

REPORT OF THE MANAGEMENT BOARD

ON THE ACTIVITIES OF ALIOR BANK S.A. CAPITAL GROUP IN 2022

**INCLUDING THE REPORT OF THE MANAGEMENT BOARD
ON THE ACTIVITIES OF ALIOR BANK S.A.**

This version of our report is a translation from the original, which was prepared in Polish language. All possible care has been taken to ensure that the translation is an accurate representation of the original. However, in all matters of interpretation of information, views or opinions, the original language version of our report takes precedence over this translation.

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I. Letter of the President of the Management Board

Dear Sir or Madam,

2022 required great amounts of efficiency and responsibility from us. After the pandemic period, the period of the worldwide struggle with the effects of COVID-19 and the huge uncertainty related to the global epidemic safety, we were shocked by further tragic events. The past year was primarily marked by the war in Ukraine. Russia's brutal invasion of Ukraine last February turned the world we knew upside down. These events influenced the socioeconomic situation of both Poland and the world. They gave rise, including but not limited to rising inflation, which in turn, viably affected the financial decisions of our customers as well as the functioning of the business sector.

As Alior Bank, we were actively responding throughout the year to subsequent challenges, including one-off events, such as "credit holidays", which had a significant impact on the Bank's financial results. Despite these unfavourable circumstances, Alior Bank achieved an extraordinary result for 2022, which, adjusted for one-off events, was record-breaking in the history of the Bank. As far as we are concerned, this is a clear sign that we choose the right path to follow in terms of development and crisis response. Our efforts were appreciated. In the "Best Bank 2022" competition held by *Gazeta Bankowa*, Alior Bank was ranked 1st in the category of small- and medium-sized commercial banks.

Our activity laid focus on adapting the offer to the current market situation and customer expectations. In consideration of growing prices on the mortgage market, we developed new loan proposals that render it possible to take advantage of preferential terms for financing real properties in the Warsaw and Krakow agglomerations. At the same time, our product portfolio was expanded to include a new mortgage loan *Lekki Start*. Furthermore, we were the first bank to implement the government programme *Mieszkanie bez wkładu własnego*.

To address the hardships of the economic environment, we regularly increased the interest rate on deposits for retail customers. Customer trust is evident in the growing number of *Konto Jakże Osobiste* [Highly Personal Account] accounts, which in the fourth quarter were greater by 25% than in the same period a year earlier.

As regards the new solutions that help customers manage their funds, it is worthwhile to mention two innovative services. *Moje Rachunki* helps in paying invoices and managing the household budget. All it takes is to log in to the service provider once in order to gather all invoices in one place – in Alior Bank mobile application. Last December witnessed our first customers using the innovative service – "Alior Pay". This is the first service in the banking sector that allows for deferring for 30 days and then spreading out already done payments by instalments not only of online transactions but also those made by card, BLIK, ATM or by transfer from an account at Alior Bank. In addition, "Alior Pay" allows for deferring fixed accounts. This is yet another step towards greater personalisation of services. In 2022 again, we reaffirmed our position as an expert in providing customers with useful and innovative digital solutions.

One of the fundamental pillars of our activity is digital development and digitisation. We have been constantly implementing new tools to build Alior Bank's position as a leader in this segment. We have improved online channels for individual and business customers which, in the long run, will result in maintaining key indicators: ROE, COR, and C/I at a satisfactory level. We build these tools in reliance on the analysis of actions and hyperpersonalisation. We are still working on artificial intelligence tools – our voicebot *InfoNina* will also appear in the chat, offering customers support in the form of a text conversation. It is worth mentioning at this point that *InfoNina* won the main prize in the Retail Banker International Global Awards competition.

Last year was also another milestone in the development of the Alior Mobile app. We broke the barrier of 1 million users. We are following the right path towards achieving our goal of promoting remote banking and providing customers with non-financial services and solutions. Thanks to them, our mobile application provides end-to-end support for the daily functioning of customers, also in a context that goes far beyond offering banking products.

With 250 thousand business customers, we focused on long-term relationships, an effective credit process and advanced technology. We increased the share of loans granted in the automatic process. In the micro-enterprise segment, it is already 98%, and 45% of instructions submitted by small-, medium- and large-sized enterprises are processed online. We systematically expanded our offer to include new, innovative solutions. Examples are a quick online application whereby sole proprietors may open a company account in just 2 minutes from confirming their identity, or the *MasterCard z Plusem* corporate debit card with a package of attractive discounts. Our actions brought a positive impact on the risk profile and allowed for the safe and stable building of the profitability of the portfolio of business customers, e.g. based on industry competencies.

If it were not for the committed employees of Alior Bank, development in each of these areas would not have been possible. We are extremely happy to be awarded by the British daily "Financial Times", which in December last year presented the results of the latest ranking of European institutions that stand out with diversity in the work environment. We were ranked 22nd in the "Banking and Financial Services" category. This was the highest position among companies from the Polish banking sector included in the list. We were also recognised with the "Trustworthy Employer" award. This title is given to those companies that reach for interesting and effective solutions in their employee policy as well as actively address the needs of the changing world.

The spontaneous, employee actions related to helping refugees from Ukraine resulted in introducing systemic solutions regarding volunteer actions. Consequently, each employee can use 16 hours of volunteering in a given calendar year, while retaining the right to remuneration.

In 2022, we also supported numerous important social initiatives. Thanks to this, the so-called *Dzień na U* appeared in the calendars of Alior Bank employees. It allows for an extra day of leave, during which we encourage you to perform the most important check-ups, including ultrasound. We launched development projects, such as reskilling and internship programmes, Leader Power for managers as well as access to educational platforms for employees.

I can say without any doubt whatsoever that last year was very difficult and abundant in challenges. However, I can confirm with satisfaction and pride that despite the demanding environment, we once again maintained a stable position on the market and continued to develop key areas, such as positive customer experience and the Bank's transformation. I am more than sure that the coming month will witness us effectively utilising the experience gained in recent years and improving our key indicators, thus once again achieving record-breaking results.

The greatest asset and strength of Alior Bank rest with the people who make it up. I do invariably appreciate their commitment and willingness to jointly build an organisation that is an important player both in the financial

sector and, above all, for its customers. We find their satisfaction as one of the most important values, to which we respond every day at Alior Bank. This is clearly visible in the results of the commitment survey carried out in December. The commitment rate reached 56% and this is a significant increase – by as much as 23% year-over-year.

Having such a team, not only are we able to react quickly to unexpected situations and events, but above all, to adopt and pursue further ambitious plans and goals.

Best regards,

A handwritten signature in black ink, appearing to read 'Grzegorz Olszewski', with a long horizontal flourish extending to the right.

Grzegorz Olszewski

President of the Management Board of Alior Bank S.A.

II. Letter of the Chairman of the Supervisory Board

Ladies and Gentlemen,

yet another year is behind us. The past 2022 was abundant in unexpected events that exerted a significant, yet – unfortunately – negative impact on the social and economic situation. Irrespective of the difficult macroeconomic environment, Alior Bank employees should feel satisfied. They responded promptly to emerging challenges. This concerns both the retail customer and business customer sectors, where they implemented further innovative services and products. These actions resulted in positive business results. Financial results for 2022 – although burdened with the cost of “one-off events”, were at a very high level. This is a good summary of the past year as well as it heralds a positive outlook for the future.

Nevertheless, we will recall 2022 primarily as the time marked by Russia's brutal aggression against Ukraine and the geopolitical consequences it entails. As for Alior Bank, this situation forced us to quickly adapt our actions to reality as it changes dynamically. The first and most important task was to maintain the continuity of the Bank's operations. We all do remember the emotional behaviour of customers of many banks who, concerned about the situation beyond our eastern border – often under the influence of enormous stress, made decisions regarding their funds deposited in banks. Employees of our branches had to rationalise these emotions as well as guarantee the uninterrupted operation of Alior Bank. And they performed this task perfectly.

Since the very first day of the war, aid actions focused on three areas: voluntary, service and systemic. Our employees volunteered at refugee assistance points. On this occasion, it is worthwhile to note that the Bank, as a workplace, facilitated combining professional activity with social commitment. We also helped as an institution that desired to make it as easy as possible for refugees to access banking services. Hence the rapid adaptation of the offer and banking systems for hundreds of thousands of refugees from Ukraine. Alior Bank instantaneously translated the mobile application and website into Ukrainian. Further, we prepared an attractive offer of products and services for citizens of Ukraine.

In order to solve social problems in a systemic way, the Management Board of the Bank decided to temporarily transfer over a dozen real properties located throughout Poland to local governments, which will be used for providing end-to-end assistance to refugees. The total area of these commercial premises is almost 12 thousand sqm. Mid-2022 saw the establishment of a comprehensive Alior Bank Help Centre in Warsaw, at 25a Towarowa Street – the location of the former Bank's head office. Not only does it offer psychological, professional and educational support, but also childcare, remote learning positions as well as material assistance for Ukrainian citizens. The partners of this project are Caritas Polska, the Capital City of Warsaw and UNICEF. Number-wise, 11,683 children and 8,504 adults benefited from the support provided there.

What is impressive – Alior Bank's actions are also appreciated abroad. Thus far, 25a Towarowa Street has been visited by Linda Thomas-Greenfield, US Ambassador to the United Nations and Dr Rashed Mustafa Sarwar, head of UNICEF in Poland. We also hosted Priyanka Chopra – one of the leading stars of Indian cinema and

UNICEF goodwill ambassador. We also remain in contact with representatives of the Embassy and Consulate of Ukraine in Poland, and this renders it possible to adapt assistance to the current needs of refugees.

Furthermore, we donated material aid: modern heart monitors for one of the hospitals in Ukraine, as well as trucks and buses used by Caritas Polska for aid activities for Ukraine. The latter project was an initiative of Alior Leasing.

Those owners of companies from Ukraine forced to run their companies from Poland could also count on help and an offer adequate to their situation. Thanks to the solidarity and responsible attitude of the Alior Bank team, we provided favourable conditions for the continuation of their operations. In addition to the implementation of the Ukrainian language on the website and helpline, we also created products addressed directly to business owners. This is what modern banking stands for – a dynamic response to the changing environment and its needs.

The hitherto experience shows that Alior Bank is an efficient institution that can quickly and flexibly adapt to changes. Last year fully confirmed that the people working here are committed, passionate and willing to develop, and they form an ambitious and modern organisation. On behalf of the Supervisory Board, I would like to sincerely thank the Management Board and all employees for their daily work, professionalism, and building a friendly environment. It is them who make Alior Bank effectively achieve its goals and maintain a stable market position and operational capacity, thus ensuring the trust of customers, partners and investors. The challenges we have faced in recent years prove that Alior Bank and its employees want to be responsible for the world around us.

Kind Regards,

A handwritten signature in black ink, appearing to read 'Filip Majdowski', written in a cursive style.

Filip Majdowski

Chairperson of the Supervisory Board of Alior Bank

III. Summary of activities of Alior Bank in 2022

Despite the radically changed macroeconomic conditions associated with the war in Ukraine, the general increase in prices in the economy causing an increase in operating costs and the occurrence of one-off events (including the cost of joining to the Institutional Protection System and “credit holidays”):



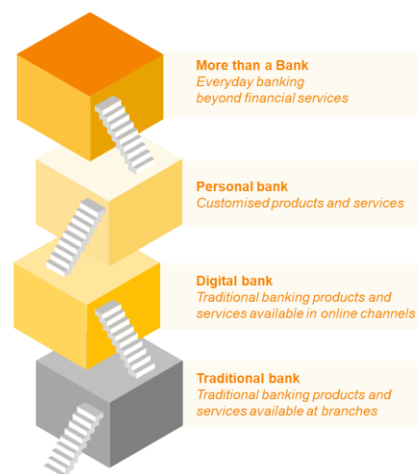
1. in 2022, Alior Bank markedly improved its financial results. The net profit of the Alior Bank Capital Group was PLN 683 million, with a return on equity (ROE) of 11,3%,
2. Alior Bank has a secure capital position. The Tier1 and TCR capital ratio levels at the end of 2022 significantly exceed the regulatory minimums by 435 bps (PLN 2.1 billion) and 354 bps (PLN 1.7 billion), respectively,
3. credit risk parameters continue to improve – Cost of Risk (CoR) after 2022 amounted to 1.51%. The share of non-performing loans also decreased – NPL ratio dropped from 11.77% at the end of 2021 to 9.80% at the end of 2022,
4. operating expenses in 2022 increased by PLN 415 million compared to the same period of the previous year, to PLN 1 998 million. The growth of operating expenses was primarily caused, for example by the Bank joining the Institutional Protection System, which resulted in the contribution of PLN 214 million to the assistance fund, the contribution to the Borrower Support Fund in the amount of PLN 62 million. Excluding the above, the Group’s operating expenses in 2022 grew by approx. 8% y/y to the level of PLN 1 655 million, primarily due to the growth of employee costs, higher costs related to marketing activities and IT projects, and general increase in costs due to inflation,
5. in 2022, work was underway to develop a new strategy for the Bank, which was announced on 6 February 2023,
6. during 2022, we continued the process of improving the stability and security of the credit portfolio by increasing exposure to housing loans, which grew from 24.5% at the end of 2021 to 25.8% at the end of 2022 (according to gross value) in the structure of the loan portfolio.



Summary of Strategic Actions in 2022

In 2022, we continued to pursue the main assumptions of the “More than a Bank” strategy updated in March 2021, by implementing the existing strategic directions and financing the green transformation. Alior Bank manifests its approach in the following actions:

- we make everyday activities easier for customers,
- we provide user-friendly, attractive and reliable services,
- we build long-lasting partnership relations with each customer,
- we keep customers’ interest in mind, and so we communicate with them openly,
- we care about customer safety (regarding finances and data),
- we follow the path of responsible development as well as we support green transformation.



Our goal is still set at combining the functions of traditional banking and a highly personalised digital bank. We want to achieve it by successively providing products and solutions that help in managing both household finances and complex products financing enterprises. Activities related to products, technologies or work organisation were undertaken with the aim to consistently improve customer experience and effectiveness of the Bank.

The actions taken in 2022 under the ESG roadmap were of a practical nature and developed the existing approach, supporting the business goals set out in the strategy. The year 2022 was intended for initiating key ESG initiatives at the Bank, which will be continued in the years to come. Additionally, in connection with the war in Ukraine, we focused our activities primarily in the area of social responsibility.

Strategy pillars

Ever since the beginning of the “More than a Bank” strategy, the pillars of the strategy have continuously included two areas consisting of eight strategic programmes:

Strategic pillar	Strategic programmes	Most important effects
Customer experience	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
Transformation of the Bank	Technology leader	Technological advantage
	Effectiveness	Process and cost optimization
	Risk and capital management	Safety and predictability
	Bank of committed experts	Employee development and social responsibility

Strategy Implementation

Strategy implementation falls during a period of the pandemic, rising interest rates, growing inflation and the war in Ukraine, i.e. a period of altered economic, geopolitical and social reality.

To address changes in the macroeconomic environment, we are implementing solutions to guarantee customers the maximum convenience and independence of banking from anywhere and at any time. Alior is trying to offer a constantly growing number of functionalities facilitating the use of self-service channels both by individual and business customers. The directions set out in the updated strategy allowed us to adapt to the new challenges and provide support to customers, including those from Ukraine.

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

Due to the consistent expansion of remote channels and further digitisation, financial institutions are able to offer customers the best products and services in a convenient form and to ensure their best experience. Remote banking can facilitate day-to-day operation, not only in the financial context, which is why at Alior Bank we are progressively promoting non-financial services. Ever since we began to implement the “More than a Bank” strategy until mid-2022, we implemented a number of non-financial services in the mobile application, 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,
- Dark Mode and Personalisation of the Payments and Services tab in Alior Mobile,
- My bills (convenient management and payment of bills and invoices),
- Parametrisation of the login screen background in Alior Mobile.

Alior Bank supplemented the existing range of available non-financial services as a response to customer expectations – the Dark Mode option and personalisation of the Payments and Service screen, and parameterisation of the Alior Mobile login screen background (wallpapers selected by the customers themselves). We also improved the UX while maintaining the supreme security standards. These improvements rendered it possible for customers to have an option to match the graphic theme and the new look of the interface, as well as to freely manage the arrangement of shortcuts, adjusting the order to the most frequently used ones. In H2 2022, we implemented the Moje Rachunki service. This feature enables customers to easily aggregate all their bills and invoices, and then pay them collectively with just one click. The Alior Mobile app was also supplemented with new graphic icons and greater personalisation of the displayed content. We also improved the customer redirection path to bank offers.

In H1 2022, we launched a series of activities to support customers from Ukraine (more information can be found in the “Principles of social responsibility” section). Keeping Ukrainian refugees in mind, we simplified our processes, created dedicated products and translated our digital channels into the Ukrainian language. The newly established Alior Bank Foundation also coordinated activities related to the establishment of the Alior Bank Assistance Centre located in the centre of Warsaw, where refugees can receive comprehensive assistance.

We develop the range of offered products so that we may accompany the customer every day and respond to more than just their financial needs in the evolving economic environment.

Alior Bank continues the acquisition of young customers. We made the Junior account offer for persons aged 13-17 available in the Alior Mobile and Online applications. The offer had previously been available at branches of the Bank. For parents, on the other hand, the Bank extended the package of available online services in the field of family benefits. It was expanded by the option to apply for Family Guardianship Capital and nursery benefits, which are new applications available in addition to applications for the Family 500+ and Good Start 300+ Programmes already available in Alior Online. Also in this channel, we provided our customers with the mojID service. This renders it possible for them to confirm their identity in a simple and safe way, and thus to gain access to commercial service providers without leaving home. We have observed that our customers are more and more willing to handle many official matters via the Bank.

We successfully implemented Alior Pay – a new payment ecosystem, an overdraft facility allowing the refinancing of deferred payments made by card, BLIK in brick and mortar and online stores, ATM or transfers from an account at Alior Bank. Deferral up to 30 days is free of charge, and the amount to be repaid can also be divided into 11 instalments. We were Poland's first financial institution to propose a model of deferring payments constructed in this way.

We are adapting our range of deposit products to offer customers an attractive product in the conditions of persistently high interest rates. Thinking about customers who are planning to buy a flat or a house, Alior Bank made available a number of special offers – under the Własne M [Own Flat] programme, customers are able to take a mortgage loan on promotional terms and conditions. We also offer a mortgage loan with a BGK guarantee (Mieszkanie bez wkładu własnego Programme), refinancing a housing loan on attractive price terms (the offer is available in PLN to repay mortgages at Alior Bank or other banks), a special Megahipoteka loan offer for residents of large cities (Warsaw and Krakow), or Lekki start to Megahipoteka with a 0% margin in the first year of lending.

We are an ECO Bank. We systematically expand the pool of products which do not require signing a contract in paper form (they are sent by e-mail). We are developing a portfolio of products based on virtual services (virtual card and BLIK Contactless) as well as new payment methods. In 2022, the offer of contactless payments was expanded by payments using Xiaomi devices. The Xiaomi Pay service is available after installing the Mi Fitness application on a telephone with an Android or iOS system and adding any Mastercard debit or credit card issued by Alior Bank. The range of mobile payments offered by Alior Bank already includes Apple Pay, Google Pay™, BLIK, Garmin Pay, Fitbit Pay and SwatchPay!. On one device, the customer may tokenise more than one payment card, which enables them to leave home without a wallet in their pocket.

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 strengthening relations with business customers, based on new transaction products and services. Alior Bank has extended its offer for business customers to include accident and healthcare insurance provided by PZU SA. Entrepreneurs who have or open a business account at the Bank can insure themselves, their family members, employees of their business and their relatives. Accident and healthcare insurance available in our offer is a response to the needs of entrepreneurs who very highly value the ability to sign an insurance agreement directly at the bank they use on a day-to-day basis.

Bearing in mind the needs of entrepreneurs from Ukraine, we provided them with the 4x4 business account offer. As far as customers with company debit cards are concerned, we prepared special promotional offers, e.g. offering a 10% discount on fuel until the end of the year.

We are successively introducing new solutions that enable business customers to run multiple errands remotely. We made a new online application available. It makes it possible to open iKonto Biznes [Business iAccount] and 4x4 accounts with a debit card in 2 minutes from the moment of confirming identity. This solution can be used by entrepreneurs running a sole proprietorship. The quick process of opening company accounts is a very practical solution appreciated by business customers. In the business customer area of the Micro segment, we also launched a pilot of the customer service system in the application on iPads. This solution enables bankers to provide both ongoing service (data modification, after-sales processes) as well as to acquire and establish completely new relationships with Micro customers. The implemented functionality for business customers is another step to enable mobile customer service.

We are successfully developing a range of credit products for entrepreneurs investing in green energy sources. Customers were also presented with a special price offer for a thermal modernisation loan and a loan with a thermal modernisation and renovation bonus offered by BGK – thus supporting enterprises aimed at the thermal modernisation of buildings. We have introduced a promotion that reduces the upfront fee on a Businessloan for on-going activities, investment activities and environmental protection purposes. The advantages of the promotional offer also include high amounts of financing – up to PLN 1 million for micro enterprises and up to PLN 3 million for small companies, fast credit decision time – within 20 minutes from the submission of the application, and absence of need to present own contribution or material securities. We implemented a new, simple, and fast credit path for medium- and large-sized companies – Fast Track. It allows to obtain a decision within 4 business days and the amount of financing up to PLN 10 million. Furthermore, we made available in the Alior Online electronic banking a pre-approved application for the Bank's customers with an initial overdraft facility amount. For those customers using factoring, we prepared a quick automatic process that renders it possible for them to obtain up to PLN 3 million of the factoring limit. What is more, we extended the offer to include local government factoring.

Alior Leasing introduced a fixed interest rate for new lease agreements. Customers who opt for operational or financial leasing or a leasing loan with a fixed, equal instalment amount throughout the repayment period obtain a guarantee of the continuity of the monthly instalment rate at Alior Leasing sp. z o.o. throughout the term of the agreement, namely a minimum of 2 and a maximum of 5 years. This solution gives the possibility of exercising better control over company expenses, and thus makes it easier for our customers to manage their businesses.

By establishing cooperation with the Polish Entrepreneurs Foundation, we provided the users of the zafirmowani.pl website access to free online training. Training concerns issues related to various aspects related to pursuing business activity. In addition to training and expert advice, the zafirmowani.pl website also provides access to many other tools to make it easier for entrepreneurs to develop and promote their business on the market. We build and consolidate relationships with entrepreneurs by organising meetings in the business breakfast model. During these meetings, we present economic indicators and forecasts for the Polish economy as well as forecasts for the prices of selected raw materials. Direct conversations provide us with an invaluable source of knowledge regarding the needs of our customers.

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

In 2022, the Bank achieved the goals assumed in the adopted cloud strategy by building infrastructure appropriate for the hybrid cloud, implementing appropriate technology, and adapting key systems to the cloud

model. These actions lay the foundations for achieving full hybrid cloud environment at the Bank. They open the way for the required investments in the public cloud area as well as enable the opening of the Bank's systems to the possibilities of the public cloud, in order to quickly integrate ready-to-use services in the public cloud.

Concurrently, the Bank carried out a digital transformation of the organisation based on MS Office 365 (providing, among others, MS Teams) and replaced the existing smartphones with a newer model. Smart Work 2.0 – this is what the digital transformation was called – is a coherent and modern communication platform available in all channels (PC, mobile) and modes of operation (local, remote, hybrid). It minimises the time for information and data exchange as well as improves their quality to support work teamwork and boost employee engagement.

We successfully implemented solutions using modern tools in the area of artificial intelligence. In order to improve the method of communication and customer service at the Contact Center, we are using a voicebot called InfoNina together with a modern conversation platform, allowing for automatic analysis of current interactions with customers. InfoNina supports all traffic on the Bank's main helpline, which allows to automate calls and more effectively direct customers to agents. This is possible by implementing information processes and functionalities in the bot that allow to steer the conversation and redirect it to the competent advisor at the Contact Center. As part of automation of outgoing telephone processes, we implemented sales and debt collection transaction processes in the voicebot channel. Our solutions have been appreciated on the market – the InfoNina implementation project won the Celent Model Bank Awards 2022 competition in the Customer Service category and was a finalist in the BAI Global Innovation Awards competition in the Internal Process Improvements category. In March 2022, the AI platform won the first edition of the Mocarze Hiperautomatyzacji [Hyperautomation Titans] competition in the “Smart Assistants” category.

Hyperautomation used in the Bank transformation process allows us to improve our processes and their effectiveness. Thanks to the BPM system, in 2022 alone we optimised and enhanced the efficiency of a number of processes, including the largest ones: the invoice process, the complaint handling process, and incoming correspondence.

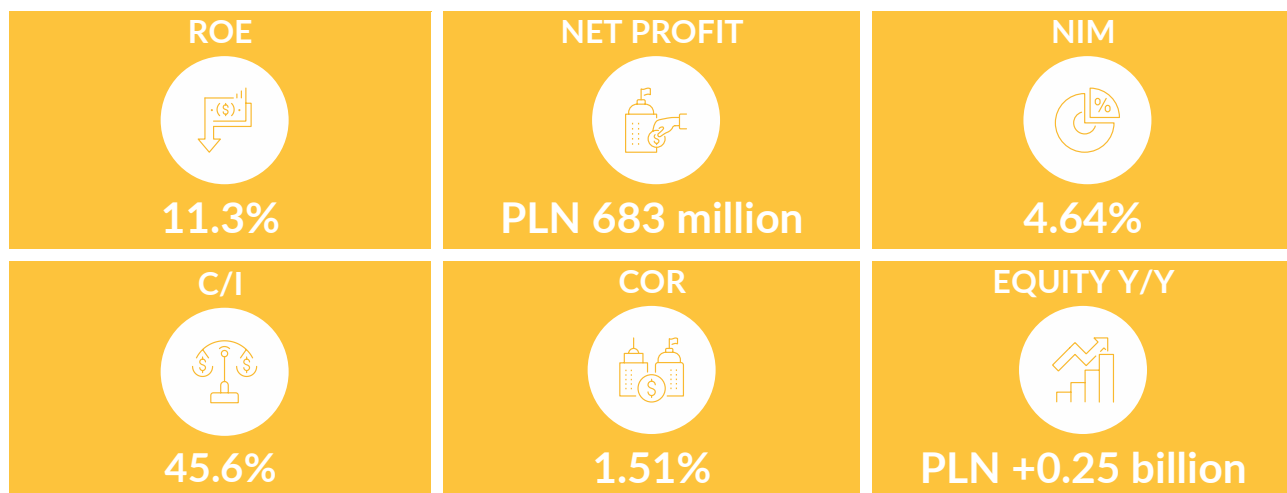
We are continuing the process of optimising architecture and developing the functionality of transaction systems. These actions resulted in making a mortgage loan offer, cost simulator and a creditworthiness simulator available in the mortgage process being streamlined, which provides customers with the ability to make approximate calculations of loan costs (depending on criteria defined by the customer) and compare offers available in the Bank.

We implemented and effectively exploit the possibilities offered by Advanced Analytics. We have already achieved measurable benefits related to the savings generated by the use of modern analytical models. The implemented new model for credit frauds effectively reduces the cost of risk, and further savings are generated by the enabled scoring model of a cash loan for a retail customer.

Actions taken in regard to work organisation were aimed at consistent improvement of customer experience, so that they would result in long-term, valuable relationships with customers that are based on employee knowledge. This is supported by development programmes for sales network employees that improve existing and new competencies of advisors, focused on building value for the customer. These values have been appreciated by customers – the latest ranking of banks concerning customer satisfaction and loyalty included Alior Bank among the top banks with the highest loyalty ratio. Only Alior Bank customers would recommend their bank as often as a year ago.

Our endeavours in the field of caring for a friendly and inspiring work environment were recognised and distinguished. The prestigious British Financial Times conducted a study that allowed for the selection of Diversity Leaders – employers who are particularly distinguished by respecting diversity among employees. We took the highest position among Polish banks. It is worthwhile to mention the special award received by Alior in the “Trustworthy Employer” category. Appreciation was given to our actions related to helping Ukraine and being a leader in the financial sector in providing systemic assistance to refugees.

Basic financial data for 2022



An increase of net profit generated by the Alior Bank Capital Group y/y (PLN 683 million in net profit in 2022 compared to a net profit of PLN 482 million in 2021) was possible due to several key factors:

1. economic recovery from the crisis caused by the COVID-19 pandemic,
2. improvement of the quality of the credit portfolio and behaviour of the customers of the Bank that resulted in marked decrease in allowances for expected credit losses,
3. significant increase of the reference rate of the National Bank of Poland (6.75% at the end of December 2022 compared to 1.75% at the end of December 2021), which directly contributed to an increase of the WIBOR3M rate (basic interest rate used by the Bank to determine the price of granted loans) to the average rate of 6.04% in 2022, compared to 0.55% in the previous year, which in turn enabled the Bank's net interest margin (NIM) to increase from 3.75% in 2021 to 4.64% in 2022.

The following events adversely affected the financial results of the Alior Bank Group in 2022:

1. customers taking advantage of the option to suspend loan repayments (“credit holidays”), which decreased the Bank's revenues by PLN 502 million,
2. higher overall level of prices in the economy, which caused higher operating expenses of the Bank, especially in the area of employee and marketing costs,
3. the Bank joining the Institutional Protection System, resulting in a contribution to the assistance fund in the amount of PLN 214 million. The related non-recurring cost burdened the Bank's results in Q2 and Q3 2022 (impact on net income: PLN 173 million),
4. establishment of a provision for the costs of legal risk related to mortgage loans in foreign currencies in the amount of PLN 83 million,

5. write-off of PLN 31 million in non-financial assets related to the activity of the branch of Alior Bank in Romania (impact on net income: PLN 27 million),
6. establishment of a provision for the return of an additional margin related to the entry of the mortgage in the land and mortgage register, in the amount of PLN 23 million.

Tier1 and TCR ratios of the Alior Bank Capital Group remained high at the end of 2022 (13% and 14.19%, respectively), leaving a safe buffer above the regulatory requirements (435 bps and 354 bps, respectively). Alior Bank Capital Group has a surplus of Tier 1 capital in the amount of approx. PLN 2.1 billion above regulatory minimum. In 2022, the Bank's liquidity situation remained at a secure level. Liquidity was closely monitored and maintained as needed by adjusting the deposit base level and mobilising funding depending on the development of lending activity and other liquidity needs. The LCR liquidity ratio of the Alior Bank Group amounted to 166% as at the end of 2022. On the other hand, the NSFR liquidity ratio amounted to 133% as at the end of 2022. The regulatory minimum for both of the aforementioned liquidity ratios is 100%.



Distribution network and headcount

Distribution network

At the end of 2022, we had 534 outlets (168 traditional branches, 7 Private Banking branches, 13 Corporate Banking Centres, and z 346 partner outlets).

We also distributed our products through 10 Mortgage Centres and a network of approx. 3,000 intermediaries

The Bank also conducts its operations through the Branch in Romania, where customer service is provided via remote channels.

By end-2022, we modernised 74 branches to a “new format”. The role of the new outlets is, above all, to digitise customers and outlet processes, ensure convenience and privacy to our customers, as well as to improve the comfort of work for bankers. The branches in the new format are characterised by innovative design and utilise new technologies.

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).

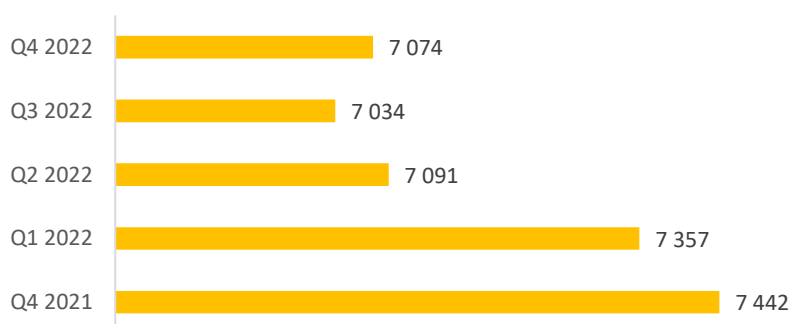
Headcount



As at 31 December 2022, the employment in the Alior Bank S.A. Capital Group (as the number of full-time equivalents, including maternity leaves, parental leaves and other long-term absences), was 7 074 FTEs, compared to 7 442 FTEs as at 31 December 2021.

The decrease in employment occurred primarily due to the adaptation of the business model of the Bank to the evolved business environment and due to the natural fluctuation of employees.

Full-Time Equivalents (FTEs)



Assessment of activities pursued by the Alior Bank Capital Group

The following had the biggest impact on the activities pursued by the Group:

- abatement of the COVID-19 pandemic,
- interest rate increase that started in Q4 2021 and were continued to Q3 2022.

