



# Q1 2019 Results Presentation

Alior Bank S.A. | May 7th, 2019



**1** Key highlights

**2** Financial results

**3** 2019 guidance

**4** Appendix



**PLN 103 M net profit.** Results strongly impacted by increase in BGF contribution to resolution fund (PLN 110 M) – increase of 191% y/y.



**Group net profit (excluding BGF contributions) at the level of PLN 225 M** – increase by 6% y/y.



Solid revenue growth: **PLN 1,026 M in Q1 2019** vs. PLN 965 M in Q1 2018 and PLN 1,011 M in Q4 2018. **Increase in NII to PLN 804 M in Q1 2019** vs. 738 in Q1 2018.



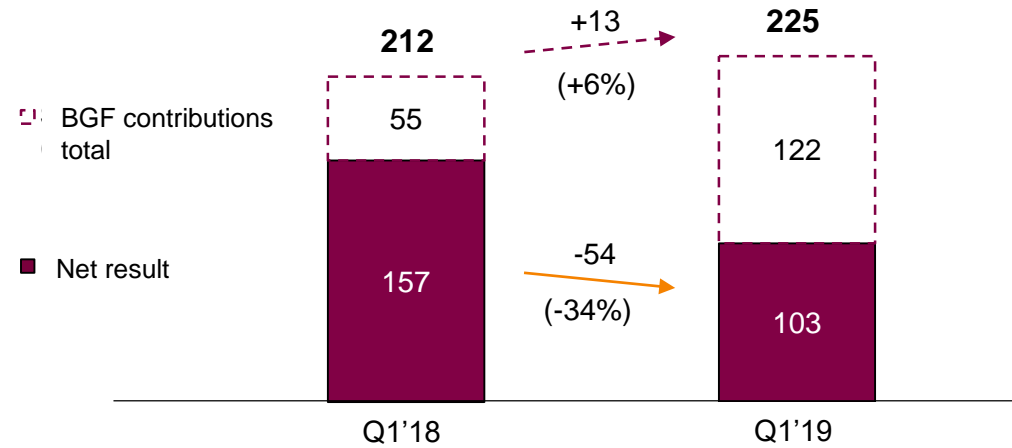
Cost of risk at the level of PLN 275 M - the CoR ratio at 1.86% mainly due to write-offs in the business client segment.



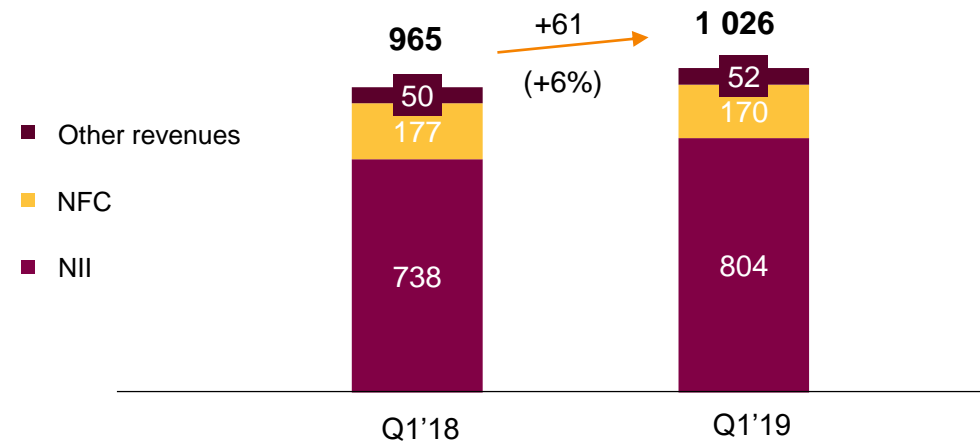
Stable capital position. **Equity ratio (TCR = 15.4%, TIER1 = 12.4%) significantly above regulatory thresholds.**

# Q1 2019 financial results (PLN M)

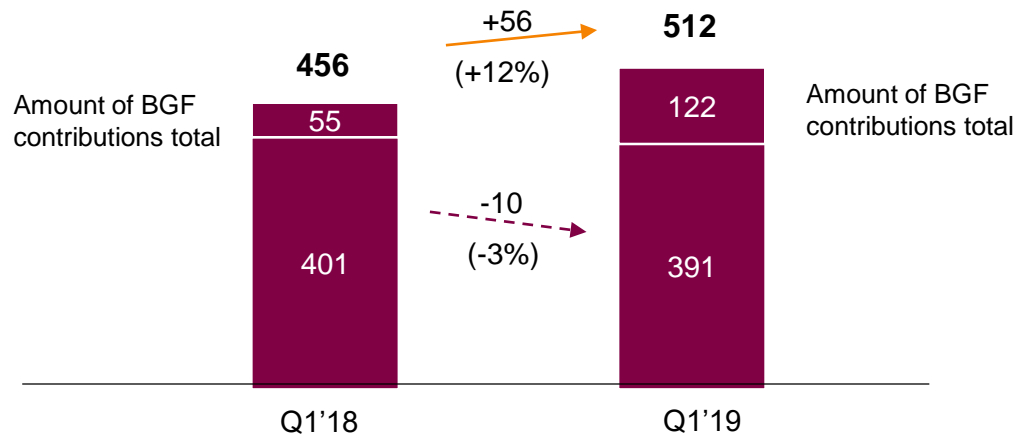
## Net result



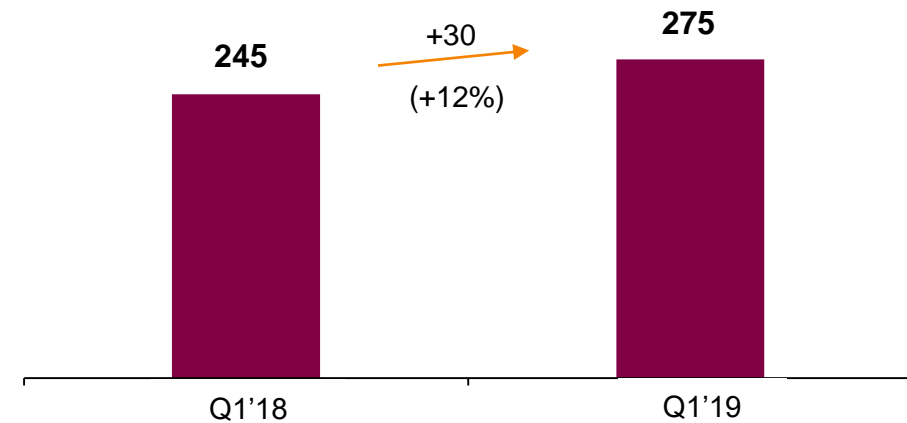
## Revenues



## General and administrative expenses

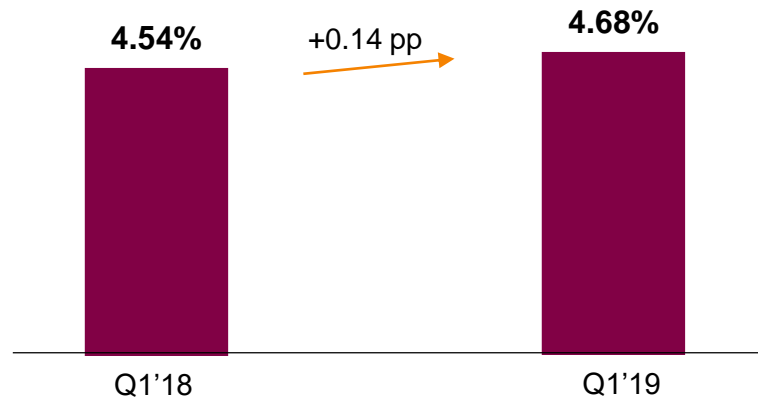


## Cost of risk

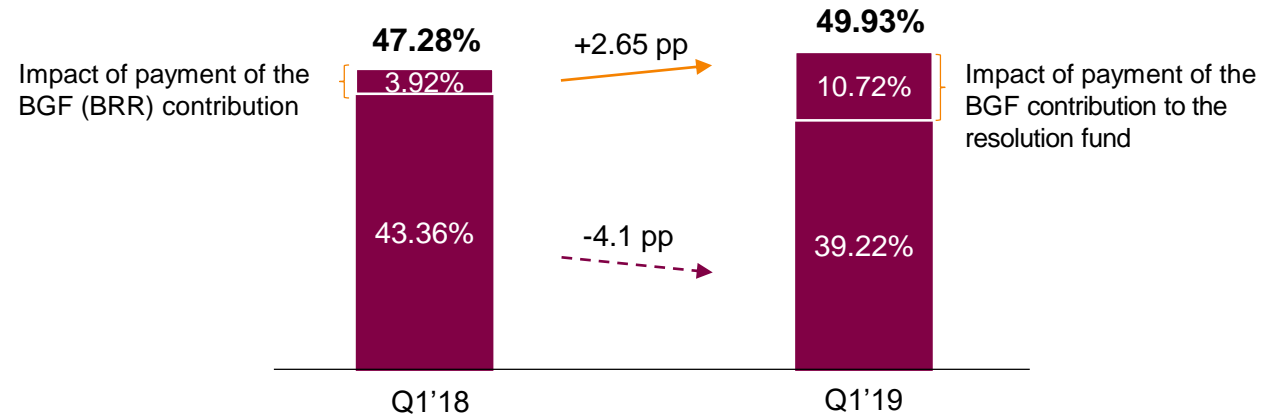


# Q1 2019 key financial ratios

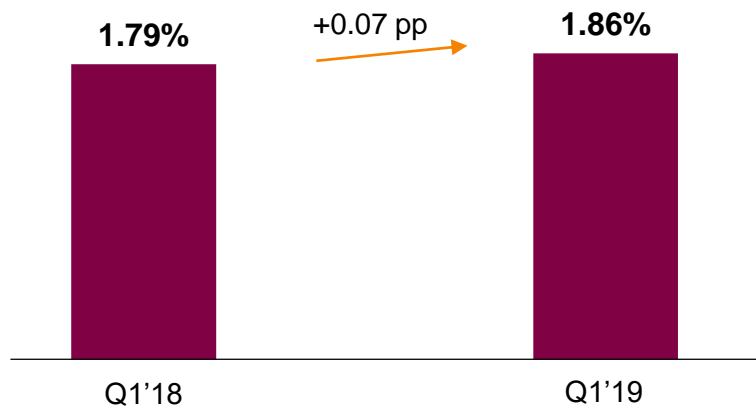
## NIM (QTD)



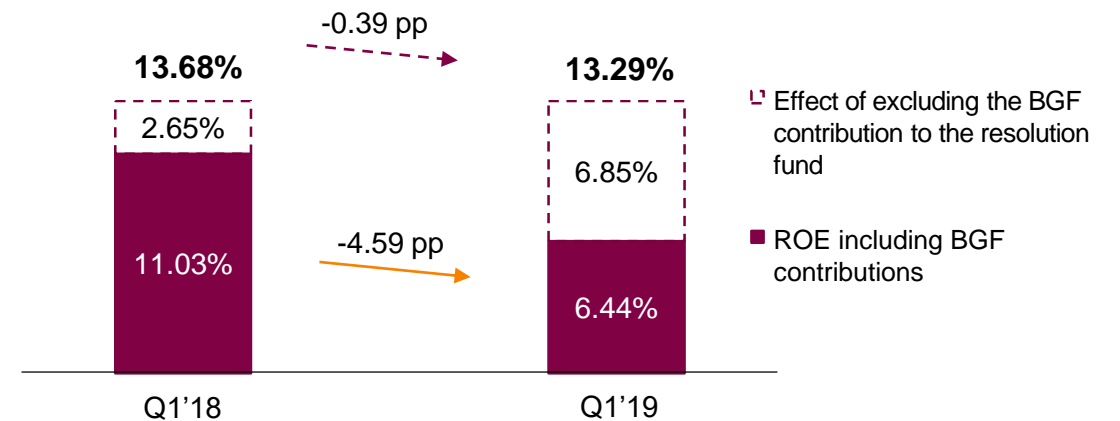
## C/I (QTD)



## CoR ratio (QTD)



## ROE ratio (QTD)



## Prizes and awards



### **Alior Bank "Institution of the Year 2018"**

Four statuettes and the title of "Institution of the Year 2018" in the industry ranking for the best bank in providing financing for companies, the best quality of business customer service, the best branch service quality and the best call center support.



### **Award from the Responsible Business Forum**

Alior Bank's social initiatives have been recognized in the annual report of the Responsible Business Forum in "Responsible Business in Poland. Good Practices."



### **Alior Bank Brokerage Office ranked number # 1 according to "Puls Biznesu"**

An attractive offer, a modern Alior Stock mobile application and 24/7 call center support made "Puls Biznesu" experts appreciate Alior Bank brokerage account, and our Brokerage Office received to scores in the ranking.



### **London appreciates the innovation of Alior Bank**

BANCOVO - the digital platform for financial intermediation, created and owned by Alior Bank Group, won in Product Innovation of the Year category by Retail Banker International. Alior was also a contender in categories such as: European Retail Bank of the Year and Excellence in Customer Centricity.



### **Alior Bank among the leaders of 2018**

Our solutions in the area of automation and robotics have made us the podium of the 17th edition of the innovation contest "Leader 2018" organized by "Gazeta Bankowa".



### **Zafirmowani.pl as the most interesting banking innovation**

Zafirmowani.pl, our innovative website created for micro and small enterprises awarded top spot in the competition of the Leaders of the World Banking and Insurance in the category of the most interesting banking innovation.



### **Award for a personal account and a credit card**

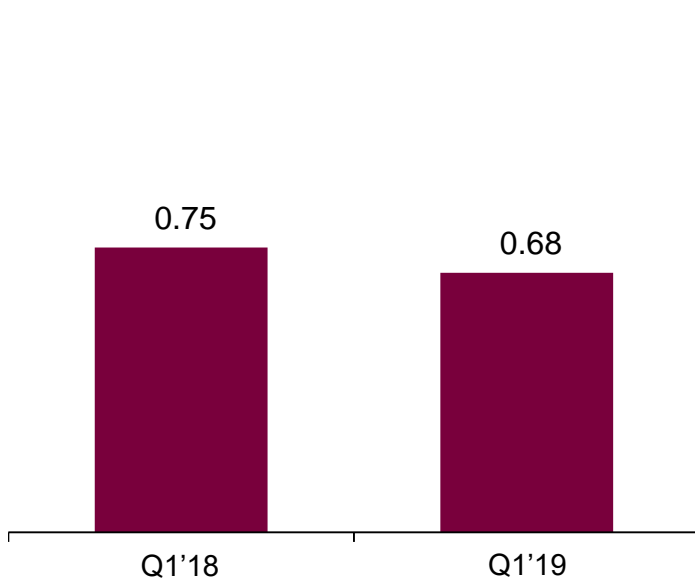
In the "Golden Banker" competition organized by "Puls Biznesu", Alior reached the podium twice. Clients and experts appreciated flexibility of our current account (Konto Jakże Osobiste) as well features of Alior credit card - longest interest-free period and attractive interest rate.

# Continuous loan volume growth in strategic segments

(Based on management data)

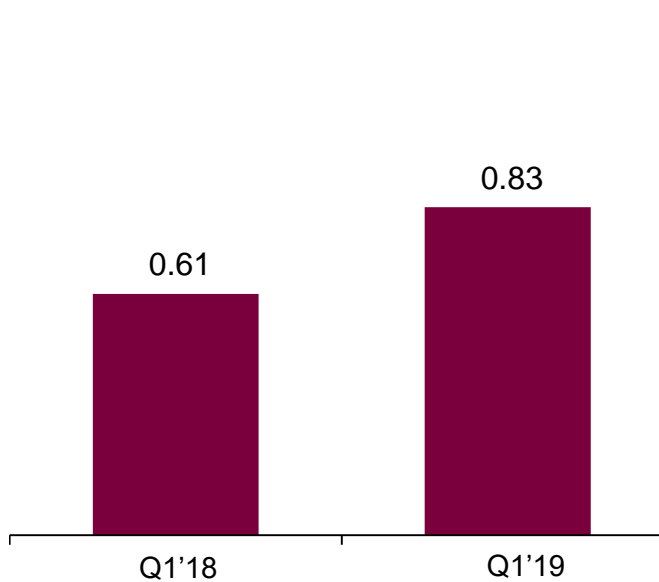
## New loan sales in micro (PLN B)

High sales level despite the visible growth of guarantees secured by BGK.



