



**ALIOR**  
**BANK**

**ALIOR BANK S.A.**

**NDR presentation 1H 2013**

**Sustainable development in  
challenging environment**

**September 2013**

- **Without one-off insurance periodization Q2 net result 105 M PLN (+14 m PLN vs. Q1)**
- **On track to deliver >390 m PLN net in 2013**
- **Strong fundamental performance**

<b>Loans</b>	<b>+1,8 bn PLN (+12% qoq)</b>	
<b>Deposits</b>	<b>+1,9 bn PLN (+11% Q0Q)</b>	
<b># Of customers</b>	<b>+151 k</b>	<b>(vs +102k in Q1)</b>
<b>NII</b>	<b>+9%</b>	<b>(vs +4% Q1/Q4)</b>
- **NIM flat in falling interest environment potential growth.**
- **Strong trading result**
- **Cleaned up uncertainties re: bancassurance – one-off net impact 25 m PLN**
- **Excellent cost control: only HR cost growth due to opening new business channels**
- **COR stable at 200 bps**

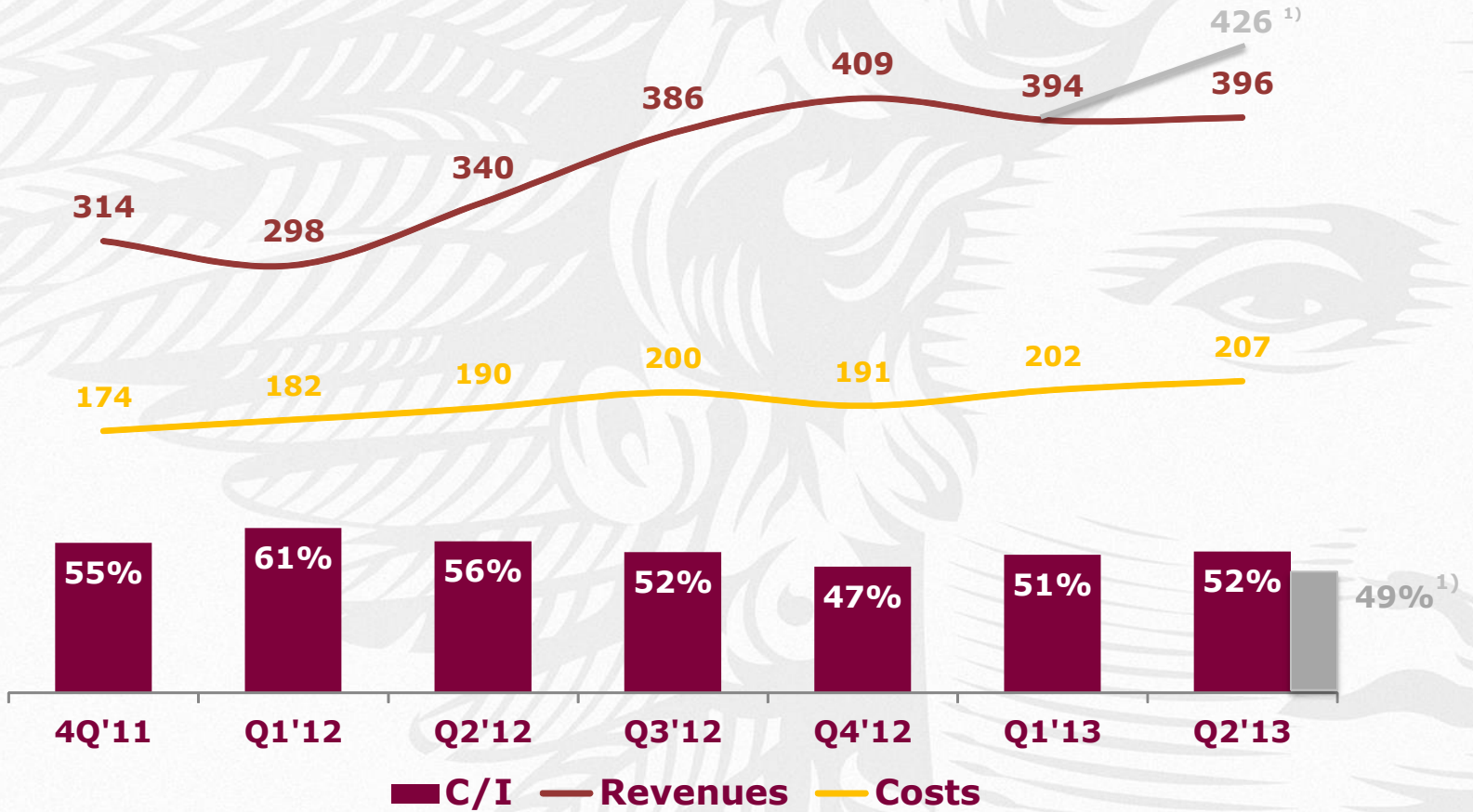
# KEY FINANCIALS

<b>M PLN</b>	<b>1H 2013</b>	<b>1H 2012</b>	<b>% (A-B)/B</b>	<b>Q2 2013</b>	<b>Q2 2012</b>	<b>% (A-B)/B</b>
	<b>A</b>	<b>B</b>	<b>C</b>	<b>D</b>	<b>E</b>	<b>F</b>
Net interest income	<b>418</b>	326	28	<b>218</b>	174	25
Net fee and commission income	<b>227</b>	217	5	<b>89</b>	106	-16
Trading result & other	<b>146</b>	98	49	<b>90</b>	64	41
Operating income	<b>791</b>	641	23	<b>396</b>	343	16
General Administrative Expenses	<b>-409</b>	-371	10	<b>-207</b>	-190	9
Impairment losses	<b>-166</b>	-119	39	<b>-88</b>	-70	25
Gross profit	<b>215</b>	150	43	<b>101</b>	83	22
Net profit	<b>172</b>	133	29	<b>81</b>	79	2

<b>M PLN</b>	<b>1H 2013</b>	<b>1H 2012</b>	<b>% (A-B)/B</b>	<b>2012</b>	<b>A-D</b>	<b>% (A-D)/D</b>
Loans	<b>17 654</b>	12 297	44	14 535	3 119	21
Deposits	<b>19 052</b>	13 593	40	17 463	1 588	9
Total equity	<b>2 382</b>	1 364	75	2 246	136	6
Total assets	<b>23 033</b>	16 508	40	21 352	1 681	8

<b>M PLN</b>	<b>1H 2013</b>	<b>1H 2012</b>	<b>A-B</b>	<b>Q2 2013</b>	<b>Q2 2012</b>	<b>D-E</b>
ROE (%)	<b>14,8</b>	21,5	-6,7	14,8	21,5	-6,7
ROA (%)	<b>1,5</b>	1,7	-0,1	1,5	1,7	-0,1
C/I (%)	<b>51,7</b>	58,0	-6,2	52,3	55,4	-3,0
CoR (%)	<b>2,0</b>	2,1	-0,1	2,0	2,1	-0,1
L/D (%)	<b>92,7</b>	90,5	2,2	92,7	90,5	2,2
NPL ratio (%)	<b>6,4</b>	4,4	2,0	6,4	4,4	2,0
NPL coverage ratio (%)	<b>57,2</b>	67,8	-10,6	57,2	67,8	-10,6
Capital adequacy ratio (%)	<b>14,4</b>	12,1	2,4	14,4	12,1	2,4
Tier 1 (%)	<b>12,5</b>	9,2	3,3	12,5	9,2	3,3

# LONG TERM C/I TARGET ON TRACK



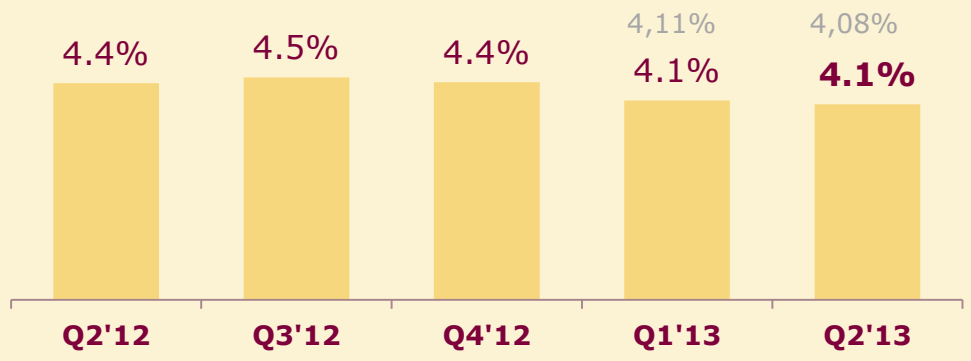
**C/I target of <42% in 2016 is clearly within Alior's reach**

