

Alior Bank SA

Presentation of Q1 2020 Financial Performance

- 1 Key issues
- 2 COVID-19 impact on Bank's operations
- 3 Operations
- 4 Financial performance
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Key issues

Key issues



In Q1 2020 net profit totalled PLN 73 M.
Material impact of the ECJ rulling on the cost reimbursement of early repayment of consumer loans (PLN -51 M impact on net result).



In Q1 2020 Return on Equity (ROE) was at the level of 4.34%.
Without taking into account the impact of the ECJ rulling ROE would be at the level of 7.4%.



High level of loan sales maintained in Q1 2020 despite visible impact of pandemic on the Clients' behavioural patterns.



Bank's safe capital position.
TIER1 at 12.94% and high TCR (15.52%); Surplus above TIER1 regulatory minima totals 444 b.p. (PLN 2.2 bn), and TCR 502 b.p.



Stable liquidity position at a very high level.
In Q1 2020 LCR was at the level of 147%.
The estimated positive impact in the following months resulting from the decrease in the level of required reserves is 20 p.p. LCR at the end of April above 170%.



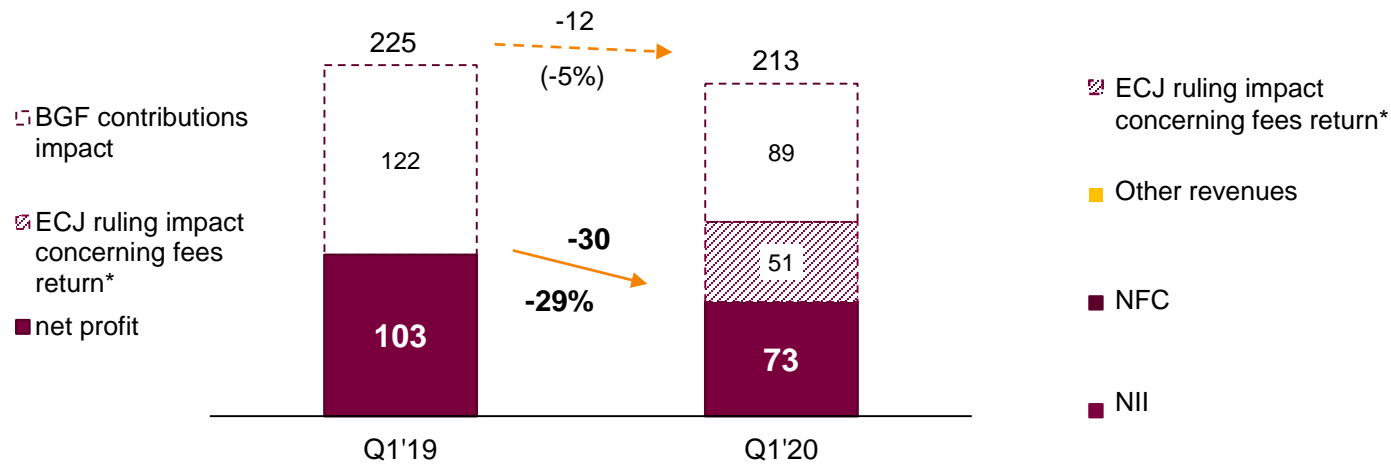
Risk costs were at the level of 1.93%.
Relatively low (14%) share of business Clients from industries most severely affected by COVID-19 virus in the category of TOP 100 largest credit exposures.



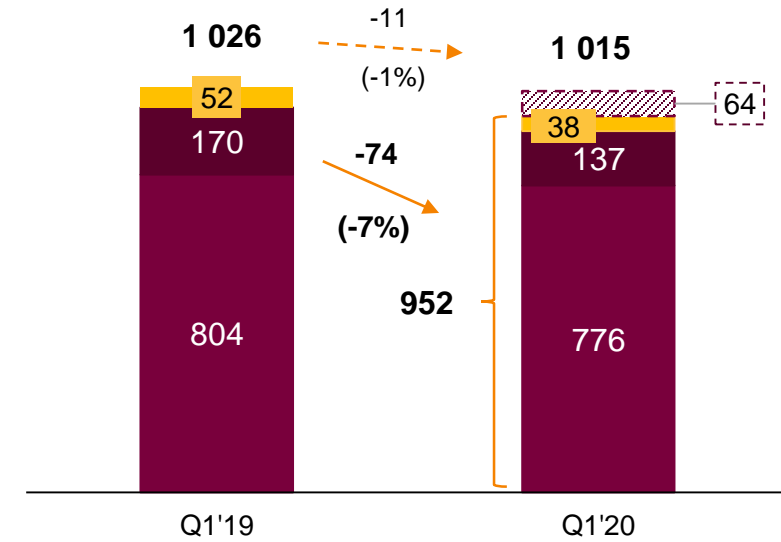
Efficient operation of the Bank in the COVID-19 environment.
Since the pandemic outbreak, the Bank has taken all possible measures to ensure the safety of both personnel and its Clientele.

Q1 2020 financial performance (PLN M)

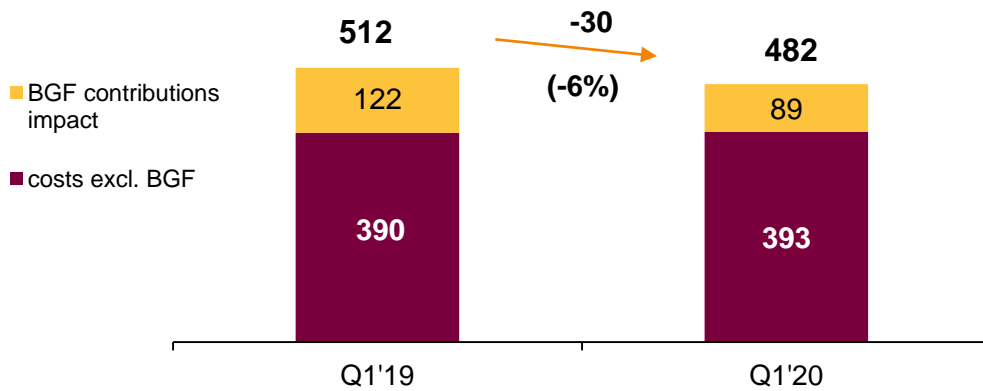
Net result



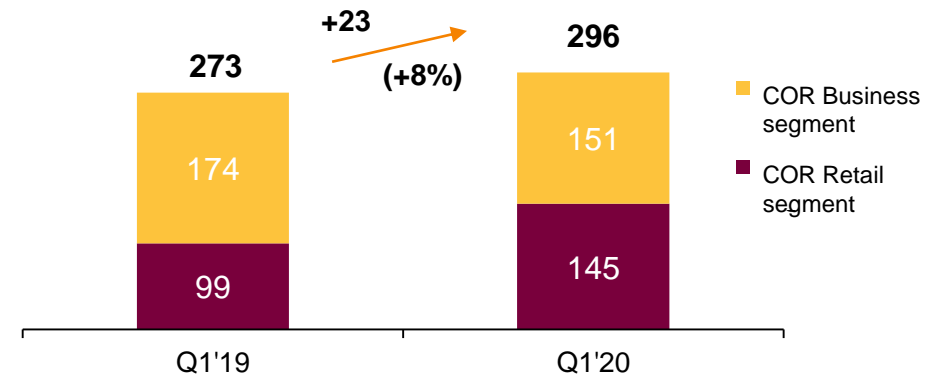
Income



Operating expenses

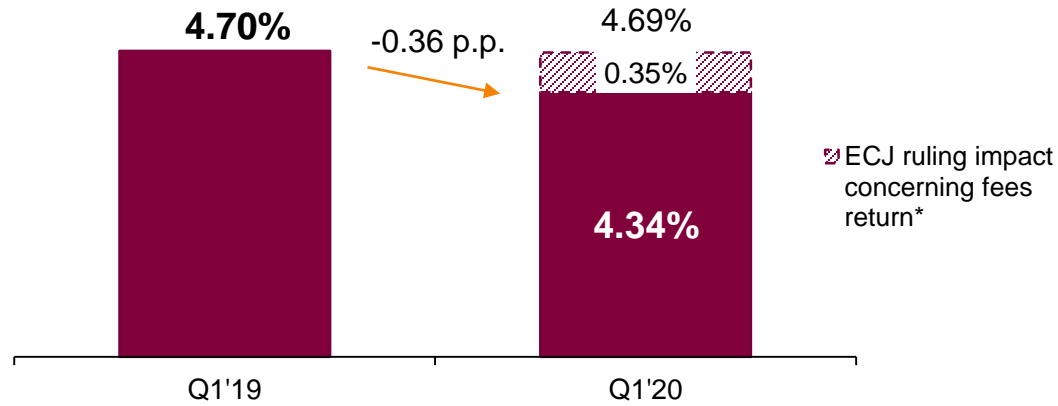


Risk costs

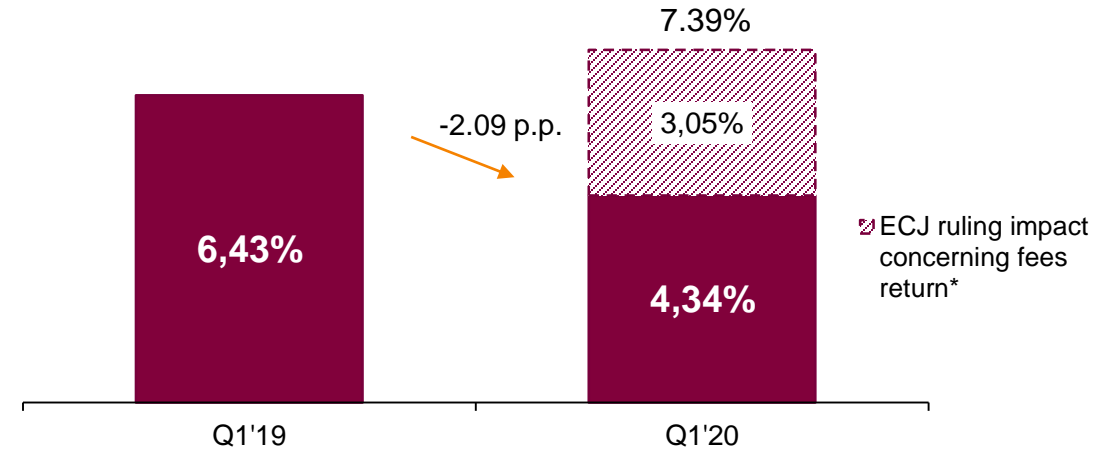


Key financial ratios in Q1 2020

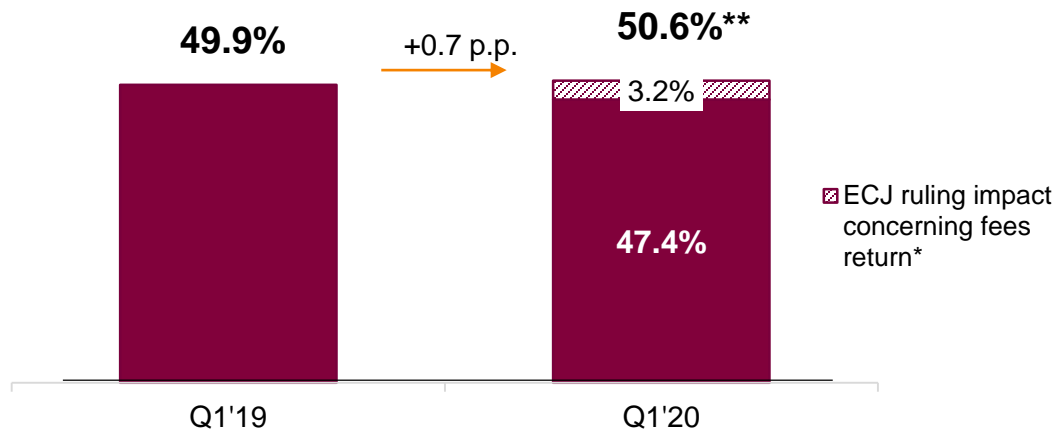
NIM



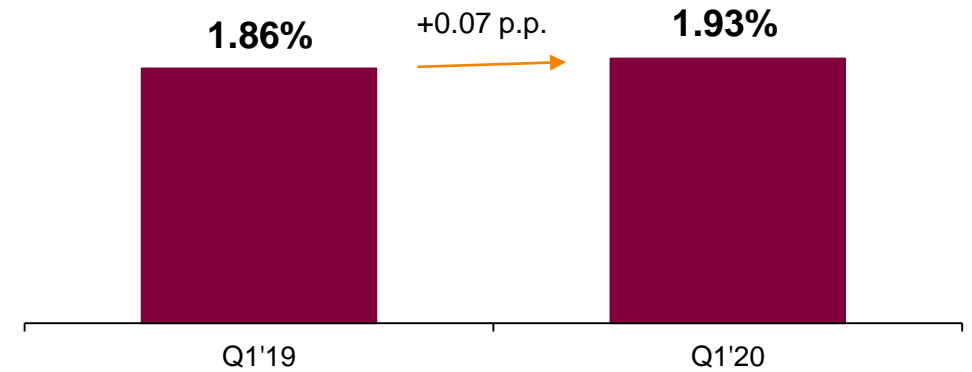
ROE



C/I



COR



*impact of the ECJ ruling concerning fee reimbursement (PLN -64 M gross; PLN -51 M net)

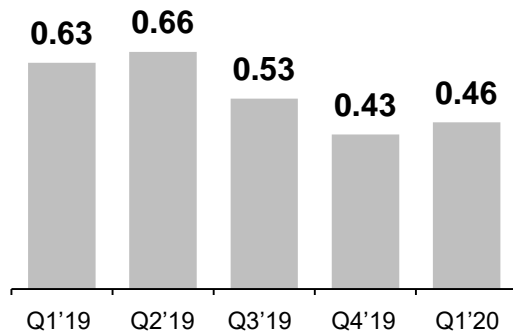
**normalized annualized C/I level is 45.5% settling the BRR premium for the whole year

Growth of credit volumes in strategic segments (PLN bn) (management accounting data)



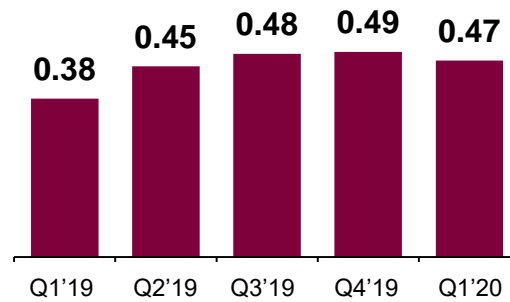
New sales in Micro segment

Upward trend in the new sales in the Micro business segment following a period of tightening of lending policy...



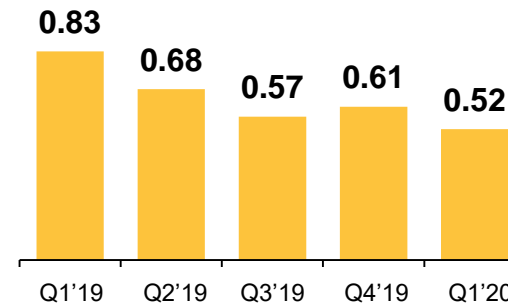
New sales of mortgage loans

...paralleled by stable sales of mortgage loans...



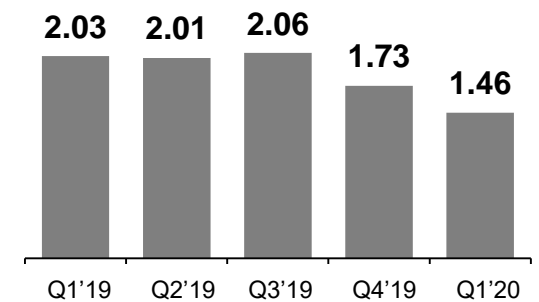
Sales of new lease contracts

...and lease contracts...



New sales of loans

...and lower demand for cash loans.

