FitchRatings

Banks

Poland

Alior Bank S.A.

Full Rating Report

Ratings

Foreign Currency	
Long-Term IDR	BB
Short-Term IDR	B
Viability Rating	bb
Support Rating	5
Support Rating Floor	NF
National	
Long-Term IDR	BBB+(pol)
Short-Term IDR	F2(pol)
Sovereign Risk	
Foreign-Currency Long-Term IDR	A-
Local-Currency Long-Term Rating	A
Country Ceiling	AA-

Outlooks

Foreign-Currency Long-Term Rating	Stable
National Long-Term Rating	Stable
Sovereign Foreign-Currency Long-Term IDR	Stable
Sovereign Local-Currency Long-Term IDR	Stable

Financial Data

Alior Bank S.A.

	31 Dec 14	31 Dec 13
Total assets (USDm)	8,602	8,483
Total assets (PLNm)	30,168	25,550
Total equity (PLNm)	3,015	2,185
Operating profit (PLNm)	401	288
Net income (PLNm)	322	228
Cost/income (%)	49	55
Operating ROAA (%)	1.84	1.26
Operating ROAE (%)	18.8	13.2
Impaired loans ratio (%)	8.9	6.9
Fitch core capital ratio (%)	12.1	10.4
Tier 1 ratio (%)	11.2	10.3

Related Research

Fitch Affirms mBank, Alior, Getin & Bank Millennium (March 2015)

2015 Outlook: CEE Banks (December 2014)

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Key Rating Drivers

Viability-Driven IDRs: Alior Bank S.A.'s (Alior) ratings mainly reflect its weak capitalisation and asset quality. The ratings also factor in Alior's rapid credit expansion, significant impaired loan origination and modest, albeit improving, internal capital generation.

Weak Asset Quality: The fast inflow of new bad debts at Alior is likely to continue in 2015 due to seasoning of the loan portfolio (after rapid growth) and the bank's focus on more risky unsecured retail lending. At end-2014, the ratio of impaired loans reached 8.9% (sector average: 7%). Excluding low-risk residential mortgages (about 20% and 34% of loans at Alior and banking sector, respectively) the impaired loans ratio was 10.6% (sector average: 8.9%).

Modest Capitalisation: Alior's internal capitalisation is weak in light of its rapid growth, material proportion of unreserved NPLs and high appetite for credit risk. At end-2014, impaired loans net of specific reserves accounted for a material 37% of Fitch Core Capital. Alior's CET1 ratio (11.2% at end-2014) has somewhat weakened after the acquisition of Meritum Bank.

Rapid Growth Plans: The bank plans further rapid growth mainly in higher risk segments (such as unsecured retail lending). Between 2010-2014 Alior's total assets tripled, while the gross loans compound annual growth rate (CAGR) was 34%.

Retail-Oriented Loan Book: The management's targeted loan book split is 40% to non-retail and 60% to retail customers (end-2014: 44%/56%). Cash loans dominate in the retail loan book and the bank's exposure to foreign currency mortgages is low. Single-name concentration in the non-retail segment is relatively high, but in 2014 Alior lowered its appetite for large tickets.

Conservative Funding Strategy: At end-2014, customer deposits accounted for 86% of Alior's total funding (excluding derivatives), of which 65% were retail savings. Almost all deposits are short term (a typical feature of the Polish banking sector), but they have been stable so far. Alior plans to continue to fund its fast growth almost solely through customer deposits. Alior's liquidity (11% of assets at end-2014) is adequate in light of its substantial growth plans and the relatively short tenor of the loan book.

Acquisition of Meritum Bank: Alior's acquisition of Meritum Bank (in 1Q15) is neutral for its credit risk profile due to the relatively small size of the target. This acquisition fits into Alior's strategic focus on consumer lending and it will increase the bank's assets by about 10%.

Improving Profitability: In 2014, Alior's operating profit increased by almost 40% yoy, but its income is sensitive to the volume of disbursed loans, the fast growth of which may not be sustainable. In 2015, profitability will be affected by the 50bp cut of reference interest rates (including Lombard rate) in early March 2015, reduction of interchange fees and increased deposit insurance contributions. The bank's cost efficiency is solid in light of its relatively early life cycle stage and dynamic expansion. The management plans to keep risk cost at 220bp.

Rating Sensitivities

Limited Upgrade Potential: An upgrade of Alior's ratings would require stronger capitalisation, a moderation of growth rates, and a longer track record of solid performance and stable asset-quality. Downward pressure on ratings could arise from considerably weaker internal capital generation and material deterioration in asset quality combined with a deterioration of the operating environment.

Operating Environment

Supportive Operating Environment for the Banking Sector

Poland's 'A−' Foreign-Currency Long-Term IDR reflects economic fundamentals, including a credible macroeconomic framework. Membership to the EU underpins political stability and institutional strength. Government debt (49% of GDP in 2014) is in line with peers' median (49%) and its fiscal deficit is narrowing. However, the rating is constrained by high levels of external debt and refinancing needs. GDP per capita is lower than peers' median. Fitch expects real GDP will continue to grow at around 3% per year in 2015 and 2016 as domestic demand continues to expand, a new EU fund cycle for 2014-2020 starts and as European economies (75% of exports, 25% to Germany) gradually improve.

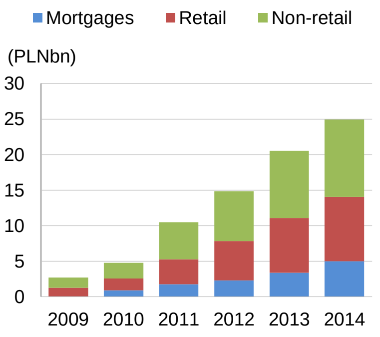
The stable banking sector outlook reflects: (i) adequate sector capitalisation; (ii) sound liquidity; (iii) relatively low reliance on foreign funding; (iv) a gradual dilution of foreign-currency risks in lending to private individuals; (v) moderation of growth rates; and (vi) further strengthening of underwriting standards and stabilisation of asset quality. Sector profitability will be hurt in 2015 due to low interest rate environment, reduction of interchange fees and increased deposit insurance contributions. However, Fitch expects the sector to deliver still solid returns and to retain its double-digit return on equity (ROE).

Company Profile

Second-Largest Privately Owned Bank in Poland

Alior is a universal retail bank (founded in 2007) and is listed on the Warsaw Stock Exchange (since 2012). Alior's franchise is moderate, reflecting the bank's small (albeit improving) market shares. At end-2014 Alior was the 13th-largest banking group in Poland by assets (almost 2% market share), but the bank's distribution network was fourth largest in the sector.

