



ALIOR
BANK

Acquisition of Core Bank BPH

TRANSACTION HIGHLIGHTS

- Acquisition of 87% of Core Bank BPH from GE with c.PLN8.5bn of net loans (excluding, *inter alia*, entire mortgage portfolio – PLN, CHF and other currencies, and BPH TFI) and PLN1,646m TBV, valuing Core Bank at PLN1,532m (implied P/TBV of 0.93x). The proposed price assumes additional reserves of PLN123m to be in place in Core Bank BPH as well as covering all costs associated with Business Transformation Plan measures announced in December 2015 (212 m PLN)
- Transaction via a Tender Offer for Bank BPH shares including free float, with a subsequent demerger of Core Bank BPH (as an organised part of the enterprise)
- Significant synergy potential with fully phased synergies pre-tax of c. PLN 300 m per annum*, in addition to c.PLN160m savings from already announced measures from Business Transformation Plan 2015. Integration costs amounting to: base case PLN 650 m, BPH most conservative estimate PLN 950 m
- Acquisition to be financed by rights issue
- Capital increase right sized to provide optimal capital position of the combined entity estimated at above 10.75% CET1 ratio and 13.75% CAR
- Estimated Core Bank BPH PBT with fully phased-in synergies of c. PLN 0.3bn**
- Acquisition will be significantly EPS accretive in 2019 and EPS accretive in 2018 pre-restructuring costs
- Expected completion by end of Q4 2016

Another step to become top 5-6 bank in Poland by active participation in consolidation process.

*including revenue dis-synergies

** assuming PLN 1 bn of total revenues, PLN 0.85 bn of estimated operating cost base, costs of risk assumed as 165 bp of net loans as well as target net synergies before tax equal to PLN 0,3 bn.



CORE BANK BPH – HIGHLY SYNERGISTIC ASSET

- Core Bank BPH: Bank BPH **excluding** the entire mortgage portfolio (PLN, CHF and other currencies), related parent funding, and assets and liabilities related to BPH TFI
- The excluded assets and liabilities are to remain with GE
- Bank BPH to implement the announced measures of the Business Transformation Plan ahead of the acquisition
- Healthy asset with no legacy issues:
 - Large retail customer base with limited overlap with Alior
 - Focus on consumer finance and SME/corporate loans fitting into Alior's business model
 - Clean balance sheet and good asset quality
 - Strong capitalisation at 13.25% Tier 1 ratio

Core Bank BPH (estimated as at 30-Sep-2015)

Tangible Equity Value	c. PLN 1,646m @ 13.25% Tier 1 ratio
Net Customer Loans	c. PLN 8.5bn
Customer Deposits	c. PLN 12.1bn
Operating Income	c. PLN 1.0bn (annualised)
Est. Oper. Cost Base	c. PLN 0.85bn ¹
Customers	c.500k ³ / 2.5 million customer leads
Total Branch Footprint	440 ²
Employees	5,233 ²

¹ Expected post implementation of Business Transformation Plan.

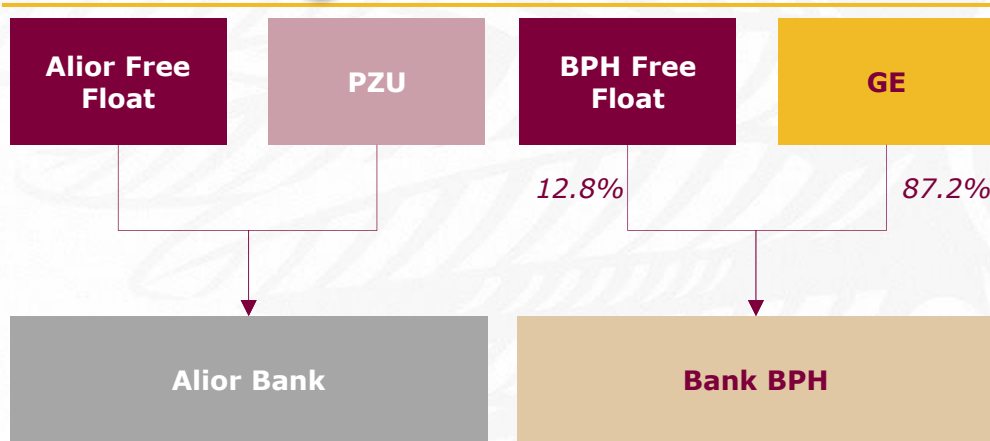
² Total BPH Bank as at FY2015.

