



Implementation of Alior Bank's Digital Disruptor Strategy for 2017-2020

Presentation for investors, analysts and media

Warsaw, October 4th, 2017



STRATEGY IMPLEMENTATION PLAN – SUMMARY (1/3)

- In line with the strategy implementation plan Alior Bank aims to achieve the ROE 14%, C/I 39% and NIM 5.1% targets already in 2019 (one year earlier than assumed in the strategy) and to maintain annual growth of gross loan volume at the level of PLN 5-6 B (in line with the strategy).
- Alior Bank's strategy implementation plan assumes achieving dividend payout capacity already in 2020 (i.e. distribution from 2019 profit) subject to regulator's guidelines and expectations.
- Alior Bank does not plan to issue equity with an objective of raising capital throughout the strategy time horizon.
- The capital plan until 2020 assumes that Alior Bank will meet Tier 1 regulatory requirements without the need to utilize any capital optimization instruments (such as guarantees or securitization) while maintaining the planned growth.
- Alior Bank's capital plan assumes maintaining a capital buffer of minimum 50 bps above the Tier 1 minimum regulatory requirement. Consequently, the Bank plans to temporarily (in 2018) utilize a guarantee line with Tier 1 capital release potential of up to PLN 300 M. In addition, Alior Bank will consider conducting one securitization transaction. The Bank assumes utilization of the above mentioned instruments at the combined amount of up to PLN 230 M release of Tier 1 capital.
- According to the plan, Alior Bank aims to achieve Cost of Risk (CoR) of 1.6% in 2020
- The strategic target for cost of financing remains unchanged at 1.1%.



STRATEGY IMPLEMENTATION PLAN – SUMMARY (2/3)

- Alior Bank's objective is to maintain its current equity allocation structure between business clients (~51%) and retail clients (~49%).
- In the business client segment, Alior Bank plans to increase equity allocation to micro and small enterprises from the current level of 31% to 47% in 2020 while concurrently implementing initiatives aimed at stabilizing the cost of risk (CoR).
- The increased capital allocation to micro and small enterprises will lead to a release of Tier 1 capital of approximately of approximately PLN 350 M of Tier 1 capital in the strategy time horizon.
- In the retail client segment, Alior Bank plans to increase the number of current account holders with a primary bank relation by 77% until 2020 and achieve a 55% share of such clients in the total number of newly acquired daily banking clients.
- Approximately 30% of new daily banking clients will be acquired through digital channels.



STRATEGY IMPLEMENTATION PLAN – SUMMARY (3/3)

- The Bank is currently implementing both a proprietary IT development methodology (AGILOR) as well as Alior Bank Innovation Management Model to strengthen its competitive advantages based on technology.
- Alior Bank plans to invest PLN 100 M each year in IT and innovation in four key areas:
 - IT infrastructure,
 - new systems and mobile tools,
 - innovation and fintech,
 - cyber security.
- Alior Bank will develop cooperation with PZU and Pekao in order to achieve both revenue and cost synergies.
- The Digital Disruptor Strategy implementation plan will be delivered through 70 initiatives in 12 areas.
- Following the Digital Disruptor Strategy, Alior Bank will analyze growth opportunities through further M&A transactions.



IN ACCORDANCE WITH THE IMPLEMENTATION PLAN, THE BANK WILL AIM TO ACHIEVE KEY FINANCIAL TARGETS PRIOR TO 2020

	1H2017	Strategic target	Completion by
ROE	5.8%	14%	2019
NIM net interest margin	4.8%	5.1%	2019
C/I costs / income	55%	39%	2019
CoR cost of risk	1.8%	1.6%	2020
Annual gross loan growth*	PLN 3.6 B (for 6 months of 2017)	PLN 5-6 B	each year in the 2017-2020 period

*excluding loan loss provisions, sale of NPLs, Buy-Sell-Back transactions and securitization, and including portfolio amortization



ALIOR BANK AIMS TO FOCUS ON DIGITAL CHANNELS

		1H 2017	Strategic goals 2020
Retail	Share of online channel in cash loan sales	12%	32%
	Share of online channel in current accounts sales	13%	30%
	Active mobile clients	7%	30%
	Active digital clients	33%	45%
Corpo/SME	Share of clients with primary relation	35%	70%
	Share of clients with mobile banking access	20%	100%

- New mobile and internet app in retail banking
- New mobile app for business clients
- End-to-end sales processes in digital channels, including pre-approved offers
- Digital channels activation program for both retail and SME clients
- New cyber security solutions, including implementation of a new standard for business clients

Definitions:
 Active mobile client – at least one mobile banking app login/month
 Active digital client – at least one internet banking login/month
 Client with primary relation – regular social security and tax payments through Alior Bank



ELEMENTS OF STRATEGY IMPLEMENTATION PLAN

Capital position

Risk management

Business development

IT | Innovation | Fintech

Strategy implementation

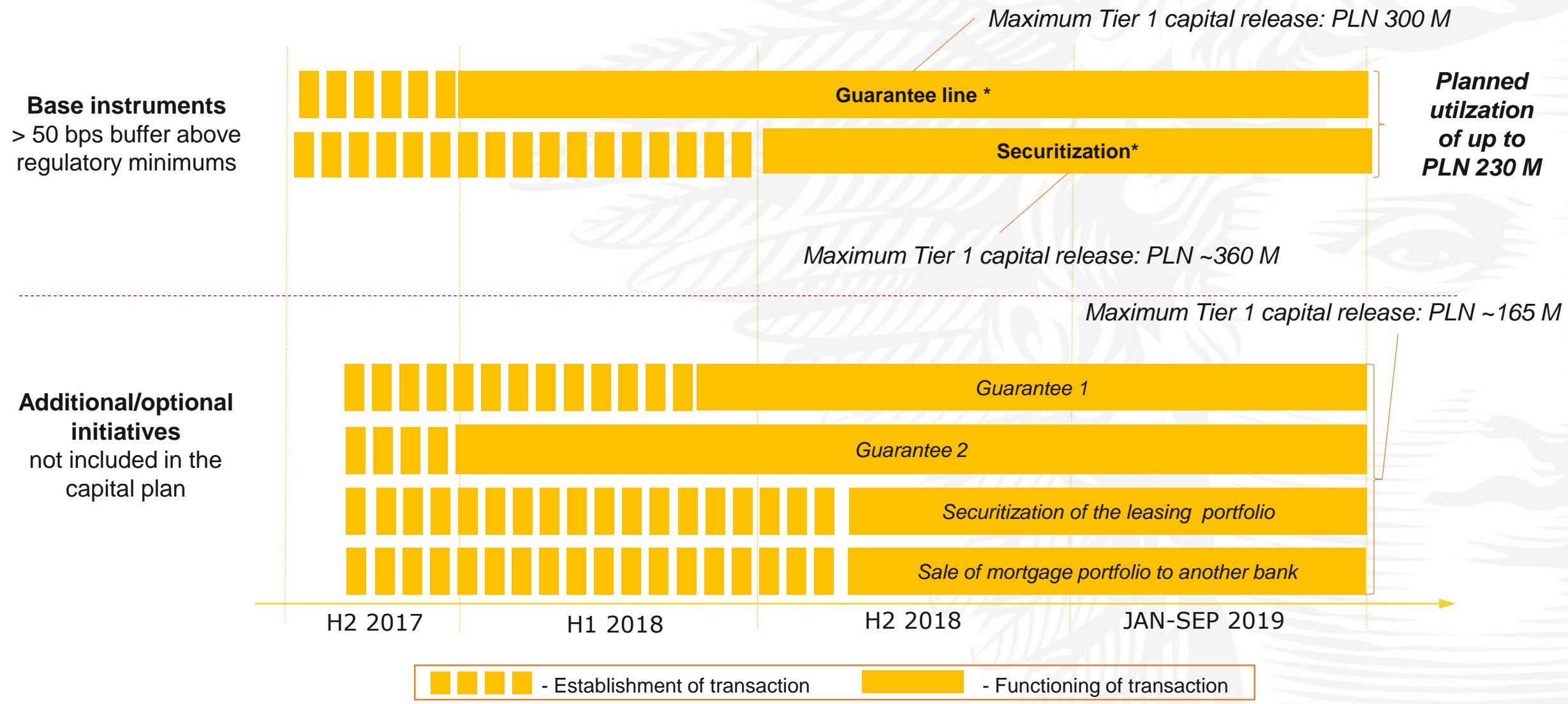


ALIOR BANK'S CAPITAL PLAN ASSUMES TEMPORARY UTILIZATION OF INSTRUMENTS ALLOWING TO MAINTAIN A SAFETY BUFFER ABOVE REGULATORY MINIMUMS

- Alior Bank does not plan to issue equity with an objective of raising capital throughout the strategy time horizon.
- The capital plan until 2020 assumes that Alior Bank will meet Tier 1 regulatory requirements without the need to utilize any capital optimization instruments (such as guarantees or securitization) while maintaining the planned growth. An important factor in supporting the capital adequacy ratios at the required levels will be the increased capital allocation to micro and small enterprises (where the SME Supporting Factor of 0.7619 is applied upon the the capital adequacy calculation), which will result in a release of approximately PLN 350 M of Tier 1 capital till 2020.
- Alior Bank's capital plan assumes maintaining a capital buffer of minimum 50 bps above the Tier 1 minimum regulatory requirement. Consequently, the Bank plans to temporarily (in 2018) utilize a guarantee line with Tier 1 capital release potential of up to PLN 300 M. In addition, Alior Bank will consider conducting one securitization transaction (corporate loan portfolio), with Tier 1 capital release potential of approximately PLN 360 M. The Bank assumes utilization of the above mentioned instruments at the combined amount of up to PLN 230 M release of Tier 1 capital in the strategy time horizon (if executed, the securitization will decrease the guarantee line utilisation level).
- The Bank contemplates the utilization of four other capital optimization instruments with a combined Tier 1 capital release potential of approximately PLN 165 M.
- Alior Bank is in the regulatory approval process regarding AMA (advanced operating risk management). Upon approval, the Tier 1 capital gain is estimated at 25 bps.
- In order to fulfil TCR requirements, the Bank plans subordinated debt issues in Q4'17 and in 2018.



EQUITY OPTIMIZATION INSTRUMENTS UTILIZATION TIMEFRAME



* Both instruments relate to the same corporate loan portfolio; securitization would imply a decrease of the guarantee line utilization



THE PLANNED INCREASED ALLOCATION OF CAPITAL TO MICRO AND SMALL ENTERPRISES COUPLED WITH CAPITAL INSTRUMENTS WILL INCREASE THE TIER 1 RATIO BY 1.0 PP

Tier 1 capital release (PLN M)	31.12.2018	31.12.2019	31.12.2020
Increased allocation of capital to micro and small enterprises	160	250	350
Guarantee/securitization	230	230	230
TOTAL	390	480	580

Impact on Tier 1 ratio (pp)	31.12.2018	31.12.2019	31.12.2020
Increased allocation of capital to micro and small enterprises	0.3	0.4	0.6
Guarantee/securitization	0.5	0.4	0.4
TOTAL	0.8	0.8	1.0



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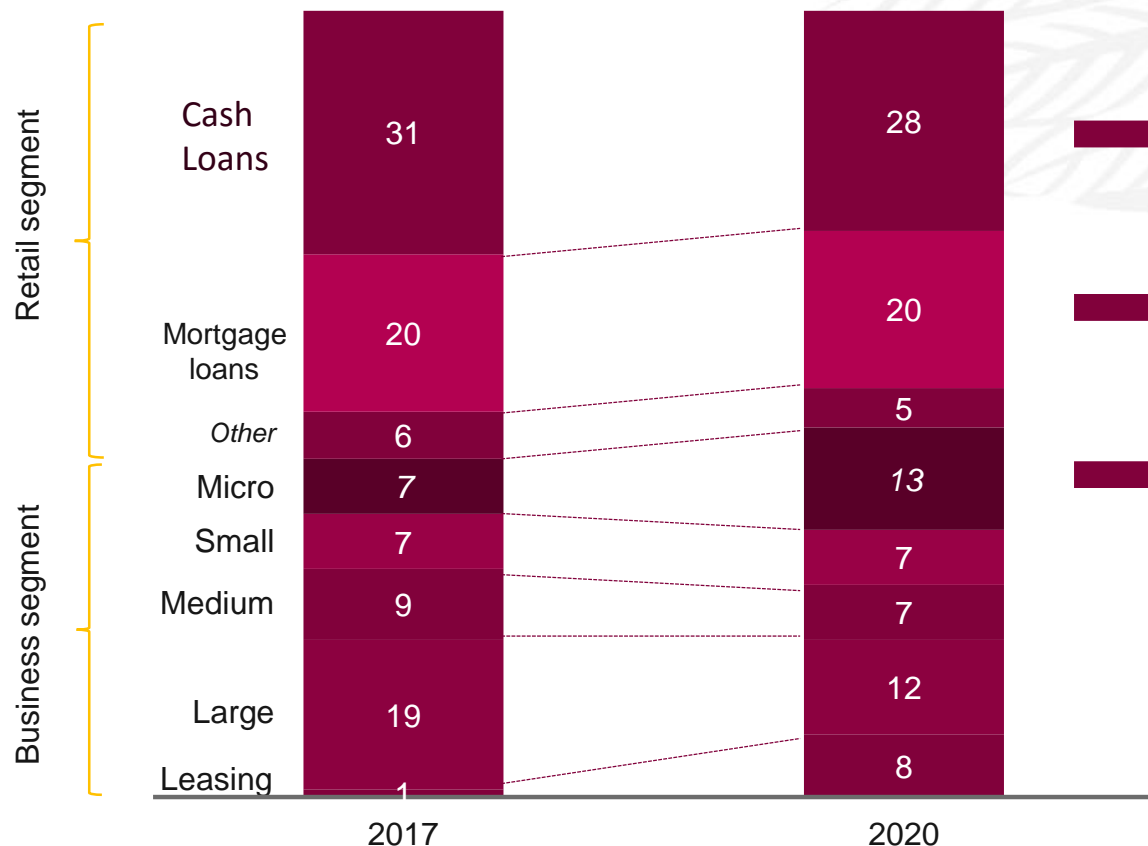
Strategy implementation