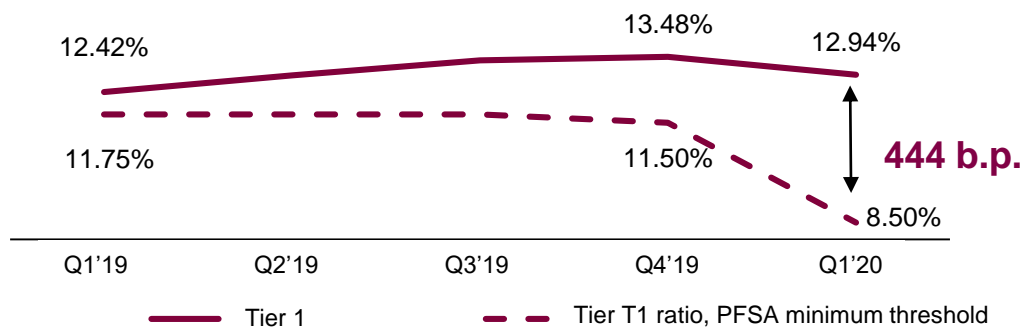


Bank's stable position: the largest ever TIER1 buffer exceeding regulatory minimum thresholds

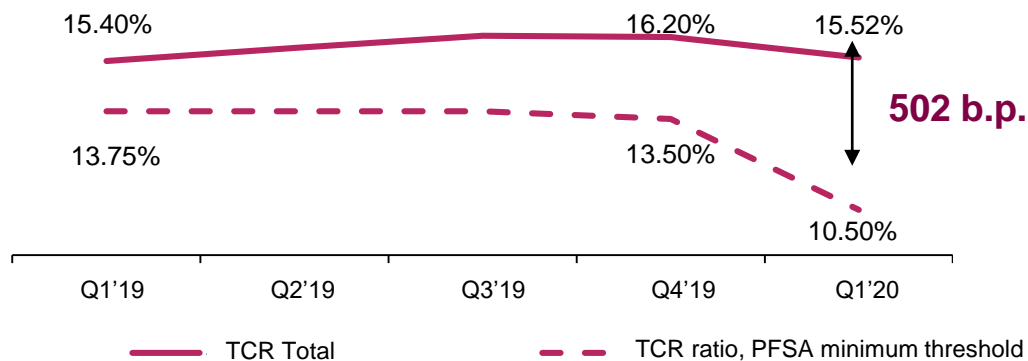
TIER1 and TCR capital ratios at the end of Q1 2020 leave buffers above regulatory minimum thresholds of 444 b.p. PLN 2,223 M and 502 b.p. PLN 2,514 M respectively.

Capital position

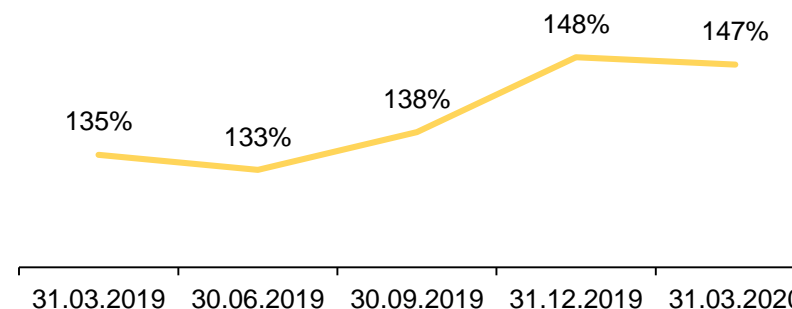
TIER 1



TCR



Liquidity - LCR



The impact of the reduction of the minimum provision requirement for LCR **~20 pp.**

LCR at the end of April **>170%**



Photo ID

Identification method enabling remote verification of the Client's identity with no need to visit the brick & mortar branch and with no need to apply the courier process - remote process in 100%.



Electronic signature

Implementation of electronic signature for Bank personnel and businessmen.



Clients' comfort

Enabling cash payments in 1,300 outlets of the Polish Post Office located all over Poland.



Quality of customer service

- **Third place in the "Institution of the Year 2019" ranking** in the categories: "Best Service at the Branch", "Best Remote Account Opening Process", "Best Internet Banking" and "Best Mobile Application".
- **Fourth place in the "Institution of the Year 2019" ranking** in the category "Best Service in Remote Channels".



Support for Businessmen

- **The Sales Leader Award granted by Bank Gospodarstwa Krajowego (*Bank of National Economy*)**. Since the sales launch in 2013, Alior Bank has extended 46 thousand de minimis guarantees with a total volume of PLN 10 bn.
- **The title of "The Best Bank for Businesses"** awarded by the industry portal MojeBankowanie.pl, the organizer of the ranking "Institution of the Year 2019".



Innovativeness and Technology

- **The "Personality of the Year" title for Tomasz Sienicki**, Blockchain Technology Strategy Manager at Alior Bank, for his contribution to the development of improvements and innovations in the customer service. The team, led by Tomasz Sienicki, was responsible for the implementation of a durable carrier based on public blockchain technology. Alior Bank was the first institution in Poland and one of the first in the world to implement such project.



COVID-19 impact on Bank's operations

Taking care for the safety of our personnel ...

...we take care for our Clients.



3,2 thous.

personnel members work remotely

The Bank provided its personnel with the necessary Personal Protection Equipment (PPE):

- **245 thous.** gloves,
- **8 000 litres** of disinfectants,
- **2 000** face shields for the bankers,
- **1 700** protection guards separating bankers' work positions,
- **20 thous.** reusable masks.



~96%

of own Branch Offices opened



~94%

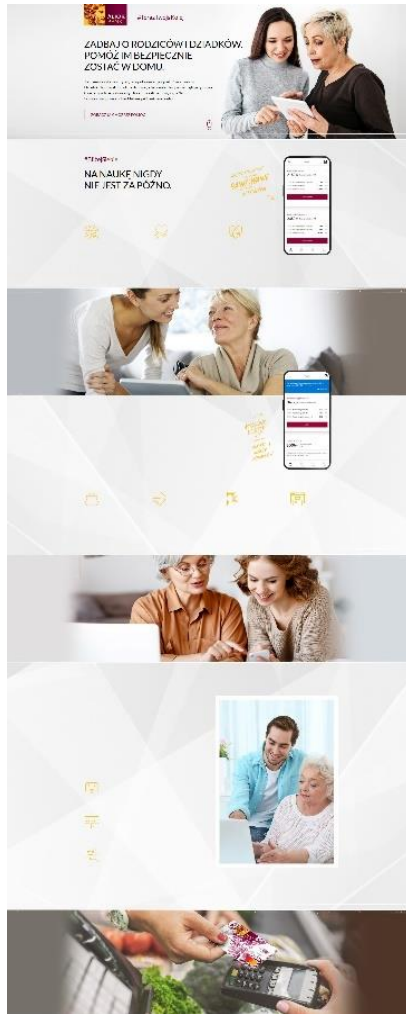
of Partnership Outlets opened



~9 thous.

of answered calls at the Contact Center daily

↷ growth of 38%



Measures taken to ensure Client safety

- Changes in advertising and sales campaigns - promoting the use of remote banking and cashless payment channels, emphasizing an option remote enjoyment of the offer and services.
- Communication of changes in service and circumstances on the Bank's website.
- Promotion of products and services available remotely - #BankujZDomu and #FirmaZDomu.
- Social media campaign targeted at 50+ social group encouraging them to enjoy on-line banking and cashless transactions - cooperation with the influencer and blogger Beata Borucka – „Wise Granny”.
- #TerazTwoja Kolej (#NowItsYourTurn) social campaign communicated via digital channels to inspire young people to support their parents and grandparents while they enter the digital world.

Charitable activities: PLN 2 M of anti-COVID-19 aid

- PLN 1 M for the Szczecin Provincial Hospital for the purchase of life saving equipment.
- Financial support for the laboratory of the "Monument - Children's Health Centre" Institute in the City Warsaw for the purchase of tests for patients waiting for surgeries.
- Highly specialized computers for cardiology, psychiatry and diabetology wards at the Child Health Centre for medical teleconsultation.
- Laptops for remote learning to be used by the charges of the National Fund for Children for particularly talented students to continue their education remotely.
- Financial support for the University Children's Hospital in the City of Krakow - financial resources for the purchase of administrative materials enabling smooth operation of the hospital and facilitating the prevention of COVID-19.



COVID-19 – repayment holidays



Retail Client



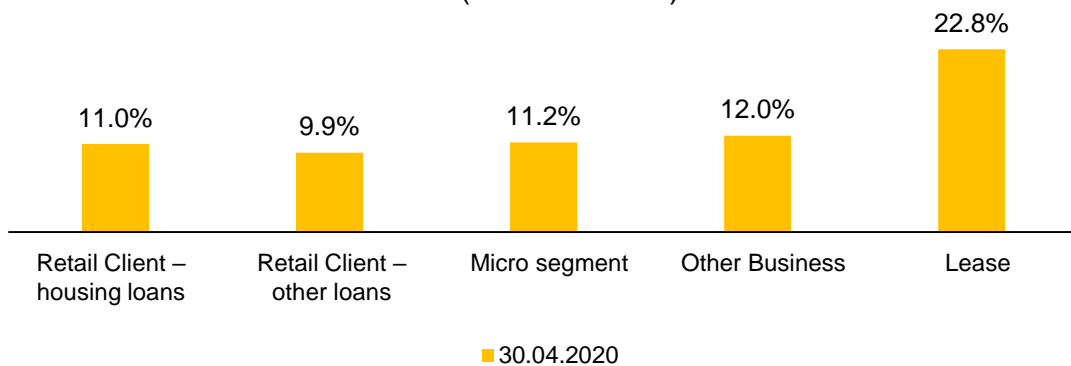
Business Client



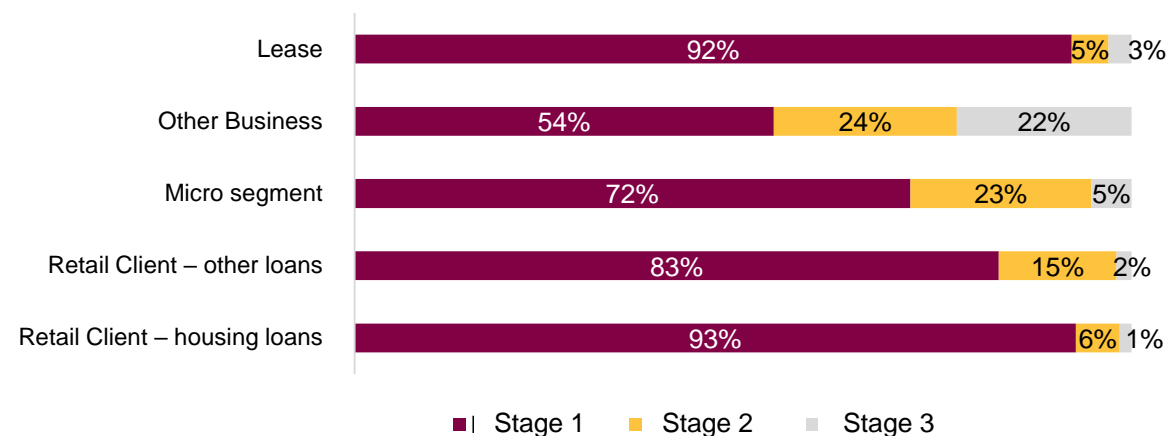
Lease

No. of repayment holidays granted	36 803	2 859	14 416
Share (%) of applications processed positively	95.4%	91%	99.8%
Repayment holidays granted in volume terms (PLN M)	3 610	2 535	1 203
Share (%) of repayment holidays granted in the portfolio	10.3%	11.6%	22.8%

Share (%) of accepted applications in a certain portfolio (in value terms)



Risk profile of Clients interested* in repayment holidays by classification as of 29 February 2020



Impact of interest rate cuts

According to the published Current Report No. 14/2020, the Bank estimates the impact of the interest rate cut on the quarterly net result in the range of PLN 75 - 85 M.

The assumptions comprise:

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

The interest rate cut led to a decline of the net result in Q1 2020 by around PLN 5.8 M.

Measures taken by the Bank

Income-side initiatives



an increase of fee income share in new cash loan sales



reduction of deposit interest rates



increase of cross-selling of credit insurance products

Cost-side initiatives

Optimisation of costs in the following areas:



logistics costs



consulting costs

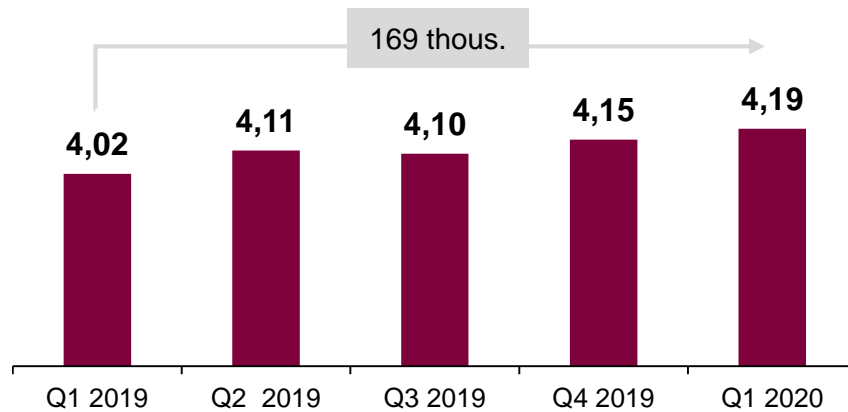


wage costs – further optimisation driven by process automation



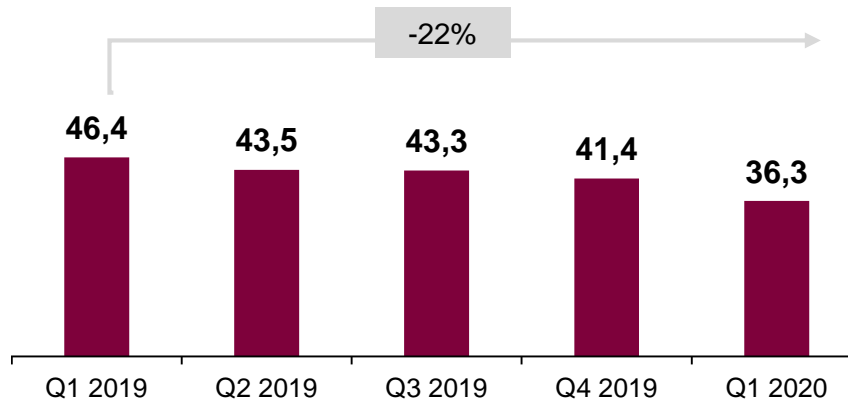
Operations

No. of retail Clients (M)

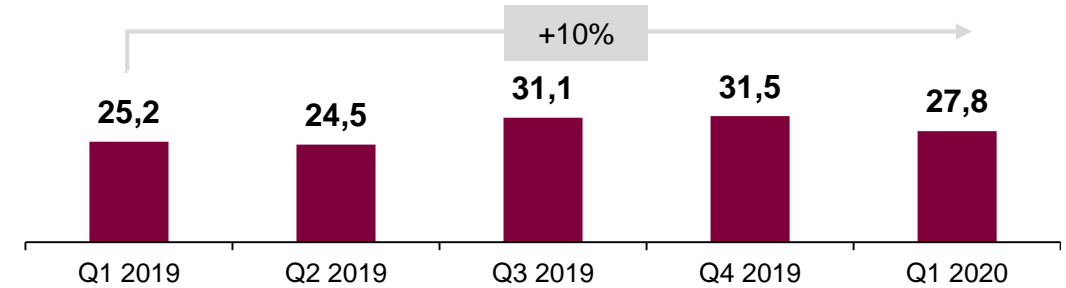


Sales of savings & current accounts ('000)

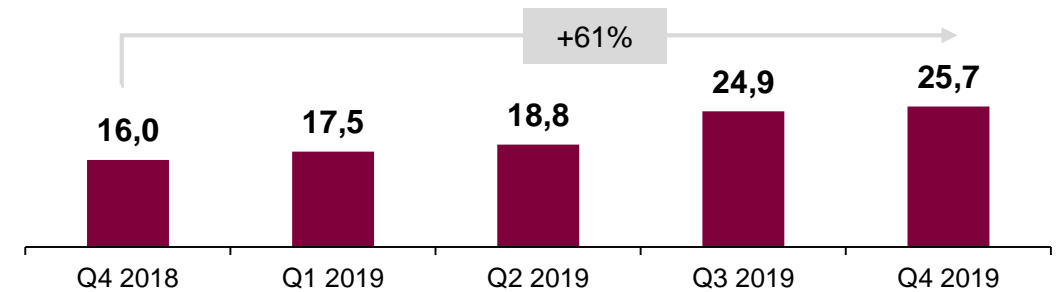
(No. of savings and current accounts opened for New to Bank i New to Product Clients)



