

# Alior Bank SA

Presentation of H1 2020 Financial Performance

- 1 Key issues
- 2 COVID19 impact on the Bank's operations
- 3 Operations
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Key issues



### **Bank's safe capital position.**

TIER1 at the level of 13.14% and TCR at the level of 15.72%.

Surplus above TIER1 regulatory minima totals 464 b.p. (PLN 2.2 bn), whereas TCR -522 b.p.



As a result of write-offs and one-off provisions totalling approx. PLN 495 M related mainly to the COVID-19 epidemic, the Bank recorded a negative net result for H1 2020 totalling approximately PLN -513 M.



### **Stable liquidity position at a very high level**

At the end of H1 2020 LCR was at the level of 187%.



**Visible positive trends in the new sales of the Bank's key products.** Mortgage loans and sales in the SME segment characterised by very high growth rates.



**Cost of Risk (COR) at the level of 4.0%** as a result of the setting up of a significant portfolio provision related to COVID-19 (PLN 418 M). After taking off its impact, the COR is at the level of 2.6%.



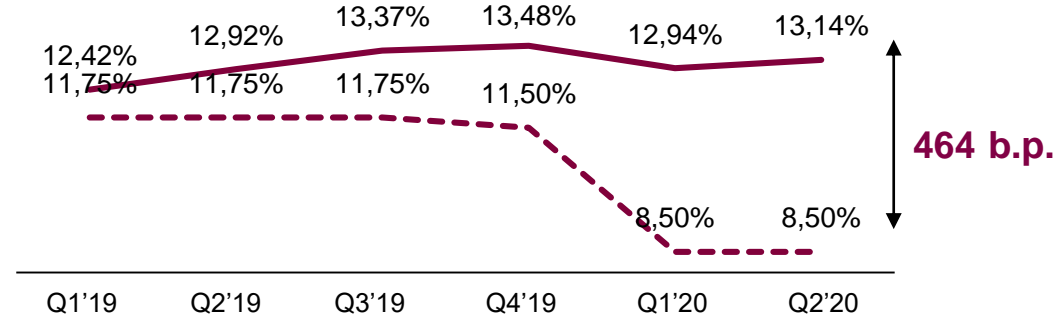
In connection with the events referred to above, the ROE at the end of H1 2020 was down to -15.8%.

# Bank's stable position: considerable TIER1 buffer exceeding regulatory minimum

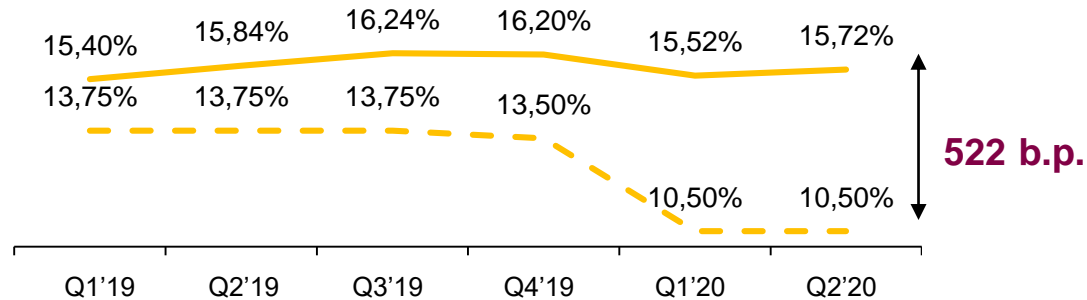
TIER1 and TCR capital ratios at the end of Q2 2020 leave buffers above regulatory minima of 464 b.p. (PLN 2 223 M) and 522 b.p. (PLN 2 514 M) respectively.

## Capital position

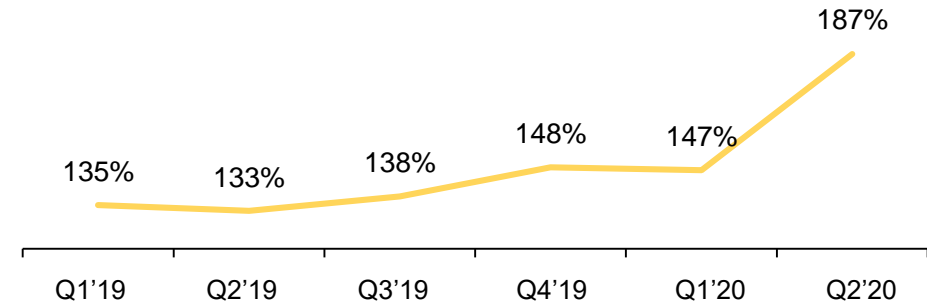
### TIER 1



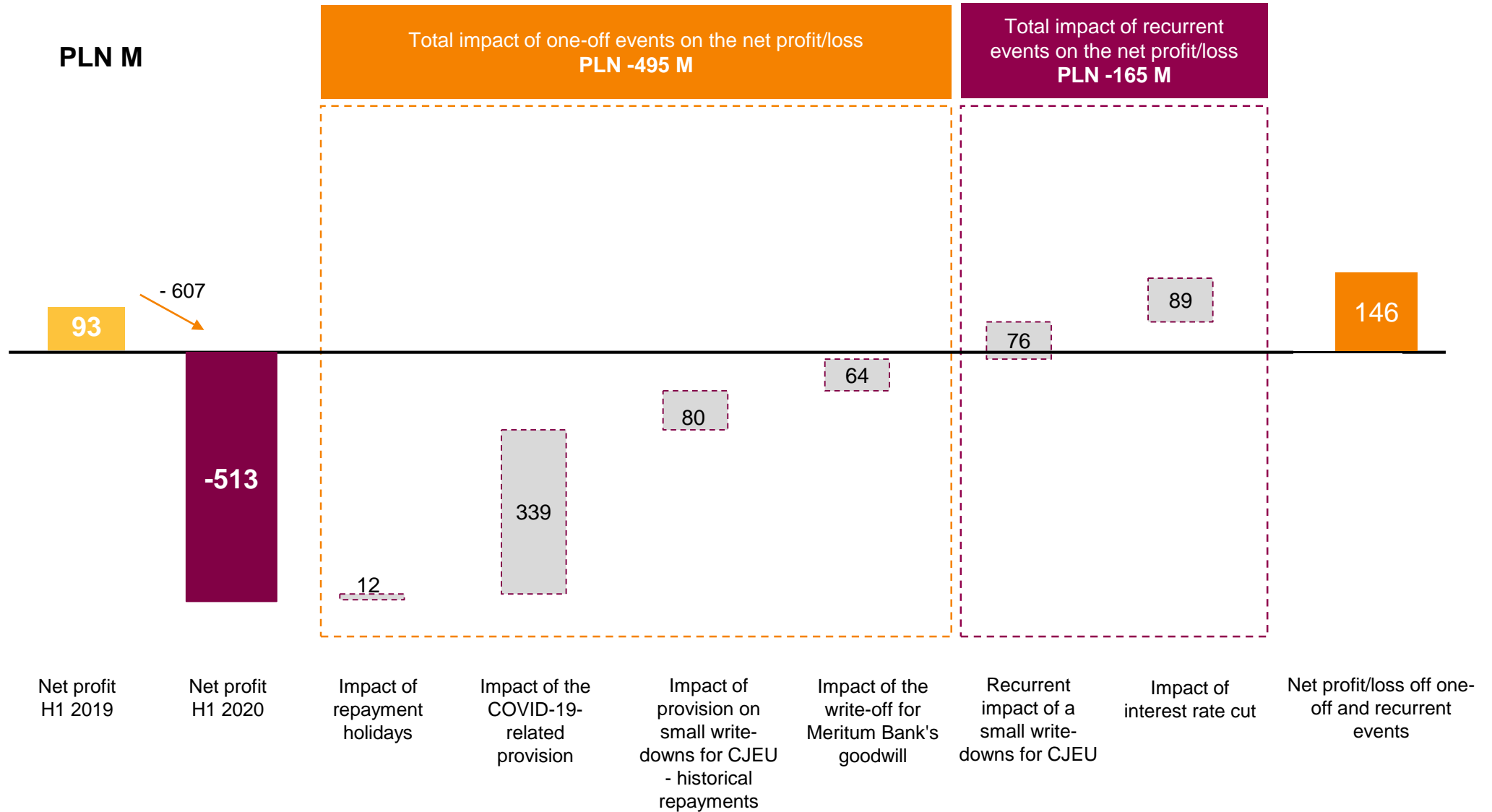
### TCR



### Liquidity - LCR



# Impact of individual events on the H1 2020 performance





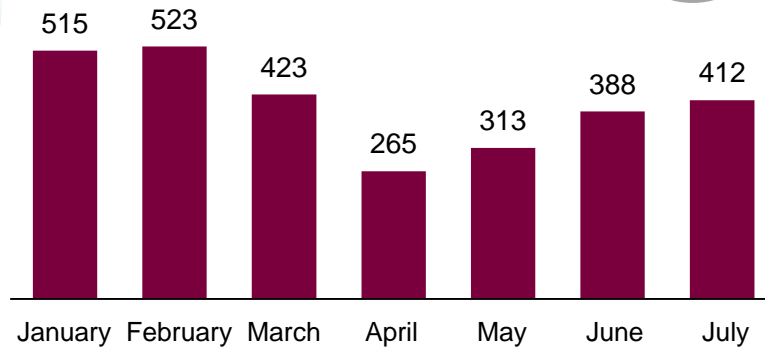
# Sales of Bank's key products in the times of COVID-19 (PLN M)

July vs. average sales  
in Jan.-Feb. period



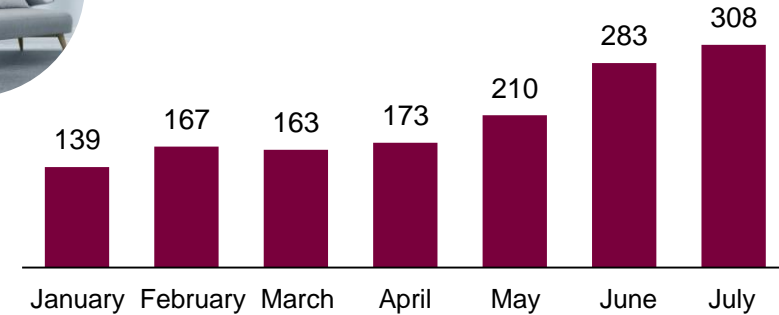
## Loan

- 21%



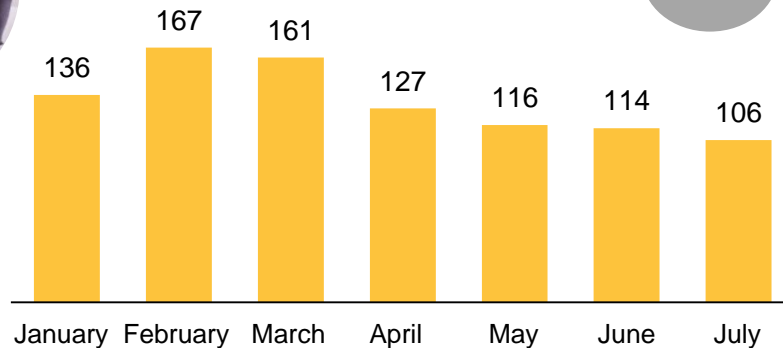
## Mortgage loans

+ 101%



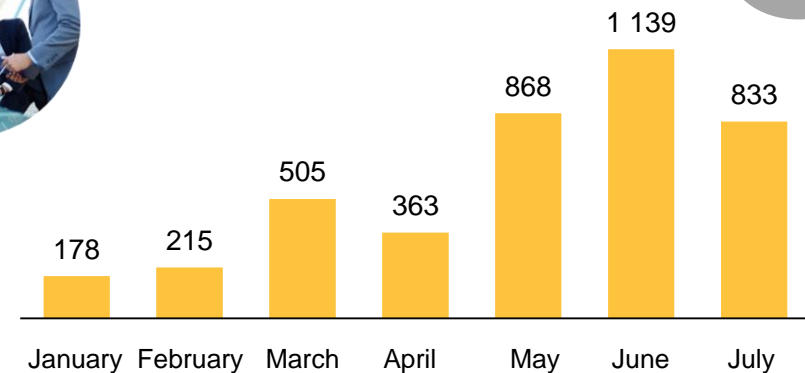
## Micro loans

- 30%



## Total credit limit granted to business customers

+ 324%



We can see positive trends in the reconstruction of new sales of the Bank's key products paralleled by improving quality of new exposures.\*



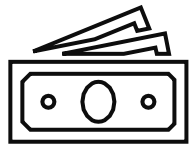
## Customer remote verification

The implementation of the method of verifying customers' identity without visiting the branch, which has already been used by 1600 people. As a result of this solution, among other things, a **selfie-verified loan** was launched in mid-April.



## Remote exchange of documents

Qualified signature and Autenti e-signature in the process of deferring the repayment of corporate loan installments - available to **200 thousand** Alior Bank business customers.



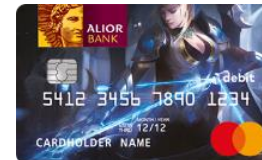
## CASH Group, innovative lending platform

Low-cost and safe loans granted in a fully on-line process can be used by more than **10 thousand PZU Group employees** and by other entities.



## Joint activities with start-ups and renowned partners

- An option to arrange a visit to the branch office by retail customers and micro-businessmen using the **Booksy** Meeting Management application.
- Partnership with **the Polish Securities' Printing Works** and joint efforts on another method of verifying customers' identity with the use of e-ID card, with no need to visit the branch office with the use of **eDOApp** application.



## Bank is oriented at new customers

Alior Bank was the first in Poland to develop a comprehensive offer targeted at the fans of **the League of Legends (LOL)**, one of the most popular computer games in the world. A special card with the image of a character from the game, points for transactions made with it create an opportunity for the players to win a voucher for Riot Points on the League of Legends platform.



## Major distinctions and awards received in Q2 2020



### Best loan

- **First place** in 11<sup>th</sup> "Golden Banker" poll in the **cash loan category**. Once again, the loan from the Bank's offer turned out to be the best in a poll organized by the Bankier.pl financial portal jointly with the "Puls Biznesu" daily.
- **Distinction** for Alior Bank in the "Safe bank - Best Practices" category.



### Top quality of rendered BM services

- For a consecutive year in a row the brokerage account offered by Alior Bank brokerage house **was ranked on podium** by the **editorial office of the Puls Biznesu daily**.
- The Brokerage House **took second place**, confirming **superior quality of rendered services** and wide offer meeting high market standards.



### Quality of customer service

- **First place** in the "Golden Receiver" competition.
- **Training and Development Team II** of the Alior Bank (Talent Development Department) was granted top prize and statuette in the "**Best Team Supporting Contact Center**" category.
- **Alior Bank** can boast of the best practices in the management of the Contact Center operations in Poland.



