



Alior Bank S.A.  
**2018 results presentation**

February 28<sup>th</sup> 2019



# Agenda

## Key highlights

Digital Disruptor Strategy update

Bank's risk profile

Financial results

2019 guidance

Appendix



## Key financial issues

- **Impressive bottom line growth of 51% y/y (2018: PLN 713 M vs. 2017: PLN 472 M).**  
Net profit increase q/q of 4% (Q4'18: PLN 180 M vs. Q3'18 PLN 173 M).
- **11.7% ROE (increase of 4.4 pp y/y).**  
Quarterly ROE of 11.2% in Q4'18 vs. 7.9% in Q4'17.
- **2018 gross loan book growth of PLN 5.6 B.**  
Loan book development in line with Strategy assumptions.
- **Cost of risk at 1.85%.**  
Significant write offs related to one corporate exposure (+PLN 89 M).
- **General and administrative expenses lower by 8% r/r,**  
C/I ratio decreased by 7.6 pp to 43.1%.
- **Stable capital position:** TCR at 15.8% (up by 0.6 pp y/y), Tier 1 at 12.8% (up by 0.7 pp y/y).
- **Anticyclical mechanism introduction with IFRS 9 methodology framework**  
resulting in 2018 opening balance accounting change as well as increasing level of stability of financial results in the future.



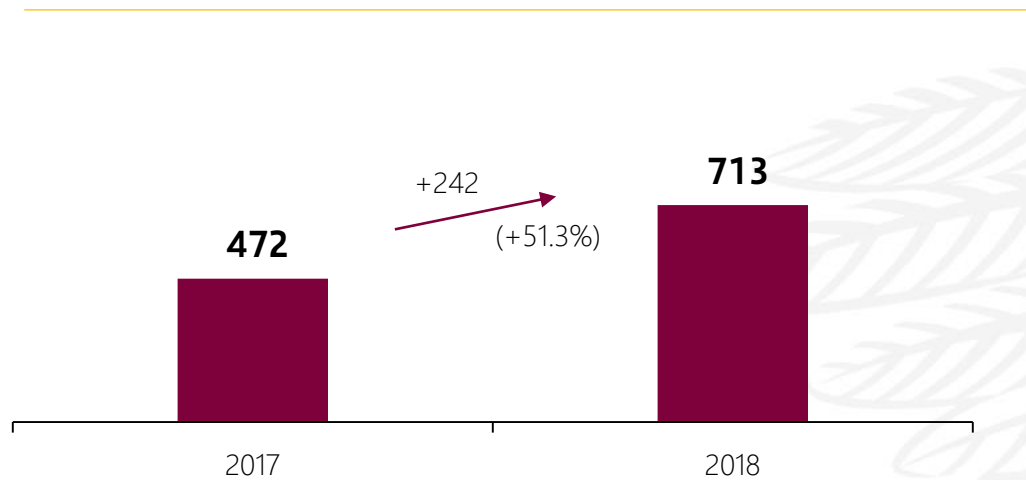
## 2018 key achievements

- **Retail client growth of 220 thousand to over 4 M.**
- Impressive cash loan sales at the level of PLN 7.2 B.
- Current account sales growth of 78% in Q4'18 (y/y).
- Electronic channels cash loan distribution growth of 62% in Q4'18 (y/y).
- **Business client growth of 22.5 thousand to around 193 thousand.**
- High loan volume sales in micro segment maintained (PLN 2.7 B in 2018), new leasing volumes up to PLN 3.0 B (+93%).
- Automated sales share in new loan volume sales in micro and small segments up by 70% (on average quarterly – up by 15 pp vs. Q4'17).
- Consequent increase of BGK guarantees in new sales in micro segment to the level of 87% in Q4'18.
- **Successful implementation of acceleration program with 8 start-ups and first CVC type acquisition (PayPo).**

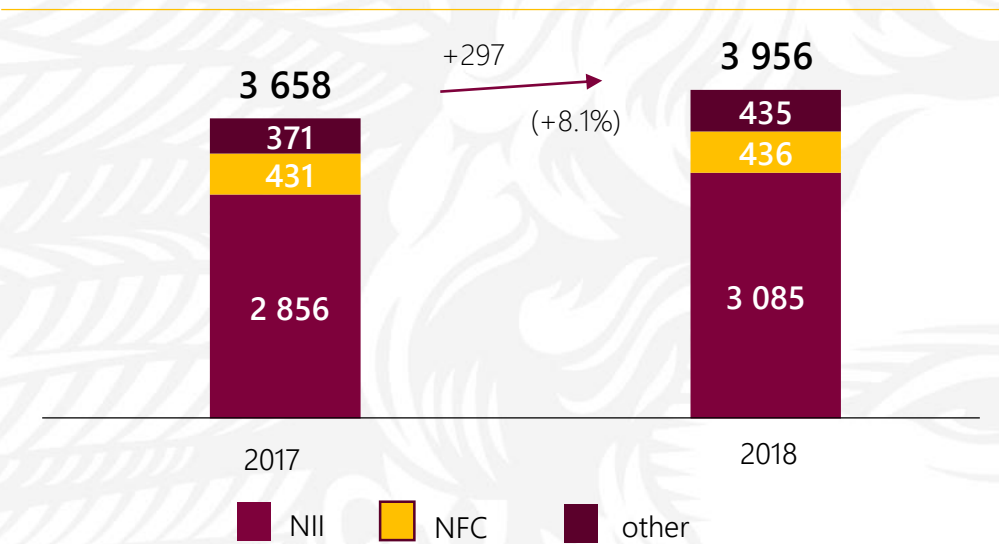


# Financial results 2018 (in PLN M)

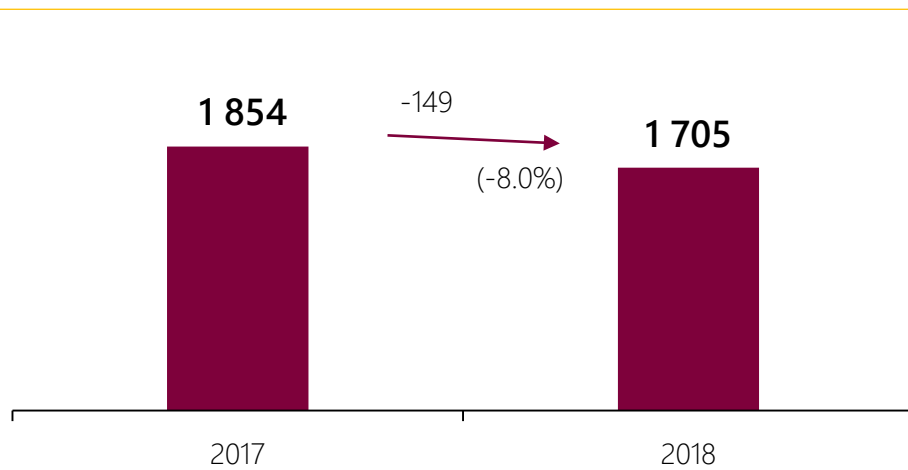
## Net result (YTD)



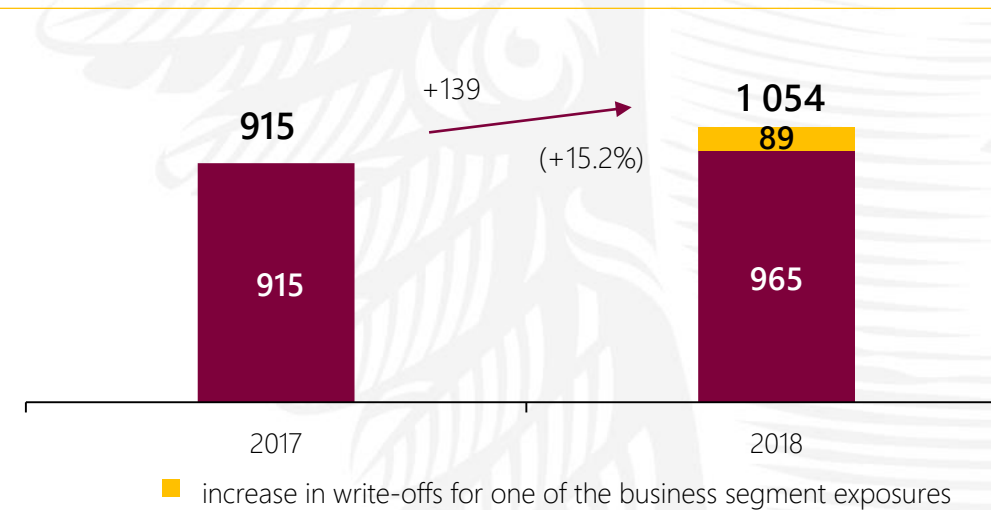
## Revenues



## General and administrative expenses



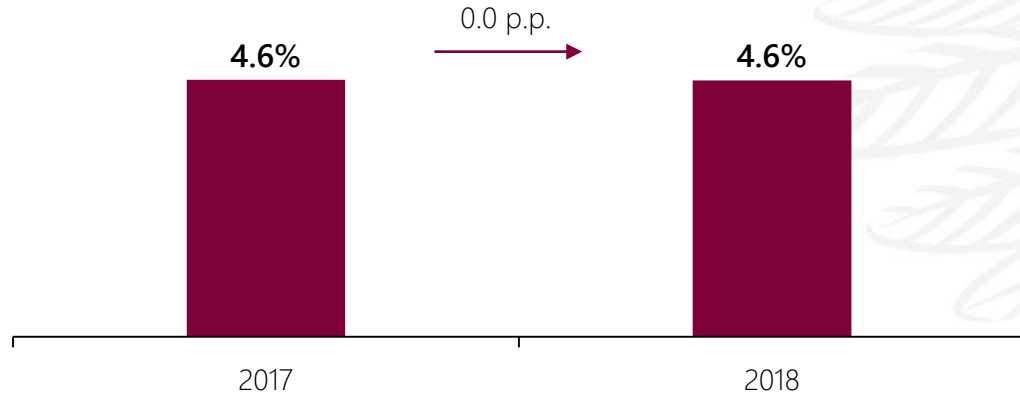
## Net impairment charges and write-downs



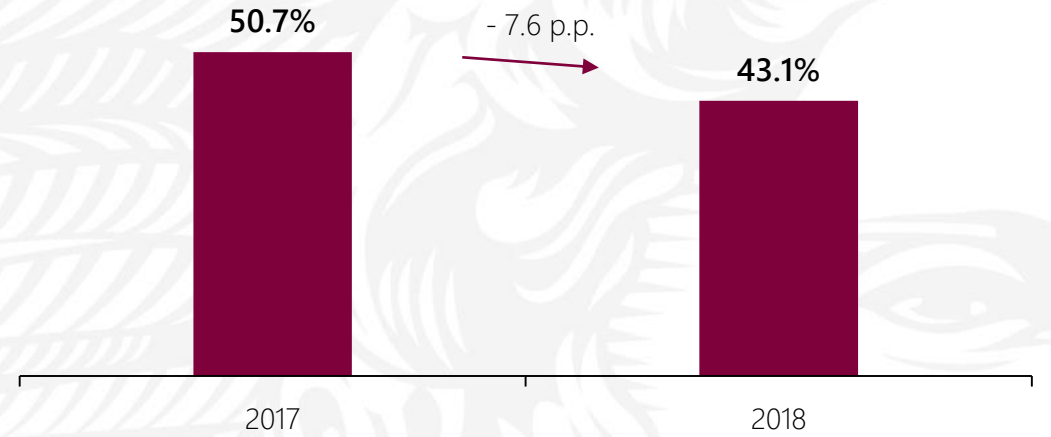


# 2018 key financial ratios

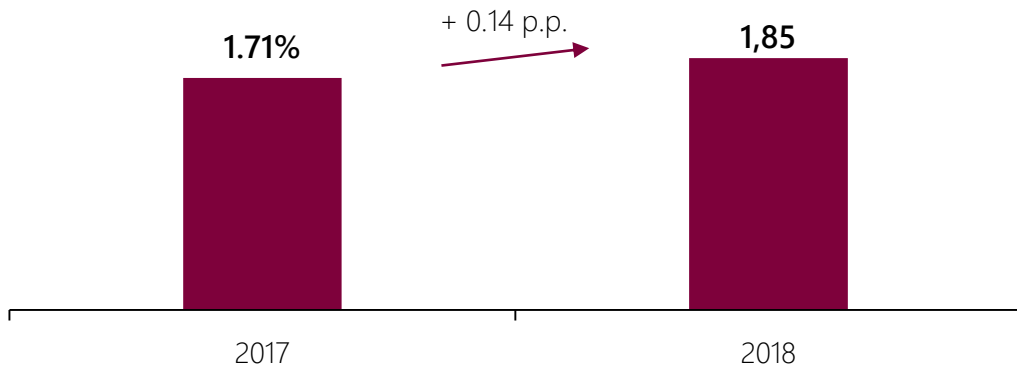
### NIM (YTD)



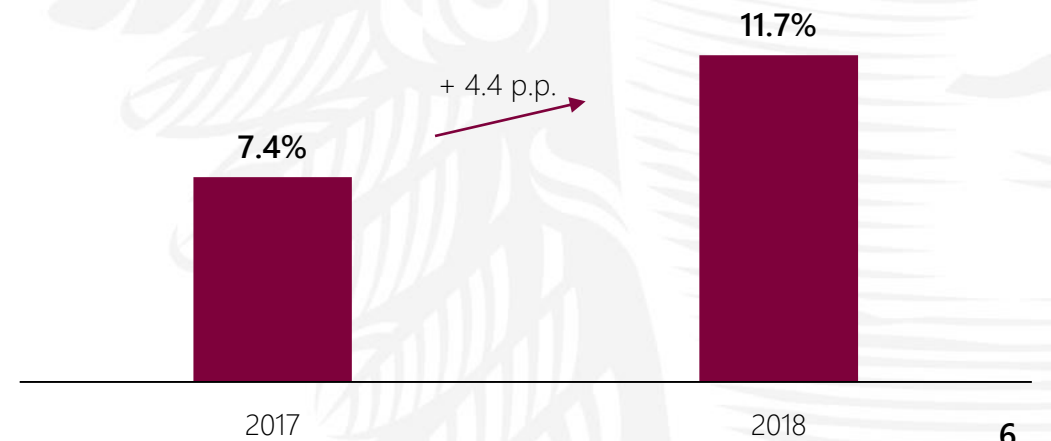
### C/I ratio (YTD)



### CoR (YTD)



### ROE (YTD)





## Selected Awards received in 2018



### THE BEST BANK FOR BUSINESS ACCORDING TO FORBES

**1<sup>st</sup>** place in the "Corporate-friendly bank" and „Bank recommended for business" ranking



### NEWSWEEK'S FRIENDLY BANK

**1<sup>st</sup>** place in "Traditional Banking" and „Online Banking" ranking

**2<sup>nd</sup>** place in "Mortgage Banking" ranking



### IT LEADER 2018 - COMPUTERWORLD

**1<sup>st</sup>** place in the "Banking and Finance" category



### DISTRIBUTION & MARKETING INNOVATION AWARDS - EFMA & ACCENTURE

**1<sup>st</sup>** place in the "Offering Innovation" category for the current account „Jakże Osobiste"



### THE HEART - CORPORATION INNOVATION AWARD 2018

**1<sup>st</sup>** place for Bancovo in „New Digital Venture" category



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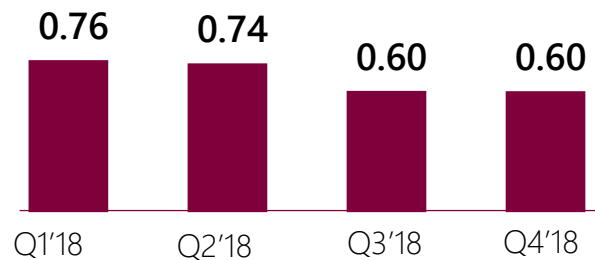
Appendix



## Further loan volume growth in strategic segments

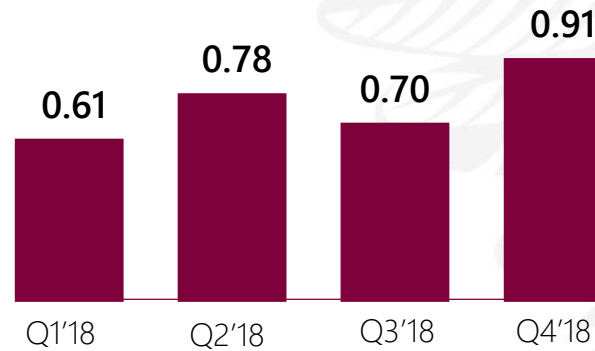
New loan sales in micro\* (in PLN B)

Temporary drop in loan sales related to increased focus in 3Q and 4Q 2018 on offering loans secured by BGK guarantees.



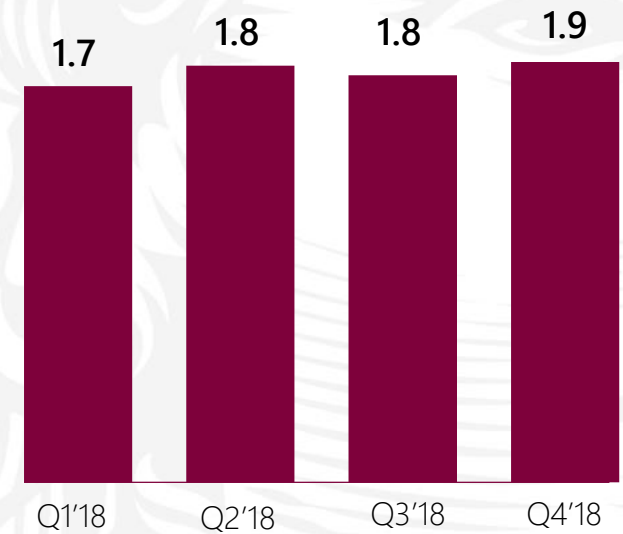
New leasing sales\* (in PLN B)

Maintaining high sales of leasing ...



New cash loan sales (in PLN B)

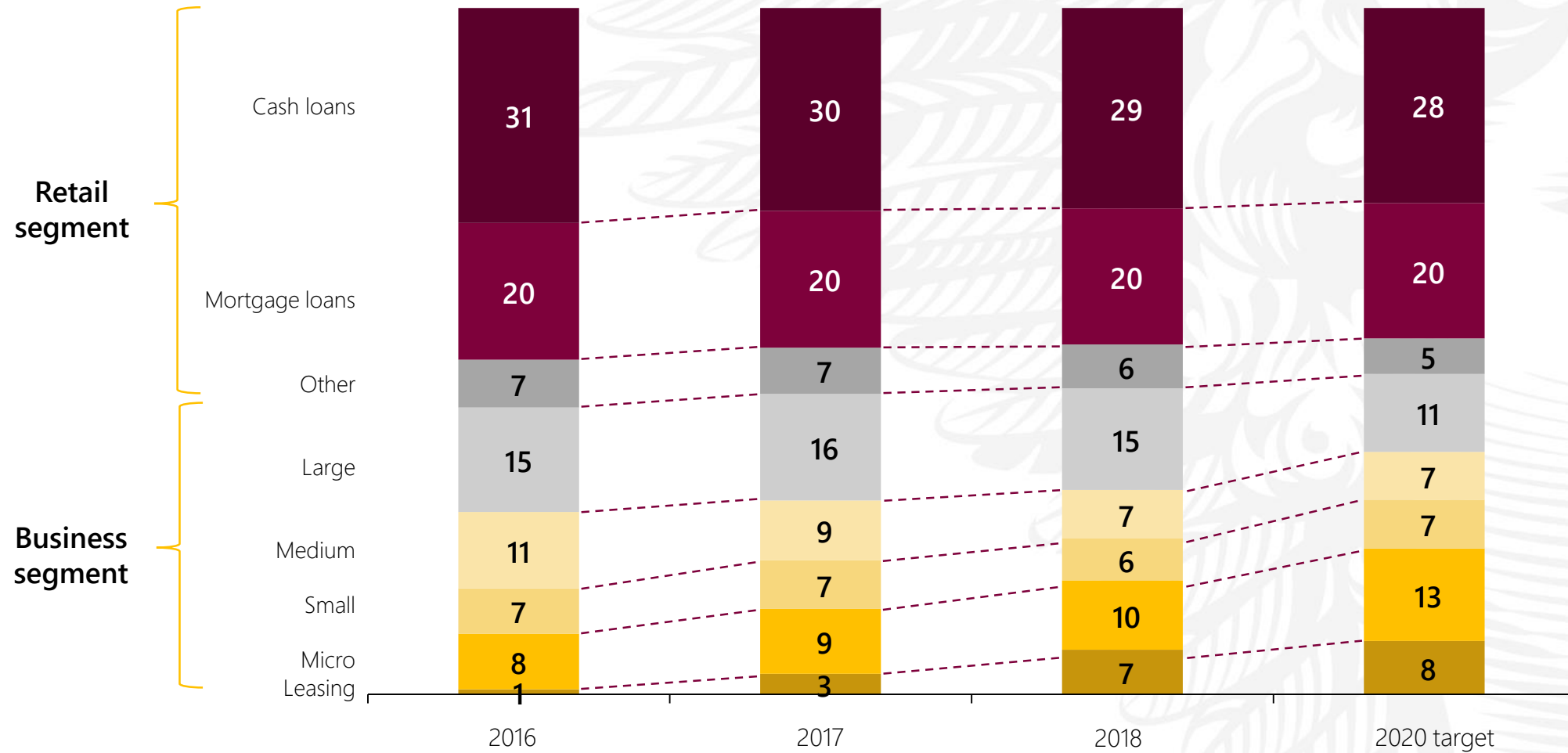
...as well as cash loans.





