



Financial report  
of the Alior Bank Spółka Akcyjna Group  
for the 3rd quarter of 2016

## Selected financial data

	in PLN'000			
	1.01.2016 - 30.09.2016	1.01.2015- 31.12.2015	1.01.2015 - 30.09.2015	%/% (A-B)/B
	A		B	C
Net interest income	1 347 177	1 501 013	1 101 438	22,3%
Net fee and commission income	239 580	331 668	252 218	-5,0%
Trading result & other	244 305	333 332	241 482	1,2%
Impairment losses	-547 863	-672 113	-477 226	14,8%
General administrative expenses	-860 938	-1 107 892	-782 813	10,0%
Gross profit	334 651	386 008	335 099	-0,1%
Net profit	248 673	308 975	269 570	-7,8%
Total net cash flow	-410 564	745 939	72 715	-
Loans and advances to customers	35 088 891	30 907 057	29 389 041	19,4%
Amounts due to customers	37 432 228	33 663 542	31 430 616	19,1%
Total equity	5 877 608	3 514 099	3 470 336	69,4%
Total assets	46 581 539	40 003 010	37 304 260	24,9%
Selected ratios				
Earnings per share (PLN)	2,67	4,31	3,75	-28,8%
Capital adequacy ratio	16,05%	12,54%	12,71%	26,3%
Tier 1	13,39%	9,69%	10,30%	30,0%

	in EUR'000			
	1.01.2016 - 30.09.2016	1.01.2015- 31.12.2015	1.01.2015 - 30.09.2015	%/% (A-B)/B
	A		B	C
Net interest income	308 363	358 682	264 864	16,4%
Net fee and commission income	54 839	79 255	60 651	-9,6%
Trading result & other	55 920	79 653	58 069	-3,7%
Impairment losses	-125 404	-160 608	-114 759	9,3%
General administrative expenses	-197 065	-264 742	-188 244	4,7%
Gross profit	76 600	92 240	80 582	-4,9%
Net profit	56 920	73 833	64 824	-12,2%
Total net cash flow	-93 976	178 250	17 486	-
Loans and advances to customers	8 137 498	7 252 624	6 933 667	17,4%
Customer deposits	8 680 943	7 899 458	7 415 330	17,1%
Total equity	1 363 082	824 616	818 746	66,5%
Total assets	10 802 769	9 387 073	8 801 081	22,7%
Selected ratios				
Earnings per share (EUR)	0,61	1,03	0,90	-32,2%
Capital adequacy ratio	16,05%	12,54%	12,71%	26,3%
Tier 1	13,39%	9,69%	10,30%	30,0%

The following exchange rates were applied to translate the selected items of the interim condensed consolidated financial statements into EUR:

a) as at 30.09.2016

- balance sheet items - at the average EUR exchange rate expressed in PLN, announced by the NBP as at 30.09.2016 - 4.3120;
- income statement and cash flow statement items - at the average EUR exchange rate expressed in PLN, constituting the arithmetic mean of the average exchange rates announced by the NBP as at the end of each month - 4.3688;

b) as at 31.12.2015

- balance sheet items - at the average EUR exchange rate expressed in PLN, announced by the NBP as at 31.12.2015 - 4.2615;
- income statement and cash flow statement items - at the average EUR exchange rate expressed in PLN, constituting the arithmetic mean of the average exchange rates announced by the NBP as at the end of each month - 4.1848;

c) as at 30.09.2015

- balance sheet items - at the average EUR exchange rate expressed in PLN, announced by the NBP as at 30.09.2015 - 4.2386;
- income statement and cash flow statement items - at the average EUR exchange rate expressed in PLN, constituting the arithmetic mean of the average exchange rates announced by the NBP as at the end of each month - 4.1585;



Interim condensed consolidated  
financial statements  
of the Alior Bank Spółka Akcyjna Group  
for the 3rd quarter of 2016

*This version of our report is a translation from the original, which was prepared in Polish language. All possible care has been taken to ensure that the translation is an accurate representation of the original. However, in all matters of interpretation of information, views or opinions, the original language version of our report takes precedence over this translation.*

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## Interim condensed consolidated financial statements

### Interim condensed consolidated income statement

	Note	01.07.2016- 30.09.2016	01.01.2016- 30.09.2016	01.07.2015- 30.09.2015	01.01.2015- 30.09.2015
Interest income		723 921	2 080 911	614 421	1 766 882
Interest expense		-233 411	-733 734	-230 697	-665 444
<b>Net interest income</b>	<b>4</b>	<b>490 510</b>	<b>1 347 177</b>	<b>383 724</b>	<b>1 101 438</b>
<b>Dividend income</b>		<b>17</b>	<b>51</b>	<b>22</b>	<b>64</b>
Fee and commission income		135 490	410 594	144 977	405 370
Fee and commission expense		-59 329	-171 014	-55 868	-153 152
<b>Net fee and commission income</b>	<b>5</b>	<b>76 161</b>	<b>239 580</b>	<b>89 109</b>	<b>252 218</b>
<b>Trading result</b>	<b>6</b>	<b>78 177</b>	<b>209 313</b>	<b>58 030</b>	<b>193 846</b>
<b>Net gain (realized) on other financial instruments</b>	<b>7</b>	<b>214</b>	<b>20 980</b>	<b>3 145</b>	<b>7 490</b>
Other operating income		16 342	50 062	17 143	68 190
Other operating costs		-13 039	-36 101	-765	-28 108
<b>Net other operating income</b>	<b>8</b>	<b>3 303</b>	<b>13 961</b>	<b>16 378</b>	<b>40 082</b>
<b>General administrative expenses</b>	<b>9</b>	<b>-297 109</b>	<b>-860 938</b>	<b>-262 421</b>	<b>-782 813</b>
<b>Impairment losses &amp; provisions</b>	<b>10</b>	<b>-199 006</b>	<b>-547 863</b>	<b>-173 087</b>	<b>-477 226</b>
<b>Bank tax</b>		<b>-34 680</b>	<b>-87 610</b>	<b>0</b>	<b>0</b>
<b>Profit before tax</b>		<b>117 587</b>	<b>334 651</b>	<b>114 900</b>	<b>335 099</b>
Income tax	<b>11</b>	-30 650	-85 978	-24 012	-65 529
<b>Net profit from continuing operations</b>		<b>86 937</b>	<b>248 673</b>	<b>90 888</b>	<b>269 570</b>
Net profit attributable to equity holders of the parent		86 939	248 827	90 987	270 022
Net loss attributable to non-controlling interests		-2	-154	-99	-452
<b>Net profit</b>		<b>86 937</b>	<b>248 673</b>	<b>90 888</b>	<b>269 570</b>
<b>Weighted average number of ordinary shares</b>		<b>129 257 712</b>	<b>93 139 852</b>	<b>72 682 052</b>	<b>71 878 989</b>
<b>Basic earnings per share</b>	<b>12</b>	<b>0,67</b>	<b>2,67</b>	<b>1,25</b>	<b>3,75</b>
<b>Diluted earnings per share (in PLN)</b>	<b>12</b>	<b>0,66</b>	<b>2,59</b>	<b>1,20</b>	<b>3,59</b>

### Interim condensed consolidated statement of comprehensive income

	01.07.2016- 30.09.2016	01.01.2016- 30.09.2016	01.07.2015- 30.09.2015	01.01.2015- 30.09.2015
<b>Net profit</b>	<b>86 937</b>	<b>248 673</b>	<b>90 888</b>	<b>269 570</b>
<b>Items that may be reclassified to profit or loss</b>	<b>-10 578</b>	<b>-29 073</b>	<b>31 713</b>	<b>-12 437</b>
Foreign currency translation differences	16	16	0	0
Net gains/losses on financial assets available for sale	-3 604	-11 467	3 599	-10 569
Profit/loss on valuation of financial assets available for sale	-4 450	-14 157	4 443	-13 048
Deferred tax	846	2 690	-844	2 479
Net gains/losses on hedging instruments	-6 990	-17 622	28 114	-1 868
Profit/loss on valuation of hedging instruments	-8 630	-21 756	34 709	-2 306
Deferred tax	1 640	4 134	-6 595	438
<b>Total comprehensive income, net</b>	<b>76 359</b>	<b>219 600</b>	<b>122 601</b>	<b>257 133</b>
- holders of the parent	76 361	219 754	122 700	257 585
- non-controlling shareholders	-2	-154	-99	-452

The notes presented on pages 10-75 constitute an integral part of these interim condensed consolidated financial statements.

## Interim condensed consolidated statement of financial position

<b>ASSETS</b>	<b>Note</b>	<b>As at 30.09.2016</b>	<b>As at 31.12.2015</b>
Cash and balances with the Central Bank	13	1 285 370	1 750 135
Financial assets held for trading	22	309 940	390 569
Financial assets available for sale	14	5 394 477	4 253 119
Hedging derivatives	23	62 131	139 578
Amounts due from banks	16	656 068	645 329
Loans and advances to customers	15	35 088 891	30 907 057
Assets pledged as collateral	30	1 007 904	628 332
Property, plant and equipment		214 348	228 955
Intangible assets		405 250	387 048
Non-current asset held for sale		607	888
Prepayment on account of the purchase of BPH shares		1 464 933	0
Income tax asset		388 203	275 453
<i>Deferred</i>		388 203	275 453
Other assets	17	303 417	396 547
<b>TOTAL ASSETS</b>		<b>46 581 539</b>	<b>40 003 010</b>

<b>LIABILITIES AND EQUITY</b>	<b>Note</b>	<b>As at 30.09.2016</b>	<b>As at 31.12.2015</b>
Financial liabilities held for trading	22	232 566	310 180
Financial liabilities measured at amortized cost due to banks	19	1 163 129	1 051 028
Financial liabilities measured at amortized cost due to customers	18	37 432 228	33 663 542
Provisions	20	12 070	10 813
Other liabilities	21	674 485	535 274
Income tax liabilities		25 793	21 776
<i>Current</i>		25 704	21 776
<i>Deferred</i>		89	0
Subordinated loans	24	1 163 660	896 298
<b>Total liabilities</b>		<b>40 703 931</b>	<b>36 488 911</b>
<b>Equity</b>	<b>25</b>	<b>5 877 608</b>	<b>3 514 099</b>
<b>Equity attributable to equity holders of the parent</b>		<b>5 876 623</b>	<b>3 512 859</b>
Share capital		1 292 577	727 075
Supplementary capital		4 172 359	2 279 843
Revaluation reserve		-13 874	15 215
Other reserves		183 803	184 735
Foreign currency translation differences		16	0
Undistributed result from previous years		-7 085	-3 657
Current year profit/loss		248 827	309 648
<b>Non-controlling interests</b>		<b>985</b>	<b>1 240</b>
<b>TOTAL LIABILITIES AND EQUITY</b>		<b>46 581 539</b>	<b>40 003 010</b>

The notes presented on pages 10-75 constitute an integral part of these interim condensed consolidated financial statements.

## Interim condensed statement of changes in consolidated equity

1.01.2015- 30.09.2016	Share capital	Supplementary capital	Other reserve - Share-based payments	Revaluation reserve	Exchange differences on revaluation of foreign units	Retained earnings/ accumulated losses	Net profit	Non-controlling interests	Total equity
<b>As at 1 January 2016</b>	<b>727 075</b>	<b>2 279 843</b>	<b>184 735</b>	<b>15 215</b>	<b>0</b>	<b>-3 657</b>	<b>309 648</b>	<b>1 240</b>	<b>3 514 099</b>
<b>Transfer of the previous year result</b>	-	-	-	-	-	<b>309 648</b>	<b>-309 648</b>	-	<b>0</b>
<b>Comprehensive income</b>	-	-	-	<b>-29 089</b>	<b>16</b>	-	<b>248 827</b>	-	<b>219 754</b>
net profit	-	-	-	-	-	-	248 827	-	248 827
other comprehensive income	-	-	-	-29 089	16	-	-	-	-29 073
<b>Share issue</b>	<b>565 502</b>	<b>1 579 386</b>	-	-	-	-	-	-	<b>2 144 888</b>
<b>Gains and losses from business combinations</b>	-	<b>312 016</b>	-	-	-	<b>-312 016</b>	-	-	<b>0</b>
<b>Other changes in equity</b>	-	<b>1 114</b>	<b>-932</b>	-	-	<b>-1 060</b>	-	<b>-255</b>	<b>-1 133</b>
<b>As at 30 September 2016</b>	<b>1 292 577</b>	<b>4 172 359</b>	<b>183 803</b>	<b>-13 874</b>	<b>16</b>	<b>-7 085</b>	<b>248 827</b>	<b>985</b>	<b>5 877 608</b>

1.01.2015- 31.12.2015	Share capital	Supplementary capital	Other reserve - Share-based payments	Revaluation reserve	Retained earnings/ accumulated losses	Net profit	Non-controlling interests	Total equity
<b>As at 1 January 2015</b>	<b>699 784</b>	<b>1 775 397</b>	<b>184 008</b>	<b>21 426</b>	<b>9 804</b>	<b>322 744</b>	<b>1 913</b>	<b>3 015 076</b>
<b>Transfer of the previous year result</b>	-	-	-	-	<b>322 744</b>	<b>-322 744</b>	-	<b>0</b>
<b>Comprehensive income</b>	-	-	-	<b>-6 211</b>	-	<b>309 648</b>	<b>-673</b>	<b>302 764</b>
net profit	-	-	-	-	-	309 648	-673	308 975
other comprehensive income	-	-	-	-6 211	-	-	-	-6 211
<b>Share-based payments</b>	-	-	<b>727</b>	-	-	-	-	<b>727</b>
<b>Share issue</b>	<b>27 291</b>	<b>168 241</b>	-	-	-	-	-	<b>195 532</b>
<b>Gains and losses from business combinations</b>	-	<b>336 205</b>	-	-	<b>-336 205</b>	-	-	<b>0</b>
<b>As at 31 December 2015</b>	<b>727 075</b>	<b>2 279 843</b>	<b>184 735</b>	<b>15 215</b>	<b>-3 657</b>	<b>309 648</b>	<b>1 240</b>	<b>3 514 099</b>

The notes presented on pages 10-75 constitute an integral part of these interim condensed consolidated financial statements.



## Interim condensed consolidated statement of cash flows

	01.01.2016-30.09.2016	01.01.2015-30.09.2015
<b>Operating activities</b>		
<b>Net profit</b>	<b>334 651</b>	<b>335 099</b>
<b>Adjustments:</b>	<b>-1 606 190</b>	<b>-95 898</b>
Unrealized foreign exchange gains/losses	804	-798
Amortization/depreciation of tangible and intangible assets	70 669	104 841
Change in tangible and intangible assets impairment write-down	14 611	4 350
Change in provisions	1 257	1 782
Share-based payments	-932	2 663
Change in loans and receivables	-4 138 372	-3 090 480
Change in financial assets available for sale	-1 141 358	-905 525
Change in financial assets held for trading	80 629	112 317
Change in assets pledged as collateral	-379 572	460 876
Change in hedging asset derivatives	77 447	-43 211
Change in non-current assets held for sale	281	-65
Change in other assets	93 146	-136 090
Change in deposits	3 547 960	3 363 899
Change in issued debt	78 868	628 959
Change in financial liabilities held for trading	-77 614	-56 469
Change in hedging liabilities derivatives	0	-4 359
Change in other liabilities and other comprehensive income	350 579	-399 932
Income tax paid	-184 593	-138 656
<b>Net cash flow from / (used in) operating activities</b>	<b>-1 271 539</b>	<b>239 201</b>
<b>Investing activities</b>		
<b>Outflows:</b>	<b>-1 511 788</b>	<b>-337 229</b>
Purchase of property, plant and equipment	-24 350	-25 041
Purchase of intangible assets	-22 505	-60 168
Purchase of shares in subsidiaries, net of cash acquired	0	-252 020
Prepayment on account of the purchase of BPH shares	-1 464 933	0
<b>Inflows:</b>	<b>4 037</b>	<b>0</b>
Disposal of property, plant and equipment	4 037	0
<b>Net cash used in investing activities</b>	<b>-1 507 751</b>	<b>-337 229</b>
<b>Financing activities</b>		
<b>Outflows:</b>	<b>-40 200</b>	<b>-216 250</b>
Repayment of long-term liabilities	0	-194 977
Interest expense – subordinated loan	-40 200	-21 273
<b>Inflows:</b>	<b>2 408 926</b>	<b>386 993</b>
Inflows from share issue	2 144 839	195 464
Inflows from the issuance of subordinated liabilities	264 087	191 529
<b>Net cash flow from financing activities</b>	<b>2 368 726</b>	<b>170 743</b>
<b>Total net cash flow</b>	<b>-410 564</b>	<b>72 715</b>
<b>incl. exchange gains/(losses)</b>	<b>-10 874</b>	<b>3 201</b>
<b>Balance sheet change in cash and cash equivalents</b>	<b>-410 564</b>	<b>72 715</b>
Cash and cash equivalents, opening balance	2 202 212	1 456 273
Cash and cash equivalents, closing balance	1 791 648	1 528 988
<b>Additional disclosures on operating cash flows</b>		
Interest income received	2 182 013	1 347 855
Interest expense paid	-753 140	-393 717

The notes presented on pages 10-75 constitute an integral part of these interim condensed consolidated financial statements.

## Notes to the interim condensed consolidated financial statements

### 1. Information about the Bank and the Group

#### 1.1 Overview

Alior Bank Spółka Akcyjna ("the Bank", "the Parent Company") is the parent company of the Alior Bank Spółka Akcyjna Group ("the Group"). The Bank, with its registered office in Warsaw, at ul. Łopuszańska 38D, is entered in the register of businesses maintained by the District Court for the Capital City of Warsaw, 13th Business Department of the National Court Register under the number KRS 0000305178. The parent company was assigned a tax identification number NIP: 107-001-07-31 and the statistical number REGON: 141387142.

Since 14 December 2012, the Bank has been listed on the Warsaw Stock Exchange (ISIN: PLALIOR00045).

#### 1.2 Duration and scope of business activities

On 18 April 2008, the Polish Financial Supervision Authority (the "PFSA") granted permission for the incorporation of a bank under the name Alior Bank S.A. On 1 September 2008, the PFSA issued a license for the Bank to commence its business activities. On 5 September 2008, the PFSA granted the Bank permission to conduct brokerage activities. The duration of the Bank's and the Group companies' operations is indefinite.

Alior Bank SA is a universal lending and deposit-taking bank which renders services to individuals, legal persons and other entities which are Polish and foreign persons. The Bank's core activities include maintaining bank accounts, granting loans and advances, issuing banking securities and the purchase and sale of foreign currency. The Group also conducts brokerage activities, consulting and financial agency services and renders other financial services. The information on companies belonging to the Group is presented in point 1.5. of this section. As stated in the Articles of Association, Alior Bank operates on the territory of the Republic of Poland and the European Economic Area. However, the Bank mainly provides services to customers from Poland. The share of foreign customers in the total number of the Bank's customers is negligible.

#### 1.3 Shareholders of Alior Bank Spółki Akcyjnej

On 9 November 2016 the share capital of the Bank amounts to 1,292,577,630 zloty (one billion two hundred ninety-two million five hundred seventy-seven thousand six hundred thirty) and is divided into 129,257,763 (one hundred twenty-nine million, two hundred fifty-seven thousand, seven hundred sixty-three) ordinary shares with a nominal value of 10 (ten) zloty each, including:

- 50 000 000 A series ordinary shares

- 1 250 000 B series ordinary shares
- 12 332 965 C series ordinary shares
- 6 358 296 G series ordinary shares
- 410 704 D series ordinary shares
- 2 355 498 H series ordinary shares
- 56 550 249 I series ordinary shares
- 51 J series ordinary shares

Due to Alior Bank's status of a public company within the meaning of the Public Offering Act and the fact that the Bank's shares are listed on a regulated market (the main market) of the WSE, the Bank does not have detailed information on all its shareholders in its possession. Alior Bank has information on some of its shareholders, whose shares represent at least 5% of the total number of votes at the General Shareholders' Meeting and the share capital of Alior Bank, in accordance with the notifications received by Alior Bank under Art. 69 of the Public Offering Act.

The following table contains information on significant shareholders, who as at 9 November 2016 directly held shares representing at least 5% of the total number of votes at the General Shareholders' Meeting and the share capital of Alior Bank, in accordance with the notifications received by Alior Bank under Art. 69 of the Public Offering Act.

Shareholder	Number of shares	Par value of shares [PLN]	Interest in share capital	Number of votes	Share in total number of votes
<b>PZU SA<sup>1</sup></b>	37 773 265	377 732 650	29.22%	37 773 265	29.22%
<b>Aviva OFE Aviva BZ WBK<sup>2</sup></b>	9 262 138	92 621 380	7.17%	9 262 138	7.17%
<b>Genesis Asset Managers LLP<sup>3</sup></b>	7 800 773	78 007 730	6.04%	5 922 058	4.58%
<b>Other shareholders</b>	74 421 587	744 215 870	57.58%	76 300 302	59.03%
<b>Total</b>	<b>129,257,763</b>	<b>1 292 577 630</b>	<b>100%</b>	<b>129 257 763</b>	<b>100%</b>

<sup>(1)</sup> In accordance with an agreement dated 27 April 2016, PZU Życie, together with PZU Specjalistyczny Fundusz Inwestycyjny Otwarty Universum, and ZU Fundusz Inwestycyjny Zamknięty Aktywów Niepublicznych BIS 2, based on the number of shares registered at the Extraordinary General Meeting held on 29 July 2016.

<sup>(2)</sup> Based on the number of shares registered at the Extraordinary General Meeting held on 29 July 2016.

<sup>(3)</sup> Based on information obtained from the shareholder, Genesis Asset Managers LLP holds 7,800,773 shares but only 5,922,058 of those carry voting rights. Therefore, it was assumed that the number of shares held by Genesis Asset Managers LLP which do not carry voting rights increases the number of voting rights held by the Alior Bank shareholders.

Based on Resolution No. 3 of the Extraordinary General Shareholders' Meeting, held on 5 May 2016, on increasing the share capital by issuing I-series shares under a closed subscription conducted by way of a public offering, determining the date of the I-series shares subscription date as at 23 May 2016, granting the Supervisory Board competences to give its consent to concluding an underwriting agreement, dematerialize and request admission to granting pre-emptive rights, rights to shares and trading on a regulated market maintained by the Warsaw Stock Exchange and to amending the Articles of Association and authorizing the Supervisory Board to determine the consolidated text of the Articles of Association, passed on 5 May 2016, in the audited period the bank's share capital was increased by 56,550,249 I-series ordinary bearer shares with a nominal value of PLN 10 each. On 24 June 2016 the shares were registered with the National Court Register. Registration was one of the conditions of the share

sale and demerger agreement relating to the spin-off of a part of Bank BPH SA dated 31 March 2016, concluded by and between the Bank and GE Investments Poland sp. z o.o. DRB Holdings B.V and Selective American Financial Enterprises, LLC. the shares were registered by the National Depository of Securities on 27 June 2016.

On 4 November 2016 the District Court for the Capital City of Warsaw, 13th Business Division of the National Court Register made an entry in the register of entrepreneurs concerning the increase of Alior Bank's share capital from the amount of PLN 1,292,577,120.00 to PLN 1,292,577,630.00 through the issue of 51 ordinary bearer series J shares with a nominal value of PLN 10.00 each in connection with the demerger of Bank BPH in accordance with Article 529 § 1 Clause 4 of the Commercial Companies Code.

On 8 November 2016 pursuant to resolution No. 740/16 of the management board of the National Depository for Securities of 8 November 2016, the management board of the NDS has decided to register 51 (fifty one) series J ordinary bearer shares of the Bank with the nominal value of PLN 10.00 (ten) each share, registered as a result of the allocation of shares in the Bank realized pursuant to § 217 of the Detailed Rules of Operation of the NDS by virtue of exchange of the shares in Bank BPH for the Demerger Shares at the ratio 1:0.51 in connection with the division of Bank BPH realized pursuant to Article 529 § 1 Point 4 of the Polish Commercial Companies Code by way of a transfer of a part of assets of Bank BPH to Bank, in the depository for securities kept by the NDS and mark them with the code PLALIOR00045, provided that the Warsaw Stock Exchange, which is the entity operating a regulated market, decides that the Demerger Shares are introduced to trading on the same regulated market which the other shares in the Bank, marked with the code PLALIOR00045, were introduced to trade.

The registration of the Demerger Shares with the depository for securities will be effected within three days of the receipt by the NDS of the documents evidencing the decision of the WSE referred to above; however, not earlier than on the date indicated as the date of the introduction of the Demerger Shares to trading on the regulated market.

In accordance with the Management Board's best knowledge, in the period from submitting the previous periodic report there were no changes in the structure of shareholdings with at least 5% of the total number of voting rights apart from those referred to above.

