



Notification on the results of the Stress Tests and European Asset Quality Review

Current report no 60/2014 of 26 October 2014

Legal basis: Article 56 Section 1 Item 1 of the Act on Public Offering – inside information

Contents of the report: The Management Board of Alior Bank S.A. (the „Bank”) hereby informs that yesterday, ie. on 25 October 2014 it has received from the Polish Financial Supervision Authority (the „PFSA”) a notification concerning the results of Stress Tests and European Asset Quality Review.

Stress Test conducted in line with most strict guidelines of European Banking Authority (EBA) confirmed Alior Bank’s strong capital position. It was the most serious test so far for the Bank. It confirmed that the Bank Capital Adequacy Ratio (CAR) not only meets the norms foreseen by banking law but even under shock scenario (economic crisis) it exceeds the minimum threshold by 1,27 percentage points. Thus providing for stable base for future development as well as assuring safety of deposits and bringing further value for Bank’s shareholders.

The outcome of the European Asset Quality Review revealed differences in assumptions between Bank’s advanced and tailored to internal credit processes provisioning models and general (one-fits-all) EBA models used for the review. In Management opinion models determining level of impairment applied by Alior Bank are adequate for Bank’s scale and business specific. Two reputable audit firms have also verified them.

Presented differences concern:

- identification of impairment on one of the corporate clients;
- group impairment write-offs model.

No evidence of impairment has been detected concerning this corporate client as of 31 December 2013. According to publically available financial statements the Bank provisioned for this exposure as of 31 March 2014. The client is in restructuring process and complies with it fully thus the exposure does not require further provisioning.

The Management Board of the Bank having considered the results of the European Asset Quality Review has planned an additional overview of internal methodologies for calculation of write-offs and provisions. At the same time given the prudent approach towards managing risk the Management considers recognition of provision in the amount of around PLN 10 million to be recognized in quarter IV 2014. It is also considered to allocate PLN 30 million for internal capital calculation process (Pillar II) for model risk. However this will not impact the level of equity but only the way it is allocated. The Management plans also for active dialog with PFSA to fully conform to regulator’s recommendations.

In Management opinion the result of European Asset Quality Review is satisfactory and will not materially impact Bank’s financial position in quarter IV 2014.

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