# Change in the portfolio structure in line with the strategy

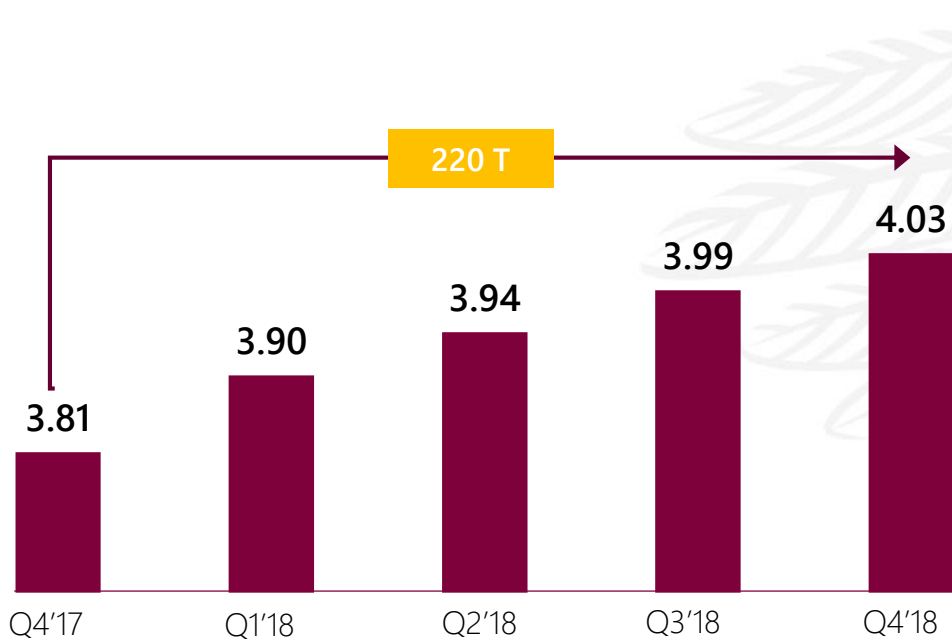
## Loan portfolio structure (%)



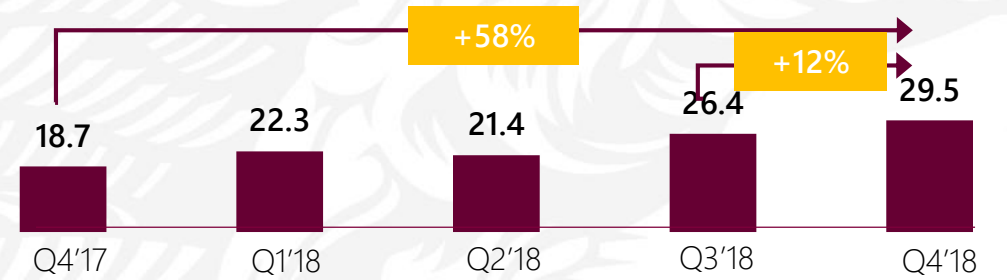


# Retail Client Segment: increase in the number of clients

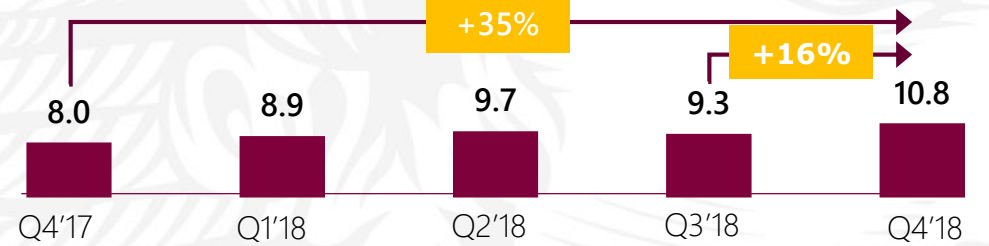
### Number of Retail Clients (in M)



### New customers opening current accounts (in T)

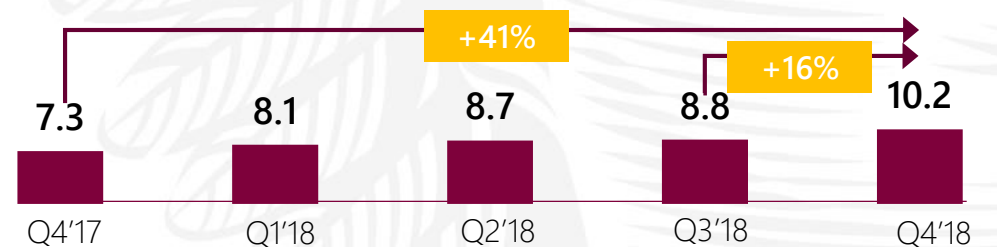


### New customers - cash loan (in T)



### New clients from Consumer Finance segment

(CF clients who purchased another product at the Bank - in T)



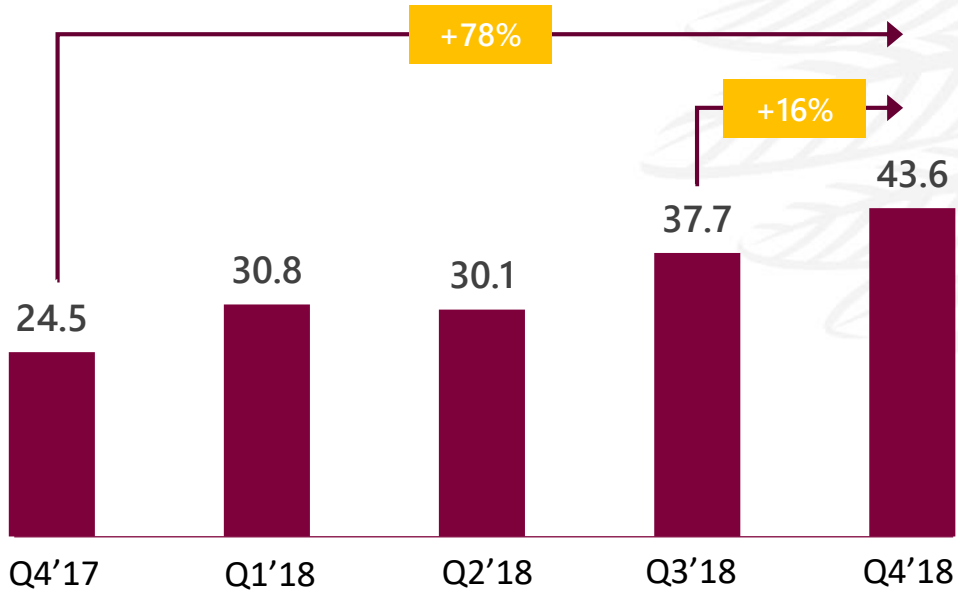
- Number of clients grew by 220 T net.
- 58% increase in the number of clients choosing Alior offer of Personal Account.
- Consistent increase in the number of Consumer Finance clients.



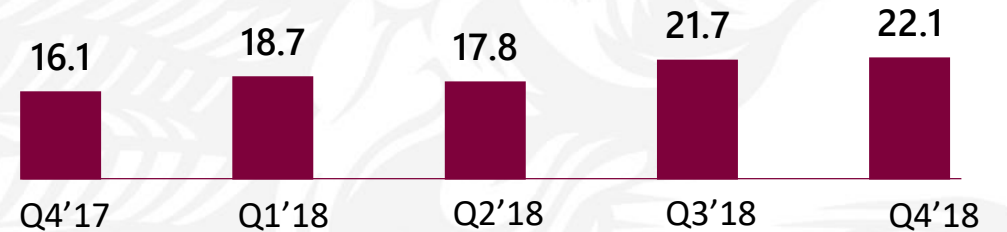
# Retail Client Segment: building primary relationship

## Current account sale

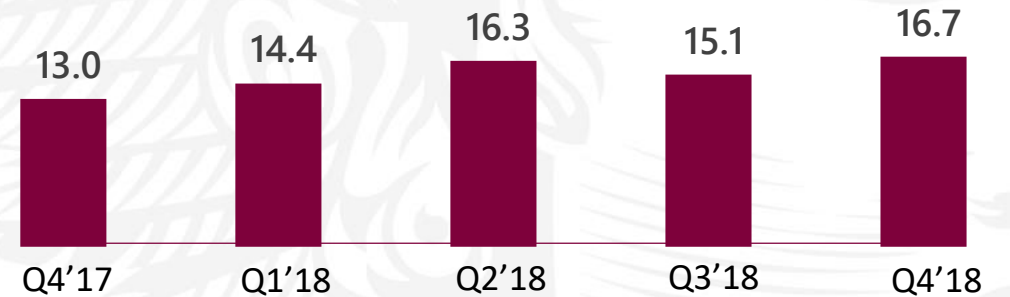
(Number of new current accounts for NtB\* and NtP\* clients - in T)



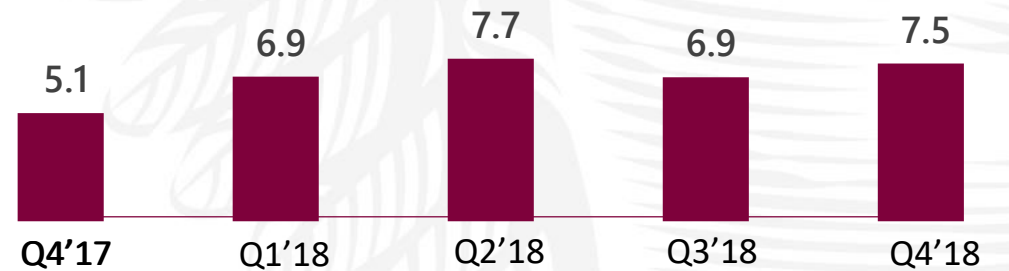
## Number of new Priority customers (in T)



## Number of new current accounts with transactions (in T)



## Number of new RORs with remittance transfer (in T)



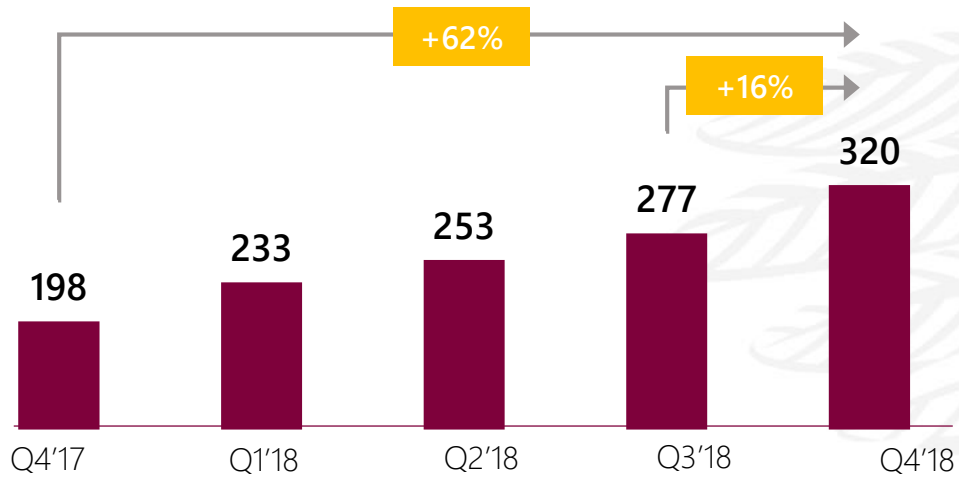
- Q4'18 increase of 78% in current account sales.
- Increase in the number of clients is not compromising the quality as number of new priority segments clients increased significantly from 16.1 T in Q4 2017 to 22.1 T in Q4 2018.

\*NtB – new to bank; NtP – new to product



# Retail Client Segment: importance of digital channels

### Sales of cash loans in electronic channels (PLN m)

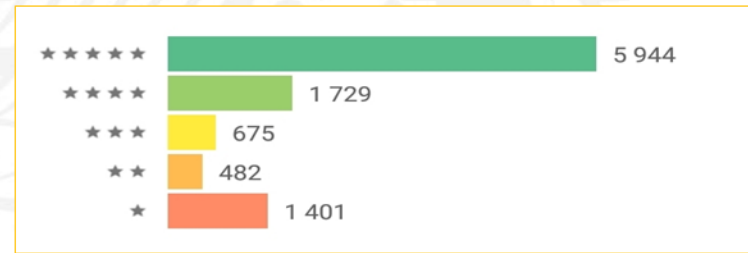


## 4,6 OUT OF 5 APPSTORE RATING



T 6.7 of rates

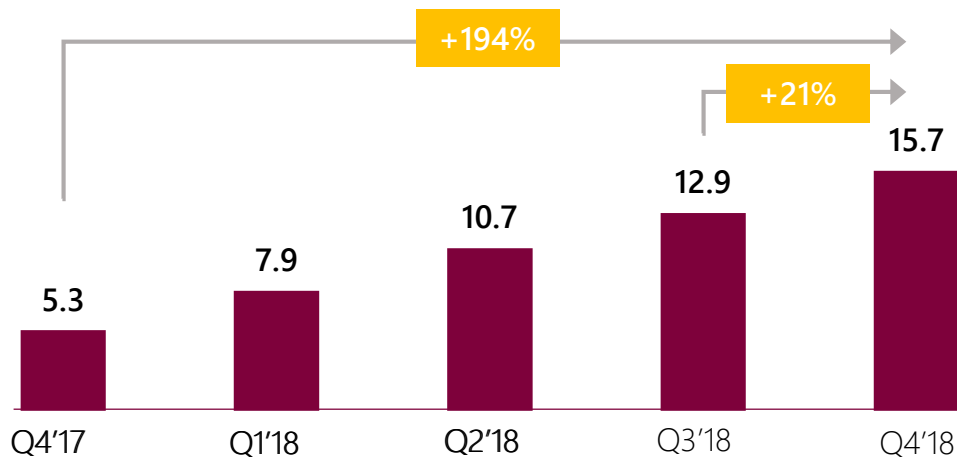
## 4,1 OUT OF 5 GOOGLE RATING



T 10.2 of rates

- 62% increase in sales of cash loans through electronic channels in Q4 2018 (y/y).
- 194% increase in on-line sales of current accounts in Q4 2018 (y/y).
- High user ratings of the new mobile application.

### On-line sales of current and savings accounts (in T)

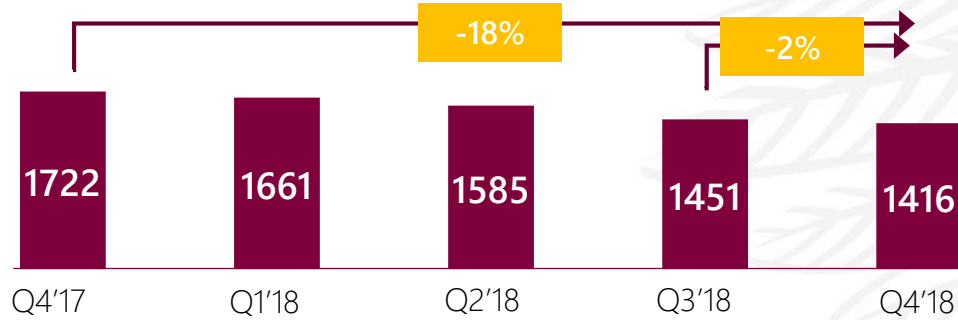




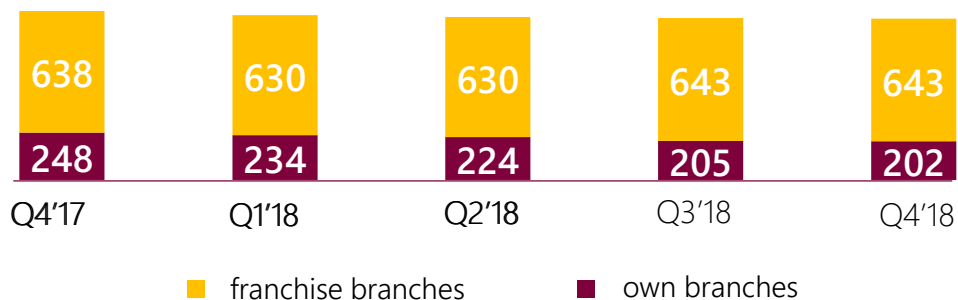
# Retail Client Segment: network transformation and efficiency improvement

## Number of employees and branches

Number of employees in branches in the Retail Client Segment

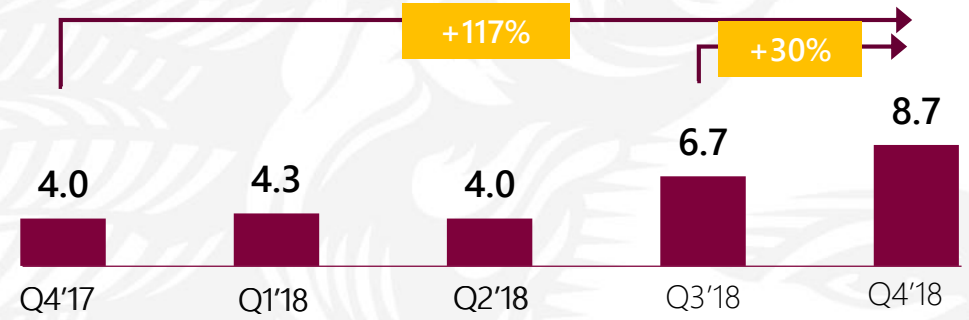


Number of branches (excl. Regional Business Centres and Private Banking branches)



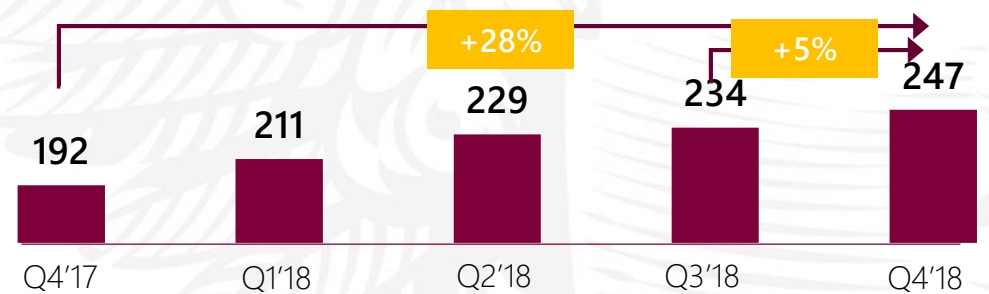
## Bankers' efficiency

Efficiency - Average monthly sales of current accounts\* per banker



\*KJO+Internetowe in branches

Efficiency - Average monthly sales volume of a loan\*\* per banker (in T)



\*\*per banker with loan sale target

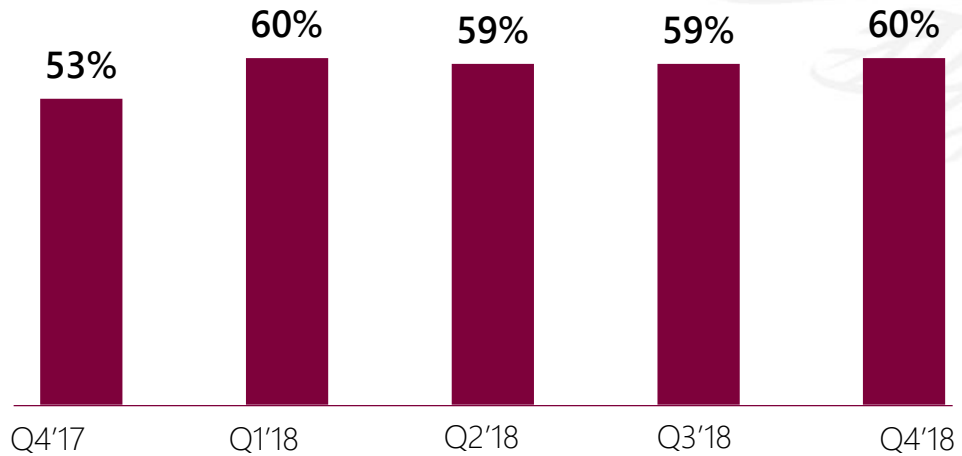
Further footprint optimization – increase in number of partner outlets

Increased sales efficiency of bankers both for current accounts and cash loans.

