

# Alior Bank SA

## 2019 Annual Financial Performance

- 1 Key highlights
- 2 Operational performance
- 3 Financial performance
- 4 Credit risk
- 5 2020 guidance
- 6 Appendix



## Key highlights

## Key financial issues



**Net profit in 2019 of PLN 253 M** (vs. PLN 713 M in 2018). Bottomline under pressure due to ECJ ruling regarding the reimbursement of costs in the event of early repayment of consumer loans (PLN -306 M impact on the net result) and **credit risk costs in the Agro segment** (PLN -345 M impact on the net result). ROE in 2019 at 3.8% (vs. 11.7% in 2018). Excluding the effect related to the ECJ ruling, the ROE ratio at 8.4%.



**TIER1 ratio at record high level (13.48%) with high TCR ratio (16.20%)**. Surplus over regulatory minimums: TIER1 of 198 bps (PLN 980 M) and TCR of 270 bps .



**NII increase by 3.1% y/y** (7.5% excluding impact of the ECJ ruling). Increase from PLN 3,085 M in 2018 to PLN 3,181 M in 2019. We consistently improve margins on strategic products.



**Operating costs under control** - a decrease in operating costs y/y by 4.4% to the level of PLN 1,630 M in 2019 (from PLN 1,705 M in 2018). The C/I ratio in 2019 at **43%** (decrease of -0.1 p.p. compared to 2018).



**Significant increase in risk costs to PLN 1,437 M in 2019** (vs. PLN 1,048 M in 2018) caused by a comprehensive review of business clients' exposures in AGRO segment (+ PLN 389 M of risk costs).



**Further consistent improvement in cost of financing.**  
In Q4'19 COF at the level of 1.12% (vs. 1.20% in Q4'18). MTD COF in December 2019 at 1.08%.

## 2019 key achievements



**Increase in the number of individual clients** y/y by 117 T to the level of 4.15 M with a dynamically growing number of new ROR with a systematic inflow of funds (increase by 65% y/y).



**Dynamic increase in the number of clients in the Micro** segment to over 192 T (vs. 159 T at the end of 2018). The share of new business accounts opened in remote channels exceeded 40% in 4Q'19.



**Sales of strategic products maintained at high level.** Cash loan sales remain at the high level of PLN 1.7 B in Q4'19 despite significant product changes (related to the ECJ ruling).



**Increase in new sales of corporate loans to over PLN 1 B in 4Q'19 applying new risk policy.**



Sales of current accounts/saving accounts and cash loans in remote channels in 4Q'19 increased y/y by 56% and 5%, respectively. **Dynamic increase in the number of mobile app users - 64% increase y/y.**



Progressive **robotization** (100 processes already robotized) and own **acceleration program** support bank's development.

## Impact of the ECJ ruling on the Bank's performance

The Management Board of the Bank decided to fully comply with the ECJ ruling regarding the consumer's right to reduce the total cost of credit in the event of its early repayment and the application (starting from 11/09/2019) of the principles resulting from the above.

### ECJ ruling impact on the Bank's performance

| PLN M  | Q3'19       | Q4'19       | 2019 YTD    |                         |
|--|-------------|-------------|-------------|-------------------------|
| <b>NII, including:</b>   | <b>-45</b>  | <b>-90</b>  | <b>-135</b> |                         |
| <i>Decrease of current interest income</i>   | <i>-17</i>  | <i>-69</i>  | <i>-85</i>  |                         |
| <i>Adjustment resulting from the difference between the ESP settlement in the bank's books and the linear method of estimating the returned amount</i> | <i>-28</i>  | <i>-21</i>  | <i>-50</i>  | } <b>One-off impact</b> |
| <b>Impact on other operating costs</b>   | <b>-57</b>  | <b>-186</b> | <b>-243</b> |                         |
| <b>Gross result impact</b>   | <b>-102</b> | <b>-276</b> | <b>-378</b> |                         |
| <b>Net profit impact</b>   | <b>-83</b>  | <b>-223</b> | <b>-306</b> | <b>PLN -237 M net</b>   |

#### The method of estimating the provision for historical repayments includes:

- the number of recent complaints observed at the Bank recently;
- characteristics of the loan portfolio;
- probability of submitting a complaint on the part of the client, taking into account the propensity of each client to do so (amount of potential return).

The impact on NII (reduction of current interest income) in Q4'19 at the level of PLN 69 M vs. estimated PLN 79 M.

## Actions taken to improve profitability of cash loan portfolio give results

### Product changes

- Commission conversion into interest rate.
- No price preferences for internal consolidation offers.
- Increase of credit card offer competitiveness.

**+ 3 p.p.**

Increase in interest share in contract revenues from new sales

### New CRM strategy

- New models implementation increasing sales in a simplified credit proces.
- Complete rebuilding of the retention process to maintain loans being subject of external consolidation.

**by 30% y/y**

Reduction in the number of previous total loan repayments in 4Q'19

### Distribution model improvement

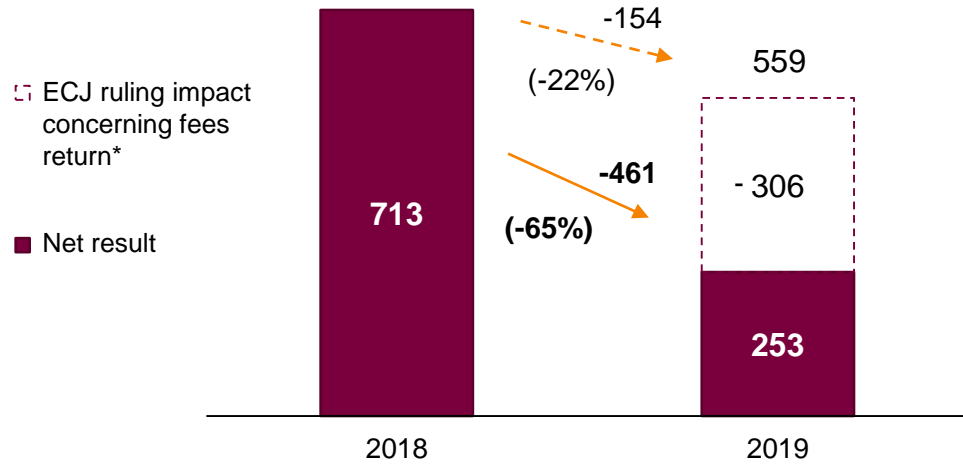
- Excluding internal consolidation from remuneration system in all distribution channels.
- Taking advantage of the possibilities related to the PSD2 directive.

**by 17 p.p. q/q**

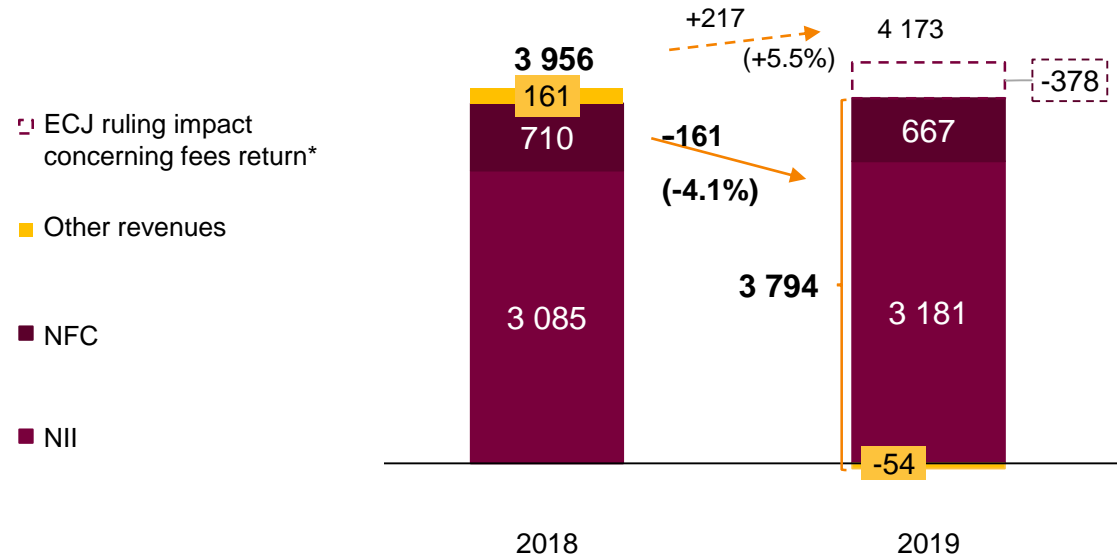
Decrease in the share of loan sales with own consolidation in Q4'19

# 2019 financial results (PLN M)

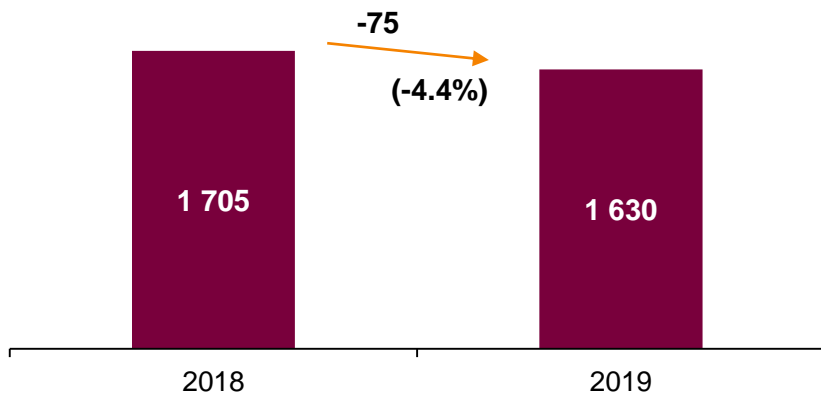
## Net result



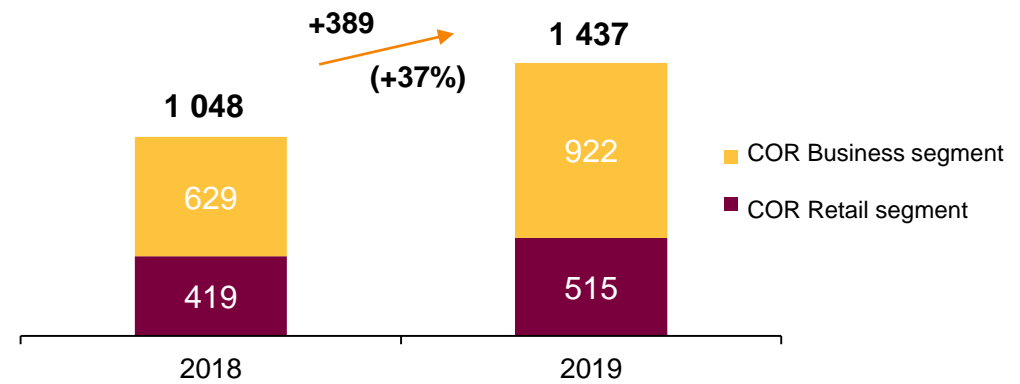
## Revenues



## General and administrative expenses

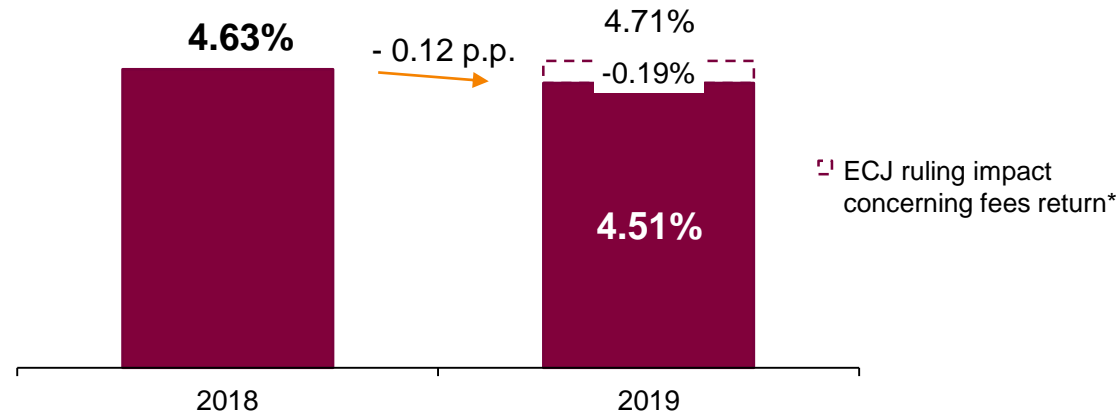


## Cost of risk

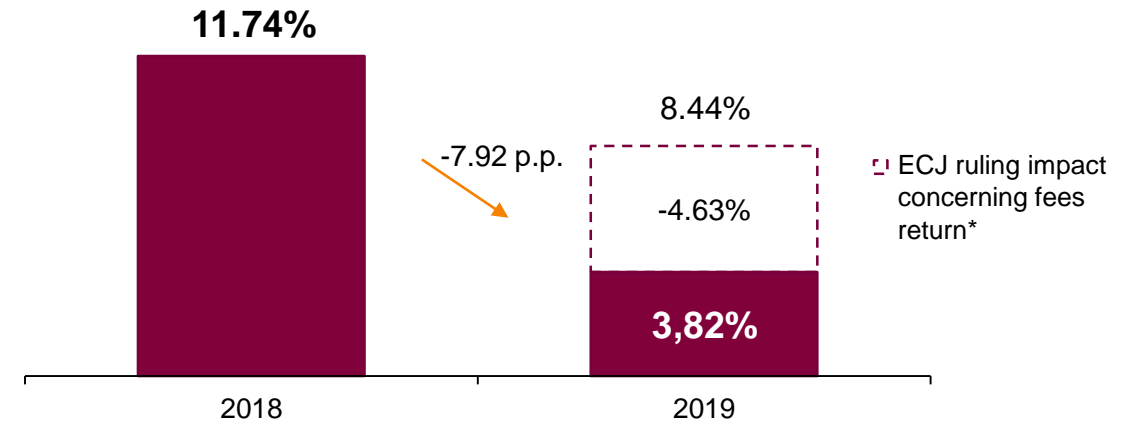


# 2019 key financial ratios

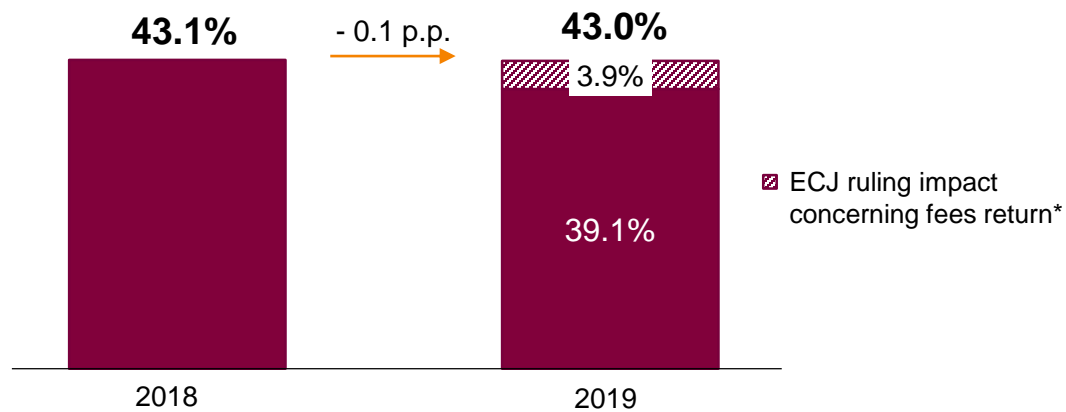
## NIM ratio



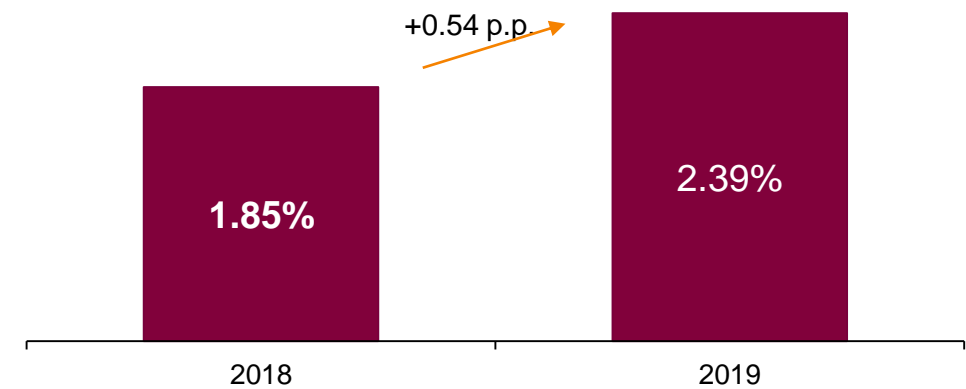
## ROE ratio



## C/I ratio



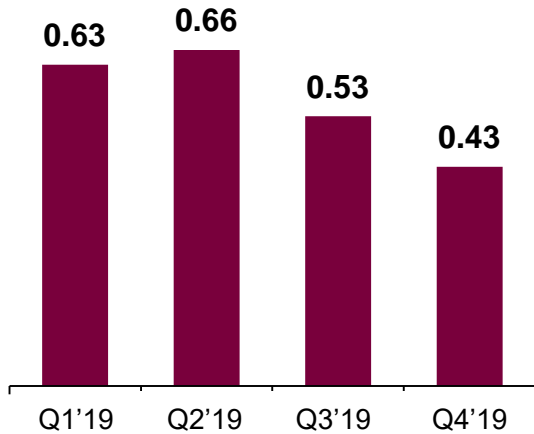
## COR ratio



# Development of loan volumes in strategic segments (PLN B) (managerial approach)

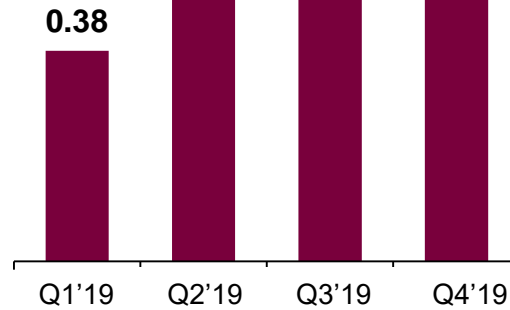
## New micro sales

A decrease in new sales in the micro segment due to the loan policy tightening...



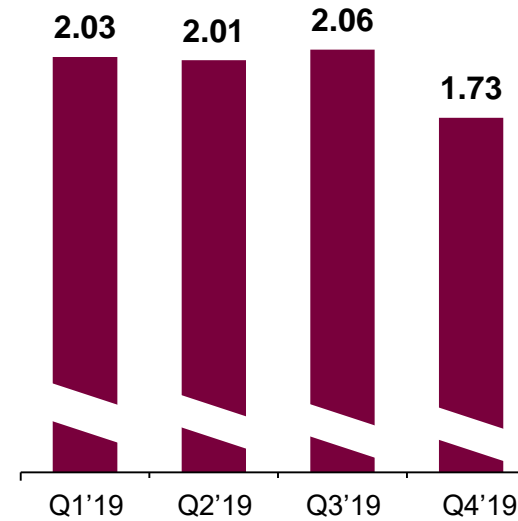
## New mortgage loans sales

...with the growing sales of mortgage loans...



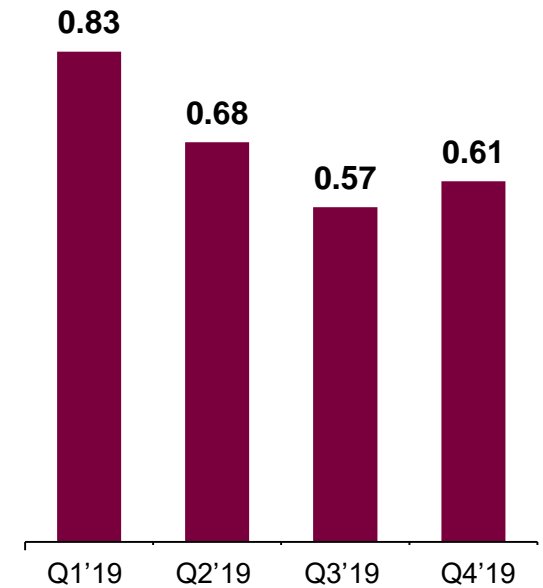
## New cash loans sales

...and a high level of cash loan sales...



