



Intended demerger of Bank BPH S.A. and agreeing and signing of the demerger plan. First notification of the intended demerger. Amendments to the statute of Alior Bank. Satisfaction of the condition to the significant agreement

Current report No. 29/2016 of 30 April 2016

Legal basis: Article 56 Section 1 Item 2 of the Offering Act – current and periodic information,

Content of the report: The Management Board of Alior Bank S.A. (**“Alior Bank”**), in reference to Alior Bank’s current report No. 14/2016 dated 1 April 2016 on the execution of a share purchase and demerger agreement regarding the acquisition of the demerged business of Bank BPH S.A. (**“BPH”**) (the **“Share Purchase and Demerger Agreement”**), hereby announces that on 29 April 2016, the Management Board of Alior Bank and the Management Board of BPH, agreed and signed the plan of the demerger of BPH (the **“Demerger Plan”**), which was made in compliance with Article 534 §1 and § 2 of the Commercial Companies Code (**“CCC”**). Agreeing and signing of the Demerger Plan satisfy one of the conditions to the Share Purchase and Demerger Agreement.

The demerger will be effected in accordance with the procedure specified in Art. 529 § 1 item 4 of the CCC (spin-off) (the **“Demerger”**), taking into account that:

- (i) under the Demerger an organised part of the enterprise of BPH connected with the pursuit of BPH’s business other than the Mortgage Business (as defined below) (the **“Demerged Business”**), will be transferred to Alior Bank, while the remaining organised part of the business of BPH (the **“Mortgage Business”**) will remain in BPH;
- (ii) the Demerged Business will be transferred to Alior Bank on the date of registration of the share capital increase of Alior Bank by way of the issuance of the Demerger Issue Shares (as defined below) as a result of the Demerger (the **“Demerger Date”**);
- (iii) the Demerger requires a number of regulatory approvals to be obtained, as discussed in the following parts of the report;
- (iv) the Demerger requires certain resolutions to be adopted by general meetings of Alior Bank and BPH (listed in the following parts of the report);
- (v) the Demerger is an element of an acquisition of the Demerged Business under the Share Purchase and Demerger Agreement;
- (vi) after the Demerger the sole shareholders of BPH will be the GE Shareholders (as defined below); the other shareholders of BPH (other than Alior Bank and BPH itself) will become shareholders of Alior Bank.

As a result of the Demerger, pursuant to Art. 531 § 1 of the CCC, Alior Bank will on the Demerger Date assume all of the rights and obligations of BPH connected with the Demerged Business. Consequently, immediately following the Demerger Date, BPH will conduct activity which will be limited to the Mortgage Business and the activity of Alior Bank will be enlarged by the Demerged Business.

In connection with the Demerger, Alior Bank’s share capital will be increased by at least PLN 10 (ten zlotys) through the issuance of at least one (1) series J ordinary bearer shares in Alior Bank with



a nominal value of PLN 10 (ten zlotys) each (the “**Demerger Issue Shares**”). The maximum amount of Alior’s Bank share capital increase in connection with the Demerger and the maximum number of the Demerger Issue Shares have not been determined at this stage, due to the fact that the Share Exchange Ratio (as defined below) is subject to adjustment related to dilution of Alior’s Bank share capital resulting from the rights issue offering planned by Alior Bank before the Demerger Date. The Demerger Issue Shares will be granted and allocated to the shareholders of BPH other than: (i) GE Investments Poland sp. z o.o.; and/or (ii) DRB Holdings B.V.; and/or (iii) Selective American Financial Enterprises, Inc. and/or (iv) the affiliates of the entities mentioned in points (i) – (iii) above (the “**GE Shareholders**”), based on the rules presented in the Demerger Plan. However, pursuant to Article 550 §1 of the CCC, no Demerger Issue Shares will be issued in exchange for the shares held by Alior Bank in BPH and no Demerger Issue Shares will be issued in exchange for the shares held by BPH in its own capital, if any.

In connection with the Demerger, BPH’s share capital will be decreased with the result that: the GE Shareholders will be the only shareholders of BPH and all of the shares held by shareholders other than the GE Shareholders will cease to exist.