THE BANK WILL CONTINUE COST OF RISK OPTIMIZATION IN BOTH THE RETAIL AND CORPORATE SEGMENTS

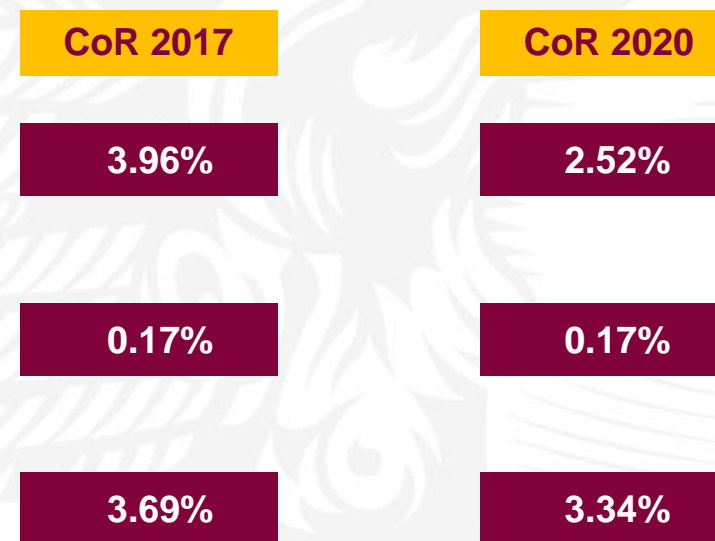
Increased MICRO/SME share in the loan portfolio

Structure of asset portfolio by product type and client segment [%]



CoR expected to be reduced in most asset classes

Cost of risk (CoR) [%]



Overall CoR decrease from 1.8% in 2017 to 1.6% by 2020

Abbreviations:
CoR – Cost of Risk



THE BANK WILL UNDERTAKE A SERIES OF ACTIONS AIMED AT OPTIMIZING THE COST OF RISK IN BOTH THE RETAIL AND BUSSINESS CLIENT SEGMENTS (1/2)



Loan sales to focus on client segments and sales channels **with clearly lower default propensity**



Scoring models optimization – leverage the potential of digital channels and comprehensive utilization of daily banking data



Monitoring and collection processes enhancement accompanied by effective **loan portfolio quality management tools**



THE BANK WILL UNDERTAKE A SERIES OF ACTIONS AIMED AT OPTIMIZING THE COST OF RISK IN BOTH THE RETAIL AND BUSINESS CLIENT SEGMENTS (2/2)

Retail clients

- **Credit policy optimization** - offer optimization in retail cash loans and limiting lending to customer segments / sales channels with the highest loss ratio.
- **Monitoring and collection optimization** - implementation of a scoring model covering the full client profile, remodelling and implementation of new monitoring processes, further development of existing pre-collection processes, and change in the approach to restructuring activities.
- **Further development of application and monitoring scoring models** – improvement of the existing models, leverage of digital channels potential, and broader incorporation of daily banking data in the model.
- **Simplification of the lending process** - replacement of selected rejection criteria with scoring models to reduce credit losses while maintaining an unchanged approval rate.
- Incorporation of new solutions related to **PSD2** implementation in the structure of scoring models.

Optimization of risk costs

- 2018: PLN~40 M
- 2019: PLN ~95 M
- 2020: PLN ~130 M

Business clients (Corpo/SME)

- **Optimization of Micro/SME segments assessment** and reduction of loan sales to the highest loss ratio client's segment/sales channels - change of criteria for application rejection, implementation of new scoring models, reduction of the highest loss ratio sales channel share.
- **Implementation of tools for effective management of portfolio quality** - optimization of the product renewal process; implementation of Dronn in the pre-delinquency process, and implementation of scoring models supporting the monitoring of timely repayment.
- **Optimization of the collection process** - transfer at least 30% of operational services to electronic channels, in particular BusinessNet and Mobile Applications (including a virtual chat) and zafirmowani.pl portal, optimization of SME processes (from monitoring to execution), and establishment of a dedicated team for sales and investments.

Optimization of risk costs

- 2018: PLN ~35 M
- 2019: PLN ~55 M
- 2020: PLN ~75 M



ELEMENTS OF STRATEGY IMPLEMENTATION PLAN

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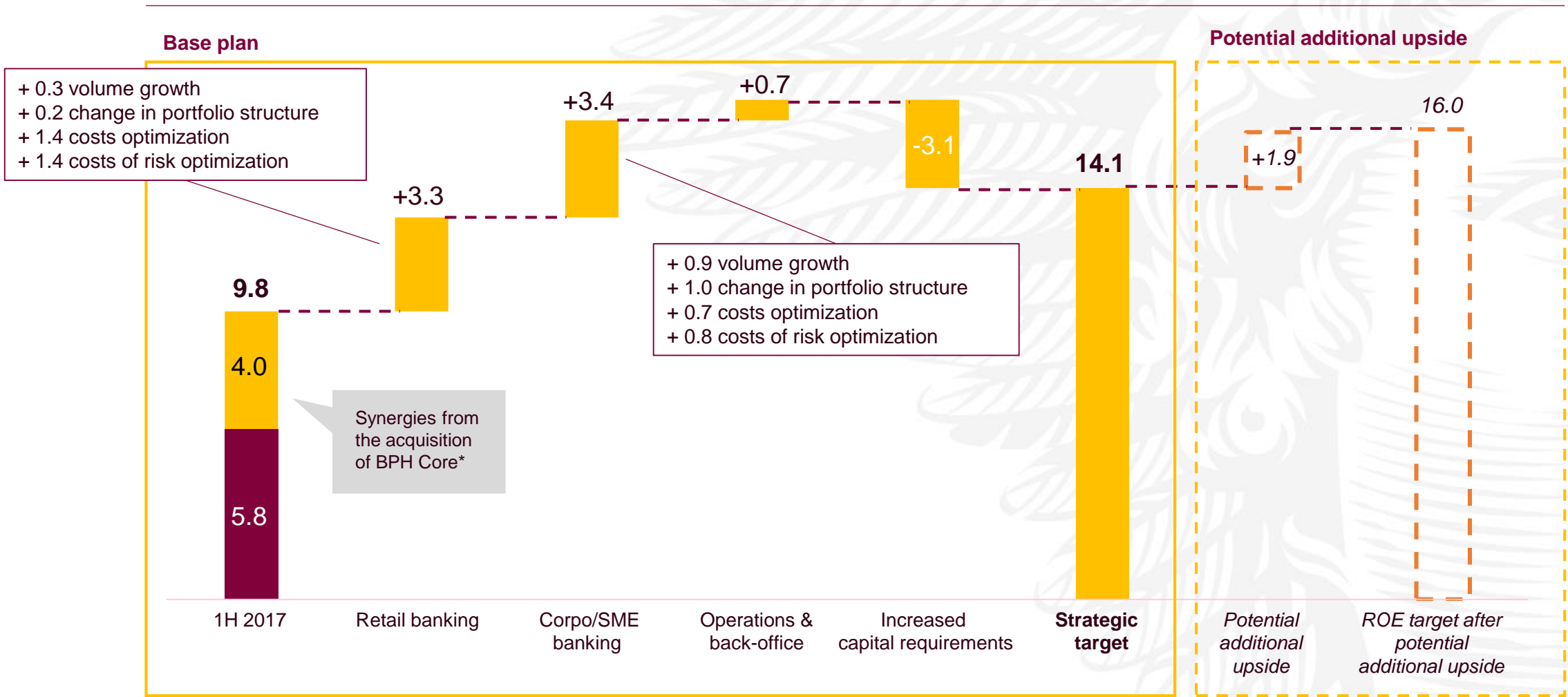
IT | Innovation | Fintech

Strategy implementation



THE BANK PLANS TO ACHIEVE ROE OF 14.1% IN 2020 – THE LEVEL MAY BE EXCEEDED DUE TO ADDITIONAL UPSIDE NOT INCLUDED IN THE BASE PLAN

ROE (Return on Equity, %)



* Impact on ROE of 4.9 percentage points in relation to equity H1 2017 → impact of 4.0 percentage points in relation to equity 2020

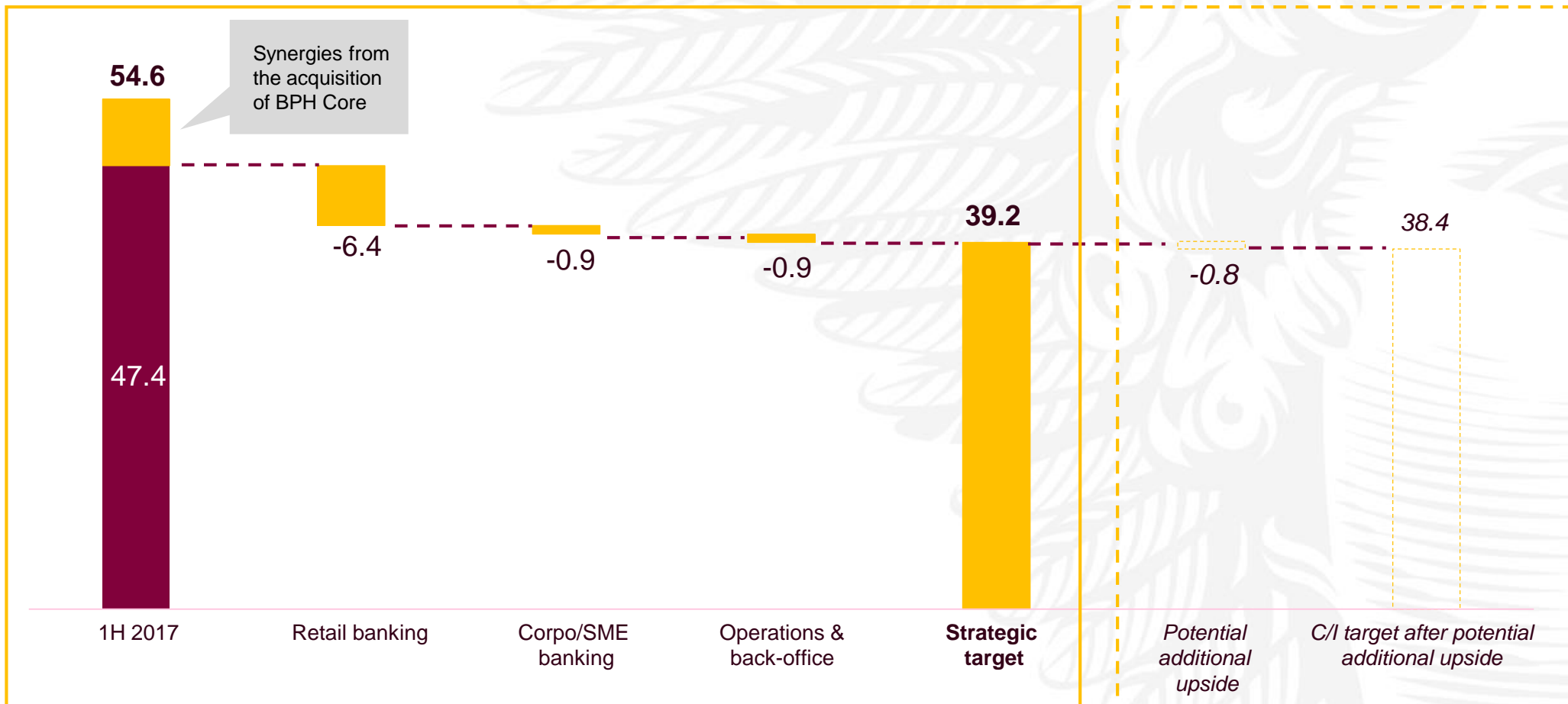


C/I RATIO OF 39% IS PLANNED TO BE ACHIEVED MAINLY DUE TO SYNERGIES FROM THE MERGER WITH BPH CORE AND IMPROVED COST EFFECTIVENESS OF RETAIL BANKING

C/I (Cost / Income ratio, %)

Base plan

Potential additional upside





THE MOST IMPORTANT ACTIONS AND DEVELOPMENT PROJECTS TO IMPROVE ROE AND C/I RATIOS

Core activities on the existing portfolio and development projects

Impact in percentage points on:

		ROE	C/I
Retail banking	<p>Development of primary relations with clients – new daily banking; deposit campaign; behavioural segmentation</p> <p>Digital banking – a new web and mobile app; digital sales with end-to-end online processes; client migration to digital channels; a new front-end platform</p> <p>Branch network transformation and improved service quality; new loan sales channels</p> <p>Increased profitability of new sales of mortgage loans and cash loans – lower processing costs, higher conversion, price elasticity management, optimization of credit policies</p> <p>Repricing of mortgage loans and cash loans and a natural growth of portfolio value</p>	+3.3	-6.4
Corpo/SME banking	<p>Segmentation – identification of the target market and existing clients potential assessment / CRM: selection of the best offer and optimum channels to reach customers</p> <p>Changes in products and processes – a comprehensive offer including synergy elements: leasing, trade and EU funding 2014-2020; new approach to underwriting (e-government)</p> <p>Zafirmowani.pl / VAS – development of “value added services” offer based on zafirmowani.pl – cooperation with external partners</p> <p>Digital banking – online sales – remote end-to-end processes for loans and e-banking campaigns</p> <p>Repricing of loans in Micro segment</p>	+3.4	-0.9
Operations & back-office	<p>Contract renegotiations with key business partners and providers</p> <p>Optimization/automation of internal processes and those carried out with external partners</p> <p>Robotics – implementation of robots in almost 120 processes within 3 years</p> <p>Properties – optimized property management (back-office)</p>	+0.7	-0.9

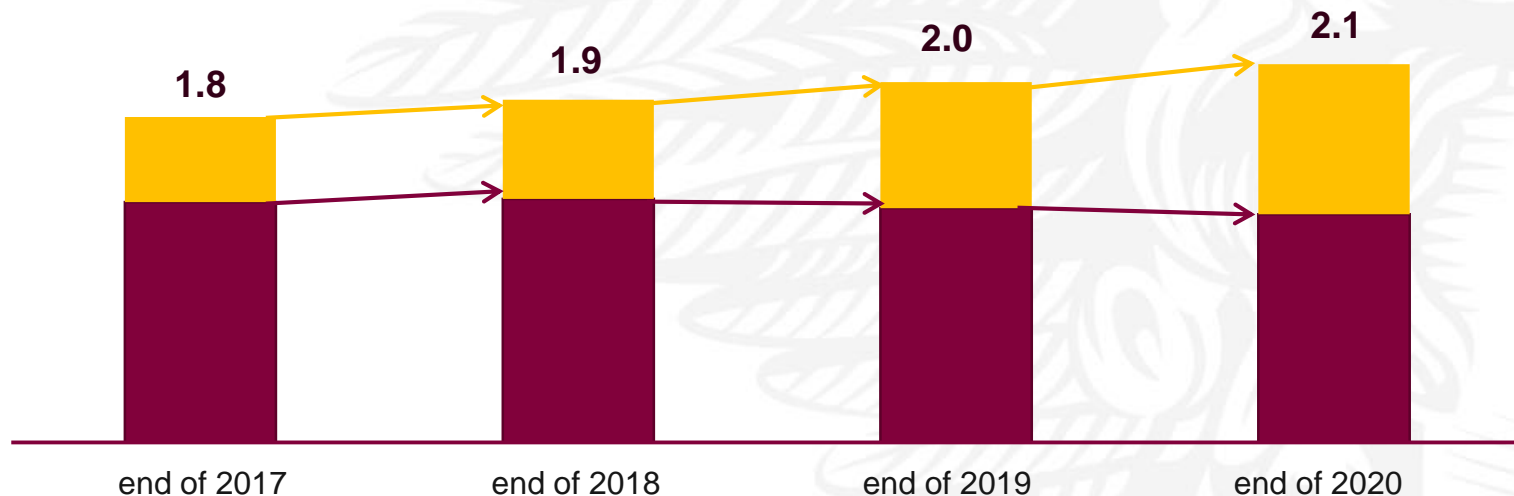


ALIOR BANK WILL CONSISTENTLY BUILD DAILY BANKING PROPOSITION RESULTING IN AN INCREASE IN THE NUMBER OF PRIMARY CLIENT RELATIONS BY 77% IN 2020...

