



Financial report
of Alior Bank Spółka Akcyjna Group
for the first half of 2017

Selected financial data

	in PLN'000			
	1.01.2017 - 30.06.2017	1.01.2016- 31.12.2016	1.01.2016 - 30.06.2016	% (A-B)/B
	A		B	C
Net interest income	1 380 349	1 946 049	856 667	61.1%
Net fee and commission income	234 965	331 134	163 419	43.8%
Trading result & other	201 003	403 515	162 594	23.6%
Impairment losses	-467 699	-799 887	-348 857	34.1%
General administrative expenses	-992 040	-1 566 560	-563 829	75.9%
Gross profit	257 850	691 414	217 064	18.8%
Net profit	182 384	618 077	161 736	12.8%
Total net cash flow	1 158 334	-492 969	-1 242 088	-193.3%
Loans and advances to customers	49 079 354	46 278 414	34 136 419	43.8%
Deposits from customers	51 688 524	51 368 701	37 989 929	36.1%
Total equity	6 389 158	6 202 913	5 801 357	10.1%
Total assets	61 837 078	61 209 545	47 041 752	31.5%
Ratios				
Earnings per share (PLN)	1.41	6.05	2.16	-34.7%
Capital adequacy ratio	13.65%	13.65%	20.93%	-34.8%
Tier 1	11.54%	11.29%	17.31%	-33.3%

	in EUR'000			
	1.01.2017 - 30.06.2017	1.01.2016- 31.12.2016	1.01.2016 - 30.06.2016	% (A-B)/B
	A		B	C
Net interest income	324 987	444 740	195 564	66.2%
Net fee and commission income	55 320	75 676	37 306	48.3%
Trading result & other	47 324	92 217	37 118	27.5%
Impairment losses	-110 114	-182 802	-79 639	38.3%
General administrative expenses	-233 564	-358 014	-128 713	81.5%
Gross profit	60 708	158 012	49 552	22.5%
Net profit	42 940	141 252	36 922	16.3%
Total net cash flow	272 716	-112 661	-283 549	-196.2%
Loans and advances to customers	11 612 292	10 460 763	7 713 573	50.5%
Customer deposits	12 229 628	11 611 370	8 584 325	42.5%
Total equity	1 511 690	1 402 105	1 310 893	15.3%
Total assets	14 630 800	13 835 792	10 629 703	37.6%
Ratios				
Earnings per share (EUR)	0.33	1.38	0.49	-32.2%
Capital adequacy ratio	13.65%	13.65%	20.93%	-34.8%
Tier 1	11.54%	11.29%	17.31%	-33.3%

The following exchange rates were applied to translate the selected items of the interim condensed consolidated financial statements into EUR:

a) as at 30.06.2016

- balance sheet items - at the average EUR exchange rate expressed in PLN, announced by the NBP as at 30.06.2016 - 4.2265;
- income statement and cash flow statement items - at the average EUR exchange rate expressed in PLN, constituting the arithmetic mean of the average exchange rates announced by the NBP as at the end of each month - 4.2474;

a) as at 31.12.2016

- balance sheet items - at the average EUR exchange rate expressed in PLN, announced by the NBP as at 31.12.2016 - 4.4240;
- income statement and cash flow statement items - at the average EUR exchange rate expressed in PLN, constituting the arithmetic mean of the average exchange rates announced by the NBP as at the end of each month - 4.3757;

a) as at 30.06.2016

- balance sheet items - at the average EUR exchange rate expressed in PLN, announced by the NBP as at 30.06.2016 - 4.4255;
- income statement and cash flow statement items - at the average EUR exchange rate expressed in PLN, constituting the arithmetic mean of the average exchange rates announced by the NBP as at the end of each month - 4.3805;



Interim condensed consolidated
financial statements
of the Alior Bank Spółka Akcyjna Group
for the first half of 2017

This version of our report is a translation from the original, which was prepared in Polish language. All possible care has been taken to ensure that the translation is an accurate representation of the original. However, in all matters of interpretation of information, views or opinions, the original language version of our report takes precedence over this translation.

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Interim condensed consolidated income statement

	Note	01.04.2017- 30.06.2017*	01.01.2017- 30.06.2017	01.04.2016- 30.06.2016	01.01.2016 30.06.2016
Interest income		892 704	1 760 030	614 131	1 192 133
Interest expense		-173 330	-379 681	-169 958	-335 466
Net interest income	4	719 374	1 380 349	444 173	856 667
Dividend income		2	2	34	34
Fee and commission income		209 374	404 101	137 134	275 104
Fee and commission expense		-91 077	-169 136	-60 976	-111 685
Net fee and commission income	5	118 297	234 965	76 158	163 419
Trading result	6	98 684	171 583	72 819	131 136
Net gain (realized) on other financial instruments	7	712	1 166	10 156	20 766
Other operating income		28 055	60 374	18 505	33 720
Other operating costs		-16 743	-32 122	-18 458	-23 062
Net other operating income	8	11 312	28 252	47	10 658
General administrative expenses	9	-502 774	-992 040	-287 215	-563 829
Impairment losses & provisions	10	-256 083	-467 699	-173 112	-348 857
Bank tax		-49 201	-98 728	-32 257	-52 930
Profit before tax		140 323	257 850	110 803	217 064
Income tax	11	-40 344	-75 466	-29 169	-55 328
Net profit from continuing operations		99 979	182 384	81 634	161 736
Net profit attributable to equity holders of the parent		99 950	182 311	81 661	161 888
Net loss attributable to non-controlling interests		29	73	-27	-152
Net profit		99 979	182 384	81 634	161 736
Weighted average number of ordinary shares pcs.		129 257 763	129 257 763	77 057 482	74 882 473
Basic earnings per share (in PLN)	12	0.77	1.41	1.06	2.16
Diluted earnings per share (in PLN)	12	0.76	1.38	1.03	2.09

*explanations in Note 2.3 Changes in presentations

Interim condensed consolidated statement of comprehensive income

	01.04.2017- 30.06.2017	01.01.2017- 30.06.2017	01.04.2016- 30.06.2016	01.01.2016- 30.06.2016
Net profit	99 979	182 384	81 634	161 736
Taxable other comprehensive income to be credited to the net profit / (loss) after the required conditions have been satisfied	12 947	40 353	-25 886	-18 495
Foreign operations currency translation differences	5	77	0	0
Results of the measurement of financial assets available for sale (net)	11 928	34 583	-16 950	-7 863
Profit/loss on valuation of financial assets available for sale	14 842	42 370	-20 925	-9 707
Deferred tax	-2 914	-7 787	3 975	1 844
Results of the measurement of hedging instruments (net)	1 014	5 693	-8 936	-10 632
Profit/loss on valuation of hedging instruments	1 056	6 644	-11 033	-13 126
Deferred tax	-42	-951	2 097	2 494
Total comprehensive income net	112 926	222 737	55 748	143 241
- attributable to shareholders of the parent company	112 941	222 708	55 775	143 393
- attributable to non-controlling interests	-15	29	-27	-152

The notes presented on pages 10-64 constitute an integral part of these interim condensed consolidated financial statements.

Interim condensed consolidated statement of financial position

ASSETS	Note	As at 30.06.2017	As at 31.12.2016
Cash and balances with the Central Bank	13	2 377 158	1 082 991
Financial assets held for trading	22	421 042	419 551
Available-for-sale financial assets	14	6 469 215	9 357 734
Investment securities held to maturity	14	0	1 954
Hedging derivatives	25	45 904	71 684
Amounts due from banks	16	737 342	1 366 316
Loans and advances to customers	15	49 079 354	46 278 414
Assets pledged as collateral	29	510 962	366 984
including: pledged assets		162 099	29 783
Property, plant and equipment		476 289	485 796
Intangible assets		545 193	516 444
Non-current asset held for sale		468	679
Income tax asset		550 373	531 063
<i>Current</i>		0	0
<i>Deferred</i>		550 373	531 063
Other assets	17	623 778	729 935
TOTAL ASSETS		61 837 078	61 209 545

LIABILITIES AND EQUITY	Note	As at 30.06.2017	As at 31.12.2016
Financial liabilities held for trading	22	366 491	298 314
Amounts due to banks	19	866 687	428 640
Amounts due to customers	18	51 688 524	51 368 701
Derivative hedging instruments	23	8 868	6 119
Provisions	20	186 082	286 815
Other liabilities	21	1 139 811	1 439 304
Income tax liabilities		30 646	13 945
<i>Current</i>		29 431	13 190
<i>Deferred</i>		1 215	755
Subordinated loans	24	1 160 811	1 164 794
Total liabilities		55 447 920	55 006 632
Equity	25	6 389 158	6 202 913
Equity attributable to equity holders of the parent		6 388 139	6 201 934
Share capital		1 292 578	1 292 578
Supplementary capital		4 819 745	4 185 843
Revaluation reserve		-31 339	-71 615
Other reserves		183 824	183 957
Foreign operations currency translation differences		55	-22
Undistributed result from previous years		-59 035	-7 085
Current year profit/loss		182 311	618 278
Non-controlling interests		1 019	979
TOTAL LIABILITIES AND EQUITY		61 837 078	61 209 545

The notes presented on pages 10-64 constitute an integral part of these interim condensed consolidated financial statements.

Interim condensed statement of changes in consolidated equity

1.01.2017- 30.06.2017	Share capital	Supplementary capital	Other reserves	Revaluation reserve	Exchange differences on revaluation of foreign operations	Retained earnings/ accumulated losses	Net profit	Non-controlling interests	Total equity
As at 1 January 2017	1 292 578	4 185 843	183 957	-71 615	-22	-7 085	618 278	979	6 202 913
Transfer of the previous year result	0	0	0	0	0	618 278	-618 278	0	0
Comprehensive income	0	0	0	40 276	77	0	182 311	73	222 737
net profit	0	0	0	0	0	0	182 311	73	182 384
other comprehensive income	0	0	0	40 276	77	0	0	0	40 353
Transfer from undistributed profits	0	633 902	0	0	0	-633 902	0	0	0
Other changes in equity *	0	0	-133	0	0	-36 326	0	-33	-36 492
As at 30 June 2017	1 292 578	4 819 745	183 824	-31 339	55	-59 035	182 311	1 019	6 389 158

*explanation in note 37 in item: Information about final settlement of purchase price between Alior Bank and Bank BPH

1.01.2016 - 30.06.2016	Share capital	Supplementary capital	Other reserve	Revaluation reserve	Retained earnings/ accumulated losses	Net profit	Non-controlling interests	Total equity
As at 1 January 2016	727 075	2 279 843	184 735	15 215	-3 657	309 648	1 240	3 514 099
Transfer of the previous year result	0	0	0	0	309 648	-309 648	0	0
Comprehensive income	0	0	0	-18 495	0	161 888	0	143 393
net profit	0	0	0	0	0	161 888	0	161 888
other comprehensive income	0	0	0	-18 495	0	0	0	-18 495
Share issue	565 502	1 579 494	0	0	0	0	0	2 144 996
Transfer from undistributed profits	0	312 016	0	0	-312 016	0	0	0
Other changes in equity	0	1 114	-932	0	-1 060	0	-253	-1 131
As at 31 December 2016	1 292 577	4 172 467	183 803	-3 280	-7 085	161 888	987	5 801 357

The notes presented on pages 10-64 constitute an integral part of these interim condensed consolidated financial statements.

Interim condensed consolidated statement of cash flows

	01.01.2017- 30.06.2017	01.01.2016- 30.06.2016
Operating activities		
Profit before tax for the year	257 850	217 064
Adjustments:	-5 264	61 530
Unrealized foreign exchange gains/losses	-3 906	1 980
Amortization/depreciation of tangible and intangible assets	86 930	47 503
Change in impairment loss of tangible fixed and intangible assets	12 578	12 241
Change in provisions	-100 733	738
Share-based payments	-133	-932
The gross profit after adjustments but before increase/decrease in operating assets/liabilities	252 586	278 594
Change in loans and receivables	-2 307 799	-4 138 602
Change in financial assets available for sale	2 888 519	-4 251 813
Change in financial assets held in maturity	1 954	0
Change in financial assets held for trading	-1 491	-11 918
Change in assets pledged as collateral	-143 978	64 963
Change in derivative hedging assets	25 780	85 917
Change in non-current assets held for sale	211	192
Change in other assets	30 691	34 339
Change in deposits	855 050	4 291 146
Change in issued debt	-70 508	78 868
Change in financial liabilities held for trading	68 177	-11 284
Change in derivative hedging liabilities	2 749	0
Change in other liabilities and other comprehensive income	-320 916	115 569
Cash from operating activities before income tax	1 281 025	-3 464 029
Income tax paid	-2 609	-123 032
Net cash flow from operating activities	1 278 416	-3 587 061
Investing activities		
Outflows:	-89 116	-43 687
Purchase of property plant and equipment	-43 995	-16 709
Purchase of intangible assets	-45 121	-26 978
Inflows:	3 084	3 746
Dividend received	2	0
Disposal of tangible fixed assets	3 082	3 746
Net cash flow from investing activities	-86 032	-39 941
Financing activities		
Outflows:	-34 050	-24 113
Interest expense – subordinated loan	-34 050	-24 113
Inflows:	0	2 409 074
Subordinated liabilities incurred	0	264 078
Inflows from share issue	0	2 144 949
Net cash flow from financing activities	-34 050	2 384 914
Total net cash flow	1 158 334	-1 242 088
incl. exchange gains/(losses)	-57 358	6 099
Balance sheet change in cash and cash equivalents	1 158 334	-1 242 088
Cash and cash equivalents opening balance	1 709 243	2 202 212
Cash and cash equivalents closing balance	2 867 577	960 124
Additional disclosures on operating cash flows		
Interest received	1 914 929	1 508 561
Interest paid	-341 960	-460 569

The notes presented on pages 10-64 constitute an integral part of these interim condensed consolidated financial statements.

Notes to the interim condensed consolidated financial statements

1. Information about the Bank and the Group

1.1 Overview

Alior Bank Spółka Akcyjna ("the Bank", "the Parent Company") is the parent company of the Alior Bank Spółka Akcyjna Group ("the Group"). The Bank with its registered office in Warsaw at ul. Łopuszańska 38D is entered in the register of businesses maintained by the District Court for the Capital City of Warsaw, 13th Business Department of the National Court Register under the number KRS 0000305178. The parent company was assigned a tax identification number NIP: 107-001-07-31 and the statistical number REGON: 141387142.

Since 14 December 2012, the Bank has been listed on the Warsaw Stock Exchange (ISIN: PLALIOR00045).

1.2 Duration and scope of business activities

On 18 April 2008, the Polish Financial Supervision Authority (the "PFSA") granted permission for the incorporation of a bank under the name Alior Bank SA. On 1 September 2008, the PFSA issued a license for the Bank to commence its business activities. On 5 September 2008, the PFSA granted the Bank permission to conduct brokerage activities. The duration of the Bank's and the Group companies' operations is indefinite.

Alior Bank SA is a universal lending and deposit-taking bank which renders services to individuals, legal persons and other entities which are Polish and foreign persons. The Bank's core activities include maintaining bank accounts, granting loans and advances, issuing banking securities and the purchase and sale of foreign currency. The Group also conducts brokerage activities, consulting and financial agency services and renders other financial services. The information about companies belonging to the Group is presented in point 1.5 of this section. As stated in the Articles of Association, Alior Bank operates on the territory of the Republic of Poland and the European Economic Area. However, the Bank mainly provides services to customers from Poland. The share of foreign customers in the total number of the Bank's customers is negligible.

1.3 Shareholders of Alior Bank Spółka Akcyjna

Due to Alior Bank's status of a public company within the meaning of the Public Offering Act and the fact that the Bank's shares are listed on a regulated market (the main market) of the WSE, the Bank does not have detailed information on all its shareholders in its possession. Alior Bank has information on some of its shareholders, whose shares represent at least 5% of the total number of votes at the General Shareholders' Meeting

and the share capital of Alior Bank, in accordance with the notifications received by Alior Bank under Art. 69 of the Public Offering Act.

The following table contains information on significant shareholders, who as at 30 June 2017 directly held shares representing at least 5% of the total number of votes at the General Shareholders' Meeting and the share capital of Alior Bank, in accordance with the received notifications.

Shareholder	Number of shares	Nominal value of shares [PLN]	Interest in share capital	Number of votes	Share in total number of votes
PZU SA¹	40 358 420	403 584 200	31,22%	40 358 420	31,22%
Aviva OFE Aviva BZ WBK²	11 562 000	115 620 000	8,94 %	11 562 000	8,94 %
Other shareholders	77 337 343	773 373 430	59,84%	77 337 343	59,84%
Total	129 257 763	1 292 577 630	100%	129 257 763	100%

¹ In accordance with an agreement dated 2 June 2017, PZU Życie, together with PZU Specjalistyczny Fundusz Inwestycyjny Otwarty Universum, Fundusz Inwestycyjny Zamknięty Aktywów Niepublicznych BIS 1, PZU Fundusz Inwestycyjny Zamknięty Aktywów Niepublicznych BIS 2, based on General Meeting held on 29 June 2017.

⁽²⁾ Based on the number of shares registered at the Ordinary General Meeting held on 29 June 2017.

On 4 July 2017, , the Management Board of Alior Bank SA received a notification under Art. 69 Act of 29 Public Offering Act about changing the total number of votes at the General Meeting of Alior Bank Spółka Akcyjna by Powszechny Zakład Ubezpieczeń SA. Pursuant to the notification, dated 27 June 2017, PZU SA acting on behalf of and for the benefit of PZU SA, PZU Na Życie SA, PZU Specjalistycznego Funduszu Inwestycyjnego Otwartego UNIVERSUM, PZU Funduszu Inwestycyjnego Zamkniętego Aktywów Niepublicznych BIS 1 oraz PZU Funduszu Inwestycyjnego Zamkniętego Aktywów Niepublicznych BIS 2, acquired 134 841 Bank's shares in the ordinary course of trading on the Warsaw Stock Exchange. As a result the Bank's shares held by PZU SA amounted to 40 493 261 representing 31.3275% of the Bank's share capital and the resulting 40 493 261 votes constitute 31.3275% of the total number of votes at the General Meeting of the Bank.

On 10 July 2017, the Management Board of Alior Bank SA received a notification under Art. 69 Act of 29 Public Offering Act about changing the total number of votes at the General Meeting of Alior Bank Spółka Akcyjna by Powszechny Zakład Ubezpieczeń SA. Pursuant to the notification, dated 4 July 2017, PZU SA acting on behalf of and for the benefit of PZU SA, PZU Na Życie SA, PZU Specjalistyczny Otwarty Fundusz Inwestycyjny UNIVERSUM, PZU Zamknięty Fundusz Inwestycyjny BIS 1; Fundusz Inwestycyjny Zamknięty Aktywów Niepublicznych BIS 2 together with its subsidiary Pekao SA, acquired 7 740 710 Bank's shares in the ordinary course of trading on the Warsaw Stock Exchange. As a result, the number of Alior Bank shares held by PZU SA together with its subsidiary Pekao SA amounted to 40 854 599 representing 31.6071% of the Bank's share capital, and the resulting 40 854 599 votes constitute 31.6071% of the total number of votes at the General Meeting of the Bank.

On 10 July 2017, the Management Board of Alior Bank SA received a notification under art. 69 Act of Public Offering Act about changing the total number of votes at the General Meeting Alior Bank SA by Towarzystwo Funduszy Inwestycyjnych PZU SA. According to the notification, on 4 July 2017 TFI Funds PZU SA sold 7 740 710 Bank's shares in the ordinary course of transactions at the Warsaw Stock Exchange. As a result, the share of TFI PZU SA Funds in the total number of shares at the General Meeting of the Bank

amounted to 127 922, which represents 0.099% of the Bank's share capital, and the resulting 127 922 votes constitute 0.099% of the total number of votes at the General Meeting of the Bank.

