

REPORT
of the Supervisory Board of Alior Bank Spółka
Akcyjna
with its registered office in Warsaw
on its operations in 2013

April, 2014

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 2013 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 2013 and gaining the expected financial result at the end of 2013. 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.

As in the previous years, the Board focused also on the volume and quality of customer portfolio, lending volume, margins, employment plans, personnel costs, opportunities to reduce operating costs of the Bank’s branches, marketing policy and strategic projects of the Bank. The Management Board presented the Supervisory Board with the current data regarding the number of customers, market share and advertising campaigns.

Joint venture between Alior Bank S.A. and T-Mobile Polska S.A. was of a primary interest of the Supervisory Board, pursuant to the resolution on incurring a liability and asset management of value exceeding 5% of the Bank’s equity capital applied to a single entity based on the cooperation agreement with T-Mobile Polska Spółka Akcyjna located in Warsaw.

Report on the assessment of the financial statements of Alior Bank S.A. for the year ended on 31 December 2013

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 2013.

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

- statement of financial position, drawn up as at 31 December 2013, with assets and liabilities totalling PLN 25,544,780,000,
 - profit and loss statement for the period between 1 January 2013 and 31 December 2013, with net profit of PLN 219,752,000,
 - statement of comprehensive income for the period between 1 January 2013 and 31 December 2013 with income amounting to PLN 192,199,000,
 - statement of changes in equity for the financial year between 1 January 2013 and 31 December 2013, with an increase in shareholders' equity by PLN 205,614,000,
 - statement of cash flows for the financial year between 1 January 2013 and 31 December 2013, with an decrease in cash by PLN 47,762,000,
- 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 2013, with assets and liabilities totalling PLN 25,549,871,000,
 - profit and loss statement for the period between 1 January 2013 and 31 December 2013, with net profit of PLN 227,902,000,
 - statement of comprehensive income for the period between 1 January 2013 and 31 December 2013 with income amounting to PLN 200,349,000,
 - statement of changes in equity for the financial year between 1 January 2013 and 31 December 2013, with an increase in shareholders' equity by PLN 213,762,000,
 - statement of cash flows for the financial year between 1 January 2012 and 31 December 2012, with an decrease in cash by PLN 90,015,000,
- 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 2013 and 31 December 2013 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, Ernst & Young Audit Sp. z o.o. with its registered office in Warsaw, Rondo ONZ 1, 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 2013 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 2013.

**Assessment of the Management Board's report on the Bank's and its
Capital Group's operations in 2013**

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 2013.

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 2013.

**Assessment of the Management Board's motion concerning the distribution
of Bank's profit for 2013**

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 2013, specified in the Management Board's Resolution no. 93/2014 of 1.04.2014.

The Management Board proposed to distribution of the profit for 2013 in amount of PLN 219,751,608.89 (say: two hundred nineteen million seven hundred and fifty-one thousand six hundred and eight and 89/100) to cover losses from previous years. .

The Management Board also proposed to cover remaining losses from previous years in amount of 55,630,381.71 (say: fifty-five million six hundred and thirty thousand three hundred eighty-one and 71/100) from supplementary capital.

Previous years' loss is result of adjustments to the financial statements for the last years and is due from a change in accounting of bancassurance revenue attached to loans products.

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 2013 as proposed above.

Concise assessment of the Bank's situation in 2013

In 2013 a Capital Group of Alior Bank generated a net profit of PLN 227.9 million against PLN 61.1 million in the prior year.

The level of the generated profit has been mainly affected by interest income, which in comparison to interest income generated in 2012 has increased by over 20% and at the end of 2013 amounted to PLN 988.6 million against PLN 827.4 million at the end of the prior year. Increase in the interest income results mainly from increase in volume of loans and effective management of loan portfolio of Clients of the Group.

Commission income has increased by over 37% in comparison to the prior year and at the end of 2013 it amounted to PLN 275.2 million against PLN 201.4 million at the end of the prior year. High level of commission income has been generated thanks to increasing sell of loans, including sell of cash loans and sell of residential loans linked to insurance products, as well as thanks to increased brokerage commissions and fee and commissions applied to the maintained bank accounts.

Trading result amounted in 2013 to PLN 226.9 million against PLN 182.6 million in the prior year. Total net operating income of the Capital Group of the Bank amounted to PLN 1 540.0 million in 2013 against PLN 1 277.1 million in 2012, which translates in y/y increase by over 20%.

Over the last year operating costs of the Group has been decreased, which at the end of 2013 amounted to PLN 847.4 million against PLN 908.2 million costs in the prior year. At the end of 2013 C/I ratio resulted in 55.0%, which in comparison to the value of income at the end of 2012, 58.7%, translates in improvement of ratio by 3.6p.p. However it shall be marked that significant part of operating costs incurred in 2012 (ie. PLN -159.1 million) were one-off items and were related to share-based payments – valuation of the management stock option program and ipo costs. Excluding above listed one-off items out of the operating costs in 2012, increase in operating costs of the Group was at the level of 13.1% and was linked mainly to expansion of distribution network.

