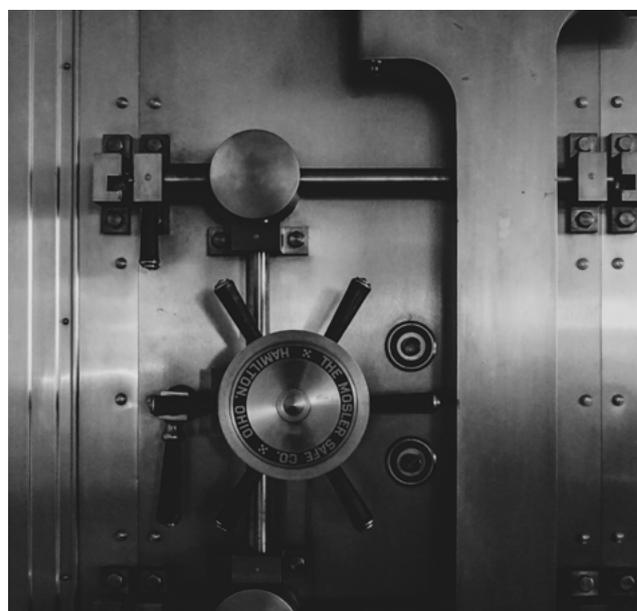
REPRESENTATIONS OF THE MANAGEMENT BOARD

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## XVI. Representations of the Management Board

**The Management Board of Alior Bank S.A. hereby represents that:**

- to the best of its knowledge, the Consolidated financial statements of the Alior Bank S.A. Capital Group and Financial statements of Alior Bank S.A. for 2021 and the comparative data were prepared in compliance with the applicable accounting policies and provide a true, fair and clear view of the assets and financial standing of the Bank and the Alior Bank S.A. Capital Group and their financial result,
- the Report on the operations of the Management Board of the Alior Bank S.A. Capital Group for 2021 presents a true image of growth, achievements and circumstances (along with a description of primary threats and risks) related to the Alior Bank Capital Group in 2021,
- internal policies, procedures, and regulations adopted at the Bank are developed, adopted and implemented in accordance with adopted internal legislation rules and monitor their compliance.



### Signatures of all Members of the Management Board

Date	31.12.2021	Signature
01.03.2022	Grzegorz Olszewski - Vice President of the Management Board directing the operations of the Management Board	Signed with a qualified electronic signature
01.03.2022	Maciej Brzozowski - Vice-President of the Management Board	Signed with a qualified electronic signature
01.03.2022	Radomir Gibała - Vice-President of the Management Board	Signed with a qualified electronic signature
01.03.2022	Rafał Litwińczuk - Vice-President of the Management Board	Signed with a qualified electronic signature
01.03.2022	Marek Majsak - Vice-President of the Management Board	Signed with a qualified electronic signature
01.03.2022 r.	Jacek Polańczyk – Vice-President of the Management Board	Signed with a qualified electronic signature
01.03.2022 r.	Paweł Tymczyszyn – Vice-President of the Management Board	Signed with a qualified electronic signature

