



Alior Bank S.A.
Q3 2018 RESULTS PRESENTATION

November 8th 2018



Key highlights

Digital Disruptor strategy implementation

Operational performance

2018 guidance

Appendix



Key highlights 1/2

- Record revenue level (PLN 2,950 M) for 3 quarters of 2018 - an increase of 9% y/y.
- Net interest income for 3 quarters of 2018 at PLN 2,281 M - increase by 7.9% y/y. Both NII and NIM improved q/q (PLN 781 M vs. PLN 763 M and 4.64% vs. 4.58% respectively).
- Increase of net income for 3 quarters of 2018 by over 56% y/y (PLN 533 M vs. PLN 340 M). Net income for Q3'18 in line with consensus (PLN 173 M vs. PLN 171 M).
- ROE after 3 quarters of 2018 (11.5%) higher by 4.4 pp. vs. ROE after 3 quarters of 2017 (Q3'18 ROE: 10.7%).
- Further consistent change in the loan portfolio composition in line with the strategy. High new sales level in strategic segments of cash loans (+PLN 1.8 B), leasing (+PLN 0.7 B) and micro (+PLN 0.6 B) maintained.
- CoR (1.8%) for 3 quarters of 2018 in line with guidance.



Key highlights 2/2

- Significant extension of cooperation with BGK resulting in an increase of micro segment guarantees (up to approximately 75% in new sales) allows for a significant improvement in asset quality and further optimization of capital ratios.
- Loan book growth for 3 quarters of 2018 at PLN 4.0 B (Q3'18 loan volume growth of PLN 1.0 B). 2018 loan growth guidance of at least PLN 5.5 B maintained (strong growth expected in Q4'18).
- Costs for 3 quarters of 2018 at the level of PLN 1.3 B - decrease by 7.5% y/y.
- Stable capital position: T1 ratio - 12.1%, TCR - 15.3%.



High quality service and offering confirmed by awards received in Q3'18



DISTRIBUTION & MARKETING INNOVATION AWARDS - EFMA & ACCENTURE

1st place in the "Offering Innovation" category for the current account „Jakże Osobiste”



THE BEST BANK FOR BUSINESS ACCORDING TO FORBES

1st place in the "Corporate-friendly bank" ranking



THE BEST BANK FOR BUSINESS ACCORDING TO FORBES

1st place in the „Bank recommended for business" ranking



NEWSWEEK'S FRIENDLY BANK

1st place in "Traditional Banking" and „Online Banking" ranking



NEWSWEEK'S FRIENDLY BANK

2nd place in "Mortgage Banking" ranking



IT LEADER 2018 - COMPUTERWORLD

1st place in the "Banking and Finance" category

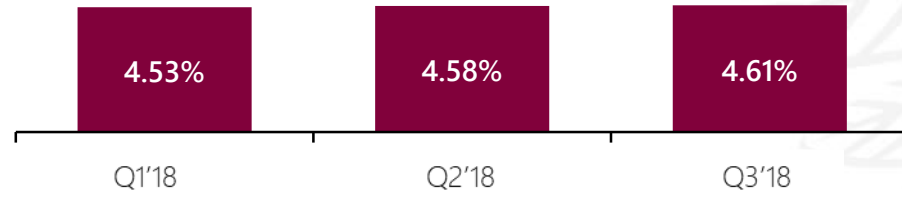




Key financial ratios

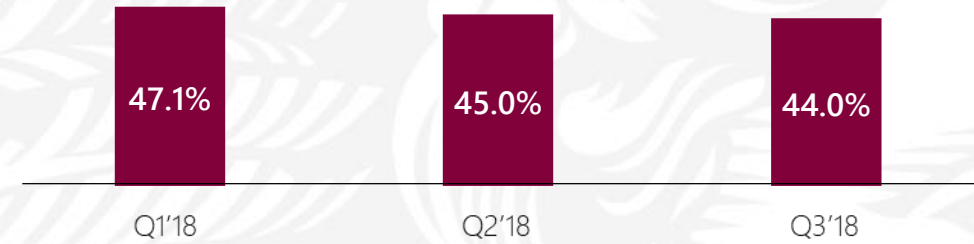
NIM*

Increase in net interest margin...



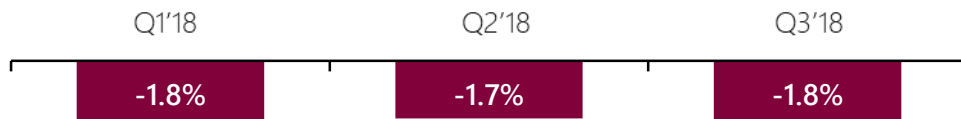
C/I*

...and a declining cost base...



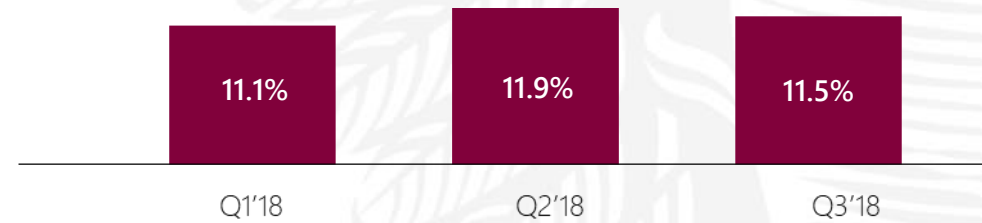
CoR*

...with CoR in line with expectations...



ROE*

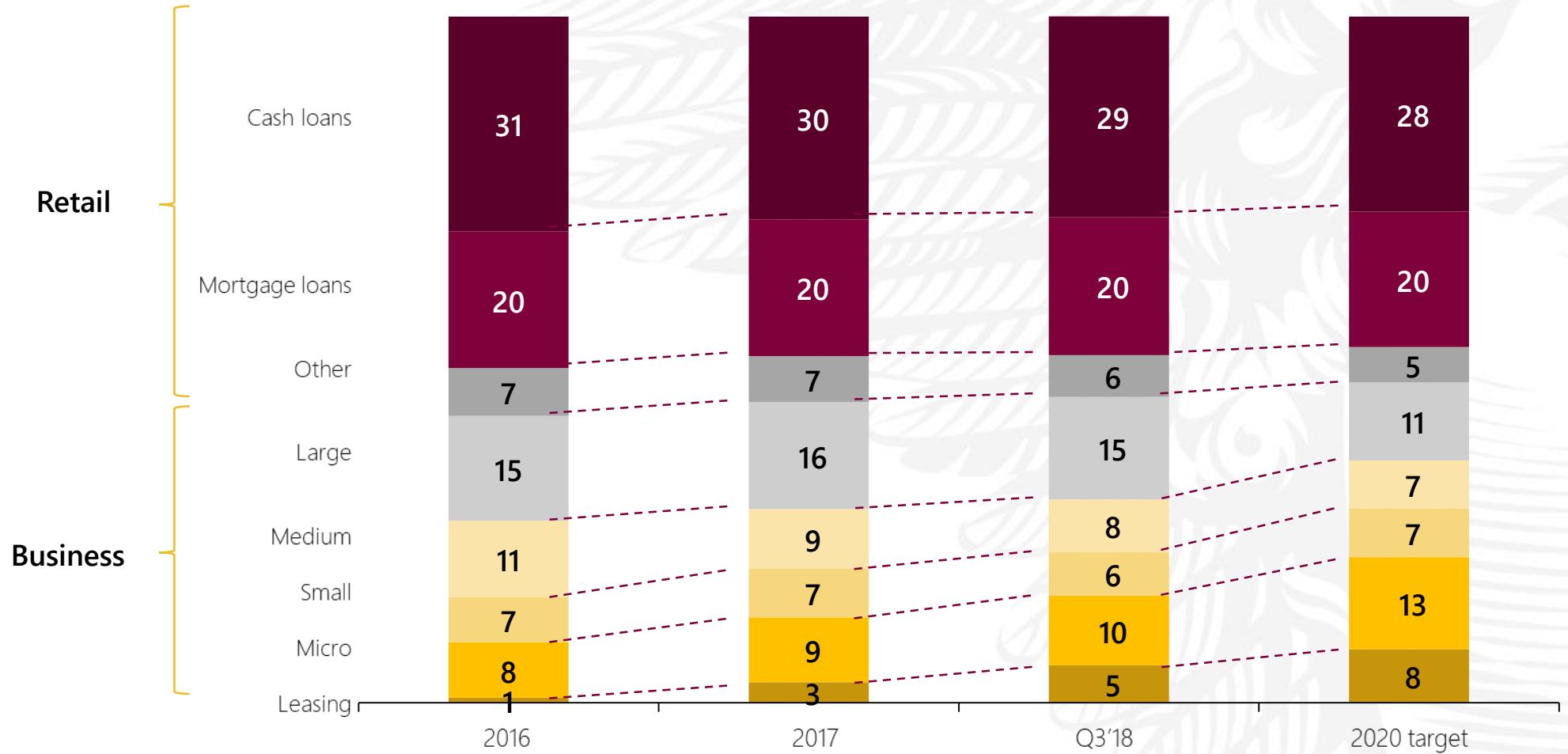
...allows to maintain high profitability.





Loan portfolio structure change on track to achieve strategic targets

Loan portfolio structure [%]

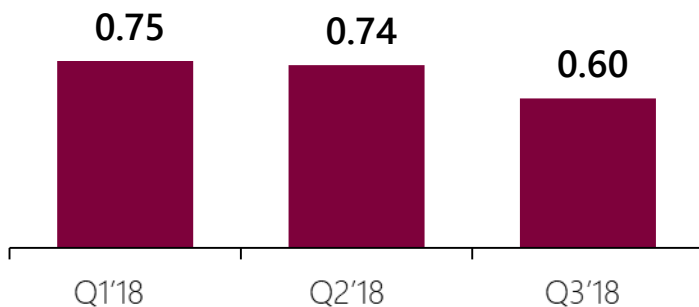




Continuous growth of loan volumes in strategic segments

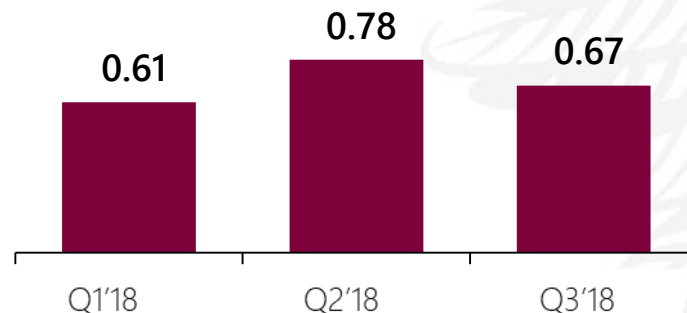
New sales - micro* [PLN B]

Temporary drop in new sales in Q3'18 resulted from focus on secured lending. Share of secured sales in Q3'18 at 77% vs. 61% in Q2'18.