<sup>1)</sup> Excluding one-off insurance fee periodization

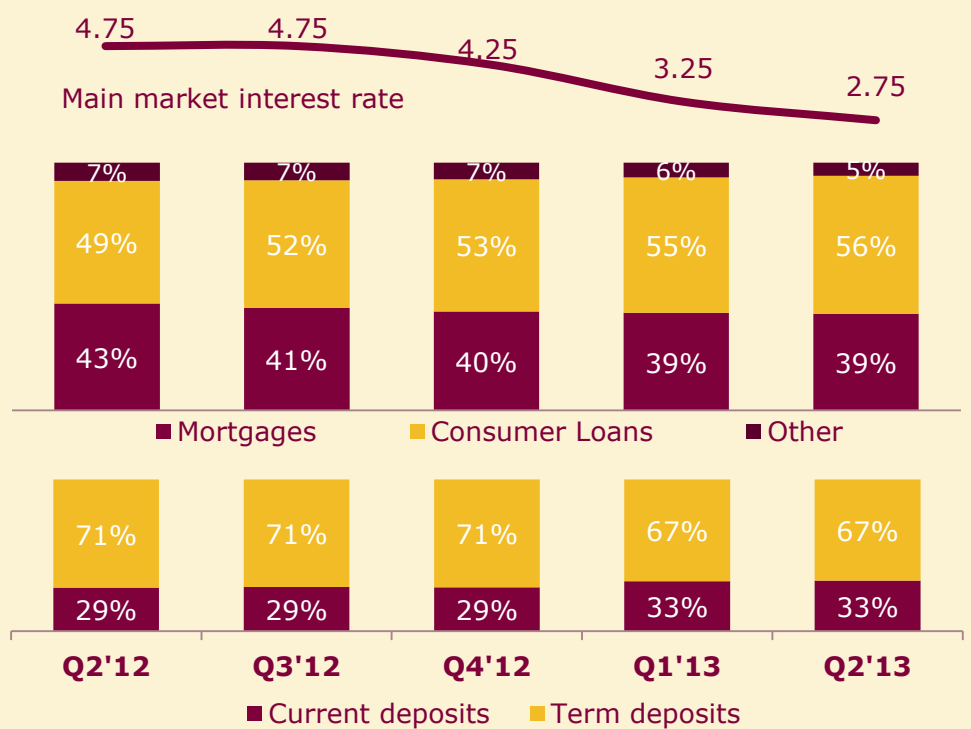


# NIM – Q2 AT THE LEVEL OF Q1 WITH POSITIVE OUTLOOK

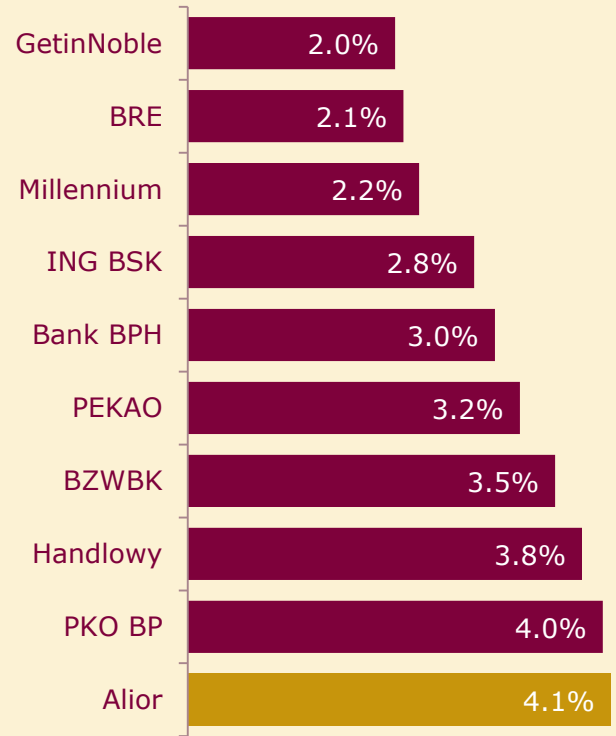
**Alior NIM in selected periods**



**Main factors influencing NIM**



**NIM in selected Polish Banks**



Data as of Q2'13

**Considerable slowdown in NIM contraction in Q2 2013**

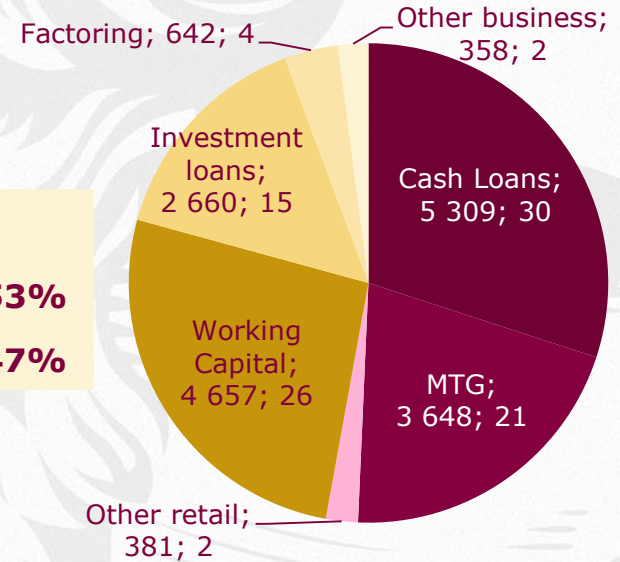
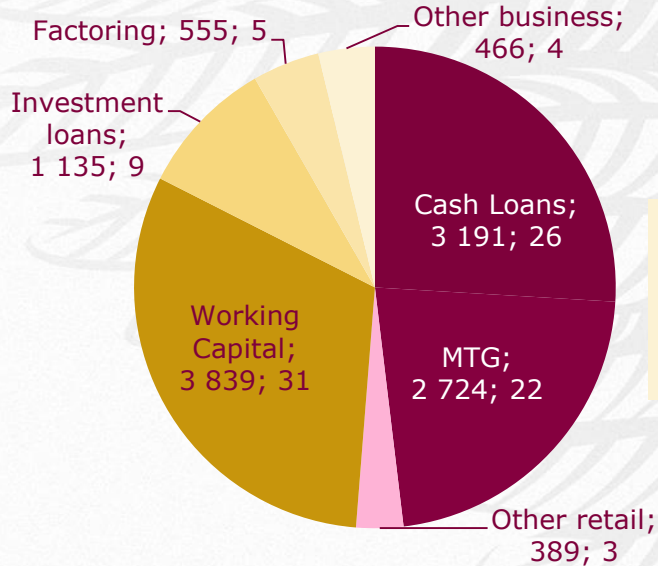
**Negative impact of rate cuts still a factor.**

# FAVORABLE DEVELOPMENT OF LOAN BOOK AND DEPOSIT GATHERING

1H'12

Loan book split (m PLN; %)

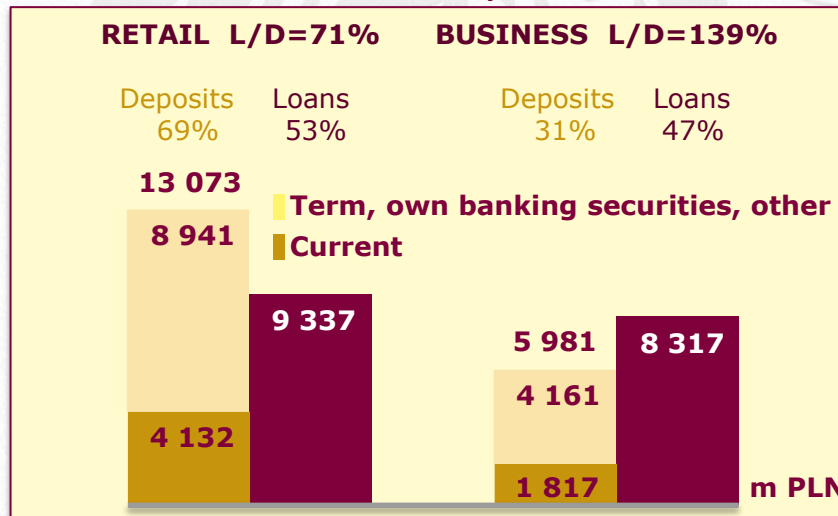
1H'13



### Structure

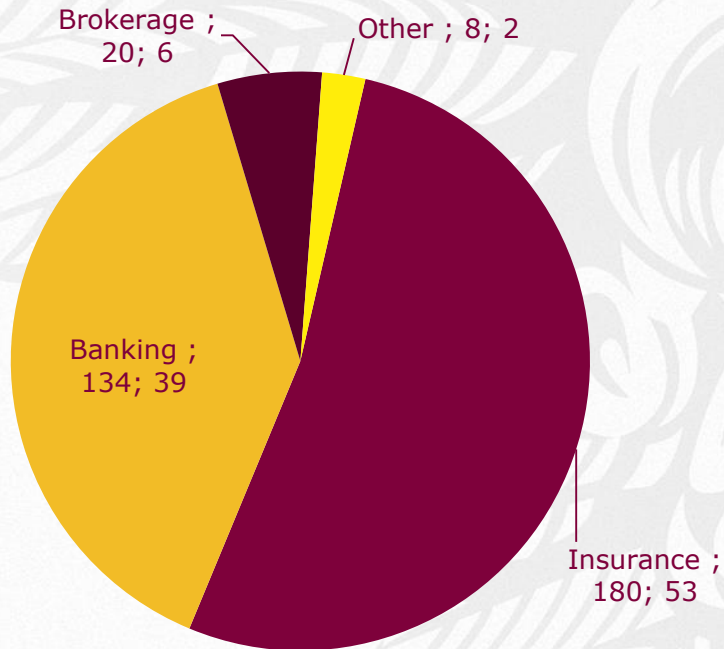
51%	Retail	53%
49%	Business	47%

L/D = 92,7%

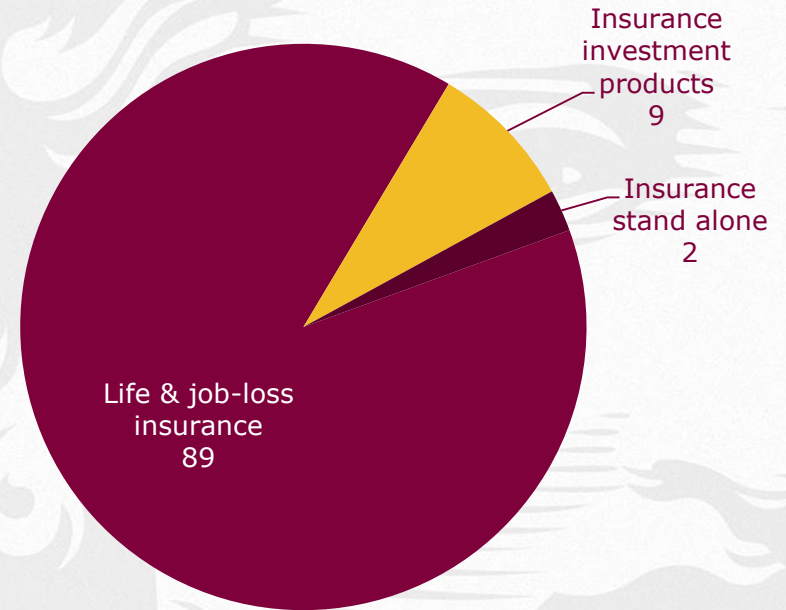


# FEE INCOME PERFORMANCE CORRELATED WITH LOAN PRODUCTION

**Fee income split in 1H 2013 (PLN m; %)**



**Insurance income split (%)**



**Bank remains committed to fulfill IAS 18 requirements concerning bancassurance accounting recognition.**

**One-off impact of PLN 30 m reduction of insurance fee income in Q2 2013**



# BANCASSURANCE MODEL

**OLD MODEL**  
2009-JUN 30 2013

**NEW MODEL**  
START JUL 2013

## Offering

Life insurance  
Job-loss insurance  
Alior acts as an insuring party with the risk covered by the insurer

Life insurance  
Job-loss insurance  
Alior acts as an insuring party with the risk covered by the insurer

## Revenue recognition

~80% upfront  
~20% periodized

**100% upfront**  
Total fee booked **lower** than in the previous model

## Post sales

Provisions for early repayments/resignations  
Post sales activities handled by **Alior**

**NO Provisions for early repayments/resignations**

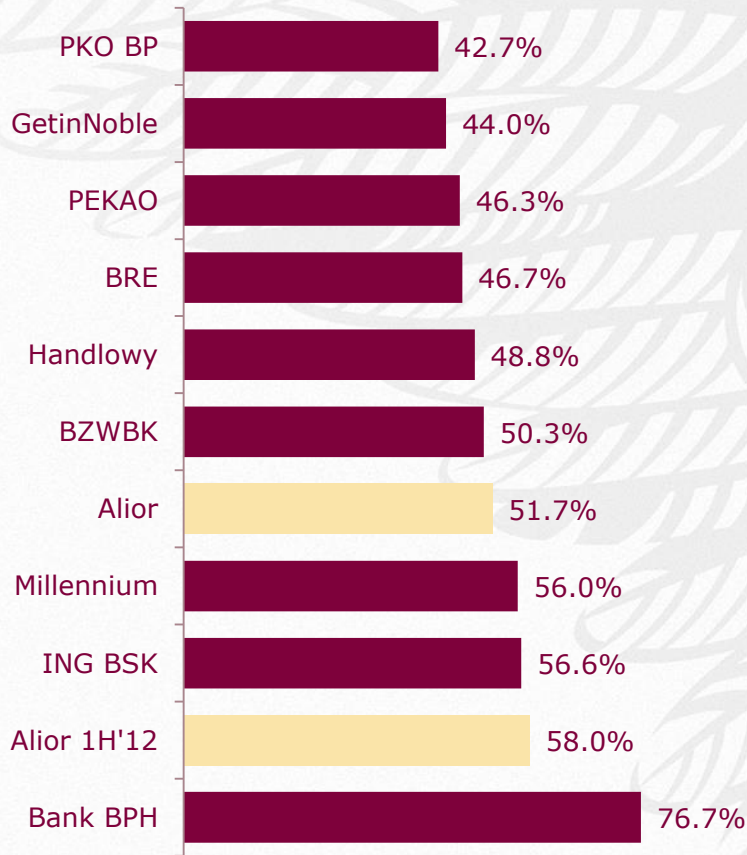
Post sales activities handled by **the insurer**

