Management Board Report of the Alior Bank S.A. Group

for the first half of 2014

Table of contents

I. Summary of Alior Bank's operations in the 1st half of 2014 4
Major business initiatives executed in the first half of 2014 4
Financial results 6
Acquisition of new customers 9
Distribution network and employment level 10
Quotations of Alior Bank’s shares on the WSE in the first half of 2014 12
II. External environment of the Bank’s operations 13
III. Situation in the banking sector 15
The banking sector in the period from January to May 2014 - structural data 15
Main income statement items 15
Loans and deposits 15
Equity and capital adequacy ratio 16
IV. Financial results of the Alior Bank S.A. Group 16
Income statement 16
Balance sheet 21
Financial forecasts 26
V. Operations of Alior Bank S.A. 27
Retail Banking 27
Corporate banking 32
Capital investments 34
VI. Business overview of the Alior Bank S.A. Group companies 35
VII. Events and contracts significant to the business operations of the Bank's Group 37
Significant events 37
Significant contracts 40
Significant events relating to the Bank’s products 41
VIII. Report on the risk exposure of Alior Bank 41
Market risk and liquidity risk management 41
Market and liquidity risk management objectives and policies 41
Foreign exchange risk 44
Interest rate risk 46
Liquidity risk 48
Operational risk management 51
Operational risk management objectives and policies 51
Recording events/incidents and operating losses 53

Credit risk management 54
Credit risk management objectives and policies 54
Operations completed in the first half of 2014 58
Capital management (ICAAP) 60
IX. Contingent liabilities 61
IX. Internal control system 63
Compliance risk management 64
X. Rating 64
XI. Corporate social responsibility 65
Relations with customers 65
Relations with employees 65
Educational, cultural and charity activities 66
Awards and honours 67
XII. Controls applied in the process of preparing financial statements 67
XIII. Shareholders of Alior Bank S.A. 69
Shareholders of Alior Bank S.A. 69
Management option plan 70
XIV. Alior Bank S.A.'s bodies 72
Management Board 72
Supervisory Board 73
General Shareholders' Meeting 75
Registered audit company 75
XV. Basic factors and operational risks which may have an impact on the results achieved in the second half of 2014 75
XVI. Management representations 76
Appointing the registered auditor 76
Policies adopted in the preparation of financial statements 76
Material contracts 77
Court proceedings in progress 77

I. Summary of Alior Bank's operations in the 1st half of 2014

Major business initiatives executed in the first half of 2014

In the first half of 2014, Alior Bank continued to implement its strategic business initiatives aimed at extending and optimizing the product offer, and maintaining the high dynamics of gaining new customers. As a result, the Bank intends to double its market share in 2016 compared with 2012.

The most important project continued in the first half of 2014 was the virtual bank project that has been transformed into a cooperation with T-Mobile Polska under a cooperation contract signed in December 2013 for preparing a comprehensive banking products and services offer and ensuring multi-channel access to them.
On 4 May 2014, the Bank began to offer products and services to the new and existing customers of Alior Sync under a new brand: T-Mobile banking services delivered by Alior Bank.
The customers may avail themselves of the new product offer through diversified access channels:

- the internet transaction service including the information portal;
- mobile applications for Android, IOS and Windows Phone platforms;
- Contact Centre;
- the Virtual Branch – enabling full service to customers via audio and video channels or via a texting "chat" with a bank consultant;
- 830 outlets ensuring services to individual customers.

The first product offered to customers is a free-of-charge current and savings account. Other products are sold on obtaining the information from T-Mobile stores and the contact centre on a customer's needs or making an offer to a customer under the x-sell arrangement.
It should be emphasized that currently individual customers are only offered simple products, such as: the above-mentioned current and savings accounts with a debit card, deposits, overdrafts and cash loans.
In the period until the end of July 2014 (i.e. less than 3 months), 58 thousand customers were gained, of whom 85% had no previous relationship with Alior Bank.

Other new products to be introduced this year will be products joining bank services with telecommunications services, including products for small businesses. Moreover, the access channels will be developed.

Achieving a break-even point is anticipated at the start of 2016.

In the first half of 2014, the Bank continued to gain new customers in the Consumer Finance area. Based on the sale of retail loans through an extensive network of retail shops, the Bank continues to build a customer base which will be used to further develop the sales of loan products (mainly cash loans).
Increasing the scale of productization of the customers thus gained is one of the sources for strengthening the level of generated income.

Pursuant to an investment agreement signed in the fourth quarter of 2013, the Bank took up 57% of shares in Money Makers S.A. in March 2014.
Currently, the activities of Money Makers focus on three areas:

- asset management – in particular, private banking, i.e. management of individual customer portfolios with a value of from PLN 40 thousand. This service is available to the customers of the Alior Bank branch network;
- cooperation with insurance companies – introducing unit-linked insurance funds into the offer of the Bank's branches. Currently, in cooperation with Open Life TU Życie S.A., the Bank offers individual life insurance and endowment life insurance with the unit-linked insurance fund Portfel Trio;
- management of open investment funds – Money Makers S.A. is currently managing four Alior SFIO subfunds: Subfundusz Alior Zmiennej Alokacji, Subfundusz Alior Stabilnych Spółek, Subfundusz Alior Agresywny, Subfundusz Alior Papierów Dłużnych.

Within the next few months, based on the cooperation with Money Makers, the Bank plans to introduce new open investment funds into its offer and intends to take action aimed at preparing the offer within the scope of closed investment funds.

The most significant changes which took place in the first half of 2014 in the product offer of Alior Bank S.A. include:

- introducing a Higher Quality Account into the offer, which is characterized by no payments whatsoever (assuming a one-off inflow into the account in a given month of at least PLN 2 500 or concluding card transactions for at least PLN 700). The immutability of these conditions is covered by a 5-year guarantee;
- offering a loan with lowest instalment guarantee, which is valid not only on granting the loan but also throughout the entire term of the loan. Based on the above-mentioned guarantee, Alior Bank will offer lower instalments both before a customer drawing a loan and at any time of the loan's duration. The Bank will offer lower instalments, beat down other offers and ensure better lending conditions. The customer will obtain lower instalments with the same loan amount and lending period.

Moreover, an important element of Alior Bank's operational strategy is to continually analyse and increase the effectiveness of the network of Alior Express mini branches. The effectiveness of this form of banking product distribution is confirmed by high quarterly growth dynamics of both the number of customers and the volume of loans and deposits.
Bearing in mind the market's potential and in connection with signing the cooperation contract with T-Mobile Polska, the Bank does not plan to open new Alior Express outlets in 2014.

At the same time, based on the current results of the activities undertaken in the first half of 2014 within the scope of cost optimization processes, the Bank estimates that the aggregate savings in this area in 2014 will amount to approx. PLN 25 million. Moreover, the Bank maintains its plans that the cost optimization processes being implemented should bring additional savings of PLN 25 million in 2015.

Financial results

The table below presents the basic amounts and financial ratios as at 30 June 2014, including comparatives:

Selected amounts and financial ratios	1st half of 2014	1st half of 2013	change PLN million	change %/pp.
Net interest income	575.1	461.7	113.4	24.6%
Net fee and commission income	167.4	115.7	51.7	44.6%
Trading and other result	141.1	145.8	-4.6	-3.2%
Net operating income*	883.6	723.2	160.4	22.2%
General administrative expenses	-448.9	-401.4	-47.5	11.8%
Net impairment write-downs	-247.2	-160.3	-86.9	54.2%
Profit before tax	187.6	161.6	26.0	16.1%
Net profit	151.6	128.4	23.2	18.1%
Amounts due from customers	21 882.5	17 369.7	4 512.8	26.0%
Customer deposits	21 417.7	19 051.6	2 366.1	12.4%
Equity	2 820.2	2 063.5	756.7	36.7%
Assets	27 124.5	22 822.7	4 302.3	18.9%
NIM	4.7%	4.6%		0.1
ROE	12.1%	12.7%		-0.6
ROA	1.1%	1.2%		0.0
Costs / Income	50.8%	55.5%		-4.7
Cost of risk	2.3%	1.9%		0.3
Loans / Deposits	102.2%	91.2%		11.0
NPL	8.4%	6.5%		1.9
Coverage ratio of impaired loans	52.6%	57.0%		-4.1
Capital adequacy ratio	13.1%	12.8%		0.3
Tier 1 ratio	11.5%	10.8%		0.7

*Includes: net interest income, net fee and commission income, dividend income, realized result on other instruments and net other operating income.

The Bank Capital Group's net profit (attributable to shareholders of the parent company) for the first half of 2013 amounted to PLN 151.6 million and it was PLN 23.2 million, i.e. 18.1% higher than the net profit generated in the similar period of the prior year.

The achieved financial result was mainly affected by the amount of generated net interest income, which in spite of the low interest rates, thanks to the increased scale of operations, effective management of the loan portfolio structure and reducing the costs of the deposit base amounted to PLN 575.1 million in the first half of 2014, i.e. 24.6% more than in the first half of 2013.

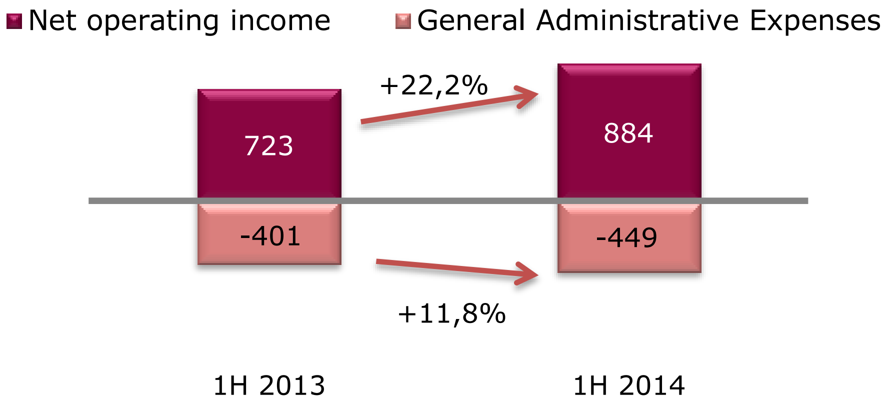
As a result, net interest margin in the first half of 2014 amounted to 4.7% (compared with 4.5% in the first quarter of 2014) as the effect of margin increase in the second quarter of 2014 to 5.0% (annualized). In the first quarter of 2014, the above-mentioned ratio for the peer group, according to the information by the Polish Financial Supervision Authority, amounted to 2.85%.
The improvement of net profitability of sales measured by a level of net interest margin generated in the second quarter of 2014 compared with the first quarter 2014 was also (apart from the factors mentioned above) a result of actions implemented in the scope of centralizing the pricing policy.

The total net operating income of the Bank's Capital Group amounted to PLN 883.6 million and was 22.2% higher than the net operating income for the first half of 2013.

In the first half of 2014 the increase in the Bank's general administrative expenses, thanks to careful monitoring of expenses incurred, was maintained on a level significantly lower than the increase in net operating income (11.8% compared with the above-mentioned 22.2%), giving an incremental C/I ratio of around 27%
Personnel expenses in the period mencioned above amounted to PLN 247,4 million and were by 14.3% higher than the personnel expenses incurred in the first half of 2013. The reasons for the increase in personnel expenses include first of all the increase of employment (+20.3% compared with the first half of 2013)
The running costs in the first half of 2014 amounted to PLN 157.9 million and were by 9.3% higher than the running costs incurred in the similar period of the prior year. The reasons for the increase in personnel expenses include inter alia: increase of cost of Banking Guarantee Fund by PLN 7.8 million (ie. by 109%), increase of lease and building maintenance expenses by PLN 3.9 million (ie. by 5.8%) and increase of advisory expenses by PLN 3.4 million (ie. by 73.4%). Simultaneously, marketing expenses in the first half of 2014 were by PLN 6.3 million lower (ie. by 28.9%) in comarizon with the first half of 2013.

As a result, the Cost/Income ratio for the first half of 2014 amounted to 50.8% compared with 55.5% (for the first half of 2013.).

The levels of net operating income and general administrative expenses in the first half of 2013 and in the first half of 2014 (in PLN million) are presented in the diagram below:



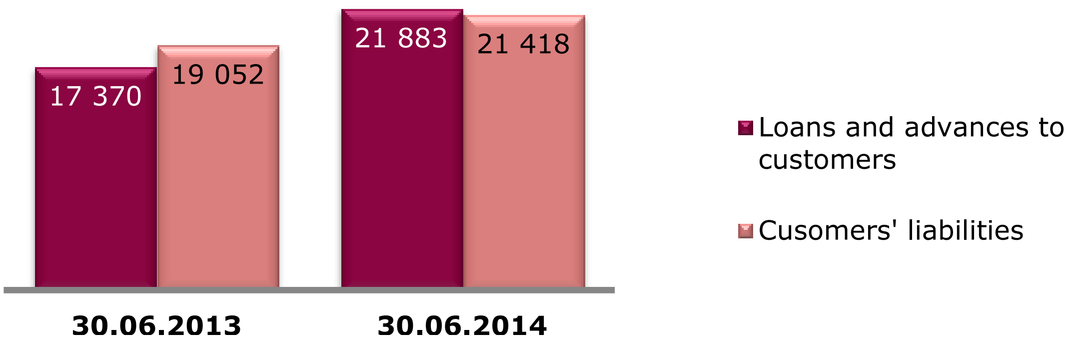
The increase of the imperment allowances which amounted in the first half of 2014 to PLN -247.2 million (PLN – 160.3 in the first half of 2013 – an increase of 54.2%) resulted

from dynamic increase in scale of operations as well as one-off impact of the change of provision calculation methodology on the results of the first half of 2013.
The main factors affecting the level of net impairment allowances included impairment losses on impaired loans and advances to non-financial sector customers (increase up to PLN -229,1 million, i.e. by 36,9%). Significant substancial change in the line non-financial sector IBNR (PLN -17,4 million in the first half of 2014 vs. PLN 8,5 million in the first half 2013) has also influenced above mentioned item.

The total net amounts due from customers as at the end of June 2014 amounted to PLN 21 882.5 million, and the balance of amounts due to customers was PLN 21 417.7 million, i.e. 26.0% and 12.4% respectively more than in June 2013.
As a result, the Loans / Deposits ratio amounted to 102.2%.

Bearing in mind high loan volume growths and the growing competition among banks in respect of deposit customers, which forces an increase in the costs of financing based on customer deposits, in an attempt to maintain the level of its effectiveness of operations, the Bank also began to gain sources of financing based on the Repo transactions as well as (to a lesser extent) deposits acquired from the interbank market.
The Bank is ensuring that it will not be depending or whole sale funding (i.e. the level of the Loans / Deposits does not exceed materially above 100%) that at the same time striving to optimize as much as possible the structure of liabilities from the perspective of interest expense incurred by the Bank.

Customer loans and deposits (in PLN million)

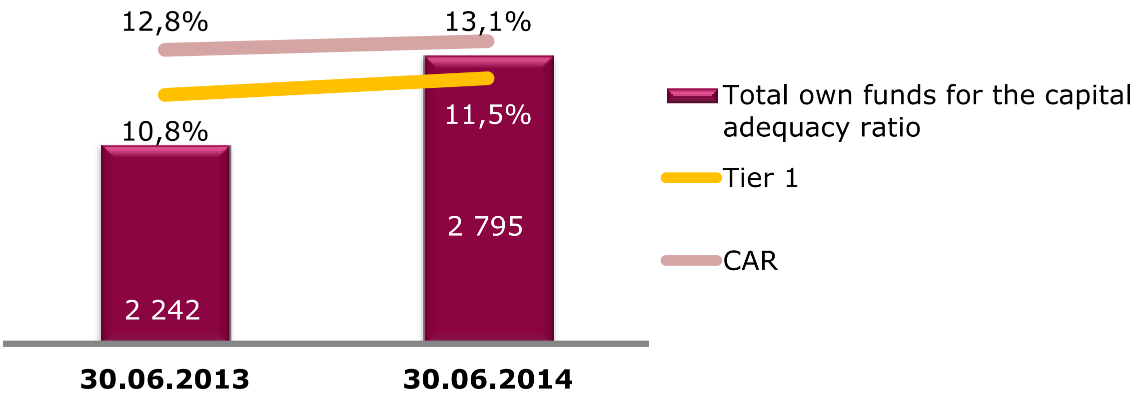


The Bank attaches a lot of weight to diversifying credit risk. The share of amounts due from the ten largest customers in all loans granted amounted to 7.7%. Liquidity safety is ensured by diversifying the deposit base. The sum of amounts due to the ten largest deposit holders represents 5.3% of the sum of all amounts due to customers.

In June 2014, the market share of Alior Bank in the market of loans was 2.6%, and in the deposit market: 2.5%. This share increased compared with June 2013 by 0.4 p.p. and 0.1 p.p. respectively.

In the first half of 2014, the Alior Bank Group maintained a level of equity adequate to the scale of operations, which was reflected in both the capital adequacy (CAR) and the Tier-1 ratios remaining on safe levels, higher than those recommended by the Polish Financial Supervision Authority.

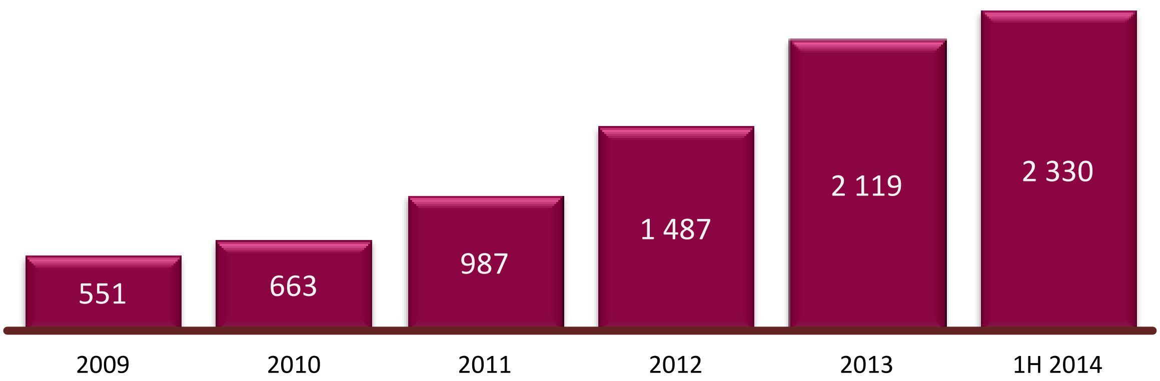
The diagram below shows the level of the Bank's equity (in PLN million) and of the CAR and Tier 1 ratios.



Acquisition of new customers

In the 1st half of 2014, Alior Bank continued the process of dynamically gaining new customers. As at 30 June 2014, the number of customers to whom services were provided reached 2 330 thousand. About 2 210 thousand are individual customers and 120 thousand are corporate customers.

Number of Alior Bank S.A. customers (in thousands)

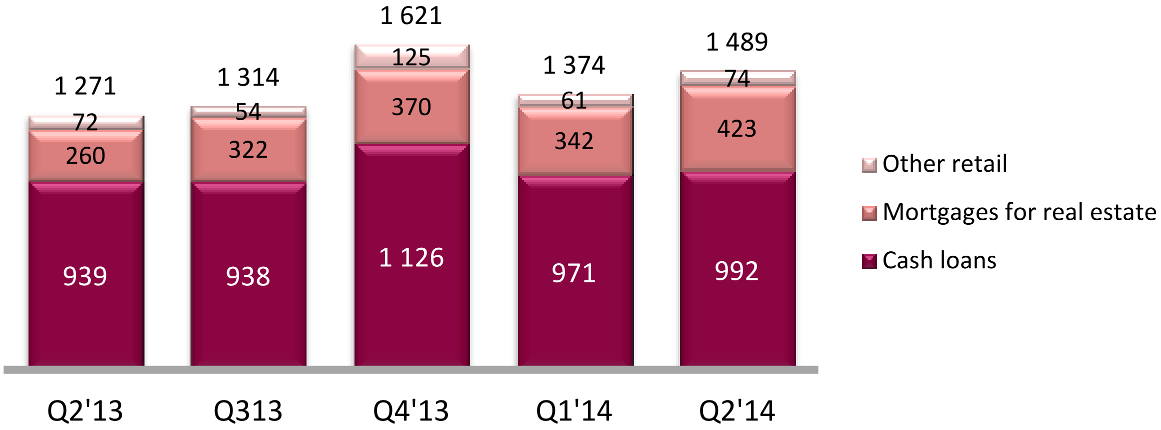


In the 1st half of 2014, the Bank gained retail customers mainly by selling cash loans and housing and loans of well as deposit – settlement products. Moreover, the increase in the number of customers was actively supported thanks to the above-mentioned business relationship between the Bank and T-Mobile.
Alior Bank mainly provides services to customers from Poland. The share of foreign customers in the total number of the Bank's customers is negligible.

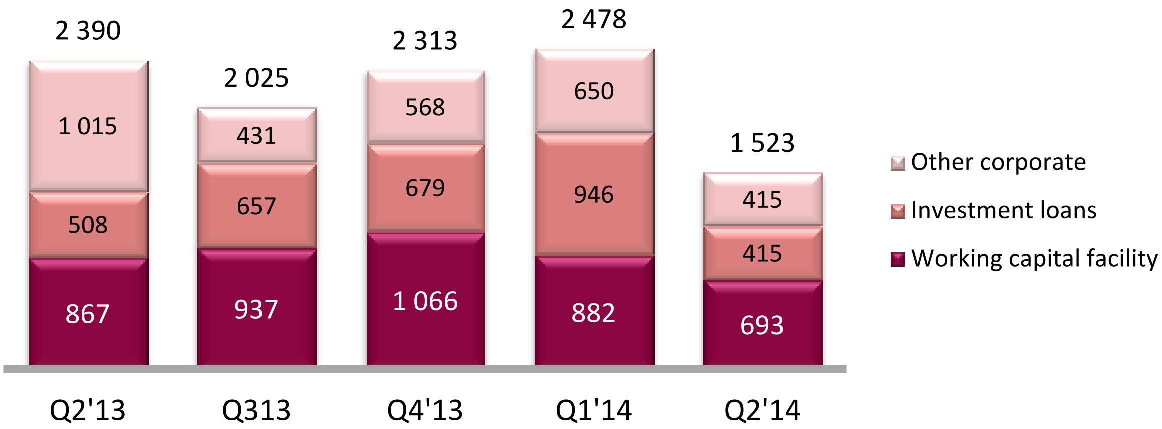
In the case of the corporate customers, the Bank focused mainly on granting working capital and investment loans.

The detailed amounts of quarterly new sales (excluding renewals) in the individual product groups for retail and corporate customers are presented on the diagrams below.

Sales of products to retail customers in the first half of 2014 (t PLN)



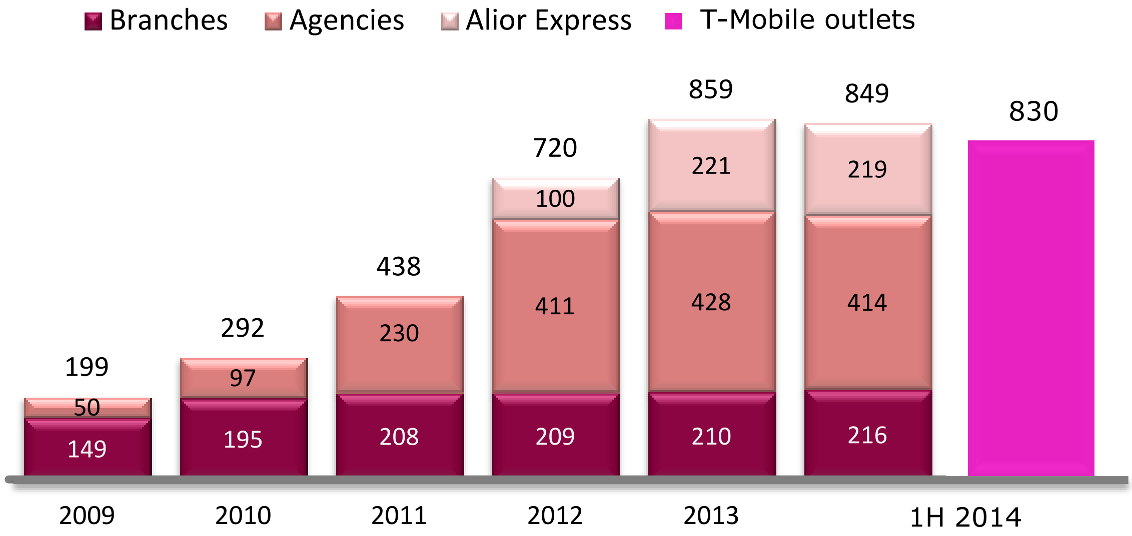
Sales of products to corporate customers in the first half of 2014 (t PLN)



Distribution network and employment level

Distribution network of Alior Bank S.A.