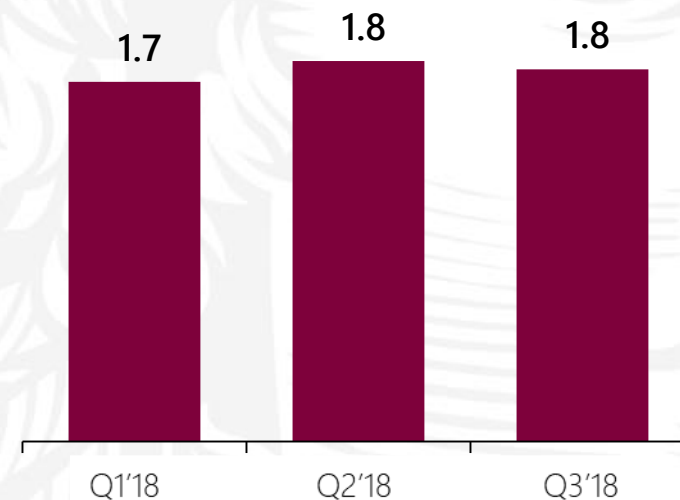
New sales - leasing* [PLN B]

Maintaining high leasing sales...



New sales – cash loans [PLN B]

...and strong cash loan sales.

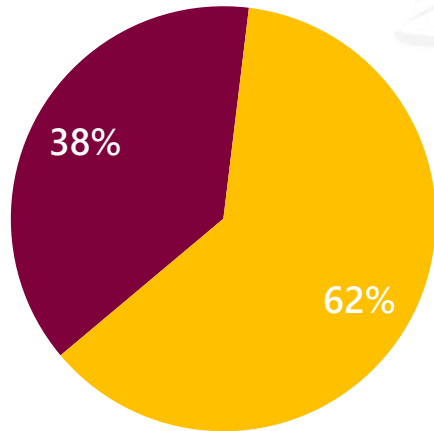




Rapidly growing share of BGK secured loans in micro segment leads to a rapid increase in the level of collateral

BGK secured loans in micro loan portfolio

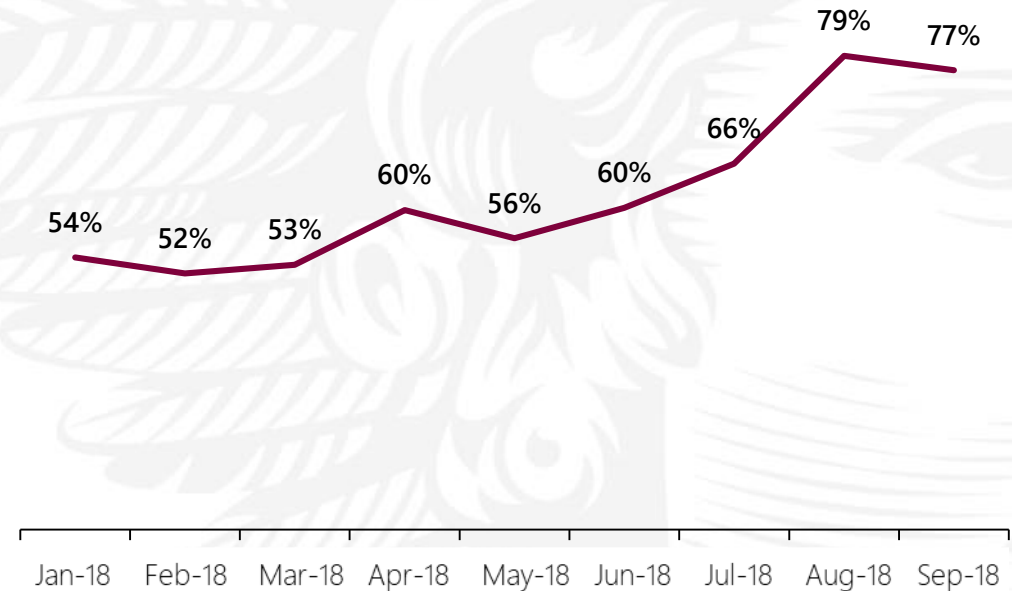
A significant part of the micro segment loan portfolio is secured by BGK guarantees. The guarantee level differs according to the program: COSME - max. 80%, de minimis - max. 60%.



■ Part of portfolio with guarantees ■ Part of portfolio without guarantees

Share of new sales of BGK secured loans in micro loan portfolio

Share of the guaranteed loans in new sales is even higher.



The high guarantee level has a positive effect on CoR, RWA and capital ratios.



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Key elements of the Digital Disruptor strategy



Strengthening relationships with customers

We will constantly adapt our products and services to the changing needs of customers to help them in everyday life and solve their problems.



Digitalization

We will lead our customers through the technological revolution in banking in a safe and friendly manner, using available technologies, latest achievements and trends.



Innovations

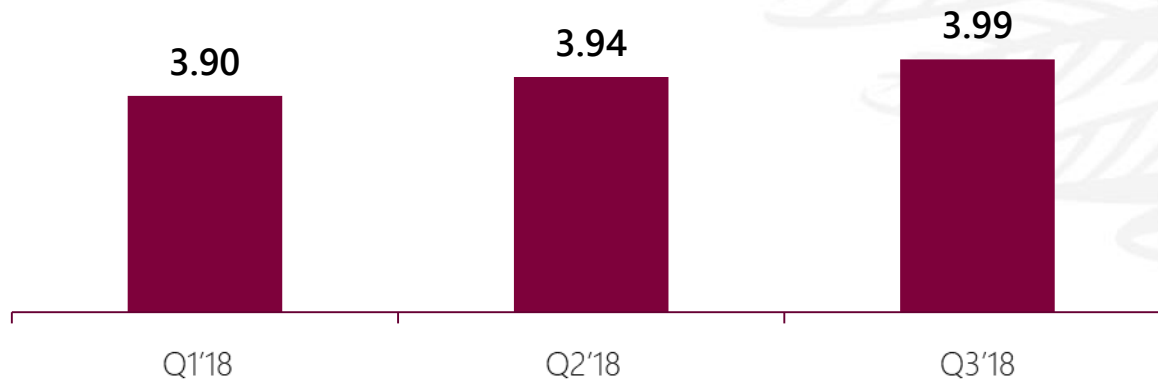
We will continue to build open business models, based on partnerships and innovative cooperation models.



Retail segment: growing number of customers coupled with increased sales of relational products

Increase in the number of customers

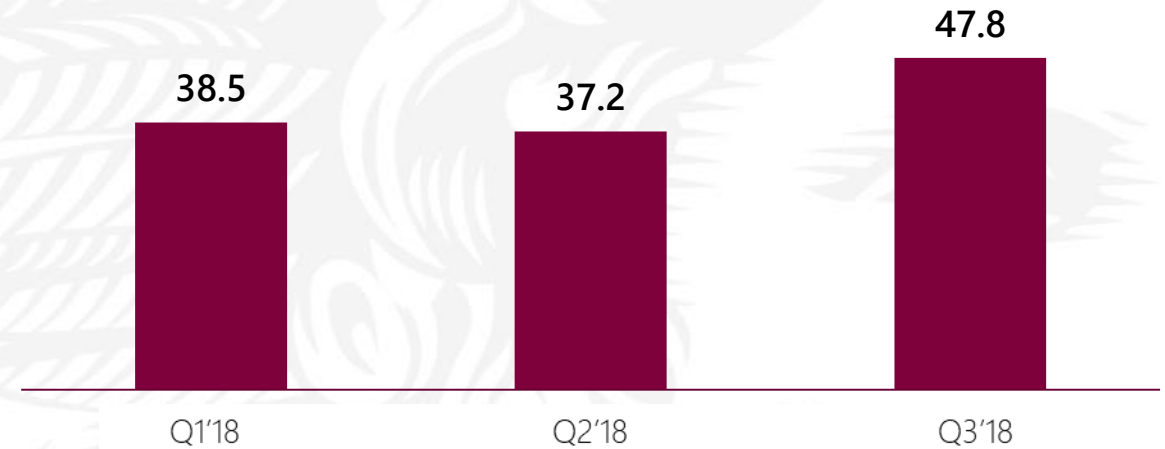
[number of customers in M]



- Increase in the number of customers acquired thanks to savings products (13.7 T) and personal accounts (26 T).
- Extension of the contract with a strategic partner and implementation of the Additional Services Program in the area of consumer finance products.

Sales of relational products

[sale of CA in T]



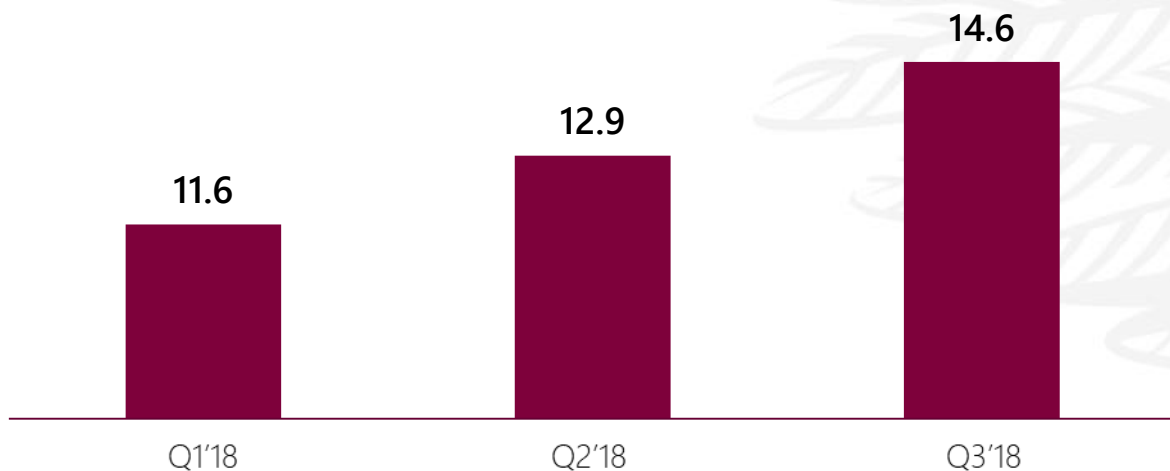
- Increase in the sales of the Personal Account in Q3 by 23% to the level of 32 T.
- Implementation of a multi-currency card.
- Launch of campaigns promoting payments in e-commerce
Increase in the number of BLIK transactions by 30% in Q3.



