Alior Bank S.A. Q4 & Full Year 2014 Financial Results Announcement Conference Call held on 27 February 2015

Corporate Participants

Witold Skrok

Alior Bank S.A. , Deputy CEO

Michał Hucał

Alior Bank S.A. , Deputy CEO

Katarzyna Sułkowska

Alior Bank S.A. , Deputy CEO

Niels Lundorff

Alior Bank S.A. , Member of the Supervisory Board

Presentation

Host

Good morning, ladies and gentlemen, welcome to Alior Bank's full-year 2014 results announcement. We have today here the speakers Witold Skrok, Chief Financial Officer, Michał Hucał, Head of Development Area - Deputy CEO, Katarzyna Sułkowska - Deputy CEO - Chief Risk Officer and Niels Lundorff, Management Executive Advisory. Thank you, please start the presentation.

Niels Lundorff - *Alior Bank S.A. – Member of the Supervisory Board*

Thank you very much, Fabiola, this is Niels Lundorff speaking. If you look at page number 4 in the presentation, you will see that Alior is continuing its profitable growth, with a PLN 100 m net profit in the Q4 2014. We have managed to generate a 40% higher annual profit vs. 2013. Despite lower average WIBOR throughout 2014, we have managed to keep our net interest margin high at 4.7%. We have driven the cost/income ratio (CIR) below 50% by much stronger revenue growth vs. cost growth. Our credit risk management has proven very successful, with an average normal cost of risk (CoR) of 2.2%. Alior continues to be the innovation leader – we significantly enhanced the distribution capacity for full-scale banking services branded T-Mobile. And our focus on preventing market risk has proven right. The latest CHF exchange rate shock has zero impact for Alior.

Page number 5. We have and we do experience a very fast approval process in the acquisition and integration of Meritum Bank. Just four months after signing the purchase agreement, we have this week filed the merger application to the banking regulator in Poland. Meritum is now a subsidiary, and consolidation will start in Q1 this year. This year, the net impact will be Meritum's profit in the consolidation, while integration costs and synergies should neutralise this year. Alior's world-class IT and operation capacity should allow a full integration before the end of this year.

Page number 6. I would like to draw your attention to just a few numbers. Operating income is up 21.6%, while costs are up 9.2%. Business is up 17–20% (deposits and loans volume), while net profit is up 41.6%. This leads us to an improvement in the ROA of 0.2%, up from 1.1% to 1.3%. Now, I would like to hand over to Katarzyna Sułkowska.

Katarzyna Sułkowska - *Alior Bank S.A. – Deputy CEO*

Page number 8. As you can see, we have grown in 2014 by 20% in loans and by 17% in deposits. Our loan portfolio is good-diversified and supports us in these very good NIM results. Most of our growth is connected to the high-margin cash loans and very good quality mortgages.

Page number 9. Our NPL results are in line with our expectations. We view it as a normal situation regarding our portfolio structure. We use sale of portfolio not as a tool to minimise NPLs, but as a tool to optimise the efficiency of collection actions. In Q4, we sold almost PLN 80 m in the retail portfolio, that's why our coverage on retail is quite stable. As the management, we expect future growth of coverage on retail and mortgage side. And last, but not the least, we are free from the CHF issue. Our credit portfolio granted in CHF is lower than 1%. There are no credit customers who loose the ability to repayment. Our LTV is on a very good level: after all these changes on the private individual portfolio, it is 79%.

Witold Skrok - *Alior Bank S.A. – Deputy CEO*

Page 11, Net Interest Income. Despite of very adverse market conditions, we are able to keep stabilised our net interest margin at 4.7%. So, in the last three quarters we did a very good job. This is the highest margin among listed banks. We were able to do that by attracting our customers and convincing almost 1/3 of our customers to treat us as their first bank choice. They transfer their salary to our accounts so It helps us to squeeze interest expenses and at the same time we limited our growth in the large-cap business, where the margins are very competitive and below our expectations. We focus on retail customers, and in the last quarter, we were able to reprice some of them, and due to that we were able to keep and enjoy this 4.7% margin.

