# Financial report

# of the Alior Bank Spółka Akcyjna Group

## for the 1st quarter of 2016

# Selected financial data

| | In PLN '000 | | | |
|---|---|---|---|---|
| | 1.01.2016 - 31.03.2016 | 1.01.2015 - 31.12.2015 | 1.01.2015 - 31.03.2015 | %% (A-B)/B |
| | A | | B | C |
| Net interest income | 412 494 | 1 501 013 | 344 304 | 19.8% |
| Net fee and commission income | 87 261 | 331 668 | 92 783 | -6.0% |
| Trading result & other | 79 538 | 333 332 | 82 653 | -3.8% |
| Net impairment allowance and write-downs | -175 745 | -672 113 | -144 656 | 21.5% |
| | | | | |
| General administrative expenses | -276 614 | -1 107 892 | -257 858 | 7.3% |
| Profit before tax | 106 261 | 386 008 | 117 226 | -9.4% |
| Net profit | 80 102 | 308 975 | 91 479 | -12.4% |
| Total net cash flow | -1 224 681 | 745 939 | 101 022 | - |
| | | | | |
| Loans and advances to customers | 32 738 033 | 30 907 057 | 27 410 671 | 19.4% |
| Amounts due to customers | 35 802 241 | 33 663 542 | 27 799 851 | -99.7% |
| Total equity | 3 601 592 | 3 514 099 | 3 322 002 | 8.4% |
| Total assets | 42 025 695 | 40 003 010 | 34 886 136 | 20.5% |
| | | | | |
| Selected ratios | | | | |
| Basic earnings per share (PLN) | 1.11 | 4.31 | 1.30 | -14.5% |
| Capital adequacy ratio | 13.51% | 12.54% | 13.00% | 3.9% |
| Tier 1 | 10.57% | 9.69% | 10.42% | 1.5% |

| | In EUR '000 | | | |
|---|---|---|---|---|
| | 1.01.2016 - 31.03.2016 | 1.01.2015 - 31.12.2015 | 1.01.2015 - 31.03.2015 | %% (A-B)/B |
| | A | | B | C |
| Net interest income | 94 698 | 358 682 | 82 987 | 14.1% |
| Net fee and commission income | 20 033 | 79 255 | 22 363 | -10.4% |
| Trading result & other | 18 260 | 79 653 | 19 922 | -8.3% |
| Net impairment allowance and write-downs | -40 346 | -160 608 | -34 866 | 15.7% |
| | | | | |
| General administrative expenses | -63 503 | -264 742 | -62 151 | 2.2% |
| Profit before tax | 24 395 | 92 240 | 28 255 | -13.7% |
| Net profit | 18 389 | 73 833 | 22 049 | -16.6% |
| Total net cash flow | -281 155 | 178 250 | 24 349 | - |
| | | | | |
| Loans and advances to customers | 7 669 861 | 7 252 624 | 6 703 515 | 14.4% |
| Amounts due to customers | 8 387 743 | 7 899 458 | 6 798 692 | 23.4% |
| Total equity | 843 780 | 824 616 | 812 424 | 3.9% |
| Total assets | 9 845 772 | 9 387 073 | 8 531 704 | 15.4% |
| | | | | |
| Selected ratios | | | | |
| Basic earnings per share (PLN) | 0.26 | 1.03 | 0.31 | -18.6% |
| Capital adequacy ratio | 13.51% | 12.54% | 13.00% | 3.9% |
| Tier 1 | 10.57% | 9.69% | 10.42% | 1.5% |

The following exchange rates were applied to translate the selected items of the interim condensed consolidated financial statements into EUR:
a)as at 31.03.2016
- balance sheet items - at the average EUR exchange rate expressed in PLN, announced by the NBP as at 31.03.2016 - 4.2684;
- 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 - 4.3559;
a)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;
a)as at 31.03.2015
- balance sheet items - at the average EUR exchange rate expressed in PLN, announced by the NBP as at 31.03.2015 - 4.0890;
- 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 - 4.1489;

# Interim condensed consolidated financial statements of the Alior Bank Spółka Akcyjna Group

## for the 1st 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.*

## Contents

(in PLN '000)

# Interim condensed consolidated financial statements

## Interim condensed consolidated income statement

| | Note | 1.01.2016-31.03.2016 | 1.01.2015-31.03.2015 |
|---|---|---|---|
| Interest income | | 663 242 | 556 125 |
| Interest expenses | | -250 748 | -211 821 |
| **Net interest income** | **4** | **412 494** | **344 304** |
| Fee and commission income | | 137 970 | 135 582 |
| Fee and commission expenses | | -50 709 | -42 799 |
| **Net fee and commission income** | **5** | **87 261** | **92 783** |
| **Trading result** | **6** | **58 317** | **64 392** |
| **Net result on other financial instruments** | **7** | **10 610** | **4 848** |
| Other operating income | | 15 215 | 19 226 |
| Other operating expenses | | -4 604 | -5 813 |
| **Net other operating income** | **8** | **10 611** | **13 413** |
| **General administrative expenses** | **9** | **-276 614** | **-257 858** |
| **Net impairment allowance and write-downs** | **10** | **-175 745** | **-144 656** |
| **Banking tax** | | **-20 673** | **0** |
| **Profit before tax** | | **106 261** | **117 226** |
| Corporate income tax | **11** | -26 159 | -25 747 |
| **Net profit from continuing operations** | | **80 102** | **91 479** |
| Net profit attributable to shareholders of the Parent Company | | 80 227 | 91 224 |
| Net loss attributable to non-controlling interests | | -125 | 255 |
| **Net profit** | | **80 102** | **91 479** |
| **Weighted average number of ordinary shares** | | **72 088 316** | **70 401 293** |
| **Earnings per ordinary share (in PLN)** | **12** | **1.11** | **1.30** |
| **Diluted earnings per ordinary share (in PLN)** | **12** | **1.07** | **1.24** |

## Interim condensed consolidated statement of comprehensive income

| | 1.01.2016-31.03.2016 | 1.01.2015-31.03.2015 |
|---|---|---|
| **Net profit** | **80 102** | **91 479** |
| **Taxable other comprehensive income to be credited to the net profit / (loss) after the required conditions have been satisfied** | **7 391** | **12 592** |
| Results of the measurement of financial assets available for sale (net) | 9 087 | 5 365 |
| Profit / (loss) on valuation of financial assets available for sale | 11 218 | 6 597 |
| Deferred tax | -2 131 | -1 232 |
| Results of the measurement of hedging instruments (net) | -1 696 | 7 227 |
| Loss / gain on valuation of hedging instruments | -2 093 | 8 922 |
| Deferred tax | 397 | -1 695 |
| **Total net comprehensive income** | **87 493** | **104 071** |
| - attributable to shareholders of the parent company | 87 618 | 103 816 |
| - attributable to non-controlling interests | -125 | 255 |

The notes presented on pages 11-79 constitute an integral part of these interim condensed consolidated financial statements.

(in PLN '000)

# Interim condensed consolidated statement of financial position

| ASSETS | Note | As at 31.03.2016 | As at 31.12.2015 |
|---|---|---|---|
| Cash and balances with the central bank | 13 | 665 782 | 1 750 135 |
| Financial assets held for trading | 22 | 359 798 | 390 569 |
| Available-for-sale financial assets | 14 | 6 008 087 | 4 253 119 |
| Derivative hedging instruments | 23 | 161 441 | 139 578 |
| Amounts due from banks | 16 | 523 603 | 645 329 |
| Loans and advances to customers | 15 | 32 738 033 | 30 907 057 |
| Assets pledged as collateral | 30 | 226 125 | 628 332 |
| Property, plant and equipment | | 224 482 | 228 955 |
| Intangible assets | | 390 374 | 387 048 |
| Assets held for sale | | 682 | 888 |
| Income tax assets | | 313 362 | 275 453 |
| *Deferred* | | *313 362* | *275 453* |
| Other assets | 17 | 413 926 | 396 547 |
| **TOTAL ASSETS** | | **42 025 695** | **40 003 010** |

| LIABILITIES AND EQUITY | Note | As at 31.03.2016 | As at 31.12.2015 |
|---|---|---|---|
| Financial liabilities held for trading | 22 | 338 986 | 310 180 |
| Amounts due to banks | 19 | 404 220 | 1 051 028 |
| Amounts due to customers | 18 | 35 802 241 | 33 663 542 |
| Derivative hedging instruments | 23 | 507 | 0 |
| Provisions | 20 | 15 010 | 10 813 |
| Other liabilities | 21 | 894 589 | 535 274 |
| Income tax liabilities | | 30 811 | 21 776 |
| *Current* | | 30 722 | 21 776 |
| *Deferred* | | 89 | 0 |
| Subordinated liabilities | 24 | 937 739 | 896 298 |
| **Total liabilities** | | **38 424 103** | **36 488 911** |
| **Equity** | **25** | **3 601 592** | **3 514 099** |
| **Equity (attributable to equity holders of the parent)** | | **3 600 477** | **3 512 859** |
| Share capital | | 727 075 | 727 075 |
| Supplementary capital | | 2 591 258 | 2 279 843 |
| Revaluation reserve | | 22 606 | 15 215 |
| Other reserves | | 184 735 | 184 735 |
| Retained earnings/ (accumulated losses) | | -5 424 | -3 657 |
| Profit/(loss) for the year | | 80 227 | 309 648 |
| Non-controlling interests | | 1 115 | 1 240 |
| **TOTAL LIABILITIES AND EQUITY** | | **42 025 695** | **40 003 010** |

The notes presented on pages 11-79 constitute an integral part of these interim condensed consolidated financial statements.

(in PLN '000)

# Interim condensed statement of changes in consolidated equity

| 1.01.2016- 31.03.2016 | Share capital | Supplementary capital | Other reserve - Share-based payments | Revaluation reserve | Retained earnings/ accumulated losses | Net profit | Non-controlling interests | Total equity |
|---|---|---|---|---|---|---|---|---|
| **As at 1 January 2016** | **727 075** | **2 279 843** | **184 735** | **15 215** | **-3 657** | **309 648** | **1 240** | **3 514 099** |
| **Transfer of the previous year result** | - | - | - | | **309 648** | **-309 648** | - | **0** |
| **Comprehensive income** | **0** | **0** | **0** | **7 391** | **0** | **80 227** | **-125** | **87 493** |
| net profit | - | - | - | - | - | 80 227 | -125 | **80 102** |
| other comprehensive income | - | - | - | 7 391 | - | - | - | **7 391** |
| **Gains and losses from business combinations** | - | **311 415** | - | | **-311 415** | - | - | **0** |
| **As at 31 March 2016** | **727 075** | **2 591 258** | **184 735** | **22 606** | **-5 424** | **80 227** | **1 115** | **3 601 592** |

| 1.01.2015- 31.03.2015 | Share capital | Supplementary capital | Other reserve - Share-based payments | Revaluation reserve | Retained earnings/ accumulated losses | Net profit | Non-controlling interests | Total equity |
|---|---|---|---|---|---|---|---|---|
| **As at 1 January 2015** | **699 784** | **1 775 397** | **184 008** | **21 426** | **9 804** | **322 744** | **1 913** | **3 015 076** |
| **Transfer of the previous year result** | - | - | - | - | **322 744** | **-322 744** | - | **0** |
| **Comprehensive income** | - | - | - | **12 592** | - | **91 224** | **255** | **104 071** |
| net profit | - | - | - | - | - | 91 224 | 255 | 91 479 |
| other comprehensive income | - | - | | 12 592 | - | - | - | 12 592 |
| **Share-based payments** | - | - | **909** | - | - | - | - | **909** |
| **Share issue** | **25 432** | **158 628** | - | - | - | - | - | **184 060** |
| **Non-controlling interest arising on business combination** | - | - | - | - | **4 974** | - | **12 912** | **17 886** |
| **As at 31 March 2015** | **725 216** | **1 934 025** | **184 917** | **34 018** | **337 522** | **91 224** | **15 080** | **3 322 002** |

The notes presented on pages 11-79 constitute an integral part of these interim condensed consolidated financial statements.

(in PLN '000)

# Interim condensed consolidated statement of cash flows

| | 1.01.2016-31.03.2016 | 1.01.2015 - 31.03.2015 |
|---|---|---|
| **Operating activities** | | |
| **Gross profit** | **106 261** | **117 226** |
| **Adjustments:** | **-1 302 679** | **-662 581** |
| Unrealized foreign exchange gains/losses | -1 317 | -2 314 |
| Income from dividend | 74 | |
| Amortization/depreciation of tangible and intangible assets | 24 342 | 66 507 |
| Change in tangible and intangible assets impairment write-down | 3 451 | 2 201 |
| Change in provisions | 4 197 | 1 214 |
| Share-based payments | 0 | 909 |
| Change in loans and receivables | -1 849 578 | -4 050 868 |
| Change in financial assets available for sale | -1 754 968 | 157 982 |
| Change in financial assets held for trading | 30 771 | -48 280 |
| Change in assets pledged as collateral | 402 207 | -652 243 |
| Change in hedging asset derivatives | -21 863 | -39 766 |
| Change in non-current assets held for sale | 206 | -1 486 |
| Change in other assets | -17 379 | -91 245 |
| Change in deposits | 1 910 171 | 3 152 398 |
| Change in issued debt | 0 | 216 640 |
| Change in financial liabilities held for trading | 28 806 | 40 993 |
| Change in hedging liabilities derivatives | 507 | -4 777 |
| Change in other liabilities and other comprehensive income | -6 801 | 628 251 |
| Income tax paid | -55 505 | -38 697 |
| **Net cash flow from operating activities** | **-1 196 418** | **-545 355** |
| **Investing activities** | | |
| **Outflows:** | **-72 383** | **251 865** |
| Purchase of property, plant and equipment | -15 802 | -28 817 |
| Purchase of intangible assets | -56 581 | -85 246 |
| Purchase of shares in subsidiaries, net of cash acquired | 0 | 365 928 |
| **Inflows:** | **1 362** | **4** |
| Disposal of property, plant and equipment | 1362 | 4 |
| **Net cash flow from investing activities** | **-71 021** | **251 869** |
| **Financing activities** | | |
| **Outflows:** | **-1 320** | **-176 249** |
| Repayment of long-term liabilities | -13 619 | -183 700 |
| Interest expense – subordinated loan | 12 299 | 7 451 |
| **Inflows:** | **44 078** | **570 757** |
| Long-term liabilities incurred | 0 | 193 719 |
| Subordinated liabilities incurred | 44 078 | 192 978 |
| Inflows from share issue | 0 | 184 060 |
| **Net cash flow from financing activities** | **42 758** | **394 508** |
| **Total net cash flow** | **-1 224 681** | **101 022** |
| **incl. exchange gains/(losses)** | **-5 161** | **16 713** |
| **Balance sheet change in cash and cash equivalents** | **-1 224 681** | **101 022** |

(in PLN '000)

| | | |
|---|---|---|
| Cash and cash equivalents, opening balance | 2 202 212 | 1 456 273 |
| Cash and cash equivalents, closing balance | 977 531 | 1 557 295 |
| **Additional disclosures on operating cash flows** | | |
| Interest income received | 780 426 | 448 773 |
| Interest expense paid | -193 091 | -133 420 |

The notes presented on pages 11-79 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 seat 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

The Bank's share capital amounts to PLN 727 074 630 and is divided into 72 707 463 ordinary shares of PLN 10.00 par value 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

(in PLN '000)

- 2 355 498 H 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 12 May 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 |
|---|---|---|---|---|---|
| **PZU SA**[1] | 21 247 464 | 212 474 640 | 29.22% | 21 247 464 | 29.22% |
| **Genesis Asset Managers LLP**[2] | 5 093 922 | 50 939 220 | 7.01% | 3 483 391 | 4.79% |
| **Aviva OFE Aviva BZ WBK**[3] | 4 012 000 | 40 120 000 | 5.52% | 4 012 000 | 5.52% |
| **Other shareholders** | 42 354 077 | 423 540 770 | 58.25% | 43 964 608 | 60.47% |
| **Total** | **72 707 463** | **727 074 630** | **100%** | **72 707 463** | **100%** |

*1) Together with PZU Życie, which holds 27,347 shares, PZU Specjalistyczny Fundusz Inwestycyjny Otwarty Universum, which holds 1,644 shares and PZU Fundusz Inwestycyjny Zamknięty Aktywów Niepublicznych BIS 2, which holds 2.900.000 in accordance with notification dated on 27 April 2016 concerning a written agreement concluded on 27 April 2016.*
*(2) Genesis Asset Managers LLP holds 5,093,922 shares, but only 3,483,391 of those shares 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 other Alior Bank shareholders.*
*(3) Based on the number of shares registered at the Extraordinary General Shareholders' Meeting on 5 May 2016.*

On 11 March and 14 March 2016 the Management Board received notifications pursuant to Art. 69 of the Public Offering Act on the change in the shares of PZU SA and Alior Lux S.à.r.l. & Co S.C.A. in the total number of votes at the General Shareholders' Meeting. In accordance with the notifications received, as a result of the transaction of 9 March 2016 (settled on 11 March 2016) PZU S.A. and its subsidiary PZU Życie S.A. jointly held 18 345 820 shares of the Bank representing 25.232% of the votes at the General Shareholders' Meeting. As a result of disposal, Alior Lux S.à.r.l. & Co. S.C.A. does not hold any shares of the Bank.

According to the received notifications pursuant to Art. 69 of the Public Offering Act in accordance with the written agreement concluded on April 27, 2016 between Powszechny Zakład Ubezpieczeń SA, Powszechny Zakład Ubezpieczeń Na Życie SA, PZU Specjalistyczny Fundusz Inwestycyjny Otwarty UNIVERSUM and PZU Fundusz Inwestycyjny Zamknięty Aktywów Niepublicznych BIS 2 on the unanimous voting on General Meetings of the Bank and change in the share in the total number of votes, these entities hold together 21 247 464 shares of the Bank constituting 29,22% of votes at the general Meeting.

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.

(in PLN '000)

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

Composition of the Bank's Management Board as at 31 March 2016 and 31 December 2016:

| | |
|---|---|
| **Wojciech Sobieraj** | **CEO** |
| **Małgorzata Bartler** | Deputy CEO |
| **Krzysztof Czuba** | Deputy CEO |
| **Joanna Krzyżanowska** | Deputy CEO |
| **Witold Skrok** | Deputy CEO |
| **Barbara Smalska** | Deputy CEO |
| **Katarzyna Sułkowska** | 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 12 May 2016**

| Shareholder | Number of shares/votes | Par value of shares | Interest in share capital | Share in total number of votes |
|---|---|---|---|---|
| **Wojciech Sobieraj** | 435 296 | 4 352 960 | 0.60% | 0.60% |
| **Witold Skrok** | 104 103 | 1 041 030 | 0.14% | 0.14% |
| **Katarzyna Sułkowska** | 47 612 | 476 120 | 0.07% | 0.07% |
| **Krzysztof Czuba** | 168 | 1 680 | 0.00% | 0.00% |

Composition of the Bank's Supervisory Board as at 31 March 2016:

| | |
|---|---|
| **Michał Krupiński** | **- Chair of the Supervisory Board** |
| **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:

| | |
|---|---|
| **Helene Zaleski** | **- Chair of the Supervisory Board** |
| **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 |

(in PLN '000)

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.

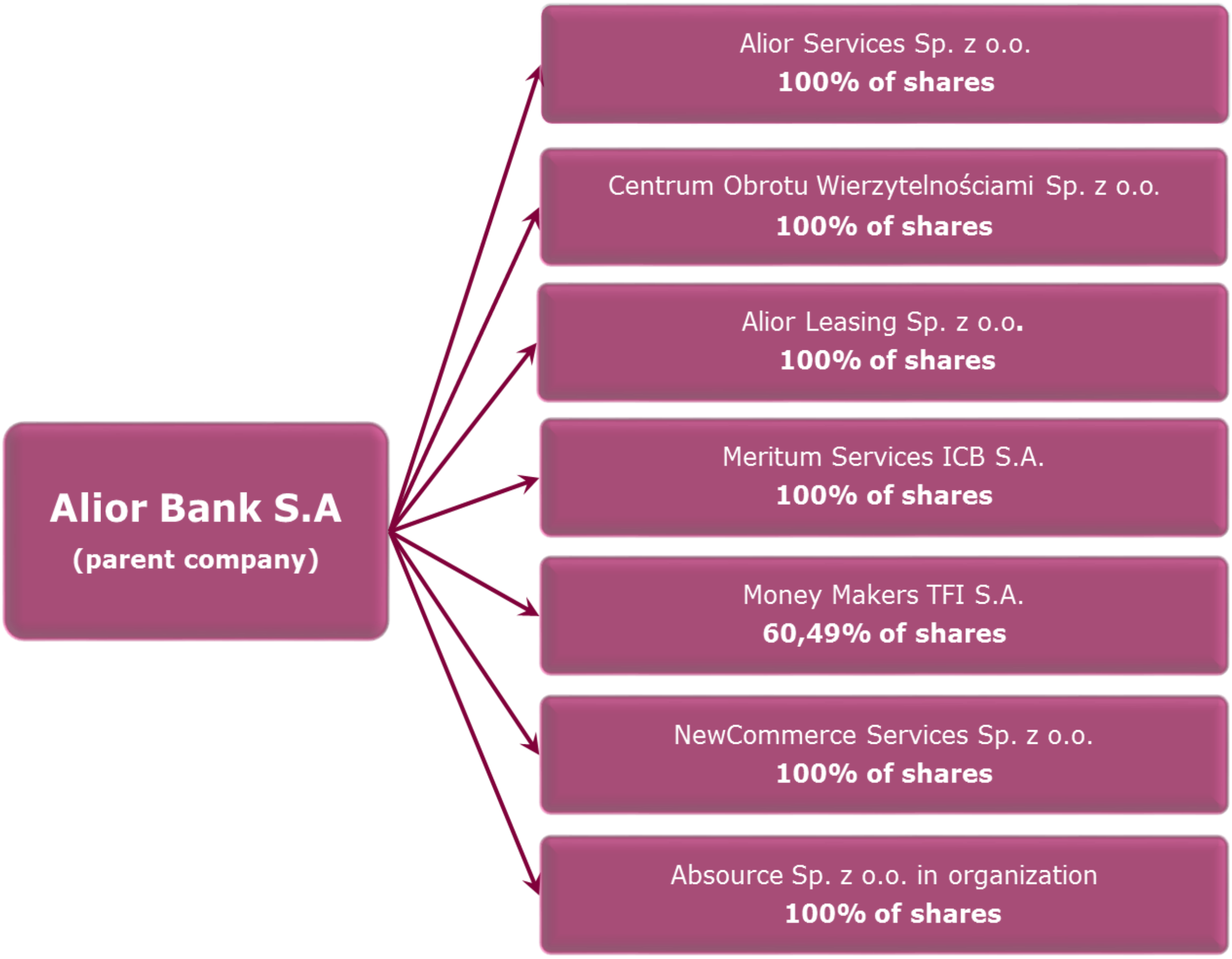
**Members of the Bank's Supervisory Board who held shares in the Bank as at 12 May 2016**

| Shareholder | Number of shares/votes | Par value of shares | Interest in share capital | Share in total number of votes |
|---|---|---|---|---|
| **Małgorzata Iwanicz - Drozdowska** | 1,465 | 14,650 | 0.00% | 0.00% |

According to the best knowledge of the Bank's Management Board, in the period from the date of the previous periodic report, there were no changes in the number of the Bank's shares held by the Bank's Management and Supervisory Board Members.

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

The Alior Bank S.A. Group as at 31 March 2016




As at 31 March 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 31 March 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. in organization 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.

- **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.

- **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.

  NewCommerce Services Sp. z o.o. will perform tasks associated with selling non-bank products, including granting access to a new generation shopping platform in cooperation with retail partners. The planned commencement of the company's operations in Q4 2016 is closely connected with the changes and development associated with launching a new version of the distribution channel for the non-bank services which the company is planning to provide.

- **Absource Sp. z o.o. in organization**

  On 31 March 2016, a new company was established: Absource Sp. z o.o. in organization 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. in organization.

  Absource Sp. z o.o. in organization 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.

  Organization is consolidated by full consolidation method; in interim condensed financial statements is present by cost ( PLN 31,170 thousand)

## 1.6 Approval of the interim condensed consolidated financial statements

The consolidated financial statements of the Alior Bank Spółka Akcyjna Group for the financial year ended 31 December 2015 were approved for publication by the Bank's Management Board on 02 March 2016.

These interim condensed consolidated financial statements of the Alior Bank Spółka Akcyjna Group were approved by the Bank's Management Board on 11 May 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 condensed interim consolidated financial statements of the Alior Bank S.A. Group comprise the data of the Bank and its subsidiaries and cover the 3-month period ended 31 March 2016 and the comparatives for the 3-month period ended 31 March 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 condensed interim 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 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 consolidated financial report for the first quarter of 2016 were restated comparative data for the first quarter of 2015 what is shown in the following table:

**Interim condensed consolidated income statement**

| Income statement item | Data from the financial statements as at 31.03.2015. | Change | Restated data as at 31.03.2015 |
|---|---|---|---|
| Interest income | 480 841 | 75 284 | 556 125 |
| Interest expenses | -137 673 | -74 148 | -211 821 |
| **Net interest income** | **343 168** | **1 136** | **344 304** |
| **Trading result** | **65 528** | **-1 136** | **64 392** |

**Statement of compliance**
These interim condensed consolidated financial statements of the Alior Bank Spółka Akcyjna Group for the 1st 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 31 March 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 31 March 2016, and interim condensed consolidated statement of financial position as at 31 March 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 tax burden is calculated accoriding 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 31 March 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

Application of the above standards did not have a material impact on these financial statements.

The Group concluded that the above changes did not have a significant effect on its financial position or results of operations.

**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:

- Explanations to IFRS 15, Revenue from Contracts with Customers – published on 12 April 2016 and applicable to financial statements prepared after 1 January 2018 – by the date of approving these financial statements not yet endorsed by the EU;

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 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.