## 1.4 Information on the composition of the Bank's Management and Supervisory Boards

Composition of the Bank's Management Board as at 30 September 2016 and 31 December 2015:

<b>Wojciech Sobieraj</b>	<b>CEO</b>
<b>Małgorzata Bartler</b>	Deputy CEO
<b>Krzysztof Czuba</b>	Deputy CEO
<b>Joanna Krzyżanowska</b>	Deputy CEO
<b>Witold Skrok</b>	Deputy CEO
<b>Barbara Smalska</b>	Deputy CEO
<b>Katarzyna Sułkowska</b>	Deputy CEO

The composition of the Bank's Management Board did not change in the reporting period.

### Members of the Bank's Management Board who held shares in the Bank as at 30 September 2016

Shareholder	Number of shares/votes	Par value of shares	Interest in share capital	Share in total number of votes
<b>Wojciech Sobieraj</b>	435 296	4 352 960	0,34%	0,34%
<b>Witold Skrok</b>	178 421	1 784 210	0,14%	0,14%
<b>Katarzyna Sułkowska</b>	47 612	476 120	0,04%	0,04%
<b>Krzysztof Czuba</b>	298	2980	0,00%	0,00%

Composition of the Bank's Supervisory Board as at 30 September 2016:

<b>Michał Krupiński</b>	<b>- Chair of the Supervisory Board</b>
Małgorzata Iwanicz-Drozdowska	- Deputy Chair of the Supervisory Board
Dariusz Gątarek	- Member of the Supervisory Board
Stanisław Ryszard Kaczoruk	- Member of the Supervisory Board
Marek Michalski	- Member of the Supervisory Board
Sławomir Niemierka	- Member of the Supervisory Board
Maciej Rapkiewicz	- Member of the Supervisory Board
Paweł Szymański	- Member of the Supervisory Board

Composition of the Bank's Supervisory Board as at 31 December 2015:

<b>Helene Zaleski</b>	<b>- Chair of the Supervisory Board</b>
Przemysław Dąbrowski	- Deputy Chair of the Supervisory Board
Małgorzata Iwanicz-Drozdowska	- Member of the Supervisory Board
Sławomir Dudzik	- Member of the Supervisory Board
Niels Lundorff	- Member of the Supervisory Board
Marek Michalski	- Member of the Supervisory Board
Sławomir Niemierka	- Member of the Supervisory Board
Krzysztof Obłój	- Member of the Supervisory Board

The composition of the Supervisory Board changed in the reporting period due to the end of the second four-year term of office of the Supervisory Board members. In view of the above, on 30 March 2016 the Annual General Shareholders' Meeting appointed the following persons to the Supervisory Board for the new (third) term:

- Mr Dariusz Gątarek;
- Ms Małgorzata Iwanicz-Drozdowska;
- Mr Stanisław Ryszard Kaczoruk;
- Mr Michał Krupiński;
- Mr Marek Michalski;
- Mr Sławomir Niemierka;
- Mr Maciej Rapkiewicz;
- Mr Paweł Szymański.

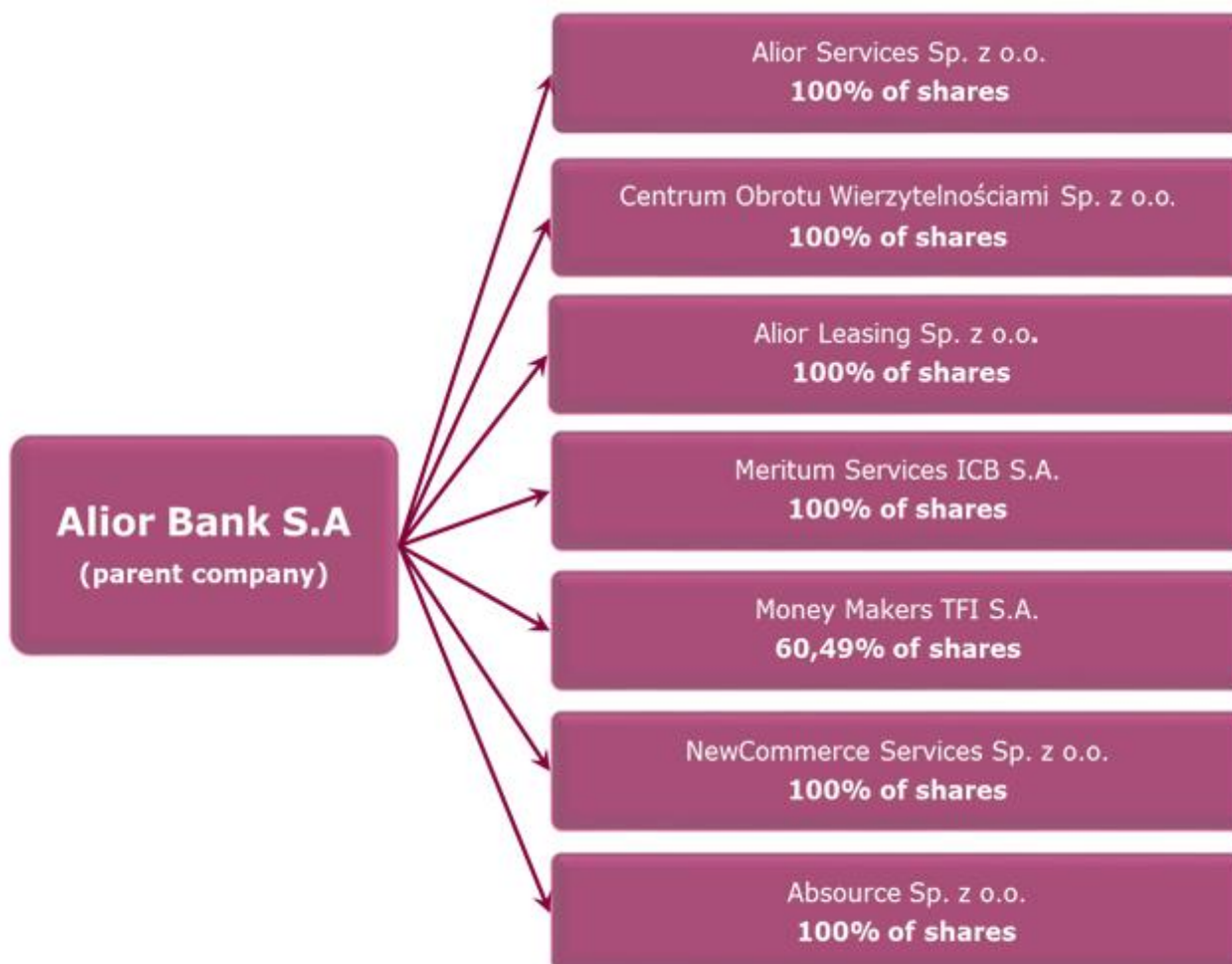
The appointed members of the Bank's Supervisory Board are not engaged in any activities that are competitive to the Bank's activities and are not partners in any competitor partnerships or members of the authorities of any competitor companies or other legal persons.

On 17 June 2016, the Bank's Management Board received a notification pursuant to Art. 160 section 1 of the Act on trading in financial instruments of 29 July 2005 from Prof. Małgorzata Iwanicz – Drozdowska – Member of the Bank's Supervisory Board, with information on the sale, on 16 June 2016, of the Bank's 1,465 shares.

Thus, in accordance with the Bank's Management Board's best knowledge, Members of the Supervisory Board of Alior Bank S.A. no longer hold any of the Bank's shares.

## 1.5 Information about the Alior Bank S.A. Group

The Alior Bank S.A. Group as at 30 September 2016



As at 30 September 2016 the Alior Bank S.A. Group is composed of the following companies: Alior Bank S.A. as the parent company and subsidiaries in which the Bank holds majority interests. In the reporting period, changes were introduced in the structure of the Alior Bank S.A. Group.

On the basis of the share sale agreement signed on 27 January 2016, the Bank purchased 40 shares in Centrum Obrotu Wierzytelnościami Sp. z o.o. from Alior Services Sp. z o.o. As a result, as at 30 September 2016 Alior Bank S.A. held 100% of the shares in Centrum Obrotu Wierzytelnościami Sp. z o.o.

Moreover, on 31 March 2016 the Articles of Association of Absource Sp. z o.o. were signed, in which Alior Bank holds 100% of the shares and 100% of the voting rights at the General Shareholders' Meeting.

The company was registered by the registration court on 4 May 2016.

The consolidated financial statements comprise the financial statements of the Bank and the financial statements of the following companies. The Bank evaluated its exercise of control in accordance with the provisions of IFRS 10 and defined its status as a parent company towards the companies listed below. All subsidiaries are consolidated under the acquisition accounting method.

- **Alior Services Sp. z o.o.:**

Alior Bank holds 100% of the shares and 100% of the total number of votes at the General Shareholders' Meeting of Alior Services Sp. z o.o.

Alior Services Sp. z o.o. (formerly Alior Raty Sp. z o.o.) has the following objectives: (i) pursuing opportunities to sell non-financial products and services; (ii) expanding and increasing the attractiveness of the offer for Private Banking customers to strengthen its competitive position. The operations of Alior Services Sp. z o.o. are focused on: (i) seeking out and gaining external partners for cooperation in offering non-banking services; (ii) arranging business relationships for clients and external partners.

Additionally, the Company pursues projects in the area of insurance, debt collection and cooperation with T-Mobile.

- **Centrum Obrotu Wierzytelnościami Sp. z o.o.:**

Alior Bank holds 100% of the shares and 100% of the total number of votes at the General Shareholders' Meeting of Centrum Obrotu Wierzytelnościami Sp. z o.o.

The core business activities of Centrum Obrotu Wierzytelnościami Sp. z o.o. comprise trading in receivables purchased from Alior Bank. The Company was established in order to optimize the process of selling the Alior Bank's receivables.

- **Alior Leasing Sp. z o.o.:**

Alior Bank holds 100% of the shares and 100% of the total number of votes at the General Shareholders' Meeting of Alior Leasing Sp. z o.o.

The core business operations of Alior Leasing Sp. z o.o. comprise financing property, plant and equipment through operating leases, finance leases and loans.

According to the resolution of the Extraordinary Shareholders' Meeting of 7 September 2016., The share capital of the company were increased up to 15'001'000 zł, ie. by the amount of 1'000 zł. One new share with a nominal value of 1'000 zł took Alior Bank, covering the share with a cash contribution of EUR 15'000'000 zł. The surplus over the nominal value of PLN 14'999'000 zł increased reserve capital. The capital increase was registered on 3 November 2016.

- **Meritum Services ICB S.A.:**

Alior Bank holds 100% of the shares and 100% of the total number of votes at the General Shareholders' Meeting of Meritum Services ICB S.A.



The business activities of Meritum Services ICB S.A. comprise providing IT and computer services and other activities in the area of IT. In 2015, the Company's operations were extended to include the activities of insurance agents and brokers, activities associated with risk assessment and loss adjustment, and other activities auxiliary to insurance and pension funding.

- **Money Makers TFI S.A.:**

Alior Bank holds 60.49% of the shares and 60.49% of the total number of votes at the General Shareholders' Meeting of TFI Money Makers S.A.

Money Makers S.A. is a company formed in 2010, whose activities originally focused on services related to asset management. The Bank's cooperation with the subsidiary Money Makers TFI S.A. covers three areas: asset management (managing portfolios of retail customers / private banking), insurance offers of equity funds, and managing Alior SFIO subfunds. As part of its development plans, the Company transformed from a brokerage house into an investment fund company in early July 2015.

- **NewCommerce Services Sp. z o.o.:**

Alior Bank holds 100% of the shares and 100% of the total number of votes at the General Shareholders' Meeting of NewCommerce Services Sp. z o.o.

Due to the Bank's changing the business terms and conditions of the Project for which the Company was established, currently the Company does not engage in any activities.

- **Absource Sp. z o.o.**

On 31 March 2016, a new company was established: Absource Sp. z o.o. Alior Bank holds 100% of the shares and 100% of the total number of votes at the General Shareholders' Meeting of Absource Sp. z o.o.

Absource Sp. z o.o. has the following objectives: (i) providing services in the area of IT and computer technologies; (ii) providing advisory services in the area of IT; (iii) software activities. The operations of Absource Sp. z o.o. are focused on providing computer software.

On 31 March 2016, Alior Bank signed a Share Sale and Demerger Agreement with the Sellers of Bank BPH – GE Investments Poland sp. z o.o., DRB Holdings B.V. and Selective American Financial Enterprises, Inc. ("Sellers of Bank BPH"), relating to a transaction covering:

- the acquisition of shares constituting a significant interest in Bank BPH by the Bank, by way of a tender offer for the sale or exchange of shares in Bank BPH;
- demerger of Bank BPH pursuant to Art. 529 § 1 (4) of the Commercial Companies Code conducted by way of transfer of the Core Business of Bank BPH to Alior Bank on the terms and conditions described in the demerger plan (Note 39);
- issue of new Alior Bank shares to the shareholders of Bank BPH indicated in the Demerger Plan (i.e. with the exception of Alior Bank, Sellers of Bank BPH and their related entities).

As at the reporting date, Alior Bank, despite holding shares in Bank BPH (as of 24 August 2016), did not control the entity, therefore, as at the reporting date, Bank BPH was not consolidated as part of the Alior Group. The definition of control under IFRS 10 states that an investor controls an investee if it has exposure, or rights, to variable returns from its involvement with the investee and the ability to influence the returns as a result of the ability to use its power over the investee. The source of this power is the ability to direct the relevant activities.

Pursuant to the Share Sale and Demerger Agreement, in the period between the end of the tender offer for the sale of shares in Bank BPH and the earlier of: (i) the Demerger Date and (ii) the date falling six months after the end of the term of the Tender Offer ("Transitional Period"), Alior Bank has undertaken not to exercise any rights following from Bank BPH shares, in recognition of the exceptions stipulated in the Share Sale and Demerger Agreement. In pursuing the above, in the Transition Period the Bank did not place its representatives in the management and supervisory bodies of Bank BPH. In the Transition Period Bank BPH Sellers remained the reference shareholders of Bank BPH.

A detailed description of the acquisition transaction is described in Chapter 39.

## 1.6 Approval of the interim condensed consolidated financial statements

These interim condensed consolidated financial statements of the Alior Bank Spółka Akcyjna Group were approved by the Bank's Management Board on 8 November 2016.

## 1.7 Seasonal or cyclical nature of operations

The Group's operations are not affected by any material events of a seasonal or cyclical nature.

## 2. Accounting policies

### 2.1 Basis for preparation

#### **Scope and comparatives**

The interim condensed consolidated financial statements of the Alior Bank S.A. Group comprise the data of the Bank and its subsidiaries and cover the 9-month period ended 30 September 2016 and the comparatives for the 9-month period ended 30 September 2015 (in the scope of consolidated income statement, consolidated statement of comprehensive income, consolidated statement of financial position, consolidated statement of changes in equity and consolidated cash flow statement) and the comparatives as at 31 December 2015 (in the scope of consolidated statement of financial position and consolidated statement of changes in equity).

The interim condensed consolidated financial statements have been prepared in the Polish zlotys. Unless otherwise stated, the amounts are presented in PLN thousands.

As at the end of 2015, the Group decided to change the presentation of the net interest income on IRS. Since December 2015, interest income and expenses relating to making and

accepting deposits as part of IRS transactions are presented in net interest income/ (expenses), while as at the end of the first, second and third quarters of 2015 they were presented in the trading result. The purpose of this change was to ensure the consistency of the presented result with its economic substance. Therefore, in these interim condensed consolidated financial report for the third quarter of 2016 were restated comparative data for the third quarter of 2015 as shown in the following table:

### Interim condensed consolidated income statement

Items from the income statement	Data from the financial statements as at 30.06.2014		Change		Restated data 30.09.2015	
	01.07.2015-30.09.2015	01.01.2015-30.09.2015	01.07.2015-30.09.2015	01.01.2015-30.09.2015	01.07.2015-30.09.2015	01.01.2015-30.09.2015
Interest income	553 386	1 559 218	61 035	207 664	614 421	1 766 882
Interest expense	-166 565	-455 534	-64 132	-209 910	-230 697	-665 444
<b>Net interest income</b>	<b>386 821</b>	<b>1 103 684</b>	<b>-3 097</b>	<b>-2 246</b>	<b>383 724</b>	<b>1 101 438</b>
<b>Trading result</b>	<b>54 933</b>	<b>191 600</b>	<b>3 097</b>	<b>2 246</b>	<b>58 030</b>	<b>193 846</b>

### Statement of compliance

These interim condensed consolidated financial statements of the Alior Bank Spółka Akcyjna Group for the third quarter of 2016 have been prepared in accordance with the International Accounting Standard 34 "Interim Financial Reporting" as adopted by the European Union as at 30 September 2016.

These financial statements have been prepared in a condensed form and do not include all disclosures required in the annual financial statements.

The interim condensed consolidated income statement, interim condensed consolidated statement of comprehensive income, interim condensed consolidated statement of changes in equity and interim condensed consolidated statement of cash flows for the financial period from 1 January 2016 to 30 September 2016, and interim condensed consolidated statement of financial position as at 30 September 2016 including the comparatives, have been prepared in accordance with the same accounting policies as those applied in the preparation of the last annual financial statements, wherein the tax burden is calculated according to IAS 34.30.c.

### Going concern

The interim condensed consolidated financial statements of the Alior Bank Spółka Akcyjna Group have been prepared on the assumption that the Group will continue in operation as a going concern for a period of at least 12 months after the balance sheet date, i.e. after 30 September 2016.

As at the date of approval of these interim condensed financial statements, the Bank's Management Board is not aware of any circumstances that would have an adverse effect on the Group's operations for any reasons.

## 2.2 Accounting principles

### Changes in accounting standards

The following new and amended standards and interpretations which became binding on 1 January 2016 were applied for the first time to these interim consolidated financial statements:

- Defined contribution plans: Employee contributions – amendments to IAS 19
- Annual improvements to IFRS 2010–2012
- Amendments to IAS 16 and IAS 41 relating to bearer plants
- Amendments to IFRS 11 relating to acquisition of interests in joint operations
- Amendments to IAS 16 and IAS 38 relating to depreciation
- Annual improvements to IFRS 2012–2014
- Amendments to IAS 1
- Amendments to IAS 27 relating to the equity method in separate financial statements

Amendments to published standards and interpretations which became binding on or after 1 January 2016 did not have an impact on these interim condensed consolidated financial statements.

These interim condensed consolidated financial statements do not account for the amendments, standards and interpretations which await endorsement by the European Union, but became – or will become – binding after the end of the reporting period. The scope of those amendments, standards and interpretations was presented in the consolidated financial statements of the Alior Bank Group for 2015.

Below, please find the amendments, standards and interpretations which were published after the publication of the consolidated financial statements of the Alior Bank Group for 2015, but have not yet been endorsed by the European Union. The impact of implementation of these amendments, standards and interpretations on the interim condensed consolidated financial statements of the Bank's Group have not yet been assessed.

### **New standards and interpretations, which have been published but are not yet effective**

After the date of publication of the annual financial statements the following standards were issued by the International Accounting Standards Board or the International Financial Reporting Interpretations Committee, but are not yet effective:

- Amendments to IFRS 2 – the amendment, among other thing, introduces guidelines for measuring fair value of liabilities resulting from share-related transactions settled in cash, guidelines on the change in classification from share-based transactions settled in equity instruments and guidelines on the recognition of tax liabilities by employees on share-based transactions; this amendment will apply to financial statements prepared after 1 January 2018.
- Amendments to IFRS 4 - changes aim to provide clarification of doubts arising from different dates of entry into force of IFRS 9 and the new standard on insurance contracts, the change will apply to financial statements prepared after 1 January 2018.

The Management Board does not anticipate that the introduction of the above amendment should have a significant effect on the accounting policies adopted by the Group

### 3. Operating segments

The Group divides its operations into the following business segments for the purpose of management accounting:

- retail segment;
- business segment;
- treasury activity;
- reconciliation items.

The Group provides services to retail (individual) and business customers, offering them a full range of banking services.

The basic products for retail customers comprise:

- lending products: cash loans, credit cards, overdraft facilities, housing loans;
- deposit products: term deposits, savings accounts;
- brokerage products and investment funds;
- personal accounts;
- transaction services: cash deposits and withdrawals, transfers;
- FX transactions.

The basic products for business customers comprise:

- lending products: overdraft facilities, working capital loans, investment loans, credit cards;
- deposit products: term deposits;
- current and auxiliary accounts;
- transaction services: cash deposits and withdrawals, transfers;
- treasury products: FX transactions (also at set date), derivatives.

The basic element of segment analysis is the profitability of the Retail Segment and Business Segment. The profitability includes:

- margin revenue decreased by financing costs (a rate at which a branch makes settlements with the Interbank Transactions Office);
- commission income;
- income from treasury and foreign exchange transactions concluded by customers;
- other operating income and expenses.

Revenues of the retail segment also include revenues from the sale of brokerage products (such as revenues from maintaining brokerage accounts, agency services in trading in securities and revenue from distribution of investment fund units).

Revenues of the business segment also include revenues from the car loans portfolio.

The *Treasury Activity* segment covers the results on managing the global position – the liquidity and currency positions – arising from the activities of the Bank.

Reconciliation items include:

- internal net interest income/(expenses) calculated on net impairment losses;
- reconciliation of the presentation of incremental costs for management reporting purposes by deducting the amount relating to incremental costs from the commission income presented in business segments;
- commission costs not allocated to business units (including cash management fees, ATM sharing commission, domestic and foreign transfers);
- other operating income and expenses not related directly to business segments.