Slide 12, Fees and Commissions. We are growing quarter by quarter, and the main positive contribution is what we get from the brokerage fee. To some extent, revenue from insurance is a bit smaller comparing to the Q3 2014, due to lower penetration of unit-linked in the last quarter, but that was our purpose – to limit our exposure in these products. And we expect, as you may remember, we have notified our customers to increse our fees and commissions, and the first effect we expect since 1 January [2015], so the expectation towards Q1 of this year (2015) is very positive.

Slide number 13. We experienced very high ROE. You remember that in the Q3 we provisioned Polbita, and without this we would enjoy ROE at the level of 13.4%. However, we expect to grow in 2015. At the same time, we experienced a very safe level of equity measures. Please remember that in the last quarter we did not add our second half net profit into equity. It will be done in Q1, so this ratio will go up.

Slide 14. This is a summary of our business and our approach: cost at a one-digit level and minimum revenue growth level is in the double digits. We expect this to continue in 2015. Thank you.

Michał Hucał - *Alior Bank S.A. – Deputy CEO*

Michał Hucał, slide number 15. It is the fifth year in a row of our being the leader of acquisitions in Poland, due to our products, as well as one of the largest branch and agencies network. Looking at the chart below, you can find that our strategic projects maintained a high increase in customer acquisition, and now they are our main acquisition source as well as our branch network.

On the slide 16, you can find the size of our network, which comprises not only more than 800 of our own franchisee and branch network but also almost 800 T-Mobile outlets, in which we offer simple products like current accounts and overdraft, but also additional 200 points of sales of Meritum network will exceed our sales this year.

On the slide 18, there is some information about T-Mobile. We acquired 141 thousand customers from T-Mobile Poland last year. We asses this dynamic will be also shown in this year, so it will still be one of the key source of customers in our bank. At the same time, we found out that the the best cross-selling ratios we can achieve using the T-Mobile outlets, so we are developing our network of 72 store-in-store outlets, and we would like to achieve 260 at the end of the first half of the year. These are our own employees, who are focused on selling cash loans and investment products to T-Mobile customers. It is very successful, because they focus on more affluent customers, which means the post-paid especially. We are going to have the TV campaign for cash loans in April–May. It is due to good results of the Internet online campaign, which was in December last year. Now we have this roll out, we can based on T-Mobile expenses and have additional spending on marketing, because in the end we will create this good cash loan sales network in Q2 2015. Of course, it is important for selling profitable products. I can admit that the products that are selling in these new points of sales, after this TV campaign, are based on our branch products, so it is good in terms of ticket, profitability, and risk profile of customers. Finally, we are planning to launch our new mobile applications. Our initial plan was to start them in Q1. However, because of some changes in graphics and user experience matters we decided that we would like to launch the product which will fit perfect the new needs of the customers perfectly, which is why we decided that the launch will be in Q2.

Looking at the slide 19, our customer finance project is now in the second stage of development, so we are not focused on acquisition of new CF partners. So, you can find that the growth of instalment loans, separately as a standalone, is not very high, but we focus on the cross-selling to these customers, because that is the main driver of profitability of this project. We achieved double growth rates in terms of cross-selling ratios last year, and both of T-Mobile and customer finance projects had good results, above the plans. We are on track to gain the profit that we expected in next years.

Niels Lundorff - *Alior Bank S.A. – Member of the Supervisory Board*

Niels Lundorff again. Page 21. We are comfortable with the consensus of PLN 360 m net profit for 2015, despite the additional cost which are coming from bank guarantee fund, the lower income from interchange vs. the average for 2014, and still having a little space for potential interest rate reductions. Internally, the attention is strategically devoted to using the T-Mobile success and Meritum acquisition to remodel our distribution network. We will further innovate products and distribution for SMEs. After having collected behavioural data on our clients for the last three years, we are now able to enhance our CRM (our customer-relationship management system) – not just the operational, but also the analytical part of it – to deliver much stronger, personalised services, and, eventually, stronger cross-sell ratios per client. That also leads to further personalisation of our non-physical distribution channels.

Our NIM should be higher than 4.5%. The asset mix will determine that. As Witek mentioned, we are focused on client relationships with an acceptable high ROE and it means there have been some shifts last year due to lower renewed sales to large corporates, and we do not exactly know how it will go this year, but we will ensure that we are focusing on ROE, not on NIM per se.