Retail segment: growing share of savings accounts and further development of remote processes in a cash loan offering

Savings account: volume increase

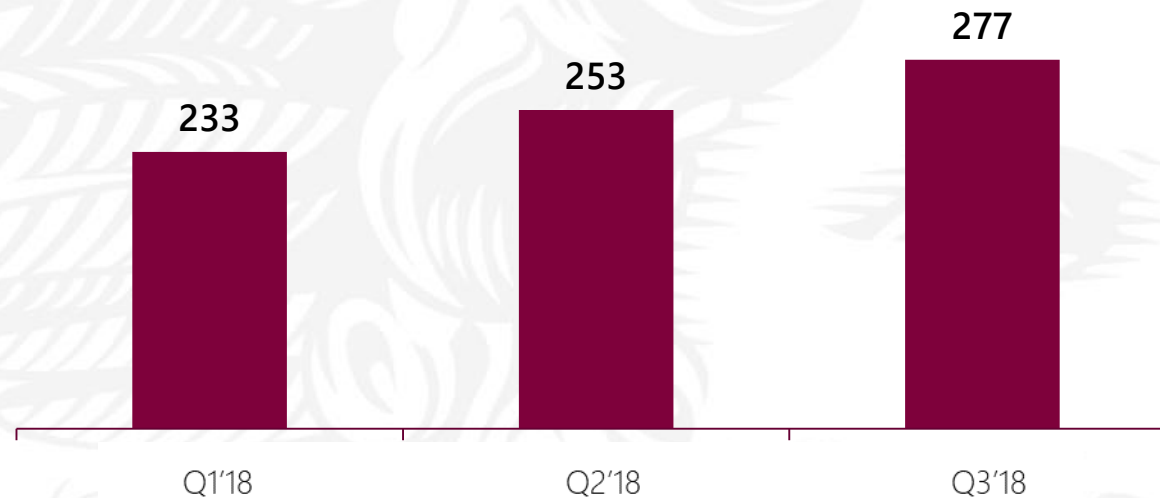
[savings accounts balance in PLN B]



- We have launched the next edition of the Strong Saving Account – in Q3, we collected PLN 2.6 B
- 65% of funds obtained in Q3 comes from customers who have Alior CA
- 2/3 are funds not exceeding PLN 200,000 per customer

Cash loan sales in remote processes

[sales of CL in remote processes in PLN M]



- Automation of the initial credit verification process for external channels
- With respect to phone sales, 91% of loan agreements are signed remotely
- Increase in the share of the volume of cash loans in the E2E process by 63%



Business segment: growing share of business loans in automated processes and new customers acquired online

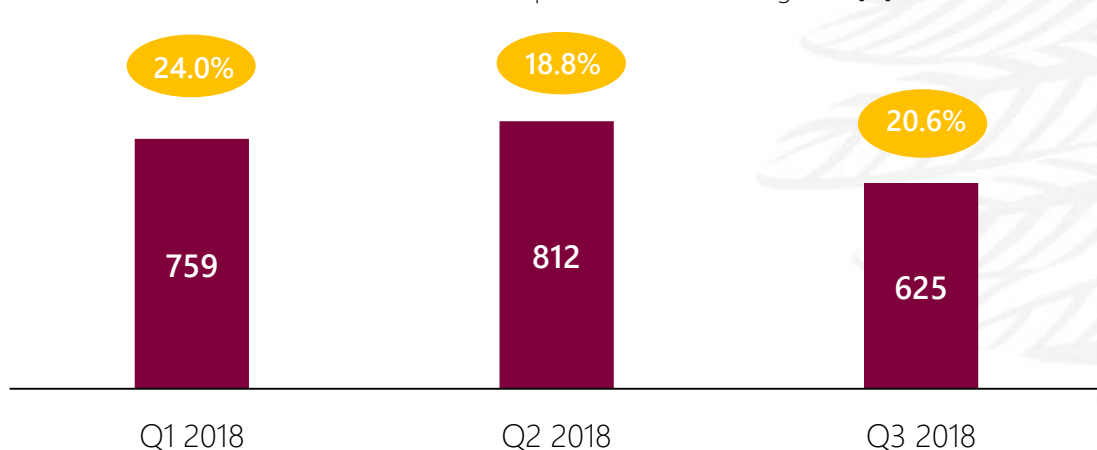
Automated credit processes

[limit New Sales in PLN M]

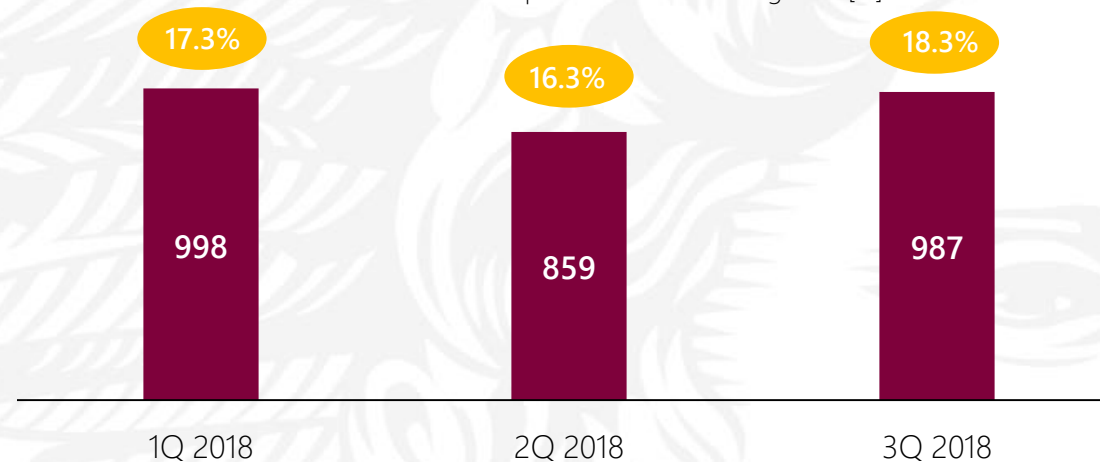
New customers acquired online

[New Accounts]

Share of the total acquisition in business segment [%]



Share of the total acquisition in business segment [%]



Q1 2018

- Automation of credit decisions up to PLN 2 M for Small Companies
- Extension of investment financing in the Micro Credit Package up to PLN 600 T
- Remote acquisition of new customers - virtual advisor and connection with CEIDG



Q2 2018

- The new 4x4 account
- Apple Pay for business credit cards
- The loan sale process on the tablet
- Zafirmowani.pl
- Integration with the CEIDG/ REGON
- Microfactoring
- Online debt collection



Q3 2018

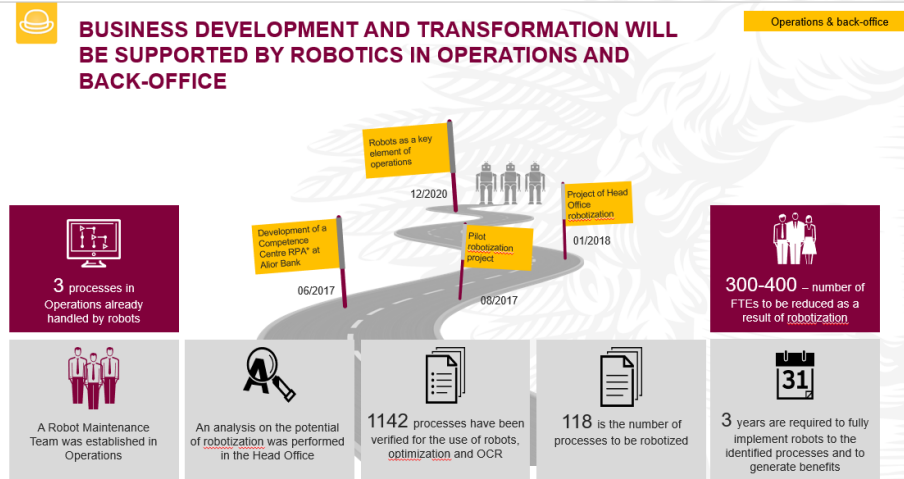
- Credit card in partnership with Lotos
- Multi-currency card
- Automation of credit decisions up to PLN 1 M in the agri-food sector
- Increase the amounts of the pre-approved offer
- Online loan application
- Implementation of COSME in the intermediary channel





Robot factory will enable further automation and efficiency enhancement

2020 TARGET 118 robotic processes



*RPA (Robotic Process Automation) – process robotization

27

The main areas of robotization at the Bank:

- Verification of credit processes in retail segment
- Customer complaint processing
- Debt collection processes

Launching "ROBOT FACTORY"

- 33 processes already implemented
- Further 21 processes in place for implementation in Q4'18
- Each process allows to release resources at an average level of 1.5-2 FTE. The target savings in 2020 ~ PLN 20 M
- **2 platforms for robotics implementation:**
 - **Blueprism (54 processes mentioned above)**
 - **NICE (a platform for call center processes)**



RBL_START – 1st edition of Alior Bank's Acceleration Program

RBL_START

12/09
Hello Day

Workshops with experts

Testing solutions on the Sandbox API platform

Individual work with business mentors

Cooperation with the KNF Innovation Hub

London Bootcamp

Meetings with investors

6/12
Demo Day

Research / testing solutions with customers (PoC)

THE 1ST EDITION STARTUPS

Invest suite

Albusters

\$pendee



BANKZEE
NEXT GEN FAMILY BANKING

PayPo

Blockey

PARTNERS OF THE PROGRAM



GPW

IBM



Google Cloud

aws

Microsoft





Open Banking – portal for developers



ALIOR BANK LAUNCHED IN OCTOBER ITS PORTAL FOR DEVELOPERS AND SANDBOX

Firstly participants of Alior's Acceleration Program were given access to the sandbox **RBL_START**



In the sandbox we published API resulting from PSD2

Access to account information

Payment initiation



During 2019 we are going to provide several new API products, including Premium API services (e.g. currency exchange, authentication as a service)

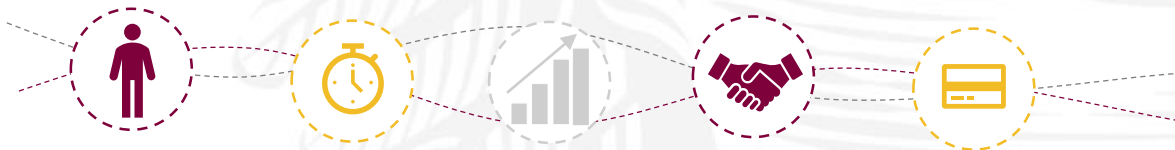


At the same time, we plan to be an active player as a consumer of external APIs

Portal for developers and Sandbox

The screenshot shows the Alior Bank Developer Portal. At the top, there is a navigation bar with the Alior Bank logo, the word "Developer", and links for "API Catalogue", "How it works", "Acceleration Program", and "Support". On the right side of the navigation bar are "Log in" and "Register" buttons. The main content area features a large heading "Become a Digital Disruptor with Alior Bank" and a sub-heading "Your ideas may change the world of banking. Let us help you make it happen." Below this is an illustration of a person interacting with a large digital interface. Underneath the illustration, there is a section titled "Featured APIs at your disposal" with two cards: "Accounts" and "Payments". Each card contains a brief description and an "Overview" link. At the bottom of the featured APIs section is a "View API Catalogue >" link.

<https://developer.aliorbank.pl>





Consistent, dynamic development of the Bancovo loan platform in Q3 2018

- ➔ **Consistent expansion of the offer - starting cooperation with 3 further Partners in Q3**, currently 9 financial institutions cooperating with Bancovo, plan: 11-12 until the end of 2018.
- ➔ Implementation of the free **"check your score" service in cooperation with BIK** as the first such service in Poland, supported by PR activities
- ➔ Bancovo is ready to scale up operations through an ATL campaign.
- ➔ **Bancovo has been recognized in the sector** - nominations in 2 categories of Banking Technology Awards 2018.

BANCOVO. WYBIERZ WŁASNICZKA
JAK TO DZIAŁA? SPRAWDŹ STATUS BIK O BANCOVO

**Wybierz i weź
najlepszy kredyt
gotówkowy**
Nawet 200 000 zł

Tu banki i firmy pożyczkowe
dadzą Ci oferty w kilka minut.
Gotówka nawet tego samego dnia.