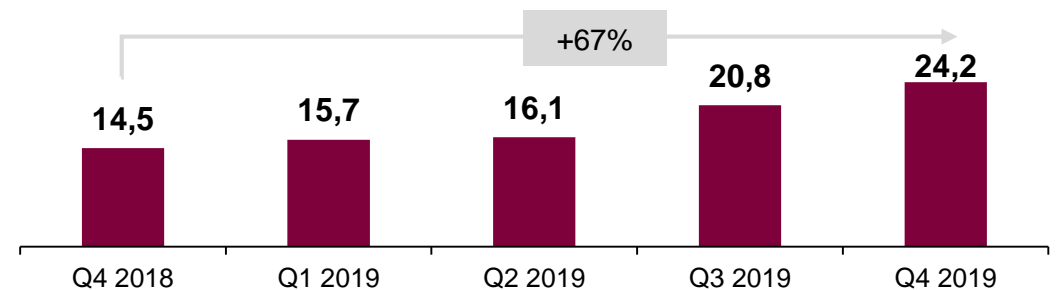
No. of new savings and current accounts with a debit card ('000)



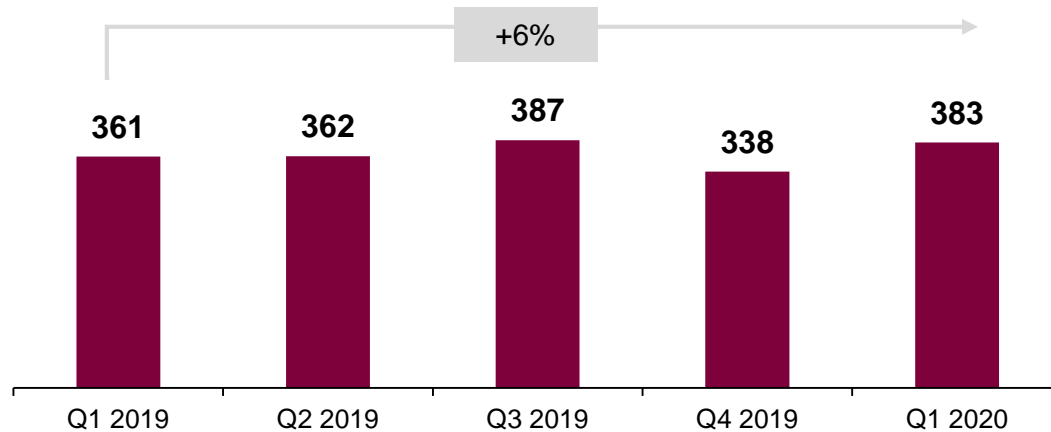
No. of new savings and current accounts with transactions ('000)



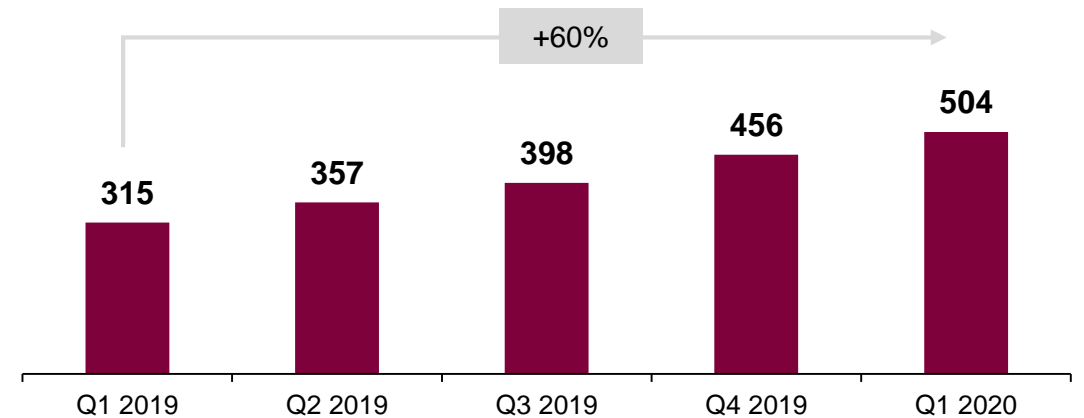
No. of new savings and current accounts with systematic contributions** ('000)



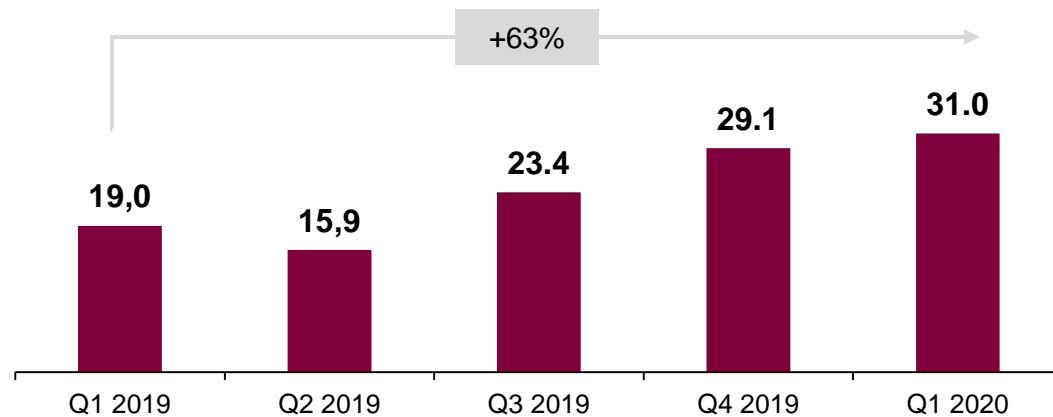
Sales of cash loan via remote channels (PLN M)



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



Online sales of saving and current account, and personal account ('000)

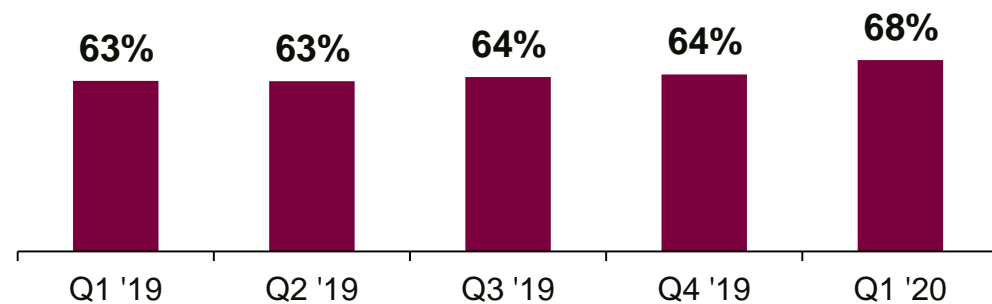


AppStore Rating **4.6** out of 5

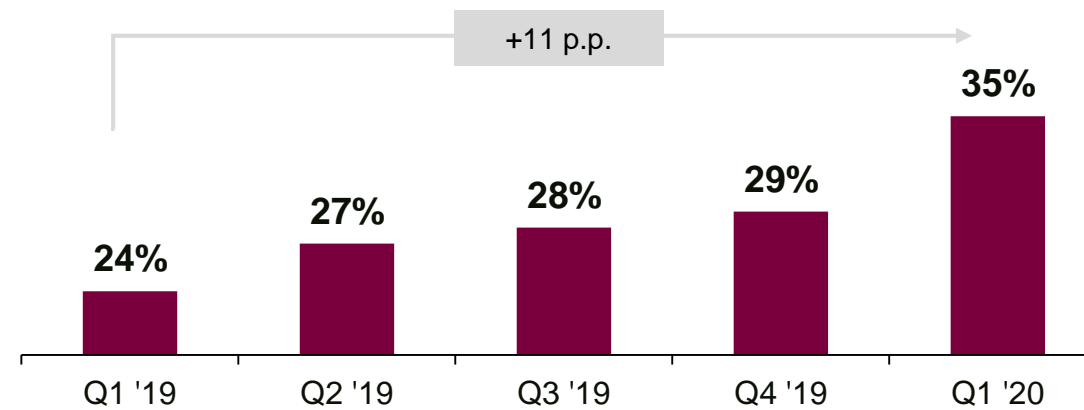
Google Rating **4.2** out of 5

- The number of mobile application users up by 60% y/y .
- Ratings of the mobile application users at AppStore and GooglePlay stores remained stable.
- Cash loan sales up by 6% y/y via remote channels.
- Online sales of savings and current accounts and savings account up by 63% y/y.

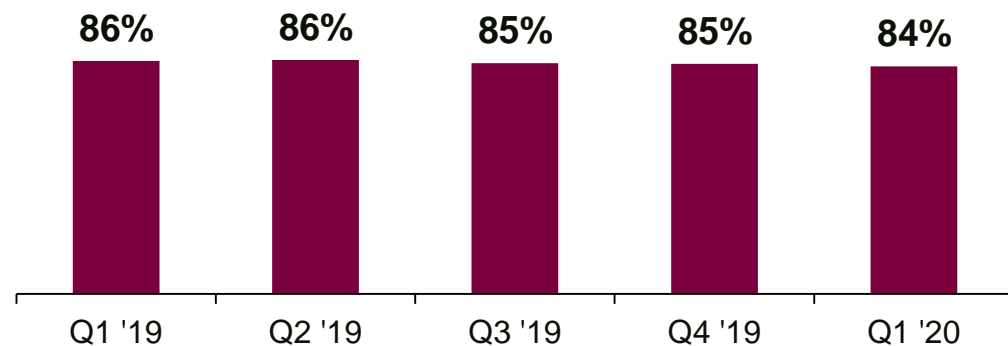
Own branch NPS



Relationship NPS



Partnership outlet NPS



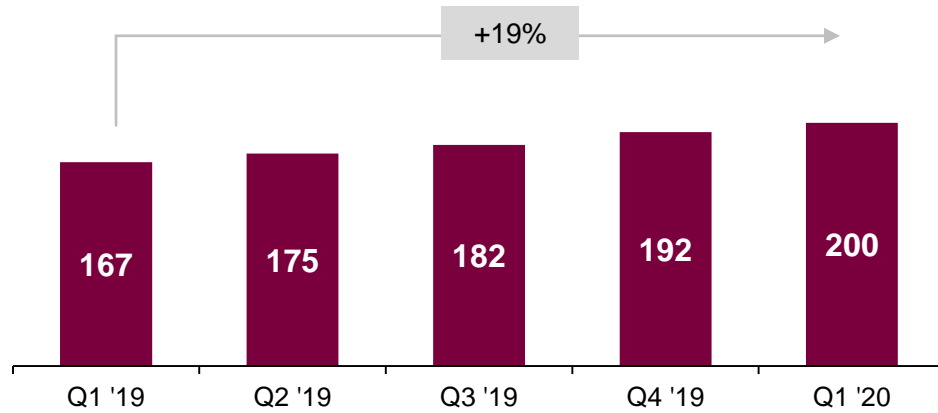
We simplify communication with Clients



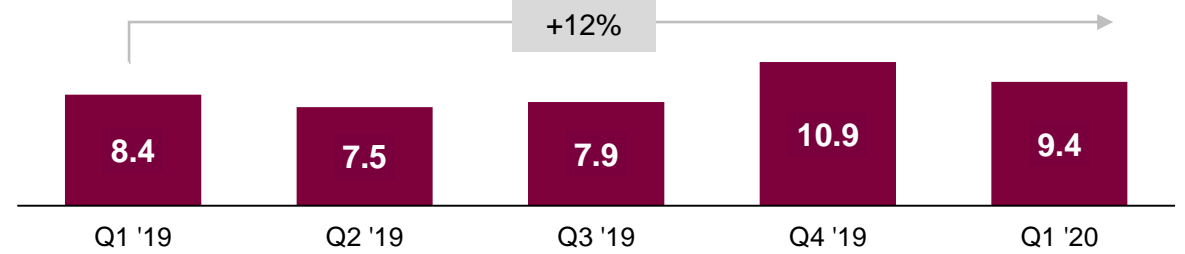
189

of implemented simplifications
in various communiques, letters,
documents and rules and
regulations

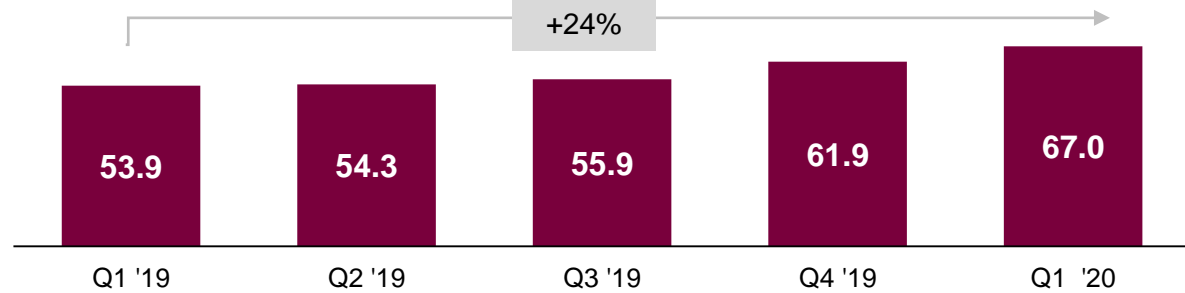
No. of business Clients in Micro ('000)



New business Clients in Micro segment ('000)

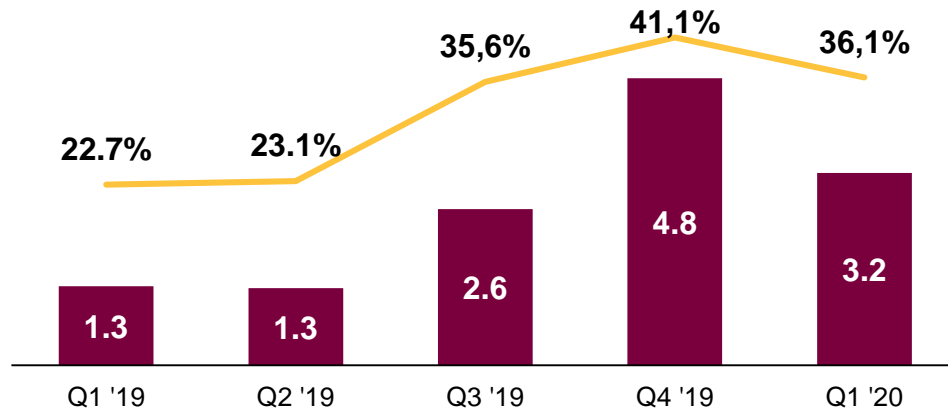


No. of Micro segment Clients paying Social Insurance contributions/making tax payments ('000)

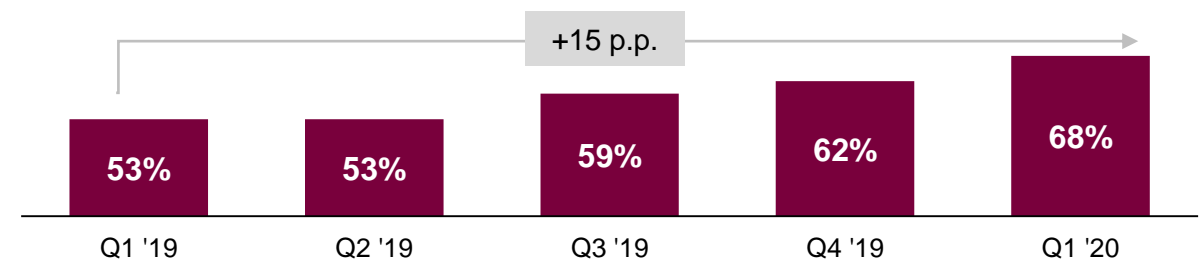


New Micro segment Clients acquired on-line

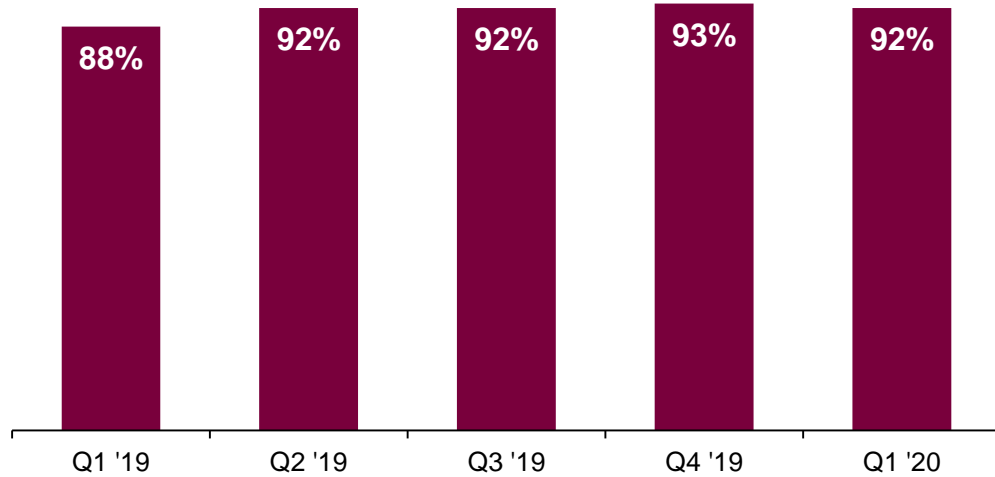
(new accounts in '000; % of online acquisition)