Due to a number of remedial measures taken in the years 2020 to 2021 in order to mitigate the adverse effects of the COVID-19 pandemic, such as the reduction of operating expenses, tightening of the lending policy, development of a range of online products of the Bank, adaptation of the Bank's organisational structure to facilitate operation in new conditions, as well as due to market interest rate increases, in 2022 the Alior Bank Capital Group achieved net profit in the amount of PLN 683 million and a return on equity of 11.3%. For comparison, in 2021 net profit totalled PLN 482 million, whereas ROE was at the level of 7.7%.

The basic performance ratio – the Cost/Income ratio – went worse in 2022 and reached the level of 45.6% compared to 43.5% in 2021. This was primarily due to the additional cost of the Bank's accession to the Institutional Protection System, which amounted to PLN 214 million, an additional contribution to the Borrower Support Fund in the amount of PLN 62 million, the cost of "credit holidays" in the amount of PLN 502 million as well as the creation of a provision for the return of an additional margin relative to the mortgage entry in the land and mortgage register in the total amount of PLN 23 million. If these costs were excluded, the adjusted Cost/Income ratio in 2022 would have been 35.1%.

In 2020, we reviewed and optimised the credit portfolio, focusing primarily on reducing credit risk (including by reducing exposure to the industries most affected by the pandemic and tightening the lending policy). This had a positive impact on the Bank's financial result in 2022. The improvement of the overall financial situation of customers also contributed to the reduction of the costs of risk.

By improving financial performance, we maintain capital adequacy ratios at safe levels, well above the minimum regulatory levels. They permit stable operation and a further increase in lending activity. We adapted the range of products to the current level of interest rates and the effects of the CJEU judgement (concerning the return of a part of the commission in the event of early repayment of a consumer loan by the customer). In addition, despite the growing inflation pressure, we continue to continuously improve efficiency.

The Management Board of the Bank positively assesses the activities of the Alior Bank S.A. Capital Group in 2022 and its financial results.

Impact of war in Ukraine on the operations of Alior Bank

In connection with the armed conflict in Ukraine that has been on-going since 24 February 2022, the Bank established an anti-crisis team within the Operational Risk Committee, which analyses the impact of the armed conflict on the Bank's macroeconomic environment on an on-going basis. The Alior Bank S.A. Capital Group intensively monitors and analyses the impact of geopolitical situation related to the war in Ukraine on the Bank's operations and the quality of the credit portfolio and does not identify any significant threats in that regard.

IV. External environment of the Bank's operations



War in Ukraine

The armed conflict in Ukraine became a crucial factor of uncertainty in 2022 due to the escalation of geopolitical tensions and increased volatility in financial markets. Russia's aggression caused trade disruptions related to the war itself and the resulting sanctions. Another aspect concerned the stability of the energy system, an important element of which in the case of the EU and Poland was the supply of raw materials such as oil and gas from Russia, partially transported

through the territory of Ukraine. Furthermore, there is the issue matter of security in the region. As a consequence, risks related to war in Ukraine for Polish economy materialised to the greatest extent by significantly accelerating inflation against higher commodity prices, food prices and supply chain disruptions. On financial markets, the increase of risk in the region was an important cause for the depreciation of Polish zloty, reduction of stock price on the Warsaw Stock Exchange and sale of Treasury bonds. The growing inflation required a strong response from the NBP [National Bank of Poland], which in the current cycle of increases – started in October 2021 – raised interest rates eleven times. Last time in September 2022.

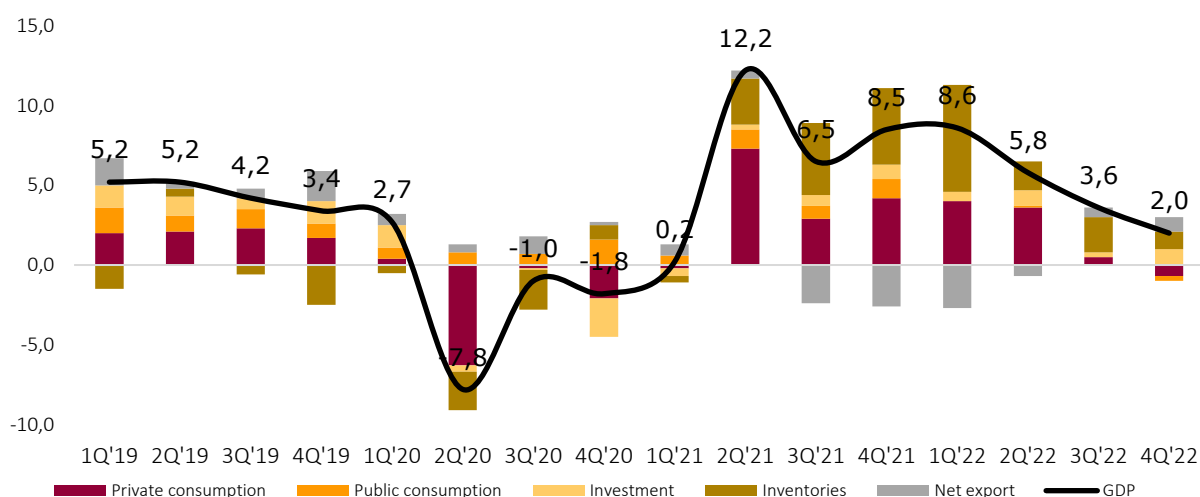
As far as the banking sector is concerned, direct impact of war in Ukraine was the most evident in the balance sheet exposure and higher market risk. However, the share of assets in Russia, Ukraine and Belarus in the balance sheets of domestic banks is insignificant and concentrated mainly in the largest banks. The increased volatility and higher risk bonus, on the other hand, had a negative impact on the valuation of assets in the balance sheets. The sector was also affected by the second-round effects. The downturn of economic growth contributed to the deterioration of the condition of borrowers, and this, alongside higher costs of financing, translated into a decrease in the demand for loans. Credit risk increased and lending policy at banks was tightened.

Poland's Economic Growth

GDP growth in 2022 was lower than in the previous year (6.8% y/y). GDP in 2022 increase by 4.9% y/y in real terms. In H1 2022, GDP growth in Poland was above average (approx. 7% y/y); however, from Q2 2022, the annual GDP growth began to weaken and slowed down significantly at the end of the year, while the Polish economy avoided a technical recession. The GDP growth decreased to 2.0% y/y in Q4 2022. In H1 2022, household consumption and investments grew relatively strongly. Throughout the year, both of these components were conducive to economic growth, but their positive impact weakened in the following quarters. The exception was the contribution of private consumption, which had a negative impact on GDP growth in Q4 2022. High inflation along with the progressive tightening of the monetary policy significantly reduced the disposable income of households, which affected consumption demand in H2 2022. The increase in private consumption in 2022 decreased to 3.0% y/y vs 6.3% y/y a year earlier. In H1 2022, investment growth was driven by both the private and public sectors. Investment growth accelerated to 4.5% y/y in 2022 from 2.1% y/y in 2021. Loose fiscal policy allowed for a relatively minor slowdown of the Polish economy throughout the

year. Net exports were not conducive to economic growth in H1 2022, which reduced GDP growth through its negative contribution. In 2022, GDP growth was strongly supported by an increase in inventories, which might have been supported by increased uncertainty regarding disruptions in supply chains, a change in the business model from *just in time* to *just in case*, as well as by concerns about further increases in the prices of semi-finished products and raw materials.

GDP Growth



*/Source: Statistics Poland

In 2023, we expect a continuation of the weakening of economic growth in Poland initiated in H2 2022, accompanied by increased (albeit weakening over the year) inflation, further reduction or resolution of tensions in supply chains, the energy crisis in Europe, as well as increased uncertainty related to aggression of Russia's armed forces to Ukraine. We expect GDP growth in 2023 at the level of 0.6% y/y. As far as the global economy is concerned, we assume a weakening of activity and further tightening of monetary policy by major central banks in H1 2023. The consumption dynamics of Polish households in 2023 will clearly slow down in the face of the wage fund shrinking in real terms, caused by high inflation and weakening demand for labour as well as a tightened credit policy. Amid the conditions of weaker demand, rising costs of pursuing business, high interest rates, and tightened credit policy, we expect companies to reduce spending on private investments. Investment activity may be supported by public investments financed from EU funds and the favourable election calendar. Investments will be adversely affected by the delay in the European Commission's approval of the National Reconstruction Plan – a significant investment impulse for the coming years. The strong economic growth in 2022 was driven to a large extent by the build-up of inventories by companies. In 2023 we expect these trends to fade away, which will have a negative impact on GDP.

Situation on the Labour Market

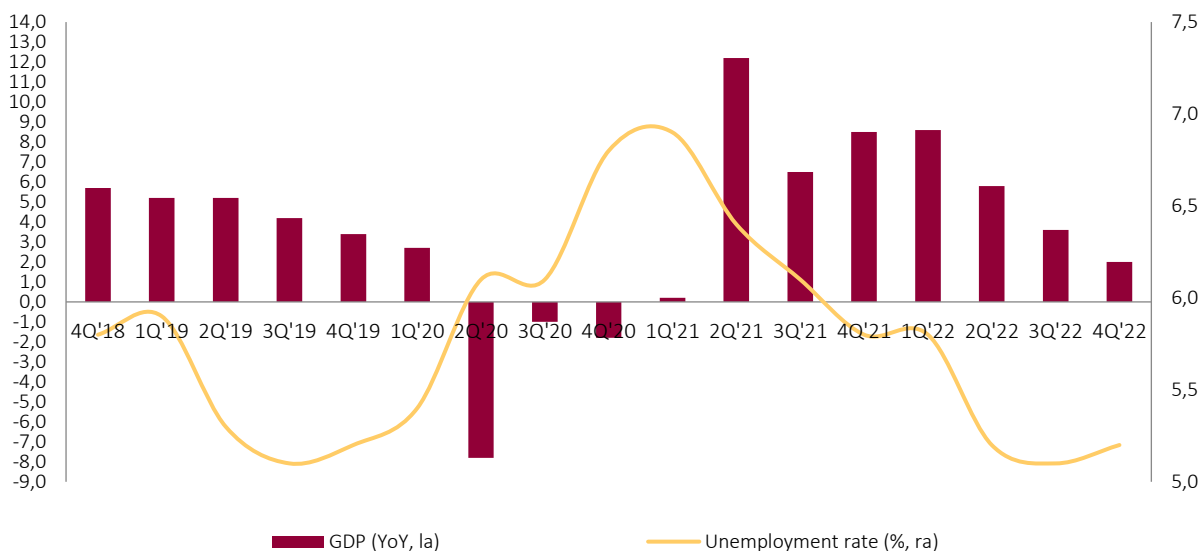
As in 2021, the situation on the labour market in 2022 was still good. The labour market proved resistance to the turmoil associated with the outbreak of war in Ukraine. The registered unemployment rate gradually decreased during the year and amounted to 5.2% in December 2022 compared to 5.8% at the end of 2021, whereas in the period September-November 2022, it remained at a record-breaking low level (5.1%). Poland remained at the forefront of countries with the lowest unemployment in the European Union.

The level of employment in enterprises reached historical maximums during the year. In the period from December 2021 to December 2022, the average employment in the enterprise sector increased by 143.1 thousand people. During the rebound after the pandemic collapse, employment rate in industry increased, however, the largest increase in employment rate took place in sectors related to services (information and communication, trade, transport). Foreigners were a significant support for the labour market in Poland. According to ZUS data, the number of insured foreigners in December 2022 amounted to 1 million 63 thousand, and increased by 191.7 thousand compared to January 2022.

Throughout 2022, employment growth in the enterprise sector was higher than in the previous year – 2.6% y/y vs 0.3% y/y in 2021. The favourable situation on the labour market accompanied by rising prices translated into an increase in wage pressure in 2022. Average monthly salary in the enterprise sector increased by 13.0% y/y against 8.8% y/y a year earlier. Wage growth in enterprises, in particular in H2 2022, was still influenced by the payment of wage allowances, mainly in the mining industry and in the generation and supply of electricity, gas, steam and hot water. In H1 2022, the real growth of wages was still positive, while in H2 2022 wages were already lower year-over-year. In the discussed period, wages decreased in real terms by 1.2% y/y on average. Similar trends were also observed for the real wage fund, which translated into purchasing opportunities and weakened household consumption.

In the coming months, the weakening economic activity should translate into lower demand for labour and less pressure on wage growth. Together with the persistently increased inflation, both wages and the payroll fund will probably remain lower in real terms than the average in 2022. Amid the economic downturn, the rise in the unemployment rate in 2023 seems inevitable. However, the demographic situation and concerns about the supply of employees after a period of downturn may significantly limit the scale of the increase in the unemployment rate.

GDP Growth and Unemployment Rates



*/Source: Statistics Poland

Inflation and Interest Rates

Solid economic growth in 2022 was accompanied by growing and high inflationary pressure, which eased somewhat towards the end of the year. Its intensification was largely due to supply and exogenous factors (commodity prices, “bottlenecks in international trade”, uncertainty of the Russia-Ukraine conflict). The good

situation on the labour market was additionally conducive to wage pressure and sustained demand, boosting core inflation. The Anti-Inflation Shield partially limited the increase in prices, although ultimately inflation in 2022 was at a record-breaking high level for over 20 years. The CPI price index in 2022 amounted to 14.4% y/y compared to 5.1% y/y a year earlier.

Due to the intensifying pressure on price increases, the Monetary Policy Council (MPC) continued the cycle of interest rate increases initiated in October 2021 until September 2022 inclusive. The reference rate increased by 5 p.p. since December 2021, and amounted to 6.75% in September 2022. Since November, MPC members have declared a hiatus in the monetary policy tightening cycle. The tightening of the NBP's monetary policy was in line with the tendencies of restrictive monetary policy observed e.g. in the CEE region.

In 2023, we expect CPI inflation to decrease, with the average annual inflation remaining at an increased two-digit level; however, we expect to reach a one-digit level in Q4 2023 (below 10%). Despite the assumed declining path of inflation, its increased average level will additionally be a consequence of abandoning the part of the anti-inflation shield related to energy (reduced VAT on energy carriers and fuels), as well as the relatively high path of core inflation. In such an environment, it is quite likely, in our view, that interest rates will be kept at least until the end of 2023. The main NBP rate should remain at 6.75% in 2023. The development of the global macro scenario observed at the turn of 2022/23 towards slightly faster disinflation processes in the US and the Euro area seems to favour the end of the rate increase cycle by the MPC.

Global Economy

In 2022, global economic activity continued its post-pandemic recovery, which, however, was halted by the outbreak of war in Ukraine. The economic situation in the world's largest economies was dependent on the scale of ties with areas subject to war and sanctions, primarily in international trade. Europe, because of its stronger dependence on Russian hydrocarbon imports than the US as well as geographical proximity, remained under greater pressure. Nevertheless, in H1 2022 in the Eurozone, the easing of pandemic restrictions and the re-opening of the economy allowed for the continuation of the recovery in international trade and unblocked tourism-related services. At the same time, higher inflation led to the erosion of household budgets and, consequently, to a significant weakening of economic growth in the Eurozone in H2 2022. Throughout 2022, GDP in the Eurozone increased by 3.5% y/y¹, remaining under the influence of the energy crisis caused by the conflict Russia-Ukraine. Disruptions in the supply of natural gas, as well as higher prices of this raw material and electricity, led to a decrease in demand for gas, as well as to increase in the propensity to save energy and diversify gas supply sources. Overseas economic activity also declined during the year, accompanied by fears of recession. The US labour market remained strong despite rising interest rates and high inflation, which meant that consumer spending in the US supported GDP growth. GDP growth in the US in 2022 amount to 2.1% y/y². China, because of its very restrictive policy to combat COVID, failed to achieve the assumed level of economic growth. Due to the weakening domestic demand, weakening global demand for durable goods and the crisis in the residential real property market in that country, China at the turn of 2022/2023 decided to abandon the zero-COVID approach.

The slowdown in economic growth in developed economies was accompanied by rising inflation. In the Eurozone, inflation accelerated to a record-breaking high level in 2022, and in October it exceeded 10% y/y, which was largely due to supply factors (energy, food), disruptions in global supply chains, and the

¹ Estimated according to Eurostat on 14 February 2023

² Estimated according to Bureau of Economic Analysis on February 23, 2023

consequences of Russian aggression against Ukraine. In addition, relatively good situation on the labour market contributed to an increase in core inflation amid rising wage pressure. The first global disinflation signals appeared in Q4 2022. In the Eurozone, the CPI index increased from 5.0% y/y at the end of 2021 to 9.2% y/y in December 2022; in the US, it already decreased slightly from 7.0% y/y in December 2021 to 6.5% y/y at the end of 2022³

Amid the conditions of high inflation, the world's major central banks adopted a restrictive monetary policy regime and raised interest rates. From March, Fed started to raise its key interest rate from near zero. First by 25 bps, then in May by 50 bps and by 75 bps each time at subsequent meetings in June, July, September and November, and in December by 50 bps. In December 2022, the main Fed interest rate was in the range of 4.0-4.25%, which means an increase of 425 bps in 2022. In addition to interest rate increases, from June 2022, quantitative tightening (decreasing the bank's balance sheet) has been taking place in the US. The US labour market remained strong in 2022, giving Fed some leeway to fight inflation. The Eurozone was under pressure from more economic/market risks than the US, which translated into subsequent ECB decisions to tighten monetary policy. The first interest rate increase in the Eurozone took place in July (by 50 bps), and the next two by 75 bps each time: in September and November. In December, interest rates increased by 50 bps. The deposit rate at the end of 2022 was 2%.

In 2023, an important factor affecting the growth of the global economy will be the scale and pace of further monetary policy tightening in the US and Europe. On the one hand, the easing of supply-side restrictions and earlier rate hikes will have a disinflationary effect, on the other hand, they pose a threat to economic growth and the labour market. The global economic situation in 2023 will deteriorate. In the Eurozone, the energy crisis caused by i.a. high prices and shortages of hydrocarbons, will limit the growth potential. As for countries heavily dependent on imports of Russian gas (e.g. Germany), it may be necessary to reduce production in energy-intensive sectors. Furthermore, the continuation of the armed conflict in Ukraine will also pose a risk to growth in the Eurozone. An additional risk factor for the global economy rests with the abolition of the zero-COVID policy in China at the turn of 2022/2023.

Exchange Rate

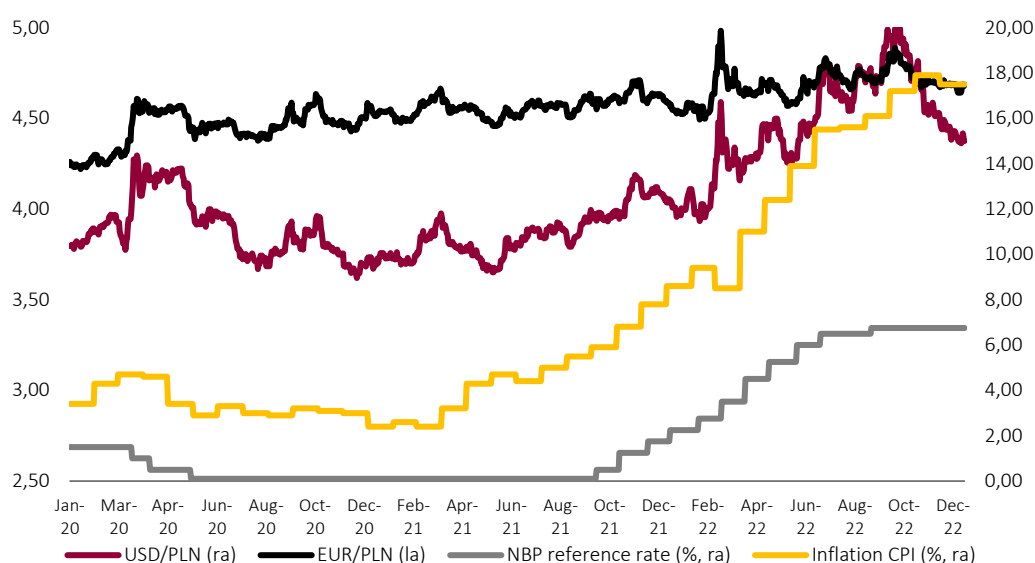
2022 is the third year in a row of increased volatility in financial markets. Until September 2022, the EUR-USD pair was in a downward trend that started in Q3 2021, and resulted in setting a long-term minimum of around 0.95. In Q4 2022, the EUR-USD exchange rate strongly recovered and ended the year at approx. 1.07. Fluctuations in financial markets in 2022 were influenced by geopolitical tensions, the monetary policy of major central banks, and the energy crisis in Europe. At the beginning of the year, expectations were built for the continuation of the post-pandemic recovery, while the outbreak of war in Ukraine brought new risks weakening the euro. There was uncertainty surrounding the development of military operations and the subsequent impact of sanctions and countersanctions by Russia, especially in the context of maintaining the prices of raw materials worldwide. This was followed by second-round risk analyses and, above all, the assessment of the impact of persistent inflation and its negative effects on global economic growth. Anticipating the ECB's decisions, the Fed's movement to start a decisive fight against inflation supported the dollar. For several months in 2022, the energy crisis in Europe, culminating in August, put enormous pressure on financial markets and significantly deteriorated the eurozone's trade balance. At the end of autumn, this factor weakened, which was favourable for the single currency, and the first signs of disinflation increased expectations for the Fed's hawkish attitude

³ Source: Bloomberg

to ease. In turn, at the end of the year, the ECB began to signal higher-than-expected interest rate increases. The fundamentals favour further strengthening of the euro in 2023, provided that Fed does not surprise the market with a more hawkish stance and the energy crisis in Europe does not intensify.

Amid such an environment, the zloty remained under pressure and was weakening until the end of September 2022, despite the increase in NBP interest rates. In Q1 2022, an attempt to strengthen the national currency was interrupted by the outbreak of war in Ukraine. The deteriorating trade balance (due to, among others, high prices of energy resources) and the receding prospect of disbursing funds from the KPO were also not favourable for the zloty. Q4 2022 saw the situation becoming more favourable to the zloty, which strengthened against the euro and the dollar. At the end of 2022, the EUR/PLN and USD/PLN exchange rates increased by 2.1% and 8.4%, respectively, compared to the end of 2021, reaching the following levels at the end of 2022: 4.38/USD and 4.68/EUR⁴

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



*/Source: Bloomberg
4 Source: Bloomberg



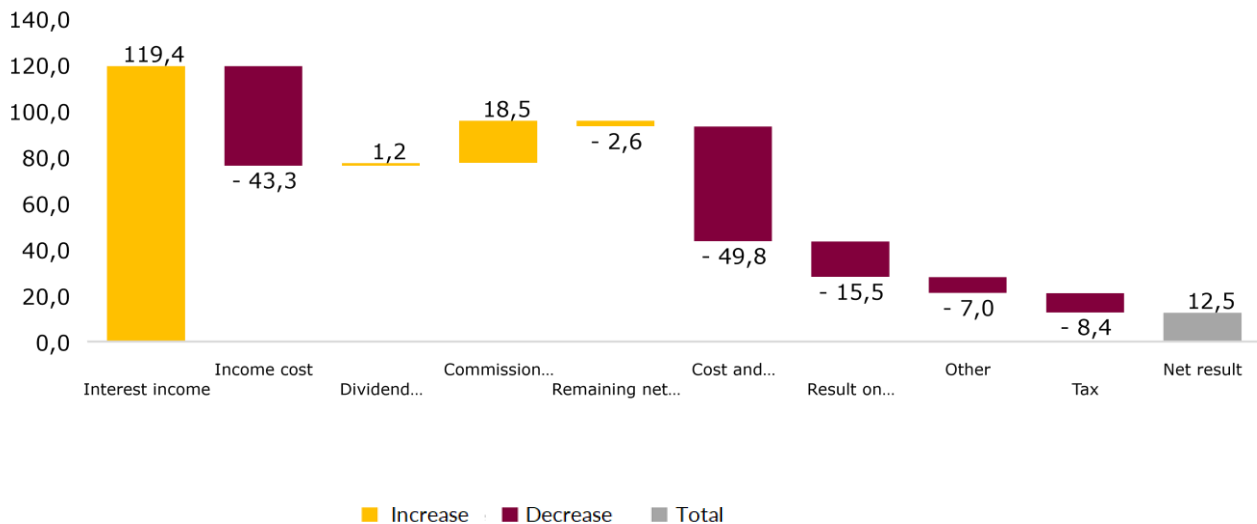
Banking Sector

In 2022, the growing interest income improved the sector's results due to the continued cycle of interest rate raises by the Monetary Policy Council. On the other hand, the deterioration of economic prospects, including due to the armed invasion of Ukraine by Russia, growing inflation and accelerated path of tightening the monetary policy, started to have a negative impact on demand for loans, which translated into reduced lending, especially on the mortgage loan market. Despite a significant improvement in interest income, banks' profitability was limited by the cost of credit holidays and provisions for legal risks. In 2022, the level of capital and liquidity in the sector remained stable. The total capital adequacy ratio of the banking sector was 18.2% at the end of September 2022, and the core capital ratio Tier 1 ratio was 16.3%, thus lower than at the end of 2021

Key Income Statement Items⁵

In the period from January to December 2022, the banking sector earned a net profit of PLN 12.5 billion compared to PLN 5.9 billion in the same period of the previous year, which meant growth by PLN 6.5 billion (i.e. 108.8% y/y). During this period, the total operating revenue of the sector increased by 38.2% y/y, largely due to growth in interest revenue by 133.7% y/y. Improvement in commission income also had a positive impact. The biggest negative impact on net income (loss) was exhibited by interest expenses and the income (loss) on provisions and allowances, including those established for increased legal risk of housing loans in foreign currencies, which were higher compared to the previous year.

Financial result of the banking sector in the period from January to December 2022 (PLN billion)



⁵Source: Monthly data for the banking sector (knf.gov.pl)
* commercial and cooperative banks

Operating costs in 2022 amounted to PLN 45.2 billion, thus an increase of 27.6% y/y, which is largely the result of inflation, causing wage pressure and an increase in the costs of materials, services, energy, building maintenance etc. The results were also significantly affected by the costs of credit holidays and additional fees, inter alia, for the Borrower Support Fund and the Commercial Bank Protection System).

Margins improved in the period from January to December 2022. Amid higher interest rates, the interest margin continued to increase throughout the entire period and reached the level of 3.08% as at the end of December, compared to 2% as at the end of December 2021. Profitability levels were lower than before the pandemic, but grew markedly during the first half of the year, and decreased again in the third quarter. Return on equity⁶ after December 2022 was 6.37% compared to 4.07% at the end of 2021. ROA increased from 0.36% as at December 2021 to 0.46% at the end of November 2022. The R/I ratio fell in the discussed period from 19.6% in December 2021 to 16.6%. Growth in operating income y/y with costs kept in check reduced the C/I ratio in the entire sector from 58.8% at the end of 2021 to 53.48% in December 2022.

Loans and Deposits⁷

Deposits from the non-financial sector remained the main source of financing for banks in 2022. Until the middle of the year, the post-pandemic economic recovery was conducive to an increased appetite for loans, but in the second half of the year lending began to decline due to the deterioration of economic parameters, including rising inflation, higher financing costs and tightening of supervisory requirements. The economic downturn also translated into a deterioration in the condition of borrowers, hence, in anticipation of an increase in credit risk, lending policies in many banks were tightened. Deposits grew at a slower pace than a year ago. As at the end of December 2022, the value of assets of the banking sector was PLN 2,741 billion and was higher by 6.6% y/y.

After December 2022, the value of loans in the non-financial sector amounted to PLN 1,118 billion⁸, which means a decrease of 0.9% y/y. However, the scale of decline varied between loan categories. Household loans underperformed, especially due to the collapse of the sale of mortgage loans. The enterprise segment fared better, where the increased demand for working capital after the pandemic was still visible.

In 2022, the growth rate of deposits slowed down, but the effect was largely burdened by a high benchmark from last year. The gradual recovery of household term deposits, in particular in the second half of the year, was driven by an increase in interest rates on deposits due to the ongoing cycle of interest rate increases. As at the end of December 2022, deposits of the non-financial sector amounted to PLN⁹ 1,650 billion, which means an increase of 6.5% y/y. In the structure of deposits, corporate deposits continued to have the highest growth rate, but it was slightly slowing down, and at the end of December 2022, it increased by 12.5 % y/y. Household deposits grew at a clearly slower pace than a year ago (4.0% y/y).

Slower growth of the deposit base coupled with the reserve requirement threshold raised by the National Bank of Poland and moderate in lending meant that in the period concerned the value of the LCR ratio remained above the required minimum of 100. At the end of December 2022, the LCR ratio of commercial banks (excluding associating banks) was 177% vs 176% as at the end of 2021.

⁶ ROA and ROE – the ratio of the sum of the financial result from 12 consecutive months to accordingly: average assets and average capital in the same period

⁷ Source: Monthly data for the banking sector (knf.gov.pl)

⁸ Non-financial sector receivables without impairment – portfolio B (gross carrying amount and write-offs)

⁹ Non-financial sector deposits (no blocked deposits)

V. Financial results of the Alior Bank Capital Group

Income statement

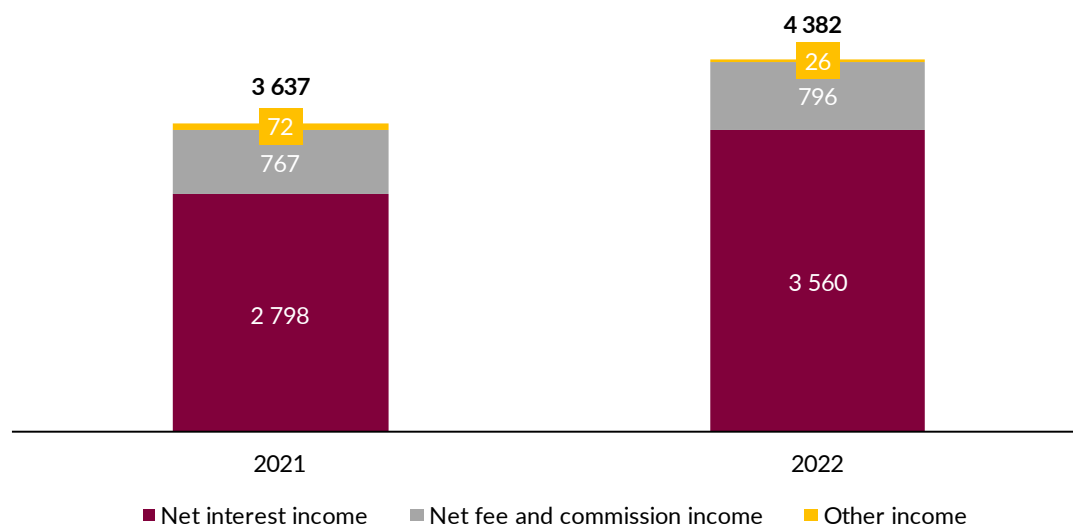
Detailed items of the income statement of Alior Bank Capital Group are presented in the table below:

	01.01.2022- 31.12.2022	01.01.2021- 31.12.2021	Change	Change
	(in PLN '000)	(in PLN '000)	(in PLN '000)	(%)
Interest income calculated using the effective interest method	4 962 625	2 679 117	2 283 508	85.2%
Income of a similar nature	427 541	357 525	70 016	19.6%
Interest expense	-1 830 295	-238 408	-1 591 887	667.7%
Net interest income	3 559 871	2 798 234	761 637	27.2%
Fee and commission income	1 636 555	1 441 514	195 041	13.5%
Fee and commission expense	-840 486	-674 766	-165 720	24.6%
Net fee and commission income	796 069	766 748	29 321	3.8%
Dividend income	627	532	95	17.9%
The result on financial assets measured at fair value through profit or loss and FX result	32 521	87 149	-54 628	-62.7%
The result on derecognition of financial instruments not measured at fair value through profit or loss	1 989	5 293	-3 304	-62.4%
measured at fair value through other comprehensive income	1 218	3 246	-2 028	-62.5%
measured at amortized cost	771	2 047	-1 276	-62.3%
Other operating income	119 712	147 487	-27 775	-18.8%
Other operating expenses	-129 210	-168 322	39 112	-23.2%
Net other operating income and expenses	-9 498	-20 835	11 337	-54.4%
General administrative expenses	-1 997 508	-1 582 544	-414 964	26.2%
Net expected credit losses	-949 765	-1 006 663	56 898	-5.7%
The result on impairment of non-financial assets	-52 391	-10 482	-41 909	399.8%
Cost of legal risk of FX mortgage loans	-83 168	-21 386	-61 782	288.9%

Banking tax	-262 723	-236 835	-25 888	10.9%
Gross profit	1 036 024	779 211	256 813	33.0%
Income tax	-352 913	-297 286	-55 627	18.7%
Net profit	683 111	481 925	201 186	41.7%
Net profit attributable to equity holders of the parent	683 111	481 925	201 186	41.7%

The gross result (before income tax) in 2022 amounted to PLN 1 036 million, which meant an increase compared to 2021 by PLN 256 6 million, i.e. by 33%. Income tax for 2022 increased by 18.7% to PLN 352.9 million. The net profit of the Alior Bank Capital Group (attributable to shareholders of parent company) for 2022 amounted to PLN 683.1 million and was higher than the result achieved in 2021 by PLN 201.2 million, which was a significant increase by 41.7% y/y. The return on equity (ROE) for 2022 was 11.3%, while the return on assets (ROA) was 0.8%.