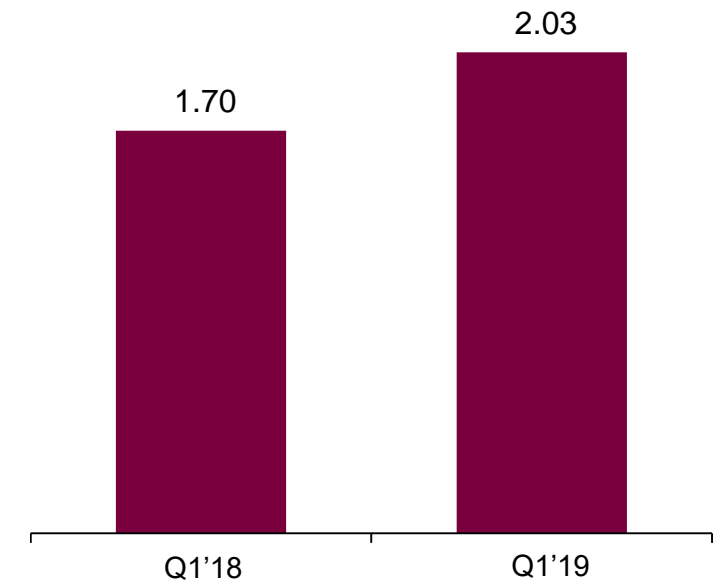
## New leasing sales (PLN B)

Maintaining high leasing sales...



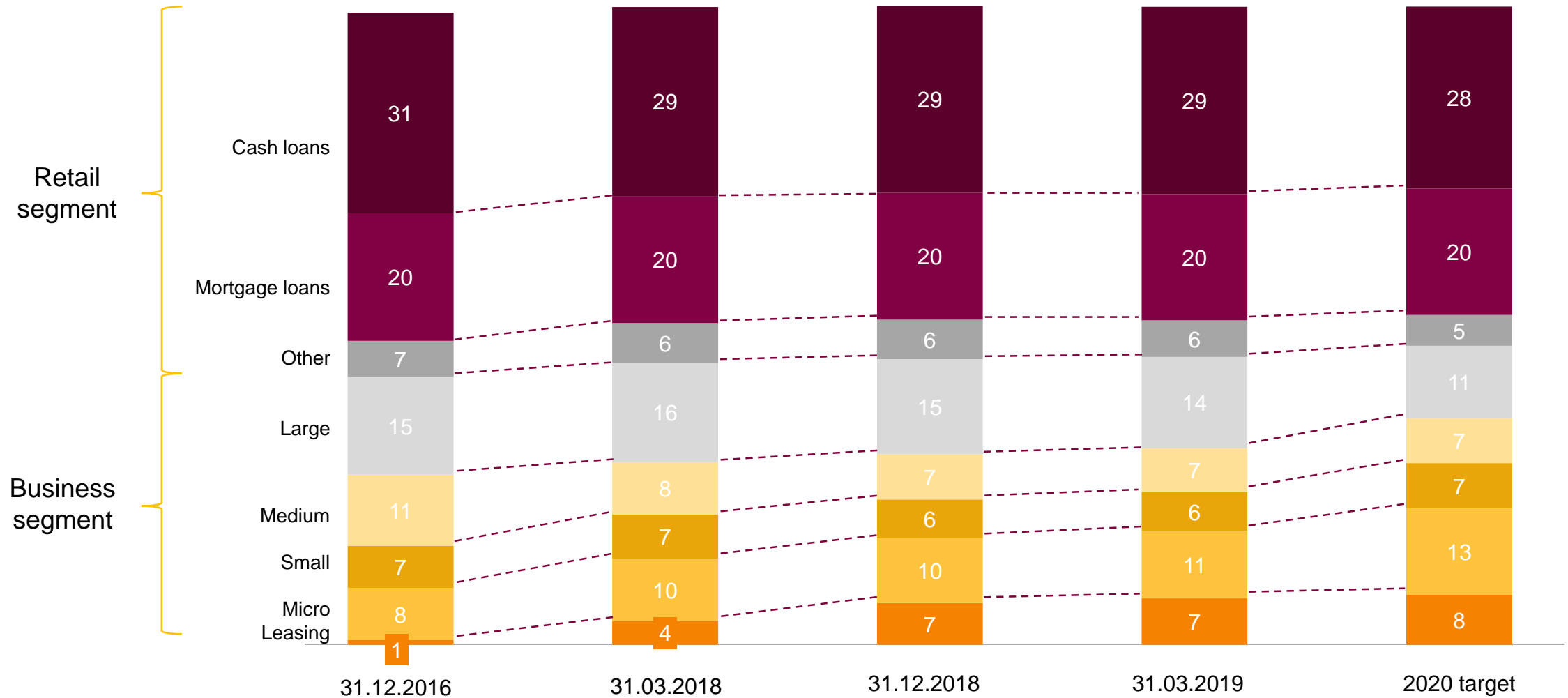
## New cash loan sales (PLN B)

...and record CL (cash loan) sales.



# Change in the portfolio structure in line with the strategy

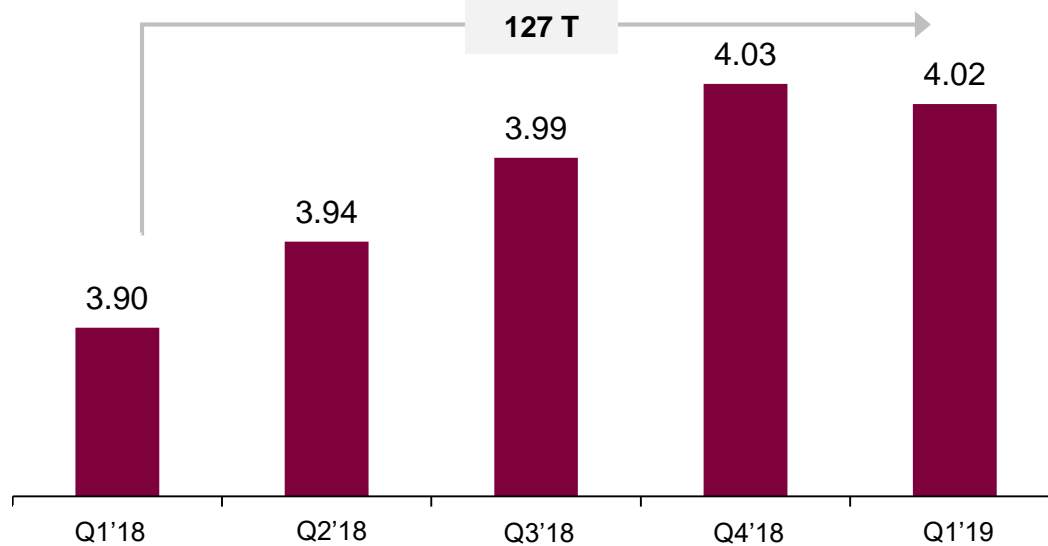
## Loan portfolio structure (%)





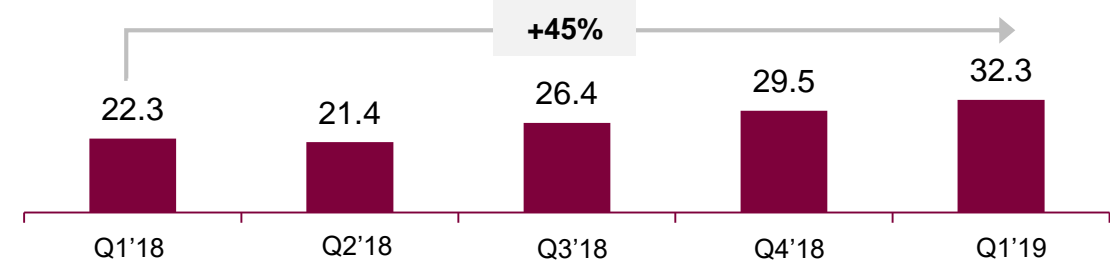
# Retail client segment: increase in the number of clients

## Number of retail clients (M)

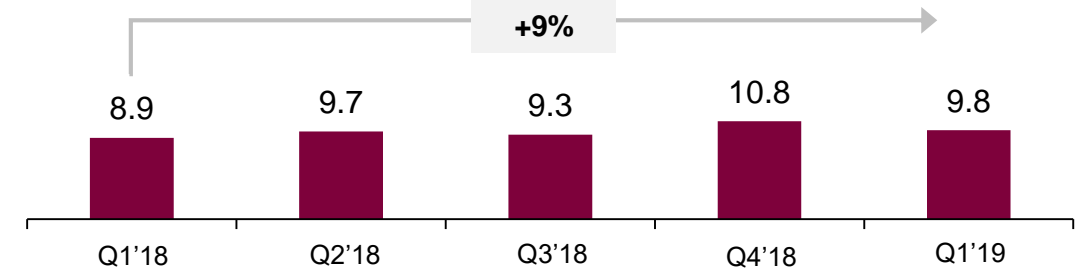


- The increase in the number of clients by 127 T net.
- Seasonal decline in the number of clients related to the timely repayment of installment loans.
- Growing significance of current account as an acquisition tool (increase by 45% y/y of the number of clients who choose Alior Bank by opening Konto Jakże Osobiste - current account).

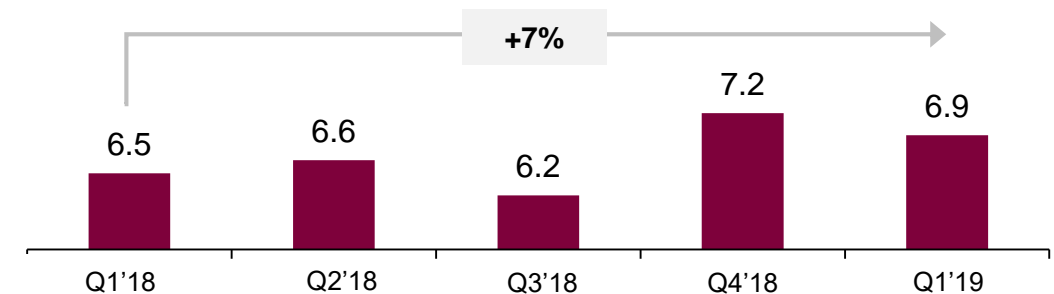
## New clients opening current accounts (T)



## New clients - cash loans (T)



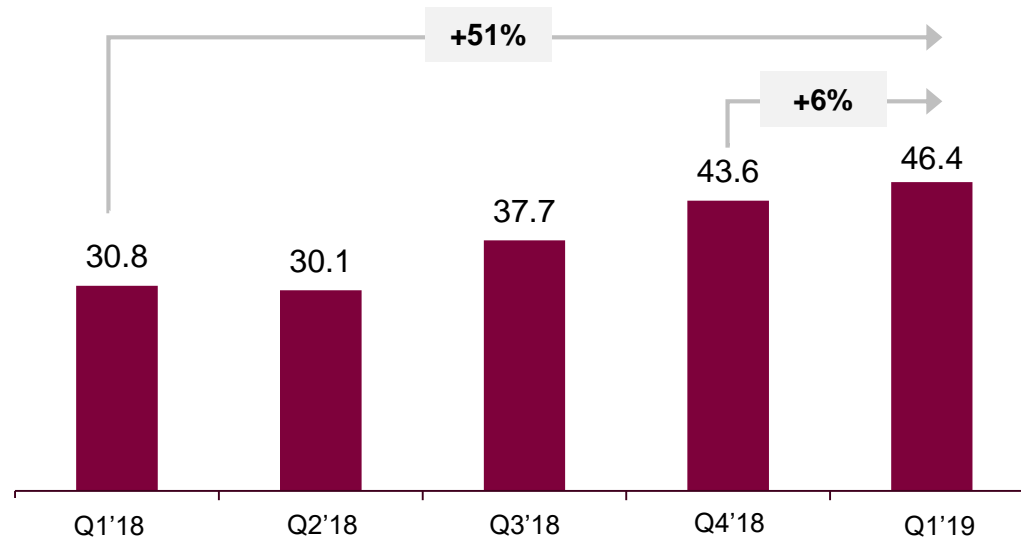
## New retail clients from Consumer Finance segment (T)\*



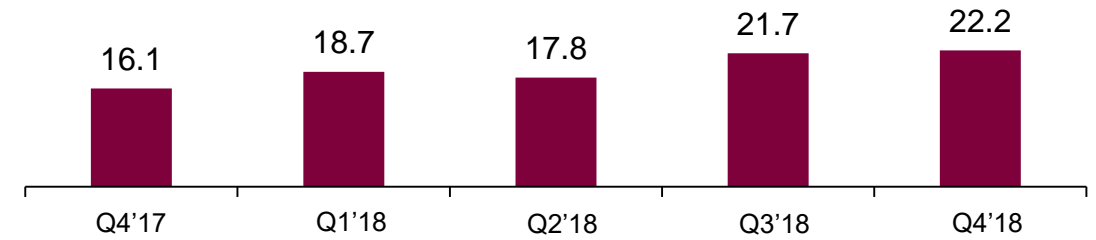
# Retail client segment: building primary relationship

## Current accounts sale (T)

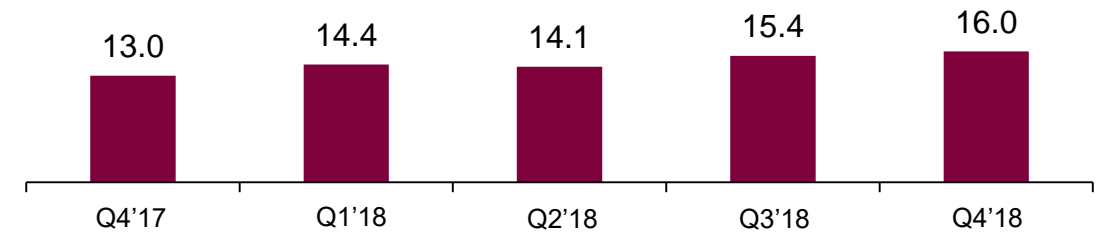
(Number of new current accounts for NtB\* and NtP\* clients)



## Number of new priority clients (T)

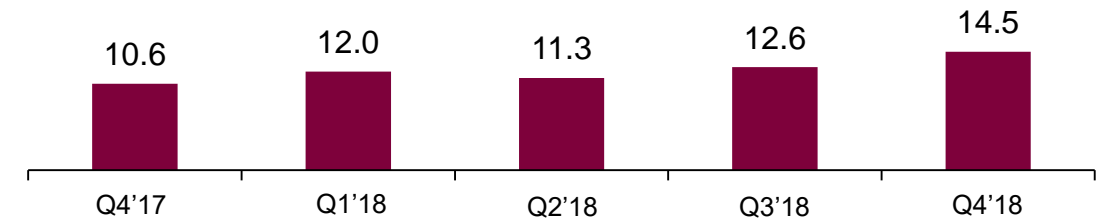


## Number of new current accounts with transactions\*\* (T)



Increase in the number of sold current accounts by 51% y/y and 6% q/q.

