IMPORTANT NOTICE

THIS DOCUMENT IS AVAILABLE ONLY TO INVESTORS WHO ARE (1) QUALIFIED INSTITUTIONAL BUYERS ("QIBS") AS DEFINED IN RULE 144A UNDER THE US SECURITIES ACT OF 1933, AS AMENDED (THE "US SECURITIES ACT"), OR (2) OUTSIDE THE UNITED STATES IN COMPLIANCE WITH REGULATION S UNDER THE US SECURITIES ACT ("REGULATION S").

IMPORTANT: You must read the following before continuing. The following applies to the document following this page (the "**Document**"), and you are therefore advised to read this notice carefully before reading, accessing or making any other use of the Document. In accessing the Document, you agree to be bound by the following terms and conditions, including any modifications to them any time you receive any information from Alior Bank S.A. (the "**Company**"), Goldman Sachs International ("**Goldman Sachs**"), J.P. Morgan Securities plc ("**J.P. Morgan**"), Bank Zachodni WBK S.A. ("**BZWBK**") or Powszechna Kasa Oszczędności Bank Polski S.A. Oddział – Dom Maklerski PKO Banku Polskiego w Warszawie ("**PKOBP**") (each an "**Offer Manager**" and together the "**Offer Managers**") as a result of such access.

IF YOU ARE NOT THE INTENDED RECIPIENT OF THIS ELECTRONIC TRANSMISSION, PLEASE DO NOT DISTRIBUTE OR COPY THE INFORMATION CONTAINED IN THIS ELECTRONIC TRANSMISSION, BUT INSTEAD DELETE AND DESTROY ALL COPIES OF THIS ELECTRONIC TRANSMISSION.

NOTHING IN THIS ELECTRONIC TRANSMISSION CONSTITUTES AN OFFER OF SECURITIES FOR SALE IN ANY JURISDICTION WHERE IT IS UNLAWFUL TO DO SO. THE SECURITIES DESCRIBED HEREIN HAVE NOT BEEN AND WILL NOT BE REGISTERED UNDER THE US SECURITIES ACT, OR THE SECURITIES LAWS OF ANY STATE OR OTHER JURISDICTION OF THE UNITED STATES AND SUCH SECURITIES MAY NOT BE OFFERED, SOLD, PLEDGED OR OTHERWISE TRANSFERRED DIRECTLY OR INDIRECTLY IN, INTO OR WITHIN THE UNITED STATES, EXCEPT PURSUANT TO AN EXEMPTION FROM, OR IN A TRANSACTION NOT SUBJECT TO, THE REGISTRATION REQUIREMENTS OF THE US SECURITIES ACT AND APPLICABLE STATE SECURITIES LAWS. THERE WILL BE NO PUBLIC OFFERING OF SUCH SECURITIES IN THE UNITED STATES.

THE FOLLOWING DOCUMENT IS BEING FURNISHED TO YOU SOLELY FOR YOUR INFORMATION AND YOU ARE NOT AUTHORISED TO, AND YOU MAY NOT, FORWARD OR DELIVER THE DOCUMENT, ELECTRONICALLY OR OTHERWISE, TO ANY PERSON OR REPRODUCE THE DOCUMENT IN ANY MANNER WHATSOEVER. ANY FORWARDING, DISTRIBUTION OR REPRODUCTION OF THE FOLLOWING DOCUMENT IN WHOLE OR IN PART IS UNAUTHORISED. FAILURE TO COMPLY WITH THIS DIRECTIVE MAY RESULT IN A VIOLATION OF THE US SECURITIES ACT OR THE APPLICABLE LAWS OF OTHER JURISDICTIONS. IF YOU HAVE GAINED ACCESS TO THIS TRANSMISSION CONTRARY TO ANY OF THE FOREGOING RESTRICTIONS, YOU ARE NOT AUTHORISED AND WILL NOT BE ABLE TO PURCHASE ANY OF THE SECURITIES DESCRIBED THEREIN.

THE FOLLOWING DOCUMENT IS ADDRESSED TO AND DIRECTED AT PERSONS IN MEMBER STATES OF THE EUROPEAN ECONOMIC AREA ("MEMBER STATES") WHO ARE "QUALIFIED INVESTORS" WITHIN THE MEANING OF ARTICLE 2(1)(E) OF THE PROSPECTUS DIRECTIVE (DIRECTIVE 2003/71/EC AS AMENDED (INCLUDING AMENDMENTS BY DIRECTIVE 2010/73/EU TO THE EXTENT IMPLEMENTED IN THE RELEVANT MEMBER STATE)) ("QUALIFIED INVESTORS").

In addition, this electronic transmission and the Document is only directed at, and being distributed:

(A) in the United Kingdom, to persons: (i) who have professional experience in matters relating to investments and who fall within the definition of "investment professionals" in Article 19(5) of the Financial Services and Markets Act 2000 (Financial Promotion) Order 2005 (as amended) (the "Order") or who fall within Article 49 of the Order; and (ii) are "qualified investors" as defined in section 86 of the Financial Services and Markets Act 2000, as amended; and (B) any other persons to whom it may otherwise be lawfully communicated (together all such persons being referred to as "relevant persons"). This electronic transmission and the Document must not be acted on or relied on: (a) in the United Kingdom, by persons who are not relevant persons; and (b) in any Member State by persons who are not Qualified Investors. Any investment or investment activity to which the Document relates is available only to: (1) in the United Kingdom, relevant persons; and (2) in any Member State, Qualified Investors and other persons who are permitted to subscribe for the Ordinary Shares described therein pursuant to an exemption from the Prospectus Directive and other applicable legislation, and will only be engaged in with such persons.

Confirmation of your Representation: In order to be eligible to view the Document or make an investment decision with respect to the securities, investors: (1) must be (a) QIBs; or (b) outside the United States transacting in an offshore

transaction (in accordance with Regulation S); (2) if located in the United Kingdom, must be relevant persons; and (3) if located in any Member State, must be Qualified Investors. By accepting this e-mail and accessing the Document, you shall be deemed to have represented to the Company and each of the Offer Managers that: (1) you have understood and agree to the terms set out herein; (2) you and any customers you represent are (a) QIBs; or (b) outside the United States and the e-mail address to which this e-mail and the Document has been delivered is not located in the United States; (3) if you are located in the United Kingdom, you and any customers you represent are relevant persons; (4) if you are located in any Member State, you and any customers you represent are Qualified Investors; (5) you consent to delivery of the Document and any amendments or supplements thereto by electronic transmission; and (6) you acknowledge that this electronic transmission and the Document is confidential and intended only for you and you will not transmit the Document (or any copy of it or part thereof) or disclose, whether orally or in writing, any of its contents to any other person.

You are reminded that the Document has been delivered to you or accessed by you on the basis that you are a person into whose possession it may be lawfully delivered in accordance with the laws of the jurisdiction in which you are located and you may not, nor are you authorized to, deliver or disclose the contents of the Document to any other person.

The materials relating to the offering described in the Document do not constitute, and may not be used in connection with, an offer or solicitation in any place where offers or solicitations are not permitted by law.

No action has been or will be taken in any jurisdiction by the Company or any of the Offer Managers that would, or is intended to, permit a public offering of the securities described in the Document, or possession or distribution of a prospectus (in preliminary, proof or final form) or any other offering or publicity material relating to those securities, in any country or jurisdiction where action for that purpose is required. If a jurisdiction requires that the offering be made by a licensed broker or dealer and the Offer Managers or any of their respective affiliates is a licensed broker or dealer in that jurisdiction, the offering shall be deemed to be made by the Offer Managers or such affiliate on behalf of the Company in such jurisdiction.

The Document has been sent to you or accessed by you in an electronic form. You are reminded that documents transmitted via this medium may be altered or changed during the process of electronic transmission and consequently, none of the Company, any of the Offer Managers or any of their respective affiliates, directors, officers, employees, representatives and agents or any other person controlling the Company, any of the Offer Managers or any of their respective affiliates accepts any liability or responsibility whatsoever, whether arising in tort, contract or otherwise which they might have in respect of this electronic transmission, the Document or the contents thereof, or in respect of any difference between the document distributed to you in electronic format and the hard copy version that will be provided to you at a later date or is available to you on request from the Company or any Offer Managers. Please ensure that your copy is complete.

If you receive the Document by e-mail, you should not reply to the e-mail. Any reply e-mail communications, including those you generate by using the "Reply" function on your e-mail software, will be ignored or rejected. If you receive the Document by e-mail, your use of this e-mail is at your own risk and it is your responsibility to take precautions to ensure that it is free from viruses and other items of a destructive nature.

The date of this Offering Circular is May 19, 2016, as supplemented on May 23, 2016



ALIOR BANK S.A.

(*a joint stock company incorporated and organized under the laws of the Republic of Poland with its registered office at ul. Łopuszańska 38D, 02-232 Warsaw, entered in the business register of the National Court Register under no. 0000305178*)

Offering of 56,550,249 series I ordinary bearer shares with a nominal value of PLN 10.00 each (the "Offer Shares") and application for admission and introduction to trading on the regulated market (main market) operated by the Warsaw Stock Exchange of 72,707,463 pre-emptive rights to Offer Shares, 56,550,249 rights to the Offer Shares and 56,550,249 Offer Shares.

The offering of Offer Shares is being undertaken through the issue, on the basis of pre-emptive rights and by way of a public offering in the territory of the Republic of Poland ("**Public Offering**") of 56,550,249 series I ordinary bearer shares with a nominal value of Polish zloty ("**PLN**") 10.00 each (the "**Offer Shares**") by Alior Bank S.A. with its registered office in Warsaw, a joint-stock company incorporated and organized under Polish law ("**Alior Bank**", the "**Bank**" or the "**Company**").

As of the date of this offering circular, as supplemented (the "**Offering Circular**"), 72,707,463 ordinary bearer shares issued by the Company are listed on the regulated market (main market) of the WSE.

The Company has published a Polish language prospectus in Poland in the form of a tripartite prospectus (the "**Prospectus**"), as defined by article 5(3) of Directive 2003/71/EC of the European Parliament and of the Council of 4 November 2003 on prospectuses to be published when securities are offered to the public or admitted to trading and amending Directive 2001/34/EC of 3 December 2003, as amended (the "**Prospectus Directive**"), and the Polish Act on Public Offering, Conditions Governing the Introduction of Financial Instruments to Organized Trading, and Public Companies of 29 July 2005 (the "**Public Offering Act**"). The Prospectus was approved by the Polish Financial Supervision Authority (*Komisja Nadzoru Finansowego*) (the "**PFSA**") on May 18, 2016 and will not be submitted to and will not be approved by any other supervisory authority in any country other than Poland. The Company intends to use the Prospectus to apply for admission and introduction to trading on the regulated market (main market) operated by the Warsaw Stock Exchange ("**WSE**") of 72,707,463 pre-emptive rights to the Offer Shares ("**Pre-emptive Rights**"), 56,550,249 rights to the Offer Shares ("**Rights to Shares**") and 56,550,249 Offer Shares.

The Offer Shares are being offered and sold (i) pursuant to the Prospectus, in a public offering in Poland to retail investors (the "**Polish Retail Offer**") and to institutional investors (the "**Polish Institutional Offer**" and, together with the Polish Retail Offer, the "**Polish Offering**") in reliance on Regulation S ("**Regulation S**") under the United States U.S. Securities Act of 1933, as amended (the "**U.S. Securities Act**") and (ii) pursuant to the Offering Circular (a) outside the United States and Poland, to certain institutional investors in reliance on Regulation S and (b) in the United States to certain qualified institutional buyers ("**QIBs**") as defined in Rule 144A under the U.S. Securities Act or pursuant to another exemption from the registration requirements of the U.S. Securities Act (the "**International Offering**", and together with the Polish Offering, the "**Offering**").

This Offering Circular has been prepared in connection with the International Offering only and will not be approved by the PFSA or any other supervisory authority, including any authority having jurisdiction in the territory where the limited promotional activities of the International Offering will be carried out. Under the laws of Poland, the Offering Circular: (a) is considered solely as promotional material; and (b) does not in any way constitute an offer, invitation or any basis for making a decision regarding an investment in the Offer Shares.

On May 18, 2016, the Management Board of the Company, in agreement with the Offer Managers, determined the final number of the Offer Shares that will be offered for subscription in the Offering to be 56,550,249 and determined the number of the Offer Shares per Pre-emptive Right to be 0.77777777778 Offer Shares per Pre-emptive Right.

On May 18, 2016, the Management Board of the Company, in agreement with the Offer Managers, determined the issue price for the Offer Shares to be PLN 38.90 per Offer Share (the "**Issue Price**"), as announced by the Company in the current report no.37/2016 published in Poland on the same date.

The date of record for shareholders to be on the Company's shareholder register to receive Pre-emptive Rights will be 23 May 2016 (the "**Record Date**").

The number of Offer Shares that may be subscribed for was set at 7 Offer Shares for every 9 existing shares. The Management Board of the Company will allocate, at its own discretion, the Offer Shares unsubscribed for following exercise of the Pre-Emptive Rights or under additional subscriptions made by the shareholders ("**Additional Subscription**"), to persons that subscribed for such Offer Shares in response to the Management Board's prior invitation. The Management Board will, subject to the terms of the Underwriting Agreement (as defined herein), invite investors to file subscriptions and will allocate the Offer Shares unsubscribed for following exercise of the Pre-Emptive Rights or under Additional Subscriptions to the subscribers procured by the Offer Managers or failing which, to the Offer Managers themselves.

An investment in the Offer Shares involves significant risks inherent to publicly-traded equity securities and risks connected with the Company's operations and its business environment. Prospective investors should read the whole of this Offering Circular and, in particular, "Risk Factors" on page 31 for a discussion of certain risks and other factors that should be considered in connection with an investment in the Offer Shares.

The contents of this Offering Circular are not to be construed as legal, financial or tax advice. Each potential investor should consult its own legal advisor or independent financial or tax advisor for legal, financial or tax advice and should not rely exclusively on the legal, financial or tax information contained in this Offering Circular.

This Offering Circular does not constitute an offer to subscribe for, or a solicitation of an offer to subscribe for, Offer Shares by persons in any jurisdiction in which the making of such offer or solicitation to such person would be illegal. The Public Offering of the Offer Shares is being conducted exclusively within Poland. This Offering Circular has not been registered, approved or submitted to any regulatory body in any jurisdiction. The Offer Shares have not been registered or approved, nor are they the subject of a notification submitted to any regulatory body in any jurisdiction other than Poland.

THE OFFER SHARES HAVE NOT BEEN AND WILL NOT BE REGISTERED UNDER THE U.S. SECURITIES ACT OR BY ANY SECURITIES REGULATORY AUTHORITY OF ANY STATE OR OTHER JURISDICTION OF THE UNITED STATES OF AMERICA OR SUBJECT TO THE JURISDICTION OF THE UNITED STATES OF AMERICA, AND MAY NOT BE OFFERED, SOLD, PLEDGED OR OTHERWISE TRANSFERRED WITHIN THE UNITED STATES EXCEPT PURSUANT TO AN EXEMPTION FROM, OR IN A TRANSACTION NOT SUBJECT TO, THE REGISTRATION REQUIREMENTS OF THE U.S. SECURITIES ACT, SUBJECT TO COMPLIANCE WITH THE APPLICABLE SECURITIES LAWS IN EFFECT IN ANY STATE OR OTHER JURISDICTION OF THE UNITED STATES OF AMERICA. INVESTORS WHO ARE QUALIFIED INSTITUTIONAL BUYERS ARE HEREBY NOTIFIED THAT THE ENTITIES OFFERING THE OFFER SHARES MAY BENEFIT FROM THE EXEMPTION FROM THE REQUIREMENTS OF ARTICLE 5 OF THE U.S. SECURITIES ACT IN RELIANCE ON RULE 144A UNDER THE U.S. SECURITIES ACT. OUTSIDE THE UNITED STATES OF AMERICA, THE OFFER SHARES ARE BEING OFFERED IN RELIANCE ON REGULATION S UNDER THE U.S. SECURITIES ACT. THE OFFER SHARES ARE SUBJECT TO CERTAIN RESTRICTIONS CONCERNING THEIR OFFERING, SALE AND SUBSCRIPTION AND THE POSSIBILITY TO OFFER, PLACE SUBSCRIPTION ORDERS AND DISPOSE OF THE SAME. FOR A DETAILED DESCRIPTION OF THESE SELLING AND TRANSFER RESTRICTIONS, PLEASE SEE SECTIONS "SELLING RESTRICTIONS" ON PAGE 433 AND "TRANSFER RESTRICTIONS" ON PAGE 437. NEITHER THE UNITED STATES SECURITIES AND EXCHANGE COMMISSION NOR ANY SECURITIES COMMISSION IN ANY STATE OR OTHER JURISDICTION IN THE UNITED STATES OF AMERICA HAS APPROVED OR DISAPPROVED THE OFFERING OF THE OFFER SHARES OR PASSED UPON THE ADEQUACY OR ACCURACY OF THIS OFFERING CIRCULAR. ANY REPRESENTATION TO THE CONTRARY IS A CRIMINAL OFFENCE.

Prior to the date that the increase in the share capital of the Company as a result of the issue of the Offer Shares has been registered with the National Depository for Securities ("**NDS**"), such Offer Shares will be represented by Rights to Shares and will be delivered to investors through the book entry facilities of the NDS. Upon the share capital increase and the registration of the Offer Shares with the NDS, the Rights to Shares will expire and the accounts of investors holding Rights to Shares on that date will be automatically credited with the Offer Shares at a ratio of one Offer Share per one Right to Share. It is expected that the listing of the Rights to Shares on the WSE will start about one week from the final allotment of the Offer Shares. It is expected that the listing of the Offer Shares on the WSE will commence about one month from the allotment of the Offer Shares.

Joint Global Coordinators, Joint Bookrunners and Joint Underwriters

Goldman Sachs International | **J.P. Morgan** | **Bank Zachodni WBK**

also as the Offering Agent

Local Joint Bookrunner and Joint Underwriter

Dom Maklerski PKO Banku Polskiego

NOTICE TO OVERSEAS SHAREHOLDERS AND CERTAIN INVESTORS

The Offer Shares are subject to selling and transfer restrictions in certain jurisdictions. Investors should be aware that they may be required to bear the financial risks of this investment for an indefinite period of time. Prospective investors should read the restrictions described in "Selling Restrictions" and "Transfer Restrictions" of this Offering Circular. Each investor in the Offer Shares will be deemed to have made the relevant representations described therein.

The distribution of this Offering Circular and the Offering in certain jurisdictions may be restricted by law. No action has been or will be taken by the Company, Management Board, Supervisory Board, the Offer Managers or any such person's affiliates to permit a public offering of the Offer Shares or to permit the possession or distribution of this Offering Circular (or any other offering or publicity materials relating to the Offer Shares) in any jurisdiction where action for that purpose may be required. Accordingly, neither this Offering Circular nor any other offering material may be distributed or published in any jurisdiction except under circumstances that will result in compliance with any applicable laws and regulations. Persons into whose possession this Offering Circular comes should inform themselves about and observe any such restrictions. Any failure to comply with these restrictions may constitute a violation of the securities laws of any such jurisdiction. For further information on the manner of distribution of the Offer Shares, and the transfer restrictions to which they are subject, see "Selling Restrictions" and "Transfer Restrictions" sections of this Offering Circular.

In particular, no actions have been taken to allow for a public offering of the Offer Shares under the applicable securities laws of any jurisdiction including Australia, Canada, Japan or the United States. This Offering Circular does not constitute or form part of any offer to sell or issue, or any invitation or solicitation of an offer to buy Offer Shares to any person in any jurisdiction to whom or in which such offer or solicitation is unlawful.

Notice in connection with Member States of the European Economic Area

This Offering Circular has been prepared on the basis that all offers of Offer Shares will be made pursuant to an exemption under the Prospectus Directive, as implemented in Member States of the European Economic Area (the "**EEA**"), from the requirement to produce a prospectus for offers of shares. Accordingly, any person making or intending to make any offer within the EEA of Offer Shares which are included in the Offering contemplated in this Offering Circular should only do so in circumstances in which no obligation arises for the Company or any of the Offer Managers to produce a prospectus for such offer. None of the Company and the Offer Managers have authorised, nor will they authorise, the making of any offer of Offer Shares through any financial intermediary, other than offers made by Offer Managers which constitute the final placement of Offer Shares contemplated in this Offering Circular.

Notice to United Kingdom Investors

In the United Kingdom, this Offering Circular is only addressed to and directed to Qualified Investors who are: (i) investment professionals falling within Article 19(5) of the Financial Services and Markets Act 2000 (Financial Promotion) Order 2005 (the "**FP Order**"); (ii) high net worth companies and other persons falling within Article 49(2)(a) to (d) of the FP Order; or (iii) other persons who fall within an exemption in the FP Order and to whom this document can lawfully be communicated. The persons specified in (i), (ii) and (iii) above are collectively referred to as "**Relevant Persons**". The Offer Shares are only available in the United Kingdom to, and any invitation, offer or agreement to subscribe, purchase or otherwise acquire the Offer Shares in the United Kingdom will be engaged in only with, Relevant Persons. Any person in the United Kingdom who is not a Relevant Person should not act or rely on this Offering Circular or any of its contents.

Notice to United States Investors

The Offer Shares have not been, and will not be, registered under the United States Securities Act of 1933, as amended (the "**Securities Act**"), or the securities laws of any state or other jurisdiction of the United States. The Offer Shares offered by this Offering Circular may not be offered or sold in the United States, except to qualified institutional buyers ("**QIBs**") as defined in, and in reliance on, Rule 144A under the Securities Act ("**Rule 144A**") or pursuant to another exemption from, or in a transaction not subject to, the registration requirements of the Securities Act. Offer Shares are being offered and sold outside the United States in reliance on Regulation S under the Securities Act ("**Regulation S**"). Prospective investors are hereby notified that the sellers of the Offer Shares may be relying on the exemption from the provisions of section 5 of the Securities Act provided by Rule 144A of the Securities Act or pursuant to another exemption from, or in a transaction not subject to, the registration requirements of the Securities Act.

The Offer Shares offered by this Offering Circular have not been approved or disapproved by the United States Securities and Exchange Commission, any state securities commission in the United States or any other United States regulatory authority, nor have any such authorities passed upon, or endorsed the merits of, the Offering or the accuracy of this Offering Circular. Any representation to the contrary is a criminal offence in the United States.

IMPORTANT INFORMATION

Reliance on this Offering Circular

This Offering Circular is confidential and does not constitute an offer to sell or the solicitation of an offer to buy any security other than the Offer Shares offered hereby, and does not constitute an offer to sell or the solicitation of an offer to buy any Offer Shares offered hereby to any person in any jurisdiction in which it is unlawful to make any such offer or solicitation to such person.

The contents of this Offering Circular are not to be construed as legal, financial, business or tax advice. Each prospective investor should consult their own legal adviser, financial adviser or tax adviser for legal, financial or tax advice.

Prior to making any decision as to whether to invest in Offer Shares or other securities of the Company, prospective investors should read this Offering Circular in its entirety.

This Offering Circular is being furnished in connection with an offering exempt from registration under the U.S. Securities Act, solely for the purpose of enabling prospective investors to consider the subscription for and/or purchase of the Offer Shares described herein. Reproduction and distribution of this Offering Circular or disclosure or use of the information contained herein for any purpose other than considering an investment in the Offer Shares is prohibited.

The information contained in this Offering Circular has been provided by the Company and other sources identified herein. No person has been authorized to give any information or make any representation not contained in this Offering Circular in connection with the Offering other than those contained in this Offering Circular (including any possible amendments resulting from supplements approved by the PFSA, communication reports and other information provided subject to the Public Offering Act (see section below " – *Amendments to the Offering Circular*")) and, if given or made, any such information or representation should not be relied upon as having been authorized by the Company or any of Goldman Sachs International, J.P. Morgan Securities plc, Bank Zachodni WBK S.A. or Powszechna Kasa Oszczędności Bank Polski S.A. Oddział - Dom Maklerski PKO Banku Polskiego w Warszawie (together the "**Offer Managers**"). No representation or warranty, express or implied, is made by the Offer Managers named herein as to the accuracy or completeness of such information, and nothing contained in this Offering Circular is, or shall be relied upon as, a promise or representation, whether as to the past or the future. Each prospective investor, by accepting delivery of this Offering Circular, agrees to the foregoing.

Unless indicated otherwise, references to statements as to beliefs, knowledge, expectations, estimates and opinions of the Company are those of the Management Board of the Company as of the date of this Offering Circular.

Neither the delivery of this Offering Circular nor any sale made hereunder shall under any circumstances imply that there has been no change in the affairs of the Company and/or the Alior Group or that the information set forth in this Offering Circular is correct as of any date subsequent to the earlier of the date hereof and any earlier specified date with respect to such information.

Offer Managers

Bank Zachodni WBK S.A. and Powszechna Kasa Oszczędności Bank Polski S.A. Oddział - Dom Maklerski PKO Banku Polskiego w Warszawie, each of which is authorised and regulated by the Polish Financial Supervision Authority in Poland, and Goldman Sachs International and J.P. Morgan Securities plc, each of which is authorised by the Prudential Regulation Authority and regulated by the Financial Conduct Authority and the Prudential Regulation Authority in the United Kingdom, are acting exclusively for the Company and no-one else in connection with the Offering. They will not regard any other person as their respective clients in relation to the Offering and will not be responsible to anyone other than the Company for providing the protections afforded to their respective clients, nor for providing advice in connection with the Offering or the contents of this Offering Circular or any transaction, arrangement or other matter referred to in this Offering Circular.

In connection with the Offering, the Offer Managers and any of their respective affiliates acting as an investor for its or their own account(s) may subscribe for Offer Shares as a principal and, in that capacity, may retain, purchase, sell, offer to sell or otherwise deal for its or their own account(s) in such securities, any other securities of the Company or other related investments in connection with the Offering or otherwise. Accordingly, references in this Offering Circular to Offer Shares being issued, offered, subscribed, acquired, purchased or otherwise dealt with should be read as including any issue or offer to, or subscription, acquisition, purchase or dealing by, the Offer Managers or any of them and any of their affiliates acting as an investor for its or their own account(s). The Offer Managers do not intend to disclose the extent of any such investment or transactions otherwise than in accordance with any legal or regulatory obligation to do so.

Each of the Offer Managers and any of their respective affiliates may have engaged in transactions with, and provided various investment banking, financial advisory and other services for the Company and certain of its respective affiliates, for which they would have received customary fees. Each of the Offer Managers and any of their respective affiliates may provide such services to the Company and any of its respective affiliates in the future. In addition, certain of the Offer Managers and any of their respective affiliates may enter into financing arrangements (including swaps or contracts for differences) with investors in connection with which such Offer Managers (or their affiliates) may from time to time acquire, hold or dispose of Offer Shares.

Apart from the responsibilities and liabilities, if any, which may be imposed on any of the Offer Managers under the regulatory regime of any jurisdiction where exclusion of liability under the relevant regulatory regime would be illegal, void or unenforceable, none of the Offer Managers accepts any responsibility whatsoever for the contents of this document or for any statement made or purported to be made by it, or on its behalf, in connection with the Company, the Offer Shares (or any other of the Company's securities described herein), the Management Board or the Offering. Each of the Offer Managers accordingly disclaims, to the fullest extent permitted by applicable law, all and any responsibility or liability whether arising in tort, contract or otherwise (save as referred to above) which it might otherwise be found to have in respect of this Offering Circular or any such statement.

Supplements to the Offering Circular

Under Polish Law in certain circumstances, including on the occurrence of any material error, inaccuracy or omission contained in the Prospectus following its approval by the PFSA, the Company may be required to supplement the Prospectus with information in connection with such circumstances or occurrence through publication of a prospectus supplement in accordance with Polish Law. In such circumstances the Company will will announce the publication of such supplement, and release a translation in English, which shall be deemed to supplement this Offering Circular.

REGISTRATION DOCUMENT AND FORM OF THE ISSUE PROSPECTUS

Following their approval by the PFSA, the Registration Document, the Offering Document and the Offering Summary will together constitute the Prospectus. The Prospectus was prepared in the form of separate documents in accordance with the provisions of Article 9 Section 4 of the Prospectus Directive and Article 21 Section 1 Item 2 of the Public Offering Act in relation to the Offering concerning the Offer Shares carried out in the Republic of Poland and the admission and introduction of: (i) 72,707,463 Individual Pre-emptive Rights; (ii) not less than 1 and not more than 220,000,000 Allotment Certificates; and (iii) not less than 1 and not more than 220,000,000 Offer Shares to trading on the WSE.

The Transaction Structure which is to be implemented by Alior Bank may require the Demerger Offering to be carried out in addition to the Demerger (irrespective of the Offering) (see " *– Transaction – Key stages of the Transaction*"). For the purpose of carrying out the Demerger Offering, Alior Bank will prepare a separate issue prospectus ("**Demerger Offering Prospectus**") in the form of various individual documents pursuant to the provisions of Article 9 Section 4 of the Prospectus Directive and Article 21 Section 1 Item 2 of the Public Offering Act. The Demerger Offering Prospectus will be comprised of the Registration Document, the offering document concerning the Demerger Offering ("**Demerger Offering Document**") and the offering summary concerning the Demerger Offering ("**Demerger Offering Summary**").

After approval by the PFSA, the Registration Document, the Demerger Offering Document and the Demerger Offering Summary will together constitute the Demerger Offering Prospectus. In the Demerger Offering Document, Alior Bank will include information about material factors, circumstances and events which: (i) have occurred after the approval of the Registration Document or its update pursuant to the provisions of Article 51 of the Public Offering Act, or of which Alior Bank becomes aware after the approval or update; and (ii) may have impact on the price of Alior Bank's shares issued in the Demerger Offering pursuant to the provisions of Article 30 Section 2 of the Public Offering Act. In accordance with the Demerger Offering Prospectus, Alior Bank will seek the admission and introduction of the shares issued under the Demerger Offering to trading on the WSE.

INFORMATION ABOUT MATERIAL FACTORS, CIRCUMSTANCES OR EVENTS INFLUENCING THE ASSESSMENT OF THE SECURITIES

If the Demerger Offering is carried out in the course of Demerger, the Company will prepare a Demerger Offering Prospectus (comprised of the Registration Document, the Demerger Offering Document and the Demerger Offering Summary). In the Demerger Offering Document, and pursuant to provisions of Article 30 Section 2 of the Public Offering Act, the Company will include information on material factors, circumstances or events having impact on the assessment of Company's shares issued under the Demerger Offering which occurred following the approval of the Registration Document or its update, pursuant to the provisions of Article 51 of the Public Offering Act, and of which the Company became aware after the approval or update.

AVAILABLE INFORMATION

The Company is a public company whose shares are traded on the regulated marked (main market) operated by the WSE. The Company is subject to the disclosure obligations set out in the Public Offering Act, the Trading Act, and other relevant Polish laws and regulations. Under such disclosure obligations, the Company is obliged to provide the PFSA, the WSE and the general public with certain information. The information which is required to be disclosed by the Company includes, in particular: (i) financial information disclosed in the form of annual, semi-annual and quarterly reports; (ii) current information; (iii) confidential information; (iv) notifications received from major shareholders of the Company concerning the Shares held by them; and (v) notifications from members of the Management Board and Supervisory Board regarding transactions concerning the Shares or other related financial instruments. The above information is available on the Company's website, www.aliorbank.pl, under the "*Investor Relations*" tab (see "*Polish Securities Market Regulations and*

obligations Relating to the Acquisition and Disposal of Shares – obligations under the Public Offering Act – Notification Requirements ensuring from the Banking Law, Code of Commercial Companies and anti-monopoly regulations ").

If and for so long as any of the ordinary shares of the Company are outstanding and are "restricted securities" within the meaning of Rule 144(a)(3) under the U.S. Securities Act, the Company will, during any period in which it is neither subject to sections 13 or 15(d) of the U.S. Securities Exchange Act of 1934 ("**U.S. Exchange Act**") nor exempt from reporting pursuant to Rule 12g3 2(b) thereunder, make available to any holder or beneficial owner of a ordinary shares of the Company, or to any prospective purchaser of an Offer Share designated by such holder or beneficial owner, upon request of such holder, beneficial owner or prospective purchaser, the information specified in, and meeting the requirements of, Rule 144A(d)(4) under the U.S. Securities Act.

This Offering Circular is being furnished by the Company in connection with an offering exempt from the registration requirements of the U.S. Securities Act, solely for the purpose of enabling a prospective investor to consider the subscription for or acquisition of the Offer Shares described herein. The information contained in this Offering Circular has been provided by the Company and other sources identified herein. This Offering Circular is being furnished on a confidential basis only to persons reasonably believed to be QIBs in the United States and other eligible persons outside of the United States. Any reproduction or distribution of this Offering Circular, in whole or in part, in the United States and any disclosure of its contents or use of any information herein in the United States for any purpose, other than in considering an investment by the recipient in the Offer Shares offered hereby, is prohibited. Each prospective investor in the Shares, by accepting delivery of this Offering Circular, agrees to the foregoing.

STABILIZATION

No stabilization activities will be undertaken in connection with the Offering.

FORWARD-LOOKING STATEMENTS

The Offering Circular contains certain forward-looking statements which reflect Alior Group's or, as appropriate, the Management Board's current views. Statements which include the words *"expects", "intends", plans", "proposes", "foresees", "believes", "projects", "anticipates", "estimates", "will", "shall", "targets", "aims", "may", "should", "would", "could", "continue", "budget", "schedule*" and similar statements of a future or forward-looking nature identify forward looking statements for purposes of the US federal securities laws or otherwise.

The forward-looking statements are based on numerous estimates and assumptions concerning the current and future operations of the Alior Group and the environment in which it conducts, and will conduct, its business in the future that, while considered reasonable by the Company, are inherently subject to significant uncertainties and contingencies. In particular, the estimates and assumptions include the Company's forecasts concerning the strategy of the Alior Group and its ability to implement the same, as well as certain expectations regarding (i) profitability and development; (ii) development prospects of the banking sectors in Poland and the EU; (iii) capital expenditures; (iv) capital adequacy; (v) funding availability; (vi) synergies and other expected benefits from acquisitions; and (vii) anticipated changes in the structure and organization of the Alior Group.

Investors are cautioned that forward-looking statements are not guarantees of future performance. Forward-looking statements may, and often do, differ materially from actual results. Any forward-looking statements in this Offering Circular speak only as of the date of this Offering Circular, reflect the Management Board's current belief with respect to future events and are subject to risk relating to future events and other risks, uncertainties and assumptions relating to Alior Group's operations, results of operations, growth strategy, capital and leverage ratios and liquidity. Investors should specifically consider the factors identified in this Offering Circular which could cause actual results to differ before making an investment decision. All of the forward-looking statements made in this Offering Circular are qualified by these cautionary statements. Specific reference is made to "*Risk Factors*", " *Key Information Regarding Alior Group* " and "*Operating and Financial Review*".

The Company undertakes no obligation to publicly update or review any forward looking statement, whether as a result of new information, future developments, events or circumstances or otherwise. All subsequent written and oral forward looking statements attributable to Alior Group or individuals acting on behalf of Alior Group are expressly qualified in their entirety by this paragraph.

ENFORCEABILITY OF JUDGMENTS

The Company is an entity established under Polish law. The Company's assets are located primarily in Poland. All members of the Supervisory Board and Management Board are Polish citizens who reside permanently in Poland. Investors who are not subject to Polish jurisdiction may encounter problems in the effective delivery of judgments issued by the courts outside of the European Union to the Company or members of the Supervisory Board or Management Board residing in Poland related to proceedings against such entities concerning the Offering or the Offer Shares, including proceedings instituted under the federal law of the United States of America.

In addition, foreign investors may face difficulties in the enforcement of a court judgment issued outside the EU against the Company or members of the Management Board or the Supervisory Board in Poland. Judgments issued by foreign courts (usually judgments concerning a payment or specific performance) are generally enforceable in Poland if their enforceability is stipulated in the respective bilateral treaty or pursuant to the provisions of the Civil Procedure Code.

For judgments in civil and commercial matters issued in the EU Member States, the Regulation (EU) No. 1215/2012 of the European Parliament and the Council on jurisdiction and the recognition and enforcement of judgments in commercial and civil matters applies in Poland. The Regulation is binding in Poland with respect to the relations with other EU Member States (excluding Denmark) and results in recognition of court decisions issued in the EU Member States (excluding Denmark) in Poland. Legal relations between Poland and Denmark are governed by the agreement between the European Community and the Kingdom of Denmark dated October 19, 2005 on jurisdiction and the recognition and enforcement of judgments in civil and commercial matters.

For judgments in civil and commercial matters issued in Switzerland, Norway and Iceland, jurisdictional matters, and their recognition and enforcement are governed by the Convention on Jurisdiction and the recognition and enforcement of judgments and civil and commercial matters signed in Lugano on October 30, 2007 between the European Community, including Poland, and Switzerland, Norway and Iceland, which has been binding in Poland since 1 January, 2010.

According to the provisions of the Polish Code of Civil Procedure, judgments on civil matters by a court of a country that has not ratified a bilateral treaty on reciprocal enforcement of judgments with Poland and is not an EU Member State become enforceable by way of the execution procedure in Poland only if they are pronounced enforceable and are granted an enforceability clause by a Polish court. Enforceability is pronounced if such judgment is enforceable in the country in which it has been issued and none of the following obstacles exist: (i) the judgment is not final in the jurisdiction in which it has been issued; (ii) the judgment has been issued on the matter subject to the exclusive jurisdiction of Polish courts; (iii) the defendant, who had not been involved in the dispute as to the subject matter, was not served pleadings instituting the proceedings in a due and timely manner so as to allow him/her to respond to such pleadings; (iv) a party has been deprived of the capacity to act as a party to court proceedings; (v) a claim regarding the same matter between the same parties has been filed earlier in Poland than in a foreign court (or with any other Polish or foreign country's authority other than a court); (vi) the judgment is contrary to an earlier judgment of a Polish court which has become final and not subject to appeal or of a foreign court (or judgment issued by any other Polish or foreign country's authority other than a court), which is final and not subject to appeal, fulfilling requirements for its recognition in Poland and issued in the matter on the same claim between the same parties; or (vii) its recognition would conflict with the basic principles of the Polish legal system (legal system clause).

MARKET, ECONOMIC AND INDUSTRY DATA

Data presented in the "*Market Overview*" section was obtained primarily from publicly available sources, and in particular from: (i) statistics of the Central Statistical Office of Poland (*Główny Urzad Statystyczny*, or "**GUS**"); (ii) statistics published by Eurostat; (iii) reports published by PFSA and the National Bank of Poland ("**NBP**"); (iv) reports published by the European Central Bank ("**ECB**"); and (v) other publicly available documents such as press releases, annual statements, annual reports, and websites of market information providers.

The scope of information presented in the "*Market Overview*" section is limited to the reports available on the market and used by the Company for the purpose of this section. Information concerning the market overview described in the above mentioned section has been supplemented by data derived from external sources where such data is not publically available.

Any data contained in the Offering Circular whose source has not been expressly stated was provided by the Company. Where information from a third party is used in the Offering Circular, details of the source of such information has been included.

The aforementioned sources of market, economy and industry-related information constitutes, among others, the basis of the Company's representations in the Offering Circular concerning its competitive position in the relevant market.

While the Company believes the third party information included herein in"*Market Overview*" and elsewhere in this Offering Circular to be reliable, it has not independently verified such third party information, and none of Alior Group, the Management Board or the Offer Managers make any representation or warranty as to the accuracy or completeness of such information as set forth in this Offering Circular. Alior Group confirms that such third party information has been accurately reproduced, and so far as Alior Group is aware and is able to ascertain from information available from those publications, no facts have been omitted which would render the reproduced information inaccurate or misleading. However, the accuracy of such third party information is subject to availability and reliability of the data supporting such information and neither the information nor the underlying data has been independently verified. Additionally, the industry publications and other reports referred to above generally state that the information contained therein has been obtained from sources believed to be reliable, but that the accuracy and completeness of such information is not guaranteed and, in some instances, these reports and publications state expressly that they do not assume liability for such information. Alior Group cannot therefore assure you of the accuracy and completeness of such information as it has not independently verified such information.

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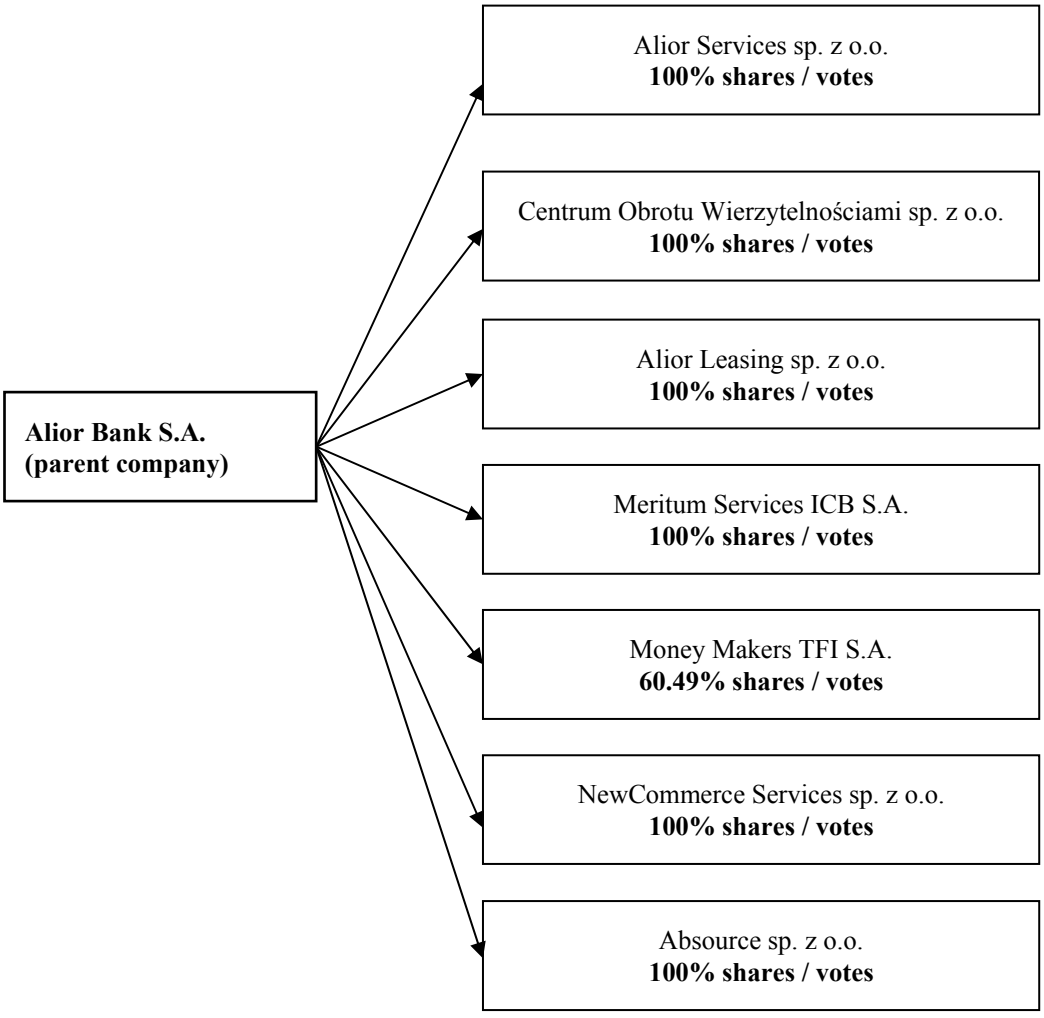
SUMMARY

Section A – Introduction	
A.1 Introduction	**This summary highlights selected information contained elsewhere in this Offering Circular. This summary does not contain all the information that an investor should consider before investing in the Offer Shares or in deciding whether or not to exercise Pre-emptive Rights or to acquire, dispose of or exercise Rights to Shares. Any such investor should carefully read the entire Offering Circular, including "Risk Factors," "Pro Forma Financial Information," "Operating and Financial Review of the Alior Group," "Operating and Financial Review of the Bank BPH Core Business" and the consolidated financial statements of the Alior Group and of the Bank BPH Core Business, before making an investment decision.**

Section B – Company	
B.1 Name of the Company	**The legal and commercial name of the issuer.** The Company's legal name is Alior Bank Spółka Akcyjna. The Company can use the shortened name Alior Bank S.A.
B.2 Basic information on the Company	**The domicile and legal form of the issuer, the legislation under which the issuer operates and its country of incorporation.** Joint-stock company incorporated under Polish law with its registered office in Warsaw at ul. Łopuszańska 38D, 02-232 Warsaw, Poland.
B.3 Business activity of the Alior Group	**A description of, and key factors relating to, the nature of the issuer's current operations and its principal activities, stating the main categories of products sold and/or services performed and identification of the principal markets in which the issuer competes.** Alior Bank is a universal bank that has been operating in Poland since 2008. Alior Bank is the parent entity of the Alior Group, which consists of seven subsidiaries providing advisory and financial services. The Bank offers a wide range of products and services to individuals (the "**retail customers**"), legal persons and other entities. Alior Bank's core activities include maintaining bank accounts, accepting deposits, providing cash loans and advances, issuing banking securities and purchasing and selling foreign currencies. Alior Bank's credit offer is available on a modern, multi-channel distribution platform. Alior Bank uses a wide network of outlets and a modern IT platform including online banking, mobile banking and call centers. Alior Bank also conducts brokerage activities, as well as consulting financial agency and other financial services. The operations conducted by Alior Bank are subject to strict regulation. As at the date of this Offering Circular, Alior Bank was deemed one of the top retail banks and banks for businesses in Poland. In June 2015, Alior Bank won the title of "Best Bank 2015" in the category "Medium Commercial Bank" in a competition organized by "Gazeta Bankowa". Additionally, the Bank regularly receives awards in the "Best Business Bank" poll organized by *Forbes* magazine in cooperation with Millward Brown. In May 2015, for the second consecutive year, the Bank won the "European Bank of the Year" award in a competition organized by Retail Banker International. Alior Bank has been consistently expanding its new client base and the number of new current accounts. As at March 31, 2016, Alior had 3,084,000 active clients, 96% of whom were private individuals. During the year ended December 31, 2015, the number of Alior Bank's clients increased by 420,000, which according to data published by Polish banks and PRNews information ranks the Bank second in terms of customer base expansion. The Bank has been dynamically developing its business client portfolio which had 34% higher annual revenue per user (the "**ARPU**") than the average on the Polish market (according to Finalt, 2014). The Bank also ranks third on the market in terms of the number of users with access to Internet banking (according to PRNews, data for the fourth quarter of 2015). Alior Bank's operations are divided into three operating segments, which are also its reporting segments: the retail segment, the business segment and treasury activity. The retail segment covers the mass

	customer market and the private wealth customer market to which Alior Bank offers a full scope of banking products and services, and brokerage products offered by Biuro Maklerskie Alior Banku (Alior Bank's brokerage house), in particular credit products, deposit products and investment funds, personal accounts, bancassurance products, transaction services and foreign exchange products. The business segment covers micro-businesses, small and medium enterprises (the "**SMEs**") and large corporate customers to whom Alior Bank offers a full scope of banking products and services, in particular credit products, deposit products, current and auxiliary accounts, transaction services and treasury products. Treasury activity cover operations on interbank markets and exposure to debt securities. This segment reflects the results of managing the global position (liquidity position, interest rate position and foreign exchange position resulting from banking operations). For the three-month period ended March 31, 2016 profit before tax amounted to PLN 10.3 million for the retail business segment (individual customers), PLN 83.1 million for the business segment (business customers) and PLN 40.6 million for treasury activity. For the financial year ended December 31, 2015 profit before tax was PLN 102.0 million for the retail business segment, PLN 352.4 million for the business segment and PLN 137.7 million for treasury activity. As at March 31, 2016 gross loans and advances to the Alior Group's customers amounted to PLN 34,846.2 million and amounts owed to customers amounted to PLN 35,802.2 million which gave Alior Bank a market share of 3.6% and 3.9%, respectively (according to NBP). As at December 31, 2015, gross loans and advances to the Alior Group's customers amounted to PLN 32,845.0 million, and amounts owed to customers amounted to PLN 33,663.5 million, which gave Alior Bank a market share of 3.4% and 3.7%, respectively (according to NBP). As at March 31, 2016 net loans and advances to the Alior Group's retail segment customers amounted to PLN 18,543.9 million which corresponds to 56.6% of net loans and advances to customers. As at December 31, 2015 net loans and advances to retail segment customers amounted to PLN 17,595.3 million, which corresponds to 56.9% of net loans and advances to customers. As at March 31, 2016 net loans and advances to the Alior Group's business segment customers amounted to PLN 14,194.1 million, which corresponds to 43.4% of net loans and advances to customers. As at December 31, 2015 net loans and advances to business segment customers amounted to PLN 13,311.7 million, which corresponds to 43.1% of net loans and advances to customers. As at March 31, 2016 amounts owed to retail segment customers amounted to PLN 23,293.4 million, which corresponds to 65.1% of total amounts owed to customers. As at December 31, 2015 amounts owed to retail segment customers amounted to PLN 21,409.1 million, which corresponds to 63.6% of total amounts owed to customers. As at March 31, 2016 amounts owed to business segment customers amounted to PLN 12,508.9 million, which corresponds to 34.9% of the total amounts owed to customers. As at December 31, 2015 amounts owed to business segment customers amounted to PLN 12,254.5 million, which corresponds to 36.4% of total amounts owed to customers. Net profit of the Alior Group for the three-month period ended March 31, 2016 amounted to PLN 80.1 million, and net profit for the year ended December 31, 2015, amounted to PLN 309.0 million. In the three-month period ended March 31, 2016, the Alior Group's return on equity (ROE) ratio was 9.0% and return on assets (ROA) was 0.8%. In the year ended December 31, 2015 these ratios were 9.5% and 0.9%, respectively. Total revenue for the three-month period ended March 31, 2016 amounted to PLN 579.3 million, whereas total revenue for the year ended December 31, 2015 amounted to PLN 2,166.0 million. For the three-month period ended March 31, 2016, net interest income amounted to PLN 412.5 million, or 71.2% of total revenue for the period, net fee and commission income amounted to PLN 87.3 million, or 15.1% of total revenue for the period, trading result amounted to PLN 58.3 million, or 10.1% of total revenue for the period, and other items of income (dividend income, net result on other financial instruments, and net result on other operating income) amounted to PLN 21.2 million, or 3.7% of total revenue for the period. For the year ended December 31, 2015, net interest income amounted to PLN 1,501.0 million, or 69.3% of total revenue for the year, net fee and commission income amounted to PLN 331.7 million, or 15.3% of total revenue for the year, trading result amounted to PLN 268.7 million, or 12.4% of total revenue for the year, and other items (dividend income, net result on other financial instruments, and net result on other operating income) amounted to PLN 64.6 million, or 3.0% of total revenue for the year.

B.4a Trends	**A description of the most significant recent trends affecting the issuer and the industries in which it operates.** As at the date of this Offering Circular, the following are the most important trends (including trends in production, sales, inventories, costs and selling prices identifiable in the banking business), uncertainties, demands, commitments or events, known to the Management Board, that are reasonably likely to have a material effect on the Alior Group in the financial year ending December 31, 2016, or that would cause the disclosed financial information not to be indicative of the Alior Group's future operating results or financial condition. (a) The Transaction will constitute a significant addition of assets and liabilities to the Alior Group's operations and will influence Alior Bank's financial results for 2016 and periods thereafter. The scope and scale of this influence is subject to a number of uncertainties, including the Alior Group's ability to execute its integration plan and on general economic conditions. For more information about the risks and uncertainties related to the Transaction, the integration plan, expected integration costs and expected synergies, revenue dissynergies and the Alior Group's business strategies and initiatives, see " *– Risk Factors – Risk factors related to the Alior Group's activities", and " – Risk Factors – Risk factors related to the Transaction", " – Business overview of the Alior Group – Alior Bank Strategy*" and " *– Transaction*". (b) The success of the Alior Group in achieving its strategy of maintaining high volumes of sales of cash and housing loans (in the case of individual customers) and working capital and investment loans (in the case of business customers), while maintaining a desired high level of net interest margin and an acceptable and manageable cost of risk, will be a significant factor affecting the results of operations and financial condition of the Alior Group in 2016 and thereafter. (c) The Alior Group has been functioning in an environment of low interest rates in recent years, which puts downward pressure on the Alior Group's net interest margin. The negative tendencies affecting the net interest margin levels may increase if the Monetary Policy Council makes a decision to further reduce the main interest rates in 2016. In this event, until any compensating measures have been implemented, the Alior Group's net interest margin would come under additional downward pressure, which would have a negative effect on the Alior Group's financial performance. (d) The Management Board believes that the Polish banking sector will likely continue the process of gradually reducing the gap in the banking penetration ratio in the Polish economy as compared with the average level of penetration of banking services in other European Union developed countries, which should positively affect the growth of the whole banking sector in Poland. In addition, the Management Board believes a lower banking penetration ratio for the sole proprietor and small business sectors compared to other sectors of the Polish economy presents good sales prospects for the Alior Group. (e) As at February 1, 2016, the Alior Group became subject to the new tax imposed on certain financial institutions including banks (see " *– General Factors Affecting the Alior Group's Financial Condition and Results of Operations – Tax on Certain Financial Institutions*"). Under the new law, the introduction of this tax cannot constitute the basis for changing the terms for providing financial and insurance services performed pursuant to contracts concluded before the date the new tax law came into force, which limits the ability of the Alior Group to factor the new tax into the price of its services to existing clients. The Alior Group estimates that this new tax will result in an additional annual tax charge on it of approximately PLN 120-140 million in 2016. For more information on this new banking tax, see " *– Banking Regulations in Poland – Tax on Certain Financial Institutions*". (f) Effective from January 1, 2016, the PFSA has increased its minimum recommended capital requirements from 9.0% to 10.25% for the Tier I capital ratio and from 12.0% to 13.25% for the total capital ratio. In order to achieve the ratios expected by the PFSA and to achieve the target returns on its assets, on March 31, 2016 the Alior Group concluded a guarantee agreement with PZU under which PZU has granted unfunded credit protection in the form of the Guarantee with respect to a portfolio of selected exposures of Alior Bank (within the meaning of the CRR). This agreement was executed in order to reduce the Alior Group's credit risk capital requirements. Further details relating to this agreement is included in sections *" – Recent Developments (post-balance sheet date)" and " – Business overview of the Alior Group – Material Agreements – Agreements important for capital requirements – Guarantee agreement and counter-guarantee agreement*".

	(g) Potential changes in the legal environment resulting in increased contributions to the BGF resulting from the proposed Act on the Bank Guarantee Fund, the deposit guarantee system and mandatory restructuring, as well as the potential possibility of making additional payments to the Bank Guarantee Fund in the future, could have a negative effect on the Bank's profitability in 2016. (h) The Polish economy has experienced several years of positive trends with growing GDP in real terms, low levels of unemployment, rising wages and low interest rates and energy prices. The continuation of these trends, or any further improvement in such trends, would have a positive effect on the Polish banking sector and would likely increase the Alior Group's level of generated sales of loans and the quality of its loan portfolio. (i) Despite the positive trends in the Polish economy, a slowdown on the European or global markets may have a negative impact on the economic situation in Poland, which could have a negative effect on the Alior Group's business.
B.5 Description of the Group	**If the issuer is part of a group, a description of the group and the issuer's position within the group.** As at the date of this Offering Circular, the Alior Group comprises Alior Bank, being the parent company of the Alior Group, and seven fully consolidated Subsidiaries providing consulting and financial services. The largest shareholder of the Alior Group is PZU (see *Major shareholders – PZU*"). The diagram below illustrates the structure of the Alior Group as at the date of this Offering Circular, indicating percentage ownership of Alior Bank in the share capital of each company on the basis of its shares held.  *Source: Company*

B.6

Major shareholders of the Company

As at the date of this Offering Circular, the share capital of Alior Bank amounted to PLN 727,074,630.00, divided into 72,707,463 Existing Shares. The Existing Shares carry no preference and each Existing Share carries the right to one vote at the General Meeting.

As Alior Bank is a public company within the meaning of the Public Offering Act, with the Existing Shares listed on the regulated market (main market) operated by the WSE it does not have detailed information regarding all of its shareholders. Alior Bank has information regarding some of its shareholders that was disclosed on the basis of notifications submitted to the Company pursuant to the provisions of the Public Offering Act (see *Polish Securities Market Regulations and Obligations Relating to the Acquisition and Disposal of Offer Shares – Obligations under the Offering Act relating to significant blocks of shares in public companies*") or information disclosed to the Company on the basis of other laws and regulations (see *Polish Securities Market Regulations and Obligations Relating to the Acquisition and Disposal of Shares – Mandatory notifications of a new domination relationship under the Code of Commercial Companies*").

The table below shows information on major shareholders, who at the date of this Offering Circular directly held Existing Shares representing at least 5% of the total number of votes at the General Meeting and 5% of the share capital of Alior Bank.

	As at the date of this Offering Circular			
Shareholder	**Number of Existing Shares**	**(%)**	**Number of votes**	**(%)**
PZU[(1)]	21,247,464	29.22	21,247,464	29.22
Genesis Asset Managers LLP[(2)]	5,093,922	7.01	3,483,391	4.79
Aviva OFE Aviva BZ WBK[(3)]	4,012,000	5.52	4,012,000	5.52
Others	42,354,077	58.25	43,964,608	60.47
Total	**72,707,463**	**100**	**72,707,463**	**100**

[(1)] Together with the parties to the agreement of April 27, 2016, acting in concert (i.e. PZU Życie which holds 27,347 of the Existing Shares as at the date of this Offering Circular, PZU Specjalistyczny Fundusz Inwestycyjny Otwarty Universum, which holds 1,644 of the Existing Shares as at the date of this Offering Circular and PZU Fundusz Inwestycyjny Zamknięty Aktywów Niepublicznych BIS 2 which holds 2,900,000 of the Existing Shares as at the date of this Offering Circular), as stated in the notification of April 27, 2016.
[(2)] Shares held by Genesis Asset Managers LLP are recorded on the securities accounts of institutional customers controlled by Genesis Asset Managers LLP. Genesis Asset Managers LLP does not have the authority to exercise voting rights attached to all the Company's shares recorded on the accounts of institutional customers controlled by Genesis Asset Managers LLP. 5,093,922 of the Existing Shares are recorded on the accounts of entities controlled by Genesis Asset Managers LLP, with Genesis Asset Managers LLP being authorized to exercise the right to vote attached to 3,483,391 Existing Shares only.
[(3)] On the basis of the number of shares registered at the Extraordinary General Meeting of May 5, 2016.
Source: the Bank.

The Major Shareholders do not hold any other rights to vote in relation to the Bank. They are not preferred in any other manner with respect to rights to vote.

PZU

From the information provided to the Company pursuant to Article 69 Section 1 of the Polish Public Offering Act, PZU, together with parties to the agreement of April 27, 2016 (PZU Życie, PZU Specjalistyczny Fundusz Inwestycyjny Otwarty Universum and PZU Fundusz Inwestycyjny Zamknięty Aktywów Niepublicznych BIS 2) holds 21,247,464 of the Existing Shares. This represents 29.22% of the Company's share capital with a right to 21,247,464 votes at the General Meeting, constituting 29.22% of the total number of votes at the General Meeting.

Genesis Asset Managers LLP

From the information provided to the Company pursuant to Article 69 Section 1 of the Polish Public Offering Act, Genesis Asset Managers LLP holds 5,093,922 of the Existing Shares. This represents

	7.01% of the Company's share capital with a right to 3,483,391 votes at the General Meeting, constituting 4.79% of the total number of votes at the General Meeting. ***Aviva OFE Aviva BZ WBK*** From the information provided to the Company pursuant to Article 69 Section 1 of the Polish Public Offering Act, Aviva OFE Aviva BZ WBK directly holds 3,806,451 of the Existing Shares. This represents 5.23% of the Company's share capital with a right to 3,806,451 votes at the General Meeting, constituting 5.23% of the general number of votes at the General Meeting. However, at the Annual General Meeting which was held on May 5, 2016 Aviva OFE Aviva BZ WBK registered 4,012,000 Existing Shares; representing 5.52% of the Company's share capital with a right to 4,012,000 votes at the General Meeting, constituting 5.52% of the total number of votes at the General Meeting. Aviva OFE Aviva BZ WBK is managed by Aviva Powszechne Towarzystwo Emerytalne Aviva BZ WBK Spółka Akcyjna with its registered office in Warsaw at ul. Domaniewska 44, 02-672 Warszawa, Polska. ***Control over the Bank*** On January 8, 2015, Carlo Tassara S.p.A., which held Existing Shares representing 26.18% of the Company's share capital and 26.18% of the votes at the General Meeting, was deemed by KNF to be the parent company of Alior Bank within the meaning of Article 4 Section 1 Item 8 letter b of the Banking Law. On May 30, 2015, the Management Board was notified about the execution of a preliminary share purchase agreement entered into between Alior Lux, Alior Polska and PZU, concerning the sale of 18,318,473 Existing Shares representing 25.26% of the share capital of Alior Bank. The acquisition of the Existing Shares by PZU took place in three tranches subject to the satisfaction of conditions specified in the agreement. These conditions were: (i) in the first tranche, PZU acquired 6,744,900 of the Existing Shares held by Alior Lux and 500,000 Existing Shares held by Alior Polska; (ii) in the second tranche, PZU acquired 7,244,900 Existing Shares held by Alior Lux; and (iii) in the third tranche, PZU acquired 3,828,673 Existing Shares held by Alior Lux. Each acquisition tranche took place 70 days after the previous tranche. The agreement was entered into provided that KNF, UOKiK President and the Ukrainian Antimonopoly Committee granted their respective consents to the transaction. On August 5, 2015, the UOKiK President issued a decision granting consent to the acquisition by PZU of a significant stake in Alior Bank. On August 26, 2015, the Ukrainian Antimonopoly Committee granted consent to the acquisition of the Existing Shares by PZU with the right to more than 25% of votes at the General Meeting. On October 6, 2015, the KNF confirmed the lack of grounds to raise any objections to the acquisition by PZU of the Existing Shares in the number that ensures exceeding the threshold of 20% of votes at the General Meeting. The above decisions led to the satisfaction of the subsequent conditions precedent of the agreement dated May 30, 2015. Following the satisfaction of such conditions, PZU acquired 18,318,473 Existing Shares. As at the date of this Offering Circular, Carlo Tassara S.p.A. did not hold any Existing Shares. In connection with the Transaction, on March 31, 2016, PZU issued the Support Letter (see " *– Transaction – GE Guarantee and PZU Side Letter*"). Pursuant to the Support Letter, PZU undertook, in the period between the Support Letter and the deadline set out therein, not to sell, transfer or otherwise dispose of Alior Bank's shares held directly by PZU as at the date of the Support Letter, without the consent of the Bank BPH Sellers.
B.7 **Selected financial information**	**Selected historical key financial information regarding the issuer, presented for each financial year of the period covered by the historical financial information, and any subsequent interim financial period accompanied by comparative data from the same period in the previous financial year. The requirement for comparative balance sheet information is satisfied by presenting the year-end balance sheet information.** **This should be accompanied by a narrative description of significant change to the issuer's financial condition and operating results during or subsequent to the period covered by the historical key financial information.**

Selected Historical Consolidated Financial Information of the Alior Group

Selected information from the consolidated statement of financial position as at March 31, 2016 and December 31, 2015, 2014 and 2013

	As at March 31,	As at December 31,		
	2016	**2015**	**2014[1]**	**2013[2]**
	(unaudited)	*(audited)*		
	(PLN million)			
ASSETS				
Cash and balances with the Central Bank	665.8	1,750.1	1,158.4	1,067.2
Financial assets held for trading	359.8	390.6	476.8	243.3
Available-for-sale financial assets[3]	6,008.1	4,253.1	2,652.1	2,705.3*
Derivative hedging instruments[4]	161.4	139.6	80.2	12.1
Amounts due from banks	523.6	645.3	449.4	253.7*
Loans and advances to customers	32,738.0	30,907.1	23,648.0	19,653.9*
Assets pledged as collateral	226.1	628.3	927.2	687.7*
Property, plant and equipment	224.5	229.0	191.8	215.1
Intangible assets	390.4	387.0	215.6	188.1
Assets held for sale[5]	0.7	0.9	0.9	38.3
Deferred tax asset[6]	313.4	275.5	147.8	143.8
Other assets	413.9	396.5	219.3	341.3
TOTAL ASSETS	42,025.7	40,003.0	30,167.6	25,549.9
LIABILITIES AND EQUITY				
Financial liabilities held for trading	339.0	310.2	349.0	184.1
Amounts due to banks	404.2	1,051.0	1,049.2	828.0*
Amounts due to customers	35,802.2	33,663.5	24,428.0	20,832.5*
Derivative hedging instruments	0.5	-	4.8	-
Provisions	15.0	10.8	8.3	4.9*
Other liabilities	894.6	535.3	747.1	1,135.0*
Current income tax liabilities[7]	30.8	21.8	24.6	31.9
Subordinated liabilities[8]	937.7	896.3	541.6	348.8
TOTAL LIABILITIES	38,424.1	36,488.9	27,152.5	23,365.1
EQUITY	3,601.6	3,514.1	3,015.1	2,184.7
Equity (attributable to equity holders of the parent company)	3,600.5	3,512.9	3,013.2	2,184.7*
Share capital	727.1	727.1	699.8	635.8
Supplementary capital	2,591.3	2,279.8	1,775.4	1,434.7
Revaluation reserve	22.6	15.2	21.4	(16.8)
Other reserves[9]	184.7	184.7	184.0	176.8
Retained earnings/(accumulated losses)[10]	(5.4)	(3.7)	9.8	(273.7)
Profit for the period[11]	80.2	309.6	322.7	227.9
Non-controlling interests	1.1	1.2	1.9	-*
TOTAL LIABILITIES AND EQUITY	**42,025.7**	**40,003.0**	**30,167.6**	**25,549.9**

[1] *Figures for the financial year ended December 31, 2014 were extracted from the Alior Group Consolidated Financial Statements for 2015. See " – Presentation of Financial and Other Information – Changed Presentation of Financial Data".*

[2] *Figures for the financial year ended December 31, 2013 were extracted from the Alior Group Consolidated Financial Statements for 2013, except for figures marked with "*". See " – Presentation of Financial and Other Information – Changed Presentation of Financial Data". Figures marked with "*" are extracted from the Alior Group Consolidated Financial Statements for 2014.*
[3] *In the Alior Group Consolidated Financial Statements for 2013: "Financial assets available for sale".*
[4] *In the Alior Group Consolidated Financial Statements for 2013: "Hedging derivatives".*
[5] *In the Alior Group Consolidated Financial Statements for 2013: "Non-current assets held for sale".*
[6] *In the Alior Group Consolidated Financial Statements for 2013: "Income tax asset".*
[7] *In the Alior Group Consolidated Financial Statements for 2013: "Income tax liabilities".*
[8] *In the Alior Group Consolidated Financial Statements for 2013: "Subordinated Loans".*
[9] *In the Alior Group Consolidated Financial Statements for 2013: "Other capital".*
[10] *In the Alior Group Consolidated Financial Statements for 2013: "Undistributed result from previous year".*
[11] *In the Alior Group Consolidated Financial Statements for 2013: "Current year profit/loss".*
Source: the Alior Group Financial Statements.

Selected information from the consolidated income statement for the three-month periods ended March 31, 2016 and 2015 and for the financial years ended December 31, 2015, 2014 and 2013

	For the three-month periods ended March 31,		For the financial year ended December 31,		
	2016	**2015**	**2015**	**2014[1]**	**2013[2]**
	(unaudited)		*(audited)*		
	(PLN million)				
Interest income	663.2	556.1	2,399.2	2,063.3	1,518.2
Interest expense	(250.7)	(211.8)	(898.2)	833.7	(519.6)
Net interest income	**412.5**	**344.3**	**1,501.0**	**1,229.6**	**998.6**
Dividend income	**-**	**-**	**0.1**	**-**	**-**
Fee and commission income	138.0	135.6	545.7	533.6	475.9
Fee and commission expense	(50.7)	(42.8)	(214.1)	(185.5)	(200.8)
Net fee and commission income	**87.3**	**92.8**	**331.7**	**348.1**	**275.2**
Trading result	**58.3**	**64.4**	**268.7**	**254.9**	**226.9**
Net result on other financial instruments[3]	**10.6**	**4.8**	**12.9**	**7.9**	**11.8**
Other operating income	15.2	19.2	81.9	52.4	49.9
Other operating expenses[4]	(4.6)	(5.8)	(30.2)	(19.9)	(22.3)
Net other operating income	**10.6**	**13.4**	**51.7**	**32.4**	**27.6**
General administrative expenses	**(276.6)**	**(257.9)**	**(1,107.9)**	**(925.3)**	**(847.4)**
Net impairment allowance and write-downs[5]	**(175.7)**	**(144.7)**	**(672.1)**	**(546.6)**	**(405.0)**
Banking tax	**(20.7)**	**-**	**-**	**-**	**-**
Profit before tax[6]	**106.3**	**117.2**	**386.0**	**401.1**	**287.7**
Income tax expense[7]	(26.2)	(25.7)	(77.0)	(79.1)	(59.8)
Net profit	**80.1**	**91.5**	**309.0**	**322.0**	**227.9**

[1] *Figures for the financial year ended December 31, 2014 were extracted from the Alior Group Consolidated Financial Statements for 2015. See " – Presentation of Financial and Other Information – Changed Presentation of Financial Data".*
[2] *Figures for the financial year ended December 31, 2013 were extracted from the Alior Group Consolidated Financial Statements for 2013. See " – Presentation of Financial and Other Information – Changed Presentation of Financial Data". Additionally, the Bank changed the presentation of the following income statement figures in the Alior Group Consolidated Financial Statements for 2015: "Interest income", "Interest expenses", "Net interest income" and "Trading result". If that change in presentation was applied to figures for the financial year 2013, they would amount to, respectively, PLN 1,897.2 million, PLN (874.9) million, PLN 1,022.3 million and PLN 203.2 million.*
[3] *In the Alior Group Consolidated Financial Statements for 2013: "Net gain (realized) on other financial instruments".*
[4] *In the Alior Group Consolidated Financial Statements for 2013: "Other operating costs".*
[5] *In the Alior Group Consolidated Financial Statements for 2013: "Impairment losses".*
[6] *In the Alior Group Consolidated Financial Statements for 2013: "Gross profit".*
[7] *In the Alior Group Consolidated Financial Statements for 2013: "Income tax".*
Source: the Alior Group Financial Statements.

Selected information from the consolidated statement of comprehensive income for the three-month periods ended March 31, 2016 and 2015 and for the financial years ended December 31, 2015, 2014 and 2013

	For the three-month periods ended March 31,		For the financial year ended December 31,		
	2016	**2015**	**2015**	**2014[1]**	**2013[2]**
	(unaudited)		*(audited)*		
	(PLN million)				
Net profit	**80.1**	**91.5**	**309.0**	**322.0**	**227.9**
Taxable other comprehensive income to be credited to net profit / (loss) after the required conditions have been satisfied[3]	**7.4**	**12.6**	**(6.2)**	**38.2**	**(27.6)**
Total net comprehensive income	**87.5**	**104.1**	**302.8**	**360.3**	**200.3**
- attributable to shareholders of the parent company[4]	87.7	103.8	303.4	360.9[5]	200.3
- attributable to non-controlling interests	(0.1)	0.3	(0.7)	(0.7)	-*

[1] *Figures for the financial year ended December 31, 2014 were extracted from the Alior Group Consolidated Financial Statements for 2015. See " – Presentation of Financial and Other Information – Changed Presentation of Financial Data".*
[2] *Figures for the financial year ended December 31, 2013 were extracted from the Alior Group Consolidated Financial Statements for 2013, except for figures marked with "*". See " – Presentation of Financial and Other Information – Changed Presentation of Financial Data". Figures marked with "*" are extracted from the Alior Group Consolidated Financial Statements for 2014.*
[3] *In the Alior Group Consolidated Financial Statements for 2013: "Other taxable comprehensive income".*
[4] *In the Alior Group Consolidated Financial Statements for 2013: "holders of the parent".*
[5] *Total net comprehensive income attributable to shareholders of the parent company for the financial year ended December 31, 2014 was extracted from the Alior Group Consolidated Financial Statements for 2014.*
Source: the Alior Group Financial Statements.

Selected information from the consolidated cash flow statement for the three-month periods ended March 31, 2016 and 2015 and for the financial years ended December 31, 2015, 2014 and 2013

	For the three-month periods ended March 31,		For the financial year ended December 31,		
	2016	**2015**	**2015**	**2014[1]**	**2013[2]**
	(unaudited)		*(audited)*		
	(PLN million)				
Cash and cash equivalents, opening balance	2,202.2	1,456.3	1,456.3	1,251.7	1,352.7
Net cash flow from operating activities	(1,196.4)	(545.4)	742.7	(303.0)	10.0*
Net cash flow from investing activities	(71.0)	251.9	(366.0)	(79.0)	(108.4)
Net cash flow from financing activities	42.8	394.5	369.2	588.9	(2.6) *
Total net cash flow	**(1,224.7)**	**101.0**	**745.9**	**207.0**	**(101.0) ***
Cash and cash equivalents, closing balance	977.5	1,557.3	2,202.2	1,458.7	1,251.7*

[1] *Figures for the financial year ended December 31, 2014 were extracted from the Alior Group Consolidated Financial Statements for 2015. See " – Presentation of Financial and Other Information – Changed Presentation of Financial Data".*
[2] *Figures for the financial year ended December 31, 2013, except for figures marked with "*". Figures marked with "*" were extracted from the Alior Group Consolidated Financial Statements for 2013. See " – Presentation of Financial and Other Information – Changed Presentation of Financial Data". Figures marked with "*" are extracted from the Alior Group Consolidated Financial Statements for 2014.*
Source: the Alior Group Financial Statements.

Selected Historical Financial Information of Bank BPH Core Business

Selected information from the statement of financial position as at March 31, 2016 and December 31, 2015 and 2014

	As at March 31,	As at December 31,	
	2016	2015	2014
	(unaudited)	*(audited)*	
Assets	*(PLN million)*		
Cash and balances with the Central Bank	850.0	944.0	1,093.0
Financial assets at fair value through profit or loss	4,570.3	5,325.3	4,582.7
Amounts due from banks	947.6	463.4	347.1
Loans and advances to customers, including:	8,948.4	8,229.9	8,429.6
Loan impairment	(858.6)	(866.0)	(1,365.9)
Assets pledged as collateral	1,248.1	-	568.9
Financial assets available for sale	462.1	457.0	370.3
Property and equipment	250.4	269.5	289.1
Intangible assets	120.7	120.0	236.6
Assets held for sale	8.3	8.4	18.1
Deferred tax assets	184.9	179.3	138.3
Other assets	148.3	203.8	120.6
TOTAL ASSETS	**17,739.0**	**16,200.6**	**16,194.3**
Liabilities			
Amounts due to banks	319.6	104.4	503.8
Amounts due to customers	13,594.7	12,441.8	12,718.0
Provisions	234.9	239.0	81.9
Financial liabilities at fair value through profit or loss	87.8	79.4	120.6
Other liabilities	382.5	324.5	377.2
TOTAL LIABILITIES	**14,619.6**	**13,189.2**	**13,801.6**
TOTAL ASSETS LESS TOTAL LIABILITIES	**3,119.4**	**3,011.4**	**2,392.7**

Source: Bank BPH Special Purpose Financial Statements

Selected information from the income statement for the three-month periods ended March 31, 2016 and 2015 and for the financial years ended December 31, 2015 and 2014

	For the three months periods ended March 31,		For the financial year ended December 31,	
	2016	2015	2015	2014
	(unaudited)		*(audited)*	
	(PLN million)			
Interest income	205.3	221.1	850.2	1,101.3
Interest expense	(38.6)	(53.1)	(180.2)	(293.3)
Net interest income	**166.7**	**168.0**	**670.0**	**807.9**
Fee and commission income	78.1	87.6	341.2	426.0
Fee and commission expenses	(29.3)	(24.2)	(113.3)	(144.2)
Net fee and commission income	**48.8**	**63.3**	**227.8**	**281.8**
Result on financial instruments at fair value through profit or loss and exchange rate differences	30.1	34.6	46.9	104.7
Other operating income	1.6	5.0	27.0	26.6
Other operating expenses, including	(3.6)	(7.7)	(175.9)	(32.2)
Impairment of goodwill	-	-	(154.8)	-
General administrative expenses, including	(249.3)	(252.4)	(1,154.2)	(1,009.3)
Restructuring costs	(2.2)	0.9	(184.7)	(27.1)
Impairment charges	14.2	20.5	(13.5)	12.3
Profit (loss) before income tax	8.5	31.3	(371.9)	191.8
Income tax expense	1.5	(10.2)	48.2	(49.9)
Profit (loss) for the period	**10.0**	**21.1**	**(323.7)**	**141.9**

Source: Bank BPH Special Purpose Financial Statements

Selected information from the statement of comprehensive income for the three-month periods ended March 31, 2016 and 2015 and for the financial years ended December 31, 2015 and 2014.

	For the three-month periods ended March 31,		For the financial year ended December 31,	
	2016	**2015**	**2015**	**2014**
	(unaudited)		*(audited)*	
	(PLN million)			
Profit (loss) for the period for Bank BPH Core Business	**10.0**	**21.1**	**(323.7)**	**141.9**
Other comprehensive income not to be reclassified as profit or loss in subsequent periods:	**-**	**-**	**6.5**	**(6.6)**
Actuarial revaluation (net of tax)	-	-	6.5	(6.6)
Other comprehensive income to be reclassified as profit or loss in subsequent periods:	**2.6**	**(0.2)**	**63.7**	**2.1**
Result from revaluation of securities available for sale (net of tax)	2.6	(0.2)	63.7	1.9
Settlement of cumulative gains or losses on hedging instruments which have been discontinued from the hedge accounting (net of tax)	(0.0)	0.0	0.0	0.2
Total comprehensive net income for the Bank BPH Core Business	**2.6**	**(0.2)**	**70.1**	**(4.6)**
Total comprehensive net income	**12.6**	**20.9**	**(253.5)**	**137.4**

Source: Bank BPH Special Purpose Financial Statements

Selected information from the cash flow statement for the three-month periods ended March 31, 2016 and 2015 and for the financial years ended December 31, 2015 and 2014.

	For the three-month periods ended March 31,		For the financial year ended December 31,	
	2016	**2015**	**2015**	**2014**
	(unaudited)		*(audited)*	
	(PLN million)			
Profit (loss) before income tax	**8.5**	**31.3**	**(371.9)**	**191.8**
Total adjustments	**725.0**	**(72.7)**	**559.8**	**(1,319.5)**
Depreciation and amortization	25.1	18.1	81.7	76.2
Interest income	(205.3)	(221.1)	(850.2)	(1,101.3)
Interest expense	38.6	53.1	180.2	293.3
Interest received	168.0	186.0	758.8	1,089.3
Interest paid	(23.4)	(2.9)	(188.3)	(306.1)
Tax paid/received	-	-	-	12.7
Gains / losses on sale of investment	(0.1)	(0.3)	(1.2)	(13.2)
Change in impairment charges	(7.4)	(384.1)	(499.9)	(427.1)
Change in assets at fair value through profit or loss	(191.0)	(9.2)	(64.4)	8.7
Change in amounts due from banks	5.3	20.8	34.3	93.2
Change in loans and advances to customers	(696.7)	859.1	776.6	92.1
Change in other assets	49.9	(95.5)	1.0	58.5
Change in financial assets available for sale	(2.9)	0.2	(82.7)	(10.8)
Change in amounts due to banks	215.1	175.2	(399.1)	189.0
Change in amounts due to customers and other institutions	891.2	(951.9)	(272.9)	(894.1)
Change in liabilities at fair value through profit or loss	8.4	20.1	(41.2)	(31.2)
Change in other liabilities	350.2	78.2	255.5	(153.8)
Change in allocated equity	99.9	181.6	871.6	(294.9)

	Net cash flows from operating activities of the Bank BPH Core Business	733.5	(41.4)	187.9	(1,127.7)
	Net cash flows from operating activities of the Bank BPH Mortgage Business	-	0.8	(104.5)	727.2
	Net cash flows from operating activities	733.5	(40.6)	83.4	(400.6)
	Purchase of property and equipment and intangible assets	(7.1)	(14.7)	(103.7)	(92.6)
	Sale of property and equipment and intangible assets	0.5	0.3	11.9	13.2
	Net cash flows from investing activities of the Bank BPH Core Business	**(6.7)**	**(14.4)**	**(91.8)**	**(79.4)**
	Net cash flows from investing activities of the Bank BPH Mortgage Business	**-**	**(0.8)**	**13.8**	**11.2**
	Net cash flows from investing activities	**(6.7)**	**(15.2)**	**(78.1)**	**(68.2)**
	Issue of securities	-	28.5	209.4	119.7
	Buy-back of securities issued by Bank BPH	(30.0)	(46.4)	(205.0)	(78.5)
	Net cash flows from financing activities of the Bank BPH Core Business	**(30.0)**	**(17.9)**	**4.5**	**41.2**
	Net cash flows from financing activities of the Bank BPH Mortgage Business	**-**	**-**	**90.8**	**(738.4)**
	Net cash flows from financing activities	**(30.0)**	**(17.9)**	**95.3**	**(697.1)**
	Total net cash flows	**696.8**	**(73.7)**	**100.5**	**(1,165.9)**
	Opening balance of cash and cash equivalents	**5,956.1**	**5,855.6**	**5,855.6**	**7,021.4**
	Closing balance of cash and cash equivalents	**6,652.9**	**5,781.9**	**5,956.1**	**5,855.6**
	Change of cash and cash equivalents	**696.8**	**(73.7)**	**100.5**	**(1,165.9)**

Source: Bank BPH Special Purpose Financial Statements

B.8

Selected *pro forma* financial information

The unaudited pro forma consolidated financial information presents the hypothetical impact of the acquisition of BPH Core Business and related transactions, including obtaining proceeds from the Offering amounting to PLN 2,200.0 million (together, the "**Transaction**") on the historical financial information of Alior Group.

The unaudited pro forma consolidated statement of financial position as at March 31, 2016 shown in the table below presents hypothetically the Alior Group's financial position as though the Transaction and events and operations that are directly related to the Transaction, had taken place on March 31, 2016.

The unaudited pro forma consolidated income statements for the financial year ended December 31, 2015 and for the three months ended March 31, 2016 shown in the tables below present hypothetically the Alior Group's results of operations as though the Transaction had taken place at the start of the presented period, i.e. on January 1, 2015 for unaudited pro forma consolidated income statement for the financial year ended December 31, 2015 and on January 1, 2016 for unaudited pro forma consolidated income statement for the three months ended March 31, 2016.

The unaudited pro forma consolidated financial information has been prepared in accordance with the principles described in the Regulation 809/2004 and the related guidance issued by ESMA. The Alior Group is not subject to the reporting requirements of the U.S. U.S. Securities and Exchange Commission and, accordingly, the Pro Forma Financial Information has not been prepared specifically for the purposes of complying with the requirements of Regulation S-X of the U.S. Securities Act.

The 2015 Audited Consolidated Financial Statements of the Alior Group and the Condensed Interim Consolidated Financial Statements of the Alior Group for the three months ended March 31, 2016 form the basis for preparing the unaudited pro forma consolidated financial information. The consolidated pro forma financial information has been prepared in accordance with the accounting policies adopted by the Alior Group and described in the 2015 Audited Consolidated Financial Statements of the Alior Group and the Condensed Interim Consolidated Financial Statements of the Alior Group for the three month ended March 31, 2016.

The unaudited pro forma consolidated financial information presented below has been prepared solely for illustrative purposes and due to its nature presents a hypothetical situation; therefore, it does not represent the actual results of operations or financial condition of the Alior Group as at date or for the period specified,

had the events and operations discussed actually taken place on the assumed dates, and its purpose is not to present the results of operations or financial position as at any future date or for any future period.

Unaudited pro forma consolidated income statement of Alior Group

	for the three months ended March 31, 2016		for the financial year ended December 31, 2015	
IN PLN MILLIONS	**Historical information**	**Pro forma**	**Historical information**	**Pro forma**
Interest income	663.2	863.3	2,399.2	3 229,9
Interest expense	(250.7)	(289.3)	(898.2)	(1 078,3)
Net interest income	**412.5**	**574.0**	**1,501.0**	**2 151,6**
Dividend income	**-**	**-**	**0.1**	**0,1**
Fee & Commission income	138.0	216.1	545.7	886,9
Fee & Commission expense	(50.7)	(80.0)	(214.1)	(327,4)
Net Fee & Commission income	**87.3**	**136.1**	**331.6**	**559,5**
Trading and derivative income	**68.9**	**99.0**	**281.6**	**328,5**
Other operating income (loss)	**10.6**	**1.3**	**51.7**	**53,3**
General Administrative expenses (excluding restructuring)	**(276.6)**	**(525.9)**	**(1,107.9)**	**(2 077,4)**
Restructuring expenses	**-**	**-**	**-**	**(184,7)**
Banking tax	**(20.7)**	**(31.2)**	**-**	**-**
Net impairment charges	**(175.7)**	**(162.0)**	**(672.1)**	**(689,3)**
Profit before income tax	**106.3**	**91.3**	**386.0**	**141,6**
Income tax	(26.2)	(22.2)	(77.0)	(53,0)
Net profit	**80.1**	**69.1**	**309.0**	**88,5**

Unaudited pro forma consolidated statement of financial position of Alior Group

	as at March 31, 2016	
IN PLN MILLIONS	**Historical information**	**Pro forma**
ASSETS		
Cash and balances with Central Bank	665.8	2 164,3
Financial assets at fair value through profit or loss	359.8	3 621,2
Financial assets available for sale	6,008.1	6 470,2
Derivative hedging instruments	161.4	161,4
Amounts due from banks	523.6	1 322,6
Loans and advances to customers	32,738.0	41 686,4
Assets pledged as collateral	226.1	1 474,2
Property and equipment	224.5	474,9
Intangible assets	390.4	511,1
Assets held for sale	0.7	9,0
Deferred tax assets	313.4	498,3
Other assets	413.9	562,2
TOTAL ASSETS	**42,025.7**	**58 955,8**
LIABILITIES AND EQUITY		
Financial liabilities held for trading	339.0	426,8
Amounts due to banks	404.2	667,4

	Amounts due to customers	35,802.3	49 397,0
	Provisions	15.0	249,9
	Other liabilities	895.1	1 277,6
	Current and deferred income tax liabilities	30.8	30,8
	Subordinated liabilities	937.7	937,7
	Total liabilities	**38,424.1**	**52 987,2**
	Share capital and supplementary capital	3,318.3	5 464,8
	Revaluation reserve	22.6	22,6
	Other reserves	184.8	184,8
	Retained earnings	74.8	295,2
	Non-controlling interests	1.1	1,1
	Equity	**3,601.6**	**5 968,5**
	TOTAL LIABILITIES AND EQUITY	**42,025.7**	**58 955,8**
B.9 Qualifications in the audit report	PricewaterhouseCoopers sp. z o.o. has reviewed the special purpose condensed interim financial information of Bank BPH for the three months ended March 31, 2016 and issued an unqualified report from the review thereof. The report contains an emphasis of matter as follows: "Without modifying our conclusion, we draw attention to the fact that, as described in Note 1 to the special purpose condensed interim financial information, the Bank BPH Core Business and the Bank BPH Mortgage Business have not operated separately. This special purpose condensed interim financial information is, therefore, not necessarily indicative of results that would have occurred if the Bank BPH Core Business and the Bank BPH Mortgage Business had operated as separate reporting entities and may not be indicative of their future results." PricewaterhouseCoopers sp. z o.o. has audited the special purpose financial statements of Bank BPH for the two financial years ended December 31, 2015 and issued an unqualified opinion thereon. The opinion contains an emphasis of matter as follows: "Without modifying our opinion, we draw attention to the fact that, as described in Note 1 to the special purpose financial statements, the Bank BPH Core Business and the Bank BPH Mortgage Business have not operated separately. These special purpose financial statements are, therefore, not necessarily indicative of results that would have occurred if the Bank BPH Core Business and the Bank BPH Mortgage Business had operated as separate reporting entities and may not be indicative of their future results."		
B.11 Working capital	The Company's working capital is sufficient for the Company's present requirements.		

Section C – Securities	
C.1 Offer Shares	The Company will offer 56,550,249 ordinary bearer series I shares with a nominal value of PLN 10.00 per share and will apply for the admission and introduction of the Pre-emptive Rights, Rights to Shares and the Offer Shares to trading on the regulated market (main market) of the WSE. It is the Company's intention to have the Offer Shares denoted with the same ISIN as the Existing Shares traded on the regulated market (main market) of the WSE, i.e. ISIN: PLALIOR00045. The ISINs which will denote the Pre-emptive Rights and the Rights to Shares will be known following the adoption by the NDS of the applicable resolutions on the registration of the Pre-emptive Rights and the Rights to Shares in the depository of securities and designating an ISIN for them.
C.2 Currency of the Offer Shares	The shares are issued in złoty (PLN). The Pre-emptive Rights, Rights to Shares do not have an issue currency, but they will be listed on the regulated market in PLN.

C.3 **Share capital of the Company**	As of the date of this Offering Circular, the share capital of Alior Bank amounted to PLN 727,074,630.00 and was divided into 72,707,463 Existing Shares, with the nominal value of PLN 10.00 (ten) each. The Existing Shares have been issued on the basis of appropriate provisions of the Code of Commercial Companies and the Articles of Association. The Existing Shares have been issued and are fully paid up. The Existing Shares are bearer shares, and do not confer preferential voting rights, dividend rights or rights to the distribution of assets in the event of a winding-up of the Company. The Existing Shares confer equal rights on their holders, and, specifically, every Existing Share carries the right to one vote at a General Meeting.
C.4 **Rights attached to Shares**	Pursuant to the provisions of the CCC and the Offering Act, the following rights, *inter alia*, will be attached to the Offer Shares: • the right to demand the convening of an Extraordinary General Meeting and inclusion of specific items on the agenda, which is vested in shareholders representing at least one-twentieth of the share capital; • the right to submit to the Company in writing or using electronic communication techniques, draft resolutions concerning matters placed on the agenda of the General Meeting, which is vested in shareholders representing at least one-twentieth of the share capital; • the right to submit draft resolutions relating to matters placed on the agenda during a General Meeting; • the right to attend the General Meeting and exercise voting rights, whether personally or by proxy; • the right to review or demand the delivery of a list of shareholders; • the right to demand copies of applications regarding matters placed on the agenda of the General Meeting; • the right to demand copies of the annual financial statements; • the right to demand an inspection of the attendance list of shareholders attending the General Meeting; • the right to demand the election of the Supervisory Board by separate groups, vested in shareholders representing at least one-fifth of the share capital; • the right to obtain information on matters concerning the Company at the General Meeting; • the shareholder's right to bring an action to repeal or declare invalidity of a General Meeting resolution; • the right to dividend; • the right to participate in the surplus of the Company's assets left after satisfying or securing its creditors in the event of its winding up; • priority of taking up new shares (pre-emptive right); • the right to demand that the remaining shareholders sell all the shares held by them, vested in a shareholder holding more than 90% of the total number of votes (squeeze out); • the right to demand that another shareholder buys out all the shares held by a minority shareholder.
C.5 **Restrictions on the free transferability of the Shares**	The CCC, the Offering Act and the Trading Act envision, *inter alia*, the following restrictions on the free transferability of the Offer Shares: • the obligation to notify the PFSA and the Company imposed on anyone who: (i) has reached or exceeded 5%, 10%, 15%, 20%, 25%, 33%, 33⅓%, 50%, 75% or 90% of the total number of votes in a public company; (ii) held at least 5%, 10%, 15%, 20%, 25%, 33%, 33⅓%, 50%, 75% or 90% of the total number of votes in such company, and as a result of reducing that share, has reached respectively 5%, 10%, 15%, 20%, 25%, 33%, 33⅓%, 50%,75% or 90% or fewer of the general number of votes; (iii) altered a previously held shareholding of over 10% of the total number of votes by at least 2% of the total number of votes in a public company whose shares are admitted to trading on an official stock exchange trading market (as at the date of this Offering Circular, the main market of the WSE is such market); (iv) changed the previously held shareholding of over 33% of the total number of votes in a public company by at least 1% of the total number of votes;

	• the obligation to announce a tender offer for the sale or exchange of shares in the event of: (i) purchase of shares authorising their holder to over 10% or 5% of the total number of votes at the General Meeting; (ii) exceeding the threshold of 33% of the total number of votes at the General Meeting (iii) exceeding the threshold of 66% of the total number of votes at the General Meeting; • the prohibition against purchasing or selling, on one's own account or on account of a third party, financial instruments based on insider information; • the prohibition against purchasing or selling financial instruments during a restricted period by persons determined in the Trading Act; • the requirement to notify the PFSA thereof by a person who intends to, directly or indirectly, acquire or subscribe for shares or rights attached to shares in a domestic bank allowing for the achievement or exceeding of 10%, 20%, one-third, 50% of the total number of votes at the general meeting of the bank or in its share capital; • the requirement to notify the Bank thereof by a person that directly or indirectly acquires or subscribes for shares or rights for shares in a domestic bank, if such shares, together with the shares acquired or subscribed for previously, result in reaching or exceeding the threshold of 5%, 10%, 20%, 25%, one-third, 50%, 66% and 75% of the total number of votes at a general meeting, or became the parent company of a domestic bank; • the requirement to notify the PFSA of any intention to sell, directly or indirectly, a block of shares in a domestic bank: (i) that entitles the owner of the shares to exercise more than 10% of the total number of votes at a general meeting; (ii) that after the sale will entitle such person to exercise less than 10%, 20%, one-third or 50% of the total number of votes at a general meeting; • a controlling company within the meaning of Article 4 Section 1 Item 4 of the CCC is required to notify its subsidiary of its controlling position within two weeks of attaining such position. Otherwise the exercise of the voting rights from the shares representing more than 33% of the subsidiary's share capital will be suspended. The Articles of Association do not provide for any restrictions with respect to the free transferability of the Shares.
C.6 **Admission to trading on regulated market**	The Company will apply for the admission and introduction of the Pre-emptive Rights, Rights to Shares and the Offer Shares to trading on the regulated market (main market) of the WSE.
C.7 **Dividend policy**	The Management Board does not intend to distribute dividends to its shareholders from the profits (if any) for the financial year ended December 31, 2016 and intends to apply any future profits and retained earnings in such period (if any) to finance the growth and development of its business. At the end of the above-mentioned period, the Management Board will consider a change of the dividend policy. The Management Board may decide to recommend the payment of dividends for consideration by the shareholders at the General Meeting. In making any such recommendation, the Management Board will take into account several factors, including the Bank's prospects, future profits, capital requirements, financial standing, the Tier I ratio and total capital adequacy ratio levels and expansion plans, as well as relevant laws and regulations, and any relevant recommendations of the PFSA. However, the approval of dividends and the amount of dividends to be paid is ultimately a decision for the shareholders, who are not bound by any dividend recommendation of the Management Board. The Management Board believes that the payment of dividends by Alior Bank from its profits for 2017 (if any profit is earned in that period) may be impossible due to the cost of the Transaction and the related restructuring.

Section D – Risks	
D.1 **Risk factors relating to activity of the Group and the industry in which the Group operates**	**Risk factors related to the Alior Group's activities:** • The Alior Group is dependent on qualified staff, including mid-level and senior managers • The Alior Group may not be able to successfully implement its growth strategy • The Alior Group's historical operational and financial results do not constitute an indicator of its future operational and financial results • The Alior Group may not be able to maintain its current margins and commissions on loans and deposits or to achieve its goal of increasing its margins and commission to improve its financial results • The Alior Group may not be able to expand its product portfolio and customer base • The Alior Group may require additional capital but it may be difficult or impossible to obtain it on favorable terms and conditions or at all • The Alior Group may not be capable of satisfying the requirements of the minimum level of capital adequacy and other capital requirements • The Alior Group faces credit risks and its risk management methods may prove ineffective • The Alior Group's loan portfolio may generate higher levels of losses than market average • The Alior Group faces credit exposure concentration risk • The Alior Group's impairment allowances may not be sufficient to cover the actual losses to the Alior Group's loan portfolio • The Alior Group may be exposed to losses if critical accounting judgments or estimates are subsequently found to be incorrect or inaccurate • A decline in the value of security granted in favor of the Alior Group could result in higher losses on the Alior Group's loan portfolio • The Alior Group is exposed to liquidity risk as a result of mismatches in maturity of assets and liabilities • The Alior Group's credit rating could deteriorate • Alior Bank is exposed to risks resulting from granting, financing and securing foreign currency denominated loans • The Alior Group may be unable to fulfil its strategic goal of restoring its previous position among the best Polish banks in terms of service quality and of maintaining a strong brand and reputation • The Alior Group is exposed to risks related to the availability and quality of the products and services from third party suppliers • The Alior Group outsources a significant portion of its operations • The Alior Group distributes a significant proportion of its products and services through external distribution channels • The Alior Group's IT systems may fail or their security may be compromised • The success and growth of the Alior Group's business depends on its ability to adapt to technological changes • The Alior Group is subject to operational risks inherent in its business activities • Dividend payment risks • The collaboration agreements with Deutsche Telekom Group may be terminated • Alior Bank faces risks related to PZU being the largest shareholder of Alior Bank • The Alior Group faces risks related to the conclusion of related-party transactions, which may be challenged by the tax or fiscal authorities • The Alior Group is exposed to risks related to completed or future acquisitions

	• The exercise of voting rights attached to the Existing Shares by some major shareholders may be challenged • The value of the Alior Group's investment portfolio may decrease • Alior Group's insurance cover may be insufficient, may not cover damage suffered by the Alior Group, or may not satisfy claims raised against the Alior Group • Activities of the Alior Group are exposed to extraordinary factors which are outside the Alior Group's control • Alior Group has a material exposure to Kompania Węglowa S.A. in its impaired loan portfolio **Risk factors regarding the Polish banking sector:** • Regulation of the financial services and banking sector in Poland and globally may increase and become more stringent • Alior Bank may be obliged to make significant contributions to the BFG, the Borrowers Support Fund or the compensation system set up by the NDS • Deterioration of the financial position of SKOKs could adversely affect the banking sector in Poland • Additional tax burdens may be imposed on Polish banks • The Alior Group is exposed to risks resulting from the adoption of regulations changing the terms of foreign currency-denominated mortgage loans, which could have a significantly destabilizing effect on the whole Polish banking sector • The Alior Group is exposed to intense competition in the Polish financial sector • The recommendations issued by the PFSA could adversely affect Alior Bank's business • The rate of growth of the Polish banking sector may decline significantly • Risks related to the implementation of the BRR Directive • The process of enforcing security on bank loans in Poland is difficult and time-consuming • The Alior Group is subject to information requirements in connection with FATCA and automatic information interchange on tax matters **Risk factors related to macroeconomic conditions:** • Economic events of a global, regional and local nature may have an impact on the business, results of operations, financial condition and prospects of the Alior Group • The proposed referendum on the UK's continued membership in the European Union and the risk associated with the instability of political systems in Europe may affect the business of the Alior Group • The economic conditions in Poland could adversely affect the Alior Group's business • The Alior Group is exposed to risk related to destabilization of the political and economic situation of the European Union and the associated currency risk **Risk factors related to legal regulations:** • Court, administrative or other proceedings may adversely affect the Alior Group • Decisions of the competition and consumer protection authorities may adversely impact the Alior Group • The interpretation of the provisions of Polish law may be unclear and Polish law could change • Interpretation of provisions of the Polish tax law that apply to the Alior Group's business may be unclear and these provisions may change • Alior Bank may be obliged to prepare and implement a recovery plan based on the provisions of the Banking Law • The Alior Group will be obliged to comply with the requirements of the MAD Directive and MAR Regulation • The risk of the Alior Group's failure to comply with anti-money laundering and anti-corruption laws and regulations in the course of its business

- Investors may be unable to enforce judicial decisions of foreign courts against the Alior Group

Risks related to the Bank BPH Core Business:

- Negotiations with trade unions, collective disputes with employees and other forms of employment disputes may have an adverse effect on the business of the Alior Group following the Transaction and efforts related to integration
- A negative outcome from court or administrative proceedings pertaining to the Bank BPH Core Business may affect Alior Bank
- Inability to maintain or increase current margins and commissions on loans and deposits in the BPH Bank Core Business may affect Alior Bank
- The Bank BPH Core Business is exposed to credit concentration risk
- The Bank BPH Core Business is exposed to risks related to the implementation of the Business Transformation Plan

Risk factors related to the Transaction:

- The anticipated benefits of the implementation of the Transaction may be lower than expected or it may take longer to attain them and the anticipated synergies may be overestimated
- Integration efforts connected with the Demerger may not be fully effective and costs of integration and restructuring might be higher than expected
- The success of the Transaction depends on satisfying the conditions set out in the Share Purchase and Demerger Agreement. If these conditions are not satisfied, the agreement may be terminated and Alior Bank may have to pay a break fee to the Sellers
- Finalization of the Transaction depends on legal factors, time constraints and other circumstances, which may be beyond the control of Alior Bank and other participants in the Transaction
- When deciding to acquire the Bank BPH Core Business, Alior Bank relied on information that may have been incomplete or inaccurate
- Alior Bank may face risks related to the activities of BPH TFI before the Demerger
- Bank BPH is exposed to risks related to its residential CHF mortgage loan portfolio which may affect the Transaction prior to its completion or result in claims against Alior Bank following completion of the Transaction
- Neither the historical performance of the Alior Group or the Bank BPH Core Business, nor the hypothetical results of operations shown in the Pro Forma Financial Information can provide assurance that the Alior Group will experience similar results of operations in the future, including the period following the integration with the Bank BPH Core Business
- If the Transaction is not implemented, the shareholders will not receive reimbursement of the purchase price paid for the Offer Shares, and the proceeds from the Offering will be used for other purposes
- Risk related to joint and several liability for Bank BPH's liabilities in connection with the Demerger and creditors' right to demand security for their claims
- The shareholders of Alior Bank may challenge the Capital Increase Resolution
- The registry court may refuse to register the Alior Bank share capital increase on the basis of the Capital Increase Resolution or such registration may be delayed
- The schedule and details of the Tender Offer have not been determined as at the date of this Offering Circular, and the Tender Offer may be prolonged or may not take place if the Sellers fail to perform their obligations
- Alior Bank will have very limited influence on the operations of Bank BPH before the Demerger
- The Demerger requires resolutions to be adopted by general meetings of Alior Bank and Bank BPH, and these resolutions may be challenged in court by shareholders
- The competent registry courts may refuse to register the share capital decrease of Bank BPH or the share capital increase of Alior Bank in relation to the Demerger or their registration may be delayed

	• The Demerger would require an offering document for the Demerger Offering to be drafted, approved and published if prior to the adoption of the Demerger Resolution the shareholding structure of Bank BPH includes the Minority Shareholders of Bank BPH • Minority Shareholders of Bank BPH may claim damages from Alior Bank regarding the Share Exchange Ratio or demand a buy-out of their Demerger Shares • Interpretations of legal provisions regarding the Demerger adopted by the courts or government agencies may differ from those adopted by Alior Bank • Alior Bank faces a tax risk related to the Demerger • Risk related to Alior Bank's potential obligation to consolidate Bank BPH in case the Demerger is not registered by the relevant deadline • Alior Bank faces a risk of conflicts between shareholders (current and new), whose interests may be divergent • Errors or delays may occur with regard to the planned integration of the IT systems of the Alior Group and the Bank BPH Core Business • Alior Bank risks losing some of its clients and some of the existing Bank BPH clients in connection with the Demerger
D.3 **Risk factors relating to the Shares**	**Key information on the key risks that are specific to the securities.** Risks relating to the Offering and the Offer Shares: • The Offering may be Cancelled or Suspended • The Offering may be Unsuccessful • If the Offering is unsuccessful or Alior Bank cancels the Offering, investors who acquire Pre-emptive Rights on the secondary market will incur a loss • The Underwriting Agreement Is Subject to Customary Conditions Precedent Related to the Underwriting Commitment and Contains Customary Conditions Authorizing Its Termination • Risks relating to an objection by the PFSA to the acquisition of or subscription for Shares • Alior Bank or other persons or entities acting on its behalf may violate the law in force by conducting a promotional campaign in connection with the Offering • In the Event of a Breach or Suspected Breach of Law in Relation to the Offering, or the Application for the Admission and Introduction of the Shares to Trading on a Regulated Market, the PFSA may, inter alia, Prohibit or Suspend the Offering and Issue an Order to Stay or Repeal the Application for the Admission or Introduction of the Shares to Trading on the Regulated Market • Alior Bank's Failure to Meet the Requirements Set Forth in the WSE Rules or the Public Offering Act May Cause the Shares to Be Delisted and administrative sanctions could be imposed on the Alior Group • The market price of the Pre-emptive Rights and the Offer Shares (including the Rights to Shares) may decrease and/or be highly volatile, and in particular Alior Bank's share price will fluctuate and may fall below the Issue Price of the Offer Shares issued upon exercise of the Rights to Shares, and further liquidity of the Pre-emptive Rights, the Rights to Shares and the Shares may be limited • The Issuance of the Offer Shares by Alior Bank, future offerings of convertible debt or interest securities by Alior Bank or the future sale of a significant number of Shares by Major Shareholders in Alior Bank, or the expectation that such an issue or sale will take place, could adversely impact the price of the Shares • We cannot assure holders of the Pre-emptive Rights, the Rights to Shares and the Offer Shares that an active trading market will develop or that there will be sufficient liquidity for such securities • The Pre-emptive Rights, the Rights to Shares and the Offer Shares may not be eligible for trading or listing on the main market of the WSE • Trading in the Pre-emptive Rights, the Rights to Shares and the Offer Shares on the WSE may be suspended

	• Risk Related to the Management Board's authorization to determine the final amount by which the share capital is to be increased • The share of the Alior Bank shareholders who do not take up Offer Shares in exercise of the Pre-emptive Right in the share capital of Alior Bank and the total number of votes at the General Meeting will be diluted, and as a result these shareholders may incur a loss • Unexercised Pre-emptive Rights will expire without compensation • Risk related to the post-reform functioning of Open-ended Pension Funds and its possible impact on the capital market in Poland and the price of the Shares • Restrictions as to the exercise of Pre-emptive Rights by persons resident outside of Poland • Pre-emptive Rights, Rights to Shares and Offer Shares may not be admitted or introduced to trading on the main market of the WSE, and the commencement of listings of Pre-emptive Rights may be delayed • The value of the Pre-emptive Rights, the Rights to Shares and the Offer Shares for foreign investors may decrease due to exchange rate fluctuations • Holders of the Shares in Certain Jurisdictions May Be Subject to Restrictions Regarding the Exercise of Pre-Emptive Rights with Respect to Future Offerings • The Interpretation of Polish Laws and Regulations Governing Investing in Shares, Including Tax Laws and Regulations Applicable to Investors, May Be Unclear and Polish Tax Laws and Regulations May Change

Section E – Offer	
E.1 **Proceeds and expenses of the offer**	The Company intends to obtain gross proceeds from the issuance of the Offer Shares under the Offering in the amount of approximately PLN 2,200 million. The Company estimates that the remuneration of the Offer Managers for their services related to the Offering, including the placement and underwriting, will amount to approximately PLN 36.2 million. The Company estimates that the other costs of the Offering will amount to approximately PLN 35.1 million. In addition to the remuneration of the Offer Managers referred to above, the other costs of the Offering include, among other things, the costs of legal advice and fee of the Company's auditor, the costs of preparation and making of the Offering Circular and the Annual Standalone Abbreviated Financial Information of the Bank BPH Core Business, administrative costs and other costs related to the issuance and Offering, registration fees related to the Pre-emptive Rights, Allotment Certificates and the Offer Shares, the costs of publication of information regarding the Offering and the costs of information campaign addressed to the shareholders of the Company in relation to the issuance and the Offering. The Company will not charge any expenses to investors who submit subscription orders for the Offer Shares. The amount paid by an investor upon submission of a subscription order may, however, include a potential fee charged by the investment firm accepting the subscription order, in accordance with the regulations of such investment firm. Upon completion of the Offering, the Company will publish a current report providing detailed information regarding the results of the Offering, including the value of the Offering (the amount of proceeds raised by the Company through the issuance of the Offer Shares) and the amount of costs incurred by the Company in relation to the Offering.
E.2a **Reasons for the offer**	The Management Board intends to generate approximately PLN 2.2 billion in gross proceeds from the Offer Shares issued in the Offering. The actual amount of the gross proceeds will depend, in particular, on the final number of the Offer Shares allotted in the Offering, the Issue Price and market conditions at the time of the Offering. The actual amount of net proceeds from the issuance of the Offer Shares will depend on the final number of the Offer Shares allotted in the Offering, the Issue Price and the total costs of the Offering (see " – *Additional information – Costs of the Offering*"). The estimated total cost of the Offering is approximately PLN 71.3 million. Based on this assumption and considering the costs of the Offering

	referred to above, Alior Bank expects to generate net proceeds from the issuance of the Offer Shares of approximately PLN 2,128.7 million. Information regarding the actual gross and net proceeds from the issuance of the Offer Shares in the Offering and the final amount of the costs of the Offering will be published upon completion of the Offering in the form of a current report, pursuant to Article 56 section 1 item 2 of the Public Offering Act. The Management Board intends to use the proceeds from the Offering to: (i) finance the acquisition of a significant block of shares of Bank BPH in the Tender Offer (see " – *Transaction – Introduction*"); (ii) cover the anticipated costs of integration of Alior Bank and the Bank BPH Core Business following the Transaction (see " – *The Bank BHP Core Business – Integration Costs*"); and (iii) maintain the required level of the CET1 ratio and the CAR ratio, taking into account the Management Board's plans concerning the continued organic growth of Alior Bank (see " – *Alior Group Business – Alior Bank Strategy*"). As part of the Transaction, Alior Bank intends, among other things, to acquire a significant block of shares of Bank BPH in the Tender Offer (see " – *Transaction – Tender Offer and obligations of the Parties in the Transition Period*"). Pursuant to the Share Purchase and Demerger Agreement, the Sellers will sell all (or some of) their shares in the Tender Offer, in a number calculated as the quotient of the Price for the Sellers and the price per share proposed in the Tender Offer. The Price for the Sellers, payable for the Sellers' 87.23% share in the Bank BPH Core Business, has been determined in the Share Purchase and Demerger Agreement at PLN 1,225 million, subject to potential adjustments (see " – *Transaction – Share Purchase and Demerger Agreement – Price*"). Furthermore, the Management Board assumes that the volume of the Offering will make it possible to keep the CET1 ratio above the 10.75% level and the CAR ratio above the 13.75% level, taking into account the strategic goal of maintaining the planned organic growth of Alior Bank following the Transaction (see "*Alior Group Business")* and the anticipated costs of integration of the Bank BPH Core Business with the Alior Group (see: "*The Bank BPH Core Business – Integration Costs*"), which only in 2017 are not expected to be offset by the expected synergies. The Management Board assumes that the net proceeds from the Offering will cover all costs related to the described goals of the Offering. However, if the proceeds generated by Alior Bank on the issuance of the Offer Shares are lower than assumed, or if the costs related to the intended use of proceeds set out above increase to a degree resulting in a shortage of funds from the Offering for the uses of proceeds specified above, Alior Bank intends to obtain funds to cover the shortage from its own funds or by using debt financing. Alior Bank is not planning to change the use of the proceeds from the issuance of the Offer Shares in the Offering, but reserves the right to change them, should pursuing the assumed goals prove pointless or impossible, or should any events or circumstances occur that could adversely affect Alior Bank's business. In particular, although the Management Board believes that all reasonable actions have been taken to eliminate the risk of the Transaction not being consummated, a failure to complete the Transaction cannot be entirely ruled out. If the Transaction is not completed, the Management Board intends to carefully analyze options for alternative use of the net proceeds from the Offering, in particular alternative uses could include: (i) merger or acquisition projects to be pursued by Alior Bank, including acquisitions of credit portfolios comprising both retail and corporate exposures; (ii) accelerating the organic growth of Alior Bank's credit portfolio; and (iii) repayment by Alior Bank of the guarantee provided by PZU on the basis of the Guarantee Agreement of March 31, 2016 (see " – *Alior Group Business – Material Agreements – Agreement material for capital requirements – Guarantee and re-guarantee agreements*"). Subject to the abovementioned possible uses of the net proceeds from the Offering, should the Transaction not be completed, the actual use of the net proceeds in such a situation will be determined by Alior Bank upon completion of the Offering. If the use of the net proceeds from the issuance of the Offer Shares in the Offering is changed, relevant information will be published promptly in the form of a Prospectus Supplement and a current report pursuant to Article 56 section 1 item 2 of the Public Offering Act (in the event of a change of the goals of the issue during the period of validity of the

	Offering Circular) or solely in the form of a current report based on Article 56 section 1 item 2 of the Public Offering Act (in the event of a change of the goals of the issue after the lapse of the period of validity of the Prospectus).
E.3 Terms and conditions of the offer	**A description of terms and conditions of the offer.** ***Basic information about the offering*** The Company's share capital shall be increased by PLN 565,502,490 by way of an issue of 56,550,249 Offer Shares. The Offering consists of an issue of Pre-emptive Rights to existing shareholders of the Company, who are on the Company's shareholder register on the Record Date (23 May 2016), entitling them, or any other persons who may acquire such Pre-emption Rights, to subscribe for the Offer Shares and any Offer Shares not covered by such subscriptions made in the exercise of the Pre-emptive Rights and any Additional Subscriptions that may be made by shareholders will be allotted by the Management Board, in agreement with the Offer Managers, to investors procured by the Offer Managers, who submit subscriptions in response to invitations made by the Offering Agent or failing which; to the Offer Managers themselves, in accordance with the terms of the Underwriting Agreement. On 18 May 2016, the Management Board of the Company, in agreement with the Offer Managers, determined (i) the final number of the Offer Shares that will be offered for subscription in the Offering to be 56,550,249, (ii) the number of the Offer Shares per Pre-emptive Right to be 0.77777777778 Offer Shares per Pre-emptive Right. On 18 May 2016, the Management Board of the Company, in agreement with the Offer Managers, determined the issue price for the Offer Shares to be PLN 38.90 per Offer Share. The Company intends to list 72,707,463 Pre-emptive Rights, 56,550,249 Rights to Shares and 56,550,249 Offer Shares on the main market of the WSE. The listing of 72,707,463 Pre-emptive Rights will be subject to the registration of the Pre-emptive Rights with the NDS and satisfaction of the conditions for the listing of the Pre-emptive Rights on the WSE in accordance with the regulations in force on the WSE. ***Addressees of the Offering*** The Offering is addressed to persons who are eligible to subscribe for the Offer Shares in the exercise of the Pre-emptive Right and who are eligible to make Additional Subscription. In addition, the Management Board, in agreement with the Offer Managers, will allot Offer Shares which were not subscribed for in the exercise of the Pre-emptive Rights and which were not covered by the Additional Subscriptions (if any) to persons procured by the Offer Managers, that make subscriptions in response to the invitation of the Offering Agent acting on behalf of and in agreement with the Company and the Offer Managers. The Offering is not divided into tranches. The Offer Shares are offered in a public offering in the territory of the Republic of Poland, pursuant to the Prospectus. In connection with the Offering, certain limited marketing activities may be undertaken in order to promote the Offering outside of Poland, pursuant to this Offering Circular. Any such marketing activities will only be addressed to selected foreign institutional investors with registered offices outside of Poland, and will comply with the applicable laws of the relevant jurisdictions where such activities concerning the Offering will be conducted. The marketing activities in connection with the Offering will be addressed exclusively to selected institutional investors (i) outside the United States of America in accordance with Regulation S, and (ii) in the United States of America – to Qualified Institutional Buyers in reliance on Rule 144A under the US Securities Act or in reliance upon on another exemption from the registration obligation provided for in the US Securities Act. ***Persons Eligible to Subscribe for the Offer Shares in the Exercise of the Pre-emptive Right and to Make Additional Subscriptions*** The following persons are eligible to subscribe for Offer Shares in the exercise of the Pre-emptive Right: (i) persons who held Existing Shares at the end of the Record Date and who have not transferred Pre-emptive Rights up to the time of subscribing for Offer Shares; and (ii) persons who held Pre-emptive Rights and have not transferred them up to the time of subscribing for Offer Shares.

Persons eligible to subscribe for Offer Shares in the exercise of the Pre-emptive Right may subscribe for the maximum number of Offer Shares resulting from the Pre-emptive Rights they hold. If the number of Offer Shares for which a person has priority to subscribe is not a whole number, the maximum number of Offer Shares for which that person may subscribe is the number resulting from rounding the number of Offer Shares down to the nearest whole number. Notwithstanding that rounding down, each Pre-emptive Right exercised for such a subscription is considered as having been exercised in full.

Within the above limits, a single eligible person may make more than one subscription in the exercise of the Pre-emptive Right. At least one Offer Share must be subscribed for in the exercise of the Pre-emptive Right.

Persons who are shareholders at the end of the Record Date are persons who are eligible to make an Additional Subscription during the time limit for exercising the Pre-emptive Right. However, persons who were not shareholders of the Company as at the end of the Record Date but who acquired Pre-emptive Rights are not eligible to make Additional Subscriptions.

Timetable of the Offering

May 18, 2016	Publication of the Prospectus Publication of information on the Issue Price and the final number of Offer Shares
May 19, 2016	Last day on which the acquisition of Existing Shares in a session of the WSE makes it possible to acquire the Pre-emptive Right*
May 23, 2016	Record Date
May 25, 2016	Commencement of subscriptions in exercise of the Pre-emptive Right and Additional Subscriptions **
May 25, 2016 – May 27, 2016***	Trading of the Pre-emptive Rights on the WSE
June 1, 2016	End of subscriptions in the exercise of the Pre-emptive Right and Additional Subscriptions
June 10, 2016	Allotment of the Offer Shares subscribed for in the exercise of the Pre-emptive Right and Additional Subscriptions
By June 12, 2016	Publication of information on the issue price of Shares not taken up in the exercise of the Pre-emptive Right and Additional Subscriptions, which will be disclosed only if it will be higher than the Issue Price
June 13, 2016 – June 14, 2016	Subscription period for Offer Shares not subscribed for in the exercise of the Pre-emptive Right and Additional Subscriptions by entities that reply to the invitation of the Offering Agent acting on behalf of and in agreement with the Company and the Offer Managers
June 15, 2016	Subscriptions, if any, submitted by the Offer Managers in performance of their obligations arising under the Underwriting Agreement
By June 15, 2016	Allotment of the Offer Shares to entities that make subscriptions in reply to the invitation of the Offering Agent acting on behalf of and in agreement with the Company and the Offer Managers and allotment of the Offer Shares to the Offer Managers, if they subscribe in performance of the obligation under the Underwriting Agreement
On or around 16 June, 2016	Application for registration of the Company's share capital increase submitted to Court
Around June 23, 2016	Listing of the Rights to Shares on the WSE
Late June/early July 2016	The Company's share capital increase is registered by the Court
Early/mid July 2016	Listing of the Offer Shares on the WSE

** The Record Date is May 23, 2016, therefore, pursuant to the NDS' settlement system the Existing Shares purchased during a*

WSE session after May 19, 2016 (the last day on which acquisition of Existing Shares makes it possible to acquire the Pre-emptive Right) do not give the right to acquire Pre-emptive Rights or exercise the Pre-emptive Right. The first day on which the Shares may be sold on the WSE in order to retain the vested Pre-emptive Right is May 20, 2016.

*** A given investor may submit its subscription only after the Pre-emptive Rights are recorded in the investor's account. This point in time may differ depending on entity which keeps the account. It is recommended to check with the brokerage house or bank maintaining the securities account on which the investor's Pre-emptive Rights will be recorded, the exact time the acceptance of subscriptions is to commence.*

**** Pursuant to § 18 Division I of the WSE Detailed Exchange Trading Rules, Pre-emptive Rights are listed on the WSE starting from the second trading day after the date on which the Company made the unit price of the new issue shares public, but no earlier than from the second trading following the day on which the prerequisites stipulated in the WSE Rules for admission of those rights to trading on the exchange have been fulfilled. If the requirements referred to above are fulfilled by 9.00 am on the trading day, the pre-emptive rights will be listed on the stock exchange starting from the trading day following that day. Pre-emptive rights are listed on the WSE for the last time on the trading session held on the third trading day prior to the date on which subscriptions for shares are closed.*

The Management Board, in agreement with the Offer Managers, may decide to change the starting and closing date of the subscription period. Information about such change will be made public in the form of a current report in accordance with Article 56 section 1 of the Public Offering Act and, furthermore, in accordance with Article 52 section 2 of the Public Offering Act by way of an update report (*komunikat aktualizacyjny*) made public in the same way as the Prospectus. This will take place by no later than the first day or last day, respectively, of the subscription period. If, in the Company's opinion, such changes were to constitute a material factor that could affect the assessment of the securities, such information will be, apart from being made public in the form of a current report in accordance with Article 56 section 1 of the Public Offering Act, made public in the form of a supplement to the Prospectus in accordance with Article 51 of the Public Offering Act, in which case this Offering Circular shall be deemed to have been updated by such supplement to the Prospectus. In such a case, the persons who made subscriptions will be able to avoid the effects of their declarations of will by making, at any customer service desk of the brokerage house or bank maintaining securities accounts in which they made the subscriptions in exercise of the Pre-emptive Right or an Additional Subscription, a written statement, within two Business Days from the date of the supplement to this Prospectus being made public. Payments made for Offer Shares will be reimbursed by the brokerage house or bank maintaining securities accounts that received such payments, if a subscription for the Offer Shares has not been placed yet or if the person who placed the subscription avoided the effects of his declaration of will in accordance with Article 51a of the Public Offering Act.

Issue Price and number of Shares covered by the Offering

The Issue Price of the Offer Shares has been determined by the Management Board, in agreement with the Offer Managers to be PLN 38.90 per Offer Share.

The Issue Price of the Offer Shares not covered by subscriptions placed in the exercise of the Pre-emptive Right and Additional Subscriptions that are offered by the Offering Agent in agreement with the other Offer Managers, acting on behalf of and in agreement with the Company, to selected entities pursuant to Article 436 § 4 of the Code of Commercial Companies may not be lower than the Issue Price. If the issue price of the Offer Shares not covered by subscriptions placed in the exercise of the Pre-emptive Right and Additional Subscriptions is higher than the Issue Price, it will be made public pursuant to Article 54 section 3 of the Public Offering Act, i.e. in the same manner in which the Prospectus was published and in the form of a current report in accordance with Article 56 section 1 of the Public Offering Act, before the commencement of the subscription period for the Offer Shares not covered by subscriptions placed in the exercise of the Pre-emptive Right and Additional Subscriptions

The final number of Offer Shares to be offered was determined by the Management Board in agreement with the Offer Managers, on 18 May 2016 on the basis of authorization granted in the Capital Increase Resolution, to be 56,550,249.

Under Article 54 section 3 of the Public Offering Act, the final number of Offer Shares offered for subscription and the number of Offer Shares per Pre-emptive Right was made publicly known on May 18, 2016 in the same way the Prospectus was made available and by way of a current report pursuant to Article 56 section 1 of the Public Offering Act.

In accordance with the requirements set out in the "*Standpoint of the Office of the Polish Financial Supervision Authority dated September 30, 2010 as regards the application of Article 432 § 4 of the Code of Commercial Companies in the case of public offerings conducted on the basis of prospectuses and information memoranda*", according to the Office of the Polish Financial Supervision Authority: (i)

	if a lower number of shares is subscribed for than the number arising from the final increase amount set by the Management Board, there may be doubt as to whether the issue has been effective, and consequently may result in a refusal to register the share capital increase; and (ii) if a higher number of shares is subscribed for than the number arising from the final capital increase amount set by the Management Board, when allotting the shares, the Management Board will reduce the subscriptions on the terms described in the Prospectus. ***Number of Offer Shares per Pre-emptive Right*** There will be one Pre-emptive Right per Existing Share held on the Record Date. The number of Offer Shares per Pre-emptive Right will be 0.77777777778 Offer Shares per Pre-emptive Right, which can be expressed as a ration of 9 Pre-emptive Rights for 7 Offer Shares, however it will not be possible to subscribe for a fraction of an Offer Share. ***Standby Underwriting Agreement*** On 6 April 2016 the Company entered into a standby underwriting agreement in connection with the Offering with Goldman Sachs International, J.P. Morgan Securities plc and Bank Zachodni WBK S.A. and, on 10 May 2016, the Company entered into an amended and restated standby underwriting agreement with Goldman Sachs International, J.P. Morgan Securities plc, Bank Zachodni WBK S.A. and Powszechna Kasa Oszczędności Bank Polski S.A. Oddział - Dom Maklerski PKO Banku Polskiego w Warszawie amending and restating the terms of the original standby underwriting agreement (the "**Standby Underwriting Agreement**"). ***Underwriting Agreement*** In accordance with the terms of the Standby Underwriting Agreement, the Company and the Offer Managers entered into an underwriting agreement on May 18, 2016 in connection with the Offering (the "**Underwriting Agreement**") pursuant to which each of the Offer Managers agreed severally (and not jointly, nor jointly or severally), subject to certain terms and conditions, to use reasonable endeavors to procure subscribers at the Issue Price (subject to the terms of the Underwriting Agreement), and in their respective proportionate shares, for the Offer Shares that are not subscribed for in the exercise of the Pre-emptive Rights or Additional Subscriptions, up to an aggregate of approximately PLN 1,645 million (the "**Underwriting Commitment**"). To the extent the Offer Managers fail to procure subscribers for all of the underwritten Offer Shares up to the Underwriting Commitment, each Offer Manager shall, subject to certain conditions, subscribe at the Issue Price and pay for such Offer Shares themselves in their respective proportionate shares and the Company shall allot such Offer Shares to subscribers procured by the Offer Managers or the Offer Managers themselves (or as may be otherwise directed by the Offer Managers), as the case may be. The Underwriting Agreement contains, among others, the following further provisions: (a) Goldman Sachs International, J.P. Morgan Securities plc and Bank Zachodni WBK S.A. act as Joint Global Coordinators, Joint Bookrunners and Joint Underwriters; Bank Zachodni WBK S.A. acts also as the Offering Agent and Powszechna Kasa Oszczędności Bank Polski S.A. Oddział - Dom Maklerski PKO Banku Polskiego w Warszawie acts as the Local Joint Bookrunner and Joint Underwriter. (b) The Company shall pay the Offer Managers fees and commissions of up to 1.79 per cent. of the gross amount of the Underwriting Commitment and, subject to certain limitations, to reimburse the Offer Managers' other costs, charges, fees and expenses together with any applicable value added tax thereon. (c) The Company shall pay (together with any applicable VAT) all other costs, charges, fees and expenses relating to the Underwriting Agreement and the Offering. (d) The obligations of the Offer Managers pursuant to the Underwriting Agreement are subject to certain conditions, including (i) PZU having irrevocably committed to subscribe for Offer Shares in proportion to their existing shareholding in the Company as set out in the Side Letter and such commitment not having been revoked or waived, (ii) a warranty or undertaking being true, accurate and not misleading , (iii) the delivery of customary comfort packages, (iv) no matter having arisen that requires publication of a supplementary annex to the Prospectus (save if required in connection with proper performance by the Company of its obligations under the Share Purchase and Demerger Agreement or execution of the Underwriting Agreement) and other customary conditions.

	(e) The Company gave certain customary representations, warranties and covenants to the Offer Managers. (f) The Company gave certain indemnities in a form that is standard for an agreement of this nature to the Offer Managers, their affiliates and their respective directors, officers and employees which, indemnify the Offer Managers against, *inter alia*, claims made against them or losses incurred by them, in connection with the Offering. (g) The Offer Managers shall be entitled to terminate the Underwriting Agreement in certain circumstances, including (i) a breach by the Company of its obligations; (ii) a representation or warranty becoming untrue, inaccurate or misleading; (iii) failure of a condition to be satisfied (or waived by the Offer Managers); (iv) challenge to the validity of shareholder resolutions in connection with the Offering, (v) the occurrence of certain material adverse changes in the financial condition prospects, earnings, solvency, liquidity, funding position or operations of the Alior Group taken as a whole and/or the BPH Core Bank making it in the judgment of the Offer Managers (after consultation with the Company) impractical or inadvisable to proceed with the Offering or certain changes in the credit or financial strength ratings of the Alior Group; (vi) occurrence of certain disruptive market events, calamities, crises or changes in financial, political or economic conditions (vii) publication of a supplementary annex to the Prospectus (save if required in connection with proper performance by the Company of its obligations under the Share Purchase and Demerger Agreement or execution of the Underwriting Agreement); (viii) it coming to the attention of the Offer Managers that a statement in the Prospectus or Offering Circular is untrue, incorrect or misleading in any material respect or a matter arising which would constitute a material omission from the Prospectus or Offering Circular such that the Offer Managers consider it, in good faith, to be adverse and material in the context of the Offering.
E.4 **Entities involved in the offering**	The entities listed below are engaged in the Offering. ***Offer Managers*** The role of Joint Global Coordinator, Joint Bookrunner and Joint Underwriter will be performed by Goldman Sachs International with its registered office in London at Peterborough Court, 133 Fleet Street, London EC4A 2BB, United Kingdom. The role of Joint Global Coordinator, Joint Bookrunner and Joint Underwriter will be performed by J.P. Morgan Securities plc with its registered office in London at 25 Bank Street, Canary Wharf, London E14 5JP, United Kingdom. The role of Joint Global Coordinator, Joint Bookrunner, Joint Underwriter and Offering Agent will be performed by Bank Zachodni WBK S.A. with its registered office in Wrocław at Rynek 9/11, 50-950 Wrocław, Poland. The role of Local Joint Bookrunner, and Joint Underwriter will be performed by Powszechna Kasa Oszczędności Bank Polski S.A. Oddział – Dom Maklerski PKO Banku Polskiego w Warszawie with its registered office in Warsaw at ul. Puławska 15, 02-515 Warszawa, Poland. Goldman Sachs International, J.P. Morgan Securities plc, Bank Zachodni WBK S.A. and Powszechna Kasa Oszczędności Bank Polski S.A. Oddział – Dom Maklerski PKO Banku Polskiego w Warszawie are jointly referred to as the Offer Managers The Joint Global Coordinators are responsible for coordinating the work necessary to prepare and conduct the Offering. The Joint Global Coordinators are also charged with coordinating the marketing activities related to the Offering, communications and arranging meetings with investors in Poland and abroad and also with other tasks typically performed by investment firms under public share offerings. The principal duties of the Joint Bookrunners include participating in the organisation of the bookbuilding process. The Local Joint Bookrunner supports the Joint Bookrunners in the bookbuilding process in Poland. The Company entered into the Standby Underwriting Agreement with the Offer Managers and also entered into the Underwriting Agreement with the Offer Managers, which sets out the Offer Managers' obligations with regard to the placement and underwriting of the Offering. Information on the terms on which the agreement was concluded may be found in the chapter "*Underwriting, stabilisation and contractual limitations of the transferability of the Shares – Underwriting Agreement"*.

	Each of the Offer Managers and their related entities (also as part of international or worldwide organisations providing financial services) is or may be involved in investment banking, securities, investment management and individual asset management. With respect to activity involving securities, each of the Offer Managers and its related entities is engaged in or may be engaged in underwriting securities, trading in securities (on its own account or the account of clients), brokerage services, currency trading, trading on commodities exchanges and in derivatives (on its own account or the account of clients), and also the provision of brokerage services, investment banking services, preparation of analyses, as well as financial services and financial advice. To the extent permitted by law and conflict of interest rules on the conduct of brokerage activity and in investment banking: (a) in the ordinary course of business related to trading in financial instruments, provision of brokerage services or financial services, each of the Offer Managers and their related entities may at any time hold long or short-term investments, provide investment financing and may on its own account or the account of its clients, be involved in trading or otherwise structure or handle transactions related to debt securities or participation instruments or preferred facilities of any entity participating in the Offering or transactions concerning any currency or commodity related to the Offering or transactions concerning any related derivatives; (b) each of the Offer Managers and their related entities, their officers, members of their management or supervisory bodies, managerial staff and employees may at any time invest on their own account or manage investment funds on their own account in debt securities or participation instruments issued by any entity participating in the Offering, in any currencies or commodities related to the Offering or in any related derivatives; (c) each of the Offer Managers and their related entities may at any time perform brokerage tasks in the ordinary course for any entity participating in the Offering. The Offer Managers and their related entities provided in the past and may provide in the future investment banking, commercial banking and other financial services and also handle other types of transactions with the Company, entities of which the Company is the dominant entity and its related entities. The Offer Managers and their related entities have received and may in the future receive remuneration and commission customarily payable for the provision of such services or handling of such deals. In connection with the Offering, the Offer Managers or their related entities are acting only for the Company and, subject to mandatory provisions of law, do not bear any liability to any other persons. The Offer Managers or their related entities may acquire or hold financial instruments issued by the Company, its related entities or financial instruments related to financial instruments issued by the above-mentioned entities. Each of the Offer Managers will provide information that it holds financial instruments issued by the Company, its related entities or financial instruments related to financial instruments issued by the said entities only if the requirement to disclose such transactions arises from universal provisions of law or regulations. In connection with the Offering, each of the Offer Managers or each of their related entities may also, acting as an investor on its own account, acquire Offer Shares in the Offering and then hold them, transfer them, or otherwise dispose of them. Each of the Offer Managers will send information that it has acquired Offer Shares or has entered into the transactions described above only if the requirement to disclose such transactions arises from universally binding provisions of law or regulations. The fee of the Offer Managers is related to the amount of the proceeds of the issue of the Offer Shares. The Offer Managers do not hold any material interest in the Company. In particular, as at the date of this Offering Circular none of the Offer Managers held any Shares accounting for more than 1% of the share capital of the Company. ***Legal advisors to the Company*** Legal services related to the Offering will be provided to the Company by Greenberg Traurig Grzesiak spółka komandytowa (with its registered office in Warsaw, at ul. Książęca 4, 00-498 Warsaw, Poland) with respect to Polish law, Greenberg Traurig Maher LLP (with its registered office in London at The Shard, Level 8, 32 London Bridge Street, London SE1 9SG, the United Kingdom) with respect to English law, and Greenberg Traurig LLP (with its registered office in New York at MetLife Building, 200 Park Avenue, New York, NY 10166) with respect to U.S. federal law (jointly referred to as "**Greenberg Traurig**"). ***Legal Advisors to the Offer Managers*** In connection with the Offering, legal services to the Offer Managers are provided by: Clifford Chance, Janicka, Krużewski, Namiotkiewicz i Wspólnicy Spółka komandytowa (with its registered office in

	Warsaw and postal address at Lwowska 19, 00-660 Warsaw, Poland) as to matters of Polish law and Clifford Chance LLP (with its registered office and principal place of business at 10 Upper Bank Street, London E14 5JJ, the United Kingdom) as to matters of English law and of United States federal law (jointly referred to as "**Clifford Chance**").
E.5 **The selling shareholder; Lock up**	**Lock-up arrangements pursuant to the Underwriting Agreement** In accordance with the Underwriting Agreement, during the period of 180 days from the receipt of the proceeds from the Offering, neither the Company nor any of its subsidiaries or other affiliates over which it exercises management or voting control, nor any person acting on its or their behalf shall, *inter alia*, issue, offer, sell, contract to sell, pledge or otherwise dispose of any shares of the Company or securities convertible, exchangeable or exercisable for or into the shares of the Company or warrants or other rights to purchase shares of the Company or other securities whose value is determined by reference to the price of the underlying securities, including equity swaps, forward sales and options without prior written consent of the Offer Managers, except for the issuance of new shares to the minority shareholders of Bank BPH in connection with the demerger of Bank BPH (if applicable) and except for certain other situations set out in the Underwriting Agreement.
E.6 **Dilution**	Alior Bank offers the Offer Shares with the Pre-emptive Rights to the Offer Shares being available to the existing shareholders of Alior Bank. The scale and extent of the dilution of shares held by the existing shareholders of Alior Bank will depend on (i) the final value of the increase in Alior Bank's share capital; (ii) the number of the existing shareholders of Alior Bank who subscribe for the Offer Shares and exercise their Pre-emptive rights; (iii) the number of the existing shareholders of Alior Bank who dispose of their Pre-emptive Rights; (iv) the number of the existing shareholders of Alior Bank who subscribe for additional Offer Shares following the placement of additional subscriptions for the Offer Shares as stipulated in the Code of Commercial Companies; and (v) the number of the Offer Shares subscribed for by entities who are not existing shareholders of Alior Bank and who acquire the Offer Shares through exercising acquired Pre-emptive Rights or acquire Offer Shares, which have not been subscribed for through exercising Pre-emptive Rights, or who place additional subscriptions for the Offer Shares. Assuming that pursuant to the Offering Alior Bank will issue the maximum possible number of Offer Shares and that all of the Offer Shares will be offered and subscribed for, the maximum immediate dilution of the interest of a shareholder who did not acquire any Offer Shares by exercising their Pre-emptive Rights will be 77.7% in both the share capital and the total number of votes at the General Meeting. As at the date of this Offering Circular, 72,707,463 Existing Shares represent the entire share capital of the Company and the total number of votes at the General Meeting. Taking the aforementioned assumption into account, following the registration of the increase in the share capital of the Company arising from the issue of the maximum number of Offer Shares, the above figure will represent 56.25% of Alior Bank's share capital and 56.25% of the total number of votes at the General Meeting. The table below contains information about the share capital structure of Alior Bank as at the date of this Offering Circular and the anticipated immediate dilution after the Offering is effected (in numbers and in percentage), assuming that Alior Bank will issue the maximum number of the Offer Shares and that all the Offer Shares will be offered and subscribed for.

	As at the date of this Offering Circular		**After the Offering**	
Existing Shares	72,707,463	100%	72,707,463	56.2%
Offer Shares	–	–	56,550,249	43.8%
Total Shares	**72,707,463**	**100%**	**129,257,712**	**100%**

Source: The Company.

The ultimate extent of the dilution of shares of the existing shareholders of the Company in the share capital and in the total number of votes at the General Meeting will depend on the final number of the Offer Shares issued by the Company.

E.7 **Estimated expenses charged to the investor**	Not applicable. The Company will not charge any expenses to investors who submit subscription orders for the Offer Shares. The amount paid by an investor upon submission of a subscription order may, however, include a potential fee charged by the investment firm accepting the subscription order, in accordance with the regulations of such investment firm.

RISK FACTORS

Before deciding to invest in the Offer Shares, investors should carefully analyze the risk factors discussed below, as well as all other information contained in this Offering Circular. Each of the risk factors mentioned below could materially adversely affect the Alior Group's business, financial condition, results of operations or prospects. The occurrence of any of the risk factors could result in a decline in the market price of the Offer Shares, as a consequence of which investors may be exposed to a loss of all or some of their investment. The list of risk factors outlined below is not exhaustive. It is possible that there may be other circumstances, which may pose a risk and which should be considered by investors when making an investment decision.

Risk factors related to the Alior Group's activities

The Alior Group is dependent on qualified staff, including mid-level and senior managers

The Alior Group's success depends on its ability to attract and retain highly qualified staff. The qualifications and skills of middle and senior management, especially the members of the Management Board, have a major impact on the execution of the Alior Group's business strategy as well as the conduct of its on-going business.

There is intense competition in Poland in attracting qualified staff specializing in banking and finance, particularly at the middle and senior management levels. Players in the Polish financial services market aim to recruit qualified and talented staff, often offering salaries above the market level. Consequently, the competition in soliciting qualified staff may increase Alior Group's personnel costs and make it more difficult for the Alior Group to employ and motivate qualified staff whilst maintaining an adequate level of personnel costs. Furthermore, this competition could also contribute to higher staff turnover among the current members of senior management responsible for relationships with key Alior Group business partners and customers. In particular, changes in the composition of the Management Board have taken place on a number of occasions in the past (for instance, Cezary Smorszczewski's resignation from the position of the Management Board member in 2013, Niels Lindorff and Artur Maliszewski not standing for elections to the Management Board for a new term in 2014, and Michał Hucał's resignation from the position of the Management Board member in 2015).

On December 21, 2015, the Supervisory Board adopted a Bonus Scheme for the Management Board aimed at creating additional mechanisms to motivate members of the Management Board to undertake activities with a view to ensuring, in the long term, stable growth in value and creating a stronger attachment to Alior Bank and the Alior Group (see " *– Share Capital and Shares – Management Options Scheme and Bonus Scheme*"). There is no assurance that the Bonus Scheme will enable the assumed targets to be achieved.

The occurrence of the factors described above, and in particular, the failure to retain Management Board members, including the President of the Management Board, as well as the failure to achieve the targets adopted by the Bonus Scheme may have a negative impact on the Alior Group's business, financial condition, results of operations or prospects.

The Alior Group may not be able to successfully implement its growth strategy

As at the date of this Offering Circular, the objective of Alior Bank is to rank among the top five or six universal banks operating in the Polish market by asset value. Alior Bank intends to achieve this goal through (i) further organic growth and (ii) seizing merger and acquisition opportunities in order to reinforce Alior Bank's position in the course of the consolidation of the Polish banking sector.

Within the framework of the Alior Group's organic growth, the Alior Group's strategy entails: (i) that Alior Bank will maintain its position as a leader in terms of both net interest margin and banking innovation; (ii) that Alior Bank will achieve a position among the top three commercial banks in Poland in terms of quality of customer service; (iii) the continuing sustainable growth of Alior Bank's retail and business segment; (iv) that Alior Bank will achieve an above-market average level of cross-selling; (v) that Alior Bank will achieve a leading-position in efficiency maintaining a cost to income ("**C/I**") ratio below 48%; and (vi) that Alior Bank will achieve the return on equity ("**ROE**") of 13% in the medium term.

The Alior Group's strategy also includes growth through mergers and acquisitions. As at the Prospectus Date, with respect to mergers and acquisitions Alior Bank is only engaged in working on the Transaction (see "*Transaction"*) and the acquisition of Powszechna SKOK in Knurów (see *" – Deterioration of the financial position of SKOK could adversely affect the position of the banking sector in Poland").*

For further information on Alior Bank's strategy (see "*Alior Group Business"*).

The Alior Group may not achieve its strategic objectives. With regard to organic growth, failure to attain the strategic objectives may result from the occurrence of the following factors, among other things: (i) delays and difficulties in launching new products and solutions that are innovative for customers such as, new mobile and Internet banking systems; (ii) delays in implementing solutions to enhance customer service quality and customer experience; (iii) difficulties in developing the retail or business segment; and (iv) problems in developing systems and methods of cross-selling.

Moreover, in the case of the strategy to pursue mergers and acquisitions, Alior Bank may not identify entities that are attractive for this type of transaction. The implementation of acquisitions will require corporate consents to be obtained as well as consents and permits from the relevant authorities, including the PFSA. Additionally, such transactions may encounter a number of difficulties, including those of a regulatory or administrative nature. Problems in negotiating the terms of such an acquisition, including the purchase price or other consideration, also cannot be ruled out, and neither can problems in obtaining adequate funding for such acquisitions. There is also a risk that even if a decision to implement such an acquisition is made, the acquisition will not be possible or its implementation may be hindered.

Regardless of the foregoing, the Alior Group may be unable to achieve its strategic objectives due to more general factors, such as: (i) difficult economic or market conditions; (ii) more stringent regulations in the banking and financial services sector in Poland and globally; (iii) an increase in competition in the Polish banking and financial services market; and (iv) changes in customer behavior, as well as other factors that are beyond the control of the Alior Group.

If the Alior Group does not successfully implement its strategy, or implements it only partially, this could have a material adverse impact on the Alior Group's business, financial condition, results of its operations or prospects.

The Alior Group's historical operational and financial results do not constitute an indicator of its future operational and financial results

The Alior Group may encounter difficulties in maintaining its growth rate in some or all areas of its operations. There is a risk that the Alior Group may not manage to grow its customer base at the rate which it has managed to maintain in the past, or to maintain the growth of its loan portfolio, margins, fees and commissions, transaction volumes or results of its operations. In the past, the growth of the operating and financial results of the Alior Group benefited from its short business track record as a new market participant. As at the date of this Offering Circular, Alior Bank is a much more mature institution. Consequently, the Alior Group may find it difficult to maintain the growth of the operating and financial results achieved in the initial period of its operations.

The Alior Group's strategy assumes the growth of Alior Bank based on acquisitions. These types of transactions (both completed and planned) may have a considerable impact on the operating and financial results of the Alior Group. In particular, in 2015, Alior Bank implemented the acquisition of Meritum Bank ICB, which had a major impact on the Alior Group's operating and financial results (see " – *Operating and Financial Review of the Alior Group – General Information – Specific Factors Affecting the Alior Group's Financial Condition and Results of Operations – Acquisition of Meritum Bank ICB*"). Similarly, the closing of the Transaction will have a material impact on the future operating and financial results of the Alior Group (see " – *Risk factors related to the Transaction – Neither the historical performance of the Alior Group or the Bank BPH Core Business, nor the hypothetical results of operations shown in thePro Forma Financial Information can provide assurance that the Alior Group will experience similar results of operations in the future, including the period following the integration with the Bank BPH Core Business*"). Additionally, as at the date of this Offering Circular there is a risk that the Transaction will not be implemented as assumed by Alior Bank, or at all (see " – *Risk factors related to the Transaction – Finalization of the Transaction depends on legal factors, time constraints and other circumstances, which may be beyond the control of Alior Bank and other participants in the Transaction*").

Due to the above, it is not certain that the Alior Group will manage to implement its growth strategy through acquisitions, what the scale of any such acquisitions would be, or over what time frame any such acquisitions would be carried out. Therefore, the historical results of operations of the Alior Group do not constitute an indicator and cannot be treated as indicators of the Alior Group's future operating and financial results, which may materially and adversely affect its business, financial condition, results or operation or prospects.

The Alior Group may not be able to maintain its current margins and commissions on loans and deposits or to achieve its goal of increasing its margins and commission to improve its financial results

The Alior Group's operations are affected by, among other things, fluctuations in interest rates in Poland, in Europe and globally. In particular, the Alior Group's activities depend on the Alior Group's interest rate risk management, as well as the connections between market rates and interest margins (see *"Market risk – Interest rate risk*"). The Alior Group's net interest income consists mainly of interest on loans and derivative hedging instruments. The net interest income achieved

by the Alior Group largely depends on the levels of the Alior Group's interest-bearing assets and liabilities and the average interest rates on interest-earning assets and interest-bearing liabilities.

Various factors could affect the Alior Group's ability to maintain credit and deposit margins, fees and commissions at current levels. These factors include the evolving regulatory environment, increasing competition in the market, changing demand for fixed and variable interest loans, possible changes in monetary policy introduced by the Monetary Policy Council (determining, among other things, caps on interest chargeable on retail loans), changes in inflation, and changes in both the WIBOR and the LIBOR interest rates in foreign interbank markets.

In particular, in the period covered by the historical financial information, Polish monetary authorities launched an expansionary monetary policy, consisting in more frequent interest rates cuts (six interest rate cuts in 2013) and their scale: cutting the benchmark interest rate by 1.75 % to 2.50% in 2013, by 0.5% to 2.0% in October 2014, and by a further 0.5% to 1.50% in March 2015 (see: "*Market Overview – Economy of Poland – Inflation and interest rates")*.

If any of these factors were to occur, the Alior Group would need to bear the consequences of a decline in its margins or the inability to achieve its strategic goal of increasing its margins, which could arise from, in particular, (i) a reduction in market interest rates on variable rate loans and the Alior Group's inability to cover this decline with a reduction in interest on deposits, or (ii) an increase in interest payable on deposits or other funds which the Alior Group is unable to compensate for by increasing interest rates on lending products resulting from increasing price competition between banks operating in the market. On the other hand, the Alior Group's reduction in margins could lead to a reduction in net interest income. Furthermore, an increase in interest rates could result in an increase in the amount of the loan repayments which the Alior Group's customers have to make. This increase may cause difficulties in repaying outstanding loans.

Additionally, interest charged on retail loans granted by the Alior Group may not exceed the maximum interest rate permitted by Polish law. Consequently, a reduction in the reference rates could adversely affect the level of interest income that the Alior Group may collect on retail loans granted. Given the significant exposure of Alior Bank to relatively high interest rate retail loans, a reduction of the reference rates would have an adverse effect on the Alior Group's business. Additionally, on March 11, 2016, an amendment to the Consumer Credit Act came into effect, which establishes, among other things, caps on non-interest charges and default interest chargeable under consumer loans. According to these regulations, non-interest charges related to a loan cannot generally exceed 55% per annum, and total non-interest charges cannot exceed 100% of the total loan amount.

The Alior Group engages in hedging activities, in relation to interest rate risk, in an attempt to limit the potential adverse effect of interest rate fluctuations on its operations. The Alior Group cannot guarantee that its hedging strategies will be successful because of factors such as behavioural risk, unforeseen volatility in interest rates or the decreasing credit quality of hedge counterparties in times of market dislocation. The Alior Group's inability to maintain margins and commissions on loans and deposits offered by the Alior Group, whether through hedging, product pricing, monitoring of borrower credit quality or other means, or its inability to achieve it strategic goal of increasing its margins and commissions could materially adversely affect the Alior Group's business, financial condition, results of operations or prospects.

The Alior Group may not be able to expand its product portfolio and customer base

In implementing its growth strategy, the Alior Group intends to increase its portfolio and customer base, based on both organic growth and acquisitions. This strategy entails expanding unsecured retail exposures with a higher margin in the retail segment, which involves a higher level of risk of loss than secured exposures or corporate exposures. In addition, the Alior Group's strategy also targets faster growth in the already competitive SME segment, which entails a higher degree of risk compared to larger corporates. Furthermore, the Alior Group's strategy of growth through mergers and acquisitions brings about a heightened business risk due to the fact that credit checks of customers acquired with new businesses were conducted outside of Alior Bank's own procedures and there can be no assurance that the merger targets applied the same level of credit procedures as Alior Bank. In addition, no or very limited historical information on the creditworthiness, reputation and risk profile of such customers is available to Alior Bank in the context of such acquisitions.

The Alior Group has also taken steps to diversify its business by offering a wider range of new products to both retail and corporate customers, with a view to attracting both customer groups. The Alior Group may face difficulties in efficiently promoting and selling new products, resulting from, among other things, having no experience in selling new products or a lack of clarity of the new legal regulations relating to misselling of financial services, for example, offering financial services which are inadequate to a given customer (see " *– Risk factors related to legal regulations – Decisions of the competition and consumer protection authorities may have an adverse impact on the Alior Group*").

Moreover, the Alior Group has taken steps to expand its operations into foreign markets. As part of its cooperation with Telekom Romania, the Alior Group intends to offer its products in the Romanian market (see " – *Business overview of the Alior Group – Material Agreements – Financial intermediation agreements – Agreement with Telekom Romania*"). The Alior Group may face difficulties in competing in the Romanian market resulting, among other things, from its lack of experience in that market, its position as a new market participant and the requirements of a new regulatory environment. Upon commencement of its operations in the Romanian market, the Alior Group will also be exposed to operational risks related to, among other things, possible mis-settlement of transactions, defective documents, incorrect structuring of audit processes or mechanisms, incorrect implementation of processes by staff, external and internal fraud, systems failures, faulty operation and credit risk greater than expected.

The Alior Group may also face difficulties in retaining clients due to increased competition from other banks and new offers targeting such clients which may ultimately have an adverse negative effect on the Alior Group's ability to grow its loan portfolio and customer base. The materialization of any of these developments may have an adverse impact on Alior Bank's business, financial condition, results of operations or prospects.

The Alior Group may require additional capital but it may be difficult or impossible to obtain it on favorable terms and conditions or at all

The Management Board intends to use the proceeds from the Offering in the amount of PLN 2,200 million for the implementation of the Transaction (amongst other things) (see "*Use of proceeds*"). As at the date of this Offering Circular, it is impossible to foresee whether the Offering will be successful at all, and whether it will raise the full amount of the expected proceeds, or whether it will be carried out according to the proposed schedule. Therefore, there is no certainty that Alior Bank will obtain the relevant proceeds within the expected time-frame. The implementation of the Offering depends on a number of factors and, in particular, market conditions and the demand for the Offer Shares.

The Alior Group is unable to guarantee that it will be in possession of all the funds required for its strategy and intended operations. As a result, the Alior Group may be forced to raise additional capital, which may hinder its expected future growth or make such growth impossible. At the same time, the Alior Group may be unable to meet the requirements concerning the minimum level of capital adequacy and other regulatory ratios, the maintenance of which, as at the date of this Offering Circular, is greatly influenced by guarantee agreements and counter guarantee agreements entered into on March 31, 2016 (see " – *Business overview of the Alior Group – Material Agreements – Agreements important for the capital requirements – Guarantee and counter-guarantee agreements*"). In addition, there can be no assurance that following the lapse of the guarantee and counter-guarantee agreements, the cooperation will continue on the previous terms, if at all. As at the date of this Offering Circular, it cannot be ruled out that the regulatory requirements, among other things, concerning capital adequacy will be increased or made more stringent in the future. In addition, the Transaction involves significant costs that may further increase in the future, which may require additional capital (see " – *Risk factors related to the Transaction – Integration efforts connected with the Demerger may not be fully effective and costs of integration and restructuring might be higher than expected*").

The Alior Group's ability to obtain additional capital may be limited by, among other things: (i) the Alior Group's future financial condition and operating results; (ii) the need to obtain consents from regulatory authorities; (iii) the Alior Group's credit ratings; (iv) general market conditions affecting the capital raising by commercial banks and other financial institutions; and (v) economic, political and other conditions in Poland and globally.

The Alior Group cannot assure that it will not need to raise additional capital in the future. Should the Alior Group require outside capital, there is a risk that the Alior Group will not manage to obtain the additional capital on attractive conditions, at the required time or at the required scale. The potential inability to obtain additional capital or to obtain it on attractive terms and conditions could materially adversely affect the Alior Group's business, financial condition, the results of operations and prospects.

The Alior Group may not be capable of satisfying the requirements of the minimum level of capital adequacy and other capital requirements

The Alior Group is obliged to maintain or satisfy the requirements of the minimum level of capital adequacy and other regulatory standards (see " – *Regulation of the banking sector in Poland – Capital requirements and risk management requirements*").The Alior Group's ability to satisfy minimum capital adequacy requirements may be adversely impacted by many factors, including, among other things: (i) an increase in risk-weighted assets at Alior Bank; (ii) an increase in credit risk, credit losses or impairment allowances; (iii) an inability to obtain capital; (iv) the results of Alior Bank's activities; (v) a decline in the value of Alior Bank's securities portfolio; (vi) the inaccurate estimates adopted by Alior Bank regarding the

amount of capital required to cover operating risk; (vii) changes in the accounting principles (including the IFRS) or recommendations related to the calculation of the solvency ratio of banks; (viii) fluctuations in exchange rates which influence the value of foreign currency denominated assets; (ix) changes in interest rates; and (x) changes in regulations or in the methods by which the regulatory authorities, including the PFSA, apply capital adequacy regulations.

As at the date of this Offering Circular, there is no certainty that, in the event of changes in the regulations or of the adoption of more stringent capital adequacy requirements, the Alior Group will be able to meet the capital adequacy requirements or that the implementation of these requirements will not result in substantial additional costs for the Alior Group, which is not foreseen by the Alior Group as at the date of this Offering Circular. In particular, capital adequacy requirements may be further increased following the execution of the Basel IV accord and adoption of the CRD V package.

As at the date of this Offering Circular, the guarantee agreement and the counter guarantee agreement entered into on March 31, 2016 were of major importance for the satisfaction of the capital requirements by the Alior Group (see: *"Business overview of the Alior Group – Material Agreements – Agreements important for the capital requirements – Guarantee and counter-guarantee agreement*"). It is not certain whether, after the expiry/termination of the above agreements, co-operation will be continued on the existing terms and conditions (if at all). Additionally, in the future, the Alior Group may encounter problems related to obtaining Tier II capital.

Moreover, selected banks in the European Union periodically undergo comprehensive assessments, including asset quality reviews ("**AQR**") and stress tests which are aimed, inter alia, at determining the adequacy of assets and collateral valuation, and the resilience of banks' balance sheets. The most recent review was carried out by the PFSA in 2014. In the opinion of the Management Board, its results were satisfactory and showed the strong capital position of Alior Bank. However, there is a risk that future comprehensive assessments conducted by the PFSA may show capital shortages at Alior Bank or that other irregularities may occur. In such circumstances, Alior Bank may be forced to obtain additional capital.

Any such shortage of capital issued by Alior Bank or the Alior Group that may be found in future could result in regulatory actions, including requiring Alior Bank to issue additional common equity Tier 1 securities, requiring Alior Bank to retain earnings or suspend dividends or the issuing of a public censure or the imposition of sanctions by regulatory authorities, including the PFSA. This may affect the Alior Group's capacity to continue its business operations, generate a return on capital, pay future dividends or pursue acquisitions or other strategic opportunities, impacting future growth potential. If, in response to any such shortage, the Alior Group or Alior Bank raises additional capital through the issuance of share capital or capital instruments, existing shareholders may experience a dilution of their holdings or reduced profitability and returns. A breach of other applicable requirements may result in the imposition of administrative sanctions on the Alior Group by the respective regulatory authorities, including the PFSA.

In addition, the number of new or amended legal provisions and regulations concerning banking activities has recently risen considerably. These changes have occurred in the period covered by the Alior Group's Annual Consolidated Financial Statements, and it cannot be ruled out that this trend may continue in the future.

Any of the factors described above could have a material adverse impact on the Alior Group's business, financial condition, results of operations or prospects.

The Alior Group faces credit risks and its risk management methods may prove ineffective

The Alior Group's credit risk, arising mainly from the Alior Group's lending activities, is related to non-performance by the Alior Group's customers of the obligation to repay the amounts outstanding under their existing agreements. The Alior Group uses internal risk management guidelines governing credit risk aimed at increasing the effectiveness and efficiency of risk identification with respect to the Alior Group's lending activities and monitoring credit risk (see *" – Risk management – Credit risk*"). In particular, the Alior Group uses qualitative and quantitative tools and applies risk management procedures which are based largely on observed historical behavior and market indicators applied by external consulting companies. However, these tools and procedures may not be sufficient, and the Alior Group may fail to adequately identify the relevant factors or accurately estimate the impact and/or magnitude of identified factors, which could adversely affect the Alior Group's business, financial position and results of operations.

Moreover, the quality of the Alior Group's portfolio depends on changes in the level of creditworthiness of its customers and their ability to repay loans on time, as well as the Alior Group's ability to enforce the security granted in favor of Alior Bank in the event that a customer fails to make loan repayments, as well as whether the value of this security is sufficient to fully satisfy the claims related to such loans. The quality of the Alior Group's portfolio may deteriorate as a result of many factors, including internal factors (such as the inadequacy of risk management procedures and the method of their application), and factors which are beyond the Alior Group's control (such as adverse changes in the

condition of the Polish economy, which could lead to a deterioration in the financial standing of the Alior Group's customers or their insolvency, or the restriction of the scope of available credit information on specific customers). Furthermore, the growth of the Alior Group's loan portfolio could result in a decrease in the credit quality of this portfolio. The Alior Group has a relatively high exposure to unsecured loans and thus a higher risk exposure to retail customers than the Polish banking sector in general (see " *– The Alior Group's loan portfolio may generate higher levels of losses than the market average*").

If the risk management policy and risk assessment procedures and methods implemented by the Alior Group prove less effective in managing losses than expected, the Alior Group may incur larger credit risk losses than originally assumed. The occurrence of the above events could materially adversely affect the Alior Group's business, financial condition, results of operations or prospects.

The Alior Group's loan portfolio may generate higher levels of losses than market average

As at the date of this Offering Circular, the loan portfolio of Alior Bank comprises a significantly lower share of housing loans than the market average in the non-financial sector. Consequently, the Alior Group has a relatively large exposure to unsecured, and thus more risky, retail exposures than the market average. According to the PFSA, as at March 31, 2016, the share of unsecured loans to households, excluding housing loans, in gross loans to the non-financial sector for the Alior Group was 42.9% compared with the average for the entire Polish banking sector of 34.9%.

Unsecured retail portfolios are usually characterized by higher loan losses. As a result, a higher share of the unsecured retail portfolio may result in the average level of Alior Bank's credit losses exceeding the market average. A higher level of credit losses may also result from the growth of Alior Bank's loan portfolio in the period covered by Alior Group's Annual Consolidated Financial Statements. Higher losses in the early period of a product life cycle are typical for credit risk. As a result, loan portfolios which are growing rapidly are characterized by higher average losses, which are decreasing in connection with the decline in growth rate. The Alior Group estimates the costs of risk associated with each individual loan granted and takes the expected level of losses into account in the pricing of its products, in an effort to manage the profitability of the loan portfolio. However, it is uncertain whether these estimates will be correct in each case and, consequently, that the level of losses taken into account in a product price will not be too low.

The occurrence of the above events could materially adversely affect the Alior Group's business, financial condition, results of operations or prospects.

The Alior Group faces credit exposure concentration risk

The Alior Group is exposed to concentration risk which consists of material credit exposures to individual entities, groups of entities, sectors, currencies, maturities, and types of collateral. In particular, the Alior Group is exposed to concentration risk in the corporate customer loan portfolio. As at March 31, 2016, the Alior Group had significant credit exposure in the construction industry, real estate services and wholesale trade of its business customer loan portfolio, amounting to exposures of 14%, 13% and 8%, respectively. The quality of the Alior Group's loan portfolio exposure to these sectors depends on, among other things, customer creditworthiness and their ability to repay the debt as it becomes due. This, in turn, is significantly affected by macroeconomic business conditions. Various factors may contribute to a deterioration in the quality of the Alior Group's loan portfolio engaged in construction and wholesale trading, and in particular events or circumstances which are beyond the Alior Group's control, such as deteriorating macroeconomic conditions or the declaration of bankruptcy of a customer or a group of customers to which the Alior Group's exposures are significant.

As part of its business the Alior Group offers various types of credit. The relevant financing depends on the needs of the business in a given industry. In the real estate property sector, the prevalent type of financing is project finance and investment loans. In the construction and trade sector, the most popular financing is working capital loans, which are usually short-term with a maturity period of no longer than three years. Project finance is also very popular in the electricity, gas, steam, hot water and air conditioning systems and supply industries. The Alior Group's credit exposure to project financings, including wind farm projects, in these industries as at March 31, 2016 was 6% of the business customer credit portfolio.

In its history to date, the Alior Group has not incurred any loss exceeding its concentration limits. The Alior Group has internal tools and regulations intended to ensure the monitoring of and compliance with concentration limits. However, the Alior Group's efforts to diversify or protect its loan portfolio against concentration risk may not be sufficient, and concentration limits may be exceeded. This could lead to increased credit risk and credit losses. The concentration of credit risk may increase the probability of significant losses being generated in the Alior Group's loan portfolio.

The occurrence of any these circumstances could materially adversely affect the Alior Group's business, financial condition, results of operations or prospects.

The Alior Group's impairment allowances may not be sufficient to cover the actual losses to the Alior Group's loan portfolio

The level of the Alior Group's impairment losses on assets depends on the Alior Group's assessment of whether any objective indications of impairment have taken place. The Alior Group assesses the impairment of individual assets on the basis of an estimate of the expected future cash flow or on the basis of the cash flow estimated with respect to a group of assets.

Impairment is assessed using the group method on the basis of historical cash flow for assets of similar risk characteristics to the assets included in the given group. If cash flow on the impaired portfolio is lower than assumed in the calculation of impairment charges, it may adversely affect Alior Group's business.

As at March 31, 2016, the coverage ratio calculated by dividing the impairment losses as at the end of the period by the gross impaired amounts due from customers was 59.8%. There is no guarantee that impairment allowances recognized by the Alior Group will be sufficient to cover its credit portfolio losses.

The Alior Group could be required to increase its impairment losses on loans and advances in the future as a result of increases in non-performing assets or for any other reason. Any material increase in the impairment losses on loans and advances, any loan losses in excess of the previously determined impairment losses on loans and advances or changes in the estimate of the provision for incurred but not yet identified losses on loans and advances could have a material adverse effect on the Alior Group's business, financial condition and results of operations.

The Alior Group may be exposed to losses if critical accounting judgments or estimates are subsequently found to be incorrect or inaccurate

In order to prepare the Alior Group Annual Consolidated Financial Statements, the Management Board is required to apply professional judgment and use estimates and assumptions that affect the amounts of revenues, costs, assets and liabilities, as well as disclosures concerning contingent liabilities as at the reporting date. However, due to uncertainty associated with the exercise of professional judgment and estimates, the amounts of assets and liabilities may change in the future in line with the ultimate effects of transactions. The areas where estimates adopted as at the reporting date are exposed to the risk of adjustment to the carrying value of recognized assets and liabilities as of the balance sheet date at the end of the following financial year are set out in note 2 to the Alior Group Consolidated Financial Statements for 2015.

There is a risk that the judgments and estimates put forward by the Management Board are incorrect and this could lead to inaccuracies in the reported financial position and performance of the Alior Group. If the judgments, estimates and assumptions used by the Alior Group in preparing the Alior Group Annual Consolidated Financial Statements are subsequently found to be incorrect, there could be a significant loss to the Alior Group beyond that anticipated or for which a reserve has been created, which could have a material adverse effect on the Alior Group's business, financial condition, results of operations or prospects.

A decline in the value of security granted in favor of the Alior Group could result in higher losses on the Alior Group's loan portfolio

The Alior Group grants loans to entities whose creditworthiness it believes ensures that they will be able to repay the loan. Part of the Alior Group's loan portfolio is secured, by collateral including mortgages. The collateral is intended to secure the Alior Group's interests by enabling Alior Bank to enforce the security by commencing debt recovery proceedings.

However, the value of the items constituting the security of the Alior Group's loan portfolio may decrease for reasons which are beyond the Alior Group's control, for example, due to macroeconomic, political or legal factors. Any decline in the value of security (for example, real estate) may result in a decline in the value of the funds that the Alior Group will be able to recover as a result of enforcement on security and, consequently, may result in an increase in credit risk, as well as the risk of the Alior Group suffering a loss. A decline in the value of collateral securing the Alior Group's loans, its inability to obtain additional collateral or failure to recover the expected value of collateral in the case of foreclosures may expose the Alior Group to losses that may have a material adverse impact on the Alior Group's business, financial condition, results of operations or prospects.

The Alior Group is exposed to liquidity risk as a result of mismatches in maturity of assets and liabilities

The Alior Group is exposed to liquidity risk as a result of mismatches in maturity dates of assets and liabilities, which is largely related to the need to finance long-term loans with shorter-term deposits (see " *– Risk Management – Market risks – Liquidity risk*"). Mismatches between the Alior Group's maturities of assets and liabilities could arise if the Alior Group is incapable of obtaining new deposits or alternative sources of finance of the existing or future loan portfolio or the cost of obtaining them differs from market prices.

With regard to current and short-term liquidity, the Alior Group is also exposed to the risk of an unexpected and sudden withdrawal by customers of the Alior Group's holding large deposits of a high value, or of their failure to renew term deposits after they mature. If the Alior Group fails to attract new clients and deposits or does not find alternative sources of funding, the Alior Group's liquidity position could be adversely affected. The current liquidity can also be influenced by adverse market conditions. If the assets held by the Alior Group lose their liquidity as a result of unforeseen events on the financial market or if there is a sudden drop in their value, the Alior Group may not be able to satisfy its obligations by the maturity date and, thus, may be forced to use inter-bank financing which, in an unstable market situation, could prove very expensive. Further, its availability is uncertain. Moreover, the ability to benefit from such external source of financing by the Alior Group is directly related to the level of loan facilities to which the Alior Group has access. In turn, the level of loan facilities depends on the Alior Group's financial and lending condition, as well as the general liquidity situation on the market.

The maintenance and growth of the level of the Alior Group's lending activities depends, in part, on the availability of retail deposit funding on appropriate terms. Any significant increase in competition for these funds could adversely impact the Alior Group's ability to continue to grow its loan portfolio. If access to liquidity is constrained for a prolonged period of time, the Alior Group's cost of funding would increase as competition for retail deposits intensified, the cost of accessing the wholesale markets would rise and the Alior Group's ability to realize its liquid investments would be constrained. If the Alior Group is unable to attract sufficient funding to finance its lending activities or fails to manage the risks relating to the cost and availability of liquidity and funding, these and other factors could have a materially adverse impact on the Alior Group's business, financial condition, results of operations or prospects.

The Alior Group's credit rating could deteriorate

The Alior Group's credit rating has a significant impact on its financing costs and other conditions of collecting funds by the banks. Rating agencies regularly assess debt, taking into account a number of factors, including Alior Bank's financial situation, the quality and level of concentration of its loan portfolio, the level and variability of profits, capital adequacy, the quality of management, and factors affecting the financial services sector generally.

A reduction in the Alior Group's credit rating could increase the costs associated with its interbank and capital market transactions and could adversely affect the Alior Group's liquidity and competitive position, undermine confidence in the Alior Group, increase its borrowing costs and adversely affect its interest margins. Furthermore, should the rating of the Alior Bank be downgraded below investment grade, this could significantly damage the operating business of the Alior Bank, the refinancing costs of the Alior Group and the Alior Bank's eligibility to act as a counterparty to derivative transactions for some market participants.

On September 5, 2013, Fitch Ratings Ltd. granted a BB rating with a stable outlook to Alior Bank (see *" – Alior Group Business – Ratings*"). After the Share Purchase and Demerger Agreement was signed, and Alior Bank's intention to pursue the Transaction was announced, Fitch Ratings Ltd. reviewed its rating and decided to keep the rating unchanged. However, there is no certainty that the rating agency will not lower Alior Bank's rating in the future. According to Fitch Ratings Ltd, downward rating pressure might result from significant differences between the metrics planned and the metrics achieved following the Transaction, including the targeted capital adequacy ratio and credit portfolio for the funding Alior Bank targets. There is a risk of significant delays in achieving the announced cost synergies or that the Bank will encounter unexpected operational or integration risks, all of which would significantly affect Alior Bank's financial performance, with a resulting negative effect on Alior Bank's ratings. The pressure on Alior Bank's ratings might also arise in the event of significantly weaker capital generation driven by financial performance, or a significant decrease in asset quality in a less favorable business environment.

Failure to maintain the rating could make it difficult for the Alior Group to obtain financing or make such financing more costly and subject to less favorable funding conditions, thereby adversely affecting Alior Group's competitive position. Therefore, a reduction in the rating may have a material adverse impact on the Alior Group's business, financial condition, results of operations or prospects.

Alior Bank is exposed to risks resulting from granting, financing and securing foreign currency denominated loans

A portion of Alior Bank's loan portfolio (loans and advances to customers) including the mortgage loan portfolio is denominated in foreign currencies, predominately in EUR, which creates an additional risk for the Alior Group related to foreign exchange losses. The depreciation of the PLN against the currency of the given loan contributes to an increase in the monthly loan repayment which is converted into PLN. This may make it difficult for borrowers to repay loans which, in turn, could result in a deterioration in the quality of the Alior Group's loan portfolio and an increase in the provisions for the impairment of receivables from the Alior Group's customers.

The Alior Group pursues a conservative policy of granting loans in foreign currencies (including mortgage loans) and regularly monitors and seeks to limit exchange rate risk. Since July 2014, the Alior Group has only granted foreign currency loans to private individuals whose income is paid in that foreign currency. However, some retail customers who drew loans denominated in foreign currencies in previous years are paid income in PLN. These customers are not normally protected against fluctuations in the PLN exchange rate against the loan currency.

As at March 31, 2016, loans granted by the Alior Group in foreign currencies amounted to PLN 3,880.5 million (of which the retail segment exposure was PLN 1,296.0 million and the business segment exposure was PLN 2,584.5 million). This represented 11.9% of the total amount of the Alior Group's loan portfolio. Loans granted in EUR had the largest share in the currency loans granted by the Alior Group; as at March 31, 2016, total EUR loans amounted to PLN 3,396.9 million (of which the retail segment exposure was PLN 960.8 million and the business segment exposure was PLN 2,436.1 million). The value of loans granted in CHF amounted to PLN 200.9 million (of which the retail segment exposure was PLN 170.0 million and the business segment exposure was PLN 30.9 million), and CHF loans represented 0.6% of total loans granted.

Foreign currency loans also generate liquidity risk for the Alior Group, as their share in the balance sheet is similar to the share of the deposits denominated in foreign currencies. As at March 31, 2016, liabilities to customers from deposits denominated in foreign currencies amounted to PLN 4,749.7 million.

Additionally, the Alior Group faces the risk that a decision will be made by the Polish government in the future to change the terms and conditions of mortgage loans granted in foreign currencies and to convert mortgage loans granted in foreign currencies into PLN at a historic exchange rate (see " *– Risk factors regarding the Polish banking sector – The Alior Group is exposed to risks resulting from the adoption of regulations changing the terms of foreign currency-denominated mortgage loans, which could have a significantly destabilizing effect on the whole Polish banking sector*").

A deterioration in the quality of the Alior Group's loan portfolio resulting from foreign currency denominated loans and the related increase in impairment losses on receivables from the Alior Group's customers as well as possible legislative or similar solutions to these problems could materially adversely affect the Alior Group's business, financial condition, results of operations or prospects.

The Alior Group may be unable to fulfil its strategic goal of restoring its previous position among the best Polish banks in terms of service quality and of maintaining a strong brand and reputation

The Alior Group's market position, the growth of its business and its ability to attract new customers largely depends on the Alior Group's brand, the quality of the services it provides, and its reputation. The Alior Group's reliability the confidence of customers and counterparties are important factors for its functioning. In order to maintain and strengthen its brand and reputation, the Alior Group needs to provide high quality services that satisfy its customers, provide a high level of customer service and further develop its offering to satisfy customers' needs.

Historically, the majority of the Alior Group's growth was attributable to market perception of a strong brand. This reputation appears to have deteriorated in recent years, due to the Meritum Bank ICB acquisition and dynamic organic growth rates, where its rankings dropped well below the top ten in service quality. The Alior Group's strategy includes restoring its previously strong reputation for quality of service, but there can be no assurances that the Alior Group will be able to do so. There is a risk that the Alior Group's brand and reputation may continue to deteriorate as a result of various types of claims made against the Alior Group; proceedings brought by, or penalties imposed by regulatory authorities; any fraud committed by the Alior Group's employees; and unfavorable media coverage or any general negative perception of the functioning of the Alior Group, and/or the Polish banking sector. In particular, employee fraud and a lack of commitment by employees sometimes take place at the Alior Group, similar to other financial institutions. The occurrence of these factors could adversely affect the Alior Group's quality of service and reputation.

The Alior Group's reputation may also be adversely affected by its business strategy, which includes growth through acquisitions. In particular, it cannot be ruled out that the acquisition of the Bank BPH Core Business as a result of the Transaction may be perceived negatively.

If the Alior Group's brand and reputation continue to deteriorate as a result of any of the factors stated above, or if the Alior Group does not manage to achieve its strategic priority of restoring its previously strong reputation for service quality, the Alior Group's strategic goals could be adversely affected, resulting in a material adverse effect on the Alior Group's business, financial condition, results of operations and prospects.

The Alior Group is exposed to risks related to the availability and quality of the products and services from third party suppliers

In addition to the Alior Group's own products, the Alior Group offers products and services to its customers from entities which are not a part of the Alior Group, such as insurance or investment products. Any problems in offering such products and services, and any issues with their quality or availability may adversely affect the financial results of the Alior Group and may expose the Alior Group to reputational risks. If for any reason Alior Group is required to replace any of these products and services by other similar products and services, the Alior Group may face risks and costs associated with finding a suitable replacement or failing to replace the product or service on commercially reasonable terms.

Additionally, with respect to products and services procured from third parties, there is a risk that the UOKiK or PFSA may challenge the distribution of such products and services by the Alior Group, among other reasons, if they are offered in an unfair or misleading manner or if they are mis-sold. The possible consequences of decisions issued by antimonopoly authorities are discussed in " *– Risk factors related to legal regulations – Decisions of the competition and consumer protection authorities may adversely impact the Alior Group*". For a discussion of risks related to recommendations and actions of the PFSA see " – *Risk factors regarding the Polish banking sector – The recommendations issued by the PFSA could adversely affect Alior Group's business*".

If any non-Group entity is unable to provide the Alior Group with quality products on a timely basis at an acceptable price, the Alior Group's ability to provide attractive product offerings and its customer relationships could be adversely affected. Any significant disruption or other adverse event affecting the availability and quality of products and services of non-Group entities could have a material adverse effect on the Alior Group's business, financial condition, and results of operations or prospects.

The Alior Group outsources a significant portion of its operations to third party suppliers

The Alior Group outsources a significant proportion of its business related tasks to external service providers (see *– Business overview of the Alior Group – Outsourcing*"). Outsourced services include, in particular, financial intermediation services, cash support services, cash processing, debt recovery, selected IT services, clearing and transport services, card authorization, production, personalization and delivery to customers, processing of ATM transactions, transport, scanning and archiving services, scanning of external documents, mass mailing and car fleet management.

The third party suppliers and service providers' failure to provide the outsourced services or their inability to provide services of sufficient quality, and in particular, their providing services that contravene applicable laws or banking regulations may result in operational deficiencies, infringement of third party rights or the occurrence of losses. Problems with offering those products and services, and problems with their quality or availability may have an adverse effect on the financial results of the Alior Group and may expose the Alior Group to reputational risk. If those products or services need to be replaced with other products and services which are similar, additional unpredicted costs may arise. Any of the foregoing factors, including the loss of reputation, infringement of laws or banking regulations, or the Alior Group becoming liable towards its customers in respect of acts of the Alior Group's external service providers may materially adversely affect the Alior Group's business, financial condition, results of operations or prospects.

Furthermore, third party service providers may terminate such outsourcing agreements and the Alior Group may be unable to obtain alternative providers of such services in a short time, or may not be able to ensure that these services continue to be provided at the existing level and terms (including the price), which may adversely affect the Alior Group's business, financial condition, results of operations or prospects.

The Alior Group distributes a significant proportion of its products and services through external distribution channels

The Alior Group distributes a significant proportion of its products and services through an external distribution network consisting of franchises and financial intermediaries. The Alior Group's cooperation with certain external distributors is based on the principle of exclusivity, whereas in other cases the Alior Group does not have such exclusivity, for example, distribution agreements may be terminated, while the entities handling the distribution may decide that they will not actively market the Alior Group's products and services. Furthermore, entities handling distribution on a non-exclusive basis can generally choose the Alior Group's products and services they intend to offer customers. In making such a choice, they take into consideration the structure, price and level of sales commission that they can obtain. If they are not satisfied with the sales commission, the Alior Group's products may not be actively sold by these distributors. Moreover, if the quality of the Alior Group's cooperation with its key distributors deteriorates, the Alior Group may not be able to provide alternative distribution channels on attractive pricing terms.

The Alior Group attracts a large number of customers for its loan products through financial intermediaries, while the data provided in the loan applications for assessing creditworthiness, including the security held, data on employment and the income of potential borrowers, is obtained through third parties. There can be no assurance that the Alior Group will not be subject to fraud committed by individual financial intermediaries, resulting in damage, which may be difficult to remedy by seeking compensation.

In addition, the Alior Group may be liable to its customers if external distributors fail to properly perform their services and, in particular, if they perform their services in breach of the applicable provisions of law or banking regulations or if they take incorrect action resulting in a breach of third party rights. The Alior Group may also suffer a loss of reputation. The occurrence of the above factors may have an adverse impact on the Alior Group's business, financial condition, results of operations or prospects.

The Alior Group's IT systems may fail or their security may be compromised

The Alior Group relies heavily on its IT systems for a variety of functions, including processing applications, providing information to customers and maintaining financial records (see " – *Business overview of the Alior Group – IT solutions*"). In addition, the Alior Group uses distribution channels based on an IT platform comprising online banking, mobile banking and call centers.

The IT systems used by the Alior Group may be vulnerable to physical and electronic breaches, computer viruses and other attacks by cyber-criminals or internet fraudsters which could lead to, among other things, a leakage of the Alior Group's customer data, damage related to incursions, destruction of documents, inability or delays in processing transactions and unauthorized transactions. Furthermore, software errors and similar problems could affect the Alior Group's ability to support and satisfy the needs of customers in a timely manner, interrupt the Alior Group's activities, breach its reputation, expose the Alior Group to increased regulatory audits or cause it to incur substantial technical, legal and other costs. Interruptions to the Alior Group's IT systems are likely to continue occurring in the future, may occur on a large magnitude and may have significant effects.

Such interruptions in the Alior Group's ability to serve its customers' needs on a timely basis could result in damage to the Alior Group's reputation, exposure to increased regulatory scrutiny and could require the Alior Group to incur significant expenses. The occurrence of any IT systems failures or a security breach may adversely affect the business, financial condition, results of operations or development prospects of the Alior Group.

Alior Group is also subject to regulation regarding the use of personal data. Alior Group must comply with strict data protection and privacy laws. Alior Group has procedures in place to ensure compliance with the relevant data protection regulations by its employees and any third-party service providers, and also implements security measures to help prevent cyber-theft. However, if the Alior Group or any of the third-party service providers on which it relies failed to store or transmit customer information in a secure manner, or if any loss or wrongful processing of personal customer data were otherwise to occur, the Alior Group could be subject to investigative and enforcement action by relevant regulatory authorities and could be subject to claims or complaints from the person to whom the data relates, or could face liability under data protection laws. Any of these events could also result in reputational damage, which could have a material adverse effect on Alior Group's business, financial condition and results of operations and prospects.

The success and growth of the Alior Group's business depends on its ability to adapt to technological changes

The banking industry and the ability of banks to provide financial services are becoming increasingly dependent on technological advancement, such as the implementation of client-facing mobile and internet banking and electronic payment options as well as internal upgrades to servers and software applications.

The Alior Group's ability to remain competitive depends in a large part on the ability to upgrade the Alior Group's information technology on a timely and cost-effective basis. As at the date of this Offering Circular, Alior Bank's IT systems would be able to serve approximately 10 million accounts. The expenditures on IT systems that Alior Bank expects to incur in the future include extending a license for the core IT system after exceeding 6 million accounts, which may occur following integration of Bank BPH customers.

There is no assurance that the Alior Group will be able to maintain the level of capital expenditure required to support the improvements to its information technology infrastructure and information management systems at the required level and that the solutions chosen by the Alior Group will be appropriate to its needs. In addition, there is no certainty that the Alior Group will be able to effectively anticipate and adapt to constantly changing customer behaviors and preferences.

It is not possible to rule out that technological solutions introduced to the market or applied by Alior Bank will be challenged by supervisory authorities, including the PFSA, or that certain recommendations will be issued in relation to such solutions to change or stop using some or all of their functions. Furthermore, legal solutions adopted in Poland and the EU law may have an impact on whether and how Alior Bank will be able to use various technological solutions. Changes in this regard may in particular, have an adverse impact on the implementation of the Alior Group's strategy in various lines of its business, result in slower development of lending activity and offering different products and services based on advanced technological tools. Furthermore, the Alior Group may not be able to replace in the technological solutions within a sufficient time frame. Costs incurred in connection with preparing and implementing new technological solutions may prove to be significant.

The Management Board cannot ensure that the Alior Group will maintain investment outlays at the level necessary to maintain and improve the quality of its IT infrastructure in the future. Any failure to develop or update the Alior Group's IT technology and IT systems management may have a material adverse impact on the Alior Group's business, financial condition, results of operations or prospects.

The Alior Group is subject to operational risks inherent in its business activities

The Alior Group may incur costs or losses due to inadequate or failed internal processes, human errors and systems errors (concerning among other things, protection of personal data, resolution of conflicts of interests, access to confidential information), or as a result of external events (see " *– Activities of the Alior Group are exposed to extraordinary factors that are outside the Alior Group's control*"). The Alior Group is exposed to errors or irregularities in data processing (including personal data) and in the disclosure of banking secrets or other classified information. Interference, delays and interruptions in operations (as a result of the actions of various factors including software or hardware failure and interruptions in telecommunications connections) can arise during operations. Furthermore, there is a risk of inappropriate distribution of bank products or the incorrect provision of financial services by the Alior Group, through its employees or external distributors (see " *– The Alior Group distributes a significant proportion of its products and services through external distribution channels*" and " *– The Alior Group is exposed to a risk related to the availability or quality of the products and services of non-Group entities which are offered by the Alior Group*"). Moreover, there is a risk of non-performance or inappropriate performance of outsourced operations (see " *– The Alior Group outsources a significant portion of its operations*"). The Alior Group may also incur losses arising from defects in products or agreements, litigation, the erroneous or delayed implementation of generally applicable provisions of the law or other appropriate regulations (including recommendations), breaches of market standards, adverse changes in judgments, inappropriate quality of formal and legal documentation, fines, or sanctions from the regulatory authorities. As at the date of this Offering Circular, the Alior Group has not reported any losses in respect of operational risk that would result in an excessive operational risk appetite.

The Alior Group is also exposed to criminal activity (including credit fraud, money laundering and electronic crimes), the performance of unauthorized transactions, robbery and damage to physical assets. It may be impossible or difficult to detect and prevent any type of fraud or other types of criminal behavior by the Alior Group's employees or any third parties acting in the Alior Group's name (for instance because of high costs), yet such events could expose Alior Bank to sanctions imposed by supervisory authorities. The Alior Group cannot guarantee that its employees will not commit fraud, take improper actions or otherwise make mistakes. These actions could result in the need for the Alior Group to pay considerable compensation. Additionally, it cannot be ruled out that in the past Alior Group has infringed the Act on Counteracting

Money Laundering and Financing of Terrorism, or any other anti-money laundering regulations, or that it will not infringe such regulations in the future (see " – *Risk factors related to legal regulations – The risk of the Alior Group's failure to comply with anti-money laundering and anti-competition laws and regulations in the course of its business*").

Any failure of the Alior Group's risk management system to detect or eliminate operational risk or to comply with applicable law or any failure of its employees or third parties to act professionally and lawfully could have a materially adversely affect the Alior Group's business, financial condition, results of operations or prospects.

Dividend payment risks

In accordance with Polish law, a dividend may be paid only if approved by an absolute majority of shareholders at the Alior Group's annual General Meeting to assign profit for distribution to the shareholders in the form of a dividend (see " – *Share capital and Shares – Shareholders rights attached to Shares – Right to dividend*").

The Management Board is under no obligation to propose to the annual General Meeting the adoption of such a resolution for the relevant financial year. Even if the Management Board does recommend that the profits generated in a relevant financial year be paid out as dividends, the Management Board cannot ensure that the annual General Meeting adopts such a resolution. Furthermore, the payment of a dividend by Alior Bank is subject to various contractual and legal restrictions, including the recommendations of the PFSA regarding the dividend policy of financial institutions (see " – *Dividends and dividend policy – Dividend payment restrictions*"). As at the date of this Offering Circular, the Articles of Association do not provide for the possibility of the payment of interim dividends.

In addition, Alior Bank's ability to pay a dividend will depend on many factors, including Alior Bank's prospects, future profits, capital requirements, financial standing, the level of its liquidity ratios, the PFSA's recommendations, as well as Alior Bank's strategy and its plans for growth and the rules and regulations concerning dividends.

During the period covered by Alior Group's Annual Consolidated Financial Statements, Alior Bank did not pay a dividend. Instead, Alior Bank allocated all of its profits generated to cover accumulated losses and to increase Alior Bank's own funds to pursue its growth strategy and to satisfy the PFSA's capital requirements regarding the level of the solvency ratio.

The Management Board is not planning to recommend a dividend payment to its shareholders from profits for the 2016 financial year and intends to use any profit, generated for that period, to finance the growth of its own business. After 2016, the Management Board will consider changing the dividend policy. Nevertheless, the Management Board cannot give assurances that the dividend policy will be amended. In particular, in the Management Board's view, payment of the dividend out of Alior Bank's profits of 2017 (if any) may prove impossible due to the high costs of the Transaction (see " – *Transaction – Introduction*") and the related restructuring. Additionally, Alior Bank's ability to distribute dividends will be subject to a range of factors, including prospects, future results, financial condition of the Alior Group, capital requirements, capital adequacy ratios, the PFSA's recommendations and legal regulations.

The collaboration agreements with Deutsche Telekom Group may be terminated

Alior Bank entered into a cooperation agreement with T-Mobile Polska dated December 11, 2013 on the provision of financial intermediation services by T-Mobile Polska (see "*Alior Group Business – Material Agreements – Financial Intermediation Agreements – Agreement with T-Mobile Polska*").

According to the agreement, until June 30, 2038, an entity specified by T-Mobile Polska will be entitled to an option to acquire shares in an organized part of Alior Bank's enterprise that provides for intermediation of financial services, subject to a number of conditions set forth in the agreement. Furthermore, the agreement provides for a number of contractual penalties for non-performance or undue performance of the obligations stipulated in the agreement, of which the largest is PLN 90 million. The agreement also contains a provision based on which T-Mobile Polska is entitled to propose a candidate to be appointed for the Supervisory Board. As at the date of this Offering Circular, the member of the Supervisory Board proposed by T-Mobile Polska and elected by the General Meeting was Paweł Szymański. If the member of Alior Bank's Supervisory Board proposed by T-Mobile Polska ceases to be a member of the Supervisory Board and no new member of the Bank's Supervisory Board proposed by T-Mobile in the period of the agreement is appointed at the General Meeting, the agreement will be terminated at the request of T-Mobile Polska within the deadline specified by T-Mobile Polska, which can be no longer than six months from the date of dismissal, unless the parties agree otherwise. In the event of the termination of the agreement, T-Mobile Polska will have the option to purchase an organized part of the enterprise of Alior Bank, but not until the commercial launch of T-Mobile Polska banking activities.

Furthermore, Alior Bank entered into a cooperation agreement with Telekom Romania on August 7, 2015 pursuant to which Telekom Romania will provide financial intermediation services on the terms and conditions similar to those of T-Mobile Polska (see " – *Alior Group Business – Material Agreements – Financial intermediation agreements – Agreement with Telekom Romania*"). Under the agreement, the Alior Group plans to extend its activities to the Romanian market, whereas as at the date of this Offering Circular, the operating activities under the agreement have not commenced. In particular, under the agreement, until June 30, 2038 a global telecommunications operator specified by Telekom Romania will be entitled to an option to acquire an organized part of Alior Bank's business that intermediates the provision of financial services. Moreover, the agreement with Telekom Romania contains conditions subsequent, some of which have not lapsed. In the event of their materialization, the terms of the agreement specify that it becomes terminated, unless otherwise agreed by the parties.

The Alior Group may also face additional difficulties connected with competing on the Romanian market (see " – *The Alior Group may not be able to expand its product portfolio and customer base*"). In such event, the Alior Group may not achieve the expected benefits from commencing business on that market. Furthermore, the potential termination of the current cooperation with members of the Deutsche Telekom Group could have a material adverse impact on the competitive position of the Alior Group and its growth strategy in the region, and would make it difficult for the Alior Group to compete with other banks which cooperate with telecommunication companies. This could have a material adverse impact on the business, financial condition, results of operations and prospects of the Alior Group.

Alior Bank faces risks related to PZU being the largest shareholder of Alior Bank

As at the date of this Offering Circular, PZU was the largest shareholder of the Bank and held Existing Shares representing 29.22% of Alior Bank's share capital and of the total number of votes at the General Meeting (together with the parties to the agreement of April 27, 2016, i.e. PZU Życie, PZU Specjalistyczny Fundusz Inwestycyjny Otwarty Universum and PZU Fundusz Inwestycyjny Zamknięty Aktywów Niepublicznych BIS 2). This means that PZU may exert significant influence over Alior Bank's business by exercising its voting rights at the General Meeting. PZU influences, amongst other things, Alior Bank's strategy and policy, the appointment of members of the Supervisory Board, the distribution of Alior Bank's net profit, and includes any other decisions that must be made by Alior Bank's shareholders.

As at the date of this Offering Circular, the State Treasury was the largest shareholder of PZU and held shares representing 35.19% of the share capital and of the total number of votes at the General Meeting of PZU. This number of votes, combined with the rights granted to the State Treasury in PZU's Articles of Association, allows the State Treasury to exert a major influence on decisions relating to corporate matters which are important to PZU, including PZU's policy with respect to Alior Bank. In particular, the State Treasury has a major influence on PZU's policy and strategy, on appointments of members of PZU's Supervisory Board (and consequently, members of PZU's Management Board), and on a number of other activities which require a resolution of the General Meeting of PZU in accordance with the Code of Commercial Companies. Moreover, PZU's Articles of Association grant the State Treasury an individual right to appoint and dismiss one member of PZU's Supervisory Board. Consequently, due to its position as the largest shareholder of PZU, the State Treasury has an indirect influence over Alior Bank.

There is uncertainty as to which policy the State Treasury will pursue when exercising its voting rights with respect to PZU's shares, or what influence the State Treasury will have on the business of PZU. The policies of the state and the general political situation may affect the policy towards, and actions taken in respect of, PZU, including PZU's investment in the Existing Shares. Such actions and decisions may be contrary to the intentions, interest or actions of the Management Board or shareholders of Alior Bank (other than PZU). Moreover, the State Treasury's policy and actions with respect to PZU (and indirectly, Alior Bank) may be significantly changed as a result of any political and economic changes which may occur in Poland.

PZU's commitment to vote in favor of the Capital Increase Resolution and the Demerger Resolution, resulting from the Side Letter issued by PZU in connection with the execution of the Transaction, have demonstrated support for the actions of Alior Bank´s Management Board (see " – *Transaction – GE Guarantee and PZU Side Letter*"). At the General Meeting held on May 5, 2016 PZU voted in favour of the Capital Increase Resolution. However, it cannot be ruled out that in the future, PZU (or the State Treasury, which is the largest shareholder in PZU) will withdraw or limit its support for actions undertaken by the Management Board.

These circumstances may adversely affect the Alior Group's business, financial condition, results of operations or prospects.

The Alior Group faces risks related to the conclusion of related-party transactions, which may be challenged by the tax or fiscal authorities

In the course of their operations, members of the Alior Group conclude transactions with related parties within the meaning of the CIT Act and the VAT Act (see "*Related Party Transactions*"). These transactions ensure that business activities within the Alior Group are conducted efficiently and include the provision of services, financing and other transactions, such as, for example, accepting deposits or granting loans. When concluding and performing related party transactions, members of the Alior Group take care to ensure that such transactions comply with the applicable transfer pricing regulations and collect all the required documentation when completing such transactions. However, due to the specific nature of related party transactions, the complexity and ambiguity of legal regulations governing the methods of examining the prices applied, and the difficulties in identifying comparable transactions for reference purposes, no assurance can be given that members of the Alior Group will not be subject to audits or other investigations by tax authorities or fiscal control authorities to check compliance with applicable rules. Any challenge to the methods of determining arm's-length terms for the purpose of related-party transactions could adversely affect Alior Group's business, financial condition, results of operations and prospects.

The Alior Group is exposed to risks related to completed or future acquisitions

Apart from the planned Transaction, Alior Bank regularly monitors and analyzes other potential transactions for the acquisition of Polish banks or parts thereof in accordance with its growth strategy. If an opportunity arises to acquire a Polish bank in whole or in part that meets Alior Bank's strict criteria justifying any such transaction, Alior Bank may consider purchasing a stake. In the event of the pursuit of the transaction, Alior Bank may need to acquire additional funding, and it may be possible to merge the bank or its part being acquired with Alior Bank. Any transaction regarding the acquisition of a Polish bank or its part would be entered into with the objective of strengthening Alior Bank's position on the Polish market and would require the receipt of corporate consents as well as the consents and permits of the respective authorities (including the PFSA).

If Alior Bank decides to conduct the acquisition, its implementation could encounter a number of difficulties. This includes issues of an administrative nature. In addition, problems with obtaining appropriate funding for conducting the transaction cannot be ruled out (see " – *The Alior Group may require additional capital but it may be difficult or impossible to obtain it on favorable terms and conditions or at all*"). Furthermore, a possible merger of an entire bank or part of it with Alior Bank could result in the need to incur significant capital expenditure and integration costs. Therefore, even if a decision is made to enter into a transaction, this may not be implemented or it may be implemented in a different way or on a different schedule than initially anticipated.

However, if a possible merger transaction was implemented, the Alior Group would be exposed, among other things, to the risk of failing to accomplish its strategic goals, including any planned synergies (or of a different value) arising from the acquisition of the other bank or part of it. Furthermore, the quality of the assets acquired, including the loan portfolio, could be worse than the expected values, which could force Alior Bank to make appropriate adjustments to its revenues, impairment charges and, consequently, Alior Bank's profit. For example, following Alior Bank's merger with Meritum Bank ICB, on June 30, 2015, Alior Bank systematically monitors the degree of the implementation of the planned values of synergy arising from the merger, as well as the quality of the loan portfolio taken over from Meritum Bank ICB. As at December 31, 2015, both values were in compliance with the assumptions that had been made. However, Alior Bank cannot guarantee that the projected levels of synergies were not overestimated. Furthermore, it cannot be ruled out that the quality of Meritum Bank ICB's assets which were acquired, including the loan portfolio, could eventually be worse than the anticipated values. This could force Alior Bank to make appropriate adjustments to its revenues, impairment charges and, consequently, Alior Bank's profit.

Acquisitions may also carry legal risks, such as the risk that the seller's warranties are insufficient or that regulatory authorities, including the PFSA, will issue new recommendation or guidelines that may adversely impact the integration process and the achievement of synergies and goals of current and future acquisitions of the Alior Group. The materialization of any of the above risks may have an adverse impact on the Alior Group's business, financial condition, results of operations or prospects.

The exercise of voting rights attached to the Existing Shares by some major shareholders may be challenged

Alior Bank is a public company within the meaning of the Public Offering Act and the acquisitions and disposals of significant blocks of its shares are subject to certain special requirements specified in Chapter 4 of that act (*Significant blocks of shares of public companies*). These requirements concern, in particular, tender offers that must be announced

and notification that must be sent to the PFSA and Alior Bank if any of the relevant voting rights thresholds specified in the Public Offering Act are attained or exceeded (5%, 10%, 15%, 20%, 25%, 33%, 33 1/3%, 50%, 75% or 90% of the total number of votes and, in certain cases, the change of a shareholding by 1% or change of the total number of votes by 2%). The regulations on trading in significant blocks of shares of public companies are very detailed and complex, and the obligations thereunder are performed by various shareholders quite inconsistently. Even the legal commentary concerning the potential consequences of defaults under these regulations, including regulations concerning notices filed by shareholders, is not uniform.

Historically, the shareholders of Alior Bank engaged in numerous acquisitions and disposals involving the Existing Shares, and were obliged to notify the PFSA and Alior Bank of having attained or exceeded one of the relevant thresholds of voting rights. No assurance can be given that these obligations have at all times been duly performed and that, consequently, all of the mandatory notifications have been duly sent, and that the notifications delivered were each time complete and contained all information required by law.

According to the Public Offering Act, a shareholder cannot vote with any shares that are subject to a legal transaction or other legal occurrence that will result in attaining or exceeding a voting rights threshold, unless the accompanying reporting obligations have been duly performed. There is a dispute among legal commentators regarding whether each and every breach of these obligations (even one of a purely technical nature) should result in the application of a sanction. There is also a question relating to the ability of the shareholder to remedy the breach concerning the notice after the statutory deadline. According to an extreme interpretation, even the slightest infringement of the obligation to notify the PFSA and the relevant public company about the shareholders attaining or exceeding the relevant voting threshold triggers the sanction, and an absolute restriction on the exercise of voting rights is indefinite in term. There can be no assurance that some of the Existing Shares held by the major shareholders of Alior are not, or were not, burdened by the absolute restriction on the exercise of voting rights.

According to the Public Offering Act, voting rights exercised contrary to such a ban are not taken into account in the calculation of voting results on resolutions of the General Meeting. If a resolution of the General Meeting is adopted with such votes being taken into account, it can be challenged in a lawsuit for the assertion of its invalidity. Even if the period allowed for filing such a lawsuit with respect to a resolution of the General Meeting in the Code of Commercial Companies lapses, allegations of invalidity may still be made.

If a situation described above materialized it may result in one or more resolutions of the General Meeting being overturned and have a negative impact on the Alior Group's business, financial condition, results of its operations or prospects and on the ability to complete the Transaction on the assumed terms and within the expected time frame.

The value of the Alior Group's investment portfolio may decrease

The Alior Group's portfolio of securities comprises debt and equity securities. The quality of the Alior Group's securities portfolio is affected by, among other things, macroeconomic factors, the general business environment and the financial position of the Alior Group's investors, as well as access to capital markets. The quality of Alior Bank's portfolio of securities largely depends on developments in the financial markets and on the creditworthiness and financial position of counterparties to the transactions. The quality of debt securities held by the Alior Group is substantially dependent upon the ability of the issuers of the securities to make payments on the securities when due, which in turn may be affected by changes in their financial standing, including liquidity concerns, increased credit risk and other macroeconomic factors.

As at March 31, 2016, 89.4% of the Alior Group's securities portfolio were debt instruments issued by the State Treasury (see " – *Operating and financial review of the Alior Group – Liquidity and Capital Resources – Assets – Available-for-sale financial assets*"). The following, among other things, could have an adverse impact on the Polish treasury securities: an increase in the supply of Polish treasury securities caused by an increase in their issue made to finance a general government deficit, an increase in the volume of sales of such securities by investors, and an increase in domestic interest rates and increased political risk and a negative perception of Poland by investors.

Furthermore, a reduction in Poland's credit rating could adversely affect the valuation of treasuries in the Alior Group's portfolio and, as a result, the Alior Group's financial results. On January 15, 2016, Standard & Poor's reduced Poland's foreign currency credit rating from "A-" to "BBB+", while Fitch Ratings Ltd confirmed Poland's rating to be "A-" with a stable outlook. On May 13, 2016, Moody's Polska published an updated rating for Poland, according to which Poland was rated "A2" with negative outlook. The update of the rating was preceded by a warning about increased political risk arising from the current constitutional crisis in Poland issued by Moody's on April 4, 2016.

A decrease in the value of the Polish treasury securities held by the Alior Group may adversely affect the Alior Group's equity. Moreover, if the Alior Group decides to sell all or some of the Polish treasury securities held, the factors referred to above may adversely affect their price. Consequently, the materialization of any of the above circumstances could adversely affect the Alior Group's business, financial condition, results of operations or prospects.

Alior Group's insurance cover may be insufficient, may not cover damage suffered by the Alior Group, or may not satisfy claims raised against the Alior Group

Assets of the Alior Group may be damaged or destroyed due to numerous foreseeable or unforeseeable causes. Third parties, including customers of the Alior Group may also suffer damage as a result of events for which the Alior Group may be held responsible. Alior Group's insurance policies may not cover all damages that could be incurred by the Alior Group. Consequently, the Alior Group may be unable to obtain full compensation for the damage suffered. Risks that are not covered by the Alior Group's insurance may materialize or due to economic reasons, the Alior Group may not insure them and consequently may not receive compensation from the insurance cover. Moreover, the insurance policies held by the Alior Group have specific limits on claims. Compensation paid out under such policies may be insufficient to cover all damages suffered by the Alior Group.

Consequently, the Alior Group may have insufficient insurance cover against losses it may suffer, which could have a negative impact on the Alior Group's business, financial condition, results of operations or prospects.

Activities of the Alior Group are exposed to extraordinary factors which are outside the Alior Group's control

Factors which are outside the Alior Group's control, such as natural disasters, terrorist attacks, war, military operations or riots, epidemic outbreaks and similar, unpredictable events, as well as reactions to such events or actions, could disrupt economic or political stability in Poland and worldwide. This could have a negative impact on the Polish economy and, in particular, could disrupt the Alior Group's operations or cause significant damage to the Alior Group. Such events or actions and the resulting damage are difficult to foresee and could be related to property, financial assets or key employees. If plans adopted by the Alior Group do not cover all the necessary procedures which should be used in such situations, or if it is impossible to implement such procedures in the given circumstances, the scale of such damage could increase. Unpredictable events could also lead to additional operating expenses associated with higher insurance premiums or the implementation of backup systems. Covering specific risks with insurance as at the Prospectus Date was impossible, and may be impossible in the future. This increases the level of risk to which the Alior Group is exposed.

The inability of the Alior Group to effectively manage specific risks could have a negative impact on the operations, financial condition, results of operations or prospects of the Alior Group.

Alior Group has a material exposure to Kompania Węglowa S.A. in its impaired loan portfolio

As at the date of this Offering Circular, the Alior Group has an exposure of approximately PLN 90 million to Kompania Węglowa S.A., a joint stock company wholly-owned by the State Treasury ("**Kompania Węglowa**"), in its impaired loan portfolio. As at March 31, 2016, an impairment charge of 19% was recorded for that exposure.

As at December 31, 2015, the above exposure amounted to approximately PLN 96.8 million against which the Alior Group had recorded an impairment charge of approximately 10.5% of the exposure. As at March 31, 2016, the exposure was reduced to approximately PLN 90 million and the impairment charge was increased to approximately 19% as a result of a periodic increase in the amount of bonds issued pursuant to the restructuring program described below. The increase in number of bonds outstanding reduces the proportion of collateral available to support the Alior Group's exposure and as a result the Alior Group increased the impairment charge.

The agreement on the restructuring of the business of Kompania Węglowa was executed on April 26, 2016. The agreement concerns the restructuring of Kompania Węglowa and the development of the operations of Polska Grupa Górnicza sp. z o.o. ("**PGG**"), through, inter alia, the sale of a part of the enterprise of Kompania Węglowa to PGG, including eleven coal mines, a proposed increase of the share capital of PGG by way of an issuance of new shares amounting to approximately PLN 2.4 billion and the transfer of exposure in the form of Kompania Węglowa's debt to PGG, through the issuance of new bonds by PGG to banks (including Alior Bank) in a total amount exceeding PLN 1 billion.

Under the agreement, on April 28, 2016 the parties executed a program agreement concerning the bonds issue program. In accordance with the program agreement, the Bank undertook to acquire PLN 89.63 million of new bonds out of a total issue value of approximately PLN 1,148 billion, with the total exposure to Alior Bank to be repaid in no more than ten years.

All of the bonds acquired by the Bank will be authorized to participate in additional early repayments in the event PGG attains financial surpluses exceeding the agreed liquidity level required for the implementation of the restructuring program. The bonds will be secured, among other things, by PGG's property, plant and equipment and inventories, whose value as at the date of this Offering Circular was estimated by Alior Bank to be approximately PLN 2.5 billion. The Bank's payment for the bonds will be transferred by PGG to Kompania Węglowa to be offset against the Bank's receivables from Kompania Węglowa concerning the redemption of the bonds issued by it.

Notwithstanding the execution of the restructuring agreement and the program agreement, it cannot be ruled out that this restructuring will fail and, as a consequence, the financial standing of Kompania Węglowa will deteriorate. It may then be necessary to revise the impairment charge. These circumstances could have a material adverse impact on the Alior Group's business, financial condition, results of operations or prospects.

Risk factors regarding the Polish banking sector

Regulation of the financial services and banking sector in Poland and globally may increase and become more stringent

The operations of the Alior Group are subject to Polish and European law, as well as various types of court judgments, administrative decisions, and recommendations of supervisory bodies. These laws and regulations subject the Alior Group to extensive requirements and restrictions. Additionally, regulations, requirements and recommendations contained in resolutions issued by the PFSA have, and will continue to have, an effect on the operations of the Alior Group.

It is likely that Polish and European regulations on banking or brokerage activities will become more restrictive than as at the date of this Offering Circular, especially given the market conditions and expectations regarding the stricter regulation of the financial services sector.

Possible regulatory changes (including changes regarding the requirements arising from the regulations and recommendations imposed by the government administration bodies) could result in the Alior Group becoming subject to stricter and more stringent requirements of the banking supervision authorities and the authorities supervising brokerage activities. The Alior Group could also be subject to stricter capital adequacy requirements (or the methods of its calculation) including requirements regarding capital increases, leverage and financial liquidity, or the Alior Group may be obligated to incur other additional costs or fulfil additional obligations regarding disclosure and reporting, as well as being subject to restrictions on conducting various types of transactions. Recently, including in the period covered by the Alior Group's Annual Consolidated Financial Statements, the number of new or amended regulations governing banking activities has increased materially, which has led to additional costs and uncertainty in the Polish banking sector (see " *– Regulation of the banking sector in Poland – Capital requirements and risk management requirements*"). This trend may continue in the future, which could adversely affect the whole banking sector, and in particular the activities, financial position, results of operations or prospects of the Alior Group.

Alior Bank may be obliged to make significant contributions to the BFG, the Borrowers Support Fund or the compensation system set up by the NDS

Cash accumulated in personal bank accounts in Poland or obtained in respect of debts supported by appropriate documents issued by banks are covered by the BFG. Under the mandatory guarantee system, if the terms of the guarantee are met, the funds accumulated in a bank's accounts will be refunded to depositors up to the PLN equivalent of EUR 100 thousand. In respect of domestic banks, meeting the terms of the guarantee requires the PFSA to issue a decision on suspending a bank's operations and establishing receivership, if it had not already been established, and filing for bankruptcy or applying for debt restructuring proceedings to the competent court. SKOK deposits are also covered by the BFG guarantee. If a situation arises that requires the guarantee to be relied upon, the BFG will refund to SKOK depositors guaranteed funds up to the PLN equivalent of EUR 100 thousand.

The Act on the BFG also provides for a stabilization fund fueled by the prudential fee paid by banks. The funds from the stabilization fund are used to aid banks by granting guarantees for increasing the funds of domestic banks. If the guarantee is exercised, it will aid banks by acquiring or taking up shares, bonds or banking securities of the respective domestic banks. If a fund member is declared bankrupt, the remaining fund members, including Alior Bank, may be obliged to make additional payments to cover the liabilities of the entity that was declared bankrupt. The liabilities of a fund member, including Alior Bank, in the event of the bankruptcy of another member of the system may comprise an amount materially higher than the standard contributions paid.

Considering the above, an adverse situation in the Polish banking sector may, among other things, result in the deterioration of the condition of cooperative banks. For example, on November 26, 2015, as a result of the PFSA filing for the bankruptcy of Spółdzielczy Bank Rzemiosła i Rolnictwa in Wołomin, based on the Act on the BFG, Alior Bank was obliged to pay a contribution of PLN 57.0 million to the BFG. In accordance with Appendix No. 5 to Resolution No. 87/DGD/2015 of the Management Board of the BFG dated November 26, 2015, the total amount of the Polish banks' contributions to the BFG with reference to the above amounted to PLN 2.0 billion (see " – *Operating and Financial Review of the Alior Group – General Factors Affecting the Alior Group's Financial Condition and Results of Operations – Bank Guarantee Fund*"). Furthermore, pursuant to the Act on the BFG, deposits kept by SKOK are also covered by the BFG guarantee and if a situation arises that requires the guarantee to be relied upon, the BFG will refund to SKOK depositors guaranteed funds up to the PLN equivalent of EUR 100 thousand. In 2016, the PFSA filed for the bankruptcy of the following SKOKs: SKOK Kujawiak in Włocławek (according to the PFSA, as at October 31, 2015, SKOK Kujawiak in Włocławek had negative equity of PLN 77.7 million), SKOK Polska in Warsaw (according to the PFSA, as at December 31, 2015, SKOK Polska in Warsaw had negative equity of PLN 92.0 million) and SKOK Jowisz in Czeladź (according to the PFSA, as at February 29, 2016, SKOK Jowisz in Czeladź had negative equity of PLN 21.5 million) and SKOK Arka in Dąbrowa Górnicza (according to the PFSA, as at March 31, 2016 SKOK Arka in Dąbrowa Górnicza had negative equity of PLN 26.4 million) (see " – *Deterioration of the financial position of SKOKs could adversely affect the position of the banking sector in Poland*").

In addition, a borrowers' support fund was established pursuant to the Act of October 9, 2015 in order to support residential borrowers in financial difficulties. This fund is intended to provide support to natural persons who find themselves in difficult financial situations and who are required to repay housing loans which significantly encumber their household budgets. The Borrowers' Support Fund is funded, among other things, from contributions made by lenders based on their housing loan portfolio for households in arrears by more than 90 days. Alior Bank is obliged to make related contributions to the borrowers' support fund and, when the value of the proceeds in the fund falls below PLN 100 million, Alior Bank will be required to replenish its contribution pro rata to the support provided to Alior Bank clients from the date of establishment of the fund to the date of its most recent replenishment.

Irrespective of the above, pursuant to the Act on Trading in Financial Institutions, Biuro Maklerskie Alior Banku, which is a separate entity of Alior Bank, participates in the mandatory compensation system set up by the NDS. In the event that the total investor claims in respect of compensation exceed the amount of the funds accumulated in the system and the specified instalments not yet paid, the amount of annual contributions from the banks may be increased based on the principles specified in the Act on Trading in Financial Institutions.

All additional contributions which Alior Bank is or will be obliged to make to the BFG, the Borrowers Support Fund and to other compensation systems established by the NDS may have a negative impact on the operations, financial position or prospects of the Alior Group.

Deterioration of the financial position of SKOKs could adversely affect the banking sector in Poland

SKOKs are part of the Polish financial sector, and the financial position of SKOKs is weaker than the average for banking sector entities. This could adversely affect the position of the banking sector in Poland. In October 2012, SKOKs came under PFSA supervision.

As a result of exhausting the options for improving their financial position by the receivers and the absence of support from the National Association of Cooperative Savings and Credit Unions (Kasa Krajowa) coupled with the inability to find other SKOKs prepared to acquire them, some SKOKs have been allocated to be acquired by commercial banks with the support of the BFG, while others will be declared bankrupt. For example, on January 8, 2016, February 25, 2016, April 22, 2016 and May 11, 2016 the PFSA suspended the operations of four SKOKs: SKOK Kujawiak in Włocławek, SKOK Polska in Warsaw, SKOK Jowisz in Czeladź and SKOK Arka in Dąbrowa Górnicza. Subsequently, the PFSA decided to file for their bankruptcy with competent courts, which constitutes a formal basis for launching disbursements of guaranteed funds from the BFG. With respect to SKOK Polska in Warsaw, the decision on the announcement of bankruptcy was issued on April 13, 2016.

In connection with the potential bankruptcy of SKOK im. Stefana Kardynała Wyszyńskiego in Września, on January 26, 2016, the PFSA decided that SKOK im. Stefana Kardynała Wyszyńskiego in Września would be acquired by Alior Bank (see: "*Operating and Financial Review of the Alior Group – Recent Developments (post-balance sheet date) – Take-over of Spółdzielcza Kasa Oszczędnościowo-Kredytowa im. Stefana Kardynała Wyszyńskiego in Września")*. Additionally, based on the PFSA's decision of April 26, 2016, the Management Board took on the management of the assets of Powszechna SKOK in Knurów as of April 27, 2016. Alior Bank will acquire Powszechna SKOK in Knurów on June 1, 2016. According to the

PFSA, as at March 31, 2016 Powszechna SKOK in Knurów had negative equity items of PLN 15.1 million. The PFSA reported that the asset value of Powszechna SKOK in Knurów accounts for 0.1% of Alior Bank's assets.

Pursuant to the Act on the BFG, deposits with SKOKs are covered by BFG guarantees and, if a situation arises which would require a claim under the guarantee, the BFG will refund the SKOK depositors the amount of the guaranteed funds up to the PLN equivalent of EUR 100 thousand (see " – *Risk factors regarding the Polish banking sector – Alior Bank may be obliged to make significant contributions to the BFG, the Borrowers Support Fund or the compensation system set up by the NDS*").

Further deterioration in the position of SKOKs and the need for banks to support them, including Alior Bank, by, among other things, take-overs of SKOKs by banks or circumstances arising which require banks to guarantee the assets and liabilities of SKOKs, could adversely affect the position of the Polish banking sector, and in consequence could materially affect the operations, financial position, results of operations or prospects of the Alior Group.

Additional tax burdens may be imposed on Polish banks

The CFIT became effective on February 1, 2016 (see "*Regulations of the banking sector in Poland – CFIT*"). The CFIT governs the taxation of assets of certain financial institutions, including domestic banks, branches of foreign banks and branches of lending institutions. The tax is 0.0366% of the tax base per month and in the first quarter of 2016 was charged to the gross financial result of Alior in the amount of PLN 20.7 million.

Furthermore, the development of a regulation introducing a tax on financial transactions (Financial Transaction Tax) has been ongoing since 2011, of which some of the proceeds would be directly supplied to the European Union's budget (see " – *Regulations of the banking sector in Poland – Financial Transaction Tax*"). In December 2015, ten EU Member States (including France and Germany) agreed on certain basic assumptions of the future Financial Transaction Tax. The above countries assumed that the remaining issues, including the tax rates, should be agreed by the end of June 2016. As at the date of this Offering Circular, the possible date for the introduction of the Financial Transaction Tax remained uncertain.

The above factors indicate that additional tax burdens may be imposed in the banking sector, which could have a negative impact on the Alior Group's business, financial condition, results of operations or prospects.

The Alior Group is exposed to risks resulting from the adoption of regulations changing the terms of foreign currency-denominated mortgage loans, which could have a significant destabilizing effect on the whole Polish banking sector

While Alior Group has limited exposure to foreign currency loans (including mortgage loans) due to its conservative policy, the Alior Group faces a risk of a wider knock-on effects in the Polish banking sector that may follow a decision by the Polish government to change the terms of mortgage loans granted in foreign currencies and to convert mortgage loans granted in foreign currencies to the Polish zloty, at a historical exchange rate, which may systemically weaken the Polish banking sector as a whole and have a significantly destabilizing effect on the sector as a whole.

As at the date of this Offering Circular, it cannot be ruled out that the costs of performing these conversions or other solutions for mortgage loans granted in foreign currencies will affect the whole Polish banking sector. On January 15, 2016, the Office of the President of Poland published a bill on the methods of restoring the equality of the parties to certain facilities agreements and loan agreements which apply to loans and borrowings in all foreign currencies (see " – *Regulations of the banking sector in Poland – CFIT Act*"). On March 17, 2016, the PFSA issued a negative opinion on the bill, publishing information on the financial consequences of the bill. According to the PFSA, apart from disturbing the stability of banks with foreign currency mortgage loan portfolios from the years 2000–2012, the financial consequences of the bill could also lead to a loss of confidence in the banking system and, in an extreme case, could cause a financial crisis. Moreover, in the opinion of the NBP, the total direct costs of introducing the bill would exceed the current profits of the Polish banking sector by several times, and therefore could threaten the stability of the Polish banking sector (NBP, Financial system stability report, February 2016). Despite the position of the PFSA and NBP, it cannot be ruled out that the legislative solutions contemplated in this bill (or similar) will be implemented.

Notwithstanding the above, there is also a risk that borrowers will sue the banks that granted them foreign currency-denominated mortgage loans. Such proceedings may be resolved unfavorably for the banks, which could worsen the condition of the banking sector in Poland.

An adoption of the legislative solution discussed above (or similar) and a resulting destabilization of the Polish banking sector as a whole could have far reaching consequences, the full extent of which is impossible to predict. Such

a destabilization of the whole banking sector would likely have a materially adverse effect on Alior Group's profits and be adverse to the Alior Group's business, financial condition, results of operations and prospects.

The Alior Group is exposed to intense competition in the Polish financial sector

The level of competition in the Polish financial sector is intense, which is one of the consequences of the expansion of banks with foreign capital, the development of national financial institutions, competition from payment institutions, and consolidation processes. Attention should be drawn to the increasing significance of entities which are not banks but which offer services and products of a banking nature. According to PFSA data, as at February 29, 2016, Poland had 38 commercial banks, 26 branches of lending institutions and 560 cooperative banks. The Polish banking sector has a significant share of banks with a majority stake of foreign capital, as well as a large number of cooperative banks, despite their relatively small share in the sector's assets. As at March 31, 2016 the number of banks controlled by the State Treasury was 5, the number of banks and branches of lending institutions with a predominant role of private capital was 567, and the number of banks/branches in which foreign capital held a controlling stake was 52.

Changes in the level of competition on the loans and deposits market are a result of the impact of various factors and, in particular, the current situation in global business and financial markets, the availability of financing in the international and Polish financial market, the development prospects of the Polish economy, and the PLN exchange rates against foreign currencies. The Alior Group is exposed to competition from banking, in particular, where it competes with large banks conducting business in Poland on the markets for retail and business customers. Some of Alior Group's competitors conduct business on a larger scale than the Alior Group, and many of Alior Group's competitors are entities which are subsidiaries of international banks, which provide their affiliates cheaper financing. The competitive position of banks, including Alior Bank, is also affected by the activities of the so-called shadow banks – entities that are not banks yet which engage in the provision of financial services. While not regulated by the PFSA, those entities often offer potential customers more attractive terms of financial services than banks offer. In this situation, the Polish banking sector is exposed to competition from non-regulated entities.

Historically, competitive pressures were observed mainly in the area of attracting deposits and the large corporate customer segment, as well as in retail loans in a few recent quarters. Competition with other banks in this respect led to temporary, minor increases in the cost of liquidity and resulted in lowering the interest margin on retail loans by 0.1 to 0.3 p.p.

Nonetheless, the increased competition in the domestic financial sector could contribute to an increase in price pressure on the services and products marketed by Alior Bank and the incurrence of significant outlay. If the Alior Group does not manage to maintain its competitive position in the banking sector in Poland, increased competition could have an adverse impact on the Alior Group's business, financial condition, results of operations or prospects.

The recommendations issued by the PFSA could adversely affect Alior Bank's business

The PFSA is the body which supervises the activities of the banking sector in Poland, as a result it is authorized to issue recommendations that apply to various operations of banks (see " *– Regulations of the banking sector in Poland – Capital requirements and risk management requirements – Polish law requirements*"). Although the PFSA recommendations are not legally binding, Polish financial institutions are required to take them into account and comply with their provisions.

In recent years, the PFSA has issued new recommendations (including Recommendation W on model risk management in banks and Recommendation U on good bancassurance practice), and amended previously issued recommendations (including Recommendation T on good practices in risk management of retail credit exposures, Recommendation M on operational risk management at banks, Recommendation D on the management of the areas of IT and data communication environment security in banks, Recommendation S on good practices in managing loan exposures secured with mortgages, and Recommendation P on financial liquidity risk management). In December 2015, draft amendments to Recommendation C concerning the management of exposure concentration risk and draft amendments to Recommendation Z concerning corporate governance in banks were sent out for public consultations.

As a result of the above recommendations, as well as other possible amendments to the existing recommendations, Polish banks, including Alior Bank, are subject to stricter and more stringent requirements relating to, among other things, lending activities, capital requirements, risk management and offering insurance to customers, as well as more stringent capital adequacy requirements. As a result of certain new and amended recommendations, the Bank is regularly audited by the PFSA, and the PFSA issues audit recommendations that the Bank is required to implement and report upon. It cannot be ruled out that future audits will force the Bank to implement new audit recommendations significantly affecting its business, or that it will be subjected to other encumbrances. Nor can assurances be given that the Bank will each time be able to fully or materially comply with each and every such recommendation. Additionally banks, including

Alior Bank, may be obliged to incur additional costs or may be subject to restrictions with respect to becoming involved in various types of transactions.

The occurrence of any of the above factors may have an adverse impact on Alior Bank's strategy, its potential growth, its commissions and fees, its margins and, as a result, its business, financial condition, results of operations or prospects of the Alior Group.

The rate of growth of the Polish banking sector may decline significantly

In recent years, the Polish banking sector experienced an increase in total assets. The increase in the Polish banking sector's assets was mainly the result of an increase in the loans portfolio, and trends differed depending on the product. In the years 2011-2015, the quarterly increase in the balance of housing loans gradually dropped from approximately PLN 6 billion in the first quarter of 2011 to slightly over PLN 3 billion in the third quarter of 2015. Consumer loan balances dropped from the beginning of 2011 to mid-2013 by approximately PLN 2 billion per quarter, and have been steadily increasing at the same pace since the third quarter of 2013. In the same period, lending to businesses experienced much larger fluctuations. The average increase was approximately PLN 6-7 billion per quarter, and in individual quarters (the fourth quarter of 2012, the fourth quarter of 2013 and the fourth quarter of 2014) they dropped by approximately PLN 2-4 billion. The years 2011-2012 saw slightly higher growth in the SME segment, and in consecutive years lending to large companies grew faster.

Although in recent years the Polish banking sector has grown steadily, it is not certain whether such pace of growth will be maintained in the future. The slowing pace of growth in the global economy in the years 2011-2015 (mainly in the economies of the EU Member States) and the continued uncertainty on international financial markets (related to the uncertain prospects of the global economy and the Euro Area crisis), constitutes a risk for maintaining the quick growth of the banking sector in Poland, as it significantly affects the Polish economy. The above factors had an impact, among other things, on the decrease in the growth of the Polish banking sector in the years 2012-2013.

The creation of the Act on Tax on Certain Financial Institutions on February 1, 2016 (see " – *Regulations of the banking sector in Poland – CFIT Act*") and growing requirements in respect of maintaining additional capital requirements (see " – *Regulations of the banking sector in Poland – Capital requirements and risk management requirements*") constitute additional risk factors for the growth of the Polish banking sector. Additionally, as at the date of this Offering Circular, it is possible that regulations on changing the parameters for loans extended in foreign currency and the translation of loans extended in foreign currencies into PLN at the historical rate will be implemented in Poland (see: " – *Risk factors related to the Alior Group's activities – Alior Bank is exposed to risks resulting from granting, financing and securing foreign currency denominated loans*").

Therefore, the results achieved by the Polish banking sector in the past may not be treated as an indication of future trends, and a decrease in the pace of growth in the future of the Polish banking sector may adversely affect the business, financial position, results of operations or prospects of the Alior Group.

Risks related to the implementation of the BRR Directive

The BRR Directive was adopted on May 15, 2014, with the of minimizing the burdens on taxpayers in the event that banks fail to perform their obligations, while simultaneously guaranteeing that related costs will be incurred by shareholders and creditors. (see " – *Regulations of the banking sector in Poland – Capital requirements and risk management requirements – European law requirements – BRR Directive*").

The BRR Directive establishes a bail-in instrument, which has the purpose of ensuring that taxpayers will be the last to bear the costs of the deterioration of banks. In principle, the BRR Directive does not rule out state intervention to maintain the liquidity of a bank heading towards bankruptcy, although such intervention is only possible in exceptional cases, i.e. if it is either beneficial to the public or necessary to ensure the stability of the financial system; even if a bank cannot be recapitalized out of private funds, there will still be a chance to save it. According to the provisions of the BRR Directive, a bank heading towards bankruptcy should continue to conduct business with the help of restructuring tools and orderly liquidation using private funds to the greatest possible extent. The deadline for the transposition of the BRR Directive by Member States was January 1, 2015 (to a limited extent with respect to the use of the bail-in instrument, this deadline was delayed until January 1, 2016) although, as at the date of this Offering Circular, the BRR Directive has not been implemented into the Polish legal system.

After being implemented into the Polish legal system, the provisions of the BRR Directive will become directly applicable to the Alior Group, including in the form of an increase in the fee to the BFG. As at the date of this Offering

Circular, it is impossible to assess the full impact of the BRR Directive's solutions on the functioning of the Alior Group. The implementation of the BRR Directive could have a material adverse effect on the business, financial condition, results of operations or prospects of the Alior Group.

The process of enforcing security on bank loans in Poland is difficult and time-consuming

Despite the fact that loans granted by Alior Bank are secured in various forms, including by mortgages, dealing with enforcement from security can be time-consuming and difficult. Procedures regarding the sale of property or other forms of enforcement of security on mortgages may take a long time, while their practical implementation may be difficult. For example, the process of enforcement of security established on real estate can last longer than a year. Additionally, the regulations which entered into force in November 2015 abolished the bank enforcement title, which was an instrument available to banks to help them collect their receivables. In the pricing of its offered products, Alior Bank takes into account the specific nature of accepted collateral and the conditions of the enforcement process, and in particular its length and results in the form of monies recovered from the collateral. It cannot be ruled out that delays may occur in enforcement or in the ability to enforce a significant amount of security, which could adversely affect the Alior Group's business, financial condition, results of operations or prospects.

The Alior Group is subject to information requirements in connection with FATCA and automatic information interchange on tax matters

The introduction of FATCA regarding the disclosure of information on foreign accounts means that the Alior Group is subject to specified registration obligations, as well as obligations to collect data from its customers and to provide the data to the respective tax authorities (see " *– Regulations of the banking sector in Poland – The Act on the performance of the agreement between the Government of the Republic of Poland and the Government of the United States of America to improve international tax compliance and to implement FATCA*"). However, in the case of Polish entities, in order to remain compliant with the provisions of Polish law, these obligations are not performed directly with regard to the U.S. tax authorities but through the Polish tax authorities. An international agreement was concluded on October 7, 2014, between the Government of the Republic of Poland and the Government of the United States of America to improve international tax compliance and to implement FATCA and its accompanying final provisions. The Act ratifying the agreement and its accompanying Final Provisions entered into force on June 2, 2015. In order to implement this agreement, an act on the performance of the agreement between the Government of the Republic of Poland and the Government of the United States of America was adopted, which entered into force on December 1, 2015 (the "**FATCA Act**").

Furthermore, the deadline passed on January 1, 2016 for implementing Council Directive 2014/107/EU of December 9, 2014 amending Directive 2011/16/EU. This is in relation to the mandatory automatic exchange of information in the field of taxation, as well as the regulations on enabling automatic tax information exchange with countries other than EU Member States on the basis of the Common Reporting Standard ("**CRS**"), which Poland undertook to introduce in the multilateral agreement of the respective authorities on the automatic exchange of financial information for tax purposes signed on October 29, 2014. As at the date of this Offering Circular, legislative work on the introduction of this directive into the Polish legal order is still ongoing.

Together with the introduction of this legislation and its later amendment, Alior Bank may be forced to perform adaptation work, which could result in increased costs related to adjustment to the changing and new regulations. As at the date of this Offering Circular, Alior Bank had in place procedures aimed at complying with the FATCA Act. However, it cannot be ruled out that these procedures will prove insufficient. In addition, in the event of the failure to perform the specified obligations provided for in the FATCA Act, Alior Bank may suffer legal consequences which could have an adverse impact on the Alior Group's business, financial condition, results of operations or development prospects.

Risk factors related to macroeconomic conditions

Economic events of a global, regional and local nature may have an impact on the business, results of operations, financial condition and prospects of the Alior Group

The macroeconomic situation and the rate of economic growth affect the business and results of operations of the Alior Group. The financial crisis of 2008–2009 affected developed countries, while developing markets (including Poland) experienced a significant economic downturn. Economic downturn, a decline of trust in financial institutions, limited access to the interbank market and other forms of financing, growing unemployment and decreasing share prices led to disruption in global financial markets, which affected the liquidity and financing of the international banking system.

This had an adverse effect on the valuation of assets and capital adequacy requirements for a number of financial institutions throughout the world. The economic deterioration resulted in an increase in credit risk provisions and poorer access to capital and credit markets and other forms of financing. A liquidity crisis also occurred and the cost of obtaining financing increased significantly.

In the second half of 2010, the financial crisis started to have a significant impact on the budgets of many countries, in particular in the euro zone, which, in conjunction with a growing risk associated with public debt, forced the most affected countries to implement saving programs. This put additional pressure on the financial condition of households and enterprises in those countries.

Although the condition of the financial sector has improved in recent years as a result of special measures applied in many developed economies, including quantitative easing by central banks, governmental demand stimuli and re-capitalization of some banks from public funds, the development prospects of the financial sector remain uncertain and may change.

Despite the fact that the global economy has recovered in recent years and the market and economic conditions have improved, economic turbulence is still possible and it is not certain whether the economic improvement will last. A deterioration in the global economy or another debt crisis in the Euro Zone could have an adverse effect on the macroeconomic conditions in all parts of the world, particularly in Europe, which in turn could cause another economic slowdown, a growth in costs of financing, a bigger increase in unemployment or other adverse macroeconomic events, including the collapse of the euro as the common currency in the EU. For the Alior Group, deterioration in the economy could cause a decrease in demand for loans and deposits offered by the Alior Group, an increase in overdue loans or permanent inability of borrowers to repay their liabilities, a decrease in the value of the Alior Group's assets and limited access to capital markets and financing. All these factors could have an adverse effect on the business, financial condition, results of operations or prospects of the Alior Group.

The proposed referendum on the UK's continued membership in the European Union and the risk associated with the instability of political systems in Europe may affect the business of the Alior Group

On May 15, 2015 the UK Government announced a referendum on whether the UK will stay in the European Union. The referendum will be held on June 23, 2016. Should British voters decide to leave the European Union (the "**Brexit**"), the result of the referendum may have far-reaching implications for the political stability and economic situation in Poland. Poland is a beneficiary of the European structural funds and the UK is one of the largest net payers to the EU budget. The UK's exit from the European Union may cause a need to make budget adjustments which could reduce the amount of funds transferred from the EU budget to Poland. The UK is also one of the key financial centers in the world. Brexit may lead to restricting the free flow of goods, people, services and capital, which in turn may result in limited access to financing and, consequently, have an adverse effect on economic development. The UK's exit from the EU may also lead to an increase in reluctance to potentially risky investments, which may include securities issued by issuers from Central and Eastern Europe, including the shares of Alior Bank and a decrease in the value of the securities held in the Alior Group's portfolio of securities. Moreover, Brexit may cause exchange rate fluctuations and the instability of the euro exchange rate (see " – *The Alior Group is exposed to risk related to destabilization of the political and economic situation of the European Union and the associated currency risk*"). Although the Alior Group is monitoring and assessing the potential impacts on its business of the UK leaving the European Union, the situation remains uncertain.

Furthermore, developments in Ukraine, including the annexation of the Crimean Peninsula by Russia in 2015 and the resulting sanctions imposed by the United States and the European Union also have also had an impact on the economic and political environment in Poland and, consequently, on the operations of Alior Bank. The circumstances discussed above may discourage international investors from investing in the entire region of Central and Eastern Europe and make them invest less in Polish financial instruments due to deteriorating economic or financial conditions in Central and Eastern European countries, which may have a material adverse effect on the business, financial condition, results of operations or development prospects of the Alior Group.

The economic conditions in Poland could adversely affect the Alior Group's business

The Alior Group and the majority of its customers operate in Poland. Therefore, the macroeconomic situation in Poland has a significant effect on the business, financial standing, results of operations and prospects of the Alior Group. The economic situation in Poland depends on a number of factors, including the demographic situation in the country, workforce availability (which may be affected by the expected pension system reform or the proposed introduction of a minimum hourly wage) and the level of government spending (see " – *Market overview – Economy of Poland – Public*

finance"). Moreover, the Polish economy has strong ties with the economies of the other EU member states, particularly since the accession to the European Union in 2004. Deterioration of macroeconomic conditions in the world and in Europe (see " – *Economic events of a global, regional and local nature may have an adverse impact on the business, results of operations, financial condition and prospects of the Alior Group*" above) has affected and may in the future affect the Polish economy. In particular, it may result in a slower GDP growth rate.

The unfavorable tendencies that surfaced in the Polish economy in the period preceding the period of the Alior Group Annual Consolidated Financial Statements resulted in a deteriorating condition of the labor market and increased unemployment, as well as slower sales of new loans, weaker performance of the Polish banking sector and worse quality of the credit portfolio. In reaction to the worsening economic conditions the Polish government embarked on a more expansive monetary policy, reflected by more frequent reductions of interest rates (six interest rates reductions in 2013) and their scale. The reference rate was reduced by 1.75 % down to 2.50% in 2013, by 0.5% down to 2.00% in October 2014 and again by 0.5% down to 1.50% in March 2015 (see also "*Market overview – Economy of Poland – Inflation and interest rates*"). The rapid interest rate decrease exerted pressures on net interest margins in the Polish banking sector.

The Polish economy has improved since 2014 (GDP increase amounting to 3.4% and 3.6% in 2014 and 2015, respectively). However, a potential slowdown of economic development or deterioration in the condition of the Polish economy and financial markets may result in limited availability or higher cost of financing for Polish banks, as well as increased competition in the deposit market and may also have an adverse effect on the demand of the Alior Group's customers for retail banking and corporate banking services. A deterioration in prospects for the Polish economy (including higher unemployment and lower consumption), as well as fluctuations in the financial markets (including the currency market) may adversely affect the financial standing of the Alior Group's borrowers and their ability to service and repay debt, which in turn may lead to an increase in overdue receivables of the Alior Group. A possible decline in household incomes could reduce demand for the Alior Group's loans targeted at retail and business customers and diminish the value of assets serving as security on loans and borrowings. In addition, in unstable market conditions, the value of assets securing loans already granted or to be granted by the Alior Group, including real estate, may decline significantly.

The level of risk that is acceptable to customers may also decrease with respect to investments in securities, investment fund units or other investment products offered by the Alior Group. Significant fluctuations or a decline in the financial market may discourage potential customers from buying investment products offered by the Alior Group and their current holders may withdraw or reduce their exposure to such products, which may have an adverse effect, in particular, on the Alior Group's fee and commission income.

The occurrence of the above circumstances may have a materially adverse impact on the Alior Group's business, financial condition, results of operations or prospects.

The Alior Group is exposed to risk related to destabilization of the political and economic situation of the European Union and the associated currency risk

European markets and economies could experience a negative impact resulting from the difficulties related to the potential return of the debt crisis to countries in the Euro Zone, the risk of Great Britain's exit from the European Union, and increasing doubts about the stability of the euro. Further developments in the Euro Zone may depend on a number of political and economic factors, including the effectiveness of measures taken by the ECB and the European Commission in connection with the debts of certain European countries, the maintenance of political and economic stability of the Euro Zone and the role of the euro as the common currency in the face of a diverse economic and political situation in individual Member States of the Euro Zone. In particular, there is a risk that the deterioration of the general economic conditions in the European Union and the problems associated with the high level of indebtedness of some European Union countries will lead to the liquidation of the euro as the common currency in some or all EU countries.

The liquidation of the euro and destabilization of the euro exchange rate against other currencies, which could precede it, could affect the Alior Group's business. In particular and in the following manner: (i) the national currencies, which would replace the euro, could initially be unstable, which would result in an increase in the foreign currency risk to which the Alior Group is exposed; (ii) receivables or liabilities from agreements to which Alior Group is a party, or securities held or issued by Alior Group, in which the payment currency is the euro, would be converted into the national currencies at an unfavorable exchange rate; (iii) the liquidation of the euro would result in an increase in transaction costs, which are currently limited because of the use of the euro in some countries in which Alior Group's customers conduct business; and (iv) the increase in transactional costs could adversely affect international trade, the financing of which is one of the areas of Alior Group's business.

Due to the significant foreign currency exposure of a large number of Polish households with mortgage loans denominated in Swiss francs and euros, a considerable depreciation of the Polish zloty against foreign currencies, especially the Swiss franc or euro, could hinder the repayment of their loans denominated in foreign currencies. This could have a negative impact on the Polish banking sector, increasing the probability of households falling into arrears with the repayment of mortgage loans and, consequently, could result in a deterioration in the quality of loan portfolios of banks. If the Alior Group incorrectly calculates its exposure to currency risk and calculation of capital requirements necessary to cover its currency risk, this could have a material adverse effect on the business, financial condition, results of operations and prospects of the Alior Group.

Risk factors related to legal regulations

Court, administrative or other proceedings may adversely affect the Alior Group

Alior Group may be exposed to a risk of court, administrative or other proceedings being instituted against it by customers, employees, shareholders and other persons in connection with its business. Alior Bank believes that none of the individual proceedings pending at the date of this Offering Circular before a court, appropriate arbitration venue or governmental body, nor do all such proceedings collectively, create any threat to the financial liquidity of Alior Bank.

The probability of such proceedings being commenced is difficult to assess, and the value of their potential consequences is hard to determine. Parties commencing proceedings against Alior Group may, in particular, demand the payment of significant amounts in damages or compensation or could appeal against a resolution of the authorities of the Alior Group entities. Further, provisions created by the Alior Group may turn out to be insufficient to cover its liabilities. Any of the foregoing factors could have an impact on the Alior Group's ability to conduct business, and the amount of potential costs arising from such proceedings may remain uncertain for an extended period of time. The costs of defense in potential future proceedings may also be significant (see " – *Alior Group Business – Court, administrative and arbitration proceedings*"). Negative information campaigns may also be commenced with respect to proceedings pending against Alior Group entities, which may have an impact on the reputation of Alior Group entities, regardless of the outcome of such proceedings or whether they are justified. The possibility of bank customers bringing a class action significantly reduces the costs of legal services incurred by bank customers and other costs related to such actions, which may result in a larger number of court proceedings being instituted against the Alior Group. There can be no assurance that the Alior Group will not face any class actions in the future or that class action lawsuits will not become prevalent in the Polish banking sector. Additionally, any inspection or initial process before a regulator or internal auditor resulting from proceedings before courts or administrative bodies may have adverse effects on the Alior Group. The occurrence of such proceedings may require the Alior Group to incur substantial expenses or to pay damages, and this may additionally harm the Alior Group's reputation or lead to the PFSA or other regulators taking action against the Alior Group. The above events could adversely affect the Alior Group's business, financial condition, results of operations and development prospects.

Decisions of the competition and consumer protection authorities may adversely impact the Alior Group

The Alior Group's business must be conducted in compliance with the legal regulations on competition and consumer protection. In accordance with the Act on Protection of Competition and Consumers, the President of the Office for Competition and Consumer Protection (UOKiK) is entitled to issue a decision as to whether an entrepreneur pursues practices that breach the collective interests of consumers. Such practices may include, for example, giving customers misleading information, using unfair market practices, or misselling financial services.

On April 17, 2016, the Act amending the Act on Protection of Competition and Consumers and certain other acts entered into force. The amendment gives the UOKiK President certain additional powers. In particular, the UOKiK President is permitted to issue administrative decisions concerning prohibited clauses in contract templates and ban their further use (see " – *Regulation of the banking sector in Poland – Consumer protection*"). The amendment to the Act on Protection of Competition and Consumers also introduces a new practice that breaches the collective interest of consumers, the "misselling of financial services", i.e. offering financial services that are inadequate for a particular customer in a misleading manner. The Alior Group has implemented appropriate procedures and a system of training to mitigate the risk associated with offering financial services that are inadequate for a particular customer. However, due to the fact that the concept of misselling is very broad and unclear, there is a risk that UOKiK initiates proceedings to impose a fine on the Alior Group for offering financial services that are inadequate for a particular customer.

The UOKiK President may demand that these practices (i.e. breaching the collective interest of consumers or applying prohibited contractual clauses) are ceased and may impose a fine on the entrepreneur of up to 10% of the turnover generated in the year before the year in which the fine was imposed, or apply other measures, for example, impose an obligation on the entrepreneur to pay compensation to consumers who incurred losses. Furthermore, agreements that may distort competition are invalid in whole or in part, subject to some exceptions provided in the Act on Protection of Competition and Consumers. At the same time, the provisions of an agreement with a consumer that have not been agreed individually are not binding for the consumer if the rights and obligations of the consumer specified therein are inconsistent with good practice and significantly breach the consumer's interests. This does not apply to the provisions defining the key benefits provided by the parties, such as the price or fee, if they are drafted clearly.

Any potential disputes with the UOKiK President could result in court proceedings before a competent court in Poland, which may uphold or reverse such a decision. Moreover, any decisions of the Office of Competition and Consumer Protection that are unfavorable for Alior Bank may result in particular in individual or class actions filed by consumers or their representatives for the protection of consumer rights (see " – *Court, administrative or other proceedings may adversely affect the Alior Group*"). There is also a risk that customers of the Alior Group entities may file complaints with the Financial Ombudsman (see " – *Regulations of the banking sector in Poland – Consumer protection*").

On December 30, 2014, the UOKiK President imposed a fine of PLN 3.314 million on Alior Bank for applying practices which breached collective consumer interests. Alior Bank appealed against the decision in whole, requesting it to be set aside in whole or amended through a reduction in the fine. In the decision of December 16, 2015, the UOKiK President obliged Alior Bank to notify its customers of the option to obtain a refund of the costs of insurance premium paid in relation to securing a consumer credit contracting in the promotion "Pożyczka z BIK Passem" and "Pożyczka na prezenty i nie tylko…". Furthermore, in the decisions of December 30, 2015 and of January 4, 2016, the UOKiK President commenced proceedings against Alior Bank regarding certain practices which breached collective consumer interests. The outcome of these proceedings could result in a fine being imposed on Alior Bank. Additionally, as at the date of this Offering Circular, the UOKiK President was carrying out a number of explanatory proceedings with respect to the Bank. One of them was aimed at clarifying whether the actions taken by Alior Bank in connection with offering life insurance with a life insurance equity fund justifies initiating proceedings concerning practices that breached the collective interests of consumers (see " – *Alior Group Business – Court, administrative and arbitration proceedings*"). The materialization of the above events, including the initiation of proceedings by the UOKiK President ended with decisions imposing penalties, may adversely affect Alior Bank's business, financial condition, results of operations or prospects.

The interpretation of the provisions of Polish law may be unclear and Polish law could change

The Alior Group entities were established under and operate in accordance with Polish law. A significant number of applicable laws and regulations relating to the activities of financial institutions, issuing and trading in securities, shareholders' rights, foreign investments, issues related to the business of companies and corporate governance, trade, accounting policies, taxes and conducting business activity have changed and are subject to change (see " – *Risk factors related to the Alior Group's activities – The Alior Group may not be capable of satisfying the requirements of the minimum level of capital adequacy and other capital requirements*", " – *Risk factors related to the Alior Group's activities – Alior Bank may be obliged to make significant contributions to the BFG, the Borrowers Support Fund or the compensation system set up by the NDS*", " – *Risk factors regarding the Polish banking sector – The recommendations issued by the PFSA could adversely affect Alior Bank's business*", and " – *Risk factors regarding the Polish banking sector – Additional tax burdens may be imposed on banks*"). It is difficult to predict the scope and direction of such changes, as well as their impact on entities in the financial sector. Moreover, a number of amendments to the legal regulations that affect the operations of financial institutions have been introduced recently and more amendments are planned (see "*Regulation of the banking sector in Poland*"). Due to the scope and frequency of these changes, it cannot be ruled out that the Alior Group will not be able to implement and comply with procedures aimed at ensuring the compliance of its business with the binding provisions of law. A failure to manage the regulatory risk effectively or failure to comply by the Alior Group with the changing legal environment may lead to the Alior Group suffering severe sanctions imposed by the supervisory authorities, and could affect its competitive position and reputation.

Moreover, the above-mentioned laws and regulations are subject to various interpretations and judgments and therefore may be applied inconsistently. The Alior Group cannot guarantee that the interpretation of the provisions of Polish law it follows will not be not questioned, which may result in the Alior Group being held liable or a need for Alior Group entities to change their practices, which could adversely affect the Alior Group's business, financial condition, results of operations and prospects.

Interpretation of provisions of the Polish tax law that apply to the Alior Group's business may be unclear and these provisions may change

The Polish tax system is subject to frequent changes. Additionally, some provisions of Polish tax law are imprecise and their interpretation is often inexplicit, whilst the practices of the tax authorities are frequently inconsistent. In particular, numerous doubts arise with respect to the interpretation of the provisions of tax law governing the activities of banks and other financial institutions, notably when applying the law to complex financial transactions. The frequent amendments to the provisions of the tax law and various interpretations of these regulations mean that the risks related to Polish legal regulations may be higher than in other tax jurisdictions.

In addition to its own tax liabilities, the Alior Group also pays taxes for and on behalf of its customers, employees and other entities. In accordance with the provisions of tax law, the Alior Group is responsible, up to the value of its total assets, for the correct settlement and timely payment of a particular tax. The tax authorities are empowered to check the correctness of the Alior Group's tax settlements with respect to non-overdue tax liabilities, including the proper performance of the remitter's duties by the Alior Group (tax liabilities expire after five years from the end of the calendar year in which they became overdue). It is impossible to guarantee that no changes to the provisions of tax law would be unfavorable for the Alior Group, or that the Polish tax authorities will not adopt a different or adverse interpretation of the provisions of tax law or calculations compared with the interpretation adopted or calculations made by the the Alior Group, or that individual tax rulings obtained in the past or in the future by the Alior Group will not be revoked or amended. This could result in disputes with the tax authorities, the tax authorities questioning the Alior Group's tax settlements regarding unexpired tax liabilities, and the assessment of overdue taxes. Such circumstances may have an adverse effect on the business, financial condition, results of operations and prospects of the Alior Group.

Alior Bank may be obliged to prepare and implement a recovery plan based on the provisions of the Banking Law

Pursuant to the Banking Law, if a bank has incurred a loss, there is a risk that it would incur a loss, or there is a risk of the bank's insolvency, the Management Board is obliged to notify the PFSA and to present a recovery plan, and must also ensure that the plan is implemented. The PFSA may impose a deadline for the preparation of the recovery plan, instruct the bank to amend an existing plan, or to prepare a new recovery plan. If the recovery plan is implemented by the bank, any profit earned by the bank will be used firstly for offsetting losses, and secondly to increase the bank's equity. The PFSA may also appoint a custodian to supervise the implementation of the recovery plan. If the PFSA considers the recovery plan insufficient or incorrectly implemented, certain additional restrictions and requirements, such as the obligation to convene a general meeting, may be required to verify the bank's financial position and to adopt a relevant resolution, e.g. a resolution to increase the bank's equity. It is not certain that Alior Bank, particularly if its results of operation deteriorate, will not be obliged to prepare and implement such a recovery plan. The incorrect implementation of the recovery plan by the Bank could adversely affect Alior Group's business, financial standing, results of operations or prospects.

The Alior Group will be obliged to comply with the requirements of the MAD Directive and MAR Regulation

On April 16, 2014, the European Parliament adopted the MAR Regulation. The MAR Regulation introduced a number of amendments to the regulations and legal status which was in force as at the date of this Offering Circular, including, among other things, changes with respect to: (i) the publication of confidential information; (ii) reporting transactions concluded by persons holding managerial positions; (iii) activities intended to combat market abuse and manipulation; (iv) suspicious transaction reporting; and (v) conflict of interest. The MAR Regulation will enter into force on July 3, 2016 and will apply to all EU Member States, including Poland. Additionally, by July 3, 2016, the MAD Directive, which requires EU Member States to introduce criminal sanctions for market manipulation, must be implemented in Poland.

The entering into force of the MAR Regulation requires the Alior Group to verify the procedures, policies and systems used by Alior Group as at the date of this Offering Circular or to implement relevant procedures ensuring compliance with the requirements arising from the MAR Regulation. As at the date of this Offering Circular, Alior Group was in the process of verifying procedures, policies and systems. After the verification, Alior Group is planning to update and implement the relevant solutions ensuring compliance with the requirements arising from the MAR Regulation and the MAD Directive. Alior Group's failure to adjust to, or the incorrect adjustment of, the requirements of the MAR Regulation may result in the regulatory authorities imposing severe sanctions on the Alior Group. The materialization of such events could adversely affect the Alior Group's business, financial condition, results of operations and prospects.

The risk of the Alior Group's failure to comply with anti-money laundering and anti-corruption laws and regulations in the course of its business

Money laundering refers to all types of activities aimed at legalizing proceeds from illegal or undisclosed sources. In the opinion of the Management Board, the Alior Group implemented the anti-money laundering procedures required by law, including the Anti-money Laundering Act. However, it cannot be guaranteed that all illegal transactions will be prevented. Some such transactions may be executed either as a result of non-compliance with the said procedures by employees of Alior Group, or due to the application of previously unknown methods of legalizing illicitly derived money.

The Alior Group, its employees and external service providers are also subject to several anti-corruption laws, including the provisions imposing a ban on offer or accepting financial gains. The Alior Group introduced procedures in order to counteract corruption. However it cannot be guaranteed that such procedures are comprehensive and that they will prevent corruption, in particular with respect to employees and external service providers of the Alior Group.

Additionally, monitoring compliance with anti-money laundering and anti-corruption rules and procedures can put a significant financial burden on the Alior Group and require it to implement significant technical capabilities.

If such infringements occur, the Alior Group and its management responsible for such acts may be subject to legal sanctions and the risk of reputation loss, which may, in turn, adversely affect the business, financial condition, results of operations and prospects of the Alior Group.

Investors may be unable to enforce judicial decisions of foreign courts against the Alior Group

The Alior Group consists of entities that have been established and operate in accordance with the provisions of Polish law. Almost all of the Alior Group's assets are located in Poland. Investors may enforce judicial decisions in civil and commercial cases issued by a court in an EU Member State, since Regulation (EU) No. 1215/2012 of the European Parliament and of the Council on jurisdiction and the recognition and enforcement of judgments in civil and commercial matters applies directly to Poland as an EU Member State. Denmark is the only EU Member State to which the Regulation (EU) No. 1215/2012 of the European Parliament and of the Council does not apply.

Investors may experience difficulties when trying to enforce judicial decisions issued by courts of non-EU Member States in Polish courts. As a rule, the above judicial decisions of foreign courts in civil cases are to be recognized by virtue of the law and can be enforced in Poland in line with the general provisions of the Civil Procedures Code. Judicial decisions of foreign courts can be enforced in Poland, provided that, among other things, they are final in the states in which they were issued and are not contrary to the basic principles of Polish law. The Alior Group is unable to guarantee that all conditions for enforcing judicial decisions of foreign courts in Poland would be met or that a particular judicial decision would be enforceable in Poland.

Risks related to the Bank BPH Core Business

Following the Demerger, the Bank BPH Core Business will be transferred to the Alior Group. In the opinion of the Alior Group, all risks discussed in " – Risks factors related to the Alior Group's activities – Risk factors regarding the Polish banking sectors – Risk factors related to macroeconomic conditions" and " – Risk factors related to legal regulations" also apply to the Bank BPH Core Business and will continue to apply to the Alior Group after the Transaction has been executed, and if materialized, they could adversely affect, to a large extent, the Alior Group's business, results of operations, financial condition and prospects.

Despite the fact that the Alior Group analyzed the Bank BPH Core Business in advance of deciding on the Transaction, Alior Group has only limited knowledge of the Bank BPH Core Business. Consequently, it cannot be ruled out that the risks associated with the Bank BPH Core Business may materially differ from the risks associated with the Alior Group's operations. In particular, the risks presented above may not be the only ones faced by the Bank BPH Core Business, and some of these risks may turn out to be more or less relevant to the Bank BPH Core Business than to Alior Group. Moreover, it cannot be ruled out that if these risks materialized, they could adversely affect Alior Group's business, financial standing, results of operations or prospects after the Transaction.

Negotiations with trade unions, collective disputes with employees and other forms of employment disputes may have an adverse effect on the business of the Alior Group following the Transaction and efforts related to integration

At the date of this Offering Circular, employees of Alior Bank are represented by only one trade union, by contrast, employees of Bank BPH are members of five different trade unions (including the one active in Alior Bank). Bank BPH is currently engaged in collective disputes concerning the level of severance payments for those employees of BPH branches

that are taken by new franchise employers, including in connection with staff restructuring pursuant to Bank BPH's Business Transformation Plan. Furthermore, two other collective disputes initiated by trade unions in 2005 and 2007 remained open as at the date of this Offering Circular. The disputes concern internal work rules and remuneration rules and the level of pay. Following completion of the Transaction, the enhanced Alior Group will have employees represented by all five trade unions. As a result, Alior Bank may in the future become engaged in prolonged negotiations with labor unions or even experience labor protests or strikes triggered, for example, by attempts to adjust employment levels or the scope of redundancy packages, optimize labor costs or introduce a restructuring and/or integration program, as well as by demands for pay rises. As a result of the foregoing, employment costs may increase in the future. Furthermore, in the event of layoffs or similar restructuring actions, Alior Bank may be obliged to make high severance payments which may delay or limit Alior Bank's ability to achieve its strategic objectives, or may increase the costs associated with such actions. Alior Bank may also have to coordinate or consult with each relevant labor union before pursuing its strategic objectives, which may delay or render such actions impossible, and may lead to collective disputes. Any of the foregoing factors could have an adverse effect on Alior Bank's business, financial condition and results of operations.

A negative outcome from court or administrative proceedings pertaining to the Bank BPH Core Business may affect Alior Bank

Bank BPH is exposed to a risk of court proceedings (including those pending before the antimonopoly court) instituted in connection with the operations of the Bank BPH Core Business. Additionally, as part of the Bank BPH Core Business activities, as at the date of this Offering Circular, Bank BPH was party to several proceedings pending before the UOKiK President and aimed at establishing whether collective consumers interests have been infringed (including explanatory proceedings concerning, among other things, the tables of fees and commissions applied by Bank BPH). Any disputes with the UOKiK President may result in initiating court proceedings before the competent Polish antimonopoly court. Also, decisions of the UOKiK President adverse to the Bank BPH Core Business may result in claims raised by consumers. Pursuant to the Demerger Plan incorporated herein by reference, and subject to the terms set forth by the relevant provisions of law, Alior Bank will assume the rights and obligations of Bank BPH arising under actions, disputes and proceedings to which Bank BPH is a party as at the Demerger Date, excluding actions, disputes and proceedings relating, without limitation, to the Bank BPH Mortgage Business. In particular, Alior Bank will assume the rights and obligations of Bank BPH arising under actions, disputes and proceedings relating to the rights and obligations, agreements, employees and claims of former employees of Bank BPH, or Bank BPH's assets being transferred to Alior Bank. As at March 31, 2016, the aggregate value of claims made in such court proceedings unrelated to the Bank BPH Mortgage Business pending against Bank BPH (including those pending before the antimonopoly court) amounted to approximately PLN 70.0 million. In the majority of these claims, the Alior Group is unable to estimate of the amount or range of any loss that could result from an unfavorable outcome. Even if the Alior Group is successful in defending the claims, such proceedings may result in additional expenditures. Additionally, Alior Bank will assume proceedings that will have been initiated as at the Demerger Date through filing lawsuits or motions for awarding a banking enforcement title with respect to receivables of Bank BPH under agreements (valid or expired) allocated to Alior Bank, as well as other legal relationships related to conducting the Bank BPH Core Business. A negative outcome from one or more of these court proceedings could have an adverse effect on Alior Bank's business, financial condition and results of operations (see also " *– Risk factors related to legal regulations – Court, administrative or other proceedings may adversely affect the Alior Group" and " – Risk factors related to the Transaction – Risk related to joint and several liability for Bank BPH's liabilities in connection with the Demerger and creditors' right to demand security for their claim*").

Inability to maintain or increase current margins and commissions on loans and deposits in the BPH Bank Core Business may affect Alior Bank

The Bank BPH Core Business may be exposed to the same risks that concern interest margins of assets for the Alior Group (for further details regarding this risk see " *– Risk factors related to the Alior Group's activities – The Alior Group may not be able to maintain its current margins and commission on loans and deposits or to achieve its goal of increasing its margins and commission to improve its financial results*"). With respect to the Bank BPH Core Business, its retail segment was most adversely affected by falling credit interest rates in 2015 due to the range of products offered in its portfolio (including the cap rates), resulting in a material adverse effect on net interest income of the Bank BPH Core Business ended December 31, 2015 and in the first quarter of 2016. There can be no assurance that the credit portfolio of the Bank BPH Core Business will not continue to be adversely affected by decreasing interest rates in the future, in particular, if the product portfolio remains substantially similar to the product portfolio offered as of the end of March 2016. The impact of decreasing interest rates could adversely affect the business, financial standing, results of operations and prospects of the Alior Group.

The Bank BPH Core Business is exposed to credit concentration risk

The Bank BPH Core Business is exposed to the risk of credit concentration irrespective of the risks to which Alior Group is exposed (see: "*Risk factors related to Alior Group Business – Alior Group faces a credit exposure concentration risk*"). In particular, the Bank BPH Core Business is exposed to the credit concentration risk in the business client portfolio. As at December 31, 2015, Bank BPH identified high credit exposure to customers from the fuel industry (off-balance sheet exposure of PLN 450 million), to a group of affiliated customers engaged in trading and farming (aggregate exposure of PLN 133 million), to customers in relation to real estate lease market transactions (aggregate exposure of PLN 118 million) and to individual customers from the high-tech industry sector (aggregate exposure of PLN 101 million). These exposures were amongst the highest sectorial exposures of the Bank BPH Core Business for the whole portfolio. In consequence, a default by any one or more of these borrowers may adversely affect the business, financial condition, results of operations and prospects of the Alior Group.

The Bank BPH Core Business is exposed to risks related to the implementation of the Business Transformation Plan

In Q4 2015, Bank BPH published its 2015-2020 Business Transformation Plan aimed at aligning the business of Bank BPH to the changing needs of its customers, improving its competitive position and restoring profitability in the medium and long-term, and at restructuring the distribution network and optimizing employment in Bank BPH (see "*The Bank BPH Core Business – Business description*"). It is expected that the key elements of the Business Transformation Plan will be implemented in 2016, before the Demerger. After the Demerger, Alior Bank intends to continue the transformation of the Bank BPH Core Business in accordance with its own business plan. There can be no assurance that the anticipated implementation costs of the business transformation will not increase, in particular the costs for 2016. Moreover, in the course of implementation of the Business Transformation Plan may encounter additional obstacles, including regulatory, timing and other considerations which may hinder its implementation or render it impossible.

There can be no assurances that the implementation of Bank BPH's Business Transformation Plan will achieve the PLN 160 million of estimated pre-tax cost savings, or that these savings will be achieved in the expected time frame (see " – *The Bank BPH Core Business—Synergies*"), due to circumstances referred to above due to any of the above mentioned factors as well as significant business, economic and competitive uncertainties and contingencies, all of which are difficult to predict and many of which may be beyond the Alior Group's control.

The implementation of the Business Transformation Plan may not allow for maintaining the revenues of the Alior Group on the current level or may not contribute to their increase. Unsuccessful implementation of the Business Transformation Plan, including the failure to implement the Bank BPH Business Transformation Plan due to any of the above mentioned factors could have a material adverse effect on the Alior Group's business, financial condition and operating results following the Transaction. These circumstances may adversely affect the business, financial condition, results of operations and prospects of the Alior Group.

Risk factors related to the Transaction

The anticipated benefits of the implementation of the Transaction may be lower than expected or it may take longer to attain them and the anticipated synergies may be overestimated

The objective of the Transaction is to strengthen the Alior Group's position in the consolidating Polish banking market. The Management Board expects that the Demerger will generate certain positive economic effects that will have a material impact on the Alior Group's market position and financial standing after the Demerger (see " – *Transaction – Introduction*"). Achieving these benefits depends on the efficient implementation of the Demerger and the success of the integration process of Alior Bank and the Bank BPH Core Business.

Potential delays in implementing the Demerger or the occurrence of unexpected problems in the integration process could mean that achieved benefits are much lower than previously assumed and take a longer period to achieve. It cannot be assumed that after the Demerger the expected synergies and savings resulting from the integration will be achieved.

In connection with the Transaction, the Management Board expects Alior Bank's target annual synergies to reach approximately PLN 300 million before tax (taking into account dis-synergies in revenue), as a result of the merger between Alior Bank and the Bank BPH Core Business. The Management Board expects that additional benefits in the final amount of PLN 160 million will stem from implementing the Bank BPH Business Transformation Plan. The Management Board estimates that the ultimate synergy level will be reached in full in 2019 and additional benefits arising from the implementation of the Business Transformation Plan already in 2018. However, there are risks that the planned synergies and additional benefits may have been overestimated, and that the risk that the quality of Bank BPH's

assets being taken over may be lower than previously assumed. This may force Alior Bank to adjust its revenues, impairment losses, and, consequently, to make adjustments to its net profit. It cannot be assumed that all risks related to the acquisition of the Bank BPH Core Business have been properly identified and mitigated. Also, it cannot be ruled out that the estimated purchase price of the Bank BPH Core Business will be increased mainly as a result of a possible positive price adjustment related to an appreciation of the net tangible fixed assets of the Bank BPH Core Business on the terms set out in the Share Purchase and Demerger Agreement and taking into account lock-up arrangements set out therein.

In addition, it cannot be ruled out that the Transaction's realization will be negatively assessed by the Alior Group's clients, business partners, employees or investors, which may tarnish the Alior Group's reputation.

The occurrence of these events may adversely affect the Alior Group's business, financial condition, results of its operations or prospects.

Integration efforts connected with the Demerger may not be fully effective and costs of integration and restructuring might be higher than expected

The integration process involves adopting and implementing certain goals with respect to the integration, as well as setting long-term financial objectives. Alior Bank may fail to achieve its strategic objectives after the Demerger due to internal and external regulatory, legal, financial, social or operational factors which may be, in part, beyond Alior Bank's control. It is uncertain whether Alior Bank will implement the strategic objectives as planned or whether the costs of their implementation will not prove higher than expected. In particular, Alior Group may face the following material and unexpected problems during the integration process: (i) personnel turnover or absences, loss of key employees, initiation of litigation or strikes by the employees of the Alior Group or of Bank BPH; (ii) an increased number of complaints from the Alior Group's customers; (iii) an increased risk of internal and external fraud, including attacks on the Alior Group's IT systems; (iv) extortion and unauthorised use of the personal data of the Alior Group's customers; and (v) a loss or leak of Alior Group customer data, including sensitive data or data covered by banking secrecy.

Alior Bank estimates that the total costs of integrating the Bank BPH Core Business with Alior Bank may reach PLN 650 to 950 million (see " – *Transaction – Introduction*"), depending on Alior Bank's effectiveness in implementing the estimated integration processes based on the experience gained during the integration of Meritum Bank ICB. The final cost of integration will depend on successful integration mainly in the areas of IT, operations and HR, and on a number of other factors which may affect these costs. However, it cannot be assumed that those costs will not increase or that the potential scale of their reduction will be reached. These could adversely affect Alior Bank's results of operations in the future. The Management Board estimates that integration costs are expected to be incurred until 2018, two thirds of which will be in 2016-2017 and one third in 2018. No assurance can be given that this timetable will remain in place.