Transition to new model → 30 M PLN P&L gross impact (provision for early repayments for all loan production till Jun 30 2013)



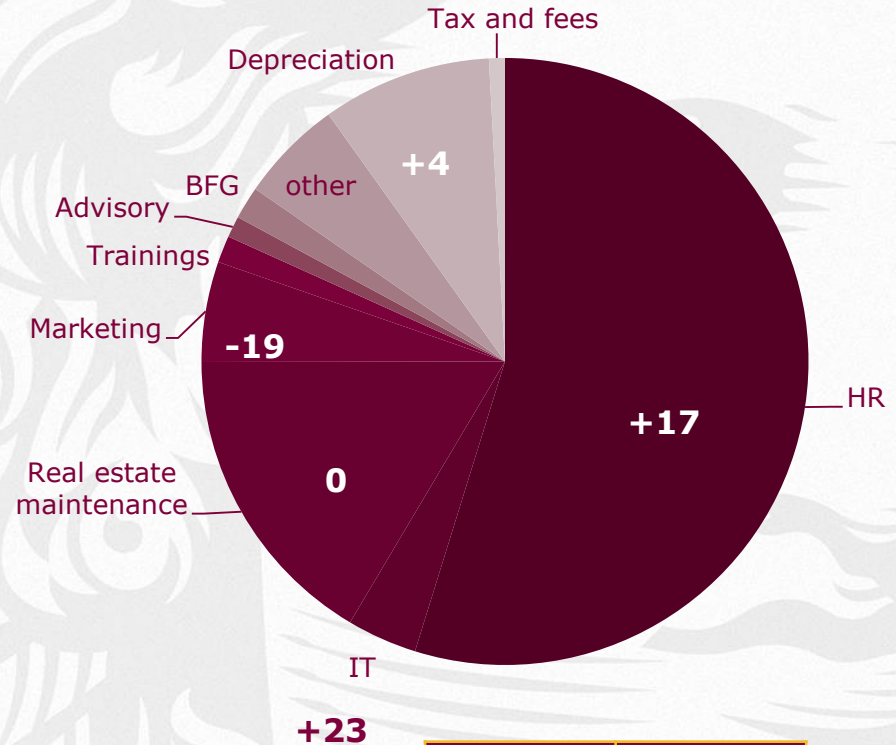
# ALIOR REMAINS FOCUSED ON EFFECTIVE COST MGMT

## C/I in selected Polish banks



Data as of Q2'13

## Split of 1H'13 costs growth y/y (in PLN m)

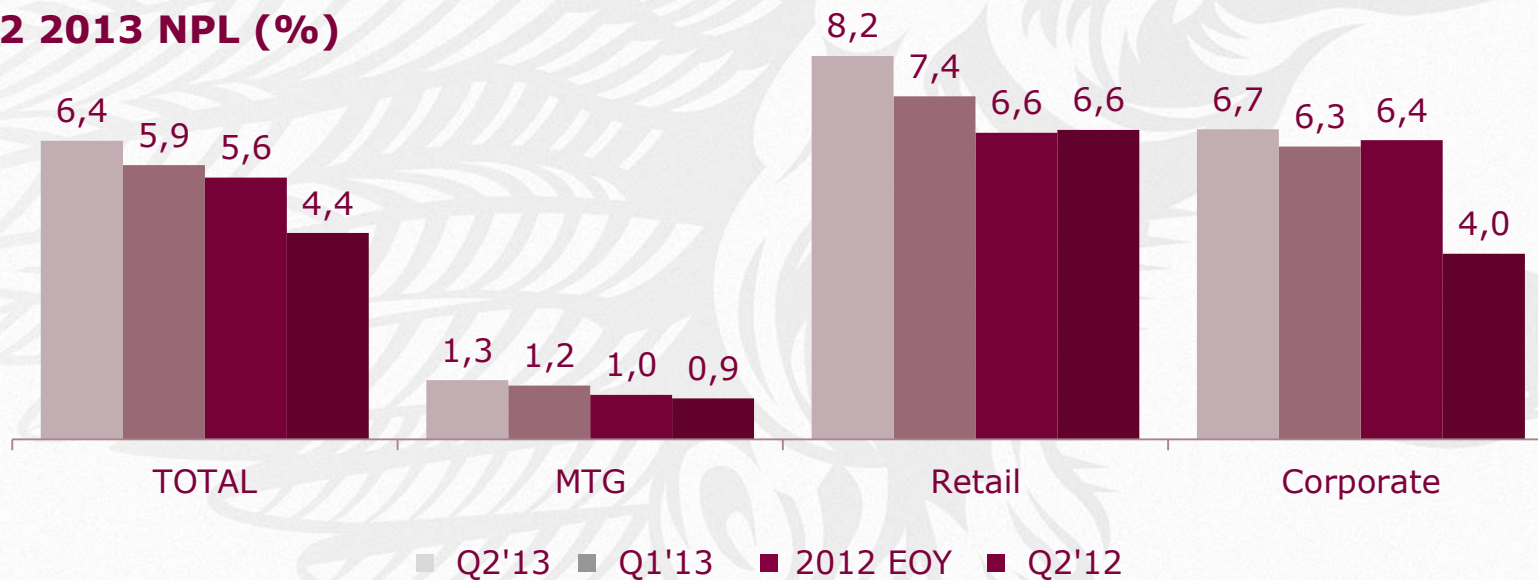


	Q2 vs Q1
HR	+10
Other	-5
Net	+5

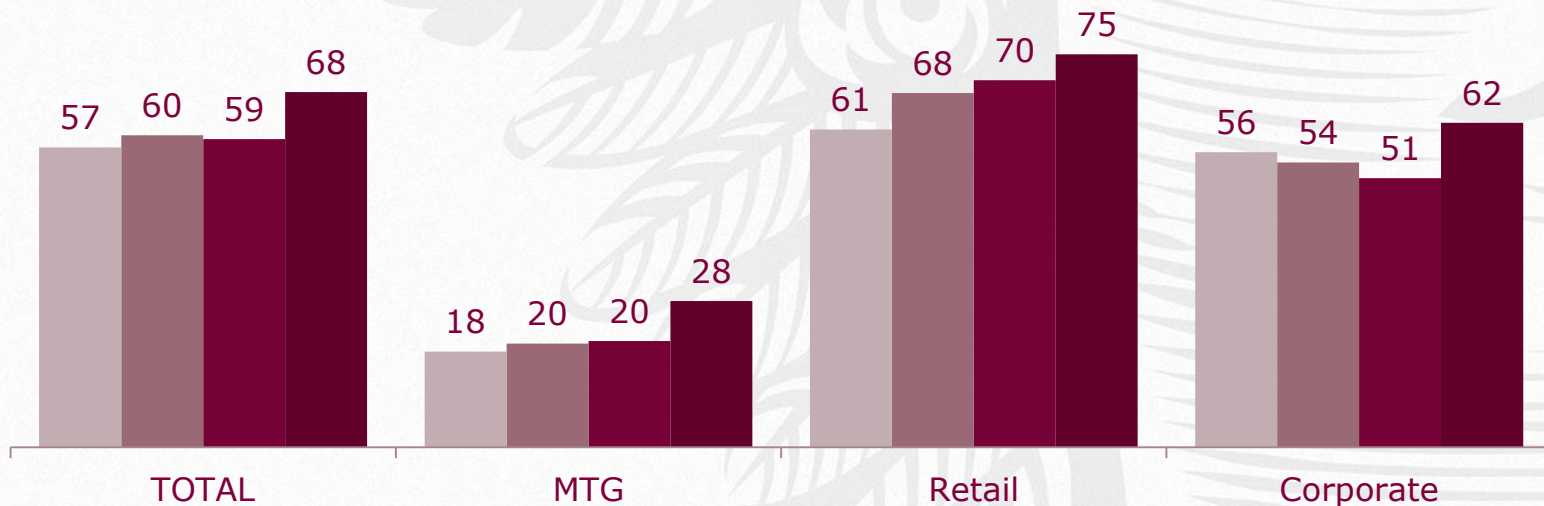


# CREDIT RISK, EXCELLENT PORTFOLIO COLLECTION

## Q2 2013 NPL (%)



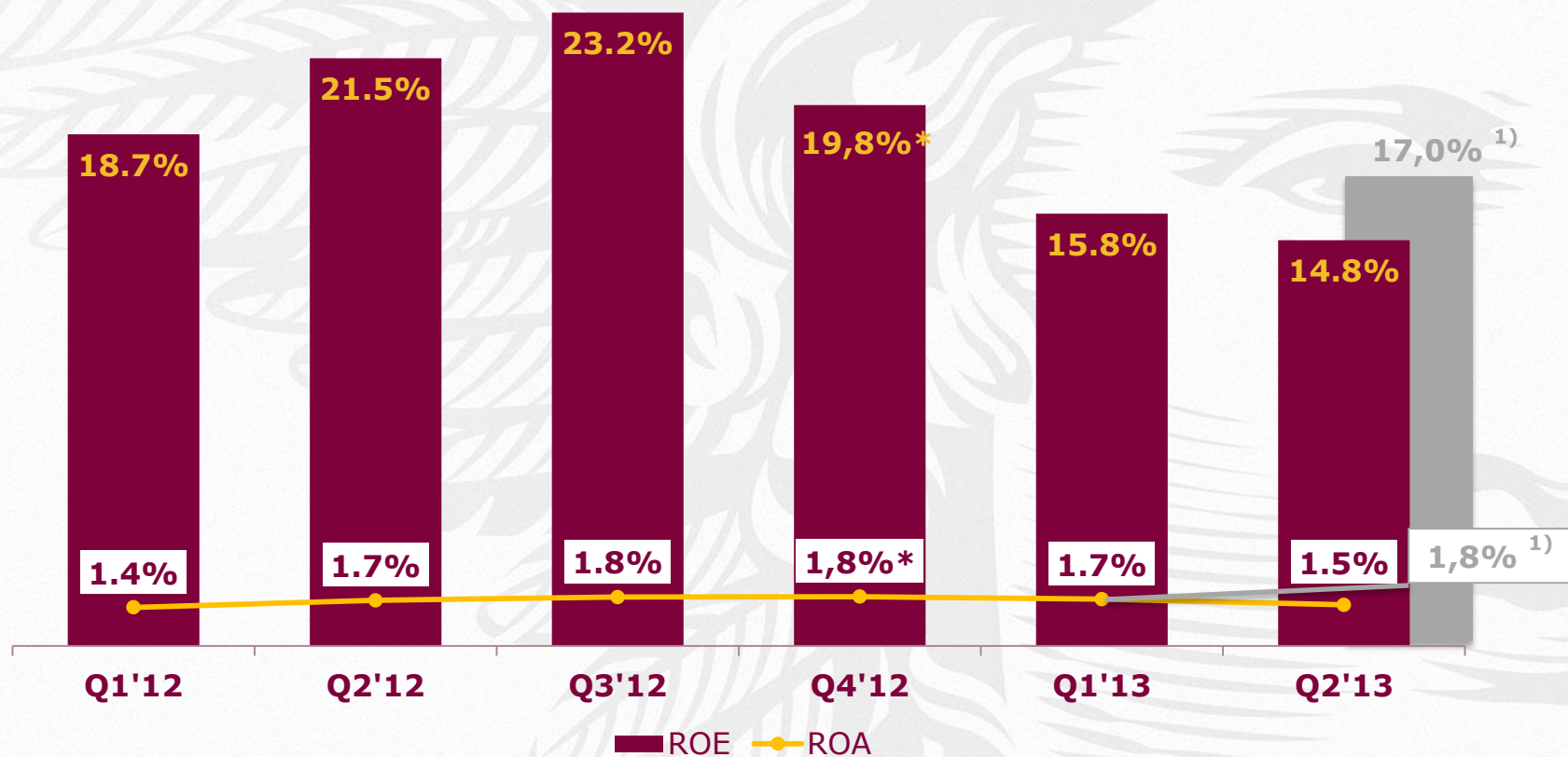
## Q2 2013 coverage ratio (%)



