



**ALIOR  
BANK**

**ALIOR BANK S.A.**

**Q3 2016 results presentation**

**November 9, 2016**

## 1 Highlights

2 Alior / BPH core merger

3 Operational Performance

4 T-Mobile update

5 Outlook

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Profitability uplift and good operational performance ensures reaching 2016 targets.

- Substantial NIM improvement accompanied by flat CoR  
NIM minus CoR up 20 bps,
- Good quarterly loan volume development (1 bn net)  
slightly impacted by seasonality,
- Alior / BPH Core merger on track
- Alior proves its innovation capability – worldwide  
recognition by top institutions (BAI, EFMA).



# Dronn – the virtual advisor

**Dronn is an intelligent virtual agent, designed to respond quickly and consistently to customers and interactively guide them through a personalized conversation.**

Last year, the system was implemented for debt collection campaigns. Since September 2016 the system is used in new process in which clients submit a statement of tax residence - FATCA.



**In next stages of the projects Dronn is planned to be implemented in several different processes in the Bank. The scope of the project assumes also implementation of voice biometrics.**



Dronn Project was awarded in many international competitions for banks:

- 1) **Retail Banker International Awards 2016** in „**Best Customer Facing Technology**” category
- 2) **BAI Global Banking Innovation 2016** in „**Innovation in Internal Process Improvement**” (as an element of Smart-Collect project),
- 3) **Efma-Accenture Innovation Awards 2016** in the category „**Big Data, Analytics & AI**”.



### BPH Core transaction completed

- Tender offer and squeeze out executed successfully,
- De-merger month ahead of the plan,
- Alior commenced integration upon de-merger on Nov 4th,
- No revision to announced synergies – 460 m PLN annual synergies by 2019,
- Downward revision of integration cost to 500 m PLN (down 150 m PLN vs. original announcement of 650 m PLN),
- Operational merger to be concluded by Q1'17.



# AGENDA

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2 Alior / BPH core merger

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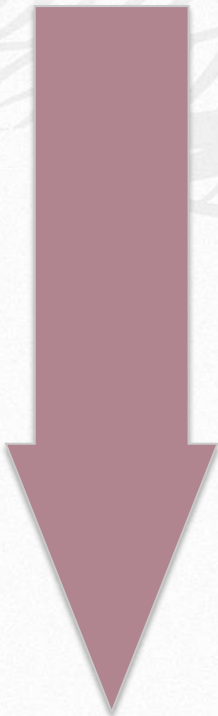
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# OPERATIONAL MERGER KEY STEPS

**Demerger of Bank BPH and transfer of the Bank BPH Core Business to Alior Bank on November 4th – one month ahead of plan**

## November'16 **BPH demerger**



- |  |                  |
|--|------------------|
| ✓ Securing of operational activities processes | Nov'16           |
| ✓ Customers & employees retention              | Nov-Dec'16       |
| ✓ Customers activation oriented processes      | Nov'16-Jan'17    |
| ✓ Organisational structure implementation      | Dec'16           |
| ✓ Product gap identification                   | up to Feb'17 end |
| ✓ Migration                                    | Mar'17           |
| ✓ Trainings                                    | Jan-Feb'17       |
| ✓ Rebranding                                   | up to Feb'17     |

## March'17 **operating merger**

## Pre-demerger synergies status

	<b>Plan 2016</b>	<b>Actual 4 Nov'16</b>
Branches conversion	114	109
Branches closing	83	87
FTEs	4 070	3 944



# INTEGRATION COST / SYNERGIES UPDATE (POST-DEMERGER)

## No changes to planned synergies

Synergies	2016	2017	2018	2019
HR	0	54	143	176
IT & Operations	35	51	154	160
Other	-22	-29	-32	-32
<b>Total</b>	<b>13</b>	<b>76</b>	<b>265</b>	<b>304</b>

## Integration costs revised – down PLN 150 m

Integration costs	Old					Revised				
	2016	2017	2018	2019	Total	2016	2017	2018	2019	Total
HR	0	-200	-102	-12	-314	0	-167	0	0	-167
Non-HR	-54	-128	-77	-77	-336	-53	-280	0	0	-333
<b>Total</b>	<b>-54</b>	<b>-328</b>	<b>-179</b>	<b>-89</b>	<b>-650</b>	<b>-53</b>	<b>-447</b>	<b>0</b>	<b>0</b>	<b>-500</b>

# Q1-Q3 PROFORMA KEY FINANCIALS FOR COMBINED INSTITUTION

Actual

in PLN m	Alior Q1-Q3'16	BPH Core Q1-Q3'16	Combined Q1-Q3'16
Total revenues	1 831	736	2 567
Costs	-861	-616	1 477
Net profit	249	-2	247
Loans	35 089	8 646	43 745
Deposits	37 432	12 346	49 778
Equity	5 878 <small>(including PLN 1,5 bn for BPH transaction)</small>	1 525	5 878 <small>(including PLN 1,5 bn for BPH transaction)</small>
CoR (%)	2,1	1,0	

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# KEY FINANCIALS

<i>M PLN</i>	Q3'16 YTD	Q3'15 YTD	(A/B)-1 (%)	Q3'16	Q2'16	Q3'15	(D/G)-1 (%)
	A	B	C	D	E	F	G
Net interest income	<b>1 347</b>	1 101	22	491	444	384	28
Net fee and commissions	<b>240</b>	252	-5	76	76	89	-15
Trading result & other	<b>244</b>	241	1	82	83	78	5
Operating income	<b>1 831</b>	1 595	15	648	603	550	18
General Administrative Expenses	<b>-861</b>	-783	10	-297	-287	-262	13
Net impairment	<b>-548</b>	-477	15	-199	-173	-173	15
Banking tax	<b>-88</b>			-35	-32		
Gross profit	<b>335</b>	335	0	118	111	115	2
Net profit	<b>249</b>	270	-8	87	82	91	-4
Net profit excl. banking tax	<b>336</b>	270	25	122	114	91	34

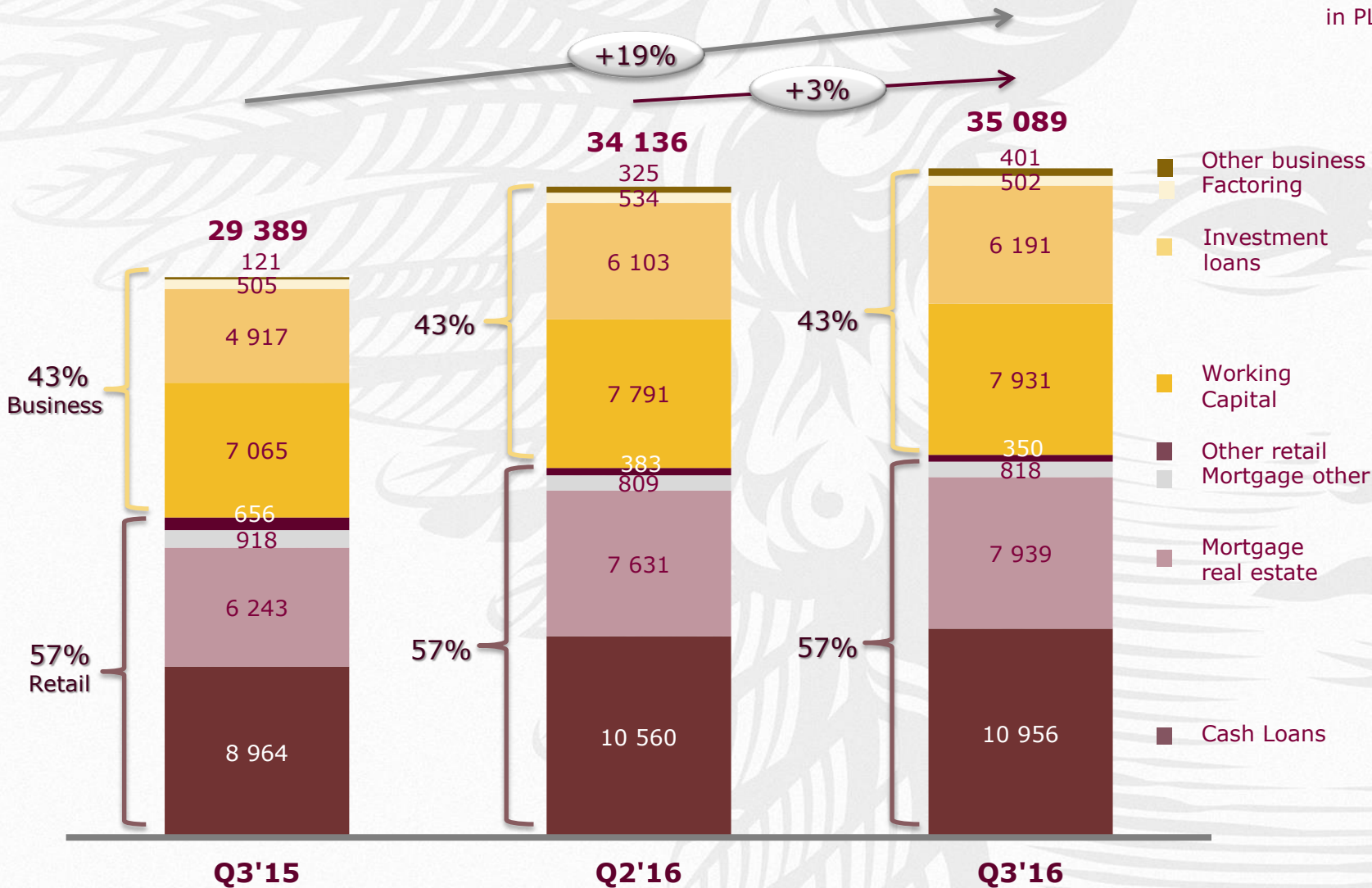
<i>M PLN</i>	Q3'16	Q3'15	(A/B)-1 (%)	Q2'16	Q1'16	Q4'15	(A/D)-1 (%)
Loans	<b>35 089</b>	29 389	19	34 136	32 738	30 907	3
Deposits	<b>37 432</b>	31 431	19	37 990	35 802	33 664	-1
Total equity	<b>5 878</b>	3 470	69	5 801	3 602	3 514	1
Total assets	<b>46 582</b>	37 304	25	47 042	42 026	40 003	-1