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



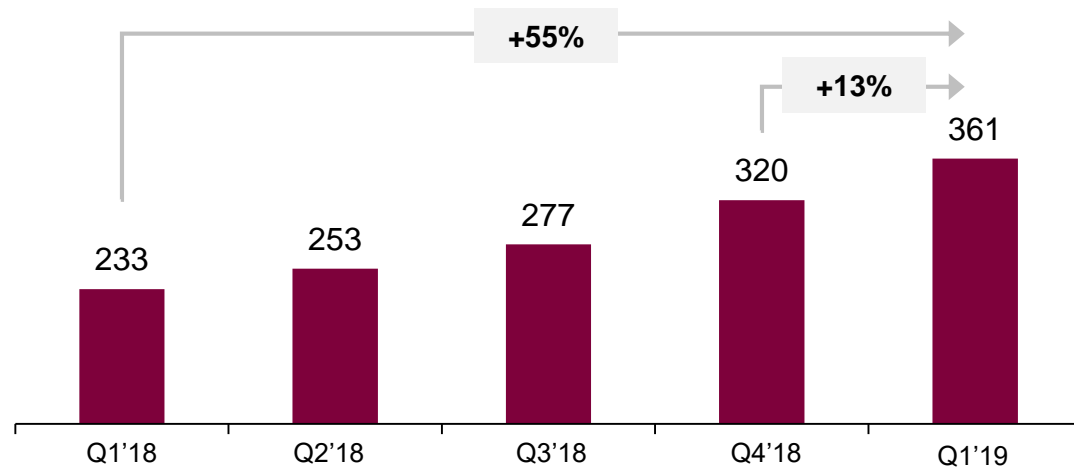
\*NtB – new to bank; NtP – new to product

\*\*3 transactions, excluding transfers

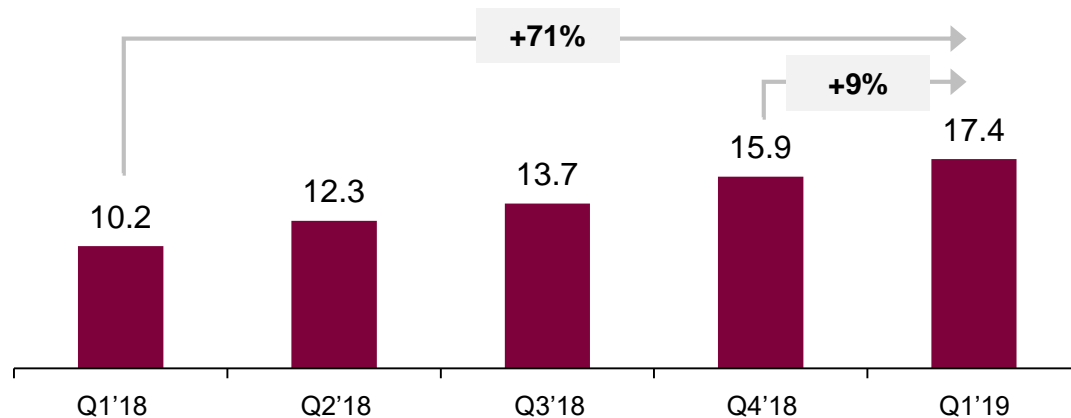
\*\*\*2 months with inflows of at least PLN 1,000

# Retail client segment: remote channels gaining ever more importance

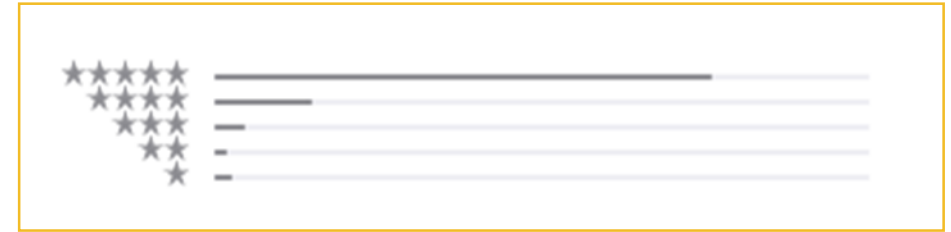
## Sales of cash loans in remote channels (PLN M)



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

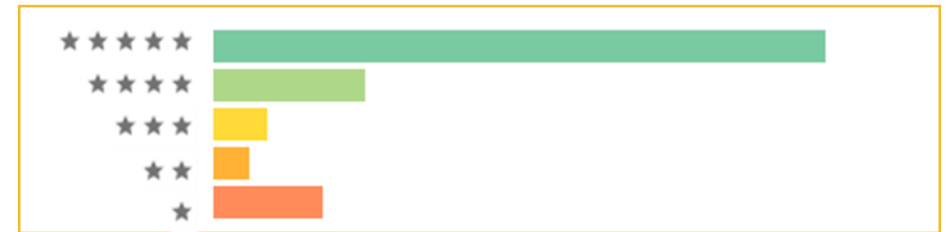


**4.6** +1.0 y/y OUT OF 5 **APPSTORE RATING**



11 000 ratings

**4.1** +1.5 y/y OUT OF 5 **GOOGLE RATING**

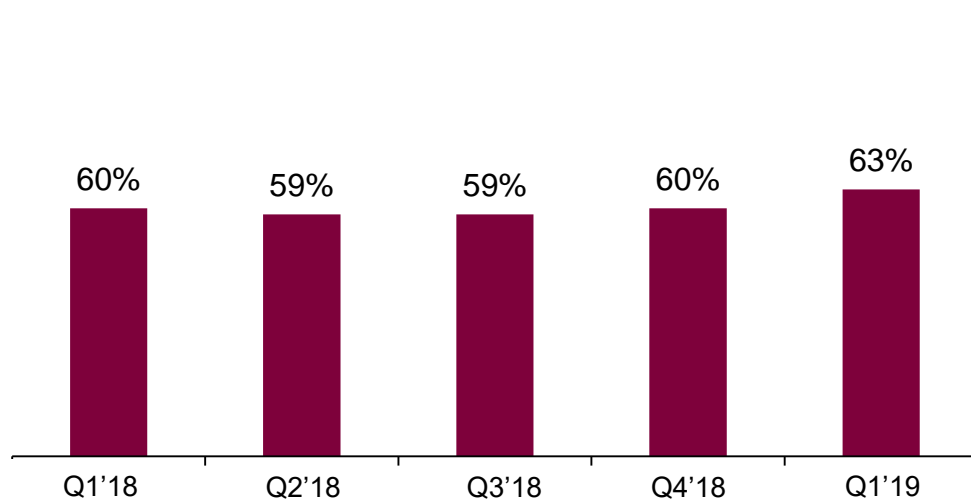


14 000 ratings

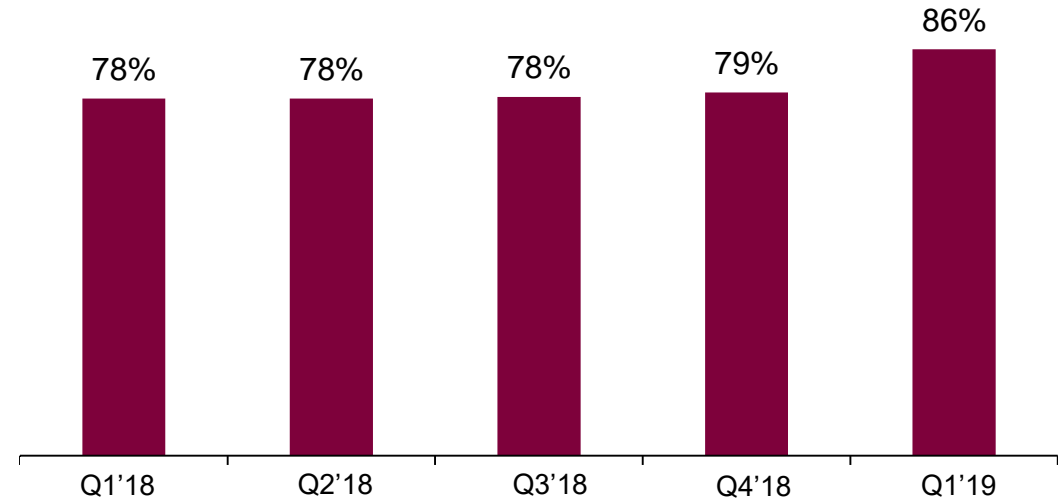
- Increase in sales of cash loans via remote channels by 55% y/y 13% q/q.
- Growth of on-line sales of CA (current account) and savings account by 71% y/y and by 9% q/q.
- Increase in user ratings of mobile App in the AppStore by 1.0 point and GooglePlay by 1.5 point.

## Retail client segment: on-going improvement of customer service quality

### NPS own branches



### NPS franchise branches



- Customer service quality increase in both own and franchise branches.
- High quality confirmed by 1st place in the Newsweek ranking.
- Clients most appreciate courtesy and commitment of bankers and efficiency of service.

# Retail client segment: development of remote channels and implementation of the latest mobile banking solutions as the direction of development in Q1 2019

Q1 2019



Biometrics - ability to authorize all transfers

iKiosks in own branches - support of Digital onboarding process, education and digitalization of clients through the first login during a visit in a branch



Possibility of remote conclusion of contracts for products dedicated to brokerage clients (incl. brokerage accounts, Alior Trader account)

Possibility to enroll to the Priceless Specials MasterCard program

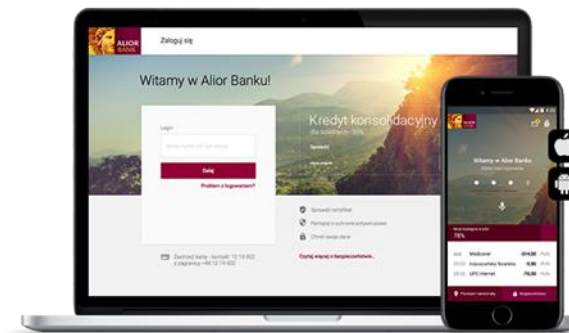


ApplePay - the possibility of adding a card to ApplePay via the Alior Bank application

Implementation of solutions for people with disabilities



Integration of sales of installment loans with on-line stores of key contractors (home electronics)



Client migration completed

**85%**

of migrated clients logged in to the new Internet Banking

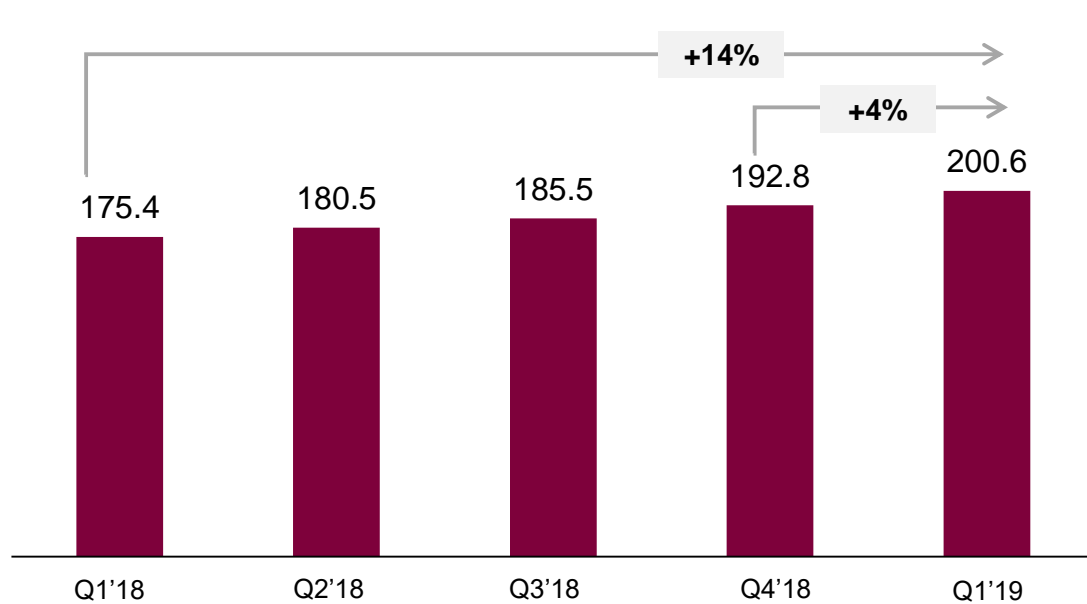
Number of complaints <1%

Starting Q2'19 new Internet Banking available as the only option

Business client segment: increase in the number of clients combined with an increase in both total transactions concluded as well as the level of primary relations with the Bank

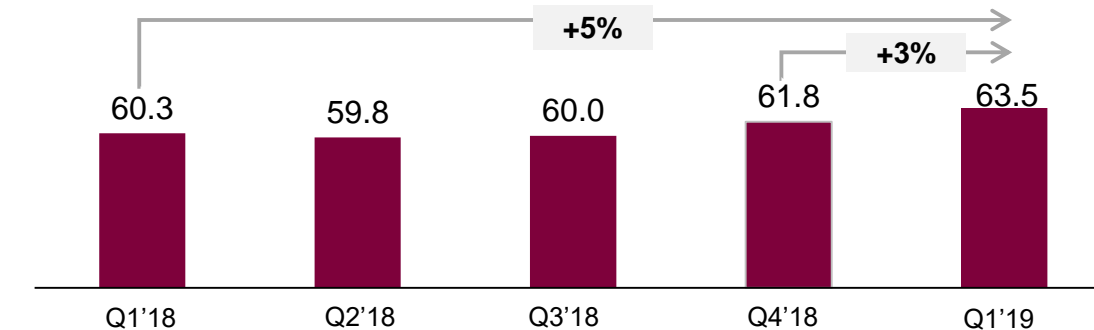
### Business clients

(Number of business clients in T)

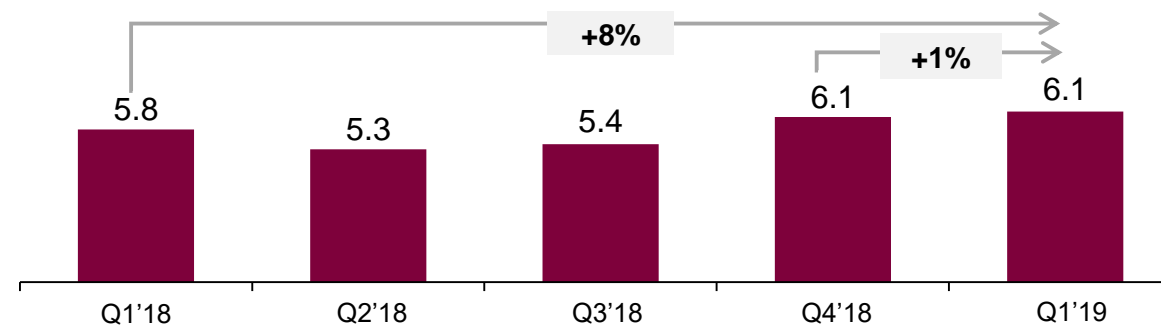


### Clients with a main transactional relationship

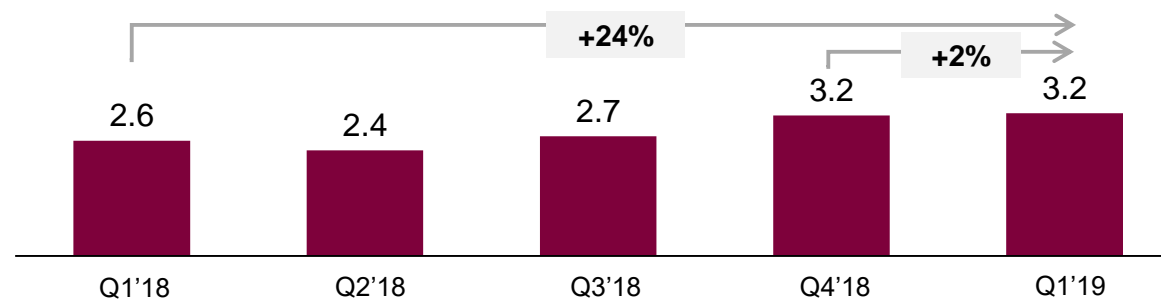
(Clients paying social security & taxes from Alior account in T)



### New business clients (T)



### New clients with a debit card (T)

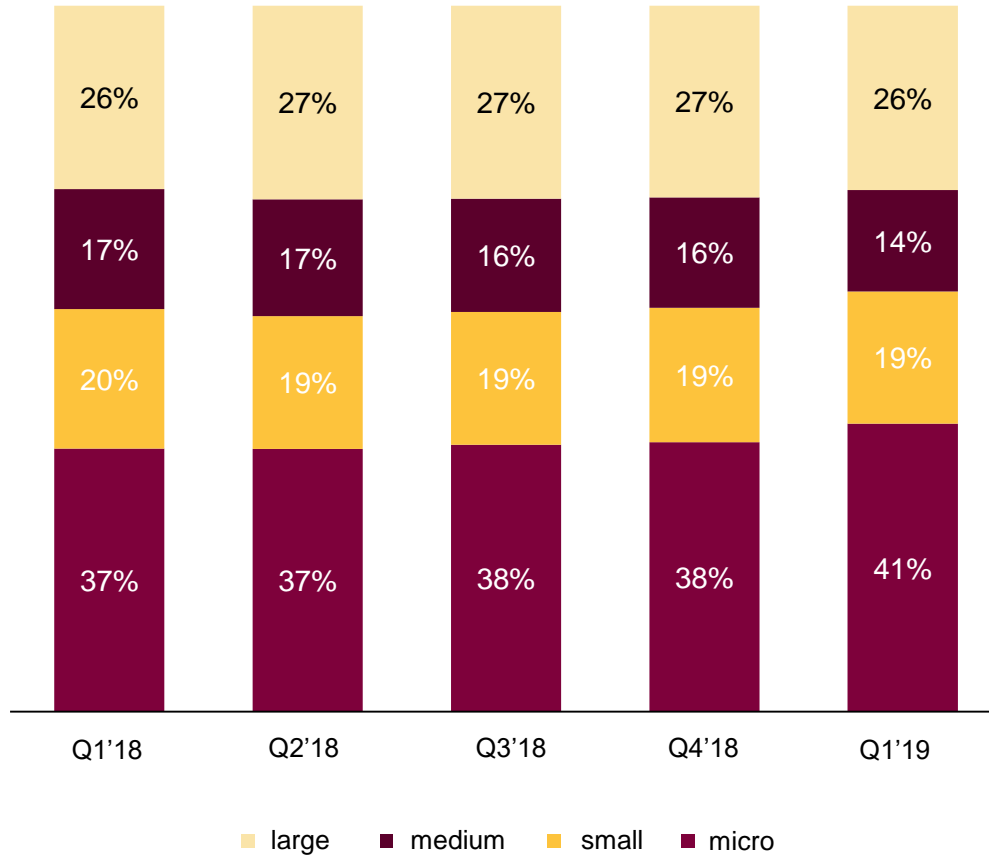


- Dynamic net increase in the number of clients (up 25.2 T y/y) while effectively increasing the transaction relationship.
- Debit cards total increased by +24% y/y and main payment relation activated – ZUS/US (social security and taxes).