### Results and volumes by segments for the third quarter ended 30 September 2016

Segment report	Retail customers	Corporate customers	Treasury	Total corporate segments	Other	Total Bank
<b>External interest income</b>	<b>859 266</b>	<b>389 037</b>	<b>96 316</b>	<b>1 344 619</b>	<b>2 558</b>	<b>1 347 177</b>
external income	1 116 655	589 301	372 171	2 078 127	2 784	2 080 911
external expense	-257 389	-200 264	-275 855	-733 508	-226	-733 734
<b>Internal interest income</b>	<b>-2 410</b>	<b>-8 748</b>	<b>17 437</b>	<b>6 279</b>	<b>-6 279</b>	<b>0</b>
internal income	400 820	179 474	861 523	1 441 817	-928	1 440 889
internal expense	-403 230	-188 222	-844 086	-1 435 538	-5 351	-1 440 889
<b>Net interest income</b>	<b>856 856</b>	<b>380 289</b>	<b>113 753</b>	<b>1 350 898</b>	<b>-3 721</b>	<b>1 347 177</b>
Fee and commission income	144 526	201 186	316	346 028	64 566	410 594
Fee and commission expense	-71 464	-663	-6 072	-78 199	-92 815	-171 014
<b>Net fee and commission income</b>	<b>73 062</b>	<b>200 523</b>	<b>-5 756</b>	<b>267 829</b>	<b>-28 249</b>	<b>239 580</b>
<b>Dividend income</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>51</b>	<b>51</b>
<b>Trading result</b>	<b>2 948</b>	<b>39 732</b>	<b>190 629</b>	<b>233 309</b>	<b>-23 996</b>	<b>209 313</b>
<b>Net gain (realized) on other financial instruments</b>	<b>75 054</b>	<b>87 843</b>	<b>-141 985</b>	<b>20 912</b>	<b>68</b>	<b>20 980</b>
Other operating income	84 691	3 704	1	88 396	-38 334	50 062
Other operating expenses	-8 310	0	-65	-8 375	-27 726	-36 101
<b>Net other operating income</b>	<b>76 381</b>	<b>3 704</b>	<b>-64</b>	<b>80 021</b>	<b>-66 060</b>	<b>13 961</b>
<b>Total result before impairment losses</b>	<b>1 084 301</b>	<b>712 091</b>	<b>156 577</b>	<b>1 952 969</b>	<b>-121 907</b>	<b>1 831 062</b>
<b>Impairment losses</b>	<b>-337 537</b>	<b>-192 779</b>	<b>0</b>	<b>-530 316</b>	<b>-17 547</b>	<b>-547 863</b>
<b>Total result after impairment losses</b>	<b>746 764</b>	<b>519 312</b>	<b>156 577</b>	<b>1 422 653</b>	<b>-139 454</b>	<b>1 283 199</b>
<b>General administrative expenses</b>	<b>-698 367</b>	<b>-247 726</b>	<b>-2 455</b>	<b>-948 548</b>	<b>0</b>	<b>-948 548</b>
<b>Gross profit (loss)</b>	<b>48 397</b>	<b>271 586</b>	<b>154 122</b>	<b>474 105</b>	<b>-139 454</b>	<b>334 651</b>
Income tax	0	0	0	0	-85 978	-85 978
<b>Net profit (loss)</b>	<b>48 397</b>	<b>271 586</b>	<b>154 122</b>	<b>474 105</b>	<b>-225 432</b>	<b>248 673</b>

Assets	27 160 461	17 542 967	24 976	44 728 403	1 853 136	<b>46 581 539</b>
Liabilities	26 316 121	14 353 607	8 410	40 678 138	25 793	<b>40 703 931</b>

### Results and volumes by segments for the third quarter ended 30 September 2015

Segment report	Retail customers	Corporate customers	Treasury	Total corporate segments	Other	Total Bank
<b>External interest income</b>	<b>750 369</b>	<b>255 409</b>	<b>101 594</b>	<b>1 107 372</b>	<b>-5 934</b>	<b>1 101 438</b>
external income	982 132	399 252	391 881	1 773 265	-6 383	1 766 882
external expense	-231 763	-143 843	-290 287	-665 893	449	-665 444
<b>Internal interest income</b>	<b>32 404</b>	<b>31 228</b>	<b>-14 980</b>	<b>48 652</b>	<b>-48 652</b>	<b>0</b>
internal income	323 450	191 260	672 703	1 187 413	-46 350	1 141 063
internal expense	-291 046	-160 032	-687 683	-1 138 761	-2 302	-1 141 063

<b>Net interest income</b>	<b>782 773</b>	<b>286 637</b>	<b>86 614</b>	<b>1 156 024</b>	<b>-54 586</b>	<b>1 101 438</b>
Fee and commission income	143 440	182 907	686	327 033	78 337	405 370
Fee and commission expense	-67 836	-687	-260	-68 783	-84 369	-153 152
<b>Net fee and commission income</b>	<b>75 604</b>	<b>182 220</b>	<b>426</b>	<b>258 250</b>	<b>-6 032</b>	<b>252 218</b>
<b>Dividend income</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>64</b>	<b>64</b>
<b>Trading result</b>	<b>-53 195</b>	<b>38 235</b>	<b>208 800</b>	<b>193 840</b>	<b>6</b>	<b>193 846</b>
<b>Net gain (realized) on other financial instruments</b>	<b>120 168</b>	<b>86 247</b>	<b>-199 089</b>	<b>7 326</b>	<b>164</b>	<b>7 490</b>
Other operating income	139 474	2 865	2	142 341	-74 151	68 190
Other operating expenses	-8 090	-203	-454	-8 747	-19 361	-28 108
<b>Net other operating income</b>	<b>131 384</b>	<b>2 662</b>	<b>-452</b>	<b>133 594</b>	<b>-93 512</b>	<b>40 082</b>
<b>Total result before impairment losses</b>	<b>1 056 734</b>	<b>596 001</b>	<b>96 299</b>	<b>1 749 034</b>	<b>-153 896</b>	<b>1 595 138</b>
<b>Impairment losses</b>	<b>-339 996</b>	<b>-128 758</b>	<b>0</b>	<b>-468 754</b>	<b>-8 472</b>	<b>-477 226</b>
<b>Total result after impairment losses</b>	<b>716 738</b>	<b>467 243</b>	<b>96 299</b>	<b>1 280 280</b>	<b>-162 368</b>	<b>1 117 912</b>
<b>General administrative expenses</b>	<b>-587 177</b>	<b>-193 714</b>	<b>-1 922</b>	<b>-782 813</b>	<b>0</b>	<b>-782 813</b>
<b>Gross profit (loss)</b>	<b>129 561</b>	<b>273 529</b>	<b>94 377</b>	<b>497 467</b>	<b>-162 368</b>	<b>335 099</b>
Income tax	0	0	0	0	-65 529	-65 529
<b>Net profit (loss)</b>	<b>129 561</b>	<b>273 529</b>	<b>94 377</b>	<b>497 467</b>	<b>-227 897</b>	<b>269 570</b>

Assets	22 422 393	14 608 721	19 852	37 050 966	253 294	<b>37 304 260</b>
Liabilities	22 073 844	11 741 080	6 194	33 821 118	12 806	<b>33 833 924</b>

## Notes to the interim condensed consolidated income statement

### 4. Net interest income

<b>4.1 Net interest income by entity</b>	<b>01.01.2016- 30.09.2016</b>	<b>01.01.2015- 30.09.2015</b>
<b>Interest income</b>	<b>2 080 911</b>	<b>1 766 882</b>
financial sector	310 126	300 108
non-financial sector	1 698 410	1 417 585
central and local government institutions	72 375	49 189
<b>Interest expense</b>	<b>-733 734</b>	<b>-665 444</b>
financial sector	-363 530	-345 408
non-financial sector	-354 717	-317 140
central and local government institutions	-15 487	-2 896
<b>Net interest income</b>	<b>1 347 177</b>	<b>1 101 438</b>

<b>4.2 Net interest income by product</b>	<b>01.01.2016- 30.09.2016</b>	<b>01.01.2015- 30.09.2015</b>
<b>Interest income</b>	<b>2 080 911</b>	<b>1 766 882</b>
Interest income from financial instruments measured at amortized cost including the effective interest rate method	1 748 623	1 445 098
term deposits	1 306	0
loans	1 628 920	1 353 215
financial assets available for sale	92 365	68 117
receivables acquired	14 845	20 820
other	11 187	2 946
Other interest income	332 288	321 784
current accounts	13 237	11 243
overnight deposits	686	1 025
derivatives	318 365	309 516
<b>Interest expense</b>	<b>-733 734</b>	<b>-665 444</b>

Interest expense from financial instruments measured at amortized cost including the effective interest rate method	-415 608	-355 401
term deposits	-310 978	-267 227
repo transactions in securities	-9 217	-11 837
cash deposits	-2 744	-1 586
own issue	-90 806	-72 637
other	-1 863	-2 114
Other interest expense	-318 126	-310 043
current deposits	-27 036	-30 052
derivatives	-291 090	-279 991
<b>Net interest income</b>	<b>1 347 177</b>	<b>1 101 438</b>

Interest income comprises mainly interest on loans , interest and discount on bonds and interest from transactions IRS/ CIRS. Interest expenses relate mainly to term deposits for retail banking customers and interest expenses from transactions IRS/ CIRS

## 5. Net fee and commission income

	01.01.2016- 30.09.2016	01.01.2015- 30.09.2015
<b>Fee and commission income</b>	<b>410 594</b>	<b>405 370</b>
brokerage commissions	47 026	52 604
payment cards	72 392	65 972
revenue from bancassurance activity	63 344	70 985
loans and advances	43 938	51 755
accounts maintenance	79 825	63 045
transfers	27 683	26 929
remittances and withdrawals services	18 204	15 878
acquired receivables	5 989	9 359
guarantees, letters of credit, collections, promises	10 670	10 763
other commissions	41 523	38 080
<b>Fee and commission expense</b>	<b>-171 014</b>	<b>-153 152</b>
brokerage commissions	-2 674	-2 919
costs of card transactions and ATM , including costs of payment card issue	-50 838	-44 281
insurance of bank products	-18 896	-18 368
commissions for ATM sharing	-15 802	-17 668
fees paid under service agreements	-7 428	-7 453
compensation and awards to customers	-17 634	-12 706
commissions paid to agents	-19 659	-16 162
assistance services	-3 474	-3 511
costs of customers acquisition	-4 779	-3 592
other commissions	-29 830	-26 492
<b>Net fee and commission income</b>	<b>239 580</b>	<b>252 218</b>

In August 2016. Group obtained a license for trust business. The Group's intention is to start operations within six months from the date of authorization.

## 6. Trading result

	01.01.2016- 30.09.2016	01.01.2015- 30.09.2015
Foreign exchange transactions result	162 832	157 068
Interest rate transactions result	41 524	34 875



Ineffective part of hedge accounting	-519	1 000
Other financial instruments result	5 476	903
<b>Trading result</b>	<b>209 313</b>	<b>193 846</b>

The result on foreign exchange transactions includes the results on: forex, SWAP (FX swap and CIRS with capital exchange), FX forward, currency options and revaluation of assets and liabilities expressed in foreign currencies.

The result on interest rate transactions includes the results on: interest rate swaps, FRA, and result on interest rate options (CAP/FLOOR).

The result on other financial instruments is the result on trading in equity securities, the result on commodity derivatives (including forwards and futures), the result on options for exchange indices, index baskets and commodities.

## 7. Net result realized on other financial instruments

	01.01.2016- 30.09.2016	01.01.2015- 30.09.2015
Financial assets available for sale	20 237	7 626
Own issue	739	-140
income from re-purchase	778	413
losses on repurchase	-39	-553
Investment certificates	4	4
<b>Net gain realized on other financial instruments</b>	<b>20 980</b>	<b>7 490</b>

## 8. Net other operating income

	01.01.2016- 30.09.2016	01.01.2015- 30.09.2015
<b>Other operating income from:</b>	<b>50 062</b>	<b>68 190</b>
management of third party assets	10 224	6 236
fees paid by counterparts	3 218	14 400
acquisition of receivables	0	8 116
reimbursement of litigation costs	16 274	15 256
refunding costs	12 057	0
operating risk	1 621	643
other	6 668	23 539
<b>Other operating expenses due to:</b>	<b>-36 101</b>	<b>-28 108</b>
management of third party assets	-1 061	-1 574
paid compensations, fines and penalties	-602	-2 535
awards given to customers	-1 178	-456
compensations received	-4 601	-13 845
litigation costs	-11 739	-6 935
other	-16 920	-2 763
<b>Net other operating income and expense</b>	<b>13 961</b>	<b>40 082</b>

## 9. General administrative expenses

	01.01.2016- 30.09.2016	01.01.2015- 30.09.2015
<b>Payroll costs</b>	<b>-454 891</b>	<b>-425 278</b>
remuneration due to employment contracts	-382 672	-350 748
remuneration surcharges	-67 218	-64 608
share-based payments	0	-2 663
other	-5 001	-7 259

<b>General and administrative costs</b>	<b>-328 398</b>	<b>-289 601</b>
IT costs	-35 987	-31 712
lease and building maintenance expenses	-98 727	-105 140
marketing costs	-36 311	-36 634
training costs	-14 254	-8 202
cost of advisory services	-30 472	-15 191
costs of Banking Guarantee Fund	-56 400	-44 910
lease of property, plant and equipment and intangible assets	-3 139	-2 568
costs of telecommunications services	-10 442	-11 195
external services	-24 819	-19 396
other	-17 847	-14 653
<b>Amortization and depreciation</b>	<b>-70 669</b>	<b>-62 823</b>
property, plant and equipment	-42 499	-37 609
intangible assets	-28 170	-25 214
<b>Taxes and fees</b>	<b>-6 980</b>	<b>-5 111</b>
<b>Total general administrative expenses</b>	<b>-860 938</b>	<b>-782 813</b>

Since 1 January 2015, the financial statements (including interim financial statements) have been prepared taking into account Interpretation no. 21 issued by the International Financial Reporting Interpretations Committee. However, there were certain doubts as to the manner of application of this Interpretation to the mandatory payments made by banks to the Bank Guarantee Fund (BGF). For this reason, the Polish Financial Supervision Authority issued a statement (of 12 February 2015), confirmed by the statement of the Ministry of Finance (of 11 February 2015), recommending that the banks spread the annual payments to the BGF over time (over a period of one year). This approach was consistent with the solution applied by the Group in previous periods. The total cost of the mandatory and prudential payments to the BGF in 2015 amounted to PLN 60,936 thousand, including PLN 42 805 thousand recognized in the costs of the period ended 30 September 2015.

In 2016, the Group recognized the costs of yearly fees payable to BGF pursuant to the provisions of Interpretation No. 21. The amendment to the BGF Act introduced in March 2016 changed the method of calculation and payment of the mandatory BGF contributions to the quarterly cycle (this change enters into force in the 1st quarter of 2016). As a result, the mandatory payments calculated for the third quarter of 2016 of PLN 56 400 thousand were recognized in the costs of the period ended 30 September 2016.

## 10. Net impairment allowance and write-downs

	01.01.2016- 30.09.2016	01.01.2015- 30.09.2015
Impairment losses on impaired loans and advances to customers	-506 679	-469 982
financial sector	-1 824	-3 551
non-financial sector	-504 855	-466 431
retail customers	-329 982	-308 214
business customers	-174 873	-158 217
Debt securities - assets available for sale	-6 974	0
IBNR for customers without impairment losses	-17 563	909
financial sector	-25	15
non-financial sector	-17 538	894
retail customers	-12 523	251
business customers	-5 015	643
Off-balance reserve	-2 036	-491
Property, plant and equipment and intangible assets	-14 611	-7 662
<b>Net impairment losses &amp; provisions</b>	<b>-547 863</b>	<b>-477 226</b>

## 11. Corporate income tax

11.1 Presented in the income statement	01.01.2016- 30.09.2016	01.01.2015- 30.09.2015
Current tax	192 060	126 909
current year	192 060	126 909
Deferred tax	-106 082	-61 380
origination and reversal of temporary differences	-106 082	-61 380
<b>Accounting tax recognized in the income statement</b>	<b>85 978</b>	<b>65 529</b>

11.2 Effective tax rate calculation	01.01.2016- 30.09.2016	01.01.2015- 30.09.2015
<b>Profit before tax</b>	<b>334 651</b>	<b>335 099</b>
<b>Income tax at 19%</b>	<b>63 585</b>	<b>63 669</b>
<b>Non-tax deductible expenses</b>	<b>22 810</b>	<b>12 154</b>
Representation costs	105	89
State Fund for Rehabilitation of Persons with Disabilities	806	864
Impairment losses on loans in the part not covered with deferred tax	45	3 924
Prudential charge to BFG	3 435	3 465
Bank tax	16 646	0
Costs of provisions for management options	0	506
Donations	2	2
Other	1 771	3 304
<b>Non-taxable revenues</b>	<b>-1 411</b>	<b>-6 299</b>
Release of loan impairment allowances in the part not covered with the deferred tax	-6	-72
Dividends received	0	-2
Other	-1 405	-6 225
<b>Recognition of tax loss</b>	<b>762</b>	<b>647</b>
<b>Recognition of assets related to contribution of receivables to Obrót Wierzytelnościami Alior Polska sp. z o.o. S.K.A.</b>	<b>232</b>	<b>0</b>
<b>Other</b>	<b>0</b>	<b>-4 642</b>
<b>Accounting tax recognized in the income statement</b>	<b>85 978</b>	<b>65 529</b>
<b>Effective tax rate</b>	<b>25,69%</b>	<b>19,56%</b>

## 12. Earnings per share

	01.01.2016- 30.09.2016	01.01.2015- 30.09.2015
Net profit	248 673	269 570
Weighted average number of ordinary shares	93 139 852	71 878 989
Share options (number) - adjusting instrument	2 979 272	3 139 189
Adjusted weighted average number of shares	96 119 124	75 018 178
<b>Net earnings per ordinary share (PLN)</b>	<b>2,67</b>	<b>3,75</b>
<b>Dilluted earnings per one share (PLN)</b>	<b>2,59</b>	<b>3,59</b>

Notes to the interim condensed consolidated statement of financial position

## 13. Cash and balances with the Central Bank

	As at 30.09.2016	As at 31.12.2015
Current account with the Central Bank	1 103 883	1 559 981
Cash	181 487	190 154
<b>Cash and balances with the central bank</b>	<b>1 285 370</b>	<b>1 750 135</b>

## 14. Available-for-sale financial assets

14.1 By type	As at 30.09.2016	As at 31.12.2015
<b>Debt instruments</b>	<b>5 375 789</b>	<b>4 239 445</b>
issued by the State Treasury	4 881 087	3 773 380
T-bonds	4 881 087	3 773 380
issued by monetary institutions	46 051	0
Eurobonds	46 051	0
issued by other financial institutions	154 669	176 995
bonds	60 500	60 486
Eurobonds	94 169	116 509
issued by companies	293 982	289 070
bonds	293 982	289 070
<b>Equity instruments</b>	<b>18 688</b>	<b>13 674</b>
<b>Available-for-sale financial assets</b>	<b>5 394 477</b>	<b>4 253 119</b>

14.2 By maturity	As at 30.09.2016	As at 31.12.2015
without set maturity date	18 689	13 675
≤ 1M	486 913	0
> 1M ≤ 3M	16 914	17 088
> 3M ≤ 6M	430 040	254 486
> 6M ≤ 1Y	476 582	366 016
> 1Y ≤ 2Y	1 293 317	1 134 855
> 2Y ≤ 5Y	2 055 938	1 940 564
> 5Y ≤ 10Y	616 084	526 435
<b>Available-for-sale financial assets</b>	<b>5 394 477</b>	<b>4 253 119</b>

14.3 Impairment allowance on debt instruments	As at 30.09.2016		As at 31.12.2015	
	Gross amount	Impairment allowance	Gross amount	Impairment allowance
Bonds issued by companies	90 992	21 446	101 122	14 472

14.4 Change in the balance of debt instruments impairment allowances	As at 30.09.2016	As at 30.09.2015
Opening balance	14 472	6 491
Changes during the year:	6 974	0
Increases	6 981	0
Decreases	-7	0
<b>Impairment allowances at the end of the period</b>	<b>21 446</b>	<b>6 491</b>

The schedules below show the hierarchy of the measurement methods of available-for-sale financial assets measured at fair value as at 30 September 2016 and comparative data as at 31 December 2015.

In accordance with IFRS 13, the Group classified:

- to level 1 – all securities for which quotations are available from active financial markets.

This group includes mainly debt Treasury securities. The fair value is determined based on the purchase price from the quotations on the interbank market, brokers' quotations and BondSpot quotations.

- to level 2 – instruments for which prices are not directly observable, but the prices used for measurement are based on market quotations.

This group includes NBP bills and debt commercial securities.

Fair value is determined based on the discounted cash flows method which assumes the structure of yield curves based on quotations of profitabilities of securities from the interbank market.

Debt commercial securities are measured based on yield curves adjusted for the credit spread, provided that such spread can be determined based on observable market quotations, e.g. quotations of credit swap transactions.

This level also includes debt commercial securities quoted on the stock markets and characterized by low trading volumes on the stock market.

- to level 3 – instruments for which at least one of the factors which impact the price is not observable on the market.

This group shows the Bank's position in debt commercial securities whose fair value is impacted not only by the parameters resulting from market quotations, but also by the credit spread amount, which is not observable. Spread is determined based on the primary market price or the price at the moment of concluding the transaction. It is subject to periodical revaluation in the periods when reliable market quotations occur or prices are obtained from transactions that are comparable in terms of volume. The amount of spread also changes on the basis of information about changes in the issuer's financial standing. As at the end of the third quarter of 2016, sensitivity of valuation of such assets to credit spread increases of 1 base point amounted to PLN 105 thousand.

In the period from 01.01-30.09.2016 one security paper shifted from Level III to Level I in connection with the existing quotation on an active market.

14.5 Fair value	As at 30.09.2016	As at 31.12.2015
<b>Level 1</b>	<b>5 021 738</b>	<b>3 889 889</b>
Instrumenty kapitałowe	431	0
T-bonds	4 881 087	3 773 380
Other bonds	140 220	116 509
<b>Level 3</b>	<b>372 739</b>	<b>363 230</b>
Equity instruments	18 257	13 674
Other bonds	354 482	349 556
<b>Valuation of available for sale financial assets by level</b>	<b>5 394 477</b>	<b>4 253 119</b>

14.6 Movements on financial assets available for sale classified as level 3	As at 30.09.2016	As at 30.09.2015
<b>Opening balance</b>	<b>363 230</b>	<b>374 601</b>

Reclassification	-46 051	0
<b>Increases, including</b>	<b>90 714</b>	<b>68 707</b>
Acquisition	90 677	65 961
Fair value adjustment	0	61
Foreign exchange differences	37	655
<b>Decreases, including</b>	<b>-35 154</b>	<b>-59 550</b>
Sale	-23 830	-59 550
Other changes recognised in income statement	-11 093	0
Fair value adjustment	-231	0
<b>Financial assets available for sale classified as level 3 at the end of the period</b>	<b>372 739</b>	<b>383 758</b>

The measurement of available-for-sale assets is presented in the revaluation reserve, interest and discount income is presented in interest income, and profit/(loss) from sales is presented in the result on other financial instruments.

## 15. Loans and advances to customers

15.1 By type	As at 30.09.2016	As at 31.12.2015
<b>Retail segment</b>	<b>20 063 410</b>	<b>17 595 314</b>
Working capital facility	173 990	167 635
Consumer loans	9 696 361	8 699 017
Consumer finance loans	1 085 204	748 948
Loans for purchase of securities	107 124	119 069
Credit card borrowings loans	221 036	225 629
Loans for residential real estate	7 939 174	6 717 911
Other mortgage loans	818 209	896 008
Other receivables	22 312	21 097
<b>Corporate segment</b>	<b>15 025 481</b>	<b>13 311 743</b>
Working capital facility	7 931 019	7 308 603
Car loans	43 251	70 394
Investment loans	6 191 164	5 481 578
Acquired receivables	502 095	376 403
Lease receivables	325 796	52 330
Other receivables	32 156	22 435
<b>Amounts due from customers</b>	<b>35 088 891</b>	<b>30 907 057</b>

15.2 By gross amounts and carrying amounts	As at 30.09.2016	As at 31.12.2015
<b>Retail segment</b>	<b>20 063 410</b>	<b>17 595 314</b>
Loans for residential real estate	7 939 173	6 717 911
unimpaired	7 805 400	6 593 746
impaired	202 856	189 075
IBNR	-3 907	-4 811
Impairment allowance	-65 176	-60 099
Consumer finance loans	1 085 205	748 947
unimpaired	1 072 095	737 841
impaired	58 426	50 221

IBNR	-1 897	-1 456
Impairment allowance	-43 419	-37 659
Other retail loans	11 039 032	10 128 456
unimpaired	10 587 467	9 732 180
impaired	1 778 202	1 378 919
IBNR	-133 755	-120 367
Impairment allowance	-1 192 882	-862 276
<b>Corporate segment</b>	<b>15 025 481</b>	<b>13 311 743</b>
unimpaired	14 230 918	12 734 442
impaired	1 811 483	1 428 322
IBNR	-44 538	-39 589
Impairment allowance	-972 382	-811 432
<b>Amounts due from customers</b>	<b>35 088 891</b>	<b>30 907 057</b>

<b>15.3 Receivables from customers impaired</b>	<b>As at 30.09.2016</b>	<b>As at 31.12.2015</b>
<b>Receivables from customers individually assessed</b>	<b>739 879</b>	<b>546 026</b>
<b>Retail segment</b>	<b>1 131</b>	<b>9 512</b>
Amounts due from customers	9 190	87 157
Impairment allowance	-8 059	-77 645
<b>Corporate segment</b>	<b>738 748</b>	<b>536 514</b>
Amounts due from customers	1 391 488	1 095 419
Impairment allowance	-652 740	-558 905
<b>Receivables from customers collectively assessed</b>	<b>837 229</b>	<b>729 045</b>
<b>Retail segment</b>	<b>736 876</b>	<b>648 669</b>
Amounts due from customers	2 030 294	1 531 058
Impairment allowance	-1 293 418	-882 389
<b>Corporate segment</b>	<b>100 353</b>	<b>80 376</b>
Amounts due from customers	419 995	332 903
Impairment allowance	-319 642	-252 527
<b>Receivables from customers impaired</b>	<b>1 577 108</b>	<b>1 275 071</b>

<b>15.4 Change in the balance of receivables impairment allowances and IBNR</b>	<b>As at 30.09.2016</b>	<b>Stan 30.09.2015</b>
Opening balance	1 937 689	1 289 770
Changes due to the acquisition of a subsidiary	0	415 028
Changes during the year:	524 242	469 072
Increases	1 302 565	1 608 081
Retail segment	922 307	1 281 964
Corporate segment	380 258	326 117
Decreases	-778 323	-1 139 009
Retail segment	-579 802	-974 002
Corporate segment	-198 521	-165 007
Transfer to costs	-36 503	-414 119
Other changes	32 528	809

<b>Impairment allowances and IBNR at the end of the period</b>	<b>2 457 956</b>	<b>1 760 560</b>
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The provision for losses incurred but not reported (IBNR) amounted to: PLN 184,097 thousand as at 30 September 2016, PLN 166,223 thousand as at 31 December 2015.