(in PLN '000)

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 1st quarter ended 31 March 2016**

| Segment report | Retail customers | Corporate customers | Treasury | Total corporate segments | Other | Total Bank |
|---|---|---|---|---|---|---|
| **External interest income** | **255 914** | **125 637** | **30 617** | **412 168** | **326** | **412 494** |
| external income | 343 153 | 190 441 | 129 305 | 662 899 | 343 | 663 242 |
| external expense | -87 239 | -64 804 | -98 688 | -250 731 | -17 | -250 748 |
| **Internal interest income** | **7 833** | **-687** | **-2 436** | **4 710** | **-4 710** | **0** |
| internal income | 136 140 | 60 135 | 271 320 | 467 595 | -3 567 | 464 028 |
| internal expense | -128 307 | -60 822 | -273 756 | -462 885 | -1 143 | -464 028 |
| **Net interest income** | **263 747** | **124 950** | **28 181** | **416 878** | **-4 384** | **412 494** |
| Fee and commission income | 47 244 | 62 046 | 32 | 109 322 | 28 648 | 137 970 |
| Fee and commission expense | -18 341 | -177 | -2 042 | -20 560 | -30 149 | -50 709 |
| **Net fee and commission income** | **28 903** | **61 869** | **-2 010** | **88 762** | **-1 501** | **87 261** |
| **Trading result** | **6** | **10 623** | **53 600** | **64 229** | **-5 912** | **58 317** |
| **Net gain (realized) on other financial instruments** | **22 995** | **25 410** | **-38 393** | **10 012** | **598** | **10 610** |
| Other operating income | 30 976 | 2 441 | 0 | 33 417 | -18 202 | 15 215 |
| Other operating expenses | -1 995 | -7 | -43 | -2 045 | -2 559 | -4 604 |
| **Net other operating income** | **28 981** | **2 434** | **-43** | **31 372** | **-20 761** | **10 611** |
| **Total result before impairment losses** | **344 632** | **225 286** | **41 335** | **611 253** | **-31 960** | **579 293** |
| **Impairment losses** | **-115 503** | **-64 578** | **0** | **-180 081** | **4 336** | **-175 745** |
| **Total result after impairment losses** | **229 129** | **160 708** | **41 335** | **431 172** | **-27 624** | **403 548** |
| **General administrative expenses with banking tax** | **-218 878** | **-77 640** | **-769** | **-297 287** | **0** | **-297 287** |
| **Gross profit (loss)** | **10 251** | **83 068** | **40 566** | **133 885** | **-27 624** | **106 261** |
| Income tax | 0 | 0 | 0 | 0 | -26 159 | -26 159 |
| **Net profit (loss)** | **10 251** | **83 068** | **40 566** | **133 885** | **-53 783** | **80 102** |

| | | | | | | |
|---|---|---|---|---|---|---|
| Assets | 25 151 197 | 16 537 884 | 23 252 | 41 712 333 | 313 362 | 42 025 695 |
| Liabilities | 25 200 977 | 13 185 524 | 6 713 | 38 393 214 | 30 889 | 38 424 103 |

(in PLN '000)

## Results and volumes by segments for the 1st quarter ended 31 March 2015

| Segment report | Retail customers | Corporate customers | Treasury | Total corporate segments | Other | Total Bank |
|---|---|---|---|---|---|---|
| **External interest income** | **226 279** | **86 058** | **30 483** | **342 820** | **1 484** | **344 304** |
| external income | 300 641 | 129 168 | 124 840 | 554 649 | 1 476 | 556 125 |
| external expense | -74 362 | -43 110 | -94 357 | -211 829 | 8 | -211 821 |
| **Internal interest income** | **-2 919** | **5 614** | **-452** | **2 243** | **-2 243** | **0** |
| internal income | 96 369 | 60 869 | 231 413 | 388 651 | -1 738 | 386 913 |
| internal expense | -99 288 | -55 255 | -231 865 | -386 408 | -505 | -386 913 |
| **Net interest income** | **223 360** | **91 672** | **30 031** | **345 063** | **-759** | **344 304** |
| Fee and commission income | 49 294 | 57 339 | 377 | 107 010 | 28 572 | 135 582 |
| Fee and commission expense | -16 992 | -174 | -76 | -17 242 | -25 557 | -42 799 |
| **Net fee and commission income** | **32 302** | **57 165** | **301** | **89 768** | **3 015** | **92 783** |
| **Trading result** | **-450** | **13 614** | **51 228** | **64 392** | **0** | **64 392** |
| **Net gain (realized) on other financial instruments** | **21 603** | **32 313** | **-49 072** | **4 844** | **4** | **4 848** |
| Other operating income | 38 987 | 674 | 0 | 39 661 | -20 435 | 19 226 |
| Other operating expenses | -1 936 | 0 | -430 | -2 366 | -3 447 | -5 813 |
| **Net other operating income** | **37 051** | **674** | **-430** | **37 295** | **-23 882** | **13 413** |
| **Total result before impairment losses** | **313 866** | **195 438** | **32 058** | **541 362** | **-21 622** | **519 740** |
| **Impairment losses** | **-97 201** | **-45 073** | **0** | **-142 274** | **-2 382** | **-144 656** |
| **Total result after impairment losses** | **216 665** | **150 365** | **32 058** | **399 088** | **-24 004** | **375 084** |
| **General administrative expenses with banking tax** | **-194 503** | **-62 733** | **-622** | **-257 858** | **0** | **-257 858** |
| **Gross profit (loss)** | **22 162** | **87 632** | **31 436** | **141 230** | **-24 004** | **117 226** |
| Income tax | 0 | 0 | 0 | 0 | -25 747 | -25 747 |
| **Net profit (loss)** | **22 162** | **87 632** | **31 436** | **141 230** | **-49 751** | **91 479** |
| | | | | | | |
| Assets | 21 080 188 | 13 582 595 | 18 839 | 34 681 622 | 204 514 | **34 886 136** |
| Liabilities | 21 360 263 | 10 175 532 | 9 705 | 31 545 501 | 18 633 | **31 564 134** |

(in PLN '000)

# Notes to the interim condensed consolidated income statement

## 4. Net interest income

| 4.1 Net interest income by entity | 1.01.2016-31.03.2016 | 1.01.2015-31.03.2015 |
|---|---|---|
| **Interest income** | **663 242** | **556 125** |
| financial sector | 109 573 | 94 789 |
| non-financial sector | 530 969 | 445 380 |
| central and local government institutions | 22 700 | 15 956 |
| **Interest expenses** | **-250 748** | **-211 821** |
| financial sector | -130 052 | -113 694 |
| non-financial sector | -118 806 | -97 490 |
| central and local government institutions | -1 890 | -637 |
| **Net interest income** | **412 494** | **344 304** |

| 4.2 Net interest income by product | 1.01.2016-31.03.2016 | 1.01.2015-31.03.2015 |
|---|---|---|
| **Interest income** | **663 242** | **556 125** |
| Interest income on financial instruments by category at amortized cost taking into account the effective interest rate | 545 075 | 454 746 |
| term deposits | 347 | 101 |
| bank loans | 509 437 | 424 926 |
| financial assets available for sale | 27 358 | 22 190 |
| debt purchased | 6 009 | 7 029 |
| other | 1 924 | 500 |
| Other interest income | 118 167 | 101 379 |
| current accounts | 4 142 | 3 992 |
| overnight deposits | 113 | 136 |
| derivative hedging instruments | 113 912 | 97 251 |
| **Interest expenses** | **-250 748** | **-211 821** |
| Interest expenses on financial instruments by category at amortized cost taking into account the effective interest rate | -139 447 | -112 865 |
| term deposits | -106 815 | -83 108 |
| transactions on securities with repurchase clause | -2 384 | -5 380 |
| cash hedges | -1 081 | -910 |
| own issues | -28 597 | -22 949 |
| other | -570 | -518 |
| Other interest expenses | -111 301 | -98 956 |
| current deposits | -7 621 | -10 964 |
| derivative hedging instruments | -103 680 | -87 992 |
| **Net interest income** | **412 494** | **344 304** |

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

| | 1.01.2016-31.03.2016 | 1.01.2015-31.03.2015 |
|---|---|---|
| **Fee and commission income** | **137 970** | **135 582** |
| brokerage commissions | 17 457 | 15 738 |
| payment and credit cards service | 24 484 | 20 404 |

(in PLN '000)

| | | |
|---|---|---|
| revenue from bancassurance activity | 21 338 | 34 673 |
| loans and advances | 13 637 | 16 505 |
| maintaining bank accounts | 25 362 | 18 796 |
| transfers | 8 903 | 8 806 |
| cash operations | 5 070 | 4 908 |
| debt purchased | 1 923 | 2 637 |
| guarantees, letters of credit, collection, commitments | 3 635 | 3 590 |
| other commissions | 16 161 | 9 525 |
| **Fee and commission expenses** | **-50 709** | **-42 799** |
| brokerage commissions | -688 | -837 |
| costs of card and ATM transactions, including costs of cards issued | -15 056 | -13 457 |
| insurance of bank products | -5 915 | -4 984 |
| commissions for access to ATMs | -5 259 | -5 136 |
| commissions paid under contracts for performing specific operations | -2 259 | -2 013 |
| costs of compensation, awards for customers | -5 143 | -3 861 |
| commissions paid to agents | -4 787 | -2 979 |
| assistance services for customers | -1 279 | -1 356 |
| costs of attracting customers | -1 951 | -1 832 |
| other commissions | -8 372 | -6 344 |
| **Net fee and commission income** | **87 261** | **92 783** |

The Group does not engage in trust activities.

# 6. Trading result

| | 1.01.2016-31.03.2016 | 1.01.2015-31.03.2015 |
|---|---|---|
| FX transactions | 48 559 | 46 942 |
| Interest rate transactions | 7 588 | 15 469 |
| Ineffective part of hedge accounting | 610 | 990 |
| Other instruments | 1 560 | 991 |
| **Trading result** | **58 317** | **64 392** |

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

| | 1.01.2016-31.03.2016 | 1.01.2015-31.03.2015 |
|---|---|---|
| Available-for-sale financial assets | 10 361 | 4 925 |
| Own issues | 248 | -77 |
| repurchase income | 279 | 131 |
| repurchase losses | -31 | -208 |
| Investment certificates | 1 | 0 |
| **Net result realized on other financial instruments** | **10 610** | **4 848** |

(in PLN '000)

## 8. Net other operating income

| | 1.01.2016-31.03.2016 | 1.01.2015-31.03.2015 |
|---|---|---|
| **Other operating income from:** | **15 215** | **19 226** |
| management of third party assets | 2 996 | 1 386 |
| received compensations, fines and penalties | 14 | 38 |
| income from contracts with business partners | 218 | 4 616 |
| sale of debt | 0 | 2 093 |
| reimbursement of costs of claim enforcement | 5 082 | 5 164 |
| reimbursement of fees by customers | 3 980 | 3 952 |
| received compensations | 866 | 142 |
| other | 2 059 | 1 835 |
| **Other operating expenses due to:** | **-4 604** | **-5 813** |
| management of third party assets | -487 | -588 |
| paid compensations, fines and penalties | -31 | -256 |
| awards given to customers | -258 | -94 |
| paid compensations, settlements, complaints | -1 031 | -1 948 |
| fees and costs of claim enforcement | -1 862 | -2 206 |
| other | -935 | -721 |
| **Net other operating income** | **10 611** | **13 413** |

## 9. General administrative expenses

| | 1.01.2016-31.03.2016 | 1.01.2015-31.03.2015 |
|---|---|---|
| **Payroll costs** | **-149 621** | **-146 137** |
| remuneration due to employment contracts | -124 839 | -120 697 |
| remuneration surcharges | -23 279 | -23 224 |
| share-based payments | 0 | -909 |
| other | -1 503 | -1 307 |
| **General and administrative costs** | **-99 192** | **-90 595** |
| IT costs | -12 932 | -9 141 |
| lease and building maintenance expenses | -34 345 | -37 282 |
| marketing costs | -9 162 | -7 939 |
| training costs | -5 250 | -2 170 |
| cost of advisory services | -4 598 | -3 923 |
| costs of Banking Guarantee Fund | -18 908 | -14 488 |
| lease of property, plant and equipment and intangible assets | -947 | -805 |
| costs of telecommunications services | -2 949 | -3 999 |
| external services | -6 918 | -7 819 |
| other | -3 183 | -3 029 |
| **Amortization and depreciation** | **-24 977** | **-18 954** |
| property, plant and equipment | -15 439 | -11 480 |
| intangible assets | -9 538 | -7 474 |
| **Taxes and fees** | **-2 824** | **-2 172** |
| **Total general administrative expenses** | **-276 614** | **-257 858** |

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

(in PLN '000)

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 14,488 thousand recognized in the costs of the period ended 31 March 2015.
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 1st quarter of 2016 of PLN 18,908 thousand were recognized in the costs of the period ended 31 March 2016.

## 10. Net impairment allowance and write-downs

| | 1.01.2016-31.03.2016 | 1.01.2015-31.03.2015 |
|---|---|---|
| Impairment losses on impaired loans and advances to customers | -161 366 | -139 411 |
| financial sector | -496 | -1 927 |
| non-financial sector | -160 870 | -137 484 |
| retail customers | -111 289 | -91 063 |
| business customers | -49 581 | -46 421 |
| Debt securities | -6 974 | 0 |
| IBNR for loans and advances to customers without impairment allowances | 890 | -2 303 |
| financial sector | 628 | 165 |
| non-financial sector | 262 | -2 468 |
| retail customers | -2 229 | -1 177 |
| business customers | 2 491 | -1 291 |
| Provision for off-balance sheet liabilities | -4 843 | -741 |
| Property, plant and equipment and intangible assets | -3 452 | -2 201 |
| **Net impairment allowance and provisions** | **-175 745** | **-144 656** |

## 11. Corporate income tax

| **11.1 Recognized in the income statement** | 1.01.2016-31.03.2016 | 1.01.2015-31.03.2015 |
|---|---|---|
| Current tax | 65 461 | 36 916 |
| current year | 65 461 | 36 937 |
| adjustment of tax settlement relating to previous year | 0 | -21 |
| Deferred tax | -39 302 | -11 169 |
| temporary differences - origination and reversal | -39 302 | -11 169 |
| **Total tax for accounting purposes recognized in the income statement** | **26 159** | **25 747** |

| **11.2 Effective tax rate calculation** | 1.01.2016-31.03.2016 | 1.01.2015-31.03.2015 |
|---|---|---|
| **Profit before tax** | **106 261** | **117 226** |
| **Income tax at 19%** | **20 190** | **22 273** |
| **Non-tax deductible expenses** | **5 889** | **4 289** |
| Representation costs | 49 | 44 |
| PFRON | 271 | 345 |
| Impairment losses on loans in the part not covered with deferred tax | 60 | 220 |
| Prudential charge to BGF | 1 154 | 2 340 |
| The tax on financial institutions | 3 914 | 0 |
| Costs of provisions for management options | 0 | 173 |
| Other | 594 | 1 167 |
| **Non-taxable revenues** | **-153** | **-315** |

(in PLN '000)

| | | |
|---|---|---|
| Release of loan impairment allowances in the part not covered with the deferred tax | -1 | -1 |
| Other | -152 | -314 |
| **Recognition of tax loss** | **81** | **-500** |
| **Accounting tax recognized in the income statement** | **26 160** | **25 747** |
| **Effective tax rate** | **24,62%** | **21,96%** |

## 12. Earnings per share

| | 1.01.2016-31.03.2016 | 1.01.2015-31.03.2015 |
|---|---|---|
| Net profit | 80 102 | 91 479 |
| Weighted average number of ordinary shares | 72 088 316 | 70 401 293 |
| Share options (number) - adjusting instrument | 2 979 272 | 3 196 587 |
| Adjusted weighted average number of shares | 75 067 588 | 73 597 880 |
| **Net earnings per ordinary share (PLN)** | **1.11** | **1.30** |
| **Dilluted earnings per one share** | **1.07** | **1.24** |

# Notes to the interim condensed consolidated statement of financial position

## 13. Cash and balances with the Central Bank

| | As at 31.03.2016 | As at 31.12.2015 |
|---|---|---|
| Current account with the Central Bank | 470 821 | 1 559 981 |
| Cash | 194 961 | 190 154 |
| **Cash and balances with the central bank** | **665 782** | **1 750 135** |

## 14. Available-for-sale financial assets

| **14.1 By type** | As at 31.03.2016 | As at 31.12.2015 |
|---|---|---|
| **Debt instruments** | **5 993 940** | **4 239 445** |
| issued by the State Treasury - T-bonds | 5 368 482 | 3 773 380 |
| issued by monetary institutions - money bills | 169 992 | 0 |
| issued by other financial institutions | 177 405 | 176 995 |
| bonds | 60 492 | 60 486 |
| Eurobonds | 116 913 | 116 509 |
| issued by companies - bonds | 278 061 | 289 070 |
| **Equity instruments** | **14 147** | **13 674** |
| **Available-for-sale financial assets** | **6 008 087** | **4 253 119** |

| **14.2 By maturity** | As at 31.03.2016 | As at 31.12.2015 |
|---|---|---|
| without set maturity date | 14 146 | 13 675 |
| ≤ 1M | 169 993 | 0 |
| > 1M ≤ 3M | 41 848 | 17 088 |
| > 3M ≤ 6M | 149 348 | 254 486 |
| > 6M ≤ 1Y | 910 117 | 366 016 |
| > 1Y ≤ 2Y | 1 278 283 | 1 134 855 |
| > 2Y ≤ 5Y | 2 660 047 | 1 940 564 |
| > 5Y ≤ 10Y | 784 305 | 526 435 |
| **Available-for-sale financial assets** | **6 008 087** | **4 253 119** |

(in PLN '000)

| 14.3 Impairment allowance on debt instruments | As at 31.03.2016 | | As at 31.12.2015 | |
|---|---|---|---|---|
| | Gross value of receivables | Amount of write-down | Gross value of receivables | Amount of write-down |
| Bonds issued by companies | 94 985 | 21 446 | 101 122 | 14 472 |

| 14.4 Change in the balance of debt instruments impairment allowances | As at 31.03.2016 | As at 31.03.2015 |
|---|---|---|
| Opening balance | 14 472 | 6 491 |
| Changes in write-downs - increases | 6 974 | 0 |
| **Impairment allowances at the end of the period** | **21 446** | **6 491** |

The schedules below show the hierarchy of the measurement methods of available-for-sale financial assets measured at fair value as at 31 March 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 first quarter of 2016, sensitivity of valuation of such assets to credit spread increases of 1 base point amounted to PLN 92 thousand.

(in PLN '000)

In the period from 1 January to 31 March 2016, there were no movements of securities between the fair value hierarchy levels.

| 14.5 Fair value | As at 31.03.2016 | As at 31.12.2015 |
|---|---|---|
| **Level 1** | **5 485 395** | **3 889 889** |
| T-bonds | 5 368 482 | 3 773 380 |
| Other bonds | 116 913 | 116 509 |
| **Level 2** | **169 993** | **0** |
| Money bills | 169 993 | 0 |
| **Level 3** | **352 700** | **363 230** |
| Equity instruments | 14 147 | 13 674 |
| Other bonds | 338 553 | 349 556 |
| **Valuation of available for sale financial assets by level** | **6 008 088** | **4 253 119** |

| 14.6 Movements on financial assets available for sale classified to level 3 | As at 31.03.2016 | As at 31.03.2015 |
|---|---|---|
| **Opening balance** | **363 230** | **374 601** |
| **Increases, including:** | **17 372** | **9 147** |
| Acquisition | 17 468 | 7 000 |
| Change in the balance of accrued interest | 0 | 1 990 |
| Fair value adjustment | -97 | 157 |
| Foreign exchange differences | 1 | 0 |
| **Decreases, including** | **-27 902** | **-42 560** |
| Sale | -23 050 | -42 550 |
| Other changes recognised in income statement | -4 852 | 0 |
| Foreign exchange differences | 0 | -10 |
| **Available for sale financial assets classified to level 3 at the end of the period** | **352 700** | **341 188** |

The measurement of available-for-sale assets is presented in 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 31.03.2016 | As at 31.12.2015 |
|---|---|---|
| **Retail segment** | **18 543 906** | **17 595 314** |
| Working capital facility | 179 957 | 167 635 |
| Consumer loans | 9 114 806 | 8 699 017 |
| Consumer finance loans | 865 107 | 748 948 |
| Loans for purchase of securities | 120 121 | 119 069 |
| Credit card borrowings loans | 217 315 | 225 629 |
| Loans for residential real estate | 7 115 750 | 6 717 911 |
| Other mortgage loans | 899 814 | 896 008 |
| Other receivables | 31 036 | 21 097 |
| **Corporate segment** | **14 194 127** | **13 311 743** |
| Working capital facility | 7 744 215 | 7 308 603 |
| Car loans | 59 637 | 70 394 |
| Investment loans | 5 690 353 | 5 481 578 |
| Acquired receivables | 438 639 | 376 403 |
| Lease receivables | 135 324 | 52 330 |

(in PLN '000)

| | | |
|---|---|---|
| Other receivables | 125 959 | 22 435 |
| **Loans and advances to customers** | **32 738 033** | **30 907 057** |

| **15.2 By gross value and carrying value** | **As at 31.03.2016** | **As at 31.12.2015** |
|---|---|---|
| **Retail segment** | **18 543 906** | **17 595 314** |
| Loans for residential real estate | 7 115 750 | 6 717 911 |
| unimpaired | 6 996 759 | 6 593 746 |
| impaired | 186 635 | 189 075 |
| IBNR | -5 042 | -4 811 |
| Impairment allowance | -62 602 | -60 099 |
| Consumer finance loans | 865 107 | 748 947 |
| unimpaired | 853 477 | 737 841 |
| impaired | 51 893 | 50 221 |
| IBNR | -1 570 | -1 456 |
| Impairment allowance | -38 693 | -37 659 |
| Other retail loans | 10 563 049 | 10 128 456 |
| unimpaired | 10 161 563 | 9 732 180 |
| impaired | 1 503 176 | 1 378 919 |
| IBNR | -122 238 | -120 367 |
| Impairment allowance | -979 452 | -862 276 |
| **Corporate segment** | **14 194 127** | **13 311 743** |
| unimpaired | 13 586 178 | 12 734 442 |
| impaired | 1 506 546 | 1 428 322 |
| IBNR | -36 003 | -39 589 |
| Impairment allowance | -862 594 | -811 432 |
| **Loans and advances to customers** | **32 738 033** | **30 907 057** |

| **15.3 Receivables from customers impaired** | **As at 31.03.2016** | **As at 31.12.2015** |
|---|---|---|
| **Receivables from customers individually assessed** | **560 768** | **546 026** |
| **Retail segment** | **1 289** | **9 512** |
| Amounts due from customers | 9 263 | 87 157 |
| Impairment allowance | -7 973 | -77 645 |
| **Corporate segment** | **559 478** | **536 514** |
| Amounts due from customers | 1 139 875 | 1 095 419 |
| Impairment allowance | -580 397 | -558 905 |
| **Receivables from customers collectively assessed** | **744 140** | **729 045** |
| **Retail segment** | **659 667** | **648 669** |
| Amounts due from customers | 1 732 441 | 1 531 058 |
| Impairment allowance | -1 072 774 | -882 389 |
| **Corporate segment** | **84 473** | **80 376** |
| Amounts due from customers | 366 670 | 332 903 |
| Impairment allowance | -282 197 | -252 527 |
| **Receivables from customers impaired** | **1 304 908** | **1 275 071** |

(in PLN '000)

| 15.4 Change in the balance of impairment allowance on loans and advances to customers and IBNR provision | As at 31.03.2016 | As at 31.03.2015 |
|---|---|---|
| Opening balance | 1 937 689 | 1 289 770 |
| Changes due to the acquisition of a subsidiary | 0 | 414 852 |
| Changes during the year: | 160 005 | 134 325 |
| Increases | 549 464 | 404 435 |
| Retail segment | 449 258 | 297 231 |
| Corporate segment | 100 206 | 107 204 |
| Decreases | -388 988 | -262 721 |
| Retail segment | -335 740 | -204 991 |
| Corporate segment | -53 248 | -57 730 |
| Transfer to costs | -275 | -46 |
| Other changes | 10 304 | -7 343 |
| **Impairment allowances and IBNR at the end of the period** | **2 108 194** | **1 838 947** |

The provision for losses incurred but not reported (IBNR) amounted to: PLN 164,853 thousand as at 31 March 2016, PLN 166,223 thousand as at 31 December 2015.

| 15.5 By maturity (as at the balance sheet date) | As at 31.03.2016 | As at 31.12.2015 |
|---|---|---|
| **Retail segment** | **18 543 906** | **17 595 314** |
| ≤ 1M | 2 022 301 | 2 013 348 |
| > 1M ≤ 3M | 414 398 | 389 891 |
| > 3M ≤ 6M | 561 215 | 547 084 |
| > 6M ≤ 1Y | 1 076 286 | 1 007 076 |
| >1Y ≤ 2Y | 1 627 101 | 1 534 368 |
| >2Y ≤ 5Y | 3 700 730 | 3 473 595 |
| >5Y ≤ 10Y | 3 848 532 | 3 554 046 |
| >10Y ≤ 20Y | 2 956 780 | 2 819 119 |
| >20Y | 2 336 563 | 2 256 787 |
| **Corporate segment** | **14 194 127** | **13 311 743** |
| ≤ 1M | 5 266 608 | 4 759 780 |
| > 1M ≤ 3M | 816 244 | 761 825 |
| > 3M ≤ 6M | 530 764 | 598 804 |
| > 6M ≤ 1Y | 1 130 503 | 1 143 844 |
| >1Y ≤ 2Y | 1 201 952 | 1 308 770 |
| >2Y ≤ 5Y | 2 539 469 | 2 300 565 |
| >5Y ≤ 10Y | 1 931 015 | 1 822 681 |
| >10Y ≤ 20Y | 777 572 | 615 474 |
| **Loans and advances to customers** | **32 738 033** | **30 907 057** |

| 15.6 By currency | As at 31.03.2016 | As at 31.12.2015 |
|---|---|---|
| **Retail segment** | **18 543 906** | **17 595 314** |
| PLN | 17 247 905 | 16 343 892 |
| EUR | 960 800 | 933 316 |
| GBP | 141 833 | 124 376 |
| USD | 23 011 | 20 706 |
| CHF | 169 976 | 173 018 |

(in PLN '000)

| | | |
|---|---|---|
| Other currencies | 381 | 6 |
| **Corporate segment** | **14 194 127** | **13 311 743** |
| PLN | 11 609 638 | 10 652 190 |
| EUR | 2 436 147 | 2 559 286 |
| GBP | 8 260 | 5 210 |
| USD | 109 173 | 61 924 |
| CHF | 30 909 | 33 133 |
| **Total receivables** | **32 738 033** | **30 907 057** |

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

| 15.7 Ten largest borrowers | Currency | As at 31.03.2016 |
|---|---|---|
| Company 1 | EUR,PLN | 240 131 |
| Company 2 | EUR | 233 478 |
| Company 3 | PLN | 165 146 |
| Company 4 | EUR | 142 524 |
| Company 5 | EUR,PLN | 135 702 |
| Company 6 | PLN | 134 148 |
| Company 7 | PLN | 128 715 |
| Company 8 | PLN | 120 229 |
| Company 9 | PLN | 117 117 |
| Company 10 | EUR | 112 378 |

| 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 three tables above present the loan balance at its nominal value.