	Q3'16 YTD	Q3'15 YTD	(A/B)-1 (%)	Q3'16	Q2'16	Q3'15	D-E
ROE (%)	<b>7,1</b>	11,1	-4,0	6,0	6,9	10,7	-1,0
ROA (%)	<b>0,8</b>	1,1	-0,3	0,7	0,7	1,0	0,0
C/I (%)	<b>47,0</b>	49,1	-2,1	45,8	47,6	47,7	-1,8
CoR (%)	<b>2,1</b>	2,3	-0,2	2,2	1,9	2,3	0,2
L/D (%)	<b>93,7</b>	93,5	0,2	93,7	89,9	93,5	3,9
NPL ratio (%)	<b>10,3</b>	8,6	1,6	10,3	10,0	8,6	0,27
NPL coverage ratio (%)	<b>59,0</b>	59,5	-0,4	59,0	58,3	59,5	0,8
CAR (%)	<b>16,1</b>	12,7	3,3	16,1	20,9	12,7	-4,9
Tier 1 (%)	<b>13,4</b>	10,3	3,1	13,4	17,3	10,3	-3,9



## Loan book split

in PLN m

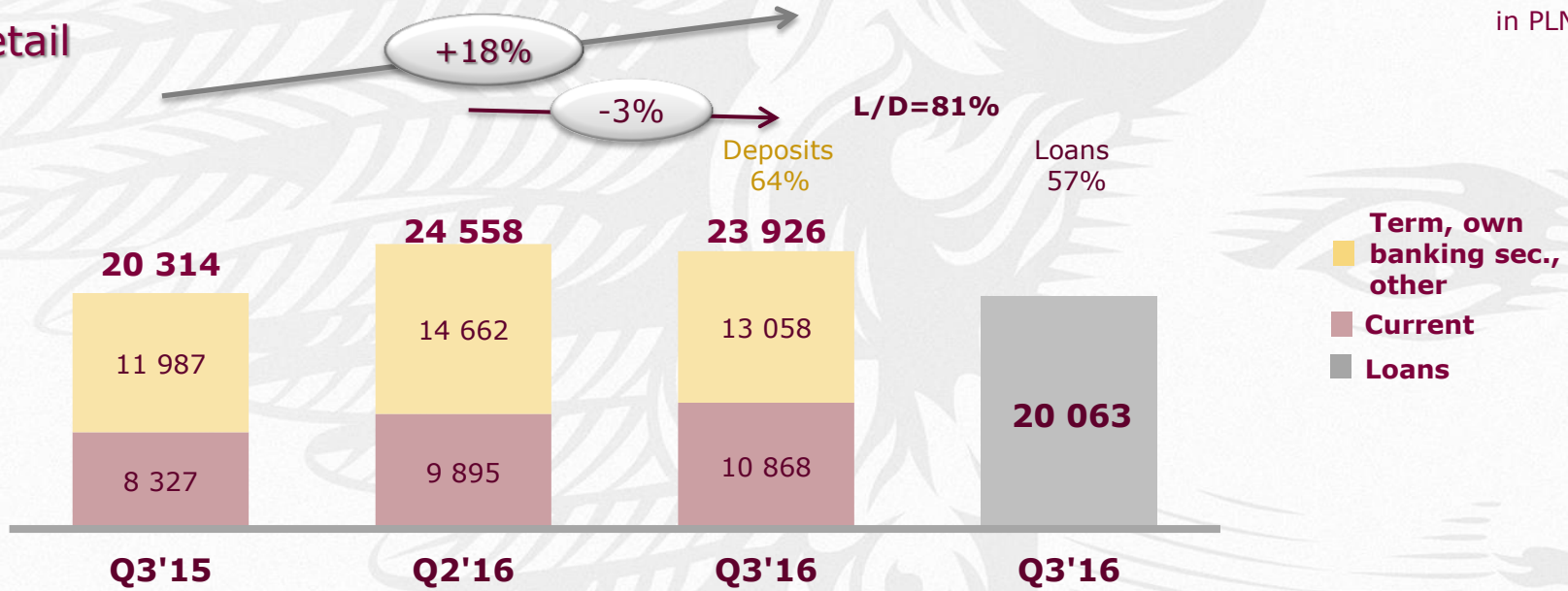


# DEPOSIT BASE

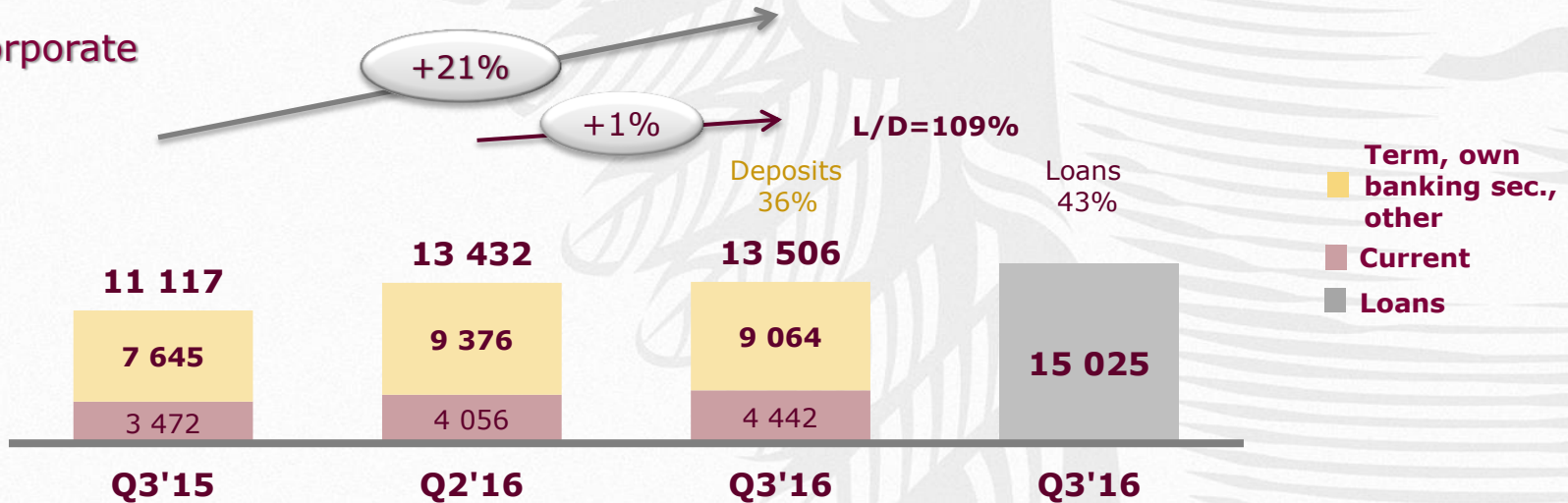
**L/D = 94%**

## Retail

in PLN m

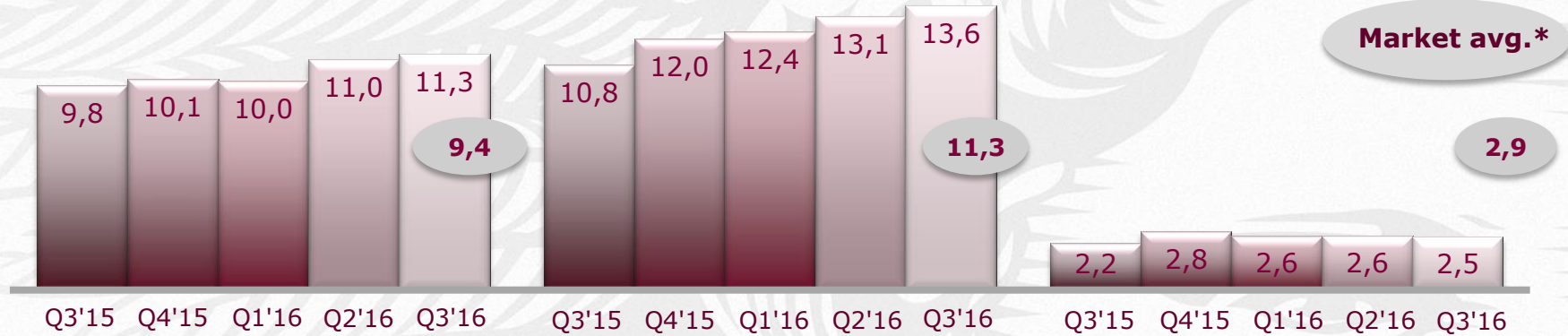


## Corporate



# CREDIT RISK OVERVIEW

NPL total (%)



Coverage ratio (%)