<b>15.5 By maturity (as at the balance sheet date)</b>	<b>As at 30.09.2016</b>	<b>As at 31.12.2015</b>
<b>Retail segment</b>	<b>20 063 410</b>	<b>17 595 314</b>
≤ 1M	2 252 943	2 013 348
> 1M ≤ 3M	498 632	389 891
> 3M ≤ 6M	621 433	547 084
> 6M ≤ 1Y	1 084 823	1 007 076
>1Y ≤ 2Y	1 769 518	1 534 368
>2Y ≤ 5Y	3 885 092	3 473 595
>5Y ≤ 10Y	4 186 723	3 554 046
>10Y ≤ 20Y	3 264 603	2 819 119
>20Y	2 499 643	2 256 787
<b>Corporate segment</b>	<b>15 025 481</b>	<b>13 311 743</b>
≤ 1M	5 449 977	4 759 780
> 1M ≤ 3M	573 472	761 825
> 3M ≤ 6M	490 934	598 804
> 6M ≤ 1Y	978 540	1 143 844
>1Y ≤ 2Y	1 533 011	1 308 770
>2Y ≤ 5Y	3 158 813	2 300 565
>5Y ≤ 10Y	2 032 790	1 822 681
>10Y ≤ 20Y	807 944	615 474
<b>Amounts due from customers</b>	<b>35 088 891</b>	<b>30 907 057</b>

<b>15.6 By currency</b>	<b>As at 30.09.2016</b>	<b>As at 31.12.2015</b>
<b>Retail segment</b>	<b>20 063 410</b>	<b>17 595 314</b>
PLN	18 647 226	16 343 892
EUR	1 042 685	933 316
GBP	167 662	124 376
USD	31 350	20 706
CHF	174 340	173 018
Other	147	6
<b>Corporate segment</b>	<b>15 025 481</b>	<b>13 311 743</b>
PLN	12 142 666	10 652 190
EUR	2 743 904	2 559 286
GBP	11 388	5 210
USD	97 676	61 924
CHF	29 847	33 133
Other	0	0
<b>Total receivables</b>	<b>35 088 891</b>	<b>30 907 057</b>

Loans in CHF comprised 0.6% of the total amount of loan receivables as at 30 September 2016 and 0.7% as at 31 December 2015.



15.7 Ten largest borrowers	Currency	As at 31.03.2016
Company 1	EUR,PLN	236 999
Company 2	EUR	141 307
Company 3	EUR	140 828
Company 4	PLN	125 957
Company 5	PLN	116 877
Company 6	EUR	111 311
Company 7	PLN	109 965
Company 8	PLN	109 892
Company 9	PLN	106 038
Company 10	EUR,PLN	104 177

15.8 Ten largest borrowers	Currency	As at 31.12.2015
Company 1	EUR,PLN	242 414
Company 2	EUR	234 544
Company 3	PLN	149 776
Company 4	EUR	144 458
Company 5	PLN	129 233
Company 6	PLN	123 952
Company 7	PLN	120 873
Company 8	EUR	113 248
Company 9	PLN	112 744
Company 10	PLN	97 351

The two tables above present the loan balance at its nominal value.

## 16. Amounts due from banks

16.1 By type	As at 30.09.2016	As at 31.12.2015
Current accounts	493 542	339 444
Term deposits	14 603	115 538
Deposits as derivative transactions (ISDA) collateral	133 438	171 406
Other	14 485	18 941
<b>Amounts due from banks</b>	<b>656 068</b>	<b>645 329</b>

16.2 By maturity (as at the balance sheet date)	As at 30.09.2016	As at 31.12.2015
≤ 1M	656 068	643 159
> 1M ≤ 3M	0	2 065
> 3M ≤ 6M	0	105
<b>Amounts due from banks</b>	<b>656 068</b>	<b>645 329</b>

16.3 By currency	As at 30.09.2016	As at 31.12.2015
PLN	18 299	28 599
EUR	245 329	126 831
GBP	77 171	86 572

USD	129 684	183 566
CHF	11 345	75 986
Other currencies	174 240	143 775
<b>Amounts due from banks</b>	<b>656 068</b>	<b>645 329</b>

Forward repo/reverse repo transactions are concluded by the Group to optimize current liquidity management; therefore, they are classified exclusively to the banking portfolio. Occasional transactions appearing in the trading book result from risk-free arbitrage. Repo and reverse repo transactions are short-term and mature not later than within one month; they are concluded mainly in PLN, or, much less frequently, in EUR and USD. Net balances of repo and reverse repo transactions which mature within one month are included in the Group's liquidity buffer (liquid assets). As at the end of September 2016 the Group did not have any reverse repo transactions.

The security deposits granted relate to security transferred to other banks under the settlements related to CSA (Credit Support Annex).

## 17. Other assets

17.1 Other assets	As at 30.09.2016	As at 31.12.2015
<b>Sundry debtors</b>	<b>259 689</b>	<b>369 816</b>
Other settlements	94 976	91 423
Receivables related to the sale of goods and services (including insurance)	69 217	117 761
Guarantee deposits	12 723	11 942
Settlements of payment cards	82 773	148 690
<b>Deferred costs</b>	<b>41 461</b>	<b>34 702</b>
Settlements of rental charges and utilities	1 081	1 484
Maintenance and support of systems, servicing of plant and equipment	10 747	4 330
Other deferred costs	29 633	28 888
<b>Receivables from BFG</b>	<b>9 310</b>	<b>0</b>
<b>Settlements of VAT</b>	<b>24 138</b>	<b>20 718</b>
<b>Other assets (gross)</b>	<b>334 598</b>	<b>425 236</b>
Impairment allowances	<b>-31 181</b>	<b>-28 689</b>
<b>Other assets (net)</b>	<b>303 417</b>	<b>396 547</b>
including financial assets	268 999	369 816

17.2 Change in the balance of other assets impairment allowances	As at 30.09.2016	As at 30.09.2015
Opening balance	28 689	7 204
Changes due to the acquisition of Meritum	0	11 453
Changes during the year:	2 492	12 451
Increases	1 916	12 590
Decreases	576	-139
<b>Impairment allowances at the end of the period</b>	<b>31 181</b>	<b>31 108</b>

Receivables related to sale of services and goods for resale comprise mainly the fee from Insurance Companies in respect of insurance handling.

## 18. Amounts due to customers

18.1 By type	As at 30.09.2016	As at 31.12.2015
Current deposits	15 310 537	12 476 267
Term deposits	19 256 726	18 535 716
Own issue of Banking Securities	2 565 556	2 259 230
Other liabilities	299 409	392 329
<b>Total amounts due to customers</b>	<b>37 432 228</b>	<b>33 663 542</b>

18.2 By customer type and segment	As at 30.09.2016	As at 31.12.2015
<b>Retail segment</b>	<b>23 926 333</b>	<b>21 409 075</b>
Current deposits	10 868 443	8 485 256
Term deposits	12 599 010	12 666 033
Banking securities issued	270 497	54 280
Other liabilities	188 383	203 506
<b>Corporate segment</b>	<b>13 505 895</b>	<b>12 254 467</b>
Current deposits	4 442 094	3 991 011
Term deposits	6 657 716	5 869 683
Banking securities issued	2 295 059	2 204 950
Other liabilities	111 026	188 823
<b>Total amounts due to customers</b>	<b>37 432 228</b>	<b>33 663 542</b>

18.3 By maturity (as at the balance sheet date)	As at 30.09.2016	As at 31.12.2015
<b>Retail segment</b>	<b>23 926 430</b>	<b>21 409 075</b>
≤ 1M	14 266 350	11 358 478
> 1M ≤ 3M	3 684 862	4 296 204
> 3M ≤ 1Y	4 084 868	5 122 282
> 1Y ≤ 5Y	1 882 137	622 687
> 5Y	8 213	9 424
<b>Corporate segment</b>	<b>13 505 798</b>	<b>12 254 467</b>
≤ 1M	8 073 571	7 719 393
> 1M ≤ 3M	2 150 734	1 342 632
> 3M ≤ 1Y	1 430 349	1 326 868
> 1Y ≤ 5Y	1 804 984	1 858 131
> 5Y	46 160	7 443
<b>Total amounts due to customers</b>	<b>37 432 228</b>	<b>33 663 542</b>

18.4 By currency	As at 30.09.2016	As at 31.12.2015
<b>Retail segment</b>	<b>23 926 431</b>	<b>21 409 075</b>
PLN	19 852 151	18 622 111
EUR	2 052 583	1 356 917
GBP	421 210	236 508
USD	1 376 692	1 010 704
CHF	102 764	70 709
Other	121 031	112 126
<b>Corporate segment</b>	<b>13 505 797</b>	<b>12 254 467</b>
PLN	11 865 890	10 958 835
EUR	1 096 744	966 035
GBP	61 938	42 636
USD	432 709	255 253
CHF	13 357	8 159
Other	35 159	23 549
<b>Total amounts due to customers</b>	<b>37 432 228</b>	<b>33 663 542</b>

18.5 Ten largest depositors (excluding banks)	Currency	As at 30.09.2016
Company 1	PLN	240 012
Company 2	PLN, USD	169 322
Company 3	PLN, USD, EUR	160 621
Company 4	PLN	150 196
Company 5	PLN	150 098
Company 6	PLN, USD, EUR	128 878
Company 7	PLN	120 006
Company 8	PLN	100 280
Company 9	PLN	85 789
Company 10	PLN, USD	80 478

18.6 Ten largest depositors (excluding banks)	Currency	As at 31.12.2015
Company 1	PLN, EUR, USD	212 810
Company 2	PLN	203 355
Company 3	PLN, EUR, USD	175 389
Company 4	PLN	101 339
Company 5	PLN	94 042
Company 6	PLN, USD	92 645
Company 7	PLN	88 692
Company 8	PLN	72 845
Company 9	PLN, EUR, USD	72 606
Company 10	PLN	69 078

In the third quarter of 2016, the Group issued banking securities amounting to PLN 858,597 thousand; securities purchased before maturity amounted to PLN 114,692 thousand.

In 2015 the Group issued banking securities amounting to PLN 1 485 767 thousand; securities purchased before maturity amounted to PLN 208 591.

## 19. Amounts due to banks

19.1 By type	As at 30.09.2016	As at 31.12.2015
Current deposits	0	11 012
Overnights	0	30 701
Term deposits	73 309	197 826
Banking securities issued	20 152	32 666
Other liabilities	124 733	203 262
Repo	944 935	575 561
<b>Total amounts due to banks</b>	<b>1 163 129</b>	<b>1 051 028</b>

19.2 By maturity (as at the balance sheet date)	As at 30.09.2016	As at 31.12.2015
≤ 1M	1 142 382	918 074
> 1M ≤ 3M	20 131	100 288
> 3M ≤ 1Y	129	0
> 1Y ≤ 5Y	487	32 666
<b>Total amounts due to banks</b>	<b>1 163 129</b>	<b>1 051 028</b>

19.3 By currency	As at 30.09.2016	As at 31.12.2015
PLN	1 043 329	830 987
EUR	13 939	31 401
USD	0	178 225

GBP	105 861	10 415
<b>Total amounts due to banks</b>	<b>1 163 129</b>	<b>1 051 028</b>

## 20. Provisions

	Provisions for disputed claims	Provisions for employee benefits	Off-balance reserve	Total provisions
As at 1 January 2016	3 219	2 082	5 512	10 813
Provisions recorded	949	11	12 107	13 067
Provisions released	-308	-61	-10 308	-10 677
Provisions utilized	-29	0	0	-29
Other changes	-340	-769	5	-1 104
<b>As at 30 September 2016</b>	<b>3 491</b>	<b>1 263</b>	<b>7 316</b>	<b>12 070</b>

	Provisions for disputed claims	Provisions for employee benefits	Off-balance reserve	Total provisions
As at 1 January 2015	2 513	824	4 974	8 311
Changes due to the acquisition of a subsidiary	711	54	0	765
Provisions recorded	3 585	18	7 037	10 640
Provisions released	-101	-108	-6 546	-6 755
Provisions utilized	-3 348	0	0	-3 348
Other changes	0	0	-26	-26
<b>As at 30 September 2015</b>	<b>3 360</b>	<b>788</b>	<b>5 439</b>	<b>9 587</b>

The provision for old age and disability allowance is recognized for each employee based on an actuarial valuation prepared by an independent actuarial company. The basis for determining the value of the provision is the expected value of the old age or disability allowance which the Group commits to paying based on the Remuneration Regulations.

In accordance with IAS 19, the financial discounting rate used to calculate provisions has been established based on market rates of return on T-bonds, whose currency and maturity are the same as those prevailing for the Bank's liabilities under employee benefits.

## 21. Other liabilities

	As at 30.09.2016	As at 31.12.2015
Interbank settlements	228 536	183 574
Taxation, customs duty, social and health insurance payables and other public settlements	27 495	25 962
Liabilities in respect of payment card settlements	9 081	4 986
Other settlements	72 282	94 953
including settlements with insurers	34 713	66 941
Settlements of banking certificates of deposits	80 327	680
Accruals	54 804	54 421
Income received in advance	65 995	50 356
Provision for bancassurance resignations	84 526	94 045

Provision for employee benefits	42 888	24 187
Other liabilities	8 551	2 110
<b>Total other liabilities</b>	<b>674 485</b>	<b>535 274</b>
including financial liabilities	390 226	284 193

Settlements with insurers comprise insurance premiums relating to the cover granted by the Group to its Customers under one of the group insurance contracts (concluded by the Group with insurers and offered to its Customers).

There were no such liabilities in respect of which the Group did not settle its payment liabilities resulting from the contracts concluded as at 30 September 2016 and 31 December 2015.

## 22. Financial assets and financial liabilities held for trading

The Group classified derivative instruments and securities (shares, bonds) to financial assets and financial liabilities held for trading as at 30 September 2016 and 31 December 2015. Derivative transactions are concluded for trading purposes and for the purpose of managing market risk. The Group concludes the following types of derivative transactions: FX-Forward, FX-Swap, IRS, CIRS, FRA, Commodity Futures, Commodity Forwards and Forward security transactions. Derivative financial instruments are measured on a daily basis using the discounted cash flow method. The Group also enters into option transactions. In accordance with the binding laws, in concluding option transactions, the Group executes them in a manner ensuring the simultaneous (each time and immediate) conclusion of an opposite option transaction with the same transaction parameters (back to back).

<b>22.1 Derivative financial instruments (nominal value)</b>	<b>As at 30.09.2016</b>	<b>As at 31.12.2015</b>
Interest rate transactions	20 884 918	20 013 372
SWAP	19 013 240	17 249 149
FRA	0	1 000 000
Cap Floor Options	1 871 678	1 764 223
Foreign exchange transactions	6 472 539	6 922 921
FX swap	1 581 875	1 535 293
FX forward	1 446 771	1 881 094
CIRS	2 093 073	2 639 757
FX options	1 350 819	866 777
Other options	5 367 228	4 312 272
Other instruments	534 221	618 590
<b>Derivative financial instruments (nominal value)</b>	<b>33 258 905</b>	<b>31 867 155</b>

<b>22.2 Financial assets held for trading</b>	<b>As at 30.09.2016</b>	<b>As at 31.12.2015</b>
Shares	5 216	1 335
Bonds	293	311
Certificates	1 385	1 610
Interest rate transactions	196 241	198 578
SWAP	192 456	193 522
Cap Floor Options	3 785	5 056
Foreign exchange transactions	78 886	132 012
FX swap	6 537	14 713
FX forward	29 789	49 768

CIRS	31 825	58 407
FX options	10 735	9 124
Other options	16 636	34 555
Other instruments	11 283	22 168
<b>Financial assets held for trading</b>	<b>309 940</b>	<b>390 569</b>

22.3 By maturity	As at 30.09.2016	As at 31.12.2015
Without specified maturity date	6 894	2 953
≤ 1W	5 212	4 266
> 1W ≤ 1M	21 306	35 643
> 1M ≤ 3M	11 038	24 146
> 3M ≤ 6M	12 797	38 524
> 6M ≤ 1Y	23 571	46 351
> 1Y ≤ 2Y	58 336	67 000
> 2Y ≤ 5Y	136 251	131 639
> 5Y ≤ 10Y	34 535	40 047
<b>Financial assets held for trading</b>	<b>309 940</b>	<b>390 569</b>

22.4 Financial liabilities held for trading	As at 30.09.2016	As at 31.12.2015
Interest rate transactions	162 351	194 355
SWAP	158 563	188 999
FRA	0	289
Cap Floor Options	3 788	5 067
Foreign exchange transactions	43 336	61 849
FX swap	5 252	1 917
FX forward	6 991	7 747
CIRS	20 338	43 058
FX options	10 755	9 127
Other options	16 636	34 555
Other instruments	10 243	19 421
<b>Financial liabilities held for trading</b>	<b>232 566</b>	<b>310 180</b>

22.5 By maturity	As at 30.09.2016	As at 31.12.2015
≤ 1W	2 822	1 828
> 1W ≤ 1M	14 973	9 134
> 1M ≤ 3M	16 900	17 125
> 3M ≤ 6M	13 007	54 686
> 6M ≤ 1Y	17 291	31 535
> 1Y ≤ 2Y	48 899	47 421
> 2Y ≤ 5Y	86 916	120 159
> 5Y ≤ 10Y	31 758	28 292
<b>Financial liabilities held for trading</b>	<b>232 566</b>	<b>310 180</b>

The schedule below shows the hierarchy of measurement methods of financial instruments held for trading measured at fair value as at 30 September 2016 and comparative data as at 31 December 2015.

In accordance with IFRS 13, the Group classified:

- to level 1 – all securities for which quotations are available from active financial markets;
- to level 2 – instruments for which prices are not directly observable, but the prices used for measurement are based on market quotations.

To instruments of this level the discounted cash flows method is used, on the assumption that yield curves are based on interbank market quotations (including: deposit rates, rates from: FRA, OIS, IRS, basis swap, fx swap transactions; foreign exchange rates).

- to level 3 – instruments for which at least one of the factors which impact the price is not observable on the market.

Instruments of this level include options embedded in deposit certificates issued by the Bank and options concluded on the interbank market to hedge embedded option positions. The fair value is determined on the basis of an internal model in consideration of both observable parameters (e.g. price of the base instrument, quotations from the secondary option market), and non-observable parameters (e.g. fluctuations, correlations between base instruments in options based on baskets of instruments). Model parameters are set on the basis of statistical analysis. As the market risk position in respect of the specified options is in exact opposition, changes in the adopted model assumptions have no impact on changes in the fair value of the Bank's position in respect of level 3 option transactions. As at 30 September 2016, the change in the valuation of options on the financial assets side due to a 1% increase in the price of the base instrument amounted to PLN 4.7 million and it will be offset exactly by the change in the valuation of the option on the financial liabilities side.

In the period from 1 January to 30 September 2016, there were no movements of financial instruments between the fair value hierarchy levels.

22.6 Valuation of financial assets	As at 30.09.2016	As at 31.12.2015
<b>Level 1</b>	12 153	13 061
Shares	5 216	1 335
Bonds	293	311
Certificates	1 385	1 610
Other instruments	5 259	9 805
<b>Level 2</b>	280 447	342 953
SWAP	192 457	193 522
FRA	0	0
Cap Floor Options	3 785	5 056
FX swap	6 537	14 713
FX forward	29 789	49 768
CIRS	31 825	58 407
FX options	10 031	9 124
Other instruments	6 023	12 363
<b>Level 3</b>	17 340	34 555
FX options	704	0
Other options	16 636	34 555
<b>Total financial assets</b>	<b>309 940</b>	<b>390 569</b>



<b>22.7 Movements on financial assets classified as level 3</b>	<b>As at 30.09.2016</b>	<b>As at 30.09.2015</b>
<b>Opening balance</b>	<b>34 555</b>	<b>81 198</b>
<b>Increases, including</b>	<b>42 861</b>	<b>65 618</b>
Valuation	33 601	25 799
Transactions made	9 260	39 819
<b>Decreases, including</b>	<b>-60 076</b>	<b>-119 821</b>
Valuation	-47 497	-84 683
Transactions made	-12 579	-35 138
<b>Financial assets classified as level 3 at the end of the period</b>	<b>17 340</b>	<b>26 995</b>

<b>22.8 Valuation of financial liabilities</b>	<b>As at 30.09.2016</b>	<b>As at 31.12.2015</b>
<b>Level 1</b>	<b>7 132</b>	<b>15 716</b>
Other instruments	7 132	15 716
<b>Level 2</b>	<b>207 882</b>	<b>259 909</b>
SWAP	158 563	188 999
Cap Floor Options	3 788	5 067
FX swap	5 252	1 917
FX forward	6 991	7 747
CIRS	20 338	43 058
FX options	9 839	9 127
Other instruments	3 111	3 705
<b>Level 3</b>	<b>17 552</b>	<b>34 555</b>
FX options	916	0
Other options	16 636	34 555
<b>Total financial liabilities</b>	<b>232 566</b>	<b>310 180</b>

<b>22.9 Movements on financial liabilities classified as level 3</b>	<b>As at 30.09.2016</b>	<b>As at 30.09.2015</b>
<b>Opening balance</b>	<b>34 555</b>	<b>81 198</b>
<b>Increases, including</b>	<b>43 073</b>	<b>65 618</b>
Valuation	33 601	25 799
Transactions made	9 472	39 819
<b>Decreases, including</b>	<b>-60 076</b>	<b>-119 821</b>
Valuation	-47 497	-84 683
Transactions made	-12 579	-35 138
<b>Financial liabilities classified as level 3 at the end of the period</b>	<b>17 552</b>	<b>26 995</b>

The valuation of derivatives and the result on derivative transactions are presented in trading result.

## 23. Hedge accounting

The Group uses cash flow hedge accounting. The hedging strategy is aimed at securing interest rate risk resulting from fluctuations in cash flows from assets with a variable interest rate, using PLN IRS transactions. Under the established hedge relationships, the hedged items are cash flows from the portfolio of PLN loans bearing floating interest rates, and the hedging items are IRS transactions under which the Group receives fixed rate interest and pays floating rate interest. The hedged items are measured under amortized cost and the hedging items are measured at fair value.

<b>23.1. Hedging instruments (nominal value)</b>	<b>As at 30.09.2016</b>	<b>As at 31.12.2015</b>
Interest rate transactions-IRS	5 895 000	10 795 000
<b>Hedging instruments (nominal value)</b>	<b>5 895 000</b>	<b>10 795 000</b>

<b>23.2. Financial assets held for trading-hedging instruments</b>	<b>As at 30.09.2016</b>	<b>As at 31.12.2015</b>
Level 2	62 131	139 578
Interest rate transactions-IRS	62 131	139 578
<b>Financial assets held for trading-hedging instruments</b>	<b>62 131</b>	<b>139 578</b>

<b>23.3. By maturity</b>	<b>As at 30.09.2016</b>	<b>As at 31.12.2015</b>
> 1M ≤ 3M	5 596	2 608
> 3M ≤ 6M	8 608	62 334
> 6M ≤ 1Y	14 001	3 262
> 1Y ≤ 2Y	25 925	47 062
> 2Y ≤ 5Y	8 001	24 312
<b>Financial assets held for trading-hedging instruments</b>	<b>62 131</b>	<b>139 578</b>

### 23.4 Nominal value of hedging instruments by maturity

Instrument type	Nominal value as at 30 September 2016					Total
	within 1 month	from 1 to 3 months	from 3 months to 1 year	from 1 to 5 years	over 5 years	
IRS PLN FIXED - FLOAT	0	260	2425	3210	0	5 895

## 24. Subordinated liabilities

On 15 November 2011, the Polish Financial Supervision Authority granted its permission to include the subordinated loan of EUR 10 million, received on 12 October 2011 by Alior Bank S.A. from Erste Group Bank AG, in Tier 2 capital of Alior Bank S.A. The loan agreement was concluded for a period of 8 years, and its interest rate is based on EURIBOR 3M. The loan may be repaid early with a 30-day prior written notice. On 30 September 2016 and 31 December 2015, the carrying amount of the loan amounted to PLN 43,304 thousand and PLN 42,818 thousand respectively.

On 26 September 2014, the Bank issued F-series bonds with the total nominal value of PLN 321,700 thousand. The bonds were issued for a period of 10 years (the redemption date is 26 September 2024), and they bear interest based on WIBOR 6M. In accordance with the CRR Regulation, the bonds meet the conditions for including them in Tier 2 capital. The carrying amount of the bonds as at 30 September 2016, 31 December 2015 amounted to PLN 321,919 thousand and PLN 325,924 thousand, respectively. On 28 October 2014, the Bank received PFSA consent for including the bonds in Tier 2 capital II.

On 31 March 2015, the Bank issued G-series bonds with the total nominal value of PLN 192,950 thousand. The bonds were issued for a period of 6 years (the redemption date is 31 March 2021), and they bear interest based on WIBOR 6M. In accordance with the CRR Regulation, the bonds meet the conditions for including them in Tier 2 capital. The carrying amount of the bonds as at 30 September 2016 and 31 December 2015 amounted to PLN 192,977 thousand and PLN 195,555 thousand, respectively.

On 4 December 2015, the Bank issued I and I1 series bonds with the total nominal value of PLN 183,350 thousand. The bonds were issued for a period of 6 years (the redemption date is 06 March 2021), and they bear interest based on WIBOR 6M. In accordance with the CRR Regulation, the bonds meet the conditions for including them in Tier 2 capital. The carrying amount of the bonds as at 30 September 2016 and 31 December 2015 amounted to PLN 186,392 thousand and PLN 184,074 thousand, respectively.

