



Alior Bank S.A. 1H'2019 results presentation

Alior Bank S.A. | August 6th, 2019



1 Key highlights

2 Financial results

3 2019 guidance

4 Appendix

Key highlights



Net profit PLN 158 M. Results strongly impacted by: increase in BGF contribution to resolution fund (PLN 110 M) as well as food industry exposure write-off (PLN 161 M).



Consistent increase (+9%) in net interest income to PLN 1 632 M in 1H 2019 vs. PLN 1 501 M in 1H 2018.



Maintaining high profitability. Net interest margin (NIM) in Q2'19 at 4.7% (+6 bps vs. EOY 2018). Cost of financing (CoF) in Q2'19 historically low at 1.17% (-3 bps vs EOY 2018).



Operating costs under control - excluding BGF contributions, a decrease of PLN 42 M to PLN 773 M compared to PLN 815 M in 1H 2018. C/I ratio in Q2'19 at record low level of **39.1%**.



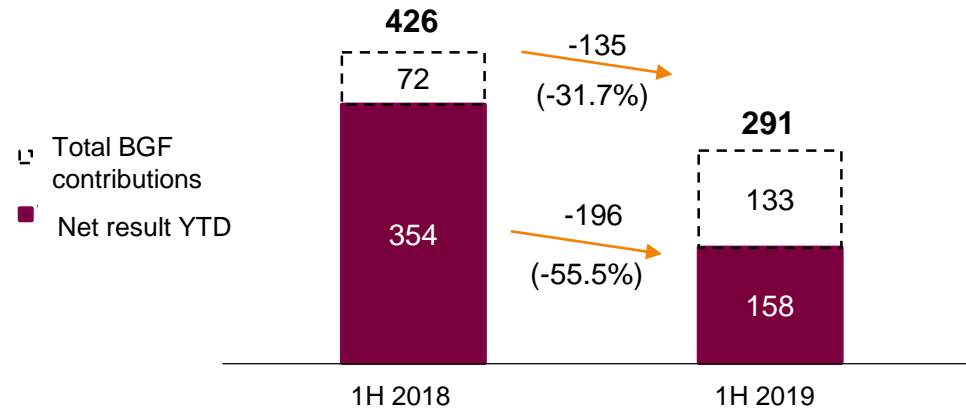
Growth in loan volumes in line with the plan. In 1H 2019 PLN 2.8 B compared to the 2019 outlook of PLN 5 B.



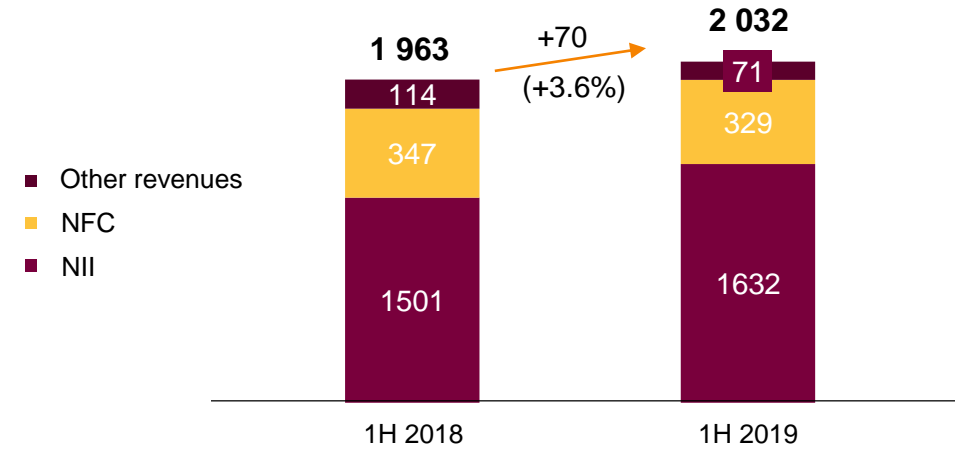
Stable capital position. **Equity ratio (TCR = 15.84%, TIER1 = 12.92%) above regulatory thresholds.**

1H 2019 financial results (PLN M)

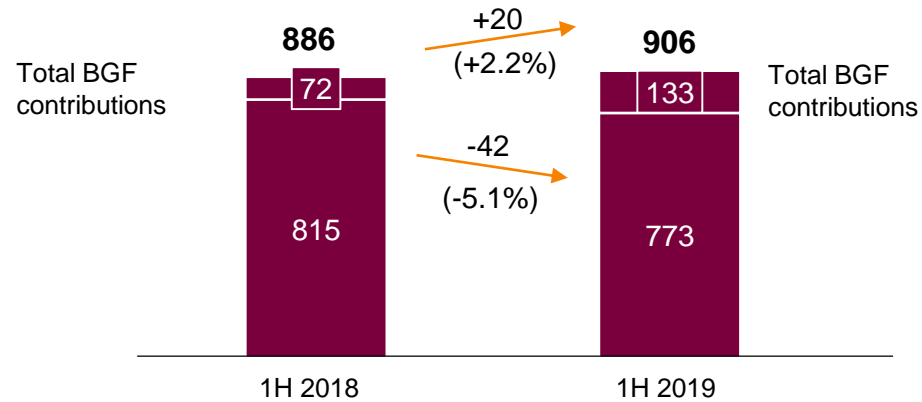
Net result



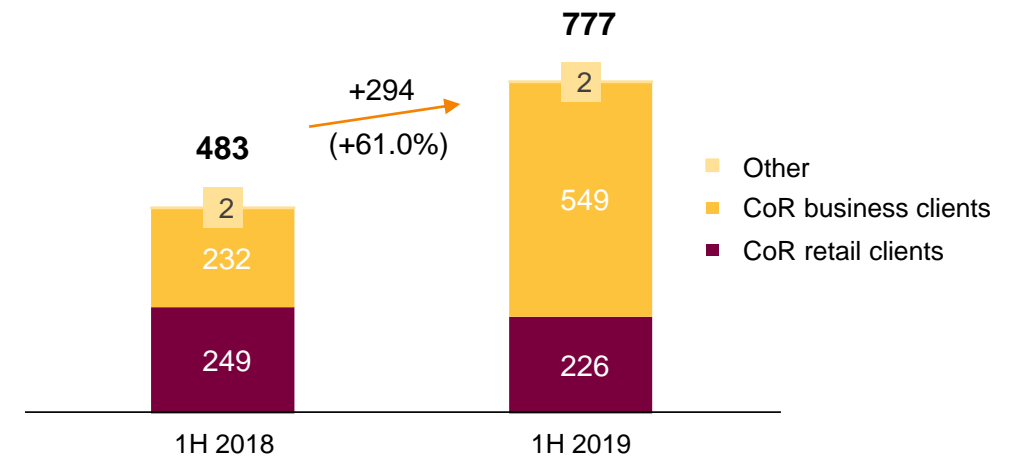
Revenues



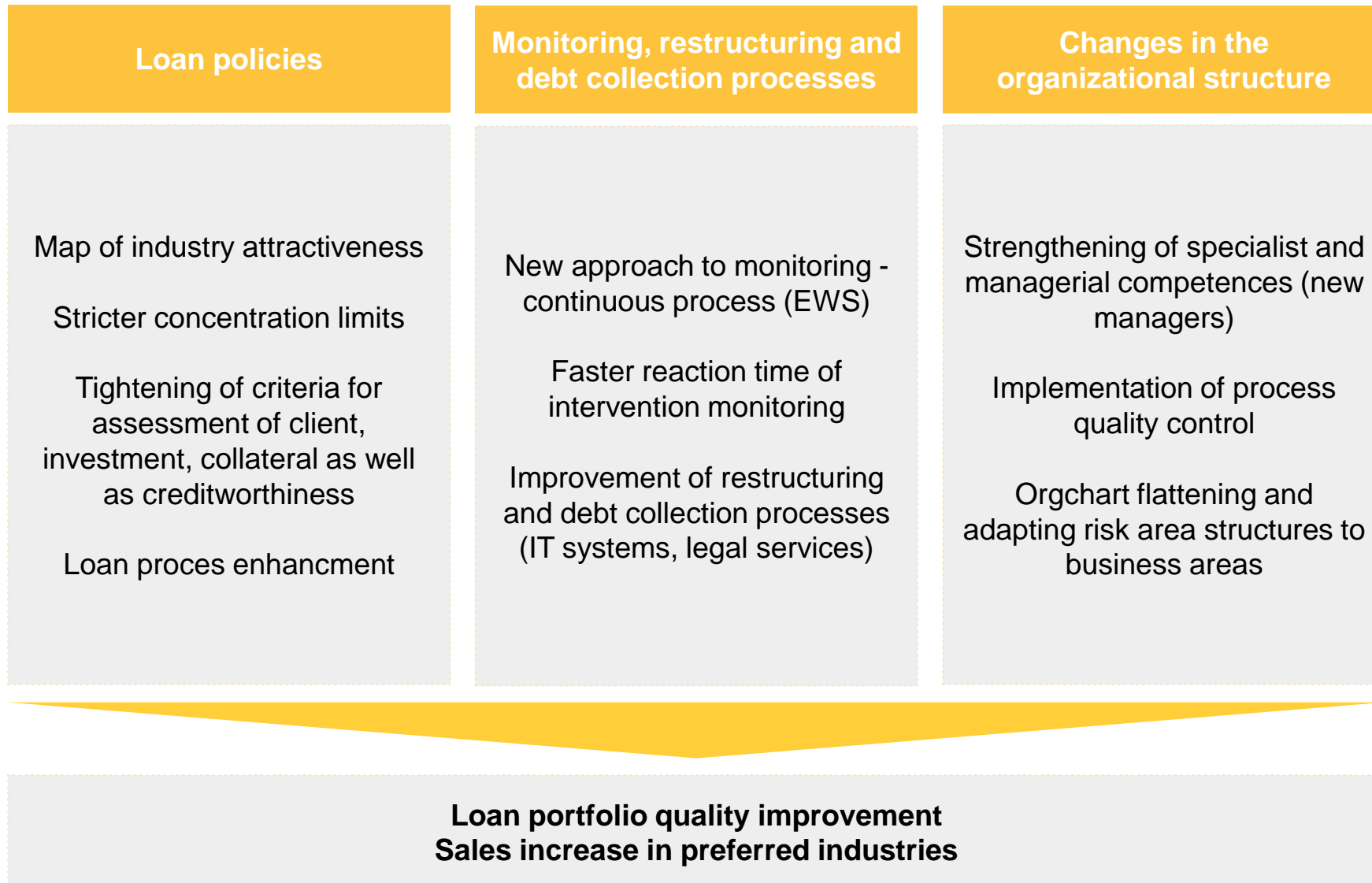
General and administrative expenses



Cost of risk

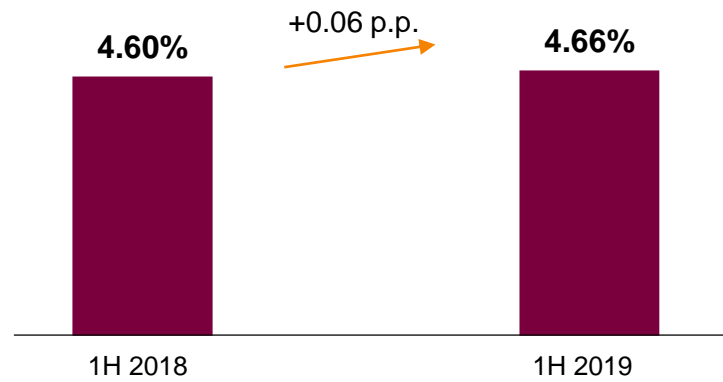


Actions to improve business client segment credit risk quality

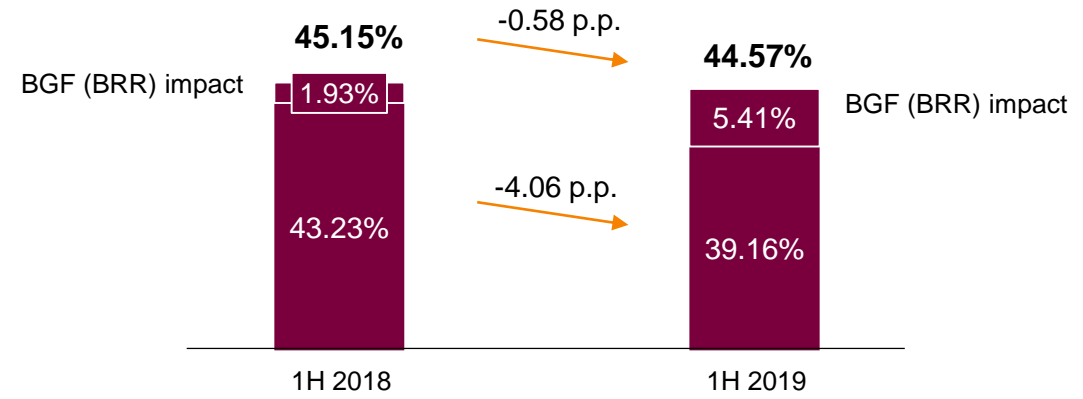


1H 2019 key financial ratios

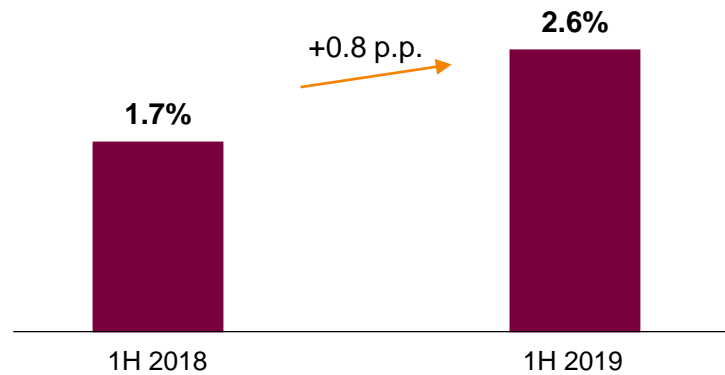
NIM (y/y)



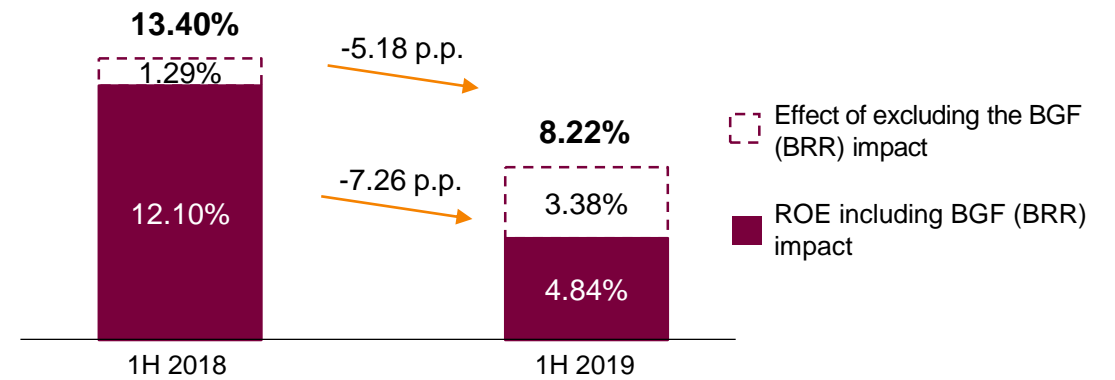
C/I (y/y)



CoR ratio (y/y)



ROE ratio (y/y)





RBL_ among 25 best innovation labs in the world

The Global Finance magazine has published 25 world best finance innovation labs. Among the distinguished ones is RBL_. The list has been published as part of the The Innovators 2019 competition.



Efma innovation of the month: Alior Smartphonization project

We received the Efma-Accenture Innovation Bank award for June 2019 for the Smartphonization project.



Top spots in Złoty Bankier contest

We took the 2nd place as the bank with the best personal account and 3rd place in the Best credit card category in a contest organized by Puls Biznesu and Bankier.pl.



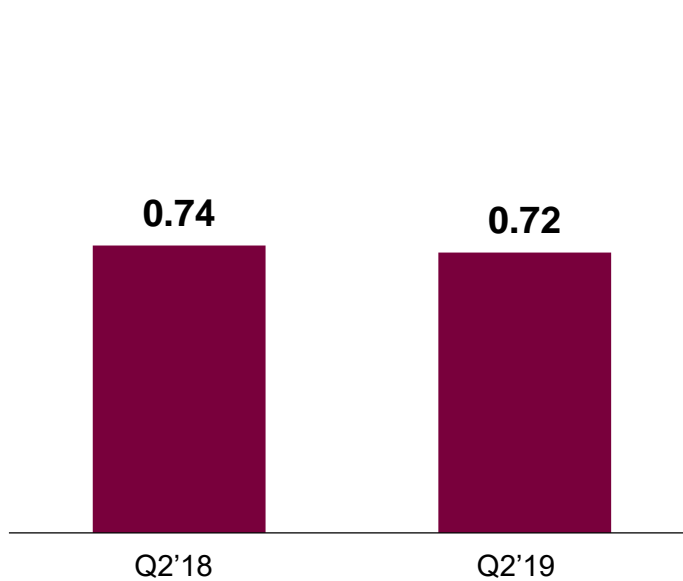
2nd place in the 2019 Best Bank competition

We found ourselves in 2nd place in XXVII edition of the "Gazeta Bankowa" competition in the Large Commercial Bank category.

Further increase in loan volumes in strategic segments (PLN B) (based on management data)

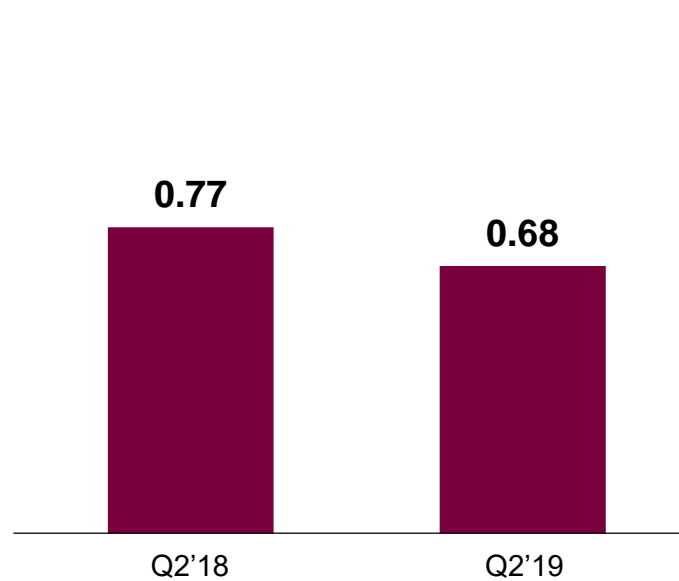
New loan sales in micro

High sales level accompanied by growth of guarantees secured by BGK.