# Business client segment: diversification of revenues and increase in high-margin micro segment

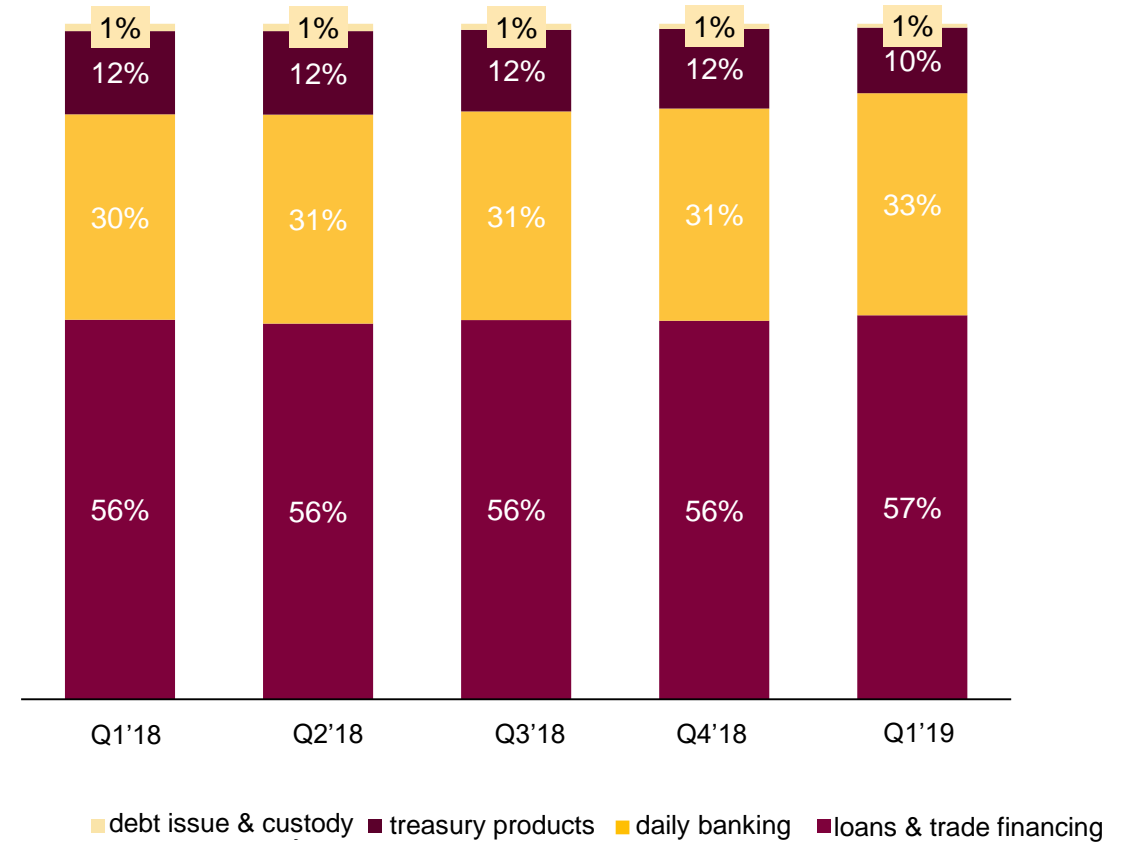
## Business client segment revenue structure

(Based on management data)



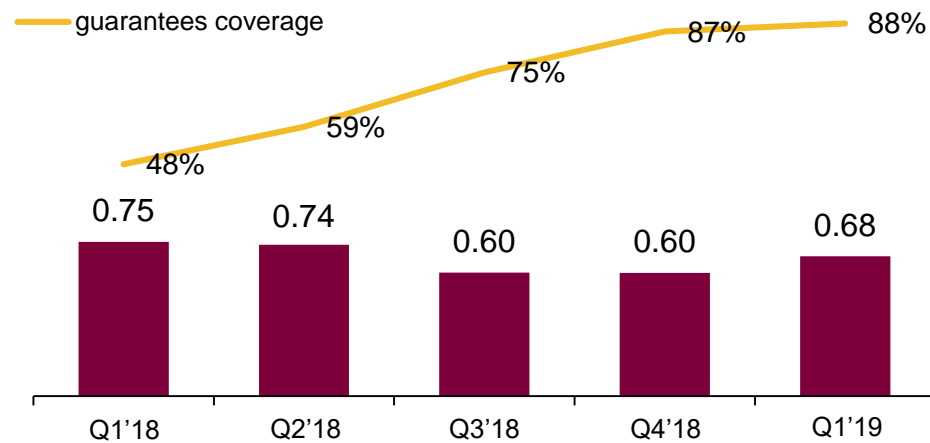
## Product revenue structure in business segment

(Based on management data)

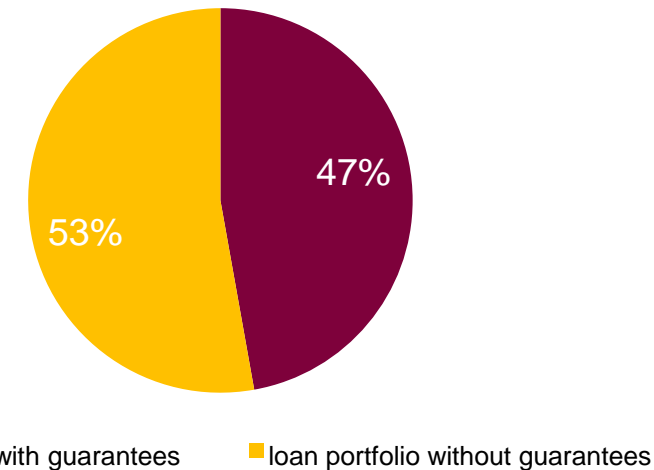


# New micro sales: recurrent sales increase combined with enhanced loan quality

## New micro sales (PLN B)



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



On March 4th this year, a multi-channel campaign promoting loans for companies has been launched.



Highlighting convenience – ability to service clients at their premises:

- submitting and signing of the application takes place on a tablet;
- up to 600,000 PLN for any purpose;
- credit decision in 30 min.

- In 2019, we will expand the portfolio of products secured by BGK guarantees - credit card, multi-purpose limit, consolidation loan for business clients.
- New guarantee products: Creative Europe Guarantee and Telco guarantee.
- High level of guarantees will have a positive impact on CoR, RWA and equity ratios.



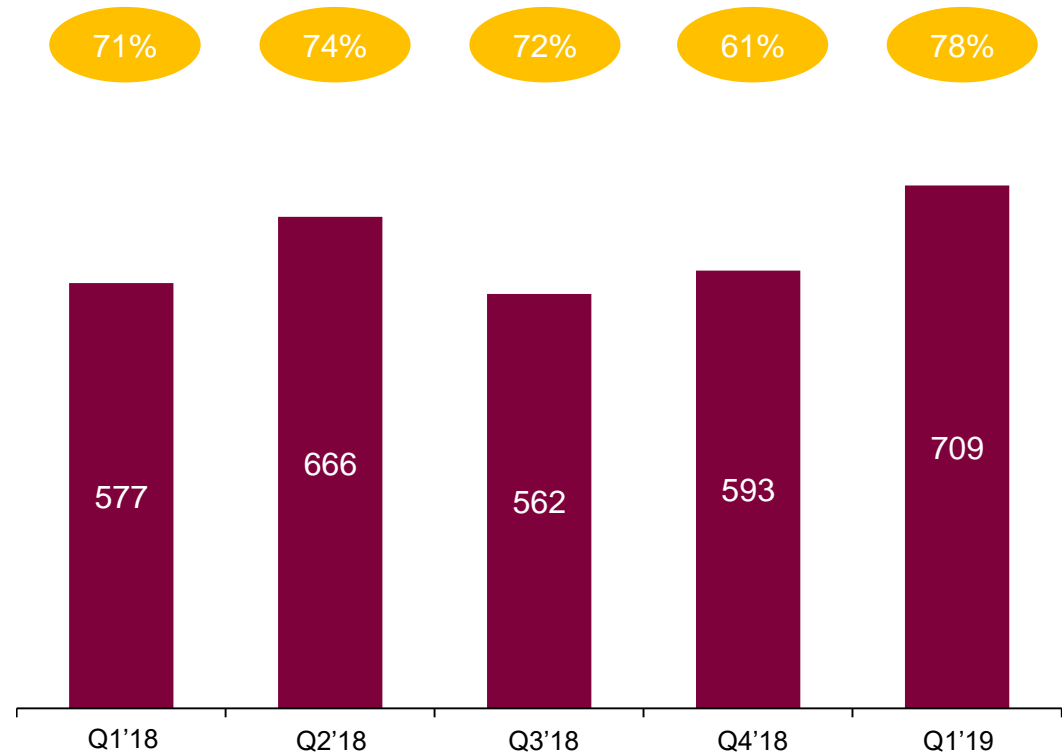
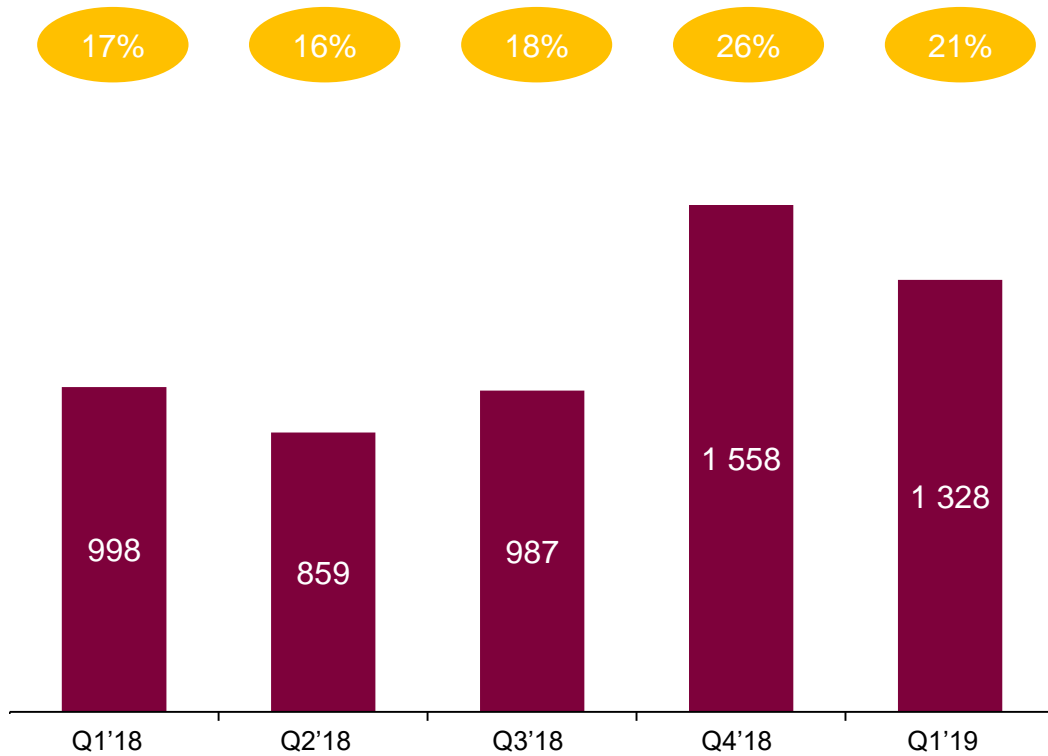
Business client segment: Digital Disruptor Strategy effectively enhances efficiency thanks to significant increases in both online client acquisition and automated loan processes

**New business clients acquired on-line**  
(New accounts openings in items)

**Automated loan processes**  
(New sales limit in PLN M)

Share of on-line acquisitions of new clients

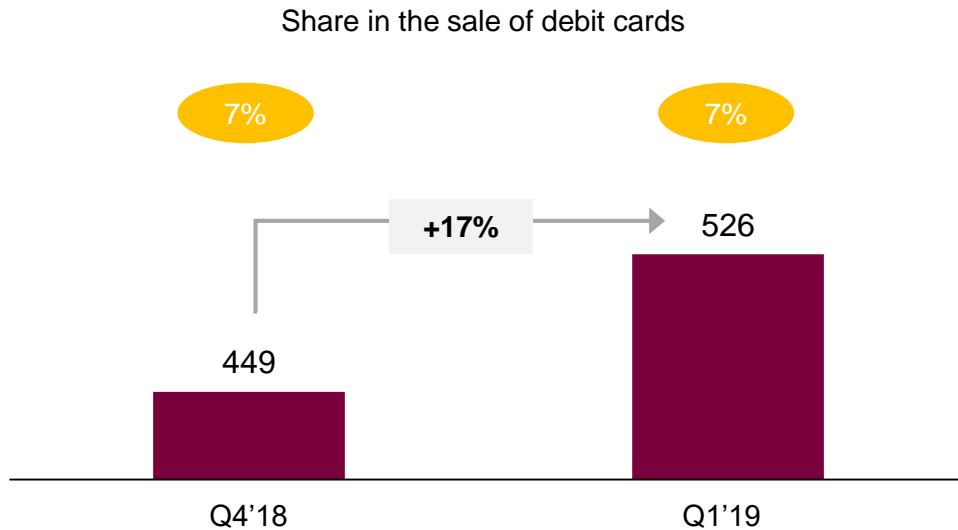
Share in the sale of micro and small



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

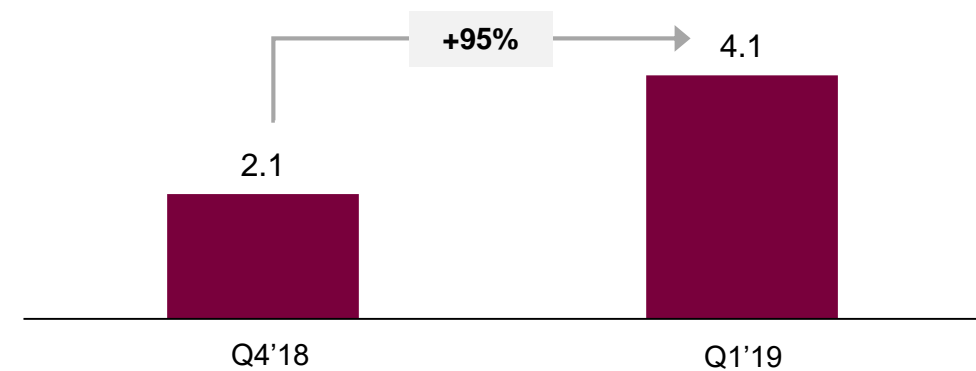
### Multi-currency cards issued

(New open cards in items)



### Multi-currency card transaction

(Turnover in PLN M)



- First card on the banking market in Poland that supports 23 currencies.
- Managing on-line currency accounts by nAIB and BusinessPro.
- Available on ApplePay and GooglePay.
- 16.5 T transactions in 21 out of 23 available currencies since launch.
- Virtual card for internet operations planned for market intro soon.

**1** Key highlights

**2** Financial results

**3** 2019 guidance

**4** Appendix

## P&L statement - primary data

PLN M	Q1'18	Q1'19	Change y/y	Change y/y (%)
<b>Revenues including:</b>	<b>965</b>	<b>1026</b>	<b>61</b>	<b>6%</b>
Net interest income	738	804	66	9%
Net fee and commission income	177	170	-7	-4%
Net trading income and other	50	52	2	5%
<b>General administrative expenses</b>	<b>-456</b>	<b>-512</b>	<b>-56</b>	<b>12%</b>
<b>Net impairment charges and write-downs</b>	<b>-245</b>	<b>-275</b>	<b>-30</b>	<b>12%</b>
Banking tax	-50	-54	-4	9%
Profit before tax	214	185	-29	-14%
Income tax	-57	-81	-25	44%
<b>Net profit</b>	<b>157</b>	<b>103</b>	<b>-54</b>	<b>-34%</b>
<b>Net profit after excluding BGF contributions (both for a resolution and a guarantee funds)</b>	<b>212</b>	<b>225</b>	<b>13</b>	<b>6%</b>

- In Q1'19 there was a change in the presentation in terms of the realized transaction margin on FX transactions. In previous periods, it was presented in the result on instruments valued at fair value through profit and loss and revaluation result, now in the result on fees and commissions for data comparability. For data comparability, Q1'18 has been adjusted (+PLN 67.6 M in the result on fees and commissions income).
- Correction of the opening balance sheet IFRS 9 from December 2018 also had an impact on the amount CoR in Q1'18 (an increase of PLN 4 M compared to the value published on May 10, 2018).