Figure 1
Loan Book



Source: Bank, Fitch

At end-2014, the largest shareholders were Carlo Tassara (25% stake, the founder), Genesis Asset Managers (7% stake) and one of private Polish pension funds (5% stake). The remainder was widely held. According to the agreement with the Polish regulator, Carlo Tassara is committed to sell its stake in Alior by end-1H16. The new strategic shareholder is likely to be a regulated entity (such as a bank or an insurer).

Management

In Fitch's opinion, Alior's management is a rating strength and has an acceptable degree of depth, stability and experience. Management turnover is low and almost all senior managers, who founded the bank, are still working at Alior. Corporate culture is sound, but may be less than consistent than higher rated entities, which reflects the strong entrepreneurial focus of the bank's management. The supervisory board comprises mostly independent members and is chaired by the representative of the largest shareholder.

The bank strategy is based on fast growth mainly skewed towards retail customers and SMEs. Cash loan is the bank's flagship (and most profitable) product. In 2014 Alior decided to limit lending to larger companies due to shrinking margins, growing competition and limited cross-sell possibilities. Alior plans to reach 4% market share in loans and deposits by end-2016 (about 2.7% at end-2014). In 1Q15 Alior acquired a small Meritum Bank, which will increase Alior's total assets by about 10%. Another material acquisition would likely require a capital increase, which is unlikely in the periods ahead due to Carlo Tasara's plan to exit the bank.

Risk Appetite

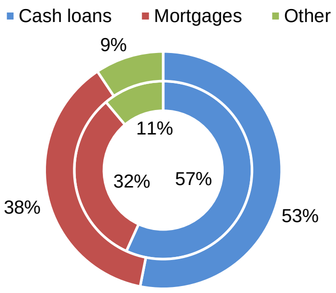
Fastest-Growing Bank in Poland

Between 2010-2014 Alior's total assets tripled (CAGR of 34%. In 2015 the bank plans to increase its loan book by about PLN4.5bn (up around 15% yoy). At end-2014 unsecured retail loans and working capital facilities dominated the retail and non-retail loans, respectively.

Related Criteria

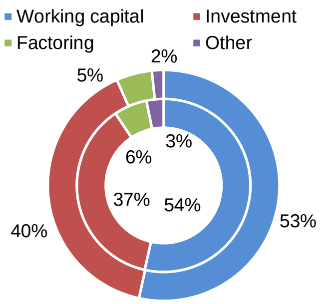
Global Bank Rating Criteria (March 2015)
National Scale Ratings Criteria (October 2013)

Figure 2
Retail Loans
Inner circle: 2013
Outside circle: 2014



Source: Bank, Fitch

Figure 3
Non-Retail Loans
Inner circle: 2013
Outside circle: 2014



Source: Bank, Fitch

Well Defined Appetite for Credit Risk

Underwriting of loans for private individuals and micro companies relies strongly on scoring cards and reports from the Credit Information Bureau. The bank uses only internally developed statistical scoring cards, separate for particular products. For SMEs and large companies the bank uses rating models. Scoring cards and rating models are regularly reviewed and validated by independent experts (such as EY or PWC).

Low Credit Exposure in Foreign Currency

At end-2014, foreign currency (FC) loans represented only 7% of retail loans (predominantly mortgages in euros). FC loans accounted for about 16% of non-retail loans (almost solely in Euro) are offered to borrowers with natural hedge (income in FC).

Dynamic Growth in Retail Lending

In 2014 unsecured retail loans grew by 18% yoy (2013: 38% yoy) mainly driven by cash loans. The average cash loan size in the new production in 2014 was about PLN23,000 (2013: PLN24,000). Consumer loans remained unprofitable in 2014, but this has a limited impact on the bank's performance due to relatively low outstanding balance (about 3% total gross loans). The bank uses instalment loans as an acquisition tool.

Credit risk in residential mortgages is moderate. The average loan size in 2014 shrank to around PLN200,000 but the loan tenor is relatively long. At end-3Q14, the average LTV for all mortgages was relatively high at 85%, but the effective LTV is lower as most loans are covered by insurance of low down-payment.

High Single-Name Concentration

In Fitch's opinion the single-name concentration drags on Alior's credit risk profile. At end-3Q14, the 25 largest exposures to groups of companies accounted for a high 181% of Fitch Core Capital (end-2013: 200%). This was split 53% to on-balance and 47% to off-balance sheet.

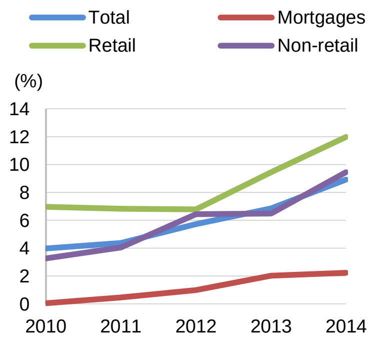
At end-3Q14 the total on- and off-balance sheet exposure to commercial real estate and construction sector equalled PLN6.4bn (or 230% of Fitch Core Capital). Alior has a flexible product offer for developers and is able to process credit applications faster than peers. The second and the third largest sector exposures accounted for 76% and 39% of Fitch Core Capital and were to wholesale trade and financial services, respectively.

Alior does not finance land banks and its outstanding exposure is well diversified (between residential and commercial real estate) and concentrated mainly in larger cities. Asset quality in the construction segment has held up relatively well and the situation in the industry has improved since difficult 2012 and 2013. At end-3Q14, the ratio of construction loans overdue by more than 90 days equalled 8% for on-balance sheet exposure and was 50% covered by provisions. The bank does not plan further expansion in this segment, but Alior wants to maintain its current level of exposure.

Limited Appetite for Market Risk

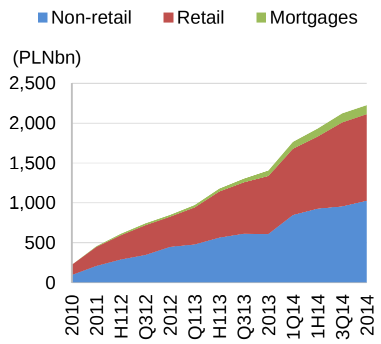
Alior does not hold open FC position and the majority of FC lending is financed through customer deposits in foreign currency. Most FX operations are client-driven, while only about 2% refers to proprietary trading. 99% of Bank market risk (measured as value at risk (VaR)) consists of interest rate risk. At end-2014 the VaR limit for all risks in the trading and banking books equalled PLN9.3m (below 0.5% of Fitch Core Capital). In 2014 the maximum basis point value (BPV, for the trading and banking book) equalled PLN473 thousand which translates into about PLN95m (or 3% of Fitch core capital) impact in case of 200bp shift in interest rates.