1.4 Information on the composition of the Bank's Management and Supervisory Boards

Composition of the Bank's Management Board as at 31 December 2016:

Wojciech Sobieraj	President of the Management Board
Małgorzata Bartler	Vice-President of the Management Board
Krzysztof Czuba	Vice-President of the Management Board
Joanna Krzyżanowska	Vice-President of the Management Board
Witold Skrok	Vice-President of the Management Board
Barbara Smalska	Vice-President of the Management Board
Katarzyna Sułkowska	Vice-President of the Management Board

The composition of the Bank's Management Board changed in the reporting period.

The Supervisory Board of the Alior Bank based on the resolutions adopted on 9 June 2017 and 14 June 2017, appointed listed below as Vice-Presidents of the Management Board of Alior Bank SA:

1. Mr. Michał Jan Chyczewski,
2. Mr. Filip Gorczyca,
3. Mrs. Katarzyna Sułkowska,
4. Mrs. Urszula Krzyżanowska-Piękoś,
5. Mrs. Celina Waleśkiewicz.

Appointment is for a joint three year term, which commenced on 29 June 2017.

At the same time, the Supervisory Board entrusted Michał Jan Chyczewski to the management of the Management Board until he obtained the consent of the Polish Financial Supervision Authority (the "PFSA") to act as the President of the Management Board.

The appointed members of the Bank's Management Board are not engaged in any activities that are competitive to the Bank's activities and is not partner in any competitor partnerships or member of the authorities of any competitor companies or other legal persons.

Appointed Members of the Management Board of the Bank are not included in the Register of Insolvent Debtors kept pursuant to the Act of 20 August 1997 on the National Court Register.

On 6 July 2017 Mr. Sylwester Grzebinoga was appointed by the Supervisory Board of Alior Bank to the position of Vice President of the Management Board. His function will start on 1 August 2017.

Composition of the Bank's Management Board as at 30 June 2017:

Michał Jan Chyczewski	Vice-President of the Management Board
Filip Gorczyca	Vice-President of the Management Board
Urszula Krzyżanowska-Piękoś	Vice-President of the Management Board
Katarzyna Sułkowska	Vice-President of the Management Board
Celina Waleśkiewicz	Vice-President of the Management Board

Members of the Bank's Management Board who held shares in the Bank as at 30 June 2017

Shareholder	Number of shares/votes	Par value of shares	Interest in share capital	Share in total number of votes
Katarzyna Sułkowska	47 612	476 120	0.04%	0.04%

During the reporting period Alior Bank SA announced that it received notifications pursuant to Article 19 Section 1 of the MAR Regulation relating to sales transactions of the Issuer's shares as presented below:

Shareholder	Number of shares sold	Transaction Date
Wojciech Sobieraj	435 296	16.06-21.06.2017
Witold Skrok	178 421	12.06.2017
Krzysztof Czuba	298	21.06.2017

Composition of the Bank's Supervisory Board as at 30 June 2017:

Małgorzata Iwanicz-Drozdowska	- Deputy Chairman of the Supervisory Board
Dariusz Gątarek	- Member of the Supervisory Board
Tomasz Kulik	- Member of the Supervisory Board
Eligiusz Krześniak	- Member of the Supervisory Board
Marek Michalski	- Member of the Supervisory Board
Sławomir Niemierka	- Member of the Supervisory Board
Maciej Rapkiewicz	- Member of the Supervisory Board
Paweł Szymański	- Member of the Supervisory Board

Composition of the Bank's Supervisory Board as at 31 December 2016:

Michał Krupiński	- Chairman of the Supervisory Board
Małgorzata Iwanicz-Drozdowska	- Deputy Chairman of the Supervisory Board
Dariusz Gątarek	- Member of the Supervisory Board
Stanisław Ryszard Kaczoruk	- Member of the Supervisory Board
Marek Michalski	- Member of the Supervisory Board
Sławomir Niemierka	- Member of the Supervisory Board
Maciej Rapkiewicz	- Member of the Supervisory Board
Paweł Szymański	- Member of the Supervisory Board

The composition of the Supervisory Board changed in the reporting period. The Extraordinary General Meeting of Shareholders, convened for 21 April 2017, continued after adjournment on 8 May 2017 apart from resolutions of order nature, it passed resolutions of changes in Alior Bank's Supervisory Board, ie the resolution of the dismissal of Mr. Stanisław Ryszard Kaczoruk from the composition of Alior Bank's Supervisory Board and the resolution of the appointment to the Supervisory Board of Alior Bank Mr. Roman Pałac.

On 14 June 2017, the Chairman of the Supervisory Board of the Bank Mr. Michał Krupiński, resigned from membership in the Bank's Supervisory Board including the post of Chairman of the Supervisory Board, effective 14 June 2017.

On 29 June 2017, the Member of the Supervisory Board of the Bank Mr. Roman Pałac, resigned from membership in the Bank's Supervisory Board, effective 29 June 2017.

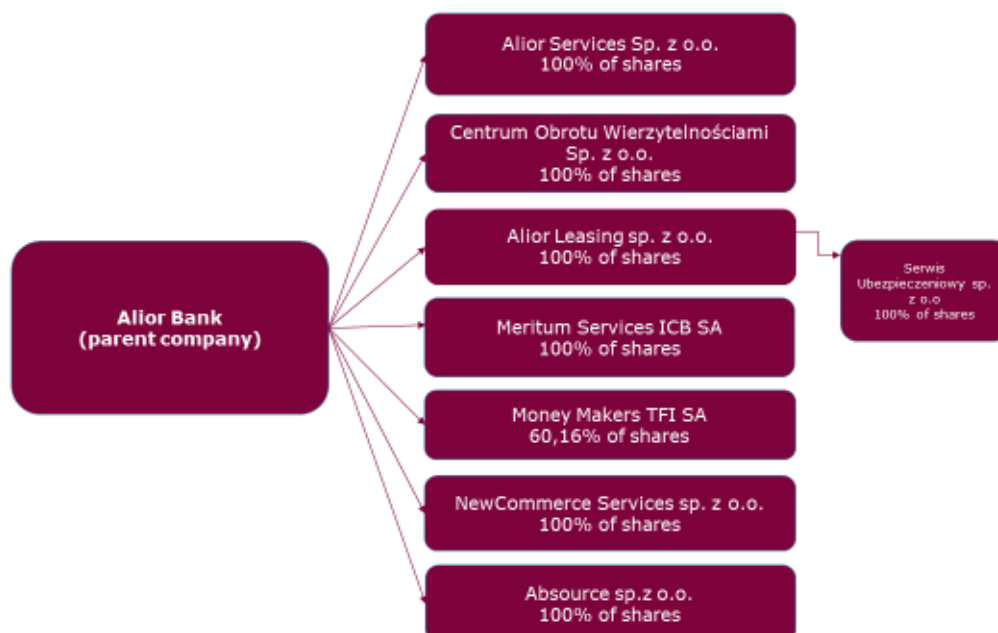
Annual General Meeting of the Bank convened on 29 June 2017 appointed Mr. Tomasz Kulik for the Member of the Bank's Supervisory Board and also appointed Mr. Eligiusz Krzeński for the Member of the Bank's Supervisory Board effective 30 June 2017. The Supervisory Board appointed by Mr Eligiusz Krzeński to the position of Chairman of the Supervisory Board of Alior Bank by resolution of 5 July 2017. On 18 July 2017, the Member of the Supervisory Board of the Bank Mr. Marek Michalski. resigned from membership in the Bank's Supervisory Board, effective 18 July 2017.

The appointed members of the Bank's Supervisory Board are not engaged in any activities that are competitive to the Bank's activities and are not partners in any competitor partnerships or member of the authorities of any competitor companies or other legal persons.

Thus in accordance with the Bank's Management Board's best knowledge as at 30 June 2017. Members of the Supervisory Board of Alior Bank SA do not hold any of the Bank's shares.

1.5 Information about the Alior Bank SA Group

The Alior Bank SA Group as at 30 June 2017:



As at 30 June 2017 the Alior Bank SA Group was composed of the following companies: Alior Bank SA as the parent company and subsidiaries in which the Bank holds majority interests. In the reporting period. changes were introduced in the structure of the Alior Bank SA Group.

The consolidated financial statements comprise the financial statements of the Bank and the financial statements of the following companies. The Bank evaluated its exercise of control in accordance with the provisions of IFRS 10 and defined its status as a parent

company towards the companies listed below. All subsidiaries are consolidated under the acquisition accounting method.

1. Alior Services Sp. z o.o. its objectives are: (i) using sales opportunities for products and non-financial services; (ii) extending the offer for Private Banking customers and making it more attractive in order to strengthen the competitive position.
The Company's operations: (i) seeking out and gaining external partners for cooperation in offering non-banking services; (ii) arranging business relationships for customers and external partners. Alior Services Sp. z o.o. is also dealing with debt collection.
2. The core business activities of Centrum Obrotu Wierzytelnosciami Sp. z o.o. comprise trading in receivables purchased from the Bank. The company was established for the purpose of optimizing the process of sale of receivables by the Bank. In the first quarter of 2017, the company began work on a project of activity in the debt collection sector.
3. The core business operations of Alior Leasing Sp. z o.o. comprise financing fixed assets in the form of operating and finance lease and lease loans. On 30 January 2017 Alior Leasing sp. z o.o. acquired 100% of shares of the entity: Serwis Ubezpieczeniowy sp. z o.o. on 1 March 2017, the District Court for Kraków-Śródmieście in Cracow, IX Business Department, entered into the register of entrepreneurs the change of the owner of this company.
4. The business activities of Meritum Services ICB SA comprise providing IT and computer services and other activities in the area of IT. In 2015, the Company's operations were extended to include the activities of insurance agents and brokers, activities associated with risk assessment and loss adjustment, and other activities auxiliary to insurance and pension funding.
5. NewCommerce Services Sp. z o.o. will perform tasks associated with MyWallet (on the Polish market and potentially on other markets in which the Deutsche Telekom Group operates) and conduct activities in respect of selling non-bank products, including granting access to a new generation shopping platform in cooperation with retail partners.
6. Money Makers SA established in 2010, is a company whose activities focus on services related to asset management. The Bank cooperates with its subsidiary Money Makers in three areas: asset management (managing individual customer portfolios / private banking), offers of insurance equity funds, and Alior SFIO subfund management. As part of its development plans, the company transformed from a brokerage house into an investment fund company at the beginning of July 2015. On 23 June 2015, the Polish Financial Supervision Authority unanimously granted Money Makers SA consent to conduct business activities comprising the establishment and management of investment funds or foreign funds. including intermediation in disposal and purchase of participation units, representing the funds before third parties and managing the collective portfolio of securities and portfolios containing financial instruments. At the same time, at the company's request, the PFSA revoked its permit for conducting brokerage activities granted to Money Makers SA. After its transformation, in July

2015 Money Makers commenced operations as an Investment Fund Company. From 5 January 2017 Money Makers TFI SA is quoted on the alternative market of the Warsaw Stock Exchange (NewConect).

7. Absource Sp. z o.o. its objectives are: (i) service activity in IT technologies and computer technologies; (ii) activity connected with consulting in computer science; (iii) activity associated with software. Absource sp. z o.o. is concentrating on the service delivery of making the computer software available.

1.6 Approval of the interim condensed consolidated financial statements

These interim condensed consolidated financial statements of the Alior Bank Spółka Akcyjna Group were approved by the Bank's Management Board on 9 August 2017.

1.7 Seasonal or cyclical nature of operations

The Group's operations are not affected by any material events of a seasonal or cyclical nature.

2. Accounting policies

2.1 Basis for preparation

Scope and comparatives

The interim condensed consolidated financial statements of the Alior Bank SA Group comprise the data of the Bank and its subsidiaries and cover the 6-month period ended 30 June 2017 and the comparatives for the 6-month period ended 30 June 2016 (with respect to the consolidated income statement, consolidated statement of comprehensive income, consolidated statement of financial position, consolidated statement of changes in equity and consolidated cash flow statement) and the comparatives as at 31 December 2016 (with respect to the consolidated statement of financial position). The interim condensed consolidated financial statements have been prepared in the Polish zlotys. Unless otherwise stated, the amounts are presented in PLN thousands.

Statement of compliance

These interim condensed consolidated financial statements of the Alior Bank Spółka Akcyjna Group for the first half of 2017 have been prepared in accordance with the International Accounting Standard 34 "Interim Financial Reporting" as adopted by the European Union.

These financial statements have been prepared in a condensed form and do not include all disclosures required in the annual financial statements therefore the interim condensed consolidated financial statements for the first half of 2017 should be read together with the consolidated financial statements of the Alior Bank Group for 2016 prepared in accordance with International Financial Reporting Standards adopted by the European Union which were approved by the Bank's Management Board on 28 February 2017.

The interim condensed consolidated income statement, interim condensed consolidated statement of comprehensive income, interim condensed consolidated statement of changes in equity and interim condensed consolidated statement of cash flows for the financial period from 1 January 2017 to 30 June 2017, and interim condensed consolidated statement of financial position as at 30 June 2017 including the comparatives have been prepared in accordance with the same accounting policies as those applied in the preparation of the last annual financial statements except for the changes in the standards that entered into force on 1 January 2017 describing in Note 2.2.

Annual data for 2016 presented in these condensed consolidated financial statements of the Alior Bank Group were audited.

Going concern

The interim condensed consolidated financial statements of the Alior Bank Spółka Akcyjna Group have been prepared on the assumption that the Group will continue in operation as a going concern for a period of at least 12 months after the balance sheet date i.e. after 30 June 2017.

As at the date of approval of these interim condensed financial statements, the Bank's Management Board is not aware of any circumstances that would have an adverse effect on the Group's operations for any reasons.

2.2 Accounting principles

Changes in accounting standards

These financial statements include the requirements of all International Accounting Standards. International Financial Reporting Standards as adopted by the European Union and related interpretations that have been issued and effective for annual periods beginning on after 1 January 2017.

These interim condensed consolidated financial statements do not take into account amendments. standards and interpretations that are awaiting approval by the European Union or have been approved by the European Union, but have entered or will enter into force after the balance sheet date. The scope of these amendments. standards and interpretations has been presented in the consolidated financial statements of the Alior Bank Group for 2016.

With respect to standards and interpretations that have been endorsed by the European Union but entered into or will become effective only after the balance sheet date, the Group has not applied the possibility of their early application.

Published Standards and Interpretations. which have been issued but not yet in force and have not been applied previously

Standards approved by the EU have not yet entered into force:

- IFRS 9, Financial Instruments

On 24 July 2014. the International Accounting Standards Board (IASB) published a new International Financial Reporting Standard – IFRS 9. Financial Instruments.

binding for annual periods starting on or after 1 January 2018. which will replace the existing International Accounting Standard 39. Financial Instruments: Recognition and Measurement. By Regulation no. 2016/2067 of 22 November 2016. the European Commission adopted the International Financial Reporting Standard 9. Financial Instruments (IFRS 9) in the version published by IASB on 24 July 2014.

IFRS 9 introduces a new financial asset impairment model based on the "expected loss" concept. changes in the principles of classification and measurement of financial instruments (in particular financial assets) and a new approach to hedge accounting.

In March 2016, the Group began the project of implementing IFRS 9, actively involving the Bank's business units responsible for the areas of accounting, financial reporting and risk management, and business, IT and organizational departments.

The Group is at the stage of designing necessary solutions for the individual requirements based on the results of a gap analysis and general methodological assumptions adopted.

The Group plans to complete the design works by the end of the third quarter of 2017. Information on the impact of applying the standard for presentation and measurement of financial instruments were presented in Note 2.4 of the consolidated financial statements of Alior Bank Group for 2017, made public on 9 March 2017. According to preliminary estimates of the impact of the application of IFRS 9, the planned implementation of the standard will increase the write-offs due to the recognition of life expectancy expected losses for exposures for which a significant increase in credit risk has been identified and the need to calculate the expected credit losses for the remaining non-default portfolio for 12 months period (period significantly higher than the currently used LIP for purpose of IBNR calculating)

- IFRS 15, Revenue from Contracts with Customers

The standard applies to annual periods starting on or after 1 January 2018 – by the date of approving these financial statements not endorsed by the EU.

The principles set out in IFRS 15 will apply to all contracts resulting in revenue. The new standard introduces the core principle that revenue must be recognized when the goods or services are transferred to the customer, at the transaction price. Any bundled goods or services that are distinct must be separately recognized, and any discounts or rebates on the transaction price must generally be allocated to the separate elements. When the value of revenues varies for any reason, under the new standard the variable amounts must be recognized as revenues providing that it is highly probable that the recognition of the revenues will not be reversed in the future as a result of remeasurement. Additionally, according to IFRS 15 costs incurred to secure contracts with customers have to be capitalized and amortized over the period when the benefits of the contract are consumed.

The above amendments may result in changes in accounting for deferred revenue and will require additional disclosures in the financial statements.

Standards and interpretations that are not yet endorsed by the European Union:

- Amendments to IAS 12, Recognition of Deferred Tax Assets for Unrealized Losses

They were published by the International Accounting Standards Board on 19 January 2016 and are effective for annual periods starting on or after 1 January 2017. The amendments to IAS 12 clarify the requirements for recognizing deferred tax assets on unrealized losses on debt instruments measured at fair value. The amendments introduce guidance on the identification of deductible temporary differences. In particular, the standard confirms that a decrease below cost in the carrying amount of debt instruments with a fixed interest rate measured at fair value the tax base of which remains on the level of their cost, results in deductible temporary differences arising regardless of whether the instrument holder intends to hold it or sell it.

The Group believes that the application of this amended standard will not have a significant effect on the financial statements in the period of its first application.

- Amendments to IAS 7, Disclosure Initiative

They were published by the International Accounting Standards Board on 29 January 2016 and are effective for annual periods starting on or after 1 January 2017. The amendments to IAS 7 introduce the requirement of disclosing changes in liabilities arising from financing activities in the statement of cash flows, including both changes arising from cash flows and non-cash changes. To satisfy the requirement, the standard prescribes reconciliation of the opening and closing balances of the individual liabilities presented in the statement of financial position which qualify as financing activities in the statement of cash flows.

The Group believes that the application of this amended standard will not have a significant effect on the financial statements in the period of its first application.

- IFRS Improvements 2014 – 2016

They apply to annual periods starting on 1 January 2018. Amendments are introduced to 3 standards: IFRS 1 as regards specifying short-term exemption for first-time adopters of IFRS within the scope of IFRS 7, IAS 19 and IFRS 10; IFRS 12 as regards clarifying the objective of the standard. The amendments shall apply retrospectively to annual periods starting on or after 1 January 2017; IAS 28 as regards measuring associates or joint ventures at effective fair value.

The Group believes that the application of this amended standard will not have a significant effect on the financial statements in the period of its first application.

- Amendments to IFRS 15, Revenue from Contracts with Customers

The amendments were published by the International Accounting Standards Board on 12 April 2016 and are effective for annual periods beginning on or after 1 January 2018.

Amendments to IFRS 15 clarify guidelines for the identification of performance obligations, intellectual property licensing accounting and the "principal or agent"

assessment in the context of presenting gross or net income. Practical solutions have also been added to facilitate the implementation of the new standard.

The Group believes that applying the standard will not have a significant impact on the financial statements during its initial application.