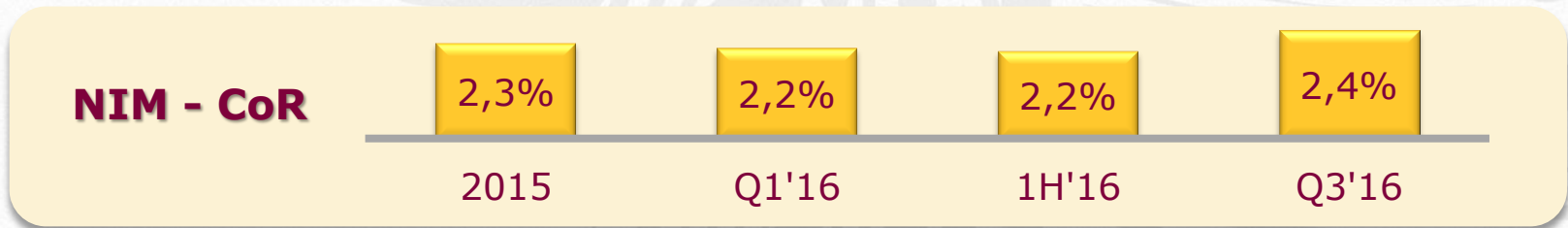
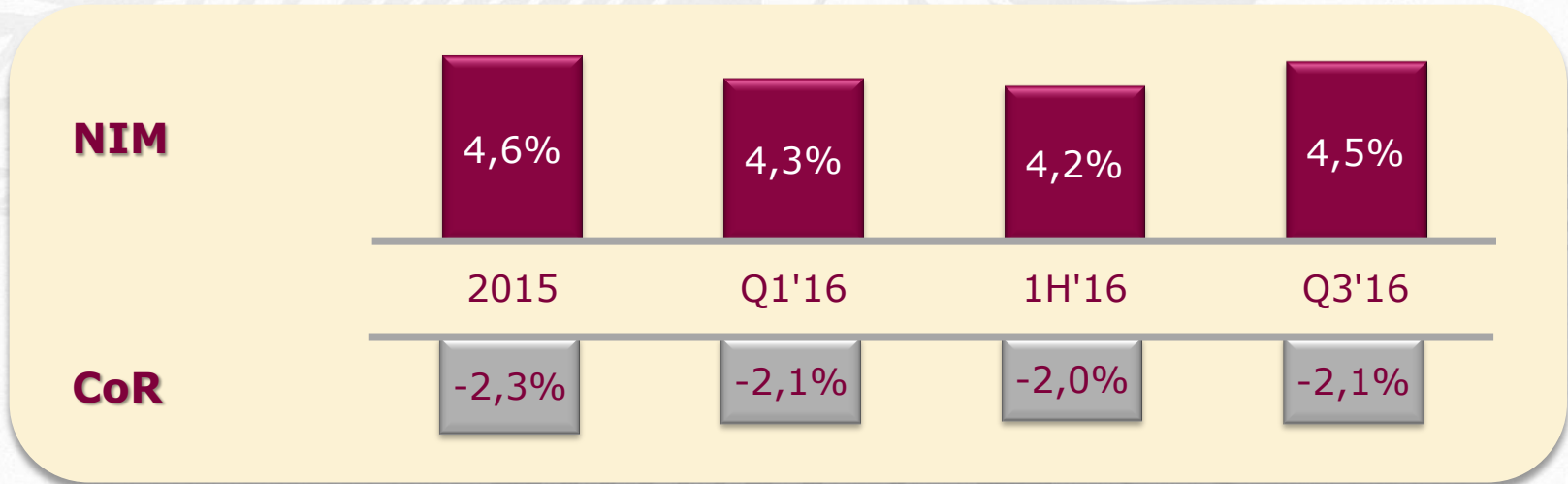
Loan portfolio structure (%)	Corporate	Retail	Mortgage
<b>Alior</b>	<b>43</b>	<b>35</b>	<b>22</b>
Banking sector*	35	26	39

\*Ratios (as of the end of Sep 2016) calculated on the basis of figures on sector receivables published monthly by National Bank of Poland. Sector Corporate line excluding budget entities. Retail means the total retail portfolio – mortgages for real estates portfolio.



# REBOUND OF PROFITABILITY

## Alior NIM development (%)

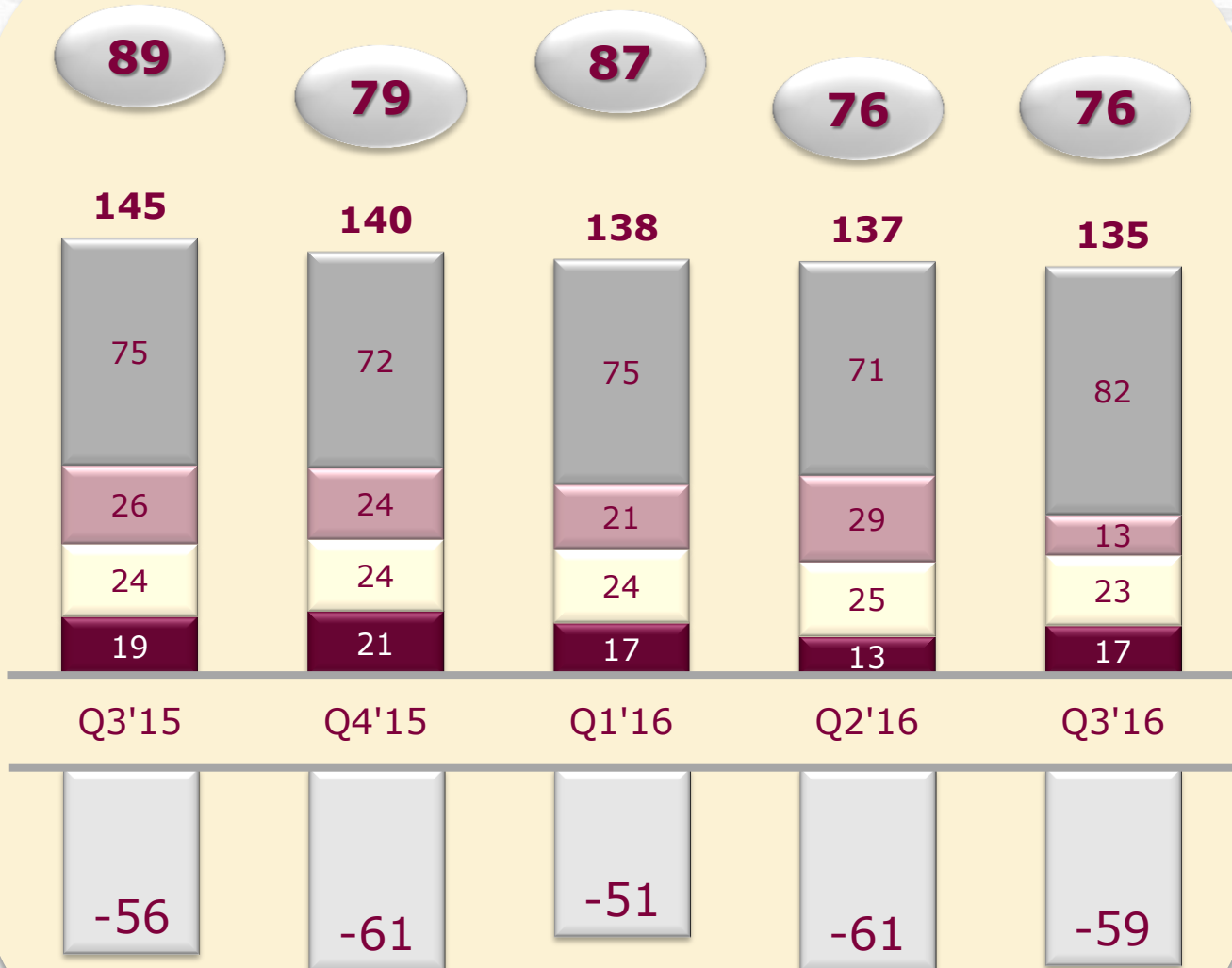


**NIM – CoR rebound driven by higher NIM and stable CoR levels**

NIM formula 2015: NII for 2015 divided by average IEA from 2014 and 2015 . NIM formula for 2016: NII for Q1'16 annualized, divided by average of IEA from 2015 and Q1'16; NII for 1H'16 annualised, divided by average of IEA from 2015 and 1H'16; NII for Q3'16 annualised, divided by average of IEA from 2015 and Q3'16.