Current account holders

Number of clients with primary relation (millions)

Number of clients without primary relation (millions)



2017-2020 growth

77%

-5%

% of current account holders with primary relations

26%

29%

35%

40%

Note: Current accounts with a primary relation is defined as current account opened at least 3 months earlier and to which during at least 2 out of 3 last months there were: salary inflows of minimum PLN 1000 and at least 3 transactions were made, including POS, ATM transactions or outgoing transfers
Source: Alior Bank, BCG analysis



... WHICH WILL BE SUPPORTED BY A NEW BEHAVIOURAL SEGMENTATION WITH TAILORED OFFER AND SALES/SERVICE CHANNELS ...

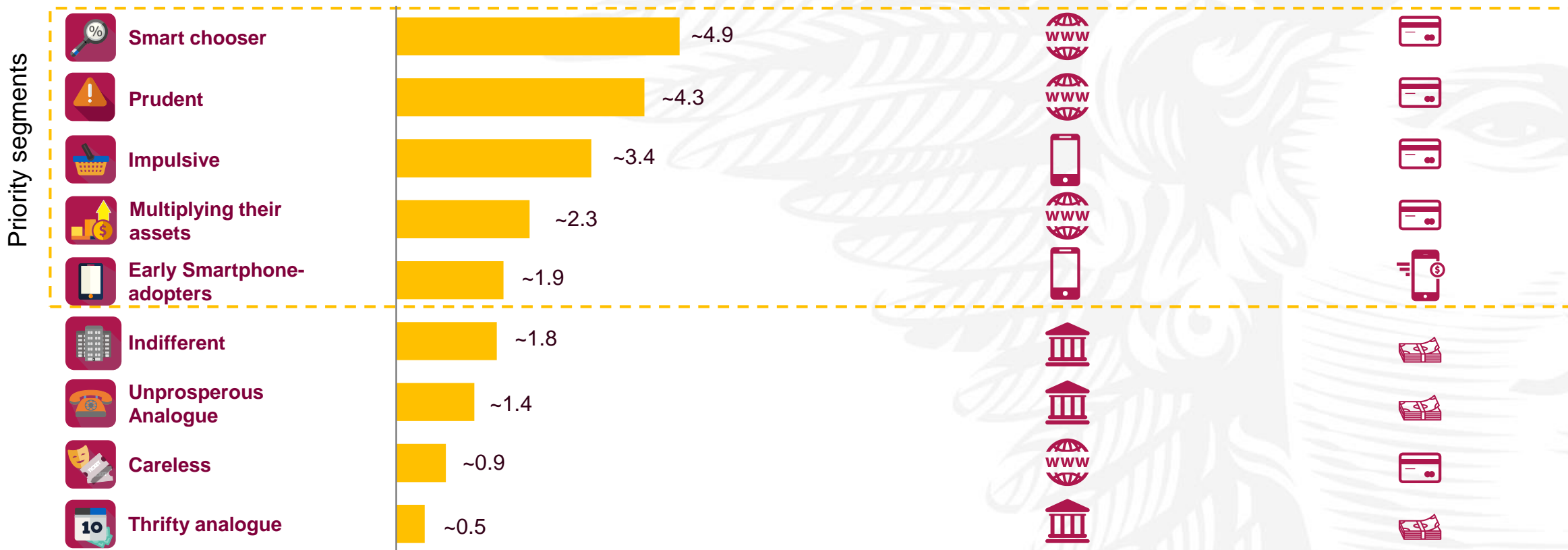
Alior Bank will focus on clients with highest revenue potential...

... who buy banking products mainly in online channels

Profit pools per segment (PLN B, 2020)

Core distribution channel

Core payment method





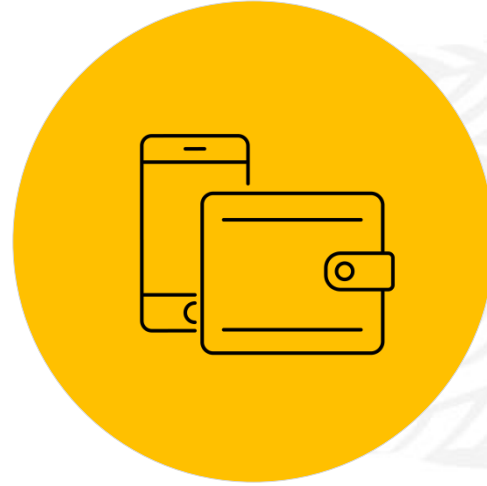
... AND ATTRACTIVE ADDITIONAL SERVICES SUPPORTING ALIOR BANK POSITIONING AS „DAILY BANK”



Biometry

Login to mobile applications using most recent biometric technologies:

- Login with fingerprints
- Login with face image scanning
- Login with voice recognition



Virtual wallet

Alior Bank as an electronic wallet - by providing integrated services such as:

- Purchase of urban and rail transportation tickets
- Payments for parking
- Service of archiving scanned receipts and bills
- Collection of loyalty cards
- Motorway tolls
- Download codes for games, energy meters



Public administration

The Bank as a way of access to digital public administration

- Checking your penalty points
- Ordering an EKUZ card
- Checking ZUS premiums
- Modifying entry to PKD
- Handling many public matters using bank account



QLIK

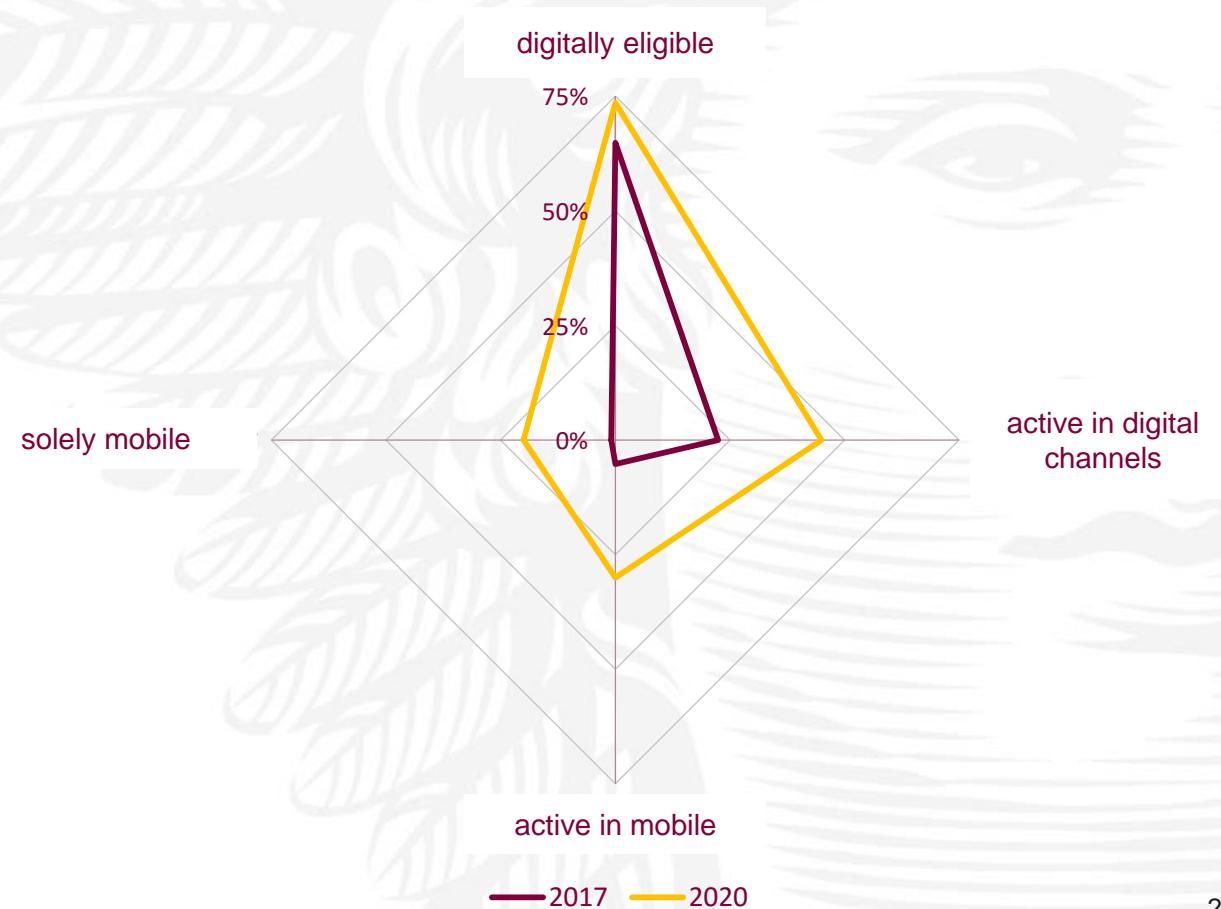
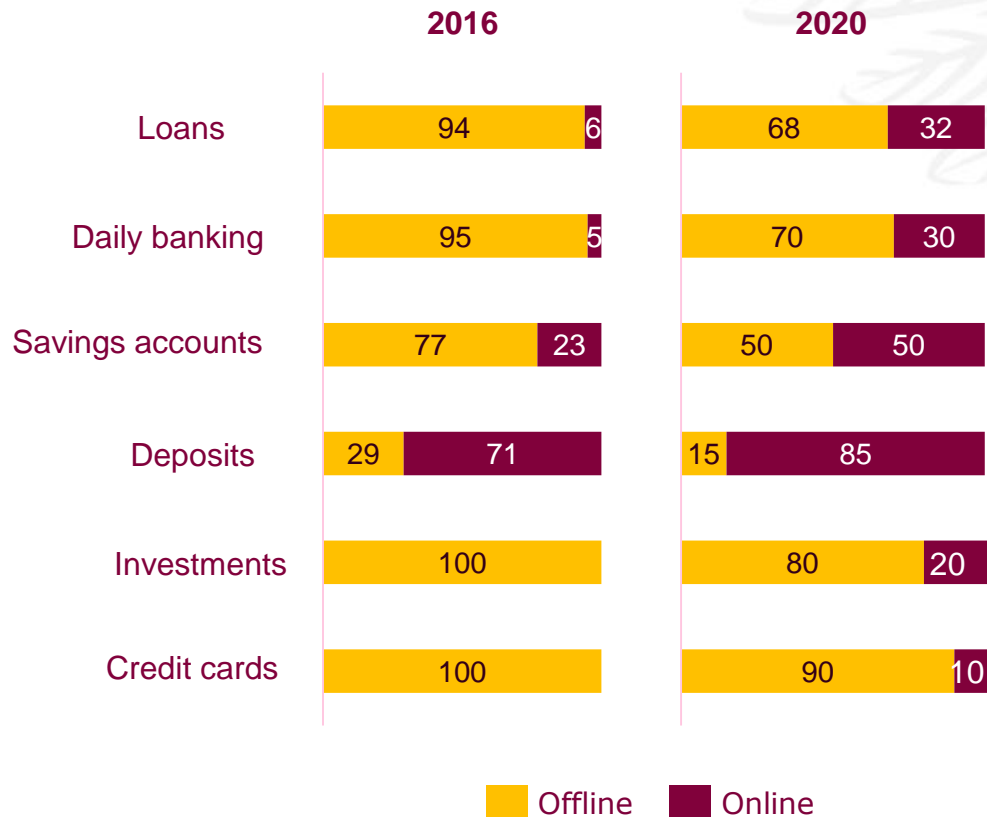
Activation of **regular bill payment via QLIK** without making any written declarations or visits to partner outlets or the bank



ALIOR BANK PLANS A SIGNIFICANT MIGRATION OF CLIENT INTERACTIONS FROM OFF-LINE TO ON-LINE

Defined targets for digital channel share in the bank's sales ...

