

REPORT
**of the Supervisory Board of Alior Bank Spółka
Akcyjna**
with its registered office in Warsaw
on its operations in 2014

March, 2015

In the reporting period, the Supervisory Board of Alior Bank Spółka Akcyjna (hereinafter referred to as “the Bank”), under the provisions of the Code of Commercial Companies, Banking Law and other legal regulations in force, the Bank’s Articles of Association and the Rules of the Supervisory Board, exercised continuous supervision over the operations of the Bank in all areas of its operation.

While performing its statutory duties, in 2014 the Supervisory Board participated actively in the monitoring and supervision of the key areas of Bank’s operation, including risk management, implementation of strategic projects or meeting requirements posed by supervision authorities.

A vital element of activities performed by the Supervisory Board in the reporting period was the supervision over the financial results of the Bank, including the performance of the financial plan for 2015 and gaining the expected financial result at the end of 2014. The Supervisory Board analysed the implementation of the development strategy and the execution of the Bank’s budget on an on-going basis. The Board received and analysed, on an on-going basis, the interim reports presenting the current financial results of the Bank as well as the solvency ratio and capital requirements of the Bank. The Supervisory Board received, on an on-going basis, the institutional control reports of the Internal Audit Department of the Bank and operating risk experts. While acting in line with the instruction included in the Bank’s Policy regarding compliance risk, the Supervisory Board received reports describing the key compliance-related events.

For the Board the focus was in the project of acquisition of the Meritum Bank ICB SA by Alior Bank SA, as well as issues linked with volume and quality of clients’ portfolio, loan sales volume, margins, employment scheme, personal costs, capabilities to lower costs of operations of the Bank’s branches, marketing policy and strategic projects of the Bank. The Board received from the Management Board a current information on data relating to number of clients, market share and marketing campaigns.

Report on the assessment of the financial statements of Alior Bank S.A. for the year ended on 31 December 2014

Pursuant to article 382 § 3 of the Code of Commercial Companies, the Supervisory Board of the Bank assessed the financial statements (individual and consolidated) submitted by the Management Board of the Bank for the year ended on 31 December 2014.

The financial statements of Alior Bank S.A. include:

- statement of financial position, drawn up as at 31 December 2014, with assets and liabilities totalling PLN 30,168,078
- profit and loss statement for the period between 1 January 2014 and 31 December 2014, with net profit of PLN 337,030
- statement of comprehensive income for the period between 1 January 2014 and 31 December 2014 with income amounting to PLN 375,233
- statement of changes in equity for the financial year between 1 January 2014 and 31 December 2014, with an increase in shareholders' equity by PLN 842,877
- statement of cash flows for the financial year between 1 January 2014 and 31 December 2014, with the increase in cash by PLN 204,600,
- notes to the financial statements.

The financial statements of Alior Bank's Capital Group include:

- statement of financial position, drawn up as at 31 December 2014, with assets and liabilities totalling PLN 30,167,568
- profit and loss statement for the period between 1 January 2014 and 31 December 2014, with net profit of PLN 322,047
- statement of comprehensive income for the period between 1 January 2014 and 31 December 2014 with income amounting to PLN 360,250
- statement of changes in equity for the financial year between 1 January 2014 and 31 December 2014, with an increase in shareholders' equity by PLN 830,344
- statement of cash flows for the financial year between 1 January 2014 and 31 December 2014, with the increase in cash by PLN 206,986
- notes to the financial statements.

The financial statements of Alior Bank S.A. and Bank's Capital Group for the in the period between 1 January 2014 and 31 December 2014 have been drawn up in accordance with accounting principles as set out in the International Financial Reporting Standards and related Interpretations announced in the form of European Commission's regulations, and to the extent not covered by these Standards, in line with the provisions of the Accounting Act and its executive provisions.