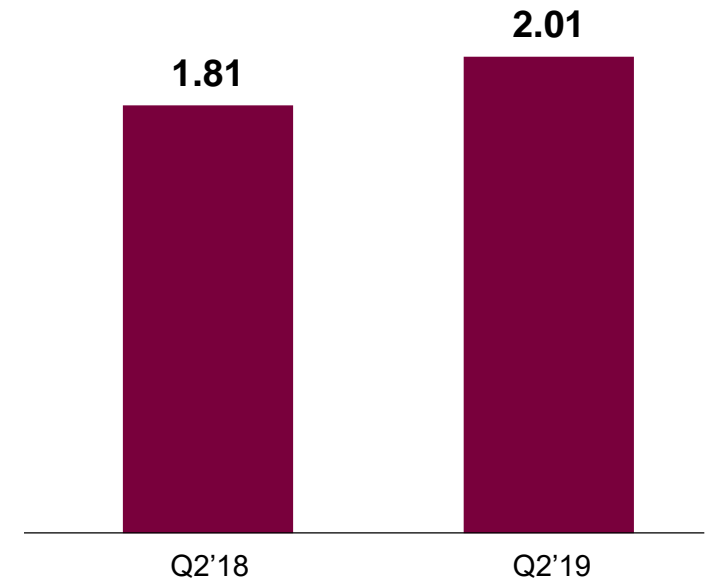
New leasing sales

Maintaining high leasing sales...



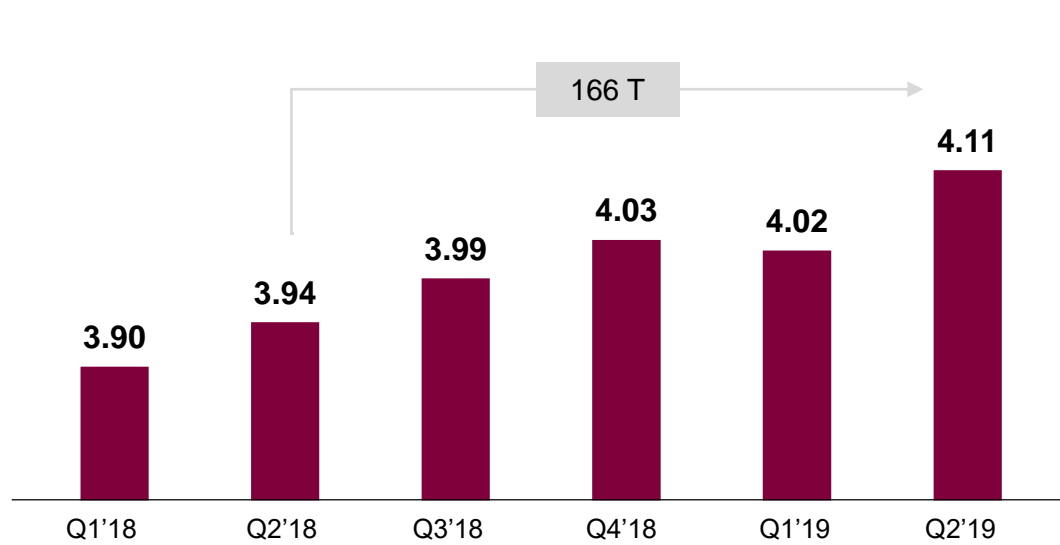
New cash loan sales

...and high level of cash loan sales.

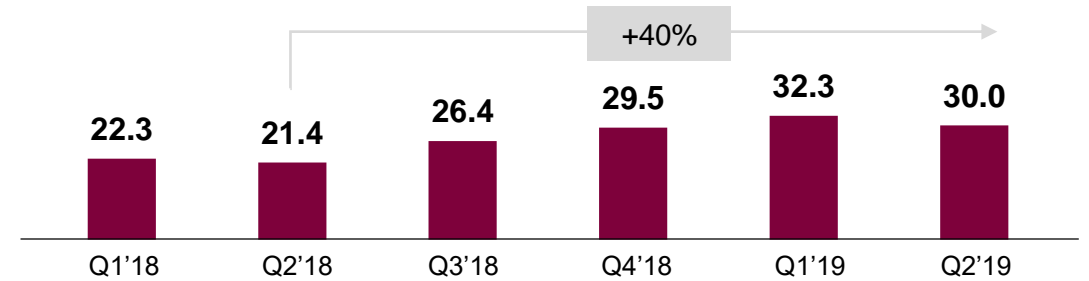


Retail client segment: increase in the number of clients

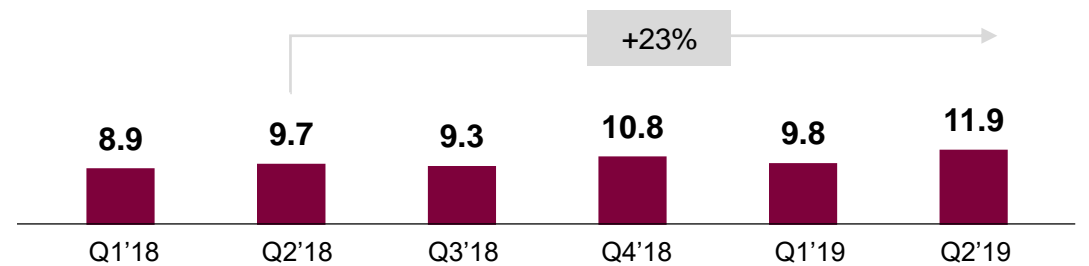
Number of retail clients (M)



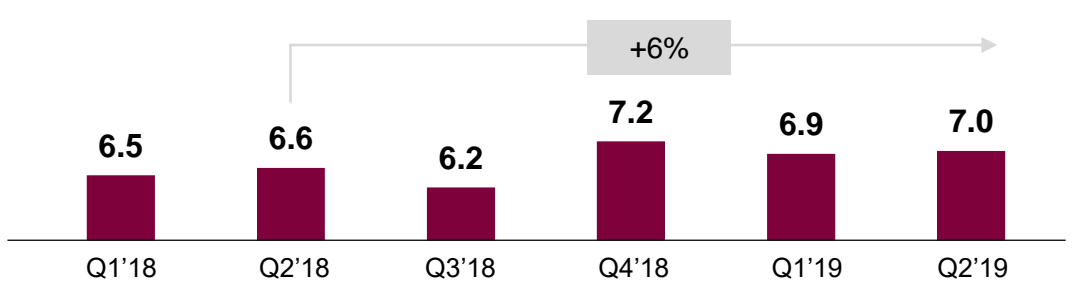
New clients – current accounts openings (T)



New clients – cash loans (T)



New retail clients from Consumer Finance segment (T)*



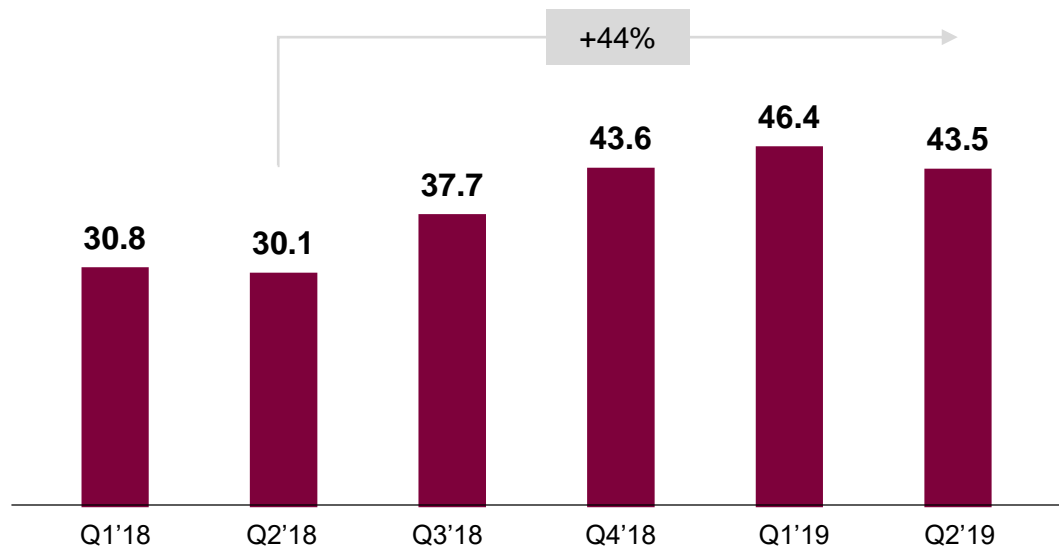
Increase in number of clients by 166 T net y/y (including new clients from SKOK Jaworzno).
 Successful conclusion of operational merger with SKOK Jaworzno.
 Growing significance of current accounts as a hook product (increase by 40% y/y in the number of clients who choose Alior Bank by opening a current account).

*Clients who financed a purchase with the Alior Bank installment max. 36 months earlier and in the given quarter purchased another Bank product for the first time

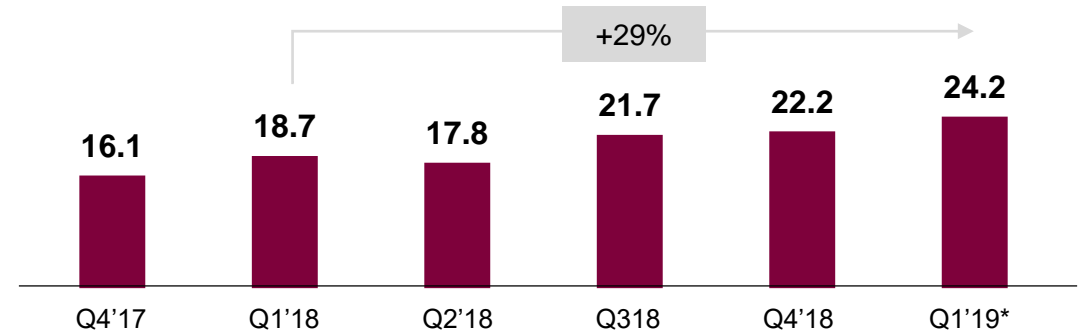
Retail client segment: building a primary relation

Current accounts sales (T)

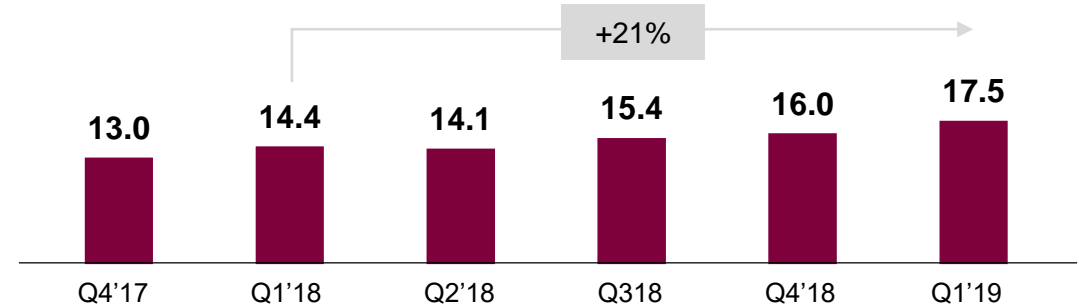
(number of new current accounts for New to Bank and New to Product clients)



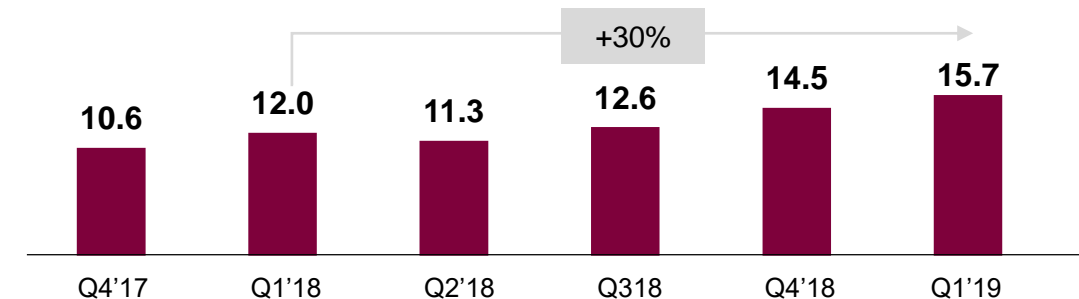
Number of new priority clients (T)



Number of new current accounts with transactions** (T)



Number of new current accounts with regular inflows*** (T)



Increase in current accounts sold by 44% y/y. maintaining growth in number of priority clients and transactions.

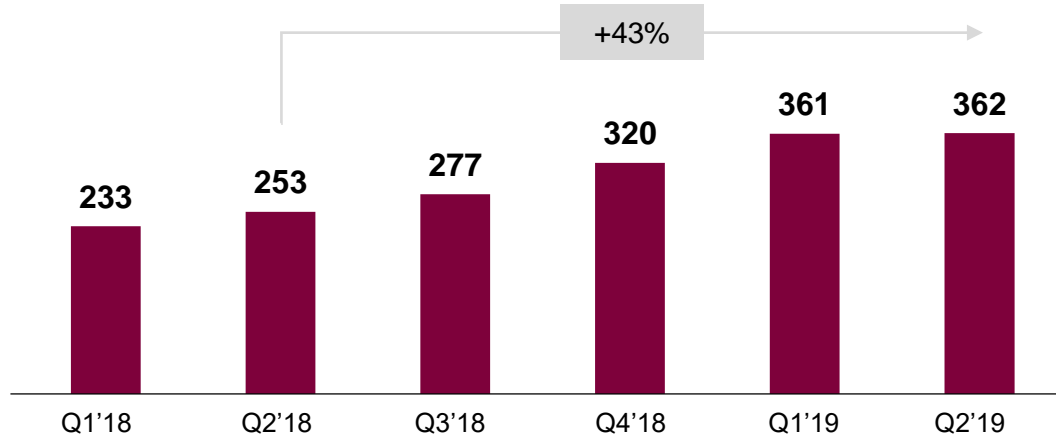
*Clients acquired in Q1 2019 according to the segment notice at the end of Q2'19

**Min. 3 transactions with transfers - 3 months after opening the current account

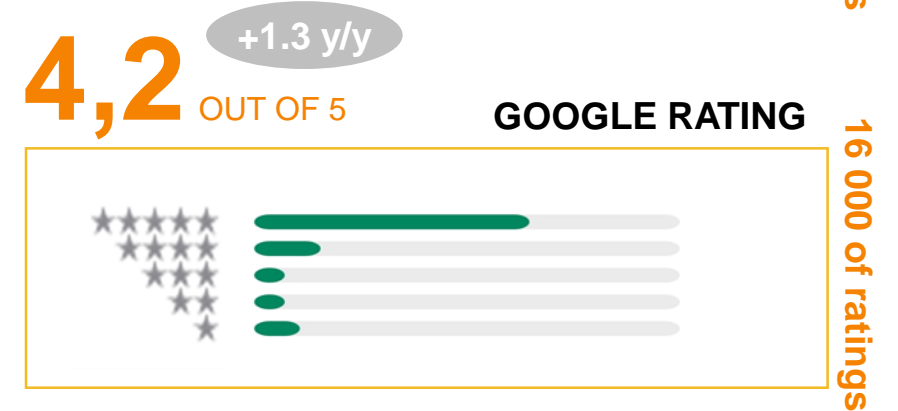
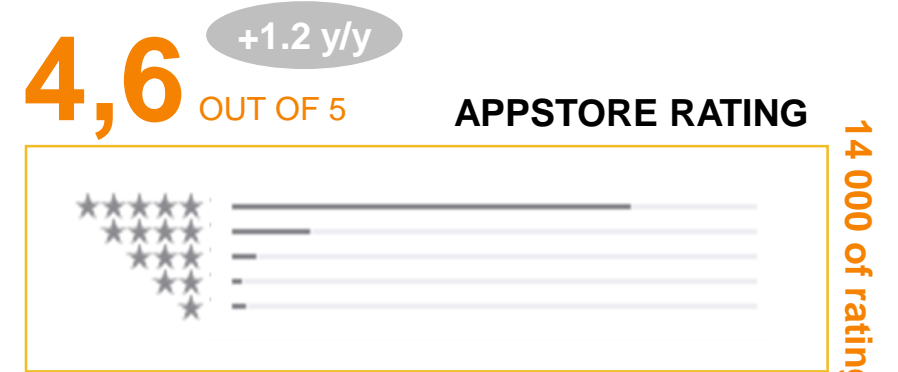
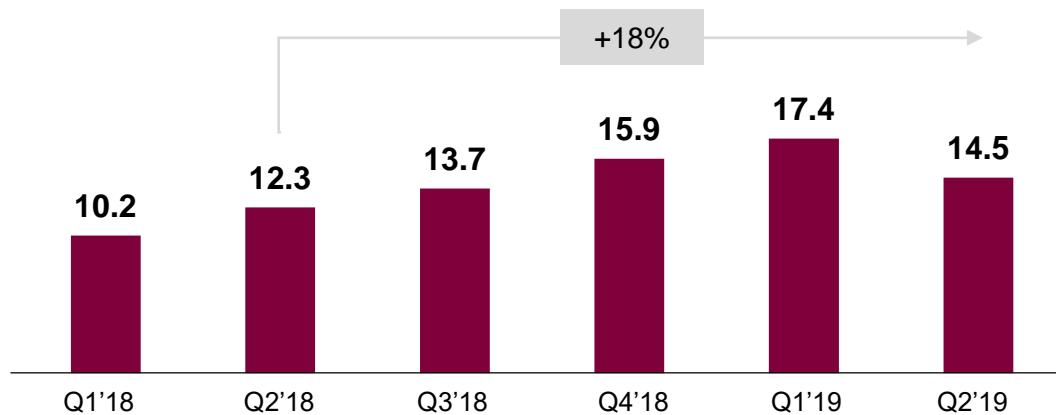
***2 months with receipts of at least PLN 1,000 - 3 months after opening the current account

Retail client segment: increase in the importance of digital channels

Sales of cash loans in remote channels (PLN M)