- Amendments to IFRS 2, Share-based Payment

The amendment introduces, among other things, guidance on the fair value measurement of liabilities related to share-based payments settled in cash, guidance on changing the classification of share-based transactions settled in cash to share-based transactions settled in equity instruments and guidance on recognizing employees' taxation liabilities in respect of share-based transactions. The amendment will apply to financial statements prepared after 1 January 2018.

In the Group's opinion, applying amendments to IFRS 2 will not have a significant impact on the financial statements during its initial application.

- IFRS 16, Leases

The standard applies to annual periods starting on or after 1 January 2019 – by the date of approving these financial statements, not endorsed by the EU. The new standard sets the principles for recognition, measurement, presentation and disclosures concerning leases. All lease transactions result in the lessee obtaining the right to use an asset and a liability arising from the obligation to pay. Thus, IFRS 16 cancels the classification into operating and finance leases in accordance with IAS 17 and introduces one accounting model for leases on the part of the lessee. The lessee will be obliged to recognize: (a) assets and liabilities for all lease transactions concluded for a period of more than 12 months, except for situations when a given asset is of low value; and (b) depreciation of the leased asset separately from interest on the lease liability in the statement of profit or loss.

In the Group's opinion, applying the new standard will not affect the recognition, presentation, measurement or disclosure of assets under operating leases and the corresponding liabilities in the financial statements of the Bank as a lessee.

- Amendments to IFRS 4, Insurance Contracts in the context of applying IFRS 9

The amendments apply to annual periods starting on 1 January 2018. The amendments address the issue of applying the new standard IFRS 9 Financial Instruments, before implementing the new standard concerning insurance operations on which the IASB is currently working. In order to prevent temporary fluctuations of results in connection with implementing IFRS 9, amendments to IFRS 4 introduce two acceptable approaches: overlay approach and deferral approach.

The amended standard allows:

- companies that issue insurance contracts to recognize in OCI rather than profit or loss. the volatility that may arise when IFRS 9 is applied before the forthcoming insurance contracts Standard is issued;
- temporary exemption from IFRS 9 until 2021 for companies whose predominant activity is related to insurance.

The companies which defer application of IFRS 9 will apply the currently binding IAS 39.

- Amendments to IAS 40, Investment Property

Applies to annual periods starting on 1 January 2018. The amendments clarify that transferring an asset to or from investment property requires change in use. The conclusion that there was a change in use must be based on evidence.

- IFRIC 22, Foreign Currency Transactions

This applies to annual periods starting on 1 January 2018. The IFRIC applies to foreign currency transactions or a part of these transactions when they are denominated or measured in foreign currencies. The interpretation provides guidance both for a single payment and for multiple payments made. The objective of the guidance is to reduce diversity in practice.

2.3 Changes in presentation

In relation to the published interim consolidated financial statements as of 30 June 2016 in this report the presentation of interest income and expense in position derivative hedging instruments was changed in order to better reflect the economic character of those transactions.

Position of income statement	were presented		Change		Actual	
	01.04.2016-30.06.2016	01.01.2016-30.06.2016	01.04.2016-30.06.2016	01.01.2016-30.06.2016	01.04.2016-30.06.2016	01.01.2016-30.06.2016
Interest income	693 748	1 356 990	-79 617	-164 857	614 131	1 192 133
Interest income from financial instruments measured at amortized cost including the effective interest rate method	580 589	1 125 664	0	0	580 589	1 125 664
term deposits	481	828	0	0	481	828
loans	539 362	1 048 799	0	0	539 362	1 048 799
financial assets available for sale	30 926	58 284	0	0	30 926	58 284
receivables acquired	5 880	11 889	0	0	5 880	11 889
other	3 940	5 864	0	0	3 940	5 864
Other interest income	113 159	231 326	-79 617	-164 857	33 542	66 469
current accounts	4 406	8 548	0	0	4 406	8 548
overnight deposits	221	334	0	0	221	334
derivative hedging instruments	108 532	222 444	-79 617	-164 857	28 915	57 587
Interest expense	-249 575	-500 323	79 617	164 857	-169 958	-335 466
Interest expense from financial instruments measured at amortized cost including the effective interest rate method	-143 107	-282 554	0	0	-143 107	-282 554
term deposits	-106 960	-213 775	0	0	-106 960	-213 775
repo transactions in securities	-3 715	-6 099	0	0	-3 715	-6 099
cash deposits	-1 159	-2 240	0	0	-1 159	-2 240
own issue	-30 455	-59 052	0	0	-30 455	-59 052

other	-818	-1 388	0	0	-818	-1 388
Other interest expense	-106 468	-217 769	79 617	164 857	-26 851	-52 912
current deposits	-8 391	-16 012	0	0	-8 391	-16 012
derivative hedging instruments	-98 077	-201 757	79 617	164 857	-18 460	-36 900
Net interest income	444 173	856 667	0	0	444 173	856 667

In relation to the published interim financial consolidated statements as of 31 March 2017 in this report the presentation of interest income and fee and commission income was changed. It is due to the presentation's adjustment of commission income related to acquired part of Bank BPH.

Position of income statement	were presented		Change		Actual	
	01.01.2017-31.03.2017	01.04.2017-30.06.2017	01.01.2017-31.03.2017	01.04.2017-30.06.2017	01.01.2017-31.03.2017	01.04.2017-30.06.2017
Interest income including adjustments related to derivative hedging instruments	846 736	913 294	20 590	-20 590	867 326	892 704
Fee and commission income	215 317	188 784	-20 590	20 590	194 727	209 374

3. Operating segments

The Group divides its operations into the following business segments for the purpose of management accounting:

- retail segment;
- business segment;
- treasury activity;
- reconciliation items.

The Group provides services to retail (individual) and business customers. offering them a full range of banking services.

The basic products for retail customers comprise:

- lending products: cash loans, credit cards, overdraft facilities, housing loans;
- deposit products: term deposits, savings accounts;
- brokerage products and investment funds;
- personal accounts;
- transaction services: cash deposits and withdrawals transfers;
- FX transactions.

The basic products for business customers comprise:

- lending products: overdraft facilities, working capital loans, investment loans, credit cards;
- deposit products: term deposits;
- current and auxiliary accounts;
- transaction services: cash deposits and withdrawals transfers;
- treasury products: FX transactions (also at set date) derivatives.

The basic element of segment analysis is the profitability of the Retail Segment and Business Segment. The profitability includes:

- margin revenue decreased by financing costs (a rate at which a branch makes settlements with the Interbank Transactions Office);
- commission income;
- income from treasury and foreign exchange exchange transactions concluded by customers;
- other operating income and expenses.

Revenues of the retail segment also include revenues from the sale of brokerage products (such as revenues from maintaining brokerage accounts, agency services in trading in securities and revenue from distribution of investment fund units).

Revenues of the business segment also include revenues from the car loans portfolio.

The Treasury Activity segment covers the results on managing the global position – the liquidity and currency positions – arising from the activities of the Bank.

Reconciliation items include:

- internal net interest income/(expenses) calculated on net impairment losses;
- commission costs not allocated to business units (including cash management fees, ATM sharing commission, domestic and foreign transfers);
- other operating income and expenses not related directly to business segments.

Results and volumes by segments for the first six months ended 30 June 2017

Segment report	Retail customers	Corporate customers	Treasury	Total corporate segments	Other	Total Group
External interest income	962 114	359 618	54 803	1 376 535	3 814	1 380 349
external income	1 121 393	524 080	109 770	1 755 243	4 787	1 760 030
external expense	-159 279	-164 462	-54 967	-378 708	-973	-379 681
Internal interest income	-120 561	-21 097	101 956	-39 702	39 702	0
internal income	295 157	202 025	1 371 553	1 868 735	39 702	1 908 437
internal expense	-415 718	-223 123	-1 269 596	-1 908 436	0	-1 908 436
Net interest income	841 553	338 521	156 759	1 336 833	43 516	1 380 349
Fee and commission income	157 711	173 121	1 655	332 487	71 614	404 101
Fee and commission expense	-67 249	-52 594	-7 860	-127 703	-41 433	-169 136
Net fee and commission income	90 461	120 527	-6 205	204 783	30 182	234 965
Dividend income	0	0	0	0	2	2
Trading result	2 511	21 589	147 483	171 583	0	171 583
Net gain (realized) on other financial instruments	58 044	80 743	-137 620	1 166	0	1 166
Other operating income	88 259	4 474	36	92 769	-32 395	60 374
Other operating expenses	-7 505	-4	-4	-7 513	-24 609	-32 122
Net other operating income	80 754	4 470	32	85 256	-57 004	28 252
Total result before impairment losses	1 073 324	565 849	160 450	1 799 622	16 695	1 816 317
Impairment losses	-278 700	-183 005	0	-461 705	-5 994	-467 699
Total result after impairment losses	794 624	382 844	160 450	1 337 917	10 701	1 348 618
General administrative expenses	-803 074	-284 868	-2 826	-1 090 768	0	-1 090 768
Gross profit (loss)	-8 450	97 976	157 624	247 149	10 701	257 850
Income tax	0	0	0	0	-75 466	-75 466
Net profit (loss)	-8 450	97 976	157 624	247 149	-64 765	182 384

Depreciation	0	0	0	0	0	88 535
Assets	35 941 270	25 313 806	31 629	61 286 705	550 373	61 837 078
Liabilities	34 561 722	20 845 891	9 661	55 417 274	30 646	55 447 920

Results and volumes by segments for the first six months ended 30 June 2016

Segment report	Retail customers	Corporate customers	Treasury	Total corporate segments	Other	Total Group
External interest income	539 846	310 787	6 686	857 319	-652	856 667
external income	715 640	441 781	199 929	1 357 350	-360	1 356 990
external expense	-175 794	-130 994	-193 243	-500 031	-292	-500 323
Internal interest income	7 893	-59 754	67 000	15 139	-15 139	0
internal income	269 665	62 313	613 863	945 841	-12 283	933 558
internal expense	-261 772	-122 067	-546 863	-930 702	-2 856	-933 558
Net interest income	547 739	251 033	73 686	872 458	-15 791	856 667
Fee and commission income	93 933	131 257	203	225 393	49 711	275 104
Fee and commission expense	-48 354	-439	-3 926	-52 719	-58 966	-111 685
Net fee and commission income	45 579	130 818	-3 723	172 674	-9 255	163 419
Dividend income	0	0	0	0	34	34
Trading result	83	24 636	111 420	136 139	-5 003	131 136
Net gain (realized) on other financial instruments	48 137	59 080	-86 445	20 772	-6	20 766
Other operating income	63 761	1 346	-2 111	62 996	-29 276	33 720
Other operating expenses	-4 169	-9	-65	-4 243	-18 819	-23 062
Net other operating income	59 592	1 337	-2 176	58 753	-48 095	10 658
Total result before impairment losses	701 130	466 904	92 762	1 260 796	-78 116	1 182 680
Impairment losses	-220 283	-116 090	0	-336 373	-12 484	-348 857
Total result after impairment losses	480 847	350 814	92 762	924 423	-90 600	833 823
General administrative expenses	-454 088	-161 075	-1 596	-616 759	0	-616 759
Gross profit (loss)	26 759	189 739	91 166	307 664	-90 600	217 064
Income tax	0	0	0	0	-55 328	-55 328
Net profit (loss)	26 759	189 739	91 166	307 664	-145 928	161 736
Depreciation	0	0	0	0	0	-47 503
Assets	28 631 719	18 033 084	32 545	46 697 348	344 404	47 041 752
Liabilities	26 936 930	14 276 216	8 373	41 221 519	18 876	41 240 395

Notes to the interim condensed consolidated income statement

4. Net interest income

4.1 Net interest income by entity	01.04.2017- 30.06.2017*	01.01.2017- 30.06.2017	01.04.2016- 30.06.2016	01.01.2016- 30.06.2016
Interest income	892 704	1 760 030	614 131	1 192 133
financial sector	47 599	122 762	40 415	78 077
non-financial sector	818 797	1 581 719	550 210	1 067 850
central and local government institutions	26 308	55 549	23 506	46 206
Interest expense	-173 330	-379 681	-169 958	-335 466
financial sector	-52 291	-126 837	-55 010	-107 127
non-financial sector	-119 105	-249 372	-112 792	-224 293
central and local government institutions	-1 934	-3 472	-2 156	-4 046
Net interest income	719 374	1 380 349	444 173	856 667

*explanations in Note 2.3 Changes in presentations

4.2 Net interest income by product	01.04.2017- 30.06.2017*	01.01.2017- 30.06.2017	01.04.2016- 30.06.2016	01.01.2016- 30.06.2016
Interest income	892 704	1 760 030	614 131	1 192 133
Interest income from financial instruments measured at amortized cost including the effective interest rate method	852 638	1 649 240	580 589	1 125 664
term deposits	272	549	481	828
loans	802 381	1 548 097	539 362	1 048 799
financial assets available for sale	33 083	71 794	30 926	58 284
receivables acquired	8 718	13 614	5 880	11 889
other	8 184	15 186	3 940	5 864
Other interest income	40 066	110 790	33 542	66 469
current accounts	6 140	12 103	4 406	8 548
overnight deposits	566	849	221	334
derivative hedging instruments	33 360	97 838	28 915	57 587
Interest expense	-173 330	-379 681	-169 958	-335 466
Interest expense from financial instruments measured at amortized cost including the effective interest rate method	-117 985	-241 246	-143 107	-282 554
term deposits	-78 619	-163 505	-106 960	-213 775
repo transactions in securities	-3 770	-7 866	-3 715	-6 099
cash deposits	-837	-1 854	-1 159	-2 240
own issue	-32 404	-63 951	-30 455	-59 052
other	-2 355	-4 070	-818	-1 388
Other interest expense	-55 345	-138 435	-26 851	-52 912
current deposits	-26 108	-50 587	-8 391	-16 012
derivative hedging instruments	-29 237	-87 848	-18 460	-36 900
Net interest income	719 374	1 380 349	444 173	856 667

*explanations in Note 2.3 Changes in presentations

Interest income comprises mainly interest on loans, interest and discount on bonds and interest from IRS/CIRS transactions. Interest expense relate mainly to term deposits for retail banking customers and interest expense from IRS/CIRS transactions.

5. Net fee and commission income

	01.04.2017- 30.06.2017*	01.01.2017- 30.06.2017	01.04.2016- 30.06.2016	01.01.2016- 30.06.2016
Fee and commission income	209 374	404 101	137 134	275 104
brokerage commissions	32 926	64 931	12 972	30 429
payment cards	53 075	96 403	24 671	49 155
revenue from bancassurance activity	19 875	37 363	28 621	49 959
loans and advances	22 066	42 850	14 235	27 872
accounts maintenance	34 352	73 057	26 311	51 673
transfers	12 927	28 643	9 375	18 278
remittances and withdrawals services	10 587	19 926	5 868	10 938
acquired receivables	3 247	7 158	2 145	4 068
Guarantees, letters of credit, collections, promises	3 075	6 041	3 578	7 213
other commissions	17 244	27 729	9 358	25 519
Fee and commission expense	-91 077	-169 136	-60 976	-111 685
brokerage commissions	-1 503	-2 486	-824	-1 512
costs of card transactions and ATM , including costs of payment card issue	-31 679	-63 568	-17 809	-32 865
insurance of bank products	-3 886	-8 167	-6 379	-12 294
commissions for ATM sharing	-6 118	-11 253	-5 092	-10 351
fees paid under service agreements	-10 840	-15 222	-2 953	-5 212
compensation and awards to customers	-4 880	-11 617	-6 269	-11 412

commissions paid to agents	-10 008	-16 292	-7 787	-12 574
assistance services	-772	-1 566	-728	-2 007
costs of customers acquisition	-890	-1 778	-2 014	-3 965
other commissions	-20 501	-37 187	-11 121	-19 493
Net fee and commission income	118 297	234 965	76 158	163 419

*explanations in Note 2.3 Changes in presentations

Due to the acquisition of the demerged business of Bank BPH SA the acquired assets included custody operations which are currently being continued.

6. Trading result

	01.04.2017- 30.06.2017	01.01.2017- 30.06.2017	01.04.2016- 30.06.2016	01.01.2016- 30.06.2016
FX transactions	72 875	156 695	58 160	106 719
Interest rate transactions	17 545	12 832	14 958	22 546
Ineffective part of hedge accounting	-11	-1 823	-426	184
Other instruments	8 275	3 879	127	1 687
Trading result	98 684	171 583	72 819	131 136

The result on foreign exchange transactions includes the results on: forex, SWAP (FX swap and CIRS with capital exchange), FX forward, currency options and revaluation of assets and liabilities expressed in foreign currencies.

The result on interest rate transactions includes the results on: interest rate swaps, FRA, and result on interest rate options (CAP/FLOOR).

The result on other financial instruments is the result on trading in equity securities, the result on commodity derivatives (including forwards and futures), the result on options for exchange indices, index baskets and commodities and the result on short sale.

7. Net result realized on other financial instruments

	01.04.2017- 30.06.2017	01.01.2017- 30.06.2017	01.04.2016- 30.06.2016	01.01.2016- 30.06.2016
Available-for-sale financial assets	300	372	9 899	20 260
Own issue	412	794	257	505
repurchase income	412	796	263	542
repurchase losses	-1	-2	-6	-37
Investment certificates	0	0	0	1
Net result realized on other financial instruments	712	1 166	10 156	20 766

8. Net other operating income

	01.04.2017- 30.06.2017	01.01.2017- 30.06.2017	01.04.2016- 30.06.2016	01.01.2016- 30.06.2016
Other operating income from:	28 055	60 374	18 505	33 720
management of third party assets	5 338	9 770	3 691	6 687
income from contracts with business partners	11 083	20 571	1 976	2 194
sale of debt	0	0	0	0
reimbursement of costs of claim enforcement	9 808	18 938	5 843	10 925
reimbursement of fees by customers	0	22	4 035	8 015
received compensations	712	1 108	495	1 375
other	1 114	9 965	2 465	4 524

Other operating expenses due to:	-16 743	-32 122	-18 458	-23 062
management of third party assets	-460	-1 143	-262	-749
paid compensations, fines and penalties	-3 944	-5 182	-395	-426
awards given to customers	-265	-519	-228	-486
paid compensations, settlements, complaints	-2 952	-6 527	-1 624	-2 655
fees and costs of claim enforcement	-6 928	-14 499	-3 218	-5 080
other	-2 194	-4 252	-12 731	-13 666
Net other operating income and expense	11 312	28 252	47	10 658

In the first half of 2017, the costs of write offs of intangible assets and fixed assets amounted to PLN 12 569 thousand.

