

The Alior Bank S.A. Group

Independent Registered Auditor's Report

Consolidated Financial Statements

Report on Group's operations

Registered Auditor's Report on the audit of the consolidated financial statements

For the year from 1 January to 31 December 2016

Content:

Independent Registered Auditor's Report

prepared by PricewaterhouseCoopers Sp. z o.o.

Consolidated Financial Statements

prepared by the Alior Bank S.A. Group

Report on Group's operations

prepared by Management Board of Alior Bank S.A.

Registered Auditor's Report on the audit of the consolidated financial statements

prepared by PricewaterhouseCoopers Sp. z o.o.

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The Alior Bank S.A. Group

Registered auditor's report on the audit of the consolidated financial statements

for the year from 1 January to 31 December 2016



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Registered auditor's report on the audit of the consolidated financial statements for the year from 1 January to 31 December 2016 to the General Shareholders' Meeting and the Supervisory Board of Alior Bank S.A.

This report contains 16 consecutively numbered pages and consists of:

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The Alior Bank S.A. Group
Registered auditor's report on the audit of the consolidated financial
statements for the year from 1 January to 31 December 2016

I. General information about the Group

- a. Alior Bank Spółka Akcyjna ("the Parent Company", "the Bank") with its seat in Warszawa, Łopuszańska 38D is the parent company of the Alior Bank S.A. Group ("the Group").
- b. The Parent Company was formed on the basis of a Notarial Deed drawn up on 21 April 2008 at the Notary Public's Office of Grzegorz Rogala in Warsaw and registered with Rep. A No. 2122/2008. On 30 April 2008, the Parent Company was entered in the Register of Businesses maintained by the District Court in Warsaw, 12th Business Department of the National Court Register, with the reference number KRS 0000305178.

In the audited financial year, the Parent Company merged with separated organised part of Bank BPH S.A., including its core business, without mortgage loan portfolio, financing from GE Group and without subsidiaries. In 2016, the Parent Company also acquired Spółdzielcza Kasa Oszczędnościowo – Kredytowa im. Stefana Kard. Wyszyńskiego (SKOK Września) and Powszechna Spółdzielcza Kasa Oszczędnościowo – Kredytowa in Knurów (SKOK Knurów).

- c. The Parent Company was assigned a tax identification number (NIP) 107-00-10-731 for the purpose of making tax settlements and a REGON number 141387142 for statistical purposes.
- d. As at 31 December 2016 the Parent Company's share capital amounted to PLN 1,292,577,630 and consisted of 129,257,763 shares, with a nominal value of PLN 10 each.
- e. As at 31 December 2016, the Parent Company's shareholders were:

Shareholder's name	Number of shares held	Par value of shares held (PLN)	Type of shares held	Votes (%)
PZU S.A.	37,773,265	377,732,650	ordinary	29.22
Aviva OFE Aviva BZ WBK	9,262,138	92,621,380	ordinary	7.17
Other shareholders	82,222,360	822,223,600	ordinary	63.61
	129,257,763	1,292,577,630		100.00



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The Alior Bank S.A. Group
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I. General information about the Group (cont.)

As at 31 December 2015, the Parent Company's shareholders were:

Shareholder's name	Number of shares held	Par value of shares held (PLN)	Type of shares held	Votes (%)
PZU S.A. (including PZU Życie S.A.)	14,517,147	145,171,470	ordinary	19.97
Genesis Asset Managers, LLP	5,093,922	50,939,220	ordinary	4.79
Alior Lux S.a r.l. & Co. S.C.A.	3,828,673	38,286,730	ordinary	5.27
Aviva OFE Aviva BZ WBK	3,806,451	38,064,510	ordinary	5.23
Other shareholders	45,461,270	454,612,700	ordinary	64.74
	<u>72,707,463</u>	<u>727,074,630</u>		<u>100.00</u>

f. During the year the Group's operations comprised:

- operating bank accounts;
- granting loans and advances;
- issuing bank securities;
- trading in foreign exchange instruments;
- brokerage, investment advisory and financial intermediation services;
- other financial services.