The occurrence of these events may adversely affect the Alior Group's business, financial condition, results of its operations or prospects.

The success of the Transaction depends on satisfying the conditions set out in the Share Purchase and Demerger Agreement. If these conditions are not satisfied, the agreement may be terminated and Alior Bank may have to pay a break fee to the Sellers

The success of the Transaction depends on satisfying certain conditions precedent set out in the Share Purchase and Demerger Agreement (see " – *Transaction – Share Purchase and Demerger Agreement*"). These conditions are: (i) obtaining the consent of the competent antitrust authority; (ii) Bank BPH, Alior Bank and GEIP obtaining the relevant consents of the PFSA; (iii) approval and signature of the Demerger Plan by the management board of Bank BPH and the Management Board; (iv) the General Meeting passing the Resolution on Capital Increase; (v) the registry court recording an increase in Alior Bank's share capital based on the Resolution on Capital Increase; (vi) the General Meeting passing the Demerger Resolution; and (vii) obtaining certain tax rulings related to the Demerger (see " – *Alior Bank faces a tax risk related to the Demerger*"). The conditions referred to in items (iii) and (iv) above have been satisfied as of April 29, 2016 and May 5, 2016, respectively, in line with the timeline set out in the Share Purchase and Demerger Agreement. According to the Share Purchase and Demerger Agreement, the remaining conditions precedent are to be satisfied by November 1, 2016.

The performance of the Transaction requires, in particular, the receipt of consents from the competent antitrust authority including the UOKiK President and the PFSA. There is no certainty that such consents will be obtained. Additionally, in their consents for performing the Transaction, the relevant authorities may introduce additional conditions for implementing the Transaction or request modification of the terms of the Transaction. It cannot be ruled out that the

failure to obtain such consents, identifying a need to obtain additional consents or permits in relation to the Transaction, the imposition of additional conditions, or modification to the terms of the Transaction requested by the UOKiK President, the PFSA or another relevant authority may result in additional legal risks or a delay or difficulties in implementing the Transaction (or even prevent its implementation), or the Bank incurring additional costs. In particular, such risks may materialize if the PFSA decides that the Transaction could be detrimental to the prudent and stable management of Alior Bank or Bank BPH after the Demerger, or that the Demerger might significantly harm the Polish economy or valid state interests.

Some of the above conditions (such as, in particular, the conditions relating to obtaining regulatory consents) may not be satisfied before completion of the Offering and registration of the increase in Alior Bank's share capital based on the Resolution on Capital Increase. Consequently, when making a decision to invest in the Offer Shares, potential investors cannot be certain whether all the conditions precedent specified in the Share Purchase and Demerger Agreement will be satisfied; therefore, they cannot be certain whether the Transaction will be performed and the proceeds from the Offering used for its performance (see " *– If the Transaction is not implemented, the shareholders will not receive reimbursement of the purchase price paid for the Offer Shares, and the proceeds of the Offering will be used for other purposes*").

Moreover, if the conditions precedent set out in the Share Purchase and Demerger Agreement are not satisfied within the relevant deadlines, the agreement may be terminated by either party, unless the parties agree to an extension of such deadlines. As a result of the Share Purchase and Demerger Agreement being terminated, the Transaction will not be implemented. Furthermore, if the Share Purchase and Demerger Agreement is terminated due to the fact that the increase in the Bank's share capital based on the Resolution on Capital Increase is not registered by the court or if the Demerger Resolution is not passed by the General Shareholders' Meeting by November 1, 2016 (with respect to both these conditions), the Bank will be obliged to pay GEIP a break fee of EUR 16,000,000 plus VAT (if VAT is due). Should Alior Bank fail to use its best endeavors to ensure that these conditions are satisfied, this fee will not constitute the exclusive damages available to the Sellers, and it will be treated as payment towards compensation for damages for which Alior Bank may be responsible.

In addition, under the Share Purchase and Demerger Agreement, the Sellers have an obligation to the Bank to ensure that on the Demerger Date, the Bank BPH Core Business CET1 ratio will be at the level of 13.25%. If, before the Demerger Date, the laws or accounting standards relating to mortgage loans in foreign currencies change or another industry-wide event occurs in the banking sector which could be expected to have a material adverse effect on Bank BPH and, consequently, make the Bank BPH Core Business CET1 ratio fall below 13.25% on the expected Demerger Date, the Sellers will be obliged to ensure that the Bank BPH Core Business CET1 is at the required level by, among other things, recapitalizing Bank BPH to the amount of PLN 400,000,000. If a higher amount is required, the Sellers may either ensure the Bank BPH Core Business CET1 ratio by increasing the recapitalization amount or abandoning and terminating the Share Purchase and Demerger Agreement. If the Sellers do not take the above-mentioned actions within the deadline set out in the agreement, Alior Bank will be entitled to terminate the Share Purchase and Demerger Agreement. If the Share Purchase and Demerger Agreement is terminated by Alior Bank or the Sellers due to the above reason between the settlement of the Tender Offer and the Demerger Date, the Sellers will be required to repurchase from Alior Bank all the shares in Bank BPH acquired by Alior Bank under the Tender Offer and the Mandatory Squeeze-out for the price set in accordance with the Share Purchase and Demerger Agreement (see: "*Transaction – Share Purchase and Demerger Agreement – Termination of the Share Purchase and Demerger Agreement*").

Moreover, the Share Purchase and Demerger Agreement may be terminated for other reasons mentioned in the agreement concerning Alior Bank or Bank BPH, such as the loss of banking licenses, institution of bankruptcy or liquidation proceedings, the introduction of a receiver or suspension of operations.

The Management Board is unable to guarantee that all conditions precedent set out in the Share Purchase and Demerger Agreement will be satisfied in time or at all. The failure to satisfy any condition precedent may result in the Transaction not being implemented in the proposed way or within the proposed time frame or not being implemented at all. Failure to satisfy the conditions precedent set out in the Share Purchase and Demerger Agreement (or other conditions arising from the agreement) or satisfying these conditions after the lapse of the final deadlines may result in the termination of the Share Purchase and Demerger Agreement. Termination of the Share Purchase and Demerger Agreement will in turn result in the Transaction not being implemented and, additionally, it may result in the Bank being obliged to pay the abovementioned break fee under the Share Purchase and Demerger Agreement or additional damages to the Sellers, which may have an adverse effect on the operations, financial condition, results of operations or prospects of Alior Group.

Finalization of the Transaction depends on legal factors, time constraints and other circumstances, which may be beyond the control of Alior Bank and other participants in the Transaction

The Transaction is complex and comprises many stages, and the implementation schedule is exceptionally tight. The Management Board expects the closing of the Transaction to take place before the end of 2016. Thus, close cooperation between all parties is required during the Transaction implementation, or the Transaction may not be implemented as planned, or may not be implemented at all. The entities involved in the Transaction signed the Share Purchase and Demerger Agreement and the Pre-Demerger Cooperation Agreement (see " – *Transaction – Main Stages of Transaction Implementation*"). These agreements defined the principles for cooperation between the parties, aimed at, among other things, obtaining regulatory consents and preparing documents needed to obtain regulatory consents and documents associated with the Offering and Demerger. In particular, these agreements define the principles for preparing the required information by Bank BPH for the purposes of the Transaction. Additionally, PZU issued a Side Letter defining certain obligations of PZU in connection with the Transaction (see " – *Transaction – GE Guarantee and PZU Side Letter*"). Lack of cooperation from the entities that signed the Share Purchase and Demerger Agreement and the Pre-Demerger Cooperation Agreement, or from PZU, in accordance with the principles specified in those agreements or in the Side Letter, including the failure to perform the obligations set out in those documents by any of such entities, may delay implementing the Transaction in accordance with its terms and conditions, make it difficult or impossible, or prevent implementing the Transaction at all.

Furthermore, the implementation of each of the stages of the Transaction, notably the Offering, Tender Offer and Demerger, requires the completion of specific procedures in compliance with applicable legal regulations. Such procedures include the preparation and publication of a number of documents, the content of which is strictly defined in the regulations. The performance of each stage of the Transaction also generally depends on the timely performance of the preceding stages, which increases the risk associated with the Transaction implementation due to possible delays in the execution of the tight schedule of work at each stage. Moreover, the execution of consecutive stages depends on actions taken by regulatory authorities (anti-trust authorities and the PFSA) and registry courts, on which the Bank and other participants in the Transaction may have limited, if any, influence. Consequently, the execution of each Transaction stage is exposed to a number of risks which may have an adverse effect on the implementation of the Transaction in the proposed structure and time frame, and any delay or failure to implement any stage of the Transaction constitutes a risk to the effective implementation of the Transaction as a whole. In particular, the implementation of the Transaction is to be financed from proceeds from the Offering. As at the date of this Offering Circular, it is impossible to guarantee that the Offering would be implemented as scheduled and, as a result, that Alior Bank will obtain the necessary financing within the expected deadline.

When deciding to acquire the Bank BPH Core Business, Alior Bank relied on information that may have been incomplete or inaccurate

Alior Bank analyzed the Bank BPH Core Business, its financial performance and how to integrate it with Alior Bank, in deciding to execute the Share Purchase and Demerger Agreement and the Demerger Plan. Alior Bank relied on information that was publicly available and information about Bank BPH made available by that bank. It cannot be ruled out that the information referred to above, on which Alior Bank relied in making its decision, is inaccurate, incomplete or untrue to an extent that might adversely affect the outcome of the analyses made by Alior Bank. Therefore, when making the decision to enter into the Share Purchase and Demerger Agreement and the Demerger Plan, Alior Bank may have lacked all the necessary and material information for making a comprehensive analysis of the impact of the Transaction on the Alior Group's financial condition or performance. In addition, Alior Bank may have failed to identify all the risks related to the Transaction, mis-estimated the costs, the level of indebtedness, the demand for capital and the possibilities of integration of Alior Bank with the Bank BPH Core Business. There is also a risk that some agreements entered into by Bank BPH, to which Alior Bank will become a party following the Demerger, contain provisions that might lead to the termination of these agreements in the event of a change of control of the Bank BPH Core Business, and that Alior Bank will be unable to execute new agreements in their place, or will be unable to execute new agreements on equally favorable terms. Such risks occur with respect to, among others, the agreements ensuring the operation of IT systems of the Bank BPH Core Business (see " – *Risk factors related to the Transaction – Errors or delays may occur with regard to the planned integration of the IT systems of the Alior Group and the Bank BPH Core Business*"). Some agreements to which Alior Bank will become party as a result of the Demerger may also contain provisions restricting the activities of Alior Bank (for example, exclusivity clauses). There is also a risk that some assets of Bank BPH that should be included in Bank BPH Core Business have not been properly identified in the Demerger Plan as property to be transferred to Alior Bank or, possibly, that some assets constituting the Bank BPH Core Business are encumbered with rights in rem or other third party rights.

The occurrence of these circumstances may adversely affect the business, financial condition, performance or prospects of the Alior Group.

Alior Bank may face risks related to the activities of BPH TFI before the Demerger

In the period from 2005 through 2015, BPH TFI (the "**BPH TFI**"), an indirect subsidiary of Bank BPH, managed BPH Fudusz Inwestycyjny Zamknięty Sektora Nieruchomości (the "**BPH FIZ SN**"), a real estate closed-end fund organized under the laws of Poland in accordance with the Act on Investment Funds. BPH FIZ SN ceased its activities and is currently being liquidated, with the BPH TFI acting as the liquidator. Pursuant to an agreement entered into between Bank BPH and BPH FIZ SN on July 22, 2008, Bank BPH acted as the depository for the BPH FIZ SN. BPH FIZ SN's investment certificates were acquired by investors through a public offering for a price of PLN 97 per certificate and the total proceeds of the issuance of investment certificates reached approximately PLN 332 million. The certificates were traded on the WSE until December 2015. According to the financial statements of BPH FIZ SN, as at the date of initiating the liquidation process, which was December 29, 2015, BPH FIZ SN's net asset value per investment certificate decreased to PLN 0.64. The valuation is not final, as the final valuation will be performed upon completing BPH FIZ SN's liquidation, which was pending at the date of this Offering Circular. According to publicly available information, Bank BPH has also been financing the activities of BPH FIZ SN through a loan. BPH TFI also manages BPH TFI FIZ Sektora Nieruchomości 2 (together with BPH FIZ SN, the "**Funds**") which is currently in liquidation and for which Bank BPH also acts as a depository.

According to press reports and other publicly available information, investors in BPH FIZ SN have made and/or threatened to make claims against Bank BPH and BPH TFI. According to press reports and other publicly available information, investors in BPH FIZ SN have notified or threatened to notify the PFSA about irregularities related to BPH FIZ SN and have made and/or threatened to make requests to the PFSA not to approve the Demerger and the Transaction unless their claims related to BPH FIZ SN are satisfied. Such investors may undertake various further steps including notifying other relevant bodies and seeking other means of securing and redressing their claims and losses, also in the context of the Demerger.

The Bank BPH Core Business that Alior Bank is acquiring as a result of the Transaction excludes: (i) all shares in BPH TFI held indirectly by Bank BPH, (ii) the rights and obligations of Bank BPH under contracts related to distribution of the Funds' certificates, and performance by Bank BPH of functions of the depository, custodian and issue sponsor for the Funds, and (iii) any liabilities of Bank BPH relating to the offering and distribution of the Funds' investment certificates and performance of other functions by Bank BPH in respect of the Funds. All such shares, rights, obligations and liabilities will be allocated to the Bank BPH Mortgage Business in the Demerger, and are not included in the list of assets and liabilities transferred to Alior Bank in the Demerger as specified in the Demerger Plan. However, in respect of the Funds, Alior Bank may be obliged to perform depository, custody and issuance sponsor functions for the Funds based on new contracts that Alior Bank will enter, pursuant to the Pre-Demerger and Cooperation Agreement, into with the Funds effective on the Demerger Date for at least one year following the Demerger Date.

There is a risk that following the Demerger investors in BPH FIZ SN will seek to make claims against Alior Bank as the owner of the Bank BPH Core Business that formed part of Bank BPH when the alleged matters arose. If such claims arise, any losses suffered as a result of claims against Alior Bank as the owner of the Bank BPH Core Business would in any case be covered by an indemnity to Alior Bank by Bank BPH and an indemnity and guarantee to Alior Bank by the Sellers backed by the GE Guarantee, in connection with the Transaction (jointly the "**Indemnities and Guarantee**") (see "*Transaction – Demerger and indemnity*").

However, there can be no assurance that: (i) the Indemnities and Guarantee may not fail to cover all or some of the costs of any such claims made by investors in the Funds against Alior Bank, (ii) the Indemnities and Guarantee may not be sufficient in amount to cover all costs relating to claims against Alior Bank, (iii) time lapses between Alior Bank's defense against any such claims and recovery under the Indemnities and Guarantee would not lead to irrecoverable costs for the time value of money or otherwise, and (iv) any claims against Alior Bank, whether covered by the Indemnities and Guarantee or otherwise, would not generate adverse publicity and lead to injury to Alior Bank's brand or reputation. Furthermore, there can be no assurance that any adverse issues related to the Funds or any further actions that investors in the Funds undertake will not delay or otherwise affect the Demerger and the Transaction.

If any of these factors materialize, these could materially adversely affect Alior Group's business, financial condition, results of operations or prospects.

Bank BPH is exposed to risks related to its residential CHF mortgage loan portfolio which may affect the Transaction prior to its completion or result in claims against Alior Bank following completion of the Transaction

Bank BPH has a sizable portfolio of residential foreign currency denominated mortgage loans. As at March 31, 2016, the amount of residential mortgage loans granted by Bank BPH in foreign currencies amounted to PLN 13,084.0 million. Mortgage loans granted in CHF, with the total value of PLN 12,800.0 million as at March 31, 2016, comprised the largest share of foreign currency mortgage loans granted by Bank BPH. Although the residential foreign currency mortgage portfolio of Bank BPH is allocated to the BPH Bank Mortgage Business in the Demerger, it exposes Alior Bank to risks in respect of completion of the Transaction and, following completion of the Transaction, in respect of potential claims of the borrowers of the residential foreign currency mortgage loans granted by Bank BPH.

Like all other Polish banks holding portfolios of foreign currency mortgage loans, Bank BPH faces the risk that a decision could be made by the legislator to change the parameters of loans granted in foreign currencies or to convert loans granted in foreign currencies to PLN at a historic exchange rate (see " *– Risk factors regarding the Polish banking sector – The Alior Group is exposed to risks resulting from the adoption of regulations changing the terms of foreign currency-denominated mortgage loans, which could have a significantly destabilizing effect on the whole Polish banking sector*").

If prior to the Demerger Date such legislation is adopted or there is another change in the legal and or accounting framework for foreign currency mortgages (or other banking industry-wide event occurs) that might reasonably be expected to materially adversely affect Bank BPH and as a result cause the Bank BPH Core Business Core Tier 1 ratio to drop below 13.25% as at the expected Demerger Date, there is a risk that the Transaction may not be completed as planned (see " *– The success of the Transaction depends on satisfying the conditions set out in the Share Purchase and Demerger Agreement. If these conditions are not satisfied, the agreement may be terminated and Alior Bank may have to pay a break-fee to the Sellers*").

Notwithstanding the allocation of the foreign currency mortgage portfolio of Bank BPH to the BPH Bank Mortgage Business in the Demerger, there is a risk that borrowers of the foreign currency mortgage loans granted by Bank BPH will make claims against Alior Bank following completion of the Transaction. The Bank BPH Core Business that Alior Bank is acquiring as a result of the Transaction excludes the entire residential mortgage loan portfolio of Bank BPH (including any foreign currency mortgage loans granted by Bank BPH). However, there is a risk that following the Demerger borrowers holding the foreign currency mortgage loans granted by Bank BPH will seek to make claims against Alior Bank as the owner of the Bank BPH Core Business that formed part of Bank BPH when such loans were granted by Bank BPH.

If such claims arise, any losses suffered as a result of claims against Alior Bank as the owner of the Bank BPH Core Business would in any case be covered by an indemnity to Alior Bank by Bank BPH and an indemnity and guarantee to Alior Bank by the Sellers backed by the GE Guarantee, in connection with the Transaction (the "**Indemnities and Guarantee**") (see " *– Transaction – Demerger and indemnification*).

However, there can be no assurance that: (i) the Indemnities and Guarantee may not fail to cover all or some of damages and costs of any such claims against Alior Bank instituted by borrowers of foreign currency mortgage loans; (ii) the Indemnities and Guarantee may not be sufficient in amount to cover all costs relating to claims against Alior Bank, (iii) time lapses between Alior Bank's defense against any such claims and recovery under the Indemnities and Guarantee would not lead to irrecoverable costs for the time value of money or otherwise; and (iv) any claims against Alior Bank, whether covered by the Indemnities and Guarantee or otherwise, would not generate adverse publicity and lead to injury to Alior Bank's brand or reputation. Furthermore, there can be no assurance that adverse issues related to the foreign currency mortgage loans will not delay or otherwise adverse effect the Demerger and/or the Transaction.

If any of these factors materialize, such factors could materially adversely affect Alior Group's business, financial condition, results of its operations or prospects.

Neither the historical performance of the Alior Group or the Bank BPH Core Business, nor the hypothetical results of operations shown in the Pro Forma Financial Information can provide assurance that the Alior Group will experience similar results of operations in the future, including the period following the integration with the Bank BPH Core Business

As a result of the Transaction, the Bank BPH Core Business will be transferred to Alior Bank. Considering the scale of the Transaction and the nature of the Bank BPH Core Business, all potential risks related to the Bank BPH Core Business and the Demerger, as well as the complexity of the integration process, the historical performance and financial condition

of the Alior Group, no assurances can be given that in the future, following the Demerger and integration process, Alior Group will enjoy similar performance and financial condition.

Information concerning the Bank BPH Core Business provided in the Offering Circular has only been included for the purpose of illustrating the financial condition, performance and cash flows separately for the Bank BPH Core Business and the Bank BPH Mortgage Business in all periods covered by that financial information, to depict, as accurately as possible, the business transferred to Alior Bank in the Transaction. Neither the Bank BPH Core Business nor the Bank BPH Mortgage Business have ever existed as standalone enterprises, hence the presentation of their financial condition, performance and cash flows may to some degree deviate from the actual values that would have existed if these businesses had operated separately in the periods under review, or with respect to their future business performance. In the periods covered by the presented financial data, the Bank BPH Core Business and the Bank BPH Mortgage Business were, and until the Demerger Date will be, managed jointly as one legal entity. Therefore, it is not possible to carry out their complete separation. In the Bank BPH financial statements the Bank BPH Mortgage Business operations are disclosed as part of its retail banking business. Some managerial functions and related costs pertain to the whole operational activity. Additionally, as a regulated institution, Bank BPH was required to maintain capital and funds covering the entire business carried out by Bank BHP and not separately for the Bank BPH Core Business. Therefore, in particular, the financial information of the Bank BPH Core Business in the Offering Circular is not provided for the purpose of illustrating the performance or financial condition of the Bank BPH Core Business that will be acquired by Alior Bank in the Transaction in any future periods. Consequently, financial information of the Bank BPH Core Business may not and does not warrant that similar performance and financial condition will be enjoyed by the Bank BPH Core Business and the Alior Group in the future, including the period following the Transaction.

Additionally, the Pro Forma Financial Information included in the Offering Circular has only been provided for illustration purposes, and by its nature only presents a hypothetical situation and does not constitute a forecast of the financial condition or performance of Alior Bank in the event of the Demerger and acquisition of the Bank BPH Core Business. The Pro Forma Financial Information has been prepared on the basis of data extracted from financial statements of the Alior Group and Bank BPH, as well as financial information of the Bank BPH Core Business that has been adjusted in accordance with certain assumptions made with respect to the Transaction and the functioning of the Alior Group after the Demerger is completed. Since the Pro Forma Financial Information is a compilation of historical financial information, it does not, in particular, depict the actual results and condition of the Alior Group in the period covered by it, nor does it present the performance or financial condition of the Alior Group in any future periods, including after the completion of the Transaction. Consequently, the Pro Forma Financial Information does not warrant the achievement of any particular financial results or condition by the Alior Group in the future.

If the Transaction is not implemented, the shareholders will not receive reimbursement of the purchase price paid for the Offer Shares, and the proceeds from the Offering will be used for other purposes

Alior Bank plans to use the proceeds from the Offering primarily to finance the purchase of BPH shares based on the Tender Offer and, potentially, the Mandatory Squeeze-out, as well as for other purposes associated with the Bank's operations. However, due to the Transaction structure and schedule, it cannot be ruled out that after the closing of the Offering the registry court will record the share capital increase based on the Resolution on Capital Increase before all the required regulatory consents for the Transaction are obtained or before any other conditions precedent set out in the Share Purchase and Demerger Agreement are satisfied (see " – *Transaction – Share Purchase and Demerger Agreement – Terms of the Transaction*"). If such consents are not obtained, other conditions precedent are not satisfied, or the Share Purchase and Demerger Agreement is terminated for other reasons, the Transaction will not be implemented. Consequently, the Management Board cannot guarantee that, even if the Offering is successful, the Tender Offer and, potentially, the Mandatory Squeeze-out will be conducted and, as a result, the Bank will acquire the Bank BPH shares. Neither can the Management Board guarantee that despite the completion of the Tender Offer, potentially the Mandatory Squeeze-out, and the acquisition of the block of Bank BPH shares, the Demerger will take place and the Transaction will be consummated as anticipated.

After the investors subscribe for and pay for the Offer Shares and after the competent registry court registers the increase in Alior Bank's share capital, the capital increase will be final and effective regardless of whether or not the Tender Offer has been conducted and the Demerger has taken place. Except for a non-appealable judicial decision repealing a resolution or deeming it invalid, the Code of Commercial Companies does not provide for any recitifcation of the effect of registration of the capital increase upon the initiative of the company or its shareholders, as well as any restoration of the status prior to registration. Consequently, the process of the allotment of the Offer Shares cannot be reversed and the Offer Shares cannot be returned by the investors in exchange for reimbursement of the funds paid by them to acquire the Offer Shares even if the acquisition of the Bank BPH Shares or the Demerger are not executed for any reason.

As the Offering will be closed before the planned closing of the Transaction, investors who take up the Offer Shares will become the owners of such Shares even though they are not certain whether the Transaction will take place. If the Transaction is not closed successfully, such investors will remain shareholders of Alior Bank operating in its current form (if the Tender Offer is not conducted) or Alior Bank as a significant shareholder of Bank BPH (if the Tender Offer is conducted but not followed by the Demerger), rather than of Alior Bank combined with Bank BPH Core Business. It could be inconsistent with the assumptions on the basis of which individual investors made decisions to subscribe for the Offer Shares. If this were to happen, it cannot be ruled out that Alior Bank shareholders will take actions aimed at obtaining compensation from the Bank for the amounts paid by them to acquire the Offer Shares. Such actions may, for example, relate to a resolution of the General Shareholders' Meeting on the payment of dividend or acquisition of the Bank's own shares. The Management Board cannot, however, foresee whether such actions will be taken or whether they will be successful. Also, it cannot be ruled out that the investors who acquire the Offer Shares would raise claims for damages in relation to the Transaction not being consummated.

Although the Management Board believes that all reasonable efforts have been taken to eliminate the risk of the Transaction not taking place, the Transaction may not be closed. In the event of the Transaction not taking place, the Management Board intends to analyze the possible alternative uses of the proceeds from the Offering in detail, paying particular attention to the following ways of using the proceeds from the Offering: (i) conducting mergers and acquisitions by Alior Bank, including the purchase of a loan portfolio that could contain exposures to both retail and business customers; (ii) acceleration of the organic growth of Alior Bank's lending activity; and (iii) repayment by Alior Bank of the guarantee granted by PZU under the guarantee agreement dated March 31, 2016 (see "*Alior Group Business – Material Agreements – Agreements important for the capital requirements – Guarantee and counter-guarantee agreement*"). Subject to the possible uses of the proceeds from the Offering in the event of the Transaction not taking place described above, the ultimate use of the proceeds from the Offering will be determined by Alior Bank after the closing of the Offering. If the Transaction does not take place, the Management Board may not be able to use the proceeds from the Offering effectively which may result in an adverse market valuation of Alior Bank.

Each of the above events could adversely affect Alior Group's business, financial condition, results of operations or prospects.

Risk related to joint and several liability for Bank BPH's liabilities in connection with the Demerger and creditors' right to demand security for their claims

According to Article 546 § 1 of the Code of Commercial Companies, companies to which the assets of the company being demerged are transferred are jointly and severally liable for the liabilities assigned in the demerger plan to the acquiring company for three years after the date of announcing the demerger. This liability is limited to the net value of assets allocated to each company in the demerger plan. Based on this provision, there is a risk that Alior Bank and Bank BPH will be deemed liable, jointly and severally, for Bank BPH's and Alior Bank's liabilities, respectively, that arose before the Demerger Date and which are allocated to each of the banks in the Demerger process. For this reason, it cannot be ruled out that Bank BPH's creditors, to which Bank BPH's obligations arose prior to the Demerger Date, will raise claims against Alior Bank.

Due to the foregoing, Bank BPH agreed to indemnify and hold Alior Bank harmless from and against any such joint and several liability arising from the liabilities relating to the Bank BPH Mortgage Business up to the value of the Bank BPH Core Business net assets in the manner and on the terms set forth in the Pre-Demerger and Cooperation Agreement. Additionally, the Sellers agreed to procure and guarantee that Bank BPH indemnifies and holds Alior Bank harmless from and against any joint and several liability arising from liabilities relating to the Bank BPH Mortgage Business up to the value of the Bank BPH Core Business net assets in the procedure and subject to the limitations set forth in the Share Purchase and Demerger Agreement. The above commitment of the Sellers is covered by the GE Guarantee. Similarly, Alior Bank undertook to indemnify Bank BPH with respect to any liability related to obligations concerning the Bank BPH Core Business (see "*Transaction – Demerger and indemnity*").

In particular, due to the joint and several liability of Alior Bank for Bank BPH's liabilities that arose before the Demerger Date (based on Article 546 § 1 of the Code of Commercial Companies), it cannot be ruled out that the Funds investors in investment funds managed by BPH TFI will make claims against Alior Bank (see " *– Alior Bank may face risk related to the activities of BPH TFI before the Demerger*").

In addition to the risk related to the joint and several liability of Alior Bank and Bank BPH, the creditors of Bank BPH who register their claims in the period between the date when the Demerger Plan was announced (i.e. April 30, 2016), and the announcement of the Demerger, and who substantiated their statement that satisfaction of their claims may be

threatened by the Demerger, may demand, on the basis of Article 546 § 2 of the Code of Commercial Companies, that the court provides appropriate relief for their claims, if such security was not established by Bank BPH or Alior Bank.

Even though the Transaction participants agree on the terms of liability in relation to the Demerger, the filing of such claims against Alior Bank by Bank BPH's creditors may adversely affect the Alior Group's business, financial condition, results of operations or prospects.

The shareholders of Alior Bank may challenge the Capital Increase Resolution

Implementation of the Transaction depends on conducting the Offering, and conducting the Offering depends on passing the Capital Increase Resolution. The Capital Increase Resolution may be challenged in court by an action being filed against the Bank to have it repealed or declared invalid.

In accordance with Article 422 of the Code of Commercial Companies, an appeal may be filed against any resolution of the general meeting of a joint-stock company which is in conflict with the articles of association or good practices and which is detrimental to the company's interests or which is aimed at harming a shareholder by filing an action against the company to have such resolution repealed. Moreover, pursuant to Article 425 of the Code of Commercial Companies, a resolution of the general meeting which is inconsistent with the Act can be appealed against in the form of an action for the resolution to be declared invalid. In both cases, actions may be brought against the company by: (i) the Management Board, the Supervisory Board and their individual members, (ii) a shareholder who voted against such a resolution and, upon the adoption thereof, requested that its objection be recorded in the minutes; (iii) a shareholder who was prevented from participating in the general meeting without sound reason; or (iv) a shareholder who was absent from the general meeting, only in a case in which the general meeting was convened defectively or the resolution was adopted on a matter not on the agenda. Each shareholder, irrespective of the number of shares it holds in the Company, has the above rights. None of the shareholders of Alior Bank has requested for his/her objections to be recorded in the minutes of the Extraordinary General Meeting of May 5, 2016 relating to the adoption of the Capital Increase Resolution.

In the case of a public company, an action may be brought within one month of receiving information about the resolution but not later than three months from the date of passing the resolution (in the case of an action to have a resolution repealed), or within 30 days of the date of its publication but not later than a year from the resolution being passed (in the case of an action to have a resolution declared invalid).

As a rule, challenging a resolution does not result in discontinuing the proceedings for its registration by the registry court. However, the competent registry court may suspend the registration proceedings after holding a session. Registration proceedings may also be suspended on the basis of a court decision to grant injunctive relief with respect to having the resolution repealed or declared invalid. The court may grant such relief if the claim and the legal interest in granting the relief are likely to be justified, i.e. if it is demonstrated that a lack of such relief will prevent or seriously hamper the execution of the court decision or otherwise prevent or hamper achieving the aim of the proceedings.

It cannot be ruled out that the Capital Increase Resolution may be challenged. Similarly, it cannot be ruled out that in the event of the Capital Increase Resolution being challenged, the capital increase registration proceedings will be suspended and the capital increase will be registered late or not at all. Nor can it be ruled out that claims of invalidity may be made with respect to the Capital Increase Resolution, or that the Capital Increase Resolution will be subsequently repealed or found invalid. As a result of Proceedings against the Capital Increase Resolution being initiated, the Bank may obtain the right to use the proceeds from the Offering later than scheduled. The above delay may influence the closing of the Transaction in the proposed structure and within the proposed time frame or may prevent the Transaction from being implemented altogether. Similarly, if the court issues a valid decision refusing to register the capital increase, the Offering will not take place, which in turn may lead to the Transaction not being implemented at all or being implemented later than scheduled or in a form other than planned.

Each of the above events could adversely affect Alior Group's business, financial condition, results of operations or prospects.

The registry court may refuse to register the Alior Bank share capital increase on the basis of the Capital Increase Resolution or such registration may be delayed

Implementing the Transaction requires the registration of Alior Bank's share capital increase by the registry court in connection with the Offering. The share capital of Alior Bank will not be increased unless the Management Board files a motion with the registry court for the registration of Alior Bank's share capital increase (with the required documents) within the appropriate deadline. The share capital of Alior Bank will also not be increased if the competent registry court issues a valid decision refusing to register the share capital increase.

At the same time, the exact duration of the Alior Bank's share capital increase registration proceedings cannot be explicitly determined. It cannot be ruled out that the registration of Alior Bank's share capital increase may be delayed. A delay is possible in particular in the event of the Capital Increase Resolution being challenged by the shareholders (see " – *The shareholders of Alior Bank may challenge the Capital Increase Resolution*").

The amendment of the Articles of Association based on the Capital Increase Resolution requires the consent of the PFSA, and the share capital increase will not be registered with the National Court Register without such consent.

Due to a delay in the registration of the share capital increase, the Bank may obtain the right to use the proceeds from the Offering later than scheduled. The above delay may influence the closing of the Transaction in the proposed structure and within the proposed time frame, or may prevent the Transaction from being implemented altogether. Similarly, if the court issues a valid decision refusing to register the capital increase, the Offering will not take place, which in turn may lead to the Transaction not being implemented at all or being implemented later than scheduled or in a form other than planned. Any delay in the registration of the share capital increase or non-appealable refusal to register the share capital increase may also trigger obligations on the part of Alior Bank to pay remuneration or additional compensation to the Sellers (see " – *The success of the Transaction depends on satisfying the conditions set out in the Share Purchase and Demerger Agreement. If these conditions are not satisfied, the agreement may be terminated and Alior Bank may have to pay a break fee to the Sellers").*

A lack of registration or delayed registration of the Alior Bank share capital increase in connection with the Offering may have an adverse effect on the business, financial condition, results of operations or prospects of the Alior Group.

The schedule and details of the Tender Offer have not been determined as at the date of this Offering Circular, and the Tender Offer may be prolonged or may not take place if the Sellers fail to perform their obligations

One of the stages of the Transaction is the Tender Offer, as a result of which Alior Bank will become a significant shareholder of Bank BPH (comprising both the Bank BPH Core Business and Bank BPH Mortgage Business) and remain a shareholder until the Demerger. The details of the Tender Offer have not been determined as at the date of this Offering Circular. In particular, the type of Tender Offer that will be announced and the schedule for the announcement and execution of the Tender Offer have not been determined. Depending on the number of Bank BPH shares that Alior Bank intends to acquire, the Tender Offer may be announced as the Tender Offer for 66% or the Tender Offer for 100%. The decision whether the Bank announces the Tender Offer for 66% or the Tender Offer for 100% will depend on whether under the Tender Offer for 66% Alior Bank will be able to acquire all shares that it is required to purchase from the Sellers, and all shares owned by the Minority Shareholders of Bank BPH, without proportionate reduction of allotments (see: "*Transaction – Share Purchase and Demerger Agreement – Tender Offer and obligations of the Parties in the Transition Period*"). This will affect the amount of funds that Alior Bank will have to spend on buying Bank BPH shares under the Tender Offer.

Both the Tender Offer for 66% and the Tender Offer for 100% may be announced as conditional on obtaining regulatory consents, and this condition should be satisfied before the Tender Offer is closed, unless Alior Bank decides otherwise. The period for accepting subscriptions under the Tender Offer may be extended by up to 120 days so that the legal conditions defined in the Tender Offer can be satisfied. If Alior Bank announces the Tender Offer subject to the condition of obtaining specified regulatory consents (i.e. consents required under the Share Purchase and Demerger Agreement and defined as conditions precedent; see " – *Transaction – Share Purchase and Demerger Agreement – Terms of the Transaction*") or subject to other conditions, the shares can be acquired as a result of the Tender Offer after such conditions have been satisfied. Should the conditions not be satisfied within the subscription period of the Tender Offer (including its maximum possible extension in accordance with law), Alior Bank will consider announcing another Tender Offer.

After announcing the Tender Offer, and before commencing the subscription, the PFSA will have the right to demand changes or supplements to the Tender Offer or explanations to be provided. Accepting subscriptions under the Tender Offer will be suspended until the actions required by the PFSA are performed.

Depending on the type of Tender Offer, there are different requirements for determining the minimum price offered in the Tender Offer. In the case of both the Tender Offer for 66% and the Tender Offer for 100%, the minimum Tender Offer price depends, in particular, on the average market price for BPH shares on the WSE determined in accordance with the provisions of the Public Offering Act. The Management Board analyses the prices of Bank BPH shares on the WSE on an ongoing basis from the perspective of the price that the Bank would have to pay to Minority Shareholders of Bank BPH for shares in the Tender Offer (the price payable to the Sellers by Alior Bank for the Sellers' shares is determined in accordance with the Share Purchase and Demerger Agreement and is independent of the share price changes on the WSE). If, however, the price of Bank BPH shares start to increase at a pace that would result in an increase in the minimum price offered in the

Tender Offer, the amount payable by Alior Bank for the shares acquired in the Tender Offer from the Bank BPH Minority Shareholders would also increase. Only the share prices on the WSE in the period preceding the Tender Offer announcement are taken into consideration for the purpose of determining the minimum price in the Tender Offer. However, in the event of Alior Bank postponing the date of the Tender Offer announcement, accompanied by a significant price increase, the amount payable by the Bank for shares acquired in the Tender Offer from Minority Shareholders of Bank BPH would also increase. Moreover, the Share Purchase and Demerger Agreement provides for a mechanism for adjusting the price payable to the Sellers. In particular, a part of such adjustments should be made after closing the Tender Offer. If, due to the above-mentioned adjustments made after closing the Tender Offer, the price per one Bank BPH share sold in the Tender Offer by the Sellers exceeds the price offered in the Tender Offer, Alior Bank will be obliged under the Share Purchase and Demerger Agreement to pay the difference to Minority Shareholders of Bank BPH who sold their Bank BPH shares in the Tender Offer. This obligation will also apply to a Tender Offer for 66% and a Tender Offer for 100% of shares. Additionally, the price for the Bank BPH shares offered in the Tender Offer will affect the price to be offered to the Minority Shareholders in the Squeeze-Out (should Alior Bank conduct it), because the Public Offering Act mandates that this price cannot be higher than the price offered in the Tender Offer. Additionally, the Squeeze-Out price cannot be lower than the average market prices of Bank BPH shares in certain periods preceding the Squeeze-Out. If Alior Bank decides to announce a Tender Offer for 100% and then conducts a Squeeze-Out at a price higher than the consideration offered in the Tender Offer (e.g. due to an increase of average market prices of Bank BPH shares), Alior Bank will be obliged, pursuant to the Public Offering Act, to pay the difference to all shareholders who sold their Bank BPH shares in the Tender Offer for 100%, other than the Sellers.

Moreover, Alior Bank intends to specify in the Tender Offer the minimum number of Bank BPH shares that must be subscribed for so that the Bank can acquire shares in the Tender Offer. The minimum number of Bank BPH shares so determined should be equal to the number of shares that the Sellers are obliged to sell in the Tender Offer under the Share Purchase and Demerger Agreement. Other than the Sellers' obligations under the agreement, Alior Bank has no instruments at its disposal that could be used to ensure that the Sellers sell their shares in the Tender Offer if they fail to perform their contractual obligations for any reason. Due to the above, if the Sellers, contrary to obligations resulting from the Share Purchase and Demerger Agreement, do not respond to the Tender Offer by subscribing for the sale of the number of Bank BPH shares resulting from the Share Purchase and Demerger Agreement, the Tender Offer will not be executed.

Given the circumstances described above, it cannot be ruled out that the Tender Offer may be announced late or, after the announcement of the Tender Offer, the time scheduled for accepting subscriptions and closing the Tender Offer may be extended. A delay in announcing the Tender Offer or a need to repeat it may in turn result in an increase in the price that the Bank will have to pay to Minority Shareholders of Bank BPH, causing an increase in the Tender Offer costs incurred by the Bank. Moreover, a Tender Offer that is announced may not be executed, in particular if the Sellers fail to subscribe for the sale of shares contrary to their obligation resulting from the Share Purchase and Demerger Agreement, or if the regulatory consents that must be obtained in accordance with the conditions specified in the Tender Offer are not granted, which may lead to the Demerger not taking place.

Additionally, Alior Bank's intention is to announce the Tender Offer in which all Minority Shareholders of Bank BPH would be able to sell all their shares in Bank BPH. It cannot be guaranteed, however, that all Minority Shareholders of Bank BPH will sell their shares in Bank BPH in the course of such Tender Offer. If, following the Tender Offer, the shareholding structure of Bank BPH still includes Minority Shareholders of Bank BPH, Alior Bank will consider conducting the Mandatory Squeeze-Out. Such Mandatory Squeeze-Out would be possible if Alior Bank and the Sellers own at least 90% of Bank BPH's share capital. The conducting of the Mandatory Squeeze-Out may influence the schedule of the Transaction. If the Mandatory Squeeze-Out is not carried out, the implementation of the Transaction would require the Demerger Offering to be conducted which may entail additional risks. (see *" – The Demerger would require an offering document for the Demerger Offering to be drafted, approved and published if prior to the adoption of the Demerger Resolution the shareholding structure of Bank BPH includes the Minority Shareholders of Bank BPH"*).

All the above-mentioned circumstances may have an adverse effect on the business, financial condition, results of operations or prospects of the Alior Group.

Alior Bank will have very limited influence on the operations of Bank BPH before the Demerger

In accordance with the Share Purchase and Demerger Agreement, in the Transitional Period Alior Bank is obliged not to execute, without the prior written consent of the Sellers, any rights arising from Bank BPH shares, subject to the exceptions provided in that agreement (see " *– Transaction – Tender Offer and the obligations of the Parties in the Transition Period*"). At the same time, in the same agreement the Sellers undertook not to vote in favor of the adoption by the General Meeting of Bank BPH of any resolution significant for Bank BPH, and to act in their capacity as

shareholder to prevent Bank BPH from taking specific actions and to ensure that the operations of Bank BPH are generally limited to the "ordinary course of business". Similar commitments were made by Bank BPH in the Pre-Demerger Cooperation Agreement. However, it cannot be ruled out that, despite the Sellers' and Bank BPH's contractual obligations, the business of Bank BPH will be conducted in a manner which may be seen as disadvantageous from the perspective of Alior Bank as the buyer of the Bank BPH Core Business, and Alior Bank may be unable to effectively prevent such conduct.

Taking the above into account, it cannot be ruled out that the Bank BPH in the Transitional Period will be conducted in a different manner than assumed or the results or condition of Bank BPH will deteriorate. In addition, there is a risk that the above circumstances will not be fully reflected in the adjustment of the Sellers' Price determined in the Share Purchase and Demerger Agreement (see " – *Transaction – Share Purchase and Demerger Agreement – Price*") or on the basis of other provisions of the agreements entered into in connection with the Transaction's realization, including the Share Purchase and Demerger Agreement. In this situation Alior Bank may acquire the Bank BPH Core Business with a value lower than expected, or in a condition where the assumed synergies will not be achieved. Additionally, the price adjustment for the Bank BPH Core Business generally relates to a change in the book value of the net tangible assets of the Bank BPH Core Business rather than other material indices concerning the financial condition of the Bank BPH Core Business. Such an adjustment, if it is applied, will affect the price payable to the Sellers. The price for the shares of Bank BPH payable to the Minority Shareholders of Bank BPH under the Tender Offer or Squeeze-Out cannot be reduced below the minimum price required by the provisions of the Public Offering Act. It is not legally permissible to reduce the price for such shareholders after the Tender Offer is completed.

Such circumstances may have an adverse effect on the business, financial condition, results of operations or prospects of the Alior Group.

The Demerger requires resolutions to be adopted by general meetings of Alior Bank and Bank BPH, and these resolutions may be challenged in court by shareholders

The Demerger, which is one of the stages of the Transaction, requires that resolutions approving the Demerger are passed by the general meeting of Alior Bank and Bank BPH. In the case of Alior Bank, a General Meeting is planned to be convened to adopt the Demerger Resolution after the Tender Offer has ended. This may occur within several months of the date of this Offering Circular (however, in accordance with the Share Purchase and Demerger Agreement, such a resolution should be adopted by November 1, 2016) (see " – *Transaction–Share Purchase and Demerger Agreement – Terms of the Traqnsaction*"). Similarly, the convocation of a general meeting of Bank BPH to adopt a resolution on the demerger is expected within a few months of the date of this Offering Circular. In accordance with the provisions of the Code of Commercial Companies, general meetings of both banks must be convened in compliance with the relevant requirements. Moreover, the Demerger requires a number of actions to be performed, including in particular: (i) preparing, executing and announcing by the management boards of Alior Bank and Bank BPH of a Demerger Plan (including appendices) which must be audited by a registered auditor appointed by the registry court, and (ii) notifying the shareholders of both banks of the planned Demerger twice and enabling them to familiarize themselves with certain documents within the deadlines specified in the Code of Commercial Companies. As at the date of this Offering Circular, the management boards of both banks were in the process of executing the Demerger procedure. In particular, the Demerger Plan, together with the relevant appendices, was prepared, executed on April 29, 2016 and announced on April 30, 2016, and the first notification of the planned Demerger was sent to the shareholders of both banks.

The demerger resolution must be adopted by the general meeting of each bank by a majority of two thirds of the votes cast. In the case of Alior Bank, the largest shareholder, PZU, has committed to voting in favor of the adoption of the Demerger Resolution (see " – *Transaction – GE Guarantee and PZU Side Letter*"). Nevertheless, as at the date of this Offering Circular the Management Board cannot guarantee that such a resolution will be passed. If the Demerger Resolution is not passed, the Transaction will not be executed. In the case of Bank BPH, the Sellers, the largest shareholders of Bank BPH, have committed to voting in favor of the adoption of the demerger resolution. After the Tender Offer, the Bank and the Seller, acting in accordance with the provisions of the Share Purchase and Demerger Agreement, should hold the majority required to adopt the demerger resolution.

Similarly, as in the case of the Capital Increase Resolution, there is a risk that the demerger resolutions adopted by the general meetings of both banks may be challenged by an action being filed to have the resolutions repealed or declared invalid within one month of their adoption (the basis for challenging resolutions of a joint stock company and the relevant procedure have been discussed in " – *The Shareholders of Alior Bank may challenge the Capital Increase Resolution").* However, the resolution cannot be challenged due to reservations concerning the Share Exchange Ratio alone. In the case of Bank BPH, the risk of an action being filed relating to the Demerger Resolution would be very limited if, as at the date of

adopting such a resolution, there were no Minority Shareholders of Bank BPH. The filing of an action relating to the Demerger may adversely affect the execution and timing of the Demerger. In case of a valid court decision in favor of the claimant, the Demerger will not take place, or will be annulled if has already been registered.

As part of the process of its implementation, the Demerger must be registered, which involves (i) registration of the share capital decrease in Bank BPH, and then (ii) a registration of the capital increase in Alior Bank by the competent registry courts pursuant to Article 542 § 4 of the Code of Commercial Companies. Similarly, as in the case of the Capital Increase Resolution being challenged in court (see " – *The Shareholders of Alior Bank may challenge the Capital Increase Resolution"*), the filing of an action relating to the demerger resolutions will not, in principle, stop the relevant proceedings. However, the relevant registry court may suspend the proceedings until the case has been heard. A suspension of the registration proceedings might also take place based on a court decision to grant injunctive relief with respect to a resolution being repealed or declared invalid.

It cannot be ruled out that in the case of an action being filed relating to any of the demerger resolutions, the Demerger registration proceedings will be suspended or that the challenged resolution will become ineffective. If any of the registration proceedings concerning the Demerger are suspended, the Demerger will be delayed. There is also a risk that prolonged suspension of any of the registration proceedings related to the Demerger may result in Alior Bank and Bank BPH abandoning the Demerger on the terms specified in the Demerger Plan.

If any of the resolutions concerning the Demerger are repealed or declared invalid before the Demerger has been registered, the Demerger and the associated issue of Alior Bank's shares will not take place. However, if a court registers the Demerger regardless of the fact that an action has been filed to have any of the resolutions repealed or declared invalid, the registry court, following a valid decision to repeal a resolution or declare it invalid, will *ex officio* delete the entries made in connection with the Demerger in the National Court Register, in accordance with Article 545 § 1 of the Code of Commercial Companies.

Additionally, the registry court may, within six months of the Demerger Date, repeal the Demerger due to the defects referred to in Article 21 of the Code of Commercial Companies (Article 532 of the Code of Commercial Companies).

If the Demerger is validly repealed or the demerger resolutions are declared invalid, the Demerger will be considered to have never occurred and Alior Bank will be obliged to return Bank BPH's assets obtained in connection with the Demerger. Such a situation would have far-reaching consequences for both Alior Bank and Bank BPH, including risks relating to the settlement of the consequences of the potential repeal of the Demerger, which are hard to predict. In particular, if the Minority Shareholders of Bank BPH acquired Alior Bank's shares as a result of the Demerger, there would be no certainty that they would receive appropriate compensation for the loss of assets suffered as a result of the Demerger being repealed.

The occurrence of these events may adversely affect the Alior Group's business, financial condition, results of its operations or prospects.

The competent registry courts may refuse to register the share capital decrease of Bank BPH or the share capital increase of Alior Bank in relation to the Demerger or their registration may be delayed

Similarly as in the case of the increase in Alior Bank's share capital based on the Capital Increase Resolution, the performance of the Demerger requires the registration of the Demerger by the registry court. Pursuant to Article 530 § 2 of the Code of Commercial Companies, the Demerger will be deemed occur on the Demerger Date, i.e. on the date of registration by the registry court of the increase in Alior Bank's share capital in relation to the Demerger. Also, pursuant to Article 542 § 4 of the Code of Commercial Companies, the Demerger may occur only upon the registration of the share capital decrease in Bank BPH.

The share capital decrease in Bank BPH will not be deemed to have occurred if the management board of Bank BPH fails to file applications to register the share capital decrease and the required documents with the registry court within the relevant deadlines. Additionally, the decrease in Bank BPH's share capital will not be deemed to have occurred if the competent registry court validly refuses to register the share capital decrease.

The increase in Alior Bank's share capital will also not be deemed to have taken place if the Management Board fails to file the applications to register the increase together with the required documents with the registry court within the relevant deadlines. Moreover, the increase in Alior Bank's share capital will not be deemed to have taken place if the competent registry court validly refuses to register the increase in Alior Bank's share capital.

In addition, it cannot be ruled out that registration of the Demerger will be delayed. The delay may occur, in particular, if the resolutions regarding the Demerger adopted by the General Meeting and the General Meeting of Bank BPH including, respectively, the decrease in Bank BPH's share capital or the increase in Alior Bank's share capital, are challenged in court, particularly if a claim is filed together with a request to grant injunctive relief by suspending the registration proceedings relating to the Demerger. Creditors of Bank BPH or Alior Bank may also demand injunctive relief on the terms set out in Article 546 § 2 of the Code of Commercial Companies.

A delay in the registration of the share capital decrease of Bank BPH or the share capital increase of Alior Bank by the competent registry courts may adversely affect the execution and timing of the Demerger. In the case of a valid refusal by the competent registry courts to register the share capital decrease of Bank BPH or the share capital increase of Alior Bank, the Demerger will not take place. These circumstances may adversely affect the Alior Group's business, financial condition, results of its operations or prospects.

The Management Board and the management board of Bank BPH intend to recommend a proposed Demerger Date to the registry courts. However, there can be no assurance whether the registration of the Demerger will indeed occur on such a date. The registry courts are not bound by such recommendations, although in practice the courts more often than not grant the applicant's requests. If the Demerger is registered on a different date than assumed, it would entail certain operational risks and complications in the performance and settlement of the Demerger. A materialization of any of these risks may adversely affect the Alior Group's business, financial condition, results of its operations or prospects.

The Demerger would require and offering document for the Demerger Offering to be drafted, approved and published if prior to the adoption of the Demerger Resolution the shareholding structure of Bank BPH includes the Minority Shareholders of Bank BPH

If prior to the Demerger Resolution the Minority Shareholders of Bank BPH are shareholders of Bank BPH, the Demerger would require and offering document (such as a prospectus or information memorandum) concerning the Demerger Offering to be prepared by Alior Bank and to be approved by the PFSA.

The Management Board intends to publish an offering document regarding the Demerger Offering within the appropriate time frame prior to the general meeting of Bank BPH adopting the resolution on the Demerger. It cannot be guaranteed that Alior Bank will be able to prepare the offering document for the Demerger Offering by the appropriate deadline, nor can it be guaranteed that Alior Bank will obtain the PFSA's approval thereof within a time period enabling the Demerger Offering and the Demerger to be carried out within the proposed time frame. Any delays in preparing the offering document for the Demerger Offering or in obtaining the approval thereof may cause delays in the Demerger itself. Unless the offering document for the Demerger Offering is approved and published, it will not be possible to carry out the Demerger Offering, and this will prevent the Transaction from closing.

These circumstances may adversely affect the Alior Group's business, financial condition, results of its operations or prospects.

Minority Shareholders of Bank BPH may claim damages from Alior Bank regarding the Share Exchange Ratio or demand a buy-out of their Demerger Shares

The Transaction structure assumes that, as a result of the Demerger, the Minority Shareholders of Bank BPH holding shares in Bank BPH on the date specified in the Demerger Plan will receive shares in Alior Bank's share capital issued as part of the Demerger, in accordance with the Share Exchange Ratio (see " – *Transaction – Demerger Plan*"). In accordance with Article 544 § 3 of the Code of Commercial Companies, no appeal may be filed against the demerger resolution purely for reasons of the share exchange ratio adopted. However, this does not rule out the Minority Shareholders of Bank BPH claiming damages on general principles.

It cannot be ruled out that the Minority Shareholders of Bank BPH will file an action for injunctive relief to be granted by suspending the registration proceedings relating to the share capital decrease of Bank BPH or the share capital increase of Alior Bank in relation to the Demerger. A court may provide such relief provided that a claimant substantiates the claim and the legal interest in obtaining the injunctive relief, i.e. that the absence of relief will prevent or seriously hamper the enforcement of the court decision issued in the case or will hamper the achievement of the goal of the proceedings in the case.

If any of the registration proceedings related to the Demerger are suspended, the Demerger will be delayed. There is also a risk that the prolonged suspension of any of the registration proceedings related to the Demerger may result in Alior Bank and Bank BPH abandoning the Demerger on the terms specified in the Demerger Plan.

In accordance with the Demerger Plan, the Share Exchange Ratio has been set in such a way that for 1 (one) share in Bank BPH, each of the Minority Shareholders of Bank BPH will be granted and allocated 0.44 of a Demerger Share, subject to adjustment related to dilution of Alior Bank's share capital resulting from the Offering. However, one cannot rule out the risk of potential claims for damages being filed by the shareholders of Bank BPH against Alior Bank in respect of the Share Exchange Ratio. Filing of such claims could adversely affect the possibility of executing the Transaction on the terms and conditions assumed and within the agreed timetable, and thus may adversely affect Alior Group's business, financial condition, results of its operations or prospects.

Furthermore, it cannot be ruled out that the Minority Shareholders of Bank BPH, if any still remain in the Bank BPH shareholding structure on the date of adopting the resolution on the Demerger by the general meeting of Bank BPH, will file a request based on Article 541 § 5 of the Code of Commercial Companies to have their Demerger Shares bought-out. This buy-out demand can be made by shareholders of a demerged company if the demerger plan provides that they will acquire shares in the bidding company on less favorable terms than in the demerged company, provided that they file reservations to the demerger plan within two weeks of its announcement and demand that the bidding company buy-out their shares within three months of the demerger date. A buy-out of shares in a company listed on the WSE is effected at the exchange quoted price, at the average price quoted in the last three months before the demerger resolution (Article 417 § 1 of the Code of Commercial Companies). In such event, the bidding company may buy its treasury shares up to a value equal to 10% of its share capital. If a demand to buy-out the Alior Bank shares is made pursuant to Article 541 § 5 of the Code of Commercial Companies, Alior Bank may be required to conduct such a buy-out. The buy-out would cause the Bank to incur additional costs and that may adversely affect its business financial condition, results of its operations or prospects.

Interpretations of legal provisions regarding the Demerger adopted by the courts or government agencies may differ from those adopted by Alior Bank

The main legal regulations on the basis of which the Demerger will be conducted include the Code of Commercial Companies and the Banking Law. Legal commentaries point to an interpretational discord concerning the actual application of the demerger regulations, and the court practice in this respect is not uniform either. Although Alior Bank conducted a detailed analysis of all legal aspects that could appear in the process of implementing the Transaction, including the Demerger, Alior Bank is unable to guarantee that the Demerger procedure will not be extended or fail because of an interpretation of a legal regulation adopted by the courts or state administrative bodies, including the tax authorities, which differs from that adopted by Alior Bank.

In addition, provisions of the tax law are of significant importance to the execution of the Transaction. In particular, obtaining certain tax interpretations is one of the conditions precedent set out in the Share Purchase and Demerger Agreement on which the execution of the Transaction depends (see " – *Transaction – Share Purchase and Demerger Agreement – Terms of the Transaction*" and " – *The success of the Transaction depends on satisfying the conditions set out in the Share Purchase and Demerger Agreement. If these conditions are not satisfied, the agreement may be terminated and Alior Bank may have to pay a break fee to the Sellers*"). As at the date of this Offering Circular, it cannot be guaranteed that if certain tax interpretations are not obtained, the parties to the Share Purchase and Demerger Agreement will decide to make certain changes to the Transaction structure or the organization of individual parts of Bank BPH, or to waive this condition and will execute the Transaction without obtaining certain tax interpretations.

The tax interpretations which Alior Bank, among others, intends to apply for are intended to, in particular, confirm that the Bank BPH Core Business and the Bank BPH Mortgage Business are "organised parts of the enterprise" within the meaning of the tax law. While it is expected that this interpretation will be obtained, the risk that tax authorities might challenge the effectiveness of the protection resulting for Alior Bank from obtaining such tax interpretation cannot be ruled out entirely.

The occurrence of these circumstances may adversely affect the Alior Group's business, financial condition, results of its operations or prospects.

Alior Bank faces a tax risk related to the Demerger

According to Alior Bank, the Bank BPH Core Business and the Bank BPH Mortgage Business are "organised parts of the enterprise" within the meaning of the Polish tax regulations. Consequently, in accordance with the applicable provisions of the Tax Code and as provided for in the provisions of the tax law, as at the Demerger Date Alior Bank will take over all of Bank BPH's rights and obligations relating to the Bank BPH Core Business (tax succession).

The above arrangement means that, after the Demerger, Alior Bank may be held liable for any tax arrears of Bank BPH relating to the Bank BPH Core Business on the same terms as Alior Bank would be held liable for its own tax arrears. Any such tax arrears of Bank BPH that would convey to Alior Bank as a result of the Demerger, would relate to activities taken by Bank BPH or events that have occurred before the Merger Date, and Alior Bank would not have had any influence on the manner of tax settlement of such events.

However, if the tax authorities are of a different opinion, and hold that the Bank BPH Core Business and the Bank BPH Mortgage Business are not "organised parts of the enterprise", there will be a risk that the tax authorities will challenge the application of the tax succession rule provided for in the Tax Code with respect to the Demerger. Consequently, the tax authorities may be of a different opinion with respect to the principles by which Alior Bank settles tax liabilities after the Demerger, including Alior Bank's right to recognize some tax-deductible costs related to the Bank BPH Core Business. In particular, the tax authorities may challenge Alior Bank's ability to recognize material cost items for tax purposes.

With respect to the Demerger, it is expected that Alior Bank will, among other things, obtain certain tax rulings including, in particular, tax rulings confirming that the Bank BPH Core Business and the Bank BPH Mortgage Business are "organised parts of the enterprise" within the meaning of the tax regulations. Obtaining certain tax interpretations is one the conditions precedent set out in the Share Purchase and Demerger Agreement (see " – *Transaction–Share Purchase and Demerger Agreement – Terms of the Transaction*" and " – *The success of the Transaction depends on satisfying the conditions set out in the Share Purchase and Demerger Agreement. If these conditions are not satisfied, the agreement may be terminated and Alior Bank may have to pay a break fee to the Sellers").* However, the risk that the tax authorities might challenge the effectiveness of the protection resulting for Alior Bank from obtaining such tax interpretation cannot be ruled out entirely. The occurrence of these circumstances may adversely affect the Alior Group's business, financial condition, results of its operations or prospects.

Moreover, the application of the provisions of the Tax Code concerning tax succession to transactions such as the Demerger (divisions by spin-off) is not clear; the interpretation of these regulations is often ambiguous, and the practice of the tax authorities is often inconsistent. Consequently, if the Bank BPH Core Business and the Bank BPH Mortgage Businesses are deemed "organised parts of the enterprise", and the principle of tax succession applies to the Demerger, it cannot be ensured that the Polish tax authorities will not adopt a different or unfavorable interpretation of the tax regulations in this respect or of the related calculations, compared with the interpretation adopted by Alior Bank or the calculations made by Alior Bank. This may result in disputes with the tax authorities, the tax authorities challenging Alior Bank's tax calculations relating to unexpired tax liabilities, and the assessment of overdue taxes.

Risk related to Alior Bank's potential obligation to consolidate Bank BPH in case the Demerger is not registered by the relevant deadline

According to the Share Purchase and Demerger Agreement, Alior Bank agreed not to exercise the rights attached to shares of Bank BPH without the Sellers' consent after the Tender Offer, except for certain situations contemplated in the Share Purchase and Demerger Agreement. These include (i) the right to conduct the Squeeze-Out, (ii) voting at the general meeting of Bank BPH in favor of the Demerger; and (iii) transferring, lending or encumbering in favor of the Sellers some of the Bank BPH shares acquired by the Alior Bank in the Tender Offer (referred to as the Re-transferred Shares) (see " – *Transaction – Share Purchase and Demerger Agreement – Tender Offer and obligations of the Parties in the Transaction Period*"). The above commitment not to exercise the rights attached to shares of Bank BPH expires six months after the date of the acquisition of the Bank BPH shares by Alior Bank in the Tender Offer, unless within that time the Demerger is registered or the Share Purchase and Demerger Agreement is terminated. Consequently, if the Demerger is not registered within six months (or the Share Purchase and Demerger Agreement is terminated), unless such period is extended by mutual consent of the parties to the Share Purchase and Demerger Agreement, Alior Bank will be able to vote its shares in Bank BPH, which may cause Alior Bank to be deemed to be a parent company of Bank BPH. If Alior Bank is deemed to be the parent company of Bank BPH, it may trigger an obligation of Alior Bank to consolidate Bank BPH (in which case Alior Bank would consolidate the whole business of Bank BPH (including the Bank BPH Mortgage Business) and the capital group of Bank BPH, rather than just the Bank BPH Core Business which is the subject of the Transaction). As a consequence of such an outcome, the performance and financial condition of the Alior Group would be directly affected (and adversely affected, as any potential losses would also need to be consolidated by Alior Bank) by the performance and financial condition of subsidiaries of Bank BPH as well as the Bank BPH Mortgage Business which should remain outside the scope of the Transaction.

The occurrence of these circumstances may adversely affect the Alior Group's business, financial condition, results of its operations or prospects.

Alior Bank faces a risk of conflicts between shareholders (current and new), whose interests may be divergent

As at the date of this Offering Circular, PZU is the largest shareholder of the Bank and holds Existing Shares, together with parties to the agreement dated April 27, 2016, acting in concert (see "*Major Shareholders Shareholders"),* representing 29.22% of Alior Bank's share capital and of the total number of votes at the General Meeting. This means that PZU (together with parties acting in concert) may exert significant influence over Alior Bank's business by exercising its voting rights at the General Meeting. This refers, *inter alia*, to determining Alior Bank's strategy and policy, the appointment of members of the Supervisory Board, the distribution of Alior Bank's net profit and making other decisions that must be made by the Company's shareholders. At the same time, PZU (together with parties acting in concert) does not hold a number of Existing Shares on its own which would guarantee an absolute majority of the votes at the General Meeting. Consequently, alliances can be established or arrangements can be made between shareholders that have the same result as holding a controlling interest. Moreover, due to the absence of a majority shareholder in Alior Bank, it cannot be ruled out that a controlling block of shares in Alior Bank will be acquired by a party other than PZU. If an investor other than PZU acquires a controlling block of shares in Alior Bank or if a previously mentioned controlling group is established, Alior Bank could experience sudden and unexpected changes in its corporate policy and strategy, including the replacement of members of the Management Board or the Supervisory Board. This could result in attempts to assume control over Alior Bank and related conflicts.

On the other hand, the lack of a shareholder or a group of shareholders controlling more than 50% of the votes at the General Meeting could result in hindering or the ineffectiveness of certain decision-making processes due to the inability to gather a quorum or obtain the majority required by Polish law to make certain decisions. In accordance with Polish law, some corporate decisions (such as amending the articles of association, increasing or decreasing the share capital, increasing the share capital up to the target capital or conditionally increasing the share capital, as well as conducting mergers and demergers) require the consent of no less than two-thirds or three-quarters of the shareholders of the registered share capital. It cannot be ruled out that one of the shareholders (or a group of shareholders) will be able to block the resolutions made by the General Meeting, in particular, in relation to resolutions requiring a qualified majority of votes at the General Meeting. It also cannot be ruled out that, in the event of low turnout at the General Meeting, one of the shareholders, even one holding a minority share in the share capital of Alior Bank and the total number of votes at the General Meeting, may also be able to obtain the necessary majority of votes and pass resolutions on important matters (in particular, resolutions regarding the appointment and revocation of Supervisory Board members and the appropriation of profits).

Additionally, the performance of the Transaction, including conducting the Offering and issuing Demerger Shares to Minority Shareholders of Bank BPH in connection with the Demerger, could result in a dilution of Alior Bank's existing shareholders. In particular, such a situation would arise if, in the Offering, Alior Bank's existing shareholders do not exercise the Subscription Rights to which they are entitled and therefore do not subscribe for the Offer Shares.

It cannot be ruled out that the interests of Alior Bank's new shareholders (and in particular the shareholders who will take up Offer Shares not covered by subscriptions resulting from the execution of Subscription Rights or Additional Subscription or shareholders who will receive Demerger Shares) will be inconsistent with the interests of Alior Bank's existing shareholders, including PZU. This could result in attempts to assume control over Alior Bank and related conflicts. Sudden and unexpected changes of membership of the Company's authorities, its policy or strategy, as well as attempts to assume control and disputes between shareholders regarding their rights may be damaging to the current operation of the Company. These circumstances may adversely affect Alior Group's business, financial condition, results of its operations or prospects.

Errors or delays may occur with regard to the planned integration of the IT systems of the Alior Group and the Bank BPH Core Business

Alior Group's business and the Bank BPH Core Business are, to a large extent, dependent on the ability of IT systems to correctly and quickly process numerous transactions. The correct operation of IT systems in the Alior Group's business and the Bank BPH Core Business is of key importance to the implementation of the strategy and to effectively competing on the financial market. One of the integration areas on which the success of the Transaction and the level of Transaction costs depends, is the IT area, including integration of the IT systems.

Alior Bank is planning to implement this process while ensuring security and undisturbed migration of customers and accounts to Alior Bank's IT platform. Due to the complexity of the process of integrating the IT systems at Alior Bank and in the Bank BPH Core Business, a risk of errors and delays may arise during the planned migration of data or their integration. The IT systems may prove ineffective or their effectiveness to be limited. Additionally, there is a risk that some contracts concerning IT systems dedicated to service processes within the Bank BPH Core Business may contain

provisions imposing bans or limitations with respect to transfer of rights and obligations to other entities and may result in termination of the same, should Alior Bank take control over Bank BPH Business. In particular, the framework agreement of December 19, 2014 entered into by Bank BPH and Fidelity National Information Services (Netherlands) B.V. with its registered office in Amsterdam, the Netherlands ("**FIS**") concerning, among others IT systems license and PROFILE platform ("**FIS Agreement**"). Pursuant to the provisions of the Pre-Demerger and Cooperation Agreement, Bank BPH shall use its best endeavors to obtain the consent of FIS to the transfer of the rights and obligations under FIS Agreement to Alior Bank in relation to the Demerger, and to obtain the consent of FIS to use systems covered by the FIS Agreement by Alior Bank after the Demerger in order to provide services under Ops SLA and IT SLA agreements. There can be no assurance that consents for the Transaction will be obtained. See " – *Transaction – Share Purchase and Demerger Agreement – Agreements ancillary to the Share Purchase and Demerger Agreement*". The occurrence of these events may adversely affect the Alior Group's business, financial condition, results of its operations or prospects.

Alior Bank risks losing some of its clients and some of the existing Bank BPH clients in connection with the Demerger

The complexity of the process of integrating Alior Bank and the Bank BPH Core Business, its efficiency and effectiveness of implementation, and the duration and risk of incomplete achievement of the planned synergies may mean that it is possible that, fearing the failure or ineffectiveness of the integration activities, some customers may decide to discontinue using all or some services offered by Alior Bank after the merger with the Bank BPH Core Business. Also, due to legal restrictions, Alior Bank does not presently have exact data regarding the number of clients who are at the same time clients of Alior Bank and Bank BPH. Alior Bank currently plans that the products offered by the Bank BPH Core Business will be converted to the relevant Alior Bank's products matching the customer needs, as scheduled in the adopted time frame. It is a goal of the Management Board to ensure that during the transition period (from the Demerger Date to the completion of the integration process) the customer services are handled, generally, on unchanged terms. In particular, the customers of the Bank BPH Core Business and Alior Bank should be able to use their previous methods of contacting their banks within the relevant network. After the transition period the customers will be offered access to all distribution channels in the integrated distribution system of Alior Bank. However, some of the products and services currently offered by the Bank BPH Core Business may not be reflected in Alior Bank's ultimate product range after the Demerger.

In addition, Alior Bank cannot rule out that the failure to offer full continuity of the product range of the Bank BPH Core Business by Alior Bank after the Demerger, in particular those elements which are recognized and enjoy the greater interest of customers, could adversely affect the attitude of existing customers of the Bank BPH Core Business to Alior Bank after the Demerger. There can be no assurance that any of Alior Bank's retention efforts will have the desired effects. Alior Bank's inability to offer some existing products of the Bank BPH Core Business after the Demerger could therefore result in a loss of existing BPH customers. Likewise, some of Alior Bank's existing customers may fear a change of Alior Bank's existing product offering and may discontinue using Alior Bank's services after the Demerger. A loss of existing Bank BPH and existing Alior Bank customers could adversely affect the Alior Group's business, financial condition, results of operations or prospects.

Risks relating to the Offering and the Offer Shares

The Offering May Be Cancelled or Suspended

Subject to the terms of the Underwriting Agreement, Alior Bank, subject to consultation with the Offer Managers, may suspend the Offering and resign from admission of Pre-emptive Rights, Rights to Shares and Offer Shares to trading on the main market of the WSE. Alior Bank would not be required to provide any reason or justification for the suspension of the Offering.

Following the commencement of the subscription period for the Offer Shares, Alior Bank, subject to consultation with the Offer Managers, may suspend the Offering and resign from admission of Pre-emptive Rights, Rights to Shares and Offer Shares to trading on the main market of the WSE. The Offering may only be suspended for valid reasons which include, in particular, but are not limited to: (i) amending or terminating the Share Purchase and Demerger Agreement; or (ii) the occurrence of events potentially reducing the chances that all the Offer Shares will be subscribed under the Offer or of events which may lead to an increased investment risk for the subscribers of the Offer Shares.

The Offering may be suspended without scheduling new dates. Alior Bank may establish a new timetable at a later date, subject to the terms of the Underwriting Agreement, but, the decision to resume the Offering will need to be made after the legal possibility to conduct the Offering has been confirmed, taking into account the restrictions under Article 431 § 4 of the Code of Commercial Companies.

If Alior Bank decides to suspend the Offering prior to the commencement of the subscription period, the information will be provided in the form of an update report, which will be made public in the same manner in which the Prospectus is published, and in the form of a current report, in accordance with Article 56 section 1 of the Public Offering Act. If the decision to suspend the Offering is made following the commencement of the subscription period, information in this regard will be made public in the form of a supplement to the Prospectus after it has been approved by the PFSA (this supplement will be made public in the same manner in which the Prospectus is published) and in the form of a current report, in accordance with Article 56 section 1 of the Public Offering Act.

After publication of the Prospectus and prior to the commencement of the subscription period for the Offer Shares, Alior Bank, subject to consultation with the Offer Managers, may cancel the Offering and resign from seeking the admission of the Pre-emptive Rights and/or the Rights to Shares and the Offer Shares to trading on the main market on the WSE. The Company is not required to provide any reason or justification for cancellation of the Offering.

Following the commencement of the subscription period for the Offer Shares, Alior Bank may, pursuant to the provisions of the Underwriting Agreement, cancel the Offering and resign from seeking the admission of the Pre-emptive Rights and/or the Rights to Shares and the Offer Shares to trading on the main market on the WSE. The Offering may only be cancelled for valid reasons which include (but are not limited to): (i) amendment or termination of the Share Purchase and Demerger Agreement; (ii) occurrence of events potentially reducing the chances that all of the Offer Shares will be subscribed under the Offer, or of events which may lead to an increased investment risk for the subscribers of the Offer Shares; (iii) a suspension or material limitation of trading in securities on the WSE or on other stock exchange markets if those circumstances could have a material negative impact on the Offering; (iv) sudden and unexpected material changes in the financial markets or economic or political situation in Poland or another country, which may materially and adversely affect financial markets, Poland's economy, the Offering or the Alior Group's operations, (for example, terrorist attacks, war, catastrophes, floods); (v) a direct or indirect material change affecting Alior Bank's operations, or a material loss, direct or indirect, suffered by Alior Bank, or significant disruptions, direct or indirect, to its operations; and (vi) PZU failing to subscribe for the Offer Shares in accordance with the terms of the irrevocable commitment it provided as set out in the Side Letter.

Information on the cancellation of the Offering made before the publication of the Prospectus will be made public in the form of a current report, in accordance with Article 56 section 1 of the Public Offering Act. However, if Alior Bank decides to cancel the Offering and withdraws from seeking the admission of the Pre-emptive Rights and/or the Rights to Shares and the Offer Shares to trading on the main market on the WSE after the Prospectus has been published, such information will be made public in the form of a current report, in accordance with Article 56 section 1 of the Public Offering Act, and in accordance with Article 49 section 1b of the Public Offering Act, in the same manner in which the Prospectus was made public.

If Alior Bank suspends the Offering after the subscription period has commenced, all subscriptions will be effective and the persons who made such subscriptions will be able to avoid the effects of their declarations of will within two Business Days of the date the supplement to this Prospectus is published, in accordance with Article 51a of the Public Offering Act.

If the Offering is cancelled after the subscription period has commenced, the subscriptions will be ineffective.

Payments for the Offer Shares do not bear interest, and if Alior Bank (i) cancels the Offering and resigns from seeking admission of the Pre-emptive Rights and/or the Rights to Shares and the Offer Shares to trading on the main market on the WSE or (ii) suspends the Offering, a person making a payment is not entitled to any compensation or reimbursement of costs, including costs incurred in connection with the subscription for the Offer Shares or the purchase price of the Pre-emptive Rights on the secondary market. Payments made for the Offer Shares under subscriptions in respect of which the effects of the declaration of will were avoided because the Offering was suspended will be reimbursed in accordance with the instructions given by the subscriber on the subscription form, within 14 days of the date of submission of the statement on avoidance of the legal effects of the declaration of will. If Alior Bank cancels the Offering and withdraws from seeking admission of the Pre-emptive Rights and/or the Rights to Shares and the Offer Shares to trading on the main market of the WSE, after the commencement of the acceptance of subscription orders, the payments made will be reimbursed in accordance with the instructions given by the subscriber on the subscription form within 14 days of the date of publication of the information on the cancellation of the Offering and on resignation from seeking admission of the Pre-emptive Rights and/or the Rights to Shares and the Offer Shares to trading on the main market of the WSE in accordance with Article 49 section 1b of the Public Offering Act in the same manner as this Prospectus was published, in accordance with Article 47 section 1 of the Public Offering Act. The information will be also made available to the public by way of a current report in accordance with Article 56 section 1 of the Public Offering Act.

The Offering cannot be cancelled or suspended after the allotment of the Offer Shares. As of the date of this Prospectus, the cancellation or suspension of the Offering cannot be excluded.

The Offering May Be Unsuccessful

The Offer Shares will not be issued if: (i) the Management Board decides to cancel the Offering; (ii) the number of the Offer Shares specified by the Management Board pursuant to Article 43254 of the Commercial Companies Code is not taken up and duly paid for as at the date of the closing of the subscription period as specified in the Prospectus; (iii) within 12 months of the date of this Offering Circular or within one month from the date of allotment of the Offer Shares, the Management Board fails to file an application for the registration of the share capital increase through the issue of the Offer Shares with the registry court; (iv) a decision of the registry court refusing to register the increase in the Company's share capital through the issue of the Offer Shares is issued and becomes final and non-appealable; or (v) the PFSA refuses to grant its consent to the amendments to the Articles of Association of Alior Bank regarding the share capital increase.

The registration of the share capital increase resulting from the issue of the Offer Shares is also contingent on the Management Board making a statement in the form of a notarial deed which specifies the amount by which the share capital is to be increased and the amount of the share capital subscribed for on the basis of the number of Offer Shares covered by valid subscriptions. Such statement, made on the basis of Article 310 of the Code of Commercial Companies, in conjunction with Article 431 § 7 of the Code of Commercial Companies, should be attached to the application to register the share capital increase. Failure by the Management Board to make the above-mentioned statement would preclude the registration of the increase in the share capital by way of the issue of the Offer Shares, and thus prevent the issue of the Offer Shares.

In such cases, the funds paid by investors may be frozen for some time, and the investors may incur a loss because the funds they paid to cover the Issue Price would be reimbursed to them without any interest, compensation or repayment of expenses, including the costs incurred by subscribers in connection with the subscription for the Offer Shares or the price of purchasing the Pre-emptive Rights on the secondary market.

If the number of Offer Shares subscribed for in the course of the Additional Subscriptions exceeds the number of the Offer Shares available following the placing of subscriptions within the framework of exercising Pre-emptive Rights, there will be a reduction of such Additional Subscriptions prorated to the volume of such Additional Subscriptions placed.

If the issue of the Offer Shares is ineffective, a holder of any Rights to Shares will only receive reimbursement in an amount that is equal to the amount of the Rights to Shares held multiplied by the Issue Price of the Offer Shares. This may result in the investor incurring a loss if the price paid for the Rights to Shares on the market exceeds the Issue Price of the Offer Shares. Moreover, in this event, the holders of the Rights to Shares will not be entitled to any damages or reimbursement of costs, including costs incurred in connection with the subscription for the Offer Shares or the price of purchasing the Pre-emptive Rights on the secondary market.

If any event occurs that leads to the Offering or issue of the Offer Shares not being carried out, information in this respect will be made public in a supplement to the Prospectus, in the manner in which the Prospectus was made public, after being approved by the PFSA.

If the Offering is unsuccessful or Alior Bank cancels the Offering, investors who acquire Pre-emptive Rights on the secondary market will incur a loss

Trading in Pre-emptive Rights on the secondary market is done solely at the risk of potential buyers of the Pre-emptive Rights. If the issue of Offer Shares is ineffective for any reason, or the Offering is cancelled in accordance with the terms of the Offering set out in the Prospectus, the Pre-emptive Rights will expire, but transactions for the sale of Pre-emptive Rights already entered into on the secondary market will be effective. The buyers of the Pre-emptive Rights will not be entitled to any compensation or a return of expenditures in connection with the expiry of the Pre-emptive Rights or any economic benefit whatsoever, or in connection with transactions involving the Pre-emptive Rights. In particular, they will not be entitled to a return of the purchase price of such Pre-emptive Rights or commission or brokerage fees.

The Underwriting Agreement Is Subject to Customary Conditions Precedent Related to the Underwriting Commitment and Contains Customary Conditions Authorizing Its Termination

The Company and the Offer Managers entered into the Underwriting Agreement, pursuant to which each Offer Manager shall severally (and not jointly nor jointly or severally) agreed, subject to certain conditions (customary for a transaction of this nature), to use reasonable endeavors to procure subscribers at the Issue Price for the Offer Shares (subject to the

provisions of the Underwriting Agreement) that are not subscribed for in the exercise of the Pre-emptive Rights or Additional Subscriptions (if any) up to such Offer Manager's aggregate commitment on the terms and subject to the conditions set out in the Underwriting Agreement. Each of the Offer Managers shall severally (and not jointly nor jointly or severally), subject to certain conditions (customary for a transaction of this nature), to the extent that the Offer Managers fail to procure subscribers for such Offer Shares, purchase its agreed proportionate share of such unplaced Offer Shares, up to the Offer Managers' aggregate commitment. All such subscriptions will be at the Issue Price (subject to the provisions of the Underwriting Agreement). The Underwriting Agreement shall contain provisions entitling the Offer Managers to terminate the Underwriting Agreement and the Offering (and the arrangements associated with it) in certain circumstances, including if a representation or warranty becomes untrue, inaccurate or misleading, a condition fails to be satisfied by the Company (or waived by the Offer Managers), or if certain material changes in financial, political or economic conditions occur. If a termination right is exercised, these arrangements will lapse and any monies received in respect of the Offering will be returned to the applicants without interest. (For additional information and a summary of the Underwriting Agreement see section "*Underwriting, stabilization and contractual limitations on the transferability of shares*").

Alior Bank cannot guarantee that circumstances causing the Offer Managers to terminate the Underwriting Agreement will not occur.

Risks relating to an objection by the PFSA to the acquisition of or subscription for Shares

In the event that the PFSA objects to the acquisition of or subscription for a significant block of shares in Alior Bank or the rights to such shares in Alior Bank, or in the event of the acquisition of such shares or rights to such shares before the lapse of the term for such objection, the shareholder is not authorized to exercise the voting rights attached to those shares. Additionally, the acquisition of or subscription for a significant block of shares in Alior Bank or the rights to such shares in Alior Bank in breach of restrictions of the Banking Law may result in a request to sell the shares or any further consequences referred to in Article 25 and the Banking Law as discussed below.

Pursuant to Article 25 of the Banking Law, an entity which intends directly or indirectly, to acquire or subscribe for shares or rights to shares in a domestic bank in a vote sufficient to reach or exceed 10%, 20%, one third or 50%, respectively, of the overall number of votes at the general meeting or the share in the share capital, is required to notify the PFSA of the intention to acquire or subscribe for shares or rights to shares. An entity which, directly or indirectly, intends to become the dominating entity of a domestic bank, other than as a result of the acquisition of or subscription for shares or rights to shares in a domestic bank in a number ensuring it has the majority of the overall number of votes at the general meeting, is required to notify the PFSA thereof.

The obligation referred to in the preceding paragraph also arises in the event that two or more entities act in concert in order to exercise the voting rights attached to the shares at the levels referred to in the preceding paragraph, or to exercise the rights of the dominating entity of a domestic bank.

The detailed contents and form of the notice and the information and documents filed therewith are defined by the regulations of the Banking Law.

The PFSA may object to the acquisition of or subscription for the shares or rights to shares, or against becoming the dominating entity of a domestic bank if: (i) the entity filing the notice fails to supplement defects in the notice or the documents and information attached thereto within the designated deadline; (ii) the entity filing the notice fails to provide the additional information or documents requested by the PFSA in a timely manner; or (iii) such objection is justified by the need for conservative and stable management of a domestic bank, in light of the possible impact of the entity filing the notice on the domestic bank or in light of the evaluation of the financial situation of the entity filing the notice.

The PFSA is bound to deliver its decision regarding the objection referred to in the preceding paragraph within 60 Business Days from the date of receipt of the notice, and all the required information and documents no later than two Business Days after the issuance thereof.

The entity filing the notice may comply with the intention covered by the notice if the PFSA does not deliver its decision regarding the objection within 60 Business Days, as referred to in the preceding sentence, or if the PFSA issues a decision prior to the end of that period stating that there were no grounds to make the objection.

In the event of an acquisition of or subscription for shares or rights to shares: (i) in breach of Article 25 of the Banking Law; or (ii) regardless of the PFSA's objection against the acquisition of or subscription for the shares or rights to shares, or against becoming a dominating entity of a domestic bank; (iii) prior to the end of the deadline by which PFSA may file the objection against the acquisition of or subscription for shares or rights to shares, or against becoming the dominating

entity of a domestic bank; or (iv) after the deadline designated by the PFSA for the acquisition of or subscription for the shares or rights to such shares, the voting rights attached to such shares may not be exercised (subject to the exception provided in Article 25m of the Banking Law). The resolutions of the general meeting of a domestic bank adopted in breach of the restrictions referred to in the preceding sentence will be invalid unless they satisfy the requirements concerning the quorum and the majority of votes cast without including invalid votes.

In the event of an acquisition of or subscription for shares or rights to shares involving a breach of the restrictions ensuing from the Banking Law, the PFSA may, by way of a decision, order the sale of the shares in the domestic bank within a designated time. In the event of acquisition of or subscription for the shares involving a breach of the Banking Law or of failing to sell the shares within a deadline set by the PFSA, the PFSA may fine a shareholder in a domestic bank who is a natural person up to PLN 20 million, and a shareholder which is a legal person an amount of up to 10% of its income as stated in its latest audited financial statements and, in the absence of such statements, a fine of up to 10% of the projected income determined based on the shareholder's economic and financial situation. If it is possible to determine the amount of the benefit gained by the shareholder or the loss the shareholder avoided as a result of the breach, the fine may be determined at up to twice the amount of the benefit of the loss, as the case may be. The PFSA may also appoint trustee management in a domestic bank or revoke the permit for the creation of the bank and adopt a decision on the liquidation of the bank.

Alior Bank or other persons or entities acting on its behalf may violate the law in force by conducting a promotional campaign in connection with the Offering

The Act on Offerings allows the issuer, selling shareholders and other persons and entities acting on their behalf to conduct a promotional campaign in connection with a public offering, and it determines the terms of such a campaign. It is not certain that Alior Bank or other persons or entities acting on its behalf will not violate the law in force in this respect.

If Alior Bank or other persons or entities acting on its behalf do not comply with certain requirements concerning promotional campaigns, the PFSA will have the right to: (i) order the suspension of the promotional campaign until all such irregularities have been removed; (ii) prohibit the promotional campaign, in particular if Alior Bank fails to remove the irregularities pointed out by the PFSA or if the content of promotional or advertising materials violates the law; or (iii) publish, at the expense of Alior Bank, information on the unlawful conduct of the promotional campaign. All such penalties imposed by the PFSA may have a material adverse effect on the Offering.

In the Event of a Breach or Suspected Breach of Law in Relation to the Offering, or the Application for the Admission and Introduction of the Shares to Trading on a Regulated Market, the PFSA may, inter alia, Prohibit or Suspend the Offering and Issue an Order to Stay or Repeal the Application for the Admission or Introduction of the Shares to Trading on the Regulated Market

Pursuant to the Public Offering Act, in the event that the issuer, the offeror or other entity participating in an offering, subscription or sale carried out pursuant to such offering, on behalf of or upon instructions from the issuer or the offeror, are in breach, or where there is a reasonable suspicion of their being in breach of applicable laws in connection with a public offering, subscription or sale in Poland, or a reasonable suspicion that such a breach may occur, the PFSA may: (i) order that the commencement of the public offering be withheld or the offering, subscription or sale be interrupted for up to ten Business Days; (ii) prohibit the commencement of the public offering, subscription or sale or the further conduct thereof; or (iii) publish, at the expense of the Company, information on the infringement of the law in connection with the public offering, subscription, or sale.

With respect to a public offering, subscription or sale, the PFSA may iteratively apply the measures set out above.

Under the Public Offering Act, in the event that the issuer or other entities acting on behalf or upon instructions from the issuer are in breach, or there is a reasonable suspicion of their being in breach of applicable laws in connection with the application for the admission of securities to trading or the admission to trading of securities on the regulated market in the territory of Poland, or there is a reasonable suspicion that such a breach may occur, the PFSA may impose the same sanctions as those described above.

Similar sanctions may also be applied if the documents and information submitted to the PFSA or disclosed to the public indicate that: (i) the public offering, subscription or sale of securities pursuant to the Offering or their admission to trading on the regulated market is materially against the interests of investors; (ii) there are circumstances proving that, in light of prevailing laws, the issuer may cease to exist as a legal person; (iii) the issuer's activity has been conducted or is being conducted in flagrant breach of law, and such breach could have a material influence on the valuation of the issuer's securities or may, under the provisions of applicable law, cause the issuer to go bankrupt or cease to exist as

a legal person; or (iv) the legal status of such securities is in breach of the provisions of applicable law, or under the provisions of applicable law there is a risk that such securities will be considered non-existent or burdened with a legal defect that has a material influence on their evaluation.

Additionally, pursuant to the Act on Trading in Financial Instruments, if the security of trading on a regulated market so requires, or if the interests of investors are prejudiced, a company operating in a regulated market must suspend, at the request of the PFSA, the admission to trading on that market or the commencement of listing of securities or other financial instruments designated by the PFSA for a period not exceeding ten days.

The occurrence of the above circumstances could have a material adverse effect on the success of the Offering.

Alior Bank's Failure to Meet the Requirements Set Forth in the WSE Rules or the Public Offering Act May Cause the Shares to Be Delisted and administrative sanctions could be imposed on the Alior Group

Securities traded on the WSE may be delisted by the WSE Management Board. "*The Warsaw Stock Exchange Rules*" and the "*Detailed Exchange Trading Rules*" establish the basis for the optional and mandatory delisting of securities by the WSE. Securities are delisted when their transferability has been limited or when they are no longer dematerialized and have been converted to registered form, or at the PFSA's request in connection with a material threat to the proper functioning of the WSE, the safety of trading on the WSE or to the interests of investors, among other matters specified in detail in the Act on Trading in Financial Instruments. The PFSA may decide to delist a public company's securities if the company breaches its duties under the Public Offering Act or certain obligations regarding disclosure of confidential information under the Act on Trading in Financial Instruments. The WSE Management Board may decide to delist securities if a public company, *inter alia*: repeatedly violates WSE regulations; submits an application for delisting; is declared bankrupt or becomes subject to liquidation proceedings; fails to have any dealings in the given securities for a period in the last three months; or opens liquidation proceedings. There can be no assurance that any of the grounds for the delisting of the Shares will not occur in the future. Upon the delisting of securities, investors can no longer trade the affected securities on the WSE, which would have a material adverse effect on the liquidity of such securities. Any off-market sale of such securities may be achieved only at a significant discount to their last traded price.

Additionally, the Public Offering Act provides that the PFSA may decide to exclude the securities of a public company, including Alior Bank, from trading on the regulated market for a fixed or indefinite term if it does not properly fulfil the requirements imposed on it, in particular in relation to reporting and other requirements. Furthermore, the PFSA may fine the company up to one million PLN, or impose both penalties jointly. It is not certain that Alior Bank will properly fulfil the requirements imposed on it. If Alior Bank violates the duties imposed on a public company, the PFSA could impose the above-mentioned sanctions, and this could have an adverse impact on the results of the Alior Group, how it is perceived by shareholders and investors, and also on its reputation. This could also affect how the Alior Group is perceived by its customers, which could also adversely impact its results.

The market price of the Pre-emptive Rights and the Offer Shares (including the Rights to Shares) may decrease and/or be highly volatile, and in particular Alior Bank's share price will fluctuate and may fall below the Issue Price of the Offer Shares issued upon exercise of the Rights to Shares, and further liquidity of the Pre-emptive Rights, the Rights to Shares and the Shares may be limited

The market price of the Pre-emptive Rights and the Offer Shares (including the Rights to Shares) may decrease and/or be highly volatile, and may be subject to significant fluctuations caused by various factors, some or many of which are beyond Alior Bank's control and are not necessarily related to Alior Bank's business, operations and prospects. These factors include, *inter alia*: the overall conditions of the Polish economy; conditions and trends in the banking sector in Poland and elsewhere in Europe; changes in market valuations of companies in the financial services industry; variations in Alior Bank's quarterly operating results; fluctuations in stock market prices and volumes; potential changes in the banking regulatory regime; changes in financial estimates or recommendations by securities analysts regarding Alior Bank or the Shares; announcements by Alior Bank or its competitors of new services or technology, acquisitions, or joint ventures; and activity by short sellers and changing government restrictions with regard to such activity. In addition, the equity market has generally been exposed to significant fluctuations in prices which may be unrelated to or disproportionately high in relation to the results of operations of the companies in question. Such general market factors may have an adverse effect on the market price of the Pre-emptive Rights and the Shares (including the Rights to Shares), irrespective of Alior Bank's results of operations. As at the date of this Offering Circular, Alior Bank was not planning to take any stabilization measures.

Moreover, the sole admission of Pre-emptive Rights, Rights to Shares and Offer Shares to trading on the main market of the WSE will not ensure its liquidity. A lack of a sufficient level of trading of Pre-emptive Rights, Rights to Shares and Offer Shares may have an adverse material impact on the liquidity or market price of Pre-emptive Rights, Rights to Shares and Offer Shares.

In addition, the market price of the Offer Shares may decline below the Issue Price. In this event, Shareholders who exercise their rights in the Offering will suffer an immediate loss as a result. Moreover, following the exercise of their rights, Shareholders may not be able to sell their new Offer Shares at a price equal to or greater than the Issue Price for those shares. Given that the trading price of the Pre-emptive Rights and the Rights to Shares depends on the price of Alior Bank's ordinary shares, a significant decline in the public market trading price of Alior Bank's ordinary shares would negatively affect the trading price of the Pre-emptive Rights and the Rights to Shares. Shareholders who decide not to exercise their Pre-emptive Rights may also sell or transfer them. If there is a substantial decline in the price of Alior Bank's ordinary shares, the Pre-emptive Rights and the Rights to Shares may become worthless, and existing shareholders who decide not to sell or transfer their rights will suffer loss as a result. If the public trading market price of the Shares declines below the Issue Price, investors who have acquired any such Pre-emptive Rights or Rights to Shares in the secondary market will suffer loss as a result.

The Issuance of the Offer Shares by Alior Bank, future offerings of convertible debt or interest securities by Alior Bank or the future sale of a significant number of Shares by Major Shareholders in Alior Bank, or the expectation that such an issue or sale will take place, could adversely impact the price of the Shares

Similarly, as in other international offers comparable to the Offering, it is expected that, in accordance with the Underwriting Agreement, for a period of 180 days from the receipt of the proceeds from the Offering the Company and any of its subsidiaries or other affiliates over which it exercises management or voting control (or any person acting on its or their behalf), will be subject to lock-up arrangements restricting the issue or sale of shares by the Company, subject to certain exceptions provided for in the Underwriting Agreement (for more information see "*Underwriting, Stabilization and contractual limitations on the transferability of Shares*").

After the lock-up restrictions expire, the Company will be authorized to issue new shares (including through an issuance with the exclusion of pre-emptive rights, which is possible with the consent of the General Meeting after the adoption of a resolution with an 80% majority of votes cast). Additionally, after the expiry of the lock-up restrictions, the Company, any of its subsidiaries or other affiliates over which it exercises management or voting control, or any person acting on its or their behalf will be able to freely dispose of the Shares.

It is not certain if the above-mentioned entities or other shareholders of the Company who acquire a block of the Offer Shares in the Offering will wish to sell the Shares or securities representing the rights to Shares in the future, or if the Company will issue new shares or securities representing rights to shares in the Company. Nevertheless, the market price of the Shares may decrease if, after the expiry of the restrictions, the above-mentioned entities or other shareholders of the Company who acquire a block of the Offer Shares in the Offering resolve to sell the shares in the Company, the Company issues new shares or other securities, or the investors resolve that such is their intention.

The issuance or sale of a significant number of shares of the Company or securities representing rights to shares in the Company (in particular, convertible bonds, senior bonds, warrants and ordinary shares) in the future or the expectation that such issuance or sale may occur may materially, adversely affect the market price of the shares in the Company, as well as the Company's capacity to attract capital through a public offering or private placement of shares or other securities.

The taking up of shares of a new issue by the Company under future offerings and in exercise of the right to take up shares arising under warrants or convertible debt securities that the Company may in the future issue may result in dilution of the economic rights and voting rights held by the current shareholders of the Company if they are conducted with the exclusion of the pre-emptive right of existing shareholders of the Bank or if the shareholders of the Company decide not to exercise the pre-emptive right or other right to take up shares of the new issue by the Company, and may result in a decrease in the price of the shares in the Company. It is also possible for both effects to occur at the same time.

As each decision of the Company to issue additional securities depends on, *inter alia*, market conditions, the Company's capital needs, the availability and costs of sources of financing and on other factors, including factors beyond the Company's control, the Company is unable to foresee and estimate the amount, time or nature of any future issue. Future investors therefore bear the risk of a decrease in the market price of the Existing Shares, the Offer Shares and the Rights to Shares and a dilution of their shareholding in the Company as a result of future issues of shares.

It needs to be stressed that future sales of a material number of shares in the Company or the mere expectation of such sales, may adversely impact the Company's ability to raise capital in the future at a time appropriate for the Company and at satisfactory prices, while the shareholding of the Company's shareholders may be diluted as a consequence of any issues of new shares in the Company in the future.

We cannot assure holders of the Pre-emptive Rights, the Rights to Shares and the Offer Shares that an active trading market will develop or that there will be sufficient liquidity for such securities

The Pre-emptive Rights and the Rights to Shares to subscribe for the Offer Shares do not have an established trading market. Although the Company's intention is that the Pre-emptive Rights and the Rights to Shares offered will be admitted to listing on the WSE for trading, we cannot assure holders of Pre-emptive Rights and Rights to Shares that an active trading market will develop for these rights on the WSE, that any over-the-counter trading market in the Pre-emptive Rights and the Rights to Shares will develop, or that there will be sufficient liquidity for such rights during such period.

Pursuant to the Offering, we are offering Pre-emptive Rights, Rights to Shares and Offer Shares that are fungible with our outstanding ordinary shares as of the date of this Offering Circular. The Company's intention is that the Pre-emptive Rights, Rights to Shares and the Offer Shares will be listed on the WSE. The owners of the Pre-emptive Rights, Rights to Shares and the Offer Shares will be able to liquidate their investment through a sale on the respective trading markets. However, liquidity problems could arise and sale orders may not be promptly matched by adequate buy orders.

The Pre-emptive Rights, the Rights to Shares and the Offer Shares may not be eligible for trading or listing on the main market of the WSE

The admission and introduction of the Pre-emptive Rights, the Rights to Shares and the Offer Shares to trading on the main market of the WSE is subject to the consent of the WSE Management Board and the acceptance by the NDS of the Pre-emptive Rights, the Rights to Shares and the Shares for a securities deposit. Such consent may be granted if Alior Bank satisfies all the legal requirements set forth in the respective regulations of the WSE and the NDS, including in particular requirements regarding minimum free-float. In addition, when examining Alior Bank's WSE-listing application, the WSE will consider Alior Bank's current and forecasted financial condition, prospects for development, and the experience and qualifications of Alior Bank's governing bodies for the safety of the market and market participants in particular. Given that some of the admission and introduction criteria are discretionary and are left to the assessment of the WSE, Alior Bank cannot assure that these approvals and consents will be obtained, nor that the Pre-emptive Rights to Shares and the Offering Shares will be admitted and introduced to trading on the regulated market of the WSE. In addition, Alior Bank cannot entirely rule out that, due to circumstances beyond its control, the admission and introduction of the Pre-emptive Rights, the Rights to Shares and the Offer Shares to the main market of the WSE will be effected on dates other than originally anticipated. Furthermore, due to the time gap between subscriptions made by investors and first day of listing of Offer Shares (for more details see *"Terms and Conditions of the Offering"*), which is longer than in some other jurisdictions, the investors are exposed to the lack of liquidity for a longer time.

Trading in the Pre-emptive Rights, the Rights to Shares and the Offer Shares on the WSE may be suspended

The WSE Management Board may pass a resolution suspending trading in securities in accordance with the WSE Rules. The WSE may suspend trading in financial instruments at the request of a public company in order to protect the interests and the safety of trading activities or upon a violation of the WSE regulations by a listed company. Trading may be suspended for a period of up to three months.

The PFSA is empowered under the Act on Trading in Financial Instruments to direct the WSE to suspend trading in instruments quoted on the WSE for a period not exceeding one month. The PFSA may exercise this right where trading in specific securities or other financial instruments constitutes a threat to the proper functioning of the WSE or the safety of trading on the WSE, or where the interests of investors have been infringed. Other reasons justifying the PFSA demanding the suspension of trading in securities are specified in detail in the Act on Trading in Financial Instruments. During a suspension of trading in securities, investors are unable to purchase and sell the affected securities on the stock market, which will adversely affect the liquidity levels of such securities. Any off-market sale of suspended securities might be achieved only at a significant discount to their last traded price. There can be no assurance that trading in the Pre-emptive Rights, the Rights to Shares and the Offer Shares will not be suspended.

Risk Related to the Management Board's authorization to determine the final amount by which the share capital is to be increased

Pursuant to Article 432 § 4 of the Polish Code of Commercial Companies, a resolution to increase the share capital in the case of a public offering may contain authorization for the management board or supervisory board to set the final amount by which the share capital is to be increased, provided that the amount set is not lower than the minimum or higher than the maximum amount of such increase set by the general meeting of shareholders.

Pursuant to the Capital Increase Resolution, the Management Board of Alior Bank has been authorized to set the final amount by which the share capital is to be increased pursuant to Article 432 § 4 of the Code of Commercial Companies. As at the date of this Offering Circular, the Management Board exercised its right by determining the final amount to PLN 565,562,430.

In accordance with the requirements set out in the "*Standpoint of the Office of the Polish Financial Supervision Authority dated September 30, 2010 as regards the application of Article 432 § 4 of the Code of Commercial Companies in the case of public offerings conducted on the basis of prospectuses and information memoranda*", according to the Office of the PFSA: (i) if a lower number of shares is subscribed for than the number arising from the final increase amount set by the management board, there may be doubt as to whether the issue has been effective, and consequently may result in a refusal to register the share capital increase; and (ii) if a higher number of shares is subscribed for than the number arising from the final capital increase amount set by the management board, when allotting the shares, the management board will reduce the subscriptions on the terms described in the Prospectus.

The share of the Alior Bank shareholders who do not take up Offer Shares in exercise of the Pre-emptive Right in the share capital of Alior Bank and the total number of votes at the General Meeting will be diluted, and as a result these shareholders may incur a loss

If the existing shareholders of Alior Bank do not take up the Offer Shares in their exercise of their Pre-emptive Rights under the Offering, or do not sell any Pre-emptive Rights not exercised, the Pre-emptive Rights will expire and the proportionate share of these shareholders in the share capital of Alior Bank and in the total number of votes at the General Meeting will decrease, including by reason of the Joint Underwriters placing Offer Shares not taken up by existing shareholders with new investors or, failing which, subscribing for such Offer Shares themselves, in accordance with the terms of the Underwriting Agreement. If an existing shareholder of Alior Bank who is entitled to a Pre-emptive Right opts to sell the Pre-emptive Right, the proceeds may not be sufficient to compensate for the losses caused by the dilution of his shareholding in the share capital of Alior Bank and in the total number of votes at the General Meeting that may be caused by the Offering.

Unexercised Pre-emptive Rights will expire without compensation

The subscription period for the Offer Shares is expected to commence on May 25, 2016 and expire on June 1, 2016. Any Pre-emptive Rights not exercised prior to the end of the subscription period for the Offer Shares will expire without the holder of such Pre-emptive Rights receiving any compensation, reimbursement of expenses or any economic benefit whatsoever.

Risk related to the post-reform functioning of Open-ended Pension Funds and its possible impact on the capital market in Poland and the price of the Shares

The legal framework of Open-ended Pension Funds (the "**OPFs**") in Poland was reformed in 2014, by virtue of the Act Amending Certain Acts in Connection with the Specification of the Terms of Payment of Pensions out of Funds Accrued in Open-ended Pension Funds of December 6, 2013 (the "**OPF Act**"). The OPF Act introduced significant changes with regards to the operation of the OPFs; among other things, the Act (i) resulted in the transfer to the Polish Social Insurance Institution ("**ZUS**") of 51.5% of the assets of the OPFs, including treasury bonds and other debt securities specified in the Act; (ii) introduced voluntary participation in the OPFs; (iii) allowed participants to change their choice between OPF and ZUS only once every two years, during the so-called 'window'; (iv) provided for a gradual transfer of funds out of the OPFs to ZUS 10 years before retirement age is reached; and (v) changed the OPFs' investment policy, including the introduction of a ban on investing in treasury bonds and specific investment limits in the case of statutorily defined financial instruments.

Due to the significant share of the OPFs in the capital of companies listed on the WSE, an adverse impact of the OPF Act on the functioning of the WSE and on the price of the Shares has been observed over the years. The changes made with regard to the operation of the OPFs and the smaller number of participants due to the introduction of voluntary participation and the currently open window for change between the OPFs and ZUS in particular may still produce

an outflow of capital from the market as a result of the decrease in the monies accrued in the OPFs that may be used to purchase shares. In addition, a transfer of monies from the OPFs to ZUS 10 years before the retirement age may mean that the supply of shares from the OPFs will be higher than the OPFs' demand for shares. If there is an outflow of monies from the OPFs, the supply of shares resulting from the OPFs' selling of the shares may have a material adverse impact on the price of the shares listed on the WSE and on their liquidity.

In addition, any further reforms and changes in the legal framework of the OPFs may have a negative impact on the way the Polish capital market is perceived and on the stability of its institutional framework. There is no guarantee that in the future no other reform will take place that would require the complete elimination of the OPFs.

It is impossible to establish the exact impact of the post-reform legal framework of the OPFs on the capital market, and, consequently, on the future price of the Shares. However, in light of the above, there is a risk that the foregoing factors may have a negative impact on the pricing of the Shares, the volume of trading in the Shares on the WSE, their liquidity, the shareholding structure of Alior Bank, and the success of the Offering.

Restrictions as to the exercise of Pre-emptive Rights by persons resident outside of Poland

The Offering is addressed to persons eligible to subscribe for the Offer Shares in the exercise of their Pre-emptive Rights and to submit an Additional Subscription. Persons eligible to subscribe for the Offer Shares in the exercise of their Pre-emptive Rights and to submit an Additional Subscription who have their registered office or who reside outside Poland may not be able to subscribe for the Offer Shares (or may be able to do so only to a limited extent) due to the regulations which are binding upon them in the country of their registered office/residence. Alior Bank does not intend to register the Pre-emptive Rights and the Offer Shares outside Poland and cannot guarantee that it will make such registration in relation to any future offering of securities by Alior Bank. Holders of the Pre-emptive Rights who, in accordance with the regulations in force in the country of their registered office /residence, cannot exercise the Pre-emptive Rights must bear in mind that their shareholdings in the share capital of Alior Bank may be diluted and that such holders may incur a loss.

Pre-emptive Rights, Rights to Shares and Offer Shares may not be admitted or introduced to trading on the main market of the WSE, and the commencement of listings of Pre-emptive Rights may be delayed

The introduction of Pre-emptive Rights, Rights to Shares and Offer Shares to trading on the main market of the WSE requires the consent of the WSE Management Board and a decision from the NDS on the acceptance of Pre-emptive Rights, Rights to Shares and Offer Shares in the deposit. Alior Bank cannot guarantee that such consents will be obtained or that the Pre-emptive Rights, Rights to Shares and Offer Shares will be admitted and introduced to trading on the main market of the WSE. Among other things, it is not certain whether the number of subscribers for Offer Shares will be sufficient to ensure, *inter alia*, an appropriate distribution enabling fulfilment of the minimum liquidity criterion necessary for the admission and introduction of the Rights to Shares and Offer Shares to trading on the main market of the WSE.

The listing of Pre-emptive Rights will take place *inter alia* on the condition that the Pre-emptive Rights are registered with the NDS, the Issue Price is published, and the conditions for the listing of the Pre-emptive Rights on the WSE are fulfilled in accordance with the rules in force at the WSE. There is a risk that if these conditions are not fulfilled, the listings of the Pre-emptive Rights could be delayed. Under the terms of the Detailed Rules of Stock Exchange Trading, pre-emptive rights are listed on the condition that the period of their listing is at least one session day.

If Offer Shares not subscribed for in exercise of the Pre-emptive Rights, or under Additional Subscriptions are offered for subscription and subscribed for at a price higher than the Issue Price, the rights to such Shares will be covered by a separate line of listings. There is a risk that the Rights to Shares in respect of Offer Shares not subscribed for in the exercise of the Pre-emptive Rights or under Additional Subscriptions will not fulfil all the criteria required for admission and introduction to trading on the WSE, including, *inter alia*, the condition of ensuring appropriate distribution referred to above.

The value of the Pre-emptive Rights, the Rights to Shares and the Offer Shares for foreign investors may decrease due to exchange rate fluctuations

The market price of the Shares, and therefore also the Pre-emptive Rights, the Rights to Shares and the Offer Shares, traded on the WSE is denominated in PLN. Consequently, payments for the Offer Shares will be made by foreign investors in PLN and, accordingly, foreign investors must convert amounts into PLN at a certain exchange rate, which could be different from the exchange rate prevalent in the future. Consequently, the return on investment in the Shares will depend not only on changes in the price of Shares during the investment period, but also on fluctuations in the exchange rate between PLN and the investors' domestic currencies. Exchange rate risk will also apply to any cash

disbursements under rights associated with the Shares, including the payment of dividends which, if made, would be made in PLN.

Holders of the Shares in Certain Jurisdictions May Be Subject to Restrictions Regarding the Exercise of Pre-Emptive Rights with Respect to Future Offerings

In the case of an increase of Alior Bank's registered share capital, existing shareholders of Alior Bank are entitled to exercise pre-emptive rights pursuant to the Code of Commercial Companies, unless such rights are waived in whole or in part by a resolution of the General Meeting. To the extent that pre-emptive rights are granted, holders of the Shares in the U.S. may be unable to exercise their pre-emptive rights unless a registration statement under the U.S. Securities Act is effective with respect to such rights or an exemption from the registration requirements is available. Shareholders of Alior Bank in other jurisdictions may also be limited in their ability to exercise their pre-emptive rights. Alior Bank cannot give any assurance that in the future it will register any of the Shares or other securities in accordance with the U.S. Securities Act or the provisions of any other jurisdiction outside of Poland. If Alior Bank's share capital is increased in the future, Alior Bank's shareholders who are not able to exercise a potential pre-emptive right (in accordance with the laws of the country where they have their registered office) should take into account that their interest in Alior Bank's share capital may be diluted upon such issuance of new shares in Alior Bank. Furthermore, although in some jurisdictions non-participating shareholders may be given a cash distribution of the value of their tradable rights, there is no requirement to do so in Poland and, consequently, an investor in the Shares may not receive any exercisable rights or any compensation in lieu of such rights.

The Interpretation of Polish Laws and Regulations Governing Investing in Shares, Including Tax Laws and Regulations Applicable to Investors, May Be Unclear and Polish Tax Laws and Regulations May Change

The Polish legal system, including the tax regulations incorporated therein, is subject to frequent changes. Furthermore, some provisions of Polish law, specifically tax law, are ambiguous and often there is no uniform interpretation of the law and no uniform practice by the public authorities, including the tax authorities, or by the courts. As a result of frequent changes in law and, specifically, tax law and the varying interpretations thereof, the risk connected with Polish tax law may be greater than that in other developed markets. The above is true in particular with respect to issues related to income tax applicable to income generated by investors in relation to the acquisition, holding and sale of securities. No assurance may be given that changes to the tax law which may prove unfavorable to investors will not be introduced, or that the Polish tax authorities will not take a new, different and unfavorable interpretation of tax provisions. This could have an adverse effect on the tax charges incurred and the actual profit generated by investors from their investment in the Shares.

USE OF PROCEEDS

The Management Board intends to generate gross proceeds of approximately PLN 2.2 billion from the Offer Shares issued in the Offering. The amount of the gross proceeds will depend, in particular, on the number of Offer Shares allotted in the Offering, the Issue Price and market conditions at the time of the Offering.

The amount of net proceeds from the issuance of the Offer Shares will depend on the amount of Offer Shares allotted in the Offering, the Issue Price and the total costs of the Offering (see " – *Additional information – Costs of the Offering*"). The estimated total cost of the Offering is approximately PLN 71.3 million. Based on this assumption and the costs of the Offering referred to above, Alior Bank expects to generate net proceeds of approximately PLN 2,128.7 million from the issuance of the Offer Shares.

Information relating to the gross and net proceeds from the issuance of the Offer Shares in the Offering and the final amount of the associated costs therein will be published upon completion of the Offering in the form of a current report, pursuant to Article 56 section 1 item 2 of the Public Offering Act 2005.

The Management Board intends to use the proceeds from the Offering to:

(i) finance the acquisition of a significant number of shares in Bank BPH through the Tender Offer (see " – *Transaction – Introduction*");

(ii) cover the anticipated costs of integrating Alior Bank and the Bank BPH Core Business following the Transaction (see " – *Business: Bank BHP Core Bank – Integration Costs*"); and

(iii) maintain the required level of the CET1 ratio and the CAR ratio, taking into account the Management Board's plans concerning the continued organic growth of Alior Bank (see " – *Alior Group Business – Alior Bank Strategy*").

As part of the Transaction, Alior Bank intends, among other things, to acquire a significant number of shares in Bank BPH through the Tender Offer (see " – *Transaction – Tender Offer and obligations of the Parties in the Transition Period*"). Pursuant to the Share Purchase and Demerger Agreement, the Sellers will sell a proportion of their shares in the Tender Offer, in a number calculated as a function of the Price for the Sellers and the price per share proposed in the Tender Offer. The Price for the Sellers, payable for the Sellers' 87.23% share in the Bank BPH Core Business, is set in the Share Purchase and Demerger Agreement as PLN 1,225 million, subject to certain potential adjustments (see " – *Transaction – Share Purchase and Demerger Agreement – Price*").

The Management Board assumes that the size of the Offering will ensure it is possible to maintain the CET1 ratio above 10.75% and the CAR ratio above 13.75% , while taking into account Alior Bank's intention to maintain organic growth following the Transaction (see "*Alior Group Business")* and the anticipated costs of integration of the Bank BPH Core Business with the Alior Group (see: "*The Bank BPH Core Business – Integration Costs*"), which are not expected to be offset by the expected synergies only in 2017.

The Management Board assumes that the net proceeds from the Offering will cover all costs relating to the reasons for the Offering described above. However, if the proceeds generated by Alior Bank on the issuance of the Offer Shares are less than anticipated, or if the costs relating to the intended use of proceeds set out above significantly increase resulting in a shortage of funds from the Offering for covering the uses of proceeds specified above in full, Alior Bank intends to raise funds to cover this shortage from its own funds or by using debt finance.

Alior Bank does not intend to alter the use of the proceeds from the issuance of the Offer Shares in the Offering, but reserves the right to do so. This may occur if the intended uses of proceeds are no longer justified, reasonable or otherwise become impossible, or if any events or circumstances occur that adversely affect Alior Bank's business. In particular, although the Management Board believes that all reasonable steps have been taken to reduce the possibility of the Transaction not being completed, this risk cannot be eliminated in its entirety. In the event that the Transaction is not completed, the Management Board will assess the options for alternative use of the net proceeds from the Offering. Alternative uses may include: (i) merger or acquisition projects, including acquisitions of credit portfolios comprising both retail and corporate exposures; (ii) accelerating the organic growth of Alior Bank's credit portfolio; and (iii) repayment by Alior Bank of the guarantee provided by PZU on the basis of the Guarantee Agreement dated March 31, 2016 (see " – *Alior Group Business – Material Agreements – Agreement material for capital requirements – Guarantee and re-guarantee agreements*").

Subject to the possible use of the net proceeds referred to above, in the event of the Transaction not being completed, the ultimate use of the net proceeds will be determined by Alior Bank upon completion of the Offering. Should there be a change in the intended use of the net proceeds from the issuance of the Offer Shares in the Offering, relevant information will be published promptly in the form of a Prospectus Supplement. In the event that the purpose of the issue varies during the period of validity of the Offering Circular, a current report will be published in addition to the Prospectus Supplement based on Article 56 section 1 item 2 of the Public Offering Act 2005. Moreover, in the event that the reasons for the offer change after the lapse of the period of validity of the Prospectus, a current report will be published pursuant to Article 56 section 1 item 2 of the Public Offering Act 2005.

DILUTION

Alior Bank offers the Offer Shares with the Pre-emptive Rights to the Offer Shares being available to the existing shareholders of Alior Bank.

The scale and extent of the dilution of shares held by the existing shareholders of Alior Bank will depend on (i) the final value of the increase in Alior Bank's share capital; (ii) the number of the existing shareholders of Alior Bank who subscribe for the Offer Shares and exercise their Pre-emptive rights; (iii) the number of the existing shareholders of Alior Bank who dispose of their Pre-emptive Rights; (iv) the number of the existing shareholders of Alior Bank who subscribe for additional Offer Shares following the placement of additional subscriptions for the Offer Shares as stipulated in the Code of Commercial Companies; and (v) the number of the Offer Shares subscribed for by entities who are not existing shareholders of Alior Bank and who acquire the Offer Shares through exercising acquired Pre-emptive Rights or acquire Offer Shares, which have not been subscribed for through exercising Pre-emptive Rights, or who place additional subscriptions for the Offer Shares.

Assuming that pursuant to the Offering, Alior Bank will issue the maximum possible number of Offer Shares and that all of the Offer Shares will be offered and subscribed for, the maximum immediate dilution of the interest of a shareholder who did not acquire any Offer Shares by exercising their Pre-emptive Rights will be 77.7% in both the share capital and the total number of votes at the General Meeting.

As at the date of this Offering Circular, 72,707,463 Existing Shares represent the entire share capital of the Company and the total number of votes at the General Meeting. Taking the aforementioned assumption into account, following the registration of the increase in the share capital of the Company arising from the issue of the maximum number of Offer Shares, the above figure will represent 56.25% of Alior Bank's share capital and 56.25% of the total number of votes at the General Meeting.

The table below contains information about the share capital structure of Alior Bank as at the date of this Offering Circular and the anticipated immediate dilution after the Offering is effected (in numbers and in percentage), assuming that Alior Bank will issue the maximum number of the Offer Shares and that all the Offer Shares will be offered and subscribed for.

	As at the date of this Offering Circular		**After the Offering**	
Existing Shares	72,707,463	100%	72,707,463	56.25%
Offer Shares	–	–	56,550,249	43.75%
Total Shares	**72,707,463**	**100%**	**129,257,712**	**100%**

Source: The Company.

The ultimate extent of the dilution of shares of the existing shareholders of the Company in the share capital and in the total number of votes at the General Meeting will depend on the final number of the Offer Shares issued by the Company.

DIVIDENDS AND DIVIDEND POLICY

Dividends in the period covered by historical financial information

The table below contains information on the net profit of Alior Bank for the financial years ended December 31, 2013, 2014 and 2015.

	Financial year ending December 31,		
	2015	**2014**	**2013**
	(PLN million)		
Net distributable profit of Alior Bank	311.4	337.0	219.8

Source: Alior Bank.

During the period covered by the Alior Group Annual Consolidated Financial Statements, Alior Bank did not pay any dividends.

The net profit of Alior Bank for the financial year ended December 31, 2013 (based on non-consolidated financial statements prepared in accordance with IFRS) amounted to PLN 219.8 million. Pursuant to Resolution No. 8/2014 of the Annual General Meeting on May 15, 2014, it was used in its entirety to cover retained losses. This was reported on the balance sheet of Alior Bank as at December 31, 2013.

The net profit of Alior Bank for the financial year ended December 31, 2014 (based on non-consolidated financial statements prepared in accordance with IFRS) amounted to PLN 337.0 million. Pursuant to Resolution No. 8/2015 of the Annual General Meeting on May 25, 2015, it was transferred in its entirety to the supplementary capital of Alior Bank.

The net profit of Alior Bank for the financial year ended December 31, 2015 (based on non-consolidated financial statements prepared in accordance with IFRS) amounted to PLN 311.4 million. Pursuant to Resolution No. 8/2016 of the Annual General Meeting on March 30, 2016, it was transferred in its entirety to the supplementary capital of Alior Bank.

Dividend payment policy

Pursuant to the Articles of Association and subject to the provisions of the Banking Law, the net profit of Alior Bank is set aside, in amounts determined by the General Meeting, for: (i) the supplementary capital, (ii) capital reserves, (iii) general risk fund for unidentified banking risks, (iv) dividends payable to the shareholders of Alior Bank; or (v) other purposes. Any loss that may be incurred in relation to the operations of Alior Bank is covered by the supplementary capital, subject to the rules stipulated by the Banking Law. The decision on the use of the supplementary capital is made in the General Meeting.

Pursuant to the Code of Commercial Companies, at least 8% of the profit for a given financial year must be transferred to the supplementary capital, until it equals one third of the amount of the share capital. As at the date of this Offering Circular, the supplementary capital of Alior Bank satisfied the requirements for this minimum amount.

The dividend payment policy of Alior Bank is influenced by the PFSA's guidance issued on the dividend payment policy of financial institutions (see " – *Dividend payment restrictions*" below).

In the period covered by the Alior Group Annual Consolidated Financial Statements, Alior Bank did not distribute dividends, and instead set aside the entire amount of its profit to cover retained losses (which refers to the net profit of Alior Bank earned for the financial year ended December 31, 2013) and to increase its own funds (which refers to the net profit of Alior Bank earned for the financial year ended December 31, 2014 and 2015). This is in line with Alior Bank's development strategy and the capital adequacy requirements of the PFSA.

The Management Board does not intend to distribute dividends to its shareholders from the profits (if any) for the financial year ended December 31, 2016 and intends to apply any future profits and retained earnings in such period (if any) to finance the growth and development of its business. At the end of the above-mentioned period, the Management Board will consider a change of the dividend policy. The Management Board may decide to recommend the payment of dividends for consideration by the shareholders at the General Meeting. In making any such recommendation, the Management Board will take into account several factors, including the Bank's prospects, future profits, capital requirements, financial standing, the Tier I ratio and total capital adequacy ratio levels and expansion plans, as well as relevant laws and regulations, and any relevant recommendations of the PFSA. However, the approval of dividends and

the amount of dividends to be paid is ultimately a decision for the shareholders, who are not bound by any dividend recommendation of the Management Board.

The Management Board believes that the payment of dividends by Alior Bank from its profits for 2017 (if any profit is earned in that period) may be impossible due to the cost of the Transaction and the related restructuring.

Dividend payment restrictions

The payment of dividends by the Bank is subject to certain contractual and legal restrictions. In particular, the timing and method of dividend payments is prescribed by the Code of Commercial Companies.

Furthermore, every year the PFSA issues its position on the dividend policy of financial institutions. In its statement of December 15, 2015, the PFSA recommended that for commercial banks, dividends should only be issued by banks which: (i) are not implementing a recovery plan; (ii) have obtained a positive assessment in the BION regulatory review, i.e. their final BION assessment is no less than 2.5; (iii) have a leverage ratio (LR) exceeding 5%; and (iv) have a Tier I ratio increased by the capital conservation buffer exceeding (a) 13.25% plus 75% of an additional capital requirement (if any) for the risk related to the currency portfolio, individually imposed on the Bank by the PFSA on October 23, 2015 (for banks with over a 5% share in the deposit market of a non-financial sector), or (b) 11.25% plus 75% of an additional capital requirement (if any) for the risk related to the currency portfolio, individually imposed on the bank by the PFSA on October 23, 2015 (for other commercial banks). The above mentioned additional capital requirements were not imposed on Alior Bank, and the PFSA did not issue any individual recommendations vis-à-vis the Bank's dividend policy.

In its statement of December 15, 2015, the PFSA recommended that: (i) up to 50% of the earned profit can be distributed by banks which satisfy the regulatory expectations with respect to the total capital adequacy ratio (that is, those with a total capital adequacy ratio exceeding 13.25% plus 100% of an additional capital requirement (if any) for the risk related to the currency portfolio, individually imposed on the bank by the PFSA on October 23, 2015); (ii) up to 100% of the earned profit can be distributed by banks with a total capital adequacy ratio exceeding (a) 16.25% plus 100% of an additional capital requirement (if any) for the risk related to the currency portfolio, individually imposed on the bank by the PFSA on October 23, 2015 (for banks with over 5% share in the deposit market of the non-financial sector) or (b) 14.25% plus 100% of an additional capital requirement (if any) for the risk related to the currency portfolio, individually imposed on the bank by the PFSA on October 23, 2015 (for other commercial banks).

It cannot be ruled out that, in the future, the PFSA may issue stricter recommendations with respect to the payment of dividends.

All Shares, including the Offer Shares, carry equal rights to dividends and entitle their holders to participate in Alior Bank's profit from the date of their purchase (and, in the case of the Offer Shares, from their registration in the KRS), provided that the Annual General Meeting passes a resolution on the distribution of profits and the record date is set after the date of purchase (or registration) of the Shares.

For more details regarding dividend payments, see *Share Capital and Shares – Shareholders rights attached to Shares – Right to dividend*".

Dividend income in Poland is taxed at a flat rate of 19%. For more details regarding the taxation of dividends, see " *– Taxation – Taxation of dividends and other revenues from shares in the profits of legal persons*".

CAPITALIZATION AND INDEBTEDNESS

The following table shows the capitalization and indebtedness of the Alior Group as at March 31, 2016.

The following information should be analyzed in conjunction with the Alior Group Financial Statements and the information provided in "*Operating and Financial Review of the Alior Group*" as well as the financial data provided elsewhere in this Offering Circular.

	As at March 31, 2016
	(unaudited)
	(PLN million)
Short-term indebtedness[(1)]	**34,679.2**
Guaranteed[*]	0.0
Secured[**]	0.0
Non-guaranteed/unsecured	34,679.2
Long-term indebtedness[(2)]	**3,744.9**
Guaranteed[*]	0.0
Secured[**]	0.0
Non-guaranteed/unsecured	3,744.9
Equity	**3,601.6**
Equity attributable to equity holders of the parent company	3,600.5
Share capital	727.1
Supplementary capital	2,591.3
Revaluation reserve	22.6
Other reserves	184.7
Retained earnings/(accumulated losses)	(5.4)
Profit for the year	80.2
Non-controlling interests	1.1
Total indebtedness and equity	**42,025.7**
A. Cash	665.8
B. Cash equivalents	311.7
C. Financial assets held for trading	359.8
D. Liquidity(A + B + C)	**1,337.3**
E. Current financial receivables	**13,315.6**
F. Short-term loans and borrowings	0.0
G. Current portion of long-term indebtedness	0.0
H. Other short-term indebtedness	34,679.2
I. Short-term indebtedness (F + G + H)	**34,679.2**
J. Short-term indebtedness net (I – E – D)	**20,026.3**
K. Long-term loans and borrowings	42.8
L. Other long-term indebtedness	3,702.1
M. Long-term indebtedness (K + L)	**3,744.9**
N. Net indebtedness (J + M)	**23,771.1**

(1) *The short-term indebtedness includes the current portion of amounts due to banks, amounts due to customers and subordinated liabilities, as well as the current portion of long-term indebtedness.*

(2) *The long-term indebtedness includes long-term amounts due to banks, amounts due to customers and subordinated liabilities, excluding the current portion of long-term indebtedness.*

** Including indebtedness collateralized with guarantees of entities outside the Alior Group.*

*** Including financial debts collateralized on the Alior Group's assets.*

Source: Unaudited Interim Financial Statements of the Alior Group for the First Quarter 2016, Alior Bank.

From March 31, 2016 until the date of this Offering Circular, there have been no material changes to the capitalization or indebtedness of the Alior Group. On April 13, 2016, Alior Bank issued subordinated bonds with a nominal value of PLN 150 million, and on April 19, 2016, Alior Bank issued subordinated bonds with a nominal value of PLN 70 million (see *" – Alior Group Business – Material Agreements – Financing agreements – Public Subordinated Bond Issue Program*").

Indirect and Contingent Liabilities

The Alior Group's contingent liabilities as at March 31, 2016 are described in the section "*Operating and Financial Review of the Alior Group – Contingent liabilities*".

As at the date of this Offering Circular, the Alior Group had no material indirect liabilities other than the contingent liabilities referred to above.

Working Capital Statement

The Management Board believes that the working capital of the Alior Group, as at the date of this Offering Circular, is sufficient for the Alior Group's current requirements for a period of at least 12 months following the date of this Offering Circular.

EXCHANGE RATES

The tables below present the weighted average rates, the highest and lowest rates, and the period-end rates as announced by the NBP for exchange transactions between PLN and foreign currencies during the respective periods shown. Currency exchange rates applied in preparing the Alior Group Financial Statements, the Bank BPH Special Purpose Financial Statements, the Bank BPH Financial Statements and/or developing other data included in this Offering Circular may differ from the currency exchange rates presented in the table below. These currency exchange rates should not be construed as representations that Alior Bank, Bank BPH or the Bank BPH Core Business have translated amounts in foreign currencies into PLN at the exchange rates specified below, or that amounts in foreign currencies could be exchanged at these rates as a result of currency exchange transactions.

EUR/PLN Exchange Rate

	EUR/PLN Exchange Rate			
	Weighted average	**High**	**Low**	**Period-end**
2013	4.20	4.34	4.07	4.15
2014	4.19	4.31	4.10	4.26
2015	4.18	4.36	3.98	4.26
January 1 to April 30, 2016	4.35	4.50	4.24	4.41

Source: NBP

USD/PLN Exchange Rate

	USD/PLN Exchange Rate			
	Weighted average	**High**	**Low**	**Period-end**
2013	3.16	3.37	3.01	3.01
2014	3.16	3.55	3.00	3.51
2015	3.77	4.04	3.56	3.90
January 1 to April 30, 2016	3.92	4.15	3.72	3.87

Source: NBP

CHF/PLN Exchange Rate

	CHF/PLN Exchange Rate			
	Weighted average	**High**	**Low**	**Period-end**
2013	3.41	3.55	3.31	3.38
2014	3.45	3.59	3.36	3.54
2015	3.92	4.32	3.56	3.94
January 1 to April 30, 2016	3.97	4.11	3.87	4.02

Source: NBP

PRESENTATION OF FINANCIAL AND OTHER INFORMATION

Financial Information

Historical financial information

In this Offering Circular, financial information for the Alior Group has been extracted or derived from the audited consolidated financial statements of the Alior Group as at and for the financial years ended December 31, 2013, 2014 and 2015 (the "**Alior Group Annual Consolidated Financial Statements**"), the unaudited condensed interim consolidated financial statements of the Alior Group for the three-month period ended March 31, 2016 (the "**Alior Group Consolidated Financial Statements for the First Quarter 2016**") as well as from the Alior Group's unaudited management accounts prepared based on accounting records. The Alior Group Annual Consolidated Financial Statements together with the Alior Group Consolidated Financial Statements for the First Quarter 2016 are referred to as the "**Alior Group Financial Statements**".

In this Offering Circular, financial information for the Bank BPH Core Business has been extracted or derived from audited Bank BPH annual special purpose financial statements for the two financial years ended December 31, 2015 (the "**Bank BPH Special Purpose 2014–2015 Financial Statements**"), unaudited condensed interim special purpose financial information of Bank BPH for the three-month period ended March 31, 2016 (the "**Bank BPH Interim Special Purpose Q1 2016 Financial Statements**") and unaudited management accounts based on accounting records of Bank BPH. Financial information for Bank BPH has been extracted or derived from audited Bank BPH annual standalone financial statements for the financial years ended December 31, 2013 and December 31, 2014 (the "**Bank BPH Annual Standalone Financial Statements** ") and unaudited management accounts based on accounting records of Bank BPH. The Bank BPH Special Purpose 2014–2015 Financial Statements, the Bank BPH Special Purpose Q1 2016 Financial Statements and the Bank BPH Annual Standalone Financial Statements are not financial statements of Alior Bank or any of the Alior Group members. These financial statements are included in the Offering Circular pursuant to the requirements of Article 4a Section 1 of the Prospectus Regulation in relation to a significant financial commitment made by Alior Bank in the form of the implementation of the Transaction. The Bank BPH Special Purpose 2014–2015 Financial Statements together with the Bank BPH Special Purpose Q1 2016 Financial Statements are referred to as the "**Bank BPH Special Purpose Financial Statements**", while the Bank BPH Annual Standalone Financial Statements are referred to as the "**Bank BPH Financial Statements**".

The Alior Group Annual Consolidated Financial Statements and the Bank BPH Annual Standalone Financial Statements are presented in accordance with International Financial Reporting Standards, as adopted by the European Union (the "**IFRS**"). The Alior Group Consolidated Financial Statements for the First Quarter 2016 have been prepared in accordance with International Accounting Standard ("**IAS**") 34 *Interim Financial Reporting*.

Presentation of financial information in accordance with IFRS requires the management of, respectively, the Alior Group and Bank BPH, to make various estimates and assumptions which may impact the values shown in the Alior Group Annual Consolidated Financial Statements, the Alior Group Consolidated Financial Statements for the First Quarter 2016, and the Bank BPH Annual Standalone Financial Statements and the respective notes thereto. The actual values may differ from such assumptions.

The Bank BPH Special Purpose 2014–2015 Financial Statements and the Bank BPH Interim Special Purpose Q1 2016 Financial Information have been prepared based on the same accounting principles (policies) as used in the preparation of the IFRS standalone financial statements of Bank BPH in accordance with the IFRS. The Bank BPH Special Purpose 2014–2015 Financial Statements and the Bank BPH Interim Special Purpose Q1 2016 Financial Information have been prepared from the point of view of Alior Bank, therefore the Bank BPH Mortgage Business (that will not be acquired by Alior Bank) has been presented similarly to discontinued operations. The IFRS do not envisage the preparation of financial statements for only parts of an entity, hence the preparation of the Bank BPH Special Purpose 2014–2015 Financial Statements and the Bank BPH Interim Special Purpose Q1 2016 Financial Information involved the use of certain accounting conventions commonly applied in the preparation of historical financial information in offering documents and discussed as part of the basis of preparation of the Bank BPH Special Purpose 2014–2015 Financial Statements or the Bank BPH Interim Special Purpose Q1 2016 Financial Information, respectively.

The Bank BPH Special Purpose 2014–2015 Financial Statements and the Bank BPH Interim Special Purpose Q1 2016 Financial Information have been prepared to present the financial condition, results of operations and cash flows separately for the Bank BPH Core Business and the Bank BPH Mortgage Business for all periods covered by that financial information in order to give an accurate picture of the business to be transferred to Alior Bank as part of the

Transaction. Neither the Bank BPH Core Business nor the Bank BPH Mortgage Business have operated as independent businesses and, therefore, their financial conditions, results of operations and cash flows may to some extent differ from the actual performance that would occur if these entities had operated as independent businesses, and also with respect to their future results of operations. In the periods covered by the presented financial information, the Bank BPH Core Business and the Bank BPH Mortgage Business were managed jointly as one legal entity and, thus, are not fully separable, and the Bank BPH Core Business and the Bank BPH Mortgage Business will continue to be managed jointly as one legal entity until the Demerger Date. The financial statements of Bank BPH present the operations of the Bank BPH Mortgage Business as part of operations in the retail banking segment. Some management functions and related costs concerned Bank BPH's operating activities taken as a whole. In addition, Bank BPH, as a supervised entity, was required to maintain capital and funds covering the entire business.

The Alior Group Annual Consolidated Financial Statements and the respective auditor's opinions of Ernst & Young Audyt Polska sp.z o.o.s.k. (regarding the Consolidated Financial Statements of the Alior Group for 2013) and PwC (regarding the Consolidated Financial Statements of the Alior Group for 2014 and the Consolidated Financial Statements of the Alior Group for 2015), thereon and the Alior Group Consolidated Financial Statements for the First Quarter 2016 are incorporated into this Offering Circular by reference (see " – *Additional Information – Documents Incorporated by Reference*"). These documents are available at the web site of Alior Bank www.aliorbank.pl ("*Bank Integration*" tab).

The Bank BPH Annual Standalone Financial Statements and the auditor's opinion of PwC thereon are incorporated into this Offering Circular by reference (see " – *Additional Information – Documents Incorporated by Reference*"). These documents are available at the web site of Alior Bank www.aliorbank.pl ("*Bank Integration*" tab).

The Bank BPH Special Purpose 2014–2015 Financial Statements and the auditor's opinion of PwC thereon and the Bank BPH Interim Special Purpose Q1 2016 Financial Information and the auditor's report of PwC thereon are included in this Offering Circular.

The Alior Group Annual Consolidated Financial Statements, the Alior Group Consolidated Financial Statements for the First Quarter 2016, the Bank BPH Annual Standalone Financial Statements, the Bank BPH Special Purpose 2014–2015 Financial Statements and the Bank BPH Special Purpose Q1 2016 Financial Statements included or incorporated by reference in this Offering Circular should be read in conjunction with the respective notes thereto. Prospective investors are advised to consult their professional advisors for an understanding of: (i) the differences between IFRS and U.S. generally accepted accounting principles ("**US GAAP**") or any other systems of generally accepted accounting principles in the jurisdictions of such prospective investors and how those differences might affect the financial information included or incorporated by reference in this Offering Circular, and (ii) the impact that future additions to, or amendments of, IFRS may have on the Alior Group's results of operations or financial condition, as well as on the comparability of the prior periods.

In addition, this Offering Circular includes certain non-IFRS financial measures and ratios. See " – *Non-IFRS Financial Measures*" below.

Any financial information regarding Alior Bank or the Alior Group in this Offering Circular labeled as "unaudited" has not been extracted from the Alior Group Annual Consolidated Financial Statements, but has been extracted or derived from the Alior Group Consolidated Financial Statements for the First Quarter 2016, the Pro Forma Financial Information, or from the Alior Group's unaudited management accounts prepared based on accounting records, as applicable, or is based on calculations of figures from the above-mentioned sources.

Any Financial Information regarding the Bank BPH Core Business or Bank BPH in this Offering Circular labelled as "unaudited" has not been extracted from the Bank BPH Special Purpose 2014–2015 Financial Statements or the Bank BPH Annual Standalone Financial Statements, but has been extracted or derived from the Bank BPH Interim Special Purpose Q1 2016 Financial Information, the Pro Forma Financial Information or from unaudited consolidated management accounts based on accounting records of Bank BPH, as applicable, or is based on calculations of figures from the above-mentioned sources.

Certain numerical figures set out in this Offering Circular, including financial and operating data have been rounded off and some of these and other figures are also presented in PLN millions or billions rather than in PLN thousands as in the Alior Group Annual Consolidated Financial Statements, the Alior Group Consolidated Financial Statements for the First Quarter 2016, the Bank BPH Special Purpose 2014–2015 Financial Statements, the Bank BPH Special Purpose Q1 Financial Statements or the Bank BPH Annual Standalone Financial Statements. Therefore, the sums of amounts given in some columns or rows in the tables and other lists presented in this Offering Circular may slightly differ from the totals specified for such columns or rows. Similarly, some percentage values presented in the tables in this Offering Circular

have been rounded off and the totals specified in such tables may not add up to 100%. percentages and amounts reflecting changes over time periods relating to financial and other data set forth in "*Operating and Financial Review of the Alior Group*" and " – *Operating and Financial Review of the Bank BPH Core Business*" are calculated using the numerical data in the relevant financial statements and not using the numerical data in the narrative description thereof.

The financial information included in this Offering Circular is not intended to comply with the applicable accounting requirements of the U.S. Securities Act and the related rules and regulations which would apply if the Offer Shares were being registered with the U.S. Securities and Exchange Commission ("**SEC**").

Pro Forma Financial Information

In addition, this Offering Circular includes the following unaudited pro forma financial information of Alior Group: (i) an unaudited pro forma consolidated income statement for the financial year ended December 31, 2015; (ii) an unaudited pro forma consolidated income statement for the three-month period ended March 31, 2016; (iii) an unaudited pro forma consolidated statement of financial position as at March 31, 2016; and (iv) explanatory notes (collectively, the "**Pro Forma Financial Information**").

The unaudited pro forma consolidated statement of financial position presents hypothetically the Alior Group's financial position as if the Transaction had taken place as at March 31, 2016. The unaudited pro forma consolidated income statement presents hypothetically the Alior Group's results as if the Transaction had taken place on January 1, 2015 or January 1, 2016 respectively.

The Pro Forma Financial Information has been prepared solely for illustrative purposes and due to its nature presents a hypothetical situation. It does not show the actual results and financial standing of the Alior Group as at the presented date or for the presented periods and its purpose is not to determine the results or financial condition as at any future date or for any future period.

The Pro Forma Financial Information has not been prepared for the purposes of complying with the requirements of Regulation S-X of the U.S. Securities Act. Neither the assumptions underlying the preparation of the Pro Forma Financial Information nor the resulting Pro Forma Financial Information have been audited or reviewed in accordance with any generally accepted auditing standards.

The Pro Forma Financial Information has been prepared in accordance with the requirements of the Prospectus Regulation. The Pro Forma Financial Information presented in this Offering Circular should be read in conjunction with the explanatory notes.

Changed Presentation of Financial Data

In the preparation of the Alior Group Consolidated Financial Statements for the First Quarter 2016, the Alior Group applied the presentation manner adopted to prepare the Alior Group Consolidated Financial Statements for 2015 (as defined below). Therefore, some items of the consolidated income statements comparative figures for the three-month period ended March 31, 2015 have been reclassified to reflect changes in the presentation of the Alior Group Consolidated Financial Statement for 2015 and the Alior Group Consolidated Financial Statements for the First Quarter 2016.

To the extent affected by the above-mentioned changes, the financial data derived from the Alior Group Consolidated Financial Statements for the First Quarter of 2016 is not directly comparable with the corresponding financial data derived from the Alior Group consolidated financial statements for the three-month period ended March 31, 2015. Due to the above-mentioned differences between the Alior Group Consolidated Financial Statements for the First Quarter of 2016 and the Alior Group consolidated financial statements for the three-month period ended March 31, 2015 all financial data of the Alior Group presented in this Offering Circular for the three-month period ended March 31, 2015 is extracted or derived from the Alior Group Consolidated Financial Statements for the First Quarter of 2016, unless another source is clearly indicated in this Offering Circular.

In connection with preparing the audited consolidated financial statements of the Alior Group as at and for the financial year ended December 31, 2015 (the "**Alior Group Consolidated Financial Statements for 2015**"), the Alior Group changed the presentation of certain line items in its consolidated income statement. Comparative figures for 2014 have been adjusted to reflect the changes in presentation introduced in 2015.

To the extent affected by the above-mentioned changes, the financial data derived from the Alior Group Consolidated Financial Statements for 2015 is not directly comparable with the corresponding financial data derived from the Alior Group Consolidated Financial Statements for 2014. Due to the above-mentioned differences between the Alior Group

Consolidated Financial Statements for 2015 and the Alior Group Consolidated Financial Statements for 2014 included in this Offering Circular, the Alior Group's entire financial data for the financial year ended December 31, 2014 is extracted or derived from the Alior Group Consolidated Financial Statements for 2015, unless another source is clearly indicated in this Offering Circular.

In connection with preparing the audited consolidated financial statements of the Alior Group as at and for the financial year ended December 31, 2014 (the "**Alior Group Consolidated Financial Statements for 2014**"), the Alior Group changed the presentation of certain line items in its consolidated income statement. Comparative figures for 2013 have been adjusted to reflect the changes in presentation introduced in 2014.

To the extent affected by the above-mentioned changes, the financial data derived from the Alior Group Consolidated Financial Statements for 2014 is not directly comparable with the corresponding financial data derived from the audited consolidated financial statements of the Alior Group as at and for the financial year ended December 31, 2013 (the "**Alior Group Consolidated Financial Statements for 2013**"). Due to the above-mentioned differences between the Alior Group Consolidated Financial Statements for 2014 and the Alior Group Consolidated Financial Statements for 2013 included in this Offering Circular, the Alior Group's entire financial data as at and for the financial year ended December 31, 2013, to the extent affected by the aforementioned changes, is extracted or derived from the Alior Group Consolidated Financial Statements for 2014, while the remaining financial data is extracted or derived from the Alior Group Consolidated Financial Statements for 2013.

Detailed information on the introduced changes is presented in items " – *Changed presentation of comparable data as at and for the three-month period ended March 31, 2015 included in the unaudited condensed interim consolidated financial statements of the Alior Group as at and for the three-month period ended March 31, 2016*", " – *Changed presentation of comparable data as at and for the financial year ended December 31, 2014 included in the audited annual consolidated financial statements of the Alior Group as at and for the financial year ended December 31, 2015*" and " – *Changed presentation of comparable data as at and for the financial year ended December 31, 2013 included in the audited annual consolidated financial statements of the Alior Group as at and for the financial year ended December 31, 2014*" below. Due to these presentation changes, the Alior Group has decided to include the following financial data in the Offering Circular:

- with respect to data as at and for the three-month periods ended March 31, 2016 and 2015, data derived from the Alior Group Consolidated Financial Statements for the First Quarter 2016;
- with respect to data as at and for the year ended December 31, 2015, data derived from the audited Alior Group Annual Consolidated Financial Statements for 2015;
- with respect to data as at and for the year ended December 31, 2014, data derived from the audited Alior Group Annual Consolidated Financial Statements for 2015; and
- with respect to data as at and for the year ended December 31, 2013, data derived from the audited Alior Group Annual Consolidated Financial Statements for 2013, except the selected data restated in the preparation of the Alior Group Annual Consolidated Financial Statements for 2014 which is derived or extracted from the audited Alior Group Annual Consolidated Financial Statements for 2014.

Changed presentation of comparable data as at and for the three-month period ended March 31, 2015 included in the unaudited condensed interim consolidated financial statements of the Alior Group as at and for the three-month period ended March 31, 2016

The table below presents, in accordance with the detailed description in note 2.1 to the Alior Group Consolidated Financial Statements for the First Quarter 2016, the effect of the changes in the presentation of comparable data for the three-month period ended March 31, 2015.

The above-mentioned changes resulted from the Alior Group's decision to change the presentation of the net interest income/expenses on CIRS and IRS. As a result of these changes, interest income and expenses relating to these transactions are presented in net interest income/(expenses), while in the previous financial period they were presented in the trading result. The purpose of this change was to ensure consistency of the presented result with its economic substance.

Income statement items	Data for three-month period ended March 31, 2015 according to previous presentation	Change	Data for three-month period ended March 31, 2015 according to changed presentation
	(unaudited)		
	(PLN million)		
Interest income	480.8	75.3	556.1
Interest expense	(137.7)	(74.1)	(211.8)
Net interest income	**343.2**	**1.1**	**344.3**
Trading result	**65.5**	**(1.1)**	**64.4**

Source: The Alior Group Consolidated Financial Statements for the First Quarter 2016.

Changed presentation of comparable data as at and for the financial year ended December 31, 2014 included in the audited annual consolidated financial statements of the Alior Group as at and for the financial year ended December 31, 2015

The table below presents, in accordance with the detailed description in Note 2.1 to the Alior Group Annual Consolidated Financial Statements for 2015, the effect of the changes in the presentation of comparable data for the financial year ended December 31, 2014.

The above-mentioned changes resulted from the Alior Group's decision to change the presentation of the net interest income/expenses on CIRS and IRS. As a result of these changes, interest income and expenses relating to these transactions are presented in net interest income/(expenses), while in the previous financial year they were presented in the trading result. The purpose of this change was to ensure consistency of the presented result with its economic substance.

Income statement items	Data for 2014 according to previous presentation	Change	Data for 2014 according to changed presentation
	(PLN million)		
Interest income	1,713.1	350.2	2,063.3
Interest expense	(497.3)	(336.4)	(833.7)
Net interest income	**1,215.8**	**13.8**	**1,229.6**
Trading result	**268.7**	**(13.8)**	**254.9**

Source: The Alior Group Consolidated Financial Statements for 2015.

The changes described above were effected in the Alior Group Annual Consolidated Financial Statements for 2015 and therefore have not been applied to financial data for the year ended December 31, 2013. Audited financial data for the year ended December 31, 2013 is thus not fully comparable with audited financial data for subsequent periods. For illustrative purposes only, the Bank has disclosed in the table below unaudited financial data for the year ended December 31, 2013. This reflects the application of the above-mentioned changes presented in the Alior Group Annual Consolidated Financial Statements for 2015, together with an illustrative reconciliation against comparable financial data included in the Alior Group Annual Consolidated Financial Statements for 2014.

Income statement items	Data for 2013 according to previous presentation	Change	Data for 2013 reconciled for illustrative purposes
	(PLN million)		
Interest income	1,518.2	379.0	1,897.2
Interest expense	(519.6)	(355.3)	(874.9)
Net interest income	**998.6**	**23.7**	**1,022.3**
Trading result	**226.9**	**(23.7)**	**203.2**

Source: The Alior Group Consolidated Financial Statements for 2013, Alior Bank.

The table below illustrates the application of the changes described above and the method of allocations of general administrative expenses, assets and liabilities to particular segments applied in 2015 to the financial data of the Alior Group's operating segments as at and for the year ended December 31, 2013 (see Note 3 to the Alior Group Annual Consolidated Financial Statements for 2015). The financial data under the label "FS Dec. 31, 2014" was extracted from the Alior Group Annual Consolidated Financial Statements for 2014.

	Results and Volumes by Segment As AT and For the Year Ended 2013									
	Retail Segment		Business Segment		Treasury Activity		Other		Group total	
	FS Dec. 31, 2014	Restated	FS Dec. 31, 2014	Restated	FS Dec. 31, 2014	Restated	FS Dec. 31, 2014	Restated	FS Dec. 31, 2014	Restated
	(unaudited)									
	(PLN million)									
External interest income	**515.4**	**515.4**	**359.8**	**359.8**	**123.4**	**147.0**	**-**	**-**	**998.6**	**1,022.3**
External income	856.9	856.9	501.0	501.0	160.3	539.3	-	-	1,518.2	1,897.2
External expense	(341.4)	(341.4)	(141.2)	(141.2)	(37.0)	(392.3)	-	-	(519.6)	(874.9)
Internal interest income	**85.8**	**85.8**	**(62.9)**	**(62.9)**	**(57.6)**	**(57.6)**	**34.7**	**34.7**	**-**	-
Internal income	432.8	432.8	213.6	213.6	961.7	961.7	36.0	36.0	1,644.0	1,644.0
Internal expense	(346.9)	(346.9)	(276.4)	(276.4)	(1,019.3)	(1,019.3)	(1.3)	(1.3)	(1,644.0)	(1,644.0)
Net interest income	**601.3**	**601.3**	**296.9**	**296.9**	**65.7**	**89.4**	**34.7**	**34.7**	**998.6**	**1,022.3**
Fee and commission income	293.8	293.8	172.8	172.8	-	-	9.4	9.4	475.9	475.9
Fee and commission expense	(42.8)	(42.8)	(1.7)	(1.7)	(0.3)	(0.3)	(156.0)	(156.0)	(200.8)	(200.8)
Net fee and commission income	**251.0**	**251.0**	**171.1**	**171.1**	**(0.3)**	**(0.3)**	**(146.6)**	**(146.6)**	**275.2**	**275.2**
Dividend income	-	-	-	-	-	-	-	-	-	-
Trading result	0.6	0.6	29.4	29.4	196.8	173.1	0.0	0.0	226.9	203.2
Net gain (realized) on other financial instruments	56.5	56.5	112.9	112.9	(157.6)	(157.6)	0.1	0.1	11.8	11.8
Other operating income	40.4	40.4	7.0	7.0	(0.4)	(0.4)	3.0	3.0	49.9	49.9
Other operating expenses	(7.1)	(7.1)	(0.2)	(0.2)	(1.1)	(1.1)	(14.0)	(14.0)	(22.3)	(22.3)
Net other operating income	**33.3**	**33.3**	**6.8**	**6.8**	**(1.5)**	**(1.5)**	**(11.0)**	**(11.0)**	**27.6**	**27.6**
Total result before impairment losses	**942.6**	**942.6**	**617.1**	**617.1**	**103.0**	**103.0**	**(122.7)**	**(122.7)**	**1,540.0**	**1,540.0**
Impairment losses	(200.3)	(200.3)	(201.6)	(201.6)	-	-	(3.1)	(3.1)	(405.0)	(405.0)
Total result after impairment losses	**742.3**	**742.3**	**415.5**	**415.5**	**103.0**	**103.0**	**(125.8)**	**(125.8)**	**1,135.0**	**1,135.0**
General administrative expenses	(626.2)	(623.9)	(219.0)	(221.3)	(2.2)	(2.2)	-	-	(847.4)	(847.4)
Gross profit(loss)	**116.1**	**118.4**	**196.5**	**194.2**	**100.9**	**100.9**	**(125.8)**	**125.8**	**287.7**	**287.7**
Income tax	-	-	-	-	-	-	(59.8)	(59.8)	(59.8)	(59.8)
Net profit (loss)	**116.1**	**118.4**	**196.5**	**194.2**	**100.9**	**100.9**	**(185.6)**	**(185.6)**	**227.9**	**227.9**
Assets	**10,581.4**	**14,816.4**	**9,072.5**	**10,574.8**	**5,896.0**	**14.9**	**0.0**	**143.8**	**25,549.9**	**25,549.9**
Liabilities	**14,223.5**	**16,064.7**	**6,608.9**	**7,262.0**	**2,532.7**	**6.5**	**0.0**	**31.9**	**23,365.1**	**23,365.1**

Source: The Alior Group Annual Consolidated Financial Statements for 2014, Alior Bank.

Changed presentation of comparable data as at and for the financial year ended December 31, 2013 included in the audited annual consolidated financial statements of the Alior Group as at and for the financial year ended December 31, 2014

The table below presents, in accordance with the detailed description in Note 2.1 to the Alior Group Annual Consolidated Financial Statements for 2014, the effect of the changes in the presentation of comparable data as at and for the financial year ended December 31, 2013 included in the Alior Group Annual Consolidated Financial Statements for 2014, against the presentation of this data in the Alior Group Annual Consolidated Financial Statements for 2013 with reference to the statement of financial position.

The above-mentioned changes include, inter alia, the following: (i) financial liabilities measured at amortized cost have been broken down into financial liabilities measured at amortized cost due to customers and financial liabilities measured at amortized cost due to banks; (ii) provisions for contingent liabilities have been transferred from other liabilities to provisions; (iii) provisions for employee benefits have been transferred from provisions to other liabilities; and (iv) assets pledged as collateral have been separated as an individual line item. The purpose of these changes was to clarify the presentation of the Alior Group's financial data.

Statement of financial position items	Financial Statements December 31, 2013	Change	Restated December 31, 2013
		(PLN million)	
Financial assets available for sale	3,388.5	(683.2)	2,705.3
Amounts due from banks	254.2	(0.5)	253.7
Amounts due from customers	19,657.9	(4.0)	19,653.9
Assets pledged as collateral	-	687.7	687.7
Total assets	**23,300.6**	**-**	**23,300.6**
Financial liabilities measured at amortized cost	21,660.4	(21,660.4)	-
Amounts due to banks	-	828.0	828.0
Amounts due to customers	-	20,832.5	20,832.5
Provisions	10.6	(5.7)	4.9
Other liabilities	1,129.3	5.7	1,135.0
Total liabilities and equity	**22,800.3**	**-**	**22,800.3**

Source: The Alior Group Consolidated Financial Statements for 2014, The Alior Group Consolidated Financial Statements for 2013.

Changes applicable to the statement of financial position were also reflected in the cash flow statement.

The table below presents effects of the changed presentation with reference to comparable figures as at and for the financial year ended December 31, 2013 reported in the Alior Group Annual Consolidated Financial Statements for 2014 and compared to their presentation in the Alior Group Annual Consolidated Financial Statements for 2013 as far as the cash flow statement is concerned.

Cash flow statement items	Financial Statements December 31, 2013	Change	Restated December 31, 2013
		(PLN million)	
Profit/(loss) before tax for the year	**-**	**287.7**	**287.7**
Net profit	**227.9**	**(227.9)**	**-**
Adjustments	**(179.1)**	**(98.5)**	**(277.7)**
Unrealized foreign exchange gains/losses	1.8	0.0	1.8
Income tax presented in the income statement	59.8	(59.8)	-
Change in provisions	(2.0)	(0.9)	(2.9)
Interest (financial activity)	27.8	(27.8)	-
Change in loans and receivables	(5,326.3)	(11.0)	(5,337.3)
Change in deposits	2,857.8	(0.0)	2,857.8

Cash flow statement items	Financial Statements December 31, 2013	Change	Restated December 31, 2013
		(PLN million)	
Change in issued debt	489.6	(10.0)	479.6
Change in other liabilities	723.8	10.9	734.7
Net cash flow from operating activities	**48.8**	**(38.8)**	**10.0**
Outflows from financing activities	**(30.4)**	**27.8**	**(2.6)**
Interest expense - loan received	-	1.4	1.4
Interest expense - subordinated loan	-	26.4	26.4
Net cash flow from financing activities	**(30.4)**	**27.8**	**(2.6)**
Total net cash flow	**(90.0)**	**(11.0)**	**(101.0)**
Exchange gains/(losses) on translation	-	(1.0)	(1.0)
Balance sheet change in cash and cash equivalents	**(90.0)**	**(11.0)**	**(101.0)**
Cash and cash equivalents, closing balance	1,262.7	(11.0)	1,251.7

Source: The Alior Group Consolidated Financial Statements for 2013, Alior Bank.

Average balances and interest rates

Alior Group

This Offering Circular includes information relating to average balances of interest earning assets and interest-bearing liabilities of the Alior Group, the amounts of interest income and interest expense of the Alior Group and the average interest rates at which interest income was earned on such assets and interest expense was incurred on such liabilities for the three-month period ended March 31, 2016 and 2015, and for the years ended December 31, 2015, 2014 and 2013. This information is presented and further described in the section " *Selected Statistical and Financial Information of the Alior Group – Average Balances and Interest Rates*" and elsewhere in this Offering Circular. Unless otherwise specified herein, average balances of assets and liabilities for the Alior Group for the three-month periods ended March 31, 2016 and 2015, and for the years ended December 31, 2015, 2014 and 2013 were calculated as monthly averages of gross balances, without interest, as at the end of each month in the given quarter or year respectively, quarter or year, with amounts due to customers of the Alior Group companies (other than Alior Bank) have been included in calculations of such averages only in the last months of each quarter. The aforementioned monthly gross balances without interest were extracted from unaudited financial information of the Alior Group. The average interest rate for any line item is calculated by dividing interest income or interest expense, as applicable, by the average balance for such line item for the relevant period.

This Offering Circular also includes information on changes in interest income or interest expense, which are attributed to either: (i) changes in average balances (volume change) of interest-earning assets or interest-bearing liabilities; or (ii) changes in average rates (rate change) at which interest income was earned on such assets or at which interest expense was incurred on such liabilities. Such information appears in the section "*Selected Statistical and Financial Information of the Alior Group – Changes in Interest Income and Interest Expense-Volume and Rate Analysis*" and elsewhere in this Offering Circular. Changes in the Alior Group's interest income and expense have been allocated between changes in average volume and changes in the average rates for the three-month periods ended March 31, 2016 and 2015, and for the years ended December 31, 2015, 2014 and 2013. The Alior Group calculates volume and rate variances based on the movements of average balances over the period and changes in average interest rates on interest-earning assets and interest-bearing liabilities. The net change attributable to changes in both volume and rate has been allocated in line with the amounts derived for pure rate and volume variances.

The information with respect to the Alior Group present in "*Selected Statistical and Financial Information of the Alior Group*" has not been prepared in accordance with and is not intended to comply with, the applicable accounting requirements of the U.S. Securities Act and the related rules and regulations of the SEC which would apply if the Offer Shares were being registered with the SEC. In particular, the average balances and related data presented in "*Selected Statistical and Financial Information of the Alior Group*" are based on materially less frequent averaging methods than those used by other banks in the United States, Western Europe and other jurisdictions in connection with similar offers of securities. Prospective investors should be aware that the results of the analysis for the Alior Group would likely be different, if alternative or more frequent averaging methods were used, and such differences could be material.

Bank BPH Core Business

This Offering Circular includes information relating to average balances of interest earning assets and interest-bearing liabilities of the Bank BPH Core Business, the amounts of interest income and interest expense of the Bank BPH Core Business and the average interest rates at which interest income was earned on such assets and interest expense was incurred on such liabilities by the Bank BPH Core Business for the three-month periods ended March 31, 2016 and 2015 and for the years ended December 31, 2015 and 2014. This information is presented and further described in the section "*Selected Statistical and Financial Information of the Bank BPH Core Business – Average Balances and Interest Rates*". Unless otherwise specified herein, average balances of assets and liabilities for the Bank BPH Core Business for the three-month periods ended March 31, 2016 and 2015 were calculated as the arithmetic averages of gross balances, without interest, as at the end of the given financial quarter and the immediately preceding year while for the years ended December 31, 2015 and 2014 were calculated as the arithmetic averages of gross balances, without interest, as at the end of the given financial year and the immediately preceding year. The gross balances, without interest, were extracted from the Bank BPH Special Purpose Financial Statements for Q1 2016 or the Bank BPH Special Purpose 2014–2015 Financial Statements. The average interest rate for any line item is calculated by dividing interest income or interest expense, as applicable, by the average balance for such line item for the relevant period.

This Offering Circular also includes information on changes in interest income or interest expense of the Bank BPH Core Business, which are attributed to either: (i) changes in average balances (volume change) of interest-earning assets or interest-bearing liabilities; or (ii) changes in average rates (rate change) at which interest income was earned on such assets or at which interest expense was incurred on such liabilities. Such information appears in the section "*Selected Statistical and Financial Information of the Bank BPH Core Business – Changes in Interest Income and Interest Expense-Volume and Rate Analysis*". Changes in the Bank BPH Core Business' interest income and expense have been allocated between changes in average volume and changes in the average rates for the three-month periods ended March 31, 2016 and 2015 and for the years ended December 31, 2015 and 2014. The volume and rate variances are calculated based on the movements of average balances over the period and changes in average interest rates on interest-earning assets and interest-bearing liabilities. The net change attributable to changes in both volume and rate has been allocated in line with the amounts derived for pure rate and volume variances.

The information with respect to the Bank BPH Core Business presented in "*Selected Statistical and Financial Information of the Bank BPH Core Business*" has not been prepared in accordance with, and is not intended to comply with, the applicable accounting requirements of the U.S. Securities Act and the related rules and regulations of the SEC which would apply if the Offer Shares were being registered with the SEC. In particular, the average balances and related data presented in "*Selected Statistical and Financial Information of the Bank BPH Core Business*" are based on materially less frequent averaging methods than those used by other banks in the United States, Western Europe and other jurisdictions in connection with similar offers of securities. Prospective investors should be aware that the results of the analysis for the Bank BPH Core Business would likely be different, if alternative or more frequent averaging methods were used and such differences could be material.

Non-IFRS Financial Measures

This Offering Circular contains references to certain non-IFRS measures, including net interest margin, average interest rate on assets, asset yield, cost of funds, net fee and commission income/total revenue, percentage net interest income generated by impaired loans, cost/income ratio, return on assets, return on equity, CET 1 ratio, total capital adequacy ratio, Tier I ratio, non-performing loans ratio, cost of risk ratio, provisioning coverage ratio, loan to deposit ratio and equity/assets ratio.

The non-IFRS measures contained in this Offering Circular should not be considered in isolation and are not measures of financial performance or liquidity under IFRS. These non-IFRS measures should not be considered as an alternative to revenues, profit or loss for the period or any other performance measures derived in accordance with IFRS or as an alternative to cash flow from operating, investing or financing activities or any other measure of liquidity derived in accordance with IFRS. Non-IFRS measures do not necessarily indicate whether cash flow will be sufficient or available for cash requirements and may not be indicative of actual results of operations. In addition, certain non-IFRS measures, as defined in this Offering Circular, may not be comparable to other similarly titled measures used by other companies. The Alior Group believes that net interest margin and other non-IFRS measures presented in this Offering Circular are useful indicators of financial performance that are widely used by investors to monitor the results of banks generally. Because of the discretion that the Alior Group and other companies have in defining these measures and calculating the reported amounts, care should be taken in comparing these various measures with similar measures used by other companies.

The non-IFRS financial measures contained in this Offering Circular have not been prepared in accordance with IFRS, US GAAP, SEC requirements or the accounting standards of any other jurisdiction and may not be comparable to similar measures of other companies.

TRANSACTION

Introduction

Alior Bank intends to acquire a significant number of shares in Bank BPH through a tender offer for shares in Bank BPH, and subsequently to participate along with Bank BPH in a demerger of Bank BPH under Article 529 § 1 point 4 of the Code of Commercial Companies (the "**Demerger**"). This will involve the transfer of an organized part of the enterprise of Bank BPH (the "**Bank BPH Core Business**") to Alior Bank, including all the assets and liabilities of Bank BPH but excluding (i) assets and liabilities relating to the provision of mortgage loans to individuals, (ii) shares held indirectly in BPH TFI, and (iii) any liability of Bank BPH relating to the offering and distribution of BPH TFI products (the "**Bank BPH Mortgage Business**") (collectively the "**Transaction**").

Upon consummation of the Transaction, Alior Bank will acquire the entire Bank BPH Core Business, whilst Bank BPH will retain the assets and liabilities relating to the Bank BPH Mortgage Business. These consist primarily of (i) the mortgage loan portfolio of Bank BPH (and all mortgage loans granted in PLN and any other currencies to individuals for purposes unrelated to business activities or the operation of a farm, other than the loans extended through the building society scheme in particular); (ii) all shares owned by Bank BPH in BPH PBK Zarządzanie Funduszami sp. z o.o. which holds shares in BPH TFI; and (iii) the liabilities of Bank BPH relating to the offering and distribution of BPH TFI products.

The target completion date of the Transaction is the end of 2016. Its implementation is consistent with the development strategy of the Management Board which is based on organic growth and growth via acquisitions combined with achieving a high rate of return on equity. The purpose of the Transaction is to strengthen Alior Bank's position in the consolidating Polish banking market. Alior Bank expects to benefit from pre-tax annual target synergies of approximately PLN 300 million (taking into account revenue dis-synergies). This does not include cost savings estimated by the Management Board of PLN 160 million resulting from the implementation of Bank BPH's business transformation plan. The Management Board expects the full PLN 300 million of run-rate synergies to be achieved during 2019 (see " – *The Bank BPH Core Business – Synergies*" and "*Important Information – Forward Looking Statements*").

Taking into account Alior Bank's information relating to Bank BPH, on a conservative approach the total cost of integration of the Bank BPH Core Business with Alior Bank may reach approximately PLN 950 million. However, taking into account Alior Bank's experience from other integration processes (specifically with Meritum Bank ICB), Alior Bank assumes that the total costs of the integration will amount to approximately PLN 650 million. The actual total cost of integration will depend on the precise integration process, predominantly in the areas of IT, operations and HR (see " – *The Bank BPH Core Business – Costs of integration*"), as well as on a number of other factors. The Management Board estimates that the total costs will be incurred by 2018, of which two thirds will be incurred in 2016-2017 and one third in 2018. As at the date of this Offering Circular, it cannot be ruled out that the integration costs may be higher or that the scale of cost savings will not be achieved, or that the anticipated level of synergies will not be reached or will considerably diverge from Alior Bank's projections. This could adversely affect the financial result of Alior Bank in subsequent years.

Key stages of the Transaction

On March 31, 2016, Alior Bank and GE Investments Poland sp. z o.o. ("**GEIP**"), DRB Holdings B.V. and Selective American Financial Enterprises, LLC (collectively, the "**Sellers**") entered into an agreement for the sale of shares of Bank BPH and the Demerger (the "**Share Purchase and Demerger Agreement**") (see " – *Share Purchase and Demerger Agreement*" below). On April 1, 2016 Alior Bank entered into a pre-demerger cooperation agreement with Bank BPH, with the support of the Sellers (the "**Pre-Demerger Cooperation Agreement**"), which was later amended in an annex of April 29, 2016. Furthermore, on March 31, 2016, GE Capital Global Holdings, LLC, as the parent company of the Sellers, issued a guarantee (the "**GE Guarantee**") for the liabilities of the Sellers under the Share Purchase and Demerger Agreement. On the same day, PZU issued a support letter (the "**Side Letter**") in connection with implementation of the Transaction by Alior Bank. See " – *GE Guarantee and PZU Side Letter*" below.

For the purpose of the Transaction, the following steps will be taken:

- To finance the Transaction, Alior Bank will increase its share capital through an issue of the Offer Shares under the Offering to the existing shareholders of Alior Bank through the rights issue subject to the terms set forth in the Offering Circular. See " – *Increase in share capital through rights issue"* below.
- Alior Bank will acquire a significant number of shares of Bank BPH through the Tender Offer, which may be announced as either a Tender Offer for 100% or a Tender Offer for 66%. See " – *The Tender Offer*" below.

- Subject to Alior Bank and the Sellers jointly holding shares accounting for no less than 90% of the share capital of Bank BPH upon completion of the Tender Offer, Alior Bank may conduct a mandatory squeeze-out of the Minority Shareholders of Bank BPH with respect to shares of Bank BPH (the "**Mandatory Squeeze-Out**"). See " – *Mandatory Squeeze-Out*" below.
- Alior Bank and Bank BPH will carry out the Demerger by transferring the Bank BPH Core Business to Alior Bank (*podział przez wydzielenie*) subject to the terms and conditions set forth in the Demerger Plan (the "**Demerger Plan"**) in exchange for the new shares in Alior Bank. The new shares will be issued to the Minority Shareholders of Bank BPH (the "**Demerger Offering**") (see "*Demerger Offering*" below) if such Minority Shareholders of Bank BPH remain in the ownership structure of Bank BPH (see " – *The Demerger*" and " – *Demerger Plan*" below).

The Share Purchase and Demerger Agreement

The Purpose of the Share Purchase and Demerger Agreement

On March 31, 2016 Alior Bank entered into the Share Purchase and Demerger Agreement with the Sellers to carry out a transaction consisting of: (i) the acquisition by Alior Bank from the Sellers of a significant number of shares in Bank BPH through the Tender Offer; (ii) the Demerger to be conducted under Article 529 § 1 point 4 of the Code of Commercial Companies by transferring the Bank BPH Core Business to Alior Bank subject to the terms and conditions set forth in the Demerger Plan (*spin-off*); and (iii) an issue of new shares in Alior Bank to the Minority Shareholders of Bank BPH. Alior Bank will acquire the Bank BPH Core Business effective on the day on which the relevant registry court registers the increase in the share capital of Alior Bank in connection with the Demerger (the "**Demerger Date**"). The Share Purchase and Demerger Agreement is governed by English law.

The Price

The purchase price for the 87.23% interest in the Bank BPH Core Business held by the Sellers has been fixed at PLN 1,225 million. The purchase price is subject to possible adjustments prior to the completion of the Tender Offer, depending on the then adjusted net tangible book value of the Bank BPH Core Business pursuant to the provisions of the Share Purchase and Demerger Agreement (the "**Price for the Sellers**"). For purposes of the Share Purchase and Demerger Agreement, the entire Bank BPH Core Business was valued at PLN 1,532 million by Alior Bank and the Sellers, and the unadjusted tangible book value of the entire Bank BPH Core Business was determined to be PLN 1,646 million as at September 30, 2015 by Alior Bank and the Sellers. The Price for the Sellers may be subject to some further adjustments after completion of the Tender Offer, depending on the adjusted net tangible book value of the Bank BPH Core Business as at the Demerger Date, and may also be subject to certain other adjustments pursuant to the Share Purchase and Demerger Agreement. Additionally, an increase of the Price for the Sellers as a result of the adjustments is capped at approximately PLN 143 million. Furthermore, Alior Bank will offer the Minority Shareholders of Bank BPH an opportunity to sell their shares in Bank BPH in the Tender Offer for the price set out in the Tender Offer.

On April 1, 2016 IPOPEMA Securities Spółka Akcyjna issued an opinion as to the fairness of the price for the 87.23% interest in the Bank BPH Core Business held by the Sellers and the price adjustment mechanism specified in the Share Purchase and Demerger Agreement. The opinion was made public by Alior Bank in its current report No. 16/2016 of April 6, 2016.

Terms of Transaction

Completion of the Transaction depends on the satisfaction of the conditions precedent specified in the Share Purchase and Demerger Agreement. These include the following: (i) obtaining the consent of the UOKiK President; (ii) obtaining approvals and clearances of the PFSA for Bank BPH, Alior Bank and GEIP; (iii) approval and execution of the Demerger Plan by the management board of Bank BPH and the Management Board; (iv) adoption of the Capital Increase Resolution by the General Meeting; (v) registration of the share capital increase of Alior Bank based on the Capital Increase Resolution by the registry court; (vi) adoption of a resolution approving the Demerger by the General Meeting (the "**Demerger Resolution**"); and (vii) obtaining certain tax rulings in respect of the Demerger.

The conditions referred to in items (iii) and (iv) above have been satisfied as of April 29, 2016 and May 5, 2016, respectively. The remaining conditions should be satisfied in accordance with the Share Purchase and Demerger Agreement on or before November 1, 2016.

The satisfaction of the remaining conditions will be made public by Alior Bank in a current report. If, during the term of the Prospectus, any one of the conditions is not satisfied and this would result in the failure to perform the Share Purchase and Demerger Agreement, to the extent required by law, the relevant information will also be made public in the form of a supplement to the Prospectus, upon its approval by the PFSA, pursuant to Article 51 of the Public Offering Act.

Termination of the Share Purchase and Demerger Agreement

If the conditions set out above are not satisfied by November 1, 2016, the Share Purchase and Demerger Agreement may be terminated by either party. Furthermore, the Share Purchase and Demerger Agreement may be terminated in certain circumstances set out therein such as, for example, Bank BPH or Alior Bank losing their respective banking licenses, initiation of bankruptcy or composition proceedings for Bank BPH or Alior Bank, and appointment of the trustee management or suspension of business activities by Bank BPH or Alior Bank.

The Sellers have undertaken that the Bank BPH Core Business will have a regulatory total capital ratio, taking into account solely the shareholders' equity ("**Bank BPH Core Business CET1**") at the level of 13.25% as of the Demerger Date. If, prior to the Demerger Date, a change in the legal or accounting framework for foreign currency mortgages or other banking industry-wide event occurs that might reasonably be expected to materially adversely affect Bank BPH and as a result cause the Bank BPH Core Business CET1 ratio to drop below 13.25% as at the expected Demerger Date, the Sellers have undertaken to secure the Bank BPH Core Business CET1 ratio via, *inter alia*, a recapitalization of Bank BPH of up to PLN 400 million. If the recapitalization is required at a higher amount, the Sellers may elect to either conduct such a recapitalization (and thus secure the Bank BPH Core Business CET1 ratio), or terminate the Share Purchase and Demerger Agreement. If the Sellers fail to act, Alior Bank has the right to terminate the Share Purchase and Demerger Agreement.

If the Share Purchase and Demerger Agreement is terminated by Alior Bank or the Sellers due to a reason as set out above between the settlement of the Tender Offer and the Demerger Date, the Sellers will be required to repurchase from Alior Bank all the shares in Bank BPH acquired by Alior Bank under the Tender Offer and the Mandatory Squeeze-Out (if such Squeeze-Out has been conducted) for the price set pursuant to the Share Purchase and Demerger Agreement. Depending on the situation surrounding the termination, the transaction will be carried out through an investment company or a tender offer for the sale of shares in Bank BPH announced by the Sellers.

Break Fee payable to GEIP

Alior Bank has undertaken to exercise its best endeavors to ensure the satisfaction of the conditions stipulated in the Share Purchase and Demerger Agreement. If the Share Purchase and Demerger Agreement is terminated due to the following conditions precedent not being satisfied by the agreed longstop dates: (i) the adoption of the Capital Increase Resolution by the General Meeting (this condition has been satisfied as of May 5, 2016); (ii) the adoption of the Demerger Resolution by the General Meeting; and (iii) the registration of the share capital increase of Alior Bank based on the Capital Increase Resolution by the registry court, Alior Bank is required to pay to GEIP a break fee equal to EUR 16 million plus VAT, if applicable. If Alior Bank fails to exercise its best endeavors to ensure that the foregoing conditions are satisfied, the break fee payable to GEIP will not be the Sellers' exclusive remedy and it will be applied towards the amount of damages for which Alior Bank is liable.

Agreements ancillary to the Share Purchase and Demerger Agreement

On the date that the Share Purchase and Demerger Agreement was signed, Alior Bank entered into a transitional services agreement with GE Capital US Holdings, Inc. concerning the continuation of certain General Electric Company group services provided in respect of the Bank BPH Core Business, including application services, access rights, IT and operational support services as well as selected licenses of third parties (e.g. Microsoft) in the indicated transition periods of up to 18 months. Alior Bank will pay a fee for such services.

In addition, pursuant to the Share Purchase and Demerger Agreement, on the date that the Demerger Plan was signed, April 29, 2016, the Bank and Bank BPH entered into (i) an outsourcing agreement concerning the servicing of a portfolio of mortgage receivables of Bank BPH (the "**Ops SLA**") and (ii) an IT services to Bank BPH outsourcing agreement (the "**IT SLA**") (jointly the "**Agreements**"):

The IT SLA concerns the provision of the IT services to Bank BPH which it requires to operate and conduct its business as usual following the transfer of the Bank BPH IT platform to Alior Bank as a part of the Bank BPH Core Business. The IT services shall include: (i) services supporting Bank BPH business processes; (ii) IT process services; (iii) user support

services; and (iv) ad hoc / project services. Alior Bank shall be obliged to maintain a separate IT platform to provide services under the IT SLA.

The Ops SLA concerns the provision of a wide scope of administration and operations services related to the servicing of the mortgage portfolio retained by Bank BPH following the Demerger.

Under the Agreements the actual costs incurred in relation to the provision of services, calculated in accordance with the agreed methodology (the "**Costs**") will be reimbursed to the Bank. Additionally, each year the Bank shall receive a fee paid in 12 instalments. In the case of the IT SLA, the yearly fee has been fixed in the amount of PLN 1,960,000. In the case of the Ops SLA, the yearly fee shall be equal to 10% of the Costs incurred in a given year (a margin based fee). Based on the Costs forecast specified in the schedules to the Ops SLA, the Bank estimates that the fee for the provision of services during the first year of the Ops SLA shall amount to PLN 1,530,000. Due to the variable amount of the Costs borne and the Bank's prediction that the value of the annual fee under the Ops SLA in future years will gradually decrease compared to the fee for the first year in which the Ops SLA is in force (as a result of the Cost optimization), it is not possible to precisely determine the amount of the fee for the entire term of the Ops SLA. Alior Bank's fee may be subject to variation depending on the actual performance of the service under the Agreements. Should the Bank exceed the agreed service levels, the yearly fee may be subject to increases up to twice its amount. In the case of a failure to achieve the agreed service levels, contractual penalties will be imposed and the Bank's fee may be subject to a decrease of up to no more than the amount of the yearly fee.

The services under the Agreements will be provided as of the date of the registration of the demerger and the transfer of the Bank BPH Core Business to the Bank (the "**Effective Date**"). In case of the Ops SLA, the condition precedent of the commencement of the agreement is either a PFSA permit for the outsourcing of the services covered by the Ops SLA by Bank BPH to Alior Bank, or a comfort letter from the PFSA that such a permit is not required.

Both Agreements were entered into for a limited period of time and shall expire upon the earlier of following full settlement of the Bank BPH mortgage receivables or 30 (thirty) years after the Effective Date. Each Agreement may be terminated earlier by either party in the circumstances described below. Bank BPH may terminate an agreement in the case of: (i) a change of control over Bank BPH, understood also as a sale of 50% of the mortgage receivables portfolio; (ii) Alior Bank's default under the Agreement which cannot be remedied; (iii) receipt of a bona fide offer to assume the services covered by a given agreement from a third party, provided however that such termination may not take place before December 31, 2018; or (iv) an increase of the Costs by 15% (other than as a result of compliance with the regulatory requirements or changes in the applicable law) in comparison to the level of Costs for the first year of providing the services under a given agreement. Alior Bank may terminate each of the Agreements in the case of (i) Bank BPH's default under the Agreement which is not remedied within a period of 30 days; or (ii) submission of a termination notice regarding another of the Agreements.

In addition, a standard lease agreement will be entered into by Alior Bank and Bank BPH, enabling the Bank BPH Mortgage Business to use Alior Bank's office space after the Demerger Date.

Pursuant to the Share Purchase and Demerger Agreement, the following agreements will be executed by Alior Bank with the relevant counterparties on the Demerger Date:

- a transitional trademark license agreement between Alior Bank and GE Capital Registry, Inc. and Bank BPH enabling GE Capital Group's trademarks to be used by the Bank BPH Core Business until the completion of the rebranding of the Bank BPH Core Business. The term of the license depends on the form of usage (and covers periods from three to 24 months); and
- an intellectual property cross-license agreement between Alior Bank and GE Capital US Holdings, Inc. and General Electric Company, pursuant to which the intellectual property of GE Capital Group (both application and models) will be licensed to Alior Bank for consideration, mainly to support the servicing of the Bank BPH Mortgage Business. The license will be perpetual.

If so required by law, information regarding the execution of the foregoing agreements will be made public by the Company in a current report. Additionally, if during the term of the Prospectus any one of the foregoing agreements is executed, to the extent required by law, the relevant information will also be disclosed in the form of a supplement to the Prospectus, (upon its approval by the PFSA and pursuant to Article 51 of the Public Offering Act).

GE Guarantee and PZU Side Letter

On March 31, 2016 GE Capital Global Holdings, LLC, as the parent company of the Sellers, issued the GE Guarantee in order to guarantee the performance of the Sellers' obligations under the Share Purchase and Demerger Agreement.

In addition, on March 31, 2016, in connection with the execution and implementation of the Share Purchase and Demerger Agreement and at the request of the Bank, PZU issued the Side Letter to the Sellers in which PZU undertook, subject to any regulatory requirements and/or requests of the PFSA, *inter alia*, to: (i) vote all shares it holds directly in Alior Bank as at the date of the Side Letter (25.19% of the Existing Shares) or as at the date of the shareholders' meeting of Alior Bank convened in connection with the Transaction, whichever is higher, in favor of the resolutions proposed by Alior Bank at the said shareholders' meeting of Alior Bank to implement the Transaction, the Capital Increase Resolution and the Demerger Resolution; (ii) subscribe and pay for Offer Shares, *pro rata* to PZU's current shareholding in Alior Bank provided, however, that in no case will PZU be obliged to subscribe and pay for shares which, together with the current shareholding of PZU (and of any and all of its affiliates, the shareholding of which in Alior Bank is attributable to PZU pursuant to the respective regulations regarding significant blocks of shares in public companies), would constitute more than 33% of all shares and/or votes in Alior Bank; and (iii) use its best endeavors to obtain, in a timely manner consistent with the Share Purchase and Demerger Agreement, all regulatory consents (if any) required from PZU for the purpose of Alior Bank's completion of the Transaction. At the Extraordinary General Meeting, held on May 5, 2016, PZU voted for the adoption of the Capital Increase Resolution referred to in item (i) above.

In addition, during the period between the date of issuance of the Side Letter and the relevant long stop date, PZU undertook that, without the prior written consent of the Sellers, PZU would not sell, transfer or otherwise dispose of any of its shares directly held in Alior Bank as at the date of the Side Letter.

Increase in share capital through the rights issue

On May 5, 2016 the General Meeting passed the Capital Increase Resolution. Pursuant to the Capital Increase Resolution, the share capital of Alior Bank is to be increased by at least PLN 10.00 and no more than PLN 2.2 billion. This is equivalent to an amount of at least PLN 727,074,640 and not higher than PLN 2,927,074,630 through the issue of no less than one Offer Share and no more than 220 million Offer Shares with the nominal value of PLN 10.00 each. The maximum number of Offer Shares specified in the Capital Increase Resolution was fixed temporarily by dividing the amount of anticipated proceeds of the Offering by the nominal value of one Share (PLN 10.00). The Capital Increase Resolution authorizes the Management Board to determine the ultimate number of the Offer Shares and the Issue Price, taking into account the amount of the proceeds of the Offering and market conditions, including, *inter alia*, the stock price of the Existing Shares. According to a statement made by the Management Board during the General Meeting held on May 5, 2016, the Management Board intends to use this authorization such that the multiple of the Issue Price and the final number of the Offer Shares does not exceed PLN 2.2 billion. This corresponds to the assumed proceeds of the Offering (see " – *Terms of the Transaction*").

In the Management Board's opinion, the expected amount of the proceeds of the Offering of PLN 2.2 billion will finance the planned Transaction and the related integration costs, as well as ensuring an appropriate capitalization level, and providing a platform for the future growth of the combined entity, Alior Bank and the Bank BPH Core Business. The Management Board believe that the strengthened capital position will enable Alior Bank to maintain CET1 and CAR at levels exceeding 10.75% and 13.75% respectively.

Pursuant to an Underwriting Agreement entered into between the Offer Managers and the Company on May 18, 2016 in connection with the Offering, the Offer Managers agreed severally (and not jointly, nor jointly or severally), subject to certain terms and conditions, to use reasonable endeavors to procure subscribers at the Issue Price (subject to the terms of the Underwriting Agreement), and in their respective proportionate shares, for the Offer Shares that are not subscribed for in the exercise of the Pre-emptive Rights or Additional Subscriptions, up to an aggregate of approximately PLN 1,645 million. For more information on the underwriting arrangements see "*Underwriting, Stabilization and Contractual Limitations on the Transferability of Shares*".

The Offering is planned to be completed in June 2016 in line with the timetable included in the Offering Circular subject to the market conditions.

Tender Offer and obligations of the Parties in the Transition Period

When Alior Bank announces the Tender Offer, the shares of Bank BPH will be acquired by Alior Bank. As at the date of this Offering Circular, no details of the Tender Offer have been specified. Depending on the number of shares in Bank

BPH that Alior Bank intends to acquire under the Tender Offer, the Tender Offer may be announced as a Tender Offer for 100% of the shares or a Tender Offer for 66% of the shares. The decision as to whether Alior Bank announces the Tender Offer for 66% or for 100% will depend on whether, under the Tender Offer, Alior Bank will be able to acquire all of the shares that it is required to purchase from the Sellers and all of the shares owned by the Minority Shareholders of Bank BPH without a proportional reduction of allotments. Such a reduction would not apply in a Tender Offer for 100%. Similarly, the reduction would not apply to a Tender Offer for 66% if the Number of Shares Acquired from the Sellers (as defined below) combined with the number of shares held by the Minority Shareholders of Bank BPH does not exceed 66% of the total number of votes in the share capital of Bank BPH.

Alior Bank will pay the Price to the Sellers as a result of a settlement of the Tender Offer. The number of shares that the Sellers are bound to subscribe for under the Tender Offer will be calculated by dividing the Price for the Sellers by the selling price per share proposed by Alior Bank in the Tender Offer (the "**Number of Shares Acquired from the Sellers**"). The price per share proposed in the Tender Offer must satisfy the conditions regarding the minimum price set out in the Public Offering Act. Alior Bank is obliged to announce the Tender Offer after the satisfaction of the conditions precedent set forth in the Share Purchase and Demerger Agreement. Nevertheless, Alior Bank has the right to announce the Tender Offer before the satisfaction of these conditions.

Between the completion of the Tender Offer and the Demerger Date, Alior Bank will be a shareholder of Bank BPH, which will be composed of both the Bank BPH Core Business and the Bank BPH Mortgage Business. In the period between the completion of the Tender Offer and the earlier of: (i) the Demerger Date; and (ii) a date falling six months after the completion of the Tender Offer (the "**Transitional Period**"), Alior Bank has agreed not to exercise any rights attached to the shares held in Bank BPH without the prior written consent of the Sellers, subject to the exceptions set forth in the Share Purchase and Demerger Agreement.

If following the Tender Offer the Sellers hold shares in Bank BPH which represent less than 20% of the share capital of Bank BPH, the Sellers may request that Alior Bank encumber, loan or transfer a part of the Bank BPH shares acquired by Alior Bank to the Sellers, subject to the provisions of the Share Purchase and Demerger Agreement (the "**Retransferred Shares**"), provided that: (i) the Retransferred Shares do not constitute more than 10% of the share capital of Bank BPH minus one share of Bank BPH; and (ii) the Retransferred Shares together with any other Bank BPH shares that will be retained by the Sellers immediately after the settlement of the Tender Offer do not constitute more than 33% of the share capital of Bank BPH minus one share of Bank BPH. The Share Purchase and Demerger Agreement sets out the terms of the settlements among the parties in relation to the transfer of the Retransferred Shares. The mechanism of conveying the Retransferred Shares to the Sellers is intended to ensure the ability to consolidate Bank BPH with the Sellers' capital group in compliance with the financial reporting standards which bind the group.

Subject to the outcome of the Tender Offer, in connection with the Demerger, either the Mandatory Squeeze-Out or the Demerger Offering may be carried out.

Mandatory Squeeze-Out

If upon completion of the Tender Offer Alior Bank and the Sellers (and their affiliates) hold shares in Bank BPH representing, in aggregate, no less than 90% of the share capital of Bank BPH, pursuant to the Share Purchase and Demerger Agreement, Alior Bank may, at its sole discretion, proceed with the Mandatory Squeeze-Out and require the Sellers to act in concert with Alior Bank in relation to the Mandatory Squeeze-Out. In such a case, only Alior Bank will purchase shares of Bank BPH in the Mandatory Squeeze-Out. Upon completion of the Mandatory Squeeze-Out, Alior Bank and the Sellers (and perhaps their affiliates) will be the sole shareholders of Bank BPH.

Demerger Offering

In a situation where, upon completion of the Tender Offer, Alior Bank and the Seller hold less than 90% of the share capital of Bank BPH, or if Alior Bank chooses not to proceed with the Mandatory Squeeze-Out, a Demerger Offering to the Minority Shareholders of Bank BPH will be conducted as part of the Demerger process. Upon completion of the Demerger Offering the sole shareholders of Bank BPH will be the Sellers (perhaps with their affiliates).

If the Demerger Offering is executed as a public offering, Alior Bank intends to prepare a separate prospectus concerning the Demerger Offering and consisting of the Prospectus and any other disclosure documents required under the Public Offering Act.

Demerger and indemnity

Upon completion of the Tender Offer and potentially the Mandatory Squeeze-Out, the Transaction will be finalized by the Demerger. In order to implement the Demerger, certain resolutions approving the Demerger must be adopted by both the General Meeting and the general meeting of Bank BPH, and the Demerger must be registered in the National Court Register. The registration of the Demerger in the National Court Register consists of: (i) the registration of the decrease in the share capital of Bank BPH; and (ii) the subsequent registration of the increase in the share capital of Alior Bank.

The Share Purchase and Demerger Agreement details the general terms and conditions for the Demerger, according to which: (i) no new shares of Bank BPH will be issued to Alior Bank; (ii) all the shares held by Alior Bank in Bank BPH will cease to exist and the Sellers (and, where relevant, their affiliates) will become the sole shareholders of Bank BPH (comprised solely of the Bank BPH Mortgage Business); and (iii) the Minority Shareholders of Bank BPH that hold shares in Bank BPH as at the relevant date set out in the Demerger Plan, if any, will receive shares in the share capital of Alior Bank to be issued under the Demerger (the "**Demerger Shares**") in accordance with the share exchange ratio of exchange of the Bank BPH shares for Demerger Shares (the "**Share Exchange Ratio**") determined in the Demerger Plan (see " – *Demerger Plan*" below).

In the Share Purchase and Demerger Agreement, the Sellers agreed that between the execution of the Share Purchase and Demerger Agreement and the Demerger Date, the Sellers shall not vote in favor of certain resolutions of the general meeting of Bank BPH that are of significant importance to Bank BPH, other than the resolution approving the Demerger. In addition, the Sellers agreed, as shareholders of Bank BPH, to take steps to procure that Bank BPH refrains from certain actions specified in the Share Purchase and Demerger Agreement and that the operations of Bank BPH are carried on substantially in the ordinary course of business.

The Pre-Demerger Cooperation Agreement sets forth the initial terms and conditions for the Demerger, including the general terms of cooperation between the parties in the preparation of the Demerger Plan and the implementation of the Demerger. Furthermore, the Pre-Demerger Cooperation Agreement sets forth the terms of the allocation of assets and liabilities of Bank BPH to the Bank BPH Core Business and the Bank BPH Mortgage Business. It also provides for certain obligations of Bank BPH relating to the conduct of its operations, and certain commitments of Bank BPH and Alior Bank as to the manner of implementation of the Demerger and the allocation of assets and liabilities of Bank BPH made in the Demerger Plan, in the period between the execution of the Share Purchase and Demerger Agreement and the Demerger Date. The Pre- Demerger Cooperation Agreement is governed by Polish law.

Alior Bank may be jointly and severally liable with Bank BPH for Bank BPH's liabilities which are not ascribed in the Demerger Plan to Alior Bank, as a legal successor of Bank BPH with respect to the spun-off assets and liabilities, for three years from the announcement of the Demerger and up to the value of the net assets spun off to Alior Bank as a result of the Demerger, on the basis of Article 564 § 1 of the Code of Commercial Companies. Bank BPH has agreed to indemnify and hold Alior Bank harmless from and against any liability arising from the liabilities relating to the Bank BPH Mortgage Business (hence concerning, among other things, the mortgage loans portfolio remaining in Bank BPH after the Demerger, and BPH TFI and the funds managed by it) up to the value of the Bank BPH Core Business net assets in the manner and on the terms set forth in the Pre-Demerger and Cooperation Agreement, provided that such a claim is reported by Alior Bank within 42 months of the announcement of the Demerger. Additionally, the Sellers will procure and guarantee that Bank BPH indemnifies and holds Alior Bank harmless from and against any liability arising from liabilities relating to the Bank BPH Mortgage Business up to the value of the Bank BPH Core Business net assets in the manner and on the terms set forth in the Share Purchase and Demerger Agreement. The above commitment of the Sellers is limited to the lower of: (i) the value of the Bank BPH Core Business net assets; or (ii) 100% of the Price for the Sellers. Such claim must be reported by Alior Bank within 42 months of the announcement of the Demerger. The total liability of the Sellers under the Share Purchase and Demerger Agreement is (with certain exceptions set out in the Share Purchase and Demerger Agreement) capped at 100% of the Price for the Sellers. The above commitment of the Sellers is covered by the GE Guarantee.

Alior Bank undertook to indemnify and hold Bank BPH harmless (on identical principles as those applying to the principles on which Bank BPH would indemnify and hold harmless) from and against any liabilities described in the Demerger Plan to Alior Bank relating to the Bank BPH Core Business up to the net value of the assets of the Bank BPH Mortgage Business.

Demerger Plan

On April 29, 2016 the Management Boards of Alior Bank and Bank BPH entered into the Demerger Plan, which was drawn up in compliance with Article 534 §1 and § 2 of the Code of Commercial Companies. Entry into the Demerger Plan satisfies one of the conditions of the Share Purchase and Demerger Agreement. The Management Board announced the agreeing and execution of the Demerger Plan in Current Report No. 29/2016 of April 30, 2016, to which the

Demerger Plan was attached, and which was accompanied by (i) a detailed description of the assets and liabilities, agreements, permits, licenses or reliefs transferred to Alior Bank; (ii) a draft Demerger Resolution; (iii) draft resolution of the general meeting of Bank BPH on the Demerger; (iv) draft amendments to the Articles of Association; (v) a valuation of the assets and liabilities of Alior Bank as at March 1, 2016; (vi) a valuation of Bank BPH property as at March 1, 2016; (vii) the fairness opinion prepared by Ernst & Young spółka z ograniczoną odpowiedzialnością Corporate Finance sp. k. of April 28, 2016 on the Share Exchange Ratio; and (viii) the fairness opinion prepared by IPOPEMA Securities Spółka Akcyjna of April 28, 2016 on the fairness of the share exchange ratio and adjustment formula and the Management Board report of April 29, 2016 substantiating the Demerger. The aforesaid current report No. 29/2016 (with attachments) is included in this Offering Circular by reference, and is available on the Alior Bank website www.aliorbank.pl. A similar current report with the Demerger Plan and other relevant documents attached was also published by the management board of Bank BPH, also on April 30, 2016.

The Demerger will be conducted pursuant to Article 529 § 1 Item 4 of the Code of Commercial Companies (spin-off).

As a result of the Demerger, pursuant to Article 531 § 1 of the Code of Commercial Companies, Alior Bank will assume all of the rights and obligations of Bank BPH connected with the Bank BPH Core Business on the Demerger Date. Consequently, immediately following the Demerger Date Bank BPH will only conduct activity in relation to the Bank BPH Mortgage Business. The activity of Alior Bank will be enlarged by the Bank BPH Core Business.

The Demerger Plan provides for a share capital increase in Alior Bank by at least PLN 10 by way of issuance of at least one Demerger Share, being an ordinary, bearer Series J share of Alior Bank with the nominal value of PLN 10. The maximum amount of the Alior Bank share capital increase in connection with the Demerger and the maximum number of the Demerger Shares have not been determined at this stage (nor as at the date of this Offering Circular) due to the fact that the Share Exchange Ratio is subject to an adjustment related to the dilution of the Alior Bank share capital resulting from the Offering (planned by Alior Bank to be conducted before the Demerger Date). The Demerger Shares will be granted and allocated to the Minority Shareholders of Bank BPH on the terms set out in the Demerger Plan. However, pursuant to Article 550 §1 of the Code of Commercial Companies, no Demerger Shares will be issued in exchange for the shares held by Alior Bank in Bank BPH and no Demerger Shares will be issued in exchange for the shares held by Bank BPH in its own capital, if any. Similarly, no Demerger Shares will be issued to the Sellers.

In connection with the Demerger, Bank BPH's share capital will be decreased, with the result that the Sellers (and their affiliates) will be the only shareholders of Bank BPH, which is comprised of the Bank BPH Mortgage Business. As a result of the registration of the capital decrease in Bank BPH, all of the shares held by shareholders other than the Sellers will cease to exist by operation of law. The Minority Shareholders of Bank BPH, should there be any in the shareholding structure of Bank BPH, will cease to be the shareholders of Bank BPH and will become shareholders of Alior Bank. If, however, the Demerger is not registered after the Tender Offer conducted by Alior Bank, Alior Bank would remain a shareholder of Bank BPH.

In the Demerger Plan, the following Share Exchange Ratio was established: for 1 (one) share in Bank BPH, each of the Minority Shareholders of Bank BPH will be granted and allocated 0.44 of a Demerger Share, subject to an adjustment related to the dilution of the Alior Bank share capital resulting from the Offering planned by Alior Bank before the Demerger Date.

The Demerger Plan specifies the regulatory permits and consents, the resolutions of general meetings of Alior Bank and Bank BPH required in order to complete the Demerger, and any information required by law.

The Demerger Plan will be audited for fairness and correctness pursuant to Article 537 § 1 of the Code of Commercial Companies. The auditor's opinion from the audit of the Demerger Plan will be made available as soon as it is made by the auditor (who will be appointed by the competent registry court). Information regarding the possibility of review of the auditor's opinion will be published by the Bank in the form of a current report.

Additional Information

The implementation of the Transaction is exposed to a number of risks which may have a negative impact on its implementation, based on the contemplated structure and timetable. The risk factors relating to the Transaction are discussed in detail in the "*Risk Factors – Risk Factors related to the Transaction*".

During the implementation of the Transaction, Alior Bank and Bank BPH will provide certain information and documents to their respective shareholders in compliance with the requirements and time limits specified by the relevant provisions of law, including the Code of Commercial Companies. Furthermore, Alior Bank and Bank BPH will publish current reports pertaining to the Transaction realization, to the extent that such reports are required to be published in accordance with the laws in force.

PRO FORMA FINANCIAL INFORMATION

Introduction

The unaudited consolidated pro forma financial information presented in the tables below comprises the unaudited pro forma consolidated statement of financial position of Alior Bank SA (the "**Company**", or the **"Alior Bank**" and, together with its consolidated subsidiaries, the **"Alior Group**") as at March 31, 2016; the unaudited pro forma consolidated income statements for the financial year ended December 31, 2015 and for the three-month period ended March 31, 2016; and the explanatory notes. The information has been prepared for inclusion in this Offering Circular and for no other purposes.

The unaudited pro forma consolidated statement of financial position as at March 31, 2016 shown in the table below presents hypothetically the Alior Group's financial position as though the Transaction and events and operations that are directly related to the Transaction, had taken place on March 31, 2016.

The unaudited pro forma consolidated income statements for the financial year ended December 31, 2015 and for the three-month period ended March 31, 2016 shown in the tables below present hypothetically the Alior Group's results of operations as though the Transaction had taken place at the start of the presented period, i.e. on January 1, 2015 for the unaudited pro forma consolidated income statement for the financial year ended December 31, 2015 and on January 1, 2016 for the unaudited pro forma consolidated income statement for the three-month period ended March 31, 2016.

The unaudited pro forma consolidated financial information has been prepared in accordance with the principles described in Regulation 809/2004 and the related guidance issued by ESMA. The Alior Group is not subject to the reporting requirements of the U.S. Securities and Exchange Commission and, accordingly, the Pro Forma Financial Information has not been prepared specifically for the purposes of complying with the requirements of Regulation S-X of the U.S. Securities Act.

The Alior Group Annual Consolidated Financial Statements for 2015 and the Alior Group Consolidated Financial Statements for the First Quarter 2016 form the basis for preparing the unaudited pro forma consolidated financial information. The consolidated pro forma financial information has been prepared in accordance with the accounting policies adopted by the Alior Group and described in the Alior Group Annual Consolidated Financial Statements for 2015 and the Alior Group Consolidated Financial Statements for the First Quarter 2016.

The unaudited pro forma consolidated financial information presented below has been prepared solely for illustrative purposes and due to its nature presents a hypothetical situation; therefore, it does not represent the actual results of operations or financial condition of the Alior Group as at the date or for the periods specified, had the events and operations discussed actually taken place on the assumed dates, and its purpose is not to present the results of operations or financial position as at any future date or for any future period.

The Transaction will be accounted for as an acquisition in accordance with IFRS. As a result, for the purposes of preparing the consolidated financial statements of the Alior Group in the future, the total purchase price will be allocated to the tangible, intangible and other assets acquired as well as the liabilities and contingent liabilities assumed based on the estimated fair values as of the date of acquisition with any excess of the identifiable net assets over the purchase price recognized immediately in net profit. No such purchase price allocation was performed as at the date of the Offering Circular and therefore no fair value adjustments have been made to acquired assets and liabilities (including any associated deferred tax effects) – see Note 3 to the unaudited pro forma consolidated statement of financial position. Similarly, the unaudited pro forma consolidated income statement does not include any adjustment with respect to additional depreciation or amortization that would be charged as a result of the recognition of new depreciable assets or change in value of any existing assets or liabilities – see Note 3 to the unaudited pro forma consolidated income statements for the financial year ended December 31, 2015 and for the three-month period ended March 31, 2016.

The unaudited pro forma consolidated financial information should be analysed together with the information contained in the sections of the Offering Circular entitled "*Transaction," and* "*Operating and Financial Review of the Alior Group"* and "*Operating and Financial Review of the BPH Bank Core Business*," as well as in the Alior Group Annual Consolidated Financial Statements, the Alior Group Consolidated Financial Statements for the First Quarter 2016 and the Bank BPH Special Purpose 2014-2015 Financial Statements and the Bank BPH Special Purpose Q1 2016 Financial Statements.

The assumptions for the pro forma adjustments are discussed in the explanatory notes. The pro forma adjustments are factually supportable and are based on the available information and specific assumptions which, in the Alior Group's opinion, are reasonable.

Unaudited pro forma consolidated statement of financial position as at March 31, 2016

IN PLN MILLIONS	Alior Group	Pro Forma adjustments				Pro forma
		Bank BPH Core Business	Demerger adjustments	Business combination accounting	Issue and transaction costs	
	Note 1	Note 2(a)	Note 2(b)	Note 3	Note 4	
ASSETS						
Cash and balances with Central Bank	665.8	850.0	(1.0)	(1,490.6)	2,140.1	2,164.3
Financial assets at fair value through profit or loss	359.8	4,570.3	(1,308.8)	-	-	3,621.3
Financial assets available for sale	6,008.1	462.1	-	-	-	6,470.2
Derivative hedging instruments	161.4	-	-	-	-	161.4
Amounts due from banks	523.6	947.6	(92.2)	(56.4)	-	1,322.6
Loans and advances to customers	32,738.0	8,948.4	-	-	-	41,686.4
Assets pledged as collateral	226.1	1,248.1	-	-	-	1,474.2
Property and equipment	224.5	250.4	-	-	-	474.9
Intangible assets	390.4	120.7	-	-	-	511.1
Assets held for sale	0.7	8.3	-	-	-	9.0
Deferred tax assets	313.4	184.9	-	-	-	498.3
Other assets	413.9	148.3	-	-	-	562.2
TOTAL ASSETS	**42,025.7**	**17,739.0**	**(1,402.0)**	**(1,547.0)**	**2,140.1**	**58,955.8**
LIABILITIES AND EQUITY						
Financial liabilities held for trading	339.0	87.8	-	-	-	426.8
Amounts due to banks	404.2	319.6	-	(56.4)	-	667.4
Amounts due to customers	35,802.3	13,594.7	-	-	-	49,397.0
Provisions	15.0	234.9	-	-	-	249.9
Other liabilities	895.1	382.5	-	-	-	1,277.6
Current and deferred income tax liabilities	30.8	-	-	-	-	30.8
Subordinated liabilities	937.7	-	-	-	-	937.7
Total liabilities	**38,424.1**	**14,619.6**	**-**	**(56.4)**	**-**	**52,987.2**
Share capital and supplementary capital	3,318.3	-	-	-	2,146.5	5,464.8
Revaluation reserve	22.6	-	-	-	-	22.6
Other reserves	184.8	-	-	-	-	184.8
Retained earnings	74.8	-	-	226.8	(6.4)	295.2
Non-controlling interests	1.1	-	-	-	-	1.1
Net assets acquired	-	3,119.4	(1,402.0)	(1,717.4)	-	-
Equity	**3,601.6**	**3,119.4**	**(1,402.0)**	**(1,490.6)**	**2,140.1**	**5,968.5**
TOTAL LIABILITIES AND EQUITY	**42,025.7**	**17,739.0**	**(1,402.0)**	**(1,547.0)**	**2,140.1**	**58,955.8**

(1) The information has been compiled based on the Alior Group Consolidated Financial Statements for the First Quarter 2016, incorporated by reference in the Offering Circular.

(2) (a) The information has been compiled based on the Bank BPH Interim Special Purpose Q1 2016 Financial Statements, included in the Offering Circular. The purpose of this adjustment is to illustrate the effect of the acquisition of Bank BPH Core Business, as though it had occurred at March 31, 2016 and the adjustment presents allocation of assets and liabilities of Bank BPH Core Business based on the mentioned financial information. Information on the basis of allocation of assets, liabilities and equity of Bank BPH Core Business extracted from Bank BPH financial data as at March 31, 2016 was presented in Note 1 to the Bank BPH Interim Special Purpose Q1 2016 Financial Statements that contains basis of preparation and the basis of allocation of assets, liabilities and equity. The review report relating to such special purpose financial information contains the following emphasis of matter: "Without modifying our conclusion, we draw attention to the fact that, as described in Note 1 to the special purpose condensed interim financial information, the Bank BPH Core Business and Bank BPH Mortgage Business have not operated separately. This special purpose condensed interim financial information is, therefore, not necessarily indicative of results that would have occurred if the Bank BPH Core Business and Bank BPH Mortgage Business had operated as separate reporting entities and may not be indicative of their future results."

(b) The purpose of this adjustment is to reflect terms stated in the Share Purchase and Demerger Agreement and Demerger Plan regarding allocation of assets and liabilities to Bank BPH Core Business and mortgage activities. In particular, the agreements stipulate that a group of liquid assets (i.e. Cash and balances with Central Bank, Financial assets at fair value through profit or loss and Amounts due from banks) shall be allocated to Bank BPH Core Business and mortgage activities in such a way that results in a Common Equity Tier 1 ratio of Bank BPH Core Business at the level of 13.25%. The allocation of these assets is presented in Note 1 to the Bank BPH Interim Special Purpose Q1 2016 Financial Statements.

(3) The purpose of this adjustment is to illustrate the acquisition accounting impact of the Transaction. The purchase price paid for the Bank BPH Core Business is determined by the net tangible assets of Bank BPH Core Business as at the Demerger Effective Date, which, in turn, is influenced by the assumed level of equity (such that it results in a CET1 ratio of the Bank BPH Core Business at the level of 13.25%) and additional adjustments described in sales agreement (see *Transaction – Price*). Based on data available as at March 31, 2016, the purchase price for Bank BPH Core Business was estimated at PLN 1,490.6 million, representing a decrease of PLN 41.4 million as compared to PLN 1,532.0 million resulting from amounts determined as at the Share Purchase and Demerger Agreement signing date. The decrease results mainly from change in the tangible net assets between the date of the demerger adopted for pro forma purposes (March 31, 2016) and the date of initial value determination as at 30 September 2015. Out of the assumed total Bank BPH Core Business purchase price equal to PLN 1.490.6 million, payment made to selling shareholders is PLN 1,182.4 million (amount calculated on the basis of the Share Purchase and Demerger Agreement provisions) and to Non-Controlling Shareholders of Bank BPH – PLN 308.2 million (estimated on the basis of relevant regulations for setting the minimum price in the tender offer, assuming that the Tender Offer were announced at the date of the pro forma financial information preparation). The actual amount paid to the Non-Controlling Shareholders of Bank BPH within the Tender Offer will depend on the average prices used for the corresponding period before the Tender Offer actual date. It was assumed that all Non-Controlling Shareholders of Bank BPH will sell their shares in the Tender Offer or Mandatory Squeeze-Out. The ultimate price depends on the factors described above and therefore the amount paid may ultimately differ from the amount assumed above (see further details in the section "*Transaction-Price*"). The acquisition of the net assets of Bank BPH Core Business will be accounted for using the acquisition method and will require identification and valuation of all assets and liabilities of the acquired business to their fair value in accordance with the provisions of IFRS 3 *Business Combinations* as at the date of obtaining control. No such valuation was performed as at the date of this Offering Circular and it was assumed that the fair value of net assets acquired is not different from their carrying value (provisional amounts). Therefore the excess of carrying value of assets over the purchase price in the amount of PLN 226.8 million was recognized in retained earnings (such excess, if any, will be recognized in the net profit in the period when control is obtained). Ultimately, the amount of purchase consideration, the fair value of net identifiable assets and the resulting goodwill or excess of net fair value of assets over purchase price, may differ from the amount calculated above.

The adjustment also covers the elimination of mutual balances between the Alior Group and the Bank BPH Core Business as at March 31, 2016 in the amount of PLN 56.4 million.

(4) The acquisition of the Bank BPH Core Business will be financed by the rights issue described in the section *"Transaction – Increase in Share capital through the rights issue*." For the purposes of this unaudited pro forma financial information it was assumed that proceeds from the Offering will amount to PLN 2,200.0 million (which is the amount of Offering proceeds expected by the Company). The final number of Offer Shares and the Issue Price will be determined by the Management Board of the Company taking into account the assumed amount of Offering proceeds and market conditions, including the share price of Existing Shares. For pro forma financial information purposes it was estimated that the transaction-related expenses will amount to PLN 71.3 million (net of tax effects– PLN 59.9 million), consisting of PLN 63.4 million (net of tax effects– PLN 53.5 million) relating to the Offering that will decrease the equity and PLN 7.9 million (net of tax effects– PLN 6.4 million) relating to the acquisition of Bank BPH Core Business, that will be recognized in the income statement (presented in retained earnings line for pro forma financial information preparation purposes). It was also assumed that all Non-Controlling Shareholders of Bank BPH will participate in the Tender Offer and will dispose all of their shares or those shares will be purchased under the Squeeze Out, which means that for the purposes of this pro forma financial information preparation it was assumed that the Demerger Offering for Non-Controlling Shareholders of Bank BPH will not be necessary. The Non-Controlling Shareholders hold 12.77% shares of Bank BPH at the date of this Offering Circular and, pursuant to the Demerger Plan, would be entitled to receive shares of the Company to the extent they have not participated in the Tender Offer or Mandatory Squeeze-Out in the ratio of 0.44 Demerger Shares in exchange for 1 share of Bank BPH (see section *"Transaction – Demerger Plan"*).

Unaudited pro forma consolidated income statement for the financial year ended December 31, 2015

IN PLN MILLIONS	Alior Group	Pro Forma adjustments			Pro forma
		Bank BPH Core Business	Demerger adjustments	Acquisition accounting	
	Note 1	Note 2(a)	Note 2(b)	Note 3	
Interest income	2,399.2	850.2	(19.4)	(0.1)	3,229.9
Interest expense	(898.2)	(180.2)	-	0.1	(1,078.3)
Net interest income	**1,501.0**	**670.0**	**(19.4)**	**-**	**2,151.6**
Dividend income	**0.1**	-	**-**	**-**	**0.1**
Fee & Fee and commission income	545.7	341.2	-	-	886.9
Fee & Commission expense	(214.1)	(113.3)	-	-	(327.4)
Net Fee & Fee and commission income	**331.6**	**227.9**	**-**	**-**	**559.5**
Trading and derivative income	**281.6**	**46.9**	**-**	**-**	**328.5**
Other operating Income (loss):					
- impairment of goodwill	-	(154.8)	-	154.8	-
- other net income (loss)	51.7	9.5	-	(7.9)	53.3
General administrative expenses (excluding restructuring)	**(1,107.9)**	**(969.5)**	**-**	**-**	**(2,077.4)**
Restructuring expenses	**-**	**(184.7)**	**-**	**-**	**(184.7)**
Net impairment charges	**(672.1)**	**(17.2)**	**-**	**-**	**(689.3)**
Profit before income tax	**386.0**	**(371.9)**	**(19.4)**	**146.9**	**141.6**
Income tax	(77.0)	48.2	3.7	(27.9)	(53.0)
Net profit	**309.0**	**(323.7)**	**(15.7)**	**119.0**	**88.5**
Earnings per share (in PLN)	**4.31**				**N/A (Note 4)**

(1) The information has been compiled based on the Alior Group Consolidated Financial Statements for 2014-2015, incorporated by reference in the Offering Circular.

(2) (a) The purpose of this adjustment is to illustrate the effect of acquisition of Bank BPH Core Business, as though it had occurred at January 1, 2015. The acquisition of Bank BPH Core Business will have recurring effect on Alior Group. The information has been compiled based on the Bank BPH Special Purpose 2014-2015 Financial Statements, included in the Offering Circular, after applying the Alior Bank presentation rules, with no impact on net profit. This resulted in reclassification of PLN 3.7 million of property, equipment and intangible assets impairment charges from Other operating Income (loss) to Net impairment charges. Information on the separation of income and expenses of Bank BPH Core Business from Bank BPH financial data was presented in Note 1 to the Bank BPH Special Purpose 2014-2015 Financial Statements that contains basis of preparation and the basis of allocation of items of income and expenses. The auditor's report on these financial statements contains the following emphasis of matter: "Without modifying our opinion, we draw attention to the fact that, as described in Note 1 to the special purpose financial statements, the Bank BPH Core Business and Bank BPH Mortgage Business have not operated separately. These special purpose financial statements are, therefore, not necessarily indicative of results that would have occurred if the Bank BPH Core Business and Bank BPH Mortgage Business have operated as separate reporting entities and may not be indicative of their future results."
(b) As described in the Note 2(b) to the unaudited pro forma statement of the financial position a group of liquid assets shall be allocated to Bank BPH Core Business and mortgage activities in such a way that it results in a Common Equity Tier 1 ratio of the Bank BPH Core Business at the level of 13.25%. This group of assets represent mainly portfolio of NBP bills. Income from such instruments is in the Bank BPH Special Purpose 2014-2015 Financial Statements recognized as interest income of Bank BPH Core Business. It is estimated that the interests generated by the part of portfolio that would have to be re-allocated to Bank BPH Mortgage Business would amount to PLN 19.4 million and the tax effect of this amount would be PLN 3.7 million. Details on assumptions made to estimate these amounts are presented in Note 1 to the Bank BPH Interim Special Purpose Q1 2016 Financial Information.

(3) The purpose of the adjustment is to illustrate the effects of applying the acquisition accounting as though the Transaction had occurred at the beginning of the year, i.e. on January 1, 2015. In accordance with provisions of IFRS 3 "*Business Combinations*", at the moment of acquisition previously recognised goodwill should be de-recognised. To reflect that requirement, only for the purposes of this unaudited pro forma consolidated financial information it was assumed that any goodwill existing at January 1, 2015 would be then derecognized and, during the year, no goodwill would have been impaired (amount of PLN 154.8 million). This adjustment will not have a continuing impact on the Alior Group's performance. No adjustments, except the adjustment described in the previous sentence, have been calculated with respect of additional amounts that may be recognised as a result of changes between carrying amounts and fair values of assets and liabilities of the Bank BPH Core Business (see Note 3 to unaudited pro forma consolidated statement of financial position and introductory information). Additionally, as described in the Note 3 to the unaudited pro forma consolidated statement of financial position, there is a possibility that the fair value of net assets acquired may be higher than the purchase price of Bank BPH Core Business, which will result in one-time gain on the bargain purchase in net profit or loss for the period in which the Transaction is completed. Taking into account that this value calculated as at January 1, 2015 could materially differ from the actual value calculated as at the date of obtaining control by Alior Bank, no adjustment was made in the unaudited pro

forma consolidated income statement. This value, determined on the basis of provisional values at the last available balance sheet date amounted to PLN 226.8 million (see Note 3 to the consolidated pro forma statement of financial position).
The adjustment covers also the elimination of transactions between the Alior Group and Bank BPH Core Business for the year ended December 31, 2015, in the amount of PLN 0.1 million as well as impact of expected costs of the transaction estimated at PLN 7.9 million. The amount of PLN 27.9 million reflects the tax impact of above adjustments.
After the Demerger, Alior Bank will be providing outsourcing services in the area of IT services and services regarding portfolio of loan receivables based on resources acquired with Bank BPH Core Business. Details regarding these agreements were described in the section "*Transaction – Additional Agreements related to Share Purchase and Demerger Agreement*." The amounts of expenses related to outsourcing services and remuneration expenses regarding employees remaining in the Bank BPH Mortgage Business correspond to the amount of expenses allocated to Bank BPH Mortgage Business as described in Note 1 the Bank BPH Special Purpose 2014-2015 Financial Statements. Due to that no pro forma adjustment was made to reflect impact of these agreements.

(4) As described in the Note 4 to the unaudited pro forma statement of the financial position and in the section "*Transaction – Increase in Share capital through the rights issue*," the final number of Offer Shares and Issue Price will be determined by the Management Board of Alior Bank taking into account the assumed amount of Offering proceeds and market conditions, including share price of Existing Shares. Due to reasons mentioned above, the calculation of weighted average number of shares necessary to determine the amount of earnings per share value is not possible.

(5) In accordance with rules on pro forma financial information preparation, the unaudited pro forma consolidated income statement does not reflect any (i) expected synergy benefits, (ii) anticipated integration costs and (iii) savings resulting from BPH Bank plan for business transformation implementation, which are described in more detail in section "*Bank BPH Core Business - Synergies*."

Unaudited pro forma consolidated income statement for the three-month period ended March 31, 2016

IN PLN MILLIONS	Alior Group	Pro Forma adjustments			Pro forma
		Bank BPH Core Business	Demerger adjustments	Acquisition accounting	
	Note 1	Note 2(a)	Note 2(b)	Note 3	
Interest income	663.2	205.3	(5.2)	-	863.3
Interest expense	(250.7)	(38.6)	-	-	(289.3)
Net interest income	**412.5**	**166.7**	**(5.2)**	**-**	**574.0**
Fee & Fee and commission income	138.0	78.1	-	-	216.1
Fee & Commission expense	(50.7)	(29.3)	-	-	(80.0)
Net Fee & Fee and commission income	**87.3**	**48.8**	**-**	**-**	**136.1**
Trading and derivative income	**68.9**	**30.1**	**-**	**-**	**99.0**
Other operating Income (loss)	**10.6**	**(1.4)**	**-**	**(7.9)**	**1.3**
General administrative expenses (excluding restructuring)	**(276.6)**	**(249.3)**	**-**	**-**	**(525.9)**
Banking tax	**(20.7)**	**-**	**-**	**(10.5)**	**(31.2)**
Net impairment charges	**(175.7)**	**13.7**	**-**	**-**	**(162.0)**
Profit before income tax	**106.3**	**8.6**	**(5.2)**	**(18.4)**	**91.3**
Income tax	(26.2)	1.5	1.0	1.5	(22.2)
Net profit	**80.1**	**10.0**	**(4.2)**	**(16.9)**	**69.1**
Earnings per share (in PLN)	**1.11**				**N/A (Note 4)**

(1) The information has been compiled based on the Alior Group Condensed Consolidated Financial Statements for the First Quarter 2016, incorporated by reference in the Offering Circular.

(2) (a) The purpose of this adjustment is to illustrate the effect of acquisition of Bank BPH Core Business, as though it had occurred at January 1, 2016. The acquisition of Bank BPH Core Business will have recurring effect on Alior Group. The information has been compiled based on the Bank BPH Interim Special Purpose Q1 2016 Financial Information, included in the Offering Circular, after applying the Alior Bank presentation rules, with no impact on net profit. This resulted in reclassification of PLN 0.5 million of property, equipment and intangible assets impairment charges from Other operating Income (loss) to Net impairment charges. Information on separation of income and expenses of Bank BPH Core Business from BPH Bank financial data was presented in Note 1 to the Bank BPH Special Purpose 2014-2015 Financial Statements, included in the Offering Circular, that contains basis of preparation and the basis of allocation of items of income and expenses. The review report relating to such special purpose financial information contains the following emphasis of matter: "Without modifying our conclusion, we draw attention to the fact that, as described in Note 1 to the special purpose condensed interim financial information, the Bank BPH Core Business and Bank BPH Mortgage Business have not operated separately. This special purpose condensed interim financial information is, therefore, not necessarily indicative of results that would have occurred if the Bank BPH Core Business and Bank BPH Mortgage Business have operated as separate reporting entities and may not be indicative of their future results."
(b) As described in the Note 2(b) to the unaudited pro forma statement of the financial position a group of liquid assets shall be allocated to Bank BPH Core Business and mortgage activities in such a way that results in a Common Equity Tier 1 ratio of Bank BPH Core Business at the level of 13.25%. This group of assets represents mainly portfolio of NBP bills. Income from such instruments is in the Bank BPH Special Purpose 2014-2015 Financial Statements recognized as interest income of Bank BPH Core Business. It is estimated that the interests generated by the part

of portfolio that would have to be re-allocated to Bank BPH Mortgage Business would amount to PLN 5.2 million and the tax effect of this amount would be PLN 1.0 million. Details on assumptions made to estimate these amounts are presented in Note 1 to the Bank BPH Interim Special Purpose Q1 2016 Financial Information.

(3) The purpose of the adjustment is to illustrate the effects of applying the acquisition accounting as though the Transaction had occurred at the beginning of the year, i.e. on January 1, 2016. For the purposes of unaudited pro forma financial information no adjustment has been calculated with respect of additional amounts that may be recognised as a result of changes between carrying amounts and fair values of assets and liabilities of the Bank BPH Core Business (see Note 3 to unaudited pro forma consolidated statement of financial position and introductory information). Additionally, as described in the Note 3 to the unaudited pro forma consolidated statement of financial position, there is a possibility that the fair value of net assets acquired may be higher than the purchase price of Bank BPH Core Business, which will result in one-time gain on the bargain purchase in net profit or loss for the period in which the Transaction is completed. Taking into account that this value calculated as at January 1, 2016 could materially differ from the actual value calculated as at the date of obtaining control by Alior Bank, no adjustment was made in the unaudited pro forma consolidated income statement. This value, determined on the basis of provisional values at the last available balance sheet date amounted to PLN 226.8 million.

The adjustment covers also impact of expected costs of the transaction estimated at PLN 7.9 million. The amount of PLN 1.5 million reflects the tax impact of this adjustment.

The purpose of the adjustment is to illustrate the effects of applying tax on financial institutions on assets related to Bank BPH Core Business acquired by Alior Bank. Bank BPH is following a recovery plan, which is why it is waived from tax on financial institutions, which is effective since February 1, 2016. If the Transaction had occurred at the beginning of the year, i.e. on January 1, 2016, Alior Bank would have to calculate this tax on its assets including assets related to Bank BPH Core Business acquired. Alior Bank estimated on the basis of Bank BPH Core Business financial information as at March 31, 2016 that the additional amount of tax would be PLN 10.5 million. This adjustment has no impact on corporate income tax.

After the Demerger, Alior Bank will be providing outsourcing services in the area of IT services and services regarding portfolio of loan receivables based on resources acquired with BPH Core Business. Details regarding these agreements were described in the section "*Transaction – Share Purchase and Demerger Agreement - Additional Agreements related to Share Purchase and Demerger Agreement*." The amounts of expenses related to outsourcing services and remuneration expenses regarding employees remaining in the Bank BPH Mortgage Business correspond to the amount of expenses allocated to Bank BPH Mortgage Business as described in Note 1 to the Bank BPH Interim Special Purpose Q1 2016 Financial Information. Due to that no pro forma adjustment was made to reflect impact of these agreements.

(4) As described in the Note 4 to the unaudited pro forma statement of the financial position and in the section "*Transaction – Increase in Share capital through the rights issue*," the final number of Offer Shares and Issue Price will be determined by the Management Board of Alior Bank taking into account the assumed amount of Offering proceeds and market conditions, including share price of Existing Shares. Due to reasons mentioned above, the calculation of weighted average number of shares necessary to determine the amount of earnings per share value is not possible.

(5) In accordance with rules on pro forma financial information preparation, the unaudited pro forma consolidated income statement does not reflect any (i) expected synergy benefits, (ii) anticipated integration costs and (iii) savings resulting from BPH Bank plan for business transformation implementation, which are described in more detail in section "*Bank BPH Core Business - Synergies*."

SELECTED HISTORICAL CONSOLIDATED FINANCIAL DATA OF THE ALIOR GROUP AND BANK BPH CORE BUSINESS

The following tables present selected historical financial information extracted or derived from the Alior Group Annual Consolidated Financial Statements and the Alior Group Consolidated Financial Statements for the First Quarter 2016, selected financial indicators of the Alior Group not derived from the Alior Group Annual Consolidated Financial Statements or the Alior Group Consolidated Financial Statements for the First Quarter 2016, historical financial data extracted or derived from the Bank BPH Special Purpose 2014–2015 Financial Statements and the Bank BPH Special Purpose Financial Statements for the First Quarter 2016, and selected financial indicators of the Bank BPH Core Business not derived from the Bank BPH Special Purpose 2014–2015 Financial Statements or the Bank BPH Special Purpose Q1 2016 Financial Statements. See "*Presentation of Financial and Other Information*".

Any financial information for the Alior Group and the Bank BPH Core Business in this Offering Circular labelled as "unaudited" has neither been extracted from the Alior Group Annual Consolidated Financial Statements nor from the Bank BPH Special Purpose 2014–2015 Financial Statements, but rather from the Pro Forma Financial Information or, as applicable, from the Alior Group Consolidated Financial Statements for the First Quarter 2016, the Bank BPH Special Purpose Q1 2016 Financial Statements or the Alior Group's or Bank BPH unaudited consolidated management accounts based on accounting records, or on calculations of figures from the above-mentioned sources.

As a result of the changes described in "*Presentation of Financial and Other Information – Changed Presentation of Financial Data*", the financial data derived from the Alior Group Consolidated Financial Statements for the First Quarter 2016 is not directly comparable with the corresponding financial data derived from the unaudited condensed interim consolidated Alior Group financial statements as at and for the three-month period ended March 31, 2015. Therefore, financial information concerning the consolidated profit and loss account of the Alior Group for the three-month period ended March 31, 2015 is presented in this Offering Circular in accordance with the presentation changes discussed herein and is extracted or derived from the Alior Group Consolidated Financial Statements for the First Quarter of 2016.

As a result of the presentation changes described in "Presentation of Financial and Other Information – Changed Presentation of Financial Data", the financial data derived from the Alior Group Annual Consolidated Financial Statements for 2015 is not directly comparable with the corresponding financial data derived from the Alior Group Annual Consolidated Financial Statements for 2014. Therefore, financial information concerning the consolidated profit and loss account of the Alior Group for the financial year ended December 31, 2014 is presented in this Offering Circular in accordance with the presentation changes discussed herein and is extracted or derived from the Alior Group Annual Consolidated Financial Statements for 2015.

As a result of the changes described in "*Presentation of Financial and Other Information – Changed Presentation of Financial Data*", the financial data derived from the Alior Group Consolidated Financial Statements for 2013 is not directly comparable with the corresponding financial data presented in the Alior Group Consolidated Financial Statements for 2014. Therefore, financial information from the consolidated statement of the financial position of the Alior Group as at and for the financial year ended December 31, 2013, with respect to the presentation changes discussed in "*Presentation of Financial and Other Information – Changed Presentation of Financial Data – Changed presentation of comparable data as at and for the financial year ended December 31, 2013 included in the audited annual consolidated financial statements of the Alior Group as at and for the financial year ended December 31, 2014*", is presented in this Offering Circular on a revised presentation basis. The financial information is extracted or derived from the Alior Group Consolidated Financial Statements for 2014 while other financial information is extracted or derived from the Alior Group Consolidated Financial Statements for 2013.

The data provided herein should be analyzed in conjunction with the Alior Group Annual Consolidated Financial Statements, the Bank BPH Special Purpose 2014–2015 Financial Statements, the Bank BPH Annual Standalone Financial Statements, the Alior Group Consolidated Financial Statements for the First Quarter 2016, the Bank BPH Interim Special Purpose Q1 2016 Financial Statements, the information provided in the Offering Circular in sections "*Operating and Financial Review of the Alior Group*" and "*Operating and Financial Review of the Bank BPH Core Business*", and the financial data provided elsewhere in this Offering Circular.

Selected Historical Consolidated Financial Information of the Alior Group

Selected information from the consolidated statement of financial position as at March 31, 2016 and December 31, 2015, 2014 and 2013

	As at March 31,	As at December 31,		
	2016	**2015**	**2014[1]**	**2013[2]**
	(unaudited)	*(audited)*		
	(PLN million)			
ASSETS				
Cash and balances with the Central Bank	665.8	1,750.1	1,158.4	1,067.2
Financial assets held for trading	359.8	390.6	476.8	243.3
Available-for-sale financial assets[3]	6,008.1	4,253.1	2,652.1	2,705.3*
Derivative hedging instruments[4]	161.4	139.6	80.2	12.1
Amounts due from banks	523.6	645.3	449.4	253.7*
Loans and advances to customers	32,738.0	30,907.1	23,648.0	19,653.9*
Assets pledged as collateral	226.1	628.3	927.2	687.7*
Property, plant and equipment	224.5	229.0	191.8	215.1
Intangible assets	390.4	387.0	215.6	188.1
Assets held for sale[5]	0.7	0.9	0.9	38.3
Deferred tax asset[6]	313.4	275.5	147.8	143.8
Other assets	413.9	396.5	219.3	341.3
TOTAL ASSETS	**42,025.7**	**40,003.0**	**30,167.6**	**25,549.9**
LIABILITIES AND EQUITY				
Financial liabilities held for trading	339.0	310.2	349.0	184.1
Amounts due to banks	404.2	1,051.0	1,049.2	828.0*
Amounts due to customers	35,802.2	33,663.5	24,428.0	20,832.5*
Derivative hedging instruments	0.5	-	4.8	-
Provisions	15.0	10.8	8.3	4.9*
Other liabilities	894.6	535.3	747.1	1,135.0*
Current income tax liabilities[7]	30.8	21.8	24.6	31.9
Subordinated liabilities	937.7	896.3	541.6	348.8
TOTAL LIABILITIES	**38,424.1**	**36,488.9**	**27,152.5**	**23,365.1**
EQUITY	**3,601.6**	**3,514.1**	**3,015.1**	**2,184.7**
Equity (attributable to equity holders of the parent company)	**3,600.5**	**3,512.9**	**3,013.2**	**2,184.7***
Share capital	727.1	727.1	699.8	635.8
Supplementary capital	2,591.3	2,279.8	1,775.4	1,434.7
Revaluation reserve	22.6	15.2	21.4	(16.8)
Other reserves[8]	184.7	184.7	184.0	176.8
Retained earnings/(accumulated losses)[9]	(5.4)	(3.7)	9.8	(273.7)
Profit for the period[10]	80.2	309.6	322.7	227.9
Non-controlling interests	**1.1**	**1.2**	**1.9**	**-***
TOTAL LIABILITIES AND EQUITY	**42,025.7**	**40,003.0**	**30,167.6**	**25,549.9**

[1] *Figures for the financial year ended December 31, 2014 were extracted from the Alior Group Consolidated Financial Statements for 2015. See "Presentation of Financial and Other Information – Changed Presentation of Financial Data".*

(2) Figures for the financial year ended December 31, 2013 were extracted from the Alior Group Consolidated Financial Statements for 2013, except for figures marked with "". See "Presentation of Financial and Other Information – Changed Presentation of Financial Data". Figures marked with "*" are extracted from the Alior Group Consolidated Financial Statements for 2014.*
(3) In the Alior Group Consolidated Financial Statements for 2013: "Financial assets available for sale".
(4) In the Alior Group Consolidated Financial Statements for 2013: "Hedging derivatives".
(5) In the Alior Group Consolidated Financial Statements for 2013: "Non-current assets held for sale".
(6) In the Alior Group Consolidated Financial Statements for 2013: "Income tax asset".
(7) In the Alior Group Consolidated Financial Statements for 2013: "Income tax liabilities".
(8) In the Alior Group Consolidated Financial Statements for 2013: "Other capital".
(9) In the Alior Group Consolidated Financial Statements for 2013: "Undistributed result from previous year".
(10) In the Alior Group Consolidated Financial Statements for 2013: "Current year profit/loss".
Source: the Alior Group Financial Statements.

Selected information from the consolidated income statement for the three-month periods ended March 31, 2016 and 2015 and for the financial years ended December 31, 2015, 2014 and 2013

	For the three-month periods ended March 31,		For the financial year ended December 31,		
	2016	**2015**	**2015**	**2014(1)**	**2013(2)**
	(unaudited)		*(audited)*		
	(PLN million)				
Interest income	663.2	556.1	2,399.2	2,063.3	1,518.2
Interest expense	(250.7)	(211.8)	(898.2)	(833.7)	(519.6)
Net interest income	**412.5**	**344.3**	**1,501.0**	**1,229.6**	**998.6**
Dividend income	**-**	**-**	**0.1**	**0.0**	**0.0**
Fee and commission income	138.0	135.6	545.7	533.6	475.9
Fee and commission expense	(50.7)	(42.8)	(214.1)	(185.5)	(200.8)
Net fee and commission income	**87.3**	**92.8**	**331.7**	**348.1**	**275.2**
Trading result	**58.3**	**64.4**	**268.7**	**254.9**	**226.9**
Net result on other financial instruments(3)	**10.6**	**4.8**	**12.9**	**7.9**	**11.8**
Other operating income	15.2	19.2	81.9	52.4	49.9
Other operating expenses(4)	(4.6)	(5.8)	(30.2)	(19.9)	(22.3)
Net other operating income	**10.6**	**13.4**	**51.7**	**32.4**	**27.6**
General administrative expenses	**(276.6)**	**(257.9)**	**(1,107.9)**	**(925.3)**	**(847.4)**
Net impairment allowance and write-downs(5)	**(175.7)**	**(144.7)**	**(672.1)**	**(546.6)**	**(405.0)**
Banking tax	**(20.7)**	**-**	**-**	**-**	**-**
Profit before tax(6)	**106.3**	**117.2**	**386.0**	**401.1**	**287.7**
Income tax expense(7)	(26.2)	(25.7)	(77.0)	(79.1)	(59.8)
Net profit	**80.1**	**91.5**	**309.0**	**322.0**	**227.9**

(1) Figures for the financial year ended December 31, 2014 were extracted from the Alior Group Consolidated Financial Statements for 2015. See "Presentation of Financial and Other Information – Changed Presentation of Financial Data".
(2) Figures for the financial year ended December 31, 2013 were extracted from the Alior Group Consolidated Financial Statements for 2013. See "Presentation of Financial and Other Information – Changed Presentation of Financial Data". Additionally, the Bank changed the presentation of the following income statement figures in the Alior Group Consolidated Financial Statements for 2015: "Interest income", "Interest expenses", "Net interest income" and "Trading result". If that change in presentation was applied to figures for the financial year 2013, they would amount to, respectively, PLN 1,897.2 million, PLN (874.9) million, PLN 1,022.3 million and PLN 203.2 million.
(3) In the Alior Group Consolidated Financial Statements for 2013: "Net gain (realized) on other financial instruments".
(4) In the Alior Group Consolidated Financial Statements for 2013: "Other operating costs".
(5) In the Alior Group Consolidated Financial Statements for 2013: "Impairment losses".
(6) In the Alior Group Consolidated Financial Statements for 2013: "Gross profit".
(7) In the Alior Group Consolidated Financial Statements for 2013: "Income tax".
Source: the Alior Group Financial Statements.

Selected information from the consolidated statement of comprehensive income for the three-month periods ended March 31, 2016 and 2015 and for the financial years ended December 31, 2015, 2014 and 2013

	For the three-month periods ended March 31,		For the financial year ended December 31,		
	2016	**2015**	**2015**	**2014[1]**	**2013[2]**
	(unaudited)		*(audited)*		
	(PLN million)				
Net profit	**80.1**	**91.5**	**309.0**	**322.0**	**227.9**
Taxable other comprehensive income to be credited to net profit / (loss) after the required conditions have been satisfied[3]	**7.4**	**12.6**	**(6.2)**	**38.2**	**(27.6)**
Total net comprehensive income	**87.5**	**104.1**	**302.8**	**360.3**	**200.3**
- attributable to shareholders of the parent company[4]	87.7	103.8	303.4	360.9[5]	200.3
- attributable to non-controlling interests	(0.1)	0.3	(0.7)	(0.7)	-*

[1] *Figures for the financial year ended December 31, 2014 were extracted from the Alior Group Consolidated Financial Statements for 2015. See "Presentation of Financial and Other Information – Changed Presentation of Financial Data".*
[2] *Figures for the financial year ended December 31, 2013 were extracted from the Alior Group Consolidated Financial Statements for 2013, except for figures marked with "*". See "Presentation of Financial and Other Information – Changed Presentation of Financial Data". Figures marked with "*" are extracted from the Alior Group Consolidated Financial Statements for 2014.*
[3] *In the Alior Group Consolidated Financial Statements for 2013: "Other taxable comprehensive income".*
[4] *In the Alior Group Consolidated Financial Statements for 2013: "holders of the parent".*
[5] *Total net comprehensive income attributable to shareholders of the parent company for the financial year ended December 31, 2014 was extracted from the Alior Group Consolidated Financial Statements for 2014.*
Source: the Alior Group Financial Statements.

Selected information from the consolidated cash flow statement for the three-month periods ended March 31, 2016 and 2015 and for the financial years ended December 31, 2015, 2014 and 2013

	For the three-month periods ended March 31,		For the financial year ended December 31,		
	2016	**2015**	**2015**	**2014[1]**	**2013[2]**
	(unaudited)		*(audited)*		
	(PLN million)				
Cash and cash equivalents, opening balance	2,202.2	1,456.3	1,456.3	1,251.7	1,352.7
Net cash flow from operating activities	(1,196.4)	(545.4)	742.7	(303.0)	10.0*
Net cash flow from investing activities	(71.0)	251.9	(366.0)	(79.0)	(108.4)
Net cash flow from financing activities	42.8	394.5	369.2	588.9	(2.6)*
Total net cash flow	**(1,224.7)**	**101.0**	**745.9**	**207.0**	**(101.0)***
Cash and cash equivalents, closing balance	977.5	1,557.3	2,202.2	1,458.7	1,251.7*

[1] *Figures for the financial year ended December 31, 2014 were extracted from the Alior Group Consolidated Financial Statements for 2015. See "Presentation of Financial and Other Information – Changed Presentation of Financial Data".*
[2] *Figures for the financial year ended December 31, 2013, except for figures marked with "*". Figures marked with "*" were extracted from the Alior Group Consolidated Financial Statements for 2013. See "Presentation of Financial and Other Information – Changed Presentation of Financial Data". Figures marked with "*" are extracted from the Alior Group Consolidated Financial Statements for 2014.*
Source: the Alior Group Financial Statements.

Selected Historical Financial Information of Bank BPH Core Business

Selected information from the statement of financial position as at March 31, 2016 and December 31, 2015 and 2014

	As at March 31,	As at December 31,	
	2016	**2015**	**2014**
	(unaudited)	*(audited)*	
Assets	*(PLN million)*		
Cash and balances with the Central Bank	850.0	944.0	1,093.0
Financial assets at fair value through profit or loss	4,570.3	5,325.3	4,582.7
Amounts due from banks	947.6	463.4	347.1
Loans and advances to customers, including:	8,948.4	8,229.9	8,429.6
Loan impairment	(858.6)	(866.0)	(1,365.9)
Assets pledged as collateral	1,248.1	-	568.9
Financial assets available for sale	462.1	457.0	370.3
Property and equipment	250.4	269.5	289.1
Intangible assets	120.7	120.0	236.6
Assets held for sale	8.3	8.4	18.1
Deferred tax assets	184.9	179.3	138.3
Other assets	148.3	203.8	120.6
TOTAL ASSETS	**17,739.0**	**16,200.6**	**16,194.3**
Liabilities			
Amounts due to banks	319.6	104.4	503.8
Amounts due to customers	13,594.7	12,441.8	12,718.0
Provisions	234.9	239.0	81.9
Financial liabilities at fair value through profit or loss	87.8	79.4	120.6
Other liabilities	382.5	324.5	377.2
TOTAL LIABILITIES	**14,619.6**	**13,189.2**	**13,801.6**
TOTAL ASSETS LESS TOTAL LIABILITIES	**3,119.4**	**3,011.4**	**2,392.7**

Source: Bank BPH Special Purpose Financial Statements

Selected information from the income statement for the three-month periods ended March 31, 2016 and 2015 and for the financial years ended December 31, 2015 and 2014

	For the three months periods ended March 31,		For the financial year ended December 31,	
	2016	**2015**	**2015**	**2014**
	(unaudited)		*(audited)*	
	(PLN million)			
Interest income	205.3	221.1	850.2	1,101.3
Interest expense	(38.6)	(53.1)	(180.2)	(293.3)
Net interest income	**166.7**	**168.0**	**670.0**	**807.9**
Fee and commission income	78.1	87.6	341.2	426.0
Fee and commission expenses	(29.3)	(24.2)	(113.3)	(144.2)
Net fee and commission income	**48.8**	**63.3**	**227.8**	**281.8**
Result on financial instruments at fair value through profit or loss and exchange rate differences	30.1	34.6	46.9	104.7
Other operating income	1.6	5.0	27.0	26.6
Other operating expenses, including	(3.6)	(7.7)	(175.9)	(32.2)
Impairment of goodwill	-	-	(154.8)	-
General administrative expenses, including	(249.3)	(252.4)	(1,154.2)	(1,009.3)
Restructuring costs	(2.2)	0.9	(184.7)	(27.1)
Impairment charges	14.2	20.5	(13.5)	12.3
Profit (loss) before income tax	8.5	31.3	(371.9)	191.8
Income tax expense	1.5	(10.2)	48.2	(49.9)
Profit (loss) for the period	**10.0**	**21.1**	**(323.7)**	**141.9**

Source: Bank BPH Special Purpose Financial Statements

Selected information from the statement of comprehensive income for the three-month periods ended March 31, 2016 and 2015 and for the financial years ended December 31, 2015 and 2014.

	For the three-month periods ended March 31,		For the financial year ended December 31,	
	2016	**2015**	**2015**	**2014**
	(unaudited)		*(audited)*	
	(PLN million)			
Profit (loss) for the period for Bank BPH Core Business	**10.0**	**21.1**	**(323.7)**	**141.9**
Other comprehensive income not to be reclassified as profit or loss in subsequent periods:	**-**	**-**	**6.5**	**(6.6)**
Actuarial revaluation (net of tax)	-	-	6.5	(6.6)
Other comprehensive income to be reclassified as profit or loss in subsequent periods:	**2.6**	**(0.2)**	**63.7**	**2.1**
Result from revaluation of securities available for sale (net of deferred tax)	2.6	(0.2)	63.7	1.9
Settlement of cumulative gains or losses on hedging instruments which have been discontinued from the hedge accounting (net of deferred tax)	(0.0)	0.0	0.0	0.2
Total comprehensive net income for the Bank BPH Core Business	**2.6**	**(0.2)**	**70.1**	**(4.6)**
Total comprehensive net income	**12.6**	**20.9**	**(253.5)**	**137.4**

Source: Bank BPH Special Purpose Financial Statements

Selected information from the cash flow statement for the three-month periods ended March 31, 2016 and 2015 and for the financial years ended December 31, 2015 and 2014.

	For the three-month periods ended March 31,		For the financial year ended December 31,	
	2016	**2015**	**2015**	**2014**
	(unaudited)		*(audited)*	
	(PLN million)			
Profit (loss) before income tax	**8.5**	**31.3**	**(371.9)**	**191.8**
Total adjustments	**725.0**	**(72.7)**	**559.8**	**(1,319.5)**
Depreciation and amortization	25.1	18.1	81.7	76.2
Interest income	(205.3)	(221.1)	(850.2)	(1,101.3)
Interest expense	38.6	53.1	180.2	293.3
Interest received	168.0	186.0	758.8	1,089.3
Interest paid	(23.4)	(2.9)	(188.3)	(306.1)
Tax paid/received	-	-	-	12.7
Gains / losses on sale of investment	(0.1)	(0.3)	(1.2)	(13.2)
Change in impairment charges	(7.4)	(384.1)	(499.9)	(427.1)
Change in assets at fair value through profit or loss	(191.0)	(9.2)	(64.4)	8.7
Change in amounts due from banks	5.3	20.8	34.3	93.2
Change in amounts due from customers	(696.7)	859.1	776.6	92.1
Change in other assets	49.9	(95.5)	1.0	58.5
Change in financial assets available for sale	(2.9)	0.2	(82.7)	(10.8)
Change in amounts due to banks	215.1	175.2	(399.1)	189.0
Change in amounts due to customers and other institutions	891.2	(951.9)	(272.9)	(894.1)
Change in liabilities at fair value through profit or loss	8.4	20.1	(41.2)	(31.2)
Change in other liabilities	350.2	78.2	255.5	(153.8)
Change in allocated equity	99.9	181.6	871.6	(294.9)
Net cash flows from operating activities of the Bank BPH Core Business	733.5	(41.4)	187.9	(1,127.7)
Net cash flows from operating activities of the Bank BPH Mortgage Business	-	0.8	(104.5)	727.2
Net cash flows from operating activities	733.5	(40.6)	83.4	(400.6)
Purchase of property and equipment and intangible assets	(7.1)	(14.7)	(103.7)	(92.6)
Sale of property and equipment and intangible assets	0.5	0.3	11.9	13.2
Net cash flows from investing activities of the Bank BPH Core Business	**(6.7)**	**(14.4)**	**(91.8)**	**(79.4)**
Net cash flows from investing activities of the Bank BPH Mortgage Business	**-**	**(0.8)**	**13.8**	**11.2**
Net cash flows from investing activities	**(6.7)**	**(15.2)**	**(78.1)**	**(68.2)**
Issue of securities	-	28.5	209.4	119.7
Redemption of debt securities issued	(30.0)	(46.4)	(205.0)	(78.5)
Net cash flows from financing activities of the Bank BPH Core Business	**(30.0)**	**(17.9)**	**4.5**	**41.2**
Net cash flows from financing activities of the Bank BPH Mortgage Business	**-**	**-**	**90.8**	**(738.4)**
Net cash flows from financing activities	**(30.0)**	**(17.9)**	**95.3**	**(697.1)**
Total net cash flows	**696.8**	**(73.7)**	**100.5**	**(1,165.9)**
Opening balance of cash and cash equivalents	**5,956.1**	**5,855.6**	**5,855.6**	**7,021.4**
Closing balance of cash and cash equivalents	**6,652.9**	**5,781.9**	**5,956.1**	**5,855.6**
Change of cash and cash equivalents	**696.8**	**(73.7)**	**100.5**	**(1,165.9)**

Source: Bank BPH Special Purpose Financial Statements

Selected Key Ratios of Alior Group and Bank BPH Core Business

The ratios presented below are not required by, or calculated in accordance with, IFRS. They are supplementary indicators that may provide additional information regarding the Alior Group and Bank BPH Core Business' results and financial condition. However, as they are not defined under IFRS, they should not be treated as an alternative to IFRS measures (such as net profit/(loss)) or as an indicator of operating performance, cash flow from operating activities as a measure of liquidity, or other IFRS measures. Furthermore, the ratios presented below do not have uniform definitions or methods of calculation. The method in which they are calculated by other banks may differ significantly from that adopted by the Alior Group and Bank BPH (with respect to the Bank BPH Core Business). Consequently, the ratios presented below do not, as such, constitute a basis for comparisons with ratios presented by other banks. These ratios should not be used for analyzing the results of the Alior Group and the Bank BPH Core Business' business operations together with other banks' measures, in isolation from, or instead of IFRS measures and information contained in the Alior Group Annual Consolidated Financial Statements and the Bank BPH Special Purpose 2014-2015 Financial Statements. The financial ratios presented below should not be used as indicators of the Alior Group's future results or financial condition. See "Presentation of Financial and Other Information".

Alior Group

The following table shows selected other financial data of the Alior Group as at the end of and for, respectively, the three-month periods ended March 31, 2016 and 2015 and the financial years ended December 31, 2015, 2014, and 2013.

	As at and for the three-month periods ended March 31,		As at and for the financial year ended December 31,		
	2016*	**2015***	**2015**	**2014**	**2013**
	(unaudited)				
	(%)				
Profitability ratios					
NIM[(1)]	4.3	4.5	4.6	4.7	4.7
Average interest rate on assets[(2)]	6.9	7.3	7.4	8.0	7.1
Cost of funds[(3)]	2.7	3.0	2.9	3.4	2.5
Net fee and commission income/total revenue**[(4)]	15.1	17.9	15.3	18.6	17.9
Asset yield[(5)]	5.6	6.4	6.2	6.7	6.6
Cost/Income (C/I)[(6)]	51.3	49.6	51.1	49.4	55.0
Cost of risk ratio[(7)]	2.1	2.1	2.3	2.4	2.3
ROA[(8)]	0.8	1.1	0.9	1.2	1.0
ROE[(9)]	9.0	11.5	9.5	12.4	11.0
Capital ratios					
CET 1 ratio/Tier I[(10)]	10.57	10.42	9.69	11.23	10.34
Capital adequacy ratio[(10)]	13.51	13.01	12.54	12.80	12.11
Loan portfolio quality					
NPL ratio[(11)]	9.3	9.8	9.3	8.9	6.9
Provisioning coverage ratio[(12)]	59.8	58.5	58.1	53.5	57.3
Liquidity ratios					
Loan to deposit ratio[(13)]	91.4	98.6	91.8	96.8	94.3
Equity / assets ratio[(14)]	8.6	9.5	8.8	10.0	8.6

[(1)] *The net interest margin is calculated as net interest income for the current year (period)/ ((interest earning assets as at the end of previous year + interest earning assets as at the end of current year (period))/2). Interest earning assets include the following balance sheet line items: financial assets held for trading, available-for-sale financial assets, derivative hedging instruments, amounts due from banks, loans and advances to customers, and assets pledged as collateral. For the year ended December 31, 2013 this ratio was calculated based on financial data before giving effect to changes in presentation effected in the Alior Group Consolidated Financial Statements for 2015. These presentation changes are discussed in "Presentation of Financial and Other Information – Changed Presentation of Financial Data". If these changes were applied to this ratio for the year ended December 31, 2013, it would amount to 4.8%.*

[(2)] *Calculated as interest income for the current year(period) / ((interest earning assets as at the end of previous year + interest earning assets as at the end of current year (period))/2). For the year ended December 31, 2013 this ratio was calculated based on financial data before giving effect to changes in presentation effected in the Alior Group Consolidated Financial Statements for 2015. These presentation changes are discussed in "Presentation of Financial and Other Information – Changed Presentation of Financial Data". If these changes were applied to this ratio for the year ended December 31, 2013, it would amount to 8.9%.*

(3) Calculated as interest expenses for the current year (period) / ((financial liabilities held for trading, derivative hedging instruments, and amounts due to banks, amounts due to customers and subordinated liabilities as at the end of previous year + financial liabilities held for trading, derivative hedging instruments, amounts due to banks, amounts due to customers and subordinated liabilities as at the end of current year (period))/2). For the year ended December 31, 2013 this ratio was calculated based on financial data before giving effect to changes in presentation effected in the Alior Group Consolidated Financial Statements for 2015. These presentation changes are discussed in "Presentation of Financial and Other Information – Changed Presentation of Financial Data". If these changes were applied to this ratio for the year ended December 31, 2013, it would amount to 4.3%.
*(4) Calculated as net fee and commission income for the current year (period) / Total revenue** for the current year (period).*
*(5) Calculated as total revenue** for the current year (period) / ((total assets as at the end of previous year + total assets as at the end of current year (period))/2).*
*(6) Calculated as general administrative expenses including banking tax for current year (period) / Total revenue** for current year (period).*
(7)Calculated as total net impairment allowance and provisions for the current year (period) / ((gross loans and advances to customers as at the end of previous year + gross loans and advances to customers as at the end of current year (period))/2).
(8) Calculated as return on assets calculated as net profit for the current year (period)/ ((total assets as at the end of previous year + total assets as at the end of current year (period))/2).
(9) Calculated as return on equity calculated as net profit for the current year(period) / ((equity as at the end of previous year + equity as at the end of current year (period))/2).
(10) CET 1 ratio and capital adequacy ratio (total capital ratio) as at March 31, 2016 and 2015 and as at December 31, 2015 and 2014 were calculated in accordance with the CRR. The Alior Group's CET 1 ratio is equivalent to the Tier I capital ratio, since the Alior Group does not recognize any additional Tier I capital in its total regulatory capital. CET 1 ratio and capital adequacy ratio (total capital ratio) as at December 31, 2013 were treated as Tier I ratio and capital adequacy, respectively, and calculated in accordance with Resolution No. 76/2010 of March 10, 2010 of the PFSA (with no significant differences in methodology compared to later periods).
(11) Calculated as gross impaired loans and advances to customers as at the end of current year (period)/ gross loans and advances to customers as at the end of current year (period).
(12) Calculated as impairment allowance on impaired loans and advances to customers as at the end of current year (period) / impaired loans and advances to customers as at the end of current year (period).
(13) Calculated as loans and advances to customers as at the end of current year (period)/ amounts due to customers as at the end of current year (period).
(14) Calculated as equity as at the end of current year (period)/ total assets as at the end of current year (period).
** Annualized by multiplying by four.*
*** Total revenue includes the following income statement line items: net interest income, dividend income, net fee and commission income, trading result, net result (realized) on other financial instruments, and net other operating income.*
To ensure more appropriate data comparability, the data in relation to the ratios for the year ended December 31, 2013 that are specified to be "as at the end of previous year" are the data as at January 1, 2013.
Source: Alior Bank.

Bank BPH Core Business

The following table shows selected KPIs of the Bank BPH Core Business for the three-month period ended March 31, 2016 and the years ended December 31, 2015 and 2014 and as at March 31, 2016 and December 31, 2015 and 2014.

	As at and for the three-month period ended March 31,	**As at and for the financial year ended December 31,**	
	2016*	**2015**	**2014**
	(unaudited)		
	(%)		
Profitability ratios			
NIM[(1)]	4.4	4.7	5.6
% NII generated by impaired loans[(2)]	6.0	7.7	7.6
Earning rate[(3)]	5.6	6.0	6.9
Cost of funds[(4)]	1.2	1.4	1.3
Fee and commission income/Total revenue[(5)]	19.7	23.4	23.1
Cost/Income (C/I)[(6)]	102.3	145.0	84.9
Cost of risk ratio[(7)]	0.6	(0.1)	(0.1)
ROA[(8)]	0.2	(2.0)	0.7
Loan portfolio quality			
Impaired loan ratio (NPL)[(9)]	11.8	12.1	17.4
Loan loss coverage ratio[(10)]	70.6	69.6	78.6
Liquidity ratios			
Loan to deposit ratio[(11)]	65.8	66.1	66.1

(1) For the first quarter 2016 ratio: Net interest income for the first quarter / ((interest earning assets as at the end of the previous year + interest earning assets as at the end of the first quarter) / 2). For the full year ratios: Net interest income for the current year / ((interest earning assets as at the

end of the previous year + interest earning assets as at the end of the current year) / 2). Interest earning assets comprise the following balance sheet line items: financial assets at fair value through profit or loss, amounts due from banks, loans and advances to customers, and financial assets available for sale.

(2) Net interest income on impaired financial assets for current period / total net interest income from current period.

(3) For the first quarter 2016 ratio: Interest income for the first quarter / ((interest earning assets as at the end of the previous year + interest earning assets as at the end of the first quarter) / 2). For the full year ratios: Interest income for the current financial year / ((interest earning assets as at the end of the previous year + interest earning assets as at the end of the current year) / 2).

(4) For the first quarter 2016 ratio:(Interest expenses for the first quarter) / ((interest accruing liabilities as at the end of the previous year + interest accruing liabilities as at the end of the first quarter) / 2). For the full year ratios: Interest expenses for the current year / ((interest accruing liabilities as at the end of the previous year + interest accruing liabilities as at the end of the current year) / 2). Interest accruing liabilities comprise the following balance sheet line items: amounts due to banks, amounts due to customers, and financial liabilities at fair value through profit or loss.

(5) Net fee and commission income for the current period / Total revenue for the current period. Total revenue comprises the following income statement line items: net interest income, net fee and commission income, result on financial instruments at fair value through profit or loss and exchange rate differences, and other operating income.

(6) General administrative expenses for the current period) / (net interest income + net fee and commission income + result on financial instruments at fair value through profit or loss and exchange rate differences + result on available for sale financial assets +net other operating income and expense for the current period).

(7) For the first quarter 2016 ratio: Impairment charges for the first quarter / ((loans and advances to customers as at the end of the previous year + loans and advances to customers as at the end of the first quarter) / 2). For the full year ratios: Impairment charges for the current year / ((loans and advances to customers as at the end of the previous year + loans and advances to customers as at the end of the current year) / 2).

(8) For the first quarter 2016 ratio: (Profit (loss) for the first quarter / ((total assets as at the end of the previous year + total assets as at the end of the first quarter) / 2). For the full year ratios: Profit (loss) for the current financial year / ((total assets as at the end of the previous year + total assets as at the end of the current year) / 2).

(9) Gross impaired loans and advances to customers as at the end of the current period / gross loans and advances to customers as at the end of the current period.

(10) Impairment allowance on impaired loans and advances to customers as at the end of the current period / impaired loans and advances to customers as at the end of the current period.

(11) Loans and advances to customers as at the end of the current period / amounts due to customers as at the end of the current period.

** Annualized by multiplying by 4.*

Source: Bank BPH.

OPERATING AND FINANCIAL REVIEW OF THE ALIOR GROUP

The discussion and analysis below is based on the Alior Group Financial Statements and provides information that Alior Bank believes is relevant to an assessment and understanding of the Alior Group's historical consolidated financial condition and results of operations. You should read this discussion in conjunction with the selected historical consolidated financial data, consolidated financial statements and related notes, and the other financial information included elsewhere in this Offering Circular.

Financial information labelled as "unaudited" in tables in this "Operating and Financial Review of the Alior Group" has not been extracted from the Alior Group Annual Consolidated Financial Statements, but from the Alior Group Consolidated Financial Statements for the First Quarter of 2016 or the Alior Group's unaudited management accounts prepared based on accounting records or calculations of figures from the above-mentioned sources.

As a result of the changes in presentation described in "Presentation of Financial and Other Information – Changed Presentation of Financial Data", the financial data derived from the Alior Group Consolidated Financial Statements for the First Quarter of 2016 is not directly comparable with the corresponding financial data derived from the Alior Group consolidated financial statements as at and for the three-month period ended March 31, 2015. Therefore, financial information from the consolidated financial statement of the Alior Group for the three-month period ended March 31, 2015 is presented in this Offering Circular on a revised presentation basis and is extracted or derived from the Alior Group Consolidated Financial Statements for the First Quarter of 2016.

As a result of the changes described in "Presentation of Financial and Other Information – Changed Presentation of Financial Data", the financial data derived from the Alior Group Consolidated Financial Statements for 2015 is not directly comparable with the corresponding financial data derived from the Alior Group Consolidated Financial Statements for 2014. Therefore, financial information from the Alior Group Consolidated Financial Statements for 2014 is presented in this Offering Circular on a revised presentation basis and is extracted or derived from the Alior Group Consolidated Financial Statements for 2015.

As a result of the changes described in "Presentation of Financial and Other Information – Changed Presentation of Financial Data", the financial data derived from the Alior Group Consolidated Financial Statements for 2013 is not directly comparable with the corresponding financial data derived from the Alior Group Consolidated Financial Statements for 2014. Therefore, financial information from the Alior Group Consolidated Financial Statements for 2013, to the extent to which the above-mentioned presentation changes are applicable, is presented in this Offering Circular on a revised presentation basis and is extracted or derived from the Alior Group Consolidated Financial Statements for 2014, while the remaining financial information is extracted or derived from the Alior Group Consolidated Financial Statements for 2013.

You should read the information set forth below in conjunction with the sections "Use of Proceeds" and "Selected Historical Consolidated Financial Data of the Alior Group and Bank BPH Core Business" and the Alior Group Financial Statements included elsewhere in this Offering Circular. The Alior Group Annual Consolidated Financial Statements and the respective auditor's reports of EY (as at and for the financial year ended December 31, 2013) and PwC (with respect to the Alior Group Consolidated Financial Statements for 2014 and 2015) thereon, and the Alior Group Consolidated Financial Statements for the First Quarter of 2016 and the auditor's report of PwC thereon are included elsewhere in this Offering Memorandum.

This section includes forward-looking statements. These forward-looking statements are subject to risks, uncertainties and other factors that could cause actual results to differ materially from those expressed or implied by such forward-looking statements. See: "Important information – Forward-Looking Statements" and "Risk Factors".

Overview

Alior Bank is a universal bank that has been operating in Poland since 2008. Alior Bank is the parent entity of the Alior Group, which consists of seven subsidiaries providing advisory and financial services. The Bank offers a wide range of products and services to individuals (retail customers), legal persons and other entities. Alior Bank's core activities include maintaining bank accounts, accepting deposits, providing cash loans and advances, issuing banking securities and purchasing and selling foreign currencies. Alior Bank's credit offer is available on a modern, multi-channel distribution platform. Alior Bank uses a wide network of outlets and a modern IT platform including online banking, mobile banking and call centers. Alior Bank also conducts brokerage activities, as well as consulting financial agency and other financial services. The operations conducted by Alior Bank are subject to strict regulation.

As at the Prospectus Date, Alior Bank was deemed one of the top retail banks and banks for businesses in Poland. In June 2015, Alior Bank won the title of "Best Bank 2015" in the category "Medium Commercial Bank" in a competition organized by "Gazeta Bankowa". Additionally, the Bank regularly receives awards in the "Best Business Bank" poll organized by *Forbes* magazine in cooperation with Millward Brown. In May 2015, for the second consecutive year, the Bank won the "European Bank of the Year" award in a competition organized by Retail Banker International. Alior Bank has been consistently expanding its new client base and the number of new current accounts. As at March 31, 2016, Alior had 3,084,000 active clients, 96% of whom were private individuals. During the year ended December 31, 2015, the number of Alior Bank's clients increased by 420,000, which according to data published by Polish banks and PRNews information ranks the Bank second in terms of customer base expansion. The Bank has been dynamically developing its business client portfolio which had 34% higher annual revenue per user (ARPU) than the average on the Polish market (according to Finalt, 2014). The Bank also ranks third on the market in terms of the number of users with access to Internet banking (according to PRNews, data for the fourth quarter of 2015).

Alior Bank's operations are divided into three operating segments, which are also its reporting segments: the retail segment, the business segment and treasury activity. The retail segment covers the mass customer market and the private wealth customer market to which Alior Bank offers a full scope of banking products and services, and brokerage products offered by Biuro Maklerskie Alior Banku (Alior Bank's brokerage house), in particular credit products, deposit products and investment funds, personal accounts, bancassurance products, transaction services and foreign exchange products. The business segment covers micro-businesses, small and medium enterprises (SMEs) and large corporate customers to whom Alior Bank offers a full scope of banking products and services, in particular credit products, deposit products, current and auxiliary accounts, transaction services and treasury products. Treasury activity cover operations on interbank markets and exposure to debt securities. This segment reflects the results of managing the global position (liquidity position, interest rate position and foreign exchange position resulting from banking operations). For the three-month period ended March 31, 2016 profit before tax amounted to PLN 10.3 million for the retail business segment (individual customers), PLN 83.1 million for the business segment (business customers) and PLN 40.6 million for treasury activity. For the financial year ended December 31, 2015 profit before tax was PLN 102.0 million for the retail business segment, PLN 352.4 million for the business segment and PLN 137.7 million for treasury activity.

As at March 31, 2016 gross loans and advances to the Alior Group's customers amounted to PLN 34,846.2 million and amounts owed to customers amounted to PLN 35,802.2 million which gave Alior Bank a market share of 3.6% and 3.9%, respectively (according to NBP). As at December 31, 2015, gross loans and advances to the Alior Group's customers amounted to PLN 32,845.0 million, and amounts owed to customers amounted to PLN 33,663.5 million, which gave Alior Bank a market share of 3.4% and 3.7%, respectively, in the Polish banking sector (according to NBP).