³ Estimated including potential attrition

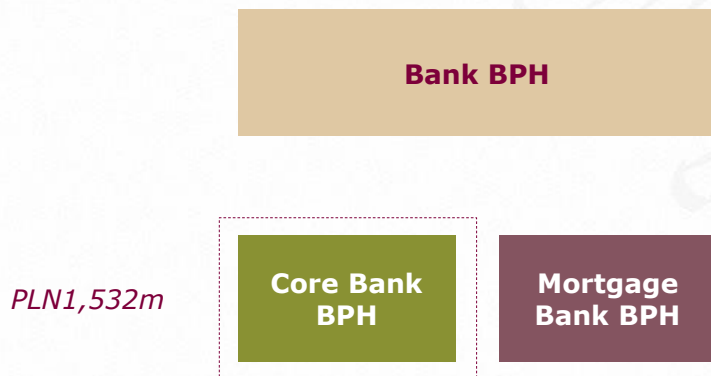
ACQUISITION OF CORE BANK BPH FOR PLN1,532M

TRANSACTION STRUCTURE (1/3)

1 Current Situation



2 Signing the Transaction



Acquisition Overview

- ▶ The purchase price for 87,23% interest in Core Bank BPH held by GE amounts to PLN 1,225 m subject to adjustments¹
 - ▶ Valuation of 100% Core Bank BPH amounts to PLN 1,532 m
 - ▶ Implied P/TBV of c.0.93x
 - ▶ All assets excluding Mortgage Portfolio, parent funding and subordinated debt and assets and liabilities related to BPH TFI . **Alior will not be assuming any risks related to CHF mortgage portfolio**
 - ▶ The proposed price assumes additional reserves of PLN123m to be in place in Core Bank BPH as well as covering all costs associated with Business Transformation Plan measures announced in December 2015. This represents an additional economic value to Alior **Conditions**
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- ▶ Regulatory approvals
 - ▶ Approval of the Demerger Plan by Bank BPH and Alior and approval of the Demerger by Bank BPH
 - ▶ Alior EGM approval for Rights Issue (end of April)
 - ▶ Protection mechanisms for Alior from any risks related to mortgage portfolio in the interim period
 - ▶ Alior to continue to operationally service the mortgage portfolio. Expected service fee and related operating costs expected to approximately offset each other
 - ▶ GE to provide transitional services until completion of separation from GE, including IT systems

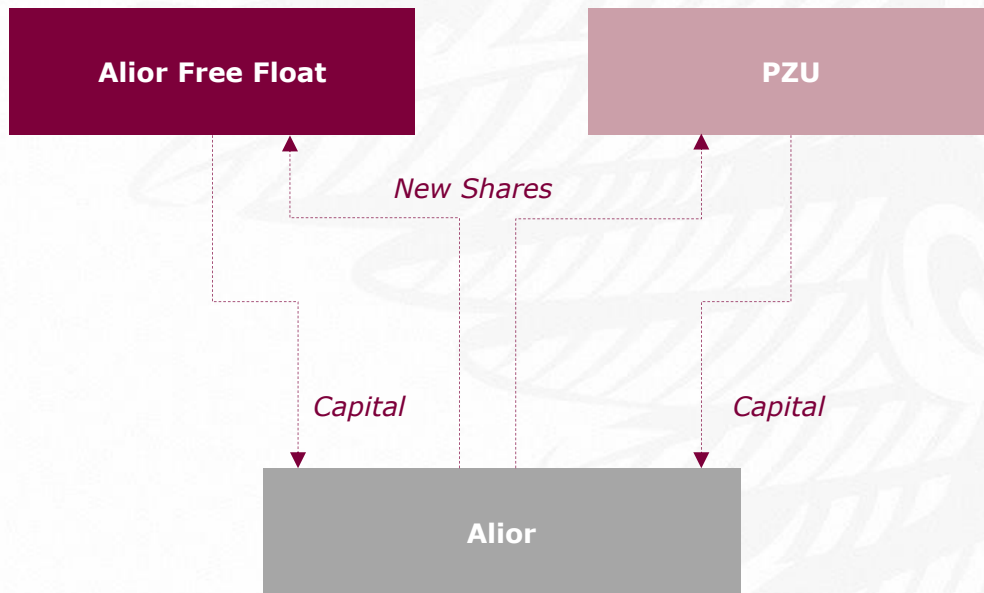
¹ Adjustments related mainly to tangible equity value at Closing