## Market risk mgmt key assumptions

- **No proprietary trading**
- **No dependency on whole-sale funding**
- **All clients trades in FX and commodities are closed instantly**
- **Zero position in commodities**
- **Stress test on FX rates: Max loss = 250 t PLN**
- **Stress test on interest rate: +/- 100 bps: limit 60 m PLN**
- **Overall Risk: 10d VaR = 8 m PLN**

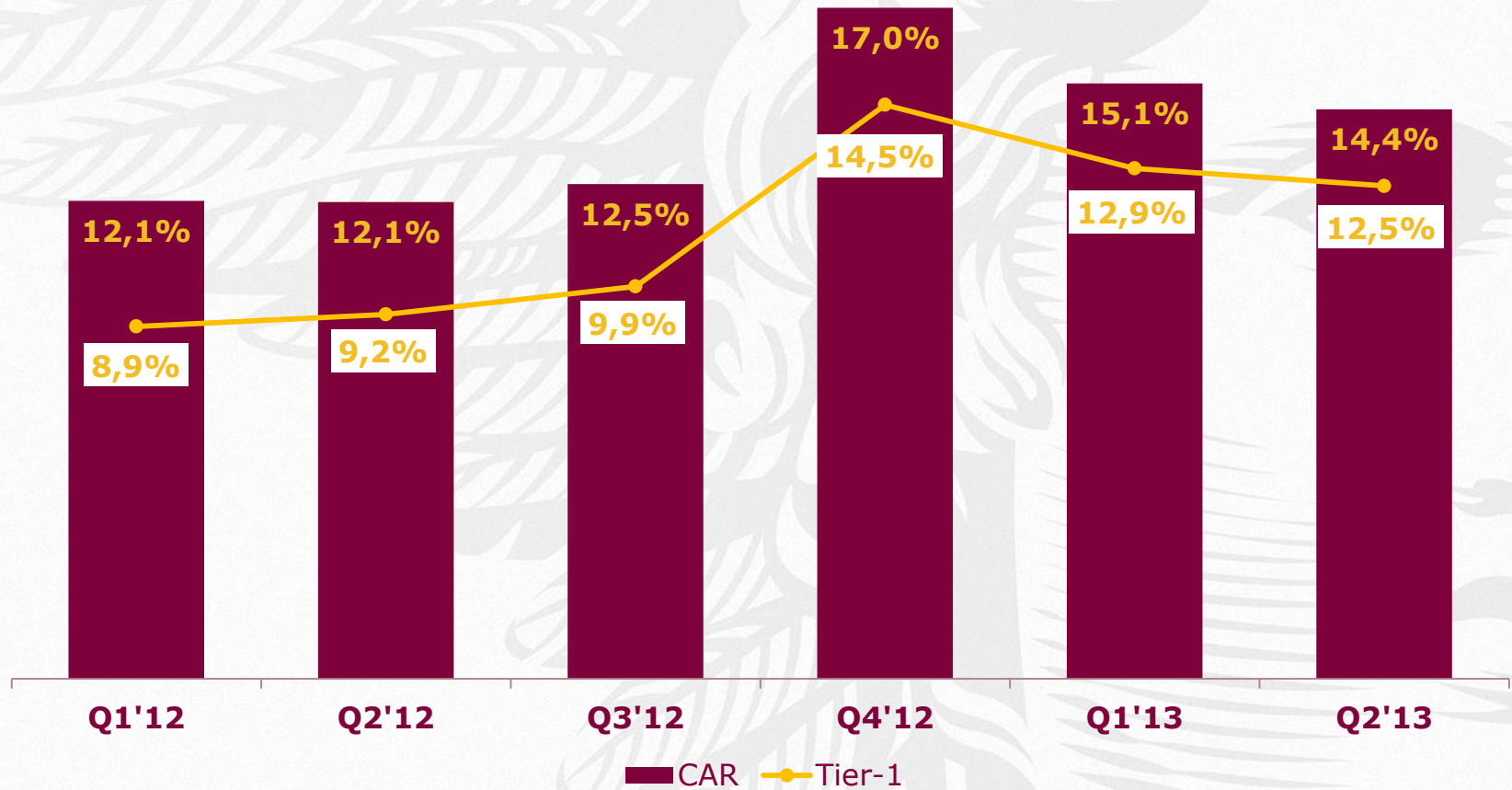
# EFFECTIVE ASSET AND EQUITY UTILIZATION MAINTAINED



\*NOT INCLUDING ONE-OFF IPO MGMT INCENTIVE EXPENSES

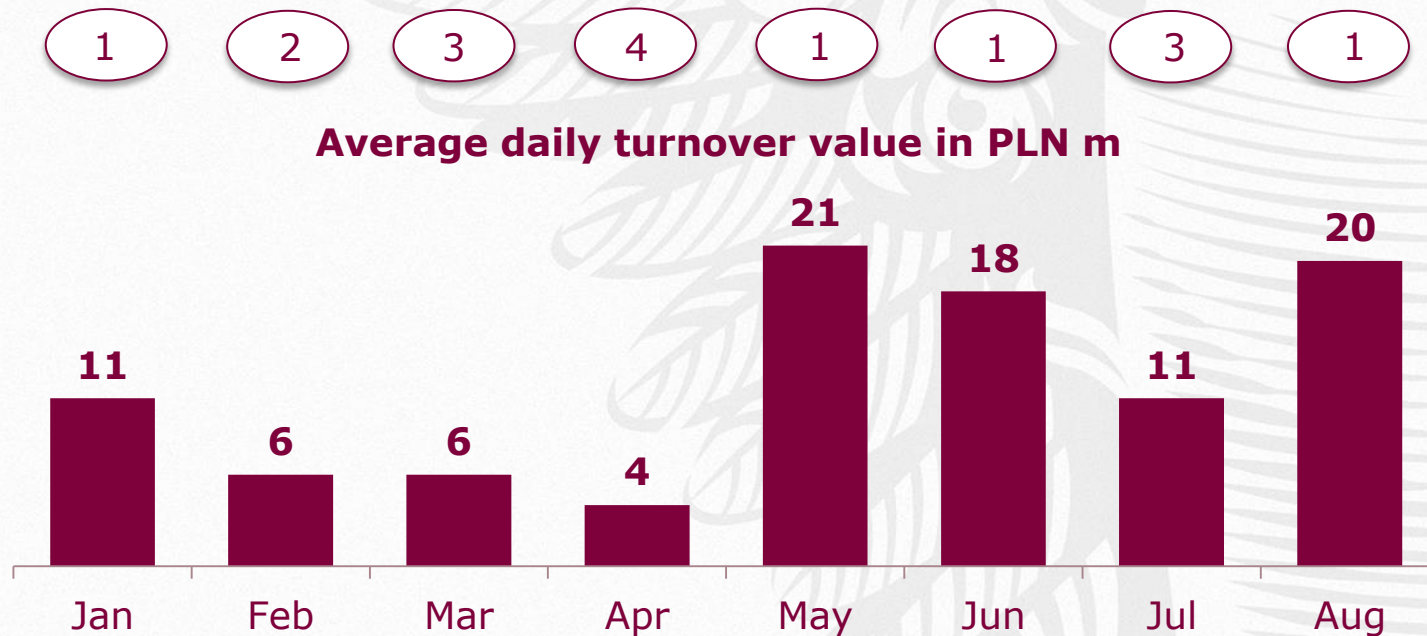
<sup>1)</sup> Excluding 25 m PLN net impact of insurance periodization

# CAPITAL LEVEL SUFFICIENT TO ENABLE FURTHER DYNAMIC GROWTH



# SHAREHOLDING STRUCTURE

Shareholder	Number of shares / votes	Nominal value of shares
Alior Lux S.a r.l. & Co. S.C.A. (including Alior Polska Sp. z o.o.)	22 918 382	229 183 820
European Bank for Reconstruction and Development	5 614 035	56 140 350
Other	35 050 548	350 505 480
<b>Total</b>	<b>63 582 965</b>	<b>635 829 650</b>