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Registered auditor's report on the audit of the consolidated financial
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I. General information about the Group (cont.)

g. As at 31 December 2016, the Alior Bank S.A. Group comprised the following entities:

Company name	Equity relationship (interest in %)	Consolidation method	Auditor of the financial statements	Type of opinion	Balance sheet date
Alior Bank S.A.	Parent Company	Not applicable	PricewaterhouseCoopers Sp. z o.o.	unqualified	31 December 2016
Alior Services Sp. z o.o.	Subsidiary (100,00%)	Full	Mazars Sp. z o.o.	audit in progress	31 December 2016
Alior Leasing Sp. z o.o.	Subsidiary (100,00%)	Full	PKF Consult Sp. z o.o. Sp.k	audit in progress	31 December 2016
Meritum Services ICB S.A.	Subsidiary (100,00%)	Full	VISTA Audytorzy, Księgowi i Doradcy Sp. z o.o.	audit in progress	31 December 2016
NewCommerce Sp. z o.o.	Subsidiary (100,00%)	Full	MT CHARTERED ACCOUNTANTS Sp. z o.o.	audit in progress	31 December 2016
Centrum Obrotu Wierzytelnościami Sp. z o.o.	Subsidiary (100,00%)	Full	Spółka nie podlegała badaniu	Not applicable	31 December 2016
Money Makers S.A.	Subsidiary (58,84%)	Full	Ernst & Young Audyt Polska sp z o.o. sp. k.	audit in progress	31 December 2016
Absource Sp. z o.o.	Subsidiary (100,00%)	Full	VISTA Audytorzy, Księgowi i Doradcy Sp. z o.o.	audit in progress	31 December 2016

Consolidate financial statements were prepared on the basis of the consolidation packages of the aforementioned entities.

h. During the audited year, the Management Board of the Parent Company comprised of:

- Wojciech Sobieraj President
- Małgorzata Bartler Vice-President
- Krzysztof Czuba Vice-President
- Joanna Krzyżanowska Vice-President
- Witold Skrok Vice-President
- Barbara Smalska Vice-President
- Katarzyna Sułkowska Vice-President

i. The Parent Company is an issuer of securities admitted to trading on the Warsaw Stock Exchange and in accordance with the requirements of the Accounting Act prepares the consolidated financial statements in accordance with the International Financial Reporting Standards (IFRS) as adopted by the European Union.

j. During the financial year, the following changes took place in the scope of consolidation:

1. On 27 January 2016 the share purchase agreement was concluded, under which the Bank acquired 40 shares of Centrum Obrotu Wierzytelnościami Sp. z o.o. from Alior Services Sp. z o.o. Therefore, as at 31 December 2016 the Alior Bank S.A. held 100% of shares of Centrum Obrotu Wierzytelnościami Sp. z o.o.
2. On 31 March 2016 a company agreement of Absource Sp. z o.o. was signed - Alior Bank S.A. holds 100% of shares and 100% of the total number of votes of this company at the shareholders meeting. On 4 May 2016 the company was registered by the registration court.



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The Alior Bank S.A. Group
Registered auditor's report on the audit of the consolidated financial statements for the year from 1 January to 31 December 2016

II. Information about the audit

- a. The audit of the consolidated financial statements for the year from 1 January to 31 December 2016 was conducted by PricewaterhouseCoopers Sp. z o.o. with its seat in Warszawa, Al. Armii Ludowej 14, registered audit company no. 144. The audit was conducted on behalf of the registered audit company under the supervision of the key registered auditor, the Group's registered auditor Adam Celiński (no. 90033).
- b. PricewaterhouseCoopers Sp. z o.o. was appointed registered auditor to the Bank by Resolution No. 23/2014 of the Supervisory Board dated 9 April 2014 in accordance with paragraph 23 section 2 point 27 of the Bank's Memorandum of Association.
- c. PricewaterhouseCoopers Sp. z o.o. and the key registered auditor conducting the audit are independent of the entities belonging to the Group within the meaning of art. 56, clauses 2-4 of the Act dated 7 May 2009 on registered auditors and their self-government, registered audit companies and on public supervision (Journal of Laws of 2016, item 1000 as amended).
- d. The audit was conducted on the basis of an agreement dated 6 June 2014, in the following periods:
 - interim audit from 14 November 2016 to 16 December 2016;
 - final audit from 9 January 2017 to 9 March 2017.
- e. An audit was conducted in accordance with International Standards on Auditing as adopted by the National Council of Certified Auditors as the National Standards on Audit and Assurance with a resolution dated 10 February 2015. The scope of an audit was influenced by an application of materiality. In accordance with these auditing standards, the concept of materiality is applied by the auditor at the planning stage and when conducting the audit as well as to evaluate the effect of misstatements identified and adjusted (if any) on the consolidated financial statements, and to form the opinion in the Independent Registered Auditor's Report.