As a result of the business combination with Meritum Bank, the subordinated bonds portfolio contains bonds issued by Meritum Bank:

- bonds with the total nominal value of PLN 67,200 thousand issued on 29 April 2013 as part of the Meritum Bank Programme for Issue of Subordinated Bonds for a period of 8 years (the redemption date is 29 April 2021). The bonds bear interest based on Wibor 6M. On 28 June 2013, the PFSA granted its consent for including these bonds in the Bank's Tier 2 capital. The carrying amount of the bonds as at 30 September 2016 and 31 December 2015 amounted to PLN 68,939 thousand and PLN 67,616 thousand, respectively.

- bonds with a total nominal value of PLN 80,000 thousand issued on 21 October 2014 for a period of 8 years (the redemption date is 21 October 2022). The bonds bear interest based on WIBOR 6M. In accordance with the CRR Regulation, the bonds meet the conditions for including them in Tier 2 capital. The carrying amount of the bonds as at 30 September 2016 and 31 December 2015 amounted to PLN 81,533 thousand and PLN 80,311 thousand, respectively.

On 4 February 2016, the Bank issued EUR001 series bonds with the total par value of EUR 10 million. The bonds were issued for a period of 6 years (the redemption date is 4 February 2022), and they bear interest based on LIBOR 6M. In accordance with the CRR Regulation, the bonds meet the conditions for including them in supplementary capital. The carrying amount of the bonds as at 30 September 2016 was PLN 43,531 thousand.

On 28 December 2015, the Supervisory Board of the Bank approved opening the Public Subordinated Bonds Issue Scheme by the Management Board of Alior Bank S.A. ("the Issue Scheme") and authorized the Bank's Management Board to incur financial liabilities by issuing, in series, up to 800 000 unsecured, subordinated bearer bonds of PLN 1 000 par value each as part of the Issue Scheme.

Under this program, the Bank issued:

- On 27 April 2016, the Bank issued P1A-series subordinated bonds with a total nominal value of PLN 150,000 thousand. The bonds were issued for a period of 6 years (the

redemption date is 16 May 2022) and the interest rate is based on 6M WIBOR. Pursuant to the CRR Regulation, the bonds meet the conditions for including them in Tier 2 capital. As at 30 September 2016, the carrying value of the bonds was PLN 153,500 thousand.

- On 29 April 2016, the Bank issued P1B-series subordinated bonds with a total nominal value of PLN 70,000 thousand. The bonds were issued for a period of 8 years (the redemption date is 16 May 2024) and the interest rate is based on 6M WIBOR. Pursuant to the CRR Regulation, the bonds meet the conditions for including them in Tier 2 capital. As at 30 September 2016, the carrying value of the bonds was PLN 71,565 thousand.

	As at 30.09.2016	As at 31.12.2015
<b>Liabilities included in own funds</b>	<b>1 163 660</b>	<b>896 298</b>
Subordinated loan	43 304	42 818
F-series bonds	321 919	325 924
G-series bonds	192 977	195 555
I-series bonds	152 489	150 592
I1-series bonds	33 903	33 482
Meritum Bank bonds	150 472	147 927
EUR001-series bonds	43 531	0
P1A -series bonds	153 500	0
P1B-series bonds	71 565	0
<b>Liabilities included in own funds</b>	<b>1 163 660</b>	<b>896 298</b>

## 25. Equity

25.1 Equity	As at 30.09.2016	As at 31.12.2015
<b>Equity attributable to equity holders of the parent</b>	<b>5 876 623</b>	<b>3 512 859</b>
Share capital	1 292 577	727 075
Supplementary capital	4 172 359	2 279 843
Other reserves	183 803	184 735
Retained earnings / (accumulated losses)	-7 085	-3 657
Revaluation reserve	-13 874	15 215
On measurement of available for sale assets	-18 291	-6 824
On measurement of hedging derivatives	4 417	22 039
Foreign currency translation differences	16	0
Profit for the year	248 827	309 648
Non-controlling interests	985	1 240
<b>Total equity</b>	<b>5 877 608</b>	<b>3 514 099</b>

25.2 Revaluation reserve	As at 30.09.2016	As at 31.12.2015
Valuation of financial assets available for sale	-18 291	-6 824
treasury bonds	-23 017	-8 102
other bonds	435	-323
Deferred tax	4 291	1 601
Valuation of hedging derivatives	4 417	22 039
IRS	5 453	27 209
Deferred tax	-1 036	-5 170
<b>Revaluation reserve</b>	<b>-13 874</b>	<b>15 215</b>

## 26. Fair value

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction on the principal (or the most advantageous) market as at the measurement date under the current market conditions (i.e. the exit price), irrespective of whether such price is directly observable or estimated with the use of another measurement technique.

The fair value of financial instruments is based on prices quoted on the principal (or the most advantageous) active market, without deducting the transaction costs. If the market price is unavailable, the fair value of an instrument is estimated using the measurement models or techniques for discounting future cash flows.

The measurement techniques are based on:

- recent market transactions concluded directly between informed interested parties, provided that such information is available;
- a reference to the present fair value of another instrument with almost identical characteristics;
- the discounted cash flow method.

If there is a technique that is commonly used by market participants to measure a financial instrument and it has been demonstrated to provide reliable estimates of prices paid in actual market transactions, the Group uses such a method. The selected measurement techniques are primarily based on market data. They use Group-specific data to a very limited extent. The measurement technique comprises all factors that the market participants would take into account when determining the price and it is consistent with the accepted methods of measurement of financial instruments. The Group verifies the correctness of measurement using the available prices paid for the same instrument in recent market transactions or other available market data.

### Balance sheet items measured at the fair value

Financial instrument	Frequency	Recognition/presentation
Available-for-sale financial assets, hedging derivatives	Daily	other comprehensive income
Fx forward, fx swap, fx options	Daily	income statement
CIRS, FRA, IRS	Daily	income statement
Other derivatives	Daily	income statement
Shares	Daily	income statement

The fair values of the Group's financial instruments presented in the balance sheet at fair value as at 30 September 2016 and 31 December 2015 were equal to their carrying amounts.

Since 2013, Alior Bank SA has adjusted the value of derivatives for counterparty credit risk. The amount of such adjustment is equal to the change in the valuation of derivatives resulting from insolvency of each of the parties to the transaction (Bilateral Credit Value Adjustment). The BCVA adjustment as at 30 September 2016 amounted to PLN – 1,294 thousand. The total amount of BCVA adjustment comprises the CVA adjustment (reflecting counterparty insolvency risk only) in the amount of PLN -1,502 thousand, and the DVA adjustment (reflecting the risk of the Bank's insolvency) in the amount of PLN +208 thousand. The amount of such adjustment is calculated based on the estimates of the following parameters: PD (Probability of Default), LGD ( Loss Given Default), Expected Exposure (EE) and Expected Negative Exposure (NEE).

PD and LGD are estimated by the Bank using internal models based on market quotations of credit risk. Counterparty exposures are calculated taking into account the current valuation and its projection calculated based on the expected changes in market conditions. Additionally, the estimations of credit risk adjustments take into account mutual liabilities of the parties to the transaction resulting from hedging agreements.

### Fair value measurement for the purposes of disclosures

The carrying amounts and fair values of assets and liabilities which are not shown in the balance sheet at fair value are presented below.

Financial instrument	Fair value hierarchy level	As at 30.09.2016		As at 31.12.2015	
		Carrying amount	Fair value	Carrying amount	Fair value
Cash and balances with the Central Bank	level 1	1 285 370	1 285 370	1 750 135	1 750 135
<b>Loans and advances to customers</b>	level 1	35 088 891	34 006 851	30 907 057	30 324 264
<b>Retail segment (carrying amount)</b>					
Working capital facility		173 990	173 990	167 635	167 635
Consumer loans		9 696 361	9 319 740	8 699 017	8 538 699
Consumer finance loans		1 085 204	1 083 440	748 948	755 044
Loans for purchase of securities		107 124	107 124	119 069	119 069
Credit card borrowings loans		221 036	221 022	225 629	225 349
Loans for residential real estate		7 939 174	7 437 152	6 717 911	6 317 227
Other mortgage loans		818 209	776 633	896 008	845 181
Other receivables		22 312	22 312	21 097	21 086

**Corporate segment (carrying amount)**

Working capital facility		7 931 019	7 827 454	7 308 603	7 306 525
Car loans		43 251	43 251	70 394	70 390
Investment loans		6 191 164	6 125 323	5 481 578	5 506 929
Acquired receivables		502 095	502 317	376 403	376 403
Lease receivables		325 796	325 796	52 330	52 330
Other receivables		32 156	41 297	22 435	22 397
Amounts due from banks	level 2	656 068	656 068	645 329	645 329
Assets held for sale	level 3	607	607	888	888
Assets pledged as collateral	level 2	1 007 904	1 007 904	628 332	628 332
Other financial assets	level 3	268 999	268 999	369 816	369 816
Amounts due		38 595 357	38 598 113	34 714 570	34 135 845
Due to banks	level 2				
Current deposits		0	0	11 012	11 012
Overnight deposits (O/N)		0	0	30 701	30 701
Term deposits		73 309	73 309	197 826	197 826
Own issue of bank securities		20 152	20 630	32 666	33 008
Other liabilities		124 733	124 733	203 262	203 262
SBB		944 935	944 935	575 561	575 561
Due to customers	level 3				
Current deposits		15 310 537	15 310 537	12 476 267	12 476 267
Term deposits		19 256 726	19 256 726	18 535 716	18 535 716
Own issue of bank securities		2 565 556	2 567 834	2 259 230	1 680 163
Other liabilities		299 409	299 409	392 329	392 329
Subordinated liabilities	level 3	1 163 660	1 163 660	896 298	896 298
Other financial liabilities	level 3	390 226	390 226	284 193	284 193
Guarantees	level 3	3 073	3 073	1 060	1 060

**Amounts due from customers:**

In the method for calculating the fair value of amounts due from customers (with the exception of overdraft facilities) the Group compares the margins earned on newly extended loans (in the month preceding the reporting date) with the margins on the whole loan portfolio. If the margins on newly extended loans are higher than the margins on the current portfolio, the fair value of the loan is lower than its carrying amount.

All amounts due from customers were classified to level 3 in the fair value hierarchy due to the fact that the valuation model with material unobservable input data, i.e. current margins obtained on newly extended loans, was applied.

**Financial liabilities measured at amortized cost:**

The Group has assumed that the fair values of deposits of customers and other banks and other financial liabilities with maturities below 1 year approximate their carrying amounts. Deposits are accepted daily as part of the Bank's ongoing operations; therefore, their terms are similar to the current market terms of identical transactions. Their time to maturity is short, therefore, there is no significant difference between their carrying amount and fair value.

For the purposes of disclosure, the Group determines the fair values of financial liabilities with residual maturities (or reassessment of variable rate) above 1 year. This group of liabilities includes own issues and subordinated loans. When determining the fair value of this group of liabilities, the Group assesses the present value of expected payments based on the current percentage curves and the original issue spread.

Own issues and subordinated loans were all classified to level 3 in the fair value hierarchy due to the fact that the valuation model with material unobservable input data was applied, including the original issue spread over the market curve. With respect to issues and subordinated loans with residual maturities (or rate reassessment) below 1 year, the carrying amount appropriately reflected the fair value of the instrument.

For the remaining financial instruments, the Group assumes that the fair value approximates the carrying amount. This applies to the following items: cash and balances with the Central Bank, assets held for sale, other financial assets and other financial liabilities.

#### Financial assets and liabilities measured based on unobservable input data

	As at 30.09.2016	Measurement method (techniques)	Material unobservable input data
Amounts due from customers	34 006 851	comparative valuation	margins on newly extended loans
Financial liabilities measured at amortized cost	38 598 113	discounted cash flows	issue spread above market curve
Guarantees	3 073	cash flows	future flows taking into account the amount of security

#### Financial assets and liabilities measured based on observable input data

	Measurement method (techniques)	Material observable input data
Derivative financial instruments - instruments held for trading	Instruments are measured using the discounted cash flow method, which is based on the assumption that yield curves are based on interbank market quotations (including: deposit rates, rates from: FRA, OIS, IRS, fx swap points, fx basis swap points).	FX forward transactions: NBP fixing rates, yield curves based on money market deposit rates and quotations of: FRA, OIS, IRS transactions; FX swap points CIRS transactions: NBP fixing rates, yield curves based on money market deposit rates and quotations of: FRA, OIS, IRS transactions; FX basis swap points FX options: yield curves, fx rate variability curves. OIS, IRS, FRA transactions: yield curves based on money market deposit rates and quotations of: FRA, OIS, IRS, Cap/Floor options: yield curves, interest rate variability curves. Commodity forward transactions: curves of future contracts quotations.
Derivative financial instruments - hedging instruments	Instruments are measured using the discounted cash flow method, which is based on the assumption that yield curves are based on interbank market quotations (including: deposit rates, rates from FRA, OIS, IRS transactions).	IRS transactions: yield curves based on money market deposit rates and quotations of: FRA, OIS, IRS transactions
NBP bills	Fair value is determined based on the discounted cash flow method which involves calculating a yield curve	money market deposit rates

## 27. Capital adequacy ratio and Tier 1 ratio



As at 30 September 2016, the capital adequacy ratio was calculated using the prudential consolidation method (in accordance with Art. 19 of the Regulation of the European Parliament and Council (EU) No. 575/2013 dated 26 June 2013). For the purposes of including the consolidated profit/(loss) in equity and calculating the capital adequacy ratio on the consolidated level, Alior Bank S.A. and Alior Leasing Sp. z o.o. were consolidated, in the same manner as they were consolidated as at the end of 2015.

In the opinion of the Bank's Management Board, the other subsidiaries, which were not consolidated, are of marginal importance for the Bank's core operations from the point of view of the monitoring of credit institutions.

The income statement prepared using the prudential consolidation method, which is presented below, has been prepared in accordance with the accounting principles adopted by the Group for the purpose of including the consolidated profit/(loss) in equity, excluding enclosing in consolidation only Alior Bank S.A. and Alior Leasing sp. z o.o., according to the above opinion, in order to calculate the consolidated capital adequacy ratio under Art. 26 (2) of the CRR.

1.01.2016-30.09.2016	
Interest income	2 081 113
Interest expense	-733 761
<b>Net interest income</b>	<b>1 347 352</b>
<b>Dividend income</b>	<b>51</b>
Fee and commission income	412 030
Fee and commission expense	-170 130
<b>Net fee and commission income</b>	<b>241 900</b>
<b>Trading result</b>	<b>209 319</b>
<b>Net result on other financial instruments</b>	<b>20 980</b>
Other operating income	43 687
Other operating costs	-36 086
<b>Net other operating income</b>	<b>7 601</b>
<b>General administrative expenses</b>	<b>-858 265</b>
<b>Banking tax</b>	<b>-547 863</b>
<b>Net impairment allowance and write-downs</b>	<b>-87 610</b>
<b>Gross profit</b>	<b>333 465</b>
Income tax	-85 198
<b>Net profit from continuing operations</b>	<b>248 267</b>

Calculation of funds and capital adequacy ratio	As at 30.09.2016	As at 31.12.2015
<b>Total own funds for the capital adequacy ratio</b>	<b>5 479 930</b>	<b>3 853 305</b>
Common equity Tier I capital	4 572 519	2 975 899
Tier II capital	907 411	877 406
<b>Capital requirements</b>	<b>2 731 055</b>	<b>2 457 567</b>
Capital requirements for the following risks: credit, counterparty, credit valuation adjustment, dilution and delivery of instruments to be settled at a later date	2 428 518	2 214 189
Total capital requirements for the following risks: equity instrument price risk, debt instrument price risk, commodity prices and FX risk	1 996	2 520
Capital requirement for general interest rate risks	46 326	32 637
Capital requirements for operating risk	254 215	208 221
<b>Tier 1</b>	<b>13,39%</b>	<b>9,69%</b>
<b>Capital adequacy ratio</b>	<b>16,05%</b>	<b>12,54%</b>

As at 30 September 2016 and 31 December 2015, the capital adequacy ratio and Tier 1 ratio were calculated in accordance with the Regulation of the European Parliament and Council (EU) No. 575/2013 dated 26 June 2013 on prudential requirements for credit institutions and investment firms, amending Regulation (EU) No. 648/2012 ("CRR Regulation").

## 28. Off-balance-sheet items

<b>28.1 Off-balance sheet contingent liabilities granted to customers</b>	<b>As at 30.09.2016</b>	<b>As at 31.12.2015</b>
Off-balance sheet liabilities granted	10 260 680	8 941 675
Relating to financing	8 959 971	7 371 753
Guarantees	1 300 709	1 569 922
Performance guarantees	339 468	389 028
Financial guarantees	961 241	1 180 894
<b>Off-balance sheet liabilities granted</b>	<b>10 260 680</b>	<b>8 941 675</b>

<b>28.2 By maturity</b>	<b>As at 30.09.2016</b>	<b>As at 31.12.2015</b>
≤ 1W	536	3 161
> 1W ≤ 1M	23 188	12 805
> 1M ≤ 3M	81 852	246 545
> 3M ≤ 6M	132 000	162 675
> 6M ≤ 1Y	220 372	249 422
> 1Y ≤ 2Y	261 797	241 726
> 2Y ≤ 5Y	249 196	275 080
> 5Y ≤ 10Y	308 880	377 746
> 10Y ≤ 20Y	22 888	762
<b>Off-balance sheet liabilities granted in respect of guarantees</b>	<b>1 300 709</b>	<b>1 569 922</b>

<b>28.3 Według terminów zapadalności</b>	<b>As at 30.09.2016</b>	<b>As at 31.12.2015</b>
≤ 1W	1 858 891	2 266 042
> 1W ≤ 1M	67 162	12 145
> 1M ≤ 3M	229 470	307 386
> 3M ≤ 6M	265 629	184 031
> 6M ≤ 1Y	717 741	524 558
> 1Y ≤ 2Y	1 572 370	1 090 516
> 2Y ≤ 5Y	2 216 291	1 963 511
> 5Y ≤ 10Y	1 083 639	419 842
> 10Y ≤ 20Y	723 884	410 826
> 20Y	224 894	192 896
<b>Zobowiązania pozabilansowe udzielone, dotyczące finansowania</b>	<b>8 959 971</b>	<b>7 371 753</b>

The Group offers its retail customers renewable checking account overdraft limits, which are granted for an indefinite period; at the same time, cash inflows to the account are monitored.

Contingent liabilities in respect of credit cards are granted to retail customers for a period of three years.

The Group grants contingent liabilities to business customers in respect of:

- current account limits for a period of 12 months;
- guarantees, for a maximum period of 6 years;
- credit cards for a period of up to 3 years;
- loans launched in tranches for a period of up to 2 years.

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.

## 29. Acquisitions of Spółdzielcza Kasa Oszczędnościowo - Kredytowa

On 26 January 2016, the Polish Financial Supervision Authority (PFSA) made a decision concerning the acquisition of Spółdzielcza Kasa Oszczędnościowo - Kredytowa im. Stefana Kard. Wyszyńskiego (SKOK) by Alior Bank S.A.

On 27 January 2016, the Management Board of Alior Bank S.A. took over the management of SKOK's assets. As at 1 March 2016, Alior Bank S.A. (the acquiring bank) acquired SKOK. Pursuant to Art. 74c (4) of the Act on Credit Unions, the union or the acquiring domestic bank assumes all the rights and obligations of the acquired union as of the acquisition date. Until the date of the acquisition by Alior Bank S.A., SKOK conducted the full range of business activities and offered the full range of services to its members as previously.

The acquisition of SKOK by Alior Bank S.A. will guarantee the full safety of the funds accumulated by the acquired Spółdzielcza Kasa Oszczędnościowo - Kredytowa im. Stefana Kard. Wyszyńskiego and provide SKOK members with access to a wider product offer of Alior Bank S.A.

The acquisition of SKOK will be accounted for in accordance with IFRS 3. The acquisition of SKOK was not related to the transfer of any consideration by the Bank. The acquisition process in respect of the SKOK is financially supported by the BGF pursuant to Art. 20g of the Act of 14 December 1994 on the Banking Guarantee Fund. The Bank received support from the BGF in the form of a subsidy to cover the difference between the value of the acquired property rights and the liabilities in respect of funds guaranteed in the depositors' accounts, the value of which amounted to PLN 52 534 thousand.

The acquired assets and liabilities are presented below:

<b>Assets</b>	In PLN '000
Amounts due from customers	96 631
Amounts due from banks (including the Central Credit Union [Kasa Krajowa])	11 094
Other financial instruments measured at fair value through profit or loss	3 790
Other assets	1 617
<b>Total assets</b>	<b>113 132</b>
<b>Equity and liabilities</b>	In PLN '000
Amounts due to customers guaranteed by the BGF	164 385
Other liabilities	2 747
<b>Total equity and liabilities</b>	<b>167 132</b>
<b>Total net identifiable assets</b>	<b>-54 000</b>

Estimated subsidy	52 534
<b>Goodwill</b>	<b>-1 466</b>

In the part not covered by BGF support (mainly trade payables) goodwill of PLN 1,466 thousand was generated, and the Bank wrote down the goodwill to costs on a one-time basis.

On 26 April 2016, the PFSA took a decision relating to the acquisition of Powszechna SKOK in Knurów by Alior Bank. As at 27 April 2016 the Management Board of Alior Bank S.A. assumed management over Powszechna SKOK in Knurów. As of 1 June 2016, Powszechna SKOK in Knurów was acquired by Alior Bank, as the acquiring Bank. Pursuant to Article 74c clause 4 of the Act on cooperative savings and credit unions, as of the date of acquisition the acquiring credit union or national bank acquired all the acquired union's rights and obligations. Until the date of acquisition of the SKOK by Alior Bank S.A. it operated and offered its services to its members in the full scope of its operations to-date.

The acquisition of SKOK will be accounted for in accordance with IFRS 3. Pursuant to IFRS 3.45 the Bank has 12 months to determine the final values; the process has not yet been finalized. The acquisition of SKOK was not related to the transfer of any consideration by the Bank. The acquisition process in respect of the SKOK is financially supported by the BGF pursuant to Art. 20g of the Act of 14 December 1994 on the Banking Guarantee Fund. The Bank will receive support from the BGF in the form of a subsidy to cover the difference between the value of the acquired property rights and the liabilities in respect of funds guaranteed in the depositors' accounts, the value of which was initially determined at PLN 9 531 thousand. The initial values of the acquired assets and liabilities are presented below:

<b>Assets</b>	<b>In PLN'000</b>
Amounts due from customers	15 134
Amounts due from banks (including Kasa Krajowa)	9 691
Other assets	505
<b>Total assets</b>	<b>25 330</b>
<b>Liabilities and equity</b>	
Amounts due to customers guaranteed by BGF	35 507
Other liabilities	5 943
<b>Total liabilities and equity</b>	<b>41 450</b>
<b>Total net identifiable assets</b>	<b>-16 120</b>
Estimated subsidy	9 310
<b>Goodwill</b>	<b>-6 810</b>

In the part not covered by BGF support (mainly trade payables) goodwill of PLN 6,810 thousand was generated. Due to the initial accounting for the acquisition, the Bank wrote down part of the goodwill of PLN 3,289 thousand to costs.

## 30. Assets pledged as collateral

<b>30.1 Assets pledged as collateral</b>	<b>As at 30.09.2016</b>	<b>As at 31.12.2015</b>
Treasury bonds blocked with REPO transactions	943 288	576 534
Registered pledge on Treasury bonds	36 630	37 060
Deposit as collateral of transactions performed in Alior Trader	27986	14 738
<b>Total carrying amount</b>	<b>1 007 904</b>	<b>628 332</b>

Liabilities reflecting this amount are shown in Note 19.

In addition to assets pledged as collateral, which are presented in the statement of financial position separately and which the recipient may sell or exchange for another security, the Bank held the following other assets pledged as collateral which did not meet this criterion:

	<b>As at 30.09.2016</b>	<b>As at 31.12.2015</b>
Treasury bonds blocked for the Bank Guarantee Fund	204 411	159 570
Security deposits for transactions on derivatives (ISDA)	133 438	171 406
<b>Total carrying amount</b>	<b>337 849</b>	<b>330 976</b>

## 31. Transactions with related entities

The following tables present the type and value of transactions with related entities. Transactions between the Bank and its subsidiaries which are the Bank's related entities were eliminated during consolidation and have not been shown in this note.

<b>The parent company and its subsidiaries</b>	<b>As at 30.09.2016</b>	<b>As at 31.12.2015</b>
<b>Assets</b>		
Loans and advances to customers	40	41
<b>Total assets</b>	<b>40</b>	<b>41</b>
<b>Liabilities and equity</b>		
Amounts due to customers	146 218	7 809
Provisions	3	0
<b>Total liabilities and equity</b>	<b>146 221</b>	<b>7 809</b>

As at 30 September 2016 on the amount due to customers was related to deposits placed with the Bank by the companies of the PZU Group.