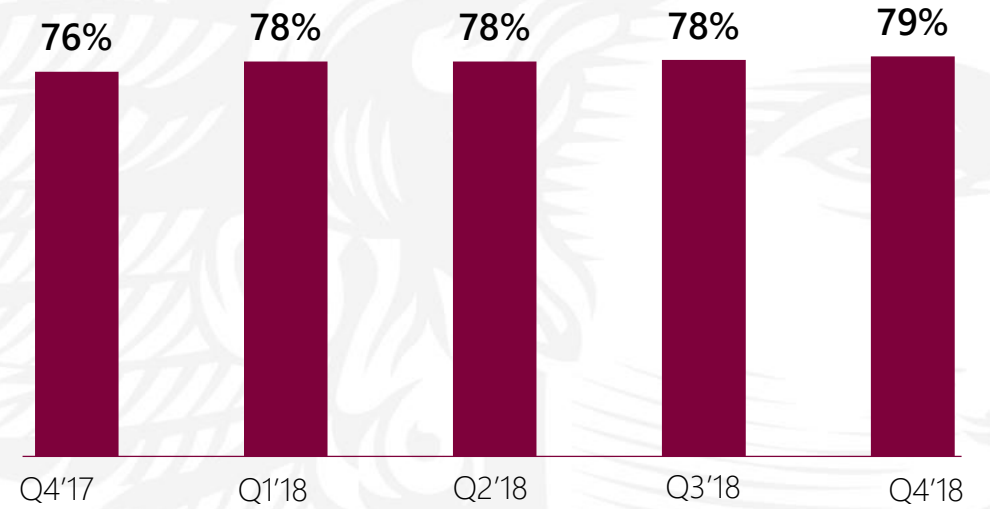


# Retail Client Segment: we maintain high quality of service in branches

### NPS Own Branches



### NPS Franchise Branches



The bank maintains high and stable service level in branches and franchise branches confirmed by the 1<sup>st</sup> place in the Newsweek ranking. Clients appreciate courtesy and commitment as well as the efficiency of our bankers' service.



# Retail Client Segment: development of remote channels and implementation of the latest mobile banking solutions

Q4 2018



Possibility of logging in and authorization of (selected) instructions using biometric functions

ePUAP at Alior Bank and TMUB



Login to banking for people with disabilities

Optimization in the process of granting a mortgage



Electronic signing of contracts

Implementation of a cash card - automatic payment of installments in a credit card



A new onboarding process for customers who have installment loans

Google Pay - the ability to add a card to Google Pay via the Alior Bank application



BLIK dla Małolata - the possibility of completing BLIK transactions by underaged account holders

Tabletization of own branches and partner outlets



IBIS - implementation of a modern application for CRM service in PP



Transaction transformation in branches - assembly of modern recyclers

Customer migration to New Internet Banking



Additional Services Package on installment loans in cooperation with BIK and PZU

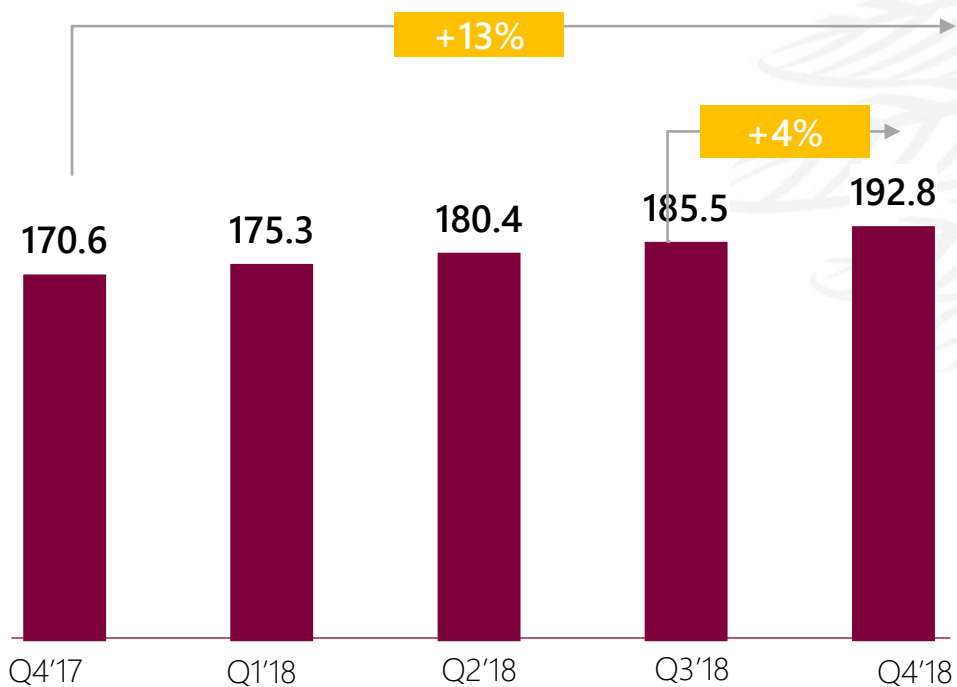
Intelligent elixir stop - dedicated deposit offer in the event of a customer transferring a bank transfer





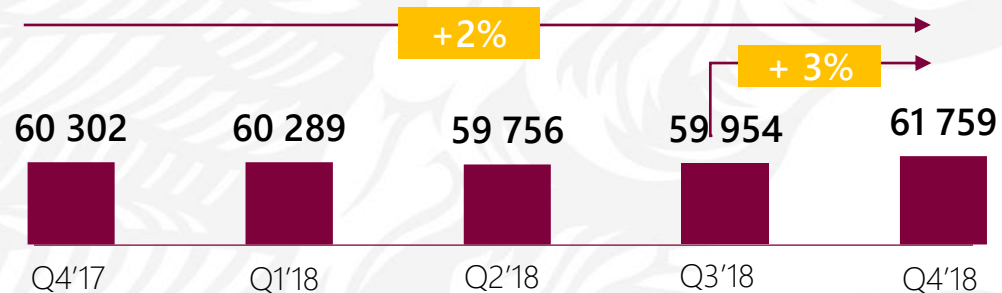
# Business Client Segment: increase in both number of primary clients and transactions

## Numer of Business Clients (in T)

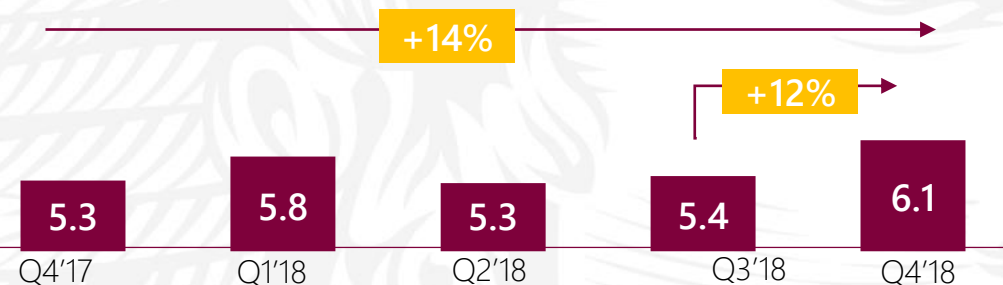


## Customers with a main transactional relationship

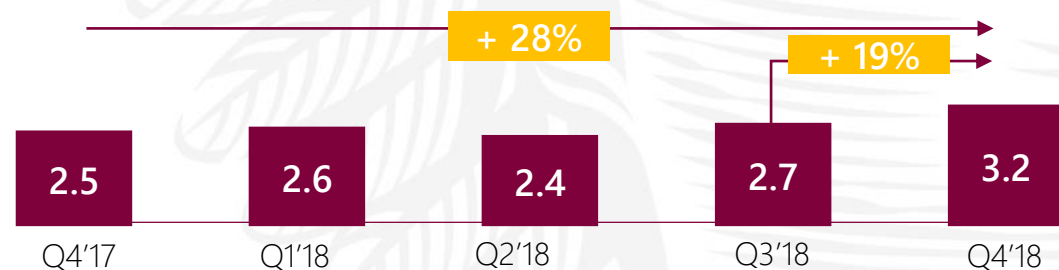
(Clients paying ZUS/US from the Alior Bank account)



## New Business Clients



## New customers with a debit card



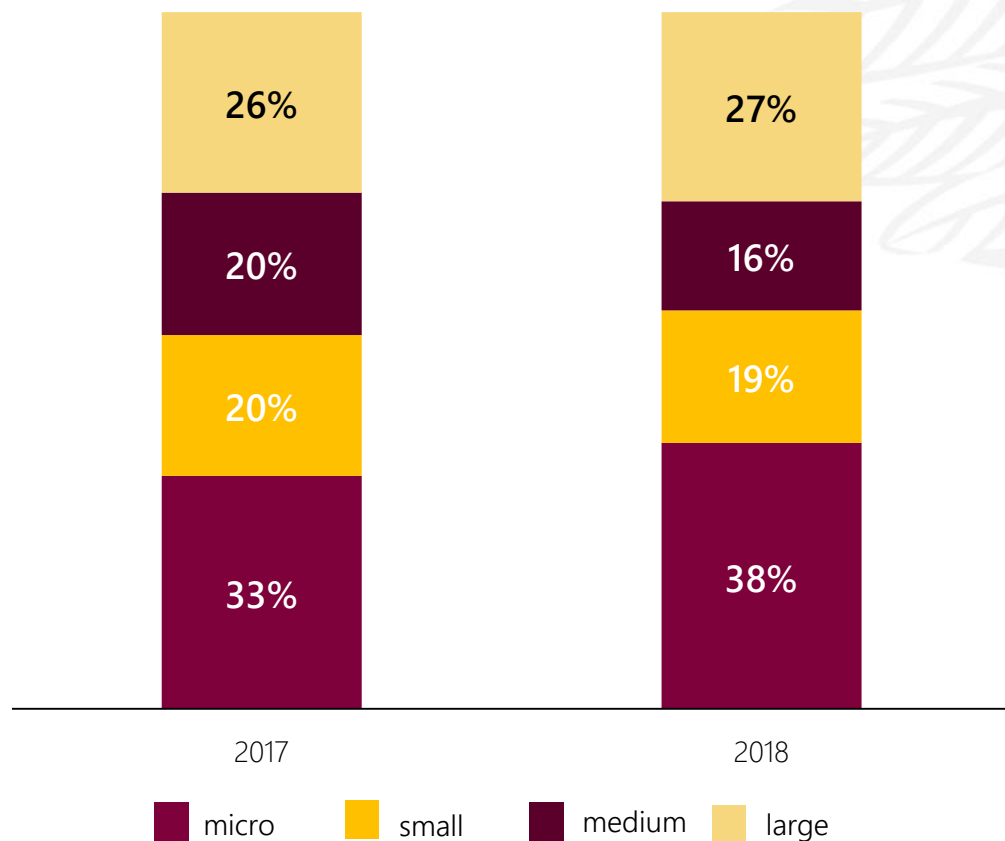
- Dynamic increase in the number of clients by 22.5 T net, while effectively increasing the transaction relationship.
- Effectively implemented CRM activities: for increasing the number of debit cards + 28% y/y in new sales and activating the main payment relation - ZUS/US.



# Business Client Segment: Diversifying revenues and increasing the share of the high-margin micro segment

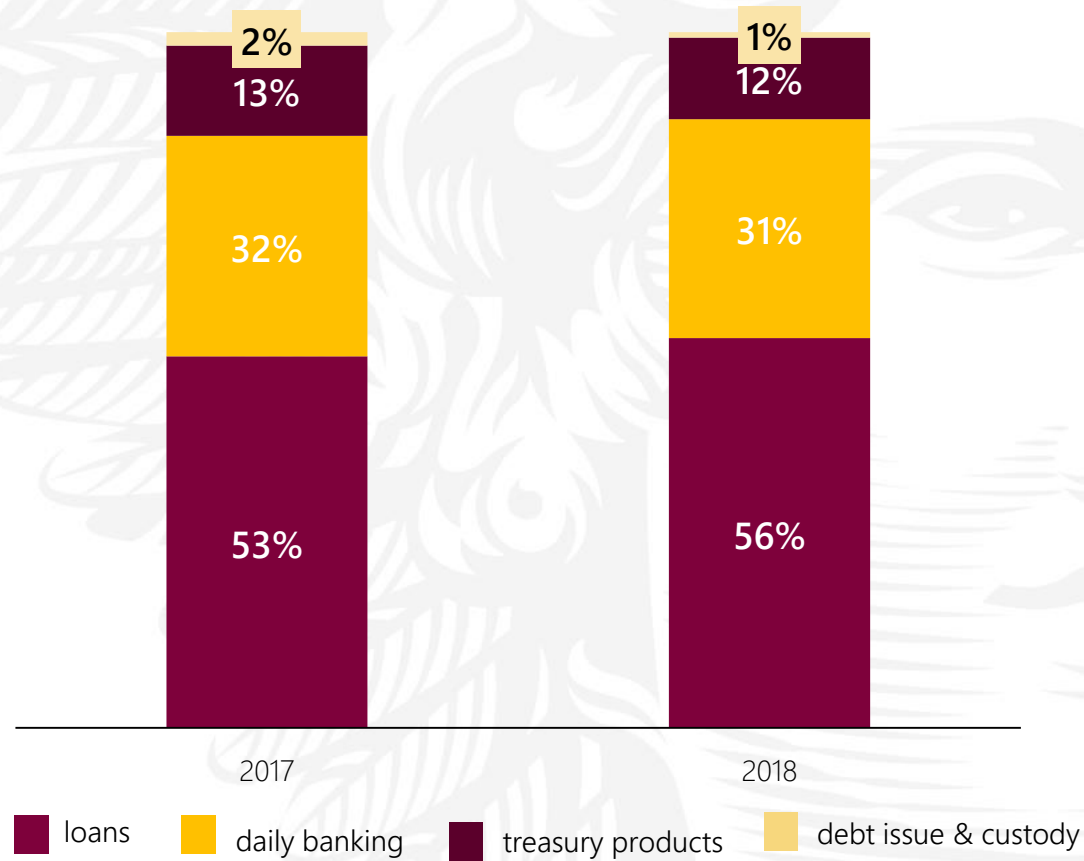
## Business client segment revenue structure

(based on management data in %)



## Product revenue structure

(based on management data in %)

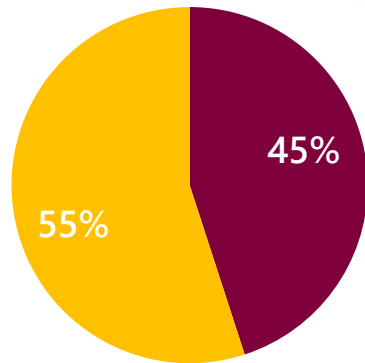




# Dynamically growing share of BGK guarantees in the micro loan portfolio leads to rapid increase in collateral coverage

## Share of the portfolio with BGK guarantees in the micro portfolio

A significant part of the portfolio of loans from the micro segment is secured by guarantees granted by BGK. The level of guarantee varies depending on the program: COSME max. 80%, de minimis max. 60%.

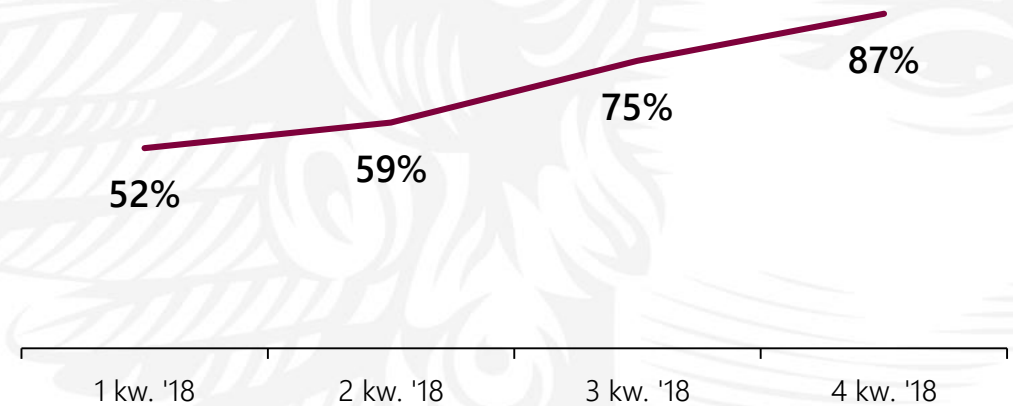


loan portfolio without guarantees

loan portfolio with guarantees

## Share of new sales with BGK guarantees in the micro portfolio

The share of these guarantees in new sales is even higher.



In 2019, we will expand the portfolio of products that can be secured by guarantees - credit card, multi-purpose limit, consolidation loan for business clients. We will also implement two new guarantees - for telecommunications companies and for the creative market.