An audit was designed to obtain reasonable assurance whether the consolidated financial statements are free from material misstatement. Misstatements may arise due to fraud or error. The misstatements are considered to be material, if individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the consolidated financial statements.

Based on a professional judgement, the certain quantitative thresholds for materiality were determined and documented, including the overall materiality for the consolidated financial statements as a whole. These, together with qualitative considerations, helped us to determine the scope of the audit and the nature, timing and extent of the audit procedures and to evaluate the effect of misstatements, both individually and in aggregate, on the consolidated financial statements as a whole. Therefore, all statements included in the Independent Registered Auditor's Report, including those related to the other legal and regulatory requirements, have been expressed considering the materiality determined in accordance with those auditing standards and the auditor's judgement.



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Registered auditor's report on the audit of the consolidated financial statements
for the year from 1 January to 31 December 2016

III. The Group's results, financial position and significant items of the consolidated financial statements

CONSOLIDATED STATEMENT OF FINANCIAL POSITION as at 31 December 2016

	31.12.2016	31.12.2015	Change		Structure	
	PLN'000	PLN'000	PLN'000	(%)	31.12.2016	31.12.2015
					(%)	(%)
ASSETS						
Cash and balances with the Central Bank	1,082,991	1,750,135	(667,144)	(38.1)	1.8	4.3
Financial assets held for trading	419,551	390,569	28,982	7.4	0.7	1.0
Available-for-sale financial assets	9,357,734	4,253,119	5,104,615	120.0	15.3	10.6
Investment securities held to maturity	1,954	-	1,954	-	-	-
Derivative hedging instruments	71,684	139,578	(67,894)	(48.6)	0.1	0.3
Amounts due from banks	1,366,316	645,329	720,987	111.7	2.2	1.6
Loans and advances to customers	46,278,414	30,907,057	15,371,357	49.7	75.6	77.3
Assets pledged as collateral	366,984	628,332	(261,348)	(41.6)	0.6	1.6
Property, plant and equipment	485,796	228,955	256,841	112.2	0.8	0.6
Intangible assets	516,444	387,048	129,396	33.4	0.8	1.0
Assets held for sale	679	888	(209)	(23.5)	-	-
Deferred tax assets	513,063	275,453	255,610	92.8	0.9	0.7
Other assets	729,935	396,547	333,388	84.1	1.2	1.0
TOTAL ASSETS	61,209,545	40,003,010	21,206,535	53.0	100.0	100.0

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for the year from 1 January to 31 December 2016

III. The Group's results, financial position and significant items of the consolidated financial statements (cont.)

CONSOLIDATED STATEMENT OF FINANCIAL POSITION as at 31 December 2016 (cont.)

			Change		Structure	
	31.12.2016 PLN'000	31.12.2015 PLN'000	PLN'000	(%)	31.12.2016 (%)	31.12.2015 (%)
LIABILITIES						
Financial liabilities held for trading	298,314	310,180	(11,866)	(3.8)	0.5	0.8
Amounts due to banks	428,640	1,051,028	(622,388)	(59.2)	0.7	2.6
Amounts due to customers	51,368,701	33,663,542	17,705,159	52.6	83.9	84.2
Derivative hedging instruments	6,119	-	6,119	-	-	-
Provisions	286,815	10,813	276,002	2,552.5	0.5	-
Other liabilities	1,439,304	535,274	904,030	168.9	2.4	1.3
Current income tax liabilities	13,945	21,776	(7,831)	(36.0)	-	0.1
Subordinated liabilities	1,164,794	896,298	268,496	30.0	1.9	2.2
TOTAL LIABILITIES	55,006,632	36,488,911	18,517,721	50.7	89.9	91.2
Share capital	1,292,578	727,075	565,503	77.8	2.1	1.8
Supplementary capital	4,185,843	2,279,843	1,906,000	83.6	6.8	5.7
Revaluation reserve	(71,615)	15,215	(86,830)	(570.7)	(0.1)	-
Other reserves	183,957	184,735	(778)	(0.4)	0.3	0.5
Currency differences on foreign operations	(22)	-	(22)	-	-	-
Accumulated losses	(7,085)	(3,657)	(3,428)	93.7	-	-
Profit for the year	618,278	309,648	308,630	99.7	1.0	0.8
Non-controlling interests	979	1,240	(261)	(21.0)	-	-
EQUITY	6,202,913	3,514,099	2,688,814	76.5	10.1	8.8
TOTAL LIABILITIES AND EQUITY	61,209,545	40,003,010	21,206,535	53.0	100.0	100.0

