



**ALIOR
BANK**

ALIOR BANK S.A.

1H 2014 results presentation

August 7, 2014

AGENDA

- Highlights
- Operational Performance
- Strategic Initiatives
- Other issues
- Outlook
- Appendix

- **Highlights**
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✓ **NIM**

- Pricing policy centralization resulted in NIM recovery. 1H'14 NIM 4,7% vs 4,5% in Q1'14.

✓ **Growth and Profitability**

- +PLN 947 m of loans (+4,5%) in Q2'2014
- Cost of risk increase to 230 bps accompanied by increase in profitability (as announced post-Q1 results)

✓ **T-Mobile**

- T-Mobile banking services development as planned.
- Acquisition of 58 thsd. clients (July 2014).

KEY FINANCIALS

M PLN	1H'14	1H'13	(A/B)-1 (%)	Q2'14	Q1'14	(D/E)-1 (%)
	A	B	C	D	E	F
Net interest income	575	462	25	304	271	12
Net fee and commission income	167	116	45	84	84	0
Trading result & other	141	146	-3	78	63	25
Operating income	884	723	22	466	417	12
General Administrative Expenses	-449	-401	12	-234	-215	9
Impairment losses	-247	-160	54	-130	-117	11
Gross profit	188	162	16	102	85	20
Net profit	151	128	18	83	68	22

M PLN	1H'14	1H'13	(A/B)-1 (%)	2013	A-D	(A/D)-1 (%)
Loans	21 883	17 370	26	19 658	2 225	11,3
Deposits	21 418	19 052	12	20 842	575	2,8
Total equity	2 822	2 064	37	2 185	638	29,2
Total assets	27 124	22 822	19	25 550	1 575	6,2

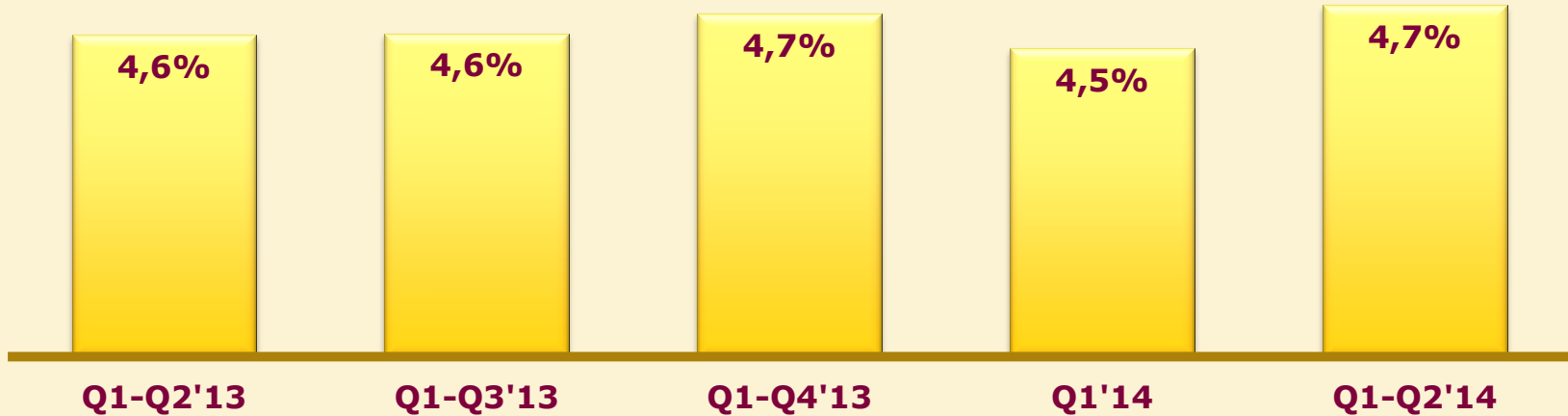
M PLN	1H'14	1H'13	A-B	Q2'14	Q1'14	D-E
ROE (%)*	12,1	12,7	-0,6	12,1	11,2	0,9
ROA (%)*	1,1	1,2	0,0	1,1	1,1	0,1
C/I (%)	50,8	55,5	-4,7	50,2	51,5	-1,3
CoR (%)*	2,3	1,9	0,3	2,3	2,2	0,1
L/D (%)	102,2	91,2	11,0	102,2	95,7	6,5
NPL ratio (%)*	8,4	6,5	1,9	8,4	8,1	0,3
NPL coverage ratio (%)*	52,6	56,7	-4,1	52,6	52,3	0,4
CAR (%)	13,1	12,8	0,3	13,1	13,5	-0,4
Tier 1 (%)	11,5	10,8	0,7	11,5	11,9	-0,4

* Ratios same for 1H'14 and Q2'14; for Q2'14 ratios calculated cumulatively.

AGENDA

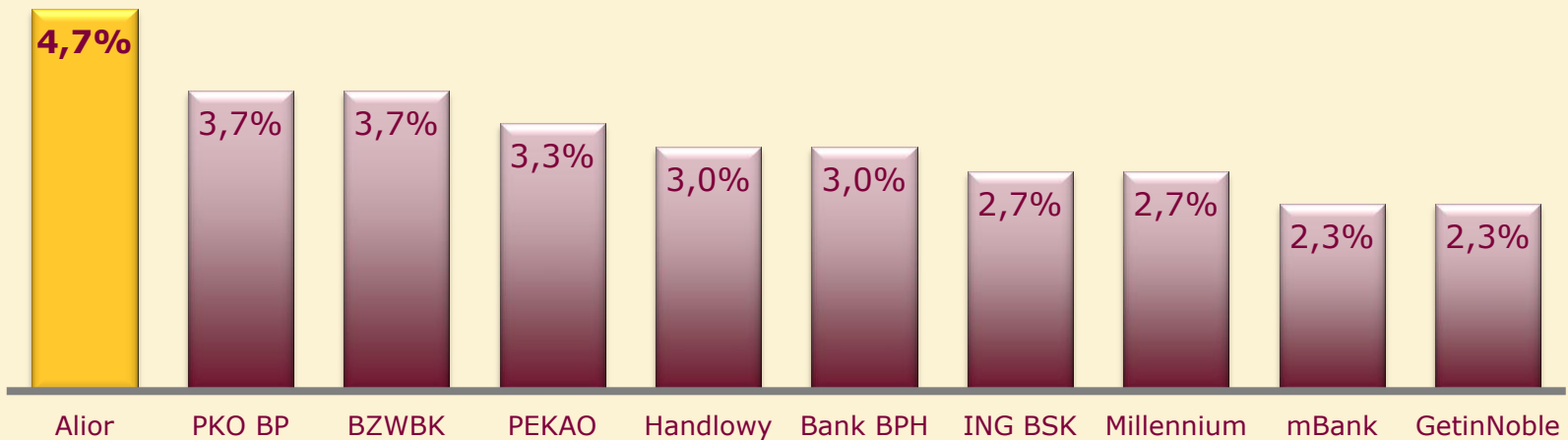
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Alior NIM development



NIM formula: NII for Q1'14 and Q2'14 annualized divided by average IEA from Q4'13 and Q2'14.

NIM in selected Polish banks (Alior, Millennium, mBank, BZWBK , Pekao – Q2'14, other - Q1'14)