In the Demerger Plan, the following exchange ratio of shares in BPH into shares in Alior Bank was established: for 1 (one) share in BPH, a shareholder of BPH (other than the GE Shareholders) will be granted and allocated 0.44 (forty-four hundredths) of a Demerger Issue Share (“**Share Exchange**”), subject to adjustment related to dilution of Alior’s Bank share capital resulting from the rights issue offering planned by Alior Bank before the Demerger Date.

In accordance with Art. 541 of the CCC, the Demerger will require resolutions of the general meetings of BPH and Alior Bank, including resolutions regarding:

- (i) consent to the Demerger Plan;
- (ii) consent to the amendments to Alior Bank’s statute to be made in relation to the Demerger as provided for in Schedule 4 to the Demerger Plan; and
- (iii) consent to the amendments to the statute of BPH to be made in relation to the Demerger.

The Demerger will be executed subject to obtaining the following regulatory approvals:

- (iv) a decision from the Polish Financial and Supervision Authority (the “**PFSA**”) permitting the Demerger in accordance with Article 124c, section 2 of the Act of 29 August 1997 on the banking law (the “**Banking Law**”);
- (v) a decision from the PFSA permitting the amendments to Alior Bank’s statute to be made in connection with the Demerger as provided for in Schedule 4 to the Demerger Plan in accordance with Article 34, section 2 and in connection with Article 31, section 3 of the Banking Law;
- (vi) a decision from the PFSA permitting the amendments to BPH’s statute to be made in connection with the Demerger in accordance with Article 34, section 2 and in connection with Article 31, section 3 of the Banking Law;
- (vii) a decision from the PFSA stating that there are no grounds to object to Alior Bank exceeding the threshold of 33%, 50% or more of the votes at the general meeting of BPH or,



alternatively, the lapse of the statutory deadline for the delivery of a decision containing an objection raised with respect to the above in accordance with Article 25 of the Banking Law;

- (viii) if required, a decision from the PFSA stating that there are no grounds to object to GE Investments Poland sp. z o.o. exceeding the threshold of 50% of the votes at the general meeting of BPH or, alternatively, the lapse of the statutory deadline for the delivery of a decision containing an objection raised with respect to the above in accordance with Article 25 of the Banking Law; and
- (ix) a (unconditional or conditional) decision of the relevant antitrust authority (the “**Antitrust Authority**”) consenting to a concentration involving the acquisition of control over the Demerged Business pursuant to the respective competition law, or (ii) a final and non-appealable judgment of a competent court (as a result of an appeal filed by Alior Bank against the decision of the Antitrust Authority) in favour of an appeal and amending the decision consenting to the concentration, or (iii) a decision of the Antitrust Authority on discontinuing the proceedings or the Antitrust Authority returning the clearance request on account of the transaction not being subject to notification pursuant to the respective competition law, or (iv) the lapse of the deadline set out in the respective competition law within which the Antitrust Authority may issue a decision regarding a concentration, provided that under the respective competition law, in the case of the Antitrust Authority’s failure to issue a decision within the specified deadline, the concentration may be implemented without the consent of the Antitrust Authority.

Alior Bank will take actions to procure the admission and introduction of the Demerger Issue Shares to trading on the regulated market operated by the Warsaw Stock Exchange (*Giełda Papierów Wartościowych w Warszawie S.A.*) (the “**WSE**”). To that end, Alior Bank will file a motion with the PFSA requesting approval of the offering document in accordance with the Act on Public Offering, the Conditions Governing the Introduction of Financial Instruments to Organised Trading, and Public Companies dated 29 July 2005 (the “**Act on Public Offering**”), if such offering document will be required, and will file a motion for the registration of the Demerger Issue Shares with the National Depository of Securities (*Krajowy Depozyt Papierów Wartościowych S.A.*) as well as a motion with the WSE for the introduction of the Demerger Issue Shares to trading on the regulated market. Furthermore, if the offering for the Demerger Issue Shares should constitute a public offering within the meaning of the Act on Public Offering, the offering document referred to above will also cover such public offering.

On 31 March 2016, after an active sales process lasting several months, the GE Shareholders and Alior Bank entered into the Share Purchase and Demerger Agreement. On 1 April 2016, Alior Bank, the GE Shareholders and Bank BPH entered into a pre-demerger cooperation agreement. The Demerger is a consequence of the above agreements.

The GE Shareholders’ decision to sell their direct investment in BPH is a result of the General Electric Company’s global strategy to limit its banking operations and dispose most of GE Capital’s assets.