At 30 June 2014, the Bank had 849 outlets (216 traditional branches, 414 partner outlets, 219 mini branches operating under the brand Alior Express). The Bank's products are also offered through a network of nearly 3,000 financial intermediaries' outlets. Moreover, Alior Bank's retail consumer finance loans are offered in a continuously growing number of retail shops.



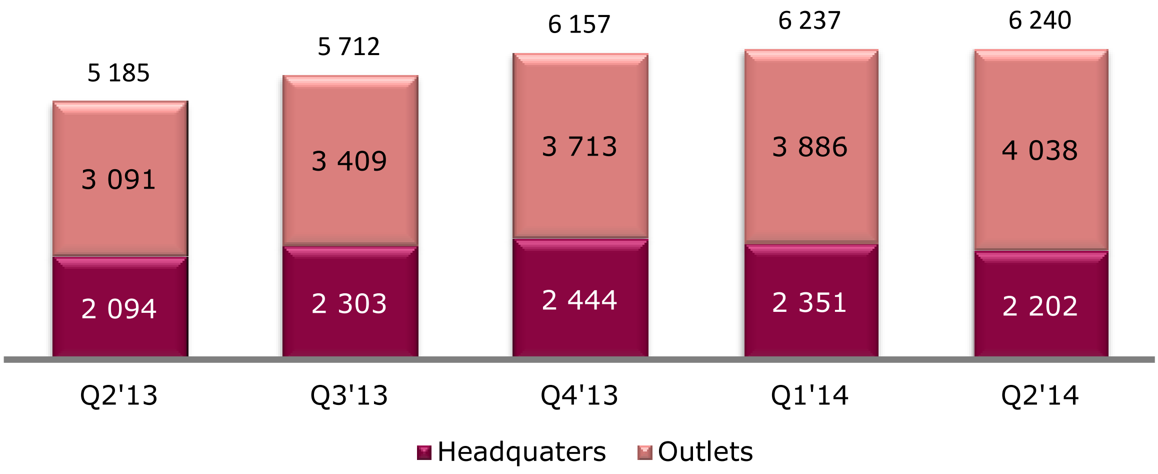
The increase in the number of Branches in the first half of 2014 is related to changes in the organizational structure, i.e. sectioning off Regional Business Centres.

Alior Bank also uses distribution channels based on a leading edge IT platform, which comprises: online banking, virtual banking, contact centres and mobile banking.

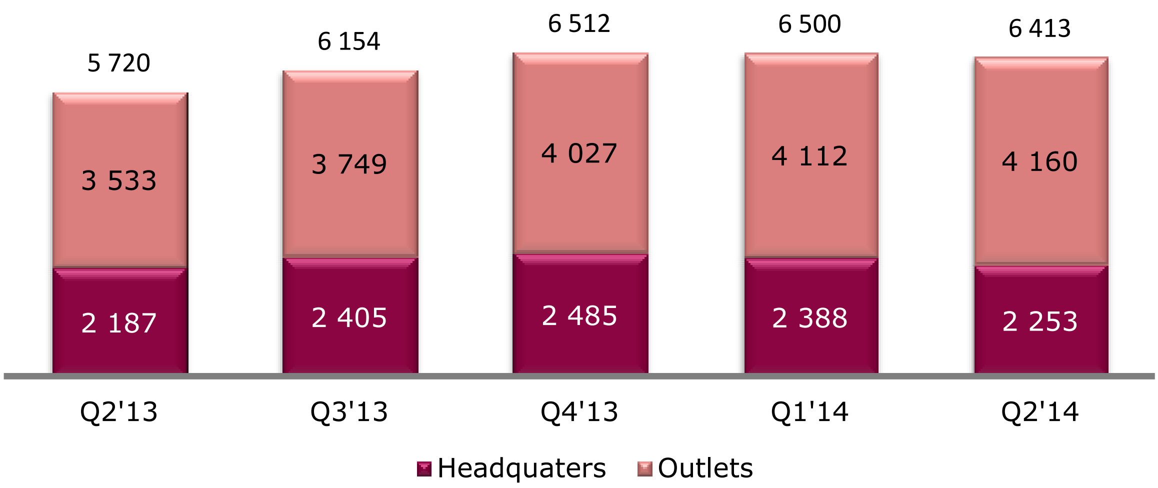
A valuable support to the above listed distribution network are 830 outlets offering products of the Bank under the brand: T-Mobile Banking services delivered by Alior Bank.

As at 30 June 2014, the employment level at Alior Bank was 6 240 full-time positions. This means an increase of 1 055 full-time positions, i.e. 20.3% compared with the end of June 2013. The increase in the number of employees between the bi-annual periods being compared was mainly due to extending the distribution network.
Compared with the end of December 2013, the employment at the Bank as at 30 June 2014 only increased by 83 full-time positions, i.e. by 1.3%. A significant drop in the growth dynamics of the number of full-time positions was mainly due to head office group redundancies carried out by the Bank in the first half of 2014, and ending the process of extending the distribution network.
It is worth emphasizing that the key members of the management team have been related to Alior Bank since its formation.

Employment (in FTEs):



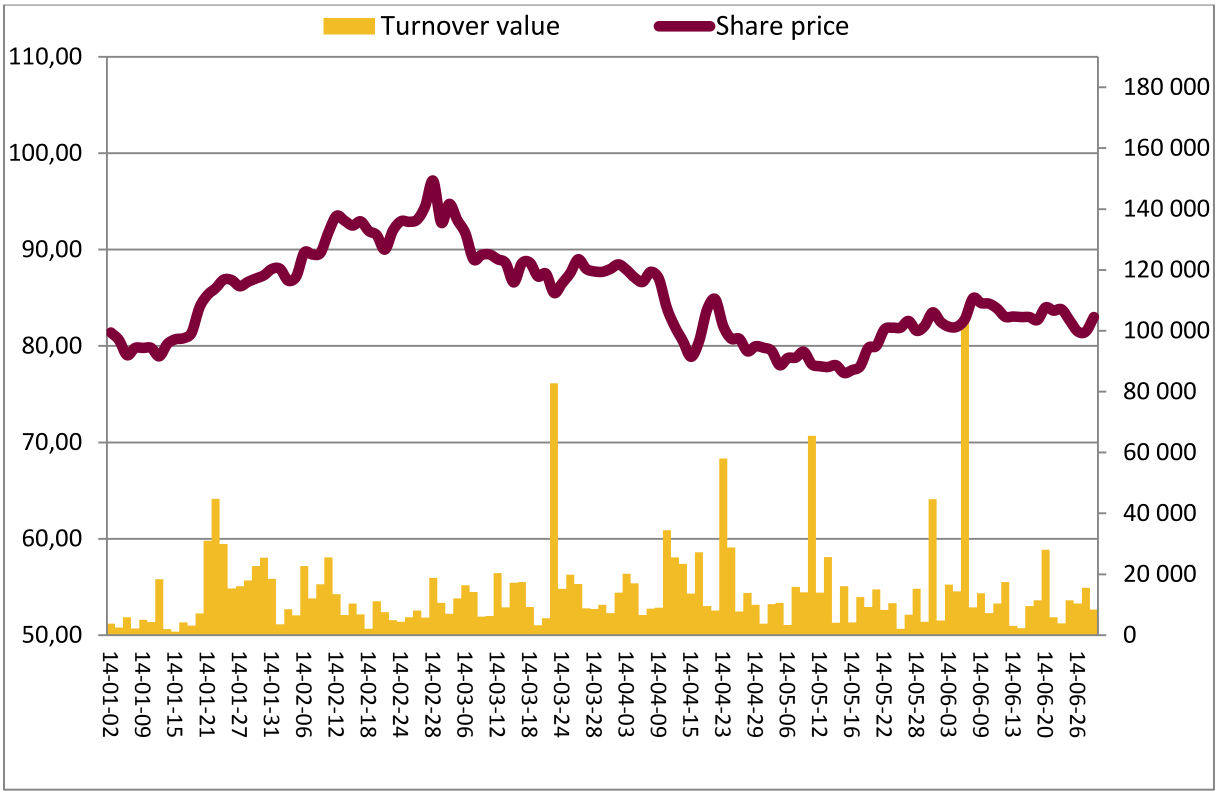
Employment (in persons)



Quotations of Alior Bank's shares on the WSE in the first half of 2014

In the first half of 2014, the Bank's share price increased by approx. 2%. For comparison, the value of the WIGBanki index in the same period increased by 1.4% and the quotations of the WIG20 index increased by only 0.3%. As at the end of the year, the P/E and P/BV ratios of Alior Bank were among the highest in the peer group and amounted to 23.1 and 2.14 respectively. Alior Bank's shares were among the most liquid instruments quoted on the Stock Exchange in the first half of 2014. The total turnover in the Bank's shares in the first half of 2014 amounted to nearly PLN 1.8 billion.

The Bank's share prices and turnover volume on the WSE in the first half of 2014



II. External environment of the Bank's operations

Macroeconomic situation

The first half of 2014 brought a slight increase in the GDP growth forecasts abroad, relating to a greater extent to the US economy and the south of Europe, however, the recent months show a slowdown – mainly in the Eurozone. The GDP growth in the Eurozone was +0.2% on a quarter to quarter basis, compared with the market consensus of +0.4%. The disappointing data on the GDP dynamics in France, Italy and the Netherlands were partly a result of one-off factors. The GDP growth in Germany and Spain remained below the market consensus. Since July 2013, the average monthly prices of Brent oil have moved in a narrow range between 107 and 112 USD/b (the monthly movements have not exceeded 3%). This has been the longest period of such stable prices since the introduction of Brent oil contracts to the ICE in London (1988).

In Poland, the GDP data in the first quarter of this year turned out to be slightly higher than expected, with a stronger domestic demand and weaker net exports compared with the previous quarter. At the same time, in the second quarter there were signals of a slight slowdown of the Polish economy. In May, the retail sales dynamics slowed down, thus slightly adjusting its growing trend since the autumn. The weakening of retail sales is attributable to a weaker growth in fuel and car sales. On the other hand, the consumer confidence ratios which had been improving for a year, returned in the second quarter of 2014 to the level from the first half of 2010 and indicate good internal demand perspectives for the second half of the year.

The conflict in Ukraine was a significant factor affecting the GDP growth in the first half of the year. At the start of the year, the scale of the slumps in the exports to Russia and Ukraine was deepening. In April, exports to Russia shrank by 8.2% y/y and to Ukraine – by 30.7%. The scale of the slumps on the Russian market was reduced due to executing previous orders. As a result of a drop in sales to Russia and Ukraine, the general export dynamics were 1.3 p.p. lower.

With respect to employment, better data from the Research on the Population's Economic Activity (BAEL) were recorded compared with the expectations. All employment ratios show an improvement in the first quarter of 2014 and the BAEL growth dynamics turned out to be particularly high - 1.8% y/y. The increased employment and economic activity is particularly strong among women aged 15-34.
According to Central Statistic Office the unemployment rate as of June 2014 amounted to 12% and was by 1.2 pp. lower vs. the end of June 2013.

The drop in inflation was mainly attributable to lower than expected inflation of food prices (fruit and vegetables: as a result of favourable agrometeorological conditions, and meat: among other things, an increased supply caused by the Russian embargo). A downward tendency of producer prices has been observed for about a year now. The producer price dynamics in annual terms went down in May by 0.3 p.p. to -1.0% y/y. In May, the PPI dynamics on the domestic market (-0.8% y/y) was slightly higher than the PPI dynamics of exported production (-1.3% y/y).

External factors affecting the Bank's operations in 2014 and 2015

It is expected that the favourable factors promoting the strong development of the GDP in Poland will be maintained in the next quarters, mainly thanks to:

- the progressing improvement of the economic situation abroad;
- overlapping of the use of the EU funds from the current (2007-2013) and new (2014-2020) financial perspective;
- acceleration of the GDP dynamics to a level slightly lower than the long-term average from before the global crisis;
- the demand gap remaining on a level approximating nil in the years 2015-2016;
- relatively stable prices of raw materials;
- low inflation in 2014 as a result of last year's slowdown, favourable weather conditions and regulatory decisions of the Energy Regulatory Office.

The clearly negative growth factors include mainly the expected increase in prices of electrical energy in 2015 in connection with introducing the obligation for the energy suppliers to purchase certificates of origin from cogeneration.

The most important external factors affecting the GDP growth and inflation in Poland include mainly the stability and scale of the recovery in the Eurozone, the possibility of considerable appreciation of the Euro and the potential escalation of the Ukraine-Russia conflict.

III. Situation in the banking sector

The banking sector in the period from January to May 2014 - structural data

The noticeable economic revival and record low interest rates translated into a gradual improvement of the operating conditions of the banking sector in the first half of 2014.
However, it should be noted that the economic growth dynamics still remains relatively weak, and the optimistic forecasts for the coming months are uncertain due to, for example, the question about the stability of the Eurozone revival, the effects of restricting the expansive monetary policy in the United States, reduction of the growth dynamics in the emerging economies or the consequences of the crisis in the Ukraine.

Main income statement items

In the period until May 2014, the banking sector generated a net profit at a level of PLN 6.98 billion compared with PLN 6.89 billion in a similar period of the prior year.
The net profit level of the sector was mainly affected by: an increase in the result on banking activities (to PLN 24.0 billion, i.e. 3.6% more than in the period from January to May 2013), which occurred as a result of a significant increase in net interest income (of 14.6%), accompanied by a slight drop in net fee and commission income (of 1.1%).
The increase in net interest income was mainly the effect of the banks adapting their deposit and lending policies to the environment of low interest rates. As a result, there was a strong drop in interest expense, accompanied by a moderate reduction in interest income.
The decrease in net fee and commission income was mainly due to introducing changes in accounting policies in the area of recording income from sale of insurance products and a decrease (in the case of some banks) in commission income from granting loans.

General administrative expenses of banks in the period under analysis, year to year, increased slightly (by 0.6% to PLN 11.5 billion). The increase was due to an increase in running costs (by 1.5% to PLN 5.2 billion). Personnel costs dropped slightly in the scale of the entire banking sector (by 0.2% to PLN 6.2 billion).

The banking sector’s results were negatively affected by an increase in net impairment losses (by PLN 0.2 billion, to PLN 3.3 billion, i.e. by 7.1%). This increase was mainly related to an increase in impairment allowances on amounts due from the corporate sector . On the other hand, there was a decrease in net impairment losses in respect of consumer and housing loans to the retail sector customers.

Loans and deposits

After the growth dynamics of loans slowing down at the end of 2013, at the start of 2014 the lending activity accelerated again.
As at the end of May 2014, the balance of gross amounts due from the non-financial sector and government institutions and local authorities increased by PLN 39.7 billion, i.e. by 4.8% in annual terms to PLN 865.3 billion. Gross amounts due from the financial sector as at the end of May 2014 increased by 22.8% to PLN 149.3 billion compared with a similar period in the prior year.

The main areas of growth were loans to corporate customers (5.8% y/y), whereas the lending activity for households increased by 4.2% y/y, and gross amounts due from the public sector increased by 1.4%.

Deposits of the banking sector (deposits of the non-financial sector and public sector entities) increased in nominal terms at the end of May 2014 by 8.6% to PLN 876.8 billion.
The largest increase in deposits was recorded in deposits of public sector entities (by 35.0% to PLN 94.2 billion). The growth dynamics of the deposits of households remained on a lower level and amounted to 6.2% y/y in May 2013. As a result, deposits of households as at the end of May 2014 amounted to PLN 565.7 billion. Deposits of corporate customers in the period under analysis increased by 4.6% to PLN 198.5 million.
It should be emphasized that the balance of deposits of public sector entities is subject to quite strong periodic fluctuations and is characterized by high concentration. Thus their role as a stable source of financing of banking activities is limited.

Equity and capital adequacy ratio

As at the end of May 2014, the banking sector's equity amounted to PLN 158.9 billion, which represents a 4.6% increase in annual terms.
The low increase in equity was mainly related to a high level of dividend paid to shareholders of commercial banks.
The level of own funds for the purpose of calculating the capital adequacy ratio as at the end of May 2014 was PLN 139.9 billion and it was 2.7% higher year to year.
The capital adequacy ratio of the banking sector amounted to 15.29% as at the end of May (down 0.04 p.p. y/y), whereas the Tier-1 ratio as at the end of the said period amounted to 13.83% (it did not change y/y).

The stabilization of the capital adequacy ratio and the Tier-1 ratio results from the fact that the observed increase in equity was accompanied by an increase in the level of the total capital requirement (of 2.9% y/y) resulting from the growth of the requirement in respect of credit risk.

IV. Financial results of the Alior Bank S.A. Group

Income statement

The Alior Bank S.A. Group's net profit for the first half of 2014 (attributable to equity holders of the parent) amounted to PLN 151.6 million and was by PLN 23.2 million, i.e. 18.1% higher than the net profit generated in a similar period in the prior year.

The detailed items of the Alior Bank S.A. Group's income statement are presented in the table below:

	1.01.14-30.06.14	1.01.13-30.06.13	Change y/y %
Interest income	821 428	746 127	10,1%
Interest expense	-246 298	-284 402	-13,4%
Net interest income	575 130	461 725	24,6%
Dividend income	2	5	-60,0%
Fee and commission income	263 918	218 989	20,5%
Fee and commission expense	-96 532	-103 253	-6,5%
Net fee and commission income	167 386	115 736	44,6%
Trading result	120 965	127 233	-4,9%
Net gain realized on other financial instruments	2 170	6 961	-68,8%
Other operating income	26 045	24 820	4,9%
Other operating expenses	-8 069	-13 261	-39,2%
Net other operating income	17 976	11 559	55,5%
General administrative expenses	-448 926	-401 388	11,8%
Net impairment losses	-247 151	-160 251	54,2%
Profit/(loss) before tax	187 552	161 580	16,1%
Income tax	-36 267	-33 138	9,4%
Net profit on continued operations	151 285	128 442	17,8%
- attributable to equity holders of the parent company	151 635	128 442	18,1%
- attributable to non-controlling interests	-350	0	
Net profit attributable to equity holders of the parent company	151 635	128 442	18,1%

The following factors influenced the Group's income achieved in the first half of 2014:

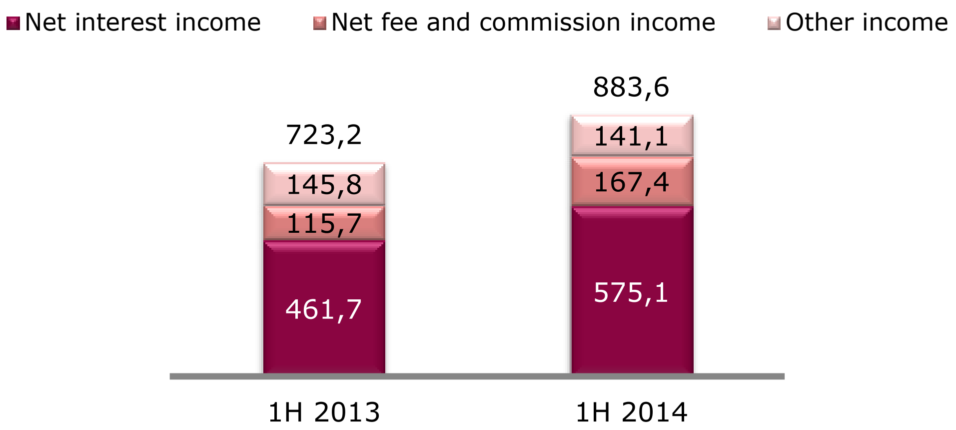
- almost 25% increase in net interest income, achieved in spite of low main interest rates, as a consequence of an increased scale of operations, effective management of the portfolio structure of the amounts due from customers, pricing policy centralization activities implemented in 2014 and effective reduction in the costs of maintaining the deposit base;
- a more than 44% increase in net fee and commission income, achieved, among other things, due to the growing sale of insurance-linked cash loans and housing loans;
- a 4.9% decrease in the result on trading activities resulting from the drop of the result on interest rates transactions, which was not compensated by the increase of the result on foreign exchange transactions.

As a result, there was an increase in profitability measured by a level of interest margin. Net interest margin as at the end of the first half of 2014 was 4.7%, i.e. 0.2 percentage points more than the interest margin achieved in the first quarter of 2014.

The increase in the Bank's general administrative expenses, thanks to careful monitoring of expenses incurred, was maintained in the first half of 2014 on a level significantly lower than the increase in net operating income (11.8% compared with the above-mentioned 22.1%).
As a result, the Cost / Income ratio amounted to 50.8% in the first half of 2014 compared with 55.5% as at the end of June 2013.

The increase of the imperment allowances which amounted in the first half of 2014 to PLN -247.2 million (PLN – 160.3 in the first half of 2013 – an increase of 54.2%) resulted from dynamic increase in scale of operations as well as one-off impact of the change of provision calculation methodology on the results of the first half of 2013.
The main factors affecting the level of net impairment allowances included impairment losses on impaired loans and advances to non-financial sector customers (increase up to PLN -229,1 million, i.e. by 36,9%). Significant substancial change in the line non-financial sector IBNR (PLN -17,4 million in the first half of 2014 vs. PLN 8,5 million in the first half 2013) has also significantly influenced above mentioned item.

Total income (in PLN million)



Net interest income is the main component of the Group's income (representing 65.1% of the total balance). Its increase of almost 25% in annual terms was a consequence of not only an increase in the volume of loans to customers of 26.0% and an accompanying increase in the volume of amounts due to customers of 12.4% but also of implementing an adequate pricing policy in the scope of deposit and lending products, bearing in mind the Bank's functioning in an environment of low interest rates.

At the same time, the average interest rate on loans went down by 1.3 p.p. to 6.8%. In the same period, the average cost of deposits decreased to 2%, i.e. by 1,1 p.p.