## New leasing sales

...as well as leasing sales.



## We have opened the first branch in a modern format

### The new branch

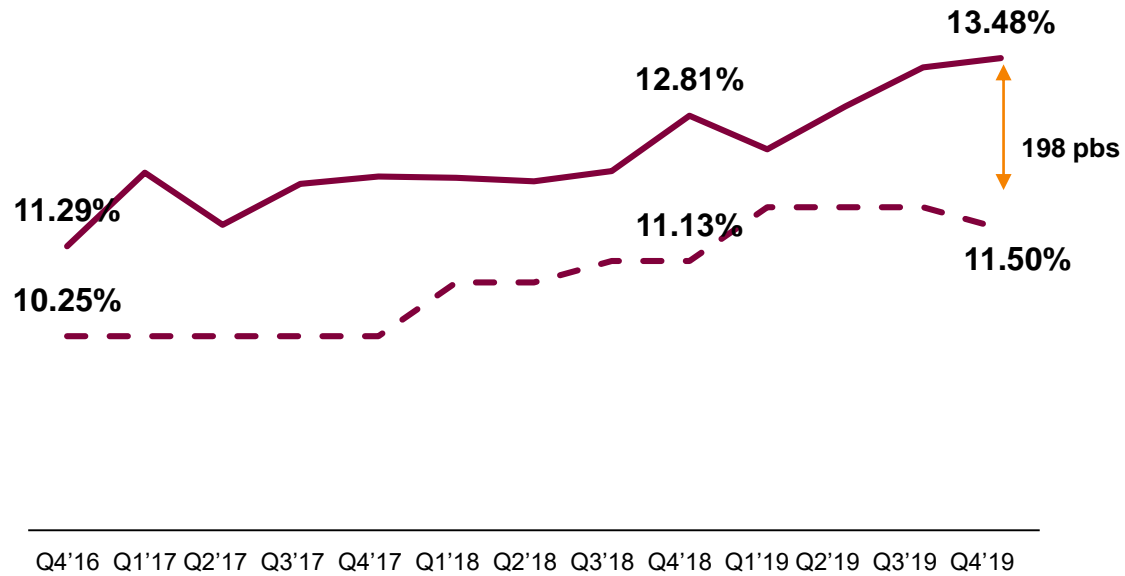
- The concept of the branch was created in response to the changing needs of clients as a place of professional financial consulting.
- Comfortable, sound-proofed rooms provide greater discretion during finance talks.
- A space of new experiences and education in which the client can learn about the possibilities of online and mobile banking.
- A comfortable place for bankers - every room equipped in all tools needed to perform daily duties.
- A new dimension of ecology - lighting that adapts to the time of day, recycled materials, products from local suppliers, filtered water, biodegradable coffee cups.



We plan to open 30 such modern branches in 2020.

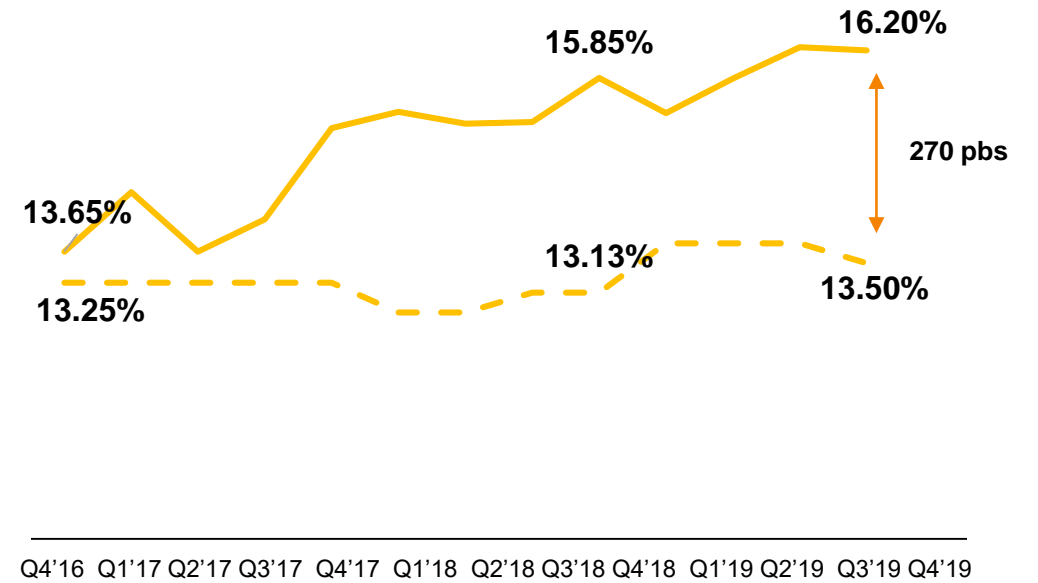
# TIER1 ratio at record high level

## TIER1



— Tier1 ratio      - - - Tier1 ratio PFSA minimum

## TCR



— TCR      - - - TCR ratio PFSA minimum

The level of Tier1 and TCR capital ratios at the end of 2019 leaves the buffer above regulatory minimums at 198 bps (PLN 980 M) and 270 bps (PLN 1,300 M), respectively.

# The most important awards and prizes received in 2019

## Products & customer service

- First place in two categories: "Mobile banking" and „Online banking" in the "Newsweek Friendly Bank" ranking.
- Second place in traditional banking and third in the 'Mortgage Banking' category in the "Newsweek Friendly Bank" ranking.



## Business

- First place in the "Company Friendly Bank" ranking organized by the prestigious business magazine "Forbes".
- The best bank in financing for companies in the "Institution of the Year 2019" ranking.
- The best quality of business client service, the best quality of service in the branch and the best helpline in the industry ranking "Institution of the Year 2018".



## Innovation & technology

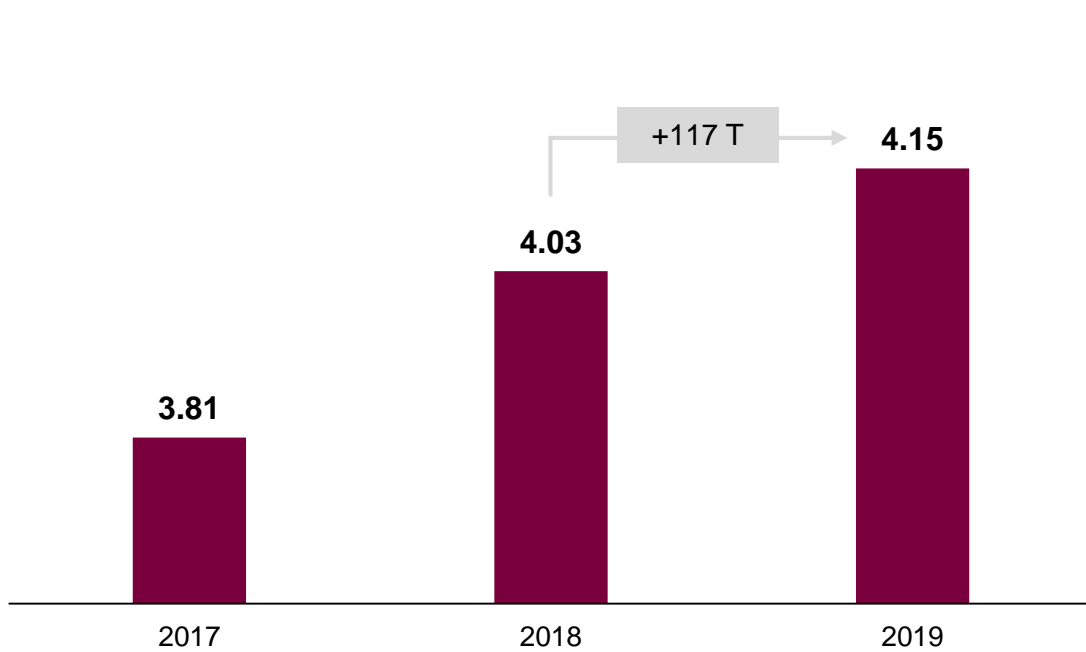
- The "Smartphonisation" project with the first place in the "Workforce experience" category of the EFMA-ACCENTURE competition "Customer Insights and Growth Banking".
- Alior's R&D department with the "Top Institutional Innovator of the Year" title awarded by CEE Capital Markets X-Tech Awards.
- RBL\_Innovation by Alior Bank among the 25 best innovation laboratories in the world of finance according to the Global Finance magazine.
- Bancovo.pl with the "Product Innovation of the Year" title awarded as part of the Retail Banker competition.



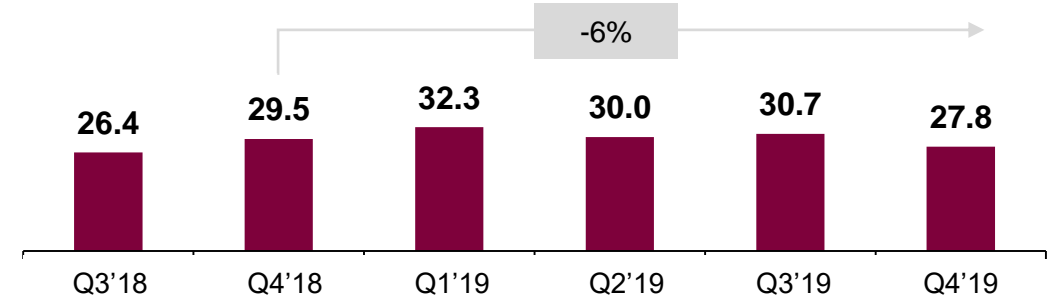


# Operational performance

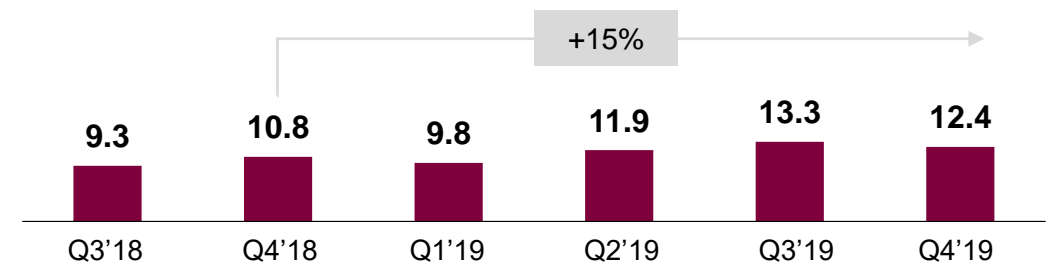
### Number of retail clients (M)



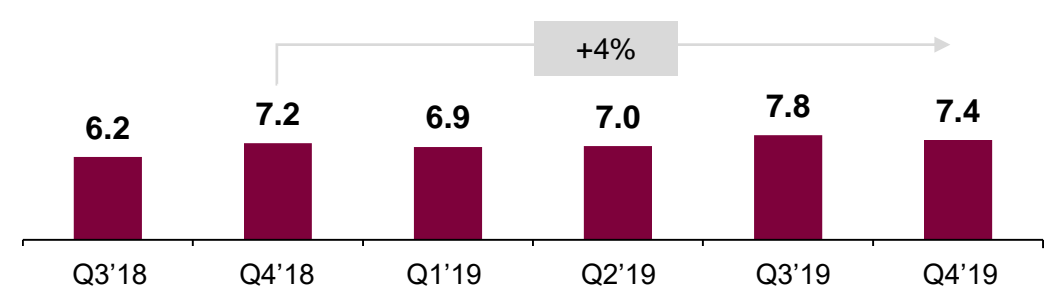
### New clients opening current accounts (T)



### New clients – cash loans (T)



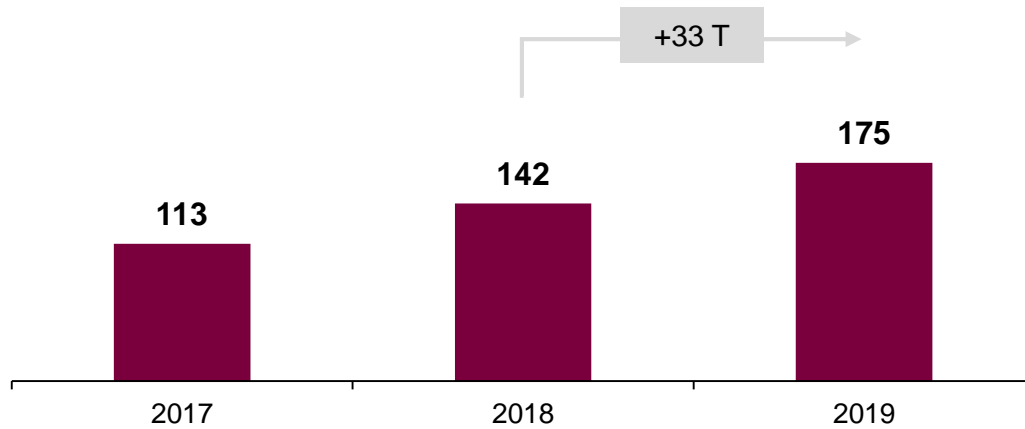
### New retail clients from Consumer Finance segment (T)\*



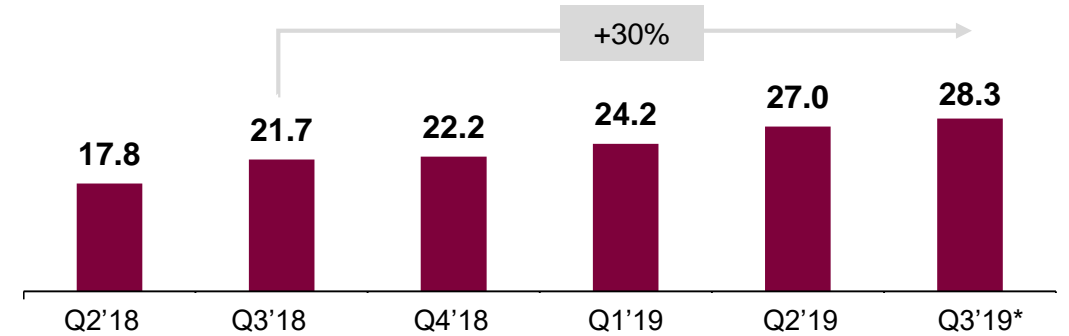
An increase in the number of clients by 117 T y/y (including new clients from SKOK Jaworzno).

## Current accounts sales (T)

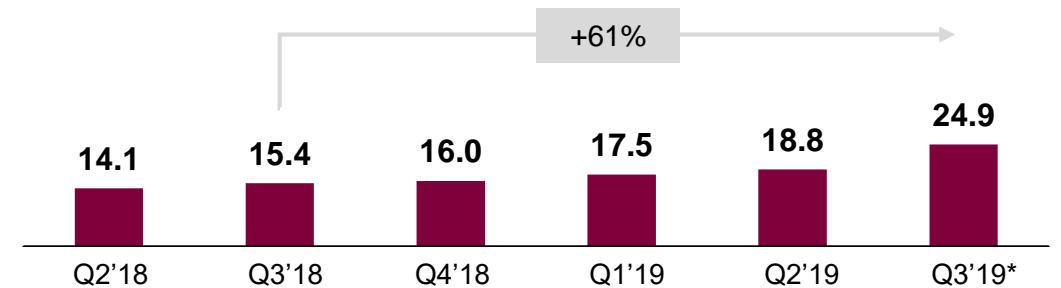
(number of new current accounts for New to Bank and New to Product clients)



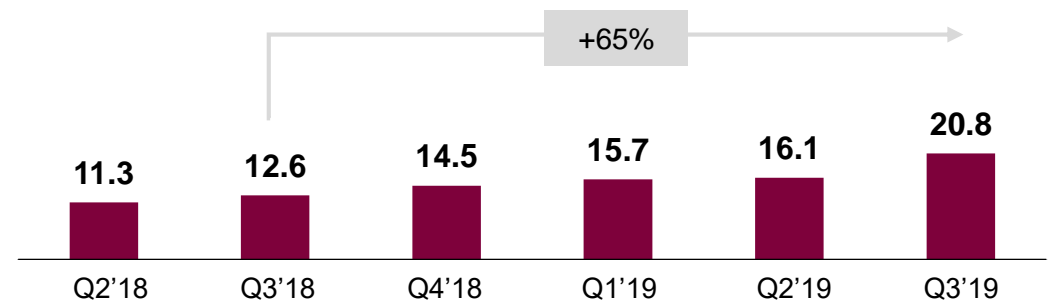
## Number of new priority clients (T)



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



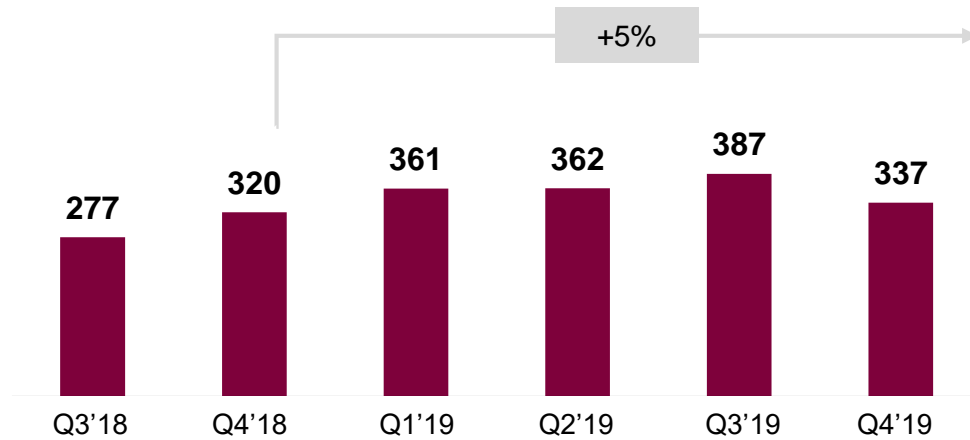
## Number of new current accounts with regular inflows\*\*\* (T)



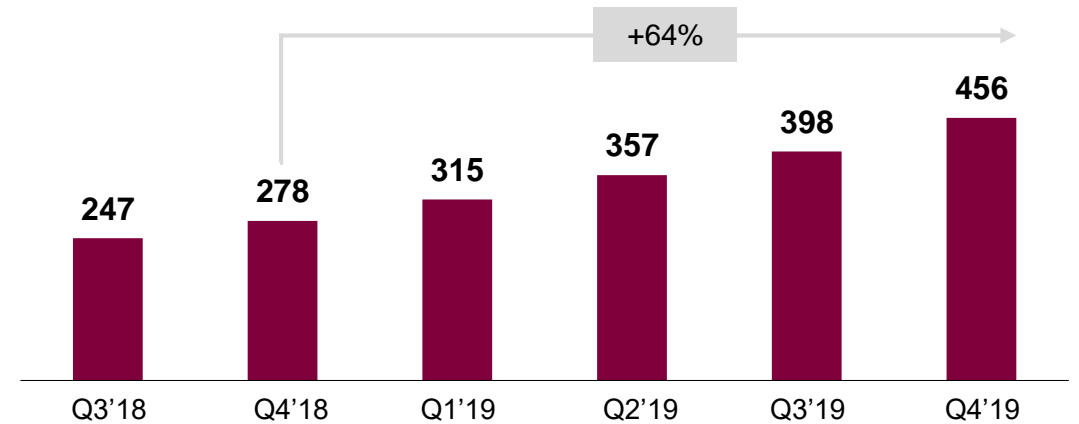
- An increase of 61% in the number of accounts with transactions.
- An increase of 65% in the number of accounts with systematic inflows.