**Az
750 zł
w prezencie!**

Jesteś ciekawy swojej oceny kredytowej?
Z Bancovo sprawdzisz ją za darmo!
Złóż wniosek o Status BIK.

Ile chcesz pożyczyć?
7000 zł
min. 500 zł max. 50000 zł

na 3 lata
min. 1 dzień max. 10 lat

RATA już od 225 zł RRSO 67,34%

ZOBACZ OFERTY
JA KOLEJNY KROK DO WYBRANIA



nie szukasz jeszcze kredytu lub pożyczki,
a jesteś ciekawy swojej oceny kredytowej?

Z Bancovo sprawdzisz ją za darmo! Złóż wniosek i zobacz jak ocenia Ciebie BIK.

POŻYCZAJ Z GŁOWĄ

POWERED BY **BANCOVO.**

**banking
technology
AWARDS 2018**



PayPo Potential - Key elements

Attractive business model and growing target market



- **Deferred payments: „buy now, pay later“; Attractive payment option both for merchants and clients**
- **Niche on the polish market** yet widely adopted in the global market (i.e Klarna)
- **Model with relatively low risk, high working capital turnover ratio** and significant scale-up potential

Cooperation with Alior Bank



- Alior Bank and PayPo will offer **unique eCommerce deferred payment solution**, building on Bank's established position and FinTech agility
- New products and processes will target market segments with low online payments penetration i.e Fast Fashion
- Alior will achieve new **synergies together with PayPo** by cross-selling banking products to new clients acquired by PayPo
- Investment round will help PayPo grow and provide funds for product development
- **Acquisition of 20% of capital for ~ EUR 1 M**

Customer Journey





Agenda

Key highlights

Digital Disruptor strategy implementation

Operational performance

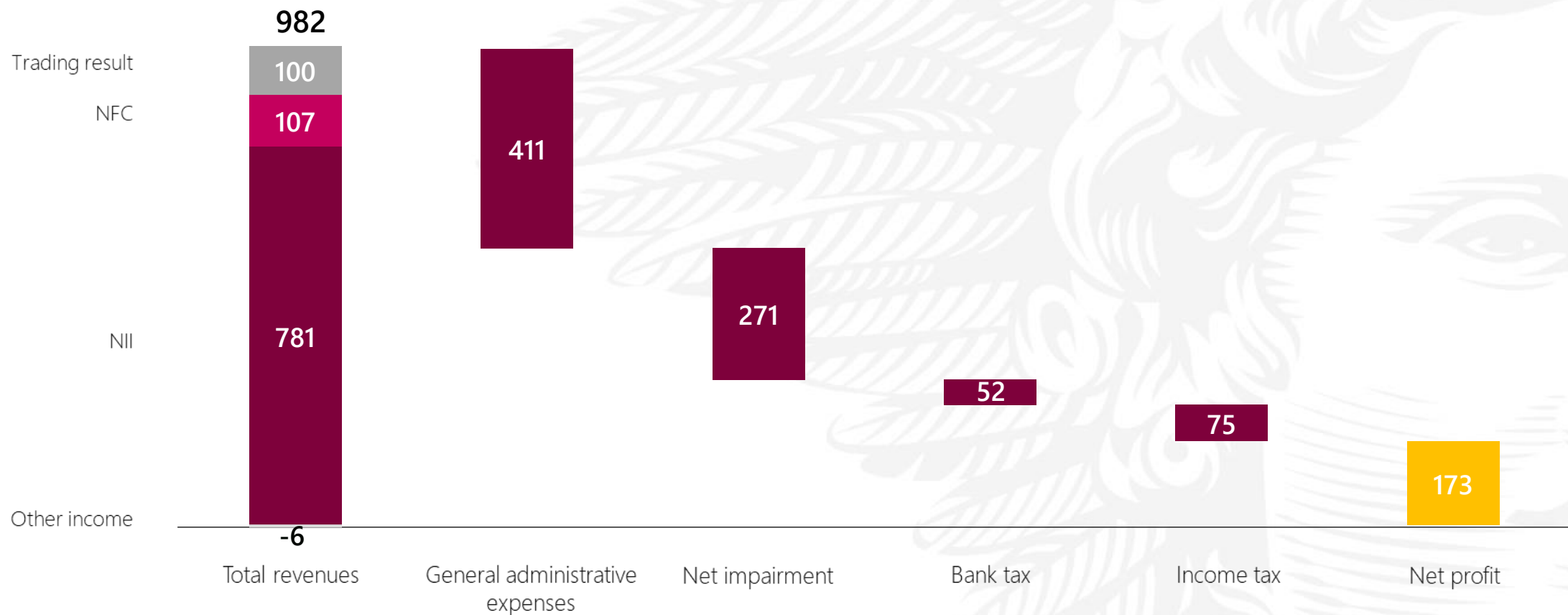
2018 guidance

Appendix



Q3'18 bottom line decomposition (PLN M)

QTD [PLN M]





Income statement – key financials

PLN M	Q3 2018	Q2 2018	ch. q/q (%)	ch. q/q (PLN M)
Net interest income	781	763	2.5	18.9
Net fee and commission income	107	105	1.1	1.2
Trading result	100	108	-7.0	-7.6
The result on derecognition of financial assets and liabilities not measured at fair value through profit or loss	10	20	-50.5	-9.9
Net other operating income and expenses	-15	3	-581.0	-18.5
General administrative expenses	-411	-430	-4.4	19
Impairment losses & provisions	-271	-242	11.9	-29
Bank tax	-52	-53	-1.4	1
Profit before tax	248	273	-9.2	-25
Income tax	-75	-77	-3.3	3
Net profit	173	196	-11.6	-23



Volumes and ratios

PLN M	30.09.2018	31.12.2017	change (PLN M)	change (%)
Loans	53 505	51 267	2 238	4.4
Deposits	60 099	57 657	2 442	4.2
Total equity	6 494	6 691	-197	-2.9
Total assets	71 371	69 516	1 855	2.7

% (quarterly)	Q3'18	Q2'18	ch. q/q (p.p.)	ch. q/q (%)
ROE	10.7	12.6	-1.9	-15.1
ROA	1.0	1.1	-0.1	-13.1
C/I	41.9	43.1	-1.2	-2.8
CoR	-1.9	-1.7	-0.1	8.4
L/D	89.0	88.3	0.7	0.8
NPL ratio	11.3	10.8	0.5	4.6
NPL coverage ratio	52.1	51.6	0.5	1.0
TCR	15.3	15.4	-0.2	-1.1
TIER 1	12.1	12.2	-0.1	-0.5

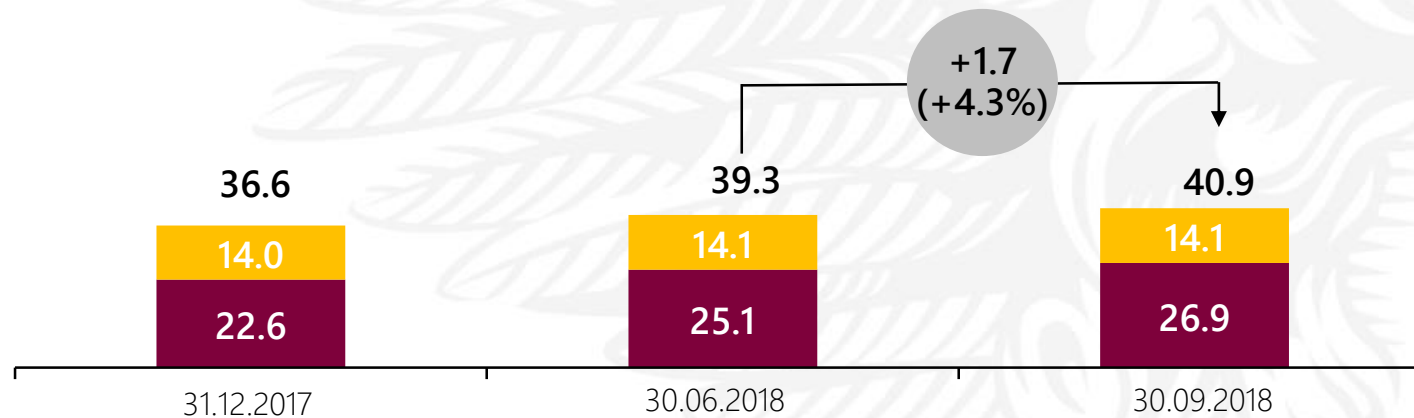


Deposits - increase in current deposits in both segments (PLN B)