Figure 4
Impaired Loans Ratio



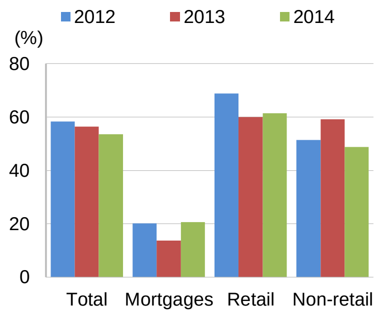
Source: Bank, Fitch

Figure 5
Impaired Loans



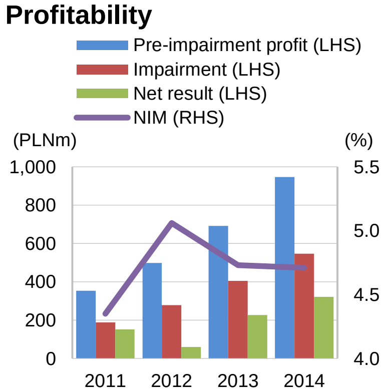
Source: Bank, Fitch

Figure 6
Coverage by Specific Loan Loss Reserves



Source: Bank, Fitch

Figure 7
Profitability



Source: Bank, Fitch

Financial Profile

Asset Quality

Fast Inflow of Impaired Loans

At end-2014, the impaired loans ratio deteriorated to 8.9% (market average 7%). This reflects a fast inflow of impaired loans (up 58% yoy) mainly in cash loans (up 47% yoy) and the non-retail segment (up 68% of the increase). The ratio of impaired loans with a 12-month lag (impaired loans at end-2014 divided by end-2013 gross loans) was 10.8% (market average: 7.5%). Forborn loans not classified as impaired represented a low 0.6% of total gross loans.

Moderate Coverage by Specific Reserves

At end-2014, the coverage of impaired loans by specific reserves fell to 54% (end-2013: 56%) mainly due to growing share of collateralised non-retail bad debts. The bank applies relatively conservative haircuts to collateral provided by companies. The specific coverage of consumer (72%) and other unsecured retail loans (68%, mainly cash loans) was reasonable, in light of the bank's effective recovery process. The total coverage of residential mortgages (including incurred but not reported reserves) equalled 27% and was considerably below the market average (about 50%). However, this should be seen in light of a small amount of impaired mortgages (PLN110m) and additional insurance, which covers about 15% of a mortgage loan balance.

At end-2014 impaired loans net of specific reserves accounted for a material 37% (end-2013: 31%) of Fitch core capital. Single-name concentration in impaired loans is high and reflects several large exposures to troubled companies, which service their debt in line with the restructuring agreement.

Earnings and Profitability

Strong Improvement in 2014 Results But 2015 Will be Challenging

In 2014, Alior's operating profit increased by almost 40% yoy due to dynamic revenue growth (up 21% yoy) against 9% higher operating costs and 32% higher loan impairment charges. In 2015, profitability will be affected by the 50bp interest and Lombard rate cuts in early March 2015, reduction of interchange fees and increased deposit insurance contributions. This could be mitigated by the bank's further fast growth coupled with revised pricing strategy, particularly higher and/or new fees on loans and services. The bank confirmed that the market consensus of about PLN360m net profit in 2015 is realistic, but the total net result could be higher, including the net income of Meritum Bank and planned synergies from the merger.

In 2014 Alior's net interest margin remained one of the highest in the sector, reflecting a strong focus on higher yielding (and thus more risky) retail loans. The bank's cost efficiency is strong in light of its relatively early life cycle stage and dynamic expansion. In 2014 the cost/income ratio improved to 49%.

Alior's income is sensitive to the volume of disbursed loans, the fast growth of which may not be sustainable. The bank's revenue growth outstripped that of impairments by a moderate margin, but in case of economic stress Alior's results could weaken quickly.

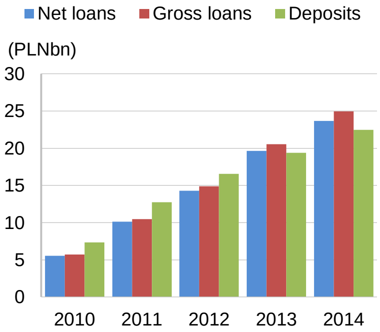
Capitalisation and Leverage

Capitalisation is a Rating Weakness

Alior's capitalisation is only adequate in light of its considerable growth appetite and modest internal capital generation. In December 2012 and December 2013 the bank raised fresh equity externally through an IPO and SPO (on the Warsaw Stock Exchange), respectively. At end-2014 Fitch Core Capital improved to 12%, but this should be seen in light of a material stock of unreserved impaired loans (33% of Fitch Core Capital) and the fast inflow of bad debts.

Figure 8

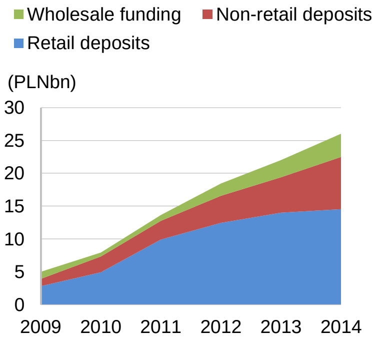
Loans vs. Deposits



Source: Bank, Fitch

Figure 9

Funding Breakdown



Source: Bank, Fitch

The moderate bank adjustment in capital (129bp) resulting from the Polish asset quality review (AQR) was in line with the bank's rating's level. The Polish AQR covered 55% of Alior's risk-weighted assets. The adjustments reflected reclassifications of loans and additional provisions for problem exposures, computed in line with a methodology different to IFRS. The regulator did not require Alior to recognise AQR adjustments in the financial accounts.

Funding and Liquidity

Conservative Funding Strategy Based on Customer Deposits

At end-2014, customer deposits accounted for 86% of Alior's total funding (excluding derivatives). Customer deposits were split 65% to retail and 35% to non-retail customers. Between 2014 and 2011 Alior's acquisition of new customers was the fastest in the banking sector. Almost all deposits are short term (a typical feature of the Polish banking sector), but they have been stable so far. The bank's contractual maturity gap in funding is somewhat better than market average due to somewhat shorter average maturity of loans. At end-3Q14 the 20 (or 100) largest depositors represented 8% (or 15%) of the total deposit base.

Alior plans to maintain the ratio of loans (net of reserves) to deposits close to 100% (end-2014: 97% according to bank's calculation). The gross loans/deposits ratio was 111% at end-2014. However, this ratio was 103% including Alior's debt securities, which are sold to non-retail customers as deposit substitute. The acquisition of Meritum bank will not change Alior's funding structure, because the target is almost solely funded by deposits.

