



ALIOR
BANK

ALIOR BANK S.A.

Q3 2014 results presentation

November 6, 2014



AGENDA

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



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- **Highlights**
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HIGHLIGHTS

✓ **Continuous & profitable growth**

- PLN 100 M net income Q3 normalized (up 48% YTD vs. 2013)
- Good progress of NIM minus CoR Q3'14: 2,4% vs Q1'14: 2,3%
- Strict cost discipline maintained Q3'14 C/I YTD below 50%
- Successful customer acquisition: 2,5 m clients as of today

✓ **T-Mobile: performance better than planned**

- 100 ths. clients acquired since launch in May'14
- Loan campaign to start before Christmas

✓ **Acquisiton of Meritum Bank**

- Strengthens Alior competitive advantage

✓ **ECB stress test & AQR**

- Stable capital position re-affirmed



KEY FINANCIALS

M PLN	Q3'14 YTD	Q3'13 YTD	(A/B)-1 (%)	Q3'14 QTD	Q3'13 QTD	(D/E)-1 (%)
	A	B	C	D	E	F
Net interest income	896	701	28	321	239	34
Net fee and commission income	253	187	35	85	71	20
Trading result & other	224	204	10	83	58	43
Operating income	1 373	1 092	26	490	368	33
General Administrative Expenses	-684	-614	11	-235	-213	11
Net impairment	-414	-262	58	-167	-102	63
Net impairment (excluding Polbita)	-376	-262	43	-129	-102	26
Gross profit	275	215	28	88	54	63
Gross profit (excluding Polbita)	313	215	46	126	54	134
Net profit	221	170	30	70	41	69
Net profit (excluding Polbita)	252	170	48	101	41	143

M PLN	Q3'14	Q3'13	(A/B)-1 (%)	2013	A-D	(A/D)-1 (%)
Loans	22 789	18 310	24	19 658	3 132	16
Deposits	22 630	19 156	18	20 842	1 788	9
Total equity	2 919	2 118	38	2 185	734	34
Total assets	29 156	23 268	25	25 550	3 607	14

M PLN	Q3'14 YTD	Q3'13 YTD	A-B pp	Q3'14 QTD	Q3'13 QTD	D-E pp
ROE (%)	11,6	11,1	0,5	11,0*	8,1*	2,9
ROE (%) (excluding Polbita)	13,2	11,1	2,1	15,9*	8,1*	7,8
ROA (%)	1,1	1,0	0,1	1,0*	0,7*	0,3
ROA (%) (excluding Polbita)	1,2	1,0	0,2	1,5*	0,7*	0,8
C/I (%)	49,8	56,2	-6,4	48,1	57,7	-9,6
CoR (%)	2,5	2,0	0,5	3,0*	2,4*	0,6
CoR (%) (excluding Polbita)	2,2	2,0	0,2	2,3*	2,4*	-0,1
L/D (%)	100,7	95,6	5,1	100,7	95,6	5,1
NPL ratio (%)	8,8	6,8	2,0	8,8	6,8	2,0
NPL coverage ratio (%)	54,6	56,6	-2,0	54,6	56,6	-2,0
CAR (%)	13,8	12,8	1,0	13,8	12,8	1,0
Tier 1 (%)	12,0	10,8	1,2	12,0	10,8	1,2

*annualized



MERITUM ACQUISITION

What is **meritum**bank^{ICB}

- Strong consumer finance
- Effective loan distribution
- Innovative technology

30.06.14	PLN m	% of Alior
Loans	2 485	10,9
Deposits	2 718	12,0

Strategic rationale

- Consistent with Alior strategy
- PLN 198 m total synergies 2015-2017
- Scale benefit of Alior IT and operations platform
- Market share increase by 0,3 pp

- Acquisition price: 360 m (2,35 m shares + cash)
- EGM on Dec 2nd to approve share capital increase



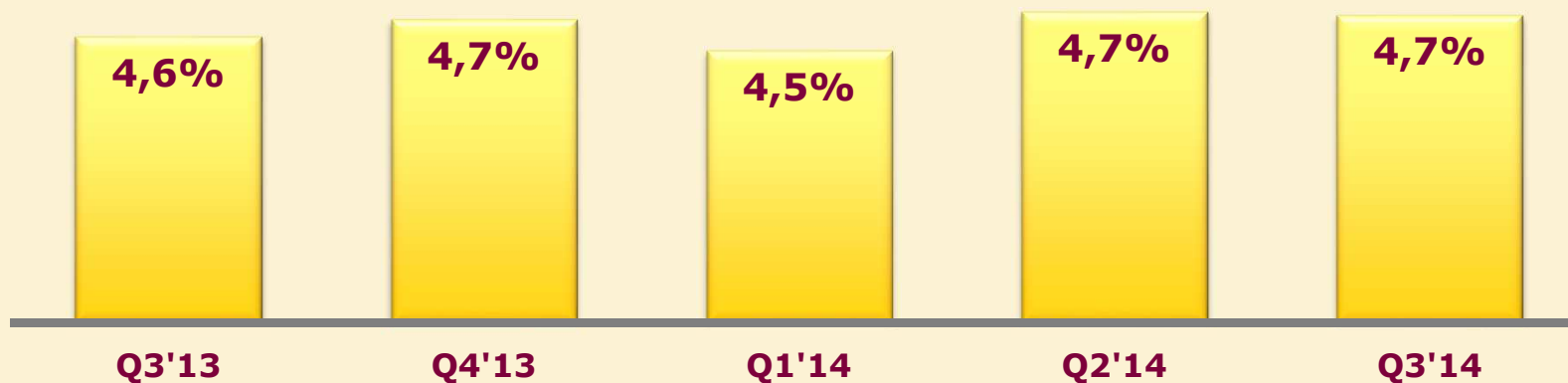
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NET INTEREST MARGIN

Alior NIM development



NIM formula: NII for Q1'14, Q2'14 and Q3'14 annualized divided by average IEA from Q4'13 and Q1'14, Q2'14 and Q3'14 respectively.

NIM in selected Polish banks

(Alior, BZWBK, ING, mBank, Millennium, Handlowy – Q3'14, other – Q2'14)



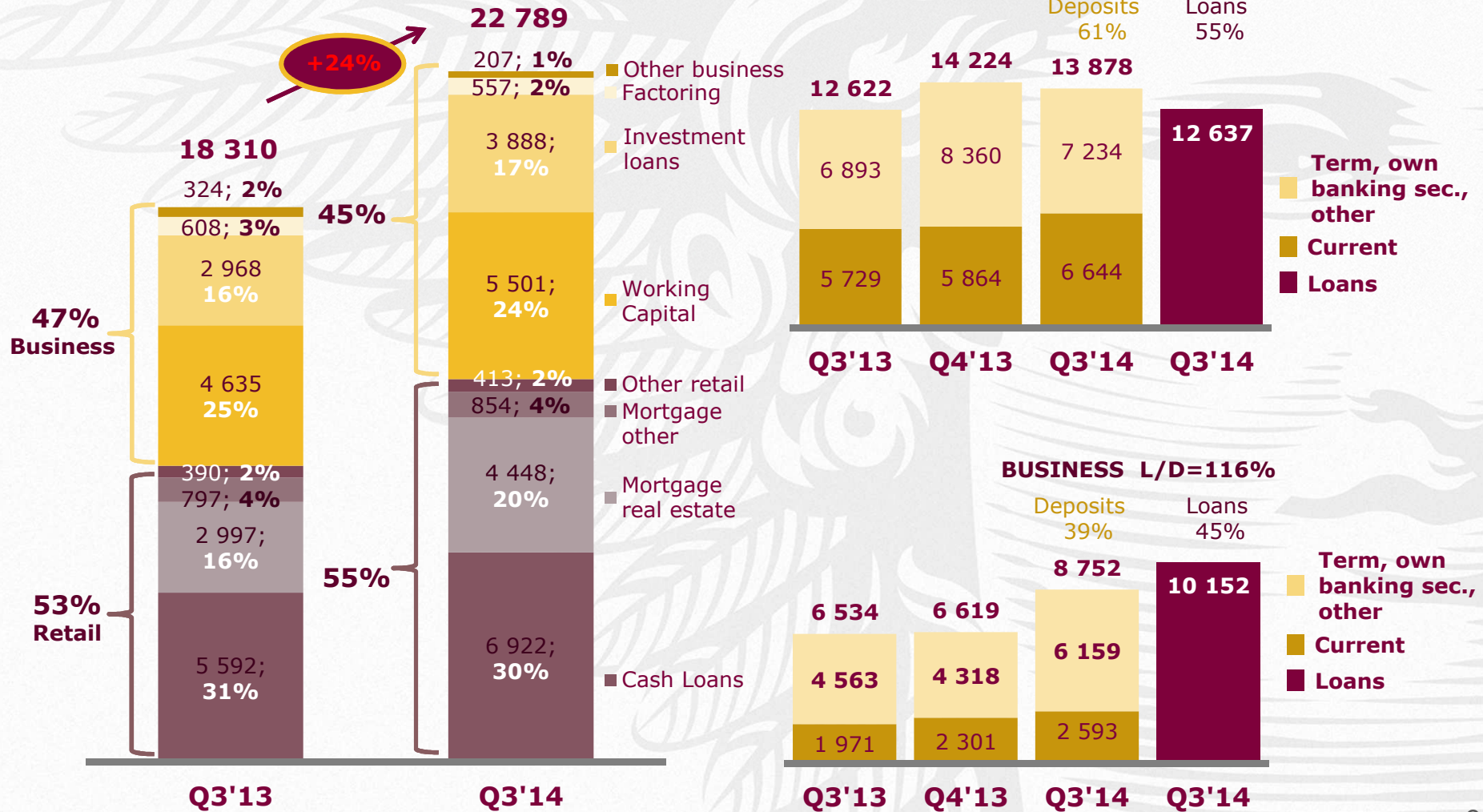
Impact of NBP rate cuts in Q3 mitigated by new fee structure