**One of the most traded banks on WSE excl. PKO BP and PEKAO.**

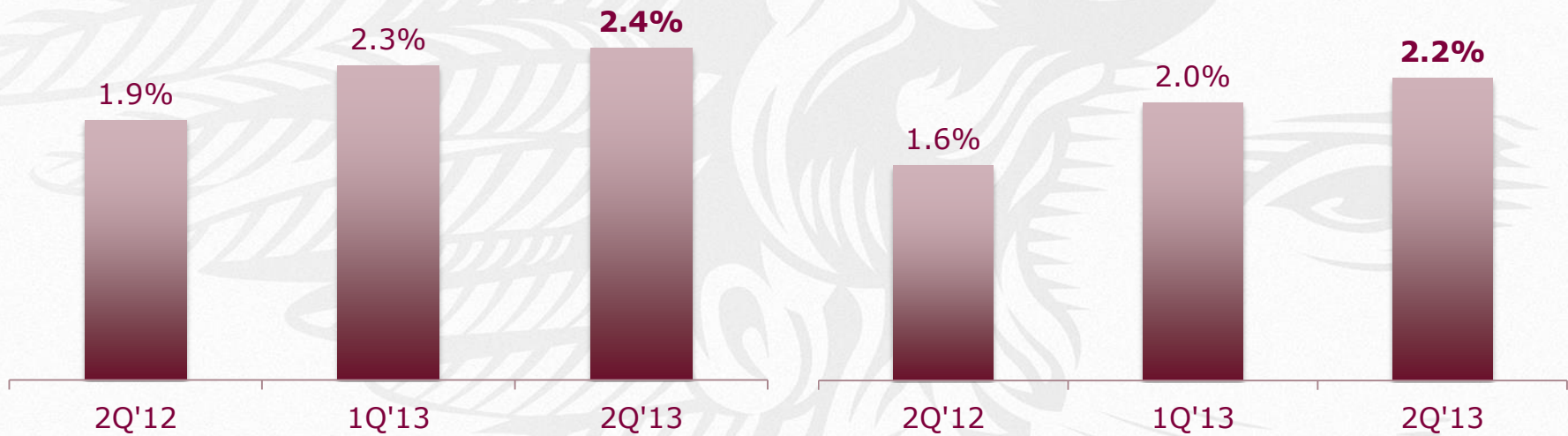


# ALIOR'S GROWTH STRATEGY WORKS: INCREASING MARKET SHARE

## Deposits

## MARKET SHARE

## Loans



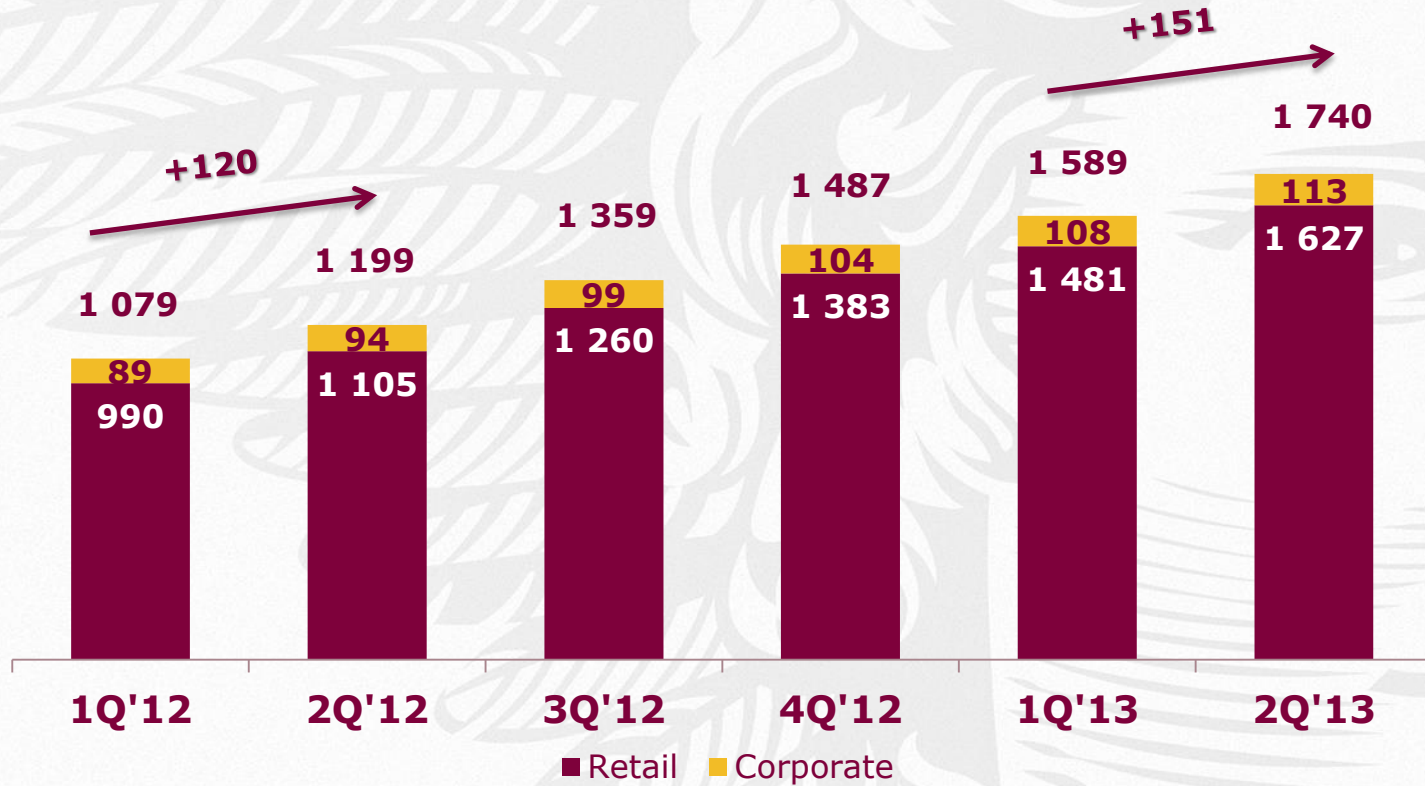
## Deposits

## GROWTH

## Loans

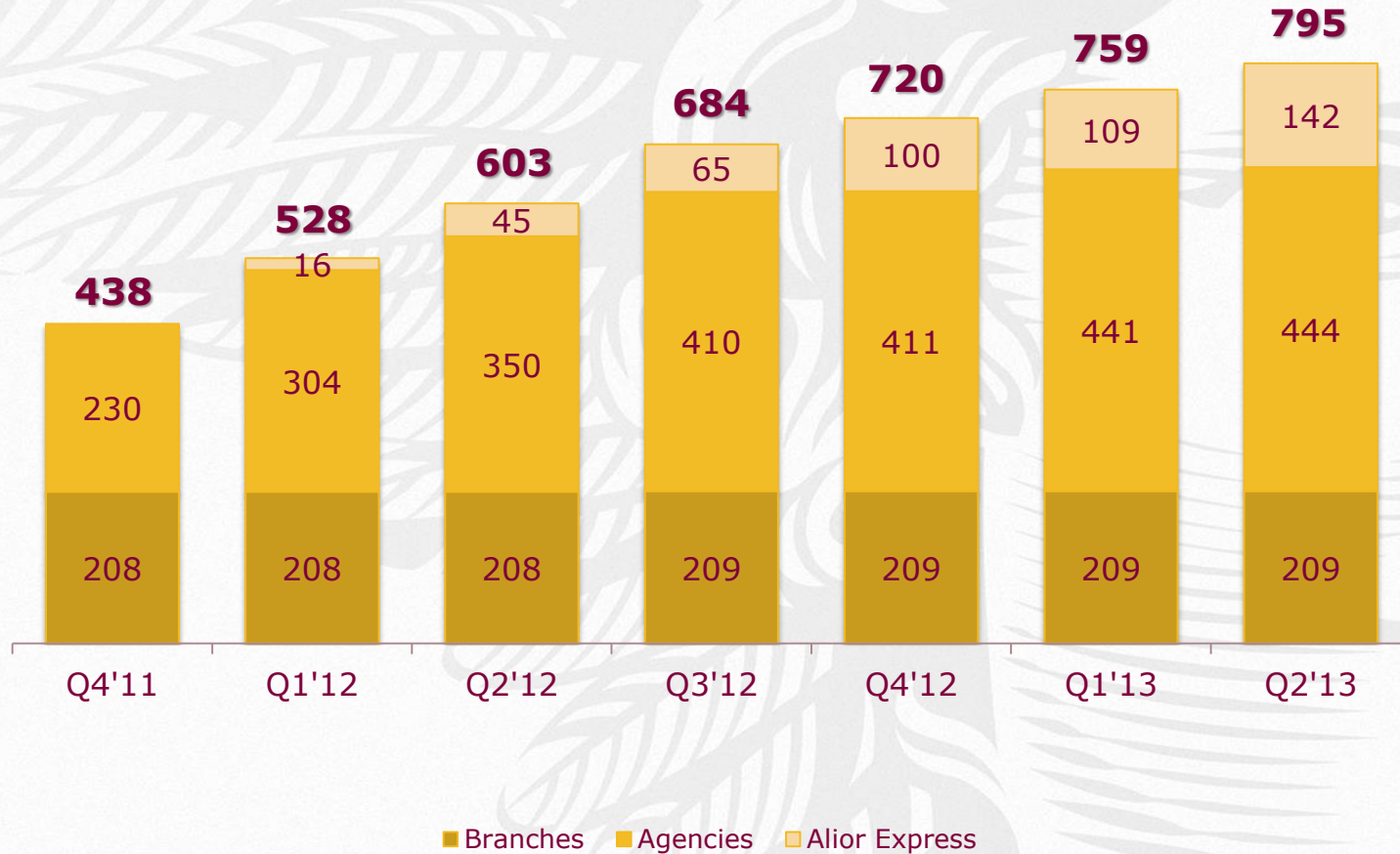
	Total		Retail		Corporate		Total		Retail		Corporate	
	ALIOR	Market	ALIOR	Market	ALIOR	Market	ALIOR	Market	ALIOR	Market	ALIOR	Market
<b>JAN</b>	<b>-3,7%</b>	-0,8%	<b>-4,1%</b>	1,2%	<b>-2,7%</b>	-6,0%	<b>3,7%</b>	0,2%	<b>2,8%</b>	0,2%	<b>4,8%</b>	0,3%
<b>FEB</b>	<b>-2,2%</b>	1,1%	<b>-4,6%</b>	1,3%	<b>4,8%</b>	0,6%	<b>2,2%</b>	0,1%	<b>3,4%</b>	0,1%	<b>0,9%</b>	0,1%
<b>MAR</b>	<b>4,8%</b>	1,1%	<b>3,7%</b>	0,7%	<b>7,8%</b>	2,0%	<b>3,2%</b>	0,4%	<b>3,4%</b>	0,5%	<b>2,9%</b>	0,4%
<b>APR</b>	<b>1,7%</b>	-0,1%	<b>1,8%</b>	-0,3%	<b>1,3%</b>	0,2%	<b>2,1%</b>	-0,1%	<b>2,5%</b>	-0,1%	<b>1,7%</b>	-0,1%
<b>MAY</b>	<b>5,6%</b>	0,5%	<b>5,3%</b>	-0,4%	<b>6,4%</b>	3,0%	<b>3,2%</b>	1,2%	<b>3,2%</b>	1,3%	<b>3,3%</b>	1,0%
<b>JUN</b>	<b>2,0%</b>	0,9%	<b>2,2%</b>	0,8%	<b>1,6%</b>	1,0%	<b>5,5%</b>	1,1%	<b>3,4%</b>	0,7%	<b>7,9%</b>	1,8%

# ALIOR RETAINS ITS' TOP POSITION IN CLIENT ACQUISITION





## No of Alior outlets





# STRATEGIC INITIATIVES



- Consumer Finance – started in March 2012
  - Gaining a strong footprint in 613 locations of major retailers (e.g. Euro RTV AGD, Mediaexpert, Avans, Agata Meble)
  - Ever increasing presence online (Allegro, PayU, Neo24.pl)
  - Consumer Finance portfolio: PLN 263,6 M (Q2 2013)



- Alior Bank Express mini branches
  - 142 new mini branches as of Q2 2013.
  - Deposits: 209,2 M (Q2 2013)
  - Loans: 166,2 M (Q2 2013)
  - Plans to reach 200 outlets in 2013
  - 51 ths clients (Q2 2013)



- Alior Sync: a Virtual Bank – launched mid June 2012
  - Cutting edge technology recognized world wide (BAI and London Technology award)
  - 252 k new clients as of Q2 2013.
  - Deposits: 538 M (Q2 2013)
  - Loans: 94,9 M (Q2 2013)

## Sustainable growth

- Positive development of risk-adjusted return of non-collateralized portion of loan portfolio
- Symptoms of macro improvement should result in acceleration of SME and micro demand for banking products
- Exponential growth of Consumer Finance (white label installment) gives basis for this business line to be meaningful contributor in the near future

## Deposit gathering

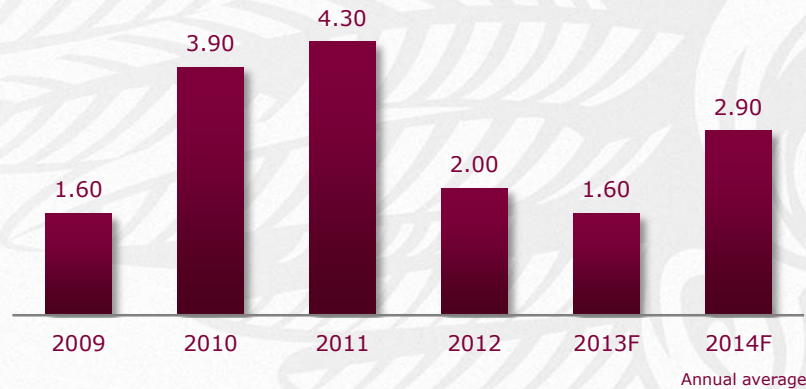
- Alior maintains its commitment to self-financing of organic growth
- Ability to attract deposits ensuring reasonable cost of funding remains unchallenged
- Due to dynamic loan growth L/D in 2013 may increase but not above 100%

## Regulator & shareholder structure

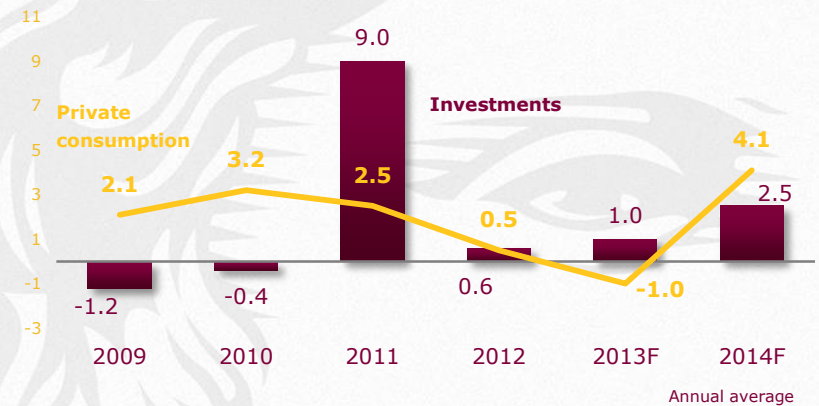
- Some regulatory initiatives may have a negative impact on sector performance (i.e. increased contribution to Bank Guarantee Fund)
- Still no clarification concerning sale of 34% by main shareholder.