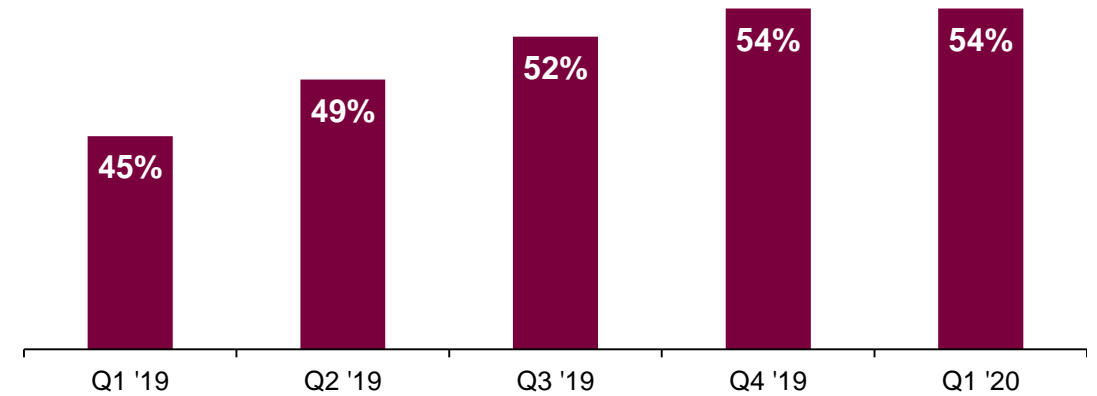
Share of new accounts in Micro segment with a debit card (in %)



Micro new sales coverage with BGK guarantees



Micro portfolio coverage with BGK guarantees

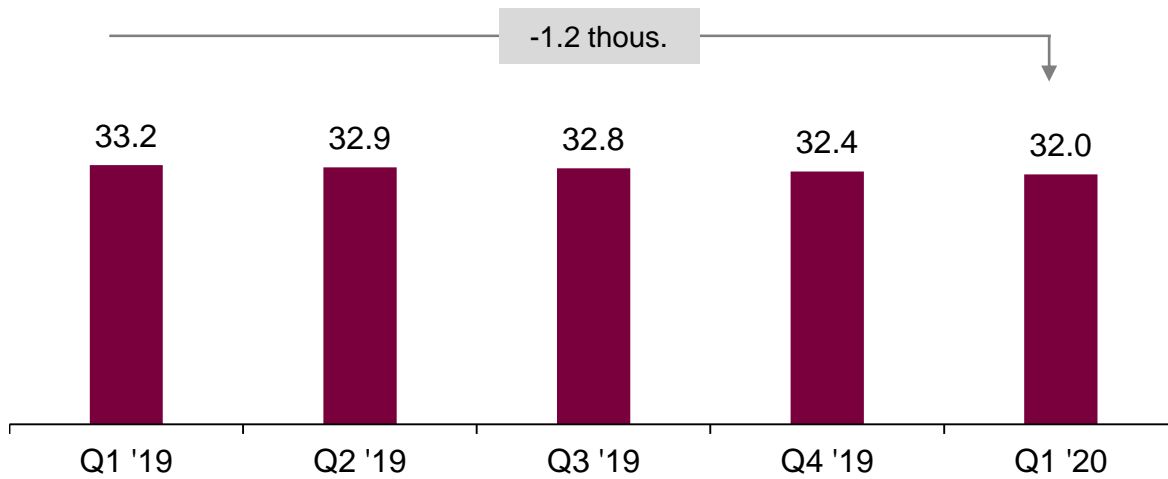


- The coverage of sales of new loans in Micro segment with BGK guarantees has maintained at the level above 90% - from April 2020 onwards 100% coverage of new sales is expected.
- Updated credit policy and implementation of a new credit system boost the quality of new sales.
- A high level of guarantees will have a positive impact on RWA, COR and capital ratios.

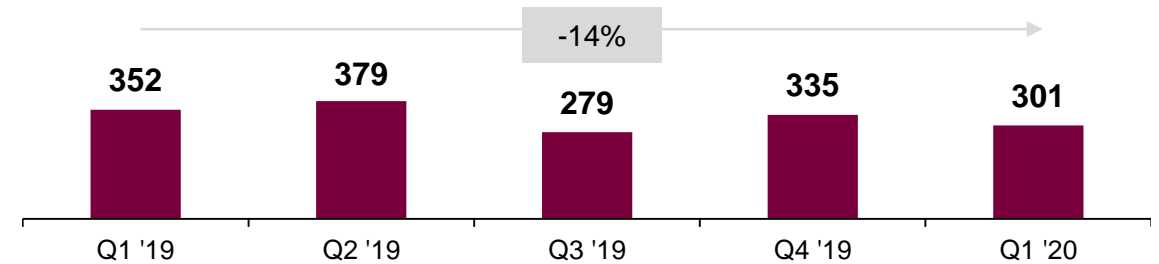
Business Clients: transformation of business Client base into more active and sustainable relationships

Business Clients: Small /Medium/Large*

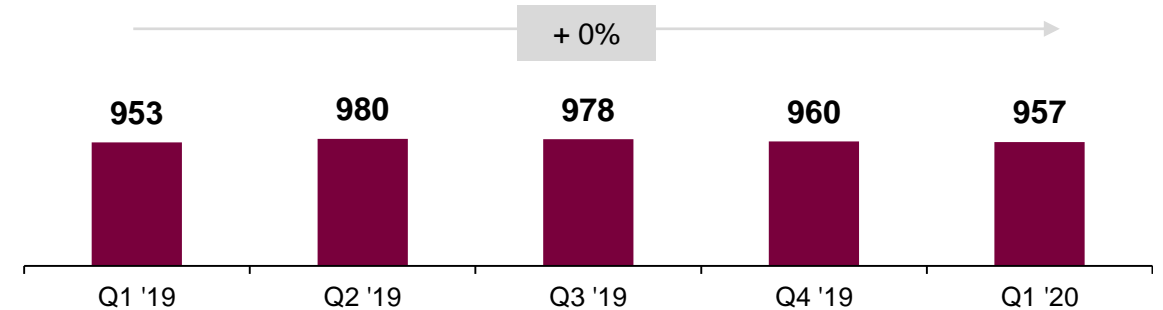
(No. of business Clients in '000)



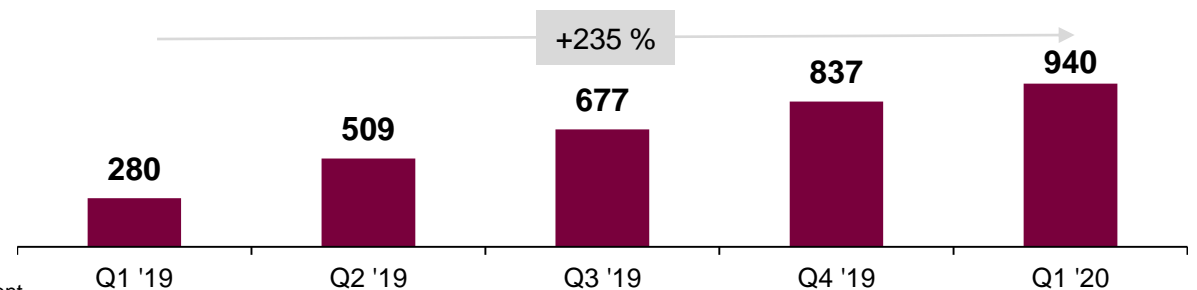
New business Clients



Clients using actively their payroll accounts



BankConnect Clients**



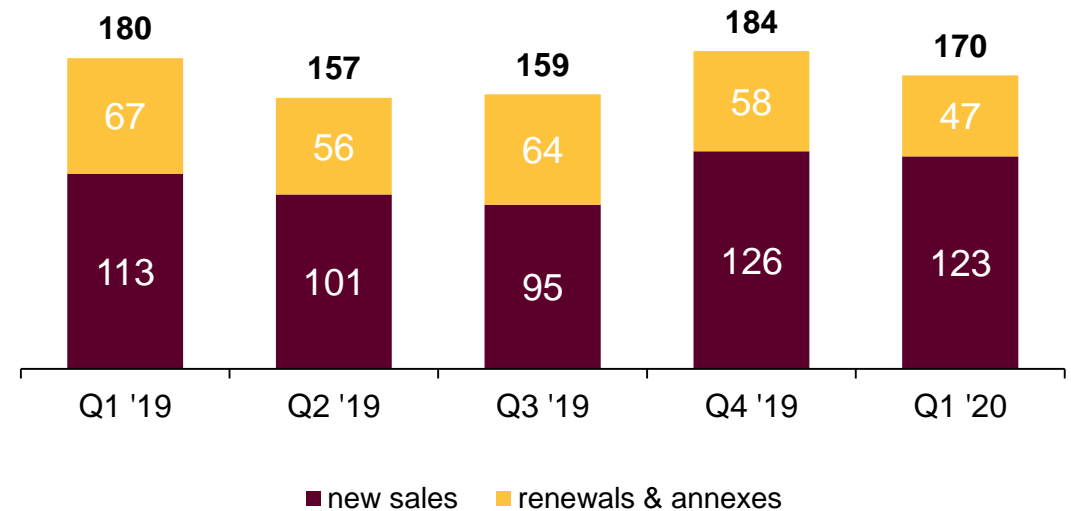
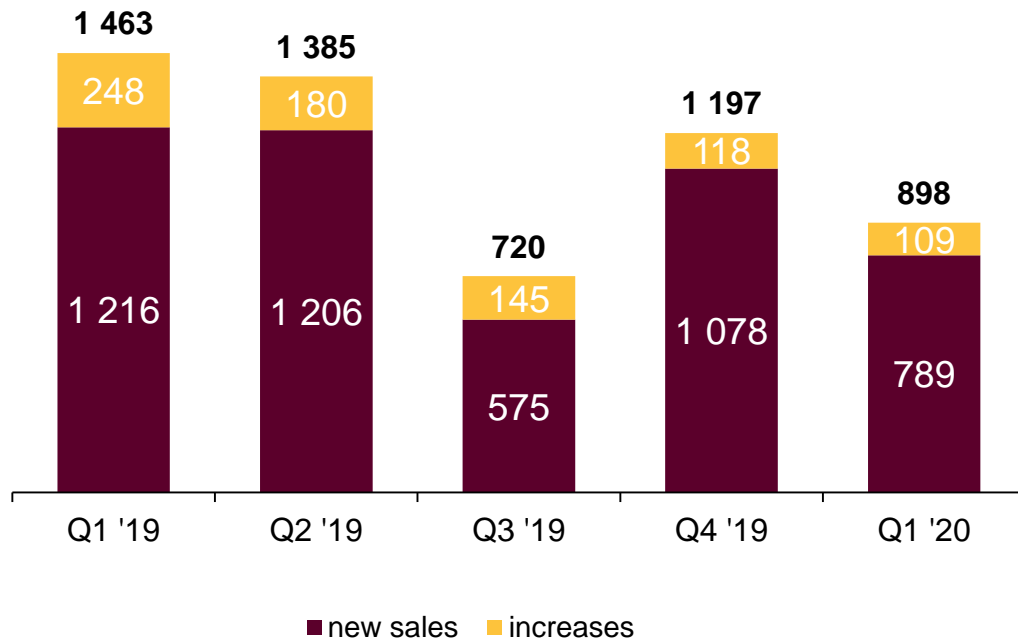
- Q1 2020 saw a decline in the number of new accounts by 14% compared to Q1 2019. The month-to-month upward trend in Q1 2020 was stopped by the coronavirus outbreak.
- The newly acquired Clients are characterized by the higher number of products they use and by the focus on building core relationship. A significant growth in the number of Clients using the BankConnect product was observed. It supports the integration of the Client's accounting systems with BusinessPro.

Limit of new sales*

(PLN M, small, medium and large segment)

Limit of sales using automatic decision-making process

(M PLN, small, medium and large segment)



Sales decline due to precarious situation caused by COVID-19 virus.

In Q1 2020 new sales generated by automatic decision making process remained at a similar level to Q4 2019.

The widest product offer on the market based on EU funding



- intensive sales activities
- In Q1 2020 almost 1.5 thous. guarantees extended
- from the programme start date more than 17 thous. guarantees



- de minimis loans worth more than PLN 330 M granted
- since March more advantageous parameters have been offered to support businessmen during pandemic



- support to 41 thermal efficiency improvement projects
- up by more than 50% compared to the end of 2019



Guarantee from the Liquidity Guarantee Fund

- PLN 5.5 bn guarantees for medium-size and large companies with liquidity problems caused by COVID-19 virus

Alior Bank, as one of 17 banks, has been participating in the Government's Financial Shield for Businesses project from the very beginning and provides a complete on-line subsidy application process.



3 762*

**of applications filed
via Alior Bank**

PLN 329* M

funds paid



PFR Financial
Shield for
**Micro
Businesses**

PLN 25 billion

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



PFR Financial
Shield for
SMEs

PLN 50 billion

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



PFR Financial
Shield for
**Large
Enterprises**

PLN 25 billion

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



Financial performance

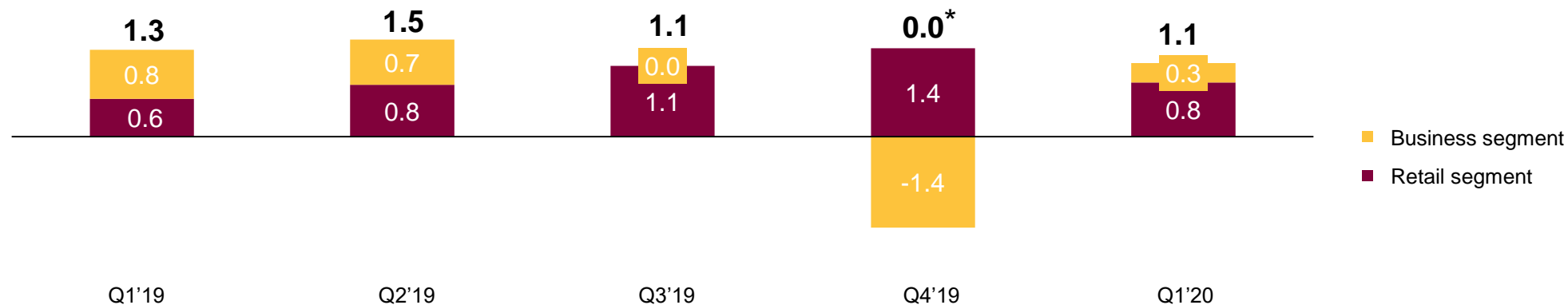
Profit and Loss Account - basic data

PLN M	Q1 2020	Q1 2019	Change y/y	Change y/y (%)
Financial income, including:	952	1 026	-75	-7%
Net interest income	776	804	-28	-3%
<i>Net interest income excluding impact of the ECJ rulling*</i>	840	804	36	4%
Net fee and commission income	137	170	-32	-19%
Trading and other income	38	52	-14	-27%
Bank's operating expenses	-482	-512	31	-6%
<i>Bank's operating expenses excluding expenses on Bank Guarantee Fund (BFG)</i>	-393	-391	-2	1%
<i>Contribution to the Bank Guarantee Fund (BFG) allocated to the compulsory restructuring fund</i>	-65	-110	45	-41%
<i>Contribution to the Bank Guarantee Fund (BFG) allocated to the guarantee fund</i>	-24	-12	-12	101%
Net write-off income	-296	-273	-23	8%
Result on impairment of non-financial assets	1	-2	3	180%
Banking tax	-54	-54	0	0%
EBIT	121	185	-64	-35%
Income tax	-48	-81	34	-41%
Net profit	73	103	-30	-29%

Volumes

PLN M	Q1 2020	Q1 2019	Change y/y	Change y/y (%)
Loans, of which:	56 518	55 394	1 124	2%
retail segment	32 346	29 854	2 492	8%
business segment	24 172	25 540	-1 368	-5%
Deposits, of which:	64 596	62 327	2 269	4%
retail segment	47 262	45 125	2 137	5%
business segment	17 334	17 202	132	1%
<i>L/D ratio</i>	<i>87.49%</i>	<i>88.88%</i>	<i>-1.39 p.p.</i>	