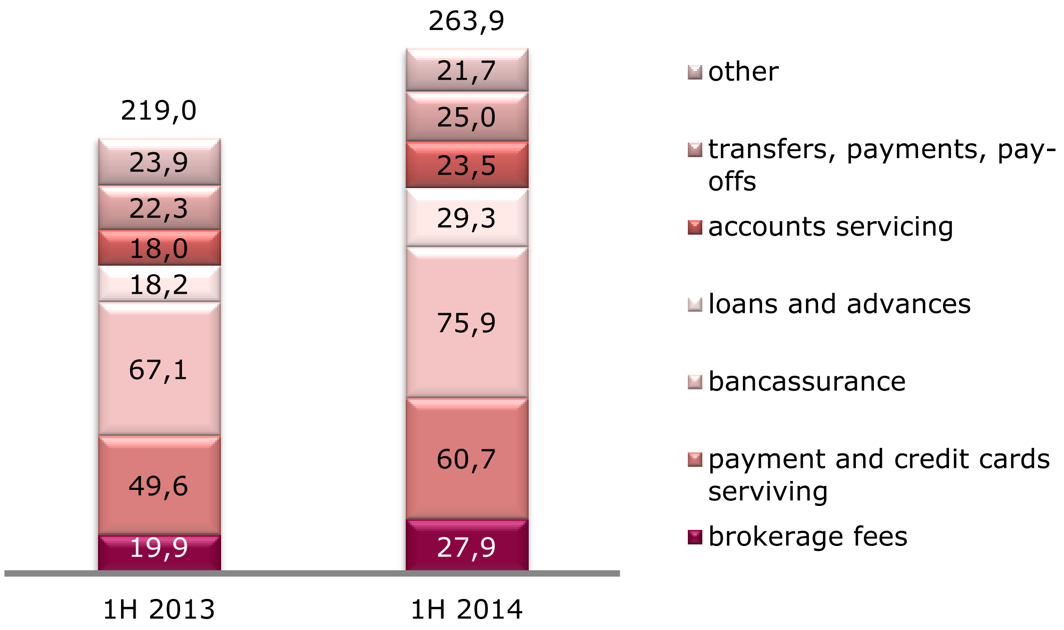
The average 3M WIBOR rate in the first half of 2014 was 2.71% and it was by 0.67 pp lower comparing to the first half of 2013 average.

	1H 2014 (%)	1H 2013 (%)
LOANS / 3M WIBOR	**6,8 / 2.71**	**8,1 / 3.38**
retail segment, including:	8,0	9,4
Consumer loans	10,1	12,0
Loans for residential real estate	4,5	5,8
corporate segment, including:	5,3	6,5
Investment loans	5,2	6,4
Working capital facilities	5,2	6,3
Car loans	8,4	10,4
DEPOSITS	**2,0**	**3,1**
retail segment	2,0	3,4
Current deposits	1,0	1,5
Term deposits	2,9	4,1
corporate segment	2,0	2,6
Current deposits	0,1	0,2
Term deposits	2,1	2,8

Net fee and commission income increased by 44,6% to PLN 167.4 million. It comprised PLN 263.9 million of commission income (up by 20.5%) and PLN 96.5 million commission expense (down by 6.5%).

The Group recorded strong increases in all the basic groups of fee and commission income. Fees for intermediation in insurance sales are the main component of fee and commission income. In the first half of 2014, they amounted to PLN 75.9 million and represented 28.7% of the fee and commission income.

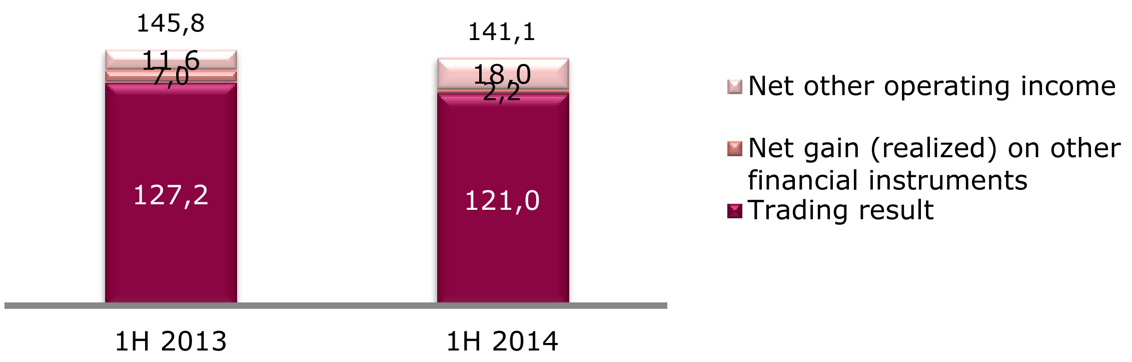
Fee and commission income (PLN million)



Net trading income, the result realized on other financial instruments and net other operating income went down slightly (by a total of 3.6% to PLN 141.1 million). The

Group recorded a 4.9% decrease in net trading income to PLN 121 million, i.e. by 6.3 million, mainly due to significant interest traiding gains from customer activity in the first half of 2013.

Net trading income, result realized on other financial instruments and net other operating income (in PLN million)



In the first half of 2014 the increase in the Bank’s general administrative expenses, thanks to careful monitoring of expenses incurred, was maintained on a level significantly lower than the increase in net operating income (11.8% compared with the above-mentioned 22.1%).

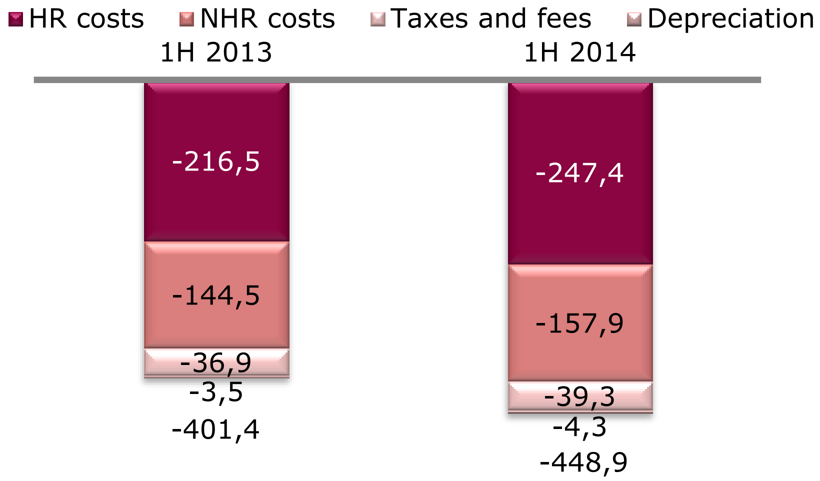
Personnel expenses in the period under analysis amounted to PLN 247.4 million and were by 14,3% higher than the personnel expenses incurred in the first half of 2013. The reasons for the increase in personnel expenses include first of all the increase of employment.

The running costs in the first half of 2014 amounted to PLN 157.9 million and were by 9,3% higher than the running costs incurred in the similar period of the prior year. The reasons for the increase in running expenses include inter alia: increase of cost of Banking Guarantee Fund by PLN 7.8 million (ie. by 109%), increase of lease and building maintenance expenses by PLN 3.9 million (ie. by 5.8%) and increase of advisory expenses by PLN 3.4 million (ie. by 73.4%). Simultaneously, marketing expenses in the first half of 2014 were by PLN 6.3 million lower (ie. by 28.9%) in comarizon with the first half of 2013.

As a result, the Cost / Income ratio amounted to 50.8% in the first half of 2014 compared with 55.5% as at the end of June 2013.

The achieved level of the C/I ratio (50.8%) is a result of the increased scale of the Bank’s operations on the one hand and the consistent cost management policy maintained since the Bank's formation on the other hand.

General administrative expenses (in PLN million)



The increase of the imperment allowances which amounted in the first half of 2014 to PLN -247.2 million (PLN – 160.3 in the first half of 2013 – an increase of 54.2%) resulted from dynamic increase in scale of operations as well as one-off impact of the change of provision calculation methodology on the results of the first half of 2013.
The main factors affecting the level of net impairment allowances included impairment losses on impaired loans and advances to non-financial sector customers (increase up to PLN -229,1 million, i.e. by 36,9%). Significant substancial change in the line non-financial sector IBNR (PLN -17,4 million in the first half of 2014 vs. PLN 8,5 million in the first half 2013) has also significantly influenced above mentioned item.

Net provisions calculated in relation to the average balance of gross amounts due from customers (risk cost ratio) increased from 1.94% to 2.27%.

Net impairment allowance (in PLN million)

	1.01.2014-30.06.2014	1.01.2013-30.06.2013	% change y/y
Impairment allowances on amounts due from customers	-229,7	-167,9	36,8%
IBNR for customers without impairment losses	-17,4	8,5	-
Debt securities	0	-0,2	-
Provision for off-balance sheet liabilities	-0,1	-0,7	-
Property, plant and equipment and intangible assets	0	0	-
Net impairment allowance	-247,2	-160,3	54,2%

Balance sheet

As at the end of June 2014, the total assets of the Alior Bank Group amounted to PLN 27 124.5 million and were PLN 4 302.3 million higher than at the end of June 2013.

The tables below show the detailed items of assets, liabilities and equity as at 30 June 2014, with comparatives.

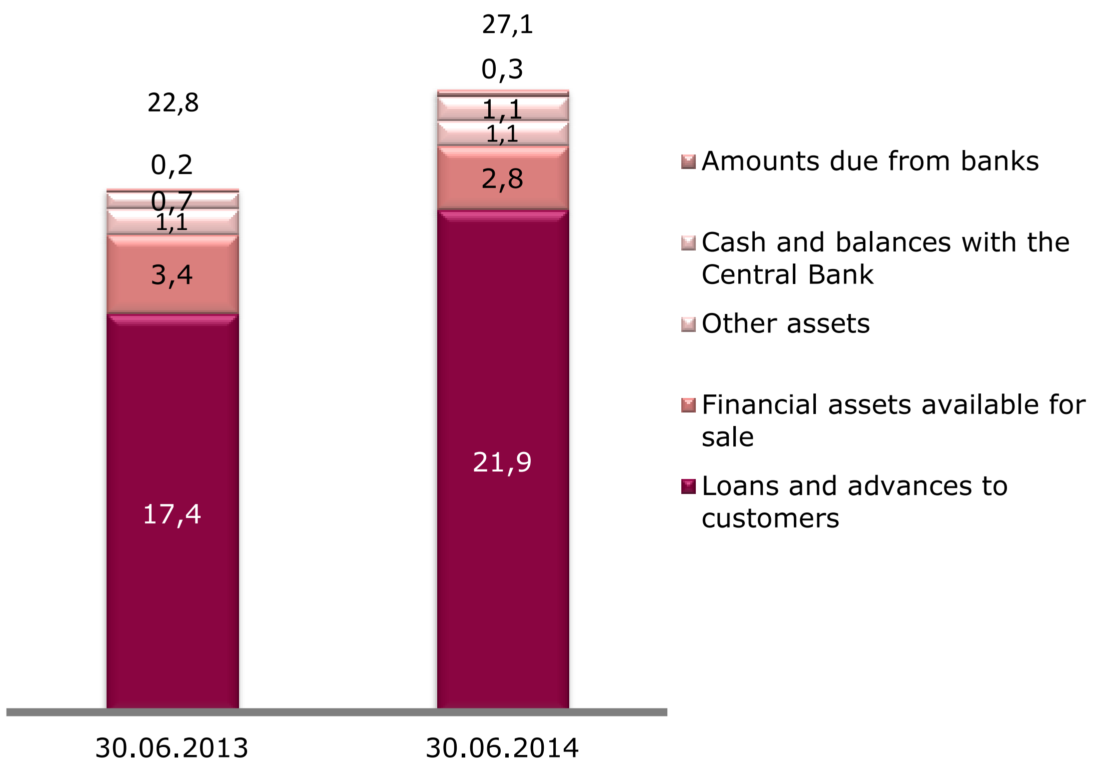
in PLN'000

ASSETS	as at 30.06.2014	as at 30.06.2013	% change y/y
Cash and balances with Central Bank	1 057 413	721 980	46,5%
Financial assets held for trading	284 808	265 384	7,3%
Available-for-sale financial assets	2 784 204	3 446 706	-19,2%
Derivative hedging instruments	15 671	476	
Amounts due from banks	305 948	169 520	80,5%
Amounts due from customers	**21 882 525**	**17 369 735**	**26,0%**
Property, plant and equipment	204 248	206 866	-1,3%
Intangible assets	190 006	167 406	13,5%
Investments in subsidiaries	0	0	
Assets held for sale	38 335	62 298	-38,5%
Income tax assets	145 169	129 494	12,1%
Current	0	4 120	
Deferred	145 169	125 374	15,8%
Other assets	216 134	282 340	-23,4%
TOTAL ASSETS	**27 124 461**	**22 822 205**	**18,9%**

LIABILITIES AND EQUITY	as at 30.06.2014	as at 30.06.2013	% change y/y
Financial liabilities held for trading	225 988	156 717	44,2%
Financial liabilities measured at amortized cost	**22 982 887**	**19 590 714**	**17,3%**
Derivative hedging instruments	0	11 300	-100,0%
Provisions	7 907	5 251	50,6%
Other liabilities	717 583	639 558	12,2%
Income tax liabilities	18 681	2 761	576,6%
Current	18 681	2 761	576,6%
Subordinated liabilities	348 962	352 403	-1,0%
Total liabilities	**24 302 008**	**20 758 704**	**17,1%**
Equity	**2 822 453**	**2 063 501**	**36,8%**
Equity attributable to equity holders of the parent company	2 820 193	2 063 501	36,7%
Share capital	699 413	635 830	10,0%
Supplementary capital	1 773 494	1 434 713	23,6%
Revaluation reserve	6 082	-31 694	-119,2%
Other capital	179 765	169 938	5,8%
Retained earnings / (accumulated losses)	9 804	-273 728	-103,6%
Net profit/loss for the year	151 635	128 442	18,1%
Non-controlling interests	2 260	0	
TOTAL EQUITY AND LIABILITIES	**27 124 461**	**22 822 205**	**18,9%**

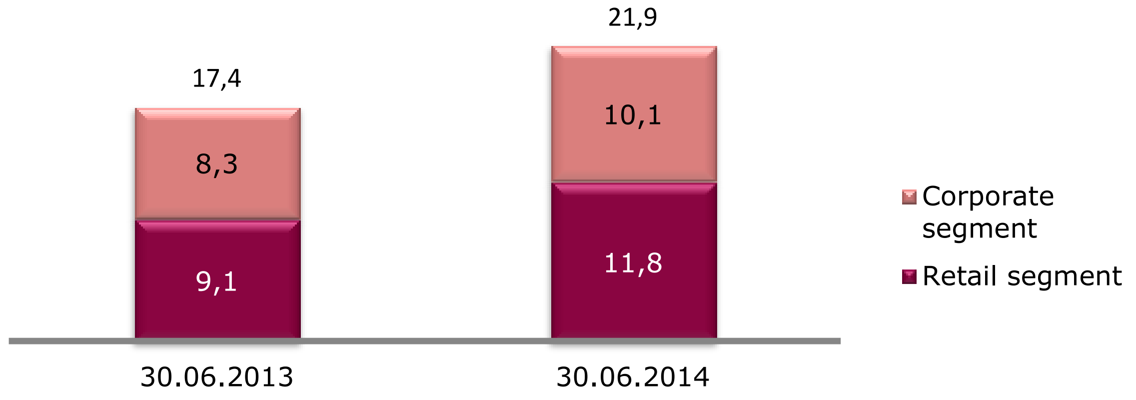
Amounts due from the Group's customers are the core component of assets (PLN 21 882.5 million). Their share in the total assets as at the end of the year was 80.7% and it increased by 4.6 p.p. compared with June 2012. Available-for-sale financial assets were another significant item of assets as at the end of June 2014, and amounted to PLN 2 784.2 million, representing 10.3% of the total assets.

Assets of the Alior Bank S.A. Group (in PLN billion)



An increase of 26% in amounts due from customers resulted mainly from an increase in loans and advances to customers in the retail segment which went up by 30,1%. The volume of loans to the corporate segment went up by 21,5%. The structure of the portfolio of amounts due from customers did not change in the first half of 2014. As at 30 June 2014, amounts due from the retail segment were predominant in the portfolio – their share in the Group's loan portfolio was 53.9%. A year before the share of the retail segment in the Group's loan portfolio was by 1.7 p.p. lower - it amounted to 52.2%.

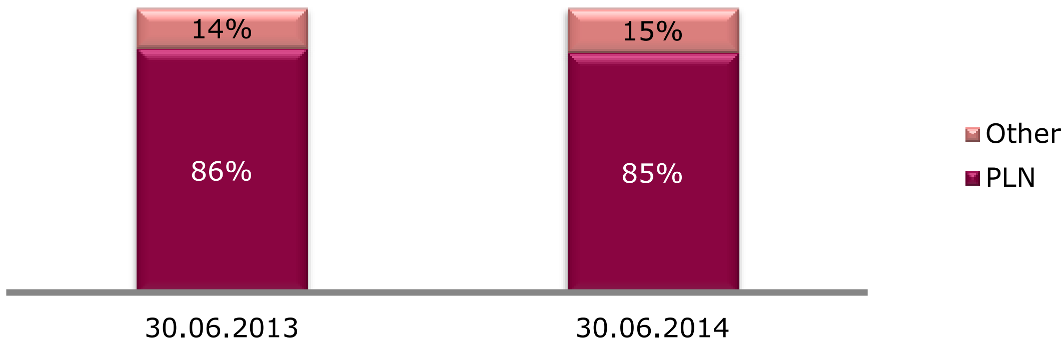
Amounts due from customers (PLN billion)



Consumer loans with a volume exceeding PLN 5.7 billion (up by 21,4% y/y) were the main component of the loan portfolio in the retail segment. They represented almost a half of all loans and advances to retail customers. The second item with the largest share in the loan portfolio of the retail segment were housing loans and mortgage loans with an aggregate volume of close to PLN 4.9 billion as at the end of June 2014 (an aggregate increase of 36.8% y/y).

Operating loans represented the largest component of the corporate segment loan portfolio, i.e. 56.2%. Their balance increased during the year by 21.6% to nearly PLN 5.6 billion. Investment loans were another significant item in the corporate segment loan portfolio, representing 36.3% of the said portfolio. Their balance at the end of the first half of 2014 increased by 38.1% to PLN 3.6 billion.

Structure of amounts due from customers by currency



Compared with the end of June 2013, the currency structure of amounts due from customers as at the end of June 2014 practically did not change. There was a slight increase in the balance of loans granted in foreign currencies. The increase was a result of an increase in value of the portfolio of amounts due from the corporate segment.

Structure of amounts due from customers by geographical area (as at 30.06.2014)

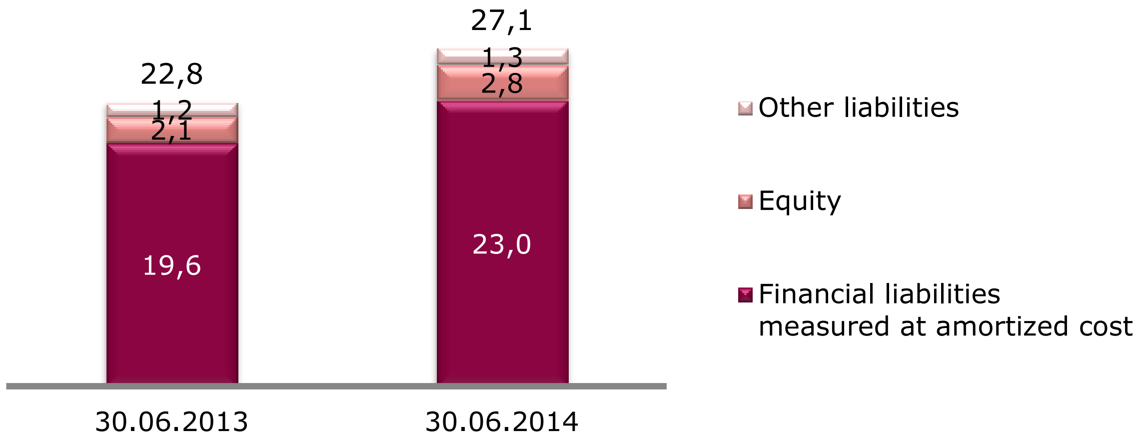
Voivodeship	% of Amounts due
Mazowieckie	28%
Śląskie	11%
Dolnośląskie	10%
Wielkopolskie	9%
Małopolskie	9%
Pomorskie	7%
Łódzkie	5%
Podkarpackie	3%
Kujawsko-Pomorskie	3%
Zachodniopomorskie	3%
Lubelskie	3%
Warmińsko-Mazurskie	3%
Podlaskie	2%
Lubuskie	2%
Świętokrzyskie	1%
Opolskie	1%
TOTAL	**100%**

More than 1/4 of the loans granted by the Bank are loans granted to the residents of the Mazowieckie Voivodeship (Warsaw Region). More than 20% of the loans are amounts due

from the customers from the Śląskie and Dolnośląskie Voivodeships. The share of the Małopolskie and Wielkopolskie Voivodeships in the Bank's structure of loans is similar and amounts to approx. 9%.
Amounts due from the residents of the remaining voivodeships represent approx. 33% of the entire loan portfolio.

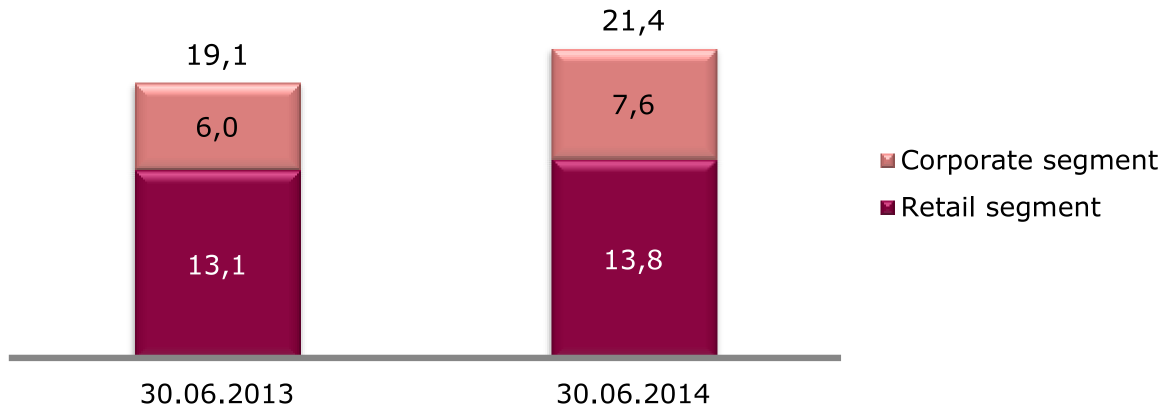
Deposits of the non-financial sector customers placed at the Bank are the main source of financing the Group's operations. As at the end of June 2014, their share in the total assets was 79%.
The balance of equity as at the end of June 2014 was more than PLN 2.8 billion and it was PLN 0.757 billion, i.e. 36.7% higher than at the end of June 2013. The increase was mainly a result of issuing G-series shares and covering a part of prior year losses with a net profit generated in 2013.

Equity and liabilities of the Alior Bank Group (in PLN billion)



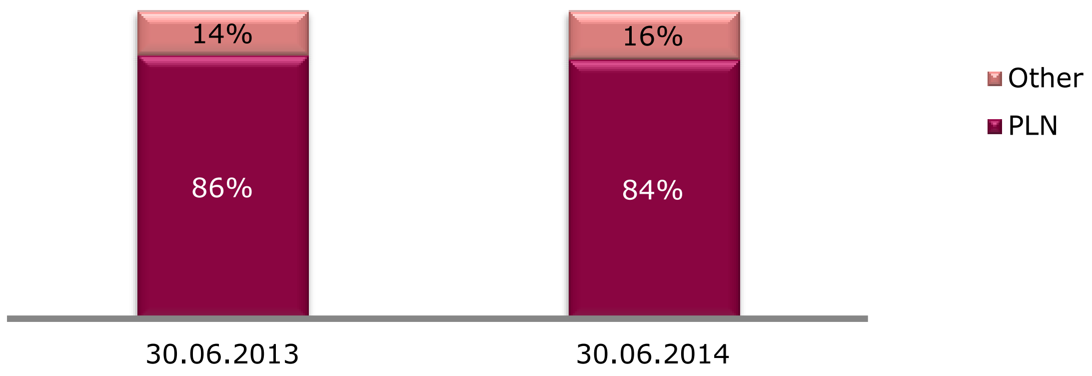
The main item in the structure of amounts due to customers by type are amounts due to the retail segment which represented 64.5% of the customer deposit portfolio as at the end of June 2014. At the same time, it should be noted that amounts due to the corporate segment grew in importance in the structure of liabilities by type over the last 12 months.