# 16. Amounts due from banks

| 16.1 By type | As at 31.03.2016 | As at 31.12.2015 |
|---|---|---|
| Current accounts | 239 353 | 339 444 |
| Overnight deposits (O/N) | 56 386 | 0 |
| Term deposits | 18 357 | 115 538 |
| Deposits as derivative transactions (ISDA) collateral | 195 252 | 171 406 |
| Other | 14 255 | 18 941 |
| **Amounts due from banks** | **523 603** | **645 329** |

(in PLN '000)

| 16.2 By maturity (as at the balance sheet date) | As at 31.03.2016 | As at 31.12.2015 |
|---|---|---|
| ≤ 1M | 522 013 | 643 159 |
| > 1M ≤ 3M | 1 590 | 2 065 |
| > 3M ≤ 6M | 0 | 105 |
| **Amounts due from banks** | **523 603** | **645 329** |

| 16.3 By currency | As at 31.03.2016 | As at 31.12.2015 |
|---|---|---|
| PLN | 19 867 | 28 599 |
| EUR | 187 254 | 126 831 |
| GBP | 29 336 | 86 572 |
| USD | 123 513 | 183 566 |
| CHF | 26 358 | 75 986 |
| Other currencies | 137 274 | 143 775 |
| **Amounts due from banks** | **523 603** | **645 329** |

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 March 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 31.03.2016 | As at 31.12.2015 |
|---|---|---|
| **Sundry debtors** | **321 858** | **369 816** |
| Other settlements | 102 460 | 91 423 |
| Receivables related to the sale of goods and services (including insurance) | 123 535 | 117 761 |
| Guarantee deposits | 12 034 | 11 942 |
| Settlements of payment cards | 83 829 | 148 690 |
| **Deferred costs** | **39 426** | **34 702** |
| Settlements of rental charges and utilities | 1 293 | 1 484 |
| Maintenance and support of systems, servicing of plant and equipment | 8 998 | 4 330 |
| Other deferred costs | 29 135 | 28 888 |
| Estimated subsidy from BGF | 50 501 | 0 |
| **Settlements of VAT** | **30 346** | **20 718** |
| **Other assets (gross)** | **442 131** | **425 236** |
| Impairment allowances | -28 205 | -28 689 |
| **Other assets (net)** | **413 926** | **396 547** |

(in PLN '000)

| | | |
|---|---|---|
| including financial assets | 321 858 | 369 816 |

| 17.2 Change in the balance of impairment allowances on other assets | As at 31.03.2016 | As at 31.03.2015 |
|---|---|---|
| Opening balance | 28 689 | 7 204 |
| Changes due to the acquisition of a subsidiary | 0 | 8 210 |
| Changes during the year: | -484 | 4 914 |
| Increases | 265 | 6 471 |
| Decreases | -749 | 1 549 |
| **Impairment allowances on other assets at the end of the period** | **28 205** | **20 328** |

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 31.03.2016 | As at 31.12.2015 |
|---|---|---|
| Current deposits | 12 688 997 | 12 476 267 |
| Term deposits | 20 387 002 | 18 535 716 |
| Own issue of bank securities | 2 348 731 | 2 259 230 |
| Other liabilities | 377 511 | 392 329 |
| **Total amounts due to customers** | **35 802 241** | **33 663 542** |

| 18.2 By type and customer segment | As at 31.03.2016 | As at 31.12.2015 |
|---|---|---|
| **Retail segment** | **23 293 384** | **21 409 075** |
| Current deposits | 8 999 422 | 8 485 256 |
| Term deposits | 14 023 331 | 12 666 033 |
| Own issue of bank securities | 64 252 | 54 280 |
| Other liabilities | 206 379 | 203 506 |
| **Corporate segment** | **12 508 857** | **12 254 467** |
| Current deposits | 3 689 574 | 3 991 011 |
| Term deposits | 6 363 671 | 5 869 683 |
| Own issue of bank securities | 2 284 479 | 2 204 950 |
| Other liabilities | 171 132 | 188 823 |
| **Total amounts due to customers** | **35 802 241** | **33 663 542** |

| 18.3 By maturity (as at the balance sheet date) | As at 31.03.2016 | As at 31.12.2015 |
|---|---|---|
| **Retail segment** | **23 293 384** | **21 409 075** |
| ≤ 1M | 12 399 113 | 11 358 478 |
| > 1M ≤ 3M | 4 486 204 | 4 296 204 |
| > 3M ≤ 1Y | 5 383 176 | 5 122 282 |
| > 1Y ≤ 5Y | 1 014 909 | 622 687 |
| >5Y | 9 982 | 9 424 |
| **Corporate segment** | **12 508 857** | **12 254 467** |
| ≤ 1M | 8 024 833 | 7 719 393 |
| > 1M ≤ 3M | 1 311 085 | 1 342 632 |
| > 3M ≤ 1Y | 1 410 849 | 1 326 868 |
| > 1Y ≤ 5Y | 1 725 813 | 1 858 131 |
| >5Y | 36 277 | 7 443 |
| **Total amounts due to customers** | **35 802 241** | **33 663 542** |

(in PLN '000)

| 18.4 By currency | As at 31.03.2016 | As at 31.12.2015 |
|---|---|---|
| **Retail segment** | **23 293 384** | **21 409 075** |
| PLN | 20 107 471 | 18 622 111 |
| EUR | 1 523 210 | 1 356 917 |
| GBP | 306 553 | 236 508 |
| USD | 1 150 229 | 1 010 704 |
| CHF | 89 882 | 70 709 |
| Other currencies | 116 039 | 112 126 |
| **Corporate segment** | **12 508 857** | **12 254 467** |
| PLN | 10 945 090 | 10 958 835 |
| EUR | 1 181 865 | 966 035 |
| GBP | 53 048 | 42 636 |
| USD | 294 630 | 255 253 |
| CHF | 11 018 | 8 159 |
| Other currencies | 23 206 | 23 549 |
| **Total amounts due to customers** | **35 802 241** | **33 663 542** |

| 18.5.1 Ten largest depositors (excluding banks) | Currency | As at 31.03.2016 |
|---|---|---|
| Company 1 | PLN | 250 217 |
| Company 2 | PLN,EUR,USD | 214 070 |
| Company 3 | PLN,EUR,USD | 189 903 |
| Company 4 | PLN,EUR,USD | 173 891 |
| Company 5 | EUR,PLN | 131 025 |
| Company 6 | PLN | 120 006 |
| Company 7 | PLN | 101 834 |
| Company 8 | PLN | 100 038 |
| Company 9 | PLN | 73 340 |
| Company 10 | PLN | 71 201 |

| 18.5.2 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 first quarter of 2016, the Group issued banking securities amounting to PLN 114,764 thousand; securities purchased before maturity amounted to PLN 54,462 thousand.

(in PLN '000)

# 19. Amounts due to banks

| 19.1 By type | As at 31.03.2016 | As at 31.12.2015 |
|---|---|---|
| Current deposits | 11 011 | 11 012 |
| Overnights | 0 | 30 701 |
| Term deposits | 0 | 197 826 |
| Banking securities issued | 32 916 | 32 666 |
| Credit received | 1 199 | 0 |
| Other liabilities | 205 289 | 203 262 |
| Repo | 153 805 | 575 561 |
| **Total amounts due to banks** | **404 220** | **1 051 028** |

| 19.2 By maturity (as at the balance sheet date) | As at 31.03.2016 | As at 31.12.2015 |
|---|---|---|
| ≤ 1M | 384 059 | 918 074 |
| > 1M ≤ 3M | 0 | 100 288 |
| > 1Y ≤ 5Y | 20 161 | 32 666 |
| **Total amounts due to banks** | **404 220** | **1 051 028** |

| 19.3 By currency | As at 31.03.2016 | As at 31.12.2015 |
|---|---|---|
| PLN | 317 122 | 830 987 |
| EUR | 69 880 | 31 401 |
| USD | 17 218 | 178 225 |
| GBP | 0 | 10 415 |
| **Total amounts due to banks** | **404 220** | **1 051 028** |

# 20. Provisions

| | Provisions for disputed claims | Provisions for retirement and pension benefits | Provisions for off-balance sheet liabilities | Total provisions |
|---|---|---|---|---|
| As at 1 January 2016 | 3 219 | 2 082 | 5 512 | 10 813 |
| Provisions recorded | 171 | 0 | 7 293 | 7 464 |
| Provisions released | -17 | 0 | -2 450 | -2 467 |
| Provisions utilized | 0 | -18 | 0 | -18 |
| Other changes | 0 | -782 | 0 | -782 |
| **As at 31 March 2016** | **3 373** | **1 282** | **10 355** | **15 010** |

| | Provisions for disputed claims | Provisions for retirement and pension benefits | Provisions for off-balance sheet liabilities | Total provisions |
|---|---|---|---|---|
| As at 1 January 2015 | 2 513 | 824 | 4 974 | 8 311 |
| Changes due to the acquisition of a subsidiary | 27 | 54 | 0 | 81 |
| Provisions recorded | 925 | 7 | 2 194 | 3 126 |
| Provisions released | 0 | 0 | -1 506 | -1 506 |
| Provisions utilized | -487 | 0 | 0 | -487 |
| **As at 31 March 2015** | **2 978** | **885** | **5 662** | **9 525** |

(in PLN '000)

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 31.03.2016 | As at 31.12.2015 |
|---|---|---|
| Interbank settlements | 342 725 | 183 574 |
| Taxation, customs duty, social and health insurance payables and other public settlements | 29 170 | 25 962 |
| Liabilities in respect of payment card settlements | 9 752 | 4 986 |
| Other settlements | 145 020 | 94 953 |
| including settlements with insurers | 57 620 | 66 941 |
| Settlements of banking certificates of deposits | 106 833 | 680 |
| Accruals | 65 441 | 54 421 |
| Income received in advance | 60 636 | 50 356 |
| Provision for bancassurance resignations | 97 343 | 94 045 |
| Provision for employee benefits | 34 285 | 24 187 |
| Other liabilities | 3 384 | 2 110 |
| **Total other liabilities** | **894 589** | **535 274** |
| including financial liabilities | 497 497 | 283 513 |

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 31 March 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 31 March 2016a 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).

(in PLN '000)

| 22.1 Derivative instruments (nominal value) | As at 31.03.2016 | As at 31.12.2015 |
|---|---|---|
| Interest rate transactions | 20 038 529 | 20 013 372 |
| SWAP | 18 266 032 | 17 249 149 |
| FRA | 0 | 1 000 000 |
| Cap Floor Options | 1 772 497 | 1 764 223 |
| Foreign exchange transactions | 7 355 073 | 6 922 921 |
| FX swap | 1 925 410 | 1 535 293 |
| FX forward | 1 879 342 | 1 881 094 |
| CIRS | 2 458 059 | 2 639 757 |
| FX options | 1 092 262 | 866 777 |
| Other options | 4 578 009 | 4 312 272 |
| Other instruments | 452 623 | 618 590 |
| **Derivative financial instruments (nominal value)** | **32 424 234** | **31 867 155** |

| 22.2 Financial assets held for trading | As at 31.03.2016 | As at 31.12.2015 |
|---|---|---|
| Shares | 3 935 | 1 335 |
| Bonds | 271 | 311 |
| Certificates | 1 573 | 1 610 |
| Interest rate transactions | 209 226 | 198 578 |
| SWAP | 204 517 | 193 522 |
| Cap Floor Options | 4 709 | 5 056 |
| Foreign exchange transactions | 103 130 | 132 012 |
| FX swap | 25 409 | 14 713 |
| FX forward | 39 605 | 49 768 |
| CIRS | 29 013 | 58 407 |
| FX options | 9 103 | 9 124 |
| Other options | 24 738 | 34 555 |
| Other instruments | 16 925 | 22 168 |
| **Financial assets held for trading** | **359 798** | **390 569** |

| 22.3 By maturity | As at 31.03.2016 | As at 31.12.2015 |
|---|---|---|
| Without specified maturity date | 5 509 | 2 953 |
| ≤ 1W | 9 578 | 4 266 |
| > 1W ≤ 1M | 28 521 | 35 643 |
| > 1M ≤ 3M | 42 550 | 24 146 |
| > 3M ≤ 6M | 26 023 | 38 524 |
| > 6M ≤ 1Y | 20 572 | 46 351 |
| > 1Y ≤ 2Y | 48 777 | 67 000 |
| > 2Y ≤ 5Y | 130 764 | 131 639 |
| > 5Y ≤ 10Y | 47 504 | 40 047 |
| **Financial assets held for trading** | **359 798** | **390 569** |

(in PLN '000)

| 22.4 Financial liabilities held for trading | As at 31.03.2016 | As at 31.12.2015 |
|---|---|---|
| Interest rate transactions | 203 186 | 194 355 |
| SWAP | 198 465 | 188 999 |
| FRA | 0 | 289 |
| Cap Floor Options | 4 721 | 5 067 |
| Foreign exchange transactions | 95 568 | 61 849 |
| FX swap | 18 124 | 1 917 |
| FX forward | 17 069 | 7 747 |
| CIRS | 51 248 | 43 058 |
| FX options | 9 127 | 9 127 |
| Other options | 24 738 | 34 555 |
| Other instruments | 15 494 | 19 421 |
| **Financial liabilities held for trading** | **338 986** | **310 180** |

| 22.5 By maturity | As at 31.03.2016 | As at 31.12.2015 |
|---|---|---|
| ≤ 1W | 8 273 | 1 828 |
| > 1W ≤ 1M | 18 498 | 9 134 |
| > 1M ≤ 3M | 56 453 | 17 125 |
| > 3M ≤ 6M | 32 976 | 54 686 |
| > 6M ≤ 1Y | 19 614 | 31 535 |
| > 1Y ≤ 2Y | 53 758 | 47 421 |
| > 2Y ≤ 5Y | 107 661 | 120 159 |
| > 5Y ≤ 10Y | 41 753 | 28 292 |
| **Financial liabilities held for trading** | **338 986** | **310 180** |

The schedule below shows the hierarchy of measurement methods of financial instruments held for trading measured at fair value as at 31 March 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,

(in PLN '000)

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 31 March 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 3.9 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 31 March 2016, there were no movements of financial instruments between the fair value hierarchy levels.

| 22.6 Valuation of financial assets | As at 31.03.2016 | As at 31.12.2015 |
|---|---|---|
| **Level 1** | **14 232** | **13 061** |
| Shares | 3 935 | 1 335 |
| Bonds | 271 | 311 |
| Certificates | 1 573 | 1 610 |
| Other instruments | 8 453 | 9 805 |
| **Level 2** | **320 828** | **342 953** |
| SWAP | 204 517 | 193 522 |
| Cap Floor Options | 4 709 | 5 056 |
| FX swap | 25 409 | 14 713 |
| FX forward | 39 605 | 49 768 |
| CIRS | 29 013 | 58 407 |
| FX options | 9 103 | 9 124 |
| Other instruments | 8 472 | 12 363 |
| **Level 3** | **24 738** | **34 555** |
| Other options | 24 738 | 34 555 |
| **Total financial assets** | **359 798** | **390 569** |

| 22.7 Movements on financial assets classified to level 3 | As at 31.03.2016 | As at 31.03.2015 |
|---|---|---|
| **Opening balance** | 34 555 | 81 198 |
| **Increases, including** | **54 127** | **79 844** |
| Valuation of derivatives | 50 356 | 66 897 |
| Derivatives transactions | 3 771 | 12 947 |
| **Decreases, including** | **-63 944** | **-55 127** |
| Valuation of derivatives | -62 212 | -46 932 |
| Settlement/redemption | -1 732 | -8 195 |
| **Financial assets classified to level 3 at the end of the period** | **24 738** | **105 915** |

| 22.8 Valuation of financial liabilities | As at 31.03.2016 | As at 31.12.2015 |
|---|---|---|
| **Level 1** | 10 947 | 15 716 |
| Other instruments | 10 947 | 15 716 |
| **Level 2** | 303 303 | 259 909 |
| SWAP | 198 465 | 188 999 |
| FRA | 0 | 289 |
| Cap Floor Options | 4 721 | 5 067 |
| FX swap | 18 124 | 1 917 |

(in PLN '000)

| | | |
|---|---|---|
| FX forward | 17 069 | 7 747 |
| CIRS | 51 248 | 43 058 |
| FX options | 9 127 | 9 127 |
| Other instruments | 4 547 | 3 705 |
| **Level 3** | 24 738 | 34 555 |
| Other options | 24 738 | 34 555 |
| **Total financial liabilities** | **338 986** | **310 180** |

| 22.9 Movements on financial liabilities classified to level 3 | As at 31.03.2016 | As at 31.03.2015 |
|---|---|---|
| **Opening balance** | 34 555 | 81 198 |
| **Increases, including** | **53 935** | **79 839** |
| Valuation of derivatives | 50 164 | 66 892 |
| Derivatives transactions | 3 771 | 12 947 |
| **Decreases, including** | **-63 752** | **-55 122** |
| Valuation of derivatives | -62 020 | -46 927 |
| Settlement/redemption | -1 732 | -8 195 |
| **Financial liabilities classified to level 3 at the end of the period** | **24 738** | **105 915** |

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.

| 23.1 Hedging instruments (nominal value) | As at 31.03.2016 | As at 31.12.2015 |
|---|---|---|
| Interest rate transactions | 11 695 000 | 10 795 000 |
| SWAP | 11 695 000 | 10 795 000 |
| **Hedging instruments (nominal value)** | **11 695 000** | **10 795 000** |

| 23.2 Financial assets held for trading-hedging instruments | As at 31.03.2016 | As at 31.12.2015 |
|---|---|---|
| Level 2 | 161 441 | 139 578 |
| Interest rate transactions | 161 441 | 139 578 |
| SWAP | 161 441 | 139 578 |
| **Financial assets held for trading-hedging instruments** | **161 441** | **139 578** |

| 23.3 By maturity | As at 31.03.2016 | As at 31.12.2015 |
|---|---|---|
| > 1W ≤ 1M | 15 074 | 0 |

(in PLN '000)

| | | |
|---|---|---|
| > 1M ≤ 3M | 71 060 | 2 608 |
| > 3M ≤ 6M | 7 344 | 62 334 |
| > 6M ≤ 1Y | 2 848 | 3 262 |
| > 1Y ≤ 2Y | 46 935 | 47 062 |
| > 2Y ≤ 5Y | 18 180 | 24 312 |
| **Financial assets held for trading-hedging instruments** | **161 441** | **139 578** |

| 23.4 Financial liabilities held for trading-hedging instruments | As at 31.03.2016 | As at 31.12.2015 |
|---|---|---|
| Level 2 | 507 | 0 |
| Interest rate transactions | 507 | 0 |
| SWAP | 507 | 0 |
| **Financial liabilities held for trading-hedging instruments** | **507** | **0** |

| 23.5 By maturity | As at 31.03.2016 | As at 31.12.2015 |
|---|---|---|
| > 1Y ≤ 2Y | 411 | 0 |
| > 2Y ≤ 5Y | 96 | 0 |
| **Financial liabilities held for trading-hedging instruments** | **507** | **0** |

### 23.6 Nominal value of hedging instruments by maturity

| Instrument type | Nominal value as at 31 March 2016 | | | | | |
|---|---|---|---|---|---|---|
| | within 1 month | from 1 to 3 months | from 3 months to 1 year | from 1 to 5 years | more than 5 years | Total |
| IRS PLN FIXED - FLOAT | 1 250 000 | 4 000 000 | 1 810 000 | 4 635 000 | 0 | 11 695 000 |

## 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 31 March 2016 and 31 December 2015 , the carrying amount of the loan amounted to PLN 42,866 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 31 March 2016, 31 December 2015 amounted to PLN 321,957 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 31 March 2016 and 31 December 2015 amounted to PLN 192,977 thousand and PLN 195,555 thousand, respectively.

(in PLN '000)

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 31 March 2016 and 31 December 2015 amounted to PLN 186,429 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 31 March 2016 and 31 December 2015 amounted to PLN 68,914 thousand and PLN 67,616 thousand, respectively.
- bonds with the 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 31 March 2016 and 31 December 2015 amounted to PLN 81,513 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 31 March 2016 was PLN 43,084 thousand.

| | As at 31.03.2016 | As at 31.12.2015 |
|---|---|---|
| **Liabilities included in own funds** | **894 655** | **896 298** |
| Subordinated loan | 42 866 | 42 818 |
| F-series bonds | 321 957 | 325 924 |
| G-series bonds | 192 977 | 195 555 |
| I-series bonds | 152 519 | 150 592 |
| I1-series bonds | 33 910 | 33 482 |
| Meritum Bank bonds | 150 426 | 147 927 |
| **Liabilities not included in own funds** | **43 084** | **0** |
| EUR001-series bonds | 43 084 | 0 |
| **Subordinated liabilities** | **937 739** | **896 298** |

# 25. Equity

| **25.1 Equity** | As at 31.03.2016 | As at 31.12.2015 |
|---|---|---|
| **Equity (attributable to equity holders of the parent company)** | 3 600 477 | 3 512 859 |
| Share capital | 727 075 | 727 075 |
| Supplementary capital | 2 591 258 | 2 279 843 |
| Other reserves | 184 735 | 184 735 |
| Retained earnings / (accumulated losses) | -5 424 | -3 657 |

(in PLN '000)

| | | |
|---|---|---|
| Revaluation reserve | 22 606 | 15 215 |
| On measurement of available-for-sale financial assets | 2 263 | -6 824 |
| On measurement of hedging derivatives | 20 343 | 22 039 |
| Profit/(loss) for the year | 80 227 | 309 648 |
| Non-controlling interests | 1 115 | 1 240 |
| **Total equity** | **3 601 592** | **3 514 099** |

| 25.2 Revaluation reserve | As at 31.03.2016 | As at 31.12.2015 |
|---|---|---|
| Valuation of available-for-sale financial assets | 2 263 | -6 824 |
| treasury bonds | 3 169 | -8 102 |
| other bonds | -376 | -323 |
| deferred tax | -530 | 1 601 |
| Valuation of hedging derivatives | 20 343 | 22 039 |
| IRS | 25 116 | 27 209 |
| deferred tax | -4 773 | -5 170 |
| **Revaluation reserve** | **22 606** | **15 215** |

# 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.

(in PLN '000)

**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 31 March 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 31 March 2016 amounted to PLN - 1,336 thousand. The total amount of BCVA adjustment comprises the CVA adjustment (reflecting counterparty insolvency risk only) in the amount of PLN -1,617 thousand, and the DVA adjustment (reflecting the risk of the Bank's insolvency) in the amount of PLN +281 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 31.03.2016 | | As at 31.12.2015 | |
|---|---|---|---|---|---|
| | | Carrying amount | Fair value | Carrying amount | Fair value |
| Cash and balances with the Central Bank | level 1 | 665 782 | 665 782 | 1 750 135 | 1 750 135 |
| Loans and advances to customers | level 3 | 32 738 033 | 31 732 685 | 30 907 057 | 30 324 264 |
| **Retail segment (carrying amount)** | | | | | |
| Working capital facility | | 179 957 | 179 957 | 167 635 | 167 635 |
| Consumer loans | | 9 114 806 | 8 799 342 | 8 699 017 | 8 538 699 |
| Consumer finance loans | | 865 107 | 871 777 | 748 948 | 755 044 |
| Loans for purchase of securities | | 120 121 | 117 432 | 119 069 | 119 069 |
| Credit card borrowings loans | | 217 315 | 217 303 | 225 629 | 225 349 |
| Loans for residential real estate | | 7 115 750 | 6 663 847 | 6 717 911 | 6 317 227 |

(in PLN '000)

| | | | | | |
|---|---|---|---|---|---|
| Other mortgage loans | | 899 814 | 855 197 | 896 008 | 845 181 |
| Other receivables | | 31 036 | 31 036 | 21 097 | 21 086 |
| **Corporate segment (carrying amount)** | | | | | |
| Working capital facility | | 7 744 215 | 7 697 481 | 7 308 603 | 7 306 525 |
| Car loans | | 59 637 | 59 635 | 70 394 | 70 390 |
| Investment loans | | 5 690 353 | 5 539 757 | 5 481 578 | 5 506 929 |
| Acquired receivables | | 438 639 | 438 639 | 376 403 | 376 403 |
| Lease receivables | | 135 324 | 135 324 | 52 330 | 52 330 |
| Other receivables | | 125 959 | 125 958 | 22 435 | 22 397 |
| Amounts due from banks | level 3 | 523 603 | 523 603 | 645 329 | 645 329 |
| Assets held for sale | level 3 | 682 | 682 | 888 | 888 |
| Assets pledged as collateral | level 2 | 226 125 | 226 125 | 628 332 | 628 332 |
| Other assets | level 3 | 413 926 | 413 926 | 396 547 | 396 547 |
| Amounts due | | 36 206 461 | 36 217 851 | 34 714 570 | 34 724 181 |
| Due to banks | level 2 | | | | |
| Current deposits | | 11 011 | 11 011 | 11 012 | 11 012 |
| Overnight deposits (O/N) | | - | - | 30 701 | 30 701 |
| Term deposits | | - | - | 197 826 | 197 826 |
| Own issue of bank securities | | 32 916 | 33 241 | 32 666 | 33 008 |
| Other liabilities | | 206 488 | 206 488 | 203 262 | 203 262 |
| Repo | | 153 805 | 153 805 | 575 561 | 575 561 |
| Due to customers | level 3 | | | | |
| Current deposits | | 12 688 997 | 12 688 997 | 12 476 267 | 12 476 267 |
| Term deposits | | 20 387 002 | 20 387 002 | 18 535 716 | 18 535 716 |
| Own issue of bank securities | | 2 348 731 | 2 359 796 | 2 259 230 | 2 268 499 |
| Other liabilities | | 377 511 | 377 511 | 392 329 | 392 329 |
| Subordinated liabilities | | 937 739 | 937 739 | 896 298 | 896 298 |
| Other liabilities | level 3 | 894 589 | 894 589 | 535 274 | 535 274 |
| Financial guarantees | level 3 | 5 809 | 5 809 | 2 245 | 2 245 |

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 amortised 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 31.03.2016 | Measurement method (techniques) | Material unobservable input data |
|---|---|---|---|
| Amounts due from customers | 31 732 685 | comparative valuation | margins on newly extended loans |
| Financial liabilities measured at amortized cost | 36 217 851 | discounted cash flows | issue spread above market curve |
| Guarantees | 5 809 | 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<br>CIRS transactions: NBP fixing rates, yield curves based on money market deposit rates and quotations of: FRA, OIS, IRS transactions; FX basis swap points<br>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 |

(in PLN '000)