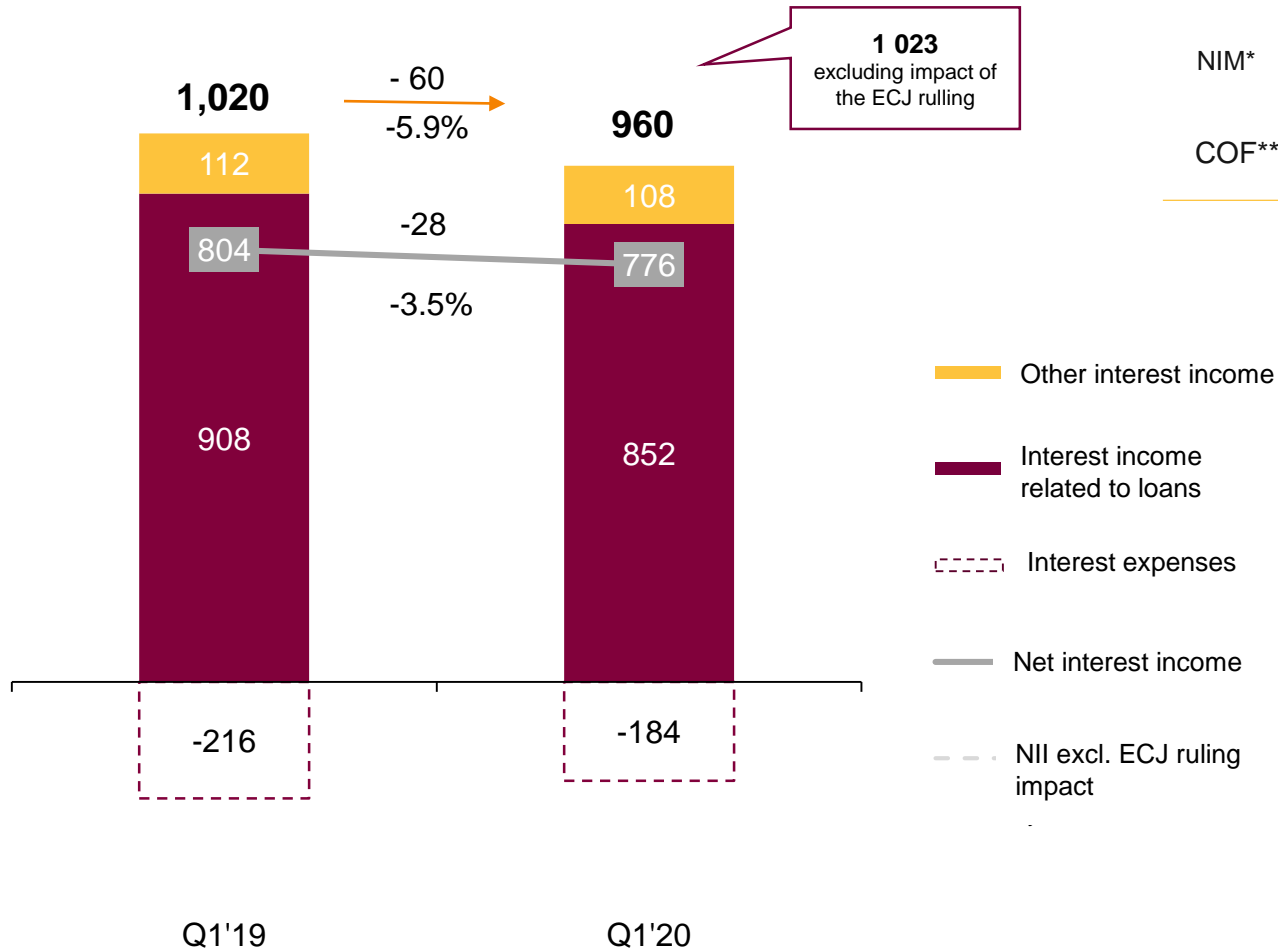
Increase of loan volume, gross (PLN bn)



In Q1 2020 total gross loans were up by PLN 1.1 billion.

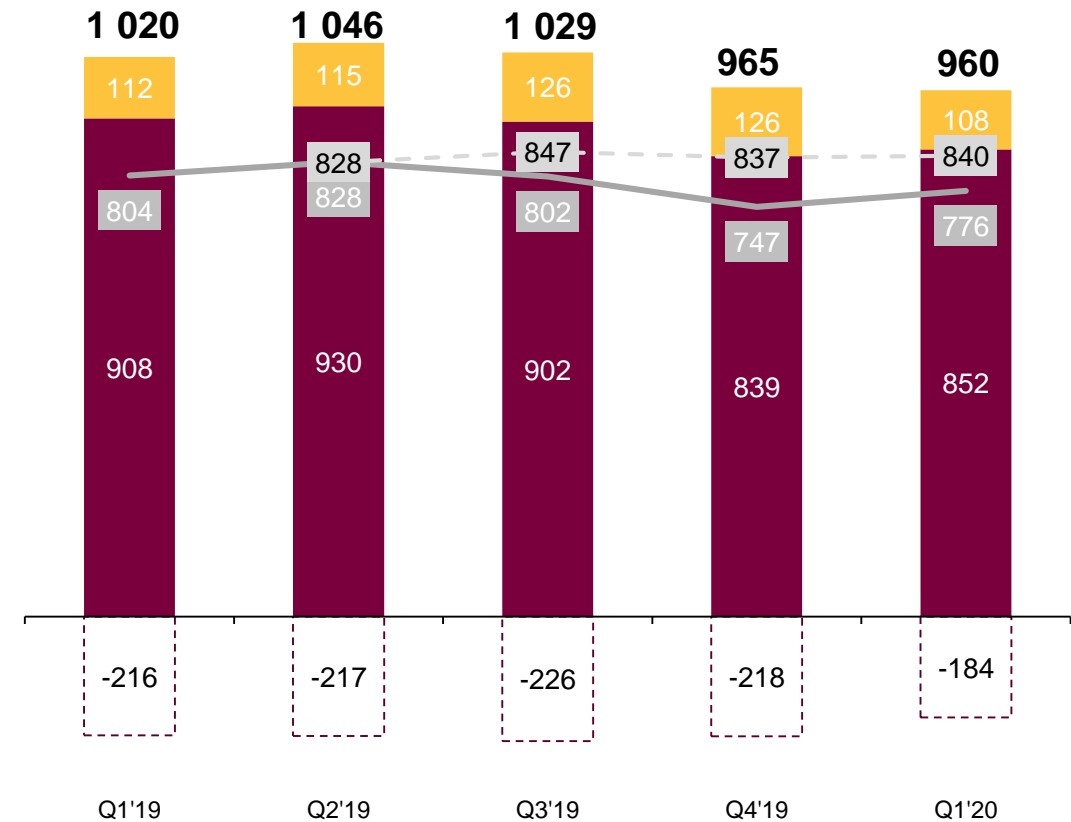
Interest net income (PLN M)

Comparison y/y



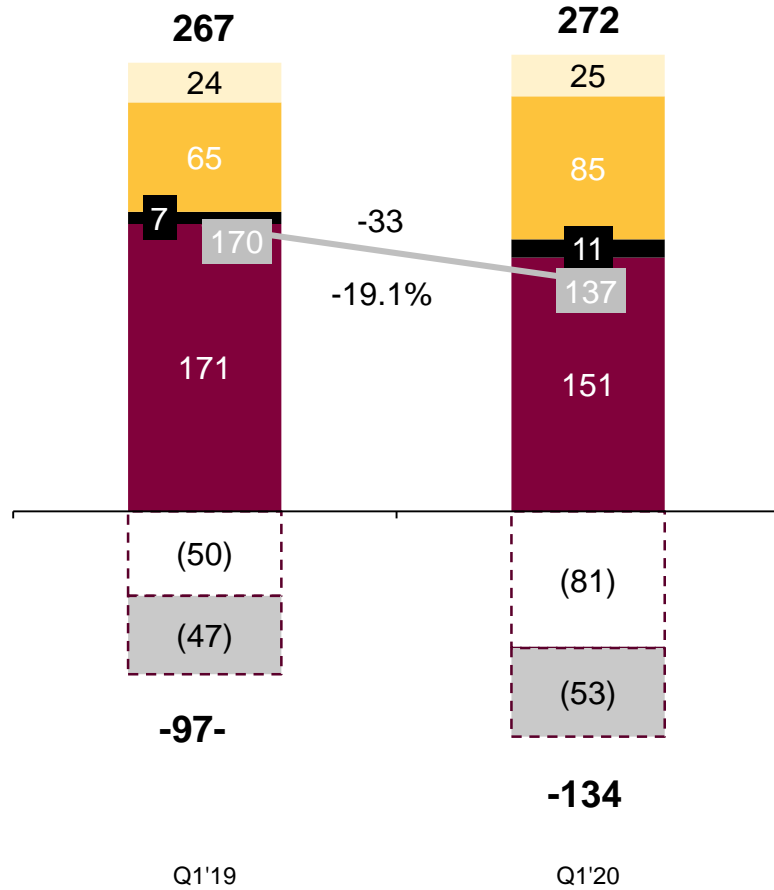
Net interest income on a quarterly basis

	Q1'19	Q2'19	Q3'19	Q4'19	Q1'20
NIM*	4.70%	4.70%	4.62%	4.51%	4.34%
COF**	1.20%	1.17%	1.14%	1.12%	1.03%

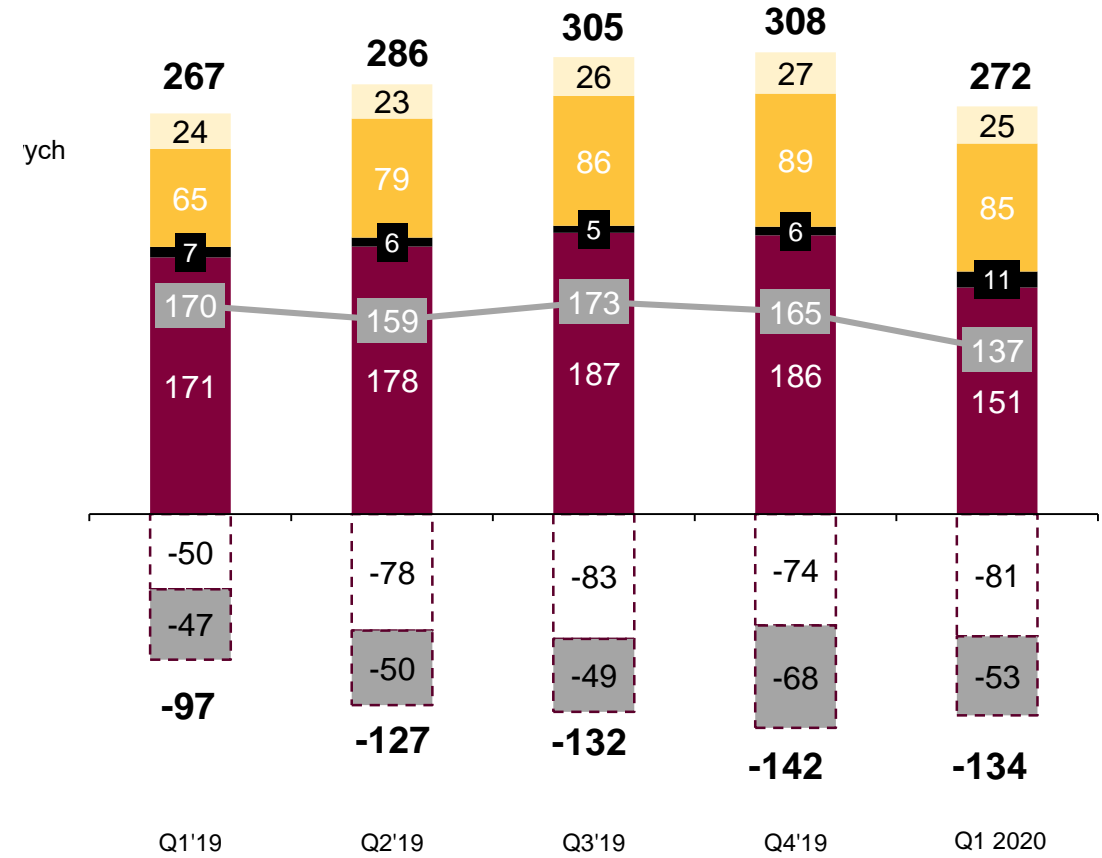


Net fee and commission income (PLN M)

Comparison y/y

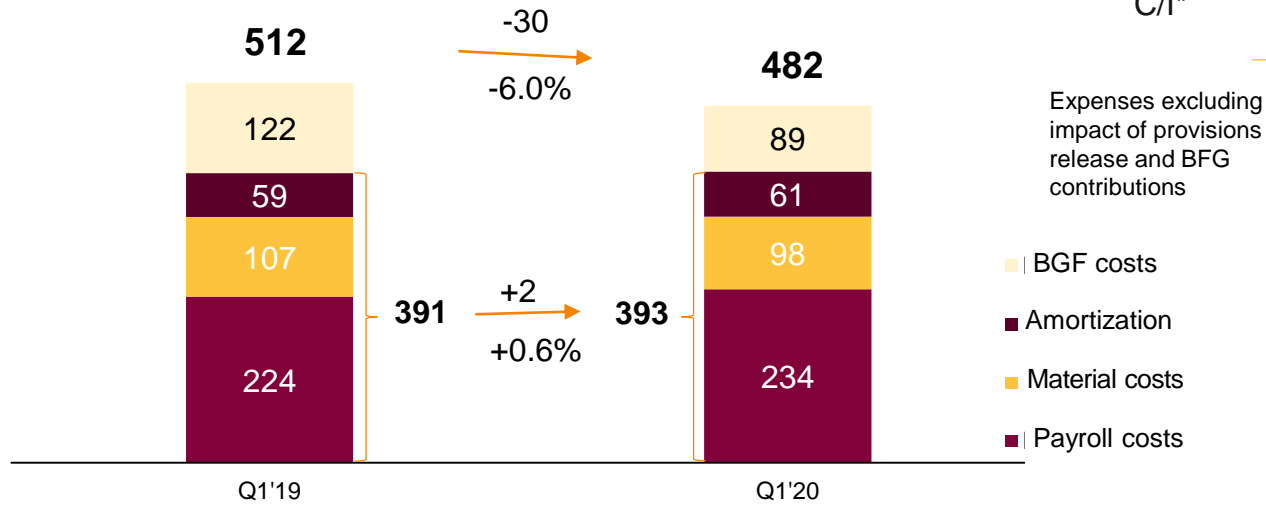


Net fee and commission income on quarterly basis

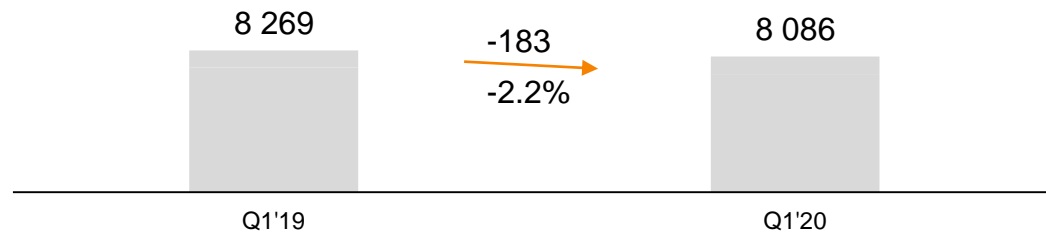


Bank has maintained high level of cost efficiency (PLN M)