# FEES AND COMMISSIONS



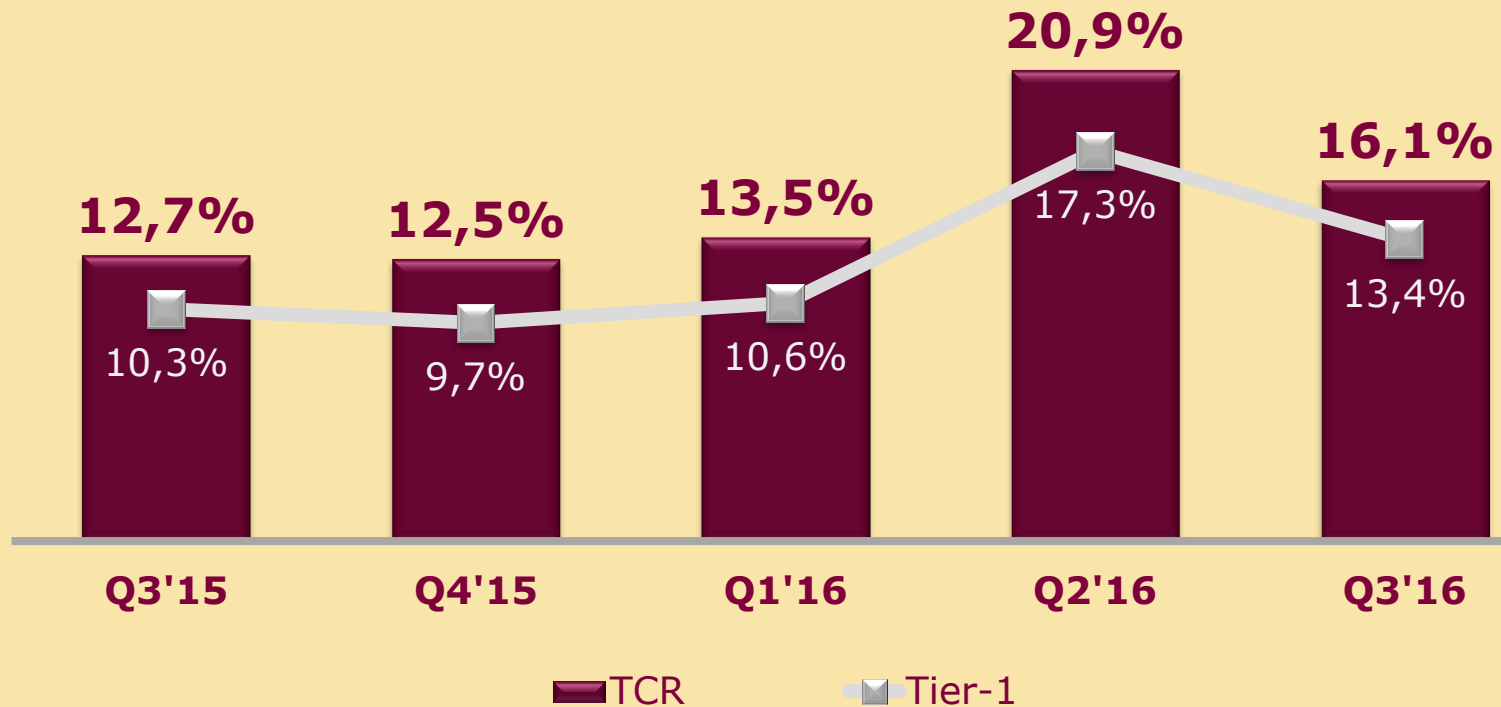
**Net F&C**

**F&C income**

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

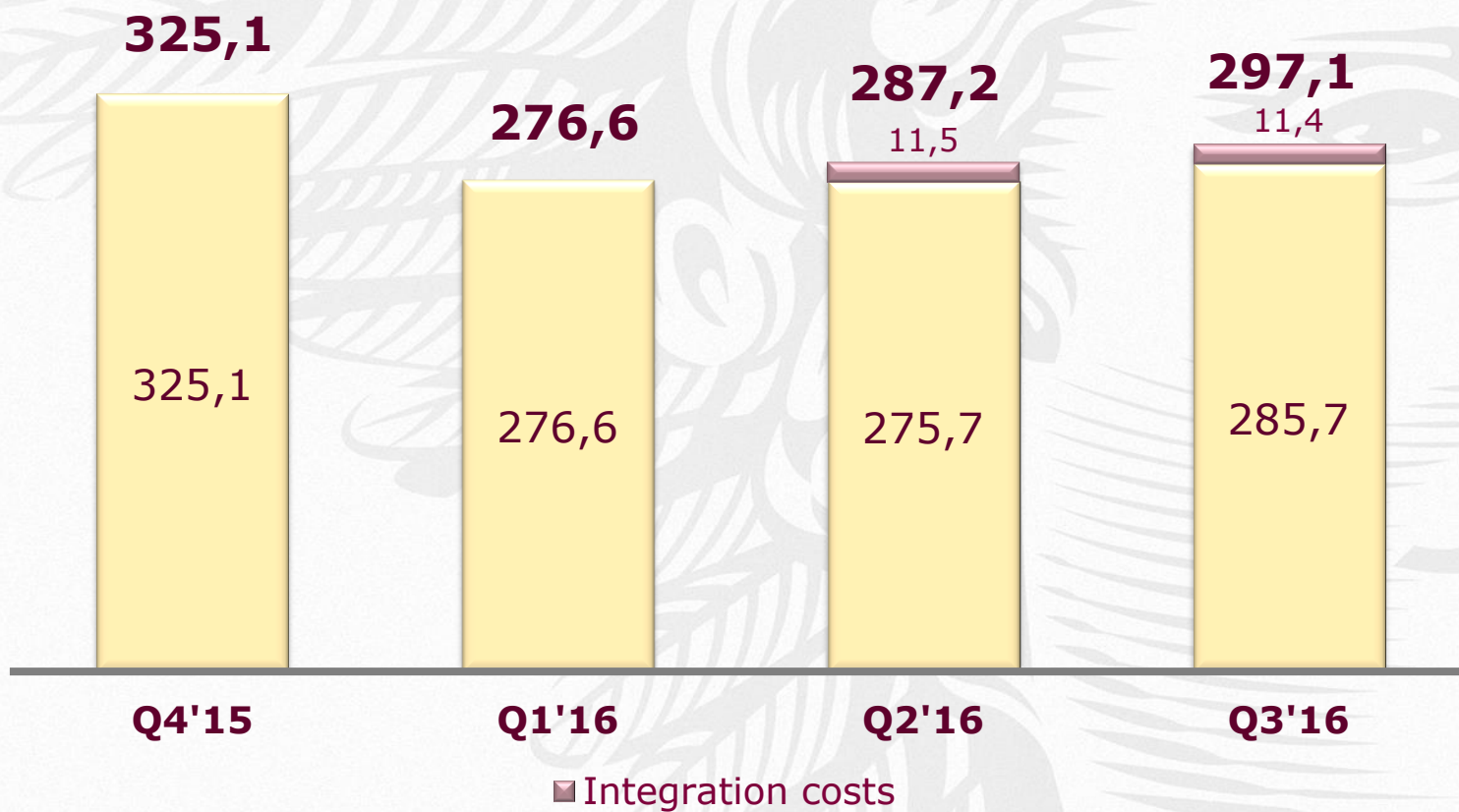
**F&C expenses**

# CAPITAL POSITION



**Q2'16 increase reflects PLN 2,2 bn rights issue.  
Q1'16 CAR calculation includes the effect of guarantee and counter guarantee agreements concluded on March 31, 2016.**

# COST DEVELOPMENT AS PLANNED



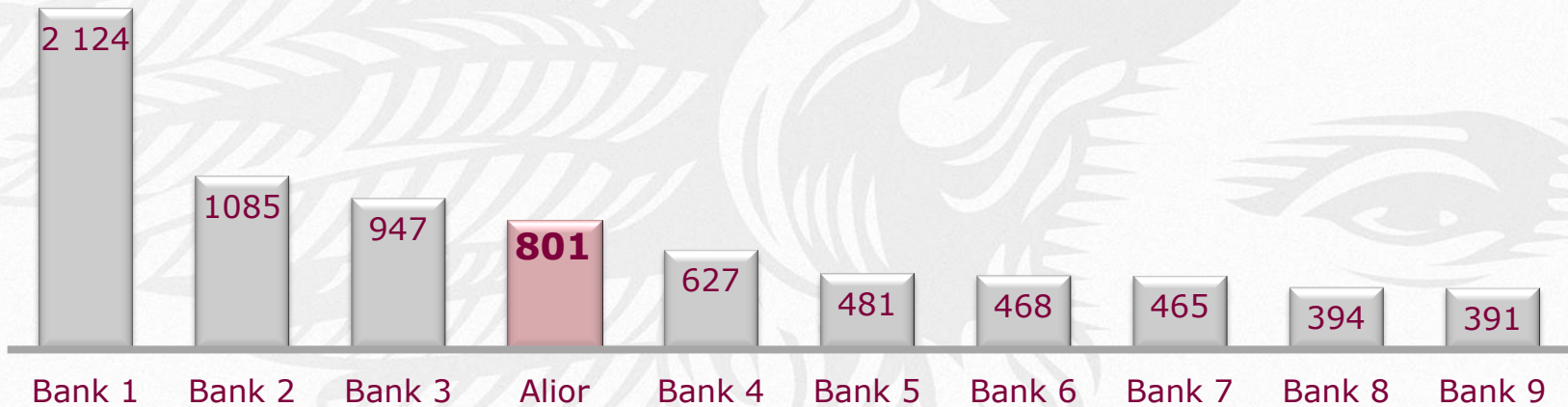
**Slight decline of customer base as a result of inactive accounts cleaning in Q3'16**

	Q1'16	Q2'16	Q3'16
Branches	1 874	1 930	1 844
Consumer Finance	520	560	541
T-Mobile	558	590	611
<b>Total retail clients</b>	<b>2 952</b>	<b>3 080</b>	<b>2 996</b>
<b>Business clients</b>	<b>132</b>	<b>133</b>	<b>134</b>
<b>Total number of clients</b>	<b>3 084</b>	<b>3 213</b>	<b>3 129</b>



# SALES NETWORK

4th largest distribution network among Polish banks



Data for Banks as at the end of Q2'16, Alior Q3'16

and number three if partner networks are accounted for.