Amounts due to customers (PLN million)



The sum of amounts due to the ten largest depositaries represents 5.3% of all customer deposits, which shows a strong diversification of the Bank's deposit base.

Structure of amounts due to customers by currency



The currency structure of deposits as at the end of June 2014 was similar to the structure of the deposit base as at the end of June 2013. The share of PLN deposits compared with other currencies decreased by 1.5 pp. from June 2013 until June 2014. As a result, PLN deposits represented 84.4% of the whole deposit base.

Structure of amounts due to customers by geographical area (as at 30.06.2014)

Voivodeship	% of liabilities
Mazowieckie	28%
Małopolskie	14%
Śląskie	9%
Wielkopolskie	8%
Dolnośląskie	7%
Pomorskie	6%
Podkarpackie	5%
Łódzkie	4%
Lubelskie	4%
Podlaskie	3%
Kujawsko-Pomorskie	3%
Zachodniopomorskie	2%
Świętokrzyskie	2%
Lubuskie	2%
Warmińsko-Mazurskie	2%
Opolskie	1%
TOTAL	**100%**

The funds deposited in the Bank mainly come from customers from Mazowsze (28%), Małopolska (14%), Śląsk and Wielkopolska (9% each). Customers from the remaining voivodeships deposited funds at the Bank which represent 49% of the total deposit base of the Bank.

Financial forecasts

The Alior Bank S.A. Group did not publish any forecasts of its results.

V. Operations of Alior Bank S.A.

Retail Banking

In the first half of 2014, the operations in the individuals sector generated income before impairment losses of PLN 542.4 million. This income was PLN 89.9 million, i.e. 19.9%, higher than that generated in the prior year.

As at 30 June 2014, the Group served 2,209.5 thousand individual customers. Compared with the end of June 2013, the number of individual customers increased by 582 thousand, i.e. by 35.8%.

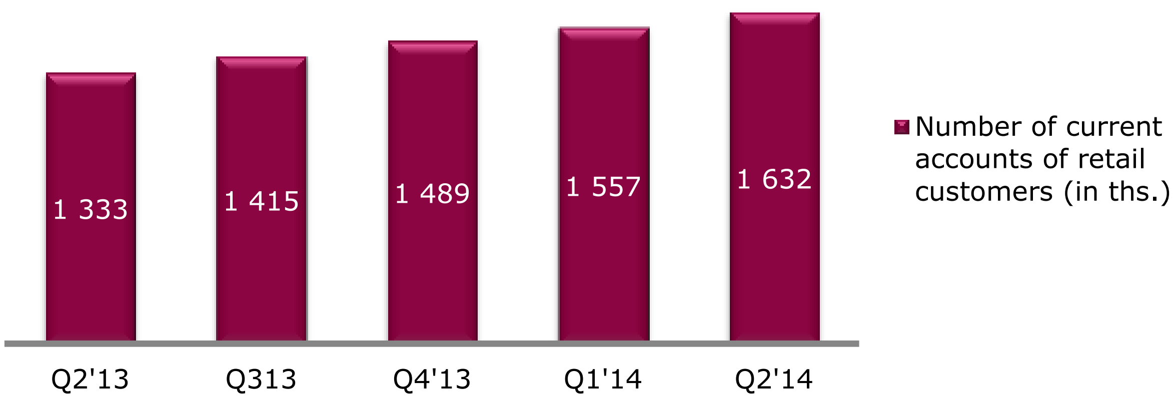
Apart from serving retail customers, the individual customers segment also includes the operations related to Consumer Finance, the cooperation with T-Mobile Polska, the operation of the Brokerage House and the Private Banking programme.

The most important products offered to individuals include:

Current accounts

Alior Bank maintains high sales of current and savings accounts (ROR) – during the year, the number of these accounts increased by nearly 300 thousand. The Alior Bank offer is still predominant, but the percentage share of sales of T-Mobile Usługi Bankowe accounts (formerly Alior Sync) is also growing.

Number of current and savings accounts in PLN at each quarter-end (in thousands)



In the first half of 2014, the Bank introduced new offers as part of the two brands operated. Under the Alior Bank brand it was: Konto Wyższej Jakości. It is the only free of charge account available on the market with a guarantee of unchanging fees for as long as 5 years. Moreover, active customers do not bear any costs of using the account - both the regular periodic fees and the transaction fees are nil. As part of the T-Mobile Usługi Bankowe offer, the personal account gained additional benefits addressed to the customers of T-Mobile Polska.

As a continuation of the offer simplification strategy initiated last year, the Bank decided to convert the products previously withdrawn: Konto zakupowe and Konto z programem Lotos Navigator – into Konto Rozsądne and Konto Osobiste, respectively.

The charge introduced since April (in the case of paying the bills in branches) for customers of Alior Rachunki bez Opłat sustains the policy of motivating customers to actively use the products. At the same time, the change encourages customers to use the Alior Bank Express outlets, which thanks to being located closer to the customers (the vast majority being located in shopping centres/arcades) and a limited range of services are better prepared to accept payments for bills.

Cash loan

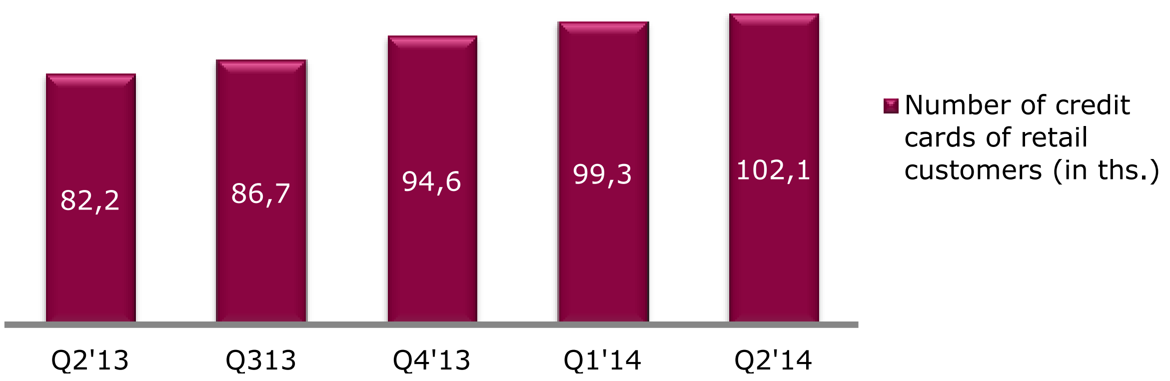
The key product of the Bank in the offer of non-secured loan products for individual customers is a cash loan, which can be earmarked for any purpose, including consolidation of financial liabilities (consolidation loan).

In the first quarter of 2014, the Bank's operations in the scope of the cash loan were focused on continuing the campaign entitled: "Gwarancja Najniższej Raty" and offering an additional product benefit in the second quarter which involves guaranteeing the lowest instalments to the customers throughout the lending period. Moreover, the Bank developed its sales campaigns addressed to specific customer groups aimed at increasing the number of products per customer and continued to take action aimed at retaining the customers at the Bank.
At the same time, the Bank continued to watch over the proper profitability of the loan, taking into account external factors in managing the pricing policy, at the same time striving to maintain the competitiveness of the said product.

Credit cards

In the first half of 2014, Alior Bank S.A.'s offer in the area of credit cards to individual customers comprised three types of cards: Silver and World were cards for individuals in the mass segment, whereas World Elite was dedicated to customers in the Private Banking segment.
The cards are secured both with a magnetic strip and with a chip, and also enable making paypass transactions.
As at 30 June 2014, Alior Bank S.A. maintained 102.1 thousand credit card accounts for individual customers, whereas at the end of the first half of 2014, 81.7 thousand accounts were maintained, which means that the number of credit card accounts increased by 25% (y/y).

Number of credit cards for retail customers (in thousands)



Overdraft facilities

As at the end of the first half of 2014, the Bank maintained 66.6 thousand accounts with a granted overdraft facility, which constitutes nearly a 70% increase compared with 30 June 2013.
The increase results to a considerable extent from introducing in 2013 a combined lending process under which the customer is granted two products at the same time based on the same information and documents – a cash loan and an overdraft facility or a cash loan and a credit card.

Mortgage products

In the first half of 2014, Alior Bank granted 4.2 thousand mortgage loans for a total amount of PLN 835 million, thus recording a 33% increase in sales compared with a similar period in 2013 and a 9% increase in sales compared with the second half of 2013. During the five months of 2014, Alior Bank achieved a 4.39% market share, and in May it achieved a record market share of new monthly loan production in its history of 5.14% (according to the data from the Polish Bank Association).

In 2014, Alior Bank is continuing to develop specialist units – Mortgage Centres, which are dedicated to servicing mortgage loan agents. The Mortgage Centres currently operate in the following cities: Warsaw, Kraków, Wrocław, Poznań, Łódź, Gdańsk, Szczecin, Katowice and Lublin.
A new service process was developed and implemented for these units and the supporting IT tools were automated.
More than a half of Alior Bank mortgage loan sales are concentrated in the Mortgage Centres.

Alior Bank systematically takes actions aimed at increasing sales and maintaining the market share, while maintaining appropriate product profitability.

Deposit products

The deposit base level achieved in the first half of 2014, was due to: a 17% increase in current deposits and a 24% drop in term deposits.

The Bank's deposit offer is mainly based on the Savings Account and different variants of the Standard Deposit. In the first half of 2014, the Bank introduced a promotional 2M offer, which resulted in an increased volume of deposits in the first quarter. Moreover, the promotional offer of the savings account was continued, thanks to which a 22% volume increase was achieved in the first half of the year. In order to gain long-term funding, in the second quarter the Bank introduced 2-year and 1-year deposits into its offer of term products, on which a 54% increase in volume was achieved.

Investment products

As far as investment products for individual customers are concerned, in the first half of 2014, seven subscriptions for products were conducted for a total amount of PLN 395.7 million, representing a 45% increase compared with a similar period of 2013. All the products have a 100% principal guarantee, and the amount of interest depends on the behaviour of the indices on which they are based.
In the first half of 2014, six products ended their life cycles, of which the best brought 13.30% profit to investors.
Under the First Programme for the issue of bank securities in the first half of 2014 Alior Bank issued 33 series of securities with a total nominal value of PLN 517 million. Apart from the products with a principal guarantee based on the market index, they included two-currency and monetary certificates of deposit. The securities were offered in a public offering to corporate customers, Private Banking customers and to individual customers.

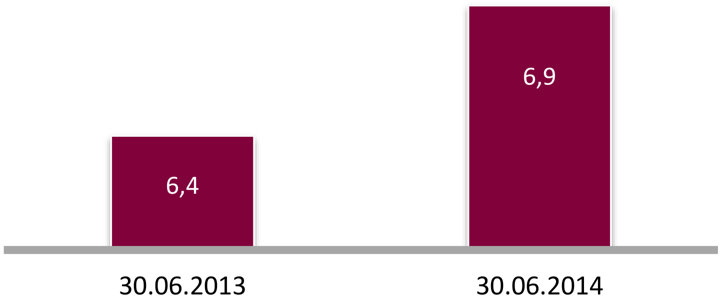
Consumer Finance

Consumer Finance is an area dealing with granting of loans for the financing of consumer goods purchases by Commercial Partners cooperating with the Bank. The characteristic feature of Consumer Finance is high availability of lending services and shortening to a minimum the formalities and time required to obtain financing.
By starting operations on the Consumer Finance market in March 2012, Alior Bank is able to reach a significant circle of new customers who start a relationship with the Bank through an accessible lending product. The national scale of operations of the Bank's Commercial Partners and the continually growing network provide an opportunity for reaching customers, not only with the basic retail offer, but it is also the basis for gradually strengthening the Bank's relationship with selected customers by offering them new products. Average monthly volume of cross-sale products increased from PLN 138.9 million in January 2014 to PLN 231 million in June 2014.

Brokerage activities

As at 30 June 2014, the Brokerage Office of Alior Bank maintained nearly 78 thousand brokerage accounts (a 6% increase y/y). Customers' assets accumulated on brokerage accounts amounted to PLN 6.9 billion (up by 7% y/y).

Assets in brokerage accounts (in PLN billion)



Alior Bank S.A. cooperates with twelve investment fund management companies (TFI) and offers 391 open investment funds.

Assets accumulated in FIO products via Alior Bank amounted to nearly PLN 926 million as at the end of June 2014, which represented an increase of 38% compared with the balance at the end of 2013. Assets accumulated in FIZ products via Alior Bank exceeded PLN 307 million as at the end of June 2013 which is an increase of 45% compared with the balance at the end of December 2013. The total assets accumulated in investment funds via Alior Bank as at the end of June 2014 amounted to PLN 1233 million, representing an approx. 40% increase over the last 6 months.

In the first half of 2014, the Brokerage Office developed an individual investment advice service provided as part of the Makler VIP offer. The total customers' assets obtained as part of the above-mentioned service as at the end of the first half of 2014 amounted to PLN 72.7 million (up by PLN 24.7%).

Moreover, in 2014 the Bank developed sales of the asset management service prepared in cooperation with DM Money Makers S.A. The service is integrated with a brokerage account in Alior Bank, which enables ongoing monitoring of the assets. The total assets accumulated as part of this service via Alior Bank amounted to more than PLN 55 million as at the end of June 2014.

Moreover, in the first half of 2014, the Brokerage Office concluded 17 new contracts for the provision of market making services with issuers. As at the end of the first half of 2014, the brokerage office provided market maker services to 63 issuers and conducted market making activities in respect of 77 financial instruments.

Private Banking

The Private Banking program is addressed to the most affluent individual customers who are inclined to entrust the Bank with assets exceeding PLN 400 thousand or those who intend to avail themselves of finance of at least PLN 1 million. They are served by six specialist Private Banking branches: in Warsaw, Katowice, Poznań, Kraków, Gdańsk and Wrocław.
As at the end of the first half of 2014, Private Banking employed 62 persons who developed financial solutions tailored to the needs of the individual customers based on a wide range of investment and lending products. Our development of the private banking

offer was appreciated in the prestigious Forbes ranking, which increased the rating of the offer's attractiveness from three to four stars. In order to meet the expectations of our customers in the scope of handling non-financial assets, the PB Wealth Care programme was launched, the operational side of which is executed by Alior Services. The task of Alior Services is to establish contacts with trading partners providing services such as legal and tax advice or alternative investments.

The number of customers served as part of the programme at the end of the first half of 2014 exceeded 3 thousand.

Corporate banking

In the first half of 2014, the activities of the corporate segment generated income before impairment losses of PLN 343.2 million. The result was PLN 52.8 million, i.e. 18.2% higher than that achieved in the prior year.

As at 30 June 2014, the Group served nearly 120.1 thousand corporate customers. Compared with the end of the first half of 2013, the number of corporate customers increased by 7 thousand, i.e. by 6.6%.

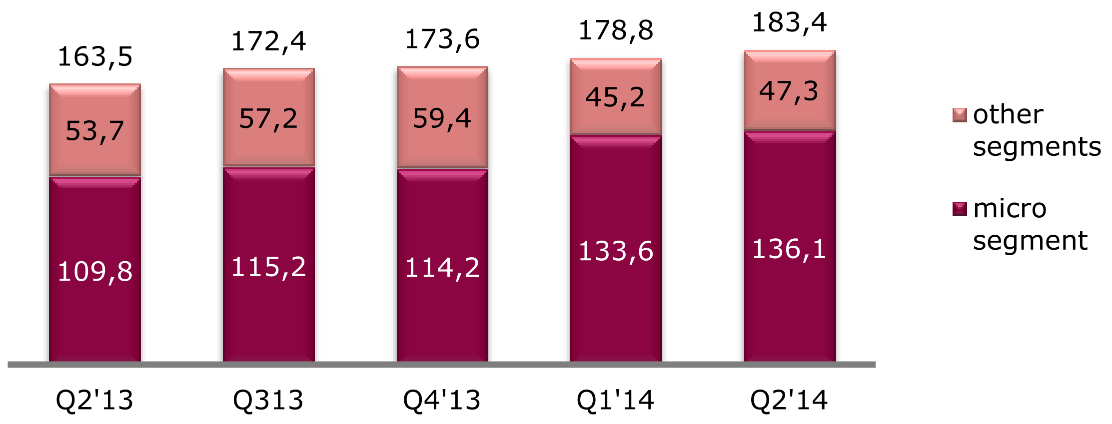
Alior Bank has a comprehensive offer for corporate customers (support of start ups with the framework of cooperation with EFI) addressed both to the smallest customers, including those developing their business and to large business entities which use technologically advanced deposit and transaction solutions. Alior is consciously steering the size of engagement with individual corporate entities considering adequate risk rating, collateral and concentration risk.

Accounts, settlements and deposits

Separate business account offers are addressed to the respective customer segments. For micro-businesses we propose: Rachunek Partner, Rachunek Inwestycyjny and Rachunek Wspólnota. For customers who maintain full books of account we propose a variety of accounting products reflecting the individual needs of the respective businesses. The standard products are Rachunek Biznes Komfort and Biznes Profil. Rachunek Biznes Optymalny is a product ensuring a possibility of full optimization of the scope and terms of services.

As at the end of the first half of 2014, Alior Bank maintained nearly 183.4 thousand company accounts (in PLN and in foreign currencies), of which 136.1 thousand were micro-business accounts.

Number of corporate accounts (in thousands)



Business customers have access to many settlement products which facilitate the execution of both cash and cashless transactions.
Cash transactions may be executed in Alior Bank branches, and in the event of closed deposits – in several dozen night depositories. In addition, the Bank offers direct servicing of both cash withdrawals and deposits. In the area of cashless transactions, these are: execution of domestic transfers under the ELIXIR and SORBNET systems, irrespective of the amount, and Express Elixir immediate transfers launched in May 2013, foreign transfers executed via KIR S.A. and cheap cross-border transfers/SEPA in euros.

For customers receiving large incoming payments, the Bank prepared a mass transaction processing service which enables easy identification of payments made by customers for the goods or services purchased. Analytical reports prepared by the Bank enable customers to fully integrate the solution with their financial and accounting or billing system.

In the first half of 2014, Alior Bank actively supported its customers through liquidity product experts, providing assistance to customers in the area of optimal use of specialist transaction and liquidity solutions, such as for example mass transaction processing.

Loans to business customers

The credit offer of Alior Bank, designated for ongoing and investment funding, is addressed both to microfirms, including entities commencing business activities, and to small, medium and large enterprises. For customers from the micro segment the Bank has a credit offer based on a simplified lending process. SMEs and large corporations have a more specialized product offer to choose from, enabling more flexibility in structuring optimum financing.

In the first half of the year, Alior Bank extended its product offer, among other things, to include financing for entities starting business activities, by introducing ongoing and investment funding even up to PLN 100 000 with the guarantees from the European Investment Fund for this customer group. Alior Bank is a partner of the European Investment Fund and it has obtained a guarantee line of PLN 250 million for the financing of entities which start business activities.

Moreover, the Bank developed the credit offer for the micro segment based on automatic credit process the standardized loan products with the lending decision made at the Branch level, thus ensuring feedback to the customers regarding the possibilities of financing even within one working day. Additional new products have been introduced into the offer for the micro segment: Szybki Kredyt Inwestycyjny and Łatwy Kapitał, which ensure to the customers a simplified way to finance purchases of vehicles, machines, equipment or conduct modernization and other development activities under the so-called "business system" procedure, even up to 500 000.

Alior Bank has also actively developed the product offer for higher customer segments, including Medium and Large Enterprises, by introducing into its offer products such as Limit Wielowalutowy, which provides a possibility of flexibly financing the ongoing operations using a bank overdraft, a guarantee or letter of credit and settling these transactions in multiple currencies, under one loan agreement.

Treasury activities

In the first half of 2014, the activities of the treasury segment generated income before impairment losses of PLN 69.9 million. The result was PLN 14.2 million, i.e. 25.2% higher than that achieved in the prior year.

In the first half of 2014, the Bank engaged in treasury activities in the following areas:

- foreign exchange transactions, from immediate currency exchange to combined option structures adequate to the customer's needs and knowledge about these instruments;
- interest rate hedging transactions ensuring stabilization of the costs of financing to customers;
- commodity price fluctuation hedging transactions;
- liquidity management – by offering a wide range of products which enable depositing cash surpluses on attractive terms;
- conducting educational activities to increase customer awareness of the products offered and their related risks;
- securing the Bank's liquidity risk within the set limits – by concluding transactions on the interbank market, including currency swaps, security purchase/sale transactions and REPO transactions;
- currency and interest rate risk management by concluding transactions on the interbank market, including currency spots/forwards, interest rate swaps and options and commodity derivatives;
- hedge accounting – securing interest rate risk resulting from fluctuations in cash flows from assets with a variable interest rate, using PLN IRS transactions.

Capital investments

The table below shows the capital investments of Alior Bank. All securities were acquired with the Bank's own funds:

1. Shares:
   - Securities held for trading representing equity rights, admitted to trading on the WSE;
   - Securities held for trading representing equity rights, not admitted to public trading.

2. Bonds: corporate bonds issued by domestic and foreign issuers, acquired in connection with the Bank's function of market marker.
3. Derivative instruments: forward contracts for PKOBP shares and the WIG20 index, quoted on the WSE, purchased/sold in connection with the Bank's market maker function.

Capital investments

	as at 30.06.2014		as at 31.12.2013		as at 30.06.2013	
	number	market/nominal value in PLN	number	market/ nominal value in PLN	number	market/ nominal value in PLN
Shares	**1 095 705**	**2 623 405**	**6 195 993**	**1 971 163**	**7 912 597**	**1 995 623**
listed	1 094 705	2 623 405	6 194 883	1 861 163	7 908 797	1 988 343
non-listed	1 000	0	1 110	110 000	3 800	7 280
Bonds	**2 239**	**889 525**	**1 194**	**418 261**	**924**	**852 913**
Derivatives[1]	**67**	**257 084**	**30**	**361 967**	**18**	**61 119**

As at 30 June 2014, Alior Bank was a shareholder in a joint venture constituting a contractual relationship based on which the Group and other entities have undertaken business activities under joint control, where strategic and operational decisions require the unanimous agreement of all parties which exercise joint control. Bearing in mind the planned sale of shares in POLBITA - Sp. z o.o. the Bank classified the shares held as assets held for sale and recorded them in accordance with the requirements of IFRS 5, Non-Current Assets Held for Sale and Discontinued Operations.

VI. Business overview of the Alior Bank S.A. Group companies

Alior Bank S.A. Group
as at 30 June 2014

Alior Bank S.A. (parent company)

→ **Centrum Obrotu Wierzytelnościami Alior Raty Spółka z ograniczoną odpowiedzialnością S.K.A.**
100% of shares

→ **Alior Services Sp. z o.o.**
100% of shares

→ **Money Makers S.A.**
57.6% of shares

[1] Kontrakty terminowe na akcje, notowane na GPW, nabywane/zbywane w związku z pełnieniem funkcji animatora rynku

As at 30 June 2014, the Alior Bank S.A. Group is composed of the following companies: Alior Bank S.A. as the parent company, and 3 subsidiaries in which the Bank holds majority interests. In the reporting period, there were two changes in the structure of the Alior Bank S.A. Group.

After obtaining the consent of the PFSA for the direct purchase of Money Makers S.A. shares by Alior Bank S.A. in February 2014 in a number which caused the Bank to exceed 50% of the number of votes at the General Shareholders' Meeting:

- on 26.02.214 Alior Bank S.A. concluded an agreement with Money Makers S.A. to take up 3,550,000 new registered F-series shares at the same time paying the issue price for them;
- on 13.03.2014 the increase in Money Makers S.A. share capital by issuing registered F-series shares was registered with the National Court Register;
- on 14.03.2014 the conditions for purchasing shares from one of the former shareholders were met;
- on 6.05.2014 Money Makers S.A. has taken over a sub funds management linked with Ipopema Asset Management until now.