As at March 31, 2016 net loans and advances to the Alior Group's retail segment customers amounted to PLN 18,543.9 million which corresponds to 56.6% of net loans and advances to customers as at March 31, 2016. As at December 31, 2015 net loans and advances to retail segment customers amounted to PLN 17,595.3 million, which corresponds to 56.9% of net loans and advances to customers as at December 31, 2015. As at March 31, 2016 net loans and advances to the Alior Group's business segment customers amounted to PLN 14,194.1 million, which corresponds to 43.4% of net loans and advances to customers as at March 31, 2016. As at December 31, 2015 net loans and advances to business segment customers amounted to PLN 13,311.7 million, which corresponds to 43.1% of net loans and advances to customers as at December 31, 2015. As at March 31, 2016 amounts owed to retail segment customers amounted to PLN 23,293.4 million, which corresponds to 65.1% of total amounts owed to customers as at March 31, 2016. As at December 31, 2015 amounts owed to retail segment customers amounted to PLN 21,409.1 million, which corresponds to 63.6% of total amounts owed to customers as at December 31, 2015. As at March 31, 2016 amounts owed to business segment customers amounted to PLN 12,508.9 million, which corresponds to 34.9% of the total amounts owed to customers as at March 31, 2016. As at December 31, 2015 amounts owed to business segment customers amounted to PLN 12,254.5 million, which corresponds to 36.4% of total amounts owed to customers as at December 31, 2015.

Net profit of the Alior Group for the three-month period ended March 31, 2016 amounted to PLN 80.1 million, and net profit for the year ended December 31, 2015, amounted to PLN 309.0 million. In the three-month period ended March 31, 2016, the Alior Group's return on equity (ROE) ratio was 9.0% and return on assets (ROA) was 0.8%. In the year ended December 31, 2015 these ratios were 9.5% and 0.9%, respectively. Total revenue for the three-month period ended March 31, 2016 amounted to PLN 579.3 million, whereas total revenue for the year ended December 31, 2015 amounted to PLN 2,166.0 million.

For the three-month period ended March 31, 2016, net interest income amounted to PLN 412.5 million, or 71.2% of total revenue for the period, net fee and commission income amounted to PLN 87.3 million, or 15.1% of total revenue for the period, trading result amounted to PLN 58.3 million, or 10.1% of total revenue for the period, and other items of income

(dividend income, net result on other financial instruments, and net result on other operating income) amounted to PLN 21.2 million, or 3.7% of total revenue for the period. For the year ended December 31, 2015, net interest income amounted to PLN 1,501.0 million, or 69.3% of total revenue for the year, net fee and commission income amounted to PLN 331.7 million, or 15.3% of total revenue for the year, trading result amounted to PLN 268.7 million, or 12.4% of total revenue for the year, and other items (dividend income, net result on other financial instruments, and net result on other operating income) amounted to PLN 64.6 million, or 3.0% of total revenue for the year.

General Factors Affecting the Alior Group's Financial Condition and Results of Operations

Economic Situation in Poland

The Alior Group conducts its operations mainly in Poland, where almost all of its customers are located and carry out their business. Therefore, the Alior Group's business, financial condition and results of operations have been and are expected to continue to be significantly affected by macroeconomic factors relating to Poland, such as the GDP growth rate, interest rates and inflation, foreign currency rates, as well as the unemployment rate, household income, the financial condition of companies, and various other factors.

The Polish economy has been one of the fastest growing economies in the EU in recent years. In 2015 Poland ranked fifth in terms of real GDP growth among EU countries (according to Eurostat). In terms of population, Poland ranks sixth among all EU countries, with 38.5 million people as at December 31, 2015 (according to Eurostat). With a nominal GDP of EUR 427.8 billion in 2015 (according to Eurostat), Poland is the eighth largest EU economy and (according to IMF data) the 23rd largest economy in the world. The GDP per capita in Poland amounted to USD 26,455 in 2015 (according to IMF data). In terms of banking sector growth, there is still a development gap between Poland and the Euro zone Central and Eastern Europe countries. The banking-assets-to-GDP ratio for Poland rose in 2014 to 88.5% in comparison to 102.7% in Hungary, 131.0% in Czech Republic and 309.9% for the whole Euro zone (according to the NBP).

According to Eurostat, Poland's GDP grew in real terms by 1.3%, 3.3% and 3.6% during 2013, 2014 and 2015 respectively. The growth of GDP in real terms was accompanied by improvement in the labor market. In February 2013, the unemployment rate reached 14.4% and since then has gradually decreased, reaching 9.6% in October 2015 (the lowest level since 2008). In March 2016, the unemployment rate was 10.0% - the lowest level in the last 25 years. The decline in the unemployment rate in recent periods was accompanied by moderate growth of the average monthly salary in the commercial sector. In the years 2013, 2014 and 2015 the average monthly salary in the commercial sector reached PLN 3,837, PLN 3,980 and PLN 4,121, respectively, while in the national economy it was PLN 3,650, PLN 3,783 and PLN 3,900, respectively. In 2015 Poland recorded a positive trade balance of 0.9% of GDP for the first time since data has been gathered (in 2013 and 2014, the balance of trade was negative 0.5% and negative 0.6% of GDP, respectively). This overall improvement in the macroeconomic environment has led to an increase in household wealth (savings in this group were PLN 1,522.8 billion at the end of 2013, PLN 1,625.7 billion at the end of 2014 and PLN 1,719.6 billion as at September 2015). In 2014 and 2015 the real growth of domestic demand was 4.9% and 3.4% respectively, of which, household consumption represented a growth of 2.6% and 3.1% year-on-year, respectively. The growth in business activity translated into an increase of credit extension to the non-financial sector by PLN 51.3 billion, or 6.1%, in 2014, by PLN 66.4 billion, or 7.4%, in 2015 and PLN 11.4 billion, or 1.2% quarter-on-quarter in the first quarter of 2016 compared to the first quarter of 2015, with an increase of loans to households of 5.9% in 2014, 7.1% in 2015 and 0.6% in the first quarter of 2016 compared to the first quarter of 2015, and an increase of loans to corporates of 8.3% in 2014, 8.8% in 2015 and 2.3% in the first quarter of 2016 compared to the first quarter of 2015. As at March 31, 2016 loans to households represented 65.0% of all loans in Poland, whereas loans to corporates represented 34.0%.

Alior Bank's contribution to credit market growth was higher than the Polish banking sector average, with its growth in receivables from customers (including acquired assets) being 20.3% in 2014, 30.7% in 2015 and 5.9% in the first quarter of 2016, which increased its market share to 2.6% at the end of 2014, 3.2% at the end of 2015 and 3.4% at the end of the first quarter of 2016, respectively. After a period of stabilization in the performance of the banking sector in 2012-2014 (with a net result for the entire banking sector of PLN 15.4 billion in 2012, PLN 15.2 billion in 2013 and 15.9 billion in 2014), in 2015 the net result of the banking sector year-on-year decreased by 28.6%. This was caused by a lower net interest margin and extraordinary items, such as the requirement for increased contributions to the BFG arising in the fourth quarter of 2015 in the amount of PLN 2.0 billion in relation to the bankruptcy of Spółdzielczy Bank Rzemiosła i Rolnictwa w Wołominie ("**SBRR**"), and PLN 0.6 billion in payments towards the newly established Borrowers' Support Fund. In the first quarter of 2016 the net result of the Polish banking sector was PLN 3.5 billion, which corresponds to growth of 15.7% compared to the first quarter of 2015. Starting in February 2016 Polish banks started paying banking tax of approximately PLN 400 million per month. Net of this tax, the banking sector growth in the period

from January to March 2016 was up 3.6% year-on-year. The net result of the Alior Group for the three-month period ended March 31, 2016 and the year ended December 31, 2015 amounted to PLN 80.1 million and PLN 309.0 million, respectively, which represents a decrease of 12.4% and 4.1%, respectively, year-on-year, which the Management Board believes is significantly better than the Polish banking sector as a whole.

The NBP has a stated policy to target future credit growth that is aligned with the nominal GDP growth rate, and that will firstly not lead to the accumulation of imbalances that might threaten financial stability, while also seeking to promote economic development and allowing banks to achieve satisfactory financial results.

The availability and cost of funding of the Alior Group, in particular on the interbank market, is impacted by Poland's credit rating. As at the date of this Offering Circular, Poland's long term PLN credit ratings were "BBB+" with negative outlook from Standard & Poor's, "A-" with stable outlook from Fitch, and "A2" with negative outlook from Moody's. In January 2016, the rating agency Standard & Poor's lowered its long-term foreign currency sovereign credit rating for Poland to "BBB+" from "A-", on the basis of its assessment of the effect of legislative changes implemented by the new government as undermining the independence and effectiveness of key institutions. On May 13, 2016, Moody's Polska announced the change of its rating outlook for Poland from stable to negative on the basis of its assessment of fiscal risks related to a substantial increase in current government expenditures as well as the government's announced intention to lower the retirement age, and on impairments to the investment climate from a shift towards more unpredictable government policies and legislation.

Interest Rates and Inflation

The Alior Group's assets and liabilities are sensitive to changes in the interest rate environment. Along with the volume of credit, both the level of market interest rates and trends in the changes of such rates have a material impact on the interest income earned by the Alior Group as well as on the interest expenses paid by the Alior Group. Moreover, they affect the value of the Alior Group's investment securities portfolio.

Polish banks are free to set interest rates on loans and deposits, subject to limitations in usury rules and customer protection regulations in respect of interest rates on consumer loans (see "*Regulation of the Banking Sector in Poland*"). The three-month and six-month Polish interbank offered rates (commonly referred to as "WIBOR 3M" and "WIBOR 6M") are widely used in Poland as the reference rates for interbank borrowings and deposits as well as for indexed loans to customers.

The official NBP interest rates, in particular the reference rate, have a considerable impact on market interest rates, and as a result also on interest rates on loans and deposits. The interest rates announced by the NBP are determined by the Monetary Policy Council. When making decisions about changes in interest rates, the Monetary Policy Council takes several factors into account, including economic growth forecasts and actual and forecasted inflation rates for the Polish economy. Since 1998, the Monetary Policy Council has utilized a direct inflation targeting strategy in the implementation of its monetary policy. The Monetary Policy Council defines the inflation targeting and then adjusts the NBP basic interest rates in order to maximize the probability of achieving the target. Since 2004, the Monetary Policy Council has adopted a long-term inflation goal of 2.5% (with a symmetric permissible fluctuation band of ± 1 percentage point). Beginning in November 2012 the Monetary Policy Council entered into a loosening cycle of interest rates, gradually lowering the main reference rate from 4.75% to 1.5% in March 2015. In addition, both the CPI announced by the Central Statistical Office, and the base inflation rate (without food and energy) as calculated by the NBP, from February 2013 and December 2012, respectively, were constantly below the lower limit of the NBP inflation target permissible fluctuation band, i.e. + 1.5%. In March 2016 the annualized change in the CPI was (0.9)%, with the base inflation rate annualized change at the level of (0.2)%. Although inflation persistently hovered below the inflation target, the Monetary Policy Council has been withholding further reductions of the reference rates since March 2015, arguing that it would be unreasonable to reduce the reference rate to zero or about zero, or even to negative values, as the European Central Bank has done. In April 2016 one of the new members of the Monetary Policy Council proposed lowering a long-term inflation goal of the Monetary Policy Council in future discussions regarding monetary policy guidelines for 2017.

The level of market interest rates on loans and deposits in Poland is also indirectly affected by the availability of interbank loans and other sources of financing to Polish banks, as well as changes in the PLN exchange rate with respect to the main currencies that are relevant to the Polish banking sector, including the Alior Group (see " – *Exchange rates*"). The increased availability in Poland of funds on the international interbank lending market (despite the continuation of lower transaction limits than before the 2008 global financial crisis), due in part to growing confidence in economic conditions in Poland and the Polish banking sector, has resulted in increased availability of sources of financing and reduced costs of capital for Polish banks during 2013, 2014 and 2015. It also contributed to the decrease in and then subsequent stabilization of interest rates paid on deposits in Poland during 2013 and 2014.

Expectations for the Monetary Policy Council to lower interest rates combined with actual reductions resulted in a substantial decrease of the WIBOR 3M rate from 5.0% as at the end of 2011 to 1.7% as at the end of 2015. The decrease in market rates increased the pressure on net interest margins in the Polish banking sector. The industry's net interest margin decreased in the period 2011-2015 on average by 0.1 p.p. annually, from 2.9% in 2011 to 2.4% in 2015, with a major drop from 2.7% to 2.4% in 2015 as a result of more significant market rate decreases in the fourth quarter of 2014 and the first quarter of 2015. The decrease in net interest margin for the Polish banking sector due to market interest rate decreases was principally caused by the following factors:

(a) a substantial portion of liabilities in the banking sector are current accounts that are already zero rate or close to zero rate accounts. Therefore, the banking sector had difficulty offsetting the full decrease in interest income from assets against interest expense from liabilities;

(b) some banking sector assets, consumer loans in particular, were disproportionately influenced by the decreases in interest rates. In accordance with Polish civil law, the maximum interest rate charged on retail loans is established with reference to rates set by the Monetary Policy Council (prior to January 1, 2016 this maximum interest rate was equal to four times the rate charged by the NBP to Polish banks for short-term collateralized loans, known as the "lombard rate"). As a result of the interest rate decreases, banks had to decrease the interest charged on all loans that exceeded the cap. Consequently, interest income on this part of the portfolio decreased, and – due to the formula for setting the cap prevailing at the relevant time, i.e. four times the lombard rate – the scope of this decrease was up to four times larger than the decrease of prevailing market rates (currently the interest cap is set as the sum of the NBP reference rate and 3.5 p.p., multiplied by two). As a consequence, interest income on assets decreased to a larger extent than interest expense on liabilities; and

(c) in the case of the Alior Group, the majority of loans to customers bear interest at variable rates, whereas the majority of deposits bear fixed interest rates. Therefore, a decrease of market interest rates is quite quickly reflected in loan interest rates, whereas re-pricing of term deposits takes longer and depends on their maturities.

Despite these negative factors, Polish banks as a whole managed to maintain net interest margin at 2.7% in both 2013 and 2014, and as a result of new loan volume growth even increased net interest income in 2014 to PLN 37.2 billion from PLN 34.7 billion in 2013. However, net interest margin and net interest income decreased substantially in 2015 as a result of decreases in the interest rates by the NBP. In addition, in 2015 some Polish banks experienced significant downward pressure on their net interest margin from exchange rate movements impacting their foreign-currency-denominated housing loans (principally in CHF), as well as interest rate cuts by the Swiss National Bank and the ECB. The value of CHF-denominated mortgages in the Polish banking sector was PLN 169.3 billion at the end of 2015 (44.4% of which were residential mortgages and 17.6% of which were loans to the non-financial sector). For a description of how these interest rate trends affect the Alior Group's net interest margin and net interest income see " – *Specific Factors Affecting the Alior Group's Financial Condition and Results of Operations*".

The following table sets forth the average inflation rates in Poland, the reference rate, the lombard rate, WIBOR 3M rate, net interest income of Polish banks, and the ratio of net interest income to assets of Polish banks for the periods indicated.

	As at and for the financial year ended December 31,					
	2012	2013	2014	2015	Average change in 2012–2015	2015/2014
Consumer Price Index in Poland[(1)]	3.7%	0.7%	(1.0%)	(0.5%)	(1.5) p.p.	0.5 p.p.
NBP reference rate	4.25%	2.50%	2.00%	1.50%	(0.9) p.p.	(0.5) p.p.
NBP lombard rate	5.8%	4.0%	3.0%	2.5%	(1.1) p.p.	(0.5) p.p.
WIBOR 3M	4.1%	2.7%	2.1%	1.7%	(0.8) p.p.	(0.4) p.p.
CHF LIBOR 3M	0.012%	0.023%	0.063%	0.756%	(0.3) p.p.	(0.693) p.p.
Euribor 3M	0.187%	0.287%	0.078%	0.131%	(0.1) p.p.	(0.209) p.p.
Net interest income (PLN billion) – Industry data	35.5	34.7	37.2	35.4	0.0 p.p.	(1.8) p.p.
Net interest income/assets – Industry data	2.9%	2.7%	2.7%	2.4%	(0.2) p.p.	(0.3) p.p.

(1) Data for 2015, 2014, 2013 and 2012 present the year-on-year change of the annual consumer price index.
Source: GUS, PFSA, NBP, Bloomberg.

The development of net interest margin in the Polish banking sector in the future will largely depend on future developments of market interest rates and the competitive environment in the banking sector.

Competition in the Polish Banking Sector

The level of competition in the Polish banking sector and any material changes to the competitive landscape (see " – *Market Overview*") have a significant impact on the Alior Group's cost of funding, the levels of fees and commissions for granting loans, the level of margins on loans and deposit spreads over funding rates as well as the volumes of loans and deposits. These factors, combined with various others, may have a material impact on the Alior Group's results of operations and financial position.

The level of competition in the Polish financial sector is relatively high due to, *inter alia*, its low level of concentration. According to the PFSA, as at December 31, 2009, there were 49 commercial banks operating in the Polish banking sector, with the five largest banks collectively holding 44% of the total banking industry assets. As at March 31, 2016, the number of national commercial banks operating in the Polish banking sector amounted to 38, and the combined market share of the five largest banks by assets, loans to non-financial institutions and deposits from non-financial institutions was 48.4%, 49.3% and 54.7%, respectively (according to the PFSA). In recent years, despite a decreasing number of banks, competition in the Polish financial sector has increased due to the presence of equity-rich foreign financial institutions and mergers and acquisitions strengthening Polish banks financially and operationally, as well as the development of distribution networks, including electronic channels (see " – *Market Overview – Polish Banking Sector – Competitive Landscape of the Polish Banking Sector*").

Availability and Cost of Funding

The main sources of funding used by Polish banks for lending activities are: (i) customer deposits; (ii) funding obtained on the Polish and international interbank and capital markets; (iii) funding provided by foreign parent companies; and (iv) equity. The funding structure and the share of the respective sources of funding vary depending on the shareholding structure of the particular bank, the degree of access to the Polish and international interbank and capital markets and the availability and cost of deposits from customers. As at March 31, 2016, amounts owed to customers accounted for 85.2% of the Alior Group's sources of funding, equity accounted for 8.6% and other sources accounted for the remaining 6.2%. The average cost of amounts owed to customers, the major line item on the liabilities side, amounted to 1.68% in the three-month period ended March 31, 2016. As at December 31, 2015, amounts owed to customers accounted for 84.2% of the Alior Group's sources of funding, equity accounted for 8.8% and other sources accounted for the remaining 7.1%. The average interest rate of the major line item on the liabilities side, i.e. amounts owed to customers, in 2015 was 1.74%.

The following table presents the average interest rates paid by the Alior Group on customer deposits in comparison to the average WIBOR 3M rate in the period 2013-2015:

	2015	2014	2013
		(%)	
WIBOR 3M (average)	1.74	2.51	3.03
Amounts owed to customers	**1.74**	**1.98**	**2.63**
Retail segment	1.67	1.89	2.72
Current deposits*	0.45	0.86	1.17
Term deposits	2.59	2.78	3.62
Own issue of bank securities[(1)]	3.75	3.56	3.93
Business segment[(2)]	1.85	2.13	2.41
Current deposits*	0.07	0.10	0.13
Term deposits	1.91	2.26	2.53
Own issue of bank securities[(1)]	4.58	5.51	7.25

[(1)] In the Alior Group Consolidated Financial Statements for 2013: "Own issue of Banking Securities".
[(2)] In the Alior Group Consolidated Financial Statements for 2013: "Corporate Segment".
** Including savings accounts.*
Source: Alior Bank.

Average margins on client deposits in the Alior Group, measured as the difference between the average WIBOR 3M rate and the average rates paid on customer deposits, amounted to 0.40% in 2013, 0.53% in 2014 and 0.00% in 2015. The

largest decline in margins relates to current accounts, which bear interest rates close to zero and for which Alior Bank could not and cannot further decrease the nominal interest rate in line with the decrease in market rates. Alior Bank has used interest rate derivatives to partially hedge that effect.

Since 2010, competition between banks for deposits has seen periods of easing and tension depending on credit activity and financial market conditions, while banks have sought to build considerable liquidity buffers. The Polish banking sector saw substantial growth in both retail deposits and corporate deposits in 2015 (9.8% and 10.4% respectively) (source: PFSA). According to the PFSA, as at December 31, 2015, retail deposits of the banking sector totaled PLN 665.7 billion and corporate deposits totaled PLN 253.3 billion. The availability and cost of funding have a material impact on the net interest income of Polish banks, including the Alior Group, impacting the growth of loan portfolios and net interest margins. In 2015 and in the first quarter of 2016 the Alior Group continued to increase its gross balances of amounts owed to customers and loans and advances to customers at a significantly higher pace than the Polish banking sector as a whole (37.8% and 31.7%, respectively, for the Alior Group compared to 9.9% and 7.2% for the banking sector in 2015, driven partially by the Alior Group's acquisition of Meritum Bank ICB which was completed on February 19, 2015, and 6.4% and 6.1% for the Alior Group in comparison to (0.1%) and 1.3% for the banking sector in the first quarter of 2016).

The Management Board regularly reviews the Alior Group's liquidity position and the forecasted growth of its business lines relative to the loan to deposit ratio. The loan to deposit ratio for the Alior Group was 91.4% as at March 31, 2016 and 91.8% as at December 31, 2015.

Net Commission Income

The net fee and commission income of the Polish banking sector decreased in the period 2012-2015 at an average annual rate of 4.7%. This trend was particularly influenced by the reduction in interchange fee rates imposed by EU regulations and by Recommendation U implemented by the PFSA. Recommendation U influenced both the method of offering insurance products to banks' clients and the manner of accounting for these transactions in the banks' income statements (in particular, bancassurance revenues were moved from fees and commissions to interest income in the income statement).

Due to increasing regulations and competition, net fee and commission income developed at a slower pace than banks' assets. As a result, net fee and commission income as a percentage of total assets decreased by 0.25 p.p. from 1.16% in 2012 to 0.91% in 2015.

The following table sets forth the net fee and commission income and the ratio of net fee and commission income to total assets of Polish banks for the periods indicated.

	2012	2013	2014	2015	CAGR 2012-2015	2015/2014
Net fee and commission income (PLN billion)	14.3	13.4	13.8	13.3	(4.7)%	(3.6)%
Net fee and commission income/total assets	1.16%	1.05%	0.99%	0.91%	n/a	n/a

Source: PFSA

Interchange fees are fees paid by merchants and shop owners using card terminals that allow their customers to pay with a credit or debit card. The NBP and the Antimonopoly Office have required the card and banking industry in Poland to engage in a steep and staged reduction of interchange fees, which were arguably among the highest in Europe. In the years 2011-2015, interchange fee rates dropped from a range of 1.45%–1.64% of a transaction value to a range of 0.20%–0.30% of a transaction value.

The following table sets forth interchange fees relating to the main credit and debit cards on the dates and for the periods indicated.

		September 2011	July 2013	July 2014	January 2015	Average change in p.p. (2011-2015)
		(% of transaction value)				
Debit cards	VISA	1.60	1.25	0.50	0.20	(1.40)
Debit cards	Mastercard	1.64	1.24	0.50	0.20	(1.44)
Credit cards	VISA	1.45	1.30	0.50	0.30	(1.15)
Credit cards	Mastercard	1.50	1.29	0.50	0.30	(1.20)

Source: NBP

Recommendation U concerning bancassurance influenced both the way of offering insurance products to banks' customers and the method of recognition of bancassurance income through the profit and loss accounts of the banks. In particular, it caused the shift of bancassurance income from the fee and commission income line to the interest income line of the profit and loss statement, as a substantial part of bancassurance income is treated as linked to loan products and thus recognized in the profit and loss statement as interest income accrued over time, based on the effective interest rate.

The trend of shrinking fees in relation to total assets may continue in the future, mainly due to growing competition, and may have a negative impact on the results of the Alior Group in the future.

Cost Efficiency Improvement in the Polish Banking Sector

In the period 2012-2015 the Polish banking sector as a whole grew in terms of assets at an average rate of 5.8% per annum. Over this period, the costs of operations of the Polish banking market grew at the slower average pace of 0.5% per annum (excluding PLN 2.0 billion in respect of the bankruptcy of Spółdzielczy Bank Rzemiosła i Rolnictwa in Wołomin and PLN 0.6 billion related to the establishment of the Borrowers' Support Fund in 2015). Given the pressure on net interest income and net fee and commission income due to growing competition, decreases in market interest rates and reductions in interchange rate fees, as well as higher BGF contributions, banks launched cost savings initiatives to adapt to the environment of lower margins. Despite the growing size of the sector as measured by total assets, banks managed to reduce the number of employees by, on average, 0.8% annually in the period 2012-2015. As a result, the efficiency of the banking sector increased, with cost of operations as a percentage of assets declining by, on average, 0.1 p.p. annually and assets per employee increasing by, on average, 8.0% annually. This cost efficiency trend may continue in the future, supported by changes in client behavior such as increased usage of online and mobile banking.

The following table sets forth selected data relating to the operating costs of Polish banks for the periods indicated.

	As at and for the year ended December 31,				
	2012	2013	2014	2015	CAGR (2012-2015)
Cost of operations (PLN billion)[(1)]	30.4	30.2	29.9	30.8	0.5%
Number of employees (thousand)	175.1	174.3	172.7	170.9	(0.8%)
Number of branches	7,534	7,336	7,352	7,230	(1.4%)
Number of online banking users (million)	20.27	24.26	27.07	30.59	14.7%
Number of mobile banking users (million)	1.19	2.47	3.48	5.72	68.6%
Assets (PLN billion)	1,350.2	1,405.7	1,532.0	1,599.8	5.8%
Cost of operations[(1)]/average total assets	2.30%	2.19%	2.04%	1.97%	-
Assets per employee (PLN million)	7.1	7.3	8.1	8.5	8.0%

[(1)] Including depreciation. Cost of operations in 2015 excluded PLN 2.0 billion in respect of the bankruptcy of Spółdzielczy Bank Rzemiosła i Rolnictwa in Wołomin and PLN 0.6 billion related to the establishment of the Borrowers' Support Fund.
Source: PFSA, prnews.pl (with respect to the number of online and mobile banking users).

Foreign Exchange Rates

The share of foreign currency denominated loans in the Alior Group's portfolio of loans and advances to customers has been declining and constituted 11.9%, 12.7% and 14.0% , respectively, of the net loan portfolio of the Alior Group as at March 31, 2016, December 31, 2015 and December 31, 2014, respectively. Most of these loans were EUR-denominated loans for business customers. CHF-denominated loans constituted only 0.6%, 0.7% and 0.8%, respectively, of the Alior Group's net loan portfolio as at March 31, 2016 and as at December 31, 2015 and 2014, respectively. In addition, a portion of the Alior Group's customer deposits was denominated in foreign currencies (13.3%, 12.1% and 12.2% as at March 31, 2016 and December 31, 2015 and 2014, respectively), primarily in EUR. As the share of foreign currency denominated loans as a percentage of total loans is similar to the share of deposits as a percentage of total deposits, Alior Bank's operating results and its financial condition are to a limited extent impacted by fluctuations in exchange rates between PLN and foreign currencies. The Alior Group has very limited exposure to CHF-denominated customer loans. These loans negatively impacted the performance of several Polish banks in 2015 as a result of strong appreciation of the CHF versus PLN following the decision of the Swiss National Bank not to intervene in the markets to prevent the appreciation of the CHF. Furthermore, the Bank BPH Mortgage Business including all foreign currency denominated mortgage loans is fully excluded from the Bank BPH Core Business. However, exchange rate fluctuations impact: (i) the financial condition of the Alior Group due to the fact that assets and liabilities denominated in foreign currencies are

presented in PLN as the operating and reporting currency of the Alior Group; and (ii) the operating profit of the Alior Group through its trading results. Moreover, fluctuations in the PLN to foreign currencies exchange rate can also indirectly impact market interest rates on customer deposits and financing costs incurred by the Alior Group, and thus its net interest income (see " – *Interest Rates and Inflation*" above). For information on the exchange rates of PLN against EUR, USD and CHF in the periods under review, see " – *Exchange Rates*".

Growth of Loans

Development of Consumer Loans Market

Consumer loans constitute the main portion of the Alior Group's retail customer net loan portfolio (49.2% at the end of the first quarter of 2016 and 49.4% at the end of 2015) and a substantial portion of its total net loan portfolio (27.8% at the end of the first quarter of 2016 and 28.1% at the end of 2015). According to NBP, in the years 2014 and 2015 and in the first quarter of 2016 the growth of the net value of consumer loans for the Polish market as a whole totaled 6.2%, 7.9% and 1.1%, respectively, relative to the prior comparable period. As at March 31, 2016 the net value of consumer loans to private customers for the Polish market as a whole amounted to PLN 117.3 million, and Alior Bank's share of this market segment increased from 6.6% as at December 31, 2014 to 8.4% as at December 31, 2015 and 8.7% as at March 31, 2016 (according to the NBP). The increase in lending in this segment is reflective of broader growth in the economy, with lower interest rates increasing demand and improving credit quality increasing supply. In the case of some households, the improvement in the labor market as well as the implementation of the "500+ Program" may increase the disposable income of households, resulting in reduced demand for consumer loans, however this could also contribute to a decline of NPL ratios.

Development of the Mortgage and Real Estate Market

A substantial portion of the Alior Group's retail customer loan portfolio consists of housing loans (including residential housing loans and other housing loans). Housing loans accounted for 43.2% and 43.3%, respectively, of net loans and advances to retail customers and 24.5% and 24.6%, respectively, of the total net loan portfolio as at the end of the first quarter of 2016 and the year 2015, respectively. The situation in the housing loan segment depends on real estate prices, the attractiveness and scope of developer offers, the labor market situation, household income, consumer optimism and prudent policies at a macro level (see "*Regulation of the Banking Sector in Poland*"). In addition, real estate price fluctuations have an influence on collateral values of existing housing loans with declining market prices leading to increased loan to value ratios and greater risk of impairments. When residential real estate prices are rising then new loans increase and collateral values related to the loans already granted also increase. Growth in real estate prices that exceeds growth of salaries and disposable income may, in turn, curb or stall the demand for mortgages (with lower creditworthiness calculated per one square meter of an apartment).

After a boom observed in 2004-2007, housing prices in major Polish cities underwent a double-digit decline in 2007–2012 due to tighter lending rules (including a prohibition on foreign currency denominated mortgages for retail customers). Moreover, in February 2010, the PFSA published Recommendation T (which was subsequently amended in 2013), the aim of which was to improve the quality of risk management in banks, thus preventing excessive indebtedness of retail borrowers (see " – *Capital and Regulatory Environment*" below). However, in the first half of 2013 prices of apartments rebounded from low levels and since June 2013 the Homebroker Index, measuring transactional prices of housing in major Polish cities, has oscillated within the range of 800 to 820 points, showing a general stabilization of prices. According to GUS, in 2014 and 2015, 143,300 and 147,800, respectively, new housing units were completed (representing growth of 1.2% and 3.0% year-on-year, respectively). In addition, since 2014 a high number of permits for new housing construction have been granted – 156,800 in 2014 (representing 13.0% growth year-on-year) and 188,800 in 2015 (representing 20.5% growth year-on-year). Similarly, there was a large number of new housing construction starts – 148,100 in 2014 (representing 16.3% growth year-on-year) and 168,400 in 2015 (representing 13.7% growth year-on-year). The positive trends with respect to housing completions and released permits, as well as housing starts, continued in the first quarter of 2016, with year-on-year growth of 25.0%, 0.1%, and 5.7%, respectively.

The governmental program of subsidies "*Mieszkanie dla Młodych*" which was launched on January 1, 2014 and revised on September 1, 2015 offers additional enhancement to Polish borrowers for taking a mortgage. For more details regarding the "*Mieszkanie dla Młodych*" program, see " – *Regulation of the Banking Sector in Poland – Subsidies for repayment of mortgage loans*".

The value of mortgage loans granted in Poland increased by PLN 20.2 billion, or 6.0%, in 2014, by PLN 25.4 billion, or 7.1%, in 2015, and by PLN 1.3 billion, or 0.3% quarter-on-quarter, in the first quarter of 2016 (source, PFSA). As at the

end of the first quarter of 2016 the currency structure of mortgage loans in Poland was as follows: PLN loans represented 56.7% of the total, CHF loans represented 33.1%, EUR loans represented 7.2%, and loans in other currencies represented 1.0%. Both in 2015 and in the first quarter of 2016 the increase in mortgage loans occurred mainly in PLN-denominated mortgage loans (increasing by PLN 21.6 billion, or 11.3% in 2015 and by PLN 5.0 billion, or 2.3% quarter-on-quarter, in the first quarter of 2016). The value of mortgage loans denominated in foreign currencies increased in 2015 by PLN 3.9 billion, but decreased in the first quarter of 2016 by PLN 3.7 billion, mainly as a result of fluctuations in the CHF to PLN exchange rate. In 2015 when the CHF to PLN exchange rate increased by 11.1%, the value of CHF-denominated mortgage loans increased by PLN 5.0 billion, or 3.6%. In the first quarter of 2016, when the CHF to PLN exchange rate decreased by 0.9%, the value of CHF-denominated mortgage loans decreased by 2.2%. The Alior Bank's share of net mortgage loans in Poland (according to NBP) increased from 1.5% as at the end of 2014 to 1.8% as at the end of 2015 and to 1.9% as at the end of the first quarter of 2016. The rate of growth of the Alior Group's residential mortgage loan portfolio was much higher than the market average and reached 47.1% year-on-year in 2014 (to PLN 4,991.1 million as at December 31, 2014), 34.6% year-on-year in 2015 (to PLN 6,717.9 million as at December 31, 2015), and 5.9% quarter-on-quarter in the first quarter of 2016 (to PLN 7,115.8 million as at March 31, 2016). Alior Bank's residential mortgage loan portfolio in the periods under review comprised mainly PLN-denominated loans. The share of CHF-denominated loans in the Alior Group's mortgage loan portfolio was immaterial.

The value of retail loans granted by Alior Bank denominated in foreign currencies as at March 31, 2016, including mortgage loans, was PLN 1,296.0 million as compared to PLN 1,251.4 million as at December 31, 2015. The value of retail loans granted by Alior Bank denominated in EUR, including mortgage loans, as at March 31, 2016 was PLN 960.8 million as compared to PLN 933.3 million as at December 31, 2015, and the value of retail loans granted by Alior Bank denominated in CHF, including mortgage loans, as at March 31, 2016 was PLN 170.0 million, as compared to PLN 173.0 million as at December 31, 2015.

Development of Corporate Loans Market

At the end of the first quarter of 2016 and at the end of 2015, corporate loans constituted 34.4% and 34.0%, respectively, of gross loans in the Polish banking market as a whole. The outstanding balance of corporate loans granted in Poland increased in 2014 by 8.3% year-on-year, in 2015 by 8.8% year-on-year, and by 2.3% quarter-on-quarter in the first quarter of 2016, and was PLN 334.8 billion as at March 31, 2016. In the Alior Group's loans and advances to customers portfolio, loans to the business segment represented 43.1% and 43.4%, respectively, of total net loans as at December 31, 2016 and March 31, 2016. Alior Bank's share of the corporate loans market, based on outstanding balances, increased from 3.2% as at December 31, 2014, to 3.6% as at December 31, 2015 and to 3.6% as at March 31, 2016 (according to the NBP). A substantial driver of this growth in the industry was the prolonged period of record-low interest rates and a government program providing *de minimis* guarantees issued for the benefit of entrepreneurs. Under that program, BGK issued guarantees in the amount of PLN 23.4 billion during 2015, which translated into PLN 41.6 billion of new loans from banks in 2015. A continuing low interest rate environment and the continued credit support of the BGK program are expected to support further loan volume growth in the business segment. The main risk to the continuation of this positive trend is uncertainty about the continued health of the Polish economy as well as the impact of the new banking tax, which is strictly linked to banking assets, as well as competition from capital markets. Nonetheless, in comparison with other countries in Europe, corporate credit growth in Poland is relatively high.

Capital and Regulatory Environment

Area of change	As at December 2013	As at the date of this Offering Circular
PFSA capital adequacy expectations	Tier I: 9.00% Total: 12.00%	Tier I: 10.25% Total: 13.25%
Banking tax	-	0.44% annually
Interchange fees	1.25% - 1.30% of transaction value	0.20% - 0.30% of transaction value

EU and Polish laws, regulations, policies and interpretations of laws relating to the banking sector and financial institutions, in particular those regarding consumer protection, are continually evolving and changing. Changes in banking and other regulations affect the Alior Group's business, financial condition, results of operations and prospects.

In recent years, the PFSA has issued new recommendations and introduced changes to previous recommendations which have imposed more onerous requirements on the lending activities and capital requirements of Polish banks. In particular, in recent years the PFSA issued the following recommendations: Recommendation T, Recommendation U, and Recommendation W. Additionally, the PFSA adopted amendments to the following recommendations: Recommendation M,

Recommendation D, Recommendation P, Recommendation U and Recommendation S. These various recommendations pertain to, among other things, the quality of risk management, the management of information technology and IT environment security, the management of housing loan exposures, the management of banks' liquidity and good practices in the area of bancassurance (see "*Regulation of the Banking Sector in Poland*").

In particular, the PSFA's Recommendation U, implemented by banks by March 31, 2015, establishes rules for accounting for bancassurance commissions, requiring them to be recorded in revenue over time and not on an upfront basis. This change has an impact on income and capital levels for banks which are parties to bancassurance arrangements.

In addition, the PFSA has issued a number of recommendations regarding capital adequacy in the banking sector. In June 2011, the PFSA increased the risk weighting of retail and housing loans denominated in foreign currencies from 75% to 100% (PFSA Resolution No. 153/2011). Risk weighting applies to the calculation of the value of risk-weighted assets, which are the basis for the calculation of banks' capital adequacy ratios. Increasing the risk weighting of a given type of asset increases the regulatory capital requirement for banks holding assets of that type. Therefore, capital requirements were higher.

Additionally, the PFSA stated in its letter of January 24, 2012 to Polish banks that it expects them to maintain a stand-alone capital adequacy ratio of at least 12% and a stand-alone Tier I ratio of at least 9%. The PFSA's expectations regarding the stand-alone capital adequacy ratio and the stand-alone Tier I ratio were repeated in its letter of March 21, 2014. Pursuant to the PFSA's letter of October 22, 2015, the PFSA's recommendation is that from January 1, 2016 banks should maintain stand-alone and consolidated capital adequacy ratios of at least 13.25% and stand-alone and consolidated Tier I ratios of at least 10.25%. In addition, selected Polish banks received a recommendation to hold additional capital buffers against risk related to foreign currency denominated housing loans. Alior Bank did not receive a recommendation to hold additional capital buffers against this risk. Bank BPH holds a significant foreign currency housing loans portfolio, but that portfolio is not a part of the Transaction and as such will not be acquired by Alior Bank.

In addition to the recommendations and publications of the PFSA, the legal and regulatory environment of the Polish banking sector is subject to certain European law requirements. In particular, Polish banks are required to comply with the Capital Requirements Directive (CRD), as amended, as well as the Basel II requirements regarding the new rules for the calculation of capital requirements and the management of banking risk. In December 2010 at the G20 summit in Seoul, the Basel Committee on Banking Supervision approved the Basel III Accord (which was subsequently revised in June 2011), which provides new capital and liquidity requirements for banks with a view to strengthening the resilience of banking sector entities. The Basel III Accord was adopted in the European Union in the form of the CRD 4 package and has been in force since January 2014. Unlike a directive, a regulation of the European Parliament and of the Council is not required to be implemented in the local legal system, rather it is applied directly (see " – *Regulations of the Banking Sector in Poland").*

As a result of the implementation of the Basel III Accord, the Polish banking sector, including the Alior Group is subject to stricter capital and liquidity requirements.

Regulatory costs associated with new regulations may also be relevant for the Alior Group's results of operations and its financial situation. For example, pursuant to the BRR Directive, which entered into force on July 2, 2014, banks are required to contribute to the Resolution Fund set up in Poland under the BRR Directive. Each bank is obliged to make an individual contribution based on a flat contribution and a risk based contribution as well as the possibility of extraordinary ex-post contributions from the participating banks. The funding obligation entered into force on January 1, 2016, but has not been implemented into Polish law as at the date of this Offering Circular. See "*Risk Factors – Risk factors regarding the Polish banking sector – Risk regarding implementation of BRR Directive*" and "*Regulation of the Banking Sector in Poland – Capital Adequacy and Risk Management Requirements – European Law Requirements – BRR Directive*".

In line with European trends, the PFSA is increasingly probing and questioning the practices of banks in various areas, such as:

- the sale of structured products that have a high level of upfront commissions for banks and that present different types of risk to investors, including loss of capital in case of early redemption or negative return if underlying assets do not perform as anticipated; and
- the bundling of products which implies an obligation on the customer's side to purchase one of the component products at a high cost (e.g. insurance products) (see "*Regulation of the Banking Sector in Poland – Capital Adequacy and Risk Management Requirements – Polish Law Requirements").*

The Antimonopoly Office also plays a significant role in respect of banking products sold to individual customers and the NBP plays a vital role in monetary matters and certain regulatory matters. The NBP and Antimonopoly Office have required the card and banking industry in Poland to engage in a steep and staged reduction of interchange fees, which were arguably among the highest in Europe.

For further information on the regulatory environment, see "*Regulation of the Banking Sector in Poland*".

Proposed bill on conversion of foreign currency housing loans

On January 15, 2016 the Polish President's office published a proposal for an act to modify the terms of or convert foreign currency housing loans at a so-called "fair rate". This act would apply to foreign currency denominated (or foreign currency indexed) loans where the borrower is an individual. This proposal would allow retail customers to demand a return of foreign currency spreads charged by creditors where there is a difference between the foreign currency rates as defined in the relevant mortgage contract and as defined in the act. The return of spreads would be affected by reducing the principal of the loan. In addition, the proposed act would enable consumers to apply for a voluntary (i.e. by agreement of both parties) or compulsory (i.e. without the creditor's consent) loan restructuring. The restructuring would involve mainly converting the outstanding principal using a so-called "fair" foreign currency rate defined in the act, based on the difference between a current foreign currency rate and the historical foreign currency rate at which the loan was originated. In a voluntary restructuring, the base interest rate would be changed to WIBOR, and in a compulsory restructuring it would not be affected. In March 2016, the PFSA published its analysis that estimated the total cost of the presidential proposal for the Polish banking sector at between PLN 44.6 billion and PLN 66.9 billion assuming foreign currency rates as at December 31, 2015, depending on the scenario applied. Assuming depreciation of the PLN of 25% the PFSA estimated that the total cost of this solution for the whole Polish banking sector would fall within a range of from PLN 74.2 billion to PLN 107.2 billion. The PFSA also stated that up to six Polish banks would face a threat to their business continuity should the regulation be implemented. In April 2016, the President's office announced that it intends to implement significant changes to their initial proposal, which effectively should spread the financial cost for the banks over a period of 20 to 30 years. The President's office has also expressed its intention to engage the BGF and NBP in the process in order to provide support for the banking sector. At the moment it is not possible to forecast the exact terms of the final proposal or what the consequences of the act for the Polish banking sector will be. However, given the size of foreign currency mortgage portfolios and significant changes in their market value, it is possible that the ultimate regulation will result in a serious disruption both to the Polish banking sector and to the Polish economy generally. In the case of Alior Bank, it is expected that the impact will be limited, firstly because of the relatively low level of foreign currency denominated housing loans in its portfolio, which as at December 31, 2015 accounted for 3.4% of the portfolio, and secondly because these loans were originated after 2010 when the PLN actually depreciated versus other currencies.

Bank Guarantee Fund

The cash deposited in individual Polish bank accounts and any cash due under receivables confirmed by documents issued by banks in favor of specific persons are covered by a statutory guarantee system, the Bank Guarantee Fund. Under Polish law, banks are required to pay mandatory annual fees to the Bank Guarantee Fund. The compulsory guarantee system ensures that, in the event of a bank's insolvency, the cash accumulated in the bank's BGF account will be reimbursed to customers up to the amount specified in the relevant regulations. The guarantee system fully covers cash up to the PLN equivalent of EUR 100,000. For the purpose of contributions to the system, the Bank Guarantee Fund set the level of the mandatory annual fee for 2016 (calculated as a percentage of a bank's total risk exposure as determined pursuant to the regulation included in the CRR and the Banking Law) at 0.167%, compared to 0.189% for 2015 and 0.100% for 2014. Additionally, banks must contribute to the stabilization fund established to enhance crisis management in the Polish financial sector. Assistance from the stabilization fund is extended to banks implementing recovery proceedings pursuant to the Banking Law. The Bank Guarantee Fund may grant financial assistance to a bank implementing recovery proceedings by extending a guarantee to increase the bank's own funds. The Bank Guarantee Fund set the level of the annual prudential fee at 0.079% of a bank's total risk exposure for 2016 (compared to 0.05% for 2015 and 0.037% for 2014), calculated pursuant to the regulation included in the CRR and the Banking Law. In the period from 2013 to 2015 Alior Bank cumulatively paid PLN 102.6 million in respect of BGF fees, including both mandatory annual fees and prudential fees.

In connection with the suspension of operations and bankruptcy of SBRR, in accordance with a resolution of the management board of the BGF of November 26, 2015 on the payment of guaranteed deposits to SBBR, on November 30, 2015 Alior Bank paid PLN 57.0 million to the BGF towards the payment of guaranteed deposits, in addition to annual

fees. The total amount of the contribution of Polish banks to the BGF in relation to the above amounted to PLN 2.0 billion, according to Appendix No. 5 to resolution No. 87/DGD/2015 of the Management Board of the BGF dated November 26, 2015.

The factors described above had an impact on the Alior Group in the period covered by the historical financial information and are expected to have an impact on the Alior Group's results in the future. In particular, additional fees may be required in connection with other Polish financial institutions being declared bankrupt.

Tax on Certain Financial Institutions

On February 1, 2016, a new Polish tax on certain financial institutions came into effect. The tax is paid on a monthly basis at a tax rate of 0.0366% (0.44% annually) paid on the tax base of the relevant financial institution. The tax base for banks is defined as the total assets of the relevant bank as at the end of the relevant month minus PLN 4 billion, as determined by the relevant accounting rules. The tax base is reduced, inter alia, by the value of the relevant bank's own funds and Polish treasury securities, and the value of assets acquired from the NBP as security for a refinancing facility granted by the NBP. Alior Bank estimates that this new tax will result in an additional annual tax charge for the Alior Group of approximately PLN 120-140 million in 2016 (this estimate does not account for any possible growth in the value of Alior Bank's assets resulting from the Transaction). The new tax resulted in a charge of PLN 20.7 million on the Alior Group's profit before tax for the first quarter of 2016.

Borrowers' Support Fund

The Borrowers' Support Fund is a new fund established by the Polish government to assist distressed residential mortgage holders. In the fourth quarter of 2015 the Alior Group established a provision of PLN 9.15 million in respect of a contribution to this fund, the amount of which was determined on a pro rata basis to the size of the portfolio of residential mortgage loans for households that are in default with the repayment of principal or interest for more than 90 days. The funds were transferred to this fund in the first quarter of 2016. If the funds held by the Borrowers' Support Fund fall below PLN 100 million, Polish banks are required by law to make supplemental contributions to the fund up to the level of PLN 300 million. Such supplemental contributions will be made in proportion to the amount of support granted to the relevant bank's customers by the fund. See "*Regulation of the Banking Sector in Poland – Subsidies for repayment of mortgage loans*".

Specific Factors Affecting the Alior Group's Financial Condition and Results of Operations

Asset growth driven by organic growth of the loan portfolio production and strategic acquisitions

One of the key factors affecting the Alior Group's financial condition and results of operations is the scale of organic growth of the Bank's assets. The main driver for this organic growth is the sales of Alior Bank's products to both individual and business customers through its distribution network. These sales are supported by initiatives and partnerships (such as with T-Mobile Polska) launched to expand access to the Alior Group's distribution channels and boost sales levels. These initiatives drove growth in new customers (customer base increase) and supported an increase in cross-selling volumes, both of which positively affect Alior Bank's revenues. The organic growth of the Alior Group's loan portfolio has had a substantial impact on its financial condition and results of operations.

In order to further increase the scale of its operations, the Alior Group supplements its organic growth through the strategic acquisition of assets. For example, the Alior Group acquired a portfolio of loans with a nominal value of approximately PLN 1.0 billion from HSBC in 2009, which had a material impact on the value of the Alior Group's loan portfolio and its interest income. The Alior Group's acquisition of Meritum Bank ICB in 2015 increased the Alior Group's net loans and advances to customers by PLN 2,694.7 million which resulted in a significant increase in its interest income.

On March 31, 2016 Alior Bank entered into the Transaction in order to acquire the Bank BPH Core Business (see " – *Transaction – Key stages of the Transaction*"). The prices paid, the ability of the Alior Group to effectively and cost efficiently integrate acquired operations and to effectively manage acquired assets and liabilities, and the quality of the acquired portfolio all may have a material impact on the Alior Group's financial condition and results of operations.

Changes in the Alior Group's loan volumes have a direct effect on its net interest income and net fee and commission income. Loan volumes also impact the Alior Group's trading results related to hedging transactions executed in connection with such loans and its net impairment allowances.

Alior Group's loans and advances to customers increased by 5.9% to PLN 32,738.0 million as at March 31, 2016 compared to PLN 30,907.1 million as at December 31, 2015, and by 30.7% to PLN 30,907.1 million (which included an increase of PLN 2,694.7 million resulting from the acquisition of Meritum Bank ICB) as at December 31, 2015 compared to PLN 23,648.0 million as at December 31, 2014.

The Bank's organic growth is supported by the following initiatives:

Cooperation with T-Mobile Polska and other telecoms operators

In May 2014, the Alior Group launched a strategic initiative in cooperation with T-Mobile Polska to offer remote banking services under the brand name T-Mobile Usługi Bankowe. This cooperation initially allowed retail customers to open deposit accounts and to apply for personal cash loans in T-Mobile Polska's sales outlets. As a result of this initiative, the Alior Group saw an increase in new customer accounts in 2014 and in 2015. In addition, in June 2015, T-Mobile Usługi Bankowe expanded its offering to include products dedicated to entrepreneurs and small enterprises. Under this offering, business customers may open deposit accounts and related auxiliary accounts and are also eligible for overdraft credit.

In the third quarter of 2015, as part of further developing the relationship with T-Mobile Polska, the Alior Group began offering financing for mobile phones. Customers can apply for financing in T-Mobile Polska's outlets and can obtain a credit decision within minutes (without leaving the consultant's desk). Through this offer, the Alior Group seeks to gain access to new customers to whom it can offer additional products and services, especially the standard products available from T-Mobile Usługi Bankowe.

Since its launch in May 2014 and until March 31, 2016 approximately 283,000 new customers have been acquired through this sales channel, and the total number of customers serviced through this sales channel amounted to approximately 558,000 as at the end of March 2016. T-Mobile Usługi Bankowe was established on the basis of Alior Sync – a virtual bank functioning (attracting customers) within the structure of Alior Bank since June 2012.

For more information on the relationship with, and the products and services offered in cooperation with, T-Mobile Polska, see: " *– Business Overview of the Alior Group – Retail sectors (individual customers) – Cooperation with third parties in acquiring retail customers – T-Mobile Usługi Bankowe" and* "*Business Overview of the Alior Group – Material Agreements – Agreements on financial intermediation – Agreement with T-Mobile Polska*".

Following the success of this relationship with T-Mobile Polska, in August 2015 the Alior Group entered into a cooperation agreement with Telekom Romania, a member of the Deutsche Telekom Group. The intention of this agreement was to establish a branch of the Alior Group in Romania and to utilize a distribution model for the Alior Group's banking services in this country similar to the model pursued with T-Mobile Polska. This initiative marked the Alior Group's first expansion into markets outside Poland. For more information on the relationship with, and the products and services offered in cooperation with, Telekom Romania, see " *– Business Overview of the Alior Group – Retail Banking – Cooperation with third parties regarding acquiring new clients – T-Mobile Usługi Bankowe" and* "*Business overview of the Alior Group – Material Agreements – Financial intermediation agreements – Agreement with Telekom Romania Mobile Communications*".

The Management Board expects the cooperation agreements with T-Mobile Polska and Telekom Romania to continue to be an important channel for accessing new customers and for distributing the Alior Group's products and services.

Consumer finance activity

Alior Bank vigorously seeks to build its customer base through instalment sale plans. The Management Board believes that consumer finance activities are important for acquiring clients and client information. The Alior Group distributes consumer finance loans to retail customers through its three principal sales channels: stationary (individual retailers and retailer chains), direct (door-to-door sales) and online (e-commerce). Instalment plans are offered through 10,000 brick-and-mortar partners of Alior Bank and more than 3,000 internet stores. In 2015, sales in the stationary and online channels were the fastest growing, while the level of direct channel sales remained high and stable.

Alior Bank has developed and intends to further develop its consumer finance products in cooperation with key distribution partners, which include RTV Euro AGD, PayU, Allegro, Agata Meble, BRW, Komfort, Philipiak, Vorwerk, Empik "Szkoły językowe" and Zepter. In addition, Alior Bank believes that it has maintained a strong position in the agency channel (i.e. in the segment of the smallest and most fragmented retailers operating in the brick-and-mortar or direct sales channel) that enables it to reach small local retailers.

The total number of consumer finance customers of the Alior Group amounted to approximately 480,000 as at December 31, 2015, or 8.2% more than as at December 31, 2014, and approximately 520,000 as at March 31, 2016, or 8.3% more than as at December 31, 2015.

Cooperation with Tesco

On October 14, 2015, the Alior Group renewed its cooperation agreement with the supermarket chain Tesco that was terminated by Meritum Bank ICB on February 12, 2015, relating to Tesco's hypermarket network in Poland (the agreement had been concluded on August 12, 2011). As part of Alior Bank's cooperation with Tesco, loan products are offered in Tesco stores under the brand Tesco Finanse. As at the date of this Offering Circular, financial services under the Tesco Finanse brand are available in 71 hypermarkets. The Alior Group intends to further utilize this distribution channel by expanding its sales network to additional locations in the Tesco network and by gradually expanding the range of products and services available. The currently offered products include cash loans, a credit card integrated with a ClubCard loyalty program, and instalment loans. The value of the loan portfolio serviced by Tesco Finanse amounted to PLN 111.0 million and PLN 120.0 million as at the end of the first quarter of 2016 and the end of 2015, respectively. The Alior Group is targeting the acquisition of an additional 350,000 customers through the Tesco Finanse distribution channel. See " *– Business Overview of the Alior Group – Banking Retail sectors (individual customers) – Cooperation with third parties in acquiring retail customers – Project Tesco*".

Commencement of leasing activity through Alior Leasing

Alior Leasing started its operations in April 2015. It provides products and services to entrepreneurs seeking vehicles, equipment or machinery in order to further develop their businesses. Alior Leasing offers entrepreneurs various forms of fixed asset financing, including operating leases, finance leases and business development loans.

Alior Leasing's product terms included: (i) financing the purchase of fixed assets up to 100% of their net value; (ii) simplified procedures for arrangements up to the value of PLN 800,000; (iii) no preparation charges charged to customers; (iv) up to eight years of funding; (v) the possibility of setting individual repayment schedules; and (vi) specialist service in selected branches and on-going support of specialist consultants.

Alior Leasing's products include the financing of vehicles (including passenger cars, vans, trucks, buses, motorcycles, trailers and agricultural machinery), as well as specialized machinery (including machinery used in the food industry, and for printing, metal processing, wood processing, and synthetic materials processing). In addition, freelancers can obtain financing of IT and office equipment purchases. The activities of Alior Leasing increased the Alior Group's loans and advances to customers by PLN 52.3 million as at the end of 2015 and by PLN 135.3 million as at the end of the first quarter of 2016.

For more detail about Alior Leasing, see " *– Key information regarding Alior Group – Alior Group structure – Alior Leasing*".

Acquisition of Meritum Bank ICB

The Alior Group's results of operations during 2015 were significantly affected by the acquisition of Meritum Bank ICB. The acquisition of Meritum Bank ICB was completed on February 19, 2015 by way of Alior Bank purchasing shares representing 97.9% of Meritum Bank ICB's share capital for PLN 352.5 million. The purchase was financed by proceeds from the issue of subordinated bonds as well as a shares issue. Alior Bank accounted for this acquisition in accordance with IFRS 3 "Business Combinations". The merger with Meritum Bank ICB was effected on June 30, 2015. The operational merger of the two banks' operations was completed on October 26, 2015.

Combining the experience of Meritum Bank ICB's personnel, in particular with respect to cash loans and micro- and small business banking, with the current activities of the Alior Group was one of the key reasons behind the acquisition of Meritum Bank ICB in 2015.

The acquisition of Meritum Bank ICB resulted in the addition to the Alior Group's balance sheet of significant additional assets (primarily Meritum Bank ICB's loan portfolio) and liabilities (primarily Meritum Bank ICB's customer deposits), and contributed to the Alior Group's increased net interest income and other profit and loss account lines for 2015 compared to 2014. For additional information see note 30 to the Alior Group Consolidated Financial Statements for 2015.

The total value of identifiable assets of Meritum Bank ICB measured at fair value and acquired by Alior Bank amounted to PLN 3.43 billion (valued as at February 19, 2015). The value of identifiable net loans of Meritum Bank ICB measured at fair value and acquired by Alior Bank was equal to PLN 2.69 billion and the value of identifiable deposits of Meritum Bank ICB measured at fair value and acquired by Alior Bank amounted to PLN 2.98 billion (in each case valued as at

February 19, 2015). The results of Meritum Bank ICB were consolidated within the income statement of the Alior Group on February 19, 2016. The total amount of integration costs incurred by Alior Bank in the year ended December 31, 2015 amounted to PLN 35 million, whereas the Management Board estimates that the amount of achieved synergies (i.e. cost savings) reached PLN 38 million in this period.

Loan Portfolio Quality

The NPL ratio in the Alior Group, calculated as the quotient of: (i) impaired loans and advances to customers and (ii) gross loans and advances to customers, was 9.3%, 9.3%, 8.9% and 6.9% as at the end of the first quarter of 2016, and as at the end of the years 2015, 2014 and 2013 respectively.

The increase in the NPL ratio of the Alior Group since 2013 is primarily the result of the general aging of the assets comprising the portfolio. A further increase of the volume of non-performing loans could have a material, direct effect on net impairment losses and provisions and, consequently, on the Alior Group's profit before tax.

The quality of the Alior Group's consumer and housing loan portfolios is primarily affected by: (i) the level of household income in Poland; (ii) the unemployment rate; (iii) interest rates; and (iv) foreign currency rates (in respect of loans denominated in foreign currencies). Real estate prices represent an additional driver that indirectly affects the quality of the housing loan portfolio as such loans are secured on real estate. In the consumer loan portfolio, due to the fact that consumer loans are usually unsecured, the ratio of loans showing evidence of impairment is generally higher than in the case of the housing loan portfolio. The higher risk related to the consumer loan portfolio quality is taken into account in the interest margin, which is higher than the margin for housing loans.

The quality of the Alior Group's business loan portfolio is primarily affected by macroeconomic factors influencing the financial condition of companies in Poland.

The quality of the loan portfolio is reflected, in particular, in the net impairment allowances on loan receivables.

The higher level of the cost of risk ratio for the Alior Group (2.4% in 2014, 2.3% in 2015 and 2.1% in the first quarter of 2016), relative to other banks in the Polish market, is primarily because Alior Bank's retail portfolio contains a higher proportion of non-collateralized loans than the broader banking sector.

Share Purchase and Demerger Agreement regarding the Transaction

On March 31, 2016 Alior Bank executed with GE Investments Poland sp. z o.o., DRB Holdings B.V. and Selective American Financial Enterprises, LLC a share purchase and demerger agreement regarding the acquisition of the Bank BPH Core Business (the "**Share Purchase and Demerger Agreement**").

For an extensive description of the transaction contemplated in the Share Purchase and Demerger Agreement see " – *Transaction*".

Signing of guarantee and counter guarantee agreements

On March 31, 2016 Alior Bank concluded with PZU (the "**Guarantor**") agreements under which the Guarantor granted unfunded credit protection to Alior Bank in the form of an Insurance Guarantee (the "**Guarantee**") with respect to a portfolio of selected exposures of Alior Bank, within the meaning of the CRR regulation. Simultaneously upon the request of the Guarantor, a third party state-owned bank (the "**Counter Guarantor**") granted to Alior Bank a counter guarantee securing fulfilment of the obligations of the Guarantor (the "**Counter Guarantee**"), under which Alior Bank may apply to the Counter Guarantor for payment if the Guarantor fails to make a required payment. The value of the Alior Bank's receivables portfolio covered under the Guarantee amounts (after rounding) to PLN 3,104.2 million. After applying a 10% own contribution (risk retention) requirement of Alior Bank as well as a limitation to PLN 50.0 million of the maximum amount of liability of the Guarantor under a single credit claim, the amount of the granted Guarantee amounts (after rounding) to PLN 2,548.9 million. Risk-weighted assets relief to Alior Bank from the Guarantee amounted to PLN 1,613.6 million as at March 31, 2016.

The maximum duration of the Guarantee is 24 months, with a request for payment required to be delivered to the Guarantor no later than August 18, 2018. In addition, Alior Bank is entitled to terminate the Guarantee before its expiration. The fee for the Guarantee is influenced, among other things, by portfolio amortization as well as the premiums related to the Counter Guarantee. The estimated monthly-average cost for the entire duration of the Guarantee amounts to PLN 2.4 million.

The Guarantee provides for contractual penalties that may become due to the Guarantor from Alior Bank in case of a violation of certain obligations of Alior Bank arising under the Agreement on granting the Guarantee. The total maximum amount of these contractual penalties may not exceed PLN 2.0 million. The Counter Guarantee provides for additional fees in the amount of PLN 1.5 million due from Alior Bank in case of early termination of the Counter Guarantee or early expiration of the Counter Guarantee agreement, and a contractual penalty amounting to 0.10% of the difference between the amount of PLN 2,039.1 million and an amount defined in the Counter Guarantee agreement specifically allocated for financing SME-sector entities by Alior Bank. Failure by Alior Bank to deliver the reports and information stipulated in the Counter Guarantee on or before June 30, 2018 can trigger a penalty of 0.10% of PLN 2,039.1 million, regarding the execution of Alior Bank's obligations to provide a certain amount of funding to SME-sector entities.

The Guarantee and the Counter Guarantee are intended to decrease Alior Bank's capital requirement related to credit risk.

See " – *Business overview of the Alior Group – Material Agreements – Agreements important for the capital requirements – Guarantee agreement and counter guarantee agreement*".

Subordinated bonds issuance – Series EUR001 bonds

On February 4, 2016, Alior Bank issued unsecured subordinated bonds with the total nominal value of EUR 10 million. The bond issue was carried out in accordance with Article 33 item 2 of the Act on Bonds. The interest rate on the bonds is set based on the LIBOR rate for six-month deposits in Euros plus a fixed margin, and interest will be paid semi-annually. The bonds are scheduled to mature at their nominal value on February 4, 2022. On April 19, 2016 Alior Bank obtained the PFSA's permission, issued pursuant to Article 127 of the Banking Law Act, to include bonds as instruments in its Tier II reserves, referred to in Article 63 of the CRR. The bonds register is maintained by Alior Bank in accordance with Article 8 of the Act on Bonds. The bonds register will be maintained by Alior Bank until the time of the redemption or remit of all bonds. The bonds will not be subject to application for admission and introduction to any organized market within the meaning of the Trading Act.

Take-over of Spółdzielcza Kasa Oszczędnościowo-Kredytowa im. Stefana Kardynała Wyszyńskiego in Września

On January 26, 2016 the PFSA decided Spółdzielcza Kasa Oszczędnościowa Kredytowa im. Stefana Kardynała Wyszyńskiego in Września was to be taken over by Alior Bank. Alior Bank did not bid to take over SKOK Wyszyńskiego, but only agreed to take it over. The acquisition process is to take place with the financial support of the BGF based on Article 20g of the Act on the Bank Guarantee Fund. On January 27, 2016 Alior Bank took over the management of SKOK Września's assets and on March 1, 2016 Alior Bank acquired ownership of SKOK Września.

Recent Developments (post-balance sheet date)

Subordinated debt issuance – Series P1A and P1B bonds

On April 13, 2016, the Management Board determined the final terms and conditions of the Alior Group's P1A series Bond offering ("**P1A Bonds**"). The total nominal value of the P1A Bonds issued is PLN 150 million. The P1A Bonds bear interest at a variable rate which is the sum of the base WIBOR 6M rate and a margin of 3.25% per annum, starting from the second interest period. In the first interest period, the interest rate is fixed and amounts to 5.00% per annum. The P1A Bonds were issued for six years, with a maturity date on May 16, 2022. P1A Bonds were admitted and introduced to trading on the Catalyst regulated market maintained by the WSE.

On April 19, 2016, the Management Board determined the final terms and conditions of the Alior Group's P1B series Bond offering ("**P1B Bonds**"). The total nominal value of the P1B Bonds issued is PLN 70 million. P1B Bonds bear interest at a variable rate which is the sum of the base WIBOR 6M rate and a margin of 3.00% per annum, starting from the second interest period. In the first interest period, the interest rate is fixed and amounts to 5.00% per annum. The P1B Bonds were issued for eight years, with a maturity date on May 16, 2024. P1A Bonds were admitted and introduced to trading on the Catalyst regulated market maintained by the WSE.

See " – *Business Overview of the Alior Group – Financing agreements – Public Subordinated Bond Issue Program*".

PFSA decision regarding SKOK in Knurów

On April 26, 2016 the PFSA decided that Alior Bank would take over SKOK in Knurów. As of April 27, 2016 the management of SKOK in Knurów was taken over by the Management Board of Alior Bank. As of June 1, 2016 Alior Bank will acquire SKOK in Knurów as the bidding bank. Until the merger date, it will continue its business and offer services to its members.

Selected non-recurring or extraordinary items affecting the financial condition and results of operations of the Alior Group

The following is a list of items that the Alior Group considers non-recurring or extraordinary in comparison to the Alior Group's ordinary course of business. These items are listed in order to facilitate a comparison of the Alior Group's performance consistently, net of the factors which, in the Alior Group's opinion, do not reflect the ordinary results of operations of its enterprise.

In the three-month period ended March 31, 2016 the Alior Group did not identify any non-recurring or extraordinary items.

In the year ended December 31, 2015 the Alior Group identified the following non-recurring or extraordinary items:

(a) a one-off cost of integration related to the Meritum Bank ICB acquisition (PLN 35 million in general administrative expenses);

(b) a provision established for payments to the Borrowers' Support Fund (*Fundusz Wsparcia Kredytobiorców*) (PLN 9.15 million included in "other" in general administrative expenses);

(c) an expense related to an additional premium paid to the BGF in relation to the bankruptcy of Spółdzielczy Bank Rzemiosła i Rolnictwa in Wołomin (PLN 57.0 million in general administrative expenses);

In the year ended December 31, 2014 the Alior Group identified the following non-recurring or extraordinary items:

(a) impairment allowances for Alior Bank's exposure to Polbita in the amount of PLN 38.3 million in 2014 (see " *– Related Party Transaction – Transactions with Alior Bank's shareholders and their related parties – Polbita sp. z o.o."*);

(b) the Alior Group established a provision of PLN 1.66 million i.e. at the level of 50% of the penalty imposed by UOKiK; UOKiK imposed a penalty of PLN 3.31 million on Alior Bank claiming that Alior Bank infringed consumers' collective interests by withdrawing the support for CHF cash operations while it held deposits in this currency. The UOKiK President concluded that this deprived the clients of the possibility to withdraw cash in the currency in which they made their deposits. Additionally, Alior Bank incorrectly, i.e. without observing the statutory terms, notified the customers who had such deposits of the changes to the deposit regulations. The decision of the UOKiK President is not final and has been appealed by Alior Bank at the Antimonopoly Court. The hearing date is yet to be determined.

In the year ended December 31, 2013 the Alior Group identified the following non-recurring or extraordinary items:

(a) impairment losses recognized in relation to Alior Bank's exposure to Polbita presented as non-current assets held for sale (PLN 24 million in 2013).

Trends Affecting the Alior Group's Financial Condition and Results of Operations

As at the date of this Offering Circular, the following are the most important trends (including trends in production, sales, inventories, costs and selling prices identifiable in the banking business), uncertainties, demands, commitments or events, known to the Management Board, that are reasonably likely to have a material effect on the Alior Group in the financial year ending December 31, 2016, or that would cause the disclosed financial information not to be indicative of the Alior Group's future operating results or financial condition.

(a) The Transaction will constitute a significant addition of assets and liabilities to the Alior Group's operations and will influence Alior Bank's financial results for 2016 and periods thereafter. The scope and scale of this influence is subject to a number of uncertainties, including the Alior Group's ability to execute its integration plan and on general economic conditions. For more information about the risks and uncertainties related to the Transaction, the integration plan, expected integration costs and expected synergies, revenue dissynergies and the Alior Group's business strategies and initiatives, see " *– Risk Factors – Risk factors related to the Alior Group's activities", and " – Risk Factors – Risk factors related to the Transaction", " – Business overview of the Alior Group – Alior Bank Strategy*" and " *– Transaction*".

(b) The success of the Alior Group in achieving its strategy of maintaining high volumes of sales of cash and housing loans (in the case of individual customers) and working capital and investment loans (in the case of business customers), while maintaining a desired high level of net interest margin and an acceptable and

manageable cost of risk, will be a significant factor affecting the results of operations and financial condition of the Alior Group in 2016 and thereafter.

(c) The Alior Group has been functioning in an environment of low interest rates in recent years, which puts downward pressure on the Alior Group's net interest margin. The negative tendencies affecting the net interest margin levels may increase if the Monetary Policy Council makes a decision to further reduce the main interest rates in 2016. In this event, until any compensating measures have been implemented, the Alior Group's net interest margin would come under additional downward pressure, which would have a negative effect on the Alior Group's financial performance.

(d) The Management Board believes that the Polish banking sector will likely continue the process of gradually reducing the gap in the banking penetration ratio in the Polish economy as compared with the average level of penetration of banking services in other European Union developed countries, which should positively affect the growth of the whole banking sector in Poland. In addition, the Management Board believes a lower banking penetration ratio for the sole proprietor and small business sectors compared to other sectors of the Polish economy presents good sales prospects for the Alior Group.

(e) As at February 1, 2016, the Alior Group became subject to the new tax imposed on certain financial institutions including banks (see " *– General Factors Affecting the Alior Group's Financial Condition and Results of Operations – Tax on Certain Financial Institutions*"). Under the new law, the introduction of this tax cannot constitute the basis for changing the terms for providing financial and insurance services performed pursuant to contracts concluded before the date the new tax law came into force, which limits the ability of the Alior Group to factor the new tax into the price of its services to existing clients. The Alior Group estimates that this new tax will result in an additional annual tax charge on it of approximately PLN 120-140 million in 2016. For more information on this new banking tax, see " *– Banking Regulations in Poland – Tax on Certain Financial Institutions*".

(f) Effective from January 1, 2016, the PFSA has increased its minimum recommended capital requirements from 9.0% to 10.25% for the Tier I capital ratio and from 12.0% to 13.25% for the total capital ratio. In order to achieve the ratios expected by the PFSA and to achieve the target returns on its assets, on March 31, 2016 the Alior Group concluded a guarantee agreement with PZU under which PZU has granted unfunded credit protection in the form of the Guarantee with respect to a portfolio of selected exposures of Alior Bank (within the meaning of the CRR). This agreement was executed in order to reduce the Alior Group's credit risk capital requirements. Further details relating to this agreement is included in sections *" – Recent Developments (post-balance sheet date)" and " – Business overview of the Alior Group – Material Agreements – Agreements important for capital requirements – Guarantee agreement and counter-guarantee agreement*".

(g) Potential changes in the legal environment resulting in increased contributions to the BGF resulting from the proposed Act on the Bank Guarantee Fund, the deposit guarantee system and mandatory restructuring, as well as the potential possibility of making additional payments to the Bank Guarantee Fund in the future, could have a negative effect on the Bank's profitability in 2016.

(h) The Polish economy has experienced several years of positive trends with growing GDP in real terms, low levels of unemployment, rising wages and low interest rates and energy prices. The continuation of these trends, or any further improvement in such trends, would have a positive effect on the Polish banking sector and would likely increase the Alior Group's level of generated sales of loans and the quality of its loan portfolio.

(i) Despite the positive trends in the Polish economy, a slowdown on the European or global markets may have a negative impact on the economic situation in Poland, which could have a negative effect on the Alior Group's business.

The above trends or uncertainties may influence the Alior Group's interest income and/or expenses, fees and commissions although the scale of such influence will depend on a number of factors, including the general economic environment.

Other than the trends described above and elsewhere in this Offering Circular, the Alior Group has not identified any clear, significant and firm trends in the production, sales, inventory, costs or prices since January 1, 2016 to the date of this Offering Circular. The Alior Group is not aware of any significant trends, uncertainties, demands, commitments or events other than those identified above in the sections " *– Trends Affecting the Alior Group's Financial Condition and Results of Operations*" and in "*Risk factors*" or elsewhere in this Offering Circular, which would be likely to have a material effect on the Alior Group's prospects in the financial year ending December 31, 2016.

Key Performance Indicators

The following data has not been prepared in accordance with IFRS or any other generally accepted accounting principles or standards. It is presented because the Management Board believes that it is commonly reported and widely used by investors in the banking sector in comparing performance. No assurance can be given however that similarly named data presented or reported by other banks is prepared on a basis that is consistent with that used in preparing the data presented herein. Moreover, an investor should not consider this data in isolation or as a substitute for operating profit or the data provided in the rest of this section and elsewhere in this Offering Circular.

The following table shows selected other financial data of the Alior Group as at and for the three-month periods ended March 31, 2016 and 2015, and as at and for the financial years ended December 31, 2015, 2014, and 2013.

	As at and for the three-month periods ended March 31,		As at and for the financial year ended December 31,		
	2016*	**2015***	**2015**	**2014**	**2013**
	(unaudited)				
	(%)				
Profitability ratios					
NIM[(1)]	4.3	4.5	4.6	4.7	4.7
Average interest rate on assets[(2)]	6.9	7.3	7.4	8.0	7.1
Cost of funds[(3)]	2.7	3.0	2.9	3.4	2.5
Net fee and commission income/total revenue**[(4)]	15.1	17.9	15.3	18.6	17.9
Asset yield[(5)]	5.6	6.4	6.2	6.7	6.6
Cost/Income (C/I)[(6)]	51.3	49.6	51.1	49.4	55.0
Cost of risk ratio[(7)]	2.1	2.1	2.3	2.4	2.3
ROA[(8)]	0.8	1.1	0.9	1.2	1.0
ROE[(9)]	9.0	11.5	9.5	12.4	11.0
Capital ratios					
CET 1 ratio/Tier I[(10)]	10.57	10.42	9.69	11.23	10.34
Capital adequacy ratio[(10)]	13.51	13.01	12.54	12.80	12.11
Loan portfolio quality					
NPL ratio[(11)]	9.3	9.8	9.3	8.9	6.9
Provisioning coverage ratio[(12)]	59.8	58.5	58.1	53.5	57.3
Liquidity ratios					
Loan to deposit ratio[(13)]	91.4	98.6	91.8	96.8	94.3
Equity / assets ratio[(14)]	8.6	9.5	8.8	10.0	8.6

[(1)] *The net interest margin is calculated as net interest income for the current year (period)/ ((interest earning assets as at the end of previous year + interest earning assets as at the end of current year (period))/2). Interest earning assets include the following balance sheet line items: financial assets held for trading, available-for-sale financial assets, derivative hedging instruments, amounts due from banks, loans and advances to customers, and assets pledged as collateral. For the year ended December 31, 2013 this ratio was calculated based on financial data before giving effect to changes in presentation effected in the Alior Group Consolidated Financial Statements for 2015. These presentation changes are discussed in ""Presentation of Financial and Other Information – Changed Presentation of Financial Data". If these changes were applied to this ratio for the year ended December 31, 2013, it would amount to 4.8%.*

[(2)] *Calculated as interest income for the current year(period) / ((interest earning assets as at the end of previous year + interest earning assets as at the end of current year (period))/2). For the year ended December 31, 2013 this ratio was calculated based on financial data before giving effect to changes in presentation effected in the Alior Group Consolidated Financial Statements for 2015. These presentation changes are discussed in "Presentation of Financial and Other Information – Changed Presentation of Financial Data". If these changes were applied to this ratio for the year ended December 31, 2013, it would amount to 8.9%.*

[(3)] *Calculated as interest expenses for the current year (period) / ((financial liabilities held for trading, derivative hedging instruments, amounts due to banks, amounts owed to customers and subordinated liabilities as at the end of previous year + financial liabilities held for trading, derivative hedging instruments, amounts due to banks, amounts owed to customers and subordinated liabilities as at the end of current year (period))/2). For the year ended December 31, 2013 this ratio was calculated based on financial data before giving effect to changes in presentation effected in the Alior Group Consolidated Financial Statements for 2015. These presentation changes are discussed in "Presentation of Financial and Other Information – Changed Presentation of Financial Data". If these changes were applied to this ratio for the year ended December 31, 2013, it would amount to 4.3%.*

[(4)] *Calculated as net fee and commission income for the current year (period) / Total revenue** for the current year (period).*

[(5)] *Calculated as total revenue** for the current year (period) / ((total assets as at the end of previous year + total assets as at the end of current year (period))/2).*

[(6)] *Calculated as general administrative expenses, including banking tax, for current year (period) / Total revenue** for current year (period).*

[(7)] *Calculated as total net impairment allowance and provisions for the current year (period) / ((gross loans and advances to customers as at the end of previous year + gross loans and advances to customers as at the end of current year (period))/2).*

(8) Calculated as return on assets calculated as net profit for the current year (period)/ ((total assets as at the end of previous year + total assets as at the end of current year (period))/2).
(9) Calculated as return on equity calculated as net profit for the current year ((equity as at the end of previous year + equity as at the end of current year (period))/2).
(10) CET 1 ratio and capital adequacy ratio (total capital ratio) as at March 31, 2016 and 2015 and as at December 31, 2015 and 2014 were calculated in accordance with the CRR. The Alior Group's CET 1 ratio is equivalent to the Tier I capital ratio, since the Alior Group does not recognize any additional Tier I capital in its total regulatory capital. CET 1 ratio and capital adequacy ratio (total capital ratio) as at December 31, 2013 were treated as Tier I ratio and capital adequacy ratio, respectively, and calculated in accordance with Resolution No. 76/2010 of March 10, 2010 of the PFSA (with no significant differences in methodology compared to later periods).
(11) Calculated as gross impaired loans and advances to customers as at the end of current year (period)/ gross loans and advances to customers as at the end of current year (period).
(12) Calculated as impairment allowance on impaired loans and advances to customers as at the end of current year (period) / impaired loans and advances to customers as at the end of current year (period).
(13) Calculated as loans and advances to customers as at the end of current year (period)/ amounts owed to customers as at the end of current year (period).
(14) Calculated as equity as at the end of current year (period)/ total assets as at the end of current year (period).
** Annualized by multiplying by four.*
*** Total revenue includes the following income statement line items: net interest income, dividend income, net fee and commission income, trading result, net result (realized) on other financial instruments, and net other operating income.*
To ensure more appropriate data comparability, the data in relation to the ratios for the year ended December 31, 2013 that are specified to be "as at the end of previous year" are the data as at January 1, 2013.
Source: Alior Bank.

Results of Operations

In addition to this section " – *Results of Operations*", the causes of significant movements in the Company's results of operations are also described in " – *General Factors Affecting the Alior Group's Financial Condition and Results of Operations*", " – *Trends Affecting the Alior Group's Financial Condition and Results of Operations*" and " – *Results of Operations and Financial Condition by business segments*".

Three-month period ended March 31, 2016 in comparison to the three-month period ended March 31, 2015.

The following table sets forth the Alior Group's consolidated results of operations for the three-month period ended March 31, 2016 in comparison to the three-month period ended March 31, 2015.

	Three-month periods ended March 31,		Change
	2016	2015[1]	Q1 2016 / Q1 2015
	(unaudited)		
	(PLN million)		*(%)*
Interest income	663.2	556.1	19.3
Interest expenses	(250.7)	(211.8)	18.4
Net interest income	**412.5**	**344.3**	**19.8**
Fee and commission income	138.0	135.6	1.8
Fee and commission expenses	(50.7)	(42.8)	18.5
Net fee and commission income	**87.3**	**92.8**	**(6.0)**
Trading result	**58.3**	**64.4**	**(9.4)**
Net result on other financial instruments	**10.6**	**4.8**	**118.9**
Other operating income	15.2	19.2	(20.9)
Other operating expenses	(4.6)	(5.8)	(20.8)
Net other operating income	**10.6**	**13.4**	**(20.9)**
General administrative expenses	**(276.6)**	**(257.9)**	**7.3**
Net impairment allowance and write-downs	**(175.7)**	**(144.7)**	**21.5**
Banking tax	**(20.7)**	**0**	**not applicable**
Profit before tax	**106.3**	**117.2**	**(9.4)**
Income tax expense	(26.2)	(25.7)	1.6
Net profit	80.1	91.5	(12.4)

(1) Data for the three-month period ended March 31, 2015 was extracted from the Alior Group Consolidated Financial Statements for the First Quarter of 2016. See "Presentation of Financial and Other Information – Changed Presentation of Financial Data".
Source: Alior Group Consolidated Financial Statements for the First Quarter of 2016, except for percentage changes.

Consolidated net profit for the three-month period ended March 31, 2016 amounted to PLN 80.1 million and was PLN 11.4 million, or 12.4%, lower than net profit for the three-month period ended March 31, 2015, which was PLN 91.5 million. This decrease resulted mainly from an increase in impairment charges and provisions by 21.5%, or PLN 31.1 million (relating to receivables from non-finance customers), imposition of the banking tax in the amount of PLN 20.7 million, and an increase in general administrative expenses of 7.3%, or PLN 18.7 million, which was partly offset by an increase in net interest income caused by the growth of the scale of Alior Group's business.

Net interest income

The following table sets forth the components of the Alior Group's interest income and interest expenses for the three-month period ended March 31, 2016 in comparison to the three-month period ended March 31, 2015.

	For the three-month periods ended March 31,		Change
	2016	**2015[1]**	**Q1 2016 / Q1 2015**
	(unaudited)		
	(PLN million)		*(%)*
Interest income	**663.2**	**556.1**	**19.3**
Interest income on financial instruments by category at amortized cost taking into account the effective interest rate	545.1	454.7	19.9
Term deposits	0.3	0.1	243.6
Loans	509.4	424.9	19.9
Financial assets available for sale	27.4	22.2	23.3
Debt purchased	6.0	7.0	(14.5)
Other	1.9	0.5	284.8
Other interest income	118.2	101.4	16.6
Current accounts	4.1	4.0	3.8
Overnight deposits	0.1	0.1	(16.9)
Derivative instruments	113.9	97.3	17.1
Interest expenses	**(250.7)**	**(211.8)**	**18.4**
Interest expenses on financial instruments by category at amortized cost taking into account the effective interest rate	(139.4)	(112.9)	23.6
Term deposits	(106.8)	(83.1)	28.5
Transactions on securities with repurchase clause	(2.4)	(5.4)	(55.7)
Cash hedges	(1.1)	(0.9)	18.8
Own issues	(28.6)	(22.9)	24.6
Other	(0.6)	(0.5)	10.0
Other interest expenses	(111.3)	(99.0)	12.5
Current deposits	(7.6)	(11.0)	(30.5)
Derivative instruments	(103.7)	(88.0)	17.8
Net interest income	**412.5**	**344.3**	**19.8**

[1] Data for the three-month period ended March 31, 2015 were extracted from the Alior Group Consolidated Financial Statements for the First Quarter of 2016. See "Presentation of Financial and Other Information – Changed Presentation of Financial Data".
Source: Alior Group Consolidated Financial Statements for the First Quarter of 2016, except for percentage changes.

Net interest income is the main component of the Alior Group's income, representing 71.2% and 66.2% of total revenue (comprising net interest income, net fee and commission income, dividend income, net trading income, net income on other financial instruments, net other fees, and operating income) for the three-month periods ended March 31, 2016 and 2015, respectively. Net interest income increased by PLN 68.2 million, or 19.8%, to PLN 412.5 million in the three-month period ended March 31, 2016 from PLN 344.3 million in the three-month period ended March 31, 2015. This increase was largely driven by the fact that interest income grew faster (by PLN 107.1 million, or 19.3%) than interest expenses (by PLN 38.9 million, or 18.4%), and resulted mainly from organic growth in the volume of loans to customers and by the acquisition of Meritum Banku ICB on February 18, 2015.

Factors having a negative effect on net interest income in the three-month period ended March 31, 2016 in comparison to the three-month period ended March 31, 2015 include mainly the interest rate decreases introduced in October 2014 and in March 2015, which reduced the interest on loans made by Alior Bank and, as a result, adversely affected interest income. Moreover, interest income on assets decreased to a greater extent than interest expense on deposits. See *" – General Factors Affecting The Alior Group's Financial Condition and Results of Operations – Interest Rates and Inflation*".

An additional factor affecting interest income, and thus net interest income for the three-month period ended March 31, 2016 in comparison to net interest income for the year ended December 31, 2015, was the acquisition of Meritum Bank ICB on February 18, 2015. The portfolio of Meritum Bank ICB was focused on higher interest consumer loans and (to a lesser extent) higher interest working capital loans. As a result of the acquisition of Meritum Bank ICB, despite the negative market conditions described above, the average interest rate on consumer loans in the first quarter of 2016 increased. The average interest rate on working capital loans decreased but to a lesser degree than the decrease of market interest rates and the lombard rate. In addition, the increase of net interest income was affected by an increase in the average balance of all of the principal products offered by Alior Bank. This increase resulted from organic growth supported by the acquisition of Meritum Bank ICB.

Interest Income

The Alior Group's interest income consists mainly of interest on loans to customers and derivative hedging instruments, which accounted for 76.8% and 17.2%, respectively, of total interest income for the three-month period ended March 31, 2016 and 76.4% and 17.5% respectively of total interest income for the three-month period ended March 31, 2015.

For the three-month period ended March 31, 2016, interest income increased by PLN 107.1 million, or 19.3%, to PLN 663.2 million compared to PLN 556.1 million for the three-month period ended March 31, 2015. This increase was attributable to an increase in interest income from loans to customers, which increased by 19.9% to PLN 509.4 million in the three-month period ended March 31, 2016 from PLN 424.9 million in the three-month period ended March 31, 2015.

The following table sets forth information on the components of the Alior Group's gross loans to customers for the three-month periods ended March 31, 2016 and 2015.

	For the three-month periods ended March 31,					
	2016			**2015**		
	Average balance[(1)]	**Interest earned[(3)]**	**Average interest rate[(2)]**	**Average balance[(1)]**	**Interest earned[(3)]**	**Average interest rate[(2)]**
	(unaudited)					
	(PLN million)		*(%)*	*(PLN million)*		*(%)*
Loans to customers						
Retail segment*	**19,675.2**	**343.1**	**7.07**	**14,410.2**	**258.3**	**7.27**
Business segment, including:	**14,592.6**	**171.5**	**4.77**	**11,104.5**	**129.0**	**4.71**
Investment loans	5,719.0	63.8	4.52	4,279.0	50.5	4.79
Working capital facilities[(4)]	8,242.2	100.0	4.92	6,045.8	68.0	4.56
Vehicle loans	112.4	1.4	5.03	172.6	3.1	7.20
Acquired receivables	433.6	6.0	5.62	566.4	7.0	5.03
Total loans to customers	**34,267.8**	**514.6**	**6.09**	**25,514.7**	**387.2**	**6.16**

[(1)] Calculated on the basis of monthly gross average nominal balances without accrued interest.
[(2)] Calculated on the basis of interest earned for the relevant period divided by the average balance calculated as per note [(1)] above.
[(3)] Net interest income on loans adjusted for net interest income from banks + net interest income on acquired receivables.
[(4)] Including overdrafts.
** Including mainly consumer loans and housing loans.*
Source: Alior Bank.

The increase in the aggregate average balance of loans to customers for the three-month period ended March 31, 2016 in comparison to the three-month period ended March 31, 2015 was primarily due to an increase of the average balance of loans to customers in the retail segment, caused mainly by an increase of PLN 3,367.5 million (or 43.3%) in the average balance of consumer loans, mainly due to the acquisition of Meritum Bank ICB and its loan portfolio (see " – *Business overview of the Alior Group – Material Agreements – Share sale agreements – Agreement on the sale of shares in Meritum Bank ICB*") and to organic growth of Alior Bank. The average balance of housing loans increased by PLN 1,834.6 million

(or 35.4%) in the three-month period ended March 31, 2016 compared to the three-month period ended March 31, 2015. The increase in the average balance of loans to customers in the retail segment was also accompanied by an increase of PLN 2,196.4 million (or 36.3%) in the average balance of working capital facility loans to customers in the business segment, and an increase of PLN 1,440.0 million (or 33.7%) in the average balance of investment loans.

The decrease in the aggregate average interest rate on loans to customers in the three-month period ended March 31, 2016 in comparison to the three-month period ended March 31, 2015 resulted from decreases in average interest rates on loans to customers in the retail segment, mainly consumer loans, related to the WIBOR decreases resulting from the Monetary Policy Council's decisions on the reduction of interest rates. This decrease was partially offset by higher average interest rates on loans to customers in the business segment, mainly with respect to working capital loans, resulting from the acquisition of Meritum Bank ICB and its business loan portfolio (see " – *Business overview of the Alior Group – Material Agreements – Share sale agreements – Agreement on the sale of shares in Meritum Bank ICB*").

Interest expenses

The Alior Group's interest expenses consist mainly of interest expense on term deposits, derivative instruments and own issues of securities, which accounted for 42.6%, 41.3% and 11.4%, respectively, of total interest expenses for the three-month period ended March 31, 2016, and 39.2%, 41.5% and 10.8%, respectively, of total interest expenses for the three-month period ended March 31, 2015.

For the three-month period ended March 31, 2016 interest expenses increased by PLN 38.9 million, or 18.4%, to PLN 250.7 million in comparison to PLN 211.8 million for the three-month period ended March 31, 2015. This increase resulted mainly from increased own issues of securities, partially off-set by a decrease in the average interest rate of current and term deposits, as described below.

The following table sets forth information on the main components of the Alior Group's amounts owed to customers for the three-month periods ended March 31, 2016 and 2015.

	For the three-month periods ended March 31,					
	2016			2015		
	Average balance[1]	Interest paid	Average interest rate[2]	Average balance[1]	Interest paid	Average interest rate[2]
	(unaudited)					
	(PLN million)		(%)	(PLN million)		(%)
Due to customers						
Current deposits[4]	12,423.2	7.6	0.40	10,069.4	8.5	0.53
Term deposits (including cash collateral)	19,428.9	106.7	4.23	13,144.4	76.5	4.52
Own issues	2,393.1	27.8	8.84	1,816.6	21.6	8.51
Total amounts due to customers	**34,245.1**	**142.1**	**1.68**	**25,030.4**	**106.6**	**1.73**

[1] Calculated on the basis of monthly average nominal balances without accrued interest, with loans and advances to customers of Alior Group companies (other than Alior Bank) only taken into account for the quarter-ending months.
[2] Calculated on the basis of interest paid for the relevant period divided by the average balance calculated as per note [1] above.
[3] Net interest income on term deposits adjusted for term deposits from banks + net interest income on current deposits adjusted for current deposits from banks + net income on issued securities adjusted own issues - banks.
[4] Including savings accounts.
Source: Alior Bank.

The increase of the average balance of amounts owed to customers to PLN 34,254.1 million for the three-month period ended March 31, 2016 in comparison to PLN 25,030.4 million for the three-month period ended March 31, 2015 was primarily due to an increase of the average balance of term deposits (including cash collateral) by 47.8% (or PLN 6,284.5 million), an increase of the average balance of current accounts by 23.4% (or PLN 2,353.8 million) and an increase of the average balance of own issues of securities by 31.7% (or PLN 576.5 million). The increase of the average balance of term deposits resulted mainly from Alior Bank's decision to increase the balance of amounts owed to customers in order to fund the development of the credit portfolio and to maintain prudential liquidity buffers on the required regulatory level.

The slight decrease of average interest rate on amounts owed to customers for the three-month period ended March 31, 2016 in comparison to the three-month period ended March 31, 2015 resulted from a decrease of the average interest rate on term deposits (including cash collateral) by 0.29p.p. to 4.23% (from 4.52%) and a decrease of the average interest rate on current account deposits by 0.13p.p. to 0.40% (from 0.53%), which was offset to a significant degree by an increase in the average interest rate on own issues of securities by 0.33p.p. to 8.84% (from 8.51%).

Net fee and commission income

The following table sets forth the components of the Alior Group's fee and commission income and expenses for the three-month period ended March 31, 2016 in comparison to the three-month period ended March 31, 2015.

	For the three-month periods ended March 31,		Change
	2016	2015[1]	Q1 2016 / Q1 2015
	(unaudited)		
	(PLN million)		*(%)*
Fee and commission income:	**138.0**	**135.6**	**1.8**
Brokerage commissions	17.5	15.7	10.9
Payment and credit cards service	24.5	20.4	20.0
Revenue from bancassurance activity	21.3	34.7	(38.5)
Loans and ad***va***nces	13.6	16.5	(17.4)
Maintaining bank accounts	25.4	18.8	34.9
Transfers	8.9	8.8	1.1
Cash operations	5.1	4.9	3.3
Debt purchased	1.9	2.6	(27.1)
Guarantees, letters of credit, collection, commitments	3.6	3.6	1.3
Other commissions	16.2	9.5	69.7
Fee and commission expenses:	**(50.7)**	**(42.8)**	**18.5**
Brokerage commissions	(0.7)	(0.8)	(17.8)
Costs of card and ATM transactions, including costs of cards issued	(15.1)	(13.5)	11.9
Insurance of bank products	(5.9)	(5.0)	18.7
Commissions for access to ATMs	(5.3)	(5.1)	2.4
Commissions paid under contracts for performing specific operations	(2.3)	(2.0)	12.2
Costs of compensation, customer rewards	(5.1)	(3.9)	33.2
Commissions paid to agents	(4.8)	(3.0)	60.7
Assistance services for customers	(1.3)	(1.4)	(5.7)
Costs of attracting customers	(2.0)	(1.8)	(6.5)
Other commissions	(8.4)	(6.3)	32.0
Net fee and commission income	**87.3**	**92.8**	**(6.0)**

[1] Data for the three-month period ended March 31, 2015 were extracted from the Alior Group Consolidated Financial Statements for the First Quarter of 2016. See "Presentation of Financial and Other Information – Changed Presentation of Financial Data".
Source: Consolidated Financial Statements for the First Quarter of 2016, except for percentage changes.

Net fee and commission income represented 15.1% and 17.9% of total revenue of the Alior Group for the three-month periods ended March 31, 2016 and 2015, respectively. In the three-month period ended March 31, 2016, net fee and commission income decreased by 6.0%, or PLN 5.5 million, to PLN 87.3 million in comparison to PLN 92.8 million for the three-month period ended March 31, 2015. For the three-month period ended March 31, 2016, net fee and commission income comprised fee and commission income of PLN 138.0 million (an increase of 1.8% in comparison to fee and commission income for the three-month period ended March 31, 2015) and commission expenses of PLN 50.7 million (an increase of 18.5% in comparison to commission expenses for the three-month period ended March 31, 2015). The lower pace of growth of fee and commission income in comparison to commission expenses was mainly due to a decrease of revenues from bancassurance.

Fee and commission income

The Alior Group's fee and commission income consists mainly of commissions on maintaining bank accounts, commissions on payment and credit card services, revenue from bancassurance activity (for additional information on the recognition of bancassurance revenue see note 2.3.18 to the Alior Group Consolidated Financial Statements for 2015), brokerage commissions, and commissions on loans and advances.

In the three-month periods ended March 31, 2016 and 2015 the principal line items amounted to PLN 102.3 million and PLN 106.1 million, respectively, and represented 74.1% and 78.3%, respectively, of gross fee and commission income.

For the three-month period ended March 31, 2016, fee and commission income increased by 1.8%, or PLN 2.4 million, to PLN 138.0 million in comparison to PLN 135.6 million for the three-month period ended March 31, 2015. This increase resulted mainly from increased commissions on maintaining bank accounts, payment cards and credit cards, as well as brokerage fees and other commissions, which was largely off-set by a decrease of revenue from bancassurance activity, and fee and commission income on loans and advances.

For the three-month period ended March 31, 2016, commissions for maintaining bank accounts increased by 34.9%, or PLN 6.6 million, to PLN 25.4 million in comparison to PLN 18.8 million for the three-month period ended March 31, 2015. This increase was the result of efforts undertaken to increase charged prices and to increase the number of customers.

For the three-month period ended March 31, 2016, commissions for handling payment cards and credit cards increased by 20.0%, or PLN 4.1 million, to PLN 24.5 million as compared to PLN 20.4 million for the three-month period ended March 31, 2015.

For the three-month period ended March 31, 2016, other fee and commission income increased by 69.7%, or PLN 6.6 million, to PLN 16.2 million in comparison to PLN 9.5 million for the three-month period ended March 31, 2015. This increase is attributable mainly to an increase in provision of services to business segment customers.

For the three-month period ended March 31, 2016, revenue from bancassurance activity decreased by 38.5%, or PLN 13.3 million, to PLN 21.3 million in comparison to PLN 34.7 million for the three-month period ended March 31, 2015. The decrease was attributable to a lower number of insurance products sold bundled with cash loans.

Commission expenses

For the period ended March 31, 2016, commission expenses increased by 18.5%, or PLN 7.9 million, to PLN 50.7 million in comparison to PLN 42.8 million for the three-month period ended March 31, 2015 primarily as a result of organic growth and the increased scale of operations from the acquisition of Meritum Bank ICB.

For the three-month period ended March 31, 2016, the largest item of commission expenses was costs of cards and ATM transactions, including costs of cards issued, which amounted to PLN 15.1 million and represented 29.7% of gross commission expenses. In the three-month period ended March 31, 2015, costs of cards and ATM transactions, including costs of cards issued, amounted to PLN 13.5 million and represented 31.4% of gross commission expenses.

Commissions paid under contracts for performing specific operations increased by 12.2%, or PLN 0.2 million, to PLN 2.3 million in the three-month period ended March 31, 2016 in comparison to PLN 2.0 million for the three-month period ended March 31, 2015.

For the three-month period ended March 31, 2016, costs of compensations, customer rewards increased by 33.2%, or PLN 1.3 million, to PLN 5.1 million in comparison to PLN 3.9 million for the three-month period ended March 31, 2015.

In the three-month period ended March 31, 2016, commissions paid to agents increased by 60.7%, or PLN 1.8 million, to PLN 4.8 million in comparison to PLN 3.0 million for the three-month period ended March 31, 2015.

Trading result

The following table sets forth the components of the Alior Group's trading result for the three-month periods ended March 31, 2016 and 2015.

	For the three-month periods ended March 31,		Change
	2016	2015[1]	Q1 2016 / Q1 2015
	(unaudited)		
	(PLN million)		*(%)*
Foreign currency transactions	48.6	46.9	3.4
Interest rate transactions	7.6	15.5	(50.9)
Ineffective portion of hedge accounting	0.6	1.0	(38.4)
Other instruments	1.6	1.0	57.4
Trading result	**58.3**	**64.4**	**(9.4)**

[1] Data for the three-month period ended March 31, 2015 were extracted from the Alior Group Consolidated Financial Statements for the First Quarter of 2016. See "Presentation of Financial and Other Information – Changed Presentation of Financial Data".
Source: Alior Group Consolidated Financial Statements for the First Quarter of 2016, except for percentage changes.

For the three-month period ended March 31, 2016, trading result decreased by 9.4%, or PLN 6.1 million, to PLN 58.3 million in comparison to PLN 64.4 million for the three-month period ended March 31, 2015. Trading result comprises mainly interest rate derivatives concluded with the Alior Group's customers. The decrease in trading result was mainly related to lower transaction volumes with both retail and business segment customers.

Net result on other financial instruments

The following table sets forth the components of the Alior Group's net result on other financial instruments for the three-month periods ended March 31, 2016 and 2015.

	For the three-month periods ended March 31,		Change
	2016	2015[1]	Q1 2016 / Q1 2015
	(audited)		*(unaudited)*
	(PLN million)		*(%)*
Available-for-sale financial assets	10.4	4.9	110.4
Own issues	0.2	(0.1)	(422.1)
Repurchase income	0.3	0.1	113.0
Repurchase losses	(0.0)	(0.2)	(85.1)
Investment certificates	0.0	-	-
Net result realized on other financial instruments	**10.6**	**4.8**	**118.9**

[1] Data for the three-month period ended March 31, 2015 were extracted from the Alior Group Consolidated Financial Statements for the First Quarter of 2016. See "Presentation of Financial and Other Information – Changed Presentation of Financial Data".
Source: Alior Group Consolidated Financial Statements for the First Quarter of 2016, except for percentage changes.

Net result on other financial instruments for the three-month period ended March 31, 2016 increased by 118.9%, or PLN 5.8 million, to PLN 10.6 million in comparison to PLN 4.8 million for the three-month period ended March 31, 2015, mainly due to an increase in the net result on available-for-sale financial assets.

Net other operating income

The following table sets forth the components of the Alior Group's net other operating income for the three-month periods ended March 31, 2016 and 2015.

	For the three-month periods ended March 31,		Change
	2016	2015[1]	Q1 2016 / Q1 2015
	(unaudited)		
	(PLN million)		*(%)*
Other operating income on:	**15.2**	**19.2**	**(20.9)**
Management of third party assets	3.0	1.4	116.2
Received compensation, fines and penalties	0.0	0.0	(63.2)
Income from contracts with business partners	(0.2)	4.6	(95.3)
Sale of debt	-	2.1	(100.0)
Reimbursement of costs of enforcement of claims	5.1	5.2	(1.6)
Accrued income from tax reimbursement	-	-	-
Reimbursement of fees by customers	4.0	4.0	0.7
Received compensation	0.9	0.1	509.9
Other	2.1	1.8	12.2
Other operating expenses on:	**(4.6)**	**(5.8)**	**(20.8)**
Management of third party assets	(0.5)	(0.6)	(17.2)
Paid compensation, fines and penalties	(0.0)	(0.3)	(87.9)
Customer rewards	(0.3)	(0.1)	174.5
Paid compensation, settlements, complaints	(1.0)	(1.9)	(47.1)
Fees and costs of claim enforcement	(1.9)	(2.2)	(15.6)
Other	(0.9)	(0.7)	29.7
Net other operating income	**10.6**	**13.4**	**(20.9)**

[1] Data for the three-month period ended March 31, 2015 were extracted from the Alior Group Consolidated Financial Statements for the First Quarter of 2016. See "Presentation of Financial and Other Information – Changed Presentation of Financial Data".
Source: Alior Group Consolidated Financial Statements for the First Quarter of 2016, except for percentage changes.

Net other operating income for the three-month period ended March 31, 2016 decreased by 20.9%, or PLN 2.8 million, to PLN 10.6 million in comparison to PLN 13.4 million for the three-month period ended March 31, 2015, which was mainly attributable to a decrease of income from contracts with business partners and from sale of debt.

General administrative expenses

The following table sets forth general administrative expenses of the Alior Group for the three-month periods ended March 31, 2016 and 2015.

	For the three-month periods ended March 31,		Change
	2016	2015[1]	Q1 2016 / Q1 2015
	(unaudited)		
	(PLN million)		*(%)*
Employee expenses:	**(149.6)**	**(146.1)**	**2.4**
Wages and salaries	(124.8)	(120.7)	3.4
Remuneration-related charges	(23.3)	(23.2)	0.2
Share-based payments	-	(0.9)	(100.0)
Other	(1.5)	(1.3)	15.0
General and administrative expenses:	**(99.2)**	**(90.6)**	**9.5**
IT costs	(12.9)	(9.1)	41.5
Costs of rental and maintenance of buildings	(34.3)	(37.3)	(7.9)
Marketing costs	(9.2)	(7.9)	15.4
Training costs	(5.3)	(2.2)	141.9
Costs of advisory services	(4.6)	(3.9)	17.2
Bank Guarantee Fund costs	(18.9)	(14.5)	30.5
Costs of lease of fixed assets and intangible assets	(0.9)	(0.8)	17.6
Costs of telecommunication services	(2.9)	(4.0)	(26.3)
Costs of external services	(6.9)	(7.8)	(11.5)
Other	(3.2)	(3.0)	5.1
Depreciation and amortization:	**(25.0)**	**(19.0)**	**31.8**
Property, plant and equipment	(15.4)	(11.5)	34.5
Intangible assets	(9.5)	(7.5)	27.6
Taxes and fees	**(2.8)**	**(2.2)**	**30.0**
Total general administrative expenses	**(276.6)**	**(257.9)**	**7.3**

[1] Data for the three-month period ended March 31, 2015 were extracted from the Alior Group Consolidated Financial Statements for the First Quarter of 2016. See "Presentation of Financial and Other Information – Changed Presentation of Financial Data".
Source: Alior Group Consolidated Financial Statements for the First Quarter of 2016, except for percentage changes.

For the three-month period ended March 31, 2016, total general administrative expenses increased by 7.3%, or PLN 18.7 million, to PLN 276.6 million in comparison to PLN 257.9 million for the three-month period ended March 31, 2015.

Employee expenses amounted to PLN 149.6 million in the three-month period ended March 31, 2016 and was 2.4% higher than employee expenses for the three-month period ended March 31, 2015.

Non-employee general and administrative expenses for the three-month period ended March 31, 2016 amounted to PLN 99.2 million and were 9.5% higher than for the three-month period ended March 31, 2015. This increase resulted mainly from a PLN 4.4 million increase in Bank Guarantee Fund costs (a 30.5% increase year-on-year), a PLN 3.8 million, or 41.5%, increase in IT costs, and a PLN 3.1 million, or 141.9%, increase in training costs. The Alior Group reduced its costs of rental and maintenance of buildings and costs of telecommunication services by PLN 3.0 million and PLN 1.1 million, respectively.

Net impairment allowance and write-downs

The following table sets forth the Alior Group's net impairment allowance and write-downs for the three-month periods ended March 31, 2016 and 2015.

	For the three-month periods ended March 31,		Change
	2016	2015[1]	Q1 2016 / Q1 2015
	(unaudited)		
	(PLN million)		*(%)*
Impairment allowance on loans and advances to customers	(161.4)	(139.4)	15.7
Financial sector	(0.5)	(1.9)	(74.3)
Non-financial sector	(160.9)	(137.5)	17.0
Retail customers	(111.3)	(91.1)	22.2
Business customers	(49.6)	(46.4)	6.8
Debt securities – available-for-sale financial assets	(7.0)	-	-
IBNR for loans and advances to customers without impairment allowances	0.9	(2.3)	(138.6)
Financial sector	0.6	0.2	280.6
Non-financial sector	0.3	(2.5)	(110.6)
Retail customers	(2.2)	(1.2)	89.4
Business customers	2.5	(1.3)	(293.0)
Provision for off-balance sheet liabilities	(4.8)	(0.7)	553.6
Property, plant and equipment and intangible assets	(3.5)	(2.2)	56.8
Net impairment allowance and write-downs	**(175.7)**	**(144.7)**	**21.5**

[1] Data for the three-month period ended March 31, 2015 were extracted from the Alior Group Consolidated Financial Statements for the First Quarter of 2016. See "Presentation of Financial and Other Information – Changed Presentation of Financial Data".
Source: Alior Group Consolidated Financial Statements for the First Quarter of 2016, except for percentage changes.

For the three-month period ended March 31, 2016, net impairment allowance and write-downs increased by 21.5%, or PLN 31.1 million, to PLN 175.7 million in comparison to PLN 144.7 million for the three-month period ended March 31, 2015. The increase resulted mainly from an increase of impairment allowance on loans and advances to customers in the non-financial sector (from PLN 137.5 million for the three-month period ended March 31, 2015 to PLN 160.9 million for the three-month period ended March 31, 2016), caused mainly by a 19.4% increase in the volume of outstanding loans in the first quarter of 2016 compared to the first quarter of 2015.

Income tax expense

The following table sets forth the Alior Group's income tax expense for the three-month periods ended March 31, 2016 and 2015.

	For the three-month periods ended March 31,		Change
	2016	2015[1]	Q1 2016 / Q1 2015
	(unaudited)		
	(PLN million)		*(%)*
Current tax:	65.5	36.9	77.3
current year	65.5	36.9	77.2
adjustment of tax settlement relating to previous year	-	(0.0)	(100.0)
Deferred tax:	(39.3)	(11.2)	251.9
temporary differences - origination and reversal	(39.3)	(11.2)	251.9
Total tax for accounting purposes recognized in the income statement	**26.2**	**25.7**	**1.6**

[1] Data for the three-month period ended March 31, 2015 were extracted from the Alior Group Consolidated Financial Statements for the First Quarter of 2016. See "Presentation of Financial and Other Information – Changed Presentation of Financial Data".
Source: Alior Group Consolidated Financial Statements for the First Quarter of 2016 except for percentage changes.

Total income tax expense for the three-month period ended March 31, 2016 increased by 1.6%, or PLN 0.5 million, to PLN 26.2 million compared to PLN 25.7 million for the three-month period ended March 31, 2015. Total income tax expenses for the three-month period ended March 31, 2016 consisted of a current income tax expense of PLN 65.5 million and a deferred income tax charge of PLN 39.3 million. In the three-month period ended March 31, 2015, the current income tax expense amounted to PLN 36.9 million, and the deferred income tax charge amounted to PLN 11.2 million. The increase in the deferred income tax charge is mainly a result of a change in the mix of the Alior Group's loan product offering in response to the low interest rate environment, resulting in an increase of loans earning origination fees, which, from an accounting perspective, are recognized in the income statement over the life of the loan, but are subject to taxation once collected.

Net profit

For the reasons discussed above, net profit decreased by 12.4%, or PLN 11.4 million, to PLN 80.1 million for the three-month period ended March 31, 2016 in comparison to PLN 91.5 million for the three-month period ended March 31, 2015.

The financial year ended December 31, 2015 compared to the financial year ended December 31, 2014

The following table sets forth the Alior Group's consolidated results of operations for the financial year ended December 31, 2015 compared to the financial year ended December 31, 2014.

	For the financial year ended December 31,		Change
	2015	**2014[1]**	**2015/2014**
	(audited)		*(unaudited)*
	(PLN million)		*(%)*
Interest income	2,399.2	2,063.3	16.3
Interest expenses	(898.2)	(833.7)	7.7
Net interest income	**1,501.0**	**1,229.6**	**22.1**
Dividend income	**0.1**	**0.0**	**362.5**
Fee and commission income	545.7	533.6	2.3
Fee and commission expenses	(214.1)	(185.5)	15.4
Net fee and commission income	**331.7**	**348.1**	**(4.7)**
Trading result	**268.7**	**254.9**	**5.4**
Net result on other financial instruments	**12.9**	**7.9**	**63.0**
Other operating income	81.9	52.4	56.3
Other operating expenses	(30.2)	(19.9)	51.5
Net other operating income	**51.7**	**32.4**	**59.3**
General administrative expenses	**(1,107.9)**	**(925.3)**	**19.7**
Net impairment allowance and write-downs	**(672.1)**	**(546.6)**	**23.0**
Profit before tax	**386.0**	**401.1**	**(3.8)**
Income tax expense	(77.0)	(79.1)	(2.6)
Net profit	**309.0**	**322.0**	**(4.1)**

[1] *Figures for the financial year ended December 31, 2014 were extracted from the Alior Group Consolidated Financial Statements for 2015. See "Presentation of Financial and Other Information – Changed Presentation of Financial Data".*
Source: the Alior Group Annual Consolidated Financial Statements, except for percentage changes.

The main factors which determined the level of the key income statement items in 2015 included: (i) organic growth, driven mainly by the growth of the loan portfolio (supported by a series of initiatives, including offering products in cooperation with T-Mobile Polska); (ii) the merger of Alior Bank with Meritum Bank ICB, including PLN 35 million of integration costs an estimated PLN 38 million of synergies; (iii) the continued acceleration of economic growth in Poland which increased the demand for debt financing in an environment of low interest rates; (iv) an environment of record low interest rates which exerted pressure on the level of net interest income; (v) the reduction in interchange rates from the former 0.5% to 0.3% of the transaction value for credit card transactions and to 0.2% for debit card transaction starting from February 2015; (vi) the increase in the level of fees paid by banks to the BGF (fees paid to the BGF by Alior Bank

amounted to PLN 60.1 million in 2015 and was 113.6% higher than in 2014); (vii) launching of the Borrowers' Support Fund by Bank Gospodarstwa Krajowego at the beginning of 2016 (in the fourth quarter of 2015, Alior Bank established a provision in the amount of PLN 9.15 million for the contribution payment to the fund); (viii) in connection with the suspension of operations and bankruptcy of Spółdzielczy Bank Rzemiosła i Rolnictwa in Wołomin, in accordance with a resolution of the management board of the BGF of November 26, 2015 on the payment of guaranteed deposits to Spółdzielczy Bank Rzemiosła i Rolnictwa in Wołomin, on November 30, 2015 Alior Bank paid PLN 57.0 million to BGF towards the payment of guaranteed deposits; and (ix) the volume of sales of insurance products decreased which resulted in a changed structure of revenues generated by the Alior Group, and in particular a decrease of bancassurance commissions.

Net interest income

The following table sets forth the components of the Alior Group's interest income and interest expenses for the financial year ended December 31, 2015 compared to the financial year ended December 31, 2014.

	For the financial year ended December 31,		Change
	2015	**2014[1]**	**2015/2014**
	(audited)		*(unaudited)*
	(PLN million)		*(%)*
Interest income:	**2,399.2**	**2,063.3**	**16.3**
Interest income on financial instruments by category at amortized cost taking into account the effective interest rate:	1,973.4	1,659.5	18.9
Term deposits	0.2	0.2	11.6
Loans	1,847.5	1,530.5	20.7
Financial assets available for sale	91.4	95.6	(4.4)
Debt purchased	27.4	31.6	(13.3)
Other	6.9	1.6	338.8
Other interest income:	**425.8**	**403.8**	**5.4**
Current accounts	15.2	17.7	(14.3)
Overnight deposits	1.3	0.7	79.6
Derivative instruments	409.3	385.4	6.2
Interest expenses:	**(898.2)**	**(833.7)**	**7.7**
Interest expenses on financial instruments by category at amortized cost taking into account the effective interest rate:	(489.2)	(405.1)	20.8
Term deposits	(368.3)	(296.8)	24.1
Transactions on securities with repurchase clause	(14.1)	(20.3)	(30.5)
Cash hedges	(2.2)	(3.7)	(40.4)
Own issues	(102.0)	(81.1)	25.7
Other	(2.7)	(3.2)	(16.9)
Other interest expenses:	(409.0)	(428.7)	(4.6)
Current deposits*	(37.9)	(58.6)	(35.3)
Derivative instruments	(371.1)	(370.1)	0.3
Net interest income	**1,501.0**	**1,229.6**	**22.1**

[1] *Figures for the financial year ended December 31, 2014 were extracted from the Alior Group Consolidated Financial Statements for 2015. See "Presentation of Financial and Other Information – Changed Presentation of Financial Data".*

***** *Including savings accounts.*

Source: the Alior Group Annual Consolidated Financial Statements, except for percentage changes.

Net interest income is the main component of the Alior Group's income, representing 69.3% and 65.6% of total revenue (comprising net interest income, dividend income, net fee and commission income, trading result, net result on other financial instruments, and net other operating income) for the financial year ended December 31, 2015 and 2014, respectively. The Alior Group's net interest income increased by 22.1%, or PLN 271.4 million, to PLN 1,501.0 million

for the year ended December 31, 2015 from PLN 1,229.6 million for the year ended December 31, 2014. This increase resulted mainly from the growth in the volume of loans for customers, as well as the acquisition of Meritum Bank ICB.

Factors having a negative effect on net interest income in the year ended December 31, 2015 compared to the year ended December 31, 2014 mainly include the interest rate decreases introduced in October 2014 and in March 2015, which reduced the interest on loans made by Alior Bank and, as a result, adversely affected interest income. The decrease in net interest margin due to market interest rate decreases was caused by the following factors:

(a) a material part of the liabilities of Alior Bank are current accounts that bear interest at a rate of zero or close to zero. Therefore, in the case of liabilities, the banking sector could not fully pass on to customers the interest rate decrease and could not offset the full decrease in interest income from assets;

(b) some loans from the banking segment, consumer loans in particular, were disproportionately influenced by a series of decreases in interest rates by the Monetary Policy Council. In accordance with Polish civil law, the maximum interest rate charged on loans is established with reference to rates set by the Monetary Policy Council (until January 1, 2016 at four times the lombard rate, which is the rate charged by NBP to Polish banks for short-term collateralized loans). As a result of interest rate decreases, banks including the Alior Group, had to decrease the interest rate charged on all loans that exceeded the cap. As a result, the interest income on this part of the portfolio decreased and – due to the formula for setting the cap prevailing at the relevant time, i.e. four times the lombard rate – the scope of this decrease was up to four times larger than the decrease of market rates (currently the interest rate cap is set as the sum of the NBP reference rate and 3.5 p.p., multiplied by two); and

(c) the majority of the loans bear interest at variable rates, whereas the majority of deposits bear fixed interest rates. Therefore, a decrease of market interest rates is quite quickly reflected in loan interest rates, whereas repricing of term deposits takes longer and depends on their maturities.

As a consequence, interest income on assets decreased to a greater extent than interest cost on the liabilities side. With respect to Alior Bank, an additional factor affecting the interest income and thus the net interest income for the year ended December 31, 2015 in comparison to the net interest income for the year ended December 31, 2014 was the acquisition of Meritum Bank ICB. The portfolio of Meritum Bank ICB focused on higher-yield consumer loans and (to a lesser extent) on higher-yield working capital loans. As a result of the acquisition of Meritum Bank ICB, despite the negative market conditions described above, the average interest rate on consumer loans in 2015 increased, and the average interest rate on working capital loans decreased but to a lesser degree than the rate of decrease of the market interest rates and the lombard rate. Also, the increase of net interest income was affected by an increase in the average balance of all of the principal products offered by Alior Bank. This increase resulted from organic growth supported by the acquisition of Meritum Bank ICB.

Interest Income

The Alior Group's interest income consists mainly of interest on loans and derivative hedging instruments, which accounted for 77.0% and 17.1% respectively of total interest income for the year ended December 31, 2015 and 74.2% and 18.7%, respectively, of total interest income for the year ended December 31, 2014.

Interest income increased by 16.3%, or PLN 335.9 million, to PLN 2,399.2 million for the year ended December 31, 2015 from PLN 2,063.3 million for the year ended December 31, 2014. The increase was mainly attributable to the growth in interest on loans and income from derivative instruments.

Interest on loans to customers increased by 20.7%, or PLN 317.0 million, to PLN 1,847.5 million for the year ended December 31, 2015 from PLN 1,530.5 million for the year ended December 31, 2014. The increase was attributable to an increase in the aggregate average balance of loans and advances to customers by 26.8%, or PLN 6,120.1 million, to PLN 28,991.2 million in the year ended December 31, 2015 from PLN 22,871.1 million in the year ended December 31, 2014. This increase was partially offset by a decrease of 0.35 p.p. in the aggregate average interest rate on loans to customers in the year ended December 31, 2015 compared to the year ended December 31, 2014.

The following table sets forth the components of the Alior Group's gross loans to customers for the years ended December 31, 2015 and 2014.

	For the year ended December 31,					
	2015			2014		
	Average balance[1]	Interest earned[3]	Average interest rate[2]	Average balance[1]	Interest earned[3]	Average interest rate[2]
	(unaudited)					
	(PLN million)		(%)	(PLN million)		(%)
Loans to customers						
Retail segment*	**16,511.8**	**1,278.7**	**7.74**	**12,574.1**	**1,015.4**	**8.08**
Business segment, including:	**12,479.4**	**589.7**	**4.73**	**10,297.1**	**538.6**	**5.23**
Investment loans	4,752.9	210.0	4.42	3,707.1	190.3	5.13
Working capital facility[4]	6,998.5	341.3	4.88	5,741.1	297.1	5.18
Vehicle loans	147.2	9.8	6.66	227.9	18.7	8.19
Acquired receivables	530.5	27.4	5.16	571.2	31.6	5.53
Total loans to customers	**28,991.2**	**1,868.5[3]**	**6.44**	**22,871.1**	**1,554.0[3]**	**6.79**

[1] Calculated on the basis of monthly gross average nominal balances without accrued interest.
[2] Calculated on the basis of interest earned for the relevant period divided by the average balance calculated as per note [1] above.
[3] Net interest income on loans adjusted for net interest income from banks + net interest income on acquired receivables.
[4] Including overdrafts.
** Including mainly consumer loans and housing loans.*
Source: Alior Bank.

The increase in the aggregate average balance of loans to customers for the year ended December 31, 2015 as compared to the year ended December 31, 2014 was primarily due to an increase of 31.3%, or PLN 3,937.7 million, in the average balance of loans to customers in the retail segment, caused mainly by an increase in the average balance of consumer loans, mainly due to the acquisition of Meritum Bank ICB and its loan portfolio (see " *– Business Overview of the Alior Group – Material Agreements – Share Purchase Agreement – Meritum Bank ICB SPA*") and the organic growth of Alior Bank, and in particular an increase of 43.4% (or PLN 1,772.2 million). The average balance of loans to customers in the business segment also increased, mainly due to an increase in the working capital loans balance by 21.9%, or PLN 1,257.4 million, and an increase of 28.2%, or PLN 1,045.8 million, in the average balance of investment loans.

The slight decrease in the aggregate average interest rate on loans to customers in the year ended December 31, 2015 relative to the year ended December 31, 2014 resulted from decreases in average interest rates on loans to customers in the business segment, including principally a decrease of the average interest rate on investment loans and acquired receivables related to the WIBOR decreases due to the Monetary Policy Council's decisions on the reduction of interest rates in October, 2014 and March, 2015 and a decrease in the average interest rate on loans to customers in the retail segment, mainly residential loans. While the average interest rate on loans to customers in the retail segment decreased, the Alior Group did achieve higher average interest rates on consumer loans (related to repricing initiatives after market interest rate decreases and due to the acquisition of Meritum Bank ICB; the consumer loans portfolio of Meritum Bank ICB was on average at a higher yield than the consumer loans portfolio of Alior Bank).

Income from derivative instruments increased by 6.2%, or PLN 23.9 million, to PLN 409.3 million for the year ended December 31, 2015 from PLN 385.4 million for the year ended December 31, 2014. The increase was attributable to an increase in the volume of instruments hedging Alior Bank against interest rates fluctuations.

Interest expenses

The Alior Group's interest expenses consist mainly of derivative instruments, term deposits and own issues of banking securities, which accounted for 41.3%, 41.0% and 11.4%, respectively, of total interest expenses for the year ended December 31, 2015 and 44.4%, 35.6% and 9.7%, respectively, of total interest expenses for the year ended December 31, 2014.

Interest expenses increased by 7.7%, or PLN 64.5 million, to PLN 898.2 million for the year ended December 31, 2015 from PLN 833.7 million for the year ended December 31, 2014. The increase was mainly attributable to the growth in

term deposits and own issues of banking securities, partially offset by a decrease in the average interest rate of current deposits, as described above.

The following table sets forth the main components of the Alior Group's amounts due to customers for the years ended December 31, 2015 and 2014.

	For the year ended December 31,					
	2015			2014		
	Average balance[1]	Interest paid	Average interest rate[2]	Average balance[1]	Interest paid	Average interest rate[2]
	(unaudited)					
	(PLN million)		(%)	(PLN million)		(%)
Amounts due to customers						
Current deposits[4]	11,164.2	37.7	0.34	9,053.9	58.4	0.64
Term deposits (including cash collateral)	15,554.8	367.0	2.36	11,388.9	295.5	2.59
Own issue	2,144.5	97.1	4.53	1,514.4	80.4	5.31
Total amounts due to customers	**28,863.5**	**501.8 [3]**	**1.74**	**21,957.2**	**434.2 [3]**	**1.98**

[1] Calculated on the basis of monthly average nominal balances without accrued interest, with loans and advances to customers of Alior Group companies (other than Alior Bank) only taken into account for the quarter-ending months.
[2] Calculated on the basis of interest paid for the relevant period divided by the average balance calculated as per note [1] above.
[3] Net interest income on term deposits adjusted for term deposits from banks + net interest income on current deposits adjusted for current deposits from banks + net income on issued securities adjusted for own issues of securities to banks.
[4] Including savings accounts.
Source: Alior Bank.

The interest expense on term deposits increased by 24.1%, or PLN 71.5 million, to PLN 368.3 million for the year ended December 31, 2015 from PLN 296.8 million for the year ended December 31, 2014. The increase was attributable to growth in the average balance of term deposits of 36.6% to PLN 15,554.8 million in the year ended December 31, 2015, compared to the average balance of PLN 11,388.9 million in the year ended December 31, 2014. The increase of the average balance of term deposits resulted mainly from Alior Bank's decision to collect additional term deposits to ensure the financing of its growing loan portfolio and keep its liquidity buffer at a safe level.

The interest expense on current deposits decreased by 35.3%, or PLN 20.7 million, to PLN 37.9 million for the year ended December 31, 2015 from PLN 58.6 million for the year ended December 31, 2014. The decrease was a result of a lower average interest rate on current deposits which decreased for the retail segment by 0.41p.p. to 0.45% over the course of 2015 as compared to 0.86% in 2014 and for the business segment by 0.03 p.p. to 0.07% over the course of 2015 as compared to 0.10% in 2014 (see " – *Selected Statistical and Financial Information of the Alior Group – Average Balances and Interest rates*") (related to the WIBOR decreases due to the Monetary Policy Council's decisions on the reduction of interest rates in October 2014 and March 2015.

The interest expense of own issues of banking securities increased by 25.7%, or PLN 20.9 million, to PLN 102.0 million for the year ended December 31, 2015 from PLN 81.1 million for the year ended December 31, 2014. The increase was attributable to growth in the balance of own issues of banking securities of 37.6% to PLN 2,259.2 million at the end of the 2015, compared with the balance of PLN 1,642.0 million at the end of the 2014.

Net fee and commission income

The following table sets forth the components of the Alior Group's fee and commission income and expenses for the financial year ended December 31, 2015 compared to the financial year ended December 31, 2014.

	For the financial year ended December 31,		Change
	2015	**2014[1]**	**2015/2014**
	(audited)		*(unaudited)*
	(PLN million)		*(%)*
Fee and commission income:	**545.7**	**533.6**	**2.3**
Brokerage commissions	73.7	54.3	35.8
Payment and credit cards service	89.9	105.6	(14.9)
Revenue from bancassurance activity	94.6	157.6	(39.9)
Loans and advances	66.3	59.2	12.1
Maintaining bank accounts	85.3	51.4	66.1
Transfers	36.3	32.1	13.1
Cash operations	21.4	20.7	3.6
Debt purchased	11.9	11.7	1.4
Guarantees, letters of credit, collection, commitments	15.0	13.4	11.8
Other commissions	51.2	27.7	85.1
Fee and commission expenses:	**(214.1)**	**(185.5)**	**15.4**
Brokerage commissions	(3.9)	(5.4)	(27.8)
Costs of card and ATM transactions, including costs of cards issued	(61.2)	(56.2)	8.9
Insurance of bank products	(21.7)	(16.3)	33.1
Commissions for access to ATMs	(24.3)	(23.3)	4.0
Commissions paid under contracts for performing specific operations	(9.5)	(16.0)	(40.5)
Costs of compensation, customer rewards	(17.5)	(16.3)	7.1
Commissions paid to agents	(24.3)	(13.7)	76.9
Assistance services for customers	(4.2)	(6.8)	(38.5)
Costs of attracting customers	(19.6)	(5.3)	266.3
Other commissions	(28.0)	(26.0)	7.5
Net fee and commission income	**331.7**	**348.1**	**(4.7)**

[1] *Figures for the financial year ended December 31, 2014 were extracted from the Alior Group Consolidated Financial Statements for 2015. See "Presentation of Financial and Other Information – Changed Presentation of Financial Data".*
Source: the Alior Group Annual Consolidated Financial Statements, except for percentage changes.

Net fee and commission income represented 15.3% and 18.6% of the total revenue of the Alior Group for the financial year ended December 31, 2015 and 2014, respectively (comprising: net interest income, dividend income, net fee and commission income, trading result, net result on other financial instruments and net other operating income). The Alior Group's net fee and commission income decreased by 4.7%, or PLN 16.5 million, to PLN 331.7 million for the year ended December 31, 2015 from PLN 348.1 million for the year ended December 31, 2014. In the year ended December 31, 2015 it comprised PLN 545.7 million of fee and commission income (an increase of 2.3% compared to 2014) and PLN 214.1 million of commission expenses (an increase of 15.4% compared to 2014). The lower pace of growth of fee and commission income than that of commission expenses was mainly due to a decrease in interchange fee rates and a decrease in revenues from bancassurance.

Fee and commission income

The Alior Group's fee and commission income consists mainly of revenue from bancassurance activity (for additional information on the recognition of bancassurance revenue see note 2.3.18 to the Alior Group Consolidated Financial Statements for 2015), commissions on payment and credit card services, brokerage commissions as well as commissions on maintaining bank accounts and loans and advances. In the years ended December 31, 2015 and 2014 they amounted to PLN 410.0 million and PLN 428.1 million and represented 75.1% and 80.2% of the fee and commission income, respectively.

Fee and commission income increased by 2.3%, or PLN 12.1 million, to PLN 545.7 million for the year ended December 31, 2015 from PLN 533.6 million for the year ended December 31, 2014. The increase was mainly attributable to the growth in commissions for maintaining bank accounts and loans and advances as well as brokerage and other commissions, substantially offset by a decrease of revenue from bancassurance activity and commissions on payment and credit card services.

Commissions for maintaining bank accounts increased by 66.1%, or PLN 34.0 million, to PLN 85.3 million for the year ended December 31, 2015 from PLN 51.4 million for the year ended December 31, 2014. The increase was attributable to repricing initiatives and an increasing number of clients.

Other commissions increased by 85.1%, or PLN 23.5 million, to PLN 51.2 million for the year ended December 31, 2015 from PLN 27.7 million for the year ended December 31, 2014. This increase resulted mainly from an increase in commissions relating to servicing business customers.

Revenue from bancassurance activity decreased by 39.9%, or PLN 62.9 million, to PLN 94.6 million for the year ended December 31, 2015 from PLN 157.6 million for the year ended December 31, 2014. The decrease was attributable to a lower number of insurance products sold in bundles with cash loans.

Commissions on payment and credit card services decreased by 14.9%, or PLN 15.7 million, to PLN 89.9 million for the year ended December 31, 2015 from PLN 105.6 million for the year ended December 31, 2014. The decrease was attributable to a decrease in interchange fees, partially offset by the value of transactions increasing from PLN 4,435 million in 2014 to PLN 5,154 million in 2015 (see " *– General Factors Affecting the Alior Group's Financial Condition and Results of Operations – Net Commission Income*").

Commission expenses

The Alior Group's commission expenses consist mainly of costs of card and ATM transactions, including costs of cards issued, commissions for access to ATMs, commissions paid to agents and insurance of bank products. In the years ended December 31, 2015 and 2014 they amounted to PLN 131.4 million and PLN 109.6 million and represented 61.4% and 59.1% of the commission expense, respectively.

Commission expenses increased by 15.4%, or PLN 28.6 million, to PLN 214.1 million for the year ended December 31, 2015 from PLN 185.5 million for the year ended December 31, 2014. The increase was mainly attributable to the growth in costs of attracting customers, commissions paid to agents and insurance of bank products, partially offset by a decrease of commissions paid under contracts for performing specific operations.

Costs of attracting customers increased by 266.3%, or PLN 14.2 million, to PLN 19.6 million for the year ended December 31, 2015 from PLN 5.3 million for the year ended December 31, 2014. The increase resulted from the growing number of customers acquired in cooperation with external partners.

Commissions paid to agents increased by 76.9%, or PLN 10.6 million, to PLN 24.3 million for the year ended December 31, 2015 from PLN 13.7 million for the year ended December 31, 2014. The increase resulted from growing business volumes in external sales channels and from the business combination with Meritum Bank ICB, which managed an extensive network of sales agents and intermediaries.

Insurance of bank products increased by 33.1%, or PLN 5.4 million, to PLN 21.7 million for the year ended December 31, 2015 from PLN 16.3 million for the year ended December 31, 2014. The increase was attributable to the growing scale of bancassurance business volumes.

Commissions paid under contracts for performing specific operations (comprising mainly services and archiving bank files and cash services) decreased by 40.5%, or PLN 6.5 million, to PLN 9.5 million for the year ended December 31, 2015 from PLN 16.0 million for the year ended December 31, 2014. The decrease resulted from the insourcing of cash desk services from an external company to Alior Bank.

Trading result

The following table sets forth the components of the Alior Group's trading result for the years ended December 31, 2015 and 2014.

	For the financial year ended December 31,		Change
	2015	2014[1]	2015/2014
	(audited)		*(unaudited)*
	(PLN million)		*(%)*
Foreign currency transactions	217.4	195.0	11.5
Interest rate transactions	49.6	57.7	(14.1)
Ineffective portion of hedge accounting	1.1	0.2	458.8
Other instruments	0.6	2.0	(69.2)
Trading result	**268.7**	**254.9**	**5.4**

[1] *Figures for the financial year ended December 31, 2014 were extracted from the Alior Group Consolidated Financial Statements for 2015. See "Presentation of Financial and Other Information – Changed Presentation of Financial Data".*
Source: the Alior Group Annual Consolidated Financial Statements, except for percentage changes.

Trading result increased by 5.4%, or PLN 13.8 million, to PLN 268.7 million for the year ended December 31, 2015 from PLN 254.9 million for the year ended December 31, 2014. The trading result was generated mostly on margins on foreign exchange transactions made by Alior Group's clients, including those made with the use of foreign currency platforms (see " *– Alior Group Business – Treasury Business – Transaction Platforms*"). The trading result on interest rate transactions comprises mainly interest rate derivatives concluded with Alior Group's customers. The increase of trading result is mainly related to growing transaction volumes with retail and business segment clients.

Net result on other financial instruments

The following table sets forth the components of the Alior Group's net result on other financial instruments for the years ended December 31, 2015 and 2014.

	For the financial year ended December 31,		Change
	2015	2014[1]	2015/2014
	(audited)		*(unaudited)*
	(PLN million)		*(%)*
Available-for-sale financial assets	12.9	9.9	30.2
Own issues:	(0.0)	(2.0)	(99.3)
Repurchase income	0.6	0.4	34.4
Repurchase losses	(0.6)	(2.5)	(76.2)
Investment certificates	0.0	-	not applicable
Participation units	-	0.0	(100.0)
Net result on other financial instruments	**12.9**	**7.9**	**63.0**

[1] *Figures for the financial year ended December 31, 2014 were extracted from the Alior Group Consolidated Financial Statements for 2015 in order to ensure full comparability with financial data for the year ended December 31, 2015. The presentation changes made with respect to financial data for the year ended December 31, 2014 are discussed in "Presentation of Financial and Other Information – Changed Presentation of Financial Data".*
Source: the Alior Group Annual Consolidated Financial Statements, except for percentage changes.

Net result on other financial instruments increased by 63.0%, or PLN 5.0 million, to PLN 12.9 million for the year ended December 31, 2015 from PLN 7.9 million for the year ended December 31, 2014, mainly due to an increase in the result of available-for-sale financial assets and a decrease in the result of repurchase losses.

Net other operating income

The following table sets forth the components of the Alior Group's net other operating income for the years ended December 31, 2015 and 2014.

	For the financial year ended December 31,		Change
	2015	**2014[1]**	**2015/2014**
	(audited)		*(unaudited)*
	(PLN million)		*(%)*
Other operating income on:	81.9	52.4	56.3
Management of third party assets	10.0	15.1	(33.8)
Received compensation, fines and penalties	1.7	0.1	1,135.6
Income from contracts with business partners	15.7	4.7	233.7
Sale of debt	7.7	0.1	13,234.5
Reimbursement of costs of enforcement of claims	20.1	17.0	18.1
Accrued income from tax reimbursement	-	3.6	(100.0)
Reimbursement of fees by customers	14.8	7.5	99.0
Received compensation	3.3	0.8	324.0
Other	8.5	3.5	143.1
Other operating expenses on:	(30.2)	(19.9)	51.5
Management of third party assets	(1.3)	(2.7)	(51.1)
Paid compensation, fines and penalties	(4.9)	(2.6)	88.3
Customer rewards	(0.4)	(0.7)	(39.4)
Paid compensation, settlements, complaints	(8.4)	(2.1)	296.0
Fees and costs of claim enforcement	(8.5)	(5.5)	54.9
Other	(6.8)	(6.4)	6.3
Net other operating income	**51.7**	**32.4**	**59.3**

[1] *Figures for the financial year ended December 31, 2014 were extracted from the Alior Group Consolidated Financial Statements for 2015. See "Presentation of Financial and Other Information – Changed Presentation of Financial Data".*
Source: the Alior Group Annual Consolidated Financial Statements, except for percentage changes.

Net other operating income increased by 59.3%, or PLN 19.2 million, to PLN 51.7 million for the year ended December 31, 2015 from PLN 32.4 million for the year ended December 31, 2014. This increase resulted primarily from growth in other operating income by 56.3%, or PLN 29.5 million, mainly due to an increase of PLN 11.0 million in income from contracts with business partners, an increase of PLN 7.7 million in the sale of debt related to the sale of non-performing loans, and an increase of PLN 7.4 million in reimbursement of fees by customers comprising reimbursement of the BGF charge. This compared to growth in other operating expenses of 51.5%, or PLN 10.3 million, mainly due to an increase of PLN 6.3 million in expenses for paid compensation, settlements, complaints.

General administrative expenses

The following table sets forth general expenses of the Alior Group for the years ended December 31, 2015 and 2014.

	For the financial year ended December 31,		Change
	2015	2014[1]	2015/2014
	(audited)		*(unaudited)*
	(PLN million)		*(%)*
Employee expenses:	**(554.4)**	**(520.1)**	**6.6**
Wages and salaries	(463.9)	(429.2)	8.1
Remuneration-related charges	(80.5)	(75.7)	6.4
Share-based payments	(0.7)	(7.4)	(90.1)
Other	(9.4)	(7.8)	20.4
General and administrative expenses:	**(460.8)**	**(324.9)**	**41.8**
IT costs	(45.9)	(33.7)	36.3
Costs of rental and maintenance of buildings	(140.6)	(142.3)	(1.2)
Marketing costs	(52.5)	(38.5)	36.4
Training costs	(13.9)	(12.3)	13.3
Costs of advisory services	(20.2)	(18.3)	10.4
Bank Guarantee Fund costs	(117.1)	(28.2)	315.9
Costs of lease of fixed assets and intangible assets	(3.5)	(4.9)	(28.3)
Costs of telecommunication services	(16.0)	(15.0)	6.7
Costs of external services	(26.7)	(16.4)	62.8
Other	(24.4)	(15.5)	57.1
Depreciation and amortization:	**(86.4)**	**(75.5)**	**14.5**
Property, plant and equipment	(51.0)	(46.5)	9.7
Intangible assets	(35.4)	(29.0)	22.1
Taxes and fees	**(6.3)**	**(4.8)**	**29.9**
Total general administrative expenses	**(1,107.9)**	**(925.3)**	**19.7**

[1] *Figures for the financial year ended December 31, 2014 were extracted from the Alior Group Consolidated Financial Statements for 2015. See "Presentation of Financial and Other Information – Changed Presentation of Financial Data".*
Source: the Alior Group Annual Consolidated Financial Statements, except for percentage changes.

General administrative expenses increased by 19.7%, or PLN 182.6 million, to PLN 1,107.9 million for the year ended December 31, 2015 from PLN 925.3 million for the year ended December 31, 2014.

Employee expenses amounted to PLN 554.4 million in the year ended December 31, 2015 and were 6.6% higher than the employee expenses incurred in the year ended December 31, 2014. The level of employee expenses was significantly affected by the acquisition of Meritum Bank ICB and the restructuring of employment (employment in the Alior Group decreased from 6,652.5 full time employees in 2014 to 6,441.1 in 2015).

Non-employee general and administrative expenses amounted to PLN 460.8 million in the year ended December 31, 2015 and were 41.8% higher than such non-employee expenses incurred in the year ended December 31, 2014. This increase resulted partially from the acquisition of Meritum Bank ICB (including PLN 35 million of integration costs), an increase in the scale of the operations of the Alior Group, the establishment of a provision for the payment to the Borrowers' Support Fund (PLN 9.15 million, included in the line item "Other" under general and administrative expenses), and the costs resulting from the bankruptcy announced by Spółdzielczy Bank Rzemiosła i Rolnictwa in Wołomin (PLN 57.0 million included under general and administrative expenses). The increase in payments to the Bank Guarantee Fund had the most significant effect on the increase in general administrative expenses. This increase reflected both the mandatory annual payment to the support fund (which increased from 0.1% to 0.189%) and the prudential payment (which increase from 0.037% to 0.05%). As a result of these changes and the increase in the scale of Alior Bank's operations, the amount contributed to the Bank Guarantee Fund in the year ended December 31, 2015 increased to PLN 60.1 million, which was 113.6% higher than the amount contributed in the year ended December 31, 2014.

Net impairment allowance and write-downs

The following table sets forth the Alior Group's net impairment allowance and write-downs for the years ended December 31, 2015 and 2014.

	For the financial year ended December 31,		Change
	2015	2014[1]	2015/2014
	(audited)		*(unaudited)*
	(PLN million)		*(%)*
Impairment allowance on loans and advances to customers:	(649.1)	(468.7)	38.5
Financial sector	(6.0)	(1.1)	456.1
Non-financial sector:	(643.1)	(467.6)	37.5
Retail customers	(446.2)	(289.8)	54.0
Business customers	(196.9)	(177.8)	10.7
Debt securities – available-for-sale financial assets	(8.0)	(2.2)	267.1
IBNR for loans and advances to customers without impairment allowances:	(2.1)	(31.6)	(93.5)
Financial sector	(0.8)	0.2	(610.3)
Non-financial sector:	(1.2)	(31.7)	(96.1)
Retail customers	(1.7)	(29.3)	(94.3)
Business customers	0.5	(2.4)	not applicable
Provision for off-balance sheet liabilities	(0.6)	(1.0)	(41.5)
Property, plant and equipment and intangible assets	(12.4)	(4.9)	152.6
Loss on valuation of assets held for sale	0.0	(38.3)	not applicable
Net impairment allowance and write-downs[2]	**(672.1)**	**(546.6)**	**23.0**

[1] Figures for the financial year ended December 31, 2014 were extracted from the Alior Group Consolidated Financial Statements for 2015. See "Presentation of Financial and Other Information – Changed Presentation of Financial Data"
[2] In the Alior Group Consolidated Financial Statements for 2013 – "Net impairment allowance".
Source: the Alior Group Annual Consolidated Financial Statements, except for percentage changes.

Net impairment allowance and write-downs increased by 23.0%, or PLN 125.5 million, to PLN 672.1 million for the year ended December 31, 2015 from PLN 546.6 million for the year ended December 31, 2014. This increase resulted primarily from an increase in write-downs in respect of amounts due from non-financial customers (from PLN 467.6 million to PLN 643.1 million), mainly due to an increase in loan volume of 30.7%, partly due to the acquisition of Meritum Bank ICB. This item was also significantly affected by a decrease in the amount of write-downs for IBNR in respect of customers without impairment from PLN 31.6 million in 2014 to PLN 2.1 million in 2015. The improvement of the IBNR result was achieved as a result of an improvement in the risk profile of the cash loans portfolio. In 2015 Alior Bank implemented a statistical model for the mortgage portfolio which resulted in an increase of impairment charges by PLN 19.4 million. Prior to the implementation of the new model Alior Bank used individual assessments for the mortgage exposures.

Income tax expense

The following table sets forth the Alior Group's income tax expense for the years ended December 31, 2015 and 2014.

	For the financial year ended December 31,		Change
	2015	2014[1]	2015/2014
	(audited)		*(unaudited)*
	(PLN million)		*(%)*
Current tax:	161.4	92.2	75.0
current year	161.4	92.5	74.5
adjustment of tax settlement relating to previous year	0.0	(0.2)	not applicable
Deferred tax:	(84.4)	(13.2)	541.3
temporary differences - origination and reversal	(84.4)	(13.2)	541.3
Total tax for accounting purposes recognized in the income statement	**77.0**	**79.1**	**(2.6)**

[1] Figures for the financial year ended December 31, 2014 were extracted from the Alior Group Consolidated Financial Statements for 2015. See "Presentation of Financial and Other Information – Changed Presentation of Financial Data".
Source: the Alior Group Annual Consolidated Financial Statements, except for percentage changes.

The total income tax expense decreased by 2.6%, or PLN 2.0 million, to an income tax expense of PLN 77.0 million in the year ended December 31, 2015 from an income tax expense of PLN 79.1 million in the corresponding period in 2014. The total income tax expense in the year ended December 31, 2015 consisted of a current income tax expense of PLN 161.4 million and a decrease of deferred income tax credit of PLN 84.4 million compared to current income tax expense of PLN 92.2 million and deferred income tax credit of PLN 13.2 million in the year ended December 31, 2014. The increase in deferred income tax credit is mainly a result of a change in the Alior Group's offer in the environment of low interest rates – the deferred income tax credit increased due to an increase in origination fees, which from the accounting perspective are recognized over time and are subject to taxation once collected.

Net profit

For the reasons discussed above, net profit decreased by 4.1%, or PLN 13.1 million, to PLN 309.0 million for the year ended December 31, 2015 and from PLN 322.0 million for the year ended December 31, 2014.

The financial year ended December 31, 2014 compared to the financial year ended December 31, 2013

The following table sets forth the Alior Group's consolidated results of operations for the financial year ended December 31, 2014 compared to the financial year ended December 31, 2013.

	For the financial year ended December 31,		Change
	2014[1]	**2013[2]**	**2014/2013[3]**
	(audited)		*(unaudited)*
	(PLN million)		*(%)*
Interest income	2,063.3	1,518.2	35.9
Interest expense	(833.7)	(519.6)	60.5
Net interest income	**1,229.6**	**998.6**	**23.1**
Dividend income	**0.0**	**0.0**	(30.4)
Fee and commission income	533.6	475.9	12.1
Fee and commission expense	(185.5)	(200.8)	(7.6)
Net fee and commission income	**348.1**	**275.2**	**26.5**
Trading result	**254.9**	**226.9**	**12.4**
Net result on other financial instruments[4]	7.9	11.8	(32.9)
Other operating income	52.4	49.9	4.9
Other operating expenses[5]	(19.9)	(22.3)	(10.6)
Net other operating income	32.4	27.6	17.5
General administrative expenses	(925.3)	(847.4)	9.2
Net impairment allowance and write-downs[6]	(546.6)	(405.0)	35.0
Profit before tax[7]	**401.1**	**287.7**	**39.4**
Income tax expense[8]	(79.1)	(59.8)	32.3
Net profit	**322.0**	**227.9**	**41.3**

[1] *Figures for the financial year ended December 31, 2014 were extracted from the Alior Group Consolidated Financial Statements for 2015. See "Presentation of Financial and Other Information – Changed Presentation of Financial Data".*
[2] *Figures for the financial year ended December 31, 2013 were extracted from the Alior Group Consolidated Financial Statements for 2013. See "Presentation of Financial and Other Information – Changed Presentation of Financial Data". Additionally, the Bank changed the presentation of the following income statement figures in the Alior Group Consolidated Financial Statements for 2015: "Interest income", "Interest expenses", "Net interest income" and "Trading result". If that change in presentation was applied to figures for the financial year 2013, they would amount to, respectively, PLN 1,897.2 million, PLN (874.9) million, PLN 1,022.3 million and PLN 203.2 million.*
[3] *Comparability of data for 2014 and 2013 is limited due to changes of presentation of certain lines of the income statement of 2014. See: "Rider 182A – Presentation of Financial and Other Information – Changed Presentation of Financial Data".*
[4] *In the Alior Group Consolidated Financial Statements for 2013: "Net gain (realized) on other financial instruments".*
[5] *In the Alior Group Consolidated Financial Statements for 2013: "Other operating costs".*
[6] *In the Alior Group Consolidated Financial Statements for 2013: "Impairment losses".*
[7] *In the Alior Group Consolidated Financial Statements for 2013: "Gross profit".*
[8] *In the Alior Group Consolidated Financial Statements for 2013: "Income tax".*
Source: the Alior Group Annual Consolidated Financial Statements, except for percentage changes.

The main factors which determined the level of the main income statement items in 2014 included: (a) external factors such as: (i) the increased demand for loans resulting from the improving economic conditions; (ii) the environment of

record low interest rates; (iii) a reduction in interchange fee rates; and (iv) the increase in charges related to the Bank Guarantee Fund; as well as (b) internal factors and developments, such as: (i) the rapid expansion of the Alior Group's customer base through a number of initiatives, including offering products in cooperation with T-Mobile Polska and maintaining high sales levels within the main product groups; (ii) active measures aimed at limiting the effect of the above-mentioned negative external factors on the results, which included: deepening relationships with customers, optimizing the product offer and changes in the structure and amount of commissions; (iii) careful monitoring of operating costs incurred, which went up by 9.2% year-on-year – i.e. a significantly lower increase than the corresponding increase in revenues; and (iv) creating impairment allowances related to Alior Bank's exposure in Polbita (presented as non-current assets held for sale) (PLN 24.0 million in 2013 and PLN 38.3 million in 2014).

Net interest income

The following table sets forth the components of the Alior Group's interest income and interest expenses for the financial year ended December 31, 2014 compared to the financial year ended December 31, 2013.

	For the financial year ended December 31,		Change
	2014[1]	**2013[2]**	**2014/2013[3]**
	(audited)		*(unaudited)*
	(PLN million)		*(%)*
Interest income	**2,063.3**	**1,518.2**	**35.9**
Interest income on financial instruments by category at amortized cost taking into account the effective interest rate:	1,659.5	1,481.1[4]*	12.0
Term deposits	0.2	0.9	(77.0)
Loans	1,530.5	1,330.8	15.0
Financial assets available for sale[4]	95.6	112.2	(14.8)
Debt purchased[5]	31.6	36.1	(12.5)
Other	1.6	1.1	43.7
Other interest income:	403.8	37.1[4]*	989.9
Current accounts*	17.7	18.1	(2.1)
Overnight deposits	0.7	1.0	(28.1)
Derivative hedging instruments[6][10]	385.4	17.9	2,048.1
Interest expense:	**(833.7)**	**(519.6)**	**60.5**
Interest expenses on financial instruments by category at amortized cost taking into account the effective interest rate:	(405.1)	(445.7)[4]*	(9.1)
Term deposits	(296.8)	(362.4)	(18.1)
Transactions on securities with repurchase clause[7]	(20.3)	(15.0)	35.0
Cash hedges[8]	(3.7)	(4.3)	(13.9)
Own issues[9]	(81.1)	(60.6)	34.0
Other	(3.2)	(3.4)	(6.6)
Other interest expenses:	(428.7)	(73.9)[4]*	479.8
Current deposits	(58.6)	(56.4)	3.8
Derivative hedging instruments[6][10]	(370.1)	(17.5)	2,014.5
Net interest income	**1,229.6**	**998.6**	**23.1**

[1] *Figures for the financial year ended December 31, 2014 were extracted from the Alior Group Consolidated Financial Statements for 2015. See "Presentation of Financial and Other Information – Changed Presentation of Financial Data".*

[2] *Figures for the financial year ended December 31, 2013, unless marked with an asterisk "*", were extracted from the Alior Group Consolidated Financial Statements for 2013 See "Presentation of Financial and Other Information – Changed Presentation of Financial Data". Data marked with an asterisk "*"have been derived from the Alior Group Consolidated Financial Statements for 2014. Additionally, the Bank changed the presentation of the following income statement figures in the Alior Group Consolidated Financial Statements for 2015: "Interest income", "Other interest income", "Derivative instruments", "Interest expenses", "Other interest expenses", "Derivative instruments", and "Net interest income". If that change in presentation was applied to figures for the financial year 2013, they would amount to, respectively, PLN 1,897.2 million, PLN 416.0 million, PLN 396.9 million, PLN (874.9) million, PLN (429.3) million, PLN (372.8) million, and PLN 1,022.3 million.*

[3] *Comparability of data for 2014 and 2013 is limited due to changes of presentation of certain lines of the income statement of 2014. See: "Presentation of Financial and Other Information – Changed Presentation of Financial Data"*

[4] *In the Alior Group Consolidated Financial Statements for 2013: "debt instruments".*

[5] *In the Alior Group Consolidated Financial Statements for 2013: "receivables acquired".*

(6) In the Alior Group Consolidated Financial Statement for 2013: "Hedging derivatives".
(7) In the Alior Group Consolidated Financial Statements for 2013: "repo transactions in securities".
(8) In the Alior Group Consolidated Financial Statements for 2013: "cash deposits".
(9) In the Alior Group Consolidated Financial Statements for 2013: "own issue".
(10) In 2014 this item concerns all derivative instruments whereas in 2013 only derivatives.
*** Including savings accounts.*
Source: the Alior Group Annual Consolidated Financial Statements, except for percentage changes.

Net interest income represented 65.6% and 64.8% of total revenue for the financial year ended December 31, 2014 and 2013, respectively. For the year ended December 31, 2014 the Alior Group's net interest income amounted to PLN 1,229.6 million as compared to PLN 998.6 million for the year ended December 31, 2013. The 2014 figures have been reclassified, as described in "Presentation of Financial and Other Information – *Changed Presentation of Financial Data*", which limits the comparability with data for 2013. When adjusted for this reclassification, the net interest income for the financial year ended December 31, 2014 was PLN 1,215.8 million, representing an increase of PLN 217.2 million (21.8%) compared to PLN 998.6 million for the year ended December 31, 2013. This increase was mainly driven by an increase in the volume of loans and advances to customers of 20.3% and an adjustment of the pricing of deposit and lending products in an environment of low interest rates.

Interest Income

The Alior Group's interest income consists mainly of interest on loans and derivative instruments, which accounted for 74.2% and 18.7%, respectively, of total interest income for the year ended December 31, 2014 and 87.7% and 1.2%, respectively, of total interest income for the year ended December 31, 2013.

In the year ended December 31, 2014 interest income amounted to PLN 2,063.3 million as compared to PLN 1,518.2 million for the year ended December 31, 2013. The 2014 figures have been reclassified, as described in "Presentation of Financial and Other Information – *Changed Presentation of Financial Data*". When adjusted for this reclassification, the interest income for 2014 amounted to PLN 1,713.1 million, an increase of 12.8%, or PLN 194.9 million, in comparison to the year ended December 31, 2013. The increase was mainly attributable to growth in interest on loans and income from derivative hedging instruments.

In the year ended December 31, 2014, interest income on loans increased by 15.0%, or PLN 199.7 million in comparison to the year ended December 31, 2013 (from PLN 1,330.8 million to PLN 1,530.5 million). The increase was attributable to an increase in the aggregate average balance of total loans to customers by 28.0% or PLN 4,998.6 million, to PLN 22,871.1 million in the year ended December 31, 2014 from PLN 17,872.6 million in the year ended December 31, 2013. This increase was partially offset by a decrease of 0.8% in the aggregate average interest rate on loans to customers in the year ended December 31, 2014 compared to the year ended December 31, 2013.

The following table sets forth information on the components of the Alior Group's gross loans to customers for the years ended December 31, 2014 and 2013.

	For the year ended December 31,					
	2014			2013		
	Average balance[1]	Interest earned[3]	Average interest rate[2]	Average balance[1]	Interest earned[3]	Average interest rate[2]
	(unaudited)					
	(PLN million)		*(%)*	*(PLN million)*		*(%)*
Loans to customers, including:						
Retail segment*	**12,574.1**	**1,015.4**	**8.08**	**9,594.0**	**856.9**	**8.93**
Business segment, including:	**10,297.1**	**538.6**	**5.23**	**8,278.5**	**500.3**	**6.04**
Investment loans	3,707.1	190.3	5.13	2,503.4	150.2	6.00
Working capital facility[4]	5,741.1	297.1	5.18	4,774.6	277.7	5.82
Vehicle loans.....	227.9	18.7	8.19	338.7	33.2	9.79
Acquired receivables	571.2	31.6	5.53	605.2	36.1	5.96
Total loans to customers….	**22,871.1**	**1,554.0[3]**	**6.79**	**17,872.6**	**1,357.2[3]**	**7.59**

(1) Calculated on the basis of monthly gross average nominal balances without accrued interest.
(2) Calculated on the basis of interest earned for the relevant period divided by the average balance calculated as per note (1) above.
(3) Net interest income on loans adjusted for net interest income from banks + net interest income on acquired receivables.
(4) Including overdrafts.
** Including mainly consumer loans and mortgage loans.*
Source: Alior Bank.

The increase in the aggregate average loans to customers for the year ended December 31, 2014 as compared to the year ended December 31, 2013 was primarily due to an increase of 30.2%, or PLN 1,647.6 million in the average balance of consumer loans to customers in the retail segment and an increase in the average balance of housing loans to customers in the retail segment by 43.8%, or PLN 1,245.1 million. In the same period the average balance of loans granted to customers in the business segment increased by 24.4%, or PLN 2,018.6 million, which was mainly caused by an increase of 48.1%, or PLN 1,203.7 million, in the average balance of investment loans, and an increase of 20.2%, or PLN 966.5 million, in the average balance of working capital facilities.

The significant decrease in the aggregate average interest rate on loans to customers in the year ended December 31, 2014 relative to the year ended December 31, 2013 resulted from decreases in average interest rates on all products related to the WIBOR decreases over the course of 2013. In the case of consumer loans however, the decrease in the average interest rate was proportionately high due to rate-cap decreases resulting from the series of cuts of the lombard rate by the Monetary Policy Council.

Interest income on derivative instruments for the year ended December 31, 2014 to PLN 385.4 million as compared to PLN 17.9 million for the year ended December 31, 2013. The 2014 figures have been reclassified, as described in "Presentation of Financial and Other Information – *Changed Presentation of Financial Data*". When adjusted for this reclassification, the interest income on derivative instruments for 2014 amounted to PLN 35.1 million, an increase of 95.8% or PLN 17.2 million from PLN 17.9 million for the year ended December 31, 2013. The increase was attributable mainly to the increasing volume of derivative transactions hedging the Bank against interest rate fluctuations.

Interest expenses

The Alior Group's interest expenses consist mainly of derivative instruments, term deposits and own issues, which accounted for 44.4%, 35.6% and 9.7%, respectively, of total interest expenses for the year ended December 31, 2014 and 3.4%, 69.7% and 11.7%, respectively, of total interest expenses for the year ended December 31, 2013.

For the year ended December 31, 2014 interest expenses amounted to PLN 833.7 million, as compared to PLN 519.6 million for the year ended December 31, 2013. The 2014 figures have been reclassified, as described in "Presentation of Financial and Other Information – *Changed Presentation of Financial Data*". When adjusted for this reclassification, the interest expenses for 2014 amounted to PLN 497.3 million, a decrease of 4.3%, or PLN 22.3 million, from PLN 519.6 million for the year ended December 31, 2013. The increase was mainly attributable to changes in the presentation of financial information (see "Presentation of Financial and Other Information – *Changed Presentation of Financial Data*") and own issues, partially offset by a decrease of term deposits.

Interest expense on derivative instruments amounted to PLN 370.1 million for the year ended December 31, 2014 as compared to PLN 17.5 million for the year ended December 31, 2013. The 2014 figures have been reclassified, as described in "Presentation of Financial and Other Information – *Changed Presentation of Financial Data*". When adjusted for this reclassification, the interest expense on derivative instruments for 2014 amounted to PLN 33.6 million, an increase by 92.1% or PLN 16.1 million from PLN 17.5 million for the year ended December 31, 2013. The increase was attributable mainly to an increased volume of derivative transactions hedging the Bank against interest rate fluctuations.

Interest expense on own issues increased by 34.0%, or PLN 20.6 million, to PLN 81.1 million for the year ended December 31, 2014 from PLN 60.6 million for the year ended December 31, 2013. The increase was attributable to growth in the balance of own issues owed to customers of 44.6% to PLN 1,642.0 million as at the end of the 2014, compared with the balance of PLN 1,135.6 million as at the end of the 2013.

The following table sets forth the main components of the Alior Group's amounts owed to customers for the years ended December 31, 2014 and 2013.

	For the year ended December 31,					
	2014			2013		
	Average balance[1]	Interest paid	Average interest rate[2]	Average balance[1]	Interest paid	Average interest rate[2]
	(unaudited)					
	(PLN million)		(%)	(PLN million)		(%)
Owed to customers						
Current deposits[4]	9,053.9	58.4	0.64	6,435.1	56.3	0.87
Term deposits (including cash collateral)	11,388.9	295.5	2.59	10,918.3	361.7	3.31
Own issues	1,514.4	80.4	5.31	870.8	60.4	6.93
Total amounts due to customers	**21,957.2**	**434.2 [3]**	**1.98**	**18,224.2**	**478.4 [3]**	**2.63**

[1] Calculated on the basis of monthly average nominal balances without accrued interest, with loans and advances to customers of Alior Group companies (other than Alior Bank) only taken into account for the quarter-ending months.
[2] Calculated on the basis of interest paid for the relevant period divided by the average balance calculated as per note [1] above.
[3] Net interest income on term deposits adjusted for term deposits from banks + net interest income on current deposits adjusted for current deposits from banks + net income on issued securities adjusted for own issues - banks.
[4] Including savings accounts.
Source: Alior Bank.

Interest expense paid on term deposits from customers decreased by 18.3%, or PLN 66.2 million, to PLN 295.5 million for the year ended December 31, 2014 from PLN 361.7 million for the year ended December 31, 2013. The decrease was a result of lower average interest rates on term deposits which decreased for the retail segment by 0.84p.p. to 2.78% over the course of 2014 (as compared to 3.62% in 2013) and for the corporate segment by 0.27p.p. to 2.26% over the course of 2014 (as compared to 2.53% in 2013) (see " – *Selected Statistical and Financial Information of the Alior Group – Average Balances and Interest rates*") (related to the WIBOR decreases due to the Monetary Policy Council's decisions).

Interest expense paid on current deposits (adjusted for current deposits from banks) increased by 3.8%, or 2.1 million, to PLN 58.4 million for the year ended December 31, 2014 from PLN 56.3 million for the year ended December 31, 2013. The increase was a result of growth in deposits.

Net fee and commission income

The following table sets forth the components of the Alior Group's fee and commission income and expenses for the financial year ended December 31, 2014 compared to the financial year ended December 31, 2013.

	For the financial year ended December 31,		Change
	2014[1]	2013[2]	2014/2013
	(audited)		*(unaudited)*
	(PLN million)		*(%)*
Fee and commission income	533.6	475.9	12.1
Brokerage commissions	54.3	48.6	11.9
Payment and credit cards service	105.6	105.8*	(0.2)
Revenue from bancassurance activity	157.6	134.9	16.8
Loans and advances	59.2	43.2*	37.1
Maintaining bank accounts	51.4	36.8*	39.5
Transfers	32.1	28.0*	14.5
Cash operations	20.7	18.5*	12.0
Debt purchased[3]	11.7	10.4	13.2
Guarantees, letters of credit, collection, commitments	13.4	10.9*	23.0
Other commissions	27.7	38.9*	(28.9)
Fee and commission expenses	(185.5)	(200.8)	(7.6)
Brokerage commissions	(5.4)	(5.7)	(6.0)
Costs of card and ATM transactions, including costs of cards issued	(56.2)	(55.7)*	0.9
Insurance of bank products	(16.3)	(9.6)*	69.0
Commissions for access to ATMs[4]	(23.3)	(21.3)	9.6
Commissions paid under contracts for performing specific operations[5]	(16.0)	(27.2)	(41.2)
Costs of compensation, Customer rewards[6]	(16.3)	(24.8)	(34.0)
Commissions paid to agents	(13.7)	(22.5)	(38.8)
Assistance services for customers[7]	(6.8)	(11.1)	(38.7)
Costs of attracting customers[8]	(5.3)	(0.6)	858.3
Other commissions	(26.0)	(22.3)*	16.8
Net fee and commission income	**348.1**	**275.2**	**26.5**

[1] *Figures for the financial year ended December 31, 2014 were extracted from the Alior Group Consolidated Financial Statements for 2015. See "Presentation of Financial and Other Information – Changed Presentation of Financial Data".*
[2] *Figures for the financial year ended December 31, 2013, unless marked with an asterisk "*", were extracted from the Alior Group Consolidated Financial Statements for 2013. See "Presentation of Financial and Other Information – Changed Presentation of Financial Data". Data marked with an asterisk "*"have been derived from the Alior Group Consolidated Financial Statements for 2014.*
[3] *In the Alior Group Consolidated Financial Statements for 2013: "Acquired receivables (factoring)".*
[4] *In the Alior Group Consolidated Financial Statements for 2013: "Commissions for ATM sharing".*
[5] *In the Alior Group Consolidated Financial Statements for 2013: "Fees paid under service agreements".*
[6] *In the Alior Group Consolidated Financial Statements for 2013: "Compensation and awards to customers".*
[7] *In the Alior Group Consolidated Financial Statements for 2013: "Assistance services".*
[8] *In the Alior Group Consolidated Financial Statements for 2013: "Costs of customers acquisition".*
Source: the Alior Group Annual Consolidated Financial Statements, except for percentage changes.

Net fee and commission income represented 18.6% and 17.9% of total revenue of the Alior Group for the financial year ended December 31, 2014 and 2013, respectively. The Alior Group's net fee and commission income increased by 26.5%, or PLN 73.0 million, to PLN 348.1 million for the year ended December 31, 2014 from PLN 275.2 million for the year ended December 31, 2013. In the year ended December 31, 2014 it comprised PLN 533.6 million of fee and commission income (a year-on-year increase of 12.1%) and PLN 185.5 million of fee and commission expenses (a year-on-year decrease of 7.6%).

Fee and commission income

In the years ended December 31, 2014 and 2013 the main components of fee and commission income were revenue from bancassurance activity, commissions on payment and credit cards service, brokerage commissions as well as commissions on loans and advances and maintaining bank accounts, which amounted to PLN 428.1 million and PLN 369.3 million, respectively, and represented 80.2% and 77.6% of fee and commission income, respectively.

Fee and commission income increased by 12.1%, or PLN 57.7 million, to PLN 533.6 million for the year ended December 31, 2014 from PLN 475.9 million for the year ended December 31, 2013. The increase was mainly attributable to the growth in revenue from bancassurance activity as well as commissions on maintaining bank accounts and loans and advances, partially offset by a decrease of other commissions.

Revenue from bancassurance activity increased by 16.8%, or PLN 22.6 million, to PLN 157.6 million for the year ended December 31, 2014 from PLN 134.9 million for the year ended December 31, 2013. The increase was primarily due to increased sales of insurance bundled with cash loans.

Commissions on loans and advances increased by 37.1%, or PLN 16.0 million, to PLN 59.2 million for the year ended December 31, 2014 from PLN 43.2 million for the year ended December 31, 2013. The increase was attributable to production of new loans.

Commissions on maintaining bank accounts increased by 39.5%, or PLN 14.6 million, to PLN 51.4 million for the year ended December 31, 2014 from PLN 36.8 million for the year ended December 31, 2013. The increase was attributable to repricing initiatives and an increasing number of clients.

Other commissions decreased by 28.9%, or PLN 11.2 million, to PLN 27.7 million for the year ended December 31, 2014 from PLN 38.9 million for the year ended December 31, 2013. The decrease resulted from a change to the tariff and was compensated by an increase in commissions on maintaining bank accounts.

Fee and commission expenses

In the years ended December 31, 2014 and 2013 the main components of fee and commission expenses were the costs of card and ATM transactions, including costs of cards issued and commissions for access to ATMs, which amounted to PLN 79.5 million and PLN 77.0 million, respectively, and represented 42.9% and 38.3% of fee and commission expenses, respectively.

Fee and commission expenses decreased by 7.6%, or PLN 15.3 million, to PLN 185.5 million for the year ended December 31, 2014 from PLN 200.8 million for the year ended December 31, 2013. The decrease was mainly attributable to the decrease in commissions paid under contracts for performing specific operations, costs of compensation, customer rewards and commissions paid to agents.

Commissions paid under contracts for performing specific operations decreased by 41.2%, or PLN 11.2 million, to PLN 16.0 million for the year ended December 31, 2014 from PLN 27.2 million for the year ended December 31, 2013. The decrease was attributable to a decrease in the volume of cash services.

Costs of compensation and customer rewards decreased by 34.0%, or PLN 8.4 million, to PLN 16.3 million for the year ended December 31, 2014 from PLN 24.8 million for the year ended December 31, 2013. The decrease was attributable to a decrease in cash back expenses.

Commissions paid to agents decreased by 38.8%, or PLN 8.7 million, to PLN 13.7 million for the year ended December 31, 2014 from PLN 22.5 million for the year ended December 31, 2013. The decrease was attributable to a change in the structure of remuneration paid to agents to remuneration related to loan products and recognized in the profit and loss statement via the effective interest rate method, within net interest income.

Trading result and net result on other financial instruments

The following table sets forth the components of the Alior Group's trading result for the years ended December 31, 2014 and 2013.

	For the financial year ended December 31,		Change
	2014[1]	2013[2]	2014/2013[3]
	(audited)		*(unaudited)*
	(PLN million)		*(%)*
Foreign currency transactions[4]	195.0	156.1	24.9
Interest rate transactions	57.7	67.3*	(14.2)
Ineffective portion of hedge accounting	0.2	(0.3)*	not applicable
Other instruments[5]	2.0	3.7	(45.7)
Trading result	**254.9**	**226.9**	**12.4**

[1] *Figures for the financial year ended December 31, 2014 were extracted from the Alior Group Consolidated Financial Statements for 2015. See "Presentation of Financial and Other Information – Changed Presentation of Financial Data".*
[2] *Figures for the financial year ended December 31, 2013, unless marked with an asterisk "*", were extracted from the Alior Group Consolidated Financial Statements for 2013 See "Presentation of Financial and Other Information – Changed Presentation of Financial Data". Data marked with an asterisk "*"have been derived from the Alior Group Consolidated Financial Statements for 2014. Additionally, the Bank changed the presentation of the following income statement figures in the Alior Group Consolidated Financial Statements for 2015: "FX transactions", "Interest rate transactions" and "Trading result". If that change in presentation was applied to figures for the financial year 2013, they would amount to, respectively, PLN 144.3 million, PLN 55.5 million and PLN 203.2 million.*
[3] *Comparability of data for 2014 and 2013 is limited due to changes of presentation of certain lines of the income statement of 2014. See: "Presentation of Financial and Other Information – Changed Presentation of Financial Data".*
[4] *In the Alior Group Consolidated Financial Statements for 2013: "Foreign exchange transactions result".*
[5] *In the Alior Group Consolidated Financial Statements for 2013: "Other financial instruments result".*
Source: the Alior Group Annual Consolidated Financial Statements, except for percentage changes.

The trading result for the year ended December 31, 2014 amounted to PLN 254.9 million, as compared to PLN 226.9 million for the year ended December 31, 2013. The 2014 figures have been reclassified, as described in "Presentation of Financial and Other Information – *Changed Presentation of Financial Data*", which limits the comparability with data for 2013. When adjusted for this reclassification, the trading result for 2014 was PLN 268.7 million, an increase of 18.4%, or PLN 41.9 million, in comparison to the year ended December 31, 2013. The increase was achieved mainly due to margins on currency transactions and interest rate derivatives with Alior Bank's clients, and due to changes in presentation of financial information (see "Presentation of Financial and Other Information – *Changed Presentation of Financial Data*").

The following table sets forth the components of the Alior Group's net result on other financial instruments for the years ended December 31, 2014 and 2013.

Net result on other financial instruments

	For the financial year ended December 31,		Change
	2014[1]	2013[2]	2014/2013
	(audited)		*(unaudited)*
	(PLN million)		*(%)*
Available-for-sale financial assets[3]	9.9	12.3	(18.9)
Own issues:[4]	(2.0)	(0.3)	580.5
Repurchase income[5]	0.4	0.0	863.6
Repurchase losses[6]	(2.5)	(0.3)	617.0
Investment certificates	-	(0.1)	not applicable
Participation units	0.0	0.0*	not applicable
Net result on other financial instruments[7]	**7.9**	**11.8**	**(32.9)**

[1] *Figures for the financial year ended December 31, 2014 were extracted from the Alior Group Consolidated Financial Statements for 2015. See "Presentation of Financial and Other Information – Changed Presentation of Financial Data".*
[2] *Figures for the financial year ended December 31, 2013, unless marked with an asterisk "*", were extracted from the Alior Group Consolidated Financial Statements for 2013 See "Presentation of Financial and Other Information – Changed Presentation of Financial Data". Data marked with an asterisk "*"have been derived from the Alior Group Consolidated Financial Statements for 2014.*

(3) *In the Alior Group Consolidated Financial Statements for 2013: "Financial assets available for sale".*
(4) *In the Alior Group Consolidated Financial Statements for 2013: "own issue".*
(5) *In the Alior Group Consolidated Financial Statements for 2013: "income from re-purchase".*
(6) *In the Alior Group Consolidated Financial Statements for 2013: "losses on repurchase".*
(7) *In Alior Group Consolidated Financial Statements for 2013: "Net gain realized on other financial instruments".*
Source: the Alior Group Annual Consolidated Financial Statements, except for percentage changes.

Net result on other financial instruments decreased by 32.9%, or PLN 3.9 million, to PLN 7.9 million for the year ended December 31, 2014 from PLN 11.8 million for the year ended December 31, 2013, mainly due to a decrease in result on available-for-sale financial assets and an increase of repurchase losses on own issues.

Net other operating income

The following table sets forth the components of the Alior Group's net other operating income for the years ended December 31, 2014 and 2013.

	For the financial year ended December 31,		Change
	2014(1)	**2013(2)**	**2014/2013**
	(audited)		*(unaudited)*
	(PLN million)		*(%)*
Other operating income on:	**52.4**	**49.9**	**4.9**
Management of third party assets	15.1	10.0	51.4
Received compensation, fines and penalties	0.1	0.7	(80.1)
Income from contracts with business partners	4.7	5.6	(15.5)
Sale of debt(3)	0.1	2.7	(97.8)
Reimbursement of costs of enforcement of claims(4)	17.0	11.5	48.1
Accrued income from tax reimbursement(5)	3.6	12.9	(72.1)
Reimbursement of fees by customers	7.5	4.9*	51.9
Received compensation	0.8	-*	not applicable
Other	3.5	1.7*	107.1
Other operating expenses on:	**(19.9)**	**(22.3)**	**(10.6)**
Management of third party assets	(2.7)	(1.9)	38.8
Paid compensation, fines and penalties(6)	(2.6)	(0.5)	371.0
Customer rewards(7)	(0.7)	(1.5)	(53.0)
Paid compensation, settlements, complaints(8)	(2.1)	(3.2)	(34.6)
Fees and costs of claim enforcement(9)	(5.5)	(5.9)	(7.9)
Lump sum reimbursement of costs incurred by the insurer in connection with Alior Bank's insurance actions(10)	-	(1.9)	not applicable
Acquisition of receivables	-	(3.7)	not applicable
Other	(6.4)	(3.5)	81.3
Net other operating income(11)	**32.4**	**27.6**	**17.5**

Figures for the financial year ended December 31, 2014 were extracted from the Alior Group Consolidated Financial Statements for 2015. See "Presentation of Financial and Other Information – Changed Presentation of Financial Data"(2) *Figures for the financial year ended December 31, 2013, unless marked with an asterisk "*", were extracted from the Alior Group Consolidated Financial Statements for 2013 See "Presentation of Financial and Other Information – Changed Presentation of Financial Data". Data marked with an asterisk "*"have been derived from the Alior Group Consolidated Financial Statements for 2014.*
(3) *In the Alior Group Consolidated Financial Statements for 2013: "Acquisition of receivables".*
(4) *In the Alior Group Consolidated Financial Statements for 2013: "Reimbursement of litigation costs".*
(5) *In the Alior Group Consolidated Financial Statements for 2013: "Accrued income from reimbursement of tax from the tax office".*
(6) *In the Alior Group Consoldiated Financial Statements for 2013: "Paid compensations, fines and penalties".*
(7) *In the Alior Group Consolidated Financial Statements for 2013: "Awards given to customers".*
(8) *In the Alior Group Consolidated Financial Statements for 2013: "Operating risk".*
(9) *In the Alior Group Consolidated Financial Statements for 2013: "Litigation costs".*
(10) *In the Alior Group Consolidated Financial Statements for 2013: "Lump sum reimbursement of costs incurred by the insurer in connection with the Bank exercising insurance actions".*
(11) *In the Alior Group Consolidated Financial Statements for 2013: "Net other operating income and expense".*
Source: the Alior Group Annual Consolidated Financial Statements, except for percentage changes.

Net other operating income increased by 17.5%, or PLN 4.8 million, to PLN 32.4 million for the year ended December 31, 2014 from PLN 27.6 million for the year ended December 31, 2013. This increase resulted primarily from: (i) growth in other operating income by 4.9%, or PLN 2.5 million, mainly due to an increase of 48.1%, or PLN 5.5 million, in reimbursement of costs of enforcement of claims and an increase of 51.4%, or PLN 5.1 million, in management of third party assets (principally due to operations of Alior Bank Brokerage House) which was partially offset by a decrease of 72.1%, or PLN 9.3 million, in accrued income from tax reimbursement; and (ii) a decrease in other operating expenses by 10.6%, or PLN 2.4 million, mainly due to a decrease of 100.0%, or PLN 3.7 million in the cost of acquisition of receivables (principally due to a withdrawal from an acquisition of receivables).

General administrative expenses

The following table sets forth general administrative expenses of the Alior Group for the years ended December 31, 2014 and 2013.

	For the financial year ended December 31,		Change
	2014[1]	**2013[2]**	**2014/2013**
	(audited)		*(unaudited)*
	(PLN million)		*(%)*
Employee expenses[3]	**(520.1)**	**(460.3)**	**13.0**
Wages and salaries[4]	(429.2)	(375.7)	14.2
Remuneration-related charges[5]	(75.7)	(65.3)	15.8
Share-based payments	(7.4)	(13.4)	(45.1)
Other	(7.8)	(5.9)	32.3
General and administrative expenses[6]	**(324.9)**	**(303.3)**	**7.1**
IT costs	(33.7)	(33.6)	0.3
Costs of rental and maintenance of buildings[7]	(142.3)	(139.5)	2.0
Marketing costs	(38.5)	(41.4)	(7.1)
Training costs	(12.3)	(12.5)	(2.2)
Costs of advisory services	(18.3)	(13.4)	36.5
Bank Guarantee Fund costs[8]	(28.2)	(14.3)	97.2
Costs of lease of fixed assets and intangible assets[9]	(4.9)	(7.4)	(34.4)
Costs of telecommunication services[10]	(15.0)	(14.2)	5.4
Costs of external services[11]	(16.4)	(12.9)	27.4
Other	(15.5)	(14.1)	10.2
Depreciation and amortization[12]	**(75.5)**	**(75.2)**	**0.4**
Property, plant and equipment	(46.5)	(48.6)	(4.5)
Intangible assets	(29.0)	(26.5)	9.3
Taxes and fees	**(4.8)**	**(8.6)**	**(43.5)**
Total general administrative expenses	**(925.3)**	**(847.4)**	**9.2**

[1] *Figures for the financial year ended December 31, 2014 were extracted from the Alior Group Consolidated Financial Statements for 2015. See "Presentation of Financial and Other Information – Changed Presentation of Financial Data".*
[2] *Figures for the financial year ended December 31, 2013 were extracted from the Alior Group Consolidated Financial Statements for 2013. See "Presentation of Financial and Other Information – Changed Presentation of Financial Data".*
[3] *In the Alior Group Consolidated Financial Statements for 2013: "Payroll costs".*
[4] *In the Alior Group Consolidated Financial Statements for 2013: "remuneration due to employment contracts".*
[5] *In the Alior Group Consolidated Financial Statements for 2013: "remuneration surcharges".*
[6] *In the Alior Group Consolidated Financial Statements for 2013: "General and administrative costs".*
[7] *In the Alior Group Consolidated Financial Statements for 2013: "lease and building maintenance expenses".*
[8] *In the Alior Group Consolidated Financial Statements for 2013: "costs of Banking Guarantee Fund".*
[9] *In the Alior Group Consolidated Financial Statements for 2013: "lease of property, plant and equipment and intangible assets".*
[10] *In the Alior Group Consolidated Financial Statements for 2013: "Costs of telecommunications services."*
[11] *In the Alior Group Consolidated Financial Statements for 2013: "external services".*
[12] *In the Alior Group Consolidated Financial Statements for 2013: "Amortization and depreciation".*
Source: the Alior Group Annual Consolidated Financial Statements, except for percentage changes.

Total general administrative expenses increased by 9.2%, or PLN 77.9 million, to PLN 925.3 million for the year ended December 31, 2014 from PLN 847.4 million for the year ended December 31, 2013.

Employee expenses amounted to PLN 520.1 million in the year ended December 31, 2014 and were 13.0% or PLN 59.7 million higher than the employee expenses incurred in the year ended December 31, 2013. The level of employee expenses was mainly affected by the increase in the number of full-time employees from 6,173.4 in 2013 to 6,652.5 in 2014.

Non-employee general and administrative expenses amounted to PLN 324.9 million in the year ended December 31, 2014 and were 7.1% or PLN 21.6 million higher than such non-employee expenses incurred in the year ended December 31, 2013. This increase resulted primarily from the increased Bank Guarantee Fund costs of PLN 13.9 million (a year-on-year increase of 97.2%), the increase in costs of advisory services of PLN 4.9 million (a year-on-year increase of 36.5%) and costs of external services of PLN 3.5 million (a year-on-year increase of 27.4%). This increase was partially offset by a decrease of 7.1%, or PLN 2.9 million, in marketing costs.

Net impairment allowance and write-downs

The following table sets forth the Alior Group's net impairment allowance and write-downs for the year ended December 31, 2014 and 2013.

	For the financial year ended December 31,		Change
	2014[1]	**2013[2]**	**2014/2013**
	(audited)		*(unaudited)*
	(PLN million)		*(%)*
Impairment allowance on loans and advances to customers[3]	(468.7)	(388.5)	20.6
Financial sector	(1.1)	(1.1)	1.3
Non-financial sector	(467.6)	(387.5)	20.7
Retail customers	(289.8)	(201.7)	43.7
Business customers	(177.8)	(185.8)	(4.3)
Debt securities – available-for-sale assets[4]	(2.2)	(0.2)	1,101.1
IBNR for loans and advances to customers without impairment allowances	(31.6)	5.5*	(674.6)
Financial sector	0.2	0.8*	(79.5)
Non-financial sector	(31.7)	4.7*	(776.6)
Retail customers	(29.3)	(1.0)*	2,808.7
Business customers	(2.4)	5.7*	(142.8)
Provision for off-balance sheet liabilities	(1.0)	2.3*	(141.2)
Property, plant and equipment and intangible assets	(4.9)	(0.1)	4,747.5
Loss on valuation of assets held for sale[5]	(38.3)	(24.0)	59.6
Net impairment allowance and write-downs[6]	**(546.6)**	**(405.0)**	**35.0**

[1] *Figures for the financial year ended December 31, 2014 were extracted from the Alior Group Consolidated Financial Statements for 2015. See "Presentation of Financial and Other Information – Changed Presentation of Financial Data".*
[2] *Figures for the financial year ended December 31, 2013, unless marked with an asterisk "*", were extracted from the Alior Group Consolidated Financial Statements for 2013 See "Presentation of Financial and Other Information – Changed Presentation of Financial Data". Data marked with an asterisk "*"have been derived from the Alior Group Consolidated Financial Statements for 2014.*
[3] *In the Alior Group Consolidated Financial Statements for 2013: "Impairment losses on impaired loans and advances to customers".*
[4] *In the Alior Group Consolidated Financial Statements for 2013: "debt securities".*
[5] *In the Alior Group Consolidated Financial Statements for 2013: "Impairment losses on non-current assets held for sale".*
[6] *In the Alior Group Consolidated Financial Statements for 2013:"net impairment losses".*
Source: the Alior Group Annual Consolidated Financial Statements, except for percentage changes.

Net impairment allowance and write-downs increased by 35.0%, or PLN 141.6 million, to PLN 546.6 million for the year ended December 31, 2014 from PLN 405.0 million for the year ended December 31, 2013. This increase resulted primarily from an increase in write-downs in respect of amounts due from non-financial customers (from PLN 387.5 million for the year ended December 31, 2013 to PLN 467.6 million for the year ended December 31, 2014), due to impairment losses on consumer loans. This increase resulted primarily from a one-off impact of implementation of a new statistical model in 2013 that has taken into account Alior Bank's historical data concerning recoveries, whereas the

previous model was partially expert-based. Implementation of the updated model reduced the level of impairment allowances by PLN 56.3 million in 2013. This item was also significantly affected by a decrease in the amount of write-downs for IBNR for loans and advances to customers without impairment allowances from a positive result of PLN 5.5 million in 2013 to a negative amount of PLN 31.6 million in 2014. The impairment allowances related to Alior Bank's exposure in Polbita (presented as non-current assets held for sale) and amounted to PLN 24 million in 2013 and PLN 38.3 million in 2014.

Income tax expense

The following table sets forth the Alior Group's income tax for the years ended December 31, 2014 and 2013.

	For the financial year ended December 31,		Change
	2014[1]	2013[2]	2014/2013
	(audited)		*(unaudited)*
	(PLN million)		*(%)*
Current tax:	92.2	53.8	71.5
current year	92.5	53.8	72.0
adjustment of tax settlement relating to previous year	(0.2)	-	not applicable
Deferred tax:	(13.2)	6.0	not applicable
temporary differences - origination and reversal[3]	(13.2)	6.0	not applicable
Total tax for accounting purposes recognized in the income statement[4]	**79.1**	**59.8**	**32.3**

[1] *Figures for the financial year ended December 31, 2014 were extracted from the Alior Group Consolidated Financial Statements for 2015. See "Presentation of Financial and Other Information – Changed Presentation of Financial Data".*
[2] *Figures for the financial year ended December 31, 2013, unless marked with an asterisk "*", were extracted from the Alior Group Consolidated Financial Statements for 2013 See "Presentation of Financial and Other Information – Changed Presentation of Financial Data".*
[3] *In the Alior Group Consolidated Financial Statements for 2013: "Origination and reversal of temporary differences".*
[4] *In the Alior Group Consolidated Financial Statements for 2013: "Accounting tax recognised in the income statement".*
Source: the Alior Group Annual Consolidated Financial Statements, except for percentage changes.

Tax for accounting purposes recognized in the income statement increased by 32.3%, or PLN 19.3 million, to PLN 79.1 million in the year ended December 31, 2014 from PLN 59.8 million in the year ended December 31, 2013. The total income tax expense in the year ended December 31, 2014 consisted of current income tax expense of PLN 92.2 million and a deferred income tax income of PLN 13.2 million. In the year ended December 31, 2013 the current income tax expense amounted to PLN 53.8 million and the deferred income tax expense to PLN 6.0 million. The increased total income tax expense in the year ended December 31, 2014 mainly relates to higher profit before tax, and because 2013 was the last year when Alior Bank could settle tax losses from preceding years.

Net profit

For the reasons discussed above, net profit increased by 41.3%, or PLN 94.1 million, to PLN 322.0 million for the year ended December 31, 2014 from PLN 227.9 million for the year ended December 31, 2013.

Results of Operations and Financial Condition by business segments

Alior Bank's activity is pursued on the basis of different business lines which offer specific products and services targeted at specific market segments. Alior Bank currently conducts its operations through the following business segments:

- *Retail customer segment*, which targets the mass market, affluent and upper affluent customers, who are offered the full range of Alior Bank's banking products and services as well as brokerage products and services offered by Alior Bank Brokerage House, in particular credit products, deposit products, brokerage products and investment funds, personal accounts, bancassurance products, transaction services and foreign exchange products;
- *Business customer segment*, which targets micro and SME customers and large corporate customers (excluding multinational enterprises), who are offered the full range of Alior Bank's banking products and services, in particular credit products, deposit products, current and auxiliary accounts, transaction services and treasury products. Moreover, as part of the business segment the Alior Group offers leasing products via Alior Bank's subsidiary Alior Leasing; and
- *Treasury activity segment* includes operations on the interbank market and exposures to debt securities. This segment reflects the results of managing the global position (liquidity position, interest rate position and currency position resulting from the banking operations of the branches).

The operations which are not included in the retail segment, the business segment or treasury activity are reported as "Reconciliation". "Reconciliation" covers, in particular, reconciliation between managerial accounts used for reporting in the retail, business and treasury activity segments and balances on the total bank level, internal interest accrued on impairment balances, as well as costs of ATMs, card processing and outsourcing managed outside of retail/business segments or treasury activity.

Three-month period ended March 31, 2016 in comparison to the three-month period ended March 31, 2015

The following table sets forth information on the Alior Group's results of operations and financial condition by business segments for the three- month periods ended March 31, 2016 and 2015 and as at March 31, 2016 and December 31, 2015.

	For the three-month periods ended March 31, / as at March 31 or December 31,									
	Retail customers		Corporate customers		Treasury activity		Reconciliation		Group total	
	2016	2015[1]	2016	2015[1]	2016	2015[1]	2016	2015[1]	2016	2015[1]
	(unaudited)									
	(PLN million)									
External net interest income	**255.9**	**226.3**	**125.6**	**86.1**	**30.6**	**30.5**	**(0.3)**	**1.5**	**412.5**	**344.3**
external income	343.2	300.6	190.4	129.2	129.3	124.8	(0.3)	1.5	663.2	556.1
external expense	(87.2)	(74.4)	(64.8)	(43.1)	(98.7)	(94.4)	0.0	0.0	(250.7)	(211.8)
Internal net interest income	**7.8**	**(2.9)**	**(0.7)**	**5.6**	**(2.4)**	**(0.5)**	**(4.7)**	**(2.2)**	**-**	**-**
internal income	136.1	96.4	60.1	60.9	271.3	231.4	(3.6)	(1.7)	464.0	386.9
internal expense	(128.3)	(99.3)	(60.8)	(55.3)	(273.8)	(231.9)	(1.1)	(0.5)	(464.0)	(386.9)
Net interest income	**263.7**	**223.4**	**125.0**	**91.7**	**28.2**	**30.0**	**(4.4)**	**(0.8)**	**412.5**	**344.3**
Fee and commission income	47.2	49.3	62.0	57.3	0.0	0.4	28.6	28.6	138.0	135.6
Commission expense	(18.3)	(17.0)	(0.2)	(0.2)	(2.0)	(0.1)	(30.1)	(25.6)	(50.7)	(42.8)
Net fee and commission income	**28.9**	**32.3**	**61.9**	**57.2**	**(2.0)**	**0.3**	**(1.5)**	**3.0**	**87.3**	**92.8**
Trading result	**0.0**	**(0.5)**	**10.6**	**13.6**	**53.6**	**51.2**	**(5.9)**	**-**	**58.3**	**64.4**
Net result on other financial instruments	23.0	21.6	25.4	32.3	(38.4)	(49.1)	0.6	0.0	10.6	4.8
Other operating income	31.0	39.0	2.4	0.7	-	-	(18.2)	(20.4)	15.2	19.2
Other operating expenses	(2.0)	(1.9)	(0.0)	-	(0.0)	(0.4)	(2.6)	(3.4)	(4.6)	(5.8)
Net other operating income	**29.0**	**37.1**	**2.4**	**0.7**	**(0.0)**	**(0.4)**	**(20.8)**	**(23.9)**	**10.6**	**13.4**
Total result before net impairment allowance and write-downs	**344.6**	**313.9**	**225.3**	**195.4**	**41.3**	**32.1**	**(32.0)**	**(21.6)**	**579.3**	**519.7**
Net impairment allowance and write-downs	(115.5)	(97.2)	(64.6)	(45.1)	-	-	4.3	(2.4)	(175.7)	(144.7)
Total result after taking into account net impairment allowance and write-downs	**229.1**	**216.7**	**160.7**	**150.4**	**41.3**	**32.1**	**(27.6)**	**(24.0)**	**403.5**	**375.1**
General administrative expenses including banking tax	(218.9)	(194.5)	(77.6)	(62.7)	(0.8)	(0.6)	-	-	(297.3)	(257.9)
Profit / loss before tax	10.3	22.2	83.1	87.6	40.6	31.4	(27.6)	(24.0)	106.3	117.2
Income tax	-	-	-	-	-	-	(26.2)	(25.7)	(26.2)	(25.7)
Net profit / loss	10.3	22.2	83.1	87.6	40.6	31.4	(53.8)	(49.8)	80.1	91.5
Assets	25,151.2	21,080.2	16,537.9	13,582.6	23.3	18.8	313.4	204.5	42,025.7	34,886.1
Liabilities	**25,201.0**	**21,360.3**	**13,185.5**	**10,175.5**	**6.7**	**9.7**	**30.9**	**18.6**	**38,424.1**	**31,564.1**

[1] Data for the three-month period ended March 31, 2015 were extracted from the Alior Group Consolidated Financial Statements for the First Quarter of 2016. See "Presentation of Financial and Other Information – Changed Presentation of Financial Data".
Source: Alior Group Consolidated Financial Statements for the First Quarter of 2016.

In the three-month period ended March 31, 2016, the retail segment generated a profit before tax of PLN 10.3 million, the business segment generated a profit before tax of PLN 83.1 million, and treasury activity generated a profit before tax of PLN 40.6 million. The operations which are not included in the above business segments generated a gross loss in the amount of PLN 27.6 million.

As at March 31, 2016, assets allocated to the retail segment, the business segment and treasury activity, represented 59.8%, 39.4% and 0.1%, respectively, of total assets of the Alior Group. Assets of the retail segment and the business segment increased by PLN 4,071.0 million and PLN 2,955.3 million, respectively, relative to their respective balances as at December 31, 2015. The assets allocated to treasury activity as at March 31, 2016 increased by PLN 4.5 million in comparison to the balance as at December 31, 2015.

As at March 31, 2016, liabilities allocated to the retail segment represented 65.6% of total liabilities of the Alior Group and were PLN 3,840.7 million higher compared to the balance as at December 31, 2015, and liabilities allocated to the business segment represented 34.3% of total liabilities and were PLN 3,010.0 million higher compared to the balance as at December 31, 2015.

Net interest income

For the three-month period ended March 31, 2016, the retail segment generated 63.9% of total net interest income, and the business segment generated 30.3% of total net interest income, with treasury activity generating 6.8%.

The increase in net interest income of the retail segment and business segment by PLN 40.4 million (18.1%) and PLN 33.3 million (36.3%), respectively, in the three-month period ended March 31, 2016 in comparison to the first quarter of 2015 resulted mainly from an increase in the volume of loans and advances to customers in both segments. Net interest income of the business segments for the three-month period ended March 31, 2016 was affected by the same factors described above in the discussion of net interest income for the Alior Group as a whole during the period. In particular, the effect of the acquisition of Meritum Bank ICB, which focused on the retail segment, was stronger in the retail segment than in the business segment. Hence the increase of the net interest income in the retail segment was more pronounced than in the business segment.

The net interest income of treasury activity decreased by PLN 1.9 million (6.2%) in the three-month period ended March 31, 2016 in comparison to the three-month period ended March 31, 2015.

Net fee and commission income

For the three-month period ended March 31, 2016, the retail segment and business segment generated positive net fee and commission income of PLN 28.9 million and PLN 61.9 million, respectively. A negative impact on net fee and commission income in the amount of PLN 1.5 million has been disclosed in "Reconciliation" which includes items not attributable to the individual segments.

Net fee and commission income for the retail segment for the three-month period ended March 31, 2016 declined by PLN 3.4 million, or 10.5%, to PLN 28.9 million compared to PLN 32.3 million for the three-month period ended March 31, 2015.

Net fee and commission income generated by treasury activity in three-month periods ended March 31, 2016 and 2015 related mainly to fees paid to the NDS.

Trading Result and net result on other financial instruments

The combined decrease in trading result and net result on other financial instruments in the business segment by PLN 9.9 million, or 21.5%, in the three-month period ended March 31, 2016 in comparison to the three-month period ended March 31, 2015 resulted from a lower volume of transactions executed in this segment.

The combined growth in trading result and net result on other financial instruments in the retail segment by PLN 1.8 million, or 8.7% in the three-month period ended March 31, 2016 in comparison to the three-month period ended March 31, 2015 resulted from a growing volume of foreign exchange currency conversions executed by customers.

Trading result and net result on other financial instruments in treasury activity increased by PLN 13.1 million mainly due to higher gains on sale of securities and foreign exchange rate fluctuations.

Total Result before net impairment allowance and write-downs

The increases in total result before net impairment allowance and write-downs in the retail segment and the business segment in the three-month period ended March 31, 2016, by PLN 30.8 million (or 9.8%) and PLN 29.8 million (or 15.3%), respectively, in comparison to the three-month period ended March 31, 2015, resulted mainly from increased net interest income in the retail segment, and from an increase in net interest income, net commissions income and trading result in the business segment.

The increased total result before impairment allowance and write-down in treasury activity in the three-month period ended March 31, 2016, by PLN 9.3 million (or 28.9%), in comparison to the three-month period ended March 31, 2015, was caused by an increase of the trading result and the result on other financial instruments.

Net impairment allowance and write-downs

For the three-month period ended March 31, 2016, net impairment allowance and write-downs attributable to the retail segment represented 65.7% of total net impairment allowance and write-downs, and net impairment allowance and write-downs attributable to the business segment represented 36.7% of total net impairment allowance and write-downs.

For the three-month period ended March 31, 2016, net impairment allowance and write-downs attributable to the retail segment increased by PLN 18.3 million (or 18.8%) compared to the three-month period ended March 31, 2015, due to the growth of loans and advances to customers, and net impairment allowance and write-downs attributable to the business segment increased by PLN 19.5 million (or 43.3%) due to growth of loans and advances to customers and to changes in the portfolio structure in the business segment resulting from the Meritum Bank ICB acquisition, which increased the share of non-secured loans to micro businesses in the portfolio.

General Administrative Expenses

For the three-month period ended March 31, 2016, general administrative expenses in the retail segment represented 73.6% of total general administrative expenses, while general administrative expenses in the business segment represented 26.1% of total general administrative expenses.

For the three-month period ended March 31, 2016, general administrative expenses of the retail segment and business segment increased by PLN 24.4 million (or 12.5%) and PLN 14.9 million (or 23.8%), respectively, in comparison to the three-month period ended March 31, 2015, mainly as a result of the increased scale of the business.

The financial year ended December 31, 2015 compared to the financial year ended December 31, 2014

The following table sets forth information on the Alior Group's results of operations and financial condition by business segments for the years ended December 31, 2015 and 2014 and as at December 31, 2015 and 2014, respectively.

	For the financial year ended / as at December 31,									
	Retail customers		Corporate customers		Treasury activity		Reconciliation		Group total	
	2015	2014[1]	2015	2014[1]	2015	2014[1]	2015	2014[1]	2015	2014[1]
	(audited)									
	(PLN million)									
External net interest income[3]	**968.5**	**732.8**	**390.8**	**368.4**	**138.2**	**112.3**	**3.4**	**16.1**	**1,501.0**	**1,229.6**
External income	1,280.7	999.6	594.2	539.4	521.1	508.4	3.2	15.9	2,399.2	2,063.3
External expense	(312.2)	(266.8)	(203.4)	(171.0)	(382.9)	(396.1)	0.3	0.2	(898.2)	(833.7)
Internal net interest income[4]	**64.0**	**52.6**	**(1.9)**	**(1.1)**	**(22.8)**	**19.5**	**(39.3)**	**(71.0)**	**-**	**-**
internal income	457.6	461.3	216.4	269.6	958.4	1.002.4	(18.7)	(64.7)	1,613.7	1,668.7
internal expense	(393.6)	(408.8)	(218.3)	(270.7)	(981.2)	(982.9)	(20.6)	(6.3)	(1,613.7)	(1,668.7)
Net interest income	**1,032.6**	**785.4**	**388.9**	**367.3**	**115.5**	**131.8**	**(35.9)**	**(54.9)**	**1,501.0**	**1,229.6**
Fee and commission income	187.0	225.6	245.2	190.6	0.7	1.5	112.9	115.9	545.7	533.6
Fee and commission expense	(85.8)	(66.4)	(1.1)	(0.4)	(0.3)	(0.4)	(126.8)	(118.3)	(214.1)	(185.5)
Net fee and commission income	**101.2**	**159.2**	**244.1**	**190.2**	**0.3**	**1.1**	**(14.0)**	**(2.4)**	**331.7**	**348.1**
Dividend income	-	0.0	-	-	-	-	0.1	-	0.1	0.0
Trading result	(1.1)	(0.2)	52.0	30.8	224.6	224.3	(6.9)	(0.0)	268.7	254.9
Net result on other financial instruments[5]	92.0	72.2	119.9	118.6	(199.4)	(183.4)	0.4	0.5	12.9	7.9
Other operating income	177.6	136.7	6.1	4.3	0.0	0.6	(101.8)	(89.2)	81.9	52.4
Other operating expenses	(6.5)	(9.8)	(0.2)	-	(0.5)	(0.5)	(23.0)	(9.6)	(30.2)	(19.9)
Net other operating income	**171.1**	**126.9**	**5.9**	**4.3**	**(0.5)**	**0.1**	**(124.8)**	**(98.8)**	**51.7**	**32.4**
Total result before net impairment allowance and write-downs[6]	**1,395.8**	**1,143.5**	**810.7**	**711.2**	**140.5**	**173.9**	**(181.1)**	**(155.6)**	**2,166.0**	**1,873.0**
Net impairment allowance and write-downs[7]	(478.1)	(319.9)	(169.0)	(226.0)	-	-	(25.0)	(0.7)	(672.1)	(546.6)
Total result after taking into account net impairment allowance and write-downs[8]	**917.7**	**823.6**	**641.7**	**485.1**	**140.5**	**173.9**	**(206.0)**	**(156.3)**	**1,493.9**	**1,326.4**
General administrative expenses	(815.7)	(681.2)	(289.3)	(241.6)	(2.9)	(2.4)	-	-	(1,107.9)	(925.3)
Profit before tax[9]	**102.0**	**142.4**	**352.4**	**243.5**	**137.7**	**171.5**	**(206.0)**	**(156.3)**	**386.0**	**401.1**
Income tax	-	-	-	-	-	-	(77.0)	(79.1)	(77.0)	(79.1)
Net profit	102.0	142.4	352.4	243.5	137.7	171.5	(283.1)	(235.4)	309.0	322.0
Assets	**24,089.4**	**17,992.1**	**15,615.3**	**12,011.1**	**22.9**	**16.5**	**275.5**	**147.8**	**40,003.0**	**30,167.6**
Liabilities	**23,473.2**	**16,837.2**	**12,986.7**	**10,283.7**	**7.3**	**7.0**	**21.8**	**24.6**	**36,488.9**	**27,152.5**

[1] *Figures for the financial year ended December 31, 2014 were extracted from the Alior Group Consolidated Financial Statements for 2015. See "Presentation of Financial and Other Information – Changed Presentation of Financial Data".*
Source: the Alior Group Annual Consolidated Financial Statements, except for percentage changes.

In 2015 the retail segment generated a PLN 102.0 million profit before tax, the business segment generated a PLN 352.4 million profit before tax and treasury activity generated a PLN 137.7 million profit before tax. The operations which are not included in the above business segments generated a gross loss in the amount of PLN 206.0 million.

As at December 31, 2015, assets allocated to the retail segment, the business segment and treasury activity, represented, 60.2%, 39.0%, and 0.1%, respectively, of the total assets of the Alior Group and increased by PLN 6,097.3 million and PLN 3,604.2 million in respect of the retail segment and the business segment, respectively, as compared with December 31, 2014. Assets allocated to treasury activity increased by PLN 6.3 million compared with December 31, 2014.

As at December 31, 2015, liabilities allocated to the retail segment represented 64.3% of the total liabilities of the Alior Group and increased by PLN 6,636.0 million compared with December 31, 2014, whereas liabilities allocated to the business segment represented 35.6% of total liabilities, and increased by PLN 2,703.0 million compared with December 31, 2014. Liabilities allocated to treasury activity comprised 0.02% of the total liabilities of Alior Bank and increased by PLN 0.3 million compared with December 31, 2014.

Net interest income

In 2015 the retail segment accounted for 68.8% of the net interest income of the Alior Group, whereas the business segment accounted for 25.9% and treasury activity for 7.7%.

In 2015 the increase in net interest income in the retail segment and in the business segment of PLN 247.2 million or 31.5%, and PLN 21.6 million or 5.9%, respectively, compared with 2014 was mainly attributable to the increase in the credit portfolio of both segments. The net interest income was affected by the factors described above in the section regarding the net interest income for the whole Alior Group. In particular, the effect of the acquisition of Meritum Bank ICB, which focused on the retail segment, was stronger in the retail segment than in the business segment. Hence the increase of the net interest income in the retail segment was more pronounced than in the business segment.

The decrease in the net interest income on treasury activity of PLN 16.3 million or 12.4% in 2015 compared to 2014 was mainly due to the decrease in market interest rates in the course of 2014 and in the first quarter of 2015.

Net fee and commission income

In 2015 the retail segment, the business segment and treasury activity generated a positive net fee and commission income of PLN 101.2 million, PLN 244.1 million and PLN 0.3 million, respectively. Net commission expense in the amount of PLN 14.0 million was recorded in the item “Reconciliation”, which included items not attributable to the retail and business segments.

The decrease in net fee and commission income in 2015 in the retail segment amounted to PLN 58.0 million or 36.4%, compared with 2014. The decrease in the retail segment was primarily driven by a decrease in interchange fee rates and decrease in bancassurance fees.

The net fee and commission income generated by treasury activity in 2015 and 2014 was mainly due to NDS fees.

Trading result and net result on other financial instruments

The combined growth in trading result and net result on other financial instruments in the business segment in 2015 of PLN 22.4 million or 15.0%, compared with 2014 was in particular related to an increased volume of transactions hedging interest rates for corporate customers.

The combined growth in trading result and net result on other financial instruments in the retail segment in 2015 of PLN 18.9 million or 26.3%, compared with 2014 resulted from a growing volume of foreign exchange conversions executed by customers in this segment.

Trading result and net result on other financial instruments in treasury activity decreased by PLN 15.7 million or 38.3%, mainly due to the fact that in 2014 Alior Bank realized gains from hedging of its interest rate position.

Total result before net impairment allowance and write-downs

The increase in the total result before net impairment allowance and write-downs in the retail segment and in the business segment of PLN 252.3 million or 22.1%, and of PLN 99.5 million or 14.0%, respectively, in 2015 compared with 2014 was in the case of the retail segment mainly attributable to the increase in net interest income and in the case of the business segment mainly attributable to the mix of growth in net interest income, net fee income and trading result.

The decrease in the total result before net impairment allowance and write-downs on treasury activity of PLN 33.4 million or 19.2%, compared with 2014, was a result of the decrease in net interest income and in the net result on other financial instruments.

Net impairment allowance and write-downs

In 2015 net impairment allowance and write-downs assigned to the retail segment represented 71.1% of the total net impairment allowance and write-downs of the Alior Group, while the net impairment allowance and write-downs assigned to the business segment represented 25.1% thereof. In 2015 the net impairment allowance and write-downs assigned to the retail segment increased by PLN 158.3 million or 49.5%, and net impairment allowance and write-downs assigned to the business segment decreased by PLN 57.0 million or 25.2%. The decrease in the business segment was mainly attributable to a non-recurring item of PLN 38.3 million related to Polbita charged to the 2014 results.

General administrative expenses

In 2015 general administrative expenses in the retail segment represented 73.6% of the Alior Group's total general administrative expenses, while the general administrative expenses in the business segment represented 26.1%.

In 2015 general administrative expenses in the retail segment and the business segment increased by PLN 134.5 million or 19.7%, and PLN 47.7 million or 19.7%, respectively, compared with 2014, mainly as a result of the development of the size of the business and as a result of one-off costs incurred in the fourth quarter of 2015 due to extra charges of the BGF and the Borrowers' Support Fund amounting to PLN 57.0 million and PLN 9.1 million respectively.

The financial year ended December 31, 2014 compared to the financial year ended December 31, 2013

The following table sets forth information on the Alior Group's results of operations and financial condition by business segments for the years ended December 31, 2014 and 2013 and as at December 31, 2014 and 2013, respectively.

	For the financial year ended / as at December 31,									
	Retail customers		Corporate customers		Treasury activity		Other		Group total	
	2014[1]	2013[2]	2014[1]	2013[2]	2014[1]	2013[2]	2014[1]	2013[2]	2014[1]	2013[2]
	(audited)									
	(PLN million)									
External net interest income[3]	**732.8**	**515.4**	**368.4**	**359.8**	**112.3**	**123.4**	**16.1**	**-**	**1,229.6**	**998.6**
External income	999.6	856.9	539.4	501.0	508.4	160.3	15.9	-	2,063.3	1,518.2
External expense	(266.8)	(341.4)	(171.0)	(141.2)	(396.1)	(37.0)	0.2	-	(833.7)	(519.6)
Internal net interest income[4]	**52.6**	**85.8**	**(1.1)**	**(62.9)**	**19.5**	**(57.6)**	**(71.0)**	**34.7**	**-**	**-**
internal income	461.3	432.8	269.6	213.6	1,002.4	961.7	(64.7)	36.0	1,668.7	1,644.0
internal expense	(408.8)	(346.9)	(270.7)	(276.4)	(982.9)	(1,019.3)	(6.3)	(1.3)	(1,668.7)	(1,644.0)
Net interest income	**785.4**	**601.3**	**367.3**	**296.9**	**131.8**	**65.7**	**(54.9)**	**34.7**	**1,229.6**	**998.6**
Fee and commission income	225.6	293.8	190.6	172.8	1.5	-	115.9	9.4	533.6	475.9
Fee and commission expense	(66.4)	(42.8)	(0.4)	(1.7)	(0.4)	(0.3)	(118.3)	(156.0)	(185.5)	(200.8)
Net fee and commission income	**159.2**	**251.0**	**190.2**	**171.1**	**1.1**	**(0.3)**	**(2.4)**	**(146.6)**	**348.1**	**275.2**
Dividend income	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
Trading result	**(0.2)**	**0.6**	**30.8**	**29.4**	**224.3**	**196.8**	**-**	**-**	**254.9**	**226.9**
Net result on other financial instruments[5]	**72.2**	**56.5**	**118.6**	**112.9**	**(183.4)**	**(157.6)**	**0.5**	**0.1**	**7.9**	**11.8**
Other operating income	136.7	40.4	4.3	7.0	0.6	(0.4)	(89.2)	3.0	52. 4	49.9
Other operating expenses	(9.8)	(7.1)	-	(0.2)	(0.5)	(1.1)	(9.6)	(14.0)	(19.9)	(22.3)
Net other operating income	**126.9**	**33.3**	**4.3**	**6.8**	**0.1**	**(1.5)**	**(98.8)**	**(11.0)**	**32.4**	**27.6**
Total result before net impairment allowance and write-downs[6]	**1,143.5**	**942.6**	**711.2**	**617.1**	**173.9**	**103.0**	**(155.6)**	**(122.7)**	**1,873.0**	**1,540.0**
Net impairment allowance and write-downs[7]	**(319.9)**	**(200.3)**	**(226.0)**	**(201.6)**	**-**	**-**	**(0.7)**	**(3.1)**	**(546.6)**	**(405.0)**
Total result after taking into account net impairment allowance and write-downs[8]	**823.6**	**742.3**	**485.1**	**415.5**	**173.9**	**103.0**	**(156.3)**	**(125.8)**	**1,326.4**	**1,135.0**
General administrative expenses	(681.2)	(626.2)	(241.6)	(219.0)	(2.4)	(2.2)	-	-	(925.3)	(847.4)
Profit before tax[9]	**142.4**	**116.1**	**243.5**	**196.5**	**171.5**	**100.9**	**(156.3)**	**(125.8)**	**401.1**	**287.7**
Income tax	-	-	-	-	-	-	(79.1)	(59.8)	(79.1)	(59.8)
Net profit[10]	**142.4**	**116.1**	**243.5**	**196.5**	**171.5**	**100.9**	**(235.4)**	**(185.6)**	**322.0**	**227.9**
Assets	**17,992.1**	**10,581.4***	**12,011.1**	**9,072.5**	**16.5**	**5,896.0***	**147.8**	**-**	**30,167.6**	**25,549.9**
Liabilities	**16,837.2**	**14,223.5***	**10,283.7**	**6,608.9***	**7.0**	**2,532.7***	**24.6**	**-***	**27,152.5**	**23,365.1***

[1] *Figures for the financial year ended December 31, 2014 were extracted from the Alior Group Consolidated Financial Statements for 2015. See "Presentation of Financial and Other Information – Changed Presentation of Financial Data".*

[2] *Figures for the financial year ended December 31, 2013, unless marked with an asterisk "*", were extracted from the Alior Group Consolidated Financial Statements for 2013 See "Presentation of Financial and Other Information – Changed Presentation of Financial Data". Data marked with an asterisk "*"have been derived from the Alior Group Consolidated Financial Statements for 2014.*

(3) In the Alior Group Consolidated Financial Statements for 2013: "External interest income".
(4) In the Alior Group Consolidated Financial Statements for 2013: "Internal interest income".
(5) In the Alior Group Consolidated Financial Statements for 2013: "Net gain (realized) on other financial instruments".
(6) In the Alior Group Consolidated Financial Statements for 2013: "Total result before impairment losses".
(7) In the Alior Group Consolidated Financial Statements for 2013: "Impairment losses".
(8) In the Alior Group Consolidated Financial Statements for 2013: "Total result after impairment losses".
(9) In the Alior Group Consolidated Financial Statements for 2013: "Gross profit (loss)".
(10) In the Alior Group Consolidated Financial Statements for 2013: "Net profit (loss)"
Source: the Alior Group Annual Consolidated Financial Statements.

In 2014 the retail segment generated a PLN 142.4 million profit before tax, the business segment generated a PLN 243.5 million profit before tax and treasury activity generated a PLN 171.5 million profit before tax. The operations which are not included in the above business segments generated a gross loss in the amount of PLN 156.3 million.

As at December 31, 2014, assets allocated to the retail segment, the business segment and treasury activity, represented, respectively, 59.6%, 39.8%, and 0.1% of the total assets of the Alior Group. As at December 31, 2014, liabilities allocated to the retail segment represented 62.0% of the total liabilities of the Alior Group. In 2015 the Alior Group changed the presentation of assets and liabilities for the particular segments so that they reflected the layout presented to the Alior Group management and supervising officials. Data for 2014 were reclassified to make them comparable, which resulted in limited comparability of assets and liabilities allocated to the individual segments as at December 31, 2014 and December 31, 2013.

Net interest income

In 2014 the retail segment accounted for 63.9% of the net interest income of the Alior Group, whereas the business segment accounted for 29.9% and treasury activity for 10.7%.

In 2014 the increase in net interest income in the retail segment and in the business segment of PLN 184.1 million or 30.6%, and PLN 70.4 million or 23.7%, respectively, compared with 2013 was mainly attributable to the increase in the credit portfolio of both segments.

The net interest income on treasury activity in 2014 amounted to PLN 131.8 million, as compared to PLN 65.7 million in 2013 and increased by PLN 66.1 million or 100.5% in 2014. The 2014 figures have been reclassified, as described in "*Presentation of Financial and Other Information – Changed Presentation of Financial Data*". When adjusted for this reclassification, the net interest income on treasury activity for 2014 amounted to PLN 118.0 million, an increase by PLN 52.3 million (79.6%) as compared to 2013. The increase resulted mainly from an increase in the balance of assets and liabilities internally through treasury activity and changes in the mix of this funding.

Net fee and commission income

In 2014 the retail segment, the business segment and treasury activity generated positive net fee and commission income of PLN 159.2 million, PLN 190.2 million and PLN 1.1 million, respectively. Net fee and commission income in the amount of PLN 2.4 million was recorded in the item "Reconciliation" and included items not attributable to the retail and business segments.

The decrease in net fee and commission income in 2014 in the retail segment amounted to PLN 91.7 million or 36.6%, compared with 2013. The decrease in the retail segment was primarily driven by the decrease in interchange fee rates and a decrease in bancassurance fees.

Trading result and net result on other financial instruments

The combined growth of trading result and net result on other financial instruments in the business segment in 2014 of PLN 7.1 million or 5.0%, compared with 2013 was in particular related to positive results on interest rate transactions.

The combined growth of trading result and net result on other financial instruments in the retail segment in 2014 of PLN 14.9 million or 26.1%, compared with 2013 resulted from a growing volume of foreign exchange transactions.

Trading result and net result on other financial instruments in treasury activity amounted to PLN 40.9 million in 2014, as compared PLN 39.1 million in 2013. The 2014 figures have been reclassified, as described in "Presentation of Financial and Other Information – *Changed Presentation of Financial Data*". When adjusted for this reclassification, the trading result and net result on other financial instruments in treasury activity for 2014 amounted to PLN 54.7 million, an increase by PLN 15.5 million (39.7%), mainly due to the fact that Alior Bank realized gains from hedging of its interest rate position in the market of decreasing market rates.

Total result before net impairment allowance and write-downs

The increase in the total result before net impairment allowance and write-downs in the retail segment, in the business segment and in treasury activity of PLN 200.9 million or 21.3%, PLN 94.1 million or 15.2% and PLN 70.9 million or 68.8% respectively, in 2014 compared with 2013 was in each segment mainly attributable to the increase in net interest income.

Net impairment allowance and write-downs

In 2014 net impairment allowance and write-downs assigned to the retail segment represented 58.5% of the total net impairment allowance and write-downs of the Alior Group, while the net impairment allowance and write-downs assigned to the business segment represented 41.4% thereof.

In 2014 the net impairment allowance and write-downs assigned to the retail segment increased by PLN 119.5 million or 59.7%, and net impairment allowance and write-downs assigned to the business segment increased by PLN 24.5 million or 12.1%.

General administrative expenses

In 2014 general administrative expenses in the retail segment represented 73.6% of the Alior Group's total general administrative expenses, while the general administrative expenses in the business segment represented 26.1%.

In 2014 general administrative expenses in the retail segment and the business segment increased by PLN 55.0 million or 8.8%, and PLN 22.7 million or 10.3%, respectively, compared with 2013, mainly as a result of the increase in the size of the business.

Liquidity and Capital Resources

The Alior Group's financing needs are driven by the scale of its business, which is measured by the value of its assets. The Alior Group's primary sources of funding are equity, amounts owed to customers and amounts due to banks. The supplementary financing sources consist of subordinated liabilities, the amount of which is adjusted to match the fluctuating capital requirements and borrowing needs of Alior Group. Subordinated liabilities fulfilling those requirements and meeting those needs amounted as at December 31, 2015 and as at March 31, 2016 to PLN 896.3 million and to PLN 937.7 million, respectively. Therefore the credit requirements of the Alior Group, defined as the difference between the total assets and the total equity, liabilities to customers and liabilities to banks, as at December 31, 2015 and as at March 31, 2016 amounted to PLN 896.3 million and to PLN 937.7 million, respectively. Details regarding the capital requirements that must be observed by the Alior Group are presented in " – *Risk Weighted Assets and Regulatory Capital Requirements*".

The following table presents information on the liquidity and capital resources of the Alior Group as at the dates indicated.

	As at March 31,	As at December 31,		
	2016	2015	2014	2013
	(unaudited)	*(unaudited)*		
Short-term liquidity gap (M1, million)	1,648.3	1,880.9	1,310.9	920.0
Coverage ratio of non-liquid assets and limited liquidity assets with own funds and stable external funds (M4, %)	1.10	1.11	1.11	1.09
Short-term liquidity coverage ratio (M2, %)	1.36	1.53	1.54	1.37
Coverage of non-liquid assets with own funds (M3, %)	4.57	4.72	5.99	4.05
CET 1/Tier I (%)[(1)]	10.57	9.69	11.23	10.34
Capital adequacy ratio (%)[(2)]	13.51	12.54	12.80	12.11

[(1)] As at March 31, 2016, and December 31, 2015 and 2014 calculated as the product of CET 1 and capital requirement times 12.5 in accordance with CRR. CET 1 of the Alior Group equals its Tier 1 capital because the Alior Group does not disclose any additional Tier 1 capital in its total regulatory capital. As at March 31, 2016, and December 31, 2015 and 2014 it was calculated as the product of Tier 1 capital and the capital requirements times 12.5 in compliance with the PFSA resolution No. 76/2010 of March 10, 2010.
[(2)] Calculated as the quotient of total own funds for the capital adequacy ratio and the capital requirement times 12.5.
Source: Alior Bank.

In the financial years 2013, 2014 and 2015 and in the first quarter of 2016, the structure of the Alior Group's main financing sources remained generally stable. The Alior Group's total liabilities as at March 31, 2016, and December 31, 2015, 2014 and 2013 amounted to PLN 38,424.1 million, PLN 36,488.9 million, PLN 27,152.5 million, and PLN 23,365.1 million, respectively, of which, amounts owed to customers accounted for 93.2%, 92.3%, 90.0% and 89.2%, respectively. Alior Group's equity amounted to PLN 3,601.6 million, PLN 3,514.1 million, PLN 3,015.1 million and PLN 2,184.7 million as at March 31, 2016 and December 31, 2015, 2014 and 2013, respectively.

Alior Group's equity is a long-term source of financing for the Alior Group. Changes in equity during the period covered by the Alior Group Annual Consolidated Financial Statements are presented in detail in *" – Liabilities and Equity – Equity*" below. Details regarding the capitalization and indebtedness of the Alior Group are provided in " – *Capitalization and Indebtedness*". A breakdown of liabilities into long- and short-term and the funding structure of the Alior Group as at March 31, 2016 and December 31, 2015 is provided in the following table.

	As at March 31, 2016		**As at December 31, 2015**	
	(unaudited)		*(unaudited)*	
	(PLN million)	*(% of equity and liabilities)*	*(PLN million)*	*(% of equity and liabilities)*
Equity	3,601.6	8.6	3,514.1	8.8
Short-term liabilities	34,679.2	82.5	33,062.3	82.6
Long-term liabilities	3,744.9	8.9	3,426.6	8.6
Total equity and liabilities	**42,025.7**	**100.0**	**40,003.0**	**100.0**

Source: Alior Bank.

Restrictions affecting the use of capital resources by the Alior Group are described in "*Regulation of the Banking Sector in Poland – Capital adequacy and risk management requirements*" and "*Dividend and dividend policy – Restrictions on dividend payments*".

A detailed description of the risk management methods adopted and applied by the Alior Group is provided in " – *Explanatory notes regarding risk*" in notes 43 to 48 to the Alior Group Annual Consolidated Financial Statements for 2015. Note 49 to the Alior Group Annual Consolidated Financial Statements for 2015 describes the principles of equity management in the Alior Group.

A breakdown of the maturities of assets and liabilities based on expected dates of maturity and on contractual terms as at the end of 2015 and 2014 is presented in note 46 to the Alior Group Annual Consolidated Financial Statements for 2015.

The Alior Group views liquidity risk as the potential inability to execute its obligations (under standard conditions and implying acceptable costs) from all of the balance sheet and non-balance sheet positions possessed by the Alior Group as they fall due. The Alior Group demonstrates a conservative attitude towards liquidity risk management and strives to diversify its sources of funding. The Alior Group's policy aims in particular at funding based to a large extent on customer deposits and not on the wholesale market (see " – *Risk Management – Concentration Risk Management*").

Liabilities and Equity

The following table sets forth information on the Alior Group's liabilities and equity as at March 31, 2016, and December 31, 2015, 2014 and 2013.

	As at March 31	As at December 31,			Change		
	2016	2015	2014[1]	2013[2]	Q1 2016/ Q4 2015	2015/ 2014	2014/ 2013
	(unaudited)	*(audited)*			*(unaudited)*		
Liabilities and Equity:	*(PLN million)*	*(PLN million)*			*(%)*		
Financial liabilities held for trading	339.0	310.2	349.0	184.1	9.3	(11.1)	89.6
Amounts due to banks	404.2	1,051.0	1,049.2	828.0*	(61.5)	0.2	26.7
Amounts owed to customers	35,802.2	33,663.5	24,428.0	20,832.5*	6.4	37.8	17.3
Derivative hedging instruments	0.5	-	4.8	-	not applicable	(100.0)	not applicable
Provisions	15.0	10.8	8.3	4.9*	38.8	30.1	70.6
Other liabilities	894.6	535.3	747.1	1,135.0*	67.1	(28.4)	(34.2)
Current income tax liabilities[3]	30.8	21.8	24.6	31.9	41.5	(11.3)	(23.1)
Subordinated liabilities[4]	937.7	896.3	541.6	348.8	4.6	65.5	55.3
Total liabilities	**38,424.1**	**36,488.9**	**27,152.5**	**23,365.1**	**5.3**	**34.4**	**16.2**
Equity:	**3,601.6**	**3,514.1**	**3,015.1**	**2,184.7**	**2.5**	**16.6**	**38.0**
Equity (attributable to equity holders of the parent company):	**3,600.5**	**3,512.9**	**3,013.2**	**2,184.7***	**2.5**	**16.6**	**37.9**
Share capital	727.1	727.1	699.8	635.8	-	3.9	10.1
Supplementary capital	2,591.3	2,279.8	1,775.4	1,434.7	13.7	28.4	23.7
Revaluation reserve	22.6	15.2	21.4	(16.8)	48.6	(29.0)	not applicable
Other reserves[5]	184.7	184.7	184.0	176.8	-	0.4	4.1
Retained earnings/(accumulated losses)[6]	(5.4)	(3.7)	9.8	(273.7)	48.3	(137.3)	not applicable
Profit for the year[7]	80.2	309.6	322.7	227.9	(74.1)	(4.1)	41.6
Non-controlling interests	**1.1**	**1.2**	**1.9**	**-***	**(10.1)**	**(35.2)**	**not applicable**
Total liabilities and equity	**42,025.7**	**40,003.0**	**30,167.6**	**25,549.9**	**5.1**	**32.6**	**18.1**

[1] *Figures for the financial year ended December 31, 2014 were extracted from the Alior Group Consolidated Financial Statements for 2015. See "Presentation of Financial and Other Information – Changed Presentation of Financial Information".*
[2] *Figures for the financial year ended December 31, 2013, unless marked with an asterisk "*", were extracted from the Alior Group Consolidated Financial Statements for 2013 See "Presentation of Financial and Other Information – Changed Presentation of Financial Information". Data marked with an asterisk "*"have been derived from the Alior Group Consolidated Financial Statements for 2014.*
[3] *In Alior Group Consolidated Financial Statements for 2013: "Income tax liabilities".*
[4] *In the Alior Group Consolidated Financial Statements for 2013: "Subordinated loans".*
[5] *In the Alior Group Consolidated Financial Statements for 2013: "Other capital".*
[6] *In the Alior Group Consolidated Financial Statements for 2013: "Undistributed result from previous years".*
[7] I*n the Alior Group Consolidated Financial Statements for 2013: "Current year profit/loss".*
Source: the Alior Group Annual Consolidated Financial Statements, except for the percentage change.

As at March 31, 2016, 85.2% of the Alior Group's total liabilities and equity consisted of amounts owed to customers, 1.0% consisted of amounts due to banks, 2.2% consisted of subordinated liabilities and 8.6% consisted of equity. As at December 31, 2015, 84.2% of the Alior Group's total liabilities and equity consisted of amounts owed to customers, 2.6% consisted of amounts due to banks, 2.2% consisted of subordinated liabilities and 8.8% consisted of equity.

Total liabilities and equity increased by 5.1%, or PLN 2,022.7 million, to PLN 42,025.7 million as at March 31, 2016 from PLN 40,003.0 million as at December 31, 2015. This increase resulted mainly from an increase of 6.4%, or PLN 2,138.7 million, in amounts owed to customers (mainly as a result of an increase in term deposits in the retail segment), and as a result of an increase in equity by 2.5%, or PLN 87.5 million, due primarily to an increase in supplementary capital of 13.7%, or PLN 311.4 million, resulting from a transfer from undistributed profits in the amount of PLN 311.4 million (see " – Equity" below).

Total liabilities and equity increased by 32.6%, or PLN 9,835.4 million, to PLN 40,003.0 million as at December 31, 2015 from PLN 30,167.6 million as at December 31, 2014. This increase resulted mainly from an increase of 37.8%, or PLN 9,235.6 million, in amounts owed to customers (mainly as a result of an increase in term deposits in the retail segment; this increase was driven both by organic growth and the acquisition of Meritum Bank ICB with its portfolio of term deposits) and an increase of 65.5%, or PLN 354.7 million in subordinated liabilities (see " – *Subordinated Liabilities*" below), as well as an increase of equity by 16.6% or PLN 499.0 million, resulting primarily from an increase in supplementary capital of 28.4%, or PLN 504.4 million (resulting from a transfer from undistributed profits in the amount of PLN 336.2 million and an allocation of share issue premium in the amount of PLN 168.2 million (less the issue costs) – see " – *Equity*" below). The increase in amounts owed to customers, subordinated liabilities and equity was partly offset by a decrease of 28.4%, or PLN 211.8 million, in other liabilities, mainly as a result of a decrease of 99.4%, or PLN 121.2 million, in settlements of issue of bank certificates of deposit (a higher amount as at December 31, 2014 due to client subscriptions not settled as at December 31, 2014 in a pending offering of bank certificates of deposit, and a decrease of 81.3%, or PLN 218.9 million, in deferred revenue (disclosed in "Other liabilities").

As at December 31, 2014, 81.0% of the Alior Group's total liabilities and equity consisted of amounts owed to customers, 3.5% consisted of amounts due to banks, 1.8% consisted of subordinated liabilities and 10.0% consisted of equity.

Total liabilities and equity increased by 18.1%, or PLN 4,617.7 million, to PLN 30,167.6 million as at December 31, 2014 from PLN 25,549.9 million as at December 31, 2013. This increase resulted mainly from an increase of 17.3%, or PLN 3,595.5 million, in amounts owed to customers (mainly as a result of an increase in the business segment as Alior Bank managed its funding structure towards short-term deposits (and increased its balances of such deposits), in expectation of market interest rate decreases), an increase of 26.7%, or PLN 221.2 million, in amounts due to banks, and an increase of 55.3%, or PLN 192.8 million, in subordinated liabilities (see " – *Subordinated Liabilities*" below), as well as an increase of equity by 38.0% or PLN 830.3 million, resulting primarily from an increase in supplementary capital of 23.7%, or PLN 340.7 million (resulting from the allocation of a share issue in the amount of PLN 396.3 million (less issue costs). This growth was partially offset by appropriation of PLN 55.6 million of supplementary capital to cover part of accumulated losses) and an appropriation, in 2014, of PLN 227.9 million representing the whole profit for the financial year ended December 31, 2013 to cover the remaining part of accumulated losses. The increase in amounts owed to customers, amounts due to banks, subordinated liabilities and equity was partly offset by a decrease of 34.2%, or PLN 387.9 million, in other liabilities, mainly as a result of a registration of capital in the amount of PLN 464.2 million.

As at December 31, 2013, 81.5% of the Alior Group's total liabilities and equity consisted of amounts owed to customers, 3.2% consisted of amounts due to banks, 1.4% consisted of subordinated liabilities and 8.6% consisted of equity.

Amounts owed to customers

The following table sets forth information on the Alior Group's amounts owed to customers as at March 31 2016 December 31, 2015, 2014 and 2013.

	As at March 31	As at December 31			Change		
	2016	2015	2014[1]	2013[2]	Q1 2016/ Q4 2015	2015/2014	2014/2013
	(unaudited)	*(audited)*			*(unaudited)*		
	(PLN million)	*(PLN million)*			*(%)*		
Retail segment:	23,293.4	21,409.1	14,849.4	14,223.5	8.8	44.2	4.4
Current deposits**	8,999.4	8,485.3	6,736.1	5,864.0	6.1	26.0	14.9
Term deposits	14,023.3	12,666.0	7,796.8	8,135.0	10.7	62.5	(4.2)
Own issue of bank securities[3]	64.3	54.3	156.8	96.8	18.4	(65.4)	61.9
Other liabilities	206.4	203.5	159.7	127.7	1.4	27.4	25.1
Business segment:	12.508.9	12,254.5	9,578.6	6,608.9*	2.1	27.9	44.9
Current deposits	3.689.6	3,991.0	3,124.7	2,300.6	(7.6)	27.7	35.8
Term deposits	6.363.7	5,869.7	4,826.5	3,091.5	8.4	21.6	56.1
Own issue of bank securities[3]	2.284.5	2,205.0	1,485.2	1,038.8*	3.6	48.5	43.0
Other liabilities	171.1	188.8	142.2	178.0	(9.4)	32.7	(20.1)
Total amounts owed to customers	**35,802.2**	**33,663.5**	**24,428.0**	**20,832.5***	**6.4**	**37.8**	**17.3**

[1] *Figures for the financial year ended December 31, 2014 were extracted from the Alior Group Consolidated Financial Statements for 2015. See "Presentation of Financial and Other Information – Changed Presentation of Financial Data".*

(2) Figures for the financial year ended December 31, 2013, unless marked with an asterisk "", were extracted from the Alior Group Consolidated Financial Statements for 2013 See "Presentation of Financial and Other Information – Changed Presentation of Financial Data". Data marked with an asterisk "*"have been derived from the Alior Group Consolidated Financial Statements for 2014.*
(3) In the Alior Group Consolidated Financial Statements For 2013: "Banking securities issued".
*** Including savings accounts.*
Source: the Alior Group Annual Consolidated Financial Statements, except for the percentage change.

Total amounts owed to customers increased by 6.4%, or PLN 2,138.7 million, to PLN 35,802.2 million as at March 31, 2016 from PLN 33,663.5 million as at December 31, 2015. This increase resulted from an increase of 8.8%, or PLN 1.884.3 million, in amounts owed to customers in the retail segment and an increase of 2.1%, or PLN 254.4 million, in amounts owed to customers in the business segment.

The increase in amounts owed to customers in the retail segment resulted mainly from an increase in term deposits by 10.7%, or PLN 1,357.3 million, to PLN 14,023.3 million as at March 31, 2016 from PLN 12,666.0 million as at December 31, 2015, and from an increase in current deposits by 6.1%, or PLN 514.2 million, to PLN 8,999.4 million as at March 31, 2016 from PLN 8,485.3 million as at December 31, 2015 (related to organic growth of current deposits in the retail segment). The increase in amounts owed to customers in the business segment resulted mainly from an increase in term deposits by 8.4%, or PLN 494.0 million, to PLN 6,363.7 million as at March 31, 2016 from PLN 5,869.7 million as at December 31, 2015 (related mostly to an increase in short-term deposits with maturities up to one month), and from an increase in own issue of securities by 3.6%, or PLN 79.5 million, to PLN 2,284.5 million as at March 31, 2016 from PLN 2,205.0 million as at December 31, 2015, which was partly offset by a decrease of current deposits by 7.6%, or PLN 301.4 million, to PLN 3,689.6 million as at March 31, 2016 from PLN 3,991.0 million as at December 31, 2015 (due to periodic fluctuations of the current deposits balance).

Total amounts owed to customers increased by 37.8%, or PLN 9,235.5 million, to PLN 33,663.5 million as at December 31, 2015 from PLN 24,428.0 million as at December 31, 2014. This increase resulted from an increase of 44.2%, or PLN 6,559.7 million, in amounts owed to customers in the retail segment and an increase of 27.9%, or PLN 2,675.9 million, in amounts owed to customers in the business segment.

The increase in amounts owed to customers in the retail segment resulted mainly from an increase in term deposits by 62.5%, or PLN 4,869.2 million, to PLN 12,666.0 million as at December 31, 2015, from PLN 7,796.8 million as at December 31, 2014 (related both to organic growth of the Alior Group and to the acquisition of Meritum Bank ICB) and from an increase in current deposits by 26.0%, or PLN 1,749.2 million, to PLN 8,485.3 million as at December 31, 2015, from PLN 6,736.1 million as at December 31, 2014 (related to an organic growth of current deposits held with Alior Group by retail customers). The increase in amounts owed to customers in the business segment resulted mainly from an increase in term deposits by 21.6%, or PLN 1,043.2 million, to PLN 5,869.7 million as at December 31, 2015, from PLN 4,826.5 million as at December 31, 2014 (related mostly to an increase in short-term deposits with maturities up to one month), from an increase in current deposits by 27.7%, or PLN 866.3 million, to PLN 3.991.0 million as at December 31, 2015 from PLN 3,124.7 million as at December 31, 2014 (related to organic growth of the business segment), and from an increase in own issue of securities by 48.5%, or PLN 719.8 million, to PLN 2,205.0 million as at December 31, 2015, from PLN 1,485.2 million as at December 31, 2014 (related mostly to own issue of securities held by business segment customers).

Total amounts owed to customers increased by 17.3%, or PLN 3,595.5 million, to PLN 24,428.0 million as at December 31, 2014 from PLN 20,832.5 million as at December 31, 2013. This increase resulted from an increase of 44.9%, or PLN 2,969.6 million, in amounts owed to customers in the business segment and an increase of 4.4%, or PLN 625.9 million, in amounts owed to customers in the retail segment.

The increase in amounts owed to customers in the business segment resulted mainly from an increase in term deposits by 56.1%, or PLN 1,735.0 million, to PLN 4,826.5 million as at December 31, 2014, from PLN 3,091.5 million as at December 31, 2013 (related to an increase in short-term deposits, aiming at a reduction of cost of funding in expectation of a market interest rate decrease), and from an increase in current deposits by 35.8%, or PLN 824.0 million, to PLN 3,124.7 million as at December 31, 2014, from PLN 2,300.6 million as at December 31, 2013 (related to organic growth of the business segment). The increase in amounts owed to customers in the retail segment resulted mainly from an increase in current deposits by 14.9%, or PLN 872.1 million, to PLN 6,736.1 million as at December 31, 2014, from PLN 5,864.0 million as at December 31, 2013 (related to organic growth of the retail segment), which was partially offset by a decrease in term deposits by 4.2%, or PLN 338.1 million, to PLN 7,796.8 million as at December 31, 2014, from PLN 8,135.0 million as at December 31, 2013 (related to the management of the funding structure towards short-term deposits in the business segment, in anticipation of a market interest rate decrease).

Amounts due to banks

The following table sets forth information on the Alior Group's amounts due to banks as at March 31, 2016, and December 31, 2015, 2014 and 2013.

	As at March 31,	As at December 31,			Change		
	2016	2015	2014[1]	2013[2]	Q1 2016/ Q4 2015	2015/2014	2014/2013
	(unaudited)	*(audited)*			*(unaudited)*		
	(PLN million)	*(PLN million)*			*(%)*		
Current deposits	11.0	11.0	11.0	11.0	(0.0)	(0.0)	(0.1)
Overnight deposits (O/N)[3]	-	30.7	-	27.0	(100.0)	not applicable	(100.0)
Term deposits	-	197.8	-	-	(100.0)	not applicable	not applicable
Own issue of bank securities	32.9	32.7	22.7	10.0*	0.8	44.1	126.7
Security deposits[4]	205.3	203.3	131.6	33.8	1.0	54.5	289.2
Repo	153.8	575.6	883.9	683.9	(73.3)	(34.9)	29.2
Loan received[5]	1.2	-	-	62.2	not applicable	not applicable	(100.0)
Total amounts due to banks	**404.2**	**1,051.0**	**1,049. 2**	**828.0***	**(61.5)**	**0.2**	**26.7**

[1] *Figures for the financial year ended December 31, 2014 were extracted from the Alior Group Consolidated Financial Statements for 2015. See "Presentation of Financial and Other Information – Changed Presentation of Financial Data".*
[2] *Figures for the financial year ended December 31, 2013, unless marked with an asterisk "*", were extracted from the Alior Group Consolidated Financial Statements for 2013 See "Presentation of Financial and Other Information – Changed Presentation of Financial Data". Data marked with an asterisk "*"have been derived from the Alior Group Consolidated Financial Statements for 2014.*
[3] *In the Alior Group Consolidated Financial Statements for 2013: "Overnights".*
[4] *In the Alior Group Consolidated Financial Statements for 2013: "Other liabilities".*
[5] *In the Alior Group Consolidated Financial Statements for 2013: "Credit received".*
Source: the Alior Group Annual Consolidated Financial Statements, except for the percentage change.

Amounts due to banks decreased by 61.5%, or PLN 646.8 million, to PLN 404.2 million as at March 31, 2016 from PLN 1,051.0 million as at December 31, 2015. The decrease resulted mainly from a decrease in repo transactions by 73.3%, or PLN 421.8 million, a decrease of term deposits by 100.0%, or PLN 197.8 million and a decrease of overnight deposits by 100.0%, or PLN 30.7 million. The Alior Group reduced its balances of amounts due to banks as it achieved sufficient liquidity levels based on amounts owed to customers.

Amounts due to banks did not change significantly in the years 2013, 2014 and 2015. Despite the fact that the total balance of amounts due to banks did not change materially over this period, the structure of amounts due to banks did change. Repo transactions decreased by 34.9%, or PLN 308.4 million, as at December 31, 2015 compared to as at December 31, 2014, which was offset mainly by a new source of financing in the form of term deposits amounting to PLN 197.8 million and an increase in security deposits by 54.5%, or PLN 71.7 million. Amounts due to banks increased by 26.7%, or PLN 221.2 million, to PLN 1,049.2 million as at December 31, 2014 from PLN 828.0 million as at December 31, 2013. This increase was due to a 29.2%, or PLN 200.0 million increase in repo transactions, to PLN 883.9 million as at December 31, 2014 from PLN 683.9 million as at December 31, 2013, combined with a 289.2%, or PLN 97.8 million increase in security deposits, to PLN 131.6 million as at December 31, 2014 from PLN 33.8 million as at December 31, 2013, which were offset by decreases of loans received and overnight deposits by PLN 62.2 million and PLN 27.0 million, respectively.

Subordinated liabilities

The following table sets forth information on the Alior Group's subordinated liabilities as at March 31, 2016 and December 31, 2015, 2014 and 2013.

	As at March 31,	As at December 31,			Change		
	2016	2015	2014[1]	2013[2]	Q1 2016/ Q4 2015	2015/ 2014	2014/ 2013
	(unaudited)	*(audited)*			*(unaudited)*		
	(PLN million)	*(PLN million)*			*(%)*		
Liabilities included in own funds:	894.7	896.3	369.3	348.8[3]	(0.2)	142.7	5.9
Subordinated loan	42.9	42.8	42.8	41.7	0.1	0.0	2.8
B-series bonds	-	-	-	19.2	-	-	(100.0)
C-series bonds	-	-	-	288.0	-	-	(100.0)
F-series bonds	322.0	325.9	326.4	-	(1.2)	(0.2)	not applicable
G-series bonds	193.0	195.6	-	-	(1.3)	not applicable	-
I-series bonds	152.5	150.6	-	-	1.3	not applicable	-
I1-series bonds	33.9	33.5	-	-	1.3	not applicable	-
Meritum Bank bonds	150.4	147.9	-	-	1.7	not applicable	-
Liabilities not included in own funds:	**43.1**	**-**	**172.3**	**-**	**not applicable**	**(100.0)**	**not applicable**
EUR001 series bonds	43.1	-	-	-	not applicable	-	-
B-series bonds	-	-	19.7	-	-	(100.0)	not applicable
C-series bonds	-	-	152.6	-	-	(100.0)	not applicable
Subordinated liabilities	**937.7**	**896.3**	**541.6**	**348.8[3]**	**4.6**	**65.5**	**55.3**

[1] *Figures for the financial year ended December 31, 2014 were extracted from the Alior Group Consolidated Financial Statements for 2015. See "Presentation of Financial and Other Information – Changed Presentation of Financial Data".*
[2] *Figures for the financial year ended December 31, 2013, were extracted from the Alior Group Consolidated Financial Statements for 2013 See "Presentation of Financial and Other Information – Changed Presentation of Financial Data".*
[3] *This line item was not audited and is presented as the sum of its respective sub-line items.*
Source: the Alior Group Financial Statements, except for the percentage change.

Subordinated liabilities increased by 4.6%, or PLN 41.4 million, to PLN 937.7 million as at March 31, 2016 from PLN 896.3 million as at December 31, 2015 for the reasons described below.

On February 4, 2016, Alior Bank issued EUR001 series bonds with a total nominal value of PLN 10.0 million. The EUR001 series bonds were issued with a term of six years and a redemption date set at February 4, 2022, and bear interest based on LIBOR 6M. In accordance with the CRR, the EUR001 series bonds satisfy the conditions for being included in the Tier II capital of Alior Bank. The carrying amount of the EUR001 series bonds as at March 31, 2016 was PLN 43.1 million.

Subordinated liabilities increased by 65.5%, or PLN 354.7 million, to PLN 896.3 million as at December 31, 2015 from PLN 541.6 million as at December 31, 2014. This increase resulted from the events detailed below.

On March 31, 2015, Alior Bank issued G-series bonds with a total nominal value of PLN 193.0 million. The G-series bonds were issued with a term of six years with a redemption date set at March 31, 2021, and bear interest based on WIBOR 6M. In accordance with the CRR, the G-series bonds satisfy the conditions for being included in the Tier II capital of Alior Bank. The carrying amount of the G-series bonds as at December 31, 2015 was PLN 195.6 million.

On December 4, 2015 Alior Bank issued I- and I1–series bonds with a total nominal value of PLN 183.4 million. The I- and I1–series bonds were issued with a term of six years with a redemption date set at December 6, 2021 and bear interest based

on WIBOR 6M. In accordance with the CRR, the bonds satisfy the conditions for being included in the Tier II capital of Alior Bank. The carrying amount of the I- and I1–series bonds as at December 31, 2015 was PLN 184.1 million.

As a result of the acquisition of Meritum Bank ICB, the subordinated liabilities portfolio of the Alior Group contains the following bonds issued by Meritum: (i) bonds with a total nominal value of PLN 67.2 million issued on April 29, 2013 as part of the "*Meritum Bank ICB Programme for Issue of Subordinated Bonds*" with a term of eight years and a redemption date set at April 29, 2021. The bonds bear interest based on WIBOR 6M. On June 28, 2013, the PFSA granted its consent to including these bonds in the Tier II capital of Meritum. The carrying amount of the bonds as at December 31, 2015 was PLN 67.6 million; and (ii) bonds with a total nominal value of PLN 80.0 million issued on October 21, 2014 with a term of eight years and a redemption date set at October 21, 2022. The bonds bear interest based on WIBOR 6M. In accordance with the CRR, the bonds satisfy the conditions for being included in the Tier II capital. The carrying amount of the bonds as at December 31, 2015 was PLN 80.3 million.

These events were to some extent offset by a redemption of all B-series bonds (issued on January 31, 2012, with a total nominal value of EUR 4.5 million, bearing an interest rate of 6M LIBOR for EUR deposits and initially included in Alior Bank's own supplementary funds) and the outstanding C-Series Bonds (as defined below) in the financial year ended December 31, 2015. The redemption of B-Series Bonds and C-Series Bonds resulted from the fact that in September, 2014 Alior Bank became aware of a different interpretation of CRR with respect to the C-Series Bonds and of the fact that the C-Series Bonds could not be recognized in equity should this interpretation be adopted (which Alior Bank extrapolated to the B-Series Bonds as well).

Subordinated liabilities increased by 55.3%, or PLN 192.8 million, to PLN 541.6 million as at December 31, 2014 from PLN 348.8 million as at December 31, 2013. This increase resulted from the following events.

On September 26, 2014, Alior Bank issued F-series bonds with a total nominal value of PLN 321.7 million. The bonds were issued with a term of ten years and a redemption date set at September 26, 2024 and bear interest based on WIBOR 6M. In accordance with the CRR, the bonds satisfy the conditions for being included in Tier II capital of Alior Bank. The carrying amount of the F-series bonds as at December 31, 2015 was PLN 325.9 million. On October 28, 2014, Alior Bank received PFSA consent for including the bonds in the Tier II capital of Alior Bank.

A portion of C-series bonds ("**C-Series Bonds**") with a total nominal value of PLN 130.7 million were redeemed in September and October, 2014. The C-Series Bonds with a total nominal value of PLN 280.0 million were issued by Alior Bank on February 14, 2012, with a term of eight years and a redemption date set at February 14, 2020, and were to bear an interest rate based on WIBOR 6M. On March 20, 2012, Alior Bank obtained the consent of the PFSA to include the bonds in its own supplementary funds, therefore the C-Series Bonds were initially included by Alior Bank in own supplementary funds.

Equity

The Alior Group's equity increased by 2.5%, or PLN 87.5 million, to PLN 3,601.6 million as at March 31, 2016 from PLN 3,514.1 million as at December 31, 2015. This increase was caused mainly by an increase in supplementary capital of 13.7%, or PLN 311.4 million, as a result of a transfer of retained earnings in the amount of PLN 311.4 million.

The Alior Group's equity increased by 16.6%, or PLN 499.0 million, to PLN 3,514.1 million as at December 31, 2015 from PLN 3,015.1 million as at December 31, 2014. This increase resulted mainly from an increase in supplementary capital of 28.4%, or PLN 504.4 million (resulting from a transfer from undistributed profits in the amount of PLN 336.2 million and an allocation of share issue premium from the issue of Series H Shares (as defined below) and series D shares in the amount of PLN 168.2 million (less the issue costs)) and an increase in share capital of 3.9%, or PLN 27.3 million, resulting from the issue of 2,355,498 series H shares of Alior Bank with a nominal value of PLN 10 each ("**Series H Shares**") (see " – *Share capital and Shares – Share capital of Alior Bank and Types of Shares*") and the issue of 373,599 series D shares of Alior Bank with the nominal value of PLN 10 each (see " – *Share capital and Shares – Share capital of Alior Bank and Types of Shares*").

The Alior Group's equity increased by 38.0%, or PLN 830.3 million, to PLN 3,015.1 million as at December 31, 2014 from PLN 2,184.7 million as at December 31, 2013. This increase resulted mainly from an increase in supplementary capital of 23.7%, or PLN 340.7 million (resulting from an allocation of share issue premium from the issue of Series G Shares (as defined below) and series D shares in the amount of PLN 396.3 million (less the issue costs)) and an increase in share capital of 10.1%, or PLN 64.0 million, resulting from the issue of 6,358,296 series G shares of Alior Bank with the nominal value of PLN 10 each ("**Series G Shares**") (see " – *Share capital and Shares – Share capital of Alior Bank and Types of Shares*") and the issue of 37,105 series D shares of Alior Bank with the nominal value of PLN 10 each (see

" – *Share capital and Shares – Share capital of Alior Bank and Types of Shares*"). These increases were partially offset by an appropriation of PLN 55.6 million of supplementary capital to cover part of Alior Bank's accumulated losses) and an appropriation, in 2014, of PLN 227.9 million representing the whole profit for the financial year ended December 31, 2013 to cover the remaining part of accumulated losses.

All these shares are ordinary bearer shares.

Contingent Liabilities – Off-Balance Sheet Commitments

The Alior Group offers its individual customers renewable checking account overdraft limits, which are granted for an indefinite period. The Alior Group closely monitors cash inflows to these accounts.

Credit limits on credit cards that are classified as contingent liabilities are granted to individual customers for a period of three years.

The Alior Group has contingent liabilities to business customers in respect of: (i) current account limits for a period of 12 months; (ii) guarantees, for a maximum period of six years; (iii) credit cards for a period of up to three years; and (iv) loans issued in tranches for a period of up to two years.

The following table sets forth information on the Alior Group's off-balance sheet commitments as at March 31, 2016, and December 31, 2015, 2014 and 2013.

	As at March 31,	As at December 31,			Change		
	2016	2015	2014[1]	2013[2]	Q1 2016/ Q4 2015	2015/ 2014	2014/ 2013
	(unaudited)	*(audited)*			*(unaudited)*		
	(PLN million)	*(PLN million)*			*(%)*		
Off-balance sheet liabilities granted:	9,177.1	8,941.7	7,786.4	7,078.8	2.6	14.8	10.0
In respect of financing[3]	7,699.7	7,371.8	6,246.4	5,735.7	4.4	18.0	8.9
Guarantees, including:	1,477.3	1,569.9	1,540.0	1,343.1	(5.9)	1.9	14.7
Performance guarantees	385.8	389.0	416.4	231.8*	(0.8)	(6.6)	79.6
Financial guarantees	**1,091.6**	**1,180.9**	**1,123.6**	**1,111.3***	**(7.6)**	**5.1**	**1.1**

[1] *Figures for the financial year ended December 31, 2014 were extracted from the Alior Group Consolidated Financial Statements for 2015. See "Presentation of Financial and Other Information – Changed Presentation of Financial Data".*
[2] *Figures for the financial year ended December 31, 2013, unless marked with an asterisk "*", were extracted from the Alior Group Consolidated Financial Statements for 2013 See "Presentation of Financial and Other Information – Changed Presentation of Financial Data". Data marked with an asterisk "*"have been derived from the Alior Group Consolidated Financial Statements for 2014. Source: the Alior Group Annual Consolidated Financial Statements, except for the percentage change.*
[3] *In the Alior Group Consolidated Financial Statements for 2013: "Relating to financing".*
Source: the Alior Group Financial Statements, except for the percentage change.

The guarantee amounts shown in the table above reflect the maximum possible loss which would be disclosed as at the reporting date had all customers defaulted on the off-balance sheet commitments.

Risk-Weighted Assets and Regulatory Capital Requirements

Alior Bank is required to comply with the capital requirements for credit institutions. Until the end of 2013 the binding requirements and capital adequacy guidelines were those adopted by the Basel Committee on Banking Supervision (Basel II), as adopted in the EU in the form of the CRD directive implementing Basel II and transposed to the Polish legal system by the Banking Law and rules and regulations related thereto (resolutions of the PFSA). Since January 2014 the amended requirements adopted by the Basel Committee on Banking Supervision (Basel III), as adopted in the European Union in the form of CRD 4 have been in force in Poland. Unlike a directive, a regulation of the European Parliament and of the Council is not required to be implemented in the local legal system, rather it is applied directly.

Capital adequacy is the condition under which the amount of the capital base of Alior Bank is sufficient to meet the regulatory obligations concerning capital requirements related to credit, market and operating risk ("**Pillar I**") and internal capital ("**Pillar II**"). Public disclosure of information on capital adequacy constitutes what is referred to as Pillar III.

The purpose of managing capital by the Alior Group is to maintain an appropriate amount of own funds and Tier I capital to cover risk at the required level, in accordance with the assumed risk appetite, at each moment of operation. Under its

risk appetite the Alior Group determines the expected levels of coverage – by own funds and Tier I capital – of potential unexpected losses due to particular types of risk specified in the CRR and particular types of risk identified under the internal capital adequacy assessment process ("**ICAAP**"). Potential unexpected losses are determined using regulatory capital according to the methodology specified in the CRR and using internal capital determined using the methodology described in note 49.3 to the Alior Group Annual Consolidated Financial Statements for 2015.

As at December 31, 2015, the capital adequacy ratio and Tier I ratio were calculated in accordance with the CRR. As at the date of the Alior Group Annual Consolidated Financial Statements for 2015 part of the regulations relating to determining own funds and capital requirements (the so-called "national options") were not addressed or published by a Polish authority or public body authorized to supervise credit institutions and investment firms. A conservative approach was adopted by Alior Bank to calculating the capital adequacy ratio in the non-regulated area; this related, among other things, to percentage amounts in the transition period as recommended by the PFSA and the risk weights in respect of foreign currency exposures secured with mortgages, for which this approach was indicated by the PFSA as potential "national options". It should be stressed that if "national options" were determined and published, the Alior Group's capital adequacy could differ from that published in the Alior Group Annual Consolidated Financial Statements for 2015.

As at December 31, 2015, Alior Bank fully took into account the provisions of the CRR in respect of capital management, including own funds and calculating capital requirements in respect of particular risk types.

The following table sets forth the Alior Group's capital adequacy ratios and capital requirements as at March 31, 2016, and December 31, 2015, 2014 and 2013.

	As at March 31,	As at December 31,			Change		
	2016	2015	2014[1]	2013[2]	Q1 2016/ Q4 2015	2015/2014	2014/2013
			(unaudited)				
	(PLN million)*				(%)		
Total own funds for the capital adequacy ratio	**4,017.3**	**3,853.3**	**2,951.9**	**2,336.3**	**4.3**	**30.5**	**26.3**
Common equity Tier I capital (CET1)[3]	3,142.0	2,975.9	2,589.5	1,995.0	5.6	14.9	29.8
Tier II capital[4]	875.3	877.4	362.4	341.3	(0.2)	142.1	6.2
Capital requirements	**2,378.1**	**2,457.6**	**1,844.9**	**1,543.4**	**(3.2)**	**33.2**	**19.5**
Total capital requirements for credit risk, counterparty risk, credit valuation adjustment, dilution and delivery of instruments for future settlement[5]	2,082.2	2,214.2	1,658.4	1,398.9	(6.0)	33.5	18.5
Total capital requirements for the prices of equity securities risk, debt instruments risk, commodities and currency risk[6]	2.8	2.5	1.7	2.4	12.0	52.1	(31.8)
Capital requirement for overall interest rate risk[7]	38.9	32.6	26.2	25.8	19.1	24.5	1.7
Total capital requirements for operational risk[8]	254.2	208.2	158.6	116.3	22.1	31.3	36.4
CET1 ratio / Tier I[9] (%)	**10.57**	**9.69**	**11.23**	**10.34**	–	–	–
Capital adequacy ratio[10] (%)	**13.51**	**12.54**	**12.80**	**12.11**	–	–	–

(1) *Figures for the financial year ended December 31, 2014 were extracted from the Alior Group Consolidated Financial Statements for 2015. See: "Presentation of Financial and Other Information – Changed Presentation of Financial Data".*

(2) *Figures for the financial year ended December 31, 2013 were extracted from the Alior Group Consolidated Financial Statements for 2013. See: "Presentation of Financial and Other Information – Changed Presentation of Financial Data".*

(3) *Alior Group's CET 1 as at December 31, 2015 and 2014 were calculated according to CRR as the sum of share capital, supplementary capital, other capital and retained earnings decreased by revaluation reserve and intangible assets of entities consolidated on a prudent basis. Alior Group's CET 1 is equivalent to Tier I capital, since Alior Group does not recognize any additional Tier I capital in its total regulatory capital. CET 1 as at December 31, 2013 was treated as Tier I ratio and calculated in accordance with Resolution No. 76/2010 of March 10, 2010 of the PFSA (with no significant differences in methodology compared to 2014 and 2015).*

(4) *As at December 31, 2015 and 2014 calculated as the sum of subordinated liabilities according to CRR. As at December 31, 2013, calculated as the sum of subordinated liabilities according to Resolution No. 76/2010 of March 10, 2010 of the PFSA.*

(5) *In the Alior Group Consolidated Financial Statements for 2013: "Capital requirements for the following risks: credit, counterparty, dilution and delivery of instruments to be settled at later date".*

(6) *In the Alior Group Consolidated Financial Statements for 2013: "Total capital requirements for the following risks: equity instrument price risk, debt instrument price risk, commodity prices and FX risk".*

(7) *In the Alior Group Consolidated Financial Statements for 2013: "Capital requirements for general interest rate risks".*

(8) *In the Alior Group Consolidated Financial Statements for 2013: "Capital requirements for operating risk".*

(9) As at December 31, 2015 and 2014 calculated by dividing CET1 by the capital requirements multiplied by 12.5 according to CRR. Alior Group's CET 1 is equivalent to Tier I capital, since Alior Group does not recognize any additional Tier I capital in its total regulatory capital. As at December 31, 2015 and 2014 calculated by dividing Tier I capital by the capital requirements multiplied by 12.5 according to Resolution No. 76/2010 of March 10, 2010 of the PFSA.
(10) Calculated by dividing total own funds for the capital adequacy ratio by the capital requirements multiplied by 12.5
** Unless indicated otherwise.*
Source: the Alior Group Annual Consolidated Financial Statements, except for the percentage change.

Alior Bank's capital adequacy ratio as at March 31, 2016, and December 31, 2015, 2014 and 2013, as well as the ratio of own funds to Alior Bank's internal capital, was at a level above the regulatory limits.

The most important factors which influenced the capital adequacy level were: (i) the growth in Alior Bank's loan portfolio over the period from 2013 to 2015 resulting in an increase in capital requirements and internal capital to cover credit risks; and (ii) changes in own funds of Alior Bank due to equity raises (see *" – Liquidity and Capital Resources – Liabilities and Equity – Equity*") and subordinated bond issuances (see *" – Liquidity and Capital Resources – Liabilities and Equity – Subordinated liabilities*").

In 2016 the capital adequacy level of Alior Bank was further influenced by subsequent issuances of subordinated bonds and the conclusion of a guarantee agreement with PZU pursuant to which PZU granted unfunded credit protection with respect to a portfolio of selected exposures of Alior Bank (see " – *Recent Developments (post-balance sheet date)*").

Total Own Funds for Capital Adequacy Purposes

The following table sets forth information on the Alior Group's total own funds for capital adequacy purposes as at March 31, 2016, and December 31, 2015, 2014 and 2013.

	As at March 31,	As at December 31,			Change		
	2016	2015	2014[1]	2013[2]	Q1 2016/ Q4 2015	2015/ 2014	2014/ 2013
				(unaudited)			
	(PLN million)				*(%)*		
Total own funds for the capital adequacy ratio	**4,017.3**	**3,853.3**	**2,951.9**	**2,336.3**	**4.3**	**30.5**	**26.3**
Paid-up share capital[3]	727.1	727.1	699.8	635.8	0.0	3.9	10.1
Supplementary capital[4]	2,592.1	2,279.8	1,775.4	1,434.7	13.7	28.4	23.7
Other capital	184.9	187.5	184.0	176.8	(1.4)	1.9	4.1
Profit verified by statutory auditor[5]	0.0	178.7	169.6	227.9	(100.0)	5.4	(25.6)
Retained earnings verified by statutory auditor[6]	-	-	-	(273.7)	not applicable	not applicable	(100.0)
Loss for the year	-	-	(14.3)	-	not applicable	not applicable	not applicable
Revaluation reserve - unrealized losses	(7.4)	(12.9)	(6.6)	(18.5)	(42.8)	94.2	(64.0)
Intangible assets measured at carrying amount[7]	(353.8)	(381.4)	(215.6)	(188.1)	(7.2)	76.9	14.6
Revaluation reserve - unrealized profits[8]	6.1	1.8	-	1.2	(241.1)	not applicable	(100.0)
Subordinated liabilities	875.3	877.4	362.4	340.1	(0.2)	142.1	6.6
Additional value adjustments	(7.0)	(5.6)	(4.3)	-	24.4	30.8	not applicable
Non-controlling interests	-	-	1.5	-	not applicable	(100.0)	not applicable

(1) Figures for the financial year ended December 31, 2014 were extracted from the Alior Group Consolidated Financial Statements for 2015. See: "Presentation of Financial and Other Information – Changed Presentation of Financial Data"
(2) Figures for the financial year ended December 31, 2013 were extracted from the Alior Group Consolidated Financial Statements for 2013. See: "Presentation of Financial and Other Information – Changed Presentation of Financial Data".
(3) In the Alior Group Consolidated Financial Statements for 2013: "Share paid".
(4) In the Alior Group Consolidated Financial Statements for 2013: "Supplementary capital components".
(5) In the Alior Group Consolidated Financial Statements for 2013: "Current year's profit in the amount not exceeding profit reviewed by auditor".
(6) In the Alior Group Consolidated Financial Statements for 2013: "Result from previous years".
(7) In the Alior Group Consolidated Financial Statements for 2013: "Intangible assets at carrying amount".
(8) In the Alior Group Consolidated Financial Statements for 2013: "Revaluation reserve – unrealized gains".
Source: the Alior Group Annual Consolidated Financial Statements, except for the percentage change.

Total own funds increased by 4.3%, or PLN 164.0 million, to PLN 4,017.3 million as at March 31, 2016 from PLN 3,853.3 million as at December 31, 2015. This increase resulted mainly from an increase of supplementary capital by 13.7%, or PLN 311.4 million, as a result of a transfer of retained earnings in an amount of PLN 311.4 million.

Total own funds increased by 30.5%, or PLN 901.4 million, to PLN 3,853.3 million as at December 31, 2015 from PLN 2,951.9 million as at December 31, 2014. This increase resulted mainly from an increase of 142.1%, or PLN 515.0 million in subordinated liabilities included in own funds due to an increase in total subordinated liabilities by 65.5%, or PLN 354.7 million and replacement of a portion of subordinated liabilities that were not included in own funds, i.e. B-series bonds and C-series bonds, with subordinated liabilities included in own funds (see *" – Liquidity and Capital Resources – Liabilities and Equity – Subordinated liabilities*" above), and an increase of 28.5%, or PLN 505.3 million in supplementary capital (resulting from a transfer from undistributed profits in the amount of PLN 336.2 million and an allocation of share issue premium from the issue of Series H Shares in the amount of PLN 168.2 million (less the issue costs), see *" – Liquidity and Capital Resources – Liabilities and Equity – Equity*" above). These increases were partially offset by an increase of 76.9%, or PLN 165.8 million, in intangible assets measured at carrying amount that was related to the acquisition of Meritum Bank ICB as well as capital expenditures and capitalization of salaries related to projects conducted by Alior Group. In accordance with CRR, income from the second half of 2015 was included in Alior Group's CET 1 ratio on March 31, 2016, following Alior Bank's Annual General Meeting.