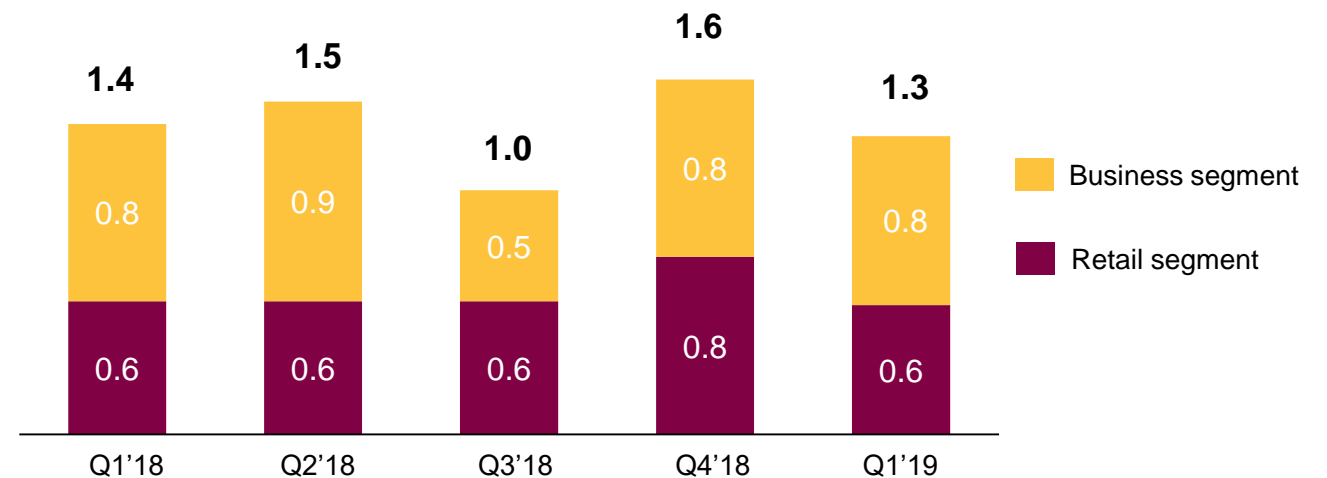
# Volumes

PLN M	Q1'18	Q1'19	Change y/y	Change y/y (%)
Loans, including:	51 326	55 394	4 068	8%
Retail segment	27 940	29 854	1 914	7%
Business segment	23 386	25 540	2 154	9%
Deposits, including:	59 075	62 327	3 252	6%
Retail segment	38 205	45 125	6 920	18%
Business segment	20 869	17 202	-3 668	-18%
<i>L/D ratio</i>	86.9%	88.9%	+ 2.0 pp	

☐☐ Proforma data including the adjustment effect of the Opening Balance Sheet 2018 made in December 2018.

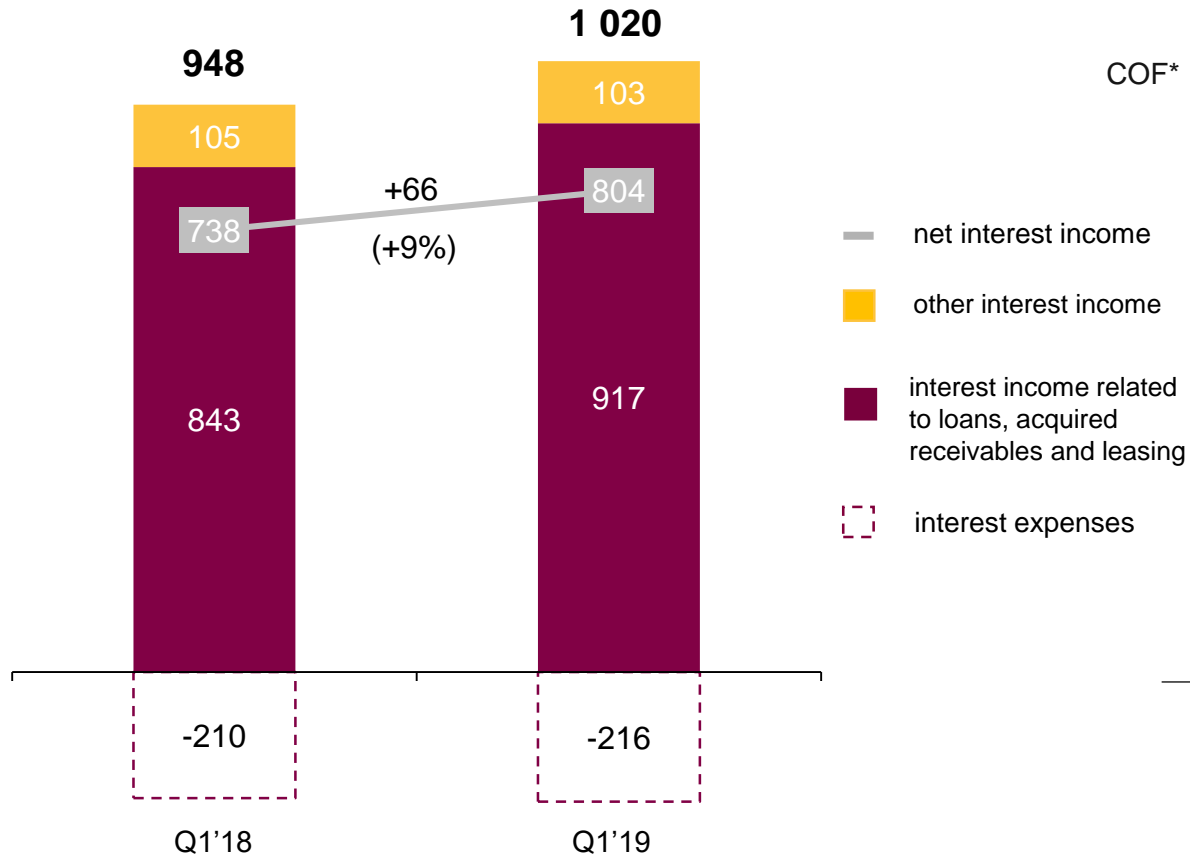
## Increase in gross loans volume (PLN B)

Increase in gross loans in Q1 2019 at a high and stable level of PLN 1.3 B - in line with 2019 guidance.

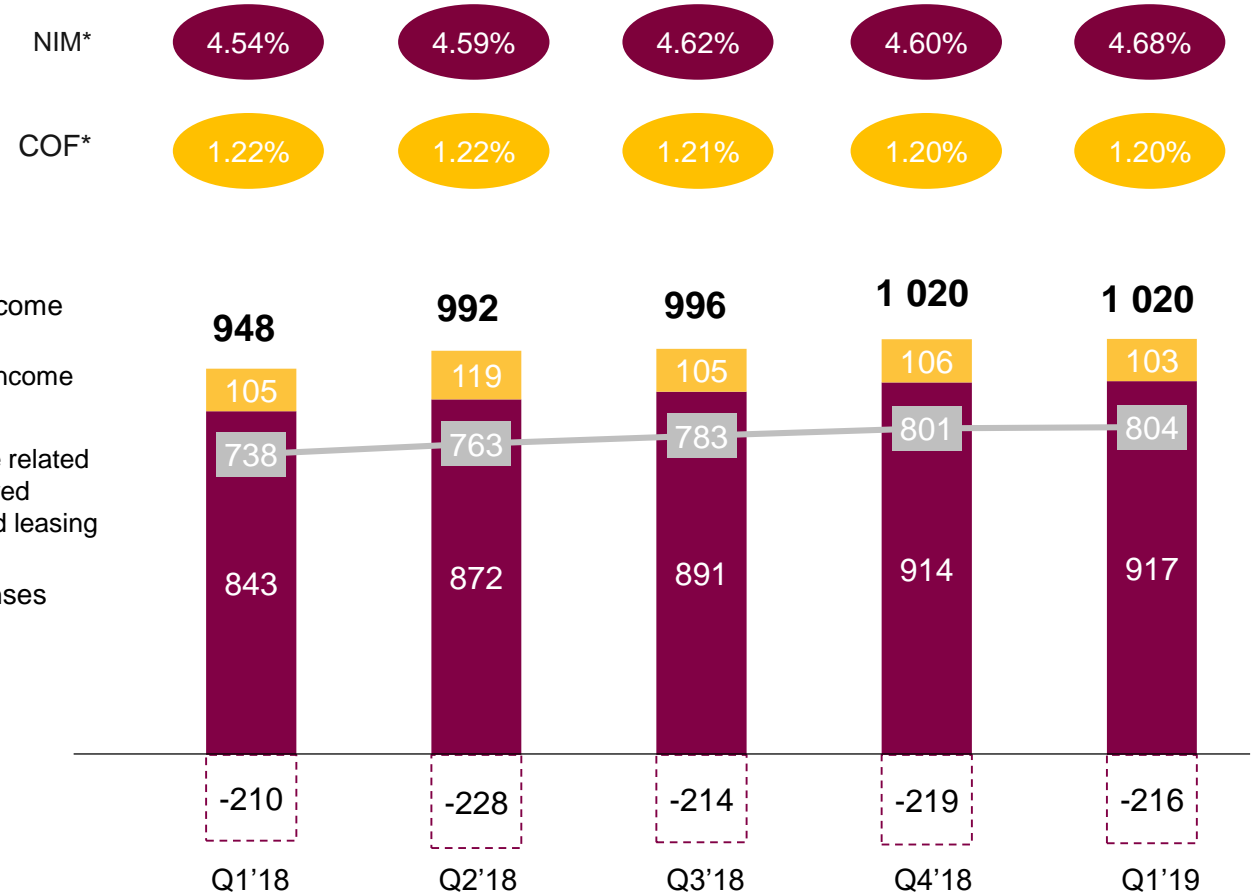


# Net interest income (PLN M)

## Y/y comparison

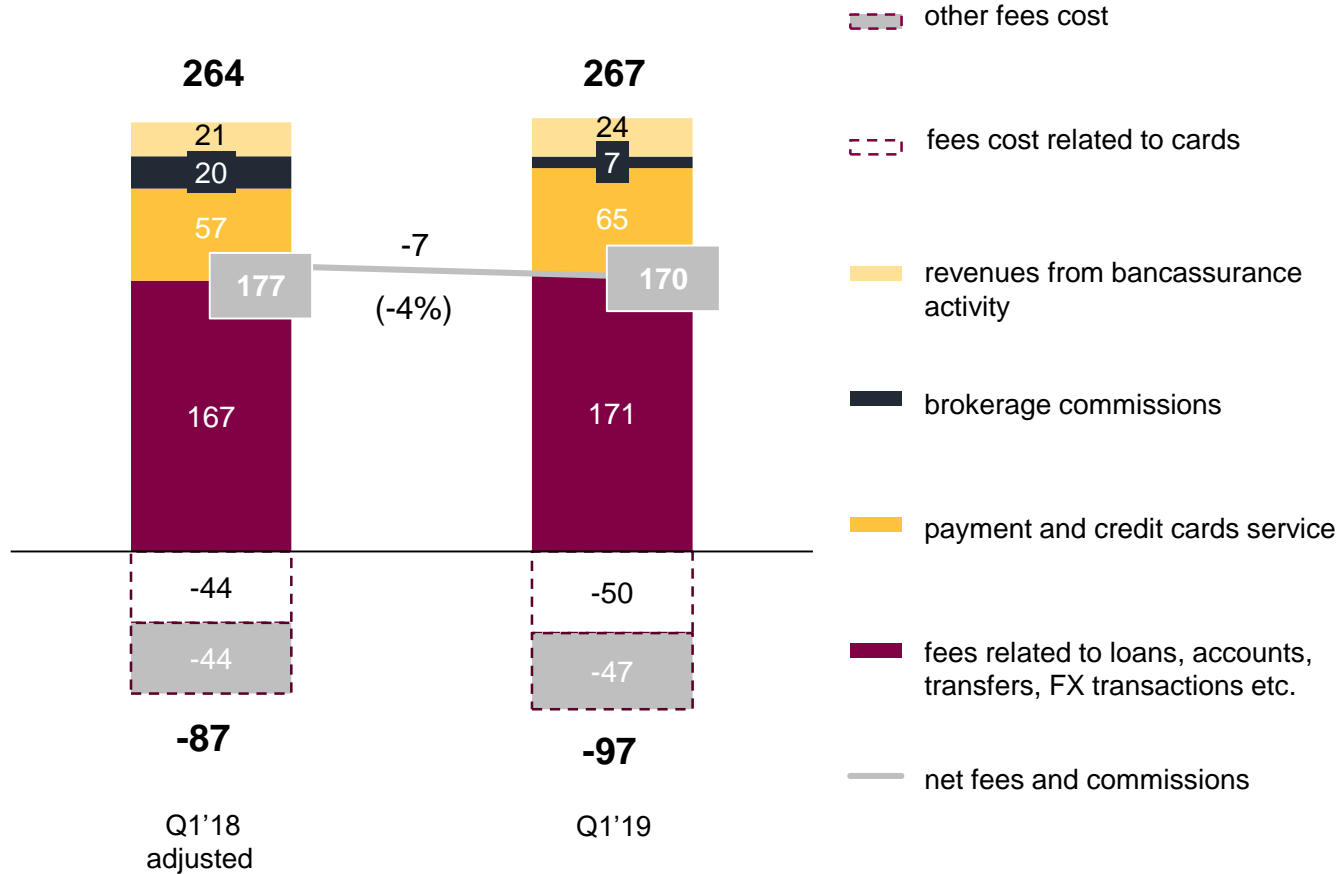


## Annual perspective (quarterly)

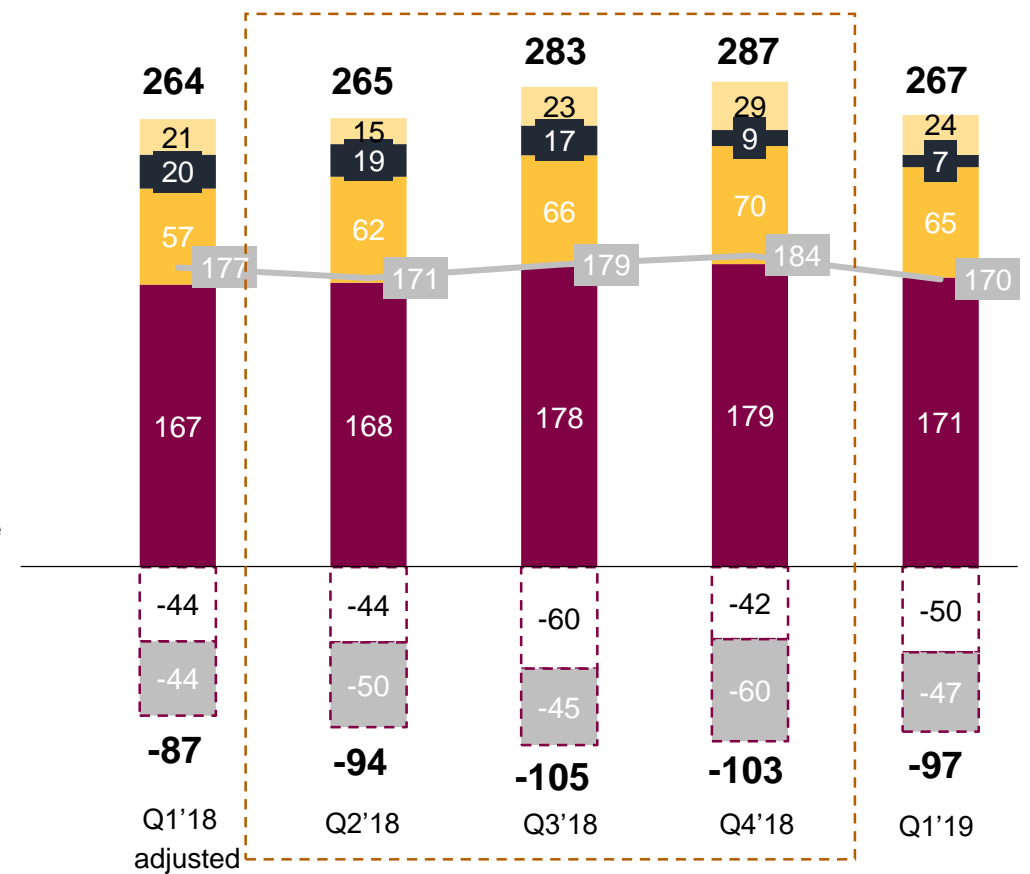


# Net fees and commissions (PLN M)

## Y/y comparison



## Annual perspective (quarterly)



proforma data for comparability, taking into account the change described on slide 24

Q1 2019: change in presentation of fees and commission costs – recognition of FX transaction revenues within this line (details on the next slide).

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

	2018 before change	Change	2018 after change
Interest income	3 085		3 085
<b>Fee and commission income</b>	<b>436</b>	<b>274</b>	<b>710</b>
<b>Result on instruments measured at fair value through P&amp;L and result on revaluation</b>	<b>372</b>	<b>-274</b>	<b>98</b>
Result on cessation of recognizing 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
Result on write-offs for expected losses, impairment losses and provisions	-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>

In the report for Q1 2019, the 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 result due to fees and commissions income.