As a result of completing the above-mentioned actions Alior Bank achieved 57.6% of the total number of voting rights at the General Shareholders' Meeting of Money Makers S.A, and on 1.04.2014 Alior Bank appointed two of its representatives to the three-person Supervisory Board of Money Makers SA, obtaining the majority of votes.

- on 15 April 2014, Money Makers S.A. began cooperation with Open Life Towarzystwo Ubezpieczeń Życie SA as part of some Unit-Linked Insurance Funds;
- on 13 June 2014, the Supervisory Board appointed Michał Szymański to a four-year term of office as Chairman of the Management Board;

Moreover, in previous reporting periods, the Bank consolidated the results of the following companies:

1. Alior Instytut Szkoleń sp. z o.o. On 5 March 2014, a contract was concluded for the sale of 100% of shares in Alior Instytut Szkoleń Sp. z o.o. (currently Alior Instytut Biznesu Sp. z o.o.).
2. Obrót Wierzytelnościami Alior Polska Spółka z ograniczoną odpowiedzialnością S.K.A. On 18 June 2014, a contract for the sale of 100% of shares was concluded.

The consolidated financial statements comprise the financial statements of the Bank and the financial statements of the following entities. The Bank assessed control over the following entities in the light of the requirements of IFRS 10 and determined its status as the parent company. All subsidiaries are consolidated under the acquisition method.

1. Centrum Obrotu Wierzytelnościami Alior Raty spółka z ograniczoną odpowiedzialnością S.K.A. is an entity whose core business activities include trading in receivables purchased from the Bank.

2. Alior Services Sp. z o.o. (earlier Alior Raty Sp. z o.o. - change of the Company's name registered as at 23 May 2014, by District Court for Kraków-Śródmieście in Cracow IX Commercial Division of the National Court Register. , XI Wydział Gospodarczy Krajowego Rejestru Sądowego) is an entity which was established on 03.02.2012. As of 31.10.2013 it discontinued operations in the area of financial intermediation services. In January 2014 the Management Board of Alior Bank S.A. decided that the Company would continue in operation in different business areas.
   - The Company's objectives:

1. availing itself of opportunities to sell non-financial products and services;
2. expanding the offer for Private Banking customers and making it more attractive to reinforce its competitive position.

- The Company's operations:

1. finding and gaining external partners for cooperation in offering non-banking services;
2. arranging business relationships for clients and external partners.

- The Company's planned revenues constitute commission for intermediation in non-banking services.

The Company is also continuing operations in the area of meeting obligations to customers under the agreement with TU Ergo Hestia.

3. Money Makers Spółka akcyjna, which focuses on asset management services. The value of the company's assets as at 30 June 2014 and its financial result amounted to 5 596 PLN thousand and –1 066 PLN thousand respectively. Non-controlling interests were measured at the non-controlling interests proportionate share of net assets of the acquire.

As at 30 June 2014 Alior Bank holds shares in a joint venture, i.e. a company engaged in retail trading – Polbita Spółka z ograniczoną odpowiedzialnością. Due to the planned sale of the shares, the Bank classified them as assets held for sale and recorded them in accordance with the requirements of IFRS 5, Non-Current Assets Held for Sale and Discontinued Operations.

VII. Events and contracts significant to the business operations of the Bank's Group

Significant events

- On 2 January 2014 the District Court for the capital city of Warsaw, the 13th Business Department of the National Court Register in Warsaw registered an increase in share capital by way of issuing ordinary bearer G-series shares and amending the Company's Articles of Association. After the registration of the new issue, the Bank's share capital is PLN 699,412,610.00 and is made up of 69,941,261 shares of PLN 10 par value each. The purpose of the increase in the Bank's share capital by way of issuing G-series Shares was to enable the Bank to pursue its strategic goals while observing the recommendation of the Polish Financial Supervision Commission relating to the bancassurance while maintaining the capital adequacy ratio at a level higher than that stipulated in the Banking Law. In the opinion of the Management Board, depriving the Bank's current shareholders of the right to pre-emptive purchase of all the G-series Shares was justified and compliant with the Bank's interests due to the fact that the issue of shares in a private subscription was the quickest and most favourable way of raising capital. Funds from the issue were used to finance the Bank's overall operations and for diversifying the sources of financing.

- On 23 January 2014 the Bank's Extraordinary General Shareholders Meeting took place. Apart from the order issues, the Bank's Extraordinary General Shareholders Meeting passed a resolution on granting its consent to potentially selling an organized portion of the enterprise in connection with the terms and conditions of the cooperation agreement concluded by and between the Bank and T-Mobile Polska S.A. with its registered office in Warsaw on 11 December 2013. Additionally the Extraordinary General Shareholders Meeting decided on changes in the composition of the Bank's Supervisory Board and appointed Prof. Sławomir Dudzik Member of the Board. Resolutions have been linked with conclusion of a Cooperation Agreement with T-Mobile Polska S.A.

- On 26 February 2014 the Bank's Management Board informed in its current report no. 16/2014 of taking the decision on changing the organizational structure of the Head Office relating to employment cuts and determining the principles for conducting the respective group layoffs.
  Automation and improvements in processes and consistently pursued cost optimisation strategy require adapting the employment level to the organizational structures of the Head Office in force as of 1 March 2014 and the Bank's current needs. Therefore, the Bank's Management Board decided to reduce employment in the support units.
  The group layoff program (including the costs related to severance packages) is part of the Bank's cost optimization program, pursuant to which the scale of savings in the years 2014-2015 will reach ca. PLN 50 million.
  Restructuring of the support units which last from the end of February to June 2014 covered up to 260 positions in the Head Office, which was 4% of the employment level at the Bank as at 24.02.2014. The intention of the Bank's Management Board was to ensure severance packages adequate to the years in service to the employees covered by group layoffs.
  The restructuring costs will not have a significant impact on the business model and results of the Bank. They were recorded on a percentage of completion of the employment optimization process basis and were accounted for in the Bank's financial statements for the first and second quarter of 2014.
  The actions undertaken will contribute to a significant improvement in the Bank's effectiveness and to lowering the C/I ratio to a level below 45% in 2016. Optimization of the organizational structure and employment at the Head Office does not mean a change or slowing down of the rate of the Bank's development. Since the beginning of 2014 Alior Bank employed over 340 people and it plans to employ more staff, in particular at positions related to offering banking products and services.

- On 26 February 2014 the Bank's Management Board in its current report no. 17/2014, supplemented by the current report no. 18/2014 dated 6 March 2014 announced publicly about the decisions taken which have a material impact on the Bank's results in 2013.
  As a result of determinations made with the Polish Financial Supervision Authority ("PFSA") relating to the manner of complying with the PFSA recommendations relating to the accounting treatment of sales of insurance, the Bank's Management Board decided to modify the accounting approach introduced in the 3rd quarter of 2013 to bancassurance revenues related to lending products.
  As a result of the determinations with PFSA the Bank's Management Board decided to account for 12% to 15% of all bancassurance revenues related to cash loans on a one-off basis. In the 4th quarter of 2013 the amount of bancassurance related to cash loans revenues recognized on a one-off basis amounted to 13%.

The concept for changes in the assumptions for the fair value model for cash loans is consistent with the PFSA guidelines. The correctness of the "input data" presented by the Bank was verified by the Bank's auditor.
Moreover, the Bank's Management Board decided to account for 18% to 22% of all bancassurance revenues related to mortgage loans on a one-off basis. In the 4th quarter of 2013 the amount of bancassurance revenues related to mortgage loans recognized on a one-off basis amounted to 20%.
In the opinion of the Bank's Management Board this change was to have a positive impact on the Bank's results in 2013, i.e.
- the net result increased by ca. PLN 18 million;
- the Bank's equity as at 31.12.2012 increased by ca. PLN 34 million.
The Bank's Management Board emphasized that the above-mentioned change in the method of accounting for bancassurance revenues will not have an impact on the business model pursued by the Bank and its growth potential.
The Bank's Management Board decided to record an impairment allowance for the measurement of non-current assets held for sale of PLN 24 million, gross. The amount of the allowance was determined based on a conservative valuation of the assets referred to above.

- In its communique the Management Board of the Warsaw Stock Exchange of 10 February 2014 informed that on 21 March 2014 after the end of the session, a revision of the annual WIG20 index took place. Almost a year and a half after its début on the exchange Alior Bank became part of the WIG20 index - the index of the twenty largest and most liquid joint-stock companies listed on the Warsaw exchange.

- On 11 April 2014 Alior Bank S.A. issued 180,000 E-series unsecured, dematerialized coupon bearer bonds with a nominal value of PLN 1,000 each ("the Bonds"), in the total nominal amount of PLN 180,000,000. The bonds were issued in accordance with the respective legal regulations and provisions in force in the Republic of Poland. The Bonds bear an interest rate of WIBOR 6M plus a fixed margin and interest will be payable semi-annually. The Bonds will be redeemed at par, on 11 April 2016. In accordance to resolution no. 90/2014 Management Board of BondSpot S.A. introduced the bonds to the Alternative Trading System on Catalyst.
The Bonds were issued under the Bond Issue Scheme of Alior Bank S.A., denominated in PLN, about which the Bank gave information in its current report no. 16/2013 of 19 March 2013. As part of the Bond Issue Scheme, on 28 June 2013, Alior Bank issued 146,700 unsecured, dematerialized, coupon bearer D-series bonds with a nominal value of PLN 1 000 each, and a total nominal value of PLN 146,700,000. The bond issuance proceeds were used for financing the Bank's operating activity as well as to diversify sources of financing.

- On 15 May 2014, the Annual General Meeting of the Bank was held. Apart from regulatory issues, the Annual General Meeting passed resolutions related to closing the financial year ended 31 December 2012 and approved: the financial statements, the Bank's Directors' report, the report on the activities of the Supervisory Board, the appropriation of profit, designating it for offsetting prior year losses and utilization of the Bank's supplementary capital. All Management and Supervisory Board Members obtained a vote of approval for the fulfilment of their duties in 2013.

Significant contracts

- In its current report no. 15/2014 the Bank's Management Board informed of taking up bonds issued by an entity which is member of the group of one of the Bank's customers on 31 January 2014. The Bank purchased 120 5-year secured bonds with a nominal value of PLN 500,000 each, in the total amount of PLN 60,000,000. As a result of the said taking up of the bonds the Bank's total exposure to the customer's group will increase to PLN 260,000,000. The contract of the largest value signed with the Bank's customer is the conditional Multi - currency Revolving Facility Agreement concluded on 24 January 2014 for a period of 4 years. Its total value is PLN 400,000,000, and the Bank's participation in financing is PLN 200,000,000 (50% of total financing). Pursuant to the Agreement financing is granted in the form of a renewable facility with highest repayment priority. The facility is secured with a full security package with the highest ranking on shares, enterprises (including bank accounts, trademarks and other assets) of the key companies which are members of the customer's group. The Agreement includes conditions precedent which must be met to enable the customer to avail itself of the financing under the Agreement. One of the conditions precedent is the repayment of the full amount of debt under the Agreement by the customer, of which the Bank informed in its current report no. 18/2013 dated 29 March 2013. The customer met the above-mentioned condition precedent on 31 January 2014 and repaid all its dues to the Bank. The Agreement is based on the LMA standard. Other terms of the Agreement do not vary from those universally used in this type of contract. The total amount of the Bank's exposure to the Bank customer's group exceeds 10% of the Bank's equity.

- In its current report no. 21/2014 dated 28 March 2014 the Bank's Management Board informed of concluding, on 27 March 2014, a loan agreement for a non-renewable loan with one of the Bank's customers for EUR 60,000,000, i.e. ca. PLN 250,956,000. The loan is non-renewable and is earmarked for the repayment of the existing debt and for financing the Customer's current operations. The Agreement was concluded for a period of 29 months with the possibility of extension. The deadline for repayment of the loan is 20 December 2019. The loan bears an interest rate of 3M Euribor + the Bank's margin. Dues in respect of the financing granted were secured with, among other things, a highest priority mortgage on real estate and a registered pledge on shares. Other terms of the Agreement do not vary from those universally used in this type of contract. In the reporting period the Bank had liabilities resulting from the debt securities issued, including in particular subordinated bonds and Bank Securities, as well as other financial instruments.
  In the thirst quarter of 2014 the Bank did not conclude or terminate any loan or borrowing agreements outside its usual scope of business.
  The Bank's Group entities did not grant any loan warranties or guarantees jointly to one entity or subsidiary of the entity, the value of which would exceed 10% of the Bank's equity.

Significant events relating to the Bank’s products

- As of 1 April 2014, a change have been made to the “Alior Rachunki bez Opłat” (“No fee for paying your bills”) service. A fee of PLN 2 will be charged to customers who pay their bills at the Bank's branches and do not receive their salary, pension or scholarship in the bank account. The fee is beeing charged once a month for making any number of payments and transfers as part of the “Alior Rachunki bez Opłat” service. If a customer has not paid any bills in the Bank's branch in a given month, the fee will not be charged.
  At the same time, all Alior Rachunki bez Opłat account holders still can pay their bills free of charge in more than 600 Alior Bank Express and Alior Bank Partner locations.

- On 23 May 2014, Konto Wyższej Jakości was introduced into the offer, which is characterized by no payments whatsoever (assuming a one-off inflow into the account in a given month of at least PLN 2,500 or concluding card transactions for at least PLN 700). The immutability of these conditions is covered by a 5-year guarantee.

- Since 1 June 2014 the Bank has offered a loan with the lowest instalment guarantee, which is valid not only on granting the loan but also throughout the entire term of the loan. Based on the above-mentioned guarantee, Alior Bank shall offer lower instalments both before a customer drawing a loan and at any time of the loan’s duration. The Bank will beat down offers of other banks and ensure better lending conditions.

VIII. Report on the risk exposure of Alior Bank

Effective risk management is a precondition for maintaining the high level of safety of funds which were entrusted to the Bank, and ensuring a robust, sustainable increase in profits.
The main types of risks important for the Bank include: credit risk, operating risk and market risk, including foreign exchange risk, interest rate risk, liquidity risk.
Moreover, the Bank recognizes business risk, model risk, compliance risk management and reputation risk.

Market risk and liquidity risk management

Market and liquidity risk management objectives and policies

The Bank’s market risk is defined as the likelihood of the Bank incurring potential losses in the event of unfavorable changes in market prices (share prices, currency exchange rates, profitability curves), market factors (volatility in financial instrument valuations, the correlation of price changes between particular instruments), and customer behavior (early deposit withdrawals, early loan repayments).

The process of managing market and liquidity risks is based on achieving, inter alia, the following goals:

- significantly mitigating the volatility of results and changes in the economic value of the Bank’s equity;

- developing a structure of assets and liabilities (banking book) which is optimal in terms of profitability and the potential impact on the economic value;
- providing customers with core treasury products in order to help them manage the risk underlying their operations (i.e. hedging);
- guaranteeing the solvency and full availability of liquid funds at any moment and even under the assumption of the occurrence of negative market scenarios;
- ensuring that the processes applied by the Bank comply with the regulatory requirements regarding market risk management and the level of equity required for that purpose.

The market and liquidity risk management process is carried out within the framework of the Bank's relevant risk management policies covering identification, measurement, monitoring and reporting of risks. Moreover, it also pertains to control over treasury transactions by determining and verifying the principles on which they are concluded, organized and assessed.
There is a clear segregation of duties and responsibilities, and the principles are specified in internal regulations. The key role in this respect is played by the Financial Risk Management Department which prepares independent cyclic reports using the risk models and measures adopted by the Bank and submits them to appropriate units, including – periodically – to members of the Management Board, Supervisory Board and ALCO. The duties of the Department include, among other things:

- defining market and liquidity risks management policies;
- analyzing and reporting the Bank's risk profile;
- determining the amount of economic capital to cover the market and liquidity risks;
- recommending current activities related to managing the banking book risk;
- creating all regulations which define the process of concluding Treasury transactions on the interbank market and with the Bank's customers, including developing model documentation;
- coordinating the process of introducing new Treasury products and assessing the related risk;
- supporting and servicing ALCO operations.

The Treasury Product Sales Department is responsible for carrying out treasury transactions with the Bank's customers, and the Interbank Transaction Team is exclusively responsible for concluding transactions on the interbank market and to maintain open trading book positions, and conclude treasury transactions on the Bank's account. The transactions may be concluded to manage trading book risk positions within the limits set up, and pursuing the Bank's policy in respect of managing the banking book risk within the limits set up.
The Settlement Department is responsible for the independence of ad hoc controls of internal treasury operations, including transaction settlements. The Settlement Department operates as an entity fully independent of the Treasury Product Sales Department. The leak-proof and accurate supervision conducted by the Settlement Department is the basis for mitigating the operating risk of the Bank's treasury operations.

Supervision over the above-mentioned entities of the Bank was separated up to the level of Management Board Member which is an additional factor guaranteeing their independent operations. The full organizational structure and segregation of competencies have been defined in detail by the Bank's Management Board in the Head Office Organizational Regulations. In addition to the above-mentioned organizational units, the Management Board, the Supervisory Board and the ALCO take an active role in managing market risks.
The Assets and Liabilities Committee (ALCO, the ALCO Committee) controls market risk, including liquidity risk, on a current basis. It takes all the respective decisions, unless these were previously qualified as being under the sole competence of the Management Board or the Supervisory Board.

ALCO's duties include, among other things:

- current control over market risk management, both related to the trading and the banking book, including issuing decisions relating to the risk management of both books;
- accepting the Bank's operational limits on the monetary and capital markets;
- current control over the Bank's liquidity management, both related to the trading and the banking book;
- commissioning actions to acquire sources of finance for the Bank's operations and supervising the financing plan;
- issuing decisions on managing the model portfolios.

The Bank's basic market and liquidity risks management strategy assumptions as stipulated for a given budget year take the form of an Asset and Liability Management Policy developed by the Financial Risk Management Department and submitted by the Management Board to the Supervisory Board for acceptance as part of acceptance of the annual budget. It remains binding until a consecutive update.
The Supervisory Board exercises supervision over risk management, including, but not limited to:

- annual determination of the Bank's strategy in respect of market risk management by accepting the Asset and Liability Management Policy;
- acceptance of the Bank's market risk management strategy, including the key risk limits;
- control over compliance of the Bank's policy in respect of risk acceptance with the Bank's strategy and financial plan through a regular review of the Bank's market risk profile based on the reports received;
- recommendation of actions aimed at changing the Bank's risk profile.

Information on the nature and level of risk is submitted to the Supervisory Board by the Management Board, with the exception of the results of internal control of the market risk management system which is submitted by the Director of the Internal Audit Department.

The Bank's Management Board is responsible, among other things, for:

- supervising the market and liquidity risk management process, monitoring and reporting risks;
- determining the appropriate organization and segregation of duties in the process of concluding treasury transactions;

- accepting policies and instructions regulating market and liquidity risk management within the Bank and efficient operation of the identifications systems;
- setting detailed limits for mitigating the Bank’s risk and ensuring appropriate mechanisms for their monitoring and notifying cases of exceeding limits.

The Bank’s market and liquidity risk exposure is officially mitigated by a system of limits which are updated periodically, introduced by resolutions of the Supervisory Board or the Management Board; the limits cover all measures of market risk, their level is monitored and reported by the Bank’s organizational entities independent of the given entity’s business. There are three types of limits at the Bank which differ in terms of their role and the way they operate: basic limits, supplementary limits, and stress-test limits. Market risk management focuses on potential changes in the economic results; unquantifiable risks related to treasury operations are also mitigated through the quality requirements in force at the Bank, related to the risk management process (the internal control system, implementation of new products, analysis of legal risk, analysis of operating risk).

Foreign exchange risk

Foreign exchange risk is defined as the risk of potential loss caused by movements in foreign exchange rates. The Bank additionally identifies the impact of foreign exchange movements on the Bank’s results in the long term, which could occur in the event of converting future foreign currency income and expenses at a potentially less favorable exchange rate. The risk related to future results may be managed under the model currency portfolio.
The basic purpose of foreign exchange risk management is to identify those areas of the Bank’s operations which may be exposed to foreign exchange risk and thus, to undertake to mitigate the resulting potential losses to the maximum extent. The Bank’s Management Board specifies the currency risk profile, which must be consistent with the applicable financial plan of the Bank.

Under the foreign exchange risk management process, the Bank is obliged to monitor and report the amounts of all its currency positions and VaR, assessed in accordance with the adopted model, within the set limits. The Bank closes each significant currency position with a counter position on the market, thus eliminating the related foreign exchange risk. Open currency positions are maintained within the limits set by the Supervisory Board. Additionally, the Bank conducts periodical analyses of potential scenarios which are aimed at providing information on the Bank’s exposure to risk in the event of foreign exchange fluctuation shocks.

Apart from managing current foreign exchange risks, the Bank may also conduct hedging transactions in respect of future highly probable foreign exchange cash flows (e.g. cost of rent, net interest income denominated in foreign currencies). The purpose of such transactions is to limit the fluctuations of results in the current calendar year to a maximum of 60%.
To conclude, the key foreign exchange risk tools in Alior Bank include:

- internal procedures for foreign exchange risk management;
- internal models and measurements of foreign exchange risk;
- foreign exchange risk limits and threshold values;

- limitations on foreign exchange trading transactions;
- stress tests.

The basic tool for the measurement of foreign exchange risk at the Bank is the 'Value at Risk' model ("VaR Model"), which enables determining the possible amount of loss stemming from the then current foreign currency positions as a result of fluctuations in foreign exchange rates, measured using an assumed confidence level and time horizons (holding period). The Bank determines VaR using the variance-covariance method, using a confidence level of 99%. This amount is determined on a daily basis for particular areas responsible for accepting and managing risk, both on an individual and on an overall basis.

As at the end of June 2014, the maximum loss specified in accordance with the VaR Model with a 10-day holding period could amount to PLN 101 988.51, assuming a confidence level of 99%

horizon [days]	10
VaR (in PLN)	101,988.51

VaR statistics for the currency portfolio in the first half of 2014, assuming a 10-day holding period (in PLN'000), were as follows.

Minimum	Average	Maximum
7,980.42	52,189.93	301,314.38

Alior Bank's currency position and the utilization of currency limits as at 30 June 2014 are presented in the table below.

Utilization of limits (in millions in the given currency)		
Currencies	**Limit**	**Utilization**
PLN (gross)	16.0	4.0
PLN (net)	8.0	3.9
Group A		
EUR	1.2	0.6
USD	1.7	0.2
CHF	0.8	0.0
GBP	0.8	0.1
Group B		
PLN (net)	2.3	0.5
AUD	0.4	0.0
CAD	0.4	0.0
CZK	2.3	0.4
DKK	1.7	0.0

NOK	1.7	0.0
RUB	3.5	1.9
SEK	1.7	0.0
Other	1.7	0.1
Goods for resale (PLN gross)	1.7	0.4

The utilization of the stress-test limit for currency positions calculated as the maximum loss the Bank could incur in the event of the most unfavourable daily foreign exchange rate change of those which have been incurred within at least the last four years, totalled, as at the end of June 2014, PLN 166,570.88. Stress-test statistics of the currency position in the first half of 2014 were as follows (in PLN thousand).