Total own funds increased by 26.3%, or PLN 615.6 million, to PLN 2,951.9 million as at December 31, 2014 from PLN 2,336.3 million as at December 31, 2013. This increase resulted mainly from an increase in supplementary capital of 23.7%, or PLN 340.7 million (resulting from an allocation of share issue in the amount of PLN 396.3 million (less issue costs), see *" – Liquidity and Capital Resources – Liabilities and Equity – Equity*" above, that was partially offset by an appropriation of PLN 55.6 million of supplementary capital to cover part of accumulated losses) and retaining, in 2014, of PLN 227.9 million representing the whole profit for the financial year ended December 31, 2013 to cover the remaining part of accumulated losses.

Capital Requirements (Pillar I)

As at March 31, 2016, and December 31, 2015 and 2014 Alior Bank calculated its capital requirements in accordance with the CRR, using: (i) the standardized method for capital requirements for credit risk; (ii) standardized methods for capital requirements for market risk; and (iii) the standardized method for capital requirements for operational risk. As at December 31, 2013 Alior Bank calculated its capital requirements in accordance with Resolution No. 76/2010 of March 10, 2010 of the PFSA (with no significant differences in methodology in comparison to subsequent periods).

The following table sets forth information on the Alior Group's total capital requirements as at March 31, 2016, and December 31, 2015, 2014 and 2013.

	As at March 31,	As at December 31,			Change		
	2016	2015	2014[1]	2013[2]	Q1 2016/ Q4 2015	2015/2014	2014/2013
				(unaudited)			
	(PLN million)				*(%)*		
Capital requirements:	**2,378.1**	**2,457.6**	**1,844.9**	**1,543.4**	**(3.2)**	**33.2**	**19.5**
Total capital requirements for credit risk, counterparty risk, credit valuation adjustment, dilution and delivery of instruments for future settlement[3]	2,082.2	2,214.2	1,658.4	1,398.9	(6.0)	33.5	18.5
Total capital requirements for the prices of equity securities risk, debt instruments risk, commodities and currency risk[4]	2.8	2.5	1.7	2.4	12.0	52.1	(31.8)
Capital requirement for overall interest rate risk[5]	38.9	32.6	26.2	25.8	19.1	24.5	1.7
Total capital requirements for operational risk[6]	254.2	208.2	158.6	116.3	22.1	31.3	36.4

[1] *Figures for the financial year ended December 31, 2014 were extracted from the Alior Group Consolidated Financial Statements for 2015. See: "Presentation of Financial and Other Information – Changed Presentation of Financial Data".*
[2] *Figures for the financial year ended December 31, 2013 were extracted from the Alior Group Consolidated Financial Statements for 2013.*
[3] *In the Alior Group Consolidated Financial Statements for 2013: "Capital requirements for the following risks: credit, counterparty, dilution and delivery of instruments to be settled at later date".*

(4) In the Alior Group Consolidated Financial Statements for 2013: "Total capital requirements for the following risks: equity instrument price risk, debt instrument price risk, commodity prices and FX risk".
(5) In the Alior Group Consolidated Financial Statements for 2013: "Capital requirement for general interest rate risks".
(6) In the Alior Group Consolidated Financial Statements for 2013: "Capital requirements for operating risk".
Source: the Alior Group Annual Consolidated Financial Statements, except for the percentage change.

Total capital requirements increased by 54.1%, or PLN 834.7 million, to PLN 2,378.1 million as at March 31, 2016 from PLN 1,543.4 million as at December 31, 2013, which resulted primarily from an increase of 48.8%, or PLN 683.3 million, in total capital requirements for credit risk, counterparty risk, credit valuation adjustment, dilution and delivery of instruments for future settlement over the same period due to a significant increase in Alior Bank's loan portfolio.

The following table sets forth a breakdown of the Alior Group's risk weighted assets (including only credit risk) to different exposure classes in accordance with the standard method as at March 31, 2016, and December 31, 2015, 2014 and 2013.

	As at March 31,	As at December 31,			Change		
	2016	2015	2014[1]	2013[2]	Q1 2016/ Q4 2015	2015/2014	2014/2013
				(unaudited)			
	(PLN million)				*(%)*		
Exposure class in the standard method:							
Governments and central banks	785.5	693.7	374.8	15.5	13.2	85.1	2,320.4
Institutions[3]	504.4	563.6	476.8	278.5	(10.5)	18.2	71.2
Enterprises	4,176.2	4,894.0	2,730.1	3,993.6	(14.7)	79.3	(31.6)
Retail	9,008.9	8,736.9	6,281.3	5,822.6	3.1	39.1	7.9
Secured on real estate	8,520.8	9,415.9	7,928.1	6,027.9	(9.5)	18.8	31.5
Other	2,940.5	3,268.0	2,840.3	1,348.5*	(10.0)	15.1	110.6
Total	**25,936.4**	**27,572.2**	**20,631.4**	**17,486.4**	**(5.9)**	**33.6**	**18.0**

(1) Figures for the financial year ended December 31, 2014 were extracted from the Alior Group Consolidated Financial Statements for 2015. See: "Presentation of Financial and Other Information – Changed Presentation of Financial Data".
(2) Figures for the financial year ended December 31, 2013, except for figures marked with "", were extracted from the Alior Group Consolidated Financial Statements for 2013. See: "Presentation of Financial and Other Information – Changed Presentation of Financial Data". Figures marked with "*" were extracted from the Alior Group Consolidated Financial Statements for 2014.*
(3) In the Alior Group Financial Statements for 2013: "Institutions – banks".
Source: the Alior Group Financial Statements, except for the percentage change.

Internal Capital (Pillar II)

Internal capital is the amount of capital, as assessed by Alior Bank, that is required to cover all identified significant types of risk such as credit risk (including default risk and concentration risk), market risk (foreign exchange risk, interest rate risk), liquidity risk, and operational risk present in Alior Bank's activities as well as the effect of changes in the business environment, with the anticipated risk level being taken into account. Alior Bank regularly monitors the significance of individual types of risk related to its activities. Alior Bank's internal capital is calculated in accordance with CRD 4.

Disclosure (Pillar III)

Once a year, Alior Bank prepares a capital adequacy report in compliance with the requirements of Article 111 and Article 111a, sections 2 and 3 of the Banking Law and the requirements stated in Resolution No. 385/2008 of the PFSA dated December 17, 2008 on the detailed rules and methods for the publication of qualitative and quantitative information on capital adequacy by banks and the scope of published information.

The disclosure applies to the scope of risk that Alior Bank is subject to, namely: credit risk and concentration risk, market risk, counterparty risk, liquidity risk and operational risk.

Assets

The following table sets forth information on the Alior Group's assets as at March 31, 2016, and December 31, 2015, 2014 and 2013.

	As at March 31,	As at December 31,			Change		
	2016	2015	2014[1]	2013[2]	Q1 2016/ Q4 2015	2015/ 2014	2014/ 2013
	(unaudited)	*(audited)*			*(unaudited)*		
Assets:	*(PLN million)*				*(%)*		
Cash and balances with the central bank	665.8	1,750.1	1,158.4	1,067.2	(62.0)	51.1	8.5
Financial assets held for trading	359.8	390.6	476.8	243.3	(7.9)	(18.1)	96.0
Available-for-sale financial assets	6,008.1	4,253.1	2,652.1	2,705.3*	41.3	60.4	(2.0)
Derivative hedging instruments[3]	161.4	139.6	80.2	12.1	15.7	74.0	562.9
Amounts due from banks	523.6	645.3	449.4	253.7*	(18.9)	43.6	77.2
Loans and advances to customers	32,738.0	30,907.1	23,648.0	19,653.9*	5.9	30.7	20.3
Assets pledged as collateral	226.1	628.3	927.2	687.7*	(64.0)	(32.2)	34.8
Property, plant and equipment	224.5	229.0	191.8	215.1	(2.0)	19.3	(10.8)
Intangible assets	390.4	387.0	215.6	188.1	0.9	79.6	14.6
Assets held for sale[4]	0.7	0.9	0.9	38.3	(23.2)	(2.2)	(97.6)
Deferred tax asset[5]	313.4	275.5	147.8	143.8	13.8	86.3	2.8
Other assets	413.9	396.5	219.3	341.3	4.4	80.9	(35.8)
Total Assets	**42,025.7**	**40,003.0**	**30,167.6**	**25,549.9**	**5.1**	**32.6**	**18.1**

[1] *Figures for the financial year ended December 31, 2014 were extracted from the Alior Group Consolidated Financial Statements for 2015. See: "Presentation of Financial and Other Information – Changed Presentation of Financial Data".*
[2] *Figures for the financial year ended December 31, 2013, except for figures marked with "*", were extracted from the Alior Group Consolidated Financial Statements for 2013. See: "Presentation of Financial and Other Information – Changed Presentation of Financial Data". Figures marked with "*" were extracted from the Alior Group Consolidated Financial Statements for 2014.*
[3] *In the Alior Group Consolidated Financial Statements for 2013: "Hedging derivatives".*
[4] *In the Alior Group Consolidated Financial Statements for 2013: "Non-current assets held for sale".*
[5] *In the Alior Group Consolidated Financial Statements for 2013: "Income tax asset".*
Source: the Alior Group Annual Consolidated Financial Statements, except for the percentage change.

As at March 31, 2016, 77.9% of the Alior Group's assets consisted of loans and advances to customers, 14.3% consisted of available-for-sale financial assets and 1.6% consisted of cash and balances with the central bank.

Alior Group's assets increased by 5.1%, or PLN 2,022.7 million, to PLN 42,025.7 million as at March 31, 2016 from PLN 40,003.0 million as at December 31, 2015. This increase resulted mainly from an increase of loans and advances to customers by 5.9%, or PLN 1,831.0 million, and an increase of the available-for-sale financial assets by 41.3% or PLN 1,755.0 million (as a result of increased holdings of treasury securities in connection with the Alior Group's liquidity management).

As at December 31, 2015, 77.3% of the Alior Group's assets consisted of loans and advances to customers, 10.6% consisted of available-for-sale financial assets and 4.4% consisted of cash and balances with the central bank.

Alior Group's assets increased by 32.6%, or PLN 9,835.4 million, to PLN 40,003.0 million as at December 31, 2015 from PLN 30,167.6 million as at December 31, 2014. This increase resulted mainly from an increase of 30.7% or PLN 7,259.1 million in loans and advances to customers (which resulted from increases in loans to customers in both the retail and business segments, by PLN 4,294.4 million and PLN 2,964.7 million, respectively) and an increase of 60.4% or PLN 1,601.0 million in available-for-sale financial assets (as a result of strengthening the liquidity position of the Alior Group).

As at December 31, 2014, 78.4% of the Alior Group's assets consisted of loans and advances to customers, 8.8% consisted of available-for-sale financial assets and 3.8% consisted of cash and balances with the central bank.

Alior Group's assets increased by 18.1%, or PLN 4,617.7 million, to PLN 30,167.6 million as at December 31, 2014 from PLN 25,549.9 million as at December 31, 2013. This increase resulted mainly from an increase of 20.3% or PLN 3,994.1 million in loans and advances to customers (which resulted mainly from increases in loans to customers in both the retail and business segments, by PLN 2,719.6 million and PLN 1,274.5 million, respectively).

As at December 31, 2013, 76.9% of the Alior Group's assets comprised loans and advances to customers, 10.6% consisted of available-for-sale financial assets and 4.2% consisted of cash and balances with the central bank.

Net loans and advances to customers

The following table sets forth information on the Alior Group's net loans and advances to customers as at March 31, and 2016, December 31, 2015, 2014 and 2013.

	As at March 31,	As at December 31,			Change		
	2016	2015	2014[1]	2013[2]	Q1 2016/ Q4 2015	2015/ 2014	2014/ 2013
	(unaudited)	*(audited)*			*(unaudited)*		
	(PLN million)				*(%)*		
Retail segment:	**18,543.9**	**17,595.3**	**13,300.9**	**10,581.4***	**5.4**	**32.3**	**25.7**
Working capital facility*	180.0	167.6	142.5	118.3	7.4	17.6	20.4
Consumer loans	9,114.8	8,699.0	6,217.2	5,240.5	4.8	39.9	18.6
Consumer finance loans	865.1	748.9	704.8	650.7	15.5	6.3	8.3
Loans for purchase of securities	120.1	119.1	142.9	160.7	0.9	(16.7)	(11.1)
Credit card loans[3]	217.3	225.6	204.6	193.2	(3.7)	10.3	5.9
Loans for residential real estate	7,115.8	6,717.9	4,991.1	3,393.9	5.9	34.6	47.1
Other housing loans[4]	899.8	896.0	877.2	798.0	0.4	2.1	9.9
Other receivables	31.0	21.1	20.4	26.1*	47.1	3.2	(21.6)
Business segment:	**14,194.1**	**13,311.7**	**10,347.1**	**9,072.5**	**6.6**	**28.7**	**14.0**
Working capital facility	7,744.2	7,308.6	5,527.7	4,854.9	6.0	32.2	13.9
Car loans	59.6	70.4	141.3	239.5	(15.3)	(50.2)	(41.0)
Investment loans	5,690.4	5,481.6	4,134.2	3,366.8	3.8	32.6	22.8
Acquired receivables (factoring)[5]	438.6	376.4	517.3	561.8	16.5	(27.2)	(7.9)
Lease receivables	135.3	52.3	-	-	158.6	not applicable	-
Other receivables	126.0	22.4	26.5	49.6	461.4	(15.4)	(46.5)
Loans and advances to customers	**32,738.0**	**30,907.1**	**23,648.0**	**19,653.9***	**5.9**	**30.7**	**20.3**

[1] *Figures for the financial year ended December 31, 2014 were extracted from the Alior Group Consolidated Financial Statements for 2015. See: "Presentation of Financial and Other Information – Changed Presentation of Financial Data".*
[2] *Figures for the financial year ended December 31, 2013, except for figures marked with "*", were extracted from the Alior Group Consolidated Financial Statements for 2013. See: "Presentation of Financial and Other Information – Changed Presentation of Financial Data". Figures marked with "*" were extracted from the Alior Group Consolidated Financial Statements for 2014.*
[3] *In the Alior Group Consolidated Financial Statements for 2013: "Credit card borrowings loans".*
[4] *In the Alior Group Consolidated Financial Statements for 2013: "Other mortgage loans".*
[5] *In the Alior Group Consolidated Financial Statements for 2013: "Acquired receivables".*
** *Including overdrafts.*
Source: the Alior Group Annual Consolidated Financial Statements, except for the percentage change.

Total loans and advances to customers increased by 5.9%, or PLN 1,831.0 million, to PLN 32,738.0 million as at March 31, 2016 from PLN 30,907.1 million as at December 31, 2015. This increase resulted from an increase of net loans and advances to customers in the retail segment by 5.4%, or PLN 948.6 million, and an increase of net loans and advances to customers in the business segment by 6.6%, or PLN 882.4 million.

The increase in net loans and advances to customers in the retail segment resulted mainly from an increase in net consumer loans by 4.8%, or PLN 415.8 million, to PLN 9,114.8 million as at March 31, 2016 from PLN 8,699.0 million as at December 31, 2015 (mainly due to increased overdrafts granted on current accounts) and from an increase in net loans for residential real estate by 5.9%, or PLN 397.8 million, to PLN 7,115.8 million as at March 31, 2016 from PLN 6,717.9 million as at December 31, 2015. The increase in net loans and advances to customers in the business segment resulted mainly from an increase in working capital facilities by 6.0%, or PLN 435.6 million, to PLN 7,744.2 million as at March 31, 2016 from PLN 7,308.6 million as at March 31, 2015, and from an increase in investment loans by 3.8%, or PLN 208.8 million, to PLN 5,690.4 million as at March 31, 2016, from PLN 5,481.6 million as at December 31, 2015.

Total loans and advances to customers increased by 30.7%, or PLN 7.259.1 million, to PLN 30.907.1 million as at December 31, 2015 from PLN 23.648.0 million as at December 31, 2014. This increase resulted from an increase of 32.3%, or PLN 4.294.4 million, in net loans and advances to customers in the retail segment and an increase of 28.7%, or PLN 2.964.7 million, in net loans and advances to customers in the business segment.

The increase in net loans and advances to customers in the retail segment resulted mainly from an increase in net consumer loans by 39.9%, or PLN 2,481.8 million, to PLN 8,699.0 million as at December 31, 2015, from PLN 6,217.2 million as at December 31, 2014 (mainly due to the acquisition of Meritum Bank ICB and its consumer loans portfolio) and from an increase in net loans for residential real estate by 34.6%, or PLN 1,726.8 million, to PLN 6,717.9 million as at December 31, 2015, from PLN 4,991.1 million as at December 31, 2014. The increase in net loans and advances to customers in the business segment resulted mainly from an increase in working capital facilities by 32.2%, or PLN 1,780.9 million, to PLN 7,308.6 million as at December 31, 2015, from PLN 5,527.7 million as at December 31, 2014, and from an increase in net investment loans by 32.6%, or PLN 1,347.4 million, to PLN 5,481.6 million as at December 31, 2015, from PLN 4,134.2 million as at December 31, 2014.

Total net loans and advances to customers increased by 20.3%, or PLN 3,994.1 million, to PLN 23,648.0 million as at December 31, 2014 from PLN 19,653.9 million as at December 31, 2013. This increase resulted from an increase of 25.7%, or PLN 2,719.6 million, in net loans and advances to customers in the retail segment and an increase of 14.0%, or PLN 1,274.5 million, in net loans and advances to customers in the business segment.

The increase in loans and advances to customers in the retail segment resulted mainly from an increase in net loans for residential real estate by 47.1%, or PLN 1,597.2 million, to PLN 4,991.1 million as at December 31, 2014, from PLN 3,393.9 million as at December 31, 2013 and an increase in net consumer loans by 18.6%, or PLN 976.7 million, to PLN 6,217.2 million as at December 31, 2014, from PLN 5,240.5 million as at December 31, 2013. The increase in net loans and advances to customers in the business segment resulted mainly from an increase in net investment loans by 22.8%, or PLN 767.4 million, to PLN 4,134.2 million as at December 31, 2014, from PLN 3,366.8 million as at December 31, 2013 and from an increase in working capital facilities by 13.9%, or PLN 672.9 million, to PLN 5,527.7 million as at December 31, 2014, from PLN 4,854.9 million as at December 31, 2013.

Available-for-sale financial assets

The following table sets forth information on the Alior Group's available-for-sale financial assets as at March 31, 2016, and December 31, 2015, 2014 and 2013.

	As at March 31,	As at December 31,			Change		
	2016	2015	2014[1]	2013[2]	Q1 2016/ Q4 2015	2015/2014	2014/2013
	(unaudited)	*(audited)*			*(unaudited)*		
	(PLN million)				*(%)*		
Debt instruments:	**5,993.9**	**4,239.4**	**2,649.1**	**2,705.0[3]***	**41.4**	**60.0**	**(2.1)**
Issued by the State Treasury:	5,368.5	3,773.4	2,062.3	1,758.5*	42.3	83.0	17.3
Treasury bonds	5,368.5	3,773.4	2,062.3	1,758.5*	42.3	83.0	17.3
Issued by monetary institutions:	170.0	-	150.0	539.1	not applicable	(100.0)	(72.2)
Bonds	-	-	-	139.3	-	-	(100.0)
Money bills	170.0	-	150.0	399.8	not applicable	(100.0)	(62.5)
Issued by other financial institutions:	177.4	177.0	125.7	64.6	0.2	40.8	94.5
Bonds	60.5	60.5	104.6	43.7	0.0	(42.2)	139.2
Eurobonds	116.9	116.5	21.1	20.9	0.3	452.4	1.0
Issued by companies:[4]	278.1	289.1	311.1	342.8	(3.8)	(7.1)	(9.2)
Bonds	278.1	289.1	311.1	342.8	(3.8)	(7.1)	(9.2)
Equity instruments	**14.1**	**13.7**	**3.0**	**0.3**	**3.5**	**355.0**	**878.8**
Available-for-sale financial assets	**6,008.1**	**4,253.1**	**2,652.1**	**2,705.3***	**41.3**	**60.4**	**(2.0)**

[1] *Figures for the financial year ended December 31, 2014 were extracted from the Alior Group Consolidated Financial Statements for 2015. See: "Presentation of Financial and Other Information – Changed Presentation of Financial Data".*

(2) Figures for the financial year ended December 31, 2013, except for figures marked with "", were extracted from the Alior Group Consolidated Financial Statements for 2013. See: "Presentation of Financial and Other Information – Changed Presentation of Financial Data". Figures marked with "*" were extracted from the Alior Group Consolidated Financial Statements for 2014.*
(3) The value of the line item "Debt instruments" has not been audited and is presented as the sum of the following audited line items: "Issued by the State Treasury", "Issued by monetary institutions", "Issued by other financial institutions" and "Issued by companies".
(4) In the Alior Group Consolidated Financial Statements for 2013 "Issued by enterprises".
Source: the Alior Group Financial Statements, except for the percentage change.

Total available-for-sale financial assets increased by 41.3%, or PLN 1,755.0 million, to PLN 6,008.1 million as at March 31, 2016 from PLN 4,253.1 million as at December 31, 2015. This increase resulted from an increase in debt instruments by 41.4%, or PLN 1,754.5 million, mainly due to an increase of 42.3%, or PLN 1,595.1 million, in the balance of treasury bonds, to PLN 5,368.5 million as at March 31, 2016 from PLN 3,773.4 million as at December 31, 2015. The Alior Group increased its available-for-sale assets in order to strengthen its liquidity position in preparation for the contemplated Transaction.

Total available-for-sale financial assets increased by 60.4%, or PLN 1,601.0 million, to PLN 4,253.1 million as at December 31, 2015 from PLN 2,652.1 million as at December 31, 2014. This increase resulted from an increase of 60.0%, or PLN 1,590.3 million, in debt instruments. This increase in the balance of debt instruments resulted mainly from an increase of 83.0%, or PLN 1,711.1 million, to PLN 3,773.4 million as at December 31, 2015 from PLN 2,062.3 million as at December 31, 2014 in the balance of treasury bonds, which was slightly off-set by a decrease of 100.0%, or PLN 150.0 million, in the balance of money bills issued by monetary institutions. The Alior Group increased its available-for-sale assets to strengthen its liquidity position and to adjust its liquidity position taking into account the acquisition of Meritum Bank ICB.

Total available-for-sale financial assets decreased by 2.0%, or PLN 53.2 million, to PLN 2,652.1 million as at December 31, 2014 from PLN 2,705.3 million as at December 31, 2013. This decrease resulted from a decrease of 2.1%, or PLN 55.9 million, in debt instruments. This decrease in the balance of debt instruments resulted mainly from a decrease of 62.5%, or PLN 249.8 million, to PLN 150.0 million as at December 31, 2014 from PLN 399.8 million as at December 31, 2013 in the balance of money bills issued by monetary institutions and a decrease of 100.0%, or PLN 139.3 million, in the balance of bonds issued by monetary institutions. These decreases were to a significant extent off-set by an increase of 17.3%, or PLN 303.8 million, to PLN 2,062.3 million as at December 31, 2014 from PLN 1,758.5 million as at December 31, 2013 in the balance of treasury bonds.

Cash Flows

Three-month periods ended March 31, 2016 and 2015.

The following table sets forth information on the Alior Group's cash flows from operating, investing and financing activities for the three-month periods ended March 31, 2016 and 2015.

	Three-month periods ended March 31,		Change
	2016	**2015[1]**	**2016/2015**
	(unaudited)		
	(PLN million)		*(%)*
Operating activities			
Profit/(loss) before tax for the year	**106.3**	**117.2**	**(9.4)**
Adjustments:	**(1,302.7)**	**(662.6)**	**96.6**
Unrealized foreign exchange gains/losses	(1.3)	(2.3)	(43.1)
Dividend income	0.1	-	100.0
Amortization/depreciation of intangible and tangible assets	24.3	66.5	(63.4)
Change in tangible and intangible assets impairment write-down	3.5	2.2	56.8
Change in provisions	4.2	1.2	245.7
Share-based payments	-	0.9	(100.0)
Change in loans and other receivables	(1,849.6)	(4,050.9)	(54.3)
Change in financial assets available for sale	(1,755.0)	158.0	not applicable
Change in assets held for trading	30.8	(48.3)	not applicable
Change in assets securing liabilities	402.2	(652.2)	not applicable

	Three-month periods ended March 31,		Change
	2016	2015[1]	2016/2015
	(unaudited)		
	(PLN million)		*(%)*
Change in hedging assets derivatives	(21.9)	(39.8)	(45.0)
Change in assets held for sale[3]	0.2	(1.5)	not applicable
Change in other assets	(17.4)	(91.2)	(81.0)
Change in deposits	1,910.2	3,152.4	(39.4)
Change in issued debt	-	216.6	(100.0)
Change in financial liabilities held for trading	28.8	41.0	(29.7)
Change in hedging liabilities derivatives	0.5	(4.8)	not applicable
Change in other liabilities and other comprehensive income[4]	(6.8)	628.3	not applicable
Tax paid[5]	(55.5)	(38.7)	(43.4)
Net cash flow from operating activities	**(1,196.4)**	**(545.4)**	**119.9**
Investing activities			
Outflows from investing activities:	**(72.4)**	**251.9**	**not applicable**
Purchase of property, plant and equipment	(15.8)	(28.8)	(45.2)
Purchase of intangible assets	(56.6)	(85.2)	(33.6)
Sale of shares in subsidiaries, net of cash acquired[6]	-	365.9	(100.0)
Inflows from investing activities:	**1.4**	**-**	**not applicable**
Disposal of property, plant and equipment	1.4	-	**not applicable**
Net cash flow from investing activities	**(71.0)**	**251.9**	**not applicable**
Financing activities			
Outflows from financing activities:	**(1.3)**	**(176.2)**	**(99.3)**
Repayment of long-term liabilities	(13.6)	(183.7)	(92.6)
Interest expense - subordinated loan	12.3	7.5	65.1
Inflows from financing activities:	**44.1**	**570.8**	**(92.3)**
Long-term liabilities incurred	-	193.7	(100.0)
Subordinated liabilities incurred	44.1	193.0	(77.2)
Proceeds from the share issuance	0.0	184.1	(100.0)
Net cash flow from financing activities	**42.8**	**394.5**	**(89.2)**
Total net cash flow	**(1,224.7)**	**101.0**	**not applicable**
Exchange gains/(losses) on translation	**(5.2)**	**16.7**	**not applicable**
Balance sheet change in cash and cash equivalents	**(1,224.7)**	**101.0**	**not applicable**
Cash and cash equivalents, opening balance	**2,202.2**	**1,456.3**	**51.2**
Cash and cash equivalents, closing balance	**977.5**	**1,557.3**	**(37.2)**
Additional disclosures on operating cash flows			
Interest income received	780.4	448.8	73.9
Interest expense paid	(193.1)	(133.4)	44.7

[1] *Figures for the financial year ended December 31, 2014 were extracted from the Alior Group Consolidated Financial Statements for 2015 in order to ensure full comparability with financial data for the year ended December 31, 2015. See: "Presentation of Financial and Other Information – Changed Presentation of Financial Data".*

[2] *Figures for the financial year ended December 31, 2013, except for figures marked with "*", were extracted from the Alior Group Consolidated Financial Statements for 2013. See: "Presentation of Financial and Other Information – Changed Presentation of Financial Data". Figures marked with "*" were extracted from the Alior Group Consolidated Financial Statements for 2014.*

[3] *In the Alior Group Consolidated Financial Statements for 2013: "Change in non-current assets held for sale".*

[4] *In the Alior Group Consolidated Financial Statements for 2013: "Change in other liabilities".*

[5] *In the Alior Group Consolidated Financial Statements for 2013: "Income tax paid".*

[6] *In the Alior Group Consolidated Financial Statements for 2013: "Purchase of subsidiaries".*

Source: the Alior Group Annual Consolidated Financial Statements, except for the percentage change.

Net cash flow from operating activities

In the three-month periods ended March 31, 2016 and 2015, the Alior Group recorded net cash outflows from operating activities of PLN (1,196.4) million and PLN (545.4) million, respectively.

In the three-month period ended March 31, 2016, the Alior Group recorded a net cash outflow from operating activities of PLN (1,196.4) million. The gross profit of the Alior Group for the three-month period ended March 31, 2016 amounted to PLN 106.3 million. The key adjustments were to: (i) add the change in deposits of PLN 1,910.2 million; (ii) deduct the change in loans and other receivables of PLN (1,849.6) million; (iii) deduct the change in financial assets available for sale of PLN (1,755.0) million; and (iv) add the change in assets securing liabilities of PLN 402.2 million.

In the three-month period ended March 31, 2015, the Alior Group recorded a net cash outflow from operating activities of PLN (545.4) PLN million. The profit before tax of the Alior Group for the three-month period ended March 31, 2015 amounted to PLN 117.2 million. The key adjustments were to: (i) deduct the change in loans and other receivables of PLN (4,050.9) million; (ii) add the change in deposits of PLN 3,152.4 million; (iii) add the change in other liabilities and other comprehensive income of PLN 628.3 million; and (iv) deduct the change of assets securing liabilities of (652.2) PLN million.

Net cash flow from investing activities

In the three-month periods ended March 31, 2016 and 2015, the Alior Group recorded net cash flows from investing activities of PLN (71.0) million and PLN 251.9 million, respectively.

The Alior Group's net cash outflow from investing activities, amounting to PLN 72.4 million in the three-month period ended March 31, 2016, resulted from acquiring intangible assets and property, plant and equipment.

The Alior Group's net cash inflow from investing activities, amounting to PLN 251.9 million in the three-month period ended March 31, 2015, resulted mainly from the sale of shares in subsidiaries.

Net cash flow from financing activities

In the three-month periods ended March 31, 2016 and 2015, the Alior Group recorded net cash inflows from financing activities of PLN 42.8 million and PLN 394.5 million, respectively.

The Alior Group's net cash inflow from financing activities of PLN 44.1 million in the three-month period ended March 31, 2016 resulted mainly from incurring subordinated debt.

The Alior Group's net cash inflow from financing activities of PLN 570.8 million in the three-month period ended March 31, 2015 resulted mainly from incurring long-term liabilities and subordinated liabilities and from the proceeds of issuances of shares.

Years ended December 31, 2015, 2014 and 2013.

The following table sets forth information on the Alior Group's cash flows from operating, investing and financing activities for the years ended December 31, 2015, 2014 and 2013.

	Financial year ended December 31,			Change	
	2015	2014[1]	2013[2]	2015/2014	2014/2013
	(audited)			*(unaudited)*	
	(PLN million)			*(%)*	
Operating activities					
Profit/(loss) before tax for the year	**386.0**	**401.1**	**287.7***	**(3.8)**	**39.4**
Adjustments:	**356.7**	**(704.1)**	**(277.7)***	**(150.7)**	**153.6**
Unrealized foreign exchange gains/losses	(0.6)	1.4	1.8	(142.8)	(21.9)
Dividend income	0.1	-	-	not applicable	-
Amortization/depreciation of intangible and tangible assets	86.4	75.5	75.2	14.5	0.4
Change in tangible and intangible assets impairment write-down[3]	7.2	5.3	0.1	38.0	5,101.0
Gains/(losses) on investments	-	(0.0)	-	not applicable	not applicable
Change in provisions	0.4	3.4	(2.9)*	(88.2)	not applicable
Share-based payments	0.7	7.4[1]	13.4	(90.1)	(45.0)
Other adjustments	-	(0.0)[1]	-	not applicable	not applicable
Change in loans and other receivables	(4,613.0)	(4,078.9)	(5,337.3)*	13.1	(23.6)
Change in financial assets available for sale	(1,142.2)	(180.8)	932.2	531.7	(119.4)
Change in assets held for trading	86.3	(233.5)	(69.6)	not applicable	235.6
Change in hedging assets derivatives	298.9	(68.1)	(12.1)	not applicable	462.9
Change in assets measured at fair value through profit or loss	(59.4)	-	-	not applicable	-
Change in assets held for sale	0.0	37.4	24.0	(99.9)	56.2
Change in other assets	(136.9)	122.4	23.8	(211.9)	415.1
Change in deposits	5,789.2	3,067.4	2,857.8*	88.7	7.3
Change in issued debt	617.3	519.0	479.6*	18.9	8.2
Change in financial liabilities held for trading	(39.6)	164.9	55.0	(124.0)	200.0
Change in hedging liabilities derivatives	(4.8)	4.8	-*	(200.0)	not applicable
Change in other liabilities and other comprehensive income[3]	(366.8)	(52.1)	734.7*	604.3	(107.1)
Tax paid	(166.5)	(99.5)	(53.3)	67.4	86.7
Net cash flow from operating activities	**742.7**	**(303.0)**	**10.0***	not applicable	**(3,120.2)**
Investing activities					
Outflows from investing activities:	**(366.3)**	**(79.0)**	**(108.4)**	**363.8**	**(27.1)**
Purchase of property, plant and equipment	(55.3)	(22.9)	(50.2)	141.8	(54.4)
Purchase of intangible assets	(57.2)	(56.0)	(58.2)	2.1	(3.8)
Purchase of shares in subsidiaries, net of cash acquired[3]	(253.8)	(0.1)	(0.0)	237,082.2	not applicable
Inflows from investing activities:	**0.3**	**0.1**	**-**	408.2	not applicable
Disposal of property, plant and equipment	0.3	0.0	-	532.7	not applicable
Disposal of shares in subsidiaries	-	0.0	-	(100.0)	not applicable
Net cash flow from investing activities	**(366.0)**	**(78.9)**	**(108.4)**	**363.8**	**(27.2)**
Financing activities					
Outflows from financing activities:	**(201.2)**	**(192.5)**	**(2.6)***	**4.5**	**7,195.2**
Repayment of long-term liabilities	(167.0)	(219.9)	(30.4)	(24.1)	623.4
Interest expense - loan received	-	0.7	1.4*	(100.0)	(53.7)
Interest expense - subordinated loan	(34.2)	26.8	26.4*	(227.7)	1.6
Inflows from financing activities:	**570.4**	**781.4**	**-**	(27.0)	not applicable

	Financial year ended December 31,			Change	
	2015	2014[1]	2013[2]	2015/2014	2014/2013
	(audited)			(unaudited)	
	(PLN million)			(%)	
Subordinated liabilities incurred	374.9	321.7	-	16.5	not applicable
Inflows from share issue	195.5	460.3	-	(57.5)	not applicable
Acquisition of non-controlling interests after control takeover	-	(0.6)	-	not applicable	not applicable
Net cash flow from financing activities	**369.2**	**588.9**	**(2.6)***	**(37.3)**	not applicable
Total net cash flow	**745.9**	**207.0**	**(101.0)***	**260.4**	not applicable
Exchange gains/(losses) on translation	**10.9**	**16.7**	**(1.0)***	**(35.0)**	not applicable
Balance sheet change in cash and cash equivalents	**745.9**	**207.0**	**(101.0)***	**260.4**	not applicable
Cash and cash equivalents, opening balance	1,456.3	1,251.7	1,352.7	16.3	(7.5)
Cash and cash equivalents, closing balance	2,202.2	1,458.7	1,251.7*	51.0	16.5
Additional disclosures on operating cash flows					
Interest income received	2,077.9	1,745.3	1,448.9	19.1	20.5
Interest expense paid	**(549.2)**	**(476.6)**	**(572.2)**	**15.3**	**(16.7)**

[1] *Figures for the financial year ended December 31, 2014 were extracted from the Alior Group Consolidated Financial Statements for 2015 in order to ensure full comparability with financial data for the year ended December 31, 2015. See: "Presentation of Financial and Other Information – Changed Presentation of Financial Data".*
[2] *Figures for the financial year ended December 31, 2013, except for figures marked with "*", were extracted from the Alior Group Consolidated Financial Statements for 2013. See: "Presentation of Financial and Other Information – Changed Presentation of Financial Data". Figures marked with "*" were extracted from the Alior Group Consolidated Financial Statements for 2014.*
[3] *In the Alior Group Consolidated Financial Statements for 2013: "Change in tangible and intangible assets impairment write-down", "Change in other liabilities" and "Purchase of subsidiaries", respectively.*
Source: the Alior Group Annual Consolidated Financial Statements, except for the percentage change.

Net Cash Flow from Operating Activities

In the years ended December 31, 2015, 2014 and 2013, the Alior Group recorded a net cash inflow from operating activities of PLN 742.7 million, a net cash outflow from operating activity of PLN 303.0 million and a net cash inflow from operating activities of PLN 10.0 million, respectively.

In the year ended December 31, 2015, the Alior Group recorded a net cash inflow from operating activities of PLN 742.7 million. The Alior Group's profit before tax for the year ended December 31, 2015 was PLN 386.0 million. The key adjustments were to: (i) add the change in deposits of PLN 5.789.2 million; (ii) deduct the change in loans and other receivables of PLN 4.613.0 million; and (iii) deduct the change in financial assets available for sale of PLN 1.142.2 million. In the year ended December 31, 2014, the Alior Group recorded a net cash outflow from operating activities of PLN 303.0 million. The Alior Group's profit before tax for the year ended December 31, 2014 was PLN 401.1 million. The key adjustments were to: (i) deduct the change in loans and other receivables of PLN 4.078.9 million; (ii) add the change in deposits of PLN 3.067.4 million; and (iii) add the change in issued debt of PLN 519.0 million.

In the year ended December 31, 2013, the Alior Group recorded a net cash inflow from operating activities of PLN 10.0 million. The Alior Group's profit before tax for the year ended December 31, 2013 was PLN 287.7 million. The key adjustments were to: (i) deduct the change in loans and other receivables of PLN 5.337.3 million; (ii) add the change in deposits of PLN 2.857.8 million; and (iii) add the change in financial assets available for sale of PLN 932.2 million.

Net Cash Flow from Investing Activities

In the years ended December 31, 2015, 2014 and 2013, the Alior Group recorded a net cash outflow from investing activities of PLN 366.0 million, PLN 78.9 million and PLN 108.4 million, respectively.

The Alior Group's net cash outflow from investing activities, amounting to PLN 366.0 million in the year ended December 31, 2015 was primarily a product of the purchase of shares in subsidiaries, net of cash in the amount of PLN 253.8 million (mainly related to the acquisition of Meritum Bank ICB in the amount of PLN 360.1 million).

The Alior Group's net cash outflow from investing activities, amounting to PLN 78.9 million for the year ended December 31, 2014, was primarily a product of the purchase of intangible assets in the amount of PLN 56.0 million.

Alior Group's net cash outflow from investing activities, amounting to PLN 108.4 million for the year ended December 31, 2013, was primarily a product of purchase of intangible assets in the amount of PLN 58.2 million.

Net Cash Flow from Financing Activities

In the years ended December 31, 2015, 2014 and 2013, the Alior Group recorded a net cash inflow from financing activities of PLN 369.2 million, a net cash inflow from financing activities of PLN 588.9 million and a net cash outflow from financing activities of PLN 2.6 million respectively.

The Alior Group's net cash inflow from financing activities of PLN 369.2 million in the year ended December 31, 2015 resulted mainly from subordinated debt of PLN 374.9 million, which was partially offset by the repayment of long-term liabilities of PLN 167.0 million.

The Alior Group's net cash inflow from financing activities of PLN 588.9 million in the year ended December 31, 2014 resulted mainly from the share issue of PLN 460.3 million and subordinated debt of PLN 321.7 million, which was partially offset by the repayment of long-term liabilities of PLN 219.9 million.

The Alior Group's net cash outflow from financing activities of PLN 2.6 million in the year ended December 31, 2013 resulted mainly from the repayment of long-term liabilities of PLN 30.4 million, which was partially offset by the interest expense in the amount of PLN 26.4 million.

Capital Expenditures

The Alior Group defines capital expenditures on investment projects as newly purchased assets or an investment that improves the useful life of an existing asset and development works. In the period between January 1, 2016 and the date of this Offering Circular and in the years ended December 31, 2015, 2014 and 2013, the Alior Group recorded capital expenditures on investment projects of approximately PLN 36.6 million, and of PLN 141.7 million, PLN 82.5 million and PLN 109.8 million, respectively.

In the period between January 1, 2016 and the date of this Offering Circular the Alior Group's capital expenditures on investment projects amounted to approximately PLN 36.6 million. These projects and initiatives included, among other things: (i) investments in fixed assets in the amount of PLN 7.5 million; and (ii) investments in intangible assets in the amount of PLN 29.1 million. These amounts are related to the following projects: (i) the development of functionalities of T-Mobile Usługi Bankowe, the white label bank run in cooperation with T-Mobile; (ii) the set-up of a Romanian branch and the development of functionalities to facilitate the white label bank under the name agreed with T-Mobile Romania; and (iii) the development of the CRM function. The amount of capital expenditures incurred by the Alior Group in the period from January 1, 2016 to the date of this Offering Circular includes PLN 31.8 million for investment projects in Poland; whereas PLN 4.8 million was incurred on investment projects outside Poland.

In the year ended December 31, 2015, the Alior Group's capital expenditures on investment projects amounted to PLN 141.7 million. These projects included, among other things: (i) investments in fixed assets in the amount of PLN 80.6 million; and (ii) investments in intangible assets in the amount of PLN 61.1 million. These amounts are related to the following projects: (i) the development of functionalities of T-Mobile Usługi Bankowe, the white label bank run in cooperation with T-Mobile; (ii) the set-up of the Romanian branch and the development of functionalities to facilitate the white label bank under the name agreed with T-Mobile Romania; (iii) the development of a data warehouse; (iv) investments related to the merger with Meritum Bank; and (v) the development of the CRM function. The amount of capital expenditures incurred by the Alior Group in the financial year ended December 31, 2015 includes PLN 138.1 million for investment projects in Poland; whereas PLN 3.6 million was incurred on investment projects outside Poland.

In the year ended December 31, 2014, the Alior Group's capital expenditures on investment projects amounted to PLN 82.5 million. These projects and initiatives included, among other things: (i) investments in fixed assets in the amount of PLN 26.5 million; and (ii) investments in intangible assets in the amount of PLN 56.0 million. These amounts were related to the following projects: (i) the development of functionalities of T-Mobile Usługi Bankowe, the white label bank run in cooperation with T-Mobile Polska; (ii) the development of infrastructure for partner branches; (iii) investments related to the implementation of Recommendation D; and (iv) the development of services and functionality of the electronic banking system. All capital expenditures in the financial year ended December 31, 2014 were incurred on projects in Poland.

In the year ended December 31, 2013, the Alior Group's capital expenditures on investment projects amounted to PLN 109.8 million. These projects and initiatives included, among other things: (i) investments in fixed assets in the amount of PLN 50.8 million; and (ii) investments in intangible assets in the amount of PLN 59.0 million. These amounts were related to the following projects: (i) development of infrastructure for agencies; (ii) the development of functionalities of T-Mobile Usługi Bankowe, the white label bank run in cooperation with T-Mobile; (iii) the development of IT infrastructure for consumer finance; and (iv) the development of services and functionality of the electronic banking system. All capital expenditures in the financial year ended December 31, 2013 were incurred on projects in Poland.

The expenditures on the abovementioned projects were financed from the Alior Group's own funds.

Current and Planned Investments

Alior Bank's budgeted capital expenditure for the year ending December 31, 2016 is PLN 106 million. These expenditures are planned to be spent on such investment projects and initiatives as: (i) the development of functionalities of T-Mobile Usługi Bankowe, the white label bank run in cooperation with T-Mobile Polska; (ii) the set-up of the Romanian branch and the development of functionalities to facilitate the white label bank under the name agreed with T-Mobile Romania; (iii) the modernization of internet banking; and (iv) the development of the CRM function. Out of these capital expenditures, PLN 48 million is designated for the property, plant and equipment. The planned property, plant and equipment of Alior Bank includes IT equipment and software, property fittings, office equipment and technical infrastructure.

All of these projects, except for setting up the Romanian branch, are or will occur in the territory of Poland. The setting up of the Romanian branch will occur in the territory of Romania. The expenditures on all these projects and initiatives are expected to be financed from the Alior Group's own funds. The funds are generated in the day-to-day business by the Alior Group; whereas the Transaction and the ensuing integration will be funded fully from the proceeds of the Offering. See "– *Use of Proceeds*".

As at the date of this Offering Circular, except for the investment projects above and except for the Transaction (see "*Transaction*") there were no other material investment projects with respect to which the Management Board has made a binding commitment.

Critical Accounting Policies

To prepare the consolidated financial statements according to IFRS the Management Board is required to make estimates and judgments and adopt assumptions which affect the applied accounting policies and the presented amounts of assets, liabilities and costs and revenues. Estimates and assumptions are made on the basis of historical data and other factors considered appropriate under the circumstances. The results of those actions form a basis for estimates in relation to the carrying amounts of assets and liabilities, which cannot be derived clearly from any other sources. These estimates include the estimated values of future cash flows, estimated unrecoverable amounts, future estimated costs of operations, and estimated risk values. The aforesaid estimates and assumptions are reviewed on an on-going basis to assess whether they are justified.

Adjustments of the estimates are recognized in the period when the adopted estimates have been changed.

An exhaustive description of Alior Group's accounting policies regarding periods covered by historical financial information is provided in Note 2 "Accounting policies" to the Alior Group Consolidated Financial Statements for the First Quarter of 2016, the Alior Group Consolidated Financial Statements for 2015, the Alior Group Consolidated Financial Statements for 2014 and the Alior Group Consolidated Financial Statements for 2013.

The most important accounting estimates made by the Alior Group are described below.

Fair value of financial instruments

If it is impossible to determine the fair value of financial assets or liabilities recognized in the financial statements on the basis of active markets, it is determined using other measurement techniques, which include: using recent market transactions, an analysis of discounted cash flows, option valuation models and other techniques which are commonly used by market participants. Wherever possible, input data is obtained from observable markets. If it is not possible, professional judgment must be used to assess liquidity risk, credit risk and volatility risk. Changes in the assumptions relating to such risks can affect the recognized fair value of financial instruments.

Impairment of financial assets and Incurred but not Reported (IBNR) credit losses

Alior Bank assesses all loan exposures (groups of loan exposures) recognized in the balance sheet to identify any objective evidence of impairment using the most recent data available as at the date of assessment. When estimating an impairment loss, Alior Bank assesses the estimated amounts and due dates of future cash flows. Estimates are based on the assumptions concerning a number of factors, therefore, the actual results may differ from the estimates. As a result, the amount of impairment loss may change in the future.

The exposures in respect of which objective evidence of impairment has been identified are divided into those that are measured individually and those that are measured on a collective basis. The exposures in respect of which no evidence of impairment has been identified are grouped in accordance with similar risk characteristics to maintain a homogeneous risk profile. IBNR allowances are created for such groups of exposures. The amount of IBNR is determined based on PD and LGD (taking into account the expected recovery rates).

As at each balance sheet date, the Alior Group assesses whether there is objective evidence that a financial asset or group of financial assets is impaired. A financial asset or a group of financial assets is impaired and impairment losses are incurred if, and only if, there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset and that such loss event (or events) has an impact on the expected future cash flows of the financial asset or group of financial assets that can be reliably estimated. The objective evidence of impairment of a financial asset or a group of financial assets includes information obtained by the asset holder on the following loss events:

- significant financial problems of the issuer or debtor;
- a breach of contract, such as a default or delinquency in interest or principal payments;
- a concession granted by the lender to the borrower for economic or legal reasons relating to the borrower's financial difficulty which would not have been granted otherwise;
- high probability of the borrower's bankruptcy or other financial reorganization;

- the demise of an active market for a given financial asset component, related to financial difficulty;
- observable data indicating a measurable decrease in estimated future cash flows related to the group of financial assets from the moment they were initially recognized, even though no decrease regarding a single financial asset component can at that point in time be established;
- information pertaining to significant negative changes occurring in the technological, market, economic or other environment in which the issuer operates, indicative of the fact that the capital instrument investment costs may be irrecoverable.

If there is objective evidence that an impairment loss has been incurred on an unquoted equity instrument which is not measured at fair value because its fair value cannot be reliably established, or on a derivative asset that is linked to and must be settled by delivery of such an unquoted equity instrument, the amount of the impairment loss is measured as the difference between the carrying amount of the financial asset and the present value of estimated future cash flows discounted at the current market rate of return for similar financial assets.

If the decrease in fair value of a debt financial asset available for sale was recognized as other comprehensive income and there is objective evidence of impairment of the component, the accumulated losses are removed from the revaluation reserve and recognized in the income statement, even if the financial asset component has not been excluded from the balance sheet.

Impairment losses in respect of investments in equity instruments classified as available for sale may not be reversed through the income statement.

OPERATING AND FINANCIAL REVIEW OF THE BANK BPH CORE BUSINESS

The discussion and analysis below is based on the Bank BPH Special Purpose 2014-2015 Financial Statements, Bank BPH Interim Special Purpose Q1 2016 Financial Information and the Bank BPH Annual Standalone Financial Statements. The discussion and analysis below provides information that the Alior Group believes is relevant to an assessment and understanding of the Bank BPH Core Business historical financial condition and results of operations. You should read this discussion in conjunction with the Bank BPH Special Purpose 2014–2015 Financial Statements, the Bank BPH Interim Special Purpose Q1 2016 Financial Information, the Bank BPH Annual Standalone Financial Statements, the Bank BPH Pro Forma Financial Information, and the other financial information included elsewhere in this Offering Circular.

The Bank BPH Special Purpose 2014-2015 Financial Statements and Bank BPH Interim Special Purpose Q1 2016 Financial Information regarding financial data on the Bank BPH Core Business have been prepared in order to present the financial condition, results of operations and cash flows separately for the Bank BPH Core Business and the Bank BPH Mortgage Business in all periods covered by that financial information in order to reflect as faithfully as possible the business to be transferred in the Transaction to Alior Bank. Neither the Bank BPH Core Business nor the Bank BPH Mortgage Business has ever operated as a stand-alone business, and their presented financial condition, results of operations and cash flows may to some extent deviate from what the actual financial condition, results of operations or cash flows would have been if they had operated on a stand-alone basis in the periods under review. In the periods covered by the presented financial data and until the Demerger Effective Date the Bank BPH Core Business and the Bank BPH Mortgage Business were and will be managed jointly within one legal entity and are therefore not completely separable. In the Bank BPH financial statements, operations of the Bank BPH Mortgage Business represent a part of retail segment activities. Some of the managerial functions and expenses related to them were connected to the entire operations of Bank BPH. Also Bank BPH, as a regulated entity, was required to maintain certain capital and funds for the whole business.

Financial information labeled as "unaudited" in the tables in this "Operating and Financial Review of the Bank BPH Core Business" has not been extracted from the Bank BPH Special Purpose 2014-2015 Financial Statements nor from the Bank BPH Annual Standalone Financial Statements, but is based on the Bank BPH Interim Special Purpose Q1 2016 Financial Information or data extracted from Bank BPH internal reporting systems and made available to the Alior Group or on calculations based on the above-mentioned data.

The information presented in this section regarding the financial performance and financial condition of Bank BPH for the year ended December 31, 2014 as compared to the year ended December 31, 2013 and as at December 31, 2014 as compared to December 31, 2013, is presented for Bank BPH as a whole, rather than for the Bank BPH Core Business, and is extracted from the Bank BPH Annual Standalone Financial Statements which are incorporated herein by reference. This method of presentation has been adopted because separate financial data for the Bank BPH Core Business as at December 31, 2013 and for the year ended December 31, 2013 were not available since the Bank BPH Special Purpose 2014-2015 Financial Statements only contain data as at December 31, 2014 and 2015 and for the years ended December 31, 2014 and 2015. Therefore, in this section, the financial performance and financial condition information presented for the year ended December 31, 2014 as compared to the year ended December 31, 2013, and as at December 31, 2014 as compared to December 31, 2013 is not comparable to the financial performance and financial condition information presented for the year ended December 31, 2015 as compared to the year ended December 31, 2014 and as at December 31, 2015 as compared to December 31, 2014, and should not be relied on as providing any indication of the potential future financial condition or results of operations of Bank BPH Core Business or the enlarged Alior Group.

This section includes forward-looking statements. These forward-looking statements are subject to risks, uncertainties and other factors that could cause actual results to differ materially from those expressed or implied by such forward-looking statements. See "Important Information – Forward-Looking Statements" and " – Risk Factors".

Key Factors Affecting the Bank BPH Core Business's Financial Condition and Results of Operations

The Bank BPH Core Business primarily operates in the same banking and financial services markets in Poland as the Alior Group, and as a result, the key factors that have affected and are expected to affect in the future the Alior Group's financial condition and results of operations have affected and are expected to affect in the future the Bank BPH Core Business financial condition and results of operations. Please see "*Operating and Financial Review of the Alior Group – Recent Developments (Post-balance Sheet Events)*", "*Operating and Financial Review of the Alior Group – General Factors Affecting the Alior Group's Financial Condition and Results of Operations*", and "*Operating and Financial Review of the Alior Group – Trends Affecting the Alior Group's Financial Condition and Results of Operations*" for a more detailed discussion of the key factors that have had a material effect on the Polish banking sector, including Bank BPH Core Business.

In particular, the following general factors have had a material effect on the Bank BPH Core Business financial condition and results of operations during the period under review in the section " – *Operating and Financial Review of the Bank BPH Core Business*":

Interest Rate Reductions

The Monetary Policy Council's reductions of interest rates in the fourth quarter of 2014 and first quarter of 2015 had a material negative impact on Bank BPH Core Business interest income for the year ended December 31, 2015, and, with respect to the second interest rate reduction, the three-month period ended March 31, 2016, particularly in its retail banking segment (where interest income declined by PLN 15.8 million, or 7.1%, from PLN 221.1 million for the three-month period ended March 31, 2015 to PLN 205.3 million for the three-month period ended March 31, 2016, and by PLN 251.1 million, or 22.8%, from PLN 1,101.3 million for the financial year ended December 31, 2014 to PLN 850.2 million for the financial year ended December 31, 2015). Due to the product mix of the Bank BPH Core Business retail loan portfolio, income from this portfolio was particularly exposed to reductions in the maximum permissible interest rate arising from the Consumer Credit Act limitations. The Bank BPH Core Business altered the terms of its retail loans in the fourth quarter of 2014 to shift primary revenue generation from an interest model to a commission model. However, due to the time it takes for existing loans to be replaced by new loans in the portfolio, the new terms are not expected to have a material impact on the product mix of the retail loan portfolio or on profitability or margins until 2017. Notwithstanding this shift to a commission model, income from the Bank BPH Core Business loan products will continue to be recognized as interest income. In addition, there is typically a lag between the time when benchmark interest rates are changed and the Bank BPH Core Business is able to apply adjusted rates to amounts due to customers. As a result, a decline in benchmark rates has a disproportionately adverse impact on the Bank BPH Core Business margins (leading to an immediate decrease in interest income and only a partial decrease in interest expense which comes with a time lag). For further detail regarding the recent interest rate environment in Poland, see "*Operating and Financial Review of the Alior Group – General Factors Affecting the Alior Group's Financial Condition and Results of Operations – Interest Rates and Inflation*".

Interchange Fees

The reductions in interchange fees imposed by EU regulations continued to negatively impact Bank BPH Core Business commission income from credit cards and debit cards (commission income declined by PLN 9.5 million, or 10.8%, from PLN 87.6 million for the three-month period ended March 31, 2015 to PLN 78.1 million for the three-month period ended March 31, 2016, and by PLN 84.8 million, or 19.9%, from PLN 426.0 million for the financial year ended December 31, 2014 to PLN 341.2 million for the financial year ended December 31, 2015). For further details regarding the decline in interchange fees, see "*Operating and Financial Review of the Alior Group – General Factors Affecting the Alior Group's Financial Condition and Results of Operations – Net Fee and Commission Income*".

Bancassurance Income

A shift of bancassurance income from the commission income line to the interest income line of the profit and loss statement, has had a negative impact on Bank BPH Core Business commission income (commission income from insurance intermediation declined by PLN 4.9 million, or 49.8%, from PLN 9.8 million for the three-month period ended March 31, 2015 to PLN 4.9 million for the three-month period ended March 31, 2016, and by PLN 21.8 million, or 45.6%, from PLN 47.8 million for the financial year ended December 31, 2014 to PLN 26.0 million for the financial year ended December 31, 2015). For further details regarding the change in accounting for bancassurance income, see "*Operating and Financial Review of the Alior Group – General Factors Affecting the Alior Group's Financial Condition and Results of Operations – Net Fee and Commission Income*".

Bank Guarantee Fund

The Bank BPH Core Business was required to make a substantially increased payment to the BFG in 2015 (PLN 34.7 million in the financial year ended December 31, 2015 compared to PLN 14.0 million in the financial year ended December 31, 2014), which included a guarantee payment of PLN 9.2 million in connection with the bankruptcy of Spółdzielczy Bank Rzemiosła i Rolnictwa in Wołomin. For the three-month period ended March 31, 2016, the Bank BPH Core Business made a payment of PLN 6.3 million to the BFG, compared to a payment of PLN 6.4 million for the three-month period ended March 31, 2015. For further details regarding the Bank Guarantee Fund, see "*Operating and Financial Review of the Alior Group – General Factors Affecting the Alior Group's Financial Condition and Results of Operations – Bank Guarantee Fund*".

Tax on Certain Financial Institutions

The new Polish tax on certain financial institutions that came into effect on February 1, 2016 will not have an immediate impact on the Bank BPH Core Business because the Bank BPH Core Business is subject to the Recovery Plan described below under " – *Business Transformation Plan and Recovery Plan"* and, as a result, is not subject to the new tax. For further details regarding the new tax on certain financial institutions, see "*Operating and Financial Review of the Alior Group – General Factors Affecting the Alior Group's Financial Condition and Results of Operations – Tax on Certain Financial Institutions*".

In addition to the general factors discussed above, the following specific factors had a material impact on Bank BPH Core Business financial condition and results of operations during the period under review:

Impairment of Goodwill

Following confirmation from Bank BPH's majority shareholder, General Electric Company group, that any potential sale of Bank BPH or its assets was unlikely to achieve a net price in excess of "tangible book value", Bank BPH's management took the decision to impair PLN 154.8 million of goodwill with respect to the Bank BPH Core Business in the financial year ended December 31, 2015. This resulted in a material increase in other operating expense (from PLN 32.2 million for the financial year ended December 31, 2014 to PLN 175.9 million for the financial year ended December 31, 2015) on the income statement of the Bank BPH Core Business and a material reduction in intangible assets (from PLN 236.6 million as at December 31, 2014 to PLN 120.0 million as at December 31, 2015) on the statement of financial position of the Bank BPH Core Business, significantly contributing to the substantial loss for the financial year ended December 31, 2015.

Recovery Plan and Business Transformation Plan

As at the date of this Offering Circular, Bank BPH was still operating under the recovery regime referred to in Article 142 of the Banking Law. On July 13, 2015 Bank BPH was informed by the PFSA that the PFSA had accepted Bank BPH's proposed "Operational Program 2015-2018" (*Program Działań Operacyjnych na lata 2015-2018*) including the "Financial and Economic Projections for 2015-2018" (the "Recovery Plan"), as a recovery plan for the improvement of the business operations and financial condition of Bank BPH. Pursuant to the recommendations of the PFSA, Bank BPH will remain under the recovery regime until 2017.

The Recovery Plan is to be implemented by way of the Business Transformation Plan for 2015-2020 published by Bank BPH in the fourth quarter of 2015. The purpose of the Business Transformation Plan is aimed at adjusting the business of Bank BPH to the changing needs of its customers, improving its competitive position and restoring profitability in the medium and long-term.

The Business Transformation Plan has the objective of substantially reducing Bank BPH's cost base through the transformation of the bulk of its own branches into franchise partner outlets and staff restructuring, as well as a substantial investment in improving its IT systems.

As at the date of this Offering Circular, Bank BPH is continuing to reduce the number of branches in accordance with the Business Transformation Plan. Consequently, certain own branches currently belonging to the Bank BPH Core Business will be transformed into partner (franchise) outlets. They will operate under a simplified business model, based on offering retail loans, personal accounts, credit cards and transaction services. Additionally, Bank BPH plans to close down some of its own branches, with customers from these branches continuing to be served from the nearest outlets or via remote channels.

With respect to the modernization of IT systems, Bank BPH intends to continue the implementation of necessary projects relating to compliance with applicable regulatory requirements. Bank BPH plans to simultaneously limit the scope of ongoing projects so as to avoid excessive spending on the solutions that will not be utilized by the Bank BPH Core Business following the planned merger with Alior Bank. After the Transaction, Alior Bank expects to limit the scope of the planned projects, which will contribute to the expected decrease in the cost base of Bank BPH.

In connection with this Business Transformation Plan, including in relation with the anticipated charges related to employment restructuring, transformation and closing of branches and other expenses related to the Business Transformation Plan, Bank BPH booked provisions of PLN 177.0 million in the financial year ended December 31, 2015. Bank BPH also incurred miscellaneous restructuring charges of PLN 7.7 million in the financial year ended December 31, 2015. Additionally, Bank BPH also expects an additional PLN 35 million of accelerated amortization and depreciation in 2016 in connection with the closing of existing branches.

In connection with the planned Transaction, some elements of the Business Transformation Plan have been changed and notified to the PFSA. Bank BPH expects that the most important elements of the Business Transformation Plan will be implemented during 2016 before the Demerger. Following the Demerger, however, Alior Bank intends to continue transformation of the Bank BPH Core Business based on its own business plan. For more detailed information see " *– The Bank BPH Core Business – Business Description – Business Transformation Plan"*.

Trends Affecting the Bank BPH Core Business Financial Condition and Results of Operations

The Bank BPH Core Business future financial condition and results of operations are subject to the same trends that are likely to have an impact on the future financial condition and results of operations of the Alior Group. For an explanation of these trends, see "*Operating and Financial Review of the Alior Group – Trends Affecting the Alior Group's Financial Condition and Results of Operations*".

Key Performance Indicators

The following key performance indicators ("**KPIs**") for the Bank BPH Core Business, which have not been prepared in accordance with IFRS or any other generally accepted accounting principles or standards, are based on data provided by the Bank BPH Core Business. Similar KPIs have been included for Alior Bank. No assurance can be given however that similarly named data presented or reported by other banks is prepared on a basis that is consistent with that used in preparing the data presented herein. In addition, no assurance can be given that the ratios presented below are comparable in all respects with the corresponding KPIs presented for Alior Bank. Moreover, an investor should not consider this data in isolation or as a substitute for net profit or the data provided in the rest of this section and elsewhere in this Offering Circular. The following financial data has not been prepared in accordance with IFRS and such non-IFRS measures should not be considered in isolation and are not measures of financial performance or liquidity under IFRS, and should not be considered as an alternative to income, profit or loss or any other performance measures based on IFRS or as an alternative to cash flow from operating, investing or financing activities or any other measure of liquidity based on IFRS. See "*Presentation of Financial and Other Information – Non-IFRS Financial Measures*".

The following table shows selected KPIs of the Bank BPH Core Business for the three-month period ended March 31, 2016 and the years ended December 31, 2015 and 2014 and as at March 31, 2016 and December 31, 2015 and 2014.

	As at and for the three-month period ended March 31,	As at and for the financial year ended December 31,	
	2016*	2015	2014
	(unaudited)		
	(%)		
Profitability ratios			
NIM[(1)]	4.4	4.7	5.6
% NII generated by impaired loans[(2)]	6.0	7.7	7.6
Earning rate[(3)]	5.6	6.0	6.9
Cost of funds[(4)]	1.2	1.4	1.3
Fee and commission income/Total revenue[(5)]	19.7	23.4	23.1
Cost/Income (C/I)[(6)]	102.3	145.0	84.9
Cost of risk ratio[(7)]	0.6	(0.1)	(0.1)
ROA[(8)]	0.2	(2.0)	0.7
Loan portfolio quality			
Impaired loan ratio (NPL)[(9)]	11.8	12.1	17.4
Loan loss coverage ratio[(10)]	70.6	69.6	78.6
Liquidity ratios			
Loan to deposit ratio[(11)]	65.8	66.1	66.1

[(1)] For the first quarter 2016 ratio: Net interest income for the first quarter / ((interest earning assets as at the end of the previous year + interest earning assets as at the end of the first quarter) / 2). For the full year ratios: Net interest income for the current year / ((interest earning assets as at the end of the previous year + interest earning assets as at the end of the current year) / 2). Interest earning assets comprise the following balance sheet line items: financial assets at fair value through profit or loss, amounts due from banks, loans and advances to customers, and financial assets available for sale.

(2) Net interest income on impaired financial assets for current period / total net interest income from current period.
(3) For the first quarter 2016 ratio: Interest income for the first quarter / ((interest earning assets as at the end of the previous year + interest earning assets as at the end of the first quarter) / 2). For the full year ratios: Interest income for the current financial year / ((interest earning assets as at the end of the previous year + interest earning assets as at the end of the current year) / 2).
(4) For the first quarter 2016 ratio: Interest expenses for the first quarter / ((interest accruing liabilities as at the end of the previous year + interest accruing liabilities as at the end of the first quarter) / 2). For the full year ratios: Interest expenses for the current year / ((interest accruing liabilities as at the end of the previous year + interest accruing liabilities as at the end of the current year) / 2). Interest accruing liabilities comprise the following balance sheet line items: amounts due to banks, amounts due to customers, and financial liabilities at fair value through profit or loss.
(5) Net commission income for the current period / Total revenue for the current period. Total revenue comprises the following income statement line items: net interest income, net commission income, result on financial instruments at fair value through profit or loss and exchange rate differences, and other operating income.
(6) General administrative expenses for the current period / (net interest income + net fee and commission income + result on financial instruments at fair value through profit or loss and exchange rate differences + result on available for sale financial assets +net other operating income and expense for the current period).
(7) For the first quarter 2016 ratio: Impairment charges for the first quarter / ((loans and advances to customers as at the end of the previous year + loans and advances to customers as at the end of the first quarter) / 2). For the full year ratios: Impairment charges for the current year / ((loans and advances to customers as at the end of the previous year + loans and advances to customers as at the end of the current year) / 2).
(8) For the first quarter 2016 ratio: (Profit (loss) for the first quarter / ((total assets as at the end of the previous year + total assets as at the end of the first quarter) / 2). For the full year ratios: Profit (loss) for the current financial year / ((total assets as at the end of the previous year + total assets as at the end of the current year) / 2).
(9) Gross impaired loans and advances to customers as at the end of the current period / gross loans and advances to customers as at the end of the current period.
(10) Impairment allowance on impaired loans and advances to customers as at the end of the current period / impaired loans and advances to customers as at the end of the current period.
(11) Loans and advances to customers as at the end of the current period / amounts due to customers as at the end of the current period.
** Annualized by multiplying by 4.*
Source: Bank BPH.

Results of Operations

The three-month period ended March 31, 2016 compared to the three-month period ended March 31, 2015

The following table sets forth Bank BPH Core Business's income statement for the three-month period ended March 31, 2016 compared to the three-month period ended March 31, 2015.

	For the three-month period ended March 31,		Change
	2016	2015	Q1 2016/ Q1 2015
	(unaudited)		*(unaudited)*
	(PLN million)		*(%)*
Interest income	205.3	221.1	(7.2)
Interest expenses	(38.6)	(53.1)	(27.4)
Net interest income	**166.7**	**168.0**	**(0.8)**
Fee and commission income	78.1	87.6	(10.8)
Fee and commission expenses	(29.3)	(24.2)	20.9
Net fee and commission income	**48.8**	**63.3**	**(23.0)**
Result on financial instruments at fair value through profit or loss and exchange rate differences	30.1	34.6	(13.2)
Other operating income	1.6	5.0	(67.0)
Other operating expenses, including:	(3.6)	(7.7)	(53.8)
Impairment of goodwill	-	-	-
General administrative expenses, including:	(249.3)	(252.4)	(1.2)
Restructuring costs	(2.2)	0.9	(320.0)
Net impairment charges	14.2	20.5	(30.9)
Profit (loss) before income tax	**8.5**	**31.3**	**(72.9)**
Income tax expense	1.5	(10.2)	(115.2)
Net profit of Bank BPH Core Business	**10.0**	**21.1**	**(52.4)**

Source: Bank BPH Interim Special Purpose Q1 2016 Financial Information

Net interest income

The following table sets forth the components of Bank BPH Core Business's interest income and interest expenses for the three-month period ended March 31, 2016 compared to the three-month period ended March 31, 2015.

	For the three-month period ended March 31,		Change
	2016	2015	Q1 2016/ Q1 2015
	(unaudited)		*(unaudited)*
	(PLN million)		*(%)*
Interest income on:	**205.3**	**221.1**	**(7.2)**
Cash and loans granted to banks	1.8	2.1	(15.0)
Loans and advances	160.7	164.1	(2.1)
Securities	23.6	28.7	(17.7)
Buy-sell-back transactions	1.1	1.6	(34.6)
Interest rate swap transactions (IRS)	18.1	24.5	(26.4)
Hedging derivatives discontinued from the hedge accounting	0.0	0.0	0.0
Interest expenses on:	**(38.6)**	**(53.1)**	**(27.4)**
Loans and advances received	0.0	0.0	0.0
Deposits and term accounts	(9.6)	(16.4)	(41.6)
Current accounts	(10.1)	(10.3)	(1.7)
Securities issued by Bank BPH Core Business	(0.8)	(1.0)	(13.6)
Sell-buy-back transactions	(1.6)	(1.8)	(9.9)
Interest rate swap transactions (IRS)	(16.3)	(23.5)	(30.7)
Hedging derivatives discontinued from the hedge accounting	(0.1)	(0.1)	(24.4)
Net interest income	**166.7**	**168.0**	**(0.8)**

Source: Bank BPH Interim Special Purpose Q1 2016 Financial Information.

Bank BPH Core Business's net interest income decreased by PLN 1.3 million, or 0.8%, to PLN 166.7 million for the three-month period ended March 31, 2016 from PLN 168.0 million for the three-month period ended March 31, 2015. This decrease resulted primarily from a 26.4% decline in interest income on interest rate swap transactions, due to a general reduction in the size of the portfolio as part of risk management in the ordinary course, and lower income on securities and on loan and advances, due to the lower interest rate environment. The decrease in interest income was only partially off-set by a 41.6% decrease in interest expense on deposits and term accounts due to a reduction in interest rates on deposits.

Net fee and commission income

The following table sets forth the components of the Bank BPH Core Business's fee and commission income and expenses for the three-month period ended March 31, 2016 compared to the three-month period ended March 31, 2015.

	For the three-month period ended March 31,		Change
	2016	2015	Q1 2016/ Q1 2015
	(unaudited)		*(unaudited)*
	(PLN million)		*(%)*
Income from	**78.1**	**87.6**	**(10.8)**
Securities and fiduciary activities	4.2	4.1	3.3
Loans and advances	6.9	7.3	(5.7)
Credit cards	27.8	30.1	(7.8)
Domestic payments and current accounts	23.7	23.9	(1.1)
Foreign payments	3.0	3.2	(6.6)
Management of customers' investments funds and portfolios	7.1	8.6	(17.5)
Insurance intermediation	4.9	9.8	(49.8)
Other	0.5	0.5	(0.4)
Expenses on	**(29.3)**	**(24.2)**	**20.9**
Securities and fiduciary activities	(0.7)	(0.8)	(12.4)
Loans and advances and account administration fees	(1.0)	(1.0)	2.0
Credit cards	(23.7)	(20.5)	16.1
Domestic payments	(2.8)	(1.0)	184.9
Foreign payments	(0.2)	(0.2)	13.7
Insurance intermediation	(0.8)	(0.8)	1.5
Net fee and commission income	**48.8**	**63.3**	**(23.0)**

Source Bank BPH Interim Special Purpose Q1 2016 Financial Information.

Bank BPH Core Business's net fee and commission income decreased by PLN 14.5 million, or 23.0%, to PLN 48.8 million for the three-month period ended March 31, 2016 from PLN 63.3 million for the three-month period ended March 31, 2015. This decrease was primarily due to a 49.8% decline in income from insurance intermediation, principally due to the changes to the recognition of income from the sale of bancassurance products described above under "*Key Factors Affecting Bank BPH Core Business's Financial Condition and Results of Operations – Bancassurance Income*", and a 7.8% decline in income from credit cards, principally due to the decline in interchange fees described above under "*Key Factors Affecting the Bank BPH Core Business's Financial Condition and Results of Operations – Interchange Fees*". The decline in net fee and commission income was also due in part to a 20.9% increase in commission expenses primarily due to a higher volume of transactional banking by commercial customers in the three-month period ended March 31, 2016 and the consequent increase in fees due to intermediaries.

General administrative expenses

The following table sets forth general administrative expenses of the Bank BPH Core Business for the three-month periods ended March 31, 2016 and 2015.

	For the three-month period ended March 31,		Change
	2016	2015	Q1 2016/ Q1 2015
	(unaudited)		*(unaudited)*
	(PLN million)		*(%)*
Employment costs	**(122.9)**	**(136.1)**	**(9.6)**
Salaries	(103.1)	(114.6)	(10.0)
Retirement, disability pension and death benefits	(1.0)	(0.9)	4.2
Obligatory social security charges	(18.8)	(20.5)	(8.1)
Costs of rents	**(30.1)**	**(21.3)**	**41.3**
Building maintenance	**(8.4)**	**(8.2)**	**2.3**
Costs of external services and consulting	**(13.9)**	**(20.3)**	**(31.6)**
Costs of IT and office equipment maintenance	**(13.9)**	**(12.9)**	**8.0**
Costs of marketing and sales promotion	**(11.1)**	**(9.7)**	**15.5**
Other expenses, including	**(23.9)**	**(26.1)**	**(8.2)**
Payment to the Bank Guarantee Fund	(6.3)	(6.4)	(1.4)
Depreciation and amortization	(25.1)	(18.1)	38.8
General administrative expenses	**(249.3)**	**(252.4)**	**(1.2)**

Source: Bank BPH Interim Special Purpose Q1 2016 Financial Information.

General administrative expenses decreased by PLN 3.1 million, or 1.2%, to PLN 249.3 million for the three-month period ended March 31, 2016 from PLN 252.4 million for the three-month period ended March 31, 2015. This decrease was primarily due to a 9.6% decline in salaries expense, due to lower head count, and a 31.6% decline in costs of external services and consulting, due to delays on various transactions that resulted in delays to fees owed to external service providers and consultants. These declines were partially off-set by increased due to costs of rents, due to branch restructuring, and increased marketing expenses.

Net impairment charges

The following table sets forth the components of Bank BPH Core Business's impairment charges for the three-month period ended March 31, 2016 compared to the three-month period ended March 31, 2015.

	For the three-month period ended March 31,		Change
	2016	2015	Q1 2016/ Q1 2015
	(unaudited)		*(unaudited)*
	(PLN million)		*(%)*
Net loan impairment charge	(50.4)	15.1	(432.8)
Net result on incurred but not reported losses on loans and advances (IBNR)	12.0	(2.4)	(604.6)
Recoveries from written-off receivables	51.5	8.0	546.5
Net off-balance sheet liabilities impairment charges	1.1	(0.2)	(665.4)
Net impairment charges	**14.2**	**20.5**	**(30.8)**

Source: Bank BPH Interim Special Purpose Q1 2016 Financial Information.

Bank BPH Core Business's positive net impairment charges decreased by PLN 6.3 million to an income of PLN 14.2 million for the three-month period ended March 31, 2016 from an income of PLN 20.5 million for the three-month period ended March 31, 2015. The decrease in positive net impairment charges was primarily due to a substantial increase in

recoveries from written-off receivables, primarily due to higher sales of non-performing loans in the three-month period ended March 31, 2016 that were recognized as recoveries, partially off-set by an increase in net loan impairment charge, due to a greater proportion of debt sold in the three-month period ended March 31, 2016 being recognized as recoveries from written-off receivables, whereas a larger proportion of debt sold in the three-month period ended March 31, 2015 was recognized in net loan impairment charge.

Results on other operating income and expenses

The following table sets forth Bank BPH Core Business's other operating income and expenses for the three-month periods ended March 31, 2016 and 2015.

	For the three-month period ended March 31,		Change
	2016	2015	Q1 2016/ Q1 2015
	(unaudited)		*(unaudited)*
	(PLN million)		*(%)*
Other operating income from:	**1.6**	**5.0**	**(67.0)**
Sale or liquidation of fixed assets and assets held for sale	0.1	0.2	(74.0)
Dividends	-	-	-
Franchise fees	0.2	0.2	7.8
Refund of VAT	-	0.1	-
Other	1.4	4.5	(69.4)
Other operating expenses from:	**(3.6)**	**(7.7)**	**(53.8)**
Impairment charges on intangible assets, property, plant and equipment	(0.5)	(1.0)	(51.6)
Fees and penalty interest	(0.1)	(0.0)	241.9
Litigation costs	(1.4)	(1.3)	4.6
Charges for provisions and impairment allowances	(0.8)	(3.2)	(74.4)
Other	(0.8)	(2.2)	(63.0)
Results on other operating income and expenses	**(1.9)**	**(2.7)**	**(29.6)**

Source: Bank BPH Interim Special Purpose Q1 2016 Financial Information.

Results on other operating income and expenses declined by PLN 0.8 million, or 29.6%, to a net expense of PLN 1.9 million for the three-month period ended March 31, 2016 from a net expense of PLN 2.7 million for the three-month period ended March 31, 2015. This change was primarily due to various one-off items not related to the primary operations.

Income tax expense

The following table sets forth the Bank BPH Core Business's income tax for the three-month periods ended March 31, 2016 and 2015.

	For the three-month period ended March 31,		Change
	2016	2015	Q1 2016/ Q1 2015
	(unaudited)		*(unaudited)*
	(PLN million)		*(%)*
Current tax	(4.2)	(15.0)	(72.2)
Deferred tax	5.7	4.8	19.5
Income tax	**1.5**	**(10.2)**	**(115.1)**

Source: Bank BPH Interim Special Purpose Q1 2016 Financial Information.

The Bank BPH Core Business had an income tax credit of PLN 1.5 million for the three-month period ended March 31, 2016 compared to an income tax charge of PLN 10.2 million for the three-month period ended March 31, 2015, primarily as a result of lower net profit for the three-month period ended March 31, 2016.

Net profit

As a result primarily of lower net interest income and lower net fee and commission income, due to the reasons discussed above, the net profit of Bank BPH Core Business decreased by PLN 11.1 million to a profit of PLN 10.0 million for the three-month period ended March 31, 2016 from a net profit of PLN 21.1 million for the three-month period ended March 31, 2015.

The financial year ended December 31, 2015 compared to the financial year ended December 31, 2014

The following table sets forth Bank BPH Core Business income statement for the financial year ended December 31, 2015 compared to the financial year ended December 31, 2014.

	For the financial year ended December 31,		Change
	2015	**2014**	**2015/2014**
	(audited)		*(unaudited)*
	(PLN million)		*(%)*
Interest income	850.2	1,101.3	(22.8)
Interest expenses	(180.2)	(293.3)	(38.6)
Net interest income	**670.0**	**807.9**	**(17.1)**
Fee and commission income	341.2	426.0	(19.9)
Fee and commission expenses	(113.3)	(144.2)	(21.4)
Net fee and commission income	**227.8**	**281.8**	**(19.1)**
Result on financial instruments at fair value through profit or loss and exchange rate differences	46.9	104.7	(55.2)
General administrative expenses, including	(1,154.2)	(1,009.3)	14.4
Restructuring costs	(184.7)	(27.1)	582.6
Other operating income	27.0	26.6	1.4
Other operating expenses, including	(175.9)	(32.2)	446.5
Impairment of goodwill	(154.8)	-	Not applicable
Impairment charges	(13.5)	12.3	(209.6)
Profit (loss) before income tax	**(371.9)**	**191.8**	**(293.9)**
Income tax expense	48.2	(49.9)	(196.7)
Profit (loss) for the period	**(323.7)**	**141.9**	**(328.0)**

Source: Bank BPH Special Purpose 2014-2015 Financial Statements.

Net interest income

The following table sets forth the components of the Bank BPH Core Business interest income and interest expenses for the financial year ended December 31, 2015 compared to the financial year ended December 31, 2014.

	For the financial year ended December 31,		Change
	2015	**2014**	**2015/2014**
	(audited)		*(unaudited)*
	(PLN million)		*(%)*
Interest income on:	850.2	1,101.3	(22.8)
Cash and loans granted to banks	7.8	12.8	(39.5)
Loans and advances	659.1	818.6	(19.5)
Securities	92.2	145.1	(36.5)
Buy-sell-back transactions	7.4	7.6	(2.8)
Interest rate swaps	83.7	117.0	(28.5)
Hedging derivatives discontinued from the hedge accounting	0.1	0.1	0.9
Interest expenses on:	**(180.2)**	**(293.3)**	**(38.6)**
Deposits and term accounts	(51.5)	(85.0)	(39.4)
Current accounts	(39.3)	(84.3)	(53.4)
Securities issued by Bank BPH	(3.2)	(4.1)	(22.2)
Sell-buy-back transactions	(6.2)	(8.0)	(22.7)
Interest rate swaps	(79.5)	(111.3)	(28.5)
Hedging derivatives discontinued from the hedge accounting	(0.4)	(0.6)	(24.4)
Net interest income	**670.0**	**807.9**	**(17.1)**

Source: Bank BPH Special Purpose 2014-2015 Financial Statements.

Bank BPH Core Business net interest income decreased by PLN 137.9 million, or 17.1%, to PLN 670.0 million for the financial year ended December 31, 2015 from PLN 807.9 million for the financial year ended December 31, 2014. This decrease resulted primarily from lower interest rates on Bank BPH Core Business interest earning assets, in particular with respect to its retail loan portfolio, which were not fully off-set by declines in interest rates on amounts due to customers (see "*Key Factors Affecting Bank BPH Core Business Financial Condition and Results of Operations – Interest Rate Reductions*" above) as well as by increases to the deposit base. The decrease in net interest income was partially off-set by growth in the volume of loans to retail customers and by lower interest expense resulting from lower interest rates on deposits.

Net fee and commission income

The following table sets forth the components of Bank BPH Core Business fee and commission income and expenses for the financial year ended December 31, 2015 compared to the financial year ended December 31, 2014.

	For the financial year ended December 31,		Change
	2015	**2014**	**2015/2014**
	(audited)		*(unaudited)*
	(PLN million)		*(%)*
Income from	**341.2**	**426.0**	**(19.9)**
Securities and fiduciary activities	17.7	16.0	10.7
Loans and advances	28.7	33.1	(13.2)
Credit cards	122.7	173.9	(29.5)
Domestic payments and current accounts	98.0	107.9	(9.2)
Foreign payments	12.5	12.6	(1.2)
Management of customers' investments funds and portfolios	34.1	33.4	2.0
Insurance intermediation	26.0	47.8	(45.6)
Other	1.5	1.2	24.3
Expenses on	**(113.3)**	**(144.2)**	**(21.4)**
Securities and fiduciary activities	(5.5)	(6.8)	(19.7)
Loans and advances and account administration fees	(6.7)	(7.4)	(8.9)
Credit cards	(90.0)	(121.3)	(25.8)
Domestic payments	(6.9)	(3.9)	75.8
Foreign payments	(0.9)	(1.1)	(19.2)
Insurance intermediation	(3.4)	(3.7)	(10.1)
Other	(0.0)	(0.0)	(60.0)
Net fee and commission income	**227.8**	**281.8**	**(19.1)**

Source: Bank BPH Special Purpose 2014-2015 Financial Statements.

Bank BPH Core Business net fee and commission income decreased by PLN 54.0 million, or 19.1%, to PLN 227.8 million for the year ended December 31, 2015 from PLN 281.8 million for the year ended December 31, 2014. This decrease was primarily due to the decline in interchange fees described above under " – *Key Factors Affecting Bank BPH Core Business Financial Condition and Results of Operations – Interchange Fees*", which are primarily reflected in reduced income from credit cards and domestic payments and current accounts, and the changes to the recognition of income from sale of bancassurance products described above under " – *Key Factors Affecting Bank BPH Core Business Financial Condition and Results of Operations – Bancassurance Income*".

General administrative expenses

The following table sets forth general administrative expenses of the Bank BPH Core Business for the years ended December 31, 2015 and 2014.

	For the financial year ended December 31,		Change
	2015	**2014**	**2015/2014**
	(audited)		*(unaudited)*
	(PLN million)		*(%)*
Employment costs	(657.8)	(531.9)	23.7
Salaries	(577.3)	(457.8)	26.1
Retirement, disability pension and death benefits	(4.6)	(3.1)	49.0
Obligatory social security charges	(76.0)	(71.0)	7.0
Costs of rents	(126.6)	(105.1)	20.5
Building maintenance	(32.0)	(33.2)	(3.5)
Costs of external services and consulting	(52.2)	(84.2)	(38.0)
Costs of IT and office equipment maintenance	(52.9)	(54.4)	(2.7)
Costs of marketing and sales promotion	(45.2)	(37.6)	20.3
Other expenses, including	(105.6)	(86.7)	21.9
Payment to the Bank Guarantee Fund	(34.7)	(14.0)	147.3
Depreciation and amortization	(81.7)	(76.2)	7.2
Property and equipment	(64.0)	(60.3)	6.1
Intangible assets	(17.8)	(15.9)	11.3
General administrative expenses of Bank BPH Core Business	**(1,154.2)**	**(1,009.3)**	**14.4**

Source: Bank BPH Special Purpose 2014-2015 Financial Statements.

General administrative expenses of Bank BPH Core Business increased by PLN 144.9 million, or 14.4%, to PLN 1,154.1 million for the financial year ended December 31, 2015 from PLN 1,009.3 million for the financial year ended December 31, 2014. This increase was primarily the result of a 23.7% increase in employment costs primarily due to employment restructuring costs in connection with the Business Transformation Plan, the increase in contributions to the Bank Guarantee Fund described above under "*Key Factors Affecting the Bank BPH Core Business Financial Condition and Results of Operations – Bank Guarantee Fund*", increased costs of rents due to restructuring costs in connection with the Business Transformation Plan, and increased spending during the financial year ended December 31, 2015 on marketing and sales promotions.

Net impairment charges

The following table sets forth the components of the Bank BPH Core Business's net impairment charges for the financial year ended December 31, 2015 compared to the financial year ended December 31, 2014.

	For the financial year ended December 31,		Change
	2015	**2014**	**2015/2014**
	(audited)		*(unaudited)*
	(PLN million)		*(%)*
Net loan impairment charge	(114.9)	(76.9)	49.4
Net result on incurred but not reported losses on loans and advances (IBNR)	14.0	38.5	(63.6)
Recoveries from written-off receivables	84.6	46.0	83.8
Net off-balance sheet liabilities impairment charges	2.9	4.7	(38.5)
Net impairment charges	(13.5)	12.3	(209.6)

Source: Bank BPH Special Purpose 2014-2015 Financial Statements.

Bank BPH Core Business net impairment charges increased by PLN 25.8 million, or 209.6% to a charge of PLN (13.5) million for the financial year ended December 31, 2015 from a gain of PLN 12.3 million for the financial year ended December 31, 2014. This increase was due to adjustments made to the Bank BPH Core Business risk models at the request of the PFSA following an Asset Quality Review.

Results on other operating income and expenses

The following table sets forth the Bank BPH Core Business other operating income and expenses for the financial years ended December 31, 2015 and 2014.

	For the financial year ended December 31,		Change
	2015	2014	2015/2014
	(audited)		*(unaudited)*
	(PLN million)		*(%)*
Other operating income from:	**27.0**	**26.6**	**1.4**
Sale or liquidation of fixed assets and assets held for sale	1.2	11.4	(89.9)
Franchise fees	0.8	0.7	16.9
Refund of VAT	18.9	10.7	76.4
Other	6.1	3.7	62.9
Other operating expenses from:	**(175.9)**	**(32.2)**	**446.5**
Impairment charges on intangible assets, property and equipment	(158.4)	(10.7)	1,386.2
Fees and penalty interest	(0.4)	(0.8)	(53.2)
Litigation costs	(5.8)	(5.0)	15.2
Provision and impairment allowances	(4.2)	(11.3)	(62.7)
Other	(7.1)	(4.4)	61.6
Results on other operating income and expenses	**(149.0)**	**(5.6)**	**2,550.3**

Source: Bank BPH Special Purpose 2014-2015 Financial Statements.

Results on other operating income and expenses declined by PLN 143.4 million, or 2,550.3%, to PLN (149.0) million for the financial year ended December 31, 2015 from PLN (5.6) million for the financial year ended December 31, 2014, primarily as a result of the impairment of goodwill in the amount of PLN 154.8 million described above under "*Key Factors Affecting the Bank BPH Core Business Financial Condition and Results of Operations – Impairment of Goodwill*".

Income tax expense

The following table sets forth the Bank BPH Core Business income tax for the financial years ended December 31, 2015 and 2014.

	For the financial year ended December 31,	
	2015	2014
	(audited)	
	(PLN million)	
Current tax	(9.8)	1.1
Current year	(8.3)	(2.2)
Adjustment of the previous years	(1.4)	3.3
Deferred tax	**58.0**	**(51.0)**
Income tax expense	**48.2**	**(49.9)**

Source: Bank BPH Special Purpose 2014-2015 Financial Statements.

The Bank BPH Core Business had an income tax credit of PLN 48.2 million for the financial year ended December 31, 2015 compared to an income tax charge of PLN 49.9 million for the financial year ended December 31, 2014, mainly as a result of the operating loss of PLN 323.7 million incurred by the Bank BPH Core Business in the financial year ended December 31, 2015 compared to an operating profit of PLN 141.9 million in the financial year ended December 31, 2014.

Net profit

As a result primarily of the one-off charges and expenses and the impairment of goodwill discussed above, the Bank BPH Core Business's net profit decreased by PLN 465.6 million, or 328%, to a loss of PLN 323.7 million for the financial year ended December 31, 2015 from a profit of PLN 141.9 million for the financial year ended December 31, 2014.

Results of Operations and Financial Condition by Operating Segments

The three-month period ended March 31, 2016 compared to the three-month period ended March 31, 2015 and as at March 31, 2016 as compared to December 31, 2015

The Bank BPH Core Business currently conducts its core operations through a retail banking segment and a commercial banking segment. The Bank BPH Core Business also maintains an asset and liabilities management segment that primarily provides treasury management services to the core segments.

The following table sets forth information on the Bank BPH Core Business's results of operations and financial condition by operating segment for the three-month periods ended March 31, 2016 and 2015 and as at March 31, 2016 and December 31, 2015, respectively.

	For the three-month period ended March 31 and as at March and December 31,							
	Retail Banking		Commercial Banking		Asset and Liabilities Management and Other		Total	
	2016	2015	2016	2015	2016	2015	2016	2015
	(unaudited)							
	(PLN millions)							
Interest income	**176.2**	**180.7**	**64.8**	**76.9**	**(35.7)**	**(36.5)**	**205.3**	**221.1**
External interest income	125.8	123.3	36.3	42.9	43.2	54.9	205.3	221.1
Internal interest income*	50.4	57.4	28.6	33.9	(78.9)	(91.4)	-	-
Interest expense	**(53.8)**	**(43.8)**	**(22.0)**	**(27.4)**	**37.3**	**18.1**	**(38.6)**	**(53.1)**
External interest expense	(14.2)	(19.4)	(5.5)	(7.6)	(18.8)	(26.1)	(38.6)	(53.1)
Internal interest expense*	(39.6)	(24.4)	(16.5)	(19.7)	56.1	44.2	-	-
Net interest income	**122.4**	**136.9**	**42.8**	**49.5**	**1.5**	**(18.4)**	**166.7**	**168.0**
Fee and commission income	35.6	46.7	42.5	40.9	-	-	78.1	87.6
Fee and commission expense	(12.3)	(14.3)	(17.0)	(9.9)	(0.0)	0.0	(29.3)	(24.2)
Net fee and commission income	**23.4**	**32.4**	**25.4**	**31.0**	**(0.0)**	**0.0**	**48.8**	**63.3**
Result on financial instruments at fair value through profit or loss and exchange rate differences	1.6	1.1	13.3	13.0	15.2	20.5	30.1	34.6
Result on financial assets available for sale	0.0	-	-	-	0.0	-	0.0	-
General administrative expenses, including:	(172.4)	(170.6)	(69.9)	(74.1)	(7.0)	(7.8)	(249.3)	(252.4)
BFG cost	(3.4)	(3.2)	(2.9)	(3.5)	-	-	(6.3)	(6.7)
depreciation and amortization	(20.4)	(14.8)	(3.7)	(2.8)	(1.0)	(0.4)	(25.1)	(18.1)
Net impairment charges	**30.1**	**23.4**	**(15.9)**	**(2.9)**	**-**	**-**	**14.2**	**20.5**
Result on other operating income and expenses	0.5	-	-	-	(2.4)	(2.7)	(1.9)	(2.7)
Profit (loss) before income tax	**5.5**	**23.3**	**(4.4)**	**16.5**	**7.3**	**(8.5)**	**8.5**	**31.3**
Income tax	-	-	-	-	1.5	(10.2)	1.5	(10.2)
Profit (loss) for the period	**5.5**	**23.3**	**(4.4)**	**16.5**	**8.9**	**(18.7)**	**10.0**	**21.1**
Total Assets – Core Business	**5,280.8**	**5,296.2**	**4,059.0**	**3,979.1**	**8,399.2**	**6.925,3**	**17,739.0**	**16,200.6**
Loans and advances to customers gross	4,960.2	4,953.3	4,126.8	4,034.1	720.0	108.5	9,807.1	9,095.9
Loan impairment	(519.7)	(535.3)	(338.9)	(330.8)	-	-	(858.6)	(866.0)
Total liabilities – Core Business	**7,521.8**	**7,430.6**	**4,752.9**	**4,936.1**	**2,344.9**	**822.5**	**14,619.6**	**13,189.2**
Amounts due to customers	7,512.3	7,420.5	4,752.9	4,936.1	1,329.5	85.2	13,594.7	12,441.8

* *Internal income / costs reflect internal transfers related to the funding of the relevant segment's core business.*
Source: Bank BPH Interim Special Purpose Q1 2016 Financial Information

Net Interest Income

In the three-month period ended March 31, 2016 the retail banking segment accounted for 61.3% of external interest income of Bank BPH Core Business, the commercial banking segment accounted for 17.7% and the asset and liabilities management segment accounted for 21.0%.

The decline of net interest income in the retail banking segment of PLN 14.5 million, or 10.6%, to PLN 122.4 million for the three-month period ended March 31, 2016 from PLN 136.9 million for the three-month period ended March 31, 2015 was primarily the result of the lower interest rate environment. The decline of net interest income in the commercial banking segment of PLN 6.7 million, or 13.5%, to PLN 42.8 million for the three-month period ended March 31, 2016 from PLN 49.5 million for the three-month period ended March 31, 2015 was mainly attributable to lower loans and advances to customers, particularly with respect to SME customers, due to a decline in both renewals of existing loans and sales of new loans.

Net interest income in the asset and liabilities management segment increased by PLN 19.9 million from a loss of PLN 18.4 million for the three-month period ended March 31, 2015 to a gain of PLN 1.5 million for the three-month period ended March 31, 2016, primarily as a result of asset and liability management in the ordinary course of operations.

Net Fee and Commission Income

In the three-month period ended March 31, 2016 the retail banking segment accounted for 47.9% of the net fee and commission income of Bank BPH Core Business, whereas the commercial banking segment accounted for 52.0%.

The decline in net fee and commission income in the retail banking segment of PLN 9 million, or 27.8%, to PLN 23.4 million for the three-month period ended March 31, 2016 from PLN 32.4 million for the three-month period ended March 31, 2015 was mainly attributable to the decline in interchange fees described above under " – *Key Factors Affecting Bank BPH Core Business's Financial Condition and Results of Operations – Interchange Fees*", which are primarily reflected in reduced income from credit cards and domestic payments and current accounts, and the changes to the recognition of income from sale of bancassurance products described above under " – *Key Factors Affecting Bank BPH Core Business's Financial Condition and Results of Operations – Bancassurance Income*". The decline in net fee and commission income in the commercial banking segment of PLN 5.6 million, or 17.9%, to PLN 25.4 million for the three-month period ended March 31, 2016 from PLN 31.0 million for the three-month period ended March 31, 2015 was mainly attributable to an increase in commission expense of PLN 7.1 million, or 71.6%, due to higher volumes in transactional banking by commercial customers in the three-month period ended March 31, 2016 and the consequent increase in fees owed to intermediaries.

Profit (loss)

In the three-month period ended March 31, 2016 the retail banking segment generated a profit of PLN 5.5 million compared to a profit of PLN 23.3 million in the three-month period ended March 31, 2015, primarily as a result of the decline in both interest income and fee and commission income for the reasons described above, partially off-set by lower net impairment charges. The commercial banking segment generated a loss of PLN 4.4 million in the three-month period ended March 31, 2016 compared to a profit of PLN 16.5 million in the three-month period ended March 31, 2015, primarily as a result of lower loans and advances to SME customers, and increased commission expense, due to the reasons discussed above, off-set in part by increased fee and commission income, due to higher volumes in transactional banking by commercial customers, and lower general administrative expenses due to lower employment costs from lower head count and lower costs of external services and consultants.

Assets

Total assets in the retail banking segment remained largely stable at PLN 5,280.8 million as at March 31, 2016 compared to PLN 5,296.2 million as at December 31, 2015, a decrease of PLN 15.4 million, or 0.3%. Total assets in the commercial banking segment were PLN 4,059.0 million as at March 31, 2016 compared to PLN 3,979.1 million as at December 31, 2015, an increase of PLN 79.9 million, or 2.0%. The increase in total assets in the commercial banking segment was primarily due to a PLN 92.7 million increase in loans and advances to customers, as a result of the growth of the loan portfolio, partially off-set by a PLN 8.2 million increase in loan impairment, also as a result of the growth of the loan portfolio.

Total liabilities

Total liabilities in the retail banking segment remained largely stable at PLN 7,521.8 million as at March 31, 2016 compared to PLN 7,430.6 million as at December 31, 2015, an increase of PLN 91.2 million, or 1.2%. The increase in

total liabilities in the retail banking segment was primarily the result of an increase of PLN 91.8 million in amounts due to customers resulting from higher balances on current accounts and deposits. Total liabilities in the commercial banking segment were PLN 4,752.9 million as at March 31, 2016 compared to PLN 4,936.1 million as at December 31, 2015, a decrease of PLN 183.3 million, or 3.7%. The decrease in total liabilities in the commercial banking segment was the result of a decrease of PLN 183.3 million in amounts due to customers resulting from seasonal fluctuations mainly related to higher surplus cash deposits closer to the year-end, especially by SMEs.

The financial year ended December 31, 2015 compared to the financial year ended December 31, 2014 and as at December 31, 2015 as compared to December 31, 2014

The Bank BPH Core Business currently conducts its core operations through a retail banking segment and a commercial banking segment. The Bank BPH Core Business also maintains an asset and liabilities management segment that primarily provides treasury management services to the core segments.

The following table sets forth information on Bank BPH Core Business results of operations and financial condition by operating segment for the years ended December 31, 2015 and 2014 and as at December 31, 2015 and 2014, respectively.

	For the financial year ended / as at December 31,							
	Retail Banking		Commercial Banking		Asset and Liabilities Management and Other		Total	
	2015	2014	2015	2014	2015	2014	2015	2014
	(audited)							
	(PLN millions)							
Interest income	713.6	908.4	291.5	373.8	(154.9)	(180.9)	850.2	1,101.3
External interest income	500.7	623.2	166.2	206.9	183.3	271.2	850.2	1,101.3
Internal interest income*	212.8	285.3	125.4	166.8	(338.2)	(452.1)	-	-
Interest expense	(229.1)	(322.5)	(96.9)	(154.0)	145.8	183.2	(180.2)	(293.3)
External interest expense	(66.3)	(118.8)	(25.0)	(47.4)	(88.9)	(127.2)	(180.2)	(293.3)
Internal interest expense*	(162.9)	(203.8)	(71.9)	(106.6)	234.8	310.3	-	-
Net interest income	484.4	585.9	194.6	219.8	(9.1)	2.2	670.0	807.9
Net impairment charges	(17.3)	45.8	3.8	(33.5)	-	-	(13.5)	12.3
Commission income	165.3	212.0	175.9	214.0	-	-	341.2	426.0
Fee and commission expense	(68.4)	(68.2)	(45.0)	(76.0)	-	-	(113.3)	(144.2)
Net fee and commission income	96.9	143.8	130.9	138.0	-	-	227.8	281.8
Result on financial instruments at fair value through profit or loss and exchange rate differences	6.1	4.0	53.6	57.8	(12.7)	43.0	46.9	104.7
General administrative expenses, including:	(783.8)	(686.9)	(319.3)	(292.2)	(51.1)	(30.2)	(1,154.2)	(1,009.3)
BFG cost	(15.1)	(5.9)	(19.6)	(8.1)	-	-	(34.7)	(14.0)
Depreciation and amortization	(60.3)	(57.9)	(12.6)	(12.1)	(3.3)	(1.6)	(76.2)	(71.6)
Result on other operating income and expenses	(168.0)	5.7	(10.8)	-	29.7	(11.3)	(149.0)	(5.6)
Profit (loss) before income tax excluding Mortgage Business	(381.7)	98.3	52.9	89.8	(43.1)	3.7	(371.9)	191.8
Income tax	27.4	-	2.0	-	18.8	(49.9)	48.2	(49.9)
Core Business profit (loss) for the period	(354.4)	98.3	55.0	89.8	(24.3)	(46.1)	(323.7)	141.9
Total Assets	5,296.2	4,703.8	3,979.1	4,374.9	6,925.3	7,115.5	16,200.6	16,194.3
Loans and advances to customers (gross)	4,953.3	4,663.2	4,034.1	4,461.4	108.5	670.9	9,095.9	9,795.5
Loan impairment	(535.3)	(924.4)	(330.8)	(441.5)	-	-	(866.0)	(1,365.9)
Total liabilities	7,430.6	7,295.6	4,936.1	4,941.3	822.5	1,564.7	13,189.2	13,801.6
Amounts due to customers	7,420.4	7,280.0	4,936.1	4,941.3	85.2	496.8	12,441.8	12,718.0

* *Internal income / costs reflect internal transfers related to the funding of the relevant segment's core business.*
Source: Bank BPH Special Purpose 2014-2015 Financial Statements.

Net Interest Income

In the financial year ended December 31, 2015 the retail banking segment accounted for 58.9% of external interest income of the Bank BPH Core Business, the commercial banking segment accounted for 19.5% and the asset and liabilities management segment accounted for 21.6%.

In the financial year ended December 31, 2015 the decline of net interest income in the retail banking segment of PLN 101.5 million, or 17.3%, compared with the financial year ended December 31, 2014 and the decline of net interest income in the commercial banking segment of PLN 25.2 million, or 11.5%, compared with the financial year ended December 31, 2014 were mainly attributable to the lower interest rate environment discussed above.

Net interest income in the asset and liabilities management segment declined by PLN 11.3 million from an income of PLN 2.2 million for the financial year ended December 31, 2014 to a loss of PLN 9.1 million for the financial year ended December 31, 2015, primarily as a result of a decrease of PLN 87.9 million, or 32.4%, in external interest income to PLN 183.3 million for the financial year ended December 31, 2015 from PLN 271.2 million for the financial year ended December 31, 2014, off-set in part by a decrease of PLN 38.3 million, or 30.1%, in external interest expense to PLN 88.9 million for the financial year ended December 31, 2015 from PLN 127.2 million for the financial year ended December 31, 2014. This decrease was primarily a result of the lower market interest rates.

Net Fee and commission Income

In the financial year ended December 31, 2015 the retail banking segment accounted for 42.5% of the net commission income of Bank BPH Core Business, whereas the commercial banking segment accounted for 57.5%.

The decline in net fee and commission income in the retail banking segment of PLN 46.9 million, or 32.6%, compared with the financial year ended December 31, 2014 was mainly attributable to the factors discussed above under " – *Key Factors Affecting the Bank BPH Core Business's Financial Condition and Results of Operations – Interchange Fees*" and " – *Key Factors Affecting the Bank BPH Core Business Financial Condition and Results of Operations – Bancassurance Income*". The decline in net fee and commission income in the commercial banking segment of PLN 7.0 million, or 5.1%, compared with the financial year ended December 31, 2014 was mainly attributable to a regulatory requirement introduced in 2015 requiring that certain government sector entities consolidate their deposits in a designated financial institution, which resulted in lower transactional fees and account maintenance fees on the related accounts.

Result on financial instruments at fair value through profit or loss and exchange rate differences

A decrease in the result on financial assets at fair value through profit or loss and exchange rate differences in the asset and liabilities management segment by PLN 55.7 million or 129.5%, as compared to the financial year ended December 31, 2014 resulted primarily from the liquidity management activities conducted in the ordinary course of business. The result on financial assets at fair value through profit or loss and exchange rate differences in the commercial banking segment dropped by PLN 4.2 million or 7.3% as compared to the financial year ended December 31, 2014, whereas the result on financial assets at fair value through profit or loss and exchange rate differences in the retail banking segment increased by PLN 2.1 million or 52.5% in the same period.

Core Business profit (loss)

In the financial year ended December 31, 2015 the retail banking segment generated a loss of PLN 354.4 million compared to a profit of PLN 98.3 million in the financial year ended December 31, 2014, primarily as a result of the decline in both interest income and fee and commission income for the reasons described above and a significant increase in general administrative expenses for the reasons described above. The commercial banking segment generated a profit of PLN 55.0 million in the financial year ended December 31, 2015 compared to a profit of PLN 89.8 million in the financial year ended December 31, 2014. The decline in profit in the financial year ended December 31, 2015 compared to the financial year ended December 31, 2014 was primarily the result of lower interest income caused by the lower interest rate environment, and lower fee and commission income caused primarily by a reduction in the number of credit card customers in the segment, off-set in part by lower interest expense and lower fee and commission expense caused by the same factors impacting income.

Total assets

Total assets in the retail banking segment were PLN 5,296.2 million as at December 31, 2015 compared to PLN 4,703.8 million as at December 31, 2014, an increase of PLN 592.4 million, or 12.6%.The increase in total assets in the retail

banking segment was primarily due to growth in the retail loan portfolio which reflected increased marketing and promotional activity in the financial year ended December 31, 2015. Total assets in the commercial banking segment were PLN 3,979.1 million as at December 31, 2015 compared to PLN 4,374.9 million as at December 31, 2014, a decrease of PLN 395.8 million, or 9.0%. The decrease in total assets in the commercial banking segment was primarily due to a decrease in loans and advances to customers resulting mainly from the repayment of a loan by one significant customer for approximately PLN 400 million in 2015 The decrease in the value of loans and advances to customers was partially offset by a 36.6% reduction of loan impairments.

Total liabilities

Total liabilities in the retail banking segment were PLN 7,430.6 million as at December 31, 2015 compared to PLN 7,295.6 million as at December 31, 2014, a decrease of PLN 134.9 million, or 1.8%. The decrease in total liabilities in the retail segment was primarily the result of asset and liability management in the ordinary course of operations. Total liabilities in the commercial banking segment were PLN 4,936.1 million as at December 31, 2015 compared to PLN 4,941.3 million as at December 31, 2014, a decrease of PLN 5.1 million, or 0.1%. The decrease in total liabilities in the commercial banking segment was primarily the result of a regulatory requirement that certain government sector entities consolidate their deposits in a designated financial institution, and the resulting decline in deposits

Liquidity and Capital Resources

The primary source of funding for the Bank BPH Core Business in the three-month period ended March 31, 2016 and the financial year ended December 31, 2015 was amounts owed to customers.

Bank BPH Core Business liabilities as at March 31, 2016 amounted to PLN 14,619.6 million, of which, amounts owed to customers accounted for 93.0%.

The Bank BPH Core Business liabilities as at December 31, 2015 and 2014 amounted to PLN 13,189.2 million and PLN 13,801.6 million, respectively, of which amounts owed to customers accounted for 94.3% and 92.1%, respectively.

As at March 31, 2016 as compared to December 31, 2015

Liabilities

The following table sets forth information on Bank BPH Core Business's liabilities as at March 31, 2016 and December 31, 2015.

	As at March 31, 2016	As at December 31, 2015	Change Q1 2016/ Q4 2015
	(unaudited)	*(audited)*	*(unaudited)*
Liabilities	*(PLN million)*		*(%)*
Amounts due to banks	319.6	104.4	206.0
Amounts due to customers	13,594.7	12,441.8	9.3
Provisions	234.9	239.0	(1.7)
Financial liabilities at fair value through profit or loss	87.8	79.4	10.6
Other liabilities	382.5	324.5	17.9
Total liabilities	**14,619.6**	**13,189.2**	**10.8**

Source: Bank BPH Interim Special Purpose Q1 2016 Financial Information.

Total liabilities increased by PLN 1,430.4 million, or 10.8%, to PLN 14,619.6 million as at March 31, 2016 from 13,189.2 million as at December 31, 2015. This increase was mainly the result of growth in amounts due to customers due to the reasons discussed below.

Amounts due to customers

The following table sets forth information on the Bank BPH Core Business's amounts due to customers as at March 31, 2016 and December 31, 2015.

	As at March 31, 2016	As at December 31, 2015	Change Q1 2016/ Q4 2015
	(unaudited)	*(audited)*	*(unaudited)*
	(PLN million)		*(%)*
Current accounts	**7,894.7**	**7,808.5**	**1.1**
Deposits	**4,028.3**	**4,168.2**	**(3.4)**
Debt securities issued	**206.0**	**235.1**	**(12.4)**
Other:	**1,465.6**	**230.0**	**537.3**
Securities from sell-buy-back transactions	1,248.1	-	-
Amounts due under cash collateral, including:	83.9	67.3	24.6
Cash collateral for loans	49.0	53.0	(7.6)
Cash collateral for derivative transactions	34.9	14.3	143.9
Other	133.7	162.7	(17.8)
Total amounts due to customers	**13,594.7**	**12,441.8**	**9.3**

Source: Bank BPH Interim Special Purpose Q1 2016 Financial Information.

Total amounts due to customers increased by PLN 1,152.9 million, or 9.3%, to PLN 13,594.7 million as at March 31, 2016 from PLN 12,441.8 million as at December 31, 2015. This increase was primarily due to an increase of PLN 1,248.1 million in securities from sell-buy-back transactions as a result of liquidity management in the ordinary course of business.

The following table sets forth information on the Bank BPH Core Business's amounts due to customers by customer segment as at March 31, 2016 and December 31, 2015.

	As at March 31, 2016	As at December 31, 2015	Change Q1 2016/ Q4 2015
	(unaudited)	*(audited)*	*(unaudited)*
	(PLN million)		*(%)*
Corporates	**2,334.0**	**2,291.6**	**1.9**
Small and medium enterprises	**2,314.0**	**2,524.9**	**(8.4)**
Private individuals	**7,481.1**	**7,395.3**	**1.2**
Total amounts due to customers	**12,129.1**	**12,211.8**	**(0.7)**

Source: Bank BPH Interim Special Purpose Q1 2016 Financial Information.

Total amounts due to customers decreased by PLN 82.7 million, or 0.7%, to PLN 12,129.1 million as at March 31, 2016 from PLN 12,211.8 million as at December 31, 2015, primarily as a result of higher surplus cash deposits closer to the year-end, especially by SMEs, off-set in part by growth of corporate and private individual account balances and customer deposits, due to marketing campaigns.

Amounts due to banks

The following table sets forth information on the Bank BPH Core Business's amounts due to banks as at March 31, 2016 and December 31, 2015.

	As at March 31, 2016	As at December 31, 2015	Change Q1 2016/ Q4 2015
	(unaudited)	*(audited)*	*(unaudited)*
	(PLN million)		*(%)*
Current accounts	**18.1**	**31.7**	**(42.9)**
Money market placements	**290.7**	**59.6**	**387.7**
Other:	**10.8**	**13.1**	**(17.9)**
Amounts due under cash collateral	9.7	12.4	(22.2)
Accounts for special purpose funds	1.1	0.7	61.4
Other	0.0	0.0	(11.1)
Total amounts due to banks	**319.6**	**104.4**	**206.0**

Source: Bank BPH Interim Special Purpose Q1 2016 Financial Information.

Amounts due to banks increased by PLN 215.1 million, or 206.0%, to PLN 319.6 million as at March 31, 2016 from PLN 104.4 million as at December 31, 2015, primarily as a result of asset and liability management in the ordinary course of operations.

Contingent Assets and Liabilities

Historically, the Bank BPH Core Business has received credit support from entities related to Bank BPH S.A.'s majority shareholder. Such credit support will not continue following the Demerger.

The following table sets forth information on the Bank BPH Core Business's contingent assets received as at March 31, 2016 and December 31, 2015.

	As at March 31, 2016	As at December 31, 2015	Change Q1 2016/ Q4 2015
	(unaudited)	*(audited)*	*(unaudited)*
	(PLN million)		*(%)*
Financing	-	8.0	(100.0)
Guarantee	2,429.9	2,704.1	(10.1)
Contingent assets	**2,429.9**	**2,712.1**	**(10.4)**

Source: Bank BPH Interim Special Purpose Q1 2016 Financial Information.

The Bank BPH Core Business grants credit limits to its customers in connection with a number of its products, including credit cards, overdrafts on current and personal accounts, and working capital and other loans. In addition, the Bank BPH Core Business provides payment guarantees, including in connection with guarantees of proper execution of contracts, payment of receivables and performance warranties.

The following table sets forth information on Bank BPH Core Business's off-balance sheet liabilities granted as at March 31, 2016 and December 31, 2015.

	As at March 31, 2016	As at December 31, 2015	Change Q1 2016/ Q4 2015
	(unaudited)	*(audited)*	*(unaudited)*
	(PLN million)		*(%)*
Financing	3,704.4	3,658.0	1.3
Guarantee	193.0	175.6	9.9
Off-balance sheet liabilities granted	**3,897.4**	**3,833.5**	**1.7**

The following table shows the value of these off-balance sheet contingent liability commitments by product type and customer segment as at March 31, 2016 and December 31, 2015.

	As at March 31 2016	As at December 31 2015	Change Q1 2016/ Q4 2015
	(unaudited)	*(audited)*	*(unaudited)*
	(PLN million)		*(%)*
Financing	**3,704.4**	**3,658.0**	**1.3**
Credit facilities for corporate	1,950.7	1,735.9	12.4
Credit facilities for Small and Medium Enterprises	585.7	891.2	(34.3)
Credit facilities for private individuals	969.5	975.3	(0.6)
Open import letters of credit	33.6	30.5	10.0
Liabilities under credit commitments	84.2	24.9	237.5
Term deposits with future commencement date	80.7	-	n/a
Guarantee	**193.0**	**175.6**	**9.9**
Guarantees for corporate customers, including:	**163.5**	**146.3**	**11.7**
Performance guarantees	87.8	86.4	1.6
Guarantee for SME customers, including:	**28.6**	**28.3**	**1.1**
Performance guarantees	16.7	16.5	0.9
Guarantees for private individuals	**-**	**-**	0.1
Confirmed export letters of credit	**0.9**	**0.9**	**1.3**
Contingent liabilities granted	**3,897.4**	**3,833.5**	**1.7**

Source: Bank BPH Interim Special Purpose Q1 2016 Financial Information.

Total contingent liabilities granted increased by PLN 63.8 million, or 1.7%, to PLN 3,897.4 million as at March 31, 2016 from PLN 3,833.5 million as at December 31, 2015, primarily as a result of an increase in credit facilities and guarantees granted to corporate customers, and an increase in credit commitments, off-set in part by a reduction in credit facilities granted to SMEs, and a reduction in credit facilities granted to private individuals.

Assets

The following table sets forth information on Bank BPH Core Business's assets as at March 31, 2016 and December 31, 2015.

	As at March 31, 2016	As at December 31, 2015	Change Q1 2016/ Q4 2015
	(unaudited)	*(audited)*	*(unaudited)*
Assets	*(PLN million)*		*(%)*
Cash and balances with central bank	850.0	944.0	(10.0)
Financial assets at fair value through profit or loss	4,570.3	5,325.3	(14.2)
Amounts due from banks	947.6	463.4	104.5
Loans and advances to customers, including:	8,948.4	8,229.9	8.7
Loan impairment	(858.6)	(866.0)	(0.9)
Assets pledged as collateral	1,248.1	-	-
Financial assets available for sale	462.1	457.0	1.1
Property, plant and equipment	250.4	269.5	(7.1)
Intangible assets	120.7	120.0	0.6
Assets held for sale	8.3	8.4	(0.3)
Deferred tax assets	184.9	179.3	(3.1)
Other assets	148.3	203.8	(27.2)
Total Assets	**17,739.0**	**16,200.6**	**9.5**

Source: Bank BPH Interim Special Purpose Q1 2016 Financial Information.

As at March 31, 2016, 50.4% of Bank BPH Core Business's assets comprised loans and advances to customers, 25.8% comprised financial assets at fair value through profit or loss, 5.3% comprised amounts due from banks, 4.8% comprised cash and balances with the central bank, and 2.6% comprised financial assets available for sale.

Bank BPH Core Business's assets increased by PLN 1,538.5 million, or 9.5%, to PLN 17,739.0 million as at March 31, 2016 from PLN 16,200.6 million as at December 31, 2015. This increase was mainly the result of an increase in loans and advances to customers, due to general growth in portfolio volumes, an increase in amounts due from banks and an increase in assets pledged as collateral, both as a result of asset and liabilities management in the ordinary course of operations.

Loans and advances to customers

The following table sets forth information on Bank BPH Core Business's loans and advances to customers by type as at March 31, 2016 and December 31, 2015.

	As at March 31, 2016	As at December 31, 2015	Change Q1 2016/ Q4 2015
	(unaudited)	*(audited)*	*(unaudited)*
	(PLN million)		*(%)*
Loans and advances	**9,075.9**	**8,975.9**	**1.1**
Factoring	299.8	274.9	9.1
to financial institutions	**80.1**	**96.3**	**(16.8)**
Corporates	75.2	91.5	(17.8)
Small and medium enterprises	4.8	4.8	1.7
to non-financial institutions	**8,960.4**	**8,846.3**	**1.3**
Corporates	2,279.9	2,178.9	4.6
Small and medium enterprises	1,743.8	1,735.4	0.5
Private individuals	4,936.8	4,932.0	0.1
to government and self-government institutions	**35.4**	**33.3**	**6.3**
Corporates	35.3	33.2	6.4
Other	**731.2**	**120.0**	**509.1**
securities from buy-sell-back transactions	539.1	-	-
loans and advances – under cash collateral of stock transactions	62.4	93.7	(33.4)
loans and advances in transit	116.1	14.0	728.1
other	13.6	12.4	10.2
Total	**9,807.1**	**9,095.9**	**7.8**
Impairment charges on loans and advances	(851.0)	(858.9)	(0.9)
Impairment charges on other loans and advances to customers	(7.7)	(7.2)	7.3
Loans and advances to customers	**8,948.4**	**8,229.9**	**8.7**

Source: Bank BPH Interim Special Purpose Q1 2016 Financial Information.

Gross loans and advances increased by PLN 100 million, or 1.1%, to PLN 9,075.9 million as at March 31, 2016 from PLN 8,975.9 million as at December 31, 2015, primarily as a result of growth in loans and advances to non-financial institutions, particularly corporate and SME customers, off-set in part by a decrease in loans and advances to financial institutions. Net loans and advances increased by PLN 718.5 million, or 8.7%, to PLN 8,948.4 million as at March 31, 2016 from PLN 8,229.9 million as at December 31, 2015, primarily as a result of the increase in gross loans and advances and an increase in securities from buy-sell-back transactions resulting from asset and liabilities management in the ordinary course of operations.

As at December 31, 2015 as compared to December 31, 2014

Liabilities

The following table sets forth information on the Bank BPH Core Business liabilities as at December 31, 2015 and 2014.

	As at December 31,		Change
	2015	2014	2015/2014
	(audited)		*(unaudited)*
Liabilities	*(PLN million)*		*(%)*
Amounts due to banks	104.4	503.8	(79.3)
Amounts due to customers	12,441.8	12,718.0	(2.2)
Provisions	239.0	81.9	191.7
Financial liabilities at fair value through profit or loss	79.4	120.6	(34.1)
Other liabilities	324.5	377.2	(14.0)
Total liabilities	13,189.2	13,801.6	(4.4)

Source: Bank BPH Special Purpose 2014-2015 Financial Statements.

Total liabilities decreased by PLN 612.4 million, or 4.4%, to PLN 13,189.2 million as at December 31, 2015 from PLN 13,801.6 million as at December 31, 2014. This decrease was mainly due to decreases in amounts due to banks and customers which were partly offset by provisions taken in connection with the Business Transformation Plan.

Amounts due to customers

The following table sets forth information on the Bank BPH Core Business's amounts due to customers as at December 31, 2015 and 2014.

	As at December 31,		Change
	2015	2014	2015/2014
	(audited)		*(unaudited)*
	(PLN million)		*(%)*
Current accounts	7,808.5	7,512.7	3.9
Deposits	4,168.2	4,336.8	(3.9)
Debt securities issued	235.1	232.2	1.3
Other:	230.0	636.3	(63.9)
Liabilities due to securities from sell-buy-back transactions	-	389.2	(100.0)
Amounts due under cash collateral, including:	67.3	90.0	(25.2)
Cash collateral for loans	53.0	75.4	(29.7)
Cash collateral for derivative transactions	14.3	14.6	(2.1)
Other	162.7	157.1	3.5
Total amounts due to customers	**12,441.8**	**12,718.0**	**(2.2)**

Source: Bank BPH Special Purpose 2014-2015 Financial Statements.

Total amounts due to customers decreased by PLN 276.3 million, or 2.2%, to PLN 12,441.8 million as at December 31, 2015 from PLN 12,718.0 million as at December 31, 2014. This decrease primarily resulted from assets and liability management in the ordinary course of operations.

The following table sets forth information on the Bank BPH Core Business amounts due to customers by customer segment as at December 31, 2015 and 2014.

	As at December 31,		Change
	2015	2014	2015/2014
	(audited)		*(unaudited)*
	(PLN million)		*(%)*
Corporates	2,291.6	2,466.2	(7.1)
Current accounts	1,105.1	1,302.2	(15.1)
Deposits	1,186.5	1,164.0	1.9
Small and medium enterprises	2,524.9	2,382.8	6.0
Current accounts	1,891.0	1,743.4	8.5
Deposits	633.9	639.4	(0.9)
Private individuals	7,395.3	7,232.8	2.2
Current accounts	4,812.3	4,467.2	7.7
Deposits	2,347.9	2,533.5	(7.3)
Debt securities issued	**235.1**	**232.2**	**1.3**
Total amounts due to customers	**12,211.8**	**12,081.7**	**1.1**

Source: Bank BPH Special Purpose 2014-2015 Financial Statements.

Total amounts due to customers increased by PLN 130.1 million, or 1.1%, to PLN 12,211.8 million as at December 31, 2015 from PLN 12,081.7 million as at December 31, 2014, primarily as a result of increases in current accounts of SMEs and private individuals, due primarily to increased marketing and promotional campaigns in the financial year ended December 31, 2015, off-set in part by decreases in corporate current accounts, due largely to the discontinuation of overdraft facilities linked to these accounts, and private individual deposits, due to a reduction in interest rates offered as a result of the low interest rate environment.

Amounts due to banks

The following table sets forth information on the Bank BPH Core Business amounts due to banks as at December 31, 2015 and 2014.

	As at December 31,		Change
	2015	2014	2015/2014
	(audited)		*(unaudited)*
	(PLN million)		*(%)*
Current accounts	31.7	32.0	(0.8)
Money market placements	59.6	282.9	(78.9)
Other:	13.1	189.0	(93.1)
Amounts owed under cash collateral	12.4	8.8	40.8
Accounts for special purpose funds	0.7	1.9	(63.9)
Securities from sell-buy-back transactions	-	177.8	(100.0)
Other	0.0	0.5	(98.2)
Total amounts due to banks	**104.4**	**503.8**	**(79.3)**

Source: Bank BPH Special Purpose 2014-2015 Financial Statements.

Amounts due to banks decreased by PLN 399.4 million, or 79.3%, to PLN 104.4 million as at December 31, 2015 from PLN 503.8 million as at December 31, 2014, primarily as a result of the management of liquidity in the ordinary course of business.

Debt securities issued

The following table presents information on the debt securities issued by BPH Bank Core Business as at December 31, 2015 and 2014.

Debt securities issued	As at the beginning of the period	New issues	Redemption	As at the end of the period
	(audited)			
From 01.01.2015 to 31.12.2015	232.2	205.8	(202.9)	235.1
From 01.01.2014 to 31.12.2014	189.4	118.0	(75.2)	232.2

Source: Bank BPH Special Purpose 2014-2015 Financial Statements.

Debt securities issued are securities issued by and allocated to the Bank BPH Core Business. They are linked to various financial market indices. Debt securities issued by Bank BPH Core Business and outstanding as at December 31, 2015 bear interest based on capital market indices. Debt securities issued contain embedded derivative instruments (for example equity or foreign currency options). The table above only illustrates the debt element of debt securities issued, recognized at depreciated cost. Further explanations regarding the embedded derivative instruments are provided in the notes to Bank BPH Special Purpose 2014-2015 Financial Statements.

Contingent Assets and Liabilities

Historically, the Bank BPH Core Business has received credit support from entities related to Bank BPH's majority shareholder. Such credit support will not continue following completion of the Transaction.

The following table sets forth information on the Bank BPH Core Business contingent assets as at December 31, 2015 and 2014.

	As at December 31		Change
	2015	2014	2015/2014
	(audited)		*(unaudited)*
	(PLN million)		*(%)*
Financing	8.0	15.9	(49.7)
Guarantee	2,704.1	2,824.2	(4.3)
Contingent assets	**2,712.1**	**2,840.1**	**(4.5)**

Source: Bank BPH Special Purpose 2014-2015 Financial Statements.

The Bank BPH Core Business grants credit limits to its customers in connection with a number of its products, including credit cards, overdrafts on current and personal accounts, and working capital and other loans. In addition, the Bank BPH Core Business provides payment guarantees, including in connection with guarantees of proper execution of contracts, payment of receivables and performance warranties.

The following table sets forth information on Bank BPH Core Business off-balance sheet liabilities granted as at December 31, 2015 and 2014.

	As at December 31		Change
	2015	2014	2015/2014
	(audited)		*(unaudited)*
	(PLN million)		*(%)*
Financing	3,658.0	3,270.4	11.9
Guarantee	175,6	205.2	(14.4)
Off-balance sheet liabilities granted	**3,833.5**	**3,475.6**	**10.3**

Source: Bank BPH Special Purpose 2014-2015 Financial Statements.

The following table shows the value of these off-balance sheet contingent liabilities granted by product type and customer segment as at December 31, 2015 and 2014.

	As at December 31		Change
	2015	2014	2015/2014
	(audited)		*(unaudited)*
	(PLN million)		*(%)*
Financing	**3,658.0**	**3,270.4**	**11.9**
Credit facilities for corporate	**1,735.9**	**1,292.5**	**34.3**
Credit cards	11.7	13.1	(10.4)
Investment loans	22.7	47.7	(52.4)
Operating/working capital loans	1,701.5	1,231.7	38.1
Credit facilities for Small and Medium Enterprises	**891.2**	**807.9**	**10.3**
Credit cards	121.8	142.7	(14.6)
Investment loans	10.2	11.3	(9.7)
Operating/working capital loans	504.4	447.3	12.8
Other loans	254.9	206.6	23.4
Credit facilities for private individuals	**975.3**	**1,138.9**	**(14.4)**
Credit cards	711.9	881.5	(19.2)
Building society loans	9.1	2.8	226.9
Consumer loans	254.4	254.6	(0.1)
Open import letters of credit	**30.5**	**31.1**	**(2.0)**
Liabilities under credit commitments	**24.9**	**-**	**n/a**
Guarantee	**175.6**	**205.2**	**(14.4)**
Guarantees for corporate customers	**146.3**	**181.3**	**(19.3)**
Guarantee limits	6.5	14.7	(55.7)
Credit guarantees	53.4	72.4	(26.3)
Performance guarantees	86.4	94.2	(8.2)
Guarantee for SME customers	**28.3**	**23.8**	**18.9**
Guarantee limits	3.8	2.3	65.6
Credit guarantees	8.0	8.1	(1.2)
Performance guarantees	16.5	13.4	23.0
Guarantees for private individuals	**-**	**0.1**	**(100.0)**
Credit guarantees	-	0.1	(100.0)
Confirmed export letters of credit	**0.9**	**-**	**n/a**
Contingent liabilities granted	**3,833.5**	**3,475.6**	**10.3**

Source: Bank BPH Special Purpose 2014-2015 Financial Statements

Total contingent liabilities granted increased by PLN 358.0 million, or 10.3%, to PLN 3,833.5 million as at December 31, 2015 from PLN 3,475.6 million as at December 31, 2014, primarily as a result of organic growth in working capital facility credit limits granted to corporate clients, which has been a strategic focus of Bank BPH Core Business.

Regulatory Capital

For a detailed discussion of the capital adequacy requirements applicable to Polish banks, see "*Operating and Financial Review of the Alior Group – Liquidity and Capital Resources – Risk-Weighted Assets and Regulatory Capital Requirements*".

As stipulated in the Share Purchase and Demerger Agreement, the Bank BPH Sellers have undertaken to the Alior Group that the Bank BPH Core Business shall have at the Demerger Effective Date a total capital ratio of 13.25% comprised solely of shareholders' equity. Shareholders' equity of Bank BPH Core Business was calculated as the difference

between the value of total assets and total liabilities as shown in the Bank BPH Core Business Financial Statements as at the relevant date, adjusted to achieve total capital adequacy ratio to 13.25%. On this basis, shareholders' equity has been estimated by Bank BPH to be PLN 1,717 million as at March 31, 2016 and PLN 1,707 million as at December 31, 2015. For more information on the terms of the Share Purchase and Demerger Agreement, see "*The Transaction*".

Assets

The following table sets forth information on Bank BPH Core Business assets as at December 31, 2015 and 2014.

	As at December 31,		Change
	2015	2014	2015/2014
	(audited)		*(unaudited)*
Assets	*(PLN million)*		*(%)*
Cash and balances with central bank	944.0	1,093.0	(13.6)
Financial assets at fair value through profit or loss	5,325.3	4,582.7	16.2
Amounts due from banks	463.4	347.1	33.5
Loans and advances to customers, including:	8,229.9	8,429.6	(2.4)
Loan impairment	(866.0)	(1,365.9)	(36.6)
Assets pledged as collateral	-	568.9	(100.0)
Financial assets available for sale	457.0	370.3	23.4
Property, plant and equipment	269.5	289.1	(6.8)
Intangible assets	120.0	236.6	(49.3)
Assets held for sale	8.4	18.1	(53.6)
Deferred tax assets	179.3	138.3	29.6
Other assets	203.8	120.6	69.0
Total Assets	16,200.5	16,194.3	-

Source: Bank BPH Special Purpose 2014-2015 Financial Statements.

As at December 31, 2015, 50.8% of Bank BPH Core Business assets consisted of loans and advances to customers, 32.9% consisted of financial assets at fair value through profit or loss, 5.8% consisted of cash and balances with the central bank, and 2.8% consisted of financial assets available for sale.

Bank BPH Core Business assets remained largely stable with PLN 16,200.6 million as at December 31, 2015 compared to PLN 16,194.3 million as at December 31, 2014. A slight decrease in loans and advances to customers, due to the reasons discussed below, and decreases in assets pledged as collateral, as a result of liquidity management in the ordinary course of operations, and intangible assets, due to the impairment of goodwill discussed above, were largely off-set by a decrease in loan impairment, due to the sale of non-performing loans, and a 16.2% increase in financial assets at fair value through profit or loss, a 33.5% increase in amounts due from banks, and a 23.4% increase in financial assets available for sale, in each case due to asset and liability management in the ordinary course of operations.

As at December 31, 2014, 52.1% of the Bank BPH Core Business assets consisted of loans and advances to customers, 28.3% consisted of financial assets at fair value through profit or loss, 6.7% consisted of cash and balances with the central bank, 3.5% consisted of assets pledged as collateral, and 2.3% consisted of financial assets available for sale.

Loans and advances to customers

The following table sets forth information on the Bank BPH Core Business loans and advances to customers by type as at December 31, 2015 and 2014.

	As at December 31,		Change
	2015	2014	2015/2014
	(audited)		*(unaudited)*
	(PLN million)		*(%)*
Loans and advances	8,975.9	9,066.3	(1.0)
Factoring	274.9	234.0	17.5
to financial institutions	96.3	40.5	137.8
Corporates	91.5	38.5	137.8
Small and medium enterprises	4.8	2.0	137.7
to non-financial institutions	8,846.3	8,985.5	(1.5)
Corporates	2,178.9	2,403.0	(9.3)
Small and medium enterprises	1,735.4	1,949.3	(11.0)
Private individuals	4,932.0	4,633.1	6.5
to government and self-government institutions	33.3	40.3	(17.5)
Corporates	33.2	38.8	(14.4)
Small and medium enterprises	0.0	1.5	(96.8)
Other	120.0	729.2	(83.5)
securities from buy-sell-back transactions	-	614.7	(100.0)
loans and advances – under cash collateral of stock transactions	93.7	88.7	5.6
loans and advances in transit	14.0	13.4	4.3
other	12.4	12.5	(0.9)
Total	9,095.9	9,795.5	(7.1)
Impairment charges on loans and advances	(858.9)	(1,359.4)	(36.8)
Impairment charges on other loans and advances to customers	(7.2)	(6.5)	9.9
Loans and advances to customers	8,229.9	8,429.6	(2.4)

Source: Bank BPH Special Purpose 2014-2015 Financial Statements.

Gross loans and advances decreased by PLN 90.4 million, or 1.0%, to PLN 8,975.9 million as at December 31, 2015 from PLN 9,066.3 million as at December 31, 2014.

The following table sets forth information on the Bank BPH Core Business gross loans and advances to customers by customer segment and product type as at December 31, 2015 and 2014.

	As at December 31,		Change
	2015	2014	2015/2014
	(audited)		*(unaudited)*
	(PLN million)		*(%)*
Financial Institutions			
Corporates	91.5	38.5	137.8
Credit cards	-	-	-
Operating/working capital loan	91.5	38.5	137.8
Small and medium enterprises	4.8	2.0	137.7
Credit cards	0.1	0.0	265.0
Investment loans	1.2	-	-
Operating/working capital loans	2.2	1.7	30.2
Car loans	1.1	0.3	285.7
Other loans	0.3	0.0	900,0
Total loans and advances to financial institutions	96.3	40.5	137.8
Non-Financial Entities			
Corporates	2,178.9	2,403.0	(9.3)
Credit cards	0.8	1.2	(37.0)
Investment loans	387.4	408.8	(5.2)
Operating/working capital loan	1,297.1	1,559.2	(16.8)
Car loans	0.2	0.2	4.3
Other loans	493.5	433.6	13.8
Small and medium enterprises	1,735.4	1,949.3	(11.0)
Credit cards	46.9	67.7	(30.7)
Investment loans	347.0	413.2	(16.0)
Operating/working capital loans	907.4	988.8	(8.2)
Car loans	182.4	235.9	(22.7)
Other loans	251.7	243.8	3.3
Private individuals	4,932.0	4,633.1	6.5
Credit cards	511.4	673.8	(24.1)
Building society loans	10.6	14.5	(27.3)
Cash loans	4,388.8	3,884.8	13.0
Car loans	9,1	41.8	(78.2)
Other loans	12.2	18.2	(32.8)
Total loans and advances to non-financial entities	8,846.3	8,985.5	(1.5)
Government Sector			
Corporates	33.2	38.8	(14.4)
Credit cards	-	-	-
Investment loans	30.7	34.4	(10.7)
Operating/working capital loan	2.5	4.4	(43.1)
Small and medium enterprises	-	1.5	-
Investment loans	-	1.4	-
Other loans	-	0.1	-
Total loans and advances to the government sector	33.3	40.3	(17.5)
Total loans and advances	**8,975.9**	**9,066.3**	**(1.0)**

Source: Bank BPH Special Purpose 2014-2015 Financial Statements.

Total gross loans and advances to non-financial entities decreased by PLN 139.1 million, or 1.5%, to PLN 8,846.3 million from PLN 8,985.5 million. This decrease was primarily the result of declines in loans and advances to corporate and SME clients due to discontinued portfolios relating mostly to overdraft facilities, off-set in part by relatively strong growth in cash loans to private individuals due primarily to increased marketing and promotional campaigns in the financial year ended December 31, 2015 and more competitive pricing.

Total gross loans and advances to financial institutions increased by PLN 55.8 million, or 137.8%, to PLN 96.3 million as at December 31, 2015 from PLN 40.5 million as at December 31, 2014. This increase was primarily the result of organic growth in working capital loans to corporate clients, which has been a strategic focus of Bank BPH Core Business.

Capital Expenditures of Bank BPH (including those related to Bank BPH Core Business)

Capital Expenditures of Bank BPH, practically all of which concern Bank BPH Core Business, are defined as cash flows used to acquire property plant and equipment and intangible assets. In the period from January 1, 2016 to the date of this Offering Circular and in the financial years ended December 31, 2015, 2014 and 2013 Bank BPH made capital expenditures on investment projects of approximately PLN 7.1 million, PLN 105.9 million, PLN 91.9 million, and PLN 110.9 million.

In the period from January 1, 2016 to the date of this Offering Circular Bank BPH Core Business made capital expenditures on investment projects of approximately PLN 7.1 million. These expenditures included, without limitation, expenditures on: (i) hardware; (ii) software; (iii) modernization of branches and head office buildings; and (iv) purchases of finished products (including property, plant and equipment under construction).

In the financial year ended December 31, 2015, capital expenditures of Bank BPH on investment projects amounted to PLN 105.9 million. This included expenditures on, without limitation: (i) hardware in the amount of PLN 35.7 million; (ii) software in the amount of PLN 56.9 million; (iii) modernization of outlets and head offices in the amount of PLN 8.8 million; and (iv) purchases of goods (including fixed assets under construction) in the amount of PLN 4.5 million. In 2015 the Bank BPH's priority was to continue implementation of the expenditures supporting its strategy. The larges outlays were made on (i) continued and intensified works on implementing a new platform of the target central banking system (including the launch of an advanced tool to define and calculate impairment portfolio in the banking market and to realize subsequent steps of all the projects falling under the program of the Bank's central banking system replacement); (ii) completing the construction of the backup data processing center; (iii) modernizing IT systems to grow their speed, reliability and to simplify and consolidate working environment, while ensuring higher security; (iv) implementing the central system of the Bank BPH's infrastructure monitoring; (v) implementing PFSA recommendations – a security-related solution, consisting in transaction monitoring on the Internet Platform and the creation and launch of real estate information database (FDS and 3DSecure); (vi) aligning processes, procedures and IT systems to FATCA assumptions; (vii) aligning processes and IT systems applied in financial reporting to FED requirements; (vii) implementing contactless payment technology NFC in connection with debit and credit cards; (viii) further expansion and optimization of the Bank's internet platform functionality and making a broader product range available via the electronic channels and mobile devices for individual customers as well as SMEs and corporates; (ix) the launch of BIK Przedsiębiorca system and using its information to improve the quality of the portfolio and to grow sales; (x) the launch of new insurance products for mortgage and cash loans for individual customers; (xi) automating mailings of letters notifying change of interest rate announced by the Monetary Policy Council for OF and SME card products, to ensure compliance with the PSD; (xii) modernizing 45 outlets and relocating 3 branches; (xiii) modernizing the technical infrastructure of head office buildings in Krakow and Warsaw; and (xiv) comprehensive modernization of electronic security systems, to keep them in the appropriate technical condition.

In the financial year ended December 31, 2014, capital expenditures of Bank BPH on investment projects amounted to PLN 91.9 million. This included expenditures on, without limitation: (i) hardware in the amount of PLN 18.3 million; (ii) software in the amount of PLN 21.4 million; (iii) modernization of outlets and head offices in the amount of PLN 40.7 million; and (iv) purchases of goods (including fixed assets under construction) in the amount of PLN 11.5 million. In 2014 Bank BPH was consistently implementing projects and solutions that required active IT support. These included, among other things: (i) conclusion of the analytical phase and commencement of the production phase for the projects implementing the new platform for transaction banking system; (ii) expanding and improving functionality of the internet platform and providing a broader choice of products via electronic channels and mobile devices for individual customers, SME and corporate clients, including the decision to add the process of online application for access to foreign currency exchange system DealingNet to the BusinessNet platform as well as Funds Autoinvestment functionality and to modify the Sez@m system to enable customers to apply for and to conclude agreements via the internet platform with no need to visit a branch; (iii) implementation of the CRM tool, enabling development of on-line credit offers; (iv) developing Finger Vein technology, i.e. biometric customer identification and transaction authorization in the Bank's outlets; (v)

launch of a consistent mobile payments solution for individual customers; (vi) launch of instant payments; (vii) launch of the KOS system, enabling integration and automation of sales processes administration in the distribution network and the Bank BPH's head office; (viii) updating one of the critical systems to provide market data, with the view to maintaining high quality of services and to offer treasury products at attractive prices; (ix) building a new training environment to fully reflect the workplace in branches; (x) other projects aimed at restricting the costs and improving the efficiency of IT systems, such as the launch of a consolidated data processing center in Krakow and initiatives to boost security of the entire IT infrastructure in Bank BPH.

Other capital expenditures incurred in 2014 were related to: (i) concluded transfer of BPH Bank employees in Gdańsk to a new location, consisting of three buildings with a total usable area of 20 thousand square meters; (ii) intensified works on the transfer of BPH Bank employees in Krakow to a new location; (iii) concluded consolidation of data processing centers; (iv) modernization of 37 and relocation of 10 proprietary branches and launch of another Investment Center in Krakow; (v) simplifying and standardizing communications concerning change in interest rate on card products for individual customers and SME.

In the financial year ended December 31, 2013, capital expenditures of Bank BPH on investment projects amounted to PLN 110.9 million. This included expenditures on, without limitation: (i) hardware in the amount of PLN 34.3 million; (ii) software in the amount of PLN 14.5 million; (iii) modernization of outlets and head offices in the amount of PLN 45.2 million; and (iv) purchases of finished products (including property, plant and equipment under construction) in the amount of PLN 17.0 million.

In 2013 the Bank's priority was to implement projects supporting the Bank's strategic objectives. The biggest capital expenditures were made on: (i) starting works on the implementation of the new banking system transaction platform; (ii) consolidation of database processing centers into a single location and preparing space for migrations scheduled for Q1 2014; (iii) centralization of databases, renewal of software licenses and technically obsolete data transmission infrastructure; (iv) aligning the BPH Bank's head office buildings in Gdańsk and Kraków to ensure optimal use of office space; (v) modernization of IT systems with the view to speeding them up, simplifying and consolidating the working environment and to ensure a higher level of security; (vi) modernization of 52 of BPH Bank's own branches; (vii) integration and automation of sales administration processes and post-sale customer services in the distribution network and the BPH Bank's head office; (vii) ensuring the BPH Bank's compliance with amendments required by the Ministry of Justice concerning administration of court deposits; (viii) improving functionality of on-line transfers for card products for SME and corporate customers; (ix) making a broader product offer available via electronic channels and mobile devices for individual customers as well as the SME and corporate segment; (x) making business transaction platform functionality available on mobile devices; (xi) aligning the BPH Bank's system with the National Bank of Poland clearing system Sorbnet2; (xii) modernizing security systems in the Bank BPH's Head Office building in Warsaw; and (xiii) renewal of the Bank's car fleet.

The capital expenditures for the above investment projects were funded with own funds of Bank BPH. All the above investment projects were conducted in Poland.

In connection with the Business Transformation Plan, in the fourth quarter of 2015 Bank BPH commenced a capital investment program to upgrade its IT systems. Bank BPH announced total expected investment of PLN 250 million in connection with the Business Transformation Plan to be incurred between 2015 and 2018. In connection with the execution of the Transaction the amount would be reduced and optimized, in order to ensure the cost base decrease expected in the Transaction.

The Bank BPH Core Business has budgeted approximately PLN 107 million for capital investments in 2016 in connection with: (i) the preparation and upgrade of the IT infrastructure to ensure business continuity throughout the Demerger, (ii) a strategic upgrade of the Bank BPH Core Business general ledger and other core banking systems, (iii) the modernization of flagship branches and the corporate headquarters, (iv) improvements to systems to ensure on-going regulatory compliance, (v) the conversion of own branches into partner (franchise) outlets and the implementation of new cash handling processes in connection with the Business Transformation Plan, and (vi) various other IT improvement projects

All of these projects have been or will be conducted in Poland. Bank BPH expects to cover the outlays on the aforesaid investment projects and initiatives from its own funds.

To the best of Alior Bank's knowledge, as at the date of this Offering Circular the Management Board of Bank BPH has not made any binding commitments concerning material investment projects other than those listed above.

Financial Performance and Financial Condition of Bank BPH for the year ended December 31, 2014 as Compared to the Year Ended December 31, 2013 and as at December 31, 2014 as Compared to December 31, 2013.

Results of Operations of Bank BPH

The following discussion regarding the year ended December 31, 2014 as compared to the year ended December 31, 2013 relates to the operations of Bank BPH as a whole, rather than just the Bank BPH Core Business, and is based on the Bank BPH Annual Standalone Financial Statements for the financial year ended December 31, 2014 which are incorporated herein by reference. This method of presentation has been adopted because separate financial data for the Bank BPH Core Business as at December 31, 2013 and for the year ended December 31, 2013 were not available since the Bank BPH Special Purpose 2014-2015 Financial Statements only contain data as at December 31, 2014 and 2015 and for the years ended December 31, 2014 and 2015. Therefore, in this section, the financial performance information presented for the year ended December 31, 2014 as compared to the year ended December 31, 2013 is not comparable to the financial performance information presented above for the year ended December 31, 2015 as compared to the year ended December 31, 2014, and should not be relied on as providing any indication of the potential future financial condition or results of operations of Bank BPH Core Business or the enlarged Alior Group.

The financial year ended December 31, 2014 compared to the financial year ended December 31, 2013

Net interest income

Net interest income declined by PLN 46.5 million, or 4.8%, to PLN 927.9 million for the financial year ended December 31, 2014 from PLN 974.4 million for the financial year ended December 31, 2013, primarily as a result of a decrease in interest on loans and advances to customers and interest on securities which was not fully off-set by lower interest expenses. See note 2 to the Bank BPH Annual Standalone Financial Statements for the financial year ended December 31, 2014, which are incorporated herein by reference, for a detailed breakdown of the line items comprising net interest income.

Net fee and commission income

Net fee and commission income declined by PLN 77.9 million, or 21.0%, to PLN 292.9 million for the financial year ended December 31, 2014 from PLN 370.8 million for the financial year ended December 31, 2013. The decline in net fee and commission income was primarily the result of lower income from loans and advances, credit cards, domestic payments and current accounts, and bancassurance, which was not fully off-set by lower expenses on loans, advances and account administration fees, credit cards, foreign payments, and bancassurance. See note 4 to the Bank BPH Annual Standalone Financial Statements for the financial year ended December 31, 2014, which are incorporated herein by reference, for a detailed breakdown of the line items comprising net fee and commission income.

General administrative expenses

General administrative expenses increased by PLN 6.4 million, or 0.6%, to PLN 1,100.2 million for the financial year ended December 31, 2014 from PLN 1,093.8 million for the financial year ended December 31, 2013. The largest increase was recorded in the costs of external services and consulting, which amounted to PLN 95.0 million for the financial year ended December 31, 2014, an increase of PLN 22.4 million (or 30.9%) compared to PLN 72.6 million for the financial year ended December 31, 2013. This increase was largely off-set by a reduction in costs of IT and office equipment maintenance of PLN 8.4 million (or 12.4%) to PLN 59.2 million for the financial year ended December 31, 2014 from PLN 67.5 million for the financial year ended December 31, 2013, and minor declines in the cost of building maintenance and rents, which dropped by PLN 3.1 million (or 8.1%) and PLN 3.9 million (or 3.4%), respectively, to PLN 34.9 million and PLN 110.9 million, respectively, for the financial year ended December 31, 2014 from PLN 38.0 million and PLN 114.8 million, respectively, for the financial year ended December 31, 2013. See note 7 to the Bank BPH Annual Standalone Financial Statements for the financial year ended December 31, 2014, which are incorporated herein by reference, for a detailed breakdown of the line items comprising general administrative expenses.

Impairment charges

Impairment charges declined by PLN 81.7 million, or 58.7%, to PLN 57.5 million for the financial year ended December 31, 2014 from PLN 139.2 million for the financial year ended December 31, 2013. This decrease was mainly attributable to a significant reduction in net loan impairment charges, down by PLN 134.2 million (or 48.8%) to PLN 140.9 million for the financial year ended December 31, 2014 from PLN 275.1 million for the financial year ended December 31, 2013. The decline in net loan impairment charges was partially off-set by a PLN 31.3 million (or 49.8%) reduction in net result

on incurred but not reported losses on loans and advances to PLN 31.5 million for the financial year ended December 31, 2014 from PLN 62.8 million for the financial year ended December 31, 2013. See note 3 to the Bank BPH Annual Standalone Financial Statements for the financial year ended December 31, 2014, which are incorporated herein by reference, for a detailed breakdown of the line items comprising impairment charges.

Other operating income and expenses

The result on other operating income and expenses decreased substantially by PLN 122.5 million, or 99.2%, to PLN 1.0 million for the financial year ended December 31, 2014 from PLN 123.5 million for the financial year ended December 31, 2013, primarily as a result of a decrease in dividend income of PLN 95.0 million, or 88.5%, to PLN 12.3 million for the financial year ended December 31, 2014 from PLN 107.3 million for the financial year ended December 31, 2013. See note 8 to the Bank BPH Annual Standalone Financial Statements for the financial year ended December 31, 2014, which are incorporated herein by reference, for a detailed breakdown of the line items comprising result on other operating income and expenses.

Profit

Bank BPH's profit declined by PLN 166.0 million, or 57.3%, to PLN 123.5 million for the financial year ended December 31, 2014 from PLN 289.5 million for the financial year ended December 31, 2013. Profit before income tax amounted to PLN 168.4 million in the financial year ended December 31, 2014 compared to PLN 344.3 million in the financial year ended December 31, 2013.

Results of Operations and Financial Condition of Bank BPH by Operating Segments

The following discussion regarding the year ended December 31, 2014 as compared to the year ended December 31, 2013 and as at December 31, 2014 as compared to December 31, 2013 relates to the operations of Bank BPH as a whole, rather than just the Bank BPH Core Business, and is based on the Bank BPH Annual Standalone Financial Statements which are incorporated herein by reference. This method of presentation has been adopted because separate financial data for the Bank BPH Core Business as at December 31, 2013 and for the year ended December 31, 2013 were not available since the Bank BPH Special Purpose 2014-2015 Financial Statements only contain data as at December 31, 2014 and 2015 and for the years ended December 31, 2014 and 2015. Therefore, in this section, the financial performance and financial condition information presented for the year ended December 31, 2014 as compared to the year ended December 31, 2013, and as at December 31, 2014 as compared to December 31, 2013 is not comparable to the financial performance and financial condition information presented for the year ended December 31, 2015 as compared to the year ended December 31, 2014 and as at December 31, 2015 as compared to December 31, 2014, and should not be relied on as providing any indication of the potential future financial condition or results of operations of Bank BPH Core Business or the enlarged Alior Group.

The financial year ended December 31, 2014 compared to the financial year ended December 31, 2013 and as at December 31, 2014 as compared to December 31, 2013

Net interest income for the retail banking segment declined by PLN 39.7 million, or 5.7%, to PLN 662.5 million for the financial year ended December 31, 2014 from PLN 702.2 million for the financial year ended December 31, 2013. Net interest income for the commercial banking segment declined by PLN 14.4 million, or 6.2%, to PLN 219.8 million for the financial year ended December 31, 2014 from PLN 234.2 million for the financial year ended December 31, 2013. Net interest income for the asset and liabilities management and other segment increased by PLN 7.7 million, or 20.2%, to PLN 45.6 million for the financial year ended December 31, 2014 from PLN 38.0 million for the financial year ended December 31, 2013. See note 1 to the Bank BPH Annual Standalone Financial Statements for the financial year ended December 31, 2014, which are incorporated herein by reference, for a breakdown of the line items comprising net interest income by operating segment.

Net fee and commission income for the retail banking segment declined by PLN 66.3 million, or 29.3%, to PLN 159.7 million for the financial year ended December 31, 2014 from PLN 226.0 million for the financial year ended December 31, 2013. Net fee and commission income for the commercial banking segment declined by PLN 11.3 million, or 7.6%, to PLN 138.0 million for the financial year ended December 31, 2014 from PLN 149.3 million for the financial year ended December 31, 2013. Net fee and commission income for the asset and liabilities management and other segment declined slightly to a loss of PLN 4.7 million for the financial year ended December 31, 2014 from a loss of PLN 4.5 million for the financial year ended December 31, 2013. See note 1 to the Bank BPH Annual Standalone Financial

Statements for the financial year ended December 31, 2014, which are incorporated herein by reference, for a breakdown of the line items comprising net fee and commission income by operating segment.

Total assets of the retail banking segment declined by PLN 645.5 million, or 3.3%, to PLN 19,077.4 million as at December 31, 2014 from PLN 19,722.9 million as at December 31, 2013. Total assets of the commercial banking segment increased by PLN 220.3 million, or 5.3%, to PLN 4,374.9 million as at December 31, 2014 from PLN 4,154.6 million as at December 31, 2013. Total assets of the asset and liabilities management and other segment declined by PLN 963.7 million, or 11.7%, to PLN 7,269.0 million as at December 31, 2014 from PLN 8,232.7 million as at December 31, 2013. See note 1 to the Bank BPH Annual Standalone Financial Statements for the financial year ended December 31, 2014, which are incorporated herein by reference, for a breakdown of the line items comprising total assets by operating segment.

Total equity and liabilities of the retail banking segment declined by PLN 1,440.2 million, or 6.4%, to PLN 20,912.8 million as at December 31, 2014 from PLN 22,353.0 million as at December 31, 2013. Total equity and liabilities of the commercial banking segment decreased by PLN 255.8 million, or 4.4%, to PLN 5,624.8 million as at December 31, 2014 from PLN 5,880.6 million as at December 31, 2013. Total equity and liabilities of the asset and liabilities management and other segment increased by PLN 307.1 million, or 7.9%, to PLN 4,183.7 million as at December 31, 2014 from PLN 3,876.6 million as at December 31, 2013. See note 1 to the Bank BPH Annual Standalone Financial Statements for the financial year ended December 31, 2014, which are incorporated herein by reference, for a breakdown of the line items comprising total equity and liabilities by operating segment.

Assets and Liabilities of Bank BPH

The following discussion regarding assets and liabilities as at December 31, 2014 as compared to December 31, 2013 relates to the financial condition of Bank BPH as a whole, rather than just the Bank BPH Core Business, and is based on the Bank BPH Annual Standalone Financial Statements which are incorporated herein by reference. This method of presentation has been adopted because separate financial data for the Bank BPH Core Business as at December 31, 2013 were not available since the Bank BPH Special Purpose 2014-2015 Financial Statements only contain data as at December 31, 2014 and 2015. Therefore, in this section, the financial condition information presented as at December 31, 2014 as compared to December 31, 2013 is not comparable to the financial condition information presented as at December 31, 2015 as compared to December 31, 2014, and should not be relied on as providing any indication of the potential future financial condition or results of operations of Bank BPH Core Business or the enlarged Alior Group.

As at December 31, 2014 as compared to December 31, 2013

Assets

Financial assets at fair value through profit or loss declined by PLN 1,293.8 million, or 20.0%, to PLN 5,187.9 million as at December 31, 2014 from PLN 6,481.7 million as at December 31, 2013. See note 13 to the Bank BPH Annual Standalone Financial Statements for the financial year ended December 31, 2014, which are incorporated herein by reference, for a breakdown of the line items comprising financial assets at fair value through profit or loss.

Amounts due from banks increased by PLN 20.5 million, or 6.3%, to PLN 347.1 million as at December 31, 2014 from PLN 326.6 million as at December 31, 2013. See note 14 to the Bank BPH Annual Standalone Financial Statements for the financial year ended December 31, 2014, which are incorporated herein by reference, for a breakdown of the line items comprising loans and advances to and placements with banks.

Loans and advances to customers declined by PLN 77.8 million, or 0.3%, to PLN 22,808.9 million as at December 31, 2014 from PLN 22,886.7 million as at December 31, 2013. See note 15 to the Bank BPH Annual Standalone Financial Statements for the financial year ended December 31, 2014, which are incorporated herein by reference, for a breakdown of the line items comprising loans and advances to customers.

Loan impairment declined by PLN 444.2 million, or 19.2%, to PLN 1,870.8 million as at December 31, 2014 from PLN 2,315.0 million as at December 31, 2013. See note 16 to the Bank BPH Annual Standalone Financial Statements for the financial year ended December 31, 2014, which are incorporated herein by reference, for a detailed breakdown of the line items comprising loan impairment.

Financial assets available for sale increased by PLN 11.0 million, or 3.0%, to PLN 380.9 million as at December 31, 2014 from PLN 369.9 million as at December 31, 2013. See note 17 to the Bank BPH Annual Standalone Financial Statements for the financial year ended December 31, 2014, which are incorporated herein by reference, for a breakdown of the line items comprising financial assets available for sale.

Equity and liabilities

Amounts due to banks increased by PLN 189.0 million, or 60.1%, to PLN 503.8 million as at December 31, 2014 from PLN 314.8 million as at December 31, 2013. See note 23 to the Bank BPH Annual Standalone Financial Statements for the financial year ended December 31, 2014, which are incorporated herein by reference, for a breakdown of the line items comprising amounts due to banks.

Amounts due to customers declined by PLN 908.4 million, or 6.8%, to PLN 12,485.9 million as at December 31, 2014 from PLN 13,394.3 million as at December 31, 2013. See note 24 to the Bank BPH Annual Standalone Financial Statements for the financial year ended December 31, 2014, which are incorporated herein by reference, for a breakdown of the line items comprising amounts due to customers.

Amounts due to other institutions declined by PLN 718.8 million, or 5.7%, to PLN 11,998.1 million as at December 31, 2014 from PLN 12,716.9 million as at December 31, 2013. See note 25 to the Bank BPH Annual Standalone Financial Statements for the financial year ended December 31, 2014, which are incorporated herein by reference, for a breakdown of the line items comprising amounts due to other institutions.

Debt securities issued increased by PLN 42.7 million, or 22.6%, to PLN 232.2 million as at December 31, 2014 from PLN 189.4 million as at December 31, 2013. See note 26 to the Bank BPH Annual Standalone Financial Statements for the financial year ended December 31, 2014, which are incorporated herein by reference, for a breakdown of the line items comprising debt securities issued.

Provisions increased by PLN 21.8 million, or 27.7%, to PLN 100.2 million as at December 31, 2014 from PLN 78.4 million as at December 31, 2013. See note 27 to the Bank BPH Annual Standalone Financial Statements for the financial year ended December 31, 2014, which are incorporated herein by reference, for a breakdown of the line items comprising provisions.

Financial liabilities at fair value through profit or loss increased by PLN 12.5 million, or 8.2%, to PLN 164.3 million as at December 31, 2014 from PLN 151.9 million as at December 31, 2013. See note 28 to the Bank BPH Annual Standalone Financial Statements for the financial year ended December 31, 2014, which are incorporated herein by reference, for a breakdown of the line items comprising financial liabilities at fair value through profit or loss.

SELECTED STATISTICAL AND FINANCIAL INFORMATION OF THE ALIOR GROUP

The following selected statistical and financial information has been taken or derived from the Alior Group Annual Consolidated Financial Statements, the Alior Group Consolidated Financial Statements for the First Quarter 2016 or unaudited management accounts prepared based on accounting records. This section should be read in the context of the information provided elsewhere in the Offering Circular, and in particular in the section titled "Risk Management", as well as in the Alior Group Annual Consolidated Financial Statements.

Average Balances and Interest Rates

The table below sets forth the average balances and interest rates of the Alior Group. (see *"Presentation of Financial and Other Information – Average balances and interest rates – the Alior Group")*

	For the three-month periods ended March 31,					
	2016			2015		
	Average balances[1]	Interest earned / paid	Average interest rate	Average balances[1]	Interest earned / paid	Average interest rate
	(unaudited)					
	(PLN million)		(%)	(PLN million)		(%)
ASSETS	**39,890.0**	**542.0**	**5.51**	**29,407.8**	**408.6**	**5.63**
Loans and advances to customers	**34,267.8**	**514.6**	**6.09**	**25,514.7**	**387.2**	**6.16**
Retail segment [2]	19,675.2	343.1	7.07	14,410.2	258.3	7.27
Business segment, where:	14,592.6	171.5	4.77	11,104.5	129.0	4.71
Investment loans	5,719.0	63.8	4.52	4,279.0	50.5	4.79
Working capital facility[3]	8,242.2	100.0	4.92	6,045.8	68.0	4.56
Car loans	112.4	1.4	5.03	172.6	3.1	7.20
Acquired receivables	433.6	6.0	5.62	566.4	7.0	5.03
Financial assets available for sale	**5,622.2**	**27.4**	**1.97**	**3,893.1**	**21.4**	**2.23**
LIABILITIES	**34,245.1**	**142.1**	**1.68**	**25,030.4**	**106.6**	**1.73**
Amounts due to customers	**34,245.1**	**142.1**	**1.68**	**25,030.4**	**106.6**	**1.73**
Retail segment	22,036.3	87.0	1.60	15,904.0	64.1	1.64
Current deposits[4]	8,640.6	6.9	0.32	7,153.0	8.0	0.45
Term deposits	13,335.7	79.5	2.42	8,596.9	54.8	2.59
Own issue of banking securities	60.1	0.6	4.11	154.1	1.4	3.57
Business segment	12,208.8	55.1	1.83	9,126.4	42.5	1.89
Current deposits	3,782.6	0.7	0.08	2,916.4	0.5	0.07
Term deposits	6,093.2	27.2	1.81	4,547.4	21.7	1.93
Own issue of banking securities	2,333.0	27.2	4.73	1,662.5	20.2	4.94

[1] *Calculated as arithmetic means of gross balances, without interest, as at the end of each month in the given quarter, with amounts due to customers of companies in the Alior Group (other than Alior Bank) included in calculations of arithmetic means only in the last month of the quarter.*
[2] *Including primarily consumer loans and loans for residential real estate.*
[3] *Including overdraft loans.*
[4] *Including savings accounts.*
Source: Alior Bank.

	For the year ended December 31,								
	2015			2014			2013		
	Average balances[1]	Interest earned / paid	Average interest rate	Average balances[1]	Interest earned / paid	Average interest rate	Average balances[1]	Interest earned / paid	Average interest rate
	(unaudited)								
	(PLN million)		(%)	(PLN million)		(%)	(PLN million)		(%)
ASSETS	**33,215.9**	**1,959.9**	**5.90**	**26,142.9**	**1,649.6**	**6.31**	**21,086.9**	**1,469.4**	**6.97**
Loans and advances to customers	**28,991.2**	**1,868.5**	**6.44**	**22,871.1**	**1,554.0**	**6.79**	**17,872.6**	**1,357.2**	**7.59**
Retail segment,	16,511.8	1,278.7	7.74	12,574.1	1,015.4	8.08	9,594.0	856.9	8.93
Business segment, where:	12,479.4	589.7	4.73	10,297.1	538.6	5.23	8,278.5	500.3	6.04
Investment loans	4,752.9	210.0	4.42	3,707.1	190.3	5.13	2,503.4	150.2	6.00
Working capital facility[2]	6,998.5	341.3	4.88	5,741.1	297.1	5.18	4,774.6	277.7	5.82
Car loans	147.2	9.8	6.66	227.9	18.7	8.19	338.7	33.2	9.79
Acquired receivables	530.5	27.4	5.16	571.2	31.6	5.53	605.2	36.1	5.96
Financial assets available for sale[5]	**4,224.7**	**91.4**	**2.16**	**3,271.8**	**95.6**	**2.92**	**3,214.4**	**112.2**	**3.49**
LIABILITIES	**28,863.5**	**501.8**	**1.74**	**21,957.2**	**434.2**	**1.98**	**18,224.2**	**478.4**	**2.63**
Amounts due to customers	**28,863.5**	**501.8**	**1.74**	**21,957.2**	**434.2**	**1.98**	**18,224.2**	**478.4**	**2.63**
Retail segment	18,393.6	308.1	1.67	14,051.1	266.1	1.89	12,513.2	340.7	2.72
Current deposits[4]	7,913.0	35.4	0.45	6,526.4	55.9	0.86	4,601.1	53.9	1.17
Term deposits	10,340.6	267.4	2.59	7,367.0	204.6	2.78	7,829.3	283.5	3.62
Own issue of banking securities	140.0	5.3	3.75	157.7	5.6	3.56	82.8	3.3	3.93
Business segment	10,469.9	193.7	1.85	7,906.1	168.2	2.13	5,711.0	137.7	2.41
Current deposits	3,251.3	2.3	0.07	2,527.5	2.5	0.10	1,834.0	2.4	0.13
Term deposits	5,214.2	99.6	1.91	4,021.8	90.9	2.26	3,089.0	78.2	2.53
Own issue of banking securities	2,004.5	91.8	4.58	1,356.7	74.8	5.51	787.9	57.1	7.25

[1] Calculated as arithmetic means of gross balances, without interest, as at the end of each month in the given year, with amounts due to customers of companies the Alior Group (other than Alior Bank) included in calculations of arithmetic means only in the last month of each quarter.
[2] Including primarily consumer loans and loans for residential real estate.
[3] Including overdraft loans.
[4] Including savings accounts.
[5] This figure for 2013 does not take into account changes in presentation made in 2014 (see "Presentation of Financial and Other Information – Changed Presentation of Financial Data").
Source: Alior Bank.

Changes in Interest Income and Interest Expense – Volume and Rate Analysis

The table below sets forth a comparative analysis of changes in interest income and interest expense of Alior Group for the periods indicated.

	Three-month period ended March 31, 2016 compared to the three-month period ended March 31, 2015		
	Increase/(decrease) in net interest income due to changes in[1]		
	Volume	Rate %	Total net change
	(unaudited)		
	(PLN million)		
Interest income on:			
Loans and advances to customers	533.1	(405.7)	127.4
retail segment, where:	372.2	(287.4)	84.8
Consumer loans	307.1	(240.6)	66.5
Loans for residential real estate	75.8	(58.5)	17.3
Business segment, where:	166.4	(123.9)	42.5
Investment loans	65.1	(51.8)	13.3
Working capital facility[2]	108.1	(76.1)	32.0
Car loans	(3.0)	1.3	(1.7)
Acquired receivables	(7.5)	6.5	(1.0)
Financial assets available for sale	34.1	(28.1)	6.0
Total interest income	142.6	(9.2)	133.4
Interest expense on:			
Amounts due to customers	155.1	(119.6)	35.5
Retail segment:	98.1	(75.2)	22.9
Current deposits[3]	4.8	(5.9)	(1.1)
Term deposits	114.7	(90.0)	24.7
Own issue of banking securities	(3.9)	3.1	(0.8)
Business segment	56.4	(43.8)	12.6
Current deposits	0.7	(0.5)	0.2
Term deposits	28.0	(22.5)	5.5
Own issue of banking securities	31.7	(24.7)	7.0
Total interest expense	155.1	(119.6)	35.5
Net interest income	**567.1**	**(433.7)**	**133.4**

[1] *Calculated based on arithmetical averages of gross balances without interest, as at the end of each month in the given quarter with amounts due to customers of companies in the Alior Group (other than Alior Bank) included in calculations of arithmetic means only in the last month of the quarter.*
[2] *Including overdrafts.*
[3] *Including savings accounts.*
Source: Alior Bank.

	Year ended December 31, 2015 compared to year ended December 31, 2014			Year ended December 31, 2014 compared to year ended December 31, 2013		
	Increase/(decrease) in net interest income due to changes in[1]					
	Volume	Rate %	Total net change	Volume	Rate %	Total net change
	(unaudited)					
	(PLN million)					
Interest income on:						
Loans and advances to customers	**394.1**	**(79.6)**	**314.5**	**339.4**	**(142.6)**	**196.8**
retail segment, where:	304.8	(41.5)	263.3	240.8	(82.3)	158.5
Consumer loans	213.4	4.2	217.6	171.5	(70.4)	101.1
Loans for residential real estate	73.5	(18.2)	55.3	57.1	(4.7)	52.4
Business segment, where:	103.2	(52.1)	51.1	105.6	(67.3)	38.3
Investment loans	46.2	(26.5)	19.7	61.8	(21.6)	40.1
Working capital facility[2]	61.4	(17.2)	44.2	50.1	(30.7)	19.4
Car loans	(5.4)	(3.5)	(8.9)	(9.1)	(5.4)	(14.5)
Acquired receivables	(2.1)	(2.1)	(4.2)	(1.9)	(2.6)	(4.5)
Financial assets available for sale	**20.6**	**(24.8)**	**(4.2)**	**1.7**	**(18.3)**	**(16.6)**
Total interest income	**417.3**	**(107.0)**	**310.3**	**319.0**	**(138.8)**	**180.2**
Interest expense on:						
Amounts due to customers	**120.2**	**(52.6)**	**67.6**	**69.6**	**(113.8)**	**(44.2)**
Retail segment:	72.5	(30.5)	42.0	29.1	(103.6)	(74.6)
Current deposits[3]	6.2	(26.7)	(20.5)	16.6	(14.5)	2.0
Term deposits	77.0	(14.2)	62.8	(12.9)	(66.1)	(78.9)
Own issue of banking securities	(0.7)	0.4	(0.3)	2.7	(0.3)	2.4
Business segment	47.4	(21.9)	25.5	42.1	(11.6)	30.5
Current deposits	0.5	(0.7)	(0.2)	0.7	(0.6)	0.1
Term deposits	22.8	(14.1)	8.7	21.1	(8.4)	12.7
Own issue of banking securities	29.7	(12.7)	17.0	31.3	(13.6)	17.7
Total interest expense	**120.2**	**(52.6)**	**67.6**	**69.6**	**(113.8)**	**(44.2)**
Net interest income	**297.1**	**(54.4)**	**242.7**	**249.5**	**(25.1)**	**224.4**

(1) *Calculated based on arithmetical averages of gross balances, without interest, as at the end of each month in the given year with amounts due to customers of companies in the Alior Group (other than Alior Bank) included in calculations of arithmetic means only in the last month of each quarter.*
(2) *Including overdrafts.*
(3) *Including savings accounts.*
Source: Alior Bank.

Loan Portfolio Analysis

Structure of Loan Portfolio by Type

The following table sets forth, as at the dates indicated, information on the structure of Alior Group's net loan portfolio by type.

	As at March 31,		As at December 31,					
	2016		2015		2014[1]		2013[2]	
	(unaudited)		*(audited)*	*(unaudited)*	*(audited)*	*(unaudited)*	*(audited)*	*(unaudited)*
	(PLN million)	*(share in %)*	*(PLN million)*	*(share in %)*	*(PLN million)*	*(share in %)*	*(PLN million)*	*(share in %)*
Retail segment	**18,543.9**	**56.6**	**17,595.3**	**56.9**	**13,300.9**	**56.2**	**10,581.4***	**53.8**
Working capital facility*	180.0	0.5	167.6	0.5	142.5	0.6	118.3	0.6
Consumer loans	9,114.8	27.8	8,699.0	28.1	6,217.2	26.3	5,240.5	26.7
Consumer finance loans	865.1	2.6	748.9	2.4	704.8	3.0	650.7	3.3
Loans for purchase of securities	120.1	0.4	119.1	0.4	142.9	0.6	160.7	0.8
Credit card loans[3]	217.3	0.7	225.6	0.7	204.6	0.9	193.2	1.0
Loans for residential real estate	7,115.8	21.7	6,717.9	21.7	4,991.1	21.1	3,393.9	17.3
Other mortgage loans	899.8	2.7	896.0	2.9	877.2	3.7	798.0	4.1
Other receivables	31.0	0.1	21.1	0.1	20.4	0.1	26.1*	0.1
Corporate segment	**14,194.1**	**43.4**	**13,311.7**	**43.1**	**10,347.1**	**43.8**	**9,072.5**	**46.2**
Working capital facility	7,744.2	23.7	7,308.6	23.6	5,527.7	23.4	4,854.9	24.7
Car loans	59.6	0.2	70.4	0.2	141.3	0.6	239.5	1.2
Investment loans	5,690.4	17.4	5,481.6	17.7	4,134.2	17.5	3,366.8	17.1
Acquired receivables (factoring)[4]	438.6	1.3	376.4	1.2	517.3	2.2	561.8	2.9
Lease receivables	135.3	0.4	52.3	0.2	-	-	-	-
Other receivables	126.0	0.4	22.4	0.1	26.5	0.1	49.6	0.3
Loans and advances to customers	**32,738.0**	**100.0**	**30,907.1**	**100.0**	**23,648.0**	**100.0**	**19,653.9***	**100.0**

[1] *Figures for the financial year ended December 31, 2014 were extracted from the Alior Group Consolidated Financial Statements for 2015. See: "Presentation of Financial and Other Information – Changed Presentation of Financial Data".*
[2] *Figures for the financial year ended December 31, 2013, except for figures marked with "*", were extracted from the Alior Group Consolidated Financial Statements for 2013. See: "Presentation of Financial and Other Information – Changed Presentation of Financial Data". Figures marked with "*" were extracted from the Alior Group Consolidated Financial Statements for 2014.*
[3] *In the Alior Group Consolidated Financial Statements for 2013: "Credit card borrowings loans".*
[4] *In the Alior Group Consolidated Financial Statements for 2013: "Acquired receivables".*
** Including overdrafts.*
Source: the Alior Group Annual Consolidated Financial Statements, Alior Bank.

Structure of Loan Portfolio by Currency

The following table sets forth, as at the dates indicated, information on the structure of Alior Group's net loan portfolio by currency.

	As at March 31,		As at December 31,					
	2016		2015		2014[1]		2013[2]	
	(unaudited)		*(audited)*	*(unaudited)*	*(audited)*	*(unaudited)*	*(audited)*	*(unaudited)*
	(PLN million)	*(share in %)*	*(PLN million)*	*(share in %)*	*(PLN million)*	*(share in %)*	*(PLN million)*	*(share in %)*
Retail segment	18,543.9	56.6	17,595.3	56.9	13,300.9	56.2	10,581.4*	53.8
PLN	17,247.9	52.7	16,343.9	52.9	12,277.8	51.9	9,560.6*	48.6
Foreign currency, including[3]:	1,296.0	4.0	1,251.4	4.0	1,023.2	4.3	1,020.8	5.2
- CHF	170.0	0.5	173.0	0.6	151.4	0.6	104.2	0.5
Corporate segment	14,194.1	43.4	13,311.7	43.1	10,347.1	43.8	9,072.5	46.2
PLN	11,609.6	35.5	10,652.2	34.5	8,056.7	34.1	7,275.4	37.0
Foreign currency[3]	2,584.5	7.9	2,659.6	8.6	2,290.4	9.7	1,797.1	9.1
Total loans and advances to customers[3]	**32,738.0**	**100.0**	**30,907.1**	**100.0**	**23,648.0**	**100.0**	**19,653.9***	**100.0**

[1] *Figures for the financial year ended December 31, 2014 were extracted from the Alior Group Consolidated Financial Statements for 2015. See: "Presentation of Financial and Other Information – Changed Presentation of Financial Data".*
[2] *Figures for the financial year ended December 31, 2013, except for figures marked with "*", were extracted from the Alior Group Consolidated Financial Statements for 2013. See: "Presentation of Financial and Other Information – Changed Presentation of Financial Data". Figures marked with "*" were extracted from the Alior Group Consolidated Financial Statements for 2014.*
[3] *In the Alior Group Consolidated Financial Statements for 2013: "Other", "Other" and "Total amounts due to customers", respectively.*
Source: the Alior Group Financial Statements, Alior Bank.

Analysis of Loan Portfolio Quality

The following table sets forth, as at the dates indicated, information on the analysis of Alior Group's loan portfolio quality.

	As at March 31,	As at December 31,		
	2016	2015	2014[1]	2013[2]
	(unaudited)	*(audited)*[5]		
	(PLN million)			
Retail segment	18,543.9	17,595.3	13,300.9	**10, 581.4***
Mortgage loans[3]	7,115.8	6,717.9	4,991.1	**3, 393.9**
not impaired[4] [5]	6,996.8	6,593.7	4,908.6	3, 336.9
impaired[5]	186.6	189.1	112.2	68.8
NPL ratio (%)[6]	2.60	2.79	2.24	2.02
IBNR	(5.0)	(4.8)	(6.5)	(2.4)
Impairment allowance	(62.6)	(60.1)	(23.2)	(9.4)
Other retail loans	11,428.1	10,877.4	8,309.8	**7,187.4***
not impaired[4][5]	11,015.1	10,470.0	7,966.1	6,945.8*
impaired[5]	1,555.1	1,429.1	1,083.9	725.3
NPL ratio (%)[6]	12.37	12.01	11.98	9.45
IBNR	(123.8)	(121.8)	(74.3)	(48.7)
Impairment allowance	(1,018.2)	(899.9)	(665.9)	(434.9)
Corporate segment	14,194.1	13,311.7	10,347.1	9, 072.5
not impaired[4][5]	13,586.2	12,734.4	9,838.3	8, 838.1
impaired[5]	1,506.5	1,428.3	1,028.6	612,4
NPL ratio (%)[6]	9.98	10.09	9.47	6.48
IBNR	(36.0)	(39.6)	(18.1)	(15.8)
Impairment allowance	(862.6)	(811.4)	(501.7)	(362.1)
Loans and advances to customers	**32,738.0**	**30,907.1**	**23,648.0**	**19, 653.9***

[1] *Figures for the financial year ended December 31, 2014 were extracted from the Alior Group Consolidated Financial Statements for 2015. See: "Presentation of Financial and Other Information – Changed Presentation of Financial Data".*

(2) Figures for the financial year ended December 31, 2013, except for figures marked with "", were extracted from the Alior Group Consolidated Financial Statements for 2013. See: "Presentation of Financial and Other Information – Changed Presentation of Financial Data". Figures marked with "*" were extracted from the Alior Group Consolidated Financial Statements for 2014.*
(3) In the Alior Group Consolidated Financial Statements for 2013: "Loans for residental real estate".
(4) In the Alior Group Consolidated Financial Statements for 2013: "Unimpaired".
(5) Relates to gross amounts.
(6) Unaudited, calculated by multiplying gross impaired loans and advances to customers by 100% divided by the sum of gross unimpaired loans and advances to customers and gross impaired loans and advances to customers.
Source: the Alior Group Annual Consolidated Financial Statements, Alior Bank.

The following table sets forth, as at the dates indicated, information on the analyses of the quality of the loan portfolio of the Alior Group (amounts due from customers).

	As at March 31,	As at December 31,		
	2016	**2015**	**2014**	**2013**
	(unaudited)	*(unaudited)*		
	(PLN million)			
Retail segment	**18,543.9**	**17,595.3**	**13,300.9**	**10,581.4**
Loans for residential real estate	**7,115.8**	**6,717.9**	**4,991.1**	**3,393.9**
unimpaired loans (net)	6,991.7	6,588.9	4,902.1	3,334.6
impaired loans (net)	124.0	129.0	89.1	59.3
Other retail loans	**11,428.2**	**10,877.4**	**8,309. 8**	**7,187.4**
unimpaired loans (net)	10,891.2	10,348.2	7,891.8	6,897.1
impaired loans (net)	536.9	529.2	418.0	290.3
Business segment[(1)]	**14,194.1**	**13,311.7**	**10,347.1**	**9,072.5**
unimpaired loans (net)	13,550.2	12,694.9	9,820.1	8,822.3
impaired loans (net)	644.0	616.9	526.9	250.2
Net loans and advances to customers	**32,738.0**	**30,907.1**	**23,648.0**	**19,653.9**

(1) In the Alior Group Consolidated Financial Statements for 2013: "Corporate segment".
Source: Alior Bank.

Top ten borrowers

The tables below set forth, as at the dates indicated, Alior Group's ten largest credit exposures with respect to borrowers.

	As at March 31, 2016
	Credit exposure amount
	(unaudited)
	(PLN million)
Company 1	240.1
Company 2	233.5
Company 3	165.1
Company 4	142.5
Company 5	135.7
Company 6	134.1
Company 7	128.7
Company 8	120.2
Company 9	117.1
Company 10	112.4
Total	**1,529.4**

Source: the Alior Group Annual Consolidated Financial Statements.

The total value of Alior Group's balance sheet credit exposure as at March 31, 2016 in respect of the top ten borrowers amounted to PLN 1,529.4 million, which accounted for 4.67% of loans and advances to customers. The total value of Alior Group's credit exposure as at March 31, 2016 in respect of the top twenty and top thirty borrowers amounted to PLN 2,482.39 million and PLN 3,177.7 million, respectively, which accounted for 7.58% and 9.70%, respectively of loans and advances to customers.

	As at December 31, 2015
	Credit exposure amount
	(audited)
	(PLN million)
Company 1	242.4
Company 2	234.5
Company 3	149.8
Company 4	144.5
Company 5	129.2
Company 6	124.0
Company 7	120.9
Company 8	113.2
Company 9	112.7
Company 10	97.4
Total	1,468.6

Source: the Alior Group Annual Consolidated Financial Statements.

The total value of Alior Group's balance sheet credit exposure as at December 31, 2015 in respect of the top ten borrowers amounted to PLN 1,468.6 million, which accounted for 4.8% of loans and advances to customers. The total value of Alior Group's credit exposure as at December 31, 2015 in respect of the top twenty and top thirty borrowers amounted to PLN 2,324.2 million and PLN 2,960.5 million, respectively, which accounted for 7.5% and 9.6%, respectively of loans and advances to customers.

Composition of Loan Portfolio by Nominal Value of the Principal Amounts of Loans

The following table sets forth, as at the dates indicated, information on the composition of Alior Group's gross loan portfolio by nominal values of principal amounts of the loans.

	As at March 31, 2016				As at December 31, 2015			
	Total exposure		Number of customers		Total exposure		Number of customers	
	(unaudited)							
	(PLN million)	*(%)*		*(%)*	*(PLN million)*	*(%)*		*(%)*
Up to PLN 150,000	12,207.6	35.03	1,541,526	97.61	11,628.9	35.40	1,474,683	97.69
Above PLN 150,000 and below PLN 300,000	5,500.8	15.79	26,805	1.70	5,107.4	15.55	24,781	1.64
Above PLN 300,000 and below PLN 500,000	2,618.9	7.52	7,033	0.45	2,468.7	7.52	6,656	0.44
Above PLN 500,000 and below PLN 1 million	1,429.9	4.10	2,081	0.13	1,268.3	3.86	1,863	0.12
Above PLN 1 million and below PLN 5 million	2,814.7	8.08	1,244	0.08	2,737.7	8.34	1,203	0.08
Above PLN 5 million and below PLN 10 million	1,893.1	5.43	266	0.02	1,735.0	5.28	36	0.00
Above PLN 10 million and below 50 million	4,502.5	12.92	219	0.01	4,626.8	14.09	221	0.01
Above PLN 50 million	3,878.8	11.13	42	0.0	3,271.9	9.96	246	0.02
Total loans and advances to customers, gross	**34,846.2**	**100.00**	**1,579,216**	**100.00**	**32,844.7**	**100.00**	**1,509,689**	**100.00**

Source: Alior Bank.

Industry Exposure

The following table sets forth, as at the dates indicated, information on on-balance sheet and off-balance sheet commitments by industry sector of the borrower or its guarantor.

	As at March 31, 2016	As at December 31, 2015
	(unaudited)	
	(PLN million)	
Industrial processing	4,210.8	4,275.8
Construction	4,009.2	3,707.8
Wholesale and retail trading, repair of cars, including motorcycles	3,484.2	3,433.3
Activities related to servicing the real estate market	3,258.0	3,379.8
Generation and supply of electrical energy, gas, steam and hot water, and air for air-conditioning	**1,936.8**	**1,889.5**
Hospitality business	1,502.7	1,568.1
Financial and insurance activities	1,586.9	1,178.5
Information and communication	773.6	785.5
Professional, academic and technical activities	774.9	701.4
Healthcare and social insurance	597.7	579.0
Transport and warehousing	507.0	485.6
Administration and support activities	492.3	441.4
Agriculture, forestry, hunting and fishing	233.4	169.9
Mining and excavation	158.0	167.1
Activities related to culture, entertainment and recreation	200.2	107.7
Education	94.4	97.4
Supplying water; managing waste and sewage, and reclamation and rehabilitation activities	93.4	94.4
Other service activities	62.4	67.7
On-balance and off-balance sheet commitments by industry	**23,975.9**	**23,129.9**

Source: Alior Bank.

The above-mentioned exposures include: (i) the value of loans (on-balance sheet and off-balance sheet exposure excluding interest, commissions and write-downs), less paid cash deposits; (ii) unauthorized debits in current accounts; and (iii) treasury limits, less paid cash deposits, including debt instruments on the Bank's books, which are issued by the entity included in the sector.

Amounts Due from Non-financial Sector Customers Overdue but Not Impaired

The following table sets forth, as at the dates indicated, information on amounts due from non-financial sector customers overdue but not impaired for the Alior Group.

	As at March 31	As at December 31,		
	2016	**2015**	**2014[1]**	**2013[2]**
	(unaudited)	*(audited)*		
	(PLN million)			
≤ 1 month	2,793.9	2,807.3	1,867.0	1,890.8*
> 1 month ≤ 3 months	453.9	412.7	220.6	220.5*
> 3 months	286.3	241.1	148.8	197.2*
Amounts due from customers overdue but not impaired	**3,534.1**	**3,461.1**	**2,236.4**	**2,308.5***

[1] *Figures for the financial year ended December 31, 2014 were extracted from the Alior Group Consolidated Financial Statements for 2015. See: "Presentation of Financial and Other Information – Changed Presentation of Financial Data".*

(2) Figures for the financial year ended December 31, 2013, except for figures marked with "", were extracted from the Alior Group Consolidated Financial Statements for 2013. See: "Presentation of Financial and Other Information – Changed Presentation of Financial Data". Figures marked with "*" were extracted from the Alior Group Consolidated Financial Statements for 2014.*
Source: the Alior Group Annual Consolidated Financial Statements.

Amounts due from Banks by Type

The following table sets forth, as at the dates indicated, information on amounts due to Alior Bank from banks by type of instrument.

	As at March 31	As at December 31,		
	2016	**2015**	**2014(1)**	**2013(2)**
	(unaudited)	*(audited)*		
	(PLN million)			
Current accounts	239.4	339.4	291.4	99.8
Overnight deposits (O/N)	56.4	-	6.4	82.2
Term deposits	18.4	115.5	2.4	2.5
Deposits as derivative transactions (ISDA) collateral(3)	195.3	171.4	143.4	57.3
Other	14.3	18.9	5.7	11.9*
Amounts due from banks	**523.6**	**645.3**	**449.4**	**253.7***

(1) Figures for the financial year ended December 31, 2014 were extracted from the Alior Group Consolidated Financial Statements for 2015. See: "Presentation of Financial and Other Information – Changed Presentation of Financial Data".
(2) Figures for the financial year ended December 31, 2013, except for figures marked with "", were extracted from the Alior Group Consolidated Financial Statements for 2013. See: "Presentation of Financial and Other Information – Changed Presentation of Financial Data". Figures marked with "*" were extracted from the Alior Group Consolidated Financial Statements for 2014.*
(3) In the Alior Group Consolidated Financial Statements for 2013: "Security deposits granted".
Source: the Alior Group Annual Consolidated Financial Statements.

Amounts due from Banks by Maturity Structure

The following table sets forth, as at the dates indicated, information on amounts due from banks by maturity structure.

	As at March 31	As at December 31,		
	2016	**2015**	**2014(1)**	**2013(2)**
	(unaudited)	*(audited)*		
	(PLN million)			
≤ 1 month	522.0	643.2	447.0	253.7*
> 1 month ≤ 3 months	1.6	2.1	2.4	-
> 3 months ≤ 6 months	0.0	0.1	-	-
Amounts due from banks	**523.6**	**645.3**	**449.4**	**253.7***

(1) Figures for the financial year ended December 31, 2014 were extracted from the Alior Group Consolidated Financial Statements for 2015. See: "Presentation of Financial and Other Information – Changed Presentation of Financial Data".
(2) Figures for the financial year ended December 31, 2013, except for figures marked with "", were extracted from the Alior Group Consolidated Financial Statements for 2013. See: "Presentation of Financial and Other Information – Changed Presentation of Financial Data". Figures marked with "*" were extracted from the Alior Group Consolidated Financial Statements for 2014.*
Source: the Alior Group Annual Consolidated Financial Statements.

Securities and Derivatives Portfolio Analysis

Securities and Derivatives by Category

The following table sets forth, as at the dates indicated, the components of Alior Group's securities and derivatives by category.

	As at March 31	As at December 31,		
	2016	2015	2014[1]	2013[2]
	(unaudited)	*(audited)*		
	(PLN million)			
Financial assets held for trading	**359.8**	**390.6**	**476.8**	**243.3**
Financial liabilities held for trading	**339.0**	**310.2**	**349.0**	**184.1**
Financial assets available for sale:	**6,008.1**	**4,253.1**	**2,652.1**	**2,705.3***
Debt securities[3]				
– debt securities issued by the State Treasury and other government institutions	5,368.5	3,773.4	2,062.3	1,758.5*
– debt securities issued by monetary institutions	170.0	-	150.0	539.1
– debt securities issued by other financial institutions	177.4	177.0	125.7	64.6
– debt securities issued by enterprises	278.1	289.1	311.1	342.8
Equity instruments	**14.1**	**13.7**	**3.0**	**0.3**

[1] *Figures for the financial year ended December 31, 2014 were extracted from the Alior Group Consolidated Financial Statements for 2015. See: "Presentation of Financial and Other Information – Changed Presentation of Financial Data".*
[2] *Figures for the financial year ended December 31, 2013, except for figures marked with "*", were extracted from the Alior Group Consolidated Financial Statements for 2013. See: "Presentation of Financial and Other Information – Changed Presentation of Financial Data". Figures marked with "*" were extracted from the Alior Group Consolidated Financial Statements for 2014.*
[3] *In the Alior Group Consolidated Financial Statements for 2013: "Debt instruments".*
Source: the Alior Group Financial Statements.

Maturity Profile of Financial Assets and Liabilities held for trading and available for sale financial assets

The following table sets forth, as at the dates indicated, the distribution of Alior Bank's financial assets and liabilities held for trading and available for sale financial assets by maturity.

	As at March 31, 2016						
	Without a defined maturity date	Due within 1 month or less	Due within 1 to 3 months	Due within 3 to 12 months	Due within 1 to 5 years	More than 5 years	Total
	(unaudited)						
	(PLN million)						
Financial assets held-for-trading	5.5	38.1	42.6	46.6	179.5	47.5	359.8
Financial liabilities held-for-trading	0.0	26.8	56.5	52.6	161.4	41.8	339.0
Financial assets available for sale	14.1	170.0	41.8	1,059.5	3,938.3	784.3	6,008.1

Source: the Alior Group Financial Statements for the first quarter of 2016.

	As at December 31, 2015						
	Without a defined maturity date	Due within 1 month or less	Due within 1 to 3 months	Due within 3 to 12 months	Due within 1 to 5 years	More than 5 years	Total
	(audited)						
	(PLN million)						
Financial assets held-for-trading	3.0	39.9	24.1	84.9	198.6	40.0	390.6
Financial liabilities held-for-trading	-	11.0	17.1	86.2	167.6	28.3	310.2
Financial assets available for sale	13.7	0.0	17.1	620.5	3,075.4	526.4	4,253.1

Source: the Alior Group Annual Consolidated Financial Statements.

	As at December 31, 2014						
	Without a defined maturity date	Due within 1 month or less	Due within 1 to 3 months	Due within 3 to 12 months	Due within 1 to 5 years	More than 5 years	Total
	(audited)						
	(PLN million)						
Financial assets held-for-trading	2.7	71.9	47.4	90.2	241.5	23.0	476.8
Financial liabilities held-for-trading	0.0	24.8	35.9	46.6	224.9	16.8	349.0
Financial assets available for sale	3.0	150.0	0.0	775.1	1,444.6	279.5	2,652.1

Figures for the financial year ended December 31, 2014 were extracted from the Alior Group Consolidated Financial Statements for 2015. See: "Presentation of Financial and Other Information – Changed Presentation of Financial Data".
Source: the Alior Group Annual Consolidated Financial Statements.

	As at December 31, 2013						
	Without a defined maturity date	Due within 1 month or less	Due within 1 to 3 months	Due within 3 to 12 months	Due within 1 to 5 years	More than 5 years	Total
	(audited)						
	(PLN million)						
Financial assets held-for-trading	2.0	31.0	57.2	49.0	90.0	14.1	243.3
Financial liabilities held-for-trading	0.0	20.6	16.5	42.5	99.8	4.8	184.1
Financial assets available for sale	0.3	477.2	57.2	209.4*	1,401.4*	559.7*	2,705.3*

Figures for the financial year ended December 31, 2013, except for figures marked with "", were extracted from the Alior Group Consolidated Financial Statements for 2013. See: "Presentation of Financial and Other Information – Changed Presentation of Financial Data". Figures marked with "*" were extracted from the Alior Group Consolidated Financial Statements for 2014.*
Source: the Alior Group Annual Consolidated Financial Statements.

Deposits and Other Sources of Funding

Structure of Amounts Due to Customers by Type and by Customer Segment

The following table sets forth, as at the dates indicated, information on the structure of Alior Group's total amounts due to customers by type and by customer segment.

	As at March 31,		As at December 31,					
	2016		2015		2014[1]		2013[2]	
	(unaudited)		*(audited)*	*(unaudited)*	*(audited)*	*(unaudited)*	*(audited)*	*(unaudited)*
	(PLN million)	*(%)*	*(PLN million)*	*(%)*	*(PLN million)*	*(%)*	*(PLN million)*	*(%)*
Retail segment	**23,293.4**	**65.1**	**21,409.1**	**63.6**	**14,849.4**	**60.8**	**14,223.5**	**68.3**
Current deposits*	8,999.4	25.1	8,485.3	25.2	6,736.1	27.6	5,864.0	28.1
Term deposits	14,023.3	39.2	12,666.0	37.6	7,796.8	31.9	8,135.0	39.0
Own issue of banking securities[3]	64.3	0.2	54.3	0.2	156.8	0.6	96.8	0.5
Other liabilities	206.4	0.6	203.5	0.6	159.7	0.7	127.7	0.6
Corporate segment	12,508.9	**34.9**	**12,254.5**	**36.4**	**9,578.6**	**39.2**	**6,608.9***	**31.7**
Current deposits	3,689.6	10.3	3,991.0	11.9	3,124.7	12.8	2,300.6	11.0
Term deposits	6,363.7	17.8	5,869.7	17.4	4,826.5	19.8	3,091.5	14.8
Own issue of banking securities[3]	2,284.5	6.4	2,205.0	6.5	1,485.2	6.1	1,038.8*	5.0
Other liabilities	171.1	0.5	188.8	0.6	142.2	0.6	178.0	0.9
Total amounts due to customers	**35,802.2**	**100.0**	**33,663.5**	**100.0**	**24,428.0**	**100.0**	**20,832.5***	**100.0**

[1] *Figures for the financial year ended December 31, 2014 were extracted from the Alior Group Consolidated Financial Statements for 2015. See: "Presentation of Financial and Other Information – Changed Presentation of Financial Data".*

(2) Figures for the financial year ended December 31, 2013, except for figures marked with "", were extracted from the Alior Group Consolidated Financial Statements for 2013. See: "Presentation of Financial and Other Information – Changed Presentation of Financial Data". Figures marked with "*" were extracted from the Alior Group Consolidated Financial Statements for 2014.*
(3) In the Alior Group Financial Statements for 2013: "Banking securities issued".
** Including saving accounts*
Source: the Alior Group Annual Consolidated Financial Statements.

Structure of Amounts Due to Customers by Currency

The following table sets forth, as at the dates indicated, information on the structure of the Alior Group's total amounts due to customers, by currency, (excluding deposit certificates and other liabilities to customers).

	As at March 31,		As at December 31,					
	2016		2015		2014		2013	
	(unaudited)		*(audited)*	*(unaudited)*	*(audited)*	*(unaudited)*	*(audited)*	*(unaudited)*
	(PLN million)	*(%)*	*(PLN million)*	*(%)*	*(PLN million)*	*(%)*	*(PLN million)*	*(%)*
Retail segment	**23,293.4**	**65.1**	**21,409.1**	**63.6**	**14,849.4**	**60.8**	**14,223.5**	**68.3**
PLN	20,107.5	56.2	18,622.1	55.3	12,810.7	52.4	12,328.4	59.2
Foreign currencies[3]	3,185.9	8.9	2,787.0	8.3	2,038.7	8.3	1,895.1	9.1
Corporate segment	**12,508.9**	**34.9**	**12,254.5**	**36.4**	**9,578.6**	**39.2**	**6,608.9***	**31.7**
PLN	10,945.1	30.6	10,958.8	32.6	8,627.7	35.3	5,504.0*	26.4
Foreign currencies[3]	1,563.8	4.4	1,295.6	3.8	950.9	3.9	1,105.0	5.3
Total amounts due to customers	**35,802.2**	**100.0**	**33,663.5**	**100.0**	**24,428.0**	**100.0**	**20,832.5***	**100.0**
PLN, total	31,052.6	86.7	29,580.9	87.9	21,438.5	87.8	17,832.4*	85.6
Foreign currencies, total[3]	**4,749.7**	**13.3**	**4,082.6**	**12.1**	**2,989.5**	**12.2**	**3,000.1**	**14.4**

(1) Figures for the financial year ended December 31, 2014 were extracted from the Alior Group Consolidated Financial Statements for 2015. See: "Presentation of Financial and Other Information – Changed Presentation of Financial Data".
(2) Figures for the financial year ended December 31, 2013, except for figures marked with "", were extracted from the Alior Group Consolidated Financial Statements for 2013. See: "Presentation of Financial and Other Information – Changed Presentation of Financial Data". Figures marked with "*" were extracted from the Alior Group Consolidated Financial Statements for 2014.*
(3) In the Alior Group Consolidated Financial Statements for 2013: "Other".
Source: the Alior Group Financial Statements.

Structure of amounts due to customers by maturity

The following table sets forth, as at the dates indicated, the structure of the portfolio of amounts due to customers by maturity, (excluding deposit certificates and other liabilities to customers).

	As at March 31, 2016					
	Due within 1 month or less	**Due within 1 to 3 months**	**Due within 3 to 12 months**	**Due within 1 to 5 years**	**More than 5 years**	**Total**
	(unaudited)					
	(PLN million)					
Retail segment	12,399.1	4,486.2	5,383.2	1,014.9	10.0	23,293.4
Corporate segment	8,024.8	1,311.1	1,410.8	1,725.8	36.3	12,508.9
Total amounts due to customers	**20,423.9**	**5,797.3**	**6,794.0**	**2,740.7**	**46.3**	**35,802.2**

Source: the Alior Group Consolidated Financial Statements for the First Quarter of 2016.

	As at December 31, 2015					
	Due within 1 month or less	**Due within 1 to 3 months**	**Due within 3 to 12 months**	**Due within 1 to 5 years**	**More than 5 years**	**Total**
	(audited)					
	(PLN million)					
Retail segment	11,358.5	4,296.2	5,122.3	622. 7	9.4	21,409.1
Corporate segment	7,719.4	1,342.6	1,326.9	1,858.1	7.4	12,254.4
Total amounts due to customers	**19,077.9**	**5,638.8**	**6,449.2**	**2,480.8**	**16.9**	**33,663.5**

Source: the Alior Group Annual Consolidated Financial Statements.

	As at December 31, 2014					
	Due within 1 month or less	**Due within 1 to 3 months**	**Due within 3 to 12 months**	**Due within 1 to 5 years**	**More than 5 years**	**Total**
	(audited)					
	(PLN million)					
Retail segment	8,305.5	2,819.1	2,974.5	742.5	7.9	14,849.4
Corporate segment	6,538.8	1,027.5	962.4	1,042.5	7.4	9,578.6
Total amounts due to customers	**14,844.3**	**3,846.7**	**3,936.8**	**1,785.0**	**15.2**	**24,428.0**

Figures for the financial year ended December 31, 2014 were extracted from the Alior Group Consolidated Financial Statements for 2015. See: "Presentation of Financial and Other Information – Changed Presentation of Financial Data".
Source: the Alior Group Annual Consolidated Financial Statements.

	As at December 31, 2013					
	Due within 1 month or less	**Due within 1 to 3 months**	**Due within 3 to 12 months**	**Due within 1 to 5 years**	**More than 5 years**	**Total**
	(audited)					
	(PLN million)					
Retail segment	7,529.9	2,672.4	3,895.3	121.2	4.7	14,223.5
Corporate segment	4,693.1	464.1	608.3	836.2*	7.2	6,608.9*
Total amounts due to customers	**12,223.0**	**3,136.5**	**4,503.6**	**957.4***	**12.0**	**20,832.5***

Figures for the financial year ended December 31, 2013, except for figures marked with "", were extracted from the Alior Group Consolidated Financial Statements for 2013. See: "Presentation of Financial and Other Information – Changed Presentation of Financial Data". Figures marked with "*" were extracted from the Alior Group Consolidated Financial Statements for 2014.*
Source: the Alior Group Annual Consolidated Financial Statements.

Ten largest depositors

The tables below set forth, as at the dates indicated, the Alior Group's ten largest depositors with respect to single name depositors (except banks).

	As at March 31, 2016
	10 largest depositors (except banks)
	(audited)
	(PLN million)
Company 1	250.2
Company 2	214.1
Company 3	189.9
Company 4	173.9
Company 5	131
Company 6	120
Company 7	101.8
Company 8	100
Company 9	73.3
Company 10	71.2
Total	**1,425.4**

Source: the Alior Group Consolidated Financial Statements for the First Quarter of 2016.

	As at December 31, 2015
	10 largest depositors (except banks)
	(audited)
	(PLN million)
Company 1	212.8
Company 2	203.4
Company 3	175.4
Company 4	101.3
Company 5	94.0
Company 6	92.6
Company 7	88.7
Company 8	72.8
Company 9	72.6
Company 10	69.1
Total	**1,182.8**

Source: the Alior Group Annual Consolidated Financial Statements.

	As at December 31, 2014
	10 largest depositors (except banks)
	(audited)
	(PLN million)
Company 1	369.4
Company 2	230.0
Company 3	151.8
Company 4	99.4
Company 5	84.7
Company 6	70.8
Company 7	67.5
Company 8	66.6
Company 9	63.7
Company 10	61.8
Total	**1,265.8**

Figures for the financial year ended December 31, 2014 were extracted from the Alior Group Consolidated Financial Statements for 2015. See: "Presentation of Financial and Other Information – Changed Presentation of Financial Data".
Source: the Alior Group Annual Consolidated Financial Statements.

	As at December 31, 2013
	10 largest depositors (except banks)
	(audited)
	(PLN million)
Company 1	131.9
Company 2	129.1
Natural person 1	58.6
Company 3	55.3
Company 4	55.2
Company 5	51.0
Company 6	50.5
Company 7	47.7
Natural person 2	39.7
Company 8	35.1
Total	**654.1**

Figures for the financial year ended December 31, 2013 were extracted from the Alior Group Consolidated Financial Statements for 2014. See: "Presentation of Financial and Other Information – Changed Presentation of Financial Data".
Source: the Alior Group Annual Consolidated Financial Statements.

SELECTED STATISTICAL AND FINANCIAL INFORMATION OF BANK BPH CORE BUSINESS

The following selected statistical and financial information has been taken or derived from the Bank BPH Special Purpose 2014–2015 Financial Statements or the Bank BPH Interim Special Purpose Q1 2016 Financial Information. This section should be read in the context of the information provided elsewhere in the Offering Circular, and in particular in the section entitled Operating and Financial Review of the Bank BPH Core Business, in the Bank BPH Special Purpose 2014–2015 Financial Statements and in the Bank BPH Interim Special Purpose Q1 2016 Financial Information.

Average Balances and Interest Rates

The table below sets forth for the Bank BPH Core Business, for the periods indicated, the average balances of key interest earning assets and key interest bearing liabilities, interest earned or paid on such assets and liabilities and the average yield on such assets and average interest rates on such liabilities. For more details on average balances and interest rates used in this Offering Circular, see "*Presentation of Financial and Other Information – Average balances and interest rates – Bank BPH Core Business*".

	For the three-month period ended March 31,					
	2016			2015		
	Average balances[1]	Interest earned / paid	Average yield / interest rate[2]	Average balances[1]	Interest earned / paid	Average yield / interest rate[2]
	(unaudited)		*(unaudited)*	*(unaudited)*		*(unaudited)*
	(PLN million)		*(%)*	*(PLN million)*		*(%)*
Assets:						
Loans and advances to customers	**9,025.9**	**160.7**	7.12	**8,753.0**	**164.1**	7.50
Corporates:	**2,347.0**	**15.1**	**2.57**	**2,336.4**	**16.5**	**2.83**
Investment loans	411.6	2.8	2.72	402.5	3.9	3.89
Operating/working capital loans	1,431.7	9.7	2.71	1,504.4	9.7	2.58
Other loans	503.7	2.6	2.06	429.5	2.9	2.73
Small and medium enterprises:	**1,744.4**	**21.3**	**4.88**	**1,952.8**	**26.5**	**5.42**
Credit cards	46.8	0.3	2.98	63.6	0.5	3.31
Investment loans	343.4	3.9	4.54	402.9	4.8	4.75
Operating/working capital loans	930.2	10.5	4.51	1,007.1	12.4	4.92
Car loans	176.1	2.7	6.20	230.4	4.0	6.88
Other loans	247.9	3.8	6.19	248.7	4.8	7.70
Private individuals:	**4,934.4**	**124.3**	**10.08**	**4,463.8**	**121.1**	**10.85**
Credit cards	497.5	11.0	8.88	625.9	17.5	11.16
Investment loans	10.2	0.2	6.00	14.0	0.0	0.98
Cash loans	4,406.5	112.7	10.23	3,776.2	102.6	10.87
Car loans	8.1	0.3	15.09	30.2	0.8	10.91
Other loans	12.2	0.1	4.88	17.6	0.2	5.21
Financial assets (available for sale and at fair value through profit or loss)	**5,855.2**	**23.6**	1.61	**5,531.1**	**28.7**	2.07
Liabilities:						
Amounts due to banks	**212.0**	**0.7**	1.36	**591.4**	**0.9**	0.60
Amounts due to customers	**11,949.9**	**19.0**	0.64	**11,517.2**	**25.9**	0.90
Corporates	**2,312.3**	**3.7**	0.64	**2,215.1**	**5.2**	0.93
Current accounts	1,141.2	1.6	0.54	1,124.9	2.6	0.92
Deposits	1,171.1	2.2	0.73	1,090.2	2.6	0.95
Small and medium enterprises	**2,419.3**	**2.0**	0.32	**2,298.6**	**2.7**	0.46
Current accounts	1,814.6	1.0	0.21	1,657.6	1.0	0.24
Deposits	604.7	1.0	0.65	641.0	1.7	1.05
Private Individuals	**7,218.2**	**13.3**	0.74	**7,003.5**	**18.0**	1.03
Current accounts	4,874.3	7.6	0.63	4,432.2	6.8	0.61
Deposits	2,343.9	5.7	0.98	2,571.3	11.3	1.75
Debt securities issued	**220.5**	**0.8**	1.51	**223.3**	**1.0**	1.72

[1] *Calculated as arithmetical averages of each item as at December 31 of previous year and March 31 of current year.*
[2] *Average yield / interest rate is calculated as the quotient of interest earned / paid over average balances. The rate is annualized by multiplying by four.*
Source: Bank BPH

The table below sets forth for the Bank BPH Core Business, for the periods indicated, the average balances of key interest earning assets and key interest bearing liabilities, interest earned or paid on such assets and liabilities and the average yield on such assets and average interest rates on such liabilities. For more details on average balances and interest rates used in this Offering Circular, see "*Presentation of Financial and Other Information – Average balances and interest rates – Bank BPH Core Business*".

	For the year ended December 31,					
	2015			2014		
	Average balances[(1)]	Interest earned / paid	Average yield / interest rate	Average balances[(1)]	Interest earned / paid	Average yield / interest rate
			(unaudited)			
	(PLN million)		*(%)*	*(PLN million)*		*(%)*
Assets:						
Loans and advances to customers	**9,021.1**	**659.1**	**7.31**	**9,325.0**	**818.6**	**8.78**
Corporates:	**2,391.9**	**63.4**	**2.65**	**2,332.3**	**78.2**	**3.35**
Investment loans	430.6	12.7	2.96	486.9	19.2	3.94
Operating/working capital loans	1,496.6	40.1	2.68	1,432.7	48.0	3.35
Other loans	464.8	10.5	2.26	412.7	11.0	2.67
Small and medium enterprises:	**1,846.6**	**103.4**	**5.60**	**2,075.6**	**129.4**	**6.24**
Credit cards	57.3	1.6	2.85	74.8	3.8	5.10
Investment loans	381.4	17.7	4.64	428.3	21.9	5.11
Operating/working capital loans	950.0	50.5	5.31	1,113.6	64.3	5.77
Car loans	209.8	12.3	5.87	252.1	19.1	7.59
Other loans	247.9	21.3	8.59	206.8	20.3	9.84
Private individuals:	**4,782.6**	**492.3**	**10.29**	**4,917.0**	**610.9**	**12.42**
Credit cards	592.6	58.7	9.90	767.4	97.4	12.69
Investment loans	12.5	0.2	1.68	16.2	0.5	2.89
Cash loans	4,136.8	430.2	10.40	4,058.7	506.7	12.48
Car loans	25.5	2.4	9.48	56.4	5.3	9.32
Other loans	15.2	0.8	5.56	18.4	1.1	6.10
Financial assets (available for sale and at fair value through profit or loss)	**5,509.3**	**92.2**	**1.67**	**6,056.1**	**145.1**	**2.40**
Liabilities:						
Amounts due to banks	**304.1**	**3.0**	**0.98**	**409.3**	**6.4**	**1.56**
Amounts due to customers	**11,913.1**	**87.9**	**0.74**	**12,313.3**	**162.9**	**1.32**
Corporates	**2,378.9**	**17.0**	**0.71**	**2,637.5**	**33.7**	**1.28**
Current accounts	1,203.6	8.1	0.67	1,395.7	17.2	1.23
Deposits	1,175.2	8.9	0.76	1,241.8	16.5	1.33
Small and medium enterprises	**2,453.8**	**8.5**	**0.35**	**2,342.1**	**14.9**	**0.64**
Current accounts	1,817.2	3.7	0.21	1,794.8	8.3	0.46
Deposits	636.6	4.8	0.76	547.4	6.6	1.21
Private Individuals	**7,080.4**	**62.3**	**0.88**	**7,333.6**	**114.3**	**1.56**
Current accounts	4,639.7	27.5	0.59	4,821.6	58.8	1.22
Deposits	2,440.7	34.8	1.43	2,512.0	55.5	2.21
Debt securities issued	**233.5**	**3.2**	**1.38**	**210.7**	**4.2**	**1.97**

(1) *Calculated as arithmetical averages of each item as at December 31 of previous year and December 31 of current year.*

Source: Bank BPH

Changes in Interest Income and Interest Expense – Volume and Rate Analysis

The table below sets forth a comparative analysis of changes in interest income and interest expense of the Bank BPH Core Business for the periods indicated.

	Three-month period ended March 31, 2016 compared to three-month period ended March 31, 2015		
	Increase/(decrease) in net interest income due to changes in[1]		
	Volume	Rate	Total net change
	(unaudited)		
	(PLN million)		
Interest income on:			
Loans and advances to customers	**4.9**	**(8.3)**	**(3.4)**
Corporates, where	0.1	**(**1.5**)**	**(1.5)**
Investment loans	0.1	(1.2)	(1.1)
Operating/working capital loans	(0.5)	0.5	(0.0)
Other loans	0.4	(0.7)	(0.3)
Small and medium enterprises	**(**2.5**)**	**(**2.6**)**	**(5.2)**
Credit cards	(0.1)	(0.1)	(0.2)
Investment loans	(0.7)	(0.2)	(0.9)
Operating/working capital loans	(0.9)	(1.0)	(1.9)
Car loans	(0.8)	(0.4)	(1.2)
Other loans	(0.0)	(0.9)	(1.0)
Private individuals	11.9	**(**8.7**)**	**3.2**
Credit cards	(2.8)	(3.6)	(6.4)
Investment loans	(0.1)	0.2	0.1
Cash loans	16.1	(6.0)	10.1
Car loans	(0.8)	0.3	(0.5)
Other loans	(0.1)	(0.0)	(0.1)
Financial assets (available for sale and at fair value through profit or loss)	**1.3**	**(6.4)**	**(5.1)**
Interest expense on:			
Amounts due to banks	**(1.3)**	**1.1**	**(0.2)**
Amounts due to customers	**0.7**	**(7.5)**	**(6.9)**
Corporates	**0.2**	**(1.6)**	**(1.5)**
Current accounts	0.0	(1.1)	(1.0)
Deposits	0.1	(0.6)	(0.4)
Small and medium enterprises	**0.1**	**(0.8)**	**(0.7)**
Current accounts	0.1	(0.1)	(0.0)
Deposits	(0.1)	(0.6)	(0.7)
Private Individuals	**0.4**	**(5.1)**	**(4.7)**
Current accounts	0.7	0.2	0.9
Deposits	(0.6)	(5.0)	(5.6)
Debt instruments issued	**(0.0)**	**(0.1)**	**(0.1)**

[1] The average net balances of interest earning assets and interest earning liabilities used to calculate the volume and total net changes are calculated as arithmetical averages of each item as at December 31 of previous year and March 31 of current year.
Source: Bank BPH

The table below sets forth a comparative analysis of changes in interest income and interest expense of the Bank BPH Core Business for the periods indicated.

	Year ended December 31, 2015 compared to year ended December 31, 2014		
	Increase/(decrease) in net interest income due to changes in[(1)]		
	Volume	Rate	Total net change
	(unaudited)		
	(PLN million)		
Interest income on:			
Loans and advances to customers	**(22.2)**	**(137.2)**	**(159.4)**
Corporates	**1.6**	**(16.4)**	**(14.8)**
Investment loans	(1.7)	(4.8)	(6.4)
Operating/working capital loans	1.7	(9.6)	(7.9)
Other loans	1.2	(1.7)	(0.5)
Small and medium enterprises	**(12.8)**	**(13.2)**	**(26.0)**
Credit cards	(0.5)	(1.7)	(2.2)
Investment loans	(2.2)	(2.0)	(4.2)
Operating/working capital loans	(8.7)	(5.1)	(13.8)
Car loans	(2.5)	(4.3)	(6.8)
Other loans	3.5	(2.6)	1.0
Private individuals	**(13.8)**	**(104.7)**	**(118.6)**
Credit cards	(17.3)	(21.4)	(38.7)
Investment loans	(0.1)	(0.2)	(0.3)
Cash loans	8.1	(84.6)	(76.5)
Car loans	(2.9)	0.1	(2.8)
Other loans	(0.2)	(0.1)	(0.3)
Financial assets (available for sale and at fair value through profit or loss)	**(9.1)**	**(43.8)**	**(53.0)**
Interest expense on:			
Amounts due to banks	**(1.0)**	**(2.4)**	**(3.4)**
Amounts due to customers	**(3.0)**	**(72.1)**	**(75.1)**
Corporates	**(1.8)**	**(14.9)**	**(16.7)**
Current accounts	(1.3)	(7.8)	(9.1)
Deposits	(0.5)	(7.1)	(7.6)
Small and medium enterprises	**0.4**	**(6.8)**	**(6.4)**
Current accounts	0.0	(4.6)	(4.6)
Deposits	0.7	(2.5)	(1.8)
Private Individuals, where	**(2.2)**	**(49.7)**	**(52.0)**
Current accounts	(1.1)	(30.3)	(31.4)
Deposits	(1.0)	(19.6)	(20.6)
Debt instruments issued	0.3	(1.2)	(0.9)

(1) The average net balances of interest earning assets and interest bearing liabilities used to calculate the volume and total net changes are calculated as arithmetical averages of each item as at December 31 of previous year and March 31 of current year.
Source: Bank BPH

Loan Portfolio Analysis

Structure of Loan Portfolio by Type

The following table sets forth, as at the dates indicated, information on the structure of the Bank BPH Core Business gross loan portfolio (defined as amounts due from customers before impairment allowances and IBNR) by type.

	As at December 31,			
	2015		2014	
	(audited)	*(unaudited)*	*(audited)*	*(unaudited)*
	(PLN million)	*(% of total)*	*(PLN million)*	*(% of total)*
Corporates	**2,303.6**	**25.7**	**2,480.3**	**27.4**
Credit Cards	0.8	0.0	1.2	0.0
Investment loans	418.0	4.7	443.2	4.9
Operating/working capital loans	1,391.1	15.5	1,602.1	17.7
Car loans	0.2	0.0	0.2	0.0
Other loans	493.5	5.5	433.6	4.8
Small and medium enterprises	**1,740.2**	**19.4**	**1,952.9**	**21.5**
Credit cards	47.0	0.5	67.7	0.7
Investment loans	348.2	3.9	414.6	4.6
Operating/working capital loans	909.6	10.1	990.4	10.9
Car loans	183.5	2.0	236.2	2.6
Other loans	251.9	2.8	243.9	2.7
Private individuals	**4,932.0**	**54.9**	**4,633.1**	**51.1**
Credit cards	511.4	5.7	673.8	7.4
Mortgage or investment loans	10.6	0.1	14.5	0.2
Cash loans	4,388.8	48.9	3,884.8	42.8
Car loans	9.1	0.1	41.8	0.5
Other loans	12.2	0.1	18.2	0.2
Total loans and advances	**8,975.9**	**100.0**	**9,066.3**	**100.0**

Source: Bank BPH Special Purpose Financial Statements for 2014 and 2015

Structure of Loan Portfolio by Currency

The following table sets forth, as at the dates indicated, information on the structure of the Bank BPH Core Business gross loan portfolio by currency.

	As at December 31,	
	2015	2014
	(*audited*)	
	(PLN millions)	
PLN	8,189	7,963
EUR	665	964
USD	65	64
CHF	42	60
Other currency	15	15
Total	**8,976**	**9,066**

Source: Bank BPH Special Purpose Financial Statements for 2014 and 2015

Analysis of Loan Portfolio Quality

The following table sets forth, as at the dates indicated, an analysis of the Bank BPH Core Business loan portfolio quality.

	As at December 31,	
	2015	**2014**
	(audited)	
	(PLN million)	
Corporates net	**2,238**	**2,405**
Gross not impaired	2,186	2,340
Gross impaired	118	140
NPL ratio(%)*	5.1	5.6
IBNR	19	19
Impairment charge	46	56
Small and medium enterprises	**1,480**	**1,594**
Gross not impaired	1,427	1,511
Gross impaired	313	442
NPL ratio(%)*	18.0	22.6
IBNR	26	32
Impairment charge	234	327
Private individuals	**4,399**	**3,708**
Gross not impaired	4,280	3,636
Gross impaired	652	997
NPL ratio (%)*	13.2	21.5
IBNR	60	68
Impairment charge	473	857
Net loans and advances to customers	**8,117**	**7,707**

* *Unaudited, calculated by dividing gross impaired amount by the sum of gross unimpaired amount and gross impaired amount.*
Source: Bank BPH Special Purpose Financial Statements for 2014 and 2015; Bank BPH

Share of Loans in the Bank BPH Core Business Portfolio

The following table sets forth, as at the dates indicated, information on the share of loans in the Bank BPH Core Business net loan portfolio.

	As at December 31,	
	2015	**2014**
	(audited)	
	(PLN million)	
Corporates	2,238.3	2,404.6
unimpaired loans (net)	2,166.6	2,321.1
impaired loans (net)	71,7	83.6
Small and medium enterprises	1,479.9	1,593.6
unimpaired loans (net)	1,401.1	1,478.9
impaired loans (net)	78.8	114.7
Private individuals	4,399.0	3,708.4
unimpaired loans (net)	4,220.1	3,568.0
impaired loans (net)	178.9	140.4
Net loans and advances to customers	**8,117.1**	**7,706.6**

Source: Bank BPH Special Purpose Financial Statements for 2014 and 2015; Bank BPH

Top 10 largest debtors

The tables below set forth, as at the dates indicated, the Bank BPH Core Business ten largest total credit exposures with respect to debtors.

	As at December 31, 2015
	(audited)
	(PLN million)
Individual customer/ Fuel industry	450
Related group/ Trade / Agriculture	133
Individual customer/ Real estate	118
Individual customer/ High – tech industry	101
Related group/ /Information, communication and professional activities	96
Related group/Financial intermediation	92
Related group/Metallurgical industry	86
Individual customer/Real estate	84
Individual customer/Mining	67
Related group/ Financial intermediation	60
Total	**1,287**

Source: Bank BPH Special Purpose Financial Statements for 2014 and 2015

	As at December 31, 2014
	(audited)
	(PLN million)
Individual customer/ Fuel industry	450
Individual customer/ Real estate	120
Individual customer/ Chemical Industry	120
Related group/ Trade/Agriculture	107
Related group/ Information, communication and professional activities	92
Related group/Financial intermediation	81
Related group/Metallurgical industry	76
Individual customer/ Mining	67
Individual customer/Construction	58
Individual customer/ Trade	53
Total	**1,224**

Source: Bank BPH Special Purpose Annual Financial Statements for 2014 and 2015

Largest Loans by Industry Sector of Borrower or its Guarantor

The following table sets forth, as at the date indicated, information on on-balance and off-balance commitments to commercial segment customers by industry sector of the borrower or its guarantor.

	As at December 31, 2015
	(unaudited)
Industry/Sector:	*(PLN million)*
Trade	2,021.3
Fuel	480.4
Metallurgical	411.5
Food	377.5
Construction	361.4
Mineral industry	347.7
Real estate activities	306.7
Financial activities	300.7
Machinery & equipment industry	298.0
Transport	264.8
Professional activities	244.1
Others	200.3
Agriculture	179.9
Wood-paper industry	160.1
High-tech industry	132.9
IT	122.0
Administrative	106.5
Mining	69.8
Arts, entertainment	66.2
Chemical manufacturing	65.8
Other industry	58.6
Hospitality	57.8
Water supply	56.5
Human health	55.9
Printing industry	28.4
Light industry	23.1
Other services activities	22.7
Education	20.8
Energy	16.2
Public administration	2.1
Extraterritorial organizations	0.1

Source: Bank BPH

	As at December 31, 2014
	(unaudited)
	(PLN million)
Trade	1,968.3
Fuel	487.0
Metallurgical	465.6
Construction	399.8
Mineral industry	323.1
Food	320.7
Transport	283.8
Others	260.7
Machinery&equipment industry	260.4
Professional activities	240.9
Financial activities	223.0
Real estate activities	214.5
Chemical manufacturing	190.3
IT	180.8
Agriculture	157.9
Wood-paper industry	157.5
Administrative	98.8
Mining	78.0
Hospitality	67.8
Other industry	62.8
High-tech industry	55.2
Human health	55.2
Water supply	45.3
Arts, entertainment	33.2
Other service activities	31.0
Education	30.7
Light industry	28.6
Printing	24.5
Energy	6.8
Public administration	1.8
Extraterritorial organizations	0.2

Source: Bank BPH

Loans and Advances to Customers Overdue but Not Impaired

The following table sets forth, as at the dates indicated, information on loans and advances to customers overdue but not impaired.

	As at December 31,	
	2015	**2014**
	(audited)	
	(PLN million)	
≤ 1M	328	408
> 1M ≤ 3M	62	75
> 3M	15	11
Loans and advances to customers overdue but not impaired	**405**	**494**

Source: Bank BPH Special Purpose Financial Statements for 2014 and 2015

Amounts due from Banks by Country of Origin

The following table sets forth, as at the dates indicated, information on the amounts due from banks by country of origin.

	As at December 31,	
	2015	**2014**
	(audited)	
	(PLN million)	
Amounts due from domestic financial institutions	21.5	41.0
Amounts due from foreign financial institutions	441.9	306.1
Amounts due from banks	**463.4**	**347.1**

Source: Bank BPH Special Purpose Financial Statements for 2014 and 2015

Amounts due from Banks by Type

The following table sets forth, as at the dates indicated, information on the amounts due from banks by type of instrument.

	As at December 31,	
	2015	**2014**
	(audited)	
	(PLN million)	
Money market placements	**10.1**	**40.1**
Other:	**453.3**	**307.0**
current accounts	411.9	263.1
loans and advances – under cash collateral	39.7	43.9
loans and advances in transit	1.7	-
other	0.0	0.0
Amounts due from banks	**463.4**	**347.1**

Source: Bank BPH Special Purpose Financial Statements for 2014 and 2015

Securities Portfolio Analysis

Securities by Category

The following table sets forth, as at the dates indicated the components of the Bank BPH Core Business securities portfolio by category of security.

	As at December 31,	
	2015	**2014**
	(audited)	
	(PLN million)	
Debt Instruments:	5,237.6	4,465.9
Money bills issued by Central Bank	4,598.5	4,465.9
Treasury bonds issued by central government institutions	639.1	-
Financial assets available for sale	**457.0**	**370.3**
Treasury bonds	376.0	370.3
Equity instruments:	81.0	-

Source: Bank BPH Special Purpose Financial Statements for 2014 and 2015

Maturity Profile of Financial Assets and Liabilities

The following table sets forth, as at the dates indicated, the distribution of the Bank BPH Core Business financial assets and liabilities by maturity.

	As at December 31, 2015						
	Without a defined maturity date	**Due within 1 month or less**	**More than 1 and within 3 months**	**More than 3 and within 12 months**	**More than 1 and within 5 years**	**More than 5 years**	**Total**
	(audited)						
	(PLN million)						
Debt instruments initially recognized at fair value through profit or loss	**-**	**4,598.5**	**-**	**80.3**	**558.7**	**-**	**5,237.6**
Money bills issued by Central Bank	-	4,598.5	-	-	-	-	4,598.5
Treasury bonds issued by central government institutions	-	-	-	80.3	558.7	-	639.1
Financial assets available for sale	**81.0**	**179.8**	**-**	**54.5**	**141.7**	**-**	**457.0**
Treasury bonds	-	179.8	-	54.5	141.7	-	376.0
Equity instruments	81.0	-	-	--	-	-	81.0
Debt securities issued	**-**	**-**	**29.3**	**83.1**	**122.8**	**-**	**235.1**

Source: Bank BPH

	As at December 31, 2014						
	Without a defined maturity date	Due within 1 month or less	More than 1 and within 3 months	More than 3 and within 12 months	More than 1 and within 5 years	More than 5 years	Total
	(audited)						
	(PLN million)						
Debt instruments initially recognized at fair value through profit or loss	**-**	**3,930.6**	**-**	**173.3**	**362.0**	**-**	**4,465.9**
Money bills issued by Central Bank	-	3,930.6	-	-	-	-	3,930.6
Treasury bonds issued by central government institutions	-	-	-	173.3	362.0	-	535.3
Financial assets available for sale	**-**	**-**	**-**	**112.9**	**257.5**	**-**	**370.3**
Treasury bonds	-	-	-	112.9	257.5	-	370.3
Assets pledged as collateral	**-**	**568.9**	**-**	**-**	**-**	**-**	**568.9**
Debt securities issued	**-**	**-**	**46.1**	**157.0**	**29.1**	**-**	**232.2**

Source: Bank BPH

Deposits and Other Sources of Funding

Structure of Amounts Owed to Customers by Type and by Customer Segment

The following table sets forth, as at the dates indicated, information on the structure of the Bank BPH Core Business total amounts due to customers by type and by customer segment.

	As at December 31,			
	2015		2014	
	(audited)	*(unaudited)*	*(audited)*	*(unaudited)*
	(PLN million)	*(% of total)*	*(PLN million)*	*(% of total)*
Current accounts	**7,808.5**	**62.8**	**7,512.7**	**59.1**
Deposits	**4,168.2**	**33.5**	**4,336.8**	**34.1**
Debt securities issued	**235.1**	**1.9**	**232.2**	**1.8**
Other:	**230.0**	**1.8**	**636.3**	**5.0**
liabilities due to securities from sell-buy-back transactions	-	-	389.2	3.1
amounts due under cash collateral	67.3	0.5	90.0	0.7
cash collateral for loans	53.0	0.4	75.4	0.6
cash collateral for derivative transactions	14.3	0.1	14.6	0.1
other	162.7	1.3	157.1	1.2
Amounts due to customers	**12,441.8**	**100.0**	**12,718.0**	**100.0**

	As at December 31,			
	2015		2014	
	(audited)	*(unaudited)*	*(audited)*	*(unaudited)*
	(PLN million)	*(% of total)*	*(PLN million)*	*(% of total)*
Corporates	**2,291.6**	**18.4**	**2,466.2**	**19.4**
Current accounts	1,105.1	8.9	1,302.2	10.2
Deposits	1,186.5	9.5	1,164.0	9.2
Small and medium enterprises	**2,524.9**	**20.3**	**2,382.8**	**18.7**
Current accounts	1,891.0	15.2	1,743.4	13.7
Deposits	633.9	5.1	639.4	5.0
Private Individuals	**7,395.3**	**59.4**	**7,232.8**	**56.9**
Current accounts	4,812.3	38.7	4,467.2	35.1
Deposits	2,347.9	18.9	2,533.5	19.9
Deposit certificates	235.1	1.9	232.2	1.8
Other:	**230.0**	**1.8**	**636.3**	**5.0**
Total amounts due to customers	**12,441.8**	**100.0**	**12,718.0**	**100.0**

Source: Bank BPH Special Purpose Financial Statements for 2014 and 2015

Structure of Amounts Due to Customers by Currency

The following table sets forth, as at the dates indicated, information on the structure of the Bank BPH Core Business total amounts due to customers (excluding debt securities issued and other amounts owed to customers) by currency.

	As at December 31,			
	2015		2014	
	(unaudited)	*(unaudited)*	*(unaudited)*	*(unaudited)*
	(PLN million)	*(% of total)*	*(PLN million)*	*(% of total)*
Corporates	**2,291.6**	**19.1**	**2,466.2**	**20.8**
PLN	1,736.3	14.5	2,100.1	17.7
Foreign currencies	555.3	4.6	366.1	3.1
Small and medium enterprises	**2,524.9**	**21.1**	**2,382.8**	**20.1**
PLN	2,129.2	17.8	2,143.5	18.1
Foreign currencies	395.7	3.3	239.2	2.0
Private individuals	**7,160.2**	**59.8**	**7,000.6**	**59.1**
PLN	6,634.2	55.4	6,497.5	54.8
Foreign currencies	526.0	4.4	503.1	4.2
Total amounts due to customers	**11,976.7**	**100.0**	**11,849.6**	**100.0**
PLN	10,499.7	87.7	10,741.1	90.6
Foreign currencies	1,477.0	12.3	1,108.4	9.4

Source: Bank BPH

Structure of amounts due to customers by maturity

The following table sets forth, as at the dates indicated, the distribution of the portfolio of amounts owed to customers by maturity (excluding debt securities issued and other amounts owed to customers).

	As at December 31, 2015					
	Due within 1 month or less	**More than 1 and within 3 months**	**More than 3 and within 12 months**	**More than 1 and within 5 years**	**More than 5 years**	**Total**
	(unaudited)					
	(PLN million)					
Corporates	2,094.6	131.9	23.3	41.8	-	2,291.6
Small and medium enterprises	2,382.8	86.7	47.4	8.0	-	2,524.9
Private individuals	5,321.9	492.1	1,275.8	70.3	-	7,160.2
Total amounts due to customers	**9,799.3**	**710.7**	**1,346.4**	**120.1**	**-**	**11,976.7**

Source: Bank BPH

	As at December 31, 2014					
	Due within 1 month or less	**More than 1 and within 3 months**	**More than 3 and within 12 months**	**More than 1 and within 5 years**	**More than 5 years**	**Total**
	(unaudited)					
	(PLN million)					
Corporates	2,269.7	145.5	33.8	17.1	-	2,466.2
Small and medium enterprises	2,147.5	191.5	40.4	3.3	-	2,382.8
Private individuals	4,928.4	458.3	1,512.3	101.6	-	7,000.6
Total amounts due to customers	**9,345.7**	**795.3**	**1,586.6**	**122.0**	**-**	**11,849.6**

Source: Bank BPH

Ten largest depositors

The table below sets forth, as at the dates indicated, the Bank BPH Core Business ten largest depositors with respect to single name depositors (except banks).

	As at December 31, 2015
	(unaudited)
	(PLN million)
Client 1	58.0
Client 2	53.9
Client 3	52.6
Client 4	49.7
Client 5	47.2
Client 6	44.4
Client 7	42.3
Client 8	41.1
Client 9	36.6
Client 10	36.3
Total	**461.9**

Source: Bank BPH

	As at December 31, 2014
	(unaudited)
	(PLN million)
Client 1	122.4
Client 2	55.4
Client 3	52.4
Client 4	50.3
Client 5	40.4
Client 6	37.4
Client 7	36.0
Client 8	35.0
Client 9	34.6
Client 10	34.5
Total	**498.5**

Source: Bank BPH

MARKET OVERVIEW

The information contained in this section has been extracted from publicly available documents and sources. While reviewing, searching for and processing macroeconomic, market, industry or other data from external sources, no independent verification of such has been carried out by the Bank or the Joint Global Coordinators or any of their affiliates or the Bank's or the Joint Global Coordinators' advisors in connection with the Offering. The Bank does not intend to, and does not warrant to, update the data concerning the market or the industry as presented in this section, subject to the duties resulting from generally applicable provisions of law.

Economy of Poland

General Economic Situation

As the Bank carries out substantially all of its activities in Poland, the macroeconomic situation in Poland has impacted and will continue to affect the financial condition, performance and growth of the Bank.

Poland is the sixth largest EU Member State by population (with 38.0 million inhabitants as at January 1, 2016, according to Eurostat). Since the beginning of the 1990s, Poland has been one of the leading Central and Eastern European economies. According to Eurostat, Poland was the only EU Member State with real GDP growth each year from 2002 to 2015. In 2013, Poland's real GDP growth rate reached 1.3%, compared to the average of 0.2% growth rate for the European Union as a whole. In 2014, the real GDP growth rate was 3.3% for Poland whereas the average rate for the European Union as a whole was 1.4%. Further, in 2015, the real GDP growth rates for Poland and the European Union (average) were 3.6% and 1.9%, respectively. The European Commission's forecasts assume a real GDP growth rate of 3.5% for Poland in both 2016 and 2017, while the whole European Union is forecast to grow by 1.9% and 2.0% in 2016 and 2017, respectively.

As a result of the positive growth year-on-year, Poland's GDP (the "**Purchasing Power Parity**") per capita improved in relation to the average level for the 28 EU Members States from 48% in 2003 to 68% in 2014 (according to Eurostat). The following table shows GDP, the real GDP growth rate and population for the ten largest European Union countries by GDP.

	GDP [(1)]	Real GDP Growth Rate [(2)]	Population [(3)]
Country	***(EUR billion)***	**(%)**	**(*million*)**
Germany	3,025.9	1.7	81.2
France	2,183.6	1.2	66.4
Great Britain	2,568.9	2.2	64.9
Italy	1,636.4	0.8	60.8
Spain	1,081.2	3.2[(4)]	46.7
Poland	**427.8**	**3.6**	**38.0**
Netherlands	678.6	2[(4)]	16.9
Belgium	409.8	1.4	11.3
Sweden	444.2	4.1	9.8
Austria	337.2	0.9	8.6

(1) *Data for the year ended December 31, 2015 at current market prices.*
(2) *Data for the year ended December 31, 2015.*
(3) *As at January 1, 2016.*
(4) *Preliminary data.*
Source: Eurostat.

Public Finance

According to GUS, the debt-to-GDP ratio for the central and local government sector generally declined in recent years (particularly in 2014), from 53.3% in 2010 to 54.4% in 2011, 54.0% in 2012, 55.9% in 2013 to 50.4% in 2014 (each ratio as at the end of the period). The deficit of the central and local government sector also generally decreased from 7.6% in 2010 to 4.9% in 2011, 3.7% in 2012, 4.0% in 2013 and 3.3% in 2014. In accordance with the notification sent by the President of GUS to the European Commission on March 31, 2016, the deficit of the central and local government sector

in 2015 accounted for 2.5% GDP while the debt of this sector reached the level of 51.5% of GDP. These figures are preliminary and subject to change.

The levels of fiscal debt and deficit will depend on the actual fiscal revenues and expenditures in 2016 versus the amounts provided for in the Budget Act for 2016, dated February 25, 2016. The Budget Act for 2016 has set the 2016 target fiscal deficit at the level of 2.8% GDP, assuming a 3.8% GDP growth rate and a 1.7% inflation rate. The Government's spending will also be affected by the Act of February 17, 2016 on state aid to persons raising children (the so called '500+ Program'), which came into force on April 1, 2016. The annual cost of the 500+ Program is estimated at PLN 17 billion in 2016, and PLN 22 billion in 2017 and beyond. In 2016, the costs of the 500+ Program will be covered by the so-called "bank tax" (see " – *Regulations of the Banking Sector in Poland – Tax on Certain Financial Institutions*") (the budget for 2016 provides for a revenue of up to PLN 5.5 billion), retail sale tax on large stores (the budget for 2016 provides for a revenue of up to PLN 2 billion, however, as at the date of this Offering Circular the tax details are yet to be decided), revenues from the LTE License Auction (the "**LTE Licence Auction**") (about PLN 9 billion) and the profit of the NBP (PLN 3.2 billion is specified in the Budget Act but even PLN 7.9 billion, 95% of the NBP's profit for 2015, might contribute to the budget). As at the date of this Offering Circular, the sources of funding for the 500+ Program in 2017 and subsequent years have yet to be identified by the Government.

In January 2016, Standard & Poor's downgraded Poland's long-term foreign currency credit rating from 'A-' to 'BBB+'. At the same time, Fitch Ratings affirmed its 'A-' rating and stable outlook for Poland. Moody's rates Poland as 'A2' with stable outlook, yet on April 4, 2016 Moody's issued a warning regarding increased sovereign risk as a result of ongoing constitutional crisis in Poland.

Inflation and Interest Rates

In response to the financial crises in 2008-2009 and after 2011, several leading central banks, in particular the European Central Bank (the "**ECB**"), the Swiss National Bank (the "**SNB**"), the Bank of Japan (the "**BoJ**"), the Federal Reserve System (the "**FED**") and the Bank of England (the "**BoE**"), adopted a policy of ultra-low interest rates. Additionally, the majority of these banks, including the Federal Reserve and the ECB, applied unconventional measures to ensure liquidity in the banking sector and to support lending, which consequently positively affected economic growth and inflation. Such measures include *quantitative easing* programs launched by the FED (completed as at date of this Offering Circular) and by the ECB (expected to last until March 2017) aimed at increasing money supply and liquidity by the purchasing of financial assets.

In January and February 2013, the Monetary Policy Board in Poland implemented two cuts in the main reference interest rate, each by 25 basis points, which reduced the rate to 3.75%. Those moves marked a continuance of the easing of the monetary policy initiated in 2012 in light of data signalling an upcoming slowdown in the economy. On March 6, 2013, the Monetary Policy Board decided to make another interest rate cut by 50 basis points to 3.25%. The cycle continued with subsequent interest rate reductions on May 8, 2013, June 5, 2013 and July 3, 2013, each time by 25 basis points, lowering the reference rate to 2.50%. Further cuts on October 8, 2014 and March 4, 2015, each time by 50 basis points, reduced the main reference rate to 1.50%. No interest rate changes have been made by the Monetary Policy Board since then.

The inflation rate was subject to significant fluctuations during the period discussed above. In 2011 and 2012, the inflation rate remained above the upper limit of the NBP target (the Monetary Policy Board defines the inflation target as 2.5% ± 1 % in its inflation target policy). The debt crisis in certain EU Member States and the resulting economic stagnation triggered a significant decrease in inflation in 2013. In 2014, inflation remained at a low level and the GUS reported year-on-year deflation in each month between July and December 2014. According to the GUS, the average annual deflation rate was 0.9% in 2015 as compared to 0.0% in 2014.

The table below shows the annual inflation rate and the NBP's reference rate in 2010-2015.

	As at December 31,					
Category	**2015**	**2014**	**2013**	**2012**	**2011**	**2010**
Inflation rate (%)	(0.9)	0.0	0.9	3.7	4.3	2.6
Reference rate (%)	1.5	2.0	2.50	4.25	4.5	3.5
Lombard rate (%)	2.5	3.0	4.0	5.75	6.0	5.0

Source: NBP, GUS.

Gradual reductions in the NBP's reference rate in recent years were followed by a similar trend on the interbank market. On December 31, 2015 and March 31, 2016 the WIBOR 3M rate was 1.72% and 1.67%, respectively, and the WIBOR 6M rate was 1.77% and 1.74%, respectively.

Labor Market

As at March 31, 2016 the unemployment rate in Poland was 10.0% (according to GUS) compared to 11.7% as at March 31, 2015, 13.5% as at March 31, 2014 and 14.3% as at March 31, 2013. According to forecasts made by Instytut Badań nad Gospodarką Rynkową (Market Economy Studies Institute, a non-governmental think tank) the unemployment rate in Poland will decline to 8.8% by the end of 2016. The improving labor market situation has fueled growth in the average gross salary in Poland, which, according to GUS, was PLN 3,650.06 in 2013, PLN 3,783.46 in 2014 and PLN 3,899.78 in 2015.

Foreign Exchange Rate Fluctuations

In 2013, the average EUR/PLN rate was 4.20, decreasing to 4.19 in 2014 and 4.18 in 2015. In the period between January 1 and April 30, 2016, the average EUR/PLN rate increased to 4.35.

The average USD/PLN rate was 3.16 over 2013-2014. In 2015, it rose to 3.77. In the period between January 1 and April 30, 2016 the average USD/PLN rate rose to 3.92.

The average CHF/PLN rate was 3.41, 3.45 and 3.92 in 2013, 2014 and 2015, respectively. In the period between January 1 and April 30, 2016, the average CHF/PLN rate increased to 3.97.

Polish Banking Sector

Structure of the Polish Banking Sector

The Polish banking sector operates as a two-tiered system of both commercial and cooperative banks. According to the PFSA, as at March 31, 2016 there were 38 commercial banks, 26 branches of credit institutions and 560 cooperative banks in Poland. One distinctive feature of Poland's banking sector is the significant presence of banks controlled by foreign majority shareholders and the large number of cooperative banks (despite these having a relatively low market share of the sector's assets). As at March 31, 2016, private domestic investors controlled seven commercial banks and all cooperative banks the State Treasury controlled five commercial banks, and foreign investors controlled 26 commercial banks and all credit institution branches.

The following table shows certain information concerning the structure of Poland's banking sector.

	2015	2014	2013	2012	2011	2010
Entities conducting banking activity	626	631	640	642	642	646
- commercial banks	38	38	41	45	47	49
- branches of credit institutions	27	28	28	25	21	21
- cooperative banks	561	565	571	572	574	576
Headcount	170,935	172,675	174,331	175,094	176,658	176,916
Outlets	14,514	15,062	15,297	15,412	13,921	14,207
Share in sector assets[1]						
- banks controlled by domestic investors		38.5%	36.8%	36.4%	35.0%	33.8%
- banks controlled by foreign investors		61.5%	63.2%	63.6%	65.0%	66.2%
Share in sector assets						
- 5 largest banks[2]	48.78%	48.5%	46.1%	45.0%	44.3%	43.9%
- 10 largest banks[3]	71.1%	70%	67.3%	64.6%	63.4%	63.0%

[1] No data available for 2015.
[2] As at December 31, 2015.
[3] Data until Q3 2015 (aggregate).
Source: PFSA.

In its report entitled "Financial System Development in Poland 2014" the NBP revealed that, in terms of development, the banking sectors in Central and Eastern European countries still fall behind those of the Eurozone members. The Polish banking

sector is still a rather small player in Europe. In 2015, the ratio of bank assets to GDP was 88.5% in Poland as compared to 309.9% in the Eurozone.

The following table shows, as percentages, the level of development of the banking sector for both commercial and cooperative banks in selected Central and Eastern European countries and in the Eurozone in 2012-2014.

	Assets/GDP			Loans[1]/GDP			Deposits[2]/GDP		
	2014	2013	2012	2014	2013	2012	2014	2013	2012
Poland	88.5	84.5	83.5	51.6	50.3	50.0	49.3	46.6	44.8
Hungary	102.7	104.4	110.1	36.7	39.3	43.1	31.6	32.4	34.8
Czech Republic[3]	131.0	129.4	116.0	66.4	64.7	58.3	79.2	76.9	70.2
Eurozone[4]	309.9	308.3	334.1	94.2	97.0	100.0	83.4	82.4	80.5

[1] Loans and borrowings granted by the banking sector to the non-financial sector in both domestic and foreign currencies gross.
[2] Deposits of the non-financial sector in the banking sector in both domestic and foreign currencies.
[3] Including loans to and deposits of non-bank financial institutions.
[4] Assets, loans and deposits of the monetary financial institution sector. Eurozone data: for 17 countries for 2012-2013 and for 18 countries for 2014. This data is not fully comparable with the data presented in previous editions of the report due to a change of source and adjustments made by central banks.
Source: NBP.

The following table shows the number of branches of credit institution markets in selected EU areas as at December 31, 2014 and the average headcount in 2014.

	Credit Institution Branches[(1)]	Headcount
Germany	35,284	647,300
France	37,623	411,012
Great Britain	11,347 (data for 2013)	402,561
Italy	30,723	299,684
Spain	31,999	201,643
Netherlands	1,854	94,000
Sweden	2,027	54,644
Poland	**14,117**	**175,972**
Belgium	3,607	56,611
Austria	4,247	74,110
Eurozone	159,397	2,019,563
European Union	204,146	2,889,320

[(1)] As used by the ECB, the category "credit institution" also includes non-bank entities which conduct, in their own name and using their own account, and under a license from the relevant regulatory authorities, activities consisting of accepting deposits or other funds entrusted against any kind of promise of their return and in granting loans or issuing electronic money.
Source: ECB.

Competitive Landscape of the Polish Banking Sector

The level of competition in the Polish banking sector is relatively high, largely due to the low level of concentration, which in recent years has been impacted by significant mergers and acquisitions activity. Examples include the merger of BZ WBK S.A. and Kredyt Bank S.A. registered in 2013; the sale of the retail business of Bank DnB Nord Polska S.A. to Getin Noble Bank S.A. in May 2013; the merger of PKO Bank Polski S.A. and Nordea Bank Polska S.A. in 2014; the acquisition of Santander Consumer Bank S.A. by Bank Zachodni WBK S.A. in 2014; the merger of Bank Gospodarki Żywnościowej S.A. and BNP Paribas Bank Polska S.A. in 2015; and the acquisition of Meritum Bank ICB by Alior Bank in 2015 and the merger of Bank BGŻ BNP Paribas S.A. and Sygma Bank Polska S.A. that is expected to be completed in mid-2016.

The table below shows the Herfindahl Index (used for measuring concentration ranging from 0 to 10,000, where a higher value shows higher concentration) and the share in the total assets of the five largest credit institutions for selected EU Member States in 2014.

	Herfindahl Index for Credit Institutions	Share of Five Largest Credit Institutions [1]
	(index points)	*(%)*
Netherlands	2,131	85.0
Belgium	982	65.8
Sweden	880	58.5
Spain	839	58.3
Poland	**656**	**48.3**
France	584	47.6
Italy	424	40.7
Great Britain	462	38.9
Austria	412	36.8
Germany	301	32.4

[1] As used by the ECB, the category "credit institution" also includes non-bank entities which conduct, in their own name and on their own account, and under a license from the relevant regulatory authorities, activities consisting in accepting deposits or other funds entrusted against any kind of promise of their return and in grating loans or issuing electronic money.
Source: ECB.

Based on the NBP's data presented in the "*Financial Stability Report*" in February 2016, the level of concentration in Poland's banking system was not excessive. In an environment of low rates of return, decisions by the strategic investors in Polish banks regarding their business model and the geographical scope of operations may lead to a rise in concentration in the Polish banking sector. The imposition of the tax on assets of the banking sector may further contribute to that trend, as larger institutions generally have higher profitability and greater capacity to absorb the effects of the tax.

The table below shows a gradual increase of the share of the five largest banks in assets, deposits and loans granted to the non-financial sector, which reflects an increasing concentration in Poland's banking system.

	As at March 31, 2016	As at December 31,			
		2015	2014	2013	2012
	(%)	*(%)*	*(%)*	*(%)*	*(%)*
Assets	48.1	48.8	48.5	46.1	45.0
Deposits	46.4	55.0	54.9	45.9	44.2
Loans to the non-financial sector	44.9	49.1	48.9	42.5	39.1

Source: PFSA.

Higher household savings facilitate financial institutions' access to funding in the form of deposits, whilst the introduction of the so-called 'bank tax' (see: *Regulations of the Banking Sector in Poland – Tax on Certain Financial Institutions*) imposed on assets of financial institutions has led to a situation in which banks are not willing to engage in any war over deposits. In addition, a high rate of economic growth has encouraged the growth in lending.

Operating and Financial Review of the Polish Banking Sector

Loans and deposits

The following table sets forth Polish banks' aggregate assets, deposits from the non-financial sector and loans to the non-financial sector as at the dates indicated.

	As at March 31, 2016	As at December 31, 2015	2014	2013	2012
	(PLN billion)	*(PLN billion)*	*(PLN billion)*	*(PLN billion)*	*(PLN billion)*
Polish banks' aggregate assets	1,630.9	1,559.8	1,532.0	1,405.7	1,350.2
Deposits from the non-financial sector	938.7	938.8	854.1	775.4	724.0
Loans to the non-financial sector [(1)]	973.3	961.8	895.4	837.8	810.4

Source: PFSA.

(1) Loans and borrowings granted by the banking sector to the non-financial sector in both domestic and foreign currencies, gross.

According to the PFSA, after a decline in lending growth observed in 2013, the Polish banking sector regained its momentum in 2014, principally due to the economic growth and low interest rates. The lending growth was mainly due to growth in household loans and loans granted to corporations and, to a lesser degree, loans to the financial sector.

Based on the information published by the NBP (source: *Situation of the loan market, results of the survey of heads of lending committees. First quarter of 2016*) that summarizes the results of a survey conducted by the NBP at the end of December 2015 and the beginning of January 2016 among 25 banks with the total share of amounts due from corporations and households in the banking sector portfolio of approximately 86%, in the fourth quarter of 2015, the banks introduced more stringent lending criteria for large enterprises while lending criteria for small and medium-sized enterprises remained unchanged. In the fourth quarter of 2015, the surveyed banks increased margins on higher risk loans and non-interest costs of loans. The banks also indicated that they discontinued purchases of receivables from coal mining companies.

The banks believe that the lending policy was tightened in response to the industry risk and current or expected capital position of the banks. The restriction on lending was also driven by other factors such as a planned introduction of the bank tax and increased contributions to the Bank Guarantee Fund ("**Bank Guarantee Fund**"). The lending policy was somewhat relaxed due to competitive pressures primarily exerted by other banks. The expected economic climate did not encourage the banks to relax their lending policy.

According to the survey, in the last quarter of 2015, most banks did not witness any increased demand for loans for corporations, and those who experienced such increase reasoned that it resulted from a growing demand for funding of investments. The growth of demand was also driven by growing demand for funding for mergers and acquisitions and co-funding of EU projects within the new financial framework 2014-2020.

The following table sets forth the value of loans issued to the non-financial sector in Poland as at the dates indicated.

	As at December 31, 2015	Change Y-o-Y	As at December 31, 2014	Change Y-o-Y	As at December 31, 2013	Change Y-o-Y	As at December 31, 2012
	(PLN billion)		***(PLN billion)***		***(PLN billion)***		***(PLN billion)***
Households	628.5	6.7%	588.9	6.2%	554.6	4.0%	533.2
percentage of total	65.3%	n/a	65.8%	n/a	66.1%	n/a	65.8%
Corporations	327.3	8.7%	301.0	8.3%	278.0	2.1%	272.2
percentage of total	34.0%	n/a	33.6%	n/a	33.2%	n/a	33.6%
Non-commercial institutions	6.0	7.1%	5.6	7.2%	5.3	7.3%	4.9
percentage of total	0.6%	n/a	0.6%	n/a	0.6%	n/a	0.6%
Total	**961.8**	**7.4%**	**895.5**	**6.9%**	**837.8**	**3.4%**	**810.4**

Source: PFSA.

The following table sets forth the value of deposits from the non-financial sector held by the banking sector in Poland as at the dates indicated.

	As at December 31, 2015	Change Y-o-Y	As at December 31, 2014	Change Y-o-Y	As at December 31, 2013	Change Y-o-Y	As at December 31, 2012
	(PLN billion)		(PLN billion)		(PLN billion)		(PLN billion)
Households	665.7	9.8%	606.4	10.6%	548.2	6.2%	516.0
percentage of total	70.9%	n/a	71.0%	n/a	70.7%	n/a	71.3%
Corporations	253.3	10.4%	229.4	9.4%	209.7	9.6%	191.3
percentage of total	27.0%	n/a	26.9%	n/a	27.0%	n/a	26.4%
Non-commercial institutions	19.7	7.7%	18.3	4.6%	17.5	4.8%	16.7
percentage of total	2.0%	n/a	2.1%	n/a	2.3%	n/a	2.3%
Total	**938.8**	**9.7%**	**854.1**	**10.1%**	**775.4**	**7.1%**	**724.0**

Source: PFSA.

Asset Quality

The Polish banking sector is characterized by relatively high asset quality. The NPL ratio for the whole sector has been relatively constant since 2009 and has fluctuated between 7% and 9%. The level of non-performing mortgage loans has remained low, despite a more challenging economic environment and significant volatility of PLN against CHF and USD and, more recently, EUR. The following table sets forth NPL ratio levels as at December 31, 2015, 2014, 2013 and 2012 as well as March 31, 2016.

	As at March 31	As at December 31			
Ratio	2016	2015	2014	2013	2012
Non-financial Sector NPL Ratio (%)	7.4	7.6	8.1	8.5	8.9
Households NPL Ratio (%)	6.2	6.2	6.5	7.1	7.4
Mortgages NPL Ratio (%)	2.9	2.8	3.1	3.1	2.8
Consumer NPL Ratio (%)	12.1	12.0	12.7	14.6	17.2
Corporate NPL Ratio (%)	9.6	10.2	11.3	11.6	11.8

Source: PFSA.

Profitability

In general, the Polish banking sector has remained profitable, despite significant turbulence in the international financial markets as well as a slowdown in the domestic economic growth. The fourth quarter of 2015 and the beginning of 2016 witnessed a strong, two-digit decline in profitability of the whole banking sector resulting from non-recurrent events such as the bankruptcy of Spółdzielczy Bank Rzemiosła i Rolnictwa in Wołomin and the related higher charges in respect of the Bank Guarantee Fund, and the introduction of the Act on Tax on Certain Financial Institutions in February 2016 (see: *Regulations of the Banking Sector in Poland – Tax on Certain Financial Institutions*).

In contrast to a number of their European and US peers, Polish banks have operated largely with traditional business models focused on credit and deposit products, and have avoided more complex financial instruments (including securities linked to residential and commercial mortgages and proprietary trading activities). The following table sets forth profitability levels in Poland's banking sector as at and for the periods ended December 31, 2015, 2014, 2013 and 2012 as well as March 31, 2016.

Measure	As at and for the periods ended March 31, 2016	As at and for the periods ended December 31, 2015	2014	2013	2012
Net income (PLN billion)	3.5	11.3	15.9	15.2	15.5
Net interest margin (NIM)[1]	2.25	2.21	2.43	2.47	3.63
Return on Equity (%) [2]	7.84	6.52	9.56	9.92	10.55

[1] Calculated as net interest income for the relevant period divided by total assets as at the end of such period.
[2] Calculated as net income divided by equity at the end of the relevant period, expressed as a percentage.
Source: PFSA.

Capital Adequacy

In 2012-2014, Polish banks maintained a stable capital base. New capital adequacy requirements, specified in the CRD 4 (see *Regulations of the Banking Sector in Poland – Capital requirements and risk management requirements – European law requirements – CRD 4 Package)*, have been in force since January 1, 2014. Nonetheless, Polish banks maintained a strong capital base in the sector. The table below sets forth the capital base of the banking sector in Poland as at December 31, 2015, 2014, 2013 and 2012.

Ratio	As at December 31, 2015	2014	2013	2012
Capital adequacy ratio (%)	14.98	13.46	15.66	14.74
Tier I ratio (%)	14.98	13.44	14.11	13.13

Source: PFSA.

Balance Sheet Total

The balance sheet total of the banking sector increased from PLN 1,405.7 billion at the end of 2013 to PLN 1,532.0 billion at the end of 2014 (by PLN 126.6 billion, or 9.0%). After the elimination of the effects of foreign currency rate fluctuations in relation to PLN, the balance sheet total of the Polish banking sector increased by approximately PLN 110.0 billion, or 7.7% during that period to PLN 1,600.0 billion at the end of 2015 (a year-on-year growth of 4.4%) and to PLN 1,630.9 million at the end of March 2016 (a quarter-to –quarter increase of 1.9%).

Based on the document prepared by the PFSA titled *Financial plans of domestic commercial banks for 2016*, commercial banks are committed to the stable development of their lending activities in 2016 as evidenced by the growth of the balance sheet total by 6.3%. Loans granted to the non-financial sector, which are forecasted by the PFSA to increase by 7.2%, are expected to continue to fuel this growth.

KEY INFORMATION REGARDING ALIOR GROUP

Information regarding the Company

Name and legal form: ..... Alior Bank Spółka Akcyjna

Abbreviated name: ..... Alior Bank S.A.

Registered office, address:..... Warsaw, ul. Łopuszańska 38D, 02-232 Warsaw

Telephone number:..... +48 (22) 555 22 22

Fax number:..... +48 (22) 555 23 13

Website:..... www.aliorbank.pl

E-mail address:..... relacje.inwestorskie@alior.pl

KRS (company registration number):..... 00000305178

REGON:..... 141387142

NIP: 1070010731

Alior Bank S.A. with its registered office in Warsaw was founded pursuant to the Deed of Incorporation executed as a notarial deed on April 21, 2008, after having obtained on April 18, 2008 the PFSA's permit to establish the Bank. Alior Bank was entered into the Register of Entrepreneurs of the National Court Register on April 30, 2008 under No. 305178. The Bank has been established for indefinite period of time.

On February 19, 2015 pursuant to the Share Purchase Agreement for shares of Meritum Bank ICB, Alior Bank purchased shares of Meritum Bank ICB representing 97.9% of the share capital of Meritum Bank ICB and 95.0% of the total number of votes at the general meeting of Meritum Bank ICB. After having conducted a squeeze-out of Meritum Bank ICB shares, Alior Bank became the sole shareholder of Meritum Bank ICB (see *Business Overview of The Alior Group – Material Agreements – Share sale agreements – Agreement on the sale of shares in Meritum Bank ICB*").

Due to threatening bankruptcy of the loan and savings scheme SKOK im. Stefana Wyszyńskiego in Września, on January 26, 2016 the PFSA decided that SKOK im. Stefana Wyszyńskiego in Września would be taken-over by Alior Bank (see *Risk factors – Risk factors related to Alior Bank's activities – Alior Bank may be obliged to make significant payments to the BFG or to the compensation system established by the NDS.*"). The value of assets of the taken-over SKOK im. Stefana Wyszyńskiego in Września was approximately 0.3% of the value of Alior Bank's assets. The take-over process was financially supported by the BFG under Article 20g of the BFG Act. On January 27, 2016 Alior Bank commenced the management of the assets of SKOK im. Stefana Wyszyńskiego in Września and on March 1, 2016 completed the take-over process. Additionally, pursuant to the PFSA's decision of April 26, 2016, the Management Board commenced the management of the assets of Powszechna SKOK in Knurów as of April 27, 2016. Alior Bank will take over Powszechna SKOK in Knurów as of June 1, 2016.

On March 31, 2016 Alior Bank entered into the Share Purchase and Demerger Agreement which forms a basis for Alior Bank to implement the Transaction (see *Transaction*").

Regulations governing the business of Alior Bank

Alior Bank conducts its business pursuant to the Code of Commercial Companies, the Banking Law and other laws and regulations applicable to Alior Bank, as well as the Articles of Association and other internal regulations.

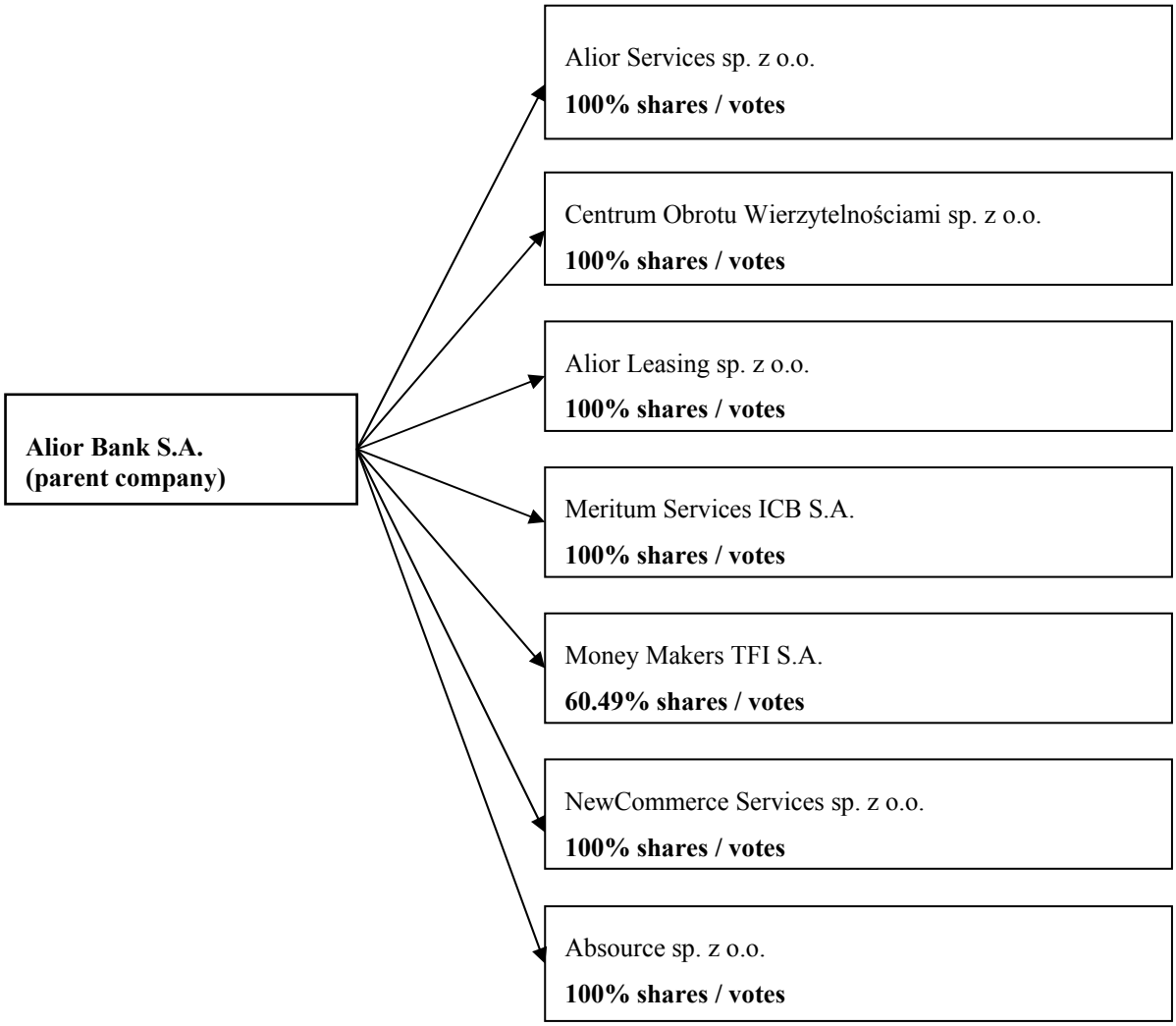
Scope of business

The Bank's scope of business includes banking and other activities as set forth in detail in § 7 of the Articles of Association.

Alior Group structure

As at the date of this Offering Circular, the Alior Group comprises Alior Bank, being the parent company of the Alior Group, and seven fully consolidated Subsidiaries providing consulting and financial services. The largest shareholder of for the Alior Group is PZU (see *Major shareholders – PZU*").

The diagram below illustrates the structure of the Alior Group as at the date of this Offering Circular, indicating percentage ownership of Alior Bank in the share capital of each company on the basis of its shares held.



Source: Company.

The following section summarizes information concerning the Company, as the parent company of the Alior Group, and its Subsidiaries.

Company

The Company is the parent company of the Alior Group. Further information regarding the Company is provided above in "*Information regarding the Company*" and "*Scope of business*", as well as in "*Share capital and shares – Share Capital of Alior Bank and types of Shares*".

Alior Services

The Company holds directly 100% of shares in the share capital of Alior Services carrying 100% of the total number of votes at the general meeting of that company.