Limited Refinancing Risk

At end-2014 non-deposit funding was well diversified and mostly comprised issued debt (PLN1.6bn), liabilities to banks (PLN1bn) and subordinated debt (PLN0.5bn). Non-deposit liabilities falling due in 2015 and 2016 equalled PLN703m and PLN495m, respectively, and were fully covered by the bank's available liquidity.

At end-2014, Alior's available liquidity was PLN3.4bn (about 11% of total assets) and comprised PLN2.2bn in unencumbered Polish sovereign and central bank debt and PLN1.2bn cash and cash equivalents.

Support

Unreliable Institutional Support, Low Systemic Importance

Alior's Support Rating of '5' reflects Fitch's view that potential support from the bank's largest shareholders cannot be relied upon. Carlo Tassara is committed to exit the bank by end-1H16. Alior's Support Rating Floor of 'No Floor' reflects Fitch's opinion that potential sovereign support cannot be relied upon in light of Alior's small systemic importance.

Alior Bank S.A.
Income Statement

	31 Dec 2014			31 Dec 2013		31 Dec 2012		31 Dec 2011	
	Year End USDm Unqualified	Year End PLNm Unqualified	As % of Earning Assets	Year End PLNm Unqualified	As % of Earning Assets	Year End PLNm Audited/Report not seen	As % of Earning Assets	Year End PLNm Unaudited	As % of Earning Assets
1. Interest Income on Loans	445.4	1,562.1	5.53	1,366.9	5.80	1,119.9	5.81	665.4	4.60
2. Other Interest Income	43.1	151.0	0.53	151.3	0.64	280.5	1.46	185.8	1.28
3. Dividend Income	0.0	0.0	0.00	0.0	0.00	0.0	0.00	n.a.	-
4. Gross Interest and Dividend Income	**488.5**	**1,713.1**	**6.07**	**1,518.2**	**6.45**	**1,400.4**	**7.27**	**851.2**	**5.89**
5. Interest Expense on Customer Deposits	101.3	355.4	1.26	418.8	1.78	487.3	2.53	311.6	2.15
6. Other Interest Expense	40.5	141.9	0.50	100.8	0.43	85.7	0.44	44.7	0.31
7. Total Interest Expense	**141.8**	**497.3**	**1.76**	**519.6**	**2.21**	**573.0**	**2.97**	**356.3**	**2.46**
8. Net Interest Income	**346.7**	**1,215.8**	**4.31**	**998.6**	**4.24**	**827.4**	**4.29**	**494.9**	**3.42**
9. Net Gains (Losses) on Trading and Derivatives	76.6	268.7	0.95	226.9	0.96	182.6	0.95	141.9	0.98
10. Net Gains (Losses) on Other Securities	2.3	7.9	0.03	11.8	0.05	22.8	0.12	16.7	0.12
11. Net Gains (Losses) on Assets at FV through Income Statement	n.a.	n.a.	-	n.a.	-	n.a.	-	n.a.	-
12. Net Insurance Income	n.a.	n.a.	-	n.a.	-	n.a.	-	n.a.	-
13. Net Fees and Commissions	99.3	348.1	1.23	275.2	1.17	201.4	1.05	340.4	2.35
14. Other Operating Income	9.3	32.5	0.12	27.5	0.12	13.6	0.07	n.a.	-
15. Total Non-Interest Operating Income	**187.4**	**657.2**	**2.33**	**541.4**	**2.30**	**420.4**	**2.18**	**499.0**	**3.45**
16. Personnel Expenses	148.3	520.1	1.84	460.3	1.95	371.1	1.93	330.4	2.28
17. Other Operating Expenses	115.5	405.2	1.44	387.0	1.64	378.0	1.96	309.1	2.14
18. Total Non-Interest Expenses	**263.8**	**925.3**	**3.28**	**847.3**	**3.60**	**749.1**	**3.89**	**639.5**	**4.42**
19. Equity-accounted Profit/ Loss - Operating	n.a.	n.a.	-	n.a.	-	n.a.	-	n.a.	-
20. Pre-Impairment Operating Profit	**270.2**	**947.7**	**3.36**	**692.7**	**2.94**	**498.7**	**2.59**	**354.4**	**2.45**
21. Loan Impairment Charge	142.6	500.3	1.77	379.6	1.61	276.1	1.43	186.6	1.29
22. Securities and Other Credit Impairment Charges	13.2	46.3	0.16	25.4	0.11	2.5	0.01	2.0	0.01
23. Operating Profit	**114.4**	**401.1**	**1.42**	**287.7**	**1.22**	**220.1**	**1.14**	**165.8**	**1.15**
24. Equity-accounted Profit/ Loss - Non-operating	n.a.	n.a.	-	n.a.	-	n.a.	-	n.a.	-
25. Non-recurring Income	n.a.	n.a.	-	n.a.	-	29.3	0.15	n.a.	-
26. Non-recurring Expense	n.a.	n.a.	-	0.0	0.00	159.1	0.83	n.a.	-
27. Change in Fair Value of Own Debt	n.a.	n.a.	-	n.a.	-	n.a.	-	n.a.	-
28. Other Non-operating Income and Expenses	n.a.	n.a.	-	n.a.	-	n.a.	-	n.a.	-
29. Pre-tax Profit	**114.4**	**401.1**	**1.42**	**287.7**	**1.22**	**90.3**	**0.47**	**165.8**	**1.15**
30. Tax expense	22.6	79.1	0.28	59.8	0.25	29.2	0.15	13.6	0.09
31. Profit/Loss from Discontinued Operations	n.a.	n.a.	-	n.a.	-	n.a.	-	n.a.	-
32. Net Income	**91.8**	**322.0**	**1.14**	**227.9**	**0.97**	**61.1**	**0.32**	**152.2**	**1.05**
33. Change in Value of AFS Investments	2.2	7.6	0.03	(24.5)	(0.10)	23.8	0.12	(19.5)	(0.13)
34. Revaluation of Fixed Assets	n.a.	n.a.	-	n.a.	-	n.a.	-	n.a.	-
35. Currency Translation Differences	n.a.	n.a.	-	n.a.	-	n.a.	-	n.a.	-
36. Remaining OCI Gains/(losses)	8.7	30.6	0.11	(3.1)	(0.01)	n.a.	-	n.a.	-
37. Fitch Comprehensive Income	**102.7**	**360.2**	**1.28**	**200.3**	**0.85**	**84.9**	**0.44**	**132.7**	**0.92**
38. Memo: Profit Allocation to Non-controlling Interests	(0.2)	(0.7)	(0.00)	n.a.	-	n.a.	-	n.a.	-
39. Memo: Net Income after Allocation to Non-controlling Interests	92.0	322.7	1.14	227.9	0.97	61.1	0.32	152.2	1.05
40. Memo: Common Dividends Relating to the Period	n.a.	n.a.	-	n.a.	-	n.a.	-	n.a.	-
41. Memo: Preferred Dividends Related to the Period	n.a.	n.a.	-	n.a.	-	n.a.	-	n.a.	-
Exchange rate		USD1 = PLN3.50720		USD1 = PLN3.01200		USD1 = PLN3.09960		USD1 = PLN3.41740	