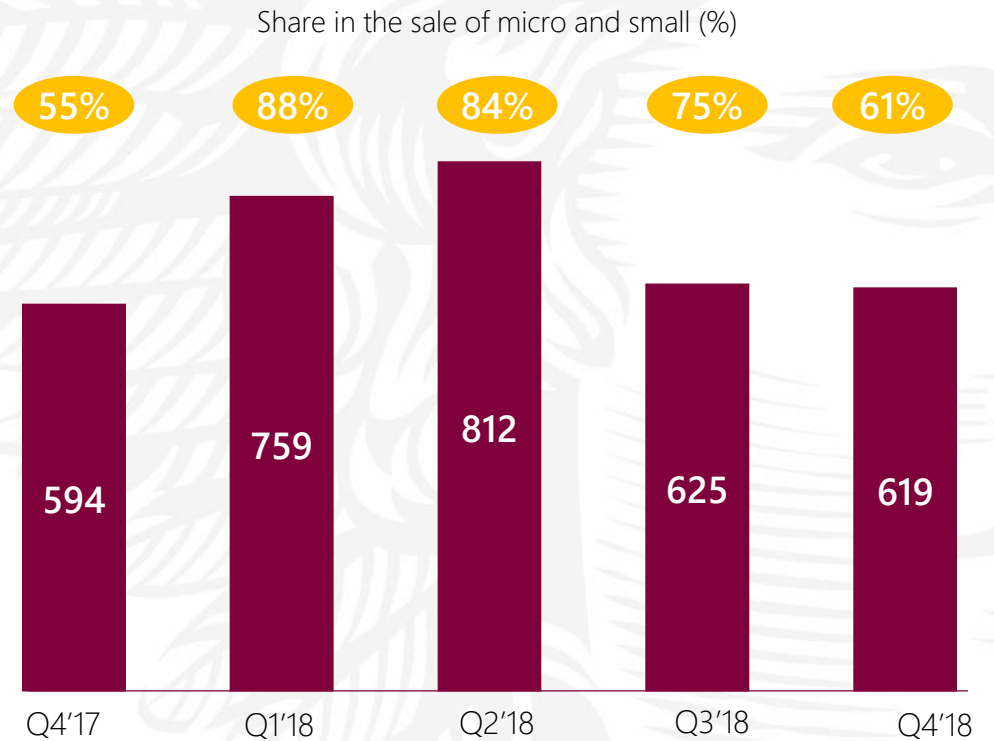
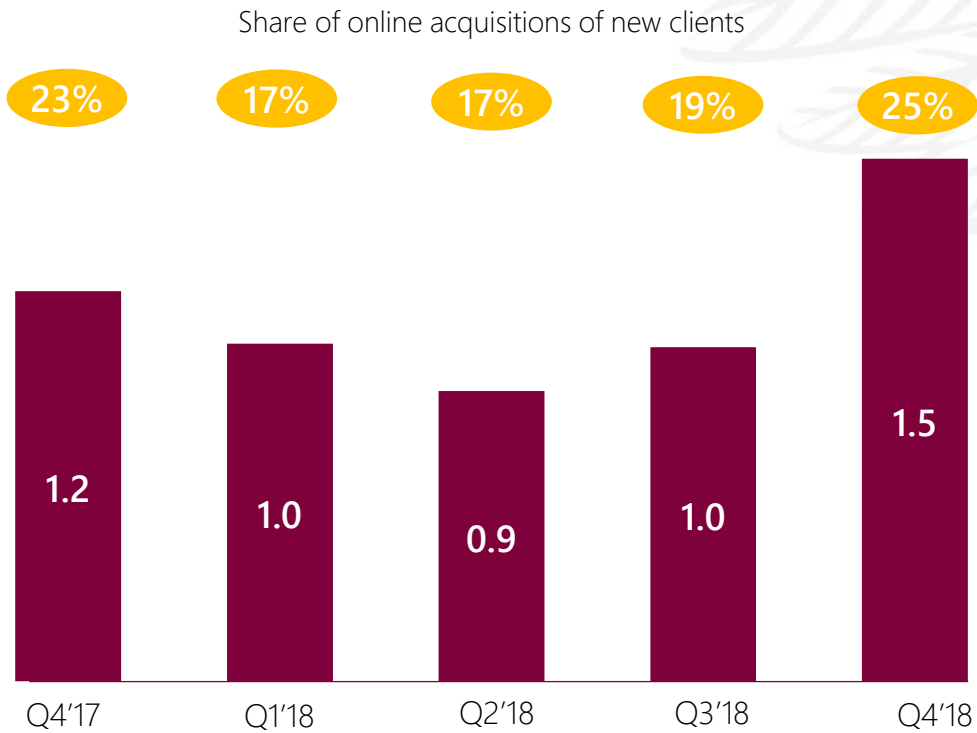
The high level of guarantees will have a positive effect on CoR, RWA and capital ratios.



# Business Client Segment: Digital Disruptor Strategy effectively enhances efficiency thanks to significant acquisition of online customers and in automated loan processes

## New Business Clients acquired online (new accounts openings)

## Automated loan processes (new sales limit w PLN M)





# Business Client segment: simplification and automation of processes, growing range of online functionality

Q4 2018

## Pre-approved online application in online banking

JDG clients working on the new AIB or BusinessPro platform were given the opportunity to submit an application, attach the required documentation and "sign" a set of documents using an SMS code - without leaving home.



## Internal multi-product limit

The solution affecting x-sell, thanks to which Banker has the possibility to apply to the Analyst to calculate additional product potential for the client, other than currently being processed.

## System decision up to M 2 PLN for RCB

A fast, automated and simplified credit decision process up to a maximum of M 2 PLN also available for Regional Business Centers.

## ePUAP at Alior Bank and TMUB

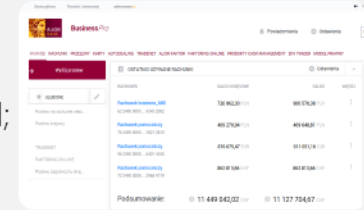
Thanks to the Trusted Profile, among others:

- you apply for **business registration**;
- you apply for **important documents**, eg ID card, copy of birth/marriage/death certificate;
- you check the **history of your vehicle** (including penalty points and the state of the meter from the last technical examination);
- you submit **applications and administrative letters** (eg about cutting a tree);
- you receive an EHIC card before you go abroad (**European Health Insurance Card**).



## New dashboard in BusinessPro:

- Simplified, transparent form;
- Easier access to basic functionalities;
- Categorized information on the dashboard;
- Adding information prominently about rejected transfers.



## PDF e-warranty

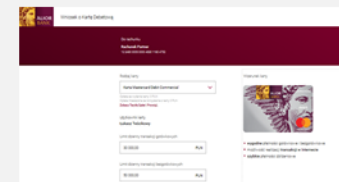
Adjusting the standard for issuing guarantees to legal changes and market needs. The PDF guarantee with electronic signatures is sent to the beneficiary in real time.

## Shortening of factoring documentation

Further automation of MRP service, which will shorten some manual processes and release resources on sale.

## Application for a debit card in online banking

Customers on the new AIB platform were given opportunity Apply for a debit card without a visit in the Branch.



## Automation of the MRP service process

Limitation of the contract to the parameterized positions, transfer of statements and definitions to the Regulations. Introduction of a common and universal Factor Regulations, slimming by 25% compared to previous versions.



# Zafirmowani.pl: 1000 new clients acquired

## We have implemented:

- Online invoicing and VAT registration
- Settlement of KPiR and lump sum + JPK: VAT, PKPIR, EWP, FA
- Virtual business card
- Partner offers (MojaRecepcja, Link4, SEO, www, ...)
- Knowledge base and expert support
- Microfactoring - InviPay
- Debt collection online - Vindicat
- Integrated applications for bills
- Connection to the REGON and CEIDG database
- Loan calculator and loan application
- EU grant search engine
- Leads to PZU

## Planned implementations for H1 2019:

- Communication and event module
- Survey what form of business to choose
- Connection with newAIB and BPro (SSO)

## Planned implementations for H2 2019:

- Discount card for freed.pl
- Accounting integrated with online banking
- API - partner offers integrated on the portal



The zafirmowani.pl portal



**zafirmowani.pl**

A place for a modern entrepreneur



# The robot factory will enable further automation and increase of process efficiency

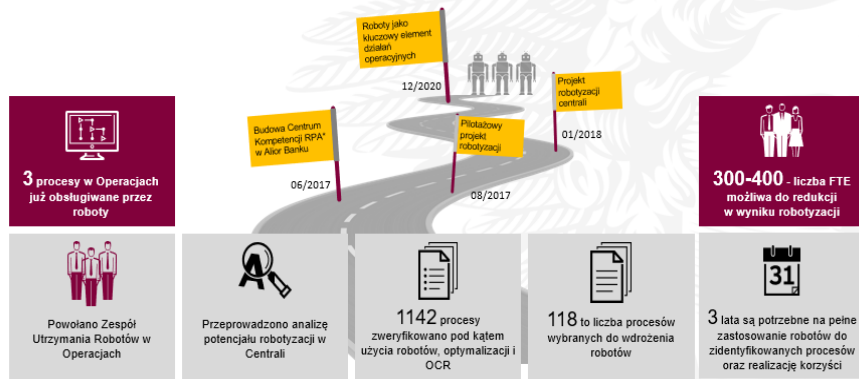
## 2020 TARGET:

### 118 robotic processes at the Bank



ROZWÓJ I TRANSFORMACJĘ BIZNESU BĘDZIE WSPIERAŁA ROBOTYZACJA PROCESÓW W OBSZARZE OPERACJI I BACK-OFFICE

Operacje i Back-office



\*RPA (Robotic Process Automation) – robotyzacja procesów

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### The main areas of robotization at the Bank:

- Complaint processes
- Debt collection processes and enforcement titles
- Security processes

### Launch of "ROBOT FACTORY"

- **45 processes already implemented** (including the expansion of 8 already existing processes).
- **Another 25 processes and improvements** queued for implementation in Q1 2019.

### Examples of robot implementations in Q4 2018:

- **Complaints:** preparation of response templates for complaints (in the field of card transactions at ATMs, verification of receipts on clients' accounts).
- **HR:** preparation of employment and payroll certificates for employees.

### Examples of planned implementations in Q1 2019:

- **Verification of completeness of credit documentation:** the robot will verify whether the Bank has received the required documents and checked the correctness of their replenishment. The robot will support the renewal of business loans.
- **An aggregator of data for audit opinions:** the robot aggregates data from banking systems and then prepares response patterns for auditors.
- **Complaints:** further automation in the preparation of response templates for customer requests.




















The target savings in 2020 are ~ M 20 PLN.



# We have completed the 1<sup>st</sup> edition of the acceleration program and started work on the next one

## 1<sup>st</sup> edition (2018)

## 2<sup>nd</sup> edition schedule (2019)

Startups	Partners
       	        
Work done	First effects and plans for 2029
<p>Solution prototypes have been created</p> <p>The prototypes were tested with users</p> <p>Test data was released to startups on the Sandbox API test environment</p> <p>Potential models of cooperation with Bank / PZU were developed</p> <p>Regulatory solutions were verified (within the KNF Innovation Hub)</p>	 <p>Verification of algorithms for the roboadvisory solution was carried out</p> <p>Investment and starting business cooperation with PayPo</p> <p>Work is underway on pilot projects with 2 startups and in-depth analyzes of production implementations with selected participants</p>  <p>Pilots with 2 participants are underway</p>





# Agenda

Key highlights

Digital Disruptor Strategy update

**Bank's risk profile**

Financial results

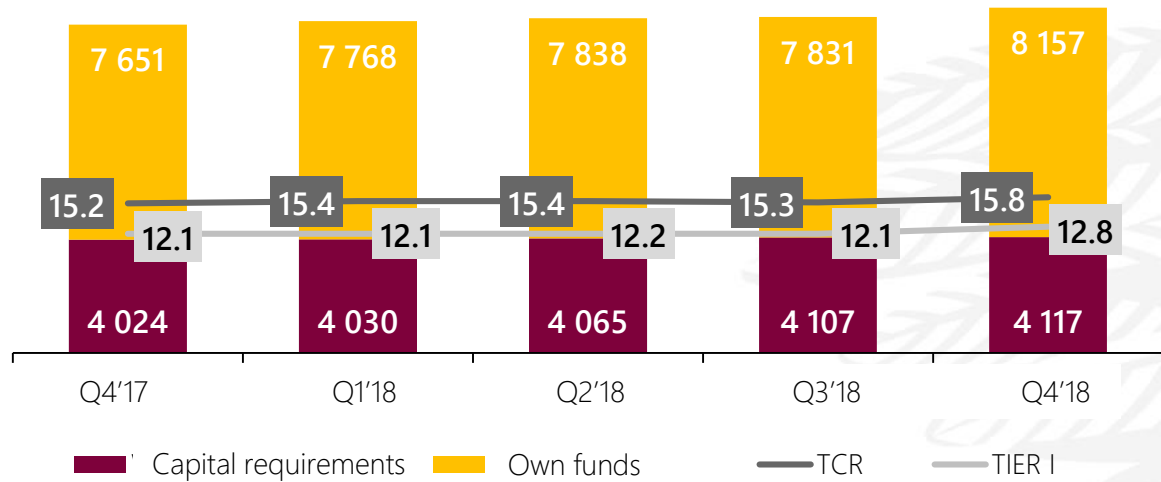
2019 guidance

Appendix

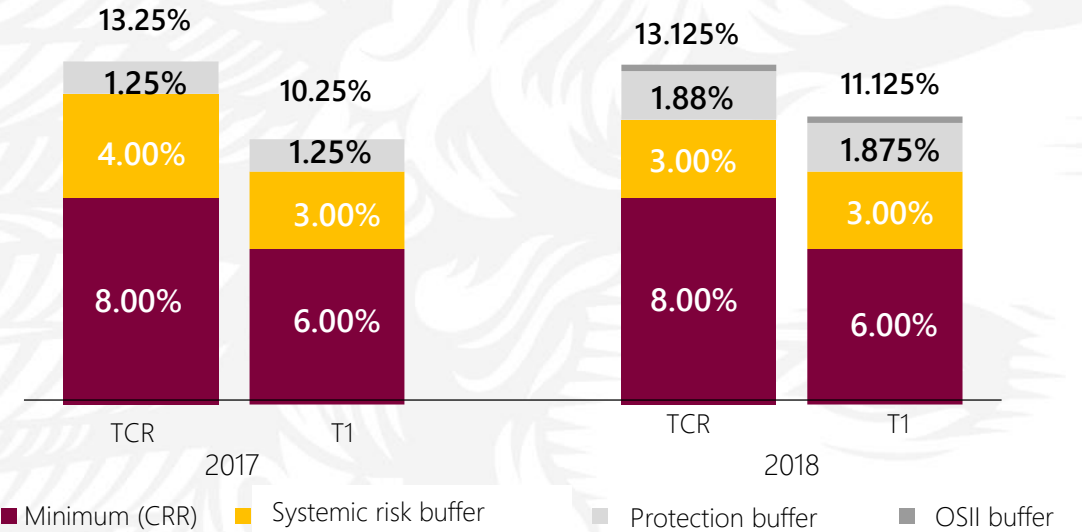


# Capital adequacy

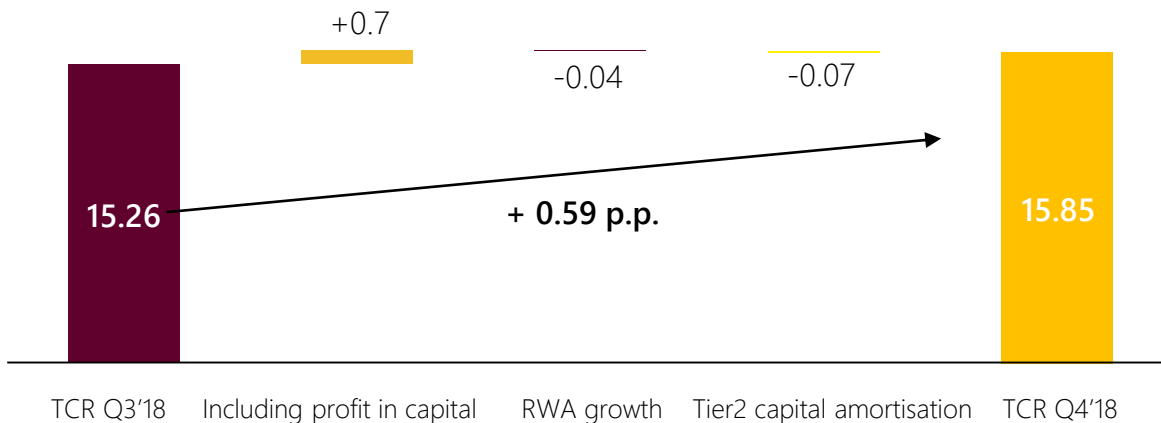
Capital ratios and capital requirements in total (in PLN M)



Minimum capital limits (%)



Consolidated, total capital ratio - decomposition of change in q/q (%)



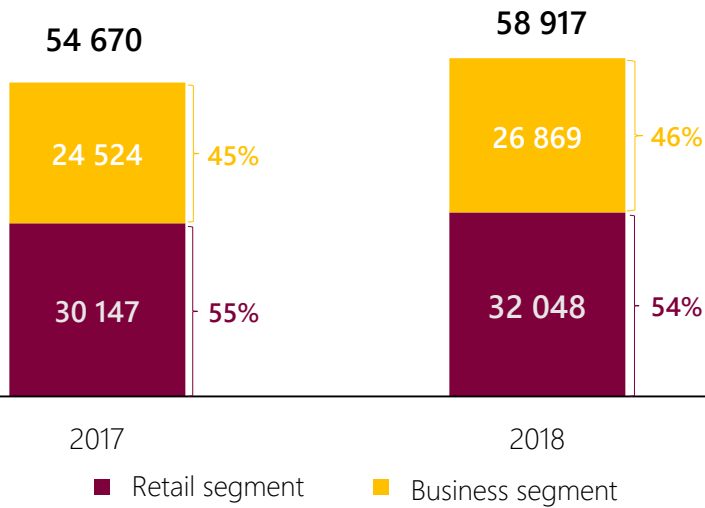
**In 2018, the Bank strengthened its capital position by retaining profit in Tier 1 capital.**

- In 2018, the "System Buffer" was introduced at the level of 3 p.p. and the "Protection buffer" increased (from 1.250% to 1.875%).
- By the decision of the PFSA, from July 31, 2018, the Bank maintains an additional "buffer for other systemically important institutions" set at 0.25 p.p.
- In Q4'18 the Bank concluded with the EIF and the EIB a transaction agreement for the synthetic securitization of the business loan portfolio to the value of PLN 1.5 B. The agreement will come into force in the 1st half of 2019. With the full use of the limit, the transaction will raise the Tier 1 capital ratio by 0.26 p.p.

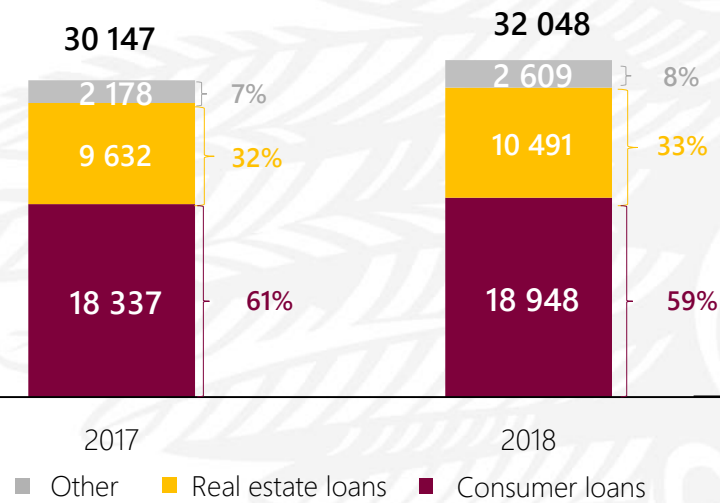


# Structure and quality of the loan portfolio

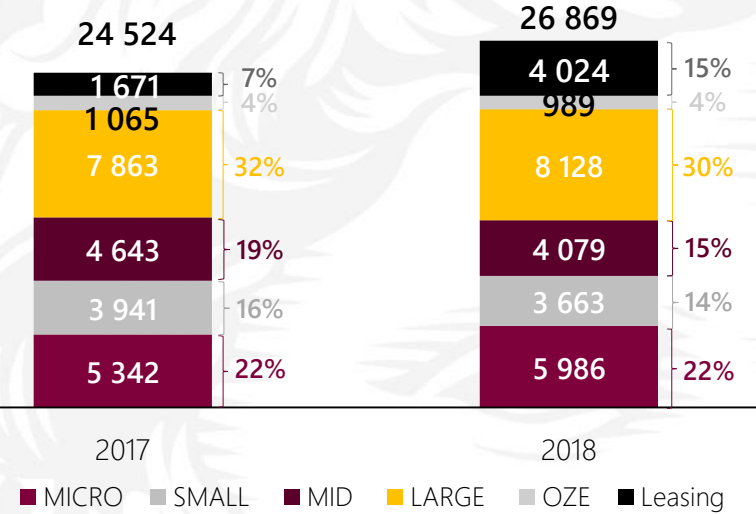
### Total loan portfolio (in PLN M)



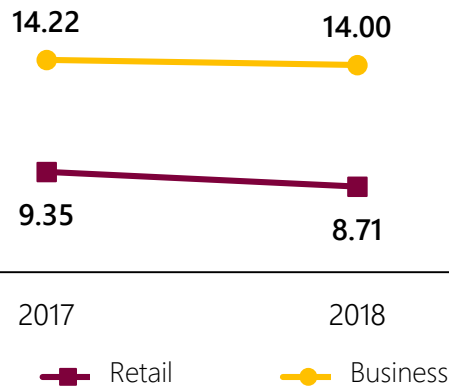
### Retail client portfolio (in PLN M)



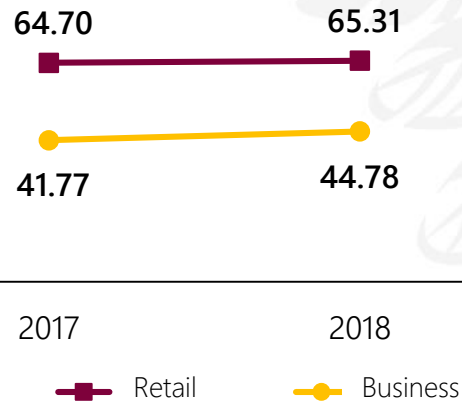
### Business client portfolio (in PLN M)