### Telemarketer of the Year

- **First place** in the "Telemarketer of the Year 2020" competition in the following categories:
  - **Help Desk**
  - **Outbound Sales**



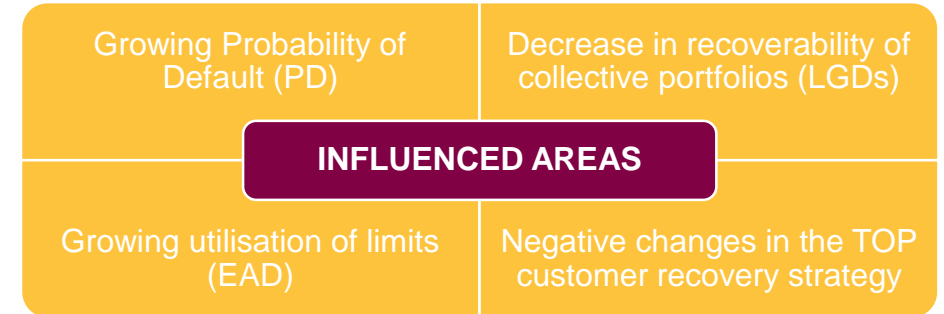
## COVID-19 impact on the Bank's operations

# COVID-19: Comprehensive assessment of impairment in a pandemic environment

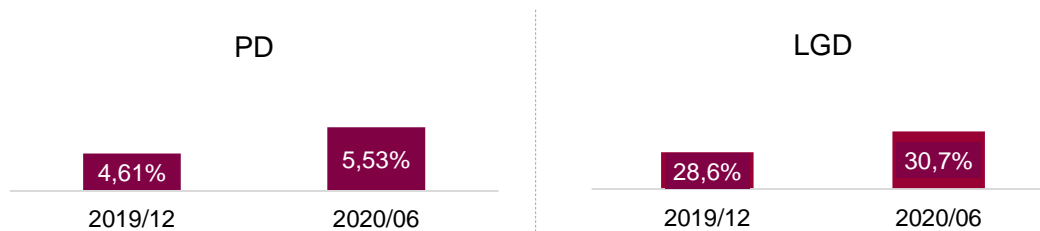
## Macroeconomic scenarios for estimating impairment

Scenario	Characteristics	Probability
Base	V-shaped recession	80%
Pessimistic	W-shaped recession	10%
Optimistic	Low amplitude V-shaped recession	10%

## Influenced areas covered by the COVID-19 write-down



## Regular portfolio parameters with COVID-19 effect

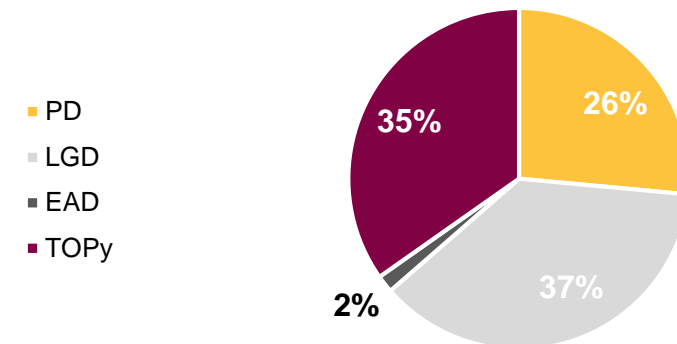


Share of Stage 2 in the regular portfolio



## Structure of impact on the write-down level

Due to COVID-19, the level of write-offs was up by approximately PLN 418 M, according to the impact structure of key components:



# COVID-19: repayment holidays



Retail Customer



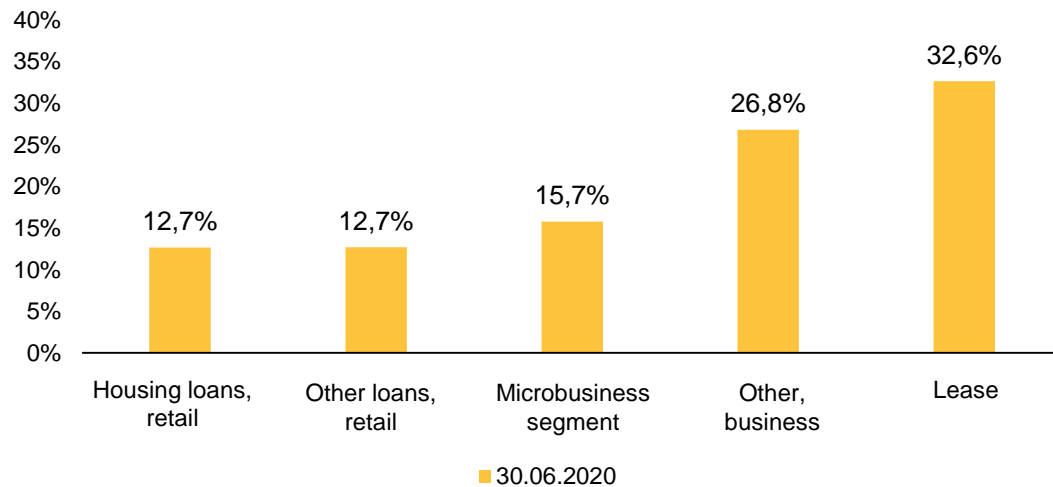
Business Customer



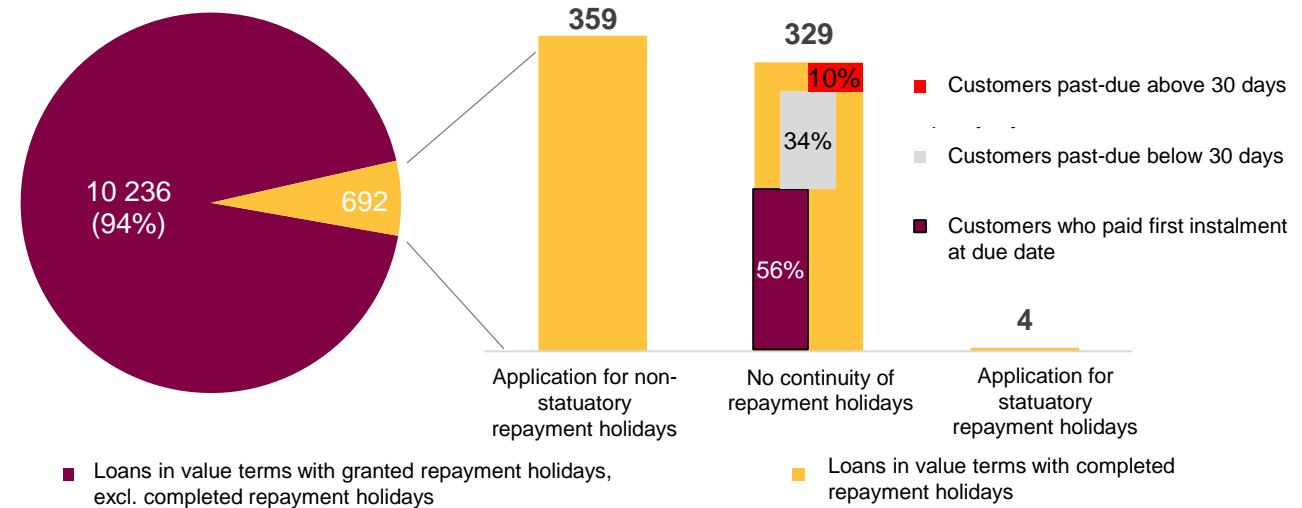
Lease

No. of repayment holidays granted:	<b>46 554</b>	<b>3 841</b>	<b>21 897</b>
Share (%) of applications processed positively	<b>95.2%</b>	<b>90.3%</b>	<b>99.7%</b>
Repayment holidays granted in volume terms (PLN M)	<b>4 461</b>	<b>4 742</b>	<b>1 725</b>
Share (%) of repayment holidays granted in the total portfolio	<b>12.7%</b>	<b>22.4%</b>	<b>32.6%</b>

Share (%) of accepted applications in a certain portfolio (PLN M)



Completed Repayment Holidays (PLN M) in value terms as of 30 June 2020



Once the Repayment Holidays have been completed, only 168 loans worth PLN 32.5 M are in the arrears more than 30 days.



## Repayment Holidays

- No. of repayment holidays granted:
  - **46 554** (Retail)
  - **3 841** (Business)
  - **21 897** (Lease)
- Share (%) of applications processed positively:
  - 95.2% (Retail)
  - 90.3% (Business)
  - 99,7% (Lease)

## BGK guaranteed loans

- In the micro and SME segments Alior Bank extended:
- as many as **2400** de minimis guarantees under new and more advantageous terms and conditions for the total amount of **almost PLN 940 M.**
- Extended **31** guaranteed under Liquidity Guarantee Fund (FGP) for mid-sized companies and large corporations worth **PLN 484 M.**

## Subsidies under PFR Financial Shield

- Accepted and disbursed funds under applications worth **PLN 2 687 M for 16 823 Customers**

### Impact of interest rate reductions on the financial performance

**According to the published Current Report No. 14/2020, the Bank estimates the impact of the interest rate cut\* on the quarterly net profit/loss in the range of PLN 116 - 133 M.**

The assumptions comprise:

- adjustment of interest rates of variable-rate loans
- impact of the maximum interest rate cuts
- reduction of reserve requirements from 3.5% to 0.5%
- an increase of reserve interest rate from 0.5% to 1.0%
- reduction of deposit interest rates

**Interest rate cuts led in H1 2020 to:**

- **a decline of interest income down to PLN 110 M (compared to PLN 103 M in the Q2 2020 alone)**
- **net profit/loss of PLN 89 M (compared to PLN 84 M in Q2 2020 alone)**



### Income-side initiatives



- Changes in the Bank's Table of Fees and Charges fuelling growth of fee income
- an increase of fee income share in new cash loan sales



- increase of cross selling of transactional products, including insurance of credit products
- optimisation of deposit interest rates
- improvement of credit margins and development of automated decision-making processes



- development of remote customer service processes (credit and transactional products)

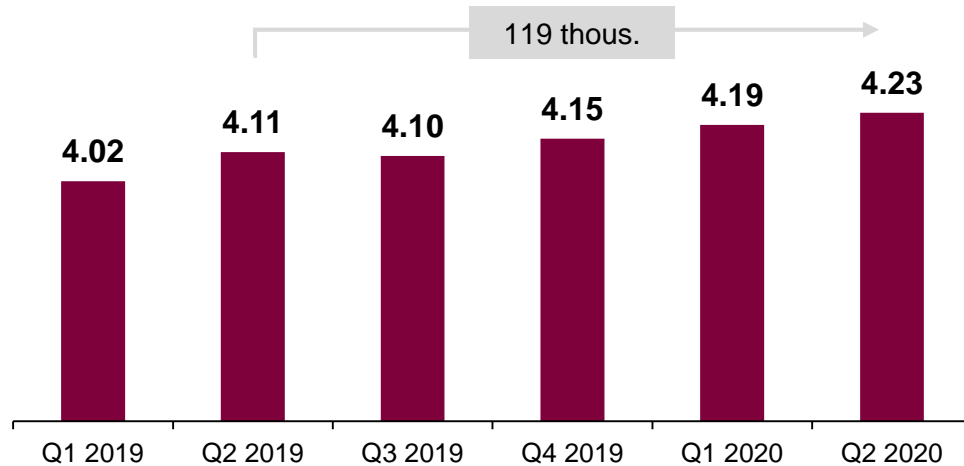
### Cost-side initiatives

- optimization of costs of rented office space and number of branch offices
- enhancement of process efficiency using robotization, artificial intelligence (AI) and automation
- digitisation of sales
- and after-sales processes
- growing significance of the PZU SA Group's synergy in terms of cost optimization - joint procurement etc.
- curtailment of Bank's infrastructure costs



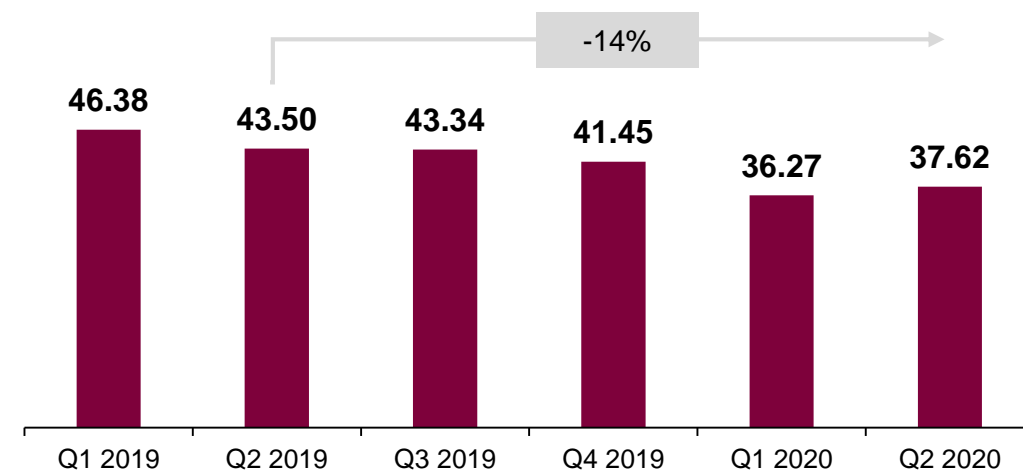
# Operations

### Number of retail Customers (M)

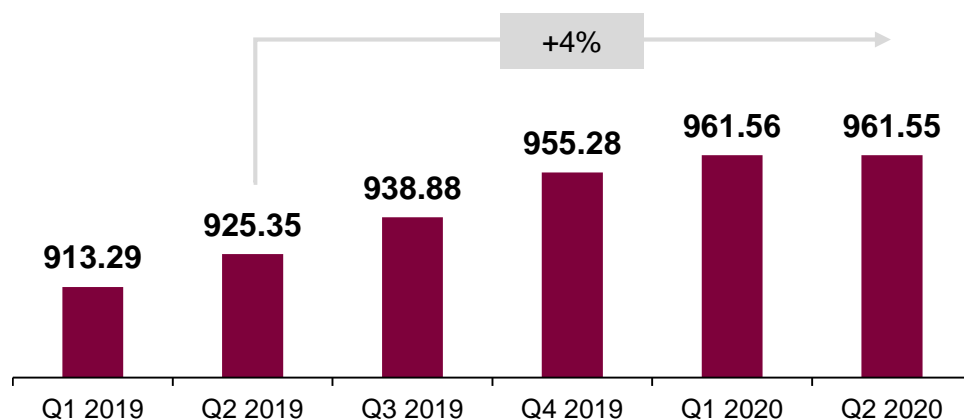


### Sales of savings & current accounts (,000)

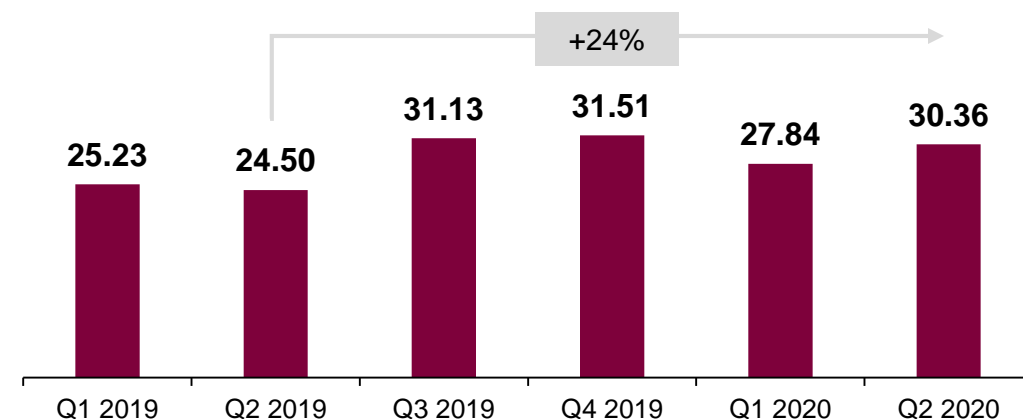
(No. of savings and current accounts opened for New to Bank i New to Product customers)