Total income (in PLN million) – consolidated data



Net interest income reached PLN 3 560 million and was the main component of the Alior Bank Capital Group's revenues at the level of approx. 81% of total revenues in 2022. Last year, it increased by 27.2% compared to 2021, which was determined primarily by the increase in market interest rates. As a result of the continuation by the Monetary Policy Council of the monetary policy tightening cycle, resulting in a decision to increase interest rates at eight consecutive decision-making sessions from January to September 2022, the NBP reference rate as at the end of December 2022 amounted to 6.75%, compared to 1.75% at the end of December 2021. This caused an increase in the average WIBOR3M rate, which is the based rate used by the Bank to determine the cost of loans granted. The above-mentioned rate in 2022 reached an average level of 6.04%, which was significantly higher compared to the average level of 0.55% in 2021. The net interest income was adversely affected by the entry into force of the Act of 7 July 2022 on crowdfunding for business ventures and assistance to borrowers, which allowed borrowers to suspend the repayment of a mortgage loan granted in the Polish currency, to meet their own housing needs – the so-called credit holidays. The cost in this respect, estimated on the basis of 69% participation of borrowers entitled to suspension of loan repayment, totalled

PLN 502 million and decreased interest revenues in H2 2022. The increase in interest rates caused an improvement in the deposit offer for customers, which resulted in an increase in financing costs.

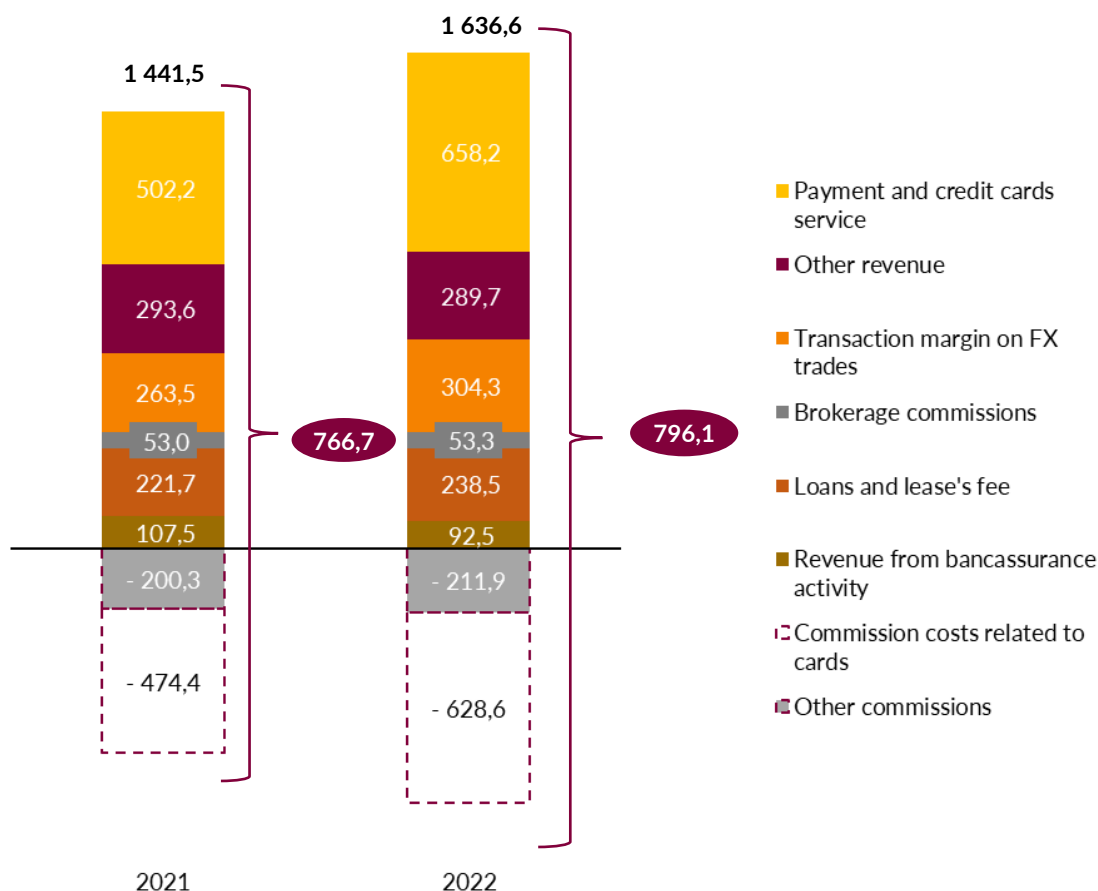
Interest rates used by the Bank, broken down by individual credit products and the average interest rate on deposits, has been presented in the table below:

	01.01.2022 - 31.12.2022 (%)	01.01.2021 - 31.12.2021 (%)
LOANS		
Retail segment		
<i>Consumer loans</i>	9.36	5.68
<i>Housing loans</i>	6.07	3.19
Business segment		
<i>Investment loans</i>	8.10	3.26
<i>Operating loans</i>	8.56	3.72
DEPOSITS		
Retail segment		
<i>Current deposits</i>	0.79	0.09
<i>Term deposits</i>	3.87	0.35
Business segment		
<i>Current deposits</i>	0.66	0.02
<i>Term deposits</i>	4.11	0.49

The result on fees and commissions in 2022 increased by 3.8% compared to 2021, to PLN 796 million. This result was comprised of PLN 1 637 million in commission income (an increase compared to 2021 by 13.5%) and PLN 840 million in commission expenses (an increase compared to 2021 by 24.6%).

The main component of fee and commission income is commissions related to the handling of payment and credit cards, which amounted to PLN 658 million in 2022, up by 31.1% compared to the same period of 2021. Another significant component of net fee and commission income that recorded large growth in 2022 were commissions on foreign exchange (fx) transactions, which increased by 15.5% compared to 2021 to the level of PLN 304 million. The positive trend related to the increase in commission income on loans and leasing activities, which increased in the reporting period to PLN 239 million, i.e. by 7.6% compared to 2021, was also continued. In view of commission expenses, there was a significant increase in card-related costs (costs of card and ATM transactions, including the costs of issued cards) from PLN 474 million in 2021 to PLN 629 million in 2022, i.e. by 32.5%. Other commission costs, comprising i.a. commissions paid to agents, insurance of banking products, commissions for providing ATMs and brokerage commissions increased by PLN 12 million to PLN 212 million.

Net fee and commission income (in PLN million) – consolidated data



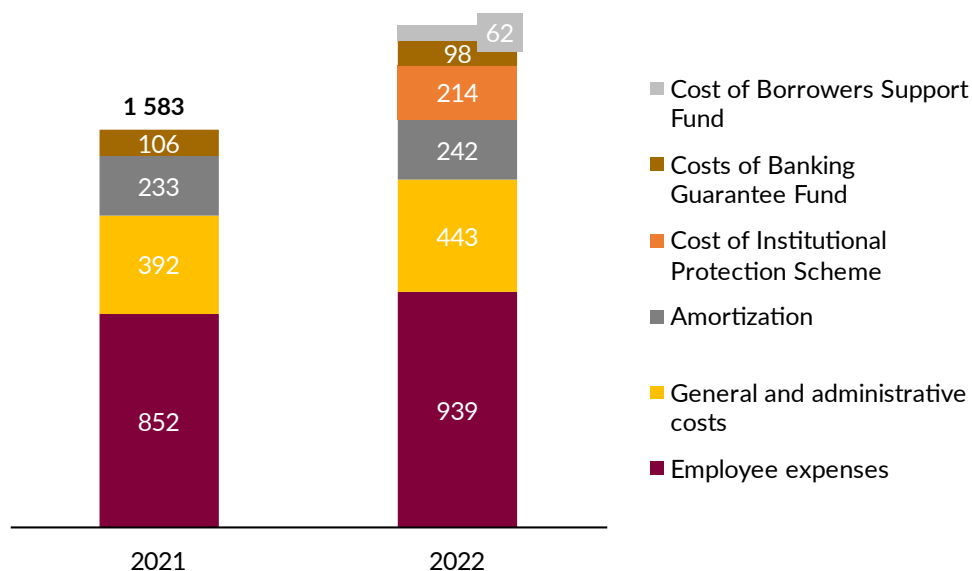
Result on other activities of the Bank (sum of the following items in the income statement: dividend income, result on instruments measured at fair value through the income statement and result on the exchange position, result on derecognition of assets and liabilities not valued at fair value through the profit and loss account, result on other operating income and expenses) amounted to PLN 25.6 million in 2022, compared to PLN 72.1 million in 2021. The main reason for the deterioration of the result on other activities of the Bank in the analysed period of 2022 was the lower result on instruments measured at fair value through profit or loss and foreign exchange result, which decreased from PLN 87.1 million in 2021 to 32.5 PLN million in 2022.

In 2022, operating expenses amounted to PLN 1 998 million and were higher than operating expenses incurred in 2021 by PLN 415 million, i.e. by 26.2%. The highest increase in costs was caused by joining the Institutional Protection System, which resulted in the payment of PLN 214 million to the assistance fund. A significant cost item in 2022 was also the payment to the Borrower Support Fund with a total value of PLN 62 million.

Personnel costs in the analysed period increased by 10.3% from PLN 852 million to PLN 939 million, which was the result of a general increase in prices in the economy, which contributed to an increase in wage pressure. General and administrative expenses, adjusted by Bank Guarantee Fund expenses, payment to the Institutional Protection System and the Borrower Support Fund (but including taxes and levies), amounted to PLN 443 million in 2022 and were 13.0% higher than expenses borne the previous year. The increase in general and administrative expenses was affected, among others, by higher IT costs (up by PLN 14.7 million), higher marketing costs (up by PLN 10.5 million), as well as by higher training costs (up by PLN 8.7 million). As a result,

the Cost/Income ratio in 2022 was at the level of 45.6%, which represented a deterioration of this ratio by 2.1 pp. compared to 2021, when this ratio was 43.5%

Operating expenses (in PLN million) – consolidated data
1 998



Net expected credit losses

Net expected credit losses amounted to PLN 949.8 million in 2022, compared to PLN 1 006.7 million in 2021, which means an improvement by 5.7%. The CoR (cost of risk) ratio in the reporting period was 1.51%. For comparison, the CoR ratio in 2021 was 1.60%.

Net expected credit losses (in PLN thous.) – consolidated data

	01.01.2022 – 31.12.2022	01.01.2021 – 31.12.2021	Change r/r (%)
Expected credit losses Stage 3	-1 083 952	-1 155 456	-6.2%
retail customers	-552 717	-453 812	21.8%
business customers	-531 235	-701 644	-24.3%
Expected credit losses Stage 1 and 2 (ECL)	-26 814	88 810	-
Stage 2	-41 755	40 816	-
retail customers	-83 927	96 375	-
business customers	42 172	-55 559	-
Stage 1	14 941	47 994	-68.9%
retail customers	11 085	3 723	197.7%
business customers	3 856	44 271	-91.3%
POCI	-18 690	-57 496	-67.5%
Recoveries from off-balance sheet	153 263	91 582	67.4%

Investment securities	6 346	-9 510	-
Off-balance provisions	20 082	35 407	-43.3%
Net expected credit losses	-949 765	-1 006 663	-5.7%

Net impairment charges on non-financial assets

Net impairment charges on non-financial assets amounted to PLN -52.4 million in 2022.

Balance Sheet

As at 31 December 2022, the balance sheet total of the Alior Bank Capital Group amounted to PLN 82.9 billion which was lower by PLN 0.2 billion (0.2%) compared to the end of 2021. The main item generating the decrease in the balance sheet total were cash and cash equivalents, which decreased by PLN 1.2 billion, i.e. by 31.3% compared to the end of 2021. The largest asset component is receivables from customers of the Alior Bank Capital Group (PLN 57.6 billion). Their share in the balance sheet total amounted to 69.5% at the end of 2022 and thus decreased compared to the end of 2021 by 0.6 pp. The second largest asset item as at 31 December 2022 were financial investment assets, which amounted to PLN 17.0 billion and accounted for 20.5% of all assets (as at the end of 2021 it totalled PLN 16.1 billion – 19.4% of assets).

The primary source of financing of operations conducted by the Alior Bank Capital Group are funds deposited by customers in the Bank by customers. As at the end of 2022, amounts due to customers totalled PLN 70.8 billion, i.e., 85.4% of the Bank's consolidated balance sheet total. Amounts due to customers decreased by PLN 1.2 billion (1.7%) compared to the end of 2021. The second largest source of financing, i.e. equity, amounted to PLN 6.2 billion as at the end of 2022 and accounted for 7.4% of the balance sheet total of the Bank.

In the structure of amounts due to customers, the main item were amounts due to the retail segment, which as at the end of 2022 accounted for 72.2% of the customer deposit portfolio. Compared to the end of 2021, the said share increased by 4.1 percentage points.

The tables below present detailed items of assets, liabilities and equity as at 31 December 2022 along with comparable data.

ASSETS	31.12.2022	31.12.2021	Change	Change
			(in PLN '000)	(%)
Cash and cash equivalents	2 584 143	3 763 391	-1 179 248	-31,3%
Amounts due from banks	2 373 663	1 689 779	683 884	40,5%
Investment financial assets:	17 015 100	16 099 658	915 442	5,7%
measured at fair value through other comprehensive income	9 895 998	9 265 445	630 553	6,8%
measured at fair value through profit or loss	437 260	382 900	54 360	14,2%
measured at amortized cost	6 681 842	6 451 313	230 529	3,6%
Derivative hedging instruments	178 139	38 810	139 329	359,0%
Loans and advances to customers	57 609 876	58 228 178	-618 302	-1,1%
Assets pledged as collateral	40 992	130 921	-89 929	-68,7%
Property, plant and equipment	744 443	755 209	-10 766	-1,4%
Intangible assets	391 058	426 643	-35 585	-8,3%

Non-current assets held for sale	1 611	0	1 611	-
Income tax asset	1 417 183	1 302 329	114 854	8,8%
current income tax asset	1 205	27	1 178	4363,0%
deferred income tax asset	1 415 978	1 302 302	113 676	8,7%
Other assets	520 964	613 454	-92 490	-15,1%
TOTAL ASSETS	82 877 172	83 048 372	-171 200	-0,2%

LIABILITIES AND EQUITY	31.12.2022	31.12.2021	Change	Change
			(in PLN '000)	(%)
Amounts due to banks	270 431	529 617	-259 186	-48.9%
Amounts due to customers	70 776 809	72 005 715	-1 228 906	-1.7%
Financial liabilities	255 994	188 088	67 906	36.1%
Derivative hedging instruments	1 678 933	1 081 996	596 937	55.2%
Provisions	267 947	290 213	-22 266	-7.7%
Other liabilities	2 044 232	1 649 540	394 692	23.9%
Income tax liabilities	249 086	36 560	212 526	581.3%
current income tax liabilities	246 997	35 671	211 326	592.4%
deferred income tax liabilities	2 089	889	1 200	135.0%
Subordinated liabilities	1 163 875	1 347 441	-183 566	-13.6%
Total liabilities	76 707 307	77 129 170	-421 863	-0.5%
Share capital	1 305 540	1 305 540	0	0.0%
Supplementary capital	5 407 101	5 403 849	3 252	0.1%
Revaluation reserve	-1 339 433	-906 659	-432 774	47.7%
Other reserves	161 792	161 788	4	0.0%
Foreign currency translation differences	283	-43	326	-758.1%
Accumulated losses	-48 529	-527 198	478 669	-90.8%
Profit for the period	683 111	481 925	201 186	41.7%
Equity	6 169 865	5 919 202	250 663	4.2%
TOTAL LIABILITIES AND EQUITY	82 877 172	83 048 372	-171 200	-0.2%

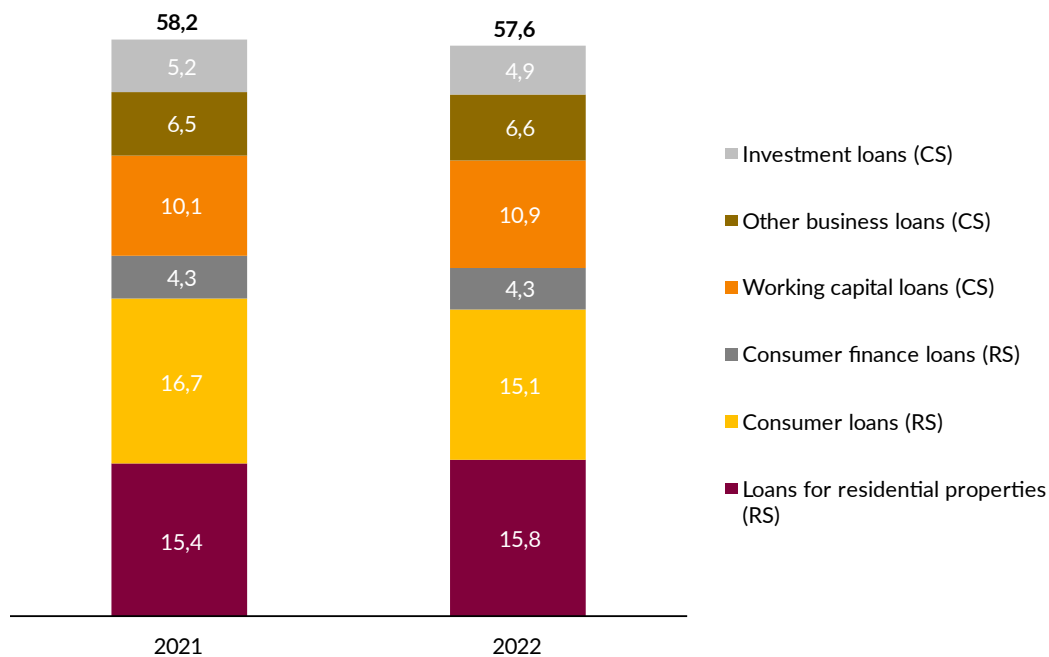
Loans granted in the retail segment (RC – Retail Customer) were consumer loans, mortgage loans (for housing purposes) and Consumer Finance. Their total net volume amounted to PLN 35.2 billion as at the end of 2022 (3.2% decrease compared to the end of 2021). In 2022, the balance of mortgage loans increased (by 2.5% compared to 31 December 2021). The increase in the volume of mortgage loans was possible, among others, thanks to the introduction by the Bank of an attractive loan offer addressed to residents of Warsaw and Krakow as well as the introduction of the *Lekki start* offer with a 0% margin in the first year of lending. A slight increase of 0.2% was also recorded in Consumer Finance loans. On the other hand, consumer loans recorded a decrease by 9.3% compared to the net volume at the end of 2021 and reached a net value of PLN 15.1 billion.

Operating loans for enterprises, which as at 2022 amounted to PLN 10.9 billion (increase by 7.5% since the beginning of the year), were the most important component of the corporate loan portfolio (BC – Business Customer), accounting for 48.6% of its value. Investment loans for business customers accounted for 21.8% in

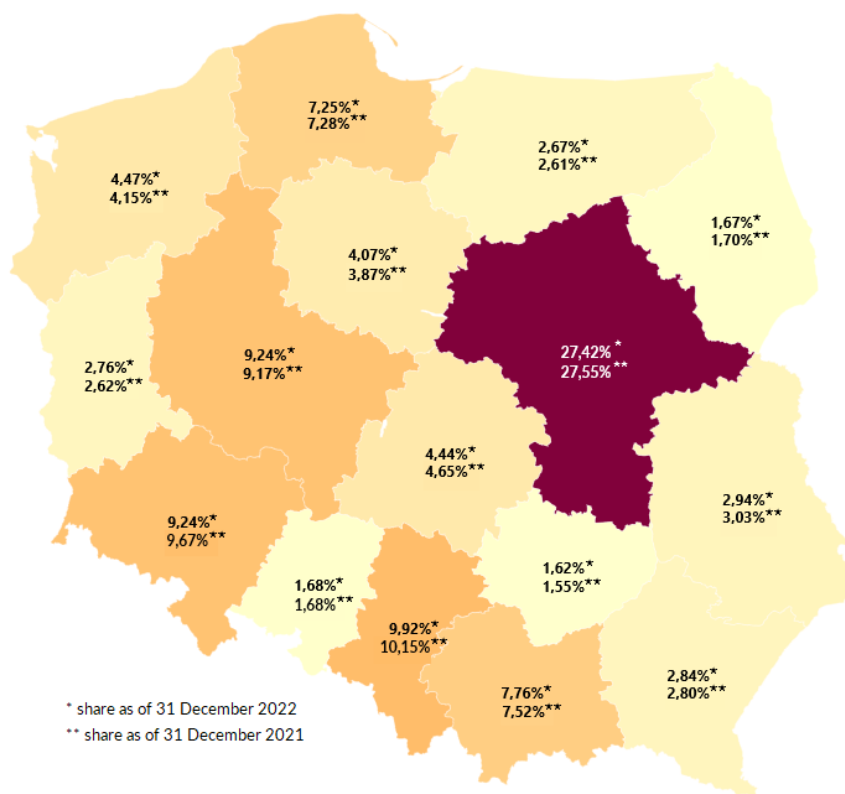
the structure of the portfolio of business customers as at 2022, which means that their share dropped by 2.1 percentage points. Other loans offered to business customers increased by PLN 0.1 billion in terms of volume, and their share in the structure of the business customer portfolio was 29.6%. The value of net loans granted in the business segment amounted to PLN 22.4 billion as at the end of 2022 and was 2.5% higher than as at the end of 2021. Growth in the value of the credit portfolio in that segment was caused primarily by higher demand for revolving facilities among enterprises. The Bank attaches great importance to streamlining service processes, which is reflected, among others, in the introduction of the *Fast Track* process, which enables the credit decision to be taken within 4 business days.

The total net value of the Bank's loan portfolio amounted to PLN 57.6 billion at the end of 2022, compared to PLN 58.2 billion at the end of 2021.

Receivables from customers (in PLN billion)



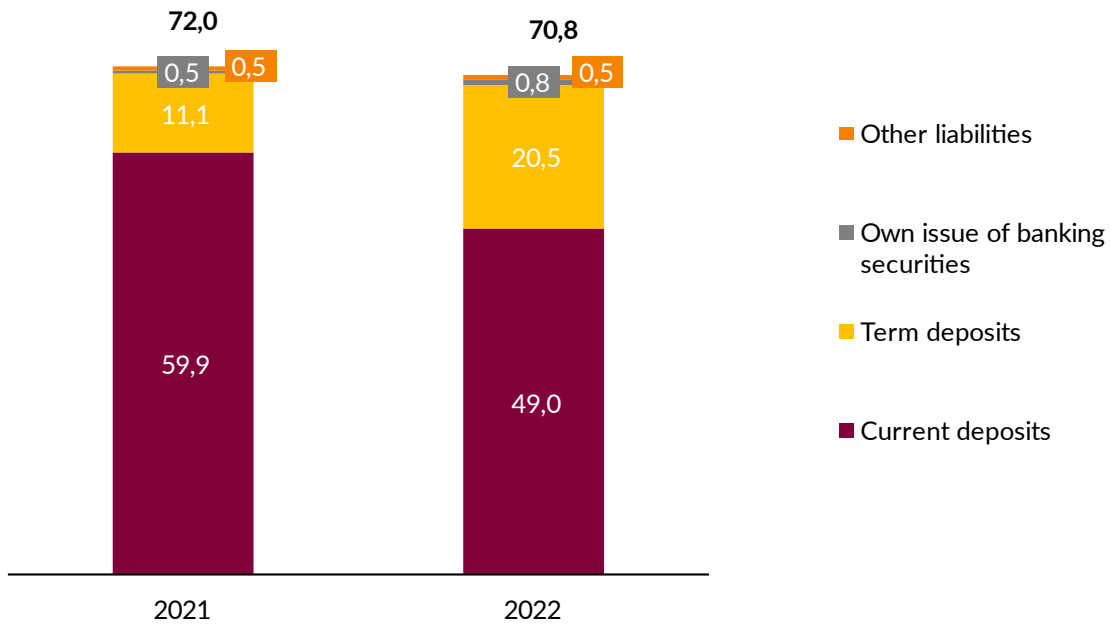
Territorial structure of receivables from customers as at 31 December 2022 and 31 December 2021



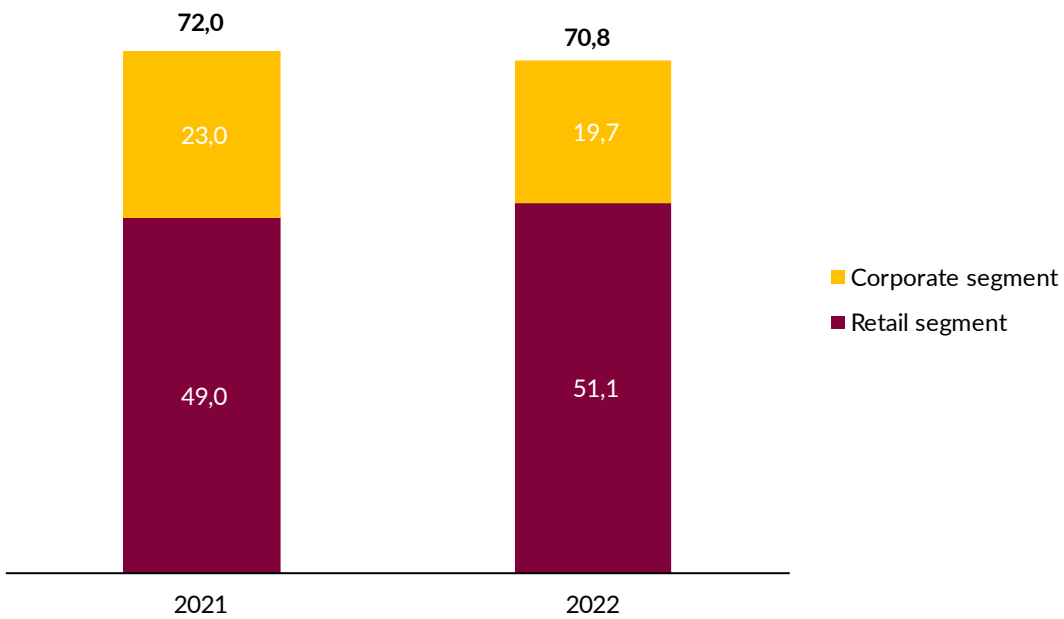
Current deposits are the main component of amounts due to customers. They accounted for 69.3% of all amounts due to customers as at the end of 2022 (down by 13.9 p.p. compared to the end of the year 2021). Term deposits were the second largest item of amounts due to customers, which accounted for 28.9% of all amounts due to customers as at the end of 2022 (up by 13.5 p.p. compared to the end of 2021). The remaining 1.8% of amounts due to customers constituted funds acquired as part of the issue of own banking securities and other liabilities.

As at 31 December 2022, the value of collaterals established on accounts and assets of borrowers under Alior Bank amounted to PLN 41 333 million (including retail customers: 17 871 and business customers: 23 462).

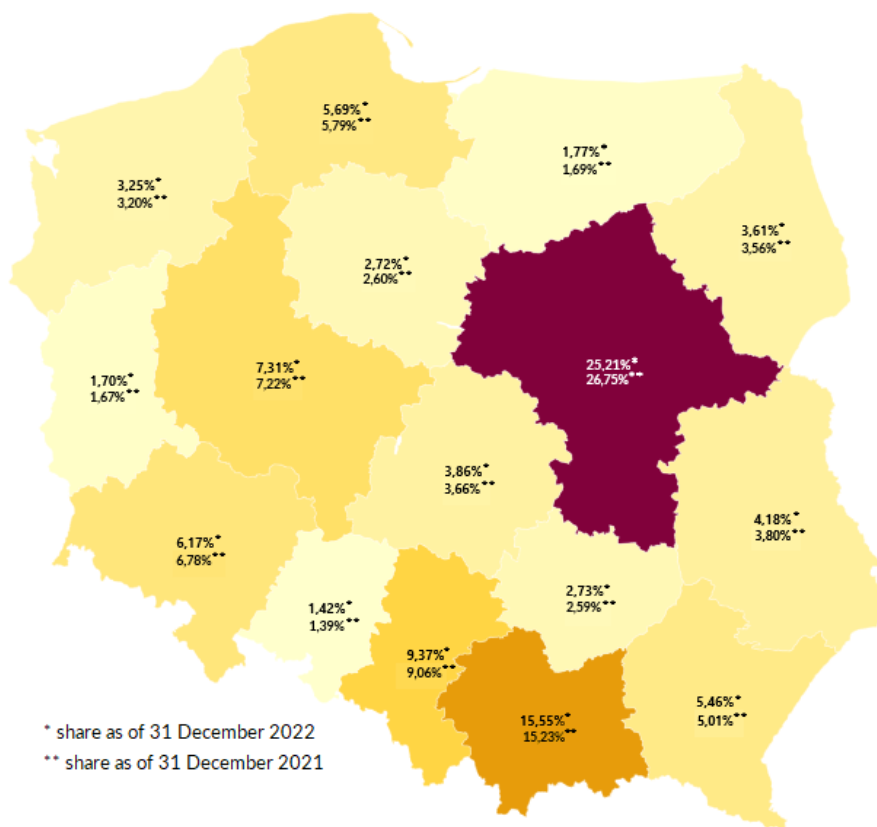
Structure of amounts due to customers (in PLN billion)



Structure of amounts due to customers (in PLN billion) – by segments



Territorial structure of deposits as at 31 December 2022 and 31 December 2021



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 2022, Alior Bank granted 968 active guarantees for a total amount of PLN 646,520,000. As at 31 December 2021, this number amounted to 998 for a total amount of PLN 650,729,000.

The Bank makes sure that the time structure of the guarantees is appropriate. Active guarantees with less than two years to maturity (783 items) amounted to PLN 415,169,000.

The total value of off-balance-sheet contingent liabilities granted to customers as at 31 December 2022 amounted to PLN 10,204,376,000. This amount consisted of PLN 9,557,856,000 off-balance-sheet contingent liabilities related to financing and PLN 646,520,000 off-balance-sheet guarantee contingent liabilities.

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.

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

Off-balance-sheet contingent liabilities granted to customers	31.12.2022	31.12.2021
Off-balance-sheet liabilities granted	10 204 376	9 945 348
Financing	9 557 856	9 294 619
Guarantee	646 520	650 729

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

Breakdown by entity	31.12.2022	31.12.2021
Entity 1	64 482	88 322
Entity 2	50 000	67 000
Entity 3	39 829	62 038
Entity 4	36 653	39 063
Entity 5	35 994	36 526
Entity 6	34 935	35 232
Entity 7	28 683	27 608
Entity 8	23 254	15 000
Entity 9	18 269	15 000
Entity 10	15 496	14 063
Other	298 925	250 877

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

Broken down by product	31.12.2022	31.12.2021
Lines of credit	9 528 243	9 169 796
Import letters of credit	3 623	7 122
Credit commitments	25 990	117 701
Guarantees	646 520	650 729
Total	10 204 376	9 169 796

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 perspective of the next 12 months:

- the scale of demand reported for banking services by customers,
- the ability of customers to repay their financial obligations on time,
- the general macroeconomic situation of the country as determined by key indicators, such as: inflation, unemployment rate, GDP growth rate,
- the Monetary Policy Council policy on interest rates,
- geopolitical events, in particular the on-going armed conflict in Ukraine,
- growth of banking services offered by non-regulated entities,
- progressing consolidation and restructuring processes in the banking sector,
- potential decisions of the Court of Justice of the European Union, the Supreme Court or other state institutions, in particular in the case of foreign currency loans,
- regulatory changes, in particular regarding the extension of the “credit holidays” to 2024 and the additional contribution to the Borrower Support Fund in 2023,
- reform of the reference ratio, i.e. replacing WIBOR with WIRON.

VI. 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 ended 31 December 2022 (Note No. 5).

Retail segment



In December 2022, we served 4.2 million retail customers.




