



ALIOR BANK S.A.

Q3'17 RESULTS PRESENTATION

9 November 2017



Key Highlights

Strategic KPIs

BPH Core integration costs and merger synergies

Additional information on the strategy implementation plan

2017 outlook

Operational performance

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KEY HIGHLIGHTS (1/2)

- **Net profit considerably above market consensus* - PLN 190 M vs. PLN 154 M.**
- Significant increase of annualized quarterly ROE from 6.3% in Q2'17 to 11.7% in Q3'17. **With BPH Core target synergies fully loaded 9m'17 annualized ROE at 11.9%** vs. fully loaded 6M'17 of 10.7% (strategic target of 14% in 2019).
- **Strong gross loan growth maintained at PLN 1.4 B in Q3'17**, PLN 5.0 B during 9m'17 (vs. PLN 5-6 B annual growth target).
- Strong **interest income growth (excluding DHI**)** at **2.4% q/q**: PLN 880 M in Q3'17 vs. PLN 859 M in Q2'17. Slight decrease of NIM due to significant increase of LCR to 103% at the end of Q3'17 from 88% at the end of Q2'17 (due to regulatory requirements), 9M'17 NIM of 4.7% vs. 6M'17 NIM of 4.8%. LCR increase driven by higher deposit base (+ PLN 3 B) following a slight increase of cost of funding (excluding DHI**) – 1.15% in Q3'17 vs. 1.08% in Q2'17. Campaigns of new savings account („konto lokacyjne”) oriented on the strategic retail client segments.
- Finalization of BPH Core purchase price allocation and final estimation of integration costs and merger synergies. **Total integration costs PLN 62 M lower than originally planned (2016-2017) and target synergies up to PLN 381 M from PLN 374 M (2019). Restructuring provision release of PLN 27 M (PLN 21 M after tax).**

*PAP consensus published on 6 November 2017

** DHI – Derivative Hedging Instruments



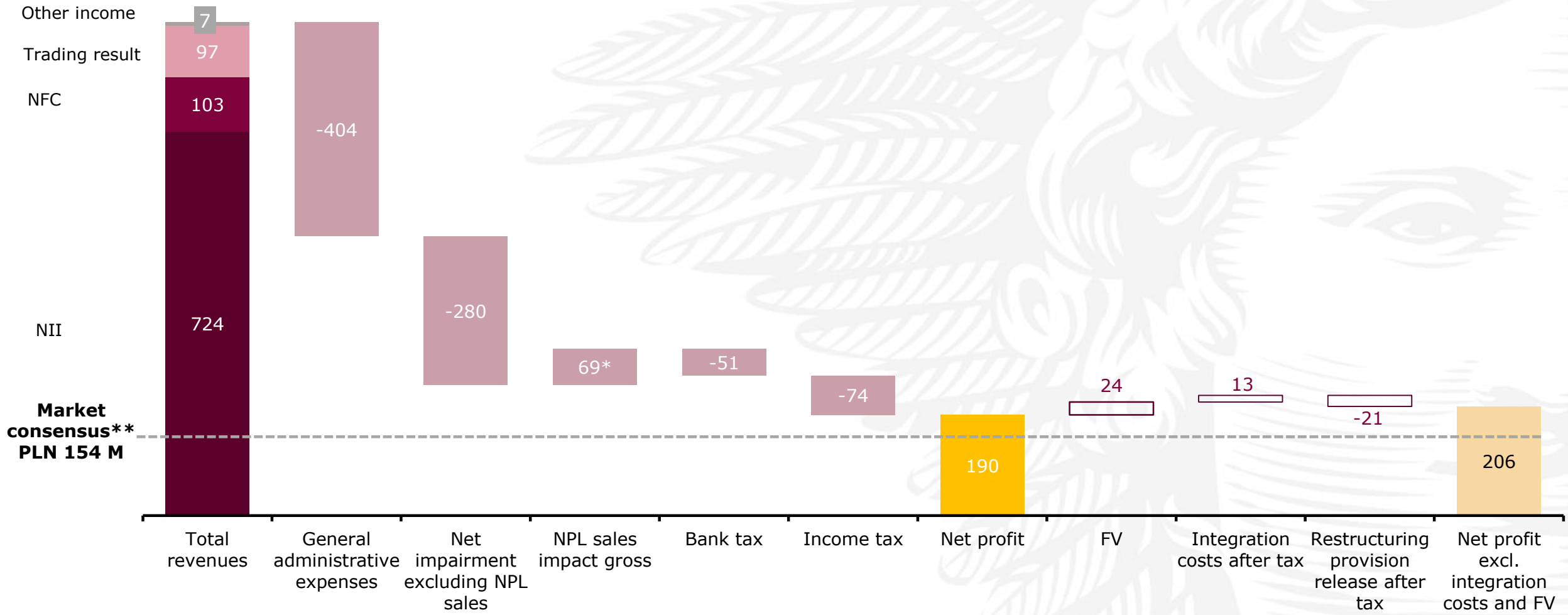
KEY HIGHLIGHTS (2/2)

- CoR for 9M'17 at 1.7% and excluding NPL sale at 1.9% vs. 1.8% in 6M'17 driven by a few provisions on large exposures (including PLN 7 M on windfarms).
- **Strong Tier 1 capital ratio at 12.02%** (vs. 10.25% regulatory requirement) prior to inclusion of Q3'17 net profit. Additional buffer to be utilized if and when needed of up to 64 bps secured by a guarantee line with PZU. TCR at 14.1% (vs. 13.25% regulatory requirement) prior to the inclusion of Q3'17 net profit and the successful sub debt issue of PLN 600 M with record low pricing (WIBOR 6M + 270 bps), settled in October.
- The Digital Disruptor Strategy Implementation Plan (communicated on 4 October) assumes acceleration of achieving strategic targets (2019: ROE 14%, C/I 39%, NIM 5.1%). LoI with Bank Pekao S.A. on potential cooperation strategies signed on 24 October. **The Management Board stressed that potential transactions would be analyzed from the perspective of generating incremental benefits over the organic growth scenario.**
- Alior goes live with T-Mobile banking services in Romania. This initiative contributes positively to the strategic 2020 targets – planned contribution of PLN 0.5 B loan portfolio growth with NIM>7% and ROE>20%.



Q3'17 BOTTOM LINE DECOMPOSITION (IN PLN M)

QTD in PLN M



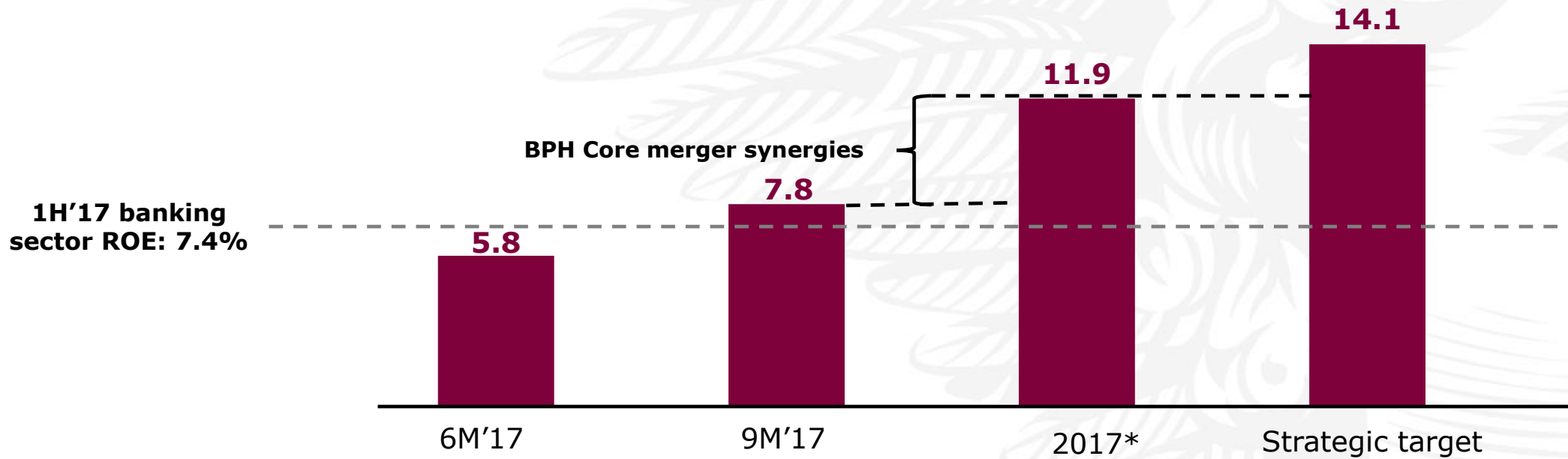
*PLN 45 M net

**PAP consensus published on 6 November 2017



ALIOR ON TRACK TO ACHIEVE BEST-IN-CLASS ROE OF 14%

ILLUSTRATIVE ANNUALIZED ROE (%)



*Hypothetic ROE assuming that target synergies (PLN 381 M annually) are included in the 9m'17 profit, average equity calculated on the basis of end-2016 and end-Q3'17 balances

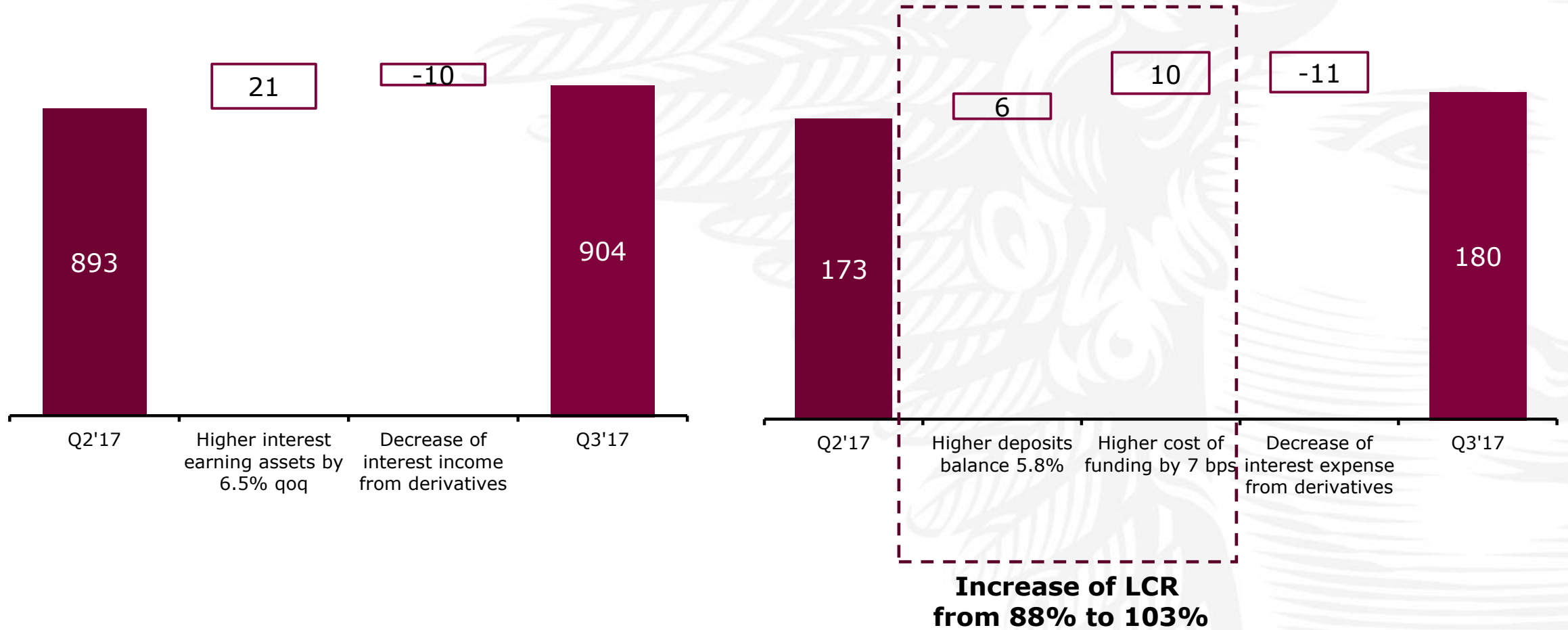


STRONG GROWTH OF INTEREST INCOME (EXCL. DERIVATIVE HEDGING INSTRUMENTS) BY 2.4% QoQ

QTD PLN M

Interest income

Interest expense





FEES AND COMMISSIONS (IN PLN M)

