



Report on Remuneration of the Members of the Management Board and the Supervisory Board of Alior Bank S.A. for the years 2019 - 2020

Definitions

Unless the context provides otherwise, the terms and definitions used in the Report on remuneration of the members of the Management Board and the Supervisory Board of Alior Bank S.A. for the years 2019 - 2020 shall have the following meaning:

Bank	– Alior Bank S.A.;
Capital Group	– Alior Bank S.A. Capital Group – a capital group within the meaning of the Accounting Act of 29 September 1994;
Remuneration policy	– Remuneration Policy Applicable to Members of the Management Board and the Supervisory Board of Alior Bank S.A. introduced by Resolution No. 35/2020 of the Ordinary General Meeting of Shareholders of Alior Bank Spółka Akcyjna of 21 May 2020;
Supervisory Board	– Supervisory Board of Alior Bank S.A.;
Regulation	– Regulation of the Minister of Development and Finance of 6 March 2017 on the risk management system and internal control system, remuneration policy and detailed method of estimating internal capital in banks, issued pursuant to Article 9f(1) of the Banking Law;

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14th Commercial Division,
National Court Register (KRS) number: 0000305178, REGON
(National Business Registry Number): 141387142, NIP (Tax
Identification Number): 1070010731,
share capital: PLN 1,305,539,910 (paid up in full)



Report	– this Report on remuneration of the members of the Management Board and the Supervisory Board of Alior Bank S.A. for the years 2019 – 2020;
Detailed remuneration policy	– the remuneration policy for the Bank's employees, with a particular emphasis on persons whose professional activities have a significant impact on the Bank's risk profile, adopted at the Bank pursuant to Article 9ca of the Banking Law and pursuant to provisions of § 25-29 of the Regulation. As at 31 December 2020, a Detailed remuneration policy amended by Resolution No. 102/2020 of the Management Board of the Bank of 23 March 2020 and approved by Resolution No. 36/2020 of the Supervisory Board of 31 March 2020 was in force;
Act	– Act of 29 July 2005 on Public offering, conditions governing the introduction of financial instruments to organized trading, and public companies,
Guidelines	– European Commission guidelines on the standardized presentation of the remuneration report under Directive 2007/36/EC, as amended by Directive (EU) 2017/828;
Management Board	– The Management Board of Alior Bank S.A.;

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I. Introduction

In connection with the amendment of the Act of 29 July 2005 on Public offering, conditions governing the introduction of financial instruments to organized trading, and public companies, the Bank adopted the Remuneration Policy by means of Resolution No. 35/2020 of the Ordinary General Meeting of Shareholders of the Bank of 21 May 2020.

The Remuneration Policy takes into account the principles of remuneration of members of management and supervisory bodies stemming from the provisions of the Act of 9 June 2016 on the principles of determining the remuneration of persons managing certain companies. Prior to the adoption of the Remuneration Policy, resolutions of the Extraordinary General Meeting of Shareholders of the Bank dated 5 December 2017 were in force in this regard, i.e.: Resolution No. 5/2017 on the principles of determining the remuneration of Members of the Supervisory Board and Resolution No. 6/2017 on the principles of determining the remuneration of Members of the Management Board, as amended by resolutions of the Ordinary General Meeting of Shareholders of the Bank No. 36/2019 and 37/2019 of 28 June 2019, respectively.

The remuneration policy governs, inter alia, the main principles pursuant to which fixed remuneration (including additional benefits) is awarded to members of the Management Board and the Supervisory Board, as well as principles pursuant to which variable remuneration is awarded members of the Management Board. Additionally, the Management Board's remuneration is also regulated by the Detailed Remuneration Policy.

This Report has been drawn up in fulfillment of the reporting obligation arising from the Act and from the Remuneration Policy adopted based thereon. The Report is concerned with the period of 2019-2020 and takes into consideration the Act and the Guidelines.

The report covers the remuneration of Management Board and Supervisory Board members holding their positions in 2019 and 2020.

The significant events that affected the remuneration presented in the Report included the following:

1) changes in the composition of the Supervisory Board

On 21 May 2020, the Ordinary General Meeting of Shareholders of the Bank appointed the Supervisory Board for its fourth 4-year term. The Supervisory Board of the fourth term was made up of the following

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persons: Aleksandra Agatowska, Ernest Bejda, Artur Kucharski, Mikołaj Handschke, Wojciech Myślecki, Marek Pietrzak, Robert Pusz.