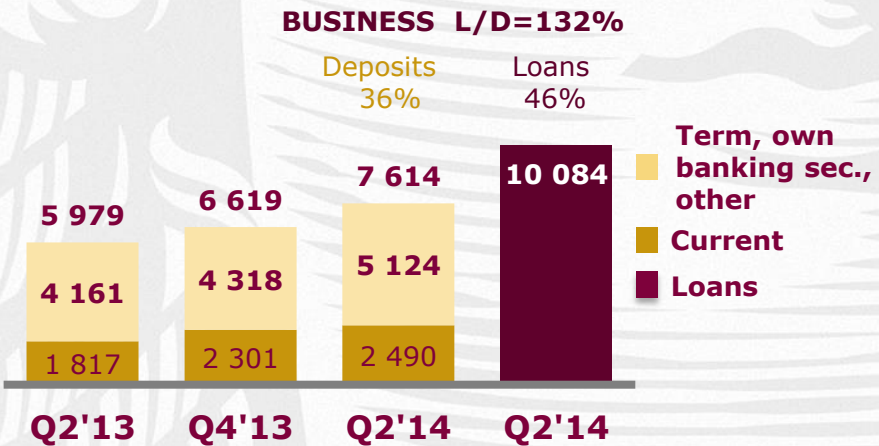
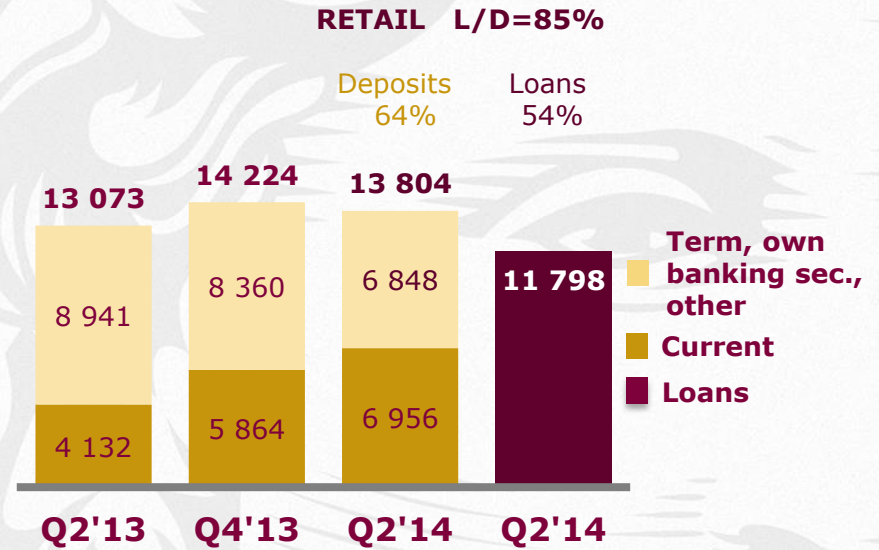
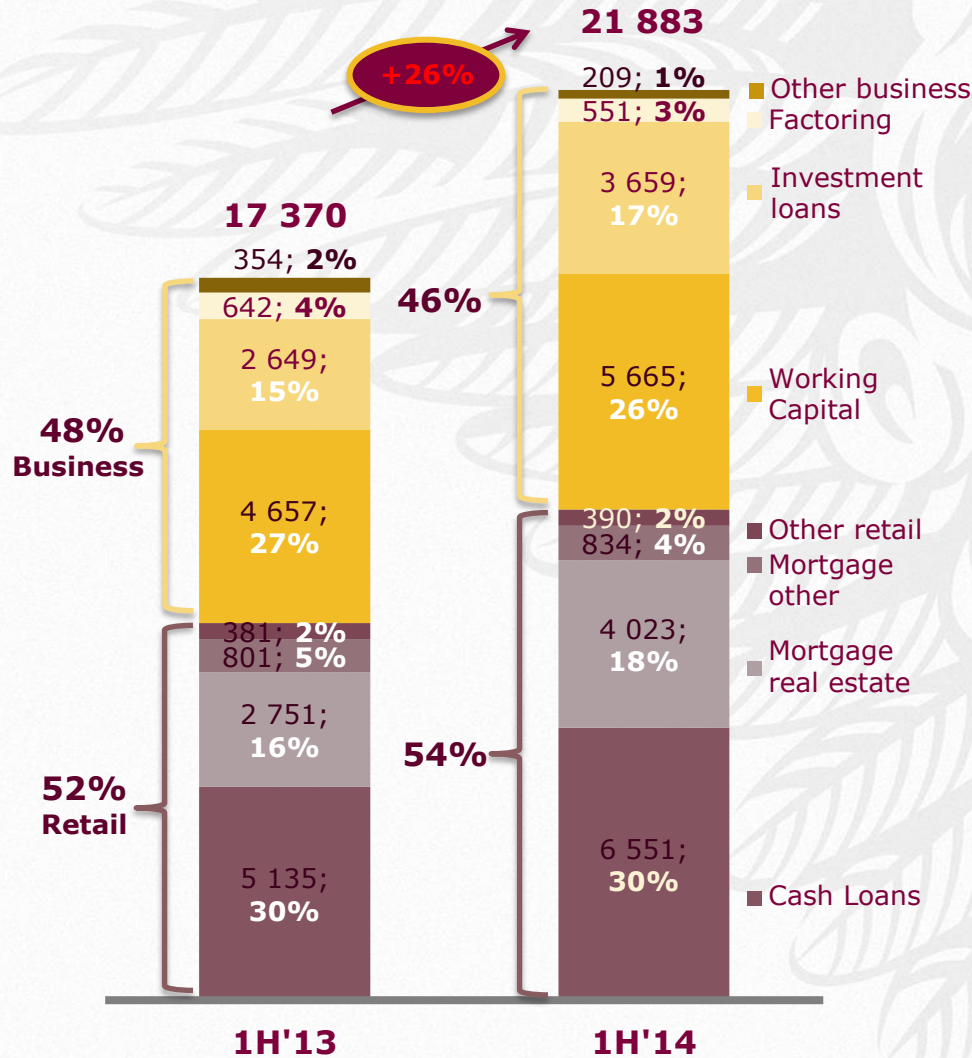


LOAN BOOK DEVELOPMENT AND FINANCING

Loan book split

L/D = 102%

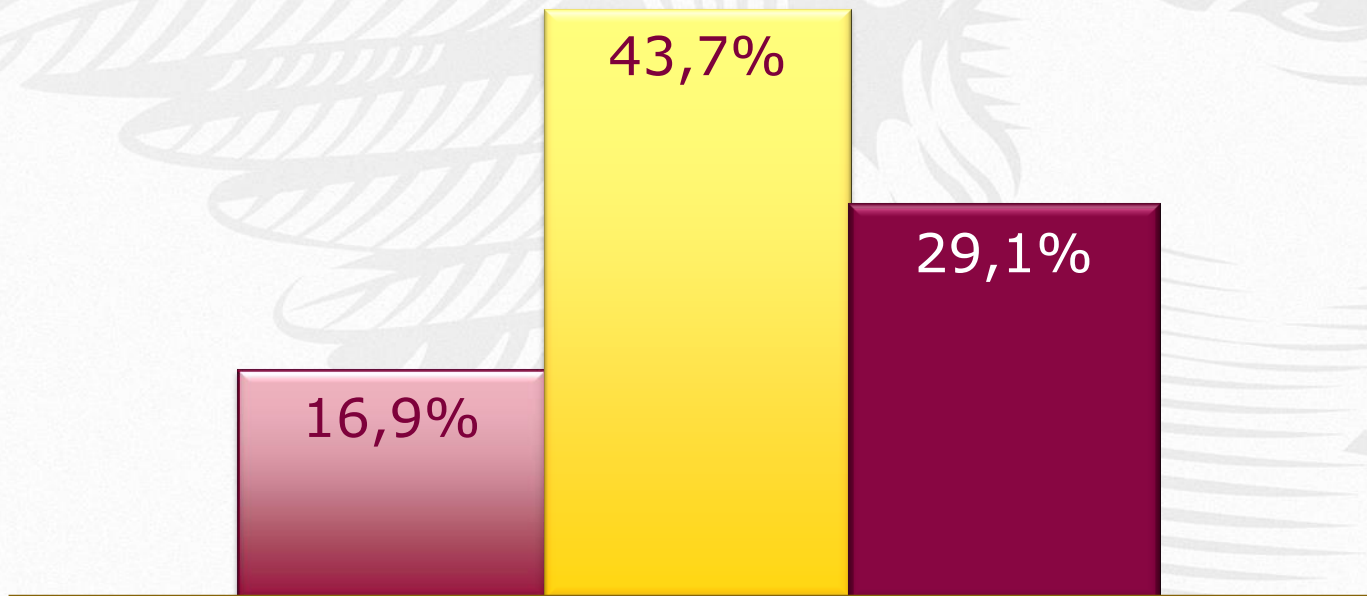
in PLN m



MAINTAINING FAVORABLE TREND IN GROWING CURRENT ACCOUNT RETAIL DEPOSITS

Significant and still increasing number of salary accounts

% of salary accounts Q2 2014

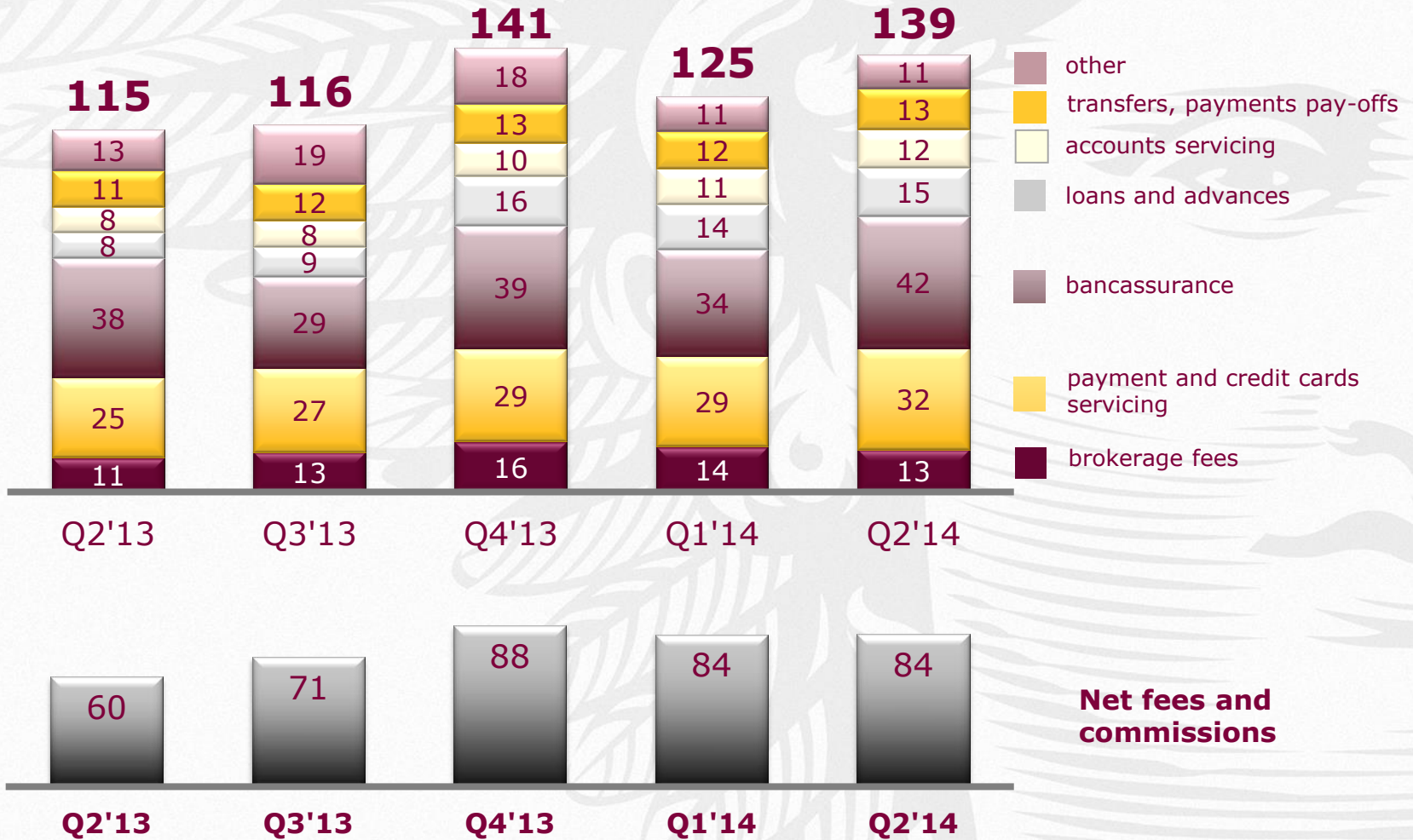


■ ARBO customers ■ Non-ARBO customers ■ Total retail customers

ARBO – „Alior Rachunki bez opłat” – customers utilizing branches to conduct bill payments