LOAN BOOK DEVELOPMENT AND FINANCING

Loan book split **L/D = 101%**

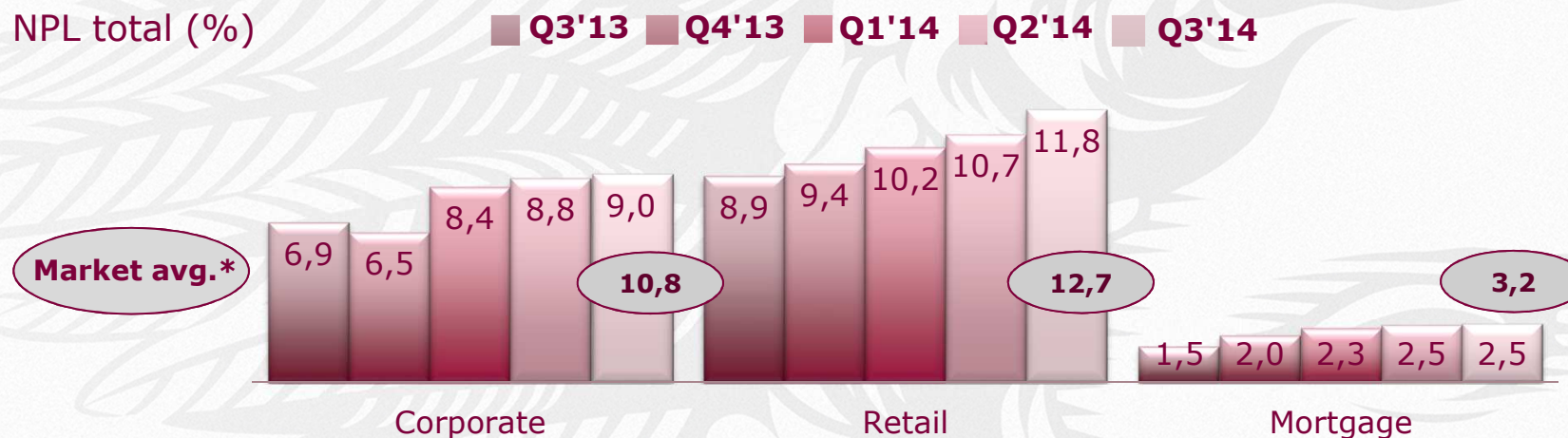
in PLN m





CREDIT RISK OVERVIEW

NPL total (%)



Coverage ratio (%)



Loan portfolio structure (%)	Corporate	Retail	Mortgage
Alior	45	35	20
Banking sector	34	26	40

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

*Ratios (as of Aug'14) calculated on the basis of figures on sector receivables published monthly by National Bank of Poland. Sector Corporate line excluding budget entities.



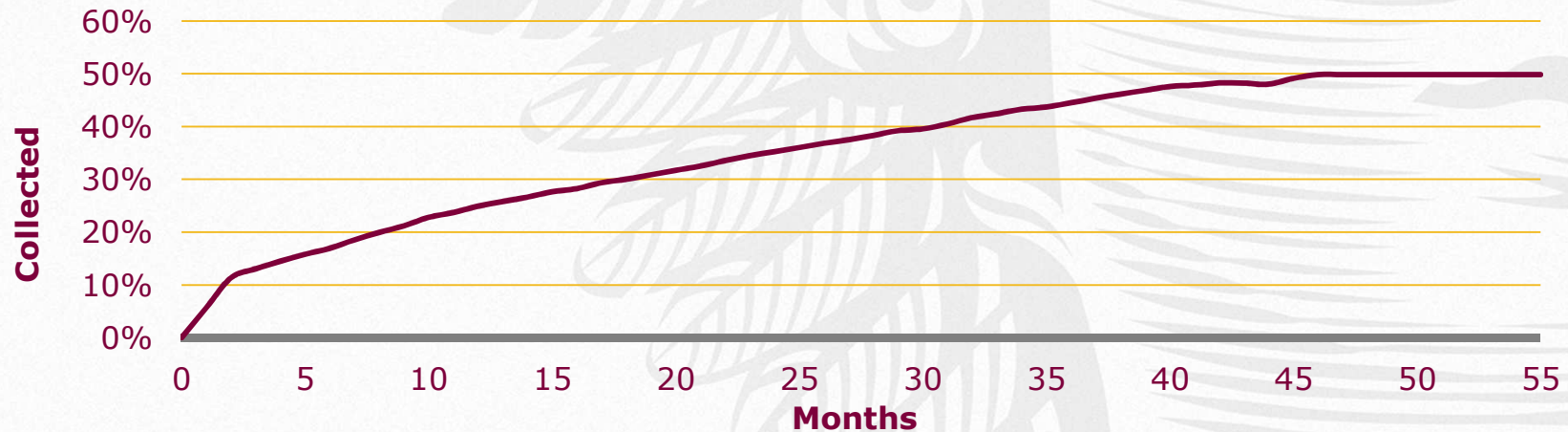
NPL EVOLUTION: FOLLOWS COST OF RISK WITHOUT NPL SALES

Annual NPL growth is approximately equal to Cost of Risk for this segment.

NPL retail	Q3'14	Q2'14	Q1'14	Q4'13	Q3'13	Q2'13	Q1'13	Q4'12
NPL ratio (%)	11,5*	10,7	10,2	9,4	8,9	8,4	7,5	6,6
Annual NPL growth (p.p.)	2,6	2,3	2,7	2,8				

Tax efficient NPL sales to commence as loan book matures

Collection of retail NPL

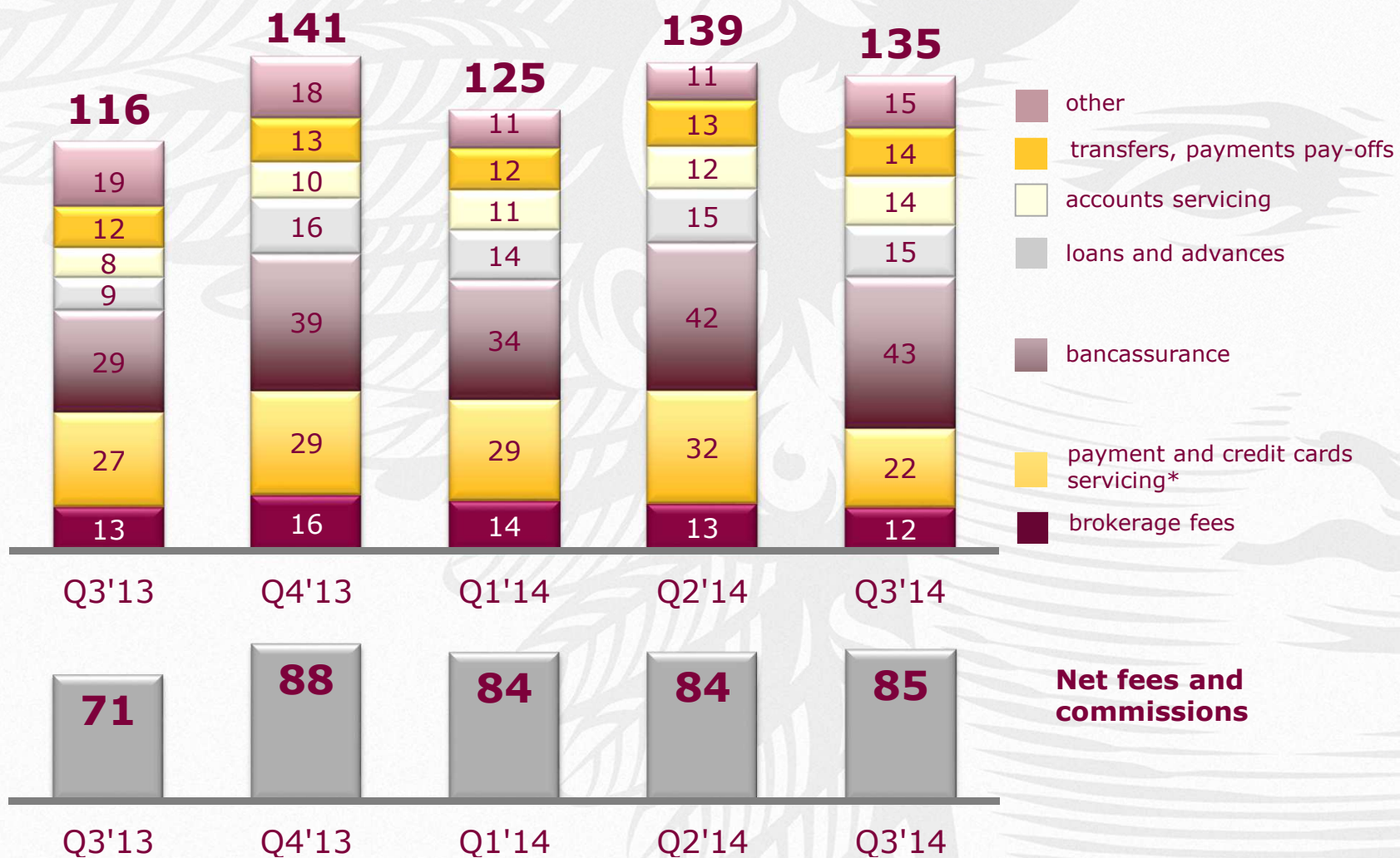


*) NPL Q3'14 is cleansed of a private person taking a loan for business purpose (well collateralized)