RIGHTS ISSUE TO FINANCE THE ACQUISITION AND SUPPORT CAPITAL POSITION

TRANSACTION STRUCTURE (2/3)

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Rights Issue



Rights Issue Overview

- Size of the rights issue to be announced shortly
- The final number of shares to be issued in the rights issue and the issue price will be determined at the later stage of the transaction

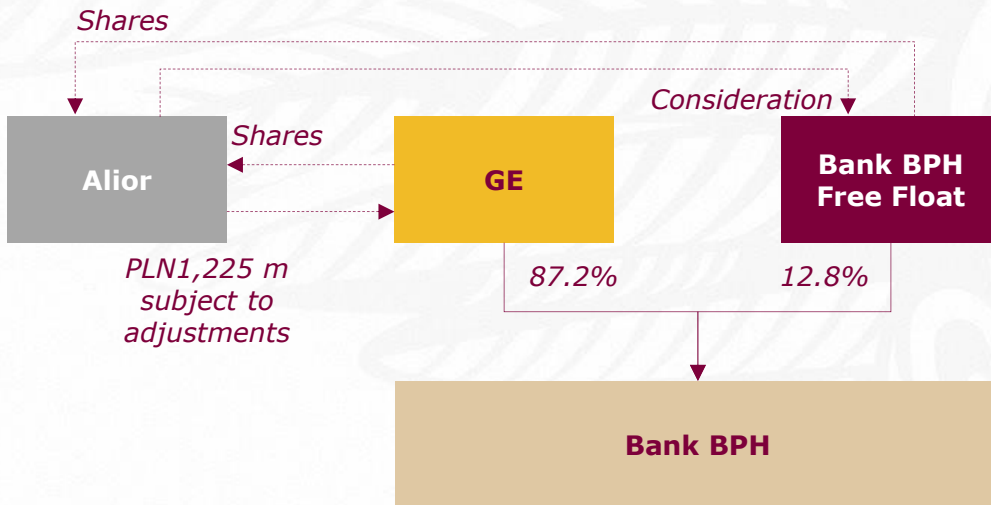
Rights Issue Timetable

Date	
April	Convening of the EGM to Approve the Rights Issue
End of April	Alior EGM approval
Intended in June	Closing

TENDER OFFER & DEMERGER – EXECUTION STAGE

TRANSACTION STRUCTURE (3/3)

4 Tender Offer



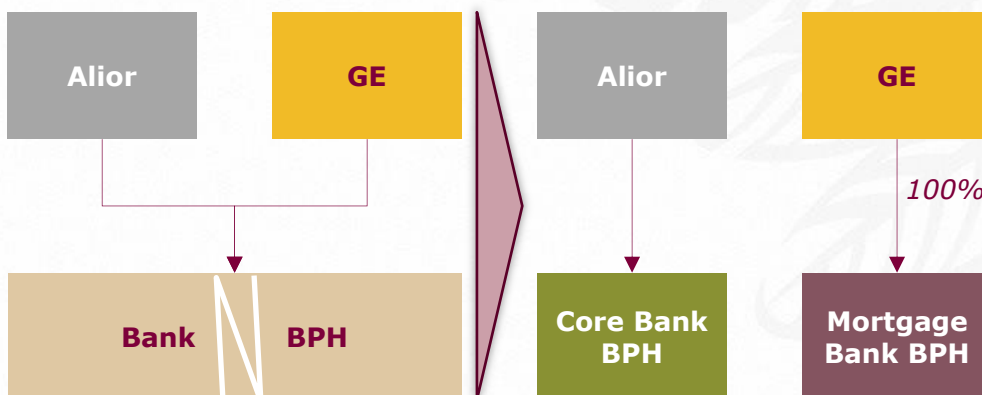
Transaction Structure Overview

- Transaction via a Tender Offer for Bank BPH shares, with a subsequent demerger of Core Bank BPH. Alior's shares in Bank BPH will cease to exist
- After the Completion of the Tender Offer, Alior will temporarily be the majority shareholder in Bank BPH. Despite this, GE will remain the reference shareholder in Bank BPH for regulatory purposes, as Alior will be electing not to exercise its voting rights, as such Alior will not be consolidating the assets of Bank BPH in the interim period. Alior is also protected from any CHF-related risks during that period
- Minority shareholders of Bank BPH will not have exposure to Mortgage Bank