FEE INCOME PERFORMANCE

Fee income split (in PLN m, structure)



CREDIT RISK OVERVIEW

NPL total (%)

■ Q2'13 ■ Q3'13 ■ Q4'13 ■ Q1'14 ■ Q2'14



Coverage ratio (%)

■ Q2'13 ■ Q3'13 ■ Q4'13 ■ Q1'14 ■ Q2'14

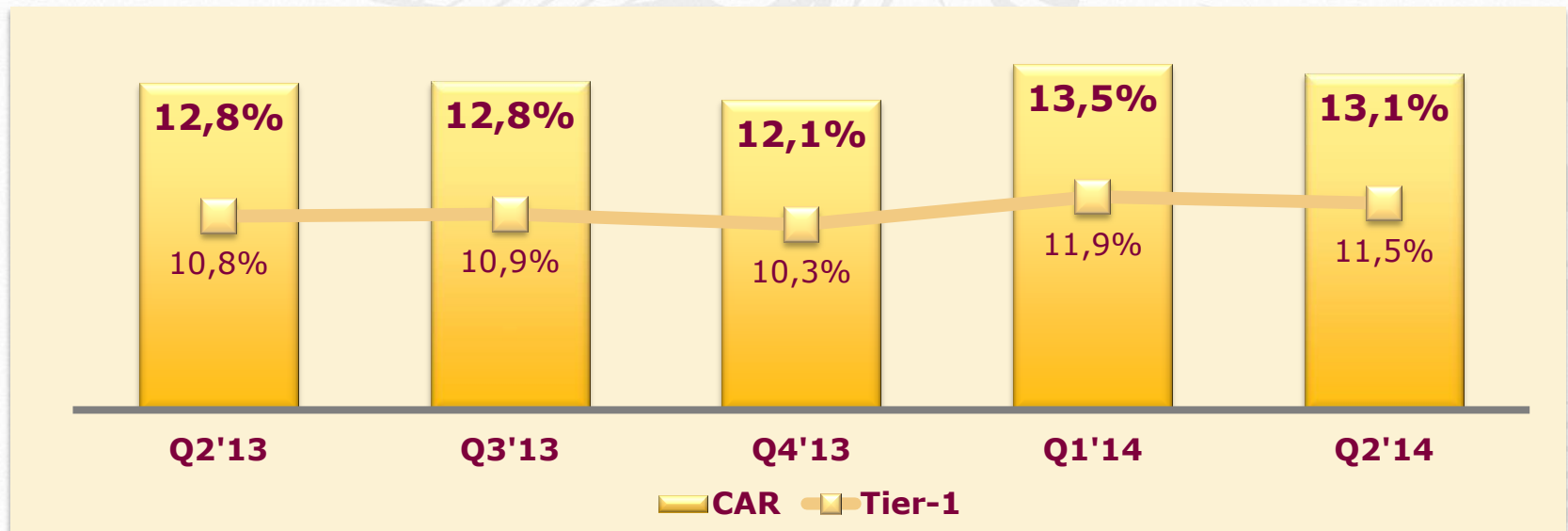
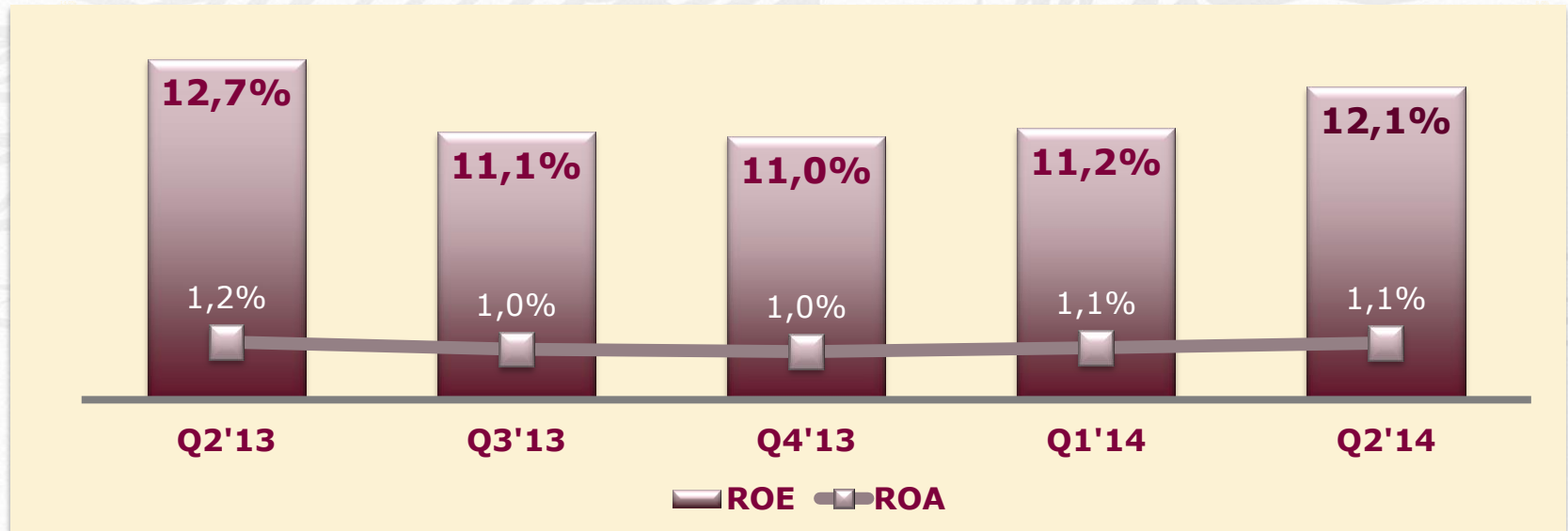


Loan portfolio structure (%)	Corporate	Retail	Mortgage
Alior	46	36	18
Banking sector	34	26	40

Retail means the total retail portfolio – mortgages for real estates portfolio

*Ratios calculated on the basis of figures on sector receivables published monthly by National Bank of Poland. Sector Corporate line excluding budget entities.

STRONG CAPITAL POSITION ALLOWS FOR CONTINUOUS PROFITABLE GROWTH



Q1'14 figures for CAR and Tier-1 include 2013 net profit.

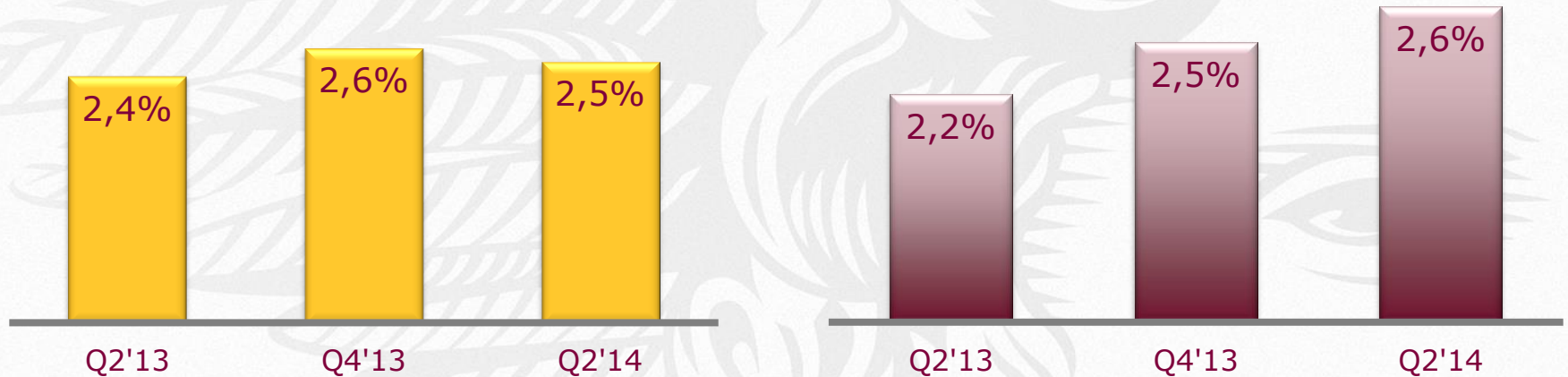


ON TRACK TO CAPTURE 4% MARKET SHARE BY 2016

Deposits

MARKET SHARE

Loans



Deposits

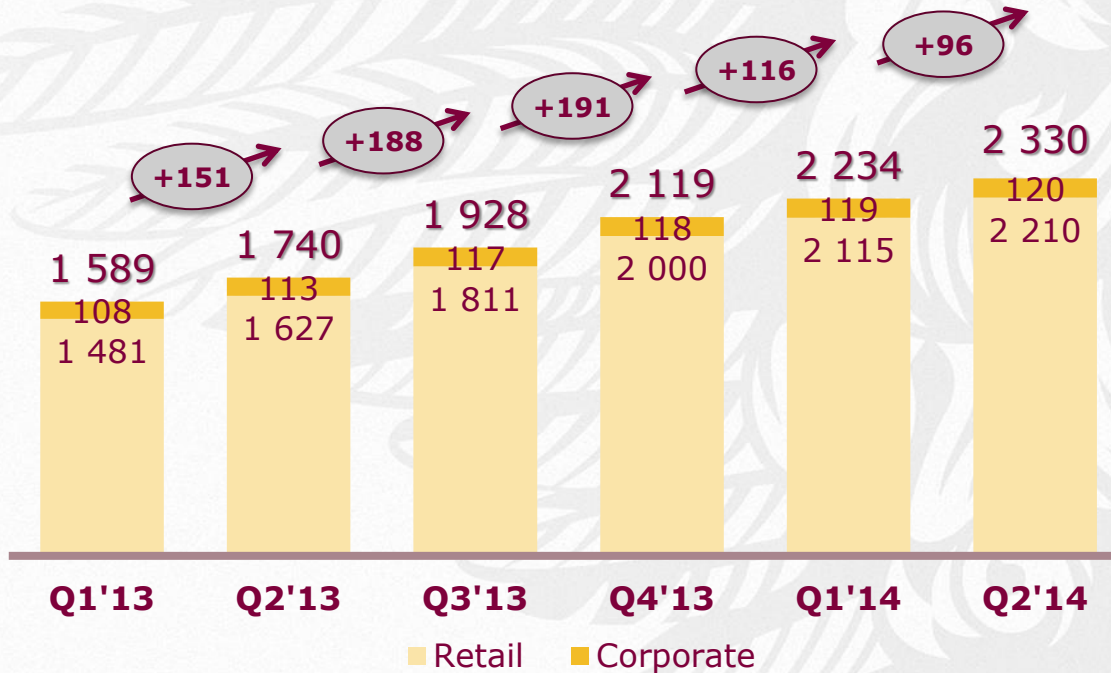
MONTHLY GROWTH (%)