**BACK UP**

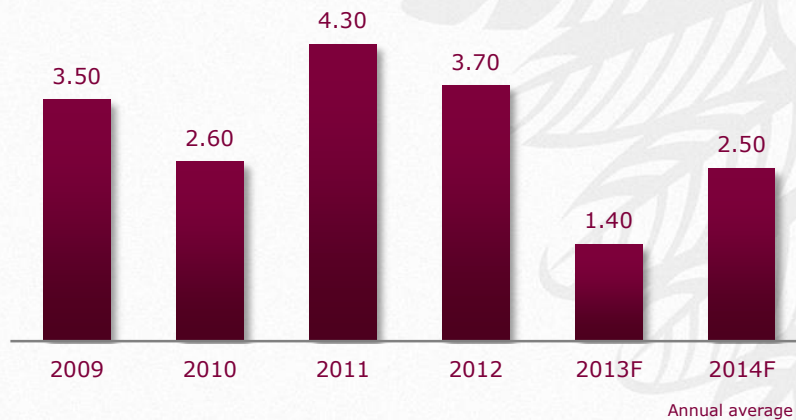
## GDP growth (% yoy)



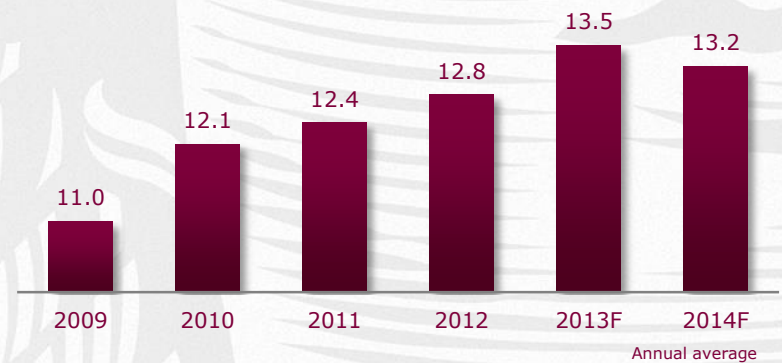
## Investments and private consumption (% yoy)



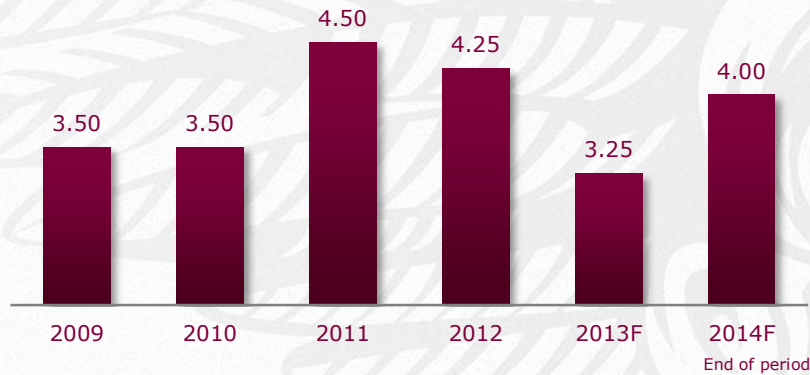
## Inflation (CPI % yoy)



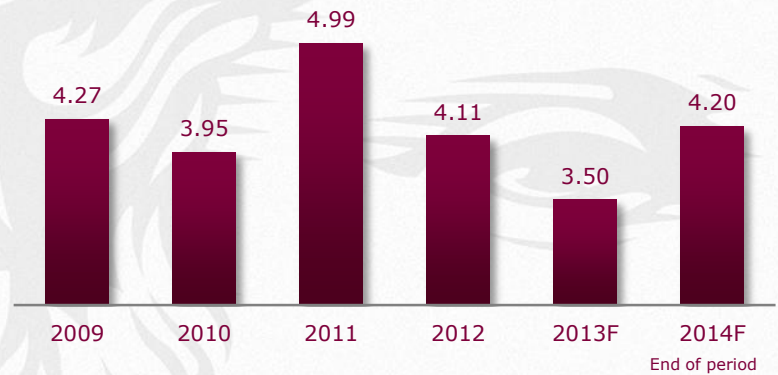
## Unemployment rate (%)