Key information

Name and legal form:	Alior Services sp. z o.o.
Registered office and address:	Warsaw, ul. Marynarska 12, 02-674 Warsaw
Share capital:	PLN 400,000
Primary scope of business:	Other activities supporting financial services, excluding

	insurance and pension funds

Alior Leasing

The Company holds directly 100% of shares in the share capital of Alior Leasing carrying 100% of the total number of votes at the shareholders' meeting of that company.

Key information

Name and legal form:	Alior Leasing sp. z o.o.
Registered office and address:	Wrocław, ul. Marii Curie-Skłodowskiej 34, 50-369 Wrocław
Share capital:	PLN 15,000,000
Primary scope of business:	Financial lease

NewCommerce

The Company holds directly 100% of shares in the share capital of NewCommerce carrying 100% of the total number of votes at the shareholders' meeting of that company.

Key information

Name and legal form:	NewCommerce Services sp. z o.o.
Registered office and address:	Warsaw, ul. Łopuszańska 38D, 02-232 Warsaw
Share capital:	PLN 200,000
Primary scope of business:	Other IT and computer-related services

Meritum Services ICB

The Company holds directly 100% of shares in the share capital of Meritum Services ICB carrying 100% of the total number of votes at the general meeting of that company.

Key information

Name and legal form:	Meritum Services ICB S.A.
Registered office and address:	Gdańsk, ul. Piastowska 7, 80-332 Gdańsk
Share capital:	PLN 569,000
Primary scope of business:	Other activities supporting financial services, excluding insurance and pension funds; software-related activity; IT consulting activities

Centrum Obrotu Wierzytelnościami

The Company holds directly 100% of shares in the share capital of Centrum Obrotu Wierzytelnościami carrying 100% of the total number of votes at the shareholders' meeting of that company.

Key information

Name and legal form:	Centrum Obrotu Wierzytelnościami sp. z o.o.
Registered office and address:	Cracow, ul. Zygmunta Miłkowskiego 3, 30-349 Cracow
Share capital:	PLN 102,000
Primary scope of business:	Trading in receivables

Money Makers

The Company holds directly 60.49% of shares in the share capital of Money Makers carrying 60.49% of the total number of votes at the general meeting of that company. The other shareholders of Money Makers are, among others, the members of the management board of Money Makers.

Key information

Name and legal form:	Money Makers Towarzystwo Funduszy Inwestycyjnych S.A.
Registered office and address:	Warsaw, ul. Domaniewska 39a, 02-672 Warsaw
Share capital:	PLN 1,259,334.40
Primary scope of business:	Establishing and managing investment funds or foreign funds, including brokerage in the sale and buy-outs of participation units; representation of the funds in relations with third parties

Absource

The Company holds directly 100% of shares in the share capital of Absource which authorizes it to 100% of the total number of votes at the shareholders' meeting of that company.

Key information

Name and legal form:	Absource sp. z o.o. w organizacji
Registered office and address:	Cracow, ul. Miłkowskiego 3, 30-349 Cracow
Share capital:	PLN 31,170,000.00
Primary scope of business:	IT- and computer-related services; IT consulting; providing software solutions

Interests in other ventures

Alior Bank holds shares in other non-trading companies that are either being liquidated or sold.

ALIOR GROUP BUSINESS

Introduction

Alior Bank is a universal bank that has been operating in Poland since 2008. Alior Bank is the parent entity of the Alior Group, which consists of seven subsidiaries providing advisory and financial services. The Bank offers a wide range of products and services to individuals (the "**retail customers**"), legal persons and other entities. Alior Bank's core activities include maintaining bank accounts, accepting deposits, providing cash loans and advances, issuing banking securities and purchasing and selling foreign currencies. Alior Bank's credit offer is available on a modern, multi-channel distribution platform. Alior Bank uses a wide network of outlets and a modern IT platform including online banking, mobile banking and call centers. Alior Bank also conducts brokerage activities, as well as consulting financial agency and other financial services. The operations conducted by Alior Bank are subject to strict regulation.

As at the date of this Offering Circular, Alior Bank was deemed one of the top retail banks and banks for businesses in Poland. In June 2015, Alior Bank won the title of "Best Bank 2015" in the category "Medium Commercial Bank" in a competition organized by "Gazeta Bankowa". Additionally, the Bank regularly receives awards in the "Best Business Bank" poll organized by *Forbes* magazine in cooperation with Millward Brown. In May 2015, for the second consecutive year, the Bank won the "European Bank of the Year" award in a competition organized by Retail Banker International. Alior Bank has been consistently expanding its new client base and the number of new current accounts. As at March 31, 2016, Alior had 3,084,000 active clients, 96% of whom were private individuals. During the year ended December 31, 2015, the number of Alior Bank's clients increased by 420,000, which according to data published by Polish banks and PRNews information ranks the Bank second in terms of customer base expansion. The Bank has been dynamically developing its business client portfolio which had 34% higher annual revenue per user (the "**ARPU**") than the average on the Polish market (according to Finalt, 2014). The Bank also ranks third on the market in terms of the number of users with access to Internet banking (according to PRNews, data for the fourth quarter of 2015).

Alior Bank's operations are divided into three operating segments, which are also its reporting segments: the retail segment, the business segment and treasury activity. The retail segment covers the mass customer market and the private wealth customer market to which Alior Bank offers a full scope of banking products and services, and brokerage products offered by Biuro Maklerskie Alior Banku (Alior Bank's brokerage house), in particular credit products, deposit products and investment funds, personal accounts, bancassurance products, transaction services and foreign exchange products. The business segment covers micro-businesses, small and medium enterprises (the "**SMEs**") and large corporate customers to whom Alior Bank offers a full scope of banking products and services, in particular credit products, deposit products, current and auxiliary accounts, transaction services and treasury products. Treasury activity covers operations on interbank markets and exposure to debt securities. This segment reflects the results of managing the global position (liquidity position, interest rate position and foreign exchange position resulting from banking operations). For the three-month period ended March 31, 2016 profit before tax amounted to PLN 10.3 million for the retail business segment (individual customers), PLN 83.1 million for the business segment (business customers) and PLN 40.6 million for treasury activity. For the financial year ended December 31, 2015 profit before tax was PLN 102.0 million for the retail business segment, PLN 352.4 million for the business segment and PLN 137.7 million for treasury activity.

As at March 31, 2016 gross loans and advances to the Alior Group's customers amounted to PLN 34,846.2 million and amounts owed to customers amounted to PLN 35,802.2 million which gave Alior Bank a market share of 3.6% and 3.9%, respectively (according to NBP). As at December 31, 2015, gross loans and advances to the Alior Group's customers amounted to PLN 32,845.0 million, and amounts owed to customers amounted to PLN 33,663.5 million, which gave Alior Bank a market share of 3.4% and 3.7%, respectively (according to NBP).

As at March 31, 2016 net loans and advances to the Alior Group's retail segment customers amounted to PLN 18,543.9 million which corresponds to 56.6% of net loans and advances to customers. As at December 31, 2015 net loans and advances to retail segment customers amounted to PLN 17,595.3 million, which corresponds to 56.9% of net loans and advances to customers. As at March 31, 2016 net loans and advances to the Alior Group's business segment customers amounted to PLN 14,194.1 million, which corresponds to 43.4% of net loans and advances to customers. As at December 31, 2015 net loans and advances to business segment customers amounted to PLN 13,311.7 million, which corresponds to 43.1% of net loans and advances to customers. As at March 31, 2016 amounts owed to retail segment customers amounted to PLN 23,293.4 million, which corresponds to 65.1% of total amounts owed to customers. As at December 31, 2015 amounts owed to retail segment customers amounted to PLN 21,409.1 million, which corresponds to 63.6% of total amounts owed to customers. As at March 31, 2016 amounts owed to business segment customers amounted to PLN 12,508.9 million, which corresponds to 34.9% of the total amounts owed to customers. As at December 31, 2015

amounts owed to business segment customers amounted to PLN 12,254.5 million, which corresponds to 36.4% of total amounts owed to customers.

Net profit of the Alior Group for the three-month period ended March 31, 2016 amounted to PLN 80.1 million, and net profit for the year ended December 31, 2015, amounted to PLN 309.0 million. In the three-month period ended March 31, 2016, the Alior Group's return on equity (ROE) ratio was 9.0% and return on assets (ROA) was 0.8%. In the year ended December 31, 2015 these ratios were 9.5% and 0.9%, respectively. Total revenue for the three-month period ended March 31, 2016 amounted to PLN 579.3 million, whereas total revenue for the year ended December 31, 2015 amounted to PLN 2,166.0 million.

For the three-month period ended March 31, 2016, net interest income amounted to PLN 412.5 million, or 71.2% of total revenue for the period, net fee and commission income amounted to PLN 87.3 million, or 15.1% of total revenue for the period, trading result amounted to PLN 58.3 million, or 10.1% of total revenue for the period, and other items of income (dividend income, net result on other financial instruments, and net result on other operating income) amounted to PLN 21.2 million, or 3.7% of total revenue for the period. For the year ended December 31, 2015, net interest income amounted to PLN 1,501.0 million, or 69.3% of total revenue for the year, net fee and commission income amounted to PLN 331.7 million, or 15.3% of total revenue for the year, trading result amounted to PLN 268.7 million, or 12.4% of total revenue for the year, and other items (dividend income, net result on other financial instruments, and net result on other operating income) amounted to PLN 64.6 million, or 3.0% of total revenue for the year.

Competitive Strengths

The Management Board believes that the following competitive strengths will be the key factors that will enable Alior Bank to take advantage of future growth opportunities, manage operational risks and achieve its strategic objectives.

Experienced and resourceful management with successes in achieving development and profitability goals will contribute to the strengthening of the Bank's position in the consolidating Polish banking market

Since Alior Bank's establishment, Alior Bank's management has achieved ambitious profitability and business development goals. In the year ended December 31, 2015, Alior Bank's ROE amounted to 9.5%, compared with an average for the Polish banking sector during the same period of 6.5% (based on PFSA data). Alior Bank's net interest margin amounted to 4.6% compared with an average for the Polish banking sector of 2.2% (based on PFSA data), while Alior Bank's market share in Poland in loans and deposits to the financial sector was 3.5% and 3.4% respectively (based on NBP data).

Alior Bank's management's experience and qualifications enable it to pursue its strategy both in terms of organic growth and acquisitions. For example, the total post-merger integration ("PMI") time of Alior Bank with Meritum Bank ICB, from the date of execution of the transaction to the completion of IT migration, amounted to 12 months, whereas the typical PMI time for basic bank mergers is from 24 to 36 months based on the Boston Consulting Group data. In the opinion of the Management Board, the effectiveness of Alior Bank's management operations during the merger with Meritum Bank ICB and the experience gained during that transaction will form the basis for the effective execution of the Transaction and any further acquisitions that may be considered by Alior Bank in the future. The Management Board is confident that such experience and success, combined with the Transaction, will contribute to the strengthening of Alior Bank's position in the consolidating Polish banking market. In particular, the Management Board expects that following the integration of the Bank BPH Core Business with Alior Bank, the assets of Alior Bank will reach of approximately PLN 60 billion, will put Alior Bank in ninth place among the banks operating in Poland and will further its strategic goal of attaining a position as the fifth or sixth largest bank in Poland by asset value. The Management Board further believes that the number of clients served by the Alior Group will increase to approximately PLN 3.3 million, which would make it the fifth or sixth largest bank in Poland by number of clients served. It is expected that Alior Bank's deposit base will also rise by more than one-third (PLN 12 billion), while its portfolio of loans is expected to grow by approximately one-fourth (PLN 8.5 billion in amounts due to customers), which will result in an increase of the Alior Group's net interest margin and move the Alior Group to fifth or sixth position among the leaders in the Polish market.

Attractive offer of banking products based on quality and technological innovation

As at the date of this Offering Circular, Alior Bank was ranked as one of the best retail and business banks in Poland. In April 2016, for the fourth time, Alior Bank won the "Best Cash Loan" award in the "Złoty Bankier 2015" competition. In July 2015, in the ranking publication "*Gwiazdy Bankowości*" (*Banking Stars*) competition organized by the journal *Dziennik Gazeta Prawna* and PwC, Alior Bank was awarded the main award for overall business activity. The same

panel ranked Alior Bank second best in the categories of "Innovation" and "Pace of development". In June 2015, Alior Bank won in the categories of "Medium Commercial Bank" as the "Best Bank in 2015" in the competition organized by the journal *Gazeta Bankowa*. Additionally, in May 2015, Alior Bank, for the second time in a row, won the title of "Best European Retail Bank" in the international competition organized by *Retail Banker International*. In previous years, Alior Bank has been recognized many times in prestigious rankings organized by foreign financial magazines. In 2014, *Global Finance* named Alior Bank as the "Best Bank in Poland", and in the listings of "*Euromoney Awards for Excellence*" and *The Banker* magazine it was ranked "The Best Bank in Poland in 2013".

Additionally, Alior Bank is regularly placed in the "Best Business Bank" awards, organized by Forbes magazine in cooperation with Millward Brown. In 2015 Alior Bank ranked third, gaining the largest number of stars in three categories – credit offer, mobile access and diversity of the product offer. The panel recognized, among other things, Alior Bank's comprehensive offer of ancillary services. In 2015, Alior Bank was presented with an award from Bank Gospodarstwa Krajowego (the "**BGK**") for the highest no-claim sales under the de minimis guarantee scheme, increasing the availability of financing to corporations and specifically enabling lending to customers who cannot provide collateral. Alior Bank was also presented with a distinction from the Polish Bank Association for its commitment to implementing EU financial instruments in Poland. The Management Board believes this position results from Alior Bank offering its customers quality services and innovative banking products.

Alior Bank has implemented comprehensive training programs for its employees in respect of sales and customer service. These are aimed at providing customers with an environment that is accessible, easy to use and proactive. Additionally, the Management Board is of the opinion that Alior Bank's products, procedures and tools have been developed in order to contribute to the goal of becoming the leading bank in Poland in terms of the quality of services provided.

Since its establishment, Alior Bank has been launching various innovative banking products, the success of which depends on innovative technologies while consolidating its position as new technology leader. Alior Bank's new project, the Innovation Lab Department, enables any Alior Bank employee to put forward and pursue their own innovative business ideas relating to Alior Bank's customer offering. Alior Bank actively facilitates the participation of its employees in new projects and supports implementing employee sourced innovations. The best employee ideas have been implemented, which has enhanced employee satisfaction and the recurring involvement of employees in consecutive projects.

The Alior Bank Brand is widely recognized in Poland

As at the date of this Offering Circular, Alior Bank is one of the most recognized banking brands in Poland. In the first quarter of 2016 the Alior Bank brand gained spontaneous recognition at a level of 56% (ranking third after PKO BP S.A. and Bank Pekao S.A.) and aided spontaneous awareness at a level of 96%, coming second after PKO BP S.A., and before Bank Pekao S.A., ING Bank Śląski S.A. and BZ WBK S.A. (based on the "Dynamic Tracking" study by Millward Brown, in the first quarter of 2016 of individuals aged between 25 and 59, resident in cities and towns with a population of over 20,000, and with a net monthly income exceeding PLN 1,000). Alior Bank's brand is perceived as distinctive and able to recognize trends (the brand had the highest level of brand recognition among the surveyed brands). The Management Board believes that the brand also retains its innovative character. The Management Board believes that Alior Bank is perceived as both a bank for demanding customers, an exclusive bank (the brand gained the most unprompted indications in both areas among the surveyed banks), and as a modern bank (based on the Millward Brown 2016 Q1 survey "Bank customers in Poland" of individuals aged between 18 and 70, with a personal monthly income of PLN 1,000 minimum). The Management Board believes that this strong brand recognition translates into increased market penetration of the Alior Group's products and services, which facilitates reduced costs related to marketing activities, and gives the Alior Group more bargaining power with its suppliers, products and services, and distribution partners.

Alior Bank also earned the prestigious titles of "*Created in Poland Superbrands 2015/16*" and "*Business Superbrands 2015/16*" in the competition organized by the Superbrands organization, which honors the strongest consumer and business brands in the Polish market.

Modern and multi-channel distribution network

With reference to Alior Bank's merger with Meritum Bank ICB, to achieve the cost synergies related to the overlapping network of the two banks' outlets, Alior Bank initiated a process to change the distribution model in order to meet the demands of the banks' customers resulting from the rapid growth in the popularity of internet and mobile banking. The aim of this process is to increase the number of products sold per employee, thus increasing effectiveness of sales. Alior Bank uses distribution channels based on its IT platform, which is composed of online banking, mobile banking and call centers.

To the best knowledge of the Management Board, Alior Bank had, as at the date of this Offering Circular, one of the largest distribution networks in Poland. This goal was achieved partly as a result of Alior Bank's strategic cooperation with T-Mobile and Tesco (see " – *Retail segment (individual customers) – Cooperation with third parties in acquiring retail customers*"). Additionally, Alior Bank's distribution network is adapted to serve Alior Bank's key segments. As at March 31, 2016, Alior Bank's distribution network to the retail segment consisted of 831 outlets belonging to Alior Bank (324 of which were traditional branches, including Private Banking branches and Regional Business Centers, and 507 of which were franchise partner outlets). Alior Bank's products were also offered through a network of ten Mortgage Centers, nearly 3,000 financial intermediary outlets and approximately 10,000 instalment intermediaries. For the business segment, micro-businesses are serviced by 306 of Alior Bank's branches and 507 franchise partner outlets, SMEs are serviced by 300 specialized branch employees, and corporations are serviced by specialized employees in Alior Bank's head office in Warsaw. Additionally, for both segments Alior Bank relies on distribution channels based on an advanced IT platform that includes online banking, mobile banking and call centers.

Striving for operational excellence, scalability and cost effectiveness

The Management Board created Alior Bank's operating model which, from the outset, provided an organizational platform intended to enable management to pursue Alior Bank's development strategy focused on innovation.

Alior Bank uses modern technology to automate, centralize and outsource the majority of its operational functions. In many cases, Alior Bank has been an innovator among Polish and European banks; for example, for the purposes of the flow of documents, Alior Bank permitted signatures via touch screens and permitted working on scanned documents without having to keep hard copies, which expedites customer service and reduces the use of paper and logistics costs. The Management Board believes that these solutions have positioned Alior Bank as a leader of "paperless organizations" among Polish banks. In 2015 Alior Bank implemented a technology-based system called DRONN for telephone debt collection campaigns, which enables client service representatives to conduct an interactive conversation with the client, inform the client about the overdue amount, verify the clients' identity and obtain information on the planned date of repayment of the next instalment. Alior Bank also has centralized back office functions that enable Alior Bank's outlets to focus on customer service without the need to manage additional resources. As at the date of this Offering Circular, work was underway on further automation and improvement of operational efficiency. The primary example is the OCR system, which has supported the processing and handling of claims enforcement and court enforcement officers' inquiries (*zapytania komornicze*) since 2015. Due to the OCR system, documents forwarded for manual processing have already been electronically reviewed for key data, which significantly shortens the processing time.

Alior Bank is very focused on cost effectiveness: the cost to income ratio ("C/I") was 51.1% in 2015. After eliminating one-off events (relating to the bankruptcy of Spółdzielczy Bank Rzemiosła i Rolnictwa in Wołomin (contribution to the Banking Guarantee Fund of PLN 57.0 million) and the contribution to the Borrowers' Support Fund (provision with respect to the Banking Guarantee Fund of PLN 9.15 million established in the fourth quarter of 2015), C/I was 48.1% which places Alior Bank second in terms of C/I among the banks quoted on the WSE.

Alior Bank sells products characterized by high profitability. According to the Annual Consolidated Financial Statements of the Alior Group for 2015, Alior Bank's profitability measured by net interest margin, despite the drop in interest rates, amounted to 4.6% in 2015, compared to the market average for the Polish banking sector of 2.4%, based on the PFSA data. Alior Bank had one of the highest net interest margins among the banks quoted on the WSE (according to PFSA data).

Innovative, integrated and multifunctional IT platform with a low-cost profile

Alior Bank provides business services through an innovative, integrated and multifunctional IT platform which has been designed to enable quick and easy multichannel access to Alior Bank's products and services for Alior Bank's customers. The Management Board believes that the competitive edge provided by Alior Bank's infocomm system is its extremely clear corporate architecture based on the central *Profile* system, the *Middleware* integration system and the business system – *Business Logic Platform*. Knowledge and competencies in respect of these basic systems are developed internally, which facilitates high business agility in delivering new business functionalities. The portfolio of IT solutions, which the Management Board believes distinguishes Alior Bank from its competitors, is supplemented by internally created and developed products operating in the mobile technology and advanced large volume data processing platforms (*Hadoop*). The Management Board believes that the quality, stability and scalability of Alior Bank's IT platform are reinforced by the use of technologies that include innovative solutions on a global scale, which are intended to facilitate accessibility and business continuity, whilst maintaining cost effectiveness.

The Management Board believes that Alior Bank has one of the lowest IT cost ratios in the EU and Central and Eastern European ("CEE") banking sectors. In 2015, Alior Bank's IT costs accounted for 10.0% of general and administrative expenses compared with the EU banking sector average of 13.6% and a CEE banking sector average of 12.3%, which represented approximately EUR 5,022 per Alior Bank employee in 2015 compared with EUR 23,923 on average in the EU banking sector and EUR 9,491 on average in the CEE banking sector in 2015 (according to "BCG's European IT Benchmarking in Banking" 2015).

Prudence in risk management driving strong portfolio performance and asset quality

The management of Alior Bank's credit risk is based on an extensive review of each credit exposure using a scoring or rating model, as well as on individual risk assessments by experts. This is intended to enable informed risk-taking, correct valuation of risks, and ensures that adequate hedging measures are in place. Alior Bank collects information on customer exposures from central credit information offices in Poland to increase the predictability (Gini coefficient) of its models. For the purpose of limiting the potential risk related to the relative immaturity of the credit portfolio and the potential for an over-optimistic perception of credit exposure (measured based on loss given a default), Alior Bank uses detailed data on its own actual losses and the losses incurred by the banking sector in Poland. Alior Bank also uses early loss indicators and loss spread indicators for all products used by the customers.

The Management Board believes that Alior Bank has efficient internal monitoring and loan portfolio collection procedures. Alior Bank gathers and analyzes extensive data in order to establish internal procedures designed to minimize loan loss. The Management Board seeks to obtain a high level of predictability of credit loss ratios, in order to correctly value credit products to achieve returns in all of Alior Bank's credit portfolio segments.

Alior Bank's credit portfolio is significantly diversified in terms of products and sectors, and it reflects the wide scope of Alior Bank's relationships with customers in multiple sectors. As at March 31, 2016, the share of foreign currency loans in the Alior Group's credit portfolio (loans and advances to non-financial customers) was approximately 11.9%. This is significantly lower than the average in the Polish banking sector as a whole, where amounts in foreign currencies due from non-financial customers amounted to approximately 28.0% of gross amounts due from the non-financial sector as at the end of March 31, 2016 (according to PFSA data). The Alior Group's total amount of loans in CHF as at March 31, 2016 amounted to PLN 200.9 million and accounted for only 0.6% of its entire portfolio of loans and advances to customers.

Alior Bank has not engaged and does not engage in proprietary trading to earn short-term profits. As at the date of this Offering Circular, Alior Bank was engaged in lending activities without the need to acquire additional finance from the wholesale market. Alior Bank's loans and advances to its customers were lower than the amounts owed by Alior Bank to its customers, so as at March 31, 2016 the loan-to-deposit ratio was 91.4%.

For the purpose of settling foreign exchange transactions, interest rate transactions, money-market transactions and options, Alior Bank maintains treasury limits with over 13 Polish and 17 large international banks. The availability of the products, terms and amounts differ across banks, but the Management Board's estimates that they are sufficient to cover several multiples of the Management Board's estimates of Alior Bank's short-term needs in respect of customer transactions or other liquidity requirements.

Alior Bank Strategy

Introduction

In recent years the Polish banking landscape has undergone a major transformation, which has significantly influenced the development of Alior Bank's strategy.

As at the date of this Offering Circular, the most significant factors affecting Polish financial institutions today are:

- protracted periods of low interest rates (see "*Operating and Financial Review of the Alior Group – Interest rates and inflation*")
- increased regulatory pressure on profitability, i.e. the banking tax (see " – *Operating and Financial Review of the Alior Group – Tax on certain financial institutions"*) and increased contributions to the Banking Guarantee Fund (see " – *Operating and Financial Review of the Alior Group – Banking Guarantee Fund"*);
- challenging situations in the SKOK and cooperative banks sectors (banki spółdzielcze) (see " – *Risk Factors – Risk Factors regarding the Polish Banking Sector – Deterioration of the financial position of SKOK could adversely affect the position of the banking sector in Poland");*

- low profitability of foreign currency denominated mortgage loans, as well as regulatory uncertainty related to potential legal solutions to those loans, which could lead to a significant negative impact on the *banking* sector (see " *– Risk Factors – Risk Factors regarding the Polish Banking Sector – The Alior Group is exposed to risk resulting from the adoption of regulations changing the parameters of foreign currency-denominated mortgage loans which could have a significantly destabilising effect on the whole Polish banking sector"*); and
- increasing capital requirements (see " *– Operating and Financial Review of the Alior Group – Capital and Regulatory Environment")*.

All of the above factors have had a significant negative impact on the Polish banking sector's profitability and valuations and have encouraged consolidation in the Polish banking sector. At the time when Alior Bank was founded in 2007, ROE for the sector exceeded 20% while in recent years it has gradually decreased to below 10%. Lower profitability combined with the bleak outlook for significant improvements substantiates the management's view that the Polish banking sector is likely to remain in its current consolidation phase until the concentration in the sector reaches that of a more mature European banking market.

Although Polish banks are in general lean and efficient, the Management Board believes that in the long term a sufficient scale of operations is required in order to achieve a level of return for shareholders that will consistently exceed the cost of equity of Polish banks. Furthermore, based on the experience of more mature EU banking markets, the Management Board is of the view that in five to seven years there may be a place for between six and a maximum of ten successful and profitable universal banks in Poland. The Management Board believes that the current developments in the Polish banking sector confirm this trend as recently a number of large foreign based bank owners announced their intention to withdraw from Poland. The idea that consolidation has become an important strategy in the Polish banking sector has been demonstrated by the fact that several large international banking institutions have recently sought to increase their scale of operations by acquiring other banks in an attempt to feature among the largest five banks in Poland with at least 10% of the market share in the medium term.

Alior Bank's Management Board believes that, in order to maintain its presence in Poland in the long term, Alior Bank should play an active role in the upcoming consolidation process. Mergers and acquisitions have always been a part of Alior Bank's strategic focus, with the recent acquisition of Meritum Bank ICB undertaken as a key pillar of Alior Bank's strategy.

Strategic objectives

Alior Bank's ambition is to become a top five or six universal bank in the Polish market by assets. In order to achieve that goal Alior Bank's strategy will have two dimensions: (i) further organic growth, and (ii) value creating Merger and Acquisition ("**M&A**") initiatives.

Organic growth

Since its establishment, Alior Bank has been focused on several key principles to achieve profitable growth. These strategic principles underpin the annually-set specific initiatives, which are:

To be a leader in Net Interest Margin adjusted for cost of risk

Alior Bank consistently pursues profitability. Such pursuit is clearly reflected in the loan book structure, where higher margin loans (consisting principally of unsecured retail loans and SME loans) constitute more than one third of the portfolio. The Management Board believes that this focus on profitability has resulted in a consistent leadership position in net interest margin (the "**NIM**") among Polish banks. Alior Bank expects to continue its efforts to further enhance its capabilities both in promoting higher-margin products and implementing robust credit risk management practices with the aim of improving its risk adjusted NIM relative to its competitors.

To be a leader in banking innovation, with successful partnerships and co-operations with non-banking entities such as retailers, telecommunication and fintech companies

Innovation in distribution has been an intrinsic part of Alior Bank's operations since its establishment, and after eight years Alior Bank is still actively promoting innovation. In order to stimulate and foster innovation, in 2014 Alior Bank's management decided to create a dedicated organizational unit called Innovation Lab. Alior Bank is active in pursuing sources of innovation not only within the banking sector but also outside of it with a special focus on the rapidly growing fintech business. Alior Bank's partnership with Deutsche Telekom group in both Poland and Romania is an example of the success of this approach. The Management Board believes that consumer behavior is increasingly driven by rapidly developing technology, which offers a key opportunity to improve banking products by combining them with other services.

Aims to be top three in customer service quality

In the Management Board's view, a high level of customer service quality is critical for both client retention and customer acquisition. Since its establishment Alior Bank has put service quality at the top of its strategic agenda, which was a key driver for high customer acquisition rates in Alior Bank's initial years. More recently, Alior Bank's increased scale of operations, as a result of both the Meritum acquisition and organic growth, has made maintaining a leadership position in service quality challenging. Restoring Alior Bank's position among the best Polish banks in that regard has become one of Alior Bank's priorities. As at the date of this Offering Circular, certain initiatives and resources have already been put in place to achieve the strategic goal to be ranked among the top three Polish banks in customer service.

Balanced growth in both the retail and corporate segment

In the Management Board's view it is essential for Alior Bank to maintain balanced growth and to remain a universal bank. Although the Meritum Bank ICB acquisition shifted the portfolio mix more towards retail banking, the future development of Alior Bank, including both organic growth and acquisitions, will be focused on obtaining a consistently profitable mix between retail and corporate businesses. In addition, the Management Board is considering expanding in the micro and small business segments. In 2016, Alior Bank plans to introduce a dedicated offering of products for this segment.

Achieving a cross-selling ratio above the average level of the broader banking sector

As at the date of this Offering Circular, Alior Bank ranks below the Polish market average in cross-selling to its customer base. The Management Board believes that this is a consequence of Alior Bank's relatively short track record (compared to its peers) and very active acquisition of new clients in recent years. Alior Bank is making a critical change in its approach to cross-selling. In 2015, Alior Bank dedicated significant resources to the creation of a new customer relationship management team which the Management Board expects to increase the Alior Group's cross-selling ratio as early as in the first half of 2016. The Management Board expects that in the next two years a significant improvement in Alior Bank's cross-selling ratio will be achieved.

Efficiency leader through best practices in lean IT and operations management with Cost to Income Ratio at below 48%

The Management Board's focus on the efficiency of its operations has been as important as its dedication to innovation of products and services since its establishment in 2007. This has become increasingly important as the profitability of the Polish banking sector is being tested through prolonged periods of low interest rates and increasing regulatory burdens. Alior Bank believes that it distinguishes itself among its competitors in that respect by maintaining and constantly enhancing lean IT and operations management. Should Alior Bank engage in further acquisitions, Alior Bank intends to leverage its extensive experience in managing the integration process by ensuring that the overall efficiency of the combined entity reaches the normal operating level of Alior Bank as quickly and with as little cost as possible. The ultimate goal is to maintain the cost to income ratio at a level which is competitive with Polish market leaders and is below 48%.

ROE targeted at the level of 13% in the mid-term

The Management Board believes that the strategic efforts described above should position Alior Bank as one of the most profitable financial institutions in the Polish market. The Management Board believes that in light of recently instituted new regulatory burdens, including among others the banking levy, Alior Bank's target mid-term ROE of 13% will constitute an attractive proposition to its shareholders.

M&A initiatives

Leader in banking consolidation due to its technological flexibility, know-how and M&A expertise

The Management Board believes that Alior Bank's integration experience compared to its competitors will allow it to achieve above average efficiency gains in any M&A integration process. The Management Board believes that this represents Alior Bank's competitive advantage, and will enable Alior Bank to achieve both cost efficiency and an expedited pace of integration. The Management Board believes that its know-how in banking M&A as well as the experience gathered by Alior Bank management in both the European and Polish markets will allow Alior Bank to achieve certain financial benefits and value creation for its shareholders in any future acquisitions. In particular, in the opinion of the Management Board, the recent acquisition of Meritum Bank resulted in what the Management Board believes to be the fastest merger in the Polish market as at the date of this Offering Circular: it took only 12 months from the signing of the share purchase agreement between Alior Bank and Meritum Bank ICB, which the Management Board believes is unique in the context of Polish banking M&A transactions. The repetition of this achievement in future

acquisitions may be challenging, however Management Board believes that Alior Bank has a competitive advantage over its competitors in its ability to maximize integration efficiency and to continue achieving high standards for timely and efficient post-merger integration processes.

History and development of the Alior Group

The key events in the history of the Alior Group are set out below:

2008 – The PFSA issues a permit for Alior Bank to commence operations.

2009 – Alior Bank purchases a credit card consumer loan portfolio from HSBC Bank Polska S.A.

2011 – The Alior Trader service is launched. This is a foreign exchange platform established on an intermediary model which concludes proprietary transactions on behalf of the commissioning party; it enables trading in currency pairs with 16 international banks and entering into contracts for differences.

2012 – Commencement of operations by the virtual branch of Alior Bank, Alior Sync, the first new generation internet bank in Poland.

2012 – Alior Bank launches the first online currency exchange bureau in Poland.

2012 – Flotation of Alior Bank's shares on the WSE.

2013 – Start of the strategic partnership with T−Mobile Polska and delivery of products and services branded T−Mobile Usługi Bankowe by Alior Bank.

2014 – Concluding a preliminary agreement with Innova Financial Holdings S.à.r.l, WCP COÖPERATIEF U.A. and the European Bank for Reconstruction and Development relating to the acquisition of Meritum Bank and the signing of an agreement with Innova Financial Holdings S.à.r.l and WCP Coöperatief U.A. relating to the subscription for Alior Bank's new issue of shares.

– Including the shares of Alior Bank in the WIG20 index.

2015 – Merger between Alior Bank and Meritum Bank ICB.

– PZU acquires a significant stake in Alior Bank.

– Entry into an agreement for strategic cooperation with the British supermarket chain Tesco.

– Entry into an agreement with the Romanian operator Telekom Romania, a member of the Deutsche Telekom group.

2016 – Concluding a Share Purchase and Demerger Agreement relating to the purchase of Bank BPH Core Business.

– First public offering of Alior Bank's bonds.

Operations

Operating segments

As at the date of this Offering Circular, Alior Bank operates in the following business segments:

- *Retail segment* – dedicated to the mass consumer market and affluent customers to whom Alior Bank offers a full range of banking products and services, and brokerage products offered by Biuro Maklerskie Alior Banku S.A. In particular, credit products, deposit products and investment funds, personal accounts, bancassurance products, transaction services and currency (foreign exchange) products are offered;
- *Business segment* – for micro-businesses, SMEs and large corporate customers to whom Alior Bank offers a full range of banking products and services. The services include credit products, deposit products, current and ancillary accounts, transaction services and treasury products and additional services provided in cooperation with external partners,; and
- *Treasury activities* – this covers operations on interbank markets and exposure to debt securities. This segment reflects the results of the management of the Alior Group's global positions (liquidity position, interest rate position and foreign exchange position resulting from banking operations).

All activities which have not been included in the retail segment or in the business segment and are not treasury activities are described as "*Reconciliation items*" (see " – *Operating and Financial Review of the Alior Group – Results of operations and financial condition by business segments*").

The table below presents profit before tax generated by the retail segment, the business segment and the total profit before tax of the Alior Group as at, and for the three-month period ended March 31, 2016 and for the twelve-month period ended December 31, 2015, 2014 and 2013.

	Three-month period ended March 31,	Year ended December 31		
	2016	2015	2014	2013
	(PLN million) (un audited)	*(PLN million) (audited)*		
Profit before tax generated by the retail segment	10.3	102.0	142.4	116.1
Profit before tax generated by the business segment	83.1	352.4	243.5	196.5
Profit before tax on treasury operations	40.6	137.7	171.5	100.9
Total profit before tax	**106.3**	**386.0**	**401.1**	**287.7**

Source: Alior Group Financial Statements

The table below shows the assets and liabilities attributed to each of the segments as at March 31, 2016, December 31, 2015, 2014 and 2013 in relation to the sum of the assets or liabilities of Alior Bank, respectively.

	Three-month period ended March 31, 2016			Year ended December 31, 2015			Year ended December 31, 2014			Year ended December 31, 2013		
	Retail Segment	Business Segment	Treasury activities	Retail Segment	Business Segment	Treasury activities	Retail Segment	Business Segment	Treasury activities	Retail Segment	Business Segment	Treasury activities
Assets of Alior Bank	59.8%	39.4%	0.05%	60.2%	39.0%	0.06%	59.6%	39.8%	0.05%	41.4%,	35.5%	23.1%
Liabilities of Alior Bank	65.6%	34.3%	0.01%	64.3%	35.6%	0.02%	62.0%	37.9%	0.03%	60.9%	28.3%	10.8%

Source: Alior Group Financial Statements

Information on net interest income, net fee and commission income and profit before tax by operating segments as at March 31, 2016, and as at and for the twelve-month period ended December 31, 2015, 2014 and 2013 is set out in "*Operating and Financial Review of the Alior Group – Results of operations and financial condition by business segments*". Pursuant to note 3 to the Alior Group Consolidated Financial Statements for 2015 presenting data by business segments, the Alior Group changed the way in which the assets and liabilities among individual segments were presented in 2015.

Retail segment (individual customers)

General information

As at December 31, 2015, Alior Bank serviced 2.9 million individual customers. The number of retail customers serviced by Alior Bank grew significantly over the period covered by the Alior Group's Annual Consolidated Financial Statements: by 16.7% compared with December 31, 2014, 21.5% in 2014 compared with December 31, 2013, and 42.5% in 2013 compared with December 31, 2012. The increase in 2015 resulted from the organic growth of Alior Bank, the merger with Meritum Bank ICB, and the acquisition of SKOK św. Jana. As at March 31, 2016, Alior Bank was providing services to 2.95 million retail customers. Over 96% of individual customers have entered into agreements which enable them to buy further Alior Bank products using remote distribution channels, which enable Alior Bank to reach customers with new offers.

Alior Bank classifies its retail customers in the following categories: (i) mass customers (individuals who have not been classified in the affluent or very affluent customers group); (ii) affluent customers (individuals with monthly inflows to personal accounts of over PLN 5,000 or with assets exceeding PLN 100,000); and (iii) very affluent customers (individuals with assets of over PLN 400,000 or who intend to use funding of at least PLN 1 million).

As at the date of this Offering Circular, Alior Bank's basic products and services for retail customers were: (i) credit products including cash loans, instalment loans, credit cards, overdraft facilities, and mortgage loans; (ii) deposit

products, including term deposits and savings accounts; (iii) structured debt securities, brokerage products and externally managed investment funds; (iv) personal accounts; (v) transaction services, including cash payments and disbursements; (vi) bank transfers; and (vii) foreign exchange transactions. Due to the specialist nature of operations in the retail segment, Alior Bank has distinguished an additional three areas of the retail segment with a dedicated offering for a selected group of Alior Bank's clients: consumer finance, Private Banking and the brokerage business.

As at December 31, 2015, Alior Bank's share of new sales in the Polish mortgage loans market was 6.0% (according to Polish Banks Union data for 2015) and its share of loan balances in the Polish consumer loans market was 8.4% (the share in net credit balance based on NBP data). As at December 31, 2015, Alior Bank had a 6.6% share in the Polish current accounts market (measured as a share of the total number of Polish current accounts, according to the PRNews Internet service, dated December 31, 2015) and a 5.7% share in the Polish brokerage accounts market (measured as a share of the total number of brokerage accounts in Poland, according to NDS data). In the first quarter of 2016, Alior Bank's share of new sales in the Polish mortgage loans market amounted to 5.35% (according to Polish Banks Union date for Q1 2016). That share was lower than in the preceding periods and was the result of a decline in margins resulting from changes in the market environment. As at March 31, 2016, Alior Bank's share of the consumer loans market was higher than at the end of 2015 and amounted to 8.7% (the share in net credit balance based on NBP data).

The table below shows volume of amounts owed by customers from the retail segment and the finance liabilities to customers from the retail segments as at certain dates.

	The three-month period ended March 31	**Year ended December 31,**		
	2016	**2015**	**2014**	**2013**
	PLN million (unaudited)	*PLN million (audited)*		
Loans and advances to customers	18,543.9	17,595.3	13,300.9	10,581.4*
Amounts due to customers	23,293.4	21,409.1	14,849.4	14,223.5

Data marked with an asterisk (*) are drawn from the Consolidated Financial Statements of the Alior Group for 2014
Source: Alior Group Financial Statements

Distribution channels

As at March 31, 2016 Alior Bank had 831 outlets (324 traditional branches including six Private Banking branches (in Warsaw, Katowice, Poznań, Kraków, Gdańsk and Wrocław), 12 Regional Business Centers, and 507 franchise partner outlets. Alior Bank's products were also offered through a network of ten Mortgage Centers, almost 3,000 financial intermediary outlets and by approximately 10,000 instalment intermediaries. Alior Bank also used distribution channels based on an advanced IT platform: online banking, mobile banking and call centers. Online banking enables Alior Bank to enter into agreements for: checking accounts, foreign currency accounts, savings accounts, deposits, debit cards and brokerage accounts. Requests for the following credit products are also accepted through these channels: cash loans, credit cards, overdraft limits and mortgage loans. Alior Bank also offers instalment loans through an online process and enables the use of services of a foreign currency exchange desk. As at March 31, 2016, there were 2,626 Alior Bank employees (in FTE terms) providing services to retail customers.

As at March 31, 2016, Alior Bank had traditional branches in 102 cities in Poland, offering the full range of Alior Bank's products and services. They constituted the key distribution channel for Alior Bank's products and services offered to retail customers. Franchise partner outlets were located in smaller towns as well as in the main cities of Poland. They offer a wide range of Alior Bank's products and services, with term deposits and checking accounts for retail and business customers, savings accounts, debit cards, credit cards, cash loans, consolidation loans, housing loans, corporate loans and overdraft facilities in particular.

Cooperation between Alior Bank and its franchise partner outlets is founded upon outsourcing franchisee agreements. Pursuant to such agreements, franchisees exclusively provide agency services relating to the distribution of Alior Bank's products on behalf of Alior Bank. These services are provided on premises owned or leased by the franchisees, and each franchisee is approved by Alior Bank. Over the term of the franchisee agreement and for a period of six months after it expires, franchisees are not allowed to engage in any operations that compete with any of Alior Bank's operations in their outlets. Additionally, with Alior Bank's consent, the franchisees may use Alior Bank's business name, logo or trademark. The franchisees' remuneration is paid monthly and includes the sum of the fees receivable by them in respect of

transactions performed on behalf of Alior Bank. The fees are either fixed or calculated as a percentage of the amount of the transaction. Under the terms of the franchisee agreements, the franchisees incur the costs related to the provision of franchisee services. However, Alior Bank provides marketing materials and selected equipment components, as well as professional employee training to the franchisees, at Alior Bank's expense. Pursuant to these agreements, the franchisees are fully liable for all damage caused to Alior Bank or Alior Bank's customers in connection with the provision of franchisee services. Additionally, the franchisees are subject to contractual liabilities ranging from PLN 10,000 to PLN 50,000 for any individual infringement under the franchisee agreement. All claims that Alior Bank may make in respect of the franchisees are secured with blank promissory notes given by the franchisees. The standard term of the franchisee agreements is for an undefined period, terminable without cause upon six months' notice. An agreement may also be terminated by Alior Bank with immediate effect if a franchisee has significantly infringed the terms of its franchise agreement or by the franchisee if Alior Bank significantly infringes such terms and the infringement is not remedied within the deadline stipulated in the agreement. Franchise partner outlets provide services to customers through separate computer banking systems which may be used, among other things, for creating customer databases, opening personal accounts, performing transactions or handling loan requests in respect of cash loans.

As indicated above, Alior Bank's products are also offered through financial intermediary outlet networks, such as Open Finance, Sales Group, Home Broker, Doradcy 24, Dom Kredytowy Notus, Fines, DFQS, GTF and others. Alior Bank's product offerings available through financial intermediaries differ depending on the intermediary, but generally financial intermediaries offer cash loans, consolidation loans and mortgage or housing loans and instalment loans.

Additionally, individual customers are able to access their accounts and perform banking transactions through all ATMs in Poland and through selected ATMs outside Poland. The use of ATMs in Poland and abroad is free of charge for customers who meet certain activity requirement (those who have transferred their salaries, old age or disability pensions). ATMs in Alior Bank's traditional branches are owned and managed by Bankomat 24/Euronet sp. z o.o.

In connection with the merger with Meritum Bank ICB, Alior Bank initiated a new distribution model. Alior Bank's target distribution network now comprises flagship branches, universal branches and franchise partner outlets. The purpose of implementing the new distribution model is to increase the number of products sold per employee, and thereby increase sales effectiveness.

By the end of 2015, Alior Bank had identified 45 large flagship branches well suited to service individual and business customers. These branches will offer Private Banking products to individual and business customers. These products were previously only available to affluent customers. There will be no cash handling in the flagship branches. Flagship branches are being established primarily in large cities.

In the second half of 2015, the *Alior Bank Express* brand (for example the network of mini-branches where mass retail customers were offered simple products and services) was withdrawn from the market. Some of the *Alior Bank Express* outlets were upgraded to the universal branch standard, offering a wider scope of products and services, including products for micro-enterprises and investment products. Selected *Alior Bank Express* outlets were added to Alior Bank's franchise network. Due to doubling the number of outlets in certain locations, several franchise outlets were closed. Transaction services and additional products were, however, added to the franchise network which was expanded by the Meritum Bank ICB outlets.

583 service outlets support the sales network described above, from which Alior Bank's products are offered under the T-Mobile Usługi Bankowe brand delivered by Alior Bank. As at March 31, 2016, in the above-mentioned service outlets, 155 dedicated T–Mobile Usługi Bankowe outlets provided the full scope of services, where customers could access banking products such as loans, credit cards, overdraft limits, deposits, foreign currency accounts, and individual and business customer accounts.

As at March 31, 2016 Alior Bank also had 71 outlets located in Tesco supermarkets in Poland, offering credit products under the Tesco Finanse brand.

Sales support in all distribution channels is provided by customer relationship management ("CRM") operating and analytical systems. In connection with its expanding customer base, Alior Bank intends to increase its analytical CRM function to improve its cross-selling ratio.

Products and services

Alior Bank's basic products and services intended for retail customers are: (i) credit products, including cash loans, instalment loans, credit cards, overdraft facilities, and mortgage loans; (ii) deposit products, including term deposits and savings accounts; (iii) structured debt securities, brokerage products and externally managed investment funds; (iv)

personal accounts; (v) transaction services, including cash payments and disbursements; (vi) bank transfers; and (vii) foreign exchange transactions. These products and services were available to Alior Bank's retail customers during the periods covered by the Annual Consolidated Financial Statements of the Alior Group and as at the date of this Offering Circular. Due to the specialized nature of operations in the retail segment, Alior Bank has developed three additional product areas for the retail segment, with a dedicated offering for a selected group of Alior Bank's clients: consumer finance, Private Banking and brokerage business.

Loan products

Loan products are offered through all of Alior Bank's distribution channels.

Cash loans

Alior Bank's key offering of unsecured loan products for individual customers is a cash loan, which may be used for any purpose, including the consolidation of financial liabilities (a consolidation loan).

Cash loans and consolidation loans are characterized by high margins and minimum requirements in respect of documenting income and security terms and conditions. The Management Board believes that the maximum repayment period for these products is ten years, and that they are among the most attractive cash loan products on the market. Individual customers may draw loans or advances up to PLN 200,000 without guarantors or other collateral. The products are offered in PLN and are available to Alior Bank's current and new customers. Alior Bank offers cash loans in amounts exceeding PLN 200,000 on individual terms and conditions.

In 2015 and in the first quarter of 2016, Alior Bank focused on two areas in its cash loan operations. In the first area, Alior Bank intensified promotional actions aimed at acquiring new customers through marketing campaigns, with a focus on customers who wished to transfer their borrowings to Alior Bank from other financial institutions. The second area covered CRM initiatives aimed at strengthening relationships with customers by encouraging them to increase credit exposure. CRM activities are also concentrated on improving cross-selling to instalment loan customers and increasing Alior Bank's exposure to customers from more profitable segments. Additionally, Alior Bank has reinforced customer retention processes by differentiating between actions taken proactively and reactively, which aims to maintain a larger proportion of the loan portfolio from being repaid prior to scheduled maturity.

Cash loans are available through all of Alior Bank's distribution channels.

Instalment loans

Alior Bank offers a wide range of instalment loan products, with terms adapted to both counterparty and customer expectations, via retailers (chains, independent retailers, and eCommerce retailers). The standard offer for crediting the purchase of goods and services constitutes an unsecured loan for a period from three to 60 months, of up to PLN 30,000. Such loan requests are filed at goods or services sales outlets and require a minimum level of formalities and customer involvement. In response to market demand, Alior Bank has made available loans offered on the basis of customer declaration with no independent credit review, which enables a fast conclusion of a loan agreement. The offer of instalment loans through the internet is available on a 24-hour basis. Alior Bank actively seeks to enter new areas such as the eco industry (photovoltaic and solar cells, heat pumps) and the medical industry (aesthetic medicine, dentistry, orthopedics). Alior Bank's intention is to continue its cooperation with key retailers in the Polish market in order to continue the further prudent and stable development of its distribution network.

Credit cards

Alior Bank offers credit cards to its retail customers. Alior Bank cooperates closely with its key business partner in respect of the credit card business, the MasterCard payment system. Alior Bank has four types of cards aimed at different target groups. The Gold card is aimed at the mass individual customer segment, the World card is dedicated to the mass affluent segment, and the World Elite card is dedicated to the Private Banking segment. Under its cooperation with Tesco, Alior Bank issues a MasterCard ClubCard credit card. This card is dedicated to customers serviced by the Tesco Finanse outlet under Project Tesco (see " – Cooperation with third parties in acquiring retail customers – Project Tesco"). Due to the fact that the cards are addressed to various customer segments, they have different characteristics. The additional benefits attached to the World Credit Card are free-of-charge insurance and the Rewards loyalty program. The World Elite Card, as a prestigious card, is characterized by an individually determined high credit limit. The concierge service package is offered with the card, which consists of the support of a specialized call center, insurance and Priority Pass, as well as the possibility of using airport lounges. The ClubCard Credit Card enables transactions to be divided into

instalments, and enables the use of the ClubCard loyalty program active in the Tesco chain. The card's credit limits are from PLN 500 to PLN 200,000 depending on the type of card. Alior Bank does not require any warranty or additional security when granting those credit cards. All credit cards are secured with chips and enable contactless payments.

As at March 31, 2016, Alior Bank had over 120,000 active credit cards issued to its retail customers in its portfolio. The credit cards are available through all of Alior Bank's distribution channels except for its intermediaries networks.

Overdraft facilities

Overdraft facilities enable the balance of a bank account to be overdrawn. Under the overdraft limit granted, customers may go overdrawn on the balance on the account many times, and each payment made to the account reduces or cancels the overdraft. Alior Bank offers renewable overdraft limits for amounts from PLN 500 to PLN 200,000 and does not require additional security or guarantee. Alior Bank grants the renewable overdraft limit in two ways: under a joint credit process where a customer is granted two products at the same time, based on the same information and documents (a cash loan and an overdraft facility (up to a renewable limit)), or a renewable overdraft limit as a single product.

As at March 31, 2016, Alior Bank had granted over 77,000 overdraft facilities. Renewable overdraft limits are available through all of Alior Bank's distribution channels except for its intermediaries networks.

Mortgage loans

As at the date of this Offering Circular, Alior Bank offered mortgage loans in PLN, EUR, GBP, USD and CHF, repayable over a period of up to 30 years for financing housing or financial needs. The extensive offer of foreign currency loans follows from the requirements of the PFSA regulation that the currency of the loan has to comply with the currency of remuneration of the borrower.

Additionally, in 2015, Alior Bank actively participated in the sale of loans under the government program "*Mieszkanie dla Młodych*" (Apartments for the Young: "**MdM**") (see " – *Regulations of the banking sector in Poland – Subsidized housing*"). Sales of loans under the program constituted 19% of the Alior Group's total new mortgage loan sales in 2015 (per value). In 2015, due to an increase in the loans portfolio following from increased numbers of MdM loans, a new, technologically advanced process was implemented for MdM loans, integrated with the main lending process. Additionally, Alior Bank introduced a product called MdM Plus, which enables financing for housing purposes not included in the catalogue of purposes for which MdM loans may be used as stipulated in the act regulating the operation of the MdM program.

Alior Bank concentrates on the sale of mortgage loans through specialized entities known as Mortgage Centers (*Centra Hipoteczne*). These are dedicated to servicing mortgage lending intermediaries. As at the date of this Offering Circular, Alior Bank operated Mortgage Centers in Warsaw, Kraków, Wrocław, Poznań, Łódź, Gdańsk, Szczecin, Katowice, Lublin and Olsztyn. A new service process was developed and implemented for these units and supporting IT tools were automated. Sales of mortgage loans through these Mortgage Centers constituted 67% of Alior Bank's total new mortgage loan sales in 2015 (per value). The remaining sales were conducted in Alior Bank branches where efficiencies in the lending process have gradually been implemented.

As at March 31, 2016, Alior Bank's mortgage loan portfolio was characterized by an average repayment period of 242 months (approximately 20 years) and an average LTV ratio of 80%.

Deposit products

Term deposits

Alior Bank offers two types of deposits to its retail customers: (i) a standard term deposit with a fixed interest

rate (one, three, six, ten and 12 months, two years, and other terms offered from time to time) or with a fluctuating interest rate (24 and 36 months) or (ii) an internet term deposit with a fixed interest rate (ten days and 60 days), denominated in PLN. The term deposits may be renewed (customers may choose whether the principal amount together with accrued interest is renewed or only the principal is renewed, with the interest transferred to a special account maintained by Alior Bank) or non-renewable (on the maturity date the principal and the accrued interest is transferred to the indicated account maintained by Alior Bank). Customers interested in depositing larger amounts may be given access to negotiable deposits, where both the term and the interest on the deposit are established individually.

In 2015, Alior Bank introduced promotional 120-day and 210-day term deposits to encourage customers to deposit new funds with Alior Bank. Additionally, a promotional deposit was introduced for 92 days called TOP5, which guarantees

the renewal of the deposit at a rate determined based on the highest interest rate available on the market for three-month deposits offered by five large banks, and a 200-day deposit with a bonus offered to customers who actively use the services of Alior Bank. Alior Bank also introduced a deposit supporting the sales of personal accounts. The deposit is dedicated to customers who open a Konto Internetowe (Internet Account), Konto Rozsądne (Reasonable Account) or Konto Wyższej Jakości (Higher Quality Account), and at the same time make a two-month deposit within 30 days of opening the personal account. As at March 31, 2016, promotional deposits accounted for an average of 43% of all funds acquired by Alior Bank (per value).

As at March 31, 2016 the liabilities to the Alior Group's retail customers amounted to PLN 23,293.4 million.

As at March 31, 2016, the liabilities to the Alior Group's retail customers denominated in foreign currencies constituted 13.7% of liabilities to retail customers.

Savings accounts

Alior Bank offers savings accounts denominated in PLN to its retail customers. The funds deposited in savings accounts bear interest according to the WIBID1M interbank base rate decreased by 0.5bp. Interest on savings accounts in the promotional offer for new customers is fixed over a three-month period as of the date of the account opening. Savings accounts may be opened at Alior Bank's outlet or via Internet banking. Alior Bank's individual customers with savings accounts have access to payment cards (MasterCard Debit).

Additionally, as at the date of this Offering Circular, Alior Bank offered a savings account to customers who submitted a successful application for the child benefit (*Wniosek Rodzina 500+*) with a preferential fixed interest rate over a 12-month period.

As at March 31, 2016, Alior Bank's retail customers had over 349,000 savings accounts which held over PLN 2,771 million in deposits.

Deposit products for retail customers are available through all of Alior Bank's distribution channels.

Structured debt securities

Structured debt securities are aimed mainly at retail customers. The minimum amount of investment is PLN 3,000. Interest rates on these accounts are linked to indices, shares, investment funds, commodities and currencies. The most popular products are issues based on a basket of companies where the profit is determined as the sum of the actual rates of return, with the reservation that the profit of half of the companies in the basket is limited to a maximum rate of return of 7–15%. The baskets of companies mainly made up of companies in the following industries: pharmaceutical, financial, and new technologies; or companies selected from certain regions such as Germany, Europe and the USA. As a rule, investment products for individual customers have a 100% guarantee on the principal, with the exception of issues which limit customer risk to a minimum of 98% or 95%, and are offered mainly to affluent customers.

Under the first program for the issue of bank securities in 2015, Alior Bank issued securities with a total nominal value of over PLN 1.2 billion. Apart from products with guaranteed principal based on market indices, these securities included two-currency deposit certificates which allowed customers to benefit from high interest rates and exchange the currencies at a predetermined rate. The securities were offered in a public offering to corporate customers, Private Banking customers and to individual customers.

Personal accounts

Current accounts with Alior Bank allow active customers to withdraw cash from many ATMs in Poland and throughout the world free of charge, and give access to many other banking products and services, such as bank overdrafts, transfers (including "instant transfers" which allow customers to transfer funds to another Polish bank in just a few minutes), direct debits, standing orders and payment cards (Debit MasterCard PayPass, World Debit MasterCard).

As at the date of this Offering Circular, Alior Bank offered the following types of personal accounts: Konto Wyższej Jakości (Higher Quality Account) and Konto Rozsądne (Reasonable Account), aimed mainly at active customers who use Alior Bank as their main bank. The Higher Quality Account is characterized by guaranteed unchanged fees over five years, and is aimed at affluent customer segments. The condition for free-of-charge maintenance of the account is making cash-free payments to the account of at least PLN 2,500 per month or concluding card payment transactions for a minimum of PLN 700 per month. The Reasonable Account is dedicated to families making food purchases using payment cards. Alior Bank refunds 3% of such expenses to the account holders. The account is maintained free-of-charge

for active customers on the condition that the customer's remuneration is transferred to that account. The acquisition of accounts from the existing offer, the Higher Quality Account and the Reasonable Account, comprised 32% of the total number of new PLN accounts acquired in 2015 (by volume).

The Internet Account is also offered to individual customers, which is maintained free of charge, without the requirement to deposit salaries, old-age or disability pensions. An additional advantage of the Internet Account is that the following are free of charge: withdrawals from ATMs (Euronet, Planet Cash and abroad), internet transfers, European transfers and issuing a card for the account.

As at the date of this Offering Circular, Alior Bank offered a Karta Kibica (Football Fan Card) with a dedicated account. The simple application process and several benefits relating to the Polish national football team have been recognized by a growing group of football fans. Sales of this account comprised 11% of the total number of new PLN accounts acquired in 2015 (by volume).

Alior Bank's personal account product is supplemented by foreign currency accounts in four basic currencies: USD, EUR, CHF and GBP. Owners of foreign currency accounts in USD, EUR and GBP have access to withdrawals from many ATMs in Poland and throughout the world (including free-of-charge withdrawals from Alior Bank's ATMs and Euronet and Planet Cash ATMs in Poland) and debit cards (Debit MasterCard PayPass and Debit MasterCard).

As at March 31, 2016, Alior Bank's retail customers had approximately 2,258,000 current accounts, including over 312,000 foreign currency accounts.

Transaction services

Alior Bank offers a full range of transaction services, including payments in and out of accounts, cash payments to accounts maintained by Alior Bank and by other banks, term deposits and transfers (including transfers to the Social Insurance Institute and to tax offices).

Foreign exchange transactions

Foreign exchange transactions may be entered into at Alior Bank's outlets or through internet banking, in respect of the following currencies: PLN, EUR, USD, GBP and CHF. Alior Bank also offers the possibility of exchanging currencies via dedicated trading platforms (see " – *Trading Platforms*").

Alior Bank offers its customers the option to complete foreign exchange transactions for the following currencies: PLN, EUR, USD, CHF, GBP, CAD, NOK, RUB, DKK, CZK, SEK, AUD, RON, HUF, TRY, BGN, ZAR, MXN and JPY. The option to complete transactions is available through many channels and a differentiated price offer is applied. The most important transactions are automatic foreign exchange related to foreign transfers and card transactions made abroad, transactions concluded via electronic access channels (Autodealing, Kantor Walutowy (Foreign Exchange Desk), and eFX Trader Platform (see " – *Trading Platforms*") and negotiated transactions concluded directly with the Treasury Department.

New products and services

As at the date of this Offering Circular, the following material new products had been introduced to the offering of the Alior Group for the retail customer segment: (i) cash loan / consolidation loans; (ii) a product for public sector employees and PZU Group staff (introduced in 2015); (iii) TOP MBA loans set up in cooperation with PZU for Master of Business Administration students, enabling the financing of studies at the most prestigious institutions in the world (introduced in 2015); and (iv) promotional 120-day and 210-day term deposits encouraging customers to deposit new funds with Alior Bank, and a promotional 92-day deposit product offer TOP5 (see " – *Deposit Products – Term Deposits")*. An additional product supporting sales of accounts is the two-month deposit with an increased interest rate.

Furthermore, in 2015, a free-of-charge phone application with the so-called "BLIK" functionality was made available to customers. This functionality enables free-of-charge mobile transactions which are charged directly to the user's checking account. The application is available on devices with the Android, Windows Phone or iOS systems (introduced in 2015).

In the third quarter of 2015, Alior Bank broadened its offer for individual clients by introducing the Internet Account, which is maintained free of charge. Sales of the Internet Accounts in the final quarter of 2015 accounted for 35% of all new PLN accounts acquired in that quarter (by volume). This result was accomplished with the support of extensive marketing campaigns conducted through the internet and in Alior Bank's outlets.

In the second quarter of 2016 Alior Bank joined the government's child benefit scheme, Rodzina 500+, aimed at supporting Polish families. This enables Alior Bank's clients to send an application for child benefit under the Rodzina

500+ scheme through the internet banking system of Alior Bank. Additionally, Alior Bank has prepared a dedicated offer for those filing such applications, by introducing a savings account with an attractive interest rate, for up to PLN 6,000 over a period of 12 months. New clients who open the "Konto Rozsądne dla Rodziny" (Reasonable Family Account) may also use an overdraft facility on similarly attractive terms. Under the special offer of the "Pomocny Limit" (Helpful Overdraft Limit), clients do not incur any interest fees on up to PLN 1,000 for a maximum of ten days.

Retail segment areas

Due to the specialized nature of operations in the retail segment, Alior Bank has developed three additional product areas for the retail segment, with a dedicated offering for a selected group of Alior Bank's clients.

Consumer Finance

Alior Bank's instalment loans product offering is present in three sales channels: stationary (through approximately 10,000 local retail points of Alior Bank's franchise partners), direct (door-to-door), and online (through approximately 3,000 online retailers). In 2015, sales via the stationary channel and over the internet grew most quickly, and direct channel sales remained high and stable. Alior Bank engaged and intends to continue to engage in extending its distribution network for instalment loans in cooperation with key partners such as: RTV Euro AGD, PayU, Allegro, Agata Meble, BRW, Komfort, Philipiak, Vorwerk, Empik "Szkoły językowe" and Zepter. Concurrently, a strong position is maintained on the agency market which enables Alior Bank to reach smaller local retailers. The above actions enabled Alior Bank to gradually expand its customer base in 2015, and provided additional opportunities for sales of other products. Effective CRM actions addressed to customers acquired through the sale of instalment loan should assist in additional growth in sales of cash loans and other Bank products. A significant factor of this expansion is the development of innovative solutions as well as the penetration into new industries.

Private Banking

The Private Banking program is available to the most affluent individual customers who entrust Alior Bank with assets exceeding PLN 400,000, or who wish to use financing of at least PLN 1 million. They are serviced by six specialist Private Banking branches: in Warsaw, Katowice, Poznań, Kraków, Gdańsk and Wrocław. Additionally, services may be provided outside Alior Bank's premises, in a location convenient for the customer. Each private banking customer is serviced by a personal advisor who is responsible for the customer's relationship with Alior Bank.

Alior Bank offers its private banking customers specialist products and services in the areas of (i) personal finance (personal accounts, MasterCard Private Banking debit card, gold and platinum MasterCard credit cards and the most prestigious MasterCard World Elite credit card); (ii) investment advice using models and in the form of individual portfolios; (iii) investments (externally managed investment funds, brokerage services, structured debt securities issued by Alior Bank, asset management, foreign currency transactions and investments in gold); and (iv) extensions of credit with flexible procedures accounting for the specific requirements of the customer. As at March 31, 2016, 61 people worked in the Private Banking branches. The Alior Bank's PB Wealth Care offering is operated by Alior Services and services the non-financial assets of Private Banking customers, and aims to make contact with commercial partners who provide services such as legal and tax advisory or alternative investments.

As at March 31, 2016, Alior Bank had 4,423 active private banking customers.

Brokerage activities

Alior Bank engages in brokerage activities via Biuro Maklerskie Alior Banku. Biuro Maklerskie Alior Banku operates as a separate organizational entity within Alior Bank and offers its services via 296 Alior Bank branches and with the use of remote distribution channels. Both the telephone channel of the brokerage house contact center and the internet brokerage system integrated with Alior Bank's internet banking system and the Alior Trader platform are used.

Biuro Maklerskie Alior Banku engages in brokerage activities under the Trading Act and a permit issued by the PFSA, which include specifically: (i) accepting and transferring financial instrument purchase or sale orders; (ii) executing financial instrument purchase or sale orders on the account of the ordering party; (iii) purchasing or selling financial instruments on its own account; (iv) investment advisory services; (v) offering financial instruments; (vi) safekeeping or registering financial instruments, including maintaining securities accounts and cash accounts; (vii) preparing investment analyses, financial analyses and other recommendations of a general nature relating to transactions in financial instruments; and (viii) performing the function of a market maker.

As at March 31, 2016, Biuro Maklerskie Alior Banku maintained over 79,800 brokerage accounts, and the value of customer assets accumulated in brokerage accounts was PLN 6.5 billion.

As at the date of this Offering Circular, Alior Bank cooperated with 15 investment fund management companies ("TFI") in respect of open-ended funds ("FIO") and with 18 TFIs in respect of closed-ended funds ("FIZ"). As at March 31, 2016, Alior Bank's offered customers externally managed open-ended investment fund products covering 458 strategies. Assets accumulated in FIO products through Alior Bank were worth nearly PLN 644 million as at the end of March 2016. Assets accumulated in FIZ products via Alior Bank were worth approximately PLN 1,426 million as at March 31, 2016. The total assets accumulated in investment funds via Alior Bank amounted to approximately PLN 2,070 million as at the end of March 2016. Additionally, Biuro Maklerskie Alior Banku in cooperation with Money Makers offers asset management services.

In October 2014, Biuro Maklerskie Alior Banku introduced investment portfolio advisory services to its product offering, under which it recommends investment fund portfolios and quoted and mixed instrument portfolios to its customers based on an assessment of the individual customer's needs. As at March 31, 2016, Biuro Maklerskie Alior Banku had provided investment advisory services to 6,800 customers.

As at March 31, 2016, Biuro Maklerskie Alior Banku provided market maker services to 52 issuers and engaged in market maker operations in respect of 92 financial instruments.

Cooperation with third parties in acquiring retail customers

Alior Bank has two strategic partnerships with leading representatives of the telecommunications industry and commercial chains in Poland. In both instances, Alior Bank offers dedicated and jointly developed products in a dedicated sales network, availing itself of the experience of both entities.

T-Mobile Usługi Bankowe

In cooperation with T-Mobile Polska (see " – *Material Agreements – Financial intermediation agreements – Agreement with T-Mobile Polska*"), customers may open personal accounts with a debit card in 583 T-Mobile Polska sales outlets (including in 155 store-in-store type outlets, which provide full banking services). As at the date of this Offering Circular, customers could also obtain a cash loan for any purpose of up to PLN 200,000, repayable in up to 120 monthly instalments, by completing a loan request both at store-in-store outlets and via remote channels. Agreements may be concluded remotely, without visiting a branch, and the funds may even be transferred to the customers' accounts on the same day. An additional 5% cash back function is added to the basic personal account, payable to customers for cash-free transactions with the use of a debit card. The maximum cash-back amount payable to the account is PLN 300 per annum.

As at June 11, 2015, the T-Mobile Usługi Bankowe product offering was expanded by aiming products at businesses. Individuals engaged in business operations may use settlement accounts and auxiliary accounts for which debit cards may be issued, covered by complimentary assistance insurance, which includes insurance "pomoc w firmie", electronic equipment insurance, health insurance, and concierge and information services. T-Mobile Polska customers may also use an overdraft facility of up to PLN 20,000. This product offering for business customers is available in the in-store outlets.

In the third quarter of 2015, as part of the developing relationship with the T-Mobile Polska operator, a product offering for financing telecommunications equipment was developed, which stipulates that customers will obtain decisions on loans within several minutes (without leaving the advisor's desk). Current T-Mobile Polska customers can receive loans without unnecessary formalities, based on their history of cooperation with the operator. The product is available to new customers who can certify their income. Customers do not incur any financing costs, and additionally may take advantage of the T-Mobile Polska offers. The product enables the Alior Group to expand its customer base and thus prepare for broader cooperation by offering standard products available from T-Mobile Usługi Bankowe.

Additionally, on August 7, 2015, Alior Bank and Telekom Romania signed a cooperation agreement in respect of the provision of financial intermediation services by Telekom Romania (see: " – *Material Agreements – Financial intermediation agreements – Agreement with Telekom Romania*"). The scope of the agreement is very similar to the scope of the agreement between Alior Bank and T-Mobile Polska. As at the date of this Offering Circular, the operations based on the agreement have not yet started. The Company expects the operations to start in mid-2016.

Project Tesco

On October 14, 2015, Alior Bank concluded an agreement with the British chain of Tesco supermarkets relating to continuing cooperation in the Polish market. Under the cooperation agreement, credit products branded with Tesco

Finanse, including cash loans, credit cards integrated with the ClubCard loyalty program, and instalment loans are offered in Tesco shops in Poland. As at March 31, 2016, financial services under the Tesco Finanse brand were available in 71 outlets located in Tesco shops in Poland. Alior Bank is planning to reinforce the relationship with Tesco by expanding the sales network into additional Tesco shops in Poland, and gradually expanding the portfolio of Alior Bank products and services available to Tesco customers. Alior Bank is targeting the acquisition of 350,000 new customers serviced by Tesco Finanse by 2019.

Business segments (business customers)

General information

As at March 31, 2016 Alior Bank serviced over 132,000 business customers from all segments, achieving, according to Alior Bank's estimates, nearly 5.7% market share in Poland in terms of the number of customers. The discerning feature of the business customer portfolio is its high return per customer. According to Finalty, as at the end of 2014, Alior Bank's average annual gross income per business customer was 34% higher than the average for the Polish banking market. Alior Bank controls the exposure of particular corporate entities in respect of risk concentration and security.

Alior Bank divides its business customers into three basic groups, mainly by the scale of business operations: (i) micro-businesses (entities achieving revenues up to PLN 5 million and settling taxes both according to simplified accounting methods and books of account); (ii) SMEs (entities which engage in business activities on a scale of PLN 5–60 million in terms of revenues); and (iii) large enterprises, or corporations (enterprises which engage in business activities in the Polish market and whose revenues exceed PLN 60 million, including Polish subsidiaries of international companies which are serviced by Centrum Dużych Firm).

Alior Bank has a comprehensive product offering for business customers, aimed at both small and large businesses. These range from start-ups (Alior Bank is a partner of the European Investment Fund in respect of its financing offer for start-ups) to large entities which use technologically advanced deposit and transaction solutions, including EU funds. As at the date of this Offering Circular, Alior Bank's basic products for business customers were: (i) accounts, settlements and deposits (business accounts, cash management accounts, and additional products, such as point-of-sale ("POS") and mobile point-of-sale ("mPOS") payment terminals); (ii) business loans: (working capital loans and investment loans, EU fund and public program financing support instruments, such as the de minimis guarantee of Bank Gospodarstwa Krajowego, and the European Investment Fund guarantee); and (iii) products and services for corporations (finance management services, trade financing services, structured loans, non-public and public issues and bond issue programs).

Relations between Alior Bank and its business customers are regulated by a framework agreement for the provision of banking services. The framework agreement replaces agreements related to the use of internet banking, opening and using accounts, using debit cards, placing term deposits, and using autodealing (an internet banking platform which allows customers to enter into various types of foreign exchange transactions and negotiate terms and conditions of term deposits). The use of a framework agreement limits the formalities required to use banking products to the necessary minimum.

As at March 31, 2016, according to the NBP data and definitions, Alior Bank's share in deposits and receivables from the Polish business customer segments amounted to 2.8% for deposits and 3.6% for loans, respectively.

The table below shows volume of loans and advances to customers from the business segments and amounts due to customers from the business segment as at the indicated dates.

	The three-month period ended March 31	**Year ended ecember 31**		
	2016	**2015**	**2014**	**2013**
	(PLN million) (unaudited)		*(PLN million) (audited)*	
Loans and advances to customers	14,194.1	13,311.7	10,347.1	9,072.5
Amounts due to customers	12,508.9	12,254.5	9,578.6	6,608.9*

Data marked with an asterisk (*) are drawn from the Consolidated Financial Statements of the Alior Group for 2014
Source: Financial Statements of the Alior Bank Group

Distribution channels

Micro-businesses are serviced by 306 of Alior Bank's branches and 507 franchise partner outlets. SMEs are serviced by 300 specialized branch employees. Corporations are serviced by specialized employees in Alior Bank's head office in Warsaw. Each business customer may use any of Alior Bank's branches, irrespective of where the account is maintained. Additionally, Alior Bank's business customers are also serviced over the phone and through distribution channels which use new technologies, with the internet and mobile banking systems in particular.

As at March 31, 2016, services were provided by 2,887 FTEs. Business customers have access to the support of two experienced teams of experts made up of the staff of the Trade Finance Department (8 experts) and the Treasury Department (11 experts). The experts are located throughout Poland and advise customers as to the structure of transactions, both in terms of current transactions: (factoring, guarantees, housing trust accounts, foreign exchange, commodities, and interest rate risk hedges, for example), and in implementing specialist products and services adapted to their needs.

Alior Bank offers an extensive online banking system to all of its customers, enabling the monitoring and management of basic and auxiliary accounts, payment cards, loans and all types of bank transfers. Alior Bank's business customers may use specialized solutions, among other things, to integrate their system with Alior Bank's internet banking system or the authorization of transactions using electronic signatures. Alior Bank also offers a mobile banking system, which is a simplified version of the standard internet banking system.

Products and services

Basic products for business customers include: (i) accounts, settlements and deposits: business accounts, cash management services and additional products such as POS and mPOS terminals; (ii) loans for business customers: working capital loans, investment loans, leasing, financial aid instruments from EU funds and public programs including: de minimis guarantee scheme of Bank Gospodarstwa Krajowego, and guarantees from the European Investment Fund; and (iii) EU products and services for corporations: finance management services, trade finance products, structured loans, private placements and public issues and bond issuance programs. The products and services listed above were available in the Alior Bank's offering during the period covered by the Annual Consolidated Financial Statements of the Alior Group and until the date of this Offering Circular.

Accounts, settlements and deposits

The offer of business accounts is adapted to the business expectations of particular customer sectors and uses modern acquisition and product servicing channels. Alior Bank's offer for micro-businesses consists of, among other things, iKonto Biznes, an account for sole proprietorships which can be opened individually online, using a quick and innovative customer identity confirmation process by a transfer from another Polish bank. The basic account offered by the network of outlets is the Rachunek Partner account, which was the first to attract customers to use its full capabilities, releasing those holders who pay their social insurance and tax liabilities from fees for maintaining the account. The current services offer is expanded by the Housing Community Account (*Rachunek Wspólnota*), which is aimed at housing communities, and packages of accounts with a POS payment terminal or website design offer). For customers who maintain full accounting records, Alior Bank offers accounting products. Rachunek Biznes Optymalny is a product enabling extensive tailoring of the scope and terms of service. The standard products consist of the Business Comfort Account (*Rachunek Biznes Komfort*) and Business Profile (*Biznes Profil*), where the customer independently selects the package of products and services in accordance with its operating profile. The Alior Group offers reduced fees for domestic and foreign transactions, and cash transactions.

Business customers have access to many products and cash management services that facilitate everyday transactions in business. Cyclical marketing campaigns prepared on individual industry preferences enable Alior Bank to effectively inform customers of products adapted to specific operations, new services and promotions. Primarily, services with a direct impact on the quality of transaction services are promoted, alongside mass processing (Masowe Przetwarzanie Transakcji). This enables the quick recording of receivables from counterparties, and wages accounts (Rachunek Płacowy), which improves the efficiency of paying wages to employees while maintaining the confidentiality of data.

Alior Bank offers its customers the only mPOS payment terminals, which handle contactless payments, in Poland. This is a solution directed at SMEs which, to date, due to the high costs of processing transactions and unattractive periodic fees, have not accepted payments via payment cards. mPOS is a small, modern device which, when linked to a smartphone or tablet with the mPEP payment application, becomes a card terminal enabling transactions with a magnetic strip or microprocessor (chip) and contactless payment PayPass and PayWave technologies.

Loans to business customers

The Bank offers a wide range of advanced credit products catering to the comprehensive needs of business clients.

Alior Bank's credit product offering for financing current and investment financing is aimed at both micro-businesses, including start-ups, SMEs, and large enterprises.

Alior Bank's operations in the micro-business segments are based on a comprehensive and fully standardized credit product offering aimed at both start-ups (Kredyt Biznes Start with European Investment Fund Guarantee) and selected niche markets aimed at satisfying the customers' chief needs, those related to the financing of the needs related to their business operations. The key products in this segments are working capital and investment loans, characterized by a simplified sales process up to the PLN 1 million level and selective price conditions for customers from favored industries and certain professions. By the end of April 2016, the Bank had implemented a new micro-businesses financing offer, a multi-product loan package serviced with the use of a fully automated lending process, making it possible to obtain a loan decision within 30 minutes and complete a transaction in the course of a customer's first contact with the Bank.

In September 2015, Alior Bank created the virtual banker team (*Zespół Wirtualnego Bankiera*), which is a separate sales channel dedicated to the servicing of customers from the micro-business segment. This enables the provision of loans by phone. First and foremost, the team offers existing customers additional financing. The next step will be to introduce products aimed at acquiring new customers. The aim is to create a new remote sales channel to respond to growing customer expectations of flexible service.

SMEs and large corporations have a more specialized product offering to choose from, enabling more flexibility in structuring financing terms. There is also a dedicated product for new customers to facilitate the transfer of financing from their existing bank to Alior Bank on preferential terms.

Since the second half of 2015 Alior Bank has been actively developing its ability to provide finance to entities in the agricultural and food industry, adapted to the various legal forms and types of operations. Sole trader farmers, including those not covered by the regulations of the Polish Accounting Act, are offered financing for their current operations in the form of working capital loans in a credit account and investment financing. Business entities which maintain full accounting or simplified accounting processes and groups of agricultural manufacturers may use both working capital loans, including collection point sales loans, and investment loans.

An important product which has an impact on the amount of lending activity in the business customer segment is the program of BGK which supports entrepreneurship in the SME segment. The de minimis guarantee program increases the availability of financing for companies and enables lenders to grant loans to customers who are not able to offer collateral. Alior Bank actively offers sales of BGK de minimis guarantees, which places Alior Bank in a good position to make sales of loans secured with the de minimis guarantee (Alior Bank ranked fourth among banks participating in the program in the fourth quarter of 2015). In December 2015 COSME guarantees were added to the business segment product offering. COSME guarantees are an alternative for businesses which have exhausted available de minimis financial aid and cannot or do not intend to use the de minimis guarantee. The program for servicing de minimis guarantees in Alior Bank was also individually reviewed by the Supreme Audit Office ("NIK") in 2014 and was positively assessed by NIK in this respect.

Alior Bank is also a partner of the European Investment Fund and has obtained a guarantee line of PLN 250 million for the financing of entities which are starting business operations. Young companies may use funding allocated for current and investment purposes up to PLN 100,000, with a guarantee of the European Investment Fund.

In consideration of the development of its business customers, as at the date of this Offering Circular, Alior Bank has run a wide campaign in support of enterprises using EU funds from the various EU programs for the years 2014–2020. Alior Bank conducts CRM activities and actions to inform customers and sales networks of current recruitment under specialist programs.

Products and service for corporations

Alior Bank's offering for corporations covers both standardized products and specialist finance management services. Alior Bank treats each customer individually and prepares products specifically for each customer. regional business centers (*Regionalne Centra Biznesowe*) and the large corporations department (*Departament Dużych Firm*) cooperate closely with experts from the debt issuance department (*Dział Emisji Długu*), structured loan department (*Dział Kredytów Strukturyzowanych*) and trade finance department (*Dział Finansowania Handlu*) to tailor the Alior banks product offering to customers' needs.

Alior Bank offers trade financing products, such as guarantees, letters of credit, recourse factoring, and assuming the rights of creditors based on cooperation agreements, to corporations. Apart from the indicated products, Alior Bank also offers structured loans which are individually adapted to each transaction and the necessary security. Structured loans are used, amongst other things, to finance the import and export of goods and raw materials, as well as the purchase or sale of goods and materials on the domestic market. The basic security which Alior Bank uses in structured loans dedicated to the financing of imports and exports, is, for example, the assignment of debts from contracts, assignments from export letters of credit, assignments of bank payment guarantees, and assignments of rights from insurance policies and repossessing goods.

Additionally, Alior Bank offers structured loans for financing real estate projects, project finance transactions (including investments in renewable energy, infrastructure projects, and the construction of production plants) and acquisitions. The basic security Alior Bank takes for such loans can be a mortgage, the assignment of revenue generating contracts, and pledges on chattels and shares in companies. Alior Bank also grants loans jointly with other banks as bank syndicates, both as the leading bank and as a member of the syndicate.

Alior Bank organizes non-public and public corporate bond issues and issue programs (organized in cooperation with Biuro Maklerskie Alior Banku). The products enable Alior Bank's customers to diversify their sources of debt financing and obtain competitive financing, security or debt repayment schedules. Companies are able to introduce their bonds on the Catalyst bond market run by WSE or BondSpot S.A. In terms of arranging the issue of bonds, Alior Bank operates as an agent bank, a broker dealer (*Biuro Maklerskie Alior Banku*), a payment agent/calculation agent and a depositary.

New products and services

As at the date of this Offering Circular, the iKonto Biznes current account introduced by Alior Bank in April 2016 was one of the important products and services in Alior Bank's offer for businesses, which was accompanied by a modern account opening channel that enables customers to open an account independently from any location in Poland or abroad and to confirm the request using a secure identity verification method – by making a transfer from a personal account. Moreover, in April 2016 Alior Bank introduced a new credit package for micro-businesses to its trading offer, with a fully automated, standardized process that enables customers to obtain a credit decision within 30 minutes. In September 2015, Alior Bank created a Virtual Banker Team (*Zespół Wirtualnego Bankiera*) (see: " *– Loans to business customers"* above).

Since December 2014 Alior Bank has been developing services outside the basic scope of its services, creating offers based on third party products and services. They consist of service packages covering, among other things, fiscal cash registers and payment terminals, both stationary and mobile (mPOS).

Additionally, since December 2014 Alior Bank has been selling COSME guarantees offered pursuant to portfolio guarantee programs. Alior Bank has also developed an offer for supporting corporate clients using EU grants and development funds for 2014-2020.

Alior Leasing was incorporated in April 2015 and commenced operations in October 2015, actively marketing a comprehensive operational and financial lease product offering to its business clients.

Treasury activities

As at the date of this Offering Circular, Alior Bank engages in treasury activities, among others, in the following areas: (i) foreign exchange transactions, from spot currency exchange to complicated structures adapted to the customer's needs and knowledge of the instruments; (ii) interest rate hedging transactions designed to manage the costs of financing; (iii) commodity price risk hedging transactions; (iv) liquidity management, by offering a wide range of products which facilitate the investment of excess funds on attractive terms; (v) educational actions aimed at increasing customer awareness of the offered products and the related risks; (vi) managing Alior Bank's liquidity risk under set limits, by entering into transactions on the interbank market, including currency swaps, Treasury securities buying/selling and repo transactions; (vii) managing Alior Bank's foreign exchange and interest rate risk through transactions on the interbank market, including currency spot/forward transactions, swaps and interest rate options, and commodity derivatives; and (viii) hedge accounting, by hedging against interest rate risk resulting from cash flow fluctuations as a consequence of variable interest rates on assets by entering into PLN IRS transactions. Alior Bank's surplus cash flows (where the value of deposits exceeds the value of loans) are invested in Treasury bonds and bills denominated in PLN and in debt securities issued by the NBP with a relatively short redemption period. As part of its liquidity management activities, Alior Bank also invests funds in deposit accounts of other financial institutions.

As at March 31, 2016, the portfolio of financial assets available for sale by Alior Bank amounted to PLN 6,008.1 million and consisted mainly of bonds issued by central government institutions. For more details on the Alior Bank's securities

portfolio see sections "*Operating and Financial Review of the Alior Group – Results of Operations*" and " – *Selected Statistical and Financial Information of the Alior Group*".

Alior Bank manages foreign exchange and interest rate risk by entering into derivative transactions such as forward rate agreements, interest rate swaps, base rate swaps and cross-currency interest rate swaps. All interest rate and currency positions are managed online under appropriate position limits. For the purposes of settling foreign exchange, interest rate, money-market, and options transactions, Alior Bank has been granted treasury limits in over 13 Polish and 17 large international banks. The availability of products, the deadlines for the proposed transactions and available amounts differ, but according to Management Board estimates, they are sufficient to cover the Management Board's estimated short-term requirements resulting from transactions exercised by customers or banking book positions by several multiples.

The principle of non-involvement in transactions in financial instruments using Alior Bank's own funds will continue to be Alior Bank's strategic method of protecting itself from systemic risk, which many banks have to mitigate when the market loses liquidity. The Management Board intends to manage its currency positions to enable the maintenance of equity of Alior Bank at the current safe level. The limits for interest rate risk should increase at a slower rate than the total asset volume. The Management Board will continue to cooperate with most leading banks in the world in terms of foreign exchange transactions to provide Alior Bank's customers with sufficient access to foreign exchange and interest rate products, even if the volume of customer transactions increases above that stipulated in Alior Bank's strategic plan. In the opinion of the Management Board, Alior Bank's current market share in the Polish currency market is approximately 6-7%. This has been estimated by comparing data on cash sales in Alior Bank's foreign currency transactions with non-financial entities with data on such sales published by the NBP in its most recent current report dated April 2013.

Trading Platforms

As part of its treasury activities, Alior Bank offers products in the form of trading platforms which generate revenue that is recognized as income from business or retail operations. Alior uses the trading platforms on the basis of non-exclusive license agreements entered into for a specific period – the earliest expiry date is in 2018. The said trading platforms were available in Alior Bank's offer in the period covered by the Annual Consolidated Financial Statements of the Alior Group and up to the date of this Offering Circular.

The Management Board believes that Alior Bank is the first bank in Central Europe to implement its own algotrading system, Quasar, on which three foreign currency platforms are based – Autodealing, eFX Trader and Kantor Walutowy. Since the Quasar system's server is hosted in London, where the majority of trading in Polish currency takes place, it provides ultra-low latency of trade execution and access to the liquidity of leading banks worldwide.

Autodealing is a service available both to business and retail customers directly through online banking. The platform allows the conclusion of spot and forward foreign currency transactions, and also allows the placing of deposits for any number of days, for a period of up to one year. Currencies available as part of the Autodealing service include: PLN, EUR, USD, GBP, CHF.

eFX Trader is a platform available through online banking, designated for the most demanding business customers. It allows the conclusion of spot and forward transactions, and the placing of price limit orders 24 hours a day, five days a week for nearly 70 pairs of currencies. There are also three types of price limit orders which allow automatically executed transactions at an exchange rate selected by the customer. The platform is distinguished by high liquidity due to the fact that it makes it possible for customers to easily follow the actual situation on the foreign currency market.

The Management Board believes that Kantor Walutowy is the first bank online currency exchange point on the Polish market. The platform is aimed at both retail and business customers and is available 24/7 by logging onto www.kantor.aliorbank.pl. Alior Bank's Kantor Walutowy allows the exchange of foreign currencies at competitive exchange rates, as well as free of charge domestic and foreign transfers of funds purchased on the platform. Kantor Walutowy offers four types of automatic foreign currency orders, allowing the conclusion of transactions at competitive exchange rates, or cyclically on a specific day each month. Moreover, retail customers can order free debit cards for EUR, USD and GBP denominated accounts, as well as pay in and pay out funds free of charge in bank branches (in PLN, EUR, USD and GBP). Customers can open accounts in 14 currencies for free; new accounts are opened fully remotely using a code sent via text message. The whole operation takes a few seconds and customers can obtain access to preferential currency exchange conditions for the new currency immediately upon opening the account.

As at the date of this Offering Circular, Alior Bank had not identified any significant new products or services in its treasury activities.

Ratings

On September 5, 2013, Alior Bank was rated by Fitch Ratings Ltd. at BB with a stable outlook. The full rating of Alior Bank comprised: (i) *Long-Term Foreign Currency IDR*: BB with a stable outlook; (ii) *Short-Term Foreign Currency IDR*: B; (iii) *National Long-Term Rating*: BBB+(pol), with a stable outlook; (iv) *National Short-Term Rating*: F2(pol); (v) *Viability Rating* (VR): bb; (vi) *Support Rating*: 5, and (vii) *Support Rating Floor*: "No Floor".

Upon concluding the Share Purchase and Demerger Agreement and announcing Alior Bank's intention to perform the Transaction, Fitch Ratings Ltd. reviewed its rating, and kept Alior Bank's rating at the same level.

Outsourcing

Alior Bank outsources a considerable portion of its business tasks to third-party providers. The outsourced services include, in particular: cash handling services, cash processing, debt collection, selected IT services, settlement and transport services, card authorization, card production, personalization and delivery to customers, ATM operations processing, document scanning and archiving services, scanning of incoming documents, mass printouts, car fleet management, and services in respect of the actual activities related to granting loans. They include establishing and exercising security for loans incurred to purchase securities, telemarketing services, services in respect of verifying and taking over vehicles, services for handling customers via telephone and electronic means, and services in respect of intermediation in the sale of bank products.

The key service providers who provide the above services to Alior Bank are: (i) First Data Polska S.A. (in respect of the authorization of debit and credit cards issued by Alior Bank, and services connected with accounting for and authorizing debit and credit card transactions); (ii) Bankomat 24/Euronet sp. z o.o. (in respect of the installation and maintenance of ATMs and ATM operations processing); (iii) Austria Card GmbH, Austria Card Polska sp. z o.o., Oberthur Poland sp. z o.o. (in respect of the production and personalization of cards); (iv) Xerox Polska sp. z o.o. and EDC Expert Direct Communication sp. z o.o. (which provide incoming mail management services and services connected with mass printouts); (v) Iron Mountain Polska sp. z o.o. and Pika sp. z o.o. (which provide services in respect of managing the documentation of Alior Bank and its archives); (vi) Impel Cash Solutions sp. z o.o. and Poczta Polska SA (which provide cash handling services). A full list of Alior Bank's service providers is available as at the date of this Offering Circular on Alior Bank's website, www.aliorbank.pl.

Material Agreements

Below is a description of significant agreements to which Alior Bank or its Subsidiaries have been a party during the two year period immediately preceding the date of this Offering Circular, and during earlier periods where such agreements define the material rights or obligations of the Alior Group existing as at the date of this Offering Circular, other than agreements concluded in the normal course of business, and those whose value exceeded 10% of Alior Bank's own equity as at December 31, 2015 according to Alior Group's Consolidated Financial Statements for 2015.

The description below does not take into account:

- material agreements with Alior Bank's related parties which were communicated to the public in a current report; a description of such agreements is provided in the section " – *Related-party transactions*"; or
- the agreements related to the performance of the Transaction, including the Demerger; a description of such agreements is provided in the section "*The Transaction*".

In Alior Bank's view, as at the date of this Offering Circular, key agreements include:

- financial intermediation agreements with a value exceeding 10% of Alior Bank's own equity or which are significant for Alior Bank's activities due to the possibility of significantly increasing the scale of distribution of Alior Bank's products or its customer base;
- own bond issue programs significant for the financing of Alior Bank's operations;
- guarantee and counter-guarantee agreements significant for Alior Bank's capital requirements; and
- share sale agreements with a value exceeding 10% of Alior Bank's own equity.

In the Company's view, as at the date of this Offering Circular and within the scope of its core activities, the Alior Group was not significantly dependent on patents or licenses, industrial, commercial or financial agreements, or new production processes.

Financial intermediation agreements

Agreement with T-Mobile Polska

On December 11, 2013, Alior Bank and T-Mobile Polska concluded a cooperation agreement in respect of financial intermediation services provided by T-Mobile Polska. The agreement related to the preparation of a comprehensive offer of bank products and services and provides multi-channel access thereto under a brand related to T-Mobile Polska. The purpose of the cooperation was to: (i) win a significant part of the 16 million-customer base of T-Mobile Polska; (ii) provide these customers and current holders of Alior Sync personal accounts online and mobile solutions, and trading banking; and (iii) offer customers products and services which will combine the benefits resulting from the cooperation of Alior Bank and T-Mobile Polska.

The subject matter of the agreement is related to entrusting T-Mobile Polska with financial services intermediation on behalf of and in the name of Alior Bank, including concluding and amending bank account agreements, credit limit agreements, deposit agreements, loan and borrowing agreements, and payment (debit, credit and pre-paid) card agreements with individual consumers, self-employed individuals and legal entities and organizational units without legal status operating as micro-enterprises and small enterprises. The activities are conducted through a branch of Alior Bank (the **"Alior Bank Branch**"). The agreement contemplates offering customers the majority of bank products through all available channels, and in particular using the technological synergy and advantages resulting from the operating model of Alior Bank and the telecommunication company. T-Mobile Polska, acting as an intermediary of Alior Bank, offers selected products of the joint undertaking at its points of sale, providing its own brand and marketing.

T-Mobile Polska's remuneration for providing financial intermediation services is composed of three components: (i) one-off remuneration for each new customer who meets the criteria specified in the agreement; (ii) monthly remuneration in an amount depending on the number of customers who meet the criteria specified in the agreement; and (iii) an element corresponding to 35% of the specific gross value of the calculated profit before tax of the Alior Bank Branch.

The agreement provides T-Mobile Polska with the possibility of designating another bank which could in the future acquire from Alior Bank the undertaking in the form of an organized part of an enterprise ("**OPE**"). In order to ensure the feasibility of this obligation, the agreement contains provisions, including penalty provisions, which are designed to ensure Alior Bank's cooperation in this regard.

In this respect, in the period to June 30, 2038, an entity indicated by T-Mobile Polska (the "**Purchasing Entity**") or T-Mobile Polska is entitled to exercise an option to buy an OPE consisting of an Alior Bank Branch, on the basis and on the terms and conditions stipulated in the agreement, and provided appropriate authorization is obtained from the PFSA. This option can be exercised by accepting an irrevocable offer for the sale of the OPE placed by Alior Bank. The disposal can be effected for a price amounting to the product of the number of active customers (who meet the criteria stipulated in the agreement), and the price from within a range of PLN 400-500, depending on the performance of Alior Bank's respective obligations stipulated in the agreement. According to the agreement, the above price is subject to testing procedures beginning in 2022.

The purchase option can be exercised by T-Mobile Polska beginning five years from the date of the agreement's entry into force or earlier in cases indicated in the agreement: (i) if Alior Bank violates its obligations stipulated in the agreement; or (ii) for the dissolution or termination of the agreement, failure to meet the financial goals connected with the agreement or control over Alior Bank being acquired by a competitor of T-Mobile Polska or its related party.

In particular, if within 60 days of the date of the agreement coming into effect, no person indicated by T-Mobile Polska is appointed to the Supervisory Board of Alior Bank by the General Meeting, the agreement may be terminated. If a member of Alior Bank's Supervisory Board indicated by T-Mobile Polska ceases to be a member of the Supervisory Board, and no new member of Alior Bank's Supervisory Board indicated by T-Mobile Polska in the period of the agreement is appointed by the General Meeting, the agreement may be terminated at the request of T-Mobile Polska within the deadline indicated by T-Mobile Polska (and in any case no longer than six months from the date of dismissal, unless the parties agree otherwise). In the event of the termination of the agreement, the provisions authorizing T-Mobile Polska to exercise the purchase option will apply, but not until the commercial launch of T-Mobile Polska banking activities.

The agreement provides for a range of contractual penalties (specifically defined in the agreement) for a failure to perform or for improper performance of the obligations set forth in the agreement, the highest of which amounts to PLN 90 million. In particular, should the purchase option be impossible to exercise or should its exercise be ineffective (regardless of the reasons therefor), then pursuant to the agreement Alior Bank is required to take any and all necessary actions to enable the Purchasing Entity to acquire the OPE within the time limit specified in the agreement on terms and

conditions similar to those on which the Purchasing Entity would have acquired the OPE had the exercise of the Purchase Option been fully effective. For a failure to perform or for the improper performance of the obligations set forth above, Alior Bank is required to pay T-Mobile Polska a contractual penalty of PLN 90 million on demand. T-Mobile Polska can claim damages in excess of the contractual penalty.

The agreement was entered into for a specified period of five years from the date of being signed, with an option for automatic extension for subsequent five-year periods. T-Mobile Polska can terminate the agreement after the initial five year period if six months before the end of such term it submits a statement notifying Alior Bank that it is not going to exercise the extension option for the next period.

Agreement with Telekom Romania

On August 7, 2015, Alior Bank and Telekom Romania concluded a cooperation agreement in respect of financial intermediation services provided by Telekom Romania. The agreement related to the preparation of a comprehensive offering of bank products and services and provides multi-channel access thereto, based on the Telekom Romania brand (Deutsche Telekom group). The purpose of the agreement is to: (i) attempt to win a significant part of the approximately six-million-person customer base of Telekom Romania as well as customers from the Telekom Romania group; (ii) provide these customers with online and mobile solutions, and trading banking, and (iii) offer the customers products and services which will combine the benefits resulting from the relationship between Alior Bank and Telekom Romania.

The subject matter of the agreement is related to entrusting Telekom Romania with financial services intermediation on behalf and in the name of Alior Bank, including concluding and amending bank account agreements, credit limit agreements, deposit agreements, loan and borrowing agreements, payment card agreements, and other agreements determined in the future by the parties with individual consumers, self-employed individuals and legal entities and organizational units without legal status operating as micro-enterprises, and small and large enterprises. The activities will be conducted through a legal form of an Alior Bank Branch in Romania ("**Alior Bank Branch**"). The agreement contemplates offering customers the majority of bank products through all available channels, and in particular using the technological cooperation and advantages resulting from the operating model of Alior Bank and the telecommunications company. The agreement is generally based on the operating model for the Alior Bank and T-Mobile Polska, pursuant to which the offering of T-Mobile Usługi Bankowe was launched on the Polish market in May 2014 (see *" – Agreement with T-Mobile Polska*"). Telekom Romania offers selected products of the joint undertaking at its points of sale, providing its own brand and marketing.

Telekom Romania's remuneration for providing financial intermediation services is composed of three components: (i) one-off remuneration for each new customer who meets the criteria specified in the agreement; (ii) monthly remuneration in an amount depending on the number of customers who meet the criteria specified in the agreement; and (iii) a percentage share in the profit of the Alior Bank Branch before tax (the level of which is dependent on the profitability of the customer base obtained through Telekom Romania).

In the period to June 30, 2038, an entity indicated by Telekom Romania (the "**Purchaser**") as well as Telekom Romania will be entitled to the option to buy an organised part of an enterprise including the OPE, on the basis and on the terms and conditions stipulated in the agreement and, in particular, provided that appropriate authorization is obtained from the PFSA and the National Bank of Romania. The disposal can be effected for a price amounting to the product of the number of customers (who meet the criteria stipulated in the agreement), and an amount depending on the performance of Alior Bank's specific obligations stipulated in the agreement. According to the agreement, the above price is subject to testing procedures beginning in 2022.

The purchase option can be exercised by Telekom Romania beginning five years from the date of the agreement's entry into force, or earlier in the following cases, as indicated in the agreement: (i) if Alior Bank violates its obligations stipulated in the agreement; or (ii) for the dissolution or termination of the agreement, failure to meet the financial goals connected with the agreement, or control over Alior Bank being acquired by a competitor of Telekom Romania or its related party.

The agreement came into effect as of the date of its execution subject to approval of the relevant corporate authorities of the parties. The agreement was completed with several conditions subsequent, of which two were not yet satisfied as at the date of this Offering Circular: (i) failure by the parties to agree and sign a trademark agreement within eight months from the agreement coming into effect (unless the parties agree that the term be extended); and (ii) failure to obtain the consent of the Telekom Romania subsidiaries to the sale of bank products in accordance with the provisions of the agreement, within eight months from the agreement coming into effect (unless the parties agree that the term be extended). As of the date of this Offering Circular, the National Bank of Romania had issued an official position confirming that Telekom Romania is

permitted to provide financial intermediation services without the need to seek additional clearance from the National Bank of Romania. The agreement does not provide for any specified contractual penalties.

The agreement was entered into for a specific period of five years from the date of entry into force, which was October 28, 2015, with an option to be automatically extended for subsequent five year periods. Telekom Romania is entitled to not extend the agreement, provided six months before the end of the term of the agreement Telekom Romania submits a statement that it is not going to exercise the extension option for the next period.

Financing agreements

Own bonds issue program

On August 10, 2015, the Supervisory Board gave its consent to the Management Board to launch a program to issue bonds denominated in PLN (the "**Bond Program**") and to incur multiple financial obligations by issuing unsecured bearer bonds, including subordinated bonds under the Bond Program, with the following key parameters: (i) the total value of the Bond Program will not exceed PLN 2 billion; (ii) the bonds will be issued in series, in the period from the date of the resolution to August 1, 2020; (iii) the maximum period of maturity of the bonds issued under the Bond Program is ten years; (iv) bonds issued under the Bond Program will not be secured; (v) bonds issued under the Bond Program will be issued in accordance with Article 33 (1) or Article 33 (2) of the Bonds Act; and (vi) bonds issued under the Bond Program will be in uncertificated form.

The terms and conditions of each issue can contain provisions on introducing the bonds to trading on the Catalyst market which is maintained as an alternative trading system by the WSE, or BondSpot.

At the same time, the Supervisory Board authorized the Management Board to determine detailed terms and conditions for the issue of specific series of bonds under the Bond Program, allocating bonds to investors, and taking all the necessary measures to implement the Bond Program.

As at the date of this Offering Circular, under the Bond Program, Alior Bank had issued outstanding bonds with a nominal value of PLN 183.4 million, comprising 183,350 subordinated, unsecured, non-documentary coupon bearer bonds with a nominal value of PLN 1,000 each, including 150,000 I series bonds and 33,350 II series bonds jointly registered with the NDS under the code ISIN PLALIOR00136. The bonds were introduced into circulation in an alternative trading system maintained by the WSE as a part of the Catalyst system.

Public Subordinated Bond Issue Program

On December 28, 2015, the Supervisory Board gave its consent to the Management Board to open the Alior Bank public subordinated bond issue program (the "**Public Bond Program**") and authorized the Management Board to incur financial liabilities by issuing unsecured, subordinated, bearer bonds of Alior Bank (the "**Bonds**") with a nominal value of PLN 1,000 each, in series of up to 800,000 bonds, under the Public Bond Program. At the same time, the Supervisory Board authorized the Management Board to determine detailed terms and conditions for the issue of specific bond series under the Bond Program, allocating bonds to investors, and taking all the necessary measures to implement the Bond Program.

On April 12, 2016, the PFSA approved the issuing prospectus (the "**Base Prospectus**") of Alior Bank prepared in connection with: (i) public offerings of Bonds under the Public Bond Program, and (ii) its intention to apply for the admission of the Bonds and their introduction to trading on the regulated market maintained by the WSE as part of the Catalyst system. The Base Prospectus states that the total nominal value of the Bonds will not exceed PLN 800 million. According to the Base Prospectus, the Bonds will be issued and offered in series, within a maximum period of 12 months from the date of the PFSA's approval of the Base Prospectus. The term of the Bonds will be from five to ten years from the date of issue of a given Bond series. The benefits stemming from the Bonds will only be pecuniary in nature. The Bonds will be issued in accordance with Article 33 (1) of the Bonds Act. The Bonds will not have a documentary form and will be registered with the NDS. The terms and conditions of each Bond issue will contain provisions related to qualifying them as a component of own funds in accordance with the CRR Regulation.

On April 13, 2016, the Management Board determined the final terms and conditions of the P1A series Bond offering (the "**P1A Bonds**"). The total nominal value of P1A Bonds is PLN 150 million. P1A Bonds bear interest at a variable rate which is the sum of the base WIBOR 6M rate and a margin of 3.25% per annum, starting from the second interest period. In the first interest period, the interest rate is fixed and amounts to 5.00% per annum. P1A Bonds are issued for six years, with the maturity date on May 16, 2022. P1A Bonds have been admitted and introduced to trading on the Catalyst regulated market maintained by the WSE.

On April 19, 2016, the Management Board determined the final terms and conditions of the P1B series Bond offering (the "**P1B Bonds**"). The total nominal value of the P1B Bonds issued is PLN 70 million. P1B Bonds bear interest at a variable rate which is the sum of the base WIBOR 6M rate and a margin of 3.00% per annum, starting from the second interest period. In the first interest period, the interest rate is fixed and amounts to 5.00% per annum. P1B Bonds are issued for eight years, with the maturity date on May 16, 2024. P1B bonds have been admitted and introduced to trading on the Catalyst regulated market maintained by the WSE.

Agreements important for the capital requirements

Guarantee and counter-guarantee agreement

On March 31, 2016, Alior Bank concluded an agreement with PZU under which PZU granted Alior Bank an insurance guarantee of unfunded credit protection in respect of a selected portfolio of Alior Bank's loan receivables, in accordance with the CRR Regulation (the "**Guarantee**"). At the same time, at the request of PZU, a third party, a state-owned bank (the "**Counter-guarantor**") provided Alior Bank with a counter-guarantee to secure the performance of PZU's obligations related to the Guarantee (the "**Counter-guarantee**") in the amount of 80% of the Guarantee. Pursuant to the Counter-guarantee, Alior Bank can oblige the Counter-guarantor to make the payment in the event that payments required under the Guarantee are not made by PZU. The value of Alior Bank's portfolio of receivables covered by the Guarantee amounts to PLN 3,104.2 million. The reduction of risk-weighted assets as a result of the Guarantee, amounted to PLN 1,613.6 million as at March 31, 2016.

The Guarantee amounts to PLN 2,548.9 million, with a 10% pro-rata risk retention by Alior Bank. PZU's maximum liability under a single loan receivable is limited to PLN 50 million. The maximum period of the Guarantee is 24 months, whereas the call for payment can be delivered to PZU by August 18, 2018. Alior Bank is nevertheless entitled to terminate the Guarantee before the term expires. The amount of remuneration for granting the Guarantee is affected, among other things, by the amortization of the loan portfolio and the premium for the Counter-guarantee. The estimated monthly average value of remuneration payable by Alior Bank during the period of the Guarantee's validity is PLN 2.4 million.

The Guarantee agreement provides for contractual penalties which could be due to PZU from Alior Bank if Alior Bank violates specific obligations of Alior Bank in connection with the Guarantee agreement. The total maximum amount of such contractual penalties may not exceed PLN 2 million. The terms and conditions of the Counter-guarantee provide for additional remuneration in the amount of PLN 1.5 million which has to be paid by Alior Bank in the event of: (i) the earlier expiry of the Counter-guarantee or the earlier termination of the Counter-guarantee agreement, and (ii) a contractual penalty of 0.10% of the difference between the amount of PLN 2,039.1 million and an amount defined in the Counter-guarantee which is designated for financing provided by Alior Bank to entities in the SME segment, or of 0.10% of the difference of PLN 2,039.1 million if the report and information stipulated in the Counter-guarantee, and related to the performance of Alior Bank's obligations in respect of SME financing, is not submitted by June 30, 2018. The Guarantee and Counter-guarantee are aimed at limiting the capital requirement of Alior Bank in respect of its credit risk.

As at March 31, 2016, the above guarantees lowered the capital requirement for Alior Bank by approximately PLN 140 million, which reduced the amount of required Tier I capital by approximately PLN 180 million.

Share sale agreements

Agreement on the sale of shares in Meritum Bank ICB

On October 20, 2014, Alior Bank concluded a preliminary agreement with Innova Financial Holdings S.à r.l, WCP Coöperatief U.A. and the European Bank for Reconstruction and Development (jointly, the "**Sellers**") for the sale of shares in Meritum Bank ICB related to 12,382,746 shares in Meritum Bank ICB, representing 97.9% of the share capital of Meritum Bank ICB and 95.0% of the total number of votes at the General Shareholders' Meeting of Meritum Bank ICB.

Moreover, on the same day, Alior Bank concluded an agreement with Innova Financial Holdings S.à r.l and WCP Coöperatief U.A. for the subscription of shares in Alior Bank (the "**Share Subscription Agreement**") in respect of 2,355,498 shares. The shares were to be taken up under the Share Subscription Agreement in performance of the rights in D series warrants (the "**Warrants**") by Innova Financial Holdings S.à r.l and WCP Coöperatief U.A. The Warrants were issued as part of the conditional increase in the share capital of Alior Bank agreed based on a resolution of the Extraordinary Shareholders' Meeting No. 3/2014 dated December 2, 2014 on the conditional increase in the share capital

of Alior Bank by issuing H series ordinary bearer shares and cancelling all the pre-emptive rights of the existing shareholders of Alior Bank, and amending the Articles of Association.

On February 19, 2015, upon prior fulfilment of the conditions precedent, Alior Bank completed the final agreement on the sale of shares in Meritum Bank ICB with the Sellers, based on which Alior Bank acquired 12,382,746 shares in Meritum Bank ICB with a nominal value of PLN 30 each, representing 97.9% of the share capital of Meritum Bank ICB and 95.0% of the total number of votes at the General Shareholders' Meeting of Meritum Bank ICB, in return for a total price of PLN 352.5 million. This included (i) 3,026,886 shares in Meritum Bank ICB owned by the European Bank for Reconstruction and Development; (ii) 3,048,471 shares in Meritum Bank ICB owned by WCP Coöperatief U.A., and (iii) 6,307,389 shares in Meritum ICB Bank owned by Innova Financial Holdings S.à r.l.

In the performance of the rights in the Warrants, on February 19, 2015 Innova Financial Holdings S.à r.l and WCP Coöperatief U.A. paid up H series shares in Alior Bank with a cash contribution (the issue price of one H series share in Alior Bank paid up in this way amounted to PLN 73.30) totaling PLN 172.7 million. Therefore, in accordance with the terms and conditions defined in the Share Subscription Agreement, WCP Coöperatief U.A. took up 767,505 shares, and Innova Financial Holdings S.à r.l. took up 1,587,993 shares.

After carrying out the procedure of a mandatory buy back from the minority shareholders of Meritum Bank ICB, after first having obtained the relevant consents and regulatory permits and a respective resolution of the General Shareholders' Meeting and the general shareholders' meeting of Meritum Bank ICB, on June 30, 2015 Alior Bank merged with Meritum Bank ICB, in accordance with Article 492 § 1 (1) of the Code of Commercial Companies, by the transfer of all of the property, all the assets and liabilities of Meritum Bank ICB as the target company, to Alior Bank as the acquiring company (business combination by acquisition). In particular, as a result of the combination, Alior Bank assumed the rights and obligations of Meritum Bank ICB as the issuer of (i) B series bearer bonds of Meritum Bank ICB introduced to trading in an alternative trading system operated by the WSE; and (ii) C series bearer bonds of Meritum Bank ICB introduced to trading in an alternative trading system operated by BondSpot S.A.

Intellectual Property

Significant trademarks

In its activities, the Alior Group uses many trademarks. As at the date of this Offering Circular, the Patent Office of the Republic of Poland had granted protective rights to 26 words, graphics and figurative trademarks to members of the Alior Group. As at the date of this Offering Circular, proceedings were pending before the Patent Office with regard to four more trademarks.

As at the date of this Offering Circular, Alior Bank had obtained protection for 19 trademarks in the territory of the Republic of Poland and is applying for the protection of three other trademarks.

As at the date of this Offering Circular, the Alior Group had obtained protection for two trademarks on the territory of the European Union, from the European Union Intellectual Property Office, and is applying for protection of two further trademarks.

The basic signs identifying the Alior Group are: the word trademark "Alior" and the figurative trademark "Alior Bank" ALIOR BANK. Moreover, the Alior Group holds several trademarks of significant importance, which include trademarks identifying member companies of the Alior Group and trademarks constituting the designation of products and services offered by the Alior Group, including: word trademark "Alior Faktor", word trademark "eFX Trader", figurative trademark "Alior Leasing" ALIOR LEASING with respect to which as at the date of this Offering Circular, the application proceedings were pending and figurative trademark "Money Makers" Money Makers / Zarządzanie Aktywami.

Internet domains

As at the date of this Offering Circular, the Alior Group maintained over 130 internet domains, with the key domains including: (i) www.aliorbank.pl, the official webpage of Alior Bank, (ii) www.alior.pl, Alior Bank's mail domain; and (iii) www.t-mobilebankowe.pl, the official webpage of T-Mobile Usługi Bankowe for services provided by Alior Bank.

IT solutions

Alior Bank has a centralized and integrated IT system which maintains and develops three groups of application software: (i) the central system which consists of, among other things, the accounting function, transaction handling and financial calculations; (ii) middleware, which integrates the central system with front-end applications and the applications with each other; and (iii) front-end applications which provide support for selling bank products, control and management. Particular emphasis is placed on supporting the development of mobile banking, and the modern virtual work environment.

IT applications are maintained and developed based on three-layer technology: base-application-customer. This IT model is designed to provide flexibility in developing its functionalities, in order to provide the customers of Alior Bank with uninterrupted access to the services of Alior Bank in real time. Employees of Alior Bank facilities use the Multi Channel Management system which provides information about customer status and transactions performed in all sale and distribution channels. The Management Board believes that this solution reduces the risk of improper evaluation of the customer and inappropriate selection of Alior Bank products and services.

All the planning, analytical and reporting processes are supported and maintained by the Management Information System and the Business Intelligence System. In order to optimize its bank services, Alior Bank uses high-tech solutions for CRM within the operating and analytical scope, with regard to retail customers and SMEs. Potentially unauthorized transactions are blocked or eliminated using the Fraud Detection System (which actively monitors transactions performed through electronic channels). The monitoring and debt collection processes are performed with the support of the Business Process Management System. In order to optimize internal resources and maintain the high effectiveness of processes, Alior Bank develops IT systems for Enterprise Resource Planning which support, among other things, automating the information flow, human resources management, cooperation with suppliers and real estate management.

Systems critical for the activities of Alior Bank are protected against the loss of data resulting from damage to the system, against any unauthorized access from outside, and against unauthorized use.

Taking into consideration the dynamic development of the customer base, and the increase in the value and volume of transactions performed, Alior Bank has implemented an IT system supporting the process of identifying suspicious transactions to countervail money laundering and financing terrorism, carry out on-going analyses and document them on a daily basis.

As at March 31, 2016, the IT Division of Alior Bank employed 297 people responsible for the development, testing, maintenance and support of Alior Bank's IT systems. The IT Division provides services necessary to satisfy the needs of the operating and business departments of Alior Bank. The main tasks of the IT Division consist of: (i) satisfying Alior Bank's technological needs; (ii) mitigating the risks of the IT environment, among other things, by separating the development functions from maintenance; (iii) internal maintenance of key technical competences of critical importance for the functioning of Alior Bank; (iv) permanent monitoring of the quality and costs of IT solutions and the IT department; and (v) planning, executing and coordinating tests and coordinating implementation and validation programs for IT solutions, taking into consideration their functional, effectiveness, and safety requirements.

Agreements with suppliers of key software provide for the supply and launch of software, and the granting of licenses for the use of the software. Normally, maintenance support agreements are concluded for the licenses and systems purchased, which include the use of the most recent software versions and ensure technical support for the vendor and supplier. These are standard licenses; they are usually provided for a fee, for an unspecified period, and as non-exclusive licenses limited to a specific territory. Some of the license agreements limit the liability of the supplier for damages caused to software users, resulting from the non-performance or undue performance of obligations resulting from the agreement. This is a standard term in such agreements. Each case of outsourcing IT services is preceded by due diligence and risk assessment that the Management Board believes is appropriate, with a view to the safety of Alior Bank's operations, and external approvals.

In the Company's opinion, subject to technical issues and related costs, both the standard operating systems used in the Alior Group, and specialist software are replaceable.

Insurance

The Alior Group maintains insurance protection for its companies and their activities against all risks and in amounts, which in the opinion of the Management Board are adequate for the risks identified. All insurance policies are renewed annually.

In the arrangement of insurance policies, the Alior Group uses the services of a specialist insurance broker, Marsh sp. z o.o., which places offers on the domestic and international (London) market. In the period covered by the Annual Consolidated Financial Statements of the Alior Group, Alior Group cooperated with the leading domestic insurance companies, such as: PZU, TUiR Allianz S.A., Compensa TU S.A. and Interisk TU S.A.

Alior Bank's insurance cover applicable as at the date of this Offering Circular was related, in particular, to (i) own and third party property insurance, including cash, against all risks (in particular against fire, lightning, hurricane, hail, flood and other threats, as well as against theft by burglary, robbery, vandalism, riots, building disasters and acts of terrorism); (ii) third-party civil liability insurance for bodily injuries and damage to property resulting from torts committed in connection with activities conducted by Alior Bank and property owned; (iii) insurance against banking operating risk which covers, in particular, damage related to all property which could be misappropriated by employees, as well as damage resulting from violation of the law governing IT-related offences (including risks related to: (a) forged cash; (b) forged securities; and (c) forged checks); (iv) professional liability insurance; and (v) insurance of third-party liability of members of Alior Bank's Management Board and Supervisory Board in respect of claims or official proceedings which are pending at the request of third parties). Similar insurance cover is in place for the Subsidiaries.

Agreements with the highest amounts insured in the Alior Group include: (i) the Bank's property insurance with a sum insured of approximately PLN 497.8 million; (ii) third-party liability insurance for members of Alior Bank's Management Board and Supervisory Board (the so-called D&O insurance) with a sum insured of PLN 125 million executed with Towarzystwo Ubezpieczeń i Reasekuracji Allianz Polska S.A.; and (iii) insurance against offences and professional liability of financial institutions with a sum insured of EUR 5 million.

In the opinion of the Management Board, the insurance cover of the Alior Group meets the standards applicable to banks operating in Poland.

Property, plant and equipment

Material property, plant and equipment as at the date of this Offering Circular

In the opinion of the Company, as at the date of this Offering Circular, material property, plant and equipment of the Alior Group comprised: (i) real estate owned by Alior Bank; (ii) leasehold improvements (real estate), which consisted mainly of costs incurred in connection with Alior Bank's real estate and the development of Alior Bank's distribution network through, among other things, T-Mobile Usługi Bankowe branches and partner facilities; and (iii) technical equipment which is comprised of mainly computer hardware and security-related electronic equipment in each case due to their high importance for the Alior Group's operations.

Real estate

Introduction

The Alior Group uses numerous parcels of real estate which it holds mainly through civil-law (lease) agreements and property rights of the Alior Group in real estate (ownership and the right of perpetual usufruct).

Within the territory of the Republic of Poland, the Alior Group uses real estate with a total area of approximately 91,000 m^2, of which significant real estate (described more fully below) used by the Alior Group accounts for approximately 20% of the total area of real estate used. Moreover, the Alior Group uses properties located outside the Republic of Poland in connection with operating a branch in Bucharest and with Telekom Romania providing financial intermediation services in the name and on behalf of Alior Bank (see " – *Material Agreements – Financial intermediation agreements – Agreement with Telekom Romania*")

Important real estate used by the Alior Group are properties in which Alior Bank's headquarters offices are located, which are used by Alior Bank pursuant to lease agreements (real estate located in Warsaw at ul. Łopuszańska, in Kraków at ul. Pilotów and in Gdańsk at ul. Piastowska) and owned properties (real estate located in Kraków, ul. Żułowska and ul. Miłkowskiego) in which data processing centers are located. In the Company's opinion, as at the date of this Offering Circular the Company was not dependent on the lease agreements referred to above.

Significant real estate

On August 14, 2012 Alior Bank signed a lease agreement with Focus Inwest sp. z o.o., part of the Ghelamco Group, in respect of 6,015.67 m^2 of office space in Warsaw at Łopuszańska 38 for the purposes of Alior Bank's headquarters in Warsaw. The term of the agreement is five years with a possibility of extending it for a subsequent five years. On

October 10, 2012, Alior Bank entered into an agreement which extended the lease term to seven years (until September 1, 2020). While signing the lease agreement, Alior Bank integrated all offices of Alior Bank headquarters in Warsaw into a single real property. The value of the Alior Group's payments under the agreement over the first seven years is estimated at approximately EUR 8.7 million.

On October 28, 2009 Alior Bank signed a lease agreement concerning 3,495.0 m^2 of office space in Kraków, ul. Pilotów 2, with Krakowskie Centrum Biurowe Pilotów. This is where Alior Bank's headquarters are situated. The term of the agreement is for ten years with the possibility of extending it for a further five years. On November 28, 2014, Alior Bank signed an amendment to the agreement extending the lease period until September 30, 2020. The value of the agreement is estimated at approximately EUR 8.2 million.

In 2015, as a result of merger between Alior Bank and Meritum Bank ICB, Alior Bank assumed the rights and duties of a tenant pursuant to two lease agreements concerning the lease of premises in Gdańsk used by the Bank for the purpose of the Bank's head office. In this respect, Alior Bank became a party to the lease agreement of October 28, 2010 concerning the real property located at ul. Piastowska 11, with the area of 1,814 m^2, entered into with a company named Beta Investments. The term of the lease is 9 years. The value of the agreement amounts to approximately EUR 3.5 million. Additionally, the Bank became a party to a lease agreement of April 30, 2013 concerning the real property located at ul. Piastowska 7, with the area of 6,173 m^2, entered into with a company named Alfa Investments. The lease term is 10 years. The value of the agreement amounts to approximately EUR 13 million.

Real estate owned by Alior Bank includes a property in Kraków, at ul. Żułowska 35/37, with an area of 628.71 m^2, and at ul. Miłkowskiego 3, with an area of 2,215.60 m^2, in which data processing centers are located, which are used for the purposes of the IT division.

Alior Bank also leases premises for the purposes of its own distribution network on the basis of a direct lease from external entities not related to Alior Bank. As at the date of the Offering Circular, 335 branches and regional centers were leased under this model. In most cases, these agreements were concluded for a period of five years (in a few cases, for three and ten years) and cannot be terminated before the lapse of their term. The agreements contain a provision that the decision on their extension is made by Alior Bank. This clause gives Alior Bank the option of extending the agreement for another five years. Moreover, as part of the new model for the chain called "T-Mobile Usługi Bankowe", Alior Bank sub-leases 149 parcels of real estate from various lessees.

Technical equipment

Due to the constant development of the scale of the Bank's operations and its distribution network, the Alior Group uses a lot of technical equipment which includes mainly computer servers, computers, notebooks, network equipment and alarm devices, and other personal computer hardware. The vital equipment serving the Bank's key IT systems is located in two data centers of the Bank. In each center, a building management system was implemented which centrally controls physical security and numerous environmental parameters in the data processing centers, to ensure the safety of the equipment operating there.

Charges on significant property, plant and equipment

As at the date of this Offering Circular, the Alior Group's significant property, plant and equipment were not encumbered.

Planned significant property, plant and equipment

Investments in material property, plant and equipment are described in the "*Operating and financial review of the Alior Group – Liquidity and capital resources – Current and planned investments*".

Environmental protection

In the opinion of the Management Board, as at the date of this Offering Circular, the environmental issues were not of material significance to the activities of the Alior Group and its financial standing, and did not have a material impact on the property, plant and equipment used by the Alior Group.

Regulatory issues

The activities of the Alior Group conducted in the financial services sector are regulated and the Alior Group must obtain and hold the appropriate authorizations.

The PFSA's authorization to establish Alior Bank was issued on April 18, 2008. Alior Bank obtained the PFSA's authorization to commence its operations on September 1, 2008. Due to the fact that Alior Bank conducts brokerage activities through a separate organizational unit – Biuro Maklerskie Alior Banku brokerage office – the office was granted PFSA authorization to start its operations on September 5, 2008. In its decisions of May 26, 2010 and April 5, 2011, the PFSA additionally broadened the scope of operations of Biuro Maklerskie Alior Banku.

On December 3, 2012, Alior Bank notified the PFSA of its intention to carry on cross-border activities in the territory of the EU Member States and the European Economic Area.

Alior Bank also has a branch in Bucharest, Romania (see " – *Material Agreements – Financial intermediation agreements – Agreement with Telekom Romania*"). On January 14, 2016, the National Bank of Romania recorded Alior Bank S.A. – the Bucharest Branch (*Oddział Bukareszt*) in Romania in its register of credit institutions.

On June 23, 2015, the PFSA granted an authorization to Money Makers to conduct activities which involve creating and managing investment funds or foreign funds.

The activities of the Alior Group in the aforesaid areas are subject to strict supervision by the PFSA and must be conducted in accordance with many Community regulations and provisions of Polish law, as well as in accordance with specific recommendations, instructions, guidelines, and operating and capital requirements (see "*Regulations of the banking sector in Poland*").

In the course of its activities, Alior Group is subject to numerous checks, inspections, reviews, audits and explanatory proceedings conducted by various supervisors which supervise the financial services sector and other areas in which Alior Group operates.

According to the information held by Alior Bank, as at the date of this Offering Circular there were no inspections and no infringements of the requirements relating to the activities or internal guidelines or regulations which could have a significant impact on the activities, financial standing or results of the Alior Group.

Court, administrative and arbitration proceedings

In the course of their normal activities, companies in the Alior Group participate in numerous court proceedings which are usually typical and repetitive, and which individually do not have a significant impact on the Alior Group, its financial standing or operations. Typical court proceedings in which members of the Alior Group participate consist mainly of proceedings in respect of the recovery of receivables, employee matters and claims for damages.

As at March 31, 2016, 138 cases of court litigation were pending against Alior Bank. The total value of claims resulting from litigation instigated against Alior Bank amounted to PLN 45,274,000. The case with the highest value in dispute was a claim for damages of PLN 26,877,900 which is related to the termination of a loan by Alior Bank due to the deterioration in the borrower's financial standing. In other cases, the value in dispute does not exceed PLN 4 million, and in 90% of cases the value in dispute is an amount below PLN 100,000.

The value of proceedings regarding Alior Bank's liabilities or receivables as at March 31, 2016 did not exceed 10% of Alior Bank's own equity. In cases related to business customers, the number of write of enforcement and applications for granting enforcement clauses issued by Alior Bank as at March 31, 2016 amounted to 74 and consisted of receivables totaling PLN 45,274,000. In respect of retail customers, as at March 31, 2016 Alior Bank had issued 4,620 writs of enforcement demands and applications for granting enforcement clauses totaling PLN 36,271,130.

As part of their operations, companies in the Alior Group are also parties to administrative proceedings, including, among other things, proceedings before the UOKiK President.

Apart from the proceedings discussed below, in the 12-month period preceding the date of this Offering Circular no companies in the Alior Group were parties or participants in any administrative, court or arbitration proceedings which have or could have a significant impact on the financial standing or operations of Alior Bank or the Alior Group. In particular, in the opinion of the Management Board, none of the individual proceedings pending in the aforesaid period before public administration authorities, common courts or arbitration bodies, or all proceedings jointly pose any significant threat to Alior Bank's liquidity. The Company is not aware of any administrative, court or arbitration proceedings which could arise in the future, and which could have a material impact on the financial standing or operations of the Company or the Alior Group.

Proceedings in respect of practices violating the collective interests of consumers

In the decision dated December 30, 2014 the UOKiK President levied a financial penalty on Alior Bank of PLN 3.314 million for using practices which violate the collective interests of consumers. The UOKiK President recognized that practices which violated the collective interests of consumers included:

- introducing in Alior Bank's "Rules and regulations for savings and settlement accounts, savings and term savings deposits" (hereinafter the "**Rules and Regulations**") – in the period of agreements on maintaining term savings deposits in CHF – changes which involved withdrawing cash handling services for such accounts, as a result of which the customers were unable to pay out cash from their term deposits in the currency of the deposits (the "**CHF**") after the lapse of the term for which the deposit was concluded, and found that Alior Bank ceased these practices as of November 1, 2013; and
- Alior Bank's failure to provide its customers, during the term of their agreements for term savings deposits, with the Rules and Regulations with the wording applicable from November 1, 2013, and found that Alior Bank ceased these practices as of April 1, 2014.

Alior Bank filed an appeal against this decision, questioned it in its entirety and requested that the matter be waived in its entirety or amended to reduce the penalty. As at the date of this Offering Circular, the proceedings were pending. Alior Bank created a provision for a potential future monetary penalty in an amount corresponding to 50% of the fine levied under the aforesaid decision.

In the decision of December 16, 2015, the UOKiK President ruled that Alior Bank infringed the collective interests of consumers with its practice which consisted of including in its advertisements of consumer loans under the "Pożyczka z BIK PASSem" and the "Pożyczka na prezenty i nie tylko..." special offers, information that the loan could be obtained without security, whereas according to the terms and conditions of the special offers, the availability of the special offers was subject to the provision of security for the loan in the form of a life insurance policy, with Alior Bank as the policy holder. The UOKiK President obligated Alior Bank to inform its customers, who used the special offers about the possibility of terminating the insurance agreements within six months of receiving Alior Bank's notification, with the entire amount of the insurance premium to be returned. The customers who have already terminated their insurance may apply to Alior Bank for reimbursement of the outstanding amount of the premium, within six months.

In the decisions of December 30, 2015 the UOKiK President initiated proceedings against Alior Bank for using practices which violate the collective interests of consumers which included:

- informing customers who were parties to agreements for payment services about changing the terms and conditions of the agreements (for example, changes in the product rules and regulations, changes in fees and commissions tariffs) through the Internet Banking service or to the e-mail address provided by the consumer in a form which, in the opinion of the UOKiK President, did not constitute a fixed information carrier within the meaning of the Act on payment services;
- failing to include in messages sent to consumers information which allows consumers to establish the admissibility of the proposed changes in the product rules and regulations or the fees and commissions tariffs, by failing to specify the contractual legal basis which allowed such changes to be made and the factors (circumstances) which caused such changes; and
- informing customers about unilateral modifications of product rules and regulations or fees and commission tariffs in situations in which there were no grounds for such modifications.

In the decision of January 4, 2016, the UOKiK President initiated proceedings against Alior Bank for using practices which violate the collective interests of consumers which involved presenting an offer of a consumer loan in its advertisements for the "Gwarancja najniższej raty" ("the lowest instalment guarantee") without informing customers in the advertisement that an instalment of the consumer loan offered by Alior Bank can only be the lowest once the consumer has met the conditions of the promotion.

As at the date of this Offering Circular, the above proceedings were pending, and therefore it was impossible to establish their impact on the financial standing and profitability of Alior Bank or Group. If it transpires that Alior Bank did apply practices which violate the collective interests of consumers, the UOKiK President can levy a financial penalty of no more than 10% of Alior Bank's turnover in the financial year preceding the year in which the penalty is levied. The proceedings before the UOKiK President can also be concluded with a decision stating that Alior Bank did apply practices violating the collective interests of consumers, but without levying any financial penalty on Alior Bank, or with a decision obliging Alior Bank to take specific actions.

Moreover, as at the date of this Offering Circular, the UOKiK President conducted several explanatory proceedings in respect of Alior Bank. One of the proceedings was related to establishing whether the actions of Alior Bank performed in connection with life insurance offered together with an insurance capital fund justify initiating proceedings in respect of practices violating the collective interests of consumers. In this respect, see also "*Risk factors – Risk factors related to legal regulations – Decisions of antimonopoly authorities may impact the Alior Group*".

Employment

Employees

As at March 31, 2016, the Alior Group employed a total of 6,620 people (in terms of FTE). The table below presents the number of employees of the Alior Group in a break-down by the staff of Alior Bank (in the headquarters and branches) and Subsidiaries as at the specific dates. The Management Board estimates that the total number of Group employees did not change significantly in the period from March 31, 2015 to the date of this Offering Circular.

	Number of employees in FTEs [(1)]			
		As at December 31,		
	As at March 31, 2016	**2015**	**2014**	**2013**
Group total, including:	**6,620.1**	6,441.1	6,652.5	6,173.3
Alior Bank, including:	6,526.0	*6,361*	*6,637*	*6,157*
Headquarters	2,871.0	2,837	2,343	2,444
Branches	3,655.0	3,524	4,294	3,713
Subsidiaries total, including:	4.25	*80.13*	*15.5*	*16.35*
Alior Services		0.25	0.5	2.35
Centrum Obrotu Wierzytelnościami	n.a.	n.a.	n.a.	n.a.
Alior Leasing	65.38	58.38	n.a.	n.a.
Meritum Services ICB	6.0	6.5	n.a.	n.a.
Money Makers	18.5	15	15.0	14.0
Absource	n.a.	n.a.	n.a.	n.a.
NewCommerce Services	n.a.	n.a.	n.a.	n.a.

The table presents information about the total number of people employed under employment contracts, including people on parental leave, unpaid leave, and people receiving rehabilitation allowances. The aggregate data shows the total number of employees as at December 31, 2015, 2014 and 2013 in all member companies of the Alior Group as at the date of this Offering Circular.
Source: Alior Bank.

As at the date of this Offering Circular, approximately 73% of employees of the Alior group had a university degree, and approximately 27% had secondary education.

The Alior Group does not hire a significant number of temporary staff.

Employment relations in the Alior Group are governed by both the mandatory provisions of law, including in particular the Labor Code, and work rules and regulations. As at the date of this Offering Circular, companies in the Alior Group were not a party to any company or supra-company collective labor arrangements.

Employment contracts between Alior Group members (including Alior Bank) and their employees are concluded for a trial period, specified and unspecified periods, in accordance with the same basic template. They contain non-compete clauses for the period of the employment.

Trade unions

As at the date of this Offering Circular, the Company's trade unions unit – Organizacja Zakładowa NSZZ "Solidarność" was active in Alior Bank as well as its section: Organizacja Podzakładowa NSZZ "Solidarność" in Alior Bank. As at the date of this Offering Circular, approximately 8% of Alior Bank employees were members of labor unions.

There were no strikes or collective labor disputes in the Alior Group.

Payroll system and liabilities in respect of mandatory pension benefits

Payroll system

The incentive system at Alior Bank, including the payroll system, is shaped so that it can also have the role of retaining highly-qualified employees, and be an effective tool in the process of seeking new, valuable employees on the labor market and guaranteeing clear, competence-based rules. The remuneration strategy adopted in Alior Bank supports Alior Bank's strategy, and its main purpose is to ensure the adequacy of remuneration in the context of the employee's performance. The Payroll and Benefits Department is responsible for analyzing the compensation and benefits solutions, market trends and Alior Bank's policy in this respect, taking into account financial, tax and legal implications.

The detailed rules for remunerating Alior Bank's employees, both in respect of basic salaries, and with regard to bonuses and awards, are specified in the remuneration rules and regulations. The amount of basic salary is specified in each individual employment agreement and determined by taking into account the scope of duties and responsibilities resulting from that employee's position and function, and assessment of their qualifications and competence. Variable remuneration promotes the input and results of the employee in the performance of his individual targets or team goals as well as the business results of Alior Bank.

The variable remuneration of people who could have an impact on Alior Bank's risk profile is determined in the Variable Remuneration Components Policy (*Polityka Zmiennych Składników Wynagradzania*), which stimulates actions supporting Alior Bank's business goals on a longer term (see " – *Management Board and Supervisory Board – Other Information Concerning Management Board and Supervisory Board Members – Remuneration and Other Benefits of Management Board and Supervisory Board Members – Variable Remuneration Components Policy*").

In the years ended December 31, 2015, 2014 and 2013, the average gross basic salary of Alior Bank employees amounted to PLN 5,800, PLN 5,100 and PLN 5,300 respectively. Alior Bank pays additional benefits, such as bonuses and awards, to its employees. The total value of additional benefits paid by Alior Bank in the period covered by the Annual Consolidated Financial Statements of the Alior Group amounted to approximately PLN 105 million in 2015, PLN 99 million in 2014, and PLN 82 million in 2013.

Training

Alior Bank supports gaining knowledge and increasing qualifications, as a result of which the effectiveness of the entire organization and competitive advantage of Alior Bank increases. The training policy reflects the business strategy, current challenges and the nature of Alior Bank's operations, and is intended to ensure the stability and continuity of Alior Bank's activities by developing key competencies for the attainment of the organization's goals.

Training courses support the full life cycle of employees in Alior Bank, and include induction courses, the development of expert skills, management programs, and programs dedicated to the top management. The courses are designed to reinforce the culture of the organization. Training courses are conducted by both internal trainers and selected external training partners.

In the area of sales, professional career paths are available which integrate the level of positions, the competence required for specific positions, and remuneration and incentive schemes. Alior Bank pays great attention to the development of customer relations skills, and to meeting the highest standards in respect of quality of sales (taking into account the PFSA's expectations).

Alior Bank has a Training Department which is responsible for the on-going monitoring of competence, collecting and analysing the training needs and designing development programs. This process is integrated with the annual performance reviews, which closely involve Alior Bank's management in planning employee development.

Provisions against mandatory pension benefits

Provisions against mandatory pension and similar benefits for employees of the Alior Group amounted to PLN 1.3 million, as at December 31, 2015.

Participation of Alior Bank's employees in Alior Bank's share capital

Subject to the provisions indicated in the chapter "*Share Capital and Shares – Management Options Scheme and Bonus Scheme",* as at the date of this Offering Circular there were no arrangements in respect of the participation of Alior Bank's employees in Alior Bank's capital.

THE BANK BPH CORE BUSINESS

Strategic Rationale for and Financial Impact of the Transaction

The Management Board believes there is a strong strategic rationale for completing the acquisition of the Bank BPH Core Business. Principally, the integration of the Bank BPH Core Business will provide the Alior Group with the critical mass necessary to further its strategic goal of becoming the fifth or sixth largest bank in Poland by asset value. The Management Board also expects the combination to further strengthen the Alior Group's market position in consumer lending. Moreover:

- The Transaction will result in the acquisition of a large customer base, which the Management Board estimates at approximately 0.8 million open clients (clients having at least one Bank BPH product) plus approximately 1.2 million additional customer leads (defined as potential customers for whom the Bank BPH Core Business has contact details and consent to provide marketing materials).
- The Bank BPH Core Business had, as at and for the financial year ended December 31, 2015, net loans and advances to customers of PLN 8.2 billion, amounts due to customers of PLN 12.4 billion, total revenue of approximately PLN 1.0 billion, and an operating cost base of approximately PLN 1.3 billion (before taking into account any anticipated cost savings or cost synergies and excluding one-off restructuring costs). The Bank BPH Core Business also had, as at December 31, 2015, an estimated tangible equity value of PLN 1.6 billion, comprised of estimated shareholders' equity of PLN 1,707 million less intangible assets of PLN 120 million, with shareholders' equity calculated as the difference between the total assets and total liabilities of the Bank BPH Core Business as shown in the Bank BPH Special Purpose 2014-2015 Financial Statements, adjusted to achieve a total capital adequacy ratio equal to 13.25% (the total capital adequacy ratio, comprised solely of shareholders' equity, of the Bank BPH Core Business as at the Demerger Effective Date as stipulated by the Bank BPH Sellers in the Share Purchase and Demerger Agreement. See "*The Transaction*" and "*Operating and Financial Review of Bank BPH Core Business – Liquidity and Capital Resources-Regulatory Capital.*"). The Management Board expects that, following the integration of the Bank BPH Core Business with Alior Bank, the assets of Alior Bank will reach a level of approximately PLN 60 billion, which the Management Board believes will put the Bank in ninth place by asset value among the banks operating in Poland and will further its strategic goal of attaining a position as the fifth or sixth largest bank in Poland by asset value.
- Without any mortgage exposures, the Bank BPH Core Business has a high yielding loan portfolio with a net interest margin estimated at approximately 4.7% (for the financial year ended December 31, 2015). The operations of the Bank BPH Core Business are entirely self-funded, with a loan to deposit ratio of 66.1%, and the Management Board believes that the estimated underlying cost of risk of the Bank BPH Core Business (excluding NPL sales and other one-off items) was approximately 127 basis points (as at and for the financial year ended December 31, 2015). The Bank BPH Core Business also has a strong capitalisation with a CET1 ratio estimated at 13.25% (as at December 31, 2015). With these characteristics, the Management Board expects the addition of the Bank BPH Core Business to improve the Alior Group's net interest margin, moving it up to a level with the market leaders in Poland. The Management Board also expects the addition to strengthen the Alior Group's liquidity profile, allowing for dynamic loan portfolio growth going forward, as well as to support the Alior Group's capital position.

In addition, the Management Board believes the Transaction will create significant value for shareholders. The Management Board anticipates significant accretion to earnings per share in 2018 when one-off restructuring charges are excluded, and anticipates unadjusted accretion to earnings-per-share from the Transaction for 2019. These calculations have been performed using an assumption for integration costs of PLN 950 million, with the Alior Group management expecting a significantly lower number to be achieved in practice (PLN 650 million).

The Management Board believes that the integration of the Bank BPH Core Business will also give the Alior Group greater scale, enhancing operational leverage and further improving its cost-to-income ratio, which the Management Board believes is already among the lowest in the Polish banking sector.

Integration of the Bank BPH Core Business into Alior Bank

The Alior Group plans to start the process of integrating the Bank BPH Core Business operations immediately following closing of the Transaction. In order to ensure that the integration process proceeds as smoothly as possible, the Management Board intends to focus primarily on minimizing integration costs while simultaneously seeking to implement solutions that will serve as the basis for obtaining maximum cost synergies in subsequent years.

Management's focus on completing the full integration as quickly and as seamlessly as possible is intended to minimize the risk of negative disruptions to the existing operations of the Alior Group. The Alior Group will apply the "know how" gained from managing its recent integration with Meritum Bank ICB and prior acquisition of the HSBC portfolio, as well as the banking integration experience possessed by its management in Poland from their previous managerial positions. The legal merger with Meritum Bank ICB was completed only five months after the signing of the Meritum Bank ICB share purchase agreement in February 2015 and the full operational integration was completed in October 2015.

The Alior Group plans to fully integrate the Bank BPH Core Business while preserving and taking advantage of the best practices and solutions of both the Alior Group and the Bank BPH Core Business, with the aim of creating a best in class banking institution in Poland in terms of both operational excellence and customer service quality, as well as establishing user friendly advanced electronic distribution channels (mobile banking and internet banking).

In order to achieve this goal, the Alior Group has already established several teams headed by senior managers that will be in charge of the transition for different areas of activity of Alior Bank, including credit risk, IT, retail and corporate banking, branches and distribution channels. A human resources team will conduct a management assessment with the support of external consultants, and the Alior Group will conduct a comprehensive training program for the Bank BPH Core Business employees. In addition, the Bank BPH Core Business loan portfolio will be analyzed in detail with a view to adjusting standards to the Alior Group's credit standards as quickly as possible. The Alior Group also plans to begin the integration of the Bank BPH Core Business IT systems immediately after the closing of the Transaction. The transition will focus on incorporating the retail and corporate banking areas into the Alior Group as quickly as possible in order to prepare for the planned development of new products.

After the Demerger, the Alior Group plans to optimize the enlarged sales networks in order to keep the best people and the best locations from the combined entity. In the opinion of Alior Bank, a distribution network suitable to carry out effective sales operations should comprise both own branches and partner (franchise) outlets.

Integration Costs

One off integration costs have been estimated by the Management Board not to exceed PLN 950 million, which includes a buffer of approximately PLN 300 million over the Management Board's detailed integration plan targeting total costs of approximately PLN 650 million, which, based on previous experience, the Management Board believes to be achievable.

The outside estimate of PLN 950 million in one off integration costs was calculated by the Alior Group based on a set of assumptions that the Management Board believes to be conservative. The potential lower amount of integration costs estimated at PLN 650 million assumes that:

- severance packages are based on previous experience from the integration with Meritum Bank ICB; and
- IT spend is reduced due to a higher degree of complementarity of solutions at the Bank BPH Core Business than initially assumed.

The maximum estimated cost scenario of PLN 950 million assumes that costs related to IT systems and operational integration will amount to approximately PLN 400 million and that human resources related costs will amount to approximately PLN 500 million.

The minimum estimated cost scenario of PLN 650 million, established following a more thorough review of potential integration costs, assumes that costs related to IT systems and operational integration will amount to approximately PLN 300 million and that human resources related costs will amount to approximately PLN 300 million.

The Alior Group estimates that one-off integration costs will be fully incurred by the end of 2018, with less than 15% of the total incurred in 2016, the majority of integration costs incurred in 2017, and the balance of approximately 30%, incurred in 2018.

Synergies

The Alior Group believes that its acquisition of the Bank BPH Core Business will create substantial synergies. The Management Board estimates the expected full run-rate pre-tax annual cost synergies to be PLN 300 million (net of anticipated revenue dis-synergies), which are anticipated to be achieved in 2019. In addition, the Alior Group expects the Bank BPH Core Business to achieve an estimated additional PLN 160 million of cost savings during 2016 from the implementation of the major aspects of the Bank BPH Business Transformation Plan (discussed below) announced by Bank BPH in the fourth quarter of 2015, aimed primarily at substantially reducing Bank BPH's cost base through

a transformation of the bulk of its own branches into partner (franchise) outlets and staff restructuring, as well as a substantial investment in improving its IT systems. The Alior Group expects that, as a result of the merger between Alior Bank and the Bank BPH Core Business, cost synergies of approximately PLN 300 million will be generated. The Management Board estimates that these will be gradually realized, with approximately 25% realized by the end of 2017, more than 85% realized by the end of 2018, and the full run-rate synergies to be achieved in 2019. With respect to the savings resulting from the implementation of the Bank BPH Business Transformation Plan, the Alior Group assumes that 75% of PLN 160 million of annual savings will be realised in 2017, and that the full amount will be realised in 2018.

The Management Board expects income synergies to contribute to increased revenues across all individual business lines, and to result in improved profitability per customer. The Alior Group intends to concentrate its activities on building long-term relationships with its entire expanded customer base as well as targeting faster growth through the enhanced distribution network. The Management Board believes that the combined bank will have a strong market position in the consumer banking and SMEs segments, which is expected to serve as a strong platform for further growth in these segments. The Management Board believes that the Transaction will provide the Alior Group with increased market share and scale of operations and will provide a basis for further organic growth and permit the Alior Group to become one of the major players in the Polish banking market. The Management Board's strategy for achieving its growth targets following completion of the operational integration includes focusing on revenue strategy optimization, strengthening the product range, improving sales processes (including supporting IT solutions), further developing product innovation and technology, and expanding the Alior Group's presence in all key distribution channels for its strategic products. In order to maintain prudent management practices, the Management Board has not included any revenue synergy target in its synergy expectations and instead has included a revenue dis-synergies expectation of approximately PLN 80 million per year to account for the potential loss of overlapping business.

The Management Board estimates total expected cost synergies for the period 2017-2019 to be approximately PLN 720 million (net of estimated revenue dis-synergies for this period of approximately PLN 250 million), with approximately PLN 450 million of cost savings expected from IT and operations synergies, approximately PLN 370 million of cost savings from human resources synergies, and approximately PLN 150 million of cost savings from marketing, advisory and other synergies.

The Alior Group management estimates that annual pre-tax full run rates for gross cost synergies, revenue dis-synergies and net cost synergies (defined as gross cost synergies minus revenue dis-synergies) will be PLN 157 million, PLN 82 million and PLN 75 million respectively, in 2017, PLN 347 million, PLN 82 million and PLN 265 million, respectively, in 2018, and PLN 386 million, PLN 82 million and PLN 304 million, respectively, in 2019. In addition, the Management Board anticipates the receipt of approximately PLN 80 million from the eventual sale of certain real estate of the Bank BPH Core Business, which is included in the calculation of total expected cost synergies.

The Management Board expects pre-tax cost synergies to be achieved primarily through the closure of overlapping branches from the combined network, reductions in full-time employees through natural attrition of employees departing the Alior Group for other career opportunities, as well as targeted reductions of full-time employees resulting from unnecessary overlap in the enlarged group. The Management Board expects additional synergies from the combination and integration of overlapping support functions and IT infrastructure and through efficient management structuring. The Management Board expects additional cost savings from the implementation of the key elements of Bank BPH's Business Transformation Plan, primarily from the transformation of certain branches into partner outlets (franchises), additional branch mergers or closures, and a focused core branch approach.

These cost synergies and cost savings and related one off costs are based on estimates and assumptions of the Management Board that are inherently uncertain, although considered reasonable by the Management Board, and are subject to significant business, economic and competitive uncertainties and contingencies, all of which are difficult to predict and many of which are beyond the Alior Group's control. As a result, there can be no assurance that such cost synergies and cost savings will be achieved individually or in the aggregate, that they can be achieved in the expected time frame, if at all, or that revenue losses will not exceed estimates. See "*Risk Factors – Risk Factors Related to the Transaction – The anticipated benefits of the implementation of the Transaction may be lower than expected or it may take longer to attain them and the anticipated synergies may be overestimated*".

Business description

The following description of the business of the Bank BPH Core Business relates only to the portions of Bank BPH that are being acquired by the Alior Group, referred to as the "Bank BPH Core Business", and is derived from information provided to the Alior Group during the acquisition process or contained in Bank BPH Annual Standalone Financial

Statements, as well as information derived from the Bank BPH Special-Purpose 2014-2015 Financial Statements. The Alior Group has not been involved in the preparation of any information concerning the Bank BPH Core Business.

Overview

As a result of the Transaction, the Bank BPH Core Business will be demerged from the other operations of Bank BPH whilst Bank BPH will retain the assets and liabilities relating to the Bank BPH Mortgage Business, consisting primarily of the mortgage loan portfolio of Bank BPH. See "*The Transaction*" for more information regarding the Demerger.

The Bank BPH Core Business offers its products and services solely within the territory of Poland to individual clients as well as small and medium enterprises and corporate clients via a network of over 400 own branches and partner (franchise) outlets, universal agencies as well as via internet, telephone and mobile banking facilities.

Bank BPH has a history of more than 25 years and its shares have been listed on the Warsaw Stock Exchange since 1995.

For the three-month period ended March 31, 2016, the Bank BPH Core Business had net interest income of PLN 166.7 million and net fee and commission income of PLN 48.8 million. As at March 31, 2016, the Bank BPH Core Business had total assets of PLN 17.7 billion, including net loans and advances to customers of PLN 8.9 billion. In turn, the amounts due to customers amounted to PLN 13.6 billion. The amounts due to customers consisted mostly of current accounts (comprising 58.1% of the amounts due to customers) and deposits (comprising 29.6% of the amounts due to customers).

For the year ended December 31, 2015, the Bank BPH Core Business had net interest income of PLN 670.0 million and net fee and commission income of PLN 227.8 million. As at December 31, 2015, the Bank BPH Core Business had total assets of PLN 16.2 billion, including net loans and advances to customers of PLN 8.2 billion, and amounts due to customers of PLN 12.4 billion. The amounts due to customers consisted mostly of current accounts (comprising 62.8% of amounts due to customers) and deposits (comprising 33.5% of amounts due to customers).

History

Bank BPH was established in 1989 and has been listed on the Warsaw Stock Exchange since 1995. In November 2007, over 80% of the assets of Bank BPH were spun off and incorporated into Bank Pekao S.A. (a member of the UniCredit group) and Bank BPH, comprising the remaining 20% of assets of Bank BPH, also was retained within the UniCredit group.

In June 2008 General Electric Company purchased a majority stake in Bank BPH from UniCredit S.p.A., and in December 2009, Bank BPH merged with GE Money Bank, another Polish subsidiary of General Electric Company. The combined entity continues to operate under the name Bank BPH.

In April 2015, General Electric Company announced its global decision to withdraw from financial services and thus confirmed the process of exploring strategic options for the sale of its interest in Bank BPH that was initially communicated in October 2014. On April 1, 2016 the Alior Group announced the execution of the Share Purchase and Demerger Agreement regarding the acquisition of the Bank BPH Core Business (See "*The Transaction*").

Operating segments

The Bank BPH Core Business's operations are divided into three operating segments:

- Retail Banking (including the Brokerage Office and Building Society (*Kasa Mieszkaniowa*)),
- Commercial Banking, and
- Asset and Liabilities Management and Other.

Retail Banking

The Retail Banking Segment covers individuals. Major products and services offered to customers of this segment include:

- granting consumer loans, current account overdrafts and credit card limits;
- deposit offering, including saving accounts and sale of investment products (investment funds, structured products and brokerage services); and
- a range of current account products bundled with various banking services for individuals.

The retail products are offered through the Bank BPH Core Business network of own branches, and through cooperation with partner outlets (franchises) and agents operating under the "Partner BPH" logo, as well as through remote distribution channels including the Internet (Seza@m) and telephone (call center).

As at March 31, 2016 net loans and advances to customers of the Retail Banking Segment amounted to PLN 4.4 billion and were 0.5% higher than at the end of 2015. Amounts due to customers of the Retail Banking Segment amounted to PLN 7.5 billion and were 1.2% higher than at the end of 2015. At the end of 2015, net loans and advances to customers of the Retail Banking Segment amounted to PLN 4.4 billion and were 18.2% higher than at the end of 2014, while current accounts and deposits of private individuals amounted to PLN 7.4 billion and were 1.9% higher than at the end of 2014.

Commercial Banking

The Commercial Banking Segment covers small, medium and large enterprises, in particular: (i) joint stock companies, state-owned enterprises, cooperatives and foreign enterprises; (ii) individual entrepreneurs, partnerships and civil law partnerships; (iii) local government bodies; (iv) social, professional and religious organizations and non-public units; and (v) self-employed, professionals and farmers.

The Commercial Banking Segment offers a wide range of products and services tailored to the varying needs and profiles of clients. The offering comprises a set of products consisting of loans, deposits and transactional services. Under the loans product offering, customers can choose between investment loans and working capital loans, supplemented by financing of short-term trade liabilities. Deposit products enable customers to manage their liquidity, and transactional services provide additional support for their operational activities.

As at March 31, 2016 net loans and advances to customers of the Commercial Banking Segment amounted to PLN 3.8 billion, and were 2.3% higher than at the end of 2015. As at March 31, 2016 amounts due to customers of the Commercial Banking Segment amounted to PLN 4.8 billion and were 3.7% lower as compared to the end of 2015.

As at the end of 2015, net loans and advances to customers of the Commercial Banking Segment amounted to PLN 3.7 billion, a decrease of 7.9% compared to the end of 2014, and current accounts and deposits of commercial customers amounted to PLN 4.9 billion and were 0.1% lower compared to 2014.

Assets and Liabilities Management/Other

The Bank BPH Core Business also maintains the Asset and Liabilities Management/Other Segment, which includes results on the management of the assets and liabilities of the Bank BPH Core Business and profit and loss account items which cannot be attributed to the other two segments.

Customer Base

As at December 31, 2015, the Bank BPH Core Business had approximately 800,000 open clients, that is clients with at least one product of Bank BPH, including more than 200,000 primary relationship customers (defined as customers with regular deposits made into a current account) and approximately 1.2 million additional customer leads (defined as former or potential customers for whom the Bank BPH Core Business has contact details and consent to provide marketing materials).

As at March 31, 2016, approximately 75% of total savings balances (defined as savings account and term deposit balances) in the Bank BPH Core Business belonged to customers that also held a current account in the Bank BPH Core Business and nearly 50% of total savings balances belonged to customers classified by Bank BPH management as "primary relationship" customers (defined as customers that have regular deposits made into their current accounts). For commercial clients, the Bank BPH Core Business deposit products are generally only available to customers holding a current account.

Notwithstanding the separation of the Bank BPH Core Business from the Bank BPH Mortgage Business, a certain overlap of customers will likely continue. For example, as at December 31, 2015, approximately 37% of customers that were the primary borrower of a mortgage product from Bank BPH also had a non-mortgage product from the operations of Bank BPH that will form part of the Bank BPH Core Business.

Distribution network

As at the end of 2015, the Bank BPH Core Business distribution network included 254 own branches (with two Investment Centers, each located within a branch, that specialize in products and services for mass affluent retail customers, with a particular focus on investment products) and 185 partner (franchise) outlets. In connection with selling its cash loans, the Bank BPH Core Business co-operates with almost 1,700 financial agents and brokers. The Bank BPH

Core Business distribution channels also include a call center, where employees answer inquiries from internal and external customers, offer banking products and implement customer retention processes, and the Bank BPH Core Business internet banking platform.

As at the end of 2015, the Bank BPH Core Business commercial customers were served in 12 Business Centers and 140 own branches that offer corporate services.

Intellectual Property

The Demerger Plan lists the specific license and service agreements related to the Bank BPH Core Business that were entered into by Bank BPH with IT systems providers or entities providing maintenance services and that will be taken over by Alior Bank in connection with the Demerger.

Alior Bank will also assume the intellectual property rights (to the extent and for such fields of use as were acquired by Bank BPH) to 61 computer systems specified in the Demerger Plan which were created by or for Bank BPH, provided that with respect to approximately 14 systems (the "**Common Software**"), Alior Bank will acquire only a 50% interest in the intellectual property rights to such Common Software. Each of Bank BPH and Alior Bank will exercise its intellectual property rights with respect to its use of the Common Software independently and without the need to seek any additional consent of the other party, regardless of whether such use extends beyond the ordinary course of business.

In addition, there are 42 internet domains related to the Bank BPH Core Business, which pursuant to the Demerger Plan have been selected to be transferred to Alior Bank.

Details of the license agreements, service level agreements, intellectual property rights and internet domains to be acquired by Alior Bank in connection with the Demerger are provided on pages 306-309 of Schedule No. 1 to the Demerger Plan, incorporated by reference in this Offering Circular.

Employees

At the end of 2015, Bank BPH had 5,233 full-time employees (excluding persons on maternity leave, paternity leave and unpaid leave), 142 fewer full-time employees than at the end of 2014. Approximately 150 of these employees are expected to transfer to the BPH Mortgage Business in connection with the Demerger.

Under the Demerger Plan, Alior Bank will take over all the rights and obligations and all the receivables and liabilities arising from employment contracts with the employees indicated in the Demerger Plan and also from civil-law contracts with natural persons (including mandate agreements, specific work contracts and temporary employment contracts) indicated in the Demerger Plan. In accordance with the Demerger Plan, as at April 25, 2016 the number of employees and persons providing work under civil-law contracts who are to be taken over by Alior Bank totaled 5,348 (including persons on maternity leave, child rearing leave and unpaid leave), which included 11 persons with civil-law contracts.

The number of employees and persons providing work to Bank BPH under civil-law contracts that the Demerger Plan indicates will move to Alior Bank on the Demerger Date, may change as a result of the normal operations of the Bank BPH Core Business and also in connection with the implementation of the Recovery Plan (see "*Operating and Financial Review of the Bank BPH Core Business – Key Factors Affecting the Bank BPH Core Business Financial Condition and Results of Operations – Recovery Plan and Business Transformation Plan*") and the Business Transformation Plan (see " *– Bank BPH Business Transformation Plan*" below), as well as due to potential changes to the responsibilities of any given employees that would justify such employees remaining with Bank BPH because of their value to the Bank BPH Mortgage Business.

Detailed information regarding any rights and obligations or claims and liabilities under employment agreements and civil law contracts to be acquired by Alior Bank in connection with the Demerger are provided on pages 103-283 of Schedule No. 1 to the Demerger Plan, incorporated by reference in this Offering Circular.

Bank BPH Business Transformation Plan

In the fourth quarter of 2015, Bank BPH announced a Business Transformation Plan for 2015-2020, aiming to better align Bank BPH's activities to changing customer behavior, to improve Bank BPH's competitive position and to rebuild its profitability in the medium and long term. The Business Transformation Plan of Bank BPH forms part of the recovery program for Bank BPH accepted by the PFSA (see "*Operating and Financial Review of The Bank BPH Core Business – Key Factors Affecting the Bank BPH Core Business Financial Condition and Results of Operations – Recovery Plan and Business Transformation Plan")*

The Business Transformation Plan is aimed primarily at substantially reducing Bank BPH's cost base through the transformation of the bulk of its own branches into partner (franchise) outlets and staff restructuring, as well as a substantial investment in improving its IT systems.

As at the Offering Circular date, Bank BPH continues to reduce the number of branches in accordance with the Business Transformation Plan. Consequently, certain own branches currently belonging to the Bank BPH Core Business will be transformed into partner (franchise) outlets. They will operate under a simplified business model, based on offering retail loans, personal accounts, credit cards and transaction services. Additionally, Bank BPH plans to close down some of its own branches, with customers from these branches continuing to be served from the nearest outlets or via remote channels.

Bank BPH intends to incorporate the integration plan into the Business Transformation Plan and to carry out, to the extent necessary, projects relating to compliance with applicable regulatory requirements. Bank BPH simultaneously plans to limit the scope of on-going projects so as to avoid the expense of implementing solutions that will not be utilised by the Bank BPH Core Business following the planned merger with Alior Bank. After the Transaction, Alior Bank expects to limit the scope of these planned projects, which will contribute to the expected decrease in the cost base of Bank BPH. In addition, Bank BPH booked a restructuring provision of PLN 177 million as at December 31, 2015 in connection with expected costs relating to staff restructuring, branch conversions and closures and other expenses relating to the Business Transformation Plan. Bank BPH also expects an additional PLN 35 million of accelerated amortization and depreciation in 2016 in connection with the closing of existing branches.

In connection with the contemplated Transaction, certain components of the Business Transformation Plan have been changed and these changes have been presented to the PFSA. Bank BPH expects the key elements of the Business Transformation Plan to be implemented during 2016 before the Demerger. Similarly, Alior Bank expects that the network of Bank BPH branches will continue to be restructured and employment at Bank BPH to be reduced prior to the Demerger Date, and should this be impossible, as soon as practicable following the Demerger Date. In the opinion of Alior Bank, a distribution network suitable to carry out effective sales operations should comprise both own branches and partner (franchise) outlets. Following the Demerger, Alior Bank intends to continue transformation of the Bank BPH Core Business based on its own business plan.

As at the Offering Circular Date, the Alior Group expects the Bank BPH Business Transformation Plan to contribute future pre-tax cost savings of approximately PLN 120 million per year by 2017, and PLN 160 million per year by 2018, while maintaining and increasing revenues (see " – *Synergies*" above).

Notwithstanding the planned revisions to the Business Transformation Plan of Bank BPH, on May 2, 2016, Alior Bank submitted "The Operational Intergration Plan of Alior Bank and the BPH Core Business" to the PFSA, as an appendix to the application for the PFSA's consent to the demerger of Bank BPH through the transfer of a portion of the Bank BPH assets in the form of an organized part of the enterprise to Alior Bank in exchange for the shares in Alior Bank. In the Operational Integration Plan, Alior Bank presented the further restructuring process of the BPH Core Business upon its integration with Alior Bank.

Material contracts

There are no material agreements regarding the Bank BPH Core Business to which Bank BPH is a party, for the two-year period directly preceding the Offering Circular Date and for an earlier period, to the extent that such agreements define material rights and obligations of Bank BPH existing as at the Offering Circular Date, other than agreements signed in the regular course of business.

Related Party transactions

For the purposes of preparing the Bank BPH Special Purpose Financial Statements it has been assumed that the Bank BPH Core Business is not related to Bank BPH or its related parties. All transactions with related parties which Bank BPH concluded in the past have been fully attributed to the Bank BPH Mortgage Business.

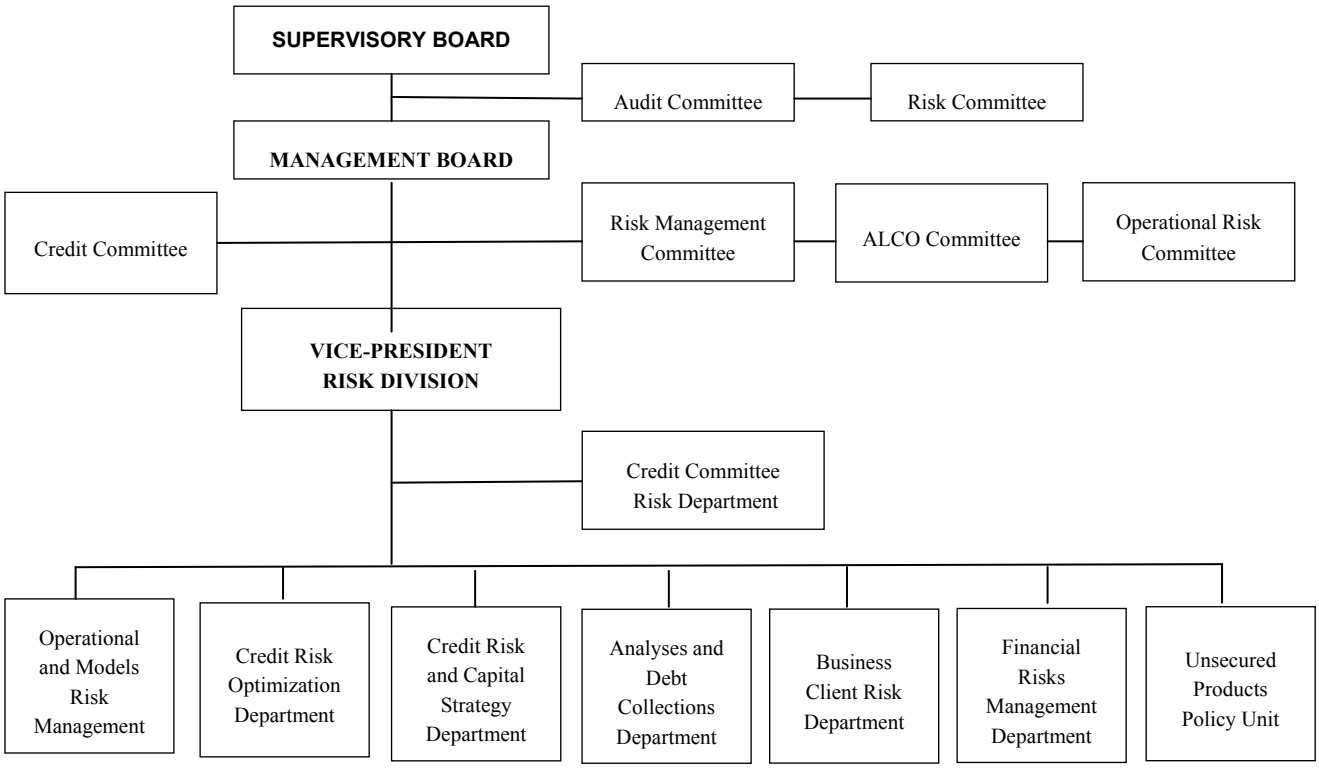
In consequence the Bank BPH Special Purpose Financial Statements contain only information on the transactions with related entities concerning Bank BPH (as a whole).

RISK MANAGEMENT

Introduction

Risk management is one of the key internal processes in Alior Bank. The goal of the Bank's risk management policy is to ensure early recognition and appropriate management of material risks concerning the Bank's operations. Alior Bank has identified the following material risks associated with the Bank's operations: (i) market risk, including interest rate risk of the banking book, liquidity risk, foreign exchange risk and the risk of commodity prices; (ii) credit risk; and (iii) operational risk.

The following diagram shows the most important organizational units in the risk management structure in Alior Bank. Descriptions of the separation of competencies and duties of the individual units are detailed in the sections dedicated to the particular types of risks.



Source: Alior Bank

Market risks

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

The process of managing market and liquidity risks is based on achieving, among others, goals such as: (i) mitigating the volatility of results and changes in the economic value of Alior Bank's equity; (ii) developing a structure of assets and liabilities (banking book) which improves profitability and the potential impact of the foregoing factors on the Bank's balance sheet; (iii) providing customers with core treasury products in order to help them manage the risks underlying their operations; (iv) ensuring the solvency and availability of liquid funds as needed, even in the event of negative market conditions; and (v) ensuring that the risk management processes applied by Alior Bank comply with the regulatory requirements regarding market risk management and the amount of capital required for that purpose.

The market and liquidity risk management process is carried out within the framework of Alior Bank's relevant risk management policies and covers its identification, measurement, monitoring and reporting of risks. It also seeks to cover treasury transactions by determining and verifying the principles on which they are concluded, organized and assessed.

Separation of duties

There is a clear separation of competencies and responsibilities within the individual functions, and the principles specified in internal regulations. The key role in this respect is performed by the Financial Risk Management Department (the "**FRMD**") which prepares independent periodic reports using the risk models and measures adopted by Alior Bank and submits them to appropriate units, including – periodically – to members of the Management Board, the Supervisory Board and the Assets and Liabilities Committee (the "**ALCO Committee**"). The duties of the FRMD include, among other things: (i) defining market and liquidity risks management policies; (ii) analyzing and reporting on Alior Bank's risk profile; (iii) determining the amount of economic capital required to cover market and liquidity risks; (iv) recommending current activities related to managing the banking book risk; (v) assessing the risks associated with new treasury products; and (vi) supporting and servicing ALCO Committee operations.

The Treasury Department (which is not included in the formal risk management structure) is authorized to carry out treasury transactions with Alior Bank's customers, and the Financial Markets Department is exclusively authorized to conclude transactions on the interbank market, maintain open trading book risk positions, and conclude treasury transactions on Alior Bank's account. The transactions may be concluded to manage trading book risk positions within the established limits, and to pursue the Bank's policy in respect of managing the banking book risk within the established limits.

The Operational Department (which is not included in the formal risk management structure) supervision consists of formal and operational reviews (including confirming terms with the partner, verifying payment instructions and authorizing payment etc.). The Financial Risk Management Department is responsible for substantive review of transactions (for example, compliance with market prices and allocation to the relevant portfolios).

Supervision over the above-mentioned units of Alior Bank is separated up to the level of the Management Board with the aim of ensuring their independence.

The Supervisory Board, the Management Board and the ALCO Committee take an active role in managing market risks. The ALCO Committee supervises market risk management, including liquidity risk management, on a current basis and takes all respective decisions, unless these were previously qualified as being within the authority of the Management Board or the Supervisory Board.

As at the date of this Offering Circular, the ALCO Committee comprised: Wojciech Sobieraj (President of the Management Board and Chairman of the Committee), Witold Skrok (Vice-President of the Management Board), Małgorzata Bartler (Vice-President of the Management Board), Katarzyna Sułkowska (Vice-President of the Management Board), Joanna Krzyżanowska (Vice-President of the Management Board), Krzysztof Czuba (Vice-President of the Management Board), Barbara Smalska (Vice-President of the Management Board), Krzysztof Polak (Director, Alior Bank Brokerage Office) and Tomasz Wróblewski (Director, Financial Markets Department).

The ALCO Committee's duties include, among other things: (i) supervision of market risk management, both related to the trading and the banking book, including issuing decisions relating to the risk management of both books; (ii) approving Alior Bank's operational limits on the monetary and capital market transactions; (iii) supervision of Alior Bank's liquidity management, both related to the trading and the banking books; (iv) commissioning actions to obtain sources of financing for Alior Bank's operations and supervising the financing plan; and (v) issuing decisions on managing the model portfolios.

Alior Bank's basic market and liquidity risks management strategy assumptions, as stipulated for a given budget year are defined in the Asset and Liability Management Policy developed annually by the FRMD and submitted by the Management Board to the Supervisory Board for approval as part of approving the annual budget. The Asset and Liability Management Policy remains binding until the next update.

The Supervisory Board exercises supervision over the risk management process, including, without limitation: (i) annual determination of Alior Bank's strategy in respect of market risk management by approving the Asset and Liability Management Policy; (ii) approval of Alior Bank's market risk management strategy, including the key risk limits (the Supervisory Board receives support from the Risk Committee with respect to the implementation of risk management strategies); (iii) supervision of the compliance of the Alior Bank's policy in respect of risk acceptance with Alior Bank's strategy and financial plan through a regular review of the Alior Bank's market risk profile based on the reports received; and (iv) recommendation of actions aimed at changing Alior Bank's risk profile.

Information concerning the type and level of risk are submitted to the Supervisory Board by the Management Board, except for the reports on internal controls concerning the market risk management system which are submitted by the director of the Internal Audit Department.

The Management Board is, among other things, responsible for the following: (i) supervising the management of market risk and liquidity; monitoring and reporting on risk; (ii) defining appropriate organizational structure and division of duties with respect to treasury transactions; (iii) approving policies and instructions governing market risk management and liquidity in Alior Bank and the operation of identification systems; as well as (iv) setting up limits to mitigate Alior Bank's exposure to market risk and ensuring that there is a proper mechanism in place to monitor and notify about exceeded limits.

System of limits concerning market and liquidity risks

Alior Bank seeks to mitigate its market and liquidity risk exposure using a system of limits which are introduced by resolutions of the Supervisory Board or the Management Board updated periodically and cover various measures of market risk whose level is monitored and reported on by Alior Bank's organizational compliance units. There are three types of limits at Alior Bank which differ in both scope and the manner they operate: basic limits, supplementary limits, and stress-test limits. The basic limits are the limits set by the Supervisory Board that define the risk appetite for Alior Bank as a whole. Supplementary limits are the limited of the Management Board or the ALCO Committee on the level of portfolios. Stress test limits address the issue of mitigating potential losses in crisis situations. 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 Alior Bank, related to the risk management process (the internal controls system, implementation of new products, analysis of legal risk and analysis of operating risk).

The following table presents the value at risk ("**VaR**") for the Bank (for the banking book and the trading book separately) as at March 31, 2016.

VaR	As at March 31, 2016, PLN thousand (unaudited)
Banking book	5,909
Trading book	1,542

Source: Alior Bank.

Foreign exchange risk

Foreign exchange risk is defined as the risk of potential losses caused by movements in foreign exchange rates. Alior Bank also monitors the impact of foreign exchange movements on its 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 is managed under the model currency portfolio. The basic purpose of foreign exchange risk management is to identify the areas of Alior Bank's operations which may be exposed to foreign exchange risk, and subsequently to mitigate the resulting potential losses. The Management Board specifies the foreign exchange risk profile, which must be consistent with the financial plan of Alior Bank.

As at March 31, 2016, the share of loans denominated in foreign currencies (credits and loans to customers in foreign currencies net) in the credit portfolio (credits and loans to customers) of the Bank was 11.9%, which is less than the average for the whole Polish banking sector (the average being 28% of the credit portfolio as at March 31, 2016) and was fully covered with foreign currency deposits. Exposures in CHF represented only 1.0% of the total retail credit net portfolio as at March 31, 2016 and were attributable mainly to CHF-denominated mortgage loans to retail customers. As at March 31, 2016 the average LTV for these loans was 84%. The average LTV for PLN-denominated mortgage loans to retail customers was 79% and for EUR-denominated mortgage loans to retail customers was 88%.

Under its foreign exchange risk management process, Alior Bank monitors and reports the amounts of all its currency positions and VaR, assessed in accordance with the adopted model, within the set limits. Alior Bank matches each significant currency position with a counter position on the market, this seeks to eliminate the related foreign exchange risk. Open currency positions are maintained within the limits set by the Supervisory Board. Alior Bank conducts periodic analyses of potential scenarios which are aimed at providing information on Alior Bank's exposure to foreign exchange risk in the event of foreign exchange fluctuations.

Alior Bank may also conduct hedging transactions in respect of future highly probable foreign exchange cash flows (for example, the cost of rent or 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%.

The key foreign exchange risk management tools used by Alior Bank are: (i) internal procedures for foreign exchange risk management; (ii) internal models and measurements of foreign exchange risk; (iii) foreign exchange risk limits and threshold values; (iv) limitations on foreign exchange trading transactions; and (v) stress tests.

The basic tool for the measurement of foreign exchange risk at Alior Bank is the "Value at Risk" model, which seeks to determine 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 99% confidence level and a 10-day time horizon (holding period).

As at March 31, 2016, the maximum loss on Alior Bank's currency portfolio (managed as part of the trading book) calculated in accordance with the VaR model with a 10-day holding period was PLN 160,757, assuming a confidence level of 99%.

The following table sets forth VaR statistics of Alior Bank's currency portfolio for the for the twelve-month period ended March 31, 2016, measured using an assumed 99% confidence level and a 10-day time horizon.

VaR statistics	For the twelve-month period ended March 31, 2016 PLN thousand (unaudited)
Minimum	18.8
Average	123.2
Maximum	924.1

The VaR model assumes that the distribution of changes in the values of risk factors is normal, which may in practice lead to underestimating the losses in extreme scenarios (the "**fat tails**"). Therefore, Alior Bank performs stress tests. The utilization of the stress-test limit for currency positions calculated as the maximum loss Alior Bank could incur in the event of the most unfavorable daily foreign exchange rate change of those which occurred within at least the last four years, totaled PLN 155,519 as at March 31, 2016. The following table sets out stress-test statistics of the currency position for the twelve-month period ended March 31, 2016.

Stress-test statistics of the currency position for the twelve-month period ended March 31, 2016 (PLN thousand, unaudited)

Minimum	Average	Maximum
9.51	98.28	257.01

Source: Alior Bank.

Interest rate risk

Interest rate risk is defined as the risk of a negative impact of fluctuations in market interest rates on the current financial results or the net present value of Alior Bank's equity. As part of its policy of mitigating the trading book risk, Alior Bank focuses on certain specific aspects of interest rate risk that are associated with the banking book, such as: (i) repricing risk (i.e. the mismatch of the interest rate tenors of assets and liabilities); (ii) basis risk, which is defined as the extent to which non-parallel changes in different reference indices that have similar repricing dates can affect Alior Bank's income; (iii) modelling accounts with an unspecified maturity date or with an interest rate set by Alior Bank (e.g. for current deposits); and (iv) the impact of non-interest bearing items on the risk (e.g. capital, fixed assets).

One of the methods of estimating Alior Bank's exposure to interest rate risk is the determination of the basis point value (the "**BPV**"), which denotes the change in the value of a given transaction or position as a result of one basis point change in the interest rate. BPV values are measured daily for different periods and for all currencies. The BPV estimates as at March 31, 2016 and for the twelve-month period ended March 31, 2016 are presented in the tables below:

BPV as at March 31, 2016 by tenor (in PLN thousand, unaudited)

Currency	Up to 6 months	6 months - 1 year	1 year - 3 years	3 - 5 years	5-10 years	Total
PLN	-179.7	-115.9	-137.3	-218.1	-36.4	-687.5
EUR	-25.8	14.2	-23.4	-23.0	-5.5	-63.6
USD	4.8	11.4	-8.6	-3.4	-0.4	3.8
CHF	1.1	-0.2	-1.0	0.0	0.0	-0.2
GBP	0.6	1.7	0.1	0.0	0.0	2.4
Other	-1.3	-0.7	0.0	0.0	0.0	-2.0
Total	**-200.4**	**-89.6**	**-170.3**	**-244.5**	**-42.4**	**-747.1**

Source: Alior Bank.

BPV for the twelve-month period ended March 31, 2016 (in PLN thousand, unaudited)

Book	Minimum	Average	Maximum
Banking book	-812.9	-293.6	1.6
Trading book	-35.7	-5.3	38.6
ALCO	-235.4	239.4	834.2
Total	**-379.0**	**-59.4**	**346.0**

Source: Alior Bank.

In order to estimate the total level of the interest rate risk exposure, Alior Bank applies a VaR model as discussed above. The economic capital to cover the above mentioned risk measured in this manner, as at March 31, 2016, is shown in the table below (measured using an assumed 99% confidence level and a 10-day time horizon, and expressed in PLN thousand).

VaR	As at March 31, 2016 (in PLN thousand, unaudited)
Banking book	5,909
Trading book *	1,542
Total	**6,589**

** VaR of the trading book includes the foreign exchange risk VaR presented above.*
Source: Alior Bank.

The following table presents the minimum, average and maximum VaR for the interest rate risk exposure in the banking book and the trading book (measured using an assumed 99% confidence level and a 10-day time horizon, and expressed in PLN thousand), for the twelve-month period ended March 31, 2016.

Book	Minimum	Average	Maximum
Banking book	2,388.6	8,170.0	15,477.7
Trading book	611.3	1,714.8	3,249.6
Total	**3,346.6**	**8,914.3**	**16,621.5**

Source: Alior Bank.

For the purpose of managing interest rate risk, Alior Bank specifies trading operations, which cover securities and derivative contracts concluded for trading purposes, and banking operations, which cover other securities, own issues, credits, deposits, loans and derivative transactions used to hedge the banking book risk. Alior Bank also analyses possible scenarios which cover, among other things, the impact of specific changes in interest rates on the future interest results and the economic value of capital. As part of these scenarios Alior Bank implements internal limits, the utilization of which is measured daily.

The table below presents the statistics of the ratio of changes in the interest income for the twelve-month period ended March 31, 2016, for the scenarios of interest rate increases/decreases of 100 basis points in annual terms.

Change/Movement in interest results (in PLN thousand, unaudited)

Scenario	+ 100 bps	-100 bps
Minimum	-58,466.0	-100,635.0
Average	-32,906.0	-74,056.0
Maximum	-12,530.0	-47,165.0

Source: Alior Bank.

Liquidity risk

The Bank defines liquidity risk as the risk of being unable to fulfil, on conditions favorable for Alior Bank and at an acceptable cost, its payment obligations resulting from all Alior Bank's balance sheet and off-balance sheet positions. Therefore, Alior Bank's liquidity risk management policy consists of maintaining its own liquidity in such a way that it is possible at any time to discharge all payment obligations coming due with cash in hand, through inflows from transactions with specified maturity dates or by selling transferable assets and at the same time reducing liquidity costs. As part of its management of liquidity risk, Alior Bank pursues the following goals: (i) ensuring, at all times, that the bank is able to satisfy all obligations coming due on a timely basis; (ii) maintaining minimum liquidity provisions, in case the Bank's liquidity position suddenly deteriorates; (iii) determining the scale of liquidity risk resulting from established internal liquidity limits; (iv) reducing the risk of exceeding defined liquidity limits; (v) monitoring liquidity, so that Alior Bank is able to maintain adequate liquidity and activate a relevant emergency plan when necessary; and (vi) ensuring that the processes applied by Alior Bank comply with 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 defined in internal regulations. Alior Bank applies the following measures in the process of liquidity management: (i) developing liquidity procedures and policies, including the financing plan relating to several of Alior Bank's operations in the coming years; (ii) designing emergency plans with regard to liquidity; (iii) monitoring liquidity limits; and (iv) conducting periodical analyses (in the form of reports) of the categories and factors which impact the current and future liquidity levels.

Alior Bank takes into account the following liquidity management ratios and the 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 Alior Bank's everyday activities or in other conditions which may be anticipated without the need to incur losses; in its liquidity management activities, Alior Bank specifically focuses on a vista and current (up to seven days) liquidity analysis;
- short-term liquidity, defined as the ability to discharge all monetary liabilities which mature within the next 30 days;
- medium-term liquidity, understood as the ability to meet all monetary liabilities which mature within six months;
- long-term liquidity, defined as the ability to meet all monetary liabilities which mature in a period longer than 12 months.

As part of its management of liquidity risk, Alior Bank also analyses the maturity profile on a 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: (i) the stability of liabilities without specified maturities (e.g. current accounts, deposit withdrawals and renewals, level of their concentration); (ii) options to shorten maturities of specific assets (such as mortgage loans with an early repayment option); and (iii) options to sell assets (liquid portfolio), and they are approved by the ALCO Committee or the Management Board.

To identify the realigned liquidity gap, Alior 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.

Alior Bank seeks to maintain a liquidity buffer by investing in the first instance in debt securities issued by the Polish government. This level is controlled by the ratio of liquid assets to the deposit base which, as at March 31, 2016 exceeded 18%. Additionally, Alior Bank conducts liquidity stress-tests and has a plan for obtaining funds in emergency situations. The Bank also develops and verifies its liquid asset sale policies, taking into consideration the costs of maintaining liquidity. In accordance with Resolution No. 386/2008 of the PFSA, Alior Bank sets and monitors:

- the short-term liquidity gap (i.e. the minimum surplus of current liquidity), defined as the difference between the sum of the base and supplementary liquidity reserves (established pursuant to Alior Bank's liquidity models) as at the reporting date, and the value of unstable external (third-party) funds: as at March 31, 2016, the surplus amounted to PLN 1,648 million;
- the ratio of coverage of non-liquid assets with own funds, calculated as the ratio of Alior Bank's own funds less total capital requirements relating to market risk, delivery settlement risk and counterparty risk to non-liquid assets: as at March 31, 2016, the ratio amounted to 4.57;
- the ratio of coverage of non-liquid assets and assets with limited liquidity with own funds and stable external (third-party) 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 (third-party) funds to the total of non-liquid assets and assets with limited liquidity: as at March 31, 2016, the ratio amounted to 1.10; and
- the short-term liquidity ratio defined as the total of the base and supplementary liquidity reserve as at the reporting date divided by the value of unstable external (third-party) funds: as at March 31, 2016, the ratio amounted to 1.36.

Moreover, in accordance with the requirements of the above-mentioned resolution, Alior Bank performs an in-depth analysis of the stability and structure of the sources of financing, including the core deposits and concentration levels for term and current deposits. Additionally, the Bank monitors the changes in balance sheet and off-balance sheet items, in particular the amounts of projected outflows relating to guarantees granted to customers.

On a monthly basis, Alior Bank also analyses the concentration of the deposit base aimed at indicating the potential risk of excessive dependency of Alior Bank on those sources of funding which are insufficiently diversified. To assess the level of concentration, Alior Bank sets a High Concentration Indicator (the "**HCI**") calculated as the ratio of funds accumulated by the largest depositors to the value of the deposit base. As at March 31, 2016, HCI amounted to 2.08%, which indicates a low level of concentration.

The following table shows HCI statistics for 2016.

Minimum	Average	Maximum
1.97%	2.69%	4.97%

Source: Alior Bank.

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

The Management Board believes that in the first quarter of 2016 Alior Bank's liquidity remained at a safe level, and was monitored and maintained at a level adequate to Alior Bank's needs by adjusting the deposit base and using additional sources of financing depending on the development of lending activity and other liquidity needs.

Credit risk

Managing credit risk and maintaining it at a safe level is of primary importance for the stability of Alior Bank's operations. The regulations in force at Alior Bank are aimed at managing credit risk. These regulations include, in particular, the lending methodology and models for risk assessment adapted to the customer segment, type of product and transaction, principles for determining and monitoring collateral for loans, and debt collection procedures. Alior Bank focuses on full centralization and automation of credit risk management processes within the systemic infrastructure, and simultaneous use of all available internal and external customer information.

The level of credit risk is limited in accordance with the restrictions set forth in external regulations, and internal principles set by the Bank, in particular with reference to the limits of credit exposure to one customer, a group of related entities (that are related through equity ownership or organizationally) and a particular industry sector.

The following table presents the exposure of Alior Bank towards the ten largest individual borrowers as at March 31, 2016.

Exposure	Total exposure
Company No. 1[(1)]	PLN 240.1 million
Company No. 2	PLN 233.5 million
Company No. 3	PLN 165.1 million
Company No. 4	PLN 142.5 million
Company No. 5	PLN 135.7 million
Company No. 6	PLN 134.1 million
Company No. 7	PLN 128.7 million
Company No. 8	PLN 120.2 million
Company No. 9	PLN 117.1 million
Company No. 10	PLN 112.4 million
Total	PLN 1,529.6 million
Share in Alior Bank business customer loan portfolio	10.8%
Share in Alior Bank total loan portfolio	4.7%

[(1)] *Alior Bank's subsidiary*
Source: Alior Bank.

The Bank's credit risk management system is designed to be comprehensive and integrated with Alior Bank's operating procedures. The basic stages of credit risk management comprise identification, measurement, monitoring, reporting and controlling. This process is designed to enable Alior Bank to proactively supervise current and potential risks, and apply appropriate risk management methods and instruments.

The following internal and external credit risk factors were taken into account as part of the credit risk management system and attributed to respective areas of Alior Bank's operations:

- Customer – each individual customer and groups of related customers are analyzed, homogenous groups of customers are also verified in terms of the quality of portfolios set up;
- Product – various types of risk are defined that may be related to the specific product: individual loans and whole portfolios;
- Collateral – the following are verified: correctness of acceptance of collateral; its value and timeliness; accuracy of preparing the documentation for setting up the collateral and updating its value; to limit credit risk, the efficiency of implementing updated regulations for legally securing dues and applying current standards for securing debts is monitored;
- Process and regulations – the quality and effectiveness of the lending process, administration of loans, loan monitoring, debt collection and restructuring as well as cooperation with external debt-collecting agencies and compliance with internal banking regulations are verified;
- Systems – in particular, the systems supporting the lending, monitoring and debt collection processes are utilized, and the effectiveness of their application is monitored and assessed;
- Distribution channels – effectiveness and loss ratios in respect of the distribution channels used by Alior Bank are checked;
- Employees – proper use of individually-allotted credit limits is monitored, potential irregularities which may have occurred during the lending process are investigated;
- External conditions – in particular, the following are monitored: the level of interest rates; currency exchange rates; supply of cash; unemployment rate; changes on the labor market; and economic conditions; and
- Adequacy of the credit risk management system – adequacy of the adopted credit risk management policies is monitored and assessed on a regular basis.

Alior Bank analyzes risk both on an individual and on a portfolio basis and takes actions in order to mitigate the level of individual credit risk at a given level of return and reduce overall credit risk from the relevant credit portfolio.

As part of the process of mitigating the risk of individual exposures, each time Alior Bank issues a loan or other credit product it assesses the creditworthiness and credit rating of the customer. The Bank takes into consideration, among other things, a detailed analysis of the sources of repayment as well as assesses the collateral, verifying its legal and economic status, taking into consideration, among other things, LTV adequacy, for example the adequacy of the ratio reflecting the proportion of loan/credit exposure to the value of the collateral. Additionally, as part of the procedure for strengthening risk control over individual exposures, Alior Bank regularly monitors customers, taking mitigating action in the event of identifying new or more probable risk factors.

In respect of managing the credit risk resulting from Alior Bank's specific credit portfolio, Alior Bank: (i) determines and monitors concentration limits; identifies early warning signals under the EWS; regularly monitors the credit portfolio; monitors all material credit risk parameters, such as PD, LTV and CR; and regularly conducts stress tests. The EWS system applied by the Bank includes both the monitoring of macroeconomic ratios that may adversely affect its credit risk exposure, and the monitoring of portfolio indices and identification of early warnings for individual credit exposures that may cause the Bank's losses (for example overdue payments, seizures in enforcement proceedings, account turnovers and other indices characteristic of the product risks). The stress tests are used to quantify risks of shock, extreme scenarios and the Bank's sensitivity to such scenarios. The stress tests also provide a basis for setting concentration limits.

Assessment of risk in the credit analysis system

Alior Bank sells credit products in accordance with the credit methodologies it has established for the customer segment and type of product. Assessment of a customer's creditworthiness, which precedes the decision whether to issue a credit product, is made using the following credit-process-supporting tools: scoring or rating; external information (such as CBD DZ (Centralized Database "**Restricted Documents**"), CBD BR (Centralized Database "**Bank Register**"), BIK (the "**Credit Information Bureau**"), BIG (the "**Economic Information Bureau**") and Alior Bank's internal databases. Credit products are granted pursuant to the operational procedures in force at Alior Bank which prescribe the appropriate actions to be taken in the credit analysis process, the responsible Alior Bank units and the tools to be used.

Credit decisions are taken pursuant to the lending decision system in force at Alior Bank (competency levels adapted to particular customers' and transactions' risk levels). In order to regularly assess the assumed credit risk and mitigate potential losses on credit exposures, Alior Bank monitors a customer's position over the lending period by identifying early warning signals and performing periodic individual credit exposure reviews. The monitoring process ends with issuing a recommendation relating to the further customer cooperation strategy.

Separation of duties

Alior Bank maintains a policy designed to separate the functions related to acquiring customers and selling credit products from the functions related to risk assessment, making credit decisions and monitoring credit exposure.

The following units within Alior Bank are responsible for credit risk management:

- The Supervisory Board oversees the implementation of the risk management strategy, and is responsible for defining the Bank's lending policy and ensuring consistency of the lending policy, strategy and financial planning with the adopted assumptions.
- The Audit Committee conducts independent processes in order to ensure the adequacy of financial reporting and internal controls and supports the Supervisory Board in its duties related to the internal control systems, accounting principles and financial reporting and risk management compliance.
- The Risk Committee supports the Supervisory Board in overseeing the implementation of the risk strategy, and also reviews and analyses the Bank's risk appetite and the risk management policy devised by the Management Board.
- The Management Board implements the risk management strategy, approves the credit policy, defines the scope of duties in the credit process, reviews credit portfolios, approves risk parameters and seeks to ensure the proper functioning of internal control mechanisms in the risk management area.
- The Risk Management and ICAAP Committee (which is not included in the formal risk management structure) integrates the management of various types of risk, and in particular: recommends to the Supervisory Board acceptable risk exposure levels and oversees the ICAAP process, the risk model management process and the credit risk assessment related to the implementation of new products, or the modification of existing products.

- The Credit Committee makes decisions regarding credit applications that exceed the individual credit competencies of the decision makers and lower-level committees. The competencies of the Credit Committee include approving credit applications for up to PLN 80 million of the Bank's total exposure to one customer and its affiliates.
- The Credit Committee of the Business Customer Risk Department makes decisions with respect to credit applications from business customers exceeding the joint competencies of two credit analysts. This Committee is competent to make decisions with respect to applications for up to PLN 50 million of the Bank's total exposure to one customer and its affiliates. Credit decisions that can be made jointly by two analysts are limited to applications not exceeding PLN 20 million of the total exposure of the Bank to one customer and its affiliates.
- The Risk Optimization Department, Non-Secured Individual Customer Products Policy Department and Credit Policies and Tools Unit at the Business Customer Risk Department implement and update the Bank's credit policy and review the credit portfolio.
- The Operating and Models Risk Management Department devises the Bank's strategy with respect to models risk, and identifies, measures, monitors and checks the models risk and conducts model validation.
- The Credit Risk and Capital Strategy Department devises the Bank's strategy with respect to credit risk, provides policies, calculates risk parameters, determines the goals to be achieved, determines the rules, conducts stress tests and determines credit limits.
- The Individual Customer Collections Unit at the Individual Customer Analysis and Collections Department and the Business Customer Collections and Restructuring Unit at the Business Customer Risk Department monitor monthly repayments, the performance of collection processes, and conduct restructurings and collections, impairments, sales of receivables and operational cooperation with external partners.
- The Individual Customer Analysis Unit at the Individual Customer Analysis and Collections Department and the Major Customers Analysis Unit and Credit Analysis Unit at the Business Customer Risk Department verify credit applications, assess creditworthiness and application credibility, prepare recommendations for relevant decision-making units, make credit decisions within the scope of their own competencies, verify and evaluate collateral, and check the fulfilment of preconditions for disbursement of funds.
- The Operational Services Department at the Operational Division: (i) verifies credit applications for signs of fraud or abuse, including telephone verification of the customer's income in the credit process; verifies the correctness of credit documents for completeness, authenticity, signs of forgery, validity, legibility and compliance with the binding regulations and the satisfaction of conditions for disbursing non-secured loans in the individual customer segment and to sole traders; (ii) prepares credit agreements and documents necessary for execution for non-secured individual customer segment loans; (iii) determines parameters for credit accounts in the system and disburses funds; and (iv) prepares applications to insurers for individual coverage.
- The Collateral Unit at the Business Customer Risk Department verifies valuations of real estate accepted as collateral.
- The Individual Customer Monitoring Unit at the Individual Customer Analysis and Collections Department and the Business Customer Monitoring Unit at the Business Customer Risk Department conduct periodic reviews of customers' financial condition, and monitor the compliance with contract terms and early warning signs.

Credit risk management supervision

The Bank analyzes monthly the quality of its credit portfolio, applying various risk measures (e.g. baskets of repayment delays, events of default, risk migrations and impairment levels). The portfolio analysis also seeks to identify any deviations from the budgeted values for particular months. The scope of reporting varies depending on the complexity of the portfolio. The reports presenting the portfolio quality are submitted to the Management Board, the Supervisory Board and directors managing individual departments.

As part of the credit risk management process, the Bank uses functional review mechanisms in order to determine whether credit activity is conducted in compliance with adopted internal procedures and binding regulations, and whether the results of this activity are in line with the assumptions made in the Bank's credit policy. Each review is summarized afterwards in a report presenting a summary and conclusions. If any irregularities are revealed, the report also includes recommendations on modifications of procedures or processes intended to rectify the identified causes of increased risk.

Credit competencies

Credit competencies are special competencies assigned to select Bank staff with adequate individual expertise and knowledge of the methods, processes and tools of credit risk analysis. All staff recommended to be given credit competencies undergo a "certification process" verifying their qualifications. The Bank uses one of two certification processes: tests of competence or assessment review. A positive outcome of this certification process is a pre-requisite to being granted any credit competencies. A special right granted to staff with credit competencies is the right to approve deviations from the Bank's procedures and to delegate authority (both of which rights are subject to limitations).

The employees of the Bank representing its business units are only permitted to approve certain deviations which do not affect the credit credibility or credit worthiness, or other elements directly affecting the credit risk. Other deviations can only be approved by expert risk analysts from the credit risk units or credit committees equipped with the relevant authority.

As a rule, business units do not evaluate or establish collateral, which means that credit decisions with respect to secured exposures, in particular mortgage loans, are not within the scope of authority of the business units.

Concentration risk management

The following table presents the ten industries in which Alior Group had the largest credit exposures as at March 31, 2016.

	Exposure
Industry	(PLN million)
Industrial processing	4.210,8
Construction	4.009,2
Wholesale and retail trading, repair of cars, including motorcycles	3.484,2
Activities related to servicing the real estate market	3.258,0
Generation and supply of electrical energy, gas, steam and hot water, and air for air-conditioning	1.936,8
Financial and insurance activities	1.586,9
Hospitality business	1.502,7
Professional, academic and technical activities	774,9
Information and communication	773,6
Healthcare and social insurance	597,7
Total	**22.134,8**

Source: Alior Bank

In order to ensure the stability and safety of Alior Bank and the appropriate quality of its assets, their diversification, respective returns and appropriate equity levels, the level of concentration in various areas of Alior Bank's operations are assessed. Alior Bank seeks to limit excessive concentration in areas which are subject to credit risk or liquidity risk that may have a negative impact on Alior Bank's operational safety.

Management of concentration risk in Alior Bank's credit activities relates to risks which, among other things, result from: (i) exposure to individual entities or a group of related entities (that are related through equity ownership or organizationally); (ii) exposure to entities from the same industry, business sector, engaged in the same operations or selling similar goods; (iii) exposure to entities from the same voivodeship (administrative subdivisions of Poland), country or groups of countries; (iv) exposure secured with the same type of collateral or by the same collateral provider (including the risk of concentrated exposure to assets with similar characteristics); (v) exposure to the same currency; (vi) exposure to the same interest mechanism (fixed or floating) and interest index; (vii) exposure to entities referred to in Article 71 of the Banking Law; (viii) the product's datasheet; (ix) the distribution channels; (x) special offers and promotions; and (xii) internal concentration.

The Management Board believes that knowledge of the scale of potential risks related to the concentration of Alior Bank's exposures assists in the asset and liability management, and most importantly creation of secure structure of the credit portfolio. To prevent possible negative outcomes following excessive concentration, Alior Bank seeks to mitigate concentration risk by setting limits and using concentration standards pursuant to both external regulations and those adopted internally.

Alior Bank has introduced: (i) principles for identifying credit concentration risk areas; (ii) a process for determining and updating limits; (iii) a process for monitoring compliance with limits including procedures in the event the allowable limit is exceeded; and (iv) a process for monitoring concentration risk, including reporting; and (v) controls of concentration risk management.

In the process of determining and updating concentration limits Alior Bank takes the following into account: (i) economic and market information relating to each of the areas in which exposure concentration occurs, in particular, macroeconomic ratios, industry ratios, and information on business trends, including projections of interest rates, foreign exchange rates, political risk analyses, and ratings of governments and financial institutions; (ii) information regarding the business condition of entities, industries, branches, sectors, and overall economic information, including the economic and political condition of countries, and other information necessary to assess Alior Bank's concentration risk; (iii) business and qualitative information relating to the management process within entities to which Alior Bank is exposed, which could lead to concentration risk; and (iv) interest rate risk, liquidity risk, operational risk and political risk related to the identified exposures, which may result in an increase in concentration risk.

Provisions and write-downs

Alior Bank assesses all balance sheet loan exposures (groups of loan exposures in the balance sheet) in order to identify objective indications of impairment, based on the most up-do-date information that Alior Bank has as at the revaluation date. Alior Bank assesses off-balance sheet exposures in terms of the need to create provisions. Impairment is identified automatically in the Bank's central system based on information from the system (default) or data entered by users.

Catalogues of indications of impairment

Customer-related indications of impairment include:

- Significant delays in repayment/unauthorized overdraft – this indication relates to business and individual customers; it is recognizable by the system in the event of repayment delays or an unauthorized overdraft over a period of more than 90 days, if the materiality criteria in respect of the amount due (PLN 500) is simultaneously met in all accounts which the customer owns or of which he is a co-owner, and all the accounts where the customer is the borrower/co-borrower;
- Recovery proceedings – this indication relates to business customers; it is recognized on the basis of obtaining information on a business which has filed a notification of the commencement of recovery proceedings in the court;
- Bankruptcy/liquidation – this indication relates to business customers; it is recognized on the basis of obtaining information on filing a petition for bankruptcy;
- Consumer bankruptcy – this indication relates to individual customers; it is recognized on the basis of obtaining information on the filing of a petition for bankruptcy (consumer bankruptcy) by the borrower;
- Undisclosed customer assets – this indication relates to business and individual customers; it is recognized on the basis of obtaining information on the customer providing untrue information regarding their assets;
- Significant deterioration in the internal assessment of a scoring/rating – this indication relates to business customers; it is recognized by the system if the scoring/rating drops by at least one class (compared to that previously awarded), and at the same time is below the level accepted by the Bank;
- Significant deterioration in external rating – the indication relates to business customers and is recognized on the basis of obtaining information regarding a decrease in the customer's external rating from investment to speculative grade;
- Significant deterioration in economic and financial position – this indication relates to business customers; it is recognized by the system if the assessment of the customer's economic and financial position (in accordance with the risk management classification) deteriorates by at least one category, to the level "substandard", "doubtful" or "loss";
- Demise – this indication relates to individual customers; it is recognized on the basis of obtaining confirmed information on a customer's death;
- Lack of information on the customer's place of residence – this indication relates to individual customers; it is recognized on the basis of obtaining information on the absence of the residential address of a customer;

- Loss of job – this indication relates to individual customers; it is recognized on the basis of obtaining information on the inability to repay debt by the customer as a result of the loss of their job; and
- Customer's financial problems – this indication relates to individual customers; it is recognized on the basis of obtaining information on the customer's financial problems (in accordance with data from Credit Information Bureau).

Account-related indications of impairment include:

- Instigating enforcement proceedings – this indication is recognized on the basis of obtaining information on the instigation of enforcement proceedings by Alior Bank;
- Effective termination of an agreement – this indication is recognized on the basis of obtaining information on effective termination of an agreement, while also meeting the amount threshold (PLN 500);
- Restructuring – this indication is recognized on the basis of obtaining information on changes in the repayment of a loan by a customer (as a result of problems with timely repayment) in the form of an annex to the loan agreement or an arrangement with Alior Bank;
- The exposure is challenged by the borrower in court – this indication is recognized on the basis of information on the exposure position being challenged by a customer by taking court action; and
- Identified fraud – this indication is recognized on the basis of information being entered into the system on fraud following a court judgment.

Indications of impairment relating to exposure to banks include:

- Delay in repayment exceeding 30 days – this indication is recognized on the basis of information on repayment delays exceeding 30 days;
- Significant deterioration in external rating of the counterparty bank – this indication is recognized on the basis of information regarding a decrease in the external rating of the counterparty bank from investment to speculative class;
- Significant deterioration in external rating of the country of residence of the counterparty bank - this indication is recognized on the basis of information regarding a decrease in the external rating of the country of residence of the counterparty bank from investment to speculative class; and
- Significant deterioration in the financial condition of the bank/bankruptcy of the bank – this indication is recognized on the basis of information obtained in the process of periodic monitoring of limits on the counterparty risk being unacceptable.

Indications of impairment relating to exposure to bonds include:

- Absence of payments in respect of bonds – this indication is recognized on the basis of information on the absence of payments in respect of bonds specified in the terms and conditions of the bonds issue; and
- The issuer violating other terms and conditions of the bonds, which triggers an obligation for early re-payment of the bonds.

If an event arises which may indicate impairment that is not included in the above list, the account status can be manually changed to default. This is usually done when information is obtained with regard to other material events which could indicate impairment.

Indications of impairment of balance sheet and/or impairment of loan exposure (groups of loan exposures in the balance sheet) are registered in the system on the customer's level or on the credit account level. Recording an indication of impairment on a credit account level will flag all other accounts of the given customer as impaired. Similarly, recording an indication of impairment on a customer level will flag all accounts in the customer's portfolio as impaired. This applies to all accounts where the customer is the owner/co-owner or borrower/co-borrower. In respect of balance sheet loan exposures which became impaired, Alior Bank records impairment allowances in order to reduce their carrying amount to the present value of expected future cash flows.

Exposures with indications of impairment are classified into those measured on a case-by-case (individual) basis and those measured on a group basis. The individual assessment applies to exposures carrying the risk of impairment (calculated at customer level) which exceed the established thresholds depending on the customer segment (see table below).

The following table presents threshold amounts with respect to which the individual assessment is carried out as at March 31, 2016.

Customer segment	PLN
Individual customer	No threshold
Business customer	500,000

Source: Alior Bank.

The individual assessment is also applied to exposures threatened with impairment where Alior Bank is unable to identify a group of assets with similar credit risk characteristics, or does not have a sufficient sample for estimating group parameters, for the purposes of comparison.

In 2015, Alior Bank implemented a statistical model for the collective evaluation of mortgage loans of individual customers. Implementation of the model was feasible due to increased market access to customer data, permitting a more reliable formulation of the model's parameters. This model includes Alior Bank's empirical data on recoveries and the specific nature of a given portfolio. The change affected 1,238 loans and caused an increase in impairment allowances of up to PLN 19.4 million.

In 2015, Alior Bank included all groups of loans and all loans of individual customers in its statistical model for the evaluation of groups of loans. At the same time, groups of similar loans were classified into several groups based on initial loan amount. As a result, the statistical model parameters were re-evaluated. Implementation of the change resulted in a decrease in impairment allowances of PLN 4.4 million.

Individual assessment is based on an analysis of possible scenarios (for business customers) or a probability tree (for individual customers). Probabilities of realization and expected profits are attributed to each scenario and tree branch. For individual customers, standard event trees have been developed which represent various debt collection procedures. The assumptions adopted for individual measurements are described in detail by the analysts. The amounts of recoveries expected under individual measurements are compared with the profits realized on a quarterly basis. Group assessment is based on the period of time that exposures remain in default state, and includes specification for expected profits. Collaterals are included at exposures level.

Exposures in respect of which no indications of impairment have been identified are grouped in keeping with the homogeneity principle in relation to the risk profile, and an allowance is recorded against a group of exposures to cover losses incurred but not reported (IBNR). The IBNR amount is established based on PD and LGD parameters, and respective security (taking into account the expected recovery rates).

PD parameters are determined based on the historical data on repayment delay, identification of indications for impairment, and the LIP levels adopted. The period of historical data forming the basis for assessing the PD parameter was selected so as to achieve two goals: (i) increase the predictability of the results; and (ii) stability of assessments. Therefore, for most portfolios Alior Bank uses the 12-month period for observing the migrations between particular overdue payment baskets and the default status to determine PD. Medium and large enterprise portfolios are an exception to this procedure because due to the smaller number of defaults, Alior Bank uses a 24-month period. The PD parameter differs for particular portfolios and overdue payment baskets. PD for particular overdue payment baskets is determined in LIP periods pursuant to the table below:

Basket/Portfolio	Accounts/RO Individual Customer	Mortgage Loans Individual Customer	Credit cards Individual Customer	Loans Individual Customer	Other Individual Customer	MICRO Business Customer	Other Business Customer
0 DPD	5	6	5	5	5	5	4
1-30 DPD	4	3	3	3	4	4	3
31-60 DPD	3	2	2	2	2	2	2
61-90 DPD	2	1	1	1	1	1	1

Source: Alior Bank.

The LIP periods were determined on the basis of a quantitative analysis taking into account the specific event that was the initial basis for the customer's inability to service the debt. LIP parameters are updated at least once a year. The so-called backtests of such parameters are also carried out annually. The parameters presented in the table above are valid as at March 31, 2016.

Collateral

The level of the Bank's collaterals and their manner of setting up corresponds to the credit risk incurred by Alior Bank and is flexible with respect to the customer's capabilities. Setting up collateral does not relieve the Bank of its duty to assess a customer's credit rating.

A loan has to be secured to provide additional assurance to Alior Bank that the loan, along with the accrued interest and respective costs, will be repaid if the borrower defaults, and restructuring does not bring about the expected effects. Alior Bank accepts, in particular, the following legal forms of collateral: guarantees, re-guarantees, warranties, account blocking, registered pledges, re-possession, assignment of debts, loan insurance, bills of exchange, mortgages, power of attorney to bank account, and security deposits (as a special form of collateral). Collateral is verified in the lending process in terms of the legal ability to secure Alior Bank's interests, and its market value is assessed as well as the possibility of recovering it in potential enforcement proceedings.

With respect to the valuation of real estate, Alior Bank implements the requirements of Recommendations S and J. The process of real estate valuation is independent from the business units and risk approval. Each property is reviewed in the course of the credit process by duly qualified staff with adequate experience in the real estate market – most of the staff are certified real estate valuation experts. The real estate accepted as collateral is regularly monitored, at least with the frequency required by Recommendation S.

The collaterals for receivables make it possible to use lower impairment charges and reserves pursuant to IAS 39, and more favorable risk weights for the purposes of calculating capital requirements pursuant to CRR.

In the business customer segment, Alior Bank controls its policy with respect to the required level of collateralization using a collateral matrix yielding the required collateralization level depending on the segment, industry and length of crediting. In the context of mortgage-backed exposures governed by Recommendation S, the maximum LTV is 75% with respect to commercial property collateral (with the LTV level adjusted to the risk and liquidity characterizing the relevant type of commercial properties) and 80% for residential property collateral.

Managing repossessed assets

In justified cases, Alior Bank repossesses assets pledged as collateral to satisfy matured debts. Such transactions are conducted on the basis of an accepted plan for managing the repossessed asset. In 2015, Alior Bank only repossessed chattels classified to the broadly defined group of vehicles in debt collection and restructuring processes. Assets repossessed in this manner were set aside exclusively for sale and were not used for internal purposes.

The assets referred to above are repossessed both by internal services and through the use of specialist external cooperating agents approved by Alior Bank. Each repossessed chattel is valued by independent external experts to determine the selling price and to settle the repossession transaction with the collateralized loan.

Scoring/rating

Credit scoring is a tool used to make lending decisions in respect of individual customers and micro-enterprises, and credit rating is an instrument utilized in the decision-making process in the small medium and large enterprises segment.

Implementation of the scoring and rating process enables: (i) the management of credit risk as a result of assessing customer creditworthiness; (ii) the standardization of the criteria for making credit decisions in an unbiased and objective manner; (iii) the shortening of the period necessary to make credit decisions and ensuring higher effectiveness of credit application assessments (increasing the efficiency of work and reducing processing costs); (iv) the simplification of the assessment of credit applications as a result of automating the process; and (v) customer segmentation in terms of risk; (vi) the monitoring and forecasting of the quality of the credit portfolio; (vii) facilitating the assessment of the credit policy to-date; and the faster introduction of changes to decision-making processes used to assess credit risk relating to business and individual customers.

The Risk Strategy and Modeling Department of Alior Bank regularly monitors the accuracy of the scoring and rating model in order to determine whether the models, when used correctly, mitigate risks, and whether risk parameter assessments correctly reflect appropriate risk aspects. Additionally, functional controls verify the correctness of the application of the models in the lending process.

Currently applied scoring models were developed internally by Alior Bank. To strengthen the risk management process in addition to the models operating within Alior Bank a dedicated team was appointed which performs the function of an independent validation unit. The results of applying the scoring model determine the following: (i) the value of the

decision score of a given customer/application; (ii) a scoring class with an intrinsic PD; and (iii) the scoring recommendation to the credit application in the form of "Approval" or "Rejection".

The type of model used to assess individual customers depends on the type and the nature of the credit product which is being applied for, the credit history of the customer and their history of cooperation with Alior Bank. The choice of model for the assessment of business customers depends on the classification of the client to the relevant segment based on its sales revenues. The score/ rating has an impact on the amount of the standard cost of risk accruing to a given transaction.

Monitoring credit risk of individual and business customers

The following actions seek to ensure the protection of the quality of the credit portfolio: (i) on-going monitoring of the timely servicing of loans; and (ii) periodic reviews, in particular of the financial and economic condition of the customers and the value of accepted collateral. In order to reduce the credit risk level, Alior Bank operates with an EWS.

Monitoring individual customers may be divided into the following areas: customer, credit products granted to the debtor, agreements which were the source of the credit exposure, accepted collateral, amounts of impairment losses and allowances.

Monitoring of business customers relates mainly to: the customer and its related entities, the industry in which the customer operates, the credit products granted to the customer, verification of the customer meeting the contractual provisions included in the agreement which led to the credit exposure, collateral accepted (verification of establishment and value of collateral), market conditions which have an impact on the customer's creditworthiness, amounts of impairment losses and allowances. All credit exposures in the business customer segment are additionally covered by portfolio monitoring, for example assessment on the basis of a prescribed model of behavior and early warning signal identification process.

The credit exposure to all individual and business customers is monitored and classified to appropriate process paths on an on-going basis. To improve monitoring and operational risk control, various solutions have been implemented in Alior Bank's credit systems. Systemic tools have been consolidated to perform monitoring procedures which cover all accounts.

Exposures classified as standard and irregular, which could lead to intensification of actions at the stage of pre-enforcement or debt collection procedures, are regularly monitored. Accounts are assessed in terms of restructuring debt to reduce Alior Bank's losses on default exposures.

Restructuring of credits at risk

If it seems likely that the borrower will not perform its obligations under the agreement due to financial difficulties, debts at risk are restructured using forbearance practices. Depending on those difficulties, Alior Bank may decide to modify the terms of the agreement to meet the borrower's ability to service the debt or refinance the loan, whether entirely or partly.

In the restructuring process of a retail customer Alior Bank uses the following tools:

- extending the maturity period leads to a reduction in monthly principal and interest instalments, and cannot exceed 120 months in total (for unsecured products), irrespective of the initial lending period. If under the restructuring process the maturity period is extended on a one-off basis to the maximum period, the tool cannot be used again in the future; when the maturity period is extended, restrictions following from the product requirements, such as the age of the borrower, are taken into account;
- granting a payment grace period for the whole or part of the principal and interest instalment results in the borrower not being required to make any payments for a certain period of time in respect of the contract concluded. The loan repayment period may be extended by the number of months of the grace period (this is not identical to applying the tool which extends the maturity period). The grace period for a full instalment is applied for up to three months, and the grace period for the principal part of the instalment cannot exceed six months. The maximum total grace period may amount to six months during two consecutive years (24 months), as of the date of signing of the restructuring annex; and
- consolidation of several liabilities to Alior Bank into an instalment loan has the effect of transforming several debts resulting from different contracts into one debt. The product created as a result of the consolidation is repaid in monthly instalments on the basis of a predefined time schedule. The parameters of the product created as a result of applying this tool have to be compliant with the product requirements: cash loan/consolidation loan.

In particularly justified situations, other tools may be used.

For the restructuring process for a business customer, no restrictions have been introduced relating to the forms of forbearance practices applied. Depending on the nature of the customer, the most frequently used tools are:

- arrangement through a change in the time schedule for matured exposures (after maturity or termination notice). This consists of transferring the debt from one or more exposures to a non-renewable account with possible time schedule options: settlement of the whole debt on an accrual basis, or settling part of the debt on an accrual basis and part as a payment at the end of the period;
- an annex reducing the limit in renewable loans. This consists of systematic reduction in the credit limit (most often on a monthly basis) by the amount specified in the annex; and
- an annex changing the terms and conditions relating to the deadline for payment /amount of instalment or grace period for the principal /interest.

Monitoring of risks relating to forbearance practices

The quality of a restructured loan portfolio is monitored both at the level of particular overdue time periods based on when the restructuring decision was taken, and at the aggregate level. The base reporting period is a calendar month. In such a breakdown, the following subprocesses may be identified to which the presented amounts refer: (i) the application process (number of applications, number of decisions issued, types of decisions); (ii) the quality of the loan portfolio (break-down into particular overdue levels, forms of restructuring, application of overrides); and (iii) the measure of the overdue period exceeding 90 days on restructured accounts in consecutive quarters, according to the balances as at the end of consecutive quarters after restructuring. The results of the above monitoring of the restructured portfolio are shown in the monthly presentations for the Management Board.

The following risks relate to the application of forbearance tools by Alior Bank: (i) lack/discontinuation of payments; (ii) loss of collateral (in particular chattels) or a significant reduction of its value; and (iii) bankruptcy.

Alior Bank seeks to mitigate the above risks mainly through customer analysis, both in terms of financial condition of the customer and the history of cooperation with the Bank, information from site visits and other sources. Collateral may be used and exposure may thus be reduced before the forbearance tools are used. Using credit forbearance tools, Alior Bank also seeks to limit its exposure to the largest possible extent (for example, by taking collateral). Each customer with significant exposure in respect of whom forbearance tools are used, has an allocated representative from the forbearance and debt collection unit who monitors the customer on an on-going basis in respect of delays enabling the Bank to react promptly to any negative developments as they occur. Lower exposures are monitored on a portfolio-basis; if any irregularities are revealed, relevant task assignments are generated for dedicated employees to carry out and monitor the forbearance and debt collection activities. Customers are obliged to periodically update inventory balances in the event of pledges of inventories. In justified cases Alior Bank uses on-site visits in order to inspect the collateral.

Assessment of impairment for exposures subject to forbearance practices

In respect of forbearance practices, Alior Bank adopts criteria for impairment identification which are more stringent than those used for debts not subject to forbearance procedures. Apart from the standard catalogue of premises, additional criteria are used in respect of these exposures. These are defined as forbearance granted to a customer upon one of the following situations arising: a delay in payment exceeding 30 days; another premise of impairment; an analyst's assessment of the timeliness of servicing a debt being at risk (in respect of individual customers); and an assessment of the economic and financial position as substandard or worse (in respect of business customers). For those exposures, impairment is determined on the basis of an individual scenario analysis based on historical behaviours of similar customers, and features specific to the given customer.

In the process of identifying impairment, Alior Bank acts in compliance with the provisions of the "*EBA FINAL draft Implementing Technical Standards on Supervisory reporting on forbearance and non-performing exposures under article 99(4) of Regulation (EU) No. 575/2013*".

Alior Bank does not change its approach to recognizing impairment depending on the type of credit granted to the customer. All types of credit are subject to this stringent criteria for identifying impairment.

Operational risk

Alior Bank continuously strives to improve the quality of its operational risk management and to achieve a target average level of aggregate exposure. Alior Bank has a formalized operational risk management system according to which it

seeks to anticipate and mitigate operational risks and the related losses if the risk materializes. The principles and structure of operational risk management at Alior Bank are based on the Banking Law, the provisions of resolutions and recommendations issued by the PFSA, the CRD 4 Package, recommendations of the Basel Banking Supervision Committee (the "**Basel Banking Supervision Committee**") and Alior Bank's operational risk management policy as approved by the Management Board and the Supervisory Board.

Alior Bank has a long-term operational risk management policy approved by the Management Board and the Supervisory Board intended to, among other things, reduce exposure to operational risk and the probability of its materialization. In its operational risk management policy, Alior Bank has specified the activities aimed at stable and prudent management of operational risk in respect of the activity, goals and development of Alior Bank.

The operational risk management system of the Bank is supported by three pillars: corporate governance, the operational risk management process and operational activities. For the purposes of calculating capital requirements with respect to the operational risk, Alior Bank applies the standard method.

Separation of duties

Within the operational risk management structure of Alior Bank the key parties are: the Supervisory Board, the Supervisory Board's Risk Committee, the Management Board, the Operational Risk Committee and the Operational Risk Strategy Department. The Management Board is responsible for the process of management and review of operational risk. The Management Board proactively participates in the management of operational risk in Alior Bank. Oversight of the implementation of the adopted strategy is exercised by the Supervisory Board, with support from the Supervisory Board's Risk Committee. The Operational Risk Committee supports the Management Board in the management of operational risk. The Operational Risk Committee also monitors the level of exposures to operational risks and updates the current operational risk standing for the whole Alior Bank. The Operational Risk Committee also issues recommendations and decisions aimed at counteracting operational occurrences, and seeks to mitigate their results if it identifies any.

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

The Alior Operational Risk Strategy Department is responsible for the on-going control and monitoring of operational risk at the Bank. It also coordinates and supports the process of operational risk management in other units of the Bank and oversees the functioning of the operational risk management system Bank-wide. The Operational Risk Strategy Department also oversees the operational risk management processes in subsidiaries.

The duty to monitor and mitigate operational risk in day-to-day activities lies with all the employees and organizational entities of Alior Bank. Alior Bank's employees have a direct impact on the risk level in respect of the processes for which they are responsible, and seek to mitigate the risk exposure, taking action to avoid/limit operating losses. They are responsible for timely registration of events and financial operational effects relating to their areas of operation, and for defining and reporting the Key Risk Indicator (KRI) levels and the level of tolerance for processes especially exposed to operational risk. They also participate in a self-assessment process, which includes conducting, in particular areas of Alior Bank, an independent, subjective assessment of the existing types of risk by the managers of the organizational units, for the purpose of identifying, assessing and managing the operational risk at Alior Bank.

Recording events/incidents and operating losses

The Bank records events, incidents and operational effects as part of the analysis and monitoring of operational risk. The records are maintained using the OpRisk IT system which supports operational risk management.

Material operating risk management actions in 2015 were related to the merger, including the migration of Meritum Bank ICB customers' data and the adjustment of the systems of the combined Alior Bank.

In 2015, the gross total losses resulting from operational risks amounted to PLN 13.026 million (excluding operational credit losses). This amount did not exceed the operating risk provision adopted for 2015. The greatest share of these losses was attributable to external fraud. Since Alior Bank incurred losses, whilst it strives to reduce the operating risk in this area, it has taken actions aimed at reducing the risk of similar occurrences in the future. These actions include the

implementation of additional review mechanisms, changes to processes and systems and the development of additional training for Alior Bank staff.

Capital management (ICAAP)

Alior Bank manages capital in a manner aimed at ensuring safe and effective functioning of the Bank. In order to maintain sufficient capital and liquidity to conduct its operations, Alior Bank sets, within the limits of its overall risk policies, capital reserve amounts from available capital (including Tier I capital) against potential unexpected losses from material risks identified under the ICAAP process and under regulatory capital calculation procedures. Under the ICAAP process Alior Bank identifies and assesses the materiality of all types of risks to which it is exposed in connection with its operations.

As at March 31, 2016 Alior Bank classified the following as material risks: (i) credit risk – insolvency; (ii) credit risk – industry concentration; (iii) credit risk – customer concentration; (iv) credit risk – currency concentration; (v) operational risk; (vi) liquidity risk; (vii) interest rate risk in the banking book; (viii) market risk; (ix) model risk management; (x) reputation risk; and (xi) business risk.

Alior Bank assesses internal capital using external risk assessment models for particular risks identified as material for Alior Bank.

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

Capital ratios of the Alior Group as at March 31, 2016

Capital adequacy ratio	Tier I ratio	Ratio of offsetting internal capital by available capital
13.51%	10.57%	2.02%

Source: Alior Bank.

In order to secure sustainable growth of its scale of operations, Alior Bank plans to expand the available capital base using various channels, including reinvesting profits, issuing subordinated debt, and issuing new shares on the stock exchange.

Expansion of the available capital base in Alior Bank is carried out by, among other things, focusing on operational efficiency.

REGULATION OF THE BANKING SECTOR IN POLAND

The following description of banking sector regulation in Poland is of a general nature and is not intended to be exhaustive. All information regarding current regulation and planned or proposed changes is provided as at the date of this Offering Circular.

Introduction

The Polish banking sector is licensed and all banking activity is strictly regulated. The statute and interpretation governing the banking sector and financial institutions are subject to frequent changes. This includes the most important statute and interpretation concerning capital requirements, capital adequacy and consumer protection.

Banking supervision

Banking in Poland is regulated by the PFSA. The PFSA has broad competencies and numerous legal capabilities to supervise banks. It's powers include, amongst other things: (i) granting permits to establish a bank and starting its business, amending articles of association, and appointing two members of the management board, including the president; (ii) overseeing banks' compliance with Polish law (including the Banking Law), their articles of association, and the terms of their licenses; (iii) objecting to an acquisition of shares or rights to them, and to becoming a parent company of a domestic bank in the event of attaining or exceeding certain percentage thresholds of the total number of votes; (iv) monitoring the financial condition and determining binding prudential standards for banks, as well as other standards of acceptable risk in banking activity; (v) issuing recommendations regarding the best, most prudent and stable bank management practices; (vi) issuing instructions for banks to undertake or abstain from particular actions; (vii) imposing penalties and applying other regulatory measures in the case of a breach of banking business regulations, including, without limitation: (a) requesting the relevant corporate body of a bank to recall the president, vice-president or other management board member who is directly accountable for identified irregularities; (b) suspending the management board members until the relevant corporate body of the bank resolves the recall request; (c) limiting a bank's business scope or its organizational units; (d) imposing financial penalties on banks of up to 10% of the revenues disclosed in the most recent audited financial statements or, in the absence of financial statements, up to 10% of a revenue forecast based on the bank's economic and financial standing (and in any case up to PLN 10 million); and (e) withdrawing the permit to establish a bank and deciding on the liquidation of a bank; and (viii) appointing receivers for banks.

Other authorities with material regulatory powers over banking business

Some aspects of the banking industry are also regulated by other administrative bodies, including: (i) the UOKiK President with respect to competition and consumer interests; (ii) the Inspector General for Personal Data Protection with respect to gathering, processing, administering and protecting personal data; and (iii) the Minister competent for financial institutions and the Inspector General for Financial Information with respect to money laundering and terrorism financing issues.

Additionally, in accordance with the Act on the National Bank of Poland of August 29, 1997, the NBP is responsible for creating conditions for the development of the banking system and for contributing to the stability of the Polish financial system; these efforts include the participation of the NBP President in the Financial Stability Committee (the "**Financial Stability Committee**"). In order to assist the NBP in the performance of these duties, the legislator imposes certain obligations on banks, including the obligation, to provide the NBP with selected data indispensable for an assessment of the banks' financial standing, and the stability of and risks to the banking system.

Capital requirements and risk management requirements

Banks must satisfy numerous regulatory requirements concerning the operations of their business. The most important of these requirements include: (i) the obligation to conduct their financial management using strictly defined methods; and (ii) the requirements concerning their own funds, capital adequacy ratio, concentration limits, liquidity, capital adequacy and risk management systems. Alior Bank complies with the requirements under the CRD 4 package, local statutes and the PFSA rules.

Polish law requirements

Resolutions, regulations, recommendations and opinions published by the PFSA are important to banks operating in Poland. Select key PFSA recommendations, resolutions and opinions are described below.

In June 2011 the PFSA increased the risk weighting of retail and mortgage loans denominated in foreign currencies from 75% to 100% (PFSA Resolution 153/2011 amending PFSA Resolution 76/2010 on the scope and detailed procedures for determining capital requirements for particular types of risk. The amendment has been in force since June 30, 2012). Risk weights are used to calculate the value of risk-weighted assets that form the basis of the capital adequacy ratio calculations for banks. Increasing the risk weighting of a given type of asset increases the regulatory capital requirement for banks holding assets of that type. In its letter addressed to the banks dated March 21, 2014, the PFSA expressed an expectation that the banks maintain non-consolidated capital adequacy ratios at a minimum of 12% and non-consolidated Tier I ratios at a minimum of 9%. Pursuant to the PFSA's letter to the banks dated October 22, 2015, the PFSA recommended that the banks should maintain their Tier I ratio at the level of 10.25% and their consolidated capital adequacy ratio at the level of 13.25%, commencing on January 1, 2016.

Recommendation C concerns credit concentration risk management. In order to limit excessive concentration of exposures, Recommendation C details the specific principles and requirements in the areas of bank policy development and specification, approval of relevant credit concentration risk management limits, and the recommendations concerning internal audit and supervision. In January 2016 the PFSA closed the public consultation regarding the draft of a new Recommendation C to replace its previous version published in 2002. In particular, the draft amendment of Recommendation C includes provisions regarding the following: (i) internal policies; (ii) strategies and prudent procedures for credit concentration risk management; (iii) the inclusion of concentration risk related to intra-group exposures; (iv) the understanding of exposure netting rules and the legal validity of netting; (v) the introduction of reliable concentration risk identification and measurement processes; (vi) stress testing to evaluate the impact of external and internal factors on the concentration risk of a bank; (vii) the implementation of concentration risk limits; (viii) the use of adequate concentration risk reducing instruments; (ix) the implementation of concentration risk controls; and (x) monitoring, reporting and concentration risk management in view of various types of risk. The PFSA expects that the new Recommendation C will have been implemented by January 1, 2017.

Recommendation H governs the banks' internal control systems. Pursuant to Recommendation H, the banks are required to: (i) adopt an effective internal control system tailored to the nature, risk profile and scale of banking operations; (ii) appoint an audit committee comprised of the relevant number of independent members who have expert knowledge and experience; and (iii) introduce an adequate management information (reporting) system related to an internal audit system. These regulations must be implemented in proportion to the extent and complexity of their activities.

Recommendation M relates to the operational risk management of banks. In order to limit operational risk Recommendation M introduces requirements related to: (i) an operational risk management strategy; (ii) the organization of a bank's internal environment; (iii) operational risk identification, assessment and prevention; (iv) operational risk management process control and monitoring; and (v) the reporting and the transparency of the bank's approach to operational risk.

Recommendation D complements Recommendation M and relates to information technology management and security. Recommendation D includes requirements regarding the strategy and organization of information technology and security, as well as the development, maintenance and operation of information technology and its security management.

Recommendation S governs good management practices relating to mortgage-secured credit exposures. With a view to managing credit exposures carefully, Recommendation S introduces requirements regarding: (i) the approval and implementation of a management policy, in writing, for such exposures; (ii) the introduction of an adequate organizational structure; (iii) the identification, measurement and assessment of risks related to mortgage-secured credit exposures; (iv) the introduction of internal policies, procedures and regulations governing collaterals accepted by a bank; (v) the monitoring and reporting on mortgage-secured credit exposure; (vi) the internal audit of a bank's activities related to mortgage-secured credit exposures; and (vii) relations with customers applying for mortgage-secured loans, including their servicing. In June 2013 the PFSA published an amended Recommendation S. The new Recommendation S has introduced the following changes: (i) the elimination of real estate loan exposures that are not secured with a mortgage from the scope of Recommendation S; (ii) that foreign currency mortgage loans should only be offered to the customers who earn income in the currency of a loan on a permanent basis; (iii) in case of exposures related to real estate financing, that the bank should not grant a loan for the full value of real estate that serves as collateral, and the maximum value of the LTV ratio, i.e. the value of a mortgage-secured credit exposure to the value of real estate, for credit exposures secured with residential properties should not exceed 80% or, as an exception, 90% (with the transition period to the end of 2016 when the ratio is to be gradually reduced to the recommended level), while in general for credit exposures secured with commercial properties the recommended LTV ratio should not exceed 75% or, as an exception,80%; (iv) that a more flexible approach should be taken with regards to the debt-to-income ratio ("**DtI Ratio**") assuming that the value of the Dt Ratio, defined as the ratio of expenses associated with the service loan commitments and other financial obligations to

the income customer, and assuming that the value of the DtI Ratio should be specified by the management board of a bank and incorporated into a risk management strategy adopted by the supervisory board of such bank; and (v) the introduction of a recommended period of 25 years as the maximum lending period and the adoption of a period of 35 years as the maximum allowable lending period, with a maximum period of 30 years for the purposes of creditworthiness analysis for exposures with an expected repayment period over 30 years. For banks with significant (in excess of 2% of the value of such exposure for the entire banking sector) mortgage-secured credit exposures, Recommendation S sets forth additional requirements concerning, among other things, exposure management policies, the frequency of reporting on the implementation of such policies, and the need to include any rapid change in the collateral value in stress testing.

Recommendation T governs best practice in risk management applicable to retail credit exposures. Recommendation T defines retail credit exposure as an exposure to an individual (natural person) granted for any purposes other than running a business or a farm. A retail credit exposure excludes mortgage-backed exposures (which are exclusively covered by Recommendation S), exposures secured with a deposit submitted by the customer to the bank, credit exposures resulting from loans granted to finance purchase of securities, and exposures which are to be repaid from proceeds from sale of securities. Under Recommendation T, the PFSA has ceased to determine the maximum DtI Ratio. In light of Recommendation T, each bank determines its ratio at a level it deems acceptable with regards to the unique characteristics of its business and the amount of risk it has accepted. In addition, Recommendation T has introduced simplified creditworthiness assessment principles, under which a bank may grant a loan on the basis of a customer's declaration of income and on the basis of scoring models, as well as on the analysis of a customer's credit history. Whether or not such a simplified procedure is allowed depends on the amount of the loan applied for by a customer and the length of such customer's relationship with the bank. Like Recommendation S, Recommendation T has imposed additional requirements on banks having a significant (higher than 2% of the amount for the entire banking sector) amount of retail credit exposures (for example, such banks are required to use scoring models in their creditworthiness assessment processes).

Recommendation P applies to the activities of banks in liquidity risk management. It determines the minimum standard in the opinion of the PFSA concerning best practices in liquidity risk management. Recommendation P has implemented rules set out in relevant international guidelines and includes recommendations concerning the determination of liquidity risk tolerance for a bank, recognition of all types of liquidity risk (including the risk of an unexpected demand for liquidity), maintenance of permanent presence in selected, significant financing markets, diversification of liquid assets, performance of stress tests and their functional connection with the contingency liquidity plan, management of collateral, maintenance of surplus top quality liquid assets which are free of any encumbrance, application of a mechanism for allocation of costs and benefits from various types of liquidity risk in the internal transfer pricing system, and the management of intraday liquidity and disclosures relating to the liquidity of a bank. The PFSA expects that banks will complete the implementation of Recommendation P by December 31, 2015. Alior Bank has implemented Recommendation P.

Recommendation U regulates best practices in *bancassurance*. Its primary objectives are to improve the cooperation between banks and insurance companies when offering insurance products to customers and to outline the conditions of sustainable growth in the *bancassurance* market. Recommendation U has established a framework for the correct identification, supervision and management of risks connected with distribution of insurance products by banks, and is a set of recommendations concerning the accounting policy and internal control system of a bank including the compliance function which is part of that system. This Recommendation applies to all banks operating under Polish law that cooperate with insurance companies offering insurance products. This applies where a bank is acting as an agent in making insurance contracts, or where a bank is offering the possibility to join an insurance contract signed by a third party, or where it is the customer who is to pay the cost of insurance cover for risks incurred by the bank. In accordance with Recommendation U, a bank should, inter alia: (i) develop and implement the *bancassurance* policy, where the internal control system of the bank will cover the *bancassurance* operations; (ii) ensure an appropriate separation of sales, risk acceptance, risk monitoring and control functions in its organizational structure; (iii) run its business so that any conflict of interests is avoided, and ensure that it will not act (formally or actually) as the policyholder and the insurance agent at the same time; (iv) ensure a customer has the freedom of choice of an insurance company whose services the customer wants to buy; and (v) inform a customer unambiguously whether the bank acts as insurance agent or policyholder. As required by the PFSA, Alior Bank has implemented Recommendation U effective March 31, 2015. In order to comply with the requirements of Recommendation U, Alior Bank has adjusted its product range and insurance product distribution model and has implemented its *Bancassurance* Policy, which determines the standards of sales of *bancassurance* products and the rules of cooperation with insurance companies.

Recommendation W covers model risk management at banks. In line with its key objectives, Recommendation W aims to: (i) determine supervisory expectations relating to the model risk management process (including external and group

models); (ii) present best practices to banks in relation to the effective process of model risk management at all stages; (iii) adjust activities of banks in the area of model risk management to the level of model risk; and (iv) reduce the exposure to model risk. The PFSA expects that all banks will have implemented Recommendation W by June 30, 2016. As at the date of this Offering Circular, Alior Bank was in the process of implementing Recommendation W. Alior Bank assumes that Recommendation W will be implemented before the deadline set by the PFSA.

In December 2015, the PFSA published a draft Recommendation Z concerning corporate governance rules for banks. Corporate governance covers, in particular, the management of a bank, the organization of a bank, and the operating rules, powers, duties, responsibilities and mutual relationships of the supervisory board, management board, key executives and officers of a bank. The draft is now at the public consultation stage. The PFSA assumes that all banks will have implemented Recommendation Z by October 31, 2016. As at the date of this Offering Circular, Alior Bank was in the process of implementing Recommendation Z. Alior Bank assumes that Recommendation Z will be implemented before the deadline set by the PFSA.

Banking supervisory regulations applicable to dividend restrictions are presented in the section "*Dividends and Dividend Policy*".

Regulations concerning compensation policies applicable to bank managers and PFSA Resolution No. 258/2011 and PFSA Resolution No. 259/2011 are discussed in "*Management and Supervisory Boards – Other Information Concerning Management Board and Supervisory Board Members – Remuneration and Other Benefits of Management Board and Supervisory Board Members".* EU law requirements applicable to the compensation policy are described below in the subsection *"Regulations of the Banking Sector in Poland – Capital requirements and risk management requirements European law requirements – Basel III – Remuneration policies".*

European law requirements

Basel III

In December 2010 the Basel Committee on Banking Supervision approved the so-called Basel III Accord, tightening the capital and liquidity requirements for banks in order to improve the banking sector participants' resilience to the deficiencies revealed during the financial crisis. As part of the Basel III Accord, approved in January 2013, new liquidity coverage requirements and liquidity risk monitoring tools were introduced. Further, in October 2014, net stable funding ratio requirements were introduced. One of the main elements of the Basel III Accord is the concept of bank regulatory capital which includes the following elements: (a) Tier I capital, including core Tier I capital and supplementary Tier I capital; and (b) Tier II capital.

Core Tier I capital consists of shares of the bank, share premium, retained earnings, accumulated other comprehensive income and other disclosed reserves, as well as minority interests and regulatory adjustments. Supplementary Tier I capital consists of the instruments issued by the bank that do not qualify for core Tier I, share premiums on those instruments or instruments issued by the bank's subsidiaries that do not qualify for core Tier I held by third parties, and regulatory adjustments. Tier II capital consists of the instruments issued by the bank that do not qualify for Tier I, share premiums on those instruments, instruments issued by the bank's subsidiaries that do not qualify for Tier I held by third parties, some loss provisions, and regulatory adjustments. For the purpose of allocating the given instruments to the relevant regulatory capital category, they must satisfy certain additional criteria described in detail in the Basel III Accord. According to the Basel III Accord, the core Tier I capital must represent at least 4.5% of the risk-weighted assets and the Tier I capital must represent at least 6% of these assets, whereas the total regulatory capital (Tier I + Tier II) must represent at least 8.0% of the risk-weighted assets.

The provisions of Basel III have been implemented in the EU in the CRD 4 Package (as defined below).

CRD 4 Package

The purpose of the CRD 4 Package is to reform the EU banking sector by implementing, among other things, uniform principles of prudential supervision (including regulatory reviews and assessments of banks) and requirements aimed at improving the financial stability of banks and their stress resilience. The CRD 4 Package includes: (i) the Regulation (EU) No 575/2013 of the European Parliament and of the Council of June 26, 2013 on prudential requirements for credit institutions and investment firms and amending Regulation (EU) No 648/2012 (the "**CRR**"); and (ii) Directive 2013/36/EU of the European Parliament and of the Council of June 26, 2013 on access to the activity of credit institutions and the prudential supervision of credit institutions and investment firms, amending Directive 2002/87/EC and repealing Directives 2006/48/EC and 2006/49/EC (the "**CRD**") (jointly referred to as the "**CRD 4 Package**"). The

CRD 4 Package will be supplemented with technical standards of the European Banking Authority and delegated acts of the European Commission as they are passed and published in the Official Journal of the EU. The CRR is legally binding and has been directly applicable in all Member States since January 1, 2014 (but for certain designated provisions). On the other hand, the CRD needs to be enacted into national legal systems.

The CRD 4 Package was implemented in Poland mainly in the form of an amendment to the Banking Law passed in the Act of August 5, 2015 in relation to macro prudential supervision over the financial system and crisis management in the financial system. This act took effect on November 1, 2015 with the exception of certain individual provisions concerning, in particular, the buffers (capital conservation, countercyclical, systemic risk), which took effect on January 1, 2016. The amendments to the Banking Law involved adding new provisions from the CRD and modifying those which required amendment to comply with the directive. Other modifications to the Banking Law included those aimed at aligning the local regulations to CRR solutions.

The key assumptions of the CRD 4 Package are discussed below.

Requirements regarding own funds

In the CRD 4 Package terminology, the equivalent of the Basel III regulatory capital is the own funds which comprise Tier I capital (core Tier I and supplementary Tier I capital) and Tier II capital. The requirements regarding the levels of these types of capital are analogous to those of Basel III (see *" – Regulations of the Banking Sector in Poland – Capital requirements and risk management requirements European law requirements – Basel III"* above).

The elements of the particular capital included in own funds are generally identical to the elements listed in the analogous categories of regulatory capital under Basel III. The CRR defines the detailed terms of allocating particular items or instruments into the relevant categories of own funds, the principles of making adjustments resulting from prudential filters which demand that certain items be excluded from own funds, and the principles of deductions from own funds (for example, the losses for the current financial year, intangible assets, and deferred tax assets or equity interests in own instruments that the bank might be obliged to buy out under its binding contractual regulations are to be deducted).

The total risk exposure amount is calculated as a total of: (i) the risk-weighted exposure for credit risk and dilution risk for the whole business activity of the bank, minus the risk weighted exposures related to the trading portfolio; (ii) the own funds requirements calculated for the trading-book business of the bank for position risk and large exposures; (iii) the own funds requirements calculated for the foreign-exchange risk, settlement risk and commodities risk; (iv) the own funds requirements calculated for the credit valuation adjustment risk of OTC derivative instruments other than the credit derivatives recognized to reduce risk-weighted exposure amounts for credit risk; (v) the own funds requirements calculated for operational risk; and (vi) the risk-weighted exposure amounts calculated with respect to counterparty risk arising from the trading book business of the institution for the certain types of transactions and agreements.

Capital buffers requirements

According to the CRD, banks are required to maintain certain capital buffers. This requirement is satisfied through core Tier I capital which, as a rule, is additional to any core Tier I capital maintained in order to satisfy the own funds requirements. Capital buffers are calculated on the basis of risk exposure amounts calculated for the purposes of own funds requirements.

The main capital buffers are: (i) a conservation buffer maintained at 2.5%; and (ii) an individually assessed countercyclical buffer maintained at the level of a weighted average of the countercyclical buffers of the states where the bank has its credit exposures. Each Member State appoints an authority responsible for determining a countercyclical buffer relevant for that Member State.

Additionally, the CRD provides for separate buffers for global systemic institutions and for other systemic institutions, as well as a systemic risk buffer. The systemic risk buffer may be created for the whole financial sector or to a subset in order to prevent and mitigate any long-term non-cyclical systemic or macro prudential risks, defined as the risks of disruption in the financial system which may have significant adverse consequences for the financial system and the real economy of the given Member State. The level of that buffer is determined by an authority appointed in each Member State and it must be at least 1%.

Liquidity coverage requirement

In order to improve the banks' resilience to risks relating to short-term liquidity loss, the CRR has implemented a requirement that banks should maintain liquid assets covering the liquidity outflows less the liquidity inflows under

stressed conditions. This is to ensure that the institutions maintain levels of liquidity buffers which are adequate to face any possible imbalance between liquidity inflows and outflows under gravely stressed conditions over a period of thirty days. This is referred to as the "liquidity coverage requirement". This liquidity is determined as a percentage ratio representing a proportion of the amount of liquid assets and net liquidity outflows over a period of stress conditions equal to 30 calendar days. The Commission Delegated Regulation (EU) 2015/61 of October 10, 2014, which supplements the CRR in respect of net inflow coverage requirements for credit institutions, states this ratio must be maintained at a level of at least 100%. The liquidity coverage ratio will be implemented in four phases, from October 1, 2015 to January 1, 2018.

Net Stable Funding Ratio, NSFR

In addition to the short-term liquidity requirements, Basel III also provides for stable long-term funding requirements and introduces a requirement that the Net Stable Funding Ratio (the "**NSFR**") should be maintained at a level of at least 100%. The NSFR is calculated as a proportion of the available amount of stable funding. This includes the amounts of capital and liabilities available within the ratio's time perspective (up to one year), to the required amount of stable funding resulting from the liquidity characteristics and maturity period for the individual assets and off-balance sheet exposures of the bank.

The CRR requires the banks to secure the proper performance of their long-term obligations using various stable funding instruments, both in normal and stressed conditions. In order to implement the Basel III requirements, the CRR also allows for defining and implementing binding de minimis standards for net stable funding in accordance with the procedure described in the next paragraph. Until they are implemented, the EU Member States can maintain or implement local law regulations concerning stable funding.

On December 31, 2015 the EBA presented and published reports concerning: (i) the extent it would be appropriate to ensure that institutions apply stable sources of funding; and (ii) the methods for determining the amounts of stable funding available to institutions and needed by those institutions, as well as certain uniform definitions to be used for the purposes of calculating such a net stable funding requirement. Based on those reports, by December 31, 2016 the European Commission may submit to the European Parliament and to the EU Council a legislative initiative with respect to the methods of ensuring that institutions use stable funding sources.

Leverage ratio

According to the CRD, the relevant authorities of the Member States are obliged to ensure that the banks have in place policies and procedures aimed at identifying the risk of excessive leveraging, managing and monitoring such a risk. Further, that the banks employ precautionary measures by taking due account of potential increases in the risk of excessive leverage caused by reductions of the institution's own funds through expected or realized losses.

The leverage ratio is calculated as a measure of the bank's Tier I capital divided by the measure of its total exposure expressed as a percentage. The total exposure measure is the total of the exposures related to the assets, derivatives and charges relating to counterparty credit risk with respect to certain transactions and off-balance sheet items. The CRR provides detailed rules for calculating these values. By October 31, 2016 the EBA will submit a report to the European Commission regarding, amongst other things, the leverage ratio and its impact on excessive leveraging risk management. On the basis of this report, by December 31, 2016 the European Commission shall submit to the European Parliament and to the EU Council a report on the impact and effectiveness of the leverage ratio. In appropriate cases, this report may be accompanied by a legislative initiative with respect to the implementation of an appropriate leverage ratio level that banks using various business models should achieve.

Remuneration policies

The CRD requires the relevant bodies in the Member States to ensure that remuneration policies employed in banks are compliant with proper and effective risk management, and do not encourage taking risks beyond the risk appetite of the given bank. Remuneration policies must be in line with the business strategies, goals, values and long-term interests of the bank and implement measures aimed at preventing conflicts of interests.

These rules apply to the senior management, persons deciding on business risks, the staff exercising supervisory functions, all of the employees who receive remuneration in the same brackets as the senior executives and persons deciding on business risks whose professional activities significantly affect the risk profile of the bank. In order to define the circle of persons covered by these remuneration policies requirements, the European Commission adopted the Commission Delegated Regulation (EU) No. 604/2014 of March 4, 2014 supplementing the CRD with regard to

regulatory technical standards in respect of the qualitative and appropriate quantitative criteria used to identify categories of staff whose professional activities have a material impact on an institution's risk profile.

Stress tests

The CRD 4 Package requires stress tests to be conducted in order to identify possible events or changes in the economic environment that may occur in the future and adversely affect the bank's credit exposures. Stress tests are also used to assess the bank's resilience to such changes and its ability to react to them. The tests are run on two levels.

Firstly, the CRD states that the relevant bodies of the Member States should conduct tests within each of their regulated banks as required, but at a minimum once a year. In order to ensure that uniform methods are applied in the course of the annual regulatory stress tests, on August 26, 2010 the EBA issued a set of stress tests guidelines. These are to be updated in the second quarter of 2016. Secondly, the CRR requires that banks themselves should, for the purpose of assessment of their own capital adequacy, establish and regularly conduct solid stress tests processes. The choice of the test is the bank's decision, and once made it is reviewed by the regulator. The stress test applied should be meaningful and should consider the effects of severe, but plausible, recession scenarios.

BRR Directive

The BRR Directive was adopted on May 15, 2014. The BRR Directive provides, among other things, for a bail-in instrument, defined as a write down or conversion of the liabilities of an institution towards its creditors and shareholders into equity in order to capitalize that institution. The purpose of this instrument is to ensure that the taxpayer will be the last to incur the costs related to the deteriorating condition of the banks. As a rule, the BRR Directive does not preclude a state intervention to uphold the liquidity of a failing bank, but such an intervention is only permitted in exceptional cases where it is deemed to upkeep the public interest by ensuring the stability of the financial system, and where there is a chance to save a bank even though it cannot be capitalized with private funds.

According to the BRR Directive, to the extent possible, the business of a failing bank should continue to be conducted using restructuring and resolution tools based on private funds. The methods of ensuring such participation of the private sector includes, among other things, the bail-in instrument and an acquisition of the institution by a private sector buyer or its merger with such a buyer. Bank creditors and shareholders should be the first ones to absorb the losses, although the group incurring those loses will not include the holders of smaller deposits that are protected in the EU (below EUR 100,000). The BRR Directive also states that the individual states should establish restructuring and resolution funds from the premiums paid by the banks.

Generally, the deadline for enacting the BRR Directive into the EU Member States' legal systems elapsed on January 1, 2015 (to a limited extent, with respect to the bail-in instrument, this deadline was postponed to January 1, 2016), but as at the date of this Offering Circular the BRR Directive has not yet been implemented in the Polish legal system.

Banking Guarantee Fund

Funds deposited in registered bank accounts in Poland or due on the basis of registered instruments issued by the banks are covered by a system of BFG guarantees. According to the BFG Act, the institutions covered by the BFG guarantees system pay quarterly premiums to the BFG. According to Resolutions No. 15/2016 and 18/2016 of the BFG Board of March 23, 2016, as at the date of this Offering Circular the mandatory quarterly premium for Q1 and Q2 2016 due from the institutions covered by the mandatory guarantees system was set at 0.04175% of the total risk exposure defined in the CRR. This was calculated in accordance with the principles determined on the basis of that Regulation and the Banking Law. The mandatory guarantees system ensures that if a guarantee disbursement condition is fulfilled, the funds deposited in the bank will be returned to the depositors up to a PLN equivalent of EUR 100,000. With respect to a domestic bank, the triggering of the guarantee means that the PFSA will issue a decision suspending the bank's business activity and appoint a receiver, unless one was previously appointed, and apply to the relevant court for a declaration of bankruptcy or to initiate composition proceedings. The BFG Act states that deposits with the SKOK are also covered by the BFG guarantees and, if a guarantee is triggered, the BFG will repay to their depositors the guarantee funds up to the PLN equivalent of EUR 100,000.

The BFG Act also establishes a stabilization fund, funded from prudential fees paid by the banks. The prudential fee level is determined as a product of a rate not exceeding 0.2% and the basis for calculating the abovementioned quarterly premiums. In its Resolutions No. 16/2016 and 19/2016 of March 23, 2016 the BFG Board set the prudential fee rate for Q1 and Q2 of 2016 payable to the BFG at 0.01975% of the total risk exposure calculated in accordance with the principles determined on the basis of the CRR and the Banking Law.

The funds from the prudential fees are added to the stabilization fund. The stabilization fund is used to provide financial aid to banks in the form of guarantees. This is to increase the domestic bank's equity if that guarantee is triggered in the form of acquiring shares, bonds or other bank securities issued by that domestic bank.

A new act amending the BFG Act was passed on March 23, 2016. It changed the system of fee revisions from annual to quarterly, and its purpose is to avoid a situation where a fixed level of the annual fees payable to the BFG could result in generating interim balance sheet losses which would force the banks to prepare recovery plans (among other things).

Recovery process; receivership

According to the Banking Law, in the event of: (i) incurring, or the threat of incurring, balance sheet losses; or (ii) a threat of insolvency or liquidity loss, the management board of the bank is obliged to promptly notify the PFSA, submit a recovery plan, and ensure that it is implemented. If that fails, the PFSA may order the bank to initiate a recovery process.

In its letter of January 19, 2015 the Chairman of the PFSA stated that the above notification is also required if the bank shows negative financial results due to non-recurring events, including the potential consequences of accounting for the annual premium and the prudential fee payable to the BFG. Additionally, it was explained that, in the notification submitted to the PFSA, the bank should describe the cause for the occurring situation and provide an assessment of the bank's present and future financial standing in the form of detailed forecasts covering the individual lines of the profit and loss account. These forecasts should demonstrate that the non-recurring event will not adversely affect the bank's ability to continue generating positive financial results at least until the end of the given financial year. Depending on the assessment of the negative financial result, taking into account whether or not the generated losses are permanent and whether in the following months the bank will be able to generate positive financial results, the PFSA may also indicate a period of time during which the bank should prepare a recovery plan. The PFSA may request that such recovery plan be supplemented or revised.

When operating in a recovery plan regime, banks are subject to numerous limitations. One of these limitations is the obligation to transfer any profits generated by the bank, first for the coverage of losses and then for increasing its own funds. If the recovery plan is found to be insufficient or if it is not properly implemented, the PFSA may: (i) prohibit or restrict the granting of credits or loans to shareholders (members) of the bank and members of its supervisory board, management board and employees; (ii) demand that the management board convenes an extraordinary general meeting within a period of no longer than six months, for the purpose of reviewing the bank's condition, deciding on the coverage of balance sheet losses and adopting other resolutions, for example on increasing the bank's equity; and (iii) order a reduction or withholding of some of the variable remuneration components of the bank's executives, including those due for the period of holding the executive position in the bank, but for no longer than three years. There is no appeal system against these prohibitions and demands of the PFSA.

Additionally, for the period of implementation of the recovery plan, the PFSA may appoint a supervisor to oversee the implementation of the plan. The PFSA shall immediately notify the management board of the BFG of a need to initiate a recovery process by a management board of the bank. If the BFG so requests, the PFSA shall appoint it as the supervisor for the bank covered by the guarantees system (see " – *Banking Guarantee Fund*") if the BFG has provided any assistance envisaged in the BFG Act to that bank.

The supervisor may participate in the meetings of the bank's corporate bodies and may demand any and all information required for the proper performance of its functions. The supervisor may also file objections with the relevant commercial court against the resolutions and decisions of the management board or supervisory board (if the supervisor discloses its intention to object at a meeting of the management board or supervisory board, the implementation of the relevant resolution or decision shall be stayed). The supervisor may also challenge in court any resolutions of the general meeting that are incompatible with the bank's interests.

If the management board of a bank fails to submit a recovery plan, or if its implementation proves ineffective, the PFSA may appoint a receiver for the bank for the period of implementation of the recovery plan. The power to adopt resolutions and decide on all matters reserved in the statutes or articles of association for the corporate authorities and bodies of the bank is vested in the receiver. As of the date of the appointment of the receiver, the supervisory board is deemed to be suspended (however, this does not pertain to the right to appeal to an administrative court against the decision of the PFSA appointing the receiver), and the management board members of the bank are removed from their position by the operation of law. All registered proxies and powers of attorney granted before that date expire. For the period of receivership, all competencies of other corporate bodies of the bank are suspended. An appeal filed with the administrative court by the supervisory board against the decision appointing the receiver does not stay the

implementation of that decision. A bank undergoing a recovery process based on a recovery plan is exempted from the tax on certain financial institutions (see " – *Financial Transactions Tax*")

Banking privileges

Banks operating in Poland enjoy certain privileges in conducting their business. In particular, there are special provisions that simplify the rules governing the establishment of collateral and the collection of receivables for banks. Additionally, banks may transfer their receivables to other entities for the purpose of issuing financial instruments by that entity, secured on the transferred receivables (securitization of bank receivables). At the same time, November 2015 saw the implementation of regulations lifting the institution of "banking enforcement title" which had greatly facilitated the collection of the banks' receivables.

As a general rule, documents issued by banks have the same status as official documents. Pursuant to the Act of April 19, 2013 amending the Banking Law and the Investment Funds Act, this rule does not apply in respect of books of accounts and extracts from the books of accounts of banks in civil law litigations. This amendment was implemented on the basis of a ruling of the Constitutional Tribunal of March 15, 2011 (file ref. P 7/09) which stated that Article 95 Section 1 of the Banking Law giving the status of official documents to books of accounts and extracts from books of accounts in civil law litigations against consumers was contrary to the Constitution, because it afforded a statutory superiority to a professional (the bank) over a consumer. Meanwhile, due to the constraints imposed by the legal query submitted to the Constitutional Tribunal, the Tribunal only ruled on the partial conflict of Article 95 Section 1 of the Banking Law with the Constitution, which means that the other types of certificates and confirmations issued by banks in the scope of authority and obligations related to banking activity and collateral established in favor of the bank do not forfeit their status as official documents afforded by the legislature to such documents in the particular branches of law (civil, administrative or penal).

Consumer protection

The following is a description of the consumer protection regulations on the financial services market that Alior bank considers material.

The Consumer Credit Act, the Civil Code regulations and other consumer protection laws impose on the banks several obligations relating to agreements with consumers (natural persons who perform actions which are not directly related to their business or professional activities).

In particular, the Consumer Credit Act defines (i) the rules and procedures for concluding consumer loan agreements; (ii) disclosure obligations of the lender and credit broker regarding information to be provided prior to the execution of a consumer credit agreement, as well as the obligations of the consumer, lender and credit broker in relation to an executed consumer loan agreement; (iii) disclosure obligations of the lender and credit broker regarding information to be provided prior to the execution of a mortgage-backed credit agreement and the requirements concerning information to be disclosed in such a mortgage-backed credit agreement; and (iv) effects of lender's failure to comply with its obligations.

The Consumer Credit Act also defines mandatory provisions of a consumer credit agreement and introduces the standard European consumer credit information form, which provides all basic information regarding the credit and, in particular, requires the creditor to quote the total cost of a loan comprising all the costs including interest, commissions, taxes, fees for credit intermediaries and any other fees which the consumer has to pay in connection with a credit agreement (with the exception of notarial costs). Based on the information provided in the form, the consumer may decide as to the contracted credit. The disclosure obligations set forth in the Consumer Credit Act also concern the mandatory provisions regarding the advertising of consumer loans.

The Consumer Credit Act applies to all consumer loans of less than PLN 255,550 and also applies, to a limited extent, to mortgage loans. Generally, the Consumer Credit Act applies to all institutions granting consumer loans and not just to banks, but to all intermediaries.

According to the Consumer Credit Act, in the case of a loan denominated or indexed in any currency other than PLN, the borrower has the right to make both the principal and interest repayments directly in that currency. The exercise of such right must not involve any additional cost to the borrower, and the lender cannot make the borrower's exercise of such right conditional on the introduction of any additional restrictions. Specifically, the lender must not require the borrower to buy the currency to be used for the repayment of the loan instalments, whether in whole or in part, from an entity designated thereto.

The consumer may withdraw from a consumer loan without cause at any time during the first 14 days following the execution of the agreement. Moreover, if a consumer credit agreement does not contain any of the mandatory elements of a consumer credit agreement, the consumer may withdraw from that agreement within 14 days of delivery of all those elements. Pursuant to the Consumer Credit Act, the consumer does not incur any cost in relation to withdrawing from the consumer credit agreement, except for interest for the period from the date of disbursement to the date of repayment of the credit.

An act amending the Consumer Credit Act became effective as of March 11, 2016. This amendment defines, among other things, a cap on non-interest cost related to a credit and interest accruing on overdue payments. Pursuant to the binding regulations, generally, the non-interest costs of a credit cannot exceed the total credit amount over the crediting period, and the total of the non-interest costs of the credit cannot exceed 100% of the total credit amount. If the lender breaches any provisions of the Consumer Credit Act, including a breach concerning the mandatory provisions of such credit agreements, the cap on fees and interest on any overdue receivables and the cap on non-interest costs of the credit, the consumer is authorized to make an appropriate statement to the lender in writing and return the loan without any interests or other costs due to the lender within a term and in a manner specified in the agreement (instrument known as the "free credit" sanction).

Additionally, the Act of August 5, 2015 amending the Act on Protection of Competition and Consumers and certain other acts became effective as of April 17, 2016. This amendment equipped the UOKiK President with some new competencies that may be used in proceedings against financial institutions. In particular, an administrative decision of the UOKiK President will be decisive in asserting the prohibited nature of contract forms, and may prohibit their further use. Unlike under the previous "abstract" regime of reviewing the prohibited provisions in contract forms, the UOKiK President will now be permitted to issue decisions, for example imposing penalties of up to 10% of the annual turnover of the perpetrating institution for using prohibited contract forms. According to the intertemporal regulations concerning the oversight over contract forms, the previous provisions will remain in force for no longer than ten years from the date of the amendment. Also, with respect to the contract forms that had been abandoned before the effective date of the act and the six-month term has not lapsed, the Act on Protection of Competition and Consumers will apply, provided that the UOKiK President may initiate proceedings for classifying the provisions of such contract forms as prohibited within six months of their abandonment by the institution. The UOKiK President also has the right to issue "injunctive decisions", obliging the undertaking to abstain from certain actions for the period of the proceedings. The amendment to the Act on Protection of Competition and Consumers also implements a concept of the "mystery client" that, among other things, gives the UOKiK President an extra tool to verify whether the undertaking infringes the law in offering its products and services. The Act on Protection of Competition and Consumers prohibits any practices that infringe on collective consumers' interests, such as (i) a breach of the obligation to provide consumers with fair, true and complete information; (ii) unfair market practices and acts of unfair competition; and (iii) "misselling" of financial services, i.e. misleading a customer by offering him/her financial services that are inadequate for that customer.

Obligations related to the provision of financial services to consumers are also imposed in the Act on Consumer Rights. According to this act, when the consumer expresses their will to enter into a remotely concluded financial services agreement, the institution is obliged to inform the client clearly and transparently, in a manner emphasizing the intention to enter into the agreement and further emphasize the following, without limitation: (i) the material properties of the products or services to be provided and their subject matter; (ii) the price or fee, including all their components such as fees and taxes, and where a precise price or fee cannot be determined – the basis for calculating the price or fee that will let the consumer verify them; (iii) the risk related to the financial services, where such risk is related to particular features or nature of the actions to be taken, or if the price or fee only depends on fluctuations of financial market prices; (iv) the terms of payment of the price or fee; (v) the costs, date and manner of providing the services; and (vi) the right and procedure to withdraw from the agreement, or the absence of such right, as well as the amount of a price or fee that the consumer may be required to pay if the services commence before the lapse of the statutory term for withdrawing from the agreement.

Additionally, a consumer who remotely concluded a financial services agreement may withdraw from it by way of making a written statement within 14 days of concluding the agreement or confirming the information that should be provided by the institution, whichever occurs later. This term will be deemed complied with if the statement is sent before its end. The consumer shall not incur any costs related to such a withdrawal, barring the costs that the institution may have incurred in relation to commencing the services, with the consumer's consent, prior to the lapse of the term for withdrawal. Any provisions less favorable to the consumer than the Act on Consumer Rights are deemed invalid and subrogated by the relevant provisions of the Act on Consumer Rights.

Except for the provisions of Section 4 concerning out of court proceedings for dispute resolution between clients and financial market participants that became effective as of January 1, 2016, October 11, 2015 was the effective date of the

Act of August 5, 2015 on handling claims by financial market participants and the Financial Ombudsman. This act sets out the principles of handling claims addressed to financial market participants by their clients, and the principles of activities of the Financial Ombudsman (the "**Financial Ombudsman**"). According to this act, claims can be submitted to any unit of the financial market participant that serves clients, in writing, orally or in an electronic form, if the financial market participant specified such methods of communication for that purpose. The financial market participant is required to specify in the agreement concluded with the client the following information: (i) the place and form of filing claims; (ii) the term for considering the claim; and (iii) the method of notifying of the outcome of the claim process. With respect to the clients who did not conclude agreements with financial market participants, the above information should be provided within seven days of the date on which the client reported its claims against the financial market participant.

The Act on handling claims by financial market participants and the Financial Ombudsman also specifies the competencies of the Financial Ombudsman – an official appointed by the Prime Minister for a term of four years. Their duties include taking actions aimed at protecting the clients of financial market participants whose interests they represent, and in particular: (i) reviewing individual applications filed as a result of rejecting client's claims by a financial market participant in the course of reviewing the claim; (ii) reviewing applications concerning failures in order to timely take actions based on claims granted to the client; and (iii) notifying the relevant regulators of any revealed irregularities in the functioning of financial market participants. Financial market participants are required to provide the Financial Ombudsman annually, within 45 days of the calendar year-end, with reports concerning the claims handled and the number of lawsuits filed by customers as a result of unsatisfactory result of their claims. The Financial Ombudsman may impose a fine of up to PLN 100,000 in its decision upon the participants of the financial market breaching the obligation referred to in the act of August 5, 2015 on handling claims by financial market participants and the Financial Ombudsman

Personal data protection

In light of the large number of individuals serviced by banks, the regulations concerning personal data protection are of particular importance to the banks' operations. Any operations performed with the use of personal data, such as collecting, recording, storing, editing, changing, making available or removing it (collectively, personal data processing) can only take place in a manner specified by the relevant regulations. A personal data administrator (a bank with respect to the client data it processes) is required to employ technical and organizational measures ensuring the protection of the data which is being processed, and in particular against being disclosed to unauthorized persons, taken away by an unauthorized person, or loss, damage or destruction. Additionally, the persons to whom the data concerns should be able to access and correct their data.