On 21 December 2020, the Supervisory Board seconded, as of 21 December 2020, Mr. Mikołaj Jerzy Handschke, Supervisory Board Member, to perform the duties of the Vice-President of the Management Board in charge of finance, during the period between 21 December 2020 and 20 March 2021.

2) changes in the composition of the Management Board

On 1 July 2019 Mr. Maciej Surdyk, Vice President of the Management Board, resigned from the position of a member of the Management Board, with the resignation becoming effective on 1 July 2019.

On 17 January 2020 Mr. Mateusz Poznański, Vice President of the Management Board, resigned from the position of a member of the Management Board, with the resignation becoming effective on 29 February 2020.

On 12 May 2020 Mr. Krzysztof Bachtą resigned from the position of the President of the Management Board, with the resignation becoming effective on 12 May 2020. On 12 May 2020, the Supervisory Board appointed Ms. Iwona Duda as a member the Management Board of the fourth term, entrusting her with the position of a Vice President of the Management Board and with managing the work of the Management Board.

On 29 June 2020: Marek Szcześniak, Tomasz Biłous and Marcin Jaszczuk resigned from their positions of members of the Management Board due to the expiry of the joint term in office of the management Board, with their resignations becoming effective on at 24:00 on 29 June 2020. On 29 June 2020, the following persons were appointed the following persons as members of the Management Board of the new term: Iwona Duda (Vice President of the Management Board in charge of the work of the Management Board), Agnieszka Nogajczyk-Simeonow (Vice President of the Management Board), Seweryn Kowalczyk (Vice President of the Management Board), Agata Strzelecka (Vice President of the Management Board), Maciej Brzozowski (Vice President of the Management Board), Dariusz Szwed (Vice President of the Management Board).

On 18 December 2020, Ms. Agnieszka Nogajczyk-Simeonow resigned from her position of Vice President of the Management Board, as well as from acting in the capacity of a member of the Management Board, with her resignation becoming effective at the end of 18 December 2020. Subsequently, on 21 December 2020, the Supervisory Board seconded, as of 21 December 2020, Mr. Mikołaj Jerzy Handschke, a member of the Supervisory Board, to perform - during the period from 21 December 2020 to 20 March 2021 - the duties of a Vice President of the Management Board in charge of finance.

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3) Financial results

The net profit of the Capital Group generated in 2019 amounted to PLN 253 million and was lower than the net profit achieved in the preceding year (i.e. 2018) by PLN 461 million, i.e. 65%. The main reasons for this decrease include a drop in revenues related to the ECJ ruling on refunding a certain portion of commission in the event of early repayment of consumer loans, a significant increase in the cost of risk associated with business customers operating in the AGRO segment, and significant changes concerning risk management policies in effect at the Bank.

Due to a number of one-off or external events, in particular those resulting from the COVID-19 pandemic, in 2020 the Capital Group generated a net loss of PLN 311 million.

II. Management Board

Agreements concluded with Members of the Management Board

Agreements with Management Board members include, 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, the following:

- service provision agreements concluded pursuant to the Act of 9 June 2016 on the principles of determining the remuneration of persons managing certain companies;
- agreements concluded for the duration of their terms as Management Board members;
- agreements with the termination notice of:
 - one month, if the member of the Management Board holds their position for less than 12 months, with the termination becoming effective at the end of a calendar month,
 - three months, if the member of the Management Board holds their positions for at least 12 months;
- agreements with a severance pay equaling three times the fixed remuneration, if the agreement is canceled or terminated by the Bank otherwise than for a breach of key responsibilities by the member of the Management Board, provided that the member of the Management Board held their positions for at least 12 months prior to the termination of the agreement;

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- agreements with a non-competition clause, pursuant to which a member of the Management Board undertakes that they shall not conduct any competitive activity over the period of 6 months after ceasing to act in the capacity of a Management Board member or after the termination of the contract, meaning that they shall be eligible to compensation in the total amount of 6 times the monthly fixed salary, provided that the member of the Management Board held their position for a period of at least 3 months.

Remuneration of Management Board members

The total remuneration of a member of the Management Board consists of a fixed basic monthly remuneration (hereinafter: "**Fixed remuneration**") and a variable component, being a supplementary remuneration for a given financial year of the Bank (hereinafter: "**Variable remuneration**").

The fixed remuneration of the individual members of the Management Board shall equal seven to fifteen times the benchmark value referred to in Article 1(3)(11) of the Act of 9 June 2016 on the principles of determining the remuneration of persons managing certain companies.