\*Clients acquired in Q3'19 according to the segment notice at the end of Q4'19  
 \*\*Min. 3 transactions excluding 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

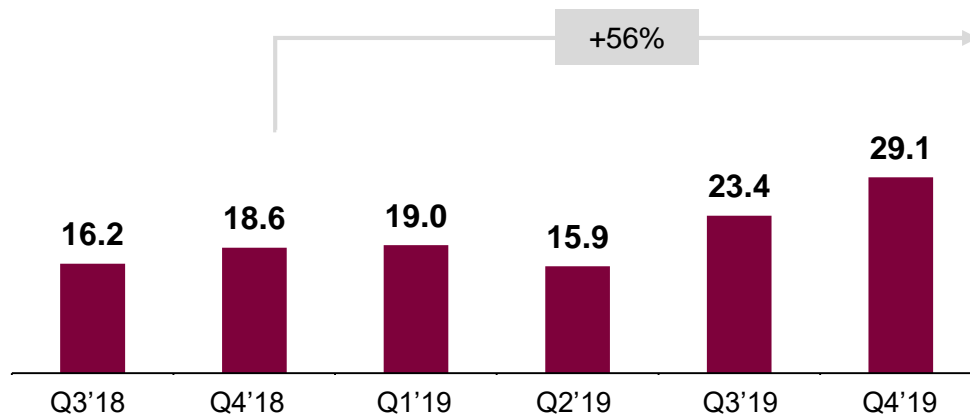
### Sales of cash loan in remote channels (PLN M)



### Alior Bank Mobile Application users (T)



### Online sales of current and saving accounts (T)

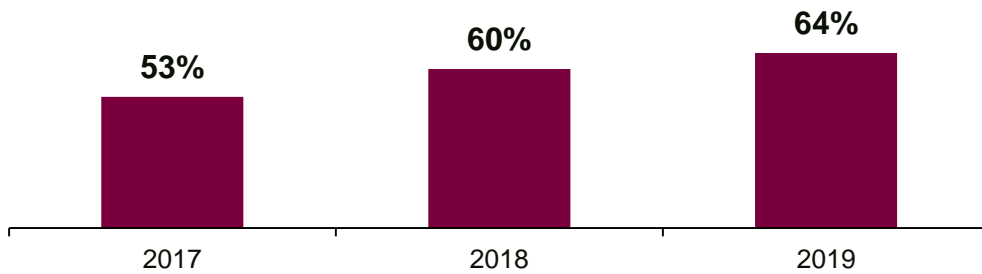


**AppStore rating 4.6**  
out of 5

**GooglePlay rating 4.3**  
out of 5

- An 64% y/y increase in the number of clients using the AB mobile app.
- Stable level of mobile app user ratings in the AppStore and GooglePlay.
- An increase of 5% y/y in cash loan sales in remote channels.
- An increase of 56% y/y in current accounts sales and online savings accounts.

## NPS own branches



Alior Bank among the top banks with the highest increase in 2017-2019 in the ARC Monitor Satisfaction 2019 study

### NPS Alior Bank

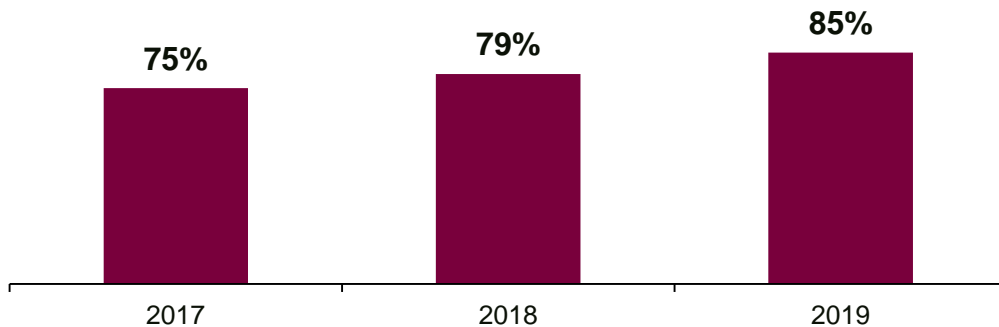
+16 points  
2018, y/y

+8 points  
2019, y/y

**24 pkt**

NPS increase from 2017

## NPS franchise branches



## Alior is a quality leader in customer service



A secure connection from mobile banking



WiFi in all branches



Simplifying communication



iKiosks - we transfer clients to the digital world



SMS communication: relational and informational notifications based on events

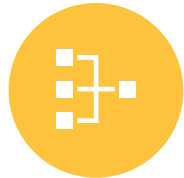


Unblocking online banking from www



Changing card PIN in remote channels

## Q4'19: Development of remote channels



Quick internal consolidation process available in Alior Online and Alior Mobile.



Implementation of PUSH functionality at Alior Mobile.



Possibility to update personal data in Alior Mobile and Alior Online.



Client satisfaction survey after a quick cash process launched in Alior Mobile or Alior Online.



Self unlocking access to Alior Online and Alior Mobile banking.

## Q4'19: Convenient banking



Promotional offer for employees of companies that joined the PPK offered by PZU.



Implementation of Fitbit Pay and Garmin Pay payments.



Higher interest rate on the Mega Savings Account for clients with regular income on the current account.

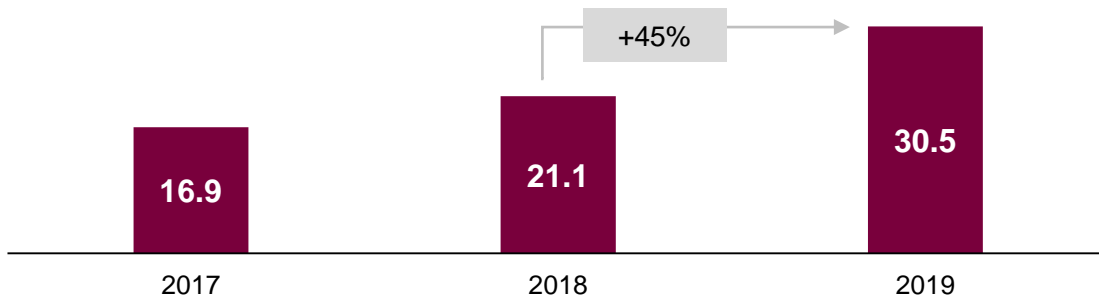


PayU Cash on otomoto.pl - quick vehicle financing.

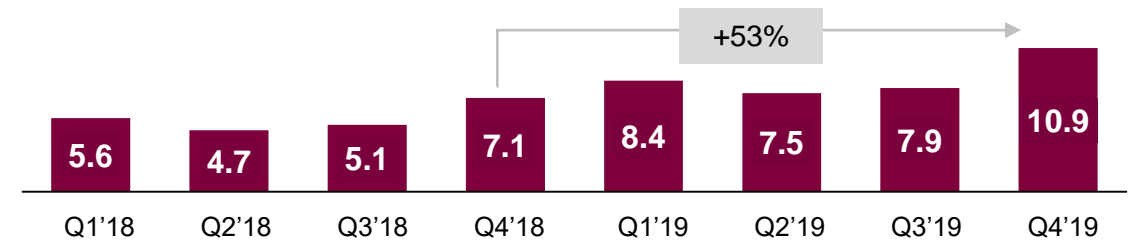


Increasing safety and comfort of online processes by automatically encrypting the set of documents sent to the client.

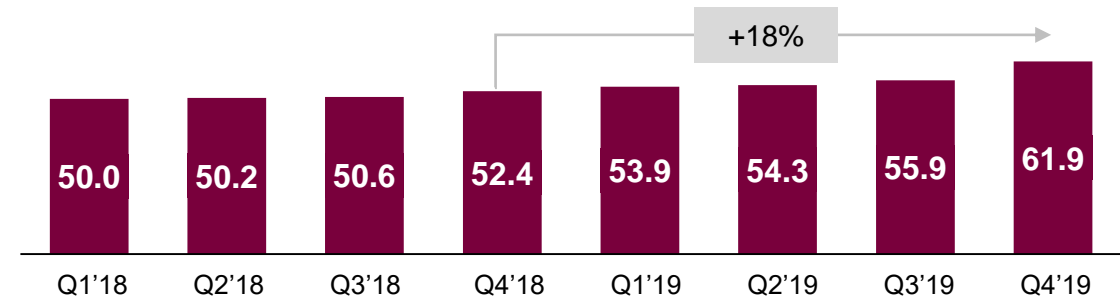
### Opening of Micro current accounts (T)



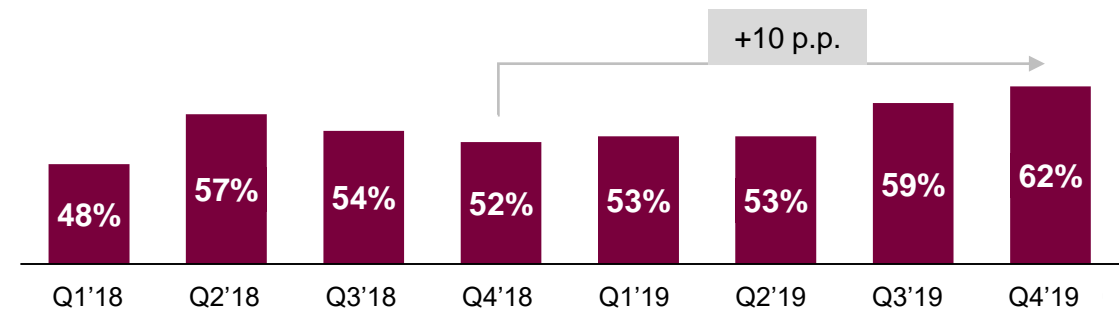
### New Micro business clients (T)



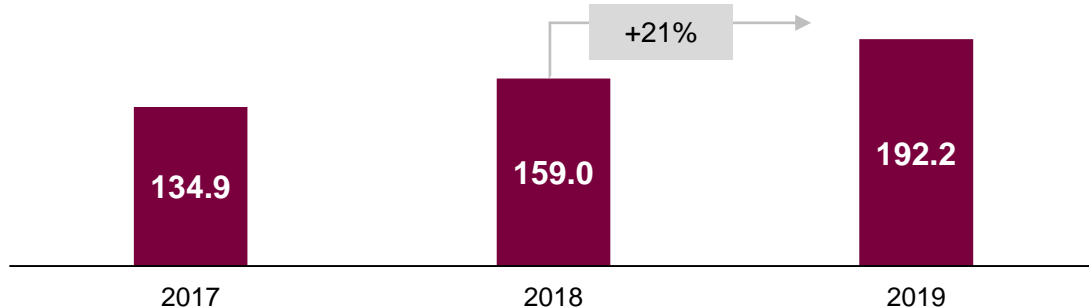
### Number of clients paying ZUS/US (T)



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



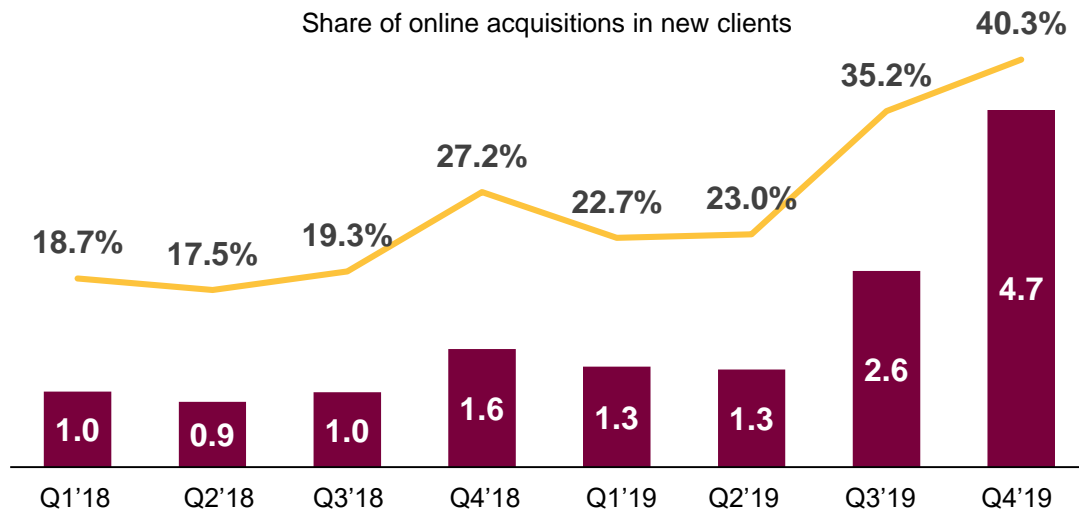
### Number of Micro business clients (T)



- Dynamic increase in the number of Micro account openings up to 30.5 T in 2019, mainly supported by 53% y/y growth in new clients.
- In 4Q'19 a visible increase of 10 p.p. the number of new accounts with a debit card.

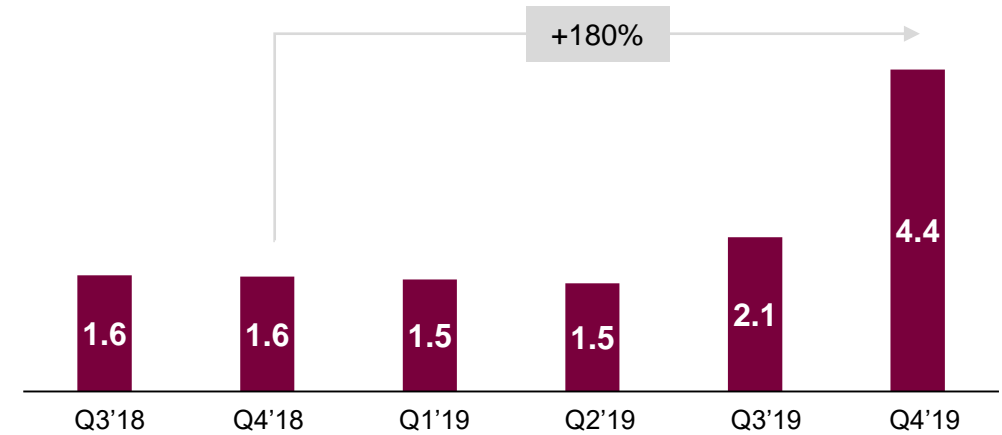
## New Micro clients acquired online

(new accounts in items; % of openings online)



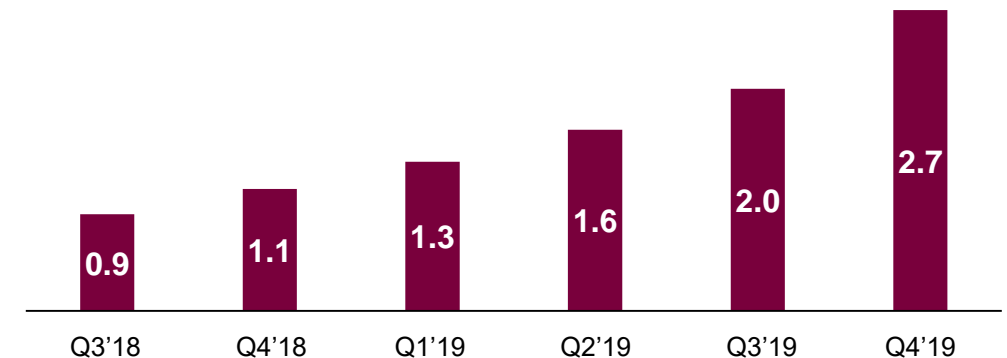
## Sales of 4x4 accounts in the Micro segment

(number of new accounts in T items)



## Micro clients acquired through the website [www.zafirmowani.pl](http://www.zafirmowani.pl)

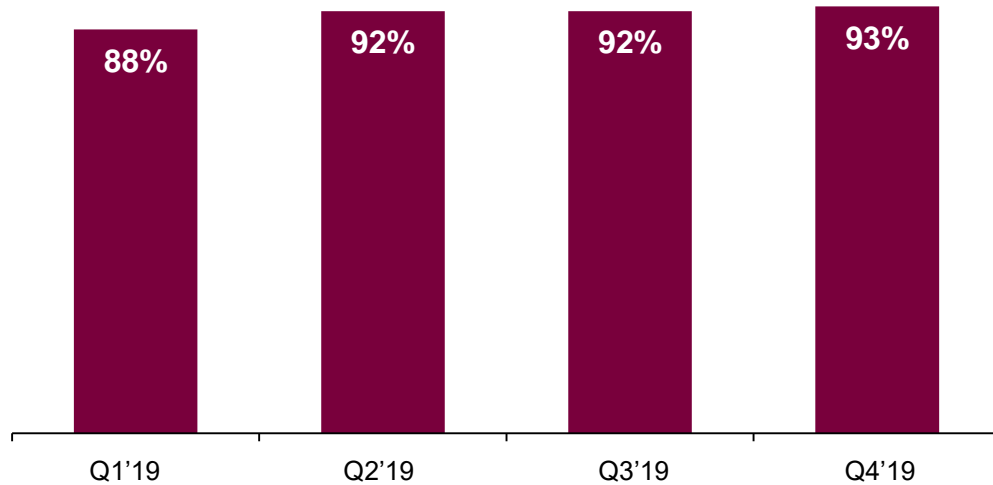
(number of new clients in T items)



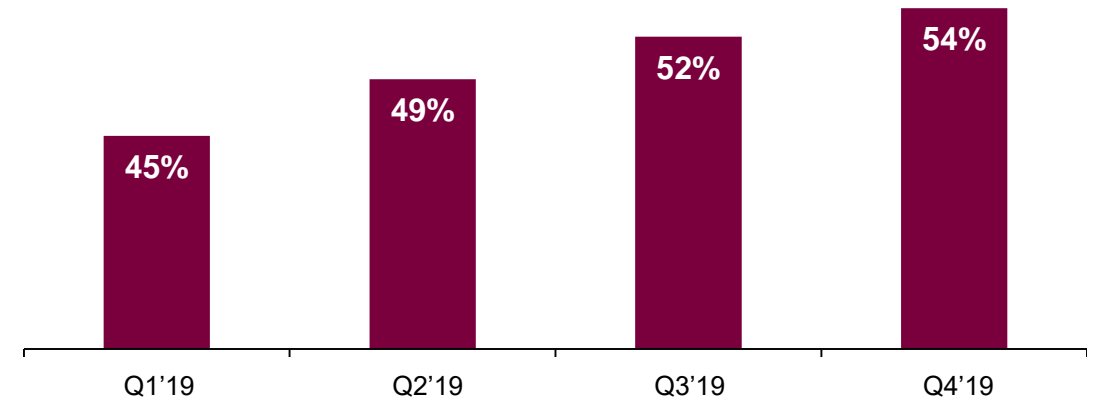
- The share of new business accounts opened in remote channels exceeded 40% in Q4'19.
- An increase in sales of Micro business accounts is the effect of simplifying the product offer (focus on 2 products - iKonto Biznes Account and 4x4 Account), synchronized marketing activities and intensive development of online acquisition processes.

## An increase in the quality of new sales

### New Micro sales coverage with BGK guarantees



### Share of the portfolio with BGK guarantees in the total Micro portfolio



- Increase in new sales guarantee coverage to the level of 93% in Q4'19.
- Updated credit policy and implementation of a new credit system led to increase in the quality of new sales.
- High guarantee level will have a positive impact on COR, RWA and capital ratios.

## The most important implementations of 2019



Automatic opening process of iKonto Biznes Account and 4x4 Account in Alior Online.



Possibility of registering a Trusted Profile in Alior Online and signing public administration applications with a Trusted Profile.



Ensuring compliance with applicable regulations regarding operation of the Split Payment Mechanism, tax micro-account (Witraż) and the White List of VAT Taxpayers.



Possibility of processing financing through a new automatic credit system available in own network and franchise branches.