Payment services

The functioning of the banking sector is also affected by the Payment Services Act. This act governs the terms of payment services concerning, in particular, the transparency of contractual provisions and the disclosure requirements relating to payment services, the rights and obligations of the parties to the agreements for payment services, and the scope of the liability of the service providers in relation to their payment services, regulatory, organizational, capital and disclosure obligations imposed on the companies providing payment services, as well as the basic principles of the functioning of the nationwide market of payment card transactions. The Payment Services Act specifies the cap for interchange fees as: (i) 0.2% of the value of an individual debit card domestic transaction; (ii) 0.3% of the value of an individual credit card domestic transaction; and (iii) 0.3% of the value of an individual domestic transaction with the use of a card other than a debit or credit card (subject to certain conditions, this limitation does not apply to new card organization during the first five years of its activity).

Another significant regulation on the payment services market is the PSD II Directive. The PSD II Directive contains a number of new regulations relating to the licensing of payment services providers, transparency and disclosure requirements applicable to payment services providers, and those concerning the rights and obligations related to the provision and use of payment services. The EU Member States have been given until January 13, 2018 to implement the PSD II Directive into their legal systems, but the EU Member States permit those payment institutions that commence their business before January 13, 2018 under the local laws enacting the PSD Directive into their legal system to continue that business until July 13, 2018 under the requirements set out in the PSD Directive, without an obligation to apply for a permit required under the PSD II Directive or to comply with the other provisions of the PSD Directive.

Class action

Class action was implemented in the Polish legal system in July 2010. Class actions can be filed by no less than ten claimants whose claims are of the same kind and are based on the same or identical factual grounds. Class actions are

relevant to consumer protection, product liability and tort claims, but they exclude personal rights. Since claims raised by clients against banks are often of the same kind and based on identical factual grounds, the introduction of a class action gave the banks' clients a convenient instrument to jointly pursue their claims against banks, which significantly reduces the individual legal services costs.

Subsidized housing

The Act of September 27, 2013 on state subsidies for youth in purchasing their first apartment (the "*Mieszkanie dla Młodych*" program) came into force on November 23, 2013, and as of September 1, 2015 it was amended to expand the group of beneficiaries and the amount of funds available to them under the act significantly. The beneficiaries of the program may receive one-off subsidies to their own contribution against the purchase of their own property. The subsidy is provided within a range of 10% to 30% of the transaction price determined as the product of the average calculated index of replacement cost of one square meter of utility surface area of prevailing residential buildings on the date of filing the application for subsidies in the community where the apartment is located. The program supports the sales of loans on the mortgage loans market. The program will expire as of December 31, 2018.

Subsidies to repayment of housing loans

The act on providing support to residential mortgage borrowers in volatile financial situations has become effective as of February 19, 2016. This act sets out the principles of providing returnable financial subsidies to the natural persons repaying mortgage loans whose financial condition deteriorated. The support is provided via Bank Gospodarstwa Krajowego and the source of its funding and costs of its realization is the Borrowers' Support Fund (*Fundusz Wsparcia Kredytobiorców*) (the "**Fund**").

The support is provided in the form of monies extended by Bank Gospodarstwa Krajowego to the borrower for the purposes of the repayment of his/her liabilities under the housing loan, for a period of no longer than 18 months, in monthly instalments not exceeding PLN 1,500. According to the act, borrowers must apply for the support on or before December 31, 2018.

On the date of launching the Fund, it had funds amounting to PLN 600 million. On that day these funds comprised of contributions made by the lenders pro rata to their share of residential housing loans which had amounts or interests outstanding for more than 90 days. The Fund will be replenished if its available funds fall below PLN 100 million. The amount of any such replenishment cannot be lower than PLN 300 million. The lenders contribute surcharges to the Fund proportionally to the amount of support extended to the borrowers of that lender from the date of establishment of the Fund to the date of its last replenishment.

Amendment to the Act on Debentures and Mortgage Banks

The Act on Debentures and Mortgage Banks sets out the principles of issuing, selling, buying, redeeming and securing debentures, and the principles of establishing, organizing, operating and providing special oversight over mortgage banks (the "**Amendments**"). As of January 1, 2016 the Act of July 24, 2015 amended the act on debentures and mortgage banks. The purpose of this amendment is to develop the market of debentures issued by mortgage banks and to make the financing of mortgage bonds by issuance of long-term debt instruments, such as debentures, more attractive, whilst allowing the banks to reduce the structural mismatch of the funding maturities. The assets of the banking sector usually mature over longer periods of time, though they are funded using short-term liabilities such as deposits. The most important changes made in the Amendments include clarifying the disclosure obligations of the debenture issuers, implementing new obligations and requirements for mortgage banks (in this respect, maintaining certain indices on the required levels) and reducing the tax obligations incurred under the debentures. The new provisions are intended to increase the statutory protection of the holders of debentures by introducing detailed rules governing the process of satisfying the creditors and the process of bankruptcy proceedings for mortgage banks.

Amendment to the Banking Law

July 1, 2016 will be the effective date of the Act of October 9, 2015 on amendments to the Banking Law and certain other statutes (the "**Amendment to the Banking Law**"). The purpose of the Amendment to the Banking Law is to resolve the problem of inactive accounts, in particular the accounts of deceased holders, to facilitate access of the authorized persons to information regarding inactive accounts, and to regulate the methods of handling funds on such accounts.

As of July 1, 2016 banks will be obliged to inform account holders, in a manner understandable for them, of their right to order a pre-determined amount from the account in the event of their death to the parties of their choice: spouse, ascendants, descendants, siblings. When a bank becomes aware of the death of an account holder who had made such an order, it will immediately notify the persons authorized by the account holder of the availability of the specified funds for disbursement. Additionally, pursuant to the Amendment to the Banking Law, banks will be obliged to provide an account holder being a natural person and a person who inherits the legal title from the account holder, with information regarding, among other things, the bank accounts held for the deceased account holder. For that purpose, banks will be required to keep a central information unit for bank accounts.

Draft bill on restoring the balanced position of parties to certain credit and loan agreements

Following the decision of the Swiss central bank on January 2015 resulting in an abrupt appreciation of the CHF against the main currencies and the strong depreciation of the PLN against the CHF, and in view of a considerable portfolio of CHF-denominated housing loans granted in the Polish banking sector in the years 2000-2012, as at the date of this Offering Circular there are various proposals of regulatory measures aimed at mitigating the adverse effects of the CHF appreciation.

On January 15, 2016 the Office of the President of Poland published a draft bill on restoring the balanced position of the parties to certain credit and loan agreements concerning credits and loans in foreign currencies.

This draft envisages three scenarios of foreign currency mortgage loan restructuring: (i) voluntary restructuring, (ii) compulsory restructuring, and (iii) repossession against debt cancellation. In the voluntary restructuring scenario, the bank would agree to amend the credit or loan agreement settled with a consumer. On certain terms described in detail in the agreement, the agreement would be revised and the consumer would repay their indebtedness at a rate specified in accordance with the act (a "fair rate"), or at a rate more favorable to the consumer. If the bank did not agree to the voluntary scenario, the compulsory restructuring would be initiated at the request of a consumer. The mechanism of repossession against the cancellation of debt would be initiated upon the request of the consumer if the parties did not restructure the credit within the periods of time allowed under the act.

On March 17, 2016 the PFSA issued a negative opinion on the bill and published information regarding the foreseeable financial consequences of the bill. According to the PFSA, in addition to destabilizing the banks holding foreign currency loan portfolios from 2000-2012, the financial consequences of the act may undermine the confidence in the banking system or, in an extreme scenario, even generate a financial crisis.

As at the date of this Offering Circular, the draft bill published in January 2016 was being discussed and may undergo significant changes. It is yet to be submitted to the parliament as a bill proposal. As at the date of this Offering Circular it is unclear whether the draft will be submitted to the parliament and, if it is, what the scope of the draft will be.

CFIT Act

The CFIT Act took effect on February 1, 2016. This act governs the taxation imposed on assets of certain financial institutions including domestic banks, branches of foreign banks and branches of credit institutions. The tax is 0.0366% of the taxable amount per month. In the case of any of the aforesaid taxpayers, the taxable amount is the excess of that taxpayer's total assets shown in a trial balance as at the last date of the month, above the amount of PLN 4 billion, based on the general ledger accounts postings made pursuant to the Accounting Act or other accounting standards applied by the taxpayer pursuant to the Accounting Act.

With respect to domestic banks, the above taxable amount is reduced by, among other things: (i) the amount of the banks' own funds referred to in the Banking Law, calculated as at the month-end; (ii) the amounts by which the taxpayer, acting on the basis of PFSA decisions referred to in the Banking Law, increased its own funds in the month for which the taxable amount is calculated; (iii) the value of the assets acquired by the taxpayer from the NBP and held as security for a refinancing loan extended by the NBP under the NBP Act; and (iv) the value of the assets in the form of treasury bills within the meaning of the Act on Public Finance.

The tax on certain financial institutions is not imposed on state-owned banks, as defined in the Banking Law. The CFIT Act also provides for certain other exemptions for, among other things, (i) the taxpayers implementation of recovery plans referred to in the Banking Law, and (ii) taxpayers with respect to whom the PFSA has issued decisions on the matters contemplated in the Act on Financial Market Supervision (including liquidation of the bank, suspension of its business, application for bankruptcy or appointing a receiver for the bank).

Pursuant to the CFIT Act, the introduction of the tax cannot be used as a basis for changing the terms of financial services or insurance services provided before the effective date of the CFIT Act.

The Act on the Performance of the Agreement between the Government of the Republic of Poland and the Government of the United States of America to Improve the International Tax Compliance and to Implement FATCA.

The United States introduced regulations commonly referred to as the Foreign Account Tax Compliance Act (FATCA) setting out the rules for providing information by financial institutions on certain accounts.

On October 7, 2014 the Government of the Republic of Poland and the Government of the United States of America signed the FATCA Agreement. Pursuant to the governmental statement of July 24, 2015 on the validity of the FATCA Agreement, it came into force on July 1, 2015. The said agreement was concluded to improve tax compliance through mutual assistance in tax matters based on an effective infrastructure for the automatic exchange of information.

On December 1, 2015, the FATCA Act became effective. The FATCA Act sets out the rules of performance of obligations under the FATCA Agreement within the Republic of Poland, including the obligations of the reporting Polish financial institutions to identify U.S. reportable accounts (namely accounts to be reported by the reporting Polish financial institutions) and to report information on such accounts to the competent minister of finance or a competent authority (to be further reported to the U.S. tax administration).

The Regulation of the Minister of Finance of January 26, 2016 on detailed terms of applying verification procedures and cases where it is possible to select particular procedures under the FATCA Agreement, which became effective on January 30, 2016, provides additional details on the rules relating to applying procedures set out in the aforementioned regulations.

The aforementioned regulations impose on the reporting Polish financial institutions certain obligations, in particular: (i) to identify U.S. reportable accounts (the reporting Polish financial institutions are required to identify financial accounts as U.S. reportable accounts) and accounts held by the non-participating financial institutions; and (ii) to obtain certain information on the U.S. reportable accounts and report such information to the competent minister of finance or a competent authority (to be further reported to the U.S. tax administration), or possibly information that in respect of the relevant financial account maintained, no circumstances occur which would lead to the aforementioned obligation.

According to the said regulations, for the purposes of identifying financial accounts opened between July 1, 2014 and the effective date of the FATCA Act as U.S. reportable accounts, the reporting Polish financial institutions are required to demand that the holders of such accounts submit the relevant self-certifications. A Polish financial institution is required to block a particular financial account if, within 12 months of the effective date of the FATCA Act, it did not receive in respect of that relevant account a self-certification specified above. As at the date of this Offering Circular, Alior Bank had procedures in place ensuring that the Bank complies with the FATCA Act requirements.

A failure to fulfil the obligations contemplated in the FATCA Act and in particular a failure to submit information on the U.S. reportable accounts referred to in the FATCA Act to the competent authority on time, and the submission of untrue information, are subject to penal fiscal liability. Furthermore, in specified cases, failure by a Polish financial institution to comply with the requirements introduced under the FATCA Act may lead, under the U.S. tax regulations, to certain U.S. entities being required to make payments to such Polish financial institution or its clients and an obligation to withhold a 30% tax on such payments.

Mandatory automatic exchange of information in the field of taxation

The Council Directive 2011/16/EU of February 15, 2011 on administrative cooperation in the field of taxation; and repealing Directive 77/799/EEC, provides for the mandatory automatic exchange of information between the EU Member States on certain categories of income and capital, mainly non-financial, held by the taxpayers in EU Member States other than their resident state.

December 31, 2015 was the deadline for implementing the Council Directive 2014/107/EU of December 9, 2014 amending Directive 2011/16/EU with regards to mandatory automatic exchange of information in the field of taxation to the Polish legal system. These regulations are particularly aimed at extending the scope of automatic exchange of information. Poland did not implement Council Directive 2014/107/EU by the required deadline.

As at the date of this Offering Circular, legislative works are pending in order to implement the solutions adopted in the Directive 2014/107/EU into the Polish legal system. In particular, work is being conducted on a draft bill on the mandatory automatic exchange of information in the field of taxation (the "**Draft**"). The Draft provides that institutions with the status of reporting financial institutions will be required to identify reportable accounts, as well as to prepare and report to the Minister Competent for Finance information on reportable accounts in the specified regular periods of time. The Draft also assumes that the reporting financial institutions and the Minister Competent for Finance will keep

information on the reportable accounts for five years from the end of the calendar year in which the deadline for its reporting to the competent foreign authority lapsed. As of the date of this Offering Circular, there is no known effective date of the act implementing Council Directive 2014/107/EU of December 9, 2014 amending Directive 2011/16/EU with regards to the mandatory automatic exchange of information in the field of taxation.

Financial Transactions Tax

Works have been pending since 2011 on a regulation introducing a financial transactions tax, from which a portion would be transferred directly to the EU budget. The original motion in this respect was presented by the European Commission in 2011. The amended motion regarding the financial transactions tax, which would be implemented within the enhanced cooperation procedure in 11 Member States, was presented by the European Commission in 2013. In December 2015, ten EU Member States (including France and Germany) agreed on certain basic assumptions of the future financial transactions tax. At the same time, the aforementioned countries assumed that the remaining issues, including the tax rate, should be agreed by the end of June 2016. As at the date of this Offering Circular, the possible date of introducing the financial transactions tax was not known.

RELATED PARTY TRANSACTIONS

In the period covered by the Alior Group Financial Statements and up to the date of this Offering Circular, Alior Bank has concluded and intends to conclude in the future transactions with related parties within the meaning of IFRS 24. In the period covered by the Alior Group Financial Statements and up to the date of this Offering Circular, Alior Bank conducted transactions with the following related parties:

(a) related parties who are not members of the Alior Group;

(b) subsidiaries, however, transactions with subsidiaries will be eliminated upon consolidation in accordance with item 4 of IFRS 24; and

(c) members of the Management Board and the Supervisory Board.

In Alior Bank's opinion, transactions with related parties were concluded on an arm's length basis. As at the date of this Offering Circular, the tax authorities have never challenged any circumstances in which the Alior Group companies conducted transactions with related parties. In particular, the tax authorities have never indicated that the transactions were not concluded on an arm's length basis.

Save for the transactions described in this section, no other transactions with related parties that would be material for the business of the Alior Group were concluded in the period covered by the Alior Group Financial Statements and up to the date of this Offering Circular. Up to the date of this Offering Circular, no transactions have been concluded on terms different from those described in this section.

Transactions with related parties who are not members of the Alior Group

The tables below show the value of the transactions with related parties who are not members of the Alior Group, i.e.: (i) shareholders of Alior Bank (PZU, Alior Lux and Alior Polska) and (ii) other related parties due to family relations with or ownership interests in the Bank (including Zygmunt Zaleski Stichting, Socamil SA, AMILA sp. z o.o., Impel S.A., Seen Holding sp. z o.o., Polbita sp. z o.o., ALIS S.A., MCI Management S.A., Seen Holding sp. z o.o. and Manco sp. z o.o.), in the periods and as at the dates indicated.

	The three-month period ended March 31, 2016				
	Receivables	**Total liabilities**	**Off-balance sheet liabilities**	**Interest income**	**Interest expense**
	(PLN million)				
Bank's Shareholders:					
PZU	0.0	38.0	25.2	0.0	(0.2)
Other[(1)]	0.0	6.9	0.0	-	(0.1)
Total*	**0.0**	**44.9**	**25.2**	**0.0**	**(0.3)**

[(1)] Family members of Management Board members or Supervisory Board members and the entities in which family members of Management Board members or Supervisory Board members were shareholders or members of corporate bodies. The transactions comprise standard financial services provided by Alior Bank, including keeping bank accounts, accepting deposits or sale of financial instruments. Alior Bank believes that these transactions were concluded at arm's length. The values of the transactionss (both individually and in aggregate) are immaterial to the Alior Bank's business.

*Source: Alior Bank; * Alior Group Consolidated Financial Statements for the First Quarter of 2016*

	As at or for the year ended December 31, 2015							
	Receivables	Liabilities	Off –balance sheet liabilities	Interest income	Interest expenses	Fee and commission income	Other operating income	General administrative expenses
	(PLN million)							
Bank's Shareholders:								
PZU	0.0	7.8	-	-	(0.2)	0.0	-	-
Alior Lux	-	6.9	-	-	(0.1)	0.0	1.6	-
Alior Polska	-	11.9	1.7	-	(0.3)	0.0	0.0	(41.3)
Parties having personal or capital relations with the Bank:								
Zygmunt Zaleski Stichting[(1)]	-	31.9	-	-	(0.3)	0.0	0.0	-
Socamil SA[(2)]	-	17.5	-	-	(0.0)	0.0	-	-
AMILA sp. z o.o.[(3)]	-	4.6	-	-	-	-	-	-
Impel S.A.[(4)]	-	1.0	7.5	-	-	0.1	-	-
Seen Holding sp. z o.o.[(5)]	-	5.0	-	-	(0.2)	-	-	-
Other[(6)]	0.2	11.7	-	0.1	(0.2)	0.2	-	-
Total*	**0.2**	**98.2**	**9.2**	**0.1**	**(1.3)**	**0.3**	**1.6**	**(41.3)**

[(1)] This entity is related through Hélène Zaleski, who was, in the period indicated, concurrently a shareholder of Alior Bank and the Chairman of the Supervisory Board and treasurer of Zygmunt Zaleski Stichting.
[(2)] This entity is related through Hélène Zaleski, who was, in the period indicated, concurrently a shareholder of Alior Bank and the Chairman of the Supervisory Board and a member of the management board and shareholder of Socamil SA.
[(3)] This entity is related through Hélène Zaleski, who was, in the period indicated, concurrently a shareholder of Alior Bank and the Chairman of the Supervisory Board and a shareholder of AMILA sp. z o.o.
[(4)] This entity is related through Krzysztof Obłój, who was, in the period indicated, concurrently a member of the Supervisory Board and the Chairman of the Supervisory Board of Impel S.A.
[(5)] This entity is related through Hélène Zaleski, who was, in the period indicated, concurrently a shareholder of Alior Bank and the Chairman of the Supervisory Board and a member of the management board and a shareholder of Seen Holding sp. z o.o.
[(6)] Family members of Management Board members or Supervisory Board members and the entities in which family members of Management Board members or Supervisory Board members were shareholders or members of corporate bodies, other than AMILA sp. z o.o., Impel S.A. and Seen Holding sp. z o.o. The transactions comprise standard financial services provided by Alior Bank, including keeping bank accounts, accepting deposits or sale of financial instruments. Alior Bank believes that these transactions were concluded at arm's length. The transaction amounts (individually and in aggregate) are immaterial to Alior Bank's business.
*Source: Alior Bank, * Annual Non-Consolidated Financial Statements of Alior Bank.*

	As at or for the year ended December 31, 2014								
	Receivables	Liabilities	Off –balance sheet liabilities	Interest income	Interest expense	Fee and commission income	Other operating income	General administrative expenses	Impairment charge
	(PLN million)								
Bank's Shareholders:									
Alior Lux	-	3.0	-	-	(0.3)	0.5	0.1	-	-
Alior Polska.	-	38.2	1.7	-	(0.4)	0.0	0.0	(56.6)	-
Parties having personal or capital relations with the Bank:									
Zygmunt Zaleski Stichting[(1)]	-	25.2	-	-	(0.4)	-	0.0	-	-
Socamil SA[(2)]	-	16.0	-	-	(0.3)	0.0	-	-	-
Polbita sp. z o.o.[(3)]	57.8	22.1	25.0	2.9	(0.1)	0.3	0.0		(38.3)
ALIS S.A.[(4).]	-	1.2	-	-	-	-	-	-	-
MCI Management S.A.[(5)]	0.2	14.3	-	-	(0.1)	-	-	-	-
Seen Holding sp. z o.o.[(6)]	-	10.1	-	-	(0.3)	-	-	-	-
Other[(7)]	1.7	13.0	5.3	0.1	(0.7)	0.1	0.0	(0.1)	-
Total*	**59.8**	**143.2**	**32.0**	**3.0**	**(2.7)**	**0.9**	**0.2**	**(56.6)**	**(38.3)**

[(1)] This entity is related through Hélène Zaleski, who was, in the period indicated, concurrently a shareholder of Alior Bank and the Chairman of the Supervisory Board and treasurer of Zygmunt Zaleski Stichting.
[(2)] This entity is related through Hélène Zaleski, who was, in the period indicated, concurrently a shareholder of Alior Bank and the Chairman of the Supervisory Board, a member of the management board and a shareholder of Socamil SA.

(3) This entity is related through one of the key managers of Alior Bank who was in the period indicated a member of the Supervisory Board of Polbita sp. z o.o.
(4) This entity is related through Hélène Zaleski, who was, in the period indicated, concurrently a shareholder of Alior Bank and the Chairman of the Supervisory Board and a member of the management board of ALIS S.A.
(5) This entity is related through Krzysztof Obłój who was, in the period indicated, concurrently a member of the Supervisory Board and a member of the supervisory board of MCI Management S.A.
(6) This entity is related through Hélène Zaleski, who was, in the period indicated, concurrently a shareholder of Alior Bank and the Chairman of the Supervisory Board and a member of the management board of and a shareholder of Seen Holding sp. z o.o.
(7) Family members of Management Board members or Supervisory Board members and the entities in which family members of Management Board members or Supervisory Board members were shareholders or members of corporate bodies, other than ALIS S.A., MCI Management S.A. and Seen Holding sp. z o.o. The transactions comprise standard financial services provided by Alior Bank, including keeping bank accounts, accepting deposits or sale of financial instruments. Alior Bank believes that these transactions have been entered into on t arms'length basis. The transaction amounts (individually and in aggregate) are immaterial to the Alior Bank's business.
*Source: Alior Bank, * Annual Non-Consolidated Financial Statements of Alior Bank.*

	As at or for the year ended December 31, 2013									
	Receivables	Liabilities	Off –balance sheet liabilities	Interest income	Interest expenses	Fee and commission income	Trading result	Other operating income	General administrative expenses	Impairment charges
	(PLN million)									
Bank's Shareholders:										
Alior Lux.	-	5.0	-	-	(0.0)	0.0	-	0.1	-	-
Alior Polska	-	27.1	1.7	-	(0.5)	0.0	-	0.0	65.0	-
Parties having personal or capital relations with the Bank:										
Zygmunt Zaleski Stichting[(1)]	-	26.5	-	-	(0.7)	-	-	0.0	-	-
Socamil SA[(2)]	-	35.1	-	-	(0.2)	0.0	-	-	-	-
Polbita sp. z o.o.[(3)]	97.0	18.2	11.4	2.9	(0.1)	0.3	0.0	-	(0.0)	(21.4)
Impel S.A[(4)].	-	1.8	7.0	0.1	-	-	-	-	-	-
Manco sp. z o.o.[(5)]	-	4.7	-	-	(0.5)	-	-	-	-	-
Seen Holding sp. z o.o.[(6)]	-	9.8	-	-	(0.3)	-	-	-	-	-
Other[(7)]	-	2.4	-	-	(0.0)	-	-	-	-	-
Total*	**97.0**	**130.5**	**20.0**	**3.1**	**(2.4)**	**0.3**	**0.0**	**0.1**	**65.0**	**(21.4)**

(1) This entity is related through Hélène Zaleski, who was, in the period indicated, concurrently a shareholder of Alior Bank and the Chairman of the Supervisory Board and treasurer of Zygmunt Zaleski Stichting.
(2) This entity is related through Hélène Zaleski, who was, in the period indicated, concurrently a shareholder of Alior Bank and the Chairman of the Supervisory Board and a member of the management board and shareholder Socamil SA.
(3) In the period indicated Alior Bank had shares in Polbita sp. z o.o. Considering a planned sale of shares, Alior Bank disclosed its shares as assets available for sale. Polbita sp. z o.o. was not consolidated by Alior Bank.
(4) This entity is related through Krzysztof Obłój who was, in the period indicated, concurrently a member of the Supervisory Board and a chairman of the supervisory board of Impel S.A.
(5) This entity is related through Wojciech Sobieraj, who was, in the period indicated, concurrently a shareholder of Alior Bank and the President of the Management Board and the president of the management board of Manco sp. z o.o.
(6) This entity is related through Hélène Zaleski, who was, in the period indicated, concurrently a shareholder of Alior Bank and the Chairman of the Supervisory Board and a member of the management board and shareholder of Seen Holding sp. z o.o.
(7) Family members of Management Board members or Supervisory Board members and the entities in which family members of Management Board members or Supervisory Board members were shareholders or members of corporate bodies, other than Impel S.A., Manco sp. z o.o. and Seen Holding sp. z o.o. The transactions include the provision of standard financial services by Alior Bank, including keeping bank accounts, accepting deposits or sale of financial instruments. Alior Bank believes that these transactions were concluded at arm's length. The transaction amounts (individually and in aggregate) are immaterial to the Alior Bank's business.
*Source: Alior Bank, * Annual Standalone Financial Statements of Alior Bank.*

The most important transactions entered into with the shareholders of Alior Bank and their related parties in the specified period are outlined below.

PZU

Transactions with PZU involved deposits placed with Alior Bank by members of the PZU consolidated group. As at March 31, 2016 and December 31, 2015, the Alior Group owed PZU of PLN 38.0 million and PLN 7.8 million, respectively. Additionally, as at March 31, 2016 the Alior Group reported off-balance sheet liabilities against PZU of PLN 25.2 million which stem from the credit facilities granted to the PZU group.

Alior Lux

Transactions with Alior Lux involved deposits placed with Alior Bank by Alior Lux. As at December 31, 2015, 2014 and 2013, the Alior Group reported amounts due to Alior Lux of PLN 6.9 million, PLN 3.0 million and PLN 5.0 million, respectively. Additionally, Alior Group generated brokerage fee and commission income from Alior Lux. In the years ended December 31, 2015, 2014 and 2013, the Alior Group generated other income of PLN 1.6 million, PLN 0.1 million and PLN 0.1 million respectively.

Alior Polska

Transactions with Alior Polska involved deposits placed with Alior Bank by Alior Polska. As at December 31, 2015, 2014 and 2013, the Alior Group reported amounts due to Alior Polska of PLN 11.9 million, PLN 38.2 million and PLN 27.1 million, respectively. Additionally, as at December 31, 2015, 2014 and 2013, the Alior Group reported off-balance sheet liabilities of PLN 1.7 million which arose from a guarantee granted by Alior Bank.

In the years ended December 31, 2015, 2014 and 2013, the Alior Group paid to Alior Polska PLN 41.3 million, PLN 56.6 million and PLN 65.0 million, respectively, for the lease of property, including the premises located at ul. Aleje Jerozolimskie 94 in Warsaw, the previous head office of Alior Bank.

Zygmunt Zaleski Stichting

Transactions with Zygmunt Zaleski Stichting involved deposits placed with Alior Bank by Zygmunt Zaleski Stichting. As at December 31, 2015, 2014 and 2013, the Alior Group reported amounts due to Zygmunt Zaleski Stichting of PLN 31.9 million, PLN 25.2 million and PLN 26.5 million, respectively.

Socamil SA

Transactions with Socamil SA involved deposits placed with Alior Bank by Socamil SA. As at December 31, 2015, 2014 and 2013, the Alior Group reported amounts due to Socamil SA of PLN 17.5 million, PLN 16.0 million and PLN 35.1 million, respectively.

Polbita sp. Z o.o.

Transactions with Polbita sp. Z o.o. involved a loan granted by Alior Bank to Polbita sp. Z o.o. As at December 31, 2014 and 2013, the Alior Group recognized receivables due from Polbita sp. Z o.o, of PLN 57.8 million and PLN 97.0 million. Additionally, as at December 31, 2014 and 2013, the Alior Group reported liabilities due to Polbita sp. Z o.o. in the amount of PLN 22.1 million and PLN 18.2 million, respectively. These liabilities arose from deposits placed by Polbita sp. Z o.o. in Alior Bank. Additionally, as at December 31, 2014 and 2013, the Alior Group also recognized off-balance sheet liabilities due to Polbita sp. Z o.o. of PLN 25.0 million and PLN 11.4 million, respectively. These liabilities arose from guarantees granted by Alior Bank.

The Alior Group recorded an impairment loss concerning shares in Polbita sp. Z o.o. of PLN 38.3 million and PLN 21.4 million in the years ended December 31, 2014 and 2013, respectively.

AMILA sp. Z o.o.

Transactions with AMILA sp. Z o.o. involved deposits placed with Alior Bank by AMILA sp. Z o.o. As at December 31, 2015, the Alior Group reported amounts due to AMILA sp. Z o.o. of PLN 4.6 million.

Impel S.A.

Transactions with Impel S.A. involved deposits placed with Alior Bank by Impel S.A. As at December 31, 2015 and 2013 the Alior Group reported amounts due to Impel S.A. of PLN 1.0 million and PLN 1.8 million, respectively. The Alior Group recognized off-balance sheet liabilities in the amount of PLN 7.5 million and PLN 7.0 million, as at December 31, 2015 and 2013, respectively, from a credit facility granted by Alior Bank.

Seen Holding sp. Z o.o.

Transactions with Seen Holding sp. Z o.o. involved deposits placed with Alior Bank by Seen Holding sp. Z o.o. As at December 31, 2015, 2014 and 2013 the Alior Group reported amounts due to Seen Holding sp. Z o.o. of PLN 5.0 million, PLN 10.1 million and PLN 9.8 million, respectively.

ALIS S.A.

Transactions with ALIS S.A. involved deposits placed with Alior Bank by ALIS S.A. As at December 31, 2014, the Alior Group reported amounts due to ALIS S.A of PLN 1.2 million.

MCI Management S.A.

Transactions with MCI Management S.A. involved deposits placed with Alior Bank by MCI Management S.A. As at December 31, 2014, the Alior Group reported amounts due to MCI Management S.A. of PLN 14.3 million. Additionally, as at December 31, 2014, the Alior Group reported receivables from MCI Management S.A. under a loan granted by Alior Bank of PLN 200,000, respectively.

Manco sp. Z o.o.

Transactions with Manco sp. Z o.o. involved deposits placed with Alior Bank by Manco sp. Z o.o. As at December 31, 2013 the Alior Group reported amounts due to Manco sp. Z o.o. of PLN 4.7 million.

Sale transaction concerning the organized part of the enterprise

On July 31, 2015 an agreement between Alior Bank and Alior Polska was entered into for the sale of an organized part of the enterprise. It was an acquisition of a subsidiary of Alior Polska operating under the name "Alior Polska Spółka z ograniczoną odpowiedzialnością Zakład Zarządzania Nieruchomościami " which was organizationally, functionally and financially distinct from Alior Polska but involved in the same business. The purchase price paid by Alior Bank was PLN 41.8 million.

Transactions with Alior Bank and its subsidiaries

The tables below show the value of transactions between Alior Bank and its subsidiaries, as at the dates and for the periods specified.

	As at or for the three-month period ended March 31, 2016						
	Receivables	Liabilities	Interest income	Interest expense	Fee and commission income	Other operating income	General administrative expenses
	(PLN million)						
Alior Leasing	136.4	0.3	0.6	(0.0)	-	-	(0.0)
Meritum Services ICB	5.8	1.9	-	-	-	-	-
Alior Services	-	0.7	-	-	-	-	-
Money Makers	-	1.4	-	-	0.4	0.0	-
Newcommerce Services	-	0.1	-	-	-	-	-
Total*	**142.2**	**4.5**	**0.6**	**(0.0)**	**0.4**	**0.0**	**(0.0)**

*Source: Alior Bank; **
Alior Bank interim condensed non-consolidated financial statements for the first quarter of 2016.

	As at or for the year ended December 31, 2015						
	Receivables	Liabilities	Interest income	Interest expenses	Fee and commission income	Other operating income	General administrative expenses
	(million PLN)						
Alior Leasing	53.6	7.5	0.1	(0.2)	-	-	(0.3)
Meritum Services ICB	6.0	1.5	0.4	(0.1)	-	-	3.3
Alior Services	-	0.7	-	(0.0)	0.0	-	-
Money Makers	-	1.2	0.0	-	-	1.6	-
Other [1]	0.0	0.2	-	-	0.0	-	(0.0)
Total *	**59.7**	**11.1**	**0.5**	**(0.2)**	**0.0**	**1.6**	**3.0**

[1] New Commerce Services and Centrum Obrotu Wierzytelnościami
*Source: Alior Bank. * Alior Bank Annual Non-Consolidated Financial Statements*

	As at or for the year ended December 31, 2014							
	Receivables	Liabilities	Interest expenses	Fee and commission income	Fee and commission expense	Other operating income	Other operating costs	General administrative expenses
	(million PLN)							
Alior Services	0.0	1.1	(0.2)	0.0	(0.0)	0.0	-	(0.0)
Money Makers	0.1	1.9	(0.0)	0.0	-	0.5	(0.0)	-
Total	**0.1**	**3.0**	**(0.2)**	**0.0**	**(0.0)**	**0.5**	**(0.0)**	**(0.0)**

*Source: Alior Bank. * Alior Bank Annual Non-Consolidated Financial Statements*

	As at or for the year ended December 31, 2013						
	Receivables	Liabilities	Interest expenses	Fee and commission income	Fee and commission expense	Other operating income	General administrative expenses
	(million PLN)						
Alior Services[1]	0.0	27.2	(0.2)	0.1	(0.0)	5.7	(0.1)
Centrum Obrotu Wierzytelnościami	-	1.1	-	-	-	-	(0.0)
Other [2]	0.0	0.3	(0.1)	0.0	-	(0.1)	0.0
Total	**0.0**	**28.6**	**(0.3)**	**0.1**	**(0.0)**	**5.7**	**(0.1)**

[1] Formerly Alior Raty sp. Z o.o. The change of name of the business was registered in the National Court Register on May 23, 2014.
[2] Alior Instytut Biznesu sp. Z o.o. and Obrót Wierzytelnościami Alior Polska spółka z ograniczoną odpowiedzialnością spółka komandytowo-akcyjna which were deleted from the National Court Register as of November 2, 2015.
*Source: Alior Bank. * Alior Bank Annual Standalone Financial Statements*

The most important transactions entered into between Alior Bank and its subsidiaries and their related parties in the specified periods are outlined below.

Alior Leasing

Transactions with Alior Leasing involved granting loans to Alior Leasing by Alior Bank. As at March 31, 2016 and December 31, 2015, Alior Bank recognized receivables due from Alior Leasing were PLN 136.4 million and PLN 53.6 million. Additionally, as at March 31, 2016 and December 31, 2015, Alior Bank reported amounts due to Alior Leasing in the amount of PLN 300,000 and PLN 7.5 million. These amounts arose from deposits placed with Alior Bank by Alior Leasing.

Meritum Services ICB

Transactions with Meritum Services ICB involved granting a loan to Meritum Services ICB. As at March 31, 2016 and December 31, 2015, Alior Bank recognized receivables from Meritum Services ICB in the amount of PLN 5.8 million and PLN 6.0 million respectively. Additionally, as at March 31, 2016 and December 31, 2015, Alior Bank reported amounts due to Meritum Services ICB of PLN 1.9 million and PLN 1.5 million, respectively. These liabilities arose from a deposit placed with Alior Bank by Meritum Services ICB.

In the year ended December 31, 2015, Alior Bank recorded other general administrative expenses of PLN 3.3 million, which were related to fees for the provision of IT services to Alior Bank by Meritum Services ICB.

Alior Services

Transactions with Alior Services involved deposits placed with Alior Bank by Alior Services. As at March 31, 2016 and December 31, 2015, 2014 and 2013, Alior Bank reported amounts due to Alior Services of PLN 700,000, PLN 700,000, PLN 1.1 million and PLN 27.2 million, respectively. Additionally, in the year ended December 31, 2013, Alior Bank generated other operating income in the amount of PLN 5.7 million from the sale of services.

Money Makers

Transactions with Money Makers involved deposits placed with Alior Bank by Money Makers. As at March 31, 2016 and December 31, 2015 and 2014, Alior Bank reported amounts due to Money Makers of PLN 1.4 million, PLN 1.2 million and PLN 1.9 million, respectively. Additionally, in the year ended December 31, 2015, Alior Bank generated other operating income in the amount of PLN 1.6 million from fee for Alior's client portfolio management based on the agreement concluded with Biuro Maklerskie Alior Banku and Money Makers dated July 31, 2015.

Newcommerce Services

Newcommerce Services placed deposits with Alior Bank. As at March 31, 2016 Alior Bank reported amounts due to Newcommerce Services of PLN 100,000.

Centrum Obrotu Wierzytelnościami

Transactions with Centrum Obrotu Wierzytelnościami involved deposits placed with Alior Bank by Centrum Obrotu Wierzytelnościami. As at December 31, 2013, Alior Bank reported liabilities due to Centrum Obrotu Wierzytelnościami of PLN 1.1 million.

Dividends from Subsidiaries

In the period covered by the Alior Group Annual Consolidated Financial Statements Alior Services paid dividends to Alior Bank. The dividend for the years ended December 31, 2012 and December 31, 2013 amounted to PLN 1.8 million and PLN 25.5 million respectively. This increased the Bank's revenue in 2013 and 2014.

Transactions with members of the Management Board and Supervisory Board

The table below shows the value of transactions between Alior Bank and members of the Management Board and Supervisory Board and their related parties as at the dates and for the periods specified.

	As at March 31	As at December 31		
	2016	2015	2014	2013
	(PLN million)			
Supervisory Board				
Financial assets held for trading	-	-	-	0.0
Loans and advances to customers	-	5.7	0.0	-
Other assets	-	-	-	0.0
Liabilities and equity, total	0.0	19.8	25.3	27.9
Provisions	-	0.0	0.0	-
Off-balance sheet liabilities granted to customers	-	0.9	1.0	0.0
Derivatives (nominal value)[(1)]	-	-	-	1.2
Management Board				
Loans and advances to customers	7.4	7.5	7.3	6.1
Liabilities and equity, total	6.0	16.8	3.0	10.1
Provisions	-	0.0	0.0	-
Off-balance sheet liabilities granted to customers	0.1	0.6	0.6	1.7

(1) In the Alior Group Consolidated Financial Statement for 2013: "Derivative financial instruments (nominal value)".
Source: The Alior Group Financial Statements.

Transactions entered into between Alior Bank and members of the Management Board and Supervisory Board are standard transactions related to the products offered by Alior Bank, such as maintaining bank accounts and deposits, granting loans and purchasing banking securities issued by Alior Bank. In the opinion of Alior Bank, these transactions have been concluded on an arm's length basis, and their value is not material from the perspective of the operations of Alior Bank.

The table below shows information regarding the remuneration paid or due to members of the Management Board and Supervisory Board, as at the dates and for the periods specified.

	As at / for the period of 3 years ended March 31	**As at/ for the year ended December 31**		
	2016	**2015**	**2014**	**2013**
	(PLN million)			
Management Board				
Short-term employee benefits	3.2	8.3	7.7	14.3
Long-term employee benefits	-	1.4	4.7	9.3
Total	**3.2**	**9.7**	**12.3**	**23.5**
Supervisory Board				
Short-term employee benefits	0.7	0.9	0.7	0.6
Total	**0.7**	**0.9**	**0.7**	**0.6**

Source: The Alior Group Financial Statements.

The Management Board members were covered by the Management Options Scheme (see " – *Share Capital and Shares – Share Capital of Alior Bank and types of Shares – Management Options Scheme and Bonus Scheme*"). In 2015 the following Management Board members acquired Shares by exercising the subscription warrants awarded to them under the Management Options Scheme: (i) Krzysztof Czuba acquired 50,262 Shares; (ii) Michał Hucał acquired 31,047 Shares; (iii) Katarzyna Sułkowska acquired 53,228 Shares and (iv) Artur Maliszewski acquired 35,497 Shares.

Alior Bank renders various standard financial services in favor of relatives of the members of the Management Board and members of the Supervisory Board, as well as Companies in which members of the Management and Supervisory Boards or their relatives hold shares or office. Such services include maintaining bank accounts, accepting deposits and the sale of financial instruments. In the opinion of Alior Bank, those transactions are entered into on an arm's-length basis. The amounts of the transactions (treated jointly or separately) are immaterial to Alior Bank's operations.

MANAGEMENT BOARD AND SUPERVISORY BOARD

In accordance with the Code of Commercial Companies ("**CCC**") and Banking Law, Alior Bank is managed and supervised by the Management Board and the Supervisory Board. The description of the Management Board and the Supervisory Board is based on the CCC, the Banking Law, the Articles of Association, the Rules of the Management Board and the Rules of the Supervisory Board in force as at the date of this Offering Circular.

Management Board

Composition, Mode of Operation and Powers of the Management Board

Composition of the Management Board

As at the date of this Offering Circular, the Management Board comprises seven persons appointed for a concurrent three-year term.

The table below sets out information about the Management Board members as at the date of this Offering Circular.

Management Board members	Position	Date of first appointment to the Management Board	Place of work
Wojciech Sobieraj	President of the Management Board	April 21, 2008	ul. Łopuszańska 38 d, 02-232 Warszawa
Małgorzata Bartler	Vice President of the Management Board	October 14, 2015	ul. Łopuszańska 38 d, 02-232 Warszawa
Krzysztof Czuba	Vice President of the Management Board	April 21, 2008	ul. Łopuszańska 38 d, 02-232 Warszawa
Joanna Krzyżanowska	Vice President of the Management Board	June 30, 2015	ul. Piastowska 11, 80-332 Gdańsk
Witold Skrok	Vice President of the Management Board	December 1, 2011	ul. Łopuszańska 38 d, 02-232 Warszawa
Barbara Smalska	Vice President of the Management Board	October 14, 2015	ul. Łopuszańska 38 d, 02-232 Warszawa
Katarzyna Sułkowska	Vice President of the Management Board	December 1, 2011	ul. Łopuszańska 38 d, 02-232 Warszawa

Source: Alior Bank.

The current term of the Management Board began on April 21, 2014 and will end on April 21, 2017.

The term of the Management Board, as at the date of this Offering Circular, will expire at the latest on the date that the General Meeting approves the financial statements for the last full year, for example, on the day of adopting the resolution approving the financial statements for the financial year ending December 31, 2016. The tenure of each Management Board member will also expire in the event of death, resignation or the removal of a Management Board member. The tenure of a Management Board member appointed before the end of a given term expires simultaneously with the expiry of the tenures of the remaining Management Board member expires.

The Management Board is made up of at least three members. The Supervisory Board appoints and removes Management Board members by secret ballot. The President of the Management Board requests that the Supervisory Board appoints Vice Presidents of the Management Board. The appointment of two Management Board members, including the President of the Management Board, requires the consent of the PFSA. The Supervisory Board submits a motion to the PFSA for consent of the appointment of these two Management Board members. The Supervisory Board must inform the PFSA about the composition of the Management Board and any changes in the composition of the Management Board immediately following the appointment of any Management Board members or the introduction of any changes to its composition. The Supervisory Board must also inform the PFSA about the members of the Management Board who are in charge of credit risk management and the internal audit unit. As at the date of this Offering Circular, the President of the Management Board, Wojciech Sobieraj, and Vice President of the Management Board, Katarzyna Sułkowska, obtained the consent of the PFSA to hold Management Board positions. Katarzyna Sułkowska, Vice President of the Management Board, supervises the Bank's organizational units responsible for credit risk. The Supervisory Board approved the Bank's organizational bylaws, defining, among other things, the division of the segments among Management Board members. The President of the Management Board delegates responsibilities across business divisions to individual Management Board members. As at the date of this Offering Circular, Małgorzata Bartler

was responsible for the HR division, Barbara Smalska for the technology and development division, Krzysztof Czuba for the business division, Joanna Krzyżanowska for the indirect sales division, Katarzyna Sułkowska for the risk division and Witold Skrok for the finance division.

The Supervisory Board may suspend any and all of the Management Board members for any valid reason, and alternative Supervisory Board members for a period of not more than three months to perform the duties of Management Board members who have been removed, resigned, or failed to fulfill their obligations. A Management Board member may also be removed or suspended by a resolution of the General Meeting. The removal of Management Board members by the Supervisory Board or the General Meeting does not deprive them of the rights under their employment contracts.

A description of the knowledge and professional experience of Management Board members is given below under: " *– Management Board – Professional Biographies of Management Board Members*".

Operation and Powers of the Management Board

The Management Board represents the Company to third parties and handles all the matters of the Company.

Meetings of the Management Board are held as often as required to ensure the proper operation of Alior Bank, typically once a week.

Management Board resolutions are passed at meetings or by circulation. The resolutions of the Management Board are adopted by an absolute majority of votes. In the event of a tied vote, the President of the Management Board is given the casting vote. For Management Board resolutions to be valid, all Management Board members must be informed about the meeting and at least half of the Management Board members must be present at the meeting. Members of the Management Board endeavor to pass resolutions through consensus.

The Management Board shall in particular, by way of a resolution: (i) define Alior Bank's long-term action plans and strategic plans; (ii) define Alior Bank's short-term and long-term financial plans and monitor their implementation; (iii) monitor Alior Bank's system of management, including the system of management reporting for ongoing oversight of Alior Bank operations; (iv) approve the principles, policies and rules regarding Alior Bank's operations, in particular, with regard to the prudent and stable management, risk management, lending, investment activities, management systems, liabilities, accounting, Alior Bank's funds, human resources management and the principles of performing internal controls; (v) determine the amount of bonus funds for employees and their general distribution; (vi) grant powers of proxy; (vii) make decisions regarding the issue of bonds except for convertible bonds and senior bonds; (viii) approve the acquisition and sale of shares in companies; (ix) make decisions regarding the incurrence of liabilities, disposal of assets, and encumbrance or lease of assets whose aggregate value in relation to one entity exceeds 1/100ths of the share capital of Alior Bank, subject to the provisions of the Articles of Association); (x) approve the investment program and approve each of Alior Bank's investment (acquisition or disposal of fixed assets or property rights) with a value exceeding 1/100ths of their share capital (subject to the provisions of the Articles of Association; (xi) approve matters relating to the organizational structure of Alior Bank's head office, including the establishment and winding up of Alior Bank's organizational units and head office organizational units; (xii) pass decisions regarding the opening or closing of Alior Bank's branches; (xiii) pass decisions on the payment of interim dividends to shareholders, upon obtaining the approval of the Supervisory Board; (xiv) approve all the documents to be presented to the Supervisory Board or at the General Meeting; (xv) review other matters submitted for its consideration by the Supervisory Board, the General Meeting, Management Board members, Alior Bank's organizational units of committees or teams appointed in accordance with Alior Bank's internal regulations; and (xvi) pass decisions on all other matters related to Alior Bank's operations if required by other regulations, provided such decisions could materially affect Alior Bank's financial situation or image.

Subject to the provisions of the Articles of Association, the Management Board may pass resolutions authorizing the standing committees appointed in accordance with the Articles of Association or the appropriate Alior Bank's employees to pass decisions regarding the incurring of liabilities or disposal of assets within the scope of day-to-day Alior Bank's operations, whose aggregate value in respect of one entity does not exceed 5% of Alior Bank's equity. Management Board resolutions should determine the scope of the authorization and the manner of the passing of decisions by the relevant committees or employees.

The secretary of the Management Board is responsible for preparing the minutes of Management Board meetings. The minutes are signed by the Management Board members present at the meeting. The minutes of meetings and the texts of the resolutions adopted by the Management Board are archived and kept by the secretary of the Management Board.

The Management Board may pass resolutions by circulation (by signed ballots). Such resolutions will be valid if all Management Board members were informed about the content of the draft resolution. A decision on voting by circulation

in any given case shall be made by the President of the Management Board or the Management Board member acting as deputy for the President of the Management Board. The resolutions to be passed by circulation are presented for approval to all the members of the Management Board and become valid upon being approved by either more than half of the members or half of the Management Board members including the President of the Management Board.

The persons authorized to make declarations of intent regarding Alior Bank's property rights and obligations shall be: (i) two Management Board members acting jointly, one Management Board member acting jointly with a proxy holder or an attorney-in-fact, or two proxy holders acting jointly; and (ii) attorneys-in-fact within the limits of their powers. The detailed procedure of operation of the Management Board is defined by the Rules of the Management Board.

Information concerning matters that require the Management Board to obtain the consent of the Supervisory Board can be found below under " *– Supervisory Board – Composition, Manner of Operation and Powers of the Supervisory Board – Operation and Powers of the Supervisory Board*".

Professional Biographies of Management Board Members

Wojciech Sobieraj – President of the Management Board

Wojciech Sobieraj has been President of the Management Board since April 2008. From 2002 to 2006, he held the position of Vice President of the Management Board of Bank BPH, where he was responsible for the retail banking division. While employed at Bank BPH, he also held the post of Chairman of the Supervisory Boards of both Górnośląski Bank Gospodarczy SA and BPH Bank Hipoteczny SA. From 1994 to 2002, he was an employee, manager and partner of The Boston Consulting Group (the "**BCG**") in Boston and London. He was one of the founders of the BCG office in Warsaw, as well as a partner and vice president. He was the head of the BCG financial services division in Central and Eastern Europe, and is an expert on mergers and acquisitions and the banking payments market. Between 1991 and 1994, Wojciech Sobieraj was the owner of Central European Financial Group in New York, which dealt with the analysis of Eastern European capital markets. During that time, he gained a broker's license on Wall Street and worked as an assistant in the Department of Finance and Operations at New York University. He graduated from the Warsaw School of Economics. In 1993, he began studies at New York University, Stern School of Business, and received his MBA diploma in 1995.

Małgorzata Bartler – Vice President of the Management Board

Małgorzata Bartler has been a Vice President of the Management Board since October 2015. She has over 20 years of experience in developing strategy and human resources management systems, gained in Polish and international companies in the following sectors: banking, telecommunications, brewery, entertainment and fuel. In addition to strategic planning, her qualifications cover a wide range of skills related to human resources management including talent management and leadership development, succession planning, management by objectives and employee evaluation systems, training and development, recruitment and talent acquisition, employee engagement, employee relations, change management and internal communications. Since 2014, Małgorzata Bartler has been HR Director at Alior Bank where she was responsible for developing human resources management strategy based on the following three pillars: employee engagement; building the employer of choice for people looking for positions in the banking sector; and implementing customer-orientated culture. From 2009 to 2014, she was HR Director of P4 Sp. Z o.o., operator of the Play mobile network. Her work at Play has been repeatedly recognized with awards and distinctions, including (among others) three "Top Employer" certificates and an "Employer of the Year" title awarded based on employee surveys. Previously, she held the position of HR Manager at Żywiec Group and Multikino S.A. In both companies, she implemented recruitment, training and talent development, compensation and benefits strategies, as well as internal communication. Her professional career started at Shell, where she worked from 1994 to 1998. She graduated from the Faculty of Management at Warsaw University and completed postgraduate studies in Human Resources Management at the Warsaw School of Economics.

Krzysztof Czuba – Vice President of the Management Board

Krzysztof Czuba has been a Vice President of the Management Board since April 2008. Since Alior Bank received its bank license, he has been responsible for strategic advisory services and handling projects related to the launch of the retail offering. He was involved in the organization of the activities of the retail regions and branches and prepared the assumptions for the project on starting up the Bank's agencies. Furthermore, he managed the implementation of the plans to acquire and finance Alior Bank's branches. From 1994 to 2007, he worked for Bank BPH where he held the posts of Branch Manager, Macroregion Retail Banking Director, followed by Managing Director responsible for the Sales and Distribution Area in the Retail Banking Division. Additionally, from 2003 to 2004, he was a member of the Supervisory Board of Śrubex S.A., and from 2007 to 2008 he was deputy chairman of the Supervisory Board of ZEG S.A. In 1995, he

graduated with a degree in management from the Kraków University of Economics. He has participated in a number of training courses, including the General Management Program for HVB/ BACA Group Management Personnel organized jointly with the Executive Academy of Wirtschaftsuniversität (2006), and the Professional Banking Cyber School organized by Finance & Trainer in Switzerland (2006).

Joanna Krzyżanowska – Vice President of the Management Board

Joanna Krzyżanowska has been a Vice President of the Management Board since June 30, 2015. Between 2008 and June 2015, she held the position of the first Vice President of Meritum Bank. Her tasks included building a consumer finance business, management of the area of current sales, building stable relations with partners as well as the development and implementation of the new products and solutions. Until 2007, she was Deputy President of GE Money Bank S.A., where she was responsible for the Sales and Marketing Unit and managed the work of over 1500 people. She was responsible for shaping the Bank's strategy in terms of market position in cash and car loans, consumption lending, credit cards, mortgage loans and the development of own distribution channels and relations with external partners of the Bank. She has been on the management boards of domestic banks and banks with foreign equity interest since the mid-1990s. She has more than ten years of experience in the management of the development of distribution channels as well as banking products and services. She also has experience in acquisition projects and mergers of banks. She graduated from the University of Gdańsk, and holds a Master of Business Administration (Executive MBA) degree. She has completed a Management Development Course at GE Crotonville, USA, and a number of training sessions in management, banking and finance.

Witold Skrok – Vice President of the Management Board

Witold Skrok has been a Vice President of the Management Board since December 2011. He has worked for Alior Bank as Finance Area Director since May 2008. From 2006 to 2008, he was the managing director and CFO of Bank BPH. At the same time, he was also a member of the Supervisory Board of Górnośląski Bank Gospodarczy S.A, and has collaborated with the Centre of Social and Economic Research. Between 2004 and 2006, he performed the role of Reporting and Management Information Department Director of Bank BPH, where he was responsible, among other things, for establishing a common reporting platform for obligatory reporting and management information. In 2001, he took on the position of Director of the Controlling Department at Bank BPH. In 2000, he became Deputy Controlling Department Director at Powszechny Bank Kredytowy S.A. From 1991 to 2000, he worked in the Ministry of Finance's Financial Policy and Analyses Department and, in 1999, he was appointed Department Director. Between 1998 and 2000, he was also a member of the Supervisory Board of Bank Powszechna Kasa Oszczędności S.A. He graduated from the Warsaw School of Economics and completed training courses such as Visiting Program Partners and Financial Programming and Policy at the IMF Institute in Washington, as well as other training in banking, finance and taxation.

Barbara Smalska – Vice President of the Management Board

Barbara Smalska has been a Vice President of the Management Board since October 2015. She has 13 years of experience in development and implementation of business strategies, overall management of mass customer segments in the insurance sector, and implementation of numerous consulting projects in banking and telecommunications. From 2013 to 2014, she was a member of the Management Board of PZU SA and PZU Zycie SA and was responsible for the mass customer segment of PZU Group. From 2008 to 2013, she worked for PZU as a Product Management Department Director, and Managing Director for marketing and individual products in 2012 and 2013. She was responsible for various aspects of the Alior Group's retail and SME clients segment management, in particular, relating to products, marketing, sales and CRM. From 2010 to 2012, she also held the position of Managing Director for Mass Sales. From 2002 to 2008, Barbara worked for the BCG Warsaw office, participating in numerous projects in the financial services and telecommunication industries in Poland and the CEE region, in the areas of business strategy and operating models, sales activation and organization, reorganization and cost optimization. From 2006 to 2008, as a Project Leader and Principal, she managed strategic projects for some of the biggest Polish banks, insurance and telecommunication companies, mainly in the field of business and distribution strategy in the retail customer segment. Since September 2014, Barbara has been a member of the supervisory board of Link4 TU SA. Barbara graduated from the Faculty of Physics of Warsaw University and holds a Ph.D. in high-energy physics.

Katarzyna Sułkowska – Vice President of the Management Board

Katarzyna Sułkowska has been a Vice President of the Management Board since December 2011. She is responsible for the risk division of Alior Bank. Between January 2008 and November 2011, she managed the Credit Risk Department at Alior Bank. In this role, she was responsible for developing credit policies, product principles and methodological

assumptions, designing and implementing credit check processes, and monitoring collection processes. From 2002 to 2007, she was Managing Director of the Retail Collection Department at Bank BPH. In this role, she was responsible for managing the integration of two debt collection departments of Bank BPH and Powszechny Bank Kredytowy S.A., the implementation of the new process-based approach and the IT system to support the process. She was also responsible for one of the first bundled debt sale transactions. Between 1998 and 2001, she worked for Citibank Polska where she was head of the Collection Department. She started her career at the Regional Accounting Chamber in Kraków in the Information, Analyses and Training Department. She graduated from the Kraków School of Economics with a degree in finance and banking in 1997, and has completed numerous training courses in Poland and abroad. She has also attended conferences concerning, among other things, debt servicing and credit management.

Positions held by Management Board members in companies outside the Alior Group

The table below contains information on companies outside the Alior Group in which members of the Management Board held positions in their administrative, management or supervisory bodies, or of which they were shareholders, in the last five years, along with an indication as to whether the member still holds such position or shareholding. For public companies whose shares are admitted to trading on a regulated market, information about shares held by Management Board members has been included if such shares account for more than 5% of the total number of votes at the general meeting of that company.

Name	Company	Position held	Position held at present?
Wojciech Sobieraj	LuxCo 82 S.á r.l.	Management Board member	No
		shareholder	No
	WSHZ sp. Z o.o. [1]	President of Management Board	No
		shareholder	No
	Manco sp. Z o.o.	President of Management Board	No
Krzysztof Czuba	JKM sp. Z o.o. sp.k.	shareholder	No
	WSHZ Spółka z Ograniczoną Odpowiedzialnością I Management Spółka Komandytowa [1]	shareholder	No
	Manco sp. Z o.o.	shareholder	No
	KW Inwest sp. Z o.o. and indirectly, via KW Inwest, shares in LuxCo 82 S.á r.l.	President of Management Board	Yes
	Granya Limited	shareholder	Yes
	GOZO Holding International	shareholder	Yes
	Obelia sp. Z o.o.	shareholder	Yes
	Concreto Investment sp. Z o.o. (via KW Invest sp. Z o.o.)	President of Management Board	Yes
	Optima Nieruchomości sp. Z o.o.	shareholder	Yes
	Nowe Tatry sp. Z o.o. spółka komandytowa	shareholder	Yes
Joanna Krzyżanowska	Meritum Bank ICB	Vice President of Management Board	No
	Armeria sp. Z o.o.	President of Management Board	No
		shareholder	Yes
Witold Skrok	WSHZ Spółka z Ograniczoną Odpowiedzialnością I Management Spółka Komandytowa[1]	shareholder	No
	LuxCo 82 S.á r.l.	shareholder	No
	Manco sp. Z o.o.	shareholder	No
Barbara Smalska	Link4 TU S.A.	Supervisory Board member	Yes
	PZU	Management Board member	No
	PZU Życie	Management Board member	No
	PTE PZU S.A.	Supervisory Board Member	No

Name	Company	Position held	Position held at present?
Katarzyna Sułkowska	WSHZ Spółka z Ograniczoną Odpowiedzialnością I Management Spółka Komandytowa[1]	shareholder	No
	Manco sp. Z o.o.	shareholder	No
	LuxCo 82 S.à r.l.	shareholder	No
	Obelia sp. Z o.o.	shareholder	Yes

[1] *This entity has been struck off from the National Court Register*
Source: Alior Bank.

Supervisory Board

Composition, manner of operation and powers of the Supervisory Board

Composition of the Supervisory Board

As at the date of this Offering Circular, the Supervisory Board comprises eight persons appointed for a concurrent four-year term.

The table below sets out information on the Supervisory Board members as at the date of this Offering Circular.

Supervisory Board Members	Position	Date of first appointment to the Supervisory Board	Place of work
Michał Krupiński	Chairman of the Supervisory Board	March 30, 2016	ul. Łopuszańska 38 d, 02-232 Warszawa
Małgorzata Iwanicz-Drozdowska	Vice Chair of the Supervisory Board	April 21, 2008	ul. Łopuszańska 38 d, 02-232 Warszawa
Dariusz Gątarek	Member of the Supervisory Board	March 30, 2016	ul. Łopuszańska 38 d, 02-232 Warszawa
Stanisław Ryszard Kaczoruk	Member of the Supervisory Board	March 30, 2016	ul. Łopuszańska 38 d, 02-232 Warszawa
Maciej Rapkiewicz	Member of the Supervisory Board	March 30, 2016	ul. Łopuszańska 38 d, 02-232 Warszawa
Marek Michalski	Member of the Supervisory Board	April 21, 2008	ul. Łopuszańska 38 d, 02-232 Warszawa
Sławomir Niemierka	Member of the Supervisory Board	December 22, 2015	ul. Łopuszańska 38 d, 02-232 Warszawa
Paweł Szymański	Member of the Supervisory Board	March 30, 2016	ul. Łopuszańska 38 d, 02-232 Warszawa

Source: Alior Bank.

The current term of the Supervisory Board began on March 30, 2016 and will end on March 30, 2020.

The tenure of each Supervisory Board member will expire at the latest on the date that the General Meeting approves the financial statements for the last full year that each member held a position as a Supervisory Board member, on the day when the resolution approving the financial statements for the year ended December 31, 2019 is adopted. The tenures of Supervisory Board members also expire in the event of death, resignation or removal of a member of the Supervisory Board. The tenure of a Supervisory Board member appointed before the end of a given term will expire at the same time that the tenure of the remaining Supervisory Board members expire.

The Supervisory Board is made up of at least five but not more than eight members. The Supervisory Board is appointed by the General Meeting for a concurrent four-year term. The Chairman of the Supervisory Board and their deputy are elected by the Supervisory Board by an absolute majority of votes.

A description of the knowledge and professional experience of Supervisory Board members can be found below in "*– Supervisory Board – Professional Biographies of Supervisory Board Members*".

Operation and Powers of Supervisory Board

Supervisory Board meetings are held as often as required, but at least three times in any given financial year. The Supervisory Board meetings are convened by the Chairman at their own initiative or at the request of the Management Board or of any Supervisory Board member. A meeting of the Supervisory Board should be convened by the Chairman within two weeks of receiving the motion. If the Supervisory Board Chairman does not convene a meeting of the Supervisory Board within such period, the applicant may convene it themselves by providing the date, venue and proposed agenda of the meeting. For the resolutions of the Supervisory Board to be valid, all members must be invited to the meeting and at least half of the Supervisory Board members must attend.

Supervisory Board meetings are chaired by its chairman or, in the event of their absence, by the Deputy Chairman. If neither the Chairman nor Deputy Chairman is present at the meeting, the proceedings shall be chaired by a Supervisory Board member designated in advance by the Chairman. The person chairing the Supervisory Board meeting shall chair the discussions, order vote to be taken on draft resolutions and announce the outcome of a vote.

Supervisory Board resolutions are passed by an absolute majority of votes by the Supervisory Board members, unless the law or Articles of Association state otherwise. In the event of a tied vote, the Chairman has the casting vote. Supervisory Board resolutions are passed by an open vote. The Chairman shall order a vote by secret ballot on personal matters or at the request of at least one Supervisory Board member. Members who vote against a resolution may request the inclusion of their opinion to the contrary in the minutes of the meeting.

Supervisory Board resolutions may be passed by circulation (by signed ballots) or through the use of direct remote communication techniques. A resolution passed in this manner shall be valid if all the Supervisory Board members were notified about the text of the draft resolution. The initiative to pass a resolution by circulation or through the use of direct remote communication techniques may come from the Chairman of the Supervisory Board or their deputy. Resolutions which are to be passed by circulation are presented for approval to all Supervisory Board members and become valid when signed by more than half of the Supervisory Board's members or by at least half of the members including the Chairman of the Supervisory Board. The resolutions of the Supervisory Board passed by open ballot shall be signed by all of the Supervisory Board members who voted for their adoption. Supervisory Board resolutions passed by secret ballot shall be signed by the Chairman of the Supervisory Board, except for a resolution on the election of the Chairman of the Supervisory Board and the Vice Chairman of the Supervisory Board which shall be signed by all the Supervisory Board members taking part in voting. Resolutions of the Supervisory Board are archived and stored at Alior Bank's head office.

In accordance with the Articles of Association, the powers of the Supervisory Board, in addition to other rights and obligations under current provisions of the law, include: (i) evaluating the Management Board reports on the operations and financial statements for the preceding financial year, and their conformity with the books of accounts, other documents and the state of affairs; (ii) assessing the motions of the Management Board regarding the distribution of profit or absorption of loss; (iii) submitting an annual report in writing on the outcome of the assessment referred to in items (i) and (ii) above to the General Meeting; (iv) assessing periodic information regarding internal controls; (v) examining and approving reports on Alior Group operations and its financial statements; (vi) appointing and removing Management Board members; (vii) approaching the PFSA with requests for consent to the appointment of two Management Board members, including the President of the Management Board; (viii) entering into and amending contracts with Management Board members; (ix) adopting the Rules of the Supervisory Board; (x) approving the Rules of the Management Board adopted by the Management Board; (xi) determining the remuneration of Management Board members with employment contracts; (xii) representing Alior Bank in disputes between the Management Board members and Alior Bank; (xiii) suspending, for a valid reason, the discharge of their duties by individual or all Management Board members; (xiv) seconding Supervisory Board members for a period of no more than three months to carry out the roles of Management Board members who have been removed, resigned or failed to fulfill their obligations; (xv) passing opinions on the Management Board applications concerning the establishment and accession by Alior Bank as shareholder to companies when such investments are of a long-term and strategic nature; (xvi) passing opinions on long-term development programs and annual financial plans of Alior Bank; (xvii) adopting, at the motion of the Management Board, rules of establishment and use of funds envisaged in the Articles of Association; (xviii) approving Management Board applications concerning the acquisition, sale of real estate, an interest in a real estate or perpetual usufruct, if their value exceeds PLN 5 million (in other instances the decision is passed by the Management Board without having to obtain the consent of the Supervisory Board); (xix) approving the motions of the Management Board regarding the incurrence of liabilities or disposal of assets whose value exceeds 5% of Alior Bank's equity in relation to any entity; (xx) exercising supervision over the implementation and monitoring of a system of management in Alior Bank, including in particular the exercise of supervision over the management of compliance and risk, and performing an assessment of the adequacy and effectiveness of that system at least once a year; (xxi) approving the rules of exercising internal

controls and the procedures of estimating the amount of equity, equity management and equity planning; (xxii) approving Alior Bank's strategy and the principles of prudent and stable management of the bank; (xxiii) approving the organizational rules of Alior Bank and the principal organizational structure of Alior Bank, with regard to what is appropriate for its size and risk profile; (xxiv) approving the general level of risk at Alior Bank; (xxv) approving the assumptions of Alior Bank's policy regarding compliance risk; (xxvi) approving the information policy of Alior Bank; and (xxvii) electing an auditor.

Supervisory Board Committees

The Supervisory Board may set up standing and ad hoc committees, and appoint its members to sit on such committees. The tasks and powers of individual committees are defined by the Supervisory Board.

As at the date of this Offering Circular, the Supervisory Board had the following committees: (i) the remuneration committee; (ii) the audit committee, and (iii) the risk committee.

Remuneration Committee

The remuneration committee is made up of at least three persons elected by the Supervisory Board from its members for the term of the Supervisory Board. The committee currently has three members. Committee meetings are held in accordance with a timetable included in the annual plan of work of the committee, and whenever deemed necessary by its members.

The remuneration committee: (i) passes opinions on the policy concerning variable remuneration components in accordance with the principles of stable and prudent risk, equity and liquidity management, while also paying special attention to the long-term interests of Alior Bank and the interest of its shareholders; (ii) passes opinions on the permissibility of deferred variable remuneration payments, or any changes thereto; (iii) passes opinions on and monitors variable remuneration due to persons holding management positions in Alior Bank related to risk management, and to Alior Bank's compliance with relevant provisions of law and internal rules; and (iv) passes opinions on the classification of positions to which the variable remuneration components policy applies.

As at the date of this Offering Circular, the remuneration committee was made up of the following Supervisory Board members: Maciej Rapkiewicz, Marek Michalski and Paweł Szymański.

Audit Committee

The audit committee is made up of at least three persons elected by the Supervisory Board from among its members for the term of the Supervisory Board. The committee currently has three members. Committee meetings are held as often as required and at least four times in any given year.

The committee's responsibilities include monitoring: (i) the financial reporting process; (ii) the effectiveness of internal control, internal audit and risk management systems; (iii) financial audit actions; and (iv) the independence of both the auditor and the entity authorized to audit financial statements.

As at the date of this Offering Circular, the audit committee was made up of the following Supervisory Board members: Małgorzata Iwanicz-Drozdowska, Sławomir Niemierka, and Stanisław Ryszard Kaczoruk.

Risk Committee

The risk committee is made up of at least three persons elected by the Supervisory Board from among its members for the term of the Supervisory Board. The committee currently has three members. Committee meetings are held as often as required and at least four times in any given year.

The committee's responsibilities include: (i) supporting the Supervisory Board with regard to oversight of the bank's risk management processes; (ii) preparing opinions on the bank's overall, current and future readiness to take risks and the strategy of managing risk in the bank; (iii) supporting the Supervisory Board in supervising the implementation of the bank's risk management processes by management personnel; (iv) verifying the price of liabilities and assets offered to clients in the context of the bank's business model and strategy with regard to risk; (v) in the event of any discrepancy, submitting proposals to the Management Board aimed at ensuring accurate pricing of liabilities and assets in light of such risk; (vi) passing opinions on regulations defining the bank's strategy and its approach to risk; and (vii) analyzing of cyclical reports on the implementation of these strategies and policies.

As at the date of this Offering Circular, the risk committee was composed of the following Supervisory Board members: Dariusz Gątarek, Małgorzata Iwanicz-Drozdowska and Sławomir Niemierka.

Professional Biographies of Supervisory Board Members

Michał Krupiński – Chairman of the Supervisory Board

Michał Krupiński holds a diploma from the Warsaw School of Economics. He has earned a diploma with honors in an expert course of study in economics at the Catholic University in Louvain. He completed the MBA program at the Columbia University Graduate School of Business and has also studied at Harvard University. In 2012, he was awarded the title of Young Global Leader by the Davos World Economic Forum. He is fluent in English, French, German and Spanish. From 2011 to 2016, he was President of the Management Board of Merrill Lynch Polska and Head of Investing Banking for Central and Eastern Europe in Bank of America Merrill Lynch. He was responsible for overseeing and conducting mergers and acquisitions, as well as private and public placements. He provided advisory services on asset management, investment policy and capital structure in the banking and insurance sectors among others. From 2008 to 2011, he was a Member of the Board of Directors at the World Bank in Washington. He was a joint decision-maker on International Bank for Reconstruction and Development (the "**IBRD**") loans and guarantees, International Development Association (the **"IDA**") loans and guarantees, International Finance Corporation (the "**IFC**") investment guarantees and the World Bank's strategy and policies. From 2006 to 2008, he was an undersecretary of state in the Ministry of the Treasury where he was responsible, amongst other things, for ownership supervision. He oversaw the power sector consolidation program. Since January 2016, he has been President of the PZU Management Board.

Dariusz Gątarek – member of the Supervisory Board

Dariusz Gątarek graduated with a degree in applied mathematics from the Warsaw University of Technology in 1981, and holds a DSc in automation. Dariusz Gątarek has 18 years of experience working for many financial and advisory institutions in Poland, England and Germany such as BRE Bank, Societe Generale, Glencore, UniCredit, Deloitte and NumeriX, specializing in valuing financial instruments and risk management. He was advisor to the Governor of the National Bank of Poland from 2008 to 2010. He is a professor at Systems Research Institute of the Polish Academy of Sciences. He has published a number of papers on finance matters and is a frequent speaker at conferences worldwide.

Stanisław Ryszard Kaczoruk – member of the Supervisory Board

Stanisław Ryszard Kaczoruk graduated from the Faculty of Mathematics at the University of Wrocław. In 1986, he received a PhD in technical sciences in the application of mathematical models and mathematical systems theory. He has participated in a number of research projects and published several works on the applications of mathematics (including mathematical statistics and systems theory) and IT in the economy and environmental protection in Polish and foreign academic magazines. Stanisław Kaczoruk has been involved in capital markets since 2010 as a member of the supervisory boards of WSE-listed companies such as MCI Capital Towarzystwo Funduszy Inwestycyjnych S.A. and Eficom-Sinersio S.A. He has taken part in projects associated with the development of strategies for selected clients and has cooperated with top advisory firms in the area of acquisitions and restructuring of companies (including PKP Energetyka and Elester PKP) and also helped with the organization of TFI KGHM.

From 1998 to 2015, he held executive positions and was on the boards of companies active in the IT, legal services and advisory markets. Between 1985 and 1999, he was head of a team coordinating a pioneering government program to computerize Poland's geodesy. Between 1988 and 1989, Stanisław Kaczoruk was head of the software department at Data Start sp. Z o.o. From 1991 to 1993, he was the head of the IT department at Metraco (KGHM) sp. Z o.o. and, in 1993, he was the head of the IT Section of the Management Board Office of KGHM Polska Miedź S.A. From 1993 to 1994, he was a director of information at Winuel sp. Z o.o. In 1994, he was the regional director for Southern Poland at InterAms sp. Z o.o., and from 1994 to 1995 he was director at NetCom sp. Z o.o. From 1995 to 1997, he was the Managing Director at Kaczmarski Burgel Inkasso sp. Z o.o., and, from 1997 to 2002, he was the Commercial and Marketing Director at Winuel S.A. Since 2000, Stanisław Kaczoruk has been the chairman of Międzynarodowy Sąd Arbitrażowy sp. Z o.o. (International Court of Arbitration) (and since 2013, he has also been the CEO of Międzynarodowy Sąd Arbitrażowy S.A.). From 2005 to 2012, he was a member of the management board of Value Based Advisors sp. Z o.o. and, in 2016, he was a commercial proxy at Eficom-Sinersio S.A.

As an independent consultant, he has worked with, among others, ComputerLand S.A. SPIN S.A., Premium Technology sp. Z o.o., Prokom S.A., Comarch S.A., Asseco S.A., SHH sp. Z o.o., WolaInfo S.A., PKP Informatyka and other leading IT and consulting companies (including, EY, PwC, KPMG, BTFG). Since 2006, he has been an expert under the Sector

Operational Program – Growth of Competitiveness of Enterprises. From 2003 to 2004, he was a member of the Supervisory Board, and later President of the Management Board, of "Nad Odrą" housing cooperative in Wrocław. From 1994 to 2007, he was a director and founder of Lower Silesian Cardiology Foundation and a member of the Rail Transport Experts and Managers Association Secretary General of EuroCloud Polska Association. He has acted as an advisor to PKP S.A. (2013), PKP PLK (from 2009 to 2011), and TK PKP Energetyka. Since 1983, he has run his own farm.

Małgorzata Iwanicz-Drozdowska – member of the Supervisory Board

Małgorzata Iwanicz-Drozdowska has been connected with the Warsaw School of Economics since 1995, where she has gained several degrees. She is a professor at the Institute of Finance at the Warsaw School of Economics, where she heads the Financial System Research Unit. She is an acknowledged specialist in the analysis of banking operations, banking risk, financial security networks, financial crisis and bank restructuring. For over 20 years, she has been working in business, including as a member of supervisory boards from mid-2007. She has written and co-authored over 130 papers on the banking and financial services market, and has participated in domestic and international research projects.

Maciej Rapkiewicz – Vice Chair of the Supervisory Board

Maciej Rapkiewicz graduated in law from the Faculty of Law and Administration at Łódź University, and completed postgraduate studies in business insurance at the Kraków Academy of Economics, MBA Finance & Insurance at the Łódź University of Technology / Illinois State University, and PhD studies at the Economics Faculty at the Finance, Banking and Insurance Institute at the Łódź University. From 1998 to 2006, he was employed at PZU, and, from January 2004 to April 2006, he was the head of the Recourse and Overdue Premiums Section in the Collection Bureau. From April 2006, to November 2006, he was President of the Management Board at ŁSSE S.A. From November 2006 to August 2009, he was Vice President of the Management Board (until February 2008 as a Management Board member) of TFI PZU S.A. and from January 2010 to March 2010, he was the Director of the Finance Bureau of TVP S.A. From November 2011 to June 2015, he was a member of the Management Board of Instytut Sobieskiego. From October 2009, he ran his own business as Maciej Rapkiewicz Consulting, specializing primarily in business consulting. His work also involves finance management, including liquidity, risk, cost, financial optimization (including consulting in obtaining permits to operate in special economic zones), preparation of analyses in the area of finance, assessment of regulatory impact (OSR) and preparation of receivables securitization projects for financial sector entities (mainly banks and non-life insurance companies). From September 2015 to March 2016, he was member of the Supervisory Board of Morizon S.A. Since February 2016, he has been the Chairman of the Supervisory Board of Dom Invest sp. Z o.o. and, until February 2016, he was member of the Supervisory Board of Przedsiębiorstwo Energetyki Cieplnej sp. Z o.o. in Sochaczew. From July 2015 to March 2016, he was an employee of Towarzystwo Funduszy Inwestycyjnych BGK S.A. In March 2016, he was appointed as a member of the Management Board of PZU.

Marek Michalski – member of the Supervisory Board

Professor Marek Michalski is the Dean of the Faculty of Law and Administration of the Cardinal Stefan Wyszyński University in Warsaw, head of the Faculty of Private Business Law of the Faculty of Law and Administration of the same university. He is also President of the Arbitration Court at the Polish National Depository for Securities as well as a judge at the Arbitration Court at the Financial Supervision Authority. Until 2008, he was also a member of the Council of the WSE. Previously, Professor Marek Michalski was the director of the Legal Office of the National Depository for Securities and an adviser to the Minister of the Treasury. He was involved in legislative work concerning securities trading, investment funds, compensation certificates, commodity exchanges and re-privatization. He is an author and co-author of more than 100 scientific publications on matters of securities and financial instruments, public trading of securities, banking law, capital markets law, commercial law and joint stock companies.

Sławomir Niemierka – member of the Supervisory Board

Sławomir Niemierka is a graduate of the Faculty of Law and Administration at Warsaw University, and a post-graduate in European Union Law and Economics Studies at Warsaw University and Harvard Business School. He is qualified as legal counsel, and has co-authored a number of publications on financial law and bank supervision. From 1994 to 2007, he was an academic teacher for postgraduate courses at the Polish Academy of Sciences, Warsaw University and the Academy of Insurance and Finance. For many years, he worked in the National Bank of Poland – the General Inspectorate of Banking Supervision, where for eight years he headed the Inspection Office and was responsible for inspections carried out in banks, branches of foreign banks and credit institutions in Poland, in particular, relating to risk

management and internal audit systems. He is a member of a Steering Committee of the General Inspectorate of Banking Supervision in charge of the implementation of the second Basel Accord, supervision over risk models, operational risk and accounting standards. He was also part of a team responsible for the development of the risk management system in the National Bank of Poland. From 2010 to 2011, as a Member of the Management Board of the Bank Guarantee Fund, he supervised the operational risk management system and supervision and monitoring of banks availing themselves of financial assistance from the Bank Guarantee Fund. He joined the PZU Group in 2008 and was appointed as Managing Director in charge of auditing. While in that position, he was responsible for devising and implementing a new internal control and audit system, and supervised the operation of internal audit and internal control in PZU and PZU Życie. On March 19, 2012 he was appointed as a member of the Management Board of PZU Życie, where he is responsible for risk management, compliance and security.

Paweł Szymański – member of the Supervisory Board

Paweł Szymański graduated from the Warsaw School of Economics. He has a wide range of experience in strategic and operational management, with an emphasis on finance, restructuring and enterprise cost management. He was the CEO and CFO of some of the biggest Polish and regional companies. He also has knowledge and experience in private equity and transactional advice. He combines management competence with a broad knowledge of global financial markets, acquired in some of the biggest investment banks both in Warsaw and London. Between 1994 and 1996, he worked as an analyst at Wood and Company. From 1997 to 2000, he was an analyst and subsequently assistant director in the Analysis Department of Schroder Securities. Between 2000 and 2003, he was a director in the Analysis Section at Schroder Salomon Smith Barney. Between 2003 and 2004, he held the position of CEO at Dom Maklerski Banku Handlowego. Between 2004 and 2007, he was a member of the Management Board and CFO of PKN Orlen S.A. From 2007 to 2008, he served as CFO of CTL Logistics sp. Z o.o. Between 2010 and 2013, he held the position of CFO and subsequently of CEO of Ruch S.A., and, from 2014 to 2015, he was CFO and subsequently the President of the Management Board of Netia SA. Since 2008, he has also been an executive partner and member of the Management Board of ICENTIS Capital. He was a member of supervisory boards of a number of entities, including ACE European Group Limited sp. Z o.o., Polkomtel S.A., and Anwil S.A. Since 2013, he has also been member of the Supervisory Board of Ruch S.A. and Vice President and CFO of ABC Data S.A.

Positions held by Supervisory Board Members in Companies Outside Alior Group

The table below contains information on companies outside the Alior Group in which members of the Supervisory Board held positions in their administrative, management or supervisory bodies, or of which they were shareholders, in the last five years. The table also contains an indication on whether the given Supervisory Board member still holds this position or shareholding. For public companies whose shares are admitted to trading on a regulated market, information about shares held by Supervisory Board members has been included if such shares account for more than 5% of the total number of votes at the general meeting of that company.

Name	Company	Position held	Position held at present?
Michał Krupiński	Merill Lynch Polska sp. Z o.o.	President of Management Board	No
	PZU	President of Management Board	Yes
	PZU Życie	Chairman of Supervisory Board	Yes
Stanisław Ryszard Kaczoruk	MCI Capital Towarzystwo Funduszy Inwestycyjnych S.A.	Supervisory Board member	No
	Eficom-Sinersio S.A.	Supervisory Board member	No
	Value Based Advisors sp. Z o.o.	Management Board member	No
	Międzynarodowy Sąd Arbitrażowy sp. Z o.o.	President of Management Board	No
	Międzynarodowy Sąd Arbitrażowy S.A.	President of Management Board	Yes
Małgorzata Iwanicz-Drozdowska	Ubezpieczeniowy Fundusz Gwarancyjny	Supervisory Board member	Yes
	Europejski Fundusz Medyczny SA	Supervisory Board member	Yes
	INVALUE Towarzystwo Funduszy Inwestycyjnych SA	Supervisory Board member	Yes

Name	Company	Position held	Position held at present?
Maciej Rapkiewicz	Dom Invest sp. Z o.o.	Chairman of Supervisory Board	Yes
	Przedsiębiorstwo Energetyki Cieplnej sp. Z o.o.	Supervisory Board member	No
	Morizon S.A.	Supervisory Board member	No
	PZU	Management Board member	Yes
	Instytut Sobieskiego	Management Board member	No
Marek Michalski	EMC Instytut Medyczny S.A.	Supervisory Board member	No
	Progress Investment S.A.	Supervisory Board member	No
	APT & Right Attorneys at Law Trocka Sledziński sp. K.	shareholder	Yes
Sławomir Niemierka	PZU Życie	Management Board member	Yes
	Link4 TU SA	Supervisory Board member	Yes
	Towarzystwo Funduszy Inwestycyjnych PZU SA	Supervisory Board member	Yes
	UAB PZU Lietuva Gyvybes Draudimas	Supervisory Board member	Yes
	Lietuvos Draudimas AB	Supervisory Board member	Yes
	Apdrosinasanas Akciju Sabiedriba „BALTA"	Supervisory Board member	Yes
	PrJSC PZU Ukraine	Supervisory Board member	Yes
	PrJSC PZU Ukraine Life Insurance	Supervisory Board member	Yes
	Towarzystwo Ubezpieczeń Wzajemnych Polski Zakład Ubezpieczeń Wzajemnych	Supervisory Board member	Yes
Paweł Szymański	Icentis Capital sp. Z o.o.	Management Board member, shareholder	Yes
	Netia S.A.	President of Management Board	No
	Marvipol S.A.	Management Board member	No
	Ruch S.A.	Supervisory Board member	Yes
	Lurena Investments sp. Z o.o.	President of Management Board	Yes
	Centrum Usług Wspólnych Katowice sp. Z o.o.	Supervisory Board member	Yes
	ABC Data S.A.	Management Board member	Yes

Source: Alior Bank.

Other Information Concerning Management Board and Supervisory Board Members

Remuneration and Other Benefits of Management Board and Supervisory Board Members

Principles of Determining the Remuneration of Management Board Members

In accordance with the Articles of Association, the determination of the remuneration of Management Board members is the responsibility of the Supervisory Board. As at the date of this Offering Circular, in accordance with the Supervisory Board Resolution of March 23, 2016 which came into force on March 3, 2016, the basic monthly remuneration of the President of the Management Board is PLN 210,000 gross, and that of the Vice Presidents of the Management Board is PLN 140,000 gross.

The agreements with Management Board members are signed for an indefinite term. The agreements may be terminated by either party subject to nine months' advance notice effective at the end of the relevant calendar month.

The Bank was also obliged to implement rules concerning the variable remuneration components policy in relation to persons holding managerial positions in the bank, adopted by the PFSA in its Resolution No. 258/2011 (see " – *Variable Remuneration Components Policy*" below).

Additionally, Management Board members benefited from the Management Options Program and currently benefit from the Bonus Program (see " – *Share Capital and Shares – Alior Bank Share Capital and Types of Shares – The Management Option Plan and the Bonus Program*").

Management Board Members' Remuneration in 2015

The table below sets out information on the amount of remuneration paid and the number of subscription warrants awarded within the framework of the Management Options Program (See: " – *Share Capital and Shares – Share capital of Alior Bank and Types of Shares – Management Options Scheme and Bonus Scheme*") issued in 2015 by the Company to all Management Board members holding office in 2015.

Management Board member	(Gross) remuneration paid by the Company in 2015[1] *(in PLN)*	Number of subscription warrants received under Management Options Program in 2015	Total estimated value of non-cash benefits awarded by the Company in 2015[2] *(in PLN)*
Wojciech Sobieraj	2,295,557.81	162,656	1,559.00
Małgorzata Bartler[1]	316,667.61	11,000	4,164.55
Krzysztof Czuba	1,304,645.82	76,859	714.00
Michał Hucał[3]	1,042,128.36	50,995	-
Joanna Krzyżanowska[1]	741,269.74	-	1,600.00
Witold Skrok	1,303,931.82	67,993	-
Barbara Smalska[1]	368,618.55	-	780. 00
Katarzyna Sułkowska	1,304,645.82	70,960	1,069.00
Total	**8,677,465.53**	**440,462**	**9,926.65**

[1] *The amount of remuneration paid for performing the duties of the Management Board member does not include remuneration received prior to holding such position.*
[2] *Companies from the Alior Group other than the Company did not award non-cash benefits to Management Board members in 2015. The value of non-cash benefits awarded by the Company included the costs of medical care, supplementary funding from the Company's social benefits fund, non-cash prizes and a company car.*
[3] *Michał Hucał ceased to be a Management Board member on October 14, 2015.*
Source: Alior Bank.

With the exception of Małgorzata Bartler, who received an amount of PLN 234.53 as remuneration from one of the Subsidiaries, the Subsidiaries did not pay remuneration to Management Board members in 2015.

Principles of Determining the Remuneration of Supervisory Board Members

In accordance with the Articles of Association, members of the Supervisory Board are entitled to remuneration in an amount determined at the General Meeting.

As at the date of this Offering Circular, the level of remuneration of Supervisory Board members was defined in Alior Bank's Articles of Association of April 21, 2008, and in Resolution No. 24/2015 of the Annual General Meeting of May 25, 2015 on the determination of the remuneration of Supervisory Board members taking part in the work of Supervisory Board Committees and amounted to PLN 10,000 a month plus PLN 1,000 a month for serving on each Supervisory Board committee.

Amount of Remuneration of Supervisory Board Members in 2015

The table below sets out information about the amount of remuneration received and the number of subscription warrants awarded within the framework of the Management Option Program (see " – *Share Capital and Shares – Share capital of Alior Bank and Types of Shares – Management Options Scheme and Bonus Scheme*") issued in 2015 by the Company or the Subsidiaries to all Supervisory Board members who held office in 2015.

Supervisory Board member	(Gross) remuneration paid by the Company in 2015[2] *(in PLN)*	(Gross) remuneration paid by Subsidiaries in 2015[2]	No. of subscription warrants received under Management Options Program in 2015	Total estimated value of non-cash benefits received from the Company in 2015
Helene Zaleski[1]	123,000.00	-	-	-
Przemysław Dąbrowski[1, 3]	2,261.43	-	-	-
Małgorzata Iwanicz-Drozdowska[4]	142,517.36	-	-	-
Sławomir Dudzik[1]	130,957.81	-	-	-
Niels Lundorff[1, 2]	1,204,566.00	-	81,349	-
Marek Michalski[4]	132,948.27	-	-	-

Supervisory Board member	(Gross) remuneration paid by the Company in 2015[2] *(in PLN)*	(Gross) remuneration paid by Subsidiaries in 2015[2]	No. of subscription warrants received under Management Options Program in 2015	Total estimated value of non-cash benefits received from the Company in 2015
Sławomir Niemierka[3]	2,261.43	-	-	-
Krzysztof Obłój[1]	125,332.96	-	-	-
Stanisław Popów	144,301.00			-
Total	2,008,146.26	**0.0**	**81,349**	**-**

[1] *Helene Zaleski, Przemysław Dąbrowski, Sławomir Dudzik, Niels Lundorff and Krzysztof Obłój ceased to be Supervisory Board members on March 30, 2016. With regard to Niels Lundorff, the number of subscription warrants concerns the period when he held the post of Management Board member.*
[2] *The amount includes non-compete compensation.*
[3] *Remuneration accrued for 2015 but disbursed in 2016.*
[4] *The amount also includes remuneration paid by Meritum Bank ICB.*
Source: Alior Bank.

Variable Remuneration Components Policy

In accordance with PFSA Resolution No. 258/2011, the remuneration of persons holding management positions in banks must include both constant and variable components, aimed at promoting strong and effective risk management. Alior Bank introduced the Variable Remuneration Components Policy for Persons Holding Management Positions in Alior Bank (the "**Variable Remuneration Components Policy**").

The aims of the Variable Remuneration Components Policy include, in particular: promoting proper and efficient risk management and discouraging the taking of excessive risk; supporting the implementation of Alior Bank's strategy; reducing conflicts of interest; and helping to maintain a transparent correlation between individual results and individual remuneration.

Agreements with Management Board members and Supervisory Board members authorizing them to receive benefits disbursed on the day when they cease to serve on those bodies

If Alior Bank terminates the employment agreement with a Management Board member before the end of their tenure, the Management Board member is authorized to receive compensation of no less than 6 times and no more than 12 times the monthly base gross remuneration.

The agreements also contain provisions concerning restrictions on competitive activity, pursuant to which members of the Management Board may not engage in any activity which would compete with the business of Alior Bank for up to 12 months following the termination of the agreement with Alior Bank. Therefore members of the Management Board are authorized to receive remuneration which will, on aggregate, equal their gross remuneration for the period of 12 months.

Liabilities related to old-age or disability pensions or other types of benefits for the benefit of Management Board and Supervisory Board members

As at the date of this Offering Circular, there are no liabilities related to age, pensions, or other performances for the benefit of Management Board and Supervisory Board members.

Shares or options for Shares held by Management Board or Supervisory Board members

Except for information provided for below, as at the date of this Offering Circular, none of the Management Board or Supervisory Board members held any shares or share options.

As at the date of this Offering Circular: (i) Wojciech Sobieraj holds 435,296 Shares; (ii) Krzysztof Czuba holds 168 Shares; (iii) Witold Skrok holds 104,103 Shares; (iv) Katarzyna Sułkowska holds 47,612 Shares and (v) Małgorzata Iwanicz-Drozdowska holds 1,465 Shares.

Furthermore, as a result of the implementation of the Management Option Plan, as at the date of this Offering Circular: (i) Wojciech Sobieraj holds 436,307 subscription warrants; (ii) Małgorzata Bartler holds 26,189 subscription warrants; (iii) Krzysztof Czuba holds 118,325 subscription warrants; (iv) Witold Skrok holds 156,754 subscription warrants; (v) Katarzyna Sułkowska holds 118,325 subscription warrants; (vi) Barbara Smalska holds 15,189 subscription warrants; and (vii) Joanna Krzyżanowska holds 15,189 subscription warrants (see " *– Share capital and shares – Share capital of Alior Bank and Types of Shares – Management Options Scheme and Bonus Scheme*").

Agreements restricting the selling of Shares by Management Board members and Supervisory Board members

As at the date of this Offering Circular, no restrictions are in place in relation to the disposal by Management Board members and Supervisory Board members of their Shares.

Agreements and arrangements pursuant to which members of the Management Board and the Supervisory Board were appointed members of the Management Board or the Supervisory Board

On December 11, 2013, Alior Bank and T-Mobile Polska entered into an agreement on cooperation in the provision of financial intermediation services by T-Mobile Polska (see " – *Business Overview – Financial intermediation agreements – Agreement with T-Mobile Polska*"). Pursuant to the provisions of this agreement, if the Supervisory Board ceases to include a member designated by T-Mobile Polska and elected by the General Meeting, and no new Supervisory Board member designated by T-Mobile Polska is elected by the General Meeting during the term of this agreement, this agreement shall be terminated at T-Mobile Polska's request within six months of the date of such member being removed from the Supervisory Board, unless the parties agree otherwise. In the event of termination of the agreement, the provisions authorizing T-Mobile Polska to exercise the purchase option shall apply. As at the date of this Offering Circular, Paweł Szymański was designated by T-Mobile Polska and elected by the General Meeting to serve as a member of the Supervisory Board.

Representations of Management Board and Supervisory Board members

According to the representations made by Management Board and Supervisory Board members, apart from the exceptions described in this section, in the period of five years prior to the date of this Offering Circular, none of the Management Board or Supervisory Board members: (i) have been a member of administrative, management or supervisory bodies of companies outside Alior Group; (ii) have been sentenced for fraud; (iii) have been banned by a court from holding positions on administrative, management or supervisory bodies of companies or occupying management positions or managing the affairs of any company; (iv) have been formally and publicly charged, or had any sanctions imposed on them by any statutory or regulatory body (including acknowledged professional organizations); (v) have any family ties with any other Management Board or Supervisory Board members; (vi) other than sitting on management or supervisory bodies of other entities, have engaged in any other activity outside the Company that could materially impact the Company; or (vii) have had any conflict of interest, even a potential one, between their duties towards the Company and their personal interests or other duties.

As per the representations made, other than as described below, no Management Board or Supervisory Board member was a member of an administrative, management or supervisory body, or a senior officer in entities with regard to which, during the last five years: (i) bankruptcy proceedings were in place (or a motion for the declaration of bankruptcy was dismissed due to the lack of funds for conducting bankruptcy procedures); (ii) liquidation proceedings were in place; (iii) rehabilitation or restructuring proceedings were in place; or (iv) a receiver was appointed.

During the last five years there was one instance of liquidation in respect of an entity in which Supervisory Board member Marek Michalski served on administrative, management or supervisory bodies, or acted as senior officer.

On August 18, 2015, the company named Progress Investment S.A., in which Marek Michalski served as Supervisory Board member from October 2012 to September 2015, was declared bankrupt and subsequently liquidated.

During the last five years, liquidation occurred in respect of entities in which Management Board member Wojciech Sobieraj served on administrative, management or supervisory bodies, or acted as a senior officer.

Wojciech Sobieraj was member of the Management Board of the company named WSHZ sp. Z o.o. from 2009 to 2013. On August 12, 2014, WSHZ sp. Z o.o. was struck off the register in connection with the completion of its liquidation.

Wojciech Sobieraj was member of the Management Board of the company named Manco sp. Z o.o. from 2013 to 2015. Pursuant to a resolution of an extraordinary shareholders' meeting of Manco sp. Z o.o. of March 16, 2016, the liquidation of Manco sp. Z o.o. was commenced.

According to representations made to the Company for the purpose of drawing up this Offering Circular, as at the date of this Offering Circular the following Supervisory Board members met the criteria of independence within the meaning of the Act on Statutory Auditors: Stanisław Ryszard Kaczoruk and Paweł Szymański.

According to representations made to the Company, as at the date of this Offering Circular the following Supervisory Board members met the criteria of independence within the meaning of Best Practice for WSE Listed Companies 2016: Małgorzata Iwanicz-Drozdowska, Marek Michalski, Stanisław Ryszard Kaczoruk, Paweł Szymański and Dariusz Gątarek.

Application of corporate governance rules

Best Practice for WSE Listed Companies

Pursuant to the WSE Rules, the WSE Supervisory Board may adopt the principles of corporate governance for companies which are issuers of shares and other securities admitted to stock exchange trading, which should be upheld by such issuers. The principles of corporate governance in force as at the date of this Offering Circular are contained in the document entitled "Best Practice for WSE Listed Companies 2016", which constitutes an attachment to Exchange Supervisory Board Resolution No. 26/1413/2015 of October 13, 2015.

Pursuant to WSE Rules, if a given detailed rule of corporate governance is not consistently upheld, or is accidentally breached, Alior Bank is obliged to publish a report containing information about the rule breached. This report must explain the circumstances and reasons for non-compliance, how Alior Bank will remedy the possible consequences of non-compliance, or what steps it intends to take to reduce the risk of such non-compliance in the future. The report should be published on Alior Bank's official web page and in the manner applied to releasing of current reports. The obligation of publishing the report should be fulfilled as soon as Alior Bank is reasonably convinced that a given principle will not be applied in the future or in given circumstances, and each instance immediately following the occurrence of an event breaching a specific principle of corporate governance.

Within the scope of the powers assigned to it by the Articles of Association and the current provisions of the law, the Management Board seeks to ensure that the Company upholds to the fullest possible extent the rules contained in the "Best Practice for WSE Listed Companies 2016". Furthermore, the Management Board recommends to the Supervisory Board and the General Meeting the fullest possible upholding of the principles ensuing from that document.

As at the date of this Offering Circular, Alior Bank was implementing the principles and recommendations contained in the "Best Practice for WSE Listed Companies 2016", with the exception of the principles and recommendations detailed below which have not been implemented by Alior Bank, either partly or in full.

Principle I.Z.1.8: a company should operate a corporate website and publish on it, in a legible form and in a separate section, in addition to information required under the legislation, selected financial data of the company for the last five years of business in a format enabling the recipient to process such data.

This principle has been applied to financial data published after 2012 due to the fact that Alior Bank has only been a public company since 2012.

Principle I.Z.1.10: a company should operate a corporate website and publish on it, in a legible form and in a separate section, in addition to information required under the legislation, financial projections, if the company has decided to publish them, published at least in the last five years, including information about the degree of their implementation.

This principle does not apply to Alior Bank as Alior Bank does not publish financial projections.

Principle II.Z.2: a company's management board members may sit on the management board or supervisory board of companies other than members of its group subject to the approval of the supervisory board.

This principle will be implemented by Alior Bank. As at the date of this Offering Circular, work was underway to draft appropriate internal regulations of Alior Bank in this regard.

Principle III.Z.6: where the company has no separate internal audit function in its organization, the audit committee (or the supervisory board if it performs the functions of the audit committee) should review on an annual basis whether such function needs to be separated.

This principle does not apply to Alior Bank as a separate audit department has been set up within Alior Bank.

Principle IV.R.2.2: if it is justified by the structure of shareholders or expectations of shareholders notified to the company, and if the company is in a position to provide the technical infrastructure necessary for a general meeting to proceed efficiently using electronic communication means, the company should enable its shareholders to participate in a general meeting using such means, in particular through real-time bilateral communication where shareholders may take the floor during a general meeting from a location other than the general meeting.

Due to technical and organizational requirements of providing such infrastructure, the associated costs and risks, and the Bank's limited experience in this area, Alior Bank has decided not to enable shareholders to use real-time communication that would enable shareholders to participate in a General Meeting remotely. Alior Bank intends to apply this recommendation as soon as it completes the implementation of the relevant IT systems.

Principle IV.R.3: where securities issued by a company are traded in different countries (or in different markets) and in different legal systems, the company should strive to ensure that corporate events related to the acquisition of rights by shareholders take place on the same dates in all the countries where such securities are traded.

This principle does not apply to Alior Bank as the securities issued by Alior Bank are traded on the Polish market only.

Principle IV.Z.16: the dividend record date and the dividend payment date should be set so as to ensure that the period between them is no longer than 15 business days. A longer period between these dates requires a justification.

This principle will be implemented by Alior Bank. Alior Bank has not yet made any dividend payment.

Principle IV.Z.17: a resolution of the general meeting concerning a conditional dividend payment may only contain such conditions the potential fulfillment of which takes place before the dividend record date.

This principle will be implemented by Alior Bank. Alior Bank has not yet made any conditional dividend payment.

Principle IV.Z.18: a resolution of the general meeting to split the nominal value of shares should not set the new nominal value of the shares below PLN 0.50, which could result in a very low unit market value of the shares and which could consequently pose a threat to the correct and reliable valuation of the company listed on the Exchange.

This principle will be implemented by Alior Bank. Alior Bank has not yet split the nominal value of any shares.

PFSA Corporate Governance Principles for Supervised Institutions

On July 22, 2014, the PFSA published the "Principles of Corporate Governance for Supervised Institutions (the "**Principles**"). The Principles are a collection of principles defining the internal and external relations of the supervised institutions, including their relations with their shareholders and clients; their organization; the operation of internal supervision and key internal systems and functionalities; their statutory bodies; and the principles of cooperation between them. The goal of the Principles is to raise the standard of corporate governance in PFSA-supervised institutions to a higher level and to increase the transparency of their operation. The Principles are applicable to institutions from all sectors of the financial market supervised by the PFSA, and can be implementated pro-rata to the size of the institution, the nature of a given institution and the specific nature of its operations. These principles also apply to supervised institutions that have the status of a public company, but not to issuers holding public offerings or whose securities are admitted to trading on a regulated market.

On May 25, 2015, the Ordinary General Meeting passed Resolution No. 25/2015 on the adoption of the Principles. Pursuant to the Resolution, Alior Bank accepted the Principles, with the exception of the principles specified in the "Best Practice for WSE Listed Companies 2016". In the event of a conflict between the Principles and the "Best Practice for WSE Listed Companies 2016", the provisions of the latter will prevail. To the Company's best knowledge, there are no PFSA Corporate Governance Rules that Alior Bank does not implement, except for principles that are also reflected in the Best Practice for WSE Listed Companies 2016, where they are formulated otherwise or in a more detailed manner, and to this extent they are implemented by the Company.

MAJOR SHAREHOLDERS

Major Shareholders

As at the date of this Offering Circular, the share capital of Alior Bank amounted to PLN 727,074,630.00, divided into 72,707,463 Existing Shares. The Existing Shares carry no preference and each Existing Share carries the right to one vote at the General Meeting.

As Alior Bank is a public company within the meaning of the Public Offering Act, with the Existing Shares listed on the regulated market (main market) operated by the WSE it does not have detailed information regarding all of its shareholders. Alior Bank has information regarding some of its shareholders that was disclosed on the basis of notifications submitted to the Company pursuant to the provisions of the Public Offering Act (see *Offer Document – Polish Securities Market Regulations and Obligations Relating to the Acquisition and Disposal of Offer Shares – Obligations under the Offering Act relating to significant blocks of shares in public companies*") or information disclosed to the Company on the basis of other laws and regulations (see *Offer Document – Polish Securities Market Regulations and Obligations Relating to the Acquisition and Disposal of Shares – Mandatory notifications of a new domination relationship under the Code of Commercial Companies*").

The table below shows information on major shareholders, who at the date of this Offering Circular directly held Existing Shares representing at least 5% of the total number of votes at the General Meeting and 5% of the share capital of Alior Bank.

	As at the date of this Offering Circular			
Shareholder	**Number of Existing Shares**	**(%)**	**Number of votes**	**(%)**
PZU[(1)]	21,247,464	29.22	21,247,464	29.22
Genesis Asset Managers LLP[(2)]	5,093,922	7.01	3,483,391	4.79
Aviva OFE Aviva BZ WBK[(3)]	4,012,000	5.52	4,012,000	5.52
Others	42,354,077	58.25	43,964,608	60.47
Total	**72,707,463**	**100**	**72,707,463**	**100**

[(1)] Together with the parties to the agreement of April 27, 2016, acting in concert (i.e. PZU Życie which holds 27,347 of the Existing Shares as at the date of this Offering Circular, PZU Specjalistyczny Fundusz Inwestycyjny Otwarty Universum, which holds 1,644 of the Existing Shares as at the date of this Offering Circular and PZU Fundusz Inwestycyjny Zamknięty Aktywów Niepublicznych BIS 2 which holds 2,900,000 of the Existing Shares as at the date of this Offering Circular), as stated in the notification of April 27, 2016.
[(2)] Shares held by Genesis Asset Managers LLP are recorded on the securities accounts of institutional customers controlled by Genesis Asset Managers LLP. Genesis Asset Managers LLP does not have the authority to exercise voting rights attached to all the Company's shares recorded on the accounts of institutional customers controlled by Genesis Asset Managers LLP. 5,093,922 of the Existing Shares are recorded on the accounts of entities controlled by Genesis Asset Managers LLP, with Genesis Asset Managers LLP being authorized to exercise the right to vote attached to 3,483,391 Existing Shares only.
[(3)] On the basis of the number of shares registered at the Extraordinary General Meeting of May 5, 2016.
Source: the Bank.

The Major Shareholders do not hold any other rights to vote in relation to the Bank. They are not preferred in any other manner with respect to rights to vote.

PZU

From the information provided to the Company pursuant to Article 69 Section 1 of the Public Offering Act, PZU, together with parties to the agreement of April 27, 2016 (PZU Życie, PZU Specjalistyczny Fundusz Inwestycyjny Otwarty Universum and PZU Fundusz Inwestycyjny Zamknięty Aktywów Niepublicznych BIS 2) holds 21,247,464 of the Existing Shares. This represents 29.22% of the Company's share capital with a right to 21,247,464 votes at the General Meeting, constituting 29.22% of the total number of votes at the General Meeting.

Genesis Asset Managers LLP

From the information provided to the Company pursuant to Article 69 Section 1 of the Public Offering Act, Genesis Asset Managers LLP holds 5,093,922 of the Existing Shares. This represents 7.01% of the Company's share capital with a right to 3,483,391 votes at the General Meeting, constituting 4.79% of the total number of votes at the General Meeting.

Aviva OFE Aviva BZ WBK

From the information provided to the Company pursuant to Article 69 Section 1 of the Public Offering Act, Aviva OFE Aviva BZ WBK directly holds 3,806,451 of the Existing Shares. This represents 5.23% of the Company's share capital with a right to 3,806,451 votes at the General Meeting, constituting 5.23% of the general number of votes at the General Meeting. However, at the Annual General Meeting which was held on May 5, 2016 Aviva OFE Aviva BZ WBK registered 4,012,000 Existing Shares; representing 5.52% of the Company's share capital with a right to 4,012,000 votes at the General Meeting, constituting 5.50% of the total number of votes at the General Meeting.

Aviva OFE Aviva BZ WBK is managed by Aviva Powszechne Towarzystwo Emerytalne Aviva BZ WBK Spółka Akcyjna with its registered office in Warsaw at ul. Domaniewska 44, 02-672 Warszawa, Polska.

Control over Alior Bank and arrangements which may in the future result in change of control over the Bank

Control over the Bank

On January 8, 2015, KNF, Carlo Tassara S.p.A., which held Existing Shares representing 26.18% of the Company's share capital and 26.18% of the votes at the General Meeting, was deemed the parent company of Alior Bank within the meaning of Article 4 Section 1 Item 8 letter b of the Banking Law.

On May 30, 2015, the Management Board was notified about the execution of a preliminary share purchase agreement entered into between Alior Lux, Alior Polska and PZU, concerning the sale of 18,318,473 Existing Shares representing 25.26% of the share capital of Alior Bank.

The acquisition of the Existing Shares by PZU took place in three tranches subject to the satisfaction of conditions specified in the agreement. These conditions were: (i) in the first tranche, PZU acquired 6,744,900 of the Existing Shares held by Alior Lux and 500,000 Existing Shares held by Alior Polska; (ii) in the second tranche, PZU acquired 7,244,900 Existing Shares held by Alior Lux; and (iii) in the third tranche, PZU acquired 3,828,673 Existing Shares held by Alior Lux.

Each acquisition tranche took place 70 days after the previous tranche. The agreement was entered into provided that KNF, UOKiK President and the Ukrainian Antimonopoly Committee granted their respective consents to the transaction.

On August 5, 2015, the UOKiK President issued a decision granting consent to the acquisition by PZU of a significant stake in Alior Bank. On August 26, 2015, the Ukrainian Antimonopoly Committee granted consent to the acquisition of the Existing Shares by PZU with the right to more than 25% of votes at the General Meeting. On October 6, 2015, the KNF confirmed the lack of grounds to raise any objections to the acquisition by PZU of the Existing Shares in the number that ensures exceeding the threshold of 20% of votes at the General Meeting. The above decisions led to the satisfaction of the subsequent conditions precedent of the agreement dated May 30, 2015. Following the satisfaction of such conditions, PZU acquired 18,318,473 Existing Shares. As at the date of this Offering Circular, Carlo Tassara S.p.A. did not hold any Existing Shares.

In connection with the Transaction, on March 31, 2016, PZU issued the Support Letter (see " – *Transaction – GE Guarantee and PZU Side Letter*"). Pursuant to the Support Letter, PZU undertook, in the period between the Support Letter and the deadline set out therein, not to sell, transfer or otherwise dispose of Alior Bank's shares held directly by PZU as at the date of the Support Letter, without the consent of the Bank BPH Sellers.

Mechanisms preventing abuse of control

The Articles of Association do not contain any provisions that would prevent misuse of control by the majority shareholders of Alior Bank.

The provisions of the Code of Commercial Companies and the Public Offering Act provide legal grounds for the protection of minority shareholders in particular in: (i) the right to the General Meeting and filing motions to include certain matters in the agenda of the General Meeting; (ii) the right to include certain matters in the agenda of the General Meeting; (iii) the right to submit draft resolutions on matters included in the agenda of the General Meeting; (iv) the right to demand the election of Supervisory Board members by voting in groups; (v) the right to require a qualified majority of votes for the adoption of the most important General Meeting resolutions (see *Offering Circular – Share Capital and Shares – Shareholders Rights attached to Shares*"); and (vi) the right to appoint an auditor for special matters (see " – *Share Capital and Shares – Right to request appointment of a special auditor*").

Provisions of the Articles of Association that could delay, postpone or prevent a change of control over Alior Bank

The Articles of Association do not contain any provisions that could delay, postpone or prevent a change of control over Alior Bank.

Arrangements which may in the future result in a change of control over Alior Bank

As at the date of this Offering Circular, the Company was not aware of any arrangements which may in the future result in a change of control over the Company. Carrying out of the Transaction and the Demerger would not result in a change of control over Alior Bank.

PARTICIPATION OF MAJOR SHAREHOLDERS, MEMBERS OF THE MANAGEMENT BOARD AND MEMBERS OF THE SUPERVISORY BOARD IN THE OFFERING

Participation of major shareholders in the Offering

The Offering is addressed primarily to the shareholders of the Company who hold Pre-emptive Rights to the Offer Shares, as provided for in the Code of Commercial Companies.

On March 31, 2016, PZU issued the Side Letter to the Sellers, wherein, subject to all regulatory requirements and PFSA demands, PZU agreed, without limitation, to place a subscription and to pay for the Offer Shares proportionally to PZU's existing share in the share capital of Alior Bank, provided that PZU will not be required to place such a subscription or acquire the Offer Shares which, when combined with the existing share of PZU in Alior Bank (including the affiliates whose shares in Alior Bank are attributable to PZU in accordance with the relevant regulations concerning significant blocks of shares in public companies) would exceed 33% of the total number of shares or votes in Alior Bank (see "*– Transaction – GE Guarantee and PZU Side Letter*").

Participation of Members of the Management Board and Members of the Supervisory Board in the Offering

As at the date of this Offering Circular, according to representations made by both the Management and Supervisory Board members, Witold Skrok intends to purchase Offer Shares in the Offering, representing less than 5% of the Shares. As per their representations, the remaining Management Board and Supervisory Board members do not intend to participate in the Offering.

Anticipated shareholding structure upon completion of the Offering

The table below presents the shareholding structure of Alior Bank upon completion of the Offering. The table assumes that (i) Alior Bank will issue the maximum number of the Offer Shares provided for in the Capital Increase Resolutions; (ii) major shareholders of Alior Bank will exercise the Pre-emptive Rights available to them in full; and (iii) pursuant to § 2 section 6 of the Capital Increase Resolution the Management Board shall allot to each of PZU and Aviva OFE Aviva BZ WBK one additional Offer Share left non-allotted for the purpose of rounding-off the maximum number of the Offer Shares that these entities might acquire in the Offering down to the nearest integer pursuant to § 2 section 3 of the Capital Increase Resolution.

	After the Offering			
Shareholder	**Number of Shares**	**(%)**	**Number of Votes**	**(%)**
PZU[(1)]	85,538,555	29.22	85,538,555	29.22
Genesis Asset Managers LLP[(2)]	20,507,234	7.01	18,896,703	6.46
Aviva OFE Aviva BZ WBK	16,151,607	5.52	16,151,607	5.52
Other shareholders	170,510,067	58.25	172,120,598	58.80
Total	**292,707,463**	**100**	**292,707,463**	**100**

[(1)] Together with the parties to the agreement of April 27, 2016, (PZU Życie that now holds 27,347 Existing Shares, PZU Specjalistyczny Fundusz Inwestycyjny Otwarty Universum that now holds 1,644 Existing Shares and PZU Fundusz Inwestycyjny Zamknięty Aktywów Niepublicznych BIS 2 that now holds 2,900,000 Existing Shares) according to a notification of April 27, 2016. [(2)]As at the date of this Offering Circular, Genesis Asset Managers LLP holds 5,093,922 Existing Shares, but is authorized to vote only 3,483,391 of the Existing Shares. Therefore, it has been assumed that as a result of the Offering, the number of the Existing Shares that Genesis Asset Managers LLP cannot vote will not change. It has also been assumed that the number of shares that Genesis Asset Managers LLP cannot vote is added to the number of votes held by other shareholders of Alior Bank.
[(3)] Calculated based on the number of the Existing Shares registered at the Extraordinary General Meeting of May 5, 2016, i.e. 4,012,000 Existing Shares.
Source: Alior Bank.

SHARE CAPITAL AND SHARES

General

The Company is a joint-stock company organized and existing under Polish law. The legal status of the Company, as well as the rights and obligations of its shareholders, is regulated by Polish law.

This section contains certain information on the share capital of the Company and a general overview of the rights, obligations and legal restrictions related to holding the Shares, except for the rights, obligations and legal restrictions that arise out of Polish capital market regulations, which are described in *"Polish Securities Market Regulations and Obligations Relating to the Acquisition and Disposal of Offer Shares"*. This description does not constitute legal advice. Prior to making any decision in respect of such rights, obligations or legal restrictions, you should seek your own legal advice.

Share Capital of Alior Bank and Types of Shares

As at the date of this Offering Circular, Alior Bank's share capital amounted to PLN 727,074,630.00 and was divided into 72,707,463 Existing Shares, with a nominal value of PLN 10.00 each. The Existing Shares have been issued in accordance with the Code of Commercial Companies and the Articles of Association. The Existing Shares have been issued and are fully paid up. The Existing Shares are bearer shares, and do not confer preferential voting rights, dividend rights or rights to the distribution of assets in the event of a winding-up of the Company. The Existing Shares confer equal rights on their holders, and specifically, every Existing Share carries the right to one vote at a General Meeting. The Existing Shares are denominated in PLN. The Existing Shares have not been taken up in exchange for any contribution in kind.

The following table sets out the number of Existing Shares by series, the form of consideration for increases of share capital in connection with the issue of particular series of Existing Shares, and the dates of registration of such increases and issues.

Series/ issue	Number of shares	Payment form	Registration date
A	50,000,000	cash	30 April 2008
B	1,250,000	cash	30 May 2012 r.
C	12,332,965	cash	20 December 2012 r.
G	6,358,296	cash	2 January 2014 r.
H	2,355,498	cash	16 March2015 r.
D	410,704	cash	2 November 2015 r.
Total Existing Shares	**72,707,463**	**-**	**-**

Source: Alior Bank

On November 2, 2015, an increase in the share capital of Alior Bank was registered through the issuance of 26,267 series D Shares in Alior Bank. On September 7, 2015, an increase in the share capital of Alior Bank was registered through the issuance of 159,588 series D Shares in Alior Bank. On May 7, 2015, an increase in the share capital of Alior Bank was registered through the issuance of 187,744 series D Shares in Alior Bank. On February 5, 2015, an increase in the share capital of Alior Bank was registered through the issuance of 17,005 series D Shares in Alior Bank. On October 15, 2014, an increase in the share capital of Alior Bank was registered through the issuance of 20,100 series D Shares in Alior Bank.

As at the date of this Offering Circular, all Existing Shares were recorded in the securities register maintained by the NDS under the ISIN code: PLALIOR00045.

During the period covered by the Alior Group Annual Consolidated Financial Statements and up to the date of this Offering Circular, all Existing Shares were listed on the regulated (main) market operated by the WSE.

As at the date of this Offering Circular, the Articles of Association did not provide for the increase of the share capital of Alior Bank within the authorized capital. Under Resolutions 28/2012 to 30/2012 of the Extraordinary General Meeting of October 19, 2012, the share capital of Alior Bank was increased conditionally by an amount not exceeding PLN 33,312,500 by an issue of not more than 3,331,250 series D, E and F bearer shares with the nominal value of PLN 10.00 each (see: *" – Management Options Scheme and Bonus Scheme"*).

In addition, under Resolution 3/2014 of the Extraordinary General Meeting of December 2, 2014, the share capital of Alior Bank was increased conditionally by an amount not to exceed PLN 23,554,980 via an issue of not more than

2,355,498 series H ordinary bearer shares with a nominal value of PLN 10.00 each. On March 16, 2015, the increase of share capital by the issue of 2,355,498 series H ordinary bearer shares was registered in the National Court Register (see: "*Business of the Alior Group – Material Agreements – Share sale agreements – Agreement on the sale of shares in Meritum Bank ICB*").

As at the date of this Offering Circular:

(a) there were no Existing Shares which did not represent Alior Bank's share capital (or did not represent any interest in Alior Bank's share capital);

(b) there were no other rights to acquire or obligations in respect of unissued authorized capital, or any obligations to increase the share capital of Alior Bank;

(c) Alior Bank held no Shares in treasury, and no Shares were held by any Subsidiary or third party acting in the name or on behalf of Alior Bank; and

(d) neither the share capital of Alior Bank nor the share capital of any of the Subsidiaries was subject to any share option, and no conditional or unconditional arrangements have been entered into to create share options for the share capital of any of these entities with the exception of subscription warrants issued in connection with the conditional share capital increase of Alior Bank through the issue of series D, series E and series F shares described in the section "*Management Options Scheme and Bonus Scheme*".

Changes in the share capital of Alior Bank and in the number of the Existing Shares in the period covered by the Alior Group Annual Consolidated Financial Statements

The following table sets out the changes to the share capital of Alior Bank and to the number of Existing Shares in the period covered by the Alior Group Annual Consolidated Financial Statements and up to the date of this Offering Circular.

Period	Existing Shares – start of period	Share capital of Alior Bank – start of period (PLN)	Existing Shares issued in the period	Existing Shares – end of period	Share capital of Alior Bank – end of period (PLN)
2013	63,582,965	635,829,650	-	63,582,965	635,829,650
2014	63,582,965	635,829,650	6,395,401	69,978,366	699,783,660
2015	69,978,366	699,783,660	2,729,097	72,707,463	727,074,630
2016 to Prospectus Date	72,707,463	727,074,630	-	72,707,463	727,074,630

Source: Alior Bank

In the period covered by the Alior Group Annual Consolidated Financial Statements, there was no instance of assets, other than cash, being used to pay for more than 10% of the share capital of the Company.

Management Options Scheme and Bonus Scheme

On December 13, 2012, pursuant to the resolution of the Supervisory Board of December 10, 2012, the preliminary allocation of subscription warrants of series A, B and C ordinary bearer shares were effected. The warrants entitle their holders to take up shares of Alior Bank, in accordance with resolution 28/2012 of the Extraordinary General Meeting of October 19, 2012, on the conditional increase of the share capital of Alior Bank and the issue of subscription warrants. The principles of the Management Options Scheme (the "**Management Options Scheme**") were set out in the rules of the Management Options Scheme adopted by the resolution of the Supervisory Board of March 27, 2013. The Management Options Scheme also covered a group of key executives of the Bank who are not members of the Management Board.

The details of the Management Options Scheme are included in note 37 to the consolidated financial statements of the Alior Group for the year ended December 31, 2015.

Under the Management Options Scheme, three series of subscription warrants (series A, B and C) and the three corresponding series of new shares of Alior Bank (series D, E and F) were to be issued for a total nominal value not exceeding PLN 33,312,500. This would comprise: (i) up to 1,110,417 series A subscription warrants, giving their holder(s) a right to acquire up to 1,110,417 series D shares in the period of five years from the first anniversary of the first quotation of the Shares on the WSE; (ii) up to 1,110,416 series B subscription warrants, giving their holder(s) a right to acquire up to 1,110,416 series E shares in the period of five years from the second anniversary of the first quotation of the Shares on the

WSE; and (iii) up to 1,110,417 series C subscription warrants, giving their holder(s) a right to acquire up to 1,110,417 series F shares in the period of five years from the third anniversary of the first quotation of the Shares on the WSE.

As at the date of this Offering Circular, the Management Board has increased the share capital of Alior Bank by five issues of series D ordinary bearer shares of Alior Bank having a total nominal value of PLN 4,107,040. This accounts for 12.32% of all the rights which may be exercised by the eligible participants of the Management Options Scheme. As at the date of this Offering Circular, the above issues accounted for 0.56% of the Existing Shares.

The Management Options Scheme was effective from 2013 to 2015. Pursuant to the Variable Compensation Components Policy for Executives of Alior Bank (see " – *Management and Supervisory Board – Other information on members of the Management Board, the Supervisory Board – Remuneration of members of the Management and Supervisory Board – Variable Compensation Components Policy*"), the Management Options Scheme will be settled by 2020. In connection with the Offering, on April 25, 2016 the Supervisory Board adopted an adjustment to the Management Options Scheme in order to ensure the economic neutrality of the scheme for the eligible individuals. The adjustment will consist of calculating the decrease in the theoretical value of the Management Options Scheme and issuing the relevant number of phantom shares, with parameters close to those of the warrants, to the individuals covered by the scheme. The number of phantom shares and the price for their exercise will be calculated upon registration of the increase in the share capital of Alior Bank.

Following the expiry of the 3-year term of the Management Options Scheme, the Supervisory Board adopted a Bonus Scheme for the Management Board. This will be in force from 2016 onwards (the "**Bonus Scheme**").

The objective of the Bonus Scheme is to create additional measures to incentivize its participants in the performance of their duties, in particular: (i) to manage Alior Bank effectively and to support sustainable growth of Alior Bank and the Alior Group, while ensuring the proper and effective management of risk at the Bank; and (ii) to compenstate adequately the executive personnel of Alior Bank and to support the growth of the shareholder value while maintaining the growth of net asset value of both Alior Bank and its Subsidiaries.

The bonus is awarded subject to achieving or exceeding relevant performance levels of Alior Bank and accomplishing certain individual targets. The Bonus Scheme defines percentage values of bonuses for several performance levels of Alior Bank. The achievement of individual targets is also assessed and taken into consideration when calculating the bonus. Pursuant to the Variable Remuneration Components Policy the evaluation covers the period of three years.

Any incentives distributed under the Bonus Scheme will be based on a pre-determined percentage of gross annual fixed remuneration. After the amount of bonus is calculated, it will be paid as follows: (i) 50% of the bonus will be paid in cash in four instalments, of which 40% will be paid without deferral and 60% will be deferred and paid in subsequent years in three 20% instalments; and (ii) 50% of the bonus will be paid as a financial instrument incentivizing focus on the long-term success of Alior Bank. Phantom shares will be cashed and paid in four instalments as follows: 40% will be deferred for five months and 60% will be deferred and cashed in three annual 20% instalments.

The whole or part of a bonus may also be paid in subscription warrants in accordance with the resolution of the Extraordinary General Meeting of October 19, 2012. The bonus may be paid in the form of subscription warrants in order to use the subscription warrants that were issued but have not been exercised under the Management Options Scheme. As at the date of this Offering Circular, the number of subscription warrants issued under the Management Options Scheme that have not been exercised was 1,691,908.

Shareholders rights attached to Shares

Rights attached to Shares are defined specifically in the Code of Commercial Companies, the Trading Act, the Public Offering Act and the Articles of Association.

Right to dispose of Shares

Pursuant to Article 337 of the Code of Commercial Companies, the shareholders of Alior Bank may dispose of Shares. Disposal of Shares includes transfer of ownership, creating a pledge or usufruct over the Shares or their lease. The Articles of Association do not contain any restrictions on the disposal of Shares.

All Shares only have the form of entries on securities accounts maintained by dedicated entities (Article 4 of the Trading Act). Under Article 7, Section 2 and 4 of the Trading Act, an agreement which creates an obligation to transfer dematerialized securities transfers such securities upon making the appropriate entry on the securities account. Such entry is made on the securities account after the transfer of securities between appropriate depository accounts maintained by the NDS is registered.

Pursuant to Article 75, Section 4 of the Public Offering Act, pledged shares of a public company cannot be traded until the pledge expires, except where such shares are acquired under an agreement to establish financial collateral within the meaning of the Act on Certain Financial Collaterals.

Pursuant to Article 340 § 3 of the Code of Commercial Companies, as long as any shares of a public company on which a pledge or usufruct is established are registered on a securities account maintained by an authorized entity in accordance with the Trading Act, the voting rights from such shares are vested in the shareholder.

The obligations related to the acquisition and disposal of shares of Polish banks listed on the WSE are described in "*Polish Securities Market Regulations and Obligations Relating to the Acquisition and Disposal of Offer Shares*".

Shareholders rights relating to the General Meeting

Convening the General Meeting, its agenda and draft resolutions

Date of convening the General Meeting

Pursuant to Article 395 § 1 of the Code of Commercial Companies, an Annual General Meeting should be held within six months of the Company's financial year-end. The agenda for such Annual General Meeting should include:

- consideration and approval of the Management Board's report on the operations of the Company and the financial statements for the previous financial year;
- a resolution on the distribution of profit or covering of loss; and
- approval of the performance of duties by officers of the Company

Pursuant to Article 398 of the Code of Commercial Companies, an Extraordinary General Meeting is convened in situations set forth in the Code of Commercial Companies or in the Articles of Association, as well as whenever any authorities or persons authorized to convene general meetings deem it advisable.

Parties authorized to convene the General Meeting

Pursuant to Article 399 of the Code of Commercial Companies and §12 of the Articles of Association, General Meetings are convened by the Management Board. The Supervisory Board may convene an Annual General Meeting if the Management Board fails to convene one within six months of the end of the financial year, and may also convene an Extraordinary General Meeting if it deems it advisable. The shareholders have the right to convene an Extraordinary General Meeting so long as they represent at least half of the share capital of Alior Bank or at least half of the total votes at Alior Bank. In such a case, the shareholders of Alior Bank appoint the chairman of the General Meeting.

Parties authorized to request that the General Meeting be convened

In addition, pursuant to Article 400 of the Code of Commercial Companies, a shareholder or shareholders representing at least one twentieth of the share capital of Alior Bank may request that an Extraordinary General Meeting be convened and specific items be included in the agenda of such General Meeting. Such a request should be submitted to the Management Board in writing or electronically. If the Extraordinary General Meeting is not convened within two weeks of the submission of such request to the Management Board, the registry court may authorize the shareholders of Alior Bank to submit such request to convene the Extraordinary General Meeting. In such a case, the court appoints the chairman of the Extraordinary General Meeting (Article 400 § 3 of the Code of Commercial Companies).

Request to include certain matters in the agenda of the General Meeting and submission of draft resolutions

Pursuant to Article 401 § 1 of the Code of Commercial Companies, a shareholder or shareholders representing at least one twentieth of the share capital of Alior Bank may request that certain matters be included in the agenda of the next General Meeting. Such request should be submitted to the Management Board no later than 21 days prior to the scheduled date of the General Meeting (Article 401 § 1 of the Code of Commercial Companies). In addition, such request should include a substantiation or draft resolution concerning the proposed item on the agenda. The request may be submitted in an electronic format. The Management Board is required to announce promptly, however no later than eighteen days prior to the scheduled date of the General Meeting, any changes to the agenda introduced at the request of the shareholders of Alior Bank (Article 401 § 2 of the Code of Commercial Companies). The announcement should be placed on the Company's website and in the manner specified for disclosure of current information pursuant to the Public Offering Act.

In addition, pursuant to Article 401 § 4 of the Code of Commercial Companies, a shareholder or shareholders of Alior Bank representing at least one twentieth of its share capital may, before the date of the General Meeting, submit to the Bank draft resolutions concerning matters already placed or matters that may be placed on the agenda of the General Meeting, in writing or by electronic means. Alior Bank is required to place such draft resolutions on its website promptly.

Manner of convening the General Meeting

Pursuant to Article 402^1 § 1 of the Code of Commercial Companies, the General Meeting is convened by publishing an announcement on Alior Bank's website in the manner specified for disclosure of current information in accordance with the Public Offering Act. The announcement should be made at least 26 days prior to the date of the General Meeting (Article 402^1 § 2 of the Code of Commercial Companies). The announcement should meet the requirements set forth in Article 402^2 of the Code of Commercial Companies. The following information should be included: (i) the date, time and venue of the General Meeting and a detailed agenda; (ii) a detailed description of the procedures regarding participation in the General Meeting and the exercise of voting rights; (iii) the date of registration of participation in the General Meeting; (iv) that only those who were shareholders of Alior Bank on the date of registration of participation in the General Meeting have the right to participate in the General Meeting; (v) information regarding how and where a person authorized to participate in the General Meeting may obtain the materials which are to be presented at the General Meeting as well as draft resolutions, or if there are no resolutions on the agenda, comments from the Management Board or the Supervisory Board concerning matters placed on the agenda of the General Meeting, or matters which are to be placed on the agenda before the date of the General Meeting; and (vi) the website where information on the General Meeting will be placed.

Pursuant to § 38 of the Reporting Regulation, Alior Bank is required to give notice of convening the General Meeting in the form of a current report. Furthermore, in the event that the Articles of Association are to be amended, their current provisions, the wording of the proposed amendments and if, given the extensive scope of the planned amendments Alior Bank decides to prepare new amended and restated Articles of Association the new text of the Articles of Association, as amended and restated with a list of its new or amended provisions, must be announced in the form of a current report.

The contents of the draft resolutions and appendices thereto, which are to be included in the agenda of the General Meeting and are of relevance to resolutions that are to be adopted, must also be announced in the form of a current report.

Participation in and voting at the General Meeting

Venue of the General Meeting

Pursuant to Article 12 of the Articles of Association, General Meetings are to be held at the registered office of Alior Bank or at another place specified in the notice convening the General Meeting.

Persons authorized to participate in the General Meeting and exercise voting rights

Pursuant to Article 406 of the Code of Commercial Companies, the right to participate in the General Meeting can only be enjoyed by persons who were shareholders of Alior Bank sixteen days prior to the date of the General Meeting ("the date of registering participation in the General Meeting").

In accordance with Article 406 of the Code of Commercial Companies, holders of rights attached to registered shares and temporary certificates, as well as pledgees and users who hold voting rights, may participate in the General Meeting provided that they are recorded in the share register on the date of registering for participation in the General Meeting. As at the date of this Offering Circular, there are no registered shares or scrip certificates issued by Alior Bank.

In order to participate in the General Meeting, any persons holding rights attached to dematerialized bearer shares should request the entity keeping their securities accounts to issue a registered certificate confirming the right to participate in the General Meeting. Pursuant to Article 406^3 § 2 of the Code of Commercial Companies, such request should be submitted no earlier than after the notice convening the General Meeting is announced, and no later than the first weekday after the date of registering participation in the General Meeting.

The list of persons who have the right to participate in the General Meeting of Alior Bank is prepared on the basis of the list prepared by the entity keeping the securities deposit in accordance with the Trading Act, and on the basis of documents of non-dematerialized bearer shares submitted to Alior Bank no later than the date of registering participation in the General Meeting, and not withdrawn before the end of such day (Article 406^3 § 6 of the Code of Commercial Companies). Pursuant to Article 407 § 1 of the Code of Commercial Companies, the above list must be available at the

registered office of Alior Bank for three business days prior to the date of the General Meeting. Any shareholders of Alior Bank may request that the above list be sent to them free of charge by email, by providing their e-mail address to which such list should be sent.

For shares registered in a joint account, the right to participate in the General Meeting will be certified by a relevant document provided by the designated holder of such account. In the event that such joint account is not kept by the NDS (or an entity to which the NDS has contracted the performance of obligations relating to maintaining a securities deposit), the information on the holders of such account should be passed to the NDS (or the entity contracted by the NDS for the performance of obligations relating to maintaining a securities deposit) by the entity maintaining the joint account for its holders before such document is provided.

On the basis of the above-mentioned documents, the designated holder of a joint account will prepare the list of persons authorized to participate in the General Meeting. In the event that the designated holder of a collective account is not a participant in the NDS (or an entity to which the NDS has contracted the performance of obligations relating to maintaining a securities deposit), the list of persons authorized to participate in the General Meeting will be delivered by a NDS participant (or an entity to which the NDS has contracted the performance of obligations relating to maintaining a securities deposit).

Shareholders of Alior Bank may still transfer their Shares during the period from the date of registering participation in the General Meeting until the date of the General Meeting (Article 406^4 of the Code of Commercial Companies).

Manner of participation in the General Meeting and of exercising voting rights

Shareholders may exercise their voting rights at General Meetings. General Meetings may be held as annual or extraordinary general meetings as stated in the code of Commercial Companies.

Pursuant to Article 412 § 1 of the Code of Commercial Companies, shareholders of Alior Bank may participate in General Meetings and exercise voting rights in person or through a nominated proxy. A shareholder who wishes to participate in the General Meeting by nominating a proxy must grant to such proxy a power of attorney in writing or in an electronic form. Such electronic form does not require a secure electronic signature verified with a valid, qualified certificate to be an effective grant of a power of attorney (Article 412^1 § 2 of the Code of Commercial Companies). Notification that a power of attorney has been granted in electronic form must be sent to Alior Bank by e-mail to the address specified in the notice of the General Meeting. Alior Bank shall take appropriate steps, in accordance with Article 412^1 § 5 of the Code of Commercial Companies, to identify the shareholder of Alior Bank and the proxy in order to verify if the power of attorney granted in electronic form is valid. A detailed description of the procedure for the verification of powers of attorney granted in electronic form is included in the notice of the General Meeting.

Pursuant to Article 412 § 6 of the Code of Commercial Companies, shareholders of Alior Bank whose Shares are registered on more than one securities account may appoint separate proxies to exercise the rights of different Shares registered in each of such accounts.

If a shareholder of Alior Bank appoints as proxy for the General Meeting a member of the Management Board, a member of the Supervisory Board, a liquidator, an employee of Alior Bank, an officer of a corporate body or an employee of any of Alior Bank's subsidiaries or subsidiary cooperative, the power of attorney may only authorize such person to represent the shareholder at one General Meeting. The proxy is obliged to inform the shareholder of any circumstances that indicate the existence, or possible existence, of a conflict of interests (Article 412^2 § 3 of the Code of Commercial Companies). In such a case, no further power of attorney may be granted. Such proxy must vote as instructed by the shareholder of Alior Bank (Article 412^2 § 4 of the Code of Commercial Companies).

Pursuant to Article 411 § 1 of the Code of Commercial Companies and §15 of the Articles of Association, each Share gives the holder the right to one vote at the General Meeting. A shareholder may vote differently with each Share (Article 411^3 of the Code of Commercial Companies). A proxy may represent more than one shareholder of Alior Bank and may vote differently with the Shares of each shareholder (Article 412 § 5 of the Code of Commercial Companies).

Pursuant to Article 413 § 1 of the Code of Commercial Companies, none of Alior Bank's shareholders may vote personally or by proxy on any resolution relating to their responsibility to Alior Bank, including the endorsement of the performance of duties of officers of corporate bodies, the release from obligations to Alior Bank and any dispute between the shareholder and Alior Bank. The foregoing restriction does not apply to an Alior Bank shareholder voting as proxy of another shareholder if the above resolutions concern the former shareholder.

Neither the Articles of Associations nor the Rules of the General Meeting provide for a postal vote or participation in the General Meeting through electronic communication.

Powers of the General Meeting

Pursuant to Article 393 of the Code of Commercial Companies and § 17 of the Articles of Association, as at the date of this Offering Circular, the powers of the General Meeting include, but are not limited to, the authority to:

a) examine and approve the Management Board's report on the activities of Alior Bank and the financial statements for the preceding financial year;

b) determine the distribution of profit and coverage of loss, and to set the dividend record date and the dividend payment date;

c) approve the performance of duties by officers of Alior Bank's authorities;

d) amend the Articles of Association;

e) take decisions in respect of claims for redressing any damage resulting from the formation of the Company or arising out of management decisions;

f) sell or lease the business of Alior Bank or an organized part of Alior Bank and grant any security over any part of Alior Bank's business;

g) acquire and/or transfer immovable property, or a share therein, or perpetual usufruct provided that its value is PLN 20 million or higher and the transaction is not to satisfy any claims of Alior Bank against a debtor or to secure any receivables of Alior Bank;

h) increase or decrease the share capital of Alior Bank;

i) issue convertible bonds or bonds with a priority warrant or subscription warrants;

j) redeem shares and determine any special terms and conditions of such redemption;

k) merge, demerge or wind up Alior Bank, appoint liquidators and determine the winding-up procedure;

l) appoint or remove members of the Supervisory Board;

m) determine the principles and amounts of remuneration for members of the Supervisory Board;

n) acquire own shares in the circumstances referred to in Article 362 § 1.2 of the Code of Commercial Companies or to authorize the acquisition of such shares in the circumstances referred to in Article 362 § 1.8 of the Code of Commercial Companies;

o) conclude a contract referred to in Article 7 of the Code of Commercial Companies; and

p) proceed with any other matters within the powers of the General Meeting under applicable laws and regulations and the Articles of Association.

Right to review or demand the delivery of the list of shareholders

Pursuant to Article 407 § 1 of the Code of Commercial Companies, the list of the shareholders authorized to participate in the General Meeting, signed by the Management Board, should be made available for review at the office of the Management Board for three business days before the date of the General Meeting.

Any shareholder of the Company may: (i) review the list of shareholders authorized to participate in the General Meeting; (ii) request a copy of such list, provided that the shareholder is required to pay the cost of preparation of such copy (Article 407 § 1 of the Code of Commercial Companies); and (iii) request that the list be sent free of charge to an email address specified by the shareholder (Article 407 § 1^1 of the Code of Commercial Companies).

Right to request copies of motions on matters on the agenda of the General Meeting

Each shareholder of Alior Bank may request a copy of any motions on matters included in the agenda of the next General Meeting. Such request should be submitted to the Management Board no later than one week before the date of the General Meeting (Article 407 § 2 of the Code of Commercial Companies).

Right to request copies of annual financial statements

Pursuant to Article 395 § 4 of the Code of Commercial Companies, every shareholder of the Company may request copies of the board minutes, financial statements, the Supervisory Board's report and the registered auditor's opinion. The delivery of the documents must take place at least 15 days prior to the date of the General Meeting.

Right to request verification of the record of attendance by shareholders at the General Meeting

In accordance with Article 410 § 2 of the Code of Commercial Companies, upon the request of shareholders holding no less than one tenth of the share capital represented at the General Meeting, the record of attendance listing the participants of the General Meeting should be verified by a committee of at least three persons appointed for that purpose. The shareholders making such request have the right to appoint one representative to such a committee.

Right to request that the Supervisory Board be elected by voting in separate groups

At the request of shareholders representing at least one fifth of the share capital of Alior Bank, the Supervisory Board should be appointed by the next General Meeting, voting in separate groups. In this case, the procedure provided for in the Articles of Association will not apply and the shareholders of Alior Bank will use the procedure set forth in Article 385 of the Code of Commercial Companies. Using this method, the total number of shares of Alior Bank is divided by the total number of members of the Supervisory Board of Alior Bank (which is between five and eight in accordance with §18 of the Articles of Association). The shareholders who represent the number of shares equal to the result of such division may establish a separate group to elect one member of the Supervisory Board, but are not entitled to participate in the appointment of any other Supervisory Board members. If any vacancies are left on the Supervisory Board after voting in separate groups, the shareholders who did not participate in any group will be entitled to elect the other members of the Supervisory Board. If the Supervisory Board is to be elected by voting in separate groups, the restrictions on voting preferences do not apply and each Share gives one right to one vote. This excludes the restrictions on shares which do not allow their holders to exercise voting rights.

Right to request information about the Company from the Management Board

Pursuant to Article 428 of the Code of Commercial Companies, during the General Meeting the Management Board is required to provide shareholders, upon request, with information about Alior Bank if such information is reasonably required to evaluate a matter on the agenda of the General Meeting. If it is reasonable, the Management Board may provide such information in writing outside the General Meeting. In such situations, the Management Board must provide such information no later than two weeks after the submission of the shareholder's request during the General Meeting.

The Management Board can refuse to provide such information if it could cause damage to the Bank, an affiliated company of the Bank or a subsidiary company or subsidiary cooperative of the Bank. This includes the disclosure of any technical, trade or organizational secret of the Company (Article 428 § 2 of the Code of Commercial Companies). A member of the Management Board may refuse to provide information if such disclosure could expose him or her to criminal, civil or administrative liability (Article 428 § 3 of the Code of Commercial Companies).

Any information provided by Alior Bank to a shareholder outside the General Meeting should also be disclosed to the general public in a current report.

Shareholder's right to take legal action to repeal or invalidate a General Meeting resolution

Any shareholder of Alior Bank may appeal against any resolution passed by the General Meeting by taking legal action to repeal or invalidate such resolution.

Action to repeal a resolution

Pursuant to Article 422 § 1 of the Code of Commercial Companies, a resolution of the General Meeting that is inconsistent with the Articles of Association or best market practice, and violates Alior Bank's interests or is intended to harm any shareholder of Alior Bank, may be challenged by way of taking legal action against the Bank to have the relevant resolution repealed.

Any action to have a resolution of the General Meeting repealed should be brought within one month of receipt of information about the resolution, but no later than three months after the adoption of the resolution (Article 424 § 2 of the Code of Commercial Companies).

Action to invalidate a resolution

Pursuant to Article 425 § 1 of the Code of Commercial Companies, a resolution of the General Meeting that is inconsistent with a law may be challenged by way of taking legal action against the Bank to invalidate the resolution.

Any action to invalidate a resolution of the General Meeting should be brought within 30 days of the announcement of such resolution, but no later than one year after its adoption (Article 425 § 3 of the Code of Commercial Companies).

Right to dividend

Persons entitled to dividend

All persons who have Shares recorded on their accounts on the dividend record date are entitled to receive dividends (Article 348 § 2 of the Code of Commercial Companies).

Record date

Pursuant to Article 347 § 1 of the Code of Commercial Companies, shareholders have the right to participate in Alior Bank's profit reported in the audited financial statements which the General Meeting has allocated for distribution among the shareholders.

A record date is the date as of which a list of shareholders entitled to receive dividends is prepared (Article 348 § 2 of the Code of Commercial Companies). Pursuant to Article 348 § 3 of the Code of Commercial Companies, the General Meeting is authorized to set the record date and the dividend payment date. The record date may be scheduled for the resolution date or within three months of the resolution date. Dividends are paid on the date scheduled in a resolution of the General Meeting, and if no such date is set the dividend will be paid on the date scheduled by the Supervisory Board (Article 348 § 4 of the Code of Commercial Companies).

As provided by § 127 Section 1 of the Detailed Rules of WSE Trading, the Company is required to promptly inform the WSE of adopting a resolution on the distribution of profit as dividends to shareholders and to specify: (i) the amount of the dividend; (ii) the number of shares entitled to dividends; (iii) the amount of dividend per share; (iv) the dividend record date; and (v) the dividend payment day. Along with this information, the Company is required to provide the WSE with the resolutions of the relevant divisions of the Company. A similar obligation with regard to the NDS is imposed by § 106 Section 1 of the Detailed Procedures of the NDS, according to which the Company is required to inform the NDS, no later than five days before the dividend record day, of the amount of the dividend per share, the dividend record day and the dividend payment day.

Pursuant to § 106 Section 2 of the Detailed Procedures of the NDS, the dividend payment day shall not fall earlier than the tenth day after the shareholders of record are determined for the purposes of paying dividends provided, however, Saturdays and statutory holidays are excluded from this ten-day period (§ 5 Section 1 of the NDS Rules).

The NDS provides information obtained from issuers as to the record date to all direct participants of the NDS. Those participants determine the number of securities recorded on their accounts which are entitled to dividends (§ 107 of the Detailed Procedures of the NDS). The participants send information to the NDS regarding: (i) the amount of cash to be transferred to a participant in respect of dividend payments; (ii) the amount of such cash to be determined taking into account the participant's obligations regarding income taxes on dividend income; (iii) the total corporate income tax amount (for domestic and foreign entities) to be withheld by the Company on the portion of dividends to be paid through such entities; and (iv) the number of corporate income taxpayers entitled to receive the distributed dividend, except for those whose identity has not been disclosed (§ 110 of the Detailed Procedures of the NDS).

Dividends are paid through the NDS to the relevant account kept for the holder of Shares in the Company.

The dividend policy of the Company is discussed in the section "*Dividends and Dividend Policy*".

Statute of limitations applicable to the right to dividend

A shareholder's claim against the Company for the payment of dividends may be enforced within ten years from the date on which the General Meeting adopted the resolution to set aside a portion of, or the entire profit of, Alior Bank for distribution to its shareholders. Once this period expires, Alior Bank may refuse to pay dividends, citing the statute of limitations (Article 118 of the Civil Code).

Amount of dividend

Article 348 of the Code of Commercial Companies regulates the amount of Alior Bank's profit which may be distributed as dividends to its shareholders by a decision of the Annual General Meeting. The shareholders have the right to participate in the profit reported in Alior Bank's audited financial statements as set aside for distribution to shareholders (Article 347 § 1 of the Code of Commercial Companies). Amounts available for distribution to Alior Bank's shareholders in the form of dividends are established on the basis of standalone financial statements of Alior Bank and may differ significantly from the amounts reported in consolidated financial statements.

The amount to be distributed to shareholders cannot exceed the sum of the profit for the last financial year, retained earnings and amounts transferred from the supplementary capital and capital reserves that can be set aside for dividends. Such amount should be decreased by unsettled losses, treasury shares and amounts that, pursuant to the law or the Articles of Association, should be allocated to the supplementary capital or capital reserves from the profit for the last financial year. Pursuant to Article 396 § 1 of the Code of Commercial Companies, as long as Alior Bank's supplementary capital does not reach one-third of its share capital, the Bank needs to allocate at least 8% of its profit for any financial year to its supplementary capital. As at the date of this Offering Circular, the supplementary capital of Alior Bank met the relevant requirements of the Code of Commercial Companies with respect to the minimum amount of supplementary capital.

The amount of dividend due to a shareholder of Alior Bank in respect of one Share is equal to the quotient of the amount to be distributed to its shareholders divided by the number of Shares (Article 347 § 2 of the Code of Commercial Companies).

Pursuant to Article 129 Section 3 of the Banking Law, the PFSA's consent is required to set aside for distribution to the shareholders of Alior Bank an amount that exceeds the profit for the last financial year, reduced by the unsettled losses, treasury shares and amounts that must not be distributed as dividends. In addition, in accordance with Article 142, Section 4 of the Banking Law, during the implementation of recovery proceedings, any profits earned by Alior Bank must first be used to cover its losses and then to increase its own funds (see: "*Regulations of the Banking Sector in Poland – Recovery process; receivership*").

The banking supervision regulations applicable to restrictions on dividend payments are discussed in the section "*Dividends and Dividend Policy*".

Interim dividend

As the Articles of Association do not provide for interim dividends, the Bank may not make such distributions.

Rights associated with liquidation of Alior Bank

In the event of the liquidation of Alior Bank, under Article 474 of the Code of Commercial Companies, all assets remaining after the claims of Alior Bank's creditors have been satisfied or secured will be distributed to its shareholders on a pro rata basis. Such asset distribution may not be effected within one year of the last announcement of liquidation and the summoning of the creditors of Alior Bank to report their claims against Alior Bank.

Pursuant to Article 151 of the Banking Law, if the PFSA decides that Alior Bank is to be taken over by another bank, with the consent of the acquiring bank and after the creditors of Alior Bank are satisfied or secured, the acquiring bank is required to make payments to the shareholders of Alior Bank from the remaining assets of Alior Bank pro rata to their previous shareholdings or offer the shares of the acquiring bank to the shareholders of Alior Bank. Such shares are required to be offered at the lower of a previously determined issue price or book value.

Pre-emptive rights

Pursuant to Article 433 § 1 of the Code of Commercial Companies, the shareholders of Alior Bank have a pre-emptive right to newly issued shares of Alior Bank, pro rata to the number of shares they hold in Alior Bank ("pre-emptive right"). The pre-emptive right is also vested with respect to issues of any securities convertible into shares in Alior Bank, or securities with attached subscription rights to shares in Alior Bank (Article 433 § 6 of the Code of Commercial Companies).

A resolution to increase the share capital of Alior Bank under Article 432 § 2 of the Code of Commercial Companies should indicate, among other things, the date of record as of which the shareholders of Alior Bank have the pre-emptive right with respect to newly issued shares are determined ("date of pre-emptive right"). The date of pre-emptive right must be within six months of the date of passing the resolution. The agenda of the General Meeting at which the resolution on such increase of the share capital of Alior Bank is to be passed should also specify a proposed date of pre-emptive right (Article 432 § 3 of the Code of Commercial Companies).

Any pre-emptive rights of shareholders of Alior Bank to newly issued shares may be excluded, in part or in their entirety, only in the best interest of Alior Bank and only if such decision has been announced in the agenda of the General Meeting Article 433 § 2 of the Code of Commercial Companies. The Management Board should submit to the General Meeting a written opinion stating the reasons behind such exclusion of pre-emptive rights and the proposed issue price of new shares of Alior Bank, or the manner of its calculation. A resolution to exclude pre-emptive rights of shareholders of Alior Bank requires the majority of at least four-fifths of votes.

Pursuant to Article 433 § 3 of the Code of Commercial Companies, the aforementioned requirements relating to the adoption of a resolution which is to exclude the pre-emptive rights of existing shareholders do not apply when: (i) the resolution on increasing the share capital provides that the new shares of Alior Bank are to be taken up in their entirety by a financial institution (an underwriter) under the obligation of being subsequently offered to the shareholders of Alior Bank in order to enable them to exercise their pre-emptive rights on the terms and conditions specified in the resolution; and (ii) the resolution stipulates that the new shares of Alior Bank are to be taken up by the underwriter in the event that any shareholders of Alior Bank having such pre-emptive rights do not take up all or part of the shares they are offered.

Redemption of Shares

Under Article 359 of the Code of Commercial Companies, shares in a joint-stock company may be redeemed if its articles of association so provide.

Pursuant to Article ten of the Articles of Association, Shares may only be redeemed with the consent of the shareholder of Alior Bank whose Shares are to be redeemed. The Articles of Association include no provisions concerning the compulsory redemption of Shares. Voluntary redemption may only be performed once every financial year (Article 359 § 1 of the Code of Commercial Companies). The resolution to decrease the share capital should be adopted at the same General Meeting as the resolution to redeem the Shares (Article 360 § 1 of the Code of Commercial Companies). Alior Bank may acquire its own shares for the purpose of their redemption. Such acquisition may be financed from profits or from separate capital created for this purpose from retained earnings. Irrespective of the redemption of any Shares, Alior Bank must comply with applicable capital requirements and risk management requirements.

Pursuant to Article 359 § 2 of the Code of Commercial Companies, the terms and conditions and legal basis of, and procedure for, the redemption of Shares and the amount of consideration for the Shares to be redeemed, or the reasons behind the decision to redeem such Shares without consideration, are determined in each case by a resolution of the General Meeting.

Pursuant to Article 34 Section 2 in conjunction with Article 31 Section 3 of the Banking Law, the PFSA's permission is required to amend the Articles of Association with respect to the decrease of share capital of Alior Bank.

Conversion of Shares

Article 334 § 2 of the Code of Commercial Companies provides for the conversion of registered shares into bearer shares and vice versa upon the request of a shareholder, unless relevant acts or the Articles of Association stipulate otherwise. The Articles of Association include no provisions that would exclude or restrict such right. Notwithstanding the above, in order to convert registered shares into dematerialized bearer shares after the shares of a company are admitted to public trading in securities no authorization is required for the management board to deposit such shares. Bearer shares are not convertible into registered shares.

Squeeze-out and sell-out

Detailed information on a squeeze-out of Shares upon the request of the majority shareholders and a sell-out of Shares upon the request of the minority shareholders is included in "*Polish Securities Market Regulations and Obligations Relating to the Acquisition and Disposal of Offer Shares – Squeeze-out*" and " *– Polish Securities Market Regulations and Obligations Relating to the Acquisition and Disposal of Offer Shares – Sell-out*".

Right to request appointment of a special auditor

Pursuant to Article 84 of the Public Offering Act, at the request of a shareholder or shareholders of Alior Bank holding at least 5% of the total number of votes, the General Meeting may adopt a resolution to have a specific issue relating to the conduct of business by Alior Bank examined by an auditor, at the expense of Alior Bank. For this purpose, shareholders of Alior Bank may demand that an Extraordinary General Meeting be convened or that the issue of passing such a resolution be included in the agenda of the next General Meeting. If such shareholders of Alior Bank opt for the former

and the Extraordinary General Meeting is not convened within two weeks of the submission of such request, the registry court may authorize the shareholders submitting such request to convene the Extraordinary General Meeting. The court appoints the chairman of such Extraordinary General Meeting. If such shareholders of Alior Bank opt for the latter and demand that the issue of passing such resolution be included in the agenda of the next General Meeting, such request must be delivered to the Management Board, in writing or electronically, no later than 21 days prior to the planned date of the General Meeting.

The resolution of the General Meeting on the appointment of a special auditor should specify, in particular:

(a) the name of the special auditor which has been accepted by the requesting shareholder(s) in writing;

(b) the subject-matter and scope of the audit, which must be in accordance with the submitted request, unless they are changed upon prior written consent of the requesting shareholder(s);

(c) the types of documents which Alior Bank should provide to the special auditor; and

(d) the audit commencement date, which must be no later than three months after the resolution adoption date.

Prior to passing such resolution, the Management Board must present its written opinion on the request to the General Meeting.

If the General Meeting does not adopt the relevant resolution in accordance with the request, or adopts such resolution in violation of Article 84 Section 4 of the Public Offering Act, the requesting shareholders may, within 14 days of passing the resolution, apply to the registry court to appoint an indicated entity as special auditor (Article 85 Section 1 of the Public Offering Act).

The registry court may, upon a request of the Management Board, make the decision to appoint a special auditor conditional on the requesting shareholders providing relevant security. If the audit does not demonstrate any violation of law, the registry court may decide, upon a request of the Management Board, that the security is forfeited for the benefit of Alior Bank. The decision of the court is appealable.

In order to be appointed as a special auditor, an entity is required to have sufficient expertise and qualifications necessary to review the issue defined in the resolution of the General Meeting and to prepare a reliable and impartial report on the review. Any entity which, in the period subject to review, rendered services to Alior Bank, the parent entity or any subsidiary of Alior Bank, or the parent undertaking or major investor of Alior Bank as defined in the Accounting Act, may not be appointed as a special auditor. In addition, any member of the same group of companies as the entity which rendered the aforementioned services may not be appointed as a special auditor (Article 84 Sections 2 and 3 of the Public Offering Act).

The Management Board and the Supervisory Board are required to make available for the special auditor's review the documents indicated in the General Meeting's resolution on the appointment of a special auditor or in the court decision to appoint a special auditor, as well as provide any explanations required for the purposes of the review (Article 86 of the Public Offering Act).

The special auditor is required to submit a written report on the results of the review to the Management Board and the Supervisory Board. The Management Board is obliged to publish the report in a current report. The report of the special auditor may not disclose any information comprising technical, commercial or organizational secrets of Alior Bank, unless such disclosure is necessary to justify the position presented in the report.

The Management Board should submit a follow-up report on the review findings at the next General Meeting (Article 86 Section 3 of the Public Offering Act).

INFORMATION ON THE OFFER SHARES

Type and class of Offer Shares

Pursuant to the Capital Increase Resolution, the Offer Shares will be issued as bearer shares. There are no preferences or limitations related to the Offer Shares that will entitle holders of Offer Shares to voting and profit sharing rights on par with the Existing Shares,with the exception of the Capital Increase Resolution according to which holders of the Offer Shares are entitled to dividends from January 1, 2016.

The Company intends to record the Offer Shares with the same ISIN code as the Existing Shares already listed on the regulated (main) market operated by the WSE (ISIN code: PLALIOR00045). ISIN codes denoting Pre-emptive Rights and Rights to Shares will become known when the Management Board of the NDS adopts relevant resolutions regarding the registration of Pre-emptive Rights and Rights to Shares in the securities register and their designation with the ISIN code.

The expected timetable of the Offering under which the Offer Shares are to be issued is presented in "*Terms and Conditions of the Offering – Basic information about the Offering – Timetable of the Offering*".

Legal basis of the issue of Pre-emptive Rights, Rights to Shares and Offer Shares

The Offer Shares will be issued pursuant to the Capital Increase Resolution, which also forms the legal basis to create, dematerialize and introduce Pre-emptive Rights and Rights to Shares to trading on the regulated market.

The Capital Increase Resolution is attached as Appendix 1 to the Offering Circular.

Dematerialization of Pre-emptive Rights, Rights to Shares and Offer Shares

To satisfy the requirements stipulated in the Trading Act and related to the Admission, the Company intends to enter into an agreement with the NDS to register Pre-emptive Rights, Rights to Shares and Offer Shares in the securities deposit kept by the NDS. Thereafter the Company intends to apply to the WSE for the admission of the Offer Shares to stock exchange trading.

Detailed information on the dematerialization of shares is included in "*Polish Securities Market Regulations and Obligations Relating to the Acquisition and Disposal of Offer Shares – Dematerialization*".

Legal basis of Admission

The Capital Increase Resolution is the legal basis to apply for the admission of Pre-emptive Rights, Rights to Shares and Offer Shares to trading on the main market of the WSE.

Amendments to the Articles of Association related to the share capital increase pursuant to the Capital Increase Resolutions require the PFSA's consent. On May 6, 2016 Alior Bank applied to the PFSA to obtain consent from the PFSA. As at the date of this Offering Circular, the proceeding based on the Alior Bank's application was pending.

Currency of the Offer Shares, Pre-emptive Rights and Rights to Shares

The Offer Shares are denominated in PLN. Pre-emptive Rights and Rights to Shares will be listed on the regulated market in PLN.

Rights of Holders of Pre-emptive Rights and Rights to Shares

Pre-emptive Rights will be created on the Pre-emptive Rights Record Date and will give their holders the priority for the acquisition of the Offer Shares (see " *– Terms of the Offering – Pre-emptive Rights and additional subscriptions*"). The Rights to Shares will be created upon completion of the allotment of the Offer Shares and will incorporate the rights to acquire the Offer Shares, created upon the allotment of the Offers Shares and extinguishing upon the registration of those shares in the depository for securities or as of the date on which a court decision refusing the registration of the increase in the Company's share capital increase with the National Court Register becomes final and non-appealable.

No restrictions are imposed upon the transfer of Pre-emptive Rights or the Rights to Shares.

Shareholders' rights attached to the Offer Shares

Rights attached to the Shares are defined specifically in the Code of Commercial Companies, Banking Law, the Trading Act, the Public Offering Act and the Articles of Association. The description below contains an overview of selected

shareholders' rights attached to the Offer Shares. The information pertaining to the other shareholders' rights attached to the Shares, including the Offer Shares, is presented in the Offering Circular under "*The Share Capital and Shares*".

Right to dispose of Offer Shares

Pursuant to Article 337 of the Code of Commercial Companies, shareholders of Alior Bank may dispose of Shares. The disposal of the Offer Shares includes their transfer (ownership) and other forms of disposal, including creating a pledge or usufruct over the Offer Shares or their lease. The Articles of Association do not contain any restrictions on the disposal of Offer Shares.

The Existing Shares are only in the form of entries on securities accounts maintained by dedicated entities (Article 4 of the Trading Act). The registration of the Offer Shares will be in the depository for securities maintained by the NDS (dematerialization) and these Offer Shares will exist only in the form of entries on securities accounts. As set out in Article 7, Section 2 and 4 of the Trading Act, under an agreement which creates an obligation to transfer dematerialized securities such a transfer becomes effective when the appropriate entry is made on the securities account, and such entry is made on the securities account after the transfer of securities between appropriate depository accounts maintained by the NDS is registered.

Pursuant to Article 75, Section 4 of the Public Offering Act, pledged shares of a public company cannot be traded until the pledge expires, except where such shares are acquired under an agreement to establish financial collateral within the meaning of the Act on Certain Financial Collaterals.

Pursuant to Article 340 § 3 of the Code of Commercial Companies, as long as any shares of a public company on which a pledge or usufruct is registered on a securities account maintained by an authorized entity in accordance with the Trading Act, the voting rights from such shares are vested in the shareholder.

The obligations related to the acquisition and disposal of the shares of Polish banks listed on the WSE are described in the section " *– Polish Securities Market Regulations and Obligations Relating to the Acquisition and Disposal of Offer Shares*".

Right to dividends

Persons entitled to dividends

The persons who hold Offer Shares on the dividend record date are entitled to receive dividends (Article 348 § 2 of the Code of Commercial Companies).

Record date

Pursuant to Article 347 § 1 of the Code of Commercial Companies, the shareholders have the right to participate in Alior Bank's profits reported in the audited financial statements which the General Meeting has allocated among the shareholders.

The record date is the date on which a list is prepared which includes shareholders who are entitled to receive dividends (Article 348 § 2 of the Code of Commercial Companies). Pursuant to Article 348 § 3 of the Code of Commercial Companies, the General Meeting is authorized to set the record date and the dividend payment date. The record date may be scheduled for the resolution date, or within three months of the resolution date. The dividend is paid on the day provided in the resolution of the General Meeting and if no such date is set in the resolution, the dividend will be paid on the day determined by the Supervisory Board (Article 348 § 4 of the Code of Commercial Companies).

As provided by § 127 Section 1 of the Detailed Rules of WSE Trading, the Company is required to promptly inform the WSE of a resolution on the distribution of profit as dividends to shareholders and to specify (i) the amount of the dividend; (ii) the number of shares entitled to dividends; (iii) the amount of dividend per share; (iv) the dividend record date; and (v) the dividend payment date. In addition to this information, the Company is required to provide the WSE with the respective resolutions of the relevant corporate body of the Company. A similar obligation vis à vis the NDS is imposed by § 106 Section 1 of the Detailed Procedures of the NDS, according to which the Company is required to inform the NDS, no later than five days before the dividend record date, of the amount of the dividend per share, the dividend record date and the dividend payment date.

Pursuant to § 106 Section 2 of the Detailed Procedures of the NDS, the dividend payment date shall not fall earlier than the tenth day after the record date. However, Saturdays and statutory holidays based on relevant regulations are excluded from this ten day period (§ 5 section 1 of the NDS Rules).

The NDS provides information as to the record date obtained from the issuers to all direct participants of the NDS. Those participants determine the number of securities recorded on their accounts which are entitled to dividends (§ 107 of the Detailed Procedures of the NDS). The participants (either participating as a depositor or as a depositor brokerage office) eligible to receive dividends relating to securities recorded on the securities accounts maintained by the NDS, provide the NDS with certain information and documents required by relevant provisions of tax law that may influence the manner in which the NDS performs its obligations to potentially withhold income tax due in connection with the payment of dividends, including confirming that such withholding is not required or that withholding should be at a rate different from the base dividend tax rate.

Dividends will be paid through the NDS to the relevant account of the holder of the Offer Shares pursuant to records kept by a bank or a brokerage house.

The dividend policy of the Company is discussed in the section "*Dividends and Dividend Policy*".

Statute of limitations applicable to the right to dividends

A shareholders' claim against the Company for payment of dividends may be enforced within ten years from the date on which the General Meeting has adopted a resolution to allocate a portion of or the entire profit of Alior Bank for distribution to its shareholders. Upon the lapse of this term, Alior Bank may refuse to pay the dividends, citing the statute of limitations (Article 118 of the Civil Code).

Amount of dividends

Article 348 of the Code of Commercial Companies regulates in detail the amount of Alior Bank's profit which may be distributed as dividends to its shareholders by a decision of the Annual General Meeting. The shareholders have the right to participate in the profits reported in Alior Bank's audited financial statements that the Annual General Meeting has allocated for distribution to shareholders (Article 347 § 1 of the Code of Commercial Companies). Amounts available for distribution to Alior Bank's shareholders in dividends are established on the basis of standalone financial statements of Alior Bank and may differ significantly from the amounts reported in consolidated financial statements.

The amount to be distributed to shareholders cannot exceed the sum of the profit for the previous financial year, retained earnings and amounts transferred from the supplementary capital and capital reserves that can be allocated for dividends. Such amounts should be decreased by unsettled losses, treasury shares and amounts that pursuant to the law or the Articles of Association should be allocated to the supplementary capital or capital reserves from the profit for the last financial year. Pursuant to Article 396 § 1 of the Code of Commercial Companies, as long as Alior Bank's supplementary capital does not reach at least one-third of its share capital, the Bank needs to allocate at least 8% of its profit for any financial year to its supplementary capital. As at the Offering Circular Date, the supplementary capital of Alior Bank met these requirements with respect to the minimum amount of supplementary capital.

The amount of dividends due to a shareholder of Alior Bank in respect of one Offer Share is equal to the quotient of the amount to be distributed to its shareholders divided by the number of the Offer Shares (Article 347 § 2 of the Code of Commercial Companies).

Pursuant to Article 129 section 3 of the Banking Law, the PFSA's consent is required to allocate the distribution to the shareholders of Alior Bank of an amount that exceeds the profit for the previous financial year, reduced by the unsettled losses, treasury shares and amounts that must not be distributed as dividends. In addition, in accordance with Article 142 section 4 of the Banking Law, during the implementation of recovery proceedings, any profits earned by Alior Bank must be first used to cover its losses and, then, to increase its own funds (see "*Banking sector regulations in Poland – Banking regulations in Poland – Recovery proceedings and establishing the trustee management*").

The banking supervision regulations applicable to restrictions on dividend payments are discussed in the section "*Dividends and Dividend Policy*". The Management Board is not planning to recommend the distribution of dividends to the shareholders from the 2016 financial year profit, and intends to use the profit from that financial year, if any, to finance its operations. After that, the Management Board will consider changing its dividend policy and may recommend the distribution of dividends for the shareholders' consideration at a General Meeting. When making such recommendation, the Management Board will take into account a number of factors, including specifically the prospects of Alior Bank, its future profits, capital requirements, financial position, capital adequacy ratio and development plans, the relevant provisions of law and regulations, and the relevant recommendations of the PFSA. The approval of the distribution of dividends and the amount of dividends to be paid is ultimately subject to the decision of the shareholders, who are not bound by any recommendation of the Management Board in this respect. Furthermore, in the view of the

Management Board, the distribution of dividends from the profit earned in 2017 (if any) may be impossible due to the considerable costs of the Transaction and the related restructuring. The Management Board believes that it will be possible for Alior Bank to distribute dividends from the 2018 profit (if any) provided that Alior Bank does not conduct any further acquisitions in the banking market.

Interim dividends

As the Articles of Association provide for no interim dividends, the Bank may not make such distributions.

The right to participate and vote at the General Meeting

Venue of the General Meeting

Pursuant to Article 12 of the Articles of Association, General Meetings are to take place in the registered office of Alior Bank or at another place specified in the notice convening the General Meeting. Pursuant to Article 403 of the Code of Commercial Companies, General Meetings may be held solely in the territory of the Republic of Poland.

Persons authorized to participate in the General Meeting and exercise voting rights

Pursuant to Article 406^1 § 1 of the Code of Commercial Companies, persons entitled to participate in the General Meeting are those who have been shareholders of Alior Bank 16 days prior to the date of the General Meeting (the date of registering participation in the General Meeting).

In accordance with Article 406^2 of the Code of Commercial Companies, holders of rights attached to registered shares and scrip certificates, as well as pledgees and users who hold voting rights, may participate in the General Meeting as long as they are recorded in the share register on the day of registering for participation in the General Meeting. Alior Bank has not issued any registered shares or scrip certificates.

In order to participate in the General Meeting, any persons holding rights attached to dematerialized bearer shares should request the entity keeping their securities accounts to issue a registered certificate confirming their right to participate in the General Meeting. Pursuant to Article 406^3 § 2 of the Code of Commercial Companies, such request should be submitted no earlier than after the notice convening the General Meeting is announced and no later than on the first weekday after the registration of participation in the General Meeting.

The list of persons entitled to participate in the General Meeting of Alior Bank is prepared on the basis of the list prepared by the entity keeping the securities deposit in accordance with the Trading Act, and on the basis of documents of non-dematerialized bearer shares submitted to Alior Bank no later than on the day of registering for participation in the General Meeting and not withdrawn prior to the end of such day (Article 406^3 § 6 of the Code of Commercial Companies). Pursuant to Article 407 § 1 of the Code of Commercial Companies, the above list must be available in the registered office of Alior Bank for three business days prior to the day of the General Meeting. Any shareholders of Alior Bank may request that the list of shareholders entitled to participate in the General Meeting be sent to them, free of charge, by electronic mail by providing their e-mail address to which the list should be sent.

For shares registered in a joint account, the right to participate in the General Meeting will be certified by a relevant document provided by the designated holder of such account. In the event that such joint account is not kept by the NDS (or an entity to which the NDS has contracted the performance of obligations relating to maintaining a securities deposit), the information on the holders of such account should be passed to the NDS (or the entity contracted by the NDS for the performance of obligations relating to maintaining a securities deposit) by the entity maintaining the joint account for its holders before such document is provided.

On the basis of the above-mentioned documents, the designated holder of a joint account will prepare the list of persons authorized to participate in the General Meeting. In the event that the designated holder of a collective account is not a participant in the NDS (or an entity to which the NDS has contracted the performance of obligations relating to maintaining a securities deposit), the list of persons authorized to participate in the General Meeting will be delivered by a NDS participant (or an entity to which the NDS has contracted the performance of obligations relating to maintaining a securities deposit).

Shareholders of Alior Bank may still transfer their Shares during the period from the date of registering participation in the General Meeting until the date of the General Meeting (Article 406^4 of the Code of Commercial Companies).

Manner of participation in the General Meeting and of exercising voting rights

Shareholders can exercise their voting rights at General Meetings. As set forth in the Code of Commercial Companies, General Meetings may be held as annual or extraordinary general meetings.

Pursuant to Article 412 § 1 of the Code of Commercial Companies, shareholders of Alior Bank may participate in General Meetings and exercise voting rights in person or through a nominated proxy. A shareholder who wishes to participate in the General Meeting by nominating a proxy must execute a power of attorney in writing or electronic form. In order to effectively grant a power of attorney, the electronic form does not require a secure electronic signature verified with a valid, qualified certificate (Article 412^1 § 2 of the Code of Commercial Companies). Notification that a power of attorney has been granted in electronic form must be sent to Alior Bank by electronic mail to the address specified in the notice of the General Meeting. Alior Bank will take appropriate steps, in accordance with Article 412^1 § 5 of the Code of Commercial Companies, to identify the shareholder of Alior Bank and the proxy in order to verify if the power of attorney granted in an electronic form is valid. A detailed description of the procedure for verification of powers of attorney granted in electronic form is included in the notice of the General Meeting.

Pursuant to Article 412 § 6 of the Code of Commercial Companies, shareholders of Alior Bank whose Offer Shares are registered on more than one securities account may appoint separate proxies authorized to exercise the rights from the Offer Shares registered in each of these accounts.

If the shareholder of Alior Bank appoints as proxy for the General Meeting a member of the Management Board, a member of the Supervisory Board, a liquidator, an employee of Alior Bank, a member of a corporate body or an employee of any of Alior Bank's subsidiaries or subsidiary cooperatives, the power of attorney may only authorize such person to represent the shareholder at one General Meeting. The proxy is obliged to inform the shareholder of Alior Bank of any circumstances that indicate the existence, or possible existence, of a conflict of interests (Article 412^2 § 3 of the Code of Commercial Companies). In such a case, no further power of attorney may be granted. The above-mentioned proxy votes as instructed by the shareholder of Alior Bank (Article 412^2 § 4 of the Code of Commercial Companies).

Pursuant to Article 411 § 1 of the Code of Commercial Companies and Article 15 of the Articles of Association, each Share gives one vote at the General Meeting. A shareholder may vote differently from each Offer Share (Article 411^3 of the Code of Commercial Companies). A proxy may represent more than one shareholder of Alior Bank and may vote differently with the Offer Shares of each shareholder of Alior Bank (Article 412 § 5 of the Code of Commercial Companies).

Pursuant to Article 413 § 1 of the Code of Commercial Companies, none of Alior Bank's shareholders may vote personally or by proxy on any resolution relating to their responsibility to Alior Bank for any reason whatsoever, including the endorsement of performance of duties of members of corporate bodies, release from obligations to Alior Bank and any dispute between the shareholder and Alior Bank. The foregoing restriction does not apply to an Alior Bank shareholder voting as proxy of another shareholder on the above resolutions concerning the former shareholder.

Neither the Articles of Association nor the rules of the General Meeting state that a shareholder of Alior Bank may participate in the General Meeting by means of electronic communication or vote by mail at the General Meeting.

Pre-emptive rights

Pursuant to Article 433 § 1 of the Code of Commercial Companies, shareholders of Alior Bank have pre-emptive rights with respect to newly issued shares of Alior Bank, pro-rata to the number of shares they hold in Alior Bank. This pre-emptive right is also vested with respect to the issues of any securities convertible into shares in Alior Bank or with attached subscription rights to shares in Alior Bank (Article 433 § 6 of the Code of Commercial Companies).

A resolution to increase the share capital of Alior Bank under Article 432 § 2 of the Code of Commercial Companies should indicate the date of which the shareholders of Alior Bank who have pre-emptive rights with respect to newly issued shares are determined. The date of the pre-emptive right must not be later than six months after the date of passing the resolution. The General Meeting to pass the resolution on such increase of share capital of Alior Bank should specify a proposed date of the pre-emptive right (Article 432 § 3 of the Code of Commercial Companies).

Any pre-emptive rights of shareholders of Alior Bank to newly issued shares may only be excluded, in part or in their entirety, if this is in the best interest of Alior Bank, and only if such decision has been announced in the agenda of the General Meeting (Article 433 § 2 of the Code of Commercial Companies). In such a situation, the Management Board will submit to the General Meeting a written opinion stating the reasons behind such exclusion of Pre-emptive rights and the proposed issue price of new shares of Alior Bank or the manner of its calculation. A resolution to exclude Pre-emptive rights of shareholders of Alior Bank requires the majority of at least four-fifths of votes.

Pursuant to Article 433 § 3 of the Code of Commercial Companies, the above requirements relating to the adoption of a resolution excluding the Pre-emptive rights of existing shareholders do not apply when: (i) the resolution increasing the share capital provides that the new shares of Alior Bank are to be taken up in their entirety by a financial institution (an underwriter) under the obligation of being subsequently offered to the shareholders of Alior Bank in order to enable them to exercise their Pre-emptive rights on the terms and conditions specified in the resolution; and (ii) the resolution stipulates that the new shares of Alior Bank are to be taken up by the underwriter in the event that any shareholders of Alior Bank having such Pre-emptive rights do not take up all or part of the shares they are offered.

Rights associated with liquidation of Alior Bank

In the event of liquidation, under Article 474 of the Code of Commercial Companies all assets remaining after the claims of Alior Bank's creditors have been satisfied or secured will be distributed to its shareholders in proportion to their shares in the share capital. Such asset distribution may not be effected earlier than one year after the last announcement of liquidation and the summoning of the creditors of Alior Bank to report their claims against Alior Bank.

Pursuant to Article 151 of the Baking Law, if the claims of PFSA decides that Alior Bank is to be taken over by another bank upon consent of the acquiring bank, after the creditors of Alior Bank are satisfied or secured, the acquiring bank will make payments to the shareholders of Alior Bank from the remaining assets of Alior Bank in proportion to the capital they previously held, or will provide the shares of the acquiring bank to the shareholders of Alior Bank. Such shares will be provided at a previously determined issue price or at the book value of such shares, whichever is lower.

Redemption of the Offer Shares

Pursuant to Article 359 of the Code of Commercial Companies, shares in a joint-stock company may be redeemed if its articles of association provide for this.

Pursuant to Article 10 of the Articles of Association, Shares including the Offer Shares may only be redeemed upon the consent of the shareholder of Alior Bank whose Shares are to be redeemed. The Articles of Association includes no provision concerning the compulsory redemption of Shares. Voluntary redemption may only be performed once in any financial year (Article 359 § 1 of the Code of Commercial Companies). The resolution to decrease the share capital should be adopted at the same General Meeting which has resolved to redeem the Shares (Article 360 § 1 of the Code of Commercial Companies). Alior Bank may buy-back its own shares for the purpose of their redemption. Such a buy-back may be funded from the net profit or from separate capital established for that purpose from part of retained earnings. Irrespective of redemption of any Shares, Alior Bank must comply with applicable capital requirements and risk management requirements.

Pursuant to Article 359 § 2 of the Code of Commercial Companies, the terms and conditions and the legal basis of and the procedure for the redemption of Shares and the amount of consideration for the Shares to be redeemed, or the reasons behind the decision to redeem such Shares without consideration, are to be determined in each case by a resolution of the General Meeting.

Pursuant to Article 34, Section 2 in conjunction with Article 31, Section 3 of the Banking Law, the PFSA's permit is required to amend the Articles of Association with respect to the decrease of share capital of Alior Bank.

Conversion of Offer Shares

Article 334 § 2 of the Code of Commercial Companies provides for the conversion of registered shares into bearer shares and vice versa upon the request of a shareholder, unless relevant acts or the Articles of Association stipulate otherwise. Pursuant to §9 Section 3 of the Articles of Association, subject to Article 28 Section 2 of the Banking Law (according to which if a bank's shares are delisted from the regulated market or rematerialized pursuant to the provisions of the Act on Trading in Financial Instruments, bearer shares shall be converted into registered shares), the conversion of bearer shares into registered shares is not permitted. Notwithstanding the above, in order to convert registered shares into dematerialized bearer shares after the shares of a company are admitted to public trading in securities, no authorization is required for the management board to deposit such shares.

Public take-over bids

No public take-over bids in respect of the share capital of Alior Bank have been made by third parties during the last financial year and to date in 2016.

TERMS AND CONDITIONS OF THE OFFERING

Basic information about the offering

The Company's share capital shall be increased by PLN 565,502,490 by way of an issue of 56,550,249 Offer Shares.

The Offering consists of an issue of Pre-emptive Rights to existing shareholders of the Company, who are on the Company's shareholder register on the Record Date (23 May 2016), entitling them, or any other persons who may acquire such Pre-emption Rights, to subscribe for the Offer Shares and any Offer Shares not covered by such subscriptions made in the exercise of the Pre-emptive Rights and any Additional Subscriptions that may be made by shareholders will be allotted by the Management Board, in agreement with the Offer Managers, to investors procured by the Offer Managers, who submit subscriptions in response to invitations made by the Offering Agent or failing which, to the Offer Managers themselves, in accordance with the terms of the Underwriting Agreement.

The Offering does not include a sale of any Existing Shares.

On 18 May 2016, the Management Board of the Company, in agreement with the Offer Managers, determined (i) the final number of the Offer Shares that will be offered for subscription in the Offering to be 56,550,249, (ii) the number of the Offer Shares per Pre-emptive Right to be 0.77777777778 Offer Shares per Pre-emptive Right.

On 18 May 2016, the Management Board of the Company, in agreement with the Offer Managers, determined the issue price for the Offer Shares to be PLN 38.90 per Offer Share.

The Company intends to list 72,707,463 Pre-emptive Rights, 56,550,249 Rights to Shares and 56,550,249 Offer Shares on the main market of the WSE.

It is intended that the Offer Shares shall have the same ISIN code as the Existing Shares being traded on the regulated market (main market) operated by the WSE, i.e. with the ISIN code: PLALIOR00045. The ISIN codes which will be assigned to the Pre-emptive Rights and the Rights to Shares will be known after the Management Board of the NDS adopts relevant resolutions to register the Pre-emptive Rights and Rights to Shares with the NDS and assign ISIN codes to them.

The listing of 72,707,463 Pre-emptive Rights will be subject to the registration of the Pre-emptive Rights with the NDS and satisfaction of the conditions for the listing of the Pre-emptive Rights on the WSE in accordance with the regulations in force on the WSE.

Pursuant to the Capital Increase Resolution, one Pre-emptive Right will be allocated per Existing Share held by the shareholders on the Record Date. The number of Offer Shares that can be subscribed for under one Pre-emptive Right has been determined by the Management Board to be 0.77777777778 Offer Shares per Pre-emptive Right. In no case will it be possible to subscribe for a fraction of an Offer Share under a Pre-emptive Right.

Addressees of the Offering

The Offering is addressed to persons who are eligible to subscribe for the Offer Shares in the exercise of the Pre-emptive Right and who are eligible to make Additional Subscription (see "*Persons Eligible to Subscribe for the Offer Shares in the Exercise of the Pre-emptive Rights and to Make Additional Subscriptions*" below). In addition, the Management Board, in agreement with the Offer Managers, will allot Offer Shares which were not subscribed for in the exercise of the Pre-emptive Rights and which were not covered by the Additional Subscriptions (if any) to persons procured by the Offer Managers, that make subscriptions in response to the invitation of the Offering Agent acting on behalf of and in agreement with the Company and the Offer Managers (see "*Subscription for Shares Not Taken Up by the Pre – emptive Right and Additional Subscriptions"* below).

The Offering is not divided into tranches.

The Offer Shares are offered in a public offering in the territory of the Republic of Poland, pursuant to the Prospectus. In connection with the Offering, certain limited marketing activities may be undertaken in order to promote the Offering outside of Poland, pursuant to this Offering Circular. Any such marketing activities will only be addressed to selected foreign institutional investors with registered offices outside of Poland, and will comply with the applicable laws of the relevant jurisdictions where such activities concerning the Offering will be conducted. The marketing activities in connection with the Offering will be addressed exclusively to selected institutional investors (i) outside the United States of America in accordance with Regulation S, and (ii) in the United States of America – to Qualified Institutional Buyers in reliance on Rule 144A under the US Securities Act or in reliance upon on another exemption from the registration obligation provided for in the US Securities Act.

Neither this Offering Circular nor the securities covered by it have been the subject of approval, registration or notification in any country outside the Republic of Poland, in particular in accordance with the regulations implementing the provisions of the Prospectus Directive in the Member States or in accordance with US securities regulations.

Neither the Pre-emptive Rights, Rights to Shares, nor the Offer Shares have been or will be registered in accordance with the US Securities Act, or by any other authority regulating trading in securities of any other state or jurisdiction in the United States of America and, save for certain specific exceptions, they may not be offered or sold in the United States of America.

Timetable of the Offering

May 18, 2016	Publication of the Prospectus
	Publication of information on the Issue Price and the final number of Offer Shares
May 19, 2016	Last day on which the acquisition of Existing Shares in a session of the WSE makes it possible to acquire the Pre-emptive Right*
May 23, 2016	Record Date
May 25, 2016	Commencement of subscriptions in exercise of the Pre-emptive Right and Additional Subscriptions **
May 25, 2016 – May 27, 2016***	Trading of the Pre-emptive Rights on the WSE
June 1, 2016	End of subscriptions in the exercise of the Pre-emptive Right and Additional Subscriptions
June 10, 2016	Allotment of the Offer Shares subscribed for in the exercise of the Pre-emptive Right and Additional Subscriptions
By June 12, 2016	Publication of information on the issue price of Shares not taken up in the exercise of the Pre-emptive Right and Additional Subscriptions, which will be disclosed only if it will be higher than the Issue Price
June 13, 2016 – June 14, 2016	Subscription period for Offer Shares not subscribed for in the exercise of the Pre-emptive Right and Additional Subscriptions by entities that reply to the invitation of the Offering Agent acting on behalf of and in agreement with the Company and the Offer Managers
June 15, 2016	Subscriptions, if any, submitted by the Offer Managers in performance of their obligations arising under the Underwriting Agreement
By June 15, 2016	Allotment of the Offer Shares to entities that make subscriptions in reply to the invitation of the Offering Agent acting on behalf of and in agreement with the Company and the Offer Managers and allotment of the Offer Shares to the Offer Managers, if they subscribe in performance of the obligation under the Underwriting Agreement
On or around 16 June, 2016	Application for registration of the Company's share capital increase submitted to Court
Around June 23, 2016	Listing of the Rights to Shares on the WSE
Late June/early July 2016	The Company's share capital increase is registered by the Court
Early/mid July 2016	Listing of the Offer Shares on the WSE

** The Record Date is May 23, 2016, therefore, pursuant to the NDS' settlement system the Existing Shares purchased during a WSE session after May 19, 2016 (the last day on which acquisition of Existing Shares makes it possible to acquire the Pre-emptive Right) do not give the right to acquire Pre-emptive Rights or exercise the Pre-emptive Right. The first day on which the Shares may be sold on the WSE in order to retain the vested Pre-emptive Right is May 20, 2016.*

*** A given investor may submit its subscription only after the Pre-emptive Rights are recorded in the investor's account. This point in time may differ depending on entity which keeps the account. It is recommended to check with the brokerage house or bank maintaining the securities account on which the investor's Pre-emptive Rights will be recorded, the exact time the acceptance of subscriptions is to commence.*

**** Pursuant to § 18 Division I of the WSE Detailed Exchange Trading Rules, Pre-emptive Rights are listed on the WSE starting from the second trading day after the date on which the Company made the unit price of the new issue shares public, but no earlier than from the second trading following the day on which the prerequisites stipulated in the WSE Rules for admission of those rights to trading on the exchange have been fulfilled. If the requirements referred to above are fulfilled by 9.00 am on the trading day, the pre-emptive rights will be listed on the stock exchange starting from the trading day following that day. Pre-emptive rights are listed on the WSE for the last time on the trading session held on the third trading day prior to the date on which subscriptions for shares are closed.*

The Management Board, in agreement with the Offer Managers, may decide to change the starting and closing date of the subscription period. Information about such change will be made public in the form of a current report in accordance with Article 56 section 1 of the Public Offering Act and, furthermore, in accordance with Article 52 section 2 of the Public Offering Act by way of an update report (*komunikat aktualizacyjny*) made public in the same way as the Prospectus. This will take place by no later than the first day or last day, respectively, of the subscription period. If, in the Company's opinion, such changes were to constitute a material factor that could affect the assessment of the securities, such information will be, apart from being made public in the form of a current report in accordance with Article 56 section 1 of the Public Offering Act, made public in the form of a supplement to the Prospectus in accordance with Article 51 of the Public Offering Act, in which case this Offering Circular shall be deemed to have been updated by such supplement to the Prospectus. In such a case, the persons who made subscriptions will be able to avoid the effects of their declarations of will by making, at any customer service desk of the brokerage house or bank maintaining securities accounts in which they made the subscriptions in exercise of the Pre-emptive Right or an Additional Subscription, a written statement, within two Business Days from the date of the supplement to this Prospectus being made public. Payments made for Offer Shares will be reimbursed by the brokerage house or bank maintaining securities accounts that received such payments, if a subscription for the Offer Shares has not been placed yet or if the person who placed the subscription avoided the effects of his declaration of will in accordance with Article 51a of the Public Offering Act. The reimbursement of the payments for the Offer Shares will be made in accordance with the instructions set out in the subscription form, within 14 days of the date of submission of the statement on the avoidance of the effects of the declaration of will or indication of the manner of reimbursement of the payment by a person who has not yet made a subscription. Payments for the Offer Shares bear no interest, and the person making a payment is not entitled to any compensation or reimbursement of costs, including the costs incurred by the subscriber in connection with subscription for the Offer Shares or the purchase price of the Pre-emptive Rights on the secondary market.

The Management Board, in agreement with the Offer Managers may decide to withdraw from accepting subscriptions for Offer Shares which have not been subscribed for in the exercise of the Pre-emptive Right and the Additional Subscriptions. Information about such a change will be made public in the form of a current report in accordance with Article 56 section 1 of the Public Offering Act, and moreover in the form of an update report in the manner in which the Prospectus was made public, in which case this Offering Circular shall be deemed to have been updated by such supplement to the Prospectus. This will take place no later than on the date of commencement of acceptance of subscriptions for the Offer Shares that were not subscribed for in the exercise of the Pre-emptive Right and Additional Subscriptions.

A change to the timetable of the Offering does not constitute a cancellation of the Offering.

The remaining periods of the implementation of the Offering can also change. The new dates will be made public no later than on the date the periods start and end, as the case may be, in the form of a current report in accordance with Article 56 section 1 of the Public Offering Act, and moreover in the form of a current report, in the same manner in which the Prospectus was made public in accordance with Article 52 section 2 of the Public Offering Act, in which case this Offering Circular shall be deemed to have been updated by such supplement to the Prospectus.

Cancellation or Suspension of the Offering

Subject to the terms of the Underwriting Agreement, Alior Bank, subject to consultation with the Offer Managers, may suspend the Offering and resign from admission of Pre-emptive Rights, Rights to Shares and Offer Shares to trading on the main market of the WSE. In such a case, Alior Bank is not required to provide any reason or justification for the suspension of the Offering.

Following the commencement of the subscription period for the Offer Shares, Alior Bank, subject to consultation with the Offer Managers, may cancel the Offering and resign from seeking the admission of the Pre-emptive Rights and/or the Rights to Shares and the Offer Shares to trading on the main market on the WSE.

The Offering may only be cancelled for valid reasons which in particular include (i) amending or termination of the Share Purchase and Demerger Agreement; (ii) occurrence of events potentially reducing the chances that all the Offer Shares will be subscribed under the Offer, or of events which may lead to an increased investment risk for the subscribers of the Offer Shares; (iii) a suspension or material limitation of trading in securities on the WSE or on other stock

exchange markets if those circumstances could have a material negative impact on the Offering; (iv) sudden and unexpected material changes in the financial markets, or economic or political situation in Poland or another country, which may materially and adversely affect financial markets, Poland's economy, the Offering or the Alior Group's operations, (for example terrorist attacks, war, catastrophes, floods); (v) a material, direct or indirect, change affecting the Bank's operations or a material loss, direct or indirect, suffered by the Bank, or significant disruptions, direct or indirect, to its operations; (vi) PZU failing to subscribe for the Offer Shares in accordance with the terms of the irrevocable commitment it provided as set out in the Side Letter.

Information on the cancellation of the Offering made before the publication of the Prospectus will be made public in the form of a current report, in accordance with Article 56 section 1 of the Public Offering Act. In turn, if the decision to cancel the Offering and the resignation from seeking the admission of the Pre-emptive Rights and/or the Rights to Shares and the Offer Shares to trading on the main market on the WSE is made after the Prospectus is published, the information in this regard will be made public in the form of a current report, in accordance with Article 56 section 1 of the Public Offering Act, and in accordance with Article 49 section 1b of the Public Offering Act, in the same manner in which the Prospectus was made public in accordance with Article 47 section 1 of the Public Offering Act, in which case this Offering Circular shall be deemed to have been updated by such supplement to the Prospectus.

After publication of the Prospectus and prior to the commencement of the subscription period for the Offer Shares, Alior Bank, subject to consultation with the Offer Managers, may suspend the Offering and resign from admission of Pre-emptive Rights, Rights to Shares and Offer Shares to trading on the main market of the WSE. Alior Bank will not be required to provide any reason or justification for suspension of the Offering.

Following the commencement of the subscription period for the Offer Shares, Alior Bank, subject to consultation with the Offer Managers, may suspend the Offering and resign from admission of Pre-emptive Rights, Rights to Shares and Offer Shares to trading on the main market of the WSE. If that is the case, the Offering may only be suspended for valid reasons which include in particular, but are not limited to: (i) amending or terminating the Share Purchase and Demerger Agreement; and (ii) occurrence of events potentially reducing the chances that all the Offer Shares will be subscribed under the Offer, or of events which may lead to an increased investment risk for the subscribers of the Offer Shares.

The Offering may be suspended before new dates for the Offering are scheduled. Alior Bank may establish a new timetable at a later date, subject to the terms of the Underwriting Agreement, but, the decision to resume the Offering will need to be made after the legal possibility to conduct the Offering has been confirmed, taking into account the restrictions under Article 431 § 4 of the Code of Commercial Companies.

If the decision to suspend the Offering is made in the period until the commencement of the subscription, the information in this regard will be provided in the form of an update report which will be made public in the same manner in which the Prospectus is published, and in the form of a current report, in accordance with Article 56 section 1 of the Public Offering Act. If the decision to suspend the Offering is made after the subscription period commences, information in this regard will be made public in the form of a supplement to the Prospectus after it has been approved by the PFSA (this supplement will be made public in the same manner in which the Prospectus is published), in which case this Offering Circular shall be deemed to have been updated by such supplement to the Prospectus, and in the form of a current report, in accordance with Article 56 section 1 of the Public Offering Act.

If the Offering is suspended after the subscription period has commenced, all the subscriptions made will be effective and the persons who made the subscriptions will be able to avoid the effects of their declarations of will within two Business Days of the date the supplement to this Prospectus is published in accordance with Article 51a of the Public Offering Act.

If the Offering is cancelled after the subscription period has commenced, all the subscriptions made will be ineffective.

Payments for the Offer Shares do not bear interest, and if Alior Bank (i) cancels the Offering and resigns from seeking admission of the Pre-emptive Rights and/or the Rights to Shares and the Offer Shares to trading on the main market on the WSE or (ii) suspends the Offering, a person making a payment is not entitled to any compensation or reimbursement of costs, including costs incurred in connection with the subscription for the Offer Shares or the purchase price of the Pre-emptive Rights on the secondary market. Payments made for the Offer Shares under subscriptions in respect of which the effects of the declaration of will were avoided because the Offering was suspended will be reimbursed in accordance with the instructions given by the subscriber on the subscription form, within 14 days of the date of submission of the statement on avoidance of the legal effects of the declaration of will. If the Company cancels the Offering and resigns from seeking admission of the Pre-emptive Rights and/or the Rights to Shares and the Offer Shares to trading on the main market of the WSE, after the commencement of the acceptance of subscription orders, the payments made will be reimbursed in accordance with the instructions given by the subscriber on the subscription form, within 14 days of the

date of publication of the information on the cancellation of the Offering and on resignation from seeking admission of the Pre-emptive Rights and/or the Rights to Shares and the Offer Shares to trading on the main market of the WSE in accordance with Article 49 section 1b of the Public Offering Act in the same manner as this Prospectus was published, in accordance with Article 47 section 1 of the Public Offering Act. The information will be also made available to the public by way of a current report in accordance with Article 56 section 1 of the Public Offering Act.

Issue Price

The Issue Price of the Offer Shares has been determined by the Management Board, in agreement with the Offer Managers to be PLN 38.90 per Offer Share.

The Company will not charge the entities placing subscriptions any fees. The amount to be paid by an investor upon subscription may, however, be increased by the commission, if any, of the investment firm accepting the subscription in accordance with the rules and regulations of that investment firm.

Pursuant to Article 54 section 1 point 3 of Public Offering Act, a person who has placed a subscription prior to the release to the public of the information on the Issue Price has the right to avoid the legal effects of the subscription made, by making, at any customer service desk of the brokerage house or bank managing securities account in which he placed the subscription in the exercise of the Pre-emptive Right or Additional Subscription, a written statement within two Business Days of that information's being made publicly available. It should be noted, however, that pursuant to the timetable of the Offering it is not anticipated that the subscription period will commence before the Issue Price is made public. This is why, in the case of the Offering, it is not envisaged that the investors will be entitled to avoid the legal effects of the subscriptions they place on the basis of Article 54 section 1 point of the Public Offering Act.

The Issue Price of the Offer Shares not covered by subscriptions placed in the exercise of the Pre-emptive Right and Additional Subscriptions that are offered by the Offering Agent in agreement with the other Offer Managers, acting on behalf of and in agreement with the Company, to selected entities pursuant to Article 436 § 4 of the Code of Commercial Companies may not be lower than the Issue Price.

If the issue price of the Offer Shares not covered by subscriptions placed in the exercise of the Pre-emptive Rights and Additional Subscriptions is higher than the Issue Price, it will be made public pursuant to Article 54 section 3 of the Public Offering Act, i.e. in the same manner in which the Prospectus was published and in the form of a current report in accordance with Article 56 section 1 of the Public Offering Act, before the commencement of the subscription period for the Offer Shares not covered by subscriptions placed in the exercise of the Pre-emptive Rights and Additional Subscriptions

Number of Shares covered by the Offering

The final number of Offer Shares to be offered was determined by the Management Board, in agreement with the Offer Managers, on 18 May 2016 on the basis of authorization granted in the Capital Increase Resolution, to be 56,550,249.

Under Article 54 section 3 of the Public Offering Act, the final number of Offer Shares offered for subscription and the number of Offer Shares per Pre-emptive Right was made publicly known on May 18, 2016 in the same way the Prospectus was made available and by way of a current report pursuant to Article 56 section 1 of the Public Offering Act.

In accordance with the requirements set out in the "*Standpoint of the Office of the Polish Financial Supervision Authority dated September 30, 2010 as regards the application of Article 432 § 4 of the Code of Commercial Companies in the case of public offerings conducted on the basis of prospectuses and information memoranda*", according to the Office of the PFSA: (i) if a lower number of shares is subscribed for than the number arising from the final increase amount set by the Management Board, there may be doubt as to whether the issue has been effective, and consequently may result in a refusal to register the share capital increase; and (ii) if a higher number of shares is subscribed for than the number arising from the final capital increase amount set by the Management Board, when allotting the shares, the Management Board will reduce the subscriptions on the terms described in the Offering Circular.

Pre-emptive right and additional subscriptions

Persons eligible for the Pre-emptive Right

The Company's shareholders as at the end of May 23, 2016 (Record Date) will receive one Pre-emptive Right per Existing Share held, entitling the shareholders to subscribe in proportion to the number of Existing Shares they hold.

The Pre-emptive Rights received by existing shareholders will be recorded as Pre-emptive Rights in their securities accounts or appropriate collective accounts.

Existing Shares acquired at a WSE session after May 19, 2016 (the last day on which acquisition of Existing Shares at a WSE session makes it possible to acquire a Pre-emptive Right) do not give the right to receive Pre-emptive Rights or to exercise the Pre-emptive Right. The first day on which Shares may be transferred on the WSE in order to retain the Pre-emptive Right is May 20, 2016.

Number of Offer Shares per Pre-emptive Right

There will be one Pre-emptive Right per Existing Share held on the Record Date.

The number of Offer Shares per Pre-emptive Right will be 0.77777777778 Offer Shares per Pre-emptive Right, which can be expressed as a ratio of 9 Pre-emptive Rights for 7 Offer Shares, however it will not be possible to subscribe for a fraction of an Offer Share.

Trading in Pre-emptive Rights

Pre-emptive Rights will be traded in accordance with the regulations of the WSE. It is the Company's intention that trading in Pre-emptive Rights should begin on May 25, 2016 and continue until the third session day preceding the closing of subscription, i.e. until May 27, 2016. Notwithstanding that, trading in Pre-emptive Rights may also take place by means of civil law transactions entered into off the regulated market.

A Pre-emptive Right that has not been exercised will expire when the acceptance of subscriptions for Offer Shares ends. The person who was entitled to it will not be entitled to any benefits in its place.

Persons Eligible to Subscribe for the Offer Shares in the Exercise of the Pre-emptive Right and to Make Additional Subscriptions

The following persons are eligible to subscribe for Offer Shares in the exercise of the Pre-emptive Right: (i) persons who held Existing Shares at the end of the Record Date and who have not transferred Pre-emptive Rights up to the time of subscribing for Offer Shares; and (ii) persons who held Pre-emptive Rights and have not transferred them up to the time of subscribing for Offer Shares.

Persons eligible to subscribe for Offer Shares in the exercise of the Pre-emptive Right may subscribe for the maximum number of Offer Shares resulting from the Pre-emptive Rights they hold. If the number of Offer Shares for which a person has priority to subscribe is not a whole number, the maximum number of Offer Shares for which that person may subscribe is the number resulting from rounding the number of Offer Shares down to the nearest whole number. Notwithstanding that rounding down, each Pre-emptive Right exercised for such a subscription is considered as having been exercised in full.

Within the above limits, a single eligible person may make more than one subscription in the exercise of the Pre-emptive Right. At least one Offer Share must be subscribed for in the exercise of the Pre-emptive Right.

Persons who are shareholders at the end of the Record Date are persons who are eligible to make an Additional Subscription during the time limit for exercising the Pre-emptive Right. However, persons who were not shareholders of the Company as at the end of the Record Date but who acquired Pre-emptive Rights are not eligible to make Additional Subscriptions.

The effectiveness of an Additional Subscription does not depend on a person's having made a subscription in exercise of the Pre-emptive Right.

An Additional Subscription made in one entity accepting subscriptions for Offer Shares may not be larger than the size of the Offering. Within the above limits, more than one Additional Subscription may be submitted, but an Additional Subscription must be for at least one Offer Share.

A subscription for Offer Shares made by an ineligible person is ineffective. A subscription made for a number of Offer Shares that is higher than the result of applying the above-mentioned calculations is ineffective in the part exceeding that number. Subscriptions for a fraction of an Offer Share are not permitted.

Subscriptions for Offer Shares

General information

Subscriptions for Offer Shares are unconditional and irrevocable (subject to exceptions provided in the Public Offering Act). They may not contain any stipulations or additional conditions for their implementation and they are binding on the

investors submitting them until the Offer Shares have been allocated. If an annex to the Offering Circular is made publicly available, an investor who subscribed for Offer Shares before the annex was made available may avoid the legal effects of the subscription on the basis of Article 51a of the Public Offering Act, by making at any of the customer service desks of the brokerage house or the bank keeping the securities account where the subscription for Offer Shares was made an appropriate written statement in this respect within two Business Days of the date the annex is made publicly available. Offer Shares may be allotted no earlier than after the end of the time limit for avoiding the legal effects of a subscription.

The right to avoid the legal effects of subscriptions does not apply to cases where an annex is made available in connection with errors in the Offering Circular of which the Company learned after allotting the Offer Shares, or with factors which arose or of which the Company learnt after the Offer Shares were allotted.

By making a subscription, the potential investor is confirming, *inter alia*, that: (i) he has read the Offering Circular; (ii) he consents to the wording of the Statutes (if he is not a shareholder of the Company); (iii) he has accepted the terms of the Offering; (iv) he has consented to being allotted a smaller number of Offer Shares than the number he has subscribed for or to not being allotted any Offer Shares, subject to his Pre-emptive Right, in the circumstances and in accordance with the terms set out in the Offering Circular; and (v) he has consented to the processing of his personal data within the scope necessary for the conduct of the Offering and to ensure compliance with appropriate provisions of law and other relevant regulations (this applies only to natural persons).

Place of acceptance of subscriptions in the exercise of the Pre-emptive Right and the Additional Subscriptions

Persons eligible to subscribe for the Offer Shares in the exercise of the Pre-emptive Right may subscribe for the Offer Shares at brokerage houses or banks maintaining securities accounts in which their Pre-emptive Rights are recorded. In the case of eligible persons holding Pre-emptive Rights recorded in accounts held by custodian banks, subscriptions for the Offer Shares may be made in accordance with the custodian bank's terms. In the case of eligible persons holding Pre-emptive Rights recorded in collective accounts, subscriptions for Offer Shares may be made in accordance with the rules applicable at the entity maintaining the collective account.

Persons eligible to make Additional Subscriptions may subscribe for the Offer Shares at the brokerage houses or banks maintaining securities accounts at which their Existing Shares are recorded in the securities accounts as at the end of the Record Date. In the case of eligible persons who had any Existing Shares recorded as at the end of the Record Date in accounts held by custodian banks, subscriptions for the Offer Shares may be made in accordance with the custodian bank's terms. In the case of eligible persons holding, as at the end of the Record Date, any Existing Shares recorded in collective accounts, subscriptions for the Offer Shares may be made in accordance with the rules applicable at the entity maintaining the collective account.

The acceptance of subscriptions in the exercise of the Pre-emptive Right and the Additional Subscriptions is not limited only to accounts with the Offering Agent.

Subscription procedure in the exercise of the Pre-emptive Right and Additional Subscriptions

Subscriptions for the Offer Shares in the exercise of the Pre-emptive Right and Additional Subscriptions are made on separate forms, in each case in three copies. A specimen subscription form for the Offer Shares in the exercise of the Pre-emptive Right and a specimen Additional Subscription form will be available on the Company's website (www.aliorbank.pl) and, for information purposes, on the website of Dom Maklerski BZ WBK (www.dmbzwbk.pl).

A subscription made other than on the form or a subscription that does not contain all information required by the subscription form shall be invalid. Any additional provisions not provided for in the subscription form have no legal effect. A subscription made subject to a condition or subject to a deadline is also invalid. Any consequences of an incorrectly completed subscription form for the Offer Shares shall be borne by the subscriber.

As evidence of receipt of the subscription, the subscriber will receive one copy of the completed and signed subscription form, and if the subscription is made online, by telephone, fax or by any other technical means (if such option is permissible under the bylaws of the brokerage houses and banks accepting the subscriptions), the subscriber will receive confirmation of receipt of the subscription in the manner and in the form specified in those bylaws.

When making a subscription for the Offer Shares in the exercise of the Pre-emptive Right or an Additional Subscription, the investor does not give deposit instructions, since after the exercise of his Pre-emptive Rights, the allotted Offer Shares will be recorded in the account out of which the Pre-emptive Rights were exercised, and in the case of an Additional Subscription, in the account in which the Existing Shares were recorded on the Record Date.

The type, content and form of the documents required when making a subscription for the Offer Shares in the exercise of the Pre-emptive Right or Additional Subscriptions and the terms of representation by an attorney must comply with the procedures of the brokerage house or bank accepting the subscription.

Technical information regarding subscriptions will be provided and the subscription forms will be made available at the individual brokerage houses or banks accepting the subscriptions.

It is possible to submit subscriptions for the Offer Shares or Additional Subscriptions online, by telephone, fax and other technical means, if such option is permissible under the bylaws of the brokerage houses and banks accepting the subscriptions.

Payment for subscriptions in the exercise of the Pre-emptive right and Additional Subscriptions and consequences of non-payment for a subscription

Payments for subscriptions for the Offer Shares in the exercise of the Pre-emptive Right and Additional Subscriptions should be made in the amount arising from the number of the Offer Shares covered by the relevant subscription, multiplied by the Issue Price, plus any charges and fees of the brokerage houses or banks accepting the subscriptions. This should take place no later than at the time the subscription is made.

Payment for the Offer Shares should be made in cash, in PLN, in a manner acceptable to the brokerage house or bank maintaining securities accounts and accepting the subscription.

If payment for the Offer Shares is made by bank transfer (if such a method of payment for the Offer Shares is accepted by the relevant brokerage house or bank maintaining securities accounts), the date of payment shall be deemed the date on which the full amount of monies is credited to the appropriate account of the brokerage house or bank (including, but not limited to, a custodian bank) maintaining securities accounts and accepting the subscription. Persons intending to make a payment for the Offer Shares by bank transfer should contact the brokerage house or bank maintaining securities bank accounts at which they intend to submit their subscription, in order to obtain the number of the appropriate bank account. Such subscribers should note that they bear exclusively the risk relating to the clearing deadlines for the bank transfers made in order to pay for the subscription.

Notwithstanding the above, in the case of eligible persons holding Pre-emptive Rights recorded in accounts maintained by custodian banks, subscriptions for the Offer Shares should be paid for in accordance with the custodian bank's terms. In the case of eligible persons holding Pre-emptive Rights recorded in collective accounts, subscriptions for the Offer Shares should be paid for in accordance with the terms applicable at the entity maintaining the collective account.

Any interest accrued on payments received for the Offer Shares shall be for the account of the Company.

Failure to make a payment for the Offer Shares means that a subscription cannot be submitted, and if it is submitted, such subscription is ineffective with regard to the Offer Shares which were not paid for in full because the payment made, less any charges and fees, was insufficient.

Subscription for Shares Not Taken Up by the Pre-emptive Right and Additional Subscriptions

Any Offer Shares not covered by the subscriptions made in the exercise of the Pre-emptive Right and Additional Subscriptions will be allotted by the Management Board, in agreement with the Offer Managers, to investors who submit subscriptions in response to the invitation made by the Offering Agent acting on behalf of, and in agreement with, the Company and the Offer Managers. Any Offer Shares not subscribed for in the exercise of the Pre-emptive Rights and Additional Subscriptions may be offered at a price no lower than the Issue Price.

If not all of the Offer Shares are subscribed for in the exercise of the Pre-emptive Rights or are not covered by Additional Subscriptions, the Offering Agent will, on behalf of the Company, invite investors procured by the Offer Managers to subscribe for the Offer Shares, in accordance with the Underwriting Agreement. If no such investors are procured or if such investors do not subscribe and pay for the Offer Shares, then the Offer Managers will themselves subscribe and pay for such remaining Offer Shares (if any), not taken up as a result of the exercise of the Pre-emptive Rights and not covered by Additional Subscriptions, in accordance with the terms of the Underwriting Agreement (see "*Underwriting, stabilisation and contractual limitations of the transferability of the Shares*").

Subscriptions for the Offer Shares not covered by the subscriptions made in exercise of the Pre-emptive Right and Additional Subscriptions will be accepted by the Offering Agent by the deadline specified in the invitation of the Offering Agent, acting on behalf of, and in agreement with, the Company, or if no such deadline is specified in such invitation, no

later than by the deadline specified in the Offering timetable as the closing day for the acceptance of subscriptions for the Offer Shares not taken up as a result of the exercise of the Pre-emptive Right or Additional Subscriptions.

An investor subscribing for Offer Shares not covered by the subscriptions made in the exercise of the Pre-emptive Right or Additional Subscriptions must subscribe for at least one Offer Share and not more than the number of Offer Shares specified in the invitation to subscribe, issued by the Offering Agent acting on behalf of, and in agreement with, the Company and the Offer Managers. If a subscription is made for a number of Offer Shares higher than the number of Offer Shares specified in the invitation, such subscription will be treated as a subscription for the number of Offer Shares stated in the invitation.

However, if full payment is not made for the Offer Shares not covered by the subscriptions submitted in the exercise of the Pre-emptive Rights or Additional Subscriptions, or if the investor submits a subscription for a number of Offer Shares lower than the number specified in the invitation, the investor will be allocated the number of Offer Shares for which that investor has paid or may be allocated Offer Shares in a number lower than the number arising from the payment made.

An investor submitting a request for subscription for the Offer Shares not covered by subscriptions submitted in exercise of the Pre-emptive Rights and Additional Subscriptions must include details of the relevant securities deposit account where such Offer Shares or Rights to Shares, as the case may be, should be credited once they have been allotted. Deposit instructions given by the investor may not be changed. If no deposit instructions for the Offer Shares are provided by the investor, their request for subscription will be rejected. A subscription for Offer Shares not covered by subscriptions made in exercise of the Pre-emptive Rights and Additional Subscriptions must be made using the subscription form prescribed by the Offering Agent, delivered in triplicate, together with the required documents. The type, content and form of documents required to be submitted by an investor when making a subscription for Offer Shares not covered by the subscriptions made in the exercise of the Pre-emptive Rights and Additional Subscriptions, will be prescribed by the Offering Agent.

A subscription made other than using the subscription form, and a subscription that does not contain all the information required by the subscription form, shall be invalid. Any additional provisions not included on the subscription form do not have any legal effect. A subscription made subject to any condition or deadline is also invalid. Any consequences arising from an incorrectly completed subscription form for the Offer Shares shall be borne by the subscriber.

As evidence of receipt of the subscription, the eligible person will receive one copy of the completed and signed subscription form.

Payment for subscriptions submitted for Offer Shares not covered by the subscriptions submitted in exercise of the Pre-emptive Rights and Additional Subscriptions and consequences of non-payment for a subscription

Payments for subscriptions for the Offer Shares not covered by the subscriptions made in exercise of the Pre-emptive Right and Additional Subscriptions should be made in the amount arising from the number of the Offer Shares covered by the relevant subscription, multiplied by their issue price (which must not be lower than the Issue Price), subject to any additional brokerage charges and fees. This should take place no later than on the last day on which subscriptions are accepted for the Offer Shares not covered by the subscriptions made in exercise of the Pre-emptive Right and Additional Subscriptions. Failure to make a payment for the Offer Shares means that the subscription is ineffective with regard to the Offer Shares which have not been paid for in full because the payment made (taking into account any brokerage charges and fees) was insufficient.

Payment for the Offer Shares should be made in cash, in PLN, by bank transfer into a bank account designated by the Offering Agent.

The date on which the monies are credited to the Offering Agent's account shall be deemed the date of payment. Subscribers should note that they bear exclusively the risk relating to the deadlines for the clearing of the bank transfers made in order to pay for the subscription.

Any interest accrued on payments received for the Offer Shares shall be for the account of the Company.

Binding nature of subscriptions

Once submitted, a subscription is irrevocable. A person submitting a subscription shall be bound by it until the Offer Shares allotted to him are recorded in his securities account or the relevant collective account, unless a suspension of the Offering is announced earlier or the issue is not completed.

A person who has submitted a subscription may avoid the legal effects of the submitted subscription on the terms set out in Article 51a of the Public Offering Act, i.e. if an annex to the Offering Circular is published after the commencement of subscription and such person has submitted his subscription before its publication. The avoidance is effected by way of a written statement made at any customer service desk of the brokerage house maintaining the securities account at which the subscription in the exercise of the Pre-emptive Right or an Additional Subscription was submitted, within two Business Days of the date of publication of the annex. The right to avoid the legal effects of a subscription does not apply to any case where an annex to this Offering Circular is published in connection with any errors in the Offering Circular of which the Company became aware following the allotment of the securities, or in connection with any factors which arose, or of which the Company became aware, following the allotment of the securities. The Company may allot securities no earlier than after the expiry of the deadline for the investor to avoid the legal effects of the submitted subscription.

Furthermore, pursuant to Article 54 section 1 point 3 of the Public Offering Act, a person who has submitted a subscription before the information about the final number of securities offered or information about the Issue Price is published is entitled to avoid the legal effects of his declaration of will by making, at any customer service desk of the brokerage house or bank maintaining securities accounts at which he made the subscription in the exercise of the Pre-emptive Right or Additional Subscription, a written statement within two Business Days of the publication of such information. It should be noted, however, that, in accordance with the timetable of the Offering, subscription is not expected to commence before the information on the final number of Offer Shares to be offered and the information on the Issue Price is published. Therefore, it is not anticipated that, in the case of the Offering, investors will be entitled to avoid the legal effects of a subscription submitted pursuant to Article 54 section 1 point 3 of the Public Offering Act.

Payments made for the Offer Shares under subscriptions in respect of which the effects of the declaration of will were avoided will be reimbursed in accordance with the instructions given by the subscriber on the subscription form, within 14 days of the date the statement to avoid the legal effects of the declaration of will is made. The payments will be reimbursed without any interest, compensation or reimbursement of expenses, including any costs incurred by the subscriber in connection with the subscription for the Offer Shares or the purchase price of the Pre-emptive Rights on the secondary market.

Settlement of the Offering

Allotment of the Offer Shares

The persons subscribing for the Offer Shares in the performance of the Pre-emptive Right will be allotted the full number of the Offer Shares which are covered by subscriptions duly made and paid for, rounded down to the nearest integer in accordance with the rules contained in the Capital Increase Resolution.

If not all of the Offer Shares are subscribed for in the performance of the Pre-emptive Right, the Offer Shares which have not been subscribed for in this way will be designated for the implementation of duly made and paid for Additional Subscriptions. If the Additional Subscriptions relate to a higher number of Offer Shares than the number remaining for subscription, the Additional Subscriptions will be reduced proportionately to the number of such subscriptions. The numbers of allotted Offer Shares will be rounded down to the nearest integer. The Offer Shares that were not allotted as a result of rounding down will be allotted sequentially to the subscribers who subscribed for the largest number of Offer Shares, and in the case of equal subscriptions the allotment will be assigned randomly. In each case, no allotment of a larger number of the Offer Shares will be made under any Additional Subscription than the number covered by such subscription.

The Offer Shares not subscribed for in the exercise of the Pre-emptive Rights or the Additional Subscriptions shall be allotted at the sole discretion of the Management Board, in agreement with the Offer Managers, exclusively to investors who effectively placed and fully paid for subscriptions in response to the invitation of the Offering Agent acting on behalf of and in agreement with the Company and the Offer Managers.

If not all of the Offer Shares are subscribed for in the exercise of the Pre-emptive Rights or are not covered by Additional Subscriptions, the Offering Agent will, on behalf of the Company, invite investors procured by the Offer Managers to subscribe for the Offer Shares, in accordance with the Underwriting Agreement. If no such investors are procured or if such investors do not subscribe and pay for the Offer Shares, then the Offer Managers will themselves subscribe and pay for such remaining Offer Shares (if any), not taken up as a result of the exercise of the Pre-emptive Right and not covered by Additional Subscriptions, in accordance with the terms of the Underwriting Agreement. (see " – *Underwriting, stabilisation and contractual limitations of the transferability of the Shares*").

Notifications about the allotment of the Offer Shares will be sent to the subscribers in accordance with the procedures of the brokerage houses or banks accepting the subscriptions. Furthermore, information about the allotment of the Offer Shares will be made public in the form of a current report pursuant to Article 56 section 1 of the Public Offering Act.

Rules of reimbursement of funds

The Offering will be settled via the NDS. This does not apply to the settlement of the Offering within the scope of the subscription for the Offer Shares that were not subscribed for in the exercise of the Pre-emptive Right and the Additional Subscriptions, if the issue is cancelled before the admission of the Rights to Shares to trading on the WSE, in which case the settlement of such subscriptions will be made via the Offering Agent as the entity with whom the investor placed the subscription and paid for it.

The reimbursement of funds to the persons who were not allotted Offer Shares or whose subscriptions were reduced will be made in accordance with the instructions given by the subscriber in the subscription form, within 14 days of the date of allotment. If the issue is unsuccessful, the reimbursement of payments will be made within 14 days of the date that the failure of the issue is announced. If the Company cancels the Offering and withdraws its application for the Pre-emptive Rights or the Rights to Shares and Offer Shares to be admitted to trading on the main market of the WSE, the reimbursement of payments will be made within 14 days of the date of the publication of the information on cancellation of the Offering and about the withdrawal of the application for the Pre-emptive Rights or the Rights to Shares and Offer Shares to be admitted to trading, which will be made public pursuant to Article 49 section 1b of the Public Offering Act, in the same way as the Prospectus was published pursuant to Article 47 section 1 of the Public Offering Act. The reimbursement of overpayments and payments will be made without any interest, compensation or reimbursement of expenses, including costs incurred by the subscriber in connection with its subscription for the Offer Shares or the purchase price of the Pre-emptive Rights on the secondary market.

If the issue is unsuccessful after the Rights to Shares are admitted to trading on the WSE, the reimbursement of payments will be made to the investors in whose accounts the Rights to Shares are registered as at the date of settlement of the transactions made on the last date of the listing of the Rights to Shares. The amount of payments reimbursed in such case will be calculated as the product of the number of the Rights to Shares registered in the investor's account and the Issue Price of one Offer Share. If the issue price of the Offer Shares that were not subscribed for in the exercise of the Pre-emptive Right or by Additional Subscriptions is higher than the Issue Price, the Company will apply to the Management Board of the WSE for the inclusion of the Rights to Offer Shares which were not subscribed for in the exercise of the Pre-emptive Right or by Additional Subscriptions in a separate line of listings. In such case, the amount of the reimbursed payments will be calculated as the product of the number of the Rights to Shares subject to a separate line of listings and registered in the investor's account and the issue price of the Offer Shares which were not subscribed for in the exercise of the Pre-emptive Right or by Additional Subscriptions.

Unsuccessful Offering

The Offer Shares will not be issued if: (i) the Management Board decides to cancel the Offering; (ii) the number of the Offer Shares specified by the Management Board pursuant to Article 432 § 4 of the Commercial Companies Code is not taken up and duly paid for as at the date of the closing of the subscription by the dates specified in the Offering Circular; (iii) within 12 months of the date of this Offering Circular or within one month from the date of allotment of the Offer Shares, the Management Board fails to file an application for the registration of the share capital increase through the issue of the Offer Shares with the registry court; or (iv) a decision of the registry court refusing to register the increase in the Company's share capital through the issue of the Offer Shares is issued and becomes final and non-appealable.

Furthermore, the Capital Increase Resolution contains the Management Board's authority to establish the final number of the Offer Shares in the Offering and to establish, pursuant to Article 432 § 4 of the Code of Commercial Companies, the final amount by which the share capital will be increased. As at the date of this Offering Circular, the Management Board intends to use this authorization before the acceptance of subscriptions for the Offer Shares commences and before the final number of Offer Shares in the Offering is determined. We cannot rule out the risk that if the Management Board determines the final number of the Offer Shares and the investors subscribe for a lower number of Offer Shares than the number determined by the Management Board, the registry court may deem that the issue of the Offer Shares was not effected and, as a consequence, refuse to register the share capital increase.

The registration of the share capital increase resulting from the issue of the Offer Shares is also contingent on the Management Board's making a statement in the form of a notarial deed specifying in a final manner the amount by which the share capital is to be increased and the amount of the share capital subscribed for on the basis of the number of Offer

Shares covered by valid subscriptions. Such statement, made in particular on the basis of Article 310 of the Code of Commercial Companies in conjunction with Article 431 § 7 of the Code of Commercial Companies, should be attached to the application to register the share capital increase. Failure by the Management Board to make the above-mentioned statement would preclude the registration of the increase in the share capital by way of the issue of the Offer Shares, and thus prevent the issue of the Offer Shares.

Limitations with respect to the purchase or subscription of a significant block of the Bank's shares or rights under those shares arising under Article 25 et seq. of the Banking Law

Pursuant to Article 25 of the Banking Law, an entity which intends, directly or indirectly, to acquire or subscribe for shares or rights to shares in a domestic bank in a number ensuring reaching or exceeding 10%, 20%, one third or 50% respectively of the overall number of votes at the general meeting or the share in the share capital is required to notify the PFSA each time of the intention to acquire them or subscribe therefor. An entity which intends, directly or indirectly, to become the dominant entity of a domestic bank otherwise than as a result of the acquisition of or subscription for shares or rights to shares in a domestic bank in a number ensuring it has the majority of the overall number of votes at the general shareholders' meeting is required to notify the PFSA thereof each time.

The obligation referred to in the preceding paragraph is also created if two or more entities act in concert in order to exercise voting rights attached to the shares at the levels referred to in the preceding paragraph, or to exercise the rights of the dominant entity of a domestic bank.

The detailed contents and form of the notice and the information and documents filed therewith are defined by the regulations of the Banking Law and implementing rules established under it.

The PFSA may object, by way of a decision, to the acquisition of or subscription for the shares or rights to shares or against becoming the dominant entity of a domestic bank, if: (i) the entity filing the notice fails to supplement defects in the notice or the documents and information attached thereto within the designated deadline; (ii) the entity filing the notice fails to provide in a timely manner the additional information or documents requested by the PFSA; or (iii) such objection is justified by the need for conservative and stable management of a domestic bank, in light of the possible impact of the entity filing the notice on the domestic bank or in light of the evaluation of the financial situation of the entity filing the notice.

The PFSA is bound to deliver its decision regarding the objection referred to in the preceding paragraph within 60 Business Days from the date of receipt of the notice, and all the required information and documents not later than two Business Days after the issuance thereof.

The entity filing the notice may comply with the intention covered by the notice if the PFSA does not deliver its decision regarding the objection within 60 Business Days as referred to in the preceding paragraph or if the PFSA issues a decision, prior to the end of that period, that there were no grounds to make the objection.

In the event of the acquisition of or subscription for shares or the rights to shares in breach of restrictions set out in the Banking Law, the PFSA may, in its decision, order that the shares in a domestic bank be sold by a set date. In the case the shares are acquired or subscribed for in breach or have not been sold by the date set by the PFSA, the PFSA may impose a cash penalty of up to PLN 20 million on a shareholder of the domestic bank who is a natural person, a cash penalty of up to 10% of the revenues reported in the latest approved financial statements on a shareholder who is a legal person, or if no such statements are available, a cash penalty of up to 10% of the forecasted revenues determined based on the financial condition of the shareholder. If the amount of the gain achieved or a loss incurred by the shareholder as a result of the breach can be determined, the cash penalty may be imposed in the amount of twice the value of such gain or loss. The PFSA may also establish receivership over the domestic bank, revoke its clearance to establish a bank, or decide to wind-up the bank.

See also: *Regulations of the Polish securities market and obligations connected with the purchase and sale of Offer Shares – Reporting requirements resulting from the Banking Law, the Code of Commercial Companies and the antitrust regulations – Reporting requirements resulting from the Banking Law*.

Furthermore, the acquisition of Shares resulting in the exceeding of the specific thresholds of the number of votes held by a shareholder at the General Shareholders' Meeting, and in particular the acquisition of Shares causing the occurrence of a dominant relationship between the shareholder and Alior Bank, results in the imposition on the acquiring shareholder of other reporting requirements or obligations to obtain the consents of the relevant authorities, as described in the following chapters: *Regulations of the Polish securities market and obligations connected with the purchase and sale of Offer Shares – Reporting requirements resulting from the Banking Law, the Code of Commercial Companies and the antitrust regulations*

and *Regulations of the Polish securities market and obligations connected with the purchase and sale of Offer Shares – Obligations connected with substantial blocks of shares of public companies resulting from the Public Offering Act.*

Delivery of the Rights to Shares and the Offer Shares

The Company will submit to the NDS an application for the management board of the NDS to adopt a resolution to register the Offer Shares and the Rights to Shares.

Immediately after completing the allotment of the Offer Shares, the Management Board will submit an application to the WSE for the Rights to Shares to be introduced to trading on the main market of the WSE. If the issue price of the Offer Shares that were not subscribed for in the exercise of the Pre-emptive Right or the Additional Subscriptions is higher than the Issue Price, the Company will apply to the management board of the WSE for the Rights to Offer Shares that were not subscribed for in the exercise of the Pre-emptive Right or Additional Subscriptions to be covered by a separate line of listings (see " *– Risk factors – Risk factors connected with the Offering, capital market and trading in the Shares – The Subscription Rights, Rights to Shares or Offer Shares cannot be admitted to trading or traded on the WSE's main market, whereas the listing of the Subscription Rights can be delayed*"). The Company anticipates that the Rights to Shares will be delivered to the investors' accounts or collective accounts and that trading in Rights to Shares will commence approximately one week after the allotment is made, but this period is not solely dependent on the Company.

Promptly after the Offer Shares are allotted, the Management Board will file an application to the registry court to register the share capital increase by way of the issue of the Offer Shares. After the increase in the share capital is registered, the Management Board will file an application to introduce the Offer Shares to trading on the main market of the WSE. It is anticipated that trading in Offer Shares the will commence approximately one month after the allotment is made, but this period is not solely dependent on the Company.

After the share capital increase is registered and after the Offer Shares are registered with the NDS, they will be recorded in the investors' accounts, in return for the Rights to Shares held in those accounts as at that date. In return for one Right to Shares, one Offer Share will be recorded in the account of the investor. The date of expiry of the Rights to Shares will be last day on which they are traded on the WSE. Starting from the following trading day, the Offer Shares will be listed.

UNDERWRITING, STABILIZATION AND CONTRACTUAL LIMITATIONS ON THE TRANSFERABILITY OF SHARES

Standby Underwriting Agreement

On April 6, 2016 the Company entered into a standby underwriting agreement in connection with the Offering with Goldman Sachs International, J.P. Morgan Securities plc and Bank Zachodni WBK S.A. and, on May 10, 2016, the Company entered into an amended and restated standby underwriting agreement with Goldman Sachs International, J.P. Morgan Securities plc, Bank Zachodni WBK S.A. and Powszechna Kasa Oszczędności Bank Polski S.A. Oddział - Dom Maklerski PKO Banku Polskiego w Warszawie amending and restating the terms of the original standby underwriting agreement (the "**Standby Underwriting Agreement**").

Underwriting Agreement

In accordance with the terms of the Standby Underwriting Agreement, the Company and the Offer Managers entered into an underwriting agreement on May 18, 2016 in connection with the Offering (the "**Underwriting Agreement**") pursuant to which each of the Offer Managers agreed severally (and not jointly, nor jointly or severally), subject to certain terms and conditions, to use reasonable endeavors to procure subscribers at the Issue Price (subject to the terms of the Underwriting Agreement), and in their respective proportionate shares, for the Offer Shares that are not subscribed for in the exercise of the Pre-emptive Rights or Additional Subscriptions, up to an aggregate of approximately PLN 1,645 million (the "**Underwriting Commitment**").

To the extent the Offer Managers fail to procure subscribers for all of the underwritten Offer Shares up to the Underwriting Commitment, each Offer Manager shall, subject to certain conditions, subscribe at the Issue Price and pay for such Offer Shares themselves in their respective proportionate shares and the Company shall allot such Offer Shares to subscribers procured by the Offer Managers or the Offer Managers themselves (or as may be otherwise directed by the Offer Managers), as the case may be.

The Underwriting Agreement contains, among others, the following further provisions:

(a) Goldman Sachs International, J.P. Morgan Securities plc and Bank Zachodni WBK S.A. act as Joint Global Coordinators, Joint Bookrunners and Joint Underwriters; Bank Zachodni WBK S.A. acts also as the Offering Agent and Powszechna Kasa Oszczędności Bank Polski S.A. Oddział - Dom Maklerski PKO Banku Polskiego w Warszawie acts as the Local Joint Bookrunner and Joint Underwriter.

(b) The Company shall pay the Offer Managers fees and commissions of up to 1.79 per cent. of the gross amount of the Underwriting Commitment and, subject to certain limitations, to reimburse the Offer Managers' other costs, charges, fees and expenses together with any applicable value added tax thereon.

(c) The Company shall pay (together with any applicable VAT) all other costs, charges, fees and expenses relating to the Underwriting Agreement and the Offering.

(d) The obligations of the Offer Managers pursuant to the Underwriting Agreement are subject to certain conditions, including (i) PZU having irrevocably committed to subscribe for Offer Shares in proportion to their existing shareholding in the Company as set out in the Side Letter and such commitment not having been revoked or waived, (ii) a warranty or undertaking being true, accurate and not misleading , (iii) the delivery of customary comfort packages, (iv) no matter having arisen that requires publication of a supplementary annex to the Prospectus (save if required in connection with proper performance by the Company of its obligations under the Share Purchase and Demerger Agreement or execution of the Underwriting Agreement) and other customary conditions.

(e) The Company gave certain customary representations, warranties and covenants to the Offer Managers.

(f) The Company gave certain indemnities in a form that is standard for an agreement of this nature to the Offer Managers, their affiliates and their respective directors, officers and employees which, indemnify the Offer Managers against, *inter alia*, claims made against them or losses incurred by them, in connection with the Offering.

(g) The Offer Managers shall be entitled to terminate the Underwriting Agreement in certain circumstances, including (i) a breach by the Company of its obligations; (ii) a representation or warranty becoming untrue, inaccurate or misleading; (iii) failure of a condition to be satisfied (or waived by the Offer Managers); (iv) challenge to the validity of shareholder resolutions in connection with the Offering, (v) the occurrence of certain

material adverse changes in the financial condition prospects, earnings, solvency, liquidity, funding position or operations of the Alior Group taken as a whole and/or the BPH Core Bank making it in the judgment of the Offer Managers (after consultation with the Company) impractical or inadvisable to proceed with the Offering or certain changes in the credit or financial strength ratings of the Alior Group; (vi) occurrence of certain disruptive market events, calamities, crises or changes in financial, political or economic conditions (vii) publication of a supplementary annex to the Prospectus (save if required in connection with proper performance by the Company of its obligations under the Share Purchase and Demerger Agreement or execution of the Underwriting Agreement); (viii) it coming to the attention of the Offer Managers that a statement in the Prospectus or Offering Circular is untrue, incorrect or misleading in any material respect or a matter arising which would constitute a material omission from the Prospectus or Offering Circular such that the Offer Managers consider it, in good faith, to be adverse and material in the context of the Offering.

Stabilization

No stabilization activities will be undertaken in connection with the Offering.

Lock-up arrangements pursuant to the Underwriting Agreement

In accordance with the Underwriting Agreement, during the period of 180 days from the receipt of the proceeds from the Offering, neither the Company nor any of its subsidiaries or other affiliates over which it exercises management or voting control, nor any person acting on its or their behalf shall, *inter alia*, issue, offer, sell, contract to sell, pledge or otherwise dispose of any shares of the Company or securities convertible, exchangeable or exercisable for or into the shares of the Company or warrants or other rights to purchase shares of the Company or other securities whose value is determined by reference to the price of the underlying securities, including equity swaps, forward sales and options without prior written consent of the Offer Managers, except for the issuance of new shares to the minority shareholders of Bank BPH in connection with the demerger of Bank BPH (if applicable) and except for certain other situations set out in the Underwriting Agreement.

SELLING RESTRICTIONS

Public offering of Offer Shares in Poland

The Prospectus has been prepared solely for the purposes of the Offering to be conducted as a public offering within the meaning of Article 3 section 3 of the Public Offering Act in the territory of Poland.

In connection with the Offering, certain limited promotional actions may be taken by the Company to provide information about the Offering to institutional investors outside the United States (excluding Poland) pursuant to Regulation S under the U.S. Securities Act and the relevant regulations of the applicable law in the jurisdictions where such promotion of the Offering will be conducted.

The Prospectus will not be approved by any supervisory authority other than the PFSA, nor will it be registered or filed with any supervisory authority of any country other than Poland.

No action has been or will be taken by the Company or the Managers in any jurisdiction other than Poland that would permit either a public offering of the Offer Shares or the possession or distribution of the Prospectus or any other offering material relating to the Company or the Offer Shares. The Offer Shares may not be offered or sold, directly or indirectly, in or from any country or jurisdiction except in compliance with any applicable rules and regulations of any such country or jurisdiction.

Limited promotional actions relating to the Offering may be restricted by law in certain jurisdictions. Any failure to comply with these restrictions may constitute a violation of the securities laws of any such jurisdictions.

United States of America

Subject to certain exceptions, this document is intended for and is only for use in connection with offers and sales of Pre-emptive Rights, Rights to Shares and Offer Shares outside the United States and is not to be sent or given to any person within the United States.

The Pre-emptive Rights, Rights to Shares and Offer Shares have not been, and will not be, registered under the U.S. Securities Act or with any securities regulatory authority of any state or other jurisdiction of the United States and may not be offered, sold, taken up, exercised, resold, renounced, transferred or delivered, directly or indirectly, within the United States, except pursuant to an exemption from, or in a transaction not subject to, the registration requirements of the U.S. Securities Act and in compliance with any applicable state securities laws. As of the date of this Offering Circular, the Company has not registered, and does not intend to register, the Pre-emptive Rights, Rights to Shares or Offer Shares under the U.S. Securities Act, and there will be no public offer of Pre-emptive Rights, Rights to Shares or Offer Shares in the United States. The Pre-emptive Rights, Rights to Shares and Offer Shares being offered outside the United States are being offered in reliance on Regulation S under the U.S. Securities Act.

With respect to any Offer Shares remaining after the exercise of Pre-emptive Rights or the completion of the Additional Subscriptions, such Offer Shares may be offered to QIBs in the United States pursuant to Rule 144A of the U.S. Securities Act or pursuant to another exemption from, or in a transaction not subject to, the registration requirements of the U.S. Securities Act.

In addition, until 40 days after the commencement of the Offering, an offer or sale of Pre-emptive Rights, Rights to Shares or Offer Shares within the United States by a dealer (whether or not participating in the Offering) may violate the registration requirements of the U.S. Securities Act if such offer or sale is made otherwise than in accordance with Rule 144A.

Accordingly, subject to certain exceptions, the Company is not extending the Rights Issue into the United States and this document does not constitute and will not constitute an offer or an invitation to apply for or an offer or an invitation to acquire any Pre-emptive Rights, Rights to Shares or Offer Shares by any person in the United States.

Neither the U.S. Securities and Exchange Commission, any state securities commission, or any securities market regulator outside the United States has approved or disapproved the Pre-emptive Rights, Rights to Shares or Offer Shares or evaluated the accuracy or adequacy of this document. Any representation to the contrary is a criminal offense in the United States.

Subject to certain exceptions, each person who acquires Pre-emptive Rights, Rights to Shares or Offer Shares will be deemed to have represented, warranted and agreed, by accepting delivery of this document or taking up their entitlement or accepting delivery of the Pre-emptive Rights, Rights to Shares or Offer Shares, that:

(a) it is, and the person, if any, for whose account or benefit it is acting is, outside the United States (within the meaning of Regulation S) at the time the buy order for such securities is originated and will continue to be located outside the United States, and the person, if any, for whose account or benefit it is acting reasonably believes that the relevant person is outside the United States, and neither the subscriber nor any person acting on its behalf knows that the transaction has been prearranged with a buyer in the United States;

(b) it understands that the Pre-emptive Rights, Rights to Shares and Offer Shares have not been and will not be registered under the Securities Act or with any securities regulatory authority of any state of the United States and are subject to restrictions on transfer;

(c) if in the future it decides to offer, sell, transfer, assign or otherwise dispose of the Pre-emptive Rights, Rights to Shares or Offer Shares, it will do so only in compliance with an exemption from the registration requirements of the U.S. Securities Act;

(d) it has carefully read and understands this document, and has not, directly or indirectly, distributed, forwarded, transferred or otherwise transmitted this document or any other presentation or offering materials concerning the Pre-emptive Rights, Rights to Shares or Offer Shares to any person within the United States, nor will it do any of the foregoing;

(e) the Company and the Joint Global Coordinators, Joint Bookrunners and Joint Underwriters and their affiliates, and others, will rely upon the truth and accuracy of the foregoing acknowledgements, representations and agreements and will not recognise any offer, sale, pledge or other transfer of the securities made other than in compliance with the above stated restrictions; and

(f) if any of the representations or agreements made by it are no longer accurate or have not been complied with, it will immediately notify the Company and the Joint Global Coordinators, Joint Bookrunners and Joint Underwriters and, if it is acquiring any Pre-emptive Rights, Rights to Shares or Offer Shares as a fiduciary or agent for one or more accounts, it has sole investment discretion with respect to each such account and it has full power to make, and does make, the foregoing representations and agreements on behalf of each such account.

Notwithstanding the foregoing, the Company reserves the right to issue and deliver the Pre-Emptive Rights to, and Rights to Shares and Offer Shares may be offered to and acquired by, a limited number of Shareholders in the United States reasonably believed to be qualified institutional investors ("**QIBs**") as defined in the U.S. Securities Act, in offerings exempt from or in a transaction not subject to, the registration requirements under the Securities Act. If you are a QIB, in order to exercise your Pre-Emptive Rights and acquire Rights to Shares and Offer Shares upon the exercise thereof, you must sign and deliver to the Company a U.S. investor letter (the ''**U.S. Investor Letter**'') substantially in the form attached as an appendix to this document.

If you sign the U.S. Investor Letter, you will, amongst other things, be:

(a) representing that you are a QIB and any account for which you are acquiring the Rights to Shares or the Offer Shares is a QIB;

(b) agreeing not to reoffer, resell, pledge or otherwise transfer the Rights to Shares or Offer Shares, except:

(i) in an offshore transaction in accordance with Rule 903 or Rule 904 of Regulation S;

(ii) to a QIB in a transaction in accordance with Rule 144A under the Securities Act; or

(iii) pursuant to the exemption from registration provided by Rule 144 under the Securities Act (if available), in each case, in accordance with any applicable securities laws of any state or other jurisdiction of the United States; and

(c) agreeing not to deposit any Offer Shares, for so long as they are restricted securities (within the meaning of Rule 144(a)(3) under the Securities Act), into any unrestricted depositary facility established or maintained by any depositary bank.

No representation has been, or will be, made by the Company or the Joint Global Coordinators, Joint Bookrunners or Joint Underwriters as to the availability of Rule 144 under the Securities Act or any other exemption under the Securities Act or any state securities laws for the re-offer, resale, pledge or transfer of the Rights to Shares or the Offer Shares.

Any person with a registered address, or who is resident or located, in the United States who obtains a copy of this document and who is not a QIB is required to disregard them.

European Economic Area (EEA)

The Prospectus has been approved by the PFSA (the capital market supervision authority having jurisdiction over the territory of Poland). The Offer Shares have not been offered in a public offering in any other member state of the EEA (other than Poland) which has implemented the Prospectus Directive (each, a "**Relevant Member State**"). In relation to each Relevant Member State, an offer to the public of any offer Shares may not be made in that Relevant Member State, except that an offer to the public in that Relevant Member State of any Shares may be made at any time under the following exemptions under the Prospectus Directive, if they have been implemented in that Relevant Member State: (i) to any legal entity which is a qualified investor as defined in the Prospectus Directive; (ii) to fewer than 150 natural or legal persons (other than qualified investors as defined in the Prospectus Directive) per Relevant Member State, subject to obtaining the prior consent of the Underwriters; or (iii) in any other circumstances falling within Article 3(2) of the Prospectus Directive, provided that no such offer of Offer Shares shall result in a requirement for the Company or any Lead Manager to publish a prospectus pursuant to Article 3 of the Prospectus Directive or a supplemental prospectus pursuant to Article 16 of the Prospectus Directive and each person who initially acquires any Offer Shares or to whom any offer is made will be deemed to have represented, warranted and agreed that it is a "qualified investor" within the meaning of Article 2(1)(e) of the Prospectus Directive.

For the purposes of this provision, the expression "an offer to the public" in relation to any Offer Shares in any Relevant Member State means the communication in any form and by any means of sufficient information on the terms of the Offer and any Offer Shares to be offered so as to enable an investor to decide to subscribe for or purchase any Offer Shares, as the same may be varied in that Relevant Member State by any measure implementing the Prospectus Directive in that Relevant Member State.

United Kingdom

The Prospectus prepared for the purposes of the Offering has not nor will not be submitted to the Financial Conduct Authority for approval in the United Kingdom.

In the United Kingdom any materials in relation to the Offer Shares may only be distributed and addressed to, and directed only at, persons who are qualified investors (as defined in the Prospectus Directive) who are: (i) persons having professional experience in matters relating to investments falling within Article 19(5) of the Financial Services and Markets Act 2000 (Financial Promotion) Order 2005 (the "**Order**"); (ii) high net worth entities falling within Article 49(2)(a) to (d) of the Order; or (iii) persons to whom it may otherwise be lawfully communicated (all such persons together being referred to as "**Relevant Persons**"). The promotion of the Offering in the United Kingdom is only addressed to Relevant Persons and must not be acted on or relied on in the United Kingdom by persons who are not Relevant Persons. Any investment or investment activity in connection to the Offering is available only to Relevant Persons in the UK and will be engaged in only with such persons.

Canada

The Prospectus does not constitute, or may under any circumstances be construed as, a prospectus, communication or a public offering concerning the securities described in the Prospectus in any of the provinces or territories of Canada. No securities commission or a similar securities regulator in Canada has reviewed or issued a decision concerning the Prospectus, nor made any assessment of the securities described in the Prospectus. Any representation to the contrary is an offence.

Japan

The Offer Shares have not been and will not be registered under the Japanese Financial Instruments and Exchange Law, (Law No. 25 of 1948, as amended). The Offer Shares are not and may not be offered for sale, directly or indirectly, in the territory of Japan or to any resident of Japan (and such term also includes any corporation or entity organized under the laws of Japan), or to any other entity for reoffer or resale, directly or indirectly, in the territory of Japan or to any resident of Japan unless pursuant to an exemption from the registration requirements under the Financial Instruments and Exchange Law and otherwise in compliance with such law or any other applicable laws and regulations of Japan.

Switzerland

The Offer Shares may not be distributed in a public offering in the territory of Switzerland and will not be listed on any stock exchange in Switzerland (including the SIX Swiss Exchange (SIX)) or any other stock exchange or regulated trade institution operating in Switzerland. The Prospectus does not claim to comply with the disclosure standards applicable to prospectuses that are set forth in Article 652a or Article 1156 of the Swiss Code of Obligations in Article 27 of the listing rules of the SIX Swiss Exchange or the listing rules of any other stock exchange or a regulated trade institution in the territory of Switzerland. It is prohibited to distribute or otherwise make the Prospectus or any other offering or marketing materials relating to the Offer Shares or the Offering available in the territory of Switzerland.

The Prospectus or any other offering or marketing materials relating to the Offering, Alior Bank or the Offer Shares have not been and will not be submitted to any regulatory authority in Switzerland and have not been approved by any such authority. In particular, the Prospectus will not be filed with the Swiss financial market supervision authority ("**FINMA**"), and the offering of the Offer Shares will not be supervised by FINMA. The offering of the Offer Shares has not been and will not be approved in accordance with the Swiss Federal Collective Investment Schemes Act ("**CISA**"). The investor protection rules implemented by the CISA for buyers of shares in collective investment schemes are not applicable to buyers of the Offer Shares.

TRANSFER RESTRICTIONS

Prospective purchasers are advised to contact legal counsel prior to making any resale, pledge or transfer of the Offer Shares.

The Pre-Emptive Rights, Rights to Shares and Offer Shares have not been and will not be registered under the U.S. Securities Act or with any securities regulatory authority of any state of the United States and, subject to certain exceptions, may not be offered, sold, taken up, exercised, resold, transferred or delivered, directly or indirectly, within the United States except pursuant to an exemption from, or in a transaction not subject to, the registration requirements of the U.S. Securities Act and applicable state securities laws. This Offering is being made within the United States only to QIBs in reliance on Rule 144A or another exemption from, or in a transaction not subject to, the registration requirements of the U.S. Securities Act. This Offering is being made outside the United States in reliance on Regulation S. Terms used in this section that are defined in Rule 144A or Regulation S are used herein as so defined.

Subject to certain exceptions, the offer of Pre-Emptive Rights, Rights to Shares and Offer Shares is not being made in the United States and this document does not constitute and will not constitute an offer, or an invitation to apply for, or an invitation to subscribe for or acquire any Pre-Emptive Rights, Rights to Shares or Offer Shares in the United States.

Any person with a registered address, or who is resident or located, in the United States that exercises Pre-Emptive Rights will be required to complete a U.S. Investor Letter in the form set out in the appendix to this document and will be deemed to have represented, warranted, undertaken, agreed and acknowledged to the effect set out in such form. Any person with a registered address, or who is resident or located, in the United States that subscribes for or purchases any Rights to Shares or Offer Shares that were not taken up in the Offering must meet certain requirements and will be deemed to have represented, warranted, undertaken, agreed and acknowledged that it has received a copy of this document and such other information as it deems necessary to make an investment decision and to have further represented, warranted undertaken, agreed and acknowledged as follows (terms defined in Rule 144A or Regulation S shall have the same meaning in this section):

(a) It is (i) a QIB; (ii) aware, and each beneficial owner of such Rights to Shares or Offer Shares has been advised, that the sale of such Rights to Shares and Offer Shares to it is being made in reliance on Rule 144A; and (iii) acquiring such Rights to Shares and Offer Shares for its own account or for the account of a QIB;

(b) it (or, if it is acting for the account of another person, such person has confirmed to it that such person) will not offer, resell, pledge or otherwise transfer such Rights to Shares or Offer Shares except: (a) to a person that it and any person acting on its behalf reasonably believe is a QIB purchasing for its own account or for the account of a QIB in a transaction meeting the requirements of Rule 144A, (b) in an offshore transaction in reliance on Regulation S, or (c) pursuant to the exemption from registration under the U.S. Securities Act provided by Rule 144A thereunder (if available), in each case in accordance with any applicable securities laws of any state or other jurisdiction of the United States;

(c) it is subscribing for or purchasing the Rights to Shares or Offer Shares for its own account, or for one or more investor accounts for which it is acting as a fiduciary or agent, in each case for investment, and not with a view to, or for offer or sale in connection with, any distribution thereof in violation of the U.S. Securities Act or any state securities laws, subject to its or their ability to resell such Rights to Shares or Offer Shares pursuant to Rule 144A, Regulation S or any other exemption from registration available under the U.S. Securities Act;

(d) it understands, and each beneficial owner understands, that the Company does not intend to file a registration statement in respect of the Rights to Share or Offer Shares.

(e) It is not acquiring the Rights to Shares or Offer Shares as a result of any general solicitation or general advertising (as those terms are defined in Regulation D under the Securities Act), including advertisements, articles, notices or other communications published in any newspaper, magazine or similar media or broadcast over the radio or television or any seminar or meeting whose attendees have been invited by general solicitation or general advertising or directed selling efforts (as that term is defined in Regulation S).

(f) each holder of Rights to Shares or Offer Shares issued in reliance on Rule 144A ("**Rule 144A Shares**") agrees on its own behalf and on behalf of any investor account for which it is purchasing the Offer Shares, and each subsequent holder of the Rule 144A Shares by its acceptance thereof will be deemed to agree, to offer, resell, pledge or otherwise transfer such Offer Shares prior to the date ("**Resale Restriction Termination Date**") that is one year after the later of the date of allotment and the last date on which the Company or any of its affiliates was the owner of such Rights to Shares Offer Shares (or any predecessor thereto) only: (i) to the Company or

any subsidiary thereof; (ii) pursuant to a registration statement that has been declared effective under the U.S. Securities Act; (iii) for so long as the Offer Shares are eligible for resale pursuant to Rule 144A, to a person it reasonably believes is a QIB that purchases for its own account or for the account of a QIB to whom notice is given that the transfer is being made in reliance on Rule 144A; (iv) pursuant to offers and sales that occur outside the United States in compliance with Rule 903 or Rule 904 of Regulation S; or (v) pursuant to the exemption from the registration requirements of the U.S. Securities Act provided by Rule 144 (if available), subject in each of the foregoing cases to and in compliance with any applicable state securities laws, and any applicable local laws and regulations. The foregoing restrictions on resale will not apply subsequent to the Resale Restriction Termination Date. If it purchases Rights to Shares or Offer Shares, it will also be deemed to acknowledge that the foregoing restrictions apply to holders of beneficial interests in these Rights to Shares and Offer Shares as well as to holders of these Rights to Shares and Offer Shares;

(g) notwithstanding anything to the contrary in the foregoing paragraphs, the Rights to Shares and the Offer Shares may not be deposited into any unrestricted depositary facility established or maintained by a depositary bank, unless and until such time as those Rights to Shares and Offer Shares are no longer "restricted securities" within the meaning of Rule 144(a)(3) under the U.S. Securities Act; and

(h) the Company, the Offer Managers and their respective affiliates will rely upon the truth and accuracy of the acknowledgements, representations and agreements in the foregoing paragraphs and agrees that if any of the acknowledgements, representations, warranties and agreements deemed to have been made by its purchase of the Rights to Shares and Offer Shares is no longer accurate, it shall promptly notify the Offer Managers. If it is acquiring the Rights to Shares and the Offer Shares for the account of one or more QIBs, it represents that it has sole investment discretion with respect to each such account and that it has full power to make the foregoing acknowledgements, representations and agreements on behalf of each such account.

Prospective purchasers are hereby notified that sellers of the Rights to Shares and Offer Shares may be relying on the exemption from the provisions of section 5 of the U.S. Securities Act provided by Rule 144A.

POLISH SECURITIES MARKET REGULATIONS AND OBLIGATIONS RELATING TO THE ACQUISITION AND DISPOSAL OF SHARES

The information contained in this section is of a general nature, does not constitute legal advice and describes the legal state of affairs as at the date of this Offering Circular.

Key regulations

Trading in shares on a regulated market (main market) operated by the WSE in Poland is governed by Polish law, including, in particular, the Public Offering Act and the Trading Act, as well as the WSE and NDS regulations, including the provisions of the WSE Rules and the NDS Rules. The PFSA's regulatory activities and procedures with respect to the Polish capital market are governed by the Capital Market Supervision Act, the Financial Market Supervision Act, the Public Offering Act and the Trading Act.

In view of the fact that the Offer Shares will be subject to an application regarding their introduction to trading on the WSE main market (the official stock exchange listings market), the Offer Shares will be traded in accordance with the Polish securities trading regulations and the regulations of the WSE and the NDS.

The prospective investors should bear in mind that an Amendment to the Public Offering Act has been enacted, which, among other things, changes the threshold of votes required to adopt a resolution on re-materialization of shares and extending the group of entities burdened with notification requirements specified in the Act. Additionally, on July 3, 2016 MAR Regulation will enter into force which will apply directly to the European Union as a whole, and will address, in particular, the following issues: market manipulation, inside information and acquisition of shares in public companies during closed periods. The selected relevant provisions of the Amendment to the Public Offering Act and MAR Regulation have been discussed below (see " – *Reversal of dematerialization of shares*" and " – *Special instances relating to significant blocks of shares in public companies*" with respect to planned amendments to the Public Offering Act and " – *Manipulation*", " – *Confidential information*" and " – *Restrictions related to the acquisition of shares in a public company during close periods*" with respect to MAR Regulation). Moreover, as of July 3, 2016 the MAD Directive is to be implemented into the Polish legal system. The MAD Directive requires the Member States to penalize market manipulation. As at the date of this Offering Circular, the Amendment to the Act on Trading in Financial Instruments had already been published.

Trading in securities and transaction settlement

Shares are traded on the WSE through investment firms (including, *inter alia*, brokerage houses, banks providing brokerage services and foreign investment firms providing brokerage services in Poland) registered as "**Stock Exchange Members**". A list of the current Stock Exchange Members can be found on the website of the WSE. Regarding the technical aspect, trading on the WSE is handled through the transaction system Universal Trading Platform ("**UTP**").

UTP ensures that prices are based on selling and buying orders. A schedule of selling and buying orders is prepared in order to determine the price of the securities. These orders are matched under strictly defined rules, and the transactions are completed during stock exchange sessions. In order to improve the liquidity of listed instruments, Stock Exchange Members and other entities may take on the role of market makers who place buying or selling orders for the given securities on their own account (under an appropriate agreement with the WSE). The liquidity of financial instruments may also be supported by entities acting as market makers for the issuer based on a relevant agreement with the issuer of such financial instruments.

In principle, pursuant to Article 20 of the Trading Act, the WSE management board may suspend trade in financial instruments, *inter alia*: (i) upon an application by the issuer in order to ensure investors have general and equal access to information; and (ii) if the instruments fail to comply with terms and conditions prevailing on the relevant market operated by the WSE, provided that it does not materially violate the interests of investors or the proper functioning of the market. Upon the request of the PFSA, submitted in accordance with the provisions of the Trading Act, the WSE management board shall suspend trade in financial instruments for a period of no longer than one month if trading in certain securities or other financial instruments is conducted in circumstances which indicate that the proper functioning of the WSE market, the safety of trading on that market or investors' interests can be compromised. In addition, under the WSE Rules, the WSE management board may suspend trade in financial instruments in other instances, including: (i) at the request of the issuer; (ii) if required to protect the interests and safety of the trade participants; or (iii) if an issuer violates laws and regulations applicable to the WSE.

Trading sessions on the WSE are carried out from Monday to Friday between 8:30 a.m. and 5:05 p.m.. In extraordinary circumstances, the WSE management board may, for a specified period of time, change the trading session hours and the trading schedule. Trading session listings are made in a continuous trading system ("**continuous trading**") or in a single-price system ("**single-price trading**"). In addition to continuous trading and single-price trading, block transactions are also carried out.

Opening and closing prices for the continuous trading system are determined on the basis of brokers' orders, the types of which are determined by the WSE Rules. In determining opening and closing prices, the following rules apply in order of priority: (i) maximizing the volume of turnover; (ii) minimizing the difference between the number of financial instruments covered by sell orders and buy orders, which may be executed at the determined price; and (iii) minimizing the difference between the price being determined and the reference price, and in the market maker system, between the price being determined and half of a total of the upper and lower price variation limits.

The above rules (subject to the market maker system) also apply in determining the price for single-price trading, which is established on the basis of brokers' orders with or without a price limit.

Price variations are restricted both in the continuous trading system and in the single-price system. In principle, variations are limited to 10% with respect to shares and 3% with respect to bonds. In extraordinary circumstances, the price variation limit may be changed, suspended or lifted.

A block transaction (a transaction concluded outside the continuous trading system and the single-price system) may, in principle, be executed if at least one WSE member submits a buy order and a sell order for the same number of securities at the same price and with the same settlement date. The minimum value of a block transaction for a period of twelve consecutive months, starting from April 1 of the given year, is determined by the management board of the WSE annually, on the last session day of March of the given year. Until determined by the management board of the WSE, the minimum block transaction value for shares of companies first listed in the given year and the shares of companies first listed in December of the preceding year must not be lower than:

- PLN 2 million in respect of shares included in the WIG20 Stock Index;
- PLN 1 million in respect of shares included in the mWIG40 Stock Index; or
- PLN 0.25 million for other shares.

Pursuant to Resolution No. 317/2016 of the WSE management board dated March 31, 2016 concerning the minimum block trade value for financial instruments listed on the regulated market, the minimum block trade value for shares listed on the regulated market operated by the WSE as of the date of this Offering Circular was in principle PLN 250,000. In case of Alior Bank, the minimum block trade value was PLN 1,250,000.

The difference between the price of the financial instrument set out in the order and the last price of that financial instrument from a trading session cannot exceed 10%. If a block transaction is executed outside of trading hours on the WSE, then the price for securities in the order cannot differ by more than 40% (10% for bonds and debentures) from a reference rate equal to the arithmetical average of the prices of all transactions in the relevant securities during the last trading session on the WSE weighted with their turnovers. In extraordinary circumstances, the WSE management board may agree to execute a transaction that does not satisfy the minimum value and price variation limits. The terms and conditions of block transactions involving derivatives or ETF units (*Exchange Traded Fund*) are defined by the WSE management board.

Brokerage commissions charged by entities conducting brokerage operations in Poland are not fixed by the WSE or other regulatory bodies. These commissions depend on the size of a transaction and the rates of a brokerage house executing the transaction and, in the case of transactions executed on the WSE, on transaction fees charged by the WSE to its members.

Transactions involving shares admitted to trading on a regulated market are cleared by KDPW_CCP S.A. clearing house ("**KDPW_CCP**") and settled by the NDS as a settlement agent. Clearing of transactions in financial instruments involves the specification of the amount of cash and non-cash consideration derived from the transactions entered into, based on the adopted clearing method, to which the parties to the clearing are obliged or entitled. In order to perform the obligations of the parties to the transactions, the NDS is responsible for settling the transactions in financial instruments through debiting or crediting deposit accounts, collective accounts or securities accounts (as applicable), with reference to the disposal or acquisition of the underlying financial instruments and, in accordance with amounts due in settlement, crediting or debiting the bank account or other cash account specified by the parties to the transaction or settlement.

Pursuant to Article 7 of the Trading Act, the transfer of dematerialized shares (see " – *Dematerialization*" below) to another entity on the secondary market takes place once the relevant entries are made in the corresponding securities accounts. Securities accounts are kept on behalf of investors by entities registered as NDS participants. This may include, among others, brokerage houses, banks conducting brokerage operations or maintaining securities accounts, and foreign investment firms that carry out brokerage activities in Poland through a local branch office.

In accordance with the laws and regulations in force, all transactions on the regulated market of the WSE are executed on a delivery vs. payment basis, and the rights from securities are transferred within two business days after the transaction execution in accordance with the T+2 settlement cycle. In general, each investor is required to hold a securities account and a cash account with an investment firm or entity conducting custody operations in Poland, while each investment firm and entity conducting custody operations in Poland is required to hold appropriate accounts with the NDS and a cash account with a clearing bank. As part of the securities deposit or the securities registration system operated by the NBP, entities authorized to keep securities accounts may also keep collective accounts, i.e. accounts on which dematerialized securities not held by persons for whom such accounts are kept may be recorded, while such securities are actually held by another person or persons. Collective accounts may only be kept on behalf of the entities referred to in the Trading Act.

Pursuant to regulations of the WSE and the NDS, KDPW_CCP S.A. is obliged to clear transactions executed by WSE members based on the list of transactions (post-session sets) delivered by the WSE. WSE members coordinate settlements for clients on whose account the transactions are executed.

Dematerialization

The dematerialization of securities amounts to the fact that securities which are: (i) subject to a public offer; (ii) admitted to trading on a regulated market; (iii) introduced to an alternative system of trading; or (iv) issued by the State Treasury or the NBP – do not have a documentary form from the time of their registration by the NDS in the depository for securities maintained by the NDS. Dematerialization may not apply, if so decided by an issuer, to the securities which are (i) subject to a public offer and will not be admitted to trading on a regulated market; or (ii) will be admitted to trading only in an alternative system of trading.

For the purposes of dematerialization, an issuer of securities must sign an agreement with the NDS on the registration of such securities in the depository for securities maintained by the NDS. The agreement on the registration of shares in the depository for securities is also the basis for registering pre-emptive rights from such shares in the depository for securities. An issuer who decided that its securities would not be dematerialized is not required to conclude the agreement on the registration of such securities in the depository for securities maintained by the NDS.

Rights in dematerialized securities arise when the securities are first recorded in a securities account, and are vested in the holder of the account. In the case of securities recorded in collective accounts, the rights in such securities are not vested in the account holder. In the territory of Poland, the holder of the rights to securities recorded on a collective account is the person indicated to the entity keeping such an account in a notice served by the account holder. The number of shares concerned is also specified in such a notice.

A share transfer agreement concerning dematerialized securities conveys the title to such securities as of the moment relevant entries are made on the securities accounts. If dematerialized securities are purchased on the basis of a legal transaction in which their transfer occurs by operation of law, an entry on the securities account of the transferee is made at the transferee's request.

At the request of an account holder, the institution keeping its securities account should issue deposit certificates separately for each class of securities recorded on the account. The deposit certificate corroborates the holder's authorization to exercise the rights attached to the securities specified on the certificate, if those rights are not or cannot be exercised merely on the basis of entries on the securities account, save for the rights to participate in a general meeting. Deposit certificates are issued by brokerage houses, banks engaging in brokerage business, fiduciary banks, foreign investment firms and foreign legal persons engaging in brokerage business in Poland, in the form of branches, the NDS or the NBP – if the designation of an account identifies the persons holding the rights attached to the securities.

Upon the issuance of a deposit certificate, the securities in the number specified in the certificate cannot be traded until the deposit certificate expires or is returned to the issuing institution prior to the end of its validity period. For that period the entity issuing the certificate will block an appropriate number of securities on that account. The same securities may be referred to in a number of different certificates, provided that each certificate is issued for a different purpose. In such event, the subsequently issued certificates should contain notes on the fact that the securities are blocked in relation to the previously issued certificates.

Reversal of dematerialization of shares

At the request of an issuer whose registered office is located in the territory of the Republic of Poland, the PFSA may grant a permit for the shares to be reversed into documentary form (reversal of dematerialization of shares) upon satisfaction of the requirement set forth in the Public Offering Act. The legal effect of the permit being granted is that the obligations resulting from the Public Offering Act and arising in connection with the public offer of shares or with their admittance to trading on a regulated market within the territory of the Republic of Poland, and the obligations specified in the section of the Public Offering Act concerning significant blocks of shares in public companies, cease to apply. In its decision in granting such a permit, the PFSA shall specify a period, not exceeding one month, upon the expiry of which the reversal is effected.

An application for the reversal of the dematerialization may be filed with the PFSA if a shareholders' meeting adopts a resolution on the reversal of the dematerialization in the presence of shareholders representing at least half of the company's share capital and with the majority of four-fifths of the votes cast. The shareholder(s) representing at least one-twentieth of the share capital may request an extraordinary general meeting to be convened and the resolution on the reversal of dematerialization to be placed on its agenda. The Amendment to the Public Offering Act increased the threshold of the votes required to pass a re-materialization resolution to 9/10 of the votes cast in the presence of shareholders representing at least half of the share capital.

The shareholder(s) who requested the resolution to reverse the dematerialization to be placed on the agenda of the shareholders' meeting is first obliged to announce a tender offer for the sale of shares of the company by all remaining shareholders. The shareholder(s) who requested the resolution to reverse the dematerialization to be placed on the agenda of the shareholders' meeting may only acquire shares in that company under the tender offer procedure in the period between submitting the request and closing the tender. The obligation to announce the aforementioned tender offer does not arise if all of the shareholder(s) of the public company request the resolution to reverse the dematerialization to be placed on the agenda of the general shareholders' meeting.