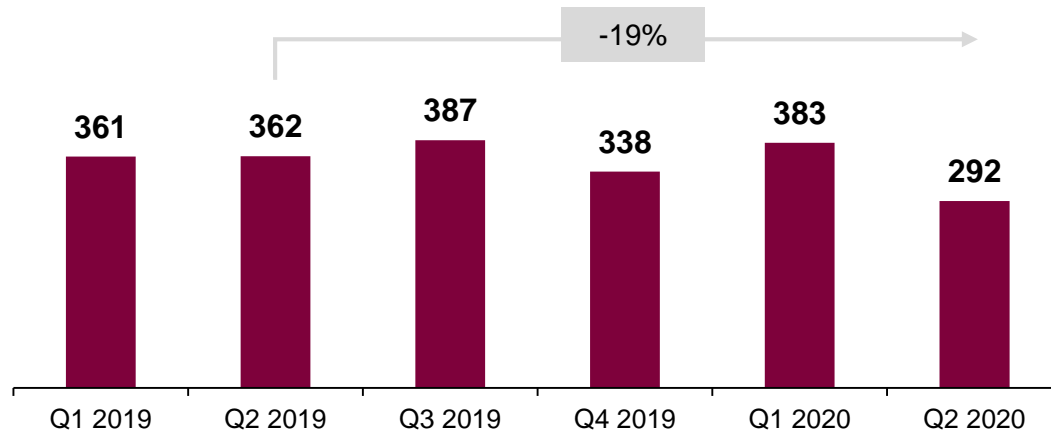
### Number of Customers with regular inflows ('000)



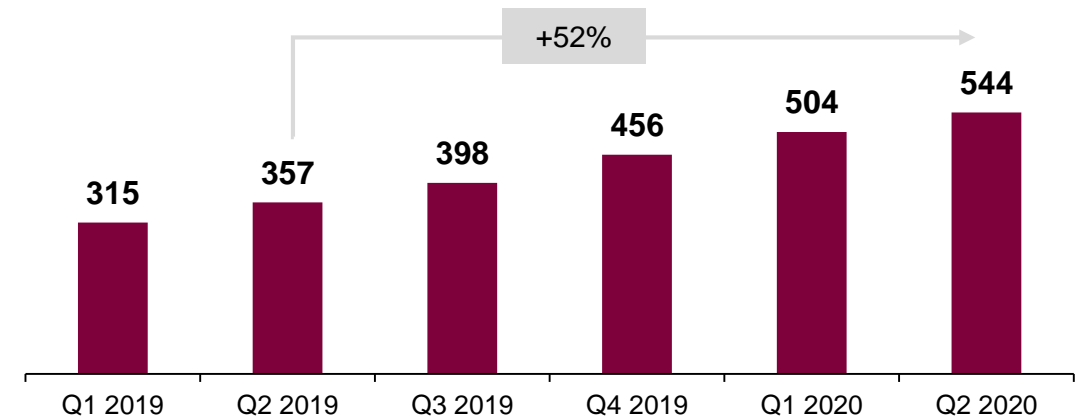
### No. of new savings and current accounts with a debit card ('000)



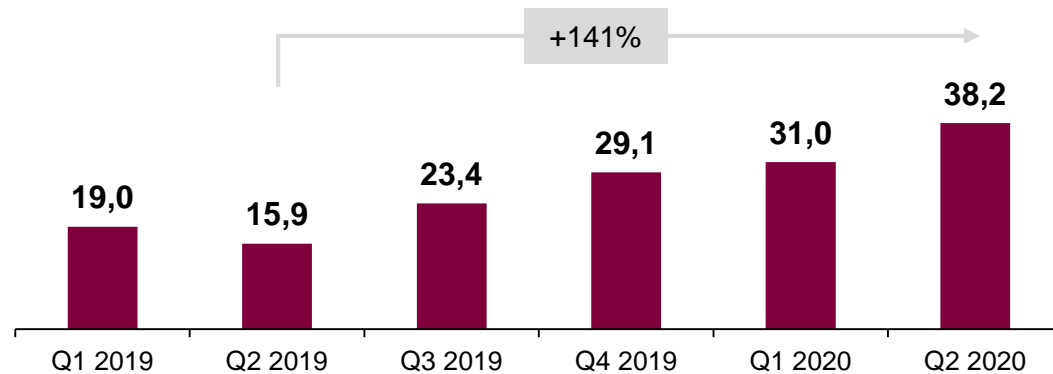
### Sales of cash loan via remote channels (PLN M)



### Users of Alior Bank's mobile applications ('000)



### Sales of saving and current account, and personal account online ('000)

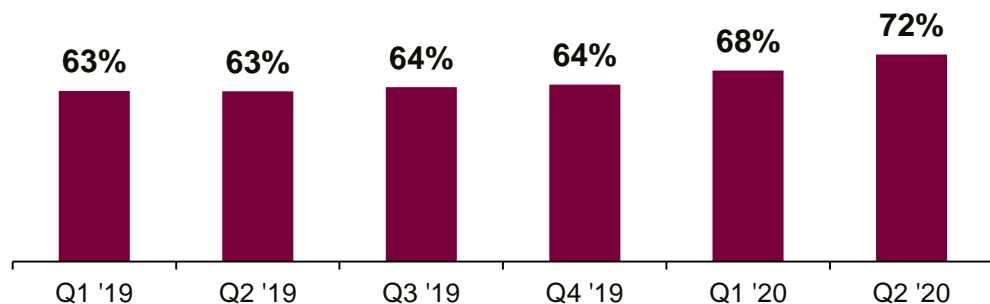


AppStore Rating **4.6** out of 5

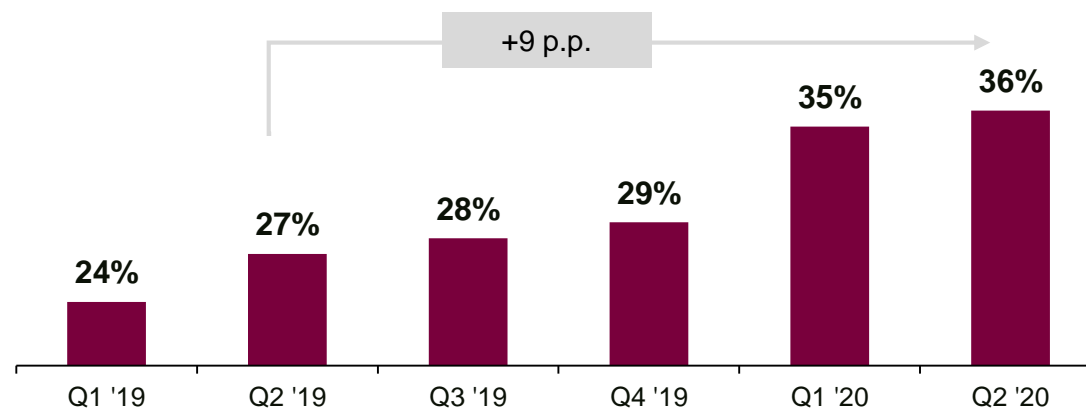
Google Rating **4.2** out of 5

- The number of mobile application users up by 52% y/y.
- Ratings of the mobile application users at AppStore and GooglePlay stores remained stable.
- Sales of cash loan was down by 19% y/y in remote channels - mainly due to stricter criteria for loan granting.
- Sales of online savings and current accounts up by 141% y/y.

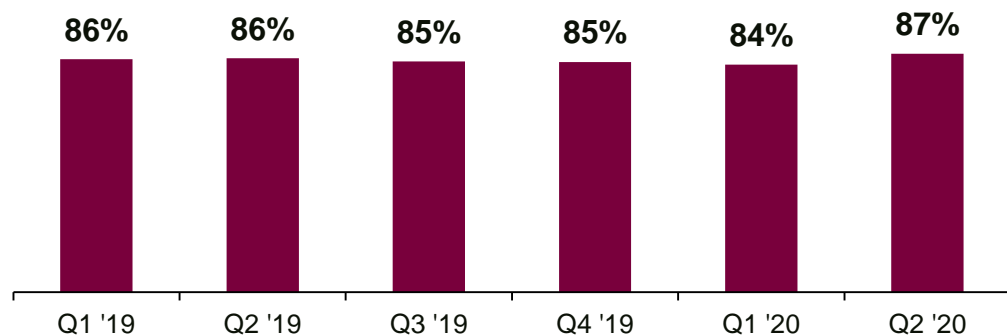
## Own branch NPS



## Relationship NPS



## Partnership outlet NPS

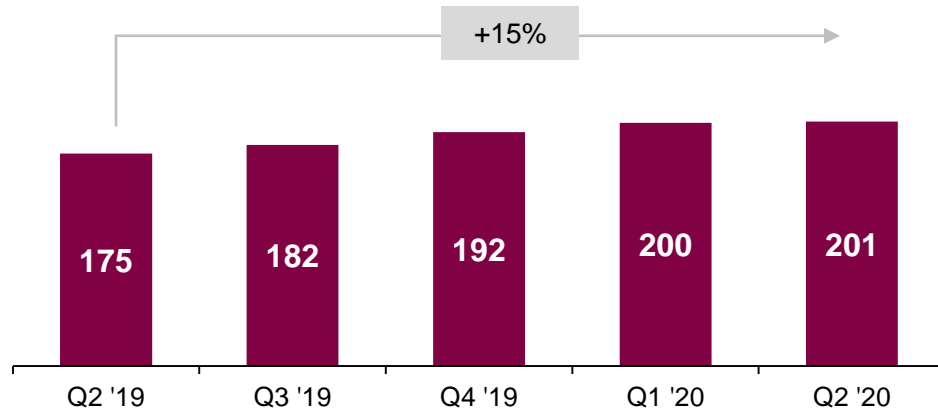


We simplify communication with customers

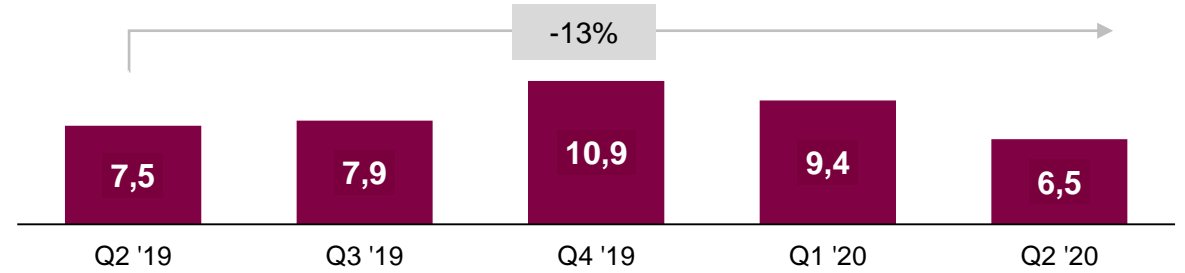
**248**

Simplified letters, documents and messages - the effect of listening attentively to the customers and their opinions

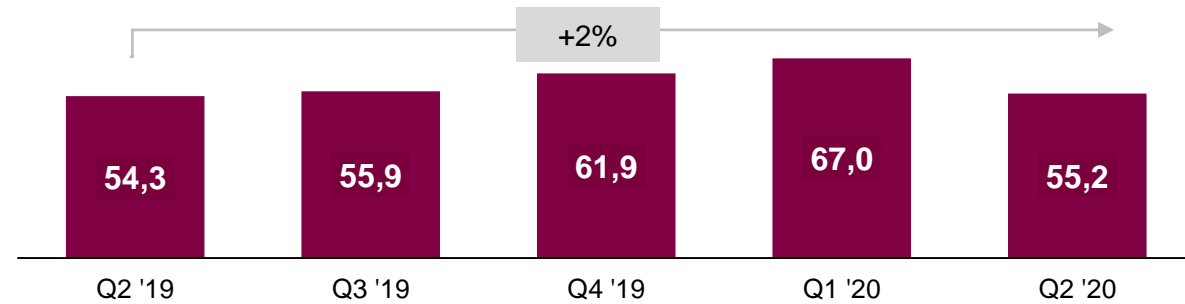
No. of business customers in Micro segment ('000)



New business customers in Micro segment ('000)

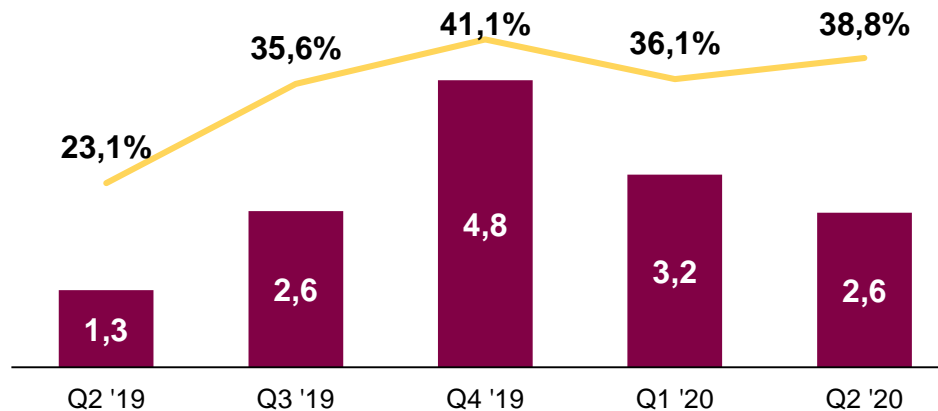


No. of Micro segment customers paying Social Insurance contributions/making tax payments ('000)