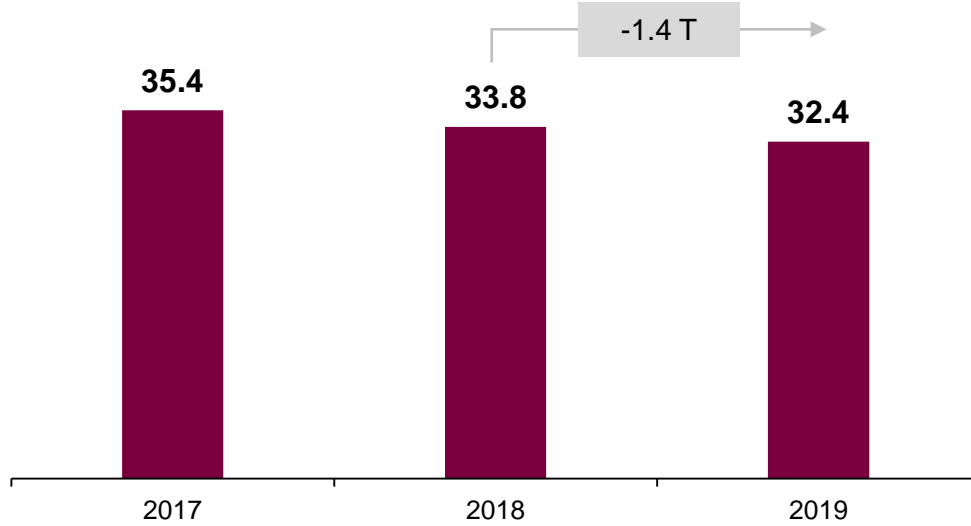
In the Business Financial Package, under one decision, the entrepreneur receives as many as five forms of financing to choose from, including leasing and factoring.



Increasing the financing amount to PLN 1 M, while reducing the waiting time for a credit decision to 20 minutes. Funds are transferred to the company's account within 24 hours after signing the contract.

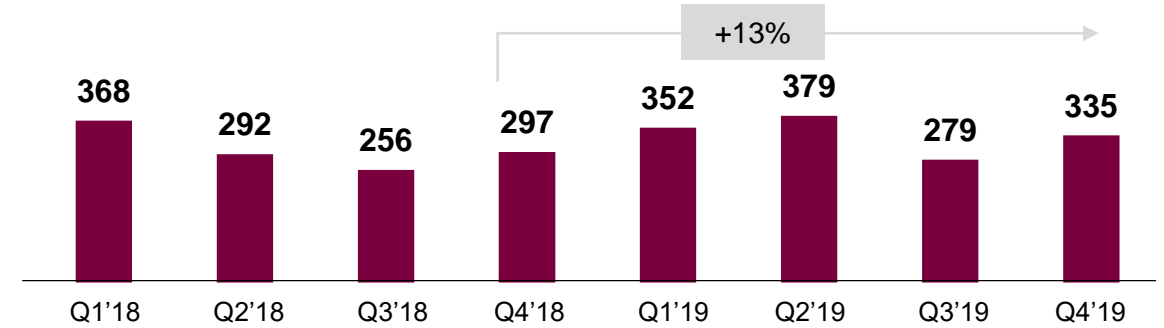
# Business segment: Transformation of the business client base into more active and lasting relationships

## Business clients Small/Medium/Large\* (number of business clients in T)

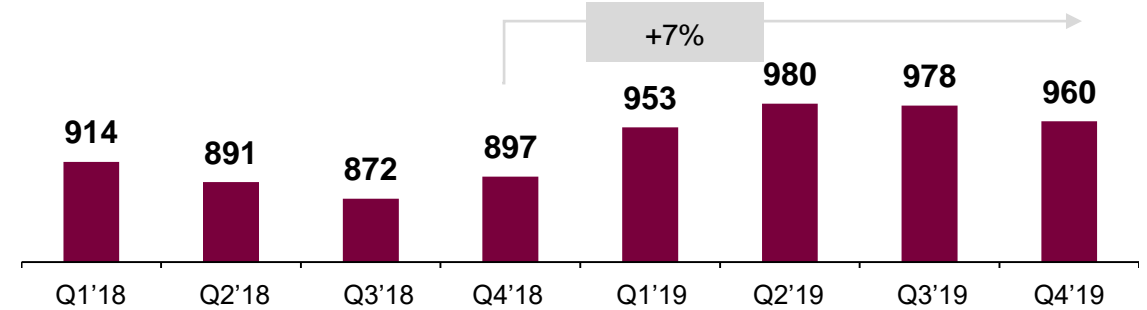


- In 2019, the number of business clients dropped by 4% y/y.
- Growth of new acquisitions with focus on building main relationship with clients.

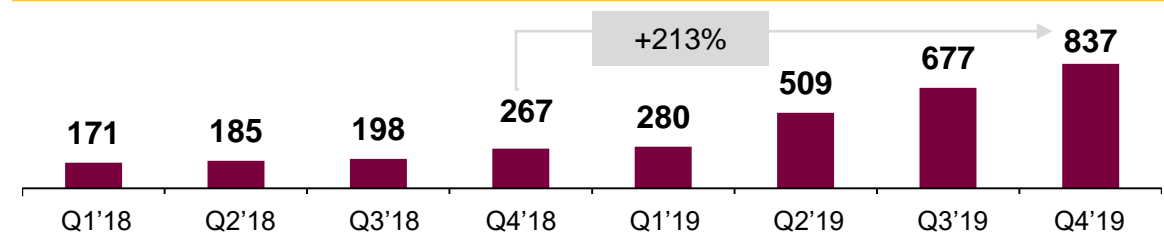
## New business clients



## Clients actively using payroll accounts



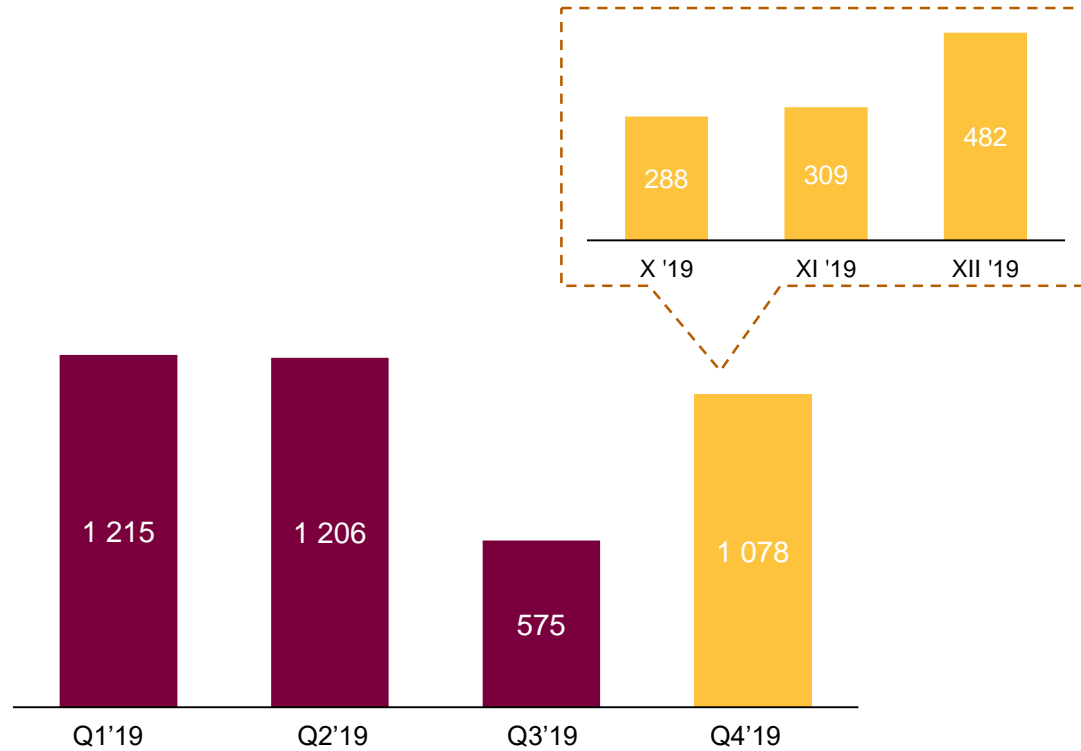
## BankConnect clients\*\*



In the last quarter of 2019, sales increased with a new approach to risk assessment

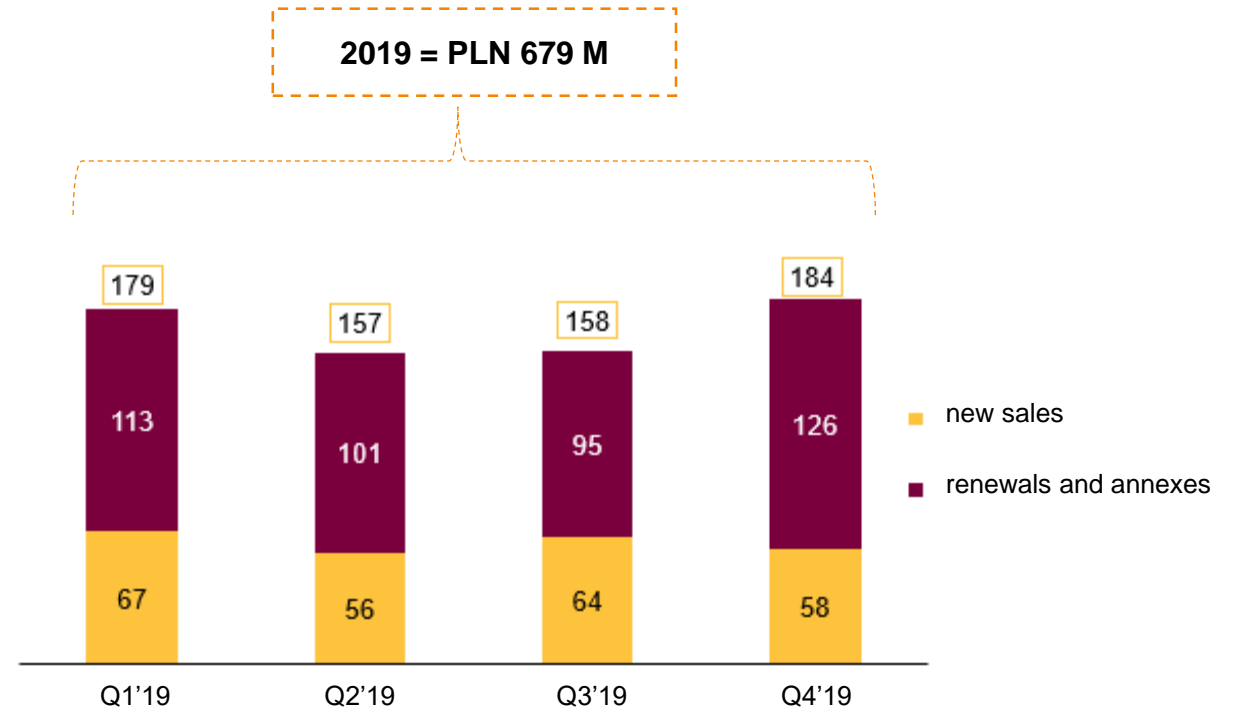
**New sales limit\***

(PLN M, Small/Medium/Large segment)



**Sales limit in automatic decision process**

(PLN M, Small/Medium/Large segment)



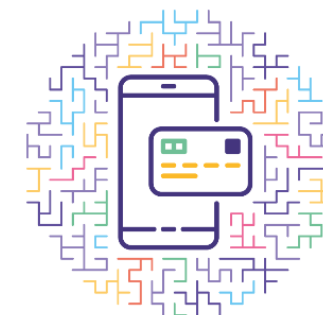
After implementing organizational changes in the Corporate Centers network, in Q4'19, sales increased almost twice q/q.

After the implementation in March 2019 of a new automated credit system up to PLN 3 M for a business clients, an increase in the sales limit was recorded in automatic decisions.

## Virtual Payment Cards for Companies

- One of the first virtual multi-currency card in the world in offer
- On sale from July 2019
- Nomination in the e-COMMERCE POLSKA awards 2019 competition

- The offer includes virtual debit, credit and multi-currency cards supporting 23 currencies
- Data confidentiality and a high level of payment security on the Internet
- Access to unique reports in the Mastercard Smart Data service



## Smartphone payments with the Garmin Pay and Fitbit Pay

- Available for clients from December 2019
- The widest range of mobile payments in Alior Bank's offer for business clients - Apple Pay, Google Pay, Garmin Pay and Fitbit Pay



The widest EU funds product offer on the market



Since the beginning of the program, we have granted over 15,000 COSME guarantees -  
**Sales Leader award from BGK**



**3<sup>rd</sup> place** in the sale of de minimis guarantees in Poland



**2<sup>nd</sup> place** in the sale of this guarantee among 10 banks offering the product



Support for nearly 27 institutions in the implementation of  
**Thermomodernization projects**



**The first bank in Poland** to implement and grant loans with a **Creative Guarantee**



**The largest** granted volume of the Agricultural guarantee on the market



ELENA subsidy - allowing investors to get a reimbursement of 90% of the cost of energy audit costs of technical documentation necessary to obtain a Thermal Modernization Loan. Alior Bank may also finance the costs of employee remuneration and product promotion.

### Robot Factory



**100**  
"robotic"  
processes

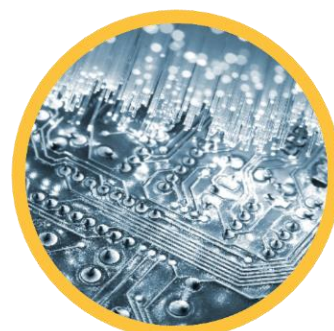


Every quarter, we  
improve and  
implement a minimum  
of **10 new processes**



We implement  
technologies for partial  
automation (RDA) as well  
as **automation that  
does not require  
human intervention**  
(RPA)

### A strategy for intelligent process automation



**Combining technologies  
for the comprehensive  
automation of business  
processes, including:**

- 2 robotization platforms
- OCR (text recognition software)
- tools that allow to build applications visually



Integration of the  
robotization  
environment with  
the **AI platform**



Building our own internal  
domain of **robotic  
services** - we enable  
other systems to call  
robots from the catalog  
of available services

## The second edition (2019)

### FinTechs



### Partners



### Projects outcome



Launching pilot or implementation projects with 7 program participants



Pilot cooperation with 2 program participants

### Another successful investment in 2019



- Together with 2 other banks and 2 venture capital funds, Alior Bank has **invested in Autenti** - an entity offering a platform for the electronic signing of contracts and digital document circulation.



- In 2019, the bank also continued its **investment in PayPo** - a Polish fintech offering deferred payments for online purchases.



# Financial performance

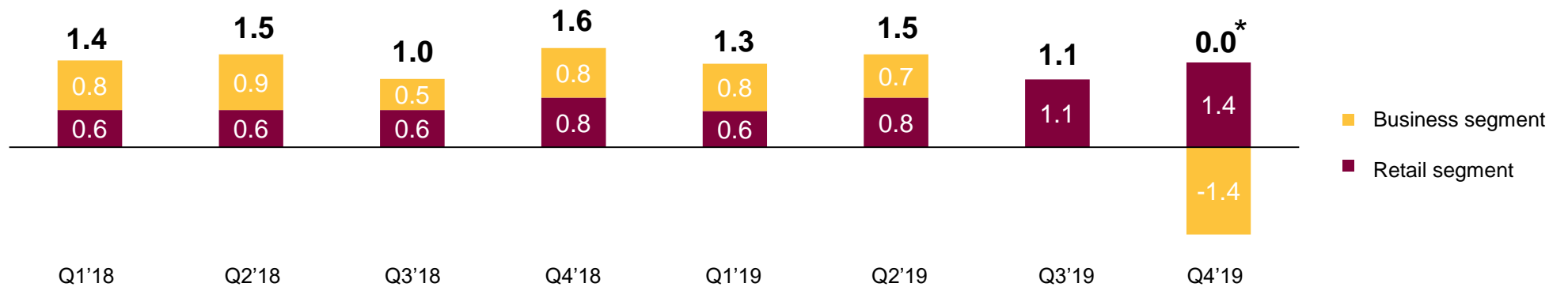
## P&L statement – primary data

| PLN M  | 2019          | 2018          | Change y/y  | Change y/y (%) |
|--|---------------|---------------|-------------|----------------|
| <b>Revenues, including:</b>  | <b>3 794</b>  | <b>3 956</b>  | <b>-161</b> | <b>-4%</b>     |
| <i>Revenue excluding the impact of the ECJ ruling*</i>                                     | 4 173         | 3 956         | 217         | 5%             |
| Net interest income  | 3 181         | 3 085         | 97          | 3%             |
| Net fee and commission income  | 667           | 710           | -43         | -6%            |
| Net trading income and other   | -54           | 161           | -215        | -133%          |
| <b>General administrative expenses, including:</b>   | <b>-1 630</b> | <b>-1 705</b> | <b>75</b>   | <b>-4%</b>     |
| <i>BGF cost</i>  | -157          | -106          | -50         | 47%            |
| <b>Net expected credit losses, impairment charges and write-downs, including:</b>          | <b>-1 443</b> | <b>-1 054</b> | <b>-389</b> | <b>37%</b>     |
| <i>Net expected credit losses, impairment charges and write-downs excl. AGRO segment**</i> | -1 054        | -1 054        | 0           | 0%             |
| Banking tax  | -226          | -208          | -18         | 9%             |
| Profit before tax  | 495           | 988           | -493        | -50%           |
| Income tax   | -242          | -275          | 32          | -12%           |
| <b>Net profit</b>  | <b>253</b>    | <b>713</b>    | <b>-461</b> | <b>-65%</b>    |

## Volumes

| PLN M                       | 2019          | 2018          | Change y/y        | Change y/y (%) |
|-----------------------------|---------------|---------------|-------------------|----------------|
| <b>Loans, including:</b>    | <b>55 871</b> | <b>54 246</b> | <b>1 625</b>      | <b>3%</b>      |
| Retail segment              | 31 869        | 29 443        | 2 426             | 8%             |
| Business segment            | 24 002        | 24 803        | -801              | -3%            |
| <b>Deposits, including:</b> | <b>64 999</b> | <b>62 436</b> | <b>2 564</b>      | <b>4%</b>      |
| Retail segment              | 46 603        | 43 945        | 2 658             | 6%             |
| Business segment            | 18 396        | 18 491        | -95               | -1%            |
| <i>L/D ratio</i>            | <i>85.96%</i> | <i>86.88%</i> | <i>-0.93 p.p.</i> |                |

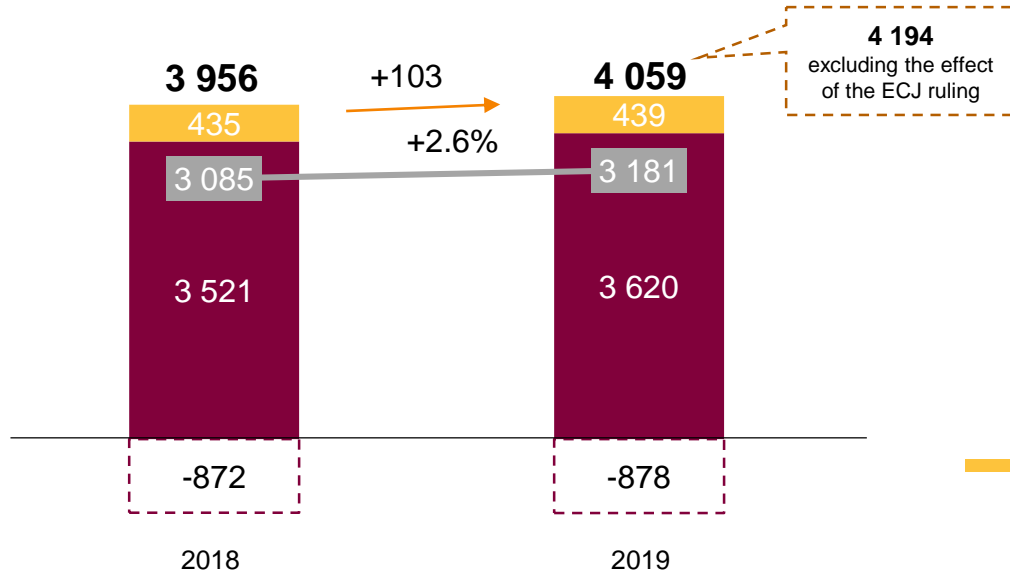
### Increase in gross loan volume (PLN B)



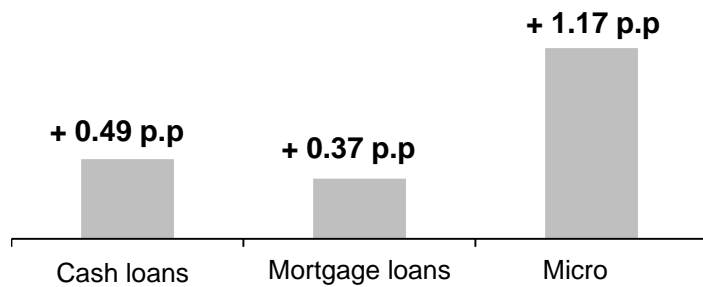
Increase in gross loans volume in 2019 at the level of PLN 3.9 B.