Variable remuneration depends on the level of achievement of the managerial objectives set and must not exceed 100% of the Fixed Remuneration in the previous financial year for which the amount of Variable Remuneration due is calculated.

The Bank has performed an analysis related to the statement on variable remuneration components in banks and insurance companies of 17 April 2020, received from the Office of the Polish Financial Supervision Authority, and then, taking into account its financial results, the Bank adopted a conservative approach to the payment of variable remuneration components.

Management Board members are entitled to receive the following additional benefits:

- medical care,
- third party liability insurance for persons holding managerial positions (the so-called D&O),
- insurance against liability related to issuing securities,
- life and health insurance and insurance against remuneration lost due to inability to work caused by an illness or an accident,
- a company car for private use.

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The table below presents the remuneration components received from the Bank by the members of the Management Board.

Table 1. Components of remuneration of Management Board members received from the Bank

Management Board (first name and last name)	Position held	Reporting year	Fixed remuneration (in thousands of PLN)		Variable remuneration (in thousands of PLN)		Total ¹ (in thousands of PLN)	Variable to fixed remuneration ratio ²
			Fixed cash remuneration ³	Additional benefits ⁴	Variable remuneration, not deferred ⁵	Deferred variable remuneration ⁶		
Iwona Duda	from 12.05.2020	2020	440	12	0	0	452	0%
Maciej Brzozowski	from 29.06.2020	2020	321	10	0	0	332	0%
Mikołaj Handschke ⁷	from 21.12.2020	2020	0	0	0	0	0	n/a
Seweryn Kowalczyk	from 27.11.2018	2020	766	29	30	7	832	5%
		2019	775	17	0	0	792	0%
Agata Strzelecka	from 13.04.2018	2020	766	31	124	28	949	19%
		2019	766	19	0	0	786	0%
Dariusz Szwed	from 01.01.2019	2020	766	29	0	0	795	0%
		2019	702	17	0	0	719	0%
Krzysztof Bachta	17.10.2018 - 12.05.2020	2020	357	409	69	15	850	11%
		2019	793	17	0	0	810	0%

¹ The sum of fixed and variable remuneration paid within a given period (deferred and not deferred)

² Variable-to-fixed remuneration ratio in a given year

³ Fixed remuneration paid in a given year

⁴ Additional cash benefits – non-competition clause, additional benefits - insurance, including family medical package, Employee Capital Plan

⁵ Variable remuneration, not deferred, paid in the reported year. Pursuant to the resolutions of the Supervisory Board, the following variable remuneration components were paid in 2020: for 2017 - the date of payment postponed from 2018, and for 2018 - the date of payment postponed from 2019 (cash portion and monetized phantom shares). No variable remuneration was paid for 2019.

⁶ Deferred variable remuneration for previous years, paid in the reported year. In 2020, some of variable remuneration tranches for 2017 (due in 2019 and 2020) and 2018 (cash portion and monetized phantom shares) were paid.

⁷ Seconded to act as Vice President of the Management Board from 21 December 2020



Tomasz Biłous	01.02.2019 - 29.06.2020	2020	445	336	0	0	781	0%
		2019	639	21	0	0	660	0%
Filip Gorczyca	29.06.2017 - 31.01.2019	2020	0	0	282	126	408	n/a
		2019	128	0	0	0	128	0%
Marcin Jaszczuk	13.03.2018 - 29.06.2020	2020	445	336	0	0	781	0%
		2019	766	20	0	0	786	0%
Agnieszka Nogajczyk-Simeonow	29.06.2020 - 18.12.2020	2020	321	11	0	0	332	0%
Mateusz Poznański	13.04.2018 - 29.02.2020	2020	192	389	0	0	580	0%
		2019	766	19	0	0	785	0%
Maciej Surdyk	13.04.2018 - 01.07.2019	2020	0	64	0	0	64	0%
		2019	449	330	0	0	779	0%
Marek Szcześniak	27.11.2018 - 29.06.2020	2020	445	336	30	7	817	5%
		2019	775	18	0	0	793	0%

Members of the Management Board do not receive any remuneration for holding positions in other Capital Group entities.

III. Supervisory Board

In accordance with the Remuneration Policy, monthly remuneration of Supervisory Board members (hereinafter: "**Monthly remuneration**") is determined as the product of the benchmark amount referred to in Article 1(3)(11) of the Act of 9 June 2016 on the principles of determining the remuneration of persons managing certain companies and a multiplier of 2.75.

