

**POSITION OF THE MANAGEMENT BOARD OF ALIOR BANK S.A.
ON THE DEMERGER OF BANK BPH S.A.**

The Management Board of Alior Bank S.A. with its registered office in Warsaw (“**Alior Bank**”) in connection with the planned demerger of Bank BPH S.A. with its registered office in Gdańsk (“**Bank BPH**”) in accordance with the procedure set forth in Article 529 § 1 Section 4 of the Commercial Companies Code (demerger by spin-off) (the “**Demerger**”) and in connection with the Extraordinary General Meeting of Alior Bank convened for 29 July 2016, the agenda of which includes voting on the Demerger resolution, hereby expresses its favorable opinion on the Demerger and confirms that the economic rationale for the decision on the Demerger on the terms and conditions set forth by the Demerger Plan of Bank BPH agreed on 29 April 2016 (the “**Demerger Plan**”), published by Alior Bank in its Current Report No. 29/2016 of 30 April 2016, remains valid.

By way of substantiating its position, the Management Board of Alior Bank points to the fact that similar as in the report justifying the Demerger published together with the Demerger Plan, the intended economic effects of the Demerger will, in the judgment of Alior Bank’s Management Board, be beneficial for Alior Bank.

As stated earlier, Alior Bank’s acquisition of an organized part of the enterprise of Bank BPH engaged in conducting the Bank BPH non-mortgage business (the “**Demerged Business**”) under the Demerger, reflects the development strategy presented many times and consistently pursued by the Management Board of the Acquiring Bank, based on a dynamic organic growth and acquisitions, coupled with the achievement of the highest levels of return on equity. The acquisition of the Demerged Business, together with an attractive and complementary deposit and loan portfolio, the operational efficiency of Alior Bank in the implementation of the integration processes and the advanced and high-capacity IT infrastructure will enable the Acquiring Bank to strengthen its presence in the market, increase the scale of operations and achieve the highest achievable synergies while minimizing integration costs. The acquisition of the Demerged Business will be beneficial both for the clients of Bank BPH and Alior Bank (offering an improved product range, a comprehensive distribution network and effective sales and support processes), the shareholders (a higher rate of return on invested capital achievable thanks to the related cost and income synergies) and will enable Alior Bank become one of the leading players on the Polish banking market. At the same time, the Demerger is the only legal form of the transaction which would provide the expected legal security for all of the parties and stakeholders involved and which would ensure the continuance of the business operations of both the Mortgage Business and the Demerged Business immediately upon the registration of the Demerger

The Management Board of Alior Bank has a favorable view on the impact of the planned Demerger on the business of Alior Bank and upholds its position that the Demerger completed on the terms specified in the Demerger Plan is in the interest of Alior Bank and its shareholders.

Therefore, the Management Board of Alior Bank sustains its motion for the Extraordinary General Meeting of Alior Bank to adopt the Demerger resolution substantially in the form of the draft attached to Current Report No. 58/2016 of 30 June 2016 on convening the Extraordinary General Meeting of Alior Bank for 29 July 2016.

Furthermore, the Management Board of Alior Bank notes that after the adoption of the Demerger Plan the share exchange ratio of Bank BPH shares for Alior Bank shares was updated in accordance with the rules set forth in the Demerger Plan, of which Alior Bank gave notice in its second notification to the shareholders of the planned Demerger, contained in Current Report No. 57/2016 of 30 June 2016. More specifically, the Demerger Plan set forth the following share exchange ratio of the Bank shares for the shares in Alior Bank: for 1 (one) share in Bank BPH a shareholder of BPH (except for the shareholders of GE, i.e. (i) GE Investments Poland sp. z o.o.; (ii) DRB Holdings B.V.; (iii) Selective American Financial Enterprises, Inc., and (iv) affiliated entities of the entities listed in items (i) – (iii) above and Alior Bank) was to be allotted 0.44 (zero point forty-four) shares in Alior Bank (the “**Share Exchange Ratio**”), subject to adjustment related to the dilution of the share capital of Alior Bank

arising from the public offering of Alior Bank with pre-emptive rights being retained. The Share Exchange Ratio after taking into account the above adjustment related to the dilution of the share capital of Alior Bank was set forth as (upon rounding) **0.51** (zero point fifty one) shares in Alior Bank for 1 (one) share in Bank BPH.

Additionally, the Management Board of Alior Bank gives notice that as at the day of publishing this position, the following regulatory approvals have been obtained, necessary for the completion of the Demerger and simultaneously being the conditions precedent to the acquisition of the Demerged Business by Alior Bank (of the obtaining of which Alior Bank has already given notice in its current reports:

- decision of the Polish Financial Supervision Authority (the “**KNF**”) consenting to the Demerger;
- decision of the KNF permitting the amendments to the Alior Bank’s statute to be made in connection with the Demerger;
- decision of the KNF permitting the amendments to the Bank BPH’s statute to be made in connection with the Demerger (except for the amendments related to the decrease in the share capital of Bank BPH related to the Demerger, a decision for which Bank BPH is still waiting);
- decision of the KNF on the lack of any objection to the intention of Powszechny Zakład Ubezpieczeń S.A. of acquisition through Alior Bank of the shares in Bank BPH representing more than 50% of the total number of the votes at the Bank BPH’s shareholders meeting and 50% of the share capital of Bank BPH;
- decision of the KNF on the lack of any objection to the intention of General Electric Company and GE Investments Poland sp. z o. o. concerning the acquisition of the status of the parent entity of Bank BPH from the date on which shares in Bank BPH are acquired by Alior Bank until the date on which the registry court registers the increase of the share capital of Alior Bank connected with the Demerger, or the intention to subsequently exceed 50% of the total number of the votes at the general meeting of the shareholders of Bank BPH following the Demerger; and
- decision of the President of the Office of Competition and Consumer Protection consenting to a concentration involving the acquisition of the Demerged Business by Alior Bank.

Furthermore, the Management Board of Alior Bank gives notice that the costs of the incentive plan referred to in the Demerger Plan and addressed to a group of the employees of Bank BPH (including its Management Board members) involving the payment of transaction bonuses, were increased by 2,600,000 PLN. In addition to the plans set forth in the Demerger Plan, which provide for special benefits for the members of the corporate bodies of the companies and other persons participating in the Demerger, upon agreeing on the Demerger Plan the following additional incentive plans have been developed and agreed:

- (i) the retention plan at Bank BPH to retain the employees allocated to the Demerged Business;
- (ii) the incentive plan at Bank BPH to retain and incentivize selected employees of Bank BPH to timely develop and implement relevant IT solution in connection with the Demerger;
- (iii) the incentive plan at Bank BPH to incentivize selected employees of Bank BPH to implement certain IT solutions related to the Demerger within the scheduled time limit;

- (iv) the incentive plan at Alior Bank, providing for a transaction bonus payable to the employees and members of the Management Board of Alior Bank, to encourage them to actively participate in the preparation and implementation of the transaction.

Furthermore, the Management Board of Alior Bank notes that between the day of the execution of the Demerger Plan and the day of publishing this position, according to the relevant information provided by the Management Board of Bank BPH, there have been no significant changes in the assets and liabilities of Bank BPH. In respect of Alior Bank, between the day of the execution of the Demerger Plan and the day of publishing this position, there have been no significant changes in the assets and liabilities of Alior Bank, other than the earlier planned and reported increase in the share capital of Alior Bank by the amount of PLN 565,502,490 through the issuance of 56,550,249 Series I ordinary bearer shares at the issue price of PLN 38.90 for one Series I shares, with the total subscription value of PLN 2,199,804,686.10.