ACTIONS TAKEN TO OFFSET THE INTERCHANGE FEE REDUCTION

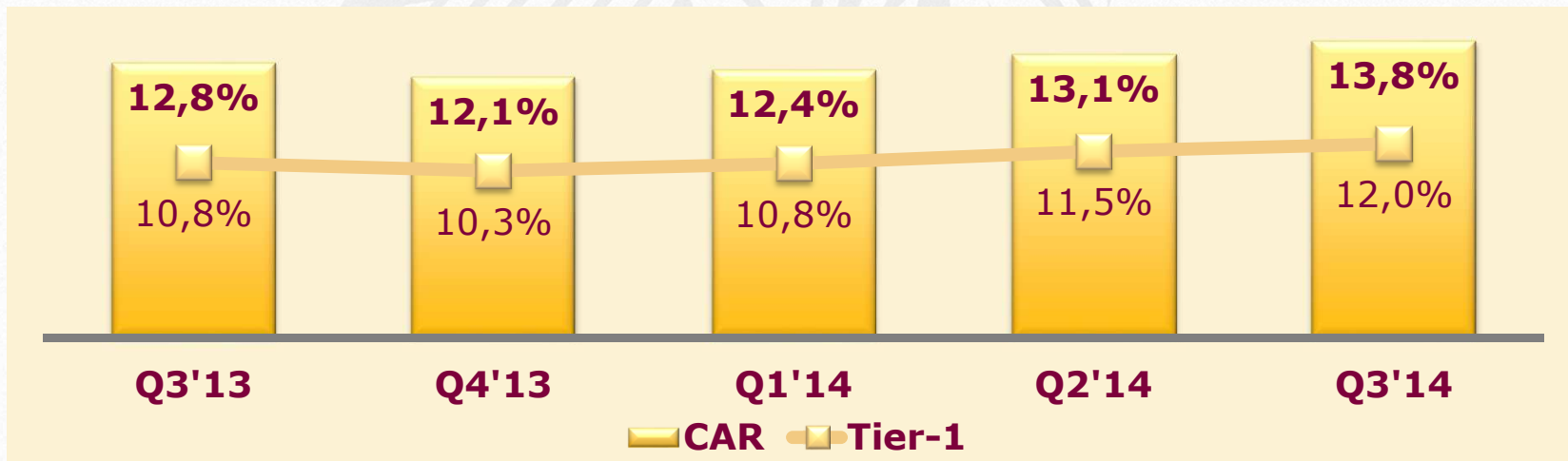
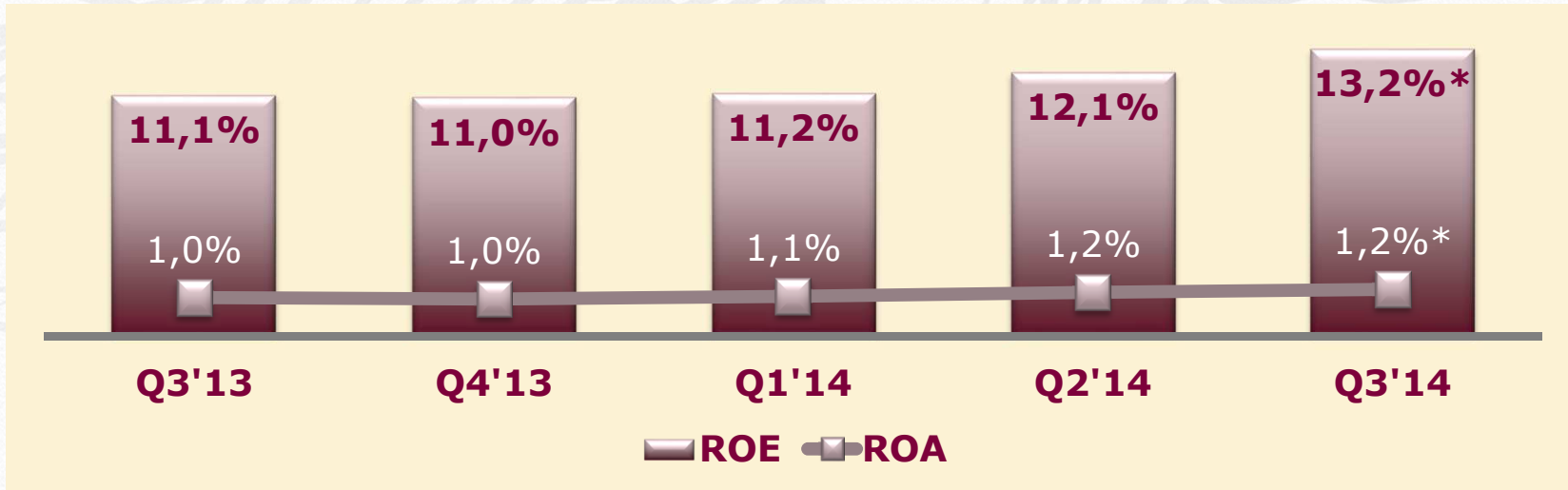
Fee income split (in PLN m, structure)



* thereof interchange: Q1'14: 15,2 ; Q2'14: 18,7 ; Q3'14: 9,0



STRONG CAPITAL POSITION ALLOWS FOR CONTINUOUS PROFITABLE GROWTH



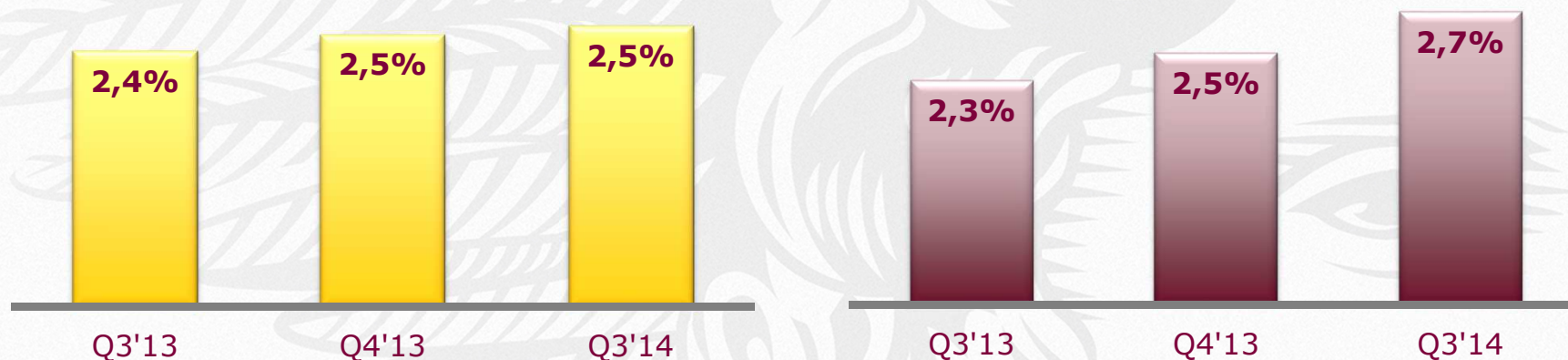
ECB AQR and Stress Test: stable capital position

* excluding Polbita impact



CONTINUED GROWTH OF MARKET SHARE

Deposits MARKET SHARE Loans



Deposits MONTHLY GROWTH (%) Loans

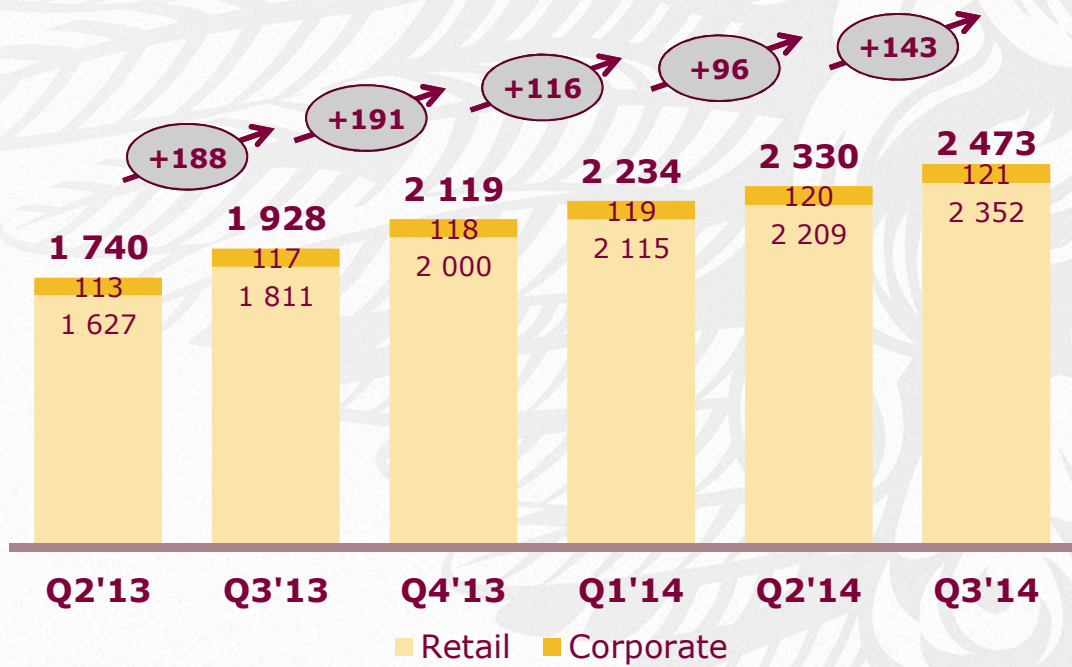
	Total		Retail		Corporate			Total		Retail		Corporate	
	ALIOR	Market	ALIOR	Market	ALIOR	Market		ALIOR	Market	ALIOR	Market	ALIOR	Market
APR	-0,6	0,0	-3,5	0,4	6,8	-1,1	APR	1,8	0,9	1,8	0,7	1,9	1,4
MAY	-3,1	0,4	-4,2	0,0	-0,8	1,7	MAY	1,2	0,4	1,9	0,3	0,4	0,7
JUN	0,1	0,8	-1,1	0,5	2,7	1,9	JUN	2,1	0,9	2,0	0,7	2,2	1,3
JUL	3,5	0,5	-0,8	0,6	12,6	0,3	JUL	1,5	0,2	2,1	0,5	0,8	-0,3
AUG	2,2	1,0	1,2	0,4	4,1	2,7	AUG	1,0	1,1	2,1	1,0	-0,2	1,2
SEP	-1,0	0,6	-0,3	0,2	-2,3	1,7	SEP	1,4	1,0*	2,3	1,0*	0,4	0,7*