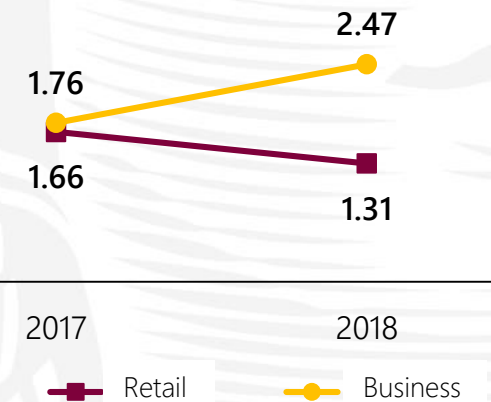
### NPL (%)



### Coverage ratio (%)



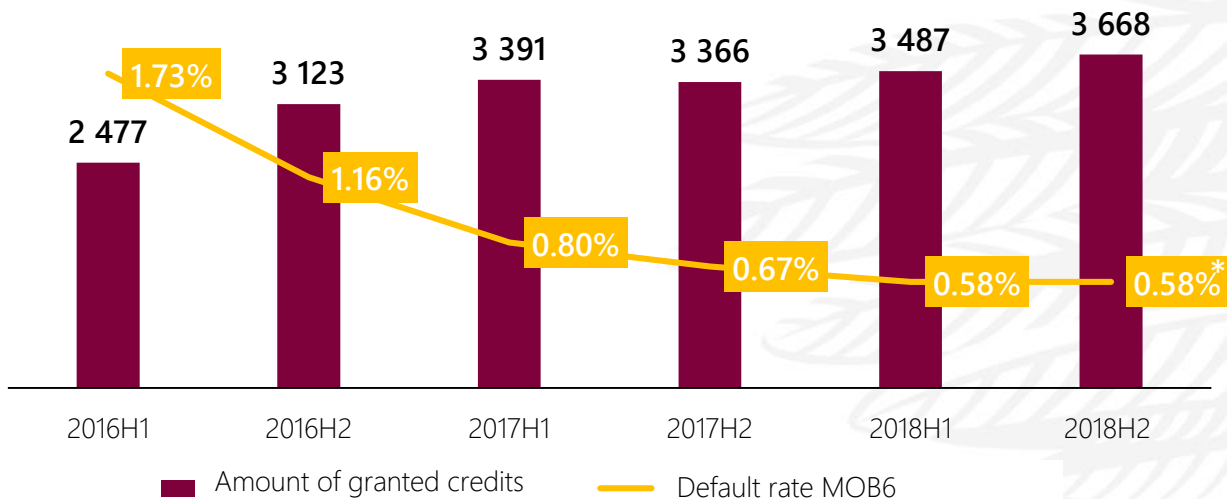
### CoR (%)



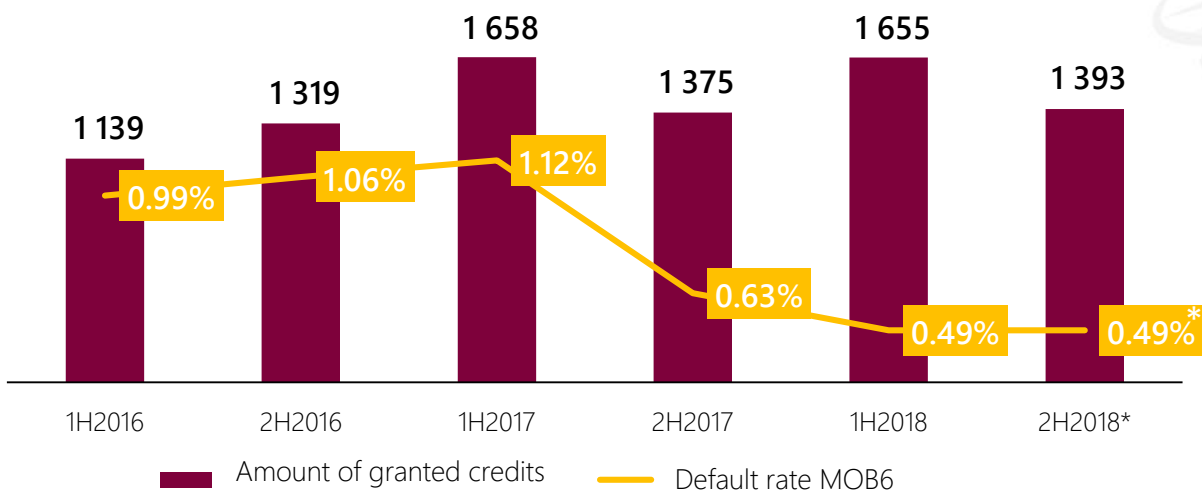


# The quality of new loan sales

### Sales volume and quality of new loan sales in the retail client segment (in PLN M)



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



### Improving the quality of credit growth.

#### Cash loan:

- The quality of loan book improved twofold compared to 2016 and is in line with current Bank's strategy.
- Quality improvement achieved by credit policy optimization and limiting sales through intermediaries channel.

#### Micro segment:

- Significant improvement in the quality of new sales as a result of the optimization of lending policy and the implementation of new rating models.
- At the same time, the Bank achieved a significant increase in the collateral level of the new loan portfolio in the micro-enterprises segment.

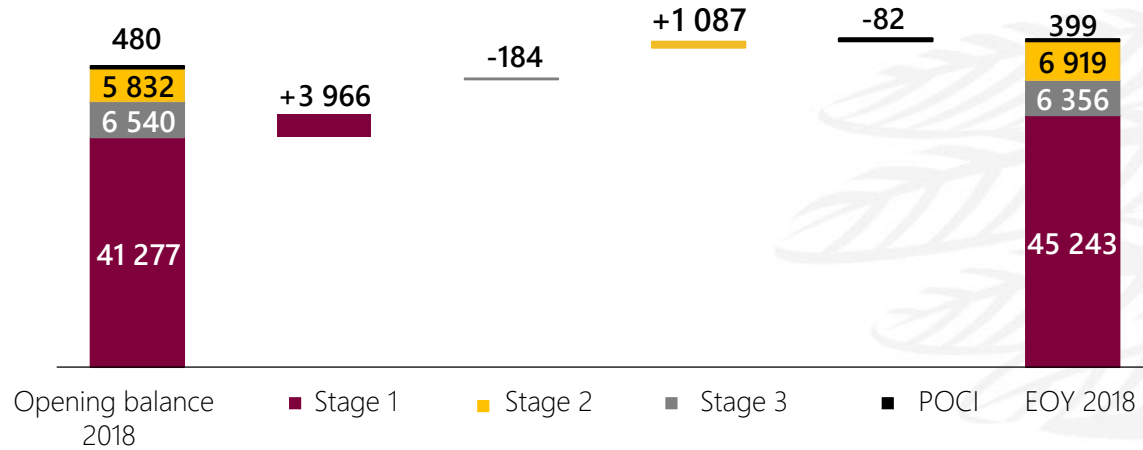
\*Forecast

\*\*New limits + renewals and upgrades of existing ones

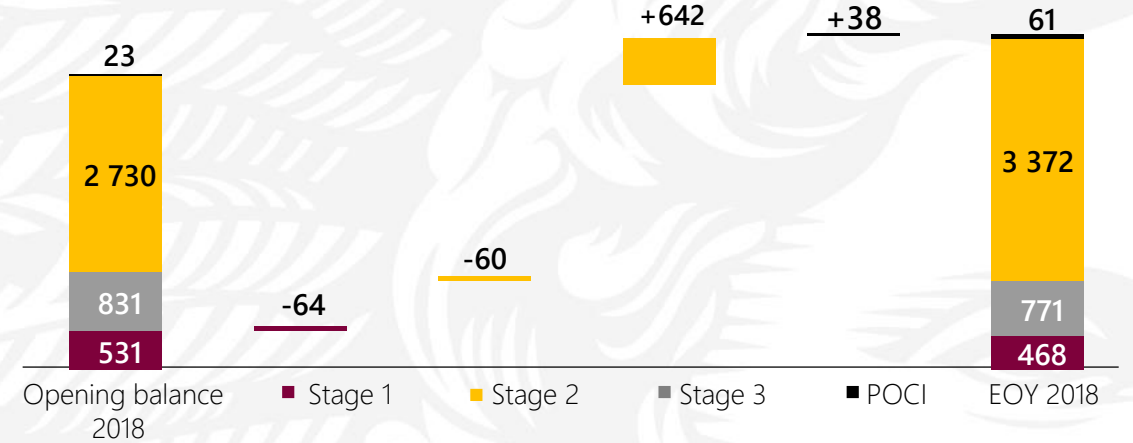


# Credit risk provisioning within the IFRS 9 framework

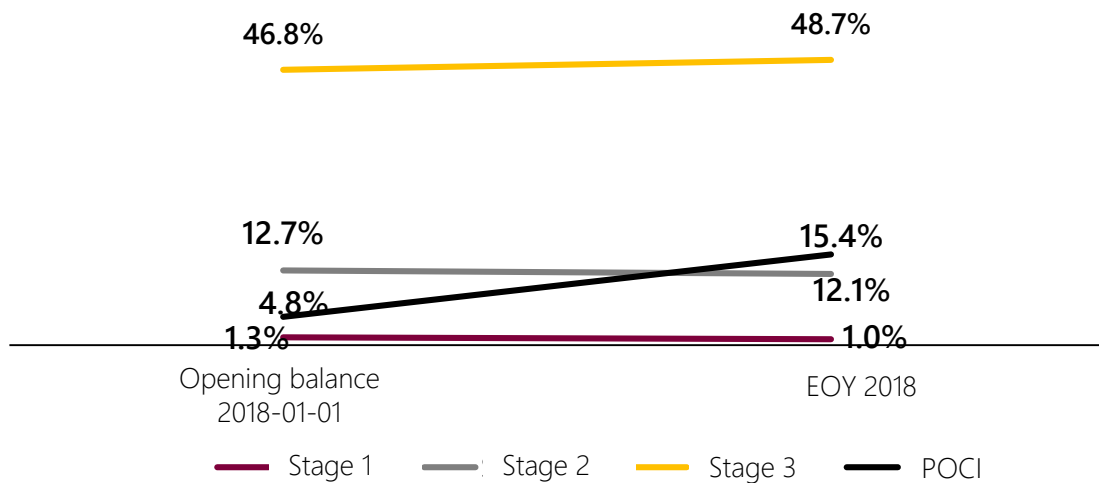
Portfolio volumes by stages (in PLN M)



Credit risk costs according to IFRS9 (in PLN M)



Coverage ratio by stages (%)



## Adequate trends in the IFRS 9 model.

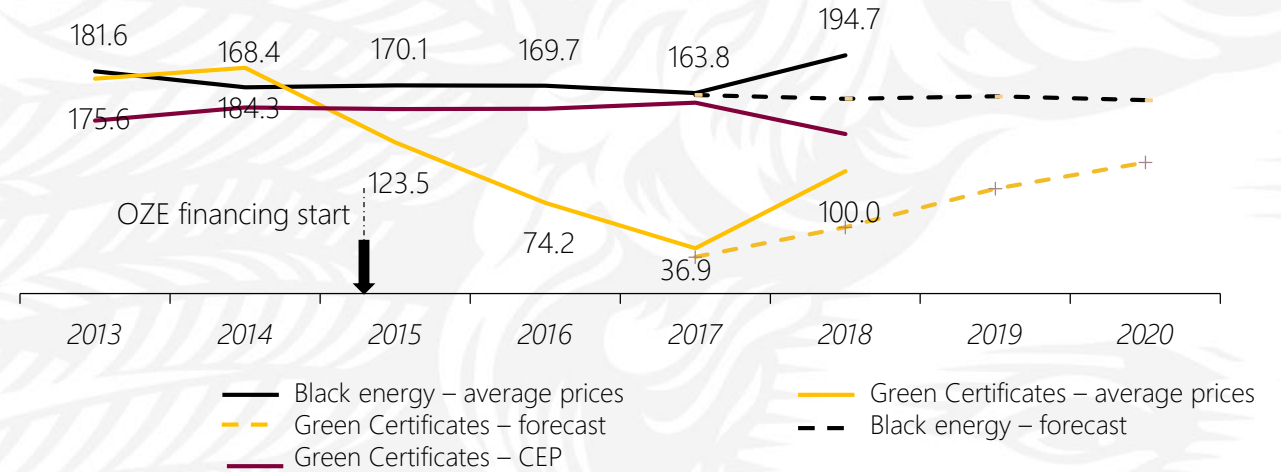
- The increase in loan portfolio provisioning mainly concerns Stage 3.
- The level of coverage of Stage 1 decreases as a result of the good quality of new lending.
- Despite the improvement of the quality of the regular portfolio, the level of coverage of Stage 2 remains relatively stable due to the implemented anti-cyclical mechanisms.
- The level of coverage of Stage 3 and POCI increases as a result of the maturing of the portfolio.



# Quality of the OZE portfolio (wind farms) and the industry perspective

	On-balance exposure (PLN M)		Coverage ratio (%)	
	2017	2018	2017	2018
Stage 2 (PL)	365.9	482.3	14.5%	11.1%
Stage 3 (NPL)	683.5	493.5	14.3%	24.4%
<b>OZE (total)</b>	<b>1 049.4</b>	<b>975.8</b>	<b>14.4%</b>	<b>17.8%</b>

Predicted vs. real black energy prices and Green Certificates



- Timely commitments service in 2018.
- Reduction of the debt amount -7% (y/y).
- Conservative level of coverage with write-offs.

A clear improvement in the financial situation of the renewable energy industry caused by the increase in prices of Green Certificates (GC) and a reduction in property tax.

As a result, in the course of 2018, all customers in the RES segment recorded an improvement in the financial situation, which allowed for the reduction of debt by 7% (PLN -74 PLN y/y).

## The significant improvement in the financial standing of wind farms in the RES portfolio is affected by:

Increase in GC prices, caused by:

- an increase in the obligation to redeem in Poland from 15.4% (in 2017) to 17.5% (in 2018) and 18.5% (in 2019) as a result of a greater obligation of origin of energy supplied to final consumers from RES,
- a new RES target as part of the energy mix designated by the EC up to 32% in 2030,
- there is no possibility to apply a replacement payment.

The increase in the price of black electricity caused by:

- increase in the costs of CO<sub>2</sub> emission allowances,
- increase in prices of hard and brown coal.

## Positive forecast for 2019 and subsequent years:

Increased demand for certificates of origin due to:

- growing demand for energy companies from RES;
- Poland's delay in implementing the EU commitment to change the energy mix.

The increase in black energy prices due to:

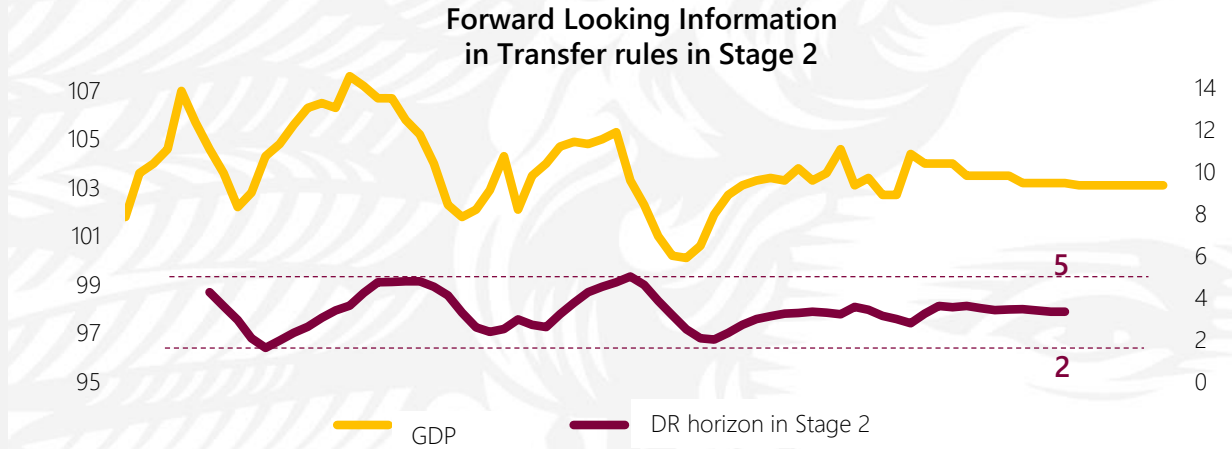
- long-lasting supply gap;
- the need to extinguish old power plants;
- blackout energy threats.



# Methodology of IFRS 9 - adjustment of the opening balance

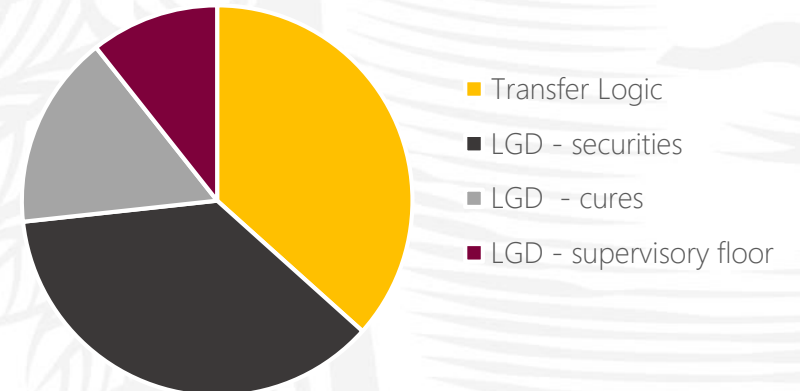
Increasing the level of Bank's security by implementing anticyclical solutions based on the FLI (Forward Looking Information) methodology, consistent with the provisions of IFRS 9.

- As part of the adjustment to the opening balance of 2018, the Bank significantly developed the IFRS methodology to include in the estimates of losses expected components of future macroeconomic factors, so-called FLI.
- The reason for the changes is the fact that due to the relatively short duration of the Bank's operation, generally in the period of good macroeconomic conditions, the Bank's empirical data did not allow an adequate estimation of the effects of the full economic cycle.
- The development of the FLI methodology includes:
  - Introduction of a countercyclical factor as part of the TL (Transfer Logic) methodology, which makes the Stage 2 share dependent on the macroeconomic cycle (stabilizing and countercyclical mechanism).
  - Under the LGD modeling:
    - including macroeconomic scenarios in the estimation of changes in the value and level of recoverability of collaterals;
    - taking into account macroeconomic scenarios in estimating the cure rate of retail clients;
    - the coherence of the application principles in the supervisory valuation process to the minimum loss level (the so-called LGD floor).
- The lowest level of TL corresponds to the earlier calibration of the FLI methodology (i.e. no new solution is more liberal than previously used at any stage of the cycle).



As a result of the methodology change, the level of write-downs for losses expected as of the date of implementation of IFRS 9 is increased (as part of the opening balance of 2018 in the amount of PLN 244 M).