Acquisition Timetable

Date	
End of April / May	Agreement on Demerger Plan
End of April – October	Regulatory Review Process
August	Alior Shareholder Vote on Demerger Plan
End of October / Beginning of November	Bank BPH Shareholder approval of Demerger

5 Demerger



1 Build critical mass

- ▶ *Delivering on strategy to become a top 5-6 player in Poland*
- ▶ *Addition of c.PLN8.5bn of higher margin loans, strengthening Alior's market position in its key segments*
- ▶ *Further strengthening position in Consumer Lending (currently #2)*

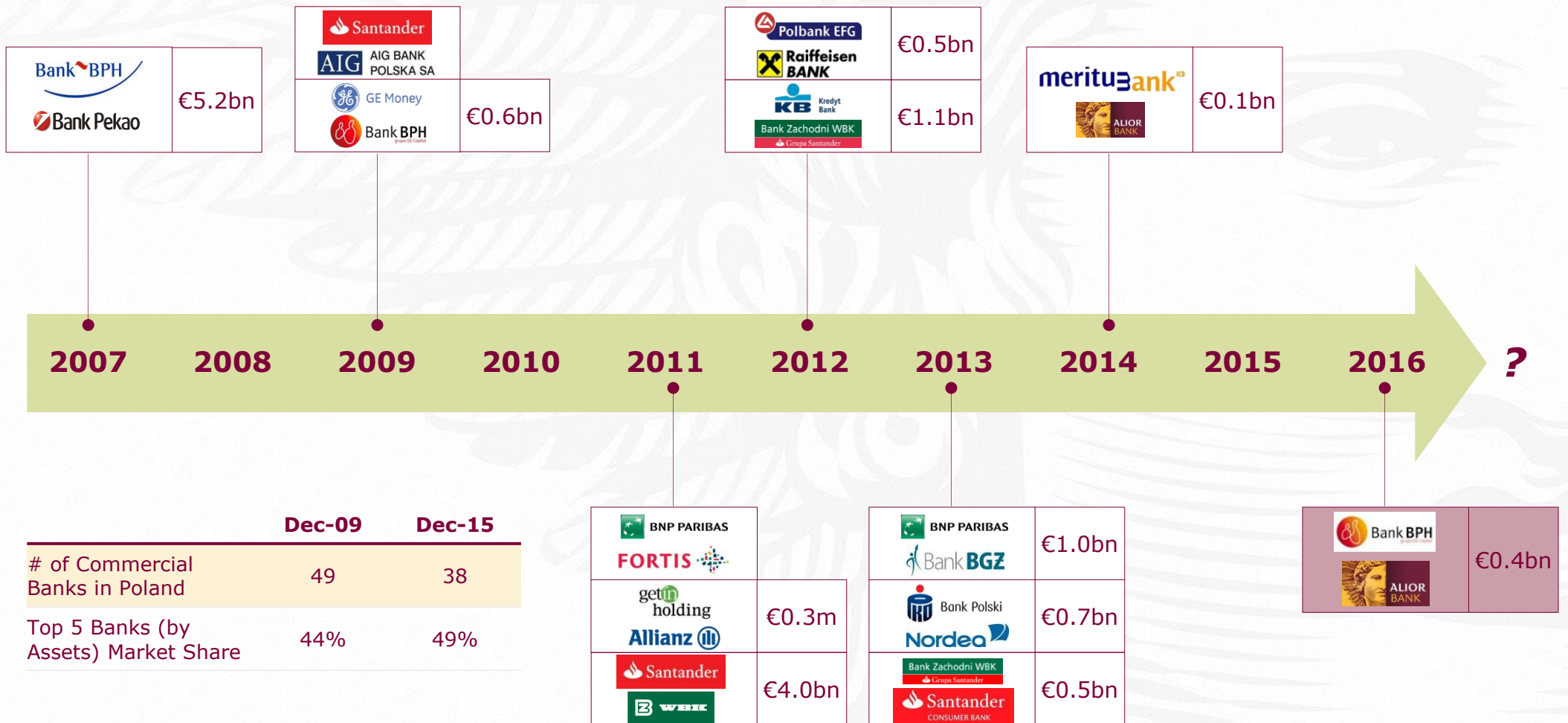
2 Significant cost synergy potential

- ▶ *Ability to extract up to c. PLN 300m additional synergies pre-tax per annum on the top of PLN160m savings from Business Transformation Plan*
- ▶ *Proven track-record of successful synergy realization following Meritum acquisition*

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IN SEARCH OF HIGHER RETURN, BANKS ARE ACQUIRING CRITICAL MASS THROUGH CONSOLIDATION

M&A Deals in Poland



	Dec-09	Dec-15
# of Commercial Banks in Poland	49	38
Top 5 Banks (by Assets) Market Share	44%	49%

Source: MergerMarket, Press releases, Company disclosure, KNF