Net F&C

117

118

103

-15
(-15%)

F&C income

195

209

207

-2
(-1%)

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

102

99

98

17

25

21

46

53

56

30

33

33

Q1'17

Q2'17

Q3'17

F&C expense

-78

-91

-104

-13
(+13%)

Slowdown in mortgage loans dynamics resulting from regulatory adjustments of the sales process (implementation of the Mortgage Bill) translates into lower bancassurance income and loan fees

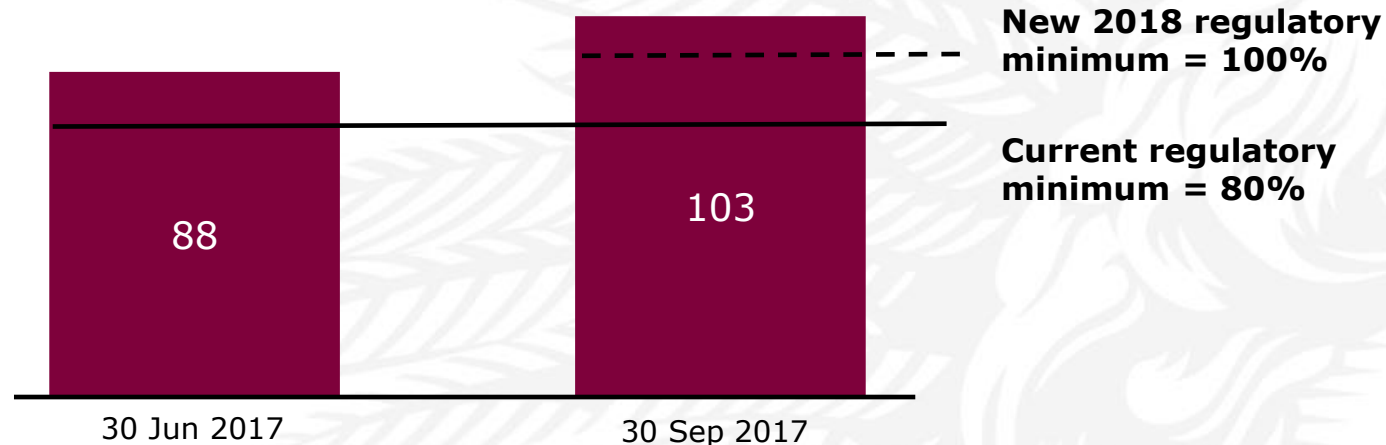
Increase driven mainly by additional one-off charges (PLN 10 M relating to card fee settlement)

F&C income / Total assets ratio slightly above market average (1.3% vs 1.2% for 1H'2017), whereas F&C expense / Total assets ratio higher than market average (0.5% vs 0.3%) mainly due to higher scale of outsourcing (incl. ATM) compared to peers



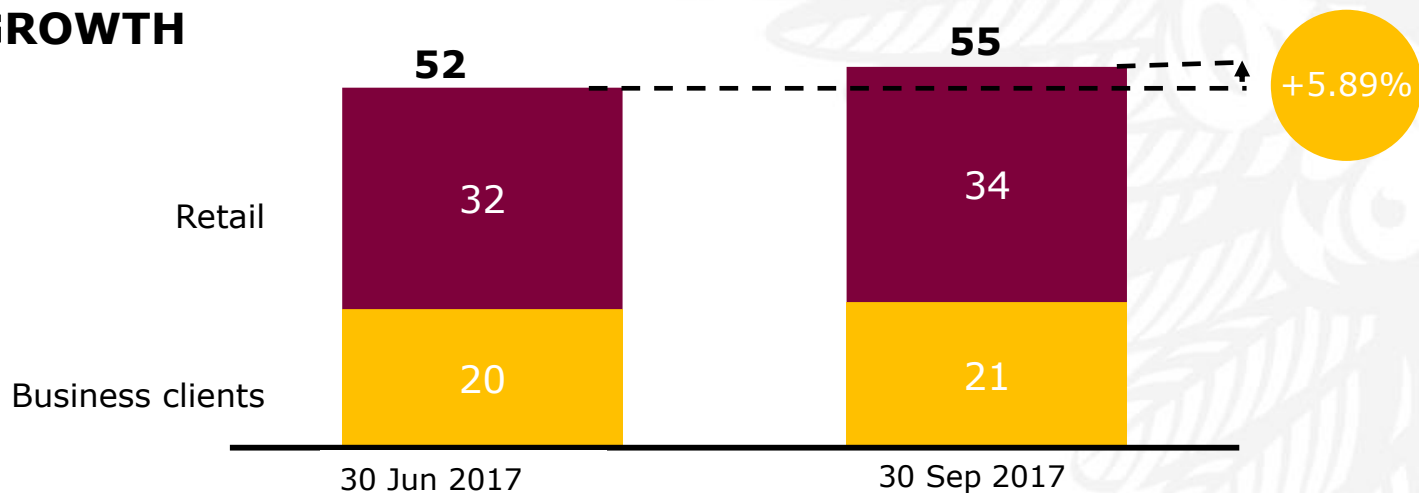
INCREASE OF LCR DRIVEN BY REGULATORY REQUIREMENTS

LCR (%)



OUR STRATEGY ASSUMES LCR TARGET LEVEL AT >116%

DEPOSIT GROWTH (PLN B)



STRONG RETAIL DEPOSIT GROWTH DUE TO SUCCESSFUL CAMPAIGNS OF THE NEW SAVINGS ACCOUNT („KONTO LOKACYJNE”)



ALIOR BANK'S LIQUIDITY POSITION ENHANCEMENT DUE TO SUCCESSFUL DEPOSIT CAMPAIGN OF NEW SAVINGS ACCOUNT „KONTO LOKACYJNE”

Attractive pricing (2.5% annual interest) combined with product flexibility allowing to acquire a volume of PLN 1.3 B strongly contributing to LCR increase in Q3'17



OPROCENTOWANIE

2.5%

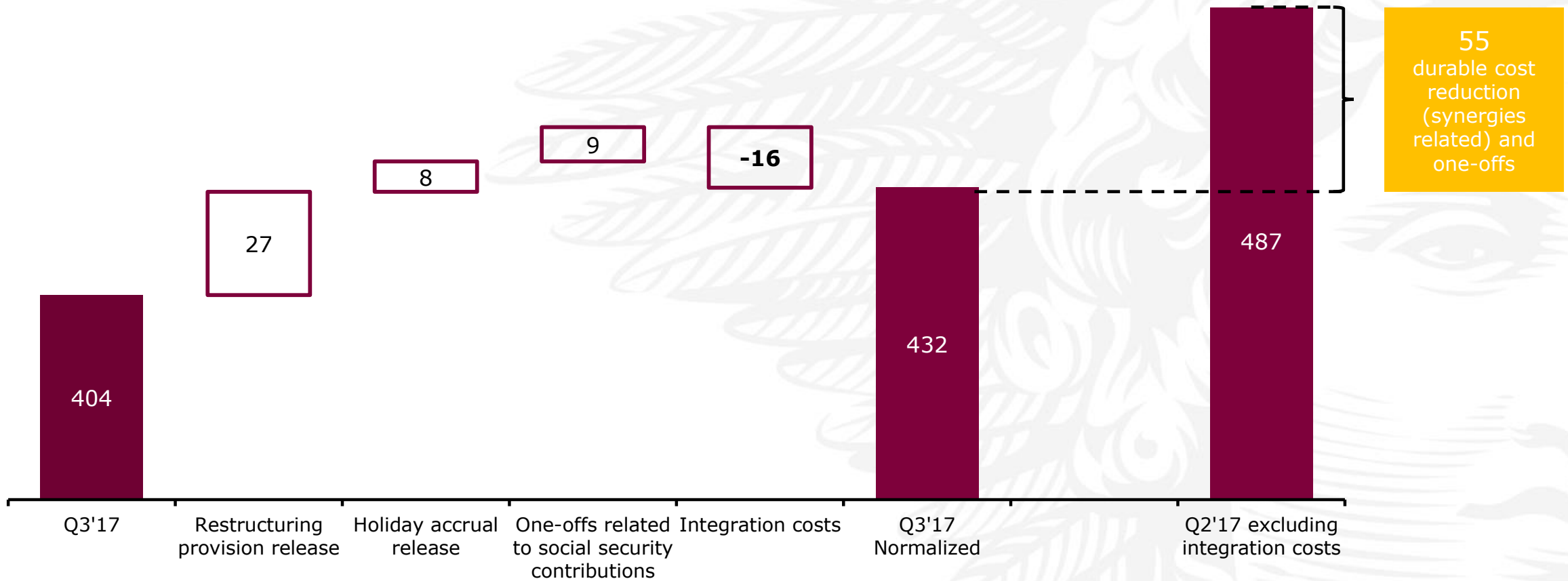
+

100 zł
na zakupy





NORMALIZED Q3'17 GENERAL ADMINISTRATIVE EXPENSES (IN PLN M)





T-MOBILE PARTNERSHIP IN ROMANIA: ALIOR'S FIRST BRANCH ABROAD GOES LIVE

Business Model

- Commercial launch **in October 2017**
- **Products:** full-fledged offer for **private individuals:** deposits & loans incl. cash loan, device financing integrated with Telekom Romania sales process, credit cards
- First mover advantage with **virtual exchange office**
- **Channels:** sales network of **250** Telekom Romania Shops, and **120** own banking corners located in selected shops, supported by **brokers, call center, mobile & online processes**
- **Processes:** fully remote product opening with state of the art **mobile and internet banking** applications
- **Current size** of Bucharest Branch - 60 FTE, up to 300 FTE in 2018

Key targets

Contributing positively to Alior's strategic 2020 targets

1. Annual growth of **PLN 0.5 B loans** portfolio equivalent to ~10% of expected Alior loan growth
2. **ROE > 20% & NIM > 7%** increasing expected Alior returns





Key Highlights

Strategic KPIs

BPH Core integration costs and merger synergies

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STRATEGY IMPLEMENTATION - FINANCIAL KPIs

	<u>9m'17</u>	<u>Strategic goals 2020</u>	<u>Completion by</u>
ROE	7.8%	14%	2019
NIM net interest margin	4.7%*	5.1%	2019
C/I costs / income	51%	39%	2019
CoR cost of risk	1.7%	1.6%	2020
Gross loan growth**	PLN 5.0 B (9M)	PLN 5-6 B (12M)	each year in the 2017-2020 period

*NIM formula for 9M'17: NII for 9M'17 annualized, divided by average of IEA from 31.12.2016 and 30.09.2017

**not annualized; excluding loan loss provisions, sale of NPLs, Buy-Sell-Back transactions and securitization, but including portfolio amortization



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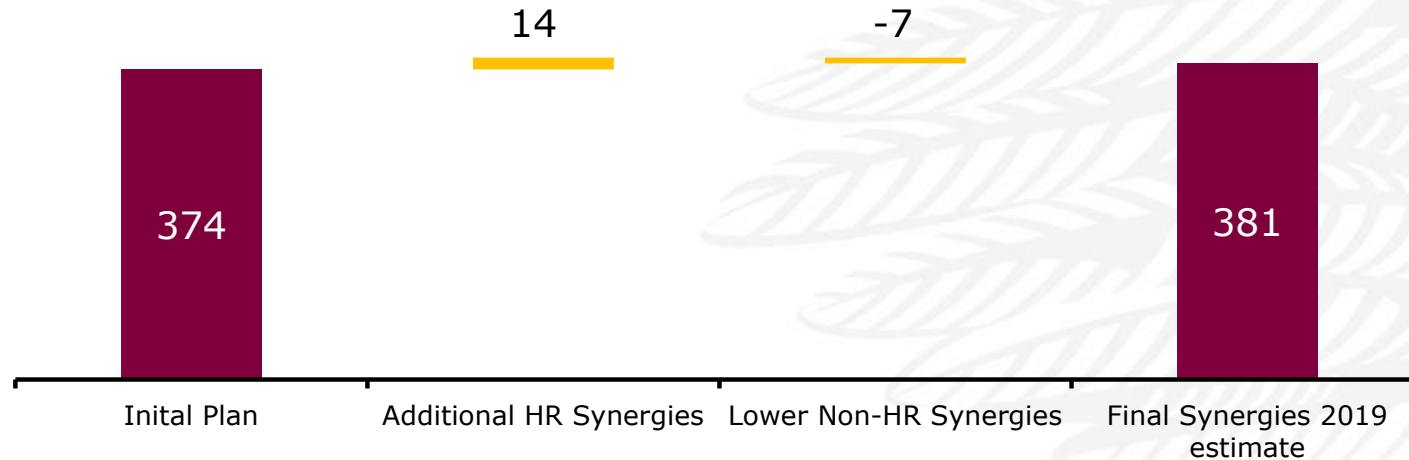
Operational performance