Loans

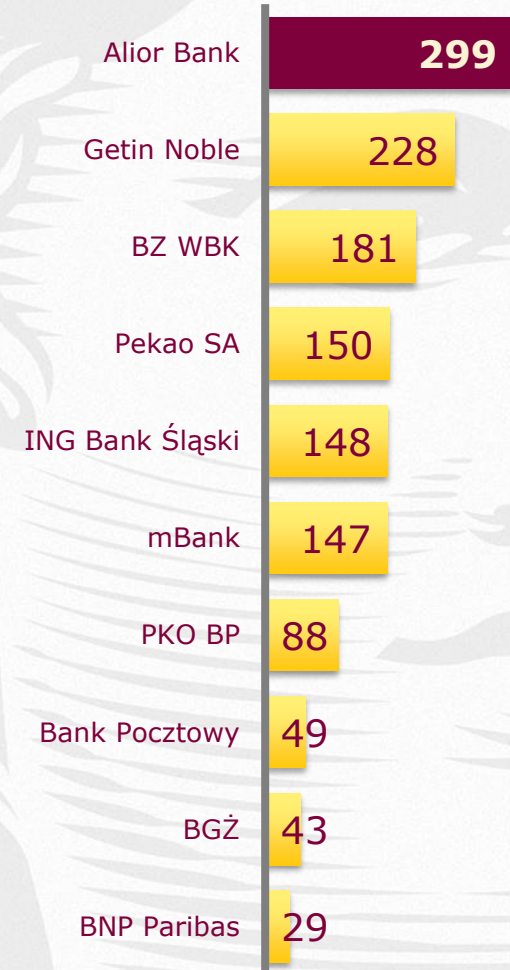
	Total		Retail		Corporate			Total		Retail		Corporate	
	ALIOR	Market	ALIOR	Market	ALIOR	Market		ALIOR	Market	ALIOR	Market	ALIOR	Market
JAN	0,2	-1,1	4,3	1,2	-9,4	-7,1	JAN	1,3	1,2	2,1	1,0	0,2	1,7
FEB	-0,1	0,7	-0,7	1,0	1,6	-0,5	FEB	1,7	0,0	1,5	-0,2	2,0	0,4
MAR	2,2	0,8	1,4	0,5	4,1	1,7	MAR	2,9	0,5	1,9	0,4	4,2	0,9
APR	-0,6	0,0	-3,5	0,4	6,8	-1,1	APR	1,8	0,9	1,8	0,7	1,9	1,4
MAY	-3,1	0,4	-4,2	0,0	-0,8	1,7	MAY	1,2	0,4	1,9	0,3	0,4	0,7
JUN	0,1	0,8	-1,1	0,5	2,7	1,9	JUN	2,1	0,9	2,0	0,7	2,2	1,3

ALIOR REMAINS A TOP PICK FOR INCREASING NUMBER OF CUSTOMERS

Customer acquisition on track



Current accounts growth Q1'14 vs. Q1'13 (ths)



Customers' segmentation acquisition channel for retail

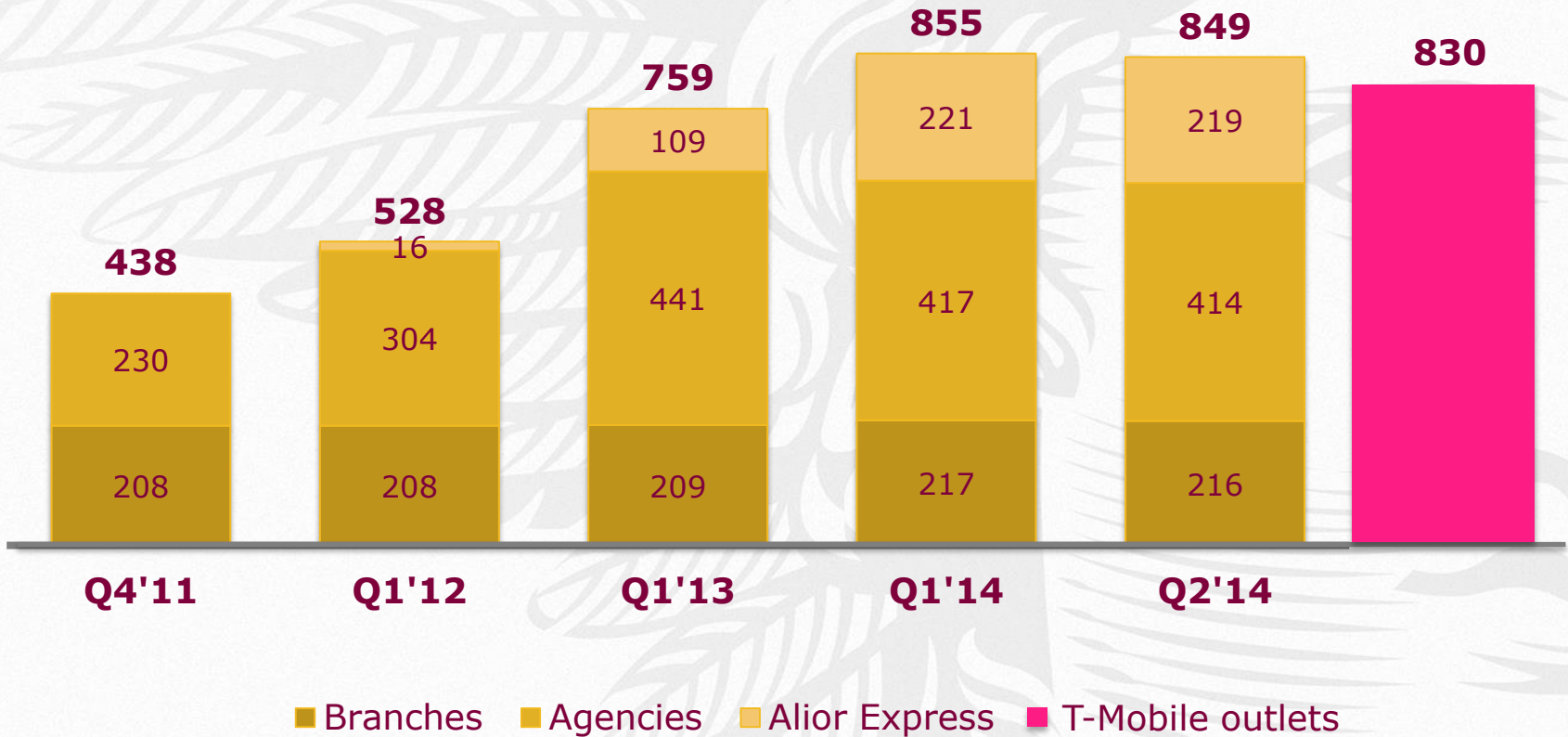
	Q1'13	Q2'13	Q3'13	Q4'13	Q1'14	Q2'14
Branches	1 204	1 252	1 300	1 346	1 388	1 414
AEX	40	51	63	78	94	104
CF	70	136	232	337	369	384
T-Mobile	168	189	216	238	263	308