### Structure of change/impact





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## P&L YTD

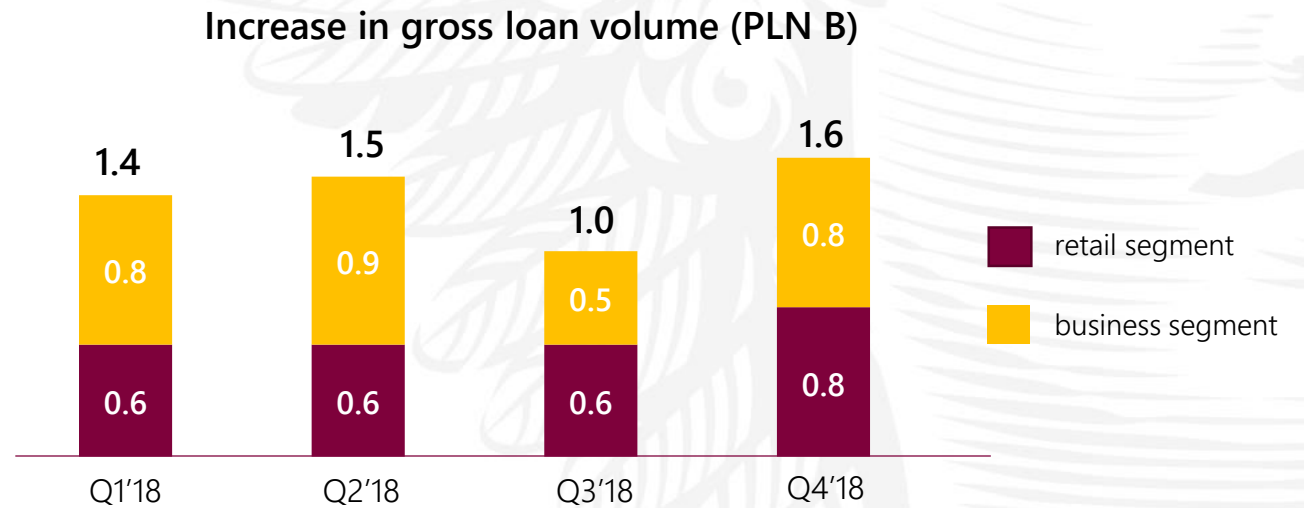
PLN M	2017	2018	Change y/y	Change y/y (PLN M)
<b>Revenues</b> including:	<b>3 658</b>	<b>3 956</b>	<b>8.1%</b>	<b>297</b>
Net interest income	2 856	3 085	8.0%	228
Net fee and commission income	431	436	1.2%	5
Net trading income and other	371	435	17.2%	64
<b>General administrative expenses</b>	<b>-1 854</b>	<b>-1 705</b>	<b>-8.0%</b>	<b>149</b>
<b>Net impairment charges and write-downs*</b>	<b>-915</b>	<b>-1 054</b>	<b>15.2%</b>	<b>-139</b>
<b>Banking tax</b>	<b>-201</b>	<b>-208</b>	<b>3.8%</b>	<b>-8</b>
<b>Profit before tax</b>	<b>689</b>	<b>988</b>	<b>43.4%</b>	<b>299</b>
<b>Income tax</b>	<b>-218</b>	<b>-275</b>	<b>26.4%</b>	<b>-57</b>
<b>Net profit</b>	<b>472</b>	<b>713</b>	<b>51.3%</b>	<b>242</b>



# Volumes

PLN M	2017	2018	Change y/y (PLN M)	Change y/y
<b>Loans, including:</b>	<b>50 129*</b>	<b>54 246</b>	<b>4 117</b>	<b>8.2%</b>
Retail segment	27 454*	29 443	1 989**	7.2%
Business segment	22 675*	24 802	2 127	9.4%
<b>Deposits, including:</b>	<b>57 657</b>	<b>62 436</b>	<b>4 779</b>	<b>8.3%</b>
Retail segment	36 573	43 945	7 372	20.2%
Business segment	21 085	18 491	-2 594	-12.3%
<b>L/D ratio</b>	88.9%	86.9%	- 2 p.p.	

**PLN 5.6 B - total increase in gross loan volume in 2018**



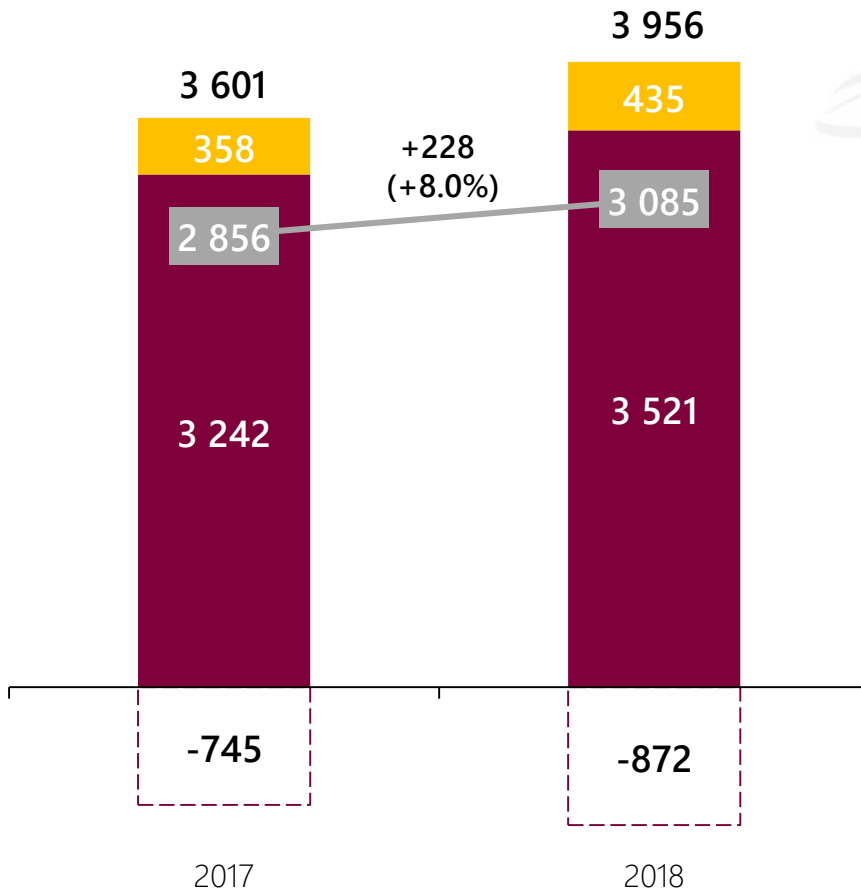
\* data adjusted of IFRS9 opening balance effect (proforma)

\*\* includes NPL sales of PLN 448 M in 2018 r.

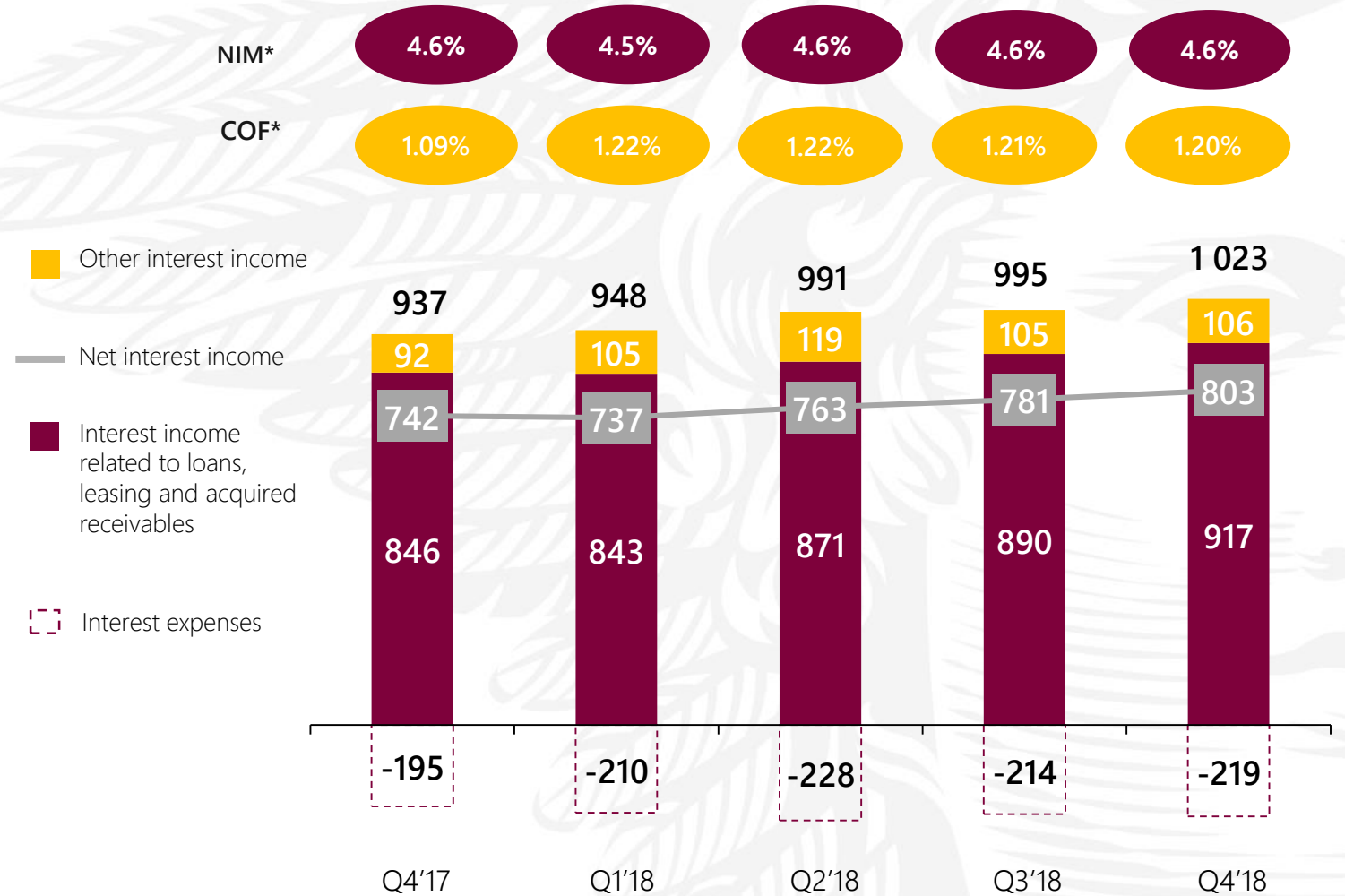


# Net interest income (in PLN M)

YTD



QTD

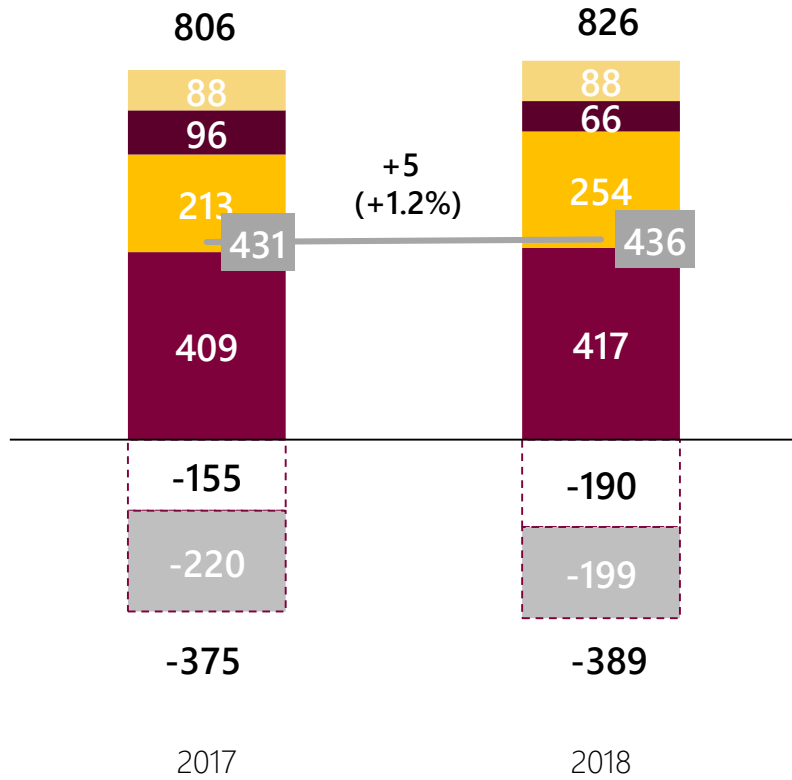


\* YTD approach

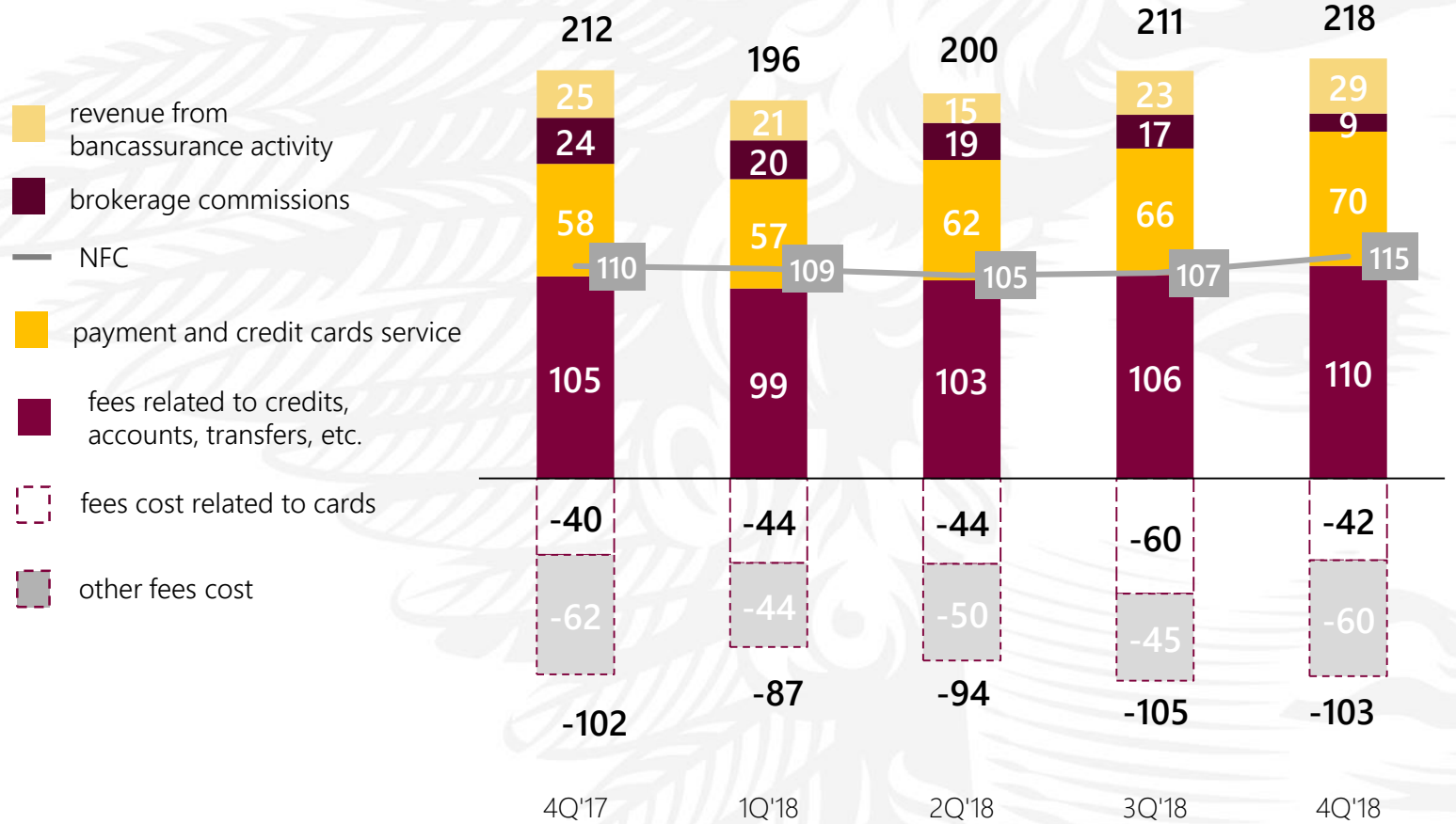


# Net fees and commissions (in PLN M)

YTD



QTD



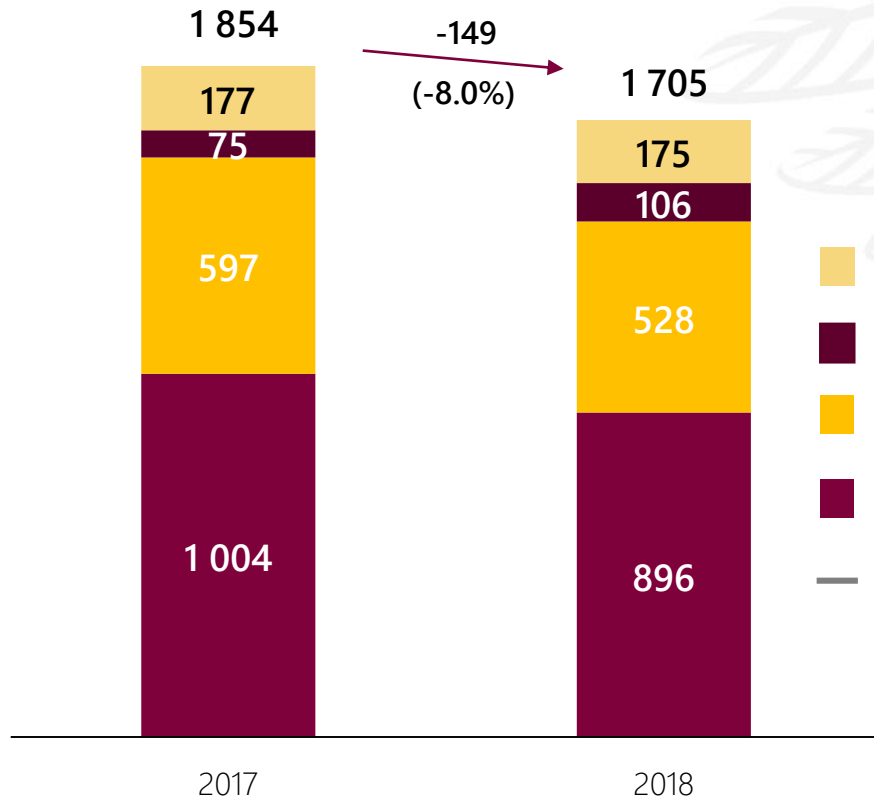
The improvement of the NFC result thanks to the higher fees from the primary activity and the service of cards payment offsets the drop in brokerage commissions revenues.



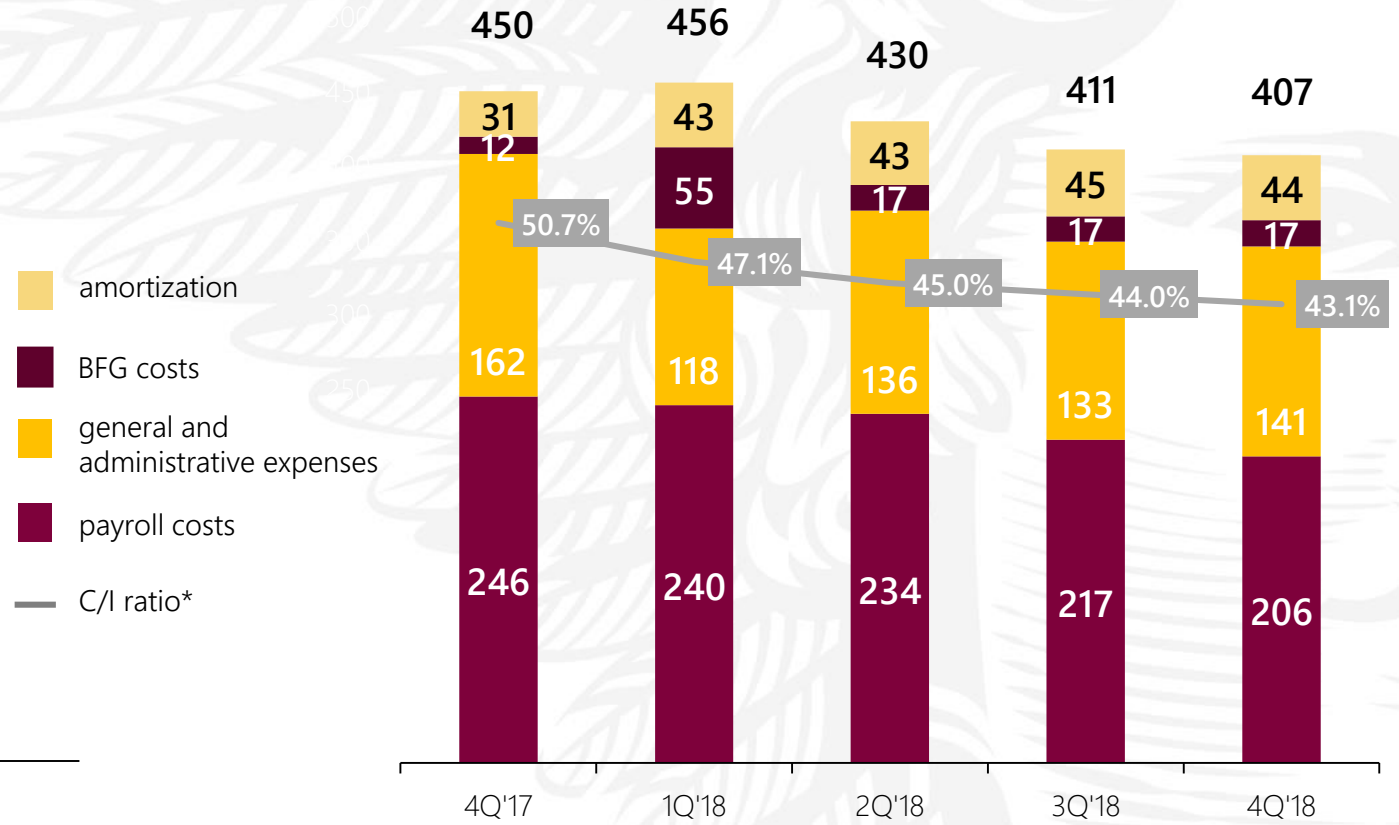
# Bank maintains a high level of cost effectiveness

## Operating costs (in PLM M)

YTD



QTD



- amortization
- BFG costs
- general and administrative expenses
- payroll costs
- C/I ratio\*

\* YTD approach



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# 2019 guidance

	2018 actual YTD	2019 guidance	2020 strategic target
<b>NIM</b> net interest margin	4.6%	4.6%	4.5%
<b>C/I*</b> cost/income	43.1%	41%	39%
<b>CoR</b> cost of risk	1.85%	1.8%	1.7%
<b>Gross loan book growth**</b> (M 12)	5.6 PLN B	5 PLN B	5 – 6 PLN B

\*Cost to income ratio (C/I): counter - group operation costs (excluding bank tax); denominator - revenues (net interest income, net fee and commission income, result on instruments measured at fair value through profit and loss and revaluation result, result on other financial instruments, net income from discontinuation of recognizing assets and liabilities not included in fair value through the profit and loss account, result on other operating income and expenses, income from dividends).