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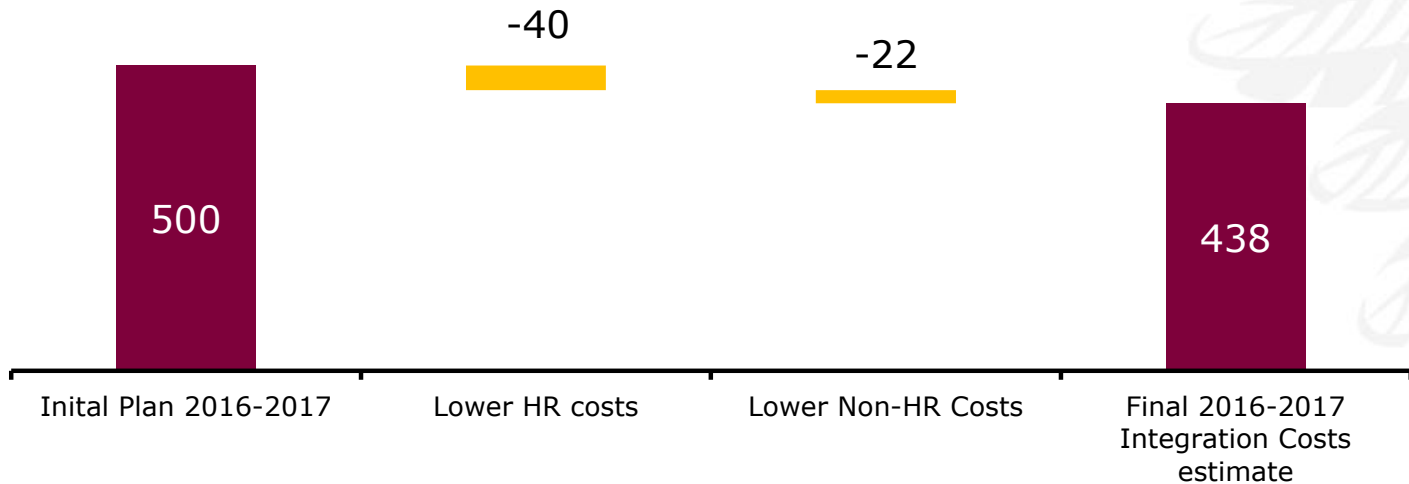
SYNERGIES ABOVE THE INITIAL PLAN, INTEGRATION COSTS SIGNIFICANTLY BELOW THE INITIAL PLAN

SYNERGIES PLN M



- **HR synergies ahead of plan due to:**
 - Higher average cost savings per FTE (additional reduction of mid-management positions to ensure flat org. chart)
 - More effective utilization of natural turnover
- **Non-HR synergies** slightly lower due to lower Real Estate synergies in branch network (PLN 4 M; average size of closed branch smaller than planned) and slightly higher revenue dissynergies (PLN 3 M; due to ROE optimization of the SME portfolio)

INTEGRATION COSTS PLN M



- **Lower HR costs (PLN 41 M)** – severance, retention and overtime:
 - 11% lower severance cost due to natural turnover
 - Lower retention bonus needed to successfully complete integration process
 - Low additional overtime costs related to operational merger
- **Lower Real Estate/sales network restructuring costs** (PLN 36 M due to smaller size of average closed branch compared to the plan and lower utilization of compensations for termination of contracts) partly off-set by higher legal and advisory costs (PLN 14 M)



AGENDA

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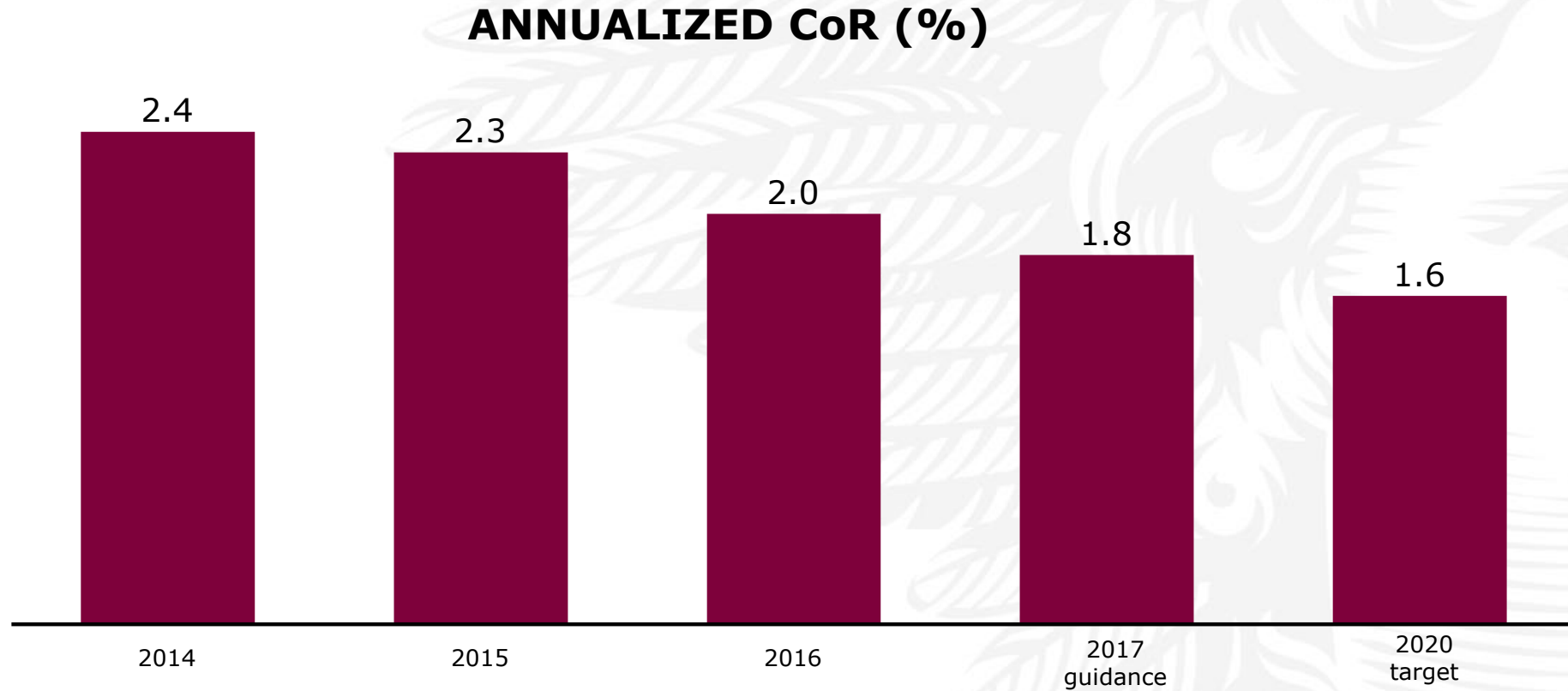
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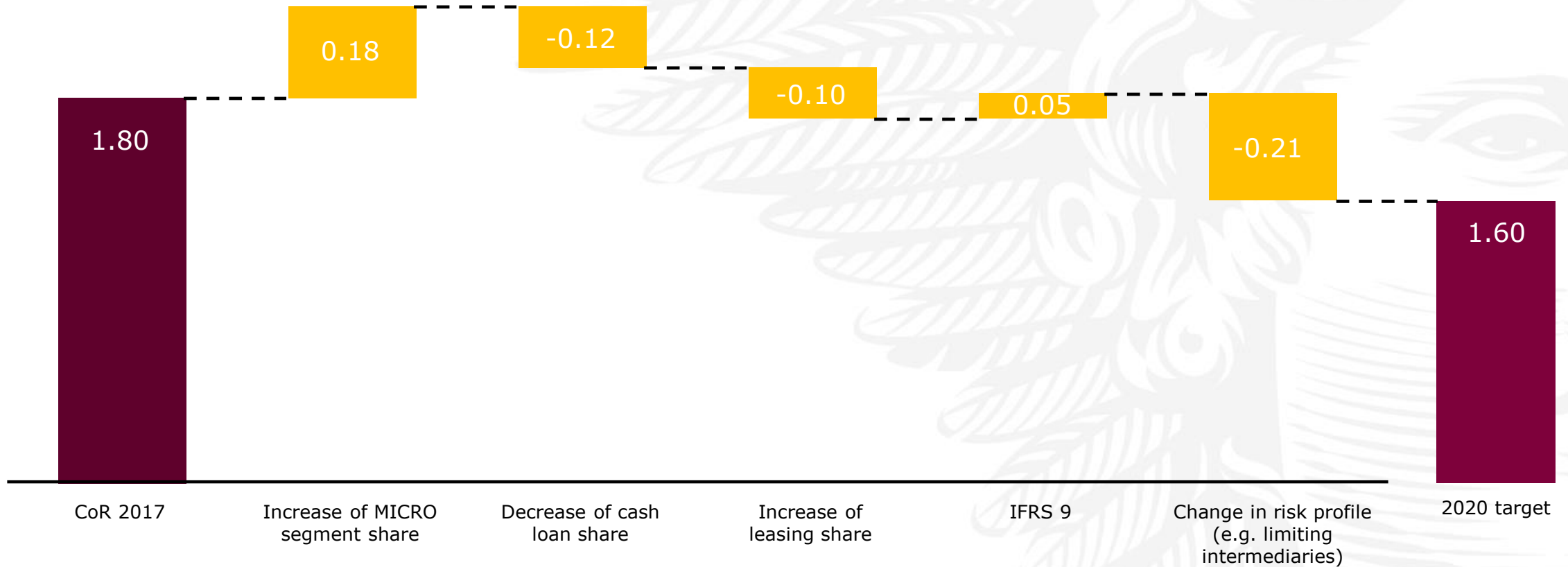
GRADUAL AND CONSISTENT DECREASE OF COST OF RISK (CoR) – 60 BPS DOWN SINCE 2014, FURTHER DECREASE OF 20 BPS BY 2020 IS TARGETED





STRATEGIC CoR TARGET TO BE ACHIEVED BY COMPREHENSIVE CHANGES BOTH IN PORTFOLIO STRUCTURE AND RISK PROFILE (E.G. LIMITING SALES THROUGH INTERMEDIARIES)

CoR EVOLUTION (%)





PLN 200 M COST OF RISK SAVINGS TRANSLATES INTO 0.21 PP DECREASE OF CoR DUE TO PORTFOLIO SEASONING AND CREDIT POLICY OPTIMIZATION

TOTAL IMPACT OF STRATEGIC INITIATIVES: 0.21 PP

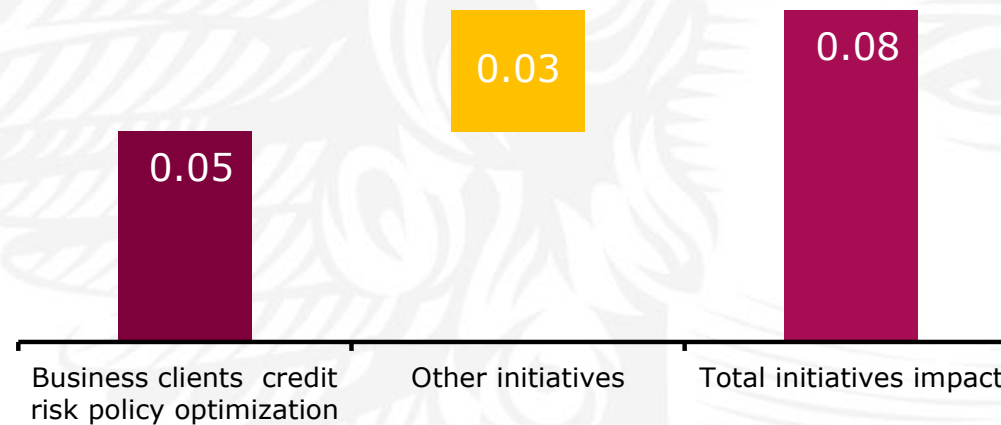
RETAIL INITIATIVES IMPACT (PP)