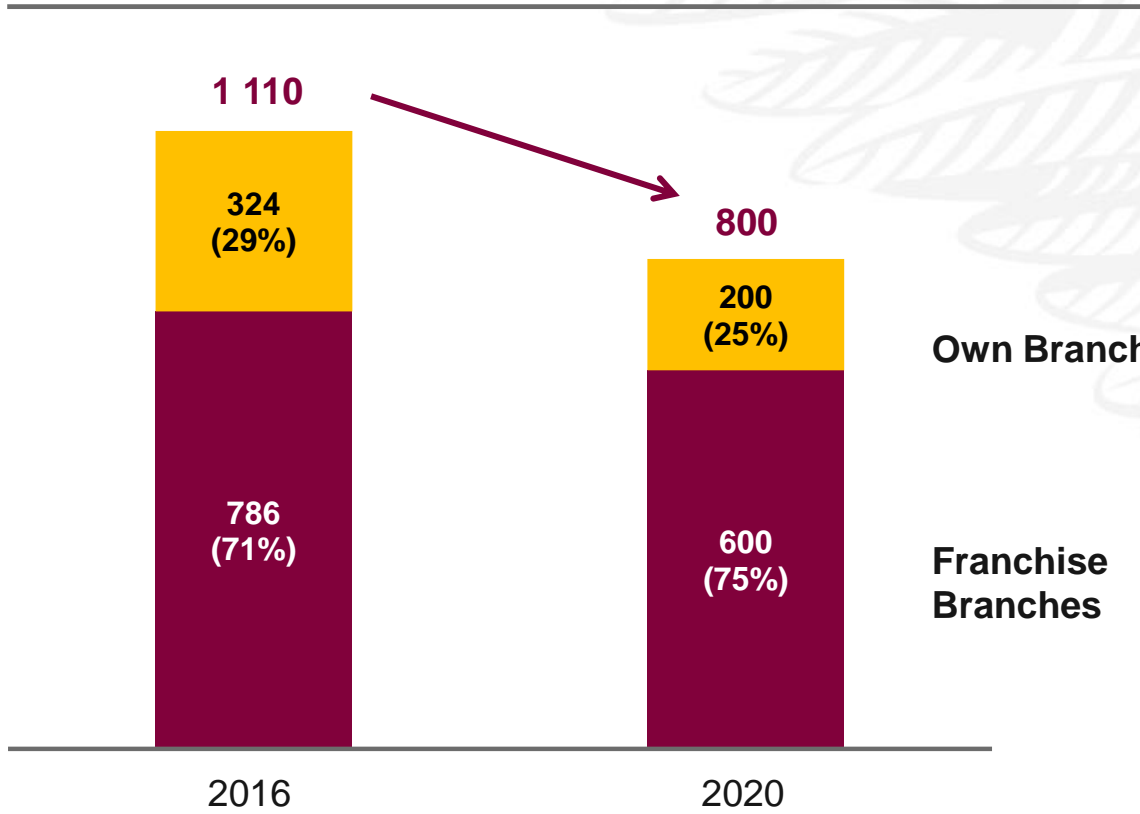
... and customer migration and activation in remote channels





WHILE DEVELOPING DIGITAL DISTRIBUTION ALIOR BANK ALSO PLANS A MAJOR TRANSFORMATION OF ITS NETWORK: MAINTAINING A STRONG POSITION IN PHYSICAL DISTRIBUTION

**Alior Bank distribution network
own and franchise branches**

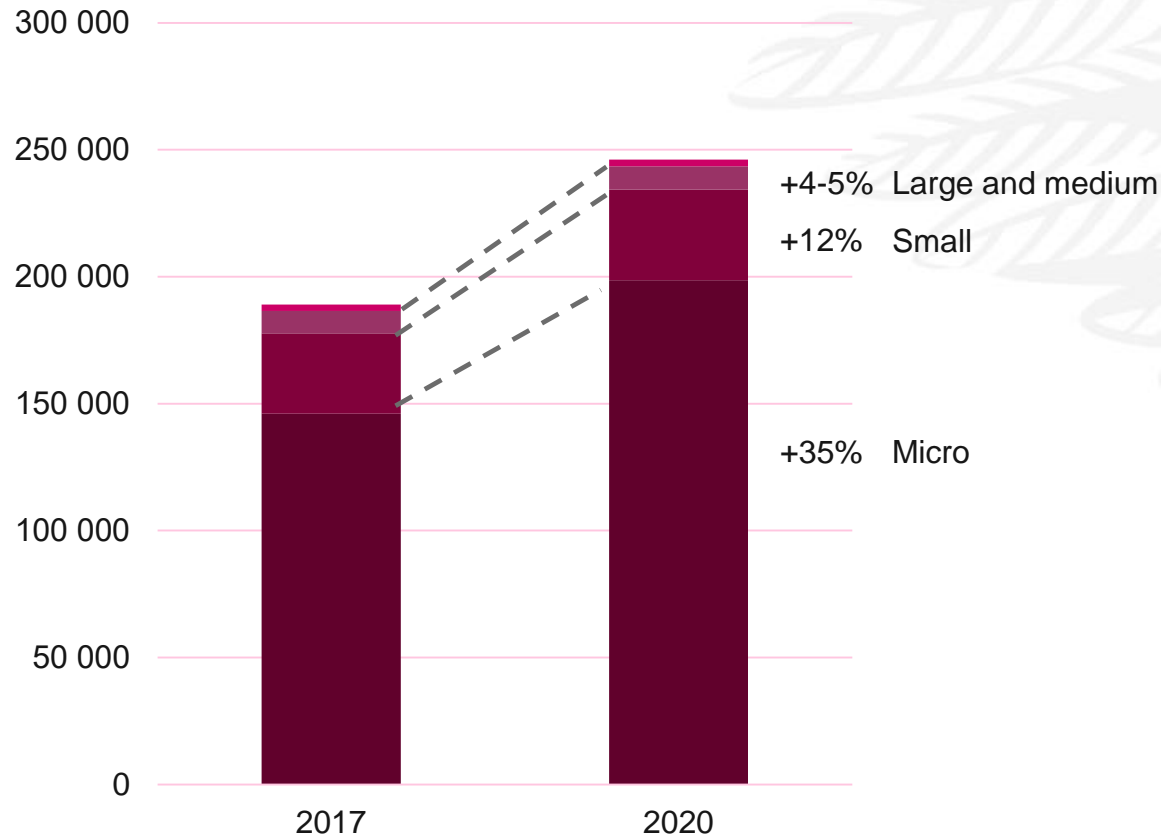


- Alior will continue to transform its footprint to make it more flexible and cost effective
- Approximately 75% of the network will have variable costs only (without fixed costs)

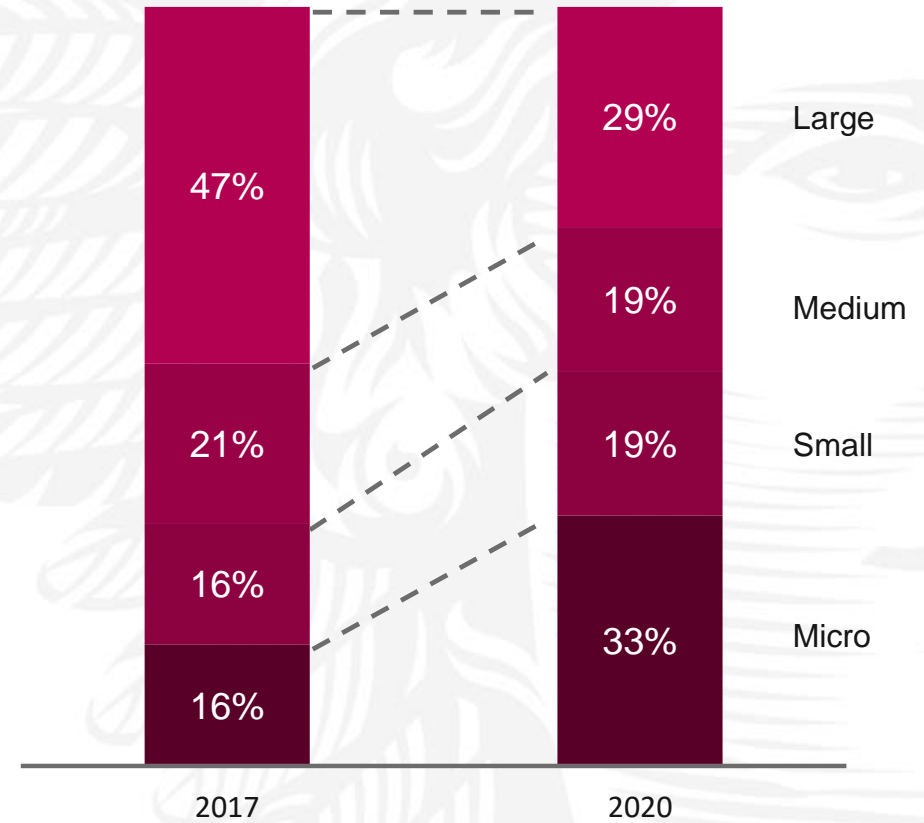


IN BUSINESS CLIENT BANKING ALIOR BANK WILL FOCUS ON DEVELOPING PRIMARILY THE MICRO AND SMALL ENTERPRISE SEGMENTS ...

Number of clients by segment



Loan portfolio composition

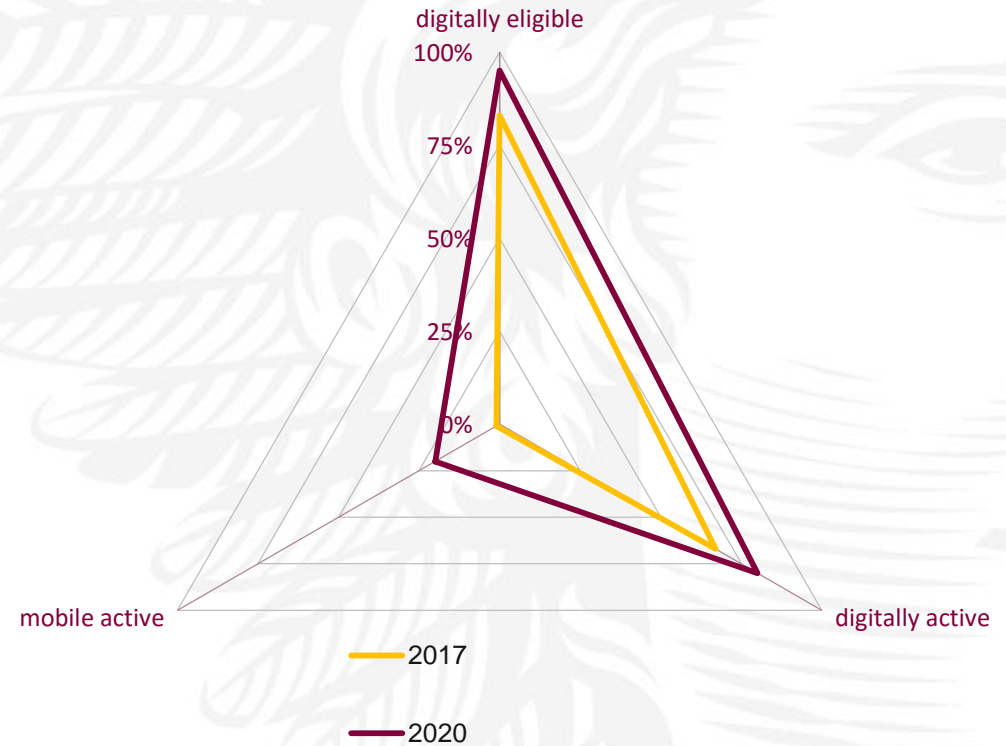
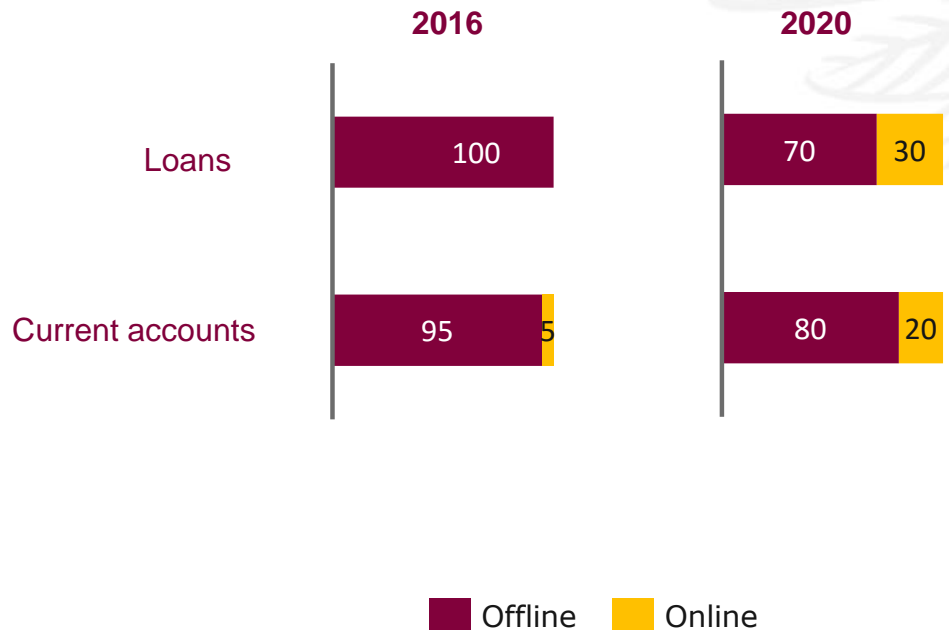




...AND ALSO PLANS TO STRENGTHEN THE ROLE OF DIGITAL CHANNELS...

Significant enhancement of remote channels (end-to-end) in sales processes...