The monthly remuneration of the Chairperson of the Supervisory Board shall be increased by 10%, and of the Deputy Chairperson of the Supervisory Board - by 9%. Monthly remuneration of the chairpersons of the Supervisory Board Committees shall be increased by 9%. Additional remuneration components shall not be combined.

Members of the Company's Supervisory Board shall be entitled to remuneration provided that they do hold the position of a member of the Management Board of Powszechny Zakład Ubezpieczeń Spółka Akcyjna or of an entrepreneur other than the Company, controlled by Powszechny Zakład Ubezpieczeń Spółka Akcyjna, within the meaning of Article 4(4) of the Act of 16 February 2007 on competition and consumer protection.

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The Bank shall provide any variable remuneration to any members of the Supervisory Board.

The table below presents remuneration components obtained from the Bank by Supervisory Board members

Table 2. Components of remuneration of Supervisory Board members received from the Bank

Supervisory Board (first name and last name)	Position held	Reporting year	Fixed remuneration (in thousands of PLN)		Total (in thousands of PLN)	Variable to fixed remuneration ratio
			Fixed cash remuneration	Additional benefits ⁸		
Aleksandra Agatowska ⁹	from 21.05.2020	2020	0	0	0	n/a
Ernest Bejda ⁹	from 21.05.2020	2020	0	0	0	n/a
Mikołaj Handschke ¹⁰	from 31.10.2017	2020	172	3	175	n/a
		2019	167	0	168	n/a
Artur Kucharski	from 31.10.2017	2020	193	3	196	n/a
		2019	180	0	180	n/a
Wojciech Myślecki	from 25.06.2018	2020	177	0	177	n/a
		2019	167	0	167	n/a
Marek Pietrzak	from 21.05.2020	2020	108	1	109	n/a
Robert Pusz	from 21.05.2020	2020	118	1	119	n/a
Marcin Eckert ¹¹	22.06.2018 - 18.05.2020	2020	0	0	0	n/a
		2019	43	0	43	n/a
Dariusz Gątarek	30.03.2016 - 20.05.2020	2020	75	0	75	n/a
		2019	182	0	182	n/a

⁸ ECP

⁹ No remuneration is payable due to the appointment as a member of the Management Board of PZU S.A.

¹⁰ Seconded to act as Vice President of the Management Board from 21 December 2020

¹¹ No remuneration is payable from the appointment as a member of the Management Board of PZU S.A.



Małgorzata Iwanicz-Drozdowska	until 31.01.2019	2019	15	0	15	n/a
Tomasz Kulik ⁹	29.06.2017 - 20.05.2020	2020	0	0	0	n/a
		2019	0	0	0	n/a
Maciej Rapkiewicz ⁹	30.03.2016 - 20.05.2020	2020	0	0	0	n/a
		2019	0	0	0	n/a

Members of the Supervisory Board did not perform any functions in and did not receive any remuneration from other Capital Group entities.

IV. Performance-related criteria (including long-term performance criteria)

Pursuant to the Remuneration Policy, remuneration of Supervisory Board members is not related to the Bank's performance, and Supervisory Board members are not entitled to any variable remuneration.

Variable remuneration payable to Management Board members depends on specific financial and non-financial criteria. The financial criteria include: achievement of managerial objectives of financial nature, as set by the Supervisory Board for Management Board members.

In 2019, the financial objective of the Management Board was to achieve a consolidated net profit of the Capital Group (criterion weight of 85%).

In 2020, the financial objectives included the following:

- consolidated net result of the Capital Group in accordance with the financial plan adopted (criterion weight of 55%),
- cost of risk for a member of the Management Board responsible for managing risks that are significant for the Bank's operations, or income less cost or risk for other members of the Management Board (criterion weight of 30%),

and the Supervisory Board decided not to award variable remuneration for 2020 to members of the Management Board if the Capital Group incurs a net loss in or 2020.

The non-financial criteria include the following quality-related managerial objectives set for members of the Management Board, with their fulfillment assessed by the Supervisory Board:

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- proper and effective management of the Bank, including risk management understood as mitigating the threat of unexpected increase in the Bank's exposure to risk as a result of changes in market conditions, effective prevention of excessive risk-taking, reflected in a positive assessment of the regulator and the Supervisory Board, as well as adequacy and effectiveness of the internal control system, in particular timely implementation of recommendations of the PFSA and other authorized bodies, the Audit Department and the Compliance Department (criterion weight of 10%);
- meeting the obligations arising from the Memorandum on Cooperation and Exchange of Information concluded between Alior Bank S.A. and PZU S.A. and implementing revenue and cost synergies within the PZU Group (criterion weight of 5%).