Retail credit risk policy optimization

- Adjustment of sales dynamics to market level - share of seasoned loans to increase to 29% from 20% currently
- Significant limitation of intermediaries sales (generating much higher cost of risk) to 6% from 18% currently
- Gradual increase of clients with primary relation (up 6 pp from current level of 36%)

BUSINESS CLIENT INITIATIVES IMPACT (PP)



Business clients credit risk policy optimization

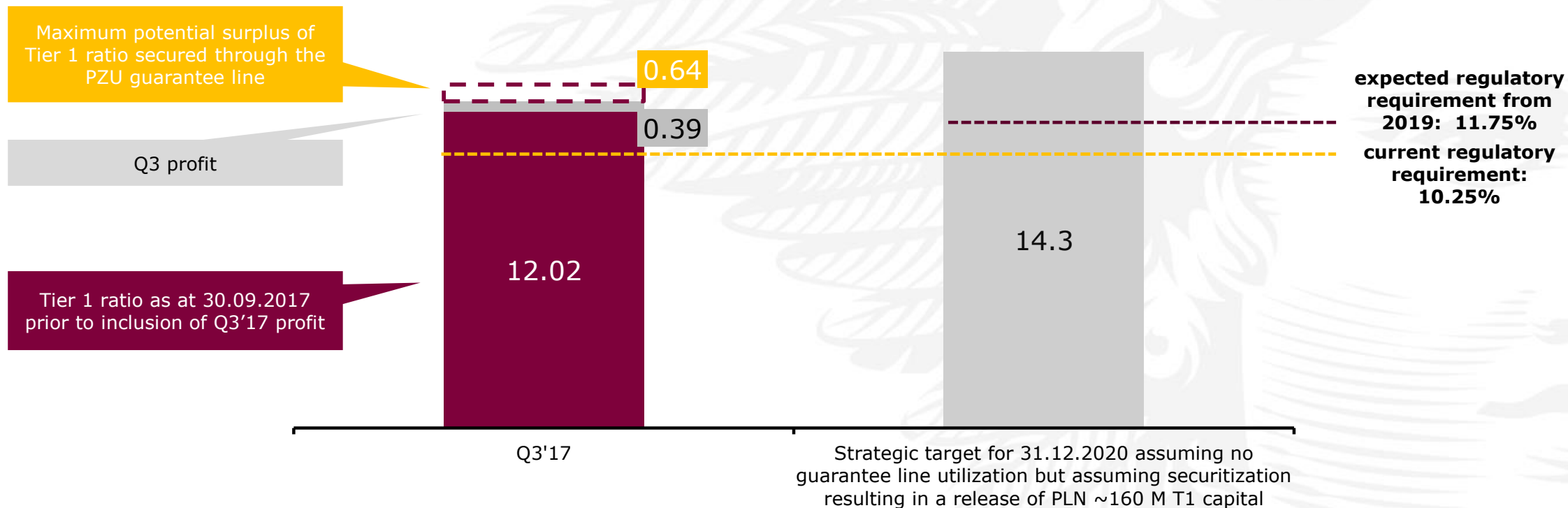
- Significant limitation of intermediaries sales (generating much higher cost of risk) to 8% from 20% currently
- Broader implementation of collateralized exposures for micro segment - share of collateralized loans to increase from 43% currently to 51%



CAPITAL POSITION SECURED FOR FUTURE DEVELOPMENT

On 8 November 2017 Alior Bank entered into a flexible guarantee line arrangement with PZU allowing a maximum equity release (if and when necessary) of up to PLN 300 M

ILLUSTRATIVE TIER 1 RATIO (%) EVOLUTION



Alior T1 ratio expected to be 50-250 bps above minimum regulatory requirement throughout the strategy time horizon



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2017 OUTLOOK

	9m'17	Previous 2017 EoY Guidance	Current 2017 EoY Guidance
NIM	4.7%	4.6%-4.7%	4.7%
CoR	1.7% <i>(1.9% w/o NPL sale)</i>	1.8%	1.8%
C/I	51%	54%	51%
C/I excl. integration costs	49%	49%	49%



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KEY FINANCIALS - REVENUE

PLN M (quarterly)	Q2'17	Q3'17	ch. qoq (%)	ch. qoq (PLN M)
Total revenue	948	931	-1.9	-17.6
NII	719	724	0.6	4.4
Total interest income	893	904	1.2	10.9
<i>Interest income excluding income from derivatives</i>	859	881	2.4	20.7
<i>interest income from derivatives</i>	33	24	-29.3	- 9.8
Total interest expense	-173	-180	3.7	- 6.5
<i>Interest expense excluding interest expense from derivatives</i>	-144	-160	11.3	- 16.2
<i>interest expense from derivatives</i>	-29	-19	-33.4	9.8
NFC	118	103	-12.8	-15.1
<i>Fee and commission income</i>	209	207	-1.0	-2.1
<i>Fee and commission expense</i>	-91	-104	-14.3	13.0
OTHER	111	104	-6.2	-6.9
<i>Trading result</i>	99	97	-1.5	-1.5
<i>Net other operating income</i>	11	6	-49.0	-5.6
<i>Net gain on other financial instruments</i>	0.7	0.8	14.3	0.1



KEY FINANCIALS – P&L

PLN M (quarterly)	Q2'17	Q3'17	ch. qoq (%)	ch. qoq (PLN M)
Total revenue	948	931	-1.9	-17.6
General administrative expenses	-503	-404	-19.6	-98.7
Impairment losses & provisions	-256	-212	-17.2	44.1
Bank tax	-49	-51	2.9	-1.4
Profit before tax	140	264	88.2	123.8
Income tax	-40	-74	83.8	-33.8
Net profit	100	190	90.0	90.0



KEY FINANCIALS – VOLUMES AND RATIOS

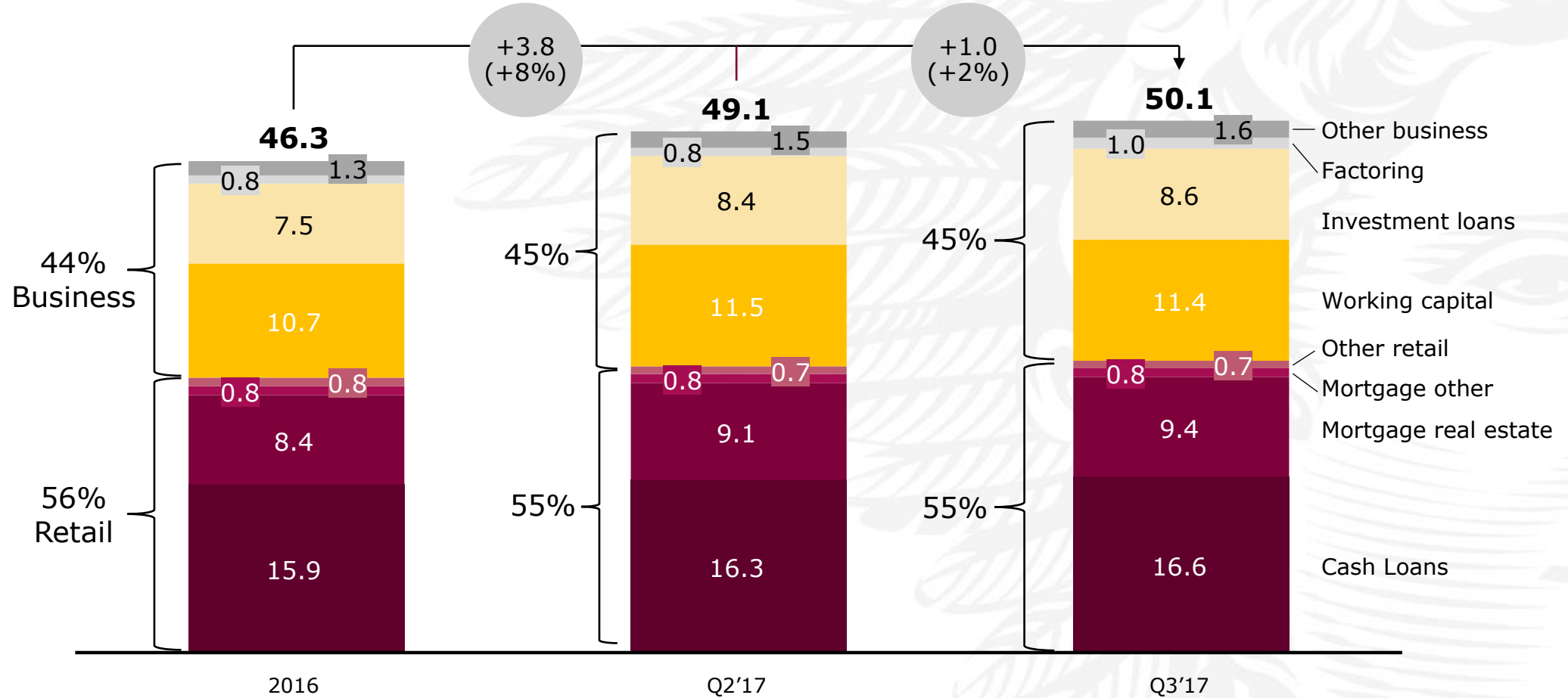
PLN B	Q2'17	Q3'17	ch. qoq (%)	ch. qoq (PLN B)
Loans	49.1	50.1	2.1	1.0
Deposits	51.7	54.7	5.9	3.0
Total equity	6.4	6.6	3.4	0.2
Total assets	61.8	65.0	5.2	3.2

% (quarterly)	Q2'17	Q3'17	ch. qoq (%)	ch. qoq (pp)
ROE*	6.3	11.7	85.7	5.4
ROA*	0.7	1.2	83.1	0.5
C/I	53.0	43.4	-18.1	-9.6
CoR* including NPL sales	-1.9	-1.6	18.1	0.3
CoR* excluding NPL sales	-1.9	-2.1	-8.0	-0.2
L/D	95.0	91.5	-3.6	-3.4
NPL ratio	11.2	10.9	-2.8	-0.3
NPL coverage ratio	53.0	52.3	-1.3	-0.7
TCR	13.7	14.1	3.0	0.4
Tier 1	11.5	12.0	4.1	0.5



LOAN BOOK SPLIT

LOAN BOOK (PLN B)



FX MORTGAGES IN CHF ACCOUNT FOR ONLY 0.3% OF TOTAL LOAN BOOK

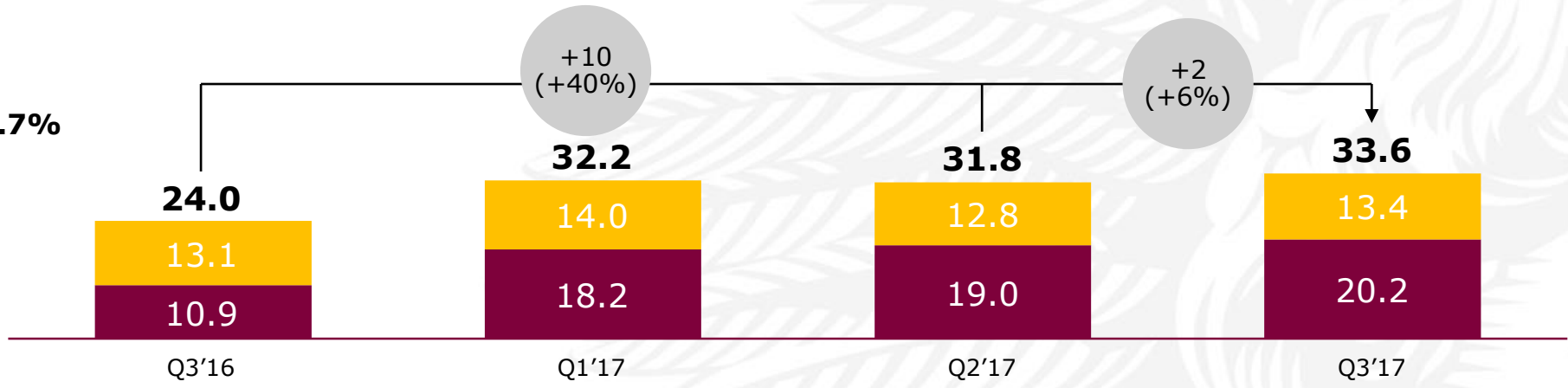


DEPOSIT BOOK – IMPROVED MIX OF CURRENT ACCOUNTS AND TERM DEPOSITS (IN PLN B)