The Bank has a modern behavioural segmentation in place, describing the portfolio of two groups of retail customers:

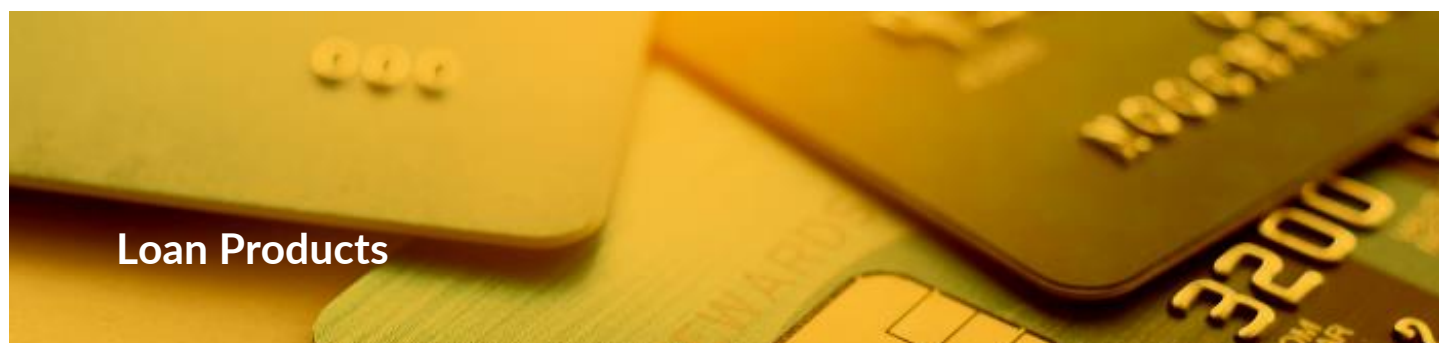
- actively using our banking services,
- financing their instalment purchase thanks to us (but Alior Bank is not a first-choice bank for them).

In addition to segmentation, the Bank identifies the so-called groups of "life style" customers based on the analysis of their transactionality and shopping baskets. They talk about the values, expectations, attitudes and service and product needs of specific customer groups.

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:

 <p>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).</p>	 <p>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).</p>	 <p>Private Banking customers (individuals holding assets worth more than PLN 1 million or who have an Elite Account).</p>
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Cash Loans

A cash loan is the main product for retail customers, with its comprehensive availability in the following distribution channels: own branches, partner outlets, telephone sales, online sales, and online and offline brokers. Cash loans may be spent for any purpose or for the repayment of financial liabilities (consolidation loan).

In 2022, in view of the changing interest rates, the Bank gradually adjusted the loan price offer, by ensuring not only its profitability but also competitiveness in relation to other market offers. In the first three quarters of 2022, the greatest interest was attached to products with a fixed interest rate, which provide consumers with greater comfort amid constantly increasing interest rates. To address market demand, the Bank implemented new offers with a fixed interest rate, i.e.: *Niezienna Konsolidacja*, *Stala Konsolidacja*, *Pozyczka z Mikrokosztami*, *Przyjazna pozyczka*, *Oferta dla Seniora* [Permanent Consolidation, Fixed Consolidation, Loan with Microcosts, Friendly Loan, Offer for Seniors, respectively].

The fourth quarter of previous year was a period marked by the stabilisation of interest rates, to which the Bank reacted in October 2022 by providing an innovative *Kredyt Odroczoney* [Deferred Loan] offer, whereby the customer repays the first instalment three months after the conclusion of the agreement. In addition, this offer was also presented in the multi-channel marketing campaign. It was a proposal resulting from customers' demand for products that allow them to "wait out" the period of high interest rates and thus high interest costs of the loan.

In parallel the Bank laid its focus on offers available online. Since March 2022, we have been regularly providing access to a new, special offer called "Weekend Promotions", dedicated for customers using online and mobile banking. The said offer responds to the needs of consumers looking for a loan with a 0% commission. With customers using electronic channels in mind, we also provided access to the "Resignation" offer for those who did not complete the loan application process. From September 2022, customers using mobile banking can take advantage of the dedicated Mobile Loan offer.

To address the needs of customers using online and mobile banking, from November 2022, those who initiated the application via these channels can take advantage of an attractive – in terms of price – "Birthday Loan".

We are continuing the "Clean Air" cash loan offer (implemented in 2021), linked to the 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).

As part of cooperation with the Credit Information Bureau, in February and March 2022 we the second edition of the "CIB Alerts in Alior Bank" promotions available in physical channels. This has enabled customers to have access to detailed information about their loans and liabilities and on any fraud attempts using their data.

Our actions (similarly as in 2021) were assessed positively by market experts who in June 2022 gave us the second award for the best range of cash loans in the 13th edition of the prestigious "Golden Banker" competition. The award was granted after an analysis of both price parameters and product functionalities, taking into account various customer profiles.

Alior Pay

In December 2022, we were the first financial institution in Poland to propose a deferred payment service for already done transactions. The new service operates within the credit limit and allows refinancing of already done payments. The new product – Alior Pay Overdraft Facility is part of the Alior Pay ecosystem, in which we will provide customers not only with payment services, but also with multiple benefits.

The logo for Alior Pay, featuring the word "Alior" in a dark purple font and "Pay" in a yellow font, both in a sans-serif typeface.

The new product makes it possible to defer and spread out into instalments debit transactions that have already been made within the Alior Bank personal account. It gives the option to defer non-cash transactions, e.g. card payments, by BLIK, made not only in online stores but also in brick-and-mortar stores. Furthermore, it is possible to defer standing orders or transfers, e.g. for electricity or telephone bills, as well as cash withdrawals from ATMs. The conditions for using the service include but are not limited to having a checking and savings account at Alior Bank and the Alior Mobile application. The Bank may grant the Alior Pay Overdraft Facility up to PLN 3,000. Within this overdraft facility, customers can defer the transaction for 30 days for free and spend the very same money another time. Repayment of the transaction is of great convenience because it takes place automatically from the current account in full amount (after the deferral period) or in 11 instalments. Alior Pay will be gradually improved and made available to an ever wider group of customers.



Credit Cards

A credit card with an overdraft facility for any purpose is a product for retail customers available in on-site, telephone and Internet distribution channels.

The main advantage of the debit credit card rests with the possibility of using an interest-free period of up to 59 days for completed card payments or transfers – provided that the total amount of debt is repaid on time.

In addition, one of the options is the ability to spread debt or a transfer from the card account into instalments with a guarantee that the instalments will have a fixed amount for a given instalment product. We offer credit cards with an overdraft facility in the payment account from PLN 500 to PLN 80,000, and for the World Elite Card from PLN 30,000 to PLN 200,000.

The MasterCard OK! credit card was distinguished by market experts and awarded 2nd place in the “Golden Banker” competition (June 2022) organised by *Puls Biznesu* magazine and the *bankier.pl* website, in the credit card product category.

In 2022, we continued to promote the following credit cards: MasterCard OK! and MasterCard *TU i TAM* [HERE and THERE]. Their main benefit is the refund for card payments:

- MasterCard OK! in selected retail and service outlets (universal credit card offer),
- MasterCard *TU i TAM* – accrued for transactions in a currency other than PLN.

In addition, the MasterCard *TU i TAM* credit card provides access to favourable currency exchange terms, i.e. settlement in more than 150 currencies.

Private Banking customers, on the other hand, are offered the World Elite card and the associated e.g. package of concierge services package (the assistance of a specialised helpline), travel insurance and a Priority Pass – ability to use airport lounge services.

The possibility of making contactless credit card payments with Apple Pay, Google Pay™, Garmin Pay, Fitbit Pay™, SwatchPAY! or Xiaomi Pay is also a great convenience for cardholders.

Credit cards also provide access to discounts and promotional offers available under the “MasterCard® Priceless® Specials” loyalty programme. By paying with the card after enrolling it in the MasterCard® Priceless® Specials Programme, the customer collects points and exchanges them for prizes. Furthermore, customers could take advantage of additional promotions under the Mastercard® Priceless® Specials:



- “Spring Acceleration” and get 8,000 starting points in the programme (from 28 March 2022 to 15 July 2022),
- “8,000 starting points” (from 29 August 2022 to 9 October 2022) and
- “Starting prize in the MasterCard Programme for Alior Bank cards” and get an additional 20,000 points for the credit card in the programme (from 28 September 2022 to 23 January 2023). The promotions were combined.

The promotion “Starting prize in the MasterCard Programme for Alior Bank cards” was announced in the **radio campaign** of Alior Bank’s credit card.

The Mastercard® Priceless® Specials Programme is integrated with the banking application. This means that the customer can conveniently manage their credit card and their loyalty programme account from the Alior Mobile banking app.



From 1 July 2022 to 31 August 2022, a sales promotion for the **MasterCard OK! "PLN 300 starting bonus with a credit card"** was introduced.

The prize in the promotion was a Multivoucher worth PLN 300 to be used in over 100 stores, e.g. **Biedronka, Zalando, IKEA, H&M, Hebe, Pyszne.pl, Allegro**. The promotion was additionally supported by an external digital marketing campaign.

In cooperation with MasterCard, this year we also maintained communicate the #EKO rewards under the Mastercard® Priceless® Specials Programme. Another "green" offer is the promotional credit card benefit "Refund for eco-purchases made with a Credit Card – 2nd edition".

In 2022, we also continued the development of credit card sales in electronic and mobile banking (Alior Online and Mobile), where customers receive personalised limit offers and can take advantage of the promotion "**extra PLN 150 with a credit card with a click**". Furthermore, it is possible, also in this distribution channel, to launch an instalment plan as part of the credit card held.

In 2022, in connection with the changing interest rates, we changed and adjusted the price offer – the credit card interest rate.

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.

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 2022, we continued to develop the sale of overdraft facility in electronic and mobile banking, where customers receive personalised offers at an attractive price of PLN 0 for activating the facility. In connection with the changing interest rates, we changed and adjusted the price offer.

Mortgage Loans

Hardships caused by external factors, including but not limited to the increase in interest rates, the outbreak of war in Ukraine, as well as the growing cost of living, in 2022 had an impact on reducing the demand for mortgage loans.

Despite this situation, the Bank achieved a satisfactory level of sales of mortgage loans in the retail customer segment. This result was caused by an optimal pricing policy aimed at making the offer in PLN more attractive on those markets featuring the greatest sales potential. The fundamental pillar of this policy was the

implementation of attractive offers for customers financing a housing goal in Poland's largest cities. The offers were available both in the option of the variable rate and the periodically fixed rate. As far as the structure of offer sales is concerned, the share of the periodically fixed rate reached a high level of 30%.

As part of additional actions in the product area, the Bank, at the end of the year, placed the *Lekki Start* offer into the market which, in the first year of lending, offered an interest rate based solely on a reference index and extended the loan period to a maximum of 35 years.

In parallel to the actions in the product segment, the Bank decided to start changes in the system and process areas.

Preparations for both digitisation and optimisation of processes resulted in the mid-year release on the Bank's website of an intuitive tool for self-assessment of creditworthiness with the function of personalised offer presentation. The tool was visited by nearly 30 thousand users last year. Statistics-wise, the interest in this functionality is steadily growing.

Process areas implemented subsequently covered post-sales processes. Bank's customers with a mortgage loan may submit selected instructions and applications via online banking.

Ultimately, the catalogue of activities implemented in 2022 increased the Bank's market share in the sale of mortgage loans. At the end of 2022, this share reached 4.87%.

Due to the market situation, the Bank also actively participated in servicing programmes aimed at improving the situation of borrowers with mortgage loans. This activity was visible in the servicing of credit holidays and the programme related to the Borrower Support Fund.

Savings Accounts

One of the basic acquisition products in the area of savings in 2022 was *Konto Mega Oszczędnościowe* [Mega Savings Account]. As part of individual editions of the *Konto Mega Oszczędnościowe* promotion, customers, upon depositing new funds and meeting the conditions set out in the regulations, can obtain a promotional interest rate. Holders of these accounts are able to make flexible saving, with the option of free and unlimited transfers via online and mobile banking to their personal account at Alior Bank.

Furthermore, customers with *Konto Jakże Osobiste* [Highly Personal Account] can activate a benefit in the form of a higher interest rate on a savings account.

The offer of savings accounts was supplemented by the *Rodzina 500+* [500+ Family] variant. It is intended for customers who have applied for this childcare benefit via online banking or a transfer of this *Rodzina 500+* benefit has been credited on their personal account in Alior Bank. The increased interest rate under this offer is valid for 12 months from the date of activation of the promotion.



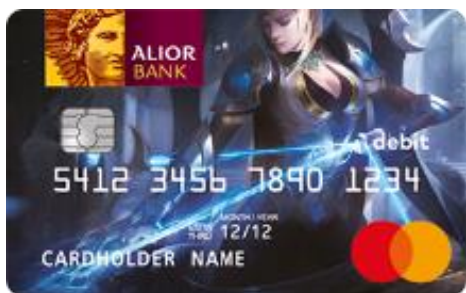
Term Deposits

In 2022, to retail customers we offered term deposits with fixed interest rates in PLN, USD and EUR. Customers may choose the optimal savings period and open a deposit in a selected distribution channel (including Alior Online and Alior Mobile). In 2022, we introduced *Lokata Mobilna* [Mobile Deposit] to the deposit offer,

dedicated to customers activating the Alior Mobile application for the first time, and Lokata Nestor [*Nestor Deposit*] for customers over 60 years of age.

Current and Savings Accounts

The flagship personal account available in the offer in 2022 was *Konto Jakże Osobiste* [Highly Personal Account]. It enables customers to tailor services to their needs by choosing from 11 benefits (incl. free withdrawals from ATMs in Poland or abroad, a refund for mobile payments or a package of free instant transfers). *Konto Jakże Osobiste* [Highly Personal Account] is available in several variants addressed to various segments, e.g. as the Account for the Youth – for young people aged 13-18; An account for players with a MasterCard debit card with the image of Ashe from League of Legends – for customers who are computer games fans, and *Konto Jakże Osobiste* [Highly Personal Account] Personal Banking – for customers from the Premium segment investing assets over PLN 100,000 in the bank.



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 *Konto Jakże Osobiste* [Highly Personal Account] or *Konto Elitarne* [Elite Account].



In 2022, in view of the war in Ukraine, we developed an offer addressed to citizens of Ukraine. The offer included internet and mobile banking in Ukrainian, as well as product documentation for those customers who do not speak Polish. The offer was also extended to include the Basic Payment Account for citizens of Ukraine, addressed to refugees who did not have the required identity documents needed to open a standard account. This account has limited functionality needed only to perform basic actions of everyday life.

Transaction Services

We offer a wide range of transaction services. In the Alior Online mobile app, we offer innovative mobile payment methods (BLIK, Contactless BLIK, Android Pay and Apple Pay), and smartwatch payments (Fitbit Pay, Garmin Pay, Swatch PAY!). Q4 2022 saw us launching a marketing campaign to promote contactless mobile payments as part of the benefits available in the *Konto Jakże Osobiste* [Highly Personal Account] offer.

Foreign Exchange Transactions

Available at our 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. Customers

can use a 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 issued to *Konto Jakże Osobiste* [Highly Personal Account] may additionally use 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 2022, the dominant role in the bancassurance area was played by insurance linked to the PZU Group's offer related to loans and mortgage loans. Linked insurance products depended on loan volumes, which was a particular challenge in H2 2022, and the premium on linked insurance, especially for mortgage loans, decreased. On the other hand, amid rising interest rates, an opportunity for savings life insurance occurred. Thanks to the dynamic sales of the new product *Bezpieczne Jutro* [Safe Tomorrow] from PZU Życie SA (introduced in August 2022), we recorded a significant increase in the premium written on the sale of life insurance. *Bezpieczne Jutro* [Safe Tomorrow] is an alternative for retail customers to invest funds in an insurance formula for a period of 2 or 3 years with a guaranteed interest rate during this period. This offer rendered it possible for the Bank to obtain high premium volumes of over PLN 140 million in just 5 months. This made a positive translation into an increase in revenues from bancassurance activities.



At the beginning of 2022, owners of business accounts were offered new insurance from PZU SA – accident and health care insurance for Alior Bank Business Customers.

In January 2022, in cooperation with PZU Życie SA, we implemented a new product offered by the Bank – Personal Life Insurance with Unit-linked Insurance Funds *Multi Kapitał II* [Multi-Capital II], under which customers can enter into a personal life insurance contract and have access to over a hundred unit-linked insurance funds offering various investment strategies, geographical region of investment, profit potential and investment risk levels.

As regards stand-alone insurance, we are developing the sale of products in digital channels from the PZU Group offer. They include motor insurance and travel insurance, which customers can purchase in online and mobile banking, and home insurance available by means of a dedicated form. Compared to the previous year, the number of policies purchased online doubled in 2022, thus confirming the direction of development of digital channels.

In 2022, travel insurance continued to be offered to customers of online and mobile banking at *Kantor Walutowy* [Currency Exchange], and the sales trend was rising.

In H2 2022, the Bank continued to offer group insurance as an extra benefit accompanying banking products. These also included assistance and travel insurance as part of the *Konto Jakże Osobiste* [Highly Personal Account] account, travel insurance added to World Elite credit and debit cards, as well as group and assistance insurance for hire-purchase loans.

The Bank continues to pursue its strategy based on offering primarily insurance under what is called an individual model, whereby it stands as insurance intermediary and receives compensation for that. The group model, under which the Bank stands as the policyholder, is used for free products for the customer as supplementation of the parameters to improve the parameters of the respective banking product.



Retail segment areas

Consumer Finance

As we had planned beforehand, 2022 saw us selling instalment loans in the eco segment for the purchase of i.a. photovoltaics and heat pumps, and this was despite regulatory changes regarding RES that entered into force in Q2 2022 and the difficult geopolitical situation, which resulted in limiting both the production and availability of certain products as well as breaking supply chains. At the same time, we undertook a number of actions aimed at strengthening cooperation with existing partners and acquiring new trading parties.

We continued projects aimed at optimising the online channel, which, despite the end of the pandemic, is still widely used by customers to make purchases using instalment plans. In order to meet market expectations, we implemented, among other solutions, a fast path to verify identity and sign an agreement with a text message code for customers who meet the criteria of Alior Bank. The said path was very positively received by customers and our partners. We worked on optimising sales applications in order to meet the expectations of an evolving market and the needs of our partners. We also utilised the effect of synergy with PZU by implementing, in April 2022, a solution that allows us to collect consent from customers, enabling us to offer investment and insurance services of the PZU group to our customers who expressed the required consents. In H2 2022, we also entered a new area of instalment financing – consumer rental. The project is implemented in cooperation with a new partner, experienced in this form of financing for business customers.



Private Banking

Private Banking

The Private Banking programme is aimed at the most affluent retail customers who are willing to entrust the Bank with assets in excess of PLN 1 million. We provide services to Private Banking customers in 7 specialised branch offices located in Katowice, Poznań, Kraków, Gdańsk, Wrocław and two of them in Warsaw.

At the end of 2022, the number of Private Banking customers amounted to more than 6 thousand. Customers are offered an open architecture of investment products and a wide range of credit solutions customised to fit their particular situation and needs.

The flagship product intended for this segment is the Elite Account, which is maintained free of charge for customers holding assets with a value in excess of PLN 1 million. The account provides access to a number of benefits, such as individual assistance from a Private Banking banker, confidentiality of account balances, or a prestigious MasterCard World Elite debit card offered without any additional fees, with a rich package of

additional services (e.g. travel insurance with coverage extended to include COVID-19). The Elite Account holders can also participate in special cultural and sports events available exclusively to that customer group.



Brokerage activity

The Bank conducts brokerage activities through the Alior Bank Brokerage House – a separate organisational unit. Brokerage services are offered through the branch offices of the Bank and via remote distribution channels: Brokerage House helpline, Alior Online online banking system, *Alior Giełda* [Alior Stock Exchange] mobile app and the Alior 4 Trader transaction platform.

At the end of December 2022, the Brokerage House kept more than 88.5 thous. brokerage accounts and 7.3 thous. Alior Trader accounts. The value of shares and rights to shares registered on customers' brokerage accounts as at 31 December 2022 amounted to PLN 4.2 billion. The share of Alior Bank Brokerage House in the trading on the Warsaw Stock Exchange (Stocks and PDA) amounted to 1.17% in 2022.

In 2022, the Brokerage House continued to promote mobile investment channels among its customers. As regards brokerage accounts, on average 40% of stock exchange orders were placed via the Alior Giełda mobile application. In the case of Alior Trader accounts, more than 28% of the transactions were executed via the Alior 4 Trader Mobile app.

The Individual Investment Advice service, which we have been providing against payment as of 2020, continues to be highly popular, especially among customers from the Private Banking segment. Customers appreciate the highest quality of the service provided, which is why as at the end of December 2022 more than PLN 1 billion in assets was covered by individual investment advice.

Services offered by the Alior Bank Brokerage House also include units of Polish and foreign investment funds. As at 31 December 2022, Alior Bank collaborated with thirteen Polish and foreign investment fund companies. In 2022, we intermediated in the purchase and conversion of units of open-end investment funds for the total amount of PLN 1.2 billion. For non-public closed-end investment funds, the Brokerage House only provided aftersale services. Total assets accumulated in open-end investment funds through Alior Bank amounted to PLN 1.84 billion as at the end of December 2022, whereas in non-public closed-end investment funds – PLN 0.13 billion.

For yet another year in a row, the Alior Bank Brokerage House placed great focus on technological development of offered investment solutions. At the beginning of the year, customers gained access to the new version of the Alior Giełda application (expanded by the calendar of market events, among other solutions), whereas from June 2022 brokerage account holders are able to use the long-awaited foreign markets service. The said services give access to 10 foreign stock exchanges (8 European: in London, Frankfurt, Paris, Amsterdam, Brussels, Milan, Madrid, Lisbon, and 2 American: New York Stock Exchange i Nasdaq) and free stock quotes from the CBOE stock exchange. The range of offered services included automatic transfers from foreign currency accounts and the Currency Exchange of Alior Bank. The service is fully integrated with Alior Online electronic banking as well as Alior Giełda, Pulpit Inwestora and Notowania Online 3 (NOL 3) applications. In H2 2022, the service was expanded to include new instruments – ETFs (Exchange Traded Funds), which cover a wide range of indices (including geographic, sectoral and bond indices) and are listed on several European stock exchanges. Since July, the Brokerage House's offers IKE [Individual Retirement Pension Accounts] and IKZE [Individual Retirement Pension Security Accounts] brokerage accounts. They make it possible to invest on the stock exchange with a view to retirement, taking into account tax facilities. In August, together with the PZU Group, we launched a new partnership programme *Moje Akcje PZU* [My PZU Shares]. How to use it? All it takes

is holding at least 100 shares of PZU on a brokerage account with the Alior Bank Brokerage House. Special benefits were provided for programme participants, including in the form of discounts for car insurance, home insurance or accident insurance, as well as discounts for membership in the Association of Individual Investors. In turn, on 4 November, the Warsaw Stock Exchange launched a new market (GlobalConnect), whose participants also include Alior Bank Brokerage House. The new market operates in the Alternative Trading System (ATS), and the quotations of shares of foreign companies take place during the stock exchange session on the Warsaw Stock Exchange.

In 2022, the Brokerage House also placed great emphasis on activities involving sustainable development. We provided our customers with the opportunity to specify their goals and preferences as regards sustainable development in the investment survey. Thanks to this, in the offer we present, we can include the customer's likings in this regard. We are also expanding the product range to include instruments that take into account ESG factors, is analysing financial instruments in terms of ESG, using, among others, ratings of global, independent entities such as Sustainalytics and Morningstar. We are also trying to make customers aware of sustainable development, e.g. by organising educational webinars.

On 25 February 2022, the Polish Financial Supervision Authority issued a decision ordering the transfer of financial instruments, funds and documents related to the maintenance of accounts referred to in Article 69.4 (1) of the Act on Trading in Financial Instruments from Copernicus Securities SA to the Brokerage House of Alior Bank SA (to the extent of funds and financial instruments held or registered on securities accounts, including in regard to the Issue Sponsor register only financial instruments admitted to organised trading).

In 2022, the Brokerage House also carried out a number of communication, marketing and educational activities. In April, we began publishing new episodes from the educational cycle titled "How to analyse companies listed on the stock exchange", prepared in cooperation with the FXMAG website, on the YouTube channel of Alior Bank. As of Q2 2022, Alior Bank also invited its customers, primarily from the Private Banking segment, to attend monthly webinars titled "Through the Expert's Eyes", where speakers were Brokerage House employees, among others. In April, we made a new tab available on the Brokerage House website, focused on the Investment Survey topic, so that customers can better understand the nature of their investment profile and related consequences. At the end of the year, this website was also supplemented to include the ESG tab, showing the actions carried out by the Brokerage House in the area of sustainable development. In May, we were a strategic partner of the conference "How to Invest in the Stock Market", and in November of the conference "Passive Revolution" organised by the *Stockbroker.pl* website. In September, we took the patronage over the Squaber InvestDay event.

Investment Funds

We distribute the units of 13 Investment Fund Companies, both domestic and foreign. We provide our customers with full access to a wide range of over 500 sub-funds through Private Banking branches as well as using remote distribution channels: the Brokerage House helpline and the Alior Online internet banking system.

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 funds promoting the environmental or social aspect, and investing in accordance with the ESG (Environmental, Social, Governance) principles, within the meaning of Article 8 or Article 9 of Regulation (EU) 2019/2088 of the European Parliament and of the Council of 27 November 2019 on disclosure of information related to

sustainable development in the financial services sector (Sustainable Finance Disclosure Regulation “SFDR”). We offer more than 160 sub-funds that meet the “green” criteria laid down in the SFDR.

The other branches of the Bank enable the customers to purchase the units of sub-funds offered by entities from the Group, namely Alior TFI and PZU TFI. ALIOR Specialist Open-End Investment Fund has 8 separate sub-funds; as regards PZU TFI, the Bank’s customers can purchase units of 15 sub-funds of the Parasolowy Open-End Investment Fund.

A wide range of sub-funds allows for exposure to different classes of assets and geographical regions – 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.

The Alior Bank Brokerage House also intermediates in the conclusion of agreements between customers and Alior TFI, insofar as they concern opening *IKE* [Individual Retirement Pension Accounts] and *IKZE* [Individual Retirement Pension Security Accounts] by Alior TFI.

In 2022, the Alior Bank Brokerage House implemented a number of initiatives aimed at educating and raising the awareness of the Bank’s customers in the field of *IKE* [Individual Retirement Pension Accounts] and *IKZE* [Individual Retirement Pension Security Accounts] pension products. To that end, an educational campaign “Take Care of Your Future!” was prepared and it was based on mailings, press releases and messages posted in online and mobile banking. A website on educational issues in the field of retirement pension products was also made available. In addition, together with Alior TFI, we run the information and sales campaign “Peaceful Autumn with Films”. It was aimed at promoting saving for retirement pension in combination with the possibility of winning a Netflix subscription package. The prepared content concerned e.g. features of retirement pension products, factors influencing the amount of future retirement pension, or limits of contributions to retirement pension products and available tax reliefs.

Branch of Alior Bank in Romania

As regards the operational activities of the branch in Romania, key changes took place in 2022.

As planned, in October 2022, the Branch ended cooperation with Telecom Romania Mobile Communications S.A. and started operating on the market under a new brand – Alior Bank S.A. Branch in Romania. At the same time, all customer service points in Telecom outlets, as well as outlets providing support for after-sales processes, were closed down. Customer service of the Romanian Branch is currently carried out via remote channels.

In order to optimise costs, the Branch carried out several significant actions. The high cost of risk was limited by suspending credit activity on the Romanian market and selling receivables (NPL). With regard to the reduction of operating costs, the Branch undertook steps to terminate agreements with external suppliers who had supported sales in brick-and-mortar channels. Employment was also restructured, mainly in the sales area. As at 31 December 2022, the Branch employed 110 full-time equivalents.

Currently, the Branch is working on the concept of a new business model. It assumes the adoption of a solid and innovative digital model that will enable the creation of value equally for the Bank’s shareholders and customers.

Business Segment



As regards customer service provided to business customers, we bet on long-term relations, an effective credit process and advanced technological solutions. We focus on the most profitable business that have a positive impact on the risk profile and enable us to build the Bank's profitability in a safe and stable way. Based on macroeconomic forecasts and analyses of economic trends, we identify sectors of the economy with high revenue potential and create a list of preferred sectors.

Segment of Small- and Medium-Sized Enterprises and Corporate Companies in Numbers

As at the end of December 2022, we provided services to 17.9 thousand small and medium-sized enterprises with a total credit balance of PLN 5.8 billion and nearly 2 thousand corporations with a total credit balance of PLN 7.2 billion.

In 2022:

- assets on the portfolio of small- and medium-sized companies and corporate companies increased by 6%,
- assets in regular service grew by 14.8%, whereas the NPL ratio decreased by 6.1 percentage points.

Micro-Enterprise Segment in Numbers

As at the end of December 2022, we provided services to 200 thousand micro-enterprises with a total credit balance of PLN 5.3 billion.

In 2022:

- the value of impaired assets decreased by 24%,
- the value of new overdraft facilities amounted to PLN 1,251 million.

Technology, process automation and remote service

Online Banking

We exercised great efforts to work on the project of a new digital banking for business customers. In September 2022, we signed an agreement with COMARCH S.A. for the implementation and operation of the system. The implementation of the project is scheduled for the years 2023 – 2025. The new online banking will be relied on four main pillars:



- native mobile application,
- customer self-service,
- ERP class system,
- modern website platform.

They will make up a multi-channel, integrated product ecosystem, based on the state-of-the-art technologies, the supreme security standards, and a user-friendly interface.

At the same time, we put into place a number of improvements as part of the Product Centre Module in the current BusinessPro online banking system:

- application for the *MasterCard z Plusem* [MasterCard with a Plus] company debit card,
- automatic collection of monthly fees for accident and healthcare insurance,
- application for changing the data of the insured persons and company data,
- option to filter insurance applications,
- automatic notification of customers by means of an SMS code about inability to continue insurance coverage,
- option of submitting credit after-sales instructions.

Centralisation of After-sales Processes

By centralising 45 after-sales processes and using a qualified signature, Autenti signature and *Foto ID* [Photo ID], we are able to quickly service companies through the Business Customer Operations Team. In 2022, the team executed more than 21 thousand instructions submitted by small-, medium- and large-sized enterprises – more than 45% of them were transferred online via email or the BusinessPro online banking system.

To meet the expectations of entrepreneurs, we lay our focus on the development of the centralisation project. At selected Corporate Banking Centres, we conducted a pilot project extending the scope of services to include further after-sales instructions and enabling customers to transfer them by phone as well. Based on its results, we decided to extend the centralisation to other outlets and to establish a specialised Business Customer Service for after-sales service through various channels.

Automation of Credit Processes

We are increasing the share of loans granted in the automatic process.

In 2022, automation covered:

- 95% of loans granted in the micro-enterprise segment,
- 8% of loans granted in the SME and corporate segment.

Automation of Application for Company Accounts

Through the new online application, the entrepreneur can open *iKonto Biznes* [Business iAccount] or a *4x4* account with a debit card in just 2 minutes from the moment of confirming the identity.

Company data is transferred automatically from CEIDG [*Central Registration and Information on Business*]/REGON [*National Business Register*] on the basis of NIP [Tax ID Number]. The customer's identity is confirmed via a courier (without signing paper agreements) or by PayByLink transfer, and the agreement is signed electronically and confirmed by a text message. The solution can be used by sole proprietorships.

Product offer

New Solutions

In 2022, we expanded our offer to include new solutions to help entrepreneurs run a business:

- **accident insurance and health care insurance from PZU** – the offer is addressed to all segments of companies. Business owners can insure themselves, their family members, employees of their business and their relatives. Depending on the option chosen, in the case of illness or the need to treat the consequences of an accident, PZU will organise medical services and cover their costs.

- **Bonuses for MasterCard Plus company debit card users:**
 - 10% discount on fuel and other purchases at any petrol stations,
 - PLN 0 for accident insurance and PZU health care for transaction activity on the card,
 - 10% discount for subscription (rental) of electronic equipment,
 - exemption from monthly fees for using the card.
- **deposits with a higher interest rate** – we introduced deposits with a fixed interest rate of 2.5% per annum for 2 months and 4% annum for 5 months;
- **special 4x4 account offer for Ukrainian businesses and sole proprietorships operated by Ukrainian nationals** – this offer includes an exemption from the fee for: operating a primary account, online transfers to ZUS [Social Insurance Institution] and the Tax Office as well as a bonus up to PLN 1,500 per annum for active banking. In addition, we waived monthly fees for maintaining an auxiliary account in PLN and in foreign currencies, using a company debit card and fees for domestic, cash, foreign and savings packages. We also introduced refunds for transfers to Ukraine.
- **Xiaomi Pay contactless payments** – this service extended the list of mobile payments and allows contactless payments to be made using a Mi Smart Band 6 NFC band, Xiaomi Watch S1 watch or Xiaomi Watch S1 Active watch.
- **Fast Track** – a financing offer for medium- and large-sized companies, under which a credit decision is made within 4 business days. This way we can finance up to 10% of annual revenues from sales obtained by the enterprise – a maximum of PLN 10 million.



Accounts, Settlements and Deposits

Micro- and small-sized companies, when establishing cooperation with Alior Bank, are most likely to choose iKonto Biznes [*Business iAccount*] and the 4x4 account. Both offers, in the standard option, enable entrepreneurs to receive bonuses for active banking – up to PLN 1,500 per year.