The Supervisory Board sets additional managerial objectives on the implementation of which right to receive Variable Remuneration is conditioned:

- Application and implementation, in the event of acquisition or establishment of a new company within the Capital Group, of remuneration principles applicable to members of management and supervisory bodies, in accordance with the provisions of the Act on the principles of determining the remuneration of persons managing certain companies of 9 June 2016, in all of the Bank's subsidiaries within the Capital Group.
- Application and implementation, in the event of acquisition or establishment of a new company within the Capital Group, of principles governing the management of state property, in accordance with Articles 17 to 20, 22 and 23 of the Act of 16 December 2016 on the principles governing the management of state property (in all of the Bank's subsidiaries within the Capital Group).

The award of Variable Remuneration is conditional on the achievement of the additional managerial objectives referred to above and on the achievement of the consolidated net profit of the Capital Group (80% or more of the amount set in the financial plan).

In order to take into account the long-term objectives of the Bank, at least 40% of variable remuneration shall be deferred and 50% of variable remuneration shall be allocated in the form of a financial instrument. Additionally, prior to awarding variable remuneration, the Bank applies ex-ante assessment mechanisms to adjust that remuneration to all current and future risks related to the Bank's operations. These mechanisms include, in particular, the following:

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- assessment, performed on each occasion, whether Variable Remuneration reflects the results of the Bank and the level of achievement of specific objectives by a given person,
- the risk is measured, each time, taking into account risk mitigation measures, in order to maintain the desired risk profile (the Supervisory Board determines the risk appetite and assesses compliance with the levels set),
- risk assessment, taking into account both quantitative and qualitative risk adjustments, including those pertaining to risk of non-compliance,
- taking into account the cost of capital and avoiding situations where the acquisition of the right to variable remuneration and the payment of that remuneration, whether deferred or not, would limit the ability to strengthen regulatory capitals, the solvency ratio and equity remaining below regulatory requirements.

Due to the failure to achieve the net profit of the Capital Group assumed for 2019 and due to the fact that the Capital Group incurred a net loss in 2020, no variable remuneration was allocated to Management Board members for those years, and provisions established for this purpose were dissolved.

V. Changes in remuneration of members of the Management Board and the Supervisory Board, in results of the Bank and in average remuneration of the Bank's employees not being members of the Management Board or the Supervisory Board, over the past five financial years

Table 3. Remuneration of members of the Management Board and the Supervisory Board, results of the Bank and average remuneration of the Bank's employees not being members of the Management Board or the Supervisory Board, over the past five financial years

Annual remuneration	Position held	2014	2015	2016	2017	2018	2019	2020
Remuneration of a Management Board member (in thousands of PLN)								
Iwona Duda	from 12.05.2020	n/a	n/a	n/a	n/a	n/a	n/a	452
Maciej Brzozowski	from 29.06.2020	n/a	n/a	n/a	n/a	n/a	n/a	332