*estimates on the basis of previous months

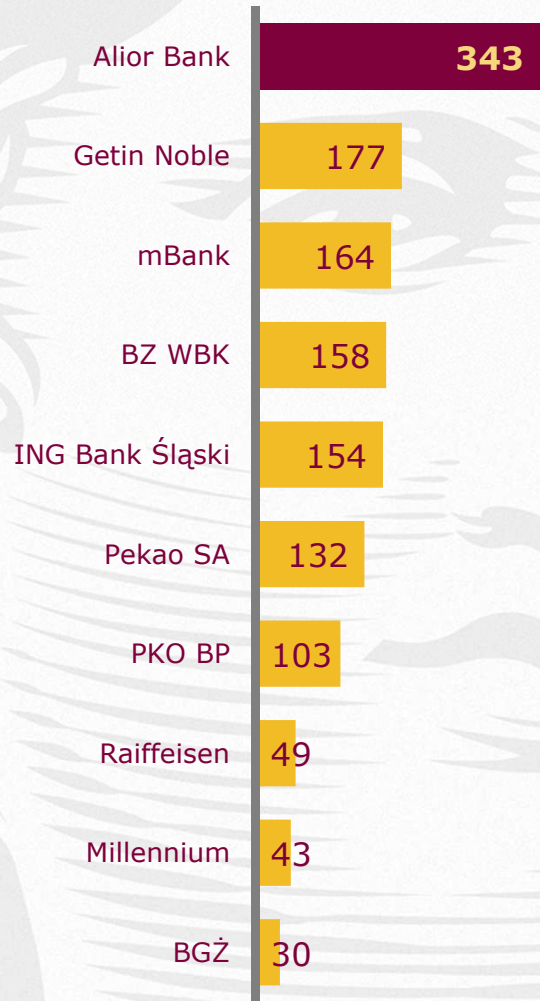


GROWING CONSUMER BASE

Customer acquisition on track



Current accounts growth Q2'14 vs. Q2'13 (ths)



Customers' segmentation acquisition channel for retail

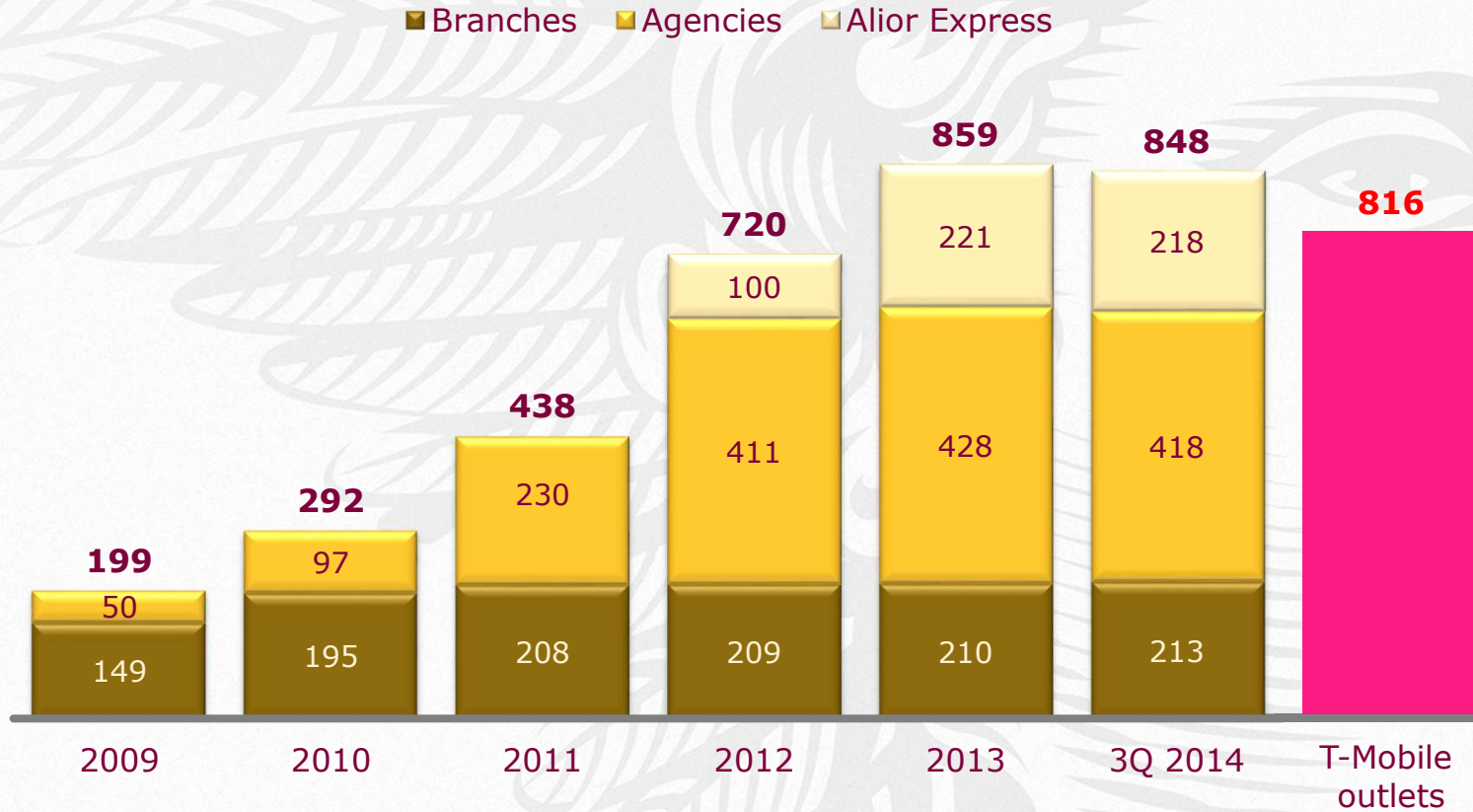
	Q2'13	Q3'13	Q4'13	Q1'14	Q2'14	Q3'14
Branches	1 252	1 300	1 346	1 388	1 414	1 470
AEX	51	63	78	94	104	114
CF	136	232	337	369	384	418
T-Mobile	189	216	238	263	308	350

Source: PR news



WIDE RANGE AND DIVERSIFIED DISTRIBUTION NETWORK

4th largest distribution network in Poland





STRICT COST DISCIPLINE MAINTAINED.

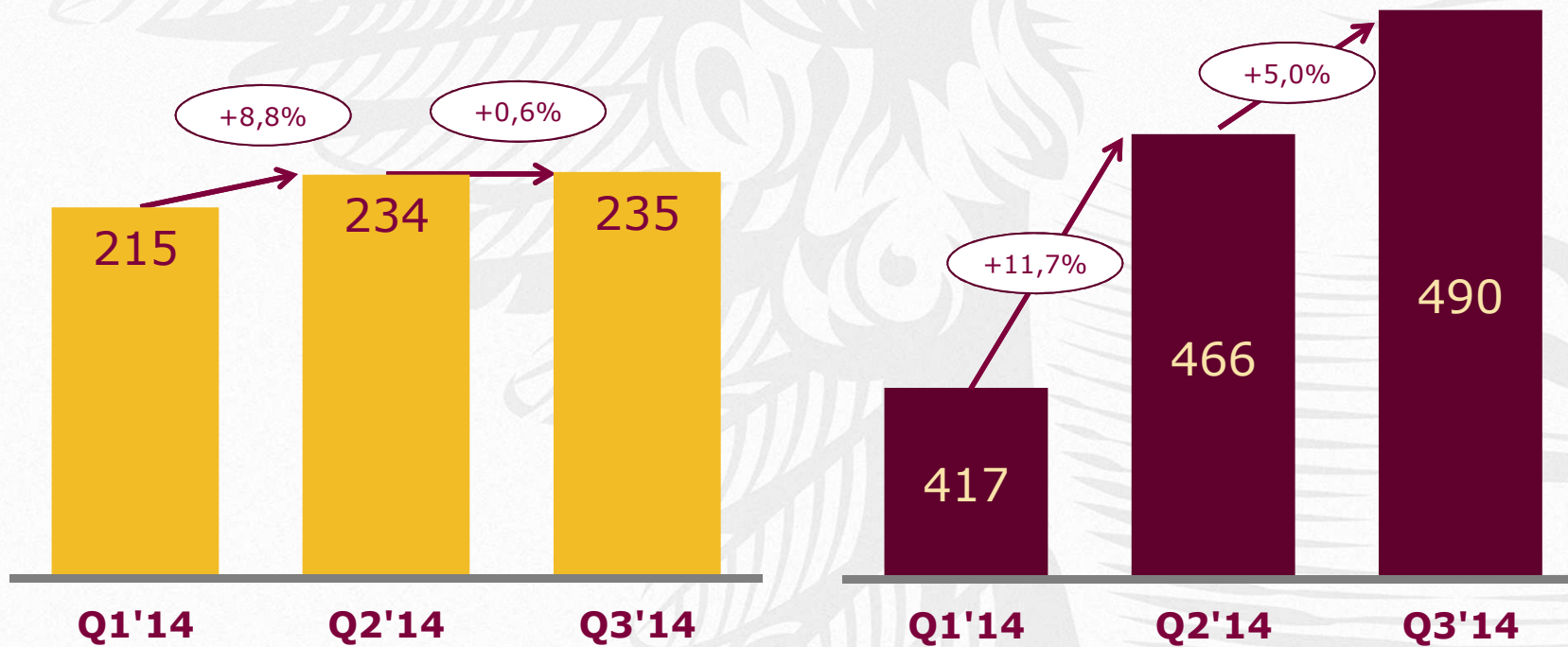
Revenue growth considerably outperforms cost.

