

DESCRIPTION OF THE INTERNAL CONTROL SYSTEM AT ALIOR BANK S.A.

PRINCIPLES OF FUNCTIONING, OBJECTIVES AND PARTICIPANTS OF THE INTERNAL CONTROL SYSTEM (ICS)

1. Alior Bank has an internal control system in place in accordance with the requirements of the Banking Law of 29 August 1997, as amended, the Ordinance of the Minister of Finance, Funds and Regional Policy on the Risk Management System and the Internal Control System (...) of 8 June 2021, and Recommendation H of the Polish Financial Supervision Authority on the Internal Control System in Banks of 2017. The system is adapted to the risk profile and the nature and scale of its operations. The ICS includes all the Bank's organizational units and its subsidiaries.
2. Within the ICS, the Bank defines:
 - a. A control function, which has the task of implementing and ensuring compliance with control mechanisms aimed specifically at mitigating risks in the Bank, and is performed by employees in positions, groups of people or organizational units responsible for carrying out the tasks assigned to this function.
 - b. A Compliance unit, the task of which is to identify, evaluate, control and monitor compliance risk in the Bank's activities with regard to the provisions of law, internal regulations, and market standards, and to present reports in that scope.
 - c. An independent internal audit, the task of which is to examine and evaluate, in an independent and objective manner, the adequacy and effectiveness of the risk management system and the internal control system in the Bank's activities.
3. The general objectives of the internal control system are:
 - a. the efficiency and effectiveness of the Bank's operations,
 - b. reliability of financial reporting,
 - c. compliance with the principles of risk management in force at the Bank,
 - d. the Bank's compliance with the provisions of law, internal regulations, and market standards.

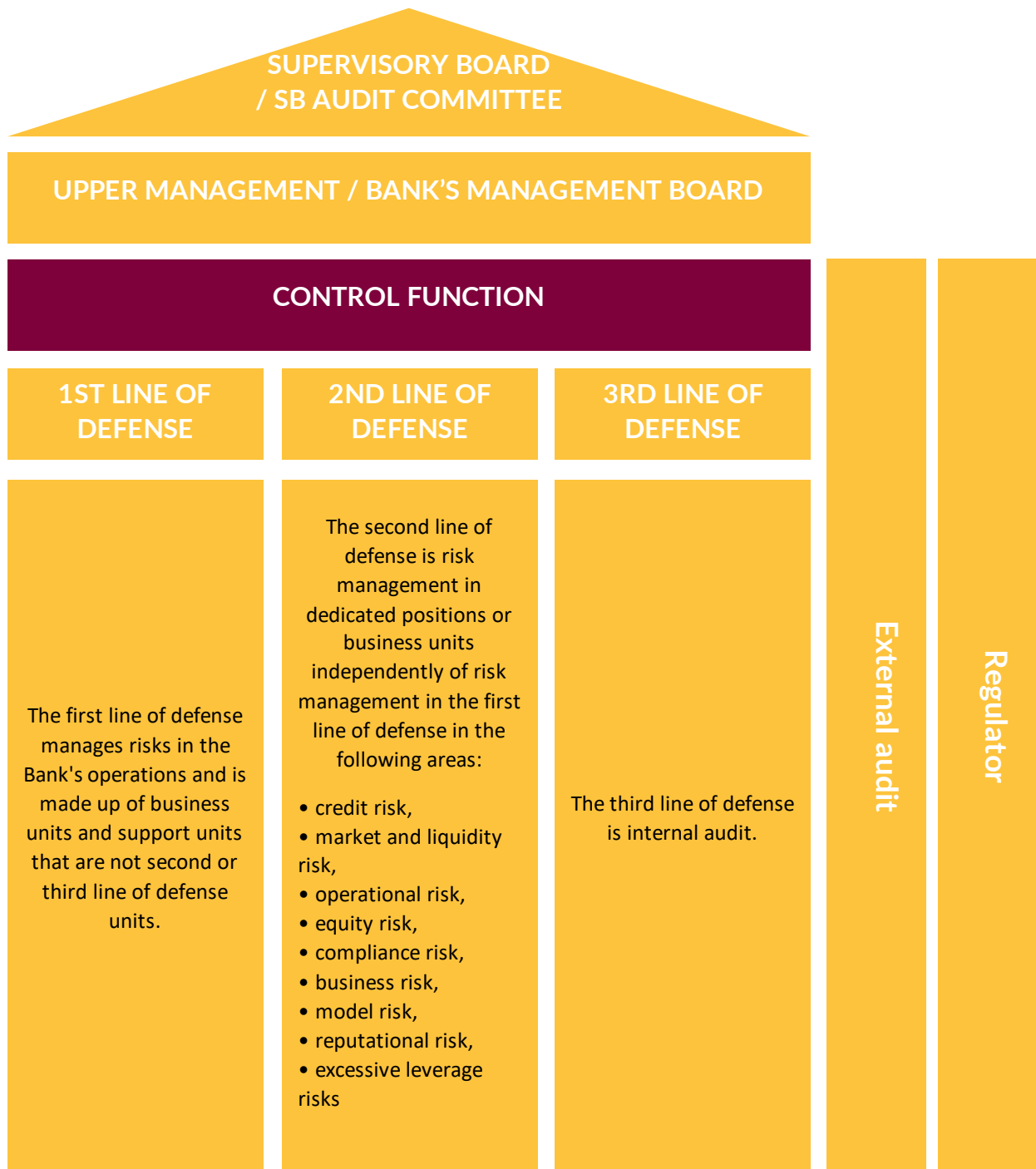
As part of the aforementioned general objectives of the internal control system, the Bank defines specific objectives.