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Annual remuneration	Position held	2014	2015	2016	2017	2018	2019	2020	
Mikołaj Handschke ¹²	from 21.12.2020	n/a	n/a	n/a	n/a	n/a	n/a	0	
Seweryn Kowalczyk	from 27.11.2018	n/a	n/a	n/a	n/a	0	792	832	
Agata Strzelecka	from 13.04.2018	n/a	n/a	n/a	n/a	489	786	949	
Dariusz Szwed	from 01.01.2019	n/a	n/a	n/a	n/a	n/a	719	795	
Krzysztof Bachta	17.10.2018 - 12.05.2020	n/a	n/a	n/a	n/a	100	810	850	
Tomasz Biłous	01.02.2019 - 29.06.2020	n/a	n/a	n/a	n/a	n/a	660	781	
Filip Górczyca	29.06.2017 - 31.01.2019	n/a	n/a	n/a	611	956	128	408	
Marcin Jaszczuk	13.03.2018 - 29.06.2020	n/a	n/a	n/a	n/a	556	786	781	
Agnieszka Nogajczyk-Simeonow	29.06.2020 - 18.12.2020	n/a	n/a	n/a	n/a	n/a	n/a	332	
Mateusz Poznański	13.04.2018 - 29.02.2020	n/a	n/a	n/a	n/a	488	785	580	
Maciej Surdyk	13.04.2018 - 01.07.2019	n/a	n/a	n/a	n/a	487	779	64	
Marek Szcześniak	27.11.2018 - 29.06.2020	n/a	n/a	n/a	n/a	n/a	793	817	
Remuneration paid to members of the Management Board holding their positions before 2019		11,982	9,392	16,072	30,656	30,808	10,353	1,658	
Remuneration paid to members and former members of the Management Board¹³		in thousands of PLN	11,982	9,392	16,072	31,267	33,883	17,390	9,632
		change in % YoY		78%	171%	195%	108%	51%	55%
Remuneration of members of the Supervisory Board (in thousands of PLN)									
Aleksandra Agatowska	from 21.05.2020	n/a	n/a	n/a	n/a	n/a	n/a	0	
Ernest Bejda	from 21.05.2020	n/a	n/a	n/a	n/a	n/a	n/a	0	
Mikołaj Handschke	from 31.10.2017	n/a	n/a	n/a	22	156	168	175	
Artur Kucharski	from 31.10.2017	n/a	n/a	n/a	22	156	180	196	
Wojciech Myślecki	from 25.06.2018	n/a	n/a	n/a	n/a	81	167	177	
Marek Pietrzak	from 21.05.2020	n/a	n/a	n/a	n/a	n/a	n/a	109	
Robert Pusz	from 21.05.2020	n/a	n/a	n/a	n/a	n/a	n/a	119	
Marcin Eckert	22.06.2018 - 18.05.2020	n/a	n/a	n/a	n/a	82	43	0	
Dariusz Gątarek	30.03.2016 - 20.05.2020	n/a	n/a	95	127	170	182	75	

¹² Seconded to act as Vice President of the Management Board from 21 December 2020

¹³ Remuneration paid to members and former members of the Management Board in individual years, regardless of the dates between which they held their positions; data for members of the Management Board listed above

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Annual remuneration	Position held	2014	2015	2016	2017	2018	2019	2020
Małgorzata Iwanicz-Drozdowska	until 31.01.2019	120	134	132	135	156	15	n/a
Tomasz Kulik	29.06.2017 - 20.05.2020	n/a	n/a	n/a	21	0	0	0
Maciej Rapkiewicz	30.03.2016 - 20.05.2020	n/a	n/a	95	75	0	0	0
Remuneration paid to members of the Supervisory Board holding their positions before 2019		602	733	703	512	148	0	0
Remuneration paid to members and former members of the Supervisory Board ¹⁴	in thousands of PLN	722	867	1,025	914	951	756	851
	change in % YoY		120%	118%	89%	104%	80%	112%
Consolidated net result of the Capital Group	in thousands of PLN	322,047	308,975	618,077	515,617	713,373	252,832	-311,233
	change in % YoY		96%	200%	83%	138%	35%	-123%
Income at risk costs	in millions of PLN	1,326	1,494	2,389	2,783	2,901	2,357	1,812
	change in % YoY		113%	160%	116%	104%	81%	77%
Risk costs	in millions of PLN	-547	-672	-800	-915	-1,048	-1,437	-1,733
	change in % YoY		123%	119%	114%	115%	137%	121%
Average remuneration of full-time employees ¹⁵	in PLN	6,343	6,783	7,332	8,570	8,661	8,467	8,156
	change in % YoY		107%	108%	117%	101%	98%	96%
Number of employees as at 31 December		6,834	6,798	10,808	8,491	8,101	7,946	7,371

¹⁴ Remuneration paid to members and former members of the Supervisory Board in individual years, regardless of the dates between which they held their positions; data for members of the Supervisory Board listed above

¹⁵ Average remuneration calculated as the quotient of annual gross earnings (sum of fixed and variable components) paid in a given year to active employees (not long-term absentees as at the end of a month) and the sum of FTEs of active employees (at least 0.4 FTEs); this does not apply to members of the Management Board or the Supervisory Board

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VI. Information on the number of financial instruments allocated or offered, and key terms and conditions for exercising the rights under those instruments

Phantom shares

Pursuant to the Regulation, at least 50% of the variable remuneration of persons having an impact on the risk profile is paid in a financial instrument, i.e. (in accordance with the Detailed Remuneration Policy adopted) in phantom shares.