Source: PR news

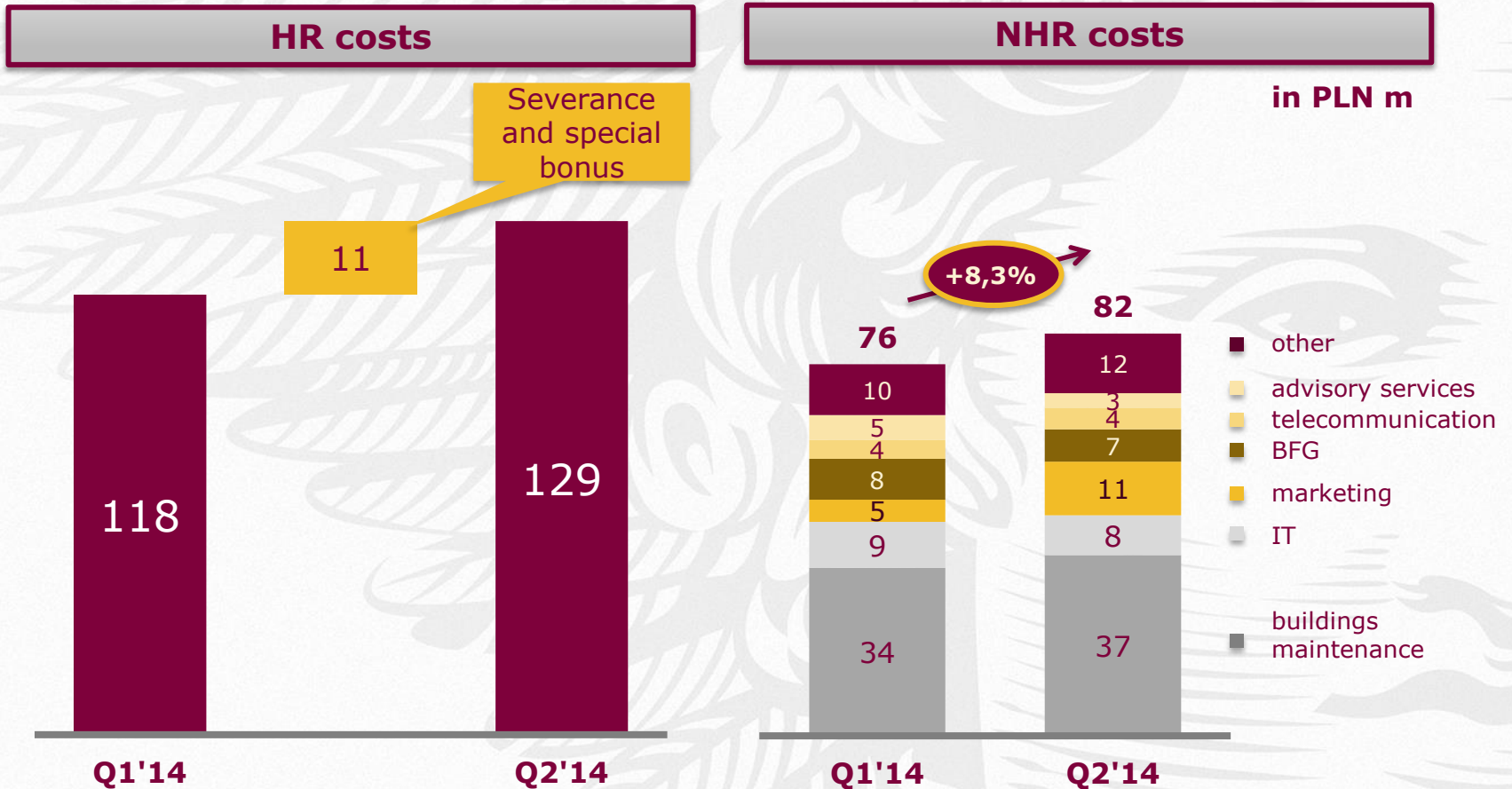


WIDE RANGE AND DIVERSIFIED DISTRIBUTION NETWORK

4th largest distribution network in Poland



GENERAL AND ADMINISTRATIVE EXPENSES



High effectiveness of Alior marketing spend: 50% above market average (source: Millward Brown)

Alior brand communication reached 3rd place in Poland.

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T-MOBILE BANKING SERVICES CURRENT STATUS

May 4th 2014 – beginning of offering products under the brand:
T-Mobile financial services provided by Alior Bank

Business development

- 58 thsd. customers acquired in three months
(85% without previous relationship with Alior Bank).

Products offer

- current account drives customer acquisition
- cross-sell made based on intelligence gathered from point of sale and call center
- simple products are offered: current account, debit card, deposit, overdraft and cash loan
- plans to introduce new products, including business clients

Distribution channels

- internet
- mobile banking
- contact center
- virtual branch
- T-mobile outlets

Ambitious targets for the future

Acquisition of ~2 M clients within 5 years

- 16 M strong T-Mobile client base
- Synergies in T-Mobile distribution and marketing

Strong profitability

- Targeted ROE in year 3 of 16% growing to ~40% in year 5

Developing joint capabilities in product design and distribution

- Based on wide range of financial and telecom based customer data

Creating an option to expand the cooperation to other T-Mobile markets worldwide

Increasing X-sell volumes form CF customers

Instalment loans average monthly volumes (PLN m)

2014-01	2014-02	2014-03	2014-04	2014-05	2014-06
648,4	663,2	679,0	684,9	673,7	675,1

-0,6%

X-sell average monthly volumes (PLN m)

2014-01	2014-02	2014-03	2014-04	2014-05	2014-06
138,9	153,2	166,1	186,8	206,1	231,0

+39,1%

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- On July 15, 2014 Alior Bank received a written statement from KNF (the regulator) identifying no irregularities concerning a share sale of Luxco company on October 1, 2013.

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Growth

Loan growth > **PLN 400 m net monthly**

NIM

~**4,7%**

Costs

C/I 2014 below 50%

Risk

CoR 2014 -2,3% (2,2% previously)

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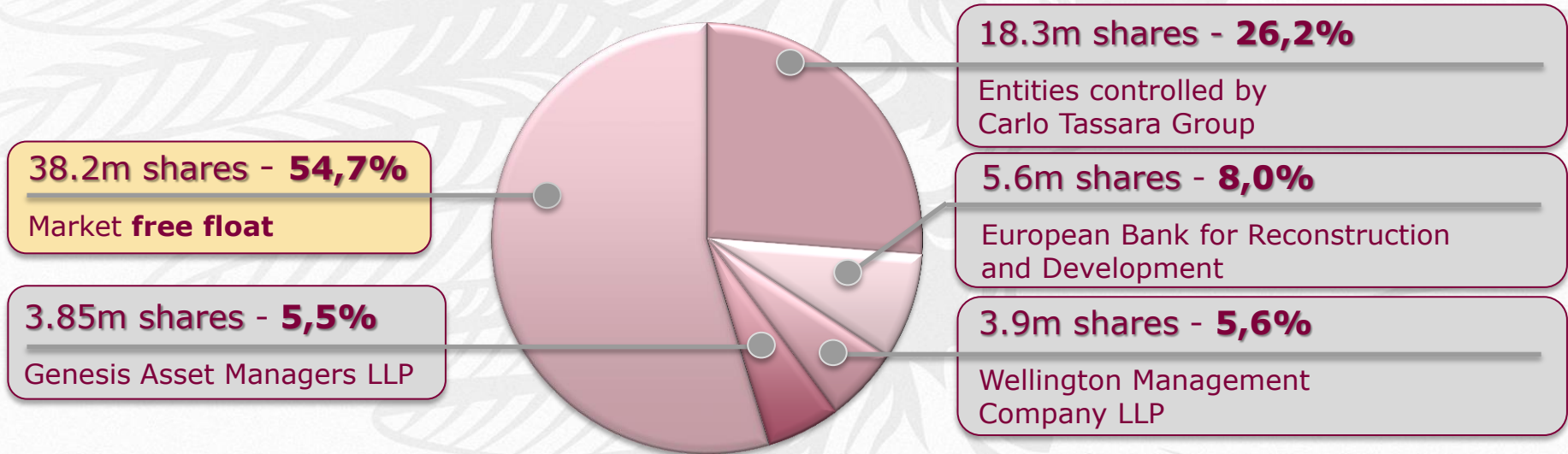
INCOME STATEMENT SNAPSHOT

in PLN m	Q1'13	Q2'13	Q3'13	Q4'13	Q1'14	Q2'14
Interest income	376	370	357	415	392	429
Interest expense	-155	-130	-118	-117	-121	-125
Net interest income	222	240	239	298	271	304
Dividend	0	0	0	0	0	0
Fee and commission income	104	115	116	141	125	139
Fee and commission expense	-49	-55	-45	-52	-42	-55
Net fee and commission income	55	60	71	88	84	84
Trading result	49	78	53	46	56	65
Net gain (realized) on other financial instruments	1	6	0	5	0	2
Other operating income	9	15	8	17	12	14
Other operating costs	-9	-5	-3	-6	-5	-3
Net other operating income	1	11	5	11	7	11
General administrative expenses	-198	-204	-213	-233	-215	-234
Impairment losses	-74	-87	-102	-142	-117	-130
Gross profit (loss)	57	104	54	73	85	102
Income tax	-13	-21	-12	-15	-17	-19
Net profit from continuing operations	45	84	41	58	68	83
- attributable to equity holders of the parent	45	84	41	58	68	83
- attributable to non-controlling interests	0	0	0	0	0	0
Net profit attributable to equity holders of the parent	45	84	41	58	68	83

BALANCE SHEET SNAPSHOT

	Q1'13	Q2'13	Q3'13	Q4'13	Q1'14	Q2'14
Cash and balances with Central Bank	729	722	755	1 067	1 078	1 057
Financial assets held for trading	215	265	234	243	208	285
Financial assets available for sale	3 259	3 447	2 929	3 389	3 172	2 784
Hedging derivatives	0	0	3	12	21	16
Receivables from banks	138	170	182	254	278	306
Receivables from customers	15 619	17 370	18 310	19 658	20 936	21 883
Tangible fixed assets	208	207	206	215	208	204
Intangible assets	158	167	169	188	188	190
Investments in subsidiaries	0	0	0	0	0	0
Non-current asset held for sale	62	62	62	38	38	38
Current income tax receivables	138	129	118	144	147	145
Current	4	4	0	0	3	0
Deferred	134	125	118	144	144	145
Other assets	350	282	299	341	244	216
TOTAL ASSETS	20 875	22 822	23 269	25 550	26 518	27 124
Financial liabilities held for trading	146	157	154	184	178	226
Financial liabilities measured at amortized cost	17 643	19 591	20 084	21 660	22 528	22 983
Hedging derivatives	0	11	5	0	0	0
Provisions	9	5	4	11	4	8
Other liabilities	723	640	560	1 129	748	718
Income tax liabilities	0	3	0	32	0	19
- Current	0	3	0	32	0	19
Subordinated loans	344	352	344	349	343	349
Liabilities, total	18 865	20 759	21 151	23 365	23 800	24 302
Equity	2 010	2 064	2 118	2 185	2 718	2 822
Equity attributable to equity holders of the parent	2 010	2 064	2 118	2 185	2 715	2 820
Share capital	636	636	636	636	699	699
Supplementary capital	1 277	1 435	1 435	1 435	1 829	1 773
Revaluation reserve	2	-32	-23	-17	-14	6
Other capital	167	170	174	177	178	180
Undistributed result from previous years	-116	-274	-274	-274	-46	10
Current year profit/loss	45	128	170	228	68	152
Non-controlling interests	0	0	0	0	2	2
TOTAL LIABILITIES AND EQUITY	20 875	22 823	23 269	25 550	26 518	27 124