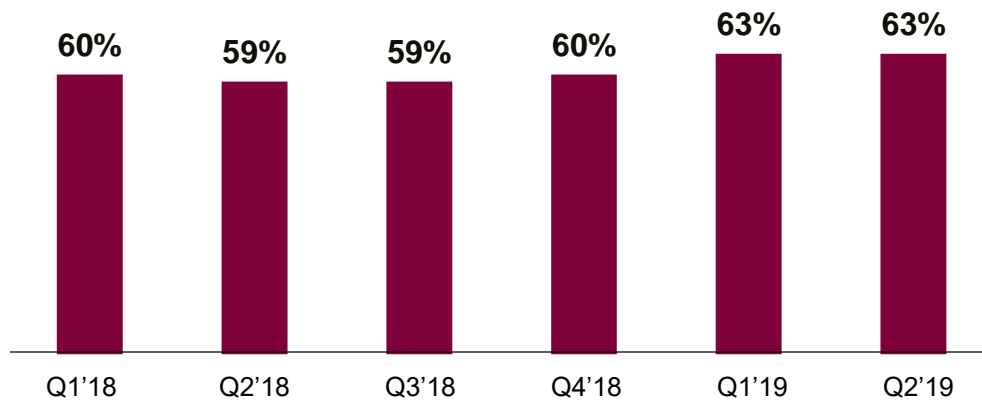
On-line sales of current and saving accounts (T)



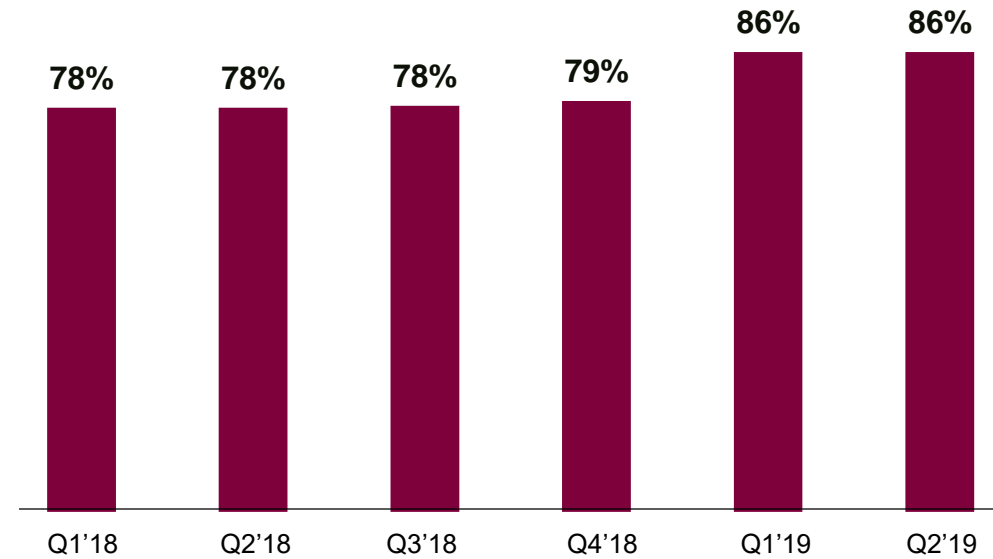
Increase in sales of cash loans through remote channels by 43% y/y. Current accounts and on-line saving accounts increased by 18% y/y. Further increase in user ratings of the Mobile Application in the AppStore by +1.2. and GooglePlay by +1.3.

Retail client segment: maintaining high quality of service

NPS own branches



NPS franchise branches

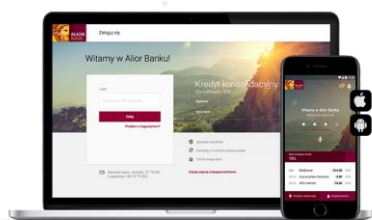


High service quality maintained in both type of Alior outlets.
Our clients appreciate mostly staff's courtesy and engagement as well swift service.

Retail client segment: development of remote channels and implementation of the latest mobile banking solutions in Q2 2019

Q2 2019

BLIK phone number transfers



Access to online banking along with an installment loan. The ability to track the schedule of installments and repayment history or check the balance of the loan account and take advantage of the on-line offer.

Foreign card purchases without any currency conversion costs for Konto Jakże Osobiste users. Alior Bank clients can use their basic account card in 152 currencies and use the best conversion rates.



Launching on-line sales at Agata Meble.

As part of the adjustment to the requirements of the PSD2 Directive, electronic banking introduced the possibility of giving consent to third institutions, which meets the requirements set by PSD2.

Subsequently, the bank will implement changes aimed at the business use of PSD2 and data that may be collected from other institutions:

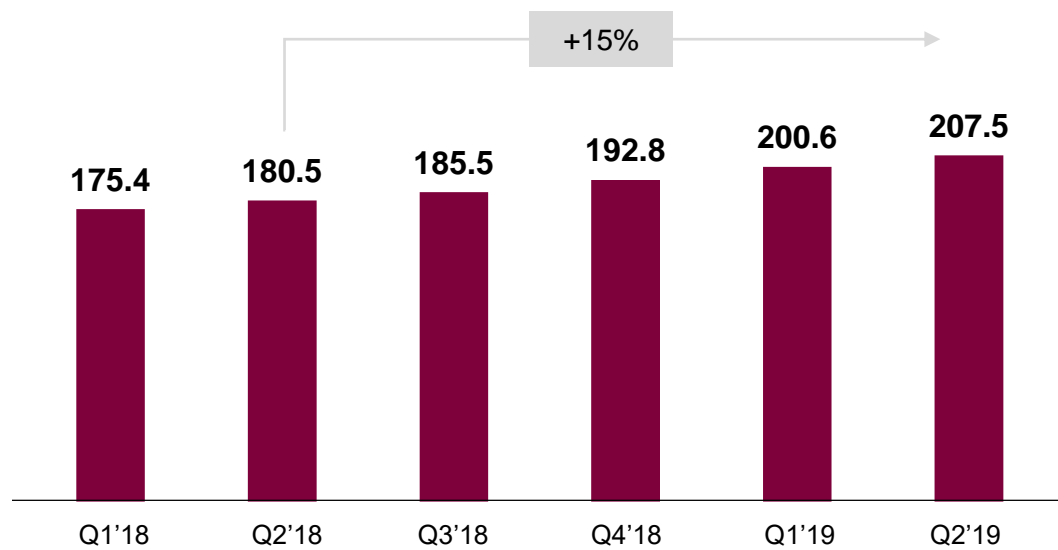
- **Account Information Service (AIS)**, thanks to which it will be possible to have aggregated information on the balance of accounts and history of transactions conducted by other banks in one place.
- **Payment Initiation Service (PIS)**, which allows to initiate payments directly from the client's account at another bank.
- **Confirmation of Availability of Funds (CAF)** is a service that allows to confirm the availability of funds on an account with another bank in the context of payment instruments issued by the bank.

PSD 2

Business client segment: increase in the number of clients combined with increase in transactions and primary client relation

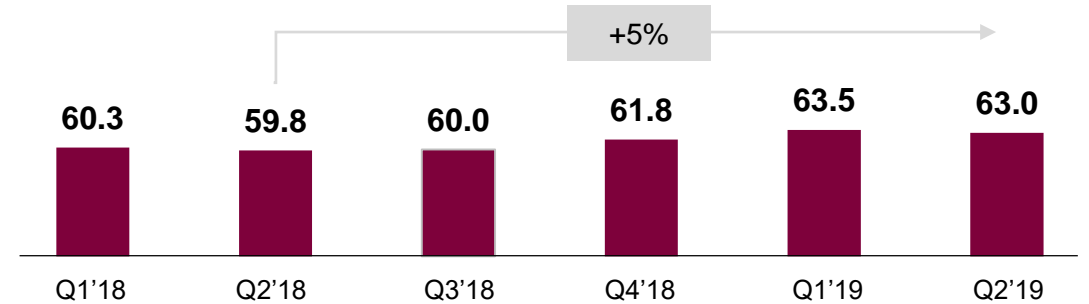
Business clients*

(number of business clients in T)

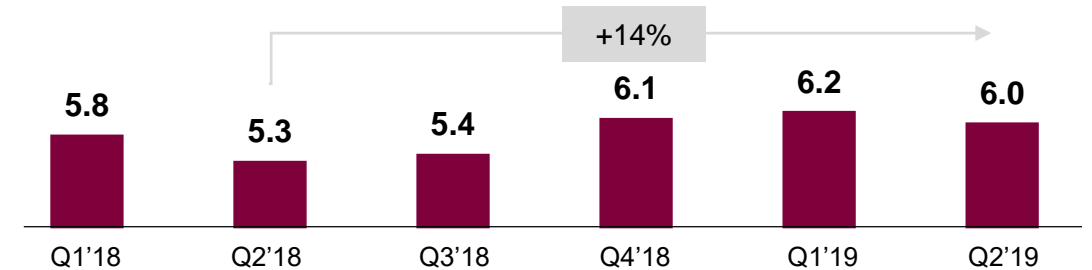


Clients with a main transactional relationship

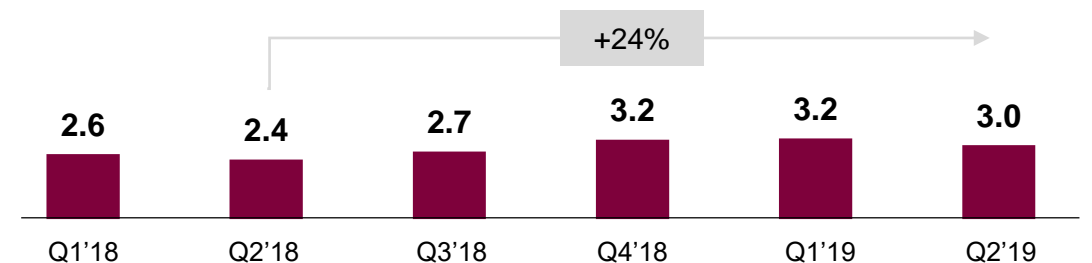
(clients paying social security & taxes from Alior account in T)



New business clients (T)



New clients with a debit card (T)

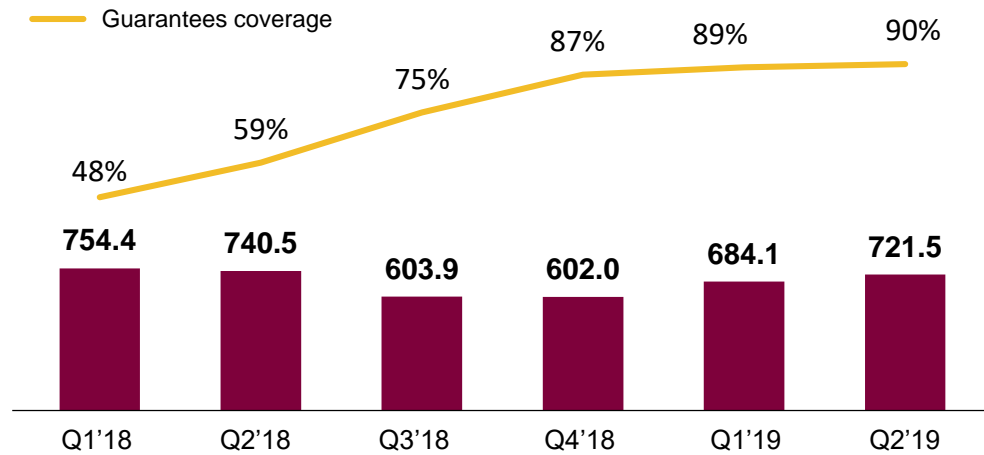


Dynamic increase in the number of clients by 27.0 T net y/y accompanied by increase in transaction.

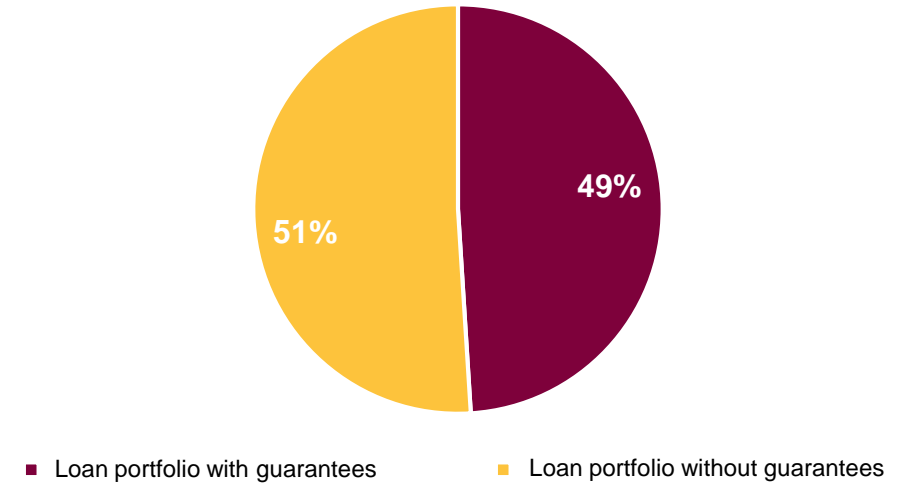
Effectively implemented activities for increasing the number of debit cards +24% y/y in new sales and activating the main payment relation – ZUS/US (social security & taxes).

Increase in new micro sales with simultaneous asset quality improvement

New micro sales (PLN B)



Share of the portfolio with BGK guarantees in the micro portfolio



Alior promotional campaign emphasizes Alior sales person on-site visit to the client:

- submitting the application and signing the application takes place on the banker's tablet,
- up to 600,000 PLN for any purpose,
- credit decision in 30 minutes.

In 2019 we expanded BGK guarantees offering – credit card, multi-purpose limit, consolidation loan.

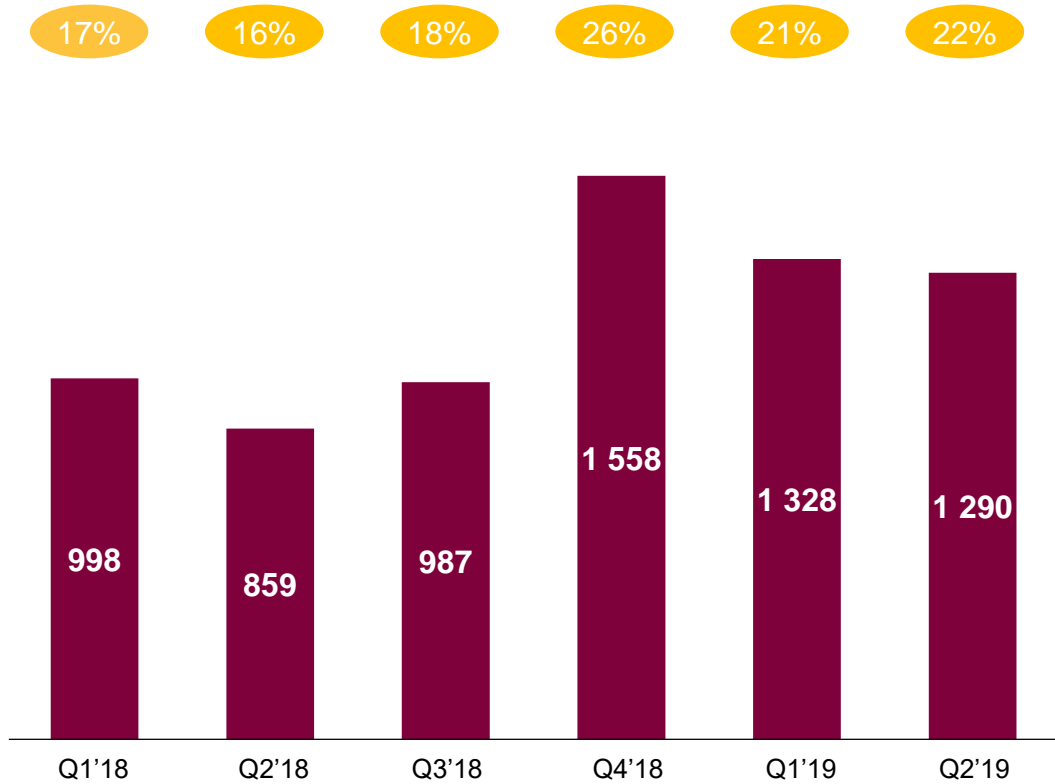
We implemented two new guarantees - Creative Europe Guarantee (Alior Bank was the first of Polish banks to grant a loan with the Creative Europe Guarantee on 01/08/2019) and Telecom Guarantees.

High level of guarantees will have a positive impact on CoR, RWA and capital ratios.