\*\*Excluding deductions, NPL sales, Buy-Sell-Back transactions and securitisations, but including portfolio depreciation.



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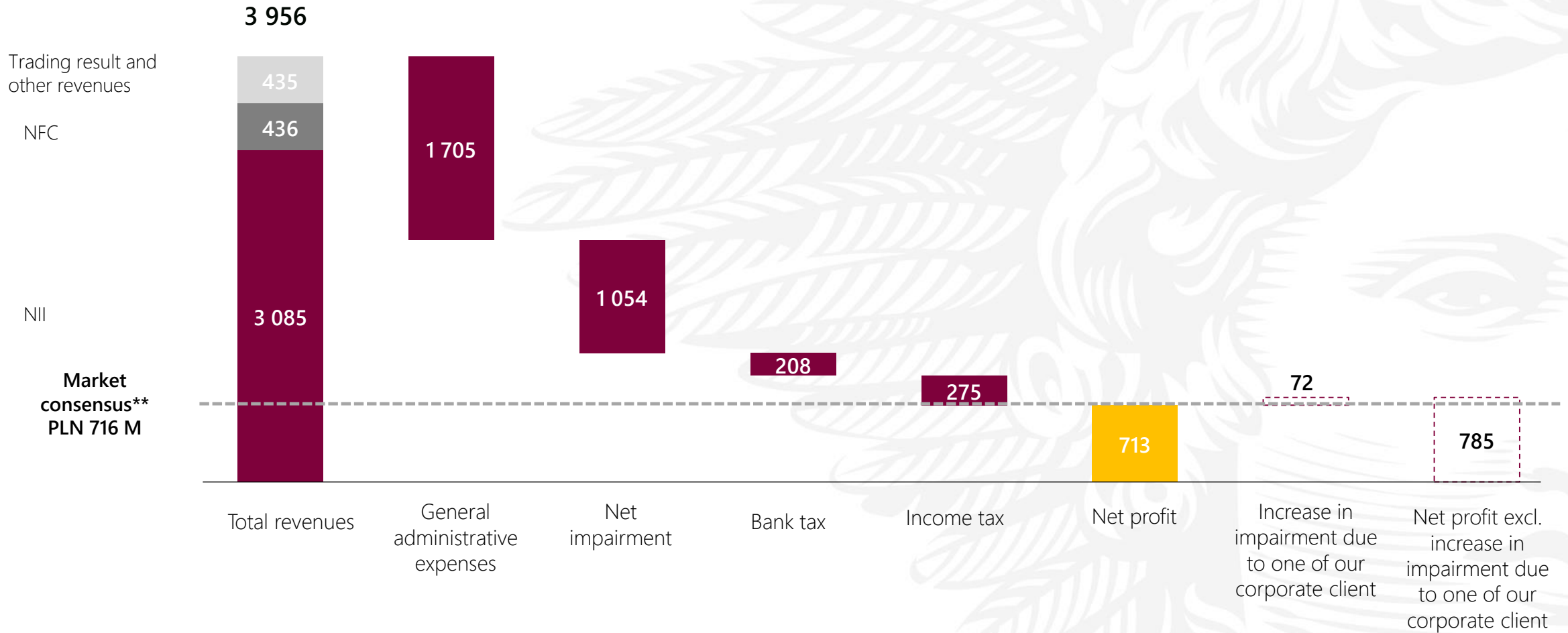
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# 2018 net bottom line decomposition (PLN M)



Over 51% net profit increase due to full synergy cost plan realization and increase in total revenue of 8.1 y/y



## Acquisition of SKOK Jaworzno

In January 2019, the Bank's Supervisory Board expressed its consent to the Bank's acquisitions of SKOK Jaworzno.

On January 31st, 2019, the KNF expressed its consent to the acquisition.

The key process dates are as follows:

- 01/04/2019 – legal merger
- 31/05/2019 – operational merger

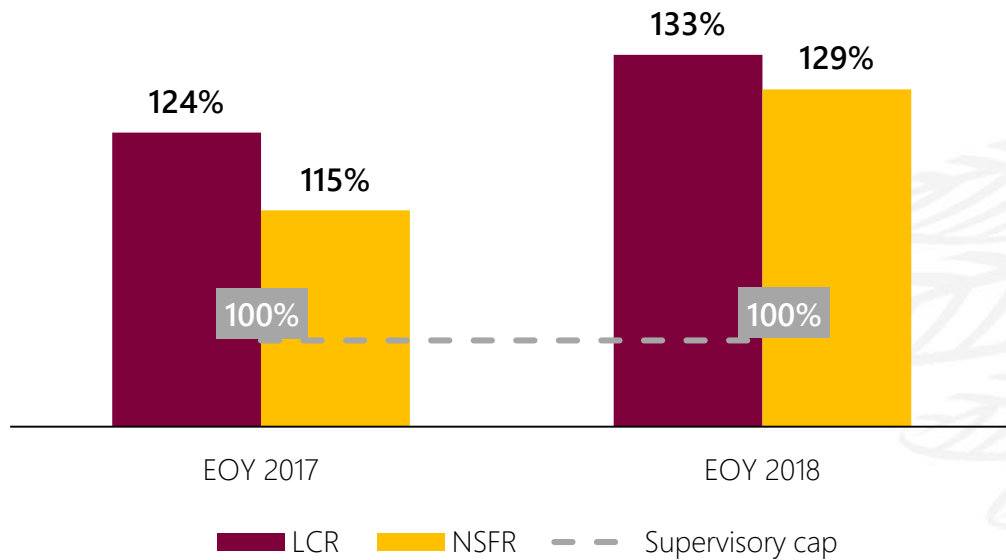
Since 2014, the Bank has successfully acquired 3 SKOK's.

### Key data regarding SKOK Jaworzno (31/12/2018)

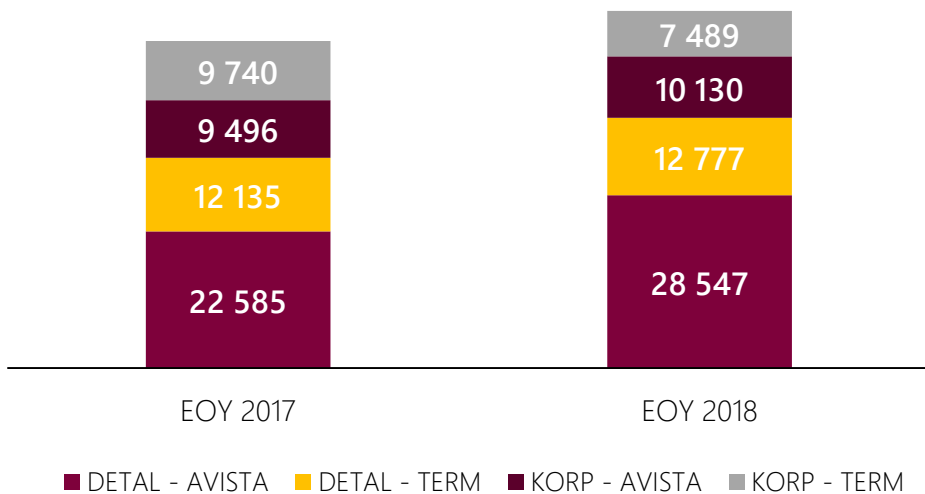
Asstes (PLN M)	248
Liabilities (PLN M)	362
Number of employees	273
Number of clients (T)	115
Number of branches	50
Operating area	Branches in 6 provinces in the central-southern part of the country



# Market risk and liquidity risk



Structure of the deposit base (PLN M)



In 2018, the Bank improved the liquidity risk profile both by increasing the balance and quality of liquid assets, as well as increasing the stability and diversification of funding sources.

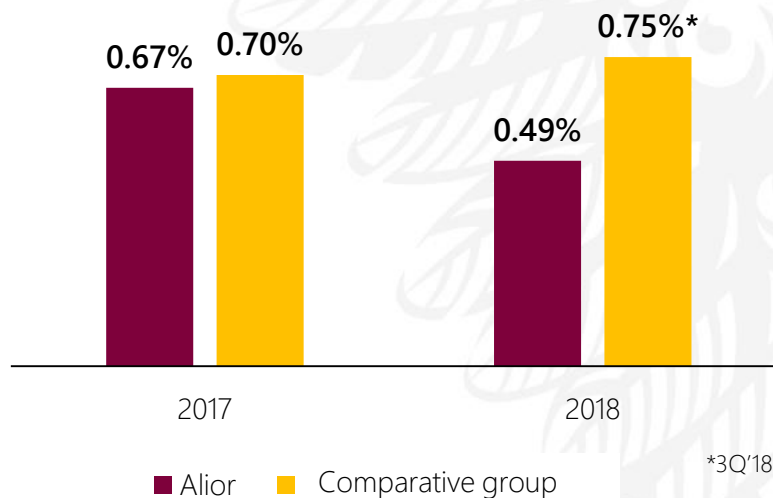
The improvement of liquidity measures is the result of an increase in the stable deposit base of the retail client, which is characterized by low delivery weights.

The Bank maintains a high-quality buffer of liquid assets covering the outflows in simulated scenarios of liquidity stress tests. The liquid assets buffer increased from M 13 979 PLN to M 14 185 PLN (y/y). As at the end of the year, 99% of liquid assets were cash in Treasury bonds (at 86% at the end of 3Q for the comparative group).

## The bank maintained a conservative policy in the area of market risk

by closing the risk generated by customer operations and closing the structural position in the interest rate risk. As a result, the Bank recorded a decrease in the capital requirement for market risk in relation to own funds, also in comparison to the comparative group.

Relation of the capital requirement for market risk to own funds (in %)



Currency	Open position (mln PLN)
EUR	23
USD	-28
CHF	-1
GBP	2
Other currencies	2
<b>Global net</b>	<b>-1</b>

\*3Q'18 data



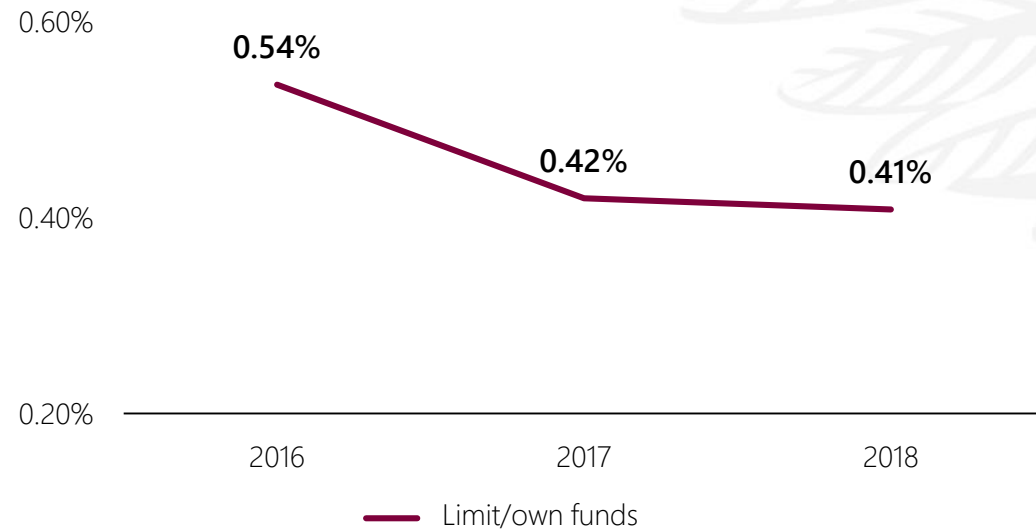
# Operational risk

In the period 2016-2018, the Bank reduced its appetite for operational risk.

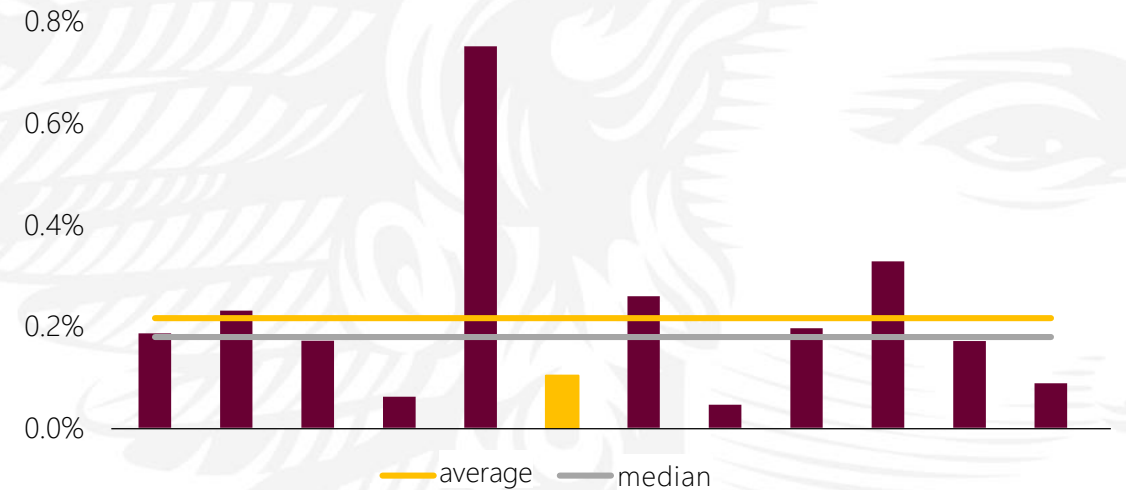
In the period 2016-2018, the Bank did not exceed the set limit of operational losses.

The actual materialisation of exposures to operational risk is below the market benchmark.

The annual limit of operational losses in relation to own funds of Alior Bank (in %)



The ratio of operational risk losses to own funds at Alior Bank compared to Top10 Polish banks (in %)



\*Source: Capital Adequacy Reports and Financial Statements; as at 31/12/2017; gross value

As one of the three banks in Poland, Alior Bank uses an advanced method of estimating internal capital and regulatory capital for operational risk (AMA). The implementation of AMA translated into the release of capital as well as to strengthening the quality of management through, among others:

Better identification and risk measurement

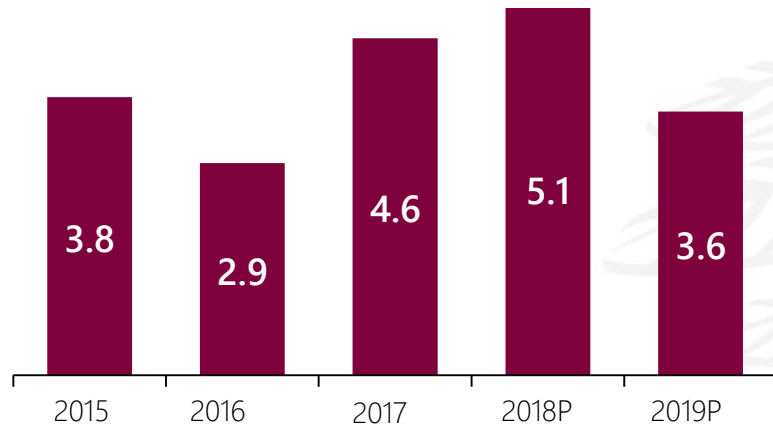
Applying mechanisms for precise allocation of operational risk

Strengthening preventive activities in reducing operational risk losses

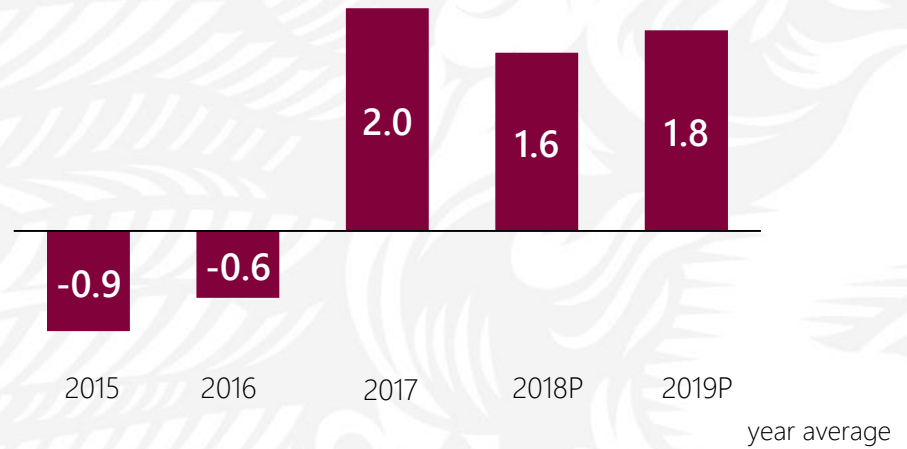


# Macroeconomic outlook

### GDP growth (% y/y)



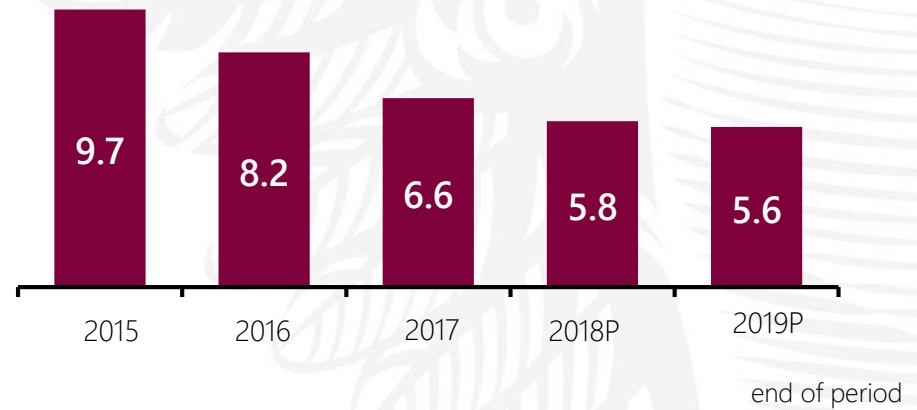
### Inflation (CPI % y/y)