Bank

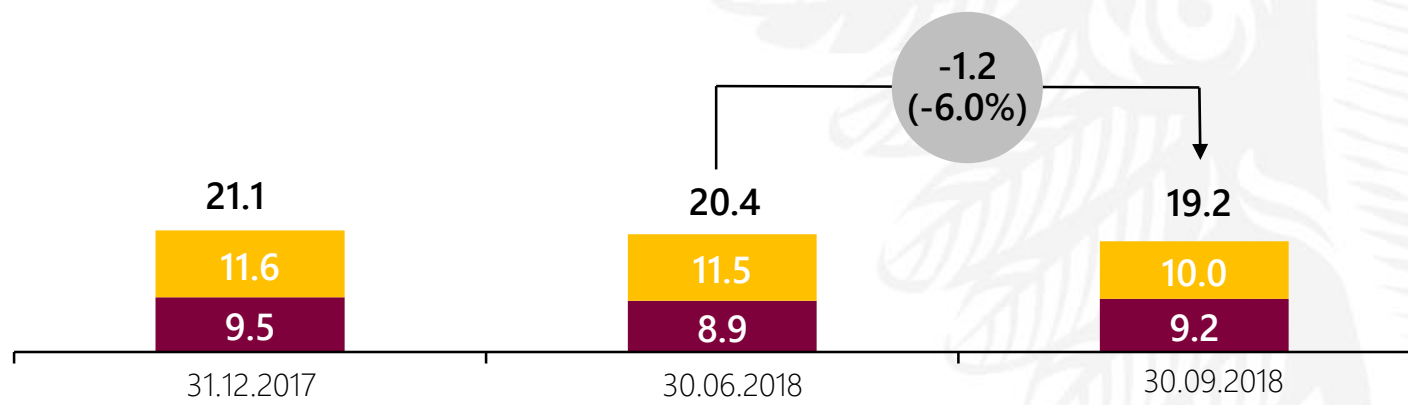
L/D = 89.0%

- Term deposits, securities issued, other
- Current deposits



Retail

L/D = 70.6%



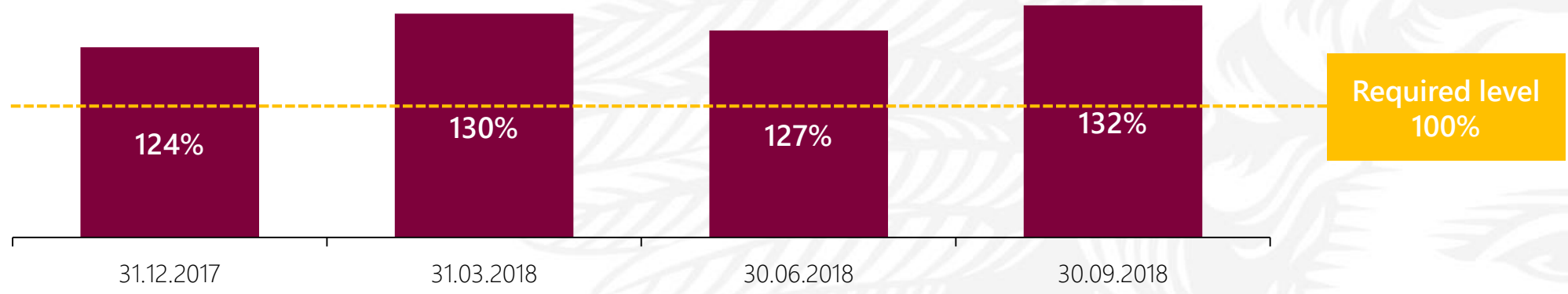
Business

L/D = 128.4%

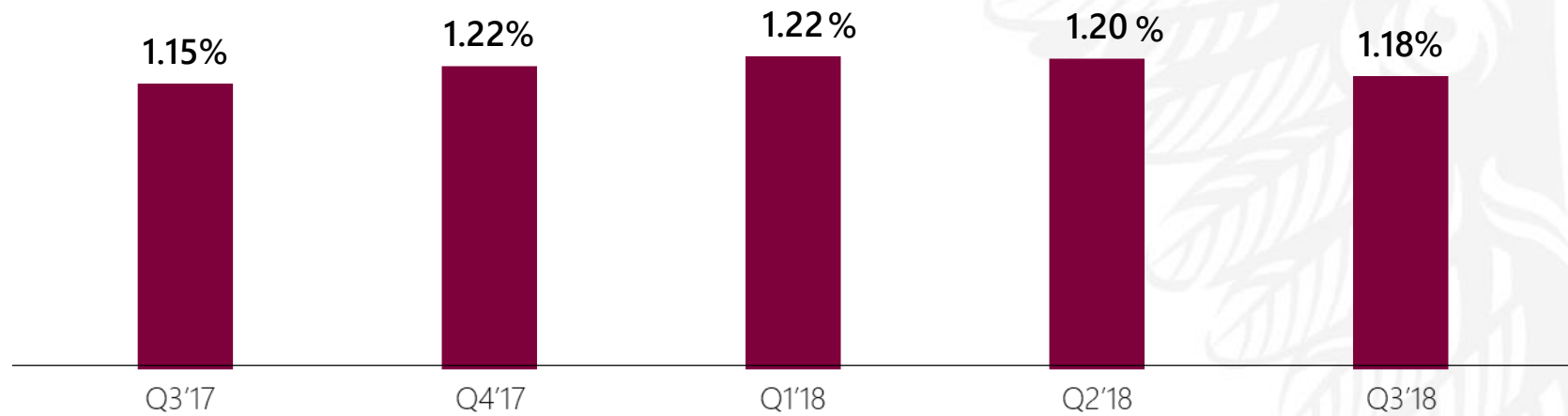


Stabilization of liquidity position allows for NIM improvement

LCR ratio



Cost of financing*

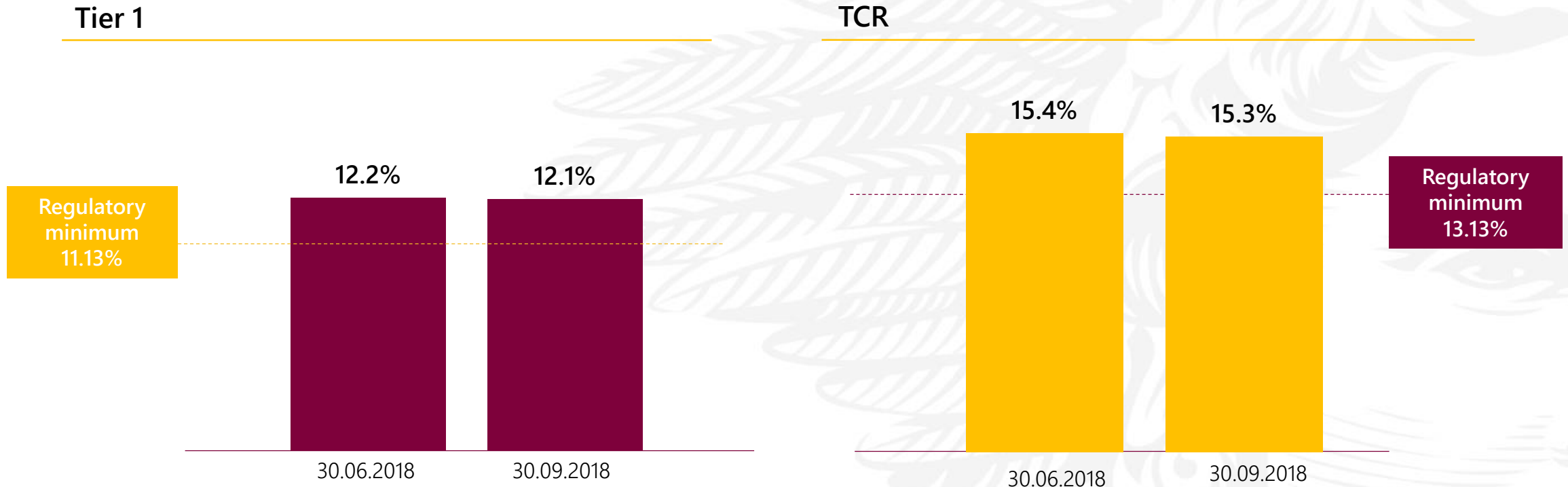


All data presented on a quarterly basis.

*Cost of financing: interest expense excl. cost of derivative instruments/interest liabilities (deposits, bonds, subdebt, banking securities).



Capital ratios at a safe level of over 100 bps above regulatory minimum

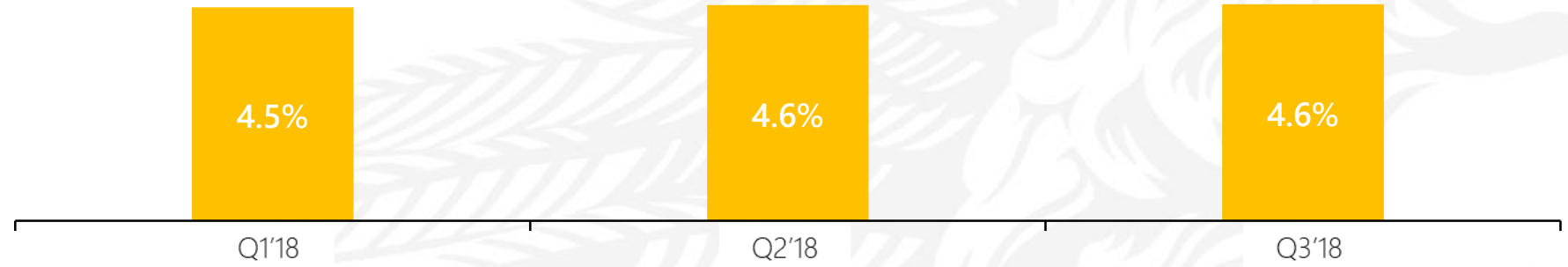


The current level of TIER1 and TCR ratios provides a comfortable buffer above the regulatory minimums of 101 bp and 213 bp, respectively. The level of capital ratios significantly higher than assumed in the strategy.



Profitability

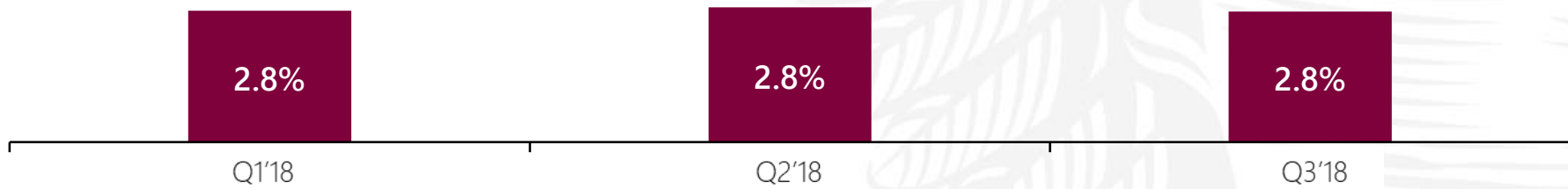
NIM*



CoR*



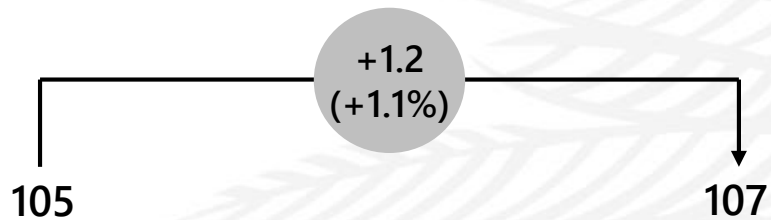
NIM – CoR*



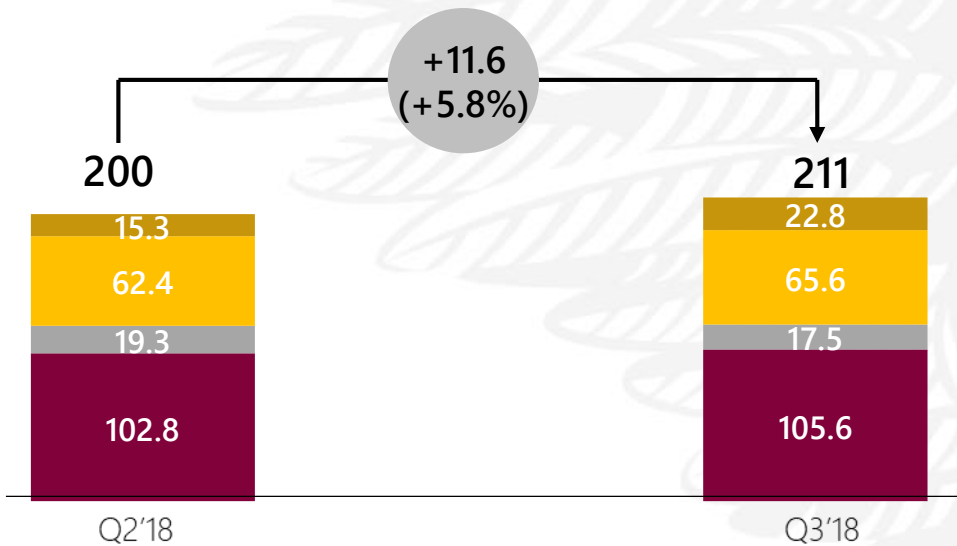


Fees and commission breakdown (PLN M)

Net F&C

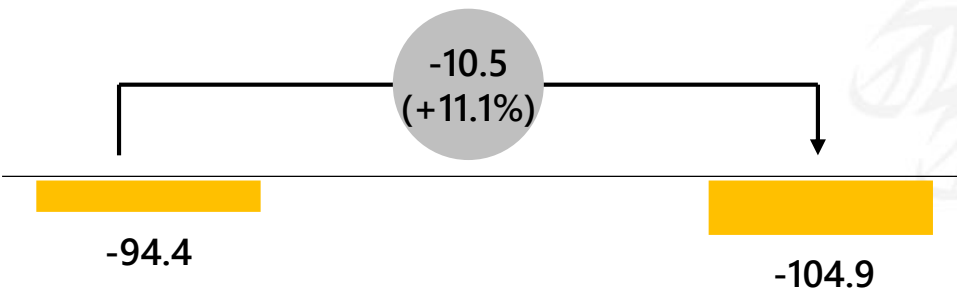


F&C income



- bancassurance
- payment and credit cards servicing
- brokerage fees
- fees related to C/A, loans, transfers