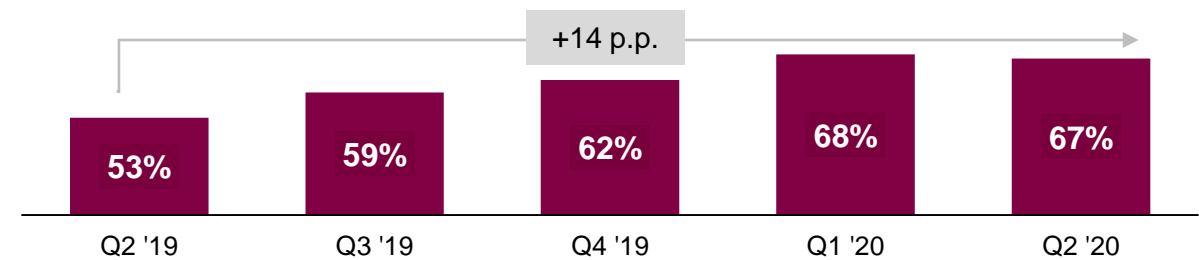


New Micro segment customers acquired on-line

(new accounts in '000; % of online acquisition)

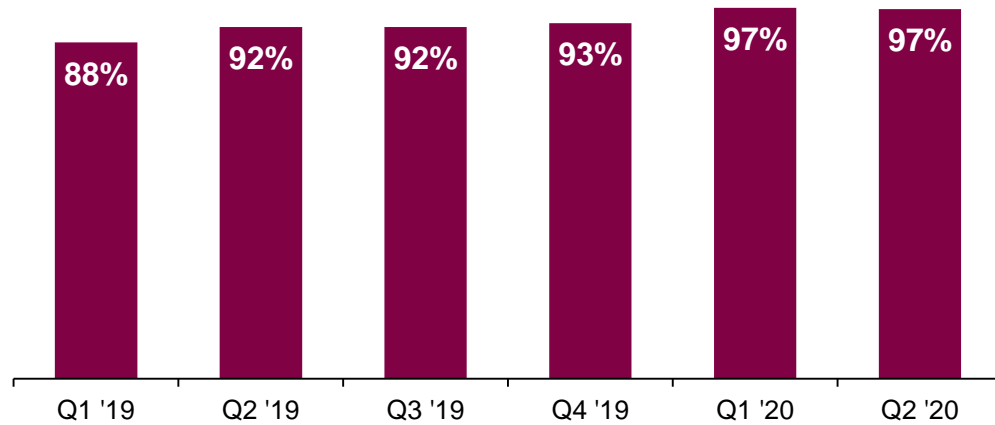


Share of new accounts in Micro segment with a debit card (%)

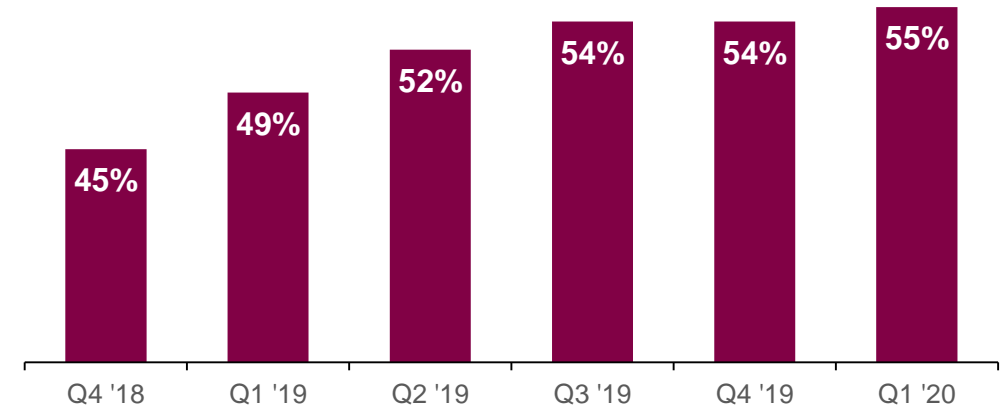




### Micro new sales coverage with BGK guarantees



### Micro portfolio coverage with BGK guarantees

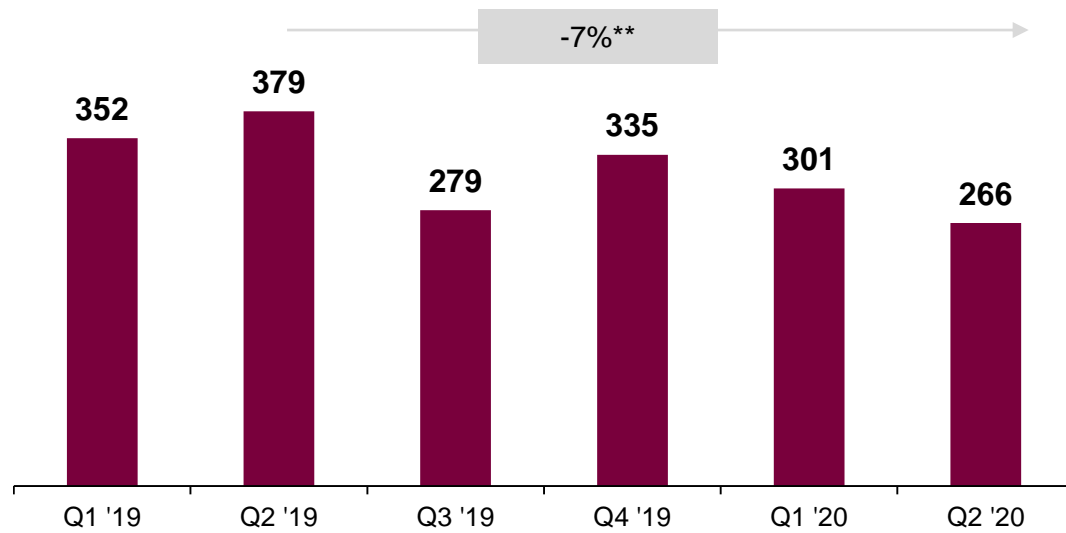


- Coverage of new loan sales with BGK's microguarantees remains above 90%.
- Updated credit policy and implementation of a new credit system boost the quality of new sales.
- A high level of guarantees will have a positive impact on RWA, COR and capital ratios.

# Business customers: transformation of business customer base into more active and sustainable relationships

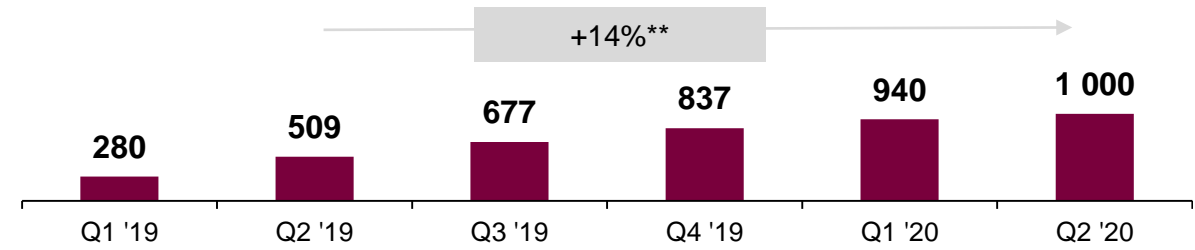
## New business customers in Small /Medium /Large Enterprises segments

(number of customers)



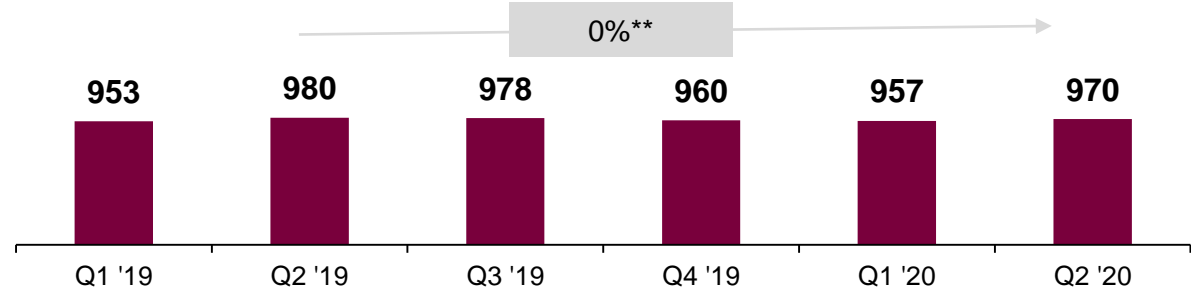
## BankConnect Customers\*

(number of customers)



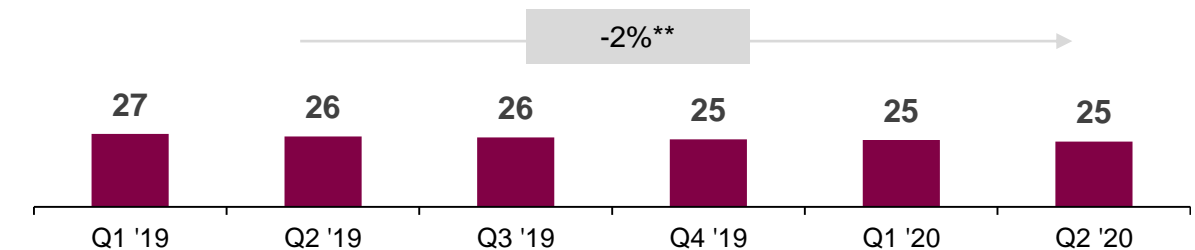
## Customers using actively their payroll accounts

(number of customers in '000)



## No. of customers who generated income

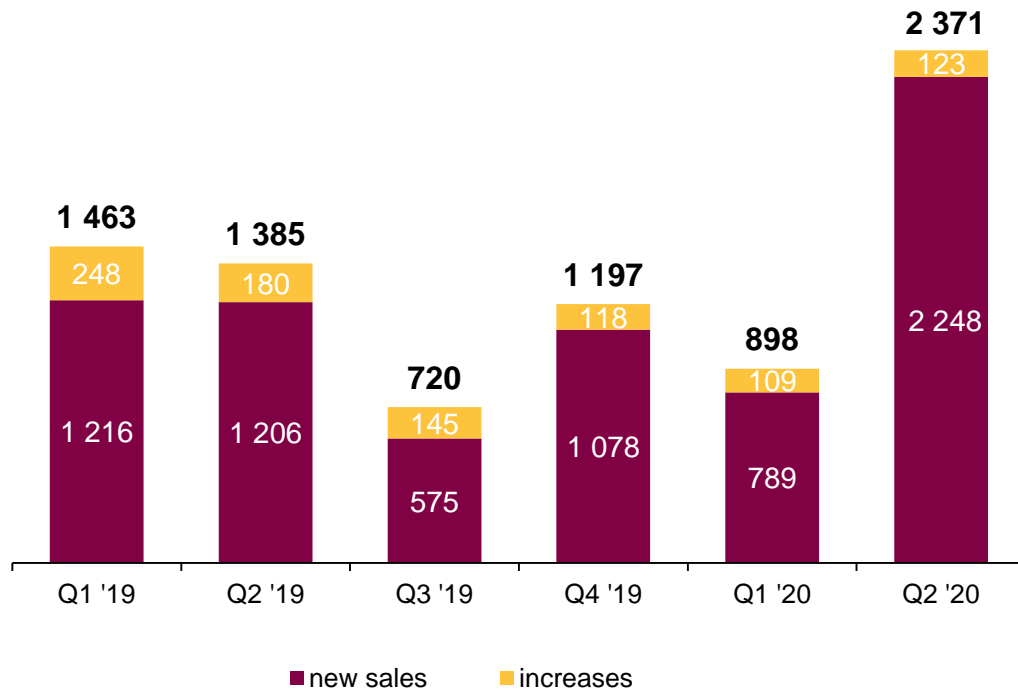
(number of customers in '000, in the quarter)



- Q2 2020 saw a decline in the number of new accounts compared to Q1 2020. A decline is driven by the constraints implemented due to COVID-19 epidemic.
- The newly acquired customers are characterized by the higher number of products they use and by the focus on building core relationship. A significant growth in the number of customers holding the BankConnect product was observed. It supports the integration of the customer's accounting systems with the BusinessPro system.

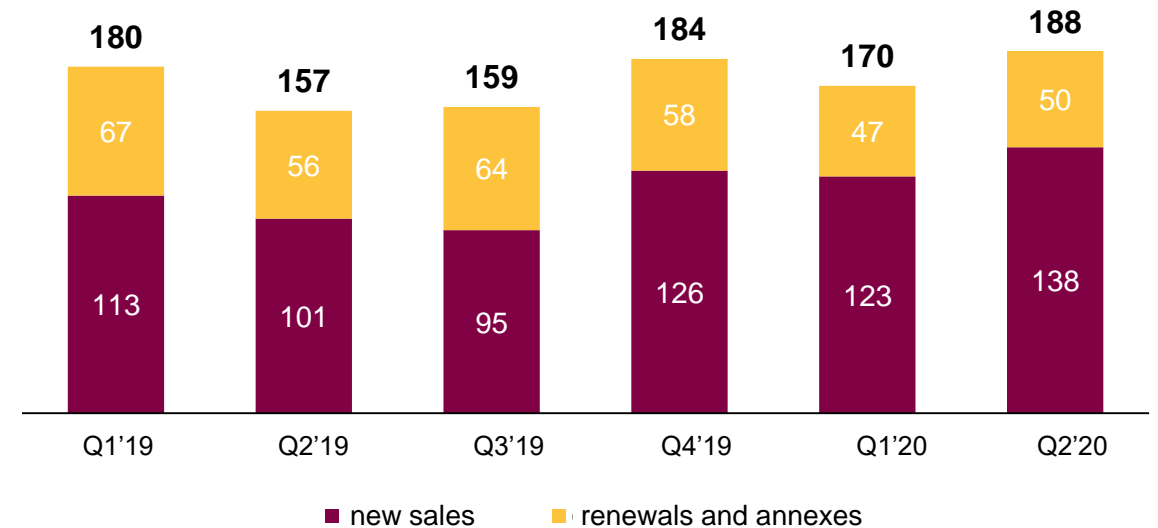
## Limit of new sales\*

(M PLN, small, medium and large)



## Sales limit using automatic decision-making process

(M PLN, small, medium and large enterprise segment)



In Q2 2020 significant growth 20 limits of new sales caused by structural changes.

New sales in Q2 2020 in the category of automatic decisions was up by 12% compared to Q1 2020.

The proposal of Alior Bank offered jointly with the Bank of National Economy (BGK)

**Alior Bank is one of the main distributors of portfolio guarantees jointly with BGK**  
**Alior Bank was one of the first to modify the guarantee schemes in the times of COVID-19**



**Above 2300  
businesses**

took advantage of special terms and conditions of **De minimis Guarantee** effective in the times of COVID-19. No guarantee fee, for up to 39 months for working capital loans, up to 80% of collateral.