Alior Bank S.A.
Balance Sheet

	31 Dec 2014			31 Dec 2013		31 Dec 2012		31 Dec 2011	
	Year End USDm	Year End PLNm	As % of Assets	Year End PLNm	As % of Assets	Year End PLNm	As % of Assets	Year End PLNm	As % of Assets
Assets									
A. Loans									
1. Residential Mortgage Loans	1,431.6	5,020.8	16.64	3,405.7	13.33	2,314.9	10.93	1,787.5	11.54
2. Other Mortgage Loans	n.a.	n.a.	-	0.0	0.00	0.0	0.00	0.0	0.00
3. Other Consumer/ Retail Loans	2,580.4	9,050.0	30.00	7,675.1	30.04	5,551.8	26.21	3,481.3	22.48
4. Corporate & Commercial Loans	3,098.5	10,866.9	36.02	9,450.5	36.99	7,001.0	33.05	5,216.6	33.69
5. Other Loans	n.a.	n.a.	-	n.a.	-	n.a.	-	n.a.	-
6. Less: Reserves for Impaired Loans	367.7	1,289.7	4.28	873.4	3.42	568.1	2.68	350.6	2.26
7. Net Loans	**6,742.7**	**23,648.0**	**78.39**	**19,657.9**	**76.94**	**14,299.6**	**67.51**	**10,134.8**	**65.46**
8. Gross Loans	**7,110.4**	**24,937.7**	**82.66**	**20,531.3**	**80.36**	**14,867.7**	**70.19**	**10,485.4**	**67.72**
9. Memo: Impaired Loans included above	634.3	2,224.7	7.37	1,406.4	5.50	850.6	4.02	458.3	2.96
10. Memo: Loans at Fair Value included above	n.a.	n.a.	-	n.a.	-	n.a.	-	n.a.	-
B. Other Earning Assets									
1. Loans and Advances to Banks	128.1	449.4	1.49	254.2	0.99	413.5	1.95	607.8	3.93
2. Reverse Repos and Cash Collateral	n.a.	n.a.	-	n.a.	-	0.0	0.00	498.0	3.22
3. Trading Securities and at FV through Income	1.1	3.7	0.01	2.4	0.01	1.5	0.01	76.1	0.49
4. Derivatives	157.8	553.3	1.83	253.0	0.99	172.2	0.81	235.9	1.52
5. Available for Sale Securities	1,020.6	3,579.3	11.86	3,388.5	13.26	4,320.7	20.40	2,907.0	18.77
6. Held to Maturity Securities	n.a.	n.a.	-	n.a.	-	n.a.	-	n.a.	-
7. Equity Investments in Associates	n.a.	n.a.	-	n.a.	-	n.a.	-	n.a.	-
8. Other Securities	0.0	0.0	0.00	n.a.	-	n.a.	-	n.a.	-
9. Total Securities	**1,179.4**	**4,136.3**	**13.71**	**3,643.9**	**14.26**	**4,494.4**	**21.22**	**3,717.0**	**24.01**
10. Memo: Government Securities included Above	630.8	2,212.3	7.33	2,441.7	9.56	3,842.0	18.14	2,229.0	14.40
11. Memo: Total Securities Pledged	299.2	1,049.2	3.48	780.9	3.06	621.2	2.93	33.4	0.22
12. Investments in Property	n.a.	n.a.	-	n.a.	-	n.a.	-	n.a.	-
13. Insurance Assets	n.a.	n.a.	-	0.0	0.00	0.0	0.00	0.0	0.00
14. Other Earning Assets	n.a.	n.a.	-	0.0	0.00	62.3	0.29	n.a.	-
15. Total Earning Assets	**8,050.2**	**28,233.7**	**93.59**	**23,556.0**	**92.20**	**19,269.8**	**90.98**	**14,459.6**	**93.39**
C. Non-Earning Assets									
1. Cash and Due From Banks	330.3	1,158.4	3.84	1,067.2	4.18	1,030.0	4.86	447.1	2.89
2. Memo: Mandatory Reserves included above	265.9	932.4	3.09	870.6	3.41	877.6	4.14	309.4	2.00
3. Foreclosed Real Estate	n.a.	n.a.	-	n.a.	-	n.a.	-	n.a.	-
4. Fixed Assets	54.7	191.8	0.64	215.1	0.84	214.9	1.01	212.4	1.37
5. Goodwill	0.3	1.0	0.00	n.a.	-	n.a.	-	n.a.	-
6. Other Intangibles	61.2	214.6	0.71	188.1	0.74	157.9	0.75	122.8	0.79
7. Current Tax Assets	n.a.	n.a.	-	n.a.	-	n.a.	-	n.a.	-
8. Deferred Tax Assets	42.1	147.8	0.49	143.8	0.56	143.4	0.68	72.0	0.47
9. Discontinued Operations	0.3	0.9	0.00	38.3	0.15	n.a.	-	n.a.	-
10. Other Assets	62.6	219.4	0.73	341.4	1.34	365.1	1.72	169.7	1.10
11. Total Assets	**8,601.6**	**30,167.6**	**100.00**	**25,549.9**	**100.00**	**21,181.1**	**100.00**	**15,483.6**	**100.00**
Liabilities and Equity									