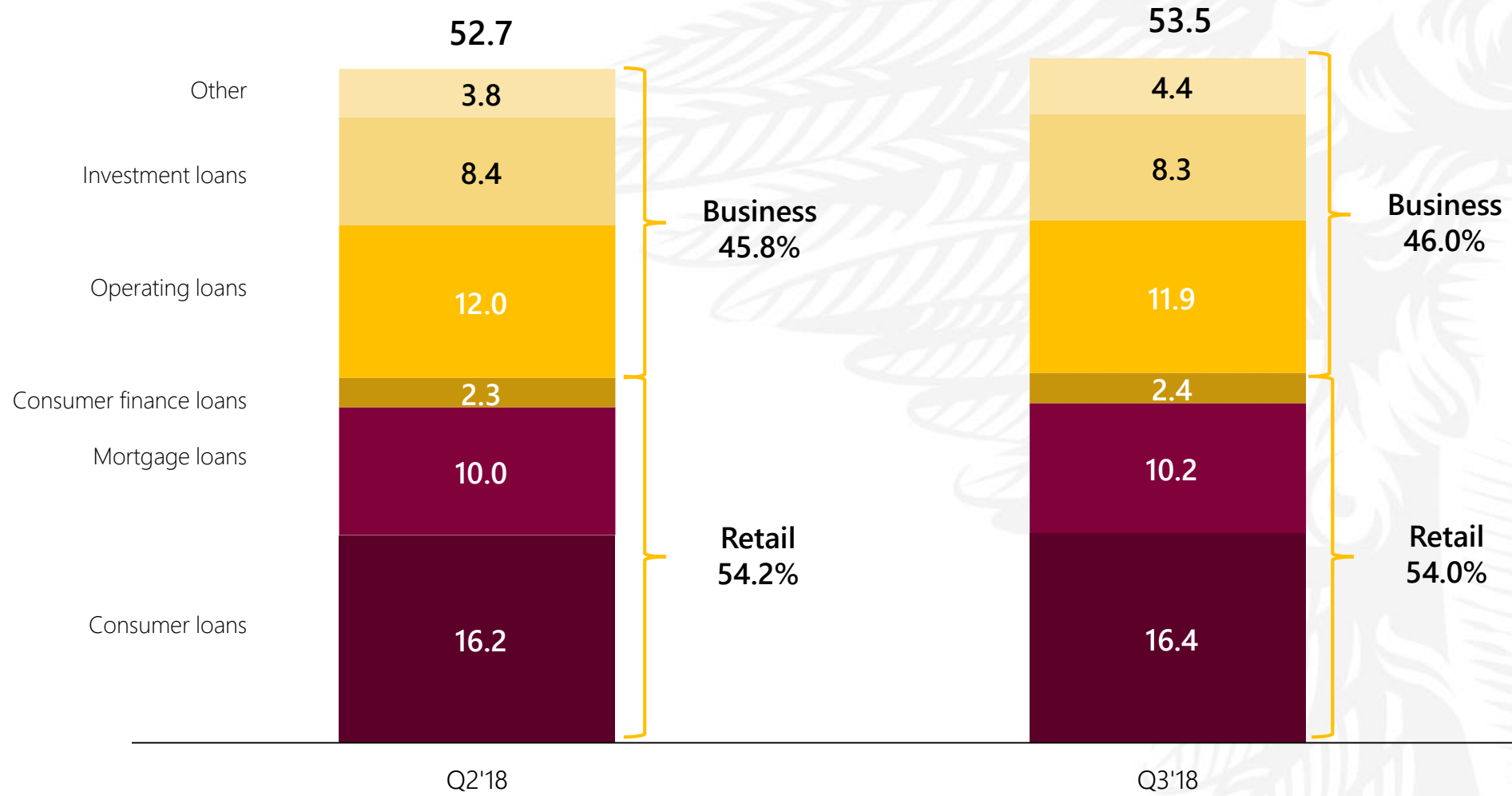
F&C expenses





Loan portfolio structure (PLN B)

[net value]





Key credit risk ratios

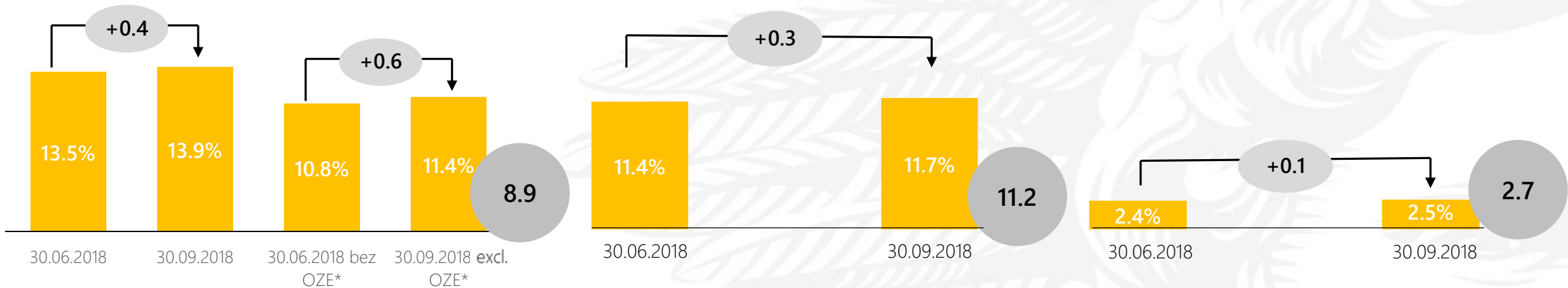
Market average*

Business

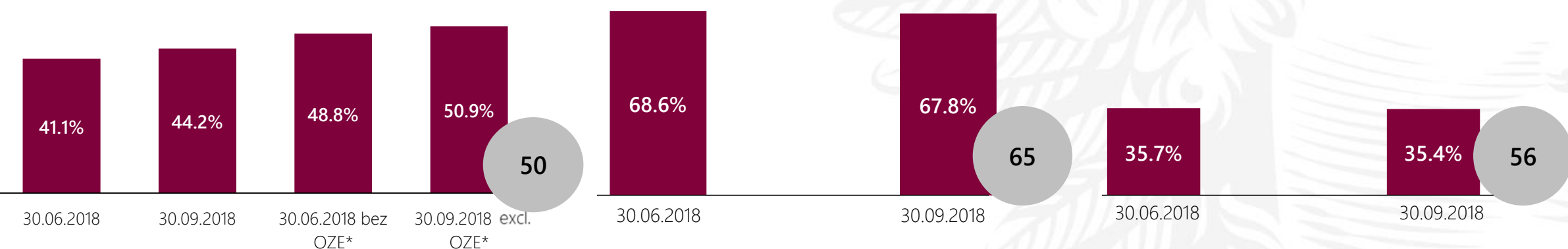
Retail

Mortgage

NPL total ratio



NPL coverage ratio



Loan portfolio structure (%)	Business	Retail	Mortgage
Alior Bank	45.8	36.5	17.7
Banking sector**	34.5	26.8	38.7

*Ratios (as of the end of August 2018) calculated on the basis of data on loans receivables published monthly by the National Bank of Poland.

**Corporate loans sector line excluding government sector entities. Retail comprises the total retail portfolio less mortgages.



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Maintaining 2018 guidance

	Actual Q3'18 YTD	2018 guidance	2020 target
NIM net interest margin	4.6%	4.6%	4.5%
C/I* cost/income	44.0%	44%	39%
CoR cost of risk	1.8%	1.8%	1.7%
Gross loan book growth**	4.0 PLN B	5.5-6.0 PLN B	5.0 – 6.0 PLN B

*Cost/Income ratio: numerator – costs (excl. banking tax), denominator – revenue (NII, NFC, result on instruments measured at fair value through income statement and the result from revaluation, result on other financial instruments, result on discontinuation of recognizing assets and liabilities not measured at fair value through income statement, result on other operating income and expenses, dividend income).

**Gross volume growth excl. LLP, NPL sales, BSB (Buy-Sell-Back) and securitization and incl. loan portfolio amortization.



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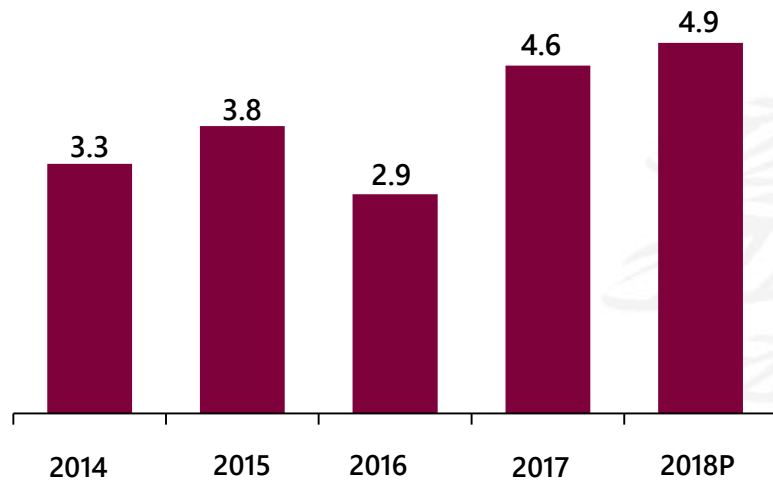
2018 guidance

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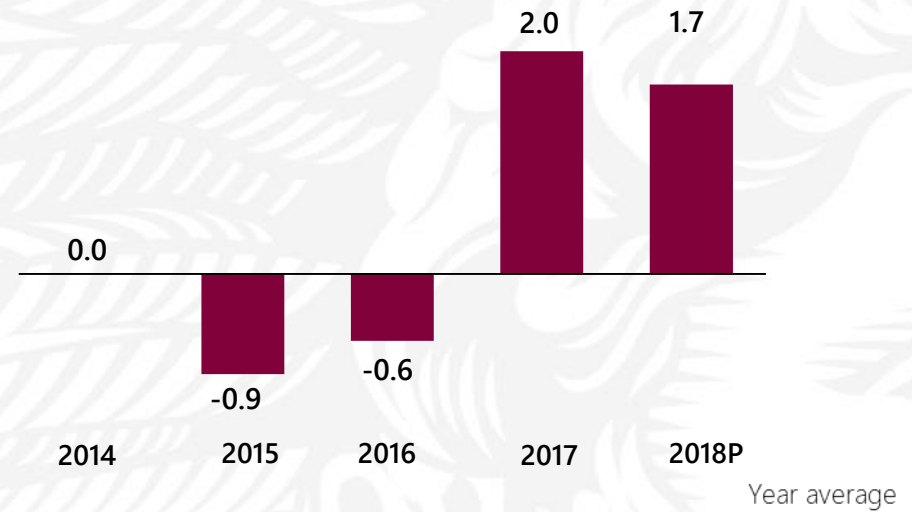