9. General administrative expenses

	01.04.2017- 30.06.2017	01.01.2017- 30.06.2017	01.04.2016- 30.06.2016	01.01.2016- 30.06.2016
Payroll costs	-267 229	-533 200	-154 502	-304 123
remuneration due to employment contracts	-193 464	-411 072	-130 225	-255 064
remuneration surcharges	-51 047	-97 778	-22 409	-45 688
revaluation of management option plan – part settled in cash	-20 804	-20 804	0	0
other	-1 914	-3 546	-1 868	-3 371
General and administrative costs	-190 522	-366 422	-108 369	-207 561
IT costs	-48 050	-92 334	-11 537	-24 469
lease and building maintenance expenses	-51 163	-105 381	-29 760	-64 105
marketing costs	-17 188	-26 603	-12 426	-21 588
training costs	-7 993	-11 283	-5 186	-10 436
cost of advisory services	-14 022	-27 359	-15 223	-19 821
costs of Banking Guarantee Fund	-15 050	-36 762	-18 394	-37 302
lease of property, plant and equipment and intangible assets	-1 783	-3 305	-937	-1 884
costs of telecommunications services	-9 862	-14 507	-3 399	-6 348
external services	-10 783	-24 004	-5 722	-12 640
other	-14 628	-24 884	-5 785	-8 968
Amortization and depreciation	-43 430	-88 535	-22 526	-47 503
Property, plant and equipment	-25 518	-53 972	-12 938	-28 377
intangible assets	-17 912	-34 563	-9 588	-19 126
Taxes and fees	-1 593	-3 883	-1 818	-4 642
Total general administrative expenses	-502 774	-992 040	-287 215	-563 829

10. Net impairment allowance and write-downs

	01.04.2017- 30.06.2017	01.01.2017- 30.06.2017	01.04.2016- 30.06.2016	01.01.2016- 30.06.2016
Impairment losses on impaired loans and advances to customers	-241 103	-432 918	-158 213	-319 579
financial sector	-1 049	-1 657	-710	-1 206
non-financial sector	-240 054	-431 261	-157 503	-318 373
retail customers	-149 220	-269 164	-96 906	-208 195
business customers	-90 834	-162 097	-60 597	-110 178
Debt securities	0	0	0	-6 974
IBNR for customers without impairment losses	105	-17 162	-9 566	-8 676
financial sector	-2 444	-4 044	28	656
non-financial sector	2 549	-13 118	-9 594	-9 332
retail customers	33 565	28 128	-11 410	-13 639
business customers	-31 016	-41 246	1 816	4 307

Off-balance reserve	-7 719	-6 632	3 457	-1 386
Property, plant and equipment and intangible assets	-7 366	-10 987	-8 790	-12 242
Net impairment allowance and write-downs	-256 083	-467 699	-173 112	-348 857

11. Corporate income tax

11.1 Presented in the income statement	01.01.2017- 30.06.2017	01.01.2016- 30.06.2016
Current tax	101 402	119 941
current year	101 402	119 941
Deferred tax	-23 566	-64 613
origination and reversal of temporary differences	-23 566	-64 613
Accounting tax recognized in the income statement	77 836	55 328

11.2 Effective tax rate calculation	01.01.2017- 30.06.2017	01.01.2016- 30.06.2016
Profit before tax	257 850	217 064
Income tax at 19%	48 993	41 241
Non-tax deductible expenses	29 671	15 271
Representation costs	174	85
State Fund for Rehabilitation of Persons with Disabilities	859	564
Impairment losses on loans in the part not covered with deferred tax	2	41
Prudential charge to BFG	6 986	2 270
Bank tax	18 758	10 057
Other	2 892	2 254
Non-taxable revenues	-3 515	-153
Release of loan impairment allowances in the part not covered with the deferred tax	-280	-2
Other	-3 235	-1 294
Recognition of tax loss	109	112
Other	208	0
Accounting tax recognized in the income statement	75 466	55 328
Effective tax rate	29,27%	24,99%

12. Earnings per share

	01.01.2017- 30.06.2017	01.01.2016- 30.06.2016
Net profit	182 384	161 736
Weighted average number of ordinary shares	129 257 763	74 882 473
Share options (number) - adjusting instrument	2 562 703	2 568 564
Adjusted weighted average number of shares	131 820 466	77 451 037
Net earnings per ordinary share (PLN)	1.41	2.16
Dilluted earnings per one share	1.38	2.09

Notes to the interim condensed consolidated statement of financial position

13. Cash and balances with the Central Bank

	As at 30.06.2017	As at 31.12.2016
Current account with the Central Bank	1 834 551	16 959
Timely operations with the central bank	0	344 009
Cash	542 607	722 023
Cash and balances with the central bank	2 377 158	1 082 991

14. Available-for-sale financial assets

14.1 By type	As at 30.06.2017	As at 31.12.2016
Debt instruments	6 449 626	9 339 005
issued by the State Treasury	6 034 513	6 197 981
T-bonds	6 034 513	6 197 981
issued by monetary institutions	86 952	2 691 128
Eurobonds	86 952	91 590
money bills	0	2 599 538
issued by other financial institutions	93 473	156 746
bonds	0	59 880
Eurobonds	93 473	96 866
issued by companies	234 688	293 150
bonds	234 688	293 150
Equity instruments	19 589	18 729
Available-for-sale financial assets	6 469 215	9 357 734

14.2 By maturity	As at 30.06.2017	As at 31.12.2016
without set maturity date	19 589	18 729
≤ 1M	61 932	3 031 043
> 1M ≤ 3M	0	16 922
> 3M ≤ 6M	0	578 434
> 6M ≤ 1Y	842 414	196 645
> 1Y ≤ 2Y	1 012 489	1 331 405
> 2Y ≤ 5Y	3 242 230	3 496 332
> 5Y ≤ 10Y	1 290 561	688 224
Available-for-sale financial assets	6 469 215	9 357 734

14.3 Impairment allowance on debt instruments	As at 30.06.2017		As at 31.12.2016	
	Gross amount	Impairment allowance	Gross amount	Impairment allowance
Bonds issued by companies	89 824	21 447	94 861	21 447

14.4 Change in the balance of debt instruments impairment allowances	As at 30.06.2017	As at 30.06.2016
Opening balance	21 447	14 472
Changes during the year:	0	6 975
Increases	0	6 975
Impairment allowances at the end of the period	21 447	21 447

The schedules below show the hierarchy of the measurement methods of available-for-sale financial assets measured at fair value as at 30 June 2017 and comparative data as at 31 December 2016.

In accordance with IFRS 13, the Group classified:

- to level 1 – all securities for which quotations are available from active financial markets.

This group includes mainly debt Treasury securities. The fair value is determined based on the purchase price from the quotations on the interbank market, brokers' quotations and BondSpot quotations.

- to level 2 – instruments for which prices are not directly observable, but the prices used for measurement are based on market quotations.

This group includes NBP bills and debt commercial securities.

Fair value is determined based on the discounted cash flows method which assumes the structure of yield curves based on quotations of profitabilities of securities from the interbank market.

Debt commercial securities are measured based on yield curves adjusted for the credit spread, provided that such spread can be determined based on observable market quotations. e.g. quotations of credit swap transactions.

This level also includes debt commercial securities quoted on the stock markets and characterized by low trading volumes on the stock market.

- to level 3 – instruments for which at least one of the factors which impact the price is not observable on the market.

This group shows the Bank's position in debt commercial securities whose fair value is impacted not only by the parameters resulting from market quotations, but also by the credit spread amount, which is not observable. Spread is determined based on the primary market price or the price at the moment of concluding the transaction. It is subject to periodical revaluation in the periods when reliable market quotations occur or prices are obtained from transactions that are comparable in terms of volume. The amount of spread also changes on the basis of information about changes in the issuer's financial standing. As at the end of the first half of 2017, sensitivity of valuation of such assets to credit spread increases of 1 base point amounted to PLN 75 thousand.

In the period from 1 January to 30 June 2017 there were no transfers between levels of the hierarchy.

14.5 Fair value	As at 30.06.2017	As at 31.12.2016
Level 1	6 215 369	6 386 868
Equity instruments	431	431
T-bonds	6 034 513	6 197 981
Other bonds	180 425	188 456
Level 2	0	2 599 538
Money bills	0	2 599 538
Level 3	253 846	371 328
Equity instruments	19 158	18 298
Other bonds	234 688	353 030
Valuation of available for sale financial assets by level	6 469 215	9 357 734

14.6 Movements on financial assets available for sale classified as level 3	As at 30.06.2017	As at 31.12.2016
Opening balance	371 328	363 230
Increases. including	3 781	86 872
Acquisition	860	86 837
Fair value adjustment	2 921	0
Foreign exchange differences	0	35
Decreases. including	-121 263	-32 496
Sale	-115 291	-23 050
Other changes recognised in income statement	-1 722	-9 253
Fair value adjustment	-4 250	-193
Financial assets available for sale classified as level 3 at the end of the period	253 846	417 606

The measurement of available-for-sale assets is presented in revaluation reserve, interest and discount income is presented in interest income and profit/loss from sales is presented in the result on other financial instruments.

Investment securities held to the maturity date

This category represents securities which are not collateral of loan in the European Investment Bank.

14.7 1 By type	As at 30.06.2017	As at 31.12.2016
Debt instruments	0	1 954
issued by the State Treasury	0	1 954
T-bonds	0	1 954
Hedging derivatives financial instruments	0	1 954

14.8 By maturity	As at 30.06.2017	As at 31.12.2016
> 2Y ≤ 5Y	0	1 954
Hedging derivatives financial instruments	0	1 954

14.9 Fair value	As at 30.06.2017	As at 31.12.2016
Level 1	0	1 919
T-bonds	0	1 919
Valuation of available for sale financial assets by level	0	1 919

15. Loans and advances to customers

15.1 By type	As at 30.06.2017	As at 31.12.2016
Retail segment	26 953 659	25 895 449
Working capital facility	278 207	293 951
Consumer loans	14 538 388	14 302 473
Consumer finance loans	1 459 673	1 256 762
Loans for purchase of securities	90 601	125 117
Credit card borrowings loans	599 118	624 966
Loans for residential real estate	9 116 799	8 407 632
Other mortgage loans	837 697	833 485

Other receivables	33 176	51 063
Corporate segment	22 125 695	20 382 965
Working capital facility	11 465 952	10 749 077
Car loans	116 079	131 971
Investment loans	8 355 025	7 511 955
Acquired receivables	771 834	794 087
Reverse Repo/BSB	435 428	680 780
Lease receivables	677 483	280 808
Other receivables	303 894	234 287
Loans and advances to customers	49 079 354	46 278 414

15.2 By gross amounts and carrying amounts	As at 30.06.2017	As at 31.12.2016
Retail segment	26 953 659	25 895 449
Loans for residential real estate	9 116 799	8 407 632
Unimpaired	8 972 711	8 270 924
Impaired	220 852	214 637
IBNR	-3 382	-3 572
Impairment allowance	-73 382	-74 357
Consumer finance loans	1 459 673	1 256 761
Unimpaired	1 450 675	1 245 377
Impaired	46 020	45 286
IBNR	-4 256	-3 457
Impairment allowance	-32 766	-30 445
Other retail loans	16 377 187	16 231 056
Unimpaired	15 762 939	15 684 976
Impaired	2 517 203	2 227 154
IBNR	-202 383	-196 949
Impairment allowance	-1 700 572	-1 484 125
Corporate segment	22 125 695	20 382 965
Unimpaired	20 443 320	19 293 877
Impaired	3 102 546	2 332 875
IBNR	-107 131	-103 050
Impairment allowance	-1 313 040	-1 140 737
Loans and advances to customers	49 079 354	46 278 414

15.3 Receivables from customers impaired	As at 30.06.2017	As at 31.12.2016
Receivables from customers individually assessed	1 492 933	1 079 349
Retail segment	1 094	1 198
Amounts due from customers	9 107	9 240
Impairment allowance	-8 013	-8 042
Corporate segment	1 491 839	1 078 151
Amounts due from customers	2 226 915	1 822 967
Impairment allowance	-735 076	-744 816
Receivables from customers collectively assessed	1 273 928	1 010 939
Retail segment	976 261	896 952
Amounts due from customers	2 774 968	2 477 837
Impairment allowance	-1 798 707	-1 580 885
Corporate segment	297 667	113 987

Amounts due from customers	875 631	509 908
Impairment allowance	-577 964	-395 921
Receivables from customers impaired	2 766 861	2 090 288

15.4 Change in the balance of receivables impairment allowances and IBNR	As at 30.06.2017	As at 31.12.2016
Opening balance	3 036 692	1 937 689
Changes during the year:	450 079	328 255
Increases	1 856 460	949 074
Retail segment	921 036	710 043
Corporate segment	935 424	239 031
Decreases	-1 406 381	-620 819
Retail segment	-680 001	-488 209
Corporate segment	-726 380	-132 610
Transfer to costs	-96 224	-3 944
Other changes	46 365	31 805
Impairment allowances and IBNR at the end of the period	3 436 912	2 293 805

The provision for losses incurred but not reported (IBNR) amounted to PLN 317 152 thousand as at 30 June 2017 and PLN 307 028 thousand as at 31 December 2016.

15.5 By maturity (as at the balance sheet date)	As at 30.06.2017	As at 31.12.2016
Retail segment	26 953 659	25 895 449
≤ 1M	3 601 346	2 920 413
> 1M ≤ 3M	609 959	633 692
> 3M ≤ 6M	904 371	853 902
> 6M ≤ 1Y	1 546 683	1 616 066
>1Y ≤ 2Y	2 515 641	2 617 666
>2Y ≤ 5Y	5 639 260	5 712 326
>5Y ≤ 10Y	5 501 385	5 418 912
>10Y ≤ 20Y	3 845 943	3 497 105
>20Y	2 789 071	2 625 367
Corporate segment	22 125 695	20 382 965
≤ 1M	7 268 030	5 555 587
> 1M ≤ 3M	1 232 858	1 142 171
> 3M ≤ 6M	1 230 430	1 195 566
> 6M ≤ 1Y	1 513 579	2 142 248
>1Y ≤ 2Y	2 321 048	2 179 209
>2Y ≤ 5Y	4 729 963	4 125 952
>5Y ≤ 10Y	3 090 005	3 240 173
>10Y ≤ 20Y	739 782	802 059
Loans and advances to customers	49 079 354	46 278 414

15.6 By currency	As at 30.06.2017	As at 31.12.2016
Retail segment	26 953 659	25 895 449
PLN	25 367 721	24 342 680
EUR	1 133 973	1 125 543
GBP	231 594	201 010
USD	44 710	41 047

CHF	175 659	184 298
Other	2	871
Corporate segment	22 125 695	20 382 965
PLN	18 156 124	16 362 596
EUR	3 762 073	3 756 078
GBP	3 307	3 778
USD	143 389	193 329
CHF	50 545	55 242
Other	10 257	11 942
Total receivables	49 079 354	46 278 414

Loans in CHF comprised 0.46% of the total amount of loan receivables as at 30 June 2017. as at 31 December 2016-0.52%.

15.7 Ten largest credit exposures	Currency	As at 30.06.2017
Company 1	EUR.PLN	224 421
Company 2	PLN	221 052
Company 3	PLN	198 032
Company 4	PLN	164 359
Company 5	PLN	150 106
Company 6	EUR	138 660
Company 7	PLN	130 704
Company 8	EUR	130 511
Company 9	EUR	115 237
Company 10	PLN	114 532

	Currency	As at 31.12.2016
Company 1	EUR.PLN	240 607
Company 2	EUR	145 992
Company 3	EUR	142 639
Company 4	PLN	124 800
Company 5	EUR	121 210
Company 6	PLN	115 853
Company 7	EUR	114 255
Company 8	PLN	106 047
Company 9	PLN	104 703
Company 10	PLN	101 665

The two tables above present the loan balance at its nominal value (principal and interest).

In the reporting period the Group sold receivables for a total gross amount of PLN 112 513 thousand, the provision recorded for the loans portfolio amounted to PLN 87 565 thousand and the result on sales amounted to PLN - 1 713 thousand.

In 2016 the Group sold loans for a total gross amount of PLN 506 468 thousand, the provision recorded for the loans portfolio amounted to PLN 401 196 thousand and the result on sales amounted to PLN 1 212 thousand. All the benefits and risks were transferred to the buyer.

16. Amounts due from banks

16.1 By type	As at 30.06.2017	As at 31.12.2016
Current accounts	366 219	387 334
Overnight deposits (O/N)	112 632	0
Term deposits	11 568	238 918
Reverse Repo	29 089	583 012
Deposits as derivative transactions (ISDA) collateral	183 629	145 141
Other	34 205	11 911
Amounts due from banks	737 342	1 366 316

16.2 By maturity (as at the balance sheet date)	As at 30.06.2017	As at 31.12.2016
≤ 1M	736 242	1 366 316
> 1M ≤ 3M	1 100	0
> 3M ≤ 6M	0	0
Amounts due from banks	737 342	1 366 316

16.3 By currency	As at 30.06.2017	As at 31.12.2016
PLN	39 411	602 314
EUR	395 639	286 143
GBP	45 336	29 238
USD	145 001	321 306
CHF	8 472	8 890
Other currencies	103 483	118 425
Amounts due from banks	737 342	1 366 316

The security deposits granted relate to security transferred to other banks under the settlements related to CSA (Credit Support Annex).

17. Other assets

17.1 Other assets	As at 30.06.2017	As at 31.12.2016
Sundry debtors	518 087	697 791
Other settlements	198 609	253 509
Receivables related to the sale of services (including insurance)	78 621	84 885
Guarantee deposits	19 492	12 434
Settlements of payment cards	106 509	202 007
Receivables in respect of the settlement of the purchase demerged of Bank BPH	114 856	144 956
Deferred costs	74 471	61 077
Settlements of rental charges and utilities	2 249	1 803
Maintenance and support of systems, servicing of plant and equipment	17 007	14 207
Other deferred costs	55 215	45 067
Settlements of VAT	95 468	32 911
Other assets (gross)	688 026	791 779
Impairment allowances	-64 248	-61 844
Other assets (net)	623 778	729 935
including financial assets (gross)	518 087	697 791

17.2 Change in the balance of other assets impairment allowances	As at 30.06.2017	As at 31.12.2016
Opening balance	61 844	28 689
Change due to purchase of subordinate entity	1 780	1 696
Changes during the year:	1 825	1 197
Increases	-45	499
Decreases	624	0
Impairment allowances at the end of the period	64 248	30 385

Receivables related to sale of services and goods for resale comprise mainly the fee from insurance companies in respect of insurance handling.

18. Amounts due to customers

18.1 By type	As at 30.06.2017	As at 31.12.2016
Current deposits	27 393 218	25 791 089
Term deposits	21 205 473	22 288 222
Own issue of bank securities	2 698 164	2 768 672
Other liabilities	391 669	520 718
Total amounts due to customers	51 688 524	51 368 701

18.2 By customer type and segment	As at 30.06.2017	As at 31.12.2016
Retail segment	31 817 376	32 035 389
Current deposits	19 024 759	17 264 837
Term deposits	11 592 577	13 908 933
Banking securities issued	1 046 922	628 246
Other liabilities	153 118	233 373
Corporate segment	19 871 148	19 333 312
Current deposits	8 368 459	8 526 252
Term deposits	9 612 896	8 379 289
Banking securities issued	1 651 242	2 140 426
Other liabilities	238 551	287 345
Total amounts due to customers	51 688 524	51 368 701

18.3 By maturity (as at the balance sheet date)	As at 30.06.2017	As at 31.12.2016
Retail segment	31 817 376	32 035 389
≤ 1M	21 509 087	21 811 318
> 1M ≤ 3M	3 205 747	3 163 975
> 3M ≤ 1Y	5 553 924	5 878 511
> 1Y ≤ 5Y	1 540 007	1 017 041
>5Y	8 611	164 544
Corporate segment	19 871 148	19 333 312
≤ 1M	13 726 125	13 666 701
> 1M ≤ 3M	2 704 657	1 441 793
> 3M ≤ 1Y	2 251 596	2 187 734
> 1Y ≤ 5Y	1 156 889	2 013 363
>5Y	31 881	23 721
Total amounts due to customers	51 688 524	51 368 701

18.4 By currency	As at 30.06.2017	As at 31.12.2016
Retail segment	31 817 376	32 035 389
PLN	26 598 778	27 417 980
EUR	2 313 163	2 324 200
GBP	560 590	464 471
USD	1 992 114	1 592 740
CHF	161 240	104 991
Other	191 491	131 007
Corporate segment	19 871 148	19 333 312
PLN	16 112 351	16 313 817
EUR	2 790 241	2 011 482
GBP	84 649	82 434
USD	689 236	742 870
CHF	35 242	30 206
Other	159 429	152 503
Total amounts due to customers	51 688 524	51 368 701

18.5.1 Ten largest depositors (excluding banks)	Currency	As at 30.06.2017
Company 1	EUR. PLN. USD	767 363
Company 2	EUR. PLN. USD	316 675
Company 3	PLN.USD	205 113
Company 4	PLN	200 075
Company 5	PLN	183 177
Company 6	PLN. EUR	182 151
Company 7	PLN	170 072
Company 8	PLN	150 959
Company 9	PLN	150 059
Company 10	PLN. USD. GBP	142 768

18.5.2 Ten largest depositors (excluding banks)	Currency	As at 31.12.2016
Company 1	EUR. PLN. USD	375 748
Company 2	EUR. PLN. USD	221 481
Company 3	PLN. USD	156 883
Company 4	PLN	100 056
Company 5	PLN	100 053
Company 6	CZK. EUR. PLN	98 910
Company 7	EUR.PLN.USD	93 721
Company 8	PLN	91 909
Company 9	EUR. PLN	85 421
Company 10	PLN	79 992

In the first half of 2017 the Group issued banking securities amounting to PLN 568 614 thousand; securities purchased before maturity amounted to PLN 69 783 thousand.