**PLN 5,5 bn**  
of the guarantee limit for  
medium and large companies  
extended by Liquidity  
Guarantee Fund (FGP)

The Bank introduced an offer of a liquidity loan with a guarantee for medium and large companies, which will allow it to generate lending activity worth almost PLN 7 billion for companies with liquidity problems caused by Covid-19 virus.



**PLN 500K**  
of Ecobusiness loan for  
financing of photovoltaics  
projects

**Ecobusiness product** has been offered by the Bank since June to finance photovoltaics projects for enterprises for their own consumption. Loan secured with a free Businessmax guarantee with an option of interest return for the customer for a period of 3 years.

**Alior Bank as one of 17 banks has been involved in The Financial Shield, government scheme from the very beginning. It is offered for companies and enables full support of subsidy application in the online process.**



**28 189\***

**filed applications via Alior Bank**

**PLN 2.69\* bn**

**funds disbursed**



PFR Financial Shield for **Micro Businesses**

**PLN 25 billion.**

(assumed total amount of non-refundable funds approx. PLN 16 bn)



PFR Financial Shield for **SMEs**

**PLN 50 billion**

(the assumed total amount of non-refundable funds PLN 32 bn)



PFR Financial Shield for **Large Enterprises**

**PLN 25 billion**

(the assumed total amount of non-refundable funds PLN 12 bn)



# Financial performance

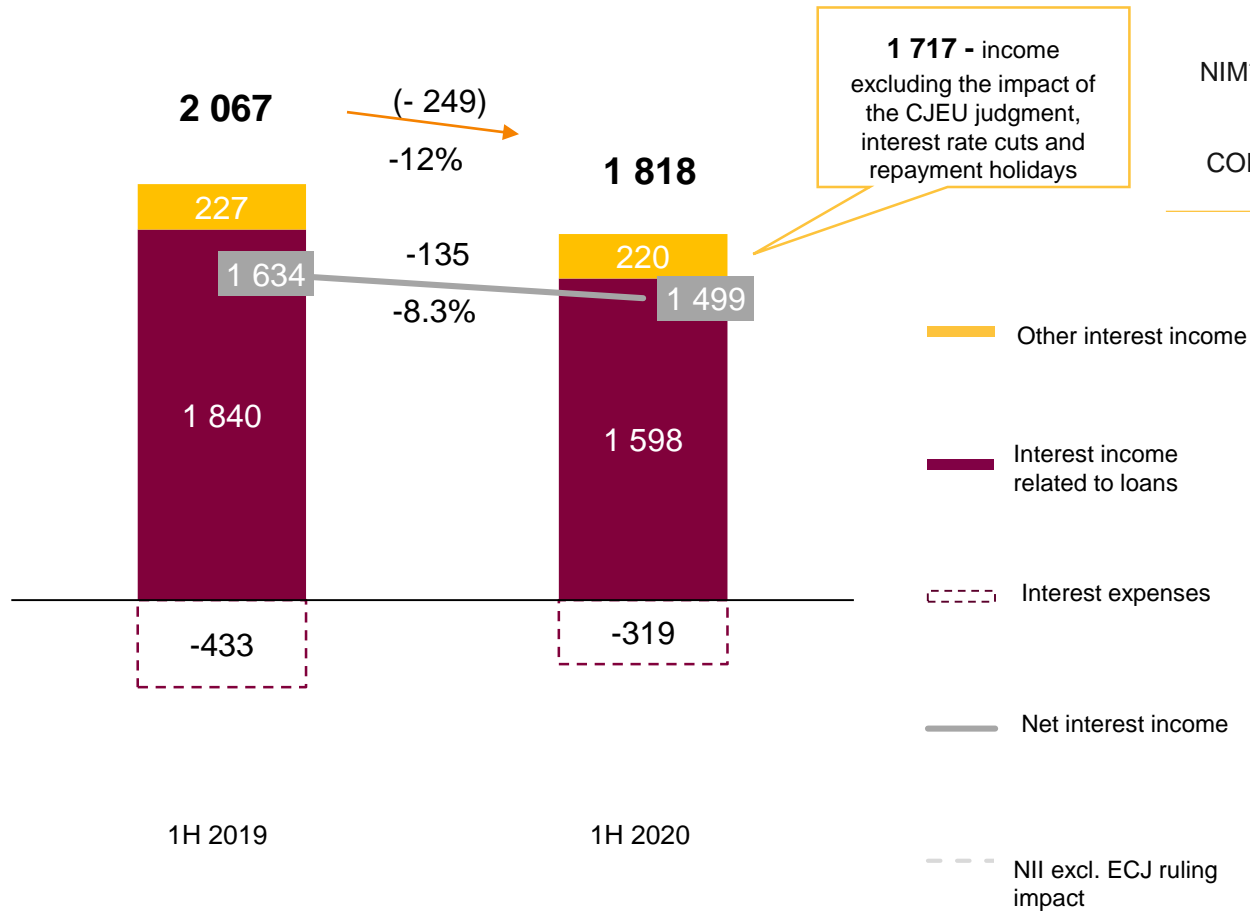


## Profit and Loss Account - basic data

PLN M	H1 2020	H1 2019	Change y/y
<b>Financial income, including:</b>	<b>1 741</b>	<b>2 030</b>	<b>-289</b>
Net interest income	1 499	1 634	-135
Net fee and commission income	290	325	-35
Trading and other income	-47	71	-119
<b>Bank's operating expenses</b>	<b>-877</b>	<b>-906</b>	<b>29</b>
<b>Net write-off income</b>	<b>-1 211</b>	<b>-776</b>	<b>-436</b>
Gains/losses on impairment of non-financial assets	-69	-2	-67
Banking tax	-110	-110	0
<b>Profit (loss) before tax</b>	<b>-525</b>	<b>237</b>	<b>-761</b>
Income tax	-15	-143	158
<b>Net profit /(loss) of the continued business</b>	<b>-510</b>	<b>93</b>	<b>-603</b>
Net profit /(loss) of the discontinued business	-3	0	-3
<b>Net profit/loss</b>	<b>-513</b>	<b>93</b>	<b>-606</b>

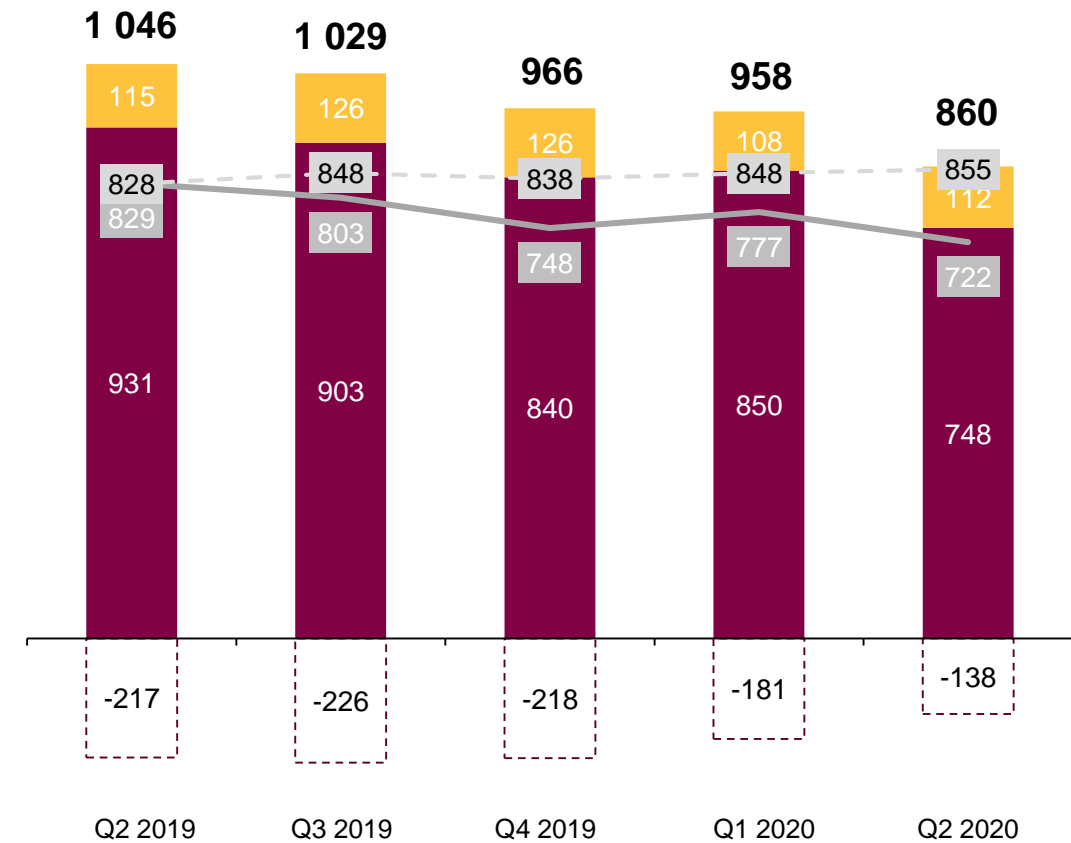
# Interest net income (M PLN)

## Comparison y/y



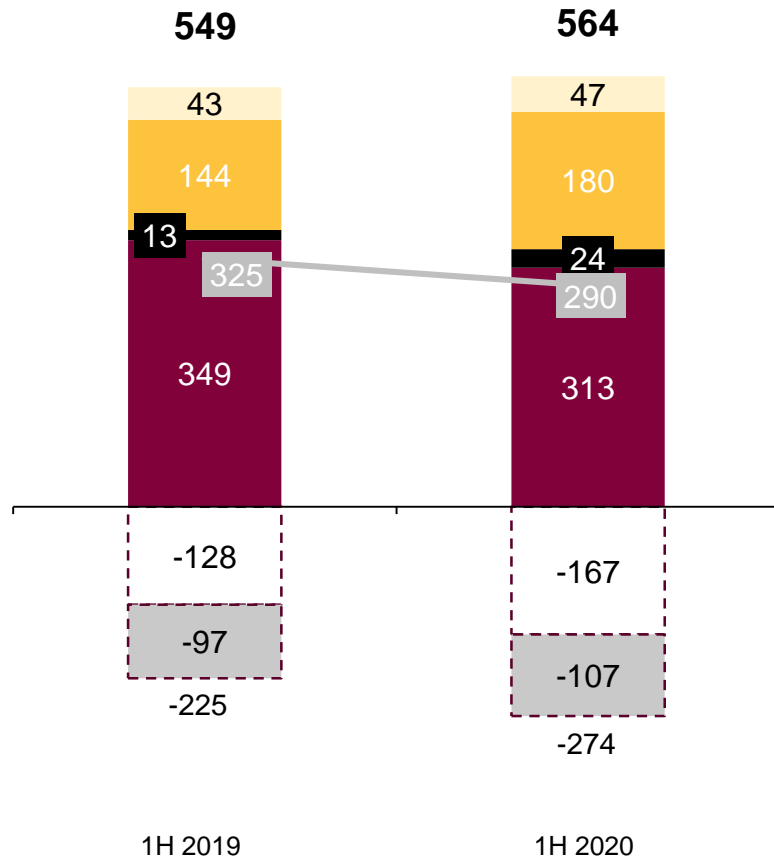
## Net interest income on a quarterly basis

	Q2 2019	Q3 2019	Q4 2019	Q1 2020	Q2 2020
NIM*	4.70%	4.63%	4.52%	4.34%	4.13%
COF**	1.17%	1.14%	1.12%	1.02%	0.72%



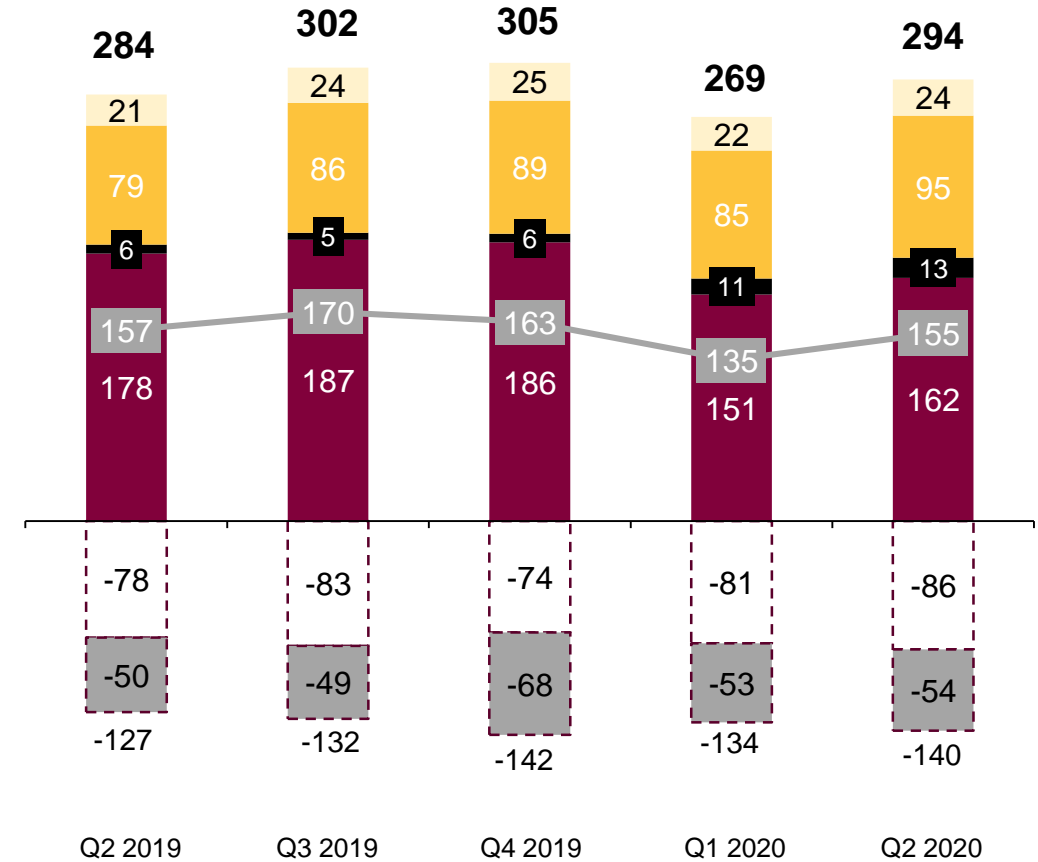
# Net fee and commission income (PLN M)