Minimum	Average	Maximum
9.11	79.25	387.93

Interest rate risk

Interest rate risk is defined as the risk of a negative impact of the changes in the levels of market interest rates on the current financial result or the net present value of the Bank's equity. As part of its policy of mitigating the trading book risk, the Bank pays particular attention to specific aspects of interest rate risk that are associated with the banking book, such as:

- repricing risk (i.e. the mismatch of the interest rate tenors of assets and liabilities);
- basis risk, which is defined as the extent to which non-parallel changes in different reference indices that have similar repricing dates can affect the Bank's income;
- modeling accounts with an unspecified maturity date or with an interest rate set by the Bank (e.g. for sight deposits);
- the impact of non-interest bearing items on the risk (e.g. capital, fixed assets).

One of methods of estimating the Bank's exposure to interest rate risk is the determination of BPV. BPV represents the estimated change in the value of a given transaction or position as a result of a one basis point change at a given point of the yield curve. BPV values are measured daily for all currencies and at each point of the curve. The BPV estimates as at the end of June 2014 are presented in the table below (in PLN'000):

Currency (in PLN'000)	up to 6 months	6 months – 1 year	1 - 3 years	3 - 5 years	5 - 10 years	10 - 15 years	Total
PLN	27.6	195.1	-226.0	-132.3	-11.3	0.0	-146.9
EUR	-29.1	4.6	-31.1	10.5	0.1	0.0	-44.9
USD	8.8	4.1	-0.2	0.0	0.0	0.0	12.7
CHF	1.2	-0.2	-1.4	-0.3	0.0	0.0	-0.6
GBP	1.6	0.6	0.5	0.0	0.0	0.0	2.7
OTHER	-1.2	-4.1	-1.1	0.0	0.0	0.0	-6.4
Total	**8.9**	**200.1**	**-259.2**	**-122.0**	**-11.2**	**0.0**	**-183.4**

BPV statistics for the first half of 2014 (in PLN'000) were as follows.

Book (PLN'000)	Min.	Average	Max
Banking book	-390.00	-128.72	-20.42
Trading book	-32.05	-6.04	14.76
Total	**-399.94**	**-134.76**	**-29.89**

At the same time, in order to estimate the total level of the interest rate risk, the Bank applies a VaR Model as discussed above. The economic capital to cover the said type of risk measured in this manner as at the end of June 2014 is shown in the table below (99% VaR assuming a holding period of 10 days, in PLN'000).

Book (PLN'000)	VaR
Banking book	9,860.03
Trading book	1,910.17
Total[2]	**10,813.67**

VaR statistics for the currency portfolio in the first half of 2014, assuming a 10-day holding period, were as follows.

Book (PLN'000)	Minimum	Average	Maximum
Banking book	2,930	8,008	14,941
Trading book	711	1,602	2,913
Total	**3,326**	**8,020**	**14,158**

For the purpose of managing interest rate risk, the Bank specifies trading operations which cover securities and derivative contracts concluded for trading purposes, and banking operations, which cover other securities, own issues, loans, deposits and derivative transactions used to hedge banking book risk. The Bank also performs analyses of possible scenarios which cover, among other things, the impact of specific

[2] as above

changes in interest rates on the future interest results and the economic value of capital. As part of these scenarios the Bank implements internal limits, the utilization of which is measured daily. Utilization of the limit for changes in the economic value of capital assuming a parallel movement of the interest rate curves of +/- 200 b.p. and non-parallel movements in scenarios of +/- 100/400 b.p. (assuming 1M/10Y tenors, and between them, the shifted linear interpolation) as at the end of June 2014 (in PLN'000) is presented below.

Scenario (1M/10Y)	Change in the economic value of capital
+400 / +100	-128 236
+100 / +400	-60 062
+200 / +200	-75 764
-200 / -200	75 014
-100 / -400	58 459
-400 / -100	105 774

The table below shows the statistics relating to the change in net interest income for the interest rate increase/decrease by 100 base points y/y for the first half of 2014 (in PLN'000).

Change in net interest income (PLN'000)		
Scenario	**+100 bp**	**-100 bp**
Minimum	-7 459	-72 775
Average	14 193	-59 708
Maximum	25 364	-35 981

Liquidity risk

The Bank defines liquidity risk as the risk of the potential inability to fulfill its obligations, on conditions favorable for the Bank and at an acceptable cost, from all of the balance sheet and off-balance sheet positions of the Bank. Therefore, the Bank's liquidity risk management policy consists of maintaining its own liquidity in such way that it is possible, at any time, to discharge all payment obligations with cash on hand, through the expected contractual inflows from transactions with specified maturity dates or by selling transferable assets and at the same time minimizing liquidity costs.

Specifically, as part of its management of liquidity risk, the Bank pursues the following goals:

- ensuring, at all times, that there is a capacity for the timely settlement of all obligations;
- maintaining basic liquidity provisions, in case the liquidity situation suddenly deteriorates;

- determining the scale of liquidity risk accepted by the Bank, by setting internal liquidity limits;
- minimizing the risk of exceeding the defined liquidity limits;
- monitoring the Bank's liquidity to maintain liquidity and be able to activate a relevant emergency plan when necessary;
- ensuring that the processes applied at the Bank comply with the regulatory requirements regarding liquidity risk management.

The goals set out above are pursued independently by appropriate organizational units, the competencies and responsibilities of which are clearly defined in the internal regulations. The Bank applies the following measures in the process of liquidity management:
- develops liquidity procedures and policies, including the financing plan for consecutive years of the Bank's operations;
- manages the Bank's emergency plans with regard to liquidity;
- monitors liquidity limits;
- conducts periodical analyses of the categories and factors which impact the current and future liquidity levels (in the form of reports).

Among liquidity management measurements, the Bank takes into account the following ratios and related limits for the following types of liquidity:
- financial liquidity – the ability to finance assets and discharge liabilities on a timely basis in the course of the Bank's everyday activities or in other conditions which may be anticipated, without the need to incur losses. In its liquidity management activities, the Bank specifically focuses on a vista and current (up to 7 days) liquidity analysis;
- short-term liquidity defined as the ability to discharge all monetary liabilities which mature within 30 consecutive days;
- medium-term liquidity understood as the ability to meet all liabilities which mature within 6 months;
- long-term liquidity – monitoring the ability to meet all monetary liabilities which mature in a period longer than 12 months.

As part of its management of liquidity risk, the Bank also carries out analyses of the maturity profile in the longer term, which to a large extent depends on the assumptions adopted in respect of the development of future cash flows related to asset and liability items. These assumptions specifically take into account:
- stability of liabilities without specified maturities (e.g. current accounts, deposits withdrawals and renewals, level of their concentration);
- option to shorten maturities of specific asset items (such as mortgage loans with an early repayment option);
- option to sell assets (liquid portfolio)

and are accepted at the level of the ALCO or the Bank's Management Board.

The maturity analysis of realigned assets and liabilities as at the end of June 2014 is presented in the table below (amounts in PLN million):

6/30/2014	1D	1M	3M	6M	1Y	2Y	5Y	10Y+	TOTAL
ASSETS	**565**	**2,662**	**1,241**	**1,292**	**2,449**	**2,368**	**5,103**	**11,428**	**27,110**
Cash and Nostro	11	49	42	40	55	71	126	743	1,136
Amounts due from banks	153	9	0	0	0	61	0	0	222
Amounts due from customers	293	603	1,090	1,154	2,395	2,172	4,758	10,031	22,495
Securities	109	2,001	109	99	0	64	220	150	2,751
Other assets	0	0	0	0	0	0	0	504	504
EQUITY AND LIABILITIES	**-234**	**-2,427**	**-1,073**	**-1,172**	**-1,603**	**-2,625**	**-2,812**	**-15,163**	**-27,108**
Amounts due to banks	-74	-1,425	0	0	0	-68	-42	0	-1,608
Amounts due to customers	-161	-969	-1,026	-1,007	-1,370	-1,740	-2,575	-11,053	-19,901
Own issues	0	-33	-46	-164	-233	-818	-195	-299	-1,788
Other liabilities	0	0	0	0	0	0	0	-3,811	-3,811
Balance-sheet gap	**331**	**235**	**169**	**121**	**846**	**-257**	**2,292**	**-3,735**	**1**
Accumulated balance-sheet gap	**331**	**566**	**735**	**856**	**1,702**	**1,445**	**3,736**	**1**	**3**
Derivative instruments - inflows	140	2,082	782	273	697	594	262	3	4,833
Derivative instruments - outflows	-140	-2,819	-1,533	-273	-320	524	-265	-3	-4,827
Derivative instruments – net	0	-736	-750	-1	378	1,118	-3	0	6
Guarantee and financial lines	0	-750	-750	0	375	1,125	0	0	0
Off-balance sheet gap	**0**	**-1,486**	**-1,500**	**-1**	**753**	**2,243**	**-3**	**0**	**6**
Total gap	**331**	**-1,251**	**-1,332**	**120**	**1,599**	**1,986**	**2,288**	**-3,735**	**7**
Total accumulated gap	**331**	**-919**	**-2,251**	**-2,131**	**-532**	**1,454**	**3,742**	**7**	**15**

To identify the realigned liquidity gap, the Bank uses model weights of the core deposits/loan repayments, determined based on the implemented statistical model and historical observations of balances of particular products.
The Bank maintains the liquidity buffer at a high level, investing in debt securities issued by the government and by the highest ranking corporations, which are highly liquid, within the predefined financial limit plan. This level is controlled by the ratio of liquid assets to the deposit base which as at 30 June 2014 exceeded more than 6%.
Additionally, the Bank conducts liquidity stress-tests and prepares a plan for acquiring funds in emergency situations, specifies and verifies its liquid asset sale policies, taking into consideration the costs of maintaining liquidity.

In accordance with Resolution No. 386/2008 of the Polish Financial Supervision Authority dated 17 December 2008, the Bank specifies:

- the short-term liquidity gap (i.e. the minimum surplus of current liquidity) defined as the difference between the total of the base and supplementary liquidity reserve as at the reporting date, and the value of unstable external funds. As at the end of June 2014, the surplus amounted to PLN 195 million;
- the ratio of coverage of non-liquid assets with own funds, calculated as the ratio of the Bank's own funds less total capital requirements relating to market risk, delivery settlement risk and counterparty risk to non-liquid assets;

- the ratio of coverage of non-liquid assets and assets with limited liquidity with own funds and stable external funds, calculated as the ratio of the Bank's own funds less total capital requirements relating to market risk, delivery settlement risk and counterparty risk, and stable external funds to the total of non-liquid assets and assets with limited liquidity;
- the short-term liquidity ratio defined as the ratio of the total of the base and supplementary liquidity reserve as at the reporting date to the value of unstable external funds.

These ratios as at the end of June 2014 amounted to: 6.64; 1.05; 1.07 respectively.

Additionally, in accordance with the requirements of the said Resolution, the Bank performs an in-depth analysis of financial stability and source of funding structure, including the level of core deposits and concentration for term and current deposits. Additionally, the Bank monitors the volatility of balance-sheet and off-balance sheet items, and specifically the value of forecast outflows in respect of the guarantees granted to customers.

On a monthly basis, the Bank also analyses the concentration of the deposit base aimed at indicating the potential risk of excessive dependency on those sources of funding which are insufficiently diversified. To assess the level of concentration, the Bank sets a HCI (High Concentration Indicator) calculated as the ratio of funds accumulated by the largest depositaries to the value of the deposit base. As at 30 June 2014. HCI amounted to 4.00 %, which indicates a low level of concentration. The HCI statistics for the first half of 2014 are shown in the table.

Minimum	Average	Maximum
2.76%	3.37%	4.61%

To limit concentration risk, the Bank diversifies the structure of the deposit base into retail, business, financial customers, central and local government institutions, monitoring and reporting the share of each of the groups in the entire deposit base on a monthly basis.

In the first half of 2014 the Bank's liquidity remained at a safe level. Liquidity was strictly monitored and maintained at an adequate level by adapting the deposit base and initiating additional sources of finance depending on the developments in the lending activity and other liquidity needs.

Operational risk management

Operational risk management objectives and policies

When managing its operational risks, Alior Bank uses definitions put forward by the Basel Committee on Banking Supervision, whereby operational risks refer to possible losses resulting from failure to deploy internal processes, staff, systems or to external threats. The Bank applies the standardized approach to calculate the capital adequacy in respect of operational risk.

The Bank’s policy is to minimize exposure to operational risk, which is managed by counteracting operational events and incidents and by limiting losses in the event that the risk materializes. The principles and the structure of operational risk management in Alior Bank are based on the provisions of the Banking Law, the provisions of resolutions No. 76/2010, 258/2011 and Recommendation M of the Polish Financial Supervision Authority, and the Operational Risk Management Policy approved by the Bank’s Management Board.
The Operational Risk Management Policy specifies the Bank’s operational risk management strategy, including its risk appetite, operational risk management system and policies, which cover:

- identification;
- assessment and measurement;
- counteracting;
- controlling;
- monitoring; and
- reporting risk.

The following operate under the Bank’s risk operational management system: the Supervisory Board, the Management Board and the Operational Risk Committee.

The Management Board, which participates in Alior Bank’s risk operational management process, is responsible for the correct functioning of the operational risk management and control processes, and specifically supports the process:

- by accepting the Bank’s policy in this respect;
- by determining competencies and segregation of duties in the operational risk management process;
- by appointing and approving the composition of the Operational Risk Committee;
- by approving the level of internal operational risk limits;
- by conducting regular assessment of the operational risk management process and the level of use of internal operational risk limits;
- by creating and developing an organizational structure in the area of effective operational risk management.

The Supervisory Board supervises the adopted strategy with reference to operational risk, which, among other things:

- approves the Policy specifying the overall operational risk management strategies;
- assesses the pursuit of strategies and – if necessary – orders that it be revised;
- periodically assesses the level of risk on the basis of information submitted by the Bank’s Management Board and Operating Risk Committee;
- recommends actions to be taken to mitigate risk or change the operating risk profile of the Bank.

The Operational Risk Committee, which advises and supports the Management Board in effective risk management, is part of the Bank’s organizational structure. The Operating Risk Committee monitors the level of exposure to operational risk on a current basis and assesses the current operational risk position at Bank level. It also issues the necessary recommendations and decisions to counteract operational issues, and if such are identified, mitigates their effects.

The process of mitigating operational risk is one of the most important elements of operational risk management as the decisions regarding the mitigation of this risk have a direct impact on its profile. On the basis of the recommendations of the Operational Risk

Committee regarding the Bank's operating areas especially exposed to operational threats, the Bank's Management Board takes decisions on the Bank's further actions aimed at mitigating or accepting the operational risk, or on discontinuation of operations which are exposed to operational risk. The Management Board may decide to insure the identified operational risk.

The Operational Risk Team is responsible for on-going control and monitoring of operational risk. This entity is also responsible for:

- developing and implementing appropriate operational risk methodologies and controls;
- giving opinions on and consulting the assessment of operational risk of the Bank's projects, products and procedures (new and modified);
- monitoring the level of use of internal operational risk limits;
- accumulating and monitoring information on internal and external events;
- monitoring the level of the Bank's risk using the tools used by the Bank, such as the level of key risk indices (KRI) and self-assessment;
- preparing cyclic reports relating to the operational risk level at the Bank.

The duty to monitor and mitigate operational risk in day-to-day activities relates to all employees and organizational entities of the Bank. The Bank's employees control the risk level on a current basis in respect of the processes they are responsible for, and actively minimize the risk exposure, taking action to avoid/limit operating losses.

Recording events/incidents and operating losses

The Bank records the events, incidents and operating losses, which enables it to effectively analyse and monitor operational risks in accordance with the internal instruction specifying the recording principles. The records are maintained using the IT system which supports operational risk management and which enables registering, analysing and monitoring data.
In the first half of 2014 a total of 883 operating losses were recorded in the total amount of PLN 2,100,252.90. Compared with the first half of 2013, operating losses decreased by PLN 874,398.64.

Operating losses – data for 2013 and 2014:

Type of data		Period 1.01 – 30.06. 2013	Period 1.01 – 30.06. 2014
Total amount of loss before tax	Normal operating losses	1 443 758	1 668 529
	Loan operating losses	1 530 894	431 724
Amounts recovered otherwise than from insurance		53 090	207 696
Amounts recovered from insurance		86 751	62 891
Number of operating losses		454	883

Operating losses – by category in 2013 and 2014:

Loss category	Amount of loss before tax (in PLN)	
	1.01 – 30.06. 2013	1.01 – 30.06. 2014
Internal fraud	18 244	39 515
External fraud	1 669 051	747 213
HR practices and safety at work	3 649	11 560
Damage / loss of physical resources	76 158	289 267
System failures	19 789	368 617
Inappropriate selling practices	802 030	260 587
Unauthorized actions of the staff	48 991	31 237
External factors	23 822	37 919
Management processes	0	0
Performance of transactions, delivery and process management	312 917	314 338
TOTAL	**2 974 652**	**2 100 253**

Credit risk management

Credit risk management objectives and policies

The overall goal of credit risk management is to maintain a stable quality of the credit portfolio, which will enable maximizing returns on equity. The Bank strives to maintain its asset quality at a level adequate to the assessed risk covered by standard risk costs (SRC).
The Bank consistently implements best credit risk management practices aimed at compliance with regulatory recommendations, which ensure a high level of predictiveness of loan loss ratios for different credit products, industries, types of collateral, customer groups and distribution channels at all stages of the lending process.
The Bank has a regulated risk management system adjusted to the scale and specific features of its operations.
Within the risk management system, the following entities operate: Supervisory Board, the Bank's Management Board, Risk Management Committee and ICAAP, the Bank's Credit Committee and dedicated credit committees in the Risk and Operations Division..
The Bank's Supervisory Board exercises supervision over compliance of the Bank's policy in respect of risk acceptance with the Bank's strategy and financial plan, and supervises the functioning of the risk management system. In accordance with regulatory recommendations, the Supervisory Board approves the Bank's risk appetite in respect of retail mortgage-backed credit exposures, and other parameters indicated in the recommendations.
The Bank's Management Board is responsible for the effectiveness of the risk management system and conducts the Bank's credit policy. For the purpose of integrating the management of various risk types the Management Board appointed the Risk Management Committee and ICAAP.
The purpose of the Committee is – among other things – to supervise the ICAAP process and coordinate integrated business and ICAAP stress-tests. The Committee also performs advisory functions for the Bank's Management Board in respect of regulations which require the latter's approval.
The regulations in force at the Bank, and specifically the credit policy and detailed lending methodologies developed for particular Customer segments, sales channels,

types of products and transactions, determine the risk appetite, the boundary conditions in respect of verification criteria, and approval principles.

In forming the lending policy, the Bank – among other things – takes the following into account:

- macroeconomic conditions;
- current and planned Customer structure;
- expected financial results realized by the Bank in particular periods;
- current and planned portfolio volume, broken down by particular sales channels;
- product structure of the portfolio;
- current market trends.

The Bank defined and consistently pursues common risk management policies. These policies include:

1. Adaptation of the structures responsible for developing credit policies, assessing and accepting credit risk, monitoring and measuring portfolio credit risk to the scale of the Bank's operations.
2. Independence of the sales and credit risk acceptance and monitoring, and debt collection functions.
3. Adaptation of the system of credit competencies to the risk level correlated to the amount of exposure.
   An appropriate structure of credit competencies ensures the acceptance of risk by the relevant level of decision-takers, adequate to the amount of risk to which the Bank is exposed. Decisions are taken individually or jointly, up to the level of competency limit in respect of the Bank's total exposure to a customer and to its related customers (entities). The quality of the credit decisions taken are subject to various verification criteria.
   The quality of the credit portfolio resulting from the decisions taken at respective decision-making levels is checked constantly. Additionally, the correctness of using competencies in taking credit decisions is checked as part of functional controls.
   The correctness of using credit competencies is controlled by authorized persons. The control results may translate into changes in competence levels. If irregularities are discovered in individual decisions, the respective competencies may be withdrawn.
4. The limits system, both in respect of limits following from external regulations and from internal principles determined by the Bank, based on analyses of the portfolio quality and the market environment.
   To ensure the appropriate quality, diversification of assets and liabilities and to maintain an adequate capital level, the Bank identifies concentrations in different areas of its operations. Excessive concentration of particular assets or liabilities vis-à-vis the credit or liquidity risk is believed to have a negative impact on the Bank's position.
   Concentration risk management (which relates to loans) refers among other things to the risk following from: obligations in respect of one entity or group of related entities, liabilities to entities representing the same sector of Customer segment, exposure to entities from the same region and particular countries or groups of countries, exposures secured with the same type of collateral, exposures to the same currency or indexed to the same currency, exposures to the same type of interest rates (fixed or fluctuating) and interest rate index, exposures under a given sales channel or specific qualities of the product (product type, period of lending, maturity etc.) to entities described in art. 71 of the Banking Law.

5. The use of IT systems which support the credit risk assessment both in the Bank's retail and business segment.
   The IT systems which operate in the Bank enable effective completion of credit processes using the data derived from integrated internal and external databases, using embedded tools which support the assessment of credit risk and minimizing the operating risk.
6. Portfolio and individual pre-monitoring and monitoring.
   Under individual monitoring in the Individual Customer (IC) segment, the monitoring is related to: the timeliness of repayment, adequacy of inflows, contractual clauses, exceeding LTV, insurance of real property used as collateral for the loan granted by the Bank, refinancing and consolidation.
   The purpose of the monitoring is on-going control of the Customers' indebtedness and collection of debts, determining the correct and up-to-date status of the collateral accepted by the Bank and eliminating irregularities in the process of establishing effective collaterals, control of the Customer's performance of the contractual conditions.
   Under portfolio monitoring in the IC segment, the monitoring is related to: credit standing and creditworthiness based on BIK's periodic monitoring reports on repayment history of Customers who meet the criteria determined by the Bank.
   Monitoring of creditworthiness is conducted based on an analysis of credit liabilities in BIK databases and profiles based on the historical or current income of specific Customers.
   The results of these processes are reflected in the classification of Customers to specific risk categories which imply a specific approach by the Bank to the Customer.
   Under individual monitoring in the Business Customer (BC) segment, the Bank:
   - updates its data on the financial and economic situation of borrowers based on their current financial statements;
   - Veryfing investment fulfillment progress based on the budget adopted at the stage on the credit decision;
   - Monitoring of costumers fulfilling of contractual clauses;
     As a result of monitoring each client research updated credit risk evaluation as well as the strategy of further cooperation reflecting results of review. Individual monitoring is suported with pararel portfolio proceses conducted on the base of dedicated behavioral models for the customers for both micro and small segments, which are amid at early detection of worsening of customers financial standing in 3 and 6 months.
     Additionaly, parallelly to the above mentioned processes, the monthly process of inflows adequacy monitoring as well as Early Waring Signals are additionaly proceed.

   The updated information is used to calculate the current rating, which is one of the elements taken into consideration in the decision concluding the monitoring process. The frequency of updates depends on the amount of credit exposure, the risk class and the Customer segment.
   Under portfolio monitoring in the BC segment, MICRO and SMALL models for the Customer segment were developed and implemented, for early detection of deterioration of Customer's financial standing.
7. Systematic measurement of the credit risk at portfolio and individual level both for management purposes and for reporting purposes.
   To measure the loss ratio on the portfolio on a current basis, the Bank uses internal ratings and identified objective impairment premises in accordance with International Financial Reporting Standards. The Bank assesses all balance sheet credit exposures

(balance sheet groups of credit exposures) in terms of objective premises for impairment, in accordance with the data current as at the revaluation date. Impairment is identified daily and automatically for premises identified automatically in the Bank's central system or in the monitoring processes.