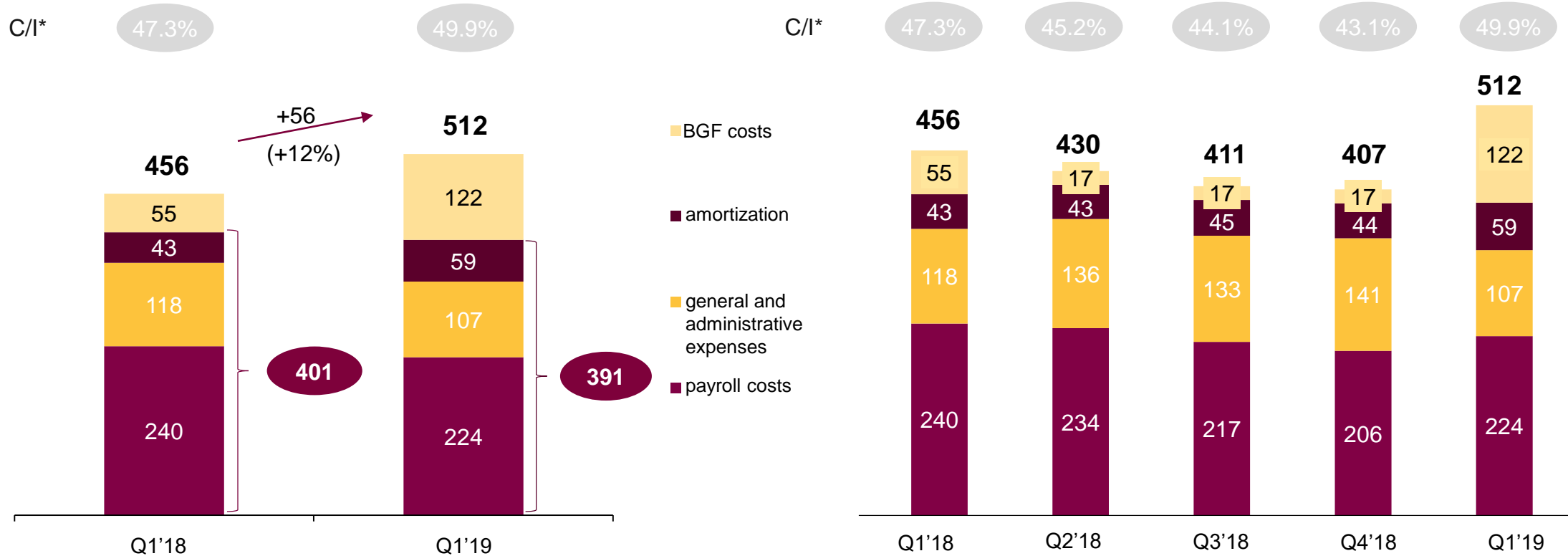


# Bank maintains a high level of cost effectiveness

## General and administrative expenses (PLN M)

### Y/y comparison

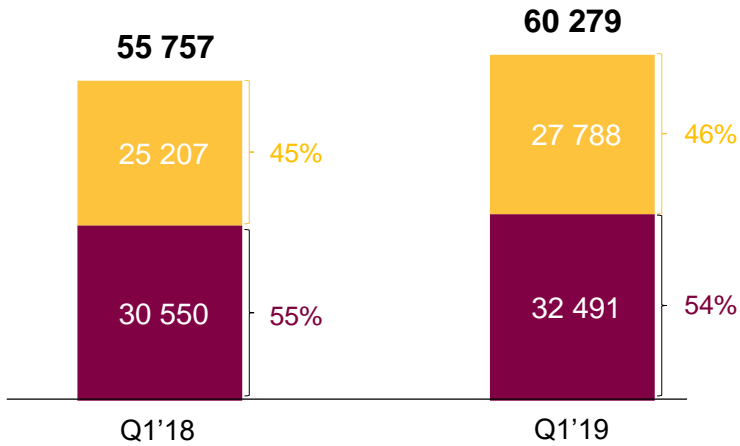
### General and administrative expenses on a quarterly basis



Operating expenses increase y/y due to increase in the amount of the resolution fund contribution.

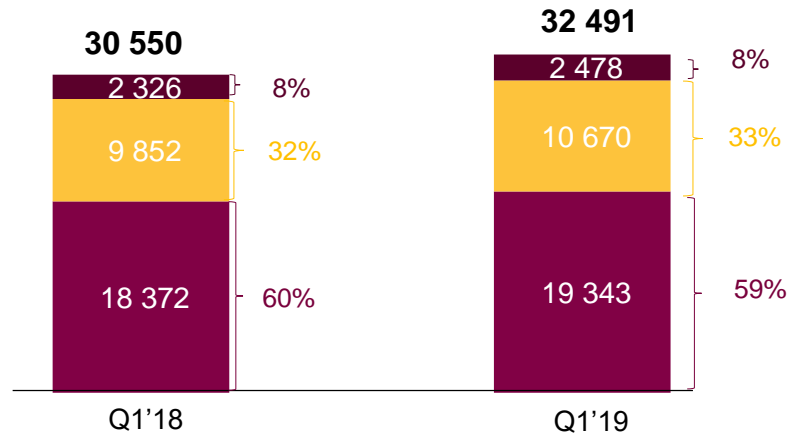
# Loan portfolio: structure and quality

## Total loan portfolio (PLN M)



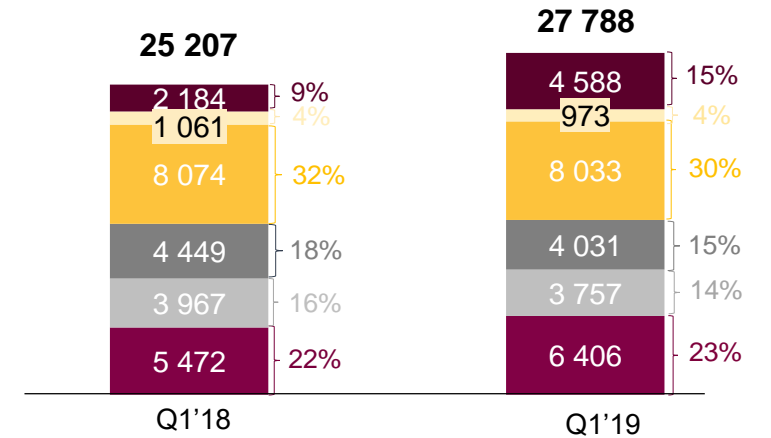
■ Retail segment ■ Business segment

## Retail client portfolio (PLN M)



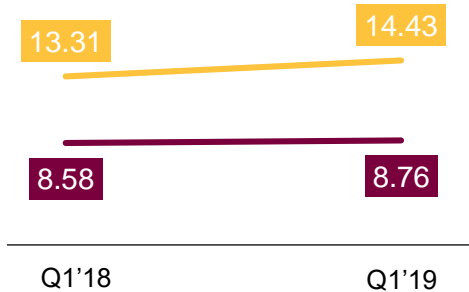
■ Consumer finance loans  
■ Real estate loans  
■ Consumer loans

## Business client portfolio (PLN M)



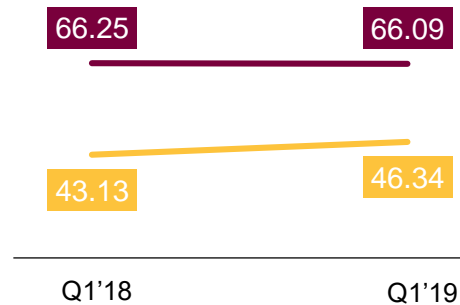
■ MICRO ■ SMALL ■ MID ■ LARGE ■ OZE ■ ALIOR LEASING

## NPL (%)



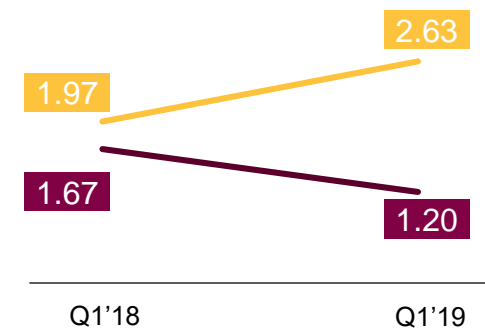
— Retail — Business

## Coverage ratio (%)



— Retail — Business

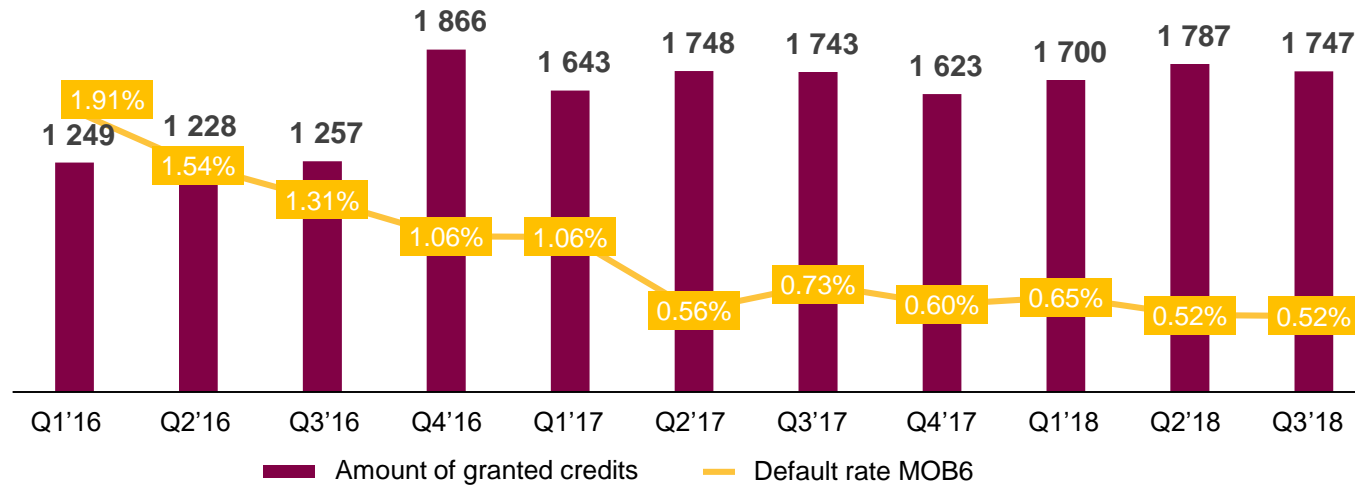
## CoR\* (%)



— Retail — Business

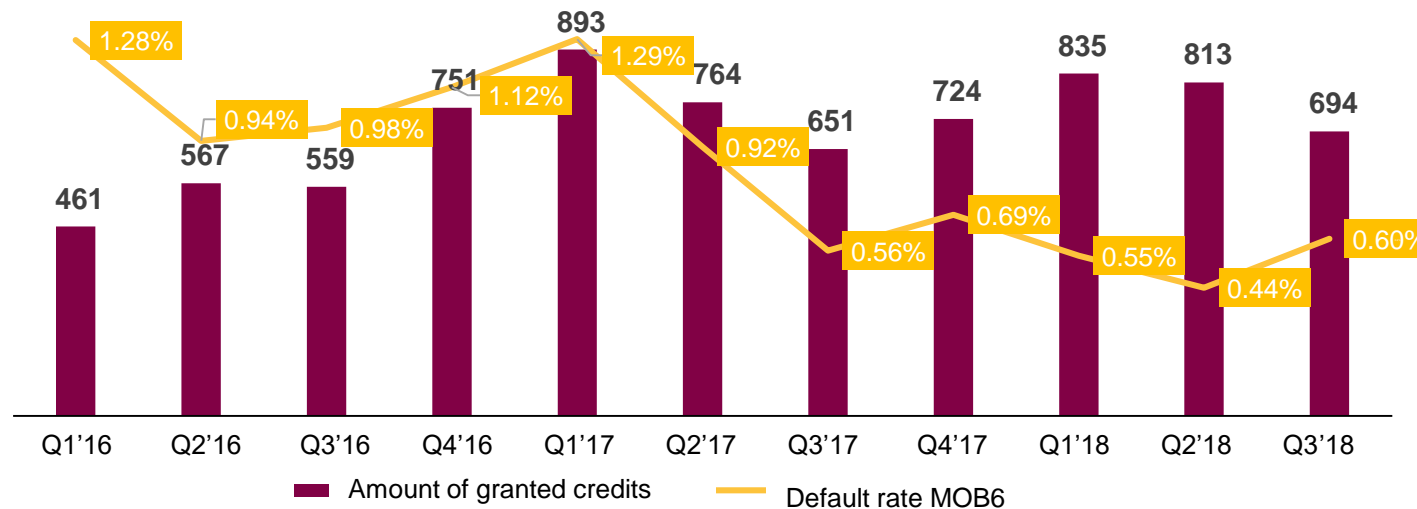
## New loan sales quality

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



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

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

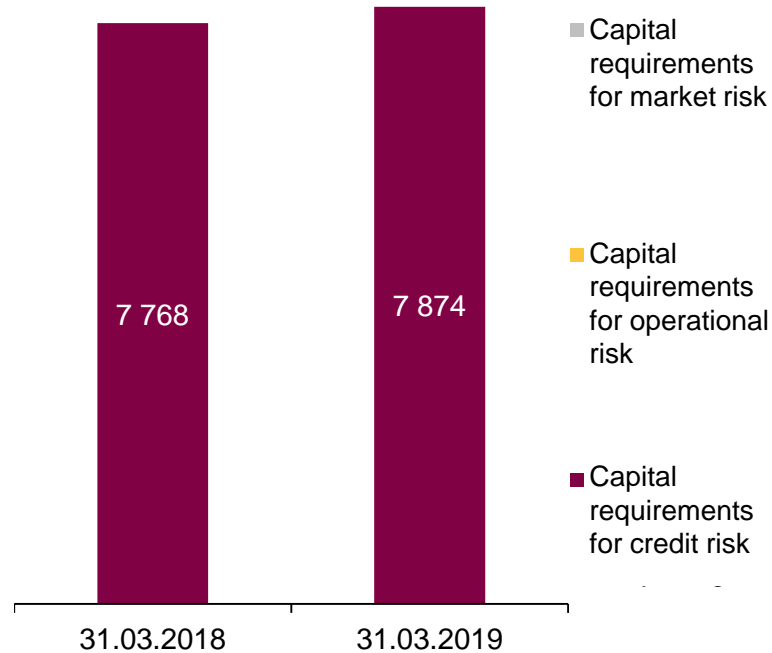


\*New limits + renewals and increase of existing ones

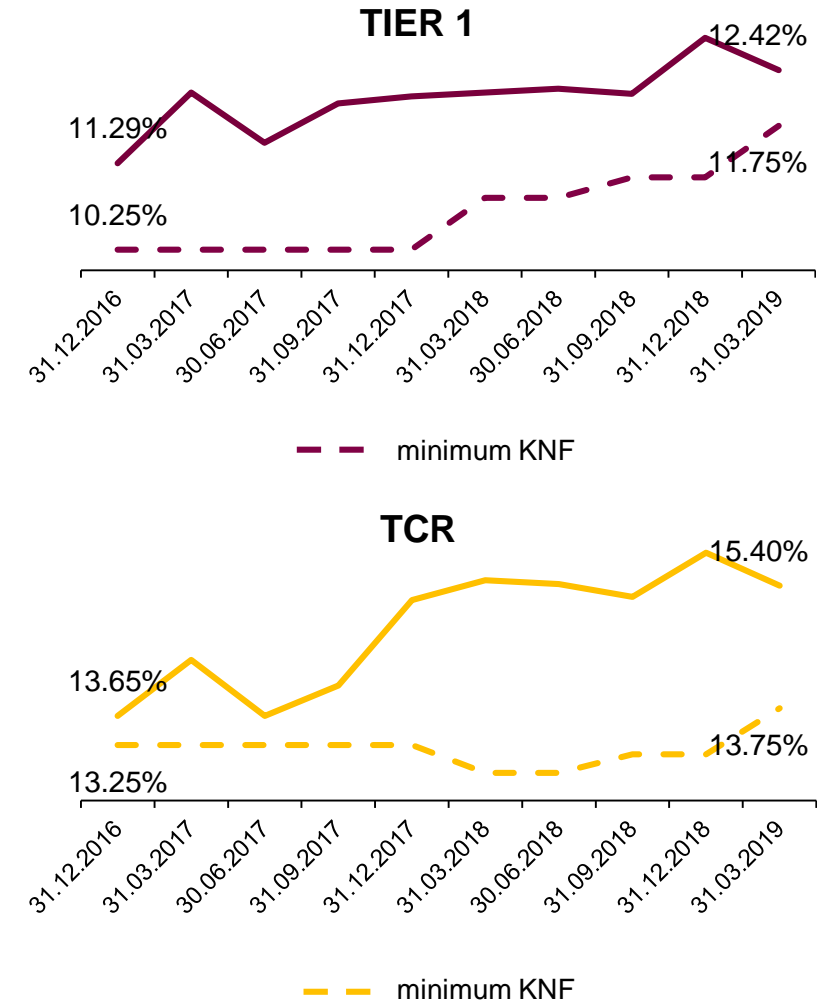
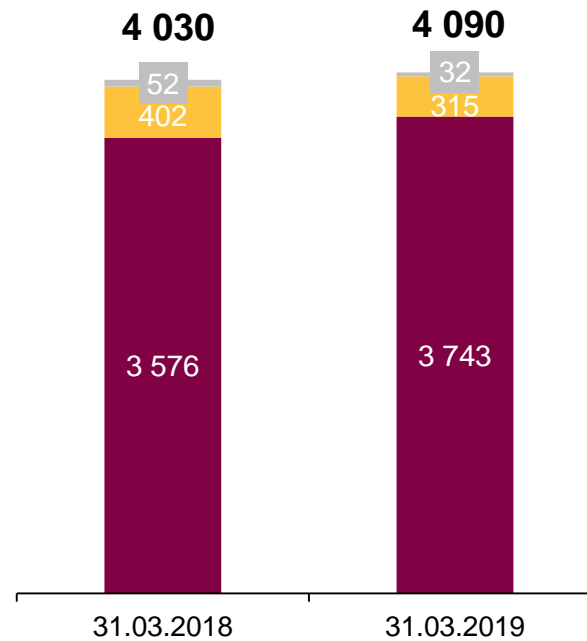
# Capital ratios at a safe level

## Own funds and capital requirements in total (PLN M)

### Own funds



### Capital requirements



- Current levels of TIER1 and TCR ratios allow for following buffers over regulatory minimums: 67 bps and 165 bps respectively.
- Q4 2018 net result will contribute to the Bank's capital position in Q2 2019.