# Net interest income (PLN M)

## y/y comparison



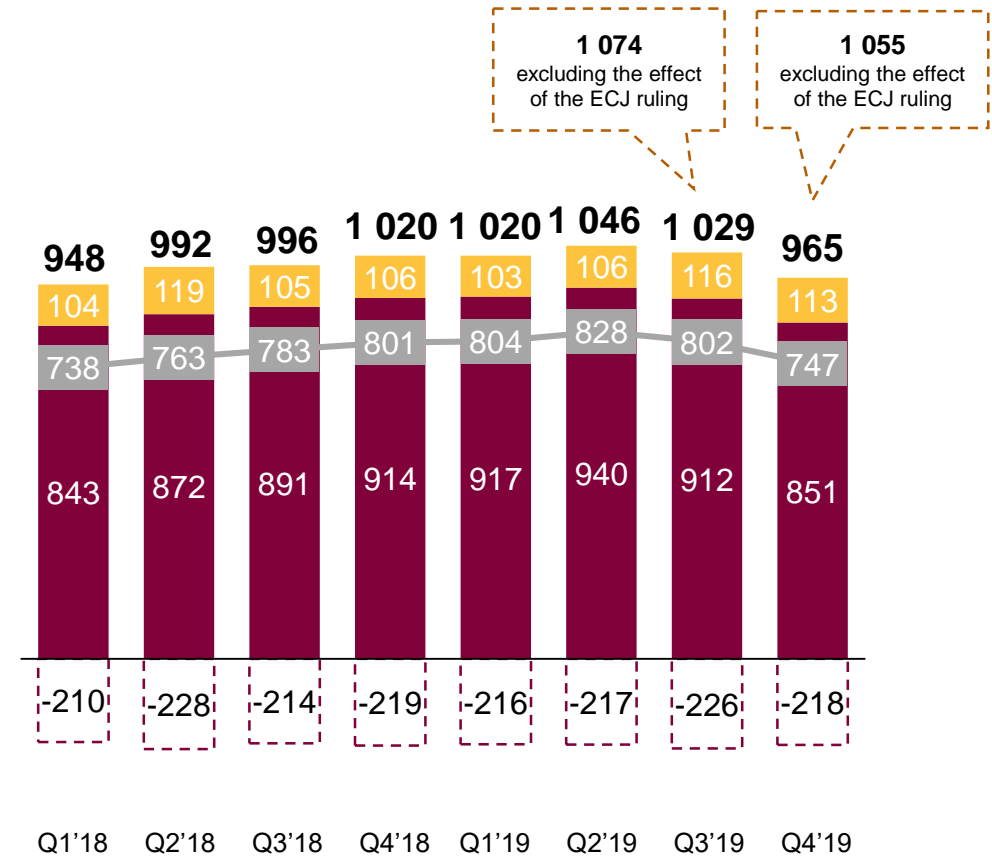
## Increase in interest margin for 2019 new sales vs. portfolio at the end of 2018



## NII quarterly

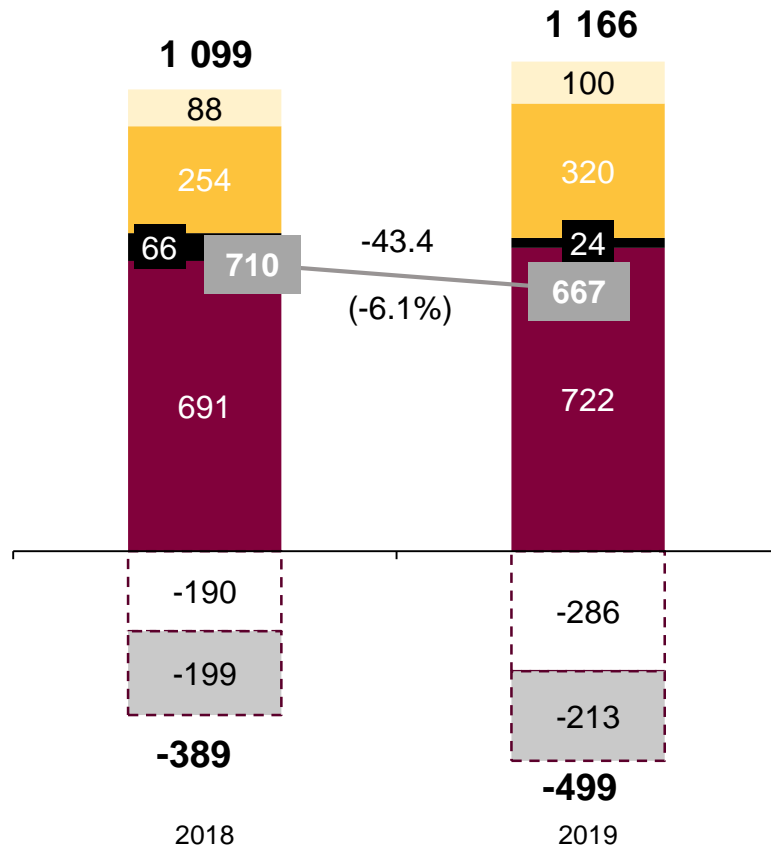
|       | Q1'19 | Q2'19 | Q3'19 | Q4'19 | MTD COF Dec 2019: |
|-------|-------|-------|-------|-------|-------------------|
| NIM*  | 4.70% | 4.70% | 4.62% | 4.51% |                   |
| COF** | 1.20% | 1.17% | 1.14% | 1.12% | 1.08%             |

- Other interest income
- Interest income related to loans
- Interest expenses
- Net interest income



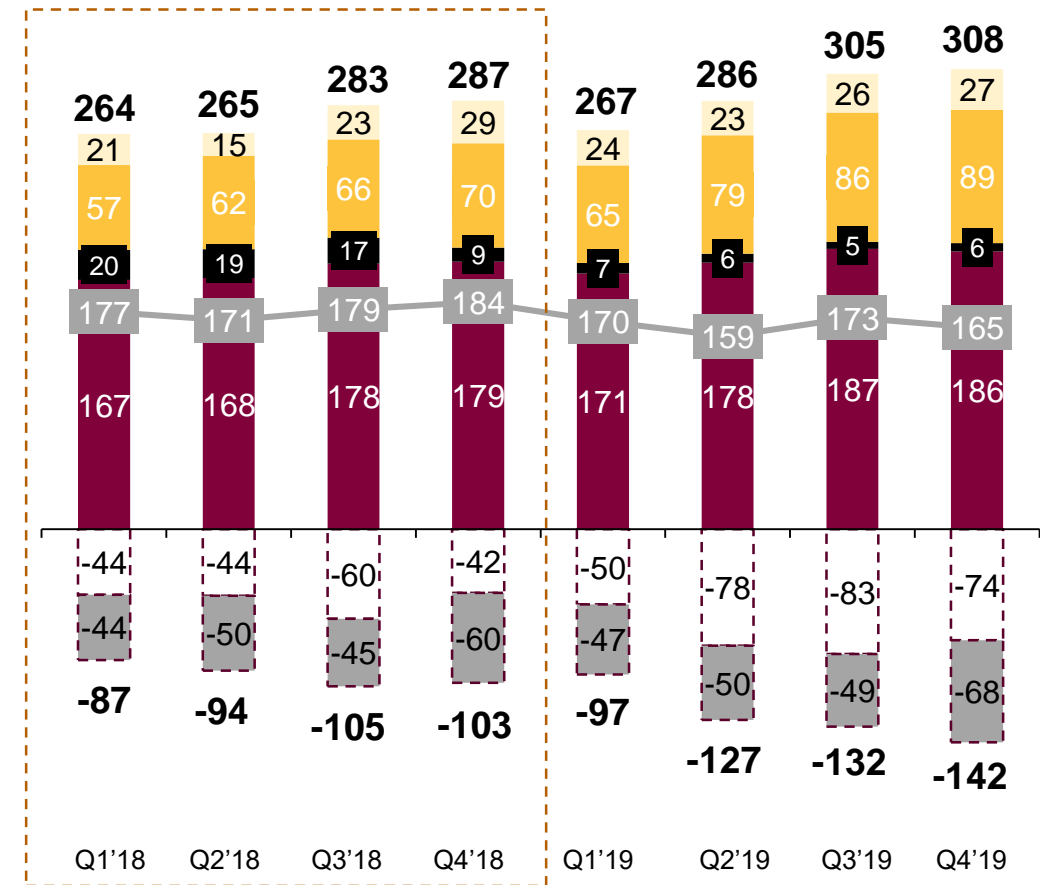
# Net fee and commission (PLN M)

## y/y comparison



## NFC quarterly

- 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

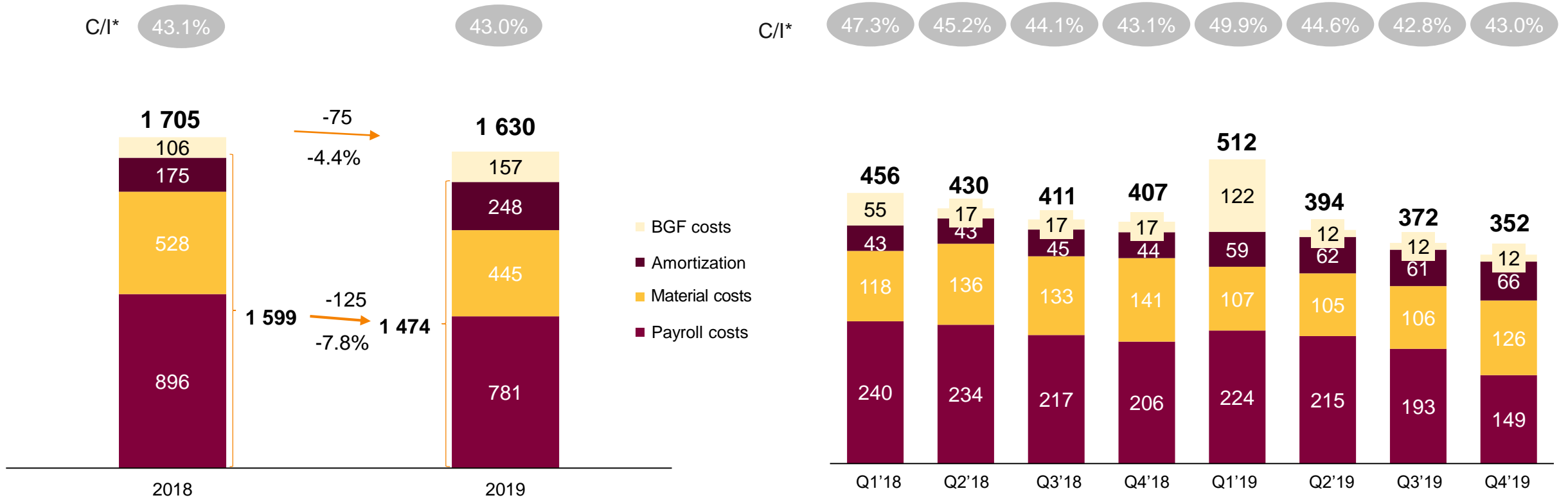


Proforma data for comparability, taking into account the change described on slide 57.

# Bank maintains high level of cost effectiveness (PLN M)

## Y/y comparison

## Quarterly split



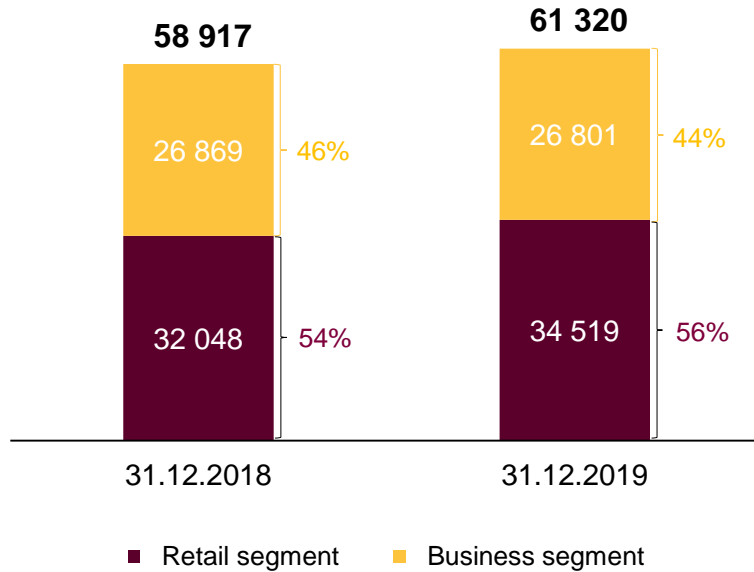
Lower operating costs in 2019 (PLN 1,630 M) vs. 2018 (PLN 1,705 M) despite a significant increase in the BGF contribution.



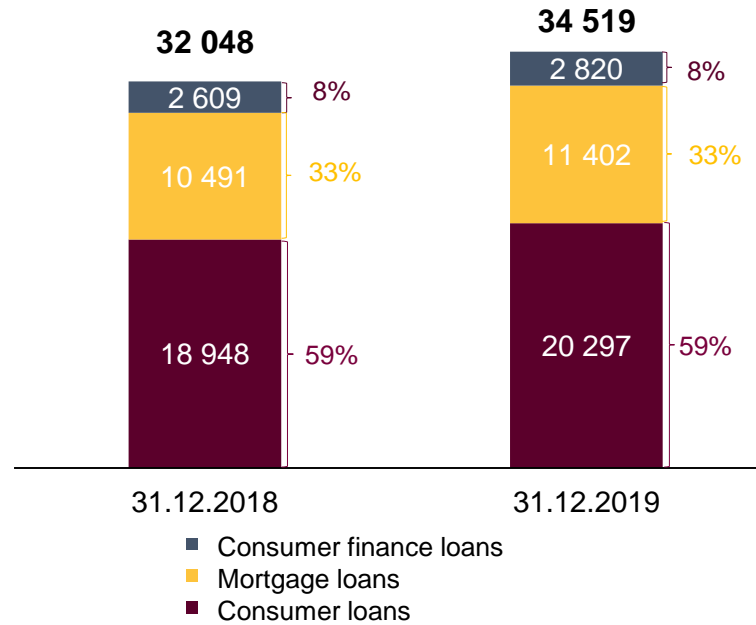
# Credit risk

# Structure and quality of the loan portfolio

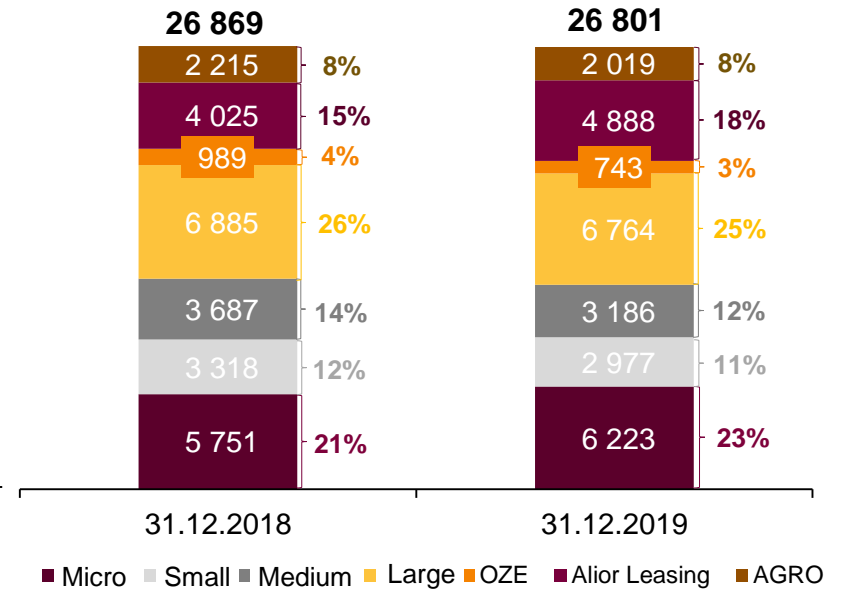
## Total loan portfolio (PLN M)



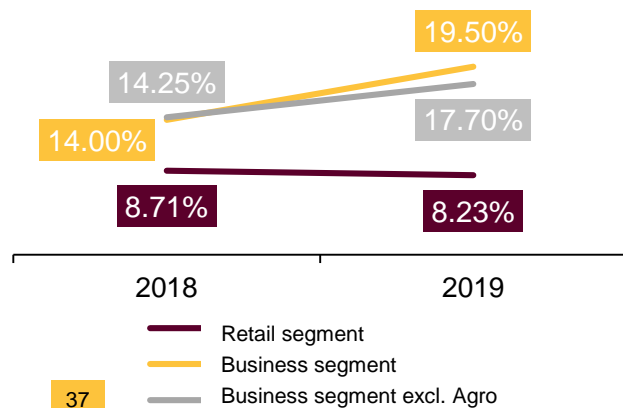
## Retail client portfolio (PLN M)



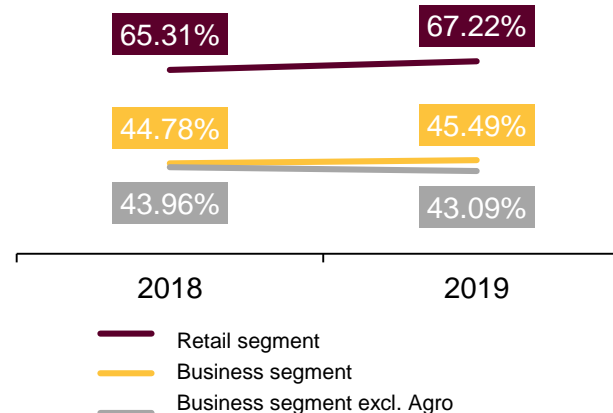
## Business client portfolio\* (PLN M)



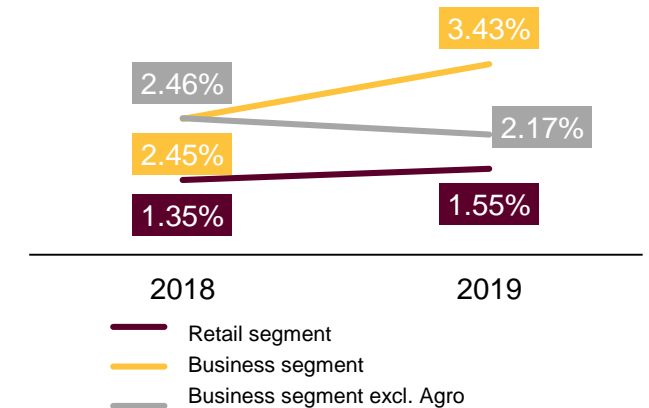
## NPL ratio (%)