We expect continued much stronger growth of revenue vs. growth of cost, leading to a CIR below 48%, and our strong risk management should enable us to keep the cost of risk stable at about 2.2–2.3%. Loan growth should be above PLN 4.5 bn net.

***Moderator*:**

We are done with the first part of the presentation. Now our speakers are available for a Q&A session. First, as usual and as we do every quarter, we will take the questions from the attendees present in the room, and then we will move to the conference call attendees. Anyone willing to ask a question – just let me know. We have a first question.

Dariusz Górski - Analyst - DM BZWBK

Congratulations on your results. Maybe we will start with housekeeping questions. On slide 12, you showing a significant drop in the cost of fees. Could you elaborate a little bit? Is it not a little bit counter-intuitive, given the increasing proportion of T-Mobile in your customer acquisition? Basically, what drove this drop, and has T-Mobile been driven through that line already, and will you continue increasing the cost of fees further out?

My second question is on the PLN 89 m NPL sale that you mentioned. What was the impact on your provisioning? I assume these are consumer loans or retail loans, could you please confirm that? Thank you.

Witold Skrok *- Alior Bank S.A. – Deputy CEO*

I will respond to your first question. The difference between F&C expenses, Q3 vs. the last quarter, is explained by the movement in the provisions that we created in Q3, we dissolved this, and it was a certain buffer which we expected to have. We dissolved these provisions in the last quarter. The normalised level of the fee expenses shall be PLN 45 m. But what is important is – please remember – we have already notified our customer that we increased F&C for services and products, and it has already been recorded in our P&L, but the full picture will be shown in the Q1 2015. We expect overall positive growth of the net F&C line.

Katarzyna Sułkowska *- Alior Bank S.A. – Deputy CEO*

The second question was connected to the sale of the portfolio, and this transaction has direct impact on our NPL level and on the coverage of collateral. From the CoR perspective, there is no impact due to the fact that [it was] fully provisioned, which means that our CoR includes this transaction.

Moderator:

OK. We have one more question.

Iza Rokicka - Analyst - Ipopema Securities

As a follow-up question on the fees and those increases you announced and that will be visible in the Q1. Can you elaborate a little bit more on that? In which areas did these fee increases take place and what is their expected scale?

Michał Hucał *- Alior Bank S.A. – Deputy CEO*

We were talking about the notices that were sent in December last year; they touched current accounts especially and debit cards, both on the FX as well as on the fee side. Simply speaking, we increased fees for non-active customers, especially. We would like to convince customers to use us as their first bank, so the most active, i.e. more profitable, customers are not affected, almost completely, or very slightly, by these changes. However, our fees would affect less active or non-active customers. Or, on the other side, they could be more active, and we are seeing this tendency – of course, it is not a dominant one, but still – of them becoming more active to avoid these increased fees, which means that they will increase NII instead of fees; however, still, the income results should show because of these changes. This is where we stand in December, so we have to wait for the EU rules to make this form of collecting fees valid.

Moderator:

OK, do we have any further questions, please?

Dariusz Górski – Analyst - DM BZ WBK.

I would like to return to your guidance, which is not guidance actually, but a reference to the consensus. You are saying that PLN 360 m is an achievable figure. I understand that this does not include the Meritum impact. As regards Meritum, it looks like your net cost of the merger will be PLN 40 m this year (cost – PLN 50 m, synergies – PLN 34 m). However, I remember that your guidance or you presented the Meritum bank forecast for 2015, and there were roughly PLN 86 m. Even if you only consolidate 10 months of Meritum, technically, or mathematically, this should have a positive contribution.

Niels Lundorff *- Alior Bank S.A. – Member of the Supervisory Board*

You are right: that the PLN 360 m consensus does not include Meritum. The consolidation will naturally lead to consolidating the profit of Meritum. What exactly the result would be – we cannot give a specific guidance on Meritum figures at this stage, but this will increase the consolidated net result, it is correct. In terms of the integration cost vs synergies this year, there is a timing element – what will happen and when. There is a negotiation element in terms of the calculation of various integration costs. It is still in the making. We have made some estimates, which we have published, and we have no further information at this stage.