In 2016 the Group issued banking securities amounting to PLN 1 106 334 thousand; securities purchased before maturity amounted to PLN 148 587 thousand.

19. Amounts due to banks

19.1 By type	As at 30.06.2017	As at 31.12.2016
Current deposits	2 640	32 304
Overnights	1 348	856
Term deposits	364 842	0
Banking securities issued	0	20 004
Credit received	285 504	180 954
Other liabilities	134 678	164 710
Repo	77 675	29 812
Total amounts due to banks	866 687	428 640

19.2 By maturity (as at the balance sheet date)	As at 30.06.2017	As at 31.12.2016
≤ 1M	218 965	228 043
> 1M ≤ 3M	366 283	2 089
> 3M ≤ 1Y	15 854	5 863
> 1Y ≤ 5Y	111 195	51 817
>5Y	154 390	140 828
Total amounts due to banks	866 687	428 640

19.3 By currency	As at 30.06.2017	As at 31.12.2016
PLN	818 115	351 503
EUR	20 617	41 548
USD	27 938	35 540
GBP	0	0
Other	17	49
Total amounts due to banks	866 687	428 640

20. Provisions

	Provisions for disputed claims	Provisions for employee benefits	Off-balance reserve	Provision for restructuring	Total provisions
Stan 1 January 2017	8 700	10 754	17 586	249 775	286 815
Provisions recorded	997	8 711	24 717	0	34 425
Provisions released	-471	-7 646	-18 085	-9 154	-35 356
Provisions utilized	-436	-24	0	-100 320	-100 780
Other changes	1 043	0	-65	0	978
As 30 June 2017	9 833	11 795	24 153	140 301	186 082

	Provisions for disputed claims	Provisions for employee benefits	Off-balance reserve	Provision for restructuring	Total provisions
As at 1 January 2016	3 219	2 082	5 512	0	10 813
Changes due to demerged part of BPH	4 439	23 594	9 642	54 714	92 389
Provisions recorded	1 321	2 284	18 630	199 668	221 903
Provisions released	-360	-16 437	-16 233	-307	-33 337
Provisions utilized	-876	0	0	-4 300	-5 176
Other changes	957	-769	35	0	223
As at 31 December 2016	8 700	10 754	17 586	249 775	286 815

	Provisions for disputed claims	Provisions for employee benefits	Off-balance reserve	Total provisions
Stan 1 January 2016	3 219	2 082	5 512	10 813
Provisions recorded	794	9	9 515	10 318
Provisions released	-284	-54	-8 129	-8 467
Provisions utilized	-27	0	0	-27
Other changes	-340	-769	23	-1 086
As 30 June 2016	3 362	1 268	6 921	11 551

The provision for retirement and disability allowance is recognized for each employee based on an actuarial valuation prepared by an independent actuarial company. The basis for determining the value of the provision is the expected value of the retirement or disability allowance which the Group commits to paying based on the Remuneration Regulations.

In accordance with IAS 19, the financial discounting rate used to calculate provisions has been established based on market rates of return on T-bonds, whose currency and maturity are the same as those prevailing for the Bank's liabilities under employee benefits.

In the financial statements as at 31.12.2016, the Bank informed about the establishment of a restructuring provision for payments of statutory severance bonuses in connection with employment terminations under group redundancies for the so called additional compensation arising from the arrangement concluded with the trade unions and the provision for costs related to the restructuring of the branch network and leaving in too close proximity to franchise facilities(it includes the costs of compensation and expenses related to the physical leaving of the facility and returning it to its original state).

The table below shows the details of restructuring provision:

	As at 01.01.2017	Utilization	Realise of provisions	As at 30.06.2017
Severance pay for employees	174 201	82 820	0	91 381
The reorganization of the distribution network	75 574	17 500	9 154	48 920
	249 775	100 320	9 154	140 301

21. Other liabilities

	As at 30.06.2017	As at 31.12.2016
Interbank settlements	339 318	592 835
Taxation, customs duty, social and health insurance payables and other public settlements	53 982	39 139
Liabilities in respect of payment card settlements	18 705	65 006
Other settlements	146 388	111 188
including settlements with insurers	22 017	22 755
Settlements of banking certificates of deposits	101 207	112 858
Accruals	140 649	156 984
Income received in advance	82 802	78 286
Provision for bancassurance resignations	61 745	71 175
Provision for bonuses	72 086	74 563
Provision for employee benefits	34 032	32 753
Provision for bonuse settled in phantom shares	17 561	14 126
Provision for retention programs	26 048	56 378

Revaluation of management option plan – part settled in cash	32 878	12 075
Other staff provision	308	870
Other liabilities	12 102	21 068
Total other liabilities	1 139 811	1 439 304
including financial liabilities	504 411	592 835

Settlements with insurers comprise insurance premiums relating to the cover granted by the Group to its Customers under insurance contracts (concluded by the Bank with insurers and offered to its Customers).

As of 30 June 2017 and 31 December 2016, there were no such liabilities in respect of which the Group did not settle its payment liabilities resulting from the contracts concluded.

22. Financial assets and financial liabilities held for trading

The Group classified derivative instruments and securities (shares, bonds) to financial assets and financial liabilities held for trading as at 30 June 2017 and 31 December 2016. Derivative transactions are concluded for trading purposes and for the purpose of managing market risk. The Group concludes the following types of derivative transactions: FX-Forward, FX-Swap, IRS, CIRS, FRA, Commodity Futures, Commodity Forwards and Forward security transactions. Derivative financial instruments are measured on a daily basis using the discounted cash flow method. The Group also enters into option transactions. In accordance with the binding laws, in concluding option transactions, the Group executes them in a manner ensuring the simultaneous (each time and immediate) conclusion of an opposite option transaction with the same transaction parameters (back to back).

22.1 Derivative financial instruments (nominal value)	As at 30.06.2017	As at 31.12.2016
Interest rate transactions	34 339 822	21 843 663
SWAP	32 183 850	20 209 412
Cap Floor Options	2 155 972	1 634 251
Foreign exchange transactions	9 771 643	9 808 111
FX swap	4 108 429	3 655 450
FX forward	2 264 500	2 630 344
CIRS	1 034 584	1 351 094
FX options	2 364 130	2 171 223
Other options	6 068 792	5 857 380
Other instruments	416 331	725 823
Derivative financial instruments (nominal value)	50 596 588	38 234 977

22.2 Financial assets held for trading	As at 30.06.2017	As at 31.12.2016
Shares	2 937	6 312
Bonds	65 173	294
Certificates	1 162	557
Interest rate transactions	197 030	189 703
SWAP	194 395	186 532
Cap Floor Options	2 635	3 171
Foreign exchange transactions	99 429	174 953

FX swap	26 019	32 156
FX forward	39 614	60 051
CIRS	15 962	60 669
FX options	17 834	22 077
Other options	44 053	28 736
Other instruments	11 258	18 996
Financial assets held for trading	421 042	419 551

22.3 By maturity	As at 30.06.2017	As at 31.12.2016
Without specified maturity date	4 099	7 163
≤ 1W	22 352	8 696
> 1W ≤ 1M	16 726	33 550
> 1M ≤ 3M	41 903	44 602
> 3M ≤ 6M	38 187	22 729
> 6M ≤ 1Y	33 259	67 523
> 1Y ≤ 2Y	68 583	52 458
> 2Y ≤ 5Y	160 873	134 378
> 5Y ≤ 10Y	35 060	48 452
Financial assets held for trading	421 042	419 551

22.4 Financial liabilities held for trading	As at 30.06.2017	As at 31.12.2016
Bonnds	37 974	0
Interest rate transactions	136 864	159 056
SWAP	134 248	155 885
Cap Floor Options	2 616	3 171
Foreign exchange transactions	134 697	92 169
FX swap	72 570	22 999
FX forward	27 669	25 276
CIRS	16 937	20 948
FX options	17 521	22 946
Other options	44 301	28 693
Other instruments	12 655	18 396
Financial liabilities held for trading	366 491	298 314

22.5 By maturity	As at 30.06.2017	As at 31.12.2016
≤ 1W	22 818	4 542
> 1W ≤ 1M	49 011	30 133
> 1M ≤ 3M	54 608	36 112
> 3M ≤ 6M	29 941	25 424
> 6M ≤ 1Y	23 756	34 911
> 1Y ≤ 2Y	66 416	54 208
> 2Y ≤ 5Y	51 228	79 381
> 5Y ≤ 10Y	68 713	33 603
Financial liabilities held for trading	366 491	298 314

The schedule below shows the hierarchy of measurement methods of financial instruments held for trading measured at fair value as at 30 June 2017 and comparative data as at 31 December 2016.

In accordance with IFRS 13, the Group classified:

- to level 1 – all securities for which quotations are available from active financial markets;
- to level 2 – instruments for which prices are not directly observable, but the prices used for measurement are based on market quotations.

To instruments of this level the discounted cash flows method is used on the assumption that yield curves are based on interbank market quotations (including: deposit rates, rates from: FRA, OIS, IRS, basis swap, fx swap transactions; foreign exchange rates).

- to level 3 – instruments for which at least one of the factors which impact the price is not observable on the market.

Instruments at this level include option instruments, including options embedded in certificates issued by the Bank as well as options in the interbank market to secure positions under embedded options. Fair value is determined on the basis of an internal model, including both observable (e.g. base price, second option quotes) and unobservable (eg volatility, correlation between underlying instruments in stock options). Model parameters are determined by statistical analysis. As of 30 June 2017 a negative change in the valuation of option instruments as a result of a change in the price of underlying instruments by 1% amounted to PLN 6 thousand.

In the period from 1 January to 30 June 2017 there were no movements of financial instruments between the fair value hierarchy levels.

22.6 Valuation of financial assets	As at 30.06.2017	As at 31.12.2016
Level 1	73 183	14 625
Shares	2 937	6 312
Bonds	65 173	294
Certificates	1 162	557
Other instruments	3 911	7 462
Level 2	309 988	375 242
SWAP	194 396	186 531
Cap Floor Options	2 635	3 171
FX swap	26 019	32 156
FX forward	39 614	60 051
CIRS	15 962	60 669
FX options	17 834	21 130
Other options	6 182	0
Other instruments	7 346	11 534
Level 3	37 871	29 684
FX options	0	948
Other options	37 871	28 736
Total financial assets	421 042	419 551

22.7 Movements on financial assets classified as level 3	As at 30.06.2017	As at 31.12.2016
Opening balance	29 684	34 555
Increases, including	30 521	36 069
Valuation of derivatives	18 517	29 306
Derivatives transactions	12 004	6 763
Decreases, including	-22 334	-60 939
Valuation	-3 157	-49 237
Settlement / buyout	-19 177	-11 702
Financial assets classified as level 3 at the end of the period	37 871	9 685

22.8 Valuation of financial liabilities	As at 30.06.2017	As at 31.12.2016
Level 1	47 736	12 289
Bonds	37 974	
Other instruments	9 762	12 289
Level 2	280 624	260 533
SWAP	134 248	155 885
Cap Floor Options	2 616	3 171
FX swap	72 570	22 999
FX forward	27 669	25 276
CIRS	16 937	20 948
FX options	17 521	21 848
Other instruments	2 893	10 406
Level 3	38 131	25 492
FX options	0	1 098
Other options	38 131	24 394
Total financial liabilities	366 491	298 314

22.9 Movements on financial liabilities classified as level 3	As at 30.06.2017	As at 31.12.2016
Opening balance	25 492	34 555
Increases, including	30 821	36 067
Valuation	18 547	29 304
Transactions made	12 274	6 763
Decreases, including	-18 182	-60 939
Valuation	-2 991	-49 237
Settlement / buyout	-15 190	-11 702
Financial liabilities classified as level 3 at the end of the period	38 131	9 683

The valuation of derivatives and the result on derivative transactions are presented in trading result.

23. Hedge accounting

The Group uses cash flow hedge accounting. The hedging strategy is aimed at securing interest rate risk resulting from fluctuations in cash flows from assets with a variable interest rate using PLN IRS transactions. Under the established hedge relationships, the hedged items are cash flows from the portfolio of PLN loans bearing floating interest rates, and the hedging items are IRS transactions under which the Group receives fixed rate interest and pays floating rate interest. The hedged items are measured under amortized cost and the hedging items are measured at fair value.

23.1. Hedging instruments (nominal value)	As at 30.06.2017	As at 31.12.2016
Interest rate transactions-IRS	9 444 200	6 969 200
SWAP	9 444 200	6 969 200
Hedging instruments (nominal value)	9 444 200	6 969 200

23.2. Financial assets held for trading-hedging instruments	As at 30.06.2017	As at 31.12.2016
Level 2	45 904	71 684
Interest rate transactions-IRS	45 904	71 684
Financial assets held for trading-hedging instruments	45 904	71 684

23.3. By maturity	As at 30.06.2017	As at 31.12.2016
> 1W ≤ 1M	1 020	0
> 1M ≤ 3M	0	13 866
> 3M ≤ 6M	8 182	21 139
> 6M ≤ 1Y	15 306	865
> 1Y ≤ 2Y	13 725	20 462
> 2Y ≤ 5Y	7 671	15 352
Financial assets held for trading-hedging instruments	45 904	71 684

23.4 Hedging derivatives - liabilities	As at 30.06.2017	As at 31.12.2016
Level 2	8 868	6 119
Interest rate transactions	8 868	6 119
Hedging derivatives - liabilities	8 868	6 119

23.5 By maturity	As at 30.06.2017	As at 31.12.2016
> 6M ≤ 1Y	0	39
> 1Y ≤ 2Y	249	0
> 2Y ≤ 5Y	3 663	3 705
> 5Y ≤ 10Y	4 956	2 375
Hedging derivatives - liabilities	8 868	6 119

24. Subordinated liabilities

On 12 October 2011, the Bank signed a subordinated loan agreement with Erste Group Bank AG for EUR 10 000 thousand. The loan agreement was concluded for a period of 8 years, and the interest rate is based on 3M EURIBOR. The loan may be repaid early with 30 days prior written notice. On 15 November 2011, the Polish Financial Supervision Authority granted its permission to include the subordinated loan in Tier 2 capital. As at 30 June 2017 and 31 December 2016, the carrying amount of the loan was PLN 42 451 thousand and PLN 42 428 thousand respectively.

On 26 September 2014 the Bank issued F-series bonds with a total nominal value of PLN 321 700 thousand. The bonds were issued for a period of 10 years (redemption date: 26 September 2024) and they bear interest based on 6M WIBOR. In accordance with the CRR Regulation, the bonds satisfy the conditions for being included in Tier 2 capital. On 28 October 2014, the Bank received the PFSA's consent to include the bonds in the Tier 2 capital calculation. As at 30 June 2017 and 31 December 2016, the carrying amount of the bonds was PLN 325 930 thousand and PLN 325 915 thousand respectively.

On 31 March 2015, the Bank issued G-series bonds with a total nominal value of PLN 192 950 thousand. The bonds were issued for a period of 6 years (the redemption date is 31

March 2021) and the interest rate is based on 6M WIBOR. In accordance with the CRR Regulation, the bonds satisfy the conditions for being included in Tier 2 capital. The carrying amount of the bonds as at 30 June 2017 and 31 December 2016 was PLN 195 532 and PLN 195 551 thousand respectively.

On 4 December 2015, the Bank issued I- and I1-series bonds with a total nominal value of PLN 183 350 thousand. The bonds were issued for a period of 6 years (the redemption date is 6 December 2021) and the interest rate is based on 6M WIBOR. In accordance with the CRR Regulation, the bonds satisfy the conditions for being included in Tier 2 capital. The carrying amount of the bonds as at 30 June 2017 and 31 December 2016 was 184 050 and PLN 184 076 thousand respectively.

On 30 June 2015, in connection with the business combination with Meritum Bank, Alior Bank entered into the rights and obligations arising from the subordinated bonds issued by Meritum Bank:

- B-series bonds (with the code ISIN PLMRTMB00026) with a total nominal value of PLN 67 200 thousand issued on 29 April 2013 under the Program of Issuing Subordinated Bonds of Meritum Bank for a period of 8 years (the redemption date is 29 April 2021). The interest rate on the bonds is based on 6M Wibor. On 28 June 2013, the PFSA gave its consent to including the bonds in the Bank's Tier 2 capital. As at 30 June 2017, the carrying value of the bonds was PLN 67 738 and as at 31 December 2016 was PLN 67 706 thousand respectively.

- C-series bonds (marked with the code ISIN PLMRTMB00034) with a total nominal value of PLN 80 000 thousand issued on 21 October 2014 for a period of 8 years (the redemption date is 21 October 2022). The interest rate on the bonds is based on 6M Wibor. In accordance with the CRR Regulation, the bonds satisfy the conditions for being included in Tier 2 capital. As at 30 June 2017, the carrying value of the bonds was PLN 80 435 thousand and as at 31 December 2016 was PLN 80 401 thousand respectively.

On 4 February 2016, the Bank issued EUR001-series bonds with a total nominal value of EUR 10 million. The bonds were issued for a period of 6 years (the redemption date is 4 February 2022) and the interest rate is based on 6M LIBOR. In accordance with the CRR Regulation, the bonds satisfy the conditions for being included in Tier 2 capital. As at 30 June 2017, the carrying value of the bonds was PLN 43 286 thousand and as at 31 December 2016 was PLN 45 331 thousand respectively.

On 27 April 2016, the Bank issued P1A-series subordinated bonds with a total nominal value of PLN 150 000 thousand. The bonds were issued for a period of 6 years (the redemption date is 16 May 2022) and the interest rate is based on 6M WIBOR. In accordance with the CRR Regulation, the bonds satisfy the conditions for being included in Tier 2 capital. As at 30 June 2017, the carrying value of the bonds was PLN 150 963 thousand and as at 31 December 2016 was PLN 150 961 thousand respectively.

On 29 April 2016, the Bank issued P1B-series subordinated bonds with a total nominal value of PLN 70 000 thousand. The bonds were issued for a period of 8 years (the redemption date is 16 May 2024) and the interest rate is based on 6M WIBOR. In accordance with the CRR Regulation, the bonds satisfy the conditions for being included in Tier 2 capital. As at 30 June 2017, the carrying value of the bonds was PLN 70 425 thousand and as at 31 December 2016 was PLN 70 425 thousand respectively.