... and customer activation in digital channels





... AND OFFER INNOVATIVE SOLUTIONS SUCH AS ZAFIRMOWANI.PL

Bank of first choice for start-ups

Knowledge base

- Guidebooks, articles, chats, webinars
- Contract and form templates

Registration of business

- Integration with ePUAP / trusted profile
- I-Account Business online - integrated with CEIDG
- Dronn/CEIDG

Tools

- Accounting application
- Invoicing application
- Payment reports (suppliers, buyers)

Financing

- Credit calculator
- EU funds search engine
- Online credit process

Bank supporting SME development

Reduction of SME costs

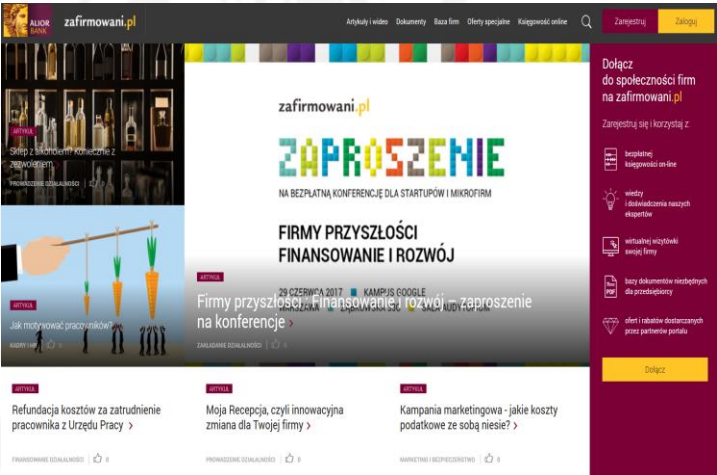
- Rebate program for SMEs - payment cards. Using the Bank's negotiating position to attract partners
- Purchase financing

Sales market

- Transactional platform - sale of products and services
- Trade financing


Services from partners

- Partners and additional services e.g., collection, lawyers, business trips






BUSINESS DEVELOPMENT AND TRANSFORMATION WILL BE SUPPORTED BY ROBOTICS IN OPERATIONS AND BACK-OFFICE



3 processes in Operations already handled by robots




A Robot Maintenance Team was established in Operations



An analysis on the potential of robotization was performed in the Head Office



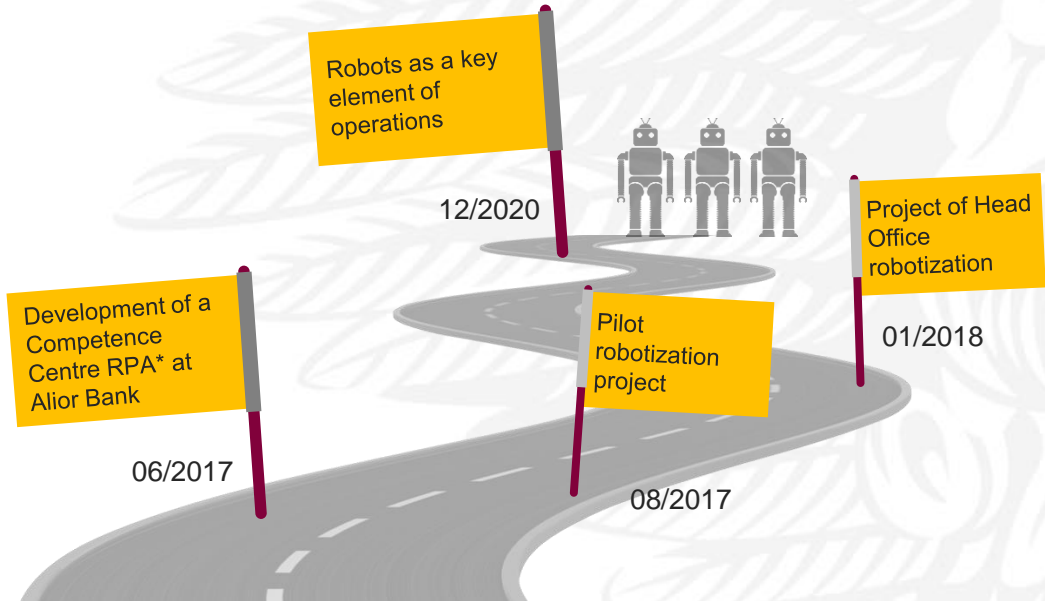

1142 processes have been verified for the use of robots, optimization and OCR



118 is the number of processes to be robotized



3 years are required to fully implement robots to the identified processes and to generate benefits

300-400 – number of FTEs to be reduced as a result of robotization

*RPA (Robotic Process Automation) – process robotization

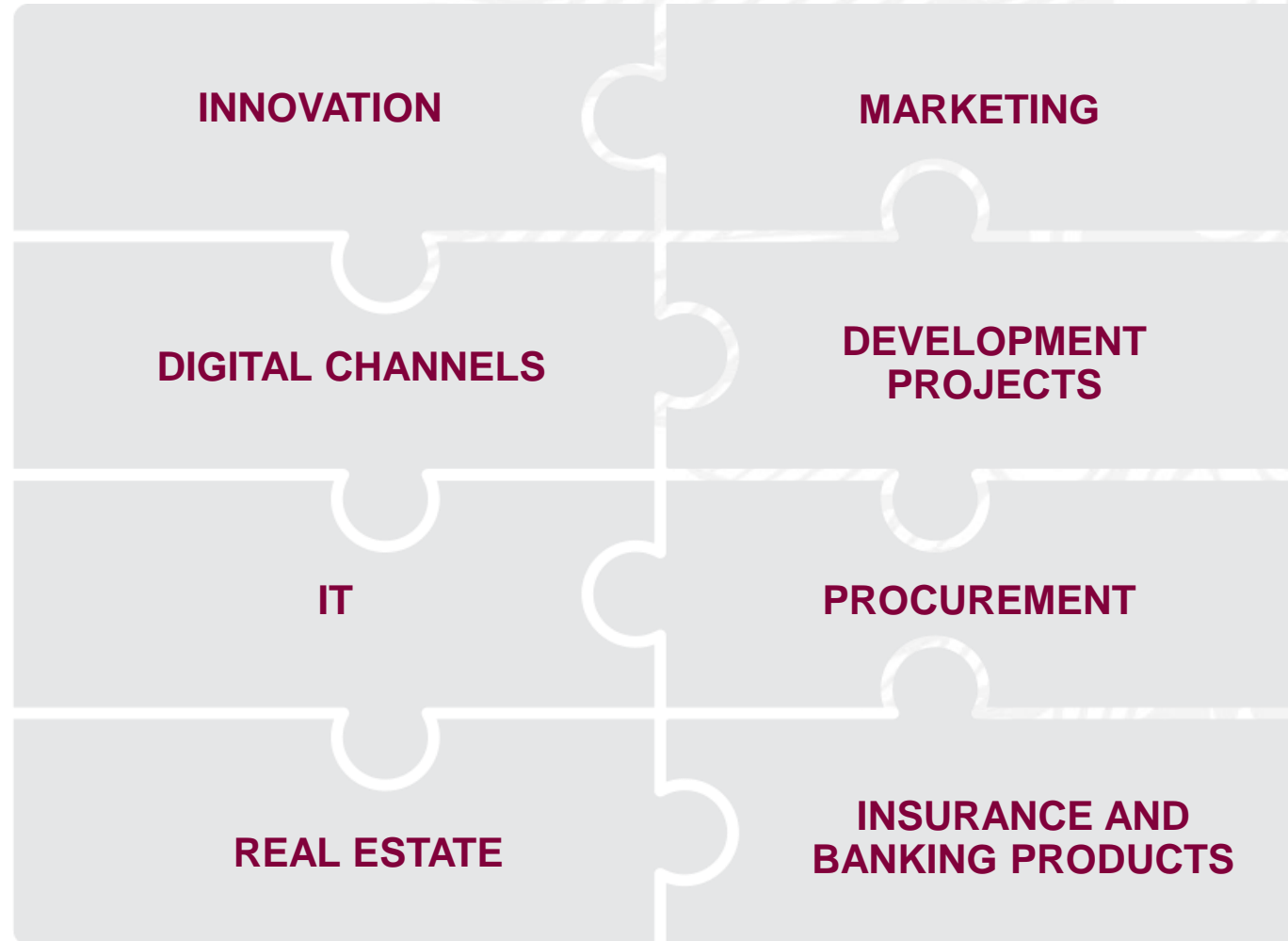


THERE ARE ALREADY PLANNED ACTIONS WHICH MAY GENERATE ADDITIONAL BENEFITS FOR THE BANK - NOT INCLUDED IN THE BASE SCENARIO

	Description of actions	Impact in percentage points:	
		ROE	C/I
Innovative online intermediary	<ul style="list-style-type: none"> Launch of an innovative online intermediary – #1 in the Polish market for online intermediation services by 2020 Innovative solutions for communication with customers and verification of customer identity, process automation, cash deliveries 		
Open-API banking	<ul style="list-style-type: none"> Partnership with foreign financial institutions to develop a financial offering in European markets Value proposition of Alior Bank: a multi-currency account with “exchange office” functionality and inexpensive transfers 		
White label IT Services	<ul style="list-style-type: none"> Offering of IT/Ops services under a “white label” to other banks and financial institutions relying on the experience from cooperation with Bank BPH – know-how and financial and operational model already developed Services may include: current maintenance and development of the IT platform, servicing customers outside the bank 	+1.9	-0.8
Faster development of leasing	<ul style="list-style-type: none"> Grow leasing business much faster and develop a portfolio that would be almost twice as big as the one assumed in the plan (PLN 5.4 billion by the end of 2020) 		
PZU Group synergies	<ul style="list-style-type: none"> Capture synergies within the PZU Group Possible areas of synergy: innovation, marketing, digital channels, development projects, IT, procurement, real estate, insurance and banking products 		



ALIOR BANK IS IN DIALOGUE WITH THE PZU GROUP REGARDING POTENTIAL MUTUAL INITIATIVES WHICH MAY RESULT IN ADDITIONAL BENEFITS AND SYNERGIES





ELEMENTS OF STRATEGY IMPLEMENTATION PLAN

Capital position

Risk management

Business development

IT | Innovation | Fintech

Strategy implementation



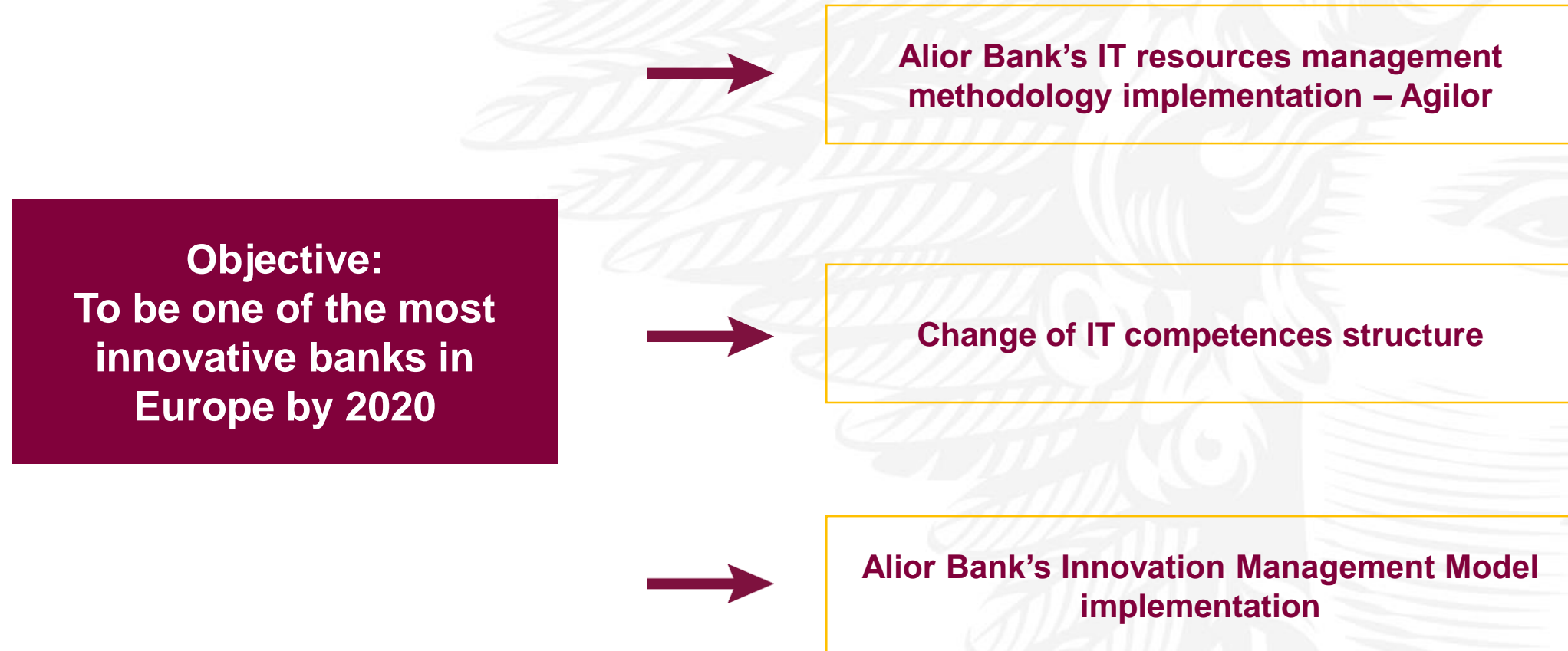
THE DIGITAL TRANSFORMATION WILL BE SUPPORTED BY INVESTMENTS (PLN 100 M PER YEAR) IN IT DEVELOPMENT AND INNOVATION

Category	Approximate split of additional capex*	Examples
Modern IT infrastructure	PLN 15-20 M	<ul style="list-style-type: none">• Hybrid Cloud (private + public cloud) & scaled environment• Infrastructure as "Service & Platform as a Service"• Unrestricted access by end users: any place – any time – any device• IT environment supporting collaborating work techniques• Infrastructure as services with automation
New mobile systems and tools	PLN 50-60 M	<ul style="list-style-type: none">• New system for the online intermediary• Mobile devices with business functionalities• Robotics• A modern hybrid working environment
New innovation strategy	PLN 15-20 M	<ul style="list-style-type: none">• Open API, biometry, AI, Blockchain, Cloud Computing• Internal and external crowdsourcing• Testing of innovative solutions (PoC)• Incubator• Partnerships with Fintechs and RegTechs• Machine learning
Digital security	PLN ~10 M	<ul style="list-style-type: none">• Implementation of systems and processes enhancing digital security of the bank and customers

*Capex composition may change over time – the above structure is appropriate for 2018



ALIOR BANK WANTS TO BE RECOGNIZED FOR ITS INNOVATION ACROSS EUROPE





ALIOR BANK'S PROPRIETARY IT RESOURCES MANAGEMENT MODEL *AGILOR* WILL BENEFIT BOTH THE BANK AND ITS CLIENTS

Rules of the new Agilor model

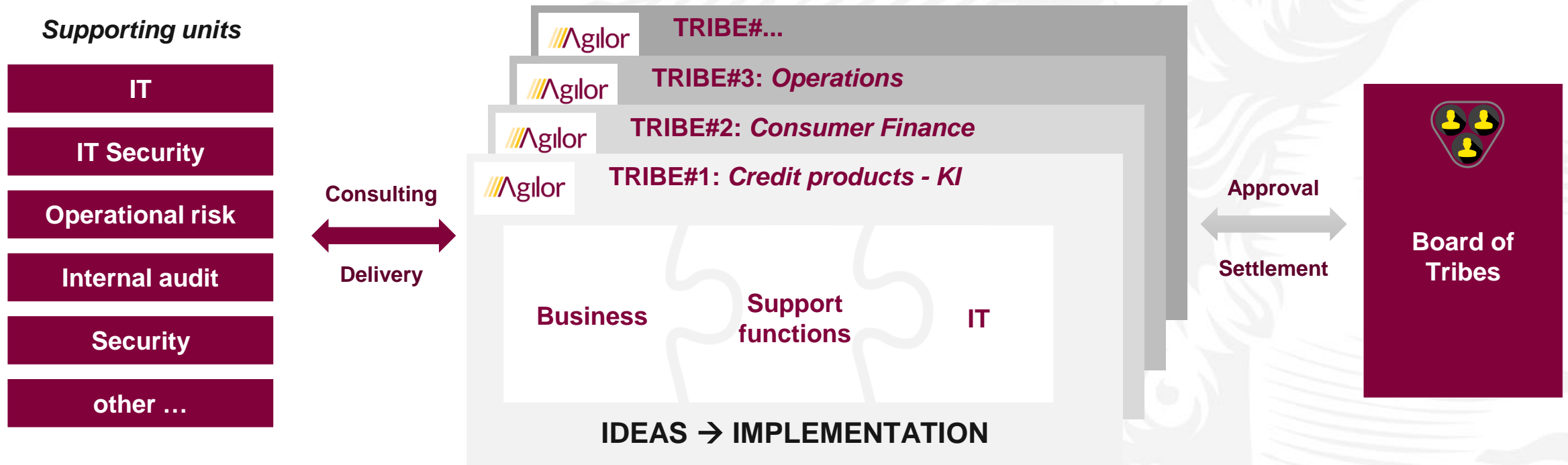
- **Shared responsibility** for implementation and success of the Business – IT project
- **Change of working culture** inside Alior Bank
- **Increased decision authority** for each business area, more responsibility for setting subject priority on the part of business
- One person = multiple roles
- Core competences to accomplish business objectives within teams

Expected benefits from Agilor implementation

- **Faster time2market** for business requests
- More **alignment of final effect** to business expectations
- **Increased commitment** of process participants
- Improved **cost effectiveness** – stricter FTE capitalization process
- Joint backlog for Business and IT – conflict elimination
- Shorter communication paths



„AGILOR” IS BASED ON MARKET BEST PRACTICES (1/2)



- Shared responsibility of Business and IT for achievement of business objectives
- More effective communication and close cooperation in daily work
- Autonomy in taking business decisions
- Implementation based on market agile practices in task execution



„AGILOR” IS BASED ON MARKET BEST PRACTICES (2/2)

We move from working in typical project model ...