D. Interest-Bearing Liabilities									
1. Customer Deposits - Current	2,811.6	9,860.7	32.69	8,164.6	31.96	4,794.1	22.63	3,228.9	20.85
2. Customer Deposits - Savings	n.a.	n.a.	-	n.a.	-	n.a.	-	n.a.	-
3. Customer Deposits - Term	3,599.3	12,623.3	41.84	11,226.5	43.94	11,777.1	55.60	9,530.4	61.55
4. Total Customer Deposits	**6,410.8**	**22,484.0**	**74.53**	**19,391.1**	**75.90**	**16,571.2**	**78.24**	**12,759.3**	**82.41**
5. Deposits from Banks	40.7	142.6	0.47	134.1	0.52	81.3	0.38	71.2	0.46
6. Repos and Cash Collateral	252.0	883.9	2.93	683.9	2.68	547.5	2.58	n.a.	-
7. Other Deposits and Short-term Borrowings	560.8	1,966.7	6.52	1,451.3	5.68	892.1	4.21	772.2	4.99
8. Total Deposits, Money Market and Short-term Funding	**7,264.3**	**25,477.2**	**84.45**	**21,660.4**	**84.78**	**18,092.1**	**85.42**	**13,602.7**	**87.85**
9. Senior Debt Maturing after 1 Year	n.a.	n.a.	-	n.a.	-	n.a.	-	n.a.	-
10. Subordinated Borrowing	154.4	541.6	1.80	348.8	1.37	350.6	1.66	44.4	0.29
11. Other Funding	n.a.	n.a.	-	0.0	0.00	0.0	0.00	n.a.	-
12. Total Long Term Funding	**154.4**	**541.6**	**1.80**	**348.8**	**1.37**	**350.6**	**1.66**	**44.4**	**0.29**
13. Derivatives	100.9	353.8	1.17	184.1	0.72	129.1	0.61	168.3	1.09
14. Trading Liabilities	n.a.	n.a.	-	n.a.	-	n.a.	-	75.4	0.49
15. Total Funding	**7,519.6**	**26,372.6**	**87.42**	**22,193.3**	**86.86**	**18,571.8**	**87.68**	**13,890.8**	**89.71**
E. Non-Interest Bearing Liabilities									
1. Fair Value Portion of Debt	n.a.	n.a.	-	n.a.	-	n.a.	-	n.a.	-
2. Credit impairment reserves	n.a.	n.a.	-	n.a.	-	n.a.	-	n.a.	-
3. Reserves for Pensions and Other	2.4	8.3	0.03	4.9	0.02	12.5	0.06	32.7	0.21
4. Current Tax Liabilities	7.0	24.6	0.08	31.9	0.12	31.5	0.15	n.a.	-
5. Deferred Tax Liabilities	n.a.	n.a.	-	n.a.	-	n.a.	-	n.a.	-
6. Other Deferred Liabilities	n.a.	n.a.	-	n.a.	-	n.a.	-	n.a.	-
7. Discontinued Operations	n.a.	n.a.	-	n.a.	-	n.a.	-	n.a.	-
8. Insurance Liabilities	n.a.	n.a.	-	0.0	0.00	0.0	0.00	0.0	0.00
9. Other Liabilities	213.0	747.0	2.48	1,135.1	4.44	594.3	2.81	447.6	2.89
10. Total Liabilities	**7,741.9**	**27,152.5**	**90.01**	**23,365.2**	**91.45**	**19,210.1**	**90.69**	**14,371.1**	**92.81**
F. Hybrid Capital									
1. Pref. Shares and Hybrid Capital accounted for as Debt	n.a.	n.a.	-	n.a.	-	n.a.	-	n.a.	-
2. Pref. Shares and Hybrid Capital accounted for as Equity	n.a.	n.a.	-	n.a.	-	n.a.	-	n.a.	-
G. Equity									
1. Common Equity	853.0	2,991.8	9.92	2,201.5	8.62	1,960.2	9.25	1,125.5	7.27
2. Non-controlling Interest	0.5	1.9	0.01	n.a.	-	n.a.	-	n.a.	-
3. Securities Revaluation Reserves	6.1	21.4	0.07	(16.8)	(0.07)	10.8	0.05	(13.0)	(0.08)
4. Foreign Exchange Revaluation Reserves	n.a.	n.a.	-	n.a.	-	n.a.	-	n.a.	-
5. Fixed Asset Revaluations and Other Accumulated OCI	n.a.	n.a.	-	n.a.	-	0.0	0.00	n.a.	-
6. Total Equity	**859.7**	**3,015.1**	**9.99**	**2,184.7**	**8.55**	**1,971.0**	**9.31**	**1,112.5**	**7.19**
7. Total Liabilities and Equity	**8,601.6**	**30,167.6**	**100.00**	**25,549.9**	**100.00**	**21,181.1**	**100.00**	**15,483.6**	**100.00**
8. Memo: Fitch Core Capital	798.2	2,799.5	9.28	1,996.6	7.81	1,804.7	8.52	944.7	6.10
9. Memo: Fitch Eligible Capital	n.a.	n.a.	-	n.a.	-	n.a.	-	n.a.	-
Exchange rate	USD1 = PLN3.50720			USD1 = PLN3.01200		USD1 = PLN3.09960		USD1 = PLN3.41740	