Premises for impairment of the carrying value of a credit exposure (balance sheet groups of credit exposures) are recorded in the system at the Customer and account level. Recorded premises for impairment at the level of a given account result in flagging all the accounts of the given Customer as impaired. Similarly, in the event of recording premises for impairment at Customer level, the impairment is propagated to all the customer's accounts in the portfolio. The propagation each time relates to all the accounts in respect of which the customer is owner/co-owner or borrower/co-borrower. For balance sheet credit exposures that have become impaired, the Bank records an impairment charge in order to decrease their book value down to the present value of the expected future cash flows. Individual assessment is necessary for all exposures exceeding the predetermined thresholds depending on the Customer segment. Group valuation is based on the time in default of a given exposure and accounts for the specific nature of the given group in terms of the expected recoveries. Collateral is taken into consideration at the account level. Exposures in respect of which no premises for impairment have been identified are grouped into homogenous groups in terms of the risk profile, and a provision is set up for group exposure used to cover the losses incurred but not reported. Losses incurred but not reported (IBNR) are measured in accordance with the concept of predicted losses with accuracy to the PD parameter which is scaled to the period of loss identification (LIP).

8. Conducting stress tests (ST) in respect of credit risk which are carried out at least once a year and cover the whole of the Bank's credit portfolio.

   Stress tests are conducted to assess the sensitivity of the credit portfolio to changes e.g. in foreign currency rates, market interest rates and value of collateral (in accordance with the recommendations of PFSA), situation on the labor market, and other scenarios of deterioration of the market conditions. The requests and recommendations formed on the basis of ST are used to shape and update the Bank's credit policy. The methodology and results of stress tests are used in the process of setting internal concentration limits.
9. The developed early warning system (EWS) aimed at identifying irregularities and enabling the undertaking of preventive actions both at the portfolio and individual exposure levels:

   The purpose of the EWS system used by the Bank is to:
   - immediately identify potential events which may lead to a deterioration in the quality of the credit portfolio;
   - limit the negative impact of external shocks on the quality of the credit portfolio;
   - limit the Bank's losses on the credit portfolio;
   - create a platform for direct cooperation between the business department and the department for risk management in crisis situations.

   The basis for the EWS system is internal and external data, including data relating to:
   - best market practices;
   - unfavorable changes in the debtor's current position;
   - current economic conditions;
   - historical, current and forecast quality indices for the credit portfolio.

   If specified thresholds are exceeded, appropriate action is taken aimed at eliminating the identified irregularities.

10. Documenting credit risk management policies and systematic reporting of the quality of the credit portfolio.
    Undertaking corrective and remedial actions in the event of determining an increase in the credit risk level. The Bank has full documentation specifying the principles for credit risk management, among other things in the form of credit policies adopted by the Bank's Management Board and the Risk Management Committee and ICAAP of credit policies, detailed crediting policies specifying credit risk assessment principles with the scope of necessary credit documentation and the credit tools used to support its measurement and all instructions specifying credit risk identification and measurement principles. These principles are regularly reviewed and updated. In the event of increased credit risk, as a result of regular credit portfolio quality reviews in respect of particular products or product groups, the Bank adjusts the adopted risk management principles introducing changes which enable it to minimize the identified risks.
    The Bank uses a centralized data source to prepare credit risk reports – all information on processes, credit exposures and credit risk levels is derived from the Bank's Data Warehouse (DW). This enables consistency of the information presented in particular reports and analyses. Cyclic reports are generated at the Bank's Data Warehouse level, and published automatically on the Bank's report portal.
11. Verification of the operation of the system using functional controls and actions performed by the Internal Audit Department.
    The risk management principles implemented by the Bank are subject to periodic control, the main aim of which is to determine whether the manner of conducting credit activities complies with the internal procedures and external legal regulations and whether the effects of the activities comply with the purposes specified in the Bank's credit policies. Controls are conducted by specialized entities, and their results are regularly reviewed.

Operations completed in the first half of 2014

In 2014, as part of its development work, the Bank implemented further new solutions and enhancements:

1. We implemented additional period of leaving the evidence of DPD 90 imperment as well as we conducted quantitative analise of LIP used in IBNR model adopting to the recuirements of PFSA;
2. We implemented a new methodology for assessing write-downs using the group method and LGD calculation for the purpose of calculating group allowances and IBNR allowances;
3. We enhanced the efficiency and automated verification of the process for registering indications of impairment and the impairment status by implementing reports in the Data Warehouse;
4. We implemented the provisions of the new Recommendation S, T and Recommendation J;
5. We adapted the risk management policy in respect of credit exposures secured by mortgage to the guidance of the amended Recommendation S;
6. We set up the DTI levels for products secured with mortgage in the Individual Customer segment, adapted to the risk appetite approved by the Bank, and adopted the maximum levels of LTV and minimum levels of own share;
7. We developed the methodology for assessing financial entities to enable fuller assessment of risk related to granting treasury limits to particular banks;

8. We continued the development of the collateral module enabling identification, registration and monitoring of collateral in the Bank, conducted detailed monitoring of the correctness of registration of collateral in the Bank's systems for the material exposures portfolio;
9. We improved the system used to record related groups and continued controlling improvements in the quality of data with reference to identifying Customer relationships;
10. We performed additional extraordinary monitoring of construction industry firms and assessed the impact of the industry condition on the loss ratio of Alior Bank's portfolio;
11. We introduced lending policy restrictions for retail debt sub-portfolios, which were correlated with scoring classes;
12. We expanded the scope of internal concentration limits based on multi-dimensional analysis of portfolio quality broken down into particular characteristics, macroeconomic data and data from the Polish banking sector;
13. We continued developing scoring and rating models in response to the Bank's business needs, to objectify and enhance the credit decision making process using the account history, and specifically the correct assessment of the probability of the Bank customer's default; as a result, the predictive power of the models used for the customer's credit assessment improved;
14. We built monitoring models for non-secured products in respect of scoring models for Individual Customers;
15. We built several quantitative models used in x-selling and retention campaigns addressed to Individual Customers;
16. We implemented portfolio monitoring models and extended the rating model by evaluation of the firm's condition vis-a-vis the business environment in respect of Business Customers;
17. We improved the time and effectiveness of credit processes in respect of Individual and Business Customers;
18. We continued development of the SMART system to process Business Customers' credit requests, which ensures greater control over credit and operational risk, simultaneously ensuring higher effectiveness of processes and flexibility of assessment;
19. We implemented new, streamlined credit processes to service MICRO segment Customers under the standardized assessment approach;
20. We increased the effectiveness of monitoring and debt collection processes by:
    - implementing the process of insuring portfolio real estate which secure the loans granted;
    - optimizing the refinancing and consolidation monitoring process;
    - proactive approach to the restructuring offer on the basis of the cooperation with the customers to-date – restructuring process initiated by the Bank in respect of selected groups of customers and acceptance of collateral;
    - modifying and optimizing the reconciliation agreements after the respective agreement is cancelled;
    - directly relating the criteria for legal methods of claiming debts to costs (enforcement-warrant proceedings, writ of payment proceedings, e – court);
    - implementing new debt collection procedures for key products;
    - implementing a new tool which improves effectiveness in contacting Customers at the monitoring stage.
    - establishing the Local Debt Collection Team in the Bank's structures;
    - including permanently sales of dues in the debt collection processes.

Capital management (ICAAP)

Alior Bank manages capital in a manner enabling safe and at the same time effective functioning.

To ensure the security of operations, the Bank defines, within the scope of its risk appetite, appropriate levels of offset of potential unexpected losses in respect of material risks identified under the ICAAP process and risks under the regulatory capital calculation procedures by available capital (and Tier 1 capital).

Under the ICAAP process the Bank identifies and assesses the materiality of all types of risks to which it is exposed in connection with its operations.

Material risks as at 30.06.2014
1. Credit risk – insolvency
2. Credit risk – industry concentration
3. Credit risk – Customer concentration
4. Credit risk – currency concentration
5. Operational risk
6. Liquidity risk
7. Interest rate risk in respect of the banking book
8. Market risk
9. Model risk
10. Reputation risk
11. Business risk

The Bank assesses internal capital to offset particular risks identified as material using internal risk assessment models. Internal capital is estimated for:

- credit risk based on the CreditRisk+ methodology as 99.95 quantile of the distribution of losses on the credit portfolio;
- market risk and interest rate risk in respect of the banking book, based on the VaR methodology;
- liquidity risk based on the liquidity gap model assuming stress conditions;
- operational risk based on the model accounting for the rate of return on assets in the banking sector.

The total designated internal capital and the calculated regulatory capital are secured by the value of available capital (and Tier 1 capital) in consideration of appropriate safety buffers.

Capital ratios of the Alior Bank Group as at 30.06.2014		
Capital adequacy	**Tier1 ratio**	**Ratio of offsetting internal capital by available capital**
13.1%	11.5%	1.67

Taking into consideration the need to secure the sustainable growth of its scale of operations, the Bank is expanding the available capital base using various channels, i.e. reinvesting profits, issuing subordinated debt, and – lately – also issuing new shares on the stock exchange.

The Bank's available capital base is expanded while ensuring operating effectiveness, that is realizing the stipulated return on the capital entrusted by shareholders.

IX. Contingent liabilities

The Group grants contingent liabilities to its customers in respect of renewable limits in checking (ROR) accounts and credit cards. These liabilities are granted for an unspecified period, but at the same time, the adequacy of inflows of funds to the accounts is monitored.
The Group grants contingent liabilities to business customers in respect of:

- overdraft limits for a period of 12 months;
- guarantees, mainly for a period of 6 years;
- credit cards for an unspecified period (with parallel monitoring of cash inflow adequacy and portfolio monitoring or individual monitoring);
- loans launched in tranches for a period of up to 2 years.

The amounts of guarantees shown in the table below reflect the maximum loss which may be incurred and which would be disclosed as at the balance sheet date if all the customers defaulted on all of their liabilities.

As at 30.06.2014 the number of active guarantees granted by Alior Bank was 2,595, for a total amount of PLN 1,497,934 thousand. During the first half of 2014 the Bank issued 821 guarantees for a total amount of PLN 287,234 thousand.
The Bank takes care to maintain a correct timing structure of the guarantees issued. Active guarantees which mature in a period shorter than two years (of 1,113) amount to PLN 386,341 thousand. Guarantees which mature by the end of 2014 (in the amount of 649) amount to PLN 252,502 thousand.

Off-balance sheet liabilities granted in PLN'000

Off-balance sheet contingent liabilities granted to customers	As at 30.06.2014	As at 31.12.2013	As at 30.06.2013
Off-balance sheet liabilities granted	7 372 672	7 078 830	6 452 529
Relating to financing	5 874 738	5 735 711	5 315 750
Guarantees	1 497 934	1 343 119	1 136 779

Off-balance sheet contingent liabilities granted to customers – by customer

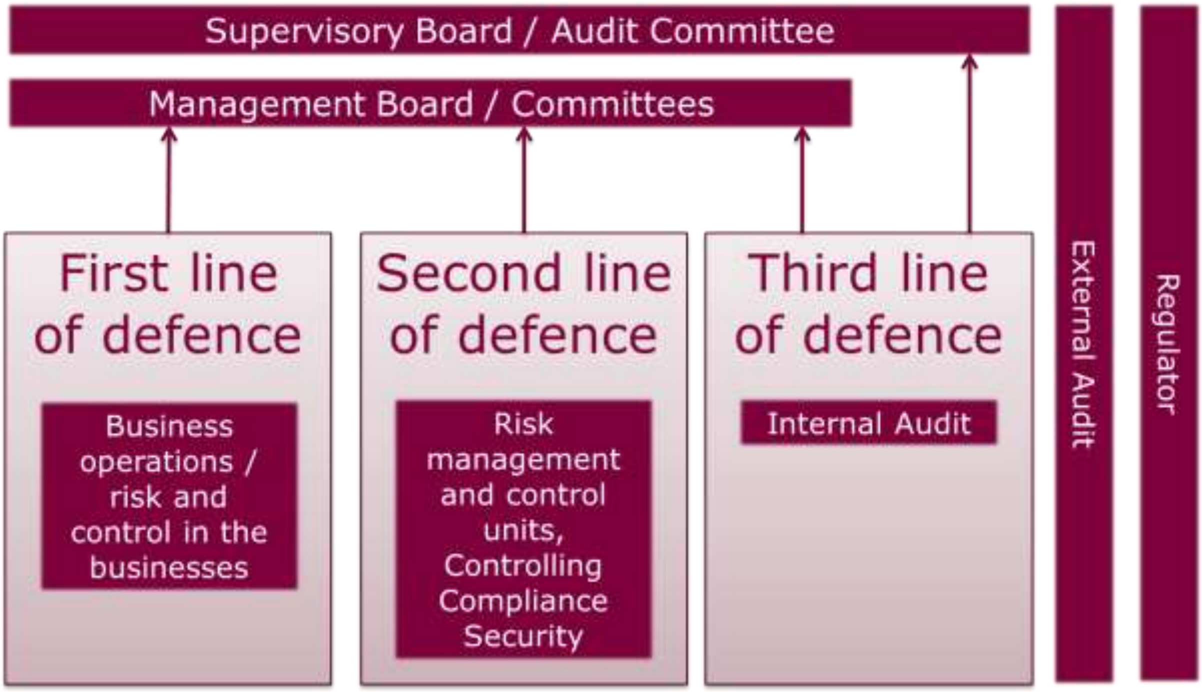
By customer	As at 30.06.2014
entity 1	280 000
entity 2	250 000
entity 3	200 000
entity 4	171 269
entity 5	136 600
entity 6	135 519
entity 7	124 616
entity 8	100 000
entity 9	100 000
entity 10	93 690
other	5 780 978

Off-balance sheet contingent liabilities granted to customers – by type

By type	As at 30.06.2014
Credit lines	5 734 878
Import letters of credit	24 560
Loan promises	115 300
Guarantees	1 497 934
Total	**7 372 672**

The Bank was not a warrantor or guarantor of any bonds in the first half of 2014 (there were no off-balance sheet liabilities in respect of bonds).

IX. Internal control system



Alior Bank S.A. has an internal control system which comprises all control processes that support management. The system is designed to support decision-making processes and thus to contribute to ensuring the achievement of the Bank's strategic objectives, operational effectiveness and efficiency, reliability of financial reporting, maintaining risks at acceptable levels, the safeguarding of assets, compliance with the law, internal regulations and good banking practices set out in the recommendations of the banking supervision, control over all units and areas of operation, efficient communication in cases of operational risks, quick identification and elimination of irregularities, mismanagement and fraud. The internal control system includes solutions relating to:

- internal procedures (policies, instructions, professional methodologies);
- controls (such as: the four eyes principle, the system of limits, independent counting, segregation of duties);
- organizational structure (e.g. segregation of roles and responsibilities, decision-making policies);
- identification and management of operational risk and non-compliance risk.

The internal control system at Alior Bank S.A. comprises institutional controls and functional controls. Institutional controls are carried out by employees of the Internal Audit Department and by consultants, both internal and external, after obtaining the relevant authorization from the Director of a given Department or the President of the Bank's Management Board. The Internal Audit Department is responsible for providing objective, independent evaluations of the areas audited, supporting the Bank's management processes by identifying and assessing significant risks and contributing to improving the risk management and control systems, the compliance of audit findings with the applicable law and the Bank's internal regulations, proper safeguarding of the audit documentation against unauthorized access.

The functional controls cover all management levels and every employee, all organizational units and all areas of the Bank's operations. They consist in the day-to-day analysis of the course and results of work of specific employees and teams. The main tasks of the functional controls include:

- checking whether the processes at the Bank are conducted as designed; analyzing whether the procedures are performed by employees with relevant competences and professional qualifications and whether there is a conflict of interests;
- monitoring the accuracy and correctness of records and financial reporting;
- checking compliance with internal regulations, including limits, physical access security measures, scopes of authorizations.

The functional controls are performed in the form of self-control, vertical and horizontal functional control and the automatic performance of processes executed by the IT systems.

Compliance risk management

Compliance risk management is aimed at minimizing the risk of being submitted to legal sanctions, incurring financial losses or losing reputation due to failure of the Bank, entities acting on its behalf (including subsidiaries) or its employees to comply with the provisions of the law, regulatory requirements, internal regulations and standards of conduct adopted by the Bank, including ethical standards. The Compliance Team ensures appropriate management of compliance risk, in particular:

- consistency of internal regulations, their conformity;
- identifies, monitors and reports risks related to the Bank's operations, including developing new business models, creating and offering products and services, and customer relationships which may be exposed to reputational risk;
- sets standards relating to: principles of ethical conduct of employees, managing conflicts of interest, monitoring and detecting irregularities in the area of employee transactions, handling confidential information, the Bank's operations covered by MiFID (Markets in Financial Instruments Directive):
- executes the tasks of data administrator, pursuant to the Personal Data Protection Act;
- monitors and tests compliance with internal regulations.

X. Rating

As part of preparing the Initial Public Offering Alior Bank S.A. committed itself, vis-à-vis the Polish Financial Supervision Authority, to immediately undertake actions aimed at acquiring a rating from a renowned international rating agency at the beginning of 2013. On 5 September 2013 Fitch Ratings Ltd. granted a BB rating to Alior Bank S.A. with a stable outlook. The rating was maintained at an unchanged level, in accordance with the appraisal from 19 May 2014.

The full rating granted to the Bank by Fitch is as follows:

1. Long-Term Foreign Currency IDR: BB with a stable perspective;
2. Short-Term Foreign Currency IDR: B;
3. National Long-Term Rating: BBB+(pol), stable perspective;
4. National Short-Term Rating: F2(pol);
5. Viability Rating (VR): bb;
6. Support Rating: 5;
7. Support Rating Floor: 'No Floor'.

Definitions of the Fitch ratings are available on the Agency's website: www.fitchratings.com, where the ratings, criteria and methodologies are also published.

XI. Corporate social responsibility

Relations with customers

From the beginning of its existence Alior Bank plays a lead role on the Polish market, maintaining high service quality standards, as confirmed by many prizes and awards. The Bank analyses and provides for the interests of its stakeholders in its firm development strategy, both when developing the product offer, building the distribution network, and employing specialists. The Bank's success is based on its organizational strategy aimed at addressing customer requirements through advisory services based on benefits and tailoring products to customer expectations.

On-going monitoring of the customer claims process enables the Bank to react and in justified cases to undertake repair action. The Bank enables its customers to ask questions and file claims electronically through the internet banking system. It is a convenient and easily accessible communication channel between the customers and the Bank, available 24 hours a day. Additionally, customers may file claims via a dedicated Call Centre and through the Bank's branches.

Relations with employees

With a view to maintaining good relations with employees, Alior Bank implemented a series of programmes enabling all employees to report and realize their own innovative ideas, which include:

- the iAlior portal – an innovative platform where employees may submit or comment on ideas on innovative products or services, and propose enhancements to existing processes or services. The platform is also used to share knowledge and experience submitted by customers. The Bank recruited people to test new products and solutions from among iAlior platform users.
- the ZineINC communication platform – Alior Bank as the first firm in Poland implemented an innovative multi-layer communication platform - ZineINC. The tool is used in the Bank's internal communications ensuring constant access to information to the Bank's employees at any place and time. This is enabled by mobile applications available for the iOS (iPhone + iPad) systems and Android (telephone + tablet) and on www pages. The use of functions known from social media enable the Bank's employees to actively use topical channels by monitoring information which is published there, adding comments, discussing and participating in competitions. They also are able to participate in creating particular channels and perform editorial functions.

Additionally, several training courses are organized for the Bank's employees. Each person newly-employed in a branch starts his/her work with introductory training. Such training is conducted in the Bank's especially adapted training centre and may last up to three weeks. New employees have a chance to better acquaint themselves with the organization, integrate and form relations. After beginning work each employee has a coach in the branch and a dedicated internal trainer. Alior Bank employees may participate in various types of training programs conducted both by internal and external trainers. The Bank conducts a wide range of training sessions– product, sales, general and many others. In the previous year employees participated in training sessions which lasted more than 300,000 hours.

Alior Bank cares for its employees and constantly develops optimal solutions to enable them to combine professional and private obligations. In 2014 the first crèches for working mothers were opened. The "Zaczarowany Melonik" crèches operate *inter alia* in Kraków, Warsaw and Gdańsk. The following children are accepted in the crèches: those of women who return to their jobs after maternity or childcare leave, and of men whose wives return to their jobs. Only this year further childcare facilities will be opened in Lublin, Poznań, Wrocław, and Łódź. Thanks to co-financing the fees are very attractive compared with other market offers.

Educational, cultural and charity activities

Alior Bank is a socially responsible corporation. In its operations it supports local communities and takes sponsoring and charity initiatives in which the Bank's employees actively participate. Year on year, more and more internal initiatives are connected with external actions aimed at improving the living standards of other people and helping the needy.

In March 2014, Alior Bank supported the action "Czytam w podróży … Herberta" ("When travelling I read… Herbert"), the idea of which was to promote readership and propagating the works of one of the most outstanding Polish poets of the 20th century. As part of its cooperation with the Zbigniew Herbert Foundation, the Bank's employees actively participated in the initiative, promoting the works of the author of "Mr Cogito" and encouraging people to read while travelling, both on their way to school, work and dream vacations.

In spring 2014 Alior Bank became partner of the action "Ojcowie na start" ("Fathers, get set") organized by the Parents' Association "Na Fali" ("Riding high"). The purpose of the event was to promote an active lifestyle among children and youngsters by participating in a bicycle race. Bank employees and their children, among others, participated in the race.

Additionally, the Alior Running Team initiated a running initiative "Bank challenge" during the Accreo Ekiden relay race, at the same time supporting the charity project of Kompania Wrażeń (Troop of Philanthropists) of the Bator Tabor Polska foundation. Alior Bank was represented by two teams which competed not only on the race track, but also in the value of funds collected with employees of other banks. The collected funds were earmarked for holiday trips for children with untreatable diseases.

Alior Bank also started cooperation with the "Wspólnota Pokoleń" ("Unifying Generations") Foundation, and became the sponsor of the Inter-generation Dialogue which is aimed, among other things, at promoting pro-democracy and freedom-supporting attitudes among the young generation through education, and supporting people and entities actively involved in actions commemorating Polish history.

Awards and honours

During the first six months of 2014 Alior Bank S.A. won a number of awards and honours. The most important include:

- **3 "Złoty Bankier 2013" awards won in 2013.** For the second time in a row Alior Bank won the "Best cash loan" award. Alior Sync – the virtual branch of Alior Bank (from May 2014 it has been operating under the new brand T-Mobile Usługi Bankowe (T-Mobile Banking Services provided by Alior Bank) received two statuettes in the categories "Best mobile banking" and "Best Internet payment method" in recognition of the innovativeness of the solutions offered by the Bank;
- the "**Best Bank in Poland in 2014"** title awarded by the international finance magazine "Global Finance". Alior Bank received the prestigious honourable mention in the annual ranking of financial institutions from developing countries as an institution which has best adapted its products and services to the specific characteristics of the Polish market;
- first place in the "**Europe Structured Product Awards 2014"** ranking, in the "Best in Product Performance in Poland" category. Alior Bank was appreciated by international experts from the StructuredRetailProducts.com service for above average investment results of the offered structured products;
- the "**Najlepszy Bank mały i średni 2013" ("Best SME Bank 2013")** title in the "Liderzy Świata Bankowości" ("Leaders of the Banking World") competition organized as part of the Banking Forum, one of the most important events in the banking and finance sector. Alior Bank was recognized as the best from among financial institutions with equity of up to PLN 3 billion;
- "**Superbrands 2013/14"** title – Alior Bank was awarded the title in two categories: finance and insurance, and business financial services. The awards granted to Alior Bank, confirmed by "Superbrands 2013/2014 Certificates" attest to the Bank's membership in the elite circle of strongest brands.

Additionally, on 21 March 2014 Alior Bank's shares were included in the WIG20 index. After no more than 15 months of its first listing, the Bank jointed the circle of twenty largest and most liquid public companies listed on the Polish exchange. Inclusion in the WIG20 index opened new development perspectives for Alior Bank and was an incentive to continue growth and increase the volume of trading in its shares.