Manipulation

The Trading Act prohibits any manipulation involving financial instruments, such as:

- placing orders or concluding transactions which are or may be misleading as to the actual demand, supply or price of a financial instrument, unless the reasons behind such activities were justified, and the orders placed or transactions concluded have not infringed the market practices established on a given regulated market;
- placing orders or concluding transactions which result in the unnatural or artificial pricing of one or more financial instruments, unless the reasons for acting accordingly were justified, and the orders placed or transactions concluded have not infringed the market practices established on a given regulated market;
- placing orders or concluding transactions with the intention of bringing about legal effects other than those for which a given legal act is actually performed;
- distributing on public media, including the internet, or in any other way, false or inaccurate information or rumors on financial instruments which are or may be misleading: (a) by a journalist, if such person failed to exercise due professional care or obtained direct or indirect personal or material benefit for himself/herself or another person as a result of distributing such information, even if acting with due professional care; or (b) by another person, if this person knew or could have known by exercising due care, that such information is untrue or misleading;
- placing orders or concluding transactions while misleading market participants, or taking advantage of them being misled, as to the price of financial instruments;
- ensuring control over the demand or supply of financial instruments in breach of the principles of fair trading or in a manner resulting in a direct or indirect determination of the purchase or sale prices of financial instruments;
- acquiring or disposing of financial instruments towards the closing of quotations in a manner misleading to investors acting on the basis of the price determined at this stage of the quotations; or
- obtaining material benefits resulting from the impact of opinions on financial instruments or their issuers expressed in the public media on an occasional or regular basis, on the price of financial instruments held, unless the existing conflict of interest has been fully and fairly disclosed to the public.

A person performing manipulation may be subject to a fine of up to PLN 5 million or imprisonment for a period from three months to five years, or both. A person collaborating with a person intending to manipulate is subject to a fine of up to PLN 2 million. In addition, the PFSA may in some cases of manipulation impose a pecuniary penalty up to PLN 200,000 or a pecuniary penalty up to tenfold the obtained financial benefit, or both.

Changes arising from MAR Regulation

MAR Regulation provides, as a rule, for the same set types of behavior considered market manipulation as specified in the Trading Act. As compared to the Trading Act, MAR Regulation considers manipulation as providing false or misleading information, providing false and misleading inputs in relation to a benchmark where the person who made the transmission or provided the input knew or ought to have known that it was false or misleading, or any other behavior which manipulates the calculation of a benchmark. The Regulation defines "benchmark" as any rate, index or figure, made available to the public or published that is periodically or regularly determined by the application of a formula to, or on the basis of the value of one or more underlying assets or prices, including estimated prices, actual or estimated interest rates or other values, or surveys, and by reference to which the amount payable under a financial instrument or the value of a financial instrument is determined.

Pursuant to the provisions of the MAR Regulation, apart from, related spot commodity contracts or auctioned products based on emission allowance, can also be subject to manipulation.

The MAR Regulation provides for maximum administrative pecuniary sanctions for market manipulation which amount to: (i) EUR 5 000 000 (or in a Member State whose currency is not the euro, the corresponding value in the national currency) in respect of a natural person; and (ii) in respect of a legal person, EUR 15 000 000 (or in a Member State whose currency is not the euro, the corresponding value in the national currency) or 15% of the total annual turnover of such legal person according to the last available accounts approved by the management body. Where the legal person is a parent entity or a subsidiary undertaking which is required to prepare consolidated financial accounts, the relevant total annual turnover shall be the total annual turnover of the corresponding type of income in accordance with the relevant accounting directives according to the last available consolidated accounts approved by the management body of the ultimate parent entity.

As specified in " – *Key regulations*", the MAR Regulation will be directly applied within the territory of the European Union. However, with respect to the regulations governing the administrative pecuniary sanctions specified in the MAR Regulation, the Member States will entrust, under national law, competent authorities with powers to impose appropriate administrative pecuniary sanctions and other administrative measures. By July 3, 2016 the Member States may decide that they will no longer lay down rules for administrative sanctions for infringements if they are already subject to national criminal law. The Member States may lay down higher sanctions that the ones specified above. The Draft Amendment to the Trading Act gives the PFSA discretion to impose penalties up to PLN 2,075,000 on natural persons and PLN 4,150,000 or up to an amount equivalent to 2% of the total annual income as published in the most recent audited accounts for previous business year if it exceeds PLN 4,150,000, on other entities for preparing or distributing investment recommendations or other information recommending or suggesting investment strategies in breach of the MAR Regulation, or for default under the obligations imposed by the MAR Regulation concerning the conclusion of inside trading by corporate officers. According to the Draft Amendment to the Trading Act, a penalty for default under the MAR Regulations may be fined up to PLN 4,150,000 or an equivalent to 2% of the total annual revenue disclosed in the last audited annual financial statements if it exceeds PLN 4,150,000. Additionally, the MAD Directive is to be introduced to the Polish legal system by July 3, 2016 which imposes an obligation on the Member States to introduce criminal sanctions for market manipulations. The Draft Amendment to the Trading Act imposes a penalty of PLN 5,000,000 or imprisonment for three months to five years, or both, for using confidential information and manipulation. The Draft Amendment to the Trading Act also proposes to penalize a disclosure of confidential information or inside information, or making recommendations or otherwise inducing another person to acquire or divest the financial instruments concerned by the confidential information, with a fine up to PLN 2,000,000 or imprisonment up to four years, or both. Moreover, if it is possible to determine the amount of benefits obtained or losses avoided by an entity as a result of these infringements, the PFSA may choose to impose a penalty of up to three times the amount of the benefits so obtained or losses so avoided in lieu of the said fine.

Confidential information

Introduction

With respect to reporting duties, issuers of securities admitted to trading on a regulated market are required to submit information concerning specified events or circumstances simultaneously to the PFSA, the WSE and the general public. These duties are performed via an electronic reporting system ("**ESPI**") operated by the PFSA. The content and scope of such information is determined in the Public Offering Act, the Trading Act and relevant secondary legislation, including the Reporting Regulation and EU regulations. The information is published in the form of current and periodic reports (the content of which is regulated particularly by the Reporting Ordinance), or in the form of confidential information reports.

Definition of confidential information

According to the Trading Act, confidential information is information relating directly or indirectly to one or more issuers of financial instruments, one or more financial instruments, or to the acquisition or disposal of such instruments which has not been disclosed publicly and, if disclosed publicly, could affect the price of such financial instruments or the prices of related derivative financial instruments, given that the information:

- is specific when referring to circumstances or events which have occurred or may reasonably be expected to occur, and the nature of the information sufficiently enables assessment of the impact of such circumstances or events on the price or value of financial instruments or the price of related derivative financial instruments;
- having been disclosed publicly, could have a material impact on the price or value of financial instruments or the price of related derivative financial instruments, and a reasonable investor could then use it when making investment decisions; and
- with regards to persons involved in executing instructions relating to financial instruments, is of a confidential nature even if disclosed to this person by an investor or another person aware of such instructions, and relates to instructions placed by the investor as to acquiring or disposing of financial instruments, given that both of the conditions listed above are met.

Any person: (i) having access to confidential information due to this person's role in corporate bodies, shareholding or employment, or professional practice, including a contractor relationship or another legal relation of a similar nature; (ii) having confidential information as a result of committing a crime; or (iii) obtained confidential information in any other manner, if such person was aware, or by applying due care could have become aware that the information was confidential, cannot: (a) take advantage of confidential information; (b) disclose confidential information; or (c) recommend or encourage another person, based on confidential information, to acquire or dispose of financial instruments to which the confidential information is related.

Taking advantage of confidential information includes acquiring or disposing, on one's own account or on account of a third party, financial instruments based on confidential information held by such a person, or performing, on one's own account or on account of a third party, another legal act which results or may result in disposing of the financial instruments referred to in the Trading Act.

A person found guilty of taking advantage of confidential information may be subject to a fine of up to PLN 5 million, imprisonment for between three months and five years, or both. Members of corporations, registered proxies or attorneys for the issuer, or its employees, registered auditors or other persons having a relationship of mandate with the issuer or another legal relationship of a similar nature may be subject to imprisonment for between six months and eight years, as well as a fine.

Disclosing confidential information includes providing, allowing or facilitating access to confidential information for an unauthorized person referred to in the Trading Act.

A person found guilty of disclosing confidential information may be subject to a fine of up to PLN 2 million, imprisonment for up to three years, or both.

A person found guilty of making recommendations for or encouraging the acquisition or disposal of financial instruments to which the confidential information relates may be subject to a fine of up to PLN 2 million, imprisonment for up to three years, or both.

Pursuant to the Public Offering Act, issuers whose securities are admitted to trading on a regulated market are obliged to simultaneously provide the PFSA, WSE and the general public with confidential information. The issuer is obliged to

disclose confidential information promptly on occurrence of the events or circumstances which require such disclose, or promptly (but in any case, within 24 hours) upon becoming aware of such events or circumstances.

Changes arising from MAR Regulation

The definition of inside information contained in MAR Regulation which refers to the financial instruments is in general convergent with the definition of confidential information provided for in the Public Offering Act. However, the MAR Regulation (contrary to the Trading Act) specifies that in the case of a protracted process that is intended to bring about, or that results in, particular circumstances or a particular event, those future circumstances or that future event, and also the intermediate steps of that process which are connected with bringing about or resulting in those future circumstances or that future event, may be deemed to be precise information. An intermediate step in a protracted process shall be deemed to be inside information if, by itself, it satisfies the criteria of inside information. Additionally, the MAR Regulation provides for types of information to be considered inside information with respect to commodity derivative and emission allowances or auctioned products based thereon.

Pursuant to the MAR Regulation, the Company is obliged to promptly notify the public of inside information relating directly thereto.

The MAR Regulation provides for maximum administrative pecuniary sanctions for:

- insider dealing, including recommending or inducing another person to engage in insider dealing or unlawfully disclosing inside information, amounting to: (i) EUR 5,000,000 (or in a Member State whose currency is not the euro, the corresponding value in the national currency) in respect of a natural person; and (ii) in respect of a legal person, EUR 15,000, 000 (or in a Member State whose currency is not the euro, the corresponding value in the national currency) or 15% of the total annual turnover of such legal person according to the last available accounts approved by the management body; and
- the infringement of the public disclose obligation, amounting to: (i) EUR 1,000,000 (or in a Member State whose currency is not the euro, the corresponding value in the national currency) in respect of a natural person; and (ii) in respect of a legal person, EUR 2,500,000 (or in a Member State whose currency is not the euro, the corresponding value in the national currency) or 2% of the total annual turnover of such legal person according to the last available accounts approved by the management body.

Where the legal person is a parent entity or a subsidiary undertaking which is required to prepare consolidated financial accounts, the relevant total annual turnover shall be the total annual turnover of the corresponding type of income in accordance with the relevant accounting directives according to the last available consolidated accounts approved by the management body of the ultimate parent entity.

With respect to provisions concerning administrative sanctions arising from MAR Regulation see also explanation provided for in section "*– Manipulation – Changes arising from MAR Regulations*".

Restrictions related to the acquisition of shares in a public company during close periods

Members of the management board, supervisory board, commercial proxies or attorneys of an issuer, its employees, registered auditors or other persons having a contractual relationship with the issuer or another legal relationship of a similar nature (persons having access to confidential information) cannot, during a close period, acquire or dispose, on their own account or on behalf of third parties, the shares of the issuer, derivative rights attached to the shares of the issuer and other financial instruments related thereto, nor perform, on their own account or on behalf of third parties, any other legal actions which result or may result in the disposal of such financial instruments. The person referred to in the preceding sentence cannot, during a close period and acting as a corporate body of a legal person, perform actions intended to result in an acquisition or disposal by this legal person, on its own account or on behalf of a third party, of shares of an issuer, derivative rights attached to the shares of the public company and other financial instruments related thereto, nor perform, on their own account or on behalf of a third party, any other legal actions which result or may result in the legal person disposing of such financial instruments.

The restrictions listed in the preceding paragraph shall not apply to actions performed:

- by an entity conducting brokerage activities to which a person having access to confidential information entrusted the management of a portfolio of financial instruments in a manner which excludes this person from investment decisions made on his/her behalf;

- as part of the execution of an agreement imposing an obligation to dispose of or acquire shares in an issuer, derivatives rights attached to the shares of a public company and other financial instruments related thereto, concluded in writing with a certified date before the beginning of a given close period;
- as a result of placing a subscription by a person having access to confidential information responding to a tender offer for the sale or exchange of shares, in accordance with the provisions of the Public Offering Act;
- in connection with an obligation of a person having access to confidential information to announce a tender offer for the sale or exchange of shares, in accordance with the provisions of the Public Offering Act;
- in connection with the execution of a pre-emptive right of an existing shareholder of an issuer; or
- in connection with an offer addressed to employees or members of the statutory bodies of an issuer, provided that information on such an offer was publicly available before the beginning of a given close period.

The close period shall mean the following:

- the period from the moment when a person having access to confidential information obtained confidential information relating to an issuer or the shares of an issuer, derivatives rights attached to the shares of an issuer and other financial instruments related thereto that are: (i) admitted to trading on any regulated market in the territory of Poland or any other member state or are covered by a filed application for admission to trading on such a market, whether or not the transaction concerning the given instrument is executed on that market; (ii) not admitted to trading on any regulated market in the territory of Poland or any other member state and their price depends directly or indirectly on the price of the financial instrument referred to in item (i) above; (iii) introduced to an alternative trading system organized in the territory of Poland or covered by a filed application for the introduction to trading on such a system, whether or not the transaction concerning the given instrument is executed in the alternative trading system; or (iv) are not introduced to an alternative trading system organized in the territory of Poland and their price or value depends directly or indirectly on the price of the financial instrument referred to in item (iii) above, until the moment of the said information becoming publicly available;
- in the case of an annual report, two months before the publication of the report, or the period between the end of the relevant financial year and the publication of the report, if shorter than the first of the periods indicated, unless a person having access to confidential information did not have access to financial information based on which the report was prepared;
- in the case of a semi-annual report, one month before the publication of the report, or the period between the end of the relevant semi-annual period and the publication of the report, if shorter than the first of the periods indicated, unless a person having access to confidential information did not have access to financial information based on which the report was prepared; or
- in the case of a quarterly report, two weeks before the publication of the report, or the period between the end of the relevant quarter and the publication of the report, if shorter than the first of the periods indicated, unless a person having access to confidential information did not have access to financial information based on which the report was prepared.

A person having access to confidential information who violates the restrictions described above may be punished by the PFSA with a pecuniary penalty of up to PLN 200,000.

Additionally, members of the managing or supervisory bodies of an issuer or its registered proxies, as well as executive officers of the issuer who have permanent access to confidential information pertaining directly or indirectly to the public company, and decision making competencies affecting the development of the business prospects of the issuer, are required to notify the PFSA and the public company of any acquisitions and disposals of the issuer's shares and related instruments admitted to trading on a regulated market or subject to applications for such admissions, if such transactions are effected by these persons on their own account or by their relatives. Such information should be provided within 5 business days of the transaction.

A breach of this obligation may be subject to a fine of up to PLN 100 000 imposed by the PFSA.

Changes arising from the MAR Regulation

Similarly to the Trading Act, pursuant to the MAR Regulation, a person discharging managerial responsibilities ("**PDMR**") within the issuer, shall not, within the closed period, conduct any transactions on its own account or on the account of a third party, directly or indirectly, relating to the shares or debt instruments of the issuer, or to derivatives or

other financial instruments linked to them. However, the Trading Act refers to issuer's shares, derivative rights with respect to issuer's shares and other financial instruments linked to them.

Additionally, the MAR Regulations specifies that the closed period constitutes 30 calendar days before the announcement of an interim financial report or statements which the issuer is obliged to make public according to: (i) the rules of the trading venue where the issuer's shares are admitted to trading; or (ii) national law. Apart from the difference in the length of the close period, the MAR Regulation refers exclusively to periodic reports and excludes inside information, unlike the Trading Act.

Pursuant to MAR Regulation, PDMRs as well as persons closely associated with them, shall notify the issuer and PFSA of every transaction conducted on their own account relating to the shares or debt instruments of that issuer or to derivatives or other financial instruments liked thereto. Such notifications shall be made promptly and no later than three business days after the date of the transaction. The issuer shall ensure that the information that is notified in accordance with rules specified above is made public promptly and not later than three business days after the transaction in a manner which enables fast access to information on a non-discriminatory basis in accordance with the implementing technical standards regulated by MAR Regulation.

MAR Regulation provides for maximum administrative pecuniary sanctions concerning the infringement of obligations related to:

- close periods, which amount to: (i) EUR 500,000 (or in the Member State whose currency is not the euro, the corresponding value in the national currency) in respect of a natural person; and (ii) EUR 1 000 000 (or in a Member State whose currency is not the euro, the corresponding value in the national currency) in respect of legal persons;
- notifications concerning transaction involving persons having access to inside information, which amount to: (i) EUR 500,000 (or in a Member State whose currency is not the euro, the corresponding value in the national currency) in respect of a natural person; and (ii) EUR 1,000,000 (or in a Member State whose currency is not the euro, the corresponding value in the national currency) in respect of legal persons.

Where the legal person is a parent entity or a subsidiary undertaking which is required to prepare consolidated financial accounts, the relevant total annual turnover shall be the total annual turnover of the corresponding type of income in accordance with the relevant accounting directives according to the last available consolidated accounts approved by the management body of the ultimate parent entity.

With respect to provisions concerning administrative sanctions arising from MAR Regulation see also explanation provided for in section " – *Manipulation – Changes arising from MAR Regulations*".

Obligations under the Public Offering Act relating to significant blocks of shares in public companies

Disclosure obligations regarding the acquisition and sale of significant blocks of shares in public companies

Pursuant to the Public Offering Act, any person who:

- reached or exceeded 5%, 10%, 15%, 20%, 25%, 33%, 33⅓%, 50%, 75% or 90% of the total number of votes in a public company; or
- held at least 5%, 10%, 15%, 20%, 25%, 33%, 33⅓%, 50%, 75% or 90% of the total number of votes in such a company, and as a result of reducing this share reached, respectively, 5%, 10%, 15%, 20%, 25%, 33%, 33⅓%, 50%, 75% or 90% or less of the total number of votes,

is obliged to notify the PFSA immediately and the relevant company of this fact forthwith, no later than four business days from the date of learning about the change in their share in the total number of votes, or could have learned by exercising due care, and in the case of a change resulting from the acquisition of shares in a public company in a transaction concluded on a regulated market, no later than six trading days from the date of the transaction. Trading days shall be defined as specified by the company which operates a given regulated market (the WSE in the case of the Company), in accordance with the Trading Act, and announced by the PFSA on its website.

The obligation to notify the PFSA and the public company shall also arise in the event of:

- a change in the already held share of more than 10% of the total number of votes, by at least: (a) 2% of the total number of votes in the case of a public company whose shares have been admitted to trading on the official

stock market; or (b) 5% of the total number of votes in the case of a public company whose shares have been admitted to trading on a regulated market other than the official stock exchange market; and

- a change in the already held share of more than 33% of the total number of votes in a public company, by at least 1% of the total number of votes.

The notification may be prepared in English.

The requirement to notify the PFSA and the public company does not arise if, upon the settlement in the depository for securities of a number of transactions executed on a regulated market on a single day, the change in the share of the total number of votes in the public company at the end of the settlement day does not result in reaching or exceeding any threshold which triggers the creation of obligations referred to above.

A public company is required to promptly pass on any information received from its shareholders in exercising the obligations described above, simultaneously, for publication to the PFSA and to the company operating the regulated market on which the company's shares are listed.

The PFSA may impose a fine of up to PLN 1 million on any person who acquires or disposes of securities in breach of these prohibitions

The Amendment to the Public Offering Act has increased the level of monetary penalties imposed on persons acquiring or divesting securities in breach of the said prohibition. According to the Amendment to the Public Offering Act, the PFSA may impose a penalty of up to PLN 1 million on a natural person or up to PLN 5 million or 5% of the total revenues disclosed in the last annual audited financial statements if it exceeds PLN 5 million – with respect to any other entities. If it is possible to determine the amount of benefits obtained or losses avoided by an entity infringing the disclosure obligation referred to in Articles 69 – 69b of the Public Offering Act by not making the disclosure or making it in a manner infringing the relevant regulations, the PFSA may choose to impose a penalty of up to two times the amount of the benefits so obtained or losses so avoided in lieu of the said fine.

A shareholder shall not exercise voting rights conferred by shares in a public company which are the subject of legal action or other legal event as a result of which the shareholder will reach or exceed a given threshold of the total vote, without limitation, in breach of the aforementioned requirement.

The PFSA may release a public company from the obligation to publish information obtained from its shareholder in discharge of the aforesaid obligations if disclosing such information could:

- harm public interests; or
- cause material damage to the company's interests,

provided that not publishing the information will not mislead investors generally as to the evaluation of securities.

Tender offer for the sale or exchange of shares in a public company

Tender offer pursuant to Article 72 of the Public Offering Act

The acquisition of a number of shares in a public company that results in the total number of votes being increased by more than:

- 10% of the total number of votes within fewer than sixty days by an entity whose share in the total number of votes was lower than 33%; or
- 5% of the total number of votes within less than twelve months by a shareholder whose share in the total number of votes in that company was at least 33%

may only be effected by announcing a tender for the sale or exchange of a number of such shares accounting for not less than, respectively, 10% or 5% of the total number of votes.

Tender offer pursuant to Article 73 of the Public Offering Act

A shareholder may exceed the 33% threshold of the total number of votes in a public company, subject to the exceptions described below, only as a result of a tender offer to sell or exchange shares in such company, concerning a number of shares which confers the right to 66% of the total number of votes, unless 33% of the total number of votes is to be exceeded as a result of a tender offer for the sale or exchange of all remaining shares in a company.

If a shareholder exceeds the 33% threshold of the total number of votes as a result of an indirect acquisition of shares (i.e. of obtaining the status of a parent entity in a company or another legal person holding shares in a public company, or in another company or a legal person which is its parent entity and acquisition or taking up of shares of a public company by a direct or indirect subsidiary), taking up newly issued shares, acquiring shares as part of a public offer or a non-cash contribution to the company, a merger or demerger of the company, amendments to the company's articles of association, expiry of preference rights attached to shares, or otherwise as a result of a legal event other than a legal transaction, the shareholder or entity acquiring shares indirectly shall, within three months of the date of exceeding 33% of the total number of votes:

- announce a tender offer to sell or exchange the company's shares, concerning the number of shares conferring the right to 66% of the total number of votes; or
- dispose of a sufficient number of shares as to be left with shares conferring the right to no more than 33% of the total number of votes,

unless within that period the share of such shareholder or entity acquiring shares indirectly in the total number of votes decreases to no more than 33% of the total number of votes as a result of an increase in the share capital, amendments to the company's articles of association, or the expiry of preference rights attached to shares as the case may be.

If a shareholder exceeds 33% of the total number of votes as a result of inheritance, then the obligation referred to above only applies if following such an acquisition the shareholder's voting rights increase further. The time period in which the shareholder must perform the obligation commences on the day of the event resulting in an increase in the shareholder's voting rights.

Tender offer pursuant to Article 74 of the Public Offering Act

A shareholder may exceed 66% of the total number of votes in a public company, subject to the exception described in the paragraph below, only as a result of a tender offer to sell or exchange the remaining shares in the company.

If the threshold of 66% of the total number of votes is exceeded as a result of an indirect acquisition of shares, taking up of shares of a new issue, acquisition of shares as part of a public offer or non-cash contribution to the company, merger or demerger of the company, amendments to the company's articles of association, expiry of preference rights attached to shares, or otherwise as a result of a legal event other than a legal transaction, the shareholder or entity acquiring shares indirectly shall, within three months of the date of exceeding 66% of the total number of votes, announce a tender offer for the sale or exchange of the remaining shares in the company, unless within that period the share of such shareholder or entity acquiring shares indirectly in the total number of votes decreases below 66% as a result of an increase in share capital, amendments to the company's articles of association, or the expiry of preference rights attached to shares, as the case may be.

If, within six months of a tender offer for the sale or exchange of all remaining shares in a public company, a shareholder acquires further shares in the company at a price higher than the price set in the tender offer other than by way of a tender offer or squeeze-out of the shares upon the request of a minority shareholder, the shareholder is obliged, within a month from the date of such an acquisition, to pay the difference in the share price to all persons that sold shares by accepting that tender offer, except for those from whom the shares were acquired at a reduced price, with respect to all shares constituting at least 5% of all the shares of the public company acquired from a person responding to the tender, where the entity was obliged to announce the tender and such person decided to reduce the share price.

If a shareholder exceeds 66% of the total number of votes as a result of inheritance, then the obligation referred to above only applies if following such an acquisition the shareholder's voting rights increase further. The time period in which the shareholder must perform the obligation commences on the day of the event resulting in an increase in the shareholder's voting rights.

Exceptions to the obligation of announcing the tender offer

An obligation to announce the tender offer pursuant to Article 72 of the Public Offering Act shall not arise in the case of acquiring shares as part of an initial public offer, an in-kind contribution to the company, and merger or demerger of the company.

The obligation to announce the tender offer pursuant to Articles 72 and 73 of the Public Offering Act shall not arise in the case of acquiring shares from the State Treasury (i) through an initial public offer; or (ii) within the period of three years of the closing of the sale of the shares by the State Treasury through an initial public offer.

The obligation to announce the tender offer pursuant to Articles 72, 73 and 74 of the Public Offering Act shall not arise in the case of acquiring shares:

- in a company whose shares have been introduced solely to an alternative trading system or have not been traded on a regulated market;
- from an entity being a member of the same capital group;
- by way of a procedure provided for in bankruptcy regulations, or enforcement proceedings;
- under an agreement on the establishment of financial collateral between qualifying entities, concluded on the terms and conditions defined in the Act on Certain Financial Collaterals;
- encumbered with a pledge in order to satisfy a pledgee entitled, under other acts, to satisfy its claims by seizure; or
- through inheritance, except for cases referred to in sections *" – Tender offer pursuant to Article 73 of the Public Offering Act" and " – Tender offer pursuant to Article 74 of the Public Offering Act*" where, despite obtaining the shares through inheritance, the requirement of announcing a tender offer stands.

Rules governing the announcement of tender offers

In a tender offer referred to in Articles 72 and 73 of the Public Offering Act, only the following securities can be acquired in exchange for the shares subject to the tender offer: (a) dematerialized (i) shares of another company, (ii) depositary receipts, (iii) debentures or (b) bonds issued by the State Treasury. In a tender offer referred to in Article 74 of the Public Offering Act only the dematerialized shares of another company or other dematerialized securities carrying voting rights in the company can be acquired. Where the tender offer concerns all remaining shares of the company, its terms must allow the entity responding to the tender to sell its shares at a price determined in compliance with the detailed regulations of the Public Offering Act, as described below.

A tender offer may be announced after collateral is established for not less than 100% of the value of the shares covered by the tender offer. The collateral should be documented with a certificate issued by a bank or another financial institution which granted, or intermediated in the granting of, the collateral.

A tender offer shall be announced and carried out via an entity conducting brokerage activities in the territory of the Republic of Poland, which is obliged, no later than 14 business days prior to the commencement of the subscription period, to simultaneously notify the PFSA and the company operating the regulated market on which the given shares are listed, of the intention to announce the tender offer. A copy of the tender offer document should be attached to the notification.

A tender offer may not be cancelled, unless another entity announces a tender offer for the same shares after the first tender offer has been announced. A tender offer for the remaining shares in a given company announced pursuant to Article 74 of the Public Offering Act may be cancelled only if another entity announces a tender offer for all remaining shares in the company at a price not lower than the price of the first tender offer.

Upon receipt of notification of the announcement of a tender offer, the PFSA may, no later than three business days before the commencement of the subscription period, request that within a specified period of no fewer than two days, the tender offer document be amended or supplemented as necessary or that clarification of its wording be provided. The request referred to in the preceding sentence, served on the entity conducting brokerage activity which brokers the announcement and carries out the tender offer, is also deemed to have been served on the entity obliged to announce the tender offer. The commencement of the subscription period under a tender offer shall be suspended until the entity obliged to announce the tender offer completes the actions specified in the request.

In the period between the notification of a tender offer to the PFSA and the company operating the regulated market and the closing of the tender offer, the entity obliged to announce the tender offer and its subsidiaries or its dominant entities, or parties to a written or oral agreement concluded with the entity obliged to announce the tender offer regarding the acquisition of a public company's shares by these entities, or voting in concert at the shareholders' meeting or carrying out a consistent policy towards the company, may acquire shares in the public company to which the tender offer refers only as part of the tender offer. The company may not dispose of shares in the public company to which the tender offer refers, or enter into any agreement under which they would be obliged to dispose of the shares, during the tender offer, as well as indirectly acquire shares of a public company to which the tender offer refers.

Upon the announcement of the tender offer, the entity required to announce it and the management board of the company concerned must provide information regarding the tender offer, together with its content, to representatives of the company level trade union organizations or, in case of the absence of such organizations, to the employees directly.

The Management Board of a public company whose shares are covered by a tender offer referred to in Articles 73 and 74 of the Public Offering Act, is obliged, no later than two days prior to the opening of the subscription, to communicate its position on the announced tender offer to the Commission and to the public, providing grounds for such a position. The management board's position shall be disclosed simultaneously to representatives of employee associations active at the company, and if there are no such associations, directly to the employees.

Upon the completion of the tender offer, the entity announcing the tender offer shall be obliged to notify, in the manner prescribed in the section " – *Disclosure obligations regarding the acquisition and sale of significant blocks of shares in public companies*" above, the number of shares acquired in the tender offer and the percentage of the total number of votes attached to them resulting from the tender offer.

The price of shares proposed in the tender offer

The share price proposed in a tender offer, if any shares in the company are traded on a regulated market, may not be lower than (i) the average market price for the six months preceding the announcement of the tender offer in which the shares were traded on the main market, or (ii) the average market price for a shorter period, if the shares were traded on the main market for a period shorter than that specified above.

If it is impossible to determine the price in accordance with the rules described above or for a company in respect of which composition or bankruptcy proceedings have been instituted, the price proposed in the tender offer may not be lower than the fair value.

Furthermore, the share price proposed in the tender offer may not be lower than (i) the highest price paid for the shares tendered in the tender offer by the entity obliged to announce the tender offer, its subsidiary or parent entity, or parties to an agreement concluded with the entity obliged to announce the tender offer regarding the acquisition of a public company's shares by these entities, or voting in concert at the shareholders' meeting or carrying out a consistent policy towards the company, during the 12 month period preceding the announcement of the tender offer, or (ii) the highest value of assets or rights, delivered in exchange for shares offered under the tender offer, during the 12 month period before the tender announcement, by the entity obliged to announce the tender offer or entities referred to above.

The share price proposed in the tender offer for the sale or exchange of all remaining shares in a public company announced pursuant to Article 74 of the Public Offering Act may not be lower than the average market price for the three months, preceding the announcement of the tender offer, of trading in shares on a regulated market.

The price proposed in the tender offer may be lower than the price determined pursuant to the principles discussed above for shares constituting at least 5% of all the shares of the company to be acquired in the tender offer from a specific person accepting the tender offer, if the entity required to announce the tender offer and such persons so decide.

If the average market price of shares offered as part of the tender offer, determined in accordance with the principles discussed in this item, is significantly different than their fair value as a result of:

- shareholders being granted any pre-emptive rights, right to dividend, right to acquire shares in a surviving company following the spin-off of a public company and/or other property rights connected with holding shares in a public company;
- a material deterioration of the financial standing or assets of the company as a result of events and/or circumstances that could not have been anticipated and/or prevented by the company; or
- a threat of permanent insolvency of the company,

the entity announcing a tender offer may apply to the PFSA for consent to offer a tender a price that is not in accordance with the criteria referred to above. The PFSA may grant such consent, provided that the proposed price is not lower than the fair value of the shares and the announcement of the tender offer will not be contrary to the valid interests of shareholders, and may determine by way of a decision, a time limit within which the tender offer with the price as specified in the decision should be announced. The PFSA will publish the decision regarding the application for consent to offer a tender price that is not in accordance with the criteria referred to above, together with its substantiation. Where the PFSA grants its consent, the price proposed in such a tender offer can be lower than the price set out in the PFSA's consent with respect to shares representing at least 5% of all shares of the public company that will be acquired under the

tender offer from the person responding to the tender offer, if the entity required to announce the tender offer and such persons so decide.

The price proposed in a tender offer for an exchange of shares is the value of the dematerialized shares of the other company that will be transferred in exchange for the shares subject to the tender offer. The value of these shares with respect to shares traded on a regulated market is established as follows: (i) at the average market price for six months of trading in shares on the regulated market preceding the date of announcement of the tender offer; or (ii) at the average price for a shorter period if the shares were traded on the regulated market for a period shorter than specified above in item (i). If the value of the shares cannot be established pursuant to the preceding sentence they should be priced at their fair value.

The average market price referred to in the foregoing rules concerning the tender offer means the arithmetical mean of the average daily price weighted by trading volume.

Penalties for breaching the obligations concerning tender offers

A shareholder obliged to fulfil the obligations specified in Article 73 section 2 and 3 of the Public Offering Act (see "*–Tender offer pursuant to Article 73 of the Public Offering Act*" above) or Article 74 section 2 and 5 of the Public Offering Act (see " *– Tender offer pursuant to Article 74 of the Public Offering Act*" above) may not, until the date of fulfillment, directly or indirectly acquire or take up shares in a public company in which it exceeded the threshold of the total number of votes specified in these regulations.

A shareholder may not exercise voting rights attached to shares in a public company which are the subject of a legal transaction or another legal event causing a given threshold of the total number of votes being reached or exceeded, if the reaching or exceeding of such threshold involved a breach of the obligation of announcing a tender offer pursuant to Article 72 of the Public Offering Act.

A shareholder may not exercise voting rights attached to all the shares in a public company if the exceeding of the threshold of the total number of votes involved a breach of the obligations specified, respectively, in Article 73 section 1 (see " *– Tender offer pursuant to Article 73 of the Public Offering Act*" above) or Article 74 section 1 of the Public Offering Act (see " *– Tender offer pursuant to Article 74 of the Public Offering Act*" above). The prohibition of the exercising of the voting rights referred to in the preceding sentence shall also apply to all the shares in a public company held by the subsidiaries of the shareholder or the entity which acquired the shares in breach of the obligations specified in Article 73 section 1 or Article 74 section 1 of the Public Offering Act.

Any shareholder which exceeds the threshold of the total number of votes in the instances referred to in Article 73 section 2 or 3 of the Public Offering Act (see " *– Tender offer pursuant to Article 73 of the Public Offering Act*" above) and Article 74 section 2 or 5 of the Public Offering Act (see " *– Tender offer pursuant to Article 74 of the Public Offering Act*" above) may not exercise voting rights attached to the shares in a public company unless it fulfils the obligations set out in the above regulations in a timely manner. This restriction on exercising voting rights shall also apply to the shares in the public company held by the subsidiaries of the shareholder or entity which failed to fulfil the obligations specified in Article 73 section 2 or 3 or Article 74 section 2 or 5 of the Public Offering Act.

Additionally, a shareholder may not exercise the voting rights attached to shares in a public company acquired following a tender offer at a price determined in breach of Article 79 of the Public Offering Act (see " *– The price of shares proposed in the tender offer*" above).

An entity (and its subsidiaries) which has acquired shares in a public company in breach of the prohibition referred to in Article 77 section 4 Item 3 of the Public Offering Act (the ban on the indirect acquisition of shares in the public company of which the tender offer concerns in the period between the filing of the notification of the intention to announce the tender offer and the closing of the tender offer by the entity obliged to announce the tender offer and by the entities referred to in Article 79 section 2 Item 1 of the Public Offering Act) may not exercise the voting rights attached to those shares. The prohibition referred to in the preceding sentence shall also apply to an entity which acquired or took up shares in breach of the prohibition referred to in the first paragraph of this section, as well as to the entities which, pursuant to Article 77 section 4 Item 1 of the Public Offering Act, during the time between the filing of the notification of the intention to announce a tender offer and the closing of the tender offer, may acquire the shares of the company which the tender offer concerns only within the framework of the tender offer and only in the manner specified.

Voting rights attached to shares in a public company that have been exercised despite the prohibitions referred to in the foregoing paragraphs and of the entity referred to in the fourth paragraph of this section shall not be taken into account when counting the votes cast during a vote on a resolution of the shareholders' meeting, subject to the provisions of other

relevant acts. Additionally, the PFSA may impose a fine up to PLN 1,000,000 in an administrative decision on any entity which (i) exceeds a specified threshold of votes without satisfying the conditions set out in Articles 72-74 of the Public Offering Act; (ii) fails to satisfy the conditions set out in Articles 76 or 77 of the Public Offering Act; (iii) fails to timely announce and conduct a tender offer or fails to effect a mandatory disposal of shares in the instances referred to in Articles 73 section 2 or 3 of the Public Offering Act; (iv) fails to timely announce and conduct a tender offer in the instances referred to in Articles 74 section 2 or 5 of the Public Offering Act; (v) fails to pay the difference in the share price in the situation referred to in Article 74 section 3 of the Public Offering Act; (vi) in a tender offer referred to in Articles 72-74 or Article 91 section 6 of the Public Offering Act proposes a price lower than the price determined pursuant to Articles 79 of the Public Offering Act; or (vii) directly or indirectly acquires shares in breach of Articles 77 section 4 item 1 or 3 or Article 88a of the Public Offering Act.

Special instances relating to significant blocks of shares in public companies

The obligations relating to significant blocks of shares in public companies discussed in this section also apply to:

(a) an entity which has reached or exceeded the statutory threshold of the total number of votes in connection with acquiring or disposing deposit certificates issued in connection with shares of a public company;

(b) an investment fund, in a case when a given statutory threshold of the total number of votes specified in the regulations governing significant blocks of shares is reached or exceeded in connection with holding shares jointly by: (i) other investment funds managed by the same investment fund management company; or (ii) other investment funds established outside the territory of the Republic of Poland; according to the Amendment to the Public Offering Act, item (ii) above will be changed to cover also alternative investment funds managed by the same entity;

(c) an entity which has reached or exceeded a given statutory threshold of the total number of shares specified in the regulations governing significant blocks of shares in connection with the holding of those shares by (i) a third party acting in its own name, but on behalf of or commissioned by that entity, excluding shares acquired as part of transactions which consist of executing purchase or sale orders for financial instruments on the account of the orderer; (ii) the nature of a transaction which consists in managing portfolios which include one or more financial instruments in so far as they concern shares included in the managed portfolio of securities which gives the entity the right to exercise voting rights at the shareholders' meeting on the behalf of the purchasers, in accordance with the Trading Act and the Act on Investment Funds; or (iii) a third party with which such an entity concluded an agreement to transfer the right to exercise voting rights;

(d) a proxy who, in his capacity as a representative of a shareholder at the shareholders' meeting, was authorized to exercise the voting rights attached to the share of a public company, if the shareholder has not issued any binding written instructions as to how to vote;

(e) all parties (jointly) to a written or oral agreement regarding the acquisition of shares in public company or voting in concert at the shareholders' meeting or carrying out a consistent policy towards a public company, even if only one of such entities undertook or intended to undertake actions giving rise to such obligations;

(f) parties to an agreement referred to in the preceding item, which hold the requisite number of shares in a public company such that a given threshold specified in the provisions of the Public Offering Act has been jointly reached or exceeded.

In the instances specified in the (e) and (f) above, the obligations set out in the provisions of the Public Offering Act concerning significant blocks of shares in public companies may be implemented by one of the parties to the agreement if so designated by the parties to the agreement.

The Amendment to the Public Offering Act imposes the above obligations related to significant blocks of shares in public companies on (g) alternative investment companies in certain circumstances specified in the Amendment to the Public Offering Act; and (h) an agent (attorney-in-fact) who is not an investment firm, authorized to execute sales or purchases of securities on a securities account. Additionally, pursuant to the Amendment to the Public Offering Act the obligations related to significant blocks of shares in public companies also arise when the share in the total number of votes is decreased as a result of unwinding the agreement referred to in item (e) above, and in relation to a decrease of the share of a party to such an agreement in the total number of votes.

The obligations set out in the provisions of the Public Offering Act concerning significant blocks of shares of a public company shall also arise when the voting rights concern securities deposited and/or registered with an entity which may dispose of them at its discretion.

It is assumed that an agreement regarding the acquisition of shares in a public company, voting at the shareholders' meeting or carrying out a consistent policy towards a public company exists when shares in the public company are held by (i) spouses, their ascendants, descendants and siblings or direct relatives (including adopted children and other persons under their care); (ii) persons sharing a household; (iii) the principal and his/her attorney (other than an investment company) authorized to place orders to purchase or sell securities in a securities account; and (iv) associates within the meaning of the Accounting Act. The Amendment to the Public Offering Act repeals item (iii) described above.

The number of votes which gives rise to the obligations referred to in the Public Offering Act with respect to significant blocks of shares in public companies includes (i) on the part of the parent entity, the voting rights held by its subsidiaries; (ii) on the part of the proxy holder who has been authorized to exercise the voting rights attached to shares of a public company on behalf of the shareholder represented at the shareholders' meeting, given that the shareholder has not issued any binding written instructions as to how to vote, the number of votes attached to the shares covered by the power of proxy; and (iii) the votes attached to all shares, even if the exercise of these voting rights is restricted or prohibited under the articles of association, contract or provisions of law.

The passed amendments to the Public Offering Act propose new regulations imposing notification requirements on entities that have reached or exceeded the thresholds set out in Article 69 of the Public Offering Act in relation to an acquisition or disposal of financial instruments, which: (i) upon maturity unconditionally entitle or oblige their holder to acquire outstanding shares (carrying voting rights) of the issuer, or (ii) directly or indirectly rely on the issuer's shares and have economic consequences similar to consequences of the financial instruments referred to in (i) above, whether or not these instruments are executed through cash settlements. According to the Amendment to the Public Offering Act, the number of votes held in a public company in relation to the financial instruments discussed above will correspond to the number of votes attached to the shares which may or must be acquired by the holder of such instruments.

Squeeze-out

A shareholder in a public company that (i) on its own; (ii) together with its subsidiaries, dominant entities, entities which are parties to a written or oral agreement regarding the acquisition of shares in a public company, voting in concert at the shareholders' meeting; or (iii) is carrying out a consistent policy towards a public company, holds 90% or more of the total number of votes in such company may demand, within three months of reaching or exceeding the relevant threshold, that the remaining shareholders sell all the shares held by them.

The squeeze-out price is determined in accordance with the principles set out in the Public Offering Act which concern the determination of a share price under a tender offer (Article 79 sections 1–3). If 90% of the total number of votes was reached or exceeded as a result of a tender offer for the sale or exchange of the remaining shares in the company announced pursuant to Article 74 of the Public Offering Act, then the squeeze-out price may not be lower than the price proposed in such a tender offer.

The acquisition of shares in a squeeze-out shall take place without the consent of the shareholder to whom the demand to sell is addressed.

The announcement of the demand to sell shares under a squeeze-out shall take place after the establishment of security of not less than 100% of the value of the shares that are to be squeezed out. The security should be documented with a certificate issued by a bank or another financial institution which granted, or intermediated in the granting of, the security.

The squeeze-out shall be announced and carried out via an entity which conducts brokerage activities in the territory of the Republic of Poland. The entity must simultaneously notify the PFSA and the company operating the regulated market on which the given shares are listed, and if the company's shares are listed in a number of regulated markets, all such companies, of the intention to announce the tender offer, no later than 14 business days before the commencement of the squeeze-out. Information on the squeeze-out shall be attached to the notification by such an entity.

Once announced, a squeeze-out cannot be recalled.

Sell-out

A shareholder in a public company may demand that another shareholder, which holds 90% or more of the total number of votes, acquire the shares that it holds in such company. The demand is made in writing, within three months from the date on which such a shareholder reaches or exceeds the relevant threshold.

On reaching or exceeding the relevant threshold of 90% of the total number of votes referred to above, if this information is not published in the manner specified in the Public Offering Act, the period during which a shareholder must submit

a demand shall commence on the date on which the shareholder of a public company entitled to demand the acquisition of shares held by it became aware, or could reasonably have become aware, that another shareholder had reached or exceeded the relevant threshold.

This demand shall be satisfied jointly by the shareholder that reached 90% or more of the total number of votes and by its subsidiaries and dominant entities within 30 days of its submission. The requirement to acquire the shares shall be borne jointly and severally by all of the parties to a written or oral agreement regarding the acquisition of shares in a public company by its parties, on voting in concert at a shareholders' meeting, or when a consistent policy is used in respect of such a company, provided that the parties to such an agreement, together with their dominant entities or subsidiaries, make up not less than 90% of the total number of votes.

A shareholder requesting the sell-out of shares on the basis specified above is entitled to be offered a price not lower than that determined in accordance with the provisions of Article 79 sections 1 to 3 of the Public Offering Act, which concerns the determination of a share price under a tender offer. However, if 90% of the total number of votes was reached or exceeded as a result of a tender offer for the sale or exchange of the remaining shares in the company announced pursuant to Article 74 of the Public Offering Act, the sell-out price may not be lower than the price proposed in this tender offer.

Notification requirements ensuing from the Banking Law, Code of Commercial Companies and anti-monopoly regulations

Notification requirements ensuing from the Banking Law

Duty to notify the PFSA on reaching or exceeding certain threshold percentages of the total voting rights

According to Article 25 section 1 of the Banking Law, a person who intends to, directly or indirectly, acquire or subscribe for shares or rights attached to shares in a domestic bank, allowing for at least 10%, 20%, one-third, or 50% of the total number of votes at the general meeting of the bank or in its share capital is required each time to notify the PFSA of their intention to acquire or subscribe. A person who intends, directly or indirectly, to become the parent company of a domestic bank in a manner other than by the acquisition or subscription of shares or rights attached to shares in a domestic bank, which entitle the exercise of a majority of the total number of votes at a general meeting, must each time notify the PFSA of such intention.

The Bank, whose shares have been admitted to trading on a regulated market, must provide the PFSA with information about the shareholders of the shares or rights attached to the shares in the number specified above, including the full names of such shareholders and the number of shares or rights attached to shares. This must be done at least once every 12 months.

According to Article 25 section 4 of the Banking Law, the notification obligation described above also applies to:

(a) the pledgee and/or usufructuary of shares if, pursuant to Article 340 section 1 of the Code of Companies, they are entitled to exercise the voting rights from the shares; and

(b) any party who has the right to vote at the general meeting at the levels set out in Article 25 section 1 of the Banking Law as a result of events other than the subscription for or acquisition of the shares or rights for the shares of a domestic bank. In particular, this may be as a result of changes in statute or following the expiry of privileged shares or restrictions as to voting rights, as well as the acquisition of shares or rights to shares in a domestic bank allowing for the reaching the levels set out in Article 25 section 1 of the Banking Law with regard to the total number of votes at a general meeting or on the share capital as a result of inheritance.

In cases referred to above, the notification requirement arises before the execution of the voting rights on shares, or the execution of the powers of a parent entity against a domestic bank.

The provisions of Article 25 section 1 of the Banking Law do not apply where the acquisition or subscription for the shares of a domestic bank is made by a domestic bank, credit institution, brokerage house or investment firm established in another EU Member State in the implementation of an investment underwriting agreement referred to in the Act on Public Offering, if (a) the rights attached to the shares are not exercised to intervene in the management of the domestic bank, and (b) the shares in domestic bank are disposed of within one year from the date of the purchase or subscription.

The notification, with all the necessary attachments, must either be prepared in Polish or translated into Polish. The translation must be made by a sworn translator or by the competent consul of the Republic of Poland.

After receiving notification, the PFSA will promptly (and in any case, no later than within two business days) acknowledge its receipt.

The PFSA may issue, in the form of a decision, an objection to the purchase or subscription for shares or rights from shares or becoming a domestic bank's parent company, if:

(a) the person making the notification fails to supplement any deficiencies in the notification or in the documents and information attached thereto within the deadline determined by the PFSA;

(b) the person submitting the notification does not send the additional information or documents requested by the PFSA; or

(c) the PSFA believe that such a decision is justified by the need for prudent and stable management of the domestic bank, due to the possible influence of the entity submitting the notification on a domestic bank, or because of the assessment of the financial situation of the notifying person.

As part of the assessment relating to the occurrence of the condition specified in (c) above, the PFSA examines if the notifying entity has shown that: (i) it guarantees exercising its rights and obligations in a way adequately safeguarding interests of the domestic bank's customers and ensuring security of funds deposited in the domestic bank; (ii) persons earmarked for the position of members of the supervisory board and the management board fulfill the requirements set forth in Article 22aa of the Banking Law (warranty of proper performance of duties); (iii) it has good financial standing, in particular as regards the current scope of activities and the impact of the currently implemented investment plans on the notifying party's financial standing in the future, along with the future financial standing of the domestic bank; (iv) it ensures that the domestic bank will satisfy prudential requirements resulting from legal regulations, including capital requirements, liquidity standards, internal control, risk management and – in particular – that the structure of the group of which the bank will become a part will enable efficient supervision and effective exchange of information between competent supervision authorities as well as determination of competences of such authorities and (v) funds connected with the taking up or acquisition of shares or rights on shares or connected with other actions undertaken in order to become a parent entity, or causing a domestic bank to become a subsidiary undertaking, do not come from illegal or undisclosed sources, are not connected with terrorism financing, and that because of the intended taking up or acquisition of shares or rights on shares in other actions undertaken with the aim to become a parent entity there is no higher risk of an offence being committed.

In the event of an acquisition or taking of shares or rights attached to shares in violation of the obligations discussed above, such shares will not be entitled to the exercise of voting rights under Article 25 section 1 of the Banking Law. Resolutions of a general meeting of a domestic bank adopted in violation of the obligations referred to above are null and void, unless the resolutions satisfy the quorum and majority requirements without taking into account the invalid votes.

Moreover, members of the management board of a domestic bank appointed by the dominant entity or who are members of the management board, proxies or persons fulfilling managerial functions in the dominant entity cannot participate in the acts relating to the representation of a domestic bank. If it is impossible to determine which members of the management board were appointed by a dominant entity, the appointment of the management board is ineffective as of the day that entity obtains the rights of a dominant entity with regard to the domestic bank, subject to Article 25m of the Banking Law. Actions relating to the representation of a domestic bank taken with the participation of such members of the management board are null and void.

In the above case, the PFSA may order a disposal of shares of a domestic bank in a prescribed period. If the shares have been acquired or subscribed for in violation of Article 25l section 1 or if they are not disposed of within a time-frame referred to above, the PFSA may impose a financial penalty on a shareholder of the domestic bank, being a natural person, in the amount of PLN 20 million, and a financial penalty up to 10% of its revenue disclosed in the last audited financial statements on a shareholder being a legal person; in the absence of such statements – a financial penalty of up to 10% of the projected revenue determined on the basis of the shareholder's economic and financial situation. If it is impossible to establish the benefit gained by a shareholder or the value of the loss avoided by a shareholder as a result of an infringement, the financial penalty may amount to twice the amount of such benefit or loss. The PFSA may also appoint trustee management (*zarząd komisaryczny*) in a domestic bank or revoke the permit for the creation of the bank and adopt a decision on the liquidation of the bank.

The duty to notify the Bank about exceeding or reaching certain threshold percentages of the total voting rights

A person that directly or indirectly acquires or subscribes for shares in or rights for shares in a domestic bank, if such shares, together with the shares acquired or subscribed for previously, result in the reaching or exceeding of the threshold

of 5%, 10%, 20%, 25%, one-third, 50%, 66% or 75% of the total number of votes at a general meeting, or became the parent company of a domestic bank, is required to immediately notify the given bank. If the articles of association of a domestic bank provides for preference attached to shares or limitation of voting rights, the notification should also concern the share in share capital corresponding to values specified in the first sentence and corresponding number of votes without preference or limitations.

The duty to notify KNF about the sale of a block of shares

A party is required to notify the PFSA of any intention to sell, directly or indirectly, a block of shares in a domestic bank: (i) that entitles it to exercise more than 10% of the total number of votes at a general meeting; (ii) that after the sale will entitle such person to exercise less than 10%, 20%, one-third or 50% of the total number of votes at a general meeting.

If the articles of association of a domestic bank provide for voting preference or limitation attached to shares, the notification should also concern the share in share capital corresponding to the values specified in the first sentence and corresponding number of votes without preference or limitations. An entity who became, directly or indirectly, a parent entity of a domestic bank, otherwise than by acquisition or subscription of shares or rights to shares in a number ensuring the majority of a total number of votes at a general meeting, is obliged to each time notify the PFSA of its intention to cease to be the parent entity. The bank shall notify the PFSA on every disposal of shares or loss of the status of parent entity specified above, immediately after receiving such information.

Mandatory notifications of a new domination relationship under the Code of Commercial Companies

A shareholder which qualifies as a "dominant" shareholder over a company within the meaning of Article 4 section 1 Item 4 of the Code of Commercial Companies, is obliged to notify the subsidiary of the dominant relationship within two weeks of its establishment, otherwise the voting rights attached to the Shares representing over 33% of the share capital of the subsidiary shall be suspended. A General Meeting resolution adopted in breach of the Code of Commercial Companies provisions relating to notification of any dominant relationship is invalid, unless it satisfies the requirements on quorums and a voting majority irrespective of the invalid votes.

The parent company of a company within the meaning of the Code of Commercial Companies is a commercial company which (i) holds, directly or indirectly, a majority of votes at the general meeting, also as a pledgee or beneficial owner, or in the management board of another capital company (subsidiary), also under agreements with other persons; (ii) has the power to appoint or remove a majority of the management board members of another capital company (subsidiary), also under agreements with other persons; (iii) has the power to appoint or remove a majority of the supervisory board members of another capital company (subsidiary), also under agreements with other persons; (iv) members of its management board constitute over a half of the management board members of another capital company (subsidiary); (v) holds, directly or indirectly, a majority of votes in a subsidiary partnership, or holds such a majority at the general meeting of a subsidiary cooperative, also under agreements with other persons; or (vi) has a decisive influence over the activities of the capital company, in particular under management contracts or profit distribution agreements regarding the company.

The shareholder of the company, or a member of the management board or supervisory board, may request the commercial company which is a shareholder of the company to provide information on whether or not it is in any dominant or subsidiary relationship with a commercial company or cooperative which is also a shareholder of the company. An authorized shareholder may also request disclosure of the number of shares or votes held in the company by the commercial company to which the request is addressed, also as a pledgee or beneficial owner, or under agreements with other persons. The request for information and any replies thereto should be made in writing. The answers to questions should be given to an authorized shareholder and the company within ten days of the receipt of such request. If the request for information was received by its addressee in the two weeks before the date of the general meeting, then the term for reply should commence on the date following the day that the general meeting ended. From the commencement of the term to the date of reply, the company obliged to reply cannot exercise the rights attached to the shares held by it.

The above mentioned provisions apply accordingly after the dominant relationship ceases. The company that is no longer the parent company in relation to the company is obliged to give notification of the end of such a dominant relationship.

Notification requirements ensuing from anti-monopoly regulations

EU regulations

A concentration of undertakings operating in Poland may also be subject to European Law. The Concentration Regulation applies to "Concentrations having an EU dimension". A given concentration has an EU dimension where:

- the combined, aggregate, worldwide turnover of all the undertakings concerned exceeds EUR 5 billion; and
- the aggregate turnover in the EU of each of at least two of the undertakings concerned exceeds EUR 250 million,

unless each of the undertakings concerned achieves more than two-thirds of its aggregate turnover in the EU within one and the same Member State.

A concentration which does not satisfy the above criteria is nevertheless deemed to have an EU dimension where the following conditions are satisfied jointly:

- the combined, aggregate, worldwide turnover of all the undertakings concerned exceeds EUR 2.5 billion;
- in each of at least three Member States, the combined aggregate turnover of all the undertakings concerned exceeds EUR 100 million;
- in each of at least three Member States included for the purpose of point (b) above, the aggregate turnover of each of at least two of the undertakings concerned exceeds EUR 25 million; and
- the aggregate turnover in the EU of each of at least two of the undertakings concerned exceeds EUR 100 million,

unless each of the undertakings concerned achieves more than two-thirds of its aggregate turnover in the EU within one and the same Member State.

A concentration governed by the Concentration Regulation arises where the change of control on a lasting basis results from:

- the merger of two or more previously independent undertakings or parts of undertakings; or
- the acquisition, by one or more persons already controlling at least one undertaking, or by one or more undertakings, whether by acquisition of securities or assets, by contract or by any other means, of direct or indirect control over the whole or parts of one or more undertakings.

A concentration governed by the Concentration Regulation also arises where a joint venture is created which permanently performs all functions of a standalone business entity.

Concentrations with an EU dimension defined in the Concentration Regulation must be notified to the European Commission ("**EC**") prior to their implementation and following the conclusion of the agreement, the announcement of a public takeover bid or the acquisition of a controlling interest. In certain cases concentration may be notified at an earlier stage. Concentration shall be suspended until the final decision of the EC or the lapse of the time provided for the issuance of such a decision. If the EC finds that a notified concentration will not significantly impact on effective competition on the common market or a significant part thereof, in particular as a result of creating or strengthening a dominant position, the EC will deem such concentration to be consistent with the common market.

As a rule, concentrations subject to the Concentration Regulation are not subject to notification to the anti-monopoly authorities of a Member State.

Act on Competition and Consumers Protection

The AMO President must be notified of a contemplated concentration of undertakings if:

- the aggregate global turnover of the undertakings engaged in the concentration in the fiscal year preceding the year of the notification exceeded the equivalent of EUR 1 billion; or
- the aggregate turnover in Poland of the undertakings engaged in the concentration in the fiscal year preceding the year of the notification exceeded the equivalent of EUR 50 million.

The turnover referred in the previous paragraph is calculated according to the rules specified in the Act on Competition and Consumers Protection and secondary legislation issued on its basis.

The AMO President, by way of a decision, shall consent to a concentration as a result of which competition in the market will not be materially reduced, in particular through the emergence or consolidation of a dominant position in the market.

The provisions of the Act on Competition and Consumers Protection apply not only to undertakings within the meaning of the regulations dealing with the freedom of economic activity, but also to natural persons exercising control within the meaning of the provisions of the Act on Competition and Consumers Protection over at least one undertaking who takes further actions falling within the scope of supervision of concentration ensuing from the provisions of the Act on Competition and Consumers Protection, even if such natural persons did not engage in business activity within the meaning of the regulations on the freedom of economic activity.

The obligation to notify the AMO President of a contemplated concentration referred to above applies in relation to (i) an intention to merge two or more independent undertakings; (ii) a plan to take, by way of acquisition of shares or other securities, all or part of its property or otherwise, direct or indirect control over one or more undertakings by one or more undertakings; (iii) establishing of a joint venture by undertakings; or (iv) acquisition by an undertaking of assets of another undertaking (the whole enterprise or its part), if the turnover attributable to such assets in any of the two years preceding the notification exceeded EUR 10 million in the territory of the Republic of Poland.

Taking over of control shall mean any form of direct or indirect obtaining of rights which, severally or jointly, taking into account all the legal or factual circumstances, make it possible to exert a decisive influence on a certain undertaking or undertakings.

An intended concentration is exempted from the notification obligation if the turnover in Poland of the undertaking being the target of the control take-over and its subsidiaries did not exceed an equivalent of EUR 10 million in any of the two financial years preceding the notification. Additionally, no notification is required of a contemplated concentration:

- if the turnover in Poland of neither of the two or more individual undertakings participating in the merger or the undertakings intending to jointly establish an undertaking exceeded an equivalent of EUR 10 million in any of the two financial years preceding the notification;
- amounting to a take-over of control over an undertaking or undertakings being members of the same capital group with a concurrent acquisition of a portion of property of an undertaking or undertakings being members of that capital group – if the turnover of the undertaking or undertakings being target to the control take-over and the turnover generated in Poland by the acquired portions of the property did not exceed an equivalent of EUR 10 million in any of the two financial years preceding the notification;
- consisting of an interim acquisition or taking up of shares by a financial institution for the purpose of resale if the scope of business of that institution includes investing in shares of other enterprises on its own or other investors' behalf, provided that such resale takes place within one year of the acquisition or taking up of the shares, and that (i) that institution does not exercise the rights attached to the shares, except for the right to dividend; or (ii) it only exercises such rights for the purpose of preparing the resale of the whole or part of a business, its assets or such shares;
- consisting of an interim acquisition or taking up of shares by an undertaking for the purpose of securing receivables, provided it does not exercise the rights attached to those shares, except the right to sell them;
- occurring in the course of bankruptcy proceedings, except when the entity intending to take control or acquiring part of the property is a competitor or belongs to a capital group which includes competitors of the entity that is being taken-over or whose part of property is being acquired; or
- of undertakings belonging to the same capital group.

The undertakings participating in a concentration which requires notification are obliged to refrain from effecting the concentration pending the issuance of the AMO President's decision consenting to the concentration or the lapse of the deadline by which such a decision should be issued. The legal transaction effectuating the concentration may be consummated subject to the AMO President's decision consenting to the concentration or the lapse of the statutory deadlines for the completion of proceedings involving concentration. The implementation of a public offer to purchase or exchange shares of which the AMO President was notified shall not constitute a breach of the statutory duty to refrain from effecting a concentration pending the issuance of the AMO President's decision consenting to the concentration or the lapse of the deadline by which such a decision should be issued, if the acquirer does not exercise voting rights attached to the acquired shares or does so solely for the purpose of preserving the full value of its equity investment, or in order to prevent material damage that may occur to the undertakings involved in the concentration.

The AMO President may impose a fine of up to 10% of the turnover calculated according to pertinent rules for the fiscal year preceding the year in which such fine is imposed on an undertaking which has effected a concentration without the AMO President's consent.

TAXATION

Taxation in Poland

The information presented below is based solely on the provisions of tax law applicable in Poland as at the date of this Offering Circular. Due to changes in legislation or changes in the interpretation of tax provisions, including changes in the decisions of administrative courts or the practice of tax authorities, statements included in the Offering Circular may no longer be up to date. Such changes may be retroactive.

This section presents the information on the key tax consequences of acquiring, holding, exercising or disposing of the Shares, including the Offer Shares arising under the Polish tax regulations. The information provided is of a general nature and does not purport to constitute a complete or exhaustive analysis. Therefore, investors are recommended to seek, in individual cases, the advice of professional tax advisors or an official ruling of the relevant administrative authorities.

Except for the tax consequences of the exemptions referred to in this section, the description below does not cover any specific tax consequences that arise in the case of income tax exemptions for certain categories of taxpayers or taxable income (for example, in respect of domestic or foreign investment funds).

The term "dividend" and any other term used below shall have the meaning ascribed to it by the Polish tax law.

Taxation of income from disposal of securities for consideration

Taxation of natural persons' income

Taxation of the income of natural persons who are subject to unlimited tax liability in Poland (persons whose place of residence for tax purposes is in Poland)

In Poland, natural persons are subject to tax liability affecting all their income (revenue), regardless of the location of the source of such revenues, if they have their place of residence in the territory of the Republic of Poland (Article 3 section 1 of the PIT Act). This is referred to as unlimited tax liability.

A person whose place of residence is in the Republic of Poland is a natural person who:

(a) has their center of personal or economic interests (center of life interests) within the territory of the Republic of Poland; or

(b) remains within the territory of the Republic of Poland longer than 183 days in a fiscal year (Article 3 section 1a of the PIT Act).

These rules apply without prejudice to the double taxation conventions signed by the Republic of Poland (Article 4a of the PIT Act). In particular, these conventions may define a natural person's "place of residence" in a different manner or further clarify the notion of the "center of life interests".

Income generated by natural persons who are subject to unlimited tax liability in Poland on the disposal of securities (including shares) for consideration is taxed with personal income tax pursuant to the PIT Act.

Income on the disposal of securities for consideration is the difference between the total revenues earned on such activity in a calendar year and the costs of generating those revenues calculated pursuant to the PIT Act (Article 30b section 2 item 1 in conjunction with section 6 of the PIT Act).

The revenue on the disposal of securities for consideration is their value expressed as the price in the relevant agreement less the cost of the disposal for a consideration. However, if for no good reason the price set out in the agreement significantly deviates from the market value of the transferred securities, the revenue, on the disposal of securities for consideration, will be assessed by the relevant tax authority or tax inspection authority at the level of the market value of those securities (Article 19 section 1 in conjunction with Article 17 section 2 of the PIT Act).

Revenue on the disposal of shares and securities for consideration is recognized at the moment of transferring the ownership of the shares or securities to the buyer (Article 17 section 1 ab of the PIT Act).

The tax-deductible cost of generating revenue on the disposal of securities for consideration is the expenses incurred on acquiring or otherwise taking up the securities. These costs can only be taken into account when revenue is generated on the disposal of the relevant securities for consideration (Article 23 section 1 item 38 of the PIT Act).

With regards to (i) the disposal of securities for consideration or (ii) the issuer's redemption of securities that were inherited by a taxpayer, the tax-deductible cost is the cost incurred by the testator in order to take up or acquire the securities (Article 22 section 1m of the PIT Act).

Income earned on the disposal of securities acquired by way of a donation is tax-exempt to the extent that it equals the amount of the inheritance and donation tax paid (Article 21 section 1 item 105 of the PIT Act).

If a taxpayer disposes of securities which were acquired at various prices, and it is not possible to determine a uniform purchase price for the securities transferred, then for the purpose of determining income on such a disposal the transaction shall be deemed to concern the securities which were acquired first. This method of determination is applied separately to each securities account (Article 24 section 10 of the PIT Act).

The personal income tax rate applicable to natural persons having their tax residence in Poland in relation to the disposal of securities for consideration is 19% of the income earned (Article 30b section 1 of the PIT Act).

Income earned on the disposal of securities for consideration does not trigger obligation of the tax remitter to deduct the tax, nor does it trigger an obligation to remit tax advances during the fiscal year. After the end of the fiscal year, the taxpayer, on the basis of personalized information on the income generated provided by natural persons carrying out business operations, legal persons and their business units and organizations with no legal personality by the end of February of the year following the fiscal year, is obliged to report the income generated during the fiscal year on the disposal of securities for consideration and where taxable income was generated, calculate the relevant income tax in a tax return reporting his income earned or loss incurred during the fiscal year (Article 30b section 6 in conjunction with Article 45 section 1a item 1 of the PIT Act). The tax return should be filed by April 30 of the year following the fiscal year in which the revenue on the disposal of securities for consideration was earned. By the same date the taxpayer should pay the due tax disclosed in the tax return.

Where income is generated on the disposal of securities for consideration, such income is not combined with income generated from other sources of revenues (Article 30b section 5 of the PIT Act).

Losses incurred on the disposal of securities for consideration in one fiscal year can be deducted from the income generated from the same source of revenues in the following five consecutive fiscal years, provided that the deduction in any of these years does not exceed 50% of the amount of the loss. Losses incurred on the disposal of securities for consideration cannot be combined with losses incurred by the taxpayer on other sources of revenue (Article 9 section 3 in conjunction with section 6 of the PIT Act).

The above principles do not apply if the securities are transferred for consideration as part of a professional business activity conducted by the taxpayer (Article 30b section 4 of the PIT Act). In such case the revenue will qualify as a regular revenue on business activity and will be subject to progressive or flat tax, depending on the taxpayer's chosen taxation method and certain additional criteria concerning the taxpayer.

Taxation of the income of natural persons who are subject to limited tax liability in Poland (the persons whose place of residence for tax purposes is not in Poland)

Generally, the rules governing the taxation of income on the disposal of securities for consideration also apply to income generated within the territory of the Republic of Poland on the disposal of securities for a consideration by persons who are not tax resident in Poland.

Such persons are subject to tax liability only with respect to the income (revenue) generated within the territory of the Republic of Poland (Article 3 section 2a of the PIT Act). This is known as "limited tax liability". Pursuant to Article 4a of the PIT Act, the above-mentioned regulation is applied taking into account double tax treaties to which the Republic of Poland is a party.

The taxation principles discussed above applying to income generated in the territory of the Republic of Poland on the disposal of securities for a consideration by persons who are not Polish tax residents apply without prejudice to the double taxation conventions signed by the Republic of Poland. However, a tax rate set out in the relevant double taxation convention can only apply, or payment of tax can only be avoided (if permitted under such convention), if the taxpayer evidences his tax residency by presenting an appropriate tax residency certificate (Article 30b section 3 of the PIT Act).

Taxation of the income of legal (corporate) persons and organizations with no legal personality

Taxation of corporate income taxpayers which are subject to unlimited tax liability in Poland (i.e. those having their registered office or place of management in Poland)

The taxpayers subject to corporate income tax in the Republic of Poland are legal persons, companies under organization and organizations with no legal personality (other than companies and partnerships which are not afforded legal personality) (Article 1 section 1 and 2 of the CIT Act).

Simultaneously, the provisions of the CIT Act also apply to limited joint-stock partnerships having their registered office or place of management in the Republic of Poland (Article 1 section 3 item 1 of the CIT Act).

Taxpayers who have their registered office or place of management in the Republic of Poland are subject to tax liability with respect to all of their income, wherever generated (Article 3 section 1 of the CIT Act). This is known as unlimited tax liability.

Income generated on the disposal of securities (including shares) for consideration by taxpayers that are subject to unlimited tax liability in Poland is subject to corporate income tax on the general terms set out in the CIT Act.

Income is defined as the surplus of total revenues earned in the fiscal year over the costs of generating these revenues (Article 7 section 2 of the CIT Act).

The revenue on the disposal of securities for consideration is their value expressed as the price in the relevant agreement. However, if for no good reason the price set out in the agreement significantly deviates from the market value of the transferred securities, the revenue on the disposal of securities for consideration will be assessed by the relevant tax authority or tax inspection authority at the level of the market value (Article 14 section 1 of the CIT Act).

The tax-deductible costs of generating revenue on the disposal of securities for consideration are the expenses incurred on acquiring or otherwise taking up the securities. These costs can only be taken into account when revenue is generated on the disposal of the relevant securities for consideration (Article 16 section 1 item 8 of the CIT Act).

The revenues on the disposal of securities for consideration and the corresponding tax deductible costs are combined with other revenues and tax deductible costs relevant to the same fiscal period. The tax rate applicable to income generated by corporate income taxpayers is 19% of the tax base (Article 19 section 1 of the CIT Act).

With respect to income on the disposal of securities for consideration, the taxpayer is required to settle the tax due on the disposal of the securities, and the entity making the payment does not withhold any tax. The taxpayer is required to settle the due tax in its tax return on the amount of the tax income or loss generated in the relevant fiscal year as set out in its tax return (Article 27 section 1 of the CIT Act). The deadline for filing the return is the end of the third month of the year following the end of the fiscal year. The due tax disclosed in that return should be paid by the taxpayer by the same deadline.

Taxation of corporate income taxpayers that are subject to limited tax liability in Poland (those not having their registered office or place of management in Poland)

Generally, the rules governing the taxation of income on the disposal of securities for consideration that are discussed above also apply to income generated within the territory of the Republic of Poland on the disposal of securities for consideration by legal persons which have no registered office or place of management in the Republic of Poland. The provisions of the CIT Act also apply to income generated within the territory of the Republic of Poland by companies and partnerships which are not afforded legal personality and which have their registered office or place of management in another state, provided that pursuant to the relevant tax regulations of such state these companies are treated as legal persons and are subject to taxation on all their income, irrespective of the location in which it has been earned (Article 1 section 3 Item 2 of the CIT Act).

Such persons are subject to tax liability only with respect to the income which has been earned within the territory of the Republic of Poland (Article 3 section 2 of the CIT Act). This is referred to as limited tax liability.

The above principles of the taxation of income generated in the Republic of Poland on the disposal of securities for a consideration by corporate income taxpayers who have no registered office or place of management in the Republic of Poland apply, without prejudice, to the double taxation conventions signed by the Republic of Poland.

Taxation of dividends and other revenues from shares in the profits of legal persons

Taxation of income (revenue) of natural persons

Taxation of income (revenue) of natural persons who are subject to unlimited tax liability in Poland (persons whose place of residence for tax purposes is in Poland)

Income (revenue) earned on shares in the profits of legal persons which have their registered office in the Republic of Poland, earned by natural persons subject to unlimited tax liability in the territory of the Republic of Poland, is subject to a flat 19% income tax on the revenue earned (Article 30a section 1 Item 4 of the PIT Act).

The income (revenue) from shares in the profits of legal persons is the income (revenue) actually received on such shares (Article 24 section 5 of the PIT Act). This category includes income from dividends and other revenues from shares in the profits of legal persons (e.g. distributions resulting from a redemption of shares or assets received in relation to the liquidation of a legal person or a company).

The entity which provides the income (revenue) to the taxpayer by making a disbursement or making cash or cash equivalents available to the taxpayer (such legal person being referred to as the "tax remitter") is required to withhold a flat rate income tax on the disbursements made (benefits delivered) or cash equivalents made available to the taxpayer (Article 41 section 4 of the PIT Act). The tax remitter is required to file an annual return with the competent tax office on an appropriate form by the end of January of the year following the relevant fiscal year (Article 42 section 1a of the PIT Act).

Pursuant to Article 45 section 3b of the PIT Act, if the tax is not collected by the tax remitter, the natural person is obliged to settle the tax personally in its annual return, which must be filed by the end of April of the year following the relevant fiscal year.

A special situation occurs with respect to income from securities recorded on securities accounts or collective accounts, as defined in the Trading Act. The tax remitters who are responsible for withholding the tax on income (revenue) raised from dividends, redeemed shares or proceeds from the liquidation of a legal person or a company and, in the event of merger or demerger of companies, cash contributions received by the shareholders (stockholders) of the target company, merged or demerged companies, are the entities that keep the securities accounts for the taxpayers, if such income (revenue) was generated in the territory of the Republic of Poland and is related to the securities recorded on these accounts, and the distributions are made to the taxpayers through the intermediary of such entities (Article 41 section 4d of the PIT Act). However, with respect to the securities recorded on collective accounts, the tax remitters who are responsible for withholding the tax on the income (revenue) from dividends, redeemed shares or proceeds from the liquidation of a legal person or a company and, in the event of a merger or demerger of companies, cash contributions received by the shareholders (stockholders) of the target company, the merged or the demerged companies, are the entities keeping such collective amounts which act as intermediaries in the distribution of such proceeds. The tax is withheld on the date of the distribution of the relevant funds to the holder of the collective account (Article 41 section 10 of the PIT Act).

If dividend income (revenue) and other revenues from interests in the profits of legal persons are distributed to taxpayers which own rights to and in the securities recorded on collective accounts and the identity of such taxpayers was not disclosed to the tax remitter pursuant to a procedure set out in the Trading Act, the tax will be withheld at the rate of 19% of the total income (revenue) remitted by the tax remitter to all of the taxpayers through the holder of the collective account (Article 30a section 2a of the PIT Act). If the tax remitter makes a distribution pursuant to the above procedure, it is not obligated to prepare personalized statements of income with respect to such taxpayers (Article 42 section 8 of the PIT Act), whereas the taxpayers are obligated to disclose the amount of such income in their annual tax returns (Article 45 section 3c of the PIT Act).

Taxation of income (revenue) of natural persons who are subject to limited tax liability in Poland (the persons whose place of residence for tax purposes is not in Poland)

Generally, the rules governing the taxation of dividend income (revenue) and other revenues from interests in the profits of legal persons which have their registered office in the Republic of Poland also apply to income earned by natural persons subject to limited tax liability in the territory of the Republic of Poland.

The principles of taxation of income from shares in the profits of legal persons generated in the territory of the Republic of Poland by natural persons who are not Polish tax residents apply, without prejudice to the double taxation conventions signed by the Republic of Poland. However, the tax rate set out in the relevant double taxation convention can only

apply, or such payment can only be avoided (if permitted under the convention), if the taxpayer evidences his tax residency by presenting an appropriate tax residency certificate (Article 30a section 2 of the PIT Act).

By the end of February of the year following the relevant fiscal year the tax remitter is required to send personalized information on an appropriate form to the taxpayer and to the tax office, through which the head of the tax office responsible for handling the taxation of foreign persons fulfils its duties (Article 42 section 2 Item 2 of the PIT Act). Additionally, at the written request of the taxpayer, the tax remitter should prepare and send the personalized information referred to above to the taxpayer and the tax office, through which the head of the tax office responsible for handling the taxation of foreign persons fulfils its duties, within 14 days from receiving such a request (Article 42 section 4 of the PIT Act).

If income (revenue) from dividends or other revenues from interests in the profits of legal persons are remitted to taxpayers whose rights derive from securities recorded on collective accounts and their identity was not disclosed to the tax remitter pursuant to the procedure set out in the Trading Act, the tax remitter is not obliged to make or remit personalized information regarding the level of income with respect to such taxpayers (Article 42 section 8 of the PIT Act).

Taxation of the income (revenue) of legal (corporate) persons and organizations without legal personality

Taxation of the income (revenue) of corporate income tax payers subject to unlimited tax liability in Poland (those having their registered office or place of management in Poland)

Income (revenue) from dividends and other revenue from shares in the profits of legal persons which have their registered office or place of management in the Republic of Poland earned by corporate income taxpayers that are subject to unlimited tax liability in the Republic of Poland is subject to a flat 19% income tax on the revenue earned (Article 22 section 1 of the CIT Act).

The income (revenue) from shares in the profits of legal persons is the income (revenue) actually received on such shares (Article 10 section 1 of the CIT Act). This category includes income from dividends and other revenues from shares in the profits of legal persons (e.g. distributions resulting from a redemption of shares or proceeds from the liquidation of a legal person or a company).

An entity which makes disbursements to the taxpayer against the income (revenue) ("tax remitter") is required to withhold a flat rate income tax on the disbursements made (Article 26 section 1 of the CIT Act).

Pursuant to Article 26 section 2c item 2 of the CIT Act, in the case of disbursements in respect of dividends and incomes listed in Article 10 section 1 items 1, 3 and 5 of the CIT Act from the securities recorded on securities accounts or collective accounts, the obligation to withhold a flat rate income tax referred to in Article 26 section 1 of the CIT Act applies to entities running securities accounts or collective accounts if the disbursement is undertaken through such entities. The tax remitters referred to above withhold a flat rate of income tax on the day which the due amounts are made available to the holder of the securities account or collective account.

Whereas, pursuant to Article 26 section 2a of the CIT Act, disbursements of income (revenue) from dividends and other revenue from shares in the profits of legal persons which have their registered office or place of management in the Republic of Poland are made to taxpayers which own rights to the securities recorded on collective accounts and the identity of such taxpayers was not disclosed to the tax remitter pursuant to the procedure set out in the Trading Act, a flat rate tax on such disbursements is withheld at the rate of 19% of the total income (revenue) distributed by the tax remitter to all of such taxpayers through the holder of the collective account. Pursuant to Article 26 section 2a *in fine* of the CIT Act, in the case, the provisions of Article 26 sections 1a, 1c, 1d, 1f, 1g and 3b-3d of the CIT Act (i.e. the provisions regarding, in particular, exclusions of the obligation to withhold the flat rate income tax and exemptions from income tax on such disbursements) do not apply to the extent related to taxpayers whose identity was not disclosed to the tax remitter. IN the case and in the scope referred to above, entities keeping such collective accounts which act as intermediaries in the distribution of such proceeds are obliged to withhold the flat tax. The tax is withheld on the date of the distribution of the relevant funds to the holder of the collective account (Article 26 section 2b of the CIT Act).

The tax remitter is required to file an annual return on an appropriate form with the tax office, through which the head of the tax office appropriate for the taxpayer's registered office fulfils its duties, by the end of the first month of the year following the relevant fiscal year (Article 26a section 1 of the CIT Act). Annual returns prepared by the tax remitters referred to in Article 26 section 2b of the CIT Act, for example entities keeping collective accounts which act as intermediaries in the distribution of proceeds, are of a collective character and do not list the taxpayers which own rights to the securities recorded on collective accounts, if the identity of such taxpayers has not been disclosed to the tax remitter pursuant to the procedure set out in the Trading Act (Article 26a section 2 of the CIT Act). Additionally, by the

seventh day of the month following the month in which the tax was collected, the tax remitter is required to distribute information to the taxpayers concerning the amount of the collected tax (Article 26 section 3 item 1 and section 3a of the CIT Act). The obligation to distribute such information does not arise in the case and to the extent set out in Article 26 section 2a, first sentence of the CIT Action, if the disbursements are made to the taxpayers which own rights to and in the securities recorded on collective accounts, and the identity of such taxpayers was not disclosed to the tax remitter pursuant to the procedure set out in the Trading Act.

Taxation of the income (revenue) of corporate income tax payers subject to limited tax liability in Poland (those not having their registered office or place of management in Poland)

Generally, the principles of taxation discussed above apply to income (revenue) from dividends and other revenues from shares in the profits of legal persons which have their registered office or place of management in the Republic of Poland, earned by corporate income taxpayers that are subject to limited tax liability in the Republic of Poland.

Income (revenue) from dividends and other revenue from shares in the profits of legal persons generated within the territory of the Republic of Poland by persons subject to limited tax liability are governed by the taxation principles previously described without prejudice to relevant double taxation conventions to which the Republic of Poland is a party (Article 22a of the CIT Act). However, a tax rate set out in the relevant double taxation convention can only apply, or such payment can only be avoided (if permitted under the convention), if the taxpayer evidences his tax residency by presenting an appropriate tax residency certificate (Article 26 section 1 of the CIT Act).

A tax remitter making a disbursement of dividends or other revenues from shares in the profits of legal persons to corporate income taxpayers that are subject to limited tax liability in Poland is required to provide information concerning any disbursement made, and the tax collected by, the end of the third month following the end of the fiscal year in which the disbursements were made, to the taxpayer and to the tax office through which the head of the tax office responsible for handling the taxation of foreign persons fulfils its duties (Article 26 section 3 item 2 and section 3a of the CIT Act). The obligation to distribute such information does not arise in the case and to the extent set out in Article 26 2a, first sentence, of the CIT Act, if the disbursements are made to the taxpayers which own rights to and in securities recorded on collective accounts, and the identity of such taxpayers was not disclosed to the tax remitter pursuant to the procedure set out in the Trading Act. At the written request of the taxpayer, the tax remitter should prepare and send the information referred to above to the taxpayer and the tax office, through which the head of the tax office responsible for handling the taxation of foreign persons fulfils its tasks, within 14 days of receiving such a request (Article 26 section 3b of the CIT Act).

Income tax exemption available to corporate income taxpayers that are subject to either limited or unlimited tax liability holding major blocks of shares

In certain instances, the income (revenue) referred to above earned by corporate income taxpayers that are subject to either limited or unlimited tax liability may be exempted from corporate income tax.

An income tax exemption applies to the income (revenue) from dividends and other revenues from shares in the profits of legal persons, excluding income generated by general partners from share in profits of limited joint-stock partnerships which have their registered office or place of management in the Republic of Poland, generated by a company whose entire income (regardless of where the income is earned) is taxed in the Republic of Poland or in another EU member state or EEA member state (Article 22 section 4 of the CIT Act) if all of the following conditions are met:

- the company paying dividends and other revenues from participation in the profits of legal persons is a company with its registered office or place of management in the territory of the Republic of Poland;
- the company that earns the income (revenue) from dividends and other revenues from participation in the profits of legal persons holds directly not less than 10% of all of the shares in the share capital of the company paying the dividend or other revenues from participation in the profits of legal persons;
- the company that earns the income (revenue) from dividends and other revenues from participation in the profits of legal persons and has continuously held the number of shares specified above for two years. The exemption also applies if the required two year period expires after the income (revenue) earning date. Should the above condition not be met, the company benefiting from the exemption will be required to pay tax, including any accrued default interest at the rate of 19% of the income (revenue), by the 20th day of the month following the month in which such company forfeited the right to the exemption. The interest shall accrue as of the day following the day on which the company first benefited from the exemption (Article 22 section 4a and 4b of the CIT Act);

- the company that earns income (revenue) from dividends and other revenues from a share in the profits of legal persons is not exempted from income tax on all of its income, regardless of where it is generated, provided that the person who makes the payment obtains a written statement from that company confirming that this condition has been satisfied with respect to the payments to be made (Article 26 section 1f of the CIT Act); and
- the registered office of the foreign company earning the income is documented for tax purposes by a tax residency certificate issued by the relevant foreign tax authority (Article 26 section 1c Item 1 of the CIT Act).

If these conditions are met, the exemption will also apply, accordingly, if the recipient of dividends and other revenue from shares in the profits of legal persons is a foreign establishment (within the meaning of Article 4a Item 11 of the CIT Act) of a company whose entire income (regardless of the place where it is earned) is taxed in the Republic of Poland or in another Member State or an EEA member state, located in the territory of an EU Member State or an EEA member state, or in the Swiss Confederation. The existence of a foreign establishment should be evidenced by the company that benefits from the exemption by a certificate issued by the applicable tax authority of the country in which the company's registered office and/or place of management is located or by the applicable tax authority of the country in which the establishment is located (Article 26 section 1c Item 2 of the CIT Act).

This exemption may also apply to income (revenue) distributed to the recipient company if all of its income is subject to income tax in the Swiss Confederation, regardless of where it is generated, and the direct share in the company distributing such dividend is no less than 25% (Article 22 section 4c Item 2 and section 6 of the CIT Act). Also in this case it is necessary to produce a tax residency certificate issued by the relevant foreign tax authority.

The exemption described above applies accordingly to cooperatives established pursuant to Regulation No. 1435/2003/EC of July 22, 2003 on the Statute for a European Cooperative Society (SCE) (OJ EC L 207/1 of 8`18, 2003, as amended).

Additionally, this exemption only applies (i) if the shares are held on the basis of ownership title and with respect to income received from shares owned, or (ii) if held on a basis other than ownership title, provided that such income (revenue) would qualify for the exemption should the possession of the shares not have been transferred.

At the same time, the exemption may only be applied if the Polish tax authority is legally entitled, on the basis of a double taxation convention or another ratified international treaty to which the Republic of Poland is a party, to obtain tax information from the tax authorities of the foreign state in which the taxpayer has its registered office or in which it generated the income (Article 22b of the CIT Act).

The provisions of Article 22 section 4 of the CIT Act shall not apply if the income (revenues) from dividends and other revenues from participation in the profits of legal persons is earned as a result of entering into an agreement or another legal transaction, or several related legal transactions, the main purpose (or one of the main purposes) of which is to obtain exemption from income tax pursuant to Article 22 section 4 of the CIT Act and the obtaining of such exemption does not result solely in the elimination of double taxation of that income (revenues), and the transactions referred to above are not of a real nature (Article 22c section 2 of the CIT Act). In light of Article 22c section 2 of the CIT Act, for the purposes of Article 22c section 1 of this Act, an agreement or other legal transaction is deemed as having no real nature, to the extent that it is not entered into for legitimate commercial reasons. This applies in particular to the situation where, as a result of the transactions referred to in Article 22c section 1 of the CIT Act, the ownership of shares in a company that pays dividends is transferred, or the company earns revenue (income) subsequently paid in the form of dividends or other revenues from participation in the profits of legal persons.

Tax on Civil Law Transactions payable on the sale of securities

Tax on civil law transactions is payable on agreements concerning the sale or exchange of property or economic rights (including securities) if the subject of such agreements is property situated in the territory of the Republic of Poland, or the economic rights are exercised within the territory of the Republic of Poland (Article 1 section 1 Item 1 letter a in conjunction with Article 1 section 4 and 4a of the Act on the Tax on Civil Law Transactions).

As a rule, the sale of shares of companies that have their registered office in Poland is considered to constitute a sale of economic rights exercisable in Poland, and therefore such transactions are subject to the tax on civil law transactions at the rate of 1%. The tax base is the market value of the property or the economic rights (Article 6 section 1 Item 1 of the Act on the Tax on Civil Law Transactions). The tax liability resulting from a sale agreement is borne by the buyer and arises upon the finalization of the civil law transaction (Article 3 section 1 Item 1 and Article 4 Item 1 of the Act on the Tax on Civil Law Transactions). The taxpayers are required to file, without any additional request from the tax office, a tax on civil law transactions return, and to calculate and remit the due tax within 14 days following the day on which

the tax liability arose. This obligation does not apply if the transaction is executed in the form of a notarial deed where the tax on civil law transactions is collected by the notary who, in this case, acts as the tax remitter (Article 10 section 1 and 2 of the Act on the Tax on Civil Law Transactions).

Subject to an exemption from the tax on civil law transactions is the sale of economic rights constituting financial instruments (i) to investment companies and foreign investment companies; (ii) executed through investment companies and foreign investment companies; (iii) executed in organized trading; or (iv) executed outside organized trading by investment companies and foreign investment companies which acquired such economic rights in organized trading as defined in the Trading Act (Article 9 item 9 of the Act on the Tax on Civil Law Transactions).

Tax on Inheritances and Donations on the acquisition of securities by natural persons

Tax on Inheritances and Donations is charged on the acquisition of property located, and economic rights (including securities) exercised within the territory of the Republic of Poland by natural persons, by way of, among others, inheritance, ordinary legacy, further legacy, *legacy per vindicationem*, bequest, donation or donor's order (Article 1 section 1 of the Act on Tax on Inheritances and Donations). The tax liability is borne by the person acquiring the property or economic rights (Article 5 of the Act on Tax on Inheritances and Donations) and it may arise at different times, depending on the form of such acquisition (Article 6 of the Act on Tax on Inheritances and Donations).

Pursuant to Article 7 section 1 of the Act on Tax on Inheritances and Donations, the tax base is usually the value of the acquired property and economic rights after the deduction of any debts and encumbrances (net value), and is determined as at the date of acquisition and the market prices prevailing on the date on which the tax obligation arises.

The amount of tax payable depends on the personal relationship between the acquirer and the person from whom the property and the property rights have been acquired. The tax rates increase progressively from 3% to 20% of the tax base, depending on the tax group in which the acquirer qualifies. There is a tax-free amount defined for each of these groups.

Unless the tax is collected by the tax remitter, taxpayers are required to file a tax return disclosing the acquisition of property or economic rights on an appropriate form with the relevant head of the tax office within one month of the date on which the tax liability arose (Article 17a section 1 and 2 of the Act on Tax on Inheritances and Donations). The tax is payable within 14 days of delivering a decision assessing the amount of the tax liability to the taxpayer.

Securities acquired by immediate relatives (spouses, descendants, ascendants, stepchildren, siblings, stepfathers and stepmothers) are tax-exempt subject to filing an appropriate notice with the relevant head of the tax office in due time (Article 4a section 1 Item 1 of the Act on Tax on Inheritances and Donations). The exemption applies if, at the time of acquisition, the acquirer was a citizen of the Republic of Poland, an EU Member State or a European Free Trade Association Member State being a party to the EEA Agreement, or was a resident of the Republic of Poland or such state (Article 4 section 4 of the Act on Tax on Inheritances and Donations).

The tax is not charged on the acquisition of economic rights (including securities) subject to execution in the territory of the Republic of Poland if on the date of such acquisition neither the transferee nor the testator (or intestate) were Polish citizens and had no place of permanent residence or registered office in the territory of the Republic of Poland (Article 3 Item 1 of the Act on Tax on Inheritances and Donations).

Provisions on tax remitter liability

A tax remitter who fails to exercise the obligation to calculate, collect or pay any tax to the appropriate tax authority has unlimited liability for the tax which has not been withheld, or for the amount of withheld tax which has not been paid (Article 30 § 1 and § 3 of the Tax Code). The above provisions do not apply when separate legal provisions provide otherwise or when the tax was not withheld at the fault of the taxpayer. In such cases the appropriate tax authority will issue a decision about the taxpayer's liability (Article 30 § 5 of the Tax Code).

Certain U.S. Federal Income Tax Considerations

EACH INVESTOR SHOULD SEEK ADVICE BASED ON THE PROSPECTIVE INVESTOR'S PARTICULAR CIRCUMSTANCES FROM AN INDEPENDENT TAX ADVISOR.

The following description is a summary of certain U.S. federal income tax consequences that may be relevant to the acquisition, ownership and disposition of Pre-emptive Rights and the acquisition, ownership and disposition of Rights to Shares and the Offer Shares, but does not purport to be a complete analysis of all the potential U.S. tax considerations relating thereto. This description is based on the Internal Revenue Code of 1986, as amended (the "**Code**"), the U.S.

Treasury Regulations, relevant judicial and administrative interpretations, and the U.S.-Poland Income Tax Treaty (the "**Treaty**") in each case as in effect on the date of this Offering Circular. Changes in, or differing interpretations of, any of these authorities could affect the tax consequences described herein (possibly with retroactive effect). We have not requested a ruling from the United States Internal Revenue Service (the "**IRS**") with respect to any of the U.S. federal income tax considerations described below, and as a result, the IRS could disagree with portions of this discussion.

This description addresses only the U.S. federal income tax considerations of U.S. Holders (described below) that are initial holders of the Pre-emptive Rights, Rights to Shares and/or Offer Shares pursuant to the Offering and that will hold such Pre-emptive Rights, Rights to Shares and/or Offer Shares as capital assets within the meaning of section 1221 of the Code (generally, as property held for investment). This description does not address the U.S. federal income tax considerations applicable to holders that may be subject to special tax rules, including:

- dealers or traders in securities or currencies or other persons who are required or elect to mark-to-market their holdings for U.S. federal income tax purposes;
- tax-exempt entities, including pension plans;
- banks, financial institutions or insurance companies;
- real estate investment trusts, regulated investment companies or grantor trusts;
- individual retirement and other tax-deferred accounts;
- persons that received the Pre-emptive Rights, Rights to Shares and/or Offer Shares as compensation for the performance of services;
- holders that own, directly, indirectly or through attribution, at least 10 % of the voting power or value of the Company;
- persons that have a functional currency other than the U.S. dollar;
- persons that are residents of Poland for Polish tax purposes or that conduct a business or have a permanent establishment in Poland;
- holders who hold the Pre-emptive Rights, Rights to Shares and/or Offer Shares as part of a position in a straddle or as part of a hedging, conversion, integration, constructive sale, or other risk reduction transaction for U.S. federal income tax purposes;
- certain former citizens or former long-term residents of the United States; or
- partnerships and their partners, or other entities classified as pass-through entities for U.S. federal income tax purposes.

If a partnership (or any other entity treated as a partnership for United States federal income tax purposes) holds the Pre-emptive Rights, Rights to Shares and/or Offer Shares, the United States federal income tax treatment of a partner generally will depend on the status of the partner and the tax treatment of the partnership. Partners in partnerships that hold the Pre-emptive Rights, Rights to Shares and/or Offer Shares should consult their own tax advisors with regard to the United States federal income tax treatment of an investment in the Pre-emptive Rights, Rights to Shares and/or Offer Shares.

Moreover, this description does not address the U.S. federal estate, gift or alternative minimum tax consequences, or any state, local or non-U.S. tax consequences relating to the acquisition, ownership and disposition of the Pre-emptive Rights, Rights to Shares and/or the Offer Shares.

For purposes of this description, a "U.S. Holder" is a beneficial owner of Pre-emptive Rights, Rights to Shares and/or Offer Shares that, for U.S. federal income tax purposes, is:

- an individual who is a citizen or resident of the United States;
- a corporation created or organised in or under the laws of the United States or any state thereof, including the District of Columbia;
- an estate the income of which is subject to U.S. federal income taxation regardless of its source; or
- a trust if (1) a court within the United States is able to exercise primary supervision over its administration and one or more United States persons have the authority to control all of the substantial decisions of such trust; or (2) such trust has a valid election in effect to be treated as a United States person for U.S. federal income tax purposes.

The following discussion is for general information only and is not intended to be, nor should it be construed to be, legal or tax advice to any holder or prospective holder of the Pre-emptive Rights, Rights to Shares and/or Offer Shares. U.S. Holders or prospective U.S. Holders of the Pre-emptive Rights, Rights to Shares and/or Offer Shares are urged to consult their tax advisors with respect to the U.S. federal, state and local tax consequences, the non-U.S. tax consequences and the non-tax consequences of the acquisition, ownership and disposition of the Pre-emptive Rights, Rights to Shares and/or Offer Shares.

Taxation of Pre-emptive Rights

Receipt of Pre-emptive Rights

Subject to the passive foreign investment company rules (see "– *Passive Foreign Investment Company Considerations*"), under U.S. federal income tax principles, a pro rata distribution by a corporation to its shareholders of rights to acquire its stock is generally not includable by the shareholders in their gross income. However, in certain circumstances, a shareholder will be treated as having received a taxable dividend in an amount equal to the value of such right. In particular, an existing shareholder who receives a right to acquire shares generally will be treated as having received a taxable dividend if a shareholder's proportionate interest in the earnings and profits or assets of the corporation is increased and any other shareholder receives a distribution of cash or other property. While the issue is not free from doubt, the Company believes the distribution of Pre-emptive Rights should be treated as a non-taxable distribution for U.S. federal income tax purposes. The Company intends to treat the distribution of Pre-emptive Rights consistent with these beliefs. Such treatment is based, in part, on the fact that neither the Company nor any of its subsidiaries: (a) will purchase any Pre-emptive Rights or (b) have any current plan to purchase Rights to Shares issued upon the exercise of Pre-emptive Rights, in either case, from the holders of such Pre-emptive Rights. However, the Company's position is not binding on the IRS and there can be no assurance that the IRS will not disagree with such position. If this position were to be successfully challenged by the IRS, the fair market value of the Individual Preemptive Rights that U.S. Holders receive would be taxable to the U.S. Holders as a dividend in the manner described below under "– *Taxation of Rights to Shares and Offer Shares – Distributions on Offer Shares.*" U.S. Holders are strongly urged to consult their tax advisers regarding the risk of having a taxable distribution as a result of the receipt of Pre-emptive Rights.

Sale or Other Disposition of Pre-emptive Rights

Subject to the passive foreign investment company rules discussed below, upon a sale or other disposition of Pre-emptive Rights, U.S. Holders will recognize capital gain or loss in an amount equal to the difference between the amount realized and their adjusted tax basis in the Pre-emptive Rights. The amount realized on a sale or other disposition of an Pre-emptive Right for cash generally will be the amount of cash U.S. Holders receive in exchange for such Individual Preemptive Right. If the consideration U.S. Holders receive for the Pre-emptive Right is not paid in U.S. dollars, the amount realized will be the U.S. dollar value of the payment received. U.S. Holders are strongly urged to consult their tax advisers regarding how to account for payments received in a foreign currency.

If the fair market value of the Pre-emptive Rights on the date of their distribution equals or exceeds 15% of the fair market value on such date of the existing shares with respect to which the Pre-emptive Rights are distributed, the tax basis in such existing shares must be allocated between such shares and the Pre-emptive Rights. Such an allocation must be made in proportion to the fair market value of the existing shares and the fair market value of the Pre-emptive Rights on the date the Pre-emptive Rights are distributed. If the fair market value of the Pre-emptive Rights on the date of their distribution is less than 15% of the fair market value on such date of the existing shares with respect to which the Pre-emptive Rights are distributed, the tax basis in such Pre-emptive Rights will be zero and the basis in the existing shares with respect to which the Pre-emptive Rights are distributed will remain unchanged. Notwithstanding the foregoing sentence, however, U.S. Holders may affirmatively elect (in a statement attached to the U.S. Holders' federal income tax return for the year in which the Pre-emptive Rights were received) to allocate to the Individual Preemptive Rights a portion of the basis in such existing shares in the manner described in the first two sentences of this paragraph. Any such election is irrevocable and must be applied to all of the Pre-emptive Rights received by a U.S. Holder pursuant to this Offering.

Subject to the passive foreign investment company rules discussed below, any gain or loss recognized by a U.S. Holder on the sale or other disposition of a Pre-emptive Right will be long-term capital gain or loss if the U.S. Holder's holding period in the Individual Preemptive Right is deemed to be greater than one year. The holding period in an Pre-emptive Right will be deemed to have begun on the same date as that of the existing share with respect to which the U.S. Holder received such Pre-emptive Right. Any gain or loss generally will be treated as U.S. source gain or loss. For non-corporate

U.S. Holders, the maximum U.S. federal income tax rate applicable to long-term capital gain is generally 20 %. The deductibility of capital losses is subject to limitations.

Expiration of Pre-emptive Rights

Notwithstanding the foregoing, if a U.S. Holder allows a Pre-emptive Right to expire without the Pre-emptive Right being exercised, sold or exchanged by the U.S. Holder, no basis will be allocated to such Pre-emptive Right and the U.S. Holder will not realize any loss upon the expiration of such Pre-emptive Right.

Exercise of Pre-emptive Rights

The exercise of an Pre-emptive Right by a U.S. Holder will generally not be a taxable transaction for U.S. federal income tax purposes. The initial basis in the Rights to Shares acquired upon exercise of a Pre-emptive Right generally will be equal to the amount of cash (in U.S. dollar value of the foreign currency denominated subscription price determined on the date of purchase) plus the U.S. Holder's basis (if any) in the Pre-emptive Right in U.S. dollars.

Taxation of Rights to Shares and Offer Shares

Conversion of Rights to Shares into Offer Shares

The conversion of Rights to Shares into Offer Shares by a U.S. Holder will generally not be a taxable transaction for U.S. federal income tax purposes. A U.S. Holder will have a tax basis in the Offer Shares equal to such U.S. Holder's tax basis in the Rights to Shares and a holding period starting on the day after the date the Pre-emptive Right was exercised.

Distributions on Offer Shares

If the Company were to pay dividends, the gross amount of any actual or constructive distribution, including any amounts withheld, made to a U.S. Holder with respect to the Offer Shares will generally be includible in the income of a U.S. Holder as foreign-source dividend income to the extent such distributions are paid out of the Company's current or accumulated earnings and profits as determined under U.S. federal income tax principles. Generally, distributions by a corporation in excess of its current and accumulated earnings and profits, as determined under U.S. federal income tax principles, would be treated as a tax-free return of capital to the extent of the shareholder's adjusted tax basis in the shares to which the distribution relates, with the balance of the distribution, if any, treated as taxable capital gain from the sale, exchange or other disposition of the shares. The Company has not maintained and does not plan to maintain calculations of earnings and profits under U.S. federal income tax principles. Accordingly, it is unlikely that U.S. Holders will be able to establish that a distribution by the Company is in excess of its current and accumulated earnings and profits (as computed under U.S. federal income tax principles). Therefore, a U.S. Holder should expect that a distribution by the Company will generally be treated as taxable in its entirety as a dividend to U.S. Holders for U.S. federal income tax purposes even if that distribution would otherwise be treated as a non-taxable return of capital under the rules set forth above.

If the Company pays a dividend in Polish zloty, such dividend will be included in the gross income of a U.S. Holder in an amount equal to the U.S. dollar value of the Polish zloty calculated by reference to an acceptable spot market exchange rate in effect on the day of receipt regardless of whether the payment is in fact converted into U.S. dollars at that time. Such holder will have a tax basis for U.S. federal income tax purposes in the Polish zloty received equal to that U.S. dollar value. Generally, any gain or loss resulting from currency exchange fluctuations during the period from the date the dividend payment is included in income to the date the payment is converted into U.S. dollars will be treated as ordinary income or loss. Such income or loss generally will be treated as income or loss from sources within the United States for foreign tax credit limitation purposes. The amount of any distribution of property other than cash will be the U.S. dollar value of such property on the date of the distribution.

A dividend that a non-corporate U.S. Holder receives will generally be subject to a maximum U.S. federal income tax rate of 20% if the dividend is a "qualified dividend." Subject to the foregoing, dividends on the Offer Shares will be treated as qualified dividend income if (1) the Company is eligible for the Treaty, (2) the Company was not, for the year prior to the year in which the dividend was paid, and is not, for the year in which the dividend is paid, a passive foreign investment company (a "**PFIC**") (see *"– Passive Foreign Investment Company Considerations*"), and (3) certain additional conditions are met, including certain holding period requirements, the absence of certain risk reduction transactions and the absence of an election to treat the dividend income as ''investment income'' pursuant to section 163(d)(4) of the Code. The amount of qualified dividend income, if any, paid to a non-corporate U.S. Holder by the

Company that is taken into account for purposes of calculating the non-corporate U.S. Holder's foreign tax credit limitation (as discussed below) must be reduced by the "rate differential portion" of such dividend. Further, in certain cases, a non-corporate U.S. Holder that has received qualified dividend income with respect to the Offer Shares may be required to treat a loss on the disposition of such Offer Shares as a "long-term capital loss" (applicable if the Offer Shares have been held for more than one year) regardless of the U.S. Holder's actual holding period for the Offer Shares. Although the Company currently believes that, subject to generally applicable limitations, distributions on the Offer Shares that are treated as dividends for U.S. federal income tax purposes should constitute qualified dividend income, no assurance can be given that this will be the case. U.S. Holders should consult their tax advisors regarding the tax rate applicable to the dividends received by them with respect to the Offer Shares, and any additional associated U.S. federal income tax consequences of receiving such dividends.

Dividends received by a U.S. Holder with respect to the Offer Shares will be treated as foreign source income, which may be relevant in calculating such holder's foreign tax credit limitation. Such dividends will not be eligible for the dividends received deduction generally allowed to corporate U.S. Holders. Subject to certain complex conditions and limitations, Polish tax withheld on dividends may be credited against a U.S. Holder's U.S. federal income tax liability. The limitation on foreign taxes eligible for credit is computed separately with respect to specific categories of income. Foreign taxes paid with respect to one category of income will generally be unavailable to set off, or otherwise reduce, a U.S. Holder's U.S. federal income tax liability with respect to income attributable to any other category. For this purpose, dividends paid by the Company generally will constitute ''passive category income,'' or in the case of certain U.S. Holders, ''general category income.''

Further, in certain circumstances, if a U.S. Holder (i) holds Offer Shares for less than a specified minimum period during which it is not protected from risk of loss, or (ii) is obligated to make payments related to the dividends, the U.S. Holder will not be allowed a foreign tax credit for foreign taxes imposed on dividends paid on the Offer Shares.

If a U.S. Holder does not elect to claim a foreign tax credit for U.S. federal income tax purposes, such U.S. Holder may be entitled to claim a deduction for U.S. federal income tax purposes in respect of such Polish taxes, but only in a year in which the U.S. Holder elects to do so for all otherwise creditable foreign taxes.

The rules concerning the availability of a foreign tax credit are complex. U.S. Holders should consult their own tax advisors with respect to the availability of the U.S. foreign tax credit in their particular circumstances.

Sale or Exchange of Rights to Shares and Offer Shares

Subject to the passive foreign investment company rules discussed below, U.S. Holders generally will recognise capital gain or loss on the sale or exchange of the Rights to Shares and Offer Shares equal to the difference between the amount realized on the disposition thereof and their adjusted tax basis in the Rights to Shares or Offer Shares. For non-corporate U.S. Holders of Offer Shares, the maximum U.S. federal income tax rate applicable to long-term capital gain is generally 20 %. Any gain or loss recognised by U.S. Holders generally will be treated as U.S. source income or loss for U.S. foreign tax credit purposes. Consequently, such holders will generally not be able to utilise the foreign tax credit attributable to any Polish tax imposed on a sale or disposition of the Rights to Shares or Offer Shares unless such credit can be applied under the terms of the Treaty (subject to applicable limitations) against tax due on other income treated as derived from foreign sources in the appropriate income category. Capital gains recognized by corporate U.S. Holders generally are subject to U.S. federal income tax at the same rate as ordinary income. The deductibility of capital losses is subject to significant limitations.

If the payment received with respect to the sale or exchange of the Rights to Shares or Offer Shares is not in U.S. dollars, the amount realised generally will be the U.S. dollar value of the payment received. U.S. Holders are strongly urged to consult their tax advisers regarding how to account for payments received in a foreign currency.

Passive Foreign Investment Company Considerations

A non-U.S. corporation will be classified as a "passive foreign investment company," or a PFIC, for U.S. federal income tax purposes in any taxable year in which, the corporation satisfies either of the following requirements:

- at least 75% of its gross income is "passive income," or
- at least 50% of the average gross fair market value of its assets is attributable to "passive" assets.

Passive income for this purpose generally includes dividends, interest, royalties, rents, and gains from commodities and securities transactions.

Based upon proposed Treasury regulations and IRS guidance, the Company does not believe it is a PFIC and does not anticipate becoming a PFIC in the future, although there can be no assurance in this regard. Under the proposed Treasury regulations, banking income earned by an "active bank" is not passive income for PFIC purposes. However, because the proposed Treasury regulations may not be finalized in their current form, and because the application of the proposed Treasury regulations is not entirely clear and the composition of the Company's income and assets will vary over time, there can be no assurance that the Company will not be a PFIC for any taxable year. The determination of whether the Company is a PFIC is made annually and is based upon the composition of the Company's income and assets (including, among others, the income and assets of corporations in which the Company owns at least a 25% interest), and the nature of the Company's activities.

If the Company were a PFIC in any taxable year, materially adverse U.S. federal income consequences could result for U.S. Holders of the Rights to Shares or Offer Shares. If the Company is or becomes a PFIC during any year in which a U.S. Holder holds Rights to Shares or Offer Shares, unless the U.S. Holder makes a qualified electing fund (QEF) election or mark-to-market election with respect to the Offer Shares, as described below, such U.S. Holder generally would be subject to additional taxes (including taxation at ordinary income rates and an interest charge) on any gain realized from a sale or other disposition of the Rights to Shares or Offer Shares and on any "excess distributions" received from the Company, regardless of whether the Company otherwise qualifies as a PFIC in the year in which such distribution is received or gain is realized. For this purpose, a pledge of the Rights to Shares or Offer Shares as security for a loan may be treated as a disposition. The U.S. Holder would be treated as receiving an excess distribution in a taxable year to the extent that distributions on the Offer Shares during that year exceed 125% of the average amount of distributions received during the three preceding taxable years (or, if shorter, the U.S. Holder's holding period). To compute the tax on excess distributions or on any gain, (i) the excess distribution or gain would be allocated ratably over the U.S. Holder's holding period, (ii) the amount allocated to the current taxable year and any year before the first taxable year for which the Company was a PFIC would be taxed as ordinary income in the current year, and (iii) the amount allocated to other taxable years would be taxed at the highest applicable marginal rate in effect for each such year and an interest charge would be imposed to recover the deemed benefit from the deferred payment of the tax attributable to each such prior year.

If the Company were to be treated as a PFIC, a U.S. Holder may avoid the excess distribution rules described above by electing to treat the Company (for the first taxable year in which the U.S. Holder owns Rights to Shares or Offer Shares) and any lower-tier PFIC (for the first taxable year in which the U.S. Holder is treated as owning an equity interest in such lower-tier PFIC) as a "qualified electing fund" ("**QEF**"). If a U.S. Holder makes an effective QEF election with respect to the Company, the U.S. Holder will be required to include in gross income each year, whether or not the Company makes distributions, as capital gains, its pro rata share of the Company's net capital gains and, as ordinary income, its pro rata share of the Company's net earnings in excess of its net capital gains. U.S. Holders can make a QEF election with respect to the Company only if the Company provides certain information, including the amount of its ordinary earnings and net capital gains determined under U.S. tax principles. The Company has not determined whether it will provide U.S. Holders with this information if it determines that it is a PFIC. However, U.S. Holders should assume that they would not be able to make a QEF election.

As an alternative to a QEF election, a U.S. Holder may also be able to avoid some of the adverse U.S. tax consequences of PFIC status by making an election to mark the Offer Shares to market annually. A U.S. Holder may elect to mark-to-market the Offer Shares only if the Company's Shares are "marketable stock." The Company's Shares will be treated as "marketable stock" if they are regularly traded on a "qualified exchange." A foreign exchange will be treated as a qualified exchange if it is regulated or supervised by a governmental authority in the jurisdiction in which the exchange is located and with respect to which certain other requirements are met. The Company's Shares are listed on the Warsaw Stock Exchange, which should be a qualified exchange for this purpose. The Company's Shares will be treated as regularly traded in any calendar year in which more than a de minims quantity of such Shares are traded on at least 15 days during each calendar quarter. There can be no certainly that the Company's Shares will be sufficiently traded such as to be treated as regularly traded. A mark-to-election election will not be available with respect to any lower-tier PFIC. It is unclear as to whether the Rights to Shares will be eligible to be treated as marketable stock for purposes of the mark-to-market rule.

U.S. Holders should consult their tax advisors regarding the U.S. federal income tax consequences of the PFIC rules. If the Company is treated as a PFIC, each U.S. Holder generally will be required to file a separate annual information return with the IRS with respect to the Company and any lower-tier PFICs.

Medicare surtax on net investment income

Non-corporate U.S. Holders whose income exceeds certain thresholds generally will be subject to 3.8% surtax on their "net investment income" (which generally will include, among other things, dividends on the Offer Shares, and capital

gain from the sale or other taxable disposition of, the Pre-emptive Rights, Rights to Shares and/or Offer Shares). Non-corporate U.S. Holders should consult their own tax advisors regarding the possible effect of such tax on their ownership and disposition of the Pre-emptive Rights, Rights to Shares and/or Offer Shares.

Reporting Obligations of Certain Owners of Foreign Financial Assets

A U.S. Holder who is an individual and in certain cases, an entity, and who holds certain specified foreign financial assets (which may include the Offer Shares) with an aggregate value in excess of USD$50,000 generally is required to report information related to such interests by attaching a completed IRS Form 8938 (*Statement of Specified Foreign Financial Assets*), with such individual's tax return for each year in which such individual held an interest in the specified foreign financial assets. Persons who are required to report foreign financial assets and fail to do so may be subject to substantial penalties. U.S. Holders should consult their tax advisors regarding these information reporting requirements.

Information Reporting and Backup Withholding

U.S. information reporting and backup withholding tax requirements apply to certain payments to certain U.S. Holders of the Pre-emptive Rights, Rights to Shares and/or Offer Shares. Information reporting generally will apply to payments of dividends on the Offer Shares, and to gross proceeds from the sale, redemption or disposition of the Pre-emptive Rights, Rights to Shares or the Offer Shares made within the United States by a "U.S. payor" or "U.S. middleman," to a U.S. Holder, other than to an exempt recipient, if such U.S. holder fails to furnish its correct taxpayer identification number or otherwise fails to comply with, or establish an exemption from, such backup withholding tax requirements. An exempt recipient includes a corporation, a payee that is not a United States person and that provides appropriate certification and certain other persons. The backup withholding tax rate currently is 28 %.

Backup withholding is not an additional tax. Any amounts withheld under the backup withholding rules from a payment to a U.S. Holder will be allowed as a credit against such U.S. Holder's U.S. federal income tax liability, or as a refund, provided that the holder has timely complied with all applicable reporting obligations or refund claim procedures.

U.S. Holders should consult their tax advisors regarding any reporting obligations that may arise with respect to the acquisition, ownership or disposition of the Pre-emptive Rights, Rights to Shares or Offer Shares. Failure to company with applicable reporting requirements could result in substantial penalties.

The foregoing discussion of certain U.S. federal income tax considerations is for general information only and is not intended to constitute a complete analysis of all tax consequences relating to the acquisition, ownership and disposition of the Pre-emptive Rights, Rights to Shares and/or Offer Shares. U.S. Holders should consult their own tax advisors concerning the tax consequences applicable to their particular situations.

ADDITIONAL INFORMATION

Entities engaged in the Offering

The entities listed below are engaged in the Offering.

Offer Managers

The role of Joint Global Coordinator, Joint Bookrunner and Joint Underwriter will be performed by Goldman Sachs International with its registered office in London at Peterborough Court, 133 Fleet Street, London EC4A 2BB, United Kingdom.

The role of Joint Global Coordinator, Joint Bookrunner and Joint Underwriter will be performed by J.P. Morgan Securities plc with its registered office in London at 25 Bank Street, Canary Wharf, London E14 5JP, United Kingdom.

The role of Joint Global Coordinator, Joint Bookrunner, Joint Underwriter and Offering Agent will be performed by Bank Zachodni WBK S.A. with its registered office in Wrocław at Rynek 9/11, 50-950 Wrocław, Poland.

The role of Local Joint Bookrunner, and Joint Underwriter will be performed by Powszechna Kasa Oszczędności Bank Polski S.A. Oddział – Dom Maklerski PKO Banku Polskiego w Warszawie with its registered office in Warsaw at ul. Puławska 15, 02-515 Warszawa, Poland.

Goldman Sachs International, J.P. Morgan Securities plc, Bank Zachodni WBK S.A. and Powszechna Kasa Oszczędności Bank Polski S.A. Oddział – Dom Maklerski PKO Banku Polskiego w Warszawie are jointly referred to as the Offer Managers.

The Joint Global Coordinators are responsible for coordinating the work necessary to prepare and conduct the Offering. The Joint Global Coordinators are also charged with coordinating the marketing activities related to the Offering, communications and arranging meetings with investors in Poland and abroad and also with other tasks typically performed by investment firms under public share offerings.

The principal duties of the Joint Bookrunners include participating in the organisation of the bookbuilding process. The Local Joint Bookrunner supports the Joint Bookrunners in the bookbuilding process in Poland.

The Company entered into the Standby Underwriting Agreement with the Joint Global Coordinators. The Company entered into the Underwriting Agreement with the Offer Managers, which sets out the Offer Managers' obligations with regard to the placement and underwriting of the Offering. Information on the terms on which the agreement was concluded may be found in the chapter "*Underwriting, stabilisation and contractual limitations of the transferability of the Shares – Underwriting Agreement"*.

Each of the Offer Managers and their related entities (also as part of international or worldwide organisations providing financial services) is or may be involved in investment banking, securities, investment management and individual asset management. With respect to activity involving securities, each of the Offer Managers and its related entities is engaged in or may be engaged in underwriting securities, trading in securities (on its own account or the account of clients), brokerage services, currency trading, trading on commodities exchanges and in derivatives (on its own account or the account of clients), and also the provision of brokerage services, investment banking services, preparation of analyses, as well as financial services and financial advice. To the extent permitted by law and conflict of interest rules on the conduct of brokerage activity and in investment banking: (a) in the ordinary course of business related to trading in financial instruments, provision of brokerage services or financial services, each of the Offer Managers and their related entities may at any time hold long or short-term investments, provide investment financing and may on its own account or the account of its clients, be involved in trading or otherwise structure or handle transactions related to debt securities or participation instruments or preferred facilities of any entity participating in the Offering or transactions concerning any currency or commodity related to the Offering or transactions concerning any related derivatives; (b) each of the Offer Managers and their related entities, their officers, members of their management or supervisory bodies, managerial staff and employees may at any time invest on their own account or manage investment funds on their own account in debt securities or participation instruments issued by any entity participating in the Offering, in any currencies or commodities related to the Offering or in any related derivatives; (c) each of the Offer Managers and their related entities may at any time perform brokerage tasks in the ordinary course for any entity participating in the Offering.

The Offer Managers and their related entities provided in the past and may provide in the future investment banking, commercial banking and other financial services and also handle other types of transactions with the Company, entities of which the Company is the dominant entity and its related entities. The Offer Managers and their related entities have

received and may in the future receive remuneration and commission customarily payable for the provision of such services or handling of such deals.

In connection with the Offering, the Offer Managers or their related entities are acting only for the Company and, subject to mandatory provisions of law, do not bear any liability to any other persons.

The Offer Managers or their related entities may acquire or hold financial instruments issued by the Company, its related entities or financial instruments related to financial instruments issued by the above-mentioned entities. Each of the Offer Managers will provide information that it holds financial instruments issued by the Company, its related entities or financial instruments related to financial instruments issued by the said entities only if the requirement to disclose such transactions arises from universal provisions of law or regulations.

In connection with the Offering, each of the Offer Managers or each of their related entities may also, acting as an investor on its own account, acquire Offer Shares in the Offering and then hold them, transfer them, or otherwise dispose of them. Each of the Offer Managers will send information that it has acquired Offer Shares or has entered into the transactions described above only if the requirement to disclose such transactions arises from universally binding provisions of law or regulations.

The fee of the Offer Managers is related to the amount of the proceeds of the issue of the Offer Shares.

The Offer Managers do not hold any material interest in the Company. In particular, as at the date of this Offering Circular none of the Offer Managers held any Shares accounting for more than 1% of the share capital of the Company.

Legal advisors to the Company

Legal services related to the Offering will be provided to the Company by Greenberg Traurig Grzesiak spółka komandytowa (with its registered office in Warsaw, at ul. Książęca 4, 00-498 Warsaw, Poland) with respect to Polish law, Greenberg Traurig Maher LLP (with its registered office in London at The Shard, Level 8, 32 London Bridge Street, London SE1 9SG, the United Kingdom) with respect to English law, and Greenberg Traurig LLP (with its registered office in New York at MetLife Building, 200 Park Avenue, New York, NY 10166) with respect to American federal law (jointly referred to as "**Greenberg Traurig**").

The remuneration of Greenberg Traurig is not linked to the amount of the proceeds from the sale of the Offer Shares. Furthermore, Greenberg Traurig has provided and may provide legal services to the Company pursuant to relevant agreements regarding the provision of legal advisory services. Greenberg Traurig does not hold any material interests in the Company . In particular, as at the date of the Offering Circular it does not hold any Shares in the Company. As at the date of the Offering Circular, there is no conflict of interest between Greenberg Traurig and the Company of material importance to the issuance or the Offering.

Legal Advisors to the Offer Managers

In connection with the Offering, legal services to the Offer Managers are provided by: Clifford Chance, Janicka, Krużewski, Namiotkiewicz I Wspólnicy Społka komandytowa (with its registered office in Warsaw and postal address at Lwowska 19, 00-660 Warsaw, Poland) as to matters of Polish law and Clifford Chance LLP (with its registered office and principal place of business at 10 Upper Bank Street, London E14 5JJ, the United Kingdom) as to matters of English law and of United States federal law (jointly referred to as "**Clifford Chance**").

The remuneration of Clifford Chance does not depend on the proceeds from the offering of the Offer Shares.

Additionally, Clifford Chance has rendered and may render in the future other legal services in favour of the Bank within the scope of activities conducted by the Bank on the basis of legal services agreements.

Clifford Chance does not hold any material interests in the Bank and, specifically, as of the date of this Offering Circular, it does not hold any Shares in the Bank. Furthermore, as of the date of this Offering Circular, there were no conflicts of interest between Clifford Chance and the Company that could have a material impact on the Offering or the issue of the New Shares.

Auditor

PricewaterhouseCoopers sp. z o.o. with its registered office in Warsaw (address: Al. Armii Ludowej 14, 00-683 Warszawa) is the independent certified auditor of Alior Bank.

PricewaterhouseCoopers sp. z o.o. has reviewed the standalone financial statements of Alior Bank (not included in this Offering Circular) and the consolidated financial statements of the Alior Group for the three months ended March 31, 2016 and issued unqualified reports from the review thereof. The reports from the review of the above financial statements were signed on behalf of PricewaterhouseCoopers sp. z o.o. by Katarzyna Łącka, a certified auditor registered under No. 13131. PricewaterhouseCoopers sp. z o.o. reported that they have applied limited procedures in accordance with professional standards for a review of such information. However, their report states that they did not audit and they do not express an opinion on consolidated financial statements of the Alior Group for the three months ended March 31, 2016. Accordingly, the degree of reliance on their report should be restricted in light of the limited nature of the review procedures applied.

PricewaterhouseCoopers sp. z o.o. has audited the standalone financial statements of Alior Bank (not included in this Offering Circular) and the consolidated financial statements of the Alior Group for the financial year ended December 2015 and issued unqualified opinions thereon. The opinions on the audit of the above financial statements were signed on behalf of PricewaterhouseCoopers sp. z o.o. by Katarzyna Łącka, a certified auditor registered under No. 13131.

PricewaterhouseCoopers sp. z o.o. has audited the standalone financial statements of Alior Bank (not included in this Offering Circular) and the consolidated financial statements of the Alior Group for the financial year ended December 2014 and issued unqualified opinions thereon. The opinions on the audit of the above financial statements were signed on behalf of PricewaterhouseCoopers sp. z o.o. by Adam Celiński, a certified auditor registered under No. 90033.

PricewaterhouseCoopers sp. z o.o. has reviewed the condensed interim special purpose financial information of Bank BPH for the three months ended March 31, 2016 and issued an unqualified report from the review thereof. The report from the review of the above financial information was signed on behalf of PricewaterhouseCoopers sp. z o.o. by Katarzyna Łącka, a certified auditor registered under No. 13131. The report contains an emphasis of matter as follows: "Without modifying our conclusion, we draw attention to the fact that, as described in Note 1 to the special purpose condensed interim financial information, the Bank BPH Core Business and the Bank BPH Mortgage Business have not operated separately. This special purpose condensed interim financial information is, therefore, not necessarily indicative of results that would have occurred if the Bank BPH Core Business and the Bank BPH Mortgage Business had operated as separate reporting entities and may not be indicative of their future results." PricewaterhouseCoopers Sp. z o.o. also reported that they have applied limited procedures in accordance with professional standards for a review of such information. However, their report states that they did not audit and they do not express an opinion on the condensed interim financial information of Bank BPH for the three months ended March 31, 2016. Accordingly, the degree of reliance on their report should be restricted in light of the limited nature of the review procedures applied.

PricewaterhouseCoopers sp. z o.o. has audited the special purpose financial statements of Bank BPH for the two financial years ended December 31, 2015 and issued an unqualified opinion thereon. The opinion on the audit of the above financial statements was signed on behalf of PricewaterhouseCoopers sp. z o.o. by Katarzyna Łącka, a certified auditor registered under No. 13131. The opinion contains an emphasis of matter as follows: "Without modifying our opinion, we draw attention to the fact that, as described in Note 1 to the special purpose financial statements, the Bank BPH Core Business and the Bank BPH Mortgage Business have not operated separately. These special purpose financial statements are, therefore, not necessarily indicative of results that would have occurred if the Bank BPH Core Business and the Bank BPH Mortgage Business had operated as separate reporting entities and may not be indicative of their future results."

PricewaterhouseCoopers sp. z o.o. has audited standalone financial statements of Bank BPH for the financial year ended December 31, 2015 (not included in this Offering Circular), standalone financial statements of Bank BPH for the financial year ending December 31, 2014 and standalone financial statements of Bank BPH for the financial year ending December 31, 2013 and issued unqualified opinions thereon. The opinions on the audit of the above standalone financial statements of Bank BPH for the financial years ended December 31, 2013 and 2014 were signed on behalf of PricewaterhouseCoopers sp. z o.o. by Adam Celiński, a certified auditor registered under No. 90033 and the opinion on the audit of the standalone financial statements of Bank BPH for the financial year ended December 31, 2015 was signed on behalf of PricewaterhouseCoopers sp. z o.o. by Katarzyna Łącka, a certified auditor registered under No. 13131. PricewaterhouseCoopers sp. z o.o. has also audited the consolidated financial statements of the BPH Group for the financial year ended December 31, 2015 (not included in this Registration Document), the consolidated financial statement of the BPH Group for the financial year ended December 31, 2014 (not included in this Registration Document) and the consolidated financial statement of the BPH Group for the financial year ended December 31, 2013 (not included in this Registration Document) and issued an unqualified opinion thereon. The opinions on the audit of the above consolidated financial statements of Bank BPH for the financial years ended December 31, 2013 and 2014 were signed on behalf of PricewaterhouseCoopers sp. z o.o. by Adam Celiński, a certified auditor registered under No. 90033 and the opinion on the audit of the consolidated financial statements of Bank BPH for the financial year ended December 31, 2015 was signed on behalf of PricewaterhouseCoopers sp. z o.o. by Katarzyna Łącka, a certified auditor registered under No. 13131.

PricewaterhouseCoopers sp. z o.o. is a member of the National Chamber of Auditors (*Krajowa Izba Biegłych Rewidentów*) entered in the register of entities authorized to audit financial statements under entry No. 144. PricewaterhouseCoopers sp. z o.o. does not hold a material interest in Alior Bank, and in particular, as at the Prospectus Date, PricewaterhouseCoopers sp. z o.o. does not hold any Shares.

Prior to PricewaterhouseCoopers sp. z o.o., Ernst & Young Audyt Polska sp. z o.o. sp. k. (formerly Ernst & Young Audyt sp. z o.o.) with its registered office in Warsaw (address: Rondo ONZ 1, 00-124 Warszawa) was the certified auditor of Alior Bank.

Ernst & Young Audyt Polska sp. z o.o. sp. k. with its registered office in Warsaw (address: Rondo ONZ 1, 00-174 Warszawa) has audited standalone financial statements of Alior Bank and consolidated financial statements of the Alior Group for the financial year ending December 31, 2013 and issued unqualified opinions thereon. The opinions on the audit of the above financial statements were signed on behalf of Ernst & Young Audyt Polska sp. z o.o. sp. k. by Jolanta Alvarado Rodriguez, a certified auditor registered under No. 11299.

Ernst & Young Audyt Polska sp. z o.o. sp. k. is a member of the National Chamber of Auditors (*Krajowa Izba Biegłych Rewidentów*) entered in the register of entities authorized to audit financial statements under entry No. 130. Ernst & Young Audyt Polska sp. z o.o. sp. k. does not hold a material interest in Alior Bank, and in particular, as at the Prospectus Date, Ernst & Young Audyt Polska sp. z o.o. sp. k. does not hold any Shares.

In the period covered by the Alior Group Annual Consolidated Financial Statements none of the certified auditors authorized to audit the financial statements of Alior Bank or Alior Group resigned or were dismissed.

Pursuant to the provisions of the Articles of Association, the Supervisory Board appoints the entity authorized to audit the financial statements of Alior Bank.

The change of the certified auditor during the period covered by the Alior Group Annual Consolidated Financial Statements was due to the obligation to change the entity authorized to audit financial statements. Pursuant to the provisions of law in force as at the Prospectus Date, the same entity must not audit the financial statements of the same unit for a period exceeding five years. On April 4, 2014, the Supervisory Board, following the recommendation of the audit committee, adopted a resolution in which it selected PricewaterhouseCoopers Sp. z o.o. with its registered office in Warsaw as the entity authorized to audit financial statements and consolidated financial statements of Alior Bank. Subsequently, on June 6, 2014, Alior Bank entered into the relevant agreement with PricewaterhouseCoopers Sp. z o.o. with its registered office in Warsaw for a period of three years.

Documents on Display

During the period of validity of the Prospectus, the following documents or their copies are available for inspection at the registered office of the Company (ul. Łopuszańska 38D, 02-232 Warszawa), as well as on the Company's website (www.aliorbank.pl):

- the Articles of Association;
- the current excerpt of the Company from the Register of Entrepreneurs;
- the Capital Increase Resolution;
- the Alior Group Annual Consolidated Financial Statements together with the independent auditors' opinion thereon.

Furthermore, during the period of validity of the Prospectus, the standalone financial statements of the Subsidiaries as at and for the years ended December 31, 2015 and 2014, together with the relevant auditors' opinions thereon will be available for review at the registered office of the Company.

Additionally, during the period of validity of the Prospectus, copies of the Annual Standalone Financial Statements of Bank BPH together with the relevant auditors' opinions thereon, will be placed on the Company's website www.aliorbank.pl under the tab "*Integration of Banks*".

Documents incorporated by reference

The Company and Bank BPH are public companies and their shares are listed on a regulated market (main market) operated by the WSE. The Company and Bank BPH are subject to certain disclosure requirements under the provisions of applicable law and stock exchange regulations.

The Alior Group Annual Consolidated Financial Statements together with the auditors' opinions thereon and the Alior Group Consolidated Financial Statements for the First Quarter 2016 are hereby incorporated in this Offering Circular by reference to:

- the consolidated financial statements of the Alior Group for the year ended December 31, 2015 together with the independent auditor's opinion thereon, published by the Company on March 3, 2016;
- the consolidated financial statements of the Alior Group for the year ended December 31, 2014 together with the independent auditor's opinion thereon, published by the Company on February 27, 2015;
- the consolidated financial statements of the Alior Group for the year ended December 31, 2013 together with the independent auditor's opinion thereon, published by the Company on May 6, 2014; and
- the unaudited condensed interim consolidated financial statements of the Alior Group for the three-month period ended March 31, 2016.

The Alior Group Financial Statements are available on the Company's website (www.aliorbank.pl), under the tab "*Investor Relations*".

The Demerger Plan together with Schedule 1 thereto is hereby incorporated in the Offering Circular by reference to the Company's current report No. 29/2016 of April 30, 2016.

The Demerger Plan together with Schedule 1 thereto is available on the Company's website www.aliorbank.pl under the tab "*Investor Relations*".

The Annual Standalone Financial Statements of Bank BPH together with the independent auditors' opinions thereon are hereby incorporated in this Offering Circular by reference to:

- the standalone financial statements of Bank BPH for the year ended December 31, 2014, together with the independent auditor's opinion thereon, published by Bank BPH on March 20, 2015; and
- the standalone financial statements of Bank BPH for the year ended December 31, 2013, together with the independent auditor's opinion thereon, published by Bank BPH on March 14, 2014

The Annual Standalone Financial Statements of Bank BPH are available on the the Company website www.aliorbank.pl under the tab "*Integration of Banks*".

No other content available on the web site of the Company or Bank BPH or any other web site referred to herein or on the web site of the Company or Bank BPH shall be incorporated by reference, or deemed to be incorporated by reference, in this Offering Circular.

Costs of the Offering

The Company intends to obtain gross proceeds from the issuance of the Offer Shares under the Offering in the amount of approximately PLN 2,200 million.

The Company estimates that the remuneration of the Offer Managers for their services related to the Offering, including the placement and underwriting, will amount to approximately PLN 36.2 million. The Company estimates that the other costs of the Offering will amount to approximately PLN 35.1 million. In addition to the remuneration of the Offer Managers referred to above, the other costs of the Offering include, among other things, the costs of legal advice and the fees of the Company's auditor, the costs of preparation and making of the Offering Circular and the Bank BPH Special Purpose Financial Statements, administrative costs and other costs related to the issuance and Offering, registration fees related to the Pre-emptive Rights, Rights to Shares and the Offer Shares, the costs of publication of information regarding the Offering and the costs of the information campaign addressed to the shareholders of the Company in relation to the issuance and the Offering.

The Company will not charge any expenses to investors who submit subscription orders for the Offer Shares. The amount paid by an investor upon submission of a subscription order may, however, include a potential fee charged by the investment firm accepting the subscription order, in accordance with the regulations of such investment firm.

Upon completion of the Offering, the Company will publish a current report providing detailed information regarding the results of the Offering, including the the amount of proceeds raised by the Company through the issuance of the Offer Shares and the amount of costs incurred by the Company in relation to the Offering.

Place of registration of the Offer Shares

The Company is not expecting to use services of paying agents. The Offer Shares will be registered with the securities deposit maintained by the National Depository for Securities (*Krajowy Depozyt Papierów Wartościowych S.A.*) with its registered office in Warsaw, ul. Książęca 4, 00-498 Warszawa.

ACRONYMS AND DEFINITIONS

Unless the context requires otherwise, the following defined terms are used throughout the Prospectus.

Absource	Absource spółka z ograniczoną odpowiedzialnością in organization with its registered office in Kraków, address: ul. Miłkowskiego 3, 30-349 Kraków entered in the Register of Entrepreneurs of the National Court Register No. 0000615863.
Accounting Act	Accounting Act of September 29, 1994 (consolidated text in: *Dziennik Ustaw* of 2013, item 330, as amended).
Act on Auditors	Act of May 7, 2009 on Registered Auditors and Their Self-Government, Registered Audit Companies and on Public Spervision (*Dziennik Ustaw* of 2009, No. 77, item 649, as amended).
Act on Bonds	Act on Bonds of January 15, 2015 (*Dziennik Ustaw* of 2015, item 238).
Act on Certain Financial Collaterals	Act of April 2, 2004 on Certain Financial Collaterals (consolidated text in: *Dziennik Ustaw* of 2012, No. 942, as amended).
Act on Financial Market Supervision	Act of July 21, 2006 on Financial Market Supervision (consolidated text in: *Dziennik Ustaw* of 2016, item 174).
Act on Mortgage Bonds and Mortgage Banks	Act of Mortgage Bonds and Mortgage Banks of August 29, 1997 (consolidated text in: *Dziennik Ustaw* of 2015, item 1588, as amended.
Act on Protection of Competition and Consumers	Act of February 16, 2007 on Protection of Competition and Consumers (consolidated text in: *Dziennik Ustaw* of 2015, item 184, as amended).
Additional Tier I Capital	Additional Tier I Capital includes preferred stock, hybrid financial instruments (instruments based on debt and share capital, such as convertible bonds), provided that they fulfil appropriate classification criteria (Article 48-49)
Admission	The process of applying for and admission of the Offer Shares, Allotment Certificates and Individual Preemptive Rights to trading on the regulated market (main market) operated by the WSE and, if the context so requires, the admission and listing of the Offer Shares on that market.
ALCO	The Assets and Liabilities Committee
Alior Bank Annual Non-Consolidated Financial Statements	Audited, non-consolidated financial statements of Alior Bank as at and for the year-ended December 31, 2015, 2014 and 2013, prepared in accordance with the IFRS
Alior Bank, Bank, Company	Alior Bank Spółka Akcyjna with its registered office in Warsaw, address: ul. Łopuszańska 38D, 02-232 Warszawa, registered in the Register of Entrepreneurs of the National Court Register under No. 305178
Alior Group	Alior Bank and the Subsidiaries
Alior Group Annual Consolidated Financial Statements	Alior Group Annual Consolidated Financial Statements for 2013, Alior Group Annual Consolidated Financial Statements for 2014 and Alior Group Annual Consolidated Financial Statements for 2015
Alior Group Annual Consolidated Financial Statements for 2013	Audited Alior Group annual consolidated financial statements for the year ended December 31, 2013 prepared in accordance with IFRS.
Alior Group Annual Consolidated Financial Statements for 2014	Audited Alior Group annual consolidated financial statements for the year ended December 31, 2014 prepared in accordance with IFRS.
Alior Group Annual Consolidated Financial Statements for 2015	Audited Alior Group annual consolidated financial statements for the year ended December 31, 2015 prepared in accordance with IFRS.

Alior Group Consolidated Financial Statement for the First Quarter 2016	Unaudited condensed Alior Group consolidated financial statements for the three-month period ended March 31, 2016, prepared in accordance with IAS 34.
Alior Group Financial Statements	Alior Group Annual Consolidated Financial Statements and Alior Group Consolidated Financial Statements for the First Quarter 2016.
Alior Leasing	Alior Leasing Spółka z ograniczoną odpowiedzialnością with its registered office in Wrocław, address: ul. Marii Skłodowskiej-Curie 34, 50-369 Wrocław, registered in the Register of Entrepreneurs of the National Court Register under No. 554171
Alior Lux	Alior Lux S.a.r.l. & Co. S.C.A. with its registered office in Luxembourg
Alior Polska	Alior Polska Spółka z ograniczoną odpowiedzialnością with its registered office in Warsaw, address: ul. Łopuszańska 38D, 02-232 Warszawa, registered in the Register of Entrepreneurs of the National Court Register under No. 287720.
Alior Services	Alior Services Spółka z ograniczoną odpowiedzialnością with its registered office in Warsaw, address: ul. Marynarska 12, 02-674 Warszawa, registered in the Register of Entrepreneurs of the National Court Register under No. 411576.
Allotment Certificates and Rights to Shares	A security representing the right to obtain Offer Shares which will be deemed to be created upon the allotment of the Offer Shares and to be extinguished upon the registration of those Shares at the depository of securities, or as of the date when a court decision refusing the registration of the capital increase in the Company with the National Court Register becomes final and non-appealable.
Anti-money Laundering Act	Act of November 16, 2000 on Counteracting Money Laundering and Financing of Terrorism (consolidated text in: *Dziennik Ustaw* of 2016*,* item 299).
Annual Standalone Financial Statements of Alior Bank	Audited standalone financial statements of Alior Bank for the financial years ended December 31, 2015, 2014 and 2013 prepared in accordance with IFRS.
Annual Standalone Financial Statements of Bank BPH	Audited standalone financial statements of Bank BPH for the financial years ended December 31, 2015, 2014 and 2013 prepared in accordance with IFRS.
Articles of Association	Articles of Association of Alior Bank
Bank BPH	Bank BPH Spółka Akcyjna with its registered office in Gdańsk, address: ul. płk. Jana Pałubickiego 2, 80-175 Gdańsk, registered in the Register of Entrepreneurs of the National Court Register under No. 10260.
Bank BPH Core Business	Has the meaning defined in "*Transaction-Tender Offer*"
Bank BPH Core Business CET 1	Has the meaning defined in "*Transaction-Share Purchase and Demerger Agreement – Termination of the Share Purchase and Demerger Agreement"*
Bank BPH Group	Bank BPH and its subsidiaries
Bank BPH Mortgage Business	Has the meaning defined in "*Transaction-Introduction*"
Bank BPH Special Purpose 2014–2015 Financial Statements	Audited Bank BPH annual special purpose financial statements for the two financial years ended December 31, 2016
Bank BPH Special Purpose Financial Statements	Bank BPH Special Purpose 2014-2015 Financial Statements and Bank BPH Special Purpose Q1 2016 Financial Statements
Bank BPH Interim Special Purpose Q1 2016 Financial Information	Unaudited condensed interim special purpose financial information for Bank BPH for the three-month period ended March 31, 2016

Bank Zachodni WBK	Bank Zachodni WBK S.A. with its registered office in Wrocław; address: Rynek 9/11, 50-950 Wrocław, registered in the Register of Entrepreneurs of the National Court Register under No. 0000008723.
Banking Law	Banking Law of August 29, 1997 (consolidated text in: *Dziennik Ustaw* of 2015*,* item 128, as amended)
Basel II	The New Capital Accord of June 26, 2004 published by the Basel Banking Supervision Committee – a set of provisions setting out principles for the calculation of capital requirements and banking risk management. In Poland it has been implemented by way of an amendment to the Banking Law and the adoption of Resolutions No. 1-6/2007 of the Polish Financial Supervision Authority of March 2007 which took effect as of January 1, 2008 (assuming the exercise of the option provided in § 14 Section 1 of the Resolution No. 1/2007 of the Polish Financial Supervision Authority).
Basel III/Basel III Accord	Two documents published by the Basel Committee on Banking Supervision on December 16, 2010, styled "*Basel III: A global regulatory framework for more resilient banks and banking systems*" and "*Basel III: International framework for liquidity risk measurement, standards and monitoring*" – a set of provisions introducing fundamental reforms to the regulatory capital framework and capital requirements. The Basel III accord has been implemented in the EU in CRD 4.
BFG	The Banking Guarantee Fund (*Bankowy Fundusz Gwarancyjny*).
BGK	Bank Gospodarstwa Krajowego
Bonds	Up to 800,000 unsecured subordinated bearer bonds with the nominal value of PLN 1,000 each, issued by Alior Bank under the Public Bonds Program
BPH TFI	PBH Towarzystwo Funduszy Inwestycyjnych Spółka Akcyjna with its registered office in Warsaw and the address at: ul. Bonifraterska 17, 00-203 Warszawa, registered in the Register of Entrepreneurs of the National Court Register under No. 2970
BRR Directive	Directive 2014/59/EU of the European Parliament and of the Council of May 15, 2014 establishing a framework for the recovery and resolution of credit institutions and investment firms and amending Council Directive 82/891/EEC, and Directives 2001/24/EC, 2002/47/EC, 2004/25/EC, 2005/56/EC, 2007/36/EC, 2011/35/EU, 2012/30/EU and 2013/36/EU, and Regulations (EU) No 1093/2010 and (EU) No 648/2012, of the European Parliament and of the Council
Capital Increase Resolution	Resolution No. 3 of the Extraordinary General Meeting of May 5, 2016 regarding: an increase of the share capital by way of issuance of Series I in a private placement conducted as a public offering, setting May 23, 2016 as the record day for preemptive rights for the Series I shares, authorizing the Supervisory Board to give consent to underwriting, dematerialization and applying for admission of allotment preemptive rights, allotment certificates and Series I shares to trading on the regulated market operated by the Warsaw Stock Exchange, as well as amendments to the Articles of Association and authorizing the Supervisory Board to adopt an amended and restated text of the Articles of Association
CAR	The total capital adequacy ratio representing the institution's own funds expressed as a proportion of the total risk exposure amount pursuant to Article 92 Section 2 letter c) of the CRR
CBD BR	Central Data Base – Banking Register
CBD DZ	Central Data Base – Restricted Documents

Centrum Obrotu Wierzytelnościami	Centrum Obrotu Wierzytelnościami Spółka z ograniczoną odpowiedzialnością with its registered office in Warsaw, address: ul. Zygmunta Miłkowskiego 3, 30-349 Kraków, registered in the Register of Entrepreneurs of the National Court Register under No. 576656
Certain Financial Institutions Tax Act, CDIT Act	Act on Tax on Certain Financial Institutions of January 15, 2016 (*Dziennik Ustaw* of 2016, item 68)
CET1	The Common Equity Tier I ratio of the institution expressed as a percentage of the total risk exposure amount pursuant to Article 92 Section 2 letter a) of the CRR
CHF	Swiss franc – the currency of Switzerland.
CIRS	Cross-currency Interest Rate Swap
CIT Act	Corporate Income Tax Act of February 15, 1992 (consolidated text in: *Dziennik Ustaw* of 2014*,* item 851, as amended)
Civil Code	The Civil Code of April 23, 1964 (consolidated text in: *Dziennik Ustaw* of 2016*,* item 380).
Code of Civil Procedure	The Code of Civil Procedure of November 17, 1964 (consolidated text in: *Dziennik Ustaw* of 2014, item 101 as amended)
Code of Commercial Companies	The Code of Commercial Companies of September 15, 2000 (consolidated text in: *Dziennik Ustaw* of 2013*,* item 1030, as amended).
Common Equity Tier I Capital	Common Equity Tier I Capital includes retained earnings, open reserves, funds for general banking risk, and all ordinary shares issued.
Consumer Credit Act	Consumer Credit Act of May 12, 2011 (*Dziennik Ustaw* of 2014*,* item 1497, as amended).
CRD	Directive 2006/48/EU of the European Parliament and of the Council of June 14, 2006 relating to the taking up and pursuit of the business of credit institutions and Directive 2006/49/EU of the European Parliament and of the Council of June 14, 2006 on the capital adequacy of investment firms and credit institutions
CRD 4	Regulation (EU) No. 575/2013 of the European Parliament and of the Council of June 26, 2013 on prudential requirements for credit institutions and investment firms and amending Regulation (EU) No. 648/2012 and Directive 2013/36/EU of the European Parliament and of the Council of June 26, 2013 on access to the activity of credit institutions and the prudential supervision of credit institutions and investment firms, amending Directive 2002/87/EC and repealing Directives 2006/48/EC and 2006/49/EC
CRR	Regulation (EU) No 575/2013 of the European Parliament and of the Council of June 26, 2013 on prudential requirements for credit institutions and investment firms and amending Regulation (EU) No 648/2012
Demerger	Means the demerger of Bank BPH conducted pursuant to Article 529 § 1 item 4 of the Code of Commercial Companies by way of transferring the Bank BPH Core Business to Alior Bank
Demerger Date	The date of registration of the capital increase in Alior Bank related to the Demerger by the competent Registry Court
Demerger Offering	Has the meaning defined in "*Transaction-Main Phases of Implementation of the Transaction*"
Demerger Offering Document	The offering document to be prepared by Alior Bank in relation to the Demerger Offering (if any)

Demerger Offering Prospectus	An issue prospectus to be prepared for the purposes of the Demerger Offering (if any) comprising the Registration Document, Demerger Offering Document and the Demerger Offering Summary
Demerger Offering Summary	A summary of the Demerger Offering (if any) to be prepared by Alior Bank
Demerger Plan	A plan prepared in relation to the Demerger and published in Alior Bank's current report No. 29/2016 of April 30, 2016.
Demerger Resolution	Has the meaning defined in *"Transaction – Share Purchase and Demerger Agreement – Terms of Transaction"*
Demerger Shares	The Shares of Alior Bank to be issued in relation to the Demerger.
Detailed Procedures of the NDS	Detailed Rules of the Operation of the National Depository of Securities (prevailing as at January 1, 2016)
Detailed Rules of WSE Trading	Detailed Exchange Trading Rules adopted by the WSE Management Board by resolution No 1038/2012 dated October 17, 2012, as amended
EC	The European Commission, an executive body of the European Union
ECB	The European Central Bank.
ESMA	European Securities and Market Authority
EU	The European Union
EURO, EUR	Euro – the currency of the Euro Zone.
Euro Zone	A currency union of the following member states which have adopted the Euro as their sole legal tender: Austria, Belgium, Finland, France, Spain, the Netherlands, Ireland, Luxembourg, Germany, Portugal, Italy (since 1999), Greece (since 2001), Slovenia (since 2007), Cyprus (since 2008), Malta (since 2008), Slovakia (since 2009), Estonia (since 2011), Latvia (since 2014), Lithuania (since 2015)
Exchange Rate	The rate of exchange of the Bank BPH shares for the Demerger Shares in relation to the Demerger
Existing Shares	The shares of Alior Bank existing as at the date of this Offering Circular, i.e. 72,707,463 Series A, B, C, D, G and H ordinary bearer shares with the nominal value of PLN 10.00 each
Extraordinary General Meeting	The Extraordinary General Meeting of the Company
EY	Ernst & Young Audyt Polska Spółka z ograniczoną odpowiedzialnością Spółka komandytowa (formerly Ernst & Young Audit sp. z o.o.) with its registered seat in Warsaw; address: Rondo ONZ 1, 00-124 Warsaw, entered in the Register of Entrepreneurs of the National Court Register No. 481039
GDP	Gross Domestic Product
GE Guarantee	The guarantee issued on March 31, 2016 by GE Capital Global Holdings, LLC, for Bank BPH Sellers' liabilities under the Share Purchase and Demerger Agreement
GEIP	GE Investments Poland Spółka z ograniczoną odpowiedzialnością with its registered office in Warsaw; address: ul. Chełmska 6/8/6, 00-725 Warszawa, registered in the Register of Entrepreneurs of the National Court Register under No. 420722.
General Meeting	General Meeting of Alior Bank
GUS	The Central Statistical Office (*Główny Urząd Statystyczny*).

IAS	International Accounting Standards published in the years 1973-2001, adopted in the Commission Regulation (EC) No. 1126/2008 of November 3, 2008 adopting certain international accounting standards in accordance with Regulation (EC) No 1606/2002 of the European Parliament and of the Council.
IAS 39	International Accounting Standard 39 "*Financial Instruments: Recognition and Measurement*" *(excluding certain regulations concerning hedge accounting*)".
IFRS	International Financial Reporting Standards, International Accounting Standards and the pertinent interpretations of the Standing Interpretations Committee and IFRS Interpretations Committee defined in Article 2 of the Regulation (EC) No. 1606/2002 of the European Parliament and of the Council of July 19, 2002 on the application of international accounting standards (OJ UE L 243/1 of September 11, 2002*,* as amended) and adopted in the Commission Regulation (EC) No. 1126/2008 of November 3, 2008 adopting the international accounting standards pursuant to Regulation (EC) No. 1606/2002 of the European Parliament and of the Council.
IMF	The International Monetary Fund.
IRS	Interest rate swap
Investment Funds Act	Investment Funds Act of May 27, 2004 (consolidated text in: *Dziennik Ustaw* of 2014*,* item 157).
Issue Price	The Issue Price of the Offer Shares determined for the purpose of the exercise of the Preemptive Rights and Additional Subscriptions, to be published pursuant to Article 54 Section 3 of the Public Offering Act.
J.P. Morgan	J.P. Morgan Securities plc with its registered office in London; address: 25 Bank Street, Canary Wharf, London E14 5JP, United Kingdom
LIBOR	The London Interbank Offered Rate based on the interest rates applied in lending of unsecured funds on the London interbank monetary market.
MAD Directive	Directive 2014/57/EU of the European Parliament and of the Council of April 16, 2014 on criminal sanctions for market abuse (market abuse directive)
Management Board	The Management Board of Alior Bank.
Mandatory Squeeze-out	Has the meaning defined in "*Transaction-Main Phases of Implementation of the Transaction*"
MAR Regulation	Regulation of the European Parliament and of the Council (EU) No. 596/2014 of April 16, 2014 on market abuse (market abuse regulation) and repealing Directive 2003/6/EC of the European Parliament and of the Council and Commission Directives 2003/124/EC, 2003/125/EC and 2004/72/EC
Member State	Any of the EU member states
Meritum Bank ICB	Meritum Bank ICB Spółka Akcyjna with its registered office in Gdańsk, address: ul. Piastowska 7, 80-332 Gdańsk, deleted from the National Court Register as of August 13, 2015 as a result of its merger by acquisition by and into the Company.
Meritum Services ICB	Meritum Services ICB Spółka Akcyjna with its registered office in Gdańsk, address: ul. Piastowska 7, 80-332 Gdańsk, registered in the Register of Entrepreneurs of the National Court Register under No. 69658.
Minority Shareholders of Bank BPH	Shareholders of Bank BPH other than Alior Bank (after the acquisition of shares in Bank BPH under the Tender Offer), the Sellers and their related parties.

Monetary Policy Board	The Polish Monetary Policy Council, a body of the National Bank of Poland
Money Makers	Money Makers Towarzystwo Funduszy Inwestycyjnych Spółka Akcyjna with its registered office in Warsaw, address: ul. Domaniewska 39A, 02-672, Warszawa registered in the Register of Entrepreneurs of the National Court Register under No. 350402.
National Court Register, KRS	The National Court Register
NBP	The National Bank of Poland
NDS	The National Depository for Securities (*Krajowy Depozyt Papierów Wartościowych S.A.*) with its registered office in Warsaw and the deposit system operated by this company
NewCommerce Services	NewCommerce Services Spółka z ograniczoną odpowiedzialnością with its registered office in Warsaw, address: ul. Łopuszańska 38D, 02-232 Warszawa, registered in the Register of Entrepreneurs of the National Court Register under No. 570731
Offer Shares	56,550,249 Series I ordinary bearer shares with the nominal value of PLN 10.00 each, being subject to the Offering conducted on the basis of the Prospectus
Offering	The public offering of the Offer Shares conducted on the territory of the Republic of Poland on the basis of the Prospectus
Offering Document	The Polish language offering document prepared in relation to the Offering by Alior Bank and approved by the PFSA
Offering Summary	The summary of the Offering prepared by Alior Bank and approved by PFSA
p.p.	percentage point(s)
P1A Bonds	The Bonds of the P1A series.
P1B Bonds	The Bonds of the P1B series.
Patent Office	Polish Patent Office (*Urząd Patentowy Rzeczypospolitej Polskiej*)
Payment Services Act	Act on Payment Services of August 19, 2011 (*Dziennik Ustaw* of 2014*,* item 873 as amended).
PFSA	The Polish Financial Supervision Authority (*Komisja Nadzoru Finansowego*).
PFSA Resolution 258/2011	PFSA Resolution No. 258/2011 of October 4, 2011 on detailed principles of functioning of the risk management system and internal control system and detailed conditions of internal capital assessment by banks and of reviewing the process of internal capital assessment and maintenance and the principles of determining the policy on variable components of remuneration of persons holding managerial positions at a bank (O.J. PFSA of 2011 No. 11 item 42, as amended).
PFSA Resolution 259/2011	PFSA Resolution No. 259/2011 of October 4, 2011 amending the Resolution on detailed rules and methods of publication of qualitative and quantitative information on capital adequacy by banks and the scope of published information (O.J. PFSA of 2011 No. 11 item 43, as amended).
PLN	Polish Zloty – the currency of Poland
Poland	The Republic of Poland
Pre-Demerger Cooperation Agreement	The Pre-Demerger Cooperation Agreement dated April 1, 2016 entered into by and between Alior Bank and Bank BPH, with support from the Sellers
Preemptive Right	Preemptive right for the Offer Shares

Preliminary Underwriting Agreement	**Has the meaning defined in "*Transaction- The Share Purchase and Demerger Agreement - Increase in share capital through the rights issue*"**
Pro Forma Financial Information	Unaudited pro forma financial information of Alior Bank, including: (i) unaudited condensed pro forma income statement for the year ended December 31, 2015; (ii) unaudited condensed pro forma income statement for the three-month period ended March 31, 2016 ; (iii) unaudited pro forma balance sheet as at March 31, 2016 and (iv) the relevant explanatory notes.
Prospectus	The Polish language prospectus prepared for the purposes of the Offering comprising the Registration Document, Securities Note, Offering Document and the Offering Summary
Prospectus Date	May 18, 2016, the date of approval of the Prospectus by the PFSA
Prospectus Directive	Directive 2003/71/EC of the European Parliament and of the Council of November 4, 2003 on the prospectus to be published when securities are offered to the public or admitted to trading and amending Directive 2001/34/EC
Prospectus Regulation	Commission Regulation (EC) No 809/2004 of 29 April 2004 implementing Directive 2003/71/EC of the European Parliament and of the Council as regards information contained in prospectuses as well as the format, incorporation by reference and publication of such prospectuses and dissemination of advertisements.
PSD Directive	Directive 2007/64/EC of the European Parliament and of the Council of November 13, 2007 on payment services in the internal market amending Directives 97/7/EC, 2002/65/EC, 2005/60/EC and 2006/48/EC and repealing Directive 97/5/EC
PSD II Directive	Directive (EU) 2015/2366 of the European Parliament and of the Council of November 25, 2015 on payment services in the internal market, amending Directives 2002/65/EC, 2009/110/EC and 2013/36/EU and Regulation (EU) No 1093/2010, and repealing Directive 2007/64/EC
Public Offering Act	Act of July 29, 2005 on Public Offering, Conditions Governing the Introduction of Financial Instruments to Organized Trading, and Public Companies (consolidated text in: *Dziennik Ustaw* of 2013, item 1382, as amended)
PwC	PricewaterhouseCoopers spółka z ograniczoną odpowiedzialnością with its registered office in Warsaw, address: al. Armii Ludowej 14, 00-638 Warszawa registered in the Register of Entrepreneurs of the National Court Register under No. 44655
PZU	Powszechny Zakład Ubezpieczeń Spółka Akcyjna with its registered office in Warsaw, address: al. Jana Pawła II 24, 00-133, Warszawa, registered in the Register of Entrepreneurs of the National Court Register under No. 9831
PZU Życie	Powszechny Zakład Ubezpieczeń na Życie Spółka Akcyjna with its registered office in Warsaw, address: al. Jana Pawła II 24, 00-133, Warszawa, registered in the Register of Entrepreneurs of the National Court Register under No. 30211
Recommendation C	Recommendation of the General Banking Supervision Authority of the NBP of 2002 concerning the management of exposure concentration risk
Recommendation D	PFSA Recommendation of January 2013 concerning the management of IT areas and IT environment safety
Recommendation H	PFSA Recommendation of July 2011 concerning internal control systems in banks

Recommendation M	PFSA Recommendation of January 2013 concerning the management of operating risk in banks
Recommendation P	PFSA Recommendation of March 2015 concerning the management of banks' financial liquidity
Recommendation S	PFSA Recommendation of June 2013 concerning best practices in management of risks related to mortgage-backed credit
Recommendation T	PFSA Recommendation of February 2010 concerning best practices in management of risks related to retail credit exposures
Recommendation U	PFSA Recommendation of June 2014 concerning best practices in bancassurance.
Recommendation W	PFSA Recommendation of July 2015 concerning models risk management in banks
Recommendation Z	Draft recommendation concerning corporate governance in banks published in December 2015 by the PFSA
Registration Document	The Polish language registration document prepared in relation to the Offering by Alior Bank and approved by the PFSA, being part of the Prospectus for the Demerger Offering (if the Demerger Offering is conducted)
RMF	Ordinance of the Minister of Finance of December 16, 2008 on the rules of establishing reserves for risks related to banking activity (*Dziennik Ustaw* of 2008 No. 235 item 1589)
Rules of the General Meeting	The Rules of the General Meeting of Alior Bank
Rules of the Management Board	The Rules of the Management Board of Alior Bank
Share Purchase and Demerger Agreement	The agreement on the sale of shares of Bank BPH and its demerger dated March 31, 2016 between Alior Bank, GEIP, DRB Holdings B.V. and Selective American Financial Enterprises, LLC
Sellers	GE Investments Poland sp. z o.o., DRB Holdings B.V. and Selective American Financial Enterprises, LLC.
Shares	The Existing Shares and Offer Shares
Side Letter	The side letter issued by PZU on March 31, 2016 in relation to Alior Bank's completion of the Transaction
SKOK	Spółdzielcza Kasa Oszczędnościowo–Kredytowa – a Polish cooperative loan and savings scheme
SME	Small and medium enterprises.
Subsidiaries	Direct and indirect subsidiaries of Alior Bank as at the date of this Offering Circular, i.e. Alior Services, Alior Leasing, Meritum Services ICB, NewCommerce Services, Centrum Obrotu Wierzytelnościami, Money Makers and Absource
Supervisory Board	The Supervisory Board of Alior Bank
Telekom Romania	Telekom Romania Mobile Communications S.A. with its registered office in Bucharest and address at: 3-5 Piata Presei Libere, 1st District, 11th Floor, 013702 Bucharest, Romania.
Tender Offer	Public offer to subscribe for the sale of shares in Bank BPH which may be announced by Alior Bank in order to carry out the Transaction by way of a Tender Offer for 66% or a Tender Offer for 100%.

Tender Offer for 66%	Public offer to subscribe for the sale of shares in Bank BPH resulting in achieving 66% of the total number of votes at the General Meeting of Bank BPH (pursuant to Article 73 Section 1 of the Public Offering Act) which may be announced by Alior Bank in order to carry out the Transaction
Tender Offer for 100%	Public offer to subscribe for the sale of shares in Bank BPH (pursuant to Article 74 Section 1 of the Public Offering Act) which may be announced by Alior Bank in order to carry out the Transaction
Tier I	Tier I Capital, within the meaning of CRD 4.
T-Mobile Polska	T-Mobile Polska S.A. with its registered office in Warsaw, address: Marynarska 12, 02-674 Warszawa, registered in the Register of Entrepreneurs of the National Court Register under No. 391193
Trading Act	Act of July 29, 2005 on Trading in Financial Instruments (consolidated text in: *Dziennik Ustaw* of 2014, item 94, as amended).
Transaction	Has the meaning defined in "*Transaction-Introduction*"
Transitional Period	Has the meaning defined in "*Transaction-Tender Offer*"
UOKiK	Polish Competition and Consumer Protection Office (*Urząd Ochrony Konkurencji i Konsumentów*)
UOKiK President	The President of the Polish Office for Protection of Competition and Consumers (*Prezes Urzędu Ochrony Konkurencji i Konsumentów*)
USD	US Dollar – the currency of the United States of America
WIBID	Warsaw Interbank Bid Rate, a daily reference rate based on the interest rates at which banks lend unsecured funds to other banks in the Warsaw Wholesale Money Market
WIBOR	Warsaw Interbank Offered Rate, a daily reference rate based on the interest rates at which banks borrow unsecured funds from other banks in the Warsaw wholesale money market
WSE	The Warsaw Stock Exchange (*Giełda Papierów Wartościowych w Warszawie S.A.*) and, unless the context requires otherwise, the regulated market (main market) operated by that company
VAT Act	Act of March 11, 2004 on goods and services tax (consolidated text in: Dziennik Ustaw of 2016, item 177 as amended)

GLOSSARY OF INDUSTRY TERMS

Unless the context requires otherwise, the following defined terms are used throughout the Prospectus.

bancassurance	Banking insurance. Activities pursued by a bank in cooperation with an insurance institution whereby the bank brokers insurance products.
BION	A regulatory review and assessment tool supporting the risk-based prudential supervision, understood as an organizational concept adjusting the processes, organizational solutions and allocation of resources to the results of risk level reviews.
Cash-back	Banking services allowing a payment card holder to withdraw cash when paying for shopping with the payment card.
CIRS	A cross currency interest rate swap contract.
CR	Cure Rate, a ratio presenting the likelihood of reversal of all premises for impairment of an exposure.
CRM	Customer Relationship Management. Procedures, tools and strategies for managing relationships with customers.
EWS	Early Warning System
Forbearance	A set of actions related to renegotiating and restructuring of loan agreements used when the borrower cannot perform due to financial difficulties. The modifications may include a reduction of the interest rate, grace period etc., i.e. an alteration or waiver of certain contractual requirements.
IBNR	Incurred but not reported: the amount owed by an insurer on losses that are yet to be reported; it reflects the likelihood of occurance of a credit event and expected level of credit loss for a given event during the period between the last individual appraisal of the accounts receivables and the balance day
IRS	An interest rate swap.
KRI	Key Risk Indicators. Selected parameters of a business process describing fluctuations of its operational risk profile.
LGD	Loss Given Default. The amount that the bank will lose should the borrower default.
LIP	Loss Identification Period. The period between the occurrence that caused the customer to default under its obligations and the identification of the individual loss
LTV	Loan to Value. A coefficient used in the evaluation of credit risk: the proportion of the loan value to collateral value
NPL	Non-performing loans.
PD	Probability of Default. The likelihood that an obligation will be defaulted. An indicator of the likelihood of default within the following 12 months.
Business Transformation Plan	Bank BPH business transformation plan for years 2015-2020 along with its updates, adopted by Bank BPH in the 4th quarter of 2015.
ROR	A savings settlement.
Swap	A future cash flows swap contract.
VaR	Value at Risk. One of the risk measures: the maximum expected amount of loss that may occur in the given market conditions at a given time with the given likelihood.

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4. Bank BPH Special Purpose 2014-2015 Financial Statements



Independent auditor's report on the Bank BPH S.A. special purpose condensed interim financial information for the three months ended 31 March 2016

To the Management Board of Bank BPH S.A.

Introduction

We have reviewed the accompanying special purpose condensed interim financial information for the three months ended 31 March 2016, prepared by Bank BPH S.A. ("**Bank BPH**") and presented in Section "*Financial Information—Review report on the Bank BPH Interim Special Purpose Q1 2016 Financial Information*" of the Offering Circular of Alior Bank S.A. This special purpose condensed interim financial information relates to certain activities of Bank BPH (the "**Bank BPH Core Business**") separated from the remaining activities (the "**Bank BPH Mortgage Business**"), as defined in Note 1 and comprises the statement of financial position as of 31 March 2016 and the related income statement, statements of comprehensive income, cash flows and changes in equity for the three month period then ended and other explanatory notes.

This special purpose condensed interim financial information has been prepared for inclusion in the Offering Circular of Alior Bank S.A.

Management Board's Responsibility for the special purpose condensed interim financial information

The Management Board of Bank BPH is responsible for the preparation of the special purpose condensed interim financial information in accordance with the basis of preparation set out in Note 1 to the special purpose condensed interim financial information. Our responsibility is to express a conclusion on this special purpose condensed interim financial information based on our review.

Scope of review

We conducted our review in accordance with the International Standard on Review Engagements 2410 *Review of interim financial information performed by the independent auditor of the entity*. A review of interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

PricewaterhouseCoopers Sp. z o.o.,
Al. Armii Ludowej 14, 00-638 Warszawa, Polska
T: +48 (22) 523 4000, F: +48 (22) 523 4040, www.pwc.com

PricewaterhouseCoopers Sp. z o.o. is entered into the National Court Register maintained by the District Court for the Capital City of Warsaw, under KRS number 0000044655, NIP 526-021-02-28. The share capital is PLN 10,363,900. The seat of the Company is in Warsaw at Al. Armii Ludowej 14.



Independent auditor's report on the Bank BPH S.A. special purpose condensed interim financial information for the three months ended 31 March 2016 (cont')

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the accompanying special purpose condensed interim financial information is not prepared, in all material respects, in accordance with the basis of preparation set out in Note 1 to the special purpose condensed interim financial information.

Emphasis of matter

Without modifying our conclusion, we draw attention to the fact that, as described in Note 1 to the special purpose condensed interim financial information, the Bank BPH Core Business and the Bank BPH Mortgage Business have not operated separately. This special purpose condensed interim financial information is, therefore, not necessarily indicative of results that would have occurred if the Bank BPH Core Business and the Bank BPH Mortgage Business had operated as separate reporting entities and may not be indicative of their future results.

Auditor conducting the review on behalf of PricewaterhouseCoopers Sp. z o.o., Registered Audit Company No. 144:

Katarzyna Łącka

Key Registered Auditor

No. 13131

Warsaw, 19 May 2016

Bank BPH
grupa GE Capital
Po prostu fair

Bank BPH SA

Condensed interim special purpose financial information for the quarter ended

31 March 2016

Bank BPH Spółka Akcyjna, ul. płk. Jana Pałubickiego 2, 80-175 Gdansk, registered with the District Court for Gdansk – North in Gdansk, 7th Commercial Division of the National Court Register, under the number KRS 0000010260. Tax identification code (NIP) – 675-000-03-84. Paid-up share capital of 383.339.555 zł.

www.bph.pl

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Condensed interim income statement

PLN'000

	Notes	For the quarter ended	
		31 Mar. 2016	31 Mar. 2015
Interest income		205 256	221 129
Interest expenses		-38 564	-53 128
Net interest income	**4**	**166 692**	**168 001**
Fee and commission income		78 087	87 589
Fee and commission expenses		-29 326	-24 247
Net fee and commission income	**6**	**48 761**	**63 342**
Result on financial instruments at fair value through profit or loss and exchange rate differences	7	30 070	34 632
Result on financial assets available for sale		2	0
Other operating income	9	1 647	4 990
Other operating expenses	9	-3 568	-7 720
General administrative expenses, incl.:	8	-249 299	-252 434
restructuring costs		*-2 229*	*875*
Impairment charges	5	14 191	20 523
Profit before income tax		**8 496**	**31 334**
Income tax expense	10	1 548	-10 214
Net profit of BANK BPH Core Business		**10 044**	**21 120**
Net loss of BANK BPH Mortgage Business	**33.1**	**-116 661**	**-11 040**
Loss (profit) for the period		**-106 617**	**10 080**

Net Earnings for the period and diluted Earnings for the period per ordinary share for BANK BPH CORE Business (PLN)	0.13	0.28
Net Loss for the period and diluted loss for the period per ordinary share for BANK BPH MORTGAGE Business (PLN)	-1.52	-0.14
Net Loss/Earnings for the period and diluted net loss/Earnings for the period per ordinary share (PLN)	-1.39	0.13

Notes 1-33 are an integral part of this condensed interim special purpose financial information of Bank BPH SA. According to explanations in Note 1 Core Business and Mortgage Business of Bank BPH did not operate separately and therefore the, financial position, financial results, and cash flows may not be indicative of those that would have occurred if they operated as separate reporting entities.

Condensed interim statement of comprehensive income

PLN'000

	For the quarter ended	
	31 Mar. 2016	31 Mar. 2015
Profit for the period of BANK BPH CORE Business	**10 044**	**21 120**
Loss for the period of BANK BPH MORTGAGE Business	**-116 661**	**-11 040**
Profit (loss) for the period	**-106 617**	**10 080**
Other comprehensive income that may be reclassified to profit or loss in subsequent periods:	**2 626**	**-191**
Result from revaluation of available for sale securities (net of deferred tax)	2 627	-215
Settlement of cumulative gains or losses on the hedging instruments which have been discontinued from the hedge accounting (net of deferred tax)	-1	24
Other net comprehensive income of BANK BPH CORE Business	**2 626**	**-191**
Other net comprehensive income of BANK BPH MORTGAGE Business	**0**	**0**
Total net comprehensive income	**-103 991**	**9 889**

Notes 1-33 are an integral part of this condensed interim special purpose financial information of Bank BPH SA. According to explanations in Note 1 Core Business and Mortgage Business did not operate separately and therefore the financial position, financial results and cash flows may not be indicative of those that would have occurred if they operated as separate reporting entities.

Condensed interim statement of financial position

PLN'000

	Notes	As at date	
		31 Mar. 2016	31 Dec. 2015
Cash and balances with the Central Bank	11	849 961	943 981
Financial assets at fair value through profit or loss	13	4 570 299	5 325 322
Amounts due from banks	14	947 609	463 428
Loans and advances to Customers, incl.:	15	8 948 436	8 229 897
loan impairment	*16*	*-858 642*	*-866 019*
Assets pledged as collateral		1 248 066	0
Financial assets available for sale	17	462 050	457 001
Property and equipment	18	250 357	269 505
Intangible assets	19	120 707	119 988
Assets held for sale	20	8 339	8 365
Deferred tax assets		184 932	179 287
Other assets	21	148 274	203 787
Total assets of BANK BPH CORE Business		**17 739 030**	**16 200 561**
Total assets of BANK BPH MORTGAGE Business	**33.2**	**14 636 578**	**15 006 980**
Total assets		**32 375 608**	**31 207 541**

PLN'000

	Notes	As at date	
		31 Mar. 2016	31 Dec. 2015
Amounts due to banks	22	319 577	104 439
Amounts due to Customers	23	13 594 685	12 441 750
Provisions	24	234 929	239 019
Financial liabilities at fair value through profit or loss	25	87 844	79 438
Other liabilities		382 547	324 548
Total liabilities of BANK BPH CORE Business		**14 619 582**	**13 189 194**
Total liabilities of BANK BPH MORTGAGE Business	**33.2**	**13 921 496**	**14 080 432**
Total liabilities		**28 541 078**	**27 269 626**
Shareholders' equity			
Share capital		383 340	383 340
Other capital and reserves		3 594 453	3 591 220
Retained earnings, incl.:		**-143 263**	**-36 646**
Profits (losses) from previous years		-36 646	267 717
Profit (loss) of current year		-106 617	-304 363
Total shareholders' equity		**3 834 530**	**3 937 915**
Total equity and liabilities		**32 375 608**	**31 207 541**

Notes 1-33 are an integral part of this condensed interim special purpose financial information of Bank BPH SA. According to explanations in Note 1 Core Business and Mortgage Business did not operate separately and therefore the financial position, financial results and cash flows may not be indicative of those that would have occurred if they operated as separate reporting entities.

Condensed interim statement of changes in equity for Bank BPH SA

PLN'000

	Share capital	Retained earnings	Other comprehensive income	Supplementary capital	Risk fund charge	Other Reserves	TOTAL
Opening balance of shareholders' equity as at 1 January 2016	**383 340**	**-36 646**	**80 832**	**2 257 023**	**308 338**	**945 027**	**3 937 914**
Loss for the period	0	-106 617	0	0	0	0	-106 617
Other comprehensive net income							
Result from revaluation of available for sale securities (net of tax)	0	0	2 627	0	0	0	2 627
Settlement of cumulative gains or losses on the hedging instruments which have been discontinued from the hedge accounting (net of tax)	0	0	-1	0	0	0	-1
Total other comprehensive net income	**0**	**0**	**2 626**	**0**	**0**	**0**	**2 626**
Total comprehensive net income	**0**	**-106 617**	**2 626**	**0**	**0**	**0**	**-103 991**
Transactions with shareholders with its effect on equity							
Share - based payments	0	0	0	0	0	607	607
Closing balance of shareholders' equity as at 31 March 2016	**383 340**	**-143 263**	**83 458**	**2 257 023**	**308 338**	**945 634**	**3 834 530**

Notes 1-33 are an integral part of this condensed interim special purpose financial information of Bank BPH SA. Statement of changes in equity is presented for the entire Bank BPH and not for the Bank BPH Core Business and Bank BPH Mortgage Business as explained in details in Note 1.

PLN'000

	Share capital	Retained earnings	Other comprehensive income	Supplementary capital	Risk fund charge	Other Reserves	TOTAL
Opening balance of shareholders' equity as at 1 January 2015	**383 340**	**382 977**	**10 540**	**2 141 763**	**308 338**	**942 095**	**4 169 053**
Profit for the period	0	10 080	0	0	0	0	10 080
Other comprehensive income							
Actuarial revaluation (net of tax)	0	0	-215	0	0	0	-215
Change in revaluation of available for sale securities (net of tax)	0	0	24	0	0	0	24
Total other comprehensive net income	**0**	**0**	**-191**	**0**	**0**	**0**	**-191**
Total comprehensive net income	**0**	**10 080**	**-191**	**0**	**0**	**0**	**9 889**
Transactions with shareholders with its effect on equity							
Share - based payments	0	0	0	0	0	714	714
Closing balance of shareholders' equity as at 31 March 2015	**383 340**	**393 057**	**10 349**	**2 141 763**	**308 338**	**942 809**	**4 179 656**

Notes 1-33 are an integral part of this condensed interim special purpose financial information of Bank BPH SA. Statement of changes in equity is presented for the entire Bank BPH and not for the Bank BPH Core Business and Bank BPH Mortgage Business as explained in details in Note 1.

Condensed interim statement of cash flows

PLN'000

	Notes	For the quarter ended	
		31 Mar. 2016	31 Mar. 2015
Profit (loss) before income tax of Bank BPH Core Business		**8 496**	**31 334**
Total adjustments		**724 976**	**-72 734**
Depreciation and amortisation	8	25 059	18 053
Interest income	4	-205 257	-221 129
Interest expenses	4	38 564	53 128
Interest received		167 983	186 017
Interest paid		-23 415	-2 858
Gains (losses) on sale of investments		-52	-293
Change in impairment charges		-7 377	-384 102
Change in assets at fair value through profit or loss		-191 028	-9 234
Change in amounts due from banks		5 274	20 814
Change in loans and advances to customers		-696 708	859 071
Change in other assets		49 948	-95 521
Change in financial assets available for sale		-2 911	219
Change in amounts due to banks		215 135	175 164
Change in amounts due to customers and other institutions		891 240	-951 856
Change in liabilities at fair value through profit or loss		8 406	20 074
Change in other liabilities		350 229	78 162
Change in allocated equity		99 886	181 557
Net cash flows from operating activities of BANK BPH CORE Business		**733 472**	**-41 400**
Net cash flows from operating activities of BANK BPHMORTGAGE Business	**33.3**	**0**	**808**
Net cash flows from operating activities		**733 472**	**-40 592**
Purchase of property and equipment and intangible assets		-7 129	-14 678
Sale of property and equipment and intangible assets		465	293
Net cash flows from investing activities of BANK BPH CORE Business		**-6 664**	**-14 385**
Net cash flows from investing activities of BANK BPH MORTGAGE Business	**33.3**	**0**	**-808**
Net cash flows from investing activities		**-6 664**	**-15 193**
Issue of securities		0	28 460
Redemption of securities issued by the Bank		-29 970	-46 372
Net cash flows from financing activities of BANK BPH CORE Business		**-29 970**	**-17 912**
Net cash flows from financing activities of BANK BPHMORTGAGE Business	**33.3**	**0**	**0**
Net cash flows from financing activities		**-29 970**	**-17 912**
TOTAL NET CASH FLOWS		**696 838**	**-73 697**
OPENING BALANCE OF CASH AND CASH EQUIVALENTS	12	5 956 091	5 855 553
CLOSING BALANCE OF CASH AND CASH EQUIVALENTS	12	6 652 929	5 781 856
CHANGE OF CASH AND CASH EQUIVALENTS		**696 838**	**-73 697**

Notes 1-33 are an integral part of this condensed interim special purpose financial information of Bank BPH SA. According to explanations in Note 1 Core Business and Mortgage Business did not operate separately and therefore the financial position, financial results and cash flows may not be indicative of those that would have occurred if they operated as separate reporting entities.

Notes to the condensed interim special purpose financial information of Bank BPH SA for 1st quarter 2016

1. General information and the basis of preparation

Introduction

This condensed interim special purpose financial information was prepared for the sole purpose of inclusion in the Registration Document/Offering Memorandum of Alior Bank SA ('Alior') for the rights issue ('Offering'). Proceeds from the Offering will be used to finance the acquisition of certain activities of Bank BPH by Alior.

Bank BPH Spółka Akcyjna (hereinafter referred to as 'Bank BPH') is a bank with its registered address in Poland, at ul. płk Jana Pałubickiego 2, 80-175 Gdańsk. Bank BPH is registered with the District Court for Gdańsk – Północ in Gdańsk, under No. KRS 0000010260. The major shareholder of Bank BPH SA is GE Investments Poland Sp. z o.o. (GEIP), which holds 83.74% of the shares and voting rights at the Bank's General Shareholders' Meeting. All together the General Electric Group ('GE Group') holds, through its subsidiaries, 87.24% of the shares and voting rights at the Bank's General Shareholders' Meeting. As of 31 December 2015 GE holds Bank BPH's shares indirectly through GE Capital Global Holdings, LLC., a 100% subsidiary of General Electric CO, being ultimate controlling party. The principal activities of Bank BPH include receipt of financial deposits, maintaining bank accounts, granting loans, executing bank financial settlements and conducting banking activities under the Polish Banking Act.

This condensed interim special purpose financial information was approved by the Management Board of Bank BPH on 19 May 2016.

Planned demerger and acquisition by Alior

On 31 March 2016, certain subsidiaries of the GE Group ('Bank BPH Sellers') and Alior executed a share purchase and demerger agreement regarding the acquisition of the Bank BPH Core Business ('Share Purchase and Demerger Agreement'). The transaction contemplated in the Share Purchase and Demerger Agreement involves:

- acquisition by Alior from the Bank BPH Sellers the shares representing a significant stake in Bank BPH; and
- a demerger of Bank BPH in accordance with Article 529 §1 item 4 of the Polish Code of Commercial Companies to be effected through a spin-off of the Bank BPH Core Business (as defined below) to Alior ('Demerger') and the issuance of new shares by the Alior to the shareholders of Bank BPH indicated in the Demerger plan, other than Alior and the Bank BPH Sellers and their related parties.

As a result of the above Transaction (jointly the 'Transaction'), on the date of the registration of Alior's share capital increase in connection with the Demerger by a relevant registry court ('Demerger Effective Date'), Alior will acquire Bank BPH's core business ('Bank BPH Core Business') that will consist of an organised part of the enterprise, including all assets and liabilities of Bank BPH, excluding certain assets and liabilities that will remain in Bank BPH following the Demerger ('Bank BPH Mortgage Business'). The Bank BPH Mortgage Business will include the mortgage loan portfolio of Bank BPH (in particular, all PLN and non-PLN mortgage loans granted to individuals), financial liabilities to entities of the GE Group, and other assets and liabilities relating to the above-mentioned mortgage loan portfolio. Additionally, the Bank BPH Mortgage Business will include the majority interest in BPH PBK Zarządzanie Funduszami Sp. z o.o. ('BPH PBK') (the sole shareholder of BPH Towarzystwo Funduszy Inwestycyjnych SA ('BPH TFI'), and the liabilities of Bank BPH relating to BPH PBK and/or BPH TFI. The Bank BPH Sellers undertook towards Alior that the Bank BPH Core Business will have its regulatory total

capital ratio, taking into account solely shareholders' equity ('Bank BPH Core Business CET1'), as of the Demerger Effective Date at the level equal to 13.25%.

The acquisition of the Bank BPH Core Business by Alior as a result of the Demerger will be preceded by the acquisition by Alior of a relevant number of shares in Bank BPH from, inter alia, the Bank BPH Sellers in a tender offer. As a result of the Demerger, all of those shares shall cease to exist. As a result of the Demerger, Alior will issue new shares to the minority shareholders of Bank BPH, if such shareholders remain in Bank BPH at a relevant time, and the Bank BPH Sellers will remain the sole shareholders of Bank BPH (and therefore, the economic owners of the Bank BPH Mortgage Business).

Purpose of this financial information

Bank BPH prepares and publishes consolidated and separate financial statements, as well as condensed interim financial statements that provide general information about the financial position, results, and cash flows of the Bank BPH Group and Bank BPH, respectively. This condensed interim special purpose financial information has been prepared to present the financial position, financial results, and cash flows separately for the Bank BPH Core Business and the Bank BPH Mortgage Business in all presented periods as to provide the most adequate picture of the activities that are subject to the transfer to Alior in the Transaction. The Bank BPH Core Business and the Bank BPH Mortgage Business have not operated separately and therefore, the financial position, results, and cash flows may not be indicative of those that would have occurred, if they had operated as separate reporting entities during the period presented or of future results of the business.

During the period covered by this financial information and until the Demerger, the Bank BPH Core Business and the Bank BPH Mortgage Business have been and will be managed together within one legal entity and are therefore not completely separable. In the financial statements of Bank BPH, operations of the Bank BPH Mortgage Business represent part of Retail Segment activities. Some of the managerial functions and related expenses covered its entire operations. Additionally, Bank BPH, as a regulated entity, is required to maintain certain capital covering both businesses. Therefore, presentation of the Bank BPH Core Business on its own would not provide a true picture of its activities. To reflect the above, this financial information presents the financial position, results, and cash flows of both businesses separated between the Bank BPH Core Business and the Bank BPH Mortgage Business.

Basis of preparation

This condensed interim special purpose financial information of Bank for the three months ended 31 March 2016 was prepared in accordance with International Financial Reporting Standards ('IFRS') as adopted by the European Union ('EU') and certain accounting conventions commonly used for preparation of historical financial information in offering documents, described in Note 1 to the Special Purpose Financial Statements of Bank BPH for 2 years ended 31 December 2015. The condensed interim financial information does not include all the information and disclosures required in the annual separate financial statements, and therefore should be read in conjunction with the special purpose financial statements of Bank BPH for the two years ended 31 December 2015.

The adopted accounting policies, accounting conventions and methods of computation and allocations used in the preparation of the condensed interim special purpose financial information are consistent with those followed in the preparation of the special purpose financial statements of Bank BPH for the two years ended 31 December 2015, including those described in Note 1 to those financial statements.

This condensed interim special purpose financial information presents separate information for the Bank BPH Core Business and the Bank BPH Mortgage Business.

As described in the special purpose financial statements of Bank BPH for the two years ended 31 December 2015, upon the Demerger (in accordance with the Demerger Plan of 29 April 2016), the equity balances will be allocated between the Bank BPH Core Business and the Bank BPH Mortgage Business as to, taking into consideration shareholders' equity only, achieve CET1 share capital ratio for the Bank BPH Core Business at 13.25%. For the purposes of the special purpose financial statements and this condensed interim special purpose financial information, equity balances were not separated between two businesses. To achieve above mentioned ratio, certain balances (cash and balances with Central Bank, financial assets at fair value through profit or loss and amounts due from banks) disclosed in the special purpose financial statements and this condensed interim special purpose financial information as entirely attributable to the Bank BPH Core Business will be allocated as of the Demerger Effective Date between both businesses.

Had such allocation been performed at any of the reporting dates, the following amounts originally allocated to the Bank BPH Core Business would have been allocated to the Bank BPH Mortgage Business:

As at 31 March 2016

Bank BPH Core Business	As per this financial information	Allocation to Mortgage Business	As adjusted to reflect the required equity level
Shareholders' equity	3 119 448	1 402 045	1 717 403
Cash and balances with Central Bank	849 961	1 000	848 961
Financial assets at fair value through profit and loss	4 570 299	1 308 796	3 261 503
Amounts due from banks	947 609	92 249	855 360

As at 31 December 2015

Bank BPH Core Business	As per this financial information	Allocation to Mortgage Business	As adjusted to reflect the required equity level
Shareholders' equity	3 011 367	1 304 622	1 706 745
Cash and balances with Central Bank	943 981	1 000	942 981
Financial assets at fair value through profit and loss	5 325 322	1 211 373	4 113 949
Amounts due from banks	463 428	92 249	371 179

Shareholders' equity was calculated as a difference between the value of the total assets and liabilities of the Bank BPH Core Business in accordance with this condensed interim special purpose financial information.

Financial assets at fair value through profit and loss mainly represent the portfolio of NBP bills. Income from such instruments was recognised in the special purpose financial statements of Bank BPH for the two years ended 31 December 2015 and in this special purpose financial information as interest income of the Bank BPH Core Business. The Management Board estimates, that the interest income generated by part of the portfolio that would have had to be re-allocated to the Mortgage Business as described above, for the period of three months ended 31 March 2016 amounts to PLN 5 million (PLN 19 million for the year ended 31 December 2015). The tax effect for the amounts described above would be PLN 1 million, for the period of three months ended 31 March 2016 and PLN 4 million for the year ended 31 December 2015. The amounts of interest income mentioned above have been estimated based on the following assumptions:

- the amount of financial assets at fair value through profit and loss in Q1 of 2016 and in the year 2015 for which the interest income was calculated, remained stable in the aforementioned periods and was equal to the amount as at 31 March 2016 (for the first quarter of 2016) and as at 31 December 2015 (for the year 2015),
- the interest rate used for the calculation of income was based on the average yield of NBP bills in the first quarter of 2016 and in the year 2015,
- both cash and balances with the Central Bank and amounts due from banks did not generate interest income.

Bank BPH publishes general purpose consolidated and separate financial statements. In its published financial statements for the three months ended 31 March 2016, the Bank BPH Core Business was classified, measured, presented as a disposal group held for distribution as required by IFRS5 (including required remeasurements of certain non-current assets to be disposed to the lower of their carrying value and fair value less cost to sell resulting in recognition of additional charges of PLN 290 million in the income for the period).

This special purpose financial information presents the BPH Core Bank Business as a continuing operation following the Demerger and therefore all assets and liabilities are classified and measured accordingly. This means that intangible assets and tangible fixed assets are measured at cost less accumulated amortization/depreciation and less impairment. Such impairment is recognized only when the recoverable amount (higher of value in use and fair value less cost to sell) of an asset declines below its carrying value.

For the purposes of this special purpose financial information, the value in use used for the assessment of impairment considers the continuing operation and use of the intangible and tangible fixed assets and thus on this basis, no impairment remeasurement is recognised.

For the reasons discussed above total assets as at 31 March 2016 and net profit for the 3 months ended 31 March 2016 included in this special purpose financial information differ from those included in the separate interim condensed financial statements of the Bank BPH for the 3 months ended 31 March 2016.

2. Significant accounting principles

This condensed interim special purpose financial information has been prepared in accordance with the basis of preparation described in Note 1 under a historical cost principle, except for financial instruments measured at fair value. The accounting policies have been applied consistently in the reporting periods presented.

This condensed interim special purpose financial information has been prepared in the functional currency, i.e. the basic currency of the economic environment in which the entity operates. The functional currency is the Polish zloty. Unless specified otherwise, all the amounts are presented in thousand zlotys (PLN '000).

3. Operating segments reporting

Division into operating segments

An operating segment is a component of the Bank which as a result of business activities generates income and incurs expenses, including income and expenses that relate to the transactions with any of the Bank's other components. All operating segments' results are reviewed regularly by the Bank's management to make decisions about resources to be allocated to individual segments.

Results of segments, their assets and liabilities include items directly attributable to a given segment, as well as those that can be allocated to a segment on a reasonable basis.

Business segmentation of Bank BPH SA is related to adopted management policies. Bank BPH SA manages its operations under strategic customer segments which are:

- Retail Banking,
- Commercial Banking,
- Assets & Liabilities Management/Other.

The Retail Banking Segment covers individuals. Major services offered to the Retail Banking Segment customers include:

- granting consumer loans, current account overdrafts, and credit card limits,
- deposits, including saving products and the sale of investment products (investment funds, structured products, and brokerage),
- range of current account products with a package of various banking services for individuals (e.g. Konto Kapitalne).

The retail products are offered through the network of own branches of Bank BPH SA, in cooperation with partners and financial representatives under the 'Partner BPH' logo and using distribution channels, such as the Internet (Seza@m) or the call center.

The Commercial Banking Segment covers small, medium and large enterprises, including:

- companies, state-owned enterprises, cooperatives, and foreign enterprises,
- private entrepreneurs, partnerships, and private partnerships,
- units of local government authorities,
- social, occupational and religious associations and non-public entities,
- self-employed, professionals, and farmers.

The Commercial Banking Segment includes also a result from transactions with financial institutions.

The Commercial Banking Segment offers a broad range of products tailored to suit various customers' needs and profiles. The offer covers a universal set of products, consisting of loans, deposits, and transactional services. Under the credit offer, customers can choose between investment loans and revolving loans, the offer is supplemented with financing of short-term trade liabilities. Deposit products enable customers to manage their liquidity; additionally, transactional services support their operational activities.

Segment of Assets and Liabilities Management and Other includes the result from management of the Bank's assets and liabilities and items in the income statement that cannot be allocated to other two segments.

Segments execute internal settlements among themselves on the basis of exchange and market rates related to executed transactions.

In 2016, the Bank made a change in allocation of a part of costs incurred in relation to Payment Organizations, connected with payment settlements made by payment cards, issued by Visa and MasterCard at POS terminals. In these settlements the Bank acts as a settlement Agent. The costs were transferred from the Retail Banking segment to the Commercial Banking segment and amounted to PLN 5.9 million in Q1 2016. For the sake of comparability, the Commercial Banking's commission costs in Q1 2015 were increased by PLN 4.2 million with corresponding decrease in Retail Banking costs.

Data for Q1 2015 described above were brought to comparability.

Bank BPH SA								PLN'000
	Operating segments							
INCOME STATEMENT	Retail Banking		Commercial Banking		Assets and Liabilities Management and Other		Total	
1	2		3		4		(2+3+4)	
For the quarter ended	31 Mar. 2016	31 Mar. 2015	31 Mar. 2016	31 Mar. 2015	31 Mar. 2016	31 Mar. 2015	31 Mar. 2016	31 Mar. 2015
Interest income	**176 182**	**180 742**	**64 818**	**76 858**	**-35 744**	**-36 471**	**205 256**	**221 129**
External interest income	125 832	123 299	36 261	42 922	43 163	54 908	205 256	221 129
Internal interest income*	50 350	57 443	28 557	33 936	-78 907	-91 379	0	0
Interest expense	**-53 787**	**-43 830**	**-22 027**	**-27 365**	**37 250**	**18 067**	**-38 564**	**-53 128**
External interest expense	-14 211	-19 400	-5 503	-7 634	-18 840	-26 094	-38 564	-53 128
Internal interest expense*	-39 576	-24 430	-16 524	-19 731	56 100	44 161	0	0
Net interest income	**122 395**	**136 912**	**42 791**	**49 493**	**1 506**	**-18 404**	**166 692**	**168 001**
Impairment charges	**30 132**	**23 413**	**-15 941**	**-2 890**	**0**	**0**	**14 191**	**20 523**
Fee and commission income	35 626	46 683	42 461	40 906	0	0	78 087	87 589
Fee and commission expense	-12 275	-14 309	-17 049	-9 938	-2	0	-29 326	-24 247
Net fee and commission income	**23 351**	**32 374**	**25 412**	**30 968**	**-2**	**0**	**48 761**	**63 342**
Result on financial instruments at fair value through profit or loss and exchange rate differences	1 621	1 148	13 291	13 015	15 158	20 469	30 070	34 632
Result on financial assets available for sale	0	0	0	0	3	0	3	0
General administrative expense, incl.:	-172 427	-170 570	-69 917	-74 059	-6 955	-7 805	-249 299	-252 434
BFG cost	-3 364	-3 161	-2 917	-3 539	0	0	-6 281	-6 700
Depreciation and amortisation	*-20 402*	*-14 835*	*-3 702*	*-2 808*	*-955*	*-410*	*-25 059*	*-18 053*
Result on other operating income and expenses	450	0	0	0	-2 372	-2 730	-1 922	-2 730
Profit (loss) before income tax	**5 522**	**23 277**	**-4 364**	**16 527**	**7 339**	**-8 470**	**8 496**	**31 334**
Income tax	0	0	0	0	1 548	-10 214	1 548	-10 214
Profit (loss) for the period	**5 522**	**23 277**	**-4 364**	**16 527**	**8 886**	**-18 684**	**10 044**	**21 120**

*Internal revenues/costs – of internal transfers related to funding the segments' core business

PLN'000

	Retail Banking		Commercial Banking		Assets and Liabilities Management and Other		Total	
As at date	**31 Mar. 2016**	**31 Dec. 2015**	**31 Mar. 2016**	**31 Dec. 2015**	**31 Mar. 2016**	**31 Dec. 2015**	**31 Mar. 2016**	**31 Dec. 2015**
Total assets - Core Business	**5 280 797**	**5 296 184**	**4 058 988**	**3 979 057**	**8 399 245**	**6 925 320**	**17 739 030**	**16 200 561**
Loans and advances to Customers gross	4 960 231	4 953 284	4 126 799	4 034 115	720 048	108 517	9 807 078	9 095 916
Loan impairment	-519 695	-535 256	-338 947	-330 764	0	0	-858 642	-866 020
Total liabilities - Core Business	**7 521 825**	**7 430 578**	**4 752 869**	**4 936 145**	**2 344 888**	**822 471**	**14 619 582**	**13 189 194**
Amounts due to Customers (deposits, investment certificates, and current accounts)	7 512 312	7 420 448	4 752 869	4 936 145	1 329 504	85 157	13 594 685	12 441 750

4. Net interest income

by source of income and expenses

PLN '000

	For the quarter ended	
	31 Mar. 2016	31 Mar. 2015
Interest income on:	**205 256**	**221 129**
cash and loans granted to banks	1 814	2 133
loans and advances	160 693	164 136
securities	23 609	28 673
buy-sell-back transactions	1 056	1 614
interest rate swap transactions (IRS)	18 057	24 546
hedging derivatives discontinued from the hedge accounting	27	27
Interest expenses on:	**-38 564**	**-53 128**
loans and advances received	1	1
deposits and term accounts	-9 578	-16 408
current accounts	-10 146	-10 320
securities issued by Bank BPH	-823	-953
sell-buy-back transactions	-1 636	-1 816
interest rate swap transactions (IRS)	-16 280	-23 497
hedging derivatives discontinued from the hedge accounting	-102	-135
NET INTEREST INCOME	**166 692**	**168 001**

by type of entity

PLN '000

	For the quarter ended	
	31 Mar. 2016	31 Mar. 2015
Interest income from:	**205 256**	**221 129**
Central Bank	19 633	24 440
banks	523	405
other financial institutions	19 885	26 509
non-financial entities	159 518	163 471
government sector	5 697	6 304
Interest expenses from:	**-38 564**	**-53 128**
banks	-981	-1 083
other financial institutions	-18 328	-26 337
non-financial entities	-18 402	-24 404
government sector	-853	-1 304
NET INTEREST INCOME	**166 692**	**168 001**

Interest income includes interest on securities designated at fair value through profit or loss (FVO), which amounts to PLN 26,911 ths for Q1 2016 (Q1 2015: PLN 29,532 ths). The interest income of securities classified as held for trading and derivatives is reported in the Result on financial instruments at fair value through profit or loss and exchange rate differences.

Interest income includes also PLN 26,910 ths for Q1 2016 (Q1 2015: PLN 9,524 ths) as the settlement of fees and commissions directly linked to financial assets or liabilities (both income and direct incremental expense) that are recognised at amortised cost with the effective interest rate.

The net interest income on impaired financial assets (i.e. impaired loans) in Q1 2016 amounts to PLN 9,921 ths (Q1 2015: PLN 12,515 ths).

5. Impairment charges

PLN'000

	For the quarter ended	
	31 Mar. 2016	31 Mar. 2015
Net loan impairment charge	-50 377	15 136
Net result on incurred but not reported losses on loans and advances (IBNR)	12 024	-2 383
Recoveries from written-off receivables	51 464	7 961
Net off-balance sheet liabilities impairment charges	1 080	-191
IMPAIRMENT CHARGES	**14 191**	**20 523**

6. Net fee and commission income

PLN'000

	For the quarter ended	
	31 Mar. 2016	31 Mar. 2015
Income from:	**78 087**	**87 589**
securities and fiduciary activities	4 191	4 056
loans and advances	6 913	7 332
credit cards	27 795	30 134
domestic payments and current accounts	23 663	23 934
foreign payments	3 001	3 214
management of customers' investments funds and portfolios	7 110	8 621
insurance intermediation	4 921	9 803
other	493	495
Expenses on:	**-29 326**	**-24 247**
securities and fiduciary activities	-701	-800
loans, advances and account administration fees	-981	-962
credit cards	-23 748	-20 459
domestic payments	-2 818	-989
foreign payments	-241	-212
insurance intermediation	-837	-825
NET FEE AND COMMISSION INCOME	**48 761**	**63 342**

Net fee and commission income for Q1 2016 includes PLN 1,870 ths income from fiduciary activities (Q1 2015: PLN 1,821 ths) and PLN 234 ths expenses from fiduciary activities (Q1 2015: PLN 346 ths).

Net fee and commission income includes commission income on credit cards and loans and advances (other than amounts included in determining the effective interest rate) arising from the assets and liabilities that are not measured at fair value through profit or loss of PLN 34,708 ths for Q1 2016 (Q1 2015: PLN 37,466 ths) and commission costs on credit cards and loans and advances of PLN 24,728 ths for Q1 2016 (Q1 2015: PLN 21,421 ths).

7. Result on financial instruments at fair value through profit or loss and exchange rate differences

PLN'000

	For the quarter ended	
	31 Mar. 2016	31 Mar. 2015
Securities designated at fair value through profit or loss (FVO)	-6 565	2 122
Securities classified as held for trading	1	10
Derivatives	1 664	- 1 676
Foreign exchange gains (losses)	34 970	34 176
RESULT ON FINANCIAL INSTRUMENTS AT FAIR VALUE THROUGH PROFIT OR LOSS AND EXCHANGE RATE DIFFERENCES	**30 070**	**34 632**

8. General administrative expenses

PLN'000

		For the quarter ended	
		31 Mar. 2016	31 Mar. 2015
Employment costs		**-122 940**	**-136 050**
Salaries		-103 113	-114 598
Retirement, disability pension and death benefits		-983	-943
Obligatory social security charges		-18 844	-20 509
Rents		**-30 075**	**-21 279**
Building maintenance		**-8 369**	**-8 178**
Costs of external services and consulting		**-13 877**	**-20 286**
Costs of IT and office equipment maintenance		**-13 888**	**-12 856**
Costs of marketing and sales promotion		**-11 147**	**-9 653**
Other expense, incl.:		**-23 944**	**-26 080**
payments to the Bank Guarantee Fund		*-6 281*	*-6 368*
Depreciation and amortisation		**-25 059**	**-18 053**
GENERAL ADMINISTRATIVE EXPENSES OF BANK BPH CORE BUSINESS, incl.:		**-249 299**	**-252 434**
restructuring costs	*(a)*	-2 229	875

(a) Total restructuring costs included in general administrative expenses of the Bank BPH Core Business amounted in Q1 2016 to PLN 2,229 ths (Q1 2015: provision release in the amount of PLN 875 ths) and were recognised in the following lines:

- 'Employment costs' for Q1 2016 include a release of provisions for employment restructuring in the amount of PLN 5,737 ths (Q1 2015: creation of a provision in the amount of PLN 1,992 ths)
- 'Rents' for Q1 2016 include PLN 7,966 ths related to restructuring costs involving optimisation of the distribution network and the space the Bank's Head Office (Q1 2015: release of a provision in the amount of PLN 2,867 ths)

Interpretation number 21 (IFRIC 21) published by IFRS Interpretations Committee is applicable for financial statements (including interim) prepared for periods beginning on or after 1 January 2015. However, doubts arose as how to apply it to the mandatory fees paid by banks to the Bank Guarantee Fund (BFG). As a result, the opinion of the Polish Financial Supervision Authority from 12 February 2015 and the interpretation of the Ministry of Finance from 11 February 2015 were issued, which recommended to recognise costs of the annual fees payable to the BFG over time - throughout the year. This approach is consistent with the one applied by the Bank in previous periods. Overall cost of obligatory and prudential BFG charges attributable to the Core business amounted in 2015 to PLN 34,677 ths of which PLN 6,368 ths was recognized in the first quarter ended 31 March 2015.
An amendment of the BFG Act made in March 2016 changed the way of calculation and transfer of the mandatory payments to a quarterly cycle to be applied as from Q1 2016. As a result, the BFG charge of PLN 6,281 ths was recognised in the costs of the period ended 31 March 2016.

9. Result on other operating income and expenses

PLN'000

	For the quarter ended	
	31 Mar. 2016	31 Mar. 2015
Other operating income from	**1 647**	**4 990**
Sale or liquidation of fixed assets and assets held for sale	63	242
Franchise fees	222	206
Refund of VAT	0	86
Other	1 362	4 456
Other operating expenses from	**-3 568**	**-7 720**
Impairment charges on intangible assets and property and equipment	-462	-954
Fees and penalty interest	-106	-31
Litigation costs	-1 351	-1 291
Charges for provisions and impairment allowances	-817	-3 197
Other	-832	-2 247
RESULT ON OTHER OPERATING INCOME AND EXPENSES	**-1 921**	**-2 730**

10. Income tax expense

PLN'000

	For the quarter ended	
	31 Mar. 2016	31 Mar. 2015
Current tax	-4 165	-14 994
Deferred tax	5 713	4 780
INCOME TAX	**1 548**	**-10 214**

Reconciliation of tax expense

PLN'000

	For the quarter ended	
	31 Mar. 2016	31 Mar. 2015
Profit (loss) before income tax	8 496	31 334
Statutory income tax at 19% tax rate	**-1 614**	**-5 953**
Tax-exempt revenue - Income of House Savings & Loan Office	275	350
Non tax-deductible expense	-2 120	-3 342
Non-taxable revenues and revenues exempt from taxes	27	19
Other items impacting tax charge	4 980	-1 288
Impact of the differences between profit before income tax and taxable income	**3 162**	**-4 261**
INCOME TAX	**1 548**	**-10 214**

11. Cash and balances with the Central Bank

PLN'000

	As at date	
	31 Mar. 2016	31 Dec. 2015
Cash	481 319	479 388
Balances with the Central Bank	368 642	464 593
CASH AND BALANCES WITH THE CENTRAL BANK	**849 961**	**943 981**

Items under 'Cash and balances with Central Bank' mature within a maximum of 12 months.

As at 31 March 2016, 'Balances with the Central Bank' included the funds in the account with the National Bank of Poland, which constitute a mandatory reserve on the funds acquired by the Bank. The mandatory reserve is defined with a percentage ratio of the total funds accumulated in bank accounts and other returnable funds acquired by the Bank and is kept as the balance of the current account with the NBP based on the arithmetic mean of the daily balances for a given month.

12. Cash and cash equivalents

For the purpose of the condensed interim statement of cash flows, the balance of cash and cash equivalents includes the following balances that mature within 3 months (from the date of acquisition) and are subject to an insignificant risk of changes in value.

PLN'000

	As at date	
	31 Mar. 2016	31 Dec. 2015
Cash and balances with the Central Bank	**849 961**	**943 981**
Amounts due from banks	**903 100**	**413 596**
money market placements	30 001	0
current accounts	451 852	411 879
loans and advances in transit	22 836	1 717

securities from buy-sell-back transactions	398 411	0
Debt securities and bills issued by the State Treasury and other public issuers eligible for rediscounting at the Central Bank	**4 899 868**	**4 598 514**
CASH AND CASH EQUIVALENTS	**6 652 929**	**5 956 091**

13. Financial assets at fair value through profit or loss

PLN'000

	As at date	
	31 Mar. 2016	31 Dec. 2015
1) Securities designated at fair value through profit or loss	4 467 794	5 237 595
2) Positive fair value of derivatives	102 505	87 727
FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS	**4 570 299**	**5 325 322**

Securities designated at fair value through profit or loss

PLN'000

	As at date	
	31 Mar. 2016	31 Dec. 2015
Debt instruments (by type and issuer)	**4 467 794**	**5 237 595**
Money bills issued by Central Bank	4 467 794	4 598 514
Treasury bonds issued by central government institutions	0	639 081
SECURITIES UPON INITIAL RECOGNITION AT FAIR VALUE THROUGH PROFIT OR LOSS	**4 467 794**	**5 237 595**

Positive fair value of derivatives

PLN'000

	As at date	
	31 Mar. 2016	31 Dec. 2015
Interest rate transactions, incl.	**83 377**	**75 125**
FRA	108	133
IRS	83 267	74 980
Interest rate options bought	2	4
Other interest rate instruments	0	8
Currency transactions, incl.	**17 635**	**8 914**
FX forwards	16 150	8 382
Other currency instruments	447	224
Currency options bought	1 038	308
Equity options bought	**1 272**	**3 246**
Commodity options bought	**221**	**442**
TOTAL	**102 505**	**87 727**

14. Amounts due from banks

by type

PLN'000

	As at date	
	31 Mar. 2016	31 Dec. 2015
Money market placements	**40 152**	**10 113**
Other incl.:	**907 457**	**453 315**
current accounts	451 852	411 879
securities from buy-sell-back transactions	398 411	0
loans and advances - under cash collateral	34 343	39 704
loans and advances in transit	22 836	1 717
other	15	15
AMOUNTS DUE FROM BANKS	**947 609**	**463 428**

15. Loans and advances to customers

by type

PLN'000

	As at date	
	31 Mar. 2016	31 Dec. 2015
Loans and advances, incl.:	**9 075 886**	**8 975 867**
factoring	*299 822*	*274 858*
to financial institutions	**80 083**	**96 276**
Corporates	75 239	91 511
Small and medium enterprises	4 844	4 765
to non-financial entities	**8 960 443**	**8 846 338**
Corporates	2 279 879	2 178 899
Small and medium enterprises	1 743 754	1 735 416
Private individuals	4 936 810	4 932 023
to government and self-government sector	**35 360**	**33 253**
Corporates	35 329	33 204
Small and medium enterprises	31	49
Other:	**731 192**	**120 049**
securities from buy-sell-back transactions	539 064	0
loans and advances - under cash collateral of stock exchange transactions	62 412	93 673
loans and advances in transit	116 101	14 020
other	13 615	12 356
TOTAL	**9 907 078**	**9 095 916**
Impairment charges on loans and advances	-850 968	-858 870
Impairment charges on other loans and advances to customers	-7 674	-7 149
LOANS AND ADVANCES TO CUSTOMERS	**8 948 436**	**8 229 897**

16. Loan impairment

PLN'000

	IMPAIRMENT	IBNR	TOTAL
Opening balance (01 Jan. 2016)	**760 834**	**105 185**	**866 019**
Impairment charges	50 377	-12 024	38 353
Receivables written-off	-46 315	0	-46 315
Exchange rate differences from revaluation	-34	10	-24
Other	609	0	609
Closing balance (31 Mar. 2016)	**765 471**	**93 171**	**858 642**

PLN'000

Impairment charges	Opening balance (01 Jan. 2016)	exchange rate differences	written off as losses	net provisioning - impact on profit and loss account	Other	Closing balance (31 Mar. 2016)
FINANCIAL INSTITUTIONS	**245**	**0**	**0**	**15 942**	**0**	**16 187**
Corporates	2	0	0	15 943	0	15 945
Small and medium enterprises	243	0	0	-1	0	242
NON-FINANCIAL ENTITIES	**753 440**	**-34**	**-46 315**	**34 435**	**84**	**741 610**
Corporates	46 392	9	-4	3 150	0	49 547
Small and medium enterprises	233 963	-32	-10 670	1 289	0	224 550
Private individuals	473 085	-11	-35 641	29 996	84	467 513
Impairment charges on loans and advances	**753 685**	**-34**	**-46 315**	**50 377**	**84**	**757 797**
Impairment charges on other receivables	**7 149**	**0**	**0**	**0**	**525**	**7 674**

PLN'000

IBNR	Opening balance (01 Jan. 2016)	exchange rate differences	net provisioning - impact on profit and loss account	Closing balance (31 Mar. 2016)
FINANCIAL INSTITUTIONS	**2 966**	**29**	**-2 586**	**409**
Corporates	2 900	4	-2 597	307
Small and medium enterprises	66	25	11	102
NON-FINANCIAL ENTITIES	**102 057**	**92**	**-9 551**	**92 598**
Corporates	16 291	109	1 384	17 784
Small and medium enterprises	25 838	-17	-380	25 441
Private individuals	59 928	0	-10 555	49 373
GOVERNMENT SECTOR	**162**	**-111**	**113**	**164**
Corporates	162	-111	113	164
Impairment charges on loans and advances	**105 185**	**10**	**-12 024**	**93 171**

PLN'000

	IMPAIRMENT	IBNR	TOTAL
Opening balance (01 Jan. 2015)	**1 246 845**	**119 061**	**1 365 906**
Impairment charges	114 947	-14 009	100 938
Receivables written-off	-605 593	0	-605 593
Exchange rate differences from revaluation	728	133	861
Other	3 907	0	3 907
Closing balance (31 Dec. 2015)	**760 834**	**105 185**	**866 019**

PLN'000

Impairment charges	Opening balance (01 Jan. 2015)	exchange rate differences	written off as losses	net provisioning - impact on profit and loss account	Other	Closing balance (31 Dec. 2015)
FINANCIAL INSTITUTIONS	**214**	**0**	**-469**	**156**	**344**	**245**
Corporates	**0**	**0**	**0**	**2**	**0**	**2**
Small and medium enterprises	214	0	-469	154	344	243
NON-FINANCIAL ENTITIES	**1 240 124**	**728**	**-605 124**	**114 791**	**2 921**	**753 440**
Corporates	56 413	15	-12 638	2 602	0	46 392
Small and medium enterprises	327 126	561	-110 935	15 743	1 468	233 963
Private individuals	856 585	152	-481 551	96 446	1 453	473 085
Impairment charges on loans and advances	**1 240 338**	**728**	**-605 593**	**114 947**	**3 265**	**753 685**
Impairment charges on other receivables	**6 507**	**0**	**0**	**0**	**642**	**7 149**

PLN'000

IBNR	Opening balance (01 Jan. 2015)	exchange rate differences	net provisioning - impact on profit and loss account	Closing balance (31 Dec. 2015)
FINANCIAL INSTITUTIONS	**744**	**265**	**1 957**	**2 966**
Corporates	719	217	1 964	2 900
Small and medium enterprises	25	48	-7	66
NON-FINANCIAL ENTITIES	**118 086**	**-132**	**-15 897**	**102 057**
Corporates	18 008	-49	-1 668	16 291
Small and medium enterprises	32 085	-39	-6 208	25 838
Private individuals	67 993	-44	-8 021	59 928
GOVERNMENT SECTOR	**231**	**0**	**-69**	**162**
Corporates	212	0	-50	162
Small and medium enterprises	19	0	-19	0
Impairment charges on loans and advances	**119 061**	**133**	**-14 009**	**105 185**

17. Financial assets available for sale

PLN'000

	As at date	
	31 Mar. 2016	31 Dec. 2015
Debt instruments issued by central government institutions (Treasury bonds)	380 896	375 980
Equity instruments (shares)	81 154	81 021
FINANCIAL ASSETS AVAILABLE FOR SALE	**462 050**	**457 001**

As at 31 March 2016 and 31 December 2015, the Bank did not recognize any impairment of financial assets available for sale.

18. Property and equipment

PLN'000

	As at date	
	31 Mar. 2016	31 Dec. 2015
Land	625	625
Buildings, premises	140 168	147 325
Other fixed assets	107 034	111 137
Fixed assets under construction	2 530	10 418
PROPERTY AND EQUIPMENT	**250 357**	**269 505**

19. Intangible assets

PLN'000

	As at date	
	31 Mar. 2016	31 Dec. 2015
Software	73 449	68 764
Other	65	67
Expenditures	47 193	51 157
INTANGIBLE ASSETS	**120 707**	**119 988**

20. Assets held for sale

PLN'000

	As at date	
	31 Mar. 2016	31 Dec. 2015
Land (including perpetual usufruct)	295	295
Buildings, premises	8 044	8 044
Other	0	26
ASSETS HELD FOR SALE	**8 339**	**8 365**

As at 31 March 2016 the Bank has designated as held for sale the property in Warsaw with the carrying value of PLN 8,339 ths (as at 31 December 2015: PLN 8,339 ths). The sale is expected to be finalised within next year.

21. Other assets

PLN'000

	As at date	
	31 Mar. 2016	31 Dec. 2015
Deferred income and costs	**13 586**	**7 916**
Perpetual usufruct	**13 693**	**13 740**
Fiscal settlements	**57**	**69**
Other	**14**	**16**
Financial assets:	**120 924**	**182 046**
Sundry debtors	46 154	66 992
Payment card settlements	74 770	115 054
OTHER ASSETS	**148 274**	**203 787**

The amount of 'Sundry debtors' includes impairment charges. As at 31 March 2016, impairment charges amounted to PLN 28,538 ths (as at 31 December 2015: PLN 28,626 ths).

22. Amounts due to banks by type

PLN'000

	As at date	
	31 Mar. 2016	31 Dec. 2015
Current accounts	**18 113**	**31 716**
Money market placements	**290 691**	**59 609**
Other:	**10 773**	**13 114**
amounts due under cash collateral	9 658	12 419
accounts for special purpose funds	1 107	686
other	8	9
AMOUNTS DUE TO BANKS	**319 577**	**104 439**

23. Amounts due to customers by type

PLN'000

	As at date	
	31 Mar. 2016	31 Dec. 2015
Current accounts	**7 894 728**	**7 808 453**
Deposits	**4 028 345**	**4 168 205**
Debt securities issued	**206 008**	**235 132**
Other:	**1 465 604**	**229 960**
securities from sell-buy-back transactions	1 248 067	0
amounts due under cash collateral, incl.:	83 886	67 301
cash collateral for loans	*48 972*	*52 986*
cash collateral for derivative transactions	*34 914*	*14 315*

other	133 651	162 659
AMOUNTS DUE TO CUSTOMERS	**13 594 685**	**12 441 750**

Current accounts and deposits by Customer segment

PLN'000

	As at date	
	31 Mar. 2016	31 Dec. 2015
Corporates	2 334 023	2 291 551
Small and medium enterprises	2 314 005	2 524 891
Private individuals	7 481 053	7 395 348
Total account balances and customer's deposits	**12 129 081**	**12 211 790**

24. Provisions

PLN'000

	As at date	
	31 Mar. 2016	31 Dec. 2015
Short term provisions	**173 911**	**178 790**
Provisions for off – balance sheet liabilities	11 598	12 682
Provision for employment restructuring costs	124 993	137 717
Provision for branches restructuring costs	23 363	16 087
Other	13 957	12 304
Long term provisions	**61 018**	**60 229**
Provisions for retirement benefits and similar obligations	28 815	27 803
Provision for branches restructuring costs	32 203	32 426
PROVISIONS	**234 929**	**239 019**

Movements in provisions

PLN'000

	Provision for retirement benefits and similar obligations	Provision for employment restructuring costs	Provision for branches restructuring costs	Provision for off – balance sheet liabilities	Other	Total
As at 01 Jan. 2016	**27 803**	**137 717**	**48 513**	**12 682**	**12 303**	**239 019**
provision created	1 064	0	7 977	1 640	1 841	12 523
provision release	0	-5 737	-11	-2 721	-7	-8 476
utilisation	-52	-6 987	-913	0	-180	-8 133
other	0	0	0	-3	0	-3
As at 31 Mar. 2016	**28 815**	**124 993**	**55 566**	**11 598**	**13 957**	**234 929**

PLN'000

	Provision for retirement benefits and similar obligations	Provision for employment restructuring costs	Provision for branches restructuring costs	Provision for off – balance sheet liabilities	Other	Total
As at 01 Jan. 2015	**30 998**	**2 863**	**11 362**	**15 568**	**21 143**	**81 934**
provision created	4 086	148 784	43 595	6 537	9 247	212 249
discount rate effect	878	0	558	0	0	1 436
provision release	0	-4 766	-3 486	-9 437	-3 617	-21 306
actuarial remeasurements	-7 979	0	0	0	0	-7 979
utilisation	-180	-9 164	-3 516	0	-11 943	-24 803
other	0	0	0	15	-2 527	-2 512
As at 31 Dec. 2015	**27 803**	**137 717**	**48 513**	**12 683**	**12 303**	**239 019**

25. Financial liabilities at fair value through profit or loss

PLN'000

	As at date	
	31 Mar. 2016	31 Dec. 2015
Interest rate transactions, incl.	**68 692**	**64 848**
IRS	68 690	64 810
Interest rate written options	2	4
Other interest rate instruments	0	34
Currency transactions, incl.	**17 659**	**10 895**
FX forwards	15 139	10 087
Other currency transactions	1 036	438
Currency written options	1 484	370
Equity written options	**1 272**	**3 253**
Commodity written options	**221**	**442**
FINANCIAL LIABILITIES AT FAIR VALUE THROUGH PROFIT OR LOSS	**87 844**	**79 438**

26. Other liabilities

PLN'000

	As at date	
	31 Mar. 2016	31 Dec. 2015
Deferred income	**14 623**	**13 939**
Income due on proceeds from compensation system assets management	**330**	**318**
Fiscal settlements	**28 485**	**24 503**
Liability for unused holidays	**13 813**	**10 913**
Liability for employee salaries and bonuses	**48 953**	**40 966**
Provision for liabilities	**69 922**	**77 269**
Other	**590**	**720**
Financial liabilities:	**205 831**	**155 920**
Inter-bank settlements	138 291	100 640

Sundry creditors	55 434	41 369
Payment card settlements	12 106	13 911
OTHER LIABILITIES	**382 547**	**324 548**

27. Fair value

The fair value of financial assets and liabilities is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction concluded between market participants at the measurement date.

Fair value of financial assets and liabilities, which are not presented at fair value in the condensed interim statement of financial position

PLN'000

As at date 31 March 2016				
	Valuation techniques using observable inputs (level II)	Valuation techniques using significant unobservable inputs (level III)	fair value	carrying amount
Assets				
Amounts due from banks	947 609	0	947 609	947 609
Loans and advances to Customers	723 518	8 308 208	9 031 726	8 948 436
Corporates	0	2 313 064	2 313 064	2 306 700
Small and medium enterprises	0	1 494 313	1 494 313	1 498 294
Private individuals	0	4 500 831	4 500 831	4 419 923
Other receivables	723 518	0	723 518	723 519
Other financial assets	87 309	0	87 309	87 309
Liabilities				
Amounts due to banks	319 577	0	319 577	319 577
Amounts due to Customers	1 465 604	12 029 629	13 495 233	13 594 685
Corporates	0	2 325 724	2 325 724	2 334 023
Small and medium enterprises	0	2 279 907	2 279 907	2 314 005
Private individuals	0	7 423 998	7 423 998	7 481 053
Other liabilities	1 465 604	0	1 465 604	1 465 604
Other financial liabilities	184 319	0	184 319	184 319

PLN'000

As at date 31 December 2015				
	Valuation techniques using observable inputs (level II)	Valuation techniques using significant unobservable inputs (level III)	fair value	carrying amount
Assets				
Amounts due from banks	463 428	0	463 428	463 428
Loans and advances to Customers	112 900	8 115 548	8 228 448	8 229 897
Corporates	0	2 252 157	2 252 157	2 237 867

Small and medium enterprises	0	1 476 019	1 476 019	1 480 120
Private individuals	0	4 387 372	4 387 372	4 399 010
Other receivables	112 900	0	112 900	112 900
Other financial assets	181 249	0	181 249	182 046
Liabilities				
Amounts due to banks	104 439	0	104 439	104 439
Amounts due to Customers	229 960	12 099 906	12 329 866	12 441 750
Corporates	0	2 283 424	2 283 424	2 291 551
Small and medium enterprises	0	2 479 961	2 479 961	2 524 891
Private individuals	0	7 336 521	7 336 521	7 395 348
Other liabilities	229 960	0	229 960	229 960
Other financial liabilities	157 357	0	157 357	155 920

Loans and advances to Customers:
The fair value of loans and advances is determined based on discounted future cash-flows using the current interest rate curve adjusted by average margins based on loan portfolio granted in the last quarter. For receivables with no due date, cash flows were defined using the banking products' model applicable in the Bank that allows to estimate hypothetical repayment terms.

Amounts due to customers:
The fair value of liabilities to customers was determined for liabilities with fixed interest rate and deposits with no due date - by discounting future cash flows using the current interest rate curve adjusted for money market margins for transactions granted in the last quarter. In case of deposits with no due date, cash flows were determined using the Bank's characterization model of banking products, which allows estimating the hypothetical terms outflows.

Fair value hierarchy

Financial instruments are measured at fair value on the basis of generally available rates and market quotations saved in Bloomberg and Reuters systems. Valuation of financial instruments and revaluation of a foreign currency position is performed by the Bank's organizational unit that is independent from the structures responsible for selling products of Bank BPH SA. This unit performs relevant parameterization of algorithms ad valuation systems within the scope of the above-mentioned market rates and exercises control over data compliance.

Classification of financial instruments reflects allocation of input data used in for instruments valuation into individual levels:

1) Level I: financial instruments with a fair value based on direct quotations available on the market. In this category the Bank classifies debt securities measured directly in relation to unadjusted prices quoted on the active market.
2) Level II: financial instruments with a fair value based on pricing models whereby all input data are directly observable on the market. This category includes debt securities issued by the Ministry of Finance (measured using models based on the discounted cash-flow (DCF) method). Additionally, the Bank classified in this category debt securities that were measured in relation to average prices quoted on the market or by brokers (adjusted prices).

Derivatives allocated to the level II are re-priced on a daily basis using the following methods.

Financial Instrument	Pricing Models
Fx-forward, Fx-swap, IRS, CIRS, FRA	Discounted cash flows model
Fx options	Option pricing model (Garman – Kohlhagen)
Securities forwards	Discounted cash flows model
Interest rate options	Option pricing model (Black)
Barrier Fx options	Option pricing model (extended Black – Scholes model)
Binary Fx options	Option pricing model (extended Black – Scholes model)
Stock index options	Valuation model based on the method of equivalent risk-neutral measure and Monte Carlo simulation
Options for commodity price indices	Valuation model based on the method of equivalent risk-neutral measure and Monte Carlo simulation

3) Level III: financial instruments with a fair value based on pricing models whereby significant input data are not directly observable on the market. In this level the Bank includes derivatives with a significant credit risk component and shares of Visa Europe Limited.

Unobservable input data for a given assets or liabilities component are developed with the use of the best available information about the guidelines, under which the market participants would have defined the prices of these assets or liabilities. The credit risk component is a non-observable input data estimated internally by the Bank for elevated risk customers.

Shares of Visa Europe Limited were valued on the basis of the Bank's share in the transaction settlement of Visa Europe Limited takeover by Visa Inc., which is expected to be finalized in Q2 2016. The shareholding of the Bank may change due to, inter alia, costs of the transaction and potential complaints of Visa members pertaining to their share in purchase price, and the execution of the transaction is conditioned upon relevant regulatory consents. Fair value of shares depends on transaction finalization.

The table below presents the division of financial assets and liabilities that are measured in financial statements at fair value by three categories:

PLN'000

	Valuation techniques using observable inputs (level II)	Valuation techniques using significant unobservable inputs (level III)	TOTAL
As at 31 March 2016			
Assets	**6 195 510**	**84 889**	**6 280 399**
Financial assets at fair value through profit or loss, incl.:	4 566 547	3 753	4 570 300
Securities designated at fair value through profit or loss (FVO)	*4 467 794*	*0*	*4 467 794*
Positive fair value of derivatives	*98 753*	*3 752*	*102 505*
Assets pledged as collateral	*1 248 066*	*0*	*1 248 066*
Financial assets available for sale	380 897	81 136	462 033
Liabilities	**87 844**	**0**	**87 844**
Financial liabilities at fair value through profit or loss	87 844	0	87 844
As at 31 December 2015			

Assets	**5 697 250**	**85 057**	**5 782 307**
Financial assets at fair value through profit or loss, incl.:	5 321 270	4 052	5 325 322
Securities designated at fair value through profit or loss (FVO)	*5 237 595*	*0*	*5 237 595*
Positive fair value of derivatives	*83 675*	*4 052*	*87 727*
Financial assets available for sale	375 980	81 005	456 985
Liabilities	**79 438**	**0**	**79 438**
Financial liabilities at fair value through profit or loss	79 438	0	79 438

Table of movements of the fair value of financial instruments to which the Bank applies fair value valuation techniques based on significant unobservable inputs (level III):

PLN'000

	Financial assets at fair value through profit or loss	**Financial assets available for sale**
As at 01 January 2016	**4 052**	**81 005**
Increase, incl.:	**0**	**131**
Increase in the value of financial instruments recognised in other comprehensive income	0	131
Decrease, incl.:	**-300**	**0**
Decrease in the value of financial instruments recognised in result on financial instruments at fair value through profit or loss and exchange rate differences	-300	0
Reclassification (transfer to level II)	**132**	**-131**
As at 31 March 2016	**3 884**	**81 005**

Result on financial instruments kept in portfolio as at the balance sheet date:	**-168**	**0**
Recognised in result on financial instruments at fair value through profit or loss and exchange rate differences	-168	0

PLN'000

	Financial assets at fair value through profit or loss	**Financial assets available for sale**
As at 01 January 2015	**5 699**	**0**
Increase, incl.:	**0**	**81 005**
Increase in the value of financial instruments recognised in other comprehensive income	0	81 005
Decrease, incl.:	**-1 410**	**0**
Decrease in the value of financial instruments recognised in result on financial instruments at fair value through profit or loss and exchange rate differences	-1 410	0
Reclassification (transfer to level II)	**-237**	**0**
As at 31 December 2015	**4 052**	**81 005**

Result on financial instruments kept in portfolio as at the balance sheet date:	**1 410**	**81 005**
Recognised in result on financial instruments at fair value through profit or loss and exchange rate differences	1 410	0
Recognised in other comprehensive income	0	81 005

28. Court proceedings

As at 31 March 2016, the value of disputed items of court proceedings in which the Bank is the defendant amounts to PLN 70,039 ths (as at 31 December 2015: PLN 107,051 ths).

As at 31 March 2016, the value of disputed items for court proceedings with the probability of outflow of economic benefits being remote amounts to PLN 22,601 ths (as at 31 December 2015: PLN 26,589 ths).

As at 31 March 2016, the value of disputed items of court proceedings for which an outflow of economic benefits is possible amounts to PLN 28,624 ths (as at 31 December 2015: PLN 61,720 ths). Concurrently, the Bank assesses that a chance of winning these cases is considerable and consequently does not create provisions.

As at 31 March 2016, the value of court proceedings for which the possibility of losing is significant amounts to PLN 18,813 ths (as at 31 December 2015: PLN 18,742 ths). The Bank assesses that financial effects of those court proceedings shall not exceed the amount of PLN 4,286 ths as at 31 March 2016 (as at 31 December 2015: PLN 3,996 ths) for which the provisions were set up.

As at 31 March 2016, there were no cases before courts or state administrative authorities with regard to the Bank's liabilities or receivables the value of which would represent at least 10% of the Bank's equity.

The Bank has no material settlements subject to proceedings before courts, arbitrage authorities or public administration bodies.

29. Contingent liabilities and assets

Off-balance sheet

PLN'000

	As at date	
	31 Mar. 2016	**31 Dec. 2015**
financing	0	8 000
guarantee	2 429 945	2 704 094
CONTINGENT ASSETS	**2 429 945**	**2 712 094**

The volume of contingent off-balance sheet guarantee assets was impacted, among others, by guarantees and suretyships for debt limits, investment loans, overdrafts and other loans.

PLN'000

	As at date	
	31 Mar. 2016	**31 Dec. 2015**
financing	3 704 363	3 657 978
guarantee	192 996	175 561
OFF-BALANCE SHEET LIABILITIES GRANTED	**3 897 359**	**3 833 539**

Financing commitments comprise unused limits for receivables, credit card limits, overdraft limits on current and personal accounts, and unused limits of operating and other loans.

Guarantees granted include guarantees of proper execution of contract, payment of receivables, performance guarantees.

The value of off-balance sheet guarantees commitments granted by product type and customer segment is presented in the table below.

PLN'000

	As at date	
	31 Mar. 2016	31 Dec. 2015
Financing	**3 704 363**	**3 657 978**
Credit facilities for Corporate	1 950 727	1 735 945
Credit facilities for Small and Medium Enterprises	585 711	891 238
Credit facilities for private individuals	969 492	975 347
Open import letters of credit	33 552	30 511
Liabilities under credit commitments	84 155	24 937
Term deposits with future start date	80 726	0
Guarantee	**192 996**	**175 561**
Guarantees for Corporate, incl.:	163 478	146 349
performance guarantees	*87 846*	*86 447*
Guarantees for Small and Medium Enterprises, incl.:	28 619	28 314
performance guarantees	*16 673*	*16 525*
Confirmed export letters of credit	899	898
CONTIGENT LIABILITIES GRANTED	**3 897 359**	**3 833 539**

Within credit guarantees, guarantees of loan repayment and guarantees of receivable payments represented the greatest amount as of 31 March 2016 and as of 31 December 2015.

As of 31 March 2016 and as of 31 December 2015 performance guarantees are mainly contract performance bonds, performance warrantee and prepayment return guarantees.

PLN'000

	As at date	
	31 Mar. 2016	31 Dec. 2015
Provisions for financial lines	11 169	11 739
Provision for guarantees, incl.:	429	405
performance guarantee	*66*	*76*
Provisions for impaired off-balance sheet liabilities, incl.:	0	538
good performance guarantee	*0*	*66*
PROVISIONS FOR OFF BALANCE SHEET RECEIVABLES	**11 598**	**12 682**

30. Related parties

The note presents disclosures for the whole Bank BPH without split into the Core Business and the Mortgage Business.

Parent company

The main shareholder of Bank BPH SA is GE Investments Poland Sp. z o.o., which holds 83.74% of shares and votes at the Bank's General Shareholders' Meeting. The GE Electric Group holds, through its subsidiaries, 87.24% shares and General Shareholders' Meeting votes of the Bank.

Due to reorganization of General Electric group announced by GE on 10 April 2015, as a result of a series of intergroup transactions conducted under many jurisdictions between 1 December 2015 and 3 December 2015, GE holds Bank BPH's shares indirectly through GE Capital Global Holdings, LLC. (GE CGH), a 100% subsidiary of GE.

Details of transactions with related parties (excluding transactions with subsidiaries)

Transactions with related parties are concluded at arm's length.

As at 31 March 2016 and 31 December 2015, the balances of receivables from and payables to the GE Group were as follows:

PLN'000

	As at date					
	31 Mar. 2016			31 Dec. 2015		
	Parent company	Other GE Group entities	Total	Parent company	Other GE Group entities	Total
Receivables (with interest)	17	37 971	37 988	19	52 134	52 153
Liabilities, incl.:	3 129	13 971 941	13 975 070	3 192	14 064 836	14 068 028
-Current accounts	129	3 080	3 209	192	2 793	2 985
-Deposits	3 000	47 878	50 878	3 000	18 000	21 000
-Drawn credit facilities	0	12 908 300	12 908 300	0	13 321 247	13 321 247
-Other liabilities	0	39 515	39 515	0	43 743	43 743
-Subordinated debt	0	973 168	973 168	0	679 053	679 053
Off balance sheet guarantees commitments granted	0	764	764	0	764	764
Nominal value of derivative transactions, incl.:	0	2 140 792	2 140 792	0	1 014 253	1 014 253
-Fx swap and forward	0	1 584 480	1 584 480	0	32 838	32 838
-IRS/CIRS	0	550 761	550 761	0	967 513	967 513
-Foreign currency exchange transactions	0	5 551	5 551	0	13 902	13 902

As of 31 March 2016 and 31 December 2015, the drawn credit facilities comprise taken credit facilities from the entity from General Electric Group Company, GE Ireland CHF Funding Unlimited Company.

Drawn credit facilities were taken in CHF in the years of 2010-2015 for the period from 3 up to 7 years, however, the longest maturity date is December 2022. They are subject to the 3M LIBOR interest rate for CHF increased by margin. Interest is calculated and paid in 3-month periods.

The value of transactions concluded by the Bank BPH SA for Q1 2016 and for Q1 2015 with the parent company and other related parties was as follows:

PLN'000

	For the quarter ended					
	31 Mar. 2016			31 Mar. 2015		
	Parent company	Other GE Group entities	Total	Parent company	Other GE Group entities	Total
Foreign currency exchange transactions (nominal values)	0	513 896	513 896	0	1 270 484	1 270 484
Fx swap and forward (nominal values)	0	7 882 637	7 882 637	0	9 822 869	9 822 869
IRS/CIRS (nominal values)	0	312 320	312 320	0	58 665	58 665
Deposits	3 003	729 140	732 143	3 003	240 128	243 131
Other receivables	54	3 667	3 721	82	6 418	6 500
Other liabilities	0	2 244	2 244	0	11 691	11 691
Drawn credit facilities	0	513 896	513 896	0	1 270 484	1 270 484
Off balance sheet guarantees granted	0	7 882 637	7 882 637	0	9 822 869	9 822 869

31. Significant events after the balance sheet date

Bank BPH share sales and demerger agreement

Further to the Share Purchase and Demerger Agreement concluded on 31 March 2016 by the Bank's shareholders from the General Electric Company Group concerning the sale of shares and demerger of Bank BPH, on 1 April 2016 the Bank concluded a cooperation agreement with Alior Bank and shareholders from the GE Group concerning the planned demerger. Pursuant to the transaction schedule, on 29 April 2016 the Bank BPH Demerger Plan was agreed that assumes demerger of the Bank by spinning off the Bank BPH Core Business to Alior Bank.

32. Risk management at Bank BPH

32.1. Risk management

Main risk types

To identify and manage risks the Bank defines its various processes specifically for the following types of risk:

- Market risk (currency, interest rate, capital investments and commodity prices);
- Liquidity risk;
- Credit risk;
- Operational risk.

32.2. Market risk

The management processes and market risk measurement methods remain substantially unchanged from those described in the special purpose financial statements of Bank BPH SA for the 2 years ended 31 December 2015.

32.3 Currency risk

The management processes and currency risk measurement methods remain substantially unchanged from those described in the special purpose financial statements of Bank BPH SA for the 2 years ended 31 December 2015.

As at 31 March 2016, VaR on the currency risk for the Bank BPH SA was PLN 10,160 ths.

32.4 Interest rate risk

The management processes and interest rate risk measurement methods remain substantially unchanged from those described in the special purpose financial statements of Bank BPH SA for 2 years ended 31 December 2015.

The interest rate risk is defined as sensitivity of net interest income and the economic value of the Bank's capital to interest rate changes.

As of 31 March 2016, VaR for the interest rate risk of the Bank BPH SA amounted to PLN 766 ths.

32.5 Liquidity risk

The management processes and liquidity risk measurement methods remain substantially unchanged from those described in the special purpose financial statement of Bank BPH SA for the 2 years ended 31 December 2015.

32.6. Credit risk

Corporate customers and medium-sized enterprises

Following observation of the commercial portfolio and the Bank's expectations of the trends that shape macroeconomic environment in a short-term horizon, in Q1 2016 the Bank reviewed its industry policy and performed a cyclical revision of high risk industries.

Within the remaining scope, in relation to corporate companies and medium-sized enterprises, credit risk management processes and measurement methods were not subject to significant modifications as compared to those described in the special purpose financial statements of Bank BPH SA for the 2 years ended 31 December 2015.

Retail loans and Micro SME

In Q1 2016 the Bank continued its credit policy relating to credit products for private individuals, small and micro-companies.

Specifically, in relation to retail credit products other than mortgages, the Bank continued to optimize the tools used for customer credit worthiness verification and implemented a number of new tests to verify the identified segments of customers who generate a safe volume for the Bank.

At the same time, the Bank continued to implement measures to optimize its recovery and restructuring strategies and to ensure full compliance with the regulatory requirements in this scope.

In relation to bad debts recovery the scope of late workout, in line with Art. 75c of the Banking Act, the Bank introduced a process to inform customers that they can apply for their debt to be restructured before the loan agreement is terminated and hence it utilizes all the available restructuring and negotiations activities.

On top of that, as the new act on support to mortgage borrowers in financial difficulties became effective, the Bank offered an additional restructuring solution to its mortgage borrowers, i.e. financial assistance paid out by Bank Gospodarstwa Krajowego.

In the scope of provisions models for group-managed loans, the Bank ran a cyclical monitoring of PD models calibration quality. The monitoring demonstrated a need to recalibrate PD parameter for mortgage and retail borrowers. The modified PD level was reflected in the level of impairment charges at the end of Q1 2016.

On the basis of regular monitoring of LIP parameter and its components, the Bank decided to reduce LIP by one month for cash loans.

Quality of the credit portfolio

The quality structure of the Bank's credit portfolio as at 31 March 2016, split by segments (calculated using the carrying amounts) is presented in the table below.

in million PLN		Private Individuals		Small and Medium Enterprises		Corporates		Total Clients	
		Loans	Structure (%)	Loans	Structure (%)	Loans	Structure (%)	Loans	Structure (%)
Non-impaired gross loans		**4 291**	**86.9**	**1 444**	**82.6**	**2 267**	**94.9**	**8 002**	**88.2**
Rating	PD								
0 to 4+	to 0.36%	67	1.4	122	7.0	201	8.4	390	4.3
4 to 6-	to 4.25%	3 680	74.5	1 055	60.3	1 963	82.2	6 698	73.8
7+ to 8	to 61.48%	543	11.0	203	11.6	34	1.4	780	8.6
Other[1]		1	0.0	64	3.7	69	2.9	134	1.5
Impaired gross loans		**646**	**13.1**	**305**	**17.4**	**123**	**5.1**	**1 074**	**11.8**
TOTAL GROSS LOANS		**4 937**	**100.0**	**1 749**	**100.0**	**2 390**	**100.0**	**9 076**	**100.0**

[1] loans without a rating and loans with identified impairment trigger but not recognized impairment loss

The quality structure of the Bank's credit portfolio as at 31 December 2015, split by segments (calculated using carrying amounts) is presented in the table below.

in million PLN		Private Individuals		Small and Medium Enterprises		Corporates		Total Clients	
		Loans	Structure (%)	Loans	Structure (%)	Loans	Structure (%)	Loans	Structure (%)
Non-impaired gross loans		**4 280**	**86.8**	**1 427**	**82.0**	**2 186**	**94.9**	**7 893**	**87.9**
Rating	PD								
0 to 4+	to 0.36%	181	3.7	114	6.5	228	9.9	523	5.8
4 to 6-	to 4.25%	3 489	70.8	1 035	59.5	1 871	81.2	6 395	71.3
7+ to 8	to 61.48%	609	12.3	209	12.0	56	2.4	874	9.7
Other[1]		1	0.0	69	4.0	31	1.4	101	1.1
Impaired gross loans		**652**	**13.2**	**313**	**18.0**	**118**	**5.1**	**1 083**	**12.1**
TOTAL GROSS LOANS		**4 932**	**100.0**	**1 740**	**100.0**	**2 304**	**100.0**	**8 976**	**100.0**

[1] loans without a rating and loans with identified impairment trigger but not recognized impairment loss

Summarised below is the credit portfolio quality structure with no impairment recognised, divided into business segments as at 31 March 2016:

in million PLN		Private Individuals		Small and Medium Enterprises		Corporates		Total Clients	
		Loans	Structure (%)	Loans	Structure (%)	Loans	Structure (%)	Loans	Structure (%)
Neither past due nor impaired loans		**3 954**	**92.1**	**1 374**	**95.2**	**2 243**	**98.9**	**7 571**	**94.6**
Rating	PD								
0 to 4+	to 0.36%	64	1.5	122	8.5	199	8.8	385	4.8
4 to 6-	to 4.25%	3 500	81.6	1 044	72.3	1 948	85.9	6 492	81.1
7+ to 8	to 61.48%	389	9.1	162	11.2	34	1.5	585	7.3
Other[1]		1	0.0	46	3.2	62	2.7	109	1.4
Past due non-impaired loans		**337**	**7.9**	**70**	**4.8**	**24**	**1.1**	**431**	**5.4**
1-10 days past due		203	4.7	34	2.3	12	0.5	249	3.1
11 – 30 days past due		84	2.0	13	0.9	4	0.2	101	1.3
31 – 60 days past due		35	0.8	11	0.8	1	0.1	47	0.6
61 – 90 days past due		15	0.3	4	0.3	0	0.0	19	0.2
above 90 days past due		1	0.0	8	0.5	7	0.3	16	0.2
NON – IMPAIRED GROSS LOANS		**4 291**	**100.0**	**1 444**	**100.0**	**2 267**	**100.0**	**8 002**	**100.0**

[1] loans without a rating and loans with identified impairment trigger but not recognized impairment loss

Summarised below is the credit portfolio quality structure with no impairment recognised, divided into business segments as at 31 December 2015:

in million PLN		Private Individuals		Small and Medium Enterprises		Corporates		Total Clients	
		Loans	Structure (%)	Loans	Structure (%)	Loans	Structure (%)	Loans	Structure (%)
Neither past due nor impaired loans		**3 968**	**92.7**	**1 363**	**95.5**	**2 156**	**98.6**	**7 487**	**94.9**
Rating	PD								
0 to 4+	to 0.36%	177	4.1	112	7.9	226	10.3	515	6.5
4 to 6-	to 4.25%	3 333	77.9	1 022	71.6	1 856	84.9	6 211	78.7
7+ to 8	to 61.48%	458	10.7	177	12.4	52	2.4	687	8.7
Other[1]		0	0.0	52	3.6	22	1.0	74	0.9
Past due non-impaired loans		**311**	**7.3**	**64**	**4.5**	**30**	**1.4**	**405**	**5.1**
1 – 10 days past due		185	4.3	31	2.2	12	0.6	228	2.9
11 – 30 days past due		80	1.9	12	0.8	8	0.4	100	1.3
31 – 60 days past due		32	0.8	11	0.8	3	0.1	46	0.6
61 – 90 days past due		13	0.3	3	0.2	0	0.0	16	0.2
above 90 days past due		1	0.0	7	0.5	7	0.3	15	0.2
NON – IMPAIRED GROSS LOANS		**4 280**	**100.0**	**1 427**	**100.0**	**2 186**	**100.0**	**7 893**	**100.0**

[1] loans without a rating and loans with identified impairment trigger but not recognized impairment loss

Results of the impairment analysis

In the result of IBNR calculation, coverage of gross loans by allowance for incurred but not reported losses, as at 31 March 2016, reached the level presented in the table below:

in million PLN	Private Individuals		Small and Medium Enterprises		Corporates		Total Clients	
	Loans	Coverage (%)	Loans	Coverage (%)	Loans	Coverage (%)	Loans	Coverage (%)
Non – impaired gross loans	4 291	1.2	1 444	1.8	2 267	0.8	8 002	1.2

In the result of IBNR calculation, coverage of gross loans by allowance for incurred but not reported losses, as at 31 December 2015, reached the level presented in the table below:

in million PLN	Private Individuals		Small and Medium Enterprises		Corporates		Total Clients	
	Loans	Coverage (%)	Loans	Coverage (%)	Loans	Coverage (%)	Loans	Coverage (%)
Non – impaired gross loans	4 280	1.4	1 427	1.8	2 186	0.9	7 893	1.3

As at 31 December 2015, 81% of the credit exposures with identified impairment triggers were valued using the portfolio method and 19% were valued using the individual approach. As at 31 December 2014 these values were 83% and 17% respectively.

The table below summarises the coverage of the impaired credit portfolio at the Bank Core Business level and broken down by business segments as at 31 March 2016:

in million PLN	Private Individuals		Small and Medium Enterprises		Corporates		Total Clients	
	Loans	Coverage (%)	Loans	Coverage (%)	Loans	Coverage (%)	Loans	Coverage (%)
Collective portfolio	644	72.4	208	87.0	0	0.0	852	75.9
Individual portfolio	1	92.2	97	45.4	123	53.4	221	50.1
IMPAIRED GROSS LOANS	**646**	**72.4**	**305**	**73.6**	**123**	**53.4**	**1 074**	**70.6**

The table below summarises the coverage of the impaired credit portfolio at the Bank Core Business level and broken down by business segments as at 31 December 2015:

in million PLN	Private Individuals		Small and Medium Enterprises		Corporates		Total Clients	
	Loans	Coverage (%)	Loans	Coverage (%)	Loans	Coverage (%)	Loans	Coverage (%)
Collective portfolio	651	72.5	222	85.9	0	0.0	873	75.9
Individual portfolio	1	92.9	91	47.7	118	39.3	210	43.3
IMPAIRED GROSS LOANS	**652**	**72.5**	**313**	**74.8**	**118**	**39.3**	**1 083**	**69.6**

Currency breakdown

The structure of gross loans by currency was as follows:

currency	31 Mar. 2016		31 Dec. 2015	
	in million PLN	%	in million PLN	%
PLN	8 318	91.6	8 187	91.2
CHF	37	0.4	42	0.5
EUR	667	7.3	665	7.4
USD	38	0.4	66	0.7
Others	16	0.2	15	0.2
Total	**9 076**	**100.0**	**8 975**	**100.0**

32.7. Operational risk

The management processes and operational risk measurement methods remain substantially unchanged from those described in the special purpose financial statements of Bank BPH SA for 2 years ended 31 December 2015.

33. Mortgage Business – selected financial information

33.1 Condensed interim income statement

PLN'000

	For the quarter ended	
	31 Mar. 2016	31 Mar. 2015
Interest income	54 304	78 713
Interest expenses	-15 574	-32 755
Net interest income	**38 730**	**45 958**
Impairment charges	-12 654	-16 082
Net interest income incl. impairment charges	**26 076**	**29 876**
Fee and commission income	1 152	4 450
Fee and commission expenses	-1 087	-1 783
Net fee and commission income	**65**	**2 667**
Result on financial instruments at fair value through profit or loss and exchange rate differences	-25 558	-18 640
General administrative expenses, incl.	-31 791	-27 073
BFG costs	*-10 130*	*-9 482*
other costs allocated to Mortgage Business	*-21 661*	*-17 591*
Other operating income	167	229
Other operating expenses	-954	-1 208
Profit (loss) before income tax	**-31 995**	**-14 149**
Income tax expense	-84 666	3 109
Profit (loss) for the period	**-116 661**	**-11 040**

33.2 Condensed interim statement of financial position

PLN'000

	Notes	As at date	
		31 Mar. 2016	31 Dec. 2015
Financial assets at fair value through profit or loss		40 323	18 262
Loans and advances to Customers, incl.:	a	14 547 183	14 855 810
loan impairment		-577 910	-568 198
Financial assets available for sale	b	10 579	10 579
Property and equipment		2 284	2 521
Intangible assets		151	156
Assets held for sale		1 262	1 769
Deferred tax assets		0	84 666
Other assets		34 796	33 217
Total assets of Bank BPH Mortgage Business		**14 636 578**	**15 006 980**
Total assets of Bank BPH Core Business		**17 739 030**	**16 200 561**
Total assets		**32 375 608**	**31 207 541**

PLN'000

	Notes	As at date	
		31 Mar. 2016	31 Dec. 2015
Amounts due to other institutions	c	12 908 300	13 321 248
Provisions		2 359	2 316
Financial liabilities at fair value through profit or loss		15 220	39 400
Current tax liabilities		1 359	1 648
Other liabilities		21 090	36 768
Subordinated debt		973 168	679 053
Total liabilities of Bank BPH Mortgage Business		**13 921 496**	**14 080 432**
Total liabilities of BANK BPH Core Business		**14 619 582**	**13 189 194**
TOTAL LIABILITIES		**28 541 078**	**27 269 626**
Total Equity		**3 834 530**	**3 937 915**
Total Equity and Liabilities		**32 375 608**	**31 207 541**

33.3 Condensed interim statement of cash flows

Following cash flows are directly related to the Bank BPH Mortgage Business:

PLN'000

	For the quarter ended	
	31 Mar. 2016	31 Mar. 2015
Profit (loss) before income tax	**-31 995**	**-14 149**
Total adjustments	**31 995**	**14 957**
Depreciation and amortisation	242	239
Interest income	-54 304	-78 713
Interest expenses	15 574	32 755
Interest received	52 994	78 723
Interest paid	-16 069	-38 473
Tax paid/received	-4 501	-12 256
Change in impairment charges	9 711	44 264
Change in assets at fair value through profit or loss	-22 061	-6 410
Change in loans and advances to customers	300 226	-1 062 481
Change in other assets	3 607	-5 104
Change in financial assets available for sale	0	16
Change in amounts due to customers and other institutions	-118 337	1 236 764
Change in liabilities at fair value through profit or loss	-24 180	11 421
Change in other liabilities	-15 925	-4 169
Chang in equity (allocation)	-94 982	-181 619
Net cash flows from operating activities	**0**	**808**
Purchase of property and equipment and intangible assets	**0**	**-808**
Net cash flows from used in investing activities	**0**	**-808**
TOTAL NET CASH FLOWS	**0**	**0**
CHANGE OF CASH AND CASH EQUIVALENTS	**0**	**0**

a) As at 31 March 2016, the CHF portfolio accounts for 84.6% of the total loans and advances to customers.

currency	31 Mar. 2016		31 Dec. 2015	
	in million PLN	Structure (%)	in million PLN	Structure (%)
PLN	2 041	13.5	1 983	12.9
CHF	12 800	84.6	13 145	85.2
EUR	258	1.7	268	1.7
USD	26	0.2	29	0.2
Total	**15 125**	**100.0**	**15 425**	**100.0**

b) The balance contains mainly shares held by Bank BPH in its subsidiary BPH PBK Zarządzanie Funduszami Sp. z o. o.

	As at date	
	31 Mar. 2016	31 Dec. 2015
Name of unit	BPH PBK Zarządzanie Funduszami Sp. z o. o.	BPH PBK Zarządzanie Funduszami Sp. z o. o.
Registered office	Warsaw	Warsaw
Type of activity	Management of holding organizations	Management of holding organizations
Carrying value of shares	10 200	10 200

c) As at 31 March 2016 amounts due to other institutions include loans and advances received from GE Ireland CHF Funding Unlimited Company in the amount of PLN 12,908,300 ths , i.e. CHF 3,306,429 ths (as at 31 December 2015: PLN 13,321,247 ths, i.e. 3,381,542 ths).

33.4 Off balance sheet items

As at 31 March 2016 and 31 December 2015, contingent assets included, among others, a credit facility from GE Ireland CHF Funding Unlimited Company amounting to PLN 8,588,800 ths, i.e. CHF 2.2 billion (as at 31 December 2015 amounting to PLN 8,666,680 ths, i.e. CHF 2.2 billion).

33.5 Related parties

Transactions with subsidiaries

As at 31 March 2016 the balances of receivables from and payables to subsidiaries were as follows:

PLN'000

	As at date	
	31 Mar. 2016	31 Mar. 2015
	BPH PBK ZF and BPH TFI	BPH PBK ZF and BPH TFI
Other loans	4 252	3 120
Liabilities, incl:	27 800	17 477
Term deposits	27 222	16 998
Off balance sheet guarantees granted	19 168	19 878

The value of transactions concluded in Q1 2016 with subsidiaries was as follows:

PLN'000

	As at date	
	31 Mar. 2016	31 Dec. 2015
	BPH PBK ZF and BPH TFI	BPH PBK ZF and BPH TFI
Deposits	838 430	524 537
Fx transactions	256	243

33.6 Court proceedings

The Bank was informed that in March 2015 the District Consumer Ombudsman in Szczecinek, representing a group of 450 individuals filed a case against Bank BPH SA under a group procedure with a District Court in Gdansk. The group of plaintiffs consisted of CHF-indexed mortgage borrowers of Bank BPH SA. The plaintiffs claim that the mechanism of defining the CHF buy/sell price in the Bank's currency table results in invalidity of the credit contract or abusive indexation clause. Bank BPH SA does not recognize the plaintiffs group's claim. The value of the legal claim was assessed by the claimant at PLN 137,460,034. At the current stage, the group members do not make any financial claims against Bank BPH SA for payment of specific amounts and so there are no grounds to create provisions for the claims included in the court action. On 7 August 2015, the statement of claims was delivered to Bank BPH SA. On 7 October 2015 the Bank submitted its reply to the statement of claims, in which it challenged the claims made by the group members and asked the court to dismiss or reject the complaint in its entirety.

Signatures of the Management Board Members

19.05.2016	Richard Gaskin President of the Board	..... signature
19.05.2016	Paweł Bandurski Deputy President of the Board	..... signature
19.05.2016	Andras Bende Deputy President of the Board	..... signature
19.05.2016	Mariusz Bondarczuk Deputy President of the Board	..... signature
19.05.2016	Grzegorz Jurczyk Deputy President of the Board	..... signature
19.05.2016	Mariusz Kostera Deputy President of the Board	..... signature
19.05.2016	Krzysztof Nowaczewski Deputy President of the Board	..... signature
19.05.2016	Grażyna Utrata Deputy President of the Board	..... signature



Independent auditor's report on the Bank BPH S.A. special purpose financial statements for the two years ended 31 December 2015

To the Management Board of Bank BPH S.A.

We have audited the accompanying special purpose financial statements for the two years ended 31 December 2015, prepared by Bank BPH SA ("**Bank BPH**") and presented in Section "*Financial Information—Audit opinion on the Bank BPH Special Purpose 2014-2015 Financial Statements*" of the Offering Circular of Alior Bank S.A. These special purpose financial statements present certain activities of Bank BPH (the "**Bank BPH Core Business**") separated from the remaining activities (the "**Bank BPH Mortgage Business**"), as defined in Note 1, and comprise the statements of financial position as at 31 December 2015 and 31 December 2014 and the related income statements, statements of comprehensive income, cash flows and changes in equity for each of the two years then ended and notes, including a summary of significant accounting policies and other explanatory information.

These special purpose financial statements have been prepared for inclusion in the Offering Circular of Alior Bank S.A.

Management Board's Responsibility for the special purpose financial statements

The Management Board of Bank BPH is responsible for the preparation of the special purpose financial statements in accordance with the basis of preparation set out in Note 1 to the special purpose financial statements and for such internal control as the Management Board of Bank BPH determines is necessary to enable the preparation of the special purpose financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on the special purpose financial statements based on our audit. We conducted our audit in accordance with the International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the special purpose financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the special purpose financial statements. The procedures selected depend on the auditor's judgment, including assessment of the risks of material misstatement of the special purpose financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of the accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the special purpose financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

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PricewaterhouseCoopers Sp. z o.o. is entered into the National Court Register maintained by the District Court for the Capital City of Warsaw, under KRS number 0000044655, NIP 526-021-02-28. The share capital is PLN 10,363,900. The seat of the Company is in Warsaw at Al. Armii Ludowej 14.



Independent auditor's report on the Bank BPH S.A. special purpose financial statements for the two years ended 31 December 2015 (cont')

Opinion

In our opinion, the accompanying special purpose financial statements for the two years ended 31 December 2015 are prepared, in all material respects, in accordance with the basis of preparation set out in Note 1 to the special purpose financial statements.

Emphasis of matter

Without modifying our opinion, we draw attention to the fact that, as described in Note 1 to the special purpose financial statements, the Bank BPH Core Business and the Bank BPH Mortgage Business have not operated separately. These special purpose financial statements are, therefore, not necessarily indicative of results that would have occurred if the Bank BPH Core Business and the Bank BPH Mortgage Business had operated as separate reporting entities and may not be indicative of their future results.

Auditor conducting the audit on behalf of PricewaterhouseCoopers Sp. z o.o., Registered Audit Company No. 144:

Katarzyna Łącka

Key Registered Auditor

No. 13131

Warsaw, 19 May 2016

Bank BPH
grupa GE Capital
Po prostu fair

Bank BPH SA

Special purpose financial statements for the 2 years ended 31 December 2015

2014/2015

Bank BPH Spółka Akcyjna, ul. płk. Jana Pałubickiego 2, 80-175 Gdansk, registered with the District Court for Gdansk – North in Gdansk, 7th Commercial Division of the National Court Register, under the number KRS 0000010260. Tax identification code (NIP) – 675-000-03-84. Paid-up share capital of 383.339.555 zł.

www.bph.pl

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Income statements

PLN'000

	Notes	For the year ended	
		31 Dec. 2015	31 Dec. 2014
Interest income		850 208	1 101 270
Interest expense		-180 205	-293 346
Net interest income	**4**	**670 003**	**807 924**
Fee and commission income		341 166	425 977
Fee and commission expenses		-113 337	-144 220
Net fee and commission income	**6**	**227 829**	**281 757**
Result on financial instruments at fair value through profit or loss and exchange rate differences	7	46 912	104 747
Other operating income	9	26 951	26 572
Other operating expenses, incl.:	9	-175 923	-32 193
impairment of goodwill		*-154 764*	*0*
General administrative expenses, incl.:	8	-1 154 174	-1 009 315
restructuring costs		*-184 685*	*-27 056*
Impairment charges	5	-13 479	12 302
Loss/profit before income tax		**-371 881**	**191 794**
Income tax expense	10	48 207	-49 850
Net/loss profit of Bank BPH Core Business		**-323 674**	**141 944**
Net profit/loss of Bank BPH Mortgage Business	**44**	**19 311**	**-18 448**
Loss/profit for the period		**-304 363**	**123 496**

Earnings and diluted earnings per ordinary share for Core Business (in PLN)	11	-4.22	1.85
Earnings and diluted earnings per ordinary share for Mortgage Business (in PLN)		-0.25	-0.24
Earnings and diluted earnings per ordinary share - Total (in PLN)		-3.97	1.61

Notes 1-44 are an integral part of these special purpose financial statements of Bank BPH SA. According to explanations in Note 1 the Bank BPH Core Business and Bank BPH Mortgage Business have not operated separately and therefore the financial position, financial results and cash flows may not be indicative of those that would have occurred if they operated as separate reporting entities.

Statements of comprehensive income

PLN'000

	For the year ended	
	31 Dec. 2015	31 Dec. 2014
Loss/profit for the period - Core Business	**-323 674**	**141 944**
Profit/lossfor the period - Mortgage Business	**19 311**	**-18 448**
Loss/profit for the period Total	**-304 363**	**123 496**
Other comprehensive income that will not be reclassified to profit or loss in subsequent periods:	**6 463**	**-6 649**
Actuarial revaluation (net of deferred tax)	6 463	-6 649
Other comprehensive income that may be reclassified to profit or loss in subsequent periods:	**63 685**	**2 056**
Result from revaluation of available for sale securities (net of deferred tax)	63 671	1 885
Settlement of cumulative gains or losses on the hedging instruments which have been discontinued from the hedge accounting (net of deferred tax)	14	171
Other net comprehensive income for Core Business	**70 148**	**-4 593**
Other net comprehensive income for Mortgage Business	**144**	**-305**
Total net comprehensive income	**-234 071**	**118 598**

Notes 1-44 are an integral part of these special purpose financial statements of Bank BPH SA. According to explanations in Note 1 the Bank BPH Core Business and Bank BPH Mortgage Business have not operated separately and therefore the financial position, financial results and cash flows may not be indicative of those that would have occurred if they operated as separate reporting entities.

Statements of financial position

PLN'000

	Notes	As at date	
		31 Dec. 2015	31 Dec. 2014
Cash and balances with the Central Bank	12	943 981	1 092 963
Financial assets at fair value through profit or loss	14	5 325 322	4 582 734
Amounts due from banks	15	463 428	347 131
Loans and advances to Customers, incl.:	16	8 229 896	8 429 582
loan impairment	*17*	-866 020	-1 365 907
Assets pledged as collateral	33	0	568 896
Financial assets available for sale	18	457 001	370 317
Property and equipment	19	269 505	289 109
Intangible assets	20	119 988	236 572
Assets held for sale	21	8 365	18 094
Deferred tax assets	22	179 288	138 313
Other assets	23	203 787	120 563
Total Assets of Bank BPH Core Business		**16 200 561**	**16 194 274**
Total Assets of Bank BPH Mortgage Business	**44**	**15 006 980**	**14 521 299**
Total Assets		**31 207 541**	**30 715 573**

PLN'000

	Notes	As at date	
		31 Dec. 2015	31 Dec. 2014
Amounts due to banks	24	104 439	503 818
Amounts due to customers	25	12 441 750	12 718 042
Provisions	26	239 019	81 934
Financial liabilities at fair value through profit or loss	27	79 438	120 618
Other liabilities	28	324 548	377 172
Income tax liabilities		0	0
Total liabilities of Bank BPH Core Business		**13 189 194**	**13 801 584**
Total liabilities of Bank BPH Mortgage Business	**44**	**14 080 433**	**12 744 936**
Total liabilities		**27 269 627**	**26 546 520**
Shareholders' equity	**29**	**3 974 560**	**3 786 076**
Share capital		383 340	383 340
Other capital and reserves		3 591 220	3 402 736
Retained earnings, incl.:		**-36 646**	**382 977**
Profits/losses from previous years		267 717	259 481
Profit/loss of current year		-304 363	123 496
Total shareholders' equity		**3 937 914**	**4 169 053**
Total equity and liabilities		**31 207 541**	**30 715 573**

Notes 1-44 arean integral part of these special purpose financial statements of Bank BPH SA. According to explanations in Note 1 the Bank BPH Core Business and Bank BPH Mortgage Business have not operated separately and therefore the financial position, financial results and cash flows may not be indicative of those that would have occurred if they operated as separate reporting entities.

Statements of changes in equity of Bank BPH SA

PLN'000

	Share capital	Retained earnings	Other comprehensive income	Supplementary capital	Risk fund charge	Other Reserves	TOTAL
Opening balance of shareholders' equity as at 1 January 2015	**383 340**	**382 977**	**10 540**	**2 141 763**	**308 338**	**942 095**	**4 169 053**
Loss for the period	0	-304 363	0	0	0	0	-304 363
Other comprehensive net income							
Actuarial revaluation (net of deferred tax)	0	0	6 607	0	0	0	6 607
Change revaluation of available for sale securities (net of deferred tax)	0	0	63 671	0	0	0	63 671
Settlement of cumulative gains or losses on the hedging instruments which have been discontinued from the hedge accounting (net of deferred tax)	0	0	14	0	0	0	14
Total other comprehensive net income	**0**	**0**	**70 292**	**0**	**0**	**0**	**70 292**
Total comprehensive net income	**0**	**-304 363**	**70 292**	**0**	**0**	**0**	**-234 071**
Transactions with shareholders with its effect on equity							
Appropriation of profit for supplementary capital	0	-115 260	0	115 260	0	0	0
Share - based payments	0	0	0	0	0	2 932	2 932
Closing balance of shareholders' equity as at 31 December 2015	**383 340**	**-36 646**	**80 832**	**2 257 023**	**308 338**	**945 027**	**3 937 914**

Notes 1-44 are an integral part of these special purpose financial statements of Bank BPH SA. Statement of changes in equity is presented for the entire Bank BPH, and not for the Bank BPH Core Businessand Bank BPH Mortgage Business as explained in details in Note 1.