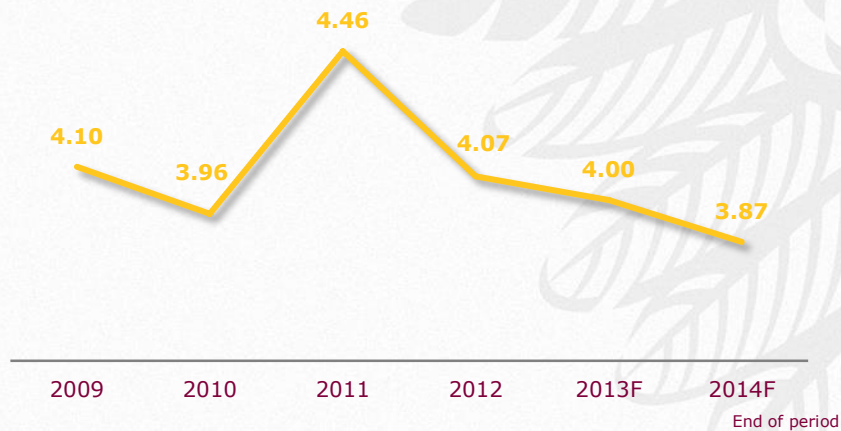
**NBP referance rate (%)**



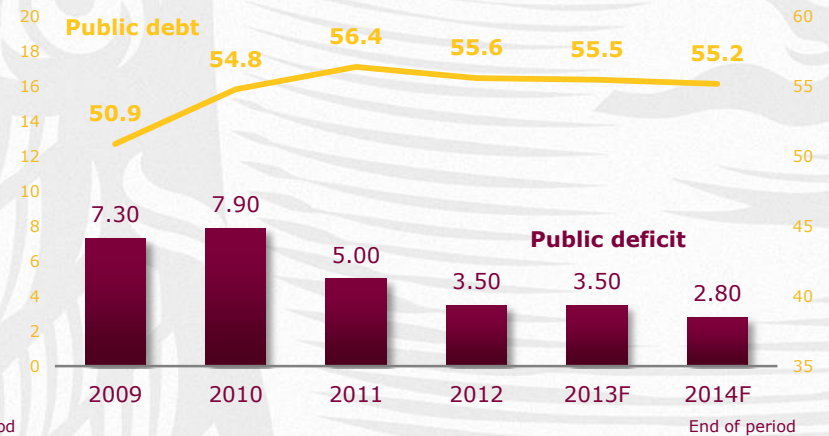
**WIBOR 3M (%)**



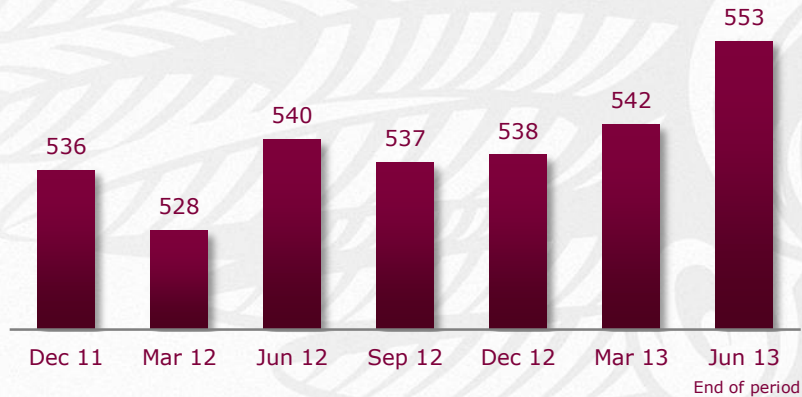
**FX rate (EUR/PLN)**



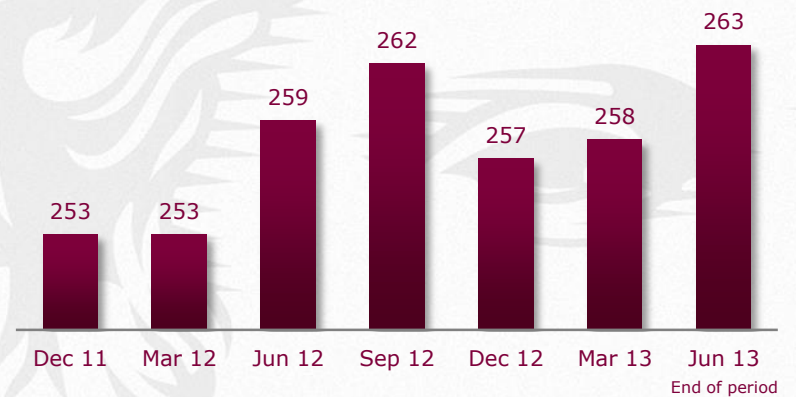
**Fiscal policy (% of GDP)**



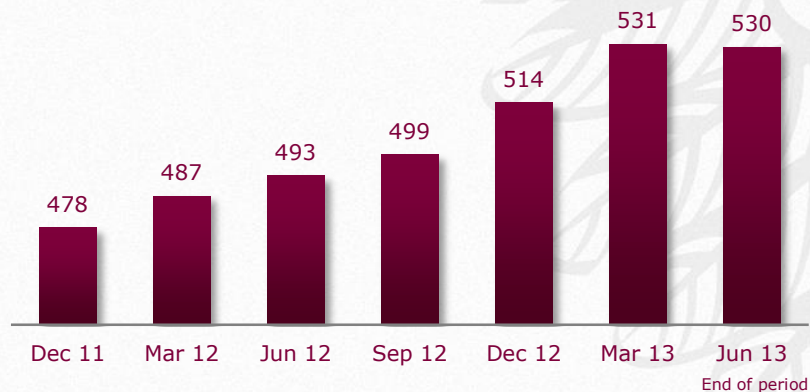
**Loans to households (bln PLN)**



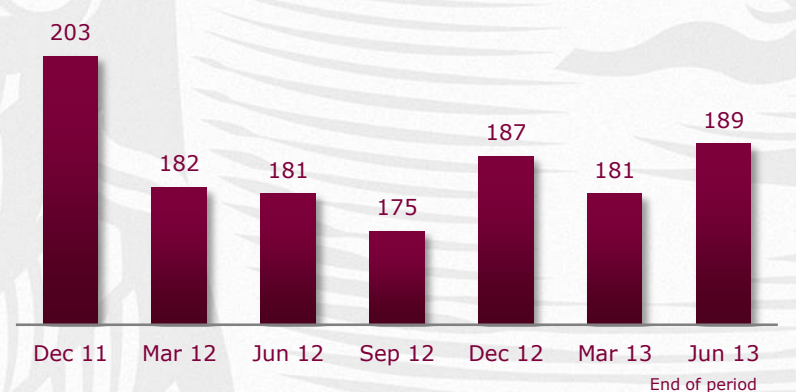
**Loans to corporations (bln PLN)**



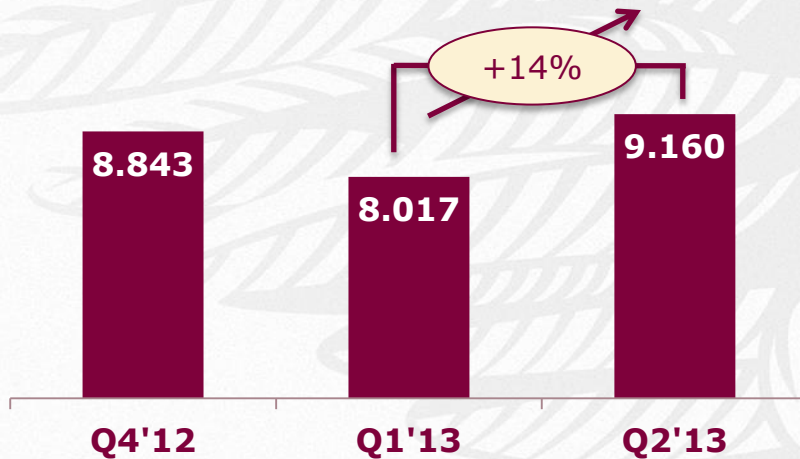
**Deposits from households (bln PLN)**



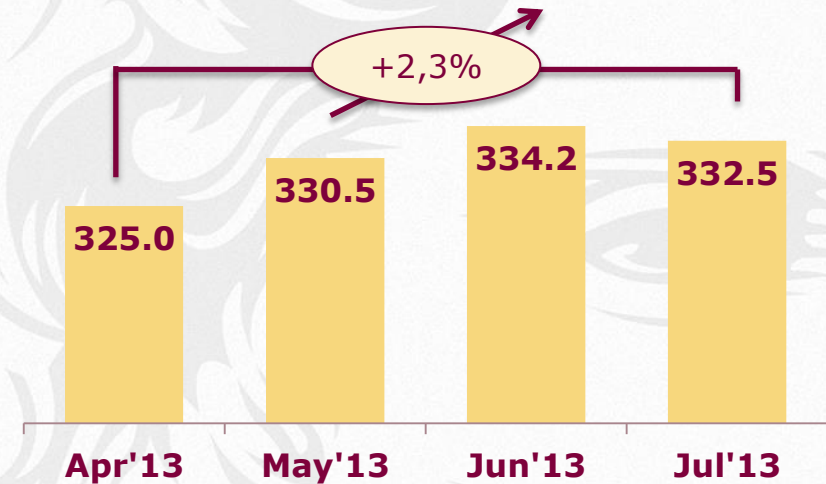
**Deposits from corporations (bln PLN)**



■ Value of newly signed mortgage loans agreements (quarterly) in PLN bln



■ Consumer loans volume in PLN bln



## The main drivers of loans market recovery are:

- low interest rates, reference interest rate at the historic minimum of 2.5%,
- new Recommendation T implementation increasing the availability of loans,
- signs of economic growth, GDP in Q2'13 increased by 0.8% y/y vs. 0.5% in Q1'13,
- stabilization on the labor market.



## Highlights

New stabilization fund within Banking Guarantee Fund to be created

Shift of responsibility for the banking sector support to financial institutions.

## Assumptions

The basis for the calculation of new annual fee is the total capital requirement x 12.5

The I fee can not exceed 0.2% of the basis mentioned above

It has to be paid (for the first time for 2013) within 60 days from the publication date of the Banking Guarantee Fund Board resolution on the level of the new fee.

## Impact scenario

	<b>Increase by 0.05%</b>	<b>Increase by 0.1%</b>	<b>Increase by 0.2%</b>
The potential amount to be paid by Alior* (in PLN m)	8.9	17.7	35.5

\*calculated based on 1H'2013 financial statements

# INCOME STATEMENT SNAPSHOT

	Q2 2010	Q3 2010	Q4 2010	Q1 2011	Q2 2011	Q3 2011	Q4 2011	Q1 2012	Q2 2012	Q3 2012	Q4 2012	Q1 2013	Q2 2013
Interest income	112	126	147	161	191	224	275	270	310	340	364	355	347
Interest expense	-41	-45	-57	-60	-71	-88	-137	-118	-139	-146	-171	-155	-130
Net interest income	71	81	90	100	120	136	138	152	171	195	193	200	218
Dividend	0	0	0	0	0	0	0	0	0	0	0	0	5
Fee and commission income	56	68	76	84	103	120	165	149	151	163	203	193	149
Fee and commission expense	-19	-17	-25	-28	-25	-41	-38	-38	-46	-47	-68	-55	-60
Net fee and commission income	37	51	51	56	78	79	128	112	106	116	136	138	89
Trading result	20	28	31	31	32	43	36	33	48	50	51	49	78
Net gain (Realized) on other financial instruments	7	3	0	1	3	1	12	0	3	14	6	1	6
Other operating income	5	-1	4	9	-4	3	7	5	17	16	31	21	4
Other operating costs	-1	-2	-2	-3	-1	-4	-6	-4	-5	-4	-8	-15	1
Net other operating income	4	-2	2	6	-5	-1	1	1	13	11	23	6	6
General administrative expenses	-158	-135	-128	-142	-145	-178	-174	-182	-190	-200	-350	-202	-207
Impairment losses	-28	-46	-39	-39	-43	-51	-57	-49	-67	-76	-90	-79	-88
Gross profit (loss)	-48	-20	8	13	40	29	83	67	83	111	-31	114	101
Income tax	-3	11	3	-8	-9	15	-12	-13	-3	-21	-18	-23	-20
<b>Net profit (loss)</b>	<b>-51</b>	<b>-9</b>	<b>10</b>	<b>6</b>	<b>31</b>	<b>44</b>	<b>71</b>	<b>54</b>	<b>79</b>	<b>90</b>	<b>-49</b>	<b>91</b>	<b>81</b>



# BALANCE SHEET SNAPSHOT

	Q2 2010	Q3 2010	Q4 2010	Q1 2011	Q2 2011	Q3 2011	Q4 2011	Q1 2012	Q2 2012	Q3 2012	Q4 2012	Q1 2013	Q2 2013
Cash and balances with Central Bank	239	327	476	397	372	347	449	582	592	702	1 030	729	722
Financial assets held for trading	78	109	118	142	157	382	312	187	205	174	174	215	265
Financial assets available for sale	1 746	2 350	2 422	2 562	2 214	3 301	2 907	2 113	2 345	2 328	4 321	3 259	3 447
Receivables from customers	3 848	4 744	5 532	6 579	7 804	9 055	10 135	11 267	12 297	13 537	14 535	15 887	17 654
Receivables from banks	141	74	242	110	185	271	1 106	247	433	380	414	138	170
Tangible fixed assets	194	198	216	210	204	200	212	214	217	233	215	208	207
Intangible assets	89	93	109	109	112	119	123	139	137	123	158	158	167
Non-current asset held for sale								0	0	0	62	62	62
Current income tax receivables	67	78	81	74	64	62	72	55	63	58	79	63	55
Current	0	0	0	0	0	0	0	0	3	0	0	4	4
Deferred	67	78	81	74	64	62	72	55	60	58	79	59	51
Shareholdings in subsidiaries	0	0	0	0	0	0	0	0	0	0	0	0	0
Other assets	119	140	116	126	173	189	168	207	219	270	365	350	282
<b>TOTAL ASSETS</b>	<b>6 523</b>	<b>8 114</b>	<b>9 312</b>	<b>10 310</b>	<b>11 285</b>	<b>13 926</b>	<b>15 484</b>	<b>15 009</b>	<b>16 508</b>	<b>17 806</b>	<b>21 352</b>	<b>21 068</b>	<b>23 033</b>
Financial liabilities held for trading	30	115	119	126	137	290	244	141	167	128	129	146	157
Financial liabilities measured at amortised cost	5 229	6 739	7 929	8 818	9 766	12 201	13 603	12 859	14 182	15 427	18 092	17 643	19 591
Provisions	56	37	48	54	21	35	33	39	11	13	13	9	5
Income tax liabilities							0	0	0	8	31	0	3
Current							0	0	0	8	31	0	3
Subordinated loans							44	344	353	344	351	344	352
Other liabilities	234	256	241	334	346	360	448	443	431	436	490	594	531
Liabilities, total	5 550	7 147	8 336	9 332	10 269	12 886	14 327	13 826	15 144	16 355	19 106	18 737	20 650
Equity	973	967	976	978	1 016	1 039	1 112	1 183	1 364	1 451	2 246	2 331	2 382
Share capital	500	500	500	500	500	500	500	500	513	513	636	636	636
Supplementary capital	596	596	596	596	503	503	503	627	715	715	1 277	1 277	1 435
Other capital	6	8	6	3	7	3	-13	3	3	-1	11	167	170
Revaluation reserve	6	7	8	9	11	12	13	14	15	16	163	2	-32
Undistributed result from previous years	-29	-29	-31	-135	-42	-42	-42	-14	-14	-14	-14	160	2
Current year's profit/loss	-106	-114	-104	5	37	64	152	54	133	223	174	91	172
<b>TOTAL LIABILITIES</b>	<b>6 523</b>	<b>8 114</b>	<b>9 312</b>	<b>10 310</b>	<b>11 285</b>	<b>13 926</b>	<b>15 484</b>	<b>15 009</b>	<b>16 508</b>	<b>17 806</b>	<b>21 352</b>	<b>21 068</b>	<b>23 033</b>

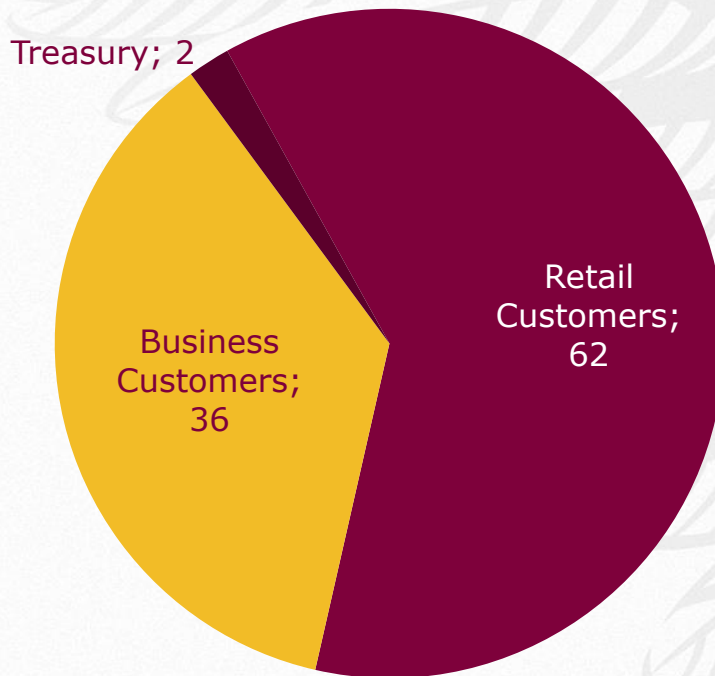
# EFFECTIVE UTILIZATION OF CURRENT INFRASTRUCTURE REFLECTED IN FLAT COST DEVELOPMENT

in PLN m	Q4'11	Q1'12	Q2'12	Q3'12	Q4'12*	Q1'13	Q2'13
<b>HR costs</b>	<b>-83</b>	<b>-101</b>	<b>-91</b>	<b>-96</b>	<b>-97</b>	<b>-107</b>	<b>-117</b>
<b>NHR costs, including inter alia:</b>	<b>-76</b>	<b>-64</b>	<b>-78</b>	<b>-83</b>	<b>-75</b>	<b>-74</b>	<b>-70</b>
IT costs	-5	-6	-7	-7	-8	-8	-8
rent / building maintenance	-33	-32	-35	-35	-33	-36	-31
marketing costs	-21	-10	-17	-21	-14	-10	-12
training costs	-2	-2	-2	-2	-4	-3	-3
advisory services costs	-2	-3	-2	-4	-2	1	-5
Banking Guarantee Fund costs	-1	-2	-2	-2	-2	-4	-4
leasing costs of tangible and intangible assets	-2	-2	-2	-2	-2	-2	-1
telecommunication costs	-4	-2	-4	-3	-4	-3	-3
<b>Depreciation</b>	<b>-14</b>	<b>-15</b>	<b>-20</b>	<b>-18</b>	<b>-19</b>	<b>-18</b>	<b>-19</b>
<b>Taxes and fees</b>	<b>-1</b>	<b>-1</b>	<b>-1</b>	<b>-3</b>	<b>0</b>	<b>-2</b>	<b>-1</b>
<b>TOTAL COSTS</b>	<b>-174</b>	<b>-182</b>	<b>-190</b>	<b>-200</b>	<b>-191</b>	<b>-202</b>	<b>-207</b>