**1** Key highlights

**2** Financial results

**3** 2019 guidance

**4** Appendix

## 2019 guidance

	Q1 2019 actual	2019 guidance	2020 strategic target
<b>NIM</b> net interest margin	4.7%	4.6%	4.5%
<b>C/I*</b> cost/income	49.9% 39.2%**	42% (before 41%)	39%
<b>CoR</b> cost of risk	1.86%	1.8%	1.7%
<b>Gross loan book growth*** (12 months)</b>	PLN1.3 B	PLN 5 B	PLN 5 – 6 B

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

\*\*Excluding BGF contribution to the resolution fund, payable once in Q1 2019 - PLN 110 M.

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

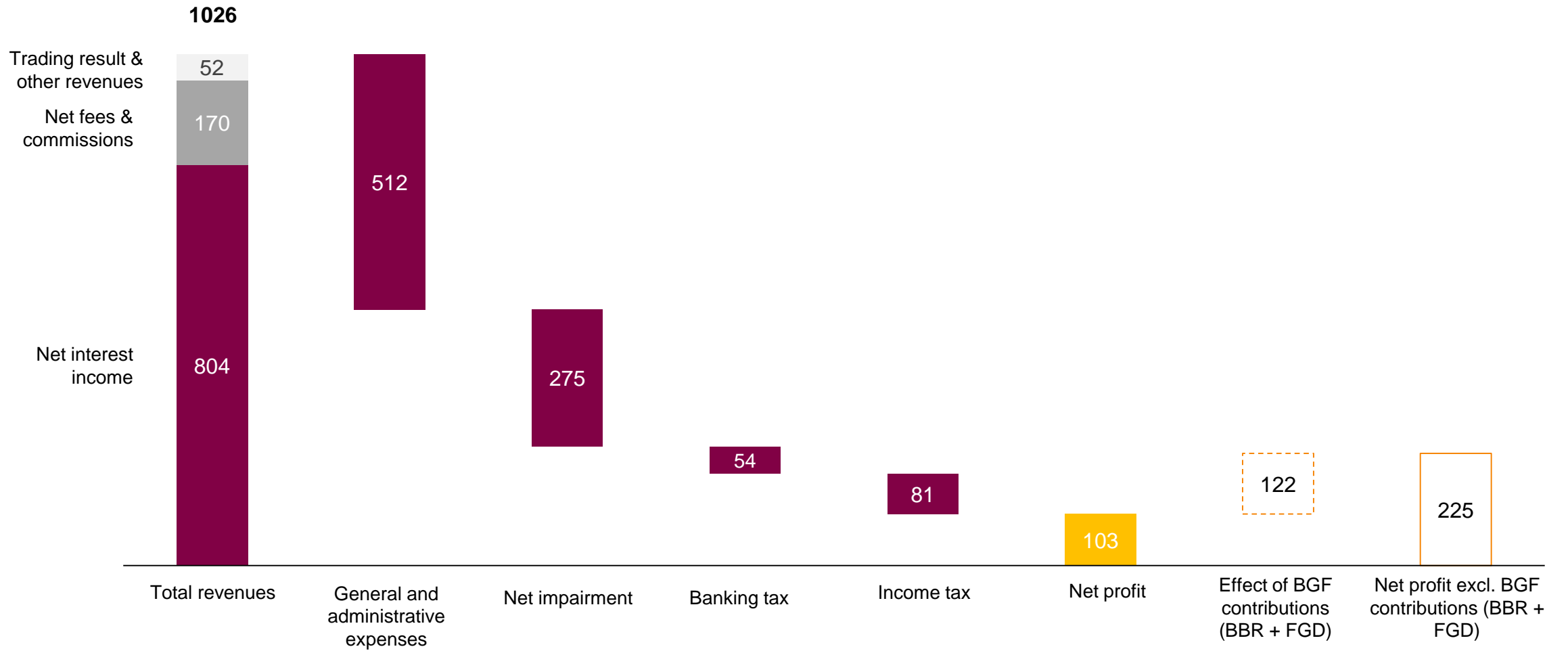
**1** Key highlights

**2** Financial results

**3** 2019 guidance

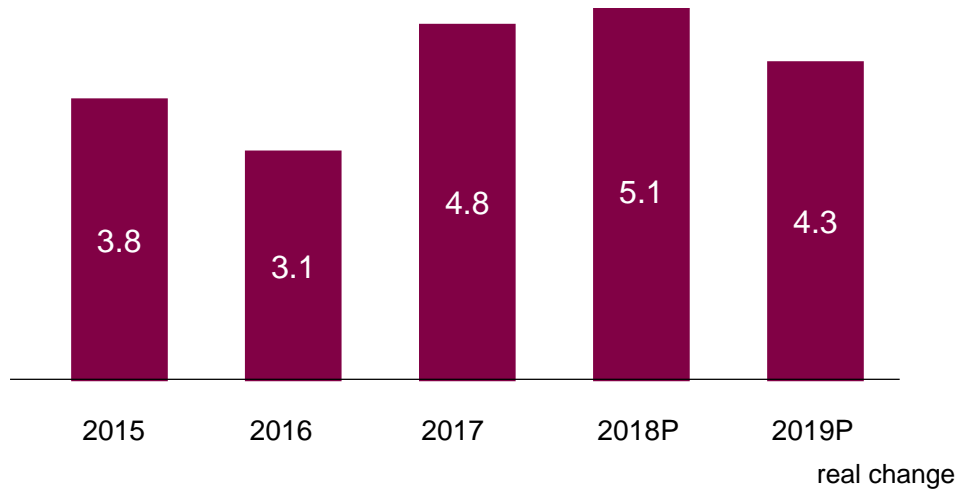
**4** Appendix

# Q1 2019 net profit decomposition (PLN M)

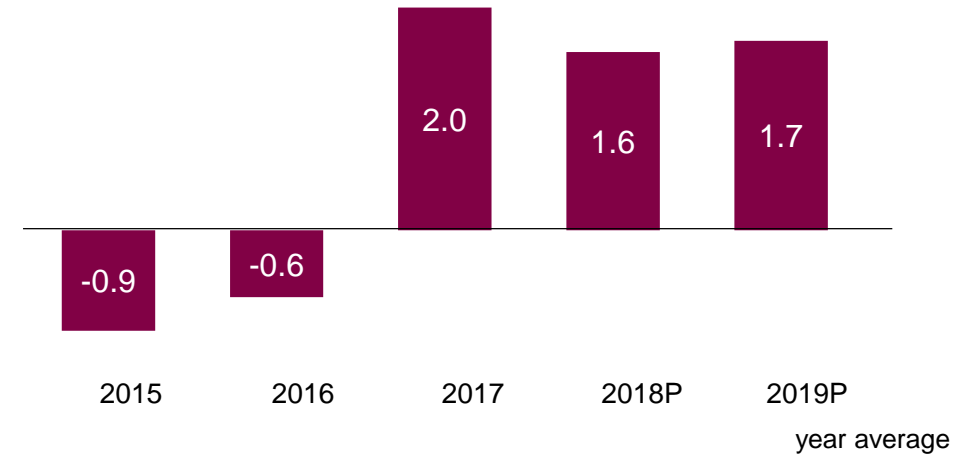




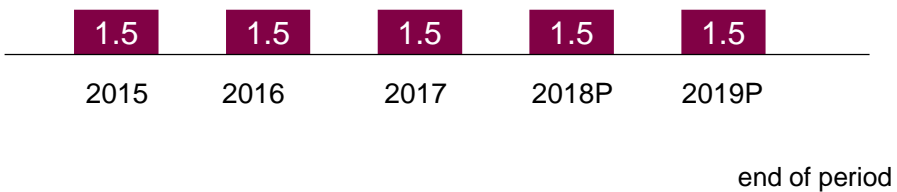
### GDP growth (% y/y)



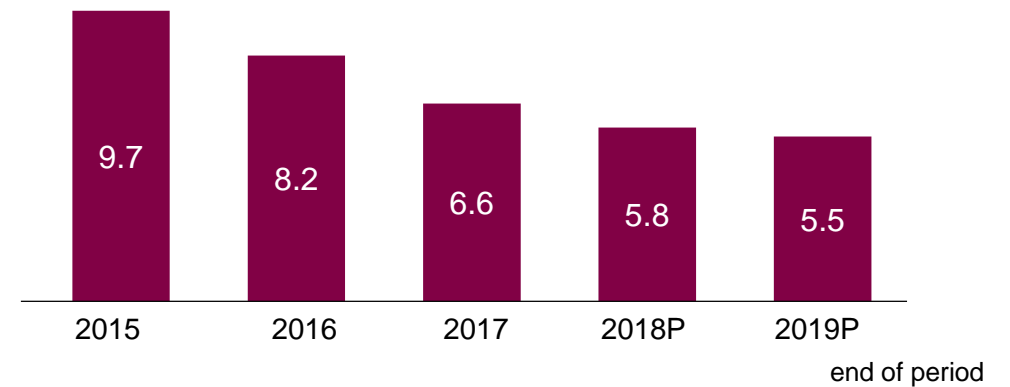
### Inflation (CPI % y/y)



### NBP reference rate (%)



### Unemployment rate (%)



## Income statement

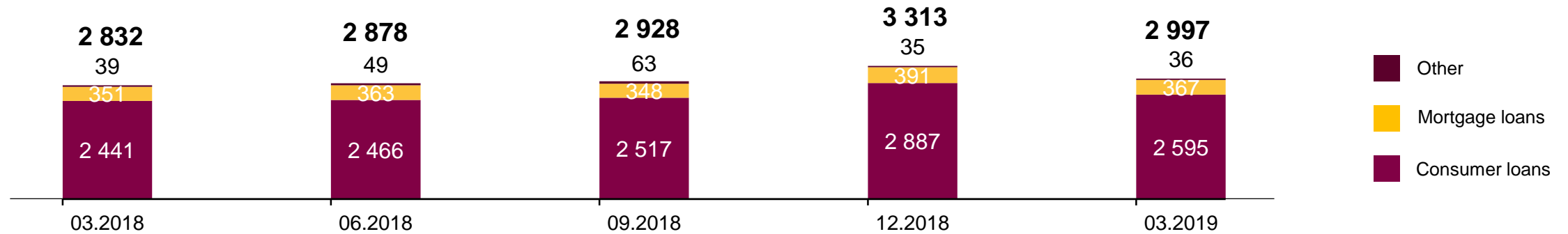
PLN M	Q1 2019	Q1 2018 (adjusted data)
Interest income*	1 020	948
Interest expenses	-216	-210
<b>Net interest income</b>	<b>804</b>	<b>738</b>
Fee and commission income	267	264
Fee and commission expenses	-97	-87
<b>Net fee and commission income</b>	<b>170</b>	<b>177</b>
<b>Net gain on other financial instruments measured at fair value through P&amp;L</b>	<b>23</b>	<b>10</b>
Net gain on discontinued fair value valuation through P&L	17	12
Other operating income	33	49
Other operating costs	-21	-20
<b>Net other operating income</b>	<b>12</b>	<b>29</b>
General and administrative expenses	-512	-456
Net impairment charges and write-downs	-275	-245
Banking tax	-54	-50
Profit before tax	185	214
Income tax	-81	-57
<b>Net profit</b>	<b>103</b>	<b>157</b>

## Balance sheet

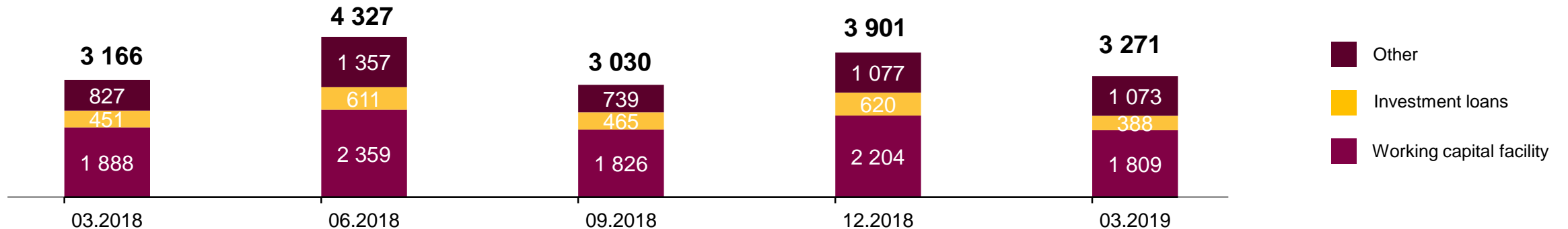
PLN M	31.03.2019	31.12.2018
Cash and balances with the Central Bank	1 337	1 639
Amounts due to banks	508	612
Financial assets	14 031	13 728
Measured at fair value through total income	7 728	7 280
Measured at fair value through P&L	615	515
Measured at amortized cost	5 689	5 932
Derivative hedging instruments	107	112
<b>Loans and advances to customers</b>	<b>55 394</b>	<b>54 246</b>
Assets pledged as collateral	345	333
Property, plant and equipment	808	461
Intangible assets	572	572
Investments in subsidiaries	4	4
Asset held for sale	0	0
Income tax asset	1 060	1 036
Other assets	473	676
<b>Total assets</b>	<b>74 639</b>	<b>73 420</b>
Amounts due to banks	1 029	593
<b>Amounts due to customers</b>	<b>62 327</b>	<b>62 436</b>
Financial amounts held for trading and measured at fair value through P&L	471	416
Derivative hedging instruments	15	9
Provisions	123	126
Other liabilities	2 096	1 167
Income tax liabilities	107	268
Subordinated loans	1 932	1 918
<b>Total liabilities</b>	<b>68 098</b>	<b>66 934</b>
<b>Equity</b>	<b>6 541</b>	<b>6 486</b>
<b>Total liabilities and equity</b>	<b>74 639</b>	<b>73 420</b>

# New loans sales (PLN M)

## Retail loans (new quarterly sales)



## Business loans (new quarterly sales)



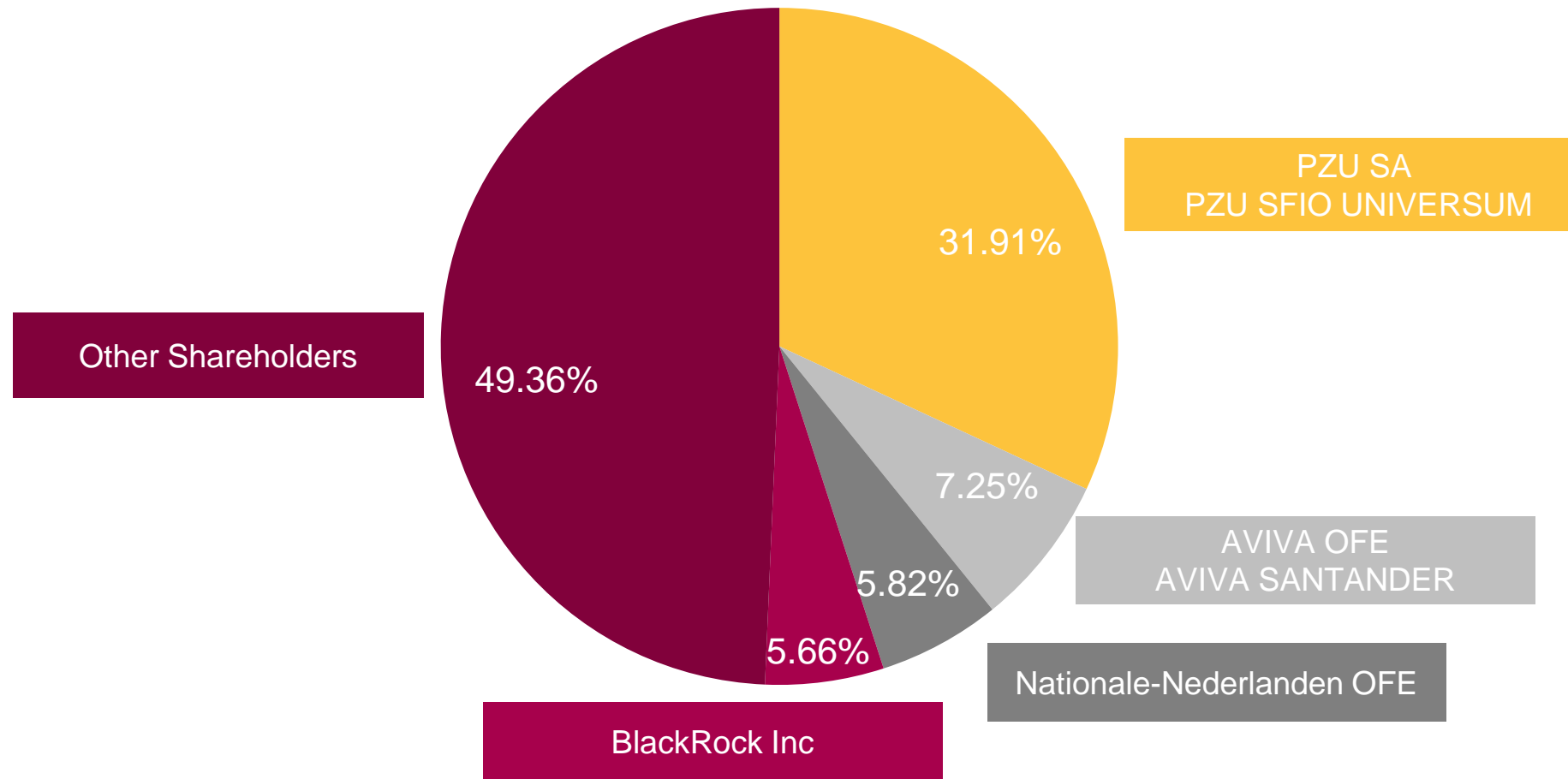
New production defined as any opening of a new credit account/credit line. Renewals are included in corporate loans.