# 27. Capital adequacy ratio and Tier 1 ratio

As at 31 March 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 above opinion, in order to calculate the consolidated capital adequacy ratio under Art. 26 (2) of the CRR.

| | 1.01.2016-31.03.2016 |
|---|---|
| Interest income | 663 312 |
| Interest expense | -250 741 |
| **Net interest income** | **412 571** |
| **Dividend income** | 0 |
| Fee and commission income | 138 305 |
| Fee and commission expense | -50 684 |
| **Net fee and commission income** | **87 621** |
| **Trading result** | **58 320** |
| **Net result on other financial instruments** | **10 610** |
| Other operating income | 13 849 |
| Other operating costs | -4 596 |
| **Net other operating income** | **9 253** |
| **General administrative expenses** | **-275 670** |
| **Banking tax** | **-175 745** |
| **Net impairment allowance and write-downs** | **-20 673** |
| **Gross profit** | **106 287** |
| Income tax | -26 083 |
| **Net profit from continuing operations** | **80 204** |

| Calculation of funds and capital adequacy ratio | As at 31.03.2016 | As at 31.12.2015 |
|---|---|---|
| **Total own funds for the capital adequacy ratio** | **4 017 326** | **3 853 305** |
| Common equity Tier I capital | **3 141 995** | **2 975 899** |
| Tier II capital | **875 331** | **877 406** |
| **Capital requirements** | **2 378 091** | **2 457 567** |
| Capital requirements for the following risks: credit, counterparty, credit valuation adjustment, dilution and delivery of instruments to be settled at a later date | 2 082 193 | 2 214 189 |
| Total capital requirements for the following risks: equity instrument price risk, debt instrument price risk, commodity prices and FX risk | 2 822 | 2 520 |
| Capital requirement for general interest rate risks | 38 861 | 32 637 |

(in PLN '000)

| | | |
|---|---|---|
| Capital requirements for operating risk | 254 215 | 208 221 |
| **Tier 1** | **10.57%** | **9.69%** |
| **Capital adequacy ratio** | **13.51%** | **12.54%** |

As at 31 March 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

| 28.1 Off-balance sheet contingent liabilities granted to customers | As at 31.03.2016 | As at 31.12.2015 |
|---|---|---|
| Off-balance sheet liabilities granted | 9 177 089 | 8 941 675 |
| Relating to financing | 7 699 745 | 7 371 753 |
| Guarantees | 1 477 344 | 1 569 922 |
| Performance guarantees | 385 787 | 389 028 |
| Financial guarantees | 1 091 557 | 1 180 894 |

| 28.2 By maturity - guarantee | As at 31.03.2016 | As at 31.12.2015 |
|---|---|---|
| ≤ 1W | 3 720 | 3 161 |
| > 1W ≤ 1M | 77 083 | 12 805 |
| > 1M ≤ 3M | 145 441 | 246 545 |
| > 3M ≤ 6M | 150 049 | 162 675 |
| > 6M ≤ 1Y | 221 159 | 249 422 |
| > 1Y ≤ 2Y | 215 089 | 241 726 |
| > 2Y ≤ 5Y | 278 684 | 275 080 |
| > 5Y ≤ 10Y | 379 141 | 377 746 |
| > 10Y ≤ 20Y | 6 978 | 762 |
| **Off-balance sheet liabilities granted in respect of guarantees** | **1 477 344** | **1 569 922** |

| 28.3 By maturity - financial | As at 31.03.2016 | As at 31.12.2015 |
|---|---|---|
| ≤ 1W | 2 143 452 | 2 266 042 |
| > 1W ≤ 1M | 23 520 | 12 145 |
| > 1M ≤ 3M | 122 198 | 307 386 |
| > 3M ≤ 6M | 359 116 | 184 031 |
| > 6M ≤ 1Y | 639 579 | 524 558 |
| > 1Y ≤ 2Y | 1 183 660 | 1 090 516 |
| > 2Y ≤ 5Y | 1 798 462 | 1 963 511 |
| > 5Y ≤ 10Y | 584 744 | 419 842 |
| > 10Y ≤ 20Y | 661 624 | 410 826 |
| > 20Y | 183 390 | 192 896 |
| **Off-balance sheet liabilities granted in respect of financing** | **7 699 745** | **7 371 753** |

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.

The increase in the balance of contingent liabilities in the 1st half of 2015 was due to the transfer of credit lines in connection with the acquisition of Meritum.

## 29. Acquisition of Spółdzielcza Kasa Oszczędnościowo - Kredytowa im. Stefana Kard. Wyszyńskiego

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. 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 50,501 thousand and disclosed in other assets

The acquired assets and liabilities are presented below:

| **Assets** | In PLN '000 |
|---|---|
| Amounts due from customers | 96 748 |
| Amounts due from banks (including the Central Credit Union [Kasa Krajowa]) | 11 086 |
| Other financial instruments measured at fair value through profit or loss | 3 787 |
| Other assets | 2 263 |
| **Total assets** | **113 884** |

| **Equity and liabilities** | In PLN '000 |
|---|---|

(in PLN '000)

| | |
|---|---|
| Amounts due to customers guaranteed by the BGF | 164 385 |
| Other liabilities | 2 695 |
| **Total equity and liabilities** | **167 080** |

| | |
|---|---|
| **Total net identifiable assets** | **-53 196** |
| Estimated subsidy | 50 501 |
| **Goodwill** | **2 695** |

# 30. Assets pledged as collateral

| Assets pledged as collateral | As at 31.03.2016 | As at 31.12.2015 |
|---|---|---|
| Treasury bonds blocked for REPO transactions | 153 827 | 576 534 |
| Registered pledge on Treasury bonds | 35 710 | 37 060 |
| Security deposit for Alior Trader transactions | 36 588 | 14 738 |
| **Total carrying amount** | **226 125** | **628 332** |

Zobowiązania odpowiadające tej kwocie zaprezentowano w nocie 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:

| | As at 31.03.2016 | As at 31.12.2015 |
|---|---|---|
| Treasury bonds blocked for the Bank Guarantee Fund | 179 617 | 159 570 |
| Security deposits for transactions on derivatives (ISDA) | 195 252 | 171 406 |
| **Carrying amount** | **374 869** | **330 976** |

# 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.

| The parent company and its subsidiaries | As at 31.03.2016 | As at 31.12.2015 |
|---|---|---|
| **Assets** | | |
| Loans and advances to customers | 27 | 41 |
| **Total assets** | **27** | **41** |
| **Liabilities and equity** | | |
| Amounts due to customers | 37 973 | 7 809 |
| Provisions | 4 | 0 |
| **Total liabilities and equity** | **37 977** | **7 809** |

As at 31.03.2016 on the amount due to customers was related to deposits placed with the Bank by the companies of the PZU Group.

(in PLN '000)

| Related entities | As at 31.03.2016 | As at 31.12.2015 |
|---|---|---|
| **Assets** | | |
| Loans and advances to customers | 28 | 193 |
| **Total assets** | **28** | **193** |
| **Liabilities and equity** | | |
| Amounts due to customers | 6 942 | 90 326 |
| Other liabilities | 0 | 60 |
| **Total liabilities and equity** | **6 942** | **90 386** |

| The parent company and its subsidiaries | As at 31.03.2016 | As at 31.12.2015 |
|---|---|---|
| **Off-balance sheet liabilities granted to customers** | **25 224** | **0** |
| in respect of financing | 224 | 0 |
| guarantee | 25 000 | 0 |

| Related entities | As at 31.03.2016 | As at 31.12.2015 |
|---|---|---|
| **Off-balance sheet liabilities granted to customers** | **9** | **9 191** |
| in respect of financing | 9 | 7 507 |
| guarantee | 0 | 1 684 |

| The parent company and its subsidiaries | 1.01.2016-31.03.2016 | 1.01.2015-31.03.2015 |
|---|---|---|
| Interest expenses | -154 | 0 |
| Fee and commission income | 7 | 0 |
| **Total** | **-147** | 0 |

| Related entities | 1.01.2016-31.03.2016 | 1.01.2015-31.03.2015 |
|---|---|---|
| Interest expenses | -52 | -403 |
| Fee and commission income | 0 | 19 |
| Other operating income | 0 | 20 |
| General administrative expenses | 0 | -13 519 |
| **Total** | **-52** | **-13 868** |

In the first 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 31.03.2016 | As at 31.12.2015 |
|---|---|---|
| **Assets** | | |
| Loans and advances to customers | 0 | 5 688 |
| **Total assets** | **0** | **5 688** |
| | | |
| **Liabilities and equity** | | |

| | | |
|---|---|---|
| Amounts due to customers | 2 | 19 762 |
| Provisions | 0 | 1 |
| **Total liabilities and equity** | **2** | **19 763** |

| Supervisory Board | As at 31.03.2016 | As at 31.12.2015 |
|---|---|---|
| **Off-balance sheet liabilities granted to customers** | **0** | **944** |
| in respect of financing | 0 | 944 |

| Management Board | As at 31.03.2016 | As at 31.12.2015 |
|---|---|---|
| **Assets** | | |
| Loans and advances to customers | 7 415 | 7 542 |
| **Total assets** | **7 415** | **7 542** |
| | | |
| **Liabilities and equity** | | |
| Amounts due to customers | 6 012 | 16 755 |
| Provisions | 0 | 1 |
| **Total liabilities and equity** | **6 012** | **16 756** |

| Management Board | Stan 31.03.2016 | Stan 31.12.2015 |
|---|---|---|
| **Off-balance sheet liabilities granted to customers** | **114** | **595** |
| in respect of financing | 114 | 595 |

| Information on the total amount of remuneration paid or payable to the Supervisory Board and Management Board members | 1.01.2016-31.03.2016 | 1.01.2015-31.03.2015 |
|---|---|---|
| **The Bank's Management Board** | | |
| short-term employee benefits | 3 212 | 2 157 |
| **The Supervisory Board** | | |
| short-term employee benefits | 661 | 255 |

# 33. Sale of receivables

In the analized period the Bank does not perform the sale of receivables.

# 34. Incentive schemes

**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 Warrants were allocated as follows:

- Wojciech Sobieraj – 666 257 warrants;
- Niels Lundorff – 366 437 warrants;
- Krzysztof Czuba – 266 500 warrants;

(in PLN '000)

- Artur Maliszewski – 266 500 warrants;
- Katarzyna Sułkowska – 266 500 warrants;
- Witold Skrok – 266 500 warrants.

Detailed data related to the warrants ultimately awarded to the Management Board Members is presented in the following table:

| Name | Number of A-series warrants awarded as at 31.03.2016 | Number of B-series warrants awarded as at 31.03.2016 | Number of C-series warrants awarded as at 31.03.2016 |
|---|---|---|---|
| **Sobieraj Wojciech** | 222,086 | 222,086 | 222,086 |
| **Bartler Małgorzata** | | 27,656 | 13,748 |
| **Czuba Krzysztof** | 88,833 | 88,833 | 88,833 |
| **Krzyżanowska Joanna** | - | - | 30,440 |
| **Skrok Witold** | 71 067 | 88,833 | 88,833 |
| **Smalska Barbara** | - | - | 30,440 |
| **Sułkowska Katarzyna** | 88,833 | 88,833 | 88,833 |
| **Total** | **470,819** | **516,241** | **563,213** |

The incentive scheme is also addressed to a group of key managers of the Bank who are not Management Board members.

The principles of execution of the incentive scheme have been determined in the Incentive Scheme Rules and Regulations adopted by resolution of the Supervisory Board of Alior Bank S.A.

Under the new incentive scheme, it is 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 will be issued, including:

- up to 1 110 417 A series subscription warrants, which shall entitle their 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, which shall entitle their 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, which shall entitle their 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 eligible persons will be able to take up subscription warrants on the condition that the change in the price of the Bank's shares at the WSE in the reference period (calculated as the difference between the final price of the offered shares and the average closing price from 30 trading session days preceding the first (for A series subscription warrants), second (for B series subscription warrants) or third (for C series subscription warrants) anniversary of the first quotation of the Bank's shares on the WSE) exceeds the change in the WIG-Banki index in the same period (calculated as the difference between the WIG-Banki index as at the day of the first quotation of the Bank's shares at the WSE and the average closing value of the WIG-Banki index from 30 trading session days preceding the day of the first, second or third anniversary of the first quotation of the Bank's shares on the WSE (as appropriate)).

The issue price of the shares shall amount to the average price of the Bank's shares in the Public Offering calculated by dividing the net proceeds from the Public Offering by the total number of offered shares allocated in the Public Offering, increased by 10% (in the case of D series Shares), 15% (in the case of E series shares) or 17.5% (in the case of F series shares).

The new management option plan will affect the Bank's financial result as a component of employee costs and will be recognized, in the same amount, as an increase in equity under other capital – share-based payment – equity component. As at the date of its implementation, the plan's value was PLN 24 692 thousand. The plan's value has been determined based on the fair value model. The fair value of share warrants has been determined based on the simulation model of the share prices and the value of the WIG-Banki index. It is assumed that both the share prices and index prices change over time in accordance with the Geometric Brownian Motion process, assuming: long-term volatility of the Bank's share prices, long-term volatility of the value of WIG-Banki index, the correlation between the share price and the value of the index during the simulation period, the dividend rate of the shares, and the risk-free rate. The estimates of volatility and correlation were based on historical data and comparable data (in the absence of historical data). The model takes into account the right to exercise the series A, B and C warrants for a period of five years from the first, second and third year from the date of issue, respectively.
The Supervisory Board and the Management Board of the Bank passed resolutions awarding:

- 975,754 A series warrants
- 1,053,018 B series warrants
- 950,501 C series warrants

With respect to persons holding managerial position at the Bank within the meaning of the Policy of Variable Remuneration Components, each block of Warrants is offered and issued in four tranches (the first tranche of the Subscription Warrants of 49.9% and the other three tranches of 16.7% of the number of warrants granted for the period), subject to the terms and conditions of the Policy of Variable Remuneration Components in Alior Bank S.A.
In connection with the planned issue of shares with pre-emptive rights, the Supervisory Board of Alior Bank introduced a technical adjustment to the Plan aimed at ensuring that the plan is economically neutral for the Eligible Persons. The adjustment will consist of calculating the reduction in the theoretical value of the plan and issuing an appropriate number of phantom shares with parameters similar to the warrant parameters to the plan participants. The number of phantom shares and their execution price will be calculated after the registration of the Bank's share capital increase.

As at the date of publication of this report, the Bank's Management Board completed the procedures for increasing the Bank's share capital by five issues of new D series ordinary bearer shares with a total par value of PLN 4 107 040, representing 12.32% of all exercisable rights vested in the participants of the Subscription Warrant Scheme. The new issues constitute 0.56% of the currently issued shares. Representations on exercising the rights vested in them by the Bank in respect of A Series Subscription Warrants and taking up a total of 410,704 D Series ordinary bearer shares with a par value of PLN 10.00 each, with a total par value of PLN 4 107 040, at an issue price of PLN 61.84 per one D Series share, were submitted on 29 August 2014, 28 November 2014, 27 February 2015, 29 May 2015, 24 August 2015 and 28 August 2015. On 15 October 2014, 5 February 2015, 7 May 2015, 7 September 2015 and 2 November 2015, the District Court in Warsaw, the 13th Business Department of the National Court Register, registered the share capital increase through the issue of D series ordinary shares and the amendments to the Bank's Articles of Association.

**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.

# 35. Disputed claims

The value of proceedings relating to liabilities or receivables of the Bank in progress in the first 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 quarter of 2016, and none of the proceedings jointly, could threaten the Bank's financial liquidity.

In the cases concerning business customers, the number of enforcement titles issued by the Bank and motions for issuing the enforcement clauses in the first quarter of 2016 was 74 (including enforcement titles issued by the acquired Meritum Bank ICB S.A.). They covered debt in the total amount of PLN 45 274 thousand. In the cases relating to retail customers, in the first quarter of 2016 the Bank issued 4 620 enforcement titles and motions for issuing the enforcement clauses for a total amount of PLN 36 271.13 thousand.

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

During the first quarter 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 first quarter of 2016 and at the end of 2015 is presented in the table below (amounts of discounted cash flows in PLN million).

| 2016-03-31 | 1D | 1M | 3M | 6M | 1Y | 2Y | 5Y | 5Y+ | TOTAL |
|---|---|---|---|---|---|---|---|---|---|
| **ASSETS** | **6 726** | **343** | **1 032** | **1 207** | **3 237** | **4 749** | **9 535** | **15 198** | **42 026** |
| Cash and Nostro accounts | 905 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 905 |
| Amounts due from banks | 60 | 18 | 0 | 0 | 0 | 207 | 0 | 0 | 284 |
| Loans and advances to customers | 5 589 | 325 | 991 | 1 055 | 2 320 | 3 263 | 6 701 | 12 531 | 32 775 |
| Securities | 172 | 0 | 41 | 151 | 916 | 1 279 | 2 834 | 803 | 6 198 |
| Other asstes | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 1 864 | 1 864 |
| **LIABILITIES AND EQUITY** | **-13 913** | **-7 997** | **-5 531** | **-4 984** | **-2 025** | **-1 993** | **-1 042** | **-4 540** | **-42 026** |
| Amounts due to banks | 603 | - 769 | 0 | 0 | 0 | - 206 | - 43 | 0 | - 414 |
| Amounts due to customers | -14 517 | -5 723 | -5 504 | -4 984 | -1 594 | -1 046 | - 40 | - 47 | -33 454 |

(in PLN '000)

| | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|
| Own issues | 0 | - 226 | - 27 | 0 | - 431 | - 742 | - 959 | - 891 | -3 277 |
| Equity | 0 | 0 | 0 | 0 | 0 | 0 | 0 | -3 602 | -3 602 |
| Other liabilities | 0 | -1 280 | 0 | 0 | 0 | 0 | 0 | 0 | -1 280 |
| **Balance-sheet gap** | **-7 187** | **-7 655** | **-4 500** | **-3 777** | **1 211** | **2 756** | **8 493** | **10 658** | **0** |
| **Accumulated balance-sheet gap** | **-7 187** | **-14 842** | **-19 341** | **-23 119** | **-21 907** | **-19 151** | **-10 658** | **0** | |
| Derivative instruments - inflows | 963 | 2 425 | 661 | 907 | 1 371 | 976 | 336 | 60 | 7 699 |
| Derivative instruments - outflows | - 962 | -2 414 | - 683 | - 910 | -1 377 | - 971 | - 334 | - 58 | -7 708 |
| **Derivative instruments - net** | **2** | **11** | **- 22** | **- 4** | **- 6** | **5** | **3** | **1** | **- 10** |
| Guarantee and financial lines | 8 903 | 2 | 15 | 49 | 108 | 87 | 11 | 3 | 9 177 |
| **Off-balance sheet gap** | **8 905** | **13** | **- 7** | **45** | **103** | **91** | **14** | **4** | **9 167** |
| **Total gap** | **1 718** | **-7 642** | **-4 506** | **-3 733** | **1 314** | **2 847** | **8 507** | **10 662** | **9 167** |
| **Total accumulated gap** | **1 718** | **-5 924** | **-10 430** | **-14 163** | **-12 849** | **-10 002** | **-1 495** | **9 167** | |

| 2015-12-31 | 1D | 1M | 3M | 6M | 1Y | 2Y | 5Y | 5Y+ | TOTAL |
|---|---|---|---|---|---|---|---|---|---|
| **ASSETS** | **7 249** | **519** | **937** | **1 314** | **2 893** | **4 449** | **8 469** | **14 174** | **40 003** |
| 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 |
| **LIABILITIES AND EQUITY** | **-13 938** | **-6 780** | **-5 391** | **-4 881** | **-1 876** | **-1 534** | **-1 224** | **-4 378** | **-40 003** |
| 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 |
| **Balance-sheet gap** | **-6 689** | **-6 262** | **-4 454** | **-3 567** | **1 017** | **2 915** | **7 244** | **9 795** | **0** |
| **Accumulated balance-sheet gap** | **-6 689** | **-12 951** | **-17 405** | **-20 972** | **-19 955** | **-17 040** | **-9 795** | **0** | |
| 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 |
| **Derivative instruments - net** | **0** | **27** | **10** | **- 15** | **2** | **22** | **3** | **1** | **50** |
| Guarantee and financial lines | 8 639 | 3 | 9 | 37 | 134 | 98 | 2 | 20 | 8 942 |
| **Off-balance sheet gap** | **8 639** | **30** | **19** | **22** | **136** | **120** | **5** | **21** | **8 991** |
| **Total gap** | **1 950** | **-6 232** | **-4 435** | **-3 545** | **1 153** | **3 035** | **7 249** | **9 817** | **8 991** |
| **Total accumulated gap** | **1 950** | **-4 283** | **-8 718** | **-12 263** | **-11 110** | **-8 075** | **- 826** | **8 991** | |

## Credit risk

| Receivables not overdue | As at 31.03.2016 | As at 31.12.2015 |
|---|---|---|
| **Amounts due, not impaired** | **27 899 056** | **26 170 881** |
| Retail segment | 16 472 771 | 15 558 620 |
| Business segment | 11 426 285 | 10 612 261 |
| **Amounts due, impaired** | **164 052** | **152 849** |
| Retail segment | 49 554 | 37 337 |
| Business segment | 114 498 | 115 512 |
| **Receivables not overdue** | **28 063 108** | **26 323 730** |

(in PLN '000)

**Overdue loans and advances to customers as at 31.03.2016**

| | 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 |
|---|---|---|---|---|---|---|
| **Amounts due, not impaired** | **2 793 932** | **453 861** | **172 704** | **109 861** | **3 710** | **3 534 068** |
| Retail segment | 1 041 609 | 302 124 | 41 907 | 21 478 | 3 060 | **1 410 177** |
| Business segment | 1 752 323 | 151 737 | 130 798 | 88 383 | 650 | **2 123 891** |
| **Amounts due, impaired** | **70 391** | **121 473** | **331 557** | **614 441** | **2 996** | **1 140 857** |
| Retail segment | 8 257 | 68 888 | 206 814 | 326 368 | 1 076 | **611 403** |
| Business segment | 62 134 | 52 584 | 124 742 | 288 073 | **1 920** | **529 454** |
| **Total amount due** | **2 864 323** | **575 334** | **504 261** | **724 302** | **6 705** | **4 674 925** |

**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 |
|---|---|---|---|---|---|---|
| **Amounts due, not impaired** | **2 807 250** | **412 737** | **137 026** | **100 720** | **3 372** | **3 461 105** |
| 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 |
| **Amounts due, impaired** | **145 409** | **121 262** | **329 481** | **523 603** | **2 467** | **1 122 222** |
| 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 |
| **Total amount due** | **2 952 659** | **533 999** | **466 507** | **624 323** | **5 839** | **4 583 327** |

# 39. Events significant to the business operations of the Bank's

**Information about the change of the strategic investor**

- On 30 May 2015 the Management Board of the Bank received a notification concerning the conclusion of a preliminary sale agreement for 18 318 473 of the Bank's shares, representing 25.26% of the Bank's share capital, by and between Alior Lux S.a.r.l. & Co. S.C.A. with its registered office in Luxembourg and Alior Polska Sp. z o.o. with its registered office in Warsaw on the one hand, and Powszechny Zakład Ubezpieczeń Spółka Akcyjna with its registered office in Warsaw on the other.

In accordance with the received notification, the shares would be purchased by PZU in three tranches, after the conditions specified in the agreement have been met:

1. in the first tranche, PZU will acquire 6 744 900 shares of the Bank held by Alior Lux and 500 000 shares held by Alior Polska;
2. in the second tranche, PZU will acquire 7 244 900 shares of the Bank held by Alior Lux;
3. in the third tranche, PZU will acquire 3 828 673 shares of the Bank held by Alior Lux.

Each tranche will be executed 70 days after execution of the preceding tranche. The Agreement was signed on the condition of obtaining the necessary consents from the Polish Financial Supervision Authority, the President of the Polish Antimonopoly Office (UOKiK) and the Antimonopoly Committee of Ukraine.

- On 5 August 2015 the President of the Polish Antimonopoly Office issued a decision granting concentration consent to Powszechny Zakład Ubezpieczeń Spółka Akcyjna and the Bank.

- On 2 September 2015 the Management Board of PZU SA learned that the Antimonopoly Committee of Ukraine ("AMCU") granted consent for the acquisition by PZU SA of the Bank's shares giving PZU SA the right to execute more than 25% votes in the Bank's top body.

- On 6 October 2015, the Management Board of PZU SA learned that the Polish Financial Supervision Authority stated that there was a lack of grounds to object to the contemplated acquisition by PZU SA of shares in Alior Bank S.A in a number sufficient to exceed 20% of the number of votes at the Bank's General Shareholders' Meeting.

- On 12 October 2015 the Management Board of the Bank received a notification under Art. 69 of the Public Offering Act concerning the purchase by PZU SA of the first tranche of the Bank's shares. In accordance with the notification, as a result of the transaction of 9 October 2015 (settled on 12 October 2015), PZU SA and its subsidiary PZU Życie SA jointly held 7 272 247 shares of the Bank representing 10.002% of the votes at the General Shareholders' Meeting.

- On 18 December and 21 December 2015, the Management Board received notifications pursuant to Art. 69 of the Public Offering Act on the change in shares of PZU and Alior Lux in the total number of votes at the General Shareholders' Meeting. In accordance with the notifications, as a result of the transaction of 17 December 2015 (settled on 18 December 2015), PZU and its subsidiary PZU Życie SA jointly held 14 517 147 shares in the Bank representing 19.97% of the votes at the General Shareholders' Meeting. After the said transaction, Alior Lux holds 3 828 673 shares of the Bank representing 5.27% of the votes at the General Shareholders' Meeting.

- On 11 March and 14 March 2016 the Management Board received notifications pursuant to Art. 69 of the Public Offering Act on the change in the shares of PZU SA and Alior Lux S.à.r.l. & Co S.C.A. in the total number of votes at the General Shareholders' Meeting & Co. In accordance with the notifications received, as a result of the transaction of 9 March 2016 (settled on 11 March 2016) PZU S.A. and its subsidiary PZU Życie SA jointly held 18 345 820 shares of the Bank representing 25.232% of the votes at the General Shareholders' Meeting. As a result of disposal, Alior Lux S.à.r.l. & Co. S.C.A. does not hold any shares of the Bank.