Customers opening iKonto Biznes [*Business iAccount*] in 2022 received an additional starting bonus in the amount of PLN 350. The iKonto Biznes [*Business iAccount*] account ranked first in the ranking organised by Bankier.pl and in a competition organised by eBroker.pl.



We offer three types of accounts to business owners conducting business activity on the basis of full accounting (Business Optimal, Business Comfort and Business Plan accounts).

The range of offered accounts is supplemented by transactional banking products and payment cards, including **the MasterCard with Plus corporate debit card** that distinguishes us from our competition on the market and comes with a number of benefits for entrepreneurs, credit and virtual cards as well as a multi-currency card with access to 23 currencies (without currency conversion costs).

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

Sales of corporate debit cards in 2022 increased by 6% y/y.



Zafirmowani.pl Website

The www.zafirmowani.pl website is a free website aimed at micro-enterprises. In addition to practical advice and guidance, it offers entrepreneurs, e.g. an online accounting application that allows them to keep simplified accounting records.

In 2022, we provided website users with free online training on financial management, human resources, sales process implementation and running marketing actions, as well as on changes in legal and tax regulations. The trainings were delivered by experts from the Polish Entrepreneurship Foundation. They were attended by 300 representatives of companies.

Company Financing

The strategy of Alior Bank assumes a safe growth of its lending activity in a way that ensures high revenue potential, while at the same time minimises risk costs. We identify individual sectors of the economy, creating a list of the so-called preferred sectors.

Over 2022, the sale of overdraft facility to preferred sectors, in the segment of small-, medium- and large-sized enterprises, accounted for nearly 28% of all loans sold to companies, compared to 18% in 2021. Our priority rests is to maintain a high share of preferred sectors in the new overdraft facilities, further develop industry competencies, as well as to deepen customer relationships.

We also share sector-specific knowledge with entrepreneurs. In 2022, we organised and completed a series of business breakfasts participated by current and potential business customers. During these breakfasts, we presented sectoral analyses and conditions on the currency market, the prospects of the Polish energy market for 2022-2035, as well as the current and future macroeconomic situation in Poland.

Loans for Micro- and Small-Sized Companies

In 2022, in order to build relationships and strengthen the acquisition of customers from the micro- and small-sized business segment, we introduced price promotions involving, among others, the reduction to 0% of the preparation commission on Business Credit for day-to-day and investment activities, as well as for ecological purposes.

The offer was also distinguished by high financing amounts – up to PLN 1 million for micro enterprises and up to PLN 3 million for small-sized companies, as well as fast credit decision time – 20 minutes. The financing was secured by a *de minimis* guarantee of Bank BGK.

Structured Financing

We offer a wide range of transactions financing investment projects in the form of Project Finance, commercial real property projects, and investment financing. They are concluded both in the form of bilateral agreements and syndicated loans. Transactions are structured taking into account the individual needs of the customer, business conditions, and company's creditworthiness. We provide structured financing both in PLN and in foreign currencies.

We are developing an offer of structured financing on an ongoing basis and adapting it to customer needs as they change. We observe the market and respond to inquiries.

Leasing



In 2022, Alior Leasing commenced the transformation of its business model. Its goal revolves around the forming of strong foundations that guarantee long-term business growth. The main drivers of Alior Leasing's new strategy include:

- universal offer from both the micro-, small- and medium-sized enterprises and corporations perspective and asset categories, including in particular machinery and equipment;
- multi-channel distribution and effective utilisation of cooperation with business customers of Alior Bank, development of cooperation with suppliers of fixed assets and construction of modern online distribution;
- digital transformation and organisational efficiency aimed at automating processes and using technology to increase the attractiveness and availability of the product offer.

Q4 2022 witnessed us implementing a number of initiatives directly preparing Alior Leasing for the new strategy. These include specialisation of traders and new standards of work in sales networks. Alior Leasing also utilises the potential of the existing customer portfolio, continues activities related to pre-approval, as well as develops the offer of financing machinery and equipment. These actions aim to develop cooperation with Alior Bank and increase acquisitions among business customers.

In 2022, the sales volume of Alior Leasing amounted to:

- PLN 2.1 billion (leasing),
- PLN 221 million (leasing loan).

At the end of 2022, the portfolio consisted of 70 thousand customers and 100 thousand agreements with Alior Leasing.

December 2022 turned out to be a record month in terms of the implementation of a new sales volume – PLN 230 million (at the net value of the item).

The share of Alior Bank customers in the sales of Alior Leasing and the share of financing machinery and equipment + 2 pp y/y (from 10% to 12%) are consistently growing, and the introduced initiatives exert a positive impact on reducing credit risk and achieving key goals.

Trade Financing

In 2022, we made a record-breaking result of new factoring sales. Its volume increased by 70% compared to 2021, and the number of active factoring agreements increased by over 40% y/y.

Furthermore, we extended the offer to include local government factoring, i.e. full factoring at the risk of Local Government Units, as well as we increased the maximum amount of the factoring limit to PLN 3 million in an automatic process, with a decision within 1 business day.

We are optimising the handling of guarantees, letters of credit and collection. Additionally, we cooperate with KUKA S.A. and BGK to confirm and discount letters of credit.



Financing Pro-Ecological Investments

Those companies that implement pro-ecological investments can take advantage of the financing offer:

- a wide range of projects related to the thermal modernisation of buildings and the installation of electricity and heat sources for own needs;
- commercial photovoltaic and wind power plants that received auction support – this proposal is dedicated to special purpose vehicles and covers RES installations with a capacity of over 0.5 MW.

In H2 2022, we started pilot financing of commercial photovoltaic power plants, generating energy to be later sold to licensed companies, without the requirement to obtain auction support. The majority of our customers in this area are special purpose vehicles, with projects with an installed capacity of up to 1 MW.

European funds and national aid programmes

For years, we have been active in public programmes financed from both EU and national funds. This enables us to develop our offer and provide loans to companies on favourable terms. We provide, inter alia, loans with BGK guarantees as part of:

- National Guarantee Fund (it is a continuation of the *de minimis* programme),
- Agricultural Guarantee Fund,
- Guarantee Fund under the Smart Growth Operational Programme,
- Crisis Guarantee Fund.

At the end of 2022, guarantees offered in cooperation with BGK secured 96% of new sales of loans to micro-enterprises and more than 64% of new sales of loans to small companies.

In 2022, the facilities introduced by BGK were still in force, the purpose of which was to limit the negative impact of the pandemic and the armed conflict in Ukraine on the economy as well as their consequences for the operations of enterprises.

In H2 2022, we implemented the Guarantee from the Crisis Guarantee Fund. Its purpose is to maintain lending in response to the liquidity needs of medium- and large-sized enterprises. The guarantee covers working capital and investment loans as well as non-recourse and reverse factoring. At the end of 2022, the volume of loans granted by Alior Bank and secured by guarantees from the Crisis Guarantee Fund amounted to PLN 440 million.

Funding of Thermal Insulation Projects

We offer preferential Thermomodernisation Loan to cooperatives and housing communities as well as social housing associations from Dolnośląskie, Małopolskie, Podlaskie, Pomorskie, Kujawsko-Pomorskie and Łódzkie Voivodeships. In selected regions, it is also available to local government units.

Throughout Poland, we provide a Loan with a thermo-modernisation and renovation bonus. The funding can be used for thermal modernisation of multi-family residential buildings.

PFR Financial Shields



From November 2021 to May 2022, we made it possible to submit applications for redemption of subsidies in our online banking systems. As of July 2022, we have been providing customers with redemption decisions issued by PFR. The planned completion of this process is scheduled for the end of 2023.



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 limiting changes in raw material prices, we are systematically developing our offer – in 2022, we expanded the list of raw materials forming the basis for concluded transactions,
- entering into derivative transactions for greenhouse gas emission allowances,
- 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 OTC market in foreign exchange and interest rate market instruments, including 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.

In 2022, there was a significant volatility in the prices of currencies and raw materials on global markets. Business customers of Alior Bank used available products more actively than in previous periods in order to limit volatility, especially of EUR/PLN and USD/PLN exchange rates.

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 market risk position was managed in such a way, so as to ensure Alior Bank's equity at the current, secure level and to protect the Bank against potential systemic risk connected with limited market liquidity. 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 and is actively preparing to use the WIRON rate in its operations by participating in the works of the National Working Group dedicated to this matter.

In the reporting period, the Bank, together with other entities of the PZU Group, was subject to the regulatory requirement to submit initial collateral for transactions concluded with counterparties that are not subject to central clearing (by CPP).

Electronic Trading Platforms

Internet Monetary Platforms have been one of the main channels of exchange for years. The Bank offers three fully digital platforms through which Alior Bank customers can exchange currency online single-handedly.

Alior Bank *Kantor Walutowy* [Currency Exchange] was established in 2012 as the first fully online bank currency exchange office. Since then, we have been gradually developing its functionalities, adapting it to the changing market trends, and thus the expectations of our customers.

Currently, *Kantor Walutowy* [Currency Exchange] offers accounts in 21 currencies (PLN, EUR, USD, GBP, CHF, SEK, NOK, DKK, CZK, CAD, AUD, HUF, JPY, BGN, MXN, RON, ZAR, THB, ILS, HKD, TRY), 24-hour currency exchange at attractive rates, as well as free transfers of purchased funds.



Multicurrency card, one for all accounts, is issued free of charge to accounts in *Kantor Walutowy* [Currency Exchange]. The card recognises the payment currency and debits the funds from the correct account. A mobile application is available for iOS and Android operating systems, which allows for using the full functionality of *Kantor Walutowy* [Currency Exchange] via mobile devices.

In 2022, to follow market trends, we introduced a number of improvements, such as additional notifications (about charging the account, failed transaction authorisation and expiry of the time to authorise it), the option of self-updating the ID card data (as well as a reminder about the end of its validity), the possibility of ordering a multi-currency card already at the stage of registration of *Kantor Walutowy* [Currency Exchange], or the option of assigning and updating TelePin, both in the MOBILE and Online channels. Given that some of our customers come from Ukraine, in 2022 we introduced a transactional system (WWW) and a mobile application of *Kantor Walutowy* [Currency Exchange] in Ukrainian and, as additional support, we implemented a special currency exchange offer on even more favourable terms for Ukrainian citizens.

To thank our most active customers and encourage them to continue their activity, on the occasion of the tenth birthday of *Kantor Walutowy* [Currency Exchange], we prepared a competition - "We celebrate the 10th birthday of *Kantor Walutowy* [Currency Exchange]". We rewarded the winners with cash prizes totalling PLN 100,000.

Awards and distinctions are the evidence of the appreciation of customers and experts. In 2022, for the second year in a row, we were awarded the Customer's Golden Laurel in the "Bank Currency Exchange" category.

Autodealing is the second of the platforms we offer, which is dedicated primarily to Business Customers. Autodealing is recognised for its full integration with the BusinessPro and Alior Online electronic banking systems. Autodealing has the option of flexible currency exchange with the settlement date for today, tomorrow or next 2 business days, as well as the option of concluding transactions with a future date (Forward).

The API service (Bank Connect) is an innovative extension of the Autodealing offer. It enables the integration of the Autodealing function with the Customer's internal systems, without the need to log in to online banking.

eFX Trader is the most advanced of our platforms, addressed to the most demanding customers. The platform is dedicated to business customers from the Small-, Medium- and Large-sized segments and enables the exchange of over 60 currency pairs around the clock, 5 days a week (during the working hours of the interbank currency market). eFX Trader allows for a flexible transaction settlement date (today, tomorrow or in two business days), the option of setting up several types of currency orders (so-called Orders) and, for Customers with the appropriate treasury limit, also Forwards.

In order to ensure comprehensive currency service, decisions regarding the service of Business Customers using online currency platforms are made in close cooperation with currency dealers. Dealers and Treasury experts are in continuous contact with customers, and those customers who have a treasury agreement have an option, for example, to flexibly modify the settlement date of a transaction concluded via eFX Trader or Autodealing with a dealer, within their treasury limit and current market conditions.

For years, the number of customers using all three platforms has been growing successively. As far as *Kantor Walutowy* [Currency Exchange] is concerned, at the end of 2022, there were almost half a million of them, which is over 65,000 more than a year ago – the highest annual increase since the establishment of *Kantor Walutowy* [Currency Exchange]. The MOBILE channel is also systematically developing. In 2022, we saw a 45% increase in the number of mobile application users compared to the previous year.

Throughout 2022, the total turnover on currency exchange transactions on all three platforms amounted to over PLN 60 billion, which is not only the best annual result in history, but also a record-breaking year-over-year increase.



Equity investments of the Alior Bank Capital Group activity

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.

	As at 31.12.2022		As at 31.12.2021	
	Volume	Market/ nominal value (in PLN thousand)	Volume	Market/ nominal value (in PLN thousand)
Stocks	7 343 801	142 426	7 342 897	181 897
Quoted	253 127	36 162	253 225	70 461
Non-quoted	7 090 674	106 264	7 089 672	111 436
Bonds	1 479 526	597 199	1 480 001	626 478
Investment certificates	31 407	9 577	20 499	8 326

Online and Mobile Banking

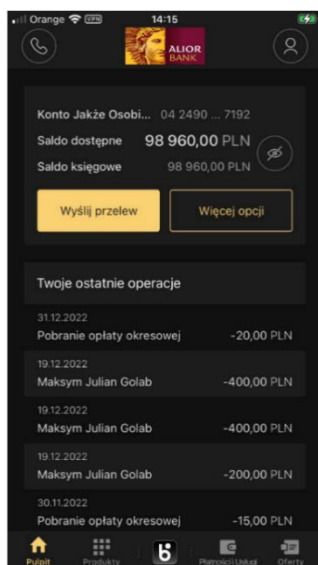
Alior Bank provides its customers with modern technological solutions that enable them to use the services offered in a simple, safe and functional way.

The past 2022 was abundant in works focused on optimising the existing and introducing new solutions in Alior Online and Alior Mobile. These actions were correlated with the current strategy of the Bank and the increase in revenues from the Internet and mobile channels.

Accordingly, we implemented further new functions and a number of changes in both online and mobile banking, and these changes affected the appearance and service of the products offered by the Bank.

2022 was a breakthrough year in terms of the technological development of the Alior Mobile application. Until October 2022, more than 1 million customers logged into Alior Mobile banking. This represents the great success of remote banking, as well as motivation to further develop the mobile application as well as products and services.

Personalisation



To address expectations of users of the Alior Mobile application, we added further possibilities of its personalisation.

One of the elements of mobile application personalisation is the option of switching to dark mode (dark graphic theme). In addition, customers can use bright mode or set the automatic mode, where the colours will adapt to the settings in their phones. Customers can set the theme to their liking.

Yet another element implemented in 2022 is the ability to change the background of the login screen. The customer has 5 wallpapers to choose from. The option to change the wallpaper is available in the Application Settings and directly from the login screen.

Alior Mobile added the option of setting an automatic login screen to the application. If the customer uses the option, they can see a screen with the preferred login option of their choice after launching Alior Mobile.

We also introduced the personalisation of the Payments and Services tab. All tab elements are visible after entering it. Users can arrange the order of icons to suit their individual needs.

Changes were also made to the Products tab. A new “My cards” section was added to group all cards held by the customers. From there, users can manage both their debit and credit cards.

Security

In order to fulfil the security assumptions, we implemented a new method of securing documents containing data subject to banking secrecy, sent to customers as an email attachment. In addition to the preview, customers gained the ability to set an individual password for opening attachments sent by e-mail.

Moreover, in Alior Online and Alior Mobile, we added information that the identity document has expired/will soon expire, which is displayed after logging in and offers the option to directly go to the form that allows to update details of the Identity Card of the Republic of Poland. Thanks to this, the customer can update the document single-handedly.

In order to enhance security, we changed the method of subsequent logins to online banking with the use of strong authentication as well as the process of adding a browser to the trusted ones during the above-mentioned login. Upon entering the identifier and going forward, the customer can see a window for logging in with an unmasked or masked password (depending on which option has been defined by the customer). In both cases, the security image selected at the first login is presented. After entering the password, the user has the option of saving the browser as trusted – a separate screen is displayed, that allows indicating the appropriate option “One-time access” or “Add browser to trusted ones”.

Yet another service that customers can now use in Alior Online is *MojeID* [MyID]. It is a secure online identity confirmation tool for commercial and public services. It makes it possible to complete multiple formalities that had required personal authentication of data by electronic means. *MojeID* [MyID] can be used by any adult customer, provided that the vendor provides such a form of concluding agreements and confirming identity.

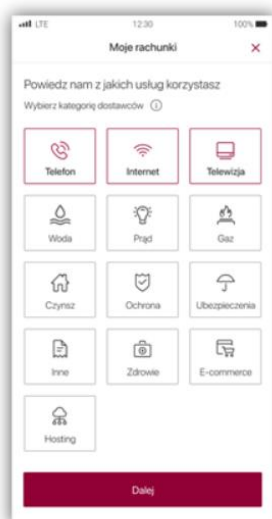
Facilities for Customers from Ukraine

Thinking of our eastern neighbours and the armed conflict in Ukraine, we took multiple steps to facilitate access to and use of products for Ukrainian nationals.

For refugees from Ukraine who came to Poland without standard documents required by the Bank to open an account, we made available the UKRAINE Basic Payment Account.

A new, Ukrainian language version was added to Alior Online and Alior Mobile, which provides convenient access to the account via remote banking for customers from Ukraine. Alior Online and Alior Mobile are currently available in four language versions: Polish, English, Russian and Ukrainian.

In Alior Online, we added a service allowing to apply for a 500+ benefit for children from Ukraine. Applications could be submitted by those who legally came from Ukraine to Poland after 23 February 2022 in connection with military operations, and stayed in Poland.



New Functionalities

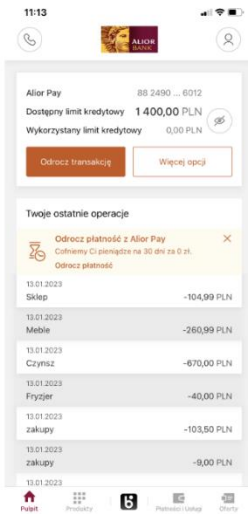
A new service called *Moje Rachunki* [My Bills] was implemented on both platforms. It allows to manage all invoices in one place. Thanks to this, the customer gains the ability to pay invoices for electricity, gas, kindergarten, fitness club and many others with just one click. Alior Mobile was enriched with new functionality in the form of a Payment Basket, which allows the customer to add various transfers and approve their execution with one authorisation. In the Basket, the customer can see a list of their transfers that they can edit, delete, or add new ones. The basket also uses the so-called pocket, namely the part of the screen where the customer can see the sum of funds needed to make the payment.

Yet another change that was introduced is the possibility of paying with an inactive debit or credit card. The inactive card can be added to a virtual wallet, e.g. Google Pay or Apple Pay in Alior Mobile, and used immediately. The PIN code and limits may be changed and the card may be blocked, cancelled or closed on the inactive card's details screen. The card is activated after it has been physically received.

We made it possible for customers to apply for an *IKE* [Individual Retirement Pension Account] brokerage account and an *IKZE* [Individual Retirement Pension Security Account] brokerage account – Alior Online. In online banking, we added the possibility of making own transfers to the IKE/IKZE account, of which the Customer is the owner or has a power of attorney for.

Alior Online and Alior Mobile provided customers with the option of managing marketing consents of PZU Group companies. The customer may at any time grant, edit, or withdraw consent to the marketing of PZU Group companies. Marketing consents are also present on loan applications in Alior Online and Alior Mobile: loan (full application) and PreApproved, credit card, consolidation, loan and overdraft facility in the account.

Alior Pay – Innovative Ecosystem of Banking Services

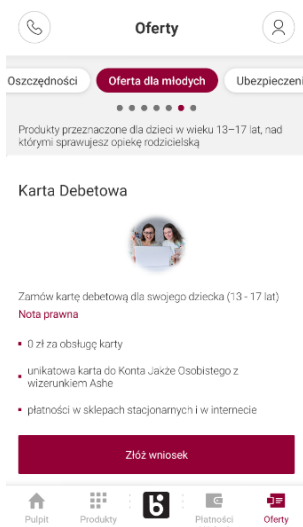


Since December 2022, we have also offered our customers the Alior Pay service, under which we provide an overdraft facility that allows to defer already done payments (in the current account) by card, BLIK in brick-and-mortar and online stores or by transfer from an account at Alior Bank or in ATM. Currently, Alior Pay can be used by Alior Bank customers who have a checking and savings account with our bank and receive an invitation in the form of a push notification to their mobile phone.

The maximum amount of the Alior Pay overdraft facility may be PLN 3,000. For the convenience of customers, we keep the formalities to a minimum – the customer applies for the facility only once, on the occasion of postponing the first transaction.

This is the first of many services planned as part of the development of the Alior Pay's ecosystem.

Sales



Alior Bank is systematically expanding its offer in the field of online sales of products. The prepared solutions are designed to convey the necessary content to the customer in the simplest and understandable way. The best assessment of the prepared solutions is their growing popularity among customers and noticeable increases in 2022. In the pre-approved processes in Alior Mobile, we added a solution for all customers with outdated ID cards. When calculating the offer, the customer is presented with a message about the absence of a valid identity card or the absence of information about the identity card with an option to go to the tab where current data can be entered. After the information is updated, the credit product application process is continued. Making this function available allowed to increase the number of potential recipients of the offer (until now, persons without a valid identity document did not receive these offers).

To address the needs of the younger group of customers, we launched a remote process of opening the Account for the Youth. The process is dedicated to minors aged 13-18 who are not customers of Alior Bank or who are customers and are related to an adult customer. The applicant (i.e. the person submitting the application) is an adult.

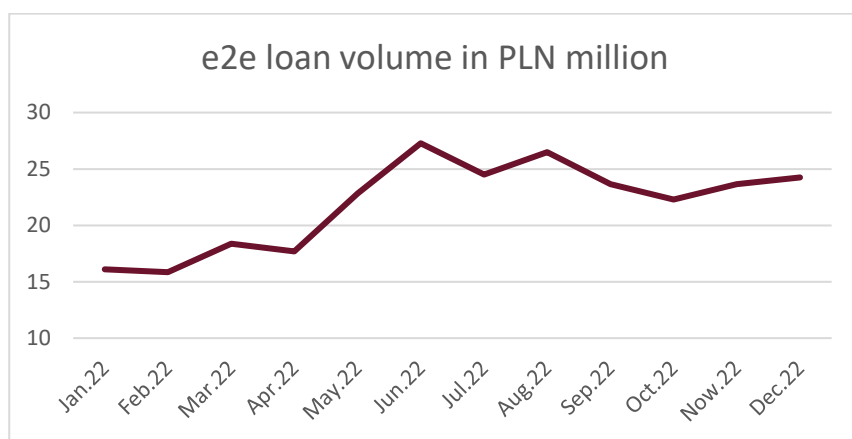
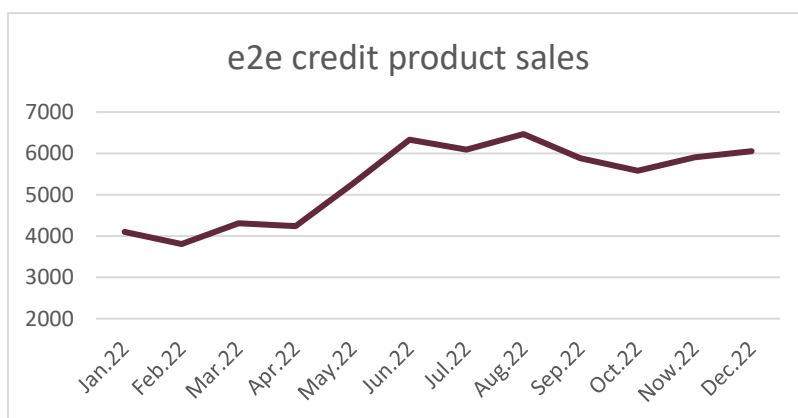
In 2022, we made a number of changes to the Alior Mobile marketplace. Graphic and functional changes were implemented in order to facilitate the use of available offers – a completely new Offers tab was introduced and advertisements in the Desktop and Products tabs were modified.

In addition, we added graphics to the placement and made new spaces available. We introduced a rotator for three marketing placements.

We provided new creations that reduce the amount of text, which makes the graphics look interesting and aesthetic. We made it possible to apply for promotional products for selected new and existing customers.

We made it possible to apply for promotional products for selected new and existing customers.

All the actions put in place contributed to achieving better sales performance of products in digital channels. The primary factor that contributed to dynamic growth was the growing share of the full loan process in Alior Mobile.



Strategic Partnerships

Through Strategic Partnerships we offer our customers additional non-financial services. The established cooperation revolves around the technological and digital areas, as well as in those that result in various types of benefits (e.g. discounts, vouchers, special offers). The former focus on digital security, modification or development of processes aimed at digitising customers. The latter, on the other hand, exercise a loyalty function – they convince the customer that it is worth banking with Alior Bank. Through partnerships, we can create and offer unique benefits that help us stand out in the market.

Wybrane partnerstwa w ramach Grupy PZU w 2022 r. dotyczyły:

- life insurance for cash loans,
- income protection insurance,
- life insurance securing housing loans,
- PZU Wojażer travel insurance,
- Accident and Healthcare Insurance for Business Customers,
- the purchase of investment funds.



WYŻSZA KULTURA. BANK NOWOŚCI.

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 and a non-wage employee benefit that enables employees to quickly and conveniently obtain a cash advance for any purpose (with the formalities reduced to the bare minimum). By cooperating with employers and preparing a unique system of loan repayment directly from wages, we created an offer that is very attractive when compared to others available on the market.



In H2 2022, the Ministry of State Assets joined the work establishments already present on the website, such as the PZU Group, Link4, PGG SA, PKP SA, TVP SA, PKP PLK SA or Grupa Komputronik.

Other large and recognisable companies are already in the induction process or at the stage of final arrangements.

At the same time, we are dynamically developing a base of customers who can take advantage of an attractive offer as part of the traditional process of transferring customers from the Cash website to the Bank’s telephone service. In mid-2022, we created a new, more customer-friendly application. This option can already be used by about 800 thousand people.

The offer prepared by Alior Bank in cooperation with PZU Cash also includes an option to use a consolidation loan that is very popular among work establishments employees and platform users.



The development of processes around the digitisation of banking services continues to be one of the priorities for building external partnerships and added value for the customer.

Selected partnerships outside of the PZU Group in 2022 were focused on:

- **KIR** – Krajowa Izba Rozliczeniowa S.A. (National Clearing House) – in H1 2022 we signed two agreements with KIR necessary to implement the *mojeID* service, both with commercial and public service providers. *MojeID* is a secure online identity confirmation tool. Thanks to *mojeID* [myID], since August 2022, our customers do not have to visit an insurer, energy provider, medical facility, office or telecommunication company to finalise an agreement or sign documents. In addition, in December 2022, thanks to the integration of *mojeID* [myID] with the National Hub (login.gov.pl), our customers gained remote access to a wide range of public services provided by public administration offices and

systems, including ePUAP, Internet Patient Account (pacjent.gov.pl), biznes.gov.pl, praca.gov.pl. *mojeID* [myID] also enables authentication in the process of setting up and using the Trusted Profile.

- **MasterCard** – in February 2022 we signed an agreement with MasterCard for the handling of card transactions. As a result of cooperation with MasterCard, we run a number of joint marketing campaigns throughout the year, the purpose of which is to increase the number of card holders and the number and value of card operations.
- **Xiaomi Polska** - thanks to cooperation with Xiaomi Polska, in June we implemented contactless payments using a smartwatch and band with **Xiaomi Pay**. The Xiaomi Pay service is available for MasterCard debit, credit cards issued by Alior Bank to retail customers, business customers and customers of the Currency Exchange. In addition, in cooperation with Xiaomi, we implemented the “Pay Smart” promotion, which promotes mobile payments with Xiaomi smartwatches and smartbands. New customers who decided to open *Konto Jakże Osobiste* [Highly Personal Account] together with the card and met the other conditions of the promotion received an electronic code entitling them to receive the Xiaomi Mi Band 6 NFC wristband with the contactless payment function free of charge.
- **Orange flex** – we introduced a special offer of our Partner – Orange flex – for Employees of Alior Bank, under which employees can select any tariff plan with a 50% discount for the first 6 months.
- **KOMEX (owner of the “5-10-15” brand and chain of stores)** – we introduced the “5-10-15” affiliate programme. Customers placing online orders had access to a promotion related to the Account for the Youth and Cash Loan in the marketplace in the Finance Services section.
- **WeSub / RentUp** – in March 2022, Alior Bank established cooperation with WeSub. Due to this, the holders of the MasterCard Plus company debit card could have access to a 10% discount for new electronic equipment rentals on the RentUp platform.

In H2 2022, as part of our partnership with RentUp, together with Komputronik, we implemented a rental service for retail customers. We assume that this innovative form of purchasing products in Poland will enjoy great interest from customers. At the moment, the main goal is to familiarise consumers with the benefits of renting and maximising awareness of the alternative form of purchasing, e.g. electronics.

We also run a joint campaign with a partner from the food industry, which consisted in giving shopping discounts to Alior Bank employees and a selected group of customers. Not only is this type of campaign aimed at appreciating the loyalty of people who work and bank with us, but also at providing support in times marked by high inflation covering necessary purchases, i.e. food products.

We also established cooperation with another business partner regarding employee programmes based on Alior Bank products (e.g. Savings Account as a medium for storing employee bonuses). The programme was implemented in February 2022.

Currently, work is underway on new projects aimed at increasing transaction volume, mobility and expand the benefits offered together with products. The implementation of these projects is scheduled for 2023.

Bank's Cooperation with the FinTech and Startups Ecosystem

Since its inception, Alior Bank has been an organisation strongly focused on an innovation. On multiple occasions it has set new standards on the market.

The Bank conducts active scouting of young companies offering innovative and potentially interesting solutions for its customers by participating in industry conferences, meetings and conducting projects aimed at validating selected solutions.

An important initiative of the Bank in this regard in 2022 was the launch of the 5th edition of the RBL_START programme.

RBL_START is an acceleration programme operating mainly in the fintech area for already 5 years. The programme deals with scouting innovative projects and providing mentoring for young companies responding to the current needs of customers. The accelerator allows its participants to develop and scale their business faster, as well as it is a path for the solution to enter the Bank.

RBL_START is also appreciated by employees of Alior Bank, who willingly engage in its operations. As far as they are concerned, this is an opportunity to look at their business areas from a different perspective, share their knowledge, and support young entrepreneurs.

As part of the 5th edition of the programme, entities offering the most interesting solutions were sought from the area of human-mobile interactions.

Participants submitted their ideas under six challenges:

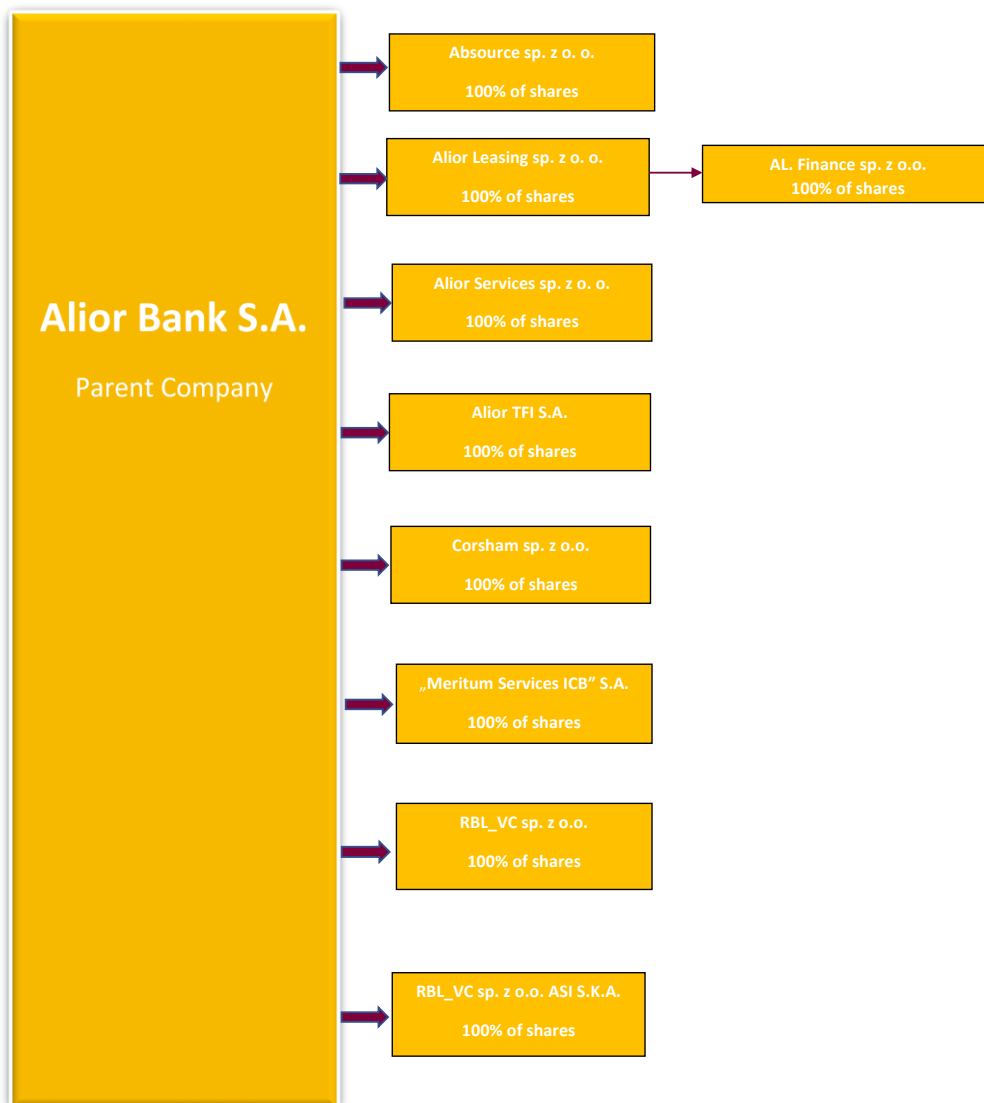
- improving the user experience of the mobile application,
- increasing the involvement of retail customers,
- contextual sales and real-time marketing,
- analysing more data about customers and their behaviour,
- new methods of reaching the customer,
- inclusiveness and accessibility – a bank that excludes no one.