Polish macro outlook

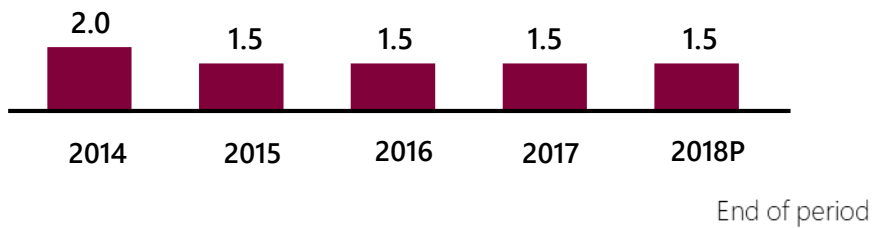
GDP growth (% y/y)



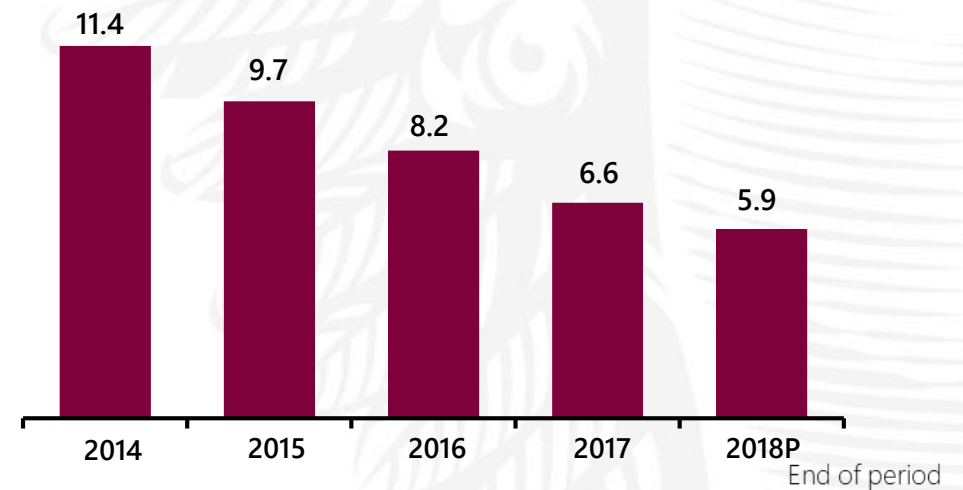
Inflation (CPI % y/y)



NBP reference rate (%)



Unemployment rate (%)





Income statement

PLN M	Q3'18	Q2'18
Interest income*	995	991
Interest expense	-214	-228
Net interest income	781	763
Fee and commission income	211	200
Fee and commission expense	-105	-94
Net fee and commission income	107	105
Net gain (realized) on other financial instruments	100	108
Net gain on discontinued fair value valuation through P&L	10	20
Other operating income	20	24
Other operating costs	-36	-21
Net other operating income	-15	3
General administrative expenses	-411	-430
Net impairment charges and write-downs	-271	-242
Banking tax	-52	-53
Profit before tax	248	273
Income tax	-75	-77
Net profit	173	196
Net profit attributable to equity holders of the parent	173	196

*Interest income incl. income of a similar nature.



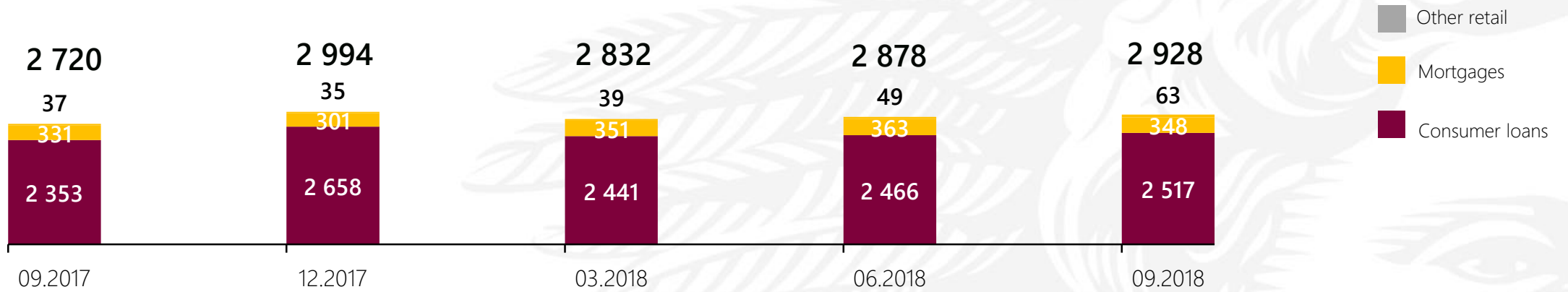
Balance sheet snapshot

PLN M	30.09.18	31.12.17
Cash and balances with the Central Bank	2 189	965
Financial assets	12 122	13 643
Derivative hedging instruments	52	88
Amounts due from banks	844	902
Loans and advances to customers	53 505	51 267
Assets pledged as collateral	342	409
Property, plant and equipment	452	476
Intangible assets	546	549
Income tax asset	919	592
Deffered	919	592
Other assets	400	626
Total assets	71 371	69 516
Amounts due to banks	646	892
Amounts due to customers	60 099	57 657
Financial liabilities	515	436
Derivative hedging instruments	4	5
Provisions	197	90
Other liabilities	1 300	1 694
Income tax liabilities	191	136
Current	190	135
Subordinated loans	1 926	1 915
Total liabilities	64 877	62 825
Equity	6 494	6 691
Equity attributable to equity holders of the parent	6 494	6 690
Share capital	1 305	1 293
Supplementary capital	5 385	4 820
Revaluation reserve	47	14
Other reserves	174	184
Retained earnings (accumulated losses)	-950	-93
Profit for the year	533	471
Total liabilities and equity	71 371	69 516

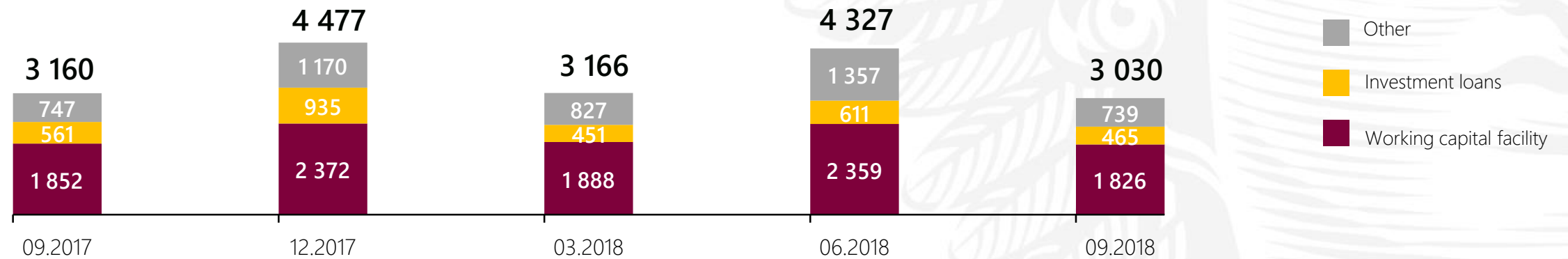


New loans sales

Retail loans (new sales per quarter)



Business loans (new quarterly sales)

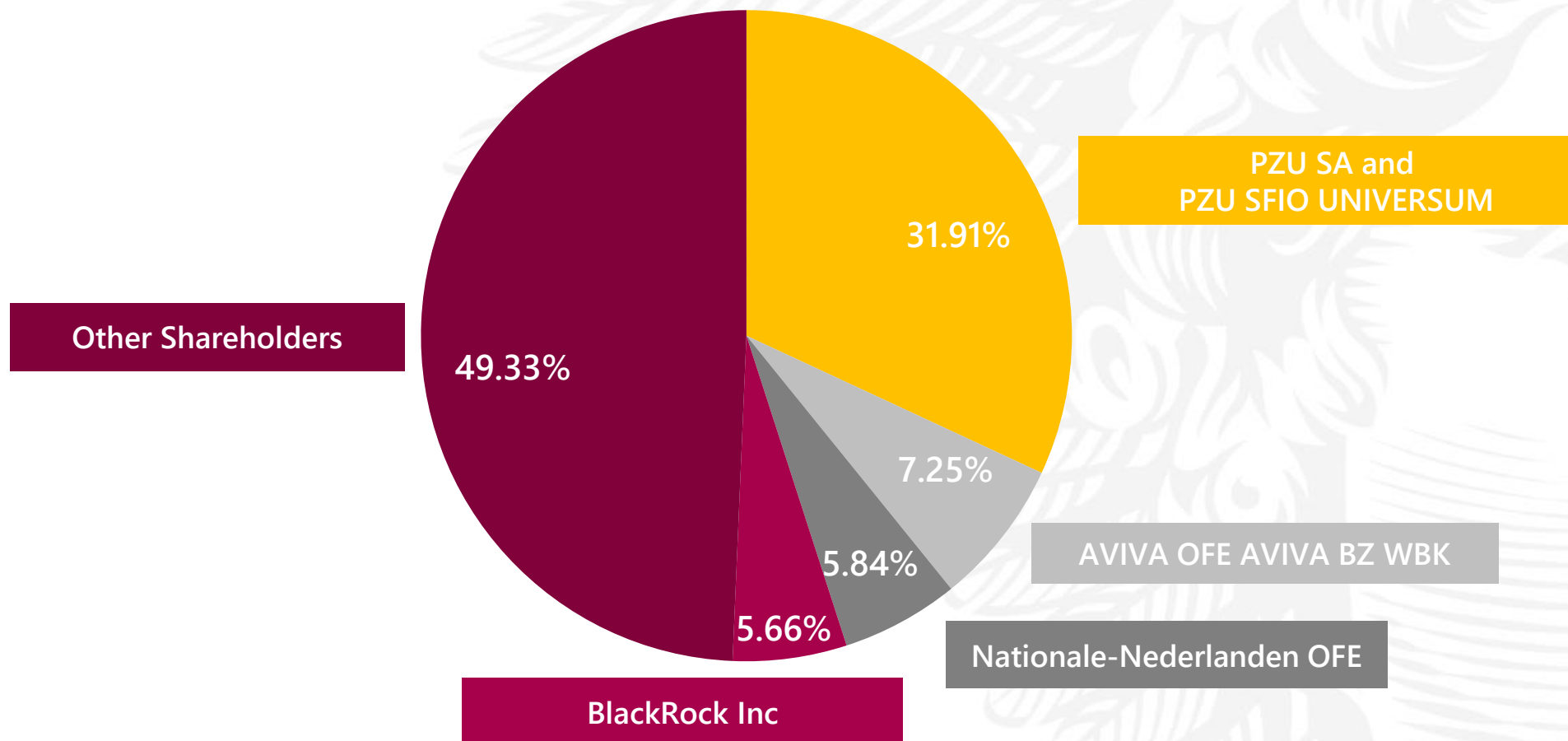


New production defined as any opening of a new credit account / credit line. Renewals are included in corporate loans new production.
 Other retail includes: loans for purchase of securities, credit card borrowings loans, other mortgage loans.
 Other corporate includes: other receivables and factoring.
 Managerial accounting stand-alone data