L/D = 91.6%

Retail

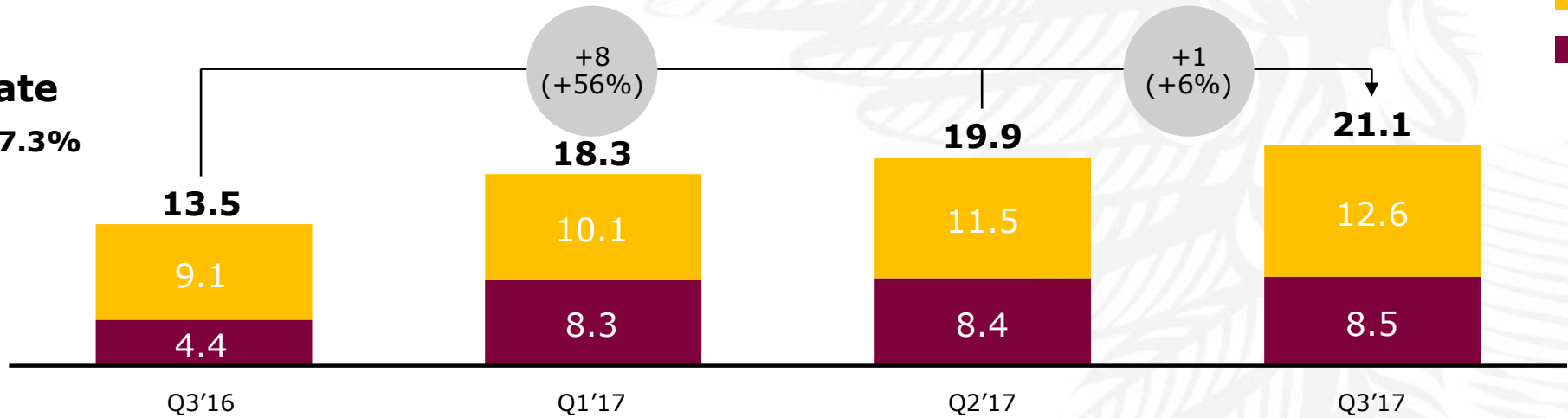
L/D = 81.7%



Term, banking securities issued, other
Current

Corporate

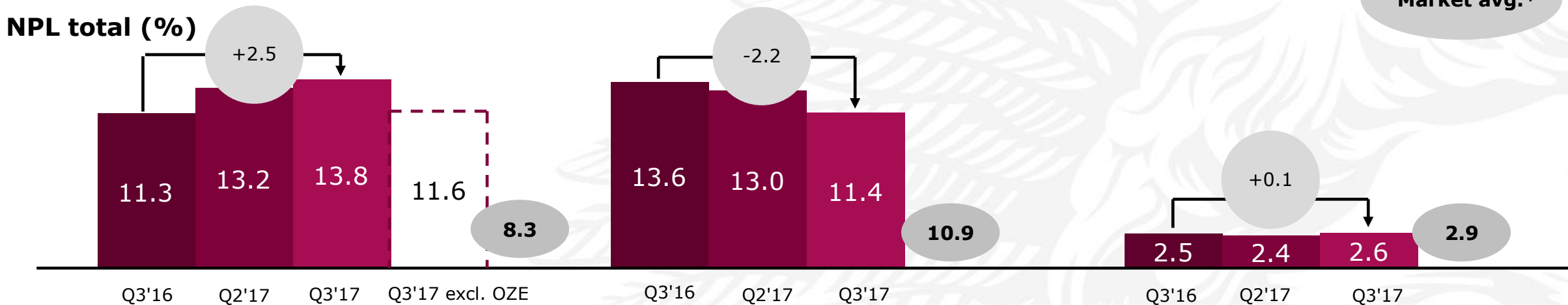
L/D = 107.3%



%	Q3'16	Q3'17
Current accounts/total deposits	41	52



KEY CREDIT RISK RATIOS

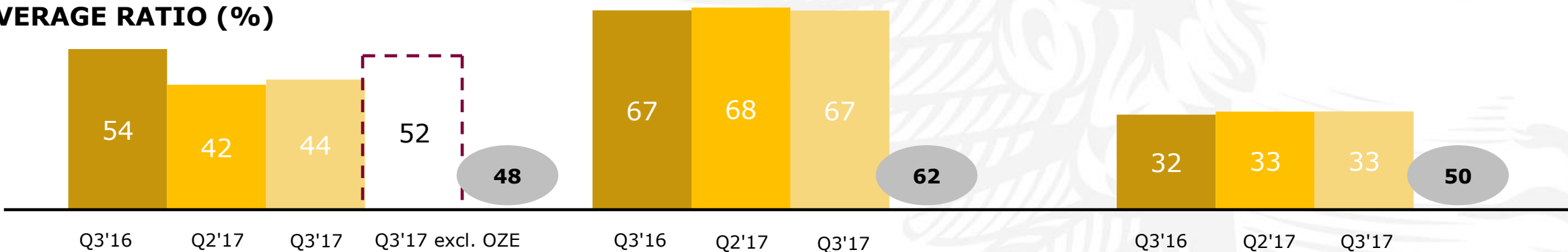


CORPORATE

RETAIL

MORTGAGE

COVERAGE RATIO (%)



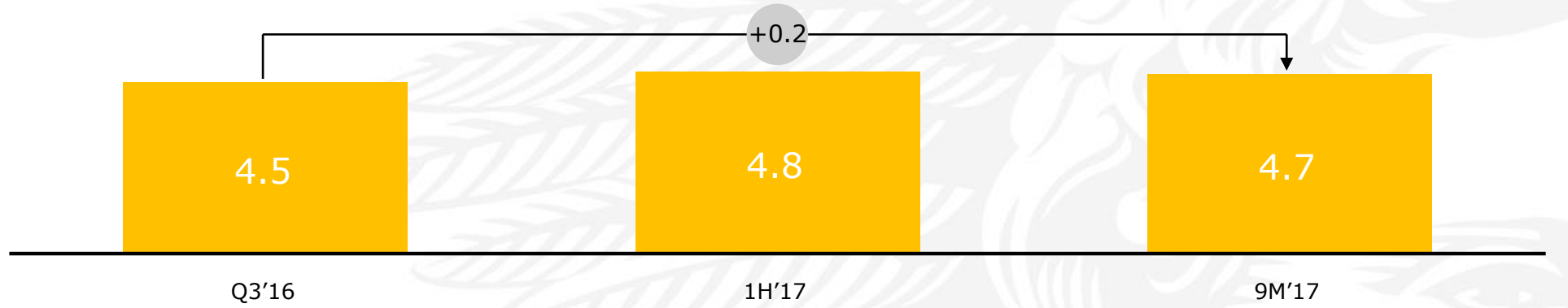
Loan portfolio structure (%)	Corporate	Retail	Mortgage
Alior Bank	45.1	36.2	18.7
Banking sector*	35.5	26.4	38.1

*Ratios (as of the end of September 2017) 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 for real estates portfolio

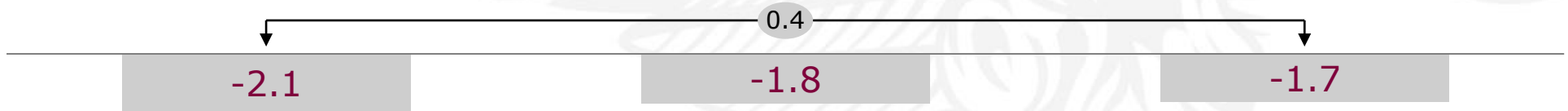


ALIOR NIM DEVELOPMENT (%)

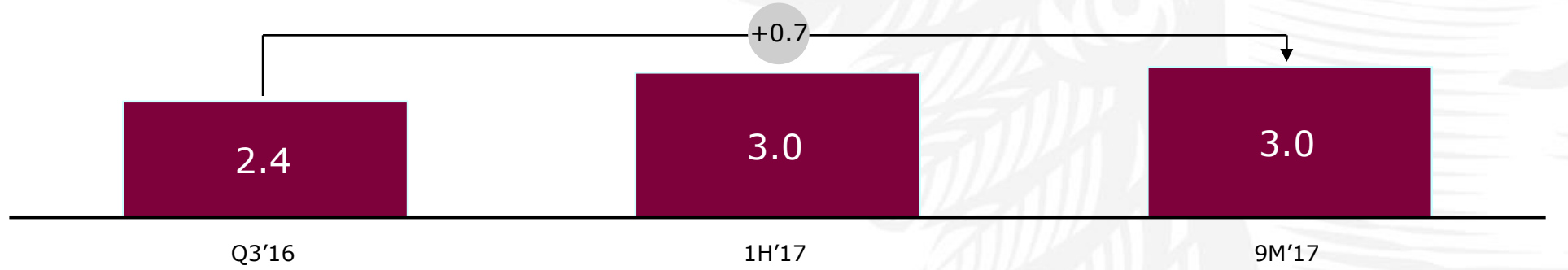
NIM



CoR

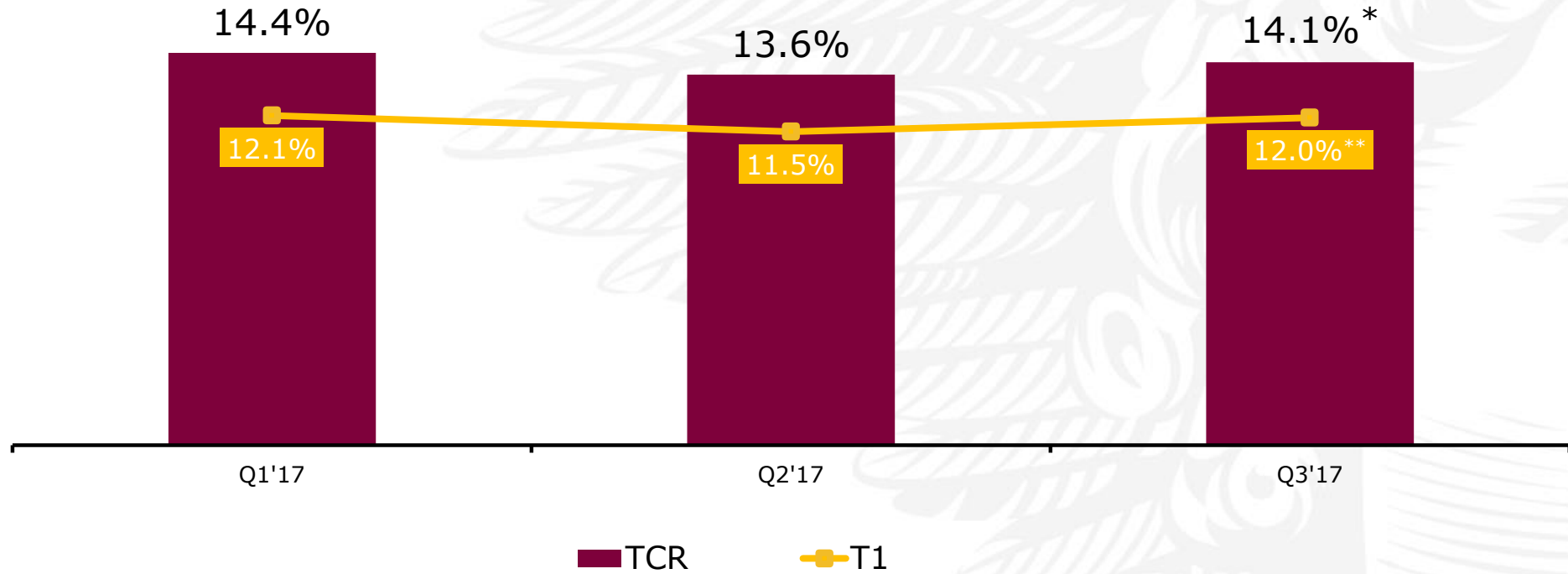


NIM - CoR





CAPITAL POSITION SUPPORTS FUTURE LOAN ORIGINATION OBJECTIVES



*prior to inclusion of Q3'17 net profit and PLN 600 M subordinated bonds issue settled in October 2017