Witold Skrok *- Alior Bank S.A. – Deputy CEO*

Just one more sentence. What I get is that we net out synergies and the cost of integration for this specific year. In addition, those synergies and integration costs presented in October were our estimation, which was reconfirmed when we got access to a more detailed and recent analysis.

Iza Rokicka - Analyst - Ipopema Securities

One more question about slide 9, on the NPL ratio in the corporate segment. This quarter, it increased by roughly 50 bps to 9.5%. What was the driver of this increase and did it have any connection with the mining exposure?

***Katarzyna Sułkowska** - Alior Bank S.A. – Deputy CEO*

There are two impacts which we show here: first, we have higher range of restructuring in our large core portfolio, and the second impact was connected to our strategy - we actively use micro and SME portfolios to grow in KB business (*Corporate*), which is why we expect future growth keeping in mind that these segments will have higher NPLs. We expect that this NPL level will be higher to the micro volumes. Only a bit, it will not be dramatic growth.

Iza Rokicka - Analyst - Ipopema Securities

So, there are no connections with the mining situation?

***Katarzyna Sułkowska** - Alior Bank S.A. – Deputy CEO*

No.

Iza Rokick - Analyst - Ipopema Securities.

Or at least not yet?

And one more question on this slide. You mentioned that you expect an increase in the coverage ratio basically for the retail…

***Katarzyna Sułkowska** - Alior Bank S.A. – Deputy CEO*

At the same time for mortgages, because our NPL portfolio is still young, from the DPD point of view, which is the normal, standard situation, when we reach portfolios with three or five years in NPLs we expect that this coverage will be higher, and for sure we reach that…

Iza Rokicka - Analyst - Ipopema Securities

And do you think it will affect the overall coverage ratio of the bank, because for the time being those loans are rather insignificant from the point of view of your balance sheet. Can it somehow affect CoR or the overall coverage ratio?

You mentioned that mortgages were not significant, but I noticed that you significantly increased your IBNR provisions for this portfolio. What was the reason for that?

***Katarzyna Sułkowska** - Alior Bank S.A. – Deputy CEO*

At the beginning of last year, we paid more attention to cash loans, but we have very good inflow of credit applications for mortgage loans, that's wht we picked more volumes than we have expected. This is the first reason – growth of the balance. The second reason was the recommendation from KNF connected to the models. The rest of our models were reassessed, but still we have one in progress connected to the LGD impacted on the LTV.

Iza Rokicka - Analyst - Ipopema Securities

OK, so was the LIP factor not increased? Not yet?

***Katarzyna Sułkowska** - Alior Bank S.A. – Deputy CEO*

No, it was not, and will not be in the nearest future because after AQR we got approval from KNF for our LIP solution.

***Iza Rokicka* -** Analyst - Ipopema Securities

OK. For clarification: does your 4.5% guidance on NIM for this year already include any interest rate cut, and if yes, what is the scale of the expected interest rate cut?

***Niels Lundorff** - Alior Bank S.A. – Member of the Supervisory Board*

It does not assume a rate cut, but we do have some space, we have 4.7% now, so there is some stronger growth of mortgage assumed, with a lower total margin but still, with a very attractive ROE, and also with much lower CoR. So, this is the main reason why we are assuming there could be a drop in NIM.

***Marcin Jabłczyński** – Analyst – Deutsche Bank*

Can I have two questions, the first is T-Mobile project: what is the loan portfolio originated in Q4 in this internet-driven campaign? And the second question is about you mining exposure – what is your mining exposure right now and how come that you feel the same level of comfort now as opposed to six months ago, because I think we would all agree that at least some of the players there have deteriorated materially? Thank you.

Michał Hucał *- Alior Bank S.A. – Deputy CEO*

Unfortunately, due to our agreement with T-Mobile we cannot reveal the volumes and profits from these customers until we see additional agree of T-Mobile. So, now I cannot reveal any details, that is why they are not on the slides. However, I hope that for Q1 and Q2 results we will be able to reveal them, but not until then.

Katarzyna Sułkowska *- Alior Bank S.A. – Deputy CEO*

From the mining point of view, we do not have huge exposure in mining. We have one quite an important customer who is under dedicated process under our extra watch-list. However, we do not see it as a totally worse scenario which can have an impact on our results in this year.

