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## Alior Bank: Forecast of 2021 Q1 Results

Rating: buy | target price: PLN 30.00 | current price: PLN 23.98

**ALR PW; ALRR.WA | Banks, Poland**

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- Alior Bank is slated to release its 2021 Q1 results on 28 April.
- We expect net income to come in at PLN 52.3m after falling 56.5% from the previous quarter and a 27.3% decrease from the same period a year ago, underpinned by an annual contribution into deposit guarantee and resolution funds (the "BFG charges") in the amount of PLN 48.4m.
- Total banking income is set to be 7% lower Y/Y, but Q/Q it will rise 0.9% after a 3% decline in F&C income offset by a 2% rebound in net interest income.
- BFG charges might boost operating costs to the tune of 11% compared to the previous quarter, however relative to the year-ago period costs will most likely post a 12.5% fall.
- We expect to see provisioning of PLN 299m in Q1 2021 (+1% Q/Q, +1% Y/Y), representing estimated cost of risk at stable 189bp vs. Alior's FY guidance of 2.2%.
- Summing up, we expect good results from Alior, especially in terms of lower-than-forecast cost of risk.**

### Expected 2021 Q1 Results of Alior Bank

(PLN m)	1Q'20	4Q'20	1Q'21E	Y/Y	Q/Q
<b>Net interest income</b>	<b>776.0</b>	<b>666.7</b>	<b>680.4</b>	<b>-12.3</b>	<b>2.0</b>
Fee income	137.4	177.0	171.0	24.5	-3.4
Trading income	30.7	91.6	29.6	-3.7	-67.7
Other	41.6	37.4	34.3	-17.7	-8.4
<b>Non-interest income</b>	<b>209.7</b>	<b>305.9</b>	<b>234.8</b>	<b>12.0</b>	<b>-23.2</b>
<b>Total income</b>	<b>985.7</b>	<b>972.7</b>	<b>915.2</b>	<b>-7.2</b>	<b>-5.9</b>
Operating costs	-481.6	-380.5	-421.5	-12.5	10.8
Other costs	-34.2	-61.2	-34.2	0.0	-44.2
<b>Total costs</b>	<b>-515.8</b>	<b>-441.7</b>	<b>-455.7</b>	<b>-11.7</b>	<b>3.2</b>
<b>Operating profit</b>	<b>470.0</b>	<b>531.0</b>	<b>459.5</b>	<b>-2.2</b>	<b>-13.5</b>
Provisioning	-296.2	-295.3	-299.0	1.0	1.3
<b>Pre-tax profit</b>	<b>173.8</b>	<b>235.7</b>	<b>160.5</b>	<b>-7.6</b>	<b>-31.9</b>
Tax	-47.8	-71.7	-52.6	10.2	-26.6
Minority interests	0.0	11.9	0.0	n.m.	n.m.
<b>Net income</b>	<b>126.0</b>	<b>175.9</b>	<b>107.9</b>	<b>-14.4</b>	<b>-38.7</b>
Asset tax	54.1	55.6	55.6	2.7	0.0
<b>Net income after asset tax</b>	<b>71.9</b>	<b>120.3</b>	<b>52.3</b>	<b>-27.3</b>	<b>-56.5</b>

Source: Alior Bank, E - mBank estimates

**List of abbreviations and ratios contained in the report:**

**EV** – net debt + market value (EV – economic value)  
**EBIT** – Earnings Before Interest and Taxes  
**EBITDA** – EBIT + Depreciation and Amortisation  
**PBA** – Profit on Banking Activity  
**P/CE** – price to earnings with amortisation  
**MC/S** – market capitalisation to sales  
**EBIT/EV** – operating profit to economic value  
**P/E** – (Price/Earnings) – price divided by annual net profit per share  
**ROE** – (Return on Equity) – annual net profit divided by average equity  
**P/BV** – (Price/Book Value) – price divided by book value per share  
**Net debt** – credits + debt papers + interest bearing loans – cash and cash equivalents  
**EBITDA margin** – EBITDA/Sales

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**NEUTRAL (N)** – a rating which indicates that we expect the stock to perform in line with the broad market

**UNDERWEIGHT (UW)** – a rating which indicates that we expect the stock to underperform the broad market

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**Discounted Dividends (DDM)** – discounting of future dividends; the weak point is high sensitivity to changes in the assumptions as to future dividends made in the valuation model.

**NAV** – valuation based on equity value, one of the most frequently used method in case of developing companies; the weak point of the method is that it does not factor in future changes in revenue/profits of a company.

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