Business client segment: increased efficiency due to on-line clients acquisition and lending increase through automated processes

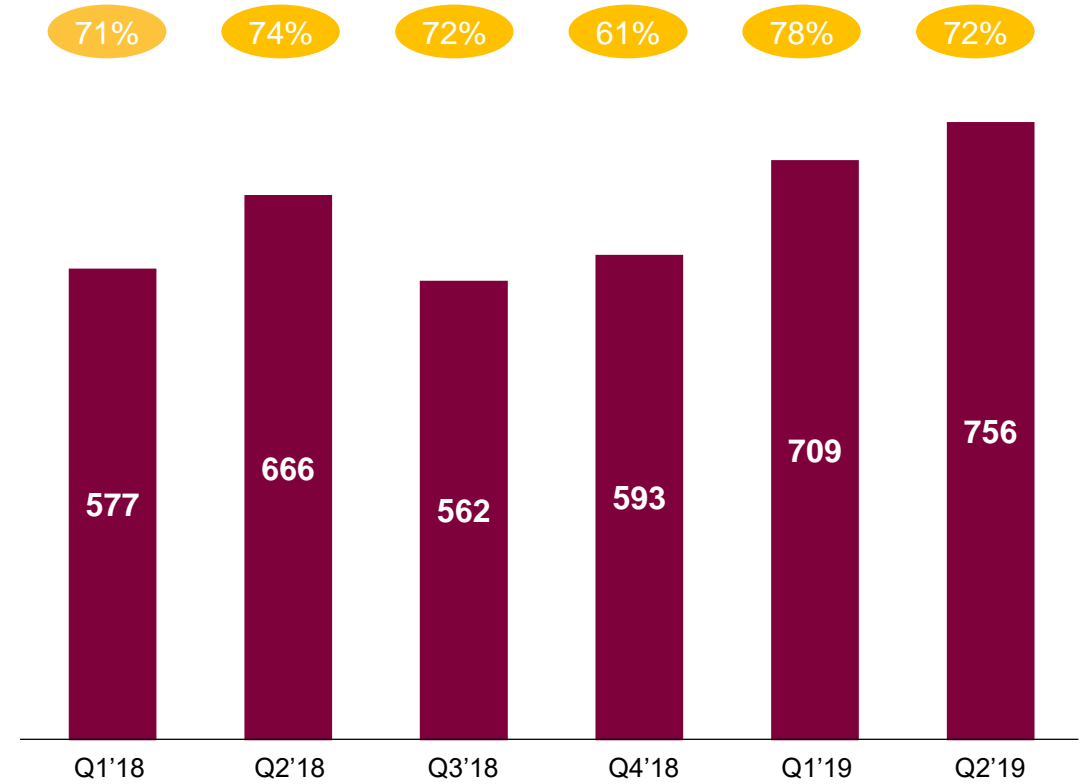
New business clients acquired on-line (new accounts openings in numbers)

Share of on-line acquisitions of new clients



Automated loan processes (new sales – limit in PLN M)

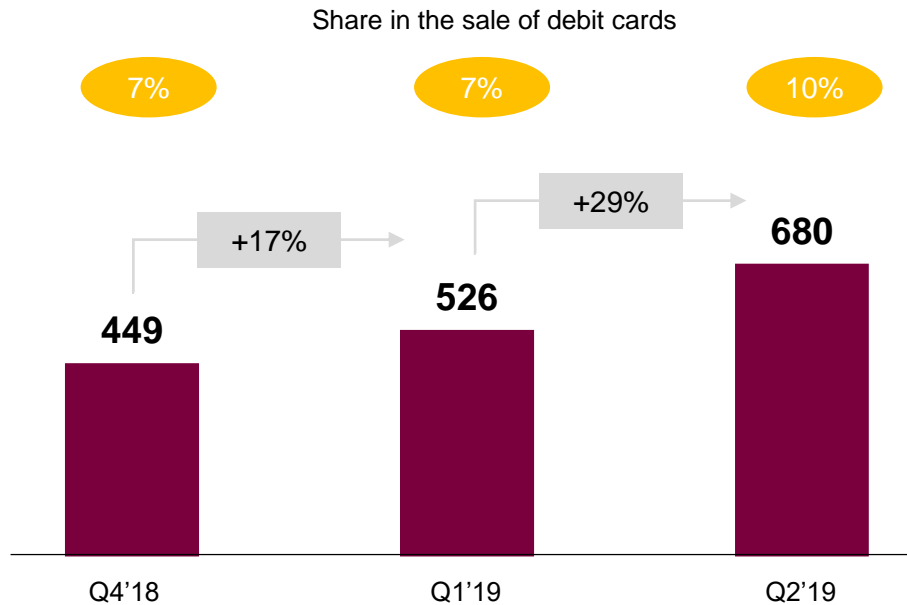
Share in the sale of micro and small



Business client segment: new multi-currency card well positioned on the market with growing sales and number of transactions

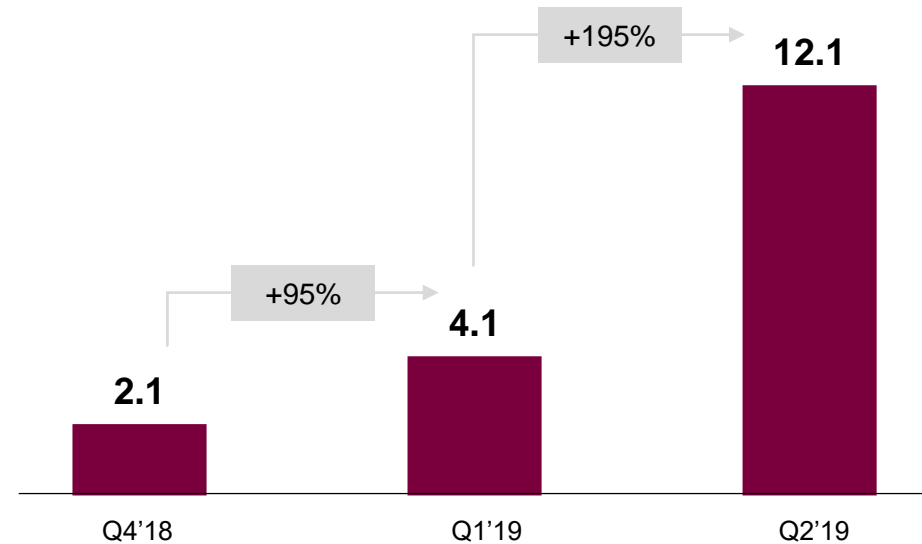
Multi-currency cards issued

(new open cards in items)



Multi-currency card transactions

(turnover in PLN M)



The 1st card on the banking market in Poland that services 23 currencies and provides attractive Mastercard exchange rates for the remaining approx. 140 currencies. Management of on-line currency accounts via the on-line banking system for retail and business clients.

Available on ApplePay and GooglePay and as a virtual card for secure on-line payments.

Business client segment: product development and credit risk assessment systems

New virtual card service for secure on-line payments (since June 2019)



Data confidentiality and a high level of security of card transactions on the Internet



Each transaction is associated with an individual card number for one-time use



No plastic card issuing



Access to the Mastercard Smart Data service, which allows i.a, reporting of expenses by payment cards.



The offer includes virtual:

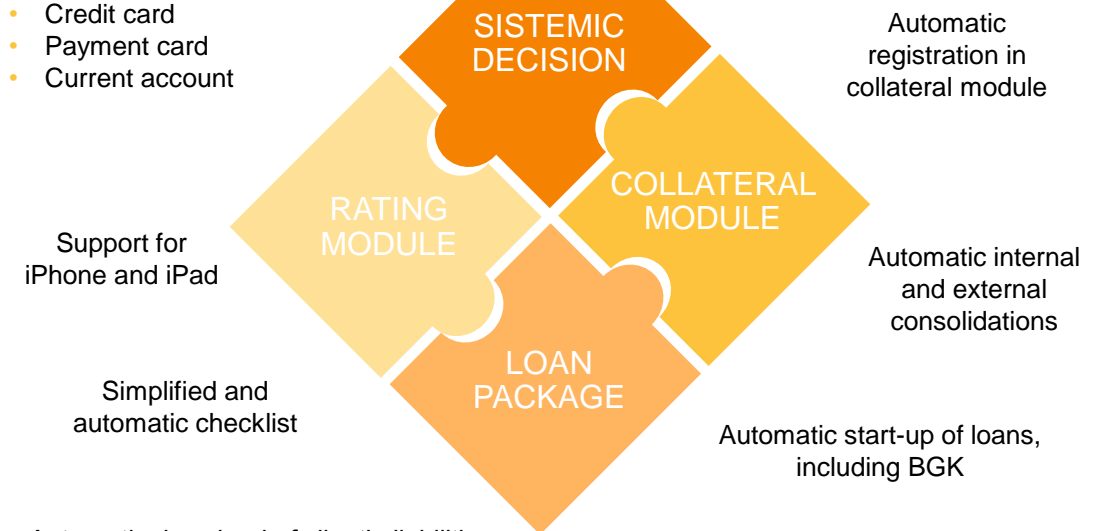
- debit cards
- credit cards
- one of the first virtual multi-currency card in the world

FENIKS KB Credit system

Multiproductivity – 9 products in 1 process:

- Business Loan (revolving facility)
- Factoring
- Leasing
- Business Loan for shopping purposes
- nAIB - Electronic banking
- Overdraft
- Credit card
- Payment card
- Current account

Automatic downloading of data from the CEiDG, KRS, and REGON databases



- Automatic download of client's liabilities from public databases i.e.: BIK Business Client, BIK Retail Client, Profiles (secure billing system)
- Additional AF databases (AntiFraud)

- Digitization of documents
- 1 client's signature on the entire loan documentation

Development of the product offer in cooperation with PZU



Bancassurance

- Expanding cooperation with PZU by introducing cash loan and mortgage loan insurance

Investment products

- Complete offer of PZU TFI (mutual fund) available to Alior clients
- New model of cooperation between PZU TFI and Alior TFI (funds of funds)

Leasing

- PZU's automotive insurance offering for Alior Leasing clients
- Implementation of Automotive Insurance Quotation Service

CASH platform

- Start of the platform prepared by the technology company of Alior Bank – Bancovo (tailor-made solution)
- Implementation of a competitive market offer at a low cost of risk

Employee Capital Plans (PPK)

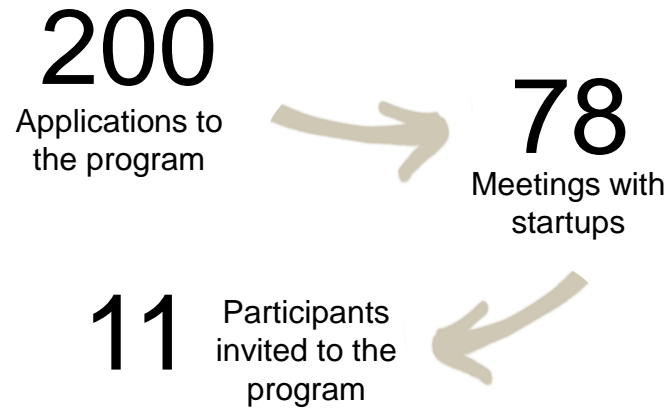
- Dedicated Bank's offer targeted at approx. 2,000 companies from the 250+ employees segment
- PZU Group distribution support

Recruitment

Business challenges

- New channels to reach a client
- Data analytics
- Strengthening client relationship
- Security

Results



Startups



Partners



July'19 – Hello Day

November'19 – Demo Day

Acceleration program – design work with startups, preparations for the pilot implementation

1 Key highlights

2 Financial results

3 2019 guidance

4 Appendix

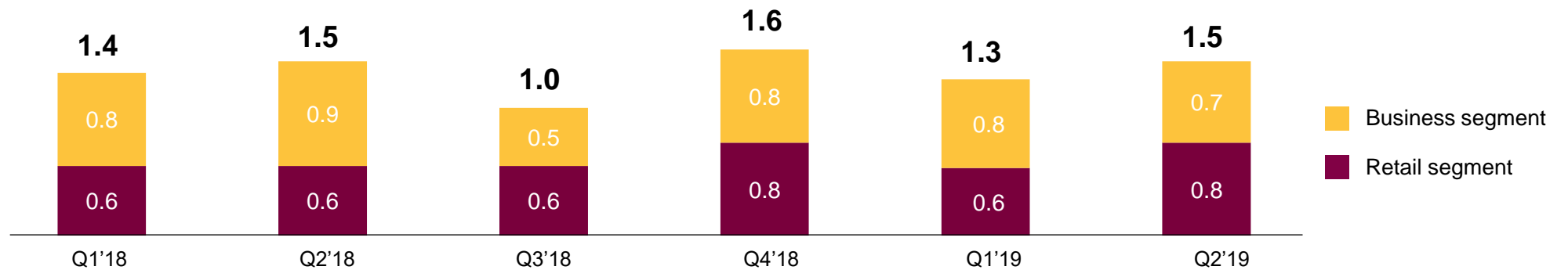
P&L statement – primary data

PLN M	1H 2019	1H 2018	Change y/y	Change y/y (%)
Revenues, including:	2 032	1 963	70	4%
Net interest income	1 632	1 501	131	9%
Net fee and commission income	329	347	-19	-5%
Net trading income and other	71	114	-43	-38%
General administrative expenses, including:	-906	-886	-20	2%
BGF contributions	-133	-72	-62	86%
General administrative expenses (excl. BGF contributions)	-773	-815	42	-5%
Net impairment charges and write-downs	-777	-483	-294	61%
Banking tax	-110	-103	-7	7%
Profit before tax	239	491	-252	-51%
Income tax	-81	-137	55	-40%
Net profit	158	354	-196	-55%

Volumes

PLN M	30.06.2019	31.12.2018	30.06.2018	Change 1H'19	Change 1H'19 (%)	Change y/y	Change y/y (%)
Loans, including:	56 664	54 246	52 434	2 418	4%	4 231	8%
Retail segment	30 393	29 443	28 363	949	3%	2 030	7%
Business segment	26 271	24 802	24 071	1 469	6%	2 201	9%
Deposits, including:	64 886	62 436	59 645	2 450	4%	5 241	9%
Retail segment	45 422	43 945	39 266	1 477	3%	6 156	16%
Business segment	19 464	18 491	20 379	974	5%	-915	-4%
<i>L/D ratio</i>	87.33%	86.88%	87.91%	0.45 p.p.		-0.58 p.p.	

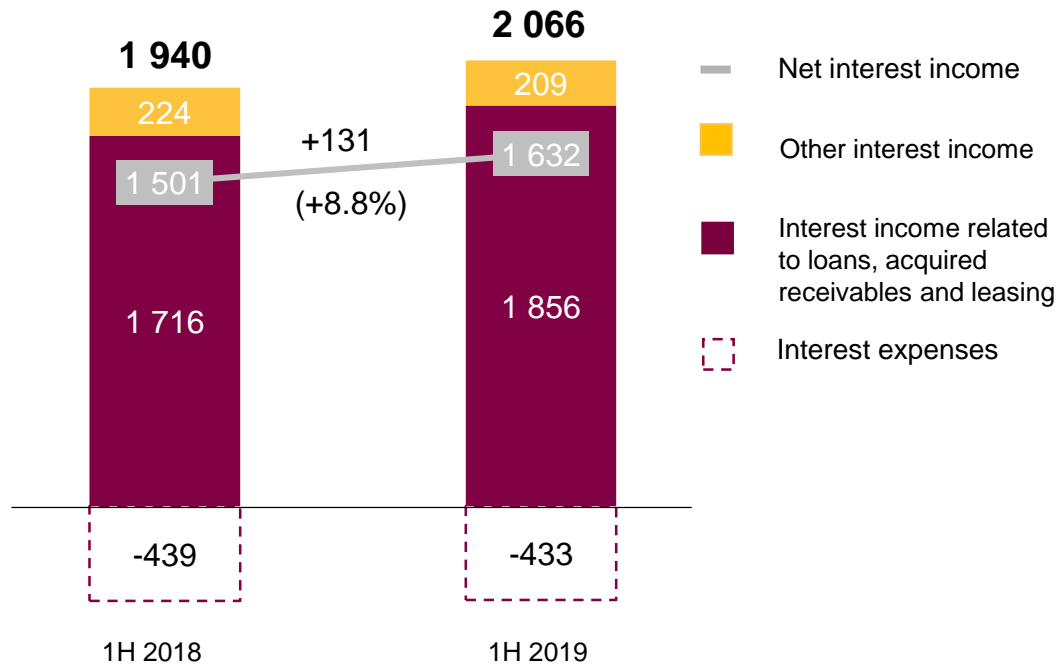
Increase in gross loans volume (PLN B)



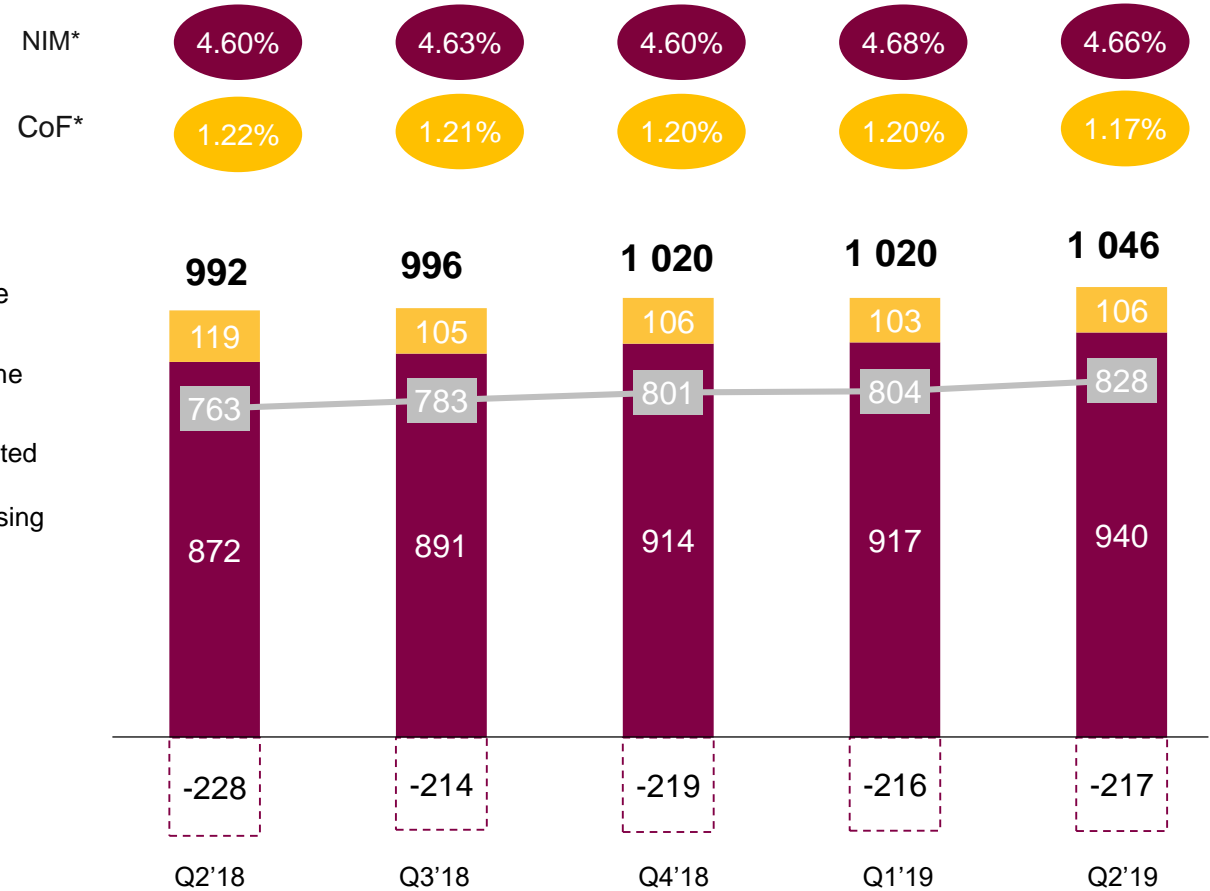
Increase in gross loans in 1H 2019 at PLN 2.8 B.