Michał Hucał *- Alior Bank S.A. – Deputy CEO*

Maybe I will add to my answer to the first question that overall results of the project in the last year was better than planned – that is all I can say now.

***Iza Rokicka* -** Analyst - Ipopema Securities

Just to elaborate on the NIM assumption could you please maybe quantify – I guess the consensus is moving towards 50 bps cut, right? Could you maybe give us any sense of what would it do to your margin?

Niels Lundorff *- Alior Bank S.A. – Member of the Supervisory Board*

If we see 50 bps cut now in March, this will lead to roughly 0.4 cut in NIM. If it is coming in July, if it is split differently, we can do different scenarios but this is the our range. Naturally, this is the range without us taking any actions, as we have started, as you know, implementing the various types of fees; they are after such further cuts potential to scale the level of fees with very short notice. So, it does not have to be a permanent 0.4, in case there is just a short drop in interest rates.

Witold Skrok *- Alior Bank S.A. – Deputy CEO*

Just to mention percentage points I would explain in nominal. Please remember that what we did after October rate cut: we adjusted and changed our pricing structure. Therefore, instead of interest rate, we started to charge customer fee and commission. So, all new production since that moment is spread for further rate cuts. Thus, we are still talking about stock at the end of the October 2014 and measure actions which have been taken to convince customers, that because of the lower interest cost for them there is a space for a higher volume. At least, one third of customers that we reached accepted this condition.

***Iza Rokicka -** Analyst - Ipopema Securities*

Sorry, I have two more questions. As a follow-up on your explanation of the changes in the mix of pricing of cash loans and consumer finance loans with the higher share of fees, what the portion of insurance fees book upfront has changed anyhow – decreased or increased – over the last year information after this bank assurance changes? Because we hear from other banks that this scale of upfront is volatile over time. Could you give us some reasons, because I believe that finally Q4 loan growth was slightly below your guidance after Q3 results announcement. Given that you are very happy with the cooperation with T-Mobile and with this cross-sell in the consumer finance project, what was the reason of this slower growth in loans? Maybe, not sales but this increase in balance sheet value?

***Witold Skrok** - Alior Bank S.A. – Deputy CEO*

I will take up first, if you do not mind. We have been monitoring the performance of the upfront ratio for all products and channels and even we are almost at the end of the KNF control. This topic is one of the most important, and for the time being we stick to this upfront ratio, which we announced at the beginning of 2014.

***Niels Lundorff** - Alior Bank S.A. – Member of the Supervisory Board*

Regarding the loan sale, I would like to draw your attention to page number 28. You will see that we have no disappointment in the sale of retail loans; we have yet another quarter, which saw results peak in terms of new sales. The challenge in terms of the total volume is again repayment from large corporates where they asked for margins so low that the total relationship with these corporations has become below our threshold for ROE. So, we have a situation in the market where we are bealiving it is necessary to adapt the asset mix, because the ROE on some of these relationships, which used to be good, would jeopardise our targets to achieve a higher ROE going forward. We do not feel sorry about this, because we are not responsible for market behaviour. We do see continued growth of our retail loans and we do see continued capacity to grow the retail loan. We do believe that at a certain stage there will be flattening out of this price competition in the corporate segment, and we will see some good corporate quotes again.

***Iza Rokicka -** Analyst - Ipopema Securities*

So, Q4 vs Q3 shows the increase of sales. Could you somegoww quantify how much of these sales came from new customers, or from entirely new loans, and how much came from cross-sell activities? Or selling, or increasing the stock? Or getting back to original top-up with all those activities that you plan to do?

Niels Lundorff *- Alior Bank S.A. – Member of the Supervisory Board*

We do not publish such information at this stage. We will take it up as a potential. Thanks.

Dariusz Górski - *Analyst - DM BZWBK*

OK, the costs of deposits were flat q-o-q despite very strong growth in deposits in the period. I understand there might have been some late arrival effect, but nonetheless, retail deposits will be coming in gradually, so is this a sustainable level of funding costs? What are your thoughts on funding costs in 2015? Do you see competitive pressures rising, or slowing, or easing?