## Coverage ratio (%)



## Cost of risk ratio (%)\*

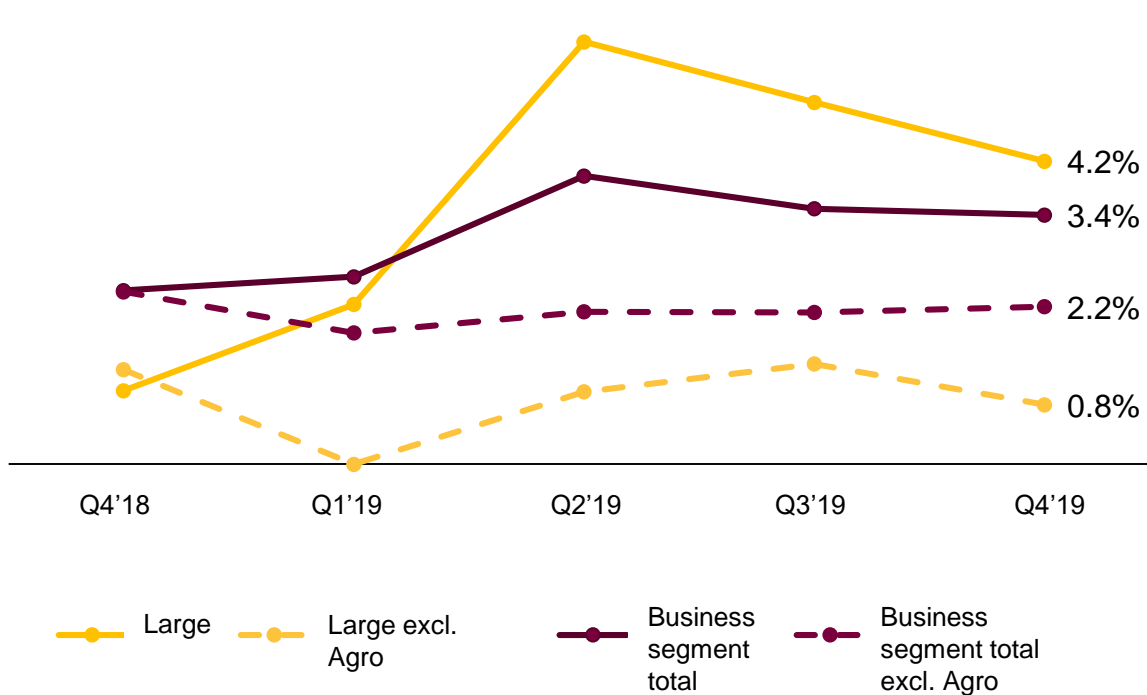


# Process improvements and risk assessment policies for business segment implemented in 2019

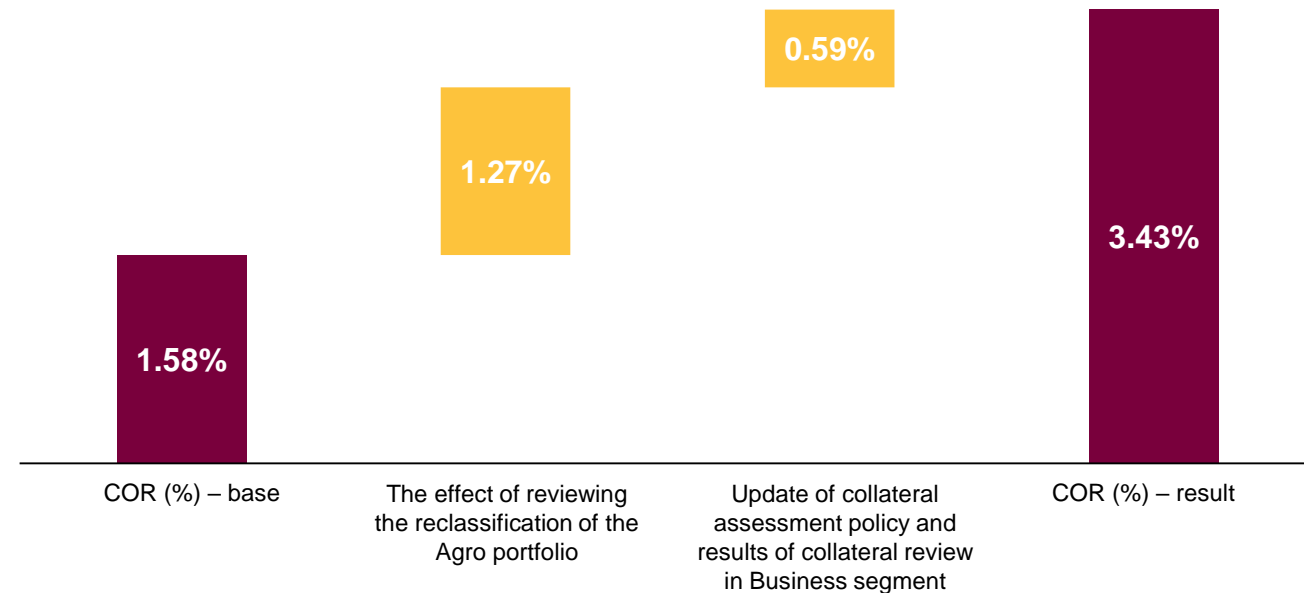
|   |  |
|---|--|
| <b>Exposure limits and the level of acceptable risk</b> | <ul style="list-style-type: none"><li>• Tightening cut-off policy for Micro, Small, Midium, Large segments in the business client segment, including Agro</li><li>• Lowering the concentration limits on the debtor and the joint risk group</li><li>• Introduction of a grid of total and unsecured limits depending on the rating level</li></ul>  |
| <b>Credit analysis and credit competences</b>           | <ul style="list-style-type: none"><li>• Structure clients analysis results and transaction as well as standardization of assessment parameters</li><li>• Adjusting the structure and limits of credit competences</li><li>• Implementation of FAST TRACK - optimization of the process of approving low-risk exposures</li></ul>   |
| <b>Collaterals</b>                                      | <ul style="list-style-type: none"><li>• Reduction of recovery rates for selected security groups</li><li>• Sealing and updating of security monitoring rules</li></ul>   |
| <b>Industry strategy</b>                                | <ul style="list-style-type: none"><li>• Launching in Q2'19 a team of Top Analysts dedicated to assess the risk of the largest clients, including syndicated loans and structured transactions</li><li>• Development of industry and sector competences of Bankers and credit analysts as well as implementation of sectoral credit strategies under the direction of a dedicated Sector Analysis Team</li><li>• Selection of preferred industries and operationalization of credit policy towards preferred industries</li></ul> |
| <b>Client monitoring</b>                                | <ul style="list-style-type: none"><li>• Implementation of automated EWS signals based on transactional and behavioral data</li><li>• Standardization of the results of periodic review and automation of selected processes</li><li>• Faster risk identification and more effective implementation of monitoring recommendations</li><li>• CRM campaigns for the best clients based on the positive results of periodic monitoring (from Q4'19)</li></ul>  |
| <b>Credit process</b>                                   | <ul style="list-style-type: none"><li>• Verification of efficiency parameters and update of bonus system</li><li>• Implementation of dedicated assessment and acceptance paths (differentiated in relation to the amount of exposure and risk profile)</li><li>• Automation of reporting processes in the field of quality and effectiveness of the credit process</li></ul>   |
| <b>Internal control system</b>                          | <ul style="list-style-type: none"><li>• Establishment of a central unit to perform the vertical control function in the area of credit risk</li><li>• Implementation of the new system control formula of the second degree (automatic and database control rules), generating a set of alerts and expanding the catalog of transactions directed for individual verification</li><li>• Update of bonus systems of Bankers and Credit Analysts</li></ul>   |

# Business client risk costs influenced by higher write-offs for the Agro segment

## COR in business client segment



## COR decomposition in 2019 in business client segment



Temporary increase in COR in the business client segment is primarily due to the results of an in-depth portfolio review and collateral for the Agro industry (PLN +389 M of risk costs).

## Very good quality of new sales in the business client segment

### New sales in the business client segment 2019

---

#### Portfolio diversification

- Only 3% of new sales was dedicated to major clients (TOP 10 largest groups)
  - Lower share of the construction sector and commercial real estate by 5 p.p. (compared to 2018)
  - Decrease in average transaction amount by 19% y/y (increase in amount diversification)
- 

#### Portfolio quality

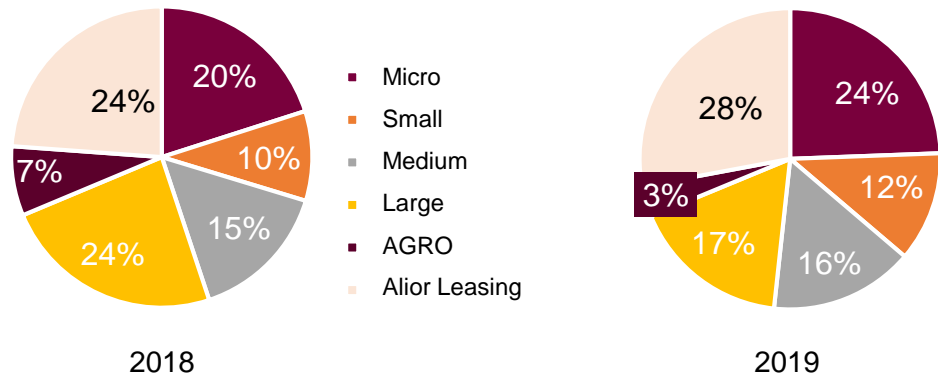
- Over 20% quality improvement in new transactions of large enterprises as a result of changes in lending policy and acquiring better clients (PD parameter - probability of default)
  - Dynamic improvement in the quality of new Micro sales – 6M default rate decreased by 74% from 2017
- 

#### Collateral

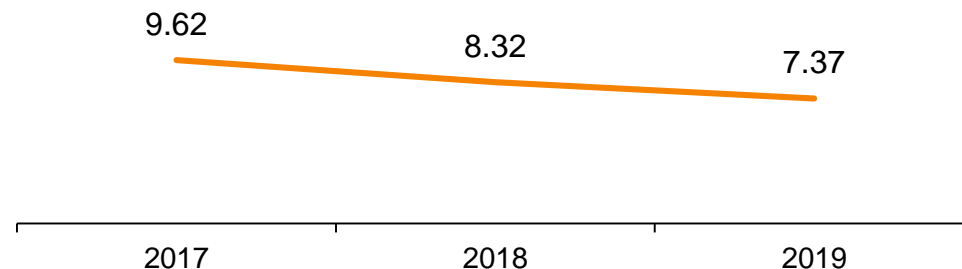
- Increase in the business client segment coverage by 9 p.p. (y/y) (economic value of collateral)
- New Micro loans coverage increase by 27 p.p (y/y) to the level of 92%

# Increasing diversification of the business client segment portfolio

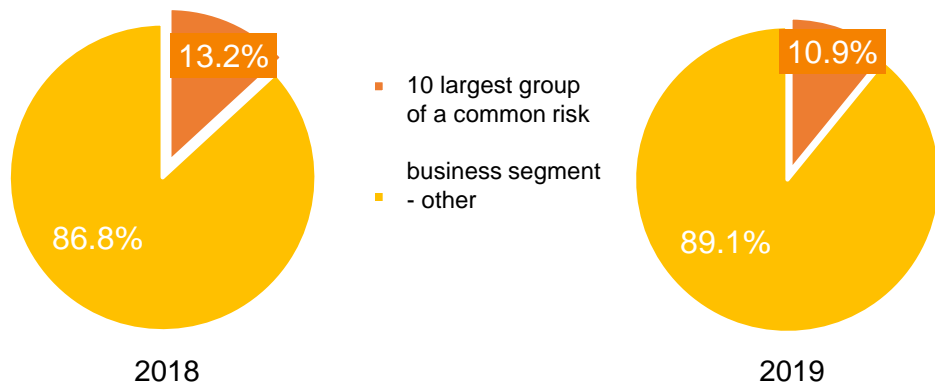
New sales in the business client segment



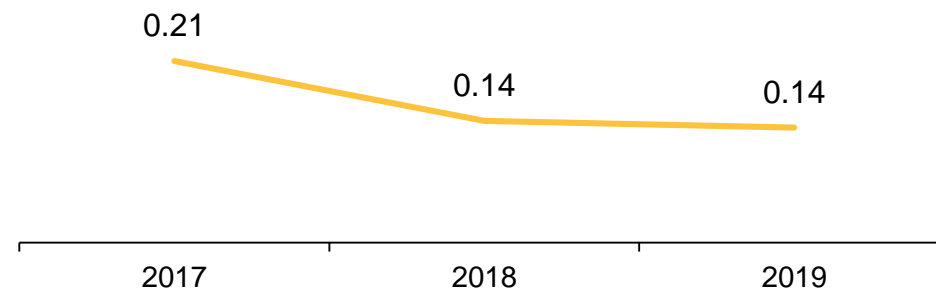
Average loan amount for new sale in business client segment  
Medium and Large segment (PLN M)



Share of the top 10 common risk groups with no indications of impairment in the regular portfolio of a business client



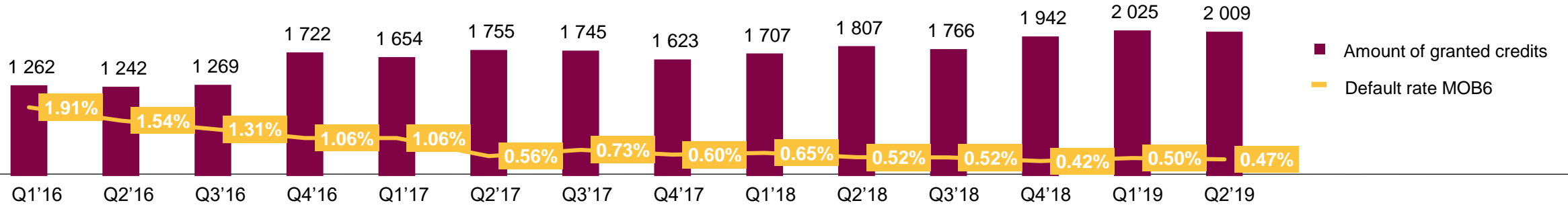
Average loan amount for new sale in business client segment  
Micro and Small segment (PLN M)



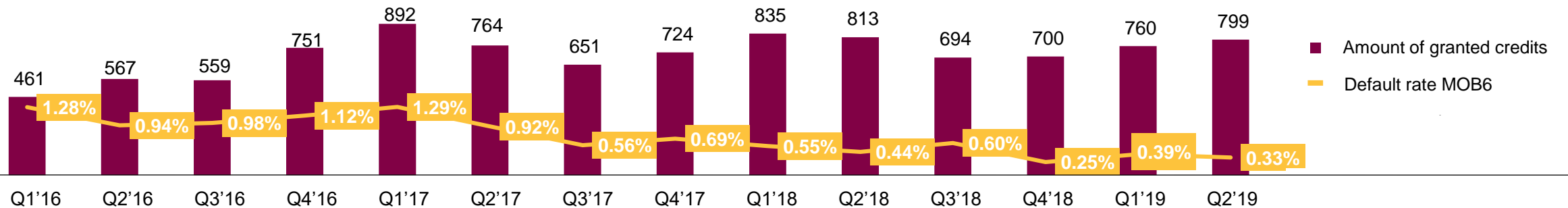
Increasing diversification of the business client portfolio reduces the bank's sensitivity to unexpected credit losses.

# Constant improvement in the quality of new loan sales

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



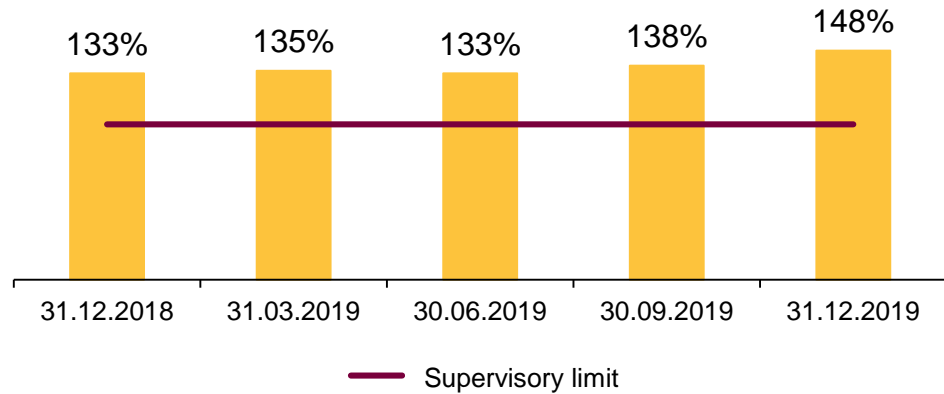
## Sales volume\* and quality in the micro business client segment (PLN M)



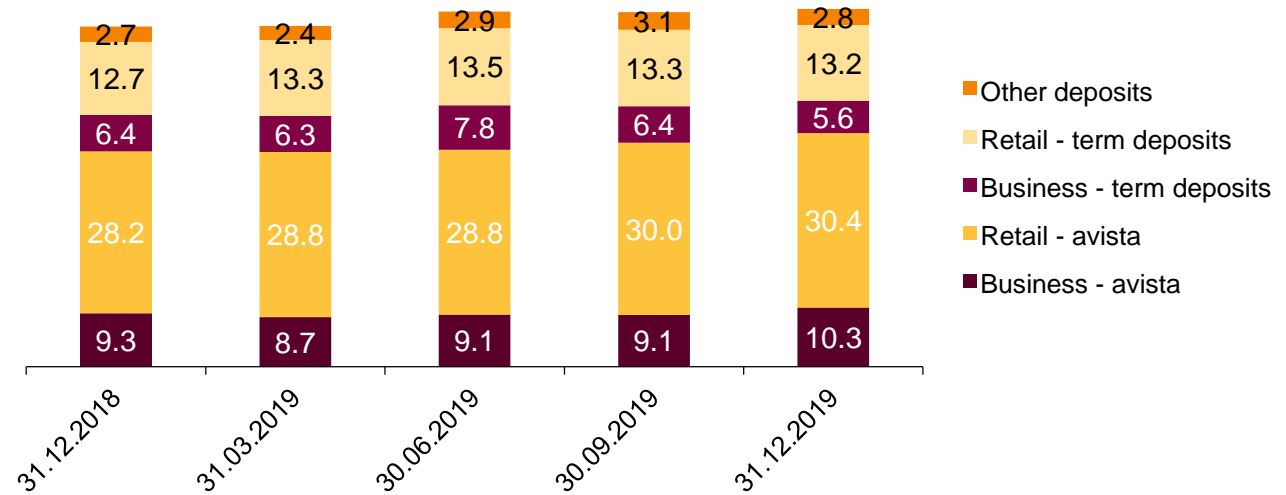
Loan quality in strategic segments (cash loan and micro) has been systematically improving for the past 3 years. In 2019 this trend was continued by optimizing risk management at every stage of the credit process.

# Stable and adequate liquidity position

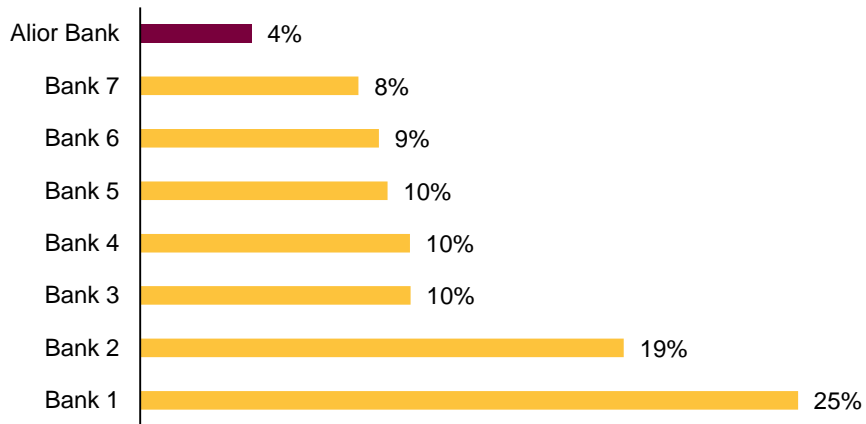
LCR ratio



Deposit balances (PLN B)



LCR volatility\*



- Stable LCR level well above the adopted supervisory limit with the lowest volatility in relation to the market.
- Stable increase in the current account balance of retail clients with a decrease in the cost of financing in 2019.
- Deposits concentration decrease.