The certified auditor, PriceWaterhouseCoopers Sp. z o.o. with its registered office in Warsaw, Al. Armii Ludowej 14, reported no reservations as to the reliability and correctness of said financial statements or to their compliance with accounting principles as set out in the International Financial Reporting Standards approved by the European Union and based on the accurate accounting ledgers. The certified auditor also confirmed the compliance of the financial statements with the legal regulations and provisions of the Bank's Articles of Association pertaining to the contents thereof.

The detailed results of the audit have been presented by the certified auditor in the report on the audit of the financial statements.

The Supervisory Board hereby acknowledges that the financial statements of Alior Bank S.A. and Bank's Capital Group for the year ended on 31 December 2014 have been drawn up correctly and in accordance with the provisions of the law and the Bank's Articles of Association.

The Board hereby concludes that the said financial statements are in accordance with the ledgers and documents of the Bank and present data which give a true and fair view of the financial situation of the Bank and the Capital Group.

The Supervisory Board recommends that the Annual General Meeting of the Bank adopt the resolutions to approve the financial statements of Alior Bank S.A. (individual and consolidated) for the year ended on 31 December 2014.

**Assessment of the Management Board's report on the Bank's and its
Capital Group's operations in 2014**

Pursuant to article 382 § 3 of the Code of Commercial Companies, the Supervisory Board assessed the Management Board's report on the Bank's and its Capital Group's operations in 2014.

The Supervisory Board hereby acknowledges that the Management Board's report is complete under the provisions of the Accounting Act and has been drawn up adequately and in line with the regulations of the law. The Management Board's report presents the summary of all major activities of the Bank in the reporting period. The financial data presented therein are in line with the data presented in the financial statements.

The Supervisory Board recommends that the Annual General Meeting of the Bank adopt the resolutions to approve the Management Board's report on the Bank's (Capital Group's) operations in 2014.

**Assessment of the Management Board's motion concerning the distribution
of Bank's profit for 2014**

Pursuant to article 382 § 3 of the Code of Commercial Companies, the Management Board submitted to the Supervisory Board a motion pertaining to the distribution of the Bank's profit for 2014, specified in the Management Board's Resolution no. 62/2015 of 2.03.2015.

The Management Board proposed distribution of the total profit for 2014 in amount of PLN 337.029.551,94 (say: three hundred thirty seven million twenty-nine thousand five hundred and fifty one and 94/100) to the reserve capital.

The Supervisory Board hereby gives a positive opinion to the Management Board's motion and recommends that the Annual General Meeting of the Bank adopt the distribution of Bank's profit for 2014 as proposed above.

Concise assessment of the Bank's situation in 2014

In 2014 a Capital Group of Alior Bank generated a net profit of PLN 322.0 million, achieving return on equity (ROE) at the level of 12.4%.

In the Supervisory Board's view the above given financial result, generated despite number of factors which had a negative impact on the operations of banks in Poland (concerns about the sustainability of economic growth, a record low level of interest rates, regulatory changes resulting in a drop in income with a simultaneous increase in bank overheads) is very good.

It forms a solid basis for a consistent and safe increase in the scale of the Bank's operations in future years.

In 2014, the main source of the Group's revenues was the net interest income which despite the pressure from low interest rates, thanks to the dynamic growth in lending activities and effective management of the Bank's pricing policy, increased year on year by PLN 217.2 million, to PLN 1,215.8 million.

In 2014, the main sources of the Group's revenues also included net commission and fee income which increased by PLN 73.0 million year on year and had a 18.6% share in the revenues generated by the Bank in 2013.

Additionally, the trading result constituting 14.3% of all revenues, and in particular the result achieved in connection with the foreign exchange transactions and interest rate transactions exercised on behalf of customers, had a material impact on the Group's revenues in 2014.

Strict control of costs which increased by only 9.2% year on year also had an impact on the result.

In the opinion of the Bank's Supervisory Board, the financial results earned by the Company allow the presumption that as at the date of this Report the Bank will be able to achieve its strategic goals for 2016, i.e. a 4% share in the market, the Cost/Income ratio as a level no higher than 45% and ROE at a level no higher than 16%.