4. The participants of the Bank's internal control system are:
 - a. Supervisory Board of the Bank,
 - b. Management Board of the Bank,
 - c. Audit Committee of the Supervisory Board,
 - d. internal audit,
 - e. compliance unit,
 - f. management staff,
 - g. all employees of the Bank.
5. The Bank's Supervisory Board oversees the introduction and operation of the ICS and, through the Audit Committee of the Supervisory Board, monitors the effectiveness of the ICS. Conducts an annual assessment of the adequacy and effectiveness of this system, including the adequacy and effectiveness of the control function, compliance function and internal audit.
6. The Audit Committee of the Supervisory Board - in particular, at the request of the Supervisory Board - is engaged in ongoing monitoring of the effectiveness of the ICS and issues an opinion to the Supervisory Board on the annual assessment of the adequacy and effectiveness of the internal control system.

7. The Management Board of the Bank is responsible for designing, implementing and ensuring - with regard to all units and organizational positions of the Bank - the functioning of adequate and effective internal control system, which consists of the control function, the compliance function and internal audit, and ensuring an adequate organizational as well as financial framework for their independent and efficient operation. It also ensures the functioning of the internal control system in its subsidiaries. The Management Board of the Bank, not less frequently than once a year, shall inform the Supervisory Board about the manner of fulfilling tasks related to the functioning of the ICS.
8. The Internal audit, as a third line of defense, specifically conducts planned audits, ad hoc audits, investigations and advisory assignments. As part of its audit investigations, it evaluates the adequacy and effectiveness of the ICS and the Bank's risk management system. Internal audit is independent and reports functionally to the Supervisory Board and administratively to the President of the Management Board. In order to ensure independence, internal audit, as the third line, is not subject to monitoring / control by any organizational units / positions located within the first and second lines. Internal audit activities are supervised by the Supervisory Board through the Audit Committee. The location of the Audit Department directly in the division of the President of the Management Board is confirmed by the provisions of the Bank's Articles of Association and the Organizational Regulations of the Bank's Head Office.
9. The compliance unit is a separate, independent organizational unit of the Bank, which, in accordance with the provisions of the Bank's Articles of Association and the Organizational Regulations of the Bank's Head Office, reports directly to the President of the Bank's Management Board. The compliance unit is responsible for ensuring that the Bank complies with the provisions of law, internal regulations and market standards by managing compliance risk and ensuring compliance within the control function. In particular, the compliance unit continuously analyzes changes in legislation, advises and supports the Bank's units on issues associated with adapting and ensuring compliance with laws and market standards, manages compliance risk, and actively promotes a culture of compliance at the Bank.

STRUCTURE AND ORGANIZATIONAL CHART OF THE INTERNAL CONTROL SYSTEM

1. The internal control system is built according to the model of three independent lines / levels of defense:
 - a. The first line of defense manages risk in the Bank's operations - it is made up of business units and support units that are not second or third line of defense units.
 - b. The second line of defense is risk management in dedicated positions or in organizational units, independent of front-line risk management and the activities of the compliance function.
 - c. The third line of defense constitutes the internal audit.
2. On all three lines of defense, the Bank's employees, within the scope of their assigned job duties, carry out relevant tasks related to ensuring the achievement of ICS's objectives, including the application of controls or independent monitoring of compliance. The scope of control activities performed by the employee is appropriate to the function performed in the Bank by that employee, the experience and qualifications he possesses, as well as the duties and responsibilities assigned to him.
3. A graphical representation of the organization of the three lines of defense within the Bank's organizational structure is illustrated in the diagram below:



CONTROL FUNCTION

1. The control function consists of:
 - a. all control mechanisms present in processes functioning at the Bank,
 - b. independent monitoring of their compliance,
 - c. reporting as part of the control function.
2. The Bank distinguishes the following types of independent monitoring of compliance with controls:

- a. horizontal monitoring as part of the first line of defense and vertical monitoring of the first line of defense by the second line of defense,
 - b. horizontal monitoring as part of the second line of defense,
 - c. horizontal monitoring as part of the third line of defense - quality assurance scheme.
3. The Bank's control function is documented, among other things, in the form of a control function matrix, which includes a description of the link between the overall goals of the ICS and the specific objectives separated thereunder with the specific processes which the Bank has considered important and the key control mechanisms, as well as independent monitoring of observance of said control mechanisms.

PRINCIPLES OF THE ANNUAL ASSESSMENT OF ADEQUACY AND EFFECTIVENESS OF THE INTERNAL CONTROL SYSTEM

1. The criteria of the assessment of adequacy and effectiveness of the ICS established by the Bank's Management Board are approved by the Supervisory Board. The criteria are applied correspondingly as part of all three lines of defense and are reviewed and updated periodically upon the request of the compliance unit.
2. By adequacy of the ICS, the Bank means alignment of its elements with the scale and scope of the Bank's operations.
3. The effectiveness of the ICS lies in the effective implementation of all ICS objectives.
4. The annual assessment of the adequacy and effectiveness of the ICS at the Bank is carried out by the Supervisory Board of the Bank, in particular, on the basis of:
 - a. opinions rendered by the Audit Committee of the Supervisory Board,
 - b. information of the Management Board of the Bank on the functioning of the internal control system,
 - c. periodic reports of the compliance and internal audit units,
 - d. findings of the auditor,
 - e. relevant, from the point of view of the adequacy and effectiveness of the ICS, findings, information and assessments obtained from external entities including market regulators, the parent company or subsidiaries,
 - f. assessments and opinions on ICS or its elements made by external entities, if they were issued

and with the following data in mind:

- a. internal audit findings,
- b. the results of vertical tests of second-line defense units,
- c. critical or significant irregularities,
- d. the results of inspections and recommendations of regulators and other external audits,
- e. metrics in the areas of internal audit activities, the compliance function and the control function.