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

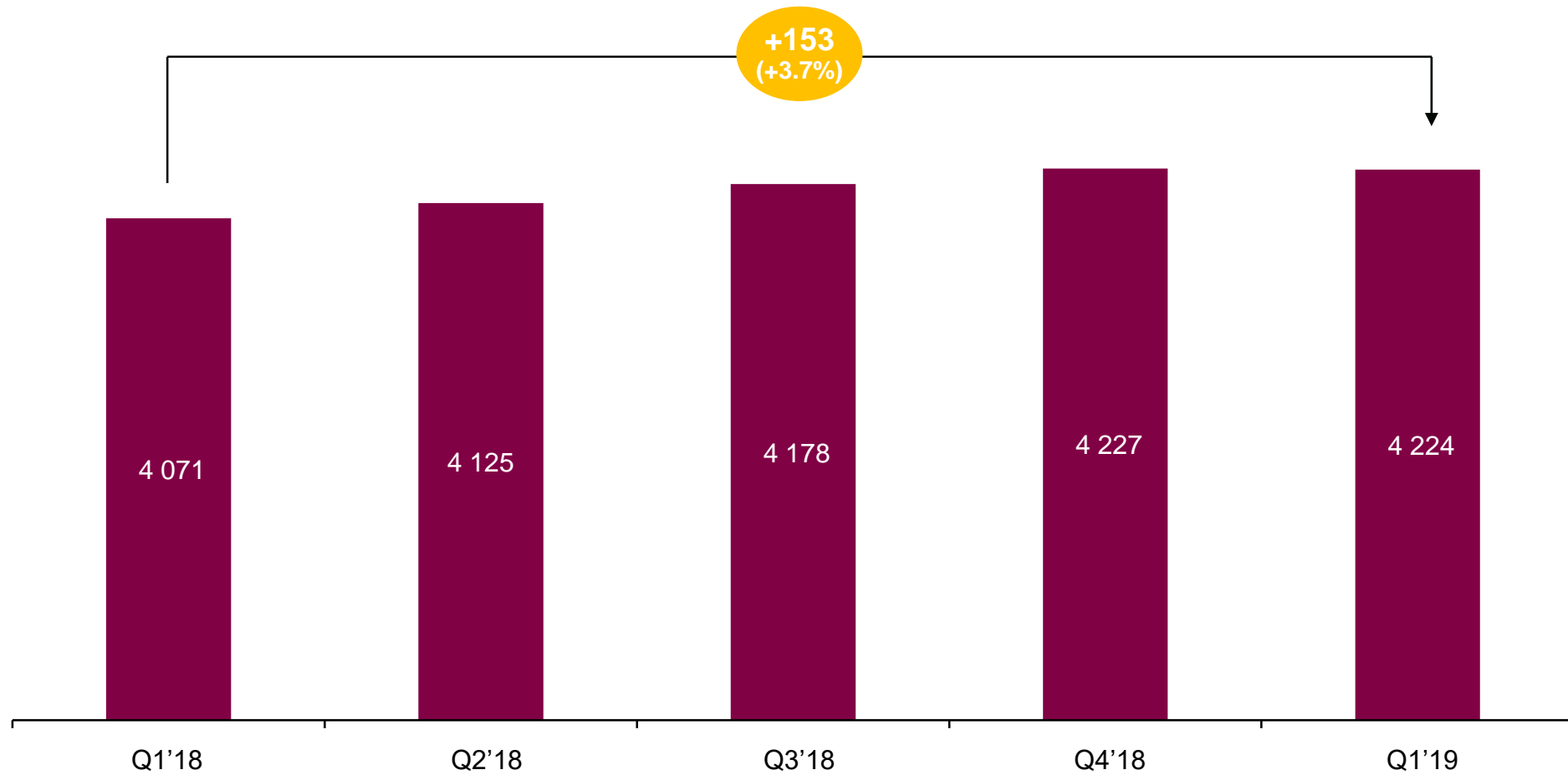
Other corporate includes: other receivables and factoring.

Based on management stand-alone data.

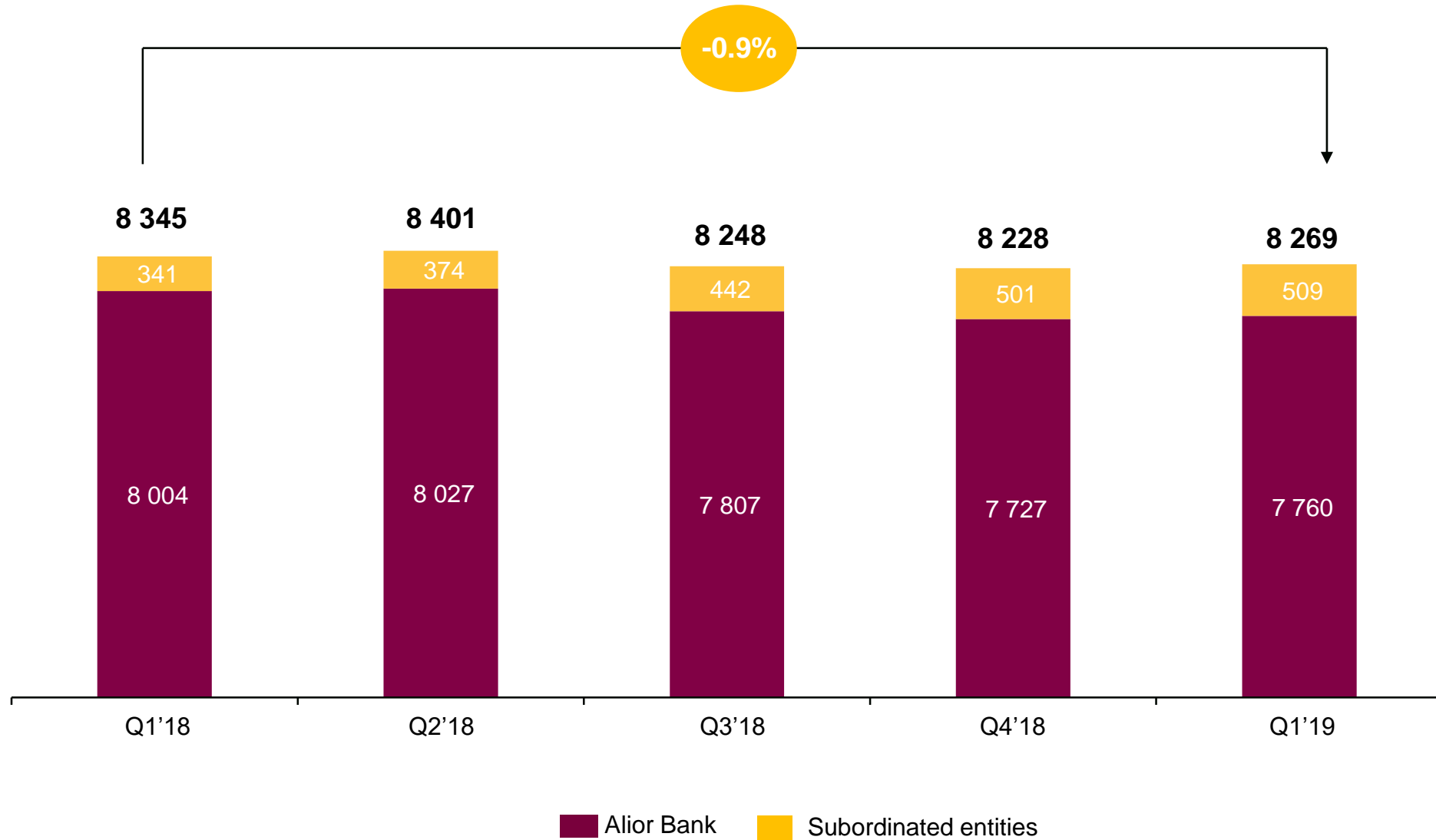
The largest free float among Polish financial institutions



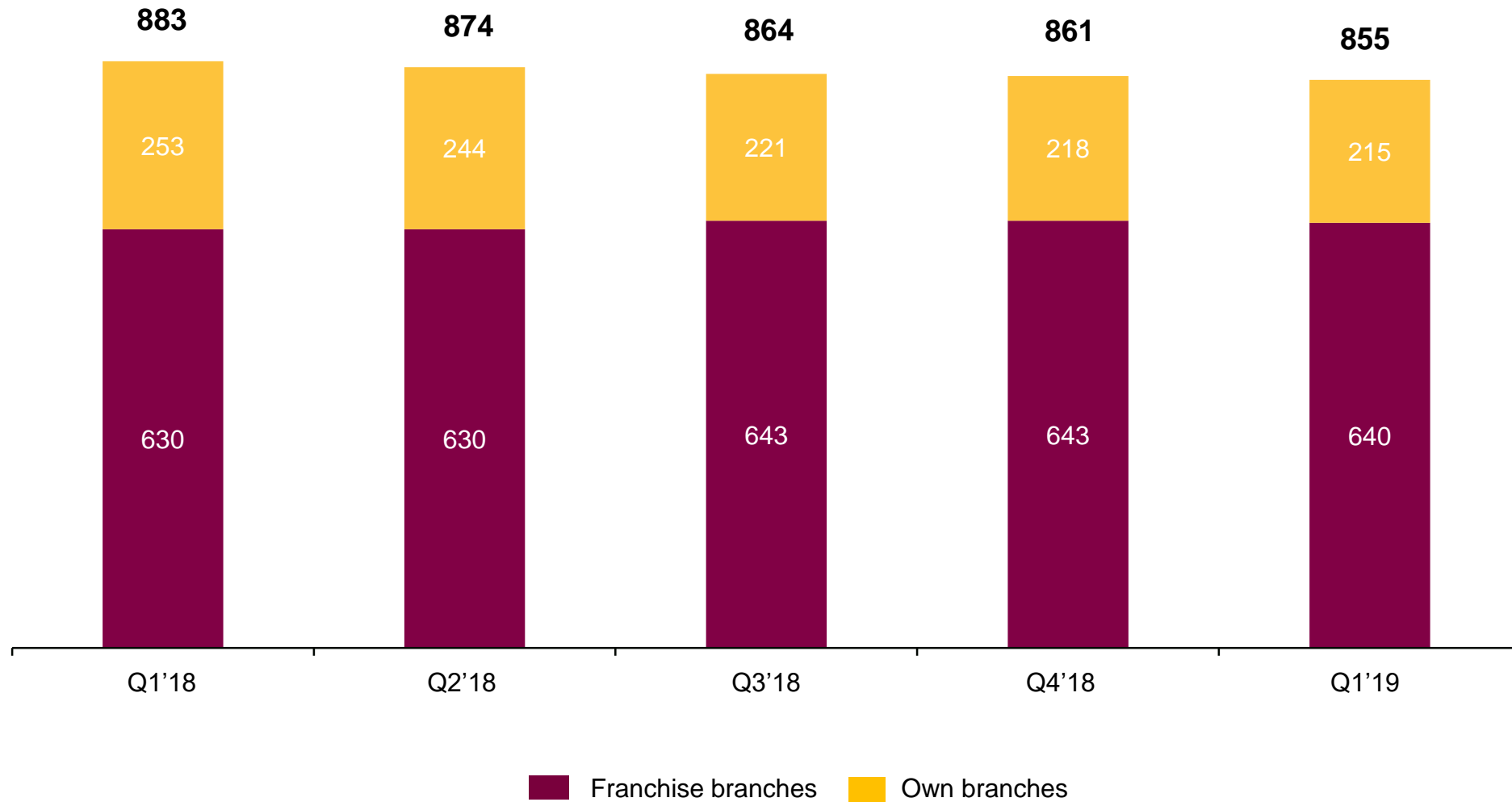
## Consistent increase in the number of clients (T)



# Alior Bank Group – FTE evolution (T)



## Alior Bank – number of branches

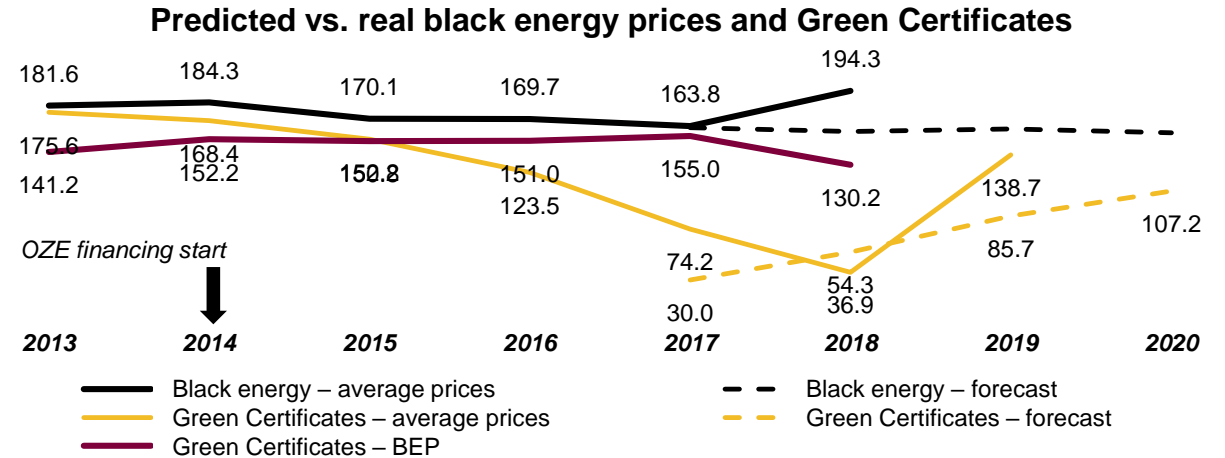




## Quality of the OZE portfolio (wind farms) and the industry prediction

	On-balance exposure (PLN M)		Coverage ratio (%)	
	2018	Q1'19	2018	Q1'19
Stage 2 (PL)	482.3	480.3	11.1%	10.7%
Stage 3 (NPL)	493.5	476.0	24.4%	26.2%
<b>OZE (Total)</b>	<b>975.8</b>	<b>956.3</b>	<b>17.8%</b>	<b>18.4%</b>

- Service commitments in Q1 2019 on time.
- Conservative level of coverage with write-offs.
- Continued improvement of the financial situation of the renewable energy industry caused by the increase in prices of Green Certificates (GC) and a reduction in property tax.
- As a result, in Q1 2019, the Bank observed a further improvement in the financial standing of clients in the OZE segment, and as a result a further payment of the balance (PLN -19.5 M in relation to the balance as at December 31, 2018) continued to be released.



### Increased demand of energy companies for certificates of origin due to the growing required share of energy from OZE.

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

#### Increase in GC prices, caused by:

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

#### The increase in the price of black electricity, caused by:

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

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Please direct all inquiries to:

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

+48 734 412 408

IR department head:

**Piotr Bystrzanowski**

[piotr.bystrzanowski@alior.pl](mailto:piotr.bystrzanowski@alior.pl)



Thank you  
for attention

Q1 2019 Results Presentation

Alior Bank S.A. | 07/05/2019