	<b>Alior</b>		<b>Tesco</b>	<b>T-Mobile</b>	<b>Total</b>
	Branches	Agencies			
Sales outlets	299	502	71	576	1 448

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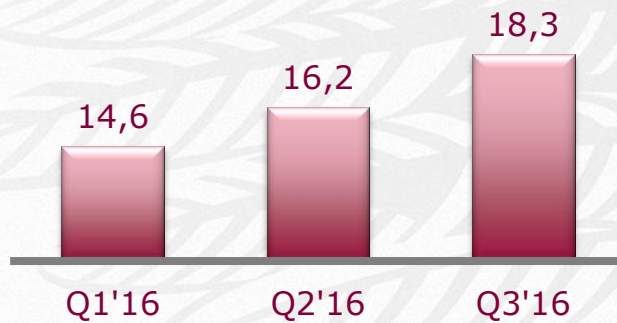
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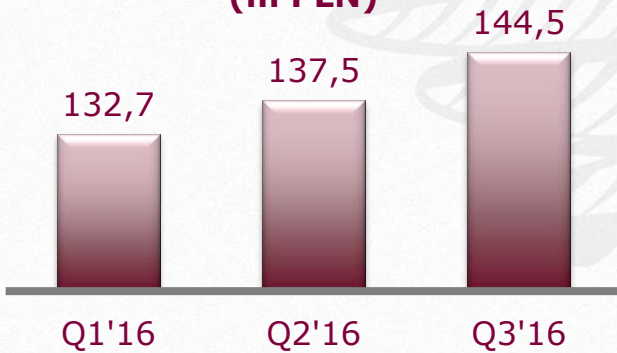


# T-MOBILE PARTNERSHIP IN POLAND

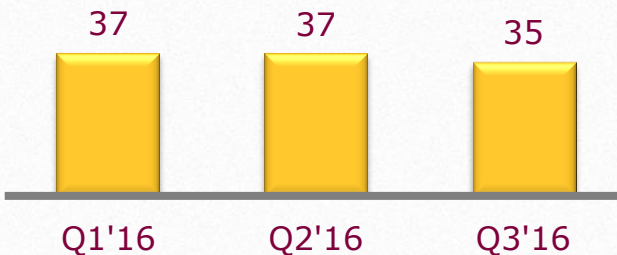
Income (m PLN)



New loan volume (m PLN)



New customer acquisition (ths.)



## Strong customer acquisition

- **35-37 ths. new customer acquisition** per quarter, 95% active customers
- **Unique and fully integrated device financing process** (T-Mobile POS and remote channels in Q1 2017) – **140 ths devices financed, 125 m new loan volume**
- **Joint offers allowing to benefit from telco-banking synergies** (e.g. with free telco subscription, 20% top-up bonus, cash back on BLIK payments, affinity credit card with T-Mobile's CSR program)

## Credit activity growth

- **145 m PLN new credit** volume in Q3 2016
- **New credit volume increase YoY by 150%** (415 m PLN in Q1-Q3 2016)
- **New credit cards sales increased to 6 700** in Q3 2016 and **new instalments offer** (equal payment plan and loan on credit card) **has been launched in remote channels** in the remote channels (Call Center & Mobile)

**New Mobile application** as well as **Fully Online Lending** process has been launched

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## 2016 Outlook maintained

**2016 consensus** of PLN 322 m\*

**NIM** ~4,6%

**C/I** below 48% excluding banking tax

**CoR** ~2,3%

**Loan growth 2016** PLN 5 billion net

\*based on the following analysts forecasts:

SG – February 8; Ipopema – February 8; Citi – February 19; JP Morgan – February 26.

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# INCOME STATEMENT SNAPSHOT

<b>in PLN m</b>	<b>Q3'15</b>	<b>Q4'15</b>	<b>Q1'16</b>	<b>Q2'16</b>	<b>Q3'16</b>
Interest income	614	632	663	694	724
Interest expense	-231	-233	-251	-250	-233
Net interest income	384	400	412	444	491
Dividend	0	0	0	0	0
Fee and commission income	145	140	138	137	135
Fee and commission expense	-56	-61	-51	-61	-59
Net fee and commission income	89	79	87	76	76
Trading result	58	75	58	73	78
Net gain (realized) on other financial instruments	3	5	11	10	0
Other operating income	17	14	15	19	16
Other operating costs	-1	-2	-5	-18	-13
Net other operating income	16	12	11	0	3
General administrative expenses	-262	-325	-277	-287	-297
Impairment losses	-173	-195	-176	-173	-199
Banking tax			-21	-32	-35
Gross profit (loss)	115	51	106	111	118
Income tax	-24	-12	-26	-29	-31
Net profit from continuing operations	91	39	80	82	87
- attributable to equity holders of the parent	91	40	80	82	87
- attributable to non-controlling interests	0	0	0	0	0
Net profit	91	40	80	82	87



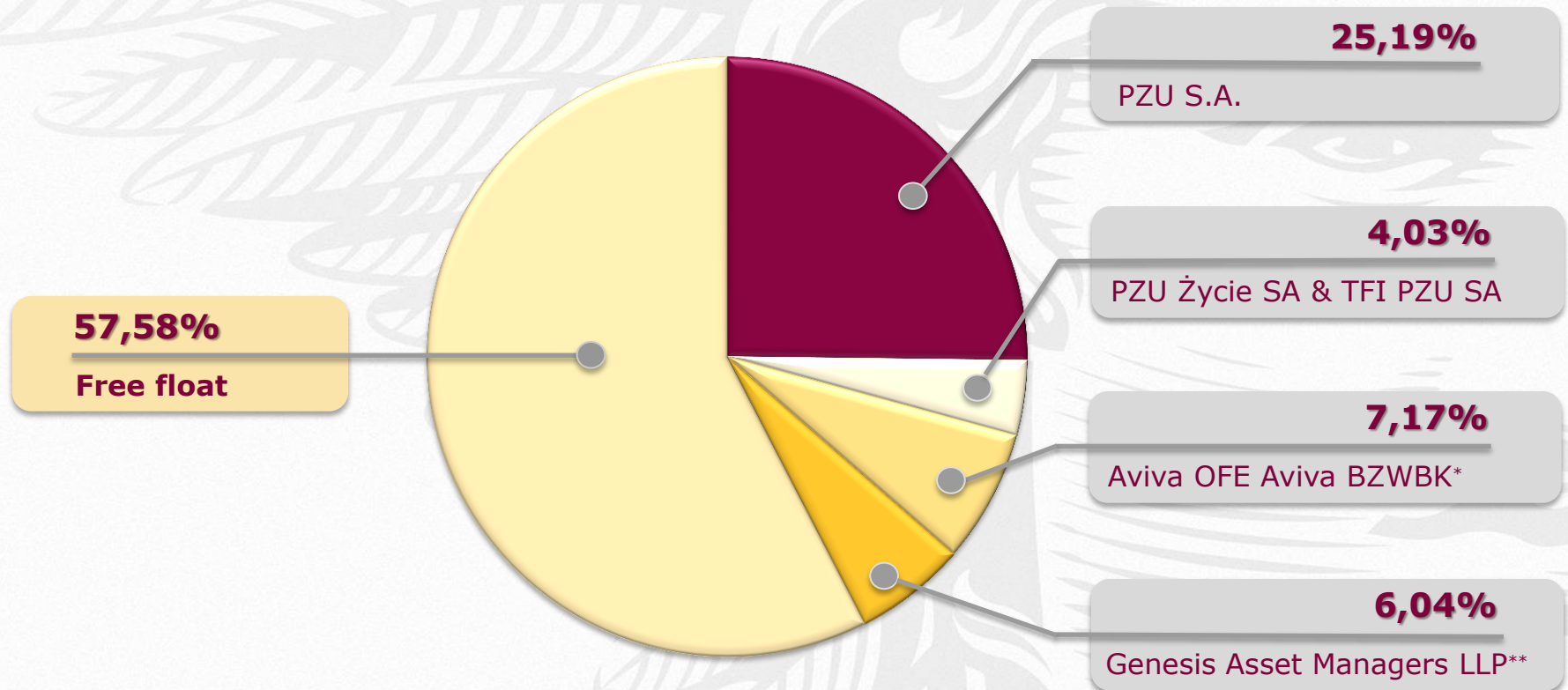


# BALANCE SHEET SNAPSHOT

	30 Sep'15	31 Dec'15	31 Mar'16	30 Jun'16	30 Sep'16
Cash and balances with Central Bank	1 348	1 750	666	726	1 285
Financial assets held for trading	365	391	360	402	310
Financial assets available for sale	4 016	4 253	6 008	8 505	5 394
Hedging derivatives	123	140	161	54	62
Receivables from banks	372	645	524	1 337	656
<b>Loans and advances to customers</b>	<b>29 389</b>	<b>30 907</b>	<b>32 738</b>	<b>34 136</b>	<b>35 089</b>
Assets pledged as collateral	466	628	226	563	1 008
Property, plant and equipment	214	229	224	218	214
Intangible assets	368	387	390	393	405
Non-current asset held for sale	1	1	1	1	1
Prepayment on account of the purchase of BPH shares					1 465
Current income tax receivables	253	275	313	344	388
Current	0	0	0	0	0
Deferred	253	275	313	344	388
Other assets	388	397	414	362	318
<b>TOTAL ASSETS</b>	<b>37 304</b>	<b>40 003</b>	<b>42 026</b>	<b>47 042</b>	<b>46 597</b>
Financial liabilities held for trading	293	310	339	299	233
Financial liabilities measured at amortized cost due to banks	663	1 051	404	1 017	1 163
<b>Financial liabilities measured at amortized cost due to customers</b>	<b>31 431</b>	<b>33 664</b>	<b>35 802</b>	<b>37 990</b>	<b>37 432</b>
Hedging derivatives	0	0	1	0	0
Provisions	10	11	15	12	12
Other liabilities	717	535	895	739	674
Income tax liabilities	13	22	31	19	26
- Current	13	22	31	19	26
Subordinated loans	708	896	938	1 165	1 164
Liabilities, total	33 834	36 489	38 424	41 240	40 704
<b>Equity</b>	<b>3 470</b>	<b>3 514</b>	<b>3 602</b>	<b>5 801</b>	<b>5 878</b>
Equity attributable to equity holders of the parent	3 469	3 513	3 600	5 800	5 877
Share capital	727	727	727	1 293	1 293
Supplementary capital	2 280	2 280	2 591	4 172	4 172
Revaluation reserve	9	15	23	-3	-14
Other capital	187	185	185	184	184
Foreign currency translation differences					0
Undistributed result from previous years	-4	-4	-5	-7	-7
Current year profit/loss	270	310	80	162	249
Non-controlling interests	1	1	1	1	1
<b>TOTAL LIABILITIES AND EQUITY</b>	<b>37 304</b>	<b>40 003</b>	<b>42 026</b>	<b>47 042</b>	<b>46 582</b>