The number of phantom shares and the terms and conditions for their monetization shall be determined, in accordance with the Detailed Remuneration Policy, in the following manner:

- for the purposes of the following calculations, the year '0' shall be understood as the year for which variable remuneration is due (hereinafter: Assessment Period), and years marked from '1' to '4' shall be understood as subsequent years after the Assessment Period.
- the price of one phantom share of the Bank, marked as 'WA(0)', is determined on the basis of the average closing price of the Bank's shares from 30 trading days preceding the day on which the variable remuneration for a given period is allocated,
- number of phantom shares (hereinafter referred to as 'L') calculated using the following formula: $L = 50\% \text{ of variable remuneration} / WA(0)$,
- the phantom shares allocated are monetized and paid in 4 tranches:
 - Tranche 1 - not deferred, relates to the number of shares $L(1) = 40\% * L$ (rounded down) in the case of variable remuneration that is particularly high, or $60\% * L$ (rounded down) in the remaining cases, and is monetized 5 months and 10 days from the date of its allocation,
 - Monetization price: WA(1) for Tranche 1 is the price calculated on the basis of the average closing price of the Bank's shares from 30 trading days preceding the day falling 5 months from the allocation date,
 - Tranche 2: relates to the number of shares $L(2) = 20\% * L$ (rounded down) in the case of variable remuneration that is particularly high, or $13.4\% * L$ (rounded down) in the remaining cases, and is monetized within one month from the date of expiry of 12 months from the date of allocation, but no later than on 15 July of year '2',
 - Tranche 3: relates to the number of shares $L(3) = 20\% * L$ (rounded down) in the case of variable remuneration that is particularly high, or $13.4\% * L$ (rounded down) in the remaining

- cases, and is monetized within one month from the date of expiry of 24 months from the date of allocation, but no later than on 15 July of year '3',
- Tranche 4: relates to the remaining number of shares L(4) and is monetized within one month from the date of expiry of 36 months from the date of allocation, but no later than on 15 July of year '4',
 - WA(i) for Tranches 2, 3 and 4 is the price calculated on the basis of the average closing price of the Bank's shares from 30 trading days preceding 31 March of year '2', '3' and '4', respectively, but not earlier than WA(1),
 - the amounts paid shall be as follows: payment of the tranche for a given year (hereinafter referred to as (i) = L(i)*WA(i).
- rights to deferred tranches (Tranche 1, Tranche 2 and Tranche 3) are acquired under the terms and conditions set out in the Detailed Remuneration Policy. However, ex-post adjustment mechanisms may apply to deferred tranches.

Table 4. Number of phantom shares allocated to members of the Management Board

Management Board (first name and last name)	Phantom shares allocated (potentially due) as at 31.12.2018 ¹⁶	Phantom shares in 2019			Phantom shares allocated (potentially due) as at 31.12.2019	Phantom shares in 2020			Phantom shares allocated (potentially due) as at 31.12.2020
		Allocated	Acquired and monetized	Redeemed ¹⁷		Allocated ¹⁸	Acquired and monetized ¹⁹	Redeemed	
Seweryn Kowalczyk	0	0	0	0	0	1,144	839	0	305
Agata Strzelecka	0	0	0	0	0	4,710	3,457	0	1,253
Krzysztof Bachta	0	0	0	0	0	2,612	1,917	0	695

¹⁶ Phantom shares allocated in previous years as deferred tranches

¹⁷ Phantom shares redeemed due to the application of the 'ex post' adjustment and the reduction of deferred tranches

¹⁸ Phantom shares allocated in the non-deferred (due) and deferred (potentially due) part. Pursuant to the resolutions of the Supervisory Board, the following phantom shares were allocated in 2020: for 2017 - the date of allocation postponed from 2018, and for 2018 - the date of allocation postponed from 2019. No phantom shares were allocated for 2019.

¹⁹ Phantom shares monetized, as part of specific tranches, at the average price of PLN 15.43



Filip Gorczyca	0	0	0	0	0	10,712	9,297	0	1,415
Marek Szcześniak	0	0	0	0	0	1,144	839	0	305
Members of the Management Board not holding their positions in 2019-2020	102,035	0	0	102,035	0	10,544	9,150	0	1,394

Executive Options Program

In the years 2013-15, an Executive Options Program was in effect at the Bank, covering the then-members of the Management Board and key managers. It was adopted by means of Resolution No. 28/2012 of the Extraordinary General Meeting of Shareholders of the Bank of 19 October 2012 on the conditional increase of the Bank's share capital and issue of subscription warrants, as well as by means of the Incentive program by-law adopted by the Resolution of the Supervisory Board of 27 March 2013.