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for the year from 1 January to 31 December 2016

III. The Group's results, financial position and significant items of the consolidated financial statements (cont.)

CONSOLIDATED INCOME STATEMENT for the year from 1 January to 31 December 2016

			Change		Structure	
	2016 PLN'000	2015 PLN'000	PLN'000	(%)	2016 (%)	2015 (%)
Interest income	2,937,443	2,399,220	539,254	22.5	65.4	72.5
Interest expense	(992,425)	(898,207)	(94,218)	10.5	26.1	30.8
Net interest income	1,946,049	1,501,013	445,036	29.6		
Dividend income	68	74	(6)	(8.1)	-	-
Fee and commission income	590,701	545,730	44,971	8.1	13.1	16.5
Fee and commission expense	(259,567)	(214,062)	(45,505)	21.3	6.8	7.3
Net fee and commission income	331,134	331,668	(534)	(0.2)		
Trading result	320,509	268,679	51,830	19.3	7.1	8.1
Net result on other financial instruments	21,919	12,923	8,996	69.6	0.5	0.4
Other operating income	113,084	81,884	31,200	38.1	2.5	2.5
Other operating expenses	(52,065)	(30,228)	(21,837)	72.2	1.4	1.0
Net other operating income	61,019	51,656	9,363	18.1		
Bargain purchase gain on Bank BPH demerged business acquisition	508,056	-	508,056	-	11.4	-
General administrative expenses	(1,566,560)	(1,107,892)	(458,668)	41.4	41.2	37.9
Net impairment allowance and write-downs	(799,887)	(672,113)	(127,774)	19.0	21.0	23.0
Banking tax	(130,893)	-	(130,893)	-	3.5	-
Profit before tax	691,414	386,008	305,406	79.1		
Income tax expense	(73,337)	(77,033)	3,696	(4.8)		
Net profit	618,077	308,975	309,102	100.0		
including net loss attributable to non-controlling interests	(201)	(673)	472	(70.1)		
Total income	4,492,811	3,308,510	1,184,301	35.8	100.0	100.0
Total expenses	(3,801,397)	(2,922,502)	(878,895)	30.1	100.0	100.0
Profit before tax	691,414	386,008	305,406	79.1		

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III. The Group's results, financial position and significant items of the consolidated financial statements (cont.)

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
for the year from 1 January 31 December 2016

			Change	
	2016 PLN'000	2015 PLN'000	PLN'000	(%)
Net profit	618,077	308,975	309,102	100.0
Other taxable comprehensive income	(86,852)	(6,211)	(80,641)	1,298.4
Currency differences on foreign operations	(22)	-	(22)	-
Fair valuation of financial assets available for sale (net)	(56,068)	(626)	(55,442)	8,856.5
<i>Fair valuation of financial assets available for sale</i>	(69,220)	(773)	(68,447)	8,854.7
<i>Deferred tax</i>	13,152	147	13,005	8,846.9
Hedging instruments (net)	(30,762)	(5,585)	(25,177)	450.8
<i>Hedging instruments</i>	(37,978)	(6,895)	(31,083)	450.8
<i>Deferred tax</i>	7,216	1,310	5,906	450.8
Total net comprehensive income	531,225	302,764	228,461	75.5

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III. The Group's results, financial position and significant items of the consolidated financial statements (cont.)

Selected ratios characterising the Group's financial position and results

The following ratios characterise the Group's activities, results of operations during the year and its financial position as at the balance sheet date compared with previous year:

	2016	2015
Profitability ratios		
Return on equity (net profit / average net assets) (1)	12.7%	9.5%
Return on assets (net profit / average total assets) (1)	1.2%	0.9%
Interest margin (net interest income / average interest-bearing assets) (1) (2)	4.0%	4.4%
Interest income on interest-bearing assets (interest income / average interest-bearing assets) (1) (2)	6.0%	7.1%
Cost of borrowings (interest expense / average interest-bearing liabilities) (1)	2.2%	2.9%
	31.12.2016	31.12.2015
Asset quality ratios		
Interest-bearing assets to total assets (2)	96.0%	96.3%
Impaired loans to total loans and advances to customers gross	9.8%	9.3%
Coverage of non-impaired loans and advances to customers with impairment allowances	0.7%	0.6%
Coverage of impaired loans and advances to customers with impairment allowances	56.6%	58.1%
Other ratios		
Total capital ratio (TCR)	13.65%	12.54%
Tier 1 ratio (CET1)	11.29%	9.69%
Group's regulatory capital (PLN'000)	6,346,932	3,853,305
Total capital requirement (PLN'000)	3,720,992	2,457,567
Effective tax rate	10.61%	19.96%

1) The average balances of the statement of financial position items were calculated on the basis of the balances of individual items at the beginning and at the end of the audited and prior financial year.

2) Interest-bearing assets are defined as balances with the NBP, amounts due from banks and customers, debt securities and derivative hedging instruments.

The above ratios have been calculated based on the consolidated financial statements. It was not the purpose of the audit to present the Group in the context of its results of operations and ratios achieved. A detailed interpretation of the ratios requires an in-depth analysis of the Group's operations and its circumstances.

The Alior Bank S.A. Group
Registered auditor's report on the audit of the consolidated financial statements for the year from 1 January to 31 December 2016

III. The Group's results, financial position and significant items of the consolidated financial statements (cont.)

The comparability of the consolidated financial statements for 2015 and 2016, and thus the information content of the financial ratios for these years, may be limited due to the merger of Alior Bank S.A. with separated organised part of Bank BPH S.A.. The acquisition of part of Bank BPH S.A. (which demerged pursuant to art. 529 § 1.4 of the Commercial Companies Code) as well as the merger with Alior Bank S.A. took place on 4 November 2016. The Group accounted for the merger in accordance with the acquisition method (IFRS3). The following comments are based on the knowledge acquired during the audit of the financial statements.

The factors described below had a significant impact on the Group's results of operations and on its financial position:

- At the end of the financial year, the Group's total assets amounted to PLN 61,209,545 thousand. During the year, the total assets increased by PLN 21,206,535 thousand, i.e. by 53.0%.
- The main source of financing assets as at the end of 2016 were amounts due to customers. As at 31 December 2016, amounts due to customers amounted to 51,368,701 thousand and represented 83.9% of the total assets (increase by PLN 17,705,159 thousand, i.e. by 52.6% compared with the prior year, of which PLN 12,655,949 thousand concerned the balance acquired from Bank BPH S.A.).
- As at 31 December 2016, the balance of amounts due to banks amounted to PLN 428,640 thousand. The decrease in amounts due to banks of PLN 622,388 thousand, i.e. 59.2% resulted mainly from a decrease in the balance of repo transactions of PLN 545,749 thousand, i.e. 94.8% and in the balance of term deposits of PLN 197,826 thousand (no balance at the end of 2016). At the same time, the Group has presented a loan received of PLN 180,954 thousand in amounts due to banks (no balance at the end of 2015).
- As at 31 December 2016, other liabilities amounted to PLN 1,439,304 thousand, and have increased by PLN 904,030 thousand, i.e. 168.9% compared to the prior year. The balance of other liabilities comprised mainly of interbank settlements (PLN 592,835 thousand), accruals (PLN 156,984 thousand) and settlements due to banking certificates of deposits (PLN 112,858 thousand).
- In 2016 Bank issued I-series and J-series shares in total amount of PLN 565,503 thousand. Difference between issue and nominal price amounted to PLN 1,634,303 thousand and was included in supplementary capital.
- As at 31 December 2016, loans and advances to customers amounted to PLN 46,278,414 thousand and represented 75.6% of total assets (an increase of PLN 15,371,357 thousand i.e. by 49.7%, of which PLN 8,465,319 thousand concerned the balance acquired from Bank BPH S.A..
- The balance of loans and advances to customers comprised mainly consumer loans of PLN 13,957,120 thousand, loans for residential real estate of PLN 8,407,632 thousand, and corporate loans (PLN 20,382,965 thousand). Balances acquired from Bank BPH S.A. in relation to the aforementioned portfolios amounted to respectively PLN 3,996,360 thousand, PLN 7,544 thousand and PLN 3,909,528 thousand at the balance sheet date.

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III. The Group's results, financial position and significant items of the consolidated financial statements (cont.)