Witold Skrok *- Alior Bank S.A. – Deputy CEO*

We took many measures to stabilise, even to reduce the costs of deposits. The first, which I mentioned, were increasing salaries, the share of current accounts, total deposits. Secondly, if you compare our deposits from retail customers and business customers, we based our Q2 funding on short-term funding from business customers, because we still expect potential rate cuts. If we take longer-term deposits, we will be hit by higher costs, because we will need one or two quarters to reprice. With the shorter maturity, we are much more flexible and adaptive to the new circumstances. The last point is the lower buffer. If you look at the loan-to-deposit ratio, we squeeze this and it gets certain as well. So, these are the three components. Coming back to the future, it will be difficult, especially if further rate cuts come. However, after that we will switch again to retail customers and get a bit longer funding.

Marcin Jabłczyński *– Analyst – Deutsche Bank*

Can I have a question about Meritum? I know it has not been officially confirmed yet, but I think you had slightly higher confidence in the numbers, the way they were presented, for the three-year period, than you express today. Has anything happened that diluted your confidence in those forecasts? Because we obviously put a lot of attention into it, those are high numbers, and the market took them with certain disbelief. So, how do you feel about them? And more specifically the question would be, how are they doing in terms of the recalibration of consumer loan ceiling? How are they dealing with the ceiling?

Niels Lundorff *- Alior Bank S.A. – Member of the Supervisory Board*

If you look at the performance, of course we are still two independent entities. It was just the previous week that we concluded the transaction, so now we have access to the data, which previously were not available to us. The recalculation and estimation which we made so far made us very convinced about synergies, we expect even higher synergies than we anticipated. Cost of integration has not changed. And at this stage – because it is our rule not to provide any forecast – please wait until the auditor concludes this work on Meritum Bank, and after that we will publish 2014 results and it will give you the opportunity to assess the capacity of Meritum in terms of their net profit. This is it at this stage.

Kamil Stolarski *– Analyst - Espirito Santo*

Can I just ask about the net asset value of Meritum Bank under IFRS, do you have the audited data? Then, is there any NPL exposure among your ten largest corporate exposures? Because I believe, there is no such information in this annual statement. The structure]of your sales of loans is changing, could you please tell us what do you expect to be the constituents of this 4.5 bn – how much mortgages, how much corporate loans, and how much for CoR? And the last question, the original one: does this year's CoR excluding Polbita is 230 bps I believe? And this is the year when the unemployment was improving. What is, according to you, the new cross-cycle CoR for you? If you take into the account Meritum, for example, what would be the cross-cycle CoR for Alior?

Witold Skrok *- Alior Bank S.A. – Deputy CEO*

Maybe we will discuss this with Meritum. As I have mentioned, we had only one week to get the data. Meritum and the auditor are still working on 2014, but the adaptation of equity according to Polish accounting standards vs international accounting standards, which we provided in October, at this stage, I would say, has not changed significantly.

Niels Lundorff *- Alior Bank S.A. – Member of the Supervisory Board*

Regarding the CoR outlook vs macro, you are right that with lower unemployment and further potential reduction of unemployment this year, this should be in general a lower CoR. The other equation of that could be larger potential sales with the same CoR. Therefore, we are guiding stable CoR. With sales and plans, there is always a question of how it is going to be picked up by the market, by our distribution channels, and therefore we think it is a conservative guess to say 2.2–2.3% if we have the same sales mix as we have right now.

Katarzyna Sułkowska *- Alior Bank S.A. – Deputy CEO*

The question was about the top ten customers. We can add this information for sure, but we have NPLs on our top ten customers under restructuring.

Kamil Stolarski *– Analyst - Espirito Santo*

Is it one or two of them, like in the previous quarter?

Katarzyna Sułkowska *- Alior Bank S.A. – Deputy CEO*

There is one under restructuring, and on our watch list, I think, we have an additional one.

Kamil Stolarski *– Analyst - Espirito Santo*

Are there any provisions against these two exposures?

Katarzyna Sułkowska *- Alior Bank S.A. – Deputy CEO*

Yes, there are.

Kamil Stolarski *– Analyst - Espirito Santo*

Thank you.

Moderator:

So, is there anyone willing to ask a question in the room? All right, we have one more question.