TRANSACTION WILL LEAD TO A SIGNIFICANT INCREASE OF ALIOR'S PORTFOLIO

PLNbn	Alior (2015)	Core Bank BPH (Q3 2015) ¹	Combined*
Net Loans	PLN 30.9bn	c. PLN 8.5bn	c. PLN 39.4bn
Deposits	PLN 33.7bn	c. PLN 12.1bn	c. PLN 45.8bn
Operating Income	PLN 2.2bn	c. PLN 1.0bn (annualised)	c. PLN 3.2bn
Customers	2.7m	0.5m	c.3.2m
Total Branch Footprint	851	439 ²	1,290

¹ As at 30-Sep-2015; Total loans excluding Mortgages loans.














² Before implementation of announced Business Transformation Plan and as of 31-Dec-2015.

³ In terms of total assets, as at 31-Dec-2015.

*before synergies

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COMBINED ENTITY BECOMES #9 BANK IN POLAND WITH POTENTIAL TO REACH #6 IN NEAR FUTURE

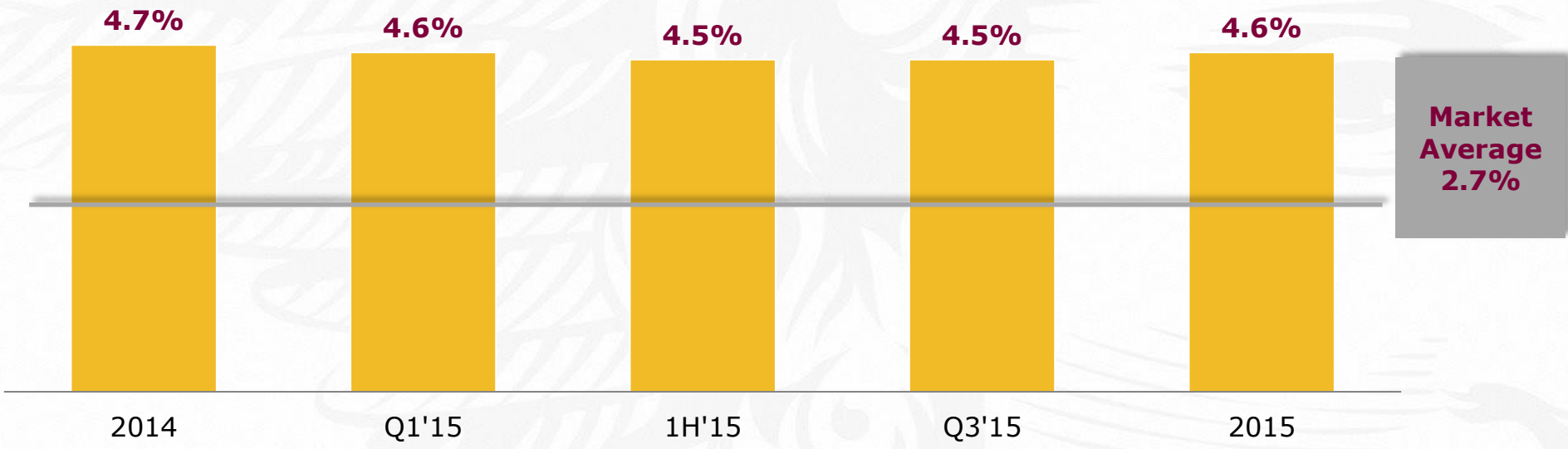
No	Bank	Assets (2015 in PLN bn)
1	 Bank Polski	267
2	 Bank Pekao	169
3	 Bank Zachodni WBK <small>Grupa Santander</small>	140
4	 mBank	124
5	 ING BANK	109
6	 GETIN NOBLE <small>BANK · SPÓŁKA AKCYJNA</small>	71
7	 Millennium bank	66
8	 BGZ BNP PARIBAS	65
9	 ALIOR BANK +  Bank BPH <small>Po prostu fair</small> Core	53*
10	 citi handlowy	50
	 ALIOR BANK	40
11**	 Deutsche Bank Polska S.A.	38