Free float



Management incentive shares

2012 incentive scheme

- 1,3 m shares were granted on June 30 with lock-up expiring Dec 2014

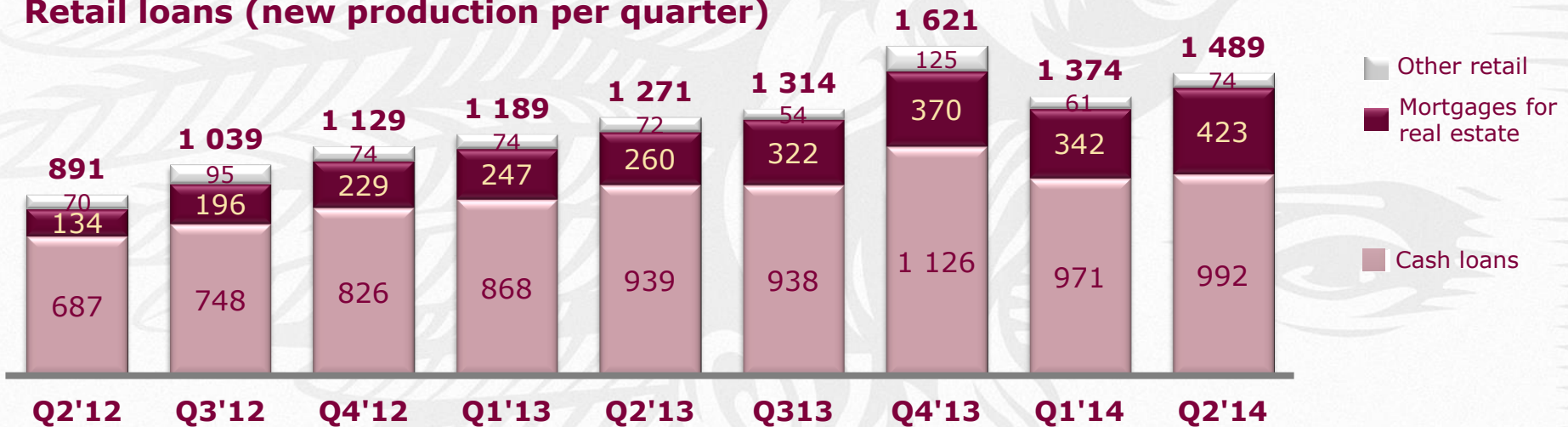
Option scheme linking management incentive to share price growth of approx. 4.5% of the share capital

Option scheme (total 3.3 m options over 3 years)

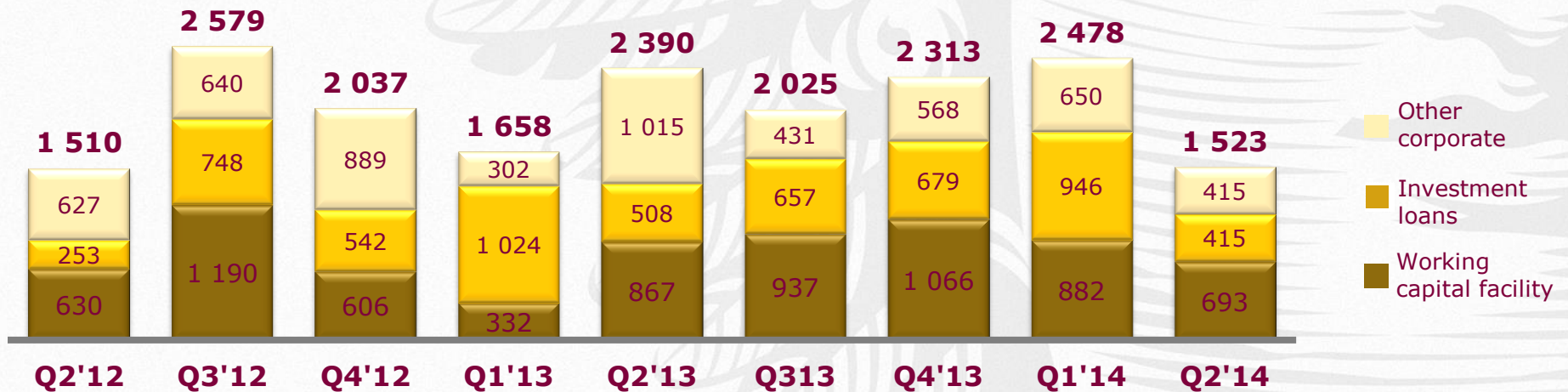
- 0,7 m options granted for 2013 and 0,3 m subject to conditional allocation in 2015
- 1,1 m options to be granted for 2014
- 1,1 m options to be granted for 2015

CONTINUED STRONG LOAN GROWTH ACROSS EACH SEGMENT

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 excluded.

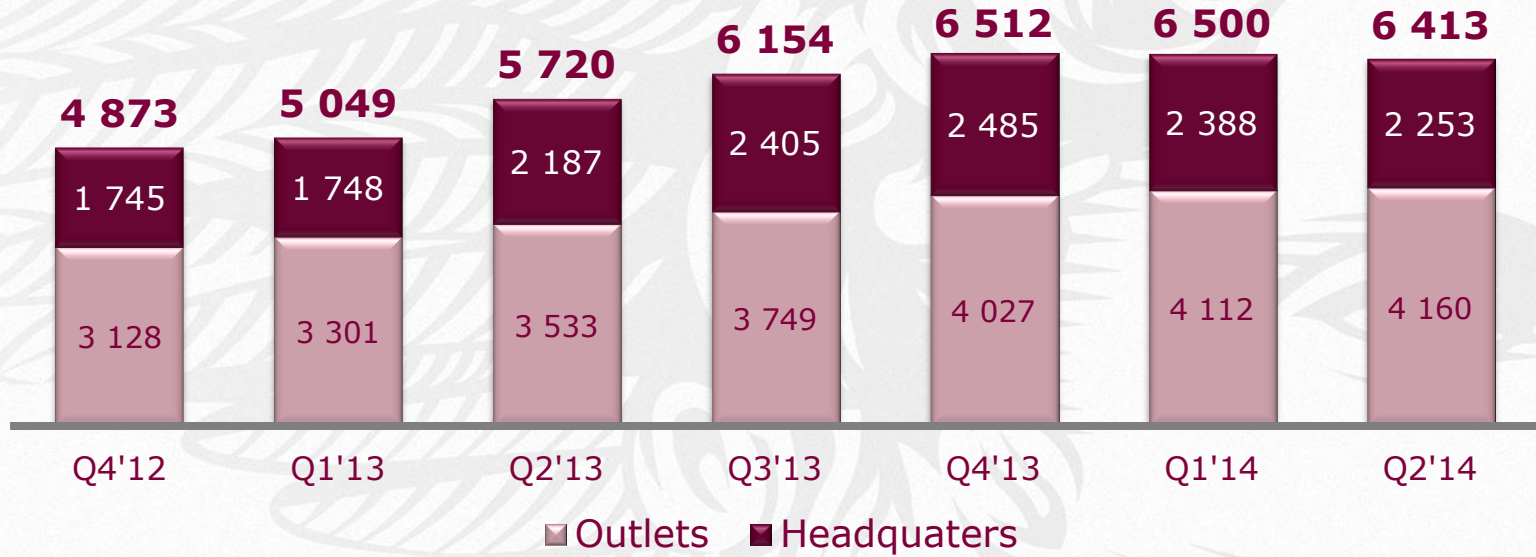
Other retail includes: loans for purchase of securities, credit card borrowings loans, other mortgage loans.

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

All the figures were restated in Q1'14 to be more in line with the „receivables by type“ note included in financial statement.