Alior Bank’s acquisition of the Demerged Business from BPH is a consequence of the development strategy presented many times and consistently pursued by the Management Board of Alior Bank,



based on a dynamic organic growth and acquisitions, coupled with the achievement of the highest levels of return on equity.

Since the commencement of its operations, Alior Bank has always focused on the provision of high-margin, unsecured retail loans. The loan offering is mainly complemented by PLN mortgage and housing loans for retail clients and in the case of corporate clients, working capital loans and investment loans. As a result of the foregoing strategy of operations, Alior Bank's loan portfolio share of high-margin unsecured retail loans is greater as compared to the market average, which enables Alior Bank to maintain a high level of the net interest margin, with an acceptable and manageable level of costs of risk.

In view of the above, the acquisition of a sizable, mainly CHF-denominated mortgage loan portfolio, with its relatively low profitability, was of no interest to Alior Bank. Another, equally important factor which contributed to the lack of Alior Bank's interest in acquiring the CHF housing loan portfolio was Alior Bank's inability to ensure viable sources of its financing given the current market conditions.

Simultaneously, the acquisition of the Demerged Business only, together with an attractive and complementary deposit and loan portfolio, the operational efficiency of Alior Bank in the implementation of the integration processes and the advanced and high-capacity IT infrastructure will enable Alior Bank to strengthen its presence in the market, increase the scale of operations and achieve the highest achievable synergies while minimising integration costs.

The acquisition of only the Demerged Business will be beneficial for the clients of both Alior Bank and BPH (offering an improved product range, a comprehensive distribution network and effective sales and support processes), the shareholders (offering a higher rate of return on invested capital achievable thanks to the related cost and income synergies) and will help Alior Bank become one of the leading players on the Polish banking market. At the same time, the Demerger is the only legal form of the transaction which would provide the expected legal security for all of the parties and stakeholders involved and which would ensure the continuance of the business operations of both the Mortgage Business and the Demerged Business immediately upon the registration of the Demerger.

In light of the above, Alior Bank hereby presents to the public, as an attachment to this report, the Demerger Plan (with schedules) and the report of the Management Board of Alior Bank justifying the Demerger.

This report should be treated as a first notification to the shareholders of the intention to conduct the Demerger within the meaning of Article 539 § 1 and 2 of the CCC, read in conjunction with Art. 402(1) of the CCC. The Demerger Plan was announced and published pursuant to Article 535 § 3 of the CCC by being posted on the Alior Bank's website: www.aliorbank.pl in the bookmark "Investor Relations/Banks' merger".

Pursuant to Article 540 §3 item 1 of the CCC, Alior Bank hereby announces that until the completion of the general meetings of shareholders of BPH and Alior Bank the agenda of which will include the adoption of a resolution on the Demerger, the shareholders may review the documents referred to in Article 540 § 1 items 1, 2, 3 and 4 of the CCC posted on the Alior Bank's website: www.aliorbank.pl in the bookmark "Investor Relations/Banks' merger".



Moreover, Alior Bank explains that the auditor opinion regarding the audit of the Demerger Plan, in terms of its accuracy and reliability, as referred to in Article 537 §1 of the CCC, will be provided immediately after it is made by the auditor appointed by a competent registry court, so as to allow the shareholders to review them pursuant to Article 540 of the CCC. The information about the possibility of reviewing the auditor opinion will be published by way of a current report as a supplement to this notification.

Furthermore, in connection with the Demerger, the Management Board of Alior Bank announces that Alior Bank intends to amend its statute (the “**Statute**”) in the manner indicated in the attachment to the this report.

The amendments to the Statute referred to above are related to issuance of the Demerger Issue Shares or intended to render the Statute compliant with the actual operations of Alior Bank after the Demerger.

Legal basis: Art. 539 §1 and 2 of the CCC, in connection with Article 402 (1) of the CCC Article 56, section 1 point 2 of the Act on Public Offering and § 5, section 1 point 15, § 21, section 1 and 2 point 1 and 2, § 5, section 1 point 4, § 10 and § 38, section 1 point 2 of the Regulation of the Minister of Finance dated 19 February 2009 regarding current and interim reports published by issuers of securities and the terms of deeming as equivalent the information required under the laws of non-member states.