Excluding banks not quoted on WSE: Raiffeisen Polbank i BGK.

*BPH excluding mortgage loan portfolio - forecast as at the end of 2015

**data as at the end of September 2015

Alior NIM development (YTD)



Alior has currently a superior NIM when compared to the market. Core Bank BPH has a similar business focus and as such also an attractive NIM profile (4.5%*)

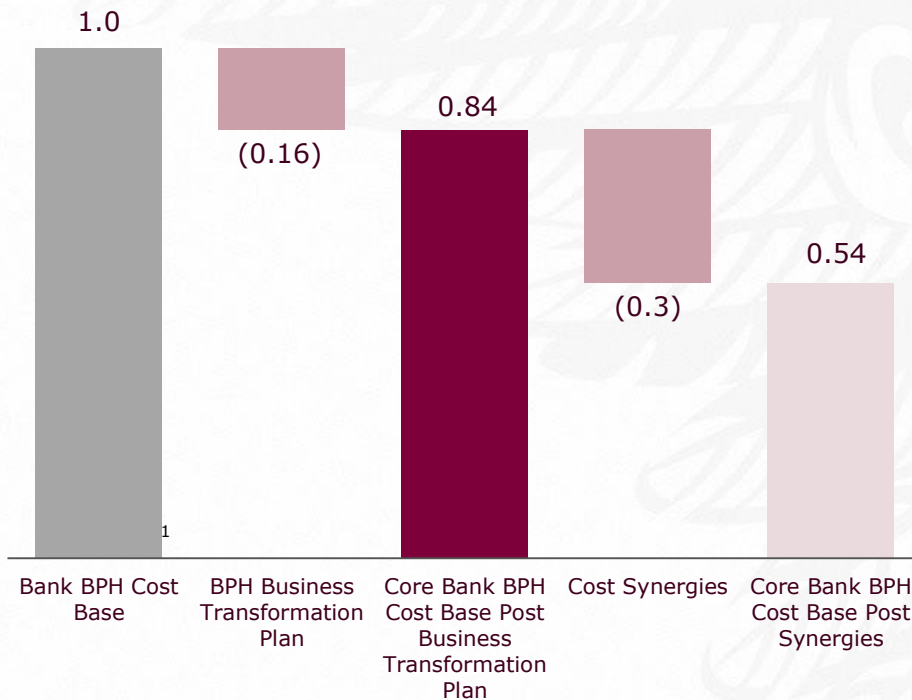
Market average calculated as average of NIM for the following banks: (PKOBP, Getin Noble, BPH - Q3'15 as well as Alior, ING, Millennium, mBank, BZWBK, Bank Handlowy. Pekao - Q4'15)

NIM formula for Q1, 1H, Q3 based on Meritum consolidation in Q1 from 1.01.15 (not just period 19.02.15 - 31.03.15), NII for Q1'15 annualized, divided by IEA as of Q1'15, NII for 1H'15 annualized, divided by average of IEA from Q1'15 and Q2'15, NII for Q3'15 annualized, divided by average of IEA from Q1'15 and Q3'15. NIM formula for 2014: NII for 2014 divided by average IEA form 2013 and 2014; NIM formula for 2014: NII for 2015 divided by average IEA form 2014 and 2015

*estimate

Identified pre-tax synergies of c. PLN 300 m in addition to PLN 160 m of savings from announced Business Transformation Plan