The programme gives the opportunity to establish permanent cooperation with Alior Bank or programme partners (PZU, MasterCard, Microsoft and Wrocław University of Economics). Additionally, participants can count on e.g. verification of the solution through PoC (Proof of Concept), mentoring of experts from various fields, support in UX/UI design and testing, execution of qualitative or quantitative research with the participation of the end user, or an investment option through the RBL_VC fund.

Nearly 100 applications from over 20 countries were submitted to the 5th edition of the RBL_START programme. Experts and mentors of the programme selected the final five winners, and the end of the 5th edition of the Alior Bank RBL_START programme is scheduled for 2023.

VII. Operations of companies from the Alior Bank Capital Group

Structure of the Alior Bank Capital Group as at 31 December 2022



In the reporting period, there were no changes in the structure of the Capital Group of the Bank.

Alior Leasing Sp. z o.o.



LEASING

The company has been in operation since October 2015. As one of the leading Polish leasing companies, it provides entrepreneurs with solutions supporting their growth by offering operating and financial leases as well as lease loans. Entrepreneurs have easy and quick access to means of transport as well machines and equipment. Alior Leasing protects the environment and invests in projects related to green energy, which is why the company expanded its activity to offer financing for photovoltaic installations.

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. The Company plans to gradually develop new sales to business customers from higher segments and in the industrial processing and healthcare sectors.

Based on the decision-making engine, Alior Leasing plans to launch the automatic leasing decision function in 2023, which enables optimisation of the transaction risk assessment process and introduction of new functionalities in the Customer Portal.

In 2022, the Company generated a leasing sales volume totalling PLN 2,000,777 thousand and a lease loan sales volume totalling 220,947 thousand. At the end of December 2022, its portfolio comprised 100 thousand agreements with 70 thousand customers.

AL Finance Sp. z o.o.

AL Finance

It was established in 2021 from the merger of NewCommerce Services sp. z o.o. ("Bancovo" brand) and Serwis Ubezpieczeniowy sp. z o.o. and is a subsidiary of Alior Leasing Sp. z o.o.

AL Finance continues to sell insurance previously offered by the Insurance Service for leasing customers. The offer concerns mainly motor and property insurance. It cooperates with leading Insurance Companies (mainly PZU). In addition, as part of the fully digitised insurance sales platform it has created, it offers insurance to new customer segments (except those with lease or lease loan agreements). In 2022, the sale of this insurance contributed to maintaining the financial result, despite the effects of COVID-19, inflation and the war in Ukraine.

It also offers products within the *Bancovo* credit platform (credits, loans, leasing and microfactoring) in more than 30 financial institutions. However, it is not the main product significantly affecting the Company's result.

The macroeconomic situation affects the decisions of customers who are now investing more conservatively. Nevertheless, in the field of insurance, the Company retains customers by offering them policy renewals for subsequent years. To this end, the insurance offer is constantly being expanded both in terms of cooperating Insurance Companies and products.

As an Insurance Agency, AL Finance recorded premiums written in 2022 in the amount of PLN 234 million, which places the Company at the forefront of Insurance Agencies cooperating with Insurance Companies.

In 2022, the internal software house of Bancovo completed the development of another digitised platform for the sale of financial products for internal purposes of the Capital Group.

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 2022, the Company launched two new sub-funds separated in the ALIOR SFIO fund: in February 2022 – Alior Ostrożny, and in October 2022 – Alior Odpowiedzialny, which went on sale in January 2023

Currently, the Company has more than PLN 843 million in assets under management in all products, and its customer base is comprised of 11.7 thousand customers for the end of 2022.

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.

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. These systems are a comprehensive and centralised platform that enables customer service. This is where Absource Sp. z o.o. generates 99% of its revenues.

Meritum Services ICB S.A.

Provides information and computer technology services and other information technology activities.

In 2022, the Company generated revenues from two main channels:

- making software available to Alior Bank under the Software as a Service (SaaS) model (approx. 69% of revenue),
- hiring IT specialists to develop Alior Bank's systems (approx. 31% of revenue).

Corsham Sp. z o.o.

Alior Bank has been the owner of the Company since February 2019, when it acquired 100% of its shares. Through that Company, the Bank completed two investments: in PayPo Sp. z o. o. and Autenti sp. z o.o. In January 2021, Corsham divested all its PayPo shares.

In December 2019, Corsham acquired 10.95% of shares in Autenti sp. z o.o., which is a comprehensive platform for authorising documents and concluding contracts online. This Company has a wide portfolio of customers from various sectors of the economy. The key ones include: Alior Bank, BNP Paribas, PKO BP, Millenium Bank, Ernst&Young, Credit Agricole, PGE, InPost, Maspex, Decathlon, Bayer and Medicover The Company intends to strengthen its competitive advantage by developing its platform and carrying out expansion to European markets, in particular in the DACH region.

In H2 2022, Corsham sp. z o.o. together with RBL_VC sp. z o.o. ASI SKA¹⁰ took part in the second round of funding for Autenti sp. z o.o. The current share of Alior Bank Group companies in the share capital of Autenti sp. z o.o. is 9.2%.

RBL_VC Sp. z o.o.

Established in 2019, in 2020 it was entered into the register of managers of alternative investment companies kept by the Polish Financial Supervision Authority.

It is a general partner of RBL_VC Spółka z ograniczoną odpowiedzialnością ASI S.K.A., entrusted with its management. The Company actively conducts investment processes in accordance with the adopted strategy and investment policy, presenting recommendations for potential investments to the Investment Committee of RBL_VC and the Management Board of Alior Bank, i.e. the sole shareholder of the Company and the sole shareholder of the ASI under its 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).

Together with RBL_VC sp. z o.o., being the General Partner of the Company, they form 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). The Company assumed the former role of Corsham Sp. z o.o. in making venture capital investments, and ultimately it is to be the only investment vehicle of Alior Bank.

In 2022, together with Corsham sp. z o.o., the Company took part in the second round of financing Autenti sp. z o.o. which resulted in both companies holding a total share in the share capital of 9.2%.

¹⁰ Current and target investment vehicle of Alior Bank S.A.

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

Joining the Institutional Protection System

The possibility of creating an Institutional Protection System was introduced to the Polish legal system under the Act of 7 April 2022 amending the Act on covered bonds and mortgage banks and certain other acts (Journal of Laws of 2022, item 872 of 22 April 2022).

The Institutional Protection System may be created voluntarily by Banks operating as joint-stock companies, on the basis of a protection system agreement, which will regulate the scope of liability of a protection system participant for obligations resulting from participation in the system. The purpose of the Institutional Protection System is:

- ensuring the liquidity and solvency of Participant Banks on the terms and to the extent specified in the Institutional Protection System Agreement;
- supporting:
 - forced restructuring of a bank which is a joint stock company carried out by the BGF;
 - takeover of a bank being a joint stock company pursuant to Art. 146b sec. 1 of the Banking Law.

On 14 June 2022 Banks (participants of the protection system): Powszechna Kasa Oszczędności Bank Polski SA, Bank Polska Kasa Opieki SA, Bank Millennium SA, BNP Paribas Bank Polska SA, ING Bank Śląski SA, mBank SA, Santander Bank Polska SA and Alior Bank SA, concluded an Institutional Protection System Agreement and created a protection system. The established company called System Ochrony Banków Komercyjnych SA ("SOBK") is a company that manages the protection system.

The share capital of the Company amounts to PLN 1 000 000 and is divided into 1 million series A ordinary bearer shares, from numbers 1 to 1 000 000, with a nominal value of PLN 1 each. Alior Bank SA acquired 8.1% of the issued shares.

The accession by Alior Bank as a shareholder to the unit managing the protection system and incurring obligations related to joining this protection system was preceded by obtaining appropriate corporate approvals (resolutions of the Management Board and Supervisory Board of 30 May 2022). Therefore, on 1 August 2022, Alior Bank made a contribution to the assistance fund established in the unit managing the protection system, in the amount of 0.4% of the amount of the guaranteed funds of the participant of the protection system covered by the obligatory deposit guarantee system referred to in Art. 2 point 34 of the Act of 10 June 2016 on the Bank Guarantee Fund, the deposit guarantee system and resolution, calculated at the end of the last calendar quarter before the date of signing the protection system agreement (i.e. at the end of the 1st quarter of 2022), i.e. amounted of PLN 195 486 thousand.

On 14 September 2022, a resolution of the Extraordinary General Meeting of SOBK was adopted on the banks' participants of the protection system managed by SOBK to make additional contributions to the assistance fund in the amount of 0.038% of the guaranteed funds of each Participant's Bank, as of the last day of the second quarter of 2022, in within 2 working days from the date of adopting the resolution. Alior Bank contributed the amount of PLN 18 608 thousand.

Credit vacation

On 14 July 2022, the act of 7 July 2022 on crowdfunding for business ventures and assistance to borrowers was signed by the President of the Republic of Poland. This law regulates the three main issues outlined below. Pursuant to Art. 73 of this Act, the Bank is obliged, at the borrower's request, to suspend the repayment of the mortgage loan granted in the Polish currency, with the exception of loans indexed or denominated in a currency other than the Polish currency. The suspension of loan repayment applies only to one agreement concluded to satisfy one's own housing needs.

During the period of suspension of the loan repayment, the borrower is not obliged to make payments under the loan agreement, except for insurance fees related to this agreement.

In connection with the above, as at the date of signing the Act, based on IFRS 9 5.4.3, Alior Bank recalculated the gross carrying amount of credit exposures based on the present value of expected cash flows modified based on the provisions of the Act (i.e. taking into account the possibility of suspending the repayment of loan installments in time frame while extending the loan period), discounted at the original effective interest rate. The modification loss was recognized in the financial result as a reduction of interest income.

An important assumption requiring the Group's judgment in estimating the amount of loss on modification is the expected number of customers applying for credit holidays. According to the Group's original estimates, as at the date of recognizing the loss on modification, it was assumed that 60% of eligible customers would benefit from credit holidays in full provided for by the Act (i.e. 8 instalments). The recognized loss on the modification amounted to PLN 466 million.

At each balance sheet date, the Group updates the estimate of future cash flows, taking into account the currently estimated number of borrowers who will take advantage of the holidays and the number of installments they will take advantage of.

As at 31 December 2022, the Group made the verification. Participation rate of portfolio benefiting from credit vacation increased to 69%, therefore the Group recognized an additional cost related to the modification of loan agreements in the amount of PLN 36 million. The total loss on the modification is PLN 502 million.

Borrowers Support Fund

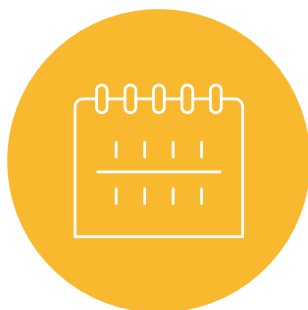
On 29 September 2022, Alior Bank received a letter from the Council of the Borrowers Support Fund informing about the amount of payments to the BSF for the second quarter of 2022.

The Council of the Borrowers Support Fund, based on the data on the size of housing loan portfolios with delays in repayment of principal or interest exceeding 90 days, determined the amount of the contribution for Alior Bank at MPLN 15.3. The contribution for the third quarter of 2022 amounted to PLN 46.6 million.

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

On December 27^h, 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 0.15 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.



Major events post balance-sheet date

Adoption of the Strategy of Alior Bank S.A. Capital Group for 2023-2024

On 6 February 2023 the Management Board of the Bank adopted and the Supervisory Board of the Bank approved the Strategy of Alior Bank S.A. Capital Group for 2023-2024 entitled “Your Bank of everyday life, your Bank for the future”

The Bank assumes a long-term prospect of development, and therefore, it has adopted an open strategic perspective. In order to maintain high flexibility amid the conditions of high market volatility, the Bank has presented a two-year operationalisation.

Strategic goals of Alior Bank:

- Universal Bank focused on building a digital core relationship with the customer,
- maintaining the leading position in financing purchases by providing a new form of payment, namely Alior Pay,
- growth of a balanced loan portfolio with a diversified business customer base, including but not limited to in the area of SMEs, as well as support for the energy transformation,
- further development of the digital relationship with business customers through introducing a new product platform, enabling multi-channel customer service using automated remote processes,
- being the leader in the use of technology with an improved IT production model supported by the competence and commitment of employees,
- effective data monetisation in all areas of operations.

The strategic action directions are reflected in three pillars:

I. Higher Culture of Mobility:

1. innovative Alior Pay ecosystem and leader in financing purchases,
2. main digital relationship and multi-channel offer for individual customers,
3. inclusive and modern mobile application.

II. Supporting entrepreneurship:

1. convenient electronic banking and remote service,
2. credit process distinguished by speed and understanding of the business customer.

III. Modern Bank:

1. organisational effectiveness through agile technologies, competences, and organisational culture,
2. stability through risk and capital management,
3. responsible Alior Bank (ESG area).

Key success metrics for the Strategy “Your Bank of everyday life, your Bank for the future”:

- Tier 1 over 13.5%
- TCR over 15.0%
- ROE over 13.0%

- CoR less than 1.6%
- NPL less than 10.0%
- C/I less than 45.0%
- NPS over 45
- Employee engagement over 65%
- Achieving the ability to pay dividends

IX. Issues of Own Bonds, Bank Securities of Alior Bank and Structured Products



Issues of own bonds

The Bank established the 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.

On 30 May 2022, the Management Board of the Bank adopted a resolution establishing the offering programme (hereinafter referred to as “Offering Programme”) for bonds up to the amount of PLN 2,000,000.00 under the

Multiannual Bond Issue Programme of Alior Bank S.A.

When establishing the Offering Programme, Alior Bank decided that:

- the Offering Programme will be covered by a base prospectus (hereinafter referred to as “Prospectus”) drawn up by the Bank in compliance with 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 (as amended), in connection with public offerings of Bonds and applications to admit individual series of Bonds to trading on a regulated market (primary or parallel market) for debt securities, operated by the Warsaw Stock Exchange (hereinafter referred to as “Regulated Market”) and to introduce Bonds to trading on the Regulated Market,
- Bonds may be issued in series, in Polish zlotys,
- the nominal value of one Bond must be at least PLN 100 (say: one hundred Polish zlotys),
- the maturity of Bonds will be no longer than 10 years from the issue date of the relevant series of Bonds,
- Bonds may be issued as:
 - ordinary, unsubordinated bonds,
 - bonds the liabilities under which will represent eligible liabilities of the Bank within the meaning of Article 97a.1 (2) of the Act of 10 June 2016 on the Bank Guarantee Fund, Deposit Guarantee Scheme and Compulsory Restructuring (as amended), or
 - subordinated bonds to be equity instruments in Tier II of the Bank under Article 62(a) of Regulation (EU) 575/2013 of the European Parliament and of the Council of 26 June 2013 on prudential requirements for credit institutions and investment firms, amending Regulation (EU) No 648/2012 (as amended).
- Bond offerings under the Offering Programme will be carried out on the basis of a Prospectus approved by the Polish Financial Supervision Authority,
- the Management Board of the Bank will approve the final terms for the issue of each series of Bonds issued under the Offering Programme by means of a separate resolution of the Management Board of the Bank regarding the issue of the relevant series of Bonds. Bonds issued under the Offering Programme will each time be allocated by means of a separate resolution of the Management Board of the Bank or by persons authorised by a resolution of the Management Board of the Bank.

On 4 July 2022, the Base Prospectus was submitted to the Polish Financial Supervision Authority together with an application for its approval. On 24 August 2022, the Polish Financial Supervision Authority approved the above-mentioned Prospectus.

Issues and Redemptions of Bonds Conducted by Alior Bank in 2022

In 2022, Alior Bank did not issue its own bonds.

On 23 February 2022, the Management Board of the Bank adopted a resolution approving the start of the bookbuilding process in connection with the preparation by the Bank of the issue of bonds which, after obtaining the consent of the Polish Financial Supervision Authority, were to constitute Tier 2 capital instruments of the Bank. On 16 March 2022, following the analysis of current market conditions, the Management Board of the Bank adopted a resolution waiving the bond bookbuilding process. This decision was linked to the emergency situation caused by the armed conflict in Ukraine, which had a negative impact on the financial markets and which could have a significant negative impact on the bookbuilding process.

In 2022, Alior Bank redeemed subordinated bonds on time, i.e. on 4 February 2022, series EUR001 with a par value of EUR 10 million and on 16 May 2022, series P1A with a par value of PLN 150 million. No early redemption of bonds previously issued was carried out in 2022.

Banking Securities and Structured Products

On 24 August 2022, the Polish Financial Supervision Authority approved the base prospectus in connection with the opened 2nd Issue Programme in the territory of the Republic of Poland, 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 its approval by the Polish Financial Supervision Authority. Based on the prospectus, Alior Bank will be able to conduct public offerings of interest-bearing or non-interest-bearing Banking Securities and MREL securities.

Issues of Bank Securities and Structured Products

In 2022, 11 series of Banking Securities (BPW) were subscribed for with a total volume of PLN 420.5 million, including:

- 6 series under the 1st Banking Securities Issue Programme with a total volume of: PLN 227 million
- 5 series under the 2nd Banking Securities Issue Programme based on the base prospectus with a total volume of PLN 193.5 million.

We organised 4 subscriptions for structured products of external issuers with a total par value of PLN 136.1 million. Structured products were offered to retail customers meeting the criteria of the target group, including Private Banking customers, and to corporate customers as part of a public offering. The issues of were characterised by 100% protection of the principal amount on the maturity date.

For Private Banking customers, we organised 14 subscriptions for structured products with a limited guarantee on the principal amount and/or conditional early redemption. The offer included 12 subscriptions for Auto Call structured certificates as well as bonds and 2 subscriptions for Reverse Convertible certificates convertible into shares. The total par value of all subscriptions for structured certificates and bonds amounted to PLN 204.4 million.

In 2022, 11 BPW issues, 8 Auto Call certificates and 3 Reverse Convertible certificates were completed.

X. 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 risk management related to the activities of subsidiaries and foreign branches, which have commenced deposit and credit activities and takes into account the risk level of activities of specific subsidiaries and foreign branches as part of the risk monitoring and reporting system at the level of the Group.

The following types of risk are of particular importance in the Bank's operations:

- credit risk,
- operational risk,
- liquidity risk,
- market risk, including interest rate risk in the banking book and market risk in the trading book
- model risk,
- capital risk.

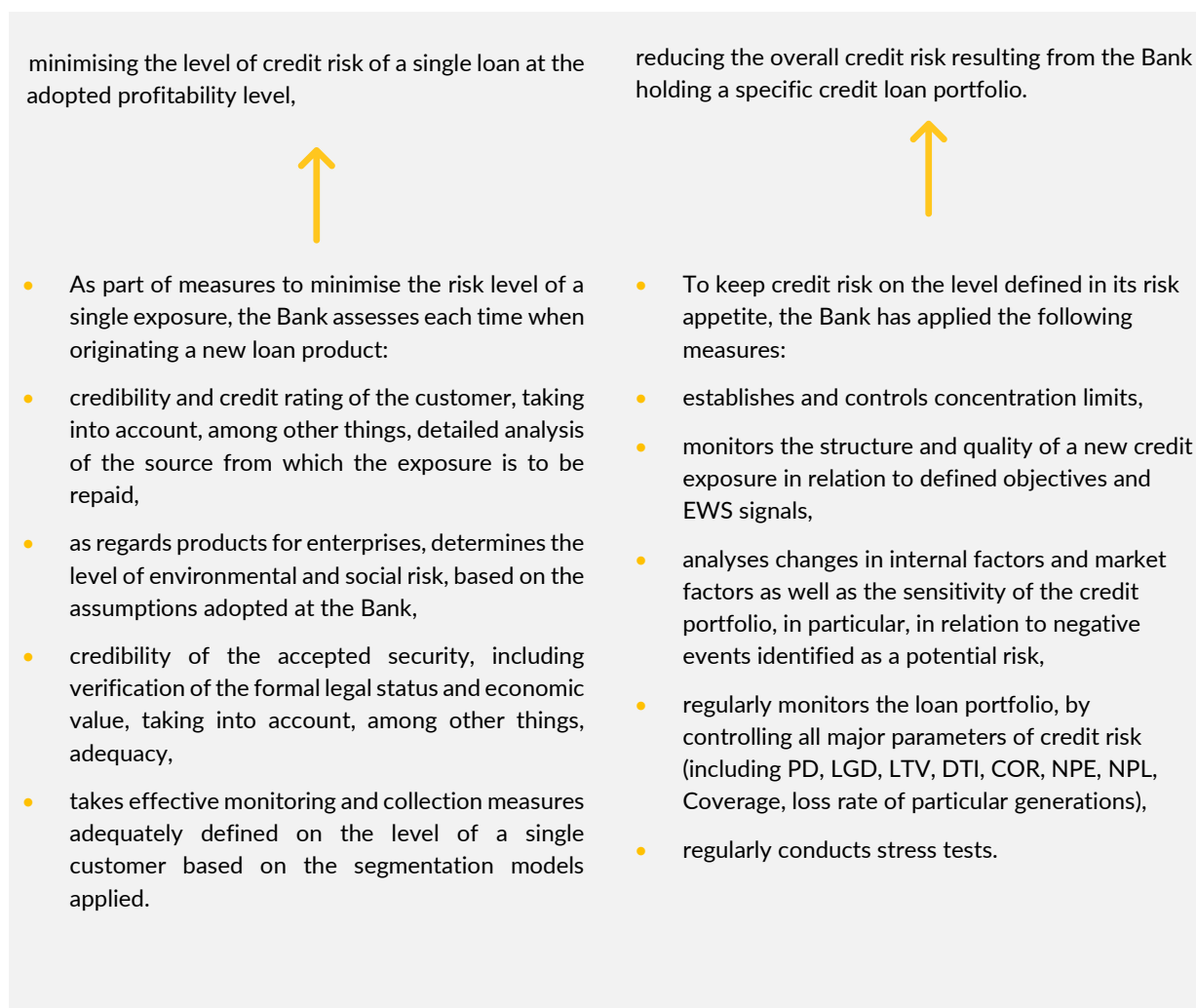


Credit risk

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 the procedures for analysing loan applications, credit methodologies and in the risk valuation models adapted to the customer segment, type of product and transaction, the rules for monitoring customers and the loan portfolio, 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:



As regards credit risk management in the retail customer segment, the Bank continued to optimise credit policy and largely focused on quickly responding to signals from the systemic environment and improving the resilience of the portfolio under construction to the economic downturn, including by:

- tightening the principles for assessing creditworthiness in the conditions of increasing market interest rates,
- tightening the principles for assessing creditability,
- reviewing the policy for accepting legal collateral for consumer exposures.

The optimisations to the principles for assessing creditworthiness in regard to a cash loan, introduced in H1 2022, coupled with a significant reduction in the share of variable interest rate in the sale of that product made it possible to further improve the resilience of the portfolio to changes in economic situation and maintain a market share and market quality of new sales.

With regard to housing loans (characterised by a low loss ratio), following the implementation of adjustments to the new regulatory guidelines and evolving economic situation, the Bank recorded a similar decline in lending

activity as the trend that can be observed on the market – the Bank's lending activity declined in 2022 by 38% compared to 2021.

In addition, the Bank continued to implement changes in the credit process resulting in increased automation and increased efficiency of the credit process.

In the area of instalment loans, the Bank continued its strategy of optimising the credit policy, in particular with regard to the ECO offer and sales in the online process, including by adjusting the parameters, document requirements, granting process and approval strategy to the dynamically changing market environment. All these actions resulted in a stable maintenance of the instalment loan portfolio, (comparing numbers at the end of December 2022 to the numbers at the end of December 2021) and a maintenance of a low loss ratio of this portfolio, despite the unfavourable economic situation and regulatory changes regarding RES

In the area of corporate loans, in 2022, taking into account the macroeconomic and geopolitical situation, the Bank took a number of steps to tighten the lending policy in terms of assessing the creditability and creditworthiness of customers and the criteria for granting loans. It defined the preferred areas of lending development, increased the requirements for securing credit exposures granted to customers who, in the Bank's opinion, are characterised by increased risk, as well as continued actions aimed at automating, optimising and sealing the credit process supporting the granting of credit exposures.

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.

With regard to a business customer, the Bank, as a rule, does not finance projects that may have a negative impact on the climate and the natural environment or are prohibited by Polish legislation or international conventions related to the protection of biodiversity resources or cultural heritage. In its lending activities, it adheres to the principles of social responsibility, based on which it shapes its relations with the environment, taking into account the needs of all stakeholders – customers, business partners and employees.

Environmental risk is understood as the risk of deterioration of the customer's creditworthiness due to the fact that the customer's business activity or the proposed loan collateral has or may have a significant negative impact on the environment or community.

The Bank excludes:

- financing projects involving harmful or exploitative forms of child labour, direct discrimination or practices which prevent the workforce from their legal rights of affiliation and collective bargaining.

- production or trade in products prohibited by Polish law or the law of the country of operation or international conventions,
- in the field of products for enterprises, each transaction bearing credit risk is subject to environmental assessment.

Identification of ESG risk factors is carried out in the credit process during the analysis of the borrower's qualitative aspects.

Based on the assumptions adopted at the Bank, the level of environmental and social risk is determined. The high level of environmental risk determines additional requirements and specific actions in the credit process.

Verification of ESG risk factors takes place in the process of individual monitoring.

Collateral for credit exposures is also analysed in terms of environmental risk and qualification to the appropriate level.

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 customer 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:

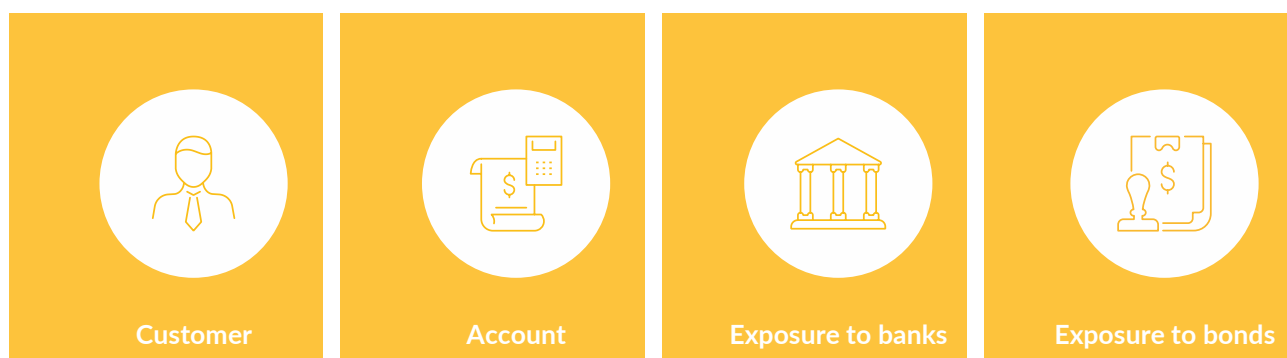
- the model of expected losses estimated within 12 months for exposures classified as Bucket/Stage 1 (or LCR [*Low Credit Risk*]) and
- the model of expected losses estimated at the time maturity horizon for exposures classified as Bucket/Stage 2 (including POCl [*Purchased or Originated with Credit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

When valuating expected losses, the Bank takes into account future macroeconomic factors using multi-scenario models.

In 2022, the Bank did not identify the need nor did it implement changes in the principles of credit portfolio valuation, while the Bank actively adjusted the FLI (forward-looking-information) component in order to optimally include the current and future macroeconomic environment in the valuation.

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.

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 customer exposure):

Materiality thresholds qualifying customer exposures for individual valuation (as at 31 December 2022):

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.

Since December 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.

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

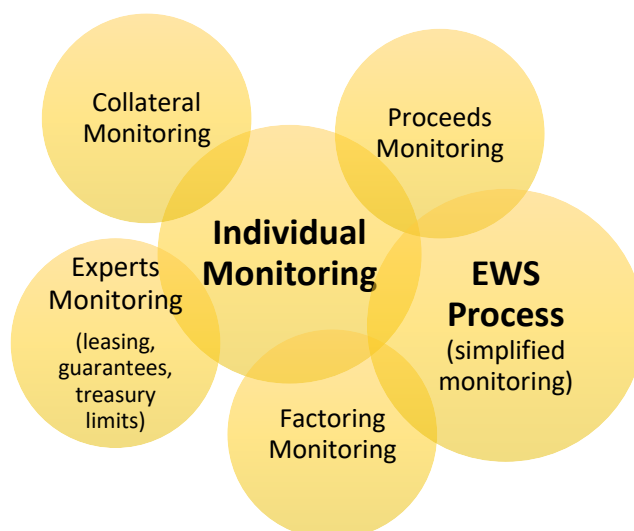
All credit exposures of consumers and business customers are subject to monitoring and current classification to adequate processing paths. To streamline the monitoring and control of the operational risk, adequate solutions in the Bank's lending systems were implemented. The system tools were consolidated 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),
- replacement of the limit in the LOR account/unauthorised overdraft in the ROR/KK account into a loan repayable in instalments; parameters of the product launched as a result of applying the respective tool are consistent with the products metrics: cash advance,
- agreement by rescheduling matured exposures (after maturity or termination). It consists in transferring debt from one exposure to a non-renewable account with possible schedule variants: settling the entire debt,
- 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 (number of applications, number of decisions issued, types of decision, time to decision, time to decision implementation, tools),
- quality of the portfolio of restructured lending (by particular form of arrears, forms of restructuring, reasons for applying, restructuring tools, according to DPD as at the date of submitting the application), 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 "Stage 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. Operational risk includes legal risk, but does not include reputation and strategic risks

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 Advanced Management Approach (AMA).

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.

Since 2016, the Bank has been developing statistical methods for calculating internal capital for operational risk. On 23 March 2022, the Polish Financial Supervision Authority approved a change in the AMA model consisting in shifting the threshold for differentiating the body and tail regions of the data and approved the implementation of remedial measures arising from the position of the Polish Financial Supervision Authority of 11 February 2021 by the Bank. This is yet another step to strengthen the operational risk management system in the Capital Group and reflect the actual level of that risk in the measurement.

In order to calculate own funds requirements for operational risk, the Capital Group 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 the branch in Romania and Alior Leasing Sp. z o.o.)

Pursuant to the decision of the Management Board of the Bank, there are works in progress aimed at changing the IT system used for data collection and supporting the operational risk management system. The implementation of the new IT system for operational risk management will take place in 2023.

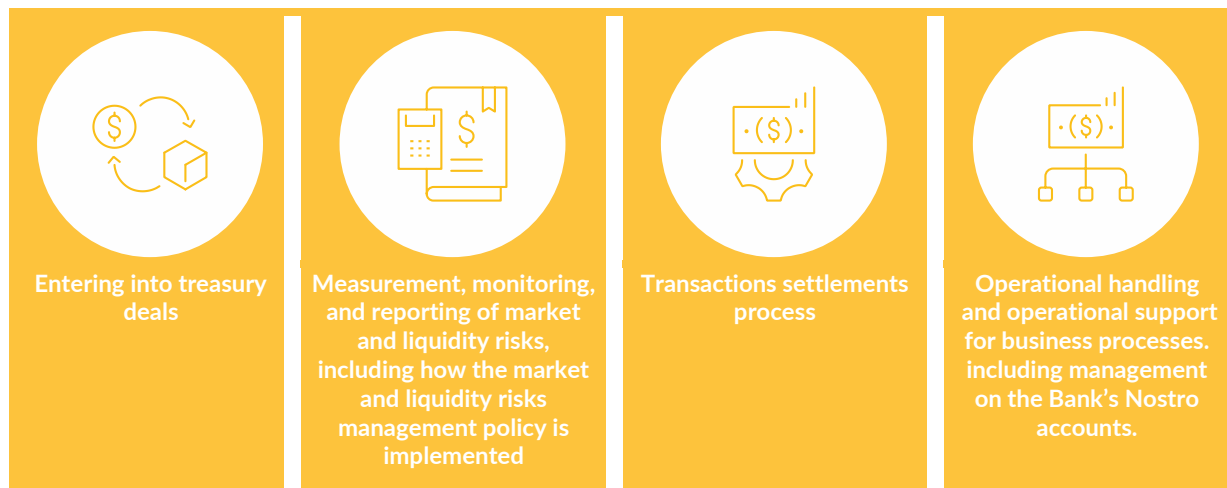
The operational risk management structure in place at the Bank includes: the Supervisory Board, the Risk Committee of the Supervisory Board, the Management Board of the Bank, the Operational Risk Committee, the Operational Risk Management Department and Operational Risk Coordinators.