### NBP reference rate (%)



### Unemployment rate (%)





## Income statement

PLN M	2018	2017
Interest income*	3 956	3 601
Interest expense	-872	-745
<b>Net interest income</b>	<b>3 085</b>	<b>2 856</b>
Fee and commission income	826	806
Fee and commission expense	-389	-375
<b>Net fee and commission income</b>	<b>436</b>	<b>431</b>
<b>Trading and revaluation result</b>	<b>372</b>	<b>338</b>
Net gain (realized) on other financial instruments	<b>n/d</b>	<b>7</b>
Net gain on discontinued fair value valuation through P&L	78	n/d
Other operating income	127	112
Other operating costs	-142	-86
<b>Net other operating income</b>	<b>-15</b>	<b>26</b>
General administrative expenses	-1 705	-1 854
Net impairment charges and write-downs	-1 054	-915
Banking tax	-208	-201
Profit before tax	988	689
Income tax	-275	-218
<b>Net profit</b>	<b>713</b>	<b>472</b>

\* Interest income includes income of similar nature



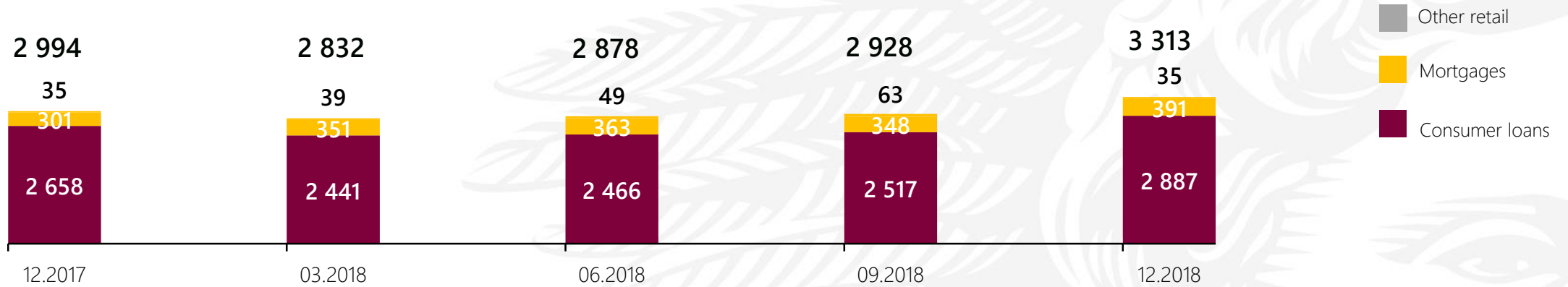
# Balance sheet

PLN M	31.12.2018	31.12.2017
Cash and balances with the Central Bank	1 639	965
Amounts due to banks	612	902
Financial assets	13 728	13 643
measured at fair value through total income	7 280	n/d
measured at fair value through profit or loss	515	n/d
measured at amortized cost	5 932	n/d
available for sale	n/d	12 072
held to maturity	n/d	1 118
held for trading	n/d	453
Derivative hedging instruments	112	88
<b>Loans and advances to customers</b>	<b>54 246</b>	<b>51 267</b>
Assets pledged as collateral	333	409
Property, plant and equipment	461	476
Intangible assets	572	549
Investments in subsidiaries	4	0
Asset held for sale	0	0
Income tax asset	1 036	592
Other assets	676	626
<b>Total assets</b>	<b>73 420</b>	<b>69 516</b>
Amounts due to banks	593	892
<b>Amounts due to customers</b>	<b>62 436</b>	<b>57 657</b>
Financial amounts	416	436
held for trading	n/d	436
measured at fair value through profit or loss	416	n/d
Derivative hedging instruments	9	5
Provisions	126	90
Other liabilities	1 167	1 694
Income tax liabilities	268	136
Current	267	135
Deffered	0	0
Subordinated loans	1 918	1 915
<b>Total liabilities</b>	<b>66 934</b>	<b>62 825</b>
<b>Equity</b>	<b>6 486</b>	<b>6 691</b>
<b>Total liabilities and equity</b>	<b>73 420</b>	<b>69 516</b>

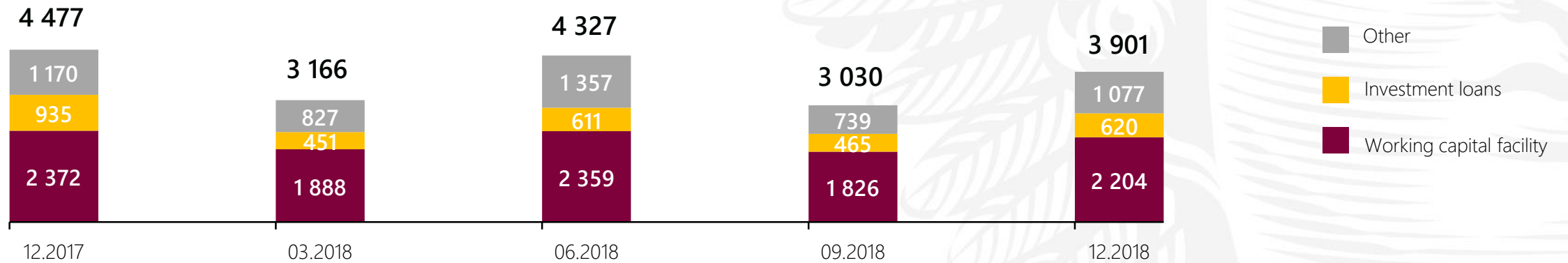


# New loans sales (PLN M)

## Retail loans (new sales per quarter)



## Business loans (new quarterly sales)



New production defined as any opening of a new credit account / credit line. Renewals are included in corporate loans new production.

Other retail includes: loans for purchase of securities, credit card borrowings loans, other mortgage loans.

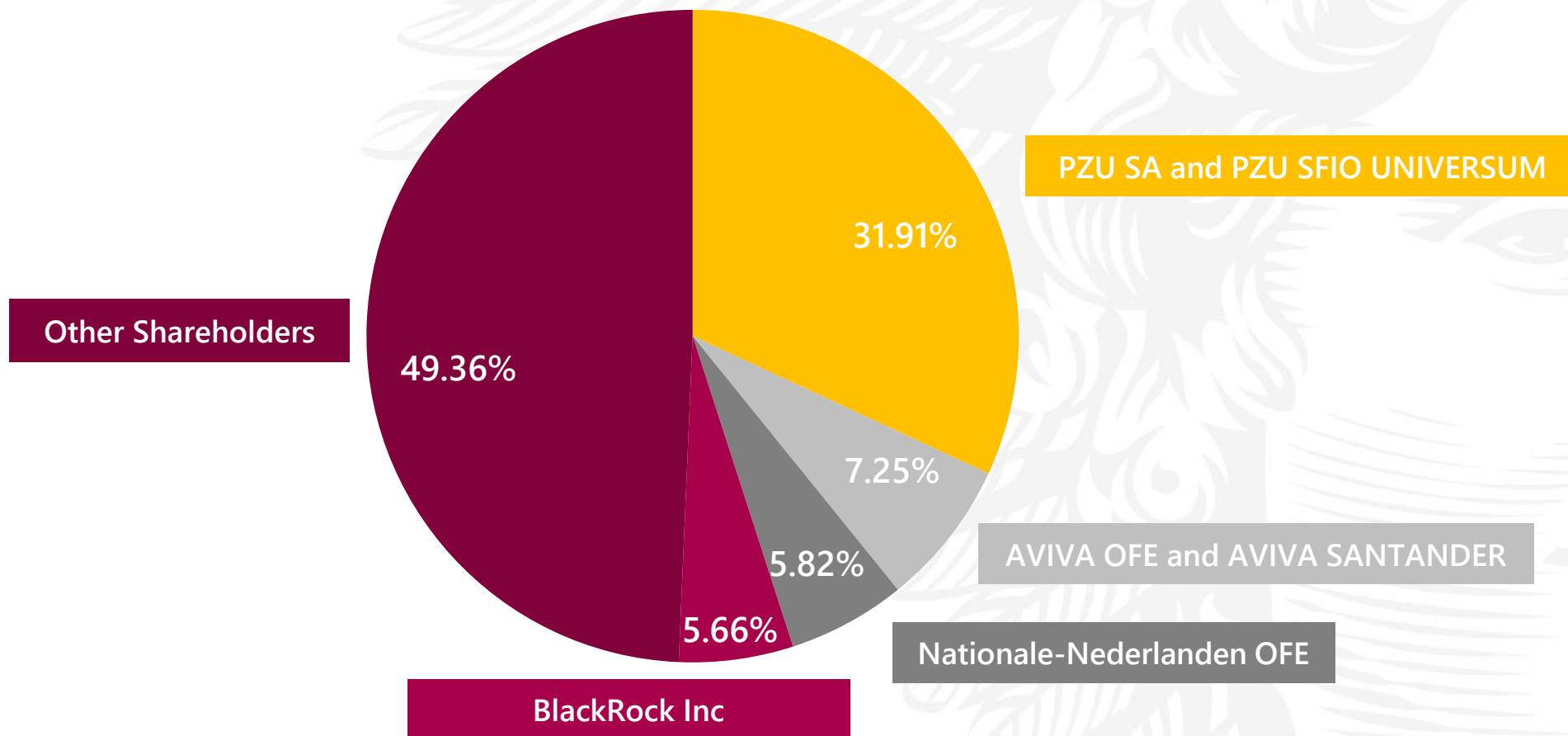
Other corporate includes: other receivables and factoring.

Managerial accounting stand-alone data



# Alior Bank shareholding

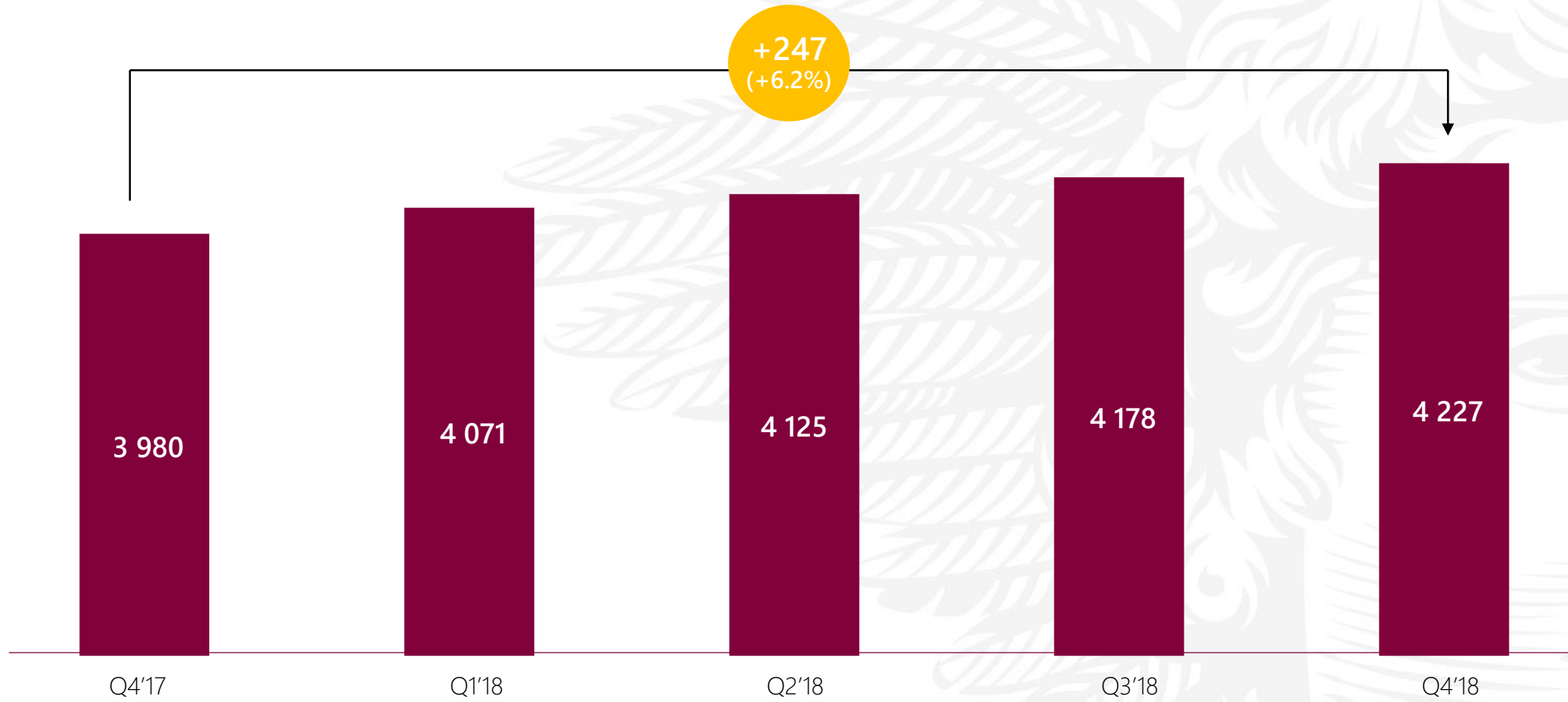
The largest free float among Polish financial institutions



\*Based on the number of shares registered at the EGM convened for November 26, 2018 and notifications received from shareholders

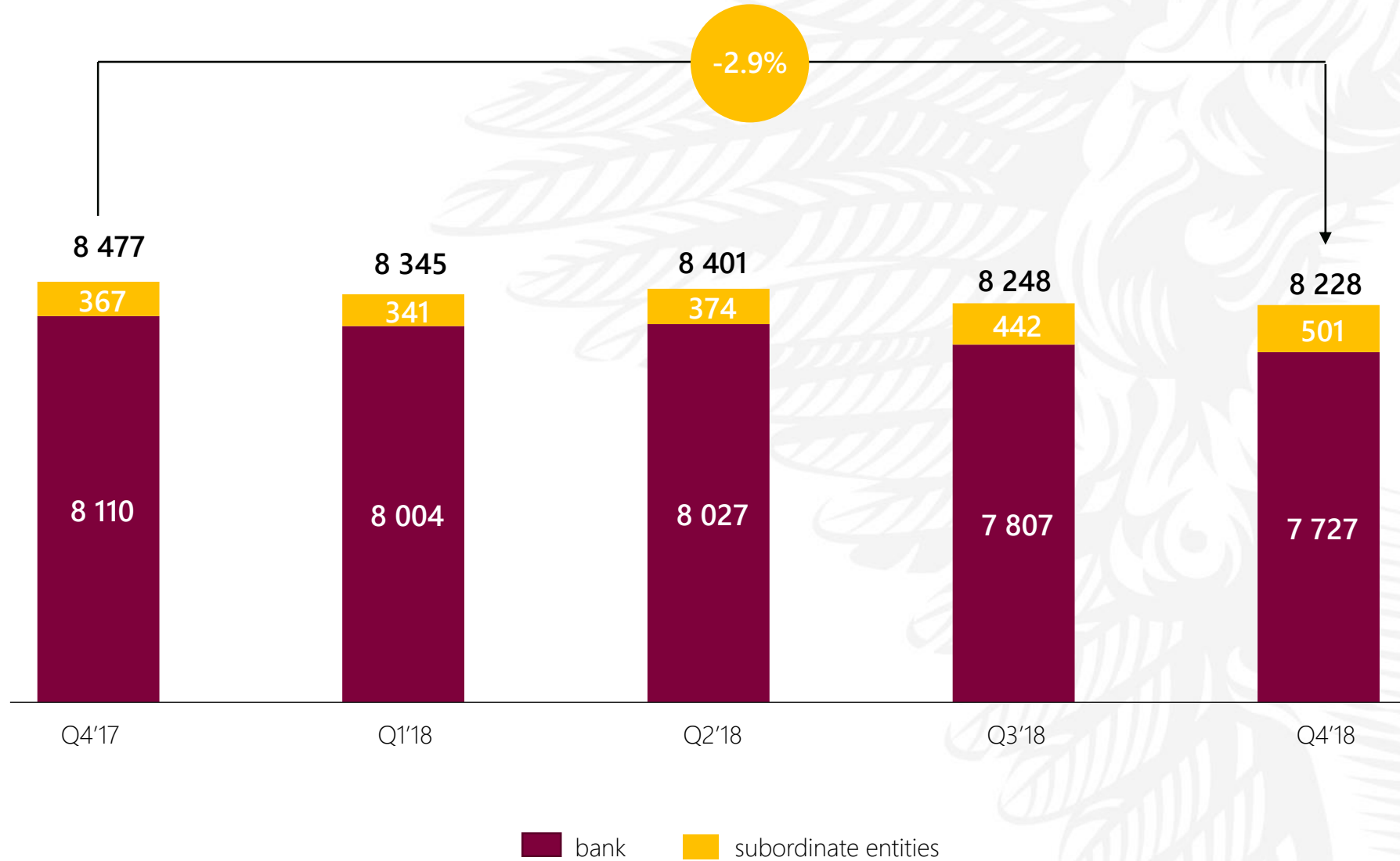


## Consistent increase in the number of clients



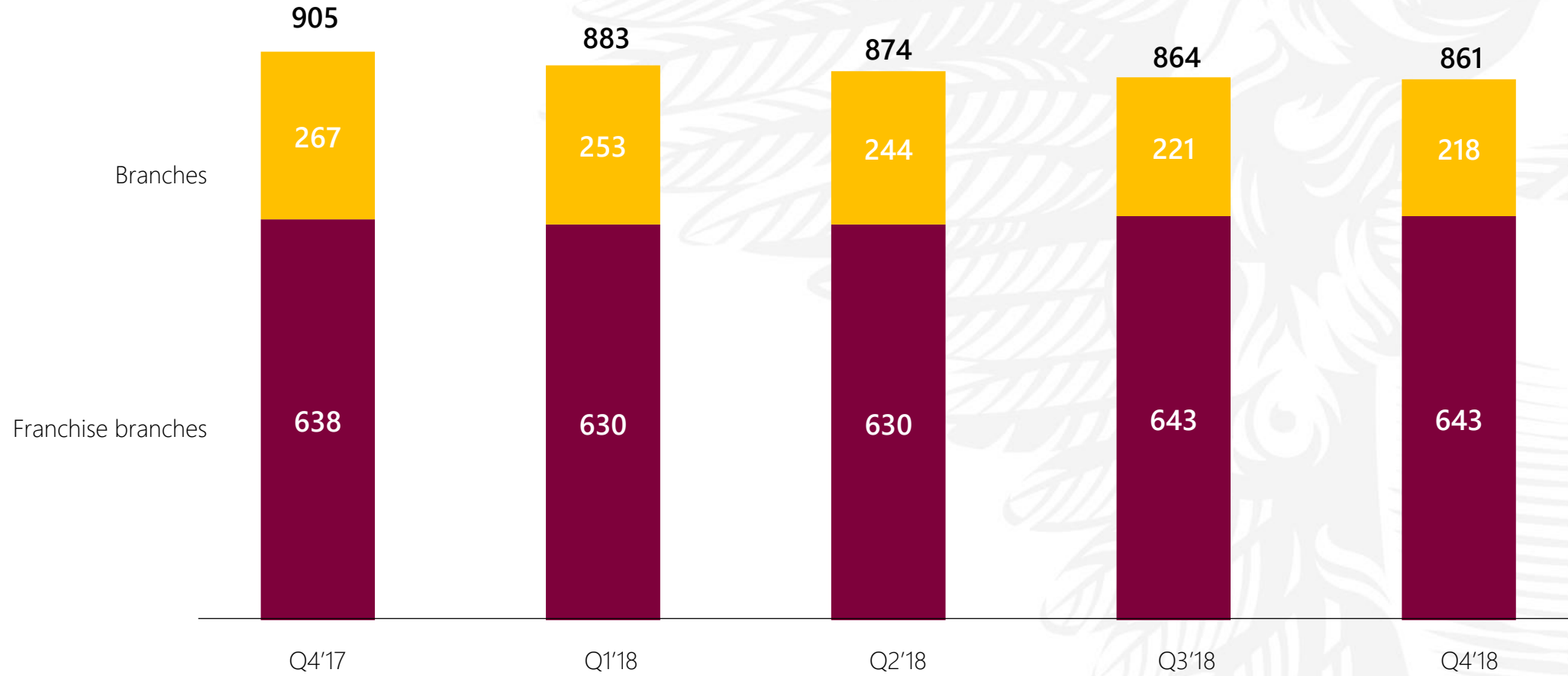


# Alior Bank Group – FTE evolution





## Number of branches





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