EMPLOYEES

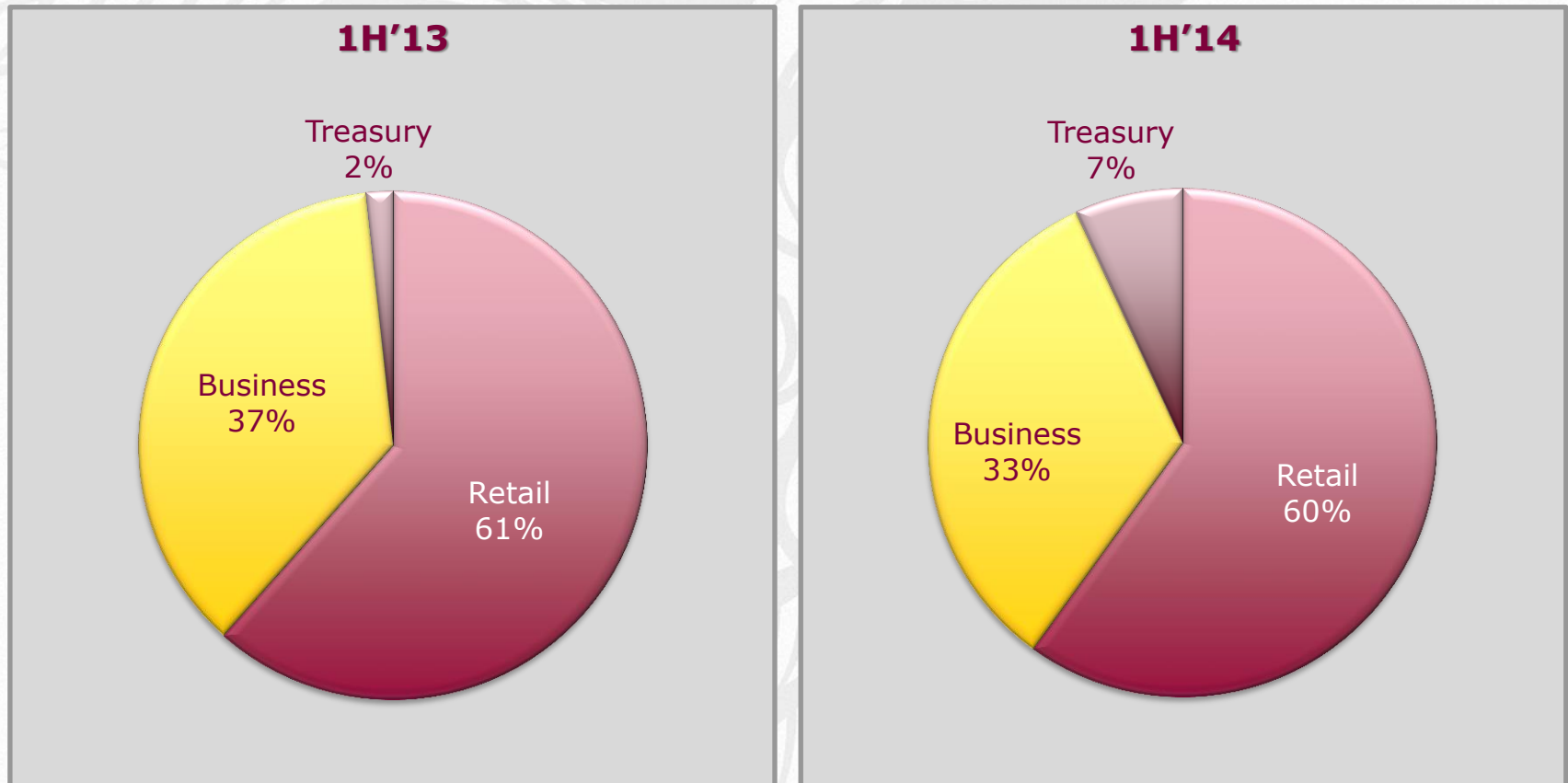
Persons



FTEs

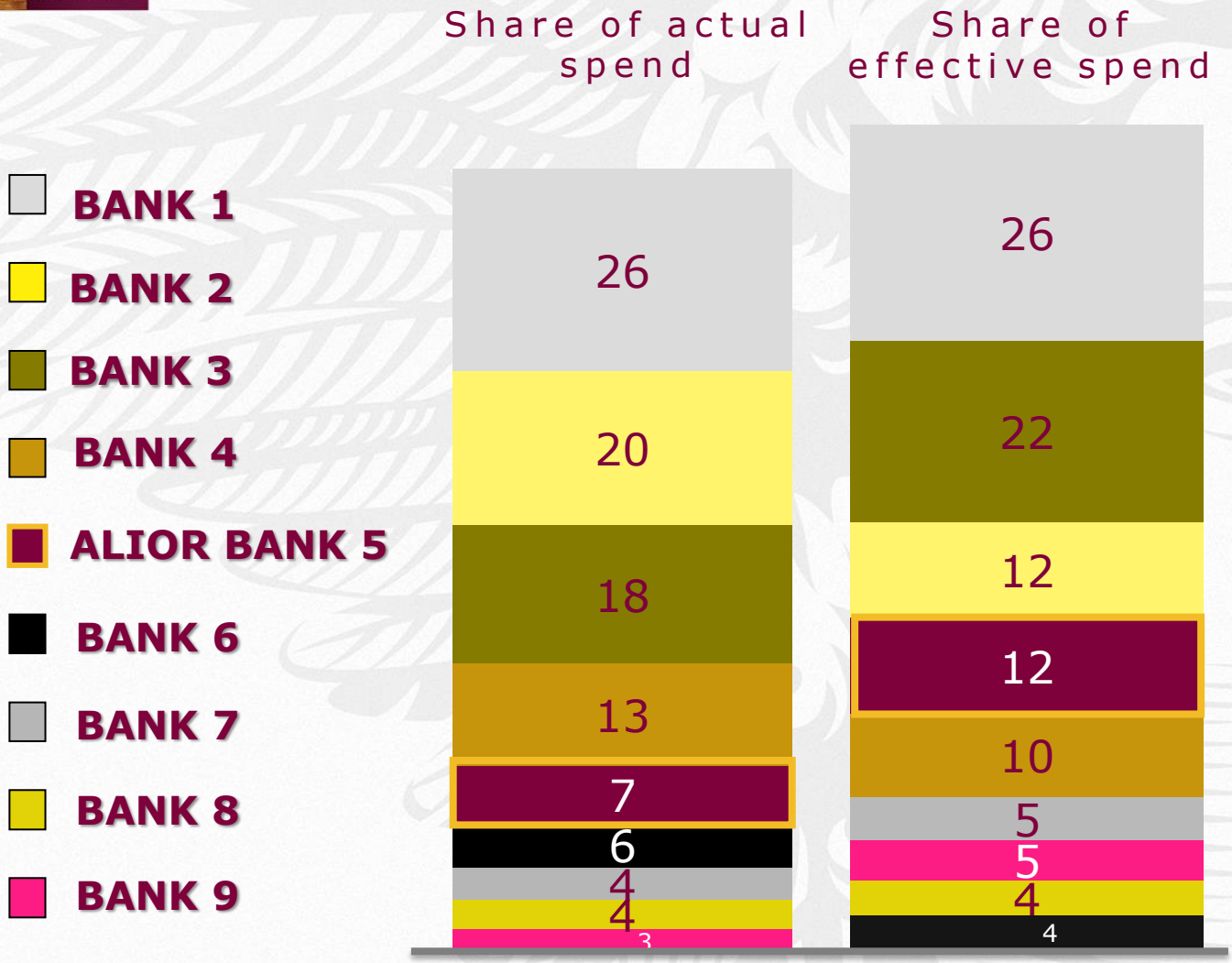


Net revenue split before impairment charges (%)





EFFECTIVE MARKETING COMMUNICATION



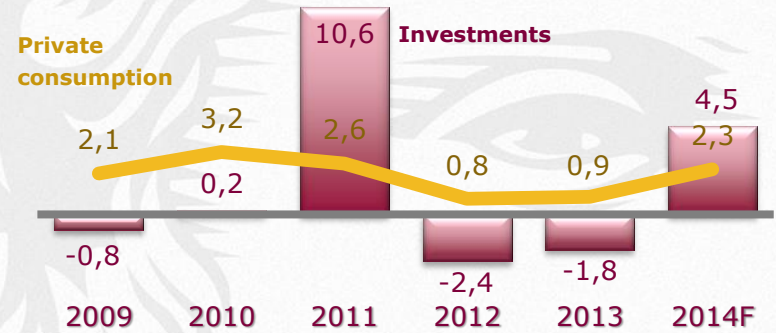
Total GRPs* 30 611
 * 30 sec equivalents

Q4'13
 %

GDP growth (% yoy)



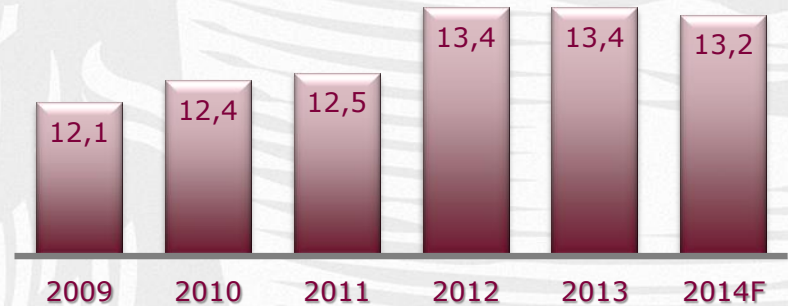
Investments and private consumption (% yoy)



Inflation (CPI % yoy)

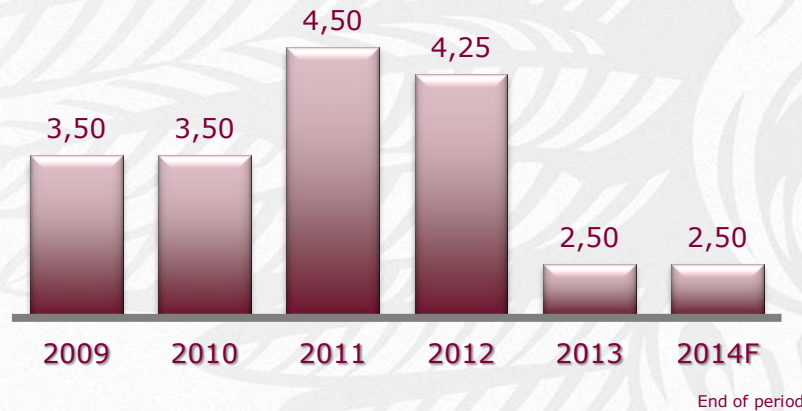


Unemployment rate (%)

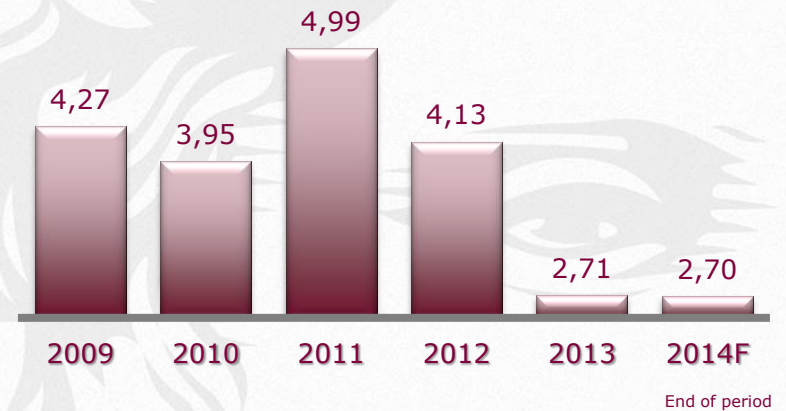


POLISH MACRO OUTLOOK

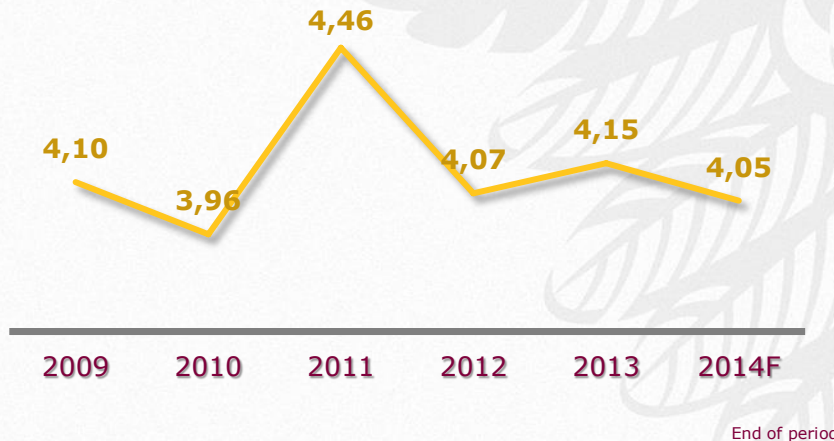
NBP reference rate (%)