PLN'000

	Share capital	Retained earnings	Other comprehensive income	Supplementary capital	Risk fund charge	Other Reserves	TOTAL
Opening balance of shareholders' equity as at 1 January 2014	**383 340**	**537 839**	**15 438**	**1 863 405**	**308 338**	**939 263**	**4 047 623**
Profit for the period	0	123 496	0	0	0	0	123 496
Other comprehensive net income							
Actuarial revaluation (net of deferred tax)	0	0	-6 954	0	0	0	-6 954
Change in revaluation of available for sale securities (net of deferred tax)	0	0	1 885	0	0	0	1 885
Settlement of cumulative gains or losses on the hedging instruments which have been discontinued from the hedge accounting (net of deferred tax)	0	0	171	0	0	0	171
Total other comprehensive net income	**0**	**0**	**-4 898**	**0**	**0**	**0**	**-4 898**
Total comprehensive net income	**0**	**123 496**	**-4 898**	**0**	**0**	**0**	**118 598**
Transactions with shareholders with its effect on equity							
Appropriation of profit for supplementary capital	0	-278 358	0	278 358	0	0	0
Share - based payments	0	0	0	0	0	2 832	2 832
Closing balance of shareholders' equity as at 31 December 2014	**383 340**	**382 977**	**10 540**	**2 141 763**	**308 338**	**942 095**	**4 169 053**

Notes 1-44 are an integral part of these special purpose financial statements of Bank BPH SA. Statement of changes in equity is presented for the entire Bank BPH, and not for the Bank BPH Core Business and Bank BPH Mortgage Business as explained in details in Note 1.

Statements of cash flows

PLN'000

	Notes	For the year ended	
		31 Dec. 2015	31 Dec. 2014
Profit/loss before income tax of Bank BPH Core Business		**-371 881**	**191 794**
Total adjustments		**559 779**	**-1 319 539**
Depreciation and amortization	8	81 719	76 216
Interest income	4	-850 208	-1 101 271
Interest expenses	4	180 205	293 346
Interest received		758 805	1 089 264
Interest paid		-188 342	-306 110
Tax paid/received		0	12 742
Gains/losses on investments		-1 202	-13 221
Change in impairment charges		-499 887	-427 128
Change in assets at fair value through profit or loss		-64 413	8 723
Change in amounts due from banks		34 256	93 213
Change in loans and advances to customers		776 646	92 090
Change in other assets		991	58 517
Change in financial assets available for sale		-82 667	-10 844
Change in amounts due to banks		-399 148	189 004
Change in amounts due to customers and other institutions		-272 866	-894 142
Change in liabilities as at fair value through profit or loss		-41 180	-31 240
Change in other liabilities		255 456	-153 754
Change in allocated capital balance (balancing item)		871 615	-294 946
Net cash flow from operating activities of Bank BPH Core Business		**187 898**	**-1 127 745**
Net cash flow from operating activities of Bank BPH Mortgage Business	**44**	**104 533**	**727 166**
Net cash flows from operating activities		**83 365**	**-400 579**
Purchase of property and equipment and intangible assets		-103 707	-92 586
Sale of property and equipment and intangible assets		11 866	13 221
Net cash flow from investing activities of Bank BPH Core Business		**-91 841**	**-79 365**
Net cash flow from investing activities of Bank BPH Mortgage Business	**44**	**13 752**	**11 211**
Net cash flows from investing activities		**-78 089**	**-68 154**
Issue of securities		209 441	119 700
Redemption of securities issued by the Bank		-204 960	-78 470
Net cash flow from financing activities of Bank BPH Core Business		**4 481**	**41 230**
Net cash flow from financing activities of Bank BPH Mortgage Business	**44**	**90 781**	**738 377**
Net cash flows from financing activities		**95 262**	**-697 147**
TOTAL NET CASH FLOWS		**100 538**	**-1 165 880**
OPENING BALANCE OF CASH AND CASH EQUIVALENTS	13	5 855 553	7 021 433
CLOSING BALANCE OF CASH AND CASH EQUIVALENTS	13	5 956 091	5 855 553
CHANGE OF CASH AND CASH EQUIVALENTS		**100 538**	**-1 165 880**

Notes 1-44 are an integral part of these special purpose financial statements of Bank BPH SA. As explained in Note 1 the Bank BPH Core Business and Bank BPH Mortgage Business have not operated separately and therefore the financial position, financial results and cash flows may not be indicative of those that would have occurred if they operared as separate reporting entities.

1. General information and the basis of preparation

Introduction

These special purpose financial statements for the 2 years ended 31 December 2015 were prepared for the sole purpose of inclusion in the Registration Document/Offering Memorandum of Alior Bank SA ('Alior') for the rights issue (the 'Offering'). Proceeds from the Offering will be used to finance the acquisition of certain activities of Bank BPH by Alior.

Bank BPH Spółka Akcyjna (hereinafter referred to as "Bank BPH") is 'the bank' with its registered address in Poland, płk Jana Pałubickiego 2 street, 80-175 Gdańsk. Bank BPH is registered with the District Court for Gdańsk - Północ, Gdańsk, under No. KRS 0000010260. The direct parent entity of Bank BPH is GE Investments Poland Sp. z o.o. (GEIP), which holds 83.74% of shares and voting rights and the General Electric Group (the 'GE Group') holds, through its subsidiaries, 87.24% shares and voting rights. As of 31 December 2015 GE holds Bank BPH's shares indirectly through GE Capital Global Holdings, LLC., a 100% subsidiary of General Electric CO, which is the ultimate controlling party. The principal activities of Bank BPH include receipt of financial deposits, maintaining bank accounts, granting loans, executing bank monetary payments and conducting banking activities under the Polish Banking Act.

These special purpose financial statements were approved by the Management Board of Bank BPH on 19 May 2016.

Planned demerger and acquisition by Alior

On 31 March 2016 certain subsidiaries of the GE Group ('Bank BPH Sellers') and Alior executed a share purchase and demerger agreement regarding the acquisition of the Bank BPH Core Business (as defined below) (the 'Share Purchase and Demerger Agreement'). The transaction contemplated in the Share Purchase and Demerger Agreement involves:

- an acquisition by Alior from Bank BPH Sellers of the shares representing a significant stake in Bank BPH; and
- a demerger of Bank BPH in accordance with Article 529 §1 item 4 of the Polish Commercial Companies Code to be effected through a transfer (spin-off) of the Bank BPH Core Business (as defined below) to Alior (the 'Demerger') and the issuance by Alior of new shares to shareholders of Bank BPH indicated in the Demerger plan, other than Alior and the Bank BPH Sellers and their affiliates.

The aforementioned activities are jointly referred to as the 'Transaction'.

As a result of the Transaction, on the date of the registration of Alior's share capital increase in connection with the Demerger by the relevant registry court (the 'Demerger Effective Date'), Alior will acquire Bank BPH's core business (the 'Bank BPH Core Business') that will consist of an organised part of the enterprise including all the assets and liabilities of Bank BPH, excluding certain assets and liabilities that will remain in Bank BPH following the Demerger (the 'Bank BPH Mortgage Business'). The Bank BPH Mortgage Business will include the mortgage loan portfolio of Bank BPH (in particular all PLN and non-PLN mortgage loans granted to individuals), financial liabilities to entities of the GE group, and other assets and liabilities relating to the above-mentioned mortgage loan portfolio. Additionally the Bank BPH Mortgage Business will include the majority interest in BPH PBK Zarządzanie Funduszami Sp. z o.o. ('BPH PBK') (the sole shareholder of BPH Towarzystwo Funduszy Inwestycyjnych SA ('BPH TFI')), and liabilities of Bank BPH relating to BPH PBK and/or BPH TFI. The Bank BPH Sellers undertook to Alior that the Bank BPH Core Business will have its regulatory total capital ratio, taking into account solely shareholders' equity ('Bank BPH Core Business CET1'), as of the Demerger Effective Date at the level equal to 13.25%.

The acquisition of the Bank BPH Core Business by Alior as a result of the Demerger will be preceded by the acquisition by Alior of a relevant number of shares in Bank BPH from, inter alia, the Bank BPH Sellers in the tender offer. As a result of the Demerger, all of these shares shall

cease to exist. As a result of the Demerger Alior will issue new shares to the minority shareholders of Bank BPH, if such shareholders remain in Bank BPH at the relevant time, and the Bank BPH Sellers will remain the sole shareholders of Bank BPH (and therefore the economic owners of the Bank BPH Mortgage Business).

Purpose of these financial statements

Bank BPH prepares and publishes consolidated and standalone financial statements that provide general information about financial position, results and cash flows of the Bank BPH Group and Bank BPH, respectively. These special purpose financial statements have been prepared to present the financial position, financial results and cash flows separately for Bank BPH Core Business and Bank BPH Mortgage Business in all presented periods. The Bank BPH Core Business and Bank BPH Mortgage Business have not operated separately and therefore, financial position, results and cash flows may not be indicative of those that would have occurred if they operated as separate reporting entities during the period presented or of future results of the business.

During the periods covered by these financial statements and up until the Demerger, Bank BPH Core Business and Bank BPH Mortgage Business have been and will be managed together within one legal entity and are therefore not completely separable. In the Bank BPH financial statements, operations of the Bank BPH Mortgage Business represent a part of retail segment activities. Some of the managerial functions and related expenses covered its entire operations. Also Bank BPH, as a regulated entity, was required to maintain certain capital covering both businesses. Therefore, presentation of the Bank BPH Core Business on its own would not provide a true picture of its activities. To reflect the above, these financial statements present financial position, results and cash flows of both businesses separated between Bank BPH Core Business and Bank BPH Mortgage Business on a basis stated below.

Basis of preparation

These special purpose financial statements have been prepared for Alior to enable its compliance with the Commission Regulation (EC) 809/2004 in relation to issuers with complex financial history, in accordance with this basis of preparation.

These special purpose financial statements have been prepared based on International Financial Reporting Standards ('IFRS') as adopted by the European Union ('EU') and certain accounting conventions commonly used for preparation of historical financial information in offering documents, described in Note 1. References to IFRS hereinafter should be construed as references to IFRS as adopted by the EU.

These special purpose financial statements have been prepared taking into account the transfer of Bank BPH Core Business to Alior and therefore Bank BPH Mortgage Business (that will not be acquired by Alior) is presented in an abbreviated version, similar to presentation of discontinued operations.

These special purpose financial statements assume that assets and liabilities of the Core Business will be realized in Alior Bank. The Mortgage Business will be continued within Bank BPH SA. IFRS do not provide for preparation of financial statements for a part of entity and, accordingly, in preparing these special purpose financial statements certain accounting conventions commonly used for preparation of historical financial information in offering documents have been applied. The application of these conventions results in the following necessary modifications to IFRS, in particular:

- These special purpose financial statements present the financial position, financial results and cash flows of the Bank BPH, with the separation of these assets, liabilities, income, expenses and cash flows which will not continue to be held or generated by Bank BPH Core Business after the Demerger.

- Bank BPH prepares and publishes both consolidated financial statements and separate financial statements. These special purpose financial statements present financial information of Bank BPH on a stand-alone basis, as the investments in its subsidiaries will be part of the group of assets of the demerged Mortgage Business and will not be transferred to Alior in the Transaction. Transactions between Bank BPH and its subsidiaries as well as any assets and liabilities relating to subsidiaries were classified as part of Bank BPH Mortgage Business (except for deposit and credit relationships which for the purpose of these financial statements were included in the Core Business).
- Assets, liabilities, income, expenses and cash flows which relate solely to Bank BPH Mortgage Business were separated from Bank BPH's assets, liabilities, income, expenses and cash flows and presented in these financial statements in an aggregated manner. Further abbreviated disclosure relating to these assets, liabilities, income, expenses and cash flows of Mortgage Business is presented in the Note 44 and such disclosure does not provide full information as required by IFRS.

Basis for allocation of assets, liabilities, equity, results and cash flows

The following conventions have been used in allocation of items between Bank BPH Core Business and Bank BPH Mortgage Business:

a) Statements of financial positon of Bank BPH Core Business include details of all assets and liabilities other than assets and liabilities relating to Bank BPH Mortgage Business which comprise:
   - assets and liabilities which relate to mortgage portfolio, including mortgage loans granted, repossessed real estates, derivatives connected to the mortgage portfolio and financial liabilities at fair value through profit and loss,
   - subordinated financing for the purpose of financing mortgage portfolio that will not form part of net assets transferred to the Bank BPH Core Business,
   - financing received from the GE Group,
   - investments in all subsidiaries of Bank BPH,
   - any assets and liabilities directly related to mortgage portfolio such as deferred income tax, hedging instruments, provisions, as well as any other assets and liabilities that will not be transferred to the Bank BPH Core Business.

Upon the Demerger, certain balances (cash and financial assets valued at fair value through Profil or Loss) will be allocated between divided parts as to maintain regulatory total capital ratio of Bank BPH Core Business, taking into account solely shareholders' equity, as of the Demerger Effective Date at the level equal to 13.25%. For the purpose of these financial statements all cash balances and securities at fair value through profit or loss were presented as part of Bank BPH Core Business. In connection with the above final allocation between the two Businesses will be different from allocation presented in these special purpose financial statements.

b) Income Statements of Bank BPH Core Business include details of income and expenses other than income and expenses relating to Bank BPH Mortgage Business which comprise:
   - interest income relating to the actual interest generated from the mortgage portfolio,
   - interest expense relating to loans from GE and GE subordinated financing referred to above,
   - fee and commission income and expense generated in relation to mortgage products, and fee expenses related to unused credit facilities from GE,
   - foreign currency realized exchange differences and derivatives valuation income and expense relating directly to the mortgage portfolio transactions and balances (fx swaps and IRS CHF),

- other operating income relating directly to the mortgage activities including dividends received by Bank BPH from its subsidiary BPH PBK Zarządzanie Funduszami Sp. z o.o. (other operating costs related to goodwill impairment were allocated to the Core Business),
- net impairment result relating to actual impairment charges and reversal of impairment in relation to the mortgage portfolio,
- general administrative expenses including:
  - actual expenses related to the Bank Guarantee Fund (BFG) and Polish Financial Supervision Authority (PFSA) charges in relation to the mortgage portfolio assets,
  - provision recognized for Borrowers Support Fund contribution,
  - other general administrative expenses allocated to Bank BPH Mortgage Business.

Additionally for the purpose of segment cost allocation it has been assumed that total of sales network and employment restructuring costs are assigned to the Core Business.

Other general administrative expenses relate to employees remuneration, external services, IT services, office space rental, amortization/depreciation. Amount allocated to Bank BPH Mortgage Business was calculated based on allocation keys used by the Bank in its segment reporting. Note 8 presents the total general administrative expenses of Bank BPH Core Business whereas the amounts allocated (reclassified) to the Mortgage Business on the basis stated above have been presented in note 44. While the management believes that such allocation is the most appropriate allocation between the Bank BPH Core Business and Bank BPH Mortgage Business, there is no certainty that actual expenses would equal to the amounts allocated if the two businesses operated as separate reporting entities.

- income tax which directly relates to items described above and relating to Mortgage Business.

c) Other comprehensive income of Bank BPH Core Business include items not related to the Bank BPH Mortgage Business, to which changes in provision for retirement benefits of Mortgage Business employees were allocated.

d) Cash flow statements present separately the operating cash flows of the Bank BPH Mortgage Business resulting from the operations described above. All financing and investing cash flows were presented as part of the Bank BPH Core Business, except for cash flows relating to investments in subsidiaries, and GE Group CHF financing and subordinated financing.

e) Upon the Demerger, the equity balances will be allocated between Bank BPH Core Business and Bank BPH Mortgage Business as to achieve certain ratios agreed in the Share Purchase and Demerger Agreement, as described above. For the purposes of these financial statements, equity balances were not separated between two businesses.

f) As at reporting dates (31 December 2014 and 31 December 2015) the open currency position was managed in a centralized manner based on the balance sheet of entire Bank BPH. Because of this and because of the nature of currency swap instruments used to manage the open currency position and the number of transactions and volatility of currency position a precise assignment of currency swap transactions to the businesses of Bank BPH was not possible.

g) For the purpose of these special purpose financial statements the total result from revaluation of currency position was allocated to the Core Business. However balances of derivative instruments such as fx swaps and CHF IRS together with results from operations on these derivative instruments were assigned to the Mortgage Business.

2. Summary of significant accounting policies

These special purpose financial statements have been prepared in accordance with the basis of preparation described in Note 1, using the historical cost convention, except for valuation of certain financial instruments at fair value. The accounting policies have been used consistently throughout the periods presented.

In comparison to the published separate financial statements of Bank BPH, the following presentation adjustments were added to these special purpose financial statements in reference to the Core Business:

Adjustments to Income Statements and Statements of comprehensive income:

- Interest income on IRS and CIRS intruments amounting of PLN 83,655 ths and PLN 117,015 ths in 2015 and 2014 respectiveley presented in the Bank's 2015 separate financial statements in result on financial instruments at fair value through profit or loss and exchange rate differences was transferred to 'Interest Income' in these special purpose financial statements.
- Interest expense on IRS and CIRS intruments amounting to PLN 79,512 ths and PLN 111,307 ths in 2015 and 2014 respectively presented in the Bank's 2015 separate financial statements in 'Result on financial instruments at fair value through profit or loss and exchange rate differences' was transferred to 'Interest Expenses' in these special purpose financial statements.
- Costs of provision relating to the Borrowers' Support Fund amounting to PLN 23,956 ths presented in the Bank's 2015 separate financial statement in 'Other Operating Expenses' were transferred to line 'General administrative expenses'.

Adjustments to statements of financial position:

- Asset which are subject to sell buy back transactions amounting to PLN 0 and PLN 566,980 ths as at 31 December 2015 and 2014 respectively were extracted from the line 'Financial assets at fair value through profit or loss' and presented separately in line 'Assets pledged as collateral'.
- Debt securities issued amounting to PLN 235,132 ths and PLN 232,152 ths as at 31 December 2015 and 2014 respectively were transferred to line 'Amounts due to Customers'.

Above mentioned changes do not have impact on total net revenues, assets, liabilities and equity.

Some information such as:

a) related parties transactions
b) remuneration of the Management board
c) equity

concern total Bank. The remainder of financial statements is prepared in line with IFRS requirements, however, only for Bank BPH Core Business. For Bank BPH Mortgage Business only limited disclosures have been provided in the note 44.

New standards interpretations and amendments to already published standards, which were approved and published by the EU and came into force on 1 January 2014 and 1 January 2015:

Changes to IFRS standards introduced in 2014-2015 did not have significant impact on these special purpose financial statements.

New standards, interpretations and amendments to published standards endorsed by the EU and effective for annual periods beginning after 1 January 2015

Standard/ Interpretation approved by the EU	Nature of anticipated change in the accounting principles	Effective date
Amendments to IAS 1 *Presentation of financial statements*	In December 2014, International Accounting Standard Board published an amendment to IAS 1 within its disclosure initiative. The Standard was amended to clarify the concept of materiality and explains that an entity need not provide a specific disclosure required by an IFRS if the information resulting from that disclosure is not material, even if the IFRS contains a list of specific requirements or describes them as minimum requirements. The Standard also provides new guidance on subtotals in financial statements, which may be aggregated or disaggregated based on their materiality. Addidtional guidance on presenting the subtotals were also issued. The impact of the amendments on the financial statements has not been assessed yet.	1 January 2016
Amendments to IAS 16 *Property, Plant and Equipment* and IAS 38 *Intangible assets*	The amendment clarifies that the use of revenue-based depreciation methods is not appropriate, because the revenues generated from operations, which uses specific assets also reflect factors other than the consumption of the economic benefits of these assets. The amendments will not have significant impact on financial statements.	1 January 2016
Amendments to IAS 16 *Property, Plant and Equipment* and IAS 41 *Agriculture*	Not applicable.	1 January 2016
Amendments to IAS *19 – Defined benefit plans: Employee contributions*	The developments relate to the premiums paid by the employees or third parties for specific benefit programs. They aim to simplify the system of premiums, which do not depend on the period of employment, such as employees' premiums defined as a fixed percentage of remuneration. The amendments will not have significant impact on financial statements.	1 February 2015
Amendments to IAS 27: Equity method in separate financial statements	The amendment to IAS 27 allows to use the equity method as one of the optional methods of accounting for investments in subsidiaries, jointly controlled entities and associates in the separate financial statements. The amendments will not have significant impact on financial statements.	1 January 2016
Amendments to IFRS 11 *Joint Arrangements*: Acquisition of an interest in joint operation	This amendment to IFRS 11 requires the investor that acquires a share in a common activity being a business as defined in IFRS 3, the application to this acquisition accounting rules on business combinations in accordance with IFRS 3 and rules under other standards, unless they are inconsistent with the guidelines included in IFRS 11. The amendments will not have significant impact on financial statements.	1 January 2016
Improvements to IFRS (2010-2012)	The *Improvements to IFRSs (2010-2012)* consist of changes to 7 standards: • IFRS 2 was amended to clarify the definition of a 'vesting condition' and to define separately 'performance condition' and 'service condition'; • IFRS 3 was amended to clarify that (1) an obligation to pay contingent consideration which meets the definition of a financial instrument is classified as a financial liability or as equity, on the basis of the definitions in IAS 32, and (2) all non-equity contingent consideration, both financial and non-financial, is measured at fair value at each reporting date, with	1 February 2015

	changes in fair value recognized in profit and loss. • IFRS 8 was amended to require (1) disclosure of the judgments made by management in aggregating operating segments, including a description of the segments which have been aggregated and the economic indicators which have been assessed in determining that the aggregated segments share similar economic characteristics, and (2) a reconciliation of segment assets to the entity's assets when segment assets are reported. • The basis for conclusions on IFRS 13 was amended to clarify that deletion of certain paragraphs in IAS 39 upon publishing of IFRS 13 was not made with an intention to remove the ability to measure short-term receivables and payables at invoice amount where the impact of discounting is immaterial. • IAS 16 and IAS 38 were amended to clarify how the gross carrying amount and the accumulated depreciation are treated where an entity uses the revaluation model. • IAS 24 was amended to include, as a related party, an entity that provides key management personnel services to the reporting entity or to the parent of the reporting entity ('the management entity'), and to require to disclose the amounts charged to the reporting entity by the management entity for services provided. The improvements will not have significant impact on financial statements.	
Improvements to IFRS (2012-2014)	The *Improvements to IFRSs (2012-2014)* consist of changes to 4 standards: • In IFRS 5 specific guidance was added for cases in which an entity reclassifies an asset from held for sale to held for distribution or vice versa and cases in which held-for-distribution accounting is discontinued; • In IFRS 7 additional guidance was added to clarify whether a servicing contract is continuing involvement in a transferred asset for the purpose of determining the disclosures required. Additionally, in IFRS 1 clarification was added for the applicability of the amendments to IFRS 7 on offsetting disclosures to condensed interim financial statements; • In IAS 19 clarification was added that the high quality corporate bonds used in estimating the discount rate for post-employment benefits should be denominated in the same currency as the benefits to be paid; • In IAS 34 clarification was added for the meaning of 'elsewhere in the interim report' and requires a cross-reference. The improvements will not have significant impact on financial statements.	1 January 2016

New standards, interpretations and amendments to published standards not yet endorsed by the EU

Standard/ Interpretation not yet endorsed by the EU	Nature of anticipated change in the accounting principles	Effective date
Amendments to IFRS 10 and IAS 28: Sales or contributions of assets between an investor and its associate/joint venture	The amendments address the current inconsistencies between IFRS 10 and IAS 28. The accounting treatment depends on whether the non-monetary assets sold or contributed to an associate or joint venture meets the definition of a business. If the non-monetary assets meet the definition of a business investor reveals the full gain or loss on the transaction. If the assets do not meet the	Deferred indefinitely

Standard/ Interpretation not yet endorsed by the EU	Nature of anticipated change in the accounting principles	Effective date
	definition of a business, the investor recognizes a gain or loss except for the part representing the interests of other investors. The amendments will not have significant impact on financial statements.	
Amendments to IAS 7	The amendments require an entity to provide disclosures that enable users of financial statements to evaluate changes in liabilities arising from financing activities, including both changes arising from cash flows and non-cash charges. The amendments will not have significant impact on financial statements.	1 January 2017
Amendments to IAS 12	The amendments clarify that unrealized losses on debt instruments measured at fair value in the financial statements but at cost for tax purposes can give rise to deductible temporary differences. The impact of the amendments on the financial statements has not been assessed yet.	1 January 2017
IFRS 9 Financial Instruments: Classification and Measurement and Hedge Accounting	The new standard: IFRS 9 will replace the current IAS 39. The standard introduces a model with only two classification categories for financial assets: measured at fair value and measured at amortized cost. The classification is performed at initial recognition and depends on the entity's business model for managing financial instruments and the contractual cash flow characteristics of these instruments. IFRS 9 introduces a new model for credit impairment calculation - a model of expected credit losses. Most of the requirements in IAS 39 for classification and measurement of financial liabilities were transferred to IFRS 9 unchanged . The key change is imposed on reporting entities required to present in other comprehensive income effects of changes in own credit risk of financial liabilities designated as measured at fair value through profit or loss. In terms of hedge accounting changes were designed match to more closely hedge accounting to risk management. The implementation of the standard will have significant impact on the financial statements. The impact has not been assessed yet.	1 January 20
Amendments to IFRS 10 *Consolidated Financial Statements*, IFRS 12 Disclosure of interests in other entities and IAS 28 *Investments in Associates and Joint Ventures*	The standards were amended to clarify that an investment entity should measure at fair value through profit or loss all of its subsidiaries that are themselves investment entities. In addition, the exemption from preparing consolidated financial statements if the entity's ultimate or any intermediate parent prepares consolidated financial statements available for public use was amended to clarify that the exemption applies regardless whether the subsidiaries are consolidated or are measured at fair value through profit or loss in accordance with IFRS 10 in such ultimate or any intermediate parent's financial statements. The amendments will not have significant impact on financial statements.	1 January 2016
IFRS 14 *Regulatory Deferral Accounts*	Not applicable.	1 January 2016
IFRS 15 *Revenue from contracts with customers*	The rules provided in IFRS 15 will cover all contracts resulting in revenue. The fundamental principle of the new standard is to recognize revenue at the time of transfer of goods or services to the client, in the amount of the transaction price. Any goods or services sold in packages that can be distinguished within the package to be reported separately, moreover, any discounts and rebates on the transaction price should in principle be allocated to the individual elements of the package. If the amount of revenue is variable, according to the new standard the amount of variables are included in the income, unless there is a high probability that in the future there will be a reversal of the recognition of revenue as a result of revaluation. Furthermore, in accordance with IFRS 15 costs incurred to	1 January 2017

Standard/ Interpretation not yet endorsed by the EU	Nature of anticipated change in the accounting principles	Effective date
	acquire and secure a contract with a client are to be activated and accounted for over the period of consumption of the benefits of this contract. The impact of the standard on the financial statements has not been assessed yet.	
IFRS 16 *Leases*	The new standard sets out the principles for the recognition, measurement, presentation and disclosure of leases. All leases result in the lessee obtaining the right to use an asset at the start of the lease and, if lease payments are made over time, also obtaining financing. Lessees will be required to recognise: (a) assets and liabilities for all leases with a term of more than 12 months, unless the underlying asset is of low value; and (b) depreciation of lease assets separately from interest on lease liabilities in the income statement. IFRS 16 substantially carries forward the lessor accounting requirements in IAS 17. Accordingly, a lessor continues to classify its leases as operating leases or finance leases, and to account for those two types of leases differently. The impact of the standard on the financial statements has not been assessed yet.	1 January 2019

The accounting policies described below have been applied to both the reporting periods presented.

Single entity financial statements have been prepared in the functional currency, i.e. the basic currency of the economic environment of a given entity's business. The functional currency is the Polish zloty. Unless specified otherwise, all the amounts are quoted in thousand zlotys (PLN ths).

a) Going concern

The special purpose financial statements have been prepared on a going concern basis, assuming that Bank BPH SA will continue its business in the foreseeable future.

b) Key estimates

While preparing financial statements in accordance with IFRS the Bank has adopted certain estimates and made certain assumptions that have an impact on the amounts presented in the financial statements.

The estimates and assumptions, subject to ongoing monitoring by Bank management, are based on historic experience and other factors, such as expected future events that are justified at a point in time. The results provide the basis for estimating the value of balance-sheet assets and liabilities. While the estimates are based on the best knowledge of the current environment and the Bank business, the actual results may differ from those estimated. Adjustments of estimates are recognized in the reporting period during which the estimate is revised, provided that such adjustment related only to that period, or also in the following periods as well if the adjustment affects both the current and future periods. The major items subject to estimation are presented below.

Loan impairment

On each balance sheet date, the Bank assesses whether there is objective evidence of impairment for a given financial asset or group of financial assets. This assessment includes both reported and incurred but not reported losses (IBNR). To identify objective evidence of impairment for the IBNR portfolio the Bank uses statistical measurement methods taking into account assumptions about the Loss Identification Period.

For all exposures for which objective evidence of impairment was identified, the Bank measures the loss on the basis of future estimated recoveries. Expectations for individually significant exposures are estimated based on professional judgement, while expectations for exposures assessed on a collective basis are performed with statistical methods based on historical observations adjusted for factors, which may not be representative for the future.
The principles of measurement, including estimates and the authority to take decisions, are regulated in detail within the Bank and described in the Note 43.4 'Credit risk'.
Measurement methods and assumptions are subject to a regular monitoring and validation process. All observations of monitoring and validation processes are reflected in the measurement principles.

If the current value of estimated cash flows for the Bank' loans and advances portfolio with individual impairment was changed by +/-10%, then the estimated impairment of loans and advances at 31 December 2015 would go down by PLN 14 million or up by PLN 10 million, respectively (at 31 December 2014 down by PLN 21 million or up by PLN 11 million, respectively). This estimate was developed for loans and advances portfolio whose impairment is recognized on individual assessment of future cash flows from repayments and recoveries from collateral.

Impairment charges on loans and advances were presented in the Note 17 'Loan Impairment' while impact of impairment charges on the profit and loss account was presented in the Note 5 'Impairment charges'.

Fair value of financial instruments not traded on active markets

The fair value of financial instruments not traded on active markets is determined using valuation models. Non-option type derivatives and debt-securities not traded on active markets are valued using discounted cash-flows model. Option valuation models are used for option-type derivatives. Active market data is used in the models wherever possible. Where no data from active markets is available for model inputs the Bank uses estimated parameters and values instead. The main estimated parameters used to measure financial instruments result from the assessment of the counterparty credit risk. In valuation of derivatives, parallel shift of profitability curves by +/- 0,5 pp. would change their valuation by ca. PLN +/- 9.4 million as at 31 December 2015 (with 94.1% impact on IRS instruments), and as at 31 December 2014 ca. PLN +/-6.3 million (with 99.8% impact on IRS instruments).

In relation to the transaction of Visa Europe's acquisition by Visa Inc., the Bank revalued its shares in Visa Europe to the fair value in the amount of EUR 19,009 ths, the equivalent of PLN 81,005 ths (at the average NBP rate of 31 December 2015). The valuation outcome, including income tax effect, was recorded in other comprehensive income and did not impact the net profit. More details are disclosed in note 18 'Financial instruments available for sale'.

Change in the fair value of financial instruments is presented in the profit and loss account in the Note 7 'Result on financial instruments at fair value through the profit and loss and exchange rate differences' and for available for sale securities, in other comprehensive income.

Impairment of non-financial assets

Impairment of non-financial assets is identified if its carrying amount is greater than the recoverable amount. The recoverable amount is higher of fair value less cost to sell or value in use.

To determine the value in use, the Bank estimates future cash flows expected from the continued use or sale of the asset and discounts these values. The above principles also apply to the impairment test of goodwill. A detailed description of the assumptions used in the impairment test of goodwill is presented in Note 20 'Intangible Assets'.

Impairment charges on non-financial assets are presented in the Note 19 'Property and equipment' and in the Note 20 'Intangible assets', while the impact of non-financial assets

impairment charges on the profit and loss account is presented in the Note 9 'Result on other operating income and expenses'.

Restructuring provision

In accordance with IAS 37, the Bank recognises in statement of financial position a restructuring provision covering expenditure incurred directly as a result of restructuring and necessitated by this restructuring. The provision is set up based on a detailed, formal and published restructuring plan.

Restructuring provisions are presented in the Note 26 'Provisions' and in the Note 42 'Provision for employee benefits', while their impact on the profit and loss account is presented in the Note 8 'General administrative expenses'.

The deferred tax assets

The deferred tax assets are recognized for all deductible temporary differences to the extent that it is probable that taxable profit will be available against which the deductible temporary difference can be utilized.

The balance of deferred tax assets (Note 22) as at 31 December 2015 includes the amounts of PLN 22,691 ths, which will materialize provided that a transaction is concluded under which part of the receivables are brought into the company as contribution in kind and then the company's shares are sold to a third party. It is the Management Board's intention to carry out such a transaction.

Other estimates
Legal risk provisions are determined using an estimated amount to be paid when it is likely that a lost case could cause such an obligation to arise. In making the estimates, the Bank uses internal and external analyses and legal opinions. The value of the cases being subject to court litigations is presented in Note 34 'Court proceedings'.

Allocation between Core and Mortgage Business

Allocation of assets, liabilities, equity, financial results and cash flows between Core and Mortgage Business was prepared on the basis of rules described in Note 1 „ General information and the basis of preparation".

c) Financial assets and liabilities

Classification

Financial instruments are classified by the Bank according to IAS 39 as:

- at fair value through profit or loss
  The following items are included in this category by the Bank:
  - financial instruments held for trading,
  - derivatives,
  - financial instruments designated at fair value through profit or loss (*fair value option*).

The Bank's financial instruments are designated at fair value through profit or loss:

- when such valuation eliminates or significantly reduces an 'accounting mismatch'. This applies to securities (Treasury bonds and money bills) whose market risk is economically hedged with derivative instruments, and
- due to the fact that the financial assets are managed and their performance is evaluated on fair value basis. Information on these financial assets at fair value basis is provided to and reviewed by the management. This applies to investment certificates;

- loans or receivables
  These are financial assets other than derivatives with fixed or determinable payments that are not quoted on an active market. 'Loans and receivables' include receivables from banks, receivables from customers and other financial assets (presented in the Note 23 'Other assets');
- assets available for sale
  These are financial assets not qualified to other categories or designated to this category;
- other financial liabilities
  This category includes accounts payable to the Central Bank, accounts payable to banks, customers and other institutions, debt financial instruments issued and other financial liabilities (presented in the note 28 'Other liabilities').

Recognition and measurement of financial instruments

Financial instruments are recognised in the accounting records as of the date of the transaction. Regular purchases or sales of financial assets are recognised in the statement of financial position at the settlement date.
Financial instruments are initially measured at fair value adjusted (in the case of a financial asset or financial liability not measured at fair value through profit or loss) for material transaction costs that are directly attributable to the acquisition or issue of a financial asset or liability. After initial recognition, financial assets or liabilities at fair value through profit or loss and financial assets available for sale are measured at fair value, except for those equity assets available for sale, which are not quoted in an active market and whose fair value cannot be reliably determined (these assets are measured at cost). Changes in the fair value of financial assets available for sale and cash flow hedging derivatives are recognised in other comprehensive income, while the changes in fair value of financial assets and financial liabilities at fair value through profit or loss are recognised in income statement.

Other financial liabilities are measured at amortized cost with the use of the effective interest rate method. The discount, premium and all fees and commissions comprising the internal rate of return together with incremental transaction costs are recognized in the initial value of financial instrument and are amortized throughout the life of the instrument.

The fair value of financial instruments is based on quoted market prices with no deduction for transaction costs. Where a market price is not available, fair value is estimated with the use of option pricing models or discounted cash flows models.
The Bank uses the following fair value calculation techniques depending on the financial instruments:

- debt securities and equity securities traded on an active market are measured using quoted market prices without deducting transaction costs,
- debt securities not traded on an active market are measured using discounting cash flows with the market curve adjusted for a credit spread specific for that instrument. The credit spread is estimated based on prices in the primary market with adjustment implied by periodical assessment of credit quality of the issuer,
- derivatives are valued using the discounted cash-flow techniques or option models.

Derecognising financial assets and liabilities from the statement of financial position

The Bank derecognises a financial asset from the statement of financial position when:
a) the contractual rights to the cash flows from the financial asset expire,
   or
b) it transfers the financial asset and the transfer qualifies for derecognition.

The Bank transfers a financial asset when either:
a) retains a contractual right to receive the cash flows from the financial asset, but assumes a contractual obligation to pay the cash flows to one or more recipients and all three conditions set out below are met:

- the Bank is not required to pay the amounts to the eventual recipients unless it collects such amounts from the original financial asset;
- by the transfer agreement the Bank is prohibited from selling or pledging the original financial asset other than as security to the eventual recipient for the obligation to pay them cash flows;
- The Bank has an obligation on behalf of the eventual recipients to remit all cash flows received without significant delay;

or

b) transfers its contractual rights to the cash flows from the financial asset.

When a financial asset has been transferred, the Bank evaluates the extent to which it transferred substantially all the risks and rewards of ownership of the financial asset.
When the Bank retains substantially all risks and rewards then it continues to recognise the transferred financial asset. On the other hand, when substantially all risks and rewards have been transferred then the transferred asset is derecognised.

When the Bank has neither transferred nor retained substantially all risks and rewards of ownership of the transferred financial asset, the Bank determines whether it has retained control of the transferred financial asset.

If such control has been retained then the Bank continues to recognise the transferred financial asset to the extent of the Bank's continuing involvement. Otherwise, the transferred asset is derecognised.

Based on the above rules the Bank derecognizes receivables from loans and advances or part of it from the statement of financial position when the Bank sells these assets. In addition the Bank writes off receivables when it discontinues execution proceedings or no longer expects cash flows.

The Bank derecognises a financial liability or part of it if it is extinguished – i.e. when the obligation specified in the contract is discharged or cancelled or expires.

Embedded derivatives

Embedded derivative is part of the hybrid instrument, which also includes the host non-derivative contract, under which some of the cash flows of the combined instrument vary in a similar way to the cash flows resulting from a standalone derivative.

Derivatives embedded in other financial instruments are separated from the host contract and accounted for as derivatives when:

- the economic characteristics and risks associated with the embedded derivative are not closely related to the economic characteristics and risks of the host contract,
- a separate instrument with the same contractual terms and conditions as an embedded derivative would meet the definition of a derivative,
- combined instrument is not measured at fair value through profit or loss.

Embedded derivatives are measured at fair value through profit or loss. The host instruments issued by the Bank are measured at amortized cost using the effective interest rate method.
The embedded derivative is separated from the main contract and recognised as a derivative on the date when the entity first becomes a party to the contract. The Bank does not perform subsequent evaluations, unless there is a modification materially affecting cash-flows that would have otherwise been required by the contract.

d) Repo (sbb) and reverse repo (bsb) transactions

Securities sold or bought with sell-buy-back or buy-sell-back clauses (repo, sbb, reverse repo, bsb) are reported, respectively, as loans and advances received from other banks or customers, or amount due to other banks or customers. The difference between the sale and the buy-back price constitutes the interest income or expense and is accounted for over the life of the contract at amortized cost using the effective interest rate method.
Securities sold under reverse repo transactions are presented in the separate line of statement of financial position 'Assets pledged as collateral'.

e) Offsetting of financial instruments

Financial assets and liabilities are offset and the net amount is presented in the statement of financial position if and only if both of the following conditions are met:
a) there is a legally enforceable right to set off the recognized amounts; and
b) the settlement is to be made on a net basis, or the asset is realised and the liability is settled simultaneously.

f) Hedge accounting

The Bank does not apply hedge accounting. The Note 32 'Hedge Accounting' presents information on hedging relationships discontinued in 2009.

g) Impairment of financial assets

Assets carried at amortised cost

At each reporting date, the Bank assesses if there is any objective evidence of impairment of a financial asset or a group of financial assets.

The asset or group of assets have been impaired and impairment is recognised only if there is an objective evidence of such impairment resulting from one or more events after the initial recognition of the asset and the loss event (or events) has (have) an impact on the estimated future cash flows of the asset or group of assets, that can be reliably estimated.
It may not be possible to identify a single discrete event causing impairment. Instead, impairment can be caused by the combined effect of several events and it is identified in the Bank on the basis of objective qualitative and quantitative factors based on the assessment of customers' financial standing, quality of the customer's relations with the Bank and the customer's business and legal environment. Evidence of impairment is identified taking into account the risk of failure to meet the borrower's financial obligations to the Bank including, but not limited to, the following events:

a) significant financial difficulties of an issuer or debtor;
b) a breach of contract, e.g. a default or delinquency in interest or principal payments;
c) granting by the Bank for legal or economic reasons, a concession to the borrower in financial difficulty that the Bank would not otherwise consider;
d) a high likelihood of a borrower's bankruptcy or another financial reorganisation.

Should the borrower breach a contract by failing to pay or delaying the payment of interest or principal then an objective evidence of impairment, in the Bank's assessment, is a 90-day delay in the repayment of a significant amount due on a significant account of the borrower. The Bank applies this condition to the borrower in all segments.
When evidence of impairment is identified on any of a borrower's accounts, the entire amount of exposure to this borrower is assessed to determine any impairment loss.

If objective evidence for impairment exists, then the loss is measured as the difference between the carrying value of the exposure and the present value of estimated future cash flows. The

carrying value of a loan exposure is reduced through an allowance. The loss is recognized in the income statement.

Should the amount of impairment loss decrease during the subsequent period and the decrease can be objectively linked to an event occuring after the recognition of the impairment then the previously recognised impairment loss of that asset is reversed. The amount of the reserval is recognised in the income statement in the line 'Impairment charges'.

The impairment recorded by the Bank consists of impairment charges recognised by individual assessment and of impairmet charges calculated collectively for homogenous exposure groups.

For the purpose of estimating future cash flows of financial assets with identified evidence of impairment are broken down into individually significant and individually insignificant assets. The breakdown is made on the total exposure of the borrower while the thresholds have been set separately for individuals and business customers.

Identification of future cash-flows for individually significant assets is based on expert estimates of expected borrower payments, receipts from collateral, debt sale and any other cash-flows the expectations of which can be reliably documented. Such estimates take into account the borrower's financial condition and the expected future cash-flows thus reflecting the Bank's strategy towards the borrower based, among other things, on the relationship with this borrower or similar risk-profile borrowers, as well as on historical data from similar cases.

The future cash-flows for individually insignificant assets are identified by portfolio (collective) analysis and are based on historical experience of losses from assets with a similar risk profile. For the purpose of the collective impairment assessment financial assets with similar credit, risk characteristics identifying the borrower's repayment capability are grouped together. Historical data on losses is adjusted on the basis of current observable data (to reflect the impact of current circumstances, which had no influence during the period assessed), but also by eliminating factors influencing the historical data, but not the current situation.

Future cash-flows identified for individually significant and individually insignificant assets are discounted using the original effective interest rate. The discount interest rate applied to calculate the impairment loss of a variable-interest instrument, such as an advance, a loan or a financial instrument kept until maturity, is current effective interest rate, as determined under a particular contract.

In portfolios where no impairment triggers are identified the Bank makes a provision for losses incurred, but not identified (IBNR). The IBNR charge reflects the impairment loss incurred as a result of impairment events, which the Bank has not identified until the end of reporting period and determined using historical losses on assets with risk features similar to those assets subject to the IBNR calculation. The IBNR impairment is calculated with statistical models of asset groups combined in portfolios, developed using historic data, featuring similar credit risks. The IBNR calculation takes into account the loss identification period concept.

The Bank does not include any estimate of losses expected to occur as a result of future events regardless of their likelihood.

Financial assets available for sale

In case of financial assets available for sale with objective indications of impairment, accumulated losses that were recognised in equity are reclassified from equity and recognized in the income statement, even though the financial asset has not been derecognised. The amount of the cumulative loss that is reclassified from equity and recognised in income statement is the difference between the acquisition cost (net of any principal repayment and amortisation) and current fair value, less any impairment on that financial asset previously recognised in profit or loss.

Impairment losses from investments in equity instruments available-for-sale are not subject to reversal through profit or loss.

If in a subsequent period, the fair value of a debt instrument available-for-sale increases and the increase can be objectively related to an event that occurred after the recognition of impairment loss in the profit or loss, the impairment loss shall be reversed, with the amount of the reversal recognised in profit or loss.

Financial assets carried at cost

If there is objective evidence of impairment of an unquoted equity instrument which is not carried at fair value, because its fair value cannot be reliably measured or of a linked derivative which is to be settled by a delivery of such unquoted equity instrument, then the amount of an impairment loss is measured as the difference between the carrying amount of the asset and the present value of the estimated future cash-flows discounted with the use of the current market rate of return applicable for similar financial assets. Such impairment losses are not subject to reversal.

Off – balance sheet liabilities

For off-balance sheet liabilities, in line with IAS 37, the Bank creates provisions for incurred undocumented credit risk and guarantees with risk of contractor's default. Provisions for the off-balance sheet liabilities incl.: financial guarantees and performance guarantees, is calculated on the basis of a set limit and of a recoverable amount, calculated as the present value of estimated future cash flows discounted using the effective interest rate. Cash flows of off-balance sheet liabilities are calculated on the basis of a set limit at a date equivalent to the maturity of this liability and depending on the probability of cash outflow from Bank.

h) Operating lease

In case of lease contracts, which the Bank entered into as the lessor, the leased asset is recognised in the Bank's statement of financial position, as substantially all the risks and rewards incidental to ownership of the asset have not been transferred to the lessee.
In case of lease contracts, which the Bank entered into as the lessee, the leased asset is not recognised in the statement of financial position.
The entire operating lease fees are presented as revenue or cost in the profit and loss on a straight-line basis over the lease term.

i) Receivables under finance lease agreements

Lease agreements under which substantially all the risks and rewards incidental to the ownership of the asset are transferred to the lessee are classified as finance leases. The receivable is recognised in the statement of financial position in the amount of the net investment in the lease. The income under finance leases is recognised in a way that reflects a constant periodic rate of return on the net investment made by the Bank in the finance leases.
Receivables under finance leases are presented in the statement of financial position as loans and advances to customers.

j) Intangible assets

Goodwill, being the excess of the consideration transferred over the fair value of net assets acquired in the business combination, is measured at cost less impairment. Goodwill is not amortised but it is tested for impairment on annual basis through the assessment of recoverable amount of cash generating unit.

Other intangible assets, including those generated by the Bank having economic useful life are amortised in the income statement on a straight line basis and presented at the purchase

cost/development cost less amortisation. The amortisation rates are based on the estimated useful life of intangible assets. The Bank applies 12.5% amortization rate to the main groups of intangible assets. At least once a year the Bank verifies the adopted depreciation method and the economic useful life of intangible assets.

k) Property and equipment

Property and equipment is shown at the purchase price/development cost less any accumulated depreciation and impairment losses. The depreciation is recognised in the income statement using the straight line method. The depreciation rates are based on the estimated useful life of the property and equipment. Land is not depreciated. The Bank applies the following depreciation rates to the main groups of property and equipment:

Buildings and premises	2.5% - 6.25%
Technical equipment and machines	6% - 20%
Vehicles	20%
Leasehold improvements	as stipulated in the lease agreement but no longer than 10 years

At least once a year the Bank verifies the adopted depreciation method and the economic useful life of property and equipment.

Property and equipment acquired under finance lease agreements is recognised at the lowest of fair value or present value of minimum lease payments determined at the inception of the lease, less accumulated depreciation less impairment losses.

l) Non – current assets held for sale and discontinued operations

The Bank classifies non - current assets as held for sale if their carrying value is expected to be recovered principally through sale, rather than through continuing use. Non – current assets classified as held for sale are measured at either the carrying value or the fair value less cost to sell, whichever is the lowest.

The impairment charge for the non - current assets held for sale is recognized in the income statement.

Discontinued operations are a component of the entity that has been disposed or is classified as held for sale, and represents a separate major business line. Discontinued operations require a number of disclosures, separate from continuing operations.

m) Prepayments and deferred income

Prepayments relate to specific expenditures, which will be recognised in the profit and loss in the future reporting periods. Prepayments are presented in the financial statements in the line 'prepaid expenses'.

Deferred income relates to revenue charged in advance, which will be accounted for in the profit and loss account in the future reporting periods. Deferred income is presented in the financial statements in the line 'deferred income'.

n) Provisions

Provisions are liabilities of uncertain amount or timing. A provision is recognized in the statement of financial position when the Bank has a legal or constructive obligation as a result of a past event and it is probable that an outflow of economic benefit will be required to settle the obligation.

The restructuring provision, as a specific provision, is established upon the fulfilment of the general provision criteria mentioned above, but also when:

(i) the Bank has a detailed and formal restructuring plan;
(ii) valid expectations of those affected by the restructuring plan have been raised by the implementation of the restructuring plan or by a public announcement of the plan's main principles. A restructuring provision excludes future operating costs.

Employee benefits

Short-term employee benefits

Short-term employee benefits for the Bank's employees include salaries, bonuses, paid leaves and social security.

Short-term employee benefits are recognised as costs in the period they relate to, regardless of their actual payment date.

The Bank creates provision for bonuses and awards relating to results achieved during the reported period, but which are payable after the reporting date. The Bank also establishes an provision for holiday leaves that are outstanding as at the balance-sheet date.

Short-term benefits also include severance packages that are due upon termination of the employment relation.

Share – based payment

The costs of share-based payments within the framework of the General Electric Company (GE) Long-term Incentive Plan is measured at fair value of the allocated capital instruments on the grant date and costs are recognized during the vesting period. These costs increase the Bank's equity.

Post employment benefits

The Bank creates provisions for retirement and disability and payments upon death of an employee. The amounts are measured using actuarial calculations. The value of amounts granted on retirement, disability and upon death of an employee is calculated based on the current value of estimate future cash outflows using interest rates determined by comparisons to the market.

Other long term employee benefits

The Bank sets up provisions for other long-term employees' benefits under the CRD IV Directive. Liabilities for cash benefits are set up in the benefits amounts and benefits relating to equity instruments are calculated at grant date at fair value of such instruments taking into account the probability that the targets will be realised.

o) Impairment of assets other than financial assets

All of the Bank's assets, except for tax assets, are analysed for impairment in order to assess if there is evidence of impairment. When evidence occurs the Bank calculates the impairment loss. Impairment occurs when the carrying value of the asset is greater than its recoverable value. Recoverable value is the higher of the two amounts – fair value less costs to sell or value in use. An impairment charge is recognised in the income statement. Regardless of whether there are impairment triggers, the Bank conducts an annual test for impairment of intangible assets with an indefinite useful life by comparing its carrying amount with the recoverable value.

p) Shareholders' equity

Shareholders' equity consist of capital and funds created in accordance with the current regulations, i.e. the relevant laws and Articles of Association. Retained earnings are also included in the shareholders' equity along with other comprehensive income, which cover valuation of financial assets available for sale, unsettled part of valuation of hedging relations discontinued in 2009, actuarial remeasurements and related deferred tax.

q) Interest income and expenses

Interest income and expenses are recognised on accrual basis at amortised cost with the use of effective interest rate method and taking into account the provisions of IAS 39 on impaired receivables.
Accrued interests receivable and payable are reported in the relevant lines of statement of financial position.

Interest income and expenses also include fees and commissions paid and received recognized over time with the use of effective interest rate, which are included in the valuation of financial assets and liabilities.

'Interest income and expenses' include valuation of hedging transactions discontinued in 2009 and reclassified from other comprehensive income to the profit and loss account.

The line 'Interest income and expenses' include also interests on IRS and CIRS intruments.

r) Fee and commission income and expense

Fee and commission income is generated from financial services provided by the Bank. Fees and commissions directly attributable to the origination of financial asset or liability (both income and expense) are recognised in the income statement as an adjustment to the effective interest rate calculation. Other fee and commission income arising from the Bank's financial services such as cash management, brokerage services, investment advice, financial planning, investment banking services, asset management services and services involving intermediation in the sales of banking and investment products, costs related to credit cards, domestic and foreign payments - are recognized in the income statement when the corresponding service is provided.

s) Recognition of revenue on insurance intermediation services

Recognition of revenue on insurance intermediation services is defined on the basis of review of the economic characteristics of the transactions or mutual relationships between the banking product and the insurance product offered by the Bank.

If the insurance transaction and the banking product are related, the Bank recognizes insurances services earnings as relevant commissions on financial services, i.e. as:

- Commissions that are integral part of the effective interest rate on the financial instrument, which are treated as an adjustment to the effective interest rate.
- Commissions earned during the insurance period, when the Bank is obliged to provide further services,
- Commissions recognized as up-front, on the date of commencing or renewing the insurance policy, when the commission is earned on the execution of significant act and the Bank is not obliged to provide further services or the significant act was completed.

For insurance products linked to cash loans, the Bank estimates compensation, which may be returned (e.g. due to customer's withdrawal from the insurance agreement, prepayments or other situations) after the sales of insurance products. Estimates of provisions for

reimbursement are based on the analysis of historical information of actual and past reimbursements. Reasonableness of expected future estimates is verified upon each notification of significant developments, but in any case at least once a year. This provision is an element of amortised cost of financial instruments.

When the insurance transaction is not related to a banking product, the Bank recognizes revenue on insurance services as commission on insurance brokerage, i.e. as:

- Commissions earned during the insurance period, when the Bank is obliged to provide further services or when the customer has the option to terminate insurance cover.
- Commissions recognized as upfront, on the date of commencing or renewing the insurance policy, when the commission is earned on the execution of a significant act and is not obliged to provide further services or the significant act was completed.

Revenues and costs of insurance services are recognised in line with the accrual principles.

t) Result on financial instruments at fair value through profit or loss and exchange rate differences

Result on financial instruments at fair value through profit or loss and exchange rate differences consist of the following:

- *Net income from securities classified as held for trading:*
  - result on debt securities (net interest income, revaluation, result on sales),
- *Net income from derivatives and exchange rate differences:*
  - result on derivatives based on stock exchange indices and commodities,
  - realized and unrealized result (revaluation) on interest rate based derivatives like: IRS, FRA,
  - result on exchange rate differences relating to foreign currency transactions, the revaluation of foreign-currency balance sheet items as well as the realized and unrealized result (revaluation) on derivative foreign exchange instruments like Fx Forward or CIRS.

u) Result on financial assets available for sale

Result on financial assets available for sales includes realized profits and losses on investments in securities and equity investments.

v) Other operating income and expenses

Other operating income and expenses include the income and expenses not related directly to the banking activities.

w) Foreign currency translation

Transactions in foreign currencies are translated into PLN at the exchange rate as at the date of transaction. Monetary positions in foreign currencies are translated into PLN at the official average rates of the National Bank of Poland at the reporting date. Foreign currency revaluation results, both realized and unrealized, are presented in the income statement.

x) Taxes

Income tax consists of current and deferred tax. The income tax is presented in the income statement unless a gain or loss associated with this item relates directly to equity or other comprehensive income in which case the income tax is also recognized in equity or other comprehensive income. The current income tax is the Bank's tax liability applied to taxable

income using the tax rate applicable, including all the adjustments to the tax obligation for previous years.
The deferred tax liability is calculated according to the balance-sheet liability method using the identification of taxable temporary differences between the tax value and the carrying value of assets and liabilities.
The deferred tax assets are recognized for all deductible temporary differences to the extent that it is probable that taxable profit will be available against which the deductible temporary difference can be utilised.

y) Cash and cash equivalents

Cash and cash equivalents in the cash flow statement include 'Cash and balances with the Central Bank' financial assets as at fair value through profit or loss and receivables from banks with maturities up to 3 months. Cash funds are presented at their nominal value. The principles of measurement of individual items of cash equivalents were presented in the accounting principles applicable to these items.

3. Segment reporting

Division into operating segments

An operating segment is a component of the Bank which as a result of business activities earns revenues and incurs expenses including revenues and expenses that relate to transactions with any of the Bank's other components. All segments' operating results are reviewed regularly by the Bank management to make decisions about resources to be allocated to the particular segment.

Segment results, assets and liabilities include items directly attributable to a segment as well as those that can be allocated to a segment on a reasonable basis.

Bank BPH SA business segmentation is key to management policies. The Bank BPH SA manages its operations under strategic customer segments which are:

- Retail Banking,
- Commercial Banking,
- Assets & Liabilities Management and Other.

The Retail Banking Segment covers individuals. Major services offered to the Retail Banking Segment customers include:

- granting consumer loans, current account overdrafts and credit card limits,
- deposits, including saving products and sale of investment products (investment funds, structured products and brokerage),
- range of current account products with the package of various banking services for individuals (e.g. Konto Kapitalne).

The retail products are offered through, the Bank's BPH SA network of own branches, as a cooperation with partners and financial representatives under the 'Partner BPH' logo and using distribution channels including the Internet (Seza@m) and telephone (call center).

The Commercial Banking Segment covers small, medium and large enterprises, including:

- companies, state-owned enterprises, cooperatives and foreign enterprises,
- private entrepreneurs, partnerships and private partnerships,
- local government bodies,
- social, occupational and religious associations and non-public entities,
- self-employed, professionals and farmers.

The Commercial Banking Segment includes also the result from transactions with financial institutions.

The Commercial Banking Segment offers a broad range of products tailored to suit various customers' needs and profiles. The offer covers a universal set of products, consisting of loans, deposits and transactional services. Under the credit offer, customers can choose between investment loans and revolving loans, the offer is completed with financing of short-term trade liabilities. Deposit products enable the customers to manage their liquidity; additionally transactional services support their operational activities.

Segment Assets and Liabilities Management and Other includes the result from the Bank assets and liabilities management and items in the income statement that cannot be allocated to other two segments.

Segments intercharges are based on exchange and market rates related to executed transactions.

2015 segments' results were significantly impacted by goodwill impairment charges in the gross amount of PLN 154.8 million and net amount of PLN 125.4 million. Together with the goodwill impairment a deferred tax reserve related to goodwill was released and the release was also allocated to segments. As a result of goodwill impairment, pre-tax profit of Retail Banking segment was reduced by PLN 144.0 million and its net income was decreased by PLN 116.7 million. In Commercial Banking segment, goodwill impairment charges amount to PLN 10.8 million in its pre-tax profit and PLN 8.7 million in its net result. The details of impairment test of goodwill are disclosed in the Note 20. 'Intangible assets'.

2015 segments' results were also impacted by creation of restrucuring provision in the gross amount of PLN 184.7 million. As a result of this provision, pre-tax profit of Retail Banking was reduced by PLN 163.6 million. In Commercial Banking, restrucuring provision amount to PLN 17.1 million of its pre-tax profit and PLN 4 million in gross profit in Assets and Liabilities Mangement/Other segments.
Tax impact of restructuring provision is presented in total tax cost in Assets and Liabilities Mangement/Other segment.
Detailed information of restructuring reserve are presented in Note 26 'Provision'.

PLN'000

Core Business								
	Operating segments							
Income statement	Retail Banking		Commercial Banking		Asset and Liabilities Management and Other		Total	
1	2		3		4		(2+3+4)	
For the year ended	31 Dec. 2015	31 Dec. 2014	31 Dec. 2015	31 Dec. 2014	31 Dec. 2015	31 Dec. 2014	31 Dec. 2015	31 Dec. 2014
Interest income	**713 565**	**908 429**	**291 530**	**373 755**	**-154 887**	**-180 914**	**850 208**	**1 101 270**
External interest income	500 748	623 151	166 161	206 946	183 299	271 173	850 208	1 101 270
Internal interest income*	212 817	285 278	125 369	166 809	-338 186	-452 087	0	0
Interest expense	**-229 143**	**-322 544**	**-96 889**	**-153 963**	**145 827**	**183 161**	**-180 205**	**-293 346**
External interest expense	-66 258	-118 774	-24 998	-47 387	-88 949	-127 185	-180 205	-293 346
Internal interest expense*	-162 885	-203 770	-71 891	-106 576	234 776	310 346	0	0
Net interest income	**484 422**	**585 885**	**194 641**	**219 792**	**-9 060**	**2 247**	**670 003**	**807 924**
Impairment charges	**-17 312**	**45 846**	**3 833**	**-33 544**	**0**	**0**	**-13 479**	**12 302**
Fee and commission income	165 250	211 995	175 916	213 982	0	0	341 166	425 977
Fee and commission expense	-68 367	-68 193	-44 970	-76 027	0	0	-113 337	-144 220
Net fee and commission income	**96 883**	**143 802**	**130 946**	**137 955**	**0**	**0**	**227 829**	**281 757**
Result on financial instruments at fair value through profit or loss and exchange rate differences	6 061	3 985	53 556	57 786	-12 705	42 976	46 912	104 748
General administrative expense incl.:	-783 835	-686 903	-319 272	-292 215	-51 067	-30 197	-1 154 174	-1 009 315
BFG cost	*-15 088*	*-5 878*	*-19 589*	*-8 143*	*0*	*0*	*-34 677*	*-14 021*
Depreciation and amortisation	*-60 267*	*-57 894*	*-12 608*	*-12 078*	*-3 344*	*-1 596*	*-76 219*	*-71 568*
Result on other operating income and expenses	-167 954	5 679	-10 766	0	29 747	-11 301	-148 973	-5 622
Profit/Loss before income tax (excluding MTG Business)	**-381 735**	**98 294**	**52 938**	**89 774**	**-43 084**	**3 726**	**-371 881**	**191 794**
Income tax	27 359	0	2 046	0	18 802	-49 850	48 207	-49 850
Core Business Profit/Loss for the period	**-354 376**	**98 294**	**54 984**	**89 774**	**-24 282**	**-46 124**	**-323 674**	**141 944**

*Internal revenues/costs – of internal transfers related to funding the segments' core business

PLN'000

	Retail Banking		Commercial Banking		Asset and Liabilities Management and Other		Total	
As at date	**31 Dec. 2015**	**31 Dec. 2014**	**31 Dec. 2015**	**31 Dec. 2014**	**31 Dec. 2015**	**31 Dec. 2014**	**31 Dec. 2015**	**31 Dec. 2014**
Total assets	**5 296 184**	**4 703 815**	**3 979 057**	**4 374 920**	**6 925 320**	**7 115 539**	**16 200 561**	**16 194 274**
Loans and advances to Customers gross	4 953 284	4 663 179	4 034 115	4 461 426	108 517	670 883	9 095 916	9 795 488
loan impairment	-535 256	-924 371	-330 764	-441 536	0	0	-866 020	-1 365 907
Total liabilities	**7 430 577**	**7 295 640**	**4 936 145**	**4 941 278**	**822 472**	**1 564 665**	**13 189 194**	**13 801 583**
Amounts due to Customers (due to deposits and current accounts)	7 420 448	7 279 976	4 936 145	4 941 278	85 157	496 788	12 441 750	12 718 042

4. Net interest income

by source of cost and revenue

PLN '000

	For the year ended	
	31 Dec. 2015	31 Dec. 2014
Interest income on:	**850 208**	**1 101 270**
cash and loans granted to banks	7 760	12 827
loans and advances	659 132	818 594
securities	92 177	145 135
buy-sell-back transactions	7 375	7 590
IRS	83 654	117 015
hedging derivatives discontinued from the hedge accounting	110	109
Interest expenses on:	**-180 205**	**-293 346**
loans and advances received	0	0
deposits and term accounts	-51 535	-84 980
current accounts	-39 291	-84 310
securities issued by Bank BPH	-3 223	-4 144
sell-buy-back transactions	-6 199	-8 016
IRS	-79 512	-111 307
hedging derivatives discontinued from the hedge accounting	-445	-589
NET INTEREST INCOME	**670 003**	**807 924**

by type of entity

PLN '000

	For the year ended	
	31 Dec. 2015	31 Dec. 2014
Interest income from:	**850 208**	**1 101 270**
Central Bank	77 642	128 762
banks	2 486	3 430
other financial institutions	94 707	126 090
non-financial entities	653 799	814 987
government sector	21 574	28 001
Interest expenses from:	**-180 205**	**-293 346**
banks	-3 703	-7 162
other financial institutions	-87 232	-125 078
non-financial entities	-84 920	-149 794
government sector	-4 350	-11 312
NET INTEREST INCOME	**670 003**	**807 924**

Interest income includes interest on securities designated at fair value through profit or loss (FVO), which amounts to PLN 64 023 ths for 2015 (2014: PLN 127 267 ths). Interest income and

expenses also include interest on IRS/CIRS instruments. The interest income from securities classified as held for trading is reported in Result on financial instruments at fair value through profit or loss and exchange rate differences.

Interest income includes also PLN 67 676 ths for 2015 (2014: PLN 13 350 ths) of settlement of fees and commissions directly linked to financial assets or liabilities (both income and direct incremental expense) that are recognized at amortised cost based on effective interest rate.

The net interest income on impaired financial assets (i.e. impaired loans) amounted in 2015 to PLN 51 344 ths (2014: PLN 60 666 ths).

5. Impairment charges

PLN'000

	For the year ended	
	31 Dec. 2015	31 Dec. 2014
Net loan impairment charge	-114 947	-76 929
Net result on incurred but not reported losses on loans and advances (IBNR)	14 009	38 516
Recoveries from written-off receivables	84 559	45 998
Net off-balance sheet liabilities impairment charges	2 900	4 717
IMPAIRMENT CHARGES	**-13 479**	**12 302**

6. Net fee and commission income

PLN'000

	For the year ended	
	31 Dec. 2015	31 Dec. 2014
Income from:	**341 166**	**425 977**
securities and fiduciary activities	17 680	15 974
loans and advances	28 733	33 121
credit cards	122 682	173 911
domestic payments and current accounts	97 997	107 942
foreign payments	12 477	12 623
management of customers' investments funds and portfolios	34 070	33 394
insurance intermediation	25 982	47 769
other	1 545	1 243
Expenses on:	**-113 337**	**-144 220**
securities and fiduciary activities	-5 453	-6 787
loans, advances and account administration fees	-6 736	-7 396
credit cards	-90 050	-121 292
domestic payments	-6 865	-3 906
foreign payments	-860	-1 064
insurance intermediation	-3 357	-3 735
other	-16	-40
NET FEE AND COMMISSION INCOME	**227 829**	**281 757**

Net fee and commission income for 2015 includes PLN 8,291 ths income from fiduciary activities (2014: PLN 7,933 ths) and PLN 1,508 ths expenses from fiduciary activities (2014: PLN 1,934 ths).

Net fee and commission income includes commission income on credit cards and loans and advances (other than amounts included in determining the effective interest rate) arising from assets and liabilities that are not at fair value through profit or loss of PLN 151,425 ths for 2015 (2014: PLN 207,032 ths) and commission costs on credit cards and loans and advances of PLN 96,786 ths for 2015 (2014: PLN 128,688 ths).

7. Result on financial instruments at fair value through profit or loss and exchange rate differences

PLN'000

	For the year ended	
	31 Dec. 2015	31 Dec. 2014
Securities designated at fair value through profit or loss (FVO)	-1 625	860
Securities classified as held for trading	-19	11
Derivatives	2 207	12 744
Foreign exchange gains/losses	46 349	91 132
RESULT ON FINANCIAL INSTRUMENTS AT FAIR VALUE THROUGH PROFIT OR LOSS AND EXCHANGE RATE DIFFERENCES	**46 912**	**104 747**

8. General administrative expenses

PLN'000

		For the year ended	
		31 Dec. 2015	31 Dec. 2014
Employment costs		**-657 841**	**-531 909**
Salaries	(c)	-577 281	-457 805
Retirement, disability pension and death benefits		-4 562	-3 062
Obligatory social security charges		-75 998	-71 042
Rents		**-126 619**	**-105 119**
Building maintenance		**-32 008**	**-33 182**
Costs of external services and consulting		**-52 227**	**-84 233**
Costs of IT and office equipment maintenance		**-52 926**	**-54 409**
Costs of marketing and sales promotion		**-45 206**	**-37 573**
Other expense, incl.:		**-105 628**	**-86 673**
payments to the Bank Guarantee Fund		*-34 677*	*-14 021*
Depreciation and amortization		**-81 719**	**-76 216**
Property and equipment		-63 965	-60 269
Intangible assets		-17 754	-15 947
Genaral administrative expenses of Bank BPH Core Business, incl.:	**(a)**	**-1 154 174**	**-1 009 315**
restructuring costs	*(b)*	*-184 685*	*-27 056*

(a) The costs of remuneration for 2015 include released provisions for annual employees' bonus of PLN 8,708 ths (2014: PLN 11,254 ths).
(b) Total cost of restructuring enclosed in General Administrative Expenses Core Business in the amount of PLN 184,685 ths at the end of 2015 year (2014 PLN 27,056 ths) is presented in the following positions:
    - Employment costs' for 2015 include costs of employment restructuring in the amount of PLN 144,018 ths (2014: PLN 21,275 ths).
    - For 2015 'Rents' include the amount of PLN 40 667 ths for costs of restructuring connected with the optimisation of the Headquarter office space and distribution network (2014: PLN 5,781 ths).

9. Result on other operating income and expenses

PLN'000

	For the year ended	
	31 Dec. 2015	31 Dec. 2014
Other operating income from	**26 951**	**26 572**
Sale or liquidation of fixed assets and assets held for sale	1 156	11 417
Franchise fees	839	718
Refund of VAT	18 867	10 698
Other	6 089	3 739
Other operating expenses from	**-175 923**	**-32 193**
Impairment charges on intangible assets and property and equipment	-158 425	-10 660
Fees and penalty interest	-389	-832
Litigation costs	-5 760	-4 999
Provision and impairment allowances	-4 208	-11 283
Other	-7 141	-4 419
RESULT ON OTHER OPERATING INCOME AND EXPENSES	**-148 972**	**-5 621**

'Impairment charges on intangible assets and property and equipment' for 2015 include impairment of goodwill in the amount of PLN 154 764 ths. The details of goodwill impairment test are presented in the Note 20. 'Intangible assets'.

10. Income tax expense

PLN'000

	For the year ended	
	31 Dec. 2015	31 Dec. 2014
Current tax	**-9 754**	**1 129**
Current year	-8 339	-2 201
Adjustments of previous years	-1 415	3 330
Deferred tax	**57 961**	**-50 979**
INCOME TAX	**48 207**	**-49 850**

Reconciliation of tax expense

PLN'000

	For the year ended	
	31 Dec. 2015	31 Dec. 2014
Profit/loss before income tax	-371 881	191 794
Statutory income tax at 19% tax rate	**70 658**	**-36 441**
Tax-exempt revenue - Income of House Savings & Loan Office	1 330	1 565
Adjustments of previous years regarding current tax	-1 415	3 330
Non tax-deductible expense	-19 902	-15 692
Non-taxable revenues and revenues exempt from taxation	1 831	2 432
Other items impacting tax charge	-4 295	-5 044
Impact of differences between profit before income tax and taxable income	**-22 451**	**-13 409**
INCOME TAX	**48 207**	**-49 850**

11. Earnings and book value per share

	As at date	
	31 Dec. 2015	31 Dec. 2014
Number of shares as at the balance sheet date	76 667 911	76 667 911
Weighted average and weighted average diluted number of ordinary shares	76 667 911	76 667 911
Profit/loss for the period (PLN)	-323 674	141 944
Earnings/loss and diluted earnings/loss per ordinary share (PLN)	-4.22	1.85

'Profit/loss for the period and diluted profit/loss for the period per ordinary share' for the core business was calculated as loss/profit for the period divided by the total number of shares for the whole Bank.

12. Cash and balances with the Central Bank

PLN'000

	As at date	
	31 Dec. 2015	31 Dec. 2014
Cash	479 388	574 082
Balances with the Central Bank	464 593	518 881
CASH AND BALANCES WITH THE CENTRAL BANK	**943 981**	**1 092 963**

Items under 'Cash and operations with the Central Bank' mature within a maximum of 12 months.

As at 31 December 2015, 'Balances with the Central Bank' included the funds in the account with the National Bank of Poland, which constitute mandatory reserve on the funds acquired by the Bank. The mandatory reserve is defined with a percentage ratio of the total funds accumulated at bank accounts and other returnable funds acquired by the Bank and is kept as the balance of the current account with the NBP based on the arithmetic mean of the daily balances for a given month.

13. Cash and cash equivalents

For separate statement of cash flows, the balance of cash and cash equivalents includes the following balances that mature within 3 months (from the date of acquisition) and are subject to an insignificant risk of changes in value.

PLN'000

	As at date	
	31 Dec. 2015	31 Dec. 2014
Cash and balances with the Central Bank	**943 981**	**1 092 963**
Amounts due from banks	**413 596**	**263 071**
current accounts	411 879	263 071
loans and advances in transit	1 717	0
Debt securities and bills issued by the State Treasury and other public issuers eligible for rediscounting at the Central Bank	**4 598 514**	**4 499 519**
CASH AND CASH EQUIVALENTS	**5 956 091**	**5 855 553**

14. Financial assets at fair value through profit or loss

PLN'000

	As at date	
	31 Dec. 2015	31 Dec. 2014
1) Securities designated upon initial recognition at fair value through profit or loss	5 237 595	4 465 898
2) Positive market value of derivatives	87 727	116 836
FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS	**5 325 322**	**4 582 734**

Securities upon initial recognition at fair value through profit or loss

PLN'000

	As at date	
	31 Dec. 2015	31 Dec. 2014
Debt instruments (by type and issuer)	**5 237 595**	**4 465 898**
Money bills issued by Central Bank	4 598 514	4 465 898
Treasury bonds issued by central government institutions	639 081	0
SECURITIES DESIGNATED UPON INITIAL RECOGNITION AT FAIR VALUE THROUGH PROFIT OR LOSS	**5 237 595**	**4 465 898**

Positive market value of derivatives

PLN'000

	As at date	
	31 Dec. 2015	31 Dec. 2014
Interest rate transactions, incl.	**75 125**	**99 355**
FRA	133	0
IRS	74 980	99 344
Interest rate options bought	4	11
Other interest rate instruments	8	0
Currency transactions, incl.	**8 914**	**10 867**

FX forwards	8 382	8 411
Other currency instruments	224	977
Currency options bought	308	1 479
Equity options bought	**3 246**	**6 614**
Commodity options bought	**442**	**0**
TOTAL	**87 727**	**116 836**

15. Amounts due from banks

by type

PLN'000

	As at date	
	31 Dec. 2015	31 Dec. 2014
Money market placements	**10 113**	**40 132**
Other including	**453 315**	**306 999**
current accounts	411 879	263 071
loans and advances - cash collaterals	39 704	43 903
loans and advances in transit	1 717	0
other	15	25
AMOUNTS DUE FROM BANKS	**463 428**	**347 131**

by entity's country of domicile

PLN'000

	As at date	
	31 Dec. 2015	31 Dec. 2014
Amounts due from domestic monetary financial institutions	21 524	40 999
Amounts due from monetary financial institutions	441 904	306 132
Amounts due from BANKS	**463 428**	**347 131**

16. Loans and advances to customers

by type

PLN'000

	As at date	
	31 Dec. 2015	31 Dec. 2014
Loans and advances, incl.:	**8 975 867**	**9 066 259**
factoring	*274 858*	*234 006*
to financial institutions	**96 276**	**40 481**
Corporates	91 511	38 476
Small and medium enterprises	4 765	2 005
to non-financial institutions	**8 846 338**	**8 985 461**
Corporates	2 178 899	2 403 033

Small and medium enterprises	1 735 416	1 949 318
Private individuals	4 932 023	4 633 110
to government and self-government institutions	**33 253**	**40 317**
Corporates	33 204	38 769
Small and medium enterprises	49	1 548
Other:	**120 049**	**729 230**
securities from buy-sell-back transactions	0	614 655
loans and advances - under cash collateral of stock transactions	93 673	88 671
loans and advances in transit	14 020	13 442
other	12 356	12 462
TOTAL	**9 095 916**	**9 795 489**
Impairment charges on loans and advances	-858 870	-1 359 400
Impairment charges on other loans and advances to customers'	-7 150	-6 507
LOANS AND ADVANCES TO CUSTOMERS	**8 229 896**	**8 429 582**

Loans and advances by Customer segment and product type

PLN'000

FINANCIAL INSTITUTIONS	As at date	
	31 Dec. 2015	31 Dec. 2014
Corporates	**91 511**	**38 476**
credit card	2	0
operating/working capital loan	91 509	38 476
Small and medium enterprises	**4 765**	**2 005**
credit card	73	20
investment loans	1 168	0
operating/working capital loan	2 188	1 680
car loan	1 076	279
other loan	260	26
Total loans and advances to financial institutions	**96 276**	**40 481**

PLN'000

NON-FINANCIAL ENTITIES	As at date	
	31 Dec. 2015	31 Dec. 2014
Corporates	**2 178 899**	**2 403 033**
credit cards	775	1 230
investment loans	387 362	408 813
operating/working capital loans	1 297 106	1 559 189
car loans	171	164
other loans	493 485	433 637
Small and medium enterprises	**1 735 416**	**1 949 318**
credit cards	46 880	67 659
investment loans	347 028	413 208

operating/working capital loans	907 437	988 754
car loans	182 382	235 937
other loans	251 689	243 760
Private individuals	**4 932 023**	**4 633 110**
credit cards	511 358	673 778
mortgage loans	10 554	14 521
cash loans	4 388 760	3 884 784
car loans	9 130	41 836
other loans	12 221	18 191
Total loans and advances to non-financial entities	**8 846 338**	**8 985 461**

PLN'000

GOVERNMENT SECTOR	As at date	
	31 Dec. 2015	31 Dec. 2014
Corporates	**33 204**	**38 769**
credit cards	26	16
investment loans	30 678	34 357
operating/working capital loans	2 500	4 396
Small and medium enterprises	**49**	**1 548**
investment loans	49	1 402
other loans	0	146
Total loans and advances to the government sector	**33 253**	**40 317**

Active repurchase agreements (bsb/reverse repo transactions)

PLN'000

	As at date	
	31 Dec. 2015	31 Dec. 2014
Amounts due from the bsb/ reverse repo secured transactions (including interest)	0	614 655
Fair value of securities pledged as security of bsb/ reverse repo transactions	0	617 067

In 2015 and 2014, the Bank could pledge or sell all of its securities (treasury bonds) purchased under repurchase agreements (bsb/reverse repo transactions).

17. Loan impairment

PLN'000

	IMPAIRMENT	IBNR	TOTAL
Opening balance (01 Jan. 2015)	**1 246 845**	**119 061**	**1 365 907**
Impairment charges	114 947	-14 009	100 938
Receivables written-off	-605 593	0	-605 593
Exchange rate differences	728	133	861
Other	3 908	0	3 907
Closing balance (31 Dec. 2015)	**760 835**	**105 185**	**866 020**

PLN'000

	IMPAIRMENT	IBNR	TOTAL
FINANCIAL INSTITUTIONS	**245**	**2 966**	**3 211**
Corporates	2	2 900	2 902
Small and medium enterprises	243	66	309
NON-FINANCIAL ENTITIES	**753 441**	**102 057**	**855 498**
Corporates	46 392	16 291	62 683
Small and medium enterprises	233 963	25 838	259 801
Private individuals	473 086	59 928	533 014
GOVERNMENT SECTOR	**0**	**162**	**162**
Corporates	0	162	162
Impairment charges on loans and advances	**753 686**	**105 185**	**858 871**
Impairment charges on other receivables	**7 149**	**0**	**7 149**
IMPAIRMENT (as at date 31 Dec. 2015)	**760 835**	**105 185**	**866 020**

PLN'000

Impairment charges	Opening balance (01 Jan. 2015)	exchange rate differences	written off as losses	net provisioning - impact on profit and loss account	Other	Closing balance (31 Dec. 2015)
FINANCIAL INSTITUTIONS	**214**	**0**	**-469**	**156**	**344**	**245**
Corporates	0	0	0	2	0	2
Small and medium enterprises	214	0	-469	154	344	243
NON-FINANCIAL ENTITIES	**1 240 124**	**728**	**-605 124**	**114 791**	**2 921**	**753 440**
Corporates	56 413	15	-12 638	2 602	0	46 392
Small and medium enterprises	327 126	561	-110 935	15 743	1 468	233 963
Private individuals	856 585	152	-481 551	96 446	1 453	473 085
Impairment charges on loans and advances	**1 240 338**	**728**	**-605 593**	**114 947**	**3 265**	**753 685**
Impairment charges on other receivables	**6 507**	**0**	**0**	**0**	**642**	**7 149**

PLN'000

IBNR	Opening balance (01 Jan. 2015)	exchange rate differences	net provisioning - impact on profit and loss account	Closing balance (31 Dec. 2015)
FINANCIAL INSTITUTIONS	**744**	**265**	**1 957**	**2 966**
Corporates	719	217	1 964	2 900
Small and medium enterprises	25	48	-7	66
NON-FINANCIAL ENTITIES	**118 086**	**-132**	**-15 897**	**102 057**
Corporates	18 008	-49	-1 668	16 291
Small and medium enterprises	32 085	-39	-6 208	25 838
Private individuals	67 993	-44	-8 021	59 928
GOVERNMENT SECTOR	**231**	**0**	**-69**	**162**
Corporates	212	0	-50	162

Small and medium enterprises	19	0	-19	0
Impairment charges on loans and advances	**119 061**	**133**	**-14 009**	**105 185**

PLN'000

	IMPAIRMENT	IBNR	TOTAL
Opening balance (01 Jan. 2014)	**1 635 685**	**157 350**	**1 793 035**
Impairment charges	76 929	-38 516	38 413
Receivables written-off	-466 882	0	-466 882
Exchange rate differences	161	227	388
Other	952	0	952
Closing balance (31 Dec. 2014)	**1 246 845**	**119 061**	**1 365 906**

PLN'000

	IMPAIRMENT	IBNR	TOTAL
FINANCIAL INSTITUTIONS	**214**	**744**	**958**
Corporates	0	719	719
Small and medium enterprises	214	25	239
NON-FINANCIAL ENTITIES	**1 240 124**	**118 086**	**1 358 210**
Corporates	56 413	18 008	74 421
Small and medium enterprises	327 126	32 085	359 211
Private individuals	856 585	67 993	924 578
GOVERNMENT SECTOR	**0**	**231**	**231**
Corporates	0	212	212
Small and medium enterprises	0	19	19
Impairment charges on loans and advances	**1 240 338**	**119 061**	**1 359 399**
Impairment charges on other receivables	**6 507**	**0**	**6 507**
IMPAIRMENT (as at date 31 Dec. 2014)	**1 246 845**	**119 061**	**1 365 906**

PLN'000

Impairment charges	Opening balance (01 Jan. 2014)	exchange rate differences	written off as losses	net provisioning - impact on profit and loss account	Other	Closing balance (31 Dec. 2014)
FINANCIAL INSTITUTIONS	**26**	**0**	**0**	**188**	**0**	**214**
Small and medium enterprises	26	0	0	188	0	214
NON-FINANCIAL ENTITIES	**1 629 152**	**161**	**-466 882**	**76 741**	**952**	**1 240 124**
Corporates	57 485	91	-14 909	13 925	-179	56 413
Small and medium enterprises	417 255	370	-140 639	49 959	181	327 126
Private individuals	1 154 412	-300	-311 334	12 857	950	856 585
Impairment charges on loans and advances	**1 629 178**	**161**	**-466 882**	**76 929**	**952**	**1 240 338**
Impairment charges on other receivables	**6 507**	**0**	**0**	**0**	**0**	**6 507**

PLN'000

IBNR	Opening balance (01 Jan. 2014)	exchange rate differences	net provisioning - impact on profit and loss account	Closing balance (31 Dec. 2014)
FINANCIAL INSTITUTIONS	**331**	**6**	**407**	**744**
Corporates	290	11	418	719
Small and medium enterprises	41	-5	-11	25
NON-FINANCIAL ENTITIES	**156 666**	**221**	**-38 801**	**118 086**
Corporates	15 950	105	1 953	18 008
Small and medium enterprises	50 278	107	-18 300	32 085
Private individuals	90 438	9	-22 454	67 993
GOVERNMENT SECTOR	**353**	**0**	**-122**	**231**
Corporates	315	0	-103	212
Small and medium enterprises	38	0	-19	19
Impairment charges on loans and advances	**157 350**	**227**	**-38 516**	**119 061**

Decrease in impairment allowances balance on loans and advances to customers resulted i.e. from transactions of sales of receivables portfolios performed by the Bank. Within the sale transactions all risks and rewards were transfered to the buyer.

18. Financial assets available for sale

PLN'000

	As at date	
	31 Dec. 2015	31 Dec. 2014
Debt instruments issued by central government institutions (Treasury bonds)	375 980	370 300
Equity instruments (Shares, interests)	81 021	17
FINANCIAL ASSETS AVAILABLE FOR SALE	**457 001**	**370 317**

As at December 31, 2015 and December 31, 2014, the Bank did not recognize any impairment of financial assets available for sale.

The amount of equity securities as at 31 December 2015 includes the fair value of Visa Europe Limited (Visa Europe) shares.

In December 2015 the Bank obtained information related to the Bank's share in settling the transaction of Visa Europe's acquisition by Visa Inc. The Bank's share in the purchase price includes EUR 16,714,339 in cash and EUR 5,735,698 in preference shares.

These amounts may be modified due to, inter alia, transaction costs and potential appeals from Visa members related to their share in the purchase price. The transaction between Visa Inc. and Visa Europe assumes a deferred 'earn-out' payment in cash after 16 quarters since the transaction settlement, but its value cannot be estimated yet. Participation in the 'earn out' option is conditioned upon participation in Visa during 4 years after finalization of the transaction.
Transaction execution is conditional upon relevant regulatory consents and its finalization is expected in Q2 2016.

In relation to the transaction, the Bank remeasured its share in Visa Europe to the fair value in the amount of EUR 19,009 ths, the equivalent of PLN 81,005 ths (at the average NBP rate of

31 December 2015). The valuation outcome, less deferred income tax, was recorded in other comprehensive income and did not impact the net income.

19. Property and equipment

PLN'000

	As at date	
	31 Dec. 2015	31 Dec. 2014
Land	625	625
Buildings, premises	147 325	146 460
Technical equipment and machines	89 956	78 655
Vehicles	7 342	12 379
Other fixed assets	13 839	16 362
Fixed assets under construction	10 418	34 628
PROPERTY AND EQUIPMENT	**269 505**	**289 109**

Movements in property and equipment

PLN'000

	Land	Buildings, premises, civil engineering structures	Technical equipment and machines	Vehicles	Other fixed assets	Fixed assets under construction	Total property and equipment
GROSS OPENING BALANCE (01 Jan. 2015)	**625**	**339 457**	**567 061**	**28 022**	**46 975**	**34 647**	**1 016 788**
INCREASE	**0**	**26 547**	**42 823**	**0**	**1 539**	**44 530**	**115 439**
transferred from fixed assets under construction	0	26 218	41 107	0	1 251	0	68 576
purchases	0	329	1 716	0	288	44 530	46 863
DECREASE	**0**	**14 805**	**197 082**	**8 265**	**11 048**	**68 740**	**299 940**
liquidation	0	14 730	196 123	56	10 831	0	221 740
sale	0	0	959	8 209	217	0	9 385
transferred to fixed assets	0	0	0	0	0	68 576	68 576
due to move to assets held for sale	0	49	0	0	0	0	49
other	0	26	0	0	0	164	190
GROSS CLOSING BALANCE (31 Dec. 2015)	**625**	**351 199**	**412 802**	**19 757**	**37 466**	**10 437**	**832 286**
OPENING BALANCE OF CUMULATIVE DEPRECIATION (01 Jan. 2015)	**0**	**188 771**	**470 966**	**15 631**	**29 873**	**0**	**705 241**
depreciation for the current period	0	25 149	30 666	4 216	3 935	0	63 965
reductions due to sale	0	0	958	7 388	209	0	8 555
reductions due to liquidation	0	13 857	184 234	56	10 107	0	208 254

CLOSING BALANCE OF CUMULATIVE DEPRECIATION (31 Dec. 2015)	**0**	**200 063**	**316 440**	**12 402**	**23 492**	**0**	**552 397**
OPENING BALANCE OF IMPAIRMENT CHARGES (01 Jan. 2015)	**0**	**4 226**	**17 440**	**13**	**740**	**19**	**22 438**
increase	0	142	213	0	46	0	401
decrease	0	557	11 247	0	650	0	12 454
CLOSING BALANCE OF IMPAIRMENT CHARGES (31 Dec. 2015)	**0**	**3 811**	**6 406**	**13**	**136**	**19**	**10 385**
CLOSING BALANCE OF NET VALUE (31 Dec. 2015)	**625**	**147 325**	**89 956**	**7 342**	**13 839**	**10 418**	**269 505**

PLN'000

	Land	Buildings, premises, civil engineering structures	Technical equipment and machines	Vehicles	Other fixed assets	Fixed assets under construction	Total property and equipment
GROSS OPENING BALANCE (01 Jan. 2014)	**659**	**373 376**	**553 336**	**41 372**	**44 424**	**34 854**	**1 048 021**
INCREASE	**0**	**34 156**	**34 597**	**0**	**5 109**	**59 056**	**132 918**
transferred from fixed assets under construction	0	30 674	23 595	0	4 763	0	59 032
purchases	0	262	11 002	0	346	59 012	70 622
other	0	3 220	0	0	0	44	3 264
DECREASE	**34**	**68 075**	**20 872**	**13 349**	**2 558**	**59 263**	**164 151**
liquidation	0	41 653	19 234	96	2 359	0	63 342
sale	7	2 156	1 149	13 253	184	0	16 749
transferred to fixed assets	0	0	0	0	0	59 032	59 032
due to move to assets held for sale	27	24 266	395	0	15	0	24 703
other	0	0	94	0	0	231	325
GROSS CLOSING BALANCE (31 Dec. 2014)	**625**	**339 457**	**567 061**	**28 022**	**46 975**	**34 647**	**1 016 788**
OPENING BALANCE OF CUMULATIVE DEPRECIATION (01 Jan. 2014)	**0**	**210 155**	**458 552**	**21 688**	**28 206**	**0**	**718 601**
depreciation for the current period	0	21 587	29 009	5 992	3 682	0	60 269
other increases	0	4 980	2 285	897	36	0	8 198
decreases due to sale	0	1 966	1 097	12 861	183	0	16 107
decreases due to liquidation	0	36 869	17 625	85	1 852	0	56 431
decreases due to reclassification to assets held for sale	0	9 116	158	0	16	0	9 290

CLOSING BALANCE OF CUMULATIVE DEPRECIATION (31 Dec. 2014)	**0**	**188 771**	**470 966**	**15 631**	**29 873**	**0**	**705 241**
OPENING BALANCE OF IMPAIRMENT CHARGES (01 Jan. 2014)	**0**	**6 576**	**19 833**	**910**	**608**	**20**	**27 947**
increase	0	2 274	533	0	575	0	3 382
decrease	0	4 624	2 926	897	443	1	8 891
CLOSING BALANCE OF IMPAIRMENT CHARGES (31 Dec. 2014)	**0**	**4 226**	**17 440**	**13**	**740**	**19**	**22 438**
CLOSING BALANCE OF NET VALUE (31 Dec. 2014)	**625**	**146 460**	**78 655**	**12 379**	**16 362**	**34 628**	**289 109**

20. Intangible assets

by type

PLN'000

	As at date	
	31 Dec. 2015	**31 Dec. 2014**
Goodwill	0	154 764
Software	68 764	63 208
Other	67	35
Expenditures	51 157	18 565
INTANGIBLE ASSETS	**119 988**	**236 572**

Goodwill represents the excess of the consideration paid over the fair value of the identified assets and liabilities acquired.

The impairment test performed as at 31 December 2015 resulted in goodwill impairment charge of PLN 154,764 ths, resulting in zero carrying value of goodwill as at year-end. This goodwill impairment is recognized in other operating expenses and is related mainly to Retail segment (Note 3).

As at 31 December 2014 goodwill included the following items:

- PLN 107,659 ths arisen on the acquisition of Pierwszy Komercyjny Bank SA in Lublin,
- PLN 47,105 ths arisen on the acquisition of Przedsiębiorstwo Kapitałowo Inwestycyjne 'Chrobry' Modro Sp. Jawna by GE Money Bank.

Goodwill was allocated to the following cash generating units of Bank BPH of Retail segment in the amount of PLN 144,0 million and SME (part of Commercial segment) in the amount of PLN 10,8 million on the basis of risk weighted assets.

Goodwill is subject to annual impairment test according to IAS 36. The following factors occurred over the course of 2015 which had a negative effect on the recoverability of goodwill created additional pressure on goodwill recoverability:

- a continued negative forecast relating to outlook for interest rates which assume the possibility of further decreases. This created pressure on the rate cap, returns on liquidity portfolio and returns on new business,

- an increased capital adequacy requirements due to the regulations and requirements communicated in the second half of 2015,
- an increased pressure on the banks' profitability resulting from imposed and planned taxes, levies imposed on banks and uncertainties relating to foreign currency portfolios,
- a reduced income from bancassurance.

As at 31 December 2015 an impairment charge was identified through the comparison of recoverable amount to carrying value of cash generating units.

Recoverable amount based on value in use

The recoverable amount of cash generating unit is higher of value in use and fair value less costs of disposal. The estimate of the value in use, which is higher than fair value less costs of disposal, is performed using the discounted cash flows model, adequate for banks and other financial institutions. The future expected cash flows generated by the Retail segment and SME (part of Commercial segment) are based on the Bank management's 7-year financial projections for the years 2016-2022. Key parameters and assumptions described below are consistent for both segments.

Key assumptions and most recent changes adopted in calculation of value in use

Financial projection

Financial projection for years 2016 – 2022 has been developed taking into account current operational and financial performance of the Bank BPH, strategic and operating plans for years 2016 - 2018, including Business Transformation Plan announced on 29 December 2015 as well as available macroeconomic and market development analyses. Macroeconomic forecast for years 2016 – 2022, which was used for the purpose of the impairment test, indicates average 3.6% GDP growth per year for 2016 - 2022 and improving unemployment (BAEL definition) from 7.5% in Q4 2015 to 6.8% level starting from Q1 2017. Interest rates environment will remain at current low level at least till the end of 2017, with subsequent increases in the further years of projection. Financial projection assumes continuation of development of existing offer with particular focus to grow core product lines, servicing private individuals from retail segment and wealth clients as well as small and medium enterprises with lending, saving products and transaction services. The Bank BPH will continue to cooperate with clients of a similar risk profile. Business Transformation Plan will be continued aiming to achieve c.a. PLN 200 million of cost saving per year by 2017. The 7-year projection period is used in order to fully reflect the long term benefits of the Business Transformation Plan.

Discount rate

Discount rate adopted for discounted cash flow model ranges from 7.41% to 8.91% - depending on which specific year is discounted (in 2014 it ranged between 7.88% and 8.41%). The discount rates, which are equivalent of the required rate of return, were calculated based on Capital Assets Pricing Model using: risk free rate, beta coefficient of the banking sector and equity risk premium.

Risk free rates range from 1.44% to 2.95% (in 2014 between 1.76% and 2.29%) and are calculated based on Polish government securities depending on the discounted period. The cash flows exceeding the 7-year financial projections are discounted with 10-year Polish government securities yield. In 2015 equity risk premium is assumed at 6% (same as in 2014).

Yields on long-term Polish instruments and equity risk premium have increased over time and drive higher discount rates, which reduces the recoverable amount of the cash generating units.

Growth rate beyond projection period

Extrapolation of cash flows, which exceed the 7-year period covered in the financial projections (residual value), has been based on 3% p.a. growth rate (same as in 2014) i.e. at the level of projected long-term GDP growth.

Minimum level of capital adequacy ratio required by the supervisory authorities

An increase in required capital implies a decrease in capital that is available for theoretical dividends in the test. In the 4th quarter of 2015, several new elements of capital requirements were introduced into Polish law: an additional conservation buffer of 1.25% for CHF mortgage risk and an increase of the existing additional capital requirement enabling dividend payment by 50 bps (from 50bps in 2014 to 100bps in 2015). All factors negatively impact capital available for dividend and thus impact the goodwill impairment test.

All above factors resulted in the minimum capital adequacy ratio in forecasted 7-year period ranging from 16.84% to 17.70%. The basic PFSA requirement amounts to 13.25%.

In 2014 the capital adequacy ratio was assumed at 12.5% throughout the whole forecast period, where 12% related to the basic KNF requirement and 0.5% to the required minimum dividend level.

While the increased capital requirements ensure stability and safety of the Bank BPH by accumulating capital, however it reduces dividend benefits available for shareholders, for which the value in use test is sensitive to.

Bank sale process

In addition to the above factors impacting the test itself, the Bank's Management Board assessed the future prospects for the banking industry. The Management Board felt it unlikely that the current sale process would achieve a price higher than the carrying value. The Management Board sought and received confirmation of that assumption from GE, suggesting the parameters of the current test are appropriate.

Movements in intangible assets

PLN'000

	Goodwill	Permits, patents, licenses and similar	Other	Expenditures	Total intangible assets
GROSS OPENING BALANCE (01 Jan. 2015)	**154 764**	**704 242**	**2 547**	**19 440**	**880 993**
INCREASE	**0**	**23 298**	**40**	**56 867**	**80 205**
transfer from expenditures	0	23 365	0	0	23 365
purchase	0	-67	40	56 867	56 840
DECREASE	**0**	**62 684**	**0**	**23 475**	**86 159**
disposal	0	62 684	0	0	62 684
transferred to intangible assets	0	0	0	23 365	23 365
other	0	0	0	110	110
GROSS CLOSING BALANCE (31 Dec. 2015)	**154 764**	**664 856**	**2 587**	**52 832**	**875 039**
OPENING BALANCE OF CUMULATIVE AMORTISATION (01 Jan. 2015)	**0**	**638 716**	**2 512**	**0**	**641 228**
amortisation of the current period	0	17 746	8	0	17 754

decreases due to liquidation	0	62 684	0	0	62 684
CLOSING BALANCE OF CUMULATIVE AMORTISATION (31 Dec. 2015)	**0**	**593 778**	**2 520**	**0**	**596 298**
OPENING BALANCE OF IMPAIRMENT CHARGES (01 Jan. 2015)	**0**	**2 318**	**0**	**875**	**3 193**
decrease	154 764	0	0	800	155 564
CLOSING BALANCE OF IMPAIRMENT CHARGES (31 Dec. 2015)	**154 764**	**2 318**	**0**	**1 675**	**158 757**
CLOSING BALANCE OF NET VALUE (31 Dec. 2015)	**0**	**68 764**	**67**	**51 157**	**119 988**

PLN'000

	Goodwill	Permits, patents, licenses and similar	Other	Expenditures	Total intangible assets
GROSS OPENING BALANCE (01 Jan. 2014)	**154 764**	**684 408**	**2 506**	**20 429**	**862 107**
INCREASE	**0**	**22 842**	**41**	**21 371**	**44 254**
transfer from expenditures	0	21 169	0	0	21 169
purchase	0	1 673	41	21 371	23 085
DECREASE	**0**	**3 008**	**0**	**22 360**	**25 368**
disposal	0	3 008	0	0	3 008
transferred to intangible assets	0	0	0	21 169	21 169
other	0	0	0	1 191	1 191
GROSS CLOSING BALANCE (31 Dec. 2014)	**154 764**	**704 242**	**2 547**	**19 440**	**880 993**
OPENING BALANCE OF CUMULATIVE AMORTISATION (01 Jan. 2014)	**0**	**625 753**	**2 490**	**0**	**628 243**
amortisation of the current period	0	15 925	22	0	15 947
decreases due to liquidation	0	2 962	0	0	2 962
CLOSING BALANCE OF CUMULATIVE AMORTISATION (31 Dec. 2014)	**0**	**638 716**	**2 512**	**0**	**641 228**
OPENING BALANCE OF IMPAIRMENT CHARGES (01 Jan. 2014)	**0**	**2 318**	**0**	**875**	**3 193**
CLOSING BALANCE OF IMPAIRMENT CHARGES (31 Dec. 2014)	**0**	**2 318**	**0**	**875**	**3 193**
CLOSING BALANCE OF NET VALUE (31 Dec. 2014)	**154 764**	**63 208**	**35**	**18 565**	**236 572**

21. Assets held for sale

by type

PLN'000

	As at date	
	31 Dec. 2015	31 Dec. 2014
Land (including perpetual usufruct)	295	361
Buildings, premises	8 044	17 290
Other	26	443
ASSETS HELD FOR SALE	**8 365**	**18 094**

As at 31 December 2015 the Bank designated for sale a property in Warsaw with book value of PLN 8,339 ths. The sale is expected to be finalized within next year.

As at 31 December 2014 the balance included two properties designated for sale- in Kraków and in Warsaw- with book values respectively of PLN 9,755 ths and PLN 8,339 ths.

22. Deferred tax assets

Deferred tax assets and liability

Deferred tax assets and liability relate to the following items:

PLN'000

	As at date					
	31 Dec. 2015			31 Dec. 2014		
	Assets	Liability	Net	Assets	Liability	Net
Interest on transactions with financial, non-financial, central and local government institutions	2 417	15 564	-13 147	3 523	31 371	-27 848
Interest, discount and premium on securities	107	962	-855	700	690	10
Interest, premium, charges and negative differences on the valuation of derivatives	14 834	15 880	-1 046	22 633	21 487	1 146
Revaluation and impairment of securities and shares	0	15 716	-15 716	0	113	-113
Accruals, provisions for future balance and off-balance liabilities	60 047	0	60 047	38 172	0	38 172
Impairment of loans and receivables which will reduce the Bank's tax in the future	108 523	0	108 523	135 803	0	135 803
Difference between a balance-sheet and a tax value of intangible assets and property and equipment	13 225	6 691	6 534	16 547	35 267	-18 720
Insurance fees settled over time	2 435	0	2 435	4 042	0	4 042
Adjustments to Effective Interest Rate	63 157	28 580	34 577	20 959	13 357	7 602
Other	2 542	4 606	-2 064	2 796	4 577	-1 781
Deferred income tax assets	**267 287**	**87 999**	**179 288**	**245 175**	**106 862**	**138 313**

Movements in temporary differences

PLN'000

	As at 31 December 2015		Changes disclosed in		As at 31 December 2014	
	in the income statement	other comprehensive income	the income statement	other comprehensive income	in the income statement	other comprehensive income
Interest on transactions with financial, non-financial	-13 147	0	14 701	0	-27 848	0
Interest, discount and premium on securities	-855	0	-865	0	10	0
Interest, premium, charges and negative differences on the valuation of derivatives	-1 073	27	-2 171	-21	1 098	48
Revaluation and impairment of securities and shares	-264	-15 452	-188	-15 415	-76	-37

Accruals, provisions for future balance and off-balance liabilities	63 481	-3 434	23 425	-1 550	40 056	-1 884
Impairment of loans and receivables which will reduce the Bank's tax in the future	108 523	0	-27 280	0	135 803	0
Difference between a balance-sheet and a tax value of intangible assets and property and equipment	6 534	0	25 254	0	-18 720	0
Insurance fees settled over time	2 435	0	-1 607	0	4 042	0
Adjustments to Effective Interest Rate	34 577	0	26 975	0	7 602	0
Other	-2 064	0	-283	0	-1 781	0
Deferred income tax assets	**198 147**	**-18 859**	**57 961**	**-16 986**	**140 186**	**-1 873**

PLN'000

	As at 31 December 2014		**Changes disclosed in**		**As at 31 December 2013**	
	in the income statement	**other comprehensive income**	**the income statement**	**other comprehensive income**	**in the income statement**	**other comprehensive income**
Interest on transactions with financial, non-financial, central and local government institutions	-27 848	0	7 949	0	-35 797	0
Interest, discount and premium on securities	10	0	698	0	-688	0
Interest, premium, charges and negative differences on the valuation of derivatives	1 098	48	-4 506	-29	5 604	77
Revaluation and impairment of securities and shares	-76	-37	-522	-43	446	6
Accruals, provisions for future balance and off-balance liabilities	40 056	-1 884	-17 557	1 631	57 613	-3 515
Impairment for loans and receivables which will reduce the Bank's tax in the future	135 803	0	-33 717	0	169 520	0
Difference between a balance-sheet and a tax value of intangible assets and property and equipment	-18 720	0	-4 496	0	-14 224	0
Insurance fees settled over time	4 042	0	-1 236	0	5 278	0
Adjustments to Effective Interest Rate	7 602	0	2 024	0	5 578	0
Other	-1 781	0	384	-2	-2 165	2
Deferred income tax assets	**140 186**	**-1 873**	**-50 979**	**1 557**	**191 164**	**-3 429**

Values of negative timing differences presented in above tables are calculated on the basis of current tax rate.

On the basis of IAS 12, the Bank offset deferred tax assets with deferred tax liabilities.

23. Other assets

PLN'000

	As at date	
	31 Dec. 2015	31 Dec. 2014
Deferred income and costs	**7 916**	**5 780**
Perpetual usufruct	**13 740**	**13 925**
Settlements related to repossessed collateral	**0**	**0**
Fiscal settlements	**69**	**225**
Other	**16**	**635**
Financial assets:	**182 046**	**99 998**
Sundry debtors	66 992	66 647
Payment card settlements'	115 054	33 351
OTHER ASSETS	**203 787**	**120 563**

The amount of 'Sundry debtors' include impairment charges. As at 31 December 2015, impairment charges amounted to PLN 28,626 ths (as at 31 Dec. 2014: PLN 21,276 ths).

24. Amounts due to banks

by type

PLN'000

	As at date	
	31 Dec. 2015	31 Dec. 2014
Current accounts	**31 716**	**31 977**
Money market placements	**59 609**	**282 851**
Other:	**13 114**	**188 990**
amounts due under cash collateral	12 419	8 820
accounts for special purpose funds	686	1 902
securities from sell-buy-back transactions	0	177 778
other	9	490
AMOUNTS DUE TO BANKS	**104 439**	**503 818**

by entity's country of domicile

PLN'000

	As at date	
	31 Dec. 2015	31 Dec. 2014
Amounts due to monetary financial institutions – domestic	97 918	499 881
Amounts due to monetary financial institutions – foreign	6 521	3 937

AMOUNTS DUE TO BANKS	**104 439**	**503 818**

25. Amounts due to customers

by type

PLN'000

	As at date	
	31 Dec. 2015	31 Dec. 2014
Current accounts	**7 808 453**	**7 512 744**
Deposits	**4 168 205**	**4 336 826**
Debt securities issued	**235 132**	**232 152**
Other:	**229 960**	**636 320**
securities from sell-buy-back transactions	0	389 202
amounts owed under cash collateral	67 301	89 994
cash collateral for loans	*52 986*	*75 377*
cash collateral for derivative transactions	*14 315*	*14 617*
other	162 659	157 124
AMOUNTS DUE TO CUSTOMERS	**12 441 750**	**12 718 042**

Current accounts and deposits by Customer segment

PLN'000

	As at date	
	31 Dec. 2015	31 Dec. 2014
Corporates	**2 291 551**	**2 466 174**
current accounts	1 105 086	1 302 181
deposits	1 186 465	1 163 993
Small and medium enterprises	**2 524 891**	**2 382 766**
current accounts	1 891 041	1 743 411
deposits	633 850	639 355
Private individuals	**7 395 348**	**7 232 782**
current accounts	4 812 326	4 467 152
deposits	2 347 890	2 533 478
Debt securities issued	235 132	232 152
Total current account and customer's deposits	**12 211 790**	**12 081 722**

Debt instruments issued

by type

PLN'000

Structured certificates of deposit	Opening balance	New issue of certificates	Redemption of certificates	Closing balance
Period from 01 Jan. 2015 to 31 Dec. 2015	232 152	205 848	-202 868	235 132
Period from 01 Jan. 2014 to 31 Dec. 2014	189 415	117 980	-75 243	232 152

Structured Certificates of Deposits (bank securities, SCD) are debt bearer's securities issued by Bank BPH on the basis of the Banking Act. They may be indexed to various financial market indices. As at the date of the financial statements, the Bank issued certificates of deposits with interest rate based on capital market indices. The structured products have embedded derivative instruments, i.e. equity and currency options. This note presents SCD debt element valued at amortised costs, while the embedded derivative instruments valued at fair value is separated from the host contract and presented in the item 'Financial assets at fair value through profit and loss account', presented in Note 14. The nominal value of SCD registered as at 31 December 2015 amount to at PLN 238,971 ths (PLN 234,490 ths as at 31 December 2014).

The nominal value of SCD by maturity

PLN'000

	As at date	
	31 Dec. 2015	31 Dec. 2014
up to 1 year	113 492	204 960
up to 2 years	118 476	29 530
up to 3 years	7 003	0
THE NOMINAL VALUE OF SCD	**238 971**	**234 490**

26. Provisions

PLN'000

	As at date	
	31 Dec. 2015	31 Dec. 2014
Short term provisions	**178 790**	**43 402**
Provisions for off – balance sheet liabilities granted	12 682	15 568
Provision for employment restructuring costs	137 717	2 826
Provision for branches restructuring costs	16 087	3 865
Other	12 304	21 143
Long term provisions	**60 229**	**38 532**
Provisions for retirement benefits and similar obligations	27 803	30 998
Provision for employment restructuring costs	0	37
Provision for branches restructuring costs	32 426	7 497
PROVISIONS	**239 019**	**81 934**

As at 31 December 2015 the item 'Other' contains mainly provision for recourse of sold receivables in the amount of PLN 6,722 ths (as at 31 December 2014: PLN 5,856 ths) and provision for results of court cases in the amount of PLN 3,996 ths (as at 31 December 2014: PLN 9,336 ths).

Movements in provisions

PLN'000

	Provision for retirement benefits and similar obligations	Provision for employment restructuring costs	Provision for branches restructuring costs	Provision for off – balance sheet liabilities	Other	Total
As at 01 Jan. 2015	**30 998**	**2 863**	**11 362**	**15 568**	**21 143**	**81 934**
provision created	4 086	148 784	43 595	6 537	9 247	212 249

discount rate effect	878	0	558	0	0	1 436
provision release	0	-4 766	-3 486	-9 437	-3 617	-21 306
actuarial revaluation	-7 979	0	0	0	0	-7 979
use	-180	-9 164	-3 516	0	-11 943	-24 803
other	0	0	0	15	-2 527	-2 512
As at 31 Dec. 2015	**27 803**	**137 717**	**48 513**	**12 682**	**12 304**	**239 019**

PLN'000

	Provision for retirement benefits and similar obligations	Provision for employment restructuring costs	Provision for branches restructuring costs	Provision for off – balance sheet liabilities	Other	Total
As at 01 Jan. 2014	**19 693**	**7 837**	**13 708**	**20 254**	**11 578**	**73 070**
provision created	2 389	26 225	5 996	3 331	15 767	53 708
discount rate effect	916	0	999	0	0	1 915
provision release	0	-4 950	-1 214	-8 049	-2 094	-16 307
actuarial revaluation	8 207	0	0	0	0	8 207
Use	-207	-26 249	-8 127	0	-3 708	-38 291
Other	0	0	0	32	0	32
As at 31 Dec. 2014	**30 998**	**2 863**	**11 362**	**15 568**	**21 143**	**81 934**

The value of provision for branches restructuring costs as at 31 December 2015 includes PLN 10,544 ths of expected income from sublease (as at 31 Dec. 2014: PLN 12,822 ths).

Restructuring reserve includes reserve created in 2015 in relation to the published business Transformation Plan in amount of PLN 177 million and reserve for branches restructuring.

Bank BPH's Business Transformation Plan

At the end of 2015, Bank BPH announced a Business Transformation Plan for 2015-2020 (the 'Plan'), aiming to better align the Bank's activities to the changing customer behavior, to improve the Bank's competitive position and to rebuild its profitability in medium and long term.
The Plan was divided into 2 steps. The first one will be implemented until 2018 and was developed under the following assumptions:

- Distribution network – own branches
  The Bank will keep and develop a network of flagship own branches, focusing on mass affluent customers as well as small and medium enterprises. Ultimately customers will be able to use 54 Bank's own branches offering a full range of products, including mortgage loans and investment products. Corporate customer will continue to be served in 12 dedicated business centres
- Distribution network – expansion of the partner outlets model
  The Bank intends to transform 182 own branches into partner outlets, owned and managed by the Bank's existing employees. They will operate under a simplified business model, based on offering retail loans, personal accounts, credit cards and transaction services. Additionally, 16 own branches will be closed down and customers will be served from the nearest outlets or via the remote channels.
- IT investments
  At the same time, the Bank will run key IT systems development projects, mainly through the continuation of the core banking system replacement. Bank BPH is also planning to develop IT and sales systems and to invest in modern technology solutions in the branches. Total investment in this scope in the years 2015-2018 will reach almost PLN 250 million.

The second step of the Plan will start in 2018 and end in 2020. It will aim to build a multichannel product and services distribution model. It will include modern Internet and mobile platforms, which will become the customers' basic channel to perform all the banking operations. Planned investment amount to ca. PLN 100 million.

The Bank estimates that the costs of measures to be taken in 2016 due to transformation, which were communicated and started in December 2015, will amount to PLN 177 million. This provision will be used for employment optimization, which shall cover sales network and head office employees in a maximum number of 1,647 people and for the modification of the distribution network. The Bank assumes that starting from 2016 it will incur up to PLN 35 million of additional costs related to fixed assets in the branches.

27. Financial liabilities at fair value through profit or loss

PLN'000

	As at date	
	31 Dec. 2015	31 Dec. 2014
Interest rate transactions, incl.	**64 848**	**97 673**
IRS	64 810	97 662
Interest rate written options	4	11
Other interest rate instruments	34	0
Currency transactions, incl.	**10 895**	**16 322**
FX forwards	10 087	10 097
Other currency transactions	438	5 026
Currency written options	370	1 199
Equity written options	**3 253**	**6 623**
Commodity written options	**442**	**0**
FINANCIAL LIABILITIES AT FAIR VALUE THROUGH PROFIT OR LOSS	**79 438**	**120 618**

28. Other liabilities

PLN'000

	As at date	
	31 Dec. 2015	31 Dec. 2014
Deferred income	**13 939**	**38 156**
Revenues due on proceeds from investors' compensation scheme	**318**	**275**
Fiscal settlements	**24 503**	**28 430**
Accrual for unused holidays	**10 913**	**11 265**
Accrual for employee salaries and bonuses	**40 966**	**45 156**
Other accrual	**77 269**	**83 314**
Other	**720**	**583**
Financial liabilities:	**155 920**	**169 992**
Inter-bank settlements	100 640	129 981
Sundry creditors	41 369	34 247
Payment card settlements	13 911	5 764
OTHER LIABILITIES	**324 548**	**377 172**

29. Shareholder's equity

PLN'000

	As at date	
	31 Dec. 2015	31 Dec. 2014
Valuation of financial assets available for sale	81 614	2 528
Tax effect of valuation financial assets available for sale	-15 452	-37
Unsettled valuation and gains and losses of hedging derivatives	20	-39
Tax effect of valuation and gains and losses of hedging derivatives	10	55
Actuarial remeasurement	18 074	9 917
Tax effect of actuarial remeasurement	-3 434	-1 884
OTHER COMPREHENSIVE INCOME	**80 832**	**10 540**

The share capital is recognized at the nominal value, in accordance with the Bank Articles of Association and the entries in the National Court Register.
As at 31 December 2015, the Bank's share capital amounted to PLN 383,340 ths and was divided into 76,667,911 ordinary shares with the nominal value of PLN 5 each.

Structure of share capital PLN'000

Series/issue	Type of share	Share preference	Limitation of rights to shares	Number of shares	Value of series/issue at nominal value	Method of share payment	Date of registration	Right to dividends (since)
Series A, B, C, D	bearer	ordinary	none	9 791 714	48 959	cash/contribution /non-cash contribution	A: 31.Oct.1991; B: 14.Oct.1998; C: 20.Sept.1999; D: 31.Dec.2001	A: 31.Oct.1991; B: 01.Jan.1997; C: 01.Jan.1999; D: 01.Jan.2001
Series E	bearer	ordinary	none	66 876 197	334 381	Non-cash contribution – Transfer of all assets of GE Money Bank SA in exchange for shares	31 Dec. 2009	31 Dec. 2009
Total				**76 667 911**	**383 340**			

All Bank BPH SA shares are bearer shares of the same nominal value and carry equal voting rights and the participation in the profit according to the same rules. There are no preferences connected with any group of shares.

The remaining components of equity include:

- supplementary capital created from annual deductions from profit for the period which is intended to offset any losses that might arise in the course of the Bank's operation,
- reserve capital created from annual deductions from profit for the period, as adopted by the General Meeting,
- retained profit,
- additional basic funds and supplementary funds.

In line with the Polish regulations, appropriation and distribution applies only to own funds of the Bank and its subsidiaries, reported in their separate financial statements with exclusion of surplus of revenues over costs of the House Savings and Loans Office.

Shareholding information included in the table below is quoted on the basis of information included in shareholders' reports sent to the Bank under Art. 69 on the law on public offering and terms of introducing financial instruments into organized trading and on public companies, or on the basis of information submitted by shareholders when registering for the Bank's General Shareholders' Meeting.

Shareholder structure of Bank BPH SA as at 31 December 2015

No.	Shareholder	SHARES		VOTES AT GSM	
		Quantity	%	Quantity	%
1.	GE Investments Poland (General Electric Company)	64 201 140	83.74	64 201 140	83.74
2.	Selective American Financial Enterprise (General Electric Company)	2 457 642	3.21	2 457 642	3.21
3.	DRB Holdings B.V. (General Electric Company)	221 004	0.29	221 004	0.29
4.	Other shareholders	9 788 125	12.76	9 788 125	12.76
	Total	**76 667 911**	**100.00**	**76 667 911**	**100.00**

The Bank's shares do not include restrictions on transfer of ownership or exercise of voting rights. All of them are subject to the same scope of rights.

30. Dividends

On 29 May 2015, the Bank' s Annual General Meeting adopted a resolution to allocate the entire profit for 2014 to the Bank's supplementary capital.

In July 2015 the Bank was notified by the Polish Financial Supervision Authority of the acceptance of 'The Operational Programme for the period 2015-2018' together with 'The Economic and Financial Projections for the period 2015-2018', constituting the Bank's remedy program under art. 142 of the Banking Act. According to the KNF recommendations, the Bank remains under the remedy programme regime until the end of 2017.

In accordance with Article 142 Section 4 of the Banking Act, during implementation of the remedy programme, any profits must be used to cover previous losses, and after their coverage to increase the Bank's equity.

Considering this provision and local regulatory recommendations the Bank does not intend to pay out dividends in 2016.

31. Fair value

The fair value of financial assets and liabilities is the price that would be received if the assets were sold or the price that would be paid if the liabilities were transferred under an arms' length transaction concluded between the market players on the valuation date.

Fair value of financial assets and liabilities, which are not presented at fair value in the separate report on financial situation

PLN'000

As at date 31 December 2015				
	Valuation techniques by parameters observed in the market (level II)	Valuation techniques by material parameters not coming from active market (level III)	fair value	book value
Assets				
Amounts due from banks	463 428	0	463 428	463 428
Loans and advances to Customers	112 900	8 115 548	8 228 448	8 229 897
Corporates	0	2 252 157	2 252 157	2 237 867
Small and medium enterprises	0	1 476 019	1 476 019	1 480 120
Private individuals	0	4 387 372	4 387 372	4 399 010

Other receivables	112 900	0	112 900	112 900
Other financial assets	181 249	0	181 249	182 046
Liabilities				
Amounts due to banks	104 439	0	104 439	104 439
Amounts due to Customers	229 960	12 099 906	12 329 866	12 441 750
Corporates	0	2 283 424	2 283 424	2 291 551
Small and medium enterprises	0	2 479 961	2 479 961	2 524 891
Private individuals	0	7 336 521	7 336 521	7 395 348
Other liabilities	229 960	0	229 960	229 960
Other financial liabilities	157 357	0	157 357	155 920

PLN'000

	As at date 31 December 2014			
	Valuation techniques by parameters observed in the market (level II)	Valuation techniques by material parameters not coming from active market (level III)	fair value	book value
Assets				
Amounts due from banks	347 131	0	347 131	347 131
Loans and advances to Customers	722 723	7 806 504	8 529 227	8 429 582
Corporates	0	2 404 591	2 404 591	2 404 926
Small and medium enterprises	0	1 582 908	1 582 908	1 593 402
Private individuals	0	3 819 005	3 819 005	3 708 531
Other receivables	722 723	0	722 723	722 723
Other financial assets	99 086	0	99 086	99 998
Liabilities				
Amounts due to banks	503 818	0	503 818	503 818
Amounts due to Customers	636 320	12 109 401	12 745 721	12 718 042
Corporates	0	2 468 326	2 468 326	2 466 174
Small and medium enterprises	0	2 382 346	2 382 346	2 382 766
Private individuals	0	7 258 729	7 258 729	7 232 782
Other liabilities	636 320	0	636 320	636 320
Other financial liabilities	171 647	0	171 647	169 992

Loans and advances to Customers

The fair value of loans and advances is determined based on discounted future cash-flows using the current interest rate curve adjusted by average margins based on loan portfolio granted in the last quarter. For receivables with no due date, cash flows were defined upon the banking products' model applicable in the Bank, that allows you to estimate hypothetical repayment terms.

Amounts due to customers

Fair value of amounts due to customers was defined for fixed interest rate items and for deposits with no maturity – by discounting future cash flows with the current curve of money market interest rates adjusted for margins on the transactions concluded in the previous

quarter. For deposits with no maturities, cash flows were defined upon the banking products' model applicable in the Bank, that allows you to estimate hypothetical terms outflows.

Debt instruments issued

Fair value of Bank BPH SA's issue of own securities was determined by discounting all cash flows from the Bank's schedule of payments of capital and interest installments using the swap curve taking into account to relevant margin set at the issue date.

Certain financial assets and liabilities (i.e. amounts due to and from banks) with a stable credit risk and/or short maturities were assumed to have their fair values equal to book values. This relates to amounts due to and from banks.

Fair value hierarchy

Financial instruments are valued at fair value on the basis of generally available rates and market quotations saved in Bloomberg and Reuters systems. Instrument valuation and revaluation of foreign currency position is performed by the Bank's organizational unit that is independent from the structures responsible for selling Bank BPH SA products. This unit performs relevant parameterization of algorithms ad valuation systems within the scope of the above-mentioned market rates and exercises control over data compliance.

Classification of financial instruments reflects allocation of input data used in for instruments valuation into individual levels:

1) Level I: financial instruments with a fair value based on direct quotations available on the market. In this category the Bank classifies debt securities measured directly in relation to unadjusted prices quoted on the active market.
2) Level II: financial instruments with a fair value based on pricing models whereby all input data are directly observable on the market. This category includes debt securities issued by the Ministry of Finance (priced with models based on discounted cash-flow (DCF) method). Additionally the Bank classified in this category debt securities that were measured in relation to average prices quoted on the market or by brokers (adjusted prices).

Derivatives allocated to the level II are re-priced on a daily basis using the following methods.

Financial Instrument	Pricing Models
Fx-forward, Fx-swap, IRS, CIRS, FRA	Discounted cash flows model
Fx options	Option pricing model (Garman – Kohlhagen)
Securities forwards	Discounted cash flows model
Interest rate options	Option pricing model (Black)
Barrier Fx options	Option pricing model (extended Black – Scholes model)
Binary Fx options	Option pricing model (extended Black – Scholes model)
Stock index options	Valuation model based on the method of equivalent risk-neutral measure and Monte Carlo simulation
Options for commodity price indices	Valuation model based on the method of equivalent risk-neutral measure and Monte Carlo simulation

3) Level III: financial instruments with a fair value based on pricing models whereby relevant input data are not directly observable on the market. In this level the Bank includes derivatives with significant credit risk component and shares of Visa Europe Limited.

Unobservable input data for a given assets or liabilities are developed with the use of the best available information about the guidelines, under which the market players would have defined the prices of this assets or liabilities component. Credit risk component is a non-observable input data estimated internally by the Bank for elevated risk customers.

Shares of Visa Europe Limited were valued on the basis of the Bank's share in the transaction settlement of Visa Europe Limited takeover by Visa Inc., which is expected to be finalized in Q2 2016. The share of the Bank may change due to, inter alia, costs of the transaction and potential complaints of Visa members pertaining to their share in purchase price, and the execution of the transaction is conditional upon relevant regulatory consents. Fair value of shares depends on transaction finalization.

In case of pricing of derivatives qualified to level III, parallel shifting of profitability curves by +/- 0.5 pp. would result in respective modifications of derivatives valuation by +/-PLN 62.7 ths as at 31 December 2015 and +/- PLN771.8 ths as at 31 December 2014.

In 2015 the Bank transferred option pricing onto stock indices and commodity price indices from Level III to Level II. Transfer was performed on the assumption stemming from the conducted reviews that most of the significant input data applied in these instruments' pricing model are observable data, classified to fair value Level II, while non-observable data classified to Level III constitutes insignificant element of fair value designation.

Carrying value of derivatives moved from level III to level II under the above change in presentation amounted as at 31 December 2015 on assets side PLN 6,613 ths, on liabilities side PLN 6,623 ths. This change resulted in relevant transformation of data as at 31 December 2014 to enable comparability – PLN 6,201 ths were transferred at the assets side and PLN 6,237 ths were transferred at the liabilities side.

On top of that, as at 31 December 2015, the Bank reclassified two derivatives (IRS and Forward) in the amount of PLN 237 ths from level III to level II due to the modification in the method of computing counterparty's credit risk correction, which was changed from individual to portfolio method, as the counterparty's credit risk was not longer elevated.

Apart from the above, in period from 1 January to 31 December 2015 and in period from 1 January to 31 December 2014 the Bank did not perform transfers or reclassifications within the fair value levels.

The table below presents the breakdown of financial assets and liabilities that are measured in financial statements at fair value by three categories:

PLN'000

	Quotations active markets (level I)	Valuation techniques by parameters observed in the market (level II)	Valuation techniques by material parameters not coming from active market (level III)	TOTAL
As at 31 December 2015				
Assets	**0**	**5 697 250**	**85 057**	**5 782 307**
Financial assets at fair value through profit or loss, incl.:	0	5 321 270	4 052	5 325 322
Securities designated upon initial recognition at fair value through profit or loss	*0*	*5 237 595*	*0*	*5 237 595*
Positive fair value of derivatives	*0*	*83 675*	*4 052*	*87 727*
Financial assets available for sale	0	375 980	81 005	456 985
Liabilities	**0**	**79 438**	**0**	**79 438**
Financial liabilities as at fair value through profit or loss	0	79 438	0	79 438
As at 31 December 2014				
Assets	**0**	**5 516 232**	**5 699**	**5 521 931**

Financial assets at fair value through profit or loss, incl.:	0	4 577 036	5 699	4 582 734
Securities designated upon initial recognition at fair value through profit or loss	*0*	*4 465 898*	*0*	*4 465 898*
Positive fair value of derivatives	*0*	*111 138*	*5 699*	*116 837*
Assets pledged as collateral	0	568 896	0	568 896
Financial assets available for sale	0	370 300	0	370 300
Liabilities	**0**	**120 618**	**0**	**120 618**
Financial liabilities as at fair value through profit or loss	0	120 618	0	120 618

Table of movements of the fair value of financial instruments, to which the Bank applies fair value valuation techniques based on material parameters not observable on an active market to (level III):

PLN'000

	Financial assets at fair value through profit or loss	**Financial assets available for sale**
As at 01 January 2015	**5 699**	**0**
Increase, incl.:	**0**	**81 005**
Increase in the value of financial instruments recognised in to other comprehensive income	0	81 005
Decrease, incl.:	**-1 410**	**0**
Decrease in the value of financial instruments recognised in result on financial instruments at fair value through profit or loss and exchange rate differences	-1 410	0
Reclassification (transfer to level II)	**-237**	**0**
As at 31 December 2015	**4 052**	**81 005**
Gain on financial instruments kept in portfolio as at the balance sheet date:	**1 410**	**81 005**
related to result on financial instruments at fair value through profit or loss and exchange rate differences	1 410	0
related to other comprehensive income	0	81 005

PLN'000

	Financial assets at fair value through profit or loss
As at 01 January 2014	**19 591**
Increase, incl.:	**12**
Increase in the value of financial instruments recognised in result on financial instruments at fair value through profit or loss and exchange rate differences	12
Decrease, incl.:	**-19 591**
Settlement	-8 287
Decrease in the value of financial instruments recognised in result on financial instruments at fair value through profit or loss and exchange rate differences	-11 304
Reclassification (transfer from level II)	**5 687**
As at 31 December 2014	**5 699**

Result on financial instruments kept in portfolio as at the balance sheet date related to result on financial instruments at fair value through profit or loss and exchange rate differences	**5 699**

Sensitivity analysis of the valuation of derivatives classified to level III due to a impact of credit risk component on valuation is presented in note d) 'estimated values'.

32. Hedge accounting

In 2009, by a decision of the Asset and Liability Management Committee, the Bank discontinued applying cash flow hedge accounting for floating-rate assets and liabilities. Hedging instruments (IRS) were either terminated or reclassified to financial instruments measured at fair value through profit or loss. As a result of the termination of the hedging relationship, the Bank keeps the cumulative gain/loss recognised in equity and reclassifies to the income statement when the hedged transaction is occuring. The valued hedging transaction amount will continue to be recognized over the assumed period of hedging relations, i.e. no longer than by July 2017.

As of 31 December 2015 and 31 December 2014, the Bank did not have any transactions being subject to hedge accounting.

33. Assets pledged as collateral

PLN'000

	As at date	
	31 Dec. 2015	**31 Dec. 2014**
Carrying amount of liabilities due to securities pledged as collateral for sbb/repo transactions	0	566 980
Fair value of securities pledged as collateral for sbb/repo transactions	0	568 896

All securities pledged as collateral for sbb/repo transactions may be sold or repledged by the transaction counterparty. In SBB transactions Treasury bonds are used. Due to the fact that the Bank retains risks and rewards of ownership of securities being a subject to SBB transactions (i.e. counterparty risk, return on investment), these securities are not derecognised from the statement of financial position.

Apart from assets relating to SBB transactions presented separately in the statement of financial position, in case of which buyer has a right to sell or exchange subject of collateral for other security, Bank posseses the following collaterals not fulfilling this criterion.

PLN'000

	As at date	
	31 Dec. 2015	**31 Dec. 2014**
Cash collateral for derivative transactions	39 704	43 903
Cash collateral for stock exchange transactions	93 673	88 671
Carrying value of securities collateralizing Guaranteed Deposit Protection Fund	80 686	80 744

34. Court proceedings

As at 31 December, 2015 the value of disputed items of court proceedings in which the Bank is the defendant amounts to PLN 107,051 ths (as at 31 December 2014: PLN 144,812 ths).

As at December 31, 2015 the value of disputed items for court proceedings with the probability of outflow of economic benefits being remote amounted to PLN 26,590 ths (as at 31 December 2014: PLN 27,380 ths).

As at 31 December 2015 the value of disputed items of court proceedings for which an outflow of economic benefits is possible amounted to PLN 61,720 ths (as at 31 December 2014: PLN 46,214 ths). Concurrently the Bank assesses that chance of winning these cases is significant and consequently does not recognise provisions.

As at 31 December, 2015 the value of court proceedings for which the likelihood of losing is considerable amounts to PLN 18,742 ths (as at 31 December 2014: PLN 71,218 ths). The Bank assesses that as at 31 December 2015 the financial effects of those court proceedings should not exceed the amount of PLN 3,996 ths (as at 31 December 2014: PLN 9,336 ths) for which the provision was recognised.

As at 31 December 2015, there were no cases before courts or state administrative authorities with regard to the Bank's liabilities or receivables which value would represent at least 10% of the Bank's shareholder funds.

The Bank has no material settlements subject to proceedings before courts, arbitrage authorities or public administration bodies.

35. Contingent liabilities and assets

Off-balance sheet

PLN'000

	As at date	
	31 Dec. 2015	31 Dec. 2014
financing	8 000	15 889
guarantee	2 704 094	2 824 207
OFF-BALANCE SHEET ASSETS	**2 712 094**	**2 840 096**

The balance of off-balance sheet assets includes, i. a., guarantees and warrantees for debt limits, investment loans, current account debits and other loans.

PLN'000

	As at date	
	31 Dec. 2015	31 Dec. 2014
financing	3 657 978	3 270 384
guarantee	175 561	205 188
OFF-BALANCE SHEET LIABILITIES GRANTED	**3 833 539**	**3 475 572**

Financing commitments comprise unused limits for claims, credit card limits, overdraft limits on current and personal accounts, unused limits of operating and other loans.

Guarantees granted include guarantees of proper execution of contract, payment of receivables, performance warrantee.

The value of off-balance sheet contingent liabilities commitments granted by product type and customer segment is presented in the table below.

PLN'000

	As at date	
	31 Dec. 2015	31 Dec. 2014
Financing	**3 657 978**	**3 270 384**
Credit facilities for Corporate	1 735 945	**1 292 504**
credit cards	11 722	13 081
investment loans	22 746	47 738

operating/ working capital loans	1 701 477	1 231 685
Credit facilities for Small and Medium Enterprises	**891 238**	**807 892**
credit cards	121 793	142 677
investment loans	10 226	11 320
operating/working capital loans	504 362	447 303
other loans	254 857	206 592
Credit facilities for private individuals	**975 347**	**1 138 863**
credit cards	711 867	881 470
mortgage loans	9 117	2 789
consumer loans	254 363	254 604
Open import letters of credit	**30 511**	**31 125**
Liabilities under credit commitments	**24 937**	**0**
Guarantee	**175 561**	**205 188**
Guarantee for Corporate, incl.:	**146 349**	**181 300**
guarantee limits	6 534	14 737
credit guarantess	*53 368*	72 368
performance guarantees	86 447	94 195
Guarantee for Small and Medium Enterprises, incl.:	**28 314**	**23 822**
guarantee limits	3 775	2 280
credit guarantess	8 014	8 110
performance guarantess	16 525	13 432
Guarantee for private individuals	**0**	**66**
credit guarancess	0	66
Confirmed export letters of credit	**898**	**0**
CONTIGENT LIABILITIES GRANTED	**3 833 539**	**3 475 572**

Within credit guarantees, guarantees of loan repayment and guarantees of receivable payment represented the greatest amount as of 31 December 2015 and as of 31 December 2014.

As of 31 December 2015 performance guarantees extended are mainly contract performance bonds, performance warrantee and prepayment return guarantees.

As of 31 December 2014 performance guarantees extended are mainly contract performance bonds and prepayment return guarantees.

PLN'000

	As at date	
	31 Dec. 2015	**31 Dec. 2014**
Provisions for undrawn credit lines	11 739	14 373
Provision for extended guarantees, including:	405	481
performance guarantee	*76*	*98*
Provisions for off-balance sheet liabilities at risk, including:	538	714
performance guarantee	*66*	*230*
PROVISIONS FOR OFF-BALANCE SHEET LIABILITIES GRANTED	**12 682**	**15 568**

Guarantee and underwriting granted to issuers
As at 31 December 2015, Bank BPH SA had no underwriting obligations, as there were no active sub-issue contracts.

36. Guaranteed Deposit Protection Fund

Pursuant to the Bank Guarantee Fund Act, dated 14 December 1994, Polish banks are obliged to participate in a scheme of guaranteed deposits on bank accounts, which are to be paid out to the depositors when a bank is declared bankrupt. The participation share of each bank is determined by the Management Board of the Bank Guarantee Fund. To guarantee potential future payments under the Guaranteed Deposit Protection Fund the Bank secured, on 1 January 2015, its legally required contribution equal to 0.55% of the cash deposited at the Bank and used as the basis for the calculation of the reserve requirement in October 2014. The secured amount is owned by the Bank in the form of Treasury bonds that carrying value as at31 December 2015 amounted to PLN 80,686 ths (as at31 December 2014: PLN 80,744 ths).

In 2015 in relation to its Core Business the Bank paid the mandatory annual charge to the Bank Guarantee Fund in the amount of PLN 20,142 ths (2014: PLN 10,234 ths) and annual prudential charge in the amount of PLN 5,329 ths (2014: PLN 3,787 ths).

37. Fiduciary activities

Services performed by the Bank under fiduciary activities include:

- Safekeeping of customer assets; the Bank maintains security accounts for its customers, based on agreements with customers as well as the relevant regulations, where a record is maintained of securities held by the Bank and other institutions, with which the Bank has finalized the appropriate agreements. In particular, the Bank keeps domestic and foreign, listed and unlisted securities in both physical and non-physical form in custody. All securities kept and registered for customers are separated from the Bank's own assets as well as from the assets owned by other customers of the Bank.
- Settlement and debiting/crediting transactions; the Bank settles and debits/credits customer securities transactions concluded domestically on and outside the regulated market, and on foreign markets. Customer operations are settled on the basis of own documents, documents furnished by the customer and other customer-serving institutions (e.g. brokerage houses through which transactions are concluded). External accounting documents are verified against the information possessed by the Bank. The Bank also represents virtual members of the Warsaw Stock Exchange. At the end of December 2015, the Bank served four remote participants of the Warsaw Stock Exchange, whose percentage in 2015 stock exchange turnover of the cash market of all remote WSE participants was ca.22%.
- Interest/dividend payout; the Bank handles dividend and interest payments from the securities recorded in the customers' accounts, including registration of securities balances in customer accounts on the date of acquiring rights to dividend or interest, notifies tax payers of taxes due or independently calculates and pays taxes due in accordance with the applicable regulations, and disburses the amounts received from the issuers.
- Reporting the balances of securities accounts. The Bank periodically provides its clients with information on the securities held with the Bank as well as notifies them of the operations on securities they executed. The communication is ensured via postal service or electronic information media, such as SWIFT, in the manner agreed with the Bank.
- Role of depository; the Bank, acting upon the relevant applicable regulations on the function of the depository for investment funds and in accordance with contracts signed with those entities, monitors in particular the correct pricing of net assets of those entities and relevant investment restrictions. The Bank also provides valuation services of

the assets kept for other customers. As at the end of 2015, the Bank acted as a depository for 29 investment funds and sub-funds, including two investment funds under liquidation.

As at 31 December 2015, fiduciary services were used by individuals, domestic and international financial institutions and non-financial legal persons.
As at 31 December 2015, Bank BPH SA maintained 104 securities' accounts (as at 31 December 2014: 454 accounts). Reduction in the number of accounts as compared to last year was due to closing of inactive accounts and did not have a negative impact on custody revenues.

38. Payments of rent agreements

In line with rent agreements, the Bank rents mainly office space, technical facilities, storage areas, parking lots and garages.

Future minimum lease payment by maturity

PLN'000

	As at date	
	31 Dec. 2015	31 Dec. 2014
Up to 1 year	80 220	89 092
From 1 year to 5 years	156 196	177 176
Over 5 years	53 861	61 599
TOTAL	**290 277**	**327 867**

During 2015, the Bank incurred rent fees of PLN 97,751 ths (2014: PLN 115,549 ths).

Some rent contracts are concluded for an undefined period of time, and some cannot be discontinued earlier than stated. For contracts concluded for an undefined period of time, the future liabilities were defined to the period of notice as stated in the agreement. The period of notice is usually fixed at 1, 3, 6, 9 or 12 months. Rent contracts are concluded in PLN as well as foreign currencies.

In line with the rent agreements, the Bank rents office spaces.

Future receivables from leases according by maturity

As of 31 December 2015, the Bank's future rent receivables of PLN 836 ths (as of December 31, 2014: PLN 775 ths) will mature within 1 year.

During 2015 the Bank received PLN 4,426 ths from rents (2014: PLN 4,599 ths).

Some rent contracts are concluded for an undefined period of time, and some cannot be discontinued earlier than stated. For contracts concluded for an undefined period of time, future receivables were defined to the period of notice as stated in the agreement. The period of notice is usually fixed at 1, 3 or 6 months.

39. Related parties (Note presents information for all Bank BPH)

Parent company

The main shareholder of Bank BPH SA is GE Investments Poland Sp. z o.o, which holds 83.74% of shares and votes at the Bank's General Meeting. The GE Electric Group holds, through its subsidiaries, 87.24% shares and GM votes of the Bank.

Due to reorganization of General Electric capital group announced by GE on 10 April 2015, as a result of a series of intergroup transactions conducted under many jurisdictions between 1 December 2015 and 3 December 2015, GE holds Bank BPH's stock indirectly through GE Capital Global Holdings, LLC. (GE CGH), a 100% subsidiary of GE.

Details of transactions with related parties (excluding transactions with subsidiares)

Transactions with affiliated entities are concluded at arm's length.

Below note conerns total Bank, both Core Business and Mortgage Business. Attention must be paid to the fact that main item of liabilities presented in below tables are i.e. credit lines received from General Electric Group Company concerns Mortgage Business.

As at 31 December 2015 and 31 December 2014 the balances of receivables from and payables to the GE Group were as follows:

PLN'000

	As at date					
	31 Dec. 2015			31 Dec. 2014		
	Parent company	Other GE Group parties	Total	Parent company	Other GE Group parties	Total
Receivables (with interest)	19	52 134	52 153	27	74 234	74 261
Liabilities, including:	3 192	14 064 836	14 068 028	3 805	12 752 312	12 756 117
Current accounts	192	2 793	2 985	805	3 206	4 011
Deposits	3 000	18 000	21 000	3 000	18 000	21 000
Committed credit facilities	0	13 321 247	13 321 247	0	11 998 114	11 998 114
Other liabilities	0	43 743	43 743	0	53 596	53 596
Subordinated debt	0	679 053	679 053	0	679 396	679 396
Off balance guarantee commitments granted	0	764	764	0	264	264
Nominal value of derivative transactions, including	0	1 014 253	1 014 253	0	4 007 608	4 007 608
Fx swap and forward	0	32 838	32 838	0	2 307 628	2 307 628
IRS/CIRS	0	967 513	967 513	0	1 039 165	1 039 165
Foreign currency exchange transactions	0	13 902	13 902	0	660 815	660 815

As of 31 December 2015 and 31 December 2014, committed credit facilities comprise drawn credit facilities from General Electric Group Company, GE Ireland CHF Funding Unlimited Company.

As of 31 December 2014, committed credit facilities comprise drawn credit facilities from General Electric Group Company, GE Capital Swiss Funding AG.

Drawn credit facilities were taken in CHF in the years of 2010-2015 for the period from 1 up to 7 years, however the farthest maturity date is December 2022. They are subject to the 3M LIBOR interest rate for CHF increased by margin. Interest is calculated and paid in 3-months periods.

The value of transactions concluded by the Bank BPH SA in 2015 and 2014 with parent company and other related parties, was as follows:

PLN'000

	For the year ended					
	31 December 2015			31 December 2014		
	Parent company	Other GE Group parties	Total	Parent company	Other GE Group parties	Total
Foreign currency exchange transactions (nominal values)	0	5 814 960	5 814 960	0	4 021 225	4 021 225

Fx swap and forward (nominal values)	0	31 416 705	31 416 705	0	53 206 100	53 206 100
IRS/CIRS (nominal values)	0	58 665	58 665	0	212 215	212 215
Deposits	12 012	1 992 181	2 004 193	12 026	2 813 727	2 825 753
Other receivables	300	17 851	18 151	371	32 455	32 826
Other liabilities	0	6 245	6 245	0	43 518	43 518
Committed credit facilities	0	606 256	606 256	0	10 907 276	10 907 276
Off balance guarantee commitments granted	0	500	500	0	264	264

Bank BPH income, expense and result on financial instruments at fair value through profit or loss and exchange rate differences for the 2015 and 2014 on transactions concluded with the parent entity and other related parties were as follows:

PLN'000

	For the year ended					
	31 Dec. 2015			31 Dec. 2014		
	Parent company	Other GE Group parties	Total	Parent company	Other GE Group parties	Total
Interest and commission income	0	11 334	11 334	0	30 754	30 754
Interest and commission expense	13	78 789	78 802	22	193 661	193 683
Result on financial instruments at fair value through profit or loss and exchange rate differences	0	-24 167	-24 167	0	-41 509	-41 509
Other income	300	6 691	6 991	371	1 712	2 083
Costs of employment of foreign management team members	0	830	830	0	2 559	2 559
Cost related to employee award programs	0	2 740	2 740	0	3 259	3 259
Other expenses	0	9 105	9 105	0	38 303	38 303

Both the costs of employment of foreign management team members and the remaining other costs are inclusive of VAT computed in services imports.

The Bank has consultancy contracts for the provision of IT and various support services by the GE Group Members.

In 2015, the item 'other costs' included current consulting costs related to MSA agreement in the amount of PLN 2,083 ths (in 2014: PLN 28,541 ths), and also accounted for in the current period and resulting from final settlement, reduction of 2014 MSA costs in the amount of PLN 13,389 ths. Additionally, the item includes the costs of IT systems under the ITSA agreement in the amount of PLN 12,710 ths (in 2014: PLN 8,354 ths) and remaining costs of PLN 7,701 ths (in 2014: PLN 1,408 ths), consisting mainly in IT costs stemming from other agreements than ITSA and smaller cost items.

In 2015, the following consultancy contracts were effective with GE Group members.

1) Master Services Agreement (MSA)

On 20 December 2013 Bank BPH concluded a new consultancy agreement with GE Capital EMEA Services LTD ('GE Capital EMEA') – a company within the General Electric Company, i.e. a

Master Services Agreement ('MSA'), regulating the cooperation of Bank BPH SA with GE Capital EMEA. This agreement is effective from 1 January 2014 and replaces the existing agreement concluded on 11 December 2008. The subject of the agreement is providing consultancy services by GE Capital EMEA to Bank BPH SA in, among others, the following fields of activities: accounting and finance, human resources, security, risk, information technology, public relations and internal audit. The agreement was concluded for a period of two years and shall automatically be extended for annual periods.

2) Technology Services Agreement (ITSA)

Under the agreement with GE Consumer Finance, Bank BPH recognized costs of consultancy, licenses and maintenance of IT systems managed globally by GE.

Members of the Management of Bank BPH SA holding offices in subsidiaries

As at 31 December 2015, the following members of the Management Board or the Supervisory Board of Bank BPH SA were members subsidiaries in:

Richard Gaskin	BPH PBK Zarządzanie Funduszami Sp. z o.o.
Mariusz Kostera	BPH PBK Zarządzanie Funduszami Sp. z o.o.
Andras Bende	BPH PBK Zarządzanie Funduszami Sp. z o.o.

Employee benefits for Management Board and Supervisory Board

1) Short - term employee benefits (include bonuses due)

PLN'000

	Total benefits	
	2015	2014
Management Board	14 685	14 492
Supervisory Board	622	588
Total	**15 307**	**15 080**

Short-term employee benefits include the base pay, bonuses, as well short – term provisions for bonuses, social security payable by the employer and other benefits, such as sickness benefit, benefits in kind, health care, life insurance, other insurance, other rewards.

In line with PFSA Resolution No 258/2011 of the Policy of Remuneration for People at Managerial Positions in Bank BPH SA, the Bank introduced the Policy Applicable to Variable Components of Remuneration of Persons in Managerial Positions at Bank BPH SA, including all the Bank's Management Board Members. Under the policy, part of the variable remuneration of persons in managerial position in Bank BPH SA is deferred in time or as cash in the equivalent of the Bank's share price calculated as the median of daily averages of share's prices in the period of 3 months preceding the settlement day (cash settled share based payment).

The decision on bonus amount granted to Bank BPH Management Board's Members for 2015 has not been taken before the date of the financial statements. Provisions for these costs in 2015 amount to PLN 2,328 ths, gross employer's costs excluded. This amount consists of two parts: cash (50%) and phantom shares (50%), payable in line with the Policy on remunerating the people in at managerial positions (the 'Policy') applicable in the Bank, partially directly upon allocation (60%) and partially in the deferred form over the next three years, i.e. until 2019 (40%). The estimated value to be paid out in line with the 'Policy' in 2016 for 2015 for all the Management Board's Members is PLN 1,396 ths, and in the consecutive years - PLN 932 ths.

The decision on the volume of bonus allocated to the Bank' Management Board Members will be taken with due account to the provisions of Chapter 3 of the Resolution number 258/2011 of 4 October 2011 of the Polish Financial Supervision Authority (PFSA) on the detailed rules governing the risk management system and internal audit system and on detailed terms under which the bans estimate their internal capital, review their estimation process and maintain

their internal capital and the rules of defining the policy on variable components of remuneration for the persons at managerial positions in the bank.

Bonus allocated to Management Board members in subsequent years (without charges)

PLN'000

	2014	2013	2012
Bonus allocated to Management Board Members in subsequent years	**1 913**	**1 589**	**1 706**
Cash part, incl.:	**1 006**	**884**	**934**
Non-deferred part	604	530	560
Deferred part	402	354	374
Phantom shares, incl.:	**907**	**705**	**772**
Non-deferred part	544	423	463
Deferred part	363	282	309
Outstanding amount*	**765**	**424**	**227**

* The value of outstanding bonus to be paid out may differ from the ultimate amount that will finally be paid out to Management Board's Members over the next few years due to foreign currency differences and remuneration surcharges

Summary of bonus amounts for specific periods paid out in 2015 and 2014 (with surcharges)

PLN'000

	2014	2013	2012
Payment in 2015	1 162	209	240
The term payment (cash part paid out in March, phantom shares part paid out in October)	payable every year until 2018	payable every year until 2017	payable every year until 2016
Payment in 2014	0	883	230

2) Post – employment benefits

Post-employment benefits include retirement, disability and death in service benefits related provision. In 2015 and 2014 no post-employment benefits were paid out.
Provisions for other benefits for Bank BPH SA Management Board members:

PLN'000

	Provision balance as at			Change of the balance for	
	31 Dec. 2015	31 Dec. 2014	31. Dec. 2013	2015	2014
Provisions for retirement, disability and death in service benefits	223	144	45	79	99
Other post-employment benefits*	889	423	0	466	423
Total	**1 112**	**567**	**45**	**545**	**522**

*Other post-employment benefits include other retirement benefits.

3) Other long term benefis

PLN'000

	Total benefits	
	2015	2014
Long-term part of bonus payments due for a given year	931	765
Total	**931**	**765**

4) Payments due to termination of the employment relation

In 2015 and 2014 no benefits were paid for the termination of employment relations other than those stemming from the Labour Code.

Details of agreements between BPH SA and its management providing for compensation in the case of their resignation or dismissal from their posts was without good reason or as a result of the Bank's merger

There are clauses on damages/compensation for members of the Management Board in their contracts of employment or other resolutions or agreements between Management Board members and BPH SA. The damages/compensation is/are applicable in the event of an early termination of the legal relationship binding a member of the Management Board and the Bank (except as provided by Art. 52 of the Labour Code). The damages are pecuniary in nature. This is separately defined for each Management Board member. The amount of such damages is based either on the gross basic remuneration of the Management Board member during the period of 6 months prior to the termination of the relevant legal relationship.

5) Share – based payment

In 2015 the Bank recognized the cost of valuation of the GE stock options and Restricted Stock Units (RSU) granted to Bank BPH SA Management Board Members in previous years amounting to PLN 2,469 ths (2014: PLN 2,429 ths).

6) Other

As at 31 December 2015, neither the Management Board received loans and advances from the bank amounting to PLN 53.

At the end of December 2014, neither the Management Board had any debt in the Bank from guarantees, suretyships or other contracts and they were not indebted in the Bank's subsidiaries.

At the end of December 2015 and at the end of December 2014, neither the Members of Bank BPH SA Supervisory Board nor the people with close relations to Members of Bank BPH SA Supervisory Board had any debt in the Bank from guarantees, suretyships or other contracts and they were not indebted in the Bank's subsidiaries.

As at 31 December 2015, close relatives of Members of the Management Board of Bank BPH SA received loans and advances from the bank amounting to PLN 251 ths (as at 31 Dec. 2014: PLN 255 ths).

At the end of December 2015 and at the end of December 2014, close relatives of Members of the Management Board of Bank BPH SA had any debt in the Bank from guarantees, suretyships or other contracts and they were not indebted in the Bank's subsidiaries.

40. Foreign currency assets and liabilities

The currency position of the Bank as at 31 December 2015 was as follows:

PLN'000

Currency	All Items				Net position	
	Long		Short			
	Balance sheet	Off-balance sheet	Balance sheet	Off-balance sheet	Long	Short
EUR	1 197 238	503 752	1 188 132	118 798	394 060	0
USD	196 381	399 629	433 871	489 699	0	327 560
CHF	154 764	293 547	52 972	8 221	387 118	0
Other currency	71 151	32 221	45 894	43 825	13 653	0

Total	**1 619 534**	**1 229 149**	**1 720 869**	**660 543**	**794 831**	**327 560**

On 31 December 2015, the total (long) currency position of Core Business amounted to PLN 794,831 ths.

The currency position of the Bank as at 31 December 2014 was as follows:

PLN'000

Currency	All Items				Net position	
	Long		Short			
	Balance sheet	Off-balance sheet	Balance sheet	Off-balance sheet	Long	Short
EUR	1 393 559	1 360 530	882 568	230 982	1 640 539	0
USD	203 989	612 315	289 291	234 413	292 600	0
CHF	78 803	27 954	45 883	38 639	22 235	0
Other currency	89 937	22 244	35 324	49 855	27 002	0
Total	**1 766 288**	**2 023 043**	**1 253 066**	**553 889**	**1 982 376**	**0**

On 31 December 2014, the total (long) currency position of Core Business amounted to PLN 1,982,376 ths.

Above values of currency positions are result of simplified rules of Bank's assets and liabilities split into Core Business and Mortgage Business, assumed for the purpose of this special purpose financial statements and a consequence of the fact that Bank manages currency position on the level of total Bank, not on the level of a activity segment. On 31 December 2015, the total (long) currency position of Bank BPH SA amounted to PLN 83,053 ths (31 December 2014 PLN 1,833 ths).

41. Significant events after the balance sheet date

Information on the beginning of collective labour dispute with trade unions representing the Bank's employees

In February 2016 three out of five trade unions operating in the Bank (i.e. NSZZ 'Solidarność' Organizacja Zakładowa w Banku BPH SA, Niezależny Związek Zawodowy Pracowników Bankowości i Usług 'Dialog 2005' and NSZZ Pracowników Bankowości 'Bankowiec' Międzyzakładowa Organizacja Związkowa) entered into a collective labour dispute with the Bank. This is a consequence of the Bank's Management Board not delivering on the demands made by these trade unions, which include:

- ensuring employees restructured under the mass redundancies receive the same conditions as in the 2012 mass redundancies,
- application of the same terms as described in point 1 above to employees transferred onto new employers under Art. 23(1) §1 of the Labour Code due to the process of transferring the Bank's own branches to franchise holders.

Demands made by the trade unions result from the announced transformation of the Bank's distribution network and consequent employment restructuring, which is related to the Bank's implementation of Business Transformation Plan for 2015-2020.

The Bank's Management Board is of the opinion that the social partners' expectations were taken into account, although a divergence in the value of compensations exists. This is reflected in the following:

- The 'Agreement on detailed rules of terminating employment relations with the employees of Bank BPH Spółka Akcyjna for the reasons not attributable to employees in the period from 10 February 2016 to 31 December 2016', which applies to Bank BPH

employees except for employees employed in the Bank's branches which will be transferred to franchise holders;

- The 'Rules on defining the terms of benefits payment for employees of Bank BPH SA's own branches, which are taken over by the new employers (franchise holders) under Art. 23(1) §1 of the Labour Code due to the fact that part of Bank BPH SA business is transferred onto these franchise holders'.

Additionally, NSZZ 'Solidarność' Organizacja Zakładowa w Banku BPH SA and Niezależny Związek Zawodowy Pracowników Bankowości i Usług 'Dialog 2005' presented a demand to increase base salaries for all the Bank's employees by the net amount of at least PLN 300. The proposed salaries rise could not be accepted by the Bank due to its significant impact on the Bank's cost base.

The Bank's Management Board took legal measures to solve the dispute. The Management also emphasizes that it assures due diligence for the proposed solutions to constitute fair compensation for employees covered by the employment restructuring plan, with due account to the Bank's financial standing.

42. Provision for employee benefits

42.1. Provision for short-term employee benefits

The table below presents provisions for short-term employee benefits by type:

by type

PLN'000

	As at date	
	31 Dec. 2015	31 Dec. 2014
Liability for employee salaries and bonuses	40 451	44 629
Liability for unused holidays	10 913	11 265
Liability for overhead salaries and bonuses	8 291	8 847
Provision for restructuring costs	137 717	2 863
Liabilities for short – term employee benefits	**197 372**	**67 604**

42.2. Specific benefits programs

Within the specific employees' benefits programmes, the Group recognizes liabilities from pension severance pays, pensions and death benefits.

The break-down of specific benefits programmes into individual titles is presented in the table below.

PLN'000

Present value of liabilities	As at date	
	31 Dec. 2015	31 Dec. 2014
retirement benefits	24 023	26 985
disability pension benefits	244	253
death benefits	3 536	3 760
Liabilities recognised in the statement of financial position	**27 803**	**30 998**

The table below shows the reconciliation of opening and closing balances of the present value of liabilities to employees related to post employment benefits.

Retirement benefits, disability pension benefits and death benefits

	PLN'000
Opening balance (01 Jan. 2015)	**30 998**
cost of current employment	4 086
interest expense	878
actuarial revaluation	-7 979
overestimation due to modified financial assumptions	-7 979
stemming from 2015 realization	0
benefits paid out (-)	-180
Closing balance (31 Dec. 2015)	**27 803**

	PLN'000
Opening balance (01 Jan. 2014)	**19 693**
cost of current employment	2 389
interest expense	953
actuarial revaluation	8 170
overestimation due to modified demographic assumptions	0
overestimation due to modified financial assumptions	8 609
stemming from 2014 realization	-439
benefits paid out (-)	-207
Closing balance (31 Dec. 2014)	**30 998**

Actuarial revaluation result from modified economic assumptions and delivery on the assumptions adopted in previous periods.

The costs of current and past employment as well as actuarial revaluation are presented in the 'Employment costs' item of the profit and loss account. Actuarial revaluation are recognized in other comprehensive income.

For the purpose of measuring pension, disability pension and death benefits as at 31 December 2015, the following actuarial parameters were adopted: discount rate of 3.25% (2014: 2.75%) and the salary growth rate of 1.75% (2014 and years earlier: 3.00%).

42.3. Long Term Incentive Plan of General Electric Company

Programme outline and principles

General Electric Company Long-term Incentive Plan is an incentive plan addressed to selected Bank's employees. The Plan aims to motivate employees to grow the company's value and to acquire and keep those employees, who are the biggest contributors to the Bank's development and profitability.

Under the Incentive Plan, selected Bank's employees are offered GE stock options and restricted stock units (RSU).

Option rights are acquired over five years and in equal batches beginning from the first anniversary of the award of options. Exercising of an option right results in buying GE shares at a price fixed upon granting of the options. The rights may be exercised during a period between the granting of the right and the option expiry date. The options expire after 10 years from the date of granting. Until the option rights are exercised the employee is not entitled to the dividend payment from GE. Employee rights to options expire upon their at the time of termination of employment in the GE Capital Group.

RSU rights are acquired over five years and in equal batches beginning from the first anniversary of the award of RSU. Programme participants may not exercise or sell their RSU rights before the acquisition. Upon acquisition, the RSUs are converted to common GE shares at a parity of 1:1. RSU holders are entitled to a dividend payment equivalent to the amount paid to GE shareholders, but the cumulative RSU value is paid on the date of the conversion of RSUs to GE shares. Employee rights to RSUs that are awarded but not converted expire at the time of termination of employment in the GE Capital Group.

Assumptions for the programme valuation

The cost of the Plan is designated at fair value of allocated stock options and RSUs.

Fair value of stock options is determined based on the Black-Scholes' model and with the following assumptions:

- Risk-free interest rates reflect the yield of zero-coupon US debt securities,
- The expected dividend rate was defined as the average GE stock dividend rate during previous five years,
- The expected GE stock volatility is based on the implied volatility of traded options and on the historical GE stock volatility
- The expected option duration was estimated using observed historical data on option exercising by GE Group employees.

For RSU, fair value is defined on the basis of GE stock market price as at the date of award allocation.

Detailed parameters adopted in the option pricing model are presented in the table below.

Year of award	Expected maturity in years	Expected volatility (%)	Expected dividend rate (%)	Risk free rate (%)
2015	6.82	25.60	3.34	1.99
2014	7.27	25.60	3.14	2.26

Number of awards, weighted average of stock options exercise prices, weighted average fair value of stock options and the weighted average prices of RSU awards for 2015 are presented in the table below:

	Stock options			RSUs	
	Number	Weighted average exercise price	Weighted average fair value	Number	Weighted average price
Opening balance	690 340	20.9	4.5	36 250	23.8
Awarded during the period	48 300	25.0	4.5	0	0.0
Exercised during the period	-169 305	18.3	4.0	-14 000	20.9
Redeemed/expired during the period	-26 475	22.1	4.6	0	0.0
Closing balance	**542 860**	**22.0**	**4.6**	**22 250**	**25.6**
Exercisable at period end	248 079	19.4	4.5	0	0.0

Number of awards, weighted average of stock options exercise prices, weighted average fair value of stock options and the weighted average prices of RSU awards for 2014 are presented in the table below:

	Stock options			RSUs	
	Number	Weighted average exercise price	Weighted average fair value	Number	Weighted average price
Opening balance	597 475	19.0	4.2	50 250	23.0
Awarded during the period	168 700	26.1	5.3	0	0.0
Exercised during the period	-56 235	15.8	4.0	-14 000	20.9
Redeemed/expired during the period	-19 600	22.1	4.9	0	0.0
Closing balance	**690 340**	**20.9**	**4.5**	**36 250**	**23.8**
Exercisable at period end	307 720	17.9	4.3	0	0.0

In relation to its participation in the Long Term Incentive Programme of General Electric Company the Bank's 2015 costs incurred amounted to PLN 2,932 ths (2014: PLN 2,832 ths).

42.4. Variable components of remuneration programme

In 2015 the Bank continued Variable Remuneration Policy of Remuneration for People at Managerial Positions in Bank BPH SA - in accordance with requirements described in Resolution of Polish Financial Supervisory Authority no 258/2011.
According to the Variable Remuneration Policy, Bank's employees covered by this Policy, who have significant impact on Bank's risk profile, will be paid variable remuneration on the basis of individual results and on the basis of unit/department and the entire Bank results. Part of the variable remunerations for employees of the Bank will be paid in the form of Bank's phantom shares. Those payments fulfill definition of the cash-settled share-based payments.

Variable Remuneration for 2015 – Phantom Shares	
Transactions type in the light of IFRS 2	Cash-settled share-based payments
Commencement of vesting period	For year 2015: 1 January 2015
Grant date of the program in accordance with the definition of IFRS 2	The decision on granting the programme has not been taken before the date of the financial statements. Taking of the decision is planned by the end of April 2016.
Number of granted instruments	Will be determined at the grant date of the programme in accordance with the definition of IFRS 2
Maturity date	3 years since the date of granting programme (2016-2019)
Vesting conditions	Employment in the Bank in 2015, results of the Bank and individual performance
Program settlement	On the settlement date, the participant will be paid the amount of cash in the equivalent of the Bank's share price calculated as the median of daily averages of share's prices on WSE in the period of 90 days preceding the settlement day

On 31 December 2015 the Bank performed the valuation of phantom shares granted to employees covered by the programme, with the assumption that the grant was made on 31 December 2015.

Due to the fact that this programme is cash-settled, the fair value will be adjusted on each balance sheet date until the programme settlement.

Variable Remuneration for 2014 – Phantom Shares	
Transactions type in the light of IFRS 2	Cash-settled share-based payments
Commencement of vesting period	For year 2014: 1 January 2014
Grant date of the program in accordance with the definition of IFRS 2	23 March 2015
Number of granted instruments	8 512
Maturity date	3 years since the date of granting program (2015-2018)
Vesting conditions	Employment in the Bank in 2014, results of the Bank and individual performance
Program settlement	On the settlement date, the participant will be paid the amount of cash in the equivalent of the Bank's share price calculated as the median of daily averages of share's prices on WSE in the period of 90 days preceding the settlement day

The decision on bonus amount granted has not been taken before the date of the financial statements. Estimated the fair value of rights to acquire phantom shares granted as at 31 December 2015 is PLN 1,388 ths (31 Dec. 2014: PLN 907 ths) and these amounts have been recognized in the profit and loss account of year 2015 and 2014 as cost of remunerations.

43. Risk management in Bank BPH SA

43.1. Risk management

Fundamental rules

Risk management system (defined as a set of rules governing decision-making, executive and control processes related to identification, measurement, monitoring and development of risk in the Bank's operations) in the Bank is based on the following underlying principles:

- responsibility: both the management as well as all the employees must be able to identify and assess risk and understand their responsibility in this respect within their competencies,
- management's engagement: the Bank's Management Board and Supervisory Board are actively engaged in risk management,
- finding the right balance between risk and profitability: risk management promotes rational decision-making in business according to the rule of balancing risk and profitability,
- conflict of interests: risk management is organized in such a way so as to avoid conflict of interests,
- prudence: the prudence principle prevails in situations of uncertainty about risk-taking and control or in case of doubts,
- legal compliance: all the Bank's actions comply with the legal requirements, supervision requirements and internal regulations, in particular, in line with the Banking Act, the Bank does not outsource any risk management processes,
- new products: launch of new business lines or products is always preceded by risk analysis related to a given business,
- resources: sustainable development of the Bank's business is based on recruiting, development and maintaining a team of specialists who are aware of the risks associated with the Bank's operations,
- transparency: internal and external stakeholders are informed about risk management and value generation in a transparent way.

The risk management process is regulated by written procedures which define the organisation units and persons responsible for individual steps of this process, complete with their tasks and responsibilities.

Responsibility

The Bank's Management Board and Supervisory Board accept 'Bank BPH SA Risk Appetite Statement', which defines the Bank's inclination to risk-taking (the so-called 'risk appetite') along with the basic rules, assumptions and definitions describing risk management system, risk profile and risk management policy adopted in the Bank. Enterprise Risk Committee defines a set of risk appetite metrics, rules of metrics monitoring and reporting and procedures for limit breaches. The Committee also monitors pre-defined metrics on on-going basis and takes decisions in executive actions in case of limit breaches.

The top function in process risk management is held by the Chief Risk Officer (CRO), who is responsible for a comprehensive supervision of various risks, including especially credit, market, liquidity and operational risks. The positioning of the CRO and its powers independence and ensure that risk management is a key component of any business decision.

The Bank's standing committees also participate in risk management. Enterprise Risk Committee takes decisions or presents opinions on strategic aspects of risk management, and in particular on the processes of enterprise risk management, management of the Bank's capital adequacy and funds and model risk management. The Assets and Liabilities Committee (ALCO) is responsible for managing items of the balance sheet structure and for controlling the market risk involved in the banking and trading book. Credit risk is assessed by credit committees at various decision-making levels of the Bank. Additionally, there is the Operating Risk Committee.

Main risk types

To identify and manage risks the Bank defines its various processes specifically for the following types of risk:

- Market risk (currency, interest rate, equity investments and commodity prices);
- Liquidity risk;
- Credit risk;
- Operational risk.

43.2. Market risk

Market risk is the risk that the value of assets/ liabilities will impact P&L/Equity due to the changes of the market factors (interest rates, Fx rates, shares, commodities, volatilities, correlations etc).

The key objective of the market risk policy in the bank is to reduce the market risk exposure by monitoring and managing risk position on the basis of rules and procedures adopted by the Bank's Supervisory Board the ALCO Committee and the Bank's Management Board, designed in this way to comply with the Polish supervisory requirements.

The risk appetite was defined with a system of limits, threshold values and rules. The system of limits and threshold values takes into account all important factors involved in the market risk.

Management of all market risk types is centralised within special risk sections of the Treasury Department. Each of the Bank's units transfers its liquidity risk and market risk exposures into the Treasury Department via a system of transfer prices applicable for every single transaction within the Bank thus allowing central management of liquidity and market risk exposures.

Market risk measurement and reporting is the task of The Bank's Risk Management Department in the Risk Management Division, a unit that is independent from units responsible for trading and banking transactions.

Market risk reports are made on a daily basis for operational purposes and periodically (monthly and quarterly) for management purposes. The main recipients of the periodic reports include the Supervisory Board, the Management Board and the ALCO.

Basic risk measures to assess market risk exposure, are as follow:

- Value at Risk (VaR),
- Sensitivity measures (BpV)
- Fluctuation of the net interest income.

The methodology is supplemented by stress testing analyses.

The value at risk is defined upon analysis of historical market price developments scenarios, under the assumption of 99% confidence ratio and 1 day position- holding period. Historical data of 500 days are covered by the analysis. VaR estimates the loss, which will not be exceeded by the Bank, within the assumed probability and within the assumed period, provided that the Bank keeps the portfolio unchanged. VaR is defined for individual risk categories (currency risk, interest rate risk, volatility risk) but also as a compound value for all types of market risks.

As at 31 December 2015, the VaR on market risk for the Bank BPH SA was PLN 6,831 ths (as at 31 December 2014: PLN 28,929 ths).

To verify the assumptions to the model of value at risk calculation the Bank performs historic verification with actual and revaluation data.

The limitations of VaR measurements, including: prediction of future losses based on historical data, possibility of generating higher losses than predicted, static exposure over holding period – require that the Bank supplements its VaR methodology with additional risk measures:

1) Measuring sensitivity of the risk position on small changes in market rates (for instance 1 bp) supports the process of market risk management split into time tenors and risk categories.
2) Stress test scenarios enable to predict potential loss in case of extreme market conditions.

The basic limits to mitigate market risk exposure are VaR limits covering the main risk factors (i.e. covering interest rate risk, fx risk and Vega risk), BPV limits and nominal fx limits.

During the reporting period, there were no breaches of market risk limits defined by the Supervisory Board.

43.2.1. Currency risk

Bank BPH SA is exposed to the risk of losing a portion of its profit by operating in the currency market due to foreign exchange rate fluctuations. This risk, understood as the likelihood of a loss, increases with:

- increased exchange rate volatility,
- increased mismatch in foreign currency receivables and liabilities.

The Bank is running a system of limits to mitigate its currency risk. The maximum amount of open currency positions is capped by limits set on the gross open position and on individual currencies. The limits are intended to keep open currency positions at safe levels in certain areas (such as the bank portfolio, trading portfolio and currencies) and are subject to monitoring during the day and at the closing of the business day.

Exposure to FX position is monitored with the Value at Risk methodology based on the historical simulation methodology.

An important contribution to the Value at Risk method is periodic analysis of emergency scenarios, performed under assumption of extreme changes in risk factors arising from historical observations and forecasted currency prices for basic currencies.

As at 31 December 2015, the VaR for currency risk for the Bank BPH SA was PLN 6,796 ths (as at 31 December 2014: PLN 28,775 ths).

43.2.2. Interest rate risk

The interest rate risk is defined as a sensitivity of the net interest income and of the economic value of the Bank's capital to interest rate fluctuation. The objective rate of the interest risk management is to identify the areas of interest rate risk and to manage, up to an interest rate risk level acceptable for the Supervisory and Management Boards, the structure of the balance sheet and of the off-balance sheet obligations so as to optimise the financial performance and to ensure adequate liquidity level.

There are four main types of risk that comprise the interest rate risk:

a) The repricing timing mismatch risk when assets, liabilities and off-balance sheet items repriced within a certain period are mismatched;
b) Yield curve risk when the yield curve shape changes as a result of a changing relationship between interest rates applicable to different periods, but to the same index or the same market;
c) Basis risk resulting from an imperfect correlation of interest rates on interest-rate income and cost generating instruments during identical periods of revaluation or payments, but linked to different reference rates;
d) Customer option risk involved in decisions available for customers in products and services offered by the Bank; in particular this is involved in early repayment of loans, early withdrawal of deposits, loan payment timing different from scheduled and where derivatives are built into products or services.

The interest rate risk is divided in terms of duration into a risk during an operating day and a risk at the end of an operating day. The interest rate risk during an operating day emerges as a result of a short opening of an interest rate position, which is then closed before the end of that day. The interest rate risk at the end of an operating day is such as those involved in the Bank's liquidity risk management or from financial instruments offered to customers.

The Bank fixes measures of risk for the entire portfolio, including both the banking and trading portfolios. In order to measure interest rate risk, the Bank identifies revaluation profile for products without maturity and volume of prepayments/delays for loans with repayment timetable, using the methods of product characterization process. These methods are based on historical data and they cover historical analyses of volumes, interest rates or loan instalments repayment.

To measure the interest rate risk Bank BPH SA simulates the historic (Hull-White) Value at Risk (VaR), basis-point-value (BpV) and net interest income variability. The VaR methodology combined with the cash-flow timing mismatch, the variability and interdependence of interest rates observed on the market helps estimate, at an assumed probability level, a maximum potential loss that the Bank may incur from the interest rate risk.

As of 31 December 2015, the VaR for the interest rate risk position of the Bank BPH SA amounted to PLN 939 ths (as at 31 December 2014: PLN 1,365 ths).

43.3. Liquidity risk

The liquidity risk strategy and its management were defined in the 'Policy of investment and asset and liabilities management at Bank BPH SA'.

The Investment Policy is approved by the Supervisory Board following an approval by and recommendation by the Management Board and the Assets and Liabilities Committee (ALCO). The Policy defines major rules and strategic-level liquidity risk management and outlines sources of refinancing.

In the liquidity risk management the Bank follows the policy issued by the Management Board that regulates, i. e. the rules of liquidity risk monitoring, reporting obligations, competencies, and the scope of responsibility of individual units in liquidity risk management (including separation of treasury functions from risk exposure monitoring functions), the system of limits and the so-called early warning indicators, thus mitigating this risk in Bank BPH SA, as well as the rules of conduct in case of liquidity crisis.

The Bank monitors liquidity risk using the method of adjusted liquidity gap. The adjusted liquidity gap is calculated according to assets and liabilities maturity dates projected with statistical methods and on the basis of current assessment of how realistic it is for the contractual funds transfer date to be met. The actualisation is applied in order to estimate the real values and maturity times on cash-flows from balance-sheet and off-balance sheet items.

In order to maintain a safe liquidity position of the Bank, the following parameters were approved by a decision of the Supervisory Board described in the Investment Policy – the basis liquidity measure, the so-called liquidity buffer was approved. Also, the Bank has internal liquidity limits and threshold values approved by the ALCO Committee, which are aimed to control liquidity risk exposure and vulnerability.

Liquidity buffer is calculated every 10 days upon stress tests scenarios of the liquidity gap. The Bank defines this metrics as a minimum value of non-encumbered high quality liquid assets that the Bank should keep, which allow the Bank to survive at least 30 days without the strategic investor's assistance in case of an internal liquidity crisis, a system crisis or a combination of these two, but not a simple aggregation (the so-called 'joint crisis'). The Bank adopted the following assumptions for individual stress tests scenarios:

1) for the system crisis scenario, presenting a potential liquidity crisis in the financial system and resulting from external/market events that may result in economic slow-down or recession, the Bank reflects the following factors in its assumptions:
    a) higher than standard outflow of customer deposits,
    b) reduced availability of interbank market funding, especially for middle-term and long-term funding,
    c) significant use of allocated off-balance sheet facilities by commercial customers and SMEs,
    d) no option to use the stand-by facilities allocated to the Bank.
2) in case of an internal crisis scenario, presenting a potential liquidity crisis triggered by internal events, related to the loss of confidence among the Bank's customers/contractors, the Bank reflects the following factors in its assumptions:
    a) higher and severe outflow of customer deposits,
    b) no option to extend and/or acquire funds from the interbank market,
    c) no option to use the stand-by facilities allocated to the Bank.
3) in case of a joint crisis scenario, the Bank applies a combination of the above-mentioned assumptions and also differentiates the severity of the scenarios.

The Bank accounts for stress tests results in the so-called contingency liquidity plan which is triggered in case of liquidity crisis. To review financial markets and the Bank's internal situation in order to detect the symptoms and to identify the sources and/or potential drivers that may lead to a liquidity crisis, the Bank applies the system of Early Warning Ratios. The Early Warning Ratios system divides into two groups, with allocated detailed ratio categories: external ratios –describing the market situation and the internal ratios -describing the Bank's situation. In reviewing its internal situation, the Bank monitors, inter alia, its liquidity position (including the liquidity buffer) and financial stability.

The Bank maintains a high and safe level of non-encumbered high quality liquid assets, which serve as safety buffers if extreme liquidity scenarios materialize (excess liquidity). As at 31 December 2015 surplus liquidity amounted to PLN 6,015 million and consisted of:

in PLN million

Liquidity surplus elements	The value of the assets as at date	
	31.12.2015	31.12.2014
Cash	889	894
NBP money bills	4 600	4 500
Government bonds	526	445
SURPLUS LIQUIDITY	**6 015**	**5 839**

Utilization of limits and threshold values imposed on short-term and long-term ratios and gap in 2015 and 2014 remained also at a safe level.

The table below presents the structure of the statement of financial position of the Bank with remaining maturity profile as at 31 December 2015– for assets according to carrying amount and for liabilities taking into account contractual maturities (in PLN ths).

Amounts of assets below are at carrying amount.

Assets:

Time buckets	Without defined maturity	up to 1 month	1 month - 3 months	3 months – 1 year	1 year- 5 years	More than 5 years	Total
Cash and balances with the Central Bank	0	943 981	0	0	0	0	943 981
Securities FVO	0	4 598 514	0	80 349	558 732	0	5 237 595
Amounts due from banks	0	413 611	0	10 113	32 459	7 245	463 428
Loans and advances to customers	981 623	188 051	275 528	1 571 400	2 624 534	3 334 731	8 975 867
Securities available for sale	81 021	179 776	0	54 523	141 681	0	457 001
TOTAL	**1 062 644**	**6 323 933**	**275 528**	**1 716 385**	**3 357 406**	**3 341 976**	**16 077 872**

Liabilities:

Time buckets	up to 1 month	1 month - 3 months	3 months – 1 year	1 year- 5 years	More than 5 years	Total
Amounts due to banks	104 442	0	0	0	0	104 442
Amounts due to customers	9 959 389	723 529	1 493 224	261 933	9 164	12 447 239
Other financial liabilities	114 551	0	43 720	0	0	158 271
TOTAL	**10 178 382**	**723 529**	**1 536 944**	**261 933**	**9 164**	**12 709 952**

Off balance sheet items:

Time buckets	up to 1 month	1 month - 3 months	3 months – 1 year	1 year - 5 years	More than 5 years	Total
Off-balance financing liabilities granted	3 657 978	0	0	0	0	3 657 978
Off-balance guarantee liabilities granted, incl.:	175 561	0	0	0	0	175 561
performance guarantee	*102 972*	*0*	*0*	*0*	*0*	*102 972*
Off – balance contingent liabilities granted	**3 833 539**	**0**	**0**	**0**	**0**	**3 833 539**

The table below presents the statement of financial position structure of the Bank as at 31 December 2014 – for assets according to carrying amount and for liabilities taking into account contractual maturities (in ths PLN).

Amounts of assets below are at carrying amount.

Time buckets	Without defined maturity	up to 1 month	1 month - 3 months	3 months – 1 year	1 year- 5 years	More than 5 years	Total
Cash and balances with the Central Bank	0	1 092 963	0	0	0	0	1 092 963
Securities FVO	0	3 930 623	0	173 286	361 989	0	4 465 898
Amounts due from banks	0	263 096	40 132	0	0	43 903	347 131
Loans and advances to customers (gross value)	1 782 700	129 729	222 419	1 718 299	2 825 008	2 388 104	9 066 259
Assets pledged as collateral	0	568 896	0	0	0	0	568 896
Securities available for sale	0	0	0	112 856	257 461	0	370 317
RAZEM	**1 782 700**	**5 985 307**	**262 551**	**2 004 441**	**3 444 458**	**2 432 007**	**15 911 464**

Liabilities:

Time buckets	up to 1 month	1 month - 3 months	3 months – 1 year	1 year- 5 years	More than 5 years	Total
Amounts due to banks	473 846	20 214	10 248	0	0	504 308
Amounts due to customers	9 927 457	852 887	1 778 149	171 687	11 510	12 741 690
Other financial liabilities	135 745	0	36 691	0	0	172 436
TOTAL	**10 537 048**	**873 101**	**1 825 088**	**171 687**	**11 510**	**13 418 434**

Off balance sheet items:

Time buckets	up to 1 month	1 month - 3 months	3 months – 1 year	1 year - 5 years	More than 5 years	Total
Off-balance financing liabilities granted	3 270 384	0	0	0	0	3 270 384
Off-balance guarantee liabilities granted, incl.:	205 188	0	0	0	0	205 188

performance guarantee	*107 627*	*0*	*0*	*0*	*0*	107 627
Off – balance contingent liabilities granted	**3 475 572**	**0**	**0**	**0**	**0**	**3 475 572**

In 2015 deposits were the main source of funding for Bank BPH Core Business. The source is adequate to the scale of business of the Bank.

In order to ensure safe level of liquidity, the Bank maintained relevant high quality unsecured liquid assets.

Cash Flows from Derivatives

Derivative financial instruments settled in net amounts

Derivative financial instruments settled by the Bank in net amounts comprise of:

- Forward Rate Agreements (FRA),
- Commodity options, Equity options, interest rate options,
- Interest rate swaps (IRS) – including OIS transactions (Overnight Index Swap),
- fx options.

The table below shows derivative financial liabilities of the Bank, which will be settled on a net basis, grouped by appropriate maturities as at the last and the previous balance sheet date.

PLN'000

As at 31 Dec. 2015	up to 1 month	1 month - 3 months	3 months – 1 year	1 year - 5 years	More than 5 years	Total
Equity options	0	-253	-640	-2793	0	-3686
IRS (incl.: - OIS) – inflows	611	8 000	37 071	75 426	9 481	130 589
IRS (incl.: - OIS) – outflows	-1 992	-5 934	-31 666	-74 975	-3 623	-118 190
Fx option	-11	-41	-309	0	0	-361
TOTAL OUTFLOWS	**-2 003**	**-6 228**	**-32 615**	**-77 768**	**-3 623**	**-122 237**

PLN'000

As at 31 Dec. 2014	up to 1 month	1 month - 3 months	3 months – 1 year	1 year - 5 years	More than 5 years	Total
Equity options	0	-2858	-3148	-681	0	-6687
IRS (incl.: - OIS) – inflows	6 240	19 193	86 284	171 870	34 195	317 782
IRS (incl.: - OIS) – outflows	-6 932	-8 521	-94 204	-162 290	-19 091	-291 038
Fx option	-9	-180	-5371	0	0	-5 560
TOTAL OUTFLOWS	**-6 941**	**-11 559**	**-102 723**	**-162 971**	**-19 091**	**-303 285**

The values presented in the tables above are the sum of fair values of liabilities arising from net settlements of derivative transactions. For IRS, the sum of undiscounted positive (net inflows) and negative (net outflows) net cash flows on a given instrument on a given maturity date is presented.

Derivative financial instruments settled in gross amounts

Derivative financial instruments settled by the Bank in gross amounts comprise of:

- currency forwards,
- cross currency interest rate swaps (CIRS).

The table below shows derivative financial liabilities/receiveables of the Bank, which will be settled on a gross basis, grouped by appropriate remaining maturities as at the last and the previous balance sheet date.

PLN'000

As at 31 Dec. 2015	up to 1 month	1 month - 3 months	3 months – 1 year	1 year - 5 years	More than 5 years	Total
Currency forwards						
inflows	181 435	303 497	410 480	3 953	0	899 365
outflows	-181 559	-306 344	-411 283	-3 940	0	-903 126

PLN'000

As at 31 Dec. 2014	up to 1 month	1 month - 3 months	3 months – 1 year	1 year - 5 years	More than 5 years	Total
Currency forwards						
inflows	477 561	673 358	3 883 621	9 328	0	5 043 868
outflows	-480 851	-675 097	-3 888 853	-9 075	0	-5 053 876

The values shown in the tables above reflect non-discounted outstanding cash flows (nominal and interest-based) from derivatives.

43.4. Credit risk

RISK STRATEGY

Purposes of credit risk management

The Bank's basic objective in credit risk management is to keep this risk at a safe level while ensuring relevant profitability of lending operations. The Bank uses effective credit risk management methods at the level of both the portfolio and individual exposures, which are regularly verified and developed. The lending process organisation structure and procedures and tools for the identification, measurement and controlling of credit risk are kept in line with requirements defined in supervisory resolutions and recommendations.
Risk management is strictly related to business activities and strategic planning in the whole organization. Lending activity is developed within the confines of risk appetite, as defined in the Bank's strategy.

Credit risk management

Within the process of credit risk management the Bank separated the functions related to individual steps of the credit process. They are delivered by the units of the Risk Management Division and by the Operations Division, in the scope of selected processes, while the criteria and the rules of process implementation by the Operations Division are developed and implemented by the Risk Management Division. The above mentioned processes include:

- risk approval involving risk assessment and credit decisions;
- credit administration involving drafting credit and collateral contracts, opening credit accounts and booking operations on these accounts,
- risk monitoring and control involving organisation of the monitoring process, building and development of monitoring support tools, monitoring of individual credit exposures and loan portfolio);
- management of increased risk exposures, restructuring and debt collection.

There are several specialised units within the Risk Management Division responsible for developing and implementing credit rules and processes, such as strategies, policies and procedures, and for building, development and implementation of tools designed to identify, measure and control risks at the individual and portfolio levels.

The Bank's Management Board establishes the strategy and the rules of credit risk management at the Bank as well as policies and procedures crucial for managing the credit risk. The Supervisory Board exercises supervision over the Bank's portfolio risk. Responsibility for the implementation and functioning of the complex credit risk management system is held by CRO (Chief Risk Officer), who supervises the Risk Management Division in his capacity of the

Vice-President of the Bank's Management Board. CRO is also responsible for operating credit risk management. The Credit Committee and the Enterprise Risk Management Committee play an important role in risk management.

Strategy, policies and procedures

The economic situation, a changing structure, functioning and condition of the banking system, expected changes in macroeconomic indicators, exchange and interest rates, as well as the changing customer needs constitute significant factors taken into account in the process of developing of the credit risk management aspect of the Bank's strategy. The strategy, the General Lending Rules, credit decision making authority levels and principles, as well as policies and detailed procedures are the main components of a comprehensive system of credit risk management and provide a framework for the Bank's lending operation.
Internal regulations are periodically updated and brought in line with the applicable laws and regulatory recommendations.

Credit risk assessment, rating/ scoring system

Before granting a loan, the Bank assesses credit standing of a customer analyzing i. a. his financial data and qualitative data regarding his market position, organizational and ownership structure, business sector characteristics, etc. The Bank also analyses and assesses the transaction risk by assessesing the purpose and the business case of the loan, as well as at other items influencing the risk level, such as legal or market aspects.

Credit risk assessment is supported by rating and scoring systems that use customer data. The systems – the underlying principles, models and system platform are built, validated and calibrated by specialised units of the Risk Management Division. Using a rating scale, the Bank can compare individual exposures and sub-portfolios with other exposures or with external rating sources.
Rating/scoring systems are widely used within the credit risk management process and the rating assessment is important parameter in credit approval authority system.

Credit decisions making

Credit decisions concerning products based on ratings:

- are taken by the persons with individual credit competence limits, in line with four-eyes principle or collegially by the Credit Committee;
- The total Bank's credit exposure to the customer/related group, the risk profile of the customer and the transaction and the level of collateral coverage serve as the criterion determining the authority level taking the credit decision.

Credit decisions concerning products based on scorings:

- the criterion defining credit competence level adopting the decision is, depending on the customer segment and product type, inter alia the maximum product limit, total credit exposure per customer/related group, customer and financial transaction risk profile;
- scoring and credit - worthiness check result is used for the final decision issued by the employee who verifies credit application and is equipped with individual credit competencies;
- credit competencies are allocated individually to the employees of the units responsible for crediting analysis, depending on the product and customers segment in Risk Management Division; competencies are allocated on the basis of the employee's knowledge and experience;
- for exposures exceeding individual credit competence levels of the verifiers, the decision of the Bank Credit Committee is required.

Credit risk limitation

In the framework of debt collection activities for secured products, when debt repayment negotiations or voluntary sales of collateral bring no expected results, the Bank first takes the measures to release the collateral through bailiff execution or seizure and then to sell it. The decision on collateral seizure is always preceded by a valuation carried out by an independent expert. The Bank intends to sell the seized property as quickly as possible and uses various available sales channels, in particular auction portals and assets sales brokers. The choice of the best way to sell seized assets depends mainly on specificity of the assets and possibility to find potential buyers in a given market. Also, the Bank takes measure to disseminate information about the assets for sale on its website and advertising portals.
The Bank's policy is to sell seized assets, very rarely would the Bank decide to use these assets for own purposes - this would have to be economically sound and reflect the Bank's needs. Decisions on the way to use the assets are made in line with the credit competencies of the restructuring and collections area.

In relation to the judgment of the Constitutional Court of 16 April 2015, which ruled that the provisions under which the banks issued bank enforcement titles were unconstitutional and due to the amendments in the Banking Act, in Q4 2015 the Bank introduced blank bills of exchange issued by the borrower in lieu of the bank enforcement title as one of the alternative legal tools enabling simplified dues enforcement.

As at 31 December 2015 the financial effect of collateral for individually impaired loans amounts to PLN 63 million (as at 31 December 2014: PLN 82 million). This is the amount by which the required losses on this portfolio would be increased, if the discounted cash flows from collateral were not taken into account for in estimation of the losses.

As at 31 December 2015 the value of collaterals for impaired loans in collective portfolio amounted to PLN 92 million (as at 31 December 2014 amounted to PLN 89 million).

In 2015 the Bank had no illiquid assets repossessed as collateral.

Monitoring of individual credit risk

Credit risk is being monitored and quantified within a regular periodic process, whose main element is constituted by classification system comprising adequate procedures and tools, i.e. rating system, early warning system, intensive monitoring mechanism (rules and process) default identification and default flagging mechanism. There are procedures both for exposures classified as regular and as impaired, subject to restructuring or collection activities. Collateral is also subject to regular monitoring, both in respect to its value as well as its validity.

Monitoring of loan portfolio and concentration risk management

The Bank monitors the credit portfolio structure and – in case of potential excessive concentration – takes decisions to introduce suitable limits taking into account the scale of this exposure, the portfolio quality and other factors significant from the point of view of the concentration.

Regardless of credit exposures concentration limits resulting from the Banking Act supervisory regulations and recommendations, the Bank establishes internal credit limits in order to ensure credit portfolio diversification and mitigation of credit risk. These limits relate in particular to the Bank's credit exposure towards particular industry sectors and mortgage-secured credit exposures. In general, in the segment of corporate customers the Bank's credit exposures towards particular industry sector should not exceed 20% of the corporate loan portfolio. Limits on mortgage-secured credit exposures are set in relation to the Bank's regulatory capital and the size of its credit portfolio. The limits are monitored and reported regularly. The limit management system also includes procedures that define actions to be taken if certain thresholds are exceeded.

As a part of the guidelines, policies and other tools controlling the operating management of credit risk, which form the basis for taking credit decisions, the Bank also imposes limits of exposure to individual entities or groups of companies, as appropriate for the risk profile of the relationship, the acceptable level of a single transaction or the concentration of the largest exposures in the portfolio.

Contingency plans

To prevent changes in the macroeconomic situation unfavourably impacting the Bank's credit portfolio, the Bank has developed suitable procedures allowing it to estimate the scale of impact of those changes and, if this is justified, to take specific steps. The Bank regularly runs stress tests. Their results are used to review the credit risk management policy, and if the likelihood of unfavourable, critical changes in the macroeconomic environment becomes significant, test results are used to develop adequate contingency plans.

PRINCIPLES FOR CREDIT RISK IDENTIFICATION AND MEASUREMENT

Risk classification

Default risk assessment is performed by Bank BPH SA on the basis of rating models (for corporate creditors) and application and behavioural scorings for retail customers and micro companies. Rating/scoring assigned to a given borrower/transaction allows defining probability of default within 1 year horizon. There are 24 rating categories with assigned probability of default and 3 categories differentiating borrowers/exposures in case of which the risk of default has materialized (i.e. default event has occurred, impairment trigger has been identified).
Additionally in the credit analysis and credit decision making process on mortgages for private individuals the Bank classifies the borrower/transaction risks in one of five classes, which are then used to select the right credit parameters (LTV and TDR) and its price for the risk generated.
In credit decision making the Bank identifies the borrower risk segment on a scale of five, which then dictates credit parameters (DTI and maximum amount, limit and tenor) and credit price to match the customer risk.

Identification of default events

The catalogue of default events in Bank BPH SA is aligned with the catalogue of impairment triggers specified in IAS 39 ‘Financial instruments – recognition and measurement’ as well as Recommendation R of Banking Supervision Commission as well as identity requirements of New Capital Accord.

A catalogue of objective indicators of default includes such qualitative and quantitative data, as:

- Occurrence of material overdue amount for at least 90 days on any material account of change the borrower (irrespective of the borrowers segment);
- Significant deterioration of financial/ economic standing of the borrower or other factors that may jeopardize repayment of the receivable;
- Restructuring through granting to a borrower a concession, for economic or legal reasons relating to the borrower’s financial difficulty, that the Bank would not otherwise consider;
- Fraud detection or detection of an attempt to contract a loan under false pretences;
- Issuance of Banking Enforcement Title;
- Expiry of the period of loan contract termination.

Identification of default event on a borrower level (default event on the loan account level or the borrower level) results in assigning a default status to the borrower and treatment of all his exposures as exposures with identified impairment triggers. Identification of default event and the volume of the exposure determine valuation method.

Quality of the credit portfolio

The quality structure of the Bank's credit portfolio as at 31 December 2015, split by segments at carrying value is presented in the table below.

in million PLN		Private Individuals		Small and Medium Enterprises		Corporates		Total Clients	
		Loans	Structure (%)	Loans	Structure (%)	Loans	Structure (%)	Loans	Structure (%)
Non-impaired gross loans		**4 280**	**86.8**	**1 427**	**82.0**	**2 186**	**94.9**	**7 893**	**87.9**
Rating									
0 to 4+	to 0.36%	181	3.7	114	6.5	228	9.9	523	5.8
4 to 6-	to 4.25%	3 489	70.8	1 035	59.5	1 871	81.2	6 395	71.3
7+ to 8	to 61.48%	609	12.3	209	12.0	56	2.4	874	9.7
Others[1]		1	0.0	69	4.0	31	1.4	101	1.1
Impaired gross loans		**652**	**13.2**	**313**	**18.0**	**118**	**5.1**	**1 083**	**12.1**
TOTAL GROSS LOANS		**4 932**	**100.0**	**1 740**	**100.0**	**2 304**	**100.0**	**8 976**	**100**

[1] loans without a rating and loans with identified impairment trigger but no impairment loss recognized

The quality structure of the Bank's credit portfolio as at 31 December 2014, split by segments is presented in the table below.

in million PLN		Private Individuals		Small and Medium Enterprises		Corporates		Total Clients	
		Loans	Structure (%)	Loans	Structure (%)	Loans	Structure (%)	Loans	Structure (%)
Non-impaired gross loans		**3 636**	**78.5**	**1 511**	**77.4**	**2 340**	**94.4**	**7 487**	**82.6**
Rating									
0 to 4+	to 0.36%	236	5.1	126	6.5	625	25.2	987	10.9
4 to 6-	to 4.25%	2 704	58.4	989	50.6	1 601	64.6	5 294	58.4
7+ to 8	to 61.48%	609	13.1	346	17.7	36	1.5	991	10.9
Others[1]		89	1.9	50	2.6	78	3.1	215	2.4
Impaired gross loans		**997**	**21.5**	**442**	**22.6**	**140**	**5.6**	**1 579**	**17.4**
TOTAL GROSS LOANS		**4 633**	**100.0**	**1 953**	**100.0**	**2 480**	**100.0**	**9 066**	**100.0**

[1] loans without a rating and loans with identified impairment trigger but no impairment loss recognized

The quality structure is based on the Bank's criteria used for credit risk assessment, i.e. on ratings derived from internal rating models and probability of default (PD) parameters attributed to these ratings. PDs define a probability of customer default on an exposure (expressed as a percentage).

Summarised below is the structure of credit portfolio with no impairment recognised, divided into business segments as at 31 December 2015:

in million PLN		Private Individuals		Small and Medium Enterprises		Corporates		Total Clients	
		Loans	Structure (%)	Loans	Structure (%)	Loans	Structure (%)	Loans	Structure (%)
Neither past due nor impaired loans		**3 968**	**92.7**	**1 363**	**95.5**	**2 156**	**98.6**	**7 487**	**94.9**
Rating									
0 to 4+	to 0.36%	177	4.1	112	7.9	226	10.3	515	6.6
4 to 6-	to 4.25%	3 333	77.9	1 022	71.6	1 856	84.9	6 211	78.7
7+ to 8	to 61.48%	458	10.7	177	12.4	52	2.4	687	8.7
Other[1]		0	0.0	52	3.6	22	1.0	74	0.9
Past due non-impaired loans		**312**	**7.3**	**64**	**4.5**	**30**	**1.4**	**406**	**5.1**
1 – 10 days past due		186	4.3	31	2.2	12	0.6	228	2.8
11 – 30 days past due		80	1.9	12	0.8	8	0.4	100	1.3
31 – 60 days past due		32	0.8	11	0.8	3	0.1	46	0.6
61 – 90 days past due		13	0.3	3	0.2	0	0.0	16	0.2
above 90 days past due		1	0.0	7	0.5	7	0.3	15	0.2
NON – IMPAIRED GROSS LOANS		**4 280**	**100.0**	**1 427**	**100.0**	**2 186**	**100.0**	**7 893**	**100.0**

[1] loans without a rating and loans with identified impairment trigger but no impairment loss recognized

Summarised below is the structure of credit portfolio with no impairment recognised, divided into business segments as at 31 December 2014:

in million PLN		Private Individuals		Small and Medium Enterprises		Corporates		Total Clients	
		Loans	Structure (%)	Loans	Structure (%)	Loans	Structure (%)	Loans	Structure (%)
Neither past due nor impaired loans		**3 277**	**90.1**	**1 434**	**94.9**	**2 282**	**97.5**	**6 993**	**93.5**
Rating									
0 to 4+	to 0.36%	229	6.3	124	8.0	625	26.7	978	13.1
4 to 6-	to 4.25%	2 556	70.2	971	64.3	1 553	66.4	5 080	67.9
7+ to 8	to 61.48%	409	11.3	297	19.8	33	1.4	739	9.9
Other[1]		83	2.3	42	2.8	71	3.0	196	2.6
Past due non-impaired loans		**359**	**9.9**	**77**	**5.1**	**58**	**2.5**	**494**	**6.5**
1 – 10 days past due		195	5.4	48	3.2	44	1.9	287	3.8
11 – 30 days past due		105	2.9	12	0.8	4	0.2	121	1.6
31 – 60 days past due		41	1.1	8	0.5	3	0.1	52	0.7
61 – 90 days past due		17	0.5	6	0.4	0	0.0	23	0.3

above 90 days past due	1	0.0	3	0.2	7	0.3	11	0.1
NON – IMPAIRED GROSS LOANS	**3 636**	**100.0**	**1 511**	**100.0**	**2 340**	**100.0**	**7 487**	**100.0**

[1] loans without a rating and loans with identified impairment trigger but no impairment loss recognized

Credit quality of the Bank's financial assets other than credit receivables from customers

In line with the Bank's internal procedures, each counterparty bank, for which the Bank has set a credit limit, is allocated an internal rating (in accordance with the rating scale applicable in the Bank). The internal rating is defined upon external agencies' ratings (Standard & Poors, Moody's and Fitch) allocated to a given bank in line with the algorithm based on the PD scale 'probability of default'. Ratings are revised during an on-going and periodic exposure monitoring, e.g. after a change of rating issued by external rating agencies or due to other factors that influence the counterparty's credit risk.

In the case of non-banking customers, rating is defined on the basis of dedicated tools or rating methodologies.

The Polish State Treasury rating or the rating of the National Bank of Poland is defined on the basis of external rating.

in million PLN

31 Dec. 2015	Operations with the Central Bank		Financial assets valued at fair value through profit and loss			Amounts due from banks	Other receivables from customers	Financial assets available for sale	
Rating	**Cash**	**The mandatory reserve NBP**	**Money bills**	**Treasury bonds**	**Other**			**Treasury bonds**	**Shares**
0 to 4+	479	465	4 599	639	53	460	94	376	0
4 to 6-	0	0	0	0	31	2	0	0	0
7+ to 8-	0	0	0	0	4	0	0	0	0
No rating	0	0	0	0	0	1	19	0	81
Balance-sheet value	**479**	**465**	**4 599**	**639**	**88**	**463**	**113**	**376**	**81**

in million PLN

31 Dec. 2014	Operations with the Central Bank		Financial assets valued at fair value through profit and loss			Amounts due from banks	Other receivables from customers	Financial assets available for sale	
Rating	**Cash**	**The mandatory reserve NBP**	**Money bills**	**Treasury bonds**	**Other**			**Treasury bonds**	**Shares**
0 to 4+	574	519	4 500	535	74	344	485	370	0
4 to 6-	0	0	0	0	37	0	29	0	0
7+ to 8-	0	0	0	0	6	0	0	0	0
No rating	0	0	0	0	0	3	209	0	0
Balance-sheet value	**574**	**519**	**4 500**	**535**	**117**	**347**	**723**	**370**	**0**

RECOGNITION OF IMPAIRMENT LOSSES

The rules for the recognition of Bank BPH impairment losses are determined by International Financial Reporting Standards and Recommendation R issued by the Banking Supervision Authority.

For the purpose of impairment recognition, the whole credit portfolio has been split into 'IAS sub-portfolios': **IBNR portfolio** (portfolio of exposures without identified impairment triggers, which are subject to calculation of incurred but not reported losses), **individual portfolio** (individually significant exposures with identified impairment triggers) and **collective portfolio** (exposures with impairment triggers, individually not significant).

General assumptions related to calculation of IBNR provision

IBNR portfolio is subject to calculation with respect to incurred but not reported losses resulting from occurrence of a loss event about which – due to delay in emergence - the Bank has not learnt as at the balance sheet date. If the Bank learnt about the loss event, a default event (impairment trigger) would be identified and subsequent recognition of impairment loss for particular exposures either in individual or collective portfolio would be performed.
Due to the limitations above the Bank assesses that type of loss using the expected losses concept. Because International Accounting Standards require that impairment loss covers only incurred losses – from the expected losses, through application of loss identification period (LIP), are eliminated losses that will be incurred in result of future events.

'Loss identification period' is a period between occurrence of a loss event, which would lead to identification of impairment trigger, if the Bank possessed knowledge about its occurrence, and the moment of actual identification of that loss event by the Bank. For the purpose of determining the length of loss identification period, the Bank's portfolio has been split into four groups, each of which comprises of credit exposures with similar characteristics of the credit process:

1. corporate borrowers,
2. small and medium enterprises,
3. individual borrowers

Loss identification period is expressed in months and established separately for each of the above homogeneous groups.

Incurred but not reported losses are measured on a group (portfolio) level for a group of credit (exposures) with similar characteristics of credit risk profile.

With respect to loan receivables, impairment loss is recognized as an allowance for impairment loss. In respect to off balance sheet liabilities, potential loss of the Bank is recognized as provision.

The model devised for assessment of credit exposures with respect to incurred but not reported losses is subject to periodical validation as far as parameters are concerned (Exposure at Default, Loss Given Default, Probability of Default, Loss Identification Period) as well as methodological assumptions. The results of the validation and conclusions are documented and forwarded to the management of the credit risk division and to the Bank's Management Board.

General assumptions related to impairment calculation for individually significant portfolio

Measurement of impairment losses on in individual level is made for all individually significant credit exposures, in case of which impairment triggers have been identified.
Materiality threshold assigned to an exposure with identified impairment trigger to individual sub-portfolio is based at the level of borrower and relates to the volume of exposure as at the default date.

Impairment calculation for individual loans is performed on a quarterly basis. However, in case of learning any new significant information between these dates, an immediate re-assessment of expected cash flows is performed and, if necessary, the value of impairment loss/provision adequately modified.

In order to assess impairment loss of credit exposure, an analysis of expected cash flows related to a given exposure ('recoveries') is performed. Any significant external costs that the Bank expects to incur in order to generate the recoveries are also taken into account .

In the Bank BPH SA, the process of assessment of expected cash flows is performed via a specialized IT application MISTRAL with incorporated multi-scenario analysis. The assessment of financial assets impairment is made on the basis of expert knowledge and professional judgment. To minimize the inherent subjectivity of the impairment assessment process, all assessments are adequately documented and, where applicable, supported by results of historical experience analysis; all are subject to multi-level verification and acceptance process through relevant competency level. Additionally, the quality and adequacy of the process is verified by validation tests performed at least on semi-annual periods. The regular validation process covers in particular such areas as:

- realization of the expected cash flows;
- extent of discrepancies in realization of expected cash flows;
- frequency of changes in the assessments;
- stability of the level of allowance for impairment losses (provisions).

The results of the validation and conclusions are documented and forwarded to the management of the credit risk division and to the Bank's Management Board.

General assumptions related to valuation of collective portfolio

Individually non-significant credit exposures with identified impairment triggers are subject to collective calculation of impairment losses.

The assessment of future cash flows assigned to collective portfolio is based on historical data regarding cash flows generated from exposures with similar risk characteristics. The split into homogeneous groups has been based on the following criteria:

- segment of the borrower;
- type of product;
- time after default date.

Recovery rates are calculated using details of actual payments recorded by the Bank's systems in terms of recovery generated from an exposure after a default.

Collective allowance for impairment loss is calculated separately for each credit exposure within the current portfolio on the basis of characteristics of each account (EAD, cash flows after default date, effective interest rate) and average recovery parameters determined for a homogeneous portfolio to which the exposure is assigned.

The collective valuation model is subject to periodical verification in respect of input data and methodological assumptions. The crucial aim of the model verification is to identify and assess differences between the level of calculated impairment losses and actual credit losses incurred in the collective portfolio.
The model is back-tested at least on an annual basis.
Results of the back-tests of the model's parameters and conclusions are documented and forwarded to the management of the credit risk division and to the Bank's Management Board.

Changes to IBNR and collective portfolios impairment calculation in 2015

In 2015 the Bank introduced a new methodology to define LIP parameter on the basis of LEP (Loss Emergence Period) and LCP (Loss Confirmation Period). LIP set according to a new methodology brought an increase in IBNR reserve in retail portfolio of PLN 6.2 million.

To the impairment triggers catalogue, the Bank added new impairment trigerrs, i.e. debt restructuring combined with harmonization of default and forbearance definitions, deterioration of retail customer's economic and financial situation and rating downgrade. The total increase in impairment provision due to these events amounted to PLN 14.5 million.

With the view to align portfolio valuation with indicators of impairment for all the portfolios managed the Bank introduced higher granularity of the impairment process due to the time that elapsed from the materialization of the indicator of impairment.

Results of the impairment analysis

In the result of IBNR calculation, coverage of gross loans by allowance for incurred but not reported losses allowance, as at December 31, 2015 reached the level presented in the table below:

in million PLN	Private Individuals		Small and Medium Enterprises		Corporates		Total Clients	
	Loans	Coverage (%)	Loans	Coverage (%)	Loans	Coverage (%)	Loans	Coverage (%)
Non – impaired gross loans	4 280	1.4	1 427	1.8	2 186	0.9	7 893	1.3

In the result of IBNR portfolio valuation, coverage of gross loans by allowance for incurred but not reported losses allowance, as at December 31, 2014 reached the level presented in the table below:

in million PLN	Private Individuals		Small and Medium Enterprises		Corporates		Total Clients	
	Loans	Coverage (%)	Loans	Coverage (%)	Loans	Coverage (%)	Loans	Coverage (%)
Non – impaired gross loans	3 636	1.87	1 511	2.1	2 340	0.8	7 487	1.6

As of 31 December 2015 81% (as of 31 December 2014: 83%) of the credit exposures with identified impairment triggers were valued using portfolio method and 19% (as of 31 December 2014: 17%) were valued using individual approach.

The table below summarises the coverage of the impaired credit portfolio at the Bank level and broken down by business segments as at 31 December 2015:

in million PLN	Private Individuals		Small and Medium Enterprises		Corporates		Total Clients	
	Loans	Coverage (%)	Loans	Coverage (%)	Loans	Coverage (%)	Loans	Coverage (%)
Collective portfolio	651	72	222	86	0	0	873	76
Individual portfolio	1	93	91	48	118	39	210	43
IMPAIRED GROSS LOANS	**652**	**73**	**313**	**75**	**118**	**39**	**1 083**	**70**

The table below summarises the coverage of the impaired credit portfolio at the Bank level and broken down by business segments as at 31 December 2014:

in million PLN	Private Individuals		Small and Medium Enterprises		Corporates		Total Clients	
	Loans	Coverage (%)	Loans	Coverage (%)	Loans	Coverage (%)	Loans	Coverage (%)
Collective portfolio	995	86	310	87	0	0	1 305	86
Individual portfolio	2	68	132	44	140	40	274	42
IMPAIRED GROSS LOANS	**997**	**86**	**442**	**74**	**140**	**40**	**1 579**	**79**

Currency

Currency structure of gross loans was as follows:

currency	31 Dec. 2015		31 Dec. 2014	
	in milion PLN	Structure (%)	in milion PLN	Structure (%)
PLN	8 189	92	7 963	87
CHF	42	0	60	1
EUR	665	7	964	11
USD	65	1	64	1
Other	15	0	15	0
Total	**8 976**	**100**	**9 066**	**100**

CREDIT EXPOSURE RESTRUCTURING (FORBEARANCE)

Restructuring is defined as a relief granted to the borrower by the Bank due to economic or legal reasons, due to financial difficulties of the customer or the contractor, which would not have been granted otherwise.

There is no closed catalogue of restructuring tools for **the commercial customers managed individually by the Bank**. Each modification of the terms of contract is defined individually, depending on the customer's situation. In particular, loan restructuring may consist in: prolongation of instalment repayment, extension of the crediting period, redemption of partial debt, interest rate reduction or another modification to the repayment schedule. Debt restructuring results in classifying credit exposure into the impairment portfolio and assessment of impairment. Identification of impairment consists in it confirmation by a relevant competence level. The decisions on restructuring activities are taken in the Bank's specialized area of restructuring and workout.
If the debt it properly repaid according to modified contractual terms (i.e. at least twelve month regular repayment with no delay) and if the Bank's assessment indicated permanent improvement in the customer's financial situation and no threat concerning further debt repayment, the Bank discontinues to classify the exposure in the impairment portfolio. The condition of at least twelve-month regular repayment with no delays was introduced in 2015 to align the Bank's operations to ITS/CRR, before that the Bank applied a six-month period.
After the launch of restructuring, the Bank monitors whether the Borrowers repay their debts stemming from the modified and agreed terms of loan repayment on timely basis and in justified cases it takes relevant restructuring or workout measures. In case of further deterioration in the Borrower's economic and financial situation, the Bank allows for the option of another restructuring of the same credit exposure.

Restructuring activities applied in the Bank for individual customers and micro enterprises consist in modifying the terms of loan repayment to assist the Borrower, who recorded or who

is expected to record short-term or long-term difficulties in repaying their credit debt. In each case, restructuring assistance follows a financial and economic review of the Borrower, aimed to align the payment relief applied to the Borrower's financial potential and to the type of identified problem. After the launch of restructuring, the Bank monitors whether the Borrowers repay their debts stemming from the modified and agreed terms of loan repayment on timely basis and in justified cases it takes relevant measures within the framework of workout strategies. If the Borrower finds himself in a difficult situation caused by a fortuitous event beyond his control, the Bank allows for the option of another restructuring of the same credit exposure, within the quantitative limits of restructuring measures. Portfolio monitoring of restructuring measures relates in particular to the volumes and types of restructuring modifications and their efficiency measures by, inter alia, the share of restructured exposures with default deterioration after debt restructuring. In particular, restructuring modification may consist in:

- extension of the crediting period,
- prolongation of instalment repayment or part thereof,
- reduction in monthly payments by reduced interest rate,
- modification of repayment schedule.

For individual customers and micro companies, all the recorded restructuring events identified within the above-mentioned category automatically classify all the significant exposures of their customer into the impairment portfolio. This status is maintained for at least one year, until 12 consecutive months of regular repayment are reached and provided there are no other open impairment events. Once these conditions are fulfilled, the exposure is reclassified from non-performing into performing and a 24 month probation period starts. Afterwards repayment delays are monitored and significant delays within the 2-year probation period result in debt reclassification into impairment portfolio for at least a year. This methodology was introduced in the bank in Q4 2015 and its financial impact were recognized in the bank's earnings as the ultimate element of harmonizing the default definition with forbone definition according to ESMA and EBA. Before that, the Bank applied various classifications, depending on the product, in particular for retail non-mortgage loans the restructuring measure were not considered as indication of impairment.

All receivables impacted by restructuring are classified as impairment exposures and are subject to standard impairement processes dedicated to such exposures. Restructured portfolio impairment charges are reflected in profit and loss account, just like other impairment charges. In 2015 the costs of restructuring measures made up a significant part of impairment portfolio charges in the Bank due to the process of harmonizing default definition with forborne definition according to EBA in in line with supervisory recommendations, concluded in Q4.

EXPOSURE CONCENTRATION

As of 31 December 2015, there was one large credit exposure as per Art. 392 Capital Requirements Regulation definition equal to or greater than 10% of the Bank's eligible capital. The large exposure amounted to 10.1% of the Bank's eligible capital and included credit receivables from open credit facility from a single non-financial entity. Bank BPH gross exposure in the above-mentioned entity as at 31 December 2015 was presented in point 1 of the list of '10 biggest borrowers of Bank BPH SA.

As of 31 December 2014, there were no exposures equal to or greater than 10% of the Bank BPH SA own funds.

10 largest debtors of Bank BPH SA

Exposures towards the largest Bank's debtors, defined as individual customers or a related group as at 31 December 2015 are presented below:

in milion PLN

31 December 2015					
No.	Customer/Related group	Sector	Total	Gross loans	Unsed limits/guarantees
1	Individual customer	Fuel industry	450	0	450
2	Related group	Trade / Agriculture	133	105	28
3	Individual customer	Real estate	118	118	0
4	Individual customer	High – tech industry	101	53	48
5	Related group	Information, communication and professional activities	96	52	44
6	Related group	Financial intermediation	92	39	53
7	Related group	Metallurgical industry	86	28	58
8	Individual customer	Real estate	84	80	4
9	Individual customer	Mining	67	51	16
10	Related group	Financial intermediation	60	14	46
Total			**1 287**	**540**	**747**

Exposures towards the largest Bank's debtors, defined as individual customers or a related group as at 31 December 2014 are presented below:

in milion PLN

31 December 2014					
No.	Customer/Related group	Sector	Total	Gross loans	Ununsed limits/guarantees
1	Individual customer	Fuel industry	450	340	110
2	Individual customer	Real estate	120	120	0
3	Individual customer	Chemical industry	120	62	58
4	Related group	Trade / Agriculture	107	62	45
5	Related group	Information, communication and professional activities	92	53	39
6	Related group	Financial intermediation	81	38	43
7	Related group	Metallurgical industry	76	16	60
8	Individual customer	Mining	67	51	16
9	Individual customer	Construction	58	58	0
10	Individual customer	Trade	53	38	15
Total			**1 224**	**838**	**386**

43.5. Operational risk

Operational risk is the possibility of a loss resulting from inadequate or unreliable internal processes, human and systems or external events includes also legal risk The Bank applies a standard method in calculating its operational-risk related capital adequacy requirement.

General rules of operational risk management

It is a policy of Bank BPH SA to minimize its operational risk exposure. This objective is delivered by counteracting operational losses and limiting their effects in case of risk materialization. Objectives of operational risk management are met as a part of a comprehensive control system of operational risk management. There is an internal regulation covering rules and structures of operational risk management in Bank BPH SA introduced by a Management Board resolution.

In line with the provisions of the Management Board's Resolution and Bank BPH SA Operational Risk Management Strategy introduced by the Resolution of the Supervisory Board, operational risk controlling and management structure is covering all the Bank's organizational units sections. Operational risk structure consists of Management Board, Operational Risk Committee, Department responsible for operational risk control,Operational Risk Management Office in the Operating Risk and Fraud Management Department, Operational Risk Coordinators at individual divisions/areas of the Bank and Operational Risk Champions appointed by them. The Bank's Supervisory Board approves the strategy and the principles of prudent and stable management of the Bank and exercises supervision over its implementation, instructing the Management Board to revise the strategy, if need be. The tasks of operational risk management are performed by the Risk Committee of the Supervisory Board.

Management Board of the Bank is responsible for functioning of operational risk controlling and management process. Operational Risk Committee is a decision-making body, recommending actions regarding operational risk management. It is composed of elected Management Board Members, representatives of the Compliance, Legal and Corporate Relations and Internal Audit Department.

Operating risk coordinators are responsible for the organisation of operating risk management in supervised areas on the basis of information provided by their supervised organizational units/sections, especially by the supervised Operating Risk Champions.

Operational Risk Champions are responsible for implementing the rules and the structure of operational risk management in their organisational units/section/cells in accordance with guidelines developed by the Coordinator and for supporting the Operational Risk Coordinator in its duties, and in particular for reporting risks, events and key risk indicators.

Operational Risk Management Department is responsible for operational risk controlling process, in particular for monitoring risk in the whole Bank, development and introduction of appropriate operational risk control methods and instruments.

The main components of operational risk monitoring and management include the following operational risk measurement tools and methods:

- Risk and Control Mechanism Evaluation Process
- Operational Loss Data Register
- Operational risk monitoring with Key Risk Indicators
- Business environment analysis (BEA).

Risk and Control Mechanism Evaluation Process

The Bank measures operational risk at the business process level. To perform this task a cross-functional process of operational risk and its limiting mechanism identification assessment is performed.

Operational Loss Data Register

The Bank runs a process where all data on operational events are recorded. The process systematically collects data on operational losses or incidents and other events ended without a loss, but regarded as important from the point of view of operational loss exposures. The data are kept in a central register of the Bank.

Key Operational Risk Indicators

The Bank has an early warning system against operational risk exposures based on key risk indicators (KRIs). KRIs are a set of business process parameters that reflect in advance the scale of risk exposure and changes to operational risk profile in a given process.

Business environment analysis (BEA)

Business environment analysis (BEA) is aimed at identifying significant developments in the Bank's external or internal environment, which may have an impact on its operational risk profile and to take relevant measures to mitigate the negative impact of identified developments.

43.6. Derivatives

Transactions entered into by the Bank BPH SA include derivative transactions. These transactions are in the product offering for non – bank customers and concluded in order to manage currency risk and interest rate risk.

Bank re-prices derivatives on a daily basis using the following methods:

Financial Instrument	Pricing Models
Fx-forward, Fx-swap, IRS, CIRS, FRA	Discounted cash flows model
Fx options	Option pricing model (Garman – Kohlhagen)
Stock index options	Valuation model based on the method of equivalent risk-neutral measure and Monte Carlo simulation
Options for commodity price indices	Valuation model based on the method of equivalent risk-neutral measure and Monte Carlo simulation
Securities forwards	Discounted cash flows model
Interest rate options	Option pricing model (Black)
Barrier Fx options	Option pricing model (extended Black – Scholes)
Binary Fx options	Option pricing model (extended Black – Scholes)

Financial instruments are priced on the basis of generally available rates and market quotations from Bloomberg and Reuters systems. These instruments are fair valued and currency positions are revaluated by an organisational unit independent from the Bank's sales structure. The unit ensures correct parametrisation of algorithms and pricing systems using the stated market prices and is responsible for data integrity.

As at 31 December 2015 outstanding derivative instruments concluded by Bank BPH SA were as follows:

PLN'000

	Nominal value by maturity			
	< 1 year	1 to 5 years	> 5 years	Total
Interest rate transactions, incl.	**1 283 351**	**2 083 463**	**429 038**	**3 795 852**
FRA	500 000	0	0	500 000
IRS	658 351	2 074 993	429 038	3 162 382
Interest rate options purchased	0	4 235	0	4 235
Interest rate options sold	0	4 235	0	4 235
Other interest rate instruments	125 000	0	0	125 000
Currency transactions, incl.	**955 069**	**3 954**	**0**	**959 023**
Fx forward	896 227	3 954	0	900 181
Fx swap	0	0	0	0
Currency options purchased	30 716	0	0	30 716
Currency options sold	28 126	0	0	28 126
Equity transactions, incl.	**185 234**	**237 108**	**0**	**422 342**

Equity options purchased	92 697	118 554	0	211 251
Equity options sold	92 537	118 554	0	211 091
Commodity options, incl.	**42 667**	**14 216**	**0**	**56 883**
Commodity options purchased	21 337	7 123	0	28 460
Commodity options sold	21 330	7 093	0	28 423
TOTAL	**2 466 321**	**2 338 741**	**429 038**	**5 234 100**

As at 31 December 2015, the Bank portfolio included structured certificates of deposit with the following embedded derivative instrument:

- commodity options;
- options for a single stock index from European stock exchange.

As at 31 December 2014 outstanding derivative instruments concluded by Bank BPH SA were as follows:

PLN'000

	Nominal value by maturity			
	< 1 year	**1 to 5 years**	**> 5 years**	**Total**
Interest rate transactions, incl.	**1 226 753**	**1 759 447**	**556 994**	**3 543 194**
IRS	1 226 753	1 759 447	546 708	3 532 908
Interest rate options purchased	0	0	5 143	5 143
Interest rate options sold	0	0	5 143	5 143
Currency transactions, incl.	**1 030 948**	**4 664**	**0**	**1 035 612**
Fx forward	845 596	4 664	0	850 260
Fx swap	0	0	0	0
Currency options purchased	94 195	0	0	94 195
Currency options sold	91 157	0	0	91 157
Equity transactions, incl.	**371 860**	**59 102**	**0**	**430 962**
Equity options purchased	185 930	29 551	0	215 481
Equity options sold	185 930	29 551	0	215 481
TOTAL	**2 629 561**	**1 823 213**	**556 994**	**5 009 768**

As at 31 December 2014, the Bank portfolio included structured certificates of deposit with the following embedded derivative instrument:

- currency options;
- options for a single stock index from European, American and Asian stock exchange.

A standard risk of a counterparty being unable to perform the transaction is inherent in derivative instruments. In case of default the Bank incurs a loss if the mark to market of the instrument is positive.

Credit risk of derivatives

In 2015 credit risk related to concluded derivative transactions (e.g. Fx Option, Forward, Fx Swap, interest rate derivatives remained under control. Foreign currency market volatility was relatively low in the first half of the year, while in the second half of the year PLN was clearly depreciating against the major foreign currencies. In relation to interest rates, there were diverse tendencies in the market. In the Eurozone interest rates were falling, while USD LIBOR went up slightly. WIBOR rates were kept at a relatively stable low level.
The Bank continued steps aimed at the active management of risks resulting from the portfolio of derivatives concluded. These actions included mainly:

- the ongoing monitoring of the market pricing, the collateral level and the creditworthiness of the counterparties;
- periodically monitoring the portfolio of deals made (aggregated approach);
- continuing the restructuring strategy for individual exposures.

The pricing of outstanding derivatives with regard to the counterparty credit risk is done using the same approach as for measuring the Bank's credit portfolio. The adjustment of the fair value to the counterparty credit risk was estimated on an individual basis in the case of customers whose individual analysis pointed to a raised counterparty credit risk and using a portfolio approach for transactions with counterparties whose individual credit standing assessment brought to light no premises of raised risk.

- In the case of transactions assessed on an individual basis, the adjustment was estimated using discounted future cash flows under a multi-scenario approach.
- A concept of losses incurred but not reported is used in the portfolio valuation when estimating an adjustment to the fair value with respect to the credit risk of the counterparty.

43.7. Offsetting assets and liabilities

The table below presents assets and liabilities including the items subject to compensation which were covered by the framework agreement or similar agreement on compensation.

Amounts subject to offsetting in the statement of financial position are the amounts of financial assets and liabilities, for which the Bank holds a valid legal title to perform the set off and the settlement is to be performed in net amount or the values of the assets and liabilities components are realized at the same time.

Amounts covered by enforceable framework agreement or similar set off arrangement, which were not set off in the statement of financial position are the amounts of assets and liabilities, which would have been set off in case events stipulated in the agreement had materialized (e.g. in case of breach of contract).

The Bank executes set off agreement, or International Swaps and Derivatives Association Master Agreements (ISDA) and Global Master Repurchase Agreement (GMRA) that provide for setting off financial assets against liabilities (the close out netting) if an event of default occurs with regard to any of the agreements. Such agreements are important for limiting the risk related to derivative instruments and settlements of repo/SBB transactions, since they provide for setting off both maturing liabilities of the parties under certain conditions. Such agreements, however, do not meet the requirements set forth in IAS 32, since the title for the set-off is conditional upon occurrence of a specific event in the future.

PLN'000

As at date 31 Dec. 2015	Gross amounts before compensation	Amounts compensated in the statement of financial position	Net amounts reported in the statement of financial position	Amounts covered by enforceable framework agreement or similar compensation agreement, which were not compensated in the statement of financial position		Net exposure
				Amounts related to reported financial instruments, which do not fulfill all or some compensation criteria	Cash collateral received	
	(a)	(b)	(c) = (a) - (b)	(d)	(e)	(c) - (d) - (e)
Assets	**241 129**	**20 026**	**221 103**	**33 674**	**30 738**	**156 690**
Positive valution of derivatives	107 752	20 026	87 726	33 674	3 735	50 317

Amounts due from banks due to cash collateral	39 704	0	39 704	0	27 003	12 701
Loans and advances to Customers due to cash collateral	93 673	0	93 673	0	0	93 673
Liabilities	**179 160**	**20 026**	**159 134**	**33 674**	**30 738**	**94 721**
Negative valuation of derivatives	99 440	20 026	79 414	33 674	27 003	18 736
Amounts due to banks due to cash collateral	12 419	0	12 419	0	3 645	8 774
Amounts due to Customers due to cash collateral	67 301	0	67 301	0	90	67 211

PLN'000

As at date 31 Dec. 2 014	Gross amounts before compensation	Amounts compensated in the statement of financial position	Net amounts reported in the statement of financial position	Amounts covered by enforceable framework agreement or similar compensation agreement, which were not compensated in the statement of financial position		Net exposure
				Amounts related to reported financial instruments, which do not fulfill all or some compensation criteria	Cash collateral received	
	(a)	(b)	(c) = (a) - (b)	(d)	(e)	(c) - (d) - (e)
Assets	**847 032**	**28 725**	**818 307**	**615 373**	**50 839**	**152 096**
Positive valuation of derivatives	145 562	28 725	116 837	48 393	8 703	59 742
Amounts due from – due to cash collateral	43 903	0	43 903	0	42 136	1 767
Loans and advances to Customers due to cash collateral	88 671	0	88 671	0	0	88 671
Securities pledged for repo transactions	568 896	0	568 896	566 980	0	1 916
Liabilities	**815 138**	**28 725**	**786 413**	**615 373**	**50 840**	**120 199**
Negative valuation of derivatives	149 344	28 725	120 619	48 393	42 136	30 089
Amounts due to banks due to cash collateral	8 820	0	8 820	0	8 510	310
Amounts due to Customers due to cash collateral	89 994	0	89 994	0	194	89 800
Liabilities due to securities sold in repo transaction	566 980	0	566 980	566 980	0	0

43.8. Capital Management

Capital management is governed by 'The Bank BPH SA capital management policy'. The document is approved by the Supervisory and Management Boards of the Bank.

The policy defines specifically long-term capital objectives, rules of capital management in regular and emergency situations (contingency capital plan), the general rules of developing a capital protection plan, the rules of defining a maximum due amount, (MDA), fundamentals of internal capital adequacy assessment process, as well as a division of responsibilities and a reporting structure.
The policy is updated to reflect developments at the Bank and in its business environment.

Overall Capital Policy Objective

The objective of the Capital Policy is to actively ensure a sustainable long-term growth of the value to shareholders and to maintain capital at a level that will allow the Bank to act in a both conservative and effective way. This objective is pursued by maintaining an adequate capital base taking into account the Bank's risk profile, prudential regulations and capital management based on risk within planned business targets.

Capital Strategy Principles

Capital management is a fundamental component of the Bank's operating management and is inherent in the general strategy. Most of business decisions are directly or indirectly related to capital management. Taking into account a broad range of mutual connections the Bank adopted in its capital strategy the following general principles, as the basis of its capital management:

- Creating value - sustainable long-term growth of value for shareholders is a key element of the Bank's management, including capital management. This growth should be achieved by making capital management part of business activity,
- Capital as performance measuring tool– efficient use of capital and building value for shareholders,
- Strategic planning and budgeting– capital planning as an integral element of strategic planning and budgeting,
- Capital adequacy– compliance with minimum of own funds requirements and the Bank's risk appetite,
- Stable capital basis– the capital basis should be stable to ensure the Bank's safety and sustainable growth,
- Capital structure – capital sources should be used in line with the preferred structure of the Bank's capital,
- Management commitment – the Management Board take active part in capital management and the Supervisory Board supervision of capital management,
- Transparent communication– transparent communication on capital strategy with internal and external stakeholders,
- General understanding– the organizational units should understand the significance of capital management and its impact on their business.

Capital Objectives

Defining its capital objectives, the Bank accounts for its strategic plans and projected business growth as well as external environment, including macro-economic situation, banking regulators' guidelines pertaining to recommended and expected capital risk levels (specifically the CRR Regulation, the Act on Macro-Prudential Supervision, Polish Financial Supervision Authority's recommendations addressed to the Bank and the Financial Stability Committee's decision on capital buffer levels) and other business factors. Capital objectives have a similar horizon as a business strategy and are approved by the Bank's Management Board and Supervisory Board and supervised by Enterprise Risk Committee. Capital objectives focus on one hand on minimum of own funds requirements and on the other hand on internal capital required to cover all significant types of risk. The capital objectives were set in the 'Capital Management Policy in Bank BPH SA', which defined acceptable levels of total capital ratio, capital ratios based on Tier I and internal capital ratio.

Preferred Capital Structure

The Bank defines its preferred capital structure using Tier II/Tier I capital ratio.

Capital Protection Plan and Capital Contingency Plans

The Bank has capital contingency plans to timely counteract an inadequate capital base. Capital contingency plans is launched upon the Bank's decision, which is taken once relevant capital ratios are exceeded. Also, in line with the Law on macro-prudential supervision, if the Bank fails to deliver on the joint buffer as defined in the Law, it is obliged to develop a capital protection plan.

Capital management process

a) Organisational structure of a capital management process
The capital management process involves a number of levels or various internal organisational units and subsidiaries of the Bank. It is supervised by the Supervisory and Management Boards as chief governing bodies.
The main role in the ongoing execution of 'The capital management policy of Bank BPH SA is played by the Enterprise Risk Management Committee, alongside the Supervisory Board and the Management Board. The process also involves other specialised Bank units.

b) Available capital
The capital management process focuses on the required capital (internal or regulatory) and on the available capital. The required capital is an amount necessary to cover all major types of risk. Available capital is the capital at the Bank's disposal, defined as regulatory own funds Part II CRR. Available capital covers Tier I (Tier I capital consists of core Tier I and supplementary Tier II) and Tier II reduced by deductibles clearly defined in the 'Policy on capital management in Bank BPH SA'.

c) Capital planning
Capital planning focuses on evaluating current and projected of own funds requirements of the Bank (both regulatory and internal), as well as comparing those with the current and projected available capital.

Internal Capital Adequacy Assessment Process

ICAAP is used to assess the internal capital needed to cover the Bank's risk, taking into account the business strategy, as well as the risk appetite and risk profile. The internal capital must be fully covered by the capital available.
ICAAP process has five steps:

- Identify significant risks;
- Quantify risks;
- Aggregate risks;
- Allocate capital;
- Monitor and report (including ex-post monitoring).

Compatibility with capital requirements

Bank met external capital requirements in 2014 and 2015.

44. Mortgage Business - selected financial information

44.1. Income statements

PLN'000

	Notes	For the year ended	
		31 Dec. 2015	31 Dec. 2014
Interest income		237 562	314 926
Interest expenses		-79 614	-192 958
Net interest income		**157 948**	**121 968**
Impairment charges		-30 482	-69 796
Net interest income incl. impairment charges		**127 466**	**52 173**
Fee and commission income		7 414	18 019
Fee and commission expenses		-5 761	-6 849
Net fee and commission income		**1 653**	**11 170**
Result on financial instruments at fair value through profit or loss and exchange rate differences		25 773	-2 461
General administrative expenses, incl.		-146 223	-90 890
BFG costs		*-53 439*	*-22 607*
Borrowers Support Fund costs		*-23 956*	0
other costs allocated to Mortgage Business		*-68 828*	*-68 283*
Other operating income	a	16 496	12 779
Other operating expenses		-3 366	-6 153
Profit/loss before income tax		**21 799**	**-23 383**
Income tax expense		-2 488	4 935
Profit/loss for the period		**19 311**	**-18 448**

Earnings and diluted earnings per ordinary share (PLN)	0.25	-0.24

Notes 1-44 are an integral part of these special purpose financial statements of Bank BPH SA. According to explanations in Note 1 the Bank BPH Core Business and Bank BPH Mortgage Business have not operated separately and therefore the financial position, financial results and cash flows may not be indicative of those that would have occurred if they operated as separate reporting entities.

44.2. Statements of comprehensive income

PLN'000

	For the year ended	
	31 Dec. 2015	31 Dec. 2014
Profit/loss for the period for Mortgage Business	19 311	-18 448
Other comprehensive income for Mortgage Business	144	-305
Total comprehensive net income	**19 455**	**-18 753**

Other comprehensive income represent allocation of actuarial remeasurements for retirement provision relating to employees in Mortgage Business.

44.3. Statements of financial position

Assets and liabilities below are directly related to Bank BPH Mortgage Business and will not be subject to transfer within the Demerger.

PLN'000

	Notes	As at date	
		31 Dec. 2015	31 Dec. 2014
Financial assets at fair value through profit or loss		18 262	36 271
Loans and advances to Customers, incl.:	b	14 855 810	14 373 597
loan impairment		*-568 198*	*-504 886*
Financial assets available for sale	c	10 579	10 579
Property and equipment		2 521	774
Intangible assets		156	75
Assets held for sale		1 769	82
Deferred tax assets		84 666	74 185
Other assets		33 217	25 736
Total assets for Bank BPH Mortgage Business		**15 006 980**	**14 521 299**
Total assets for Bank BPH Core Business		**16 200 561**	**16 194 274**
Total assets		**31 207 541**	**30 715 573**

PLN'000

	Notes	As at date	
		31 Dec. 2015	31 Dec. 2014
Amounts due to other institutions	d	13 321 247	11 998 114
Provisions		2 316	3 007
Financial liabilities at fair value through profit or loss		39 400	43 713
Other liabilities		36 768	9 755
Liabilities from income tax		1 649	10 951
Subordinated debt	e	679 053	679 396
Total liabilities for Bank BPH Mortgage Business		**14 080 433**	**12 744 936**
Total liabilities for Bank BPH Core Business		**13 189 194**	**13 801 584**
Total equity of Bank BPH		**3 937 914**	**4 169 053**
Total equity and liabilities of Bank BPH		**31 207 541**	**30 715 573**

Notes 1-44 are an integral part of these special purpose financial statements of Bank BPH SA. According to explanations in Note 1 the Bank BPH Core Business and Bank BPH Mortgage Business have not operated separately and therefore the financial position, financial results and cash flows may not be indicative of those that would have occurred if they operated as separate reporting entities.

44.4. Statements of cash flows

Following cash flows are directly related to the Bank BPH Mortgage Business:

PLN'000

	For the year ended	
	31 Dec. 2015	31 Dec. 2014
Profit/loss before income tax	**21 799**	**-23 383**
Total adjustments	**-126 331**	**750 549**
Depreciation and amortization	427	246
Dividends	-16 008	-12 305
Interest income	-237 562	-314 926
Interest expenses	79 613	192 957
Interest received	229 240	317 764
Interest paid	-90 566	-210 909
Tax paid/received	-32 051	-6 371
Change in impairment charges	63 312	-17 038
Change in assets as at fair value through profit or loss	18 009	-17 728
Change in loans and advances to customers	-537 203	442 533
Change in other assets	12 402	-16 535
Change in amounts due to customers and other institutions	1 242 962	36 660
Change in liabilities as at fair value through profit or loss	-4 313	43 713
Change in other liabilities	17 019	17 544
Change in equity (allocation)	-871 614	294 946
Net cash flows from operating activities	**-104 533**	**727 166**
Purchase of property and equipment and intangible assets	-2 256	-1 094
Dividends received	16 008	12 305
Net cash flows from investing activities	**13 752**	**11 211**
New long-term loans and advances	610 607	11 165 805
Repayment of long-term loans and advances	-519 826	-11 904 182
Net cash flows from financing activities	**90 781**	**-738 377**
TOTAL NET CASH FLOWS	0	0

Notes 1-44 are an integral part of these special purpose financial statements of Bank BPH SA. According to explanations in Note 1 the Bank BPH Core Business and Bank BPH Mortgage Business have not operated separately and therefore the financial position, financial results and cash flows may not be indicative of those that would have occurred if they operated as separate reporting entities.

a) The balance includes dividends which, pursuant to the resolution of the General Meeting of BPH PBK Zarządzanie Funduszami Sp. z o.o., were paid out to its shareholder Bank BPH SA (2015: PLN 16,008 ths; 2014: PLN 12,305 ths).
b) As of 31 December 2015 CHF portfolio represents 85% of total loans and advances to customers.

currency	31 Dec. 2015		31 Dec. 2014	
	in milion PLN	Structure (%)	in milion PLN	Structure (%)
PLN	1 983	13	1 778	12
CHF	13 145	85	12 760	86
EUR	268	2	308	2
USD	29	0	32	0
Other	0	0	0	0
Total	**15 425**	**100**	**14 878**	**100**

c) The balance contains mainly shares held by Bank BPH in its subsidiary BPH PBK Zarządzanie Funduszami Sp. z o. o.

	As at date	
	31 Dec. 2015	31 Dec. 2014
Name of unit	BPH PBK Zarządzanie Funduszami Sp. z o. o.	BPH PBK Zarządzanie Funduszami Sp. z o. o.
Registered office	Warsaw	Warsaw
Type of activity	Managment of holding organizations	Managment of holding organizations
Carrying value of shares	10 200	10 200
Total assets	108 367	26 233
Shareholders' equity, incl.:		
Share capital	20 343	10 200
Supplementary capital	75 616	2 907
Remaining shareholders' equity, incl. net profit	12 378	13 101
Short-term liabilities	30	25
% of held share capital	50	100

d) The main source of the Bank's funding in 2015 were credit facilities acquired from the entities related to the Bank's majority shareholder. The Bank has a total of 6 long-term CHF funding agreements with GE Group with maturities from 1 to 7 years, with the total amount of CHF 3.38 billion as at 31 December 2015 and 2014 (PLN 13.32 billion at the NBP exchange rate of 31 December 2015, PLN 11.98 billion at the NBP exchange rate of 31 December 2014).
e) On 24 October 2012 the Bank issued 675 units of unsecured subordinated bonds of P series ('the Bonds'). Bonds liabilities are subordinated liabilities as defined in Art. 127 section 3 point 2) letter b) of the Banking Act (Uniform text published in the Official Journal of Laws of 2012, item 1376 as amended). The nominal value of each Bond is equal to issue price and amounts to PLN 1 milion. The Bonds were issued for 8 years with the redemption date of 24 October 2020. They are not subject to redemption before maturity except for situation when the Bonds liabilities lose the status of subordinated liabilities. When that happens, such bonds can be redeemed before

maturity by the Bank. The Bonds result only in cash outflows. The Bonds are subject to interest rate WIBOR 3M + 145 basis points, which is calculated and paid in 3 month periods. The Bonds were purchased by GECS Polish Funding Co IV AB spółka komandytowa which belongs to the same capital group as the Bank. On the same day the Bank repaid the subordinated loan received from GE Capital International Financing Corporation with the funds obtained under the Bonds issue. Therefore the agreement dated 25 March 2008 concluded between the Bank and GE Capital International Financing Corporation was agreed to be terminated. The subordinated debt includes PLN 675,000 ths (as at 31 Dec. 2014: PLN 675,000 ths) notional value of subordinated bonds and interest payable calculated using the effective interest rate amounting to PLN 4,053 ths (as at 31 Dec. 2014: PLN 4,396 ths). On 25 October 2014, Bank BPH SA was informed that GECS Polish Funding Co IV AB spółka komandytowa ('GECS'), being the only bondholder of unsecured subordinated bonds of Bank BPH SA ('the Bonds'), has sold the Bonds to General Electric Capital Corporation. The transaction was a result of the planned liquidation of GECS. On 1 October 2015, Bank BPH SA was informed that General Electric Capital Corporation ('GECC'), the sole bondholder of the unsecured subordinate bonds of Bank BPH SA, sold the bonds to GE Financial Markets Funding I. The transaction was a consequence of the planned GECC restructuring process.

44.5. Off balance sheet items

In order to ensure safe level of liquidity, the Bank maintained relevant high quality unsecured liquid assets and, through an agreement, it had access to a renewable funding source in the form of a credit facility. This facility was not used by the bank in 2015. The amount of the unused credit facility as at 31 December 2015 was CHF 2.2 billion (as at 31 December 2014: CHF 2.6 billion) and it is recorded in the adjusted liquidity gap as an inflow on the third business day following the reporting date (i.e. within a time bucket up to 1 month) and as an outflow in line with the contractual expiry of the facility (i.e. within a time bucket above 5 years).

Signatures of the Management Board Members

19.05.2016	Richard Gaskin President of the Board	..... signature
19.05.2016	Paweł Bandurski Deputy President of the Board	..... signature
19.05.2016	Andras Bende Deputy President of the Board	..... signature
19.05.2016	Mariusz Bondarczuk Deputy President of the Board	..... signature
19.05.2016	Grzegorz Jurczyk Deputy President of the Board	..... signature
19.05.2016	Mariusz Kostera Deputy President of the Board	..... signature
19.05.2016	Krzysztof Nowaczewski Deputy President of the Board	..... signature
19.05.2016	Grażyna Utrata Deputy President of the Board	..... signature

APPENDICES

Annex 1: SHAREHOLDER RESOLUTION

Annex 2: U.S. INVESTOR LETTER

Annex 1: SHAREHOLDER RESOLUTION

„Resolution No. 3/2016
of the Extraordinary General Meeting
of Alior Bank Spółka Akcyjna
held on 5 May 2016

on: increasing the share capital by issuing series I shares in a public rights offering, setting 23 May 2016 as the record date for the pre-emptive rights in respect of series I shares, transferring to the Supervisory Board the authority to consent to entry into an underwriting agreement, conversion into book-entry form and application for the admission of pre-emptive rights, rights to shares and series I shares to trading on the regulated market of the Warsaw Stock Exchange, amending the articles of association and authorising the Supervisory Board to prepare a consolidated text of the articles of association

Pursuant to Articles 430-433 and Article 436 of the Commercial Companies Code of 15 September 2000 (the "**Commercial Companies Code**"), Article 5 of the Act on Trading in Financial Instruments of 29 July 2005 (the "**Act on Trading in Financial Instruments**"), Articles 14, 15 and 28 in connection with 27 of the Act on Public Offering, Conditions Governing the Introduction of Financial Instruments to Organised Trading, and Public Companies of 29 July 2005 (the "**Public Offering Act**"), and § 17 Section 2 item 1 and 5 of the Articles of Association of Alior Bank S.A. (the "**Bank**"), the Extraordinary General Meeting of the Bank's Shareholders (the "**General Meeting**") hereby resolves as follows:

§1.
Increase of share capital

1. The Bank's share capital shall be increased by not less than 10 (ten) złoty ("**PLN**") and not more than PLN 2,200,000,000 (two billion two hundred million), i.e. up to not less than PLN 727,074,640 (seven hundred twenty seven million, seventy four thousand, six hundred forty) and not more than PLN 2,927,074,630 (two billion, nine hundred twenty seven million, seventy four thousand, six hundred thirty) through the issue of not less than 1 (one) and not more than 220,000,000 (two hundred twenty million) series I ordinary bearer shares with a par value of PLN 10 (ten) per share (the "**New Shares**").
2. The New Shares shall be issued in a rights offering (subskrypcja zamknięta) within the meaning of Article 431 § 2 item 2 of the Commercial Companies Code, carried out by way of a public offering (oferta publiczna) within the meaning of Article 3 Section 1 of the Public Offering Act.
3. The New Shares shall carry the same rights to dividend as the other shares in the Bank as of January 1, 2016, i.e. in respect of the entire 2016.
4. The New Shares may only be paid for with cash.
5. The New Shares will be ordinary bearer shares, and therefore will not grant any special rights to their holders.

§2.
Pre-emptive rights and subscription

1. The pre-emptive rights record date (dzień prawa poboru) within the meaning of Art. 432 § 2 of the Commercial Companies Code for the New Shares shall be 23 May 2016 (the "**Pre-Emptive Rights Record Date**").
2. The Bank's shareholders holding shares in the Bank as at the end of the Pre-Emptive Rights Record Date shall have pre-emptive rights to subscribe for the New Shares, with the proviso that for each share in the Bank held as at the end of the Pre-Emptive Rights Record Date shareholders shall be entitled to receive 1 (one) individual pre-emptive right (the "**Pre-Emptive Right**").
3. The number of the New Shares which may be subscribed for in exercise of 1 (one) Pre-Emptive Right (the "**Ratio**") shall be calculated by dividing the final number of the New Shares offered, as determined under § 4 Section 1 letter (b) of this Resolution, by the total number of Pre-Emptive Rights. The final number of the New Shares allotted to a given person in exercise of Pre-Emptive Right by that person shall be calculated as the product of the number of Pre-Emptive Rights, covered by all valid subscription orders placed by that person, and the Ratio, rounded down to the nearest integer.
4. According to Article 436 § 2 of the Commercial Companies Code, shareholders holding a Pre-Emptive Right will also be able to place, within the period for exercising the PreEmptive Rights, an additional subscription order for the New Shares, in case of a failure to exercise the Pre-Emptive Right by other shareholders. The New Shares covered by the additional subscription orders referred to in the preceding sentence shall be allotted to the shareholders proportionally to the additional subscription orders placed by them.

5. The Pre-Emptive Rights exercise period shall be specified in the prospectus prepared in connection with the public offering of the New Shares and in connection with the application for the admission and introduction of the Pre-Emptive Rights, rights to the New Shares (the "**Rights to Shares**") and the New Shares to trading on the regulated market operated by the Warsaw Stock Exchange (Giełda Papierów Wartościowych w Warszawie S.A.) ("**WSE**") (the "**Prospectus**").

6. The New Shares not taken up (nieobjęte) in the manner set out in Section 3 and 4 above shall be allotted by the Management Board of the Bank at its discretion, however for a price not lower than the issue price determined under § 4 Section 1 letter (c) of this Resolution.

§3.
Underwriting

1. In case referred to in Article 433 § 3 item 2 of the Commercial Companies Code the New Shares in the number equal to the difference between (i) the final number of the New Shares offered, as determined under § 4 Section 1 letter (b) of this Resolution, and (ii) the number of the New Shares allotted under § 2 Sections 3-6 of this Resolution shall be taken up, by one or more financial institutions (underwriters) with whom the Management Board of the Bank, prior to the publication of the Prospectus, shall enter into an underwriting agreement, on the terms set out in that agreement.

2. The General Meeting authorizes the Management Board to enter into agreements to ensure the success of the issue of the New Shares, including a stand-by or firm- commitment underwriting agreement or agreements. Acting pursuant to Article 433 § 5 of the Commercial Companies Code, the General Meeting hereby transfers to the Supervisory Board the authority to consent to the Bank's entry into the underwriting agreement described in Section 1 above.

§4.
Authorisation for the Management Board of the Bank

1. ***The General Meeting hereby authorises the Management Board of the Bank to determine:***

   (a) *the final amount by which the Bank's share capital is to be increased, which shall not be lower than the minimum amount and not higher than the maximum amount specified in § 1 Section 1 of this Resolution, in accordance with Article 432 § 4 of the Commercial Companies Code;*

   (b) *the final number of New Shares offered, in accordance with Article 54 of the Public Offering Act; if the Management Board does not avail itself of this authorization, the number of the New Shares offered in the public offering shall be the maximum number of the New Shares specified in § 1 Section 1 of this Resolution;*

   (c) *the issue price of the New Shares, in accordance with Article 432 § 1 item 4 of the Commercial Companies Code.*

2. The General Meeting hereby authorises the Management Board of the Bank to take any action in connection with the increase of the Bank's share capital pursuant to this Resolution, the issue and offering of the New Shares, and the application for the admission and introduction to trading on the regulated market operated by the WSE of the Pre-Emptive Rights, the Rights to Shares and the New Shares, and in particular to:

   (a) *offer the New Shares in a public offering;*

   (b) *determine detailed terms and conditions of subscription for and allotment of the New Shares, including to set the opening and closing dates of the subscription period for the New Shares, determine the rules governing subscription for and allotment of the New Shares (including rules governing subscription for and allotment of the New Shares taken up under the underwriting agreement described in § 3 Section 1 of this Resolution);*

   (c) *apply to the Polish Financial Supervision Authority for approval of the Prospectus.*

3. In case that the share purchase and demerger agreement relating to Bank BPH S.A. concluded on March 31, 2016 between the Bank and GE Investments Poland sp. z o.o., DRB Holdings B.V. and Selective American Financial Enterprises, LLC is changed or terminated, the General Meeting hereby authorises the Management Board of the Bank to make a decision to:

   (a) *abandon or suspend the execution of this Resolution;*

   (b) *abandon the public offering of the New Shares;*

   (c) *suspend the public offering of the New Shares, in which case the Management Board of the Bank shall not be required to specify a new commencement date of the public offering of the New Shares, which may be determined and published at a later date.*

§5.
Conversion to book-entry form and introduction to stock-exchange trading

1. The General Meeting hereby resolves to convert into book-entry form, within the meaning of the Act on Trading in Financial Instruments, of:

   (a) *72,707,463 (seventy two million, seven hundred and seven thousand, four hundred and sixty three) Pre-Emptive Rights;*

   (b) *up to 220,000,000 (two hundred twenty million) Rights to Shares;*

   (c) *up to 220,000,000 (two hundred twenty million) New Shares.*

2. The General Meeting hereby authorises the Management Board of the Bank to execute with Krajowy Depozyt Papierów Wartościowych S.A. ("**Polish NDS**") an agreement for registration of Pre-Emptive Rights, Rights to Shares and New Shares referred to in Section 1 above with the depository for securities maintained by the Polish NDS and to take any other action required in connection with their conversion into book-entry form.

3. The General Meeting hereby resolves that the Bank will apply for the admission and introduction to trading on the regulated market operated by the WSE of:

   (a) *72,707,463 (seventy two million, seven hundred and seven thousand, four hundred and sixty three) Pre-Emptive Rights;*

   (b) *up to 220,000,000 (two hundred twenty million) Rights to Shares;*

   (c) *up to 220,000,000 (two hundred twenty million) New Shares.*

4. The General Meeting hereby authorises the Management Board of the Bank to take any action required in connection with the application for the admission and introduction to trading on the regulated market operated by the WSE of the Pre-Emptive Rights, Rights to Shares and New Shares referred to in Section 1 above.

§6.
Amendment to articles of association

1. The General Meeting hereby resolves that the existing text of § 9 Section 1 of the Bank's Articles of Association, reading:

   "*The share capital of the Bank is PLN 727,074,630 (seven hundred twenty seven million, seventy four thousand and six hundred thirty) and is divided into 72,707,463 (seventy two million, seven hundred and seven thousand, four hundred and sixty three) ordinary shares with a nominal value of PLN 10 (ten zloty) each, including:*

   - *50,000,000 fifty million) ordinary series A shares;*
   - *1,250,000 (one million, two hundred and fifty thousand) ordinary series B shares;*
   - *12,332,965 (twelve million, three hundred and thirty two thousand, nine hundred and sixty five) ordinary series C shares;*
   - *6,358,296 (six million, three hundred fifty eight thousand, two hundred and ninety six) ordinary series G shares; and*
   - *410,704 (four hundred and ten thousand, seven hundred and four) ordinary series D shares.*
   - *2,355,498 (two million, three hundred fifty five thousand, four hundred and ninety eight) ordinary series H shares.*"

shall be amended to read as follows:

"*The share capital of the Bank amounts not less than PLN 727,074,640 (seven hundred twenty seven million, seventy four thousand, six hundred forty) and not more than PLN 2,927,074,630 (two billion, nine hundred twenty seven million, seventy four thousand, six hundred thirty)and is divided into not less than 72,707,464 (seventy two million, seven hundred seven thousand, four hundred sixty four) and not more than 292,707,463 (two hundred ninety two million, seven hundred seven thousand, four hundred sixty three) ordinary shares with a nominal value of PLN 10 (ten zloty) each, including:*

- *50,000,000 (fifty million) ordinary series A shares;*
- *1,250,000 (one million, two hundred and fifty thousand) ordinary series B shares;*
- *12,332,965 (twelve million, three hundred and thirty two thousand, nine hundred and sixty five) ordinary series C shares;*
- *6,358,296 (six million, three hundred fifty eight thousand, two hundred and ninety six) ordinary series G shares;*
- *410,704 (four hundred and ten thousand, seven hundred and four) ordinary series D shares;*
- *2,355,498 (two million, three hundred fifty five thousand, four hundred and ninety eight) ordinary series H shares; and*
- *not less than 1 (one) and not more than 220,000,000 (two hundred twenty million) ordinary series I shares*"

2. The amount of the share capital subscribed for in connection with the issue of the New Shares and the text of § 9 Section 1 of the Bank's Articles of Association shall be determined by the Management Board of the Bank pursuant to Article 431 § 7 in conjunction with Article 310 § 2 and 4 of the Commercial Companies Code, by making a statement in the form of a notarial deed stating the amount of the share capital subscribed for and specifying the amount of the share capital in the Bank's Articles of Association, following the allotment of the New Shares.

3. The amendment to the Bank's Articles of Association within the scope of this Resolution requires the Polish Financial Supervision Authority's (Komisja Nadzoru Finansowego) permission.

4. The General Meeting hereby authorises the Bank's Supervisory Board to prepare a consolidated text of the Bank's Articles of Association incorporating the amendments made under this Resolution and the statement of the Management Board of the Bank referred to in Section 2 above.

§7.
Entry into force

The Resolution shall enter into force on the date of its adoption, subject to § 6 Section 3 of this Resolution."

Annex 2: U.S. INVESTOR LETTER

Form of U.S. Investor Letter

To: Alior Bank S.A.
Łopuszańska 38D
02-232 Warsaw
Poland

Attention of: Witold Skrok

E-mail: witold.skrok@alior.pl

Ladies and Gentlemen:

This letter is delivered in connection with our proposed offer to subscribe in an issue, based on pre-emptive rights (the "**Offering**") of 56,550,249 series I ordinary bearer shares with a nominal value of Polish zloty ("**PLN**") 10.00 each (the "**Securities**") of Alior Bank S.A. (the "**Company**"). Capitalised terms not defined herein have the respective meanings set forth in the proof of the International Offering Circular dated May 19, 2016, as supplemented on May 23, 2016 (the "**Offering Memorandum**") relating to the offering of the Securities. We hereby represent, warrant, undertake, agree and acknowledge, on our own behalf and on behalf of each account for which we are acting, as follows:

(1) we are a "qualified institutional buyer" ("**QIB**") (as defined in Rule 144A ("**Rule 144A**") under the U.S. Securities Act of 1933, as amended (the "**Securities Act**")) and, if we are acquiring the Securities as a fiduciary or agent for one or more investor accounts, each owner of such account is a QIB;

(2) we are aware that the Securities have not been, and will not be, registered under the Securities Act, and are offered in a transaction not involving any public offering within the United States with the meaning of the Securities Act;

(3) we are acquiring the Securities for our own account or for the account of one or more QIBs as to which we have full investment discretion (and we have full power and authority to make, and do make, the acknowledgments, representations and agreements herein on behalf of each owner of such account), in each case, for investment purposes and not with a view to, or for offer or sale in connection with, any distribution (within the meaning of the United States securities laws) thereof;

(4) we have received and read a copy of the Offering Memorandum and have had access to the financial and other information regarding the Company and the Securities as we have requested in connection with our investment decision to subscribe for or purchase the Securities. If we have had any queries regarding this subscription or purchase of Securities or the Company and its affairs, we have asked these questions of and received answers satisfactory to us from the representatives of the Company. We have made our own assessment concerning the relevant tax, legal and other economic considerations relevant to our investment in the Securities. We will base our investment decision solely on the Offering Memorandum, including the information incorporated by reference therein. We acknowledge that none of the Company, any of its affiliates or advisors or any other person acting of its or their behalf has made any representations or warranties, express or implied, to it with respect to the Company, the Offering, the Securities or the accuracy, completeness or adequacy of the Offering Memorandum (including the information incorporated by reference therein) or any other financial or other information concerning the Company, Bank BPH S.A. (the "**Target**"), the Offering, the Securities, other than (in the case of the Company and its affiliates and the Target only) the information contained or incorporated by reference in the Offering Memorandum. We acknowledge and agree that we will not hold the Company or any of its affiliates or advisors or any person acting on its or their behalf of the Target and its Sellers responsible or liable for any misstatements in or omissions from any publicly available information relating to the Company. We acknowledge that we have not relied on any investigation that any affiliate of the Company or advisor or any person acting on behalf of the Company or any of its affiliates may or may not have conducted. We have relied solely on our own judgment, examination and due diligence of the Company and the Target, and the terms of the

transaction, including the merits and risks involved, and not upon any view expressed by or information provided by, or on behalf of, the Company or any of its affiliates or advisor or any person acting on its or their behalf. We acknowledge that we have read and agreed to the matters set forth under the paragraph entitled "*Transfer Restrictions*" of the Offering Memorandum. We have all the information that we believe is necessary or appropriate in connection with our subscription for or purchase of the Securities;

(5) we are aware that such Securities are "restricted securities" within the meaning of Rule 144(a)(3) under the Securities Act;

(6) we are aware that the Securities may not be deposited, and we hereby agree that we shall not deposit any Securities, into any unrestricted depositary receipt facility and that the Securities may not settle or trade, and we hereby agree that we shall not settle or trade such Securities, through the facilities of The Depository Trust Company or any other U.S. exchange or clearing system, unless at the time of deposit, settlement or trading such Securities are no longer "restricted securities" within the meaning of Rule 144(a)(3) under the Securities Act;

(7) we understand and agree that the Securities may not be reoffered, resold, pledged or otherwise transferred, except: (a) outside the United States in accordance with Rule 903 or Rule 904 of Regulation S; (b) to another QIB in compliance with Rule 144A; or (c) pursuant to an exemption from registration under the Securities Act provided by Rule 144 thereunder (if available) or any other exemption from the registration requirements of the Securities Act, subject to our delivery to the Company, if requested, of an opinion of counsel (and of such other evidence that the Company may reasonably require) that such transfer or sale is in compliance with the Securities Act, in each case, in accordance with any applicable securities laws of any state or other jurisdiction of the United States. We will notify any person to whom we subsequently reoffer, resell, pledge or otherwise transfer the Securities of the foregoing restrictions on transfer;

(8) we understand that the Company does not intend to file a registration statement in respect of the Securities;

(9) we are an institution and we, and each other QIB, if any, for whose account we are acquiring the Securities, in the normal course of business invest in or purchase securities similar to the Securities and: (a) have such knowledge and experience in financial and business matters including investments in unregistered equity securities of non-U.S. issuers, that we are capable of evaluating the risks of an investment in the Securities; and (b) have the financial stability to bear the economic risk of an investment in the Securities and adequate means for providing for current needs and possible contingencies. We agree that we will not look to the Company or any of its affiliates or advisors or any other person acting on its or their behalf for all or part of any loss we may suffer;

(10) we are not acquiring the Securities as a result of any general solicitation or general advertising, including advertisements, articles, notices or other communications, published in any newspaper, magazine or similar media or broadcast over radio or television, or any seminar or meeting whose attendees have been invited by general solicitation or general advertising;

(11) we acknowledge that, to the extent any Securities are delivered in certificated form, the certificate delivered in respect of such Securities will bear a legend substantially to the following effect for so long as the securities are "restricted securities" within the meaning of Rule 144(a)(3) under the Securities Act:

THE SHARES REPRESENTED HEREBY HAVE NOT BEEN AND WILL NOT BE REGISTERED UNDER THE UNITED STATES SECURITIES ACT OF 1933, AS AMENDED (THE "SECURITIES ACT"), OR WITH ANY SECURITIES REGULATORY AUTHORITY OF ANY STATE OR OTHER JURISDICTION OF THE UNITED STATES, AND MAY NOT BE OFFERED, SOLD, PLEDGED OR OTHERWISE TRANSFERRED EXCEPT (A) IN AN OFFSHORE TRANSACTION IN ACCORDANCE WITH RULE 903 OR RULE 904 OF REGULATION S UNDER THE SECURITIES ACT, (B) TO A "QUALIFIED INSTITUTIONAL BUYER" AS DEFINED IN AND IN COMPLIANCE WITH RULE 144A UNDER THE SECURITIES ACT; OR (C) PURSUANT TO AN EXEMPTION FROM REGISTRATION UNDER THE SECURITIES ACT PROVIDED BY RULE 144 OR ANOTHER EXEMPTION FROM THE REGISTRATION REQUIREMENTS OF THE SECURITIES ACT, SUBJECT TO DELIVERY TO THE COMPANY, IF REQUESTED, OF AN OPINION OF COUNSEL (AND OF SUCH OTHER EVIDENCE THAT THE COMPANY MAY REASONABLY REQUIRE) THAT SUCH TRANSFER OR SALE IS IN COMPLIANCE WITH THE SECURITIES ACT, IN EACH CASE IN ACCORDANCE WITH ANY APPLICABLE SECURITIES LAWS OF ANY STATE OR OTHER JURISDICTION OF THE UNITED STATES. NO REPRESENTATION CAN BE MADE AS TO THE AVAILABILITY OF THE EXEMPTION PROVIDED BY RULE 144 UNDER THE SECURITIES ACT FOR RESALES OF THE SHARES REPRESENTED HEREBY.

NOTWITHSTANDING ANYTHING TO THE CONTRARY IN THE FOREGOING, THE SHARES MAY NOT BE DEPOSITED INTO ANY UNRESTRICTED DEPOSITARY RECEIPT FACILITY MAINTAINED BY A DEPOSITARY BANK. EACH HOLDER, BY ITS ACCEPTANCE OF THESE SHARES, REPRESENTS THAT IT UNDERSTANDS AND AGREES TO THE FOREGOING RESTRICTIONS;

(12) we acknowledge and agree that the Company shall not have any obligation to recognise or accept for registration any offer, resale, pledge or other transfer made other than in compliance with the restrictions on transfer set forth and described herein and that the Company may make notations on its records or give instructions to any transfer agent of the Securities in order to implement such restrictions;

(13) we acknowledge that the Company, its affiliates and others will rely upon the truth and accuracy of the foregoing warranties, acknowledgements, representations and agreements. We understand that the Company is relying on this certificate in order to comply with United States and other securities laws. We irrevocably authorise the Company to produce this letter or a copy hereof to any interested party in any administrative or legal proceeding or official enquiry with respect to the matters set forth herein; and

(14) we understand and acknowledge that no representation has been, or will be, made by the Company as to the availability of Rule 144 under the Securities Act or any other exemption under the Securities Act or any state securities laws for the reoffer, pledge or transfer of the Securities;

(15) Neither the Company nor its affiliates, nor advisors, nor any person acting on its or their behalf, has made any representation to it, express or implied, with respect to the Company, the Offering, the Securities or the accuracy, completeness or adequacy of the Offering Memorandum or any other financial or other information concerning the Company, the Offering and the Securities;

(16) we undertake to promptly notify the Company if, at any time prior to 11:00 am (London time) on June 15, 2016 any of the foregoing ceases to be true; and

(17) we satisfy any and all standards for investors making an investment in the Securities imposed by the jurisdiction of our residence or otherwise. We hereby represent and warrant that all necessary actions have been taken to authorise the purchase by us of the Securities and the execution of this letter.

This letter, and any non-contractual obligations arising out of or in connection with this letter, shall be governed by and construed in accordance with the laws of the England and Wales. We acknowledge that our representations, warranties, and obligations under this letter shall be owed to, and given for the benefit of, the Company, any of its affiliates and advisors, including any advisors in connection with the transactions contemplated by the Offering Memorandum and the Offering Prospectus and any other person acting on its or their behalf and may be relied upon, and enforced, by any of them.

Signed:

Name:

Title:

(If signing on behalf of another person, indicate the capacity in which signed.)

Name of custodian through which shares are held:

Name of institutional shareholder:

Name of contact person:

Telephone and e-mail address:

ISSUER

Alior Bank S.A.

ul. Łopuszańska 38d
02-232 Warsaw
Poland

OFFER MANAGERS

JOINT GLOBAL COORDINATORS, JOINT BOOKRUNNERS AND JOINT UNDERWRITERS

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Peterborough Court
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25 Bank Street
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United Kingdom

Bank Zachodni WBK S.A.
Rynek 9/11
50-950 Wrocław
Poland

OFFERING AGENT

Bank Zachodni WBK S.A.
Rynek 9/11
50-950 Wrocław
Poland

LOCAL JOINT BOOKRUNNER, JOINT UNDERWRITER

Powszechna Kasa Oszczędności Bank Polski S.A. Oddział - Dom Maklerski PKO Banku Polskiego w Warszawie
Puławska 15
02-515 Warsaw
Poland

ISSUER'S INDEPENDENT AUDITOR

PricewaterhouseCoopers Sp. z o.o.
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