Net interest income (PLN M)

Y/y comparison

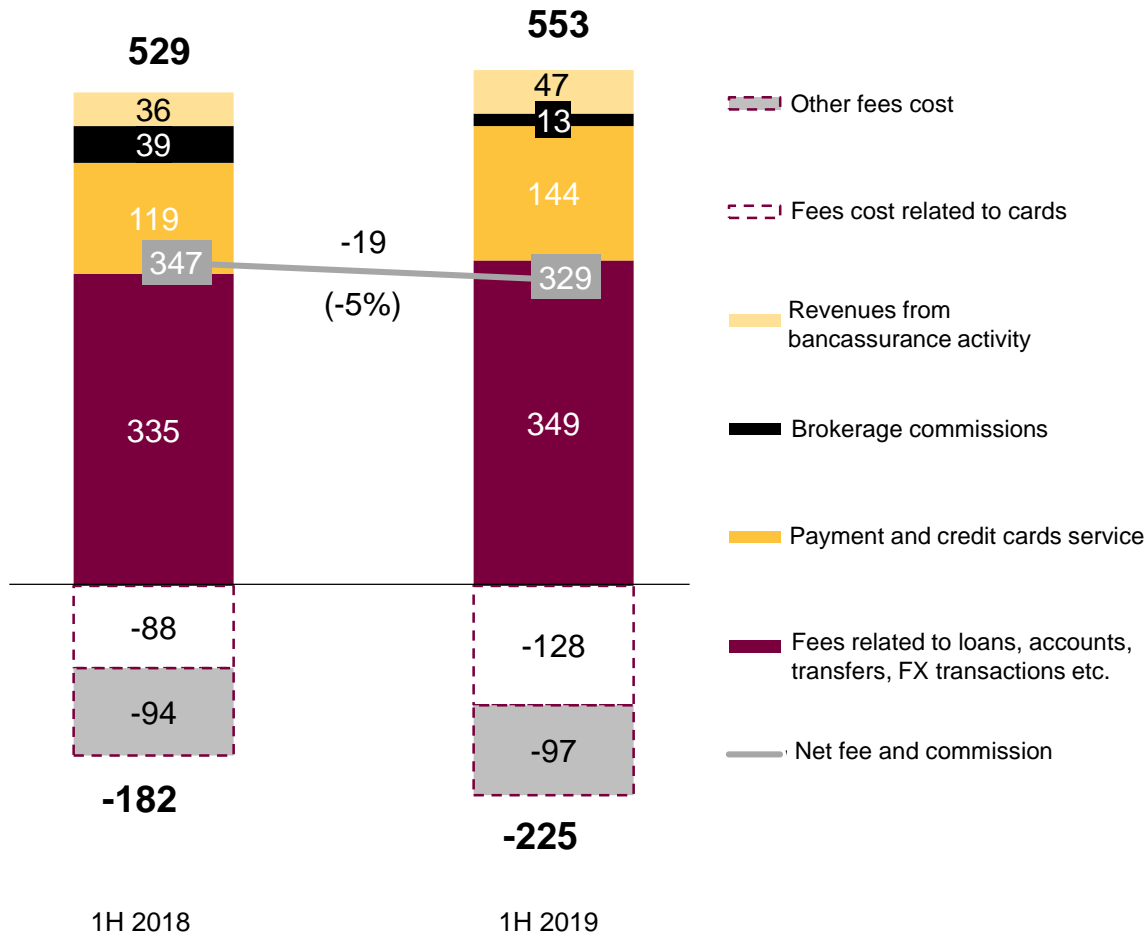


NII quarterly split

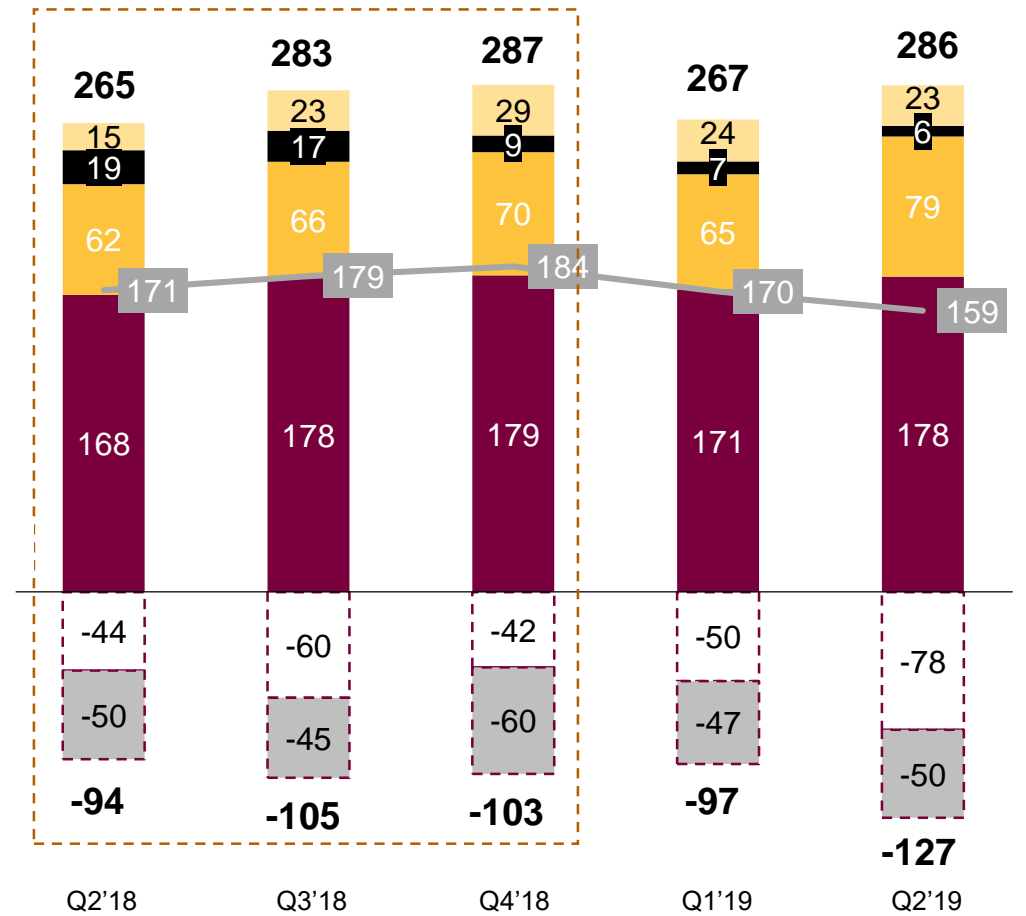


Net fee and commission (PLN M)

Y/y comparison



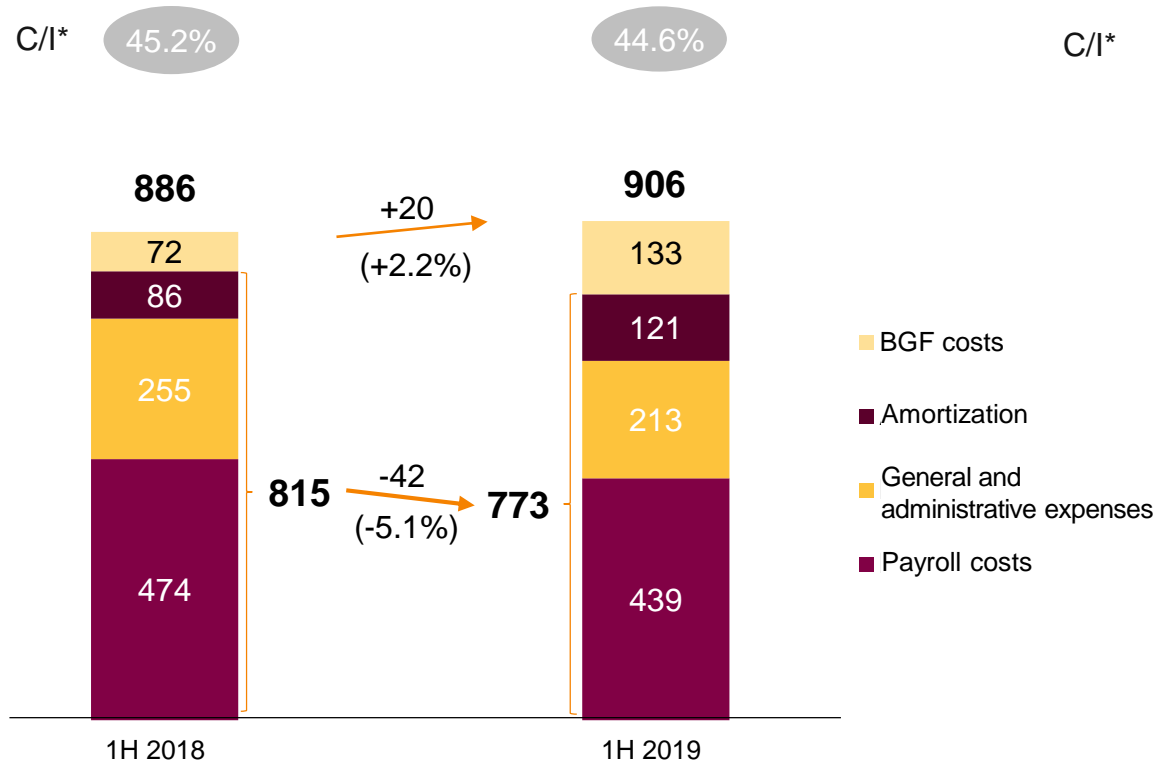
NFC quarterly split



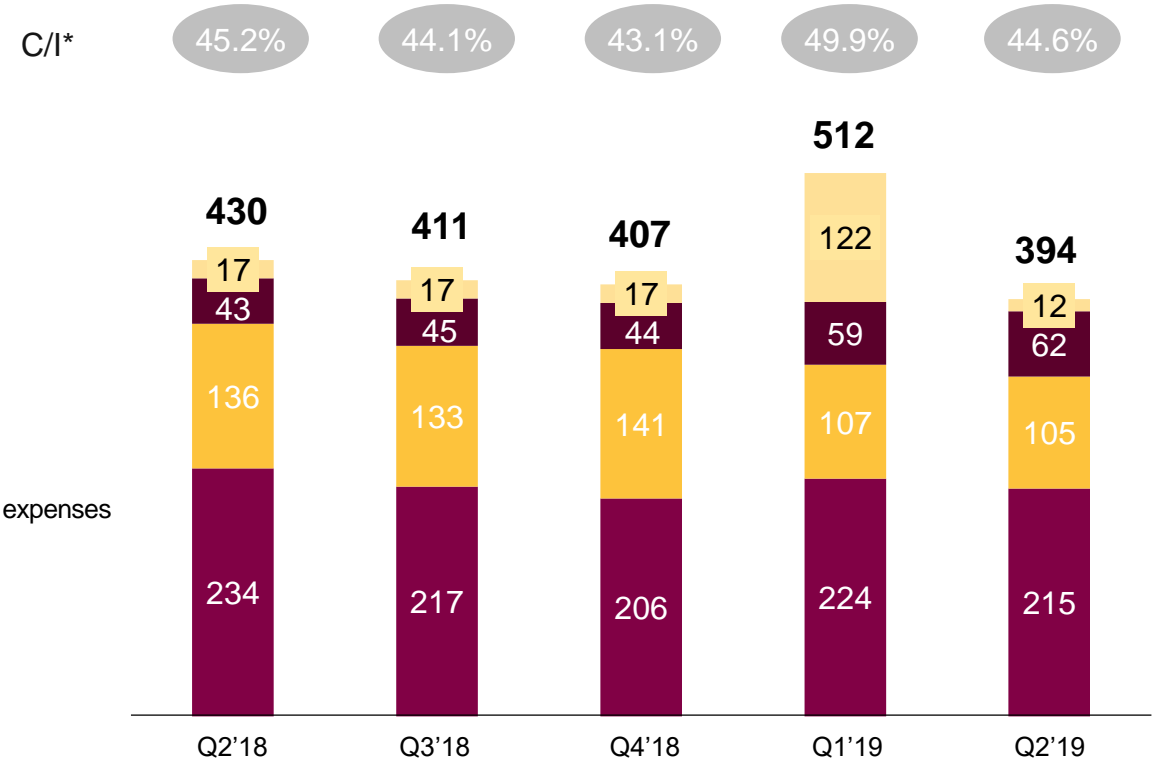
Proforma data for comparability, taking into account the change described on slide 44

Bank maintains high level of cost effectiveness (PLN M)

General and administrative expenses (y/y comparison)



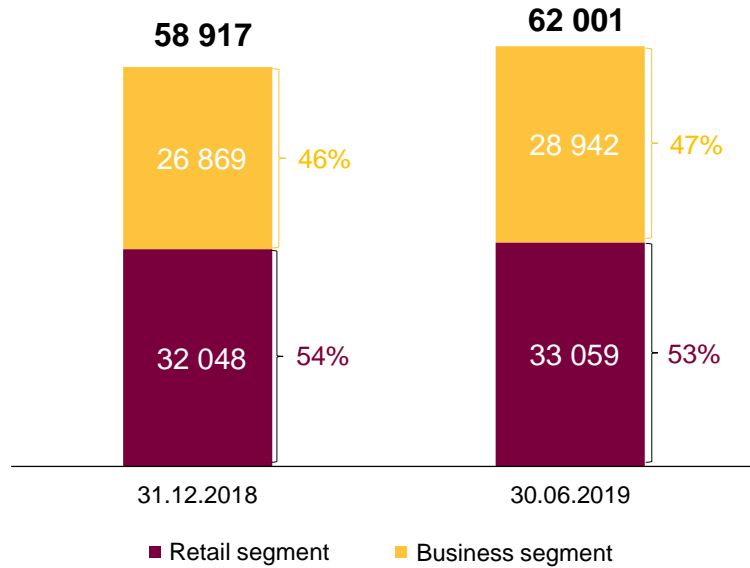
General and administrative expenses (quarterly)



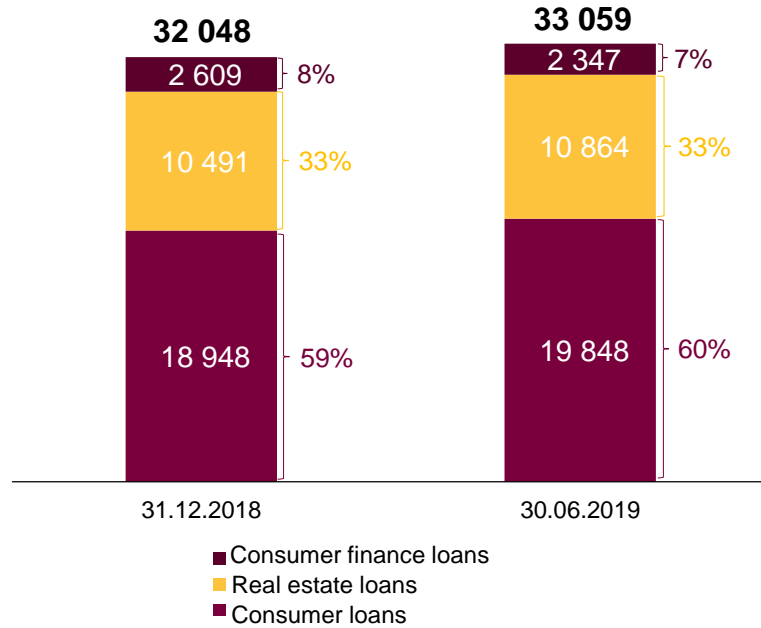
Operating costs under control at PLN 906 M vs. PLN 886 M in 1H 2019.
Excluding BGF contributions, a decrease in operating expenses by PLN 42 M y/y (-5% y/y).

Loan portfolio quality and structure

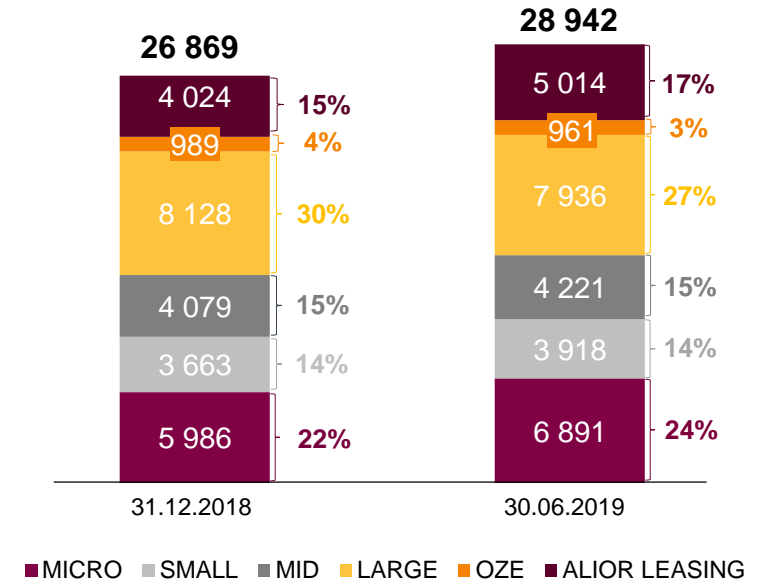
Total loan portfolio (PLN M)



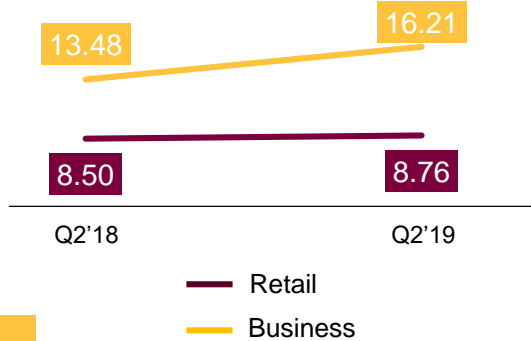
Retail client portfolio (PLN M)



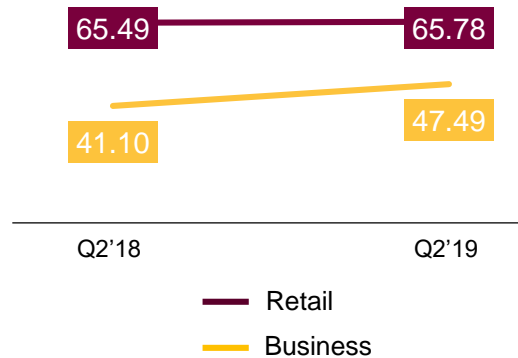
Business client portfolio (PLN M)



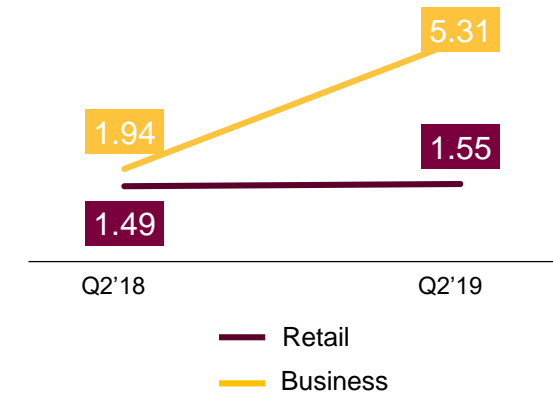
NPL (%)