Capital Group of Alior Bank continued its lending secure financing policy based on funds acquired from Clients. At the end of 2013 total value of Client receivables amounted to PLN 19 657.9 million, and value of Client liabilities reached a level of PLN 20 842.5 million. This means that C/I ratio reached a level of 94.3%.

Year 2013 was another year of increase in market share of the Group. In December 2013 market share in lending of the Group amounted to 2.5%, and deposit market share amounted to 2.6%. In comparison to December 2012 those shares were increased respectively by 0.6 pp. and 0.3 pp.

Size of the balance sheet of Alior Bank Capital Group was increased by over 20% and at the end of 2013 it amounted to PLN 25 849.9 million, against PLN 21 181.1 million at the end of 2012.

In 2013 level of equity funds of Capital Group of Alior Bank has been kept on the corresponding level to scale of operations, as evidenced by capital adequacy ratio and Tier-1 ratio remaining on safe levels both, higher than recommended by the Financial Supervision Authority. Value of ratios at the end of 2013 amounted to 12.11% and 10.34% respectively.

Report on the fulfilment of the duty to supervise the Bank's operations in 2013

Composition of the Supervisory Board Skład Rady Nadzorczej

The composition of the Supervisory Board as at 1 January 2013 was as follows:

- Héléne Zaleski – Chairwoman of the Supervisory Board Józef Wancer – Deputy Chairman of the Supervisory Board
- Małgorzata Iwanicz-Drozdowska – Member of the Supervisory Board Krzysztof Oblój – Member of the Supervisory Board

On 19 June 2013, the Annual General Meeting appointed Ms. Lucyna Stańczak-Wuczyńska Member of the Supervisory Board.

As of 5 September 2013, Mr Józef Wancer, Deputy Chairman, resigned from his position on the Supervisory Board.

As a result of Mr Józef Wancer's resignation, the Supervisory Board, at its meeting on October 23, 2013 elected the Deputy Chairman of the Supervisory Board and appointed: Mrs Małgorzata Iwanicz-Drozdowska.

The composition of the Supervisory Board as at 31 December 2013 was as follows:

- Hélène Zaleski – Chairwoman of the Supervisory Board
- Małgorzata Iwanicz-Drozdowska – Deputy Chairman 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

The composition of the Supervisory Board changed after the balance sheet date. On 23 January 2014, the Extraordinary General Meeting appointed Mr Sławomir Dudzik a Member of the Supervisory Board. In accordance of previous change the composition of the Supervisory Board as at date of submitting the Report was as follows:

- Hélène Zaleski – Chairwoman of the Supervisory Board
- Małgorzata Iwanicz-Drozdowska – Deputy Chairman of the Supervisory Board
- Marek Michalski – Member of the Supervisory Board Sławomir Dudzik – Member of the Supervisory Board
- Krzysztof Oblój – Member of the Supervisory Board
Lucyna Stańczak-Wuczyńska – 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 2013, 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 2013 the Supervisory Board held 6 meetings and passed 102 resolutions relating, among other things, to: assessing the financial statements and the Bank Directors' Report for 2012, requests relating to the distribution of profit and approving the activities of members of the Management Board in 2012, approving the Supervisory Board's Report on activities in 2012, 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 Chairman and Deputy Chairman of the Supervisory Board, amending the Articles of Association, approving Management Board requests addressed to the Bank's General Shareholders' Meeting, establishing the Supervisory Board's Audit Committee, updating the Organizational Regulations of Alior Bank S.A., approving the Management Board decision on signing the cooperation agreement with T-Mobile Polska S.A. and taking up and acquiring Money Makers S.A. shares.

Joint venture between Alior Bank S.A. and T-Mobile Polska S.A. was of a primary interest of the Supervisory Board.

Audit Committee

Under Art. 86, clause 3 of the Act of 7 May 2009 on registered auditors and their self-government, registered audit companies and public supervision, the Audit Committee of the Supervisory Board was appointed on 30 July 2013.

In the financial year 2013, the Committee held two meetings, at which it executed its tasks relating to monitoring the financial reporting process, effectiveness of internal control systems, internal audit and operating risk and compliance risk management. As part of its work, the Committee monitored the performance of audit and the registered auditor's independence during a meeting and discussion with the Bank's registered auditor.

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 01 January 2014 is composed of: H el ene Zaleski, Marek Michalski i J ozef Wancer.

Krzysztof Obl oj was appointed to the Committee at 4 February, 2014 after the resignation of Mr J ozef Wancer - Member of the Supervisory Board.

In 2013, the Remuneration Committee held two meetings, on 18 January and 22 March 2013, which shows the status of the implementation of the recommendations of the Internal Audit Department as regards revision of the Variable Compensation Components Policy at Alior Bank S.A. The list of persons assumed that policy has been updated. The rules of procedure of Management's Incentive Program was also discussed.

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 2013 and give the vote of approval to all the Supervisory Board's members for the performance of their duties in the reporting period.

Warsaw, 9 April 2014

Chairwoman of the
Supervisory Board
Hélène Zaleski

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Małgorzata Iwanicz-
Drozdowska
Deputy Chairman of the
Supervisory Board

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Sławomir Dudzik
Member of the Supervisory
Board

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Marek Michalski
Member of the Supervisory
Board

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Krzysztof Oblój
Member of the Supervisory
Board

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