...to an AGILOR IT solutions delivery



Approach

Task-oriented – the goal is to accomplish specific tasks within a specified time horizon and budget, commissioned by the business

Organization and team

- Appointing teams for specific projects
- Each time another team member / manager - depending on the type and scope of the project and the availability of resources

Management Business Objectives (MBO)

Projects often considered as additional tasks for the current activity - design incentives next to the basic MBO

Priorities

Competing for resources and prioritizing accomplishment / implementation with other projects at the bank - sometimes appearing conflict of interest

Delivery

Mixed approach: waterfall vs. agile - depending on the project, team, ...

Result-oriented - a goal common to business, ie the implementation of business KPIs

- Fixed teams (so called "tribes") dedicated to specific issues / business areas such as credit products
- Fixed "core team" consisting of business representatives, support functions and IT

Projects are part of the ongoing activity of the "Tribe" - a common MBO for all members of the Tribe - business, IT and back-office

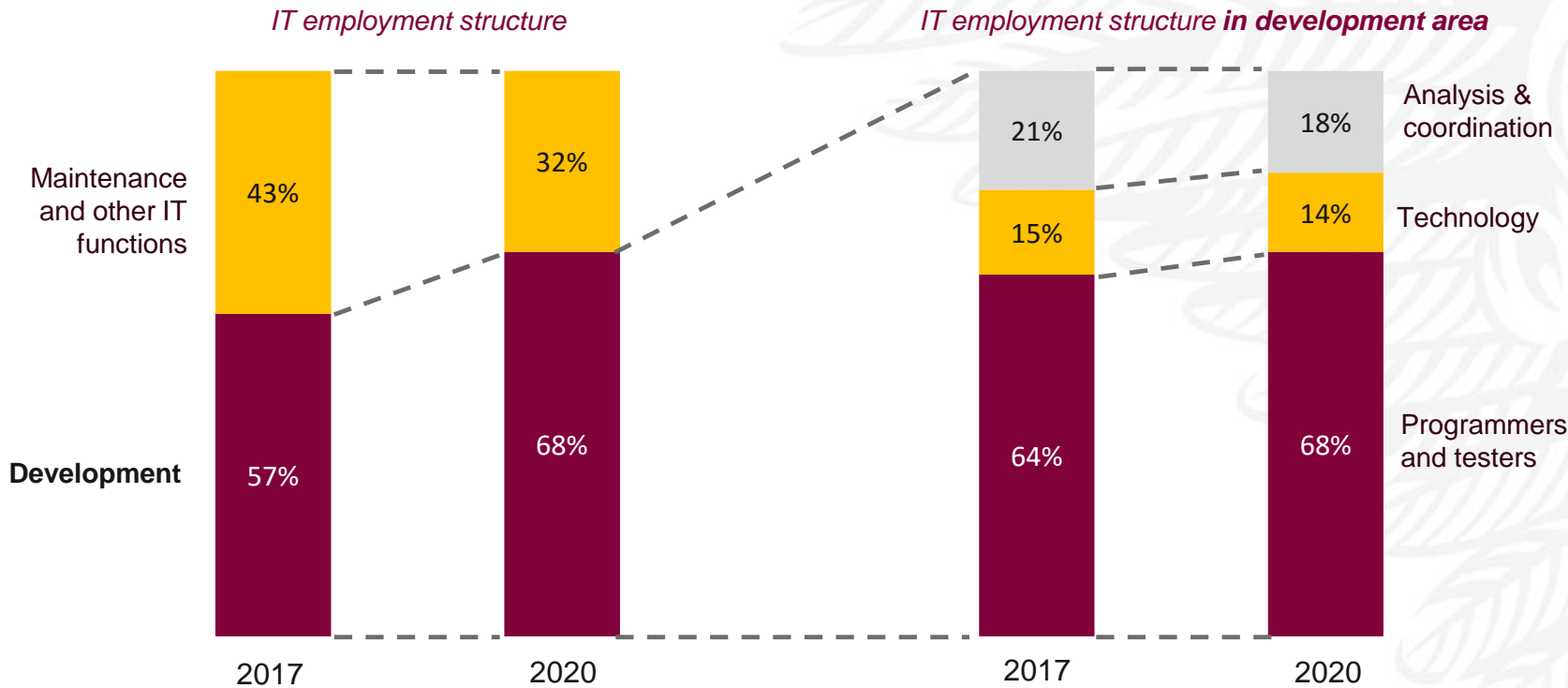
Defining priorities for individual projects and tasks within a given area and dedicated resources - no conflict of interest

Implementing activities based on agile methodologies of delivering IT solutions ("Agile")



ALIOR BANK ALSO PLANS TO EXPAND ITS DEVELOPMENT POTENTIAL BY CHANGING THE EMPLOYMENT STRUCTURE TO SUPPORT IT DEVELOPMENT AND PROGRAMMERS

IT DEVELOPMENT CAPACITY ENHANCEMENT



Change of the structure and improved development potential as a result of the IT strategy implementation

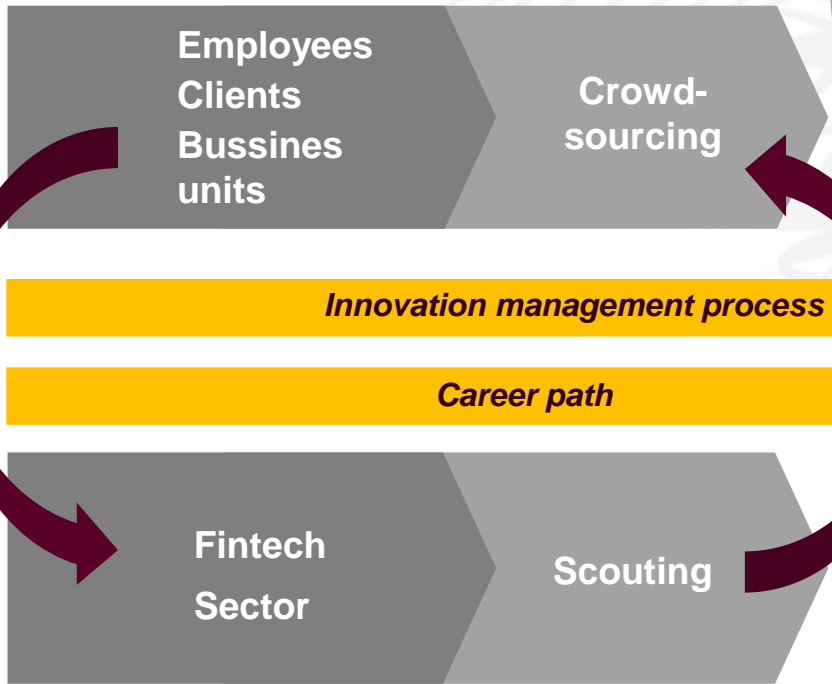
- faster development cycles and structure focused on business objectives – “Agilor”
- test and implementation automation
- transformation of application architecture
- virtualisation of the infrastructural environment
- improved security
- modernisation and automation of user environment services
- more cost effective handling of external entities – economies of scale



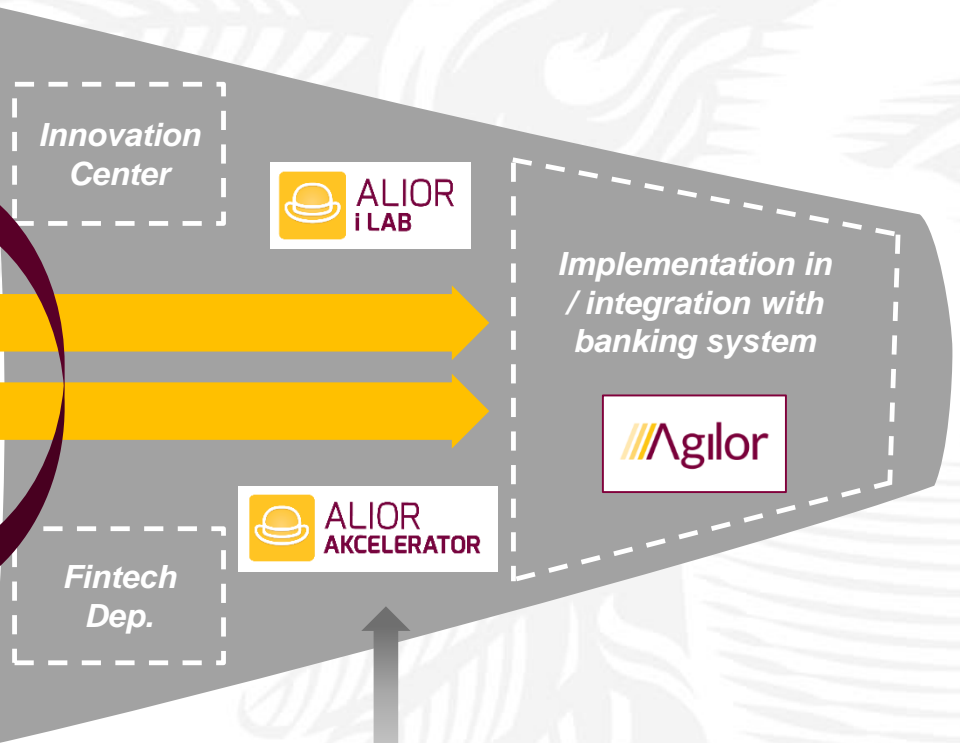
ALIOR BANK IS IMPLEMENTING A NEW PROPRIETARY INNOVATION MANAGEMENT MODEL...



INTERNAL ECOSYSTEM



EXTERNAL ECOSYSTEM



Innovative solutions for our clients

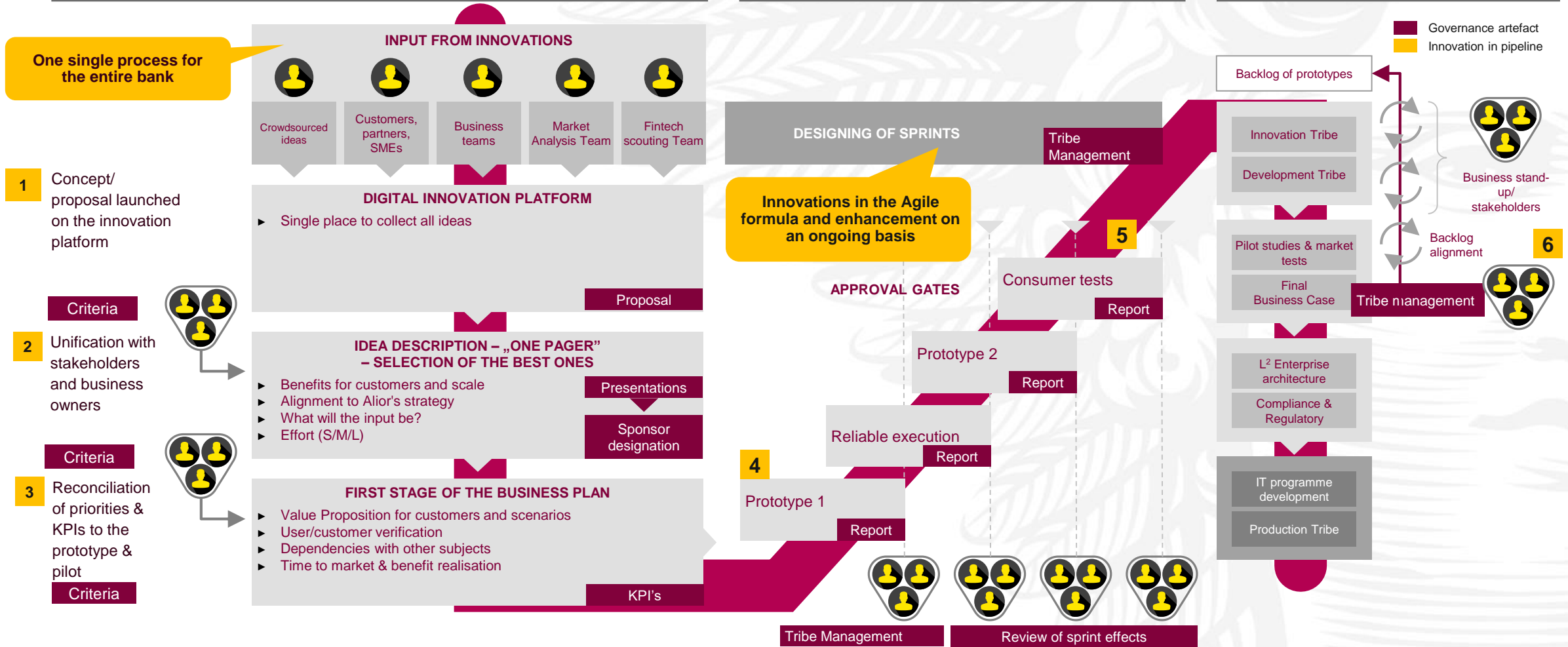


... WITH A STRUCTURED APPROACH FOR GENERATION AND IMPLEMENTATION OF INNOVATIVE SOLUTIONS ...