Alior Bank S.A.

Summary Analytics

	31 Dec 2014 Year End	31 Dec 2013 Year End	31 Dec 2012 Year End	31 Dec 2011 Year End
A. Interest Ratios				
1. Interest Income on Loans/ Average Gross Loans	6.83	7.66	8.61	8.22
2. Interest Expense on Customer Deposits/ Average Customer Deposits	1.71	2.31	3.36	3.10
3. Interest Income/ Average Earning Assets	8.42	7.20	8.56	7.48
4. Interest Expense/ Average Interest-bearing Liabilities	2.06	2.61	3.63	3.25
5. Net Interest Income/ Average Earning Assets	5.97	4.73	5.06	4.35
6. Net Int. Inc Less Loan Impairment Charges/ Av. Earning Assets	3.52	2.93	3.37	2.71
7. Net Interest Inc Less Preferred Stock Dividend/ Average Earning Assets	5.97	4.73	5.06	4.35
B. Other Operating Profitability Ratios				
1. Non-Interest Income/ Gross Revenues	35.09	35.16	33.69	50.21
2. Non-Interest Expense/ Gross Revenues	49.40	55.02	60.03	64.34
3. Non-Interest Expense/ Average Assets	4.23	3.72	4.22	5.16
4. Pre-impairment Op. Profit/ Average Equity	44.51	31.66	33.82	33.95
5. Pre-impairment Op. Profit/ Average Total Assets	4.34	3.04	2.81	2.86
6. Loans and securities impairment charges/ Pre-impairment Op. Profit	57.68	58.47	55.87	53.22
7. Operating Profit/ Average Equity	18.84	13.15	14.93	15.88
8. Operating Profit/ Average Total Assets	1.84	1.26	1.24	1.34
9. Taxes/ Pre-tax Profit	19.72	20.79	32.34	8.20
10. Pre-Impairment Operating Profit / Risk Weighted Assets	4.11	3.59	3.53	3.61
11. Operating Profit / Risk Weighted Assets	1.74	1.49	1.56	1.69
C. Other Profitability Ratios				
1. Net Income/ Average Total Equity	15.12	10.42	4.14	14.58
2. Net Income/ Average Total Assets	1.47	1.00	0.34	1.23
3. Fitch Comprehensive Income/ Average Total Equity	16.92	9.16	5.76	12.71
4. Fitch Comprehensive Income/ Average Total Assets	1.65	0.88	0.48	1.07
5. Net Income/ Av. Total Assets plus Av. Managed Securitized Assets	n.a.	n.a.	n.a.	n.a.
6. Net Income/ Risk Weighted Assets	1.40	1.18	0.43	1.55
7. Fitch Comprehensive Income/ Risk Weighted Assets	1.56	1.04	0.60	1.35
D. Capitalization				
1. Fitch Core Capital/ Risk Weighted Assets	12.14	10.35	12.78	9.63
2. Fitch Eligible Capital/ Risk Weighted Assets	n.a.	n.a.	n.a.	n.a.
3. Tangible Common Equity/ Tangible Assets	8.90	7.35	8.59	6.17
4. Tier 1 Regulatory Capital Ratio	11.23	10.34	12.76	9.38
5. Total Regulatory Capital Ratio	12.80	12.11	15.24	9.83
6. Core Tier 1 Regulatory Capital Ratio	n.a.	n.a.	n.a.	n.a.
7. Equity/ Total Assets	9.99	8.55	9.31	7.19
8. Cash Dividends Paid & Declared/ Net Income	n.a.	n.a.	n.a.	n.a.
9. Cash Dividend Paid & Declared/ Fitch Comprehensive Income	n.a.	n.a.	n.a.	n.a.
10. Cash Dividends & Share Repurchase/Net Income	n.a.	n.a.	n.a.	n.a.
11. Internal Capital Generation	10.68	10.43	3.10	13.68
E. Loan Quality				
1. Growth of Total Assets	18.07	20.63	36.80	66.28
2. Growth of Gross Loans	21.46	38.09	41.79	83.98
3. Impaired Loans/ Gross Loans	8.92	6.85	5.72	4.37
4. Reserves for Impaired Loans/ Gross Loans	5.17	4.25	3.82	3.34
5. Reserves for Impaired Loans/ Impaired Loans	57.97	62.10	66.79	76.50
6. Impaired loans less Reserves for Impaired Loans/ Fitch Core Capital	33.40	26.70	15.65	11.40
7. Impaired Loans less Reserves for Impaired Loans/ Equity	31.01	24.40	14.33	9.68
8. Loan Impairment Charges/ Average Gross Loans	2.19	2.13	2.12	2.31
9. Net Charge-offs/ Average Gross Loans	0.46	0.30	0.29	0.03
10. Impaired Loans + Foreclosed Assets/ Gross Loans + Foreclosed Assets	8.92	6.85	5.72	4.37
F. Funding				
1. Loans/ Customer Deposits	110.91	105.88	89.72	82.18
2. Interbank Assets/ Interbank Liabilities	315.15	189.56	508.61	853.65
3. Customer Deposits/ Total Funding (excluding derivatives)	86.41	88.10	89.85	92.98