	As at 31.06.2017	As at 31.12.2016
Liabilities included in own funds	1 160 810	1 164 794
Subordinated loan	42 451	44 428
F-series bonds	325 930	325 915
G-series bonds	195 532	195 551
I-series bonds	150 573	150 594
I1-series bonds	33 477	33 482
B-series bonds (Meritum Bank)	67 738	67 706
C-series bonds (Meritum Bank)	80 435	80 401
EUR001-series bonds	43 286	45 331
P1A-series bonds	150 963	150 961
P1B-series bonds	70 425	70 425
Subordinated liabilities	1 160 810	1 164 794

25. Equity

25.1 Equity	As at 30.06.2017	As at 31.12.2016
Equity attributable to equity holders of the parent	6 388 139	6 201 934
Share capital	1 292 578	1 292 578
Supplementary capital	4 819 745	4 185 843
Other reserves	183 824	183 957
Retained earnings / (accumulated losses)	-59 035	-7 085
Revaluation reserve	-31 339	-71 615
On measurement of available for sale assets	-28 309	-62 892
On measurement of hedging derivatives	-3 030	-8 723
Exchange differences on translation of foreign operations	55	-22
Current year result	182 311	618 278
Non-controlling interests	1 019	979
Total equity	6 389 158	6 202 913

25.2 Revaluation reserve	As at 30.06.2017	As at 31.12.2016
Valuation of financial assets available for sale	-28 309	-62 892
treasury bonds	0	0
treasury bills	-32 471	-75 156
other bonds	-2 803	-2 489
Deferred tax	6 965	14 753
Valuation of hedging derivatives	-3 030	-8 723
IRS	-4 125	-10 769
Deferred tax	1 095	2 046
Revaluation reserve	-31 339	-71 615

26. Fair value

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction on the principal (or the most advantageous) market as at the measurement date under the current market conditions (i.e. the exit price), irrespective of whether such price is directly observable or estimated with the use of another measurement technique.

The fair value of financial instruments is based on prices quoted on the principal (or the most advantageous) active market without deducting the transaction costs. If the market price is unavailable, the fair value of an instrument is estimated using the measurement models or techniques for discounting future cash flows.

The measurement techniques are based on:

- recent market transactions concluded directly between informed interested parties, provided that such information is available;
- a reference to the present fair value of another instrument with almost identical characteristics;
- the discounted cash flow method.

If there is a technique that is commonly used by market participants to measure a financial instrument and it has been demonstrated to provide reliable estimates of prices paid in actual market transactions, the Group uses such a method. The selected measurement techniques are primarily based on market data. They use Group-specific data to a very limited extent. The measurement technique comprises all factors that the market participants would take into account when determining the price and it is consistent with the accepted methods of measurement of financial instruments. The Group verifies the correctness of measurement using the available prices paid for the same instrument in recent market transactions or other available market data.

Statement of financial position items measured at the fair value

Financial instrument	Frequency	Recognition/Presentation
Available-for-sale financial assets	Daily	other comprehensive income
Fx forward, fx swap, fx options	Daily	income statement
CIRS, FRA, IRS	Daily	income statement
Other derivatives	Daily	income statement
Shares listed on the Warsaw Stock Exchange	Daily	income statement

Alior Bank adjusts the value of derivatives for counterparty credit risk. The amount of such adjustment is equal to the change in the valuation of derivatives resulting from insolvency of each of the parties to the transaction (Bilateral Credit Value Adjustment). The BCVA adjustment as at 30 June 2017 amounted to PLN -26 295 thousand. The total amount of the BCVA adjustment comprises the CVA adjustment (reflecting counterparty insolvency risk only) in the amount of PLN -28 368 thousand and the DVA adjustment (reflecting the risk of the Bank's insolvency) in the amount of PLN +2 073 thousand. The BCVA adjustment as at 31 December 2016 amounted to PLN -12 558 thousand. The total amount of the BCVA adjustment comprises the CVA adjustment (reflecting counterparty insolvency risk only) in the amount of PLN -13 001 thousand and the DVA adjustment (reflecting the risk of the Bank's insolvency) in the amount of PLN +413 thousand. The amount of such adjustment is calculated based on the estimates of the following parameters: PD (Probability of Default), LGD (Loss Given Default), Expected Exposure (EE) and Expected Negative Exposure (NEE).

PD and LGD are estimated by the Bank using internal models based on market quotations of credit risk. Counterparty exposures are calculated taking into account the current valuation and its projection calculated based on the expected changes in market conditions. Additionally, the estimations of credit risk adjustments take into account mutual liabilities of the parties to the transaction resulting from hedging agreements.

Fair value measurement for the purposes of disclosures

The carrying amounts and fair values of assets and liabilities which are not shown in the balance sheet at fair value are presented below.

	hierarchy level	As at 30.06.2017		As at 31.12.2016	
		Carrying amount	Fair value	Carrying amount	Fair value
Cash and balances with the Central Bank	poziom 1	2 377 158	2 377 158	1 082 991	1 082 991
Loans and advances to customers:	poziom 3	49 079 354	47 815 972	46 278 414	45 577 846
Retail segment (carrying amount)					
Loans for the purchase of securities		90 601	88 995	125 117	125 165
Consumer loans		14 538 388	14 241 393	13 957 120	14 016 117
Consumer finance loans		1 459 673	1 461 272	1 256 762	1 246 010
Working capital loans		278 207	278 207	293 951	294 734
Credit card loans		599 118	599 042	970 319	985 514
Housing loans		9 116 799	8 539 343	8 407 632	7 874 080
Other mortgage loans		837 697	796 458	833 485	791 519
Other receivables		33 176	33 176	51 063	51 096
Corporate segment (carrying amount)					
Working capital loans		11 465 952	11 415 126	10 749 077	10 682 290
Car loans		116 079	116 079	131 971	135 064
Investment loans		8 355 025	8 058 244	7 511 955	7 391 158
Acquired receivables (factoring)		771 834	771 834	794 087	794 975
Reverse Repo/ BSB		435 428	435 428	680 780	680 780
Lease receivables		677 483	677 482	280 808	280 808
Other receivables		303 894	303 893	234 287	228 536
Amounts due from banks	poziom 2	737 342	737 342	1 366 316	1 366 316
Assets pledged as collateral	poziom 1	510 962	510 962	366 984	366 984
Other assets	poziom 3	518 088	518 088	697 791	697 791
Amounts due to		52 555 211	52 553 060	51 797 341	51 792 302
Banks					
Current deposits	poziom 2	2 640	2 640	32 304	32 304
Overnight deposits (O/N)		1 348	1 348	856	856
Term deposits		364 842	364 842	0	0
Own issue of banking securities		0	0	20 004	20 004
Received Loan		286 478	286 478	180 954	180 954
Other liabilities		133 704	133 704	164 710	164 710
Repo		77 675	77 675	29 812	29 812
Customers					
Current deposits	poziom 3	27 393 218	27 393 218	25 791 089	25 791 089
Term deposits		21 205 473	21 205 473	22 288 222	22 288 222
Own issue of banking securities		2 698 164	2 696 013	2 768 672	2 763 633
Other liabilities		391 669	391 669	520 718	520 718
Subordinated liabilities	poziom 3	1 160 811	1 160 811	1 164 794	1 164 794
Other liabilities	poziom 3	504 411	504 411	769 029	769 029
Financial guarantees	poziom 3	9 944	9 944	3 413	3 413

Amounts due from customers:

In the method for calculating the fair value of amounts due from customers (with the exception of overdraft facilities) the Group compares the margins earned on newly extended loans (in the month preceding the reporting date) with the margins on the whole loan portfolio. If the margins on newly extended loans are higher than the margins on the current portfolio the fair value of the loan is lower than its carrying amount.

All amounts due from customers were classified to level 3 in the fair value hierarchy due to the fact that the valuation model with material unobservable input data i.e. current margins obtained on newly extended loans was applied.

Financial liabilities measured at amortised cost:

The Group has assumed that the fair values of deposits of customers and other banks and other financial liabilities with maturities below 1 year approximate their carrying amounts. Deposits are accepted daily as part of the Bank's ongoing operations; therefore, their terms are similar to the current market terms of identical transactions. Their time to maturity is short therefore, there is no significant difference between their carrying amount and fair value.

For the purposes of disclosure, the Group determines the fair values of financial liabilities with residual maturities (or reassessment of variable rate) above 1 year. This group of liabilities includes own issues and subordinated loans. When determining the fair value of this group of liabilities, the Group assesses the present value of expected payments based on the current percentage curves and the original issue spread.

Own issues and subordinated loans were all classified to level 3 in the fair value hierarchy due to the fact that the valuation model with material unobservable input data was applied, including the original issue spread over the market curve. With respect to issues and subordinated loans with residual maturities (or rate reassessment) below 1 year, the carrying amount appropriately reflected the fair value of the instrument.

For the remaining financial instruments, the Group assumes that the fair value approximates the carrying amount. This applies to the following items: cash and balances with the Central Bank, assets held for sale, other financial assets and other financial liabilities.

Financial assets and liabilities measured based on unobservable input data

	As at 30.06.2017	Measurement method (techniques)	Material unobservable input data
Loans and advances to customers	47 815 972	comparative valuation discounted cash flow	margins on newly granted loans
Amounts due to customers and banks	52 553 060	discounted cash flows	issue spread above market curve
Guarantees	9 944	cash flows	future flows taking into account the amount of security

	As at 31.12.2016	Measurement method (techniques)	Material unobservable input data
Loans and advances to customers	45 577 846	comparative valuation discounted cash flow	margins on newly granted loans
Amounts due to customers and banks	51 792 302	discounted cash flows	issue spread above market curve
Guarantees	3 413	cash flows	future flows taking into account the amount of security

Financial assets and liabilities measured based on observable input data

	Measurement method (techniques)	Material observable input data
Derivative financial instruments - instruments held for trading	Instruments are measured using the discounted cash flow method which is based on the assumption that yield curves are based on interbank market quotations (including: deposit rates, rates from: FRA, OIS, IRS, fx swap points, fx basis swap points)	FX forward transactions: NBP fixing rates, yield curves based on money market deposit rates and quotations of: FRA, OIS, IRS transactions; FX swap points CIRS transactions: NBP fixing rates, yield curves based on money market deposit rates and quotations of: FRA, OIS, IRS transactions; FX basis swap points FX options: yield curves. fx rate variability curves. OIS. IRS. FRA transactions: yield curves based on money market deposit rates and quotations of: FRA. OIS. IRS. Cap/Floor options: yield curves, interest rate variability curves. Commodity forward transactions: curves of future contracts quotations.
Derivative financial instruments - hedging instruments	Instruments are measured using the discounted cash flow method which is based on the assumption that yield curves are based on interbank market quotations (including: deposit rates, rates from FRA, OIS, IRS transactions)	IRS transactions: yield curves based on money market deposit rates and quotations of: FRA, OIS, IRS transactions
NBP bills	Fair value is determined based on the discounted cash flow method which involves calculating a yield curve	money market deposit rates

27. Capital adequacy ratio and Tier 1 ratio

As at 31 March 2017 and 31 December 2016, the capital adequacy ratio and Tier 1 ratio were calculated in accordance with the Regulation of the European Parliament and Council (EU) No. 575/2013 dated 26 June 2013 on prudential requirements for credit institutions and investment firms, amending Regulation (EU) No. 648/2012 ("CRR Regulation").

For the purpose of including the consolidated financial result into equity and calculating the capital adequacy ratio in 2017, prudential consolidation was applied - Alior Bank SA and Alior Leasing sp. z o.o.

In the opinion of the Bank's Management Board, the other subsidiaries, which were not consolidated are of marginal importance for the Bank's core operations from the point of view of the monitoring of credit institutions.

The income statement prepared using the prudential consolidation method, which is presented below has been prepared in accordance with the accounting principles adopted by the Group for the purpose of including the consolidated profit/(loss) in equity, excluding enclosing in consolidation only Alior Bank SA and Alior Leasing sp. z o.o. according to above opinion in order to calculate the consolidated capital adequacy ratio under Art. 26 (2) of the CRR.

1.01.2017-30.06.2017	
Interest income	1 764 934
Interest expense	-380 670
Net interest income	1 384 264
Dividend income	2
Fee and commission income	410 223
Fee and commission expense	-170 042
Net fee and commission income	240 181
Trading result	171 611
Net result on other financial instruments	1 166
Other operating income	60 885
Other operating costs	-32 324
Net other operating income	28 561
General administrative expenses	-1 013 776
Net impairment allowance and write-downs	-470 887
Banking tax	-98 728
Gross profit	242 394
Income tax	-75 110
Net profit from continuing operations	167 284

Calculation of funds and capital adequacy ratio	As at 30.06.2017	As at 31.12.2016
Total own funds for the capital adequacy ratio	6 721 461	6 346 932
Common equity Tier I capital	5 686 375	5 253 547
Tier II capital	1 035 086	1 093 385
Share paid	1 292 578	1 292 578
Supplementary capital components	4 802 171	4 184 953
Other capital	184 894	184 894
Current year's reviewed by auditor	0	161 466
Revaluation reserve – unrealized losses	-40 823	-80 043
Intangible assets at carrying amount	-512 299	-482 024
Revaluation reserve – unrealized gains	5 011	1 867
Subordinated liabilities	1 035 086	1 093 385
Additional valuation adjustments	-45 157	-10 144
Non-controlling interests	0	0
Capital requirements	3 940 471	3 720 992
Capital requirements for the following risks: credit counterparty, credit valuation adjustment, dilution and delivery of instruments to be settled at a later date	3 428 115	3 238 125
Total capital requirements for the following risks: equity instrument price risk, debt instrument price risk, commodity prices and FX risk	3 347	2 687
Capital requirement for general interest rate risks	71 894	65 760
Capital requirements for operating risk	437 115	414 420
Tier 1	11.54%	11.29%
Capital adequacy ratio	13.65%	13.65%

Exposure class in the standard method	As at 30.06.2017		As at 31.12.2016	
	Exposure value	Risk weighted exposure value	Exposure value	Risk weighted exposure value
Governments and central banks	9 026 077	1 341 317	10 045 408	1 317 479
Institutions	1 752 485	679 980	1 751 428	657 698
Enterprises	16 622 553	9 934 655	13 488 650	7 128 295
Retail	29 285 647	16 583 617	25 159 847	14 297 952
Secured on real estates	14 086 346	8 107 235	19 017 656	11 872 068
Other	7 783 082	6 102 567	7 705 293	5 101 728
Total	78 556 190	42 749 371	77 168 282	40 375 220

Exposure type	As at 30.06.2017	As at 31.12.2016
Cash in hand and equivalent items	542 609	206 416
Securities	7 065 724	9 702 042
Loans	52 184 084	47 739 504
Property, plant and equipment	476 687	248 294
Intangible assets	512 298	482 024
Other	1 643 832	3 197 420
Total	62 425 234	61 575 700

Following the recommendation of the PFSA for the sector in 2017, the Bank is obliged to keep the capital requirement ratio CET1 of at least 10.25% and a total of at least 13.25% of the TCR.

28. Off-balance-sheet items

28.1 Off-balance sheet contingent liabilities granted to customers	As at 30.06.2017	As at 31.12.2016
Relating to financing	12 933 701	12 979 086
Guarantees	1 367 984	1 504 566
Performance guarantees	363 868	457 515
Financial guarantees	1 004 116	1 047 051
Off-balance sheet liabilities granted	14 301 685	14 483 652

28.2 By maturity	As at 30.06.2017	As at 31.12.2016
≤ 1W	11 575	14 869
> 1W ≤ 1M	16 713	217 173
> 1M ≤ 3M	142 421	93 300
> 3M ≤ 6M	103 792	60 988
> 6M ≤ 1Y	254 893	233 649
> 1Y ≤ 2Y	297 738	365 396
> 2Y ≤ 5Y	202 166	182 922
> 5Y ≤ 10Y	320 055	304 378
> 10Y ≤ 20Y	100	31 891
> 20Y	18 531	0
Off-balance sheet liabilities granted in respect of guarantees	1 367 984	1 504 566

28.3 By maturity	As at 30.06.2017	As at 31.12.2016
≤ 1W	3 063 583	2 337 689
> 1W ≤ 1M	261 359	731 965
> 1M ≤ 3M	348 359	423 456
> 3M ≤ 6M	1 097 357	682 732
> 6M ≤ 1Y	1 292 696	2 143 218
> 1Y ≤ 2Y	2 196 568	1 948 494
> 2Y ≤ 5Y	2 580 585	2 735 338
> 5Y ≤ 10Y	1 442 027	1 232 111
> 10Y ≤ 20Y	348 217	534 040
> 20Y	302 950	210 043
Off-balance sheet liabilities granted in respect of relating to financing	12 933 701	12 979 086

The Group offers its retail customers renewable checking account overdraft limits, which are granted for an indefinite period; at the same time cash inflows to the account are monitored.

Contingent liabilities in respect of credit cards are granted to retail customers for a period of three years.

The Group grants contingent liabilities to business customers in respect of:

- current account limits for a period of 12 months;
- guarantees for a maximum period of 6 years;
- credit cards for a period of up to 3 years;
- loans launched in tranches for a period of up to 2 years.

The guarantee amounts shown in the table above reflect the maximum possible loss which would be disclosed as at the reporting date had all customers defaulted.

29. Assets pledged as collateral

29.1 Assets pledged as collateral	As at 30.06.2017	As at 31.12.2016
Treasury bonds blocked with REPO transactions	69 579	29 783
Registered pledge on Treasury bonds	110 994	118 048
Deposit as collateral of transactions performed in Alior Trader	287	1 252
Available-for-sale financial assets for sale securing a loan in the EIB	107 577	0
Financial assets held to maturity	222 525	217 901
Razem	510 962	366 984

In addition to assets pledged as collateral, which are presented in the statement of financial position separately and which the recipient may sell or exchange for another security the Bank held the following other assets pledged as collateral which did not meet this criterion:

	As at 30.06.2017	As at 31.12.2016
Treasury bonds locked in BFG	295 945	204 411
Deposit as collateral of derivative transactions (ISDA)	183 629	145 141
Razem	479 574	349 552

30. Transactions with related entities

The parent company of the Group is Powszechny Zakład Ubezpieczeń SA. The related parties of the Group is PZU SA and its related companies and entities related to members of the Management and Supervisory Board. Through PZU, the Alior Bank is indirectly controlled by the Treasury.

The following tables present the type and value of transactions with related parties. Transactions between the Bank and its subsidiaries which are related parties of the Bank have been eliminated in consolidation and are not disclosed in this note.