## Largest free float among Polish financials institutions

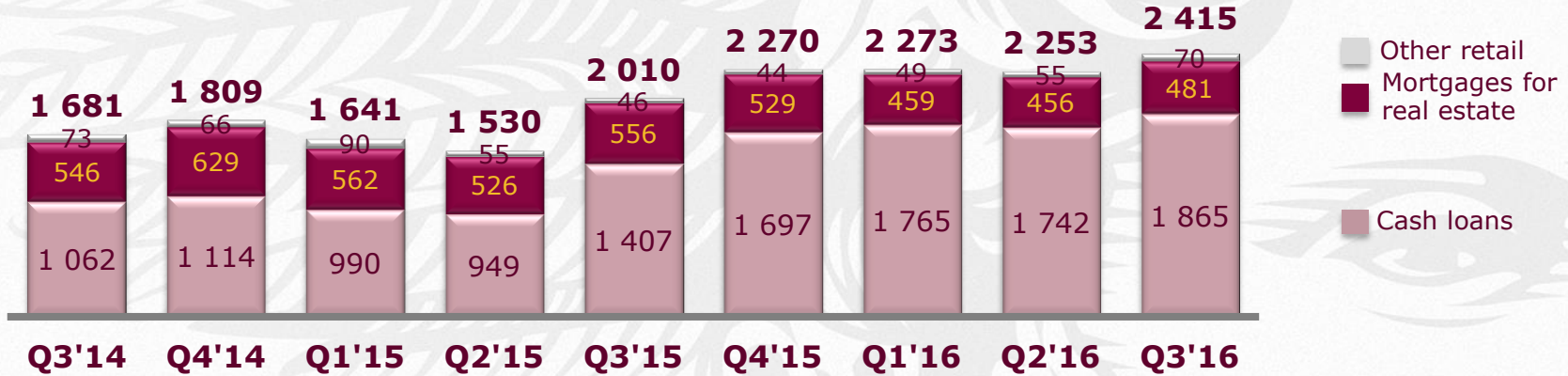


\* on the basis of number of shares registered on Extraordinary GSM which took place on May 5, 2016.

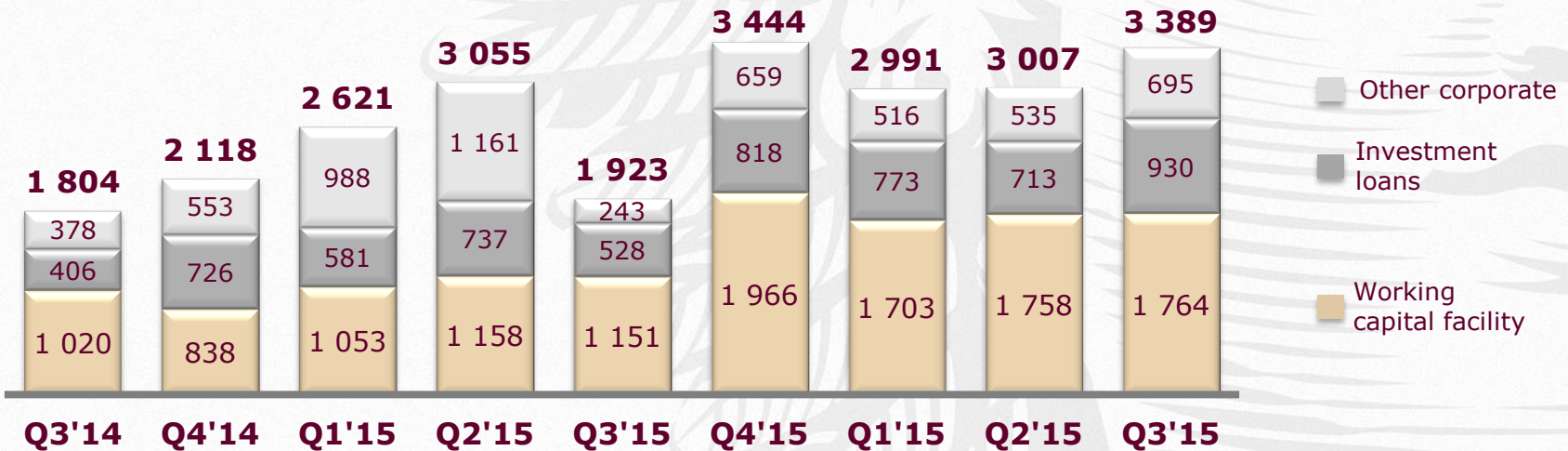
\*\* 4,58% of votes at GSM – according to the information provided by investor.

# NEW LOANS SALES IN RETAIL & SME

## Retail loans (new production per quarter)



## Corporate loans (new production per quarter)



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

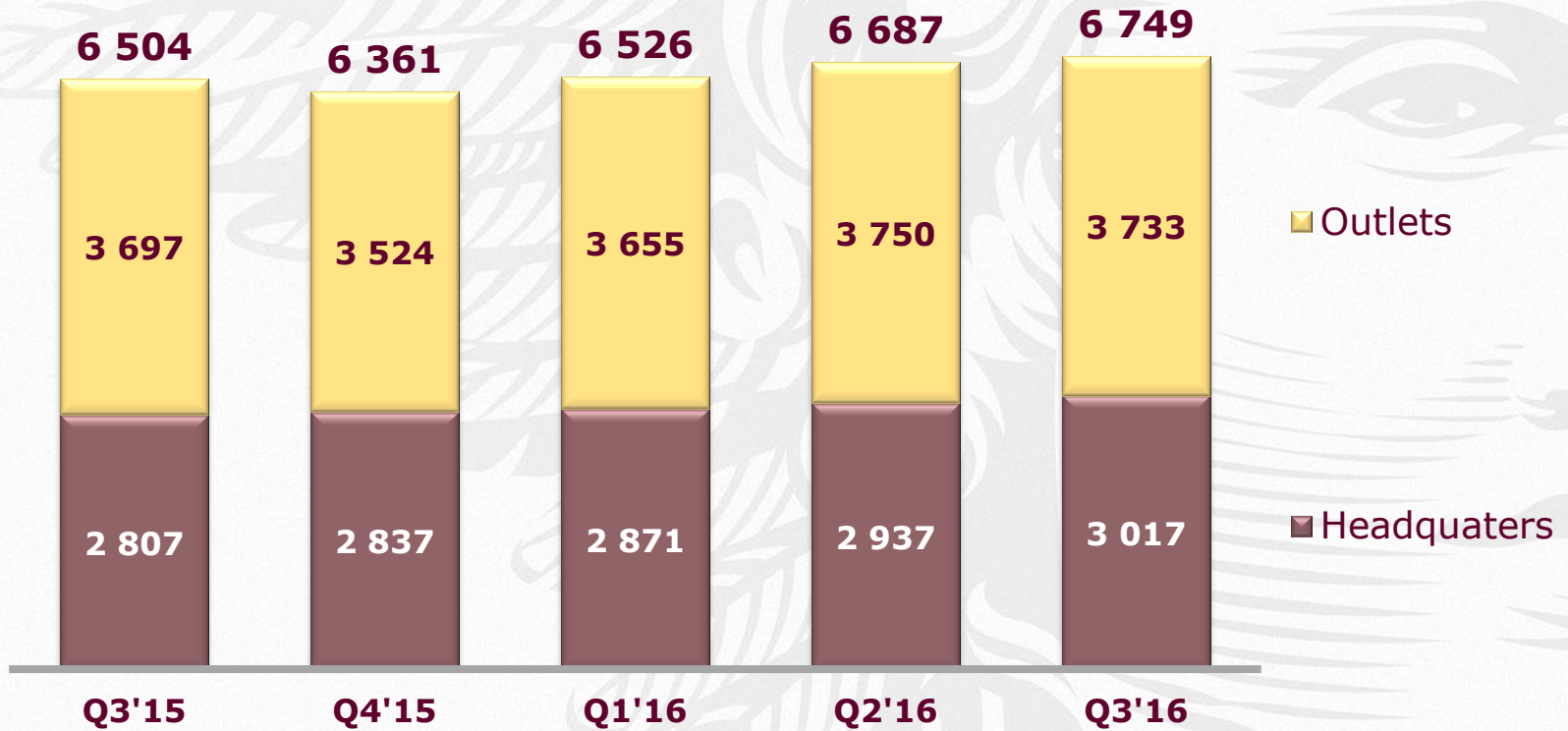
**Other retail includes:** loans for purchase of securities, credit card borrowings loans, other mortgage loans.

**Other corporate includes:** credit card borrowings loans, car loans, other receivables, factoring.

Meritum Bank loans sales included as from Q3'15

# EMPLOYEES

FTEs





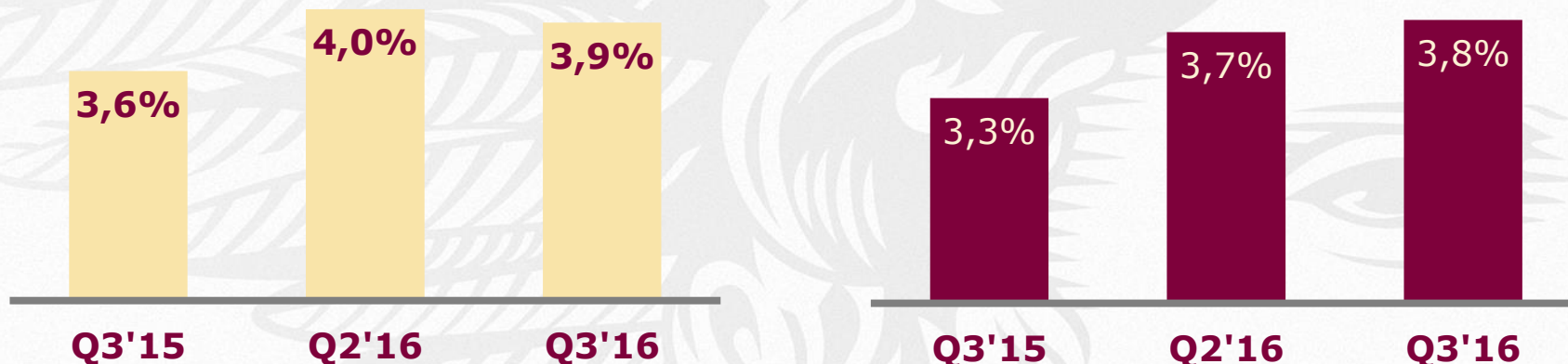


# CONTINUED GROWTH OF MARKET SHARE

Deposits

**MARKET SHARE**

Loans



Alior's deposits as well as gross loans according to published financial statements.