- On 29 March 2016 Alior Bank received a notification from PZU concerning a written agreement concluded on 29 March 2016 in accordance with which unanimity was required in voting on all resolutions on the agenda of the Annual General Shareholders' Meeting held on 30 March 2016 and in considering motions placed on the agenda during the Annual General Shareholders' Meeting of 30 March 2016. The said agreement was concluded by and between PZU, PZU Życie, PZU Specjalistyczny Fundusz Inwestycyjny Otwarty Universum and PZU Fundusz Inwestycyjny Zamknięty Aktywów Niepublicznych BIS 2. Upon concluding the agreement, the parties to the agreement jointly held 21 247 464 shares (of which PZU held 18 318 473 shares, PZU Życie held 27 347 shares, PZU Specjalistyczny Fundusz Inwestycyjny Otwarty Universum held 1 644 shares, and PZU Fundusz Inwestycyjny Zamknięty Aktywów Niepublicznych BIS 2 held 2 900 000 shares) representing 29.22% of the Bank's share capital and carrying 21 247 464 votes at the Annual General Shareholders' Meeting of 30 March 2016 (29.22% of the total number of votes at the General Shareholders' Meeting).

- According to the received notifications pursuant to Art. 69 of the Public Offering Act in accordance with the written agreement concluded on April 27, 2016 between Powszechny Zakład Ubezpieczeń SA, Powszechny Zakład Ubezpieczeń Na Życie SA, PZU Specjalistyczny Fundusz Inwestycyjny Otwarty UNIVERSUM and PZU Fundusz Inwestycyjny Zamknięty Aktywów Niepublicznych BIS 2 on the unanimous voting on General Meetings of the Bank and change in the share in the total number of votes, these entities hold together 21 247 464 shares of the Bank constituting 29.22% of votes at the general Meeting.

## Information on the planned acquisition of the demerged business of Bank BPH S.A.

- On 31 March 2016, the Bank concluded the Share Sale and Demerger Agreement with the Sellers of Bank BPH, relating to the completion of the transaction covering: (i) acquisition of the shares constituting a significant interest in Bank BPH by the Issuer, 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) conducted by transferring the Core Business of Bank BPH to the Issuer (demerger by spin-off) on the terms and conditions described in the Demerger Plan("Demerger"); and (iii) issuing the Issuer's new shares to the shareholders of Bank BPH indicated in the Demerger Plan (i.e. with the exclusion of the Issuer, Bank BPH Sellers and their related entities) (jointly "Transaction").
  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 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).
  The Transaction is expected to be exercised by the end of 2016.

  **Stages of completion of the Transaction**
  The Transaction comprises the following key elements:
  1. increase in the Bank's share capital by way of an issue of the Bank's new shares in a public offering addressed to the Bank's current shareholders, in conformance with the

pre-emptive rights ("Rights Offering"), among other things, to finance the Transaction (see par. "Rights Offering" below);

2. acquisition of 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 clause 1 of the Public Offering Act) or shares representing 66% of the share capital of Bank BPH (pursuant to Art. 73 clause 1 of the Public Offering Act) ("Tender Offer") (see par. "Tender Offer" below);
3. optionally, 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 par. "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 Issuer (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 (see par. "Demerger" below).

**Price**

The price for the 87.23% interest of Bank BPH Sellers in the Core Business of Bank BPH is 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 ("Bank BPH Sellers' Share Price"). Additionally, the Bank BPH Sellers' Share Price may be subject to further adjustments made after the end of the Tender Offer, depending on the adjusted net book value of non-current assets of the Core Business Bank BPH as at the Demerger Date. The whole Core Business Bank BPH was valued at PLN 1 532 million, whereas the non-adjusted net book value of non-current assets of the whole Core Business of Bank BPH as at 30 September 2015 was PLN 1 646 million.

Additionally, the Bank will offer to the minority shareholders of Bank BPH the option to sell their shares in Bank BPH at the price specified in the Tender Offer. If the minority shareholders retain their shares in Bank BPH after the Demerger Date, the shares will be exchanged for the Bank's shares as a result of the Demerger.

**Terms and conditions**

Completion of the Transaction depends on fulfilling the conditions precedent specified in the Share Sale and Demerger Agreement, which include specifically: (i) obtaining the consent of the appropriate anti-trust authority; (ii) Bank BPH, the Issuer and GEIP obtaining the appropriate consents or decisions of the PFSA; (iii) the Management Board of Bank BPH and the Management Board approving and signing the Demerger Plan; (iv) the General Meeting passing the relevant resolution on approving the issue of the Bank's new shares under the Rights Offering, the draft of which was published by the Bank on 6 April 2016 ("the Capital Increase Resolution"); (v) the court registering the Bank's share capital increase conducted based on the Capital Increase Resolution; (vi) the General Meeting passing a resolution on approving the Demerger ("the Demerger Resolution"); (vii) obtaining appropriate tax interpretations related to the demerger of Bank BPH.

Pursuant to the Share Sale and Demerger Agreement the said terms and conditions must be fulfilled before the deadlines set at: 1 June 2016 – in respect of the condition stipulated in point (iv) above, 1 May 2016 – in respect of the condition stipulated in point (iii) above, in recognition of the possibility of extending the deadline; and 1 November 2016 – in respect of the remaining conditions.

**Termination of the Share Sale and Demerger Agreement**

If the terms and conditions stated above are not fulfilled before the appropriate deadlines, the Share Sale and Demerger Agreement may be terminated by each of the parties if the parties do not agree to their extension.

Additionally, the Share Sale and Demerger Agreement may be terminated in specific instances indicated therein, such as for example loss of banking licences by Bank BPH or the Bank.

Bank BPH Sellers have undertaken with respect to the Bank that as at the Demerger Date the Core Business of Bank BPH will have a total equity ratio which will comprise exclusively shareholders' equity ("CET1 of Bank BPH Core Business") at a level of 13.25%. If before the Demerger Date amendments are made to the legal regulations or accounting standards in respect of mortgage loans in foreign currencies or another event occurs in the banking sector which may be reasonably expected to have an unfavourable impact on Bank BPH and, in consequence, would lead to a drop in the CET1 of Bank BPH Core Business below 13.25% as at the expected Demerger Date, Bank BPH Sellers have undertaken to restore CET1 of Bank BPH's Core Business, among other things, through injecting capital to Bank BPH to the amount agreed in the Share Sale and Demerger Agreement. If a higher amount is required, Bank BPH Sellers may either restore CET1 of Bank BPH's Core Business or resign from this and terminate the Share Sale and Demerger Agreement. In the event of no action on the part of Bank BPH Sellers, the Bank will be entitled to terminate the Share Sale and Demerger Agreement.

**Compensation for termination of the Share Sale and Demerger Agreement**

The Bank undertook to make every effort to ensure that the terms and conditions specified in the Share Sale and Demerger Agreement are fulfilled. Those conditions relate to: passing the Capital Increase Resolution and the Demerger Resolution by the General Meeting and registering the Bank's share capital increase based on the Capital Increase Resolution by the court. If the Share Sale and Demerger Agreement is terminated as a result of the non-fulfillment of those terms and conditions within the set deadlines, the Bank will be obliged to pay to GEIP a fee of EUR 16 000 000 plus VAT, if payable. If the Bank does not make every effort to fulfill those terms and conditions, the fee will not constitute the exclusive compensation available to Bank BPH Sellers and will be accounted for as part of the compensation payable by the Bank.

**Rights Offering**

The Bank's intention is to obtain proceeds from the Rights Offering in the amount of PLN 2 200 000 000. The expected proceeds from the Rights Offering will allow both financing the planned Transaction and ensuring the appropriate level of capitalization, which will constitute support for the merged entity's further development (i.e. the Bank and the Core Business of Bank BPH). The strengthened equity position should allow the Bank to maintain CET1 and CAR at levels exceeding 10.75% and 13.75% respectively. The term of the Rights Offering is planned to end in June 2016, depending on the market conditions.

On 6 April 2016, the Bank convened the General Meeting which, according to the agenda, is to pass the Capital Increase Resolution. The draft Capital Increase Resolution was published by the Bank and is available in the appendix to the Bank's current report No. 16/2016 dated 6 April 2016, included in this Prospectus by reference. In accordance with the above draft it is proposed that the Bank's share capital be increased by an amount no lower than PLN 10.00 and no higher than PLN 2 200 000,000, i.e. to an amount no lower than PLN 727 074

640 and no higher than PLN 2 927 074 630 by way of issuing no less than 1 new share and no more than 220 000 000 new shares with a nominal value of PLN 10.00 each ("Offered Shares"). The maximum number of Offered Shares in the draft Capital Increase Resolution was determined temporarily by dividing the assumed amount of proceeds from the Rights Offering by the nominal value of the Bank's shares, i.e. PLN 10.00. The draft Capital Increase Resolution stipulates authorizing the Management Board to determine the ultimate number of Offered Shares and their final issue price. Such an ultimate number of Offered Shares and issue price will be determined by the Management Board in consideration of the assumed amount of proceeds from the Rights Offering and market conditions, including, among other things, the price of the Bank's existing shares on the exchange.

The Rights Offering requires the PFSA to prepare and approve the prospectus for the Offered Shares and apply for the admission and introduction of the Offered Shares to trading on the regulated market run by the WSE. The investors should note that due to different requirements of the Prospectus Regulation compared with the share issue prospectuses, and due to a different planned date of approval of the prospectus relating to the Rights Offering, the contents of the prospectus, and in particular the part of the disclosures relating to the Core Business of Bank BPH, may differ significantly from the content of this Prospectus relating to the Bank's Bonds.

The coming to fruition of the Rights Offering is to be guaranteed by the planned conclusion by the Bank – before the publication of the Bank's prospectus relating to the Rights Offering – of an underwriting agreement with one or more financial institution (underwriters) ("the Final Underwriting Agreement"). Additionally, on 31 March 2016, the Bank obtained a comfort letter from its key shareholder, PZU ("the Comfort Letter"), as described in the paragraph "Comfort Letter" below, in which PZU has committed, among other things, to subscribing to and paying for the new issue of the Bank's shares offered under the Rights Offering in proportion to the current share of PZU in the Bank's share capital.

In connection with the potential conclusion of the Final Underwriting Agreement on 6 April 2016, the Bank signed a preliminary underwriting agreement ("Preliminary Underwriting Agreement"), based on which the Bank may conclude the Final Underwriting Agreement with the parties to the Preliminary Underwriting Agreement, relating to underwriting the increase in the Bank's share capital by way of a Rights Issue in the amount of approximately PLN 1 645 million. The Preliminary Underwriting Agreement was described in the Bank's current report No. 17/2016 dated 6 April 2016, included by reference in this Prospectus. The remaining part of the Rights Offering is covered by the Comfort Letter.

**Tender Offer**

Acquisition of shares of Bank BPH will be conducted by way of a tender offer for the sale of all the remaining shares in Bank BPH (pursuant to Art. 74 clause 1 of the Public Offering Act) or shares representing 66% of the share capital and total number of votes at the General Meeting of Bank BPH (pursuant Art. 73 clause 1 of the Public Offering Act). The Bank is obliged to announce the Tender Offer after the terms and conditions specified in the Share Sale and Demerger Agreement have been fulfilled (see par. "Terms and Conditions" above). However, the Bank is entitled to publish the Tender Offer before the terms and conditions are fulfilled.

Bank BPH Sellers' Share Price will be paid to the Bank BPH Sellers by acquiring the respective number of Bank BPH shares from the Bank BPH Sellers under the Tender Offer ("Number of Shares Acquired from Bank BPH Sellers"). The Number of Shares Acquired from Bank BPH Sellers which will be acquired by the Bank from Bank BPH Sellers under the

Tender Offer will be determined by dividing the Bank BPH Sellers' Share Price by the share price proposed under the Tender Offer.
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 undertaken 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 will remain the reference shareholders of Bank BPH.

**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 in total, the Bank, pursuant to the Share Sale and Demerger Agreement, may at its discretion, undertake a Mandatory Squeeze-out of Bank BPH's minority shareholders and demand from Bank BPH Sellers that they act in agreement with the Bank in respect of the Mandatory Squeeze-out.

**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 share exchange principles of Bank BPH shares to Bank shares determined for the purpose of the Demerger. The exchange parity of Bank BPH shares to the Bank's shares issued under the Demerger ("Demerger Shares") ("Share Exchange") will be between 0.46 and 0.35 Demerged Share for each of the shares in Bank BPH. The Share Exchange will be determined in recognition of the market prices and the fundamental value of both banks. The final Share Exchange will be subject to consultations between the Bank and Bank BPH in the Demerger Plan.
Additionally, 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 initial 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 rules based on which the Share Exchange will be determined and the principles for allocation of 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 operating it in the period between the signing of the Share Sale and Demerger Agreement and the Demerger Date.
Pursuant to the Pre-Demerger Cooperation Agreement the Demerger Plan is to be agreed by the Bank and Bank BPH by 30 April 2016, in recognition of the potential extension of the deadline. Demerger Plan was agreed and signed o 29 April 2016.
Due to the fact that as a result of the Demerger all shares of Bank BPH acquired by the Bank will cease to exist as a result of a reduction in the share capital of Bank BPH, after the Demerger Date the Bank will not be a shareholder in Bank BPH, and Bank BPH Sellers will

become the sole shareholders of Bank BPH (and thus the economic owners of the Mortgage Business of Bank BPH).

**Comfort Letter**

On 31 March 2016, the Bank was informed by its significant shareholder, PZU, that on 31 March 2016, in connection with signing and exercising the Share Sale and Demerger Agreement, at the Bank's request PZU issued a Comfort Letter to Bank BPH Sellers, based on which PZU undertook (among other things), in recognition of all regulatory requirements or PFSA requests, to: (i) vote from all the Bank's shares held directly on the date of issuance of the Comfort Letter(i.e. 25.19% of the Bank's share capital) or on the date of the General Meeting convened in connection with the Transaction (depending on which of the amounts is larger) for passing the Capital Increase Resolution and the Demerger Resolution by the said General Meeting; (ii) sign and pay up the new issue of the Bank's shares offered under the Rights Offering, in proportion to PZU's current interest in the Bank's share capital, where PZU will in no instance be obliged to subscribe for or take up shares which jointly with PZU's current interest in the Bank (together with related entities whose shares are in the Bank ascribed to PZU in accordance with the respective regulations relating to large blocks of shares in public companies) would constitute over 33% of the total number of shares or votes in the Bank; and (iii) make every effort to obtain, within the deadline compliant with the Share Sale and Demerger Agreement, all regulatory consents (if necessary) required from PZU for the purpose of closing the Transaction by the Bank.
Additionally, PZU undertook, in the period from the issuance of the Comfort Letter to an appropriate final date, not to sell, dispose of or otherwise manage the Bank's shares held directly by PZU on the date of issuance of the Comfort Letter without the consent of Bank BPH Sellers.

**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.

**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, the following agreements will be concluded by the Bank with respective parties on the date of signing the Merger Plan: (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 the current 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.

**Strategic grounds for the Transaction**

The conclusion of the Share Sale and Demerger Agreement complies with the development strategy which has been communicated man times and consistently realized by the Management Board, based on dynamic organic growth and acquisitions, combined with achieving the highest returns on equity. As a result of the Transaction, the merged bank will reinforce its position on the consolidating market.

The Bank expects annual target synergies of about PLN 300 million before tax, without accounting for about PLN 160 million of synergies resulting from implementing the business transformation plan for Bank BPH. According to expectations, the target level of synergy will only be achieved in 2019. Additionally, taking into account information relating to Bank BPH obtained by the Issuer during the due diligence, even according to the most conservative assumptions the total costs of integrating the Core Business of Bank BPH with the Issuer may reach approximately PLN 950 million. However, taking into consideration the Issuer's experience acquired during the Issuer's integration processes with the acquired entities (in particular with Meritum Bank ICB S.A.), the Issuer does not eliminate the possibility that the total costs of integration may be reduced to approximately PLN 650 million. The final amount of total integration costs will depend on the detailed course of the integration procedure, in particular in the IT, operations and HR areas, and on several other factors which may have an impact on the amount of those costs. The costs will be expensed by 2018, and most of them in 2017.

- On 6 April 2016, the Bank concluded a preliminary underwriting agreement with Bank Zachodni WBK Spółka Akcyjna, Goldman Sachs International and J.P. Morgan Securities plc. (hereinafter jointly referred to as "the Underwriters"). In the Preliminary Underwriting Agreement the Underwriters undertook, on the terms and conditions indicated in the Preliminary Underwriting Agreement, to underwrite the increase in the Bank's share capital up to approximately PLN 1 645 million, by taking up the Bank's new shares issued in the rights offering conducted pursuant to Resolution No. 3 of the Bank's Extraordinary General Meeting held on 5 May 2016.
  However the Amended and Restated Standby Underwriting Agreement was entered into on 10 May 2016 among the Bank, BZWBK, GS, JP Morgan and Powszechna Kasa Oszczędności Bank Polski S.A. Oddział – Dom Maklerski PKO Banku Polskiego w Warszawie ("DM PKO BP" and collectively with BZWBK, GS and JP Morgan the "Underwriters"). Pursuant to the Amended and Restated Standby Underwriting Agreement, DM PKO BP acceded to the Standby Underwriting Agreement. The Parties agreed also upon a new split of underwriting commitments between BZWBK, GS, JP Morgan and DM PKO BP to underwrite the capital increase, up to the amount of approximately PLN 1,645 mln, subject to the terms and conditions specified in the Amended and Restated Standby Underwriting Agreement, by way of purchasing new shares in the Bank in the course of a public rights offering conducted pursuant to Resolution No. 3/2016 of the Bank's Extraordinary General Meeting of 5 May 2016 (the "Underwriters' Commitment"). Pursuant to the Amended and Restated Standby Underwriting Agreement, the Underwriters' Commitment has been split between the Underwriters in accordance with their respective proportionate shares, which are as follows: BZWBK – 30 per cent, GS – 30 per cent, JP Morgan – 30 per cent and DM PKO BP – 10 per cent. Other provisions of the Standby Underwriting Agreement have not been amended.

- On 29 April 2016 the Management Board of Alior Bank and the Management Board of BPH agreed and signed the BPH demerger plan ("Demerger Plan"), which had been prepared in accordance with Art. 534 §1 and § 2 of the Commercial Companies code ("CCC"). Agreeing and signing the Demerger Plan is one of the conditions for the Share Sale and Demerger Agreement.

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

(i) under the Demerger an organized part of the enterprise of BPH connected with the pursuit of BPH's business other than the Mortgage Business (as defined below) (the "Demerged Business"), will be transferred to Alior Bank, while the remaining organized part of the business of BPH (the "Mortgage Business") will remain in BPH;

(ii) the Demerged Business will be transferred to Alior Bank on the date of registration of the share capital increase of Alior Bank by way of the issuance of the Demerger Issue Shares (as defined below) as a result of the Demerger (the "Demerger Date");

(iii) the Demerger requires a number of regulatory approvals to be obtained, as discussed in the following parts of the report;

(iv) the Demerger requires certain resolutions to be adopted by the General Meetings of Alior Bank and BPH (listed in the following parts of the report);

(v) the Demerger is an element of the Transaction consisting of the acquisition of the Demerged Business under the Share Purchase and Demerger Agreement;

(vi) after the Demerger Resolution the sole shareholders of BPH will be the GE Shareholders (as defined below); the other shareholders of BPH (other than Alior Bank and BPH itself) will become shareholders of Alior Bank.

As a result of the Demerger, pursuant to Art. 531 § 1 of the CCC, Alior Bank will assume all of the rights and obligations of BPH connected with the Demerged Business as of the Demerger Date. Consequently, immediately following the Demerger Date, BPH will conduct activities which will be limited to the Mortgage Business and the Demerged Business will become part of Alior Bank's operations.

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

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

In the Demerger Plan, the following exchange ratio of shares in BPH into shares in Alior Bank was established: for 1 (one) share in BPH, a shareholder of BPH (other than the GE

Shareholders) will be granted and allocated 0.44 (forty-four hundredths) of a Demerger Issue Share ("Share Exchange"), subject to adjustment related to dilution of Alior's Bank share capital resulting from the rights offering planned by Alior Bank before the Demerger Date.
In accordance with Art. 541 of the CCC, the Demerger will require resolutions of the general meetings of BPH and Alior Bank, including resolutions regarding:

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

The Demerger will be executed subject to obtaining the following regulatory approvals:
(i) a decision from the Polish Financial and Supervision Authority (the "PFSA") permitting the Demerger in accordance with Article 124c, section 2 of the Act of 29 August 1997 on the banking law (the "Banking Law");

(ii) a decision from the PFSA permitting the amendments to Alior Bank's Articles of Association to be made in connection with the Demerger as provided for in Schedule 4 to the Demerger Plan in accordance with Article 34, section 2 and in connection with Article 31, section 3 of the Banking Law;

(iii) a decision from the PFSA permitting the amendments to BPH's Articles of Association to be made in connection with the Demerger in accordance with Article 34, section 2 and in connection with Article 31, section 3 of the Banking Law;
(iv) a decision from the PFSA stating that there are no grounds to object to Alior Bank exceeding the threshold of 33%, 50% or more of the votes at the General Meeting of BPH or, alternatively, the lapse of the statutory deadline for the delivery of a decision containing an objection raised with respect to the above in accordance with Article 25 of the Banking Law;
(v) if required, a decision from the PFSA stating that there are no grounds to object to GE Investments Poland sp. z o.o. exceeding the threshold of 50% of the votes at the general meeting of BPH or, alternatively, the lapse of the statutory deadline for the delivery of a decision containing an objection raised with respect to the above in accordance with Article 25 of the Banking Law; and
(vi) a (unconditional or conditional) decision of the relevant antitrust authority (the "Antitrust Authority") consenting to a concentration involving the acquisition of control over the Demerged Business pursuant to the respective competition law, or (ii) a final and non-appealable judgement of a competent court (as a result of an appeal filed by Alior Bank against the decision of the Antitrust Authority) in favour of an appeal and amending the decision consenting to the concentration, or (iii) a decision of the Antitrust Authority on discontinuing the proceedings or the Antitrust Authority returning the clearance request on account of the transaction not being subject to notification pursuant to the respective competition law, or (iv) the lapse of the deadline set out in the respective competition law within which the Antitrust Authority may issue a decision regarding a concentration, provided that under the respective competition law, in the case of the Antitrust Authority's failure to issue a decision within the specified deadline, the concentration may be implemented without the consent of the Antitrust Authority.

- On 29 April 2016 the Bank entered into: (i) an outsourcing agreement concerning the servicing of a portfolio of mortgage receivables of Bank BPH S.A. (the "Ops SLA") and (ii) an IT services outsourcing agreement (the "IT SLA") (together jointly the "Agreements") with Bank BPH S.A.
  The Agreements were executed in connection with the Share Sale and Demerger Agreement regarding the acquisition of the Core Business of Bank BPH S.A.
  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) IT process services, (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 shall 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 shall receive a fee paid in 12 instalments. In the case of the IT SLA, the yearly fee has been fixed in the amount of PLN 1 960 000. In the case of the Ops SLA, the yearly fee shall be equal to 10% of the Costs incurred in a given year (margin based fee). Based on the Costs forecast specified in the schedules to the Ops SLA, the Bank estimates that the fee for the provision of services during the first year of the Ops SLA shall amount to PLN 1 530 000. Due to the variable amount of the Costs borne and the Bank's prediction that the value of the annual fee under 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 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 shall expire upon the earlier of: (i) the full settlement of the 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.

- 5 May 2016 r. the Banks' Extraordinary General Meeting adopted a resolution onincreasing the share capital by issuing series I shares in a public rights offering, setting 23 May 2016 as the record date for the pre-emptive rights in respect of series I shares, transferring to the Supervisory Board the authority to consent to entry into an underwriting agreement, conversion into book-entry form and application for the admission of pre-emptive rights, rights to shares and series I shares to trading on the regulated market of the Warsaw Stock Exchange, amending the articles of association and authorising the Supervisory Board to prepare a consolidated text of the articles of association.

**Other material events**

- On 4 February 2016 the Bank issued 10,000 EUR001 series dematerialized, unsecured, subordinated coupon bearer bonds with EUR 1,000 par value each, with a total par value of EUR 10 000 000. The issue price of each bond corresponds to its par value. The bonds issue was executed pursuant to Art. 33 (2) of the Act on Bonds of 15 January 2015. The interest rate on the bonds was determined based on the LIBOR 6M rate for 6-month deposits in EUR plus a fixed margin, and interest will be payable twice a year. The bonds will be redeemed at their par value on 4 February 2022.
  On 19 April 2016 the Bank obtained the consent of PFSA, granted based on Art. 127 of the Banking Law, for classifying the bonds as Tier II instruments in accordance with Art. 63 CRR. The Bank maintains the records of Bonds in accordance with Art. 8 of the Act on Bonds of 15 January 2015. The said records will be maintained by the Bank until the repurchase or redemption of all bonds. The Bank will not seek admission or introduction of the bonds to any organized trading within the meaning of the Act on Trading in Financial Instruments of 29 July 2005.

- On 15 February 2016 the Management Board of the Bank informed about the conclusion of an agreement for the construction loan of PLN 78 273 900 and revolving credit of PLN 5 000 000 with one of the Bank's customers. As a result of signing the said agreement, the Bank's total exposure to the Customer and its group entities increased to PLN 352 162 900.
  The agreement for the highest amount was concluded with one of the Customer's group entities on 20 November 2013 and was subsequently annexed several times.
  The agreement is for a construction loan in the amount of PLN 185M, maturing on 10 October 2016. In accordance with the agreement, it is possible to convert the construction loan into an investment loan in the amount of EUR 21M with a maturity date not later than 31/12/2021. The said loan is a non-revolving facility for financing hotel and commercial facilities. The receivable in respect of the financing granted was secured by, among other things, a mortgage, assignment of rights under an insurance policy, power of attorney to bank accounts and a pledge on shares. The product offered under the agreement bears

interest determined on an arm's length basis. The other terms and conditions of the agreement do not differ from the usual terms and conditions of similar agreements.

- The Bank's Management Board informed about concluding an agreement for a non-revolving facility for the financing of the current operations in the amount of PLN 255 000 000 with a subsidiary Alior Leasing Sp. z o.o. with its registered office in Warsaw ("Alior Leasing") on 25 March 2016. As a result of signing the agreement (which is the agreement of the highest value), the total exposure of the Bank to Alior Leasing increased to PLN 509 048.82 thousand.
  The loan is a non-revolving facility for the financing of financing activities. The final repayment deadline is 24 March 2027. The receivable in respect of the financing granted was secured by, among other things, a registered pledge on a set of movable assets (the leased asset), a notarized statement of submission to enforcement and a power of attorney to dispose of bank accounts.
  The product offered under the agreement bears interest determined on an arm's length basis.
  The other terms and conditions of the agreement do not differ from the usual terms and conditions of similar agreements.
  Alior Leasing, which is the Bank's subsidiary, is consolidated under the acquisition accounting method.