Parent company	As at 30.06.2017	As at 31.12.2016
Liabilities		
Amounts due to customers	22	24
Provisions	6	4
Total liabilities	28	28

Subsidiaries of the parent company	As at 30.06.2017	As at 31.12.2016
Assets		
Financial assets held for trading	1 513	84 961
Available-for-sale financial assets	82 231	0
Derivative hedging instruments	956	0
Amounts due from banks	5 441	0
Loans and advances to customers	22	41
Total assets	90 163	85 002
Liabilities		
Derivative hedging instruments	7 479	0
Provisions	134 938	0
Other liabilities	5	0
Revaluation reserve	1 448	128 703
Derivative hedging instruments	-4	3
Total liabilities	143 866	128 706

Parent company	As at 30.06.2017	As at 31.12.2016
Off-balance sheet liabilities granted to customers	15 000	15 000
Guarantees	15 000	15 000

Subsidiaries of the parent company	As at 30.06.2017	As at 31.12.2016
Off-balance sheet liabilities granted to customers	10 228	9 900
Relating to financing	228	0
Guarantees	10 000	9 900

Joint control by persons related to the Group	As at 30.06.2017	As at 31.12.2016
Assets		
Loans and advances to customers	4	0
Total assets	4	0
Liabilities		
Amounts due to customers	53 490	56 176
Total liabilities	53 490	56 176

Joint control by persons related to the Group	As at 30.06.2017	As at 31.12.2016
Off-balance sheet liabilities granted to customers	53	20
Relating to financing	53	20

Parent company	01.01.2017 - 30.06.2017	01.01.2016 - 30.06.2016
Interest expense	0	-619
Fee and commission income	4	1
Other operating expenses	0	-11 635
Total	4	-12 253

Subsidiaries of the parent company	01.01.2017 - 30.06.2017	01.01.2016 - 30.06.2016
Interest income	11	0
Interest expense	-1 899	-92
Fee and commission income	41	0
Fee and commission expense	-4	0
Trading result	-9 005	13
Total	-10 856	-79

Joint control by persons related to the Group	01.01.2017 - 30.06.2017	01.01.2016 - 30.06.2016
Interest expense	-373	-72
Fee and commission income	8	0
Total	-365	-72

Nature of transactions with related entities

All transactions with related entities are conducted in accordance with the regulations relating to banking products on an arm's length basis.

The interest rates on loans granted to related entities fell within the range of 10 % to 14% and the interest rates on deposits were within the range of from 0% to 3.7%.

Transactions with the State Treasury and related entities

The Financial Supervision Authority in its communication of 6 December 2016 Pts. 5 unanimously recognized the State Treasury of the Republic of Poland as a parent entity of Alior Bank SA within the meaning of art. 4 paragraph 1 point 8 b and Section 14 of the Banking Act. stating that it has significant influence over Alior Bank SA through PZU SA.

The table below presents significant transactions with the Treasury and its related entities in accordance with the exception contained in IAS 24.25.

State Treasury and related entities	As at 30.06.2017	As at 31.12.2016
Assets		
Financial assets held for trading	64 931	0
Available-for-sale financial assets	6 489 233	6 586 920
Investment securities held to maturity	222 525	219 855
Amounts due from banks	514	1 605
Loans and advances to customers	30 342	47 203
Total assets	6 807 545	6 855 583
Financial liabilities held for trading	37 974	0
Amounts due to banks	336 583	0
Amounts due to customers	1 826 483	478 789

Total liabilities	2 201 040	478 789
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State Treasury and related entities	01.01.2017 - 30.06.2017	
Interest income		65 206
Interest expense		-6 022
The costs of paid tax		-200 195
Total		-141 011

31. Transactions and remuneration of members of the management and supervisory bodies

All transactions with members of the management and supervisory bodies were concluded in accordance with the rules and regulations relating to bank products on an arm's length basis.

31.1 Transactions with members of the management and supervisory bodies

As at 30.06.2017	Suprvisory and Board members	Supervisory Board	Management Borad
Assets			
Loans and advances to customers	495	0	495
Total assets	495	0	495
Liabilities			
Amounts due to customers	8 092	1 176	6 916
Total liabilities	8 092	1 176	6 916

As at 30.06.2017	Suprvisory and Board members	Supervisory Board	Management Borad
Off-balance sheet liabilities granted to customers			
Relating to financing	18	4	14

As at 31.12.2016	Suprvisory and Board members	Supervisory Board	Management Borad
Assets			
Loans and advances to customers	7 341	3	7 338
Total assets	7 341	3	7 338
Liabilities			
Amounts due to customers	7 564	842	6 722
Provisions	5	5	0
Total liabilities	7 569	847	6 722

As at 31.12.2016	Suprvisory and Board members	Supervisory Board	Management Borad
Off-balance sheet liabilities granted to customers			
Relating to financing	47	47	0

Contracts with the Management Board Members are concluded for an indefinite period. The contracts may be terminated by any of the parties with 3 or 9-months' notice with effect as at the end of the relevant calendar month.

The contracts contain non-competition provisions based on which the Management Board Members after termination of the employment relationship with the Bank may not conduct any competitive activities for 12 months from the date of contract termination. Therefore, the Management Board Members are entitled to receive remuneration which in aggregate is the equivalent of their gross remuneration for 12 months.

These contracts also introduced the settlement that the variable remuneration cannot exceed 100% of the fixed salary.

The total remuneration of the Bank's Supervisory Board members and Management Board members performing their duties from 1 January to 30 June 2017 recognized in the Bank Group's profit and loss account for this period amounted to PLN 13 859 thousand (in the period from 1 January to 30 June 2016 it amounted to PLN 8 789 thousand).

For the members of the Bank's Management Board the cost of remuneration also includes variable remunerations paid in cash.

32. Incentive program for senior executives

Alior Bank SA operates the following incentive programs:

- Management option scheme, valid for 2013-2015. In accordance with the Compensation Policy of Remuneration of Persons Holding Management positions at Alior Bank this program will be settled by 2020.
- Bonus Scheme for the Management Board, valid from 2016.
- The annual variable remuneration paid in financial instruments (phantom shares) of managers.

These programs are a continuation of the programs described in Alior Bank's consolidated financial statements as at 31.12.2016.

Members of the Management Board of the fourth term of office, which began 29 June 2017 joined the Bonus Program for the Management Board.

As at 30 June 2017, the management option scheme was evaluated - the part settled in cash, the impact on the Bank's result of this update amounted to PLN 20 804 thousand (presented in note 9). Total liability as at 30 June 2017 amounted to PLN 32 878 thousand (note 21).

33. Legal claims

The value of proceedings relating to liabilities or receivables of the Bank in progress in the first half of 2017 did not exceed 10% of the Bank's equity. In the Bank's opinion, no single court, arbitration court or public administration body proceeding in progress in the first half of 2017, and none of the proceedings jointly could threaten the Bank's financial liquidity.

The total value of debt collection proceedings brought by the Bank which were in progress in the first half of 2017, amounted to PLN 110 380 thousand (with respect to corporate customers) and PLN 986 277 thousand (with respect to retail customers).

The total value of debt collection proceedings brought by the Bank, which were in progress in 2016, amounted to PLN 113 060 thousand (with respect to corporate customers) and PLN 536 004 thousand (with respect to retail customers).

The value of disputed claims amounted to PLN 172 750 thousand as at the end of the first half of 2017 and PLN 167 567 thousand as at the end of 2016. The value of provisions for disputed claims amounted to PLN 9 833 thousand as at the end of the first half of 2017 and PLN 8 700 thousand as at the end of 2016.

34. Purchases and disposals of property plant and equipment and intangible assets

During the first half of 2017 there were no material purchases or disposals of property, plant and equipment or of intangible assets.

35. Appropriation of the profit for 2016 and information on no dividend payment

On 29 June 2017, the Annual General Shareholders' Meeting of Alior Bank Spółka Akcyjna passed a resolution on distribution of profit for 2016 in the total amount of PLN 632 075 412.74 to the supplementary capital.

The Group did not pay dividend for the year 2016.

36. Risk management

Risk management is one of the key internal processes in the Alior Bank SA Group. The ultimate goal of the risk management policy is to ensure early recognition and appropriate management of all material risks in the Bank's operations. The Group isolated the following types of risks resulting from the operations conducted:

- market risk, also covering the banking book interest risk and liquidity risk;
- credit risk;
- operational risk.

The detailed risk management policies have been presented in the annual consolidated financial statements of the Alior Bank SA Group for the financial year from 1 January 2016 to 31 December 2016 published on 9 March 2017 and available on the Alior Bank SA website.

Liquidity risk

The maturity analysis of assets and liabilities as at the end of the first half of 2017 by contractual dates is presented in the table below (amounts in PLN million).

2017-06-30	1D	1M	3M	6M	1Y	2Y	5Y	5Y+	TOTAL
ASSETS	10 671	1 704	2 287	3 076	5 591	8 886	19 712	28 560	80 487
Cash and Nostro accounts	2 743	0	0	0	0	0	0	0	2 743
Amounts due from banks	0	168	0	0	0	204	0	0	371
Loans and advances to customers	7 928	1 415	2 287	3 036	4 594	7 446	16 114	24 407	67 227
Securities	0	121	0	40	997	1 237	3 597	1 506	7 497
Other asstes	0	0	0	0	0	0		2 648	2 648

LIABILITIES AND EQUITY	-29 778	-7 276	-6 053	-4 999	-4 338	-2 086	- 843	-6 637	-62 009
Amounts due to banks	- 34	8	- 1	- 15	- 2	- 148	- 89	- 225	- 514
Amounts due to customers	-29 744	-5 501	-5 831	-4 333	-2 904	- 649	- 249	- 36	-49 248
Own issues	0	- 44	- 221	- 650	-1 431	-1 289	- 505	0	-4 140
Equity	0	0	0	0	0	0	0	-6 376	-6 376
Other liabilities	0	-1 732	0	0	0	0	0	0	-1 732
Balance-sheet gap	-19 107	-5 572	-3 766	-1 923	1 253	6 800	18 869	21 923	18 478
Accumulated balance-sheet gap	-19 107	-24 679	-28 445	-30 368	-29 114	-22 314	-3 446	18 478	
Derivative instruments - inflows	0	6 448	1 914	966	773	250	347	47	10 745
Derivative instruments - outflows	0	-6 490	-1 919	- 967	- 765	- 249	- 350	- 48	-10 788
Derivative instruments - net	0	- 42	- 4	- 2	8	1	- 3	0	- 43
Guarantee and financial lines	15 046	1	35	150	255	142	27	94	15 752
Off-balance sheet gap	15 046	- 41	31	148	263	143	25	94	15 709
Total gap	-4 061	-5 613	-3 735	-1 774	1 517	6 943	18 893	22 017	34 186
Total accumulated gap	-4 061	-9 674	-13 409	-15 184	-13 667	-6 724	12 169	34 186	

The maturity analysis of assets and liabilities as at the end of 2016 by contractual dates is presented in the table below (amounts in PLN million).

2016-12-31	1D	1M	3M	6M	1Y	2Y	5Y	5Y+	TOTAL
Assets	11 582	3 860	1 662	2 804	4 739	7 958	18 107	26 056	76 768
Cash and Nostro	1 470	0	0	0	0	0	0	0	1 470
Amounts due from banks	1 503	0	0	0	145	0	0	0	1 648
Loans and advances to customers	8 609	805	1 643	2 154	4 186	6 376	14 378	22 402	60 553
Securities	0	3 055	19	650	408	1 582	3 729	901	10 344
Other assets	0	0	0	0	0	0	0	2 753	2 753
Liabilities and Equity	-29 558	-7 407	-4 911	-4 179	-3 527	-3 353	-1 550	-7 005	-61 490
Amounts due to banks	-63	0	-1	-2	-16	-182	-92	-118	-474
Amounts due to customers	-29 495	-5 287	-4 771	-4 026	-3 004	-1 870	-219	-7	-48 679
Own issues	0	-76	-139	-151	-507	-1 301	-1 239	-677	-4 090
Equity	0	0	0	0	0	0	0	-6 203	-6 203
Other liabilities	0	-2 044	0	0	0	0	0	0	-2 044
Balance-sheet gap	-17 976	-3 547	-3 249	-1 375	1 212	4 605	16 557	19 051	15 278
Accumulated balance-sheet gap	-17 976	-21 523	-24 772	-26 147	-24 935	-20 330	-3 773	15 278	
Derivative instruments - inflows	0	5 473	1 894	671	1 215	740	423	63	10 479
Derivative instruments - outflows	0	-5 474	-1 875	-669	-1 181	-735	-411	-62	-10 407
Derivative instruments - net	0	-1	19	2	34	5	12	1	72
Guarantee and financial lines	13 745	7	12	19	119	107	13	8	14 029
Off-balance sheet gap	13 745	5	31	20	153	113	25	9	14 101
Total gap	-4 230	-3 543	-3 217	-1 354	1 366	4 717	16 582	19 061	29 381
Total accumulated gap	-4 230	-7 773	-10 990	-12 345	-10 979	-6 261	10 320	29 381	

Credit risk

The information in the tables below are presented in net values.

Receivables not overdue

	As at 30.06.2017	As at 31.12.2016
Amounts due not impaired	40 584 452	41 210 883
Retail segment	23 666 835	23 026 091
Business segment	16 917 617	18 184 792
Amounts due impaired	895 248	522 533
Retail segment	71 731	107 021
Business segment	823 517	415 512
Receivables not overdue	41 479 700	41 733 416

Overdue loans and advances to customers as at 30.06.2017

As at 30.06.2017	Up to 1 month	from 1 to 3 months	from 3 months to 1 year	from 1 year to 5 years	more than 5 years	Total
Amounts due from customers not impaired	4 026 345	607 711	245 116	792 751	56 118	5 728 041
Retail segment	1 770 439	485 543	13 639	38 667	1 181	2 309 469
Corporate segment	2 255 906	122 167	231 477	754 084	54 937	3 418 572
Amounts due from customers impaired	141 469	120 797	666 515	896 040	46 792	1 871 613
Retail segment	45 481	84 228	323 005	442 234	10 675	905 624
Corporate segment	95 988	36 568	343 510	453 806	36 117	965 989
Total amount due from customers	4 167 814	728 507	911 630	1 688 791	102 911	7 599 654

Overdue loans and advances to customers as at 31.12.2016

As at 31.12.2016	Up to 1 month	from 1 to 3 months	from 3 months to 1 year	from 1 year to 5 years	more than 5 years	Total
Amounts due from customers not impaired	2 187 184	537 232	119 213	130 302	3 250	2 977 180
Retail segment	1 519 443	404 861	12 907	33 458	539	1 971 208
Corporate segment	667 741	132 370	106 305	96 844	2 711	1 005 972
Amounts due from customers impaired	172 927	137 080	521 604	722 184	14 023	1 567 817
Retail segment	51 155	81 415	289 363	364 528	4 668	791 129
Corporate segment	121 772	55 665	232 240	357 656	9 355	776 688
Total amount due from customers	2 360 111	674 312	640 817	852 486	17 273	4 544 998

37. Events significant to the business operations of the Bank's

Operational merger

Alior Bank has completed the process of taking over the assets of the demerged business of Bank BPH. The last phase of the merger was completed - an operational merger involving the transfer of over 2 700 000 data records of clients of the acquired part of Bank BPH to Alior Bank's IT systems took place between 24 to 26 March 2017.

The process was completed less than five months after the legal merger and thus it is the fastest merger in Poland.

The operational merger ending the integration process, means full unification of customer service in access to outlets and transaction systems by transferring data and product handling to Alior Bank's IT systems.

Transaction between entities from Alior Bank SA Capital Group - conclusion of a significant agreement

On 10 March 2017, an agreement was signed between Alior Bank SA and its subsidiary Alior Leasing Sp. z o.o. concerning the package of agreements for financing current operations. As a result of this agreement the Bank's total exposure to Alior Leasing increased to PLN 869 000 thousand.

Adoption and approval of Alior Bank SA Group strategy, for the years 2017-2020

On 13 March 2017, the Management Board of Alior Bank SA decided to publish the main assumptions of "Alior Bank Strategy for 2017-2020" approved by the Bank's Supervisory Board.

Payment of deferred variable remuneration for 2013, 2014 and 2015

On 14 March 2017, the Supervisory Board of Alior Bank SA adopted a resolution on the issue to the members of the Management Board of deferred financial instruments under the Management Options Scheme for 2013, 2014 and 2015. Pursuant to § 23 par. 2 point 11 of the Statute of the Bank, in relation to the Policy of variable components of remuneration of persons occupying managerial positions in Alior Bank SA and pursuant to Resolution No. 28/2012 of the Extraordinary General Meeting of Alior Bank SA of 19 October 2012 on the conditional increase of the Bank's share capital and the issue of subscription warrants, the Company granted consent for the issuance of deferred warrants and the phantom shares assigned to them as a result of the adjustment of the Program in connection with the issue of pre-emptive shares:

- 78 626 series A subscription warrants with a par value of PLN 61.84 and 46 542 phantom shares with a par value of PLN 50.43.
- 84 374 series B subscription warrants with a par value of PLN 64.65 and 46 000 phantom shares with a par value of PLN 52.72.
- 94 060 C series subscription warrants with a par value of PLN 66.06 and 47 63 phantom shares with a par value of PLN 53.87.

Information about final settlement of purchase price between Alior Bank and Bank BPH Bank

The parties of the transaction have not reached agreement on final settlement of the purchase price. The Share Purchase Agreement provides for the resolution of the discrepancy between Alior Bank and the Sellers of Bank BPH by an expert which is an audit firm appointed in accordance with the provisions of the Share Purchase Agreement. At the end of June 2017 Alior Bank adjusted the amount of receivables due for final settlement of the purchase price by PLN 30.1 million.

Individual recommendation of the Polish Financial Supervision Authority concerning the dividend for 2016

Alior Bank SA informed in its current report dated on 23 March 2017 about an individual recommendation to increase its own funds by retaining the entire profit reached by the Bank in the period from 1 January 2016 to 31 December 2016.

Changes in the composition of the Management and Supervisory Boards of Alior Bank SA

These changes were broadly written in Section 1.4 Information on the composition of the Bank's Management and Supervisory Boards.

38. Significant events after the end of the reporting period

Shares acquisition statements and execution of the 2013, 2014 and 2015 Managerial Options Scheme

As part of the Management option scheme for 2013, 2014 and 2015 the Bank is going to launch the process of increasing the share capital of the Bank through conditional share capital increase by issuing new ordinary bearer shares of D, E and F series amounted of PLN 58.610.00 which are 0.2% of all possible exercisable rights granted to the participants of the Subscription Warrants (nominal value of the program is PLN 29 792 660.00). The new issue is addressed to managers will be equal to 0.005% of currently issued shares.

Statement of execution of the rights granted by the Subscription Warrants Series A and the acquisition of 2 776 (two thousand seven hundred and seventy six) Series D ordinary bearer shares ("D Series Shares") with a nominal value of PLN 10 (ten zlotys) each amounted to PLN 27 760.00 (twenty seven thousand seven hundred and sixty), at an issue price of PLN 61.84 for one Series D Shares and Subscription Warrants Series B and for the acquisition of 2 785 (two thousand seven hundred and eighty five) Series E ordinary bearer shares ("Series E Shares") with a nominal value of PLN 10 (ten zloty) each, amounted to PLN 27 850.00 (twenty seven thousand eight hundred and fifty zloty), at an issue price of PLN 64.65 for one Series E Shares and Subscription Warrants Series C and to acquire 300 (three hundred) ordinary bearer Series F Shares ("F Series Shares") with a nominal value of PLN 10 (ten zlotys) each, amounted to PLN 3 000.00 (three thousand zlotys), at an issue price of 66.06 PLN (sixty six zloty six grosz) per one F Series share have been accepted for implementation.

Start of the Book Building process in terms of the preparation of private placement of Alior Bank SA's ordinary bonds

On 7 July 2017 the Management Board of Alior Bank agreed to launch the book-building process related to preparation of the non-public issue of the Bank's ordinary bonds.

The basic parameters of the prepared issue are as follows:

1. maximum total nominal value up to PLN 250 000 000 (two hundred and fifty million zlotys);
2. the interest rate of the bonds will be variable based on the WIBOR6M reference rate increased by a margin of 1.19%,

3. the bonds will be unsecured,
4. the bonds will have a 3-years maturity, and
- 5 the considered date of the bond issue is 11 August 2017, and the date of redemption of the Bonds will be 11 August 2020.