# 2020 guidance

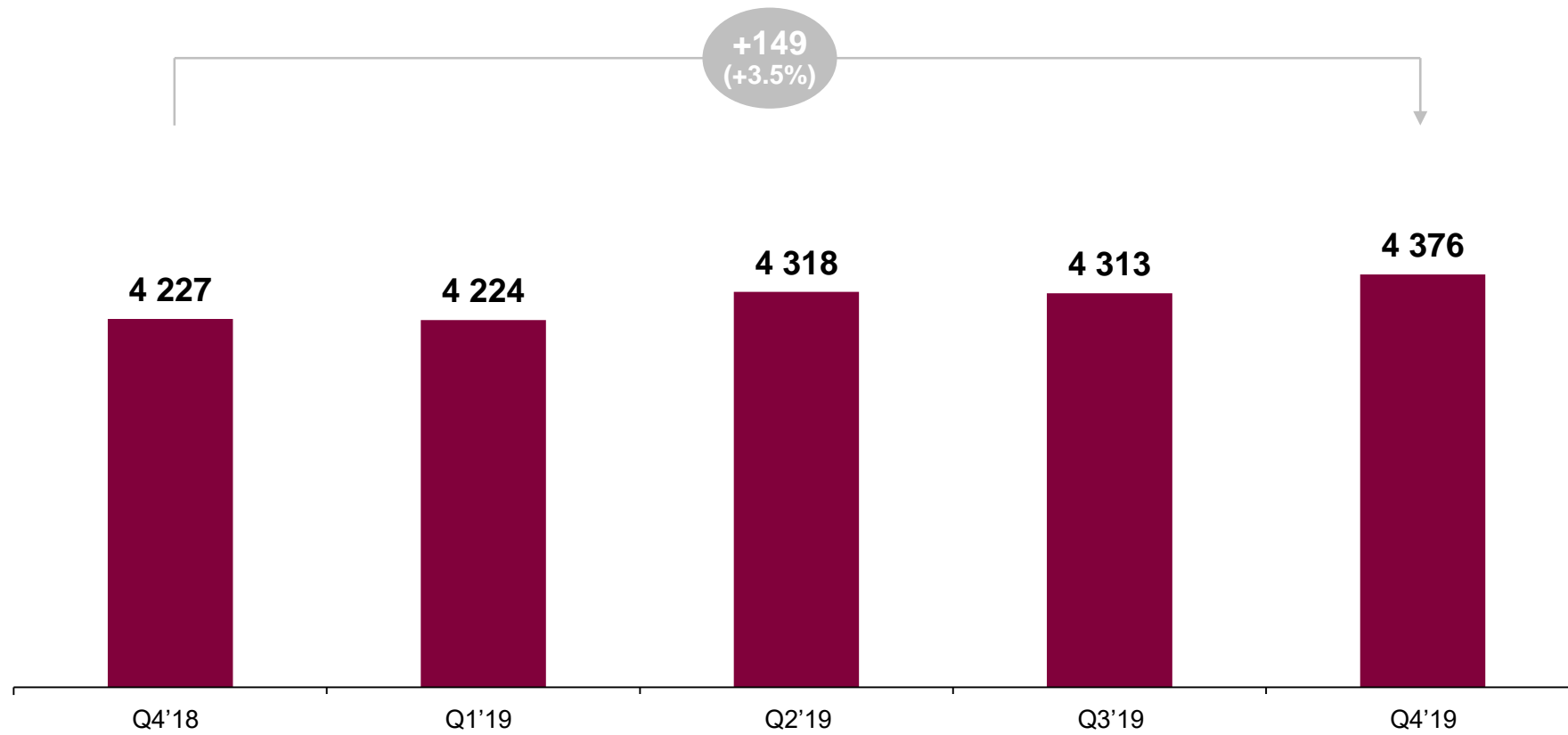
## 2020 guidance

|  | 2019 actual | 2020 guidance |
|--|-------------|---------------|
| <b>NIM</b><br>net interest margin              | 4.5%        | 4.5%          |
| <b>C/I*</b><br>cost/income                     | 43.0%       | 43%           |
| <b>COR</b><br>cost of risk                     | 2.39%       | 2.0%          |
| <b>Gross loan book growth**</b><br>(12 months) | PLN 3.9 B   | PLN 5 B       |

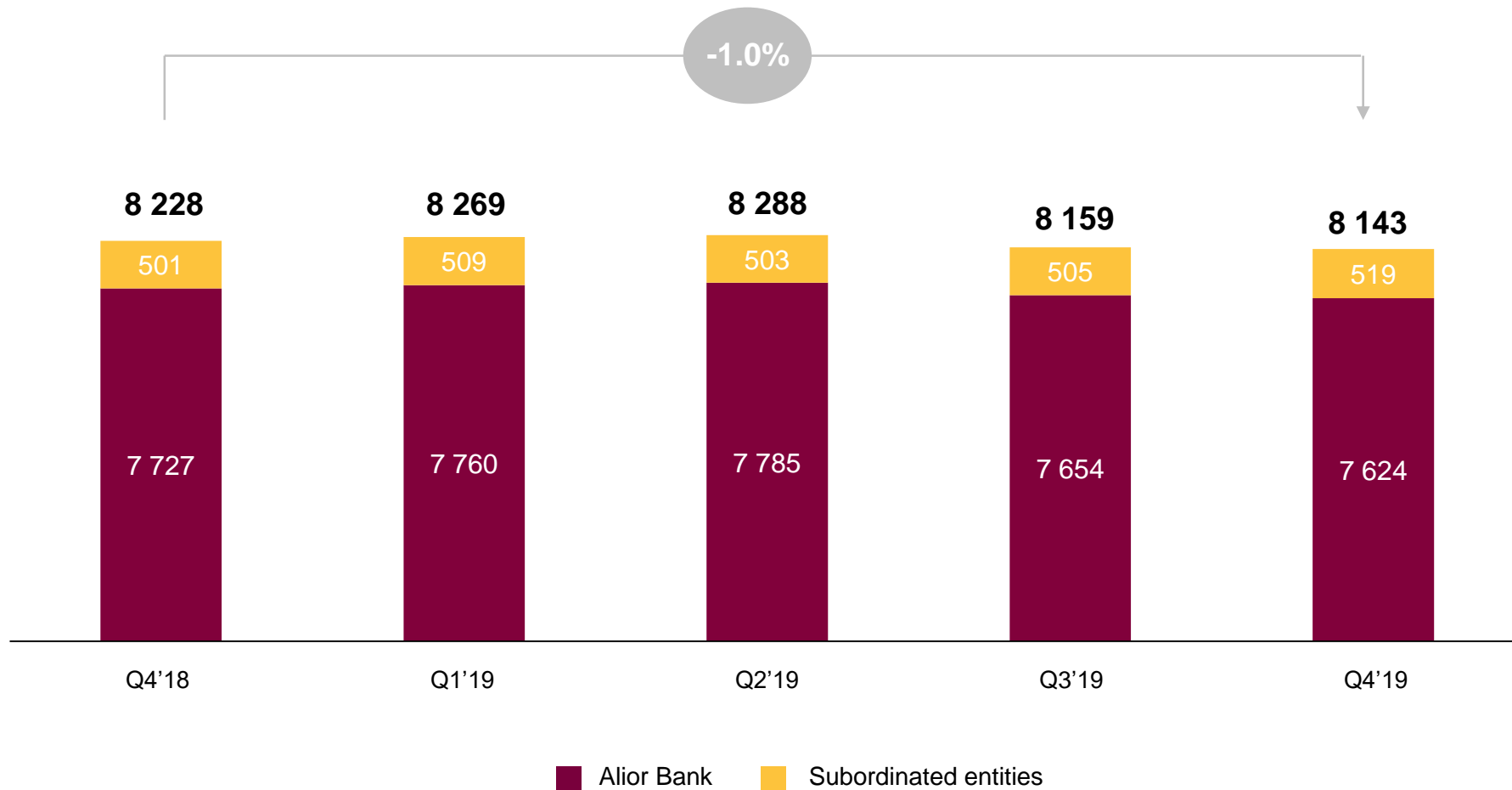


# Appendix

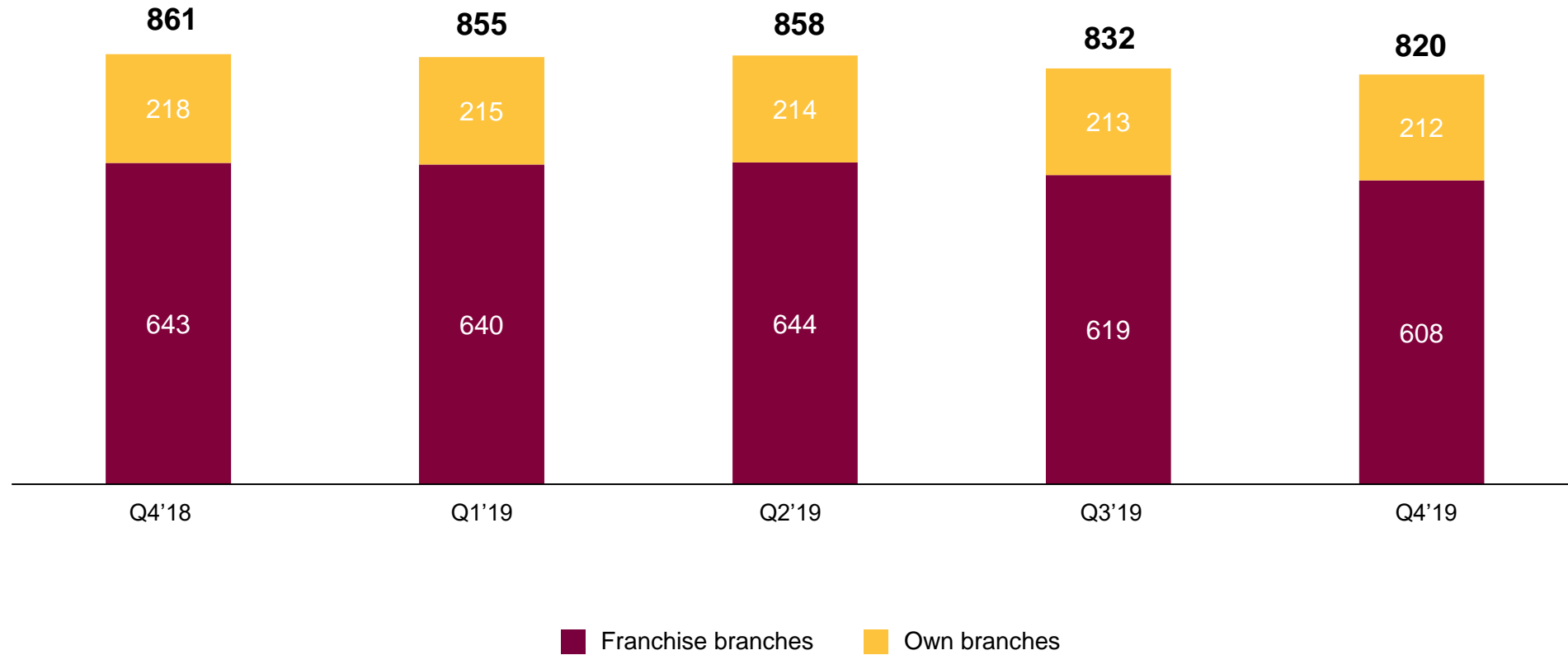
## Number of clients (T)



# Alior Bank Group – FTE evolution

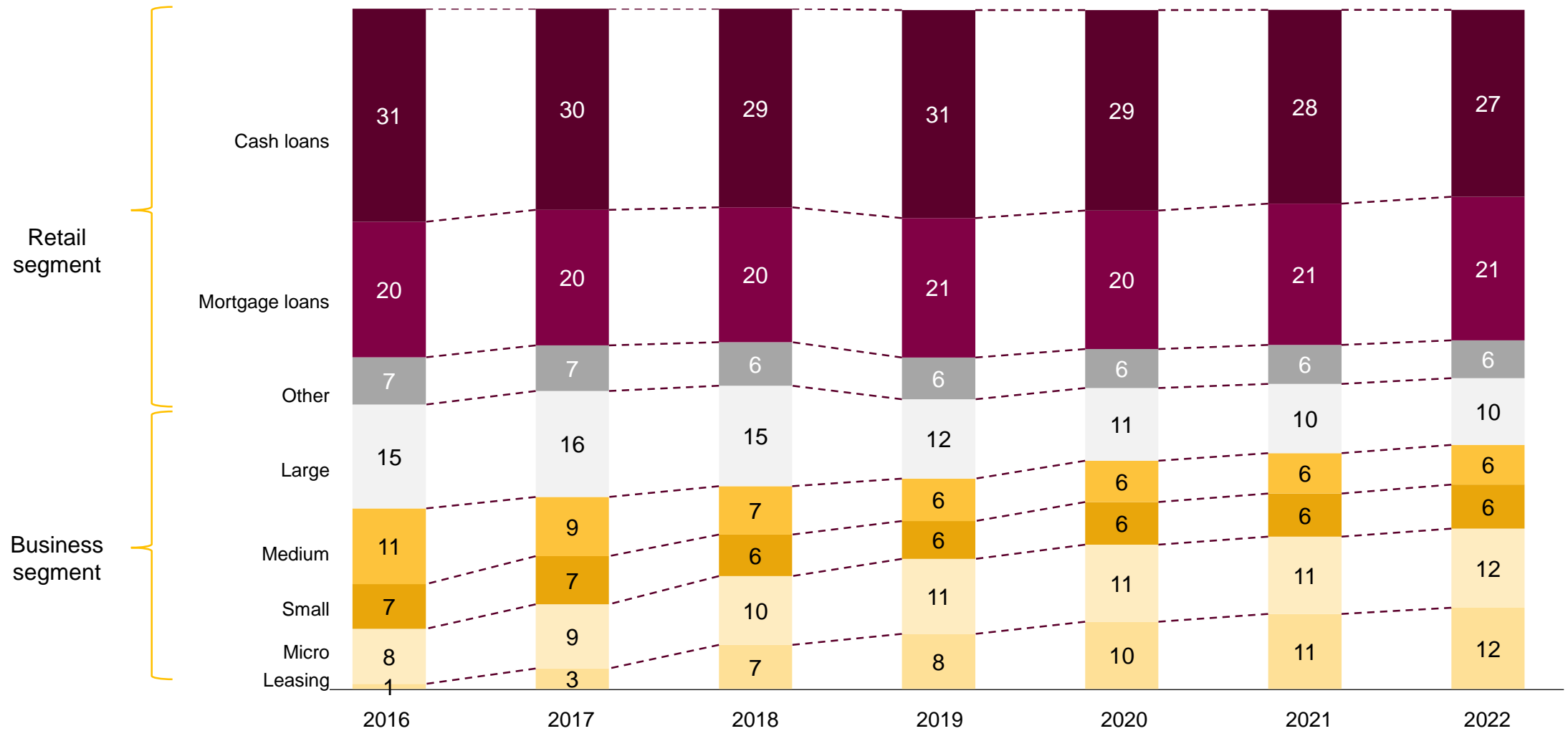


## Number of branches

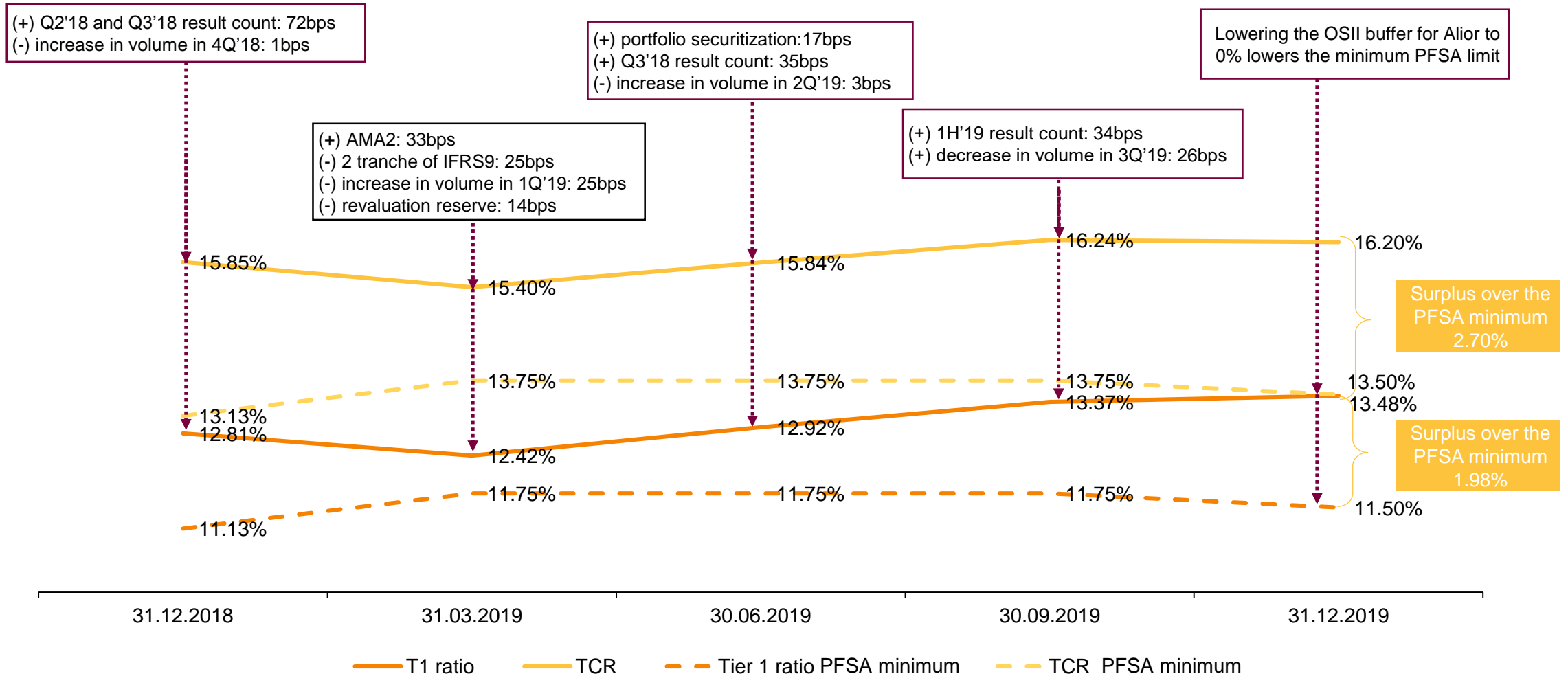


# Significant improvement in the credit portfolio structure by 2022

## Credit portfolio structure (%)

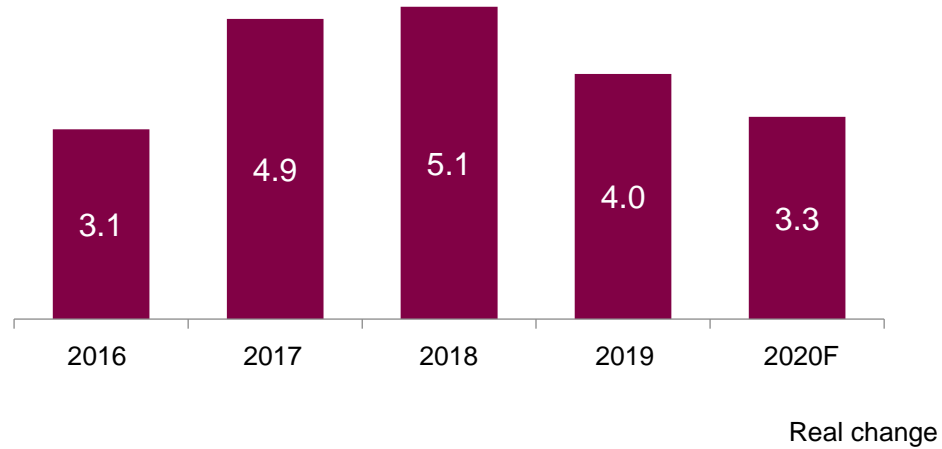


# Bank's capital position allows to maintain dynamic loan volume growth

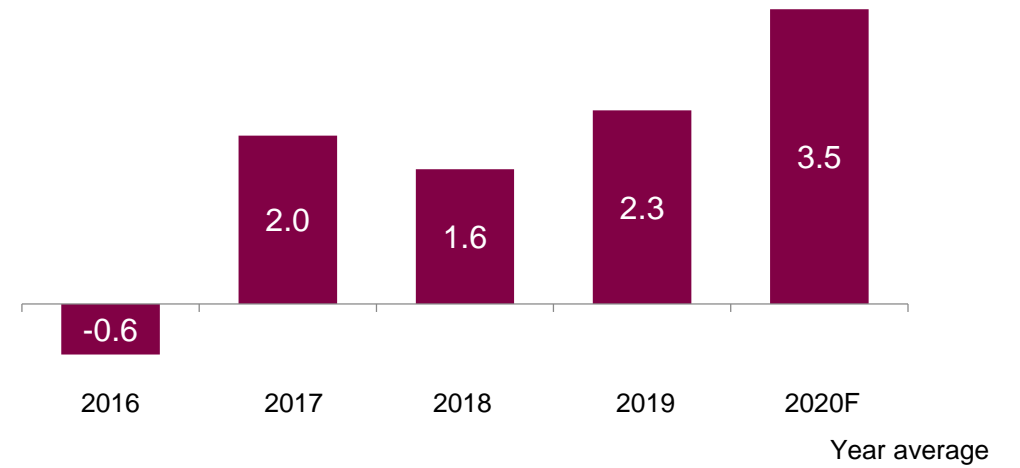


The increase in the loan volume by PLN 1 B "consumes" 18 bps of Tier1 capital.  
 The current level of Tier1 capital allows for a further increase in the loan portfolio by PLN 13 B.