- The Annual General Shareholders' Meeting held on 30 March 2016, in addition to regular resolutions, passed resolutions in matters relating to closing the financial year 2015 and approval of: the financial statements of the Bank and the Bank's Group, Directors' Report of the Bank and the Group, Supervisory Board Report, appropriation of profit, acknowledgement of the performance of duties by all members of the Management Board and Supervisory Board of the Bank, and appointment of the Supervisory Board of the Bank for the third term of office.

- On 31 March 2016 Alior Bank signed agreements with Powszechny Zakład Ubezpieczeń S.A. ("the Guarantor"), in which the Guarantor granted an Insurance Guarantee to Alior Bank S.A. for unfunded credit protection with respect to a selected portfolio of the Bank's receivables resulting from loans, in accordance with CRR ("the Guarantee"). At the same time, at the Guarantor's request, a third party ("the Counter-Guarantor") granted a Counter-Guarantee to the Bank to secure the performance of the Guarantor's obligations ("the Counter-Guarantee"). Based on the Counter-Guarantee, the Bank may demand that the Counter-Guarantor make a payment resulting from the Guarantee if the Guarantor fails to make such payment. The portfolio of the Bank's receivables covered by the Guarantee (after rounding) amounts to PLN 3 104 239 753. Taking into account the Bank's own contribution amounting to 10% and the limit of the Guarantor's liability with respect to a single loan amounting to PLN 50 000 000, the amount of the Guarantee granted (after rounding) amounts to PLN 2 548 855 794.
  The maximum validity period of the Guarantee is 24 months. A call for payment may be served on the Guarantor until 18 August 2018. At the same time, the Bank has the right to terminate the Guarantee before the end of its validity period. The amount of compensation for granting the Guarantee depends, among other things, on the portfolio amortization and premium for the Counter-Guarantee. The estimated amount of the average monthly compensation in the Guarantee validity period (after rounding) is PLN 2 428 371. The Guarantee provides for contractual penalties which may be due to the Guarantor from the

Bank in the event of the violation of certain obligations of the Bank under the Guarantee Agreement. The maximum cumulative amount of such contractual penalties must not exceed PLN 2 000 000. In accordance with the Counter-Guarantee, the Bank is obliged to pay additional compensation of PLN 1 500 000 in the event of early expiry of the Counter-Guarantee or early termination of the Counter-Guarantee Agreement, and a contractual penalty amounting to 0.10% of the difference between the amount of PLN 2 039 084 635.50 and the amount defined in the Counter-Guarantee as designated for the financing of SMEs by the Bank, or 0.10% of the amount of PLN 2 039 084 635.50 in the event of a failure to provide, by 30.06.2018, the report and information on the fulfilment of the Bank's obligations in respect of financing SMEs as specified in the Counter-Guarantee. The Guarantee and the Counter-Guarantee are intended to reduce the Bank's capital requirement with respect to credit risk.

In the reporting period, the Bank had liabilities resulting from debt securities issued, in particular subordinated bonds, Bank Securities and other financial instruments.
In the 1st quarter of 2016, the Bank did not grant or terminate any lending agreements outside the scope of normal business activities of the Bank.
The Group companies did not grant any loan guarantees or warranties to a single entity or its subsidiaries, whose combined value would exceed 10% of the Bank's equity.

# 40. Events after the balance sheet date

- On 26 April 2016 the PFSA took the 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 will be acquired by Alior Bank, as the acquiring Bank. Until the date of acquisition of Powszechna SKOK in Knurów by Alior Bank the SKOK will operate and offer a full scope of services to its members.

# 41. Financial forecasts

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

# 42. Bonds Issue Scheme

- In connection with the entry into force on 1 July 2015 of the Act on Bonds of 15 January 2015, on 10 August 2015 the Supervisory Board of the Bank gave its consent to establishing the Issue Scheme for Alior Bank S.A. bonds denominated in PLN ("the Issue Scheme") and to incurring multiple financial liabilities by way of issuing under the Issue Scheme unsecured bearer bonds, including subordinated bonds, with the following key parameters:
  - the total value of the Issue Scheme will not exceed PLN 2 000 000 000;
  - the Bonds will be issued in series, in the period from the effective date of the resolution to 1 August 2020;
  - the maximum maturity of the Bonds issued under the Issue Scheme is 10 years;
  - the Bonds issued under the Issue Scheme will not be secured;
  - the Bonds will be issued in accordance with Art. 33 (1) or Art. 33 (2) of the Act on Bonds;

- the Bonds will not take the form of documents.

The terms and conditions for the issue of each series of Bonds may include provisions related to introducing the Bonds to the Catalyst market run as an alternative trading system by Giełda Papierów Wartościowych S.A. (the Warsaw Stock Exchange) or BondSpot S.A.

At the same time, the Supervisory Board of Alior Bank S.A. authorized the Management Board of Alior Bank S.A. to determine the detailed terms and conditions for issuing particular bond series issued under the Issue Scheme, allotting the bonds to investors and taking all other necessary actions aimed at carrying out the Issue Scheme.

In connection with the entry into force on 1 July 2015 of the Act on Bonds, the Bank's Management Board decided to stop issuing the bonds within the previous Bond Issue Scheme approved by resolution no. 28/2013 of the Bank's Supervisory Board of 18 March 2013, of which the Bank informed in the current report No. 16/2013 of 19 March 2013.

- On 4 December 2015, the Bank's Management Board informed about issuing:
  - 150 000 I series subordinated, unsecured, dematerialized coupon bearer bonds with a par value of PLN 1 000 each and total par value of PLN 150 000 000. The issue price of each I series bond corresponds to its par value.
  - 33 350 I1 series subordinated, unsecured, dematerialized coupon bearer bonds with a par value of PLN 1 000 each and total par value of PLN 33 350 000. The issue price of each I1 series bond corresponds to its par value.

  The bonds were issued as part of the Issue Scheme of the Bank's bonds denominated in PLN, which was announced by the Bank in its current report no. 68/2015 of 10 August 2015. The issue was executed pursuant to Art. 33 (2) of the Act on Bonds of 15 January 2015. The interest rate on the bonds was set at WIBOR 6M plus a fixed margin of 3.35% and the interest will be payable semi-annually. The bonds will be redeemed at their par value on 6 December 2021.

  In accordance with the resolution of the Management Board of Krajowy Depozyt Papierów Wartościowych S.A. (the Central Securities Depository of Poland, KDPW) of 14 December 2015, 33 350 I1 series bonds were assimilated with 150 000 I series bonds on 18 December 2015. The assimilated bonds were assigned the code PLALIOR00136. As a consequence, as of 18 December 2015, 183 350 bearer bonds of the Bank are marked with the code PLALIOR00136.

  On 29 December 2015, the Management Board of the Bank received the decision of the Polish Financial Supervision Authority dated 28 December 2015 granting consent for including the subordinated liability in respect of the issues of series I and I1 subordinated bonds executed on 4 December 2015 in the amount of PLN 183 350 000 in the calculation of Tier II capital.

  In accordance with resolution no. 76/15 of the Management Board of BondSpot S.A. and resolution no. 433/2015 of the Management Board of Giełda Papierów Wartościowych w Warszawie S.A., as of 19 January 2016, the bonds were introduced to the Alternative Trading System on Catalyst maintained by BondSpot S.A. and Giełda Papierów Wartościowych w Warszawie S.A. in accordance with the Act on Trading. The bonds were listed for the first time on 28 January 2016. The bonds are listed under the abbreviated name "ALR1221".

## 43. Public Issue Scheme of Subordinated Bonds

- 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.
  - The total par value of Bonds issued under the Issue Scheme will not exceed PLN 800 000 000.
  - The Bonds will be issued and offered in series over a period not exceeding 12 months from the date of approval of the basic prospectus prepared in connection with the Issue Scheme by the Polish Financial Supervision Authority.
  - The bonds issued under the Issue Scheme will have maturities of 5 to 10 years from the date of issuing a given bond series.
  - Benefits arising from the bonds will only be available in cash.
  - The Bonds will be issued in accordance with Art. 33 (1) of the Act on Bonds.
  - The Bonds will not take the form of documents and will be registered in the depository of securities maintained in compliance with the provisions of the Act on Trading based on an agreement with Krajowy Depozyt Papierów Wartościowych S.A. (the Central Securities Depository of Poland, KDPW) or with a company mentioned in Art. 5 (10) of the Act on Trading if the tasks mentioned in Art. 48 (1) 1 of the Act on Trading are outsourced by KDPW to such company.
  - The terms and conditions of issue of each Bond series will contain provisions regarding their classification as equity components in accordance with the provisions of the Regulation (EU) No 575/2013 of the European Parliament and of the Council of 26 June 2013 on prudential requirements for credit institutions and investment firms and amending Regulation (EU) No 648/2012 (O.J. EU L 176 of 27.6.2013, p. 1).
  - The Bank's Management Board will seek admission and the introduction of the Bonds to trading on the regulated market maintained by Giełda Papierów Wartościowych w Warszawie S.A. (the Warsaw Stock Exchange, hereinafter: "WSE") in the Catalyst system or introduction of the Bonds to trading in an alternative trading system maintained by WSE or BondSpot S.A. in the Catalyst system.

At the same time, the Supervisory Board authorized the Bank's Management Board to determine the final terms and conditions for issuing particular Bond series issued under the Issue Scheme, allot the Bonds to investors and take all other necessary actions aimed at carrying out the Issue Scheme.
Opening the Issue Scheme makes it possible to issue the bonds in series in order to guarantee a safe level of the total capital ratio (TCR) in connection with the fact that the minimum capital requirements for banks were increased as of 1 January 2016 in accordance with the PFSA letter of 22 October 2015. It is recommended that as of 1 January 2016 the banks should maintain capital ratios at a level of at least 13.25% (TCR) and 10.25% (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 Issue Scheme of Alior Bank S.A. Subordinated Bonds; 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.

**Issue of P1A series bonds**

On 27 April 2016 the Bank issued P1A series subordinated bonds under the Public Issue Scheme of Subordinated Bonds.
The maximum number of bonds offered for sale was 150 000. The total par value of the bonds was PLN 150,000,000. The bonds bear interest at a floating rate equal to the sum of the WIBOR 6M base rate and a margin of 3.25% p.a., starting from the second interest period. In the first interest period, the interest rate is fixed and amounts to 5.00% p.a. The bonds have a maturity of six years and their redemption date is 16 May 2022.
Subscriptions for the bonds were accepted in the period from 14 April 2016 to 15 April 2016 due to the fact that the number of subscriptions accepted on the first day, i.e. on 14 April 2016, exceeded the number of bonds offered.
The bonds were allotted on 18 April 2016.
The average reduction rate for P1A series bonds was 66.25%.
Subscriptions were made for 444 444 P1A series bonds. The number of investors who subscribed for the bonds was 1 439. The bonds were allotted to 1 402 investors.
The bonds were introduced to trading on the Catalyst regulated market on 11 May 2016.

**Issue of P1B series bonds**

On 29 April 2016 the Bank issued P1B series bonds under the Public Issue Scheme of Subordinated Bonds.
The maximum number of bonds offered for sale was 70 000. The total par value of the bonds was PLN 70 000 000. The bonds bear interest at a floating rate equal to the sum of the WIBOR 6M base rate and a margin of 3% p.a., starting from the second interest period. In the first interest period, the interest rate is fixed and amounts to 5.00% p.a. The bonds have a maturity of eight years and their redemption date is 16 May 2024.
Subscriptions for the bonds were accepted in the period from 21 April 2016 to 22 April 2016 due to the fact that the number of subscriptions accepted on the first day, i.e. on 21 April 2016, exceeded the number of bonds offered.
The bonds were allotted on 25 April 2016.
The average reduction rate for P1B series bonds was 73.61%.
Subscriptions were made for 265 302 P1B series bonds. The number of investors who subscribed for the bonds was 1 177. The bonds were allotted to 1 145 investors.
The bonds were introduced to trading on the Catalyst regulated market on 11 May 2016.

## 44. 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, where ratings, criteria and methodologies are also published.

## 45. Factors affecting the Bank's results in the next quarter's persective

Basic factors which may have an impact on the results achieved in the following months, include:

- As of 1 February 2016, the Alior Bank Group is subject to a new tax imposed on certain financial institutions, including banks. Under the new tax law, the introduction of such tax should not serve as the basis for changing the terms and conditions for providing financial and insurance services under the agreements signed before the entry into force of the new tax law, thereby limiting the Alior Banks Group's ability to include the new tax in the price of the services provided to existing customers. The additional liability arising from this tax amounted to PLN 20.7 milion in the 1st quarter of 2016.
- The communicated transaction of the acquisition of a separated part of Bank BPH will result in an increase in Alior Bank's operating expenses and, consequently, affect the financial results for 2016 and subsequent periods. At the current stage of the transaction, it is impossible to determine the scale of expenses to be incurred in the year 2016 by the Bank in connection with the acquisition of a separated part of BPH, as their amount depends, among other things, on the progress made in the performance of the transaction.
- In recent years, the Alior Bank Group has conducted operations in an environment of low interest rates, and, therefore, the Alior Bank Group had limited opportunities in the area of net interest margin. The pressure on interest margin could increase significantly if the Monetary Policy Council decided to introduce further decreases in the main interest rates in 2016. If this is the case, the net interest margin of the Alior Bank Group would be decreased until offsetting steps are taken, which would have an adverse effect on the results of the Alior Bank Group's operations.
- As of 1 January 2016 the PFSA increased the minimum capital requirements from 9.0% to 10.25% with respect to Tier I capital and from 12.0% to 13.25% with respect to the total capital ratio. In order to achieve the ratios expected by the PFSA and achieve target return on assets, on 31 March 2016, the Alior Group signed a guarantee agreement with PZU, in accordance with which PZU granted unfunded credit protection for a portfolio of selected loans granted by the Alior Bank Group (within the meaning of CRR). The agreement was signed to reduce the capital requirements for credit risk of the Alior Bank Group. The estimated amount of average monthly compensation in the Guarantee validity period is approx. PLN 2.4 million.

- The successful implementation of the strategy for maintaining high sales volumes of cash and mortgage loans (for retail customers) and operating and investment loans (for business customers), combined with maintaining high net interest margins and acceptable and manageable costs of risk, will be an important factor affecting the results of operations and the financial position of the Alior Bank Group in 2016.
- Potential changes in the legal environment, associated, among other things, with higher payments to the BGF resulting from the proposed Act on the Bank Guarantee Fund, deposit guarantee system and forced restructuring, as well as the potential need to make additional payments to the BGF in the future, may have an adverse effect on the Bank's profitability in 2016.
- For a few years, the Polish economy benefited from the good situation on the market and an increase in real GDP; unemployment was low, wages and salaries were growing, and the interest rates and energy prices were low. The continuation of such trends or further improvement would have a positive effect on the Polish banking system and could lead to an increase in the sales of loans by the Alior Bank Group and an improvement in the quality of its portfolio. Despite the positive trends in the Polish economy, a slowdown on a wider economic or global market could have an adverse effect on the activities of the Alior Bank Group.

# 46. 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.

Signatures of all Management Board Members

| | | |
|---|---|---|
| 11.05.2016 | Wojciech Sobieraj<br>CEO | ………………………………<br>Signature |
| 11.05.2016 | Małgorzata Bartler<br>Deputy CEO | ………………………………<br>Signature |
| 11.05.2016 | Krzysztof Czuba<br>Deputy CEO | ………………………………<br>Signature |
| 11.05.2016 | Joanna Krzyżanowska<br>Deputy CEO | ………………………………<br>Signature |
| 11.05.2016 | Witold Skrok<br>Deputy CEO | ………………………………<br>Signature |
| 11.05.2016 | Barbara Smalska<br>Deputy CEO | ………………………………<br>Signature |
| 11.05.2016 | Katarzyna Sułkowska<br>Deputy CEO | ………………………………<br>Signature |

# Interim condensed seperate financial statements of the Alior Bank Spółka Akcyjna

for the 1st quarter of 2016

## Contents

(in PLN '000)

# Interim condensed separate financial statements

## Interim condensed separate income statement

| | Note | 1.01.2016-31.03.2016 | 1.01.2015-31.03.2015 |
|---|---|---|---|
| Interest income | | 662 899 | 512 293 |
| Interest expenses | | -250 731 | -201 807 |
| **Net interest income** | **3** | **412 168** | **310 486** |
| Fee and commission income | | 137 942 | 134 159 |
| Fee and commission expenses | | -50 425 | -41 601 |
| **Net fee and commission income** | **4** | **87 517** | **92 558** |
| **Trading result** | **5** | **58 165** | **64 415** |
| **Net result on other financial instruments** | **6** | **10 610** | **4 571** |
| Other operating income | | 13 871 | 13 392 |
| Other operating expenses | | -4 583 | -5 537 |
| **Net other operating income** | **7** | **9 288** | **7 855** |
| **General administrative expenses** | **8** | **-271 556** | **-239 241** |
| **Net impairment allowance and write-downs** | | **-175 123** | **-132 071** |
| **Banking tax** | | **-20 673** | **0** |
| **Profit before tax** | | **110 396** | **108 573** |
| Corporate income tax | 10 | -26 750 | -23 943 |
| **Net profit from continuing operations** | | **83 646** | **84 630** |
| | | | |
| **Net profit** | | **83 646** | **84 630** |
| **Weighted average number of ordinary shares** | | **72 088 316** | **70 401 293** |
| **Earnings per ordinary share (in PLN)** | **11** | **1.16** | **1.20** |
| **Diluted earnings per ordinary share (in PLN)** | **11** | **1.11** | **1.15** |

## Interim condensed separate statement of comprehensive income

| | 1.01.2016-31.03.2016 | 1.01.2015-31.03.2015 |
|---|---|---|
| **Net profit** | **83 646** | **84 630** |
| **Taxable other comprehensive income to be credited to the net profit / (loss) after the required conditions have been satisfied** | **7 391** | **12 479** |
| Results of the measurement of financial assets available for sale (net) | 9 087 | 5 251 |
| Profit / (loss) on valuation of financial assets available for sale | 11 218 | 6 483 |
| Deferred tax | -2 131 | -1 232 |
| Results of the measurement of hedging instruments (net) | -1 696 | 7 228 |
| Loss / gain on valuation of hedging instruments | -2 093 | 8 923 |
| Deferred tax | 397 | -1 695 |
| **Total net comprehensive income** | **91 037** | **97 109** |

The notes presented on pages 7-35 constitute an integral part of these interim condensed financial statements.

(in PLN '000)

# Interim condensed separate statement of financial position

| ASSETS | Note | As at 31.03.2016 | As at 31.12.2015 |
|---|---|---|---|
| Cash and balances with the central bank | 12 | 665 782 | 1 750 135 |
| Financial assets held for trading | 21 | 359 798 | 390 569 |
| Available-for-sale financial assets | 13 | 6 008 087 | 4 253 119 |
| Derivative hedging instruments | 22 | 161 441 | 139 578 |
| Amounts due from banks | 15 | 521 270 | 642 540 |
| Loans and advances to customers | 14 | 32 744 238 | 30 913 990 |
| Assets pledged as collateral | 28 | 226 125 | 628 332 |
| Property, plant and equipment | | 222 715 | 227 633 |
| Intangible assets | | 352 356 | 379 820 |
| Investments in subsidiaries | | 53 147 | 21 975 |
| Assets held for sale | | 682 | 888 |
| Income tax assets | | 310 234 | 274 015 |
| *Deferred* | | 310 234 | *274 015* |
| Other assets | 16 | 395 837 | 386 825 |
| **TOTAL ASSETS** | | **42 021 712** | **40 009 419** |

| LIABILITIES AND EQUITY | Note | As at 31.03.2016 | As at 31.12.2015 |
|---|---|---|---|
| Financial liabilities held for trading | 21 | 338 986 | 310 180 |
| Amounts due from banks | 18 | 403 021 | 1 051 028 |
| Amounts due from customers | 17 | 35 801 158 | 33 674 676 |
| Hedging derivatives financial instruments | 22 | 507 | 0 |
| Provisions | 19 | 14 997 | 9 801 |
| Other liabilities | 20 | 884 278 | 526 393 |
| Income tax liabilities | | 30 722 | 21 776 |
| Current | | 30 722 | 21 776 |
| Subordinated loans | | 937 739 | 896 298 |
| **Total liabilities** | | **38 411 408** | **36 490 152** |
| **Equity** | 23 | **3 610 304** | **3 519 267** |
| Share capital | | 727 075 | 727 075 |
| Supplementary capital | | 2 592 083 | 2 280 668 |
| Revaluation reserve | | 22 606 | 15 215 |
| Other reserves | | 184 894 | 184 894 |
| Current year profit/loss | | 83 646 | 311 415 |
| **TOTAL LIABILITIES AND EQUITY** | | **42 021 712** | **40 009 419** |

The notes presented on pages 7-35 constitute an integral part of these interim condensed financial statements

(in PLN '000)

# Interim condensed separate statement of changes in equity

| | Share capital | Supplementary capital | Other reserve - Share-based payments | Revaluation reserve | Retained earnings/ accumulated losses | Net profit | Total equity |
|---|---|---|---|---|---|---|---|
| **As at 1 January 2016** | **727 075** | **2 280 668** | **184 894** | **15 215** | **0** | **311 415** | **3 519 267** |
| **Transfer of the previous year result** | - | **311 415** | - | - | - | **-311 415** | **0** |
| **Comprehensive income** | - | - | - | **7 391** | - | **83 646** | **91 037** |
| net profit | - | - | - | - | - | 83 646 | **83 646** |
| other comprehensive income | - | - | - | 7 391 | - | | **7 391** |
| **As at 31 March 2016** | **727 075** | **2 592 083** | **184 894** | **22 606** | **0** | **83 646** | **3 610 304** |

| **1.01.2015- 31.03.2015** | Share capital | Supplementary capital | Other reserve - Share-based payments | Revaluation reserve | Retained earnings/ accumulated losses | Net profit | Total equity |
|---|---|---|---|---|---|---|---|
| **As at 1 January 2015** | **635 830** | **1 434 712** | **176 792** | **-16 777** | **-275 382** | **219 752** | **3 017 804** |
| **Transfer of the previous year result** | - | - | - | - | **219 752** | **-337 030** | **0** |
| **Comprehensive income** | - | **0** | - | **2 514** | - | **64 016** | **66 530** |
| net profit | - | - | - | - | - | 64 016 | **64 016** |
| other comprehensive income | - | - | - | 2 514 | - | - | **2 514** |
| **Share-based payments** | - | - | **1 855** | - | - | - | **909** |
| **Share issue** | **63 583** | **394 412** | | | - | | **184 060** |
| **As at 31 March 2015** | **725 216** | **1 934 025** | **185 076** | **-14 263** | **337 030** | **-53 262** | **3 269 303** |

The notes presented on pages 7-35 constitute an integral part of these interim condensed financial statements.

(in PLN '000)

# Interim condensed separate statement of cash flows

| | 1.01.2016-31.03.2016 | 1.01.2015-31.03.2015 |
|---|---|---|
| Operating activities | | |
| **Gross profit** | **110 396** | **108 573** |
| **Adjustments:** | **-1 276 701** | **-142 161** |
| Unrealized foreign exchange gains/losses | -1 317 | -2 314 |
| Amortization/depreciation of tangible and intangible assets | 24 342 | 18 018 |
| Change in tangible and intangible assets impairment write-down | 3 451 | 2 201 |
| Profit/loss on investment net sale | 0 | 99 |
| Change in provisions | 5 196 | 454 |
| Share-based payments | 0 | 909 |
| Change in loans and receivables | -1 849 306 | -1 023 996 |
| Change in financial assets available for sale | -1 754 968 | 638 891 |
| Change in financial assets held for trading | 30 771 | -48 280 |
| Change in assets pledged as collateral | 402 207 | -652 243 |
| Change in hedging asset derivatives | -21 863 | -39 766 |
| Change in non-current assets held for sale | 206 | -1 486 |
| Change in other assets | -9 012 | -60 613 |
| Change in deposits | 1 828 861 | 215 653 |
| Change in issued debt | 89 501 | 216 640 |
| Change in financial liabilities held for trading | 28 806 | 40 547 |
| Change in hedging liabilities derivatives | 507 | -4 777 |
| Change in other liabilities and other comprehensive income | 1 422 | 598 288 |
| Income tax paid | -55 505 | -40 386 |
| **Net cash flow from operating activities** | **-1 166 305** | **-33 588** |
| **Investing activities** | | |
| **Outflows:** | **-102 496** | **-354 473** |
| Purchase of property, plant and equipment | -15 357 | -636 |
| Purchase of intangible assets | -55 967 | -1 245 |
| Purchase of shares in subsidiaries, net of cash acquired | -31 172 | -352 592 |
| **Inflows:** | **1 362** | **-1 364** |
| Disposal of property, plant and equipment | 1 362 | 4 |
| Disposal of shares in subsidiaries | 0 | -1 368 |
| **Net cash flow from investing activities** | **-101 134** | **-355 837** |
| **Financing activities** | | |
| **Outflows:** | **-1 320** | **-176 249** |
| Repayment of long-term liabilities | -13 619 | -183 700 |
| Interest expense – subordinated loan | 12 299 | 7 451 |
| **Inflows:** | **44 078** | **570 757** |
| Long-term liabilities incurred | 0 | 193 719 |
| Inflows from share issue | 0 | 184 060 |
| Inflows from the issuance of subordinated liabilities | 44 078 | 192 978 |
| **Net cash flow from financing activities** | **42 758** | **394 508** |
| | | |
| **Total net cash flow** | **-1 224 681** | **5 083** |
| **incl. exchange gains/(losses)** | **-5 161** | **16 713** |
| **Balance sheet change in cash and cash equivalents** | **-1 224 681** | **5 083** |
| Cash and cash equivalents, opening balance | **2 202 212** | **1 456 273** |
| Cash and cash equivalents, closing balance | **977 531** | **1 461 356** |
| **Additional disclosures on operating cash flows** | | |
| Interest income received | 780 426 | 448 773 |
| Interest expense paid | -193 091 | -133 420 |

The notes presented on pages 7-35 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 3-month period ended 31 March 2016 and the comparatives for the 3-month period ended 31 March 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 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 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 first quarter of 2016 were restated comparative data for the first quarter of 2015 what is shown in the following table:

**Interim condensed separate income statement**

| Income statement item | Data from the financial statements as at 31.03.2015. | Change | Restated data as at 31.03.2015 |
|---|---|---|---|
| Interest income | 480 841 | 75 284 | 556 125 |
| Interest expense | -137 673 | -74 148 | -211 821 |
| Net interest income | **343 168** | **-32 682** | **310 486** |
| Trading result | **65 528** | **-1 136** | **64 392** |

**Statement of compliance**

These interim condensed separate financial statements of Alior Bank Spółka Akcyjna for the 1st 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 31 March 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 31 March 2016, and interim condensed separate statement of financial position as at 31 March 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.