Alior Bank S.A.
Reference Data

	31 Dec 2014			31 Dec 2013		31 Dec 2012		31 Dec 2011	
	Year End USDm	Year End PLNm	As % of Assets	Year End PLNm	As % of Assets	Year End PLNm	As % of Assets	Year End PLNm	As % of Assets
A. Off-Balance Sheet Items									
1. Managed Securitized Assets Reported Off-Balance Sheet	n.a.	n.a.	-	n.a.	-	n.a.	-	n.a.	-
2. Other off-balance sheet exposure to securitizations	n.a.	n.a.	-	n.a.	-	n.a.	-	n.a.	-
3. Guarantees	439.1	1,540.0	5.10	1,343.1	5.26	1,209.8	5.71	725.2	4.68
4. Acceptances and documentary credits reported off-balance sheet	n.a.	n.a.	-	n.a.	-	n.a.	-	n.a.	-
5. Committed Credit Lines	n.a.	n.a.	-	n.a.	-	n.a.	-	n.a.	-
6. Other Contingent Liabilities	1,781.0	6,246.4	20.71	5,735.7	22.45	4,398.4	20.77	2,911.0	18.80
7. Total Business Volume	264.7	928.2	3.08	32,628.7	127.71	26,789.3	126.48	19,119.8	123.48
8. Memo: Risk Weighted Assets	6,575.2	23,060.7	76.44	19,292.2	75.51	14,117.9	66.65	9,804.9	63.32
9. Fitch Adjustments to Risk Weighted Assets	n.a.	n.a.	-	n.a.	-	n.a.	-	n.a.	-
10. Fitch Adjusted Risk Weighted Assets	6,575.2	23,060.7	76.44	19,292.2	75.51	14,117.9	66.65	9,804.9	63.32
B. Average Balance Sheet									
Average Loans	6,524.4	22,882.3	75.85	17,844.5	69.84	13,000.3	61.38	8,092.3	52.26
Average Earning Assets	5,803.5	20,353.9	67.47	21,097.0	82.57	16,357.2	77.23	11,386.7	73.54
Average Assets	6,231.6	21,855.3	72.45	22,790.3	89.20	17,744.6	83.78	12,397.8	80.07
Average Managed Securitized Assets (OBS)	n.a.	n.a.	-	n.a.	-	n.a.	-	n.a.	-
Average Interest-Bearing Liabilities	6,875.4	24,113.4	79.93	19,919.4	77.96	15,765.8	74.43	10,969.2	70.84
Average Common equity	767.4	2,691.5	8.92	2,197.8	8.60	1,475.2	6.96	1,047.3	6.76
Average Equity	607.1	2,129.1	7.06	2,187.6	8.56	1,474.6	6.96	1,044.0	6.74
Average Customer Deposits	5,935.4	20,816.7	69.00	18,099.3	70.84	14,523.4	68.57	10,045.5	64.88
C. Maturities									
Asset Maturities:									
Loans & Advances < 3 months	1,853.6	6,501.0	21.55	6,610.0	25.87	4,933.1	23.29	2,976.9	19.23
Loans & Advances 3 - 12 Months	738.1	2,588.7	8.58	1,450.0	5.68	1,808.9	8.54	1,474.0	9.52
Loans and Advances 1 - 5 Years	1,905.3	6,682.3	22.15	5,653.5	22.13	3,307.8	15.62	2,415.8	15.60
Loans & Advances > 5 years	2,245.6	7,875.9	26.11	5,944.4	23.27	4,249.8	20.06	3,268.1	21.11
Debt Securities < 3 Months	43.6	153.0	0.51	534.8	2.09	1,622.9	7.66	n.a.	-
Debt Securities 3 - 12 Months	221.0	775.1	2.57	308.3	1.21	243.4	1.15	n.a.	-
Debt Securities 1 - 5 Years	411.9	1,444.6	4.79	1,951.2	7.64	1,355.6	6.40	n.a.	-
Debt Securities > 5 Years	79.7	279.5	0.93	594.3	2.33	1,098.8	5.19	n.a.	-
Loans & Advances to Banks < 3 Months	128.1	449.4	1.49	254.2	0.99	413.5	1.95	956.8	6.18
Loans & Advances to Banks 3 - 12 Months	n.a.	n.a.	-	n.a.	-	0.0	0.00	149.0	0.96
Loans & Advances to Banks 1 - 5 Years	n.a.	n.a.	-	n.a.	-	n.a.	-	n.a.	-
Loans & Advances to Banks > 5 Years	n.a.	n.a.	-	n.a.	-	n.a.	-	n.a.	-
Liability Maturities:									
Retail Deposits < 3 months	n.a.	n.a.	-	n.a.	-	n.a.	-	0.0	0.00
Retail Deposits 3 - 12 Months	n.a.	n.a.	-	n.a.	-	n.a.	-	0.0	0.00
Retail Deposits 1 - 5 Years	n.a.	n.a.	-	n.a.	-	n.a.	-	0.0	0.00
Retail Deposits > 5 Years	n.a.	n.a.	-	n.a.	-	n.a.	-	0.0	0.00
Other Deposits < 3 Months	4,775.0	16,747.0	55.51	15,359.5	60.12	14,070.2	66.43	10,653.4	68.80
Other Deposits 3 - 12 Months	1,122.5	3,936.8	13.05	3,357.9	13.14	2,704.7	12.77	2,241.1	14.47
Other Deposits 1 - 5 Years	509.0	1,785.0	5.92	661.7	2.59	684.2	3.23	545.6	3.52
Other Deposits > 5 Years	4.3	15.2	0.05	12.0	0.05	4.3	0.02	91.4	0.59
Deposits from Banks < 3 Months	40.6	142.5	0.47	722.0	2.83	514.0	2.43	n.a.	-
Deposits from Banks 3 - 12 Months	2.9	10.0	0.03	n.a.	-	n.a.	-	n.a.	-
Deposits from Banks 1 - 5 Years	3.6	12.7	0.04	138.0	0.54	115.0	0.54	n.a.	-
Deposits from Banks > 5 Years	n.a.	n.a.	-	n.a.	-	n.a.	-	n.a.	-
Senior Debt Maturing < 3 months	n.a.	n.a.	-	n.a.	-	n.a.	-	n.a.	-
Senior Debt Maturing 3-12 Months	n.a.	n.a.	-	n.a.	-	n.a.	-	n.a.	-
Senior Debt Maturing 1- 5 Years	n.a.	n.a.	-	n.a.	-	n.a.	-	n.a.	-
Senior Debt Maturing > 5 Years	n.a.	n.a.	-	n.a.	-	n.a.	-	n.a.	-
Total Senior Debt on Balance Sheet	n.a.	n.a.	-	n.a.	-	n.a.	-	n.a.	-
Fair Value Portion of Senior Debt	n.a.	n.a.	-	n.a.	-	n.a.	-	n.a.	-
Covered Bonds	n.a.	n.a.	-	n.a.	-	n.a.	-	n.a.	-
Subordinated Debt Maturing < 3 months	n.a.	n.a.	-	n.a.	-	n.a.	-	n.a.	-
Subordinated Debt Maturing 3-12 Months	n.a.	n.a.	-	n.a.	-	n.a.	-	n.a.	-
Subordinated Debt Maturing 1- 5 Year	n.a.	n.a.	-	n.a.	-	n.a.	-	n.a.	-
Subordinated Debt Maturing > 5 Years	n.a.	n.a.	-	n.a.	-	n.a.	-	n.a.	-
Total Subordinated Debt on Balance Sheet	154.4	541.6	1.80	348.8	1.37	350.6	1.66	44.4	0.29
Fair Value Portion of Subordinated Debt	n.a.	n.a.	-	n.a.	-	n.a.	-	n.a.	-
D. Equity Reconciliation									
1. Equity	859.7	3,015.1	9.99	2,184.7	8.55	1,971.0	9.31	1,112.5	7.19
2. Add: Pref. Shares and Hybrid Capital accounted for as Equity	n.a.	n.a.	-	n.a.	-	n.a.	-	n.a.	-
3. Add: Other Adjustments	n.a.	n.a.	-	n.a.	-	n.a.	-	n.a.	-
4. Published Equity	859.7	3,015.1	9.99	2,184.7	8.55	1,971.0	9.31	1,112.5	7.19
E. Fitch Eligible Capital Reconciliation									
1. Total Equity as reported (including non-controlling interests)	859.7	3,015.1	9.99	2,184.7	8.55	1,971.0	9.31	1,112.5	7.19
2. Fair value effect incl in own debt/borrowings at fv on the B/S- CC only	0.0	0.0	0.00	0.0	0.00	0.0	0.00	0.0	0.00
3. Non-loss-absorbing non-controlling interests	0.0	0.0	0.00	0.0	0.00	0.0	0.00	0.0	0.00
4. Goodwill	0.3	1.0	0.00	0.0	0.00	0.0	0.00	0.0	0.00
5. Other intangibles	61.2	214.6	0.71	188.1	0.74	157.9	0.75	122.8	0.79
6. Deferred tax assets deduction	0.0	0.0	0.00	0.0	0.00	8.4	0.04	45.0	0.29
7. Net asset value of insurance subsidiaries	0.0	0.0	0.00	0.0	0.00	0.0	0.00	0.0	0.00
8. First loss tranches of off-balance sheet securitizations	0.0	0.0	0.00	0.0	0.00	0.0	0.00	0.0	0.00
9. Fitch Core Capital	**798.2**	**2,799.5**	**9.28**	**1,996.6**	**7.81**	**1,804.7**	**8.52**	**944.7**	**6.10**
10. Eligible weighted Hybrid capital	n.a.	n.a.	-	n.a.	-	n.a.	-	n.a.	-
11. Government held Hybrid Capital	0.0	0.0	0.00	0.0	0.00	0.0	0.00	0.0	0.00
12. Fitch Eligible Capital	**n.a.**	**n.a.**	**-**	**n.a.**	**-**	**n.a.**	**-**	**n.a.**	**-**
Exchange Rate		USD1 = PLN3.50720		USD1 = PLN3.01200		USD1 = PLN3.09960		USD1 = PLN3.41740	

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