Alior Bank shareholding

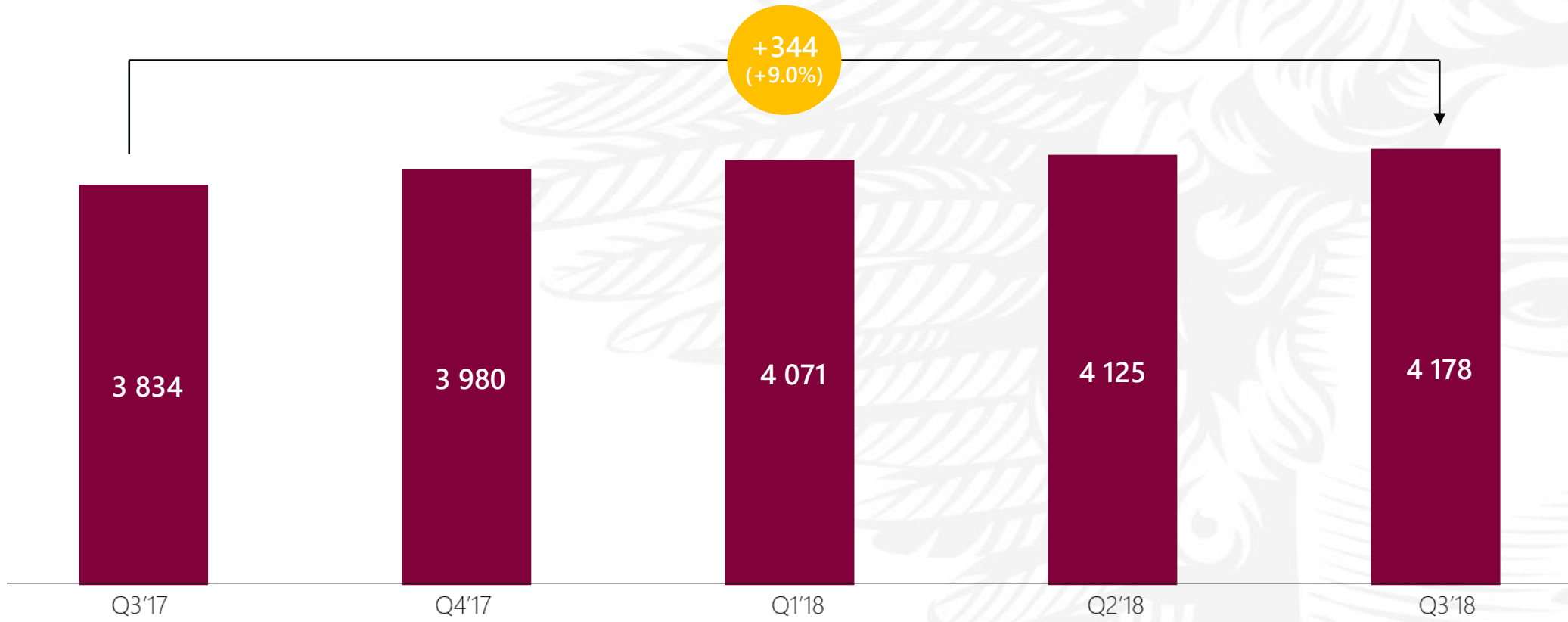
Largest free float among Polish financial institutions



*based on the number of shares registered on AGM held on June 22, 2018 and received notifications.



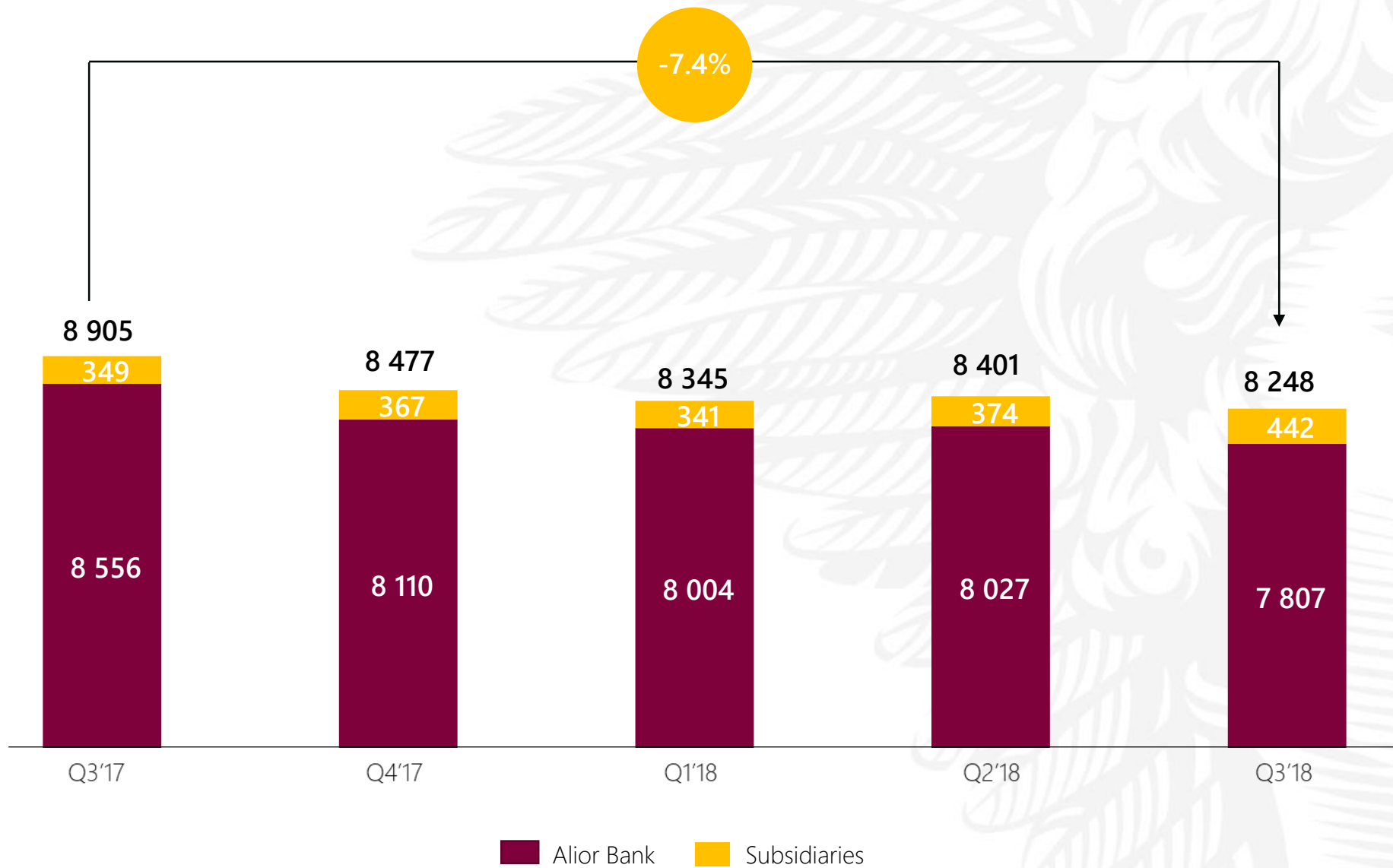
Alior Bank – number of customers (T)



Consistent increase in the number of customers

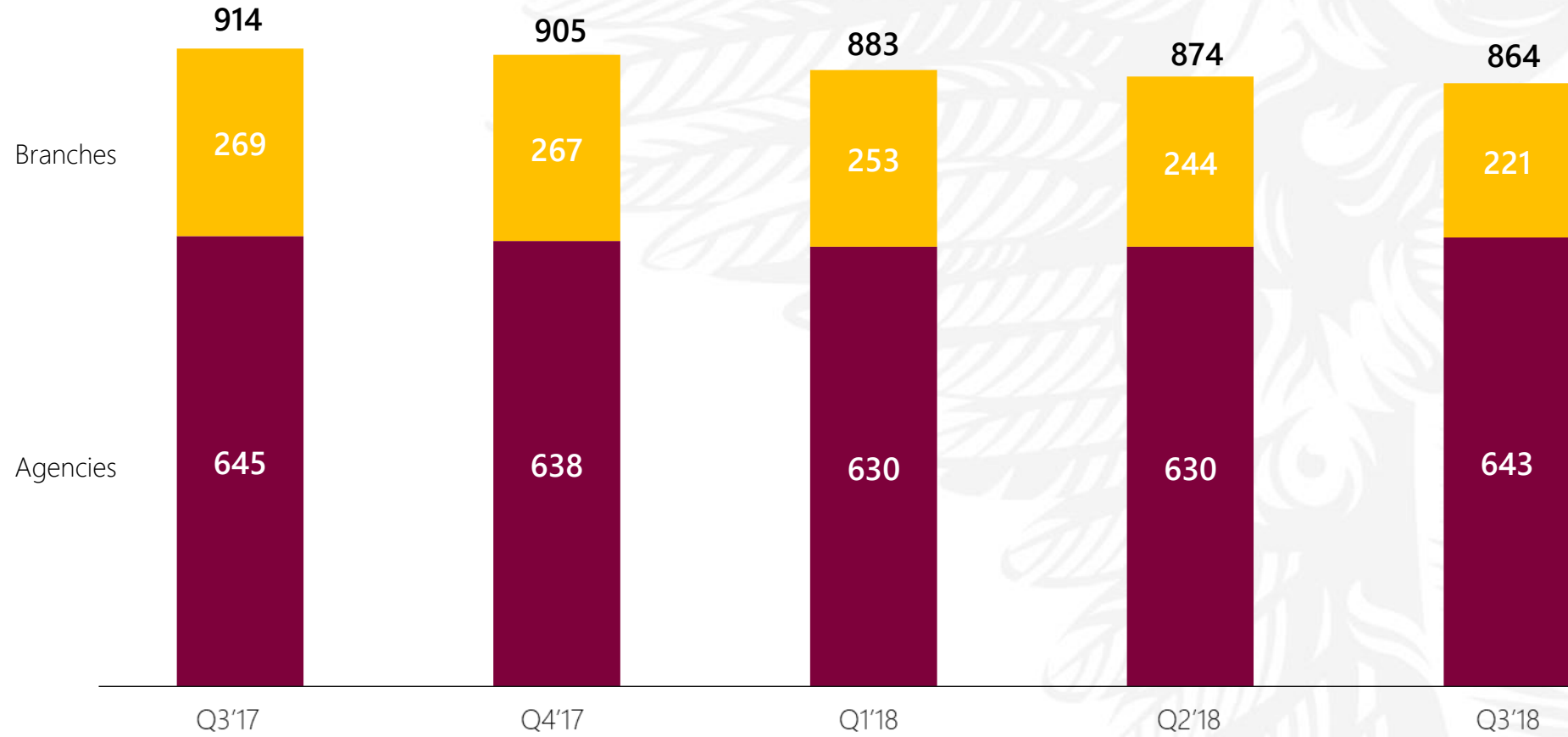


Alior Bank Group – FTE evolution





Number of branches





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