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**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 31 March 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.

# Notes to the interim condensed separate income statement

## 3. Separate net interest income

| 3.1. Net interest income by entity | 1.01.2016-31.03.2016 | 1.01.2015-31.03.2015 |
|---|---|---|
| **Interest income** | **662 899** | **512 293** |
| financial sector | 110 124 | 94 082 |
| non-financial sector | 530 075 | 402 408 |
| central and local government institutions | 22 700 | 15 803 |
| **Interest expenses** | **-250 731** | **-201 807** |
| financial sector | -129 957 | -112 534 |
| non-financial sector | -118 884 | -88 800 |
| central and local government institutions | -1 890 | -473 |
| **Net interest income** | **412 168** | **310 486** |

| 3.2. Net interest income by product | 1.01.2016-31.03.2016 | 1.01.2015-31.03.2015 |
|---|---|---|
| **Interest income** | **662 899** | **512 293** |
| Interest income on financial instruments by category at amortized cost taking into account the effective interest rate | 544 732 | 411 236 |
| term deposits | 342 | 36 |
| bank loans | 510 068 | 381 988 |
| financial assets available for sale | 27 358 | 21 435 |
| debt purchased | 6 009 | 7 029 |
| other | 955 | 748 |
| Other interest income | 118 167 | 101 057 |
| current accounts | 4 142 | 3 722 |
| overnight deposits | 113 | 84 |
| derivative hedging instruments | 113 912 | 97 251 |
| **Interest expenses** | **-250 731** | **-201 807** |
| Interest expenses on financial instruments by category at amortized cost taking into account the effective interest rate | -139 430 | -105 273 |
| term deposits | -106 831 | -76 655 |

(in PLN '000)

| | | |
|---|---|---|
| transactions on securities with repurchase clause | -2 384 | -5 380 |
| cash hedges | -1 081 | -910 |
| own issues | -28 597 | -21 797 |
| other | -537 | -531 |
| Other interest expenses | -111 301 | -96 534 |
| current deposits | -7 621 | -8 542 |
| derivative hedging instruments | -103 680 | -87 992 |
| **Net interest income** | **412 168** | **486** |

# 4. Separate net fee and commission income

| | 1.01.2016-31.03.2016 | 1.01.2015-31.03.2015 |
|---|---|---|
| **Fee and commission income** | **137 942** | **134 159** |
| brokerage commissions | 17 832 | 15 738 |
| payment and credit cards service | 24 484 | 20 272 |
| revenue from bancassurance activity | 21 338 | 34 113 |
| loans and advances | 13 637 | 15 669 |
| maintaining bank accounts | 25 363 | 18 667 |
| transfers | 8 903 | 8 806 |
| cash operations | 5 070 | 4 908 |
| debt purchased | 1 923 | 2 637 |
| guarantees, letters of credit, collection, commitments | 3 635 | 3 590 |
| other commissions | 15 757 | 9 759 |
| **Fee and commission expenses** | **-50 425** | **-41 601** |
| brokerage commissions | -688 | -837 |
| costs of card and ATM transactions, including costs of cards issued | -15 056 | -13 312 |
| insurance of bank products | -5 915 | -4 709 |
| commissions for access to ATMs | -5 259 | -5 136 |
| commissions paid under contracts for performing specific operations | -2 259 | -2 013 |
| costs of compensation, awards for customers | -5 143 | -3 861 |
| commissions paid to agents | -4 787 | -2 585 |
| assistance services for customers | -1 279 | -1 356 |
| costs of attracting customers | -1 951 | -1 388 |
| other commissions | -8 088 | -6 404 |
| **Net fee and commission income** | **87 517** | **92 558** |

The Bank does not engage in trust activities.

# 5. Separate trading result

| | 1.01.2016-31.03.2016 | 1.01.2015-31.03.2015 |
|---|---|---|
| FX transactions | 48 407 | 46 965 |
| Interest rate transactions | 7 588 | 15 469 |
| Ineffective part of hedge accounting | 610 | 990 |
| Other instruments | 1 560 | 991 |
| **Trading result** | **58 165** | **64 415** |

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.

(in PLN '000)

The result on interest rate transactions includes the results on: interest rate swaps, FRA, net interest income on CIRS transactions 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.

# 6. Separate net result realized on other financial instruments

| | 1.01.2016-31.03.2016 | 1.01.2015-31.03.2015 |
|---|---|---|
| Available- for- sale financial assets | 10 361 | 4 648 |
| Own issue | 248 | -77 |
| repurchase income | 279 | 131 |
| repurchase losses | -31 | -208 |
| Investment certificates | 1 | 0 |
| **Net result realized on other financial instruments** | **10 610** | **4 571** |

# 7. Separate net other operating income

| | 1.01.2016-31.03.2016 | 1.01.2015-31.03.2015 |
|---|---|---|
| **Other operating income from:** | **13 871** | **13 392** |
| management of third party assets | 1 626 | 753 |
| received compensations, fines and penalties | 14 | 31 |
| income from contracts with business partners | 218 | 1 747 |
| sale of debt | 0 | 3 |
| reimbursement of costs of claim enforcement | 5 082 | 5 000 |
| reimbursement of fees by customers | 4 004 | 3 952 |
| received compensations | 866 | 142 |
| other | 2 061 | -2 048 |
| **Other operating expenses due to:** | **-4 583** | **-5 537** |
| management of third party assets | -485 | -585 |
| paid compensations, fines and penalties | -31 | -256 |
| awards given to customers | -258 | -94 |
| Paid compensations, settlements, complaints | -1 031 | -1 948 |
| fees and costs of claim enforcement | -1 862 | -1 897 |
| other | -916 | -757 |
| **Net other operating income and expense** | **9 288** | **7 855** |

# 8. Separate general administrative expenses

| | 1.01.2016-31.03.2016 | 1.01.2015-31.03.2015 |
|---|---|---|
| **Payroll costs** | **-146 035** | **-132 735** |
| remuneration due to employment contracts | -121 779 | -108 438 |
| remuneration surcharges | -22 773 | -22 166 |
| share-based payments | 0 | -909 |
| other | -1 483 | -1 222 |
| **General and administrative costs** | **-98 246** | **-86 497** |
| IT costs | -12 827 | -8 387 |
| lease and building maintenance expenses | -34 088 | -35 862 |

(in PLN '000)

| | | |
|---|---|---|
| marketing costs | -9 104 | -7 638 |
| training costs | -5 250 | -2 115 |
| cost of advisory services | -4 553 | -3 703 |
| costs of Banking Guarantee Fund | -18 908 | -13 785 |
| lease of property, plant and equipment and intangible assets | -934 | -791 |
| costs of telecommunications services | -2 930 | -3 855 |
| external services | -6 118 | -7 618 |
| other | -3 534 | -2 743 |
| **Amortization and depreciation** | **-24 545** | **-18 016** |
| property, plant and equipment | -15 367 | -10 924 |
| intangible assets | -9 178 | -7 092 |
| Taxes and fees | -2 730 | -1 993 |
| **Total general administrative expenses** | **-271 556** | **-239 241** |

# 9. Separate net impairment allowance and write-downs

| | 1.01.2016-31.03.2016 | 1.01.2015-31.03.2015 |
|---|---|---|
| Impairment losses on impaired loans and advances to customers | -161 366 | -126 681 |
| financial sector | -496 | -1 927 |
| non-financial sector | -160 870 | -124 754 |
| retail customers | -111 289 | -83 171 |
| business customers | -49 581 | -41 583 |
| Debt securities | -6 974 | 0 |
| IBNR for customers without impairment losses | 1 512 | -2 448 |
| financial sector | 628 | 165 |
| non-financial sector | 884 | -2 613 |
| retail customers | -2 229 | -1 583 |
| business customers | 3 113 | -1 030 |
| Off-balance reserve | -4 843 | -741 |
| Property, plant and equipment and intangible assets | -3 452 | -2 201 |
| **Net impairment allowance and write-downs** | **-175 123** | **-132 071** |

# 10. Separate corporate income tax

| **10.1 Recognized in the income statement** | 1.01.2016-31.03.2016 | 1.01.2015-31.03.2015 |
|---|---|---|
| Current tax | 64 451 | 30 452 |
| Current tax | 64 451 | 30 452 |
| Deferred tax | -37 701 | -6 508 |
| temporary differences - origination and reversal | -37 701 | -6 508 |
| **Total tax for accounting purposes recognized in the income statement** | **26 750** | **23 944** |

| **10.2 Effective tax rate calculation** | 1.01.2016-31.03.2016 | 1.01.2015-31.03.2015 |
|---|---|---|
| **Profit before tax** | **110 396** | **108 573** |
| **Income tax (19%)** | **20 975** | **20 629** |
| **Non-deductible costs** | **14 398** | **3 318** |
| Representation costs | 49 | 32 |
| PFRON | 267 | 287 |
| Impairment losses on loans in the part not covered with deferred tax | 60 | 220 |
| Prudential charge to BGF | 1 154 | 2 234 |
| The tax on financial institutions | 3 914 | 0 |

(in PLN '000)

| | | |
|---|---|---|
| Costs of provisions for management options | 0 | 173 |
| Inne | 365 | 372 |
| **Non-taxable revenues** | **-34** | **-3** |
| Release of loan impairment allowances in the part not covered with the deferred tax | -1 | -1 |
| Other | -33 | -2 |
| **Accounting tax recognized in the income statement** | **26 750** | **23 944** |
| **Effective tax rate** | **24,23%** | **22,05%** |

# 11. Earnings per share

| | 1.01.2016-31.03.2016 | 1.01.2015-31.03.2015 |
|---|---|---|
| Net profit | 83 646 | 84 630 |
| Weighted average number of ordinary shares | 72 088 316 | 70 401 293 |
| Share options | 2 979 272 | 3 196 587 |
| Adjusted weighted average number of shares | 75 067 588 | 73 597 880 |
| Net earnings per ordinary share (PLN) | **1.16** | **1.20** |
| Dilluted earnings per one share | **1.11** | **1.15** |

# Notes to the interim condensed separate statement of financial position

# 12. Cash and balances with the Central Bank

| | As at 31.03.2016 | As at 31.12.2015 |
|---|---|---|
| Current account with the Central Bank | 470 821 | 1 559 981 |
| Cash | 194 961 | 190 154 |
| **Cash and balances with the central bank** | **665 782** | **1 750 135** |

# 13. Available-for-sale financial assets

| 13.1 By type | As at 31.03.2016 | As at 31.12.2015 |
|---|---|---|
| **Debt instruments** | **5 993 940** | **4 239 445** |
| issued by the State Treasury - T-bonds | 5 368 482 | 3 773 380 |
| issued by monetary institutions - money bills | 169 992 | 0 |
| issued by other financial institutions | 177 405 | 176 995 |
| bonds | 60 492 | 60 486 |
| Eurobonds | 116 913 | 116 509 |
| issued by companies | 278 061 | 289 070 |
| bonds | 278 061 | 289 070 |
| **Equity instruments** | **14 147** | **13 674** |
| **Available-for-sale financial assets** | **6 008 087** | **4 253 119** |

| 13.2 By maturity | As at 31.03.2016 | As at 31.12.2015 |
|---|---|---|
| without set maturity date | 14 146 | 13 675 |
| ≤ 1M | 169 993 | 0 |
| > 1M ≤ 3M | 41 848 | 17 088 |
| > 3M | 149 348 | 254 486 |
| > 6M ≤ 1Y | 910 117 | 366 016 |
| > 1Y ≤ 2Y | 1 278 283 | 1 134 855 |
| > 2Y ≤ 5Y | 2 660 047 | 1 940 564 |

(in PLN '000)

| | | |
|---|---|---|
| > 5Y ≤ 10Y | 784 305 | 526 435 |
| **Available-for-sale financial assets** | **6 008 087** | **4 253 119** |

| **13.3 Impairment allowance on debt instruments** | **As at 31.03.2016** | | **As at 31.12.2015** | |
|---|---|---|---|---|
| | **Gross value of receivables** | **Amount of write-down** | **Gross value of receivables** | **Amount of write-down** |
| Bonds issued by companies | 94 985 | 21 446 | 101 122 | 14 472 |

| **13.4 Change in the balance of debt instruments impairment allowances** | **As at 31.03.2016** | **As at 31.12.2015** | **As at 31.03.2016** |
|---|---|---|---|
| Opening balance | 14 472 | 6 491 | 6 491 |
| Changes in write-downs- Increases | 6 974 | 7 981 | 0 |
| **Impairment allowances at the end of the period** | **21 446** | **14 472** | **6 491** |

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

In accordance with IFRS 13, the Bank 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

(in PLN '000)

financial standing. As at the end of the first quarter of 2016, sensitivity of valuation of such assets to credit spread increases of 1 base point amounted to PLN 92 thousand.

In the period from 1 January to 31 March 2016, there were no movements of securities between the fair value hierarchy levels.

| 13.5 Fair value | As at 31.03.2016 | As at 31.12.2015 |
|---|---|---|
| **Level 1** | **5 485 395** | **3 889 889** |
| T-bonds | 5 368 482 | 3 773 380 |
| Other bonds | 116 913 | 116 509 |
| **Level 2** | **169 992** | **0** |
| Money bills | 169 992 | 0 |
| **Level 3** | **0** | **363 230** |
| Equity instruments | 14 147 | 13 674 |
| Other bonds | 338 553 | 349 556 |
| **Valuation of available for sale financial assets by level** | **6 008 087** | **4 253 119** |

| 13.6 Movements on financial assets available for sale classified to level 3 | As at 31.03.2016 | As at 31.03.2015 |
|---|---|---|
| Opening balance | **363 230** | **374 601** |
| Increases, including | **17 372** | **9 147** |
| Acquisition | 17 468 | 7 000 |
| Other changes presented in the profit and loss account | 0 | 1 990 |
| Fair value adjustment | -97 | 157 |
| Foreign exchange differences | 1 | 0 |
| Decreases, including | **-27 902** | **-42 560** |
| Sale | -23 050 | -42 550 |
| Other changes recognised in income statement | -4 852 | 0 |
| Foreign exchange differences | 0 | -10 |
| **Financial assets available for sale classified as level 3 at the end of the period** | **352 700** | **341 188** |

The measurement of available-for-sale assets is presented in 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.

# 14. Loans and advances to customers

| 14.1 By type | As at 31.03.2016 | As at 31.12.2015 |
|---|---|---|
| **Retail segment** | **18 543 906** | **17 595 314** |
| Working capital facility | 179 957 | 167 635 |
| Consumer loans | 9 114 806 | 8 699 017 |
| Consumer finance loans | 865 107 | 748 948 |
| Loans for purchase of securities | 120 121 | 119 069 |
| Credit card borrowings loans | 217 315 | 225 629 |
| Loans for residential real estate | 7 115 750 | 6 717 911 |
| Other mortgage loans | 899 814 | 896 008 |
| Other receivables | 31 036 | 21 097 |
| **Corporate segment** | **14 200 332** | **13 318 676** |
| Working capital facility | 7 879 931 | 7 361 826 |
| Car loans | 59 637 | 70 394 |

(in PLN '000)

| | | |
|---|---|---|
| Investment loans | 5 696 166 | 5 487 618 |
| Acquired receivables (factoring) | 438 639 | 376 403 |
| Other receivables | 125 959 | 22 435 |
| **Loans and advances to customers** | **32 744 238** | **30 913 990** |

| **14.2 By gross amounts and carrying amounts** | **As at 31.03.2016** | **As at 31.12.2015** |
|---|---|---|
| **Retail segment** | **18 543 906** | **17 595 314** |
| Loans for residential real estate | 7 115 750 | 6 717 911 |
| unimpaired | 6 996 759 | 6 593 746 |
| impaired | 186 635 | 189 075 |
| IBNR | -5 042 | -4 811 |
| Impairment allowance | -62 602 | -60 099 |
| Consumer finance loans | 865 107 | 748 947 |
| unimpaired | 853 477 | 737 841 |
| impaired | 51 893 | 50 221 |
| IBNR | -1 570 | -1 456 |
| Impairment allowance | -38 693 | -37 659 |
| Other retail loans | 10 563 049 | 10 128 456 |
| unimpaired | 10 161 563 | 9 732 180 |
| impaired | 1 503 176 | 1 378 919 |
| IBNR | -122 238 | -120 367 |
| Impairment allowance | -979 452 | -862 276 |
| **Corporate segment** | **14 200 332** | **13 318 676** |
| unimpaired | 13 591 891 | 12 741 034 |
| impaired | 1 506 546 | 1 428 322 |
| IBNR | -35 511 | -39 248 |
| Impairment allowance | -862 594 | -811 432 |
| **Loans and advances to customers** | **32 744 238** | **30 913 990** |

| **14.3 Receivables from customers impaired** | **As at 31.03.2016** | **As at 31.12.2015** |
|---|---|---|
| **Receivables from customers individually assessed** | **560 768** | **546 026** |
| **Retail segment** | **1 289** | **9 512** |
| Amounts due from customers | 9 263 | 87 157 |
| Impairment allowance | -7 973 | -77 645 |
| **Corporate segment** | **559 478** | **536 514** |
| Amounts due from customers | 1 139 875 | 1 095 419 |
| Impairment allowance | -580 397 | -558 905 |
| **Receivables from customers collectively assessed** | **744 140** | **729 045** |
| **Retail segment** | **659 667** | **648 669** |
| Amounts due from customers | 1 732 441 | 1 531 058 |
| Impairment allowance | -1 072 774 | -882 389 |
| **Corporate segment** | 84 473 | **80 376** |
| Amounts due from customers | 366 670 | 332 903 |
| Impairment allowance | -282 197 | -252 527 |
| **Receivables from customers impaired** | **1 304 908** | **1 275 071** |

(in PLN '000)

| 14.4 Change in the balance of impairment allowance on loans and advances to customers and IBNR provision | As at 31.03.2016 | As at 31.12.2015 |
|---|---|---|
| Opening balance | 1 937 348 | 1 289 770 |
| Changes due to the acquisition of a subsidiary | 0 | 416 951 |
| Changes during the year: | 159 854 | 650 863 |
| Increases | 548 842 | 2 093 853 |
| Retail segment | 449 258 | 1 616 744 |
| Corporate segment | 99 584 | 477 109 |
| Decreases | -388 988 | -1 442 990 |
| Retail segment | -335 740 | -1 168 843 |
| Corporate segment | -53 248 | -274 147 |
| Transfer to costs | -275 | -419 473 |
| Other changes | 10 775 | -763 |
| **Impairment allowance and IBNR provision at the end of the period** | **2 107 702** | **1 937 348** |

| 14.5 By maturity (as at the balance sheet date) | As at 31.03.2016 | As at 31.12.2015 |
|---|---|---|
| **Retail segment** | **18 543 906** | **17 595 314** |
| ≤ 1M | 2 022 301 | 2 013 348 |
| > 1M ≤ 3M | 414 398 | 389 891 |
| > 3M ≤ 6M | 561 215 | 547 084 |
| > 6M ≤ 1Y | 1 076 286 | 1 007 076 |
| >1Y ≤ 2Y | 1 627 101 | 1 534 368 |
| >2Y ≤ 5Y | 3 700 730 | 3 473 595 |
| >5Y ≤ 10Y | 3 848 532 | 3 554 046 |
| >10Y ≤ 20Y | 2 956 780 | 2 819 119 |
| >20Y | 2 336 563 | 2 256 787 |
| **Corporate segment** | **14 200 332** | **13 318 676** |
| ≤ 1M | 5 276 004 | 4 798 766 |
| > 1M ≤ 3M | 825 073 | 759 175 |
| > 3M ≤ 6M | 529 974 | 593 919 |
| > 6M ≤ 1Y | 1 130 052 | 1 141 133 |
| >1Y ≤ 2Y | 1 196 901 | 1 303 699 |
| >2Y ≤ 5Y | 2 538 937 | 2 286 486 |
| >5Y ≤ 10Y | 1 925 460 | 1 820 024 |
| >10Y ≤ 20Y | 777 931 | 615 474 |
| **Loans and advances to customers** | **32 744 238** | **30 913 990** |

| 14.6 By currency | As at 31.03.2016 | As at 31.12.2015 |
|---|---|---|
| **Retail segment** | **18 543 906** | **17 595 314** |
| PLN | 17 247 905 | 16 343 892 |
| EUR | 960 800 | 933 316 |
| GBP | 141 833 | 124 376 |
| USD | 23 011 | 20 706 |

(in PLN '000)

| | | |
|---|---|---|
| CHF | 169 976 | 173 018 |
| Other currencies | 381 | 6 |
| **Corporate segment** | **14 200 332** | **13 318 676** |
| PLN | 11 619 516 | 10 675 538 |
| EUR | 2 432 474 | 2 542 871 |
| GBP | 8 260 | 5 210 |
| USD | 109 173 | 61 924 |
| CHF | 30 909 | 33 133 |
| **Total receivables** | **32 744 238** | **30 913 990** |

# 15. Amounts due from banks

| 15.1 By type | As at 31.03.2016 | As at 31.12.2015 |
|---|---|---|
| Current accounts | 238 520 | 339 131 |
| Overnight Deposits (O/N) | 56 386 | |
| Term deposits | 16 857 | 113 062 |
| Deposits as derivative transactions (ISDA) collateral | 195 252 | 171 406 |
| Other | 14 255 | 18 941 |
| **Amounts due from banks** | **521 270** | **642 540** |

| 15.2 By maturity (as at the balance sheet date) | As at 31.03.2016 | As at 31.12.2015 |
|---|---|---|
| ≤ 1M | 521 180 | 642 345 |
| > 1M ≤ 3M | 90 | 90 |
| > 3M ≤ 6M | 0 | 105 |
| **Amounts due from banks** | **521 270** | **642 540** |

| 15.3 By currency | As at 31.03.2016 | As at 31.12.2015 |
|---|---|---|
| PLN | 17 534 | 25 810 |
| EUR | 187 254 | 126 831 |
| GBP | 29 336 | 86 572 |
| USD | 123 513 | 183 566 |
| CHF | 26 358 | 75 986 |
| Other currencies | 137 274 | 143 775 |
| **Amounts due from banks** | **521 270** | **642 540** |

Forward repo/reverse repo transactions are concluded by the Bank 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 Bank's liquidity buffer (liquid assets). As at the end of March 2016, the Bank did not have any reverse repo transactions.

(in PLN '000)

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

# 16. Other assets

| 16.1 Other assets | As at 31.03.2016 | As at 31.12.2015 |
|---|---|---|
| **Sundry debtors** | **317 538** | **363 771** |
| Other settlements | 100 341 | 90 154 |
| Receivables related to the sale of goods and services (including insurance) | 121 463 | 113 114 |
| Guarantee deposits | 11 905 | 11 813 |
| Settlements of payment cards | 83 829 | 148 690 |
| **Deferred costs** | **38 165** | **34 504** |
| Settlements of rental charges and utilities | 1 293 | 1 484 |
| Maintenance and support of systems, servicing of plant and equipment | 8 998 | 4 330 |
| Other deferred costs | 27 874 | 28 690 |
| Szacowana dotacja od BGF | 50 501 | 0 |
| **Settlements of VAT** | **17 838** | **17 239** |
| **Other assets (gross)** | **424 042** | **415 514** |
| Impairment allowances | -28 205 | -28 689 |
| **Other assets (net)** | **395 837** | **386 825** |
| including financial assets | 317 538 | 363 771 |

| 16.2 Change in the balance of other assets impairment allowances | As at 31.03.2016 | As at 31.03.2015 |
|---|---|---|
| Opening balance | 28 689 | 7 204 |
| Changes during the year: | -484 | 1 645 |
| Increases | 265 | 1 649 |
| Decreases | -749 | -4 |
| **Impairment allowances at the end of the period** | **28 205** | **8 849** |

# 17. Amounts due to customers

| 17.1 By type | As at 31.03.2016 | As at 31.12.2015 |
|---|---|---|
| Current deposits | 12 690 255 | 12 481 435 |
| Term deposits | 20 390 251 | 18 541 682 |
| Own issue of Banking Securities | 2 348 731 | 2 259 230 |
| Other liabilities | 371 921 | 392 329 |
| **Total amounts due to customers** | **35 801 158** | **33 674 676** |

| 17.2 By customer type and segment | As at 31.03.2016 | As at 31.12.2015 |
|---|---|---|
| **Retail segment** | **23 293 384** | **21 409 075** |
| Current deposits | 8 999 422 | 8 485 256 |
| Term deposits | 14 023 331 | 12 666 033 |
| Banking securities issued | 64 252 | 54 280 |
| Other liabilities | 206 379 | 203 506 |
| **Corporate segment** | **12 507 774** | **12 265 601** |
| Current deposits | 3 690 832 | 3 996 179 |
| Term deposits | 6 366 920 | 5 875 649 |
| Banking securities issued | 2 284 479 | 2 204 950 |

(in PLN '000)

| | | |
|---|---|---|
| Other liabilities | 165 542 | 188 823 |
| **Total amounts due to customers** | **35 801 158** | **33 674 676** |

| 17.3 By maturity (as at the balance sheet date) | As at 31.03.2016 | As at 31.12.2015 |
|---|---|---|
| **Retail segment** | **23 293 384** | **21 409 075** |
| ≤ 1M | 12 399 113 | 11 358 478 |
| > 1M ≤ 3M | 4 486 204 | 4 296 204 |
| > 3M ≤ 1Y | 5 383 176 | 5 122 282 |
| > 1Y ≤ 5Y | 1 014 909 | 622 687 |
| >5Y | 9 982 | 9 424 |
| **Corporate segment** | **12 507 774** | **12 265 601** |
| ≤ 1M | 8 020 501 | 7 729 311 |
| > 1M ≤ 3M | 1 311 085 | 1 343 848 |
| > 3M ≤ 1Y | 1 414 098 | 1 326 868 |
| > 1Y ≤ 5Y | 1 725 813 | 1 858 131 |
| >5Y | 36 277 | 7 443 |
| **Total amounts due to customers** | **35 801 158** | **33 674 676** |

| 17.4 By currency | As at 31.03.2016 | As at 31.12.2015 |
|---|---|---|
| **Retail segment** | **23 293 384** | **21 409 075** |
| PLN | 20 107 471 | 18 622 111 |
| EUR | 1 523 210 | 1 356 917 |
| GBP | 306 553 | 236 508 |
| USD | 1 150 229 | 1 010 704 |
| CHF | 89 882 | 70 709 |
| Other currencies | 116 039 | 112 126 |
| **Corporate segment** | **12 507 774** | **12 265 601** |
| PLN | 10 944 111 | 10 967 006 |
| EUR | 1 181 761 | 968 998 |
| GBP | 53 048 | 42 636 |
| USD | 294 630 | 255 253 |
| CHF | 11 018 | 8 159 |
| Other currencies | 23 206 | 23 549 |
| **Total amounts due to customers** | **35 801 158** | **33 674 676** |

# 18. Amounts due to banks

| 18.1 By type | As at 31.03.2016 | As at 31.12.2015 |
|---|---|---|
| Current deposits | 11 011 | 11 012 |
| Overnights | 0 | 30 701 |
| Term deposits | 0 | 197 826 |
| Banking securities issued | 32 916 | 32 666 |
| Credit received | 0 | 0 |
| Other liabilities | 205 289 | 203 262 |
| Repo | 153 805 | 575 561 |
| **Total liabilities** | **403 021** | **1 051 028** |

| 18.2 By maturity (as at the balance sheet date) | As at 31.03.2016 | As at 31.12.2015 |
|---|---|---|
| ≤ 1M | 382 869 | 918 074 |
| > 1M ≤ 3M | 0 | 100 288 |
| > 1Y ≤ 5Y | 20 152 | 32 666 |
| **Total amounts due to banks** | **403 021** | **1 051 028** |

(in PLN '000)

| 18.3 By currency | As at 31.03.2016 | As at 31.12.2015 |
|---|---|---|
| PLN | 317 480 | 830 987 |
| EUR | 68 323 | 31 401 |
| USD | 17 218 | 178 225 |
| GBP | 0 | 10 415 |
| **Total amounts due to banks** | **403 021** | **1 051 028** |

# 19. Provisions

| | Provisions for disputed claims | Provisions for retirement and pension benefits | Provisions for off-balance sheet liabilities | Total provisions |
|---|---|---|---|---|
| As at 1 January 2016 | 3 219 | 1 070 | 5 512 | 9 801 |
| Provisions recorded | 171 | 0 | 7 293 | 7 464 |
| Provisions released | -17 | 0 | -2 450 | -2 467 |
| Provisions utilized | 0 | -18 | 0 | -18 |
| Other changes | 0 | 217 | 0 | 217 |
| **As at 31 March 2016** | **3 373** | **1 269** | **10 355** | **14 997** |

| | Provisions for disputed claims | Provisions for retirement and pension benefits | Provisions for off-balance sheet liabilities | Total provisions |
|---|---|---|---|---|
| As at 1 January 2015 | 2 513 | 824 | 4 974 | 8 311 |
| Provisions recorded | 241 | 7 | 2 194 | 2 442 |
| Provisions released | 0 | 0 | -1 506 | -1 506 |
| Provisions utilized | -482 | 0 | 0 | -482 |
| Other changes | 0 | 0 | 0 | 0 |
| **As at 31 March 2015** | **2 272** | **831** | **5 662** | **8 765** |

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 Bank 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.