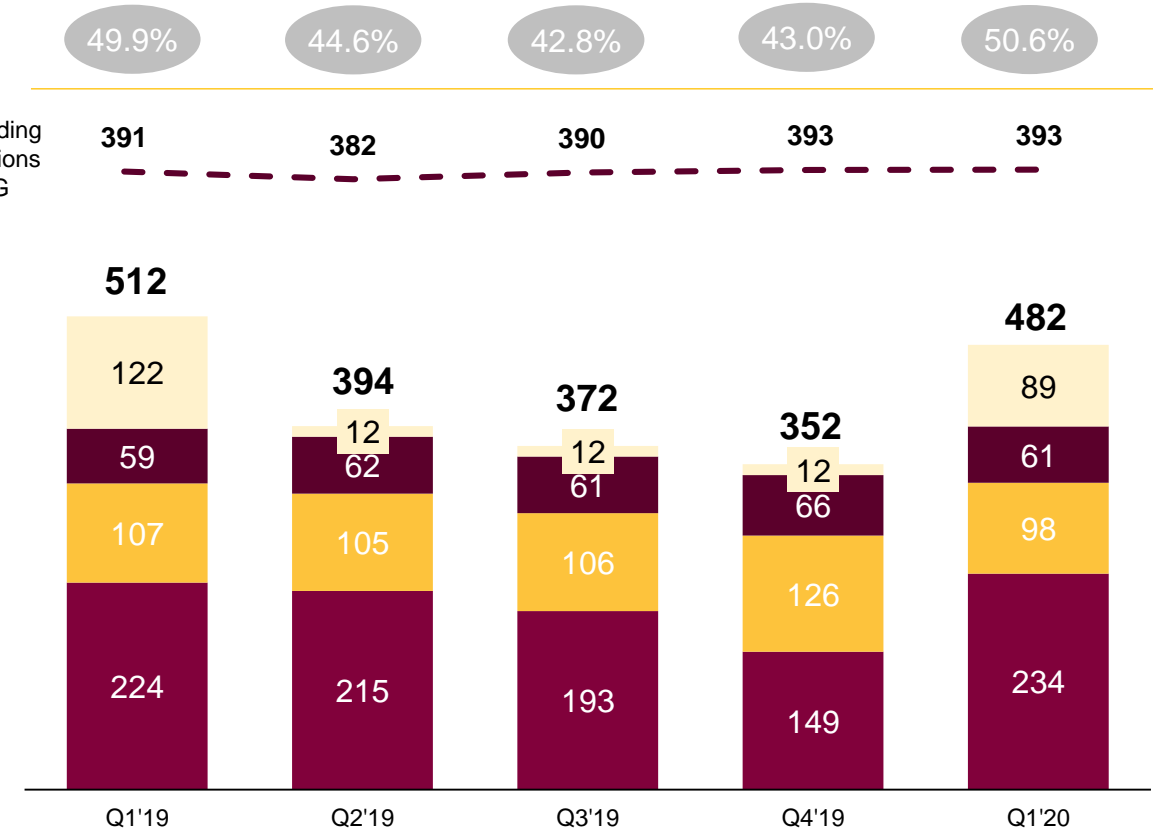
Operating expenses (comparison r/r)



Headcount level at the Group



Operating expenses on a quarterly basis



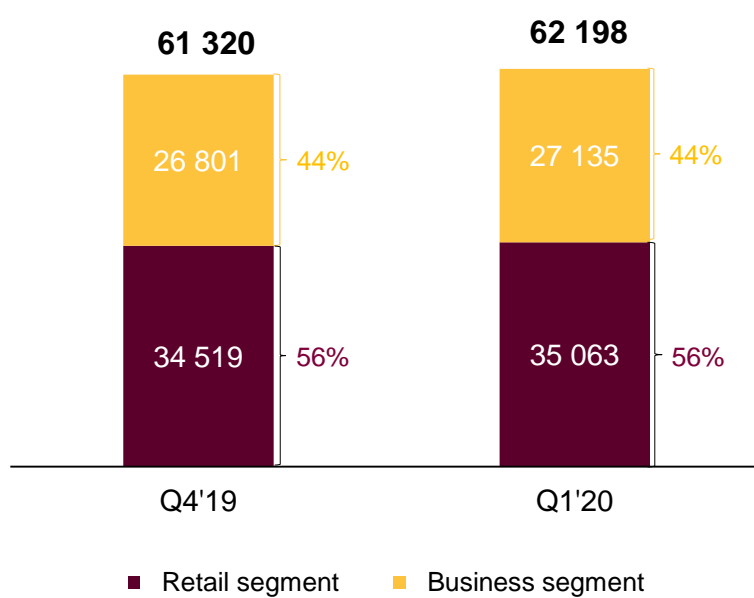
Thanks to continuous optimisation efforts, the Bank has maintained very high cost efficiency.



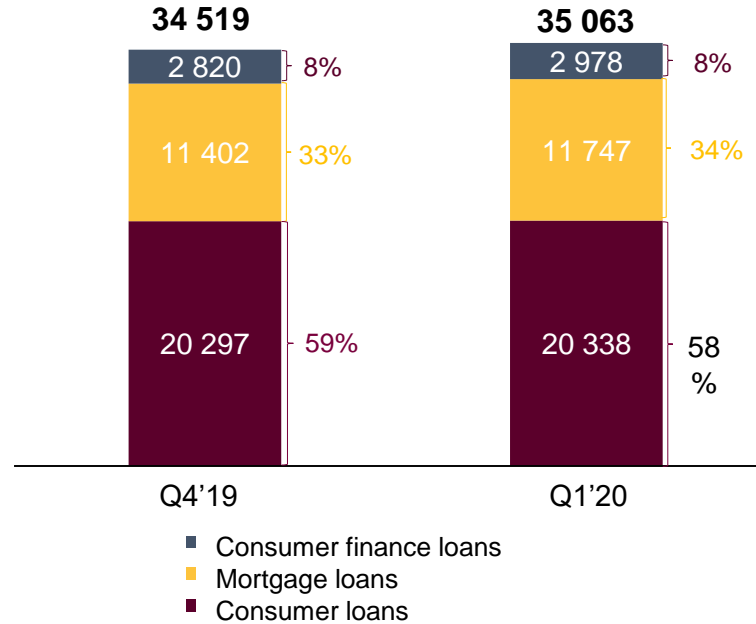
Credit risk

Structure and quality of the loan portfolio

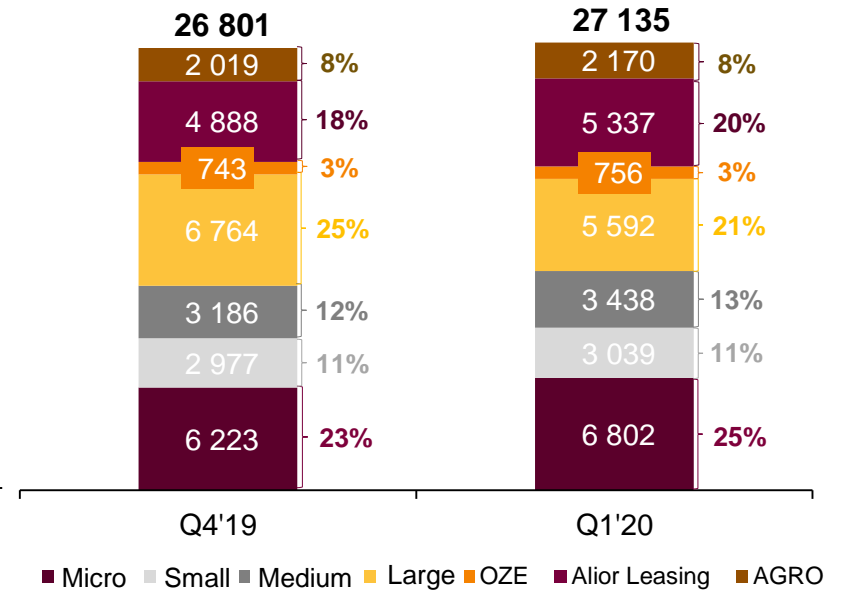
Total loan portfolio (PLN M)



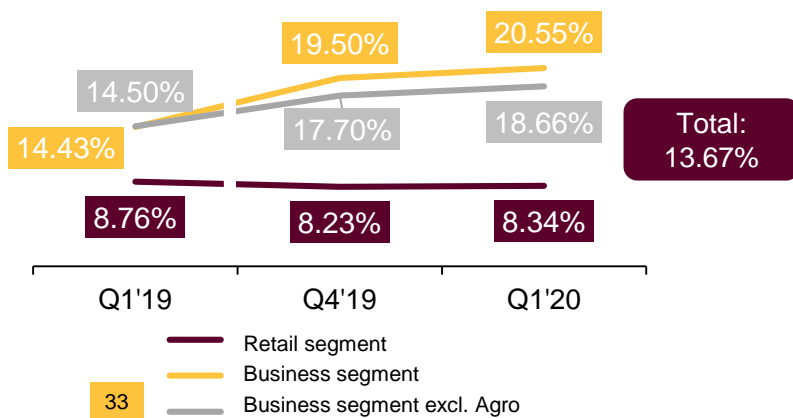
Retail Client portfolio (PLN M)



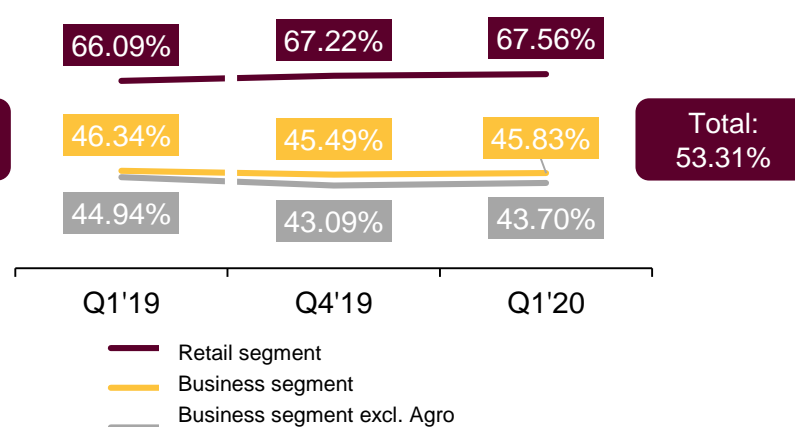
Business Client portfolio* (PLN M)



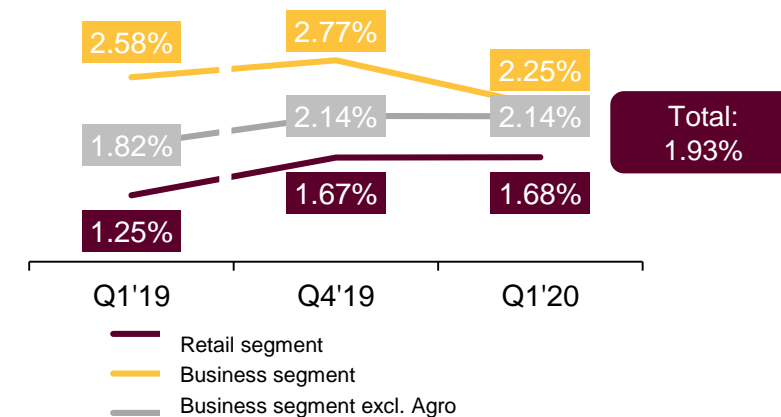
NPL* (%)



Provision coverage ratio* (%)



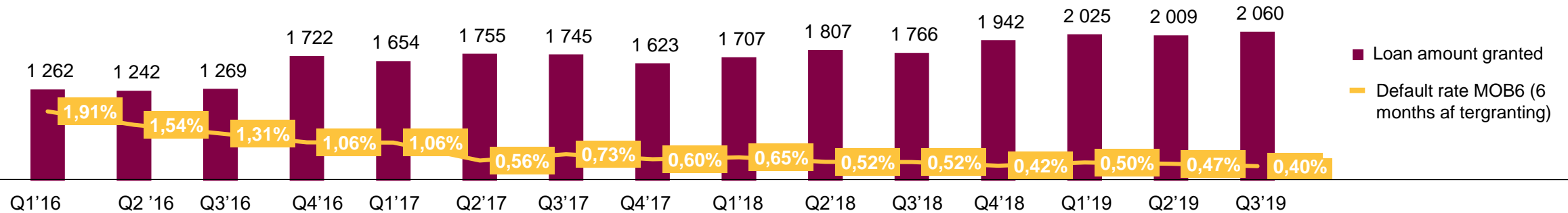
Costs of risk (COR)* (%) – on QTD basis



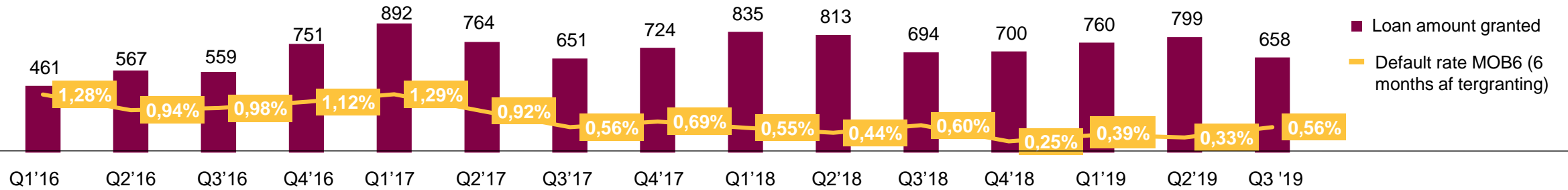
* On management accounting basis

Continuous improvement of the quality of new loan sales

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



Sales volume* and quality in the Micro Business Client segment (PLN M)



The quality of exposures in the strategic segments (loan and micro) has been steadily improving in the last 3 years.

Change of a turnover - April vs. February

Low risk industries



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

+5%



Medium risk industries

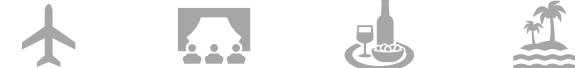


Industries at risk due to disrupted supply chains or declining consumer demand, such as: manufacturing of clothes, furniture, vehicles, consumer electronics, transport of goods.

-11%

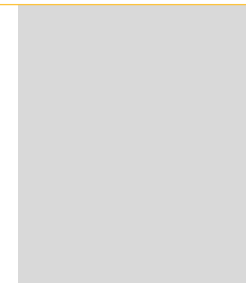


High risk industries



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

-41%



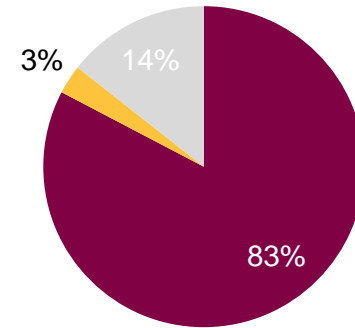
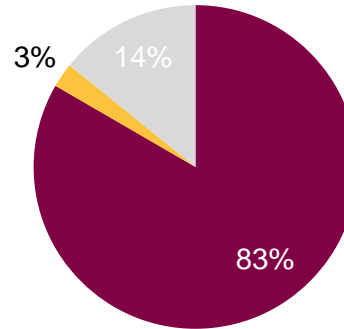
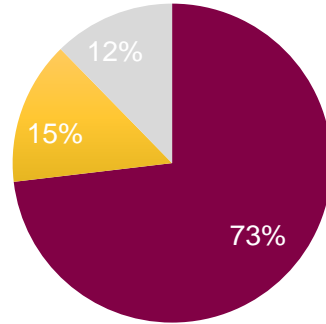
COVID19: Portfolio by pandemic risk level

Sensitivity of Business Client portfolio

Sensitivity of Business Client TOP 100 portfolio

Sensitivity of Business Client TOP 100 regular portfolio

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

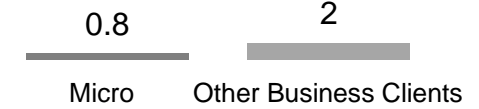
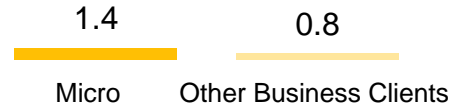
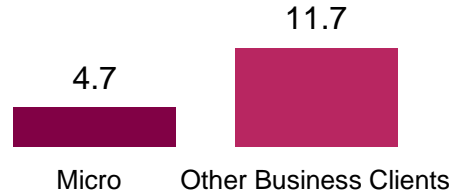


Gross balance sheet value of the Micro and other Business Client portfolios (PLN bn)