- The ratio of impaired loans to the total balance of loans and advances to customers increased from 9.3% as at the end of 2015 to 9.8% as at the balance sheet date. At the same time, coverage of impaired loans with impairment allowances decreased by 1.5 p.p. and amounted to 56.6%. Coverage of gross amounts due to customers with allowances on incurred but not reported losses (IBNR) amounted to 0.7% and was 0.1 p.p. higher than as at the end of the prior year.
- Financial assets available for sale amounted to PLN 9,357,734 thousand as at the end of 2016 and comprised mainly the treasury bonds portfolio with a value of PLN 6,197,981 thousand. The balance of financial assets available for sale increased by PLN 5,104,615 thousand (i.e. by 120.0%) which was caused mainly by acquisition of NBP bills of PLN 2,599,538 thousand as well as an increase in portfolio of treasury bonds of PLN 2,424,601 thousand (i.e. 64.3%).
- The balance of other assets at the balance sheet day comprised, i.a., receivables of PLN 144,956 thousand, estimated by the Bank, due to settlement of the purchase price for the demerged business of Bank BPH S.A.
- Net interest income amounted to PLN 1,945,049 thousand in the audited year and increased by PLN 445,036 thousand (i.e. 29.6%) compared with the prior year. The increase in net interest income was caused by an increase in interest income of PLN 539,254 thousand (mainly on loans granted), accompanied by an increase in interest expense of PLN 94,218 thousand compared with the prior year (mainly due to term deposits, derivatives and instruments issued).
- Net fee and commission income in the audited year amounted to PLN 331,134 thousand and was PLN 534 thousand, i.e. 0.2% lower than in the prior year.
- The trading result amounted to PLN 320,509 thousand in the audited year and comprised mainly foreign exchange transactions of PLN 232,574 thousand. The trading result increased by PLN 51,830 thousand, i.e. by 19.3% compared with the prior year, which was mainly due to an increase in gains/losses on interest rate instruments of PLN 25,684 thousand and foreign exchange gains/losses of PLN 15,185 thousand.
- In the audited year, general administrative expenses amounted to PLN 1,566,560 thousand and were PLN 458,668 thousand (i.e. 41.4%) higher than in the prior year. They comprised mainly operating expenses of PLN 560,644 thousand and employee expenses of PLN 893,068 thousand. The increase in general administrative expenses was mainly due to recognition of the restructuring provision of PLN 199,668 thousand related to the acquisition of the demerged organised part of Bank BPH S.A., increase in payroll costs of PLN 79,197 thousand and recognition of PLN 56,378 thousand for retention programs.

Translation note:

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The Alior Bank S.A. Group
Registered auditor's report on the audit of the consolidated financial statements for the year from 1 January to 31 December 2016

III. The Group's results, financial position and significant items of the consolidated financial statements (cont.)

- The net impairment allowance and write-downs were negative in 2016 and amounted to PLN 799,887 thousand. The increase in net impairment allowance of PLN 127,774 thousand (i.e. by 19.0%) was mainly a result of increase in impairment charge recognised on impaired exposures (of PLN 82,270 thousand), accompanied by an increase of PLN 34,341 thousand in incurred but not reported losses (IBNR).
- Due to initial purchase price allocation, the Bank recognised bargain purchase gain amounting to PLN 508,056 thousand on the demerged organised Bank BPH business acquisition. In accordance with IFRS 3.45 the final purchase price allocation must be completed by the Bank before 12 months from the acquisition date.
- The effective tax rate, calculated as the income tax expense to profit before tax, amounted to 10.61% in the audited year, and was 9.35 p.p. lower than in the prior year. The main reason for lower level of the effective tax rate was bargain purchase gain on the Bank BPH demerged business - which is not taxable income.

The consolidated financial statements have been prepared on the going concern basis.