in PLN m

Q3'14 YTD C/I = 49,8%

Costs

Revenues





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T-MOBILE: EXCELLENT BUSINESS DEVELOPMENT

Client acquisition exceeds expectations

- 100 ths. clients acquired since launch in May'14

Substantial increase in loan distribution capacity

- 80 store-in-store outlets till the end of December'14
- Additional 100 store-in-store outlets till the end of Q1'15

Cash loan campaign to start in December'14

New mobile banking application in Q1'15



CONSUMER FINANCE PERFORMANCE

Increasing cross-sell volumes form CF customers

Instalment loans average monthly volumes (PLN m)

2014-01	2014-02	2014-03	2014-04	2014-05	2014-06	2014-07	2014-08	2014-09
648,4	663,2	679,0	684,9	673,7	675,1	689,6	696,6	709,8

+5,1%

cross-sell average monthly volumes (PLN m)

2014-01	2014-02	2014-03	2014-04	2014-05	2014-06	2014-07	2014-08	2014-09
138,9	153,2	166,1	186,8	206,1	231,0	256,2	278,8	299,1

+29,6%



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GOING FORWARD

2014 Outlook

Loan growth 2014 > PLN 4,5 billion net (PLN 4.8 billion)

NIM ~4,7%

C/I below 50%

CoR 2,3%



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KEY FINANCIALS INCLUDING POLBITA WRITE-OFF

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Net fee and commission income	253	187	35	85	71	20
Trading result & other	224	204	10	83	58	43
Operating income	1 373	1 092	26	490	368	33
General Administrative Expenses	-684	-614	11	-235	-213	11
Net impairment	-414	-262	58	-167	-102	63
Gross profit	275	215	28	88	54	63
Net profit	221	170	30	70	41	69

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Loans	22 789	18 310	24	19 658	3 132	16
Deposits	22 630	19 156	18	20 842	1 788	9
Total equity	2 919	2 118	38	2 185	734	34
Total assets	29 156	23 268	25	25 550	3 607	14

M PLN	Q3'14 YTD	Q3'13 YTD	A-B pp	Q3'14 QTD	Q3'13 QTD	D-E pp
ROE (%)	11,6	11,1	0,5	11,0*	8,1*	2,9
ROA (%)	1,1	1,0	0,1	1,0*	0,7*	0,3
C/I (%)	49,8	56,2	-6,4	48,1	57,7	-9,6
CoR (%)	2,5	2,0	0,5	3,0*	2,4*	0,6
L/D (%)	100,7	95,6	5,1	100,7	95,6	5,1
NPL ratio (%)	8,8	6,8	2,0	8,8	6,8	2,0
NPL coverage ratio (%)	54,6	56,6	-2,0	54,6	56,6	-2,0
CAR (%)	13,8	12,8	1,0	13,8	12,8	1,0
Tier 1 (%)	12,0	10,8	1,2	12,0	10,8	1,2

*annualized



STRATEGIC RATIONALE

MERITUM
ACQUISITION

- **Consistent with Alior strategy and targets**
- **PLN 198 m of revenue and cost synergies in 2015-2017**
- **Scale benefit from increased utilization of current Alior IT and Operation platforms**
- **11% instant market share increase (up to 3%)**
- **10% loan portfolio growth**
- **Leverage of Meritum expertise and advanced IT systems in consumer lending**
- **Limited and contained risks given track record in deal execution and post merger integration**
- **Anticipated smooth regulatory acceptance process**



FINANCIAL CONSIDERATIONS

MERITUM
ACQUISITION

- **Transaction price : 352,5 M PLN (97,9%)**
- **No claw back provisions**
- **Transaction to be financed by:**
 - 1) Issue of new equity (up to 2,35 m shares) conditional upon regulatory approvals**
 - 2) Cash component (cash + equity = 352,5m PLN)**

	Alior	Meritum	Market
P/B	1,8	1,2	1,5
P/E	20,4	6,9	18,2

Source:

Alior: Ceduła GPW 15/10/2014;

Market: calculated as average based on Ceduła GPW 15/10/2014

Meritum: own estimates



TRANSACTION OVERVIEW

MERITUM
ACQUISITION

meritumank^{ICB}

- ❑ **Strong Consumer Finance business (non-collateralized lending)**
- ❑ **Established and effective distribution of high margin loan products**
- ❑ **Innovative technological platform**
- ❑ **PLN 2,5 bn loan book**

in PLN m		30.06.14
Total loans		2 485
Total deposits		2 718
Total assets		3 150
Equity		261
Distribution network (own + franchise)		187



STAND ALONE MERITUM BANK FINANCIAL PLAN (RATE CAP IMPACT INCLUDED)

MERITUM
ACQUISITION

m PLN	2014 E	2015 E	2016 E
Net Interest Income	320	385	470
Net Fee and Commission	26	24	26
Trading Income	-1	3	8
Net banking revenues	345	412	504
Other operating income and expense	11	3	2
Costs	118	126	132
Provisions	171	179	209
Pre-tax Income	67	110	165
Net Income	52	86	129

Source: Meritum Bank ICB S.A.



ESTIMATED MERGER SYNERGIES

MERITUM
ACQUISITION

M PLN	2015	2016	2017
Total income	5	15	15
Risk cost reduction	6	13	21
Costs	25	49	49
Total synergies	36	77	85

Source: Alior estimates

Synergies:

- **Business processes and HQ costs**
- **Distribution network optimization**
- **Marketing**
- **Product offering**

Integration costs estimated at 50 m in year 1



POTENTIAL CHALLENGES AND RISK MITIGANTS

MERITUM
ACQUISITION

- **Migration from PAS (Polish accounting standards) to IAS (international accounting standards)**
 - **Assessed by Big 4 auditor at ~20 m PLN equity impact**

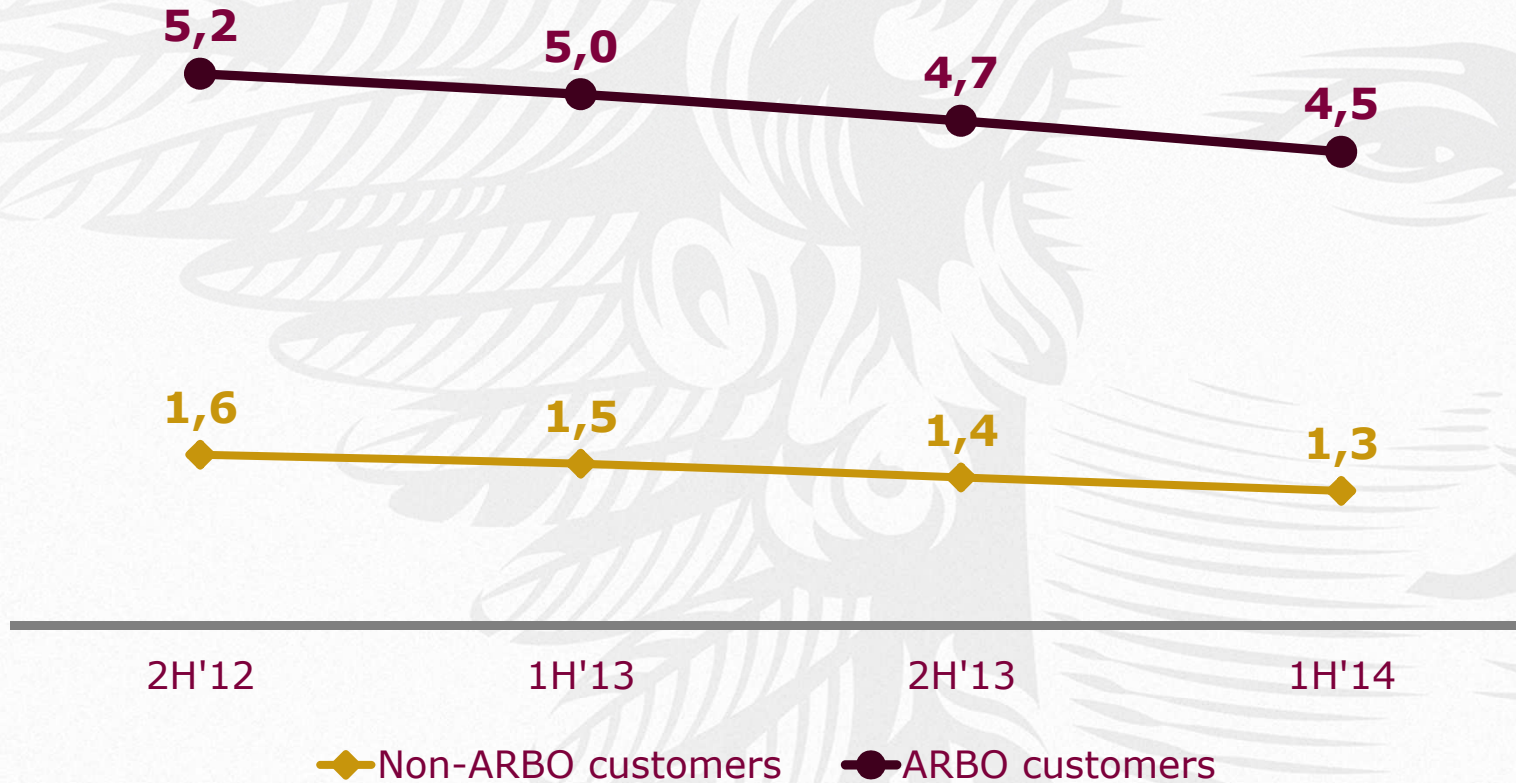
- **Mitigating rate cuts impact**
 - **Robust plan for new and existing portfolio re-pricing already being implemented**
 - **Track records and statistics from previous rate cut related re-pricings**

- **Maintaining current and attracting new deposit clients in recent low interest rate environment**
 - **Combined expertise in relationship banking**



USE OF SALES NETWORK

Average number of customer visit in Branches semi-annually



Technology gives Alior competitive advantage.