<b>Related entities</b>	<b>As at 30.09.2016</b>	<b>As at 31.12.2015</b>
<b>Assets</b>		
Loans and advances to customers	12	193
<b>Total assets</b>	<b>12</b>	<b>193</b>
<b>Liabilities and equity</b>		
Amounts due to customers	5 908	90 326
Other liabilities	0	60
<b>Total liabilities and equity</b>	<b>5 908</b>	<b>90 386</b>

As at 31.12.2015 the amount due to customers were related to deposits placed in the

Bank by Alior Poland sp. z o.o., Zygmunt Zaleski Stichting and Socamil S.A.

The parent company and its subsidiaries	As at 30.09.2016	As at 31.12.2015
<b>Off-balance sheet liabilities granted to customers</b>	<b>25 110</b>	<b>0</b>
in respect of financing	24 198	0
guarantee	912	0

Related entities	As at 30.09.2016	As at 31.12.2015
<b>Off-balance sheet liabilities granted to customers</b>	<b>25</b>	<b>9 191</b>
in respect of financing	25	7 507
guarantee	0	1 684

The parent company and its subsidiaries	1.01.2016 - 30.09.2016	1.01.2015 - 30.09.2015
Interest expenses	-1 675	0
Fee and commission income	23	0
Operating costs	-1	0
<b>Total</b>	<b>-1 653</b>	<b>0</b>

Related entities	1.01.2016 - 30.09.2016	1.01.2015 - 30.09.2015
Interest income	0	49
Interest expenses	-99	-979
Fee and commission income	0	101
Other operating income	0	59
General administrative expenses	0	-23 991
<b>Total</b>	<b>-99</b>	<b>-24 761</b>

In the third quarter of 2015, the amounts paid by the Bank to Alior Polska Sp. z o.o. for real estate rental were the only component of general administrative expenses.

### The nature of transactions with related parties

All transactions with related parties take place in accordance with the rules for using banking products, at market rates

## 32. Transactions and remuneration of members of the management and supervisory bodies

Supervisory Board	As at 30.09.2016	As at 31.12.2015
<b>Assets</b>		
Loans and advances to customers	0	5 688
<b>Total assets</b>	<b>0</b>	<b>5 688</b>
<b>Liabilities and equity</b>		
Amounts due to customers	841	19 762
Provisions	0	1

<b>Total liabilities and equity</b>	<b>841</b>	<b>19 763</b>
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<b>Supervisory Board</b>	<b>As at 30.09.2016</b>	<b>As at 31.12.2015</b>
<b>Off-balance sheet liabilities granted to customers</b>	<b>50</b>	<b>944</b>
in respect of financing	50	944

<b>Management Board</b>	<b>As at 30.09.2016</b>	<b>As at 31.12.2015</b>
<b>Assets</b>		
Loans and advances to customers	7 384	7 542
<b>Total assets</b>	<b>7 384</b>	<b>7 542</b>
<b>Liabilities and equity</b>		
Amounts due to customers	6 633	16 755
Provisions	0	1
<b>Total liabilities and equity</b>	<b>6 633</b>	<b>16 756</b>

<b>Management Board</b>	<b>Stan 30.09.2016</b>	<b>Stan 31.12.2015</b>
<b>Off-balance sheet liabilities granted to customers</b>	<b>105</b>	<b>595</b>
in respect of financing	105	595

<b>Information on the total amount of remuneration paid or payable to the Supervisory Board and Management Board members</b>	<b>1.01.2016-31.03.2016</b>	<b>1.01.2015-31.03.2015</b>
<b>The Bank's Management Board</b>		
short-term employee benefits	10 685*	6 160**
<b>The Supervisory Board</b>		
short-term employee benefits	2 477***	1 235****

\* This includes the compensation for the post-employment non-competitive clause M. Hucal

\*\* This includes the compensation for the post-employment non-competitive clause A. Maliszewski

\*\*\* This includes the compensation for the post-employment non-competitive clause N. Lundorf I\_IX 2016

\*\*\*\* This includes the compensation for the post-employment non-competitive clause N. Lundorf: VII\_IX 2015

### 33. Sale of receivables

In the first three quarters of 2016. The Group sold loans for a total gross amount of 29,031 thousand. zł, an impairment loss created for the portfolio amounted to 21,576 thousand PLN, and the loss on sales amounted to 403 thousand PLN.

In 2015. Group sold loans for a total gross amount of 547,452 thousand PLN, impairment provision created for this portfolio amounted to 403,546 thousand PLN, and the profit on sales was 3,988 thousand PLN. All the benefits and risks have been transferred to the buyer.

## 34. Management option plan

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

The principles of execution of the incentive scheme were determined in the Incentive Scheme Rules and Regulations adopted by resolution of the Supervisory Board of Alior Bank S.A. on 27 March 2013. The incentive scheme is addressed to member of the Management Board and also a group of key managers of the Bank who are not Management Board members.

Under the Management Option Plan it was anticipated that three tranches of subscription warrants (A, B and C series) and the corresponding three tranches of new shares of the Bank (D, E and F series) with a total par value of up to PLN 33 312 500 would be issued, including:

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

The Management Option Plan was in force in the years 2013-2015. In accordance with the Policy of Variable Remuneration Components for Persons in Managerial Positions with Alior Bank, the Plan will be accounted for until 2020.

With reference to the issue of share rights on 27 July 2016, the Supervisory Board passed a resolution on making a technical adjustment to the Management Option Plan, aimed at ensuring economic neutrality of the plan in respect of the authorized persons. The adjustment consists of calculating the drop in the notional value of the Management Option Plan and issuing to the persons covered by the plan the respective number of phantom shares with parameters similar to warrants.

### **Incentive Scheme for the Management Board**

Following the end of the three-year validity period of the Original Incentive Program based on the shares of the Bank, the Supervisory Board adopted an Incentive Scheme for the Management Board for the year 2016.

The objective of the Program is to establish additional mechanisms motivating its participants to maintain the effective fulfilment of the assigned tasks, managing the Bank in particular, as well as making efforts aimed at the further sustainable development of the Bank and its capital group, while preserving the correct and effective risk management in the Bank, stability of the Bank's senior management and pursuing long-term interests of the shareholders by bringing



the growth of the value of the stock market valuation of the Bank and simultaneously maintaining an increase in the net value of the assets of the Bank and its companies.

The bonus depends on achieving or exceeding the relevant Thresholds of the Results of the Bank as well as Individual Targets. According to the Resolution of the PFSA, the assessment takes into account the performance of the Eligible Person during the three preceding calendar years. The decision to grant the Bonus will be made with regard to the provisions of the Policy, financial and non-financial criteria as well as an evaluation of the overall results of the Bank, and also an evaluation of the results of the Bank in the field of responsibility of the given Eligible Person. According to the Resolution of the PFSA, the Supervisory Board of the Bank will also consider the results of the entire Bank for the three preceding calendar years when making a decision on bonus disbursement and its amount. The Bonus is payable if the financial situation of the whole Bank supports such payment.

The Bonus will be a defined percent of the fixed gross annual remuneration of the Eligible Person.

Once the amount of the Bonus is determined, it will be disbursed on the conditions set out below.

- 50% of the Bonus will be paid out in cash in four tranches: 40% will be paid out without deferment, 60% will be deferred and paid out in tranches of 20% in the following years,
- 50% of the Bonus will be paid out in the form of the financial instrument motivating to taking particular care of the long term business of the Bank – the “phantom” shares. The phantom shares will be cashed and paid out in the four tranches: 40% will be deferred for 5 months, and 60% will be deferred and cashed out in three tranches of 20% each.

The Bonus may also be paid out, in whole or in part, in the form of subscription warrants according to the Resolution of the General Shareholders’ Meeting.

With reference to the planned changes to the Bank’s legal and organizational structure consisting of the Bank’s acquiring the spun-off part of Bank BPH Spółka Akcyjna with its registered office in Gdańsk covering the Core Business of Bank BPH with the exclusion of its mortgage business, pursuant to Art. 529 § 1 item 4 of the Commercial Companies Code, on the terms and conditions specified in the Share Purchase Agreement, on 29 June 2016, the Supervisory Board passed a resolution on the principles for payment of a transaction bonus to the Members of the Bank’s Management Board, to specifically motivate the Members of the Bank’s Management Board to actively cooperate in the process of preparing and exercising the Transaction in order to ensure its timely completion, in compliance with the strategic assumptions. The Bonus may be granted and paid when the terms and conditions for exercising the Transaction and the Operational Merger of the two banks are met. The Bonus will be paid in accordance with the provisions of the Variable Compensation Components Policy.

## 35. Disputed claims

The value of proceedings relating to liabilities or receivables of the Bank in progress in the third quarter of 2016 did not exceed 10% of the Bank’s equity. In the Bank’s opinion, no single court, arbitration court or public administration body proceeding in progress in the first half of 2016, and none of the proceedings jointly, could threaten the Bank’s financial liquidity.

In the vindication litigation pending in the 3rd quarter of 2016 instigated by the Bank, the disputed amount amounted to PLN 134 342 thousand and PLN 476 845 thousand with reference to litigation relating to business and individual customers respectively.

In pending vindication litigation in the 3rd quarter of 2016 instigated by the Bank, the disputed amount was equal to PLN 134 342 thousand and PLN 476 845 thousand with reference to litigation relating to business and individual customers respectively.

### 36. Purchases and disposals of property, plant and equipment and intangible assets

During the first three quarters of 2016, there were no material purchases or disposals of property, plant and equipment or of intangible assets.

### 37. Appropriation of the profit for 2015 and information on no payment of the dividend

On 30 March 2016, the Annual General Shareholders' Meeting of Alior Bank Spółka Akcyjna passed a resolution on distribution of profit for 2015 in the total amount of PLN 311,415,190.78. The Annual General Shareholders' Meeting of the Bank decided to transfer the total net profit for 2015 to the supplementary capital. The Group did not pay dividend for the year 2015.

### 38. Risk management

Risk management is one of the key internal processes in the Alior Bank S.A. Group. The ultimate goal of the risk management policy is to ensure early recognition and appropriate management of all material risks in the Bank's operations. The Group isolated the following types of risks resulting from the operations conducted:

- market risk, also covering the banking book interest risk and liquidity risk;
- credit risk;
- operational risk.

The detailed risk management policies have been presented in the annual consolidated financial statements of the Alior Bank S.A. Group for the financial year from 1 January 2014 to 31 December 2015, published on 3 March 2016 and available on the Alior Bank S.A. website.

#### Liquidity risk

The maturity analysis of assets and liabilities by contract term as at the end of the third quarter of 2016 and at the end of 2015 is presented in the table below (amounts of discounted cash flows in PLN million).

2016-09-30	1D	1M	3M	6M	1Y	2Y	5Y	5Y+	TOTAL
<b>ASSETS</b>	<b>7 453</b>	<b>967</b>	<b>1 041</b>	<b>1 584</b>	<b>2 614</b>	<b>5 026</b>	<b>10 552</b>	<b>17 345</b>	<b>46 582</b>
Cash and Nostro accounts	1 779	0	0	0	0	0	0	0	1 779
Amounts due from banks	0	15	0	0	0	148	0	0	163
Loans and advances to customers	5 674	444	1 024	1 149	2 119	3 503	7 690	13 515	35 117
Securities	0	509	17	435	496	1 375	2 861	2 146	7 839

Other asstes	0	0	0	0	0	0	0	1 684	1 684
<b>LIABILITIES AND EQUITY</b>	<b>-16 566</b>	<b>-7 693</b>	<b>-5 688</b>	<b>-3 129</b>	<b>-2 586</b>	<b>-3 017</b>	<b>-1 119</b>	<b>-6 784</b>	<b>-46 582</b>
Amounts due to banks	0	-1 018	0	0	0	-125	-43	0	-1 186
Amounts due to customers	-16 566	-5 729	-5 501	-2 894	-2 314	-1 693	-115	-55	-34 867
Own issues	0	0	-187	-235	-272	-1 200	-961	-852	-3 706
Equity	0	0	0	0	0	0	0	-5 878	-5 878
Other liabilities	0	-945	0	0	0	0	0	0	-945
<b>Balance-sheet gap</b>	<b>-9 113</b>	<b>-6 726</b>	<b>-4 647</b>	<b>-1 545</b>	<b>28</b>	<b>2 008</b>	<b>9 433</b>	<b>10 561</b>	<b>0</b>
<b>Accumulated balance-sheet gap</b>	<b>-9 113</b>	<b>-15 839</b>	<b>-20 485</b>	<b>-22 031</b>	<b>-22 003</b>	<b>-19 994</b>	<b>-10 561</b>	<b>0</b>	
Derivative instruments - inflows	0	3 992	673	403	559	743	415	63	6 849
Derivative instruments - outflows	0	-3 989	-678	-404	-549	-736	-413	-62	-6 830
<b>Derivative instruments - net</b>	<b>0</b>	<b>4</b>	<b>-4</b>	<b>-1</b>	<b>10</b>	<b>7</b>	<b>2</b>	<b>1</b>	<b>19</b>
Guarantee and financial lines	9 964	2	38	54	102	74	17	8	10 261
<b>Off-balance sheet gap</b>	<b>9 964</b>	<b>6</b>	<b>34</b>	<b>53</b>	<b>113</b>	<b>81</b>	<b>19</b>	<b>10</b>	<b>10 280</b>
<b>Total gap</b>	<b>852</b>	<b>-6 719</b>	<b>-4 613</b>	<b>-1 492</b>	<b>141</b>	<b>2 089</b>	<b>9 451</b>	<b>10 571</b>	<b>10 280</b>
<b>Total accumulated gap</b>	<b>852</b>	<b>-5 868</b>	<b>-10 481</b>	<b>-11 973</b>	<b>-11 832</b>	<b>-9 743</b>	<b>-291</b>	<b>10 280</b>	

2015-12-31	1D	1M	3M	6M	1Y	2Y	5Y	5Y+	TOTAL
<b>ASSETS</b>	<b>7 249</b>	<b>519</b>	<b>937</b>	<b>1 314</b>	<b>2 893</b>	<b>4 449</b>	<b>8 469</b>	<b>14 174</b>	<b>40 003</b>
Cash and Nostro accounts	2 090	0	0	0	0	0	0	0	2 090
Amounts due from banks	0	122	0	0	0	184	0	0	306
Loans and advances to customers	5 160	382	919	1 065	2 322	3 024	6 328	11 722	30 922
Securities	0	15	17	249	570	1 241	2 141	633	4 867
Other asstes	0	0	0	0	0	0	0	1 819	1 819
<b>LIABILITIES AND EQUITY</b>	<b>-13 938</b>	<b>-6 780</b>	<b>-5 391</b>	<b>-4 881</b>	<b>-1 876</b>	<b>-1 534</b>	<b>-1 224</b>	<b>-4 378</b>	<b>-40 003</b>
Amounts due to banks	-11	-804	0	0	0	-203	-43	0	-1 061
Amounts due to customers	-13 927	-5 098	-5 385	-4 622	-1 687	-621	-47	-17	-31 404
Own issues	0	0	-6	-259	-189	-710	-1 135	-847	-3 145
Equity	0	0	0	0	0	0	0	-3 514	-3 514
Other liabilities	0	-878	0	0	0	0	0	0	-878
<b>Balance-sheet gap</b>	<b>-6 689</b>	<b>-6 262</b>	<b>-4 454</b>	<b>-3 567</b>	<b>1 017</b>	<b>2 915</b>	<b>7 244</b>	<b>9 795</b>	<b>0</b>
<b>Accumulated balance-sheet gap</b>	<b>-6 689</b>	<b>-12 951</b>	<b>-17 405</b>	<b>-20 972</b>	<b>-19 955</b>	<b>-17 040</b>	<b>-9 795</b>	<b>0</b>	
Derivative instruments - inflows	0	2 455	763	536	1 722	1 108	407	60	7 052
Derivative instruments - outflows	0	-2 428	-753	-551	-1 721	-1 087	-404	-59	-7 002
<b>Derivative instruments - net</b>	<b>0</b>	<b>27</b>	<b>10</b>	<b>-15</b>	<b>2</b>	<b>22</b>	<b>3</b>	<b>1</b>	<b>50</b>
Guarantee and financial lines	8 639	3	9	37	134	98	2	20	8 942
<b>Off-balance sheet gap</b>	<b>8 639</b>	<b>30</b>	<b>19</b>	<b>22</b>	<b>136</b>	<b>120</b>	<b>5</b>	<b>21</b>	<b>8 991</b>
<b>Total gap</b>	<b>1 950</b>	<b>-6 232</b>	<b>-4 435</b>	<b>-3 545</b>	<b>1 153</b>	<b>3 035</b>	<b>7 249</b>	<b>9 817</b>	<b>8 991</b>
<b>Total accumulated gap</b>	<b>1 950</b>	<b>-4 283</b>	<b>-8 718</b>	<b>-12 263</b>	<b>-11 110</b>	<b>-8 075</b>	<b>-826</b>	<b>8 991</b>	

## Credit risk

Receivables not overdue	As at 30.09.2016	As at 31.12.2015
<b>Amounts due, not impaired</b>	<b>29 916 520</b>	<b>26 170 881</b>
Retail segment	17 711 676	15 558 620
Business segment	12 204 844	10 612 261
<b>Amounts due, impaired</b>	<b>259 013</b>	<b>152 849</b>
Retail segment	57 126	37 337
Business segment	201 887	115 512
<b>Receivables not overdue</b>	<b>30 175 533</b>	<b>26 323 730</b>

### Overdue loans and advances to customers as at 30.09.2016

	Up to 1 month	From 1 month to 3 months	from 3 months to 1 year	from 1 year to 5 years	from 5 years	Total
<b>Amounts due, not impaired</b>	<b>2 944 887</b>	<b>378 246</b>	<b>130 193</b>	<b>141 155</b>	<b>782</b>	<b>3 595 263</b>
Retail segment	1 224 422	333 436	14 848	40 724	297	<b>1 613 727</b>
Business segment	1 720 465	44 810	115 345	100 431	484	<b>1 981 535</b>
<b>Amounts due, impaired</b>	<b>109 838</b>	<b>94 419</b>	<b>421 664</b>	<b>685 234</b>	<b>6 939</b>	<b>1 318 095</b>
Retail segment	29 052	62 800	217 893	368 715	2 421	<b>680 881</b>
Business segment	80 786	31 619	203 770	316 520	4 519	<b>637 214</b>
<b>Total amount due</b>	<b>3 054 725</b>	<b>472 666</b>	<b>551 857</b>	<b>826 389</b>	<b>7 721</b>	<b>4 913 358</b>

### Overdue loans and advances to customers as at 31.12.2015

	Up to 1 month	From 1 month to 3 months	from 3 months to 1 year	from 1 year to 5 years	from 5 years	Total
<b>Amounts due, not impaired</b>	<b>2 807 250</b>	<b>412 737</b>	<b>137 026</b>	<b>100 720</b>	<b>3 372</b>	<b>3 461 105</b>
Retail segment	1 047 724	257 776	49 819	20 449	2 745	1 378 513
Business segment	1 759 526	154 961	87 207	80 271	627	2 082 592
<b>Amounts due, impaired</b>	<b>145 409</b>	<b>121 262</b>	<b>329 481</b>	<b>523 603</b>	<b>2 467</b>	<b>1 122 222</b>
Retail segment	55 540	76 767	204 451	282 620	1 466	620 844
Business segment	89 869	44 495	125 030	240 983	1 001	501 378
<b>Total amount due</b>	<b>2 952 659</b>	<b>533 999</b>	<b>466 507</b>	<b>624 323</b>	<b>5 839</b>	<b>4 583 327</b>

## 39. Events significant for the business of the Bank's Group

### Acquisition of the spun-off business of Bank BPH S.A.

On 31 March 2016, the Bank signed a Share Sale and Demerger Agreement with the Sellers of Bank BPH – GE Investments Poland sp. z o.o., DRB Holdings B.V. and Selective American Financial Enterprises, Inc. ("Sellers of Bank BPH"), relating to concluding a transaction (jointly: "Transaction") covering: (i) the acquisition of shares constituting a significant interest in Bank BPH by the Issuer from the Sellers of Bank BPH, by way of a tender offer for the sale or exchange of shares in Bank BPH; (ii) demerger of Bank BPH pursuant to Art.

529 § 1 item 4 of the Commercial Companies Code (CCC) by transferring the Core Business of Bank BPH to Alior Bank (demerger by spin-off) on the terms and conditions described in the Demerger Plan ("Demerger"); and (iii) issuing Alior Bank's new shares to the shareholders of Bank BPH indicated in the Demerger Plan (i.e. with the exclusion of Alior Bank, Bank BPH Sellers and their related entities).

The Share Sale and Demerger Agreement stipulates the acquisition of the Core Business of Bank BPH by the Bank on the date of registration of the increase in the Bank's share capital with the competent registration court in connection with the Demerger ("Demerger Date"). The Core Business of Bank BPH will constitute an organized part of the enterprise covering all of Bank BPH's assets and liabilities with the exception of the Mortgage Business of Bank BPH comprised mainly of Bank BPH's mortgage loan portfolio (in particular all mortgage loans denominated in PLN and in other currencies, extended to individuals for housing purposes).

Furthermore, on 1 April 2016, the Bank concluded a pre-demerger cooperation agreement with Bank BPH, with the support of Bank BPH Sellers ("Pre-Demerger Cooperation Agreement"). The Pre-Demerger Cooperation Agreement specifies the preliminary terms and conditions of the Demerger, including the general terms and conditions of cooperation between the parties in preparing the Demerger Plan and completing the Demerger. The Pre-Demerger Cooperation Agreement also specifies the principles based on which the Share Exchange will be agreed and the principles for allocating the assets and liabilities of Bank BPH to the Core Business of Bank BPH and the Mortgage Business of Bank BPH. It also includes certain obligations of Bank BPH related to its business in the period between the signing of the Share Sale and Demerger Agreement and the Demerger Date.

At the same time, on 29 April 2016, Alior Bank entered into an outsourcing agreement concerning the servicing of the portfolio of mortgage receivables of Bank BPH S.A. and an IT services outsourcing agreement on behalf of Bank BPH S.A.

### **Stages of completion of the Transaction**

The Transaction comprises the following key elements:

1. increasing the Bank's share capital by way of issuing the Bank's new shares in a public offering addressed to the Bank's current shareholders, in conformance with the preemptive rights ("Offering according to Pre-emptive Terms"), among other things, to finance the Transaction (see para. "Offering according to Pre-emptive Terms" below);
2. acquiring shares constituting a significant interest in Bank BPH, by way of a tender offer for the sale of all the remaining shares in Bank BPH; (pursuant to Art. 74, section 1 of the Public Offering Act) or shares representing 66% of the share capital of Bank BPH (pursuant to Art. 73, section 1 of the Public Offering Act) ("Tender Offer") (see para. "Tender Offer" below);
3. optionally, conducting a mandatory squeeze-out of Bank BPH shares, on condition that such a decision is taken by the Bank and that the Bank and Bank BPH Sellers, after the end of the Tender Offer for Bank BPH shares constituting jointly at least 90% of Bank BPH's share capital ("Mandatory Squeeze-out") (see para. "Mandatory Squeeze-out" below);
4. conducting the Demerger pursuant to Art. 529 § 1 item 4 of CCC conducted by transferring the Core Business of Bank BPH to the Bank (demerger by spin-off) on the terms and conditions described in the Demerger Plan in exchange for the Bank's new

shares issued to the shareholders of Bank BPH indicated in the Demerger Plan (i.e. with the exception of the Bank and Bank BPH's Sellers and their related entities)(see par. "Demerger" below).

### **Price**

The price for the 87.23% interest of Bank BPH Sellers in the Core Business of Bank BPH was determined at the level of PLN 1,225 million, in recognition of potential adjustments which may take place before the end of the term of the Tender Offer, pursuant to the Share Sale and Demerger Agreement.

On 2 August 2016, the Bank informed of determining the adjusted acquisition price for the Core Business of Bank BPH, of PLN 1,159,645,000 ("Adjusted Price"). The Adjusted Price was determined in accordance with the Share Sale and Demerger Agreement, based on the book value of property, plant and equipment of Bank BPH's Core Business as at 30 June 2016.

### **Terms and conditions**

The completion of the Transaction depends on the fulfillment of the conditions precedent specified in the Share Sale and Demerger Agreement, which include specifically: (i) obtaining the decision of the relevant antitrust authority; (ii) obtaining by Bank BPH, Alior Bank and the Seller appropriate consents of the PFSA; (iii) approving and signing the Demerger Plan by the Management Board of Bank BPH and the Management Board of Alior Bank; (iv) passing a resolution by the General Meeting on approving the Bank's new shares in the Offering according to Pre-emptive Terms; (v) registering the increase in the Bank's share capital by the registration court; (vi) passing a resolution on approving the Demerger ("Demerger Resolution") by the General Meeting; (vii) obtaining respective tax interpretations related to the demerger of Bank BPH.