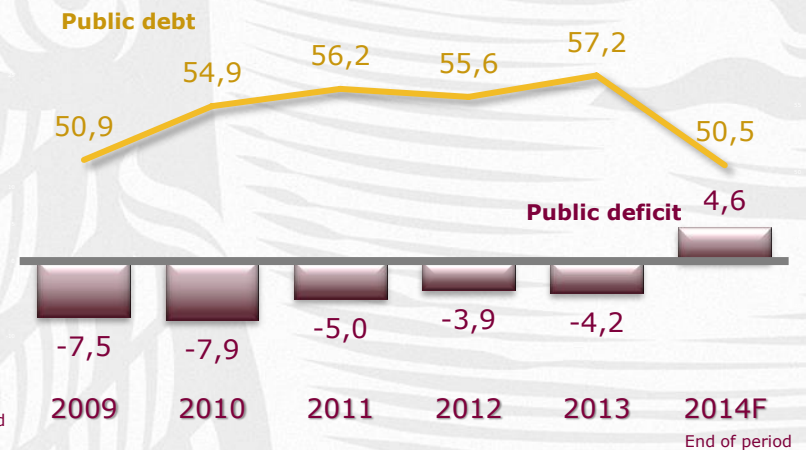
WIBOR 3M (%)



FX rate (EUR/PLN)

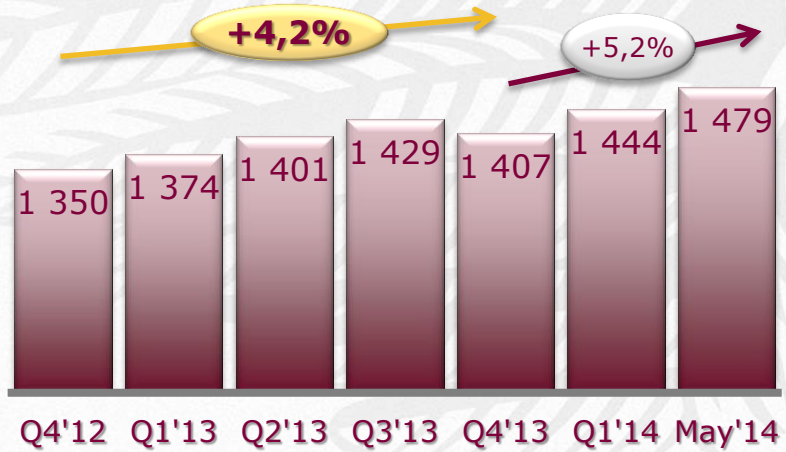


Fiscal policy (% of GDP)

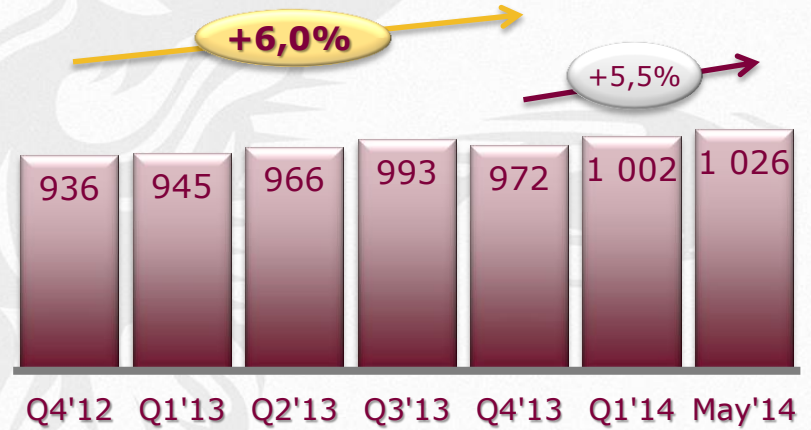


POLISH BANKING SECTOR – GROWTH OF THE MAIN BALANCE SHEET FIGURES

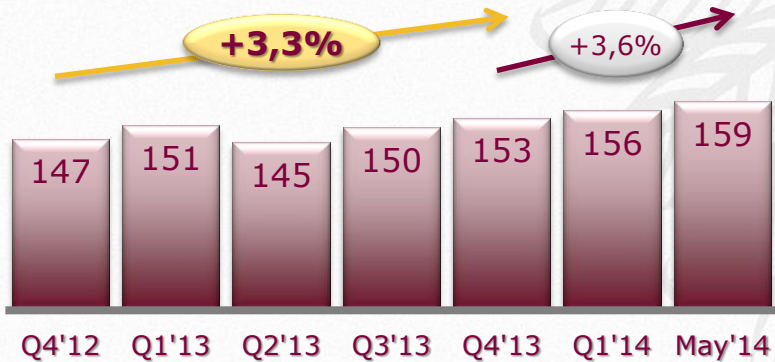
Assets



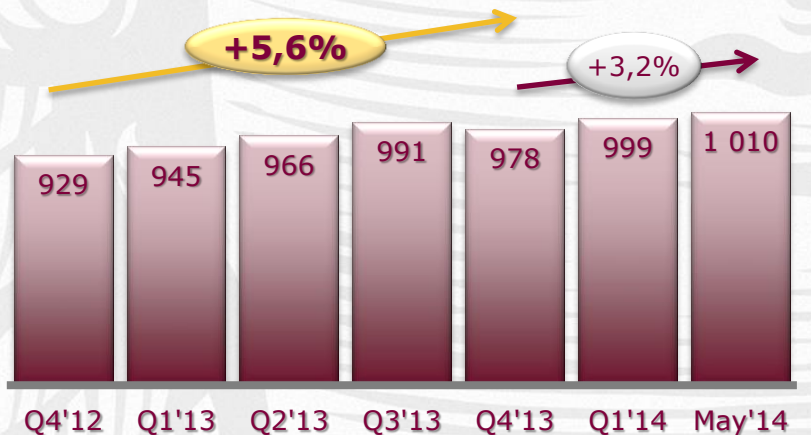
Loans



Equity

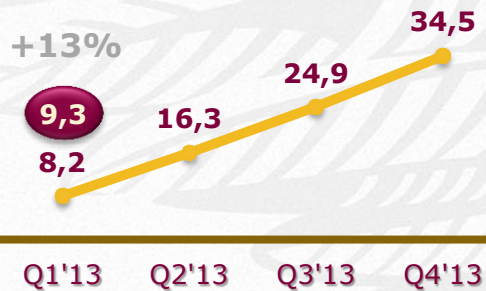


Deposits

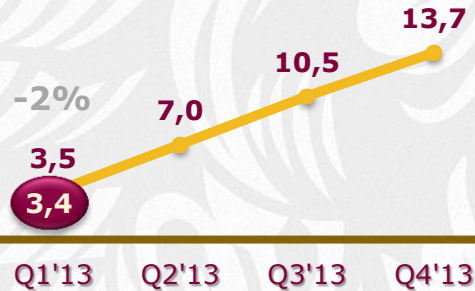


POLISH BANKING SECTOR – MAIN P&L LINES PERFORMANCE

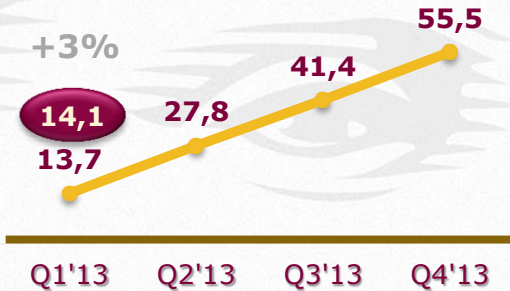
NII



NFC

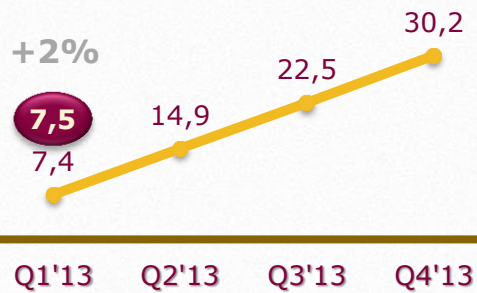


Result on banking activity

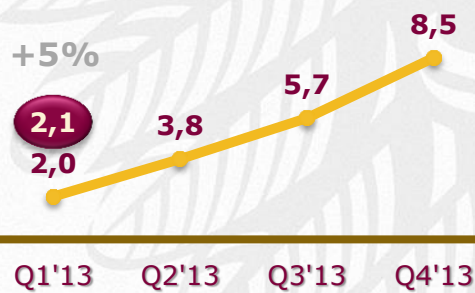


X - Q1'14

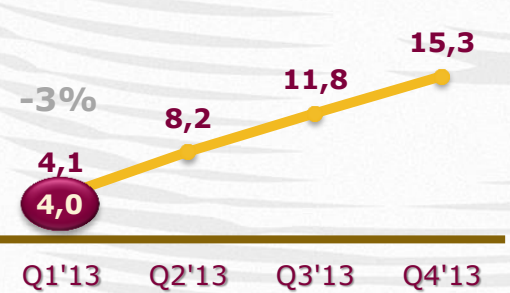
Expenses



Net impairment



Net profit



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