The level of operational risk costs registered in 2022 was within the target and limit for operational risk adopted for the Alior Bank 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.



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 2022, 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 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

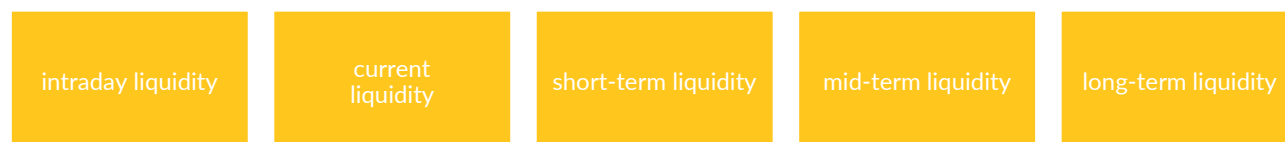
In 2022, Alior Leasing was considered an important company in the Group's liquidity risk management.

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 31 December 2022 (in millions of PLN):

31/12/2022	1D	1M	3M	6M	1Y	2Y	5Y	5Y+	TOTAL
Assets	2 661	5 016	3 856	4 439	8 375	15 636	28 652	55 182	123 817
Equity and liabilities	-53 341	-4 701	-5 796	-4 259	-4 362	-2 417	-2 227	-6 461	-83 564
Balance sheet gap	-50 680	315	-1 940	180	4 013	13 219	26 425	48 721	40 253
Accumulated balance sheet gap	-50 680	-50 365	-52 305	-52 125	-48 112	-34 893	-8 468	40 253	
Derivatives – net	0	-22	21	12	18	7	3	0	39
Guarantee and financial lines	-10 204	0	0	0	0	0	0	0	-10 204
Off-balance sheet gap	-10 204	-22	21	12	18	7	3	0	-10 165
Total gap	-60 884	293	-1 919	192	4 031	13 226	26 428	48 721	30 088
Total accumulated gap	-60 884	-60 591	-62 510	-62 318	-58 287	-45 061	-18 633	30 088	

Comparable data as at 31 December 2021 (in PLN million):

31.12.2021 transformed data*	1D	1M	3M	6M	1Y	2Y	5Y	5Y+	TOTAL
Assets	3 917	3 123	2 767	4 014	9 635	11 746	24 243	41 942	101 387
Equity and liabilities	-63 456	-2 696	-4 412	-1 674	-1 474	-745	-2 541	-6 255	-83 253
Balance sheet gap	-59 539	427	-1 645	2 340	8 161	11 001	21 702	35 687	18 134
Accumulated balance sheet gap	-59 539	-59 112	-60 757	-58 417	-50 256	-39 255	-17 553	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	-69 484	466	-1 623	2 347	8 167	11 008	21 706	35 687	8 274
Total accumulated gap	-69 484	-69 018	-70 641	-68 294	-60 127	-49 119	-27 413	8 274	

*In Q3 2022, the Bank modified the methodology of recognising the valuation of derivatives in terms of taking into account their maturity date.

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 the end of December 2022, the total liquidity buffer was PLN 15 942 million as compared to a minimum level of PLN 8 467 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 2022 was approx. 82% 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 2022, 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 2022, the LCR was 166%, whereas NSFR was 133% compared to the required level of 100% for both measurements.

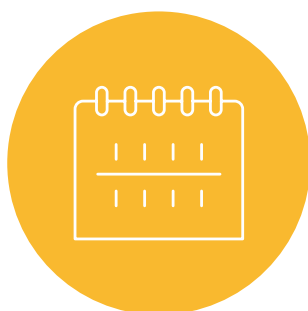


Market risk

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

- interest rate risk in the banking book,
- market risk in the trading book.

Interest rate risk in the banking book



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.

As at the end of 2022 and 2021 for the Capital Group has been presented below (in PLN thousand):

Scenario	Change in the economic value of equity 31.12.2022	Change in the economic value of equity 31.12.2021
The most unfavourable scenario	-342 739	-241 920
The most unfavourable scenario as % of Tier 1	5.30%	3.9%

The change in net interest income over a horizon of up to 1 year with a change in interest rates by 100 bps (negative scenario) at the end of 2022 and 2021 for the Capital Group has been presented below:

	31.12.2022	31.12.2021
NII – total, materialised net interest income sensitivity to changes in interest rates	-175 355 (5.02%)	-241 194 (7.7%)



Market risk in the trading book

Currency risk is a particularly significant risk in the trading book. 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:

<p>Level of currency risk metrics</p>	<p>Level of utilisation of internal limits and thresholds for currency risk</p>	<p>Stress test results</p>
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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 Expected Shortfall, and stress tests.

The ES measure determines the average loss on foreign exchange positions held related to changes in exchange rates, maintaining the assumed confidence level and the retention period. The metric is established on a daily basis for each area responsible for risk taking and management, individually and collectively.

As at the end 2022, the maximum loss on the currency portfolio held by the Bank (managed in the trading book), determined on the basis of ES within a time horizon of 10 days (in PLN thousand) has been presented below:

	31.12.2022	31.12.2021
ES	82.4	203

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 examining the impact of changes in exchange rates relative to PLN by +/- 20% (in PLN thousand)

	31.12.2022	31.12.2021
rates +20%	7 085	-8 658
rates -20%	17 933	26 51



Model risk

The purpose of model risk management is to make it possible to achieve business goals with at least an acceptable level of uncertainty resulting from the application of models in the Bank's activities. The Bank strives for the widest possible use of models in its processes with the simultaneous development of modelling methods and applied technologies. The actions taken result in high automation of the decision-making process, adequate valuation of assets, objectification of estimates of key risk measures, and minimisation of the role of the human factor. The model

risk management process assesses compliance of the model risk level with the adopted risk appetite, 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. The actions and techniques used are adjusted to the importance of the model in the bank's operations. Each model is subject to strict monitoring and data quality tests, whereas models recognised as significant are additionally regularly validated by an independent unit. These actions ensure control and continuous measurement of model risk.



Capital risk

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.

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 the Expected Shortfall 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.
- collateral concentration risk based on the results 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.

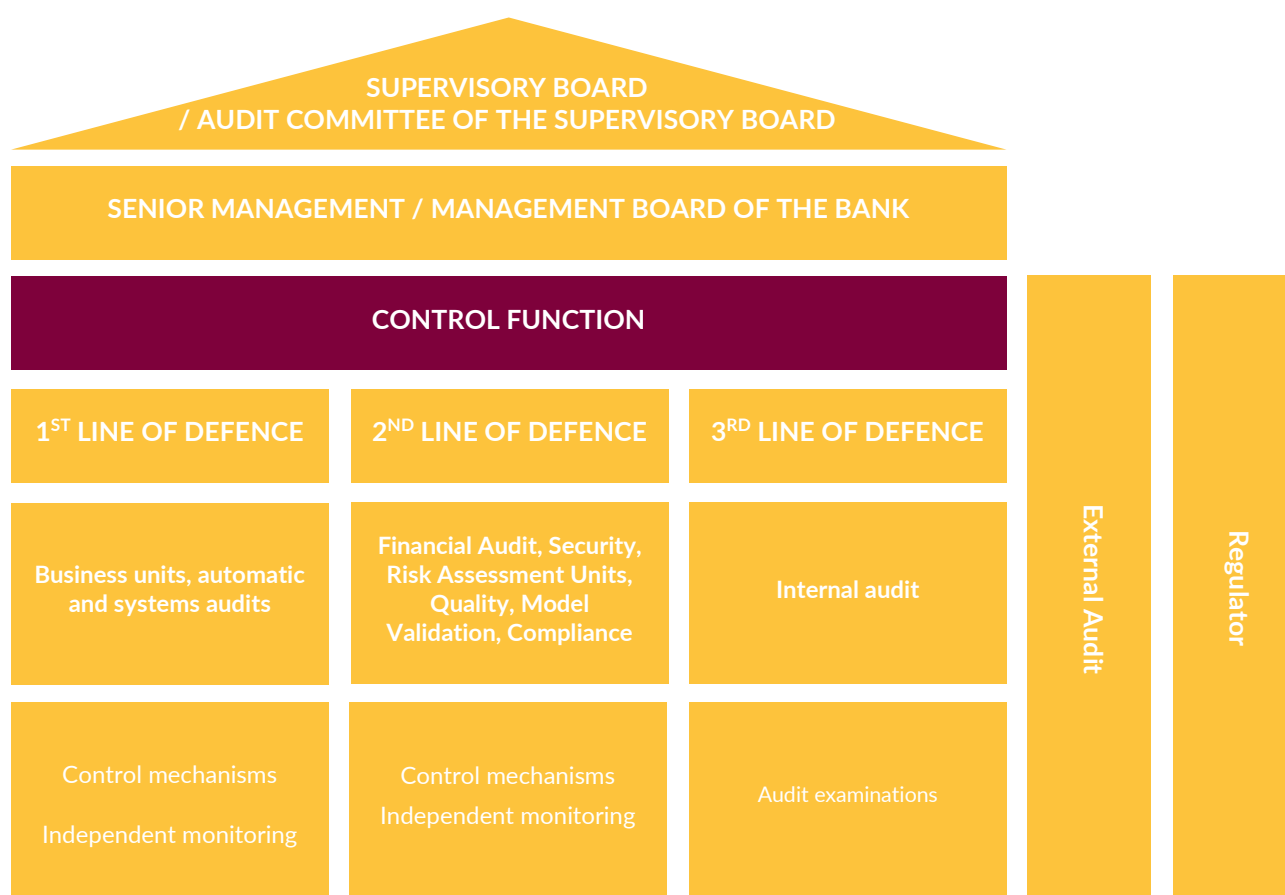
Capital ratios of the Capital Group:

	31.12.2022	31.12.2021
Total capital ratio	14.19%	14.16%
Tier 1	13.00%	12.55%
Ratio of internal capital coverage by available capital	1.63	1.99

XI. 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.

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



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 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.

The Supervisory Board approves the rules of operation of the internal control system and evaluates the adequacy and effectiveness of that system.

In 2022, the Bank carried out a comprehensive review of internal regulations, reconstruction of the documentation of the Control Function in the form of the Control Function Matrix, as well as implemented the automation of the Control Function using an IT tool. These actions contributed to greater standardisation of control processes, improvement of the quality of management information and increased awareness and knowledge of employees at various levels of the organisation regarding the functioning and performance of tasks resulting from the internal control system at the Bank. The above has a positive impact on further increasing the effectiveness of this system.



Control system in the process of preparing the financial statements

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.



XII. 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. Best Practices were adopted for application by virtue of Resolution No. 35/2022 of the Annual General

Meeting of Alior Bank Spółka Akcyjna held on 31 May 2022. The Document is available on GPW’s website at <https://www.gpw.pl/dobre-praktyki>.

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: https://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 2022, the Bank’s application of the principles contained in Good Practices was analysed and information on the state of their application was published on 24 April 2022. According to the published statement, Alior Bank applied the principles contained in Good Practices with the following reservations, updated with information on the holding of the Annual General Meeting of the Bank in 2022:

- Principle 2.1 is not applied. The Policy of Selection and Assessment of the Members of the Management Board was adopted by the Supervisory Board of the Bank. The Policy of Selection and Assessment of the Members of the Management Board was discussed at the Bank’s Annual General Meeting. Both documents incorporate the objectives and criteria for diversity of members of the Bank’s governing bodies in line with Principles 2.1 and 2.2 and set the gender diversity ratio at no less than 30% minority participation. According to the current state of the Bank’s bodies, the specified level of gender diversity has not been achieved.

- 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. The Policy of Selection and Assessment of the Members of the Management Board was adopted by the Supervisory Board of the Bank. The draft Policy of Selection and Assessment of the Members of the Management Board was discussed at the Bank's Annual General Meeting. Both documents incorporate the objectives and criteria for diversity of members of the Bank's governing bodies in line with Rules 2.1 and 2.2 and set the gender diversity ratio at no less than 30% minority participation. According to the current state of the Bank's bodies, the specified level of gender diversity has not been achieved.
- 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.

The Supervisory Board assessed the application of the Corporate Governance Principles by the Bank, as expressed in Resolution no. 12/2023 of 10 February 2023. As a result of the analysis, it was found that in 2022 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.
- § 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.

Assessment and verification by the Management Board of the internal governance at the Bank, its implementation, and compliance

The Management Board positively assesses the internal governance implemented at the Bank, as well as its compliance. The assessment of the Management Board gives account to both the internal situation and the environ of the Bank. The assessment relies upon information obtained in the course of actions falling within the competence of the Management Board, stemming from the provisions of the Code of Commercial Partnerships and Companies, the Banking Law Act, the Bank's Articles of Association, resolutions of the General Meeting of Shareholders, resolutions of the Supervisory Board, the Regulations of the Management Board, as well as other applicable legal acts and internal regulations under which the Management Board manages the Bank and represents it outside in all matters, except for matters reserved for other statutory bodies of the Bank. The operations of the Management Board are also supported by standing or *ad-hoc* committees appointed by the Management Board in order to perform specific functions or coordinate the work of organisational units of the Bank, as well as by reports received under the management information principles in place at the Bank. Furthermore, as part of the implementation of Recommendation Z at the Bank, provisions were introduced to the Regulations of the Compliance Department, requiring the Compliance Unit to review compliance with internal governance rules at the Bank. The assessment of the internal governance in individual areas of Recommendation Z adopted by the Polish Financial Supervision Authority on the principles of internal governance in banks is presented below (hereinafter: Recommendation Z).

General principles of internal governance at the Bank

In the opinion of the Management Board, the Bank has in place a transparent and effective internal governance that complies with the law. It is defined in the Bank's Articles of Association and the hierarchical system of internal regulations adopted by the Bank. The internal governance includes, in particular, the Bank's management system, the Bank's organisation, principles of operation, powers, duties, and responsibilities as well as mutual relations between the Supervisory Board, the Management Board and Bank's key function holders.

As the parent entity in the Alior Bank S.A. Capital Group, the Bank ensures proper internal governance throughout the group, appropriate to the structure, operations, and risk of the group and its constituent entities, as well as exercises appropriate ownership supervision over subsidiaries. The appropriate framework for cooperation within the group was defined primarily in the Ownership Supervision Policy at Alior Bank S.A., as well as in the Risk Management Strategy of the Alior Bank Group.

The organisation of the Bank contributes to ensuring effective and prudent management of the Bank, both individually and at the Group level. The organisation of the Bank was reflected in the organisational structure of the Bank, defined in the internal regulations, which covers the entire area of the Bank's operations and explicitly distinguishes each key function. This applies both to the division of tasks, powers, duties, and responsibilities between members of the Management Board (following the resolution specifying the internal division of competences in the Management Board of the Bank), as well as to the division of tasks, powers, duties, and responsibilities between organisational units, organisational cells, and organisational positions. The most important internal regulations ensuring effective and prudent management of the Bank include: Regulations of the Management Board of Alior Bank S.A., Regulations of the Supervisory Board of Alior Bank S.A., Organisational Regulations of Alior Bank S.A., Organisational Regulations of the Head Office of Alior Bank S.A.

Acquisition from the parent entity within the PZU S.A. Capital Group of information that is necessary to understand the general objectives of the group and the types of risk to which it is exposed is possible under the agreement concluded between the Bank and Powszechny Zakład Ubezpieczeń S.A. on cooperation and information exchange, including through the establishment of a Strategic Committee under that agreement.

Principles of operation, powers, duties, responsibilities as well as mutual relations of the Supervisory Board and the Management Board and suitability of members of these bodies and Bank's key function holders.

The system of internal regulations applicable at the Bank ensures a clear assignment of responsibility to the Management Board and the Supervisory Board. The tasks of both bodies are coordinated to ensure their effective operation for the implementation of the Bank's management strategy and risk management strategy.

The Bank includes standing and *ad-hoc* committees of consultative and advisory and decision-making nature established under the resolutions of the Management Board of the Bank. The standing committees include, in particular the Capital, Assets and Liabilities Management Committee (CALCO) and the Bank's Credit Committee.

The principles of management information are set out in the document Principles of the Management Information System in force at the Bank, defining a set of reports used to manage the Bank at all basic management levels: Supervisory Board, Committees of the Supervisory Board, Management Board, Committees of the Management Board, Directors of Regions, Branches, Compliance Department, Data Protection Officer, Risk Area (units and cells reporting to the member of the Management Board supervising risk management in the Bank's operations – in accordance with the resolution of the Management Board of the Bank of 22 November 2022 until the Polish Financial Supervision Authority expresses its consent to entrust Tomasz Miklas with the function of the Vice-President of the Management Board of the Bank supervising the management of material risk in the Bank's operations, supervision over material risk management is exercised by the Management Board of the Bank collectively).

The Supervisory Board, by virtue of resolution of 11 October 2022, having reviewed the information of the Management Board on the amendment to the provisions of the Code of Commercial Partnerships and Companies entering into force as of 13 October 2022, stated that the scope of information about the Bank required to be provided to the Supervisory Board by the Management Board pursuant to Article 380¹ § 1 items 1-3) and Article 380¹ § 2 of the Code of Commercial Partnerships and Companies, is covered by the system of periodic reporting to the Supervisory Board and Committees of the Supervisory Board functioning at the Bank, resulting from the Bank's internal regulations, including in particular the Principles of the Management Information System – in the form and with the frequency and deadlines for submitting information specified in these regulations. The Supervisory Board decided that the above information about the Bank, referred to in Article 380¹ § 1 items 1-3) and Article 380¹ § 2 of the Code of Commercial Partnerships and Companies, will be provided taking into account the form as well as with the frequency and deadlines resulting from the current reporting system.

The Bank, through the applied solutions, ensures that positions with a significant impact on the direction of the Bank's operations are held by persons with appropriate features and qualifications. They are defined primarily in: the Policy of Selection and Assessment of Supervisory Board Members of Alior Bank S.A., the Policy of Selection and Assessment of Management Board Members of Alior Bank S.A., the Policy of Assessment of the Suitability of Members of the Authorities of the Brokerage House of Alior Bank S.A. and the Policy of Selection and Assessment of Key Function Holders at Alior Bank S.A.

Bank's standards of conduct and conflicts of interest at the Bank's level

The Bank has established appropriate standards of conduct and conflict of interest management. The Code of Ethics of Alior Bank S.A. and the Instruction on Conflict of Interest Management were adopted by the Management Board and approved by the Supervisory Board.

The Code of Ethics constitutes a collection of the most important principles and ethical standards specifying the standards of conduct of the Alior, as well as person through which the Bank performs its banking activities.

The principles of conflict of interest management are described in the Instruction on Conflict of Interest Management. The Bank has in place appropriate internal procedures and operational solutions to ensure proper conflict of interest management, in particular specifying the method of identifying, preventing, monitoring, eliminating, and minimising the effects of the conflict.

Both of the above regulations are available on the Bank's website.

Outsourcing policy, principles of remuneration at the Bank and dividend policy

The Bank developed the outsourcing principles, including the comprehensive implementation of the guidelines on outsourcing of the European Banking Authority, referred to in document EBA/GL/2019/02 of 25 February 2019 (hereinafter: the Outsourcing Guidelines) as well as in position of the Office of the Polish Financial Supervision Authority of 16 September 2019. The Bank has in place: the Purchasing Policy at Alior Bank, the regulation of the Rules for Concluding Agreement, the Policy of Managing Relations with IT Service Providers, as well as the Policy of Managing Outsourcing, Insourcing and Sensitive Services at Alior Bank S.A. (hereinafter: the Outsourcing Policy), which governs the entrustment of activities pursuant to Article 6a – 6d of the banking law and the Outsourcing Guidelines. The provisions of the Outsourcing Policy cover such aspects as risk assessment, as well as monitoring and control of outsourcing agreements. The Bank conducts periodic assessment of Critical Outsourcing Agreements and Sensitive IT Services (semi-annual) and assessment of Outsourcing, Insourcing and Sensitive Agreements (annual). Assessment reports are subject to approval by the Bank's Operational Risk Committee and then submitted to the Management Board and the Supervisory Board.

The Bank has in place the Remuneration Policy of Alior Bank S.A., which is the basic document in the field of policy and rules for shaping the remuneration of the Bank's employees. 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.

The Bank also has in place a Nomination and Remuneration Committee of the Supervisory Board of Alior Bank Spółka Akcyjna (hereinafter: Remuneration Committee), which is an advisory committee reporting to the Supervisory Board. The primary tasks of the Remuneration Committee include advising the Supervisory Board and the Management Board on the implementation of the provisions of the Remuneration Policy of Alior Bank S.A. and the Remuneration Policy for Members of the Management Board and Supervisory Board of Alior Bank S.A. – in relation to Persons Influencing the Bank's Risk Profile, as well as preparing opinions, assessments or recommendations on matters specified in the Policy of Selection and Assessment of Management Board Members of Alior Bank S.A. and Policy of Selection and Assessment of Supervisory Board Members of Alior Bank S.A.

The Dividend Policy of Alior Bank S.A. adopted by the Bank aims to establish rules for stable dividend payment in the long-term perspective while observing the principle of prudential capital management as well as any and all regulatory requirements whereto the Bank has been obligated. In particular, the Dividend Policy of Alior Bank S.A. takes into account elements resulting from Recommendation Z, and is subject to regular update under the annual review of internal procedures.

Risk management

The risk management system in force at the Bank utterly takes into account the essence of the Bank's exposure to risk and covers all significant types of risk. The main document to ensure that the Bank's risk is maintained at an acceptable level in accordance with the adopted risk appetite while achieving the Bank's long-term financial goals is the Risk Management Strategy of the Alior Bank S.A. Capital Group. The strategy is superior to the policies and rules for managing individual significant types of risk.

In addition, the Bank regularly reviews the strategy and procedures for estimating and maintaining internal capital on a regular basis. In accordance with the regulation, the Internal Capital Adequacy Assessment Process (ICAAP) at Alior Bank S.A. in order to ensure that the ICAAP process is appropriate to the scale of the Bank's operations, it is subject to regular reviews. These reviews take place once a year or at the time of significant changes in the internal or external environment of the Bank. Between 23 June 2022 – 30 August 2022, the process of estimating internal capital at the Bank was reviewed. The review was carried out for the period from 31 March 2021 to 31 March 2022. This review resulted in issuing 3 recommendations for verification and approval by the Management Board. By virtue of the resolution, the Management Board approved the "Report on the review of the ICAAP process at Alior Bank S.A." and submitted the report for information to the Supervisory Board via the Risk Committee of the Supervisory Board.

In the opinion of the Management Board, the Bank applies appropriate standards with regard to the introduction of new products, services, starting new activities, starting activities on a new market, or to the introduction of products or services to new markets and significant changes to the above in accordance with the provisions of Recommendation Z. A document specifying the rules applicable in this respect is the Policy of Approving New Products at Alior Bank S.A.

Disclosures

The Bank has in place the Information Policy on capital adequacy and other information subject to disclosure in Alior Bank S.A. (hereinafter: Information Policy). The document was introduced to the Bank by way of a resolution of the Management Board and then approved by a resolution of the Supervisory Board.

The information policy defines the scope of information subject to disclosure, the frequency and date of disclosing information, as well as the form and place of disclosing information. The information policy shall be reviewed at least once a year.

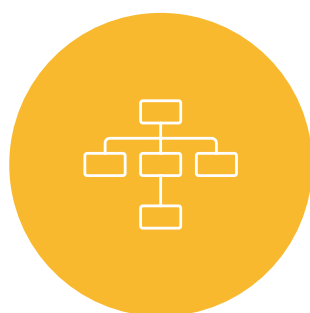
The Bank, when announcing to the public all information, also covered by the Information Policy, follows the principle that all information made available presents the material and financial situation of the Bank correctly, reliably, and clearly to the applicable extent and in accordance with the provisions of law. For this reason, the rules for verifying and approving published information were implemented in the Information Policy.

In the opinion of the Management Board, the scope of disclosed information takes into account the Bank's size, risk profile, and complexity of its operations.

The information policy is available on the Bank's website.

Considering the above, the Management Board of the Bank, in its self-assessment, indicates the adequacy of internal regulations regarding the functioning and effectiveness of the Management Board of the Bank, i.e.: Articles of Association of Alior Bank S.A., Regulations of the Management Board of Alior Bank S.A., Organisational Regulations of Alior Bank Spółka Akcyjna, Organisational Regulations of the Head Office of Alior Bank S.A.

These regulations are adequate, compliant with the law and the requirements of supervisory authorities. Their comprehensiveness renders it possible for the Management Board to act effectively and efficiently. The Bank is organised in a transparent and structured manner, taking into account the size and risk profile, as well as the nature and scale of operations. The method of organisation ensures the achievement of the assumed objectives of the business and proper response to changing external conditions or sudden and unexpected events, as well as effective flow and protection of information enabling the effective performance of tasks by the Management Board of the Bank. The tasks of the Management Board of the Bank ensure effective operation of the body to implement the adopted management strategy. The solutions adopted in the Regulations guarantee the members of the Management Board access to all information, as well as the possibility of using external advisors and expert opinions.



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 31 December 2022):

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

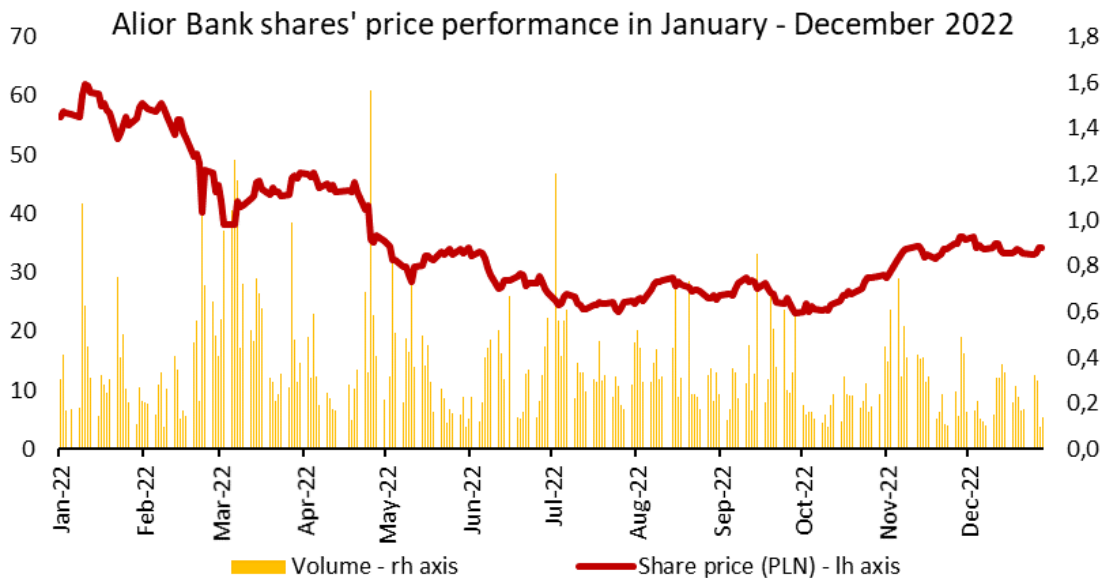


Alior Bank Share Prices on the Warsaw Stock Exchange in 2022

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 2022, over 537 thousand transactions on the Bank's shares were concluded, which constituted a 2% increase compared to 525 thousand transactions concluded in 2021. The volume of trade (the number of shares that changed hands) in 2022 amounted to 89 million shares, which means a decrease by 22% compared to 114 million shares in 2021. In turn, the total value of trading in the Bank's shares in 2022 amounted to PLN 3.2 billion compared to PLN 3.95 billion in 2021 (decrease in turnover by 19% y/y). The decrease in trade resulted primarily from the decrease in the average number of shares traded each day. The average price of one share of the Bank at the close of the trading session in 2022 was PLN 35.68, which was a 3% decrease compared to 2021 (PLN 36.76). In 2022, the turnover on Alior Bank's shares represented 1.12% of the turnover on shares of companies listed on the GPW.

On 30 December 2022, the Bank's share rate amounted to PLN 34.27 which means a 37% decrease compared to the end of 2021, and C/WK ratios were 0.7x. The development of the share price and the volume of trading in the Bank's shares in the period January – December 2022 is presented in the chart below.





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 2022, 60 meetings with foreign and domestic investors took place in the form of teleconferences, as well as in stationary form. 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
FitchRatings	29 November 2022	BB	B	stable
S&P Global Ratings	8 December 2021	BB	B	stable

Assessment of Fitch Ratings Ltd

On 29 November 2022, the rating agency Fitch Ratings Ltd. informed the Bank about confirming the long-term IDR rating at BB with a stable outlook and confirming the VR rating at bb, as well as about upgrading the national short-term rating from F2(pol) to F1(pol).

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: F1(pol)
- Viability Rating (VR): bb,
- Government support rating: ns.

Definitions of Fitch ratings are available on the agency's website at 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, 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 received:

1. Notification of January 5, 2023 from Powszechne Towarzystwo Emerytalne Allianz Polska S.A. ("PTE Allianz Polska S.A."), pursuant to art. 69 of the Act of 29 July 2005 on Public Offering and Conditions Governing the Introduction of Financial Instruments to Organized Trading and on Public Companies, informing that as a result of the merger pursuant to Art. 67 of the Act of August 28, 1997 on the Organization and Operation of Pension Funds and Art. 492 § 1 item 1 of the Code of Commercial Companies, on December 30, 2022 with Aviva Powszechne Towarzystwo Emerytalne Aviva Santander Spółka Akcyjna managing the Second Allianz Polska Otwarty Fundusz Emerytalny ("Drugi Allianz OFE"), share in the share capital and in the total number of votes of the company Alior Bank S.A. on Allianz OFE, Allianz DFE and Drugi Allianz OFE accounts increased above 8%.

Before the merger:

A total of 1 919 260 shares, representing 1.47% of the Company's share capital, were recorded in the accounts of Allianz OFE and Allianz DFE, which gave the right to exercise 1 919 260 votes from shares representing 1.47% of the total number of votes at the Company's AGM.

In the account of the Drugi Allianz OFE, 9 607 180 shares were registered, representing a 7.36% stake in the Company's share capital, which gave the right to exercise 9 607 180 votes from shares representing a 7.36% stake in the total number of votes at the Company's AGM.

After the merger:

The total balance in the accounts of Allianz OFE, Allianz DFE and Drugi Allianz OFE increased to 11 526 440 shares, representing 8.83% of the company's share capital, which gives the right to exercise 11 526 440 votes from shares representing 8.83% of the total number of votes at the Company's AGM.

- Notification of February 3, 2023 from Generali Powszechne Towarzystwo Emerytalne S.A. („Generali”) managing Generali Otwarty Fundusz Emerytalny ("Generali OFE") and Generali Dobrowolny Fundusz Emerytalny ("Generali DFE") informing that as a result of taking over the management of NNLife Otwarty Fundusz Emerytalny ("NNLife OFE") and NNLife Dobrowolny Fundusz Emerytalny ("NNLife DFE") by the Generali on February 1, 2023, on the basis of art. 66.1 and 66.6 and art. 68 of the Act of August 28, 1997 on the Organization and Operation of Pension Funds the share in the share capital and in the total number of votes of the Company General Meeting on the accounts of Generali OFE, Generali DFE, NNLife OFE and NNLife DFE ("Funds") increased above 5%.

Before the Management Change:

In total, Generali OFE and Generali DFE held 2,568,973 shares, representing 1.97% of the Company's share capital, and 2,568,973 votes at the General Meeting of the Company, representing 1.97% of the total number of votes.

In total, Generali OFE and Generali DFE held 4,546,562 shares, representing 3.48% of the Company's share capital, and 4,546,562 votes at the General Meeting of the Company, representing 3.48% of the total number of votes.

After the Management Change:

The Funds held a total of 7,115,535 shares, representing 5.45% of the share capital of the Company, and 7,115,535 votes at the General Meeting of the Company, representing 5.45% of the total number of votes.