Low risk industries

Medium risk industries

High risk industries



Share of repayment holidays in value terms as of April 30, 2020

10% **7%**

11% **21%**

21% **37%**

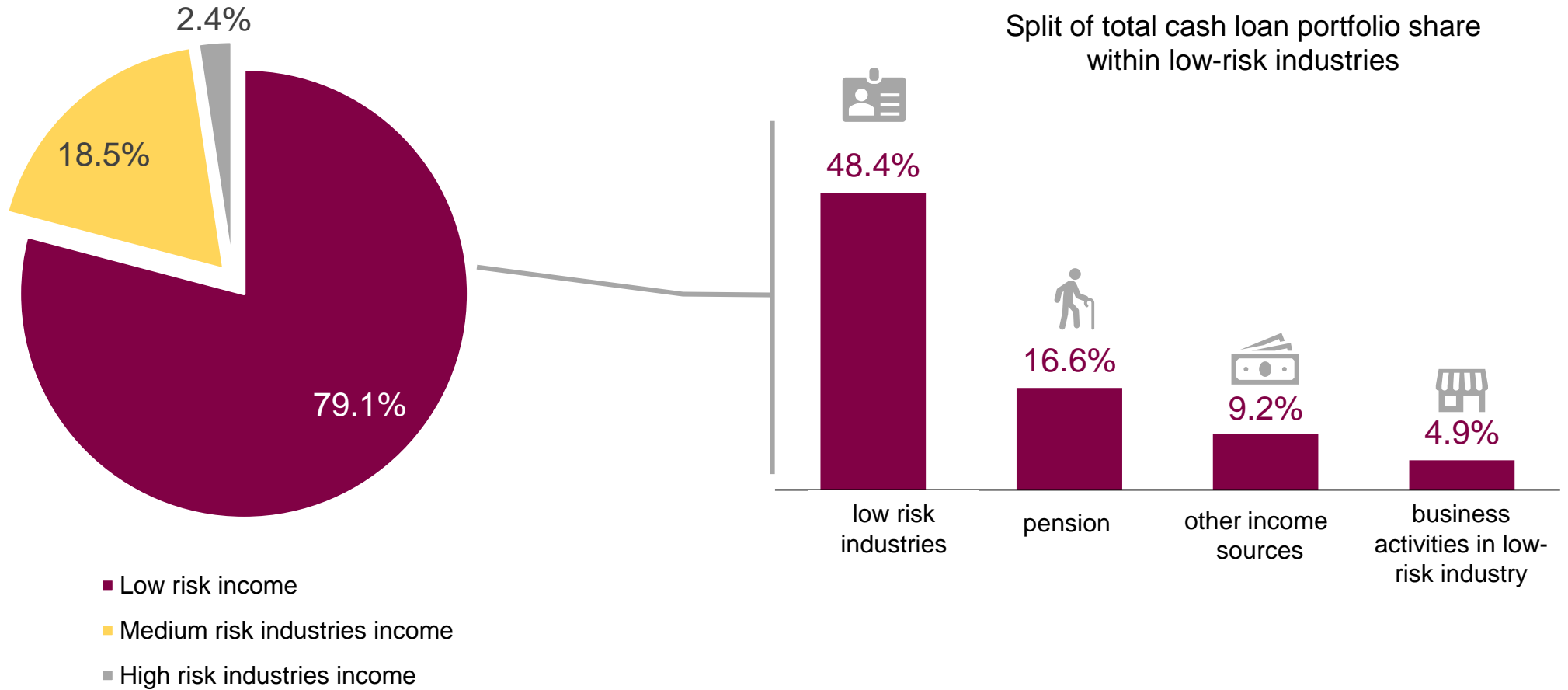
Securities coverage with economic value

53% **70%**

56% **63%**

58% **85%**

COVID-19: Sensitivity of the cash loan portfolio



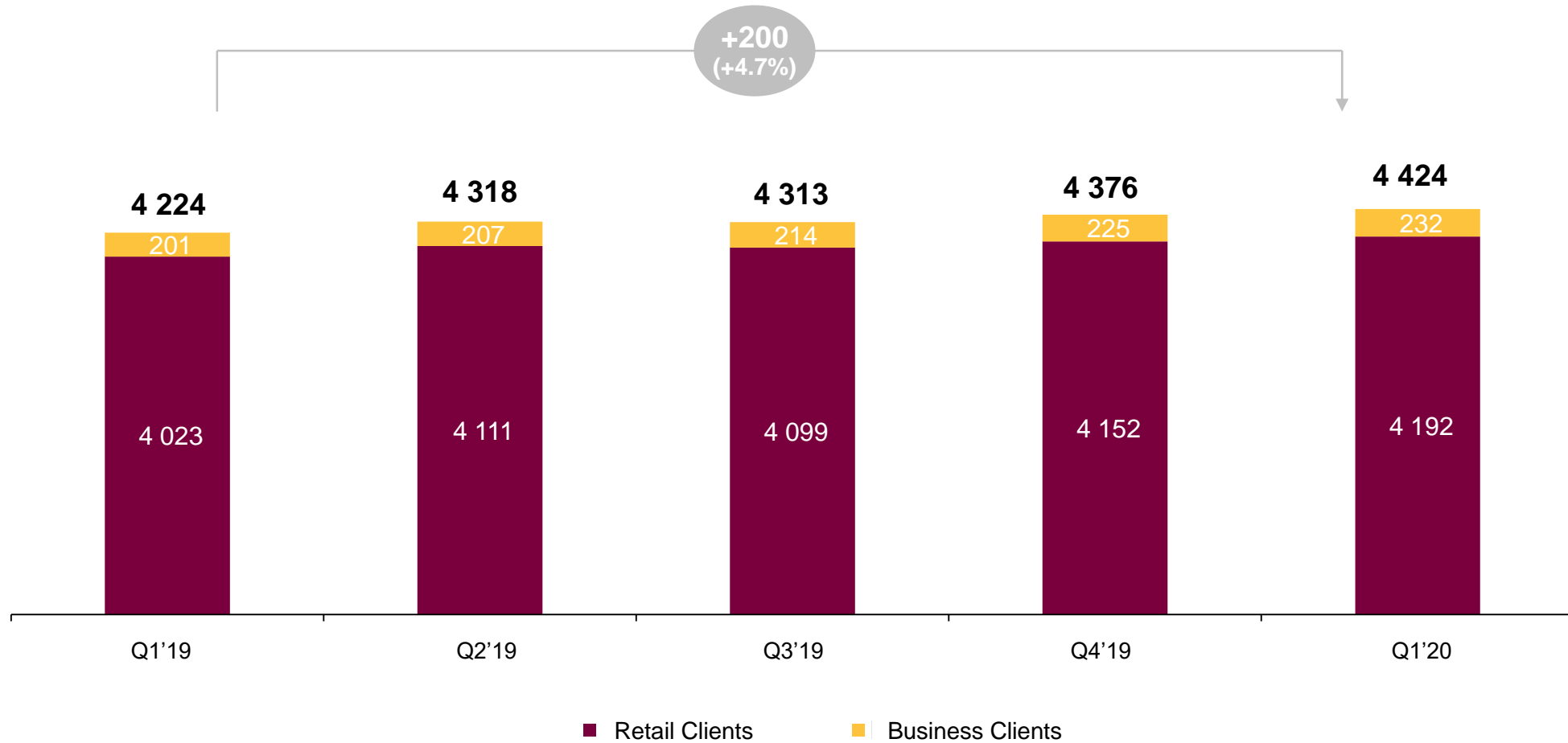
COVID19: Changes of lending policy

Area	Scope of changes
Enhanced risk segments and industry-specific policy	<ul style="list-style-type: none"> • Separation and blocking of new sales transactions to the Clients from directly affected industries • Implementation of additional risk acceptance criteria for the Clients from indirectly affected industries, • Differentiation of approach on industry-specific basis for the renewal of existing business exposures • Imposing financing constraints on the Retail Client segment for the Clients generating income under civil law contracts and for the Clients running their businesses in the industries most severely hit by the pandemic • Reduction of the credit offer availability for retail Clients with enhanced risk of income loss
Parameters for credit rating and creditworthiness assessment	<ul style="list-style-type: none"> • Creditworthiness constraints, including the adjustment of the level of acceptance of Client scoring • Taking into account subsidies in the creditworthiness of the Business Client segment • Adjustment of the maximum available loan amount to the deteriorated macroeconomic position <ul style="list-style-type: none"> • tightening of the algorithm used to assess creditworthiness in automatic processes (Business Client segment) • tightening of the creditworthiness assessment criteria for the Clients new to the bank (Business Client segment) • reduction of the acceptable level of financial burden in relation to income (Retail Client segment) • reduction of maximum exposure according to revised risk assessment (Retail Client segment)
Loan application verification process	<ul style="list-style-type: none"> • Widening of the scope of Client verification • Acquisition of additional information to assess the stability of the income source
Securities & collaterals	<ul style="list-style-type: none"> • Requirement to use BGK guarantees for companies in the SME segment as collateral. • Coverage of an additional segment of high-risk Clients applying for a mortgage loan with mandatory life insurance

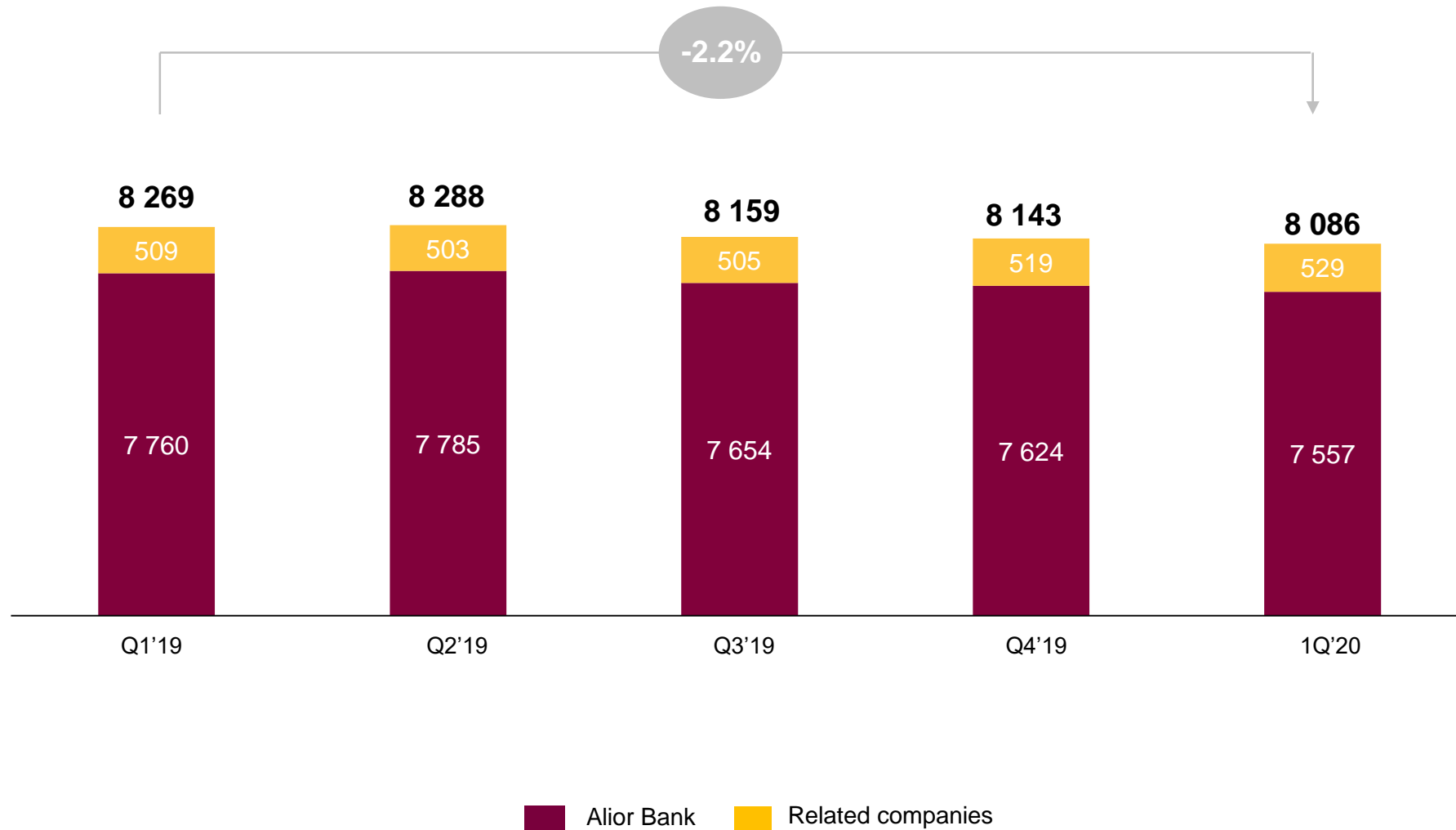


Appendices

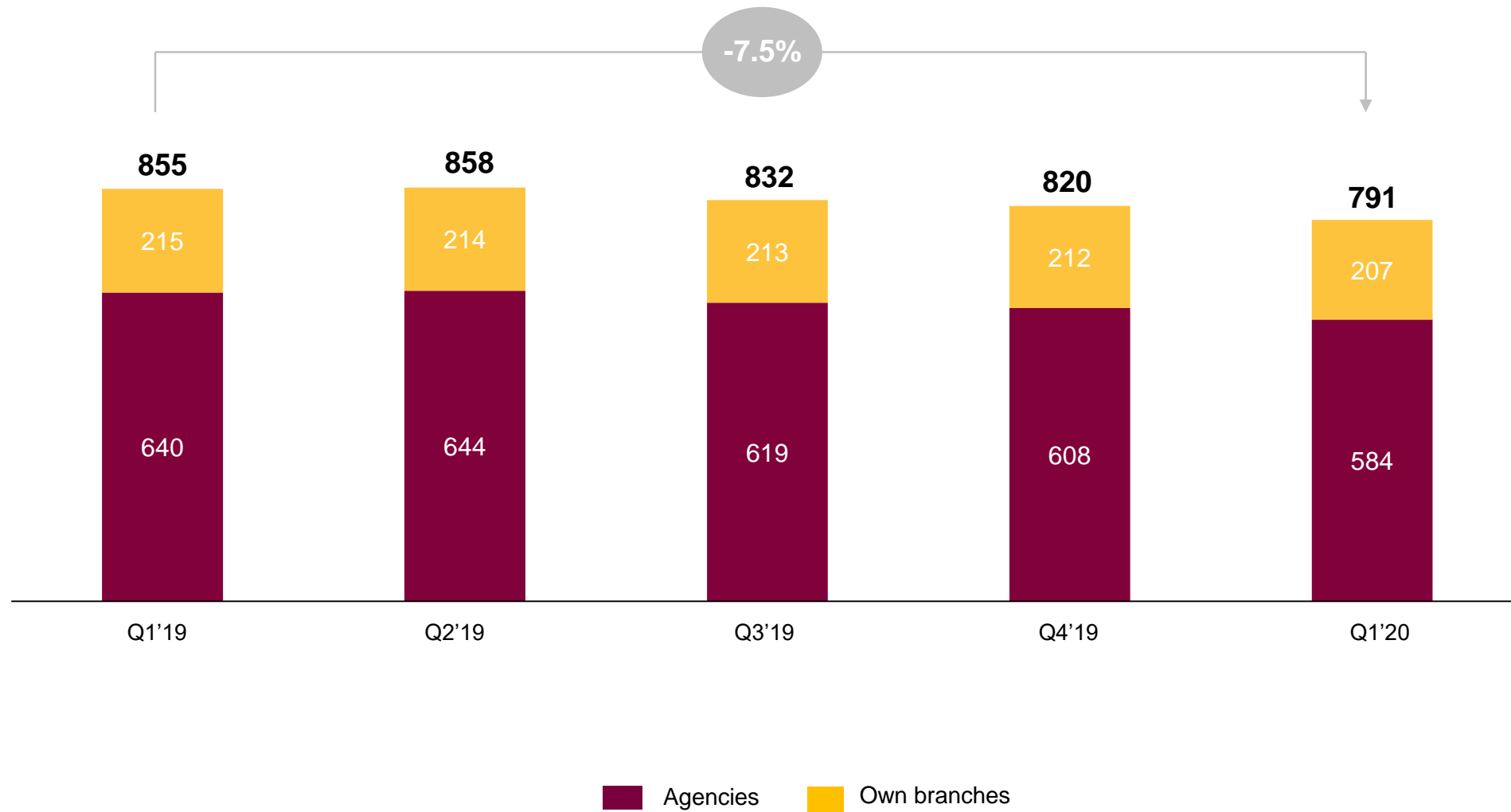
Number of Clients ['000]