Coverage ratio (%)

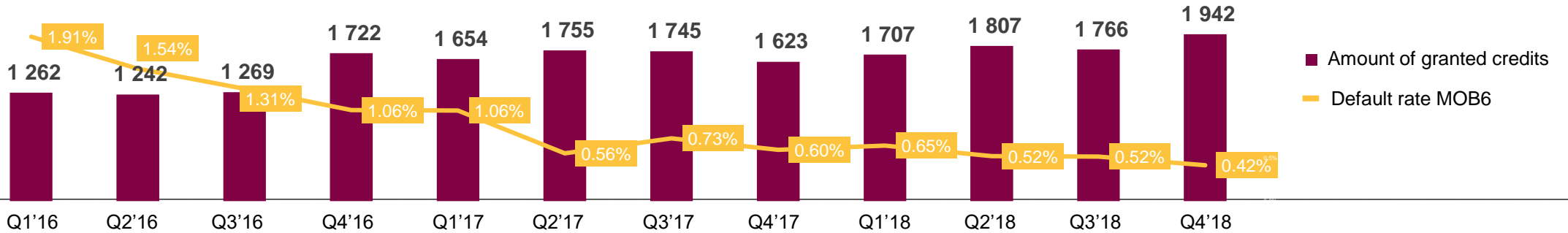


Cost of risk* (%)

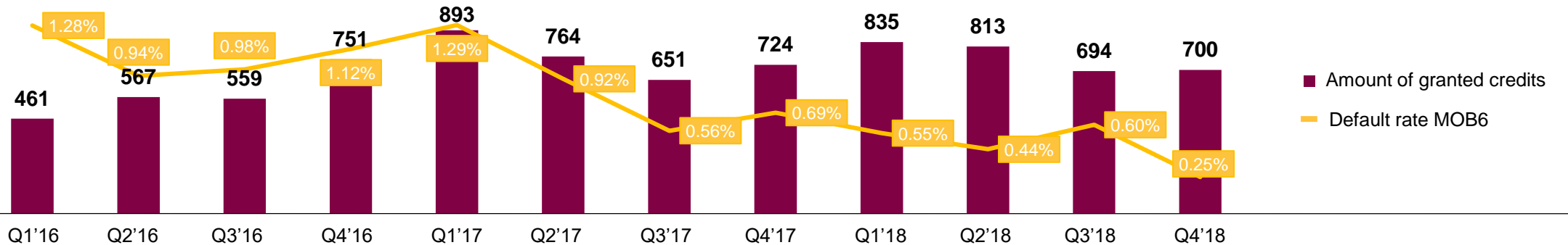


Constant improvement in the quality of new loan sales

Sales volume and quality of new cash loan sales (PLN M)



Sales volume* and quality in the micro business client segment (PLN M)

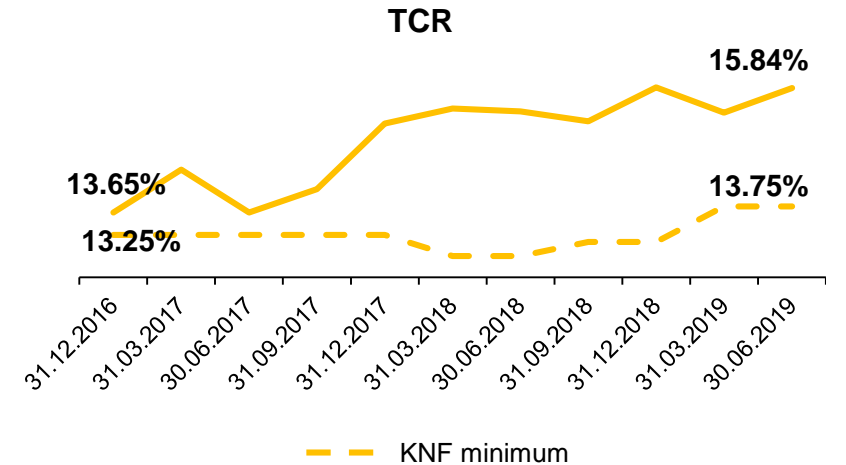
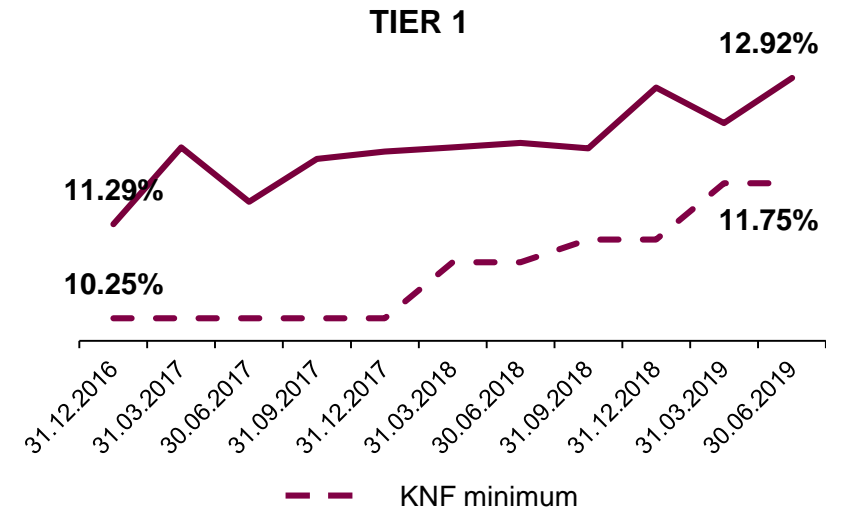
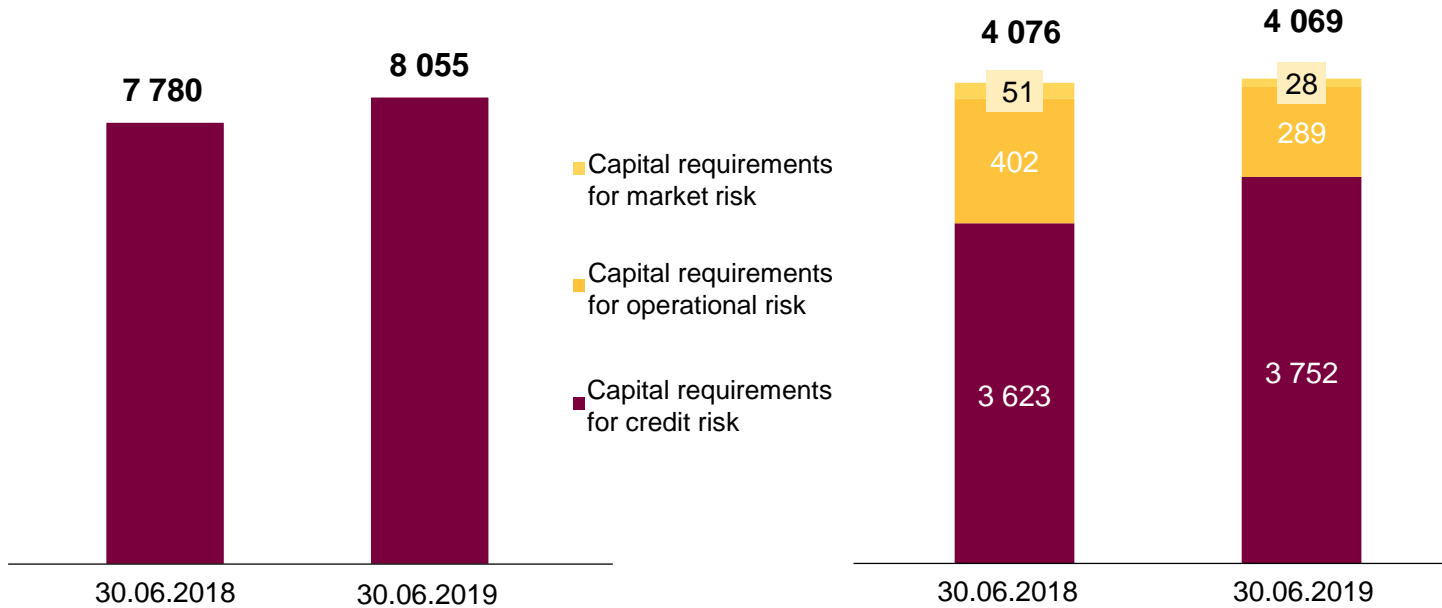


Loan quality in strategic segments (cash loan and micro) has been systematically improving for past 3 years. 2019 plan: maintaining this positive trend – optimizing risk management at every stage of the credit process.

Capital ratios at a safe level

Own funds and capital requirements in total (PLN M)

Own funds



Current level of TIER1 and TCR ratios provides buffer over regulatory minimums of 117 and 209 bps respectively.

1 Key highlights

2 Financial results

3 2019 guidance

4 Appendix

2019 guidance

	1H 2019 actual	2019 guidance	2020 strategic target
NIM net interest margin	4.7%	4.6%	4.5%
C/I* cost/income	44.6% 39.2%**	41% (previously 42%)	39%
CoR cost of risk	2.6%	2.3% (previously 1.8%)	1.7%
Gross loan book growth*** (12 months)	PLN 2.8 B	PLN 5 B	PLN 5 – 6 B

Strategy update process has started. New 2020-2022 strategy will be presented by the end of first quarter 2020.

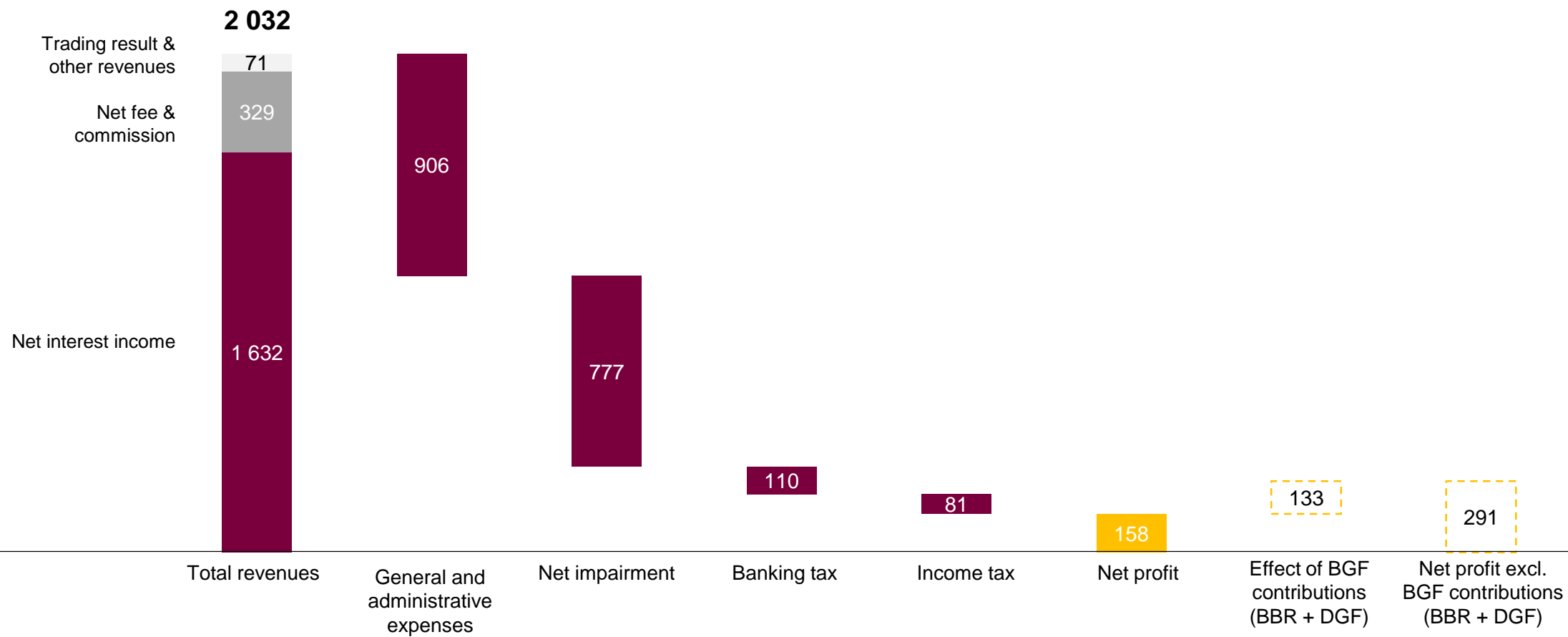
1 Key highlights

2 Financial results

3 2019 guidance

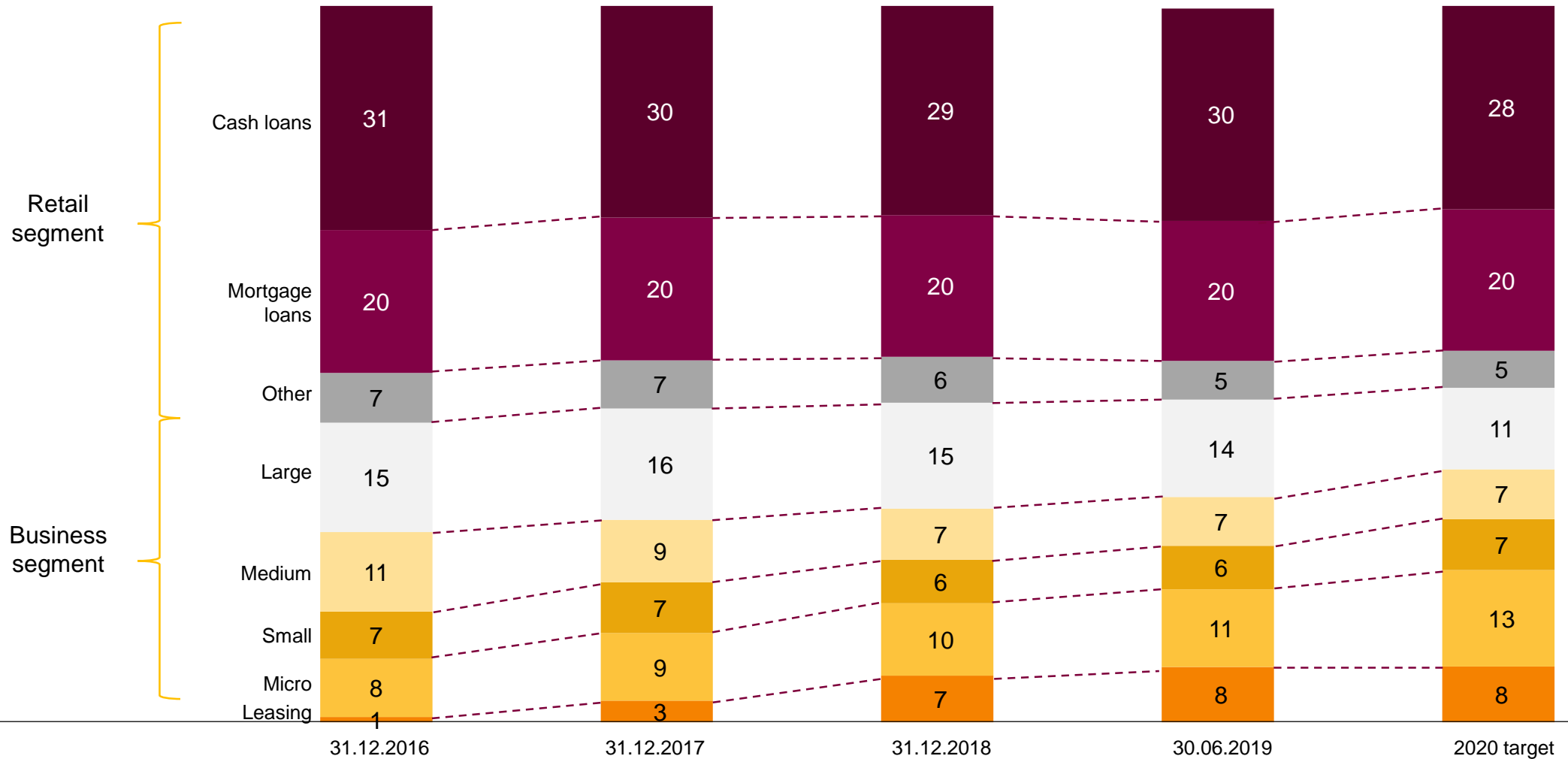
4 Appendix

1H 2019 net profit decomposition (PLN M)

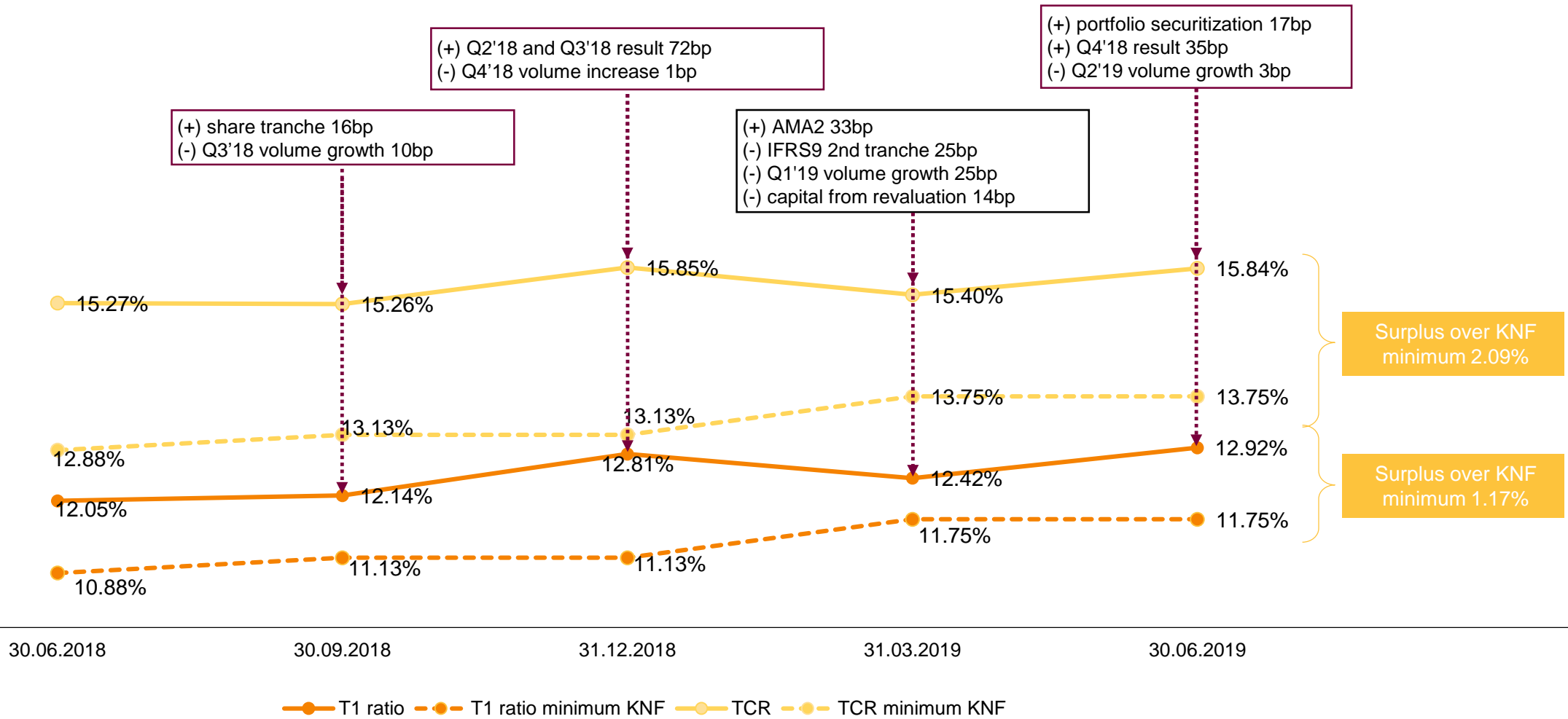


Change in the portfolio structure in line with the strategy

Loan portfolio structure (%)