On 23 June 2016 the President of the Office of Competition and Consumer Protection issued unconditional consent to the concentration consisting of acquiring part of the assets of Bank BPH by the Bank.

On 30 June 2016, the Management Board of Alior Bank S.A., acting on the basis of Art. 539 §1 and 2 of the Commercial Companies Code ("CCC"), in connection with Art. 4021 of the CCC, announced for the second time the planned demerger of Bank BPH by a spin-off of an organized part of the business of Bank BPH related to Bank BPH's operations other than its mortgage business and its transfer to Alior Bank, according to the procedures specified in Art. 529 §1 item 4 of the CCC. The following Share Exchange of the Bank's shares to Alior Bank shares was determined in the Demerger Plan: for 1 (one) share in BPH, a BPH shareholder (with the exception of GE Shareholders) will be ascribed and awarded 0.44 of an Alior Bank's share ("Share Exchange"), subject to adjustment related to the dilution of Alior's Bank share capital resulting from the public rights offering of Alior Bank before the Demerger Date. The Share Exchange, after accounting for the above adjustment relating to the dilution of Alior Bank's share capital was determined at around 0.51.

On 19 July 2016, the PFSA issued a decision on the absence of basis for objections to Alior Bank's and Powszechny Zakład Ubezpieczeń SA's intent to the direct acquisition by Alior Bank of shares in Bank BPH in a number ensuring more than 50% interest in the share capital and total number of voting rights at the General Meeting of Bank BPH.

Also on 19 July 2016, Alior Bank and Bank BPH obtained the decision of the PFSA on issuing a permit to demerge Bank BPH according to Art. 529 § 1 item 4 of the CCC by transferring to Alior Bank part of the assets of Bank BPH in the form of an organized part of the enterprise, comprising all Bank BPH's assets and liabilities with the exception of the so-called "mortgage business of Bank BPH". The PFSA did not contest the intention of Alior Bank to become Bank BPH's parent as of the date of acquiring the shares in Bank BPH by Alior Bank until the date of registering by the Registration Court of the increase in Alior Bank's share capital in connection with the Demerger, and then its intention to exceed 50% of the total number of votes at the General Shareholders' Meeting of Bank BPH as a result of the Demerger.

On 25 July 2016, Alior Bank received a decision from the PFSA permitting the amendments to Alior Bank's Articles of Association to be made in connection with the planned Demerger of Bank BPH. A similar permission to change the Articles of Association was obtained by Bank BPH.

On 28 July 2016, the Bank received the last missing interpretation of the tax law (individual interpretation) related to the Demerger of Bank BPH.

On 29 July 2016, the Extraordinary General Meeting of the Bank amended the Bank's Articles of Association and passed a resolution on the demerger of Banku BPH.

On 5 August the Bank received information on PFSA's decision of 4 August 2016 received by Bank BPH, and issued based on Art. 34, section 2 of the Banking Law, on the approval of amendments to the Articles of Association of Bank BPH in connection with the planned Demerger of Bank BPH, relating to reducing the share capital of Bank BPH in connection with the Demerger.

#### **Offering according to Pre-emptive Terms**

On 5 May 2016, the Banks' Extraordinary General Meeting adopted a resolution on increasing the share capital by issuing series I-shares in a closed public rights offering, setting 23 May 2016 as the record date for the pre-emptive rights in respect of I-series 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 authorizing the Supervisory Board to prepare a consolidated text of the articles of association.

On 18 May 2016, the Polish Financial Supervision Authority approved the prospectus prepared in connection with the public offering of no more than 220,000,000 ordinary bearer I-series shares with a nominal value of PLN 10 each ("Offered Shares") and with the application for admitting them and introducing to trading on a regulated (basic) market maintained by the Warsaw Stock Exchange.

At the same time, on 18 May 2016, the Bank's Management Board set the issue price at PLN 38.90 per Offered Share, and the number of Offered Shares at 56,550,249. The Management Board also determined the final amount of increase in the Bank's share capital at PLN 565,502,490, i.e. up to the amount of PLN 1,292,577,120.

On 25 May 2016, the Bank received the decision of the Polish Financial Supervision Authority ("PFSA") dated 24 May 2016 in which the PFSA gave its consent to changing the Bank's Articles of Association in connection with the increase in its share capital by way of issuing I-series shares with pre-emptive rights.

On 10 June 2016, the Bank's Management Board informed of the public offering and issue of 56,550,249 ordinary bearer I-series shares with a nominal value of PLN 10 each becoming effective. Of the Offered Shares, 56,550,249 were duly subscribed for and paid up. During the subscription period 3,973 subscriptions to exercise pre-emptive rights were made for 56,037,229 Offered Shares and 665 additional subscriptions for 33,183,550 Offered Shares. The additional share subscription was reduced by 98.5%.

On 24 June 2016, the District Court for the capital city of Warsaw in Warsaw, 13th Business Department of the National Court Register registered the increase in the Bank's share capital from PLN 727,074,630.00 to PLN 1,292,577,120.00 by way of issuing 56,550,249 ordinary bearer I-series shares with a nominal value of PLN 10.00 each in the Register of Businesses.

Therefore the total number of votes from all the Bank's issued shares amounted to 129,257,712 and the share capital is represented by 129,257,712 of the Bank's ordinary shares with a nominal value of PLN 10.00 each. The shares were introduced to trading on the WSE on 1 July 2016.

### **Tender Offer**

On 11 July 2016, the Bank announced a tender offer for the sale of 50,600,821 ordinary bearer shares of Bank BPH which give entitlement to 66% of the total votes in Bank BPH.

On 1 August 2016 subscription started for the shares of Bank BPH under the tender offer announced by Alior Bank. The subscription period lasted until 16 August 2016. The final price per one share in the tender offer was set at a level of PLN 31.19.

On 8 August 2016 the condition of the need to cover by subscription at least 37,180,026 of Bank BPH's shares entitling to at least approx. 48.49% of the total number of votes in Bank BPH ("Minimum Number of Shares Condition") in response to the Tender Offer was met. Meeting the Minimum Number of Shares Condition means that all the conditions of the Tender Offer have been met. The Minimum Number of Shares Condition was met as a result of GE Investments Poland sp. z o.o. and DRB Holdings B.V. subscribing to the Bank BPH shares offered in the execution of the Share Sale and Demerger Agreement. The subscriptions were made after the last of the conditions of the Share Sale and Demerger Agreement were met, relating to obtaining all the PFSA permits specified in the Share Sale and Demerger Agreement, taking into consideration the respective changes based on the annexe to the Share Sale and Demerger Agreement dated 8 August 2016.

In the period between the end of the Tender Offer and the earlier of the following dates: (i) the Demerger Date and (ii) the date falling six months after the end of the term of the Tender Offer ("Transitional Period"), the Bank has committed not to exercise, without the prior written consent of Bank BPH Sellers, any rights following from Bank BPH shares, in recognition of the exceptions stipulated in the Share Sale and Demerger Agreement. In the Transition Period Bank BPH Sellers remain the reference shareholders of Bank BPH.



On 19 August 2016, the transaction for the purchase of 46,525,228 of Bank BPH shares, i.e. all Bank BPH shares covered by the subscriptions under the Tender Offer was concluded. The transaction was settled, and thus the ownership of Bank BPH shares covered by the subscriptions under the Tender Offer was transferred to Alior Bank on 24 August 2016.

On 25 October 2016, the Bank in order to supplement current report of Alior Bank no. 52/2016 of 23 June 2016 published the amount of the costs related to conducting of subscription ordinary bearer Series I shares.

The total costs incurred in connection with the subscription of the ordinary bearer Series I shares amounted to ca. PLN 59 578 thousand.

The total costs incurred represent ca. 2,71% of the value of the placement, whereas the average cost of the subscription per share covered by the subscription amounts to PLN 1,28.

### **Mandatory Squeeze-out**

If, after the end of the term of the Tender Offer, the Bank and Bank BPH Sellers hold shares which in total represent at least 90% of the share capital of Bank BPH, the Bank, pursuant to the Share Sale and Demerger Agreement may, at its discretion, squeeze-out Bank BPH's minority shareholders and demand from Bank BPH Sellers that they act in agreement with the Bank in respect of the squeeze-out.

On 20 September 2016, Alior Bank, acting in agreement with GE Investments Poland sp. z o.o., Selective American Financial Enterprises, LLC and DRB Holdings B.V. (jointly "GE Capital Entities"), announced the mandatory squeeze-out of Bank BPH S.A. ("Bank BPH") shares held by all the remaining shareholders in the Company ("Squeeze-out"). Alior Bank and GE Capital Entities jointly held 76,224,988 shares in Bank BPH, which represent approx. 99.42% of Bank BPH's share capital and in the total number of voting rights in the General Meeting of Bank BPH. The subject of the Squeeze-out are all the remaining shares of Bank BPH, i.e. 442,923 shares in Bank BPH, which represent approx. 0.58% of Bank BPH's share capital and of the total number of voting rights at the General Meeting of Bank BPH (Shares Covered by the Squeeze-out). The share redemption date was set at 23 September 2016, and the redemption price is PLN 31.19 per share in Bank BPH. On the day of the redemption the holders of Shares Covered by the Squeeze-out were deprived of rights from shares as a result of registering the Shares Covered by the Squeeze-out in the securities account of Alior Bank.

### **Demerger**

The Bank and Bank BPH Sellers have determined in the Share Sale and Demerger Agreement the general principles according to which the Demerger will be conducted, pursuant to which: (i) no new shares in the Bank's share capital will be issued on behalf of the Bank; (ii) all Bank BPH shares held by the Bank will cease to exist and Bank BPH Sellers will become Bank BPH's sole shareholders; and (iii) on the respective date indicated in the Demerger Plan, Bank BPH shareholders (other than the Bank and Bank BPH Sellers, and Bank BPH Sellers' related entities) holding shares in Bank BPH, if such shareholders remain with Bank BPH, will receive shares in the Bank's share capital in accordance with the principles of exchange of Bank BPH shares to Bank shares, determined for the purpose of the Demerger.

The Demerger Plan was agreed and signed on 29 April 2016.

On 20 October 2016, the Bank gives notice that on 20 October 2016 it learned about the registration on 20 October 2016, by the District Court for Gdańsk-Północ in Gdańsk, 7th Business Division (National Court Register) of the decrease of Bank BPH's share capital from the amount of PLN 383,339,555.00 to PLN 148,498,800.00, in connection with the demerger of Bank BPH pursuant to Article 529 § 1 Clause 4 of the Commercial Companies Code adopted based on the resolution of the Extraordinary General Meeting of Bank BPH dated 28 September 2016.

The Registration of the Bank BPH Share Capital Decrease marked one of the milestones of the registration process connected with the divestment to Alior Bank of part of Bank BPH's business, in the form of an organized part of the Bank BPH business enterprise comprising all the assets and liabilities defined in the Demerger Plan, constituting the core business of Bank BPH.

As a result of the Registration of the Bank BPH Share Capital Decrease, all of the Bank BPH shares held by Alior Bank, i.e., 46,968,051 Bank BPH shares, ceased to exist.

On 4 November 2016 the District Court for the Capital City of Warsaw, 13th Business Division of the National Court Register made an entry in the register of entrepreneurs concerning the increase of Alior Bank's share capital from the amount of PLN 1,292,577,120.00 to PLN 1,292,577,630.00 through the issue of 51 ordinary bearer series J shares with a nominal value of PLN 10.00 each, in connection with the demerger of Bank BPH in accordance with Article 529 § 1 Clause 4 of the Commercial Companies Code. In accordance with Article 530 § 2 of the Commercial Companies Code, simultaneously with the Registration of the Share Capital Increase, there occurred the divesting of part of Bank BPH assets in the form of an organized part of the Bank BPH business enterprise comprising all assets and liabilities specified in the Demerger Plan and constituting the core business of Bank BPH, and the transfer of the Bank BPH Core Business to Alior Bank. As a result, the Demerger has become effective and the Bank BPH Core Business has formally become part of Alior Bank.

The Management Board of Alior Bank mentioned that due to the provisions of Article 530 § 2 of the Commercial Companies Code, in accordance with which, in the event of the transfer of part of the assets of the demerged entity (Bank BPH) to an existing company (Alior Bank), the demerger occurs on the day of registration of the increase of the share capital of the surviving company (Alior Bank), following the completion of the squeeze-out of Bank BPH shares (of which Alior Bank gave notice in current report No. 78/2016 of 20 September 2016), Alior Bank sold 100 Bank BPH shares to a natural person, who became a minority shareholder of Bank BPH. The aim of that transaction was to make it possible to increase Alior Bank's share capital by way of issuing 51 ordinary bearer series J shares in Alior Bank for the benefit of the Bank BPH minority shareholder, in accordance with the agreed share exchange ratio of 0.51 Alior Bank shares for 1 Bank BPH share. The solution was aimed at eliminating legal risks that could arise in the event of effecting the Demerger without increasing the share capital of Alior Bank.

Simultaneously with the Registration of the Share Capital Increase came the registration of amendments to the articles of association of Alior Bank connected with the Demerger, including the amending of the provisions concerning the amount of Alior Bank's share capital and the widening of the scope of business of Alior Bank, so that Alior Bank be formally authorized to carry on the operations of Bank BPH to the extent to which such operations have been transferred to Alior Bank as a result of the Demerger.

Following the Registration of the Share Capital Increase, the total number of votes at Alior Bank is 129,257,763.

Alior Bank has applied to the National Depository for Securities for setting the reference date and for registration of 51 ordinary bearer series J shares in the depository of securities. Alior Bank will also seek to introduce these shares to trading on the regulated market operated by the Warsaw Stock Exchange.

On 8 November 2016 pursuant to resolution No. 740/16 of the management board of the National Depository for Securities of 8 November 2016, the management board of the NDS has decided to register 51 (fifty one) series J ordinary bearer shares of the Bank with the nominal value of PLN 10.00 (ten) each share, registered as a result of the allocation of shares in the Bank realized pursuant to § 217 of the Detailed Rules of Operation of the NDS by virtue of exchange of the shares in Bank BPH for the Demerger Shares at the ratio 1:0.51 in connection with the division of Bank BPH realized pursuant to Article 529 § 1 Point 4 of the Polish Commercial Companies Code by way of a transfer of a part of assets of Bank BPH to Bank, in the depository for securities kept by the NDS and mark them with the code PLALIOR00045, provided that the Warsaw Stock Exchange, which is the entity operating a regulated market, decides that the Demerger Shares are introduced to trading on the same regulated market which the other shares in the Bank, marked with the code PLALIOR00045, were introduced to trade.

The registration of the Demerger Shares with the depository for securities will be effected within three days of the receipt by the NDS of the documents evidencing the decision of the WSE referred to above; however, not earlier than on the date indicated as the date of the introduction of the Demerger Shares to trading on the regulated market.

In addition, the management board of the NDS has decided to determine the reference date (within the meaning of § 219 of the Detailed Rules of Operation of the NDS) for the purposes of allocation of the Demerger Shares in exchange for shares in Bank BPH on 9 November 2016.

#### **Additional agreements related to the Share Sale and Demerger Agreement**

On the date of signing the Share Sale and Demerger Agreement, the Bank concluded an agreement with GE Capital US Holdings, Inc. related to continuing to provide certain services related to applications, access rights, IT issues and operating support to the Core Business of Bank BPH by General Electric Group entities over the transition period stipulated in the said agreement.

Additionally, pursuant to the Share Sale and Demerger Agreement, it was agreed that the following agreements will be concluded: (i) the outsourcing agreement relating to operating the Mortgage Business of Bank BPH by the Bank; (ii) the outsourcing agreement relating to providing IT services by the Bank to Bank BPH; and (iii) rental agreements relating to the use of the Bank's office space by Bank BPH. Additionally, pursuant to the Share Sale and Demerger Agreement, the following agreements will be concluded by the Bank with respective parties on the date of signing the Demerger Plan: (i) agreement on provisional trademark licences of the GE Capital Group which are to be used by the Core Business of Bank BPH until the completion of rebranding; and (ii) the licence agreement relating to the use of certain intellectual property of the GE Capital Group by the Core Business of Bank BPH.

On 29 April 2016 the Bank concluded the following agreements with Bank BPH S.A: (i) an outsourcing agreement related to servicing the mortgage receivables portfolio of Bank BPH S.A. ("Ops SLA") and (ii) an outsourcing agreement related to providing IT services to Bank BPH S.A. ("IT SLA") (jointly "Agreements").

The IT SLA concerns the provision of IT services to Bank BPH S.A. required by Bank BPH S.A. to operate and conduct its business as usual following the transfer of the Bank BPH S.A. IT platform to the Bank as a part of the Bank BPH Core Business. The IT services shall include: (i) services supporting Bank BPH S.A. business processes; (ii) services supporting Bank BPH S.A. IT processes, (iii) user support services and (iv) ad hoc / project services. The Bank shall be obliged to maintain a separate dedicated IT platform to provide services under the IT SLA.

The Ops SLA concerns the provision of a wide scope of administration and operation services related to the servicing of the mortgage portfolio retained by Bank BPH S.A. following the demerger and transfer of the Bank BPH Core Business to the Bank.

Under the Agreements the Bank will receive reimbursement of the actual costs incurred in relation to the provision of services, calculated in accordance with the agreed methodology (the "Costs"). Additionally, each year the Bank will receive a fee paid in 12 instalments. In the case of the IT SLA, the yearly fee has been fixed at 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 (margin based fee). Due to the variable amount of the Costs borne and the Bank's prediction that the value of the annual fee under 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 Agreements.

The 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 the case of the Ops SLA, the condition precedent of the entry of the agreement into force is either a Polish Financial Supervision Authority permit for the outsourcing of the services covered by the Ops SLA by Bank BPH S.A. to the Bank or a comfort letter from the Polish Financial Supervision Authority that such permit is not required.

Both Agreements were concluded for a limited period of time and will expire upon the earlier of: (i) the full settlement of Bank BPH S.A. mortgage receivables; or (ii) 30 (thirty) years following the Effective Date. Each agreement may be terminated earlier by either party in the circumstances set out therein such as e.g.: (a) with respect to Bank BPH S.A., in the case of: (i) a change of control over Bank BPH S.A. understood also as a sale of 50% of the portfolio mortgage receivables; (ii) the Bank's default under the Agreement which is irremediable; (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 31 December 2018; (iv) an increase in the Costs of 15% (other than as a result of compliance with the regulatory requirements or changes in the applicable law) compared to

the level of Costs for the first year of providing the services under a given agreement; (b) with respect to the Bank, in the case of: (i) Bank BPH S.A.'s default under the Agreement which is not remedied within a period of 30 days; (ii) submission of a termination notice regarding the second Agreement.

#### **Guarantee issued by GE Capital Global Holdings, LLC**

Exercising the liabilities of Bank BPH Sellers following from the Share Sale and Demerger Agreement is guaranteed by GE Capital Global Holdings, LLC.

#### **Strategic grounds for the Transaction**

Acquisition of the Core Business of Bank BPH is stipulated in the development strategy of Alior Bank, which provides for growth based on organic development and acquisitions, in connection with achieving high returns on equity. As a result of the acquisition of the spun-off part of Bank BPH, Alior Bank will become 9th largest bank in Poland in terms of assets held. The transaction will bring Alior Bank closer to the achievement of its strategic goal of becoming one of the 5–6 leading banks in Poland over the next few years.

#### **Other significant events**

- On 1 July 2016, Alior Bank S.A. published the amounts of expenses related to the subscription to P1A and P1B series bonds. Total expenses incurred in connection with the subscription to P1A and P1B series bonds amounted to PLN 666.5 thousand. Expenses related to the work on preparing the bond issuance scheme and the prospectus are accounted for by the Bank over the period of the issue scheme, i.e. 12 months of the date of approval of the prospectus by the PFSA. Other expenses relating to the bonds which have been incurred to-date have been accounted for on a one-off basis in the income statement. The average cost of conducting the subscription per one security covered by the subscription, calculated as the quotient of: (i) the total costs of the P1A and P1B series bonds issue and (ii) the total number of P1A and P1B series bonds, was about PLN 3,03.
- On 1 July 2016, in accordance with CRR ("the Guarantee") granted by Powszechny Zakład Ubezpieczeń S.A. ("the Guarantor") and the Counter-Guarantee to secure the performance of the Guarantor's obligations ("the Counter-Guarantee"), the Insurance Guarantee for unfunded credit protection with respect to a selected portfolio of the Bank's loan receivables was terminated. The Guarantee was terminated with immediate effect, and the Counter-Guarantee with 30-days notice. Termination of the Guarantee is related to the obligation to pay an additional fee of PLN 1,500 thousand. The Bank will not have to pay the fee for the period falling after the termination of the Guarantee and the Counter-Guarantee (in recognition of the duty to pay the fee referred to in the previous sentence). With reference to the issue of share rights which took place in June 2016, the Bank ensured an appropriate level of capital to continue in operation without availing itself of the agreements referred to above.
- On 27 July 2016, the Bank concluded agreements relating to trademarks with Telekom Romania Mobile Communications S.A., meeting the final condition stipulated in the cooperation agreement for providing financial intermediation

services by Telekom Romania Mobile Communications S.A., concluded by the parties on 7 August 2015.

- On 16 September 2016, the Bank's Management Board passed a resolution on withdrawing, as of 16 September 2016, from conducting – based on the Prospectus – further public offerings for unsecured, subordinated bearer bonds issued under the public scheme for the issue of subordinated bonds up to the maximum amount of PLN 800,000,000 and for admitting to trading on the regulated market further unsecured, subordinated bearer bonds issued under the Scheme. The above decision is the result of the Bank's lack of intention to issue in the foreseeable future any further subordinated bonds in public offers based on the Prospectus.
- In connection with the Bank's offering to conduct a transaction covering its acquisition of the spun-off core banking business of Raiffeisen Bank Polska S.A. ("Core Business of RBPL") from Raiffeisen Bank International AG ("RBI") on 6 September 2016, on 21 September 2016 the Bank began a period of exclusive negotiations with RBI on concluding the transaction of purchasing the Core Business of RBPL. The Bank's Management Board notes that the fact of starting the negotiations with RBI does not mean that the acquisition of the Core Business of RBPL will be effected.

## 40. Financial forecasts

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

## 41. Bond Issuance Scheme

Alior Bank S.A. has a bonds issuance scheme with a maximum value of PLN 2 billion set up based on the Resolution of the Bank's Supervisory Board dated 10 August 2015 ("Issuance Scheme"), of which the Bank informed in its current report 68/2015 dated 10 August 2015. The bond issuance scheme was set up due to the Act on Bonds of 15 January 2015 coming into force and it replaced the previous bond issuance scheme approved by Resolution No. 28/2013 of the Supervisory Board dated 18 March 2013, of which the Bank informed in the current report No. 16/2013 dated 19 March 2013. The type of bonds, offering procedures and detailed terms and conditions for issuing particular series of bonds issued under the Issuance Scheme are determined by the Bank's Management Board by way of resolutions.

Until 30 June 2016 the Bank issued the following series of subordinated bonds under the said Issuance Scheme:

Series number	Abbreviated name	Series value (PLN)	Issue date	Redemption date	Quotation market
I	ALR1221	150 000 000	2015-12-04	2021-12-06	BS ASO, GPW ASO
II	ALR1221	33 350 000	2015-12-04	2021-12-06	BS ASO, GPW ASO

On 28 December 2015, the Bank obtained the consent of the PFSA to include in the calculation of Tier II capital, PLN 183,350,000, which constitutes a subordinated liability in respect of the I- and II-series subordinated bond issues.

## 42. Public Subordinated Bond Issue Scheme

- On 28 December 2015, the Bank's Supervisory Board gave its consent to opening Alior Bank S.A.'s Public Subordinated Bonds Scheme (Public Issuance Scheme) by the Bank's Management Board and authorized the Management Board of the Bank to draw financial liabilities by way of the Bank issuing, in series, 800,000 unsecured, subordinated bearer bonds with a nominal value of PLN 1,000 each under the Public Issuance Scheme.
  - The total nominal value of the Bonds issued under the Public Issuance Scheme will not exceed PLN 800,000,000;
  - The bonds will be issued and offered in series over a period of no longer than 12 months of the date of the PFSA approving the basic prospectus prepared in connection with the Public Issuance Scheme;
  - The maturity period of the bonds issued under the Public Issuance Scheme will be from 5 to 10 years as of the date of issuance of the given series of bonds.
  - The benefits following from the bonds will be exclusively of a pecuniary nature;
  - The bonds will be issued according to Art. 33.1 of the Act on Bonds;
  - The bonds will not have a documentary form and will be registered with the depository of securities administered in accordance with the provisions of the Act on trading, based on the agreement concluded with Krajowy Depozyt Papierów Wartościowych S.A. or with the company referred to in art. 5, section 10 of the Act on trading, in the event of transferring the activities in respect of the tasks referred to in Art.48 section 1 (1) of the Act on trading by the PFSA to the said company;
  - The terms and conditions of issue of each series of bonds will include provisions relating to classifying them as a component of equity pursuant to the provisions of the Regulation of the European Parliament and Council (EC) No. 575/2013 dated 26 June 2013 on prudential requirements for credit institutions and investment firms and amending Regulation (EU) No 648/2012 (OJ EU L 176 of 27.6.2013, p. 1);
  - The Bank's Management Board will apply for admitting and introducing the bonds to trading on a regulated market maintained by Giełda Papierów Wartościowych w Warszawie S.A. (hereinafter "GPW") in the Catalyst system or introducing the bonds to trading in an alternative trading system maintained by the WSE or BondSpot S.A. in the Catalyst system.