Report on the fulfilment of the duty to supervise the Bank's operations in 2014

Composition of the Supervisory Board

The composition of the Supervisory Board as at 1 January 2014 was as follows:

- H el ene Zaleski – Chairwoman of the Supervisory Board
- Ma gorzata Iwanicz-Drozdowska – Deputy Chairman of the Supervisory Board
- Krzysztof Obl oj – Member of the Supervisory Board
- Marek Michalski - Member of the Supervisory Board
- Lucyna Sta nczak-Wuczy nska – Member of the Supervisory Board

On 23 January 2014, the Extraordinary General Meeting appointed Mr S lawomir Dudzik a Member of the Supervisory Board.

As of 8 September 2014, Mrs Lucyna Sta nczak-Wuczy nska, Member of the Supervisory Board, resigned from his position on the Supervisory Board.

On 22 October 2014, the Annual General Meeting appointed Mr Stanis law Pop ow and Mr Niels Lunderff Members of the Supervisory Board.

The composition of the Supervisory Board as at 31 December 2014 was as follows:

- H el ene Zaleski – Chairwoman of the Supervisory Board
- Ma gorzata Iwanicz-Drozdowska – Deputy Chairman of the Supervisory Board

- Sławomir Dudzik – Member of the Supervisory Board
- Niels Lunderff - Member of the Supervisory Board
- Marek Michalski – Member of the Supervisory Board
- Krzysztof Obłój – Member of the Supervisory Board
- Stanisław Popów - Member of the Supervisory Board

Organisation of the Board's works

Helene Zaleski, as the Chairwoman, managed the works of the Supervisory Board over the reporting period. The Supervisory Board operates under the Articles of Association and the Rules of the Supervisory Board they adopted. The meetings of the Supervisory Board are convened on a case by case basis, at least three times in each financial year. The resolutions of the Supervisory Board are adopted by absolute majority of votes in an open ballot, unless the provisions of the law or the Articles of Association stipulate otherwise. In matters pertaining to the members or upon a request of at least one member, the Chairperson of the Supervisory Board orders a secret ballot. In the case of equal number of votes for and against, casting vote belongs to the Chairperson of the Supervisory Board. For the resolutions to be valid at least half of the Members of the Supervisory Board must attend the meeting and all members must be invited. The Supervisory Board may establish standing and ad-hoc committees. In such a case, the Supervisory Board draws up the rules of the committee, its composition and objectives.

In 2014, the Remuneration Committee and Audit Committee operated within the Supervisory Board.

In line with the Articles of Association of the Bank, at least two members of the Supervisory Board meet the criteria of independence from the Bank and entities having material relations with the Bank. The independence criteria for the members of the Supervisory Board are specified in the Rules of the Bank's Supervisory Board, in accordance with the criteria set out in the Code of Best Practice for WSE Listed Companies.

Operations of the Supervisory Board

In 2014 the Supervisory Board held 5 meetings and passed 90 resolutions relating, among other things, to: assessing the financial statements and the Bank Directors' Report for 2013, requests relating to the distribution of profit and approving the activities of members of the Management Board in 2013, approving the Supervisory Board's Report on activities in 2013, approving the Bank's financial plan, changing the Bank's asset and liability management policies, approving changes in certain regulations and procedures at the Bank, granting consent to financing entities in cases following from the Articles of Association and credit competence principles in force at the Bank, appointing the Deputy Chairman of the Supervisory Board, approving the Management decision to continue cooperation with T-Mobile Polska SA and project of acquisition of the company Meritum Bank ISB SA.

In 2014 the Members of the Supervisory Board apart of the Board's meetings, also conducted a systematic coaching of the Board Members, through analysing their competences and methods for their further development. One of the results of that coaching is system of training in the key areas in view of the future development of the Bank, dedicated for the board members of Alior Bank SA, scheduled in the best world business learning centres.