Sale of receivables

In the period from 1 July 2017 to the date of publication of these financial statements, the Group has made several sales of receivables. The total amount of these transactions reached a gross amount of PLN 381 million and the estimated financial impact of these transactions by the end of 2017, taking into account the collective impact of the models and the tax effect, will amount to approximately PLN 42 million.

39. Rating

On 16 February 2017 Fitch Ratings Ltd. maintained issuer rating assigned to Alior Bank SA on 5 September 2013 unchanged at BB with a stable outlook.

In its report, Fitch indicated that the evaluation of the profitability of Alior Bank at the level of "BB" reflects the rapid credit expansion and a higher appetite for credit risk than its competitors.

The Bank's full rating by Fitch is as follows:

1. Long-Term Foreign Currency IDR: BB stable outlook;
2. Short-Term Foreign Currency IDR: B;
3. National Long-Term Rating: BBB+(pol) stable outlook;
4. National Short-Term Rating: F2(pol);
5. Viability Rating (VR): bb;
6. Support Rating: 5;
7. Support Rating Floor: 'No Floor'.

Definitions of the Fitch ratings are available on the Agency's website: www.fitchratings.com where ratings criteria and methodologies are also published.

40. Financial forecasts

The Alior Bank SA Group did not publish any forecasts of its results.

41. Establishment of the Bond Issue Program

Since 28 December 2015 Alior Bank has the Public Subordinated Bonds Issue Program which has been approved by its Supervisory Board and which allows the issue, in series of up to PLN 800 000 000 with terms of redemption from 5 to 10 years according to Art. 33.1 of the Bonds Act and on the basis of the base prospectus.

The Public Issue Program allows the issuance of bonds to ensure a safe level of capital ratio (TCR).

The terms and conditions of issue of each Bond series will contain provisions regarding their classification as own funds components in accordance with the provisions of Regulation (EU) No 575/2013 of the European Parliament and of the Council of 26 June

2013 on prudential requirements for credit institutions and investment firms and amending Regulation (EU) No 648/2012 (O. J. EU L 176 of 27.6.2013. p. 1).

At the same time, the Supervisory Board authorized the Bank's Management Board to determine the final terms and conditions for issuing particular Bond series issued under the Issue Program allotting the Bonds to investors and taking all other necessary actions aimed at carrying out the Issue.

On 12 April 2016, the Polish Financial Supervision Authority approved the Bank's prospectus prepared in connection with: (i) public offerings on the territory of the Republic of Poland of up to 800 000 unsecured subordinated bearer bonds with PLN 1 000 par value each issued under the Public Issue Scheme of Alior Bank SA Subordinated Bonds; and (ii) the intention to seek the admission and introduction of up to 800 000 Bonds to trading on the regulated market of the Warsaw Stock Exchange in the Catalyst system.

On 16 September 2016, the Bank's Management Board passed a resolution on discontinuing, as of 16 September 2016 further public offerings of bonds under the above-mentioned base prospectus and seeking the admission of further bonds issued under the Public Issue Program to trading on a regulated market. As at the date of passing that resolution, such a decision was made due to the fact that the Bank had no intention of issuing any more subordinated bonds as part of public offerings on the basis of the said prospectus. To avoid any doubts, the Bank's Management Board confirmed in its announcement that its decision did not render the Public Issue Program invalid; it was aimed at terminating the validity of the prospectus, which pursuant to Art. 49. 1b (a) of the Act on Public Offering took place on the date of the publication of the said announcement, i.e. on 16 September 2016.

In the first half of 2017 there were no subordinated bonds issued under the Public Issue.

By 31 December 2016, the Bank carried out the issues of two series of subordinated bonds under the Public Program:

Name of series	Short name	ISIN	Value of series(zloty)	Issue Date	Redemption Date	Market quotations
P1A	ALR0522	PLALIOR00151	150 000 000	2016-04-27	2022-05-16	RR GPW
P1B	ALR0524	PLALIOR00169	70 000 000	2016-04-29	2024-05-16	RR GPW

42. Registered audit company

By a resolution dated 22 May 2017, the Supervisory Board elected KPMG Audyt Spółka z ograniczoną odpowiedzialnością sp.k. with its registered office in Warsaw as the registered auditor to audit the financial statements. The contract was concluded for the period of performing the services related to the audit of the financial statements for 2017 and 2018.



Interim condensed separate
financial statements
of Alior Bank Spółka Akcyjna

for the first half of 2017

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Interim condensed separate income statement

	01.04.2017 - 30.06.2017	01.01.2017 - 30.06.2017	01.04.2016 - 30.06.2016	01.01.2016 - 30.06.2016
Interest income	889 884	1 755 243	612 981	1 190 640
Interest expense	-172 854	-378 709	-169 683	-335 174
Net interest income	717 030	1 376 534	443 298	855 466
Dividend income	2	2	34	34
Fee and commission income	203 358	394 693	136 912	274 854
Fee and commission expense	-88 688	-165 307	-60 121	-110 546
Net fee and commission income	114 670	229 386	76 791	164 308
Trading result	98 584	171 559	72 596	130 761
Net gain (realized) on other financial instruments	712	1 166	10 156	20 766
Other operating income	23 392	51 981	16 075	29 946
Other operating costs	-16 589	-31 909	-18 462	-23 045
Net other operating income	6 803	20 072	-2 387	6 901
General administrative expenses	-489 544	-968 305	-281 805	-553 361
Impairment losses & provisions	-253 339	-464 530	-172 007	-347 130
Bank tax	-49 201	-98 728	-32 257	-52 930
Profit before tax	145 717	267 156	114 419	224 815
Income tax	-41 147	-76 779	-29 646	-56 396
Net profit	104 570	190 377	84 773	168 419
Net profit	104 570	190 377	84 773	168 419
Weighted average number of ordinary shares	129 257 763	129 257 763	77 057 482	72 088 316
Basic earnings per share (in PLN)	0.81	1.47	1.10	2.25
Diluted earnings per share (in PLN)	0.79	1.44	1.06	2.17

Interim condensed separate statement of comprehensive income

	01.04.2017 - 30.06.2017	01.01.2017 - 30.06.2017	01.04.2016 - 30.06.2016	01.01.2016 - 30.06.2016
Net profit	104 570	190 377	84 773	168 419
Items that may be reclassified to the income statement after certain conditions are fulfilled	1 480	40 353	-25 886	-18 495
Foreign operations currency translation differences	5	77	0	0
Fair valuation of financial assets available for sale (net)	461	34 583	-16 950	-7 863
Profit/loss on fair valuation of financial assets available for sale	685	42 370	-20 925	-9 707
Deferred tax	-224	-7 787	3 975	1 844
Net gains/losses on hedging instruments	1 014	5 693	-8 936	-10 632
Gains/losses on hedging instruments	1 056	6 644	-11 033	-13 126
Deferred tax	-42	-951	2 097	2 494
Total comprehensive income, net	106 050	230 730	58 887	149 924

The notes presented on pages 71-74 constitute an integral part of these interim condensed separate financial statements.

Interim condensed separate statement of financial position

ASSETS	As at 30.06.2017	As at 31.12.2016
Cash and balances with the Central Bank	2 377 158	1 082 991
Financial assets held for trading	421 042	419 551
Available-for-sale financial assets	6 469 215	9 357 734
Investment securities held to maturity	0	1 954
Derivative hedging instruments	45 904	71 684
Amounts due from banks	734 820	1 364 226
Loans and advances to customers	49 024 739	46 279 849
Assets pledged as collateral	510 962	366 984
<i>including: pledged assets</i>	162 099	29 783
Property, plant and equipment	474 118	483 520
Intangible assets	510 213	480 913
Investments in subsidiaries	97 525	72 359
Non-current assets held for sale	468	679
Income tax asset	533 383	523 371
<i>Deferred</i>	533 383	523 371
Other assets	506 657	706 034
TOTAL ASSETS	61 706 204	61 211 849
LIABILITIES AND EQUITY	As at 30.06.2017	As at 31.12.2016
Financial liabilities held for trading	366 491	298 314
Amounts due to banks	712 026	381 235
Amounts due to customers	51 701 028	51 404 848
Derivative hedging instruments	8 868	6 119
Provisions	186 058	286 791
Other liabilities	1 124 224	1 433 760
Income tax liabilities	29 431	13 125
<i>Current</i>	29 431	13 125
Subordinated loans	1 160 811	1 164 794
Total liabilities	55 288 937	54 988 986
Equity	6 417 267	6 222 863
Share capital	1 292 578	1 292 578
Supplementary capital	4 817 028	4 184 953
Revaluation reserve	-31 339	-71 615
Other reserves	184 894	184 894
Foreign currency translation differences	55	-22
Accumulated losses	-36 326	0
Profit for the year	190 377	632 075
TOTAL LIABILITIES AND EQUITY	61 706 204	61 211 849

The notes presented on pages 71-74 constitute an integral part of these interim condensed separate financial statements.



(in PLN'000)

Interim condensed separate statement of changes in equity

1.01.2017- 30.06.2017	Share capital	Supplementary capital	Other reserve - Share-based payments	Revaluation reserve	Exchange differences on revaluation of foreign units	Retained earnings/ accumulated losses	Net profit	Total equity
As at 1 January 2017	1 292 578	4 184 953	184 894	-71 615	-22	0	632 075	6 222 863
Transfer of the previous year result	0	632 075	0	0	0	0	-632 075	0
Comprehensive income	0	0	0	40 276	77	0	190 377	230 730
net profit	0	0	0	0	0	0	190 377	190 377
other comprehensive income	0	0	0	40 276	77	0	0	40 353
Other adjustments	0	0	0	0	0	-36 326	0	-36 326
As at 30 June 2017*	1 292 578	4 817 028	184 894	-31 339	55	-36 326	190 377	6 417 267

*explanation are described in Note 37 to the Interim Condensed Condolisted Financial Statements in item: Information about final settlement of purchase price between Alior Bank and Bank BPH Bank

1.01.2016- 30.06.2016	Share capital	Supplementary capital	Other reserve - Share-based payments	Revaluation reserve	Retained earnings/ accumulated losses	Net profit	Total equity
As at 1 January 2016	727 075	2 280 668	184 735	15 215	0	311 415	3 519 108
Transfer of the previous year result	0	0	0	0	311 415	-311 415	0
Comprehensive income	0	0	0	-18 495	0	168 419	149 924
net profit	0	0	0	0	0	168 419	168 419
other comprehensive income	0	0	0	-18 495	0	0	-18 495
Share issue	565 502	1 579 494	0	0	0	0	2 144 996
Gains and losses from business combinations	0	311 415	0	0	-311 415	0	0
As at 30 June 2016	1 292 577	4 171 577	184 735	-3 280	0	168 419	5 814 028

The notes presented on pages 71-74 constitute an integral part of these interim condensed separate financial statements.

Interim condensed separate statement of cash flows

	1.01.2017- 30.06.2017	1.01.2016- 30.06.2016
Operating activities		
Profit before tax	267 156	224 815
Adjustments:	-5 131	62 020
Unrealized foreign exchange gains/losses	-3 906	1 980
Amortization/depreciation of tangible and intangible assets	86 930	46 064
Change in impairment loss of tangible fixed and intangible assets	12 578	12 241
Change in provisions	-100 733	1 735
Gross profit after adjustments and before changing balances	262 025	286 835
Change in loans and receivables	-2 251 749	-4 158 201
Change in financial assets available for sale	2 888 519	-4 251 813
Change in investment securities held to maturity	1 954	0
Change in financial assets held for trading	-1 491	-11 918
Change in assets pledged as collateral	-143 978	64 963
Change in hedging asset derivatives	25 780	85 917
Change in non-current assets held for sale	211	192
Change in subsidiaries	0	-31 172
Change in other assets	122 598	47 391
Change in deposits	835 310	4 284 973
Change in issued debt	-70 508	78 868
Change in financial liabilities held for trading	68 177	-11 284
Change in loans and receivables	2 749	0
Change in other liabilities and other comprehensive income	-442 085	148 979
Net cash flow from operating activities before income tax	1 297 513	-3 466 270
Income tax paid	6 294	-120 838
Net cash flow from operating activities	1 303 807	-3 587 108
Investing activities		
Outflows:	-114 938	-43 687
Purchase of property, plant and equipment	-44 100	-16 709
Purchase of intangible assets	-45 672	-26 978
Investments in subsidiaries	-25 166	0
Inflows:	3 084	3 746
Dividend received	2	3 746
Disposal of tangible fixed assets	3 082	0
Net cash flow from investing activities	-111 854	-39 941
Financing activities		
Outflows:	-34 050	-24 113
Interest expense – subordinated loan	-34 050	-24 113
Inflows:	0	2 409 074
Subordinated liabilities incurred	0	264 078
Inflows from share issue	0	2 144 949
Net cash flow from financing activities	-34 050	2 384 961
Total net cash flow	1 157 902	-1 242 088
incl. exchange gains/(losses)	-57 358	6 099
Balance sheet change in cash and cash equivalents	1 157 902	-1 242 088
Cash and cash equivalents, opening balance	1 707 153	2 202 212
Cash and cash equivalents, closing balance	2 865 055	960 124
Additional disclosures on operating cash flows		
Interests received	1 914 929	1 508 561
Interests paid	-341 960	-460 569

The notes presented on pages 71-74 constitute an integral part of these interim condensed separate financial statements.

1. Basis for preparation

Scope and comparatives

The condensed interim separate financial statements of Alior Bank SA comprise the data of the Bank and cover the 6-month period ended 30 June 2017 and the comparatives for the 6-month period ended 30 June 2016 (with respect to the separate income statement, separate statement of comprehensive income, separate statement of financial position, separate statement of changes in equity and separate statement of cash flows) and the comparatives as at 31 December 2016 (with respect to the separate statement of financial position). The condensed interim separate financial statements have been prepared in Polish zlotys. Unless otherwise stated, the amounts are presented in PLN thousands.

Statement of compliance

These interim condensed separate financial statements of Alior Bank Spółka Akcyjna for the first half of 2017 have been prepared in accordance with the International Accounting Standard 34 "Interim Financial Reporting" as adopted by the European Union.

These interim condensed separate financial statements comply with the requirements of the International Accounting Standard (IAS) 34 concerning interim financial reporting. These interim financial statements have been prepared in a condensed form and do not include all disclosures required in the annual financial statements.

The interim condensed separate income statement, interim condensed separate statement of comprehensive income, interim condensed separate statement of changes in equity and interim condensed separate statement of cash flows for the period from 1 January 2017 to 30 June 2017 and the interim condensed separate statement of financial position as at 30 June 2017, together with comparative data, was prepared using the same accounting policies as in the most recent annual financial statements and except for changes in standards that are effective as of 1 January 2017.

Going concern

The interim condensed separate financial statements of Alior Bank Spółka Akcyjna have been prepared based on the assumption that the Bank will continue in operation as a going concern for a period of at least 12 months after the balance sheet date, i.e. after 30 June 2017.

As at the date of approval of these interim condensed financial statements, the Bank's Management Board is not aware of any circumstances that would have an adverse effect on the Bank's operations for any reasons.

2. Accounting principles

The accounting principles are presented in detail in the annual financial statements of Alior Bank SA for the period from 1 January to 31 December 2016, published on 9 March 2017 and available on the Alior Banku SA website, except for the changes described in Note 2.2 to the interim condensed consolidated financial statements.

3. Changes in presentation

In relation to the published interim financial statements as of 30 June 2016 in this report the presentation of interest income and expense in position derivative hedging instruments was changed in order to better reflect the economic character of those transactions.

Position of income statement	were presented		Change		Actaul	
	01.04.2016-30.06.2016	01.01.2016-30.06.2016	01.04.2016-30.06.2016	01.01.2016-30.06.2016	01.04.2016-30.06.2016	01.01.2016-30.06.2016
Interest income	692 598	1 355 497	-79 617	-164 857	612 981	1 190 640
Interest income from financial instruments measured at amortized cost including the effective interest rate method	579 439	1 124 171	0	0	579 439	1 124 171
term deposits	477	819	0	0	477	819
loans	540 168	1 050 236	0	0	540 168	1 050 236
financial assets available for sale	30 926	58 284	0	0	30 926	58 284
receivables acquired	5 880	11 889	0	0	5 880	11 889
other	1 988	2 943	0	0	1 988	2 943
Other interest income	113 159	231 326	-79 617	-164 857	33 542	66 469
current accounts	4 406	8 548	0	0	4 406	8 548
overnight deposits	221	334	0	0	221	334
derivative hedging instruments	108 532	222 444	-79 617	-164 857	28 915	57 587
Interest expense	-249 300	-500 031	79 617	164 857	-169 683	-335 174
Interest expense from financial instruments measured at amortized cost including the effective interest rate method	-142 832	-282 262	0	0	-142 832	-282 262
term deposits	-106 976	-213 807	0	0	-106 976	-213 807
repo transactions in securities	-3 715	-6 099	0	0	-3 715	-6 099
cash deposits	-1 159	-2 240	0	0	-1 159	-2 240
own issue	-30 455	-59 052	0	0	-30 455	-59 052
other	-527	-1 064	0	0	-527	-1 064
Other interest expense	-106 468	-217 769	79 617	164 857	-26 851	-52 912
current deposits	-8 391	-16 012	0	0	-8 391	-16 012
derivative hedging instruments	-98 077	-201 757	79 617	164 857	-18 460	-36 900
Net interest income	443 298	855 466	0	0	443 298	855 466

In relation to the published interim financial statements as of 31 March 2017 in this report the presentation of interest income and fee and commission income was changed. It is due to the presentation's adjustment of commission income related to acquired part of Bank BPH.

Position of income statement	were presented		Change		Actual	
	01.01.2017-31.03.2017	01.04.2017-30.06.2017	01.01.2017-31.03.2017	01.04.2017-30.06.2017	01.01.2017-31.03.2017	01.04.2017-30.06.2017
Interest income including adjustments related to derivative hedging instruments	844 769	910 474	20 590	-20 590	865 359	889 884
Fee and commission income	211 925	182 768	-20 590	20 590	191 335	203 358

4. Off-balance sheet items

Off-balance sheet items are described in Note 28 to the interim condensed consolidated financial statements.

5. Transactions with related entities

Related-party transactions are described in Note 30 to the interim condensed consolidated financial statements of the Alior Bank Spółka Akcyjna Group, with the exception of transactions with subsidiaries presented below:

Subsidiaries	As at 30.06.2017	As at 31.12.2016
Assets		
Loans and advances to customers	790 957	370 250
Other assets	7 061	4 760
Total assets	798 018	375 010
Liabilities		
Amounts due to customers	21 583	40 267
Provisions	181	125
Other liabilities	1 387	854
Total liabilities	23 151	41 246

Subsidiaries	As at 30.06.2017	As at 31.12.2016
Off-balance sheet liabilities granted	752 722	130 972
Relating to financing	577 428	75 230
Guarantees	175 294	55 742

Subsidiaries	01.01.2017 - 30.06.2017	01.01.2016 - 30.06.2016
Interest income	7 057	1 437
Interest expense	-50	-35
Fee and commission income	2 700	601
Other operating income	57	115
Other operating expense	-1	0
General administrative expenses	-2 702	-879
Total	7 061	1 239

6. Significant events after the end of the reporting period

Significant events after the end of the reporting period are described in Note 38 to the interim condensed consolidated financial statements of the Alior Bank Spółka Akcyjna Group.