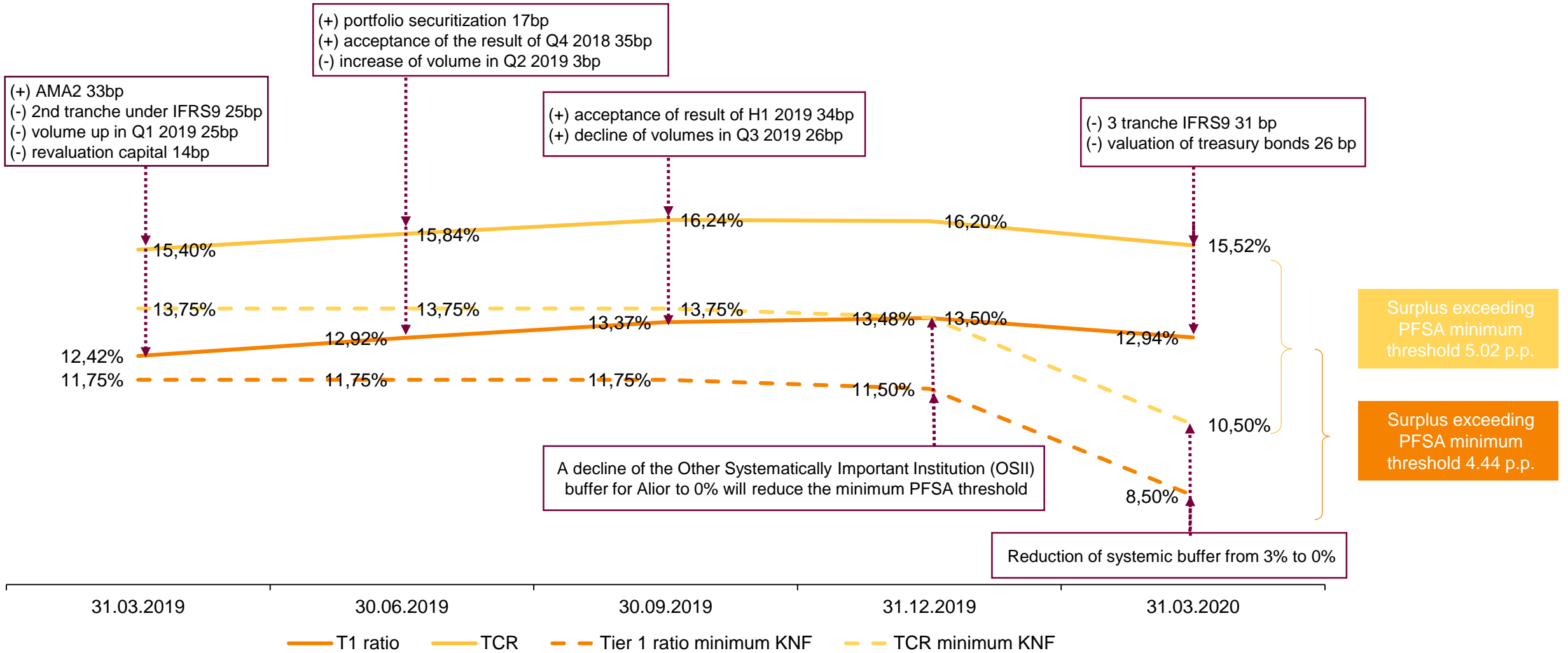
Alior Bank Group – Headcount



Alior Bank branch offices

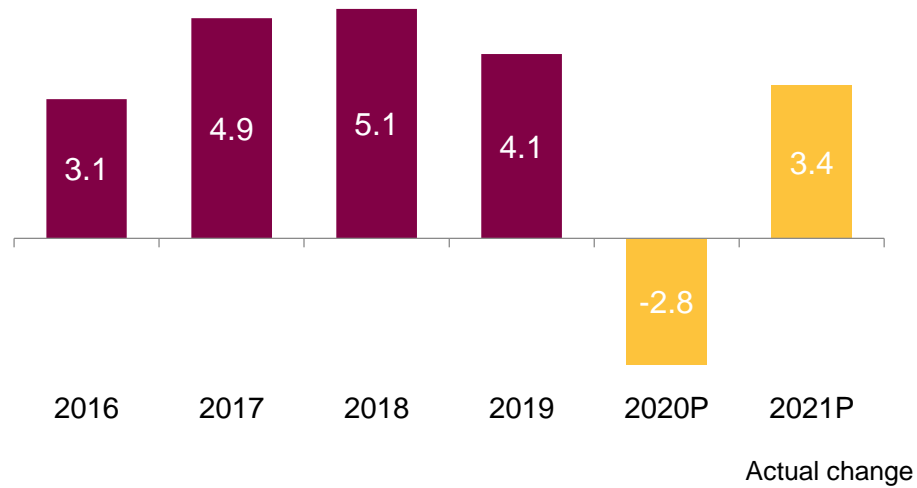


Safe Bank's capital position

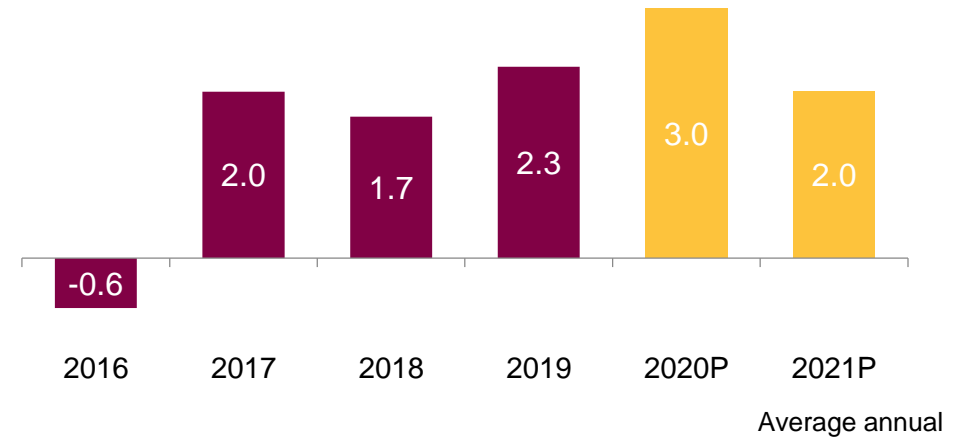


Historically, the highest surplus over the Polish Financial Supervision Authority minimums for both TIER1 and TCR.

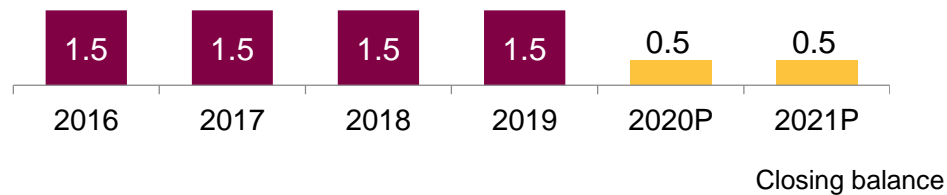
GDP growth (% y/y)



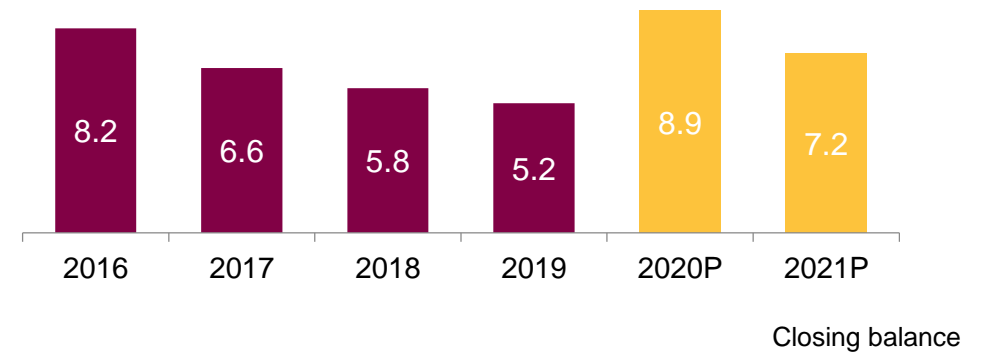
Inflation rate (CPI % y/y)



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



Unemployment rate (%)



Profit and Loss Account

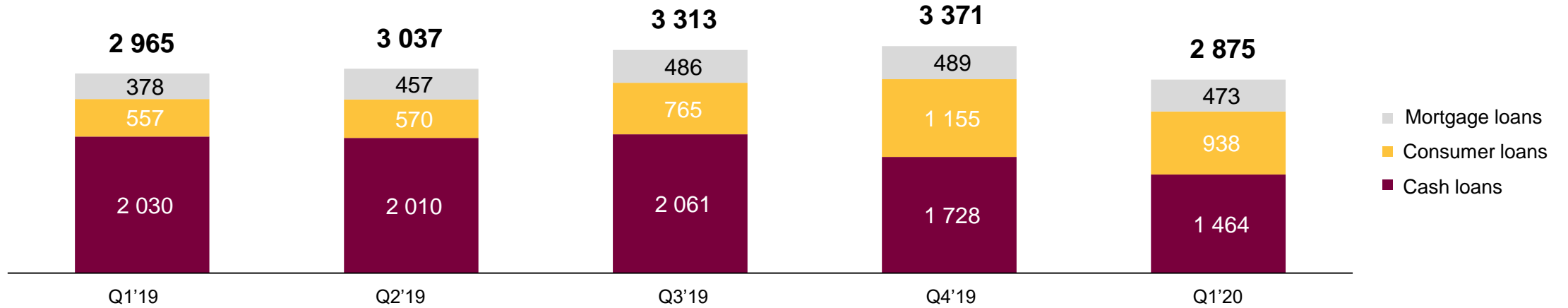
PLN M	Q1 2020	Q1 2019
Interest income*	960	1 020
Interest expenses	-184	-216
Net interest income	776	804
Fee and commission income	272	267
Fee and commission expense	-134	-97
Net fee and commission income	137	170
Gains/losses on instruments carried at fair value through P&L Account and FX gains/losses	1	23
Gain or loss on derecognition of assets and liabilities not carried at fair value through P&L Account	29	17
Other operating income	42	33
Other operating expenses	-34	-21
Gains/losses on other operating income and expenses	7	12
Bank's operating expenses	-482	-512
Result on impairment losses and provisions	-296	-273
Result on impairment of non-financial assets	1	-2
Banking tax	-54	-54
Gross profit	121	185
Income tax	-48	-81
Net profit	73	103

Balance Sheet

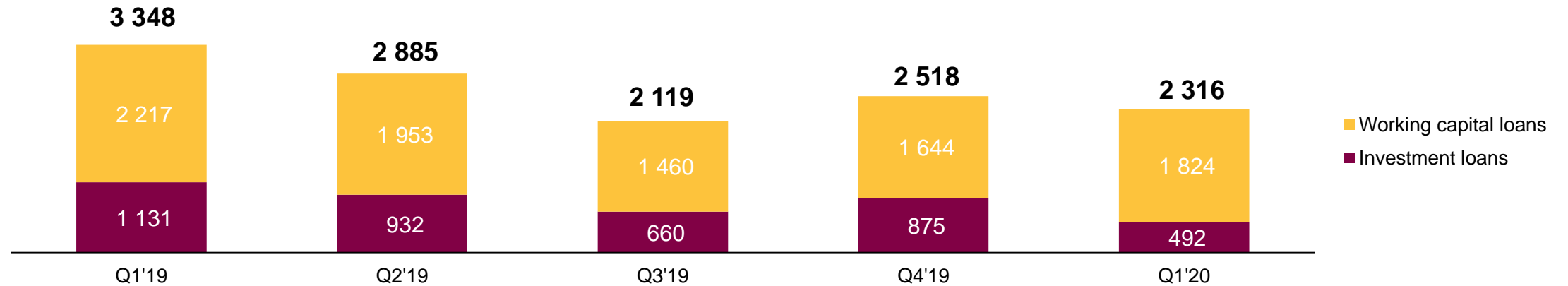
PLN M	31 March 2020	31 Dec. 2019
Cash and cash equivalents	1 961	1 379
Receivables from banks	276	213
Investment financial assets	14 198	15 799
Measured at fair value through other comprehensive income	9 123	10 439
Measured at fair value through P&L Account	631	544
Measured at amortized cost	4 443	4 816
Hedging derivatives	293	135
Receivables from Clients	56 518	55 871
Liabilities secured with assets	338	335
Tangible fixed assets	742	764
Intangible assets	578	580
Investments in associated entities	5	10
Income tax assets	1 139	1 165
Other assets	464	485
Total assets	76 512	76 736
Liabilities vis-a-vis banks	940	823
Liabilities vis-a-vis Clients	64 596	64 999
Financial liabilities measured at fair value through P&L Account	432	437
Hedging derivatives	78	41
Provisions	257	359
Other liabilities	1 573	1 430
Deferred income tax liabilities	10	95
Subordinated liabilities	1 804	1 794
Total liabilities	69 690	69 977
Shareholders' equity	6 822	6 759
Total liabilities and equity	76 512	76 736

New loan sales (PLN M)

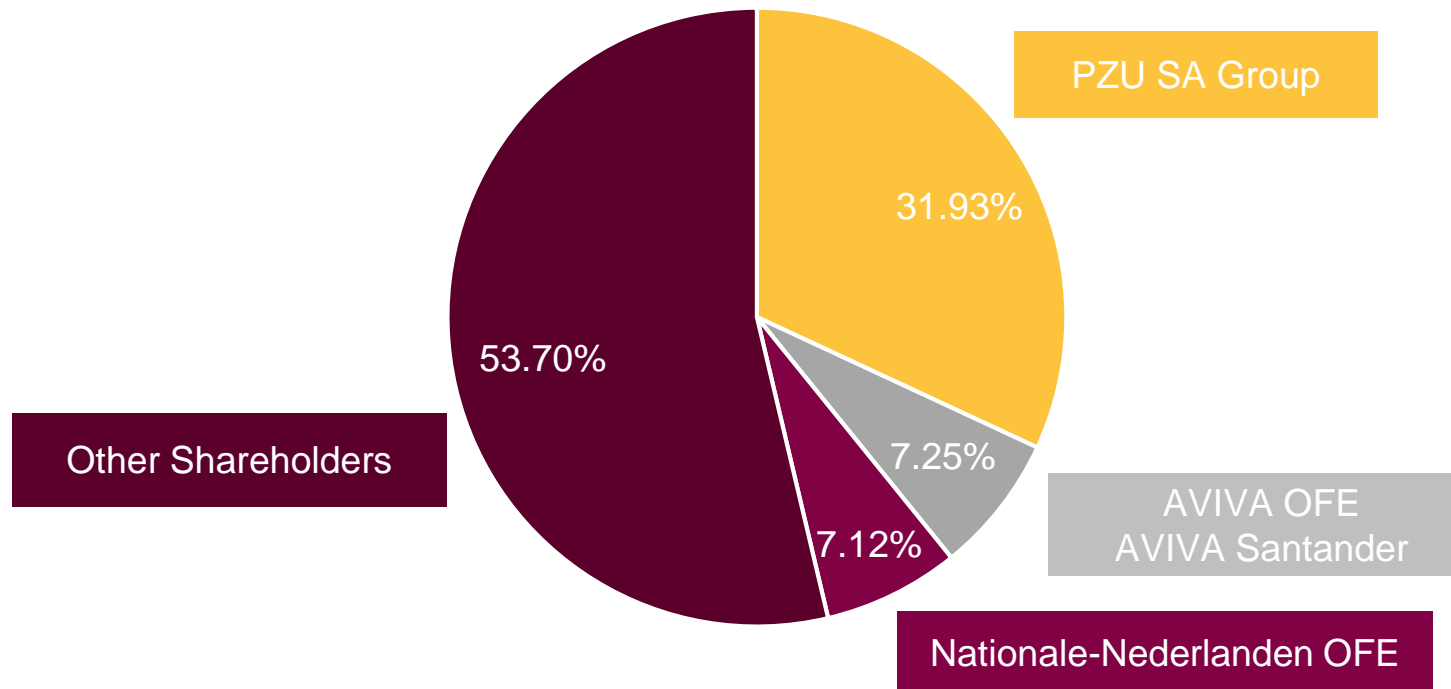
Retail loans (new quarterly sales)*



Corporate loans (new sales + renewals)*



Alior Bank Shareholding Structure*



The largest free float among Polish financial institutions.

Impact of ECJ ruling on the Bank's performance

PLN M	Q3 2019	Q4 2019	Q1 2020
Impact on the net interest income, of which:	-45	-90	-64
<i>A decline in current interest income</i>	-17	-69	-64
<i>An adjustment driven by a difference between ESP settlement on the Bank's accounts, and straight line method used to estimate the amount subject to refund</i>	-28	-21	0
Impact on other operating expenses	-57	-186	0
Impact on gross result	-102	-276	-64
Impact on net profit	-83	-223	-51

The method of estimating the provision for historical repayment takes into account:

- the number of complaints to date recently recorded at the bank,
- characteristics of the loan portfolio at the bank,
- probability of a complaint lodged by a client, taking into account each client's propensity to do so (amount of potential refund).

Disclaimer

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Thank you for your attention

Presentation of Q1 2020 financial performance