In addition, in accordance with the published reports for 2022 on the composition of the portfolio, Nationale-Nederlanden Otwarty Fundusz Emerytalny and Nationale-Nederlanden Dobrowolny Fundusz Emerytalny reduced the number of shares and votes held at the General Meeting of the Bank from 12,394,509 in 2021, which was 9.49 % of shares and votes held at the General Meeting, up to 12,358,517 at the end of 2022, which currently constitutes 9.47% of shares and votes at the General Meeting of the Bank.

Ownership structure of the Bank's share capital as at 31 December 2022

Shareholder	Number of shares	Nominal value of shares (PLN)	Percentage of share capital	Number of votes	Votes as proportion of overall votes
Grupa PZU*	41 658 850	416 588 500	31.91%	41 658 850	31.91%
Nationale-Nederlanden OFE**	12 358 517	123 585 170	9.47%	12 358 517	9.47%
Allianz OFE***	11 526 440	115 264 400	8.83%	11 526 440	8.83%
Other shareholders	65 010 184	650 101 840	49.79%	65 010 184	49.79%
Total	130 553 991	1 305 539 910	100%	130 553 991	100%

*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 2022 on the composition of the Nationale-Nederlanden Otwarty Fundusz Emerytalny and Nationale-Nederlanden Dobrowolny Fundusz Emerytalny portfolio.

*** Based on received notification.

Ownership structure of the Bank's share capital 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
Grupa PZU*	41 658 850	416 588 500	31.91%	41 658 850	31.91%
Nationale-Nederlanden OFE**	12 358 517	123 585 170	9.47%	12 358 517	9.47%
Allianz OFE***	11 526 440	115 264 400	8.83%	11 526 440	8.83%
Generali OFE***	7 115 535	71 155 350	5.45%	7 115 535	5.45%
Other shareholders	57 894 649	578 946 490	44.34%	57 894 649	44.34%
Total	130 553 991	1 305 539 910	100%	130 553 991	100%

*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 2022 on the composition of the Nationale-Nederlanden Otwarty Fundusz Emerytalny and Nationale-Nederlanden Dobrowolny Fundusz Emerytalny portfolio.

*** Based on received notifications.

Alior Bank shares held by the Bank's governing body

Mr. Tomasz Miklas – Member of the Bank's Management Board holds 147 shares of the Bank. At the end of the reporting period (31 December 2022) and as at the date of publication of the report, the Members of the Supervisory Board and other members of the Management 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 2022, 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.
- financial support agreements referred to in Art. 141t section 1 of the Banking Law.

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 2022, the number of active guarantees granted by Alior Bank amounted to 968, for a total amount of PLN 646,520,000. The Bank makes sure that the time structure of the guarantees is appropriate. Active guarantees with less than two years to maturity (783 items) amounted to PLN 415,169,000.

The total value of off-balance-sheet contingent liabilities granted to customers as at 31 December 2022 amounted to PLN 10,204,376,000. This amount consisted of PLN 9,557,856,000 of contingent off-balance-sheet liabilities related to financing and PLN 646,520,000 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.

No single court, arbitration court or public administration body proceedings in progress during the 2022, and none of the proceedings jointly, could pose a threat to the Group's financial liquidity. The proceedings which according to the opinion of the Management Board are significant are presented in the Consolidated Financial Statements of the Alior Bank S.A. Capital Group for the year ended 31 December 2022 (Note No. 39).



Governing bodies of Alior Bank

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 <https://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 2022

1. The Extraordinary General Meeting of the Bank, convened at the request of a shareholder of the Bank, was held on 12 April 2022. In addition to resolutions concerning organisational affairs, resolutions were also adopted regarding changes to the composition of the Supervisory Board of the Bank.
2. The Annual General Meeting of the Bank held on 31 May 2022. In addition to resolutions concerning organisational affairs, it also adopted resolutions on matters related to the closing of the financial year 2021 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 Capital Group of the Bank,
 - approval of the Report on the operations of the Capital Group of the Bank, including the Report of the Management Board on the operations of the Bank and the Report of the Capital Group of the Bank on non-financial information,
 - method for distribution of profit for the financial year 2021,
 - granting a discharge to all Members of the Management Board and Supervisory Board of the Bank.

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

- the position of the Ordinary General Meeting of the Bank regarding the assessment of the functioning of the remuneration policy in effect at the Bank,
- the approval of the "Policy for the selection and assessment of members of the Supervisory Board of Alior Bank Spółka Akcyjna".
- the assessment of the collective suitability of the Supervisory Board of Alior Bank Spółka Akcyjna,
- expressing an opinion on the "Report on the remuneration of the members of the Management Board and the Supervisory Board of Alior Bank S.A. for the year 2021" as submitted by the Supervisory Board of the Bank,
- amendments to the Articles of Association of Alior Bank,
- the adoption of Best Practice for WSE Listed Companies 2021.

Description of the rules for amending the Bank's Articles of Association and amendments to the Articles of Association made in 2022

According to Article 415 § 1 of the Act of 15 September 2000 – Code of Commercial Partnerships and Companies (uniform text. *Dz. U.* [Poland's Journal of Laws] of 2022, items 1467, 1488, 2280, 2436), an amendment to the Bank's Articles of Association 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 Polish Financial Supervision Authority and the registration of the adopted amendment in the register of entrepreneurs of the National Court Register.

On 20 December 2022, an amendment to the Articles of Association of Alior Bank was registered in the Register of Entrepreneurs of the National Court Register regarding the extension of the Bank's scope of activity to include issuing electronic identification means within the meaning of the provisions on trust services (§ 7.2.21 of the Articles of Association), adopted by Resolution No. 34/2022 of the Annual General Meeting of the Bank of 31 May 2022.

Alior Bank obtained the consent of the Polish Financial Supervision Authority to make the above amendment to the Articles of Association.

Moreover, Alior Bank obtained the consent of the Polish Financial Supervision Authority to amend the Bank's Articles of Association by adding a new Section 4 in § 10, which states that the redemption of the Bank's shares shall be subject to the consent of the Polish Financial Supervision Authority. The motion for a vote on the resolution on the amendment to the Articles of Association described above will be submitted to the next General Meeting of the Bank.

Supervisory Board of the Bank

Composition of the Supervisory Board of the Board as at 31.12.2022		Composition of the Supervisory Board of the Board as at 31.12.2021	
Filip Majdowski	Chair of the Supervisory Board	Aleksandra Agatowska	Chair of the Supervisory Board
Ernest Bejda	Deputy Chair of the Supervisory Board	Ernest Bejda	Deputy Chair of the Supervisory Board
Małgorzata Erlich-Smurzyńska	Supervisory Board Member	Małgorzata Erlich-Smurzyńska	Supervisory Board Member
Paweł Knop	Supervisory Board Member	Paweł Knop	Supervisory Board Member
Artur Kucharski	Supervisory Board Member	Artur Kucharski	Supervisory Board Member
Marek Pietrzak	Supervisory Board Member	Filip Majdowski	Supervisory Board Member
Dominik Witek	Supervisory Board Member	Marek Pietrzak	Supervisory Board Member
Paweł Śliwa	Supervisory Board Member	Dominik Witek	Supervisory Board Member

2022 was the period of the fourth, joint, four-year term of office of the Supervisory Board of the Bank commenced in 2020.

In the period from 1 January 2022 to 31 December 2022, changes took place in the composition of the Supervisory Board of the Bank:

- On 12 April 2022, Ms Aleksandra Agatowska resigned from her position in the Supervisory Board and resigned the position of the Chairperson of the Supervisory Board of the Bank, effective as of the day of resignation, at 1:30 p.m.,
- On 12 April 2022, the Extraordinary General Meeting of the Bank appointed Mr Paweł Śliwa to the Supervisory Board of the Bank.

The table below presents detailed information on the Members of the Bank's Supervisory Board acted as at 31 December of 2022.

Filip Majdowski, PhD (Chairperson of the Supervisory Board) – a graduate of master's and doctoral studies at the Faculty of Law and Administration (WPiA) of the University of Warsaw (UW), the School of British and European Law at the Faculty of Law and Administration of the University of Warsaw and the University of Cambridge; currently he is the director of the Supervision Department I at the Ministry of State Assets responsible, among others, for the supervision over financial institutions with the participation of the State Treasury; judge of the arbitration court at the Warsaw Stock Exchange; previously Deputy Director at the Tax System Department at the Ministry of Finance, where, among others, represented Poland at various forums in the European Union and the Organisation for Economic Cooperation and Development. Author of several dozen publications in the field of tax law in Polish and foreign scientific periodicals. Before joining the public administration, he gained professional experience in tax advisory companies from the "Big Four" and in business in the financial sector.

Ernest Bejda (Deputy Chairperson of the Supervisory Board), Member of the Management Board of PZU SA/PZU Życie responsible for the following areas: security, purchasing, insurance operations as well as digital services and platforms; Lawyer, 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 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.

Małgorzata Erlich – Smurzyńska (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.

Paweł Knop (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. Responsible for liquidity management and implementation of the financial 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.

Artur Kucharski (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 the MBA title in 2011. He has over ten years of experience as an Independent Member of the Supervisory Board, including in nine public companies quoted on the Warsaw Stock Exchange S.A. As part of his duties, he chaired Audit Committees in four listed companies, including a bank, as well as participated in the operations 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.

Marek Pietrzak (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 his legal adviser apprenticeship at the District Chamber of Legal Advisers in Warsaw and obtained a licence to practice. He also completed management and business studies (MBA) at the Higher School of Management in Warsaw, 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 is currently Vice-President of the Management Board for Corporate Affairs of KGHM Polska Miedź S.A. It also has a function

Paweł Śliwa (independent Member of the Supervisory Board) – Vice-President of the Management Board of PGE, graduate of the Faculty of Law and Administration of the Maria Curie-Skłodowska University in Lublin, branch in Rzeszów. He completed doctoral studies at the Cardinal Stefan Wyszyński University in Warsaw and post-graduate EMBA studies at the Institute of Economic Sciences of the Polish Academy of Sciences. He completed a lawyer's apprenticeship at the District Bar Council in Rzeszów. From 1 March 1 to 22 March 2016, he was a Member of the Supervisory Board of PGE. From 2002 to March 2016, he ran a Law Firm in Gorlice. In 2005-2012, he ran the advocates and legal counsel in Gorlice. In 2006-2007, he was the Vice-Chairperson of the Supervisory Board of Ruch S.A.

Dominik Witek – 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 Mieszkaniowej 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.

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, 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

Composition of the Committee as at 31.12.2022		Composition of the Committee as at 31.12.2021	
Artur Kucharski	Committee Chair	Artur Kucharski	Committee Chair
Ernest Bejda	Committee Member	Ernest Bejda	Committee Member
Paweł Knop	Committee Member	Paweł Knop	Committee Member
Filip Majdowski	Committee Member	Filip Majdowski	Committee Member
Marek Pietrzak	Committee Member	Marek Pietrzak	Committee Member

On 10 December 2021, the Supervisory Board appointed the following persons to the Audit Committee of the Supervisory Board (Audit Committee): Artur Kucharski, Marek Pietrzak, Ernest Bejda, Filip Majdowski and Paweł Knop. In the process of suitability assessment carried out in accordance with the Bank's internal procedures, the Bank, insofar as the function of members of the Audit Committee, took into account legal requirements as well as good practices regarding the composition and independence of Audit Committee members, knowledge and skills in accounting or auditing of financial statements, the industry in which operates. In the 2022 financial year, the composition of the Audit Committee did not change.

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, competences confirmed by: knowledge acquired during auditing work, obtaining the Association of Chartered Certified Accountants (ACCA) diploma, as well as professional experience related to performing supervisory functions
- Mr Paweł Knop, competences confirmed by: knowledge acquired during audit work and possession of statutory auditor's qualifications, securities broker's qualifications, including investment advisory qualifications, as well as professional experience related to performing supervisory functions

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

- Mr Artur Kucharski,
- Mr Ernest Bejda,
- Mr Filip Majdowski,
- Mr Paweł Knop

Knowledge and skills confirmed, e.g. by education, professional experience, performing supervisory functions.

Activities of the Audit Committee

Financial year 2022 witnessed holding 23 meetings of the Audit Committee, during which the Audit Committee performed its tasks, including: monitoring the financial reporting process, monitoring the effectiveness of the internal control system and the risk management system and internal audit, monitoring the performance of financial audit actions, controlling, monitoring and assessing the independence of the statutory auditor and the audit firm, assessing the independence of the expert auditor and expressing consent to the provision of permitted services other than the audit of the financial statements, informing the Supervisory Board of the results of the audit of the financial statements and an explanation of how the audit contributed to the reliability of financial reporting at the Bank, as well as what was the role of the Committee in the audit process.

Policy for the selection of an audit firm to conduct audits and reviews of financial statements and Policy for the provision of permitted non-audit services by the audit firm performing the audit, entities related to that audit firm and by a member of that audit firm's network

In order to control and monitor the independence of the statutory auditor and the audit firm, the Committee developed the Policy for the selection of an audit firm to conduct audits and reviews of financial statements and the Policy for the provision of permitted non-audit services by the audit firm performing the audit, entities related to that audit firm and by a member of that audit firm's network.

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 S.A. 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 after the analysis of independence and consent to the provision of such services by the Audit Committee.

The selection of the entity authorised to audit financial statements is carried out in accordance with the procedure applicable at the Bank "Selection of the entity authorised to audit financial statements at Alior Bank S.A.". As a result of the tender procedure, the Audit Committee provided the Supervisory Board with recommendations regarding the selection of an audit firm to audit and review the financial statements of Alior Bank S.A. and the entities of the Alior Bank S.A. Group for the period of three financial years 2024-2026 with the option to extend the contract for two subsequent two-year periods: financial years (2027-2028) and financial years (2029-2030). The Committee's recommendation contained at least two options for selecting an audit firm, along with justification and an indication of the Committee's justified preference towards one of them.

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.

In financial year 2022, 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.

Nomination and Remuneration Committee of the Supervisory Board:

Composition of the Committee as at 31.12.2022		Composition of the Committee as at 31.12.2021	
Małgorzata Erlich-Smurzyńska	Committee Chair	Aleksandra Agatowska	Committee Chair
Marek Pietrzak	Committee Member	Ernest Bejda	Committee Member
Dominik Witek	Committee Member	Małgorzata Erlich-Smurzyńska	Committee Member
		Marek Pietrzak	Committee Member
		Dominik Witek	Committee Member

During the reporting period, the composition of the Nomination and Remuneration Committee of the Supervisory Board of Alior Bank changed. On 12 April 2022, Ms Aleksandra Agatowska resigned from her position in the Supervisory Board and resigned the position of the Chairperson of the Supervisory Board of the Bank of the fourth term of office, effective as of 12 April 2022, thus leaving the Nomination and Remuneration Committee of the Supervisory Board of Alior Bank. Subsequently, on 3 November 2022, Mr Ernest Bejda

resigned from membership in the Nomination and Remuneration Committee, who had been the Chairperson of the Committee since the resignation of Ms Aleksandra Agatowska. Ms Małgorzata Erlich-Smurzyńska became the Chairperson of the Nomination and Remuneration Committee.

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 8 June 2021 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 2021, item 1045), 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 2022, the Nomination and Remuneration Committee held 10 meetings, at which, among others, it carried out the initial assessment of the individual suitability of candidates for the Management Board of the Bank, a secondary and secondary annual assessment of the individual suitability of members of the Management Board of the Bank, as well as an assessment of the collective suitability of the Management Board of the Bank. In addition to the above, the Committee gave an opinion on 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; gave an opinion on amendments to the draft Policies for the selection and assessment of members of the Management Board and members of the Supervisory Board in the field of diversity policy; in connection with changes in the composition of the Supervisory Board of the Bank, it assessed the suitability and recommendations for the Supervisory Board regarding the composition of the Supervisory Board's committees; recommended for the Supervisory Board an update of the rules for remunerating members of the Management Board of the Bank and an update agreements contracts for the provision of management services.

Risk Committee of the Supervisory Board:

Composition of the Committee as at 31.12.2022		Composition of the Committee as at 31.12.2021	
Ernest Bejda	Committee Chair	Ernest Bejda	Committee Chair
Małgorzata Erlich-Smurzyńska	Committee Member	Małgorzata Erlich-Smurzyńska	Committee Member
Paweł Knop	Committee Member	Paweł Knop	Committee Member
Artur Kucharski	Committee Member	Artur Kucharski	Committee Member
Dominik Witek	Committee Member	Dominik Witek	Committee Member

During the reporting period, the composition of the Risk Committee of the Supervisory Board did not change.

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

The tasks of the Risk Committee stem from the Regulation of the Polish Minister of Finance, Funds and Regional Policy of 8 June 2021 on the risk management system and internal control system and remuneration policy in banks, and from the Banking Law.

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, 10 meetings of the Risk Committee took place, including as well as 2 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, risks, as well as information related to the assessment of the impact of Russia's invasion of Ukraine on the Bank's situation and the assessment of the impact of interest rate increases and macroeconomic scenarios on credit risk.

As part of the ongoing monitoring of the risk management system at the Bank, the Committee received periodic reports in the area of risk, containing information of credit risk, capital adequacy 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, and counterparty limit portfolio, 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.

Depending on the matters discussed, representatives of the Bank were invited to the meetings of the Committee, 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 31.12.2022		Composition of the Committee as at 31.12.2021	
Filip Majdowski	Committee Chair	Aleksandra Agatowska	Committee Chair
Artur Kucharski	Committee Member	Artur Kucharski	Committee Member
Dominik Witek	Committee Member	Filip Majdowski	Committee Member
Paweł Śliwa	Committee Member	Dominik Witek	Committee Member

During the reporting period, the composition of the Bank Strategy and Development Committee changed in connection with changes to the composition of the Supervisory Board of the Bank for the 4th joint term of office.

- On 12 April 2022, Ms Aleksandra Agatowska resigned as a member of the Supervisory Board of the Bank, and Mr Paweł Śliwa was appointed to the Supervisory Board,
- On 26 April 2022, the Supervisory Board established a new composition of the Committee in accordance with the table above.

Activities of the Strategy and Development Committee of the Bank's Supervisory Board

The Strategy and Development Committee of the Bank is consultative and advisory in relation to decisions made by the Supervisory Board. 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 2022. The following topics were discussed during the meetings:

- approach to the preparation of a new strategy for Alior Bank (in the years 2023-2024),
- ESG strategy and review of activities carried out at the Bank,
- progress in the implementation of the "More than a Bank" strategy, including a summary of ongoing work and KPI levels,
- selected most important projects implemented at the Bank: Hyperautomation (artificial intelligence, robotisation, process workflow) and Implementation of a hybrid cloud model.

As regards the Bank's new strategy, the Committee familiarised itself with the presented materials, taking into account the scenarios of the approach to adopting a time horizon, market and macroeconomic context, and positively recommended the adoption of an open horizon strategy with cyclical operationalisation, pointing to the advantages and flexibility of the approach. The Committee actively participated in the discussion on the

planned development directions, work schedule, as well as declared its support in further arrangements regarding the final shape of the new strategy.

The Committee got acquainted with the activities in the ESG area implemented at the Bank in 2021 and 2022, which constitute the roadmap of actions.

Each meeting of the Committee involved presentation of the materials regarding the implementation of the “More than a Bank” strategy – the Committee submitted comments and participated in the discussion. During one of the meetings, materials were presented discussing the assumptions and progress of two technologically important projects implementing the “More than a Bank” strategy: implementation of a robotisation and artificial intelligence programme in the Bank and the so-called hybrid cloud. The Committee acknowledged the presented materials.

Management Board of the Bank

Composition of the Management Board of the Bank as at 31 December 2022 *



Grzegorz Olszewski

President of the Management Board¹¹

Grzegorz Olszewski 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 manages the organisational units of the Bank, responsible for internal audit, compliance risk management, HR, communication and CSR, servicing the Bank's governing 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.

¹¹ On 14 July 2022, the Polish Financial Supervision Authority approved the appointment of Mr Grzegorz Olszewski as the President of the Management Board of the Bank.

Radomir Gibała 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.



Radomir Gibała

Vice-President of the Management Board

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 is the head of the Bank's organisational units responsible for finance, accounting and financial reporting, auditing and supervision of subsidiaries, and activities in other countries.



Szymon Kamiński

Vice-President of the Management Board

Szymon Kamiński managed business in the area of finance, consulting and industry. He worked in Poland and abroad. In 2020-2022, he was the President of the Management Board of Pekao Leasing. Between 2011 and 2019, he was the President of the Management Board of Santander Leasing and other subsidiaries of the Santander Group. In 2008-2010, he worked in the Credit Agricole Group, and earlier in the Det Norske Veritas Group. In the latter, between 2006-2008, he managed projects in Europe, the Far East and South America. Between 2003-2005 he was the Country Manager of DNV Iberia in Spain and Portugal. In the period 1998-2003 - Country Manager of DNV Industry in Poland. From 1996 to 1998, he was one of the managing directors of post-acquisition restructuring in the Polish part of the Swedish Trebruk Group (currently Arctic Paper S.A.).

Szymon Kamiński is a graduate of two courses of study at the Maritime University of Gdynia and the advanced IMD Lausanne programme in Oslo.

Szymon Kamiński manages organisational units of the Bank responsible for products and sales within the scope of business customer and treasury activities.



Rafał Litwińczuk

Vice-President of the Management Board

Rafał Litwińczuk 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.

Tomasz Miklas has been with Alior Bank since 2008, and during this period he has held a number of managerial positions in the area of credit, operational, liquidity and market risk management. He features many years of experience in conducting strategic projects, including in the field of transformation of work organisation, mergers, implementation of new products and processes. From 2021, he was the director of the Credit Risk Department at Alior Bank and was responsible for managing the credit risk of portfolios of retail customers, micro-enterprises, business customers, as well as exercised supervision over the credit policy of the subsidiary Alior Leasing. Moreover, he chaired the Credit Risk and Business Initiatives Committee and was a member of the Credit Committee, the Operational Risk Committee, the Model Risk Committee, and the Bank's Development Committee. In previous years, he was responsible for managing the credit risk of business segments, including micro-enterprises and business customers, managing the credit risk of products for retail customers, as well as for managing the credit risk of business segments, including micro-enterprises and business customers. In 2013-2017, he was responsible for managing the credit risk of products for retail customers.



Tomasz Miklas

Vice-President of the Management Board¹²

He is a graduate of Computer Science and Econometrics at the Faculty of Economic Sciences of the University of Warsaw and post-graduate studies in Risk Management in Financial Institutions conducted by the Warsaw School of Economics.

Until the Polish Financial Supervision Authority expresses its consent to entrust Tomasz Miklas with the function of the Vice-President of the Management Board of the Bank supervising the management of material risk in the Bank's operations, supervision over material risk management is exercised by the Management Board of the Bank collectively.

Jacek Polańczyk, until his appointment to the Management Board of the Bank, 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.



Jacek Polańczyk

Vice-President of the Management Board

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 responsible for marketing, logistics and purchases.

¹² On 13 October 2022, the Supervisory Board of the Bank appointed Mr Tomasz Miklas to the Management Board of the Bank and entrusted him with the function of Vice-President of the Management Board of the Bank supervising the management of significant risk in the Bank's operations, subject to obtaining the relevant consent of the Polish Financial Supervision Authority and as of the date of issuing this consent.



Paweł Tymczyszyn
Vice-President of the
Management Board

Paweł Tymczyszyn 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.

* 22 November 2022 the Management Board adopted Resolution No 410/2022 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 2 December 2022 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 2021

Grzegorz Olszewski Vice-President in charge of Management Board works	Areas of responsibility: 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 law, procedures and principles of business ethics in effect at the Bank, and accepts reports in this regard in accordance with the provisions of internal regulations of the Bank.
Maciej Brzozowski Vice-President of the Management Board	Areas of responsibility: management of risk relevant to the operations of the Bank
Radomir Gibała Vice-President of the Management Board	Areas of responsibility: finance, accounting and financial reporting, controlling, supervision over subsidiaries and activity in other countries
Rafał Litwińczuk Vice-President of the Management Board	Areas of responsibility: retail customer products and sales (retail customer and micro-enterprises), and brokerage activity
Marek Majsak Vice-President of the Management Board	Areas of responsibility: business customer products and sales, and treasury activity
Jacek Polańczyk Vice-President of the Management Board	Areas of responsibility: marketing, logistics and procurement

2022 was the year of the fifth joint three-year term of office of the Management Board of the Bank which began in 2020.

In the reporting period from 1 January 2022 to 31 December 2022, the following changes were made to the composition of the Management Board of the Bank:

- On 24 March 2022, Mr Maciej Brzozowski resigned his position in the Supervisory Board and resigned as the Vice-President of the Management Board effective as of 24 March 2022, 18:00.
- Due to the changes in the composition, the Management Board of the Bank adopted Resolution No. 100/2022 on the internal division of powers in the Management Board of the Bank, approved on 31 March 2022 by the Supervisory Board of the Bank, thus introducing a new division of powers among Members of the Management Board. The Supervisory Board confirmed that until a candidate for a Member of the Management Board of the Bank in charge of supervising the management of risk relevant to the Bank's operations is selected and until the Polish Financial Supervision Authority approves the appointment, supervision over the management of relevant risk is exercised by the Management Board of the Bank *in gremio*.
- On 13 October 2022, the Supervisory Board of the Bank appointed Mr Tomasz Miklas to the Management Board of the Bank and entrusted him with the function of Vice-President of the Management Board of the Bank supervising the management of significant risk in the Bank's operations, subject to obtaining the relevant consent of the Polish Financial Supervision Authority and as of the date of issuing this consent. At the same time, the Supervisory Board of the Bank entrusted the Management Board of the Bank acting in *gremio* with the obligation to supervise material risk management in the Bank's operations, until obtaining the consent of the Polish Financial Supervision Authority to entrust Mr Tomasz Miklas with the function of Vice-President of the Management Board of the Bank supervising material risk management in the Bank's operations.
- On 3 November 2022, Mr Marek Majsak resigned from his position in the Management Board of the Bank and from the function of the Vice-President of the Management Board, effective as of the end of 4 November 2022.
- On 3 November 2022, the Supervisory Board of the Bank appointed Mr Szymon Kamiński to the Management Board of the Bank for the position of Vice-President of the Bank, effective as of 7 November 2022.

Members of the Management Board of the Bank are not engaged in any competitive activity towards the Bank and do not participate in competitive partnerships as partners or members of governing bodies of limited companies or other competitive legal persons.

Information on how Members of the Management Board of the Bank comply with the requirements provided for in Article 22aa of the Banking Law is available on the Bank's website: <https://www.aliorbank.pl/dodatkowe-informacje/o-banku/zarząd.html>.

Description of the principles regarding the appointment and dismissal of managing persons and their rights, in particular the right to decide on the issue or redemption of shares

According to Article 22a (1) of the Banking Law Act of 29 August 1997 (uniform text, Dz. U. [Poland's Journal of Laws] of 2022, item 2324) and § 24 (1) and (2) and § 25 (1) of Alior Bank's Articles of Association, the Management Board of the Bank comprises at least 3 members appointed and dismissed by the Supervisory

Board of Alior Bank, taking into account the assessment of compliance with the requirements referred to in Article 22aa of the Banking Law Act. The number of members of the Management Board is determined by the Supervisory Board.

Members of the Management Board are appointed for a joint term of office of 3 years, following a qualification procedure as part of the selection process conducted on the basis of the Policy of Selection and Assessment of Management Board Members of Alior Bank, prepared to meet the requirements set out in the Methodology for assessing the suitability of members of bodies of entities supervised by the Polish Financial Supervision Authority.

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.

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).

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.

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.

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.

The Management Board of the Bank believes that the Regulations of the Management Board of Alior Bank Spółka Akcyjna as a regulation defining the functioning of the Management Board are adequate and consistent with the law and the requirements of supervisory authorities. Members of the Management Board of the Bank coordinate and supervise the activity of the Bank, pursuant to the delegation of competences adopted by the Management Board of the Bank and approved by the Supervisory Board.

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

The 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 prevention application of designs or methods intended to avoid application Policy,
 - 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.

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.

Remuneration of Members of the Management Board and the Supervisory Board of Alior Bank in 2022.

Remuneration of Members of Alior Bank's Management Board paid or payable in 2022:

(in thousands of PLN)	Period	Cash benefits			Share-based payments cleared in cash			Other benefits	Remuneration charges paid, including ECP	Total
		Remuneration paid and payable	Other paid	Remuneration potentially payable	Remuneration paid and payable	Other paid	Remuneration potentially payable			
Maciej Brzozowski	01/01/2022 – 24/03/2022	409	-	183	187	-	192	3	57	1 032
Radomir Gibała	01/01/2022 – 31/12/2022	1 106	-	100	102	-	105	19	102	1 534
Szymon Kamiński	07/11/2022 – 31/12/2022	162	-	-	-	-	-	1	20	184
Rafał Litwińczuk	01/01/2022 – 31/12/2022	1 010	-	23	24	-	24	27	93	1 201
Marek Majsak	01/01/2022 – 04/11/2022	841	180	454	23	-	24	16	69	1 608
Tomasz Miklas	13/10/2022 – 31/12/2022	238	-	-	-	-	-	6	27	270
Grzegorz Olszewski	01/01/2022 – 31/12/2022	1 047	-	26	27	-	28	11	94	1 233
Jacek Polańczyk	01/01/2022 – 31/12/2022	1 125	-	115	118	-	121	28	104	1 610
Paweł Tymczyszyn	01/01/2022 – 31/12/2022	1 012	-	25	26	-	27	58	80	1 228
Bank Management Board	01/01/2022 – 31/12/2022	6 951	180	928	507	-	520	167	647	9 901
Members of the Management Board who ceased to perform their duties in previous years			823	639	627	696	-	656	-	184
Total		7 774	819	1 555	1 203	1 176	-	167	830	13 524

Remuneration of Members of Alior Bank's Supervisory Board in 2022 (in thousands of PLN)

Specification	Period	Remuneration ¹	Remuneration overhead ²	Total
Małgorzata Erlich – Smurzyńska	01/01/2022 – 31/12/2022	205	19	224,00
Paweł Knop	01/01/2022 – 31/12/2022	205	27	232,00
Artur Kucharski	01/01/2022 – 31/12/2022	224	24	248,00
Filip Majdowski	01/01/2022 – 31/12/2022	219	29	248,00
Marek Pietrzak	01/01/2022 – 31/12/2022	205	16	221,00
Paweł Śliwa	12/04/2022 – 31/12/2022	148	7	155,00
Ernest Bejda	01/01/2022 – 31/12/2022	-	-	-
Dominik Witek	01/01/2022 – 31/12/2022	-	-	-
Supervisory Board		1 206	122	1 328
Members of the Supervisory Board who ceased to perform their functions in previous years ³		-73	0	-73
Total		1 133	122	1 255

¹ Remuneration does not include reimbursement of travel costs

² Remuneration overhead paid, including ECP

³ Salary settlement adjustment

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 2018-2022, the participation of women and men in the aforementioned statutory bodies of the Bank is as follows:

Management Board of Alior Bank					
	31/12/2018	31/12/2019	31/12/2020	31/12/2021	31/12/2022
Female	1	1	2	0	0
Male	6	6	4	7	7

Alior Bank's Supervisory Board					
	31/12/2018	31/12/2019	31/12/2020	31/12/2021	31/12/2022
Female	1	0	1	2	1
Male	7	7	6	6	7

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.

XIII. Auditor information

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 20th 2023, that the selection of KPMG Audyt Spółka z ograniczoną odpowiedzialnością sp.k. as an audit company auditing the annual financial statements of the Bank and the Bank's Capital Group for the financial year ended on December 31, 2022, was carried out in accordance with applicable law 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 2022 and 2021 is presented in the table below:

	2022	2021
Auditing of the standalone and consolidated financial statements of Alior Bank	866 000	866 000
Review of the Financial Statements	470 000	470 000
Verification of consolidation packages	124 000	124 000
other attestation services	195 000	55 000
Auditing and other attestation services performed for subsidiaries of Alior Bank	330 000	340 000
Total	1 985 000	1 855 000

XIV. 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 2022 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 2022 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 2022,

Signatures of all Members of the Management Board

Date		Signature
02.03.2023	Grzegorz Olszewski - President of the Management Board	Signed with a qualified electronic signature
02.03.2023	Radomir Gibała - Vice-President of the Management Board	Signed with a qualified electronic signature
02.03.2023	Szymon Kamiński - Vice-President of the Management Board	Signed with a qualified electronic signature
02.03.2023	Rafał Litwińczuk - Vice-President of the Management Board	Signed with a qualified electronic signature
02.03.2023	Tomasz Miklas - Vice-President of the Management Board	Signed with a qualified electronic signature
02.03.2023	Jacek Polańczyk - Vice-President of the Management Board	Signed with a qualified electronic signature
02.03.2023	Paweł Tymczyszyn - Vice-President of the Management Board	Signed with a qualified electronic signature