Cost / Income Ratio



Pre-Tax Synergies

PLNbn

Phasing	25% Achieved in 2017 > 80% Achieved in 2018 Full Run-rate from 2019
Full Run-rate Cost Synergies p.a. incl. revenue dis-synergies:	0.3
Total 2017-2019	0.72
IT & Operations	0.45
HR	0.37
Marketing, Advisory & Other	0.15
Revenue Dissynergies	(0.25)

Pre-Tax Integration Costs

PLNbn

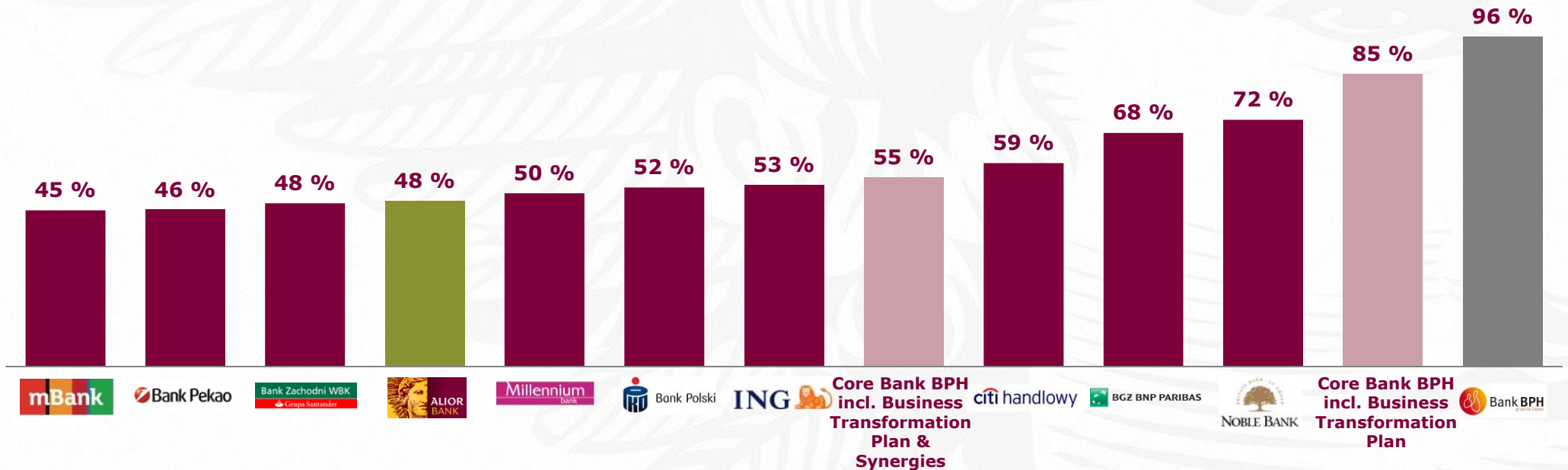
Phasing	2/3 in 2016/2017 1/3 in 2018
Total Integrations Costs (conservative scenario)	1.0
IT & Operations	0.4
HR	0.5
Other	Below 0.1

Note: Illustrative analysis based on Core Bank BPH expected post implementation of announced Business Transformation Plan figures, cost base of Core Bank BPH not equal to Bank BPH

¹ Excluding one-off items.

... ALLOWING ALIOR TO SUSTAIN ITS MARKET LEADING COST/INCOME RATIO, WHILST GROWING MATERIALLY

Cost / Income Ratio of Polish Banks



Source: Company filings

Note: FY 2015 figures. C/I ratios adjusted for one-offs.

CHANGES IN BUSINESS MODEL WILL DRIVE DOWN THE COST BASE

Ratios

Alior

Core Bank BPH

Customers / FTEs

420

140

Customers /
Branches

8,152

4,200

The new Alior will have top 3-4 distribution network in Poland

2

MERITUM EXPERIENCE PROVES ACHIEVABILITY OF SYNERGIES

- Operational merger concluded on Oct 26th
- Our integration with Meritum was the fastest on the Polish market
- Integration costs amounted to c.PLN35m
- 2015 synergies of c.PLN38m neutralized integration cost impact