SOURCING OF IDEAS & PLANNING

DESIGNING & PROTOTYPE

TESTING & IMPLEMENTATION





ALIOR BANK WILL BE USING MULTIPLE TECHNOLOGIES TO SUPPORT BUSINESS NEEDS...

Supported areas		AI	Block-chain	Robo Advisory	Cyber Security	KYC & Payments	Big Data	Mobility	Robotics	Cloud	Open API
Retail banking	Development of daily banking	✓		✓	✓	✓	✓	✓			✓
	Development of digital channels	✓		✓	✓	✓	✓	✓			✓
	Transformation of the branch network							✓	✓		✓
	Improvement of production economics			✓			✓				✓
	Product and process innovations	✓	✓	✓	✓	✓		✓			✓
SME Banking	Segmentation and asset based lending	✓					✓				✓
	Product and process innovations			✓	✓	✓		✓			✓
	VAS (zafirmowani.pl)			✓	✓	✓		✓		✓	✓
	Development of digital channels			✓	✓	✓	✓	✓			✓
Risk management	Credit policy optimisation	✓	✓	✓			✓		✓		✓
	Monitoring and collection optimisation	✓	✓	✓	✓	✓	✓		✓		✓
	Risk model development	✓	✓	✓				✓			
Operations & Compliance	Robotcs	✓	✓	✓					✓		✓
	Compliance excellence	✓	✓		✓				✓		
HR & tools	Leader of transformation			✓	✓		✓	✓	✓	✓	
	Top-of-the-market employee experience			✓						✓	
	Digital employee			✓	✓			✓		✓	



... IN ORDER TO SOLVE SPECIFIC BUSINESS CHALLENGES

in the medium-term perspective 2018-2020

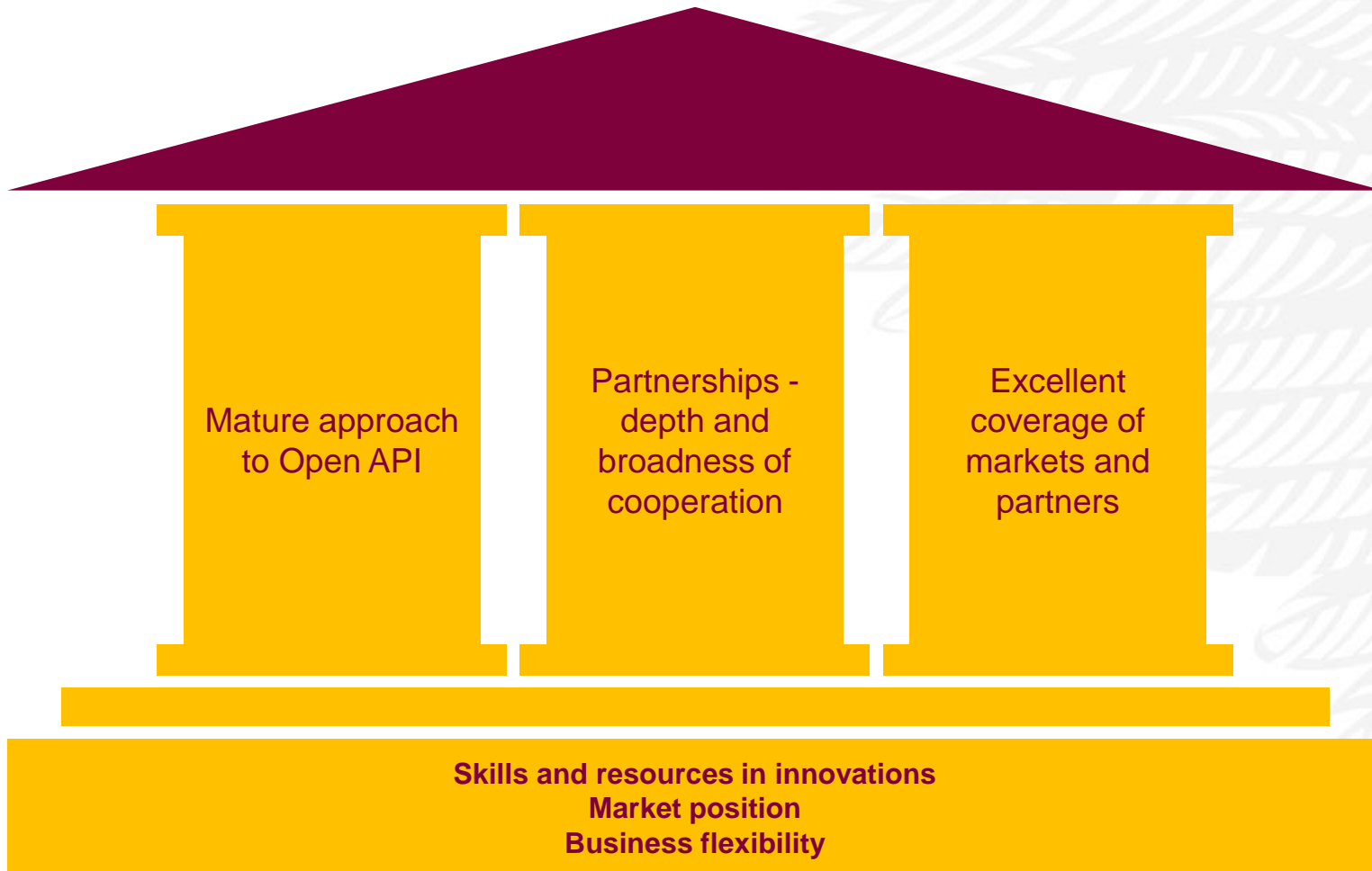
Examples of identified business challenges

Simple and secure authorisation in digital channels	MIFID2 vs customer service process	Fully automated credit process for new clients	Leader in Credit Cards area
Paperless operations in agencies	Avoid costly sending of correspondence to those clients who have not provided their e-mail addresses	Attractive robo-consulting solutions for our clients	Simplification of complex and not understandable banking regulations for clients
Unique user experience and an outstanding design for the investment area	PSD2 as an opportunity for the bank	Ensure Alior Bank's mobile app is unique	Convenient solutions for foreign clients living in Poland
Increase of the share of investment products in remote channels	Which VAS for zafirmowani.pl?	Avoid negative perception from client queues in traditional sales outlets	Expansion of API banking – how to use BankConnect

Dedicated innovation units (Innovation Centre and Fintech Department) will solve business challenges – innovate with a purpose



THE BANK PLANS TO BECOME THE FIRST CHOICE PARTNER FOR FINTECH WITH AN OBJECTIVE OF HAVING 20 FINTECH PARTNERSHIPS BY 2020



- Focus on business (not capital) benefits, in particular support to strategic objectives – in **SME banking, ROE, C/I**
- Use of all available **business models related to PSD2 / Open API** adequate for the market position
- **Cooperation with fintech companies at various stages** of business maturity
- Focus on **customer/user experience with reference to Open API**
- **Relations with the PSD2 / Fintech community, “technological empathy”,** co-development of values



ALIOR BANK'S OPEN API STRATEGY WILL CAPTURE OPPORTUNITIES RESULTING FROM PSD2 STANDARDS' ADOPTION...

PSD2 compliance requirements for banks...

Compliance requirements

- Invest in IT infrastructure to comply with PSD2 standards
- Provide data to other players (including fintechs, telcos and data companies) that offer financial services

...can be leveraged to create multiple business opportunities

Opportunities by leveraging data

- Improve daily banking customer experience by offering a 360° finances view and transactions directly from various accounts
- Analyse aggregated data to
 - Improve ROE: cross-sell/ up-sell opportunities
 - Reduce C/I: automate internal processes (eg. risk profiling & monitoring; fraud & AML)

Opportunities by integrating Fintechs

- Offer third-party products to customers within new business models in order to lower time-to-market of the best-in-class solutions
- Develop new provision income sources by offering banking services to external parties
- Leverage partnerships across selected industries to bundle services: Fintech, Insurance, Telco, Healthcare

Therefore Alior is considering a 3-tier OpenAPI approach

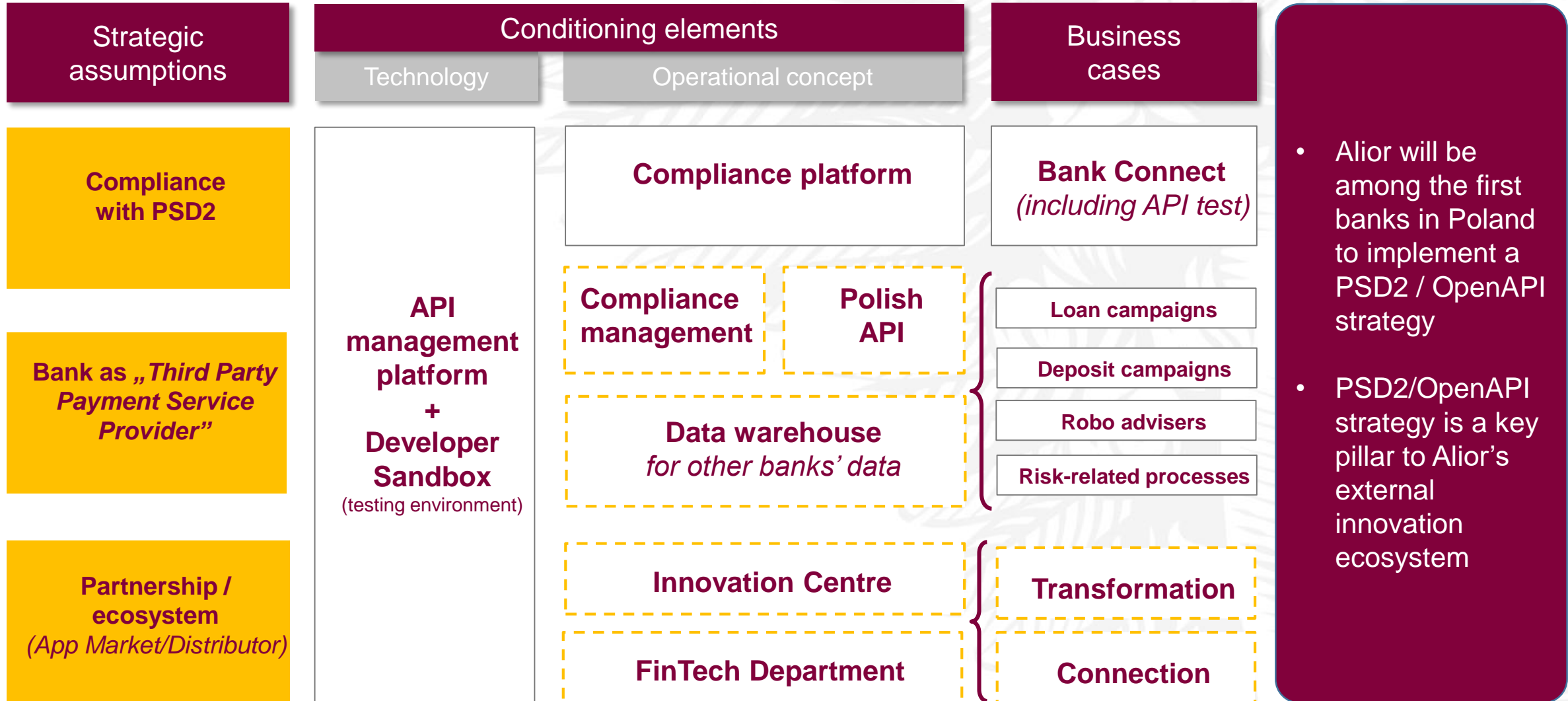
1 PSD2 Compliance

2 Bank as external data integrator (Third Party Provider)

3 Partnership ecosystem enabler/ magnet



...THROUGH AN ARCHITECTURE BASED ON API MANAGEMENT PLATFORM AND DEVELOPER SANDBOX TECHNOLOGY



- Alior will be among the first banks in Poland to implement a PSD2 / OpenAPI strategy
- PSD2/OpenAPI strategy is a key pillar to Alior's external innovation ecosystem