Marcin Jabłczyński *– Analyst – Deutsche Bank*

I think Polish press agencies quoted your CEO saying that the 16% ROE target for 2016 looks ambitious. How ambitious? I mean, what is the kind of the downgrade that he was talking about?

Niels Lundorff *- Alior Bank S.A. – Member of the Supervisory Board*

Of course, it is ambitious. We have ambitious challenges every year. If we look back for years and with the macro situation we had, we would have had more than PLN 300 m net profit higher compared to right now. So, the interest rate environment, the BFG, the interchange, change in accounting for bancassurance upfront – a lot of challenges our there. We have a lot of measures to beat these expectations which are out there, but to say it is a easy-going would be wrong. Nevertheless, we still keep the target.

Dariusz Górski - *Analyst - DM BZWBK*

I understand that you are at the early stage of merger with Meritum Bank, but there are plenty of other opportunities around. What is your take?

Niels Lundorff *- Alior Bank S.A. – Member of the Supervisory Board*

The significant limitation for a large-scale acquisition is our capital, and in that context our major shareholder who has commited to the regulator not to go below 25%. Naturally, if something is coming up of a decent size and it make sense for us and for the banking system, there might be an application to the regulator to waive 25% to 20% or 15% as we are seeing in other countries. But it is too early to say that this is something which we can easily go out. Definitely, we are not actively looking at acquiring other large banks, which have been announced for sale.

Moderator:

Right, so there is still an opportunity to ask a question. All right, if there are no further questions from the attendees present in the room, then operator, please kindly open the line for the attendees present on the line.

Operator:

Thank you. To ask a question, please press “*” and “1” on your telephone and wait for your name to be announced. To cancel your request, press “#”. It is “*” and “1” to ask a question. Our first question comes from the line of Ivan Bokhmat from Barclays. Please, go ahead.

Ivan Bokhmat – *Analyst - Barclays.*

Hi. Thank you for the presentation. I have two questions, if possible. One on your capital: could you elaborate please: after the acquisition of Meritum, what impact would it have on your capital ratios and whether you think that this current level of 20.6 is sustainable, improving – what are your thoughts on that. Secondly, can you give any colour or any news on how the Carlo Tassara’s stake sale is going, if you can share this colour, of course? Thank you.

Witold Skrok *- Alior Bank S.A. – Deputy CEO*

OK, answer to your first question: I would say you should look at the Alior standalone and consolidated results, as to the consolidated financials we are well above the minimum level, which means we are above 12%. If you look at the standalone results, we will be at almost 12.1. Please remember that we just launched our bookbuilding process, and we expect to issue a subordinated debt at the level of PLN 250–300 m to improve CAR. Plus, in the Q1, we will include 2H 2014 net profit, and it will improve our equity.

Ivan Bokhmat – *Analyst - Barclays*

OK.

Niels Lundorff *- Alior Bank S.A. – Member of the Supervisory Board*

In terms of commenting Carlo Tassara sales process, we do not have a lot to say. We are the object in this matter, and we are cooperating for whomever they want to have a look into the books with a structured and regulated due diligence process. We have had this process happening for the last two and a half years, and we cannot see any significant difference in the appetite. There is still a lot of activities going on there, but if they lead to a transaction, we cannot say anything about it.

Ivan Bokhmat – *Analyst - Barclays*

OK. Thank you so much.

Operator:

Please press “*” and “1 if you would like to ask a question. As a reminder, “*” and “1” if you would like to ask a question. We have a question from Jovan Sikimic from RCB. Please, go ahead.

Jovan Sikimic – *Analyst - RCB*

Yes, good morning. Just a follow-up question on capital. Just as I understand: your 2H 2014 net profit has not been included in the capital ratios, as at year-end right?

Niels Lundorff *- Alior Bank S.A. – Member of the Supervisory Board*

Correct.

Jovan Sikimic – *Analyst - RCB*

OK. Thank you.

Operator:

As a reminder, “*” and “1 if you would like to ask a question. There are no more questions on the telephone line.

***Moderator*:**

All right, so, I guess then the Q&A session can be concluded currently. Of course, you are always welcome to contact our IR department if you have any following questions after the presentation. Thank you for attending our presentation today! As for the attendees present in the room, I would like to invite you to the foyer room for refreshments. Thank you.