Deposits

**Quarterly growth (%)**

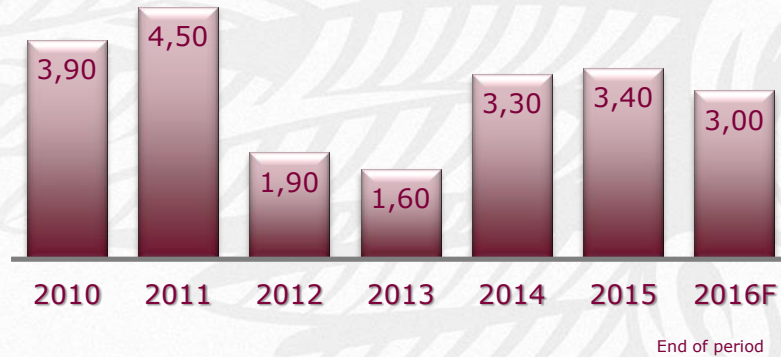
Loans

	Total		Retail		Corporate	
	ALIOR	Market	ALIOR	Market	ALIOR	Market
JUN'15	7,1	1,7	1,9	0,9	17,6	3,7
SEP'15	5,6	2,5	7,2	2,0	2,8	3,9
DEC'15	7,1	4,9	5,4	4,3	10,2	7,0
MAR'16	6,4	-0,1	8,8	2,6	2,1	-7,5
JUN'16	6,1	3,2	5,4	2,3	7,4	5,5
SEP'16	-1,5	0,8	-2,6	0,7	0,5	1,0

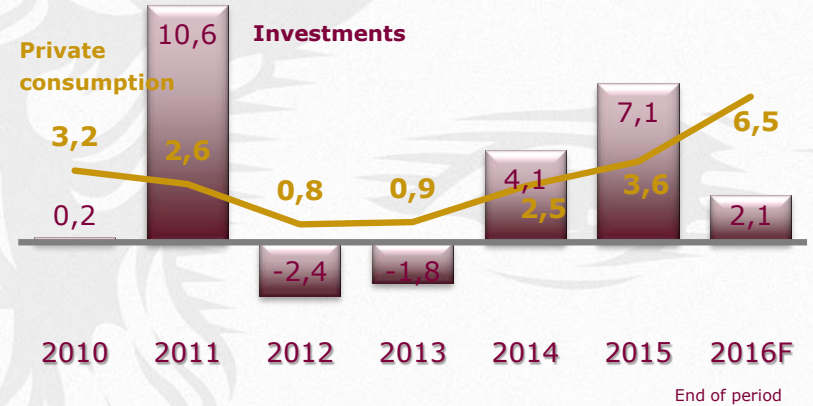
	Total		Retail		Corporate	
	ALIOR	Market	ALIOR	Market	ALIOR	Market
JUN'15	2,4	2,4	0,2	2,2	5,3	2,7
SEP'15	4,0	1,5	5,0	0,3	2,8	3,7
DEC'15	5,4	0,4	5,4	1,0	5,6	-0,7
MAR'16	6,1	1,3	5,7	0,6	6,6	2,7
JUN'16	4,5	2,2	4,9	2,6	4,1	1,5
SEP'16	3,1	1,0	3,8	0,5	2,1	1,9



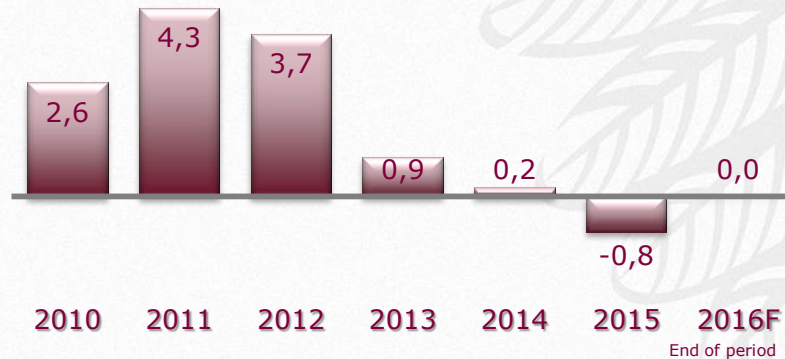
## GDP growth (% yoy)



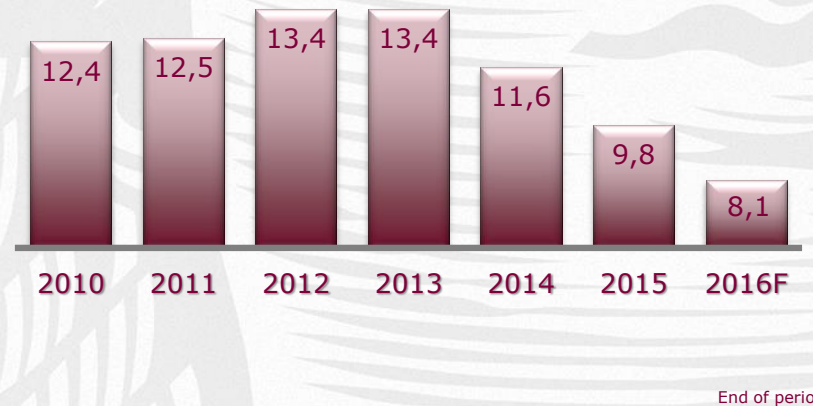
## Investments and private consumption (% yoy)



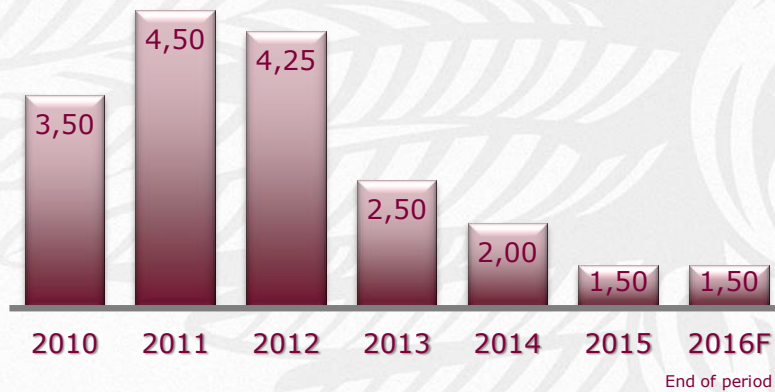
## Inflation (CPI % yoy)



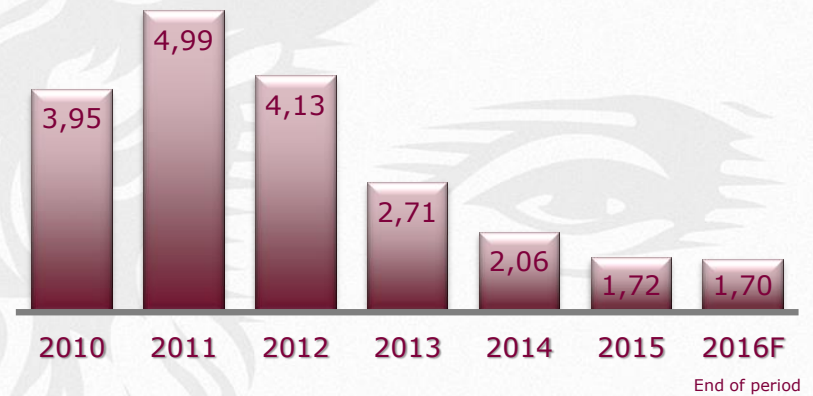
## Unemployment rate (%)