Audit Committee

Komitet Audytu powstał w celu wypełnienia wymogów ustawy o biegłych rewidentach i ich samorządach.

W dniu 1 stycznia 2014 roku w skład Komitetu Audytu wchodził:

Helene Zaleski,

Małgorzata Iwanicz-Drozdowska,

Lucyna Stańczak-Wuczyńska.

W dniu 24 października 2014 roku Rada Nadzorcza powołała w skład Komitetu Audytu, w miejsce Pani Lucyny Stańczak-Wuczyńskiej, Członka Rady Nadzorczej, Pana Stanisława Popów.

Na koniec okresu objętego sprawozdaniem skład Komitetu Audytu przedstawiał się następująco:

Helene Zaleski,

Małgorzata Iwanicz-Drozdowska,
Stanisław Popów.

W roku obrotowym 2014 Komitet Audytu odbył 4 posiedzenia podczas których dokonano przeglądu komórki audytu w świetle wymogów Rekomendacji „H” KNF, założenia planu kontroli na rok 2014, przedstawiono propozycje zmian procedur kontroli wewnętrznej wynikające z przeglądu DAW, oceny z niezależnego przeglądu DAW wykonanego przez firmę PWC oraz harmonogram realizacji rekomendacji wydanych w wyniku tego przeglądu, przedstawiono raport Departamentu Audytu Wewnętrznego (DAW) z przeprowadzonej kontroli za drugi kwartał 2014 r. Zrealizowane zostały jego zadania w zakresie monitorowania procesu sprawozdawczości finansowej, skuteczności systemów kontroli wewnętrznej, audytu wewnętrznego oraz zarządzania ryzykiem operacyjnym lub ryzykiem braku zgodności. W ramach swoich obrad Komitet dokonał monitoringu wykonywania czynności rewizji finansowej oraz monitorowania niezależności biegłego rewidenta, podczas spotkania i dyskusji z biegłym rewidentem badającym sprawozdania finansowe Banku.

Remuneration Committee

The Remuneration Committee was established on the basis of a resolution of the Supervisory Board on 7 December 2011, to apply the principles for determining policies relating to variable compensation components for persons holding managerial positions at the Bank, adopted by a resolution of PFSA no. 258/2011 dated 4 October 2011 which came into force on 31 December 2011. The Remuneration Committee: (i) gives its opinion on the policy regarding variable compensation components in accordance with the principles of stable and prudent risk, equity and liquidity management, and specifically taking into consideration the Bank's and its shareholders' long-term interests; (ii) gives its opinion on the acceptability of paying variable compensation components in the part relating to deferred payment terms of such components; (iii) gives its opinion and monitors variable compensation payable to persons holding managerial positions at the Bank, related to risk management and the Bank's compliance with the binding legal regulations and internal regulations; (iv) gives its opinion on the classification of positions which is subject to the variable compensation components policy.

The Remuneration Committee as at 31 December 2014 is composed of: Hélène Zaleski, Marek Michalski and Krzysztof Oblój.

In 2014, the Remuneration Committee held a meeting (on 19 March 2014), and among others assessed results of work of employees holding executive positions, according to policy of variable components of remuneration, and gave its consent for list of persons authorised to be granted with subscription warrants under Incentive Scheme.

Summary

The Supervisory Board hereby requests that the General Meeting of the Bank's shareholders adopt this report on the Supervisory Board's operations in 2014 and give the vote of approval to all the Supervisory Board's members for the performance of their duties in the reporting period.

Warsaw, March 2015

Chairwoman of the
Supervisory Board
Hélène Zaleski

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Małgorzata Iwanicz-
Drozdowska
Deputy Chairman of the
Supervisory Board

.....
Sławomir Dudzik
Member of the Supervisory
Board

.....
Marek Michalski
Member of the Supervisory
Board

.....
Krzysztof Oblój
Member of the Supervisory
Board

.....
Lucyna Stańczak - Wuczyńska
Member of the Supervisory
Board