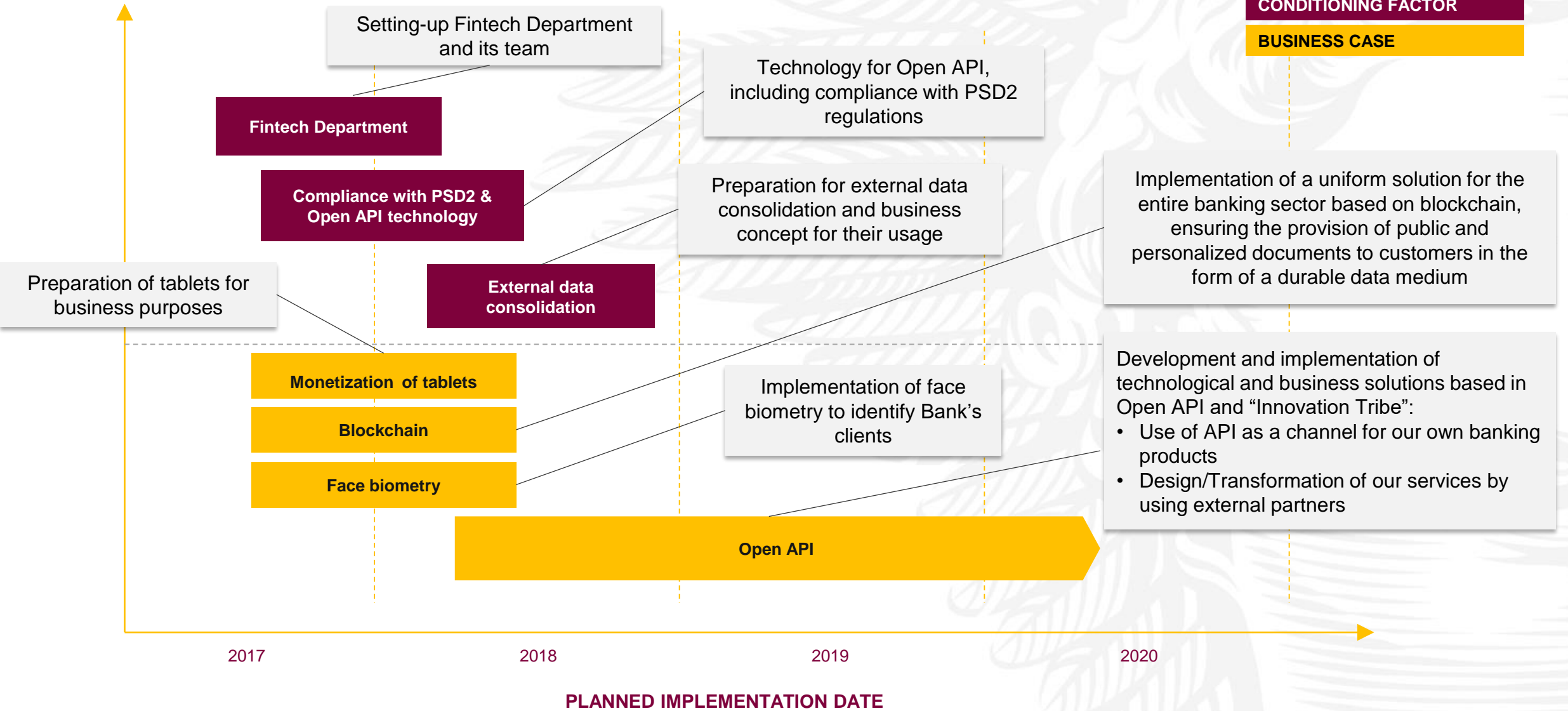


PLAN FOR SELECTED ACTIONS IN INNOVATION AND FINTECH AREA

LEGEND:

CONDITIONING FACTOR

BUSINESS CASE





ELEMENTS OF STRATEGY IMPLEMENTATION PLAN

Capital position

Risk management

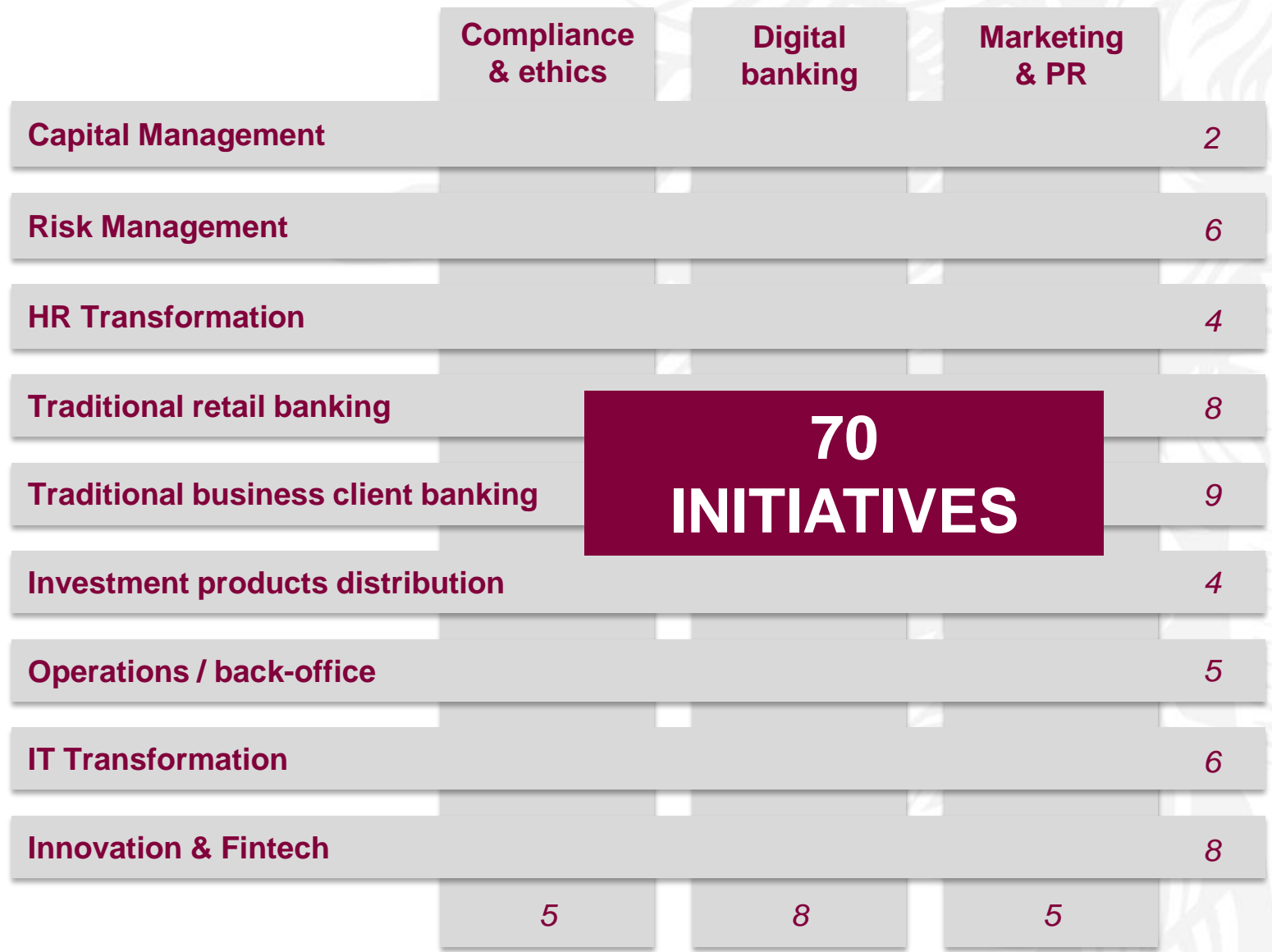
Business development

IT | Innovation | Fintech

Strategy implementation

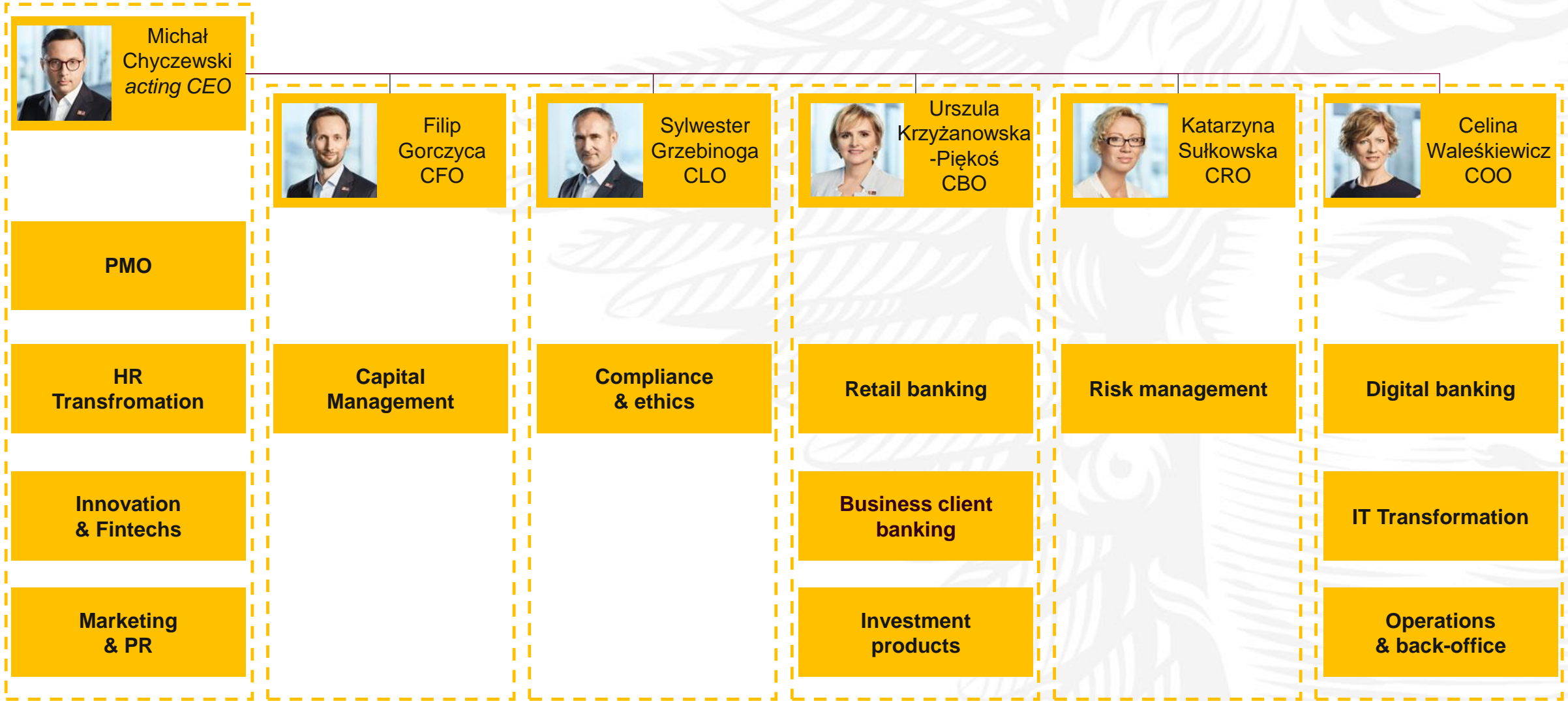


STRATEGY IMPLEMENTATION EXECUTED ACROSS 12 IMPLEMENTATION TEAMS





PROJECT TEAMS REPORTING DIRECTLY TO ALIOR MANAGEMENT BOARD





STRATEGY TASKFORCE TEAMS ARE HEADED BY SEASONED MANAGERS WITH SUBSTANTIAL EXPERIENCE IN BOTH ALIOR AND BANKING SECTOR

STRATEGY IMPLEMENTATION COORDINATION



Bruno Ferreira
Head of Corporate Development Division

- With Alior since June 2017 - oversees strategy and innovations
- Prior to Alior: EY, McKinsey & Company



Artur Smolarek
Head of Strategy

- With Alior for 2 years
- Prior to Alior:
 - Head of strategy, PZU Group (5 years)
 - BCG (10 years)

CAPITAL MANAGEMENT



Maciej Pokora
Head of Controlling

- With Alior for 9 years
- Prior to Alior:
 - Bank BPH (6 years)
 - ZEB Consulting (3 years)

RISK MANAGEMENT



Kamil Nieścior
Head of Risk Strategy

- With Alior for more than 7 years
- Prior to Alior :
 - Raiffeisen Bank (6 years)
 - Positive Advisory (1 year)

HR TRANSFORMATION



Monika Stołowska
Head of HR Division

- With Alior for 3 years
- Prior to Alior:
 - Play (6 years)
 - Grupa Żywiec (3 years)

COMPLIANCE AND ETHICS



Kamil Gross
Head of Compliance

- With Alior for 2 years
- Prior to Alior:
 - Meritum Bank (5 years),
 - Bank BPH (2 years), GE Money Bank (8 years)

RETAIL BANKING



Mateusz Poznański
Head of Retail Products

- With Alior since III 2017
- Prior to Alior: 18 years in banking, including last 10 years at ING Bank

CORPO/SME BANKING



Maciej Surdyk
Head of Corporate Banking Division

- With Alior for 4 years
- Prior to Alior: 10 years at BPH Bank, among others Head of Business Client Dept

DIGITAL BANKING



Jerzy Zań
Head of Digital Banking

- With Alior for 2 years
- Prior to Alior: over 17 years in banking: BPH / GE Money Bank, Pekao, ING Bank

INVESTMENT PRODUCTS



Andrzej Rosłaniec
Head of Private Banking

- With Alior for almost 3 years
- Prior to Alior: Citi (17 years)
 - Head of Private Banking
 - Head of Corpo Banking Division

OPS AND BACK-OFFICE



Agata Strzelecka
Head of Ops.. Division

- With Alior for 9 years
- Prior to Alior:
 - PZRI (3 years)
 - Center of Strategic Advisory (4 years)

IT TRANSFORMATION



Henryk Baniowski
Head of IT Division

- With Alior for 10 years
- Prior to Alior:
 - BPH Bank (18 years), including 8 years as CIO

INNOVATIONS AND FINTECHS



Tomasz Motyl
Head of Innovation Center

- With Alior for 10 years
- Prior to Alior: BPH Bank (13 years)
- Key expertise: innovations / technology

MARKETING & PR



Miłosz Horodyski
Head of Marketing & PR

- With Alior for 3 months
- Prior to Alior:
 - Deputy Director TVP3 Cracow
 - Caritas



BACKUP



MACROECONOMIC ASSUMPTIONS

	2017	2018	2019	2020
GDP (real change)	4.0	3.5	3.2	3.1
CPI Inflation – mid-year (%)	1.8	2.1	2.5	2.5
Unemployment – mid-year (%)	7.3	6.5	6.0	5.5
PLN/EUR rate – mid-year	4.24	4.18	4.15	4.13
NBP base rate – end of year (%)	1.50	1.50	1.75	1.75
WIBOR 3M – end of year (%)	1.70	1.70	1.95	1.95



CAPITAL REQUIREMENTS ASSUMPTIONS

The assumed regulatory requirements

	31.12.2017	31.12.2018	31.12.2019	31.12.2020
T1 – regulatory minimum*	10.50%	11.13%	11.75%	11.75%
TCR – regulatory minimum *	13.50%	14.13%	14.75%	14.75%

*OSII buffer of 25 bps assumed in Q4'17

IFRS9

- The capital plan assumes a gradual incorporation of the impact of this standard on Tier 1 capital in accordance with the latest CRR2 proposal, i.e. 5% in 2018, another 10% in 2019 and another 15% in 2020.

MREL

- Alior Bank will be obliged to achieve minimum MREL in 2023.
- The Bank assumes the utilization of additional instruments to cover MREL already in the time horizon of the Strategy (from 2019 onwards).

Basel IV

- The Bank assumes Basel IV to come into force outside the horizon of the Strategy.
- The Basel regulations on limiting the use of AMA are not currently implemented, hence the lack of their consideration in the time horizon of the Strategy.