**prior to inclusion of Q3'17 net profit



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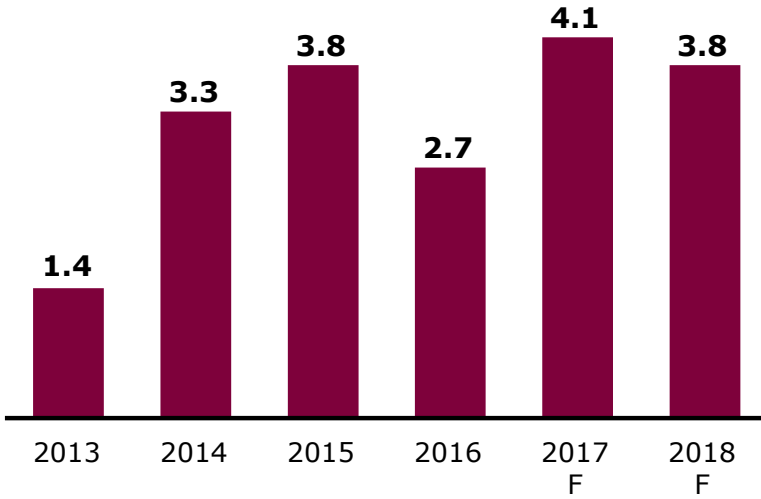
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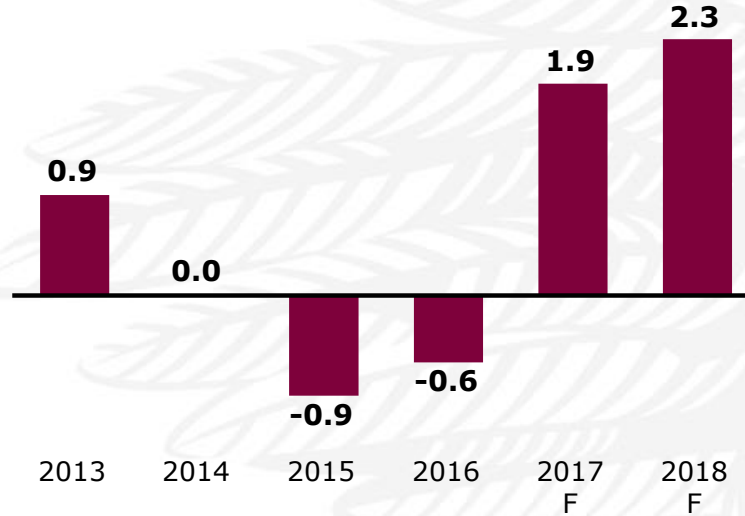


POLISH MACRO OUTLOOK

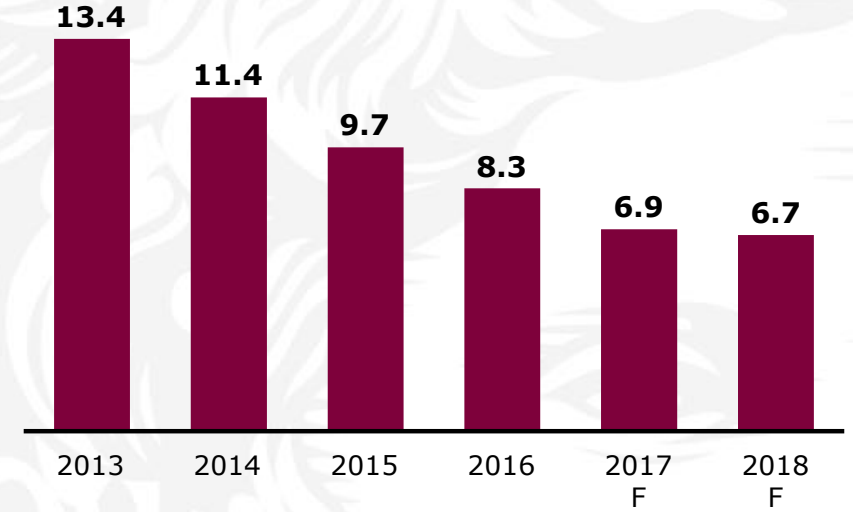
GDP growth (% yoy)



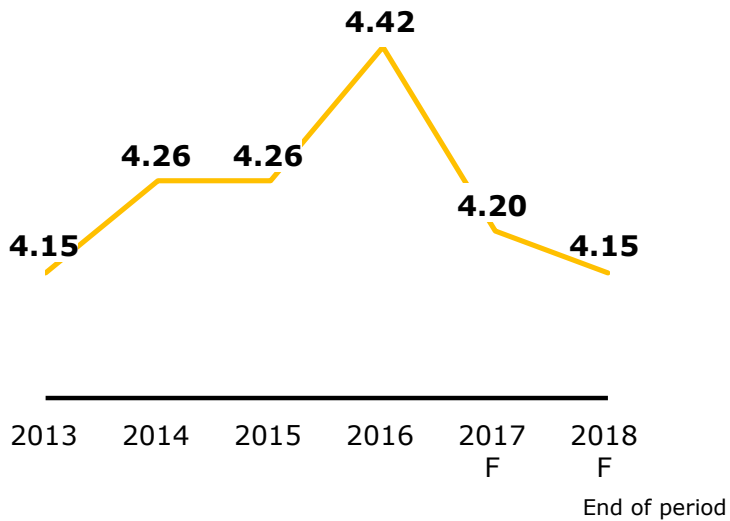
Inflation (CPI % yoy)



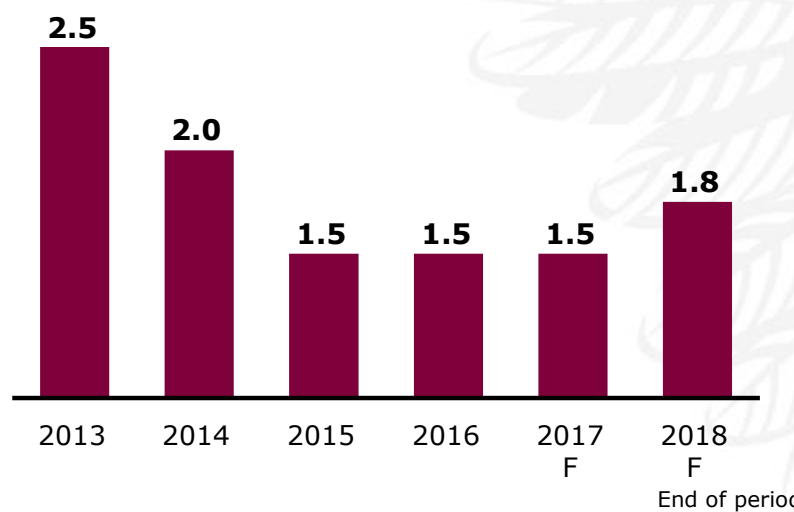
Unemployment rate (%)



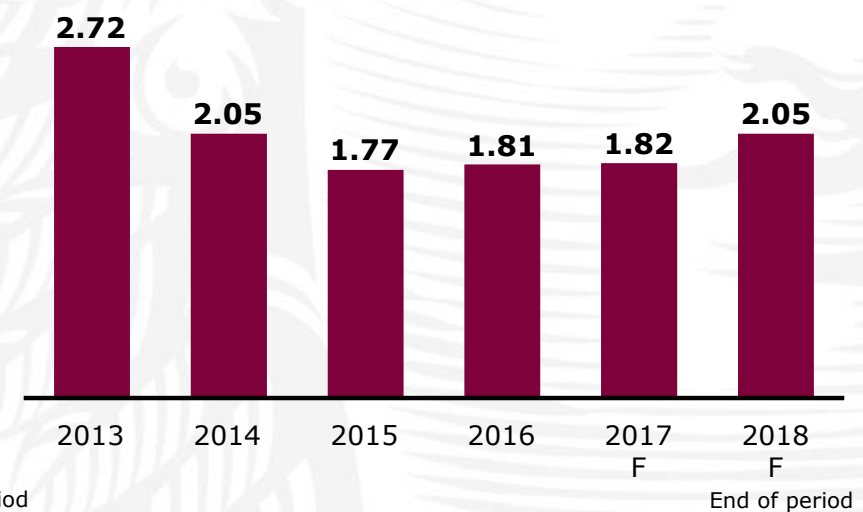
FX rate (EUR/PLN)



NBP reference rate (%)



WIBOR 6M (%)





ALIOR BANK INCOME STATEMENT SNAPSHOT

in PLN M	Q1'17	Q2'17	Q3'17
Interest income	867	893	904
Interest expense	-206	-173	-180
Net interest income	661	719	724
Fee and commission income	195	209	207
Fee and commission expense	-78	-91	-104
Net fee and commission income	117	118	103
Trading result	73	99	97
Net gain (realized) on other financial instruments	0	1	1
Other operating income	32	28	28
Other operating costs	-15	-17	-22
Net other operating income	17	11	6
General Administrative Expenses	-489	-503	-404
Impairment losses & provisions	-212	-256	-212
Bank tax	-50	-49	-51
Profit before tax	118	140	264
Income tax	-35	-40	-74
Net profit from continuing operations	82	100	190
- attributable to equity holders of the parent	82	100	190
- attributable to non-controlling interests	0	0	0
Net profit	82	100	190