# 20. Other liabilities

| | As at 31.03.2016 | As at 31.12.2015 |
|---|---|---|
| Interbank settlements | 342 725 | 183 574 |
| Taxation, customs duty, social and health insurance payables and other public settlements | 28 622 | 25 473 |
| Liabilities in respect of payment card settlements | 9 752 | 4 980 |
| Other settlements | 144 711 | 89 810 |
| including settlements with insurers | 57 620 | 66 941 |
| Settlements of banking certificates of deposits | 106 833 | 680 |
| Accruals | 59 085 | 51 416 |

(in PLN '000)

| | | |
|---|---|---|
| Income received in advance | 60 636 | 50 356 |
| Provision for bancassurance resignations | 97 343 | 94 045 |
| Provision for employee benefits | 32 849 | 24 187 |
| Other liabilities | 1 722 | 1 872 |
| Unregistered capital | | 0 |
| **Total other liabilities** | **884 278** | **526 393** |
| including financial liabilities | 497 188 | 278 364 |

Settlements with insurers comprise insurance premiums relating to the cover granted by the Bank to its Customers under one of the group insurance contracts (concluded by the Bank with insurers and offered to its Customers).
There were no such liabilities in respect of which the Bank did not settle its payment liabilities resulting from the contracts concluded as at 31 March 2016 and 31 December 2015.

# 21. 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 31 March 2016, 31 December 2015 and 31 March 2015. Derivative transactions are concluded for trading purposes and for the purpose of managing market risk. The Bank 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 Bank also enters into option transactions. In accordance with the binding laws, in concluding option transactions, the Bank 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).

| **21.1 Derivative financial instruments (nominal value)** | **As at 31.03.2016** | **As at 31.12.2015** |
|---|---|---|
| Interest rate transactions | 20 038 529 | 20 013 372 |
| SWAP | 18 266 032 | 17 249 149 |
| FRA | 0 | 1 000 000 |
| Cap Floor Options | 1 772 497 | 1 764 223 |
| Foreign exchange transactions | 7 355 073 | 6 922 921 |
| FX swap | 1 925 410 | 1 535 293 |
| FX forward | 1 879 342 | 1 881 094 |
| CIRS | 2 458 059 | 2 639 757 |
| FX options | 1 092 262 | 866 777 |
| Other options | 4 578 009 | 4 312 272 |
| Other instruments | 452 623 | 618 590 |
| **Derivative financial instruments (nominal value)** | **32 424 234** | **31 867 155** |

(in PLN '000)

| 21.2 Financial assets held for trading | As at 31.03.2016 | As at 31.12.2015 |
|---|---|---|
| Shares | 3 935 | 1 335 |
| Bonds | 271 | 311 |
| Certificates | 1 573 | 1 610 |
| Interest rate transactions | 209 226 | 198 578 |
| SWAP | 204 517 | 193 522 |
| Cap Floor Options | 4 709 | 5 056 |
| Foreign exchange transactions | 103 130 | 132 012 |
| FX swap | 25 409 | 14 713 |
| FX forward | 39 605 | 49 768 |
| CIRS | 29 013 | 58 407 |
| FX options | 9 103 | 9 124 |
| Other options | 24 738 | 34 555 |
| Other instruments | 16 925 | 22 168 |
| **Financial assets held for trading** | **359 798** | **390 569** |

| 21.3 By maturity | As at 31.03.2016 | As at 31.12.2015 |
|---|---|---|
| Without specified maturity date | 5 509 | 2 953 |
| ≤ 1W | 9 578 | 4 266 |
| > 1W ≤ 1M | 28 521 | 35 643 |
| > 1M ≤ 3M | 42 550 | 24 146 |
| > 3M ≤ 6M | 26 023 | 38 524 |
| > 6M ≤ 1Y | 20 572 | 46 351 |
| > 1Y ≤ 2Y | 48 777 | 67 000 |
| > 2Y ≤ 5Y | 130 764 | 131 639 |
| > 5Y ≤ 10Y | 47 504 | 40 047 |
| **Financial assets held for trading** | **359 798** | **390 569** |

| 21.4 Financial liabilities held for trading | As at 31.03.2016 | As at 31.12.2015 |
|---|---|---|
| Interest rate transactions | 203 186 | 194 355 |
| SWAP | 198 465 | 188 999 |
| FRA | 0 | 289 |
| Cap Floor Options | 4 721 | 5 067 |
| Foreign exchange transactions | 95 568 | 61 849 |
| FX swap | 18 124 | 1 917 |
| FX forward | 17 069 | 7 747 |
| CIRS | 51 248 | 43 058 |
| FX options | 9 127 | 9 127 |
| Other options | 24 738 | 34 555 |
| Other instruments | 15 494 | 19 421 |
| **Financial liabilities held for trading** | **338 986** | **310 180** |

(in PLN '000)

| 21.5 By maturity | As at 31.03.2016 | As at 31.12.2015 |
|---|---|---|
| ≤ 1W | 8 273 | 1 828 |
| > 1W ≤ 1M | 18 498 | 9 134 |
| > 1M ≤ 3M | 56 453 | 17 125 |
| > 3M ≤ 6M | 32 976 | 54 686 |
| > 6M ≤ 1Y | 19 614 | 31 535 |
| > 1Y ≤ 2Y | 53 758 | 47 421 |
| > 2Y ≤ 5Y | 107 661 | 120 159 |
| > 5Y ≤ 10Y | 41 753 | 28 292 |
| **Financial liabilities held for trading** | **338 986** | **310 180** |

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

In accordance with IFRS 13, the Bank 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 31 March 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 3.9 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 31 March 2016, there were no movements of financial instruments between the fair value hierarchy levels.

(in PLN '000)

| 21.6 Valuation of financial assets | As at 31.03.2016 | As at 31.12.2015 |
|---|---|---|
| **Level 1** | **14 232** | **13 061** |
| Shares | 3 935 | 1 335 |
| Bonds | 271 | 311 |
| Certificates | 1 573 | 1 610 |
| Other instruments | 8 453 | 9 805 |
| **Level 2** | **320 828** | **342 953** |
| SWAP | 204 517 | 193 522 |
| Cap Floor Options | 4 709 | 5 056 |
| FX swap | 25 409 | 14 713 |
| FX forward | 39 605 | 49 768 |
| CIRS | 29 013 | 58 407 |
| FX options | 9 103 | 9 124 |
| Other instruments | 8 472 | 12 363 |
| **Level 3** | **24 738** | **34 555** |
| Other options | 24 738 | 34 555 |
| **Total financial assets** | **359 798** | **390 569** |

| 21.7 Movements on financial assets classified to level 3 | As at 31.03.2016 | As at 31.03.2015 |
|---|---|---|
| **Opening balance** | **34 555** | **81 198** |
| **Increases, including** | **54 127** | **79 844** |
| Valuation of derivatives | 50 356 | 66 897 |
| Derivatives transactions | 3 771 | 12 947 |
| **Decreases, including** | **-63 944** | **-55 127** |
| Valuation of derivatives | -62 212 | -46 932 |
| Settlement/redemption | -1 732 | -8 195 |
| **Financial assets classified as level 3 at the end of the period** | **24 738** | **105 915** |

| 21.8 Valuation of financial liabilities | As at 31.03.2016 | As at 31.12.2015 |
|---|---|---|
| **Level 1** | **10 947** | **15 716** |
| Other instruments | 10 947 | 15 716 |
| **Level 2** | **303 303** | **259 909** |
| SWAP | 198 465 | 188 999 |
| Cap Floor Options | 4 721 | 5 067 |
| FX swap | 18 124 | 1 917 |
| FX forward | 17 069 | 7 747 |
| CIRS | 51 248 | 43 058 |
| FX options | 9 127 | 9 127 |
| Other instruments | 4 547 | 3 705 |
| **Level 3** | **24 738** | **34 555** |
| Other options | 24 738 | 34 555 |
| **Total financial liabilities** | **338 986** | **310 180** |

(in PLN '000)

| 21.9 Movements on financial liabilities classified to level 3 | As at 31.03.2016 | As at 31.03.2015 |
|---|---|---|
| **Opening balance** | **34 555** | **81 198** |
| **Increases, including** | **53 935** | **79 839** |
| Valuation of derivatives | 50 164 | 66 892 |
| Derivatives transactions | 3 771 | 12 947 |
| **Decreases, including** | **-63 752** | **-55 122** |
| Valuation of derivatives | -62 020 | -46 927 |
| Settlement/redemption | -1 732 | -8 195 |
| **Financial liabilities classified as level 3 at the end of the period** | **24 738** | **105 915** |

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

## 22. Hedge accounting

The Bank 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 Bank 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.

| 22.1 Hedging instruments (nominal value) | As at 31.03.2016 | As at 31.12.2015 |
|---|---|---|
| Interest rate transactions | 11 695 000 | 10 795 000 |
| SWAP | 11 695 000 | 10 795 000 |
| **Hedging instruments (nominal value)** | **11 695 000** | **10 795 000** |

| 22.2 Financial assets held for trading-hedging instruments | As at 31.03.2016 | As at 31.12.2015 |
|---|---|---|
| Level 2 | 161 441 | 139 578 |
| Interest rate transactions | 161 441 | 139 578 |
| SWAP | 161 441 | 139 578 |
| **Financial assets held for trading-hedging instruments** | **161 441** | **139 578** |

| 22.3 By maturity | As at 31.03.2016 | As at 31.12.2015 |
|---|---|---|
| > 1W ≤ 1M | 15 074 | 0 |
| > 1M ≤ 3M | 71 060 | 2 608 |
| > 3M ≤ 6M | 7 344 | 62 334 |
| > 6M ≤ 1Y | 2 848 | 3 262 |
| > 1Y ≤ 2Y | 46 935 | 47 062 |
| > 2Y ≤ 5Y | 18 180 | 24 312 |
| **Financial assets held for trading-hedging instruments** | **161 441** | **139 578** |

(in PLN '000)

| 22.4 Financial liabilities held for trading-hedging instruments | As at 31.03.2016 | As at 31.12.2015 |
|---|---|---|
| Level 2 | 507 | 0 |
| Interest rate transactions | 507 | 0 |
| SWAP | 507 | 0 |
| **Financial liabilities held for trading-hedging instruments** | **507** | **0** |

| 22.5 By maturity | As at 31.03.2016 | As at 31.12.2015 |
|---|---|---|
| > 1Y ≤ 2Y | 411 | 0 |
| > 2Y ≤ 5Y | 96 | 0 |
| **Financial liabilities held for trading-hedging instruments** | **507** | **0** |

22.6 Nominal value of hedging instruments by maturity

| Instrument type | Nominal value as at 31 March 2016 | | | | | |
|---|---|---|---|---|---|---|
| | within 1 month | from 1 to 3 months | from 3 months to 1 year | from 1 to 5 years | more than 5 years | Total |
| IRS PLN FIXED - FLOAT | 1 250 000 | 4 000 000 | 1 810 000 | 4 635 000 | 0 | 11 695 000 |

# 23. Equity

| 23.1 Equity | As at 31.03.2016 | As at 31.12.2015 |
|---|---|---|
| Share capital | 727 075 | 727 075 |
| Supplementary capital | 2 592 083 | 2 280 668 |
| Other reserves | 184 894 | 184 894 |
| Revaluation reserve | 22 606 | 15 215 |
| On measurement of available for sale assets | 2 263 | -6 824 |
| On measurement of hedging derivatives | 20 343 | 22 039 |
| Profit/(loss) for the year | 83 646 | 311 415 |
| **Total equity** | **3 610 304** | **3 519 267** |

| 23.2 Revaluation reserve | As at 31.03.2016 | As at 31.12.2015 |
|---|---|---|
| Valuation of financial assets available for sale | 2 263 | -6 824 |
| treasury bonds | 3 169 | -8 102 |
| other bonds | -376 | -323 |
| deferred tax | -530 | 1 601 |
| Valuation of hedging instruments | 20 343 | 22 039 |
| IRS | 25 116 | 27 209 |
| deferred tax | -4 773 | -5 170 |
| **Revaluation reserve** | **22 606** | **15 215** |

# 24. 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),

(in PLN '000)

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 Bank uses such a method. The selected measurement techniques are primarily based on market data. They use Bank-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 Bank 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 Bank's financial instruments presented in the balance sheet at fair value as at 31 March 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 31 March 2016 amounted to PLN -1,336 thousand. The total amount of BCVA adjustment comprises the CVA adjustment (reflecting counterparty insolvency risk only) in the amount of PLN -1,617 thousand, and the DVA adjustment (reflecting the risk of the Bank's insolvency) in the amount of PLN +281 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).

(in PLN '000)

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 | | As at 31.03.2016 | | As at 31.12.2015 | |
|---|---|---|---|---|---|
| | Fair value hierarchy level | Carrying amount | Fair value | | Fair value hierarchy level |
| Cash and balances with the Central Bank | level 1 | 665 782 | 665 782 | 1 750 135 | 1 750 135 |
| Loans and advances to customers: | level 3 | 32 744 238 | 31 738 891 | 30 913 990 | 30 271 934 |
| **Retail segment (carrying amount)** | | | | | |
| Loans for purchase of securities | | 120 121 | 117 431 | 119 069 | 119 069 |
| Consumer loans | | 9 114 806 | 8 781 501 | 8 699 017 | 8 538 699 |
| Consumer finance loans | | 865 107 | 871 777 | 748 948 | 755 044 |
| Working capital facility | | 179 957 | 179 957 | 167 635 | 167 635 |
| Credit card borrowings loans | | 217 315 | 217 303 | 225 629 | 225 349 |
| Loans for residential real estate | | 7 115 750 | 6 675 080 | 6 717 911 | 6 317 227 |
| Other mortgage loans | | 899 814 | 861 805 | 896 008 | 845 181 |
| Other receivables | | 31 036 | 31 036 | 21 097 | 21 086 |
| **Corporate segment (carrying amount)** | | | | | |
| Working capital facility | | 7 879 931 | 7 833 197 | 7 361 826 | 7 306 525 |
| Car loans | | 59 637 | 59 636 | 70 394 | 70 390 |
| Investment loans | | 5 696 166 | 5 545 570 | 5 487 618 | 5 506 929 |
| Acquired receivables (factoring) | | 438 639 | 438 639 | 376 403 | 376 403 |
| Other receivables | | 125 959 | 125 959 | 22 435 | 22 397 |
| Amounts due from banks | level 3 | 521 270 | 521 270 | 642 540 | 642 540 |
| Assets held for sale | level 3 | 682 | 682 | 888 | 888 |
| Assets pledged as collateral | level 3 | 226 125 | 226 125 | 628 332 | 628 332 |
| Other assets | level 3 | 395 837 | 395 837 | 386 825 | 386 825 |
| Amounts due | | 36 204 179 | 36 215 569 | 34 725 704 | 34 702 649 |
| To banks | level 2 | | | | |
| Current deposits | | 11 011 | 11 011 | 11 012 | 11 012 |
| Overnight deposits (O/N) | | 0 | 0 | 30 701 | 30 701 |
| Term deposits | | 0 | 0 | 197 826 | 197 826 |
| Own issue of bank securities | | 32 916 | 33 241 | 32 666 | 33 008 |
| Other liabilities | | 205 289 | 205 289 | 203 262 | 203 262 |
| Repo | | 153 805 | 153 805 | 575 561 | 575 561 |
| To customers | level 3 | | | | |
| Current deposits | | 12 690 255 | 12 690 255 | 12 481 435 | 12 481 435 |
| Term deposits | | 20 390 251 | 20 390 251 | 18 541 682 | 18 541 682 |

(in PLN '000)

| | | | | | |
|---|---|---|---|---|---|
| Own issue of bank securities | | 2 348 731 | 2 359 796 | 2 259 230 | 2 268 499 |
| Other liabilities | | 371 921 | 371 921 | 392 329 | 392 329 |
| Subordinated liabilities | level 3 | 937 739 | 937 739 | 896 298 | 896 298 |
| Other liabilities | level 3 | 884 278 | 884 278 | 526 393 | 526 393 |
| Financial guarantees | level 3 | 5 809 | 5 809 | 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 Bank 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 amortised cost:

The Bank 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

| Measurement for the purposes of disclosure | As at 31.03.2016 | Measurement method (techniques) | Material unobservable input data |
|---|---|---|---|
| Amounts due from customers | 31 738 891 | comparative valuation | margins on newly extended loans |

(in PLN '000)

| | | | |
|---|---|---|---|
| Financial liabilities measured at amortized cost | 36 215 569 | discounted cash flows | issue spread above market curve |
| Guarantees | 5 809 | 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<br>CIRS transactions: NBP fixing rates, yield curves based on money market deposit rates and quotations of: FRA, OIS, IRS transactions; FX basis swap points<br>FX options: yield curves, fx rate variability curves.<br>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: futures quotation curves |
| 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 |

# 25. Capital adequacy ratio

| Calculation of funds and capital adequacy ratio | As at 31.03.2016 | As at 31.12.2015 |
|---|---|---|
| **Total own funds for the capital adequacy ratio** | **4 018 776** | **3 854 619** |
| **Common equity Tier I capital** | **3 143 445** | **2 977 213** |
| **Tier II capital** | **875 331** | **877 406** |
| **Capital requirements** | **2 379 029** | **2 459 640** |
| Capital requirements for the following risks: credit, counterparty, credit valuation adjustment, dilution and delivery of instruments to be settled at a later date | 2 083 131 | 2 216 262 |
| Total capital requirements for the following risks: equity instrument price risk, debt instrument price risk, commodity prices and FX risk | 2 822 | 2 520 |
| Capital requirement for general interest rate risks | 38 861 | 32 637 |
| Capital requirements for operating risk | 254 215 | 208 221 |
| **Tier 1** | **10.57%** | **9.68%** |
| **Capital adequacy ratio** | **13.51%** | **12.54%** |

As at 31 March 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").

(in PLN '000)

# 26. Off-balance-sheet items

| 26.1 Off-balance sheet contingent liabilities granted to customers | As at 31.03.2016 | As at 31.12.2015 |
|---|---|---|
| Off-balance sheet liabilities granted | 9 177 089 | 8 941 675 |
| Relating to financing | 7 699 745 | 7 371 753 |
| Guarantees | 1 477 344 | 1 569 922 |
| Performance guarantees | 385 787 | 389 028 |
| Financial guarantees | 1 091 557 | 1 180 894 |

| 26.2 By maturity - guarantee | As at 31.03.2016 | As at 31.12.2015 |
|---|---|---|
| ≤ 1W | 3 720 | 3 161 |
| > 1W ≤ 1M | 77 083 | 12 805 |
| > 1M ≤ 3M | 145 441 | 246 545 |
| > 3M ≤ 6M | 150 049 | 162 675 |
| > 6M ≤ 1Y | 221 159 | 249 422 |
| > 1Y ≤ 2Y | 215 089 | 241 726 |
| > 2Y ≤ 5Y | 278 684 | 275 080 |
| > 5Y ≤ 10Y | 379 141 | 377 746 |
| > 10Y ≤ 20Y | 6 978 | 762 |
| **Off-balance sheet liabilities granted in respect of guarantees** | **1 477 344** | **1 569 922** |

| 26.3 By maturity - financial | As at 31.03.2016 | As at 31.12.2015 |
|---|---|---|
| ≤ 1W | 2 143 452 | 2 266 042 |
| > 1W ≤ 1M | 23 520 | 12 145 |
| > 1M ≤ 3M | 122 198 | 307 386 |
| > 3M ≤ 6M | 359 116 | 184 031 |
| > 6M ≤ 1Y | 639 579 | 524 558 |
| > 1Y ≤ 2Y | 1 183 660 | 1 090 516 |
| > 2Y ≤ 5Y | 1 798 462 | 1 963 511 |
| > 5Y ≤ 10Y | 584 744 | 419 842 |
| > 10Y ≤ 20Y | 661 624 | 410 826 |
| > 20Y | 183 390 | 192 896 |
| **Off-balance sheet liabilities granted in respect of financing** | **7 699 745** | **7 371 753** |

The Bank offers its retail customers contingent liabilities in respect of renewable checking account overdraft limits and credit cards, which are granted for an indefinite period; at the same time, cash inflows to the account are monitored.
The Bank grants contingent liabilities to business customers in respect of:
- current account overdraft limits for a period of 12 months;
- guarantees, for a maximum period of 6 years;
- credit cards for an unlimited period (at the same time, cash inflows are monitored and portfolio or individual monitoring is performed);
- 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.

## 27. Acquisition of Spółdzielcza Kasa Oszczędnościowo - Kredytowa im. Stefana Kard. Wyszyńskiego

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. 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 50,501 thousand and disclosed in other assets

The acquired assets and liabilities are presented below:

| **Assets** | In PLN '000 |
|---|---|
| Amounts due from customers | 96 748 |
| Amounts due from banks (including the Central Credit Union) | 11 086 |
| Other financial instruments measured at fair value through profit or loss | 3 787 |
| Other assets | 2 263 |
| **Total assets** | **113 884** |

| **Equity and liabilities** | In PLN '000 |
|---|---|
| Amounts due to customers guaranteed by the BGF | 164 385 |
| Other liabilities | 2 695 |
| **Total equity and liabilities** | **167 080** |

| | |
|---|---|
| **Total net identifiable assets** | **-53 196** |
| Estimated subsidy | 50 501 |
| **Goodwill** | **2 695** |

(in PLN '000)

# 28. Assets pledged as collateral

| Assets pledged as collateral | As at 31.03.2016 | As at 31.12.2015 |
|---|---|---|
| Treasury bonds blocked for REPO transactions | 153 827 | 576 534 |
| Registered pledge on Treasury bonds | 35 710 | 37 060 |
| Security deposit for Alior Trader transactions | 36 588 | 14 738 |
| **Total carrying amount** | **226 125** | **628 332** |

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:

| | As at 31.03.2016 | As at 31.12.2015 |
|---|---|---|
| Treasury bonds blocked for the Bank Guarantee Fund | 179 617 | 159 570 |
| Security deposits for transactions on derivatives (ISDA) | 195 252 | 171 406 |
| **Carrying amount** | **374 869** | **330 976** |

# 29. Transactions with related entities

Transactions with related entities are described in the interim condensed consolidated financial statements in note 31 in addition to transactions with subsidiaries,which presented below

| Subsidiaries | As at 31.03.2016 | As at 31.12.2015 |
|---|---|---|
| **Assets** | | |
| Loans and advances to customers | 141 529 | 59 263 |
| Other assets | 630 | 409 |
| **Total assets** | **142 159** | **59 672** |
| **Liabilities and equity** | | |
| Financial liabilities measured at amortized cost due to customers | 4 511 | 11 134 |
| Other liabilities | 229 | |
| **Total liabilties and equity** | **4 740** | **11 134** |

| Subsidiaries | 1.01.2016-31.03.2016 | 1.01.2015-31.03.2015 |
|---|---|---|
| Interest income | 631 | 387 |
| Interest expense | -21 | -27 |
| Fee and commission income | 376 | 390 |
| Other operating income | 46 | 111 |
| General administrative expenses | 49 | 0 |
| **Total** | **1 081** | **861** |

# 30. Significant events after the balance sheet date

Significant events after the end of the reporting period are described in the interim condensed consolidated financial statements in note 40.

Signatures of all Management Board Members

| | | |
|---|---|---|
| 11.05.2016 | Wojciech Sobieraj<br>CEO | ...................................<br>Signature |
| 11.05.2016 | Małgorzata Bartler<br>Deputy CEO | ...................................<br>Signature |
| 11.05.2016 | Krzysztof Czuba<br>Deputy CEO | ...................................<br>Signature |
| 11.05.2016 | Joanna Krzyżanowska<br>Deputy CEO | ...................................<br>Signature |
| 11.05.2016 | Witold Skrok<br>Deputy CEO | ...................................<br>Signature |
| 11.05.2016 | Barbara Smalska<br>Deputy CEO | ...................................<br>Signature |
| 11.05.2016 | Katarzyna Sułkowska<br>Deputy CEO | ...................................<br>Signature |