The Alior Bank S.A. Group
Registered auditor's report on the audit of the consolidated financial statements for the year from 1 January to 31 December 2016

IV. The independent registered auditor's statement

- a. The Management Board of the Parent Company provided all the information, explanations, and representations required by us in the course of the audit and provided us with a representation letter confirming the completeness of the information included in the consolidation documentation and the disclosure of all contingent liabilities and post-balance-sheet events which occurred up to the date on which that letter was signed.
- b. The scope of the audit was not limited.
- c. The calculation of goodwill and its recognition in the consolidated financial statements complied with IFRSs as adopted by the European Union in all material respects.
- d. The consolidation of equity items and the determination of non-controlling interests were carried out properly in all material respects.
- e. The elimination of intercompany balances (receivables and payables) and transactions (revenue and costs) of the consolidated entities were carried out in accordance with the IFRS as adopted by the European Union in all material respects.
- f. The elimination of unrealised gains/losses of consolidated entities included in the book value of assets and in respect of dividend payments was carried out, in all material respects, in accordance with IFRS as adopted by the European Union.
- g. The impact of the disposal or partial disposal of shares in subordinated entities was accounted for properly in all material respects, in accordance with IFRS as adopted by the European Union.
- h. The consolidation documentation was complete and accurate and it is stored in a manner ensuring proper safeguarding.
- i. The consolidated financial statements of the Group for the year from 1 January to 31 December 2015 were approved by Resolution No. 6/2016 passed by the General Shareholders' Meeting of the Parent Company on 30 March 2016 and filed with the National Court Register in Warsaw on 11 April 2016.
- j. We determined the materiality levels at the planning stage. Materiality levels specify the limits up to which identified irregularities may be left unadjusted without any detriment to the quality of the financial statements and to the correctness of the underlying books of account, since failing to make such adjustments will not be misleading for the readers of the financial statements. Materiality measures both the quantity and quality of audited items and that is why it varies for different statement of financial position and income statement items. Due to their complexity and number, the materiality ratios assumed for audit purposes are described in the audit documentation.



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The Alior Bank S.A. Group
Registered auditor's report on the audit of the consolidated financial
statements for the year from 1 January to 31 December 2016

IV. The independent registered auditor's statement (cont.)

- k. During the audit performed we have not identified any significant instances of Group's non-compliance with banking regulatory norms during the period from 1 January 2016 to the day of issuance of this report. As at 31 December 2016, the regulations of the Banking Law, the Resolutions of the Management Board of the National Bank of Poland, Resolutions of Polish Financial Supervisory Authority and the Regulation of the European Parliament and the Council (EU) No. 575/2013 from 26 June 2013 on prudential requirements for credit institutions and investment firms and amending Regulation (EU) No. 648/2012 (CRR) and other regulations issued by the Commission (EU) pursuant to this Regulation, included banking regulatory norms in relation, among others, to the following:
- concentration of credit risk,
 - concentration of investments in shares,
 - classification of loans and guarantees to risk groups and creation of provisions for the risk associated with activities of banks,
 - liquidity measures,
 - level of obligatory reserve,
 - capital adequacy.
- l. As at 31 December 2016 the total capital ratio of the Group amounted to 13.65% and was correctly determined in accordance with CRR. This statement is based on recalculation of the quotient of own funds as per COREP reporting prepared by the Group as at the balance sheet date.
- m. The notes to the consolidated financial statements present all the significant information in accordance with IFRS as adopted by the European Union.
- n. The information in the Report on Group's operations for the year from 1 January to 31 December 2016 has been presented in accordance with the provisions of the Decree of the Minister of Finance dated 19 February 2009 on current and periodic information to be provided by issuers of securities and conditions for recognizing as equivalent the information required by the provisions of law of a country not being a member state (Journal of Laws of 2014, item 133 as amended) and is consistent with that presented in the consolidated financial statements.

The Alior Bank S.A. Group
Registered auditor's report on the audit of the consolidated financial statements for the year from 1 January to 31 December 2016

V. Final information

This report has been prepared in connection with our audit of the consolidated financial statements of the Alior Bank S.A. Group having Alior Bank S.A., Łopuszańska 38D street, Warsaw, as its Parent Company. The consolidated financial statements were signed by the Parent Company's Management Board on 28 February 2017.

This report should be read in conjunction with the Independent Registered Auditor's Report dated 9 March 2017 to the General Shareholders' Meeting and the Supervisory Board of Alior Bank S.A., that includes the unqualified audit opinion on the said consolidated financial statements. The opinion on the consolidated financial statements expresses a general conclusion drawn from the audit and involves assessing the materiality of individual audit findings rather than being a sum of all the evaluations of individual consolidated financial statement components. This assessment takes account of the impact of the facts noted on the truth and fairness of the consolidated financial statement.

Person conducting the audit on behalf of PricewaterhouseCoopers Sp. z o.o., registered audit company no. 144:

Adam Celiński

Registered Auditor of the Group, Key Registered Auditor
No. 90033

Warsaw, 9 March 2017



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