XII. Controls applied in the process of preparing financial statements

The financial statements are prepared in the Financial Department in accordance with the accounting policy adopted by the Bank's Management Board and the organization of the Bank's accounting. The policy specifies the principles for recording business events at the Bank, which fairly and clearly reflect its financial position and results.
As a result of recording those events in accordance with the economic content, the Bank's books of account are created, which form the basis for preparing the financial statements.
In the process of preparing financial statements, the following risks were identified:

- risk of incorrect entry data;
- risk of incorrect presentation of data in the financial statements;
- risk of using incorrect estimates;

- risk of lack of integration of the IT systems and operating and reporting applications used by the Bank.

To limit the above-mentioned risks, the structure of the process of preparing the financial statements was defined, constituting two layers: the application and the factual layer.
The application part of the process consists of the flow of data from the Bank's operating systems through predefined interfaces to the mandatory reporting system database.
The application layer is subject to controls compliant with the operating system security policy used by the Bank.
The controls cover specifically:

- user management;
- management of the production and development environment;
- integrity of the data transfer systems, including the correctness of operation of the interfaces in terms of completeness of data transfer from operating systems to the reporting environment.

For the purpose of correct management of the process of preparing the financial statements a description of the process was prepared in accordance with the policies adopted by the Bank, which includes all the actions comprising the process and their operators. Moreover, the description indicates key control points. The key controls embedded in the process of preparing financial statements include, but are not limited to:

- controlling the quality of financial statements entry data, supported by the data control applications; a series of principles for ensuring correctness are defined in the applications, as well as the error correction path and strict monitoring of the quality of data;
- controlling mapping of the data from source systems to the financial statements, which ensures correct presentation of data;
- performing analytical reviews basing on specialist knowledge, aimed mainly at confronting the business knowledge held with the financial data and discovering potential signals about incorrect presentation of data or incorrect entry data.

A description of the estimates adopted by the Bank was included in the accounting policy. Estimates are made on the basis of professional judgment and specifying assumptions compliant with IAS/IFRS which have an impact on the presented revenues, costs, assets and liabilities as at the reporting date. However, uncertainty related to the professional judgment and estimates may cause the ultimate effects of the transactions to contribute to a change in the value of assets and liabilities.
To eliminate the risk of incorrect estimates, among other things, the following solutions were adopted:

- to estimate loan impairment the Bank uses models and processes approved by the Bank's Management Board; all models and processes are subject to embedded controls and periodical monitoring and validation, which enable verifying the models' functional assumptions, adequacy of parameters and correctness of implementation;
- to measure financial instruments quoted on active markets or which are measured based on such quotations – the required functionality was implemented in the basic systems, and additionally, controls were implemented to be operated by the market risk management unit;
- to measure financial instruments which are not quoted on active markets valuation models were implemented which had been independently checked beforehand and had been calibrated based on available quotations for these types of transactions;

- to estimate provisions for pension and disability pension one-off benefits – the preparation of estimates was commissioned to an independent actuary;
- to estimate the provision for employee and management bonuses – calculations are applied in accordance with the bonus regulations adopted by the Bank and the forecast of the Bank's results.

Accounting policies are described in detail in the Interim Consolidated Financial Statements, under "Accounting Policy".
The implemented organizational structure of the Bank enables segregating duties between the Front-office, Back-office, Risk and Finance. Additionally, implementation of appropriate internal controls compels the Bank to implement transaction and financial data control in the back office and support units. This area is assessed independently and objectively by the Internal Audit Department both in terms of adequacy of the internal control system and in terms of corporate governance.

XIII. Shareholders of Alior Bank S.A.

Shareholders of Alior Bank S.A.

The following are the shareholders of Alior Bank who hold more than 5% of the share capital as at 7 August 2014:

- Alior Lux S.a r. l. & Co S.C.A. together with Alior Polska Sp. z o.o. (Carlo Tassara Group);
- European Bank for Reconstruction and Development;
- Wellington Management Company LLP;
- Genesis Asset Managers LLP.

Shareholders with interest exceeding 5% of the Bank's shares as at 07.08.2014

Shareholder	Number of shares /votes	Nominal value of one share [PLN]	Interest in share capital	% share in total number of votes
Alior Lux S.a r.l. & Co. S.C.A. (together with z Alior Polska sp. z o.o.)	18 318 473	183 184 730	26.19%	26.19%
European Bank for Reconstruction and Development	5 614 035	56 140 350	8.027%	8.027%
Wellington Management Company, LLP	3 921 526	39 215 260	5.607%	5.607%
Genesis Asset Managers, LLP	3 853 644	38 536 440	5.51%	5.51%
Other shares	38 233 583	382 335 830	54.66%	54.66%
Total	69 941 261	699 412 610	100%	100%

In the period from the date of the previous periodic report the Management Board received notifications which indicate changes in the shareholdings exceeding 5% of the Bank's shares.
Pursuant to the notification received on 15 May 2014 the customers of Genesis Asset Managers, LLP took up 534 266 shares, which constitutes a 0.76-percent increase in their interest in the Bank. After the transaction conducted on the Warsaw Stock Exchange (Giełda Papierów Wartościowych w Warszawie S.A.) Genesis Asset Managers, LLP holds 3 853 644 of the Bank's shares representing 5.51% of the Bank's share capital and entitling to 2,637,942 (3.77%) votes at the General Shareholders' Meeting of the Bank.

On 3 July 2014, the Bank’s Management Board received a notification from Alior Lux S a.r.l. & Co. S.C.A., indicating that there was a change in interest held in the Bank due to transferring, 1 299 900 of the Bank’s shares to LuxCo 82 s.a.r.l. with its registered office in Luxembourg in connection with the settlement of the Alior Bank Management Incentive Scheme.

Shareholders who were members of the Bank’s Management Board as at 7.08.2014

Shareholder	Number of shares /votes	Par value of shares	Interest in share capital	% share in total number of votes
Wojciech Sobieraj	71 322	713 220	0.10%	0.10%
Katarzyna Sułkowska	2 851	28 510	0.00%	0.00%
Krzysztof Czuba	168	1 680	0.00%	0.00%
Witold Skrok	168	1 680	0.00%	0.00%
Michał Hucał	70	700	0.00%	0.00%

In the period from submitting the previous periodic report there were no changes in the number of Bank shares held by the Bank’s Management Board.

Shareholders who were members of the Bank’s Supervisory Board as at 7.08.2014

Shareholder	Number of shares /votes	Par value of shares	Interest in share capital	% share in total number of votes
Helene Zaleski	210 774	2 107 740	0.30%	0.30%
Małgorzata Iwanicz - Drozdowska	1 465	14 650	0.00%	0.00%

In the period from submitting the previous periodic report there were no changes in the number of Bank shares held by the Bank’s Supervisory Board.

Management option plan

On 13 December 2012, based on a power of attorney granted in the Resolution of the Supervisory Board of Alior Bank S.A. of 10 December 2012, preliminary allocation of A, B and C series Subscription Warrants was performed. The said Subscription Warrants entitle their holders to acquire the Bank's shares, in accordance with a Resolution of the General Shareholders' Meeting of Alior Bank S.A. no. 28/2012 of 19 October 2012 on the conditional increase of the Bank’s share capital and issue of subscription warrants. The Warrants were allocated as follows:

- Wojciech Sobieraj – 666,257 Warrants;
- Niels Lundorff – 366,437 Warrants;
- Krzysztof Czuba – 266,500 Warrants;
- Artur Maliszewski – 266,500 Warrants;
- Katarzyna Sułkowska – 266,500 Warrants;
- Witold Skrok – 266,500 Warrants.

The new incentive plan is also addressed to a group of the Bank’s key managers who are not Management Board members.

Principles of Incentive scheme performance plan have been determined in the Incentive Scheme Program adopted with a Resolution of the Supervisory Board of Alior Bank S.A.

Under the new incentive plan it is anticipated that three tranches of subscription warrants (A, B and C series) and the corresponding three tranches of new shares of the Bank (D, E and F series) with a total nominal value of up to PLN 33,312,500 will be issued, including:

- up to 1,110,417 A series subscription warrants, which shall entitle their holders to acquire up to 1,110,417 D series shares of the Bank starting in the period of five years from the first anniversary of the first quotation of the Bank's shares on the WSE;
- up to 1,110,416 B series subscription warrants, which shall entitle their holders to acquire up to 1,110,416 E series shares of the Bank starting in the period of five years from the second anniversary of the first quotation of the Bank's shares on the WSE;
- up to 1,110,417 C series subscription warrants, which shall entitle their holders to acquire up to 1,110,417 F series shares of the Bank starting in the period of five years from the third anniversary of the first quotation of the Bank's shares on the WSE.

The eligible persons will be able to take up subscription warrants on the condition that the change in the price of the Bank's shares at the WSE in the reference period (calculated as the difference between the Final Price of the Shares Offered and the average closing price from 30 trading session days preceding the first (for A series subscription warrants), second (for B series subscription warrants) or third (for C series subscription warrants) anniversary of the first quotation of the Bank's shares on the WSE) exceeds the change in the WIG-Banki index in the same period (calculated as the difference between the WIG-Banki index as at the day of the first quotation of the Bank's shares at the WSE and the average closing value of the WIG-Banki index from 30 trading session days preceding the day of the first, second or third anniversary of the first quotation of the Bank's shares at the WSE (as appropriate)).

The issue price of the shares shall amount to the average price of the Bank's shares in the Public Offering calculated by dividing the net proceeds from the Public Offering by the total number of Offered Shares allocated in the Public Offering, increased by 10% (in the case of D series Shares), 15% (in the case of E series shares) or 17.5% (in the case of F series shares).

The new management option plan will be settled in the same way as the original incentive plan (which is described below), i.e. it will affect the Bank's financial result as a component of employee costs and will be recognized, in the same amount, as an increase in equity under other capital – share-based payment – equity component. At the day of start of the plan its value amounted to PLN 24,692 thousand. In the first half of 2014 the cost in the amount of PLN 3.133 thousand was recognised.

As at 9 April, 2014 the Supervisory Board of the Bank adopted a resolution on approval of the final allocation of subscription warrants for the first period of evaluation within Incentive Scheme Program of Alior Bank S.A. Pursuant with the resolution 677,607 warrants A series was allocated, and granting of 298,147 has been deferred and shall depend entitled persons objectives being accomplished in the current year.

The original Incentive Plan

As a result of the settlement of the original incentive plan (determined on the basis of the agreement dated 25 August 2008) 105 Alior Bank managers, including Members of the Bank’s Management Board, received (indirectly, through LuxCo 82 s.a.r.l.) on 14 December 2012, 2,414,118 shares of Alior Bank. The remaining 1,299,909 of the Bank’s shares resulting from settling the previous incentive plan were transferred by the Carlo Tassara Group to LuxCo 82 s.a.r.l. on 30 June 2014. LuxCo 82 S.a.r.l. is a company operating under the Luxembourg law, controlled by the management of Alior Bank and

representing the interests of participants in the management incentive plan. The whole incentive plan realized by Luxco 82 covered 3,714,027 shares of Alior Bank S.A.
Members of the Management Board of Alior Bank S.A. are bound by a contractual lock-up in respect of up to 30% of the incentive shares over a period of 9 months, and in respect of 70% of the incentive shares by contractual lock-up over a period of 24 months as of 14 December 2012. Incentive shares vested in other plan participants who are not members of the Management Board, were subject to contractual lock-up, in respect of up to 30% of the incentive shares, until the end of January 2013, and to contractual lock-up over a period of 12 months as of 14 December 2012 in respect of up to 70% of the incentive shares.
Due to the partial expiry of the lock-ups, on 14 May 2013 LuxCo 82 s.a.r.l. sold block of 405,683 of the Bank's shares, on 1 October 2013 it sold another block of 678,856 shares, and on 31 March 2014. a further block of 1,171,474 of the Bank's shares.
After the transactions were completed, as at 30 June 2014 the shareholdings amounted to 1,458.012 shares representing 2.084% of the total number of votes at the General Shareholders' Meeting.

XIV. Alior Bank S.A.'s bodies

Management Board

Composition of the Bank's Management Board as at 30.06.2014	Composition of the Bank's Management Board as at 08.05.2014	Composition of the Bank's Management Board as at 31.03.2013
Wojciech Sobieraj - CEO	Wojciech Sobieraj - CEO	Wojciech Sobieraj - CEO
Krzysztof Czuba - Deputy CEO	Krzysztof Czuba - Deputy CEO	Krzysztof Czuba - Deputy CEO
Michał Hucał - Deputy CEO	Michał Hucał - Deputy CEO	Michał Hucał - Deputy CEO
Witold Skrok - Deputy CEO	Witold Skrok - Deputy CEO	Niels Lundorff - Deputy CEO
Katarzyna Sułkowska - Deputy CEO	Katarzyna Sułkowska - Deputy CEO	Artur Maliszewski - Deputy CEO
		Witold Skrok - Deputy CEO
		Katarzyna Sułkowska - Deputy CEO

In the period from the date of the last interim report, there were no changes in the composition of the Bank's Management Board. On 9 April 2014 Mr Niels Lundorff and Mr Artur Maliszewski submitted a resignation from applying for the election for further 3 year term of office of the Management Board of the Bank, beginning 21 April 2014. At the same time on 9 April 2014, the Bank's Supervisory Board adopted a resolution on appointment of the Members of Management Board of the Bank for the next term of office:
Mr Wojciech Sobieraj for the post of CEO,
Mr Krzysztof Czuba for the post of Deputy CEO,
Mr Michał Hucał for the post of Deputy CEO,

Mr Witold Skrok for the post of Deputy CEO,
Mrs Katarzyna Sułkowska for the post of Deputy CEO.

Description of the Management Board activities in the first half of 2014 In the first half of 2014 the Management Board held 21 meetings and passed 193 resolutions, which, among other things, related to: approval of the Assets and Liabilities Management Policy in the years 2014-2016, Principles for trading in financial instruments by employees, Capital Adequacy and Other Information Publishable by the Alior Bank S.A. Group as at 31.12.2013, changes in the Credit Exposures Portfolio Risk Policies, and approval of requests for financing.

Supervisory Board

Composition of the Bank's Supervisory Board:

Composition of the Bank's Supervisory Board as at 30.06.2014		Composition of the Bank's Supervisory Board as at 31.03.2014	
Helene Zaleski	- Chair of the Supervisory Board	Helene Zaleski	- Chair of the Supervisory Board
Małgorzata Iwanicz-Drozdowska	- Deputy Chair of the Supervisory Board	Małgorzata Iwanicz-Drozdowska	- Deputy Chair of the Supervisory Board
Marek Michalski	- Member of the Supervisory Board	Marek Michalski	- Member of the Supervisory Board
Krzysztof Obłój	- Member of the Supervisory Board	Krzysztof Obłój	- Member of the Supervisory Board
Lucyna Stańczak – Wuczyńska	- Member of the Supervisory Board	Lucyna Stańczak – Wuczyńska	- Member of the Supervisory Board
Sławomir Dudzik	- Member of the Supervisory Board	Sławomir Dudzik	- Member of the Supervisory Board

In the period from the date of the last interim report, there were no changes in the composition of the Bank's Supervisory Board.

Description of activities of the Supervisory Board in the first half of 2014
In the first half of the financial year 2014 the Supervisory Board held four meetings and passed 54 resolutions relating to, among other things, introducing changes to the "Operational Risk Management Policy in Alior Bank S.A.", updating the regulations for creating and using supplementary capital of Alior Bank S.A., updating the Regulations of the Audit Committee, accepting the proposal of the Management Board as to the appropriation of the Bank's operating profit for 2013 and offsetting prior years' losses, approving the updated contents of the "Regulations for proceeding with related entities, taking into consideration entities related to Alior Bank S.A.", and approving the Management Board Resolutions on granting financing.
Supervisory Board committees
In accordance with the Articles of Association and the Regulations of the Supervisory Board, the Supervisory Board may – by way of a resolution – establish permanent and ad hoc committees. In such an instance the Supervisory Board determines the regulations of such a committee, its composition and objectives.
The Remuneration Committee was established pursuant to a resolution of the Supervisory Board dated 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 Resolution no. 258/2011 of PFSA dated 4 October 2011 which came into force on 31 December 2011. The Remuneration Committee:

- 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;
- gives its opinion on the acceptability of paying variable compensation components in the part relating to deferred payment terms of such components;
- gives its opinion and monitors variable compensation payable to persons holding managerial positions in the Bank, related to risk management and the Bank's compliance with the binding legal regulations and internal regulations;
- gives its opinion on the classification of positions which is subject to the variable compensation components policy;
- appraises the pursuit of individual goals of persons covered by the policies of the Incentive Plan of Alior Bank SA. and presents recommendations relating to granting subscription warrants under the plan.

The Remuneration Committee is composed of:

Helene Zaleski
Krzysztof Obłój (from 4 February 2014)
Marek Michalski

In 2014 the Remuneration Committee met once, on 19 March. Decisions as to submitting to the Supervisory Board of Alior Bank S.A. its opinions on the list of persons covered by the Management Incentive Program were taken and the persons covered by the variable compensation components policy were appraised at the meeting.

The Audit Committee of the Supervisory Board was established on 30 July 2013, pursuant to 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:

- monitors the process of financial reporting;
- monitors the effectiveness of internal control, internal audit and risk management systems;
- monitors the performance of financial audit activities;
- monitors the independence of the registered auditor and the registered audit company.

The Internal Audit Committee of the Supervisory Board comprises the following persons:
Helene Zaleski (Chair)
Prof. Małgorzata Iwanicz-Drozdowska
Lucyna Stańczak-Wuczyńska

In the first half of 2014 the Audit Committee of the Supervisory Board held three meetings (on 4 February, 19 March and 4 June 2014, and as part of the meeting of the Supervisory Board on 9 April 2014), at which it acquainted itself with the reports of the Internal Audit Department; the report from an independent review of the audit function conducted by an external company and the report of the Bank's auditor relating to the results of the audit of the financial statements for the financial year 2013. The auditor confirmed its independence vis-à-vis the terms and conditions and operating policies applicable to Poland.

General Shareholders' Meeting

General Shareholders' Meetings in the first half of 2014
In the first half of 2014 two General Shareholders' Meetings were held.
The first extraordinary General Shareholders' Meeting (23 January 2014), apart from order resolutions, passed resolutions on the organized part of the enterprise and on changes to the composition of the Bank's Supervisory Board, and the appointment of Mr Sławomir Dudzik to the Board.

At the second General Shareholders' Meeting (15 May 2014), apart from the order resolutions, resolutions were passed on issues regarding the closing of the 2013 accounts and on the approval of: the Bank's financial statements, the Group's financial statements, the Bank Directors' Report, the Group Directors' Report, the manner for appropriation of profit and granting a vote of approval to all Members of the Bank's Management Board and Supervisory Board.

Registered audit company

In respect of the review of the condensed semi-annual financial statements for the period from 1 January to 30 June 2014 and the audit of the annual financial statements for 2014, Alior Bank S.A. and the Alior Bank S.A. Group use the services of the audit firm PricewaterhouseCoopers Spółka z ograniczoną odpowiedzialnością (limited liability company) with its registered office in Warsaw, al. Armii Ludowej 14, 00-638 Warsaw, entered in the register of audit companies with the number 144. The Resolution on appointing the registered audit company was passed by the Supervisory Board on 4 April 2014. The contract was signed for the period necessary to perform the audit.

XV. Basic factors and operational risks which may have an impact on the results achieved in the second half of 2014

According to the Bank, the basic factors and operational risks which may have an impact on the results achieved in the second half of 2014 comprise:

- The condition of the market measured with the GDP. In the 1st quarter of 2014, GDP increased by 3.4% compared with the same period of 2013 (this was the highest increase since the 1st quarter of 2012, when the increase was 3.7%). In accordance with the data published by the Central Statistical Office (GUS), this increase was achieved mainly as a result of the positive impact of domestic demand, with lower, although still positive, impact of international demand. Economists and analysts (on the basis of data on business activities in Poland and information from the German economy) indicate the possibility of ending the process of coming out of low GDP increases in further quarters of the year. This scenario may have an unfavourable impact on the level of demand for banking products and services both on the part of retail customers and corporations.
- There is pressure on not increasing, or even further reducing interest rates in Poland, which results, among other things, in:

- a record low in EU interest rates (in June 2014 the European Central Bank reduced the reference rate to 0.1%, and the interest rate on deposits after the reduction is negative and amounts to 0.1%), which may lead to an increase in the value of the PLN and have a negative impact on Polish exporters;
- the extended conflict in Ukraine, which may have a negative impact on the condition of many Polish industries;
- the maintained low inflation level, which could lead to deflation. In May 2014, the consumer price index amounted to 0.2% (compared with 0.3% in the prior month). Compared with April 2014 the prices of consumer goods and services dropped by 0.1%.

The potential decrease in interest rates leads to a further drop in lending margins, leading to – together with the banks' price competition on the deposits market – pressure on net interest margin.

- The risk of slowing down the rate of economic growth both in Poland and in other European countries, in the event of further escalation of the conflict in Ukraine, specifically arising as a result of Russia imposing import restrictions on goods from the European Union.
- Selective impact of the improving economic conditions on the financial position of enterprises in some industries, which in effect may increase the probability of the need for the Bank to record impairment allowances on its loan receivables.
- Implementation of Recommendation U. On 29 May 2014 the Polish Financial Supervision Authority submitted an updated version of Recommendation U on good bancassurance practices for further consultations. The draft recommendation is currently being comprehensively analysed, in particular in terms of changes which have to be made in the Bank's current business model and the resultant necessary implementation activities which cover, among other things: banker training, changes to processes / orders or updating the price policy.

XVI. Management representations

Appointing the registered auditor

The registered audit company reviewing the semi-annual financial statements of the Alior Bank Group was appointed in accordance with the legal regulations. The registered audit company and the independent registered auditors performing the audit met the requirements for issuing an unbiased and independent opinion from the review, in accordance with the respective legal regulations and professional standards.

Policies adopted in the preparation of financial statements

The Management Board of the Bank represents that to its best knowledge, the consolidated financial statements for the first half of 2014 and the comparative figures have been prepared in accordance with the binding accounting policies and they reflect in a true, fair and clear manner the Alior Bank Group's asset and financial position, and its results of operations. The Directors' Report included in this document reflects the true achievements, development and position of the Alior Bank Group, including a description of its basic risks, in the first half of 2014.

Material contracts

During the reporting period, the Bank had commitments following from debt securities issued, including in particular subordinated Bank Securities and other financial instruments.
In the first half of 2014, the Bank did not conclude or terminate any loan or borrowing contracts outside the normal scope of its business activities.
The Bank Group entities did not grant any loan warranties or guarantees to one entity or a subsidiary of that entity, which would jointly exceed 10% of the Bank's equity, apart from standard business activity of the Bank.

Court proceedings in progress

In cases relating to business customers, the number of executory titles issued by the Bank in the first half of 2014 amounted to 572 and related to debt with a total value of PLN 189 956 thousand.
With reference to retail customers, in the first half of 2014 the Bank issued 8,736 bank executory titles of a total value of PLN 133 237.37 thousand.

The value of proceedings relating to liabilities or receivables of Alior Bank in progress in the first half of 2014 did not exceed 10% of Alior Bank's equity.
In the Bank's opinion, neither single court, arbitration court or public administration body proceedings in progress in the first half of 2014, or all the proceedings jointly could threaten the Bank's financial liquidity.

Signatures of all Members of the Management Board

6.08.2014	*Wojciech Sobieraj* *President of the* *Management Board*	.... *Signature*
6.08.2014	*Krzysztof Czuba* *Vice President of the Board*	.... *Signature*
6.08.2014	*Michał Hucał* *Vice President of the Board*	.... *Signature*
6.08.2014	*Witold Skrok* *Vice President of the Board*	.... *Signature*
6.08.2014	*Katarzyna Sułkowska* *Vice President of the Board*	.... *Signature*