At the same time, the Supervisory Board of Alior Bank S.A. authorized the Management Board of Alior Bank S.A. to set the final issuance terms for the individual bond series, to allot the bonds to investors and to perform all other activities in order to execute the Public Issuance Scheme.

- The Public Issuance Scheme enables issuing bonds to ensure a safe level of the of the total capital ratio (TCR) in connection with the increase of the minimal capital requirements for banks as of 1 January 2016, pursuant to the PFSA letter dated 22 October 2015. As of 1 January 2016, pursuant to the recommendation, banks are to maintain capital ratios at a level of at least 13.25% in respect of TCR and 10.25% in respect of Tier 1.

On 12 April 2016, the Polish Financial Supervision Authority approved the Bank's prospectus prepared in connection with: (i) public offerings on the territory of the Republic of Poland of up to 800,000 unsecured, subordinated bearer bonds with PLN 1,000 par value each, issued under the Public Subordinated Bonds Issuance Scheme of Alior Bank S.A.; and (ii) the intention to seek admission and the introduction of up to 800,000 Bonds to trading on the regulated market maintained by Giełda Papierów Wartościowych w Warszawie S.A. in the Catalyst system.
- Bonds issued under the Program were described in Note 24

- On 16 September 2016, The Bank's Management Board passed a resolution and published (current report no. 77/2016) information on discontinuing further public offers for bonds and applying for admitting further bonds to trading on a regulated market based on this prospectus. Pursuant to the content of the report, this decision results from the Bank's lack of intention to issue further subordinated bonds in public offerings based on this prospectus in the foreseeable future. To avoid doubts, the Bank's Management Board confirmed that the decision does not mean that the Public Issuance Scheme will be invalid, but its intention is to lead to the expiry of validity of the prospectus.

## 43. Rating

### 1. Rating

As part of the preparations for the initial public offering, Alior Bank S.A. promised the Polish Financial Supervision Authority to take immediate action from the start of 2013 to obtain a rating awarded by a renowned international rating agency.

On 5 September 2013, Fitch Ratings Ltd. granted the BB rating with a stable outlook to Alior Bank S.A. The rating remained unchanged in accordance with the assessment made on 12 April 2016.

### **The Bank's full rating by Fitch**

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

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

## 44. Factors which could have an impact on the results in the perspective of the following quarter of the year

The Bank identifies the following factors which could have an impact on the Bank's results in the foreseeable future:

- 1) On 1 February 2016, the Alior Bank Group began to be subject to a tax imposed on some financial institutions, including banks. According to the new tax law introduction of this tax cannot constitute a basis for changing the terms and conditions of providing financial and insurance services based on contracts concluded before the coming into force of the new tax law, which limits the possibility of accounting for the new tax by the Alior Bank Group in the prices of services provided to its current customers. The additional charge resulting from this tax in the three quarters of 2016 amounted to PLN 87,6 million.

Each potential change in the tax law relating to the said tax, consisting of increasing the tax rate or the tax base by changing the existing exemptions will lead to an increased negative impact on the results achieved by the Bank.



2) In the last few years the Alior Bank Group has engaged in operations in an environment of low interest rates, which limited the Group's possibilities to achieve high net interest margins. The scale of negative trends with an impact on the level of net interest margins may increase if the Monetary Policy Council takes the decision to once again reduce base interest rates at the turn of 2016/2017. In such event, until compensatory steps are taken, the Alior Bank Group's net interest margin may be further reduced which would have an unfavorable impact on the results of the Alior Bank Group.

3) The scale of reported demand for banking services as well as the ability of customers to for timely repay their financial liabilities depends, to the large extent, on the financial condition of banks' customers. Apart from the macroeconomic conditions in Poland, the economic condition of many groups of customers depends among other things on the economic policy pursued. Both the slowing of the rate of growth of the Polish economy and the change in legal regulations which have an impact on the economic position of enterprises may have a negative impact on the financial position of selected customers of the Bank.

Bank's loan portfolio includes exposure related to financing of several projects run by the companies acting on the renewable energy sources market. There were no delays in repayment of obligations as far as the said projects are concerned as of September 30, 2016. The Bank monitors the financial position of the said entities, changes in regulations and the market conditions in the industry on a current basis. Thanks to conservative financing structures used by the Bank most projects show the ability to repay their liabilities in a perspective. Deterioration of financial standing of borrowers acting on this market may lead necessitate recording impairment allowances by the Bank in the future.

4) Alior Bank Group's success consisting, among other things, of pursuing the strategy of maintaining high volumes of sales of cash loans and mortgage loans (in respect of individual customers) and working capital loans and investment loans (in respect of business customers), while generating the highest possible net interest margins and acceptable and manageable costs of risk, will constitute a material factor with an impact on the operating results and financial position of the Alior Bank Group at the turn of 2016/2017.

5) The transaction consisting of acquiring the demerged part of Bank BPH will lead to an increase in the operating expenses of Alior Bank and thus will have an impact on the results for 2016 and consecutive periods.

The total amount of the Bank's expenses referred to above in the 3<sup>rd</sup> quarter amounted to PLN 11,4 million. The scale of expenses incurred by the Bank in 2016 in connection with the acquisition of the demerged part of Bank BPH is impossible to determine precisely at the current stage, as it depends on many factors which will take place in the 4th quarter of 2016.

At the same time, the merger of Alior Bank and demerged part of Bank BPH will have an impact on the results achieved in consecutive months. This fact will materially change the data reported in the financial statements due to the quantum leap in the scale of operations.

The effectiveness and timeliness of the processes conducted in connection with Alior Bank's merger with Bank BPH will also be of import. Efficient merger proceedings will

enable achieving the planned synergies while maintaining the integration costs at the stipulated level.

## 45. Registered audit company

By a resolution dated 4 April 2014, the Supervisory Board elected PricewaterhouseCoopers Spółka z ograniczoną odpowiedzialnością with its registered office in Warsaw as the registered auditor to audit the financial statements. The contract for the review of the condensed interim financial statements and audit of the annual financial statements was signed on 6 June 2014. The contract was concluded for the period of performing the services related to the audit of the financial statements for 2014, 2015 and 2016.

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Signatures of all Management Board Members

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08.11.2016 Wojciech Sobieraj  
CEO .....

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Signature

08.11.2016 Małgorzata Bartler  
Deputy CEO .....

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Signature

08.11.2016 Krzysztof Czuba  
Deputy CEO .....

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Signature

08.11.2016 Joanna Krzyżanowska  
Deputy CEO .....

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Signature

08.11.2016 Witold Skrok  
Deputy CEO .....

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Signature

08.11.2016 Barbara Smalska  
Deputy CEO .....

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Signature

08.11.2016 Katarzyna Sułkowska  
Deputy CEO .....

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Signature



Interim condensed separate  
financial statements  
of the Alior Bank Spółka Akcyjna

for the 3rd quarter of 2016

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## Interim condensed separate financial statements

### Interim condensed separate income statement

	01.07.2016- 30.09.2016	01.01.2016- 30.09.2016	01.07.2015- 30.09.2015	01.01.2015- 30.09.2015
Interest income	722 630	2 078 127	613 793	1 764 010
Interest expense	-233 478	-733 509	-230 840	-665 621
<b>Net interest income</b>	<b>489 152</b>	<b>1 344 618</b>	<b>382 953</b>	<b>1 098 389</b>
<b>Dividend income</b>	<b>17</b>	<b>51</b>	<b>22</b>	<b>64</b>
Fee and commission income	136 239	411 093	144 976	405 363
Fee and commission expense	-59 561	-170 107	-55 867	-153 146
<b>Net fee and commission income</b>	<b>76 678</b>	<b>240 986</b>	<b>89 109</b>	<b>252 217</b>
<b>Trading result</b>	<b>78 057</b>	<b>208 818</b>	<b>58 032</b>	<b>193 851</b>
<b>Net gain (realized) on other financial instruments</b>	<b>214</b>	<b>20 980</b>	<b>3 145</b>	<b>7 490</b>
Other operating income	13 708	43 654	15 832	65 815
Other operating costs	-13 006	-36 051	-1 451	-30 051
<b>Net other operating income</b>	<b>702</b>	<b>7 603</b>	<b>14 381</b>	<b>35 764</b>
<b>General administrative expenses</b>	<b>-292 569</b>	<b>-845 930</b>	<b>-259 206</b>	<b>-775 680</b>
<b>Impairment losses &amp; provisions</b>	<b>-197 598</b>	<b>-544 728</b>	<b>-173 087</b>	<b>-477 226</b>
<b>Bank tax</b>	<b>-34 680</b>	<b>-87 610</b>	<b>0</b>	<b>0</b>
<b>Profit before tax</b>	<b>119 973</b>	<b>344 788</b>	<b>115 349</b>	<b>334 869</b>
Income tax	-30 540	-86 936	-23 717	-64 774
<b>Net profit</b>	<b>89 433</b>	<b>257 852</b>	<b>91 632</b>	<b>270 095</b>
<b>Net profit</b>	<b>89 433</b>	<b>257 852</b>	<b>91 632</b>	<b>270 095</b>
<b>Weighted average number of ordinary shares</b>	<b>129 257 712</b>	<b>93 139 852</b>	<b>72 682 052</b>	<b>71 878 989</b>
<b>Basic earnings per share</b>	<b>0,69</b>	<b>2,77</b>	<b>1,26</b>	<b>3,76</b>
<b>Diluted earnings per share (in PLN)</b>	<b>0,68</b>	<b>2,68</b>	<b>1,21</b>	<b>3,60</b>

### Interim condensed separate statement of comprehensive income

	01.07.2016- 30.09.2016	01.01.2016- 30.09.2016	01.07.2015- 30.09.2015	01.01.2015- 30.09.2015
<b>Net profit</b>	<b>89 433</b>	<b>257 852</b>	<b>91 632</b>	<b>270 095</b>
<b>Items that may be reclassified to profit or loss</b>	<b>-10 578</b>	<b>-29 073</b>	<b>31 713</b>	<b>-12 437</b>
Foreign currency translation differences	16	16	0	0
Net gains/losses on financial assets available for sale	-3 604	-11 467	3 599	-10 569
Profit/loss on valuation of financial assets available for sale	-4 450	-14 157	4 443	-13 048
Deferred tax	846	2 690	-844	2 479
Net gain on hedging derivatives	-6 990	-17 622	28 114	-1 868
Net gain on valuation of hedging derivatives	-8 630	-21 756	34 709	-2 306
Deferred tax	1 640	4 134	-6 595	438
<b>Total comprehensive income, net</b>	<b>78 855</b>	<b>228 779</b>	<b>123 345</b>	<b>257 658</b>

The notes presented on pages 7-10 constitute an integral part of these interim condensed financial statements.

## Interim condensed separate statement of financial position

<b>ASSETS</b>	<b>As at 30.09.2016</b>	<b>As at 31.12.2015</b>
Cash and balances with the Central Bank	1 285 370	1 750 135
Financial assets held for trading	309 940	390 569
Financial assets available for sale	5 394 477	4 253 119
Hedging derivatives financial instruments	62 131	139 578
Amounts due from banks	654 210	642 540
Loans and advances to customers	35 104 928	30 913 990
Assets pledged as collateral	1 007 904	628 332
Property, plant and equipment	212 741	227 633
Intangible assets	369 504	379 820
Investments in subsidiaries	53 147	21 975
Non-current assets held for sale	607	888
Prepayment on account of the purchase of BPH shares	1 464 933	0
Income tax asset	381 549	274 015
Deferred	381 549	274 015
Other assets	292 668	386 825
<b>TOTAL ASSETS</b>	<b>46 594 109</b>	<b>40 009 419</b>

<b>LIABILITIES AND EQUITY</b>	<b>As at 30.09.2016</b>	<b>As at 31.12.2015</b>
Financial liabilities held for trading	232 566	310 180
Financial liabilities measured at amortized cost due to banks	1 163 010	1 051 028
Financial liabilities measured at amortized cost due to customers	37 434 769	33 674 676
Provisions	12 055	9 801
Other liabilities	670 044	526 393
Income tax liabilities	25 070	21 776
<i>Current</i>	25 070	21 776
Subordinated loans	1 163 660	896 298
<b>Total liabilities</b>	<b>40 701 174</b>	<b>36 490 152</b>
<b>Equity</b>	<b>5 892 935</b>	<b>3 519 267</b>
Share capital	1 292 577	727 075
Supplementary capital	4 171 470	2 280 668
Revaluation reserve	-13 874	15 215
Other reserves	184 894	184 894
Foreign currency translation differences	16	0
Current year profit	257 852	311 415
<b>TOTAL LIABILITIES AND EQUITY</b>	<b>46 594 109</b>	<b>40 009 419</b>

The notes presented on pages 7-10 constitute an integral part of these interim condensed financial statements



(in PLN '000)

## Interim condensed separate statement of changes in equity

1.01.2016 - 30.09.2016	Share capital	Supplementary capital	Other reserve - Share-based payments	Revaluation reserve	Exchange differences on revaluation of foreign units	Retained earnings/ accumulated losses	Net profit	Total equity
<b>As at 1 January 2016</b>	<b>727 075</b>	<b>2 280 668</b>	<b>184 894</b>	<b>15 215</b>	<b>0</b>	<b>0</b>	<b>311 415</b>	<b>3 519 267</b>
<b>Transfer of the previous year result</b>	-	-	-	-	-	<b>311 415</b>	<b>-311 415</b>	<b>0</b>
<b>Comprehensive income</b>	-	-	-	<b>-29 089</b>	<b>16</b>	-	<b>257 852</b>	<b>228 779</b>
Net profit	-	-	-	-	-	-	257 852	257 852
Other comprehensive income	-	-	-	-29 089	16	-	-	-29 073
<b>Transfer of net profit to capital</b>	-	<b>311 415</b>	-	-	-	<b>-311 415</b>	-	<b>0</b>
<b>Share issue</b>	<b>565 502</b>	<b>1 579 387</b>	-	-	-	-	-	<b>2 144 889</b>
<b>As at 30 September 2016</b>	<b>1 292 577</b>	<b>4 171 470</b>	<b>184 894</b>	<b>-13 874</b>	<b>16</b>	<b>0</b>	<b>257 852</b>	<b>5 892 935</b>

1.01.2015 - 30.09.2015	Share capital	Supplementary capital	Other reserve - Share-based payments	Revaluation reserve	Retained earnings/ accumulated losses	Net profit	Total equity
<b>As at 1 January 2015</b>	<b>699 784</b>	<b>1 775 397</b>	<b>184 167</b>	<b>21 426</b>	<b>0</b>	<b>337 030</b>	<b>3 017 804</b>
<b>Transfer of the previous year result</b>	-	<b>337 030</b>	-	-	-	<b>- 337 030</b>	<b>0</b>
<b>Comprehensive income</b>	-	-	-	<b>-12 437</b>	-	<b>270 095</b>	<b>257 658</b>
Net profit	-	-	-	-	-	270 095	270 095
Other comprehensive income	-	-	-	-12 437	-	-	-12 437
<b>Share-based payments</b>	-	-	<b>2 663</b>	-	-	-	<b>2 663</b>
<b>Share issue</b>	<b>27 291</b>	<b>168 241</b>	-	-	-	-	<b>195 532</b>
<b>As at 31 December 2015</b>	<b>727 075</b>	<b>2 280 668</b>	<b>186 830</b>	<b>8 989</b>	<b>0</b>	<b>270 095</b>	<b>3 473 657</b>

The notes presented on pages 7-10 constitute an integral part of these interim condensed financial statements.



## Interim condensed separate statement of cash flows

	01.01.2016- 30.09.2016	01.01.2015- 30.09.2015
Operating activities		
<b>Profit before tax</b>	<b>344 788</b>	<b>334 869</b>
<b>Adjustments:</b>	<b>-1 578 165</b>	<b>67 312</b>
Unrealized foreign exchange gains/losses	632	-798
Amortization/depreciation of tangible and intangible assets	68 158	105 322
Change in tangible and intangible assets impairment write-down	14 611	4 350
Change in provisions	2 254	517
Share-based payments	0	2 663
Change in loans and receivables	-4 148 407	-2 833 161
Change in financial assets available for sale	-1 141 358	-1 046 611
Change in financial assets held for trading	80 629	112 317
Change in assets pledged as collateral	-379 572	460 876
Change in hedging asset derivatives	77 447	-43 211
Change in non-current assets held for sale	281	-65
Change in other assets	94 157	-2 335
Change in deposits	3 385 297	3 240 520
Change in issued debt	306 326	628 959
Change in financial liabilities held for trading	-77 614	-56 011
Change in hedging liabilities derivatives	0	-4 359
Change in other liabilities and other comprehensive income	323 587	-363 760
Income tax paid	-184 593	-137 901
<b>Net cash flow from (used in) operating activities</b>	<b>-1 233 377</b>	<b>402 181</b>
<b>Investing activities</b>		
<b>Outflows:</b>	<b>-1 550 188</b>	<b>-501 698</b>
Purchase of property, plant and equipment	-24 350	-64 089
Purchase of intangible assets	-29 733	-74 850
Purchase of shares in subsidiaries, net of cash acquired	-31 172	-362 759
Prepayment on account of the purchase of BPH shares	-1 464 933	0
<b>Inflows:</b>	<b>4 037</b>	<b>0</b>
Disposal of property, plant and equipment	4 037	0
<b>Net cash used in investing activities</b>	<b>-1 546 151</b>	<b>-501 698</b>
<b>Financing activities</b>		
<b>Outflows:</b>	<b>-40 012</b>	<b>-216 250</b>
Repayment of long-term liabilities	0	-194 977
Interest expense – subordinated loan	-40 012	-21 273
<b>Inflows:</b>	<b>2 408 976</b>	<b>388 482</b>
Inflows from share issue	2 144 889	195 532
Inflows from the issuance of subordinated liabilities	264 087	192 950
<b>Net cash flow from financing activities</b>	<b>2 368 964</b>	<b>172 232</b>
<b>Total net cash flow</b>	<b>-410 564</b>	<b>72 715</b>
<b>incl. exchange gains/(losses)</b>	<b>-10 874</b>	<b>3 201</b>
<b>Balance sheet change in cash and cash equivalents</b>	<b>-410 564</b>	<b>72 715</b>
Cash and cash equivalents, opening balance	2 202 212	1 456 273
Cash and cash equivalents, closing balance	1 791 648	1 528 988
<b>Additional disclosures on operating cash flows</b>		
Interest income received	2 182 013	1 347 855
Interest expense paid	-753 140	-393 717

The notes presented on pages 7-10 constitute an integral part of these interim condensed financial statements.

## 1. Basis for preparation

### Scope and comparatives

The condensed interim separate financial statements of Alior Bank S.A. comprise the data of the Bank and cover the 9-month period ended 30 September 2016 and the comparatives for the 9-month period ended 30 September 2015 (in the scope of separate income statement, separate statement of comprehensive income, separate statement of financial position, separate statement of changes in equity and separate statement of cash flows) and the comparatives as at 31 December 2015 (in the scope of consolidated statement of financial position and consolidated statement of changes in equity). The condensed interim consolidated financial statements have been prepared in Polish zlotys. Unless otherwise stated, the amounts are presented in PLN thousands.

As at the end of 2015, the Group decided to change the presentation of the net interest income on IRS. Since December 2015, interest income and expenses relating to making and accepting deposits as part of IRS transactions are presented in net interest income/ (expenses), while as at the end of the first, second and third quarter of 2015 they were presented in the trading result. The purpose of this change was to ensure the consistency of the presented result with its economic substance. Therefore, in these interim condensed separate financial statements for the third quarter of 2016 were restated comparative data for the third quarter of 2015 which is shown in the following table:

### Interim condensed separate income statement

Items from the income statement	Data from the financial statements as at 30.09.2015		Change		Restated data 30.09.2015	
	Period	Period	Period	Period	Period	Period
	01.07.2015-30.09.2015	01.01.2015-30.09.2015	01.07.2015-30.09.2015	01.01.2015-30.09.2015	01.07.2015-30.09.2015	01.01.2015-30.09.2015
Interest income	552 758	1 556 346	61 035	207 664	613 793	1 764 010
Interest expense	-166 708	-455 711	-64 132	-209 910	-230 840	-665 621
<b>Net interest income</b>	<b>386 050</b>	<b>1 100 635</b>	<b>-3 097</b>	<b>-2 246</b>	<b>382 953</b>	<b>1 098 389</b>
<b>Trading result</b>	<b>54 935</b>	<b>191 605</b>	<b>3 097</b>	<b>2 246</b>	<b>58 032</b>	<b>193 851</b>

### Statement of compliance

These interim condensed separate financial statements of Alior Bank Spółka Akcyjna for the third quarter of 2016 have been prepared in accordance with the International Accounting Standard 34 "Interim Financial Reporting" as adopted by the European Union as of 30 September 2016.

These interim condensed separate financial statements comply with the requirements of the International Accounting Standard (IAS) 34 concerning interim financial reporting. These interim financial statements have been prepared in a condensed form and do not include all disclosures required in the annual financial statements.

The interim condensed separate income statement, interim condensed separate statement of comprehensive income, interim condensed separate statement of changes in equity and interim condensed separate statement of cash flows for the period from 1 January 2016 to 30 September 2016, and interim condensed separate statement of financial position as at 30 September 2016, including the comparatives, have been

prepared in accordance with the same accounting policies as those applied in the preparation of the last annual financial statements, except for the changes in the standards that entered into force on 1 January 2016.

### Going concern

The interim condensed separate financial statements of Alior Bank Spółka Akcyjna have been prepared based on the assumption that the Bank will continue in operation as a going concern for a period of at least 12 months after the balance sheet date, i.e. after 30 September 2016.

As at the date of approval of these interim condensed financial statements, the Bank's Management Board is not aware of any circumstances that would have an adverse effect on the Bank's operations for any reasons.

## 2. Accounting principles

The accounting principles are presented in detail in the annual financial statements of Alior Bank S.A. for the period from 1 January to 31 December 2015, published on 3 March 2016 and available on the Alior Banku S.A. website, except for the changes described in Note 2.2 to the interim condensed consolidated financial statements.

## 3. Off-balance sheet items

Off-balance sheet items are described in Note 28 to the Interim Condensed Consolidated Financial Statements.

## 4. Transactions with related entities

Related-party transactions are described in Note 31 to the Interim Condensed Consolidated Financial Statements of the Alior Bank Spółka Akcyjna Group, with the exception of transactions with subsidiaries presented below:

Related parties	As at 30.09.2016	As at 31.12.2015
<b>Assets</b>		
Loans and advances to customers	341 833	59 263
Other assets	4 239	409
<b>Total assets</b>	<b>346 072</b>	<b>59 672</b>
<b>Liabilities and equity</b>		
Financial liabilities measured at amortized cost due to customers	7 408	11 134
Provisions	90	0
Other liabilities	73	0
<b>Total liabilities and equity</b>	<b>7 571</b>	<b>11 134</b>

Related parties	01.01.2016- 30.09.2016	01.01.2015- 30.09.2015
Interest income	3 098	323
Interest expense	-49	-186
Fee and commission income	2 343	2
Operating costs	-2 009	-1 989
<b>Total</b>	<b>3 383</b>	<b>-1 849</b>

<b>Related parties</b>	<b>As at 30.09.2016</b>	<b>As at 31.12.2015</b>
Off-balance sheet commitments to customers	126 963	0
regarding financing	126 963	0

## 5. Events significant for the Bank's operations after the balance sheet date

Significant events after the end of the reporting period are described in Note 39 to the Interim Condensed Consolidated Financial Report of the Alior Bank Spółka Akcyjna Group.

Signatures of all Management Board Members

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08.11.2016  
Wojciech Sobieraj  
CEO  
.....  
Signature

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08.11.2016  
Małgorzata Bartler  
Deputy CEO  
.....  
Signature

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08.11.2016  
Krzysztof Czuba  
Deputy CEO  
.....  
Signature

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08.11.2016  
Joanna Krzyżanowska  
Deputy CEO  
.....  
Signature

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08.11.2016  
Witold Skrok  
Deputy CEO  
.....  
Signature

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08.11.2016  
Barbara Smalska  
Deputy CEO  
.....  
Signature

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08.11.2016  
Katarzyna Sułkowska  
Deputy CEO  
.....  
Signature

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