ARBO – customers who are paying their bills in the bank's outlets



INCOME STATEMENT SNAPSHOT

in PLN m	Q2'13	Q3'13	Q4'13	Q1'14	Q2'14	Q3'14
Interest income	370	357	415	392	429	456
Interest expense	-130	-118	-117	-121	-125	-135
Net interest income	240	239	298	271	304	321
Dividend	0	0	0	0	0	0
Fee and commission income	115	116	141	125	139	135
Fee and commission expense	-55	-45	-52	-42	-55	-50
Net fee and commission income	60	71	88	84	84	85
Trading result	78	53	46	56	65	77
Net gain (realized) on other financial instruments	6	0	5	0	2	-2
Other operating income	15	8	17	12	14	13
Other operating costs	-5	-3	-6	-5	-3	-5
Net other operating income	11	5	11	7	11	7
General administrative expenses	-204	-213	-233	-215	-234	-235
Impairment losses	-87	-102	-142	-117	-130	-167
Gross profit (loss)	104	54	73	85	102	88
Income tax	-21	-12	-15	-17	-19	-18
Net profit from continuing operations	84	41	58	68	83	70
- attributable to equity holders of the parent	84	41	58	68	83	70
- attributable to non-controlling interests	0	0	0	0	0	0
Net profit attributable to equity holders of the parent	84	41	58	68	83	70



BALANCE SHEET SNAPSHOT

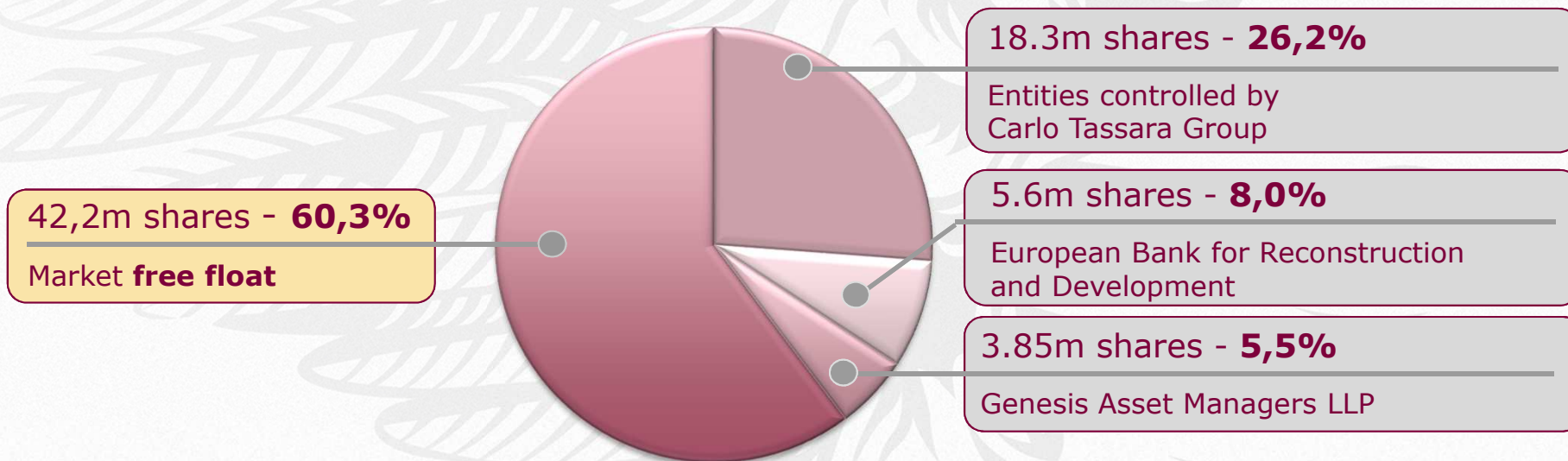
	Q1'13	Q2'13	Q3'13	Q4'13	Q1'14	Q2'14	Q3'14
Cash and balances with Central Bank	729	722	755	1 067	1 078	1 057	1 019
Financial assets held for trading	215	265	234	243	208	285	421
Financial assets available for sale	3 259	3 447	2 929	3 389	3 172	2 784	3 796
Other financial instruments at fair value through profit or loss							4
Hedging derivatives	0	0	3	12	21	16	53
Receivables from banks	138	170	182	254	278	306	297
Receivables from customers	15 619	17 370	18 310	19 658	20 936	21 883	22 789
Tangible fixed assets	208	207	206	215	208	204	196
Intangible assets	158	167	169	188	188	190	209
Investments in subsidiaries	0	0	0	0	0	0	0
Non-current asset held for sale	62	62	62	38	38	38	0
Current income tax receivables	138	129	118	144	147	145	128
Current	4	4	0	0	3	0	2
Deferred	134	125	118	144	144	145	126
Other assets	350	282	299	341	244	216	245
TOTAL ASSETS	20 875	22 822	23 269	25 550	26 518	27 124	29 156
Financial liabilities held for trading	146	157	154	184	178	226	296
Financial liabilities measured at amortized cost	17 643	19 591	20 084	21 660	22 528	22 983	24 550
Hedging derivatives	0	11	5	0	0	0	0
Provisions	9	5	4	11	4	8	13
Other liabilities	723	640	560	1 129	748	718	830
Income tax liabilities	0	3	0	32	0	19	0
- Current	0	3	0	32	0	19	0
Subordinated loans	344	352	344	349	343	349	549*
Liabilities, total	18 865	20 759	21 151	23 365	23 800	24 302	26 238
Equity	2 010	2 064	2 118	2 185	2 718	2 822	2 919
Equity attributable to equity holders of the parent	2 010	2 064	2 118	2 185	2 715	2 820	2 916
Share capital	636	636	636	636	699	699	699
Supplementary capital	1 277	1 435	1 435	1 435	1 829	1 773	1 773
Revaluation reserve	2	-32	-23	-17	-14	6	30
Other capital	167	170	174	177	178	180	182
Undistributed result from previous years	-116	-274	-274	-274	-46	10	10
Current year profit/loss	45	128	170	228	68	152	222
Non-controlling interests	0	0	0	0	2	2	2
TOTAL LIABILITIES AND EQUITY	20 875	22 823	23 269	25 550	26 518	27 124	29 156

* Subordinated liabilities in the amount of PLN 382 M are taken into account as far as the CAR calculation as of Q3'14 is concerned.



SHAREHOLDING

Free float



Management incentive shares

2012 incentive scheme

- 1,3 m shares with lock-up expiring Dec 2014

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

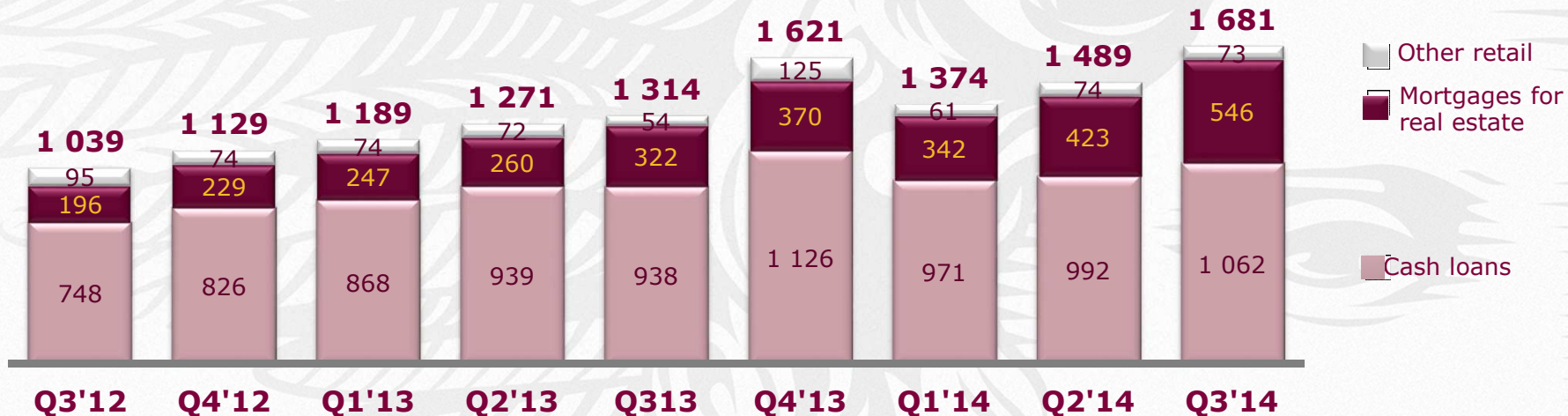
Option scheme (total 3.3 m options over 3 years)