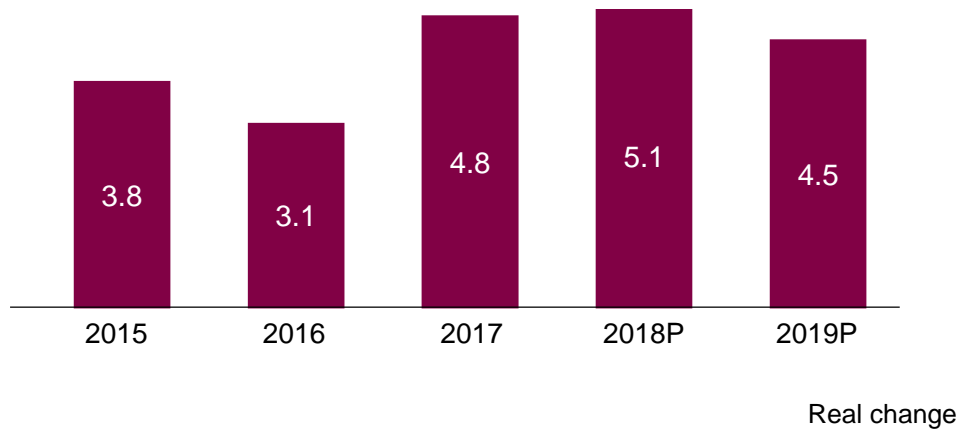


Bank's capital position allows to maintain dynamic loan volume growth

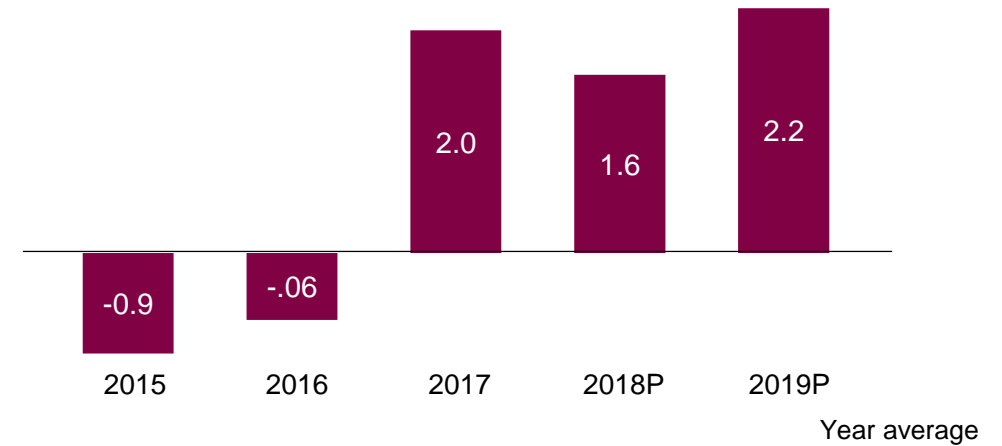


PLN 1 B of volume growth translates into 16 bp of Tier 1 consumption. Current Tier 1 level suffice for loan volume growth of PLN 7.9 B.

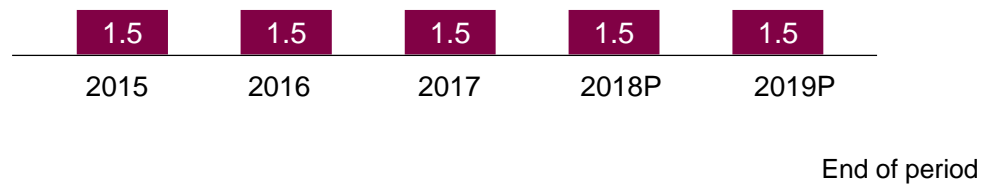
GDP growth (% y/y)



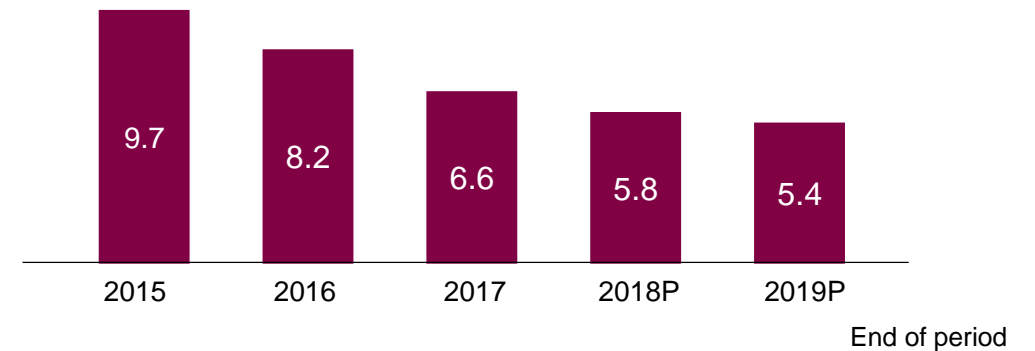
Inflation (CPI % y/y)



NBP reference rate (%)



Unemployment rate (%)



Income statement

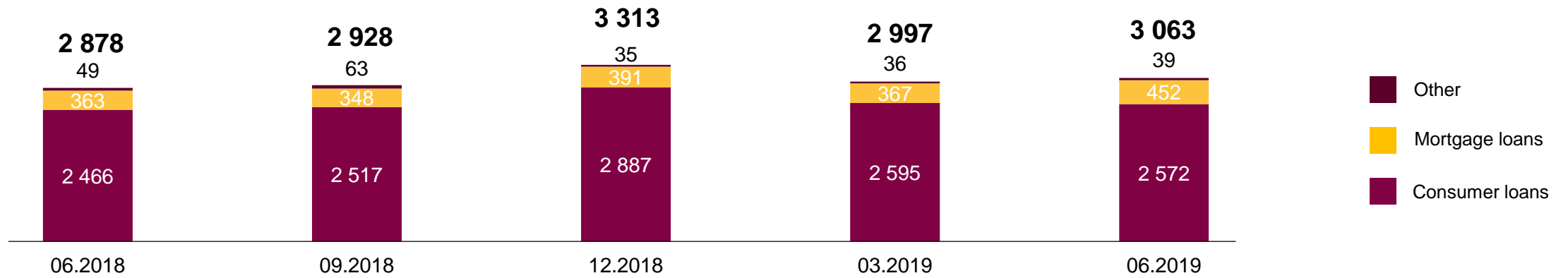
PLN M	01.01.2019 – 30.06.2019	01.01.2018 – 30.06.2018 Adjusted data
Interest income*	2 066	1 940
Interest expenses	-433	-439
Net interest income	1 632	1 501
Fee and commission income	553	529
Fee and commission expenses	-225	-182
Net fee and commission income	329	347
The result on financial assets measured at fair value through profit or loss and FX result	33	53
The result on derecognition of financial assets and liabilities not measured at fair value through profit or loss	22	33
Other operating income	64	75
Other operating costs	-48	-46
Net other operating income	16	28
General and administrative expenses	-906	-886
Net expected credit losses, impairment allowances and write-downs	-777	-483
Banking tax	-110	-103
Profit before tax	239	491
Income tax	-81	-137
Net profit	158	354

Balance sheet

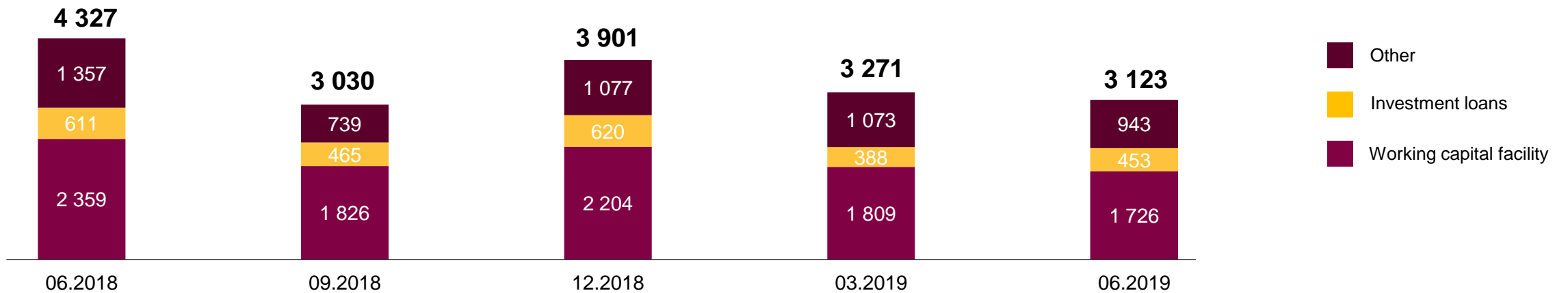
PLN M	30.06.2019	31.12.2018
Cash and balances with the Central Bank	1 786	1 639
Amounts due to banks	999	612
Financial assets	14 110	13 728
Measured at fair value through total income	8 060	7 280
Measured at fair value through P&L	560	515
Measured at amortized cost	5 491	5 932
Derivative hedging instruments	133	112
Loans and advances to clients	56 664	54 246
Assets pledged as collateral	346	333
Property, plant and equipment	815	461
Intangible assets	575	572
Investments in subsidiaries	4	4
Asset held for sale	0.1	0.1
Income tax asset	1 100	1 036
Other assets	526	676
Total assets	77 058	73 420
Amounts due to banks	1 101	593
Amounts due to clients	64 886	62 436
Financial liabilities measured at fair value through profit or loss	483	416
Derivative hedging instruments	16	9
Provisions	117	126
Other liabilities	1 873	1 167
Income tax liabilities	8	268
Current	7	267
Deffered	0.4	0.4
Subordinated loans	1 920	1 918
Total liabilities	70 404	66 934
Equity	6 654	6 486
Total liabilities and equity	77 058	73 420

New loans sales (PLN M)

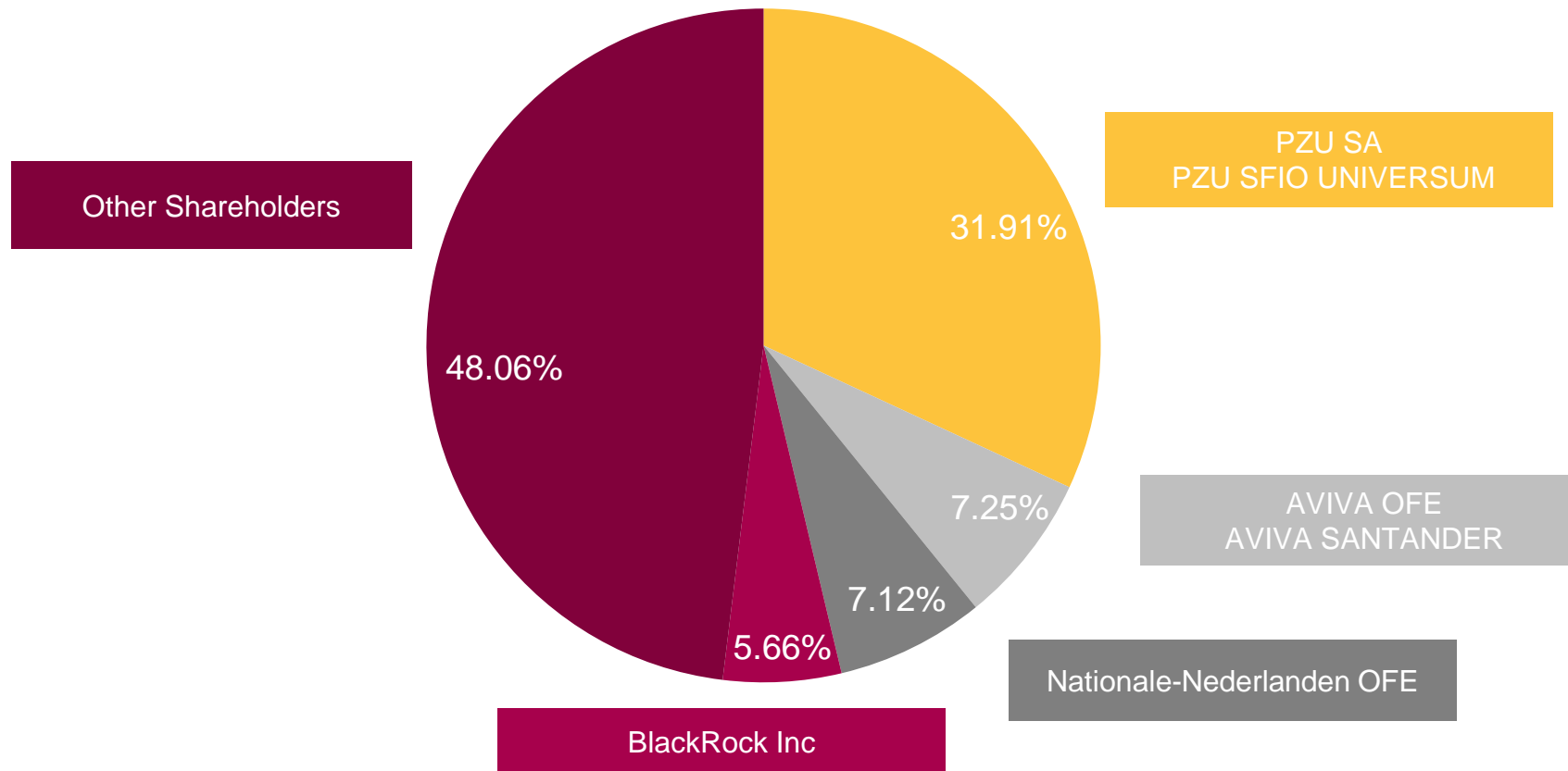
Retail loans (new quarterly sales)



Business loans (new quarterly sales)