## Comparison y/y



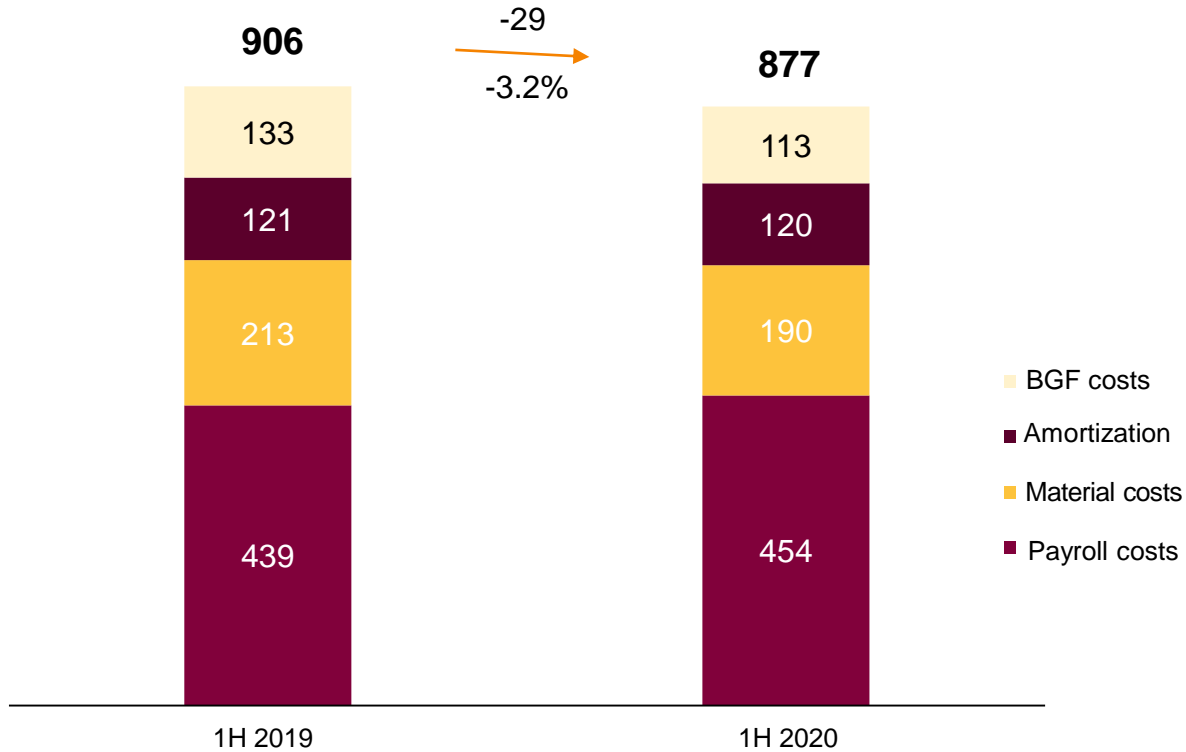
## Net fee and charges income on quarterly basis

- Remuneration for insurance brokerage
- Payment cards and credit cards service
- Brokerage commissions
- Fees related to loans, accounts, transfers, FX transactions etc.
- Other fees cost
- Fees cost related to cards
- Net fee and commission

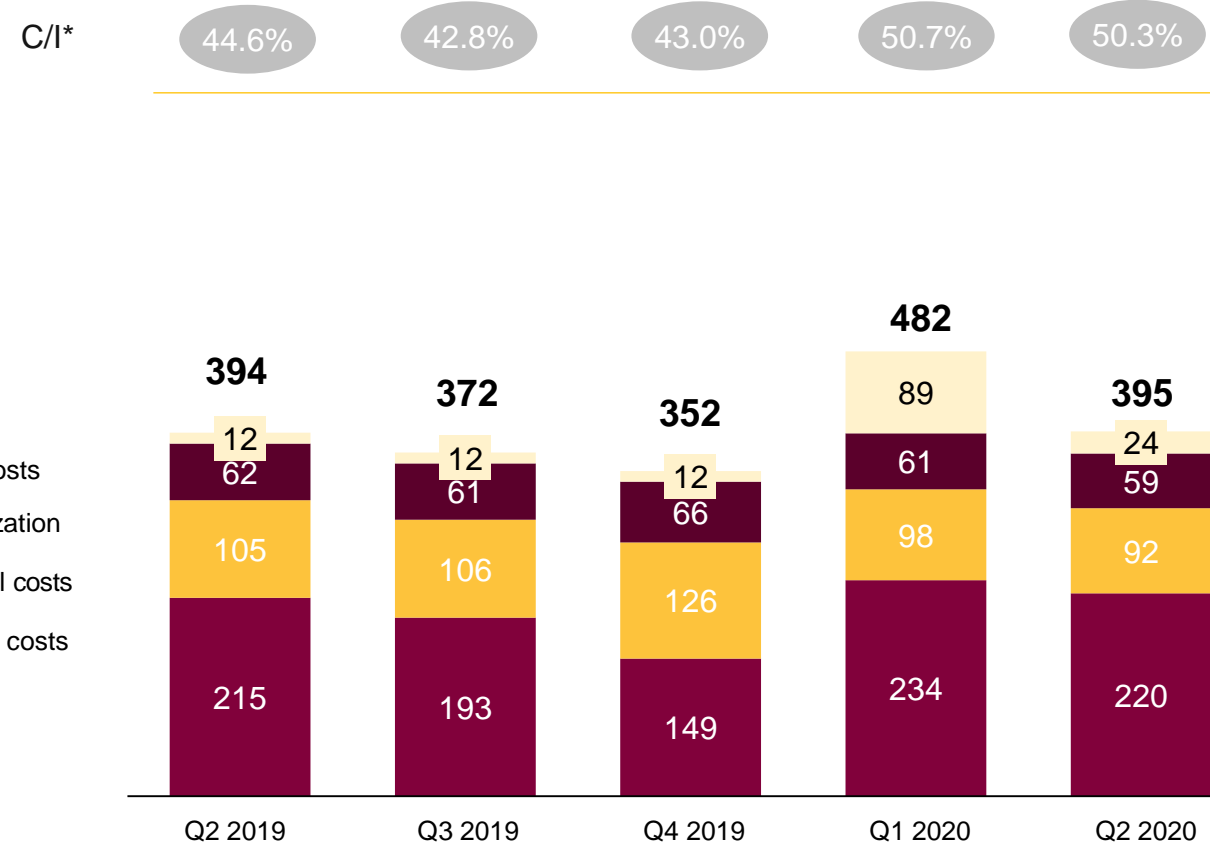


# Bank has maintained high level of cost efficiency (PLN M)

## Operating expenses (comparison y/y)



## Operating expenses on a quarterly basis



Thanks to continuous optimisation efforts, the Bank has maintained very high cost efficiency.

## Impact of CJEU judgement on the Bank's performance

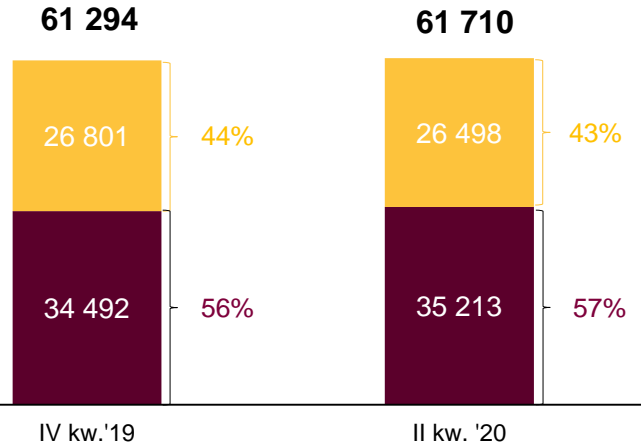
PLN M	Q3 2019	Q4 2019	Total H2 2019	Q1 2020	Q2 2020	Total H1 2020
Impact on the gross result	-45	-90	-135	-64	-30	-94
Impact on other operating expenses	-57	-186	-243	0	-99	-99
Impact on the gross result	-102	-276	-378	-64	-129	-193



Credit risk

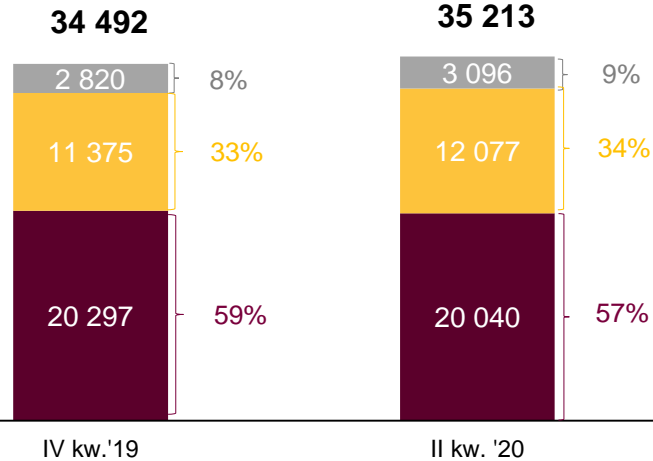
# Structure and quality of the loan portfolio

## Total loan portfolio (PLN M)



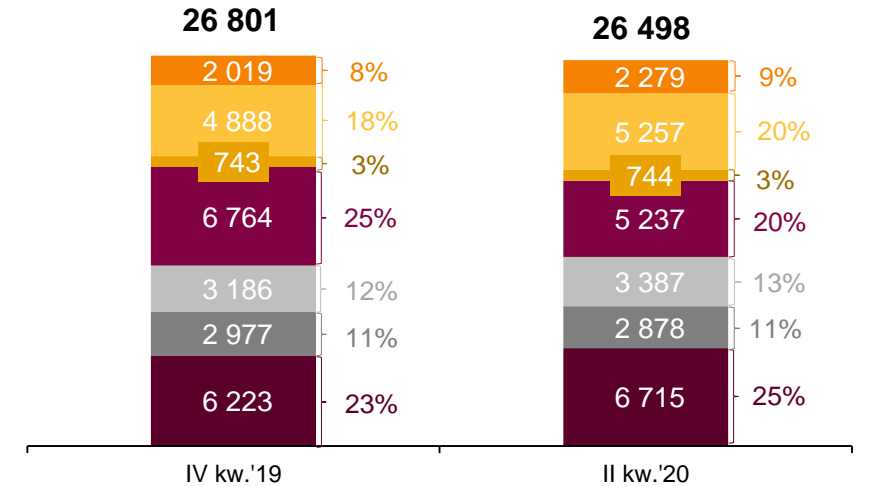
■ Retail segment ■ Business segment

## Retail customer portfolio (PLN M)



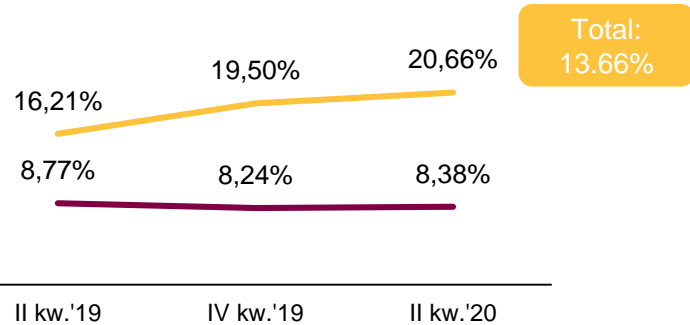
■ Consumer finance loans  
■ Mortgage loans  
■ Consumer loans

## Business customer portfolio\* (PLN M)



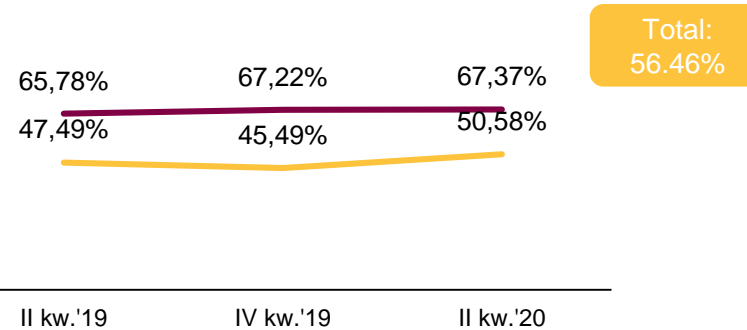
■ Micro ■ Small ■ Medium ■ Large ■ OZE ■ Alior Leasing ■ AGRO

## Share of impaired loans\* (%)



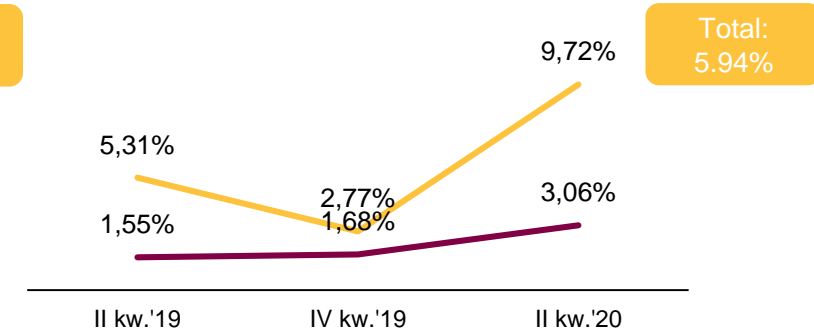
■ Retail segment  
■ Business segment

## Provision coverage ratio\* (%)



■ Retail segment  
■ Business segment

## Cost of risk (CoR)\* (%) – QTD basis

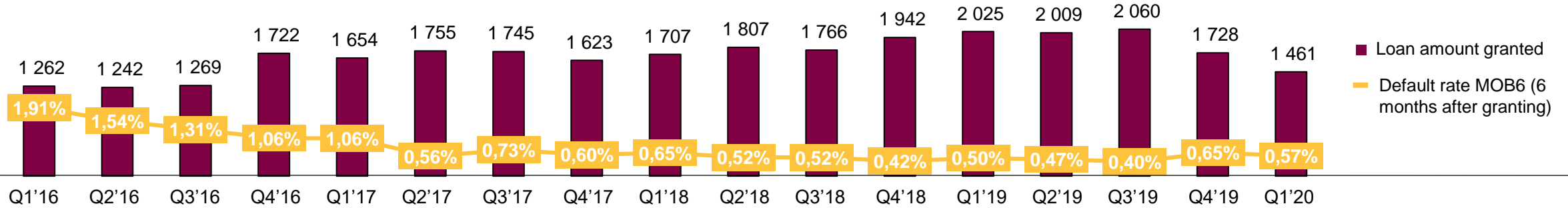


■ Retail segment  
■ Business segment

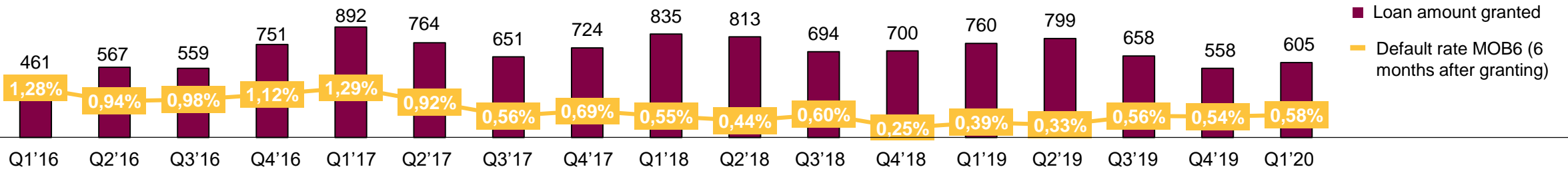
\* On management accounting basis

# Continuous improvement of the quality of new loan sales

## Sales volume and quality of new cash loans (PLN M)



## Sales volume\* and quality in the Micro business customer segment (PLN M)



The quality of exposures in strategic segments (loan and micro) is stable.