Typical PMI Timing in Bank Mergers



Example of Recent Bank Merger in Poland



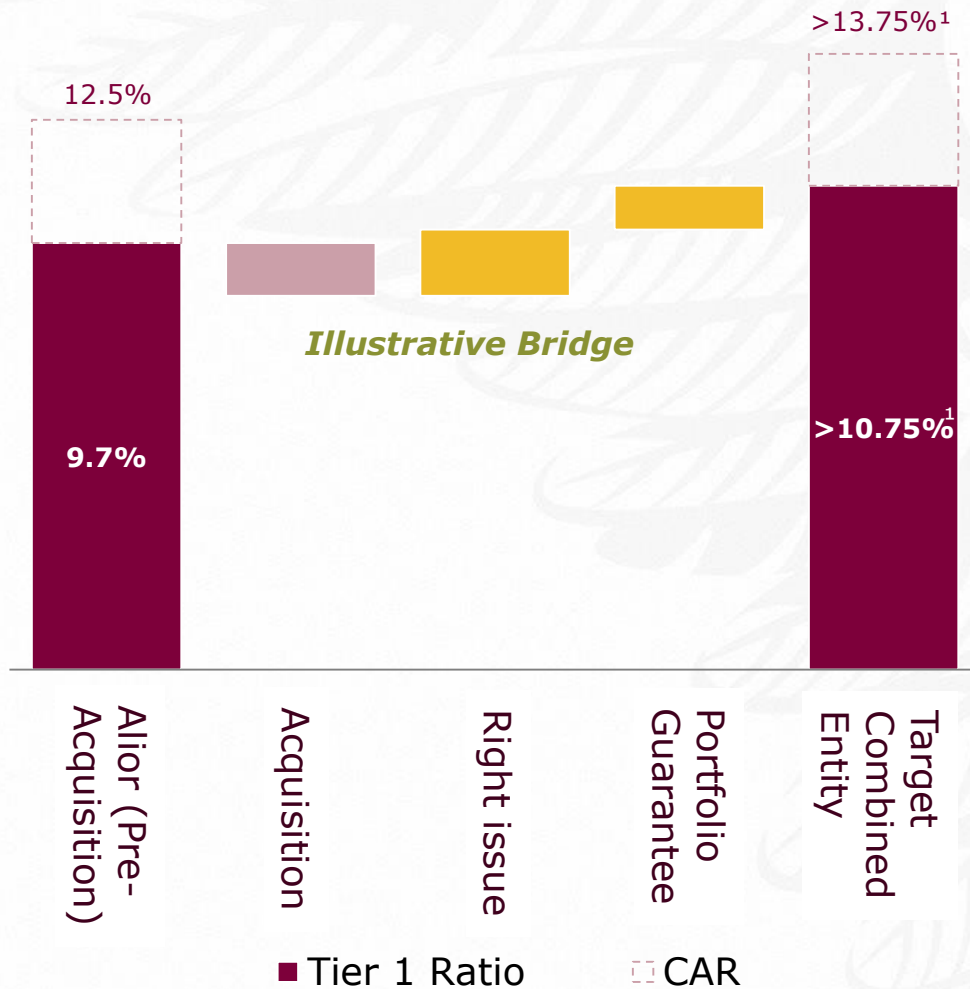
Alior



ESTIMATED CAPITAL IMPACT OF TRANSACTION AND CAPITAL INCREASE

Target capital levels with 50bps buffer to the regulatory minimum

Target Capital Ratios



- Targeted estimated Tier 1 ratio above 10.75% post transaction
- Targeted estimated CAR of above 13.75% post transaction
- Consideration to be paid for Core Bank BPH amounting to be financed through a rights issue (subject to regulatory approval)
- Rights issue in excess of consideration paid for Core Bank BPH to strengthen combined entity's capital position and to support future loan growth, as well as integration cost
- A portfolio of 2 year guarantee in place
- Size of the rights issue to be announced next week after Alior's SB approval

¹ Estimated

KEY TAKEAWAYS

- 1 Acquisition of Core Bank BPH is a transformational transaction in line with Alior's ambition to become a top 5-6 bank in Poland**
- 2 Attractive economics will deliver significant returns in medium term**
- 3 Complementary geographical structure**
 - ▶ Country-wide footprint (top 4-5 distribution network in Poland)
 - ▶ 3 HQs in the same locations: Cracow, Warsaw, Gdansk
- 4 Capital increase will support execution of the acquisition and provide a buffer for future growth**



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