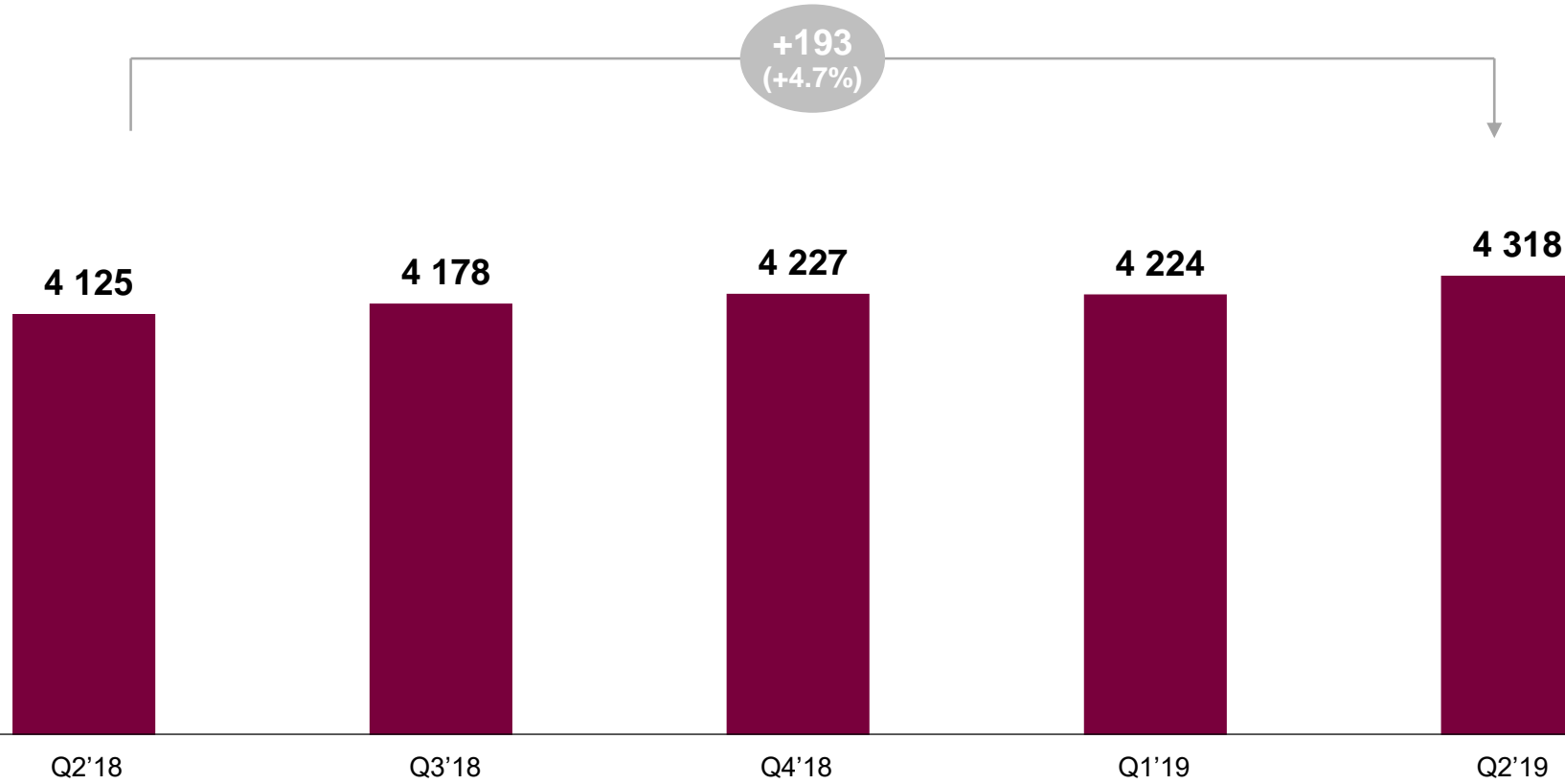


Alior Bank – shareholding

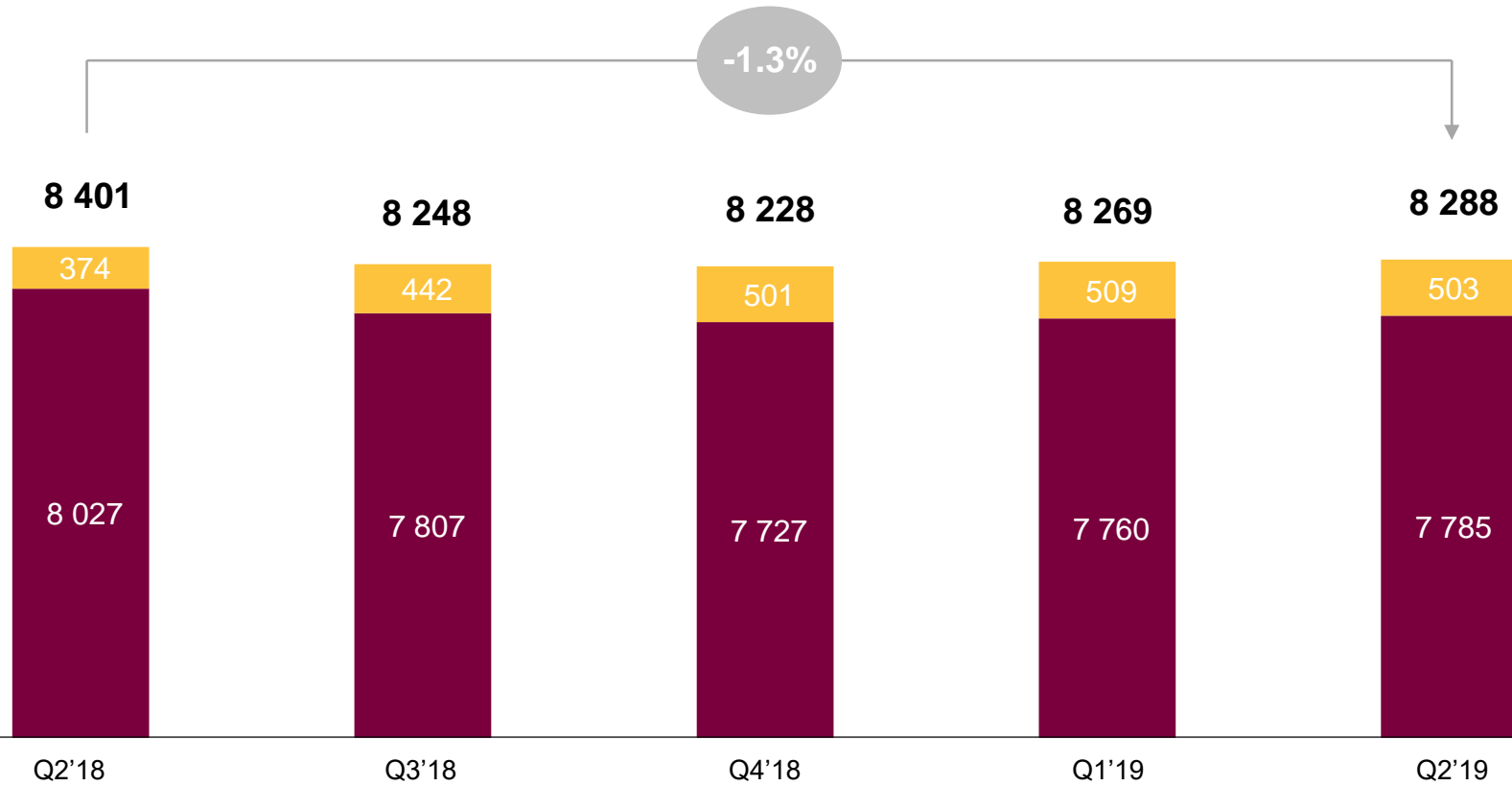


The largest free float among Polish financial institutions.

Consistent increase in the number of clients

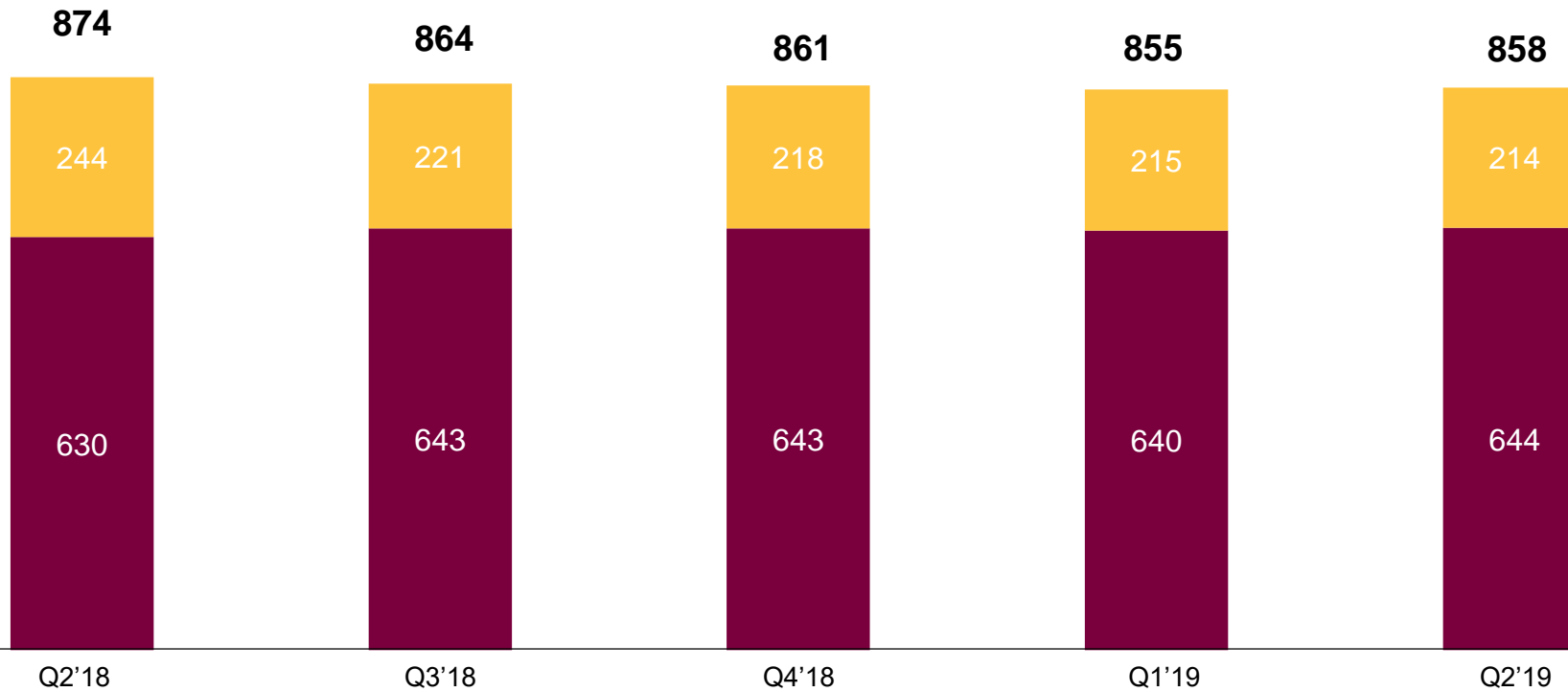


Alior Bank Group – FTE evolution



■ Alior Bank ■ Subordinated entities

Alior Bank – number of branches



■ Franchise branches ■ Own branches

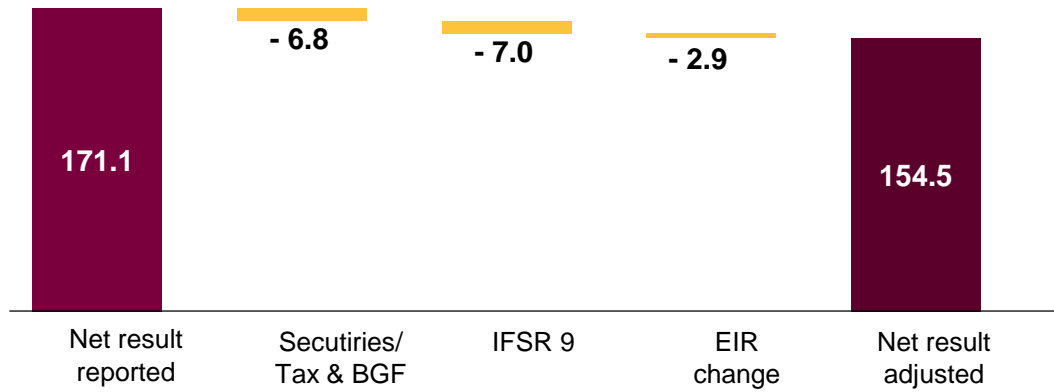
Change in the presentation of the transaction margin on FX transactions

	2018 Before change	Change	2018 After change
Interest income	3 085		3 085
Fee and commission income	436	274	710
The result on financial assets measured at fair value through profit or loss and FX result	372	-274	98
The result on derecognition of financial assets and liabilities not measured at fair value through profit or loss	78		78
Net other general and administrative income and costs	-15		-15
General and administrative expenses of the Group	-1 705		-1 705
Net expected credit losses, impairment allowances and write-downs	-1 054		-1 054
Banking tax	-208		-208
Profit before tax	988		988
Income tax	-275		-275
Net profit	713		713

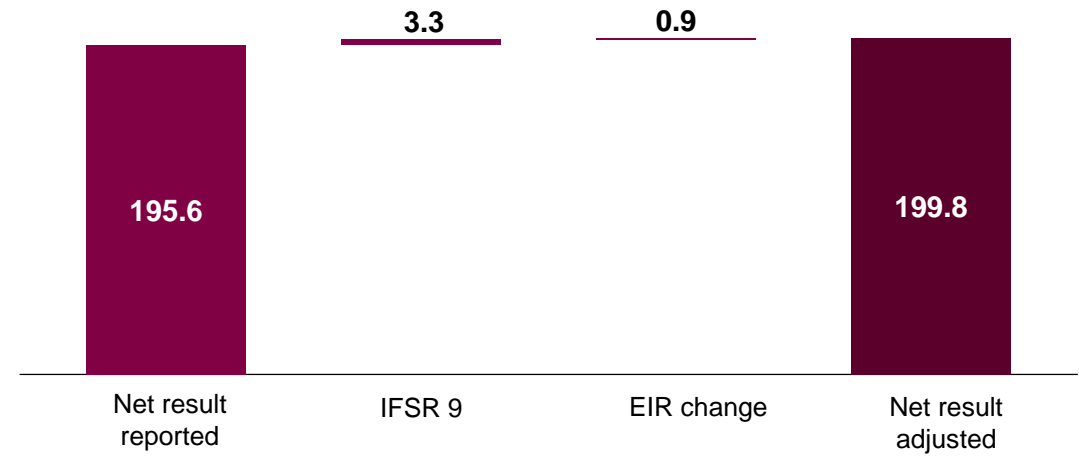
Starting from Q1 2019 Bank changed its presentation in terms of the realized transaction margin on foreign exchange transactions. In earlier periods, it was presented in the result on instruments measured at fair value through profit and loss and the revaluation result, now in the fee and commission income.

Impact of accounting adjustments on net profit 2018 (PLN M)

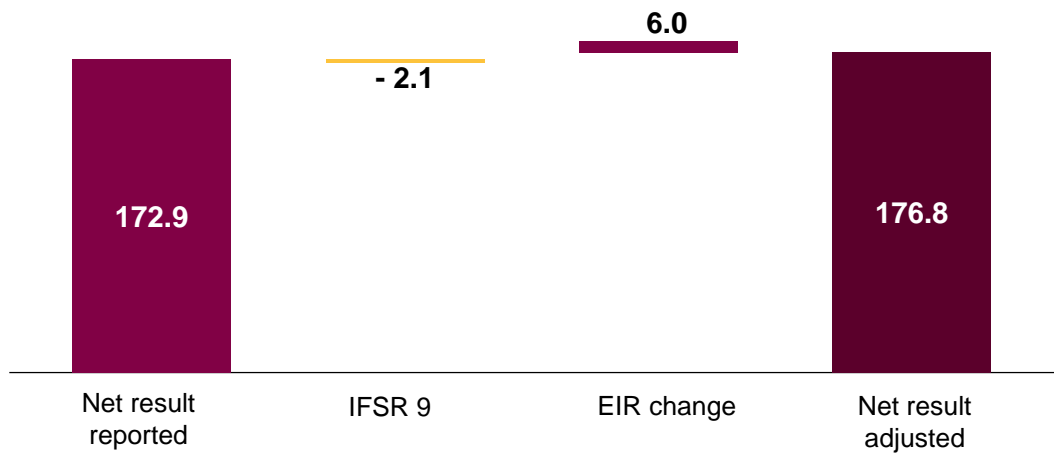
Q1'18



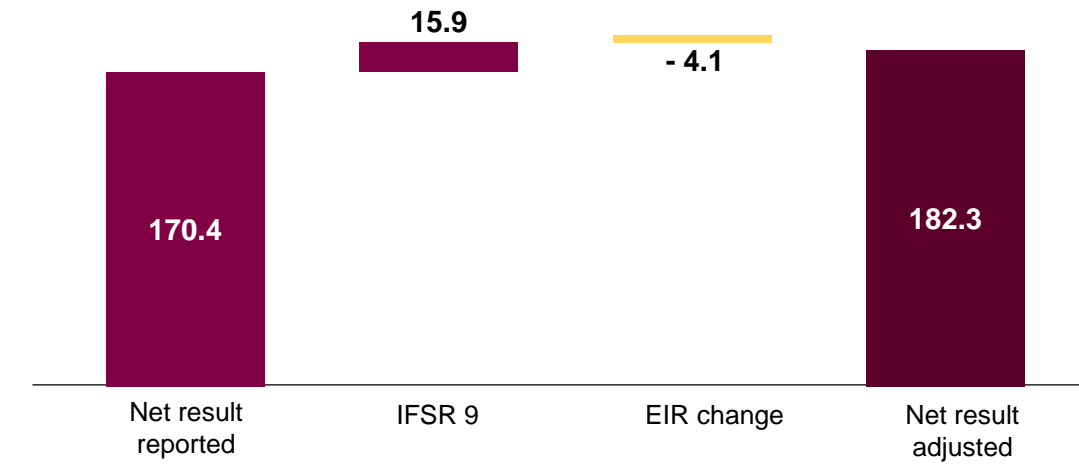
Q2'18



Q3'18

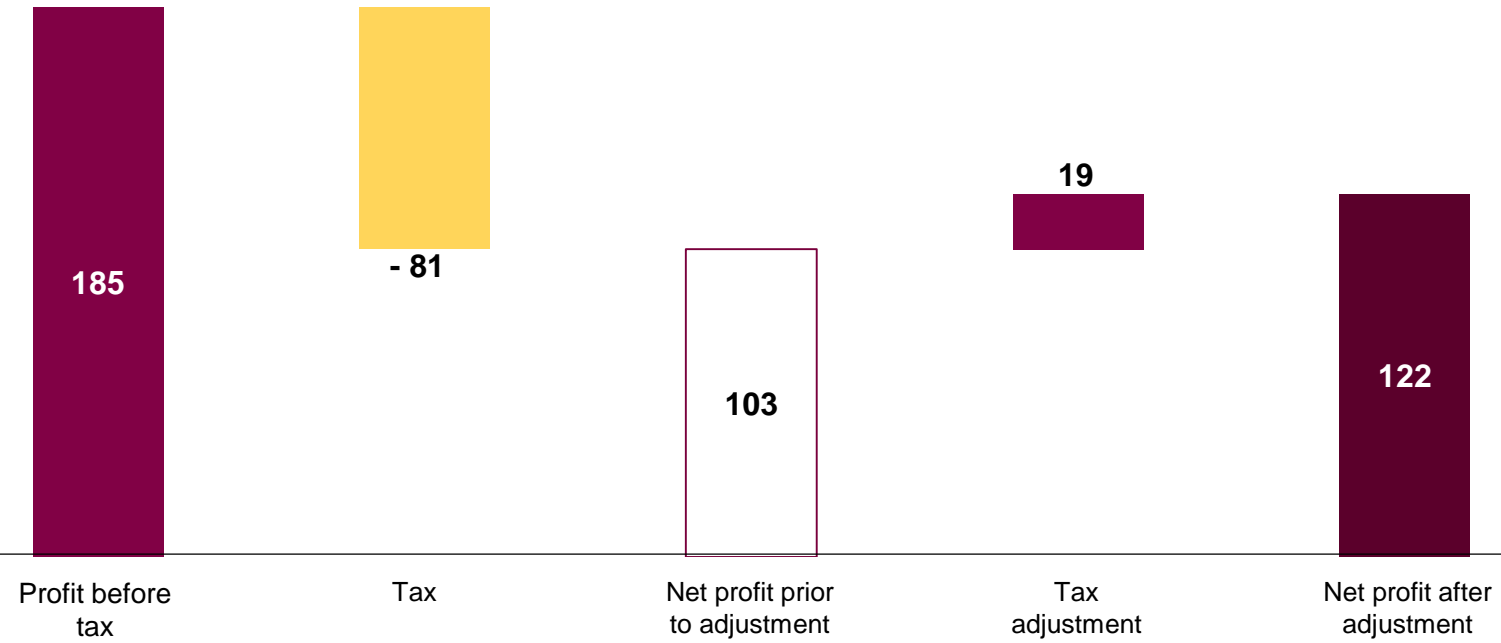


Q4'18



Q1 2019 tax adjustment impact on net profit (mln PLN)

Q1'19



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Thank you for attention

1H 2019 Alior Bank S.A. results presentation

Alior Bank S.A. | 06.08.2019