- 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

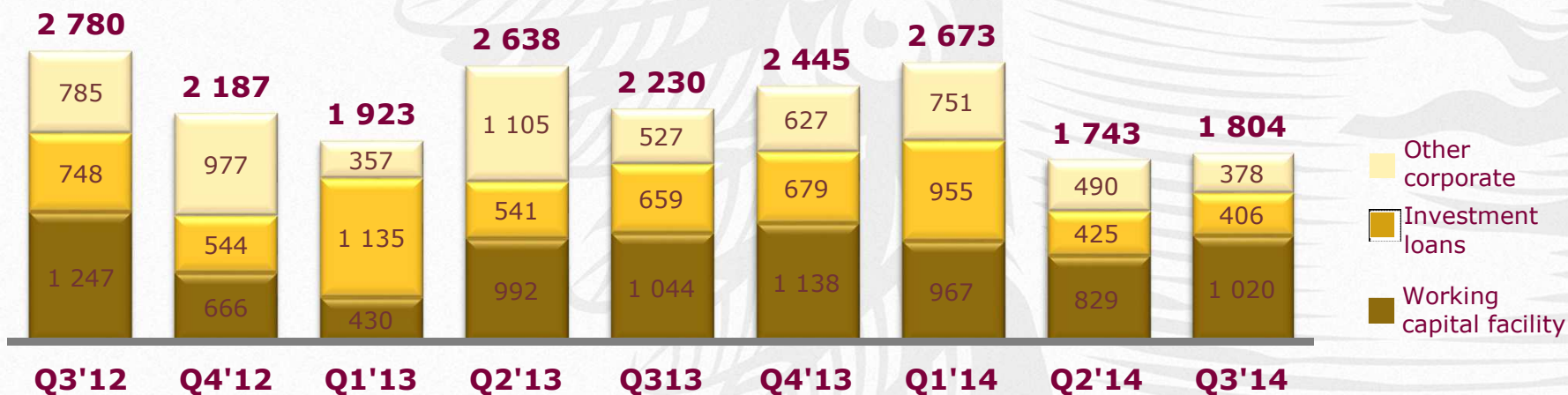


CONTINUED STRONG LOAN GROWTH IN RETAIL & SME

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.

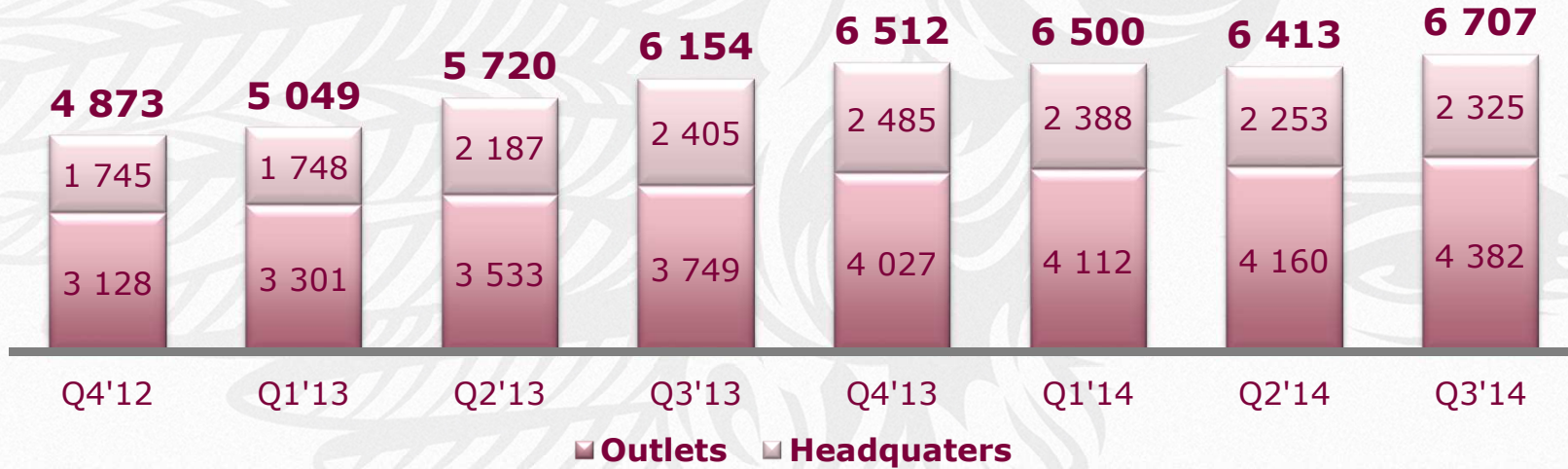
Other corporate includes: credit card borrowings loans, car loans, other receivables, factoring.

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

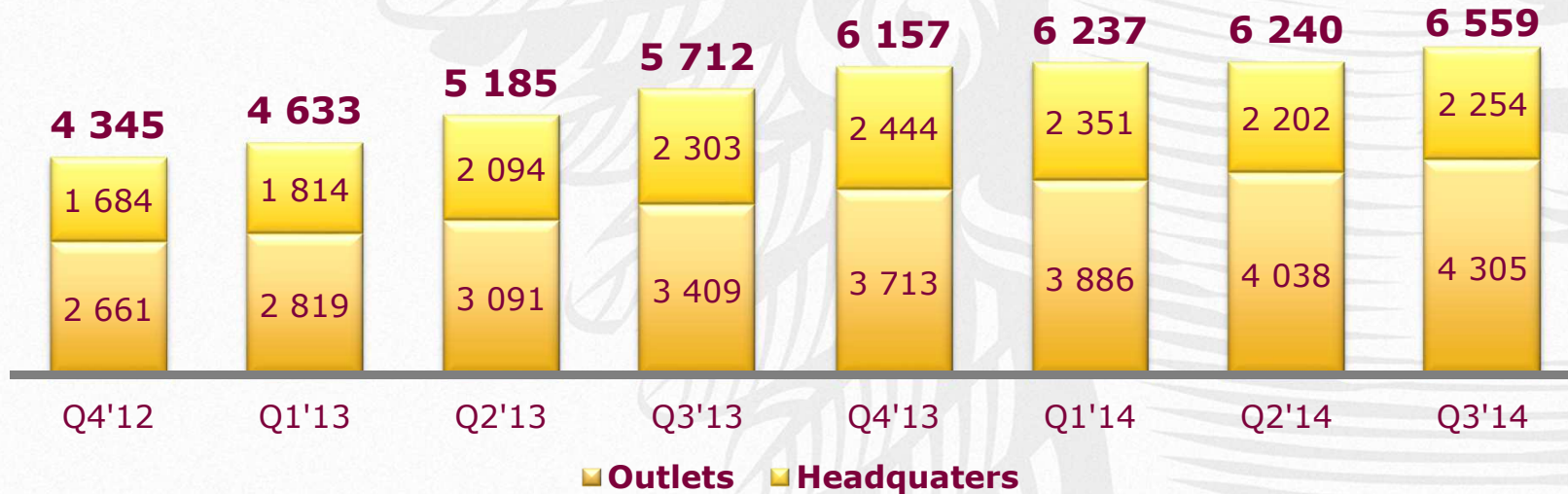


EMPLOYEES

Persons



FTEs

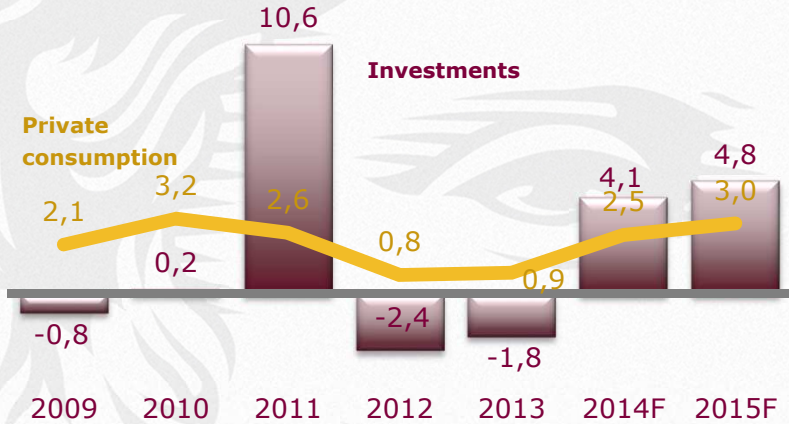


POLISH MACRO OUTLOOK

GDP growth (% yoy)



Investments and private consumption (% yoy)



Inflation (CPI % yoy)



Unemployment rate (%)



POLISH MACRO OUTLOOK

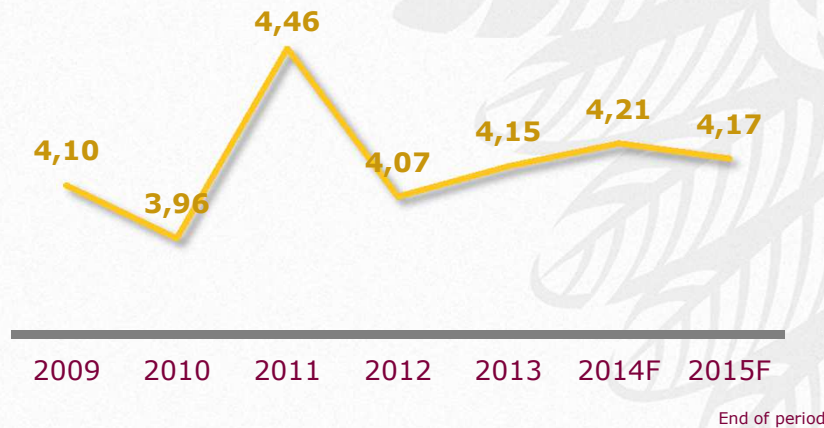
NBP reference rate (%)