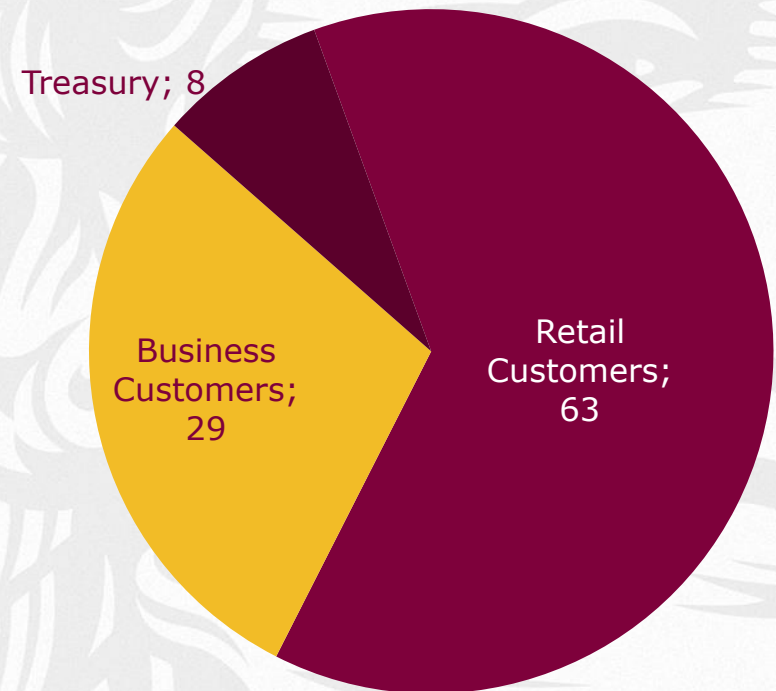
\*excluding IPO expenses

## Net revenue split (%)

**1H'12**



**1H'13**



# TRADING RESULT

	1H 2013	1H 2012	1H'13 / 1H'12
FX transactions result	70	56	25%
Interest rate transaction result	54	24	127%
Other financial instruments result	3	1	118%
<b>Trading result</b>	<b>127</b>	<b>81</b>	<b>57%</b>

**FX transactions:** forex, FX swap and CIRS with capital exchange, FX forward, currency options, revaluation of assets and liabilities.

**Interest rate transactions:** interest rate swaps, FRA and net interest Income on CIRS transactions and the result of interest rate options

**Other financial instruments:** trading equity securities, commodity derivatives, options on stock indices, baskets of indices and commodities

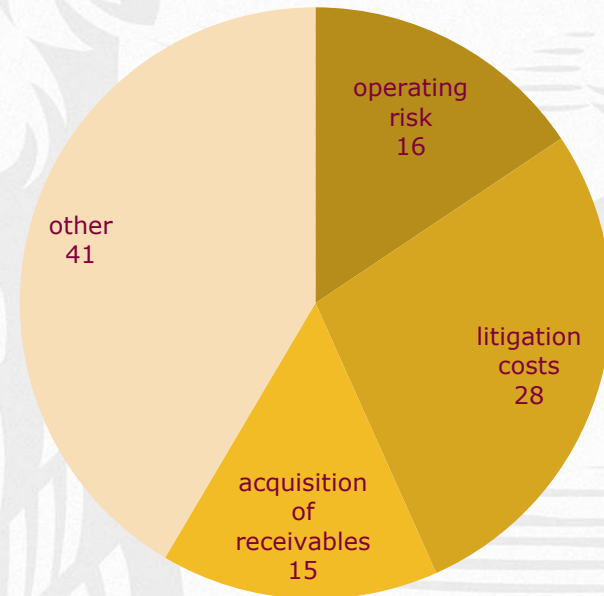
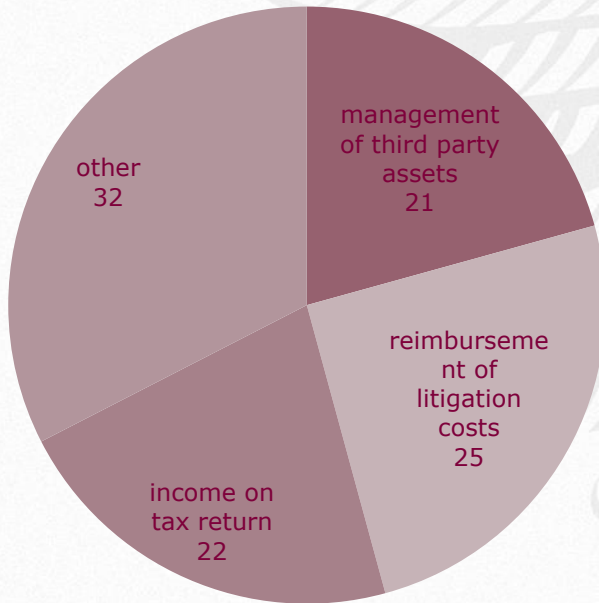
# NET OTHER OPERATING INCOME

	1H 2013	1H 2012	1H'13 / 1H'12
Other operating income	22	25	11%
Other operating expenses	-9	-13	49%
<b>Net other operating income</b>	<b>13</b>	<b>12</b>	<b>-14%</b>

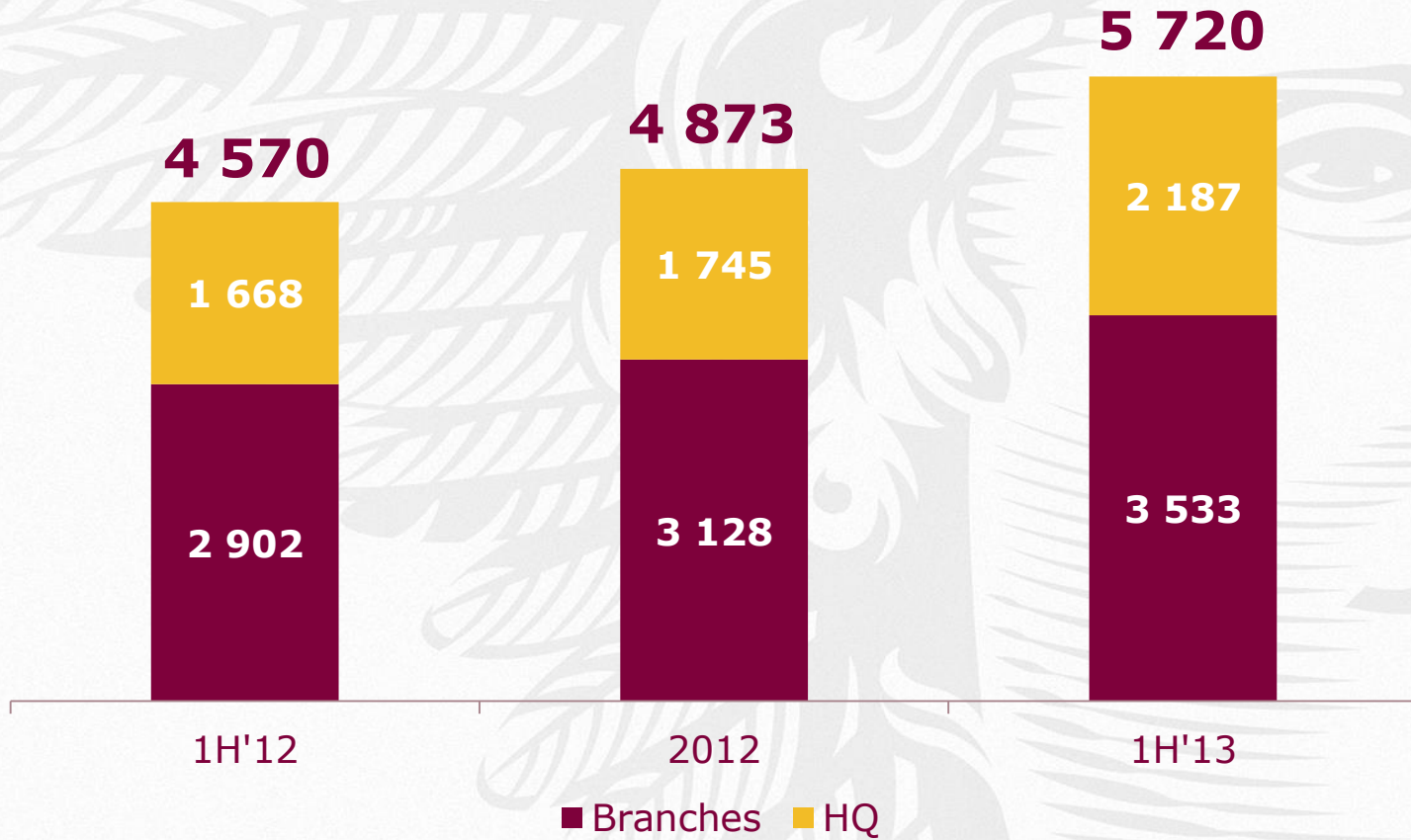
## Income (%)

## 1H 2013 Structure

## Expenses (%)



# EMPLOYEES







# POLISH PENSION REFORM POTENTIAL IMPLICATIONS

## Current status:

OFE (pension fund) are a major player on polish stock market (~14% of Polish stock market capitalization; shareholders of around 60% of all companies traded).

Inflows from future retirees are capped at 2,92% and are invested both in stocks and government bonds.

## NEW SOLUTION:

Taking over PLN140bn of bonds and banning OFE from investing in government securities.

Part of the remaining portfolio is also likely to be moved to ZUS - OFE members will have 3 months to opt-in back into the OFE system.

Obligatory, gradual transfer of funds to State Pension Fund (ZUS) ten-year before OFE members retirement

The spectrum of investment instruments for OFE will be widened (incl. derivatives).

## POTENTIAL IMPLICATIONS:

Potential increase of shares supply as OFE will try to rebalance their portfolio

Limitation of inflows to OFEs weakening their equity investment potential

OFE may adapt more risky strategy due to larger spectrum of available investment strategies.

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