## Change of turnover – Jun. 2020 vs. Feb. 2020

### Low risk industries



Low risk industries, resilient or gaining in importance, such as: production, trade and sales of necessities, on-line sales, pharmaceutical and chemical industries, courier and parcel station services.

15%



### Medium risk industries



Industries threatened by interrupted supply chains or falling demand from customers, such as clothing production, textiles, sales and repair of vehicles, freight transport.

9%



### High risk industries



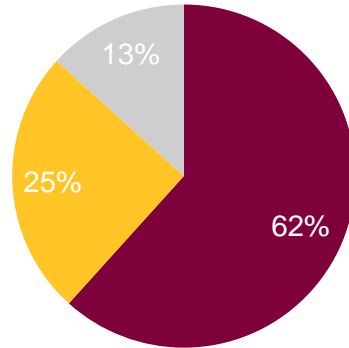
Industries severely hit by economic constraints due to the measures implemented to counteract the development of the COVID-19 epidemic, such as: shopping malls, restaurants, passenger transport, tourism, organisation of cultural events, leisure services.

-29%

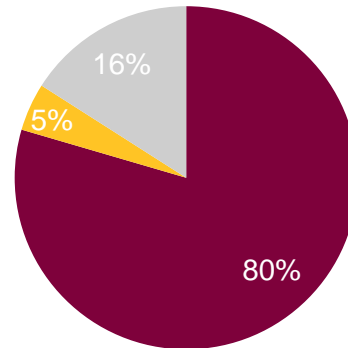


# COVID-19: Portfolio by pandemic risk level

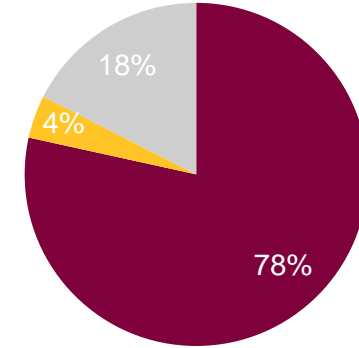
Sensitivity of KB portfolio



Sensitivity of KB TOP100 portfolio

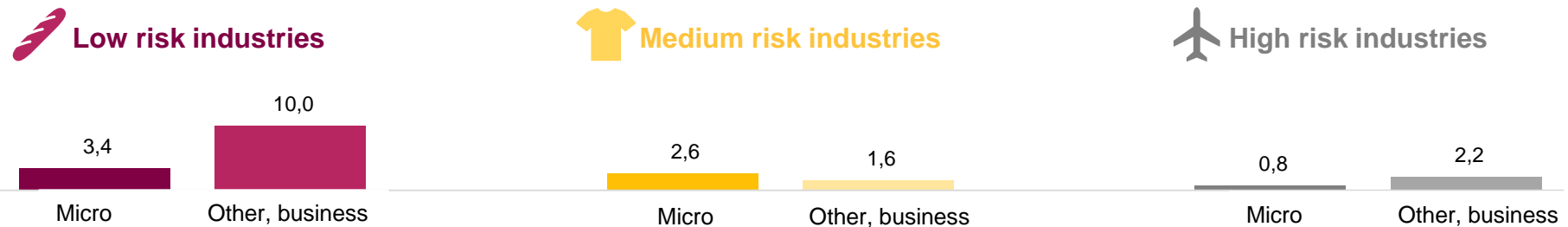


Sensitivity of the regular KB TOP100 portfolio



- Low risk industries
- Medium risk industries
- High risk industries

Gross balance sheet value of the micro and other business customer portfolios (PLN bn)



Share of repayment holidays in value terms as of 30 June 2020

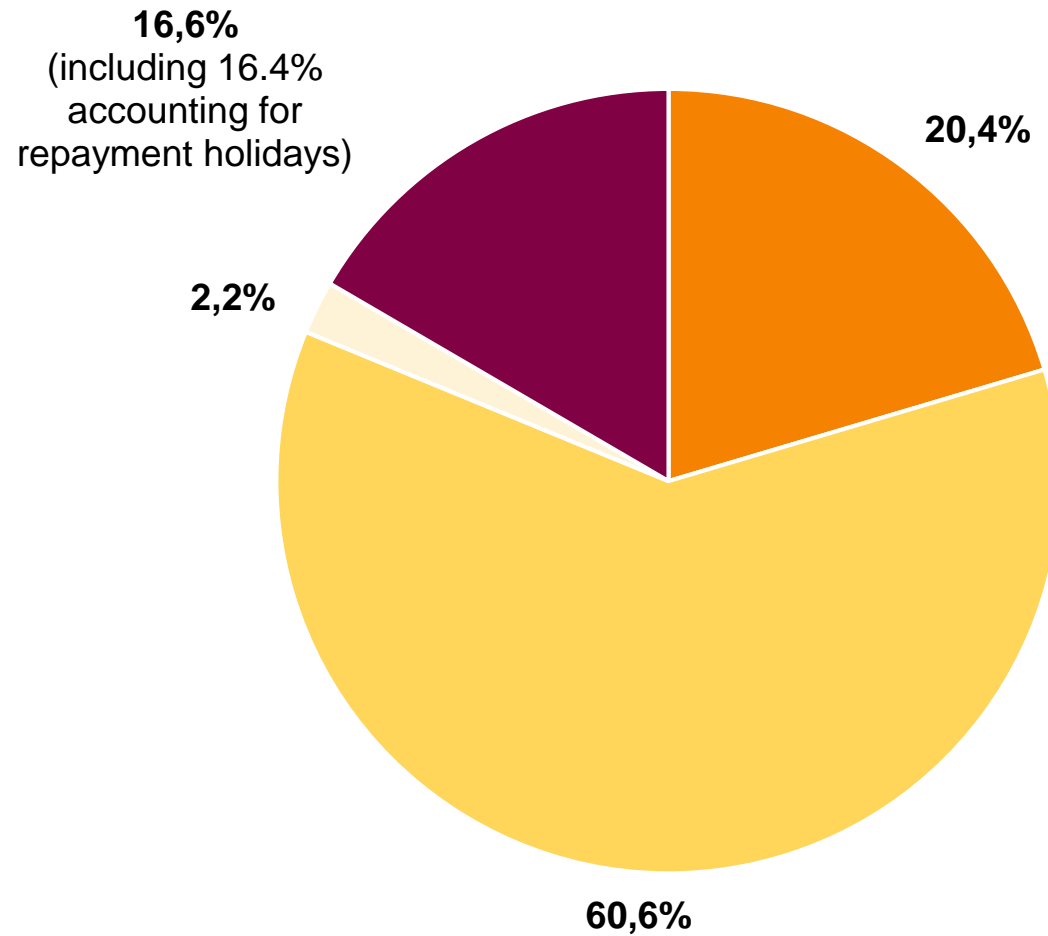
<b>13.1%</b>	<b>20.4%</b>	<b>14.8%</b>	<b>21.1%</b>	<b>30.9%</b>	<b>60.5%</b>
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Securities covered by economic value

<b>56.9%</b>	<b>70.4%</b>	<b>55.2%</b>	<b>60.5%</b>	<b>57.6%</b>	<b>84.0%</b>
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# COVID-19: Sensitivity of cash loan portfolio to the risk of employment termination

## Share in total cash loan portfolio



Scale of sensitivity to the risk of employment termination based on:

- source of income
- employment sector
- age
- repayment holidays (applying a conservative approach it was moved entirely to the 'Very Sensitive' category)

- Non-sensitive
- Less sensitive
- Sensitive
- High sensitive

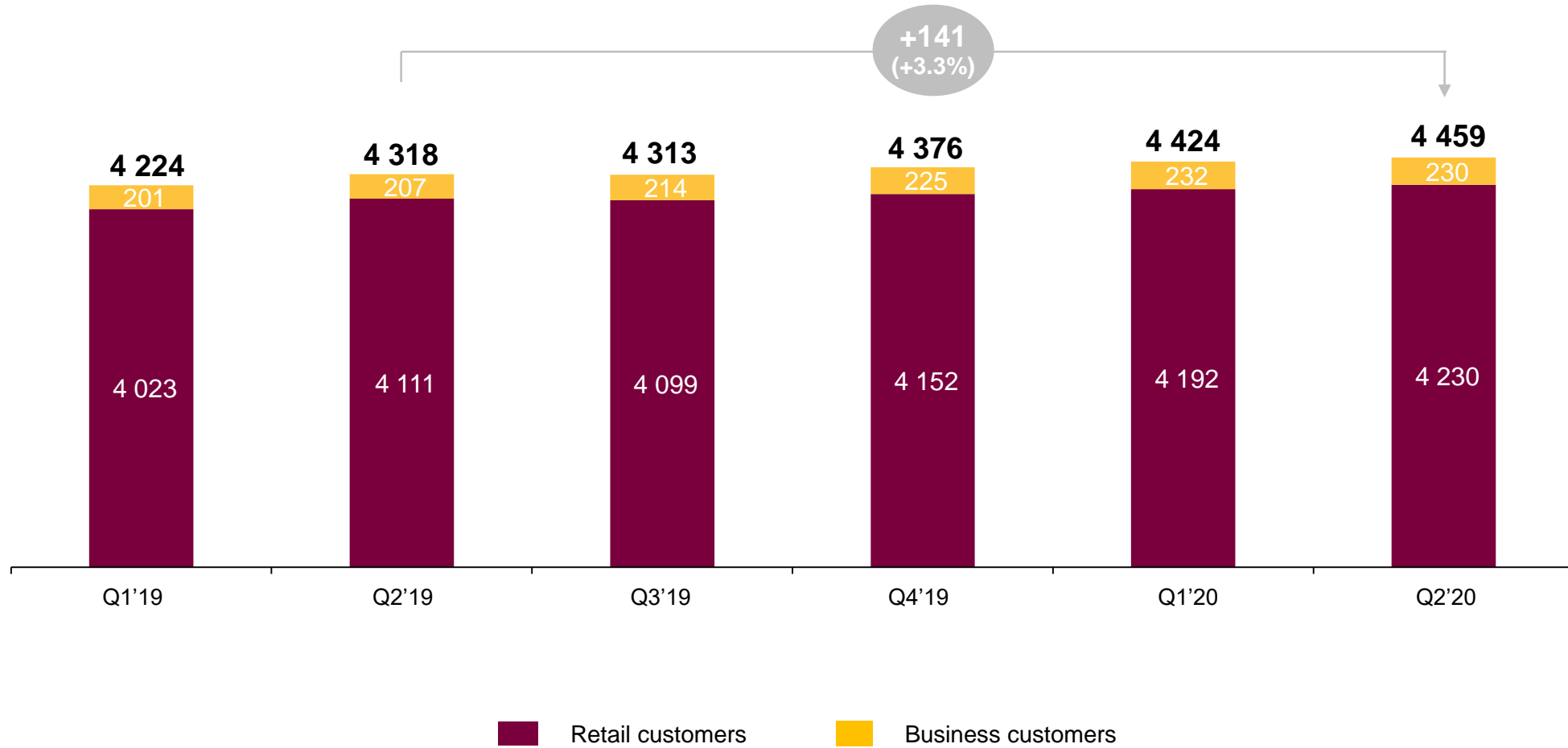
## COVID-19: Change of lending policy

Area	Scope of changes
<b>Industry policy</b>	<ul style="list-style-type: none"> <li>Implementation of additional analysis and requirements for risk acceptance for customers in directly and indirectly exposed industries</li> </ul>
<b>Enhanced risk segments</b>	<ul style="list-style-type: none"> <li>Imposing financing constraints on the customers generating income under civil law contracts and for the customers running their businesses in the industries most severely hit by the pandemic</li> <li>Reduction of the lending offer availability for customers with enhanced risk of income loss</li> <li>Coverage of an additional group/industry of high-risk customers with mandatory life insurance (mortgage loan)</li> </ul>
<b>Parameters for credit rating and creditworthiness assessment</b>	<ul style="list-style-type: none"> <li>Stricter approach to creditworthiness testing of new customers (new to Bank)</li> <li>Taking into account subsidies in the creditworthiness.</li> <li>Limitation of the maximum available loan amount in view of the deteriorated macroeconomic environment               <ul style="list-style-type: none"> <li>reduction of the acceptable level of financial burden in relation to income (Cash Loan and Mortgage Loan)</li> <li>reduction of maximum exposure according to the revised risk assessment (Cash Loan and Installment Loan)</li> </ul> </li> <li>Adaptation of the level of acceptance of scoring grades for customers (Cash loan)</li> </ul>
<b>Loan application verification process</b>	<ul style="list-style-type: none"> <li>Widening of the scope of customer verification</li> <li>Acquisition of additional information to assess the stability of the income source</li> </ul>
<b>Securities &amp; collaterals</b>	<ul style="list-style-type: none"> <li>Extension of the scope of application as collateral for BGK guarantees for businesses falling into the SME segment.</li> <li>Adding to the offer a liquidity loan with the guarantee of FGP BGK.</li> </ul>
<b>Repayment Holidays</b>	<ul style="list-style-type: none"> <li>Customer support in providing the functionality of requesting the suspension of loan repayments in accordance with the consensus developed by the Union of the Polish Banks.</li> </ul>