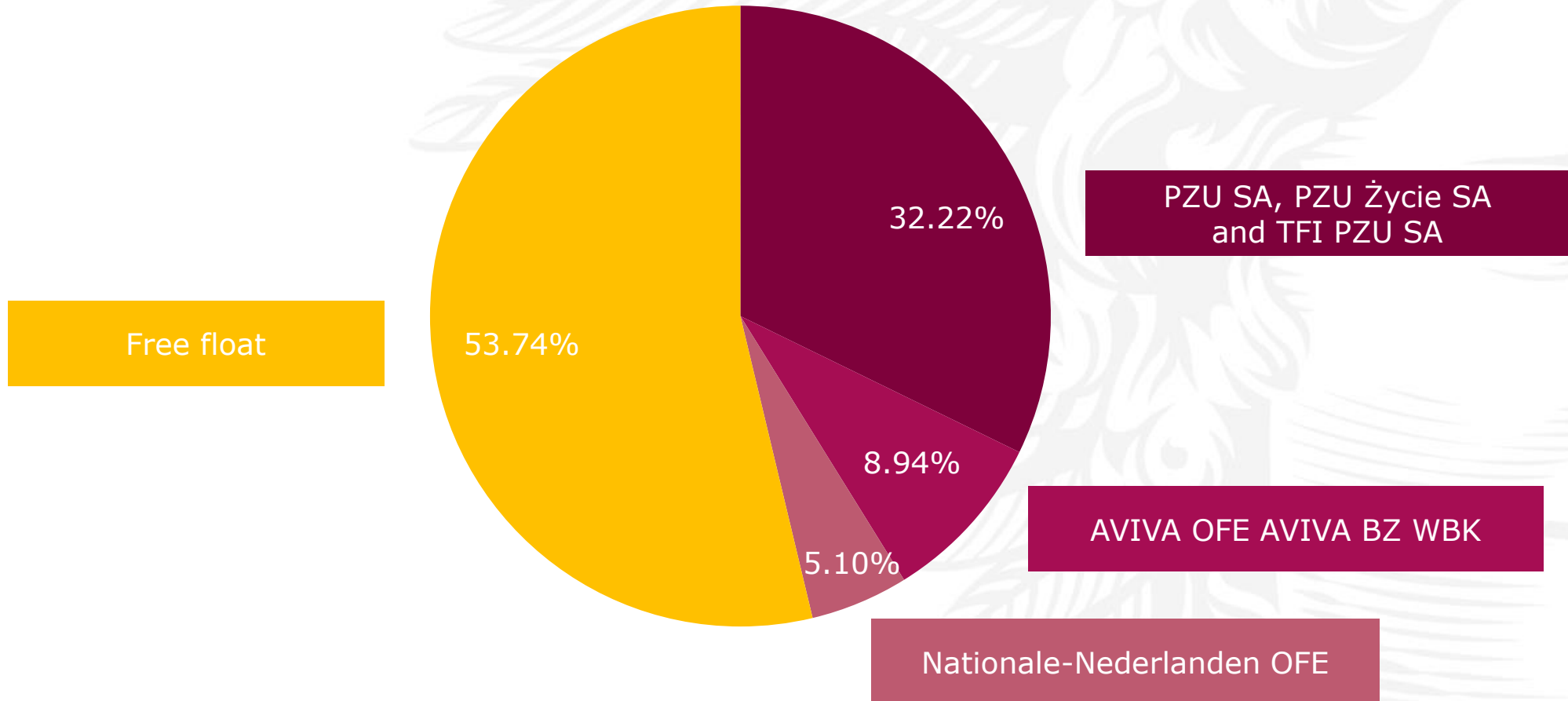
ALIOR BANK BALANCE SHEET SNAPSHOT

in PLN M	31 Dec'16	31 Mar'17	30 Jun'17	30 Sep'17
Cash and balances with Central Bank	1 083	1 781	2 377	1 780
Financial assets held for trading	420	387	421	481
Available for sale financial assets	9 375	6 517	6 469	8 880
Investment securities held to maturity	2	2	0	0
Hedging derivatives	72	61	46	75
Receivables from banks	1 366	517	737	890
Loans and advances to customers	46 247	48 403	49 079	50 100
Assets pledged as collateral	367	493	511	562
Property, plant and equipment	486	484	476	450
Intangible assets	516	531	545	525
Non-current asset held for sale	1	0	0	0
Current income tax receivables	540	565	550	543
- Current	0	0	0	0
- Deferred	540	565	550	543
Other assets	686	678	624	753
TOTAL ASSETS	61 160	60 420	61 837	65 039
Financial liabilities held for trading	298	294	366	404
Amounts due to banks	429	537	867	715
Amounts due to customers	51 369	50 517	51 689	54 732
Derivative hedging instruments	6	12	9	5
Provisions	287	268	186	122
Other liabilities	1 433	1 271	1 140	1 236
Income tax liabilities	14	46	31	49
- Current	13	45	29	46
- Deferred	1	1	1	2
Subordinated loans	1 165	1 161	1 161	1 170
Liabilities, total	55 007	54 107	55 448	58 432
Equity	6 160	6 313	6 389	6 608
Equity attributable to equity holders of the parent	6 159	6 312	6 388	6 607
Share capital	1 293	1 293	1 293	1 293
Supplementary capital	4 186	4 186	4 820	4 820
Revaluation reserve	-72	-44	-31	4
Other reserves	184	184	184	184
Foreign operations currency translation differences	0	0	0	0
Undistributed result from previous years	-7	611	-59	-66
Current year profit/loss	575	82	182	372
Non-controlling interests	1	1	1	1
TOTAL LIABILITIES AND EQUITY	61 160	60 420	61 837	65 039



ALIOR BANK SHAREHOLDING

LARGEST FREE FLOAT AMONG POLISH FINANCIAL INSTITUTIONS

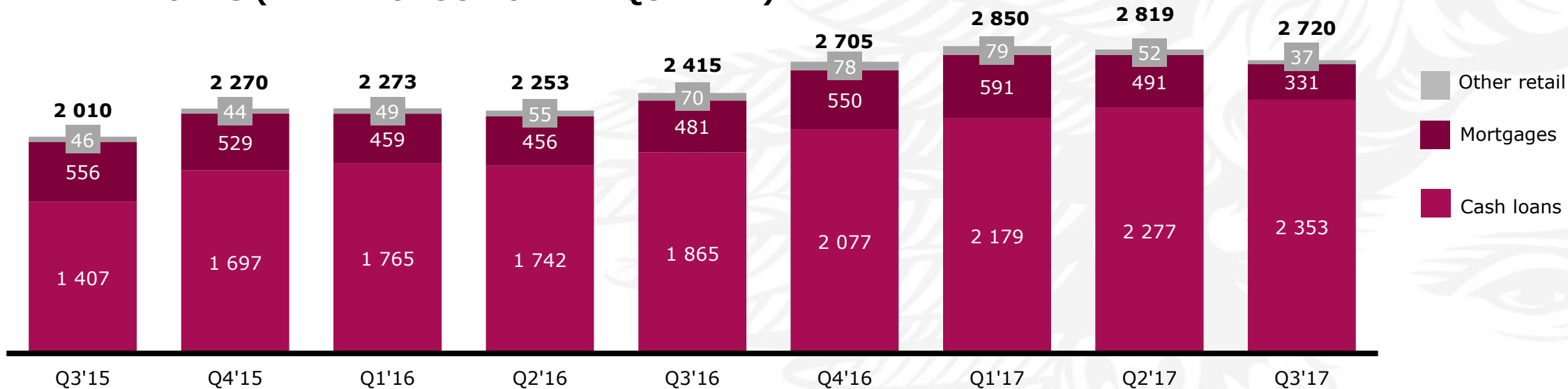


*based on the number of shares registered on Extraordinary EGM held on 31 October 2017

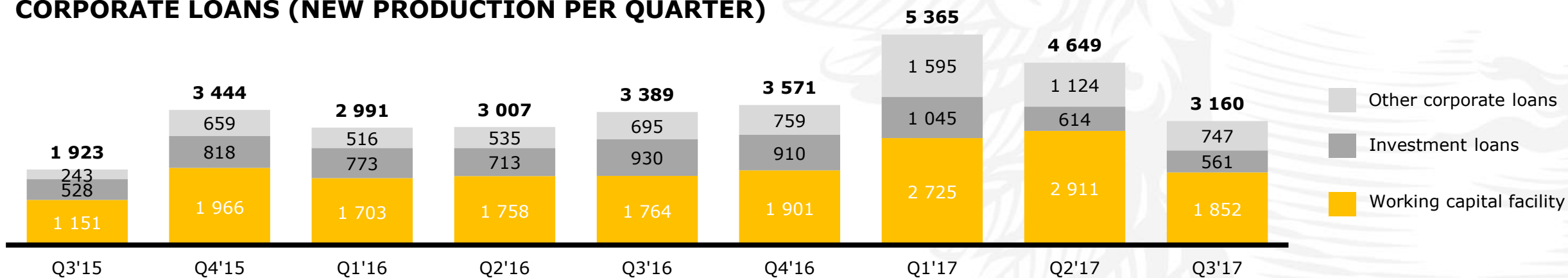


ALIOR BANK NEW LOANS SALES IN RETAIL & SME

RETAIL LOANS (NEW PRODUCTION PER QUARTER)



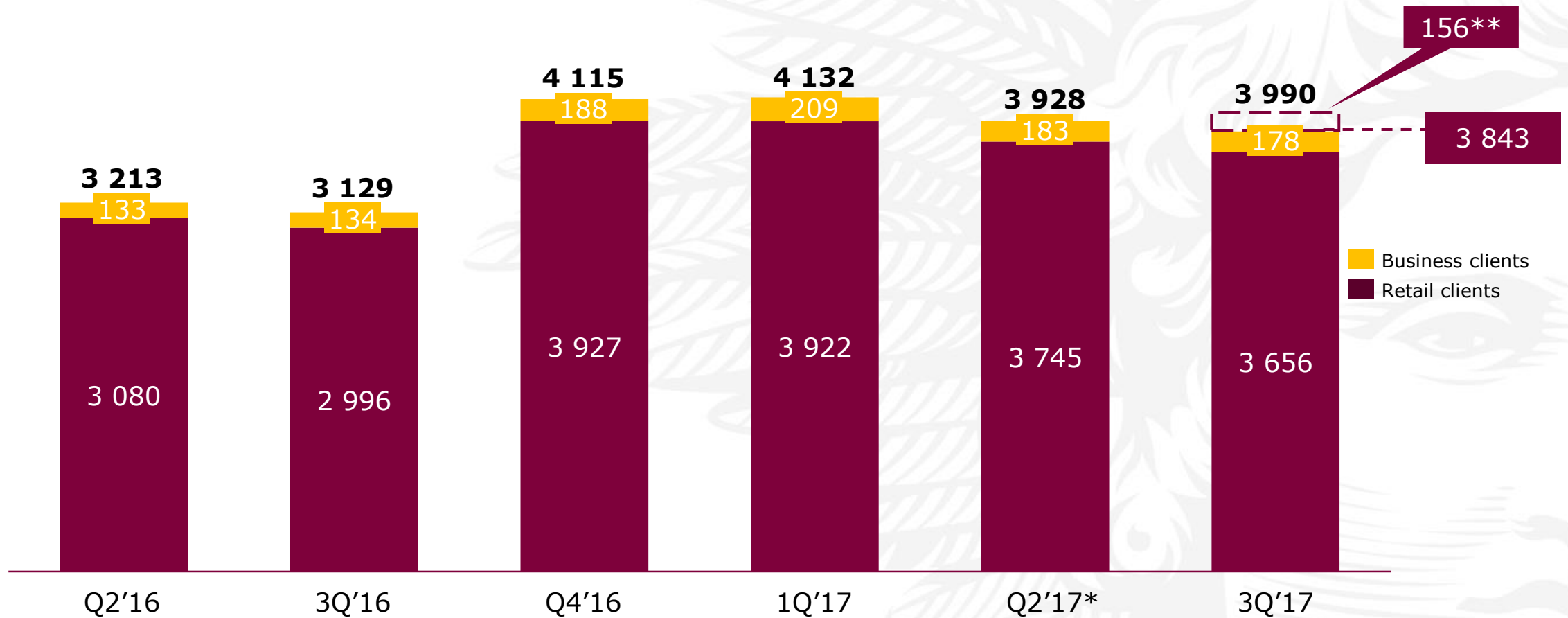
CORPORATE LOANS (NEW PRODUCTION PER QUARTER)



New production defined as any opening of a new credit account / credit line. Renewals are included in corporate loans new production
 Other retail includes: loans for purchase of securities, credit card borrowings loans, other mortgage loans
 Other corporate includes: credit cards , car loans, other receivables, factoring
 Meritum Bank loans included as from Q3'15. Q4'16 excluding CoreBPH, Q1'17 including CoreBPH



ALIOR BANK CUSTOMER BASE (IN PLN T)



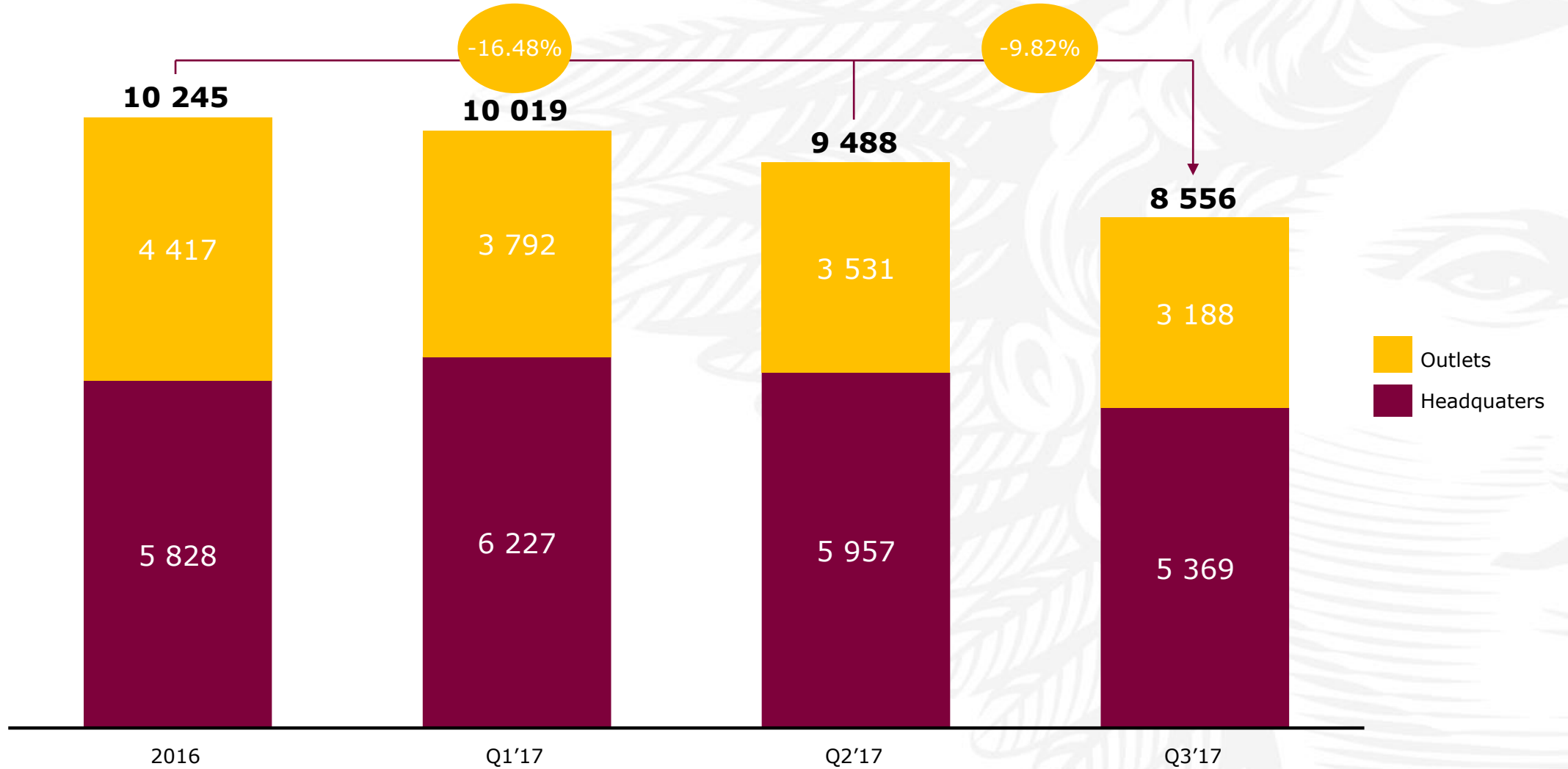
*Slight decrease in number of clients in Q2'17 is of technical nature as a result of new definition of active client