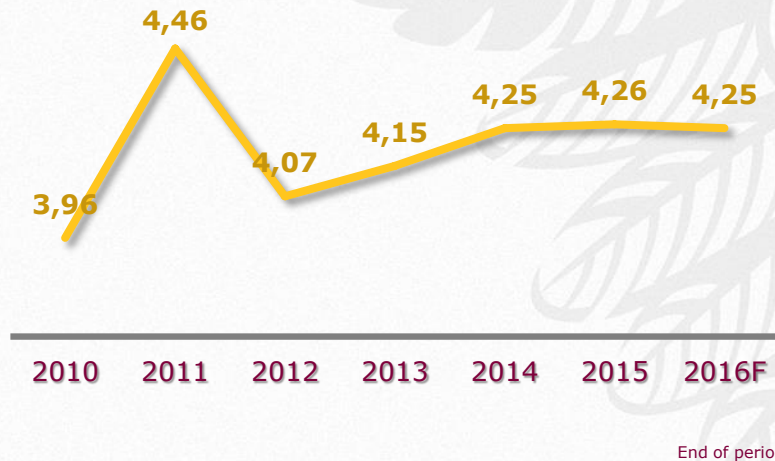
**NBP reference rate (%)**



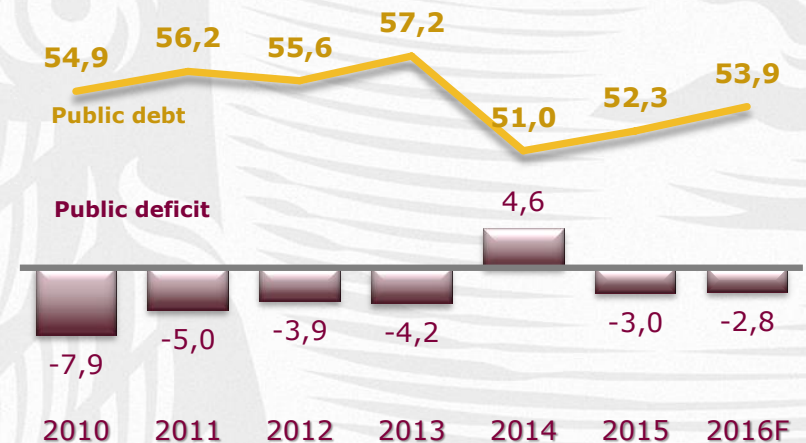
**WIBOR 3M (%)**



**FX rate (EUR/PLN)**

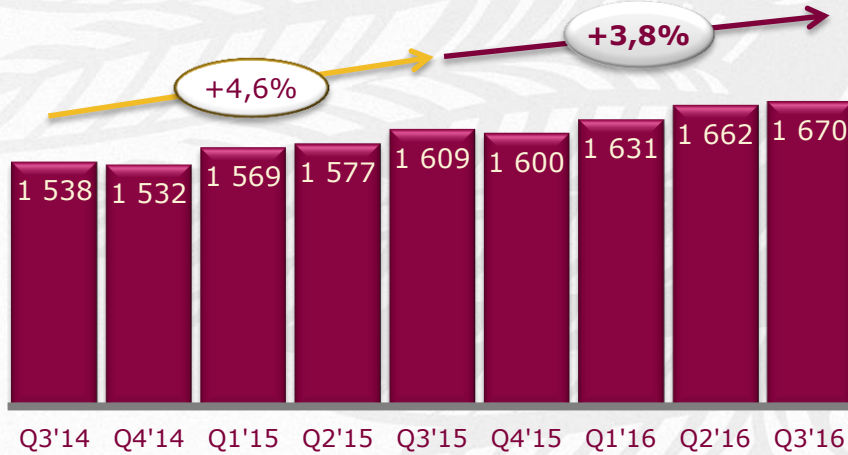


**Fiscal policy (% of GDP)**

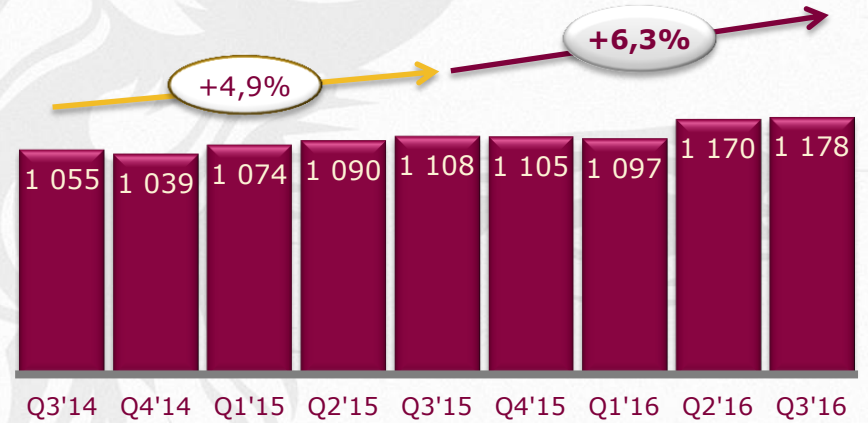


# POLISH BANKING SECTOR – GROWTH OF THE MAIN BALANCE SHEET FIGURES

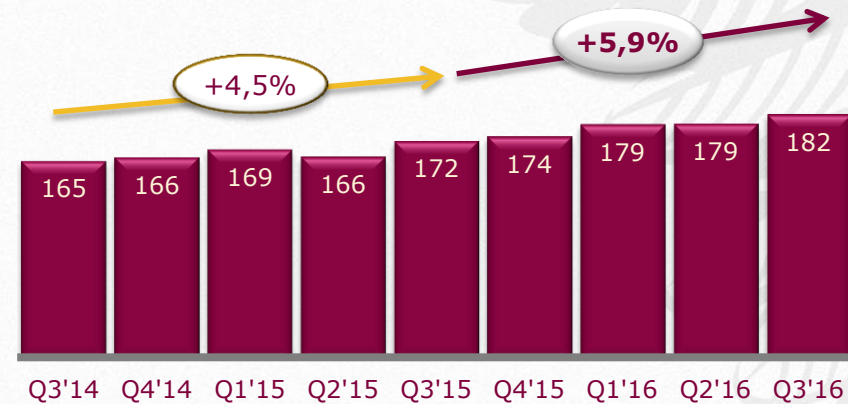
## Assets



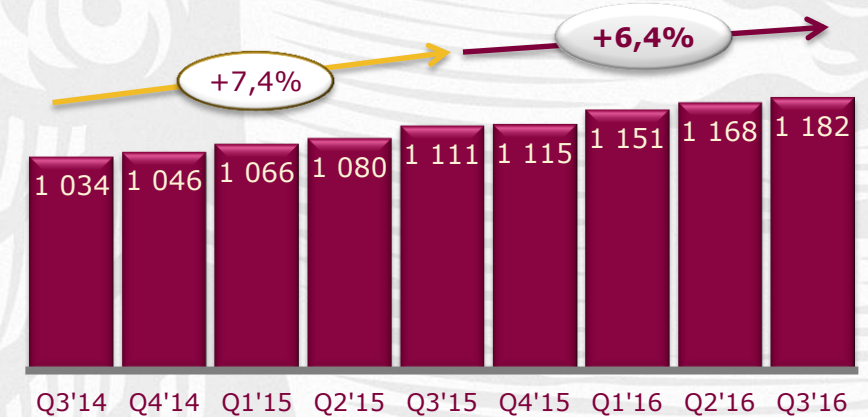
## Loans



## Equity



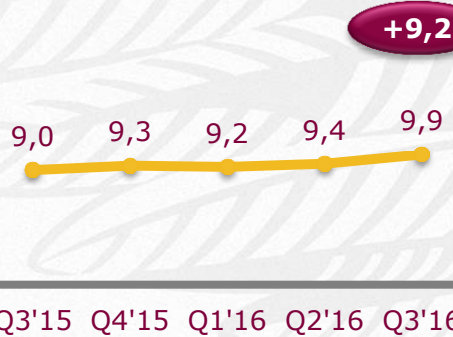
## Deposits



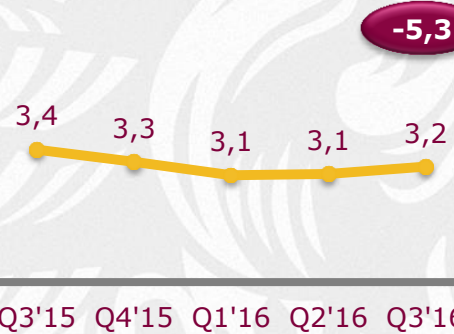


# POLISH BANKING SECTOR – MAIN P&L LINES PERFORMANCE

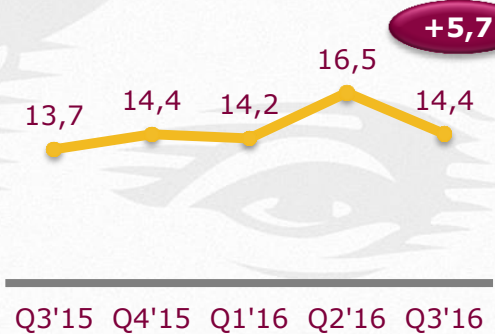
## NII



## NFC

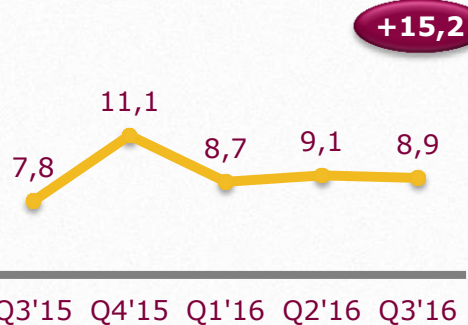


## Result on banking activity

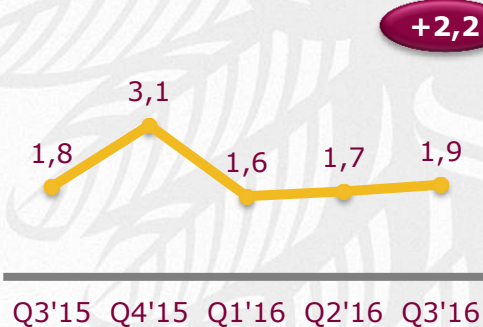


**X** - CHANGE VS. Q3'15 (%)

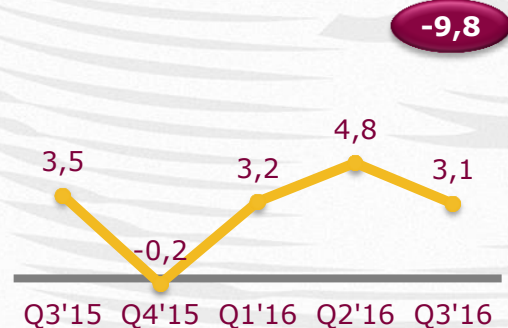
## Expenses\*



## Net impairment\*\*



## Net profit





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