Assumptions of the Program: issuance of three tranches of subscription warrants (A, B and C series) and the corresponding tranches of new shares of the Bank (D, E and F series) with a combined nominal value not exceeding PLN 33,312,500. In connection with the preemptive issue, the Supervisory Board adopted, on 27 July 2016, a technical amendment to the Executive Options Program with a view of ensuring economic neutrality of the program for the eligible individuals, consisting in the calculation of the decrease in the theoretical value of the Executive Options Program and in issuing, to the individuals covered by the program, of an appropriate number of phantom shares whose parameters are similar to those of warrants.

In 2019 and 2020, neither warrants nor phantom shares assigned thereto were allocated or executed under the Executive Options Program. A, B and C series warrants and the phantom shares assigned thereto expired in December 2018, 2019 and 2020, respectively.

VII. Information on taking advantage of the option to demand the repayment of variable remuneration components

The Remuneration Policy and the Detailed Remuneration Policy do not provide for the possibility of repaying the variable remuneration.

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The Detailed Remuneration Policy provides for a mechanism enabling to withhold the payment or to reduce the amount of the deferred bonus. To this end, the Bank applies ex-post adjustment mechanisms pertaining to deferred remuneration, in accordance with the Detailed Remuneration Policy.

Deferred remuneration may be decreased, meaning that a given member of the Management Board shall not acquire the right to the entire or to some of the deferred variable remuneration if the Supervisory Board determines, in relation to the members of the Management Board, that during the given Assessment Period, the person concerned:

- participated in activities resulting in significant losses of the Bank or was responsible for such activities,
- failed to meet applicable standards regarding guarantees of prudent and careful management of the Bank;
- knowingly participated in the transfer of materially incorrect information concerning the Bank's financial statements.

Furthermore, deferred remuneration may be decreased, meaning that a member of the Management Board shall not acquire the right to the entire or to a part thereof, or that its payment may be suspended in a situation where the Bank's financial results have deteriorated significantly, resulting in a change of the initial circumstances based on which Variable Remuneration is determined, in particular of the situation referred to in Article 142(1) of the Banking Law has taken place.

VIII. Information on derogations from the procedure for implementing remuneration policies and temporary derogations from the application of remuneration policies²⁰.

The Remuneration Policy is implemented comprehensively and fully. No derogations, including those of temporary nature, from the Remuneration Policy have taken place.

²⁰ Pursuant to § 5 of the Remuneration Policy



IX. Cash or non-monetary benefits granted to the closest relatives of²¹ the members of the Management Board and the Supervisory Board.

Members of the Management Board shall be entitled to medical care package covering their family members, i.e. their spouse or partner and children. No other benefits are provided to the closest relatives.

Members of the Supervisory Board shall not be entitled to any benefits for their closest relatives.

X. Compliance with the Remuneration Policy adopted.

Members of the Supervisory Board shall be entitled to remuneration for their appointment. The Bank shall pay remuneration to members of the Supervisory Board only in accordance with the principles set forth in the Remuneration Policy.

Members of the Management Board shall perform their duties pursuant to management service contracts. The Bank shall pay remuneration to members of the Management Board only in accordance with the principles set forth in the Remuneration Policy and in the Detailed Remuneration Policy.

The total remuneration of Management Board members contributes to achieving long-term results of the Bank by:

- determining fixed remuneration at a level that allows for pursuing flexible policies pertaining to variable remuneration, with non-payment of variable remuneration included,
- determination, by the Supervisory Board, of annual financial objectives consistent with financial plans and non-financial criteria,
- adjusting the variable remuneration to the Bank's risk profile, individual results achieved and results of the Bank, as well as securing compliance with the principle of not rewarding for bad results through mechanisms of ex ante and ex post adjustment of Variable Remuneration,

²¹ The term closest relative shall cover the spouse, ascendants, descendants, siblings, relatives by affinity in the same line or to the same degree, persons adopted and their spouses, as well as person cohabitants.



- deferring the payment of specific portions of variable remuneration allocated, for a period of 3 years and applying ex post assessment mechanisms to ensure that members of the Management Board are remunerated taking into account the long-term effectiveness and impact of past decisions,
- allocating a portion of the variable remuneration in the form of a financial instrument (phantom shares), therefore linking the interests of the members of the Management Board with the interests of the shareholders.

The Supervisory Board is of the opinion that in 2019 and 2020, the Remuneration Policy was implemented at the Bank in accordance with the principles of applicable internal and external regulations.

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