** in Q3'17 Alior Bank terminated 156 thousands inactive accounts



ALIOR BANK HEADCOUNT

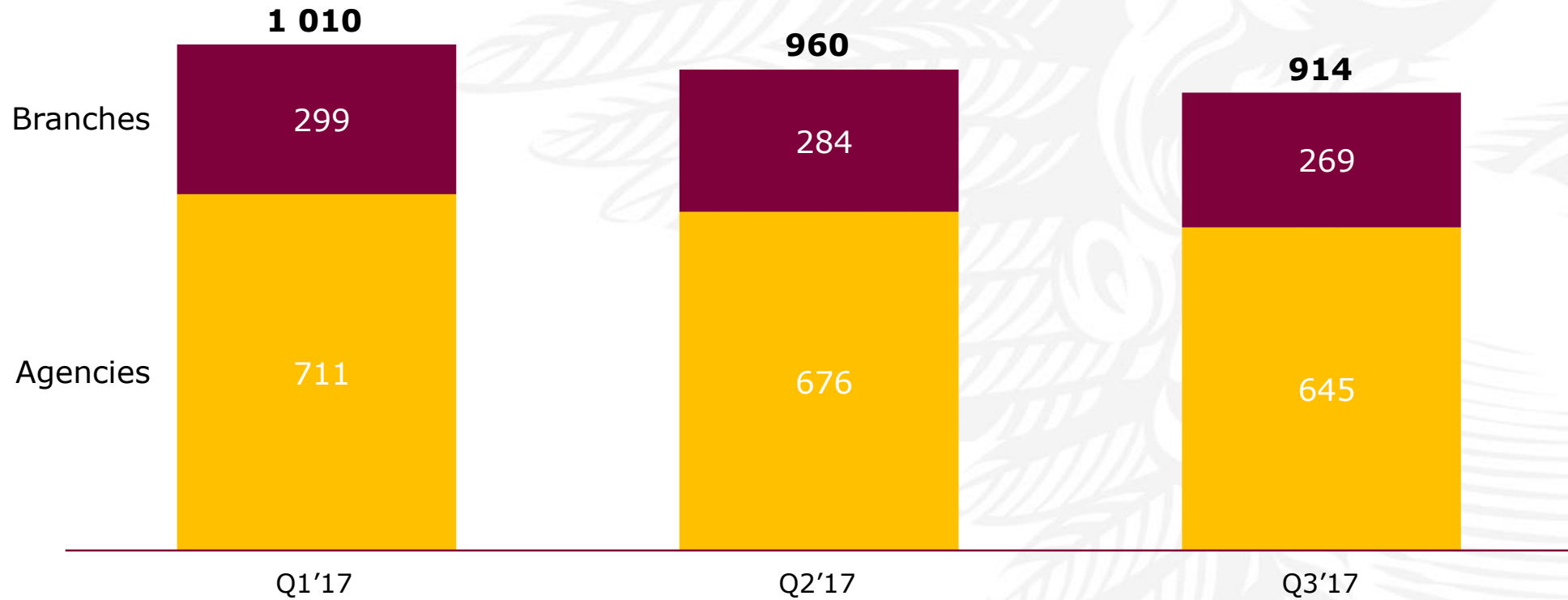
FTE EVOLUTION





ALIOR BANK BRANCHES

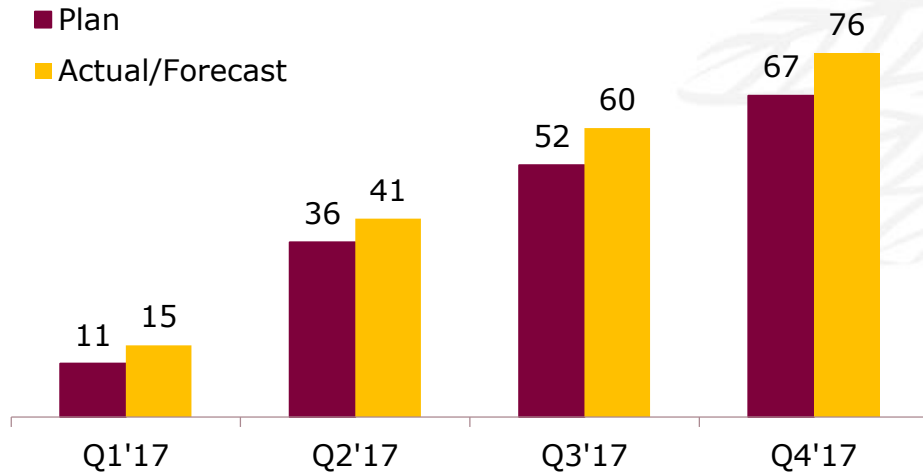
NUMBER OF BRANCHES



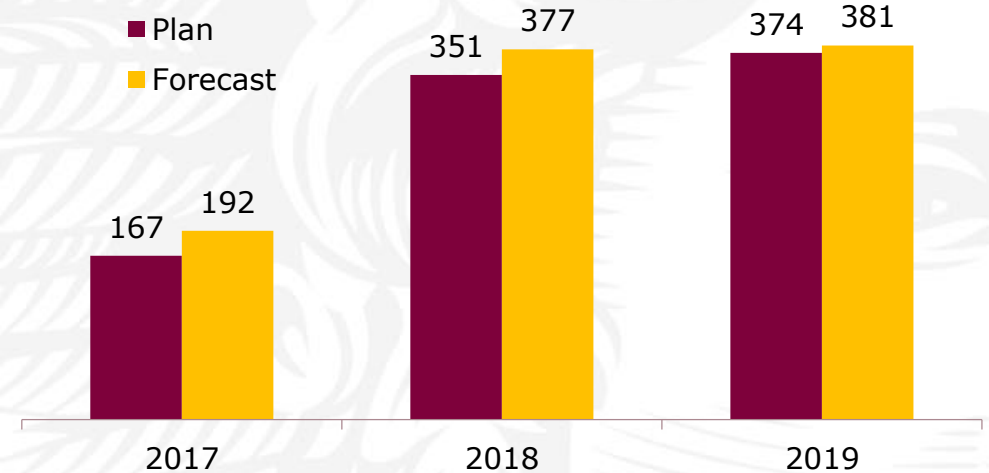


ULTIMATE LEVEL OF SYNERGIES FOR SUBSEQUENT YEARS ENHANCED

2017 (PLN M)



TARGET SYNERGY LEVEL (PLN M)



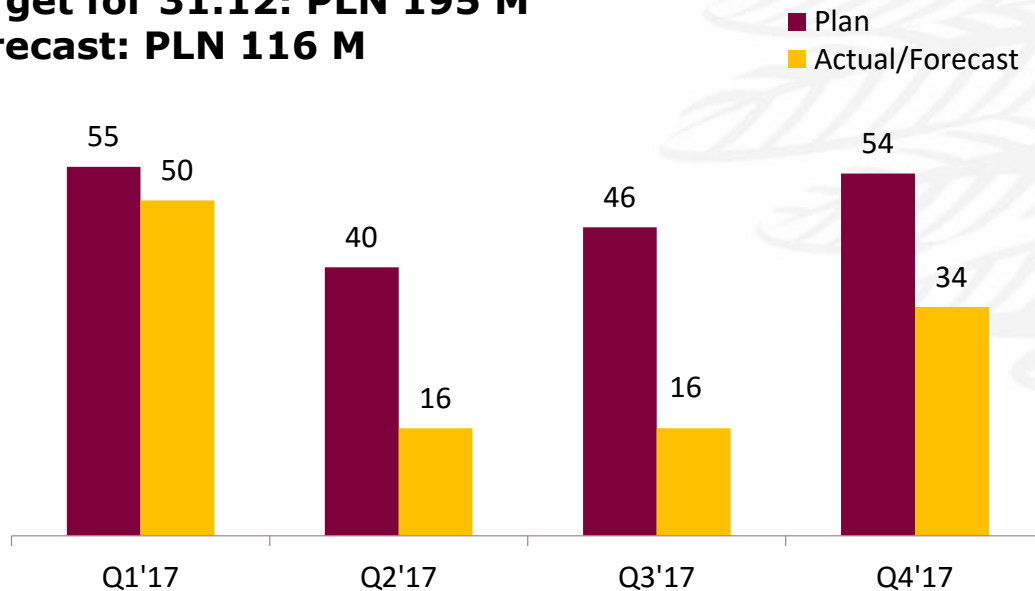
- **Current synergy realization ahead of plan**
- **Target synergy (2019) slightly higher than expected**
- **Synergy target will be reached already in 2018**
- **HR synergies over target – higher average cost savings per FTE supported by earlier execution**
- **IT and Real Estate synergy as planned**



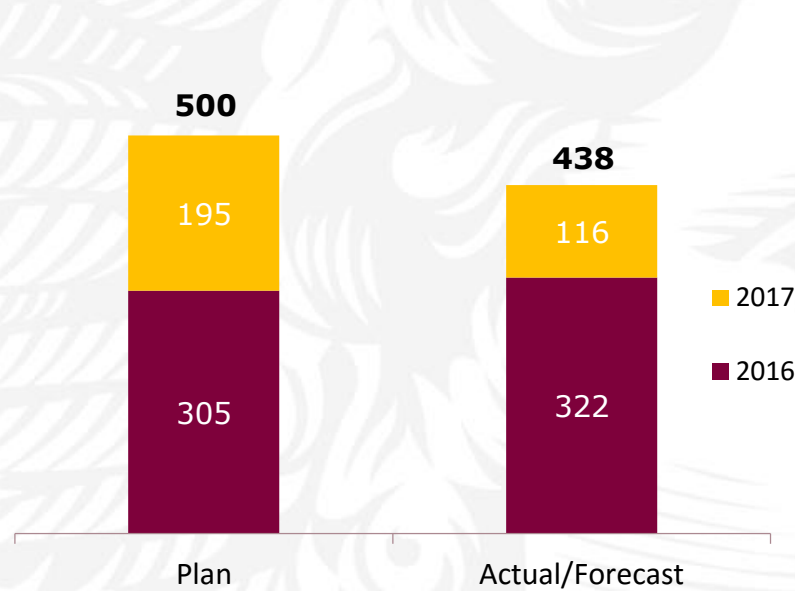
SIGNIFICANTLY LOWER INTEGRATION COSTS

INTEGRATION COSTS 2017 (before tax)

Target for 31.12: PLN 195 M
Forecast: PLN 116 M



TOTAL INTEGRATION COSTS 2016-2017 (PLN M) (before tax)



- Total integration costs PLN 79 M before tax (PLN 62 M after tax) lower than planned
- Lower severance and retention costs (excess provisions released in Q3)
- Lower Real Estate/sales network restructuring costs
- Higher than planned costs in 2016 due to higher write-offs of unused IT systems



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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