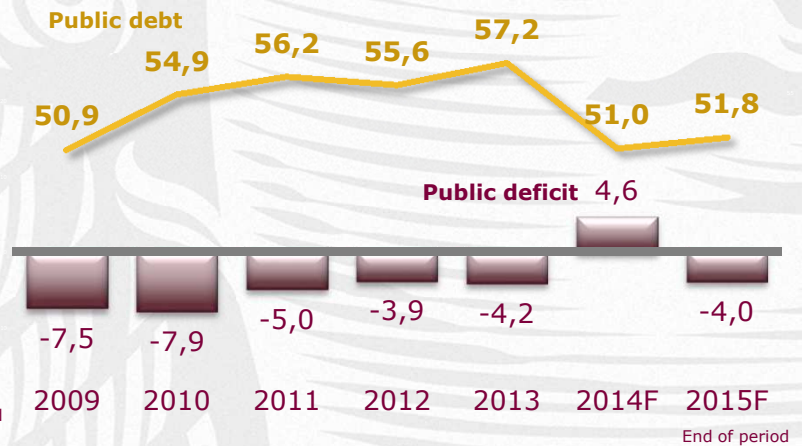
WIBOR 3M (%)



FX rate (EUR/PLN)



Fiscal policy (% of GDP)

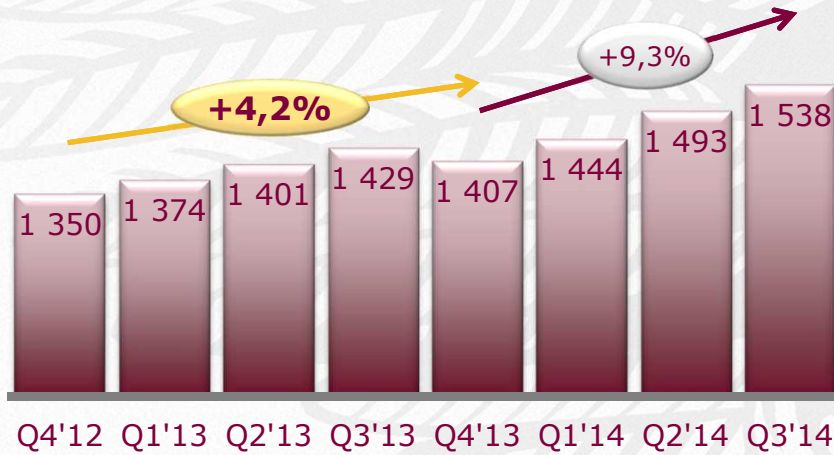


Source: GUS, National Bank of Poland, Reuters.
Forecasts based on Alior Bank internal estimates.

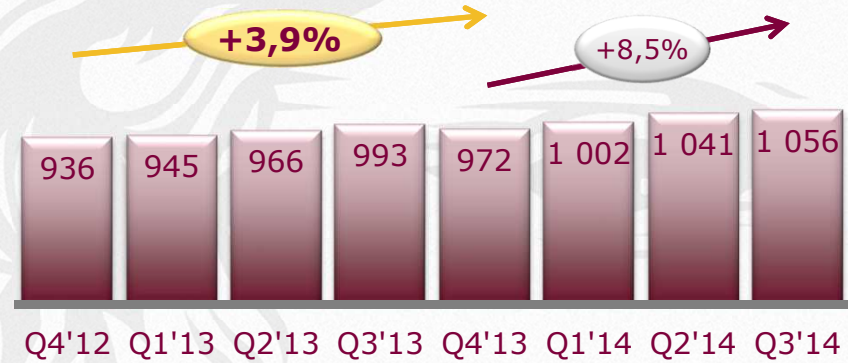


POLISH BANKING SECTOR – GROWTH OF THE MAIN BALANCE SHEET FIGURES

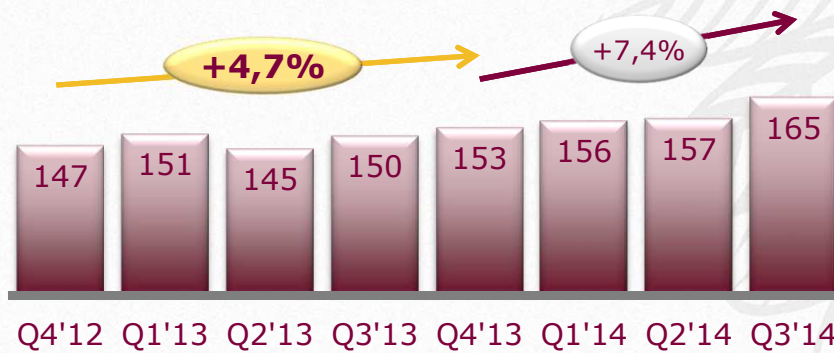
Assets



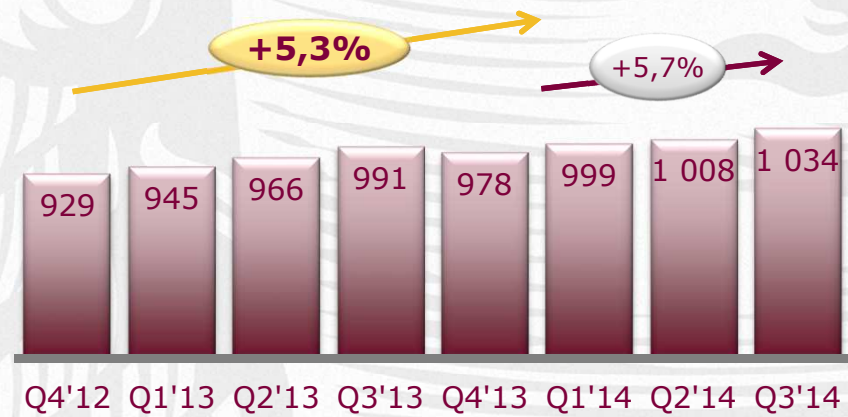
Loans



Equity



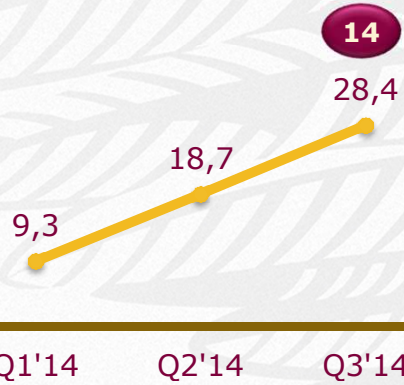
Deposits



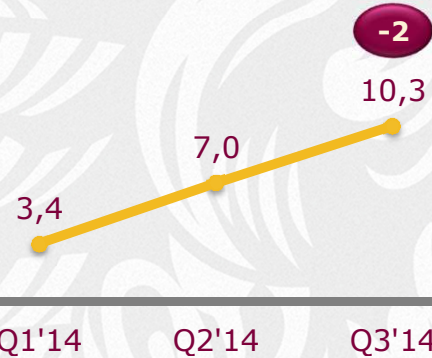


POLISH BANKING SECTOR – MAIN P&L LINES PERFORMANCE

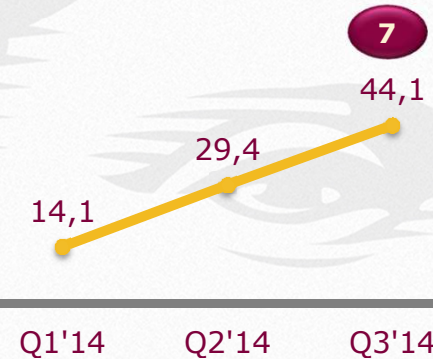
NII



NFC

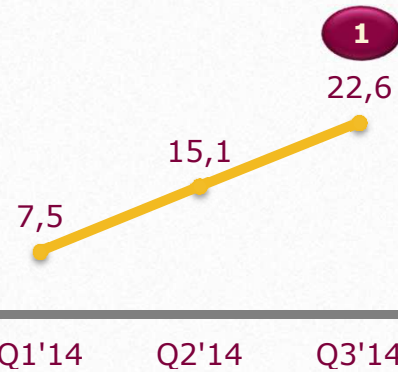


Result on banking activity

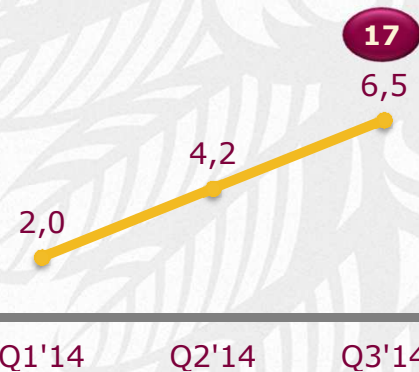


X - CHANGE VS. Q3'14 (%)

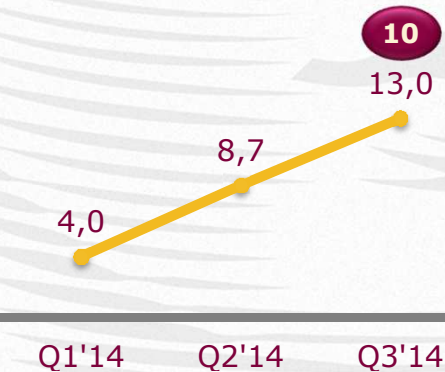
Expenses



Net impairment



Net profit





AQR AND STRESS TEST RESULT

Stress Test

Stress Test according to guidelines of European Banking Authority (EBA) confirmed Alior Bank's strong capital position.

Asset Quality Review

The result of European Asset Quality Review is satisfactory and will not materially impact Bank's financial position in Q4'14.

Presented differences concern:

- identification of impairment on one of the corporate clients – already provisioned as of Q1'14
- group impairment write-offs model - planned an additional overview of internal methodologies

CET1 Ratio	12,99%
Adjusted CET1 Ratio after Baseline Scenario	12,13%



CONTACT DETAILS

Please direct all inquiries to:

relacje.inwestorskie@alior.pl

+48 22 417 3860

IR unit head: Piotr Bystrzanowski

piotr.bystrzanowski@alior.pl



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