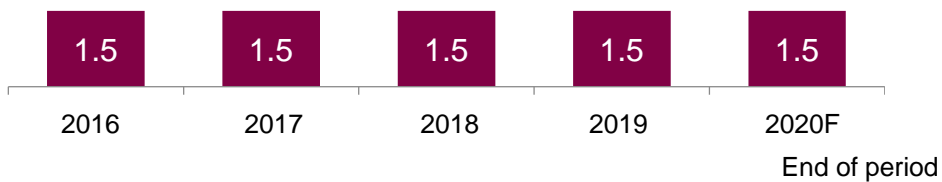
## GDP growth (% y/y)



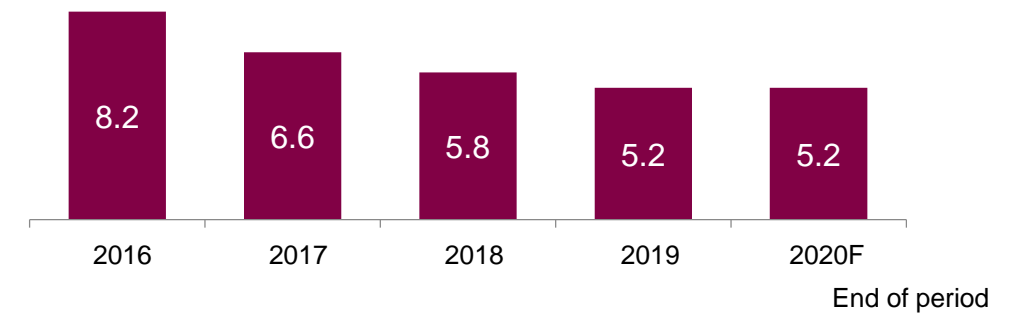
## Inflation (CPI % y/y)



## NBP reference rate (%)



## Unemployment rate (%)



## Income statement

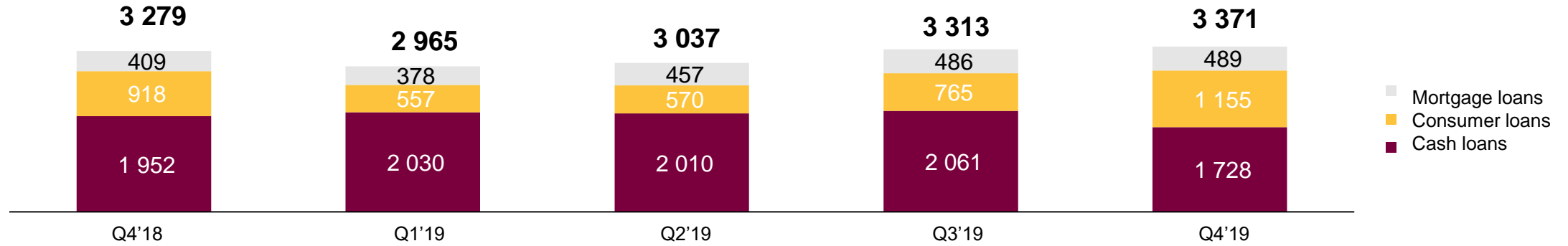
| PLN M  | 2019         | 2018         |
|--|--------------|--------------|
| Interest income*   | 4 059        | 3 956        |
| Interest expenses  | -878         | -872         |
| <b>Net interest income</b>   | <b>3 181</b> | <b>3 085</b> |
| Fee and commission income  | 1 166        | 1 099        |
| Fee and commission expenses  | -499         | -389         |
| <b>Net fee and commission income</b>   | <b>667</b>   | <b>710</b>   |
| <b>The result on financial assets measured at fair value through profit or loss and FX result</b>                        | <b>102</b>   | <b>98</b>    |
| <b>The result on derecognition of financial assets and liabilities not measured at fair value through profit or loss</b> | <b>46</b>    | <b>78</b>    |
| Other operating income   | 143          | 127          |
| Other operating costs  | -346         | -142         |
| <b>Net other operating income</b>  | <b>-202</b>  | <b>-15</b>   |
| General and administrative expenses  | -1 630       | -1 705       |
| Net expected credit losses, impairment allowances and write-downs  | -1 443       | -1 054       |
| Banking tax  | -226         | -208         |
| Profit before tax  | 495          | 988          |
| Income tax   | -242         | -275         |
| <b>Net profit</b>  | <b>253</b>   | <b>713</b>   |

## Balance sheet

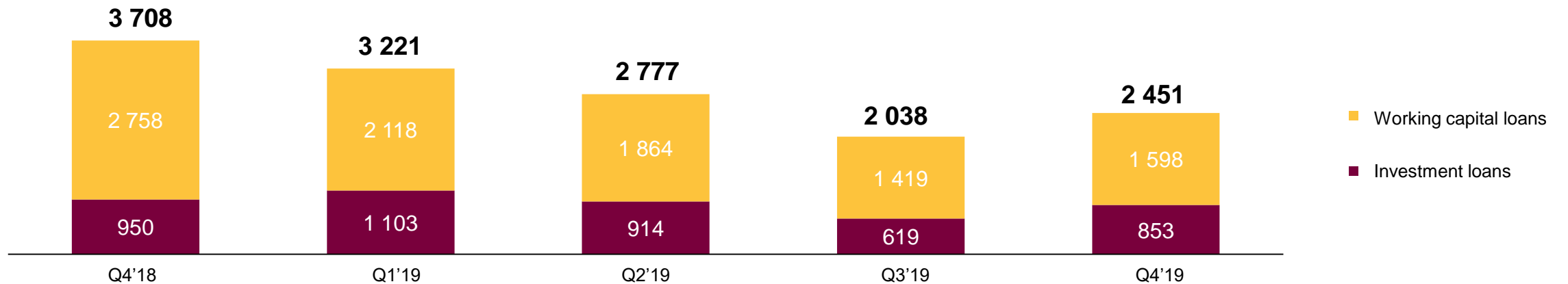
| PLN M   | 31.12.2019    | 31.12.2018    |
|---|---------------|---------------|
| Cash and balances with the Central Bank                             | 1 379         | 2 079         |
| Amounts due to banks  | 213           | 173           |
| Financial assets  | 15 799        | 13 728        |
| Measured at fair value through total income                         | 10 439        | 7 280         |
| Measured at fair value through P&L                                  | 544           | 515           |
| Measured at amortized cost  | 4 816         | 5 932         |
| Derivative hedging instruments                                      | 135           | 112           |
| <b>Loans and advances to clients</b>                                | <b>55 871</b> | <b>54 246</b> |
| Assets pledged as collateral  | 335           | 333           |
| Property, plant and equipment                                       | 764           | 461           |
| Intangible assets   | 580           | 572           |
| Investments in subsidiaries   | 10            | 4             |
| Income tax asset  | 1 165         | 1 036         |
| Other assets  | 485           | 676           |
| <b>Total assets</b>   | <b>76 736</b> | <b>73 420</b> |
| Amounts due to banks  | 823           | 593           |
| <b>Amounts due to clients</b>                                       | <b>64 999</b> | <b>62 436</b> |
| Financial liabilities measured at fair value through profit or loss | 437           | 416           |
| Derivative hedging instruments                                      | 41            | 9             |
| Provisions  | 409           | 126           |
| Other liabilities   | 1 380         | 1 167         |
| Income tax liabilities  | 95            | 268           |
| Subordinated liabilities  | 1 794         | 1 918         |
| <b>Total liabilities</b>  | <b>69 977</b> | <b>66 934</b> |
| <b>Equity</b>   | <b>6 759</b>  | <b>6 486</b>  |
| <b>Total liabilities and equity</b>                                 | <b>76 736</b> | <b>73 420</b> |

# New loans sales (PLN M)

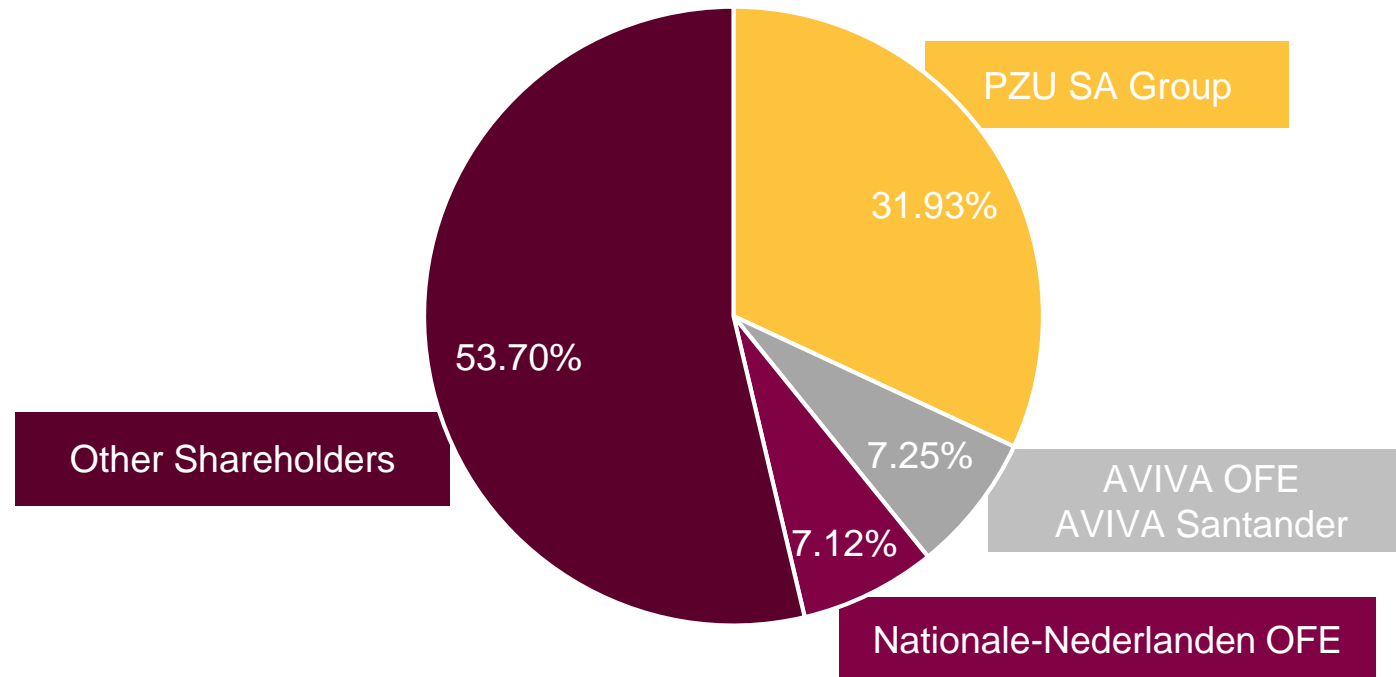
## Retail loans (new quarterly sales)\*



## Business loans (new quarterly sales + renewals)\*



## Shareholding of Alior Bank\*



The largest free float among Polish financial institutions.

## Change in the presentation of the transaction margin on FX transactions

|   | 2018<br>Before change | Change      | 2018<br>After change |
|---|-----------------------|-------------|----------------------|
| Interest income   | 3 085                 |             | 3 085                |
| <b>Fee and commission income</b>  | <b>436</b>            | <b>274</b>  | <b>710</b>           |
| <b>The result on financial assets measured at fair value through profit or loss and FX result</b>                 | <b>372</b>            | <b>-274</b> | <b>98</b>            |
| 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                 |
| <b>Profit before tax</b>  | <b>988</b>            |             | <b>988</b>           |
| Income tax  | -275                  |             | -275                 |
| <b>Net profit</b>   | <b>713</b>            |             | <b>713</b>           |

Starting from Q1' 19 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, at present in the fee and commission income.

# Quality of the renewable energy portfolio (RES) and industry perspective

- Timely service of obligations in 2019.
- Continued reduction of exposures - by 21% in 2019.
- A large number of OZE companies prepay loans, including clients in NPL.

Significant improvement in the financial situation of the renewable energy sector caused by the increase in the prices of Green Certificates and lowering the property tax.

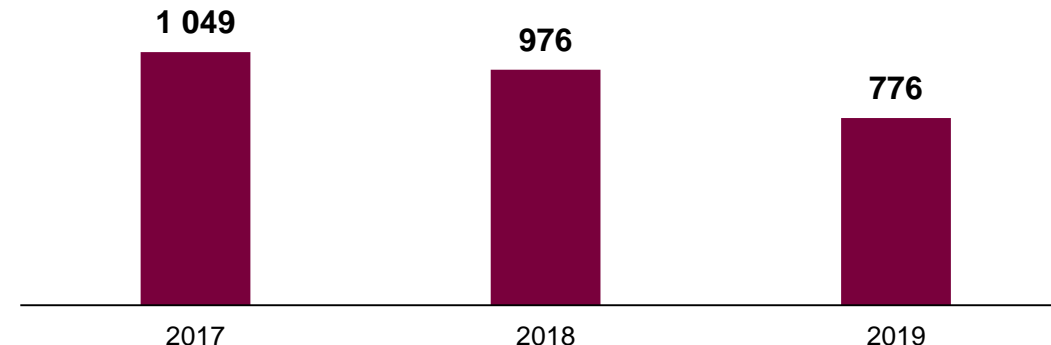
As a result, the Bank noted an improvement in the financial situation of RES clients and a decrease in exposure as a result of faster than scheduled loan repayment. Also:

- The renewable energy portfolio currently has over 775 million balance sheet commitments and no clients have arrears on 12/2019;
- In 2019 there was only one client late, its involvement is 1.6 million and currently has no arrears;
- The average recoverable value coverage of collateral in the OZE portfolio is over 85%.

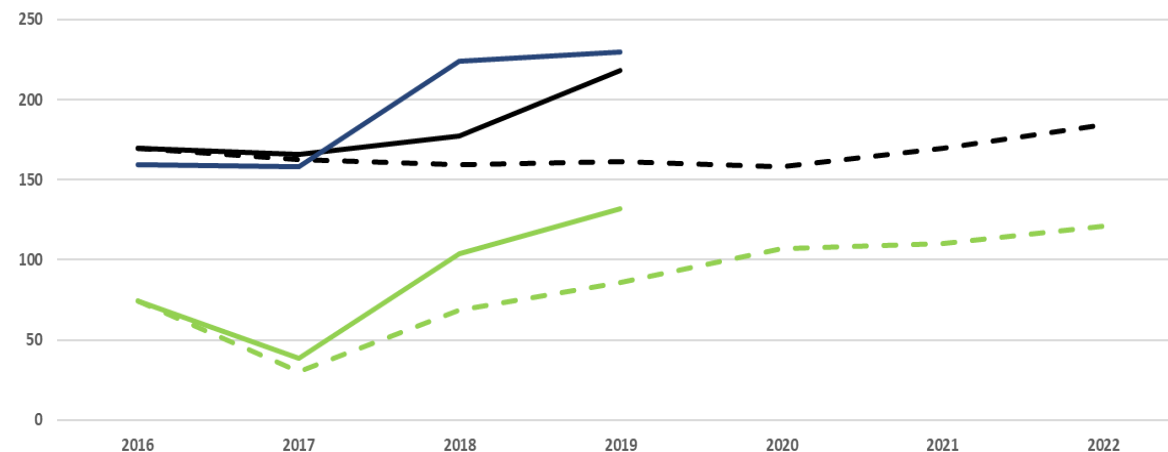
Positive forecasts for the coming years - according to the Energy and Climate Policy Scenario of 18/12/2019, it is assumed to achieve a 15% share of renewable energy in energy consumption in Poland in 2020 and 23% in 2030. The context of the plan agreed within the EU is also important, which assumes achieving CO2 neutrality by 2050.

Another favorable factor - the observed increase in energy prices, for which the upward trend is expected to continue.

RES balance (PLN M)



Forecast vs. actual price of black energy and green certificates



--- Electric Power (current forecasts)   
 --- Green Certificate (current forecasts)   
 — Electric Power (REAL/URE)   
 — Green Certificate (REAL/TGE)   
 — Electric Power (REAL/TGE)

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



This document has been prepared by Alior Bank S.A. (the “Bank”) solely for use at the Presentation. Any forward looking statements concerning future economic and financial performance of the Bank contained in this Presentation are based on the Financial Report of the Alior Bank Group for 2019. The Bank does not accept any responsibility for the use of any such information.

The distribution of this document in certain jurisdictions may be restricted by law. This document may not be used for, or in connection with, and does not constitute, any offer to sell, or an invitation to purchase, any securities or other financial instruments of the Bank in any jurisdiction in which such offer or invitation would be unlawful.

Persons in possession of this document are required to inform themselves about and to observe any such restrictions. Any failure to comply with these restrictions may constitute a violation of the securities laws of any such jurisdiction. The information provided in this presentation should not be considered as an explicit or implicit statement or the provision of any type submitted by the Bank or persons acting on behalf of the Bank.

Furthermore, neither the Bank nor the persons acting on behalf of the Bank are under any terms liable for any damage, which may arise, as a result of negligence or other reasons, in connection with the use of this Presentation or any information contained therein, nor for injury, which may arise in another way in connection with the information forming part of this Presentation.

Please direct all inquiries to:

[relacje.inwestorskie@alior.pl](mailto:relacje.inwestorskie@alior.pl)

+48 723 684 995

# Thank you for attention

## 2019 Annual Financial Performance