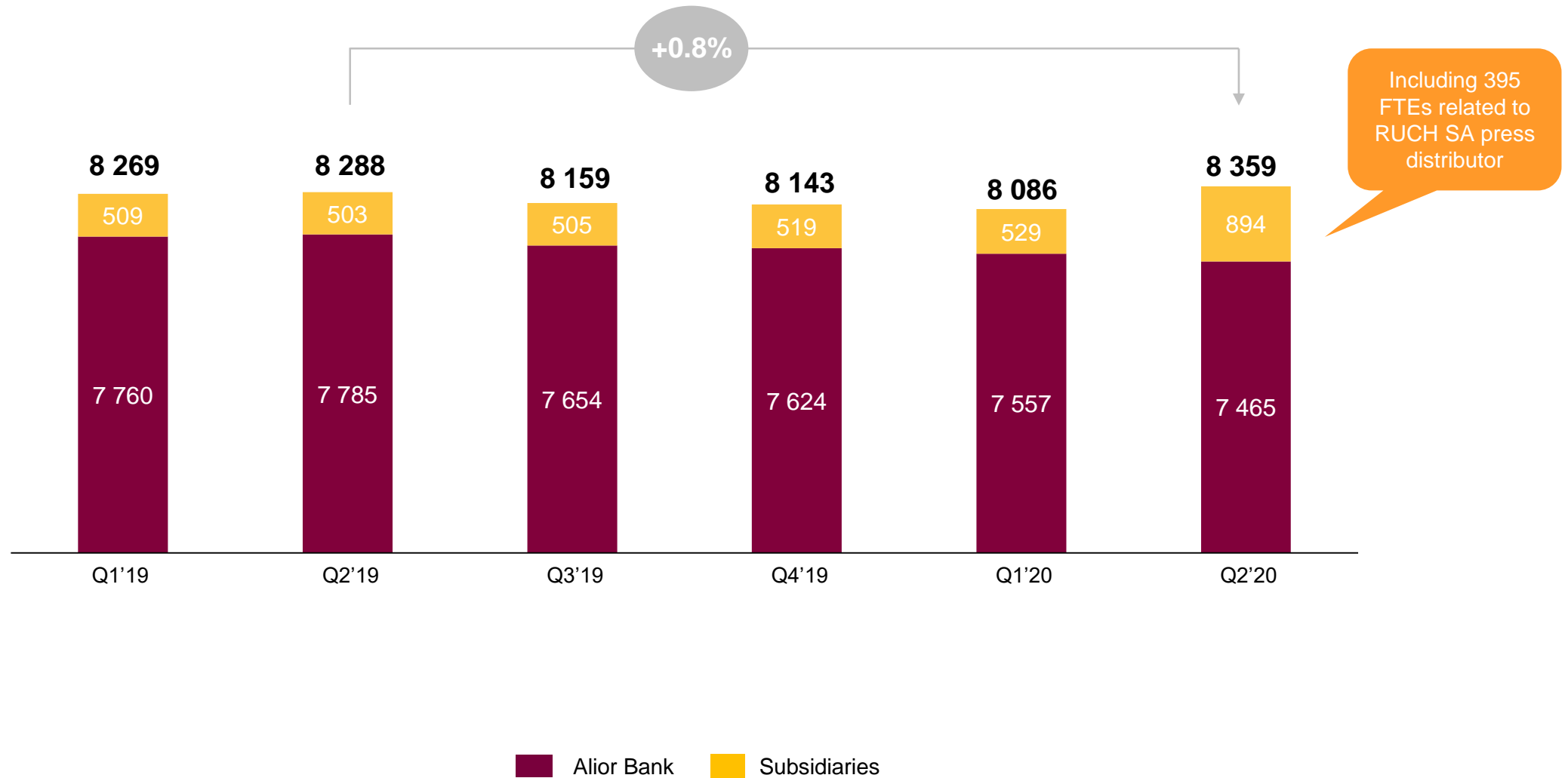


# Appendices

# No. of customers ['000]

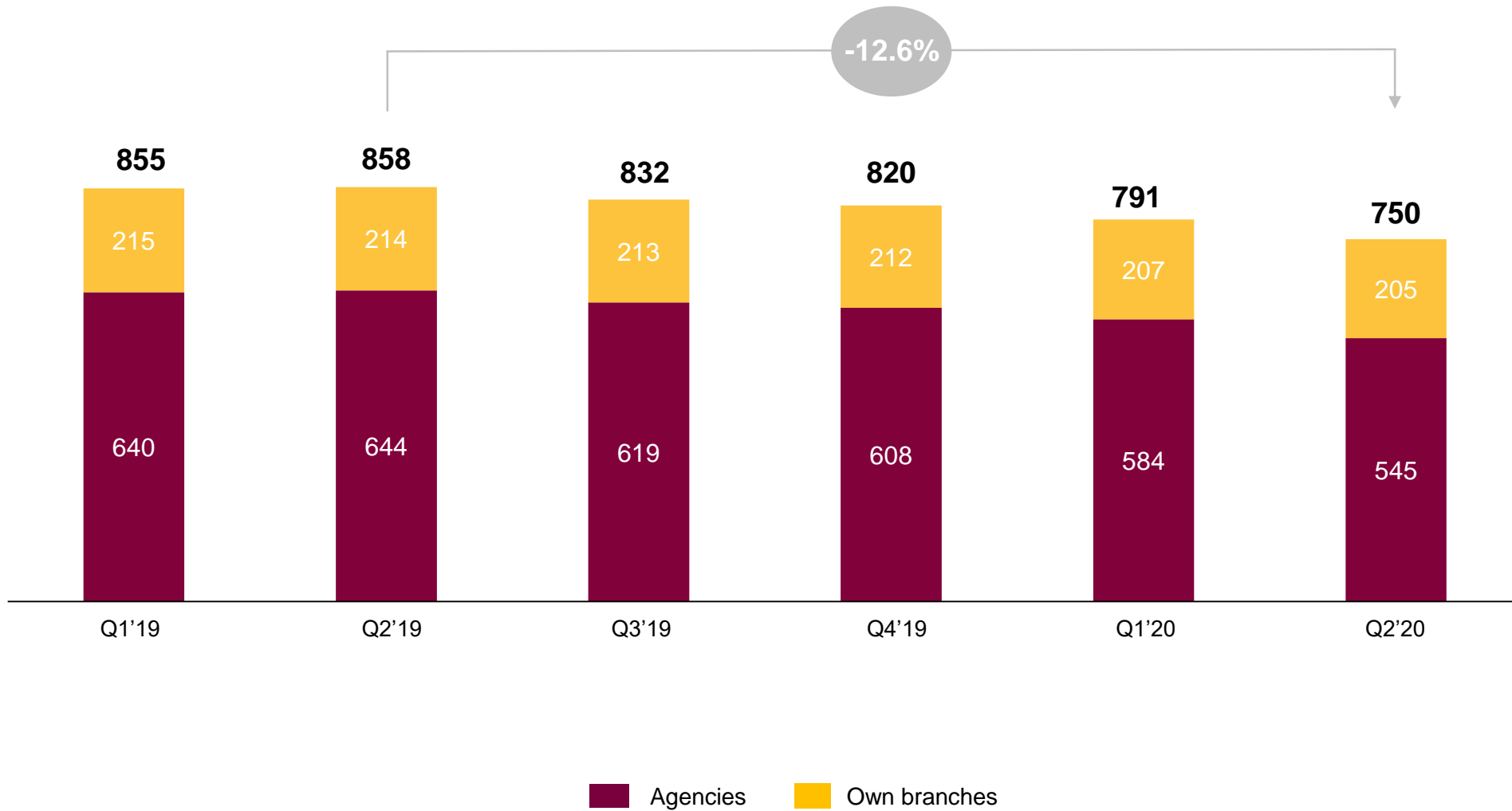


# Alior Bank Group – headcount



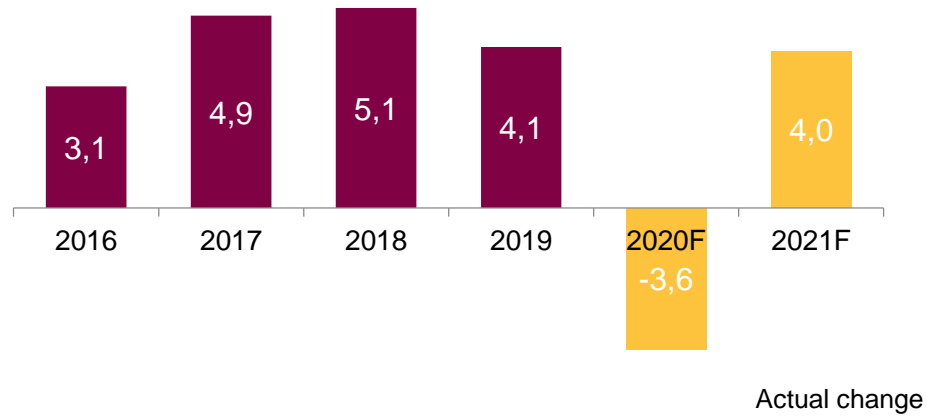
\*FTE increase is due to the transitional period of the acquisition of the company's shares by the Bank.

# Alior Bank branch offices

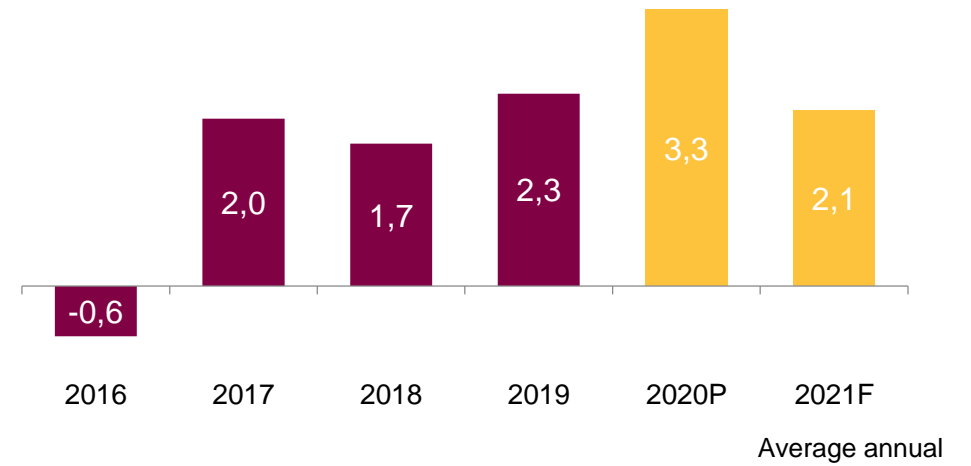




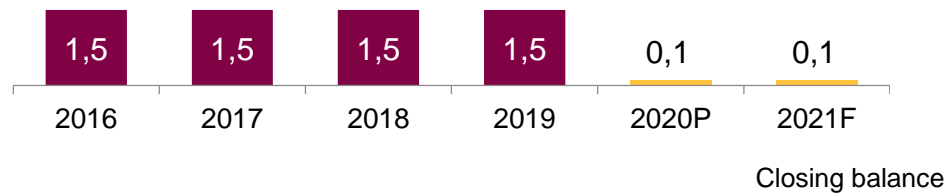
## GDP growth (% y/y)



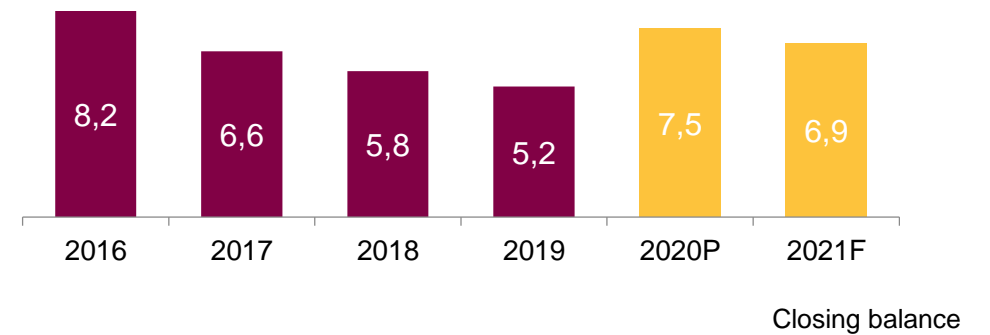
## Inflation rate (CPI % y/y)



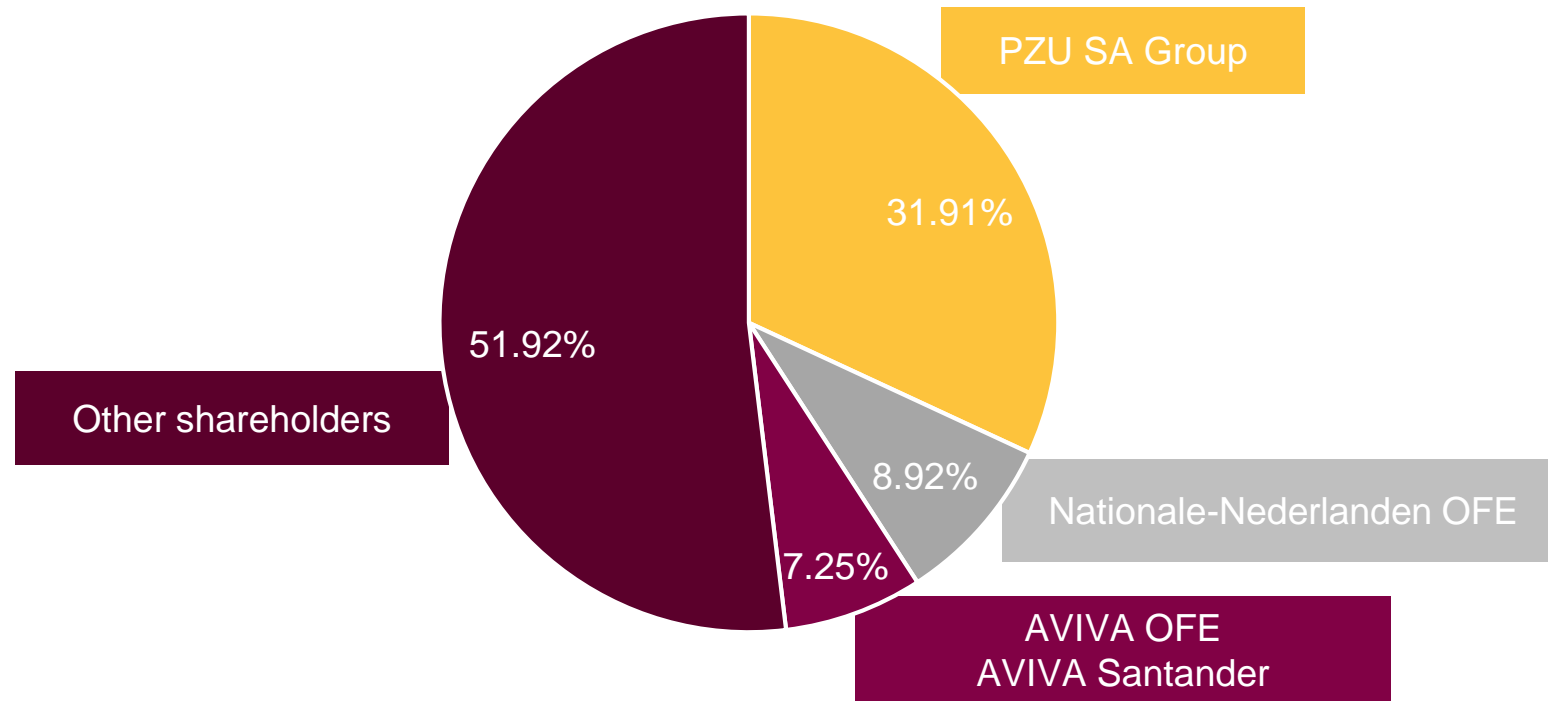
## National Bank of Poland (NBP) reference rate (%)



## Unemployment rate (%)



## Alior Bank shareholding structure\*



The largest free float among Polish financial institutions.

